

TEXAS DEPARTMENT OF AGRICULTURE

TODD STAPLES
COMMISSIONER

March 1, 2011

The Honorable Glenn Hegar
Chairman, Texas Sunset Advisory Commission

Chairman Hegar:

The attached report responds the Texas Sunset Advisory Commission's Management Directive of the Texas Department of Agriculture (TDA) to "*study the feasibility and fiscal impact of transferring Texas Forest Service's forest inventory analysis, forest economics and resource analysis, and forest pest management programs, along with any other appropriate forestry programs, to TDA.*"

While the transfer of the three identified programs could result in an estimated cost savings of \$646,966 of appropriations per biennium, a decision to transfer "any other" TFS functions to TDA would certainly result in more significant efficiencies and would require more thorough consideration. Further, separating these individual programs from the TFS overall mission without transferring the entire TFS to TDA would prolong current inefficiencies by continuing to have two state agencies serving this agricultural sector.

I thank you for your leadership to Texas and the opportunity to work with you and the committee on this important matter. If you or your staff should have any additional questions, please contact me or Jason Modglin on my staff at (512) 936-9583 or Jason.Modglin@TexasAgriculture.gov.

Sincerely yours,



Todd Staples

TS/JM/jm

Enclosure



Texas Department of Agriculture

Response to Sunset Advisory Commission Directive to Study Current Duties of Texas Forest Service

Objective

At the request of the Texas Sunset Advisory Commission, the Texas Department of Agriculture (TDA) has reviewed the feasibility and fiscal impact of transferring certain Texas Forest Service (TFS) functions to the department. The Advisory Commission's charge:

Direct the Texas Department of Agriculture to study the feasibility and fiscal impact of transferring TFS' forest inventory analysis, forest economics and resource analysis, and forest pest management programs, along with any other appropriate forestry programs, to TDA. The study should also look at any overlap with county extension agents. TDA should report the results of its study to the Sunset Advisory Commission by March 1, 2011 so that the Legislature can make any needed changes to the agencies' statutes or appropriations during the 2011 session.

County Extension Agent Overlap

Per Sunset Commission staff direction, because the Texas Department of Agriculture does not have county extension agents, Texas AgriLife Extension Service and the Texas Forest Service worked together to address the directive to "look at any overlap with county extension agents." The evaluation is attached as Appendix A.

Methodology

TDA staff consulted two primary resource documents for this response:

Sunset Advisory Commission – Commission Decisions – Texas Forest Service
January 2011 - http://www.sunset.state.tx.us/82ndreports/tfs/tfs_dec.pdf

Texas Forest Service – Self-Evaluation Report to Sunset Advisory Commission
September 2009 - <http://www.sunset.state.tx.us/82ndreports/tfs/ser.pdf>

TDA staff also met with TFS staff and received a briefing on the intricacies of the aforementioned programs. The TFS staff provided the explanation of the County Extension Agent Overlap found as an appendix to this report.

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Item 1: Forest Inventory Analysis Program

Description

The Forest Inventory and Analysis (FIA) Program was established to provide objective and scientifically credible information about the growth, extent, composition and mortality of the state's forests and woodlands. The inventory program is operated in conjunction with the U.S. Forest Service's Southern Research Station (SRS) and is conducted by monitoring timber-producing lands in East, Central and West Texas. Results from the inventory are available through an online data query system and reports published by TFS and SRS. The program consists of approximately 26 FTEs located in 11 locations: College Station, Alpine, Carthage, Corpus Christi, Granbury, Kerrville, Kirbyville, Longview, La Grange, Lufkin, and San Angelo.

TFS Costs

The 2009 Self-Evaluation Report (SER) reported expenditures at \$1,053,768.01 for FY 2008 with approximately \$794,760.21 in federal funding from a contract with SRS to conduct the Census. TFS staff updated these numbers for TDA in December 2010 with the following budget for Object of Expenditures and Method of Finance.

Forest Inventory & Analysis Program			
OBJECT OF EXPENDITURE	LAR Code	FY 2009 Actual	FY 2010 Budget
Salaries and Wages	1001	\$738,881	\$928,069
Other Personnel Costs	1002	\$81,143	\$192,847
Fuels and Lubricants	2002	\$61,084	\$57,897
Consumable Supplies	2003	\$3,813	\$11,000
Utilities	2004	\$12,697	\$9,532
Travel	2005	\$29,184	\$23,161
Rent – Building	2006	\$7,419	\$7,233
Rent – Machine and Other	2007	\$19,974	\$28,000
Other Operating Expenses	2009	\$138,547	\$67,642
	TOTAL	\$1,092,742	\$1,325,381
METHOD OF FINANCE			
METHOD OF FINANCE	MOF TYPE	FY 2009 Actual	FY 2010 Budget
General Revenue	0001	\$228,421	\$248,023
Federal Funds	Federal	\$864,102	\$1,077,358
Local Funds	Local	\$219	\$0
	TOTAL	\$1,092,742	\$1,325,381

Similar Existing Role at TDA

TDA contracts with the federal government, particularly USDA and EPA, to perform statistical data collection and analysis. Additionally, TDA's regional field staff is trained to address technical inspections and reporting requirements.

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Transfer Analysis

TDA could assume responsibility for this program, utilizing its existing regional structure. The purpose of FIA is consistent with TDA's mission to promote rural economic development and Texas agricultural products and producers. TDA recommends retaining the contract with SRS, approximately \$1,077,358 in FY 2010.

Anticipated Costs Savings

TFS relies on an integrated Forest Inventory & Analysis program to support other programmatic functions, including but not limited to firefighting and suppression, forest economics and resource analysis, the GIS program, and to operate as a pathway to higher employment as an East Texas forester. TDA may find costs savings in this program by reducing the costs associated with administering the contract with USDA-SRS. While this may initially reduce program costs, savings at TDA may be offset by TFS' need to replace forest inventory staff who perform additional functions.

Cost savings could result if two of the TFS district offices (Alpine and Corpus Christi) dedicated solely to the FIA program and TDA field offices (El Paso and Corpus Christi) and personnel are consolidated. The Kerrville office is also dedicated to the FIA program but office space is provided by the USDA-ARS. The other 8 TFS district offices would not be suitable for consolidation since these facilities support other TFS programmatic functions. Keeping these personnel in TFS offices would result in rental costs assessed to TDA, which would eliminate any potential savings in rental reductions, therefore TDA would pursue work-from-home options, as currently utilized with many TDA regional employees, with a TDA sub or district office as a hub for that employee. TDA may determine that additional staff consolidation would be advantageous and result in cost savings but that cannot be determined at this point. The two TFS district offices' proximity to TDA offices:

Forest Service Location	Location	Distance to TDA Regional Office	Distance to TDA Sub Office	Annual Cost Savings
Alpine	Sul Ross University	Lubbock- 226 m	El Paso- 220 m	\$3,483 (rent) ¹
Corpus Christi	TAMU – Corpus Christi	San Juan- 158 m	Corpus Christi- 0 m	\$0 (rent) ²
			TOTAL	\$3,483

Potential Stakeholders Impacted

U.S. Forest Service / Southern Research Station
Other TFS Programs

¹ Texas Forest Service provided TDA a list of Office Space Leases on June 18, 2010. The Alpine office has a monthly lease cost of \$290.25 which includes electricity and janitorial service.

² The Corpus Christi office is provided by TAMU-Corpus Christi free of charge, including electricity.

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Item 2: Forest Economics and Resource Analysis Program

Description

It is the mission of the Forest Economics and Resource Analysis Program to provide factual information and in-depth analysis of the resources and economics of the Texas forest sector in the development of forest-based markets, as well as methods to utilize the woody resources of Texas. The program provides assistance to local economic development professionals, the forest products industry, and landowners on various economic development initiatives by promoting the sustainable use of woody feedstocks and the promotion of the wood products industry. The program consists of approximately 3 FTEs based in College Station who perform program functions.

TFS Costs

The 2009 SER reported expenditures at \$231,844.71 for FY 2008 with \$83,269.12 in non-GR funds. TFS staff updated these numbers for TDA in December 2010 with the following budget for Object of Expenditures and Method of Finance.

Forest Economics & Resource Analysis Program			
OBJECT OF EXPENDITURE	LAR Code	FY 2009 Actual	FY 2010 Budget
Salaries and Wages	1001	\$199,208	\$144,570
Other Personnel Costs	1002	\$9,609	\$0
Fuels and Lubricants	2002	\$226	\$500
Consumable Supplies	2003	\$8,955	\$4,000
Utilities	2004	\$828	\$1,500
Travel	2005	\$9,704	\$3,000
Rent – Machine and Other	2007	\$59	\$0
Other Operating Expenses	2009	\$63,634	\$11,579
Indirect Cost	9999	\$36,722	\$0
	TOTAL	\$328,945	\$165,149
METHOD OF FINANCE			
METHOD OF FINANCE	MOF TYPE	FY 2009 Actual	FY 2010 Budget
General Revenue	0001	\$121,630	\$154,525
Federal Funds	Federal	\$197,813	\$0
Local Funds	Local	\$9,502	\$10,624
	TOTAL	\$328,945	\$165,149

Similar Existing Role at TDA

TDA routinely provides economic development assistance, statistical analysis and business promotion activities. The department also works in collaboration with federal and local governments to provide assistance to agricultural producers.

Transfer Analysis

TDA would likely maintain (or contract for) the resource analysis and forest economist FTEs currently in College Station, but the wood utilization and marketing FTE may be

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fulfilled through TDA's existing Rural Economic Development and Marketing division resources.

Anticipated Costs Savings

Cost savings may be realized through consolidation of the one TFS FTEs that specializes in Wood Utilization & Marketing and is based out of the Lufkin office. TDA's marketing division could assume this function. The remaining two FTEs, who are based in College Station, would likely be eliminated with TDA using the remaining funds for this program to complete an agreement with a state university forestry economist to perform duties as assigned. TDA would also likely see expenses for data collection and retrieval as part of any agreement, which is currently being undertaken by TFS' Forestry Inventory & Analysis program. It is important to note that due to uncertainty in the current funding process, transfer and consolidation of these FTEs could result in reduced services to stakeholders, or to operation of these programs on a cost recovery fee structure.

Using FY 2010 budget, anticipated costs savings would be approximately \$20,000 by eliminating the overhead beyond salaries and wages. The funds, currently used for salaries, would be used for contracting with a state university forestry economist to perform task specific economic analysis for forestry-related projects.

Potential Stakeholders Impacted

Local Governments

New Developments (biomass facilities for example)

State Emergency Management Authorities

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Item 3: –Forest Pest Management Program

Description

TFS administers federal cost-share programs to prevent and suppress southern pine beetle and oak wilt; administers the Forest Pest Management Cooperative that conducts applied research and identifies solutions to forest pest problems; and provides technical assistance to landowners to identify and advise treatment for pests ranging from harmful insects to invasive species.

In FY 2008, TFS' Forest Pest Management Program (FPMP) reported 18 FTEs. While these FTEs primarily work on the Southern Pine Beetle Cost Share Program and the Oak Wilt Suppression Project, they work on other TFS programs too. The staff consists of forest entomologists, staff foresters, and support staff. In meeting with TDA, TFS clarified that the 2008 FTE numbers consisted of a number of partial employees mobilized to conduct forest pest management duties; actual FTEs today are 9. One manager is based in College Station, with eight employees operating out of Lufkin.

TFS Costs

The 2009 SER reported expenditures at \$3,665,253.58 for FY 2008 with \$3,168,665.44 in non-GR funds. TFS staff updated these numbers for TDA in December 2010 with the following budget for Object of Expenditures and Method of Finance.

Forest Pest Management Program			
OBJECT OF EXPENDITURE	LAR Code	FY 2009 Actual	FY 2010 Budget
Salaries and Wages	1001	\$839,182	\$913,926
Other Personnel Costs	1002	\$80,100	\$76,444
Professional Fees and Services	2001	\$8	\$1,750
Fuels and Lubricants	2002	\$30,654	\$17,800
Consumable Supplies	2003	\$8,445	\$11,297
Utilities	2004	\$20,350	\$25,121
Travel	2005	\$18,402	\$5,500
Rent – Building	2006	\$22,312	\$0
Rent – Machine and Other	2007	\$4,154	\$7,500
Other Operating Expenses	2009	\$120,157	\$107,889
Grants	4000	\$1,292,164	\$75,397
Indirect Cost	9999	\$295,256	\$165,099
	TOTAL	\$2,731,184	\$1,407,723
METHOD OF FINANCE			
METHOD OF FINANCE	MOF TYPE	FY 2009 Actual	FY 2010 Budget
General Revenue	0001	\$488,941	\$507,110
Federal Funds	Federal	\$2,127,995	\$800,091
Local Funds	Local	\$114,248	\$100,522
	TOTAL	\$2,731,184	\$1,407,723

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Similar Existing Role at TDA

TDA's Regulatory Division regularly works with agricultural producers to protect against the movement of harmful pests into Texas. TDA's Pesticide Division oversees the regulation of pesticide use and application. The division is responsible for licensing, training, and overseeing many aspects of plant health and pesticides for the protection of the health of humans, the environment, and the Texas agriculture industry.

Transfer Analysis

TDA has five appropriations strategies that deal specifically with pest and the regulation of pesticides, many of which are similar to the functions performed by TFS. They are as follows:

- A.1.2. Strategy: Regulate Pesticide Use
- A.1.3. Strategy: Integrated Pest Management
- B.1.1. Strategy: Surveillance/Biosecurity Efforts
- B.1.3. Strategy: Agricultural Commodity Regulation
- B.1.4. Strategy: Structural Pest Control

TDA would seek the same funding resources TFS is utilizing including federal funds as well as private sector contributions from the Forestry Pest Management Cooperative to continue the level of service as it relates to the federal programs for oak wilt suppression and southern pine beetle prevention. A decreased level of service would likely result from this program's transfer to TDA because the program provides extensive consultations and advisories to forest owners, similar to AgriLife Extension agents. This function would likely not be continued at the same level of service if this program were transferred to TDA because the program would be combined into other pest management duties at TDA.

Anticipated Costs Savings

If the FPMP were moved to TDA, cost savings would result from consolidation of travel expenses and staff time. When feasible, FPMP's program sites and TDA's pest survey sites could be made identical to realize cost savings. In addition, FPMP staff would be available to respond to exotic pest emergencies and the Incident Command System in a pest or hazard emergency.

Several FTEs would likely be eliminated; however, TDA would likely consider contracting for the research intensive activities that are largely federally funded. While additional research on the program budget is required, it is anticipated that cost share financing could likely be increased because the main beneficiaries are private and corporate foresters. It also appears this program receives a below market rental rate from Texas A&M University, which is an important consideration in evaluating indirect savings.

Using FY 2010 budget, TDA estimates anticipated cost savings could be approximately \$300,000 with a 33% reduction to the salaries and wages budget. As salaries are brought more in line with TDA's salary schedule for the 9 FTEs performing pest management duties, additional savings may be found. This projected savings could affect federal

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matching requirements; therefore further evaluation is needed to determine actual GR savings available.

Potential Stakeholders Impacted

Private Forest Owners

Current Forest Pest Management Cooperative Members³

Full Membership

- The Campbell Group
- Forest Investment Associates
- Hancock Forest Management, Inc.
- Plum Creek Timber Company, Inc.
- Potlatch Corporation
- Rayonier
- Texas Forest Service
- U.S.D.A. Forest Service / FHP (R8)
- Weyerhaeuser Co.

Associate Membership

- Anthony Forest Products Co.
- ArborGen

³ Forest Pest Management Cooperative. <http://txforestservation.tamu.edu/main/article.aspx?id=4588>

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Item 4: Any Other Appropriate Forestry Program

Description

TFS seems to have four core program areas: the director's office, a finance and administration division, a forest resource protection division, and a forest resource development, sustainable forestry and economic development division. Specific forestry related programs are housed in the later two divisions.

The following list of programs has been constructed from TFS' Self-Evaluation Report:

Forest Resource Development & Sustainable Forestry

- East Texas Program Delivery
- West Texas Program Delivery and West Texas Nursery
- Tree Improvement Program and Western Gulf Cooperative
- Ecosystem Services
- Water Quality
- Forest Taxation
- Urban & Community Forestry
- Stewardship, Legacy, Conservation Education, and State Lands

Forest Resource Protection

- Predictive Services
- Mitigation and Prevention
- Planning and Preparedness
- Local Capacity Building
- Incident Response
- Law Enforcement

This list of programs varies somewhat from existing programs and structure at TFS due to a greater emphasis on Fire & Emergency Response programs following HB 4002 from the 81st Legislative Session, which established funding for a statewide wildfire protection plan at TFS. An updated organizational chart with program listing is attached.

Prior to the Sunset Advisory Commission's request to TDA, the commission directed other state agencies to consider consolidations of various TFS functions. TDA did not consider those identified programs when evaluating the transfer of other forestry programs to the department. The specific charge to those agencies was as follows:

As a management action, direct TFS to work with the Texas Parks and Wildlife Department to study the feasibility and fiscal impact of transferring state forests to the Department. Also direct TFS to work with the Council on Competitive Government to study the feasibility and fiscal impact of selling TFS' West Texas Nursery to the private sector. The agencies should report the results of their studies to the Sunset Advisory Commission by March 2011 so that the Legislature can make any needed changes to the agencies' statutes or appropriations during the 2011 session.

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TFS FY 2012-2013 Proposed Budget in HB1 and SB1

The Legislative Budget Board has two different appropriations level for each houses' appropriation bills. In SB 1, TFS' total proposed budget is \$37,779,849 for FY 2012 and \$37,573,753 for FY 2013. In HB 1, TFS' total proposed budget is \$37,775,156 for FY 2012 and \$37,569,060 for FY 2013.

The TFS' recommended funding level is almost entirely the same in HB 1 and SB 1 except for their respective In-Brazos County Infrastructure Support Strategies. This Strategy differs slightly because House and Senate used different infrastructure rates.

The following chart illustrates TFS' budget and methods of funding:

Texas Forest Service	Senate Bill 1		House Bill 1	
	Recommended 2012	Recommended 2013	Recommended 2012	Recommended 2013
General Revenue	\$19,094,927	\$18,888,831	\$19,090,234	\$18,884,138
GR-D	\$14,453,136	\$14,453,136	\$14,453,136	\$14,453,136
Federal Funds	\$3,714,784	\$3,714,784	\$3,714,784	\$3,714,784
Appropriated Receipts	\$517,002	\$517,002	\$517,002	\$517,002
TOTAL	\$37,779,849	\$37,573,753	\$37,775,156	\$37,569,060

Similar Existing Role at TDA

TDA has many similar functions that could facilitate support for the existing mission of TFS; these include federal grant administration, policy and administrative services to assist agricultural producer boards, and the marketing of Texas-based products.

TDA Costs

TDA, through Commissioner Staples' leadership, prides itself on operating efficiently, as well as limiting administrative budgets to increase the impact of funding and services available to program beneficiaries. This commitment allows for TDA to take on diverse challenges to deliver on-time results, under budget. TDA believes that minimal cost saving could be realized through consolidation with TFS' administrative functions.

If the Sunset Advisory Commission were to recommend transfer of TFS duties to TDA, further discussions about the Legislature's preferred treatment of budgets would be required. For example, guidance regarding appropriations and measures for the various strategies would be necessary. Also, TDA has been directed by the Legislature to recover costs of marketing and regulatory functions at higher levels than are recovered today. The Legislature would need to make similar decisions for TFS programs. If services could not be cost recovered, and if appropriations were not sufficient to fund transferred programs, TDA would likely be unable to continue the programs.

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Anticipated Costs Savings

Without a careful cost recovery analysis, this report is limited to comparing administrative costs. TDA has one of the lowest administrative costs percentages among state agencies at 2.62% based on the 2010-11 biennium. TFS' rate is estimated at 4% per Sunset Commission staff' Agency at a Glance report, which appears is one of the lowest for institutions of higher education.⁴

While TDA's administrative costs are currently lower than TFS' it is anticipated that the nominal savings would be absorbed through indirect costs associated with consolidation (consolidating contract, infrastructure, etc.).

Potential Stakeholders Impacted

Nursery and Landscape Industry

Forest Products Industry including paper, board, and biomass

Forestry Owners

County and Local Governments including fire and emergency services

Wildlife Industry

⁴ Sunset Advisory Commission – Commission Decisions – Texas Forest Service. January 2011. Page 6.
http://www.sunset.state.tx.us/82ndreports/tfs/tfs_dec.pdf

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Conclusion

Based on this analysis, TDA believes, at best, annual costs savings in the amount of \$323,483 could be realized by transferring the Forest Inventory & Analysis program, the Forest Economics & Resource Analysis program, and the Forest Pest Management program to TDA. This is not a savings to GR specifically but a projected decrease in overall appropriation.

By separating these three programs out from the other TFS programs without transferring all TFS programs to TDA, some current inefficiencies would continue. This would resolve *some* overlap of services and inefficiencies but would create other similar issues by continuing to have two agencies serving this agricultural sector.

Given current budget constraints, TDA would only be able to assume new functions if they were accompanied by adequate appropriations and FTEs. Specifically related to a transfer of TFS functions, TDA would need capital purchasing authority, which would require appropriations beyond simply transferring capital-intensive TFS programs, and the ability to provide service for marketing and regulatory services without the need for cost recovery.

Anticipated Annual Costs Savings

Responsibility	Projected Annual Savings
Forest Inventory & Analysis	\$3,483
Forest Economics & Resource Analysis	\$20,000
Forest Pest Management	\$300,000
Agency-wide	Unknown
Total	\$323,483

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Attachment A:

County Extension Agent Overlap

Established in 1914, the Texas AgriLife Extension Service is a member agency of the Texas A&M University System. AgriLife is not a part of the Texas Department of Agriculture. Headquartered at the Texas A&M University campus in College Station, the Texas AgriLife Extension Service works to educate the public across the state in the areas of agriculture, family and consumer sciences, human nutrition and health, environmental and natural resources, community development, and 4-H and youth development. To support these programs, county extension agents are primarily hired for educational experience in non-forestry agricultural production (field crops, dairy, cotton, vegetable, livestock, agricultural economics, etc.) or youth development and education.

As part of a continual effort to both develop collaborative opportunities and prevent duplication of efforts, the Texas Forest Service and the AgriLife Extension Service maintain two joint-funded forestry positions to serve as liaisons and points-of-contact between the agencies. Part of the primary duties of these joint positions is to ensure county agents have the materials available to answer some of the basic questions related to forestry before referring the customer to the appropriate TFS office, particularly when the TFS office is located in another county. These positions also work to promote collaborative efforts such as public education seminars, webinars and other public education efforts, while preventing duplication of efforts.

The TFS and AgriLife Extension Service administrators have and continue to review program operations to insure program redundancies do not develop.