

SUBJECT: Transferring functions of state-federal office to the Governor's Office

COMMITTEE: Border and Intergovernmental Affairs — favorable, without amendment

VOTE: 5 ayes — Gonzales, Flynn, Guillen, Moody, Shelton
0 nays
4 absent — Flores, Leibowitz, Olivo, Raymond

WITNESSES: 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 regarding 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 decides the office's policy priorities on an annual basis.

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

DIGEST: HB 1583 would continue the Office of State-Federal Relations (OSFR) through September 1, 2015, under the auspices of the Governor's Office. The governor would provide direction to the office and appoint the executive director, who no longer would be subject to Senate confirmation. The OSFR would be abolished as an independent agency.

The OSFR would continue to serve as a conduit between the Texas congressional delegation in Washington, D.C. and the Legislature in Austin. The bill would abolish the advisory policy board but require the 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. The OSFR would correspond with the Legislative Budget Board about the effects of federal funding on the state budget.

Contracting with lobbyists. The OSFR would have to establish written procedures governing contracts with federal lobbyists. These 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 the OSFR and federal lobbyists would have to be signed by the governor and contain the following provisions:

- 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. HB 1583 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.

Annual Report. The governor, in consultation with legislative leadership, would approve a set of policy priorities for the OSFR and list them in the OSFR's annual report to the Legislature. The annual report would include a self-evaluation of the agency's performance.

The bill would repeal statutory provisions that applied to the operations of OSFR as an independent 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:**

HB 1583 appropriately would continue the Office of State-Federal Relations (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.

Texas is the only state that has an office of state-federal relations as an independent agency. As a state agency, the office is required to complete a number of unnecessary administrative tasks that detract from its more important duties. Moving the OSFR to the Governor's Office would eliminate much of its administrative workload and give its staff more time to promote Texas' interests in Washington, D.C.

Abolishing the advisory policy board and giving more authority to the governor would allow the OSFR to operate more effectively. Current law requires the governor to agree with the lieutenant governor and the speaker of the House on the policy priorities of the OSFR. This can lead 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.

By allowing the office to contract with federal lobbyists under strict conditions, HB 1583 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. HB 1583 would remedy this problem by requiring the office to develop strict procedures for contracting with federal lobbyists.

HB 1583 also would make the 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 the 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:

Moving the Office of State-Federal Relations (OSFR) to the Governor's Office would disrupt the balance of powers by giving an undue amount of power to the executive branch at the expense of the legislative branch. Recent controversy over the acceptance of federal stimulus money shows that the governor's interests do not always align with those of the Legislature. The advisory policy board ensures that the governor cannot decide Texas' policy priorities in Washington, D.C. without first consulting with the legislative leadership. By moving OFSR to the Governor's Office and abolishing the advisory policy board, HB 1583 would allow the governor to direct single-handedly Texas' legislative agenda in Washington, D.C.

NOTES:

The companion bill, SB 1003 by Deuell, passed the Senate by 31-0 on April 7.

During the 2007 regular session, SB 903 by Brimer, the OSFR Sunset bill, died in conference committee, and the 80th Legislature extended the office's sunset date by two years. The House-passed version of SB 903 would have placed the office under the Governor's Office, prohibited the office from contracting for federal-level lobbyists, required the advisory board to approve the hiring of office staff other than the executive director, who would have been appointed by the governor and subject to Senate confirmation. The Senate-passed version of SB 903 would have abolished the OSFR as an independent agency, transferred its duties and functions to the Governor's Office, abolished the advisory committee, allowed the executive director, appointed by the governor without Senate confirmation, to hire the staff, and included standards for contracting with federal-level lobbyists.