

SUBJECT: Continuing state-federal office and attaching it to the Governor's Office

COMMITTEE: Border and Intergovernmental Affairs — committee substitute recommended

VOTE: 6 ayes — Gonzales, Flynn, Flores, Guillen, Leibowitz, Moody

0 nays

3 absent — Olivo, Raymond, Shelton

SENATE VOTE: On final passage, April 7— 31-0

WITNESSES: (*On House companion bill, HB 1583:*)

For — None

Against — None

On —Chloe Lieberknecht, Sunset Advisory Commission; Ed Perez, Texas Office of State-Federal Relations

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 to 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 on Texas issues.

The governor appoints the agency's executive director, who must be confirmed by the Senate. The executive director hires the staff. An advisory policy board of the governor, the lieutenant governor, and the speaker of the House annually decides the office's policy priorities. OSFR has a staff of four, with three located in Washington, D.C. and one in Austin. In fiscal 2008, the agency operated on a budget of \$750,000.

OSFR is under Sunset review and will be abolished on September 1, 2009, if not continued by the Legislature.

**DIGEST:** CSSB 1003 would continue the Office of State-Federal Relations (OSFR) through September 1, 2015, and administratively attach it to the Governor's Office. The Governor's Office would provide human resources, other administrative support, and appropriations to OSFR.

**Correspondence with the Legislature.** The bill would require OSFR to consult with the legislative leadership in Austin about federal policy issues relevant to Texas. This would be done through frequent conference calls and responses to inquiries from the Legislature. OSFR would correspond with the Legislative Budget Board about the effects of federal funding on the state budget. CSSB 1003 also would require OSFR to report to House and Senate committees with jurisdiction over intergovernmental affairs. OSFR would have to include a performance evaluation in its annual report to the Legislature.

**Contracting with lobbyists.** OSFR would have to establish written procedures governing contracts with federal lobbyists. The procedures would have to include: contract management guidelines; a competitive selection process; a way of determining the value of lobbyist services; a way of determining how effective a lobbyist was at influencing Congress on behalf of Texas; and a conflict of interest provision.

Contracts between OSFR and federal lobbyists would have to be signed by all three members of the advisory policy board and contain an agreement on the goals of service, targeted performance measures, a termination clause, and a provision allowing the contractor's performance to be audited by OSFR or the State Auditor's Office.

**State agency-lobbyist interaction.** CSSB 1003 would require state agencies and political subdivisions to report all contracting and subcontracting with federal-level lobbyists to the OSFR. Agencies would have to submit one report within 30 days of the start of a contract with a federal lobbyist and another report within 30 days after the end of a contract. If lobbyists were required to report contracts with political subdivisions under another law, they would not have to submit an additional report to OSFR.

The bill would repeal statutory provisions on the administrative functioning of the agency, including staffing guidelines, complaint procedures, interagency contracts, handicapped accessibility, and state agency funding guidelines.

The bill would take effect September 1, 2009. Any government entity that was contracting with a federal lobbyist prior to that date would have to report the required information to the office by September 30, 2009.

SUPPORTERS  
SAY:

CSSB 1003 appropriately would continue OSFR by administratively attaching it to the Governor's Office. 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 an informational resource to Texas legislators and federal officials in Washington. The bill also would place new restrictions on the OSFR to prevent it from becoming entangled in partisan politics.

By allowing the office to contract with federal lobbyists under strict conditions, CSSB 1003 would give the state an advantage in securing federal funding and achieving policy goals. Some lobbyists have a knowledge base or network that is unmatched by OSFR employees. OSFR credits outside lobbyists for successfully securing increased levels of highway funding and for gaining federal approval for maintenance dredging in the Matagorda Ship Channel. By subcontracting work to lobbyists, the Governor's Office estimates the state saved about 15 percent of the amount it would have paid to perform the same functions itself.

During the 2003 budget shortfall, the Legislature cut OSFR's staff from 17 to seven, prompting the agency to subcontract some of its lobbying work, which ended up costing the state \$1.2 million. 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. 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 1003 would remedy this problem by requiring the office to develop strict procedures for contracting with federal lobbyists.

CSSB 1003 also would make OSFR a clearinghouse through which all state and local entities would report 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 the OSFR to craft a consistent message from all levels of state and local government. Compiling information concerning all state agency relationships with lobbyists in a central location would provide a clearer picture of the nature of federal lobbying in Texas.

OPPONENTS  
SAY:

The duties of the Office of State-Federal Relations are redundant and the office should be abolished entirely. Texas sends a congressional delegation of 34 members to represent the state's interests at the federal level. The responsibilities of OSFR already are being handled by the Texas congressional delegation, which at times has been able to unite across party lines on issues of statewide significance.

The state should not continue to spend money to lobby the federal government when that money could be used on more urgent local needs. Continuing the office for another six years would cost Texas a minimum of \$675,000 per year in FTE salaries alone, not to mention the costs of hiring outside lobbyists. It is not the role of the 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 using state tax dollars to chase federal tax dollars and to explain why this is not an inherently wasteful process, especially when significant amounts of federal money are dedicated through guaranteed funding formulas.

OTHER  
OPPONENTS  
SAY:

The Legislature should follow the recommendations of the Sunset Advisory Committee and abolish the advisory policy board and place OSFR under the exclusive authority of the governor. Instead, the bill would require the governor to agree with the lieutenant governor and the speaker of the House on the policy priorities of OSFR. In the past, this has led to delays in the production of major policy documents. This complex system of checks and balances is more burdensome than necessary, especially considering that elections already hold the governor accountable to the people of Texas every four years.

NOTES:

The House committee substitute for SB 1003 differs from the Senate version by administratively attaching OSFR to the Governor's Office, rather than abolishing it as an independent agency; retaining the requirement for the executive director to be appointed by the governor with the advice and consent of the Senate; retaining the advisory board; requiring all three members of the advisory policy board to sign lobbyist contracts, rather than the governor only; and exempting reporting requirements for lobbyist contracts already required to be reported under other law.

The House companion bill, HB 1583 by Flynn, was placed on the House Major State Calendar and recommitted to the House Border and

Intergovernmental Affairs Committee on April 20. It would have abolished OSFR as an independent agency and transferred its functions to the Governor's Office.