

SUBJECT: Expanded cost recovery for the Texas Department of Agriculture

COMMITTEE: Agriculture and Livestock — committee substitute recommended

VOTE: 8 ayes — Hardcastle, C. Anderson, C. Howard, Hughes, Isaac, Kleinschmidt, Landtroop, Lozano

0 nays

1 absent — Miles

WITNESSES: For — None

Against — None

On — Drew DeBerry, Texas Department of Agriculture

BACKGROUND: Agriculture Code, sec. 12.027 instructs the Texas Department of Agriculture (TDA) to maintain an economic development program for rural areas in the state and establishes requirements for the program. TDA's economic development program includes:

- the GO TEXAN program, which aims to expand markets for agricultural and other products through program membership and marketing and through state, national, and international promotions and events;
- the Square Meals Nutrition education program, a marketing program aimed at promoting children's nutrition;
- TDA's pavilion at the State Fair of Texas, livestock export facilities, market news reports, and Texas Agricultural Statistical Service (TASS); and
- certain rural economic development programs.

DIGEST: CSHB 2334 would allow TDA to charge a membership fee to participants in the agency's economic development program. The agency could adopt rules to administer the program, including rules on the use of registered trademarks and other official marks. TDA could revoke the certificate of

registration or license of a program participant that did not comply with a rule the agency adopted.

The bill would allow TDA to sell advertising and collect fees and revenue for department content and information and for marketing and promotion of a variety of activities, including for the GO TEXAN program. The agency could advertise and sell GO TEXAN program merchandise using any available means. Funds collected could be appropriated only to TDA for marketing and promotional programs. The bill would allow TDA to provide informational materials in any type of media format.

The bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2011.

SUPPORTERS
SAY:

CSHB 2334 would implement, in part, a recommendation from the Legislative Budget Board's *Government Efficiency and Effectiveness Report* to strengthen cost recovery for TDA's marketing programs. The bill would be a necessary accompaniment to a rider in the House-passed version of the general appropriations bill that appropriated about \$9.2 million to TDA for fiscal 2012-13 for marketing programs, provided the agency generated enough to cover the cost of the appropriation. If the agency is not able to take measures to recover the costs of these programs, it would receive no appropriations — unless HB 1 were amended to restore the funds, which is unlikely in the current budget shortfall — and it would have to suspend these important programs. TDA currently supports 2,500 GO TEXAN member companies and employs more than 80 full-time employees for economic development activities.

The bill would enhance authority that already is conferred in statute. TDA already has authority to market and promote its programs and already charges a \$25 annual fee for membership in its GO TEXAN program. Other economic development programs the agency administers, however, do not have this authority.

Marketing and promoting Texas products is one of the agency's major missions. Current statutes allow TDA to "sell promotional items," and this bill simply would add the term "program merchandise." In the past, TDA has produced certain items, such as wine glasses and shopping bags, that it has given away for promotional purposes. Because the agency likely will have no more funds for these purposes without recovering the costs, it

would have to discontinue these promotional activities without the authority to charge a reasonable fee.

OPPONENTS
SAY:

CSHB 2334 would expand TDA's ability to sell merchandise, which is a questionable function for a state agency. Merchandise sold by a state agency can, if sold in sufficient quantity, pose competition for private vendors. The Legislature should grant state agencies the power to sell products sparingly, if at all.

NOTES:

The committee substitute added a provision that would allow TDA to collect an event fee for various marketing and promotional activities. The substitute specifies that money received for marketing and promotional activities could be appropriated "only" to TDA. Under the substitute, the bill would be effective immediately if passed by a two-thirds record vote of the membership of each house.

The companion bill, SB 1086 by Estes, was reported favorably, as substituted, by the Senate Agriculture and Rural Affairs Committee on April 7 and has been placed on the April 21 Local and Uncontested Calendar.