

SUNSET ADVISORY COMMISSION

FINAL REPORT

Office of State-Federal
Relations

July 2009



Sunset Advisory Commission



Representative Carl Isett, Chair
Senator Glenn Hegar, Jr., Vice Chair

Representative Dan Flynn

Senator Robert F. Deuell, M.D.

Representative Linda Harper-Brown

Senator Craig Estes

Representative Lois Kolkhorst

Senator Juan "Chuy" Hinojosa

Representative Ruth Jones McClendon

Vacant*

Ike Sugg, Public Member

Charles McMahan, Public Member**

* Senator Kim Brimer served on the Commission from December 2005 through December 2008.

** Charles McMahan was appointed to fill the unexpired term of Michael Stevens.

Joey Longley
Director

In 1977, the Texas Legislature created the Sunset Advisory Commission to identify and eliminate waste, duplication, and inefficiency in government agencies. The 12-member Commission is a legislative body that reviews the policies and programs of more than 150 government agencies every 12 years. The Commission questions the need for each agency, looks for potential duplication of other public services or programs, and considers new and innovative changes to improve each agency's operations and activities. The Commission seeks public input through hearings on every agency under Sunset review and recommends actions on each agency to the full Legislature. In most cases, agencies under Sunset review are automatically abolished unless legislation is enacted to continue them.

OFFICE OF STATE-FEDERAL RELATIONS



SUNSET FINAL REPORT
JULY 2009



This document is intended to compile all recommendations and action taken by the Sunset Advisory Commission and the Legislature for an agency under Sunset review. The following explains how the document is expanded and reissued to include responses from agency staff and members of the public, as well as action taken by the Sunset Commission and the Legislature in each step of the Sunset process.

- ◆ *Sunset Staff Report* – Contains all Sunset staff recommendations on an agency, including both statutory and management changes, developed after extensive evaluation of the agency.
- ◆ *Hearing Material* – Summarizes all responses from agency staff and members of the public to Sunset staff recommendations, as well as new policy issues raised for consideration by the Sunset Commission.
- ◆ *Decision Material* – Includes additional responses, testimony, or new policy issues raised during the public hearing for consideration by the Sunset Commission in its decision meeting on an agency.
- ◆ *Commission Decisions* – Contains the decisions of the Sunset Commission on staff recommendations and new policy issues. Statutory changes adopted by the Commission are presented to the Legislature in the agency’s Sunset bill.
- ◆ *Final Report* – Summarizes action taken by the Legislature on Sunset Commission recommendations and new provisions added by the Legislature to the agency’s Sunset bill.



Staff Report – November 2008
Commission Decisions – January 2009
Final Report – July 2009

Table of Contents

	PAGE
SUMMARY	
Staff Recommendations	1
Legislative Action.....	2-a
ISSUE/RECOMMENDATIONS	
1 Texas Benefits From Having an Advocate in Washington, DC, But Changes Are Needed to Streamline the Office’s Structure and Improve Its Effectiveness	3
Commission Decision (10-b)	
Legislative Action (10-b)	
AGENCY INFORMATION	
.....	11
NEW ISSUES	
.....	19
PROVISIONS ADDED BY LEGISLATURE	
.....	21


SUMMARY



Summary

This special purpose review of the Office of State-Federal Relations (the State-Fed Office) is a follow-up to the Sunset review conducted in 2006. At that time, the Sunset Commission adopted and forwarded recommendations to the 80th Legislature, but the Sunset bill on the Office did not pass. Instead, the Legislature continued the Office for two years through separate legislation, and required this Sunset review to focus on the appropriateness of the Sunset Commission's previous recommendations to the 80th Legislature.

This report examines the current appropriateness of each of the issues raised by the Sunset Commission in 2006. Sunset staff concluded that Texas continues to benefit from having a presence in Washington, DC, but that to improve the Office's effectiveness in promoting the State's federal interests, changes are still needed to the Office's structure and statute. Based on this re-analysis, Sunset staff found no compelling reason to change the Commission's 2006 recommendations on the agency. The following material summarizes the Sunset staff's evaluation of the Commission's 2006 recommendations regarding the State-Fed Office that continue to be appropriate for consideration in 2008.


*Staff found no compelling
reason to change the
Sunset Commission's 2006
recommendations on the Office.*

Issue and Recommendations

Issue 1

Texas Benefits From Having an Advocate in Washington, DC, But Changes Are Needed to Streamline the Office's Structure and Improve Its Effectiveness.

Key Recommendations

- ◆ Abolish the Office of State-Federal Relations as an independent state agency and restructure it within the Office of the Governor, requiring the Office to interact and consult with the Lieutenant Governor and Speaker of the House, and subjecting it to Sunset review in six years.
- ◆ Require the Office to adhere to clear contracting guidelines, established in statute, if the Office chooses to contract with federal-level government relations consultants.
- ◆ Require state agencies and political subdivisions of the State of Texas to report information on contracts with federal-level government relations consultants to the Office of State-Federal Relations.
- ◆ Require the Office to track performance indicators, as determined by the Office of the Governor in consultation with legislative leadership, and include the information in its annual policy priority document.

Fiscal Implication Summary

None of the recommendations in this report would have a net fiscal impact to the State.

Summary of Legislative Action
S.B. 1003 Deuell (Flynn)

The Legislature modified the Sunset Commission's recommendations in Senate Bill 1003 and added several new provisions. The bill continues the Office as an independent agency and administratively attaches it to the Office of the Governor. The list below summarizes the major provisions of S.B. 1003, and more detailed discussion is located in the issue.

Sunset Provision

1. Continue the Office of State-Federal Relations as an independent agency and attach it to the Office of the Governor for administrative purposes, and make additional changes to the Office's statute to improve its effectiveness in promoting the State's federal interests.

Provision Added by the Legislature

1. Ensure legislative oversight of the Office of State-Federal Relations.

Fiscal Implication Summary

The provisions in Senate Bill 1003 will not have a fiscal impact to the State.

ISSUE



Issue 1

Texas Benefits From Having an Advocate in Washington, DC, But Changes Are Needed to Streamline the Office's Structure and Improve Its Effectiveness.

Summary

Key Recommendations

- ◆ Abolish the Office of State-Federal Relations as an independent state agency and restructure it within the Office of the Governor, requiring the Office to interact and consult with the Lieutenant Governor and Speaker of the House, and subjecting it to Sunset review in six years.
- ◆ Require the Office to adhere to clear contracting guidelines, established in statute, if the Office chooses to contract with federal-level government relations consultants.
- ◆ Require state agencies and political subdivisions of the State of Texas to report information on contracts with federal-level government relations consultants to the Office of State-Federal Relations.
- ◆ Require the Office to track performance indicators, as determined by the Office of the Governor in consultation with legislative leadership, and include the information in its annual policy priority document.

Key Finding

- ◆ No significant changes have occurred to affect the Sunset Commission's 2006 recommendations.

Conclusion

In 2006, the Sunset Commission adopted the four recommendations listed above, including abolishing the State-Fed Office as an independent state agency and transferring its functions to the Office of the Governor. Sunset staff assessed the appropriateness of these previous recommendations and found no compelling reason to change what the Sunset Commission voted to support in 2006.

Support

The Office of State-Federal Relations acts as Texas' advocate in Washington, DC.

- ◆ Created in 1965, the Office of State-Federal Relations (the State-Fed Office) promotes communication and builds relationships between the state and federal government in an effort to advance Texas' federal interests. The Office fosters a two-way flow of information by advocating for Texas' interests in Washington and by keeping state officials aware of federal initiatives that affect Texas. The State-Fed Office works with many entities, both in Texas and in Washington, to coordinate and communicate Texas' message.
- ◆ To perform these duties, the State-Fed Office spent \$753,730 in fiscal year 2008, 75 percent of which was expended on salaries and rent. The Office currently has four employees, three of whom are located in DC and one who directs the agency's Austin office. Five staff from other state agencies also currently collocate in the agency's Washington office. A three-member Advisory Policy Board, consisting of the Governor, Lieutenant Governor, and Speaker of the House, advises the agency by reviewing the Office's priorities at the beginning of each annual congressional session.

*The Office fosters
a two-way flow
of information
between Texas
and Washington,
DC.*

No significant changes have occurred to affect the Sunset Commission's 2006 recommendation to abolish the Office and restructure it within the Office of the Governor.

- ◆ In 2006, the Sunset review found that Texas benefits from having an advocate in Washington, DC to promote and protect the State's interests on the federal level. However, the Sunset Commission recommended that the Legislature abolish the Office as an independent agency and establish the Office of State-Federal Relations as a trustee program within the Office of the Governor. The recommendation abolished the three-member Advisory Policy Board but required the Office to continue to interact and consult with the Lieutenant Governor and the Speaker. The Commission also recommended that the Office go through Sunset review in six years. Sunset staff examined the appropriateness of these recommendations and found no reason to alter the Commission's recommendations. The Office's unusual structure continues to divert limited staff resources to administrative duties and dilute the strength of its voice in Washington.
- ◆ The chart, *Status of Deficiencies of Office Structure*, shows the current status of the reasons that the Sunset Commission found that the Office's structure does not benefit Texas.

*Texas benefits
from having
an advocate in
Washington, DC.*

Status of Deficiencies of Office Structure

Sunset Review Findings – 2006	Status of Findings – 2008
Texas is the only state that organizes its state-federal relations office as an independent agency, and is the only state that directs its state-federal relations office through an advisory board that includes legislative leadership in addition to the governor.	No change. Thirty-one states have DC Offices, but Texas' independent structure and dual reporting responsibilities remain unique.
Balancing the executive and legislative agendas puts Texas at a disadvantage when identifying priorities and pursuing Texas' needs; prevents the Office from having a clear chain of command; and dilutes the Office's ability to have one voice representing Texas in Washington, DC.	No change. The Office continues to have difficulty getting consensus on Texas' federal priorities. For example, although the 110th Congress-2nd Session, started January 3, 2008 and is coming to a close, to date, the Policy Board has not yet approved the agency's priority document.
As an independent agency, the Office's small staff must spend a significant amount of time and effort completing administrative tasks, which takes away from the focus on its primary mission.	No change. In fact, since the last review, the Office has formalized its administrative connection to the Office of the Governor in an attempt to ease its administrative burden. The agencies have entered into an interagency contract in which the Office of the Governor provides human resources and financial services support, in exchange for payment. The Office still performs other reporting requirements, such as strategic planning.
By tradition and practice, the Governor is the spokesperson for the State, and Washington perceives this role as the point person for developing Texas' policy positions.	No change.

- ◆ The Office's ability to promote Texas' federal agenda has been further compromised by cuts in its legislative appropriations. During the last four biennia, the Office's budget has been significantly reduced, as shown in the chart, *Legislative Appropriations*.

Legislative Appropriations

Biennium	Amount of Appropriations	Change in Appropriations Between Biennia	Full-Time Equivalent Positions
2002-2003	\$2,039,714	none	17
2004-2005	\$1,817,013	-10.92%	7
2006-2007	\$1,726,161	-5%	7
2008-2009	\$1,209,872	-29.91%	7 ¹

*The State-Fed
Office canceled
its consultant
contracts in
January 2007.*

While the Office no longer contracts with consultants on the federal level, Texas would still benefit from requiring the Office to adhere to strict contracting guidelines if it contracts for those services in the future.

- ◆ In 2003, the Legislature reduced the number of authorized employee positions from 17 to seven and the Office began contracting with government relations consultants to supplement the efforts of its reduced staff. At the time, the consultants helped the Office develop and implement a strategy for communicating Texas' priorities to Congress. The State-Fed Office canceled those contracts in January 2007.
- ◆ During the 2006 review, the Sunset Commission recommended to the Legislature that the Office adhere to clear contracting guidelines, if the Office chooses to enter into contracts with federal-level government relations consultants. Although the Office no longer contracts with outside consultants, the Office is not prohibited from entering in to such contracts. The Sunset Commission's recommendations remain appropriate to protect the State's interest should the Office enter such a contract in the future.

The lack of reporting on consultant contracts continues to limit the ability of the public and elected officials in Texas to get a full picture of the issues pursued and the amount of public funds spent to influence legislation at the federal level.

- ◆ In 2006, the Sunset Commission recommended requiring state agencies and political subdivisions of Texas to report information on any contracts with federal-level consultants to the State-Fed Office. The recommendation also required state agencies to report any subcontracts of a contract with a federal-level government relations. Today, as in 2006, no entity collects information on how much Texas state agencies or political subdivisions spend to contract with consultants to influence legislation at the federal level.
- ◆ State agencies and political subdivisions often contract with consultants to lobby on the federal level, and while this information is public, no entity collects such information in its entirety. This lack of information limits the ability of both the public and elected officials to get a full picture of what Texas' interests are on a federal level, and how much public money is being spent on such consultants.

*State agencies
and political
subdivisions
often contract
to lobby on the
federal level.*

The Sunset Commission found that broadening the Office's reported performance indicators would increase its accountability to the State.

- ◆ In 2006, the Sunset Commission recommended requiring the Office to track additional performance measures and report them annually. The Office's main responsibility is to act as the State's advocate in Washington, DC to help promote and protect Texas' interests. Many different factors,

including some outside the Office's control, affect the Office's successful fulfillment of the outcomes that the Office is responsible for, including legislative and funding decisions that are favorable to Texas. By increasing the scope of the Office's performance indicators, and exploring how Texas compares to other states, the Sunset Commission determined that the State could get a better understanding of the Office's success.

Recommendations

Change in Statute

1.1 Abolish the Office of State-Federal Relations as an independent state agency and restructure it within the Office of the Governor, requiring the Office to interact and consult with the Lieutenant Governor and Speaker of the House, and subjecting it to Sunset review in six years.

This recommendation would abolish the Office as an independent agency and establish the Office of State-Federal Relations as a trustee program within the Office of the Governor. As part of this recommendation, the three-member Advisory Policy Board would be abolished. An Executive Director, appointed by the Governor, would administer and oversee the Office's operations. The Executive Director would be accountable to the Governor, who would be responsible for providing guidance in directing the Office's activities.

The Office would be required to continue to interact and consult with legislative leadership on federal issues, and would be subject to Sunset review in six years, giving the Office a new Sunset date of September 1, 2015. This recommendation would also remove administrative provisions in statute that are unnecessary for administering a program within the Governor's Office.

As the State's entity charged with communicating and building relationships between the state and federal governments, the Office would advocate for Texas' interests in Washington and respond to information requests from Texas and federal officials. The Office's main responsibilities would include:

- ◆ preparing an annual priority document to be approved by the Governor in consultation with legislative leadership;
- ◆ providing updates on federal activities to the Governor and legislative leadership and updating the Texas congressional delegation on state activities;
- ◆ responding to information requests from the Legislature, congressional offices, and federal agencies;
- ◆ coordinating with the Legislative Budget Board on how federal funding affects the state budget; and
- ◆ requiring the Office to include the Lieutenant Governor and Speaker in any routine communication relating to its progress on the federal level, including weekly conference calls.

Restructuring the State-Fed Office within the Office of the Governor would allow Texas to have a stronger voice in Washington while encouraging more direct accountability at the state level. The Office would continue to work with the Texas Legislature and state agencies, as well as federal officials, but would have a more streamlined chain of command.

1.2 Require the Office to adhere to clear contracting guidelines, established in statute, if the Office chooses to contract with federal-level government relations consultants.

Although the Office has contracted with federal-level government relations consultants in the past, it currently has no such contracts. This recommendation would require the Office to adhere to specific contract procurement and management guidelines, if it enters into contracts with federal-level government relations consultants to lobby at the federal level. The guidelines would include:

- ◆ requiring the Office to have written guidelines for contract management;
- ◆ requiring the Office to use a competitive procurement process, and have procedures to assess a prospective contractor's strengths;
- ◆ requiring the Office to assign a value to a prospective firm's ability to provide services at a reasonable price and level of experience in the consulting field during the contract procurement process;
- ◆ requiring that potential consultants show a demonstrated ability to work with key members of Congress and effectively advocate on behalf of the State;
- ◆ requiring the contract to contain clear goals for service and to include targeted performance measures that both the Office and contractor agree upon;
- ◆ requiring the Office to ensure that no conflicts of interest exist between the contractor and other parties that may jeopardize the State's interest;
- ◆ requiring the contract to contain a termination clause; and
- ◆ requiring the contract to include an audit clause, allowing the Office and other oversight entities to audit the contract.

Establishing contracting provisions in statute would give the Office clear standards to follow to protect the State's interests and ensure against potential abuses and conflicts. Under the new organizational structure, as the person responsible for overseeing the Office's activities, the Governor would have to approve all such contracts.

1.3 Require state agencies and political subdivisions of the State of Texas to report information on contracts with federal-level government relations consultants to the Office of State-Federal Relations.

This recommendation would require all state agencies and political subdivisions of the State of Texas, including institutions of higher education and river authorities, to report to the Office on contracts with federal-level government relations consultants. The recommendation would also require state agencies that contract with federal-level government relations consultants, which then sub-contract the agency's work with another firm or individual, to report all such subcontracts to the Office. Information in such reports would include the name of the consultant or firm contracted with, the issues the firm was hired to work on, and the contract amount.

The Sunset Commission's recommendations in 2006 would have required that the contract reporting happen on an annual basis. However, further discussion with both the Office and the bill's sponsors determined that annual reporting was not frequent enough to enable the Office to have a real

understanding of what type of consultant activities are occurring in Washington, DC at any given time. As such, this recommendation would instead require that entities report federal-level consultant contracts within 30 days of entering in to a contract and within 30 days of a contract termination.

1.4 Require the Office to track performance indicators, as determined by the Office of the Governor in consultation with legislative leadership, and include the information in its annual policy priority document.

This recommendation would require the Office to track performance indicators and include the information in its existing annual policy priority document. The performance indicators would be determined by the Office of the Governor in consultation with legislative leadership. The indicators would go beyond the Legislative Budget Board performance measures included in the General Appropriations Act. Instead, the performance indicators would be used as an internal tool to increase understanding of how the Office is performing and would be aimed at giving a full view of Texas' standing, in both funding and policy areas, on the federal level.

Fiscal Implication

These recommendations would not have a net fiscal impact to the State. The Office's current budget has been decreased significantly in recent years, as discussed earlier. Consolidating the Office within the Governor's Office would free up resources that are needed to fulfill basic agency responsibilities.

.....

¹ Although the Office has seven authorized full-time equivalent positions, it currently employs only four staff.

Responses to Issue 1

Recommendation 1.1

Abolish the Office of State-Federal Relations as an independent state agency and restructure it within the Office of the Governor, requiring the Office to interact and consult with the Lieutenant Governor and Speaker of the House, and subjecting it to Sunset review in six years.

Recommendation 1.2

Require the Office to adhere to clear contracting guidelines, established in statute, if the Office chooses to contract with federal-level government relations consultants.

Recommendation 1.3

Require state agencies and political subdivisions of the State of Texas to report information on contracts with federal-level government relations consultants to the Office of State-Federal Relations.

Recommendation 1.4

Require the Office to track performance indicators, as determined by the Office of the Governor in consultation with legislative leadership, and include the information in its annual policy priority document.

Agency Response to 1.1 through 1.4

The Office of State-Federal Relations supports recommendations that will allow it to pursue its federal legislative priorities with a clear, unified voice while also relieving many of the administrative requirements that currently diverts agency staff from pursuing its mission. (Ed Pérez, Executive Director – Office of State-Federal Relations)

For 1.1 through 1.4

None received.

Against 1.1 through 1.4

None received.

Commission Decision

Adopted Recommendations 1.1 through 1.4.

Legislative Action

The Legislature modified the Sunset Commission's recommendation to abolish the Office and restructure it within the Office of the Governor. Instead, Senate Bill 1003 attaches the Office to the Governor's Office for human resources, reporting, and other administrative purposes and provides that the Office is funded by appropriations to the Governor's Office. The bill retains the Office's Advisory Policy Board and its status as an independent state agency, subjecting it to Sunset review in six years. Senate Bill 1003 retains current law that requires the director of the Office to be appointed by the Governor with advice and consent of the Senate. (Recommendation 1.1)

Senate Bill 1003 requires the Office to adhere to specific contract procurement and management guidelines, if it enters into contracts with federal-level government relations consultants to lobby at the federal level. In addition, the bill requires that all three members of the Advisory Policy Board sign all outside government relations consultant contracts, if the Office chooses to enter into such contracts. (Recommendation 1.2)

Senate Bill 1003 requires all state agencies and political subdivisions of the State of Texas, including institutions of higher education and river authorities, to report to the Office on contracts with federal-level government relations consultants. The bill exempts political subdivisions whose consultants are required by other law to disclose or report the information to the public and a federal or state entity from having to comply with the new contract reporting requirements. (Recommendation 1.3)

Finally, S.B. 1003 requires the Office to track performance indicators and include the information in its existing annual policy priority document, which is approved by the Advisory Policy Board. The performance indicators will be used as an internal tool to increase understanding of how the Office is performing and will be aimed at giving a full view of Texas' standing, in both funding and policy areas, on the federal level. (Recommendation 1.4)

AGENCY INFORMATION

(NOVEMBER 2008)



Agency Information

Agency at a Glance

The Office of State-Federal Relations (the State-Fed Office) acts as the State's advocate in Washington, DC to help promote and protect the interests of Texas at the federal level. Initially, the Legislature created the Division of State-Federal Relations in 1965 as a program within the Governor's Office, and later established the Office as an independent state agency in 1971. The Office's mission is to promote communication and build relationships between the state and federal governments to advance the interests of Texas. To accomplish its mission, the Office:

- ◆ prioritizes a federal agenda for Texas;
- ◆ advocates for federal funding and policy decisions favorable to Texas; and
- ◆ communicates information about Texas issues on the state and federal levels.


*The Office advocates
for federal funding and
policies favorable to Texas.*

Key Facts

- ◆ **Funding.** In fiscal year 2008, the State-Fed Office expended about \$750,000, three-quarters of which the Office spent on salaries and building rent.
- ◆ **Staff.** The Office has four staff, with three located in Washington and one in Austin. In addition, five staff from other Texas state agencies currently collocate in the agency's Washington, DC office.
- ◆ **Priorities.** On an annual basis, the Office identifies and prioritizes the State's federal policy agenda. The Office's most recent working priorities are within the areas of health and human services; transportation; homeland and border security; federal appropriations and tax issues; and advanced technology/research and development innovations.

Major Events in Agency History

- 1965 The Legislature creates the Division of State-Federal Relations in the Office of the Governor to coordinate state and federal programs and to inform the Governor and the Legislature of federal initiatives that affect the State.
- 1971 The Legislature establishes the Office of State-Federal Relations as an independent agency, with a Governor-appointed Executive Director, to carry out the duties of the Division of State-Federal Relations.


*By law, the
 Governor,
 Lieutenant
 Governor, and
 Speaker review
 Texas' federal
 priorities
 each year.*

- 1991 The Legislature passes a bill that creates the Advisory Policy Board, consisting of the Governor, Lieutenant Governor, and Speaker of the House, to direct the Office's efforts. The bill also expands the agency's duties by making the Office responsible for securing increased federal discretionary grants.
- 1995 The Legislature transfers the Office's discretionary grant functions to the Office of the Governor and requires increased coordination between the State-Fed Office and the Advisory Policy Board, other Texas state agencies, and the Legislative Budget Board.
- 2003 Through the appropriations process, the Legislature reduces the number of authorized employee positions at the agency from 17 to seven, but maintains the agency's funding level.
- 2007 After contracting with two government relations consulting firms in Washington, DC since 2003, the State-Fed Office cancels the contracts.

Organization

Policy Body

An Advisory Policy Board consisting of the Governor, the Lieutenant Governor, and the Speaker of the House directs the State-Fed Office's pursuit of policy and legislative activities. The Policy Board's sole role is to review the State's priorities and strategies every year. The chart, *Office of State-Federal Relations Advisory Policy Board*, shows the current members and when they began their service on the Advisory Board.

Office of State-Federal Relations Advisory Policy Board

Member	Qualification	First Year of Service
The Honorable Rick Perry	Governor	2000
The Honorable David Dewhurst	Lieutenant Governor	2003
The Honorable Tom Craddick	Speaker of the House	2003

Every week, while Congress is in session, the State-Fed Office coordinates its activities with the Advisory Board members' staff via conference call. The other state agency representatives collocated with the State-Fed Office also participate in the conference call, as needed.

Staff

The Governor appoints the State-Fed Office's Executive Director, with the advice and consent of the Senate. The Executive Director acts as the main point of contact for outside communication and supervises the Office's

advocacy activities. The Executive Director hires agency staff and oversees the agency's budget. The Office currently has four staff, three of whom are located in Washington, DC. The Office also employs one person to serve as the agency's Austin Director.

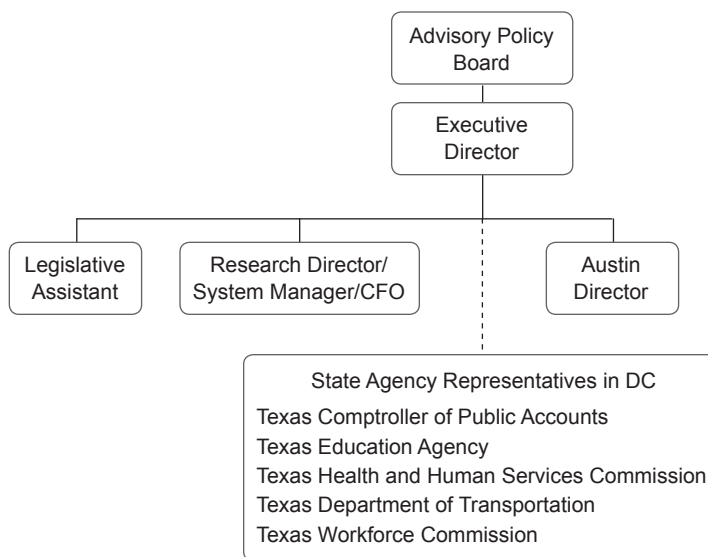
By appropriative rider, other state agencies that choose to have employees in Washington must locate their staff with the State-Fed Office. Currently, five state agencies have interagency contracts with the State-Fed Office to house staff within the DC office. These additional agency staff work independently of the Office, lobbying Congress for their respective agency's interests and reporting back to their home agencies in Texas. However, the agency representatives coordinate their activities with the State-Fed Office. State law authorizes the Office to contract with these agencies to provide for office space and associated services and supplies. By appropriations rider, the Office may not charge more than \$1,000 per month, per agency for these services.¹

The chart, *Office of State-Federal Relations Organizational Chart*, depicts the agency's structure, including the other state agency representation in Washington, DC. Because of the small staff size, no analysis was prepared comparing the agency's workforce composition to the overall civilian labor force.

By appropriative rider, the Office, and any state agency that has DC-based staff, may supplement an employee's monthly salary with \$1,200 to account for additional costs associated with working and living in Washington, DC. These employees are also eligible for health insurance benefits through the Employee Retirement System, but must pay Out-of-Area costs for medical services received in the Washington, DC area.


Five other Texas state agencies house staff in the agency's Washington DC office.

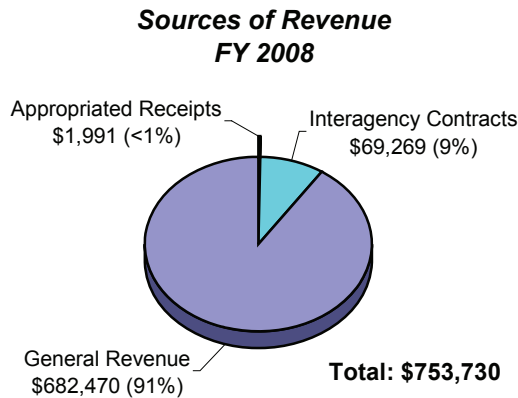
Office of State-Federal Relations Organizational Chart



Funding

Revenues

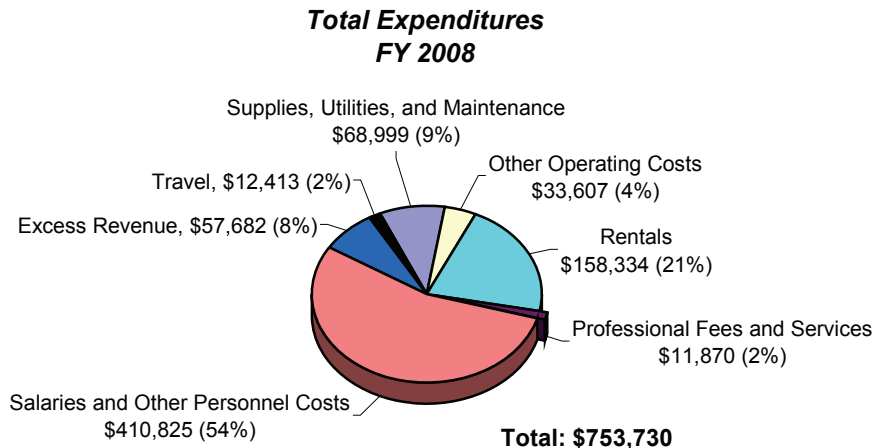
In fiscal year 2008, the State-Fed Office received about \$753,730 in funding. As shown in the pie chart, *Sources of Revenue*, the largest percentage of the agency's revenue, 91 percent, came from General Revenue. Additionally, about 9 percent of the Office's revenue came from interagency contracts, which were payments for rent and additional costs associated with collocated state agency staff.



Expenditures

The Office spent about \$753,730 in fiscal year 2008. The pie chart, *Total Expenditures*, shows the agency's expenditures, divided by expenditure category. The largest expenditure was for salaries and other personnel costs, comprising 54 percent of total expenditures.

Without the Office's consultant contracts, the Office's contract expenditures have declined significantly. As a result, no analysis of the agency's use of Historically Underutilized Businesses was prepared.



Agency Operations

To help ensure coordination between Texas and the federal government, the State-Fed Office performs three main functions: prioritizing Texas' federal agenda, advocating for Texas, and communicating on the state and federal level.

Prioritizing Texas' Federal Agenda

The State-Fed Office plays an integral role in helping to develop Texas' federal agenda by annually compiling and prioritizing a list of policy and funding issues with the most significant impact on, and concern to, Texas. The Office aims to capture initiatives that are in step with congressional priorities, a tactic that helps to ensure that items on the State's agenda are heard by Congress. State agency representatives help in identifying key priorities by providing subject-matter expertise and expressing their respective agencies' needs.

Once the priorities are compiled, staff forward the draft priorities to the Advisory Policy Board members for review and approval. The Board has reviewed, but not approved the priorities for the 110th Congress-2nd Session. These priorities generally fall within the areas of health and human services; transportation; homeland and border security; federal appropriations and tax issues; and advanced technology/research and development innovations.

One of the State-Fed Office's overarching goals is to ensure that Texas' needs are clearly and fairly represented in Congress' allocation of federal funds. The Office typically works to ensure that changes to legislation, such as modifications to funding formulas, are made in Texas' favor, or to prevent the loss of funding to Texas. For example, in 2008 the President signed the Supplemental Appropriations bill that included a moratorium on certain Medicaid regulations. The regulations would have resulted in a loss of \$3.4 billion in federal funds to Texas for fiscal years 2008 through 2012. As a result, the moratorium prevented the loss of those funds to Texas.

Advocating for Texas

The State-Fed Office advocates on behalf of the State by coordinating policy priorities and funding issues with the Texas congressional delegation, actively lobbying Congress as a whole, and working with federal agencies on policy implementation. The State-Fed Office staff routinely provide the Texas delegation, and other members of Congress, with information and assistance on policy issues. The Office also relies on the assistance of state agency representatives to offer subject-matter expertise. Also, when other Texans travel to DC, such as government officials, state agency employees, and businesses representatives, to advocate for an issue, the Office provides them with assistance in navigating Capitol Hill, even though the State-Fed Office may not be actively pursuing the same issue.



The Office targets issues that are important to Texas and in step with Congress' priorities.

How the Office Advocates for Texas

To advance Texas' agenda, the Office may engage in many activities, including, but not limited to:

- ◆ providing information to and visiting with members of the Texas delegation;
- ◆ visiting with members of Congress to advocate for Texas;
- ◆ working with the Governor's Office, Texas legislators, and Texas congressional delegates to issue letters of support for specific initiatives;
- ◆ building coalitions with other states or associations to get broad support for an issue;
- ◆ arranging meetings and testimony for state officials in front of Congress; and
- ◆ working with federal agencies through the rulemaking process to ensure implementation that benefits Texas.

The State-Fed Office staff employ a variety of actions to influence federal action, depending on the specific issue. The textbox above, *How the Office Advocates for Texas*, lists some examples of what the Office may do and the types of interaction the State-Fed Office may have to influence Congress on any given issue. The textbox below, *Hurricane Response*, highlights the Office's role in coordinating and communicating Texas' federal-level position on an unexpected issue that affected Texas greatly – Hurricane Ike.

Hurricane Response

During Hurricane Ike, State-Fed Office staff maintained direct contact with state agency representatives in Texas and officials from the Governor's Office Emergency Management Council. The State-Fed Office helped convey this emergency-response information to federal agency and Administration officials, and members of Congress, acting as the Texas point of contact in Washington, DC. Congress approved, and the President enacted, a bill providing \$22.9 billion for assistance to states impacted by natural disasters in 2008.

The State-Fed Office served a similar role during the preparation and immediate response to Hurricanes Rita and Katrina. Once Congress began to address emergency funding for the disasters, the Office continued its coordination role by organizing congressional testimony and office visits from Governor Perry and other state officials. The Office also worked with Congress to ensure that Texas' needs were considered in determining federal reimbursement for storm damage from Hurricane Rita and the significant costs that Texas incurred in receiving evacuees after Hurricane Katrina's devastation.

In addition to receiving initial funding for Hurricanes Katrina and Rita, in May 2007, the President signed a bill that included a Gulf Coast Hurricane State and Local Match waiver, which saved Texas communities impacted by the storms more than \$70 million. The bill also provided more than \$30 million in funding for institutions of higher education affected by the storms and for Texas to recover some of its costs associated with these disasters.

During the coming months, when Congress reconvenes and considers disaster relief funding, the State-Fed Office will continue its efforts to assist in communicating and coordinating the State's efforts to seek federal funds in recovering from Hurricane Ike.

Communicating on the State and Federal Level

The State-Fed Office provides information to a wide range of entities, at both the state and federal level, that are interested in Texas issues. Each week that Congress is in session, the Office distributes a newsletter, *News From Washington*, which provides a summary of congressional action and related events impacting Texas, including a list of Texans testifying on Capitol Hill. This newsletter contains links to copies of legislation, bill summaries, press releases, and other types of legislative analysis. On request, the Office sends about 830 electronic copies of the newsletter to members of the Texas Legislature, the Governor's Office, state agencies, Texas cities and municipalities, members of Congress, and federal officials, as well as other entities such as Texas businesses.

The Office also maintains an Austin-based office, to provide a point of contact in Texas to the Governor's Office, members of the Legislature, and state agencies. The State-Fed Office periodically provides members of the Texas Legislature with briefings as requested, describing the State's federal goals and giving a status report on these issues. Conversely, on the federal level, the DC Office provides Congress and congressional staff, primarily members of the Texas delegation, with Texas-related updates. The Office also responds to information requests, acting as an information resource on Texas-related issues at both the state and federal level. For example, the Office routinely responds to information requests from the Governor, members of the Texas Legislature, Congress, state and federal agencies, elected officials, Presidential Administration staff, and businesses.

*The Office acts as
an information
resource on
Texas-related
issues at both
the state and
federal level.*

.....

¹ Each of the state agencies that are housed with the Office has one employee stationed in Washington, with the exception of the Texas Department of Transportation, which has two DC-based staff.

NEW ISSUES



New Issues

None received.

PROVISIONS ADDED BY LEGISLATURE



Provisions Added by Legislature

1. Ensure legislative oversight of the Office of State-Federal Relations.

Senate Bill 1003 requires the Office to report to, and appear upon request in front of, the appropriate jurisdictional legislative committees, to ensure that the Legislature continues to have direct oversight of the Office through the committee process. In addition, the bill adds the relevant committees of the House and Senate to the list of entities the Office must notify of federal activities.

SUNSET STAFF REVIEW OF THE OFFICE OF STATE-FEDERAL RELATIONS



REPORT PREPARED BY:

Chloe Lieberknecht, Project Manager

Kelly Kennedy

Cee Hartley

Ginny McKay, Project Supervisor

Joey Longley

Director

Sunset Advisory Commission
PO Box 13066
Austin, TX 78711

Robert E. Johnson Bldg., 6th Floor
1501 North Congress Avenue
Austin, TX 78701

512-463-1300 Fax 512-463-0705

To obtain an electronic version of this report please visit our website at www.sunset.state.tx.us.

In compliance with the Americans With Disabilities Act, this document may be requested in alternative forms.