

Base Realignment and Closure 2005

A Report and Recommendations to the 79th Legislature

Senate Veteran Affairs and Military Installations Committee,
Senate Base Realignment and Closure Subcommittee

Senator Eliot Shapleigh, Subcommittee Chair
Senator Craig Estes
Senator Troy Fraser

December, 2004

**Base Realignment and Closure 2005
December 2004**

A Report and Recommendations to the 79th Legislature

Table of Contents

1. Executive Summary
2. Recommendations
3. Report
 - a. BRAC - Past and Present
 - b. Texas' Defense Community
 - c. Texas Speaks with One Voice
 - d. Senate Subcommittee Addresses New Issues
 - e. Interim Charge One - Discussion and Recommendations
 - f. Interim Charge Two - Discussion and Recommendations
4. Acknowledgments
5. Appendix 1 - Hearing Agendas
6. Appendix 2 - *BRAC ENews*, October 2003 - November 2004

Base Realignment and Closure 2005 December 2004

A Report and Recommendations to the 79th Legislature

Executive Summary

The Senate Subcommittee on Base Realignment and Closure (Subcommittee) was directed with two specific tasks during the interim of the 78th Legislature: study the implementation of legislation passed during the 78th Regular Session, and monitor and communicate national Base Realignment and Closure (BRAC) developments.

The Subcommittee diligently worked to address the Interim Charges and to work with State and local leaders to help Texas and Texas' defense communities prepare for the upcoming BRAC 2005 round. During the 78th Legislature, efforts culminated in the passage of SB 652 (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), SB 1295 (relating to providing financial assistance to defense communities), and SJR 55 (proposing a constitutional amendment authorizing the issuance of general obligation bonds or notes to provide loans to defense-related communities for economic development projects, including projects that enhance military value of military installations). This legislation, coupled with subsequent efforts by leaders across the state, have positioned Texas' defense community well in the face of BRAC 2005.

Specific Subcommittee activities undertaken during the interim include:

- three hearings held in defense communities across the state that allowed local experts to share information and concerns with the Subcommittee about the State's activities with regard to BRAC;
- regular meetings and communication with local, state and national leaders on how Texas can increase military value and prepare for the upcoming BRAC round; and,
- the monthly publication and distribution of an electronic newsletter updating national, state and local BRAC issues.

The following reports details the BRAC 2005 process, the current activities of State leaders and Subcommittee recommendations to help move Texas into a strong position to face BRAC 2005 and to help Texas' defense communities remain stable and vibrant well into the future.

Base Realignment and Closure 2005 December 2004

A Report and Recommendations to the 79th Legislature

Recommendations

1. Fund the Defense Economic Adjustment Assistance Grant Program (DEAAG) at a level sufficient to provide assistance to Texas defense communities that are negatively affected by BRAC 2005.
2. Expand the DEAAG Fund to allow for the funding of grants to be used by communities to prepare for BRAC and work to attract new missions.
3. Change the Revolving Loan Fund established by SB 652 to be accessible for post-BRAC needs.
4. Revise the statute that allows for the use of 4A/4B sales tax revenue to be used for development projects to include the ability to use the revenue to attract new military missions or prepare for BRAC.
5. Create a matching fund to be used by the Texas Military Preparedness Commission to support defense-dependent communities in their efforts to increase their military value.
6. Create a system to help expedite the licensing and certification process for military dependents in Texas.
7. Direct the Texas Workforce Commission to create a program with Texas' defense dependent communities to support military dependents transferring to Texas to find new employment.
8. Continue to monitor the Texas Education Agency's (TEA) progress in reaching reciprocity agreements nationwide, particularly with Florida, Georgia, North Carolina, and Virginia.
9. Work with the Texas Department of Insurance to develop stricter regulations on the sale of life insurance policies to service members.
10. Support the addition of personnel and funding for the TMPC to better serve defense-dependent communities.
11. Require State Agencies to work with the TMPC to begin assessing post-BRAC issues that will likely occur and work with defense-dependent communities to address infrastructure and human-capacity needs.

12. Develop an email listserv to provide an arena for community leaders, state leaders and national leaders to share information and ideas and to provide "best practice" stories.
13. Encourage continued regular meetings and communication between state leaders.
14. Support the timely publication of a monthly newsletter by the TMPC.

Base Realignment and Closure 2005

December 2004

In November 2002, Secretary of Defense Donald Rumsfeld issued a memorandum outlining the timeline and general criteria for the next installment of military installation closures and realignments. The 2005 round of Base Realignment and Closure (BRAC) is part of a larger transformation effort envisioned by the Bush Administration that will transform the military from a heavy, slow-moving industrial era force designed to fight a Cold War battle to a faster, more adaptive organization built around information age technologies and better equipped to deal with failed states, terrorism, and other 21st-century missions. In an effort to eliminate excess physical capacity and shift the military agenda and ability to better respond to the current political environment, Secretary Rumsfeld's memo emphasized joint activity as the primary objective for BRAC 2005.¹

Though most states have prepared for and experienced the effects of past BRAC rounds, all accounts indicate that the upcoming round will surpass past rounds in the amount of closures and realignments, potentially affecting many more states and communities. Deputy Under Secretary of Defense for Installations and Environment Raymond DuBois has promised that the 2005 closures will cut deeper than the previous base closure rounds of 1988, 1991, 1993, and 1995. Those years saw 97 installation closures and 55 consolidations. The Department of Defense (DOD) has estimated that as much as 25 percent of the military installations will experience some cuts in the first round of BRAC 2005, with the potential for additional cuts.²

BRAC - Past and Present

In 1988, after receiving Congressional Authority, Congress authorized and the Department of Defense conducted four rounds of Base Realignments and Closures (BRAC) in 1988, 1991, 1993, and 1995. These actions were ultimately reviewed by an independent commission and approved by both the President and the Congress. The resizing of the base structure to the changing needs of a smaller force and reorganization of military functions to reduce redundant and overlapping capabilities achieved an aggregate net savings of \$17 billion through Fiscal Year 2001 and annual recurring savings thereafter of about \$7 billion according to the DOD.³ Since BRAC 1995, the national security threat has changed and the DOD's operational doctrine and business practices have evolved leading to the call and approval of an additional round of closures and realignments. In 2001, Congress authorized an additional BRAC round in 2005.

Secretary of Defense Donald Rumsfeld and the DOD began the BRAC 2005 process in November 2002 by establishing a BRAC policy and process framework. The framework includes the adoption of selection criteria, the publishing of a Force Structure report that outlines the current status of the entire DOD military capacity and needs, and the adherence to a timeline that culminates in the final Presidential approval or disapproval of transformations by November 2005.

Selection Criteria For BRAC 2005

In February 2004, the Office of the Deputy Under Secretary of Defense for Installations and Environment, published the selection criteria for closing and realigning military installations inside the United States. The proposed criteria are based on the accepted criteria used in previous BRAC rounds but also incorporate new statutory requirements and emphasize the DOD's emerging approach to performing missions.

The list of eight criteria is meant to provide guidance on which the DOD will rely when determining recommended installation closures or realignments. Four of the eight criteria are outlined as higher priority and focus specifically on military value. Other considerations include potential costs and savings associated with a recommendation; the economic impact on the installation's community; the capabilities of potential receiving communities to support incoming forces; and the environmental impact of a closure or realignment.

The criteria to be used to make recommendations for the closure or realignment of installations in the U.S. under the Defense Base Closure and Realignment Act of 1990, Public Law 101-510, as amended, 10 U.S.C. 2687, are outlined below.

Military Value

1. The current and future mission capabilities and the impact on an operational readiness of the Department of Defense's total force, including the impact on joint warfighting, training, and readiness.
2. The availability and condition of land, facilities, and associated airspace (including training areas suitable for maneuver by ground, naval, or air forces throughout a diversity of climate and terrain areas and staging areas for the use of the Armed Forces in homeland defense missions) at both existing and potential receiving locations.
3. The ability to accommodate contingency, mobilization, and future total force requirements at both existing and potential receiving locations to support operations and training.
4. The cost of operations and the manpower implications.

Other Considerations

5. The extent and timing of potential costs and savings, including the number of years, beginning with the date of completion of the closure or realignment, for savings to exceed the costs.
6. The economic impact on existing communities in the vicinity of military installations.
7. The ability of both the existing and potential receiving communities' infrastructure to support forces, missions, and personnel.
8. The environmental impact, including the impact of costs related to potential environmental restoration, waste management, and environmental compliance.⁴

BRAC 2005 Timeline

In November, 2002, Secretary Rumsfeld issued a memorandum to leaders in the defense community outlining the timeline and general criteria for the next round of military installation closures and realignments.

Thru May 16, 2005, DoD Deliberative Process.

DoD undertakes internal data gathering and analytic process necessary to formulate recommendations and meet the statutory reporting requirements outlined below.

Dec 31, 2003, Draft Selection Criteria.

Not later than this date the Secretary of Defense "shall publish in the Federal Register and transmit to the congressional defense committees the criteria proposed to be used by the Secretary in making recommendations for the closure or realignment of military installations inside the United states." There is a 30 day public comment period.

February, 2004, Force Structure Plan & Infrastructure Inventory to Congress.

As part of the FY 05 Budget justification documents submitted to Congress, the Secretary shall include the following:

- A "force-structure plan for the Armed Forces based on an assessment by the Secretary of the probable threats to the national security during the 20-year period beginning with fiscal year 2005, the probable end-strength levels and major military force units (including land force divisions, carrier and other major combatant vessels, air wings, and other comparable units) needed to meet these threats, and the anticipated levels of funding that will be available for national defense purposes during such period."
- A "comprehensive inventory of military installations world-wide for each military department, with specifications of the number and type of facilities in the active and reserve forces of each military department."
- A "description of infrastructure necessary to support the force structure described in the force structure plan."
- A "discussion of excess categories of excess infrastructure and infrastructure capacity."
- An "economic analysis of the effect of the closure or realignment of military installations to reduce excess infrastructure."
- A "certification regarding whether the need exists for the closure or realignment of additional military installations; and if such need exists, a certification that the additional round of closures and realignments would result in annual net savings for each of the military departments beginning not later than fiscal year 2011."

February 16, 2004, Final Selection Criteria.

Not later than this date the Secretary of Defense shall "publish in the Federal Register and transmit to the congressional defense committees the final criteria to be used in making recommendations for the closure and realignment of military installations inside the United States."

March 15, 2004, Deadline for Congressional Disapproval of Final Selection Criteria

April, 2004, Comptroller General Evaluation.

Not later than 60 days after the date on which the force-structure plan and infrastructure inventory are submitted to Congress, the Comptroller General shall prepare an evaluation of the force-structure plan, infrastructure inventory, selection criteria, and the need for the closure and realignment of additional military installations.

February, 2005, Revisions to Force-Structure Plan and Infrastructure Inventory.

If the Secretary has made any revisions to the force-structure plan and infrastructure inventory, the Secretary shall submit those revisions to Congress as part of the FY 06 Budget justification documents.

March 15, 2005, Nomination of Commissioners.

Not later than this date, the President must transmit to the Senate nominations for the appointment of new members to the Defense Base Closure and Realignment Commission.

May 16, 2005, Secretary of Defense Recommendations.

Not later than this date, the Secretary must publish in the Federal Register and transmit to the congressional defense committees and the Commission a list of the military installations that the Secretary recommends for closure or realignment.

July 1, 2005, Comptroller General Analysis.

Not later than this date, the Comptroller General shall transmit to the congressional defense committees a report containing a detailed analysis of the Secretary's recommendations and selection process.

September 8, 2005, Commission's Recommendations.

Not later than this date, the Commission must transmit to the President "a report containing its findings and conclusions based on a review and analysis of the Secretary's recommendations."

September 23, 2005, President's Approval or Disapproval of Commission Recommendations.

Not later than this date, the President shall transmit to the Commission and to the Congress "a report containing the President's approval or disapproval of the Commission's recommendations." If the President approves the recommendations, the recommendations are binding 45 "legislative" days after Presidential transmission or adjournment sine die, unless Congress enacts a joint resolution of disapproval.

October 20, 2005, Commission's Revised Recommendations.

If the President disapproves the Commission's initial recommendations, the Commission must submit revised recommendations to the President not later than this date.

November 7, 2005, President's Approval or Disapproval of Revised Recommendations.

The President must approve the revised recommendations and transmit approval to Congress by this date or the process ends. The recommendations become binding 45 "legislative" days after Presidential transmission or adjournment sine die, unless Congress enacts a joint resolution of disapproval.

April 15, 2006, Commission terminates.⁵

Data Calls

Formal data calls are one of the ways the Department of Defense satisfies its statutory obligations to treat all military installations equally and to ensure that its closure and realignment recommendations are based solely upon certified data. All military installations participate in these information collections. None of the questions or data associated with the questions will be released to the public initially, but will be available after the BRAC Commission has reviewed the information. In January 2004, the first data call was made; the DOD officially requested commanders of installations in the United States, territories and possessions to gather information about their installations as part of BRAC 2005.

Force Structure Plan

The Department of Defense released the Force Structure Plan and Infrastructure Inventory. As part of the FY 05 Budget justification documents submitted to Congress, the Secretary submitted a plan for the Armed Forces that considers the probable threats to the national security over the next 20 years, the probable end-strength levels and major military force units needed to meet these threats, and the anticipated levels of funding that will be available for national defense purposes during such period. This Plan provides great insight into the Department's long-range plans and is source of guidance for defense communities preparing for potential transformations related to BRAC 2005.

Overseas BRAC

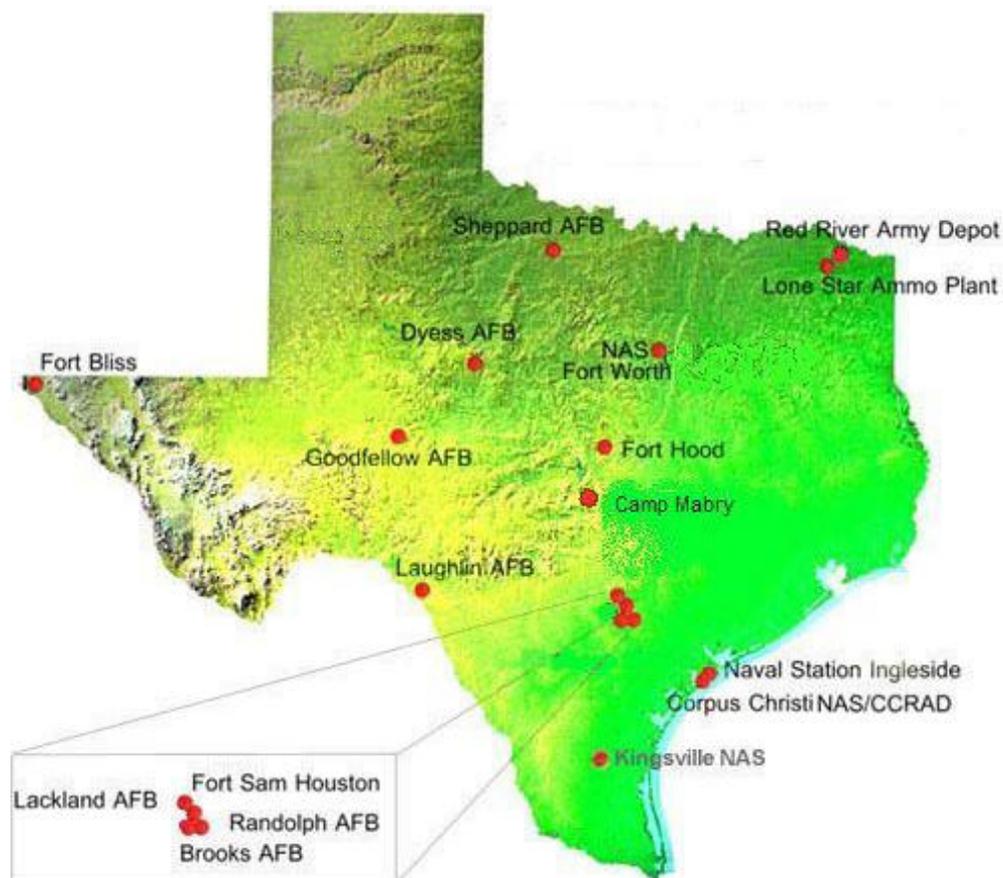
While the DOD is collecting and organizing information about military installations in the United States, they are also taking inventory of the 721 overseas military installations with a goal of restructuring these assets to meet current political and military needs. President George W. Bush announced on August 16, 2004 that the United States will alter its overseas basing infrastructure in the coming years. This realignment of forces could affect up to 70,000 servicemen currently stationed abroad and nearly as many dependants. Describing the global basing issue facing the Pentagon as crucial, DOD officials cite that the 2004 budget was "reprioritized" to shift and realign millions of dollars in military construction funds away from nonenduring overseas bases -- those bases where the military's long-term presence is questionable -- to installations that will fulfill critical operational, logistical or training mission requirements.⁶

In fact, the overall military transformation began before overseas BRAC has officially begun. In August 2004, the Army announced the reorganization of brigades. Over the next few years, several Army posts around the U.S., including Forts Hood and Bliss in Texas, will gain thousands of troops that have been stationed in overseas installations. The reorganization is aimed at making the Army's brigades more able to function independently when deployed. Each of the Army's ten divisions is adding at least one new brigade of ground troops. Between October 2004 and September 2005, the Army plans to add 5,000 personnel to Fort Hood and 3,800 troops to Fort Bliss.

Texas' Defense Community

Texas has long held an important role in the stability and success of national defense efforts and the military. Texas is home to an array of defense installations, defense dependant communities, and defense industries. In fact, Texas' 18 major military installations comprise 11 percent of the nation's military forces.⁷ Over 190,000 members of the various military branches are currently stationed in Texas.⁸ Texas' various installations provide substantial capability in almost every military mission. Capabilities include aerospace research and development, light infantry and flight training, medical training, military intelligence, security, naval mine warfare, and firefighter training. The below map shows the location of Texas' 18 major installations.

Texas' Major Military Installations, 2004

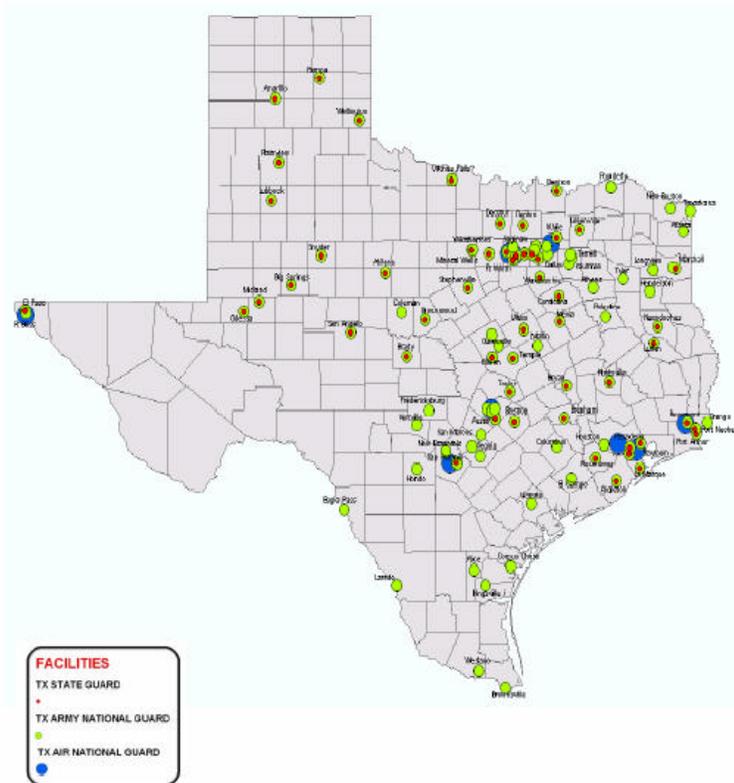


Source: Texas Military Preparedness Commission

Additionally, Texas possesses a significant number of smaller facilities and a number of air, land, and sea training areas. These areas are considered critical to provide a wide variety of realistic training conditions for military installations located throughout the state, as well as units located in other states. With the State's vast land, air, and sea space, Texas is a natural and effective home to many different military missions. In fact, a deep water port at NAS Ingleside and expansive ground and air maneuvering areas at Fort Bliss in El Paso and Fort Hood in

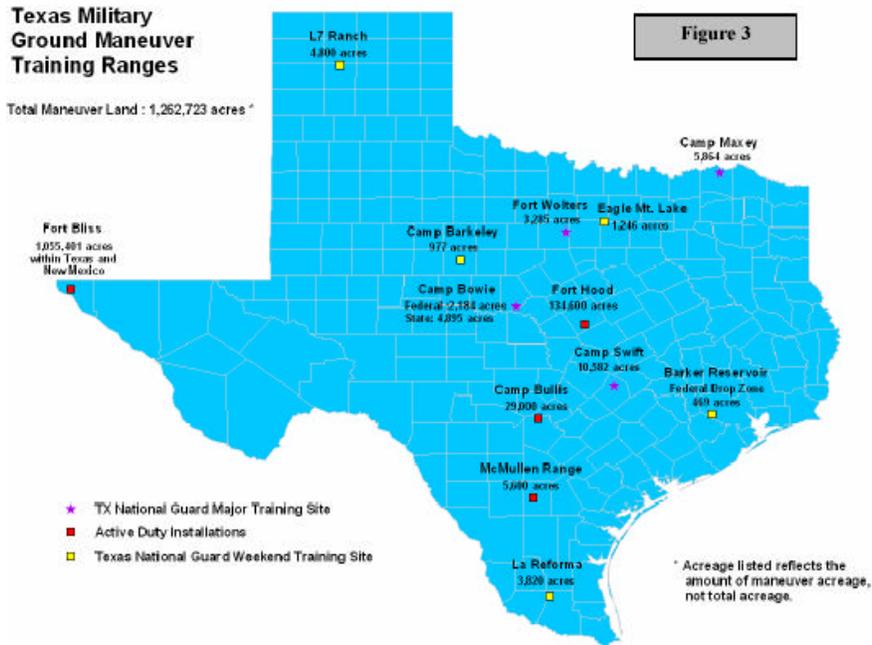
Killeen/Temple are just two of the wholly unmatched values for the military. The below maps illustrate the location of Texas' various facilities and training and maneuver areas.

Statewide Distribution of Military Force Facilities



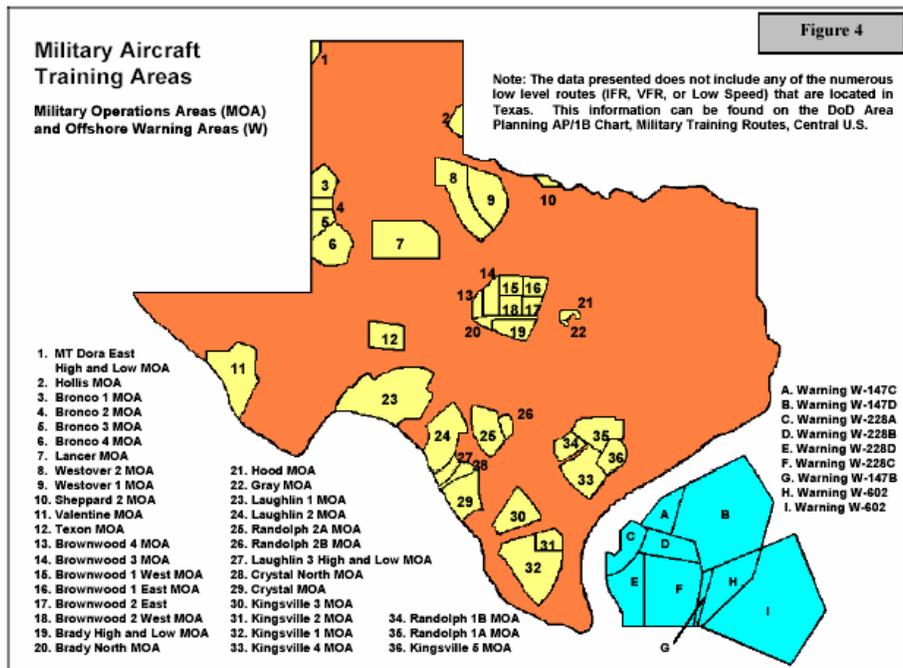
Source: Texas Military Preparedness Commission

Texas Ground Training Ranges



Source: Texas Military Preparedness Commission

Texas' Air Training Areas



Source: Texas Military Preparedness Commission

Texas' Naval Training Areas



Source: Texas Military Preparedness Commission

Military's Economic Impact on Texas

While Texas provides great value to the military, the converse is also true. The military and defense related activities have an estimated \$77 billion impact on the State's economy. The Department of Defense directly spent \$32.8 billion in Texas in 2003, with approximately \$9.8 billion in payroll.⁹ Additionally, economic contributions by defense industry partners, like Lockheed-Martin, Boeing, Vought Industries and numerous other private contractors, are intertwined with the presence of thriving military installations, as many of these contractors are purposefully located near where the services and equipment are utilized.

The economic contribution of the defense industry in Texas as a whole is significant, and even more significant is the economic impact on the many defense dependent communities of the state. The 18 major military installations of Texas are spread across the state, located in both urban areas and rural areas, affluent and less so. These communities have, in many ways, made the military a foundation of their local economies. Because of this dependence, closures and BRAC rounds incite great nervousness in local leaders. However, across the state, this nervousness and the support of state and national leaders has led to a flurry of cooperation and activity to prepare for BRAC 2005.

Texas' Past BRAC Experiences

The upcoming round of BRAC is not Texas' first encounter with potential closure, transformation or realignment. In fact, over 20 military installations have been closed or realigned in Texas since 1988. Ten major military installations have been closed or realigned and eleven smaller activities or installations have been closed. The table on the next page outlines Texas' past BRAC casualties.

PREVIOUS BASE REALIGNMENTS AND CLOSURES IN TEXAS

Since FY 88, ten major Texas military installations and activities have been closed or realigned.

- Naval Station Galveston (Galveston): CLOSED 1988
- Fort Bliss (El Paso): REALIGNED 1988
- Bergstrom Air Force Base (Austin): CLOSED 1991
- Carswell Air Force Base (Fort Worth): CLOSED 1991
- Goodfellow Air Force Base (San Angelo): REALIGNED 1991
- Naval Air Station Chase Field (Beeville): CLOSED 1991
- Naval Air Station Dallas (Dallas): CLOSED 1993
- Kelly Air Force Base (San Antonio): CLOSED 1995
- Reese Air Force Base (Lubbock): CLOSED 1995
- Red River Army Depot (Texarkana): REALIGNED 1995

A number of smaller installations and activities were also closed:

- Air Force Data Processing Center Computer Service Center (San Antonio):
CLOSED 1993
- Carswell Air Force Base:
REDIRECT 1993
- Data Processing Center Air Force Military Personnel Center, Randolph AFB:
CLOSED 1993
- Data Processing Center Navy Data Automation Facility, Corpus Christi:
CLOSED 1993
- Abilene Navy/Marine Reserve Center (Abilene):
CLOSED 1993
- Bergstrom Air Reserve Station (Austin):
CLOSED 1995
- El Dorado Air Force Station (El Dorado)
CLOSED 1995
- Laredo Naval Reserve Facility (Laredo):
CLOSED 1995
- Longhorn Ammunition Plant (Jefferson, Marshall):
CLOSED 1995
- Midland Naval Reserve Facility (Midland):
CLOSED 1993
- Naval Weapons Industrial Reserve Plant (McGregor):
CLOSED 1995

Source: Texas Military Preparedness Commission, *Annual Report, A Master Plan for the Future*

Reuse and Redevelopment

Texas' history with BRAC rounds shows that there is little certainty in the economic outcome for a defense dependent community. Some closures have resulted in great economic benefits for both the DOD and the defense communities while other closures have left communities struggling for years to recover from the economic loss.

After a closure, defense-dependent communities look for ways to redevelop or reuse the vacant property. There are a number of ways that communities can redevelop the property, from reincorporating the land into a local government structure, to privatizing the property for business use, to creating an airport on the existing airfield. In Texas, several communities have successfully redeveloped closed defense installations. In San Antonio, Kelly Air Force Base, closed in the 1995 base closure round, was designated an a Defense Economic Readjustment Zone that allows companies locating there to benefit from a tax phase-in period and other tax benefits. Thus, companies located in the Zone benefit from helping reuse the property. In Austin, Bergstrom Air Force Base was converted into a commercial airport for the growing community. These examples and others provide models for communities facing potential closures and prove that redevelopment can, in fact, be a boon to a defense-dependent community.

Texas Speaks with One Voice

The Texas Military Preparedness Commission

The Texas Military Preparedness Commission (TMPC), established in September 2003 in accordance with SB 652, the Military Preparedness Act, coordinates the State's actions intended to retain, improve, and expand our nation's defense presence in Texas. The mission of the TMPC is to develop a proactive statewide strategy to prevent further negative base realignments or closures and assist defense-dependent communities that have been impacted by past BRACs.¹⁰

As the state leader for preparing Texas for BRAC 2005 and beyond, the TMPC's mission is far more detailed than is written above. This Commission, housed in the Office of the Governor, is the state clearinghouse, the state voice, the state strategist, and the foundation for support for defense communities. In fact, the enabling legislation creating the TMPC, SB 652, enumerated clear guidelines for the Commission's responsibilities. These guidelines include:

- Develop methods to improve private and public employment opportunities for former members of the military residing in this state;
- Serve as a clearinghouse for defense strategies and incentive programs that other states are using to maintain, expand, and attract new defense contractors;
- Make recommendations in the development of methods to assist defense communities in the design and execution of programs that enhance the community's relationship with military installations and defense-related businesses, including regional alliances that may extend over state lines;
- Assist communities in the retention and recruiting of defense-related businesses;
- Provide assistance to communities that experience a defense-related closure;
- Prepare a biennial strategic plan that fosters the enhancement of military value of the contributions of Texas military facilities to national defense strategies, considers all current and anticipated base closures and develops strategies to protect the state's existing military missions and encourage economic development in this state by fostering development of industries related to defense affairs;

- Analyze defense community's military value enhancement statements and projects included in the statement based on developed criteria and assist the communities in prioritizing projects that enhance the military value of a military facility;
- Refer the defense community to an appropriate state agency that has an existing program to provide financing for each project identified in the community's military value enhancement statement that adds military value to a military facility. If there is no existing program to finance a project, the Commission, using the Texas Military Value Revolving Loan Fund, may provide a loan of financial assistance to the defense community for the project;
- Administer the loans to ensure full repayment of the general obligation bonds; and
- Adopt rules in consultation with the Texas Public Finance Authority for evaluating the credit of a loan applicant and financial feasibility of a project.¹¹

In addition to the clear objectives, the TMPC has also worked diligently to develop a single message for all of Texas' defense community. By speaking with one single voice for the entire state, instead of pitting installations and missions against one another or leaving each defense community without statewide support, the TMPC ensures that key decision makers at the DOD and in Congress understand the important and cooperative role that Texas' defense community plays. The development and publishing of a comprehensive report that highlights Texas' strengths and outlines Texas' plans for the future has been one of the most important tasks of the TMPC. Additionally, the creation of a succinct one-page pamphlet with key information about Texas' relationship with the military allows the message of Texas to blanket Washington D.C.

Revolving Loan Fund

Another important role of the TMPC is as the administrator of the Revolving Loan Fund (RLF). The RLF was created by SJR 55 and adopted as a Constitutional Amendment in September 2003. The Fund authorizes the issuance of general obligation bonds or notes not to exceed \$250 million payable from the general revenues of the state to provide loans to defense-related communities, to be repaid by the community, for economic development projects, including projects that enhance the military value of the installation.

In order to receive funding for a project, the requesting community must submit a fully detailed Military Value Enhancement Statement (MVES) explaining the project and use of the funds. The community will be responsible for repayment of the loan in accordance with the terms of the contract. The TMPC Commissioners will analyze Military Value Enhancement Statements for eligibility under the current criteria and may refer the community to the appropriate state agency that has an existing financing program. If there is no existing program, the Commission may provide a loan to the defense community for the project from the Military Value Fund.

Other State Programs

In addition to the RLF, there are several other funding programs administered through the state that are meant to support defense-dependant communities that have been impacted by

BRAC. The Defense Economic Adjustment Assistance Grant Program (DEAAG) and the Defense Readjustment Zone Program (DERZ) are both designed to help communities recover from the loss of a military installation.

The DEAAG is a grant program made available to local municipalities, counties, or regional planning commissions representing adversely affected communities and makes funding available to meet matching requirements for federal funding or for purchase of DOD property, new construction, rehabilitation of facilities, infrastructure, purchase of capital equipment, or insurance. The state grants will provide 50 percent of the amount of matching money or investment that the local government is required to provide. Grant amounts in the past have ranged from \$50,000 to \$2 million. As the funding for the DEAAG grant is generally only available as the legislature appropriates, overall fund levels have ranged from just \$1 million to over \$20 million (post 1995 BRAC round).

The DERZ Program is a tool for business recruitment and job creation in adversely impacted defense communities that is designed to provide assistance to communities, businesses, and workers impacted by or vulnerable to the closure or realignment of military installations and the reduction in federal defense contracting expenditures. The incentives offered are similar to those offered through the Texas Enterprise Zone Program.

78th Legislature

During the 78th Legislature, great strides were made to prepare the state for BRAC 2005 and beyond. New law and policy aimed at supporting Texas' military community has proven to be effective in helping the state continue as a leader in the national defense arena. In addition to the creation of the TMPC, the omnibus Texas Military Preparedness Act, SB 652, includes several other important measures designed to increase the military value of Texas. SB 652 actually creates the following obligations.

- Creates the Texas Military Preparedness Commission (TMPC), with broad planning, oversight and execution authority.
- Establishes a Military Preparedness Fund with low cost loans for local projects that enhance military value.
- Authorizes a defense community to prepare a comprehensive defense installation and community strategic impact plan stating the defense community's long-range goals and development proposals.
- Requires defense communities to confer with officials of military installations regarding potential encroachment concerns.
- Permits state-owned land to be conveyed to the Federal Government, if the land is to be used for military purposes.
- Allows the State to protect land adjacent to military installations from potential encroachment.
- Establishes an electric energy efficiency incentive program so that installations can reduce energy consumption and costs.

- Requires electric companies doing business in non-competitive areas to ensure that rates charged to federal military customers are discounted at least 20 percent from that of the local standard commercial rate.
- Requires the Texas Education Agency to develop and implement a plan to address the needs of military dependents required to transfer into, out of, or between public schools in Texas as a result of military relocation. Specifically, the TEA must work to develop reciprocity agreements with other states to ease the transferring process for military dependent children.
- Permits up to a five-year exemption from state, county, or city taxation on property located in a reinvestment zone and that is to be used for military housing purposes.

Senate Bill 1295 couples with SB 652 and SJR 55, the resolution that was created out of SB 652 to create a constitutional amendment allowing the issuance of general obligation bonds, to help defense communities obtain funding to prepare for BRAC 2005 and beyond. Specifically, the bill requires the Office of Defense Affairs (ODA) and the Texas Strategic Military Planning Commission (TSMPC) to assist defense communities in obtaining financing for economic development projects that seek to address future realignment or closure of a defense base that is in, adjacent to, or near the defense community. With the passage of SB 652, the ODA and the TSMPC were incorporated into the TMPC.

The comprehensive approach to helping defense communities prepare for BRAC 2005 and beyond carried out through 78th Session Legislation has only been in effect for two years, but has proven an effective foundation for helping the entire state. In order to build on this foundation, the Senate BRAC Subcommittee has been working closely with State leaders to determine future needs and contingencies.

Senate BRAC Subcommittee Addresses New Issues

For the interim of the 78th Legislature, the Senate Base Realignment and Closure (BRAC) Subcommittee was charged with conducting a thorough and detailed study of the following issues, including state and federal requirements, and preparing recommendations to address problems or issues that are identified.

Interim Charge No. 1

Study and evaluate the implementation of SB 652, SB 1295, and SJR 55, 78th Legislature. Address defense community use of loan programs created by these bills and make recommendations on how to best use loan proceeds to maintain Texas bases. Study the effects of urban encroachment upon Texas military installations.

Interim Charge No. 2

Study and communicate national Base Realignment and Closure (BRAC) developments, criteria and timelines to the Texas Military Planning Commission (TMPC) and affected military communities. Coordinate and monitor all BRAC issues associated with the Governor's and Lt. Governor's offices, the TMPC, the Office of State-Federal Relations, the State Congressional Delegation, and the Texas House Committee on Defense Affairs and State-Federal Relations.

Interim Charge Number 1

Through public hearings, regular meetings, and continuous communication with community, state, and national leaders, the Subcommittee has been gathering information about, judgment of, and recommendations regarding the three BRAC-related pieces of legislation passed by the 78th Legislature. By traveling to defense communities, the Subcommittee has had the opportunity to hear directly from the communities that are affected by SB 652, SB 1295, and SJR 55.

In essence, community leaders strongly support the work of the TMPC with regard to statewide organization and communication and with the opportunities for funding. Additionally, the criteria for applying for a Revolving Loan Fund that require a community to explicitly delineate its needs and goals has helped localities organize their internal efforts. Thus, the effectiveness of the legislation for local communities is clear. However, concerns have arisen as to the economic usefulness of the Revolving Loan Fund for all communities. To date, one Texas defense community has been awarded a loan from the RLF and several others are in the process of applying for a loan. These few communities represent a very small portion of the vast defense communities eligible for funds. Testimony asserts that struggling communities can no more afford a long-term loan, regardless of the low bond rates, than they can afford upfront costs. Additionally, some local communities require extensive local initiatives in order to accrue any debt at all, making the acquisition of a loan too far down the road. Finally, concern about the extensive and time consuming process for receiving a loan has left many communities disdainful for the prospect. The long state process for completing a general obligation bond coupled with the extensive application for a RLF has meant that funds cannot even be distributed until Spring 2005 which is, according to many leaders, far too late in the process to influence BRAC 2005 decisions.

Given both the strengths of the Military Preparedness Act and the concerns raised during interim, the Subcommittee makes several recommendations on how to make more effective the Texas legislation aimed at promoting Texas' defense communities.

Recommendations to Strengthen State Funding Opportunities for Defense Communities

- 1. Fund the Defense Economic Adjustment Assistance Grant Program (DEAAG) at a level sufficient to provide assistance to Texas defense communities that are negatively affected by BRAC 2005.**

The DOD has asserted that there could be as much as a 25 percent reduction in U.S. installations and missions in order to transform the military to an effective force. If this assertion is applied to Texas' defense community, the State could see as many as four installations or missions closed or reduced. After the 1995 BRAC round, where Texas saw two major installations closed and five other facilities closed, the 75th appropriated \$20 million to the DEAAG Program to be distributed to communities struggling to recover from the economic hardship of the loss. In

subsequent years the 76th and 77th Legislatures each appropriated \$1 million with which to assist communities.

2. Expand the DEAAG Fund to allow for the funding of grants to be used by communities to prepare for BRAC and work to attract new missions.

The Defense Economic Adjustment Assistance Grant Program was established to assist negatively affected defense-dependant communities recovering from installations closures or reductions. However, as Texas communities have been preparing for BRAC 2005, it has become clear that there is a need for grants to communities to increase their military value to avoid possible closure and to attract new missions. Texas is a leader among the states in the national defense community and it is imperative that the State support the strengthening of this role. Expanding the accessibility of the DEAAG Program to include communities looking to prepare for BRAC will create more flexibility for the State's defense-dependent communities.

3. Change the Revolving Loan Fund established by SB 652 to be accessible for post-BRAC needs.

The Revolving Loan Fund has the potential to provide great economic assistance to defense-dependent communities preparing for BRAC 2005; however, as BRAC 2005 looms, the extensive process for accessing loan funds has reduced its usefulness for many communities. Allowing Texas' defense-dependant communities to access the Loan Fund to help address issues and needs created by force reductions, closures or gains will increase the usefulness of the Fund to defense communities and will work hand in hand with the DEAAG Program to ensure that communities do not experience undue hardship because of BRAC 2005.

4. Revise the statute that allows for the use of 4A/4B sales tax revenue to be used for development projects to include the ability to use the revenue to attract new military missions or prepare for BRAC.

Local taxes imposed under 4A and 4B of the Industrial Development Corporation Act have been used in a variety of ways by communities to raise money for local development projects. The 78th Legislature narrowed the definition of economic development and now these funds cannot be used with as much flexibility. Defense-dependent communities previously were able to access these funds for infrastructure needs relating to a military installation; however, the new definition appears to outlaw this use. For communities looking to increase the military value of their community to prepare for BRAC 2005 or attract new missions, the 4A and 4B taxes would be a useful tool.

5. Create a matching fund to be used by the Texas Military Preparedness Commission to support defense-dependent communities in their efforts to increase their military value.

Defense-dependent communities facing the next closure and realignment round are forced to spend local funds in infrastructure projects, preparation strategies, and communication efforts. The Legislature should create a fund, under the TMPC, that communities can access, on a match fund basis, to allay these costs.

Recommendations to Further Support the Military in Texas

6. Create a system to help expedite the licensing and certification process for military dependents transferring to Texas.

The Department of Defense clearly considers the support for service men and women and their families as a value to the military as a whole. Thus, supporting the working spouses and dependents of service people who are stationed in Texas installations increases Texas' military value. Many working dependents face the burden of having to obtain licensure in Texas upon arrival even when they are professionally licensed in other states. This burden slows the military family's independence and integration in the local community.

Additionally, as new missions and additional troops are transferred to Texas communities, the local community faces a shortage in necessary private sector professionals to meet the needs of the new population. Allowing professionals moving into the community to more quickly acquire licensure in Texas will speed the influx of new professionals to meet the new demand.

7. Direct the Texas Workforce Commission to create a program within Texas' defense dependent communities to support military dependents transferring to Texas find new employment.

As service members are transferred from state to state, families are uprooted and working dependents are forced to leave their employment. Texas must work to create a better support system for these unemployed workers. Helping newly transferred dependents quickly find employment in Texas will help military families make a smoother transition into the State.

8. Continue to monitor the Texas Education Agency's (TEA) progress in reaching reciprocity agreements nationwide, particularly with Florida, Georgia, North Carolina, and Virginia.

SB 652 required that TEA pursue reciprocity agreements to expedite the transfer of military dependents to Texas' school system. There is great complexity in negotiating a reciprocity agreement with other states for full and smooth transfer of school credits; however, it is important that the State continue to pursue these agreements. From transfer credits and exit level examinations to the recognition of completed course work, military dependents are being penalized as they transfer in and out of Texas' school system. Texas should continue to consider this a priority and work to support TEA's efforts to develop an agreement.

9. Work with the Texas Department of Insurance to develop stricter regulations on the sale of life insurance policies to service members.

Some insurance companies have been using predatory sales techniques to sell life insurance to soldiers on military bases. For instance, soldiers are signing contracts authorizing \$100 monthly deductions for life insurance policies that only covers around \$29,000, when they could be accessing life insurance through the military that offers a \$250,000 life insurance policy for \$16.25. Additionally, some insurance brokers are still selling contractual plans to service

members, even though the use of these plans has not been practiced in the private sector since the 1970s. Federal legislation that amends federal securities laws to ban the sale of contractual plans and develop stricter regulations for the sale of insurance to the military members is currently under consideration. Texas should follow suit.

- 10. Support the addition of personnel and funding for the TMPC to better serve defense-dependent communities.**
- 11. Require State Agencies to work with the TMPC to begin assessing post-BRAC issues that will likely occur and work with defense-dependent communities to address infrastructure and human-capacity needs.**

Interim Charge Number 2

The Senate BRAC Subcommittee has diligently worked to stay abreast of national BRAC information, events and issues and has shared all information with a wide audience. Through monthly email newsletters, *BRAC ENews*, the Subcommittee has disseminated critical information to community leaders, state leaders, national partners and interested public constituents. The *ENews*, which is delivered on the first Friday of every month reaches over 300 people across the State. Moreover, the monthly development of the newsletter allows Subcommittee staff to coordinate with staff and Commissioners of the TMPC, the Governor's office, the House Committee on Defense Affairs and the Office of State-Federal Relations about what information is most critical in that given month.

In addition to the creation of BRAC ENews and the informal discussions and sharing of information that occurs therewith, Subcommittee staff has been meeting regularly with representatives of the TMPC, Governor's office, Senate Veteran Affairs and Military Installations Committee, Lt. Governor's office, and the House Committee on Defense Affairs. These regular meetings support a concerted and coordinated communication strategy and effort between the various entities.

Recommendation to Further Coordination and Communication

- 12. Develop an email listserv to provide an arena for community leaders, state leaders and national leaders to share information and ideas and to provide "best practice" stories.**
- 13. Encourage continued regular meetings and communication between state leaders.**
- 14. Support the timely publication of a monthly newsletter by the TMPC.**

¹ United States Department of Defense Office of the Secretary of Defense, "Memorandum: Transformation Through Base Realignment and Closure." November 15, 2002. Available online at <http://www.dod.mil/brac/docs/osdkic02.pdf>

² United States Department of Defense Office of the Undersecretary of Installations and Environment

³ United States Department of Defense. *Report Required by Section 2912 of the Defense Base Closure and Realignment Act of 1990, as amended through the National Defense Authorization Act for Fiscal Year 2003*. March 2004.

⁴ United States Department of Defense Office of the Secretary. "Department of Defense Selection Criteria for Closing and Realigning Military Installations Inside the United States." Federal Register, Volume 69, Number 29. February 12, 2004.

⁵ United States Department of Defense, "Timeline", Available online at: <http://www.dod.mil/brac/docs/time03.pdf>

⁶ Sample, Doug. "U.S. Will 'Reposition' Overseas Footprint Before BRAC Cuts at Home." American Forces Press Service, October 7, 2003. Available online at:

http://www.defenselink.mil/news/Oct2003/n10072003_200310072.html

⁷ Texas Military Preparedness Commission, *Annual Report, A Master Plan for the Future*. Office of the Governor, September 9, 2004.

⁸ Ibid at 7.

⁹ Ibid.

¹⁰ Ibid at 2.

¹¹ Ibid at 3.