HOUSE
RESEARCH
ORGANIZATION bill analysis 7/10/2003 HB 57
Casteel

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| SUBJECT: | Transferring the Office of State-Federal Relations to the Governor's Office |
| COMMITTEE: | Government Reform — favorable, without amendment |
| VOTE: | 4 ayes — Swinford, Callegari, Casteel, R. Cook<br><br>0 nays<br><br>3 absent — Gallego, Allen, T. Smith |
| WITNESSES: | For — None<br><br>Against — None<br><br>On — Tony Gilman, for Ed Perez, executive director, Office of State-Federal Relations; Wayne Roberts, Governor's Office |

BACKGROUND: The 59th Legislature in 1965 established the Office of State-Federal Relations (OSFR) as a division of the Governor's Office, and OSFR became a separate agency in 1971. The agency's mission is to increase the influence of the governor and the Legislature over federal action that has an economic, fiscal, or regulatory impact on Texas, with the objective of maintaining or increasing the state's share of federal funding. The executive director, appointed by the governor and approved by the Senate, may hire staff necessary to carry out the agency's powers and duties. The governor, lieutenant Governor, and House speaker serve as the agency's advisory policy board.

OSFR's enabling statute, Government Code, ch. 751, authorizes the agency to enter into interagency agreements with other state agencies for locating staff in the Washington, D.C., office. Agencies that have contracted to place an employee at OSFR's Washington office include the Legislative Budget Board (LBB), Texas Department of Agriculture, Texas Department of Housing and Community Affairs, Texas Department of Transportation, Texas Education Agency, Health and Human Services Commission, and Texas Workforce Commission. The office serves as the state's advocate in Washington, D.C., representing state government with the White House, Congress, and federal agencies. OSFR's Austin office also provides services to members of the Legislature and other state officials.

DIGEST: HB 57 would establish the OSFR as a division of the Governor's Office rather than a separate agency. The governor would appoint the office's director without the Senate's advice and consent. The director's duties would continue to include:

- helping to coordinate state and federal programs;
- providing federal agencies and Congress with information about state policy and state conditions;
- regularly providing information useful in measuring the effect of federal actions on state and local programs; and
- preparing an annual report on the office's operations, priorities, strategies, and projects and legislation pursued, as well as analyses of federal funds availability and formulae.

The director would have to inform the governor, lieutenant governor, and House speaker regarding these issues but no longer would have to inform the Legislature. The bill would repeal the requirement that the director prepare an annual report accounting for all funds received and disbursed by the office during the preceding fiscal year.

HB 57 would abolish the OSFR's advisory policy board but would allow the governor to appoint an advisory board to help administer the office. Board members could not be compensated but could be reimbursed for necessary and actual expenses incurred while performing their duties.

The governor's office of budget, planning, and policy would have the primary responsibility for monitoring, coordinating, and reporting on the state's efforts to ensure receipt of an equitable share of federal funds. The office would have to serve as the state's clearinghouse for information on federal funds; prepare reports on federal funds and earned money; analyze proposed and pending federal and state legislation to determine the impact on the state's ability to draw down an equitable share of federal funding; make recommendations for coordination between state agencies and local governmental entities and between state agencies; and prepare an annual comprehensive report to the governor and Legislature on the effectiveness of the state's efforts to ensure its share of federal funding.

Agencies and institutions of higher education would have to report to the office of budget, planning and policy, as well as to LBB, on applications or requests made to the U.S. government for grant funds, awards or designations of federal funds, and waivers of grant requirements. State agencies identified by the office of budget, planning, and policy, as well as those identified by LBB, as receiving significant federal funding or being affected significantly by federal policy decisions would have to submit a state-federal coordination plan to the office and to LBB. This provision would not extend to agencies headed by a statewide elected official.

HB 57 would require the staff of state agencies that enter into interagency contracts with OSFR to report directly to the OSFR director as well as reporting to the other agency's head or presiding officer. The bill would specify that the LBB director may maintain office space at locations outside of Texas.

The bill would take effect November 1, 2003.

SUPPORTERS SAY:

Placing the OSFR within the Governor's Office would streamline the office's operations by narrowing the focus of its core mission, thus ensuring that Texas can maximize its federal funds. OSFR is burdened by administrative requirements that divert its attention from securing the state's equitable share of federal funding. Under HB 57, the Governor's Office would take over OSFR's administrative affairs, including human resources management, payroll, purchasing, and records management.

Federal money is a critical part of the state budget. The Governor's Office can be more aggressive in pursuing federal dollars for research and other assistance, including transportation, because of the governor's higher profile. HB 57 would strengthen the chain of command by allowing the governor to direct the state's federal priorities to ensure that Texas receives all the federal funds to which it is entitled.

The bill would not prohibit LBB or any other agency from interacting with OSFR. It would not change OSFR's procedures and would not restrict the flow of information. Timely reporting would continue between OSFR and the governor, lieutenant governor, and House speaker. The office would continue to send a weekly electronic newsletter to all House members, informing them of developing issues relevant to Texas. The office's comprehensive reports and other information still would be sent to the legislative leaders, who would forward them to all legislators.

The governor's office of budget, planning, and policy would have to prepare a comprehensive report to the governor and Legislature on the state's effectiveness in securing federal funds. The office would continue to work closely with the relevant legislative committees.

For the first time, HB 57 would direct state agencies to report directly to the OSFR executive director. Currently, no statutory language requires full coordination between OSFR and other state and federal agencies.

Gov. Perry dropped out of the National Governors Association to save money and to protest criticism of President Bush. According to the Governor's Office, this move saved $160,000 in annual fees. Texas still was able to secure federal relief funding, even though the governor did not attend last February's meeting.

OPPONENTS SAY:

OSFR should remain an independent agency. Moving it into the Governor's Office would remove legislative oversight and upset the current balance of power. HB 57 would allow the governor to hire the OSFR executive director without the Senate's consent and to direct federal priorities for Texas. The office would have to provide information to the governor, lieutenant governor, and House speaker, but not to the Legislature. Although the office's day-to-day operations would not change much, its direction could become very partisan.

Legislators now receive a useful, up-to-date electronic newsletter from OSFR every week that Congress is in session. OSFR also notifies relevant state officials quickly of impending movement on any issue through action alerts and e-mail. It is not clear whether or how this timely reporting would continue under HB 57.

Transferring OSFR to the Governor's Office would reduce its effectiveness as an advocate for increased federal funding when the governor's priorities conflict with efforts to enhance federal support for state services. For example, the governor has opposed measures to secure additional federal matching dollars by increasing state funding for Medicaid, opting instead to support President Bush's block-grant proposal for Medicaid. A block grant would cap the funding that states receive for Medicaid, leaving states less able to deal with the rising costs of health care or increased numbers of uninsured people. Block grants would further the goal of downsizing government and eliminating entitlements but would not reduce health-care costs or improve access.

HB 57 would make the governor the state's primary advocate with the federal government, but the effectiveness of each governor in this regard can vary widely. For example, earlier this year, Gov. Perry dropped out of the influential National Governors Association. As a primary advocate for federal fiscal relief for states, the association played a major part in securing the $1.3 billion in additional federal relief that Texas recently received. Texas' visibility could be lessened in the future because the governor no longer belongs to this association. No agency separate from the Governor's Office would be devoted to looking out for the state's interests in D.C. and be able to make up for any deficiency the governor may have as an advocate for the state.

NOTES: According to the bill's fiscal note, transferring OSFR's functions to the Governor's Office would save the state about $56,000 per year in general revenue.