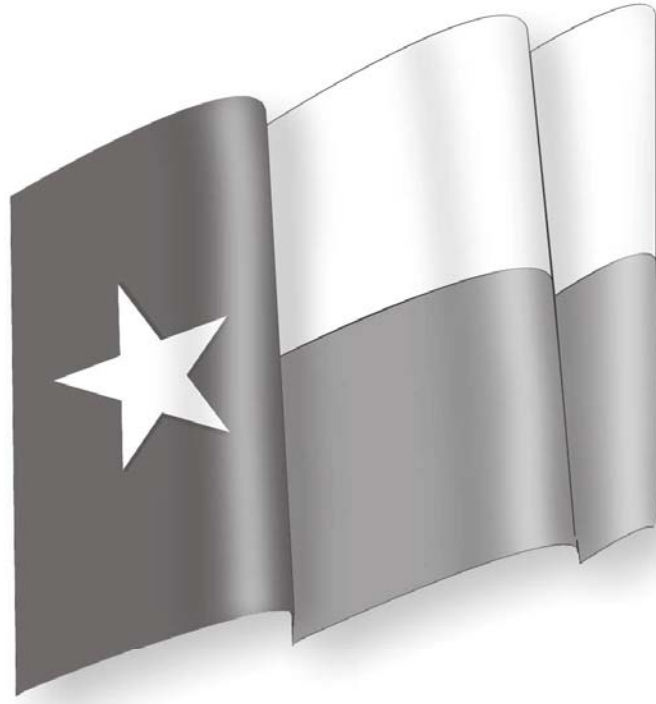


Summary of Sunset Commission Recommendations



Office of State-Federal Relations

February 2007





Office of State-Federal Relations

Agency at a Glance

The Office of State-Federal Relations (the State-Fed Office) acts as the State’s advocate in Washington, DC to help promote and protect the interests of Texas at the federal level. Initially, the Legislature created the Division of State-Federal Relations in 1965 as a program within the Governor’s Office, and later established the Office as an independent state agency in 1971. The Office’s mission is to promote communication and build relationships between the state and federal governments to advance the interests of Texas.

To accomplish its mission, the Office:

- ◆ prioritizes a federal agenda for Texas;
- ◆ advocates for federal funding and policy decisions favorable to Texas; and
- ◆ communicates information about Texas issues at the state and federal levels.



*For additional information, please contact
Chloe Lieberknecht at
(512) 463-1300.*

Key Facts

- ◆ **Funding.** In fiscal year 2006, the State-Fed Office operated with a budget of about \$922,000, most of which came from General Revenue. The Office’s largest expenditures included salaries, consultant fees, and building rent.
- ◆ **Staff.** The Office has six staff, with five located in Washington and one in Austin. In addition, five staff from four other Texas state agencies currently collocate in the agency’s Washington, DC office.
- ◆ **Consultants.** Until recently, the State-Fed Office contracted with two government relations consulting firms in Washington, DC to assist the Office in securing support from Congress on the State’s federal agenda. In fiscal year 2006, the Office spent about \$300,000 for these services.
- ◆ **Priorities.** On an annual basis, the Office identifies and prioritizes the State’s federal policy agenda. The Office’s most recent priorities are within the areas of health and human services, transportation, defense and homeland security, federal appropriations, and federal tax issues.

Board Members (3)

- The Honorable Rick Perry, Governor (Austin)
- The Honorable David Dewhurst, Lieutenant Governor (Austin)
- The Honorable Tom Craddick, Speaker of the House of Representatives (Austin)

Agency Head

- Ed Pérez, Executive Director
(202) 638-3927
- Tony Gilman, Austin Director
(512) 463-6676

Recommendations

1. Abolish the Office of State-Federal Relations and restructure it within the Office of the Governor with clear legislative consultation; and if the Office chooses to contract with consultants, require it to adhere to clear guidelines.
2. Require state agencies and political subdivisions of the State of Texas to report contracts with federal-level government relations consultants to the Office.
3. Require the Office to track performance indicators, as determined by the Office of the Governor in consultation with legislative leadership, and include the information in its annual policy priority document.

Issue 1

Texas Benefits From Having an Advocate in Washington, DC, but the State No Longer Needs a Separate State Agency to Help Promote Its Federal Interests.

Key Findings

- ◆ The Office of State-Federal Relations acts as Texas' advocate in Washington, DC.
- ◆ Texas has a continuing need for a presence in Washington to protect and promote the State's interests.
- ◆ The Office's unusual structure diverts limited staff resources to administrative duties and dilutes the strength of its voice in Washington.
- ◆ The Office lacks specific guidelines for contracting with government relations consultants on the federal level.

Amid the whirlwind of activities on Capitol Hill, the Office of State-Federal Relations acts as the voice of Texas, protecting and promoting Texas' interests in Washington, DC. Of equal importance, the Office serves as Texas' eyes and ears at the federal level, advising Texas officials on federal issues. While Texas has an ongoing need for a presence in Washington, the agency's organizational structure is not effective. Texas is the only state that organizes its advocacy office as an independent state agency. This structure results in unnecessary administrative burdens and can inhibit the Office's ability to quickly react to the ever-changing Washington environment. Additionally, the Office's use of government relations consultants to aid in influencing federal policy lacks clear statutory guidelines to protect the State's interests and avoid potential abuse.

Recommendations

Change in Statute

- 1.1 Abolish the Office of State-Federal Relations as an independent state agency and restructure it within the Office of the Governor, requiring the Office to interact and consult with the Lieutenant Governor and Speaker of the House, and subjecting it to Sunset review in six years.**

This recommendation would abolish the Office as an independent agency and establish the Office of State-Federal Relations as a trustee program within the Office of the Governor. As part of this recommendation, the three-member Advisory Policy Board would be abolished. An Executive Director, appointed by the Governor, would administer and oversee the Office's operations. The Executive Director would be accountable to the Governor, who would be responsible for providing guidance in directing the Office's activities. The Office would be required to continue to interact and consult with legislative leadership on federal issues, and would be subject to Sunset review in six years, giving the Office a new Sunset date of September 1, 2013. This recommendation would also remove administrative provisions in statute that are unnecessary for administering a program within the Governor's Office.

As the State's entity charged with communicating and building relationships between the state and federal governments, the Office would advocate for Texas' interests in Washington and respond to information requests from Texas and federal officials. The Office's main responsibilities would include:

- ◆ preparing an annual priority document to be approved by the Governor in consultation with legislative leadership;

- ◆ providing updates on federal activities to the Governor and legislative leadership and updating the Texas congressional delegation on state activities;
- ◆ responding to information requests from the Legislature, congressional offices, and federal agencies;
- ◆ coordinating with the Legislative Budget Board on how federal funding affects the state budget; and
- ◆ requiring the Office to include the Lieutenant Governor and Speaker in any routine communication relating to its progress on the federal level, including weekly conference calls.

Restructuring the State-Fed Office within the Office of the Governor would allow Texas to have a stronger voice in Washington while encouraging more direct accountability at the state level. The Office would continue to work with the Texas Legislature and state agencies, as well as federal officials, but would have a more streamlined chain of command.

1.2 Require the Office to adhere to clear contracting guidelines, established in statute, if the Office chooses to contract with federal-level government relations consultants.

Although the Office has contracted with federal-level government relations consultants in the past, it currently has no such contracts. This recommendation would require the Office to adhere to specific contract procurement and management guidelines, to be laid out in statute, if it enters into contracts with federal-level government relations consultants to lobby at the federal level. The guidelines would include:

- ◆ requiring the Office to have written guidelines for contract management;
- ◆ requiring the Office to use a competitive procurement process, and have procedures to assess a prospective contractor's strengths;
- ◆ requiring the Office to assign a value to a prospective firm's ability to provide services at a reasonable price and level of experience in the consulting field during the contract procurement process;
- ◆ requiring that potential consultants show a demonstrated ability to work with key members of Congress and effectively advocate on behalf of the State;
- ◆ requiring the contract to contain clear goals for service and to include targeted performance measures that both the Office and contractor agree upon;
- ◆ requiring the Office to ensure that no conflicts of interest exist between the contractor and other parties that may jeopardize the State's interest;
- ◆ requiring the contract to contain a termination clause; and
- ◆ requiring the contract to include an audit clause, allowing the Office and other oversight entities to audit the contract.

Establishing contracting provisions in statute would give the Office clear standards to follow to protect the State's interests and ensure against potential abuses and conflicts. Under the new organizational structure, as the person responsible for overseeing the Office's activities, the Governor would have to approve all such contracts.

Issue 2

No Entity Collects Information on How Much Texas State Agencies or Political Subdivisions Spend to Contract With Consultants to Influence Legislation at the Federal Level.

Many state agencies and political subdivisions contract with consultants to lobby on the federal level, and while this information is public, no entity collects such information in its entirety. This lack of information limits the ability of both the public and elected officials to get a full picture of what Texas' interests are on a federal level, and how much public money is being spent on such consultants.

Recommendations

Change in Statute

2.1 Require state agencies and political subdivisions of the State of Texas to report information on contracts with federal-level government relations consultants to the Office of State-Federal Relations.

This recommendation would require all state agencies and political subdivisions of the State of Texas, including institutions of higher education and river authorities, to report to the Office annually, on contracts with federal-level government relations consultants. Information in such reports would include the name of the consultant or firm contracted with, the issue the firm was hired to work on, and the contract amount.

2.2 Require state agencies that contract with federal-level government relations consultants, which then subcontract the agency's work with another firm or individual, to report all such subcontracts to the Office.

This recommendation would require state agencies to also report any subcontracts of a contract with a federal-level government relations consultant to the Office.

Issue 3

Broadening the Office's Reported Performance Indicators Would Increase Its Accountability to the State.

The Office of State-Federal Relation's main responsibility is to act as the State's advocate in Washington, DC to help promote and protect Texas' interests. Many different factors, including some outside the Office's control, affect the Office's successful fulfillment of the outcomes that the Office is responsible for, including legislative and funding decisions that are favorable to Texas. By increasing the scope of the Office's performance indicators, and exploring how Texas compares to other states, the State can get a better understanding of the Office's success.

Recommendation

Change in Statute

- 3.1 Require the Office to track performance indicators, as determined by the Office of the Governor in consultation with legislative leadership, and include the information in its annual policy priority document.**

This recommendation would require the Office to track performance indicators and include the information in its existing annual policy priority document. The performance indicators would be determined by the Office of the Governor in consultation with legislative leadership. The indicators would go beyond the Legislative Budget Board performance measures included in the General Appropriations Act. Instead, the performance indicators would be used as an internal tool to increase understanding of how the Office is performing and would be aimed at giving a full view of Texas' standing, in both funding and policy areas, on the federal level.

Fiscal Implication Summary _____

None of these recommendations would have a net fiscal impact to the State.