

- SUBJECT:** General obligation bonds for military enhancement project loans
- COMMITTEE:** Defense Affairs and State-Federal Relations — committee substitute recommended
- VOTE:** 8 ayes — Corte, Campbell, Berman, Delisi, Mabry, Merritt, Noriega, Seaman
0 nays
1 absent — P. Moreno
- WITNESSES:** For — Gary Bushell, South Texas Military Facilities Task Force and Corpus Christi Chamber of Commerce
Against — None
- BACKGROUND:** In 2005, the Department of Defense’s (DOD) Base Realignment and Closure (BRAC) process will reassess U.S. military installations and infrastructures to ensure that they best support U.S. military forces in their transformation to counter the threats faced by this country in 2005-2025. DOD has estimated that up to 25 percent of existing military installations could be closed in this round of BRAC due to excess military infrastructure capacity. Initial BRAC data collection and analysis began in January 2002, and the list of base closures will be finalized in November 2005. Texas has 18 major military installations that collectively employ nearly 230,000 people.
- DIGEST:** CSHJR 7 would propose a constitutional amendment adding Art. 3, sec. 49-n, that would permit the Legislature to authorize one or more state agencies to issue general obligations bonds not to exceed \$250 million. Proceeds from the sale of the bonds would be deposited in the Texas military value revolving loan account to be used by a state agency to provide loans for economic development projects benefitting defense communities.
- It would authorize a defense community that received a loan to use money from the account to capitalize interest on the loan. Further, it would establish that expenses from issuing the bonds and administering the account could be

paid from money in the account. This resolution also would authorize an agency providing a loan from the account to require the defense community receiving the loan to pay pro rata costs associated with bond issuance.

The proposal would be presented to the voters at an election on September 13, 2003. The ballot proposal would read: "The constitutional amendment authorizing the issuance of general obligation bonds not to exceed \$250 million payable from the general revenues of the state to provide loans to defense-related communities for economic development projects, including projects that enhance the military value of military installations."

**SUPPORTERS
SAY:**

Though BRAC is commonly understood as an opportunity for a community to lose military bases, BRAC also can create opportunities for a community to maintain, expand, or gain new military investment through base realignment. For example, communities in South Texas gained 40 percent in payroll from the 1993 and 1995 BRAC processes. This bill would put money in place to help communities address existing deficiencies in their military infrastructure or make needed improvements so that bases could accommodate new missions granted by DOD. Doing so would give communities a better chance of benefitting from, rather than being hurt by, this BRAC round. Since the Legislature will not meet again until DOD has almost finalized its decisions about which bases to close or realign, it is critical that the 78th Legislature act to show that the state strongly supports its U.S. military investments.

Some have expressed concern that bonds authorized by this resolution would fund loans that could be given to bases that ended up closing. While this is true, a community that borrowed money would have to repay the loan regardless of whether their base was closed or not. Communities know this and thus would have the incentive to use loans for projects that added value to their community even if the base was closed. Desalination and port facilities, for example, could be used for civilian industrial purposes, as well as military purposes.

**OPPONENTS
SAY:**

CSHJR 7 would broadly authorize bonds to fund loans for projects that enhanced the military value of a military facility. However, more often than not, BRAC results in closure, not growth, of military facilities. Though communities might have the incentive to seek loans only for projects with dual civilian and military value so that the project still would be valuable even

if the base closed, the loan approval process would not be required to consider the civilian value of a proposed project. Thus, the bonds authorized by this resolution might not be suitable for the state's general obligation support.

NOTES:

The committee substitute differs from the resolution as introduced by altering the name of the revolving loan account and changing the election date on which voters would consider the amendment from November 4 to September 13, 2003.

CSHB 1521 by Corte, which would establish the Texas military value revolving loan account and comprehensively address the state's approach to BRAC 2005, is on today's Major State Calendar.

The companion joint resolution, CSSJR 55 by Shapleigh, which passed the Senate by 30-0 on May 6, was reported favorably without amendment by the House Defense Affairs and State-Federal Relations Committee on May 8, making it eligible to be considered in lieu of HJR 7. The two are virtually identical.