NOVEMBER 12, 1990

TO THE SPEAKER AND MEMBERS OF

THE TEXAS HOUSE OF REPRESENTATIVES

72ND LEGISLATURE

REPORT OF THE

COMMITTEE ON STATE, FEDERAL, AND INTERNATIONAL RELATIONS

ALVIN GRANOFF
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Renato Cuellar
Karyne Conley
Jack Harris
Sam Hudson
Bob Hunter
Ken Marchant
Ciro Rodriguez

Staff:

Phyllis E. McMahon, Chief Committee Clerk
Nora Hoskins, Research Assistant
November 12, 1990

The Honorable Alvin Granoff
Chairman, State, Federal & International Relations Committee
Texas State Capitol
Austin, Texas

Dear Chairman:

The Subcommittee on Federal Funding of the 71st Legislature hereby adopts the report and recommendations contained herein and submits this interim report and recommendations for consideration to the State, Federal & International Relations Committee.

Respectfully submitted,

Representative Henry Cuellar, Chairman

Representative Bob Hunter

Representative Ciro Rodriguez
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SUBCOMMITTEE ON ENHANCING FEDERAL FUNDS FOR TEXAS

Members:

Henry Cuellar, Chairman
Bob Hunter
Ciro Rodriguez
INTERIM REPORT ON ENHANCING FEDERAL FUNDS FOR TEXAS

House Speaker, Gib Lewis, charged the Committee on State, Federal and International Relations to study federal allocations of funds in Texas and the Office of State-Federal Relations. This report will address state and federal problems and make recommendations regarding actions the State can take to enhance federal dollars. This Subcommittee held three public hearings on May 22nd, 1990, July 30th in Washington, D.C., and another on September 20th, 1990.

Introduction

In order to better understand why Texas is not receiving its fair share of federal dollars and to determine ways of enhancing federal funding assistance, an intense examination of hundreds of federal programs is necessary. Not only is this type of assessment necessary, consideration must be given to how federal funds are being sought after, administered, monitored and accounted for by the State.

This report is not intended to be an analysis or assessment of individual programs, but instead, it will address some of the state and federal problems and consider action which might be taken to increase the federal dollars Texas is receiving.

According to the Texas Comptroller of Public Accounts, in federal fiscal year 1988, Washington sent about $49.5 billion to Texas. Over one half of these dollars represent salaries and wages received by federal employees, payments to individuals (social security, veterans benefits, etc) and loans to students.

Texas businesses received more than $10.6 billion, primarily for defense contracts. Texas farmers received $1.2 billion and another $374 million was paid to colleges, universities and non-profit organizations.

Texas state and local governments received $5.2 billion in grants, of which the largest portion went into state coffers, where it amounted to 22 percent of all state revenues. Federal aid to Texas in 1988 was second only to the State’s sales tax as a source of revenue.

A Perspective on Texas’ Receipt of Federal Grant Dollars

Federal assistance in the form of grants and contracts represent a sizeable portion of the Texas State budget. Therefore, this area of federal funding will be the primary focus of this report. Between 1986 and 1990, new grant-in-aid budget authority of the State of Texas is estimated to
have increased by close to 30 percent. This rate is nearly double the overall rate of growth in federal aid to the states. The growth in federal funds during this five year period results primarily from increases in Medicaid which more than doubled from $905 million to about $1.9 billion. Other significant increases during this time were in employment and training ($139 million), elementary and secondary education ($204 million), food and nutrition ($233 million), and aid to families with dependent children ($100 million). Although these statistics are very impressive, they do not reveal a true and accurate picture of federal assistance to the State of Texas.

Despite recent gains, Texas still currently ranks 47th in the per capita distribution of federal aid to the 50 states and next to last among the ten largest states. The reasons for this are complex and often not readily understandable without closer examination.

Texas has consistently received low levels of federal assistance for housing, education, human services, and drug prevention for the people of Texas. Since this situation did not evolve overnight, developing strategies and solutions will take time, and the efforts to enhance the State’s fair share of federal funds will be an arduous task.

Expected reductions in domestic programs and a shrinking federal budget will mean sharply declining levels of assistance in federal grants over the next five years. Therefore, competition among the states for available funds will become more intense. If Texas is to gain an equitable share for its citizens, our approach must become increasingly more sophisticated, more technologically advanced, and more cohesive and coordinated.

Some of the problems that the State faces are due to decisions and policies made in Washington, D.C. Congress devised a complex series of formulas to determine how funds for each program would be disseminated to the states. Most of these formulas were created many years ago. Since then, the nation's demographics have shifted dramatically, as considerable population growth has occurred in the Sunbelt. Many of the formula allocations have not changed accordingly, and states such as Texas do not receive fair and equitable amounts of federal grant dollars to adequately meet the needs of citizens. Efforts should be made to encourage federal officials to adjust the Census to allow for the under-count and use up-to-date estimates rather than once-a-decade figures in federal grant formulas.

Also, Texas has been greatly impacted by the "Hold-Harmless" provision in some federal grants. The provision was designed to protect a state's share of federal funding over time by allowing the same amount of funding in a program as they received in the previous year. The result is that large and growing states are not benefiting, while state's with declining populations receiving more dollars than they might need.

There are apparent regulatory constraints, formula biases and complicated federal policies which have contributed to Texas' net loss of assistance in areas such as mass transit funding, primary and secondary education aid, the WIC program and non-military research. All of these areas warrant much study and cooperative efforts to best determine what action the State can take to effect Federal changes.

According to a report prepared by the Auditor's Office, Texas receives less than the maximum share of federal dollars due to state factors such as under-funding of state matching dollars. This is not the only reason for this problem, however. The decentralized state-level management approach also presents its own set of problems such as: minimal coordination, inconsistent policies and monitoring methods, and incompatible goals.
The Medicaid and AFDC programs are two matching federal-state programs designed to assist the nation's poor, qualified elderly, and disabled individuals, by paying for medical and health care needs. The Medicaid program, which requires matching dollars based upon the per capita income of the State, deserves special attention and examination because of its enormous size (approximately $1.9 billion for Texas) and its impact on the state budget. Currently, Texas ranks near the bottom in the receipt of federal Medicaid funding. In 1989, Texas ranked 45th among states in per capita federal Medicaid spending. This single program has a large impact on Texas' low ranking in the receipt of federal grant dollars. If the Medicaid and AFDC programs were not considered in calculating which states benefit most from the distribution of federal grant dollars, Texas would rank 34th instead of 47th among the fifty states.

Federal and State Medicaid funds made up more than 13 percent of Texas' total state spending in 1989. The State loses more federal dollars in Medicaid than any other federal program. According to the State Comptroller's Office, the net loss amounts to $700 million in 1989.

The Medicaid program is divided among approximately eleven state agencies, even though there is one agency that has the responsibility to oversee the program. There are thirty-three Medicaid optional services and Texas does not deliver a large percentage of them. Each of these agencies establish their own policies and budgetary goals and often they are not uniform and complimentary to each other.

Texas has approximately sixteen state agencies which administer health and human services programs. The State should review all programs which are presently being funded with state dollars and determine whether federal funds are available. Often cities and publicly owned facilities provide assistance which might be eligible for federal dollars. Efforts to better assist localities in determining what local expenditures qualify for federal matching dollars are necessary. Consideration should be given to developing innovative methods for providing services to enhance federal funds.

Lost Funding Opportunities

Although discretionary grants cannot compete in size with formula monies received by the State, they are of vital importance to universities, state agencies, associations and individuals to carry out important research and service oriented programs. Texas receives millions in federal discretionary funds each year, yet millions of additional dollars are lost when the State fails to receive support from other sizeable federal programs. The list of potential grant opportunities from which Texas receives little or no funding is significant.

It has become apparent that under-recovery of Federal dollars is a problem. Factors which have contributed to lost dollars are: the State's failure to apply for certain grants; incomplete applications; failure to expend the total amount of federal grants awarded; and lack of awareness of available federal programs.

Several agencies within Texas State government have assembled an experienced staff of grant writers with particular expertise in working with both the Federal government and foundations. Yet, other agencies pay minimal attention to this aspect of their operation, and as a result, Texas fails to receive millions of federal dollars form grants for which applications were never filed. Texas needs to aggressively pursue every grant opportunity for which it is eligible.

The level of grant knowledge and skills, along with experience in dealing with the federal system
runs from excellent to very poor within State government. The COFFM office in Austin should provide “hands on” grant writing expertise, review grants prior to submission, coordinate state-wide grant initiatives, and advise state agencies, local governments and other select institutions (such as school districts) on grant procedures. This office will work closely with the Central Office of Federal Funds Management and the Office of State Federal Relations.

The Role of the Office of State Federal Relations (OSFR) and the Central Office of Federal Funds Management (COFFM)

The goal of the OSFR is to assist the State in maintaining an active role in the national decision-making process and to provide state officials with information and assistance regarding federal issues. Over the last year, OSFR has established a stronger network of communication among federal and state agencies, according to Randy Erben, Director of OSFR.

OSFR is engaged in influencing a myriad of legislative and regulatory matters which come before Congress and the federal branch. The office works closely with the newly created Central Office of Federal Funds Management (COFFM), which primarily serves as a support office for all branches of state government in their efforts to maximize federal dollars in Texas.

COFFM was established during the 71st regular legislative session to address the complexity of federal funding issues. Due, in part, to OSFR’s reduced budget, resources and manpower, this office was established out of the Governor’s Office. It has proven to be a successful endeavor, and a complimentary relationship between the two offices prevails.

According to Bob Reinshuttle, Director of COFFM, this office has also made great strides in a short period of time. Some of the office’s accomplishments are as follows: the development of The Grants Management System, a comprehensive database; The Grant Alert System, a statewide information network; and the Technical Assistance Series, grant search and tracking programs, and grantsmanship seminars. Among all of these services, the COFFM provides computer modeling and analysis of grants. This being most critical to the function of the office, it is imperative that acquisition, link-up, and development of computer capacity be a priority.

At a time when the State faces budgetary constraints, in large part due to federal funding formula disparities, and costly federal mandates, the functions of these two offices should be considered with utmost priority. Continued support of both offices will allow Texas to enhance its efforts in attracting more federal dollars.

The question has arisen regarding the structure of these two offices. This subcommittee has reviewed the issue and considers this a subject worthy of further analysis. Some options have been presented regarding the restructuring and they are as follows: 1) Consolidating OSFR and COFFM as one office in Washington, D.C.; 2) Restructuring COFFM as an independently appropriated office which reports to the legislature; and 3) Leaving COFFM as it is, an agency that reports directly to the Governor’s office without OSFR supervision. The opinion of the subcommittee is to give further consideration to all these options.
Conclusion

Federal funds make up almost one-fourth of all state revenues and are the single largest source of state revenue after sales taxes. If Texas had received its fair share of federal funds in 1989, federal aid would have surpassed state sales tax revenue.

Federal funding decisions should receive as much attention and consideration as every other major state funding decision receives.

Legislative oversight is minimal and the budget process does not assign responsibility for increasing federal dollars.

Texas has many state agencies managing various federal programs, some being services of the same federal program. This process needs review and consideration should be given to developing more cohesion and oversight of these programs. More integrated state eligibility requirements (structured by various agencies) should be developed, and more comprehensive efforts to identify eligible recipients is necessary.

There are obvious federal-level blocks which prevent the state from maximizing the flow of federal dollars. Initiatives to address these problems must continue and be treated as a priority for the State's leadership.

The steps that the State must take to enhance federal funds and assistance for Texas will require extensive review and assessment of programs the State is or is not providing. Revamping outdated methods of administering, monitoring and accounting for federal dollars must be addressed. This is a complex issue which deserves much attention. The Subcommittee recommends further review of these complex issues, and encourage state officials, to support the efforts being made in Washington, D.C. as well as, here in Texas to streamline, coordinate and enhance Texas’ efforts to attract more federal funds.

Even though the subject of defense spending has not been thoroughly addressed in this report, it is an important issue to comment on. The Texas defense industry has been historically a healthy sector of the state's economy. This trend has changed due to recent defense cuts, anticipated base closures, and most recent deployment of troops. This is a serious concern for Texas communities and deserves much attention. The Subcommittee recommends that a task force be established to assist communities most directly affected and to develop economic development strategies.

STATE POLICY RECOMMENDATIONS

It is imperative that State officials become more aware of how federal dollars are impacting the State's budget. It would be beneficial to place a person who is familiar with federal funds management to serve on the Appropriations Committee. This person could be the Chairman of Budget and Oversight for the Committee on State, Federal and International Relations. Initiatives to incorporate a federal fiscal impact statement, to accompany specific state legislation which is affected by the loss of or inclusion of federal funds, warrants review. This measure will provide information regarding direct impact of federal funds, as well as, long term benefit or loss. This measure can also provide information to LBB and Appropriations in a case where an agency is requesting state funds, when federal dollars might be obtainable.

A statewide monitoring system to assure that state agencies are complying with state policies concerning the utilization and maximization of federal funds and earned federal funds (indirect cost and interest earnings) is necessary. This system may be designed as a system of performance
measures for agencies which may administer and utilize federal funds. This information should be reported to the legislature, and a penalty or incentive program to encourage agencies to comply should be considered.

This initiative could be facilitated by better computer linkage between LBB, the Governor's office, the Office of the Comptroller of Public Accounts, and the State's offices in Washington, D.C. The importance of modern technology and information exchange cannot be stressed enough. Measures should be taken to prohibit unnecessary time delays in the exchange of pertinent information regarding federal dollars for the State. This system will be greatly facilitated with the link-up with the Uniform Statewide Accounting System.

State agencies should be required to develop internal indirect cost recovery programs. Also, a better system of accounting for federal dollars should be devised, and uniform accounting codes should be used by agencies to account for such dollars. This system will facilitate better statewide accountability of federal dollars.

A LOCAL DIRECT ACCESS SYSTEM should be established to allow localities and private organizations to utilize the federal funds data base to obtain grant information. This system could provide direct revenue from subscription services and per search fees (similar to the system in the Secretary of State's office established in the 70th Session).

Other recommendations include: concurrent resolutions to encourage the U.S. Department of Commerce to use up-to-date estimates rather than once-a-decade figures and to make a statistical adjustment in the Census data to compensate for the undercount in federal grant formulas. In addition, Washington should be encouraged to adopt a common federal measure of need - such as recent estimates of a state's share of the national poverty population - to be used in the Supplemental Food Program for Women, Infants, and Children.

SOURCE LIST

Interview with Randy Erben, Director of Office of State-Federal Relations.


INTERIM REPORT

JOINT SUBCOMMITTEE ON TEXAS-MEXICO BORDER ISSUES

Members:
(Committee on State, Federal & International)
Renato Cuellar, Chairman
Henry Cuellar
Alvin Granoff

(Committee on Agriculture and Livestock)
Dudley Harrison
Jerry Johnson
Layton Black
November 12, 1990

The Honorable Alvin Granoff  
Chairman, State, Federal & International  
Relations Committee  
Texas State Capitol  
Austin, Texas

and

The Honorable Dudley Harrison  
Chairman, Agriculture and Livestock Committee  
Texas State Capitol  
Austin, Texas

Dear Chairmen:

The Subcommittee on Texas-Mexico Border Issues of the 71st Legislature hereby adopts the report and recommendations contained herein and submits this interim report and recommendations for consideration to the State, Federal & International Relations Committee and the Agriculture and Livestock Committee.

Respectfully submitted,

[Signatures]

Renato Cuellar, Chairman  
State, Fed Committee  
Agriculture Committee

Alvin Granoff  
State, Fed Committee

Henry Cuellar  
State, Fed Committee

Bob Ruhter  
State, Fed Committee

Dudley Harrison  
Agriculture Committee

Jerry Johnson  
Agriculture Committee

Layton Black  
Agriculture Committee
INTERIM REPORT ON TEXAS-MEXICO BORDER ISSUES

House Speaker, Gib Lewis, charged both the House Agriculture and Livestock Committee and the State, Federal and International Relations Committee to study international agriculture. In addition, the State, Federal and International Relations Committee was charged to study health, environment, immigration, infrastructure, and maquiladoras along the border. Representative Renato Cuellar, being on both committees, was appointed chairman over these charges in each respective committee. Rep. Cuellar appointed members from each of the full committees to jointly consider these often interrelated issues. This joint subcommittee held a public hearing on August 23, 1990 in Weslaco, Texas to hear the concerns of the people along the border. Following is a report on health, environment, and infrastructure as contributed by the State, Federal and International Relations Committee and a report on agriculture along the border as contributed by the Agriculture and Livestock Committee.

Introduction

The Texas-Mexico Border region is characterized by a diversified economy which is linked by geographical, social and infrastructure ties to Mexico. Retail trade, agriculture, and the maquiladora industry are the primary sectors of employment in the area.

Even though the border has shown positive signs of growth, there are problems which have accompanied this growth and warrant attention.

The Committee on State, Federal, & International Relations and the Committee on Agriculture and Livestock were given the charge to explore the array of problems specific to the Texas-Mexico border. A joint subcommittee held a public hearing in Weslaco, Texas to address these concerns.

The burgeoning population has precipitated problems which have greatly impacted the quality of life there. The issues to be addressed in this report prepared by the Committee on State, Federal & International Relations are specific to health, environment, and infrastructure strain along the border.

Health

The border region has had to struggle to keep up with ever increasing infrastructure needs as its population grows. Public health problems unique to the Border are all that much harder to solve because public health officials cannot travel between the two countries as easily as disease can.
The dramatic increase in the population along the border has overtaxed the infrastructure of the Mexican cities which are unable to provide adequately for potable water, sewage treatment, solid waste disposal, and paved streets. The inability of these communities to provide for basic human needs results in significant public health problems that include surface and ground water pollution, air and solid waste pollution, a high incidence of communicable disease, and inadequate pre-natal and maternal care for much of the population. All of these problems adversely impact the Texas side of the border as people and problems move freely back and forth.

On the Texas side, large populations are concentrated in colonias. These are developments which have emerged along the border with virtually no regulatory oversight by the counties, and which consequently do not have adequate water or sewage service available. It is estimated that there are about 750 colonias, concentrated primarily in the lower Rio Grande Valley and around El Paso, although, colonias occur all along the border.

Almost 140,000 people live in the colonias in El Paso, Willacy, Hidalgo and Cameron Counties. In some cases, wells and septic tanks are adjacent to each other, possibly resulting in people consuming water contaminated with their own wastes. This too results in a high rate of enteric illnesses among colonias residents and their families. During the 71st regular session, the Texas Legislature provided $100,000,000 to be used in providing water and sewer service for the colonias. These funds are to be used for loans to municipalities to extend their services out to the colonias.

Since the level of poverty is so high, most colonia residents and many other residents of the border counties are unable to access necessary preventative health and medical services. In addition, the presence of many Mexican citizens, contributes to the demand for health and human services.

**MEDICAL CONCERNS:**

On both sides of the border, polluted water is a major cause of intestinal disease. According to Richard Bath of H.A.R.C., intestinal diseases constitutes the leading cause of death on the Mexican side of the border. The group most susceptible to the harmful effects of polluted water are children.

On the U.S. side of the border, there is a high incidence of communicable diseases. Dr. Laurence Nickey, Director of the El Paso City/County Health District, stated that this constitutes a problem for the rest of the state and beyond the borders of Texas. People who are infected act as carriers of disease which, in turn, can potentially affect other communities that they move to.

Some border residents store their water in recycled chemical drums, dip their water from agricultural canals, and have their wells within 500 feet of their septic tanks. In many border areas, rainfall typically occurs all at once causing continual problems with flooding. Inadequate flood control measures create special problems when flood waters bring sewage to the surface from pit toilets or badly designed septic systems.

Continued efforts should be made to improve the availability of safe water along the border. Dr. Charles Wilson, Director of the Hidalgo County Health Department, testified at the public meeting held by the Interagency Advisory Council for the Office of Texas-Mexico Health and Environmental Issues that the $100 million colonia water bill will not be enough to complete the job. Two cities, Pharr and Edinburg, received funding and annexed nearby colonias. A problem
still exists after the construction of sewage and water facilities in the colonias as the residents must still bear the cost of preparing their own plumbing and pay any tie on fees assessed.

According to Mike Loving, from the Office of Texas-Mexico Health and Environmental Issues, who testified before the Joint Subcommittee, there are other significant medical concerns that specifically pertain to the border area. These include a high rate of adolescent pregnancy, a lack of adequate dental care, the risk of AIDS and other sexually transmitted diseases, and a high incidence of drug abuse. Even though these problems are not unique to the border, they are exacerbated by the circumstances indigenous to the area.

INSTITUTIONAL CONCERNS:

There is difficulty in obtaining and keeping trained health professionals on the border. Language, culture and the poverty of the area constitute barriers to recruitment of health professionals from outside the area. Local people, who are bilingual, bicultural and familiar with the area, often leave after becoming trained as health professionals due to salary and career advancement opportunities elsewhere in the state or out-of-state.

Enhancing the training and continuing education of health professionals and allied health workers is necessary. Local colleges and universities might be encouraged to develop curriculums specifically addressing health problems indigenous to the border region. Incentives to encourage health professionals and workers to remain in the area might be considered, as well.

There are a number of other institutional concerns that affect the public health system on the border. The existing public health infrastructure and the public and private health care delivery system is overburdened as a result of both legal and illegal immigration. The burden of cost for providing health care to illegal immigrants is a direct strain on the State and localities due to restrictive federal regulation which prohibits compensation or reimbursement for such care. Dr. Charles Wilson reported to the Joint Subcommittee that, in Hidalgo county, there are three federally funded community health centers but they are not sufficient to meet local health care needs. There is no public hospital and the local physicians are providing much free care.

The increasing number of hospital closures is shifting the indigent patient loads to a smaller number of institutions and providers. In addition, variation in eligibility requirements for local, state, and federal programs is confusing to the target population and appears to limit their use.

Environmental health problems which affect the border are generated in both the Unites States and Mexico, and the coordination for addressing the problems is less than effective. The Texas Legislature might consider supporting a proposed resolution to the U.S. Congress and the Federal Government of Mexico to create a Binational Environmental Health Council.

During the 71st Legislature, the Office of Texas-Mexico Health and Environmental Issues was established by House Bill 2972 without appropriation. The office was charged to identify border health and environmental problems and to coordinate activities among various agencies responsible for service delivery and problem solving on both sides of the border. The bill also created an inter-agency advisory council comprised of various state and federal agencies to assist the office in discharging its duties. Consideration might be given to appropriating funds for the office to increase coordination and cooperation, to develop a better communication network, and to strengthen working relationships among various groups involved in border health issues.
ENVIRONMENT

The environmental problems along the Texas-Mexico border are varied yet unique to the area. Water quality and availability are serious concerns. Also, the treatment of wastewater and disposal of waste pose serious problems both in Texas and Mexico. The transportation of toxic waste and hazardous and nonhazardous materials, as well as increased air pollution caused by population growth and development, all deserve considerable attention.

Regulating waste management is a bilateral problem. Juarez treats its sewage in ponds and then uses it for agricultural purposes. This poses a risk from bacterial contaminants for the workers in the fields and consumers in both Texas and Mexico, according to Dr. Nickey.

A promising example of cooperation was spawned by the unsafe dumping of raw sewage into the Rio Grande by the City of Nuevo Laredo. The federal governments of the U.S. and Mexico and the State of Texas are collectively constructing a sewage plant. It will be administered by the International Boundary and Water Commission. This effort should be a model for other projects along the border.

According to the Texas Department of Agriculture, it is difficult to separate the environmental effects of pesticides from health effects. Intensive use of pesticides in agriculture on both sides of the border increases environmental hazards such as groundwater pollution. Direct and indirect exposures to pesticides is one of the most serious health problems facing farm families, and border residents.

Coordination and comprehensive planning is critically important in order to continually address environmental problems. Even though efforts are being exerted, timely action and enforcement is imperative. Attention might be given to the large quantities of hazardous and nonhazardous materials and toxic waste moving along the border and into the State. Regulations differ in the U.S. and Mexico concerning the tracking, listing and transportation of such materials.

Manuel Aquirre, of the Texas Air Control Board, who testified before the Joint Subcommittee, states that with the increasing population and industrialization, air pollution has become a growing problem in the border region. Three major sources of air pollution are vehicle emissions, industry, and outdoor burning.

The border area with the most severe air pollution problem is El Paso-Cuidad Juarez. The city of El Paso exceeds federal air quality standards in the summer as well as during the winter. The standards being exceeded are for inhalable particulates, carbon monoxide, and ozone. There is a growing incidence of the same type of photochemical smog found in Los Angeles.

The most significant contributor to the pollution problem in El Paso-Cuidad Juarez is vehicular emissions. Air pollution is caused, in part, by the time that it takes to clear U.S. Customs. The number of cars has increased with the population, and in Mexico these vehicles tend to be older. Older vehicles are more likely to contribute heavier amounts of pollutants. Although the County of El Paso maintains a Vehicle Inspection and Maintenance Program, Cuidad Juarez does not. Recently, the problem of vehicle emissions has been exacerbated by the increase in truck traffic associated with the maquiladora industry.

The maquiladora industry has added an unknown dimension to the air quality problems along the border. SEDUE, Mexico’s counterpart to the EPA, has projected a ten percent growth of the maquiladora industry in the next two years. There are approximately fifty-two new maquilas proposed for development. As the maquiladora industry grows so could the impact of air pollution on the border region.
Outdoor burning in Cuidad Juarez in unrestricted, however, in Texas, it is permitted by the Texas Air Control Board in limited circumstances. In Texas, outdoor burning is practiced in the colonias since domestic waste collection is not provided by the local governmental entity. This problem creates considerable air pollution but requires further study.

Texas must continue to work with the federal governments of the U.S. and Mexico to improve the collection of data and oversight of environmental regulations. The State must be an active partner in addressing all of the problems which affect the Texas-Mexico border. For example, Texas has 800,000 acres of protected land in Big Bend National Park. Directly across the border there are a million acres of unprotected land in Mexico. In order to prevent environmental degradation of the areas on both sides of the border, the State might consider supporting the federal governments of the U.S. and Mexico in their efforts to establish an international park that spans land in both Texas and Mexico.

**Infrastructure**

The Border’s infrastructure is being stretched to its limits. The surge in manufacturing related transportation, the increased need for affordable housing, and the need for financing mechanisms to support both industrial and agricultural development are issues of concern that impact the infrastructure of the border region.

**TRANSPORTATION:**

The vast majority of maquiladora products, raw materials and machinery cross the border between the U.S. and Mexico by truck. However, economical and efficient truck transportation is hindered by several problems both in Texas as well as in Mexico.

In general, maquilas are required as a practical matter to use Mexican registered tractors or Mexican tractor-trailers for most of their cross-border shipments. If maquilas are permitted to use their own equipment, it must usually be operated by Mexicans. According to a report by the Texas Center for Border Economic and Enterprise Development, in addition to highly specific and promulgated trucking regulations, it appears that these regulations are marked by inconsistency in enforcement and compliance.

Prior to the passage of House Bill 2968 in the 71st Legislative session, Texas did not enforce operational restrictions on Mexican motor carriers, enabling them to operate throughout the state. This lack of enforcement violated federal law, compromised public safety, and lessened Texas trucking industry revenues and Texas citizens’ jobs. Bill 2968, was intended to ensure a reciprocal arrangement in the Mexican-American trucking industry, whereby Mexican trucks that unloaded goods in the U.S. had to return to Mexico empty so as not to compete with American truckers. According to the bill, Mexican motor carriers are now restricted to operation within U.S. defined border commercial zones. The Texas Department of Public Safety has requested that the bill be clarified; amendments will be presented in the upcoming legislative session.

The Texas Attorney General’s Office has recently issued an opinion on the 1949 Convention on the Regulation of Inter-American Automotive Traffic which holds that all for-profit truck drivers must have a Texas driver’s license. If this opinion is enforced, most Mexican truckers will have to be stopped at the border as most are not licensed to drive in Texas.

Another pervasive problem of truck transportation out of Mexico is that the limited bridge
crossings are slow and U.S. Customs clearances are time consuming due, in part, to the extensive inspections required by the war on drugs.

Reliable truck transportation is dependent on safe and efficient highways. According to Representative Renato Cuellar, Chairman of the Committee on Texas-Mexico border issues, it is imperative that the entire stretch of Highway 281 between Pharr and San Antonio be converted to a four lane highway in order to accommodate increased traffic. The completion of this project is very important to sustained economic development of the Rio Grande Valley and Mexico as they build a new road from Monterrey to McAllen.

According to written testimony provided to the Joint-Subcommittee by the Texas Department of Commerce, cross-border truck transportation costs constitute a major operating cost for the maquiladoras. The freight rates charged for cross-border maquila shipments by Mexican shuttle carriers, some of which are owned by the Mexican chauffeurs' unions, tend to be very high at all border locations. The highest rates are charged at Mexican border crossings that are served by the fewest shuttle carriers and are most restrictive of U.S. for hire motor carriers. Maquilas in those communities with such a border crossing pay higher cross-border freight rates both because of Mexican trucking company monopolies and because of the high fixed rates charged by them. Freight crossing rates are the highest in Matamoros, Reynosa and Nogales.

Another problem which hinders business development efforts in the border region and throughout the state is the current intrastate trucking rate structure and intrastate trucking regulations. There is free exchange of rail equipment between Mexico and the U.S. and uniform track gauge. The principal Mexican railway line receives an average of 250 loaded railroad cars a day from Texas at its five border crossing points. Unfortunately, rail deliveries are often unpunctual, and thus do not accommodate the just-in-time concept in manufacturing.

While, the Texas Department of Air Transportation has allocated grants for new airports in the valley, the ever increasing development along the border has caused growing demands on the air transportation infrastructure. Consideration should be given to the impact of growing commercial air traffic in the region.

HOUSING:

Problems in meeting basic housing needs have multiplied. Greater demands for available and affordable housing and urban service for workers and their families is of serious concern. A key aspect of the maquila industry work force is its high percentage of female workers and female heads of household. Female workers migrate to the border with their families, hence the need for family housing has increased greatly compared to the earlier periods, when the migrant flow towards the U.S. consisted primarily of men.

FINANCE:

Even though the infusion of foreign investment in Mexico has increased over the last few decades, there are some restrictions which do inhibit foreign investment there. Positive actions are being taken by both the U.S. and Mexico, for example the enactment by Congress of the U.S.-Mexico Debt Exchange Border Development Act of 1989. It is anticipated that the free trade agreement will greatly impact investment and consequent development along the border. Some busi-
ness people are encouraged by the possibility of enhanced trade opportunities.

Evidence supports the increase of public and private partnerships which are supporting infrastructure improvements along the border. An example of this is the construction of the Los Indios Bridge near Harlingen. Consideration should be given to exploring alternative finance mechanisms to support agricultural and industrial development along the border.

Texas must continue to participate in and encourage the partnership between the U.S. and Mexico to restructure Mexico's foreign debt. Initiatives and mutually beneficial programs that improve trade opportunities, strengthen infrastructure and economies along the border, and address health and environmental problems are imperative.

**Conclusion**

The Texas-Mexico border region is rich in resources and the areas has many unique qualities. It provides potential for the creating new jobs, attracting new industry, and increasing agricultural production. This valuable asset for the State must not be ignored and the health, environmental, and infrastructure problems specific to this area must be seriously addressed. The well-being of this region will have an impact on the entire state. Cooperation among federal governments of the U.S. and Mexico, other adjoining states, and localities along the border is imperative.

With the anticipation of a free trade agreement being enacted within the next few years, much attention will be given to trade between Texas and Mexico. Some expect more trade opportunities and stronger economic ties, while others remain uncertain. The Joint Subcommittee recognizes this and encourages cooperative efforts among public and private organizations, involved in international trade and relations, to study this important issue.

The State of Texas foreign trade offices in Mexico City and Monterrey will continue to be a viable tool for promoting trade and business opportunities between Texas and Mexico. These offices also serve the agriculture industry and should be utilized to keep officials and businesses apprized of opportunities, regulations, and new trade developments as they occur.

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INTERIM REPORT ON INTERNATIONAL AGRICULTURE

Introduction

The Texas-Mexico border area is an important contributor to Texas agriculture. This area also has problems specific to that area which warrant attention from the Legislature. The Committee on Agriculture and Livestock, acting upon the Speaker's charge "to study international agriculture" jointly held a public hearing in the border region in order to learn of the problems the agricultural community is facing there. The main topics brought out by those testifying on agriculture were free trade between the United States and Mexico, availability and quality of irrigation water, and livestock export facilities. Following are overviews of these topics which bring to attention the main issues, needs and work being done by various entities.

Free Trade Between The U.S. And Mexico

The Bush Administration has long been an advocate of free trade with Mexico but had been unable to spur on negotiations with the Mexican government. However, in February of 1990 the Mexican President Carlos Salinas de Gortari proposed that free trade talks begin between the two countries. Many see Salinas' change of heart toward free trade as a response to the demand on developed countries to invest in new Eastern Europe democracies. Salinas may fear that would mean less investments would be made in Mexico. Since in office, Salinas has been working to revitalize the shambled Mexican economy and he may also foresee that a less protectionist economy would invigorate business.

As of this writing, fall 1990, a formal free trade proposal has not been published. However, it is likely that a free trade agreement between Mexico and the U.S. would be similar to the recent free trade agreement with Canada which became effective January 1, 1989. This agreement included lessened tariff and non tariff restrictions to trade, investment incentives and other factors to increase trade.

This type of agreement has caused many producers in the border region to worry about the possible effects. Those testifying on free trade expressed concern over food safety. Unless Mexico's standards for pesticides and food additives are brought up to U.S. standards, unsafe food could be brought into the U.S. A second concern is water availability which was aptly expressed by Kathy Reavis of Texas Agri-Women. "During drought periods or peak production times, irrigation water is in short supply. With more farming on the Mexico side, which we presume will happen with the free trade agreement, there might not be enough water to accommodate every-
one. Also, with a low water supply, the salinity of the river water rises. High salt levels in irrigation water has an adverse effect on crops and can kill them." A third concern is the potential spread of insects and diseases across the border. As expressed in The Grower, the July 1990 newsletter by the Texas Citrus Mutual Association, closer cooperation with Mexico may open new opportunities to eradicate the Mex Fly but... Valley citrus growers have reason to be concerned that (the U.S.) may relax some of its insect and disease quarantines." A fourth concern is the impact on workers and farmers in the Rio Grande Valley. Farmers do not believe that they will be able to compete with Mexico's lower wage and benefits, fewer restrictions, and cheaper insurance costs. Therefore, the farmers who can afford to may opt to move their operations across the border. This could result in less jobs available for farm workers. The farmers who cannot afford to move may face financial difficulties stated many of those testifying.

**Water Rights**

Water availability has become of great concern to Texans. If Texas' population and industry continues to grow, more and more pressure will be put upon this limited resource. Texas simply does not have the water resources to support high population density and industry use without limit and this leads to some disagreements over the use of surface and groundwater. The content over groundwater is strong in the Edwards Aquifer region of Texas. The sides seem to be drawn between urban users and agriculture users. In the South Texas border region there is a strong contention over surface water, particularly the Rio Grande River water. Likewise, the sides on this issue seem to be drawn between urban and agriculture users.

The history over surface water rights in South Texas is long and complicated and the current situation remains to be very complicated. The disagreements over water rights became pronounced during the 1950's drought and a lawsuit representing more than 3000 parties was brought to court in Hidalgo County. Finally in 1971 the Lower Rio Grande Water Suit judgement was rendered which distributed water rights along the Rio Grande River and appointed a court ordered watermaster to oversee allocation of water. In the meantime, in 1967 the State adopted the Water Rights Adjudication Act which allowed what is today the Texas Water Commission to adjudicate water rights for every water basin in the State. The Commission finished this in 1988 and is beginning implementation of the next step of the 1967 Act, which allows the agency to appoint a Watermaster for each river basin in the state to enforce water rights. Since 1967 and 1971 many events have taken place that have a bearing on the issue. For example, the Valley has become more populated and in response to that the Texas Legislature in 1983 adopted Article 973c to provide for transition of water rights from agricultural use to municipal use. In the 71st Legislature additional legislation was proposed but failed to pass. This in no way gives one a complete picture of the history but it does point to the fact that the issue is very complicated and of great importance to the Valley.

So far, despite the court cases decided, laws passed, and water districts formed, the water rights disagreement continues. Municipalities claim that they do not have enough water and that agriculture has more than its fair share. The agriculture sector claims that it does not waste water but uses it efficiently to run an industry that supports the Valley economy. That sector also resents water rights being converted to municipal use before the municipality has proof of need. The sentiments of many producers in the Valley were expressed by Donald Thompson of Texas Citrus Mutual in his testimony before the committee "...we believe priority should continue to be given
to water users vital to the economy of the Rio Grande Valley. There is a considerable amount of non essential use of water that needs to be reduced before farmers have the source of their livelihood cut off.” This of course does not present all the arguments for each side but they are ones often heard.

The transfer of water rights will probably be brought up once again during the 72nd session. The House Committee on Natural Resources held a hearing on the Transfer of Water Rights on September 6, 1990 in McAllen, Texas. This committee oversees water issues and may be looked toward to provide information and leadership on this issue.

Livestock Export Facilities

Livestock Export Facilities are run in coordination with the Texas Department of Agriculture (TDA) and the United States Department of Agriculture (USDA) to provide an important service to the border economy. Before livestock can be exported to Mexico, it has to clear an inspection at one of the five export facilities along the Texas-Mexico border. Mike Moeller, Deputy Commissioner of TDA, reported that during 1989 and through May 1990, the facility in Del Rio handled seventy percent of the exported livestock with Eagle Pass a distant second handling approximately twenty-one percent.

Mr. Moeller also relayed to the committee a request that Starr County Cattle Raisers have expressed for an export pen in their county. He reported that TDA does not have the funds in their current budget to build and staff another facility. However, TDA would do so if the Legislature made the request and funded the project. Subsequently, the USDA office in Austin has provided to the committee a copy of the USDA response regarding this issue. In a letter to Senator Lloyd Bentsen from Jo Ann R. Smith, Assistant Secretary for Marketing and Inspection Service of the USDA, she wrote: “Under current conditions we believe that the capacity of our facilities is sufficient to handle cattle imports and exports in this area and that opening an additional port would not be an efficient use of our resources.”

Conclusion

The free trade proposal between the U.S. and Mexico is occupying the thoughts of many people along the border. This is understandable since these people, being so close to Mexico, are likely to be personally affected. Their concerns do not go without notice by the members of this committee and this committee will advocate their concerns to the 72nd Legislature. In addition to personally affecting the people along the border, a free trade agreement will affect the Texas and U.S. economies. Many speculate that the nation as a whole will benefit economically as more jobs are created by increased exports. Among the likely losers are the low wage earners whose jobs may be taken over by their Mexican counterparts. It should be noted that the effects of this proposal on the border region and particularly agriculture have not gone without notice in our state agencies and in Washington. The Texas Department of Commerce, Texas Department of Agriculture and the Lyndon B. Johnson School of Public Affairs are working in coordination on an impact study. In Washington, a request has been made to the International Trade Commission to study the macro and micro economic impacts a free trade agreement would have on agriculture and the border area. The General Accounting Office issued a preliminary report in February 1990 on the U.S. Trade Impediments in Agriculture; the final report is due out in December 1990. Finally Chair-
man E. (Kika) de la Garza has requested that the farm bill include a provision directing the Secretary of Agriculture to study the effects such a proposal would have on agriculture. The joint committee wishes to participate in these and other studies that may be necessary.

Water availability and the corresponding issue of water rights is one of great importance to agriculture, particularly agriculture along the Texas-Mexico border. This committee understands that the agriculture sector does not wish to put hardships upon those in urban areas who need water but as well understands agriculture's need for water to sustain a vital part of the economy. This committee is willing to participate in talks to arrive at a fair and viable solution.

Livestock export facilities serve a necessary role in the livestock export market. It is important that a sufficient number of facilities are available so that livestock export is not impeded. Without the support of the USDA, TDA cannot run a facility in Starr County. However, the joint committee wishes to continue dialogue with the USDA concerning this. As an alternative this committee may entertain proposals to enhance the utilization and accessibility of the Laredo and Brownsville facilities which are the closest to Starr County. The committee might also support efforts to increase the use of the Eagle Pass facility to take pressure off the Del Rio facility if indeed this is an impediment to exports. The committee also suggests that study be done to determine if new facilities will be needed in the future.

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