

**SUBJECT:** Attaching the Office of State-Federal Relations to the Governor's Office

**COMMITTEE:** Defense Affairs and State-Federal Relations — committee substitute recommended

**VOTE:** 5 ayes — Corte, Escobar, Garcia, Hodge, Raymond  
1 nay — Herrero  
3 absent — Noriega, Merritt, Moreno

**SENATE VOTE:** On final passage, April 26 — 31-0, on Local and Uncontested Calendar

**WITNESSES:** *(On House companion bill, HB 2102 by Kolkhorst:)*  
For — *(Registered, but did not testify:)* Chris Shields, San Antonio Chamber of Commerce  
  
Against — None  
  
On — Chloe Lieberknecht, Sunset Advisory Commission

**BACKGROUND:** The Office of State-Federal Relations (OSFR), created in 1965 within the Governor's Office and established as an independent agency in 1971, is the state's advocate with the federal government in Washington, D.C. It seeks federal funding for the state, prioritizes the state's agenda at the federal level, and acts as a conduit between state and federal entities regarding Texas issues. It receives an annual appropriation of \$1.2 million, with a staff of seven, six in Washington, and one in Austin. The governor appoints the agency's executive director, who hires the staff. An advisory committee of the governor, the lieutenant governor, and the speaker of the House reviews the state's federal priorities and strategies annually.  
  
OSFR last underwent Sunset review in 1995 and was continued by the 74th Legislature. If not continued by the 80th Legislature, the agency will be abolished September 1, 2007.

**DIGEST:** CSSB 903 would continue the Office of State-Federal Relations until September 1, 2013. It would fund the agency through the Governor's

Office, which would provide human resources and administrative support for OSFR. The agency would be prohibited from contracting with federal-level lobbyists. The bill would add duties for the office and require any state agency or political subdivision that had separate Washington lobbyists to report such activities to the agency.

**Change of duties.** The OSFR director would be required to:

- evaluate employee performance based on measures developed by the advisory policy board;
- notify the governor, the lieutenant governor, and the speaker of the House of federal activities relevant to the state;
- inform the Texas congressional delegation of state activities;
- conduct frequent conference calls with the lieutenant governor and the speaker, or their representatives, about state-federal relations and programs;
- respond to information requests from the Legislature, Congress, and federal agencies; and
- work with the Legislative Budget Board (LBB) to identify effects of federal funding on the state budget.

The bill would remove several provisions from the statute defining the duties of the agency or its director (Government Code, ch. 751), such as:

- administrative roles that include development of a career ladder and other personnel management duties;
- entering into an interagency contract with the LBB; and
- providing facility accessibility.

**Interaction with other government entities.** The OSFR would not contract with federal-level government relations consultants. CSSB 903 would require that any political subdivision or state agency report to the OSFR any contract it had entered or ended with a federal-level lobbyist. The report would have to be submitted to the office within 30 days of either entering or terminating a contract. The agency would have to post on its Web site all information contained in the report, which would include:

- the name of the consultant or consulting firm;
- the reason the lobbyist was hired;

- the amount of compensation the entity had paid or would pay the consultant under the contract; and
- any subcontracts the consultant had entered into to fulfill the requests of the entity.

The bill would eliminate requirements for any agency or institution of higher education to report to OSFR, the LBB, and the governor's budget division any receipt, request, or requirement waivers for federal grants or awards.

The bill would remove requirements for any state agency identified by the LBB as being particularly affected by federal actions, such as funding and policy decisions, to develop a plan of state-federal coordination and study the benefits of entering into a contract with OSFR to place an agency employee under the supervision of the office director in Washington. It also would remove specific requirements for the LBB to enter into one of these interagency contracts with OSFR.

**Effective date.** This bill would take effect September 1, 2007. Any government entity that was contracting with a federal-level lobbyist prior to that date would have to report the required information to OSFR by September 30, 2007.

**SUPPORTERS  
SAY:**

CSSB 903 appropriately would continue the Office of State-Federal Relations by administratively attaching it to the Governor's Office and placing new restrictions on the agency to ensure it could not become entangled with partisan politics. The Sunset Advisory Commission found that the agency plays a vital role not only in securing federal dollars for Texas but also in serving as a resource to Texas legislators and federal officials in Washington. The bill would prohibit OSFR from subcontracting with lobbyists and would establish the agency as the central resource for all governmental lobbying efforts originating from Texas.

During the 2003 budget shortfall, the Legislature cut OSFR's staff from 17 to 7, prompting the agency to subcontract some of its lobbying work, which will end up costing the state \$1.2 million when the final contract expires in August. In early 2006, two of those contracts made headlines when it was revealed that the state had hired two lobbyists with ties to former U.S. House Majority Leader Tom DeLay and convicted lobbyist Jack Abramoff. Critics were concerned about the potential partisanship of

contracted state government workers, whose records showed they met mostly with Republican members of Congress.

CSSB 903 would prevent a repeat of this by prohibiting future contracts with lobbyists. The state has a wealth of resources in Washington, along with the sitting president and several high-ranking officials in the executive branch, that include the OSFR, other lobbyists working for state or local entities, and Texas' 34-member congressional delegation. The main role of these officials, especially those who work directly for the government, is to advocate for the needs of Texans. On any number of issues, from hurricane relief to the exemption of state sales taxes on federal returns, these government employees have put aside partisan politics to focus on the needs of Texas.

OSFR is still a vital resource, especially on occasions when the state's congressional delegation may be unable to put aside differences for political reasons or parochial interests. It is essential the state have an advocate in Washington that reflects the view of the entire state, and Texas is not alone in this endeavor. Thirty-seven states have established a Washington office staffed by government employees, and two others use consultants to represent their interests at the federal level.

The bill would make OSFR a clearinghouse through which all state and local entities would report any federal lobbying contracts. This procedure would ensure the state and its federal legislators were on the same page with all government entities. It also would allow OSFR to craft a consistent message from all levels of state and local government. Requiring these contracts to be placed on the Internet would greatly improve access to information the public has a right to know — how its taxpayer dollars are being spent.

The bill would follow the spirit of the Sunset commission's recommendation to remove costly and inefficient administrative functions from OSFR's domain, but it would depart from the letter of the recommendation to place the agency under the direction of the governor. In a state in which the governor's role is decentralized, the lieutenant governor and speaker of the House also should have a significant voice in determining our federal priorities. One of the ways this bill would maintain that voice would be to require the office to have regular conference calls with legislative leaders.

OPPONENTS  
SAY:

The state should not continue to spend money to lobby the federal government when that money could be used on more urgent local needs. Thirty-four elected officials represent the needs of Texas in Washington, and although their interest may be parochial on certain issues, they have shown the ability to unite across party lines on issues of statewide significance. It is not the role of government to create an office of lobbyists, or even worse, to fund additional lobbyists to champion state interests in Washington. It is difficult to defend why using state tax dollars to chase federal tax dollars is not an inherently wasteful process, especially when significant amounts of federal money are dedicated through guaranteed funding formulas.

OTHER  
OPPONENTS  
SAY:

CSSB 903 should follow the recommendations of the Sunset commission, which carefully researched the agency and crafted solutions to some of the agency's problems that were devoid of politics. This bill fails to recognize certain realities about the federal process and should allow for the state to enter into contracts with lobbyists under strict requirements. The agency also should be placed under the governor's direct authority to create a more efficient and responsive chain of command.

Of the 37 states with Washington offices, 13 hire additional consultants. Although the Commission did not make a value judgment on whether the state should pursue this option, it did find the role of outside help to be beneficial for the states that used the assistance properly. Certain lobbyists have an expertise or network that is unmatched by OSFR employees. While the influence game in Washington is not ideal, it is the system through which the state must work. OSFR attributes \$1.1 billion in federal money for the state to the work of the outside lobbyists, whom it credits with successfully pressing for increases in federal highway money and authorization of maintenance dredging in the Matagorda Ship Channel. By subcontracting out the work, the Governor's Office estimates the state saved about 15 percent of the amount it would have paid to perform the same functions itself.

If hiring lobbyists would give the state an advantage in receiving more funding or achieving a specific policy goal, the state should have that option. The Sunset commission recommended that, in such an event, the state set clear guidelines for hiring and evaluation. It set out contract guidelines and other measures that would ensure lobbyists had the ability to work with all members of Congress without conflicting interests. Such provisions were included in the version of the bill passed by the Senate.

Also, given the recent staff cut, the agency should have some leeway in hiring additional staff to handle a particularly taxing or overwhelming problem.

The Sunset commission found that Texas is the only state whose federal advocacy office is an independent agency. Although this bill would shift some administrative burdens functions from OSFR to the Governor's Office, it would not provide a clear chain of command that would allow the agency to act quickly in a fast-paced Washington environment. Maintaining the advisory committee of the governor, the lieutenant governor, and the speaker of the House would leave OSFR with too many masters, a situation that could be exacerbated if any of the three members were from different parties, threatening the agency's ability to set clear priorities and undermining its role as a central voice for Texas in Washington.

NOTES:

SB 903, as passed by the Senate, differs from the House committee substitute by:

- placing OSFR in the Governor's Office under the governor's direction;
- allowing contracts between the agency and federal-level lobbyists and providing for specific requirements for such contracts;
- repealing the advisory policy board and its functions;
- repealing provisions dealing with public complaints, allowing certain contributions, and prohibiting a lobbyist acting as the office's general counsel; and
- not providing for information reported to the agency regarding government entities' contracts with federal-level lobbyists to be posted on the Internet.