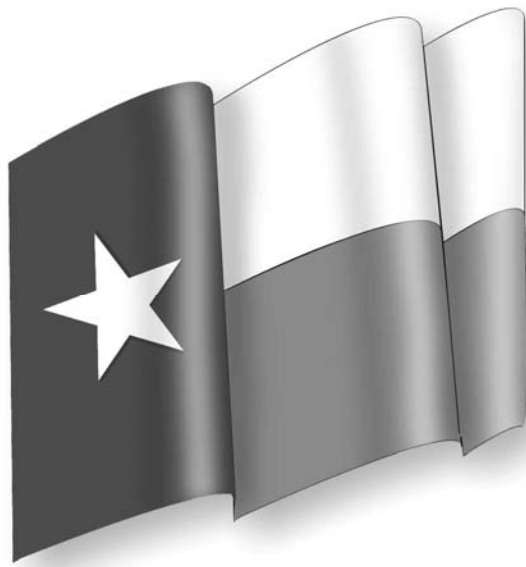


SUNSET COMMISSION DECISIONS



Office of State-Federal Relations

November 2006

Agency Information

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.

Key Facts

- ◆ **Funding.** The State-Fed Office operates with an annual appropriation of \$1.2 million, most of which comes from General Revenue. The Office's largest expenditures include salaries, consultant fees, and building rent.
- ◆ **Staff.** The Office has seven staff, with six located in Washington and one in Austin. In addition, six staff from five other Texas state agencies currently collocate in the agency's Washington, DC office.
- ◆ **Consultants.** The State-Fed Office contracts 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 2005, the Office spent \$255,000 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.

Issue/Recommendations

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.

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.

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 recommendation would remove the Sunset date from the Office's statute, as well as administrative provisions in statute 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; and
- ◆ Coordinating with the Legislative Budget Board on how federal funding affects the state budget.

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 Authorize the Office to contract with federal-level government relations consultants and establish clear contracting guidelines in statute.

This recommendation would clarify the Office's authority to hire outside consultants to lobby at the federal level, and provide the Office with a clear set of instructions regarding contract procurement and management. Under this recommendation, statute would authorize, but not require, the Office to contract with federal consultants. Under the new organizational structure, as the person responsible for overseeing the Office's activities, the Governor would approve all contracts. Clarifying the Office's authority to contract with federal-level consultants would help to resolve confusion about the State's ability to do so.

Establishing contracting provisions in statute would give the Office clear contract requirements to protect the State's interests and ensure that the Office continues to meet

such standards. As part of the recommendation, the statute would lay out the State-Fed Office's responsibilities regarding submitting a request for proposal and drafting a contract when hiring outside consultants. Statute would reflect best practices for contracting with consultants, as detailed in the Staff report.

In addition to the practices specified in the chart, because of the unique nature of the contracts, the statute would require that potential consultants show a demonstrated ability to work with all members of Congress and effectively advocate on behalf of the State. Also, statute would require that, during the contract procurement process, the Office assign a value to a prospective firm's ability to provide services at a reasonable price and level of experience in the consulting field. Finally, to help ensure the contractors meet outlined goals, the statute would require the final contract include targeted performance measures that both the Office and contractor agree upon.

Fiscal Implication

While the recommendations would result in some administrative savings, these savings should be used to support the Office's core function of representing Texas at the federal level; consequently, no net fiscal impact would be realized.

Responses

Agency

The agency supports recommendations that will allow it to pursue its federal legislative priorities with a clear, unified voice. (Ed Pérez, Executive Director – Office of State-Federal Relations)

For

None received.

Against

Representative Jim Dunnam – Texas State Representative, District 57

Recommendation 1.2

Congressman Charles A. Gonzalez – 20th Congressional District of Texas

Congressman Solomon Ortiz – 27th Congressional District of Texas

Recommended Action: Adopt Recommendations 1.1 and 1.2.

Commission Decision: In lieu of the above staff recommendations, the Commission adopted the modifications as listed on the following page.

- ◆ Adopt staff Recommendation 1.1, modified to require the Office to interact and consult with the Lieutenant Governor and Speaker.
- ◆ Subject the Office to Sunset review in six years, giving the Office a new Sunset date of September 1, 2013.
- ◆ Require 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.
- ◆ Modify staff Recommendation 1.2 to require the Office to adhere to clear contracting guidelines, established in statute, if the Office chooses to enter into contracts with federal-level government relations consultants. 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.
- ◆ Require all 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.
- ◆ Require all state agencies that contract with federal-level government relations consultants to report those contracts to the Office.
- ◆ 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.
- ◆ 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.