HOUSE RESEARCH ORGANIZATION bill analysis | 5/21/2003 | SB 1295 Van de Putte, Hinojosa (Corte)

SUBJECT: Encouraging financial assistance to defense communities

COMMITTEE: Defense Affairs and State-Federal Relations — favorable, without amendment

VOTE: 6 ayes — Corte, Campbell, Berman, Delisi, Merritt, Seaman

0 nays

3 absent — Mabry, P. Moreno, Noriega

SENATE VOTE: On final passage, May 8 — 31-0

WITNESSES: No public hearing

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 the United States from 2005 through 2025. DOD has estimated that up to 25 percent of existing military installations could be closed in this round of BRAC because of excess 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: SB 1295 would add Government Code, ch. 481, subch. DD, relating to assistance for defense communities. It would require the Office of Defense Affairs (ODA) within the Texas Department of Economic Development to coordinate with its advisory group, the Texas Strategic Military Planning Commission (TSMPC), to help defense communities obtain financing for economic development projects that improve the function of a defense base. ODA and TSMPC would have to refer defense communities to local economic development corporations or to state agencies with existing financing programs, including the Texas Water Development Board and the Texas Department of Transportation. ODA would have to submit a priority list of projects to state agencies, totaling up to $150 million.

A state agency making a loan to a defense community would have to determine whether a particular project could be financed through its program and would have to consider the priority placed on the project by ODA, but the agency would have sole discretion on whether to finance the project. ODA would have to enter into a memorandum of understanding with each state agency that had a program to fund economic development projects for defense communities, detailing each agency's responsibilities in granting and administering a loan. If a defense community defaulted on a loan, the state agency could foreclose on the loan and could liquidate any collateral to recover outstanding debt. The bill would allow ODA to accept gifts and grants from any source to carry out these provisions.

The bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2003.

SUPPORTERS SAY:

SB 1295 would position Texas to benefit from BRAC 2005 by enhancing the military value of existing bases and by conveying the support of state policy-makers for the U.S. military. BRAC is a federal issue, but states choose how to respond, and it is in the best interest of Texans to employ a coordinated, proactive approach. Military expenditures in Texas in fiscal 2000 had an economic impact of almost $50 billion, and it is critical that state government play an active role in protecting and promoting this sector of the economy.

Although BRAC usually is perceived as a threat to military bases, BRAC also can create opportunities to maintain, expand, or gain new military investment though base realignment. For example, communities in South Texas gained 40 percent in payroll from the 1993 and 1995 BRAC processes. SB 1295 would help communities address deficiencies in their military infrastructure or make 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, the upcoming BRAC round. Because the Legislature will not meet again until DOD nearly has finalized its decisions about which bases to close or realign, it is critical that the 78th Legislature show that the state strongly supports U.S. military investments.

Some have expressed concern that the financing established by this bill could fund projects in military communities whose bases wind up being closed by

BRAC. However, communities that used such loans would have the same financial responsibilities whether or not their bases were closed. Communities know this, and they would have the incentive to use loans for projects that added value to their community, even if the base was closed. Desalination, port facilities, and day-care centers, for example, could be used for civilian industrial, as well as military, purposes.

SB 652 by Shapleigh, the comprehensive BRAC response legislation, was sent to the governor on May 16. SB 1295 would expand on SB 652 in codifying the requirement that entities cooperate with one another through memoranda of understanding. It also would increase security for loans made pursuant to this legislation by allowing agencies to liquidate collateral to recover outstanding debt in case a community defaulted on a loan.

This bill would send a clear message to state agencies that the Legislature intends that they fund projects prioritized by ODA. It would be permissive, leaving the final decision about project approval to the agency so that every project could be assessed on its merits, but the permissive language would not obscure the legislative intent that high-priority projects receive financing.

OPPONENTS SAY:

SB 1295 would encourage financing for projects that enhance the military value of a base. 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 if the base was closed, the financing process would not have to consider the civilian value of a proposed project. Thus, the loans referenced in this bill could waste taxpayers' dollars.

OTHER OPPONENTS SAY:

SB 1295 would achieve nothing that SB 652 would not achieve or that could not be addressed in rulemaking. Also, this bill would not require state agencies with existing financing programs to fund any project, not even those given highest priority by ODA. It would leave sole discretion about whether to finance a project with the state agency.

NOTES: SB 275 by Nelson, which would abolish the Texas Department of Economic Development and shift its programs (including ODA) to the governor, passed the Senate on April 24 and the House, as amended, on May 16.