

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION**

**May 13, 2003**

**TO:** Honorable David Dewhurst, Lieutenant Governor, Senate

**FROM:** John Keel, Director, Legislative Budget Board

**IN RE: SB652** by Shapleigh (Relating to economic development, strategic planning, and other issues regarding military facilities, and the merger of certain state agencies with military responsibilities; granting authority to issue bonds.), **As Passed 2nd House**

**No significant fiscal implication to the State is anticipated.**

**Fiscal Analysis**

The bill would amend the Government Code, renaming the Texas Strategic Military Planning Commission to the Texas Military Preparedness Commission within the Office of the Governor. The Office of Defense Affairs and the Texas Strategic Military Planning Commission would be abolished and their powers, duties, and funding transferred to the new commission. The new commission would advise the governor and the legislature on defense-related issues, including private industry and federal actions that will affect Texas. The commission shall, subject to approval of the governor, hire a director to serve as the chief executive officer of the commission and to perform the administrative duties of the commission.

The bill requires a state agency to consider enhancing the military value of federally owned or operated military installations or facilities when establishing agency goals. It provides that the state agency is encouraged to use the most current Texas military preparedness criteria in making that evaluation. The bill requires the state agency to make an expenditure high priority if, based on base realignment and closure criteria, the agency determines it will enhance the military value of a federally owned or operated military installation or facility.

The bill authorizes the Commission to provide loans from the Texas Military Value Revolving Loan Account, created by this bill, to defense communities for projects that will enhance the military value of the defense community. The Commission shall adopt rules, in consultation with the Texas Public Finance Authority, that contain the criteria for evaluating the credit of a loan applicant and the financial feasibility of a project. A defense community may submit the community's military value enhancement statement. Upon receiving a military value enhancement statement, the Commission shall first refer the defense community to a state agency that has existing programs to address their needs. If none exist, then the Commission may provide loans as stated above. The Commission shall analyze the project with the criteria used by the U.S. Department of Defense (DOD) to evaluate military bases in the Base Realignment and Closure (BRAC) process. A project financed with a loan under this section must be completed within five years.

Besides the defense base military value enhancement statement illustrating specifically how the funds will enhance the military value of the installations, the bill would require the community to prepare a comprehensive defense installation and community strategic impact plan explaining the effects of future growth on the defense base and minimizing encroachment.

The bill includes natural gas in the specification what an agency can sell or convey on behalf of the state to military installations.

The Office of the Governor would be required to resolve any disputes about which obligations, rights, contracts, leases, records, personnel, property, and unspent and unobligated appropriations or other

funds are entitled to be transferred to the Texas Military Preparedness Commission.

The bill requires the Texas Education Agency (TEA) to pursue reciprocity agreements with other states to address the needs of military dependents transferring into, out of, and between Texas.

The bill establishes rules and procedures for the state and local governments necessary to carry out the provisions of the bill.

The bill would take effect immediately upon enactment if it receives a two-thirds vote in both houses. Otherwise, it would take effect September 1, 2003.

### **Methodology**

All of the agencies affected by the bill indicated that the administrative provisions of the bill would not result in a significant fiscal impact.

The Texas Military Preparedness Commission shall notify the Texas Public Finance Authority of the amount of the loan and the recipient of the loan and request the authority to issue general obligation bonds in an amount necessary to fund the loan. The commission and the authority shall determine the amount and time of a bond issue to best provide funds for one or multiple loans. The Texas Military Preparedness Commission shall deposit to the credit of the account all loan payments made by a political subdivision for a loan under Section 436.153. The loans are intended to be self-supporting. Loan payments shall be used to reimburse the general revenue fund for money appropriated to pay the principal, premium if any, and interest on the bonds issued; therefore, loan repayments are a gain to general revenue in an amount equal to debt service.

According to the Texas Public Finance Authority (TPFA), assuming that all \$250,000,000 of commercial paper notes are issued on February 1, 2004 at a 4.5% interest rate for the first two years and a 6% interest rate thereafter, annual debt service for fiscal year 2004 (that would be covered by loan repayments) would be \$6.5 million. Such debt service would be \$11.25 million in fiscal year 2005, \$27.4 million in fiscal year 2006, \$26.6 million in fiscal year 2007, and \$25.9 million in fiscal year 2008.

### **Local Government Impact**

Costs to local governmental entities to implement the bill would depend on each entity's participation.

The bill would require defense communities that apply for assistance from the commission to prepare a defense base military value enhancement statement and allow a defense community to request financial assistance to prepare a comprehensive defense installation and community strategic impact plan. Communities that prepared impact plans would be encouraged to prepare planning manuals based on the impact plans. Bell County reported that the studies would potentially be so complex and costly as to preclude the objectives of the plans.

Local entities that provide discounted electric services to military bases at discounted rates would be allowed to recover the costs through assessed surcharges to retail customers.

Bexar, Bowie, Comal, and Coryell counties reported that the provisions of the bill would have no significant fiscal implication on their budgets. The city of Corpus Christi and Val Verde County reported that the bill could have a positive fiscal effect on their budgets, but were unable to estimate revenues or savings. El Paso County reported that the bill could have a positive effect, as it could impact local taxes, jobs, retail sales and property values, but could not place a dollar amount on the effect.

### **Source Agencies:**

301 Office of the Governor, 116 Sunset Advisory Commission, 302 Office of the Attorney General, 303 Building and Procurement Commission, 304 Comptroller of Public Accounts, 305 General Land Office and Veterans' Land Board, 313 Department of Information Resources, 332 Department of Housing and Community Affairs, 344 Commission on Human Rights, 347 Public Finance Authority, 352 Bond Review Board,

354 Texas Aerospace Commission, 356 Texas Ethics Commission, 360 State Office of Administrative Hearings, 403 Veterans Commission, 473 Public Utility Commission of Texas, 580 Water Development Board, 582 Commission on Environmental Quality, 592 Soil and Water Conservation Board, 601 Department of Transportation

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