

STAFF REPORT

TO THE

SUNSET ADVISORY COMMISSION

ON THE



TEXAS DEPARTMENT OF AGRICULTURE

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EXECUTIVE SUMMARY

APPROACH

The Texas Department of Agriculture is the lead state agency for agriculture promotion and regulation. The Department works to promote Texas products and helps fund new or existing agricultural business ventures. The Department regulates pesticides sold in the state and their use in agriculture. TDA has several consumer protection responsibilities including enforcement of quality standards for eggs, fruits, vegetables, seeds, and plants produced and sold in the state; ensuring accuracy of weighing and measuring devices used in commerce; and regulating commodity warehouses that store and distribute agricultural products, most notably grain crops.

The Department of Agriculture is headed by an elected Commissioner, one of twelve in the country. The Commissioner sets the Department's goals and priorities, the emphasis of program efforts, and serves as the final decision-maker in enforcement actions.

The Commissioner also represents the interests of Texas agriculture in dealings with other states, the federal government, and other

countries and, when necessary, lobbies to protect those interests.

The Sunset review of the Department of Agriculture took into account the fact that the Department is headed by an elected official. The Commissioner has the sole discretion to set the agency's policy direction instead of the usual state approach of having an appointed board guide an agency. No other single elected official, subject to Sunset review, is responsible for administering state regulatory programs. TDA's approach to promotion, regulation, and consumer protection depends greatly on the philosophy of the person elected to fill the position.

The Commissioner's accountability to the voters is also important in this equation. While the Department of Agriculture depends on the Legislature for authority and funding, the Commissioner is ultimately responsible to the voters. The current Commissioner, Rick Perry, was returned to office in November 1994. Reflecting on his re-election Perry has stated,

"It says that the voters like what they see out of you, Rick Perry, because you cut your agency's size, you cut person-

The Texas Department of Agriculture is the state's lead agency for agriculture regulation and promotion.

The Sunset review examined the statutory structure and performance of Department programs.

nel, and you have run an ethical operation."

"The consumers of our service, by and large, are very satisfied with the service they are receiving and happy with the TDA and this sound management will continue."

The Sunset review of TDA involved a detailed look at the statutory structure of each of the Department's many responsibilities and how programs are organized and funded. The review then focused on performance and how the Commissioner has chosen to carry out these responsibilities.

In conducting the TDA review the Sunset staff:

- reviewed agency documents, state statutes, legislative reports, previous legislation, literature on agriculture, studies and reports on TDA-regulated industries, other state's information, and the previous review by the Sunset Commission;
- researched the history and intent of Texas agriculture laws;
- worked with staff of TDA, Department of Information Resources, Texas Department of Health, Texas Natural Resources Conservation Commission, Railroad Com-

mission, Parks and Wildlife Department, Texas Employment Commission, General Land Office, Texas Department of Commerce, Texas A&M University, State Office of Administrative Hearings, State Auditor's Office, Legislative Budget Board, and Office of State-Federal Relations;

- spoke with staff of federal agencies, the United States Department of Agriculture, Federal Trade Commission, U.S. Department of Transportation, and Food and Drug Administration;
- met with staff of the Environmental Protection Agency regional office in Dallas concerning pesticide regulation;
- surveyed other states' cooperative inspection and promotion programs;
- attended agriculture-related workshops at the National Conference of State Legislatures annual conference. Topics included NAFTA, the federal farm bill, the federal Endangered Species Act, aquaculture, biotechnology, and business development;
- observed TDA field staff inspections in Austin and out of TDA's regional office in the Valley, and visited TDA's seed laboratory in Giddings;

- spoke with representatives of the seed, egg, aquaculture, organics, propane gas, pesticide, and milk industries, as well as consumer and environmental groups;
- conducted a mail survey of agricultural producer groups, consumers groups, and other interested parties;
- attended meetings and interviewed members of the Agriculture Resources Protection Authority and the Texas Agricultural Finance Authority; and
- attended the Comptroller's conference on NAFTA to determine possible treaty implications for Texas agriculture.

RESULTS

The review found opportunities for improvement in several areas of the Department's operations.

In the area of pesticides, the review looked at the status of pesticide regulation in the state. Although TDA is the lead pesticide agency, other Texas state agencies also have a role. The Legislature created an oversight body to coordinate regulation, the Agriculture Resources Protection Authority. While oversight is still needed, this Committee cannot do the job as it is currently structured and needs changing. The staff

makes recommendations in Issue 1 to address this situation.

Another major effort of TDA is agricultural finance. The Department shares this function with the Texas Agricultural Finance Authority (TAFE). The Legislature created this Authority to oversee agricultural finance. The review found that, with additional financial expertise, TAFE should take the lead in all the state's agricultural finance efforts. Other potential improvements in the finance programs were also noted. These recommendations are included in Issues 2 to 6.

The Department administers a variety of agriculture-related regulatory programs. The Sunset review looked at the Department's progress at recovering the costs of these programs. The Department has a mandate to recover 100 percent of most regulatory programs' costs by 1996. The review found that the Department is hindered in meeting this goal due to statutory fee limits and lack of authority to charge fees in some areas. Also, better tracking of program revenues and costs is needed. Issue 7 includes recommendations to improve cost recovery.

The Sunset review also examined the regulatory programs for possible ways to streamline

The review found opportunities for improvements in pesticide regulation, finance programs, fee policy, and other regulatory programs.

regulation by decreasing duplication with activities of other state agencies and discontinuing unneeded programs.

The review determined most programs should continue due to benefits to the public and affected industries. However, several programs are inactive or no longer needed. Also, some TDA programs would fit better with similar programs of other state agencies. In addition, the staff sought to continue the Legislature's recent efforts to streamline and reduce government services by investigating which TDA programs could be privatized. Recommendations to address these findings are included in Issues 8 to 13.

As a result of the review, the staff recommends the following changes to improve the Department's ability to carry out its duties.

RECOMMENDATIONS

Improve oversight of pesticide regulation by restructuring the Agriculture Resources Protection Authority.

Refocus agricultural finance programs and put them all under the Texas Agricultural Finance Authority.

Improve cost recovery for regulatory programs.

Streamline regulation by transferring programs, establishing consolidated licenses, privatizing inspections, and abolishing unneeded regulations.

Provide on-line access to TDA information.

Continue the Department for 12 years.



PESTICIDE REGULATION

IMPROVE THE STATE'S ABILITY TO REGULATE PESTICIDES

Pesticides used in Texas are regulated both at the state and national level. The Environmental Protection Agency (EPA) enforces federal laws and regulations while TDA is the state's lead pesticide enforcement agency.

The Federal Insecticide, Fungicide, and Rodenticide Act (FIFRA) is the federal pesticide law enforced by EPA and cooperating states. Pesticide enforcement at the federal level relies primarily on the registration and classification of pesticide products. The law also requires all companies that produce pesticides to register with the EPA. Additionally, the law sets standards for pesticide use, recordkeeping, inspections, and penalties.

TDA is the primary state agency that regulates the use of pesticides in Texas. Along with enforcing state law and regulations, TDA, through a cooperative agreement with EPA, enforces certain provisions of FIFRA. The Department's pesticide program responsibilities include pesticide registration, licensing of pesticide dealers, commercial applicators,

and enforcing state and federal worker protection laws.

In fiscal year 1994, the Department spent \$6.7 million for the regulation of pesticides and an additional \$1.8 million for Integrated Pest Management programs. The Department licensed or certified more than 230,000 pesticide applicators, including 7,700 commercial and noncommercial applicators. The Department also registered more than 12,000 pesticide products for sale and use in the state.

While TDA is the lead state pesticide agency, several other agencies also have regulatory responsibilities. In addition, the Legislature created the Agriculture Resources Protection Authority to coordinate the state's approach to regulation.

The Sunset review of the Department's pesticide program was included in the broader look at the status of the state's pesticide regulation. This assessment focused on the level of oversight needed to ensure a consistent approach to regulation by the state agencies with responsibilities in this area. The following issue provides the results of this review.



ISSUE 1

RESTRUCTURE AND REFOCUS THE AGRICULTURE RESOURCES PROTECTION AUTHORITY.

BACKGROUND

While the Texas Department of Agriculture is the state's lead pesticide enforcement agency, several other state agencies have some pesticide regulation responsibility. In 1989, The Legislature created the Agriculture Resources Protection Authority (ARPA) to coordinate state pesticide regulation policies and programs.

The pesticide-related activities of the following state agencies are subject to ARPA oversight:

- Texas Department of Agriculture;

- State Soil and Water Conservation Board;
- Texas Agricultural Extension Service;
- Texas Department of Health;
- Texas Natural Resources Conservation Commission; and
- Texas Structural Pest Control Board.

ARPA is a nine-member board chaired by the Commissioner of Agriculture. ARPA's composition is displayed in the chart, *Composition of the Agriculture Resources Protection Authority*.

Composition of the Agriculture Resources Protection Authority

- **Seven ex officio, voting members:**
 - Commissioner of Agriculture (Chair)*
 - Director of the Texas Agricultural Experiment Station*
 - Dean of the College of Agricultural Sciences - Texas Tech University*
 - Dean of the University of Texas School of Public Health at Houston*
 - Director of the Environmental Epidemiology program of the Texas Department of Health*
 - Chief of the Groundwater Conservation Section of the Texas Natural Resources Conservation Commission*
 - Director of the Institute for International Agribusiness Studies of Prairie View A&M University*
- **Two members appointed by the Governor and confirmed by the Senate:**
 - Consumer Representative*
 - Producer Representative*

ARPA's oversight powers are uncommon; no other board, composed mainly of agency staff, has the authority to disapprove the rules and enforcement actions of other agencies.

The composition was designed to provide technical expertise on the uses and health effects of pesticides as well as consumer and producer representation.

ARPA is directed by statute to meet quarterly to address the issues of overlapping regulation and coordination among agencies with pesticide programs.

Although the Department has asked the Attorney General about the validity of this authority, ARPA is authorized to review and approve pesticide rules proposed by agencies subject to its oversight and to hear all appeals from orders entered by these agencies.

The Sunset review of ARPA focused on the appropriateness of its current role and scope of responsibilities, its performance to date, and whether changes are needed to improve its effectiveness.

The review process included an examination of ARPA's meeting minutes, discussions with current ARPA members, a review of similar oversight and advisory bodies, research of pesticide rules and regulations, and analysis of trends in pesticide enforcement programs.

FINDINGS

▼ **The Legislature established pesticide regulation to protect human health and**

the environment. This is increasingly important with more users applying large amounts of pesticides each year.

► The total volume of pesticides applied in Texas is estimated at approximately 37 million pounds per year.

► The number of pesticide applicators licensed to do business in the state has also increased. TDA reports that the number of licensees it regulates has increased 26 percent since 1991. The Structural Pest Control Board (SPCB) reported a decrease in licensees for 1992 and 1993, but a five percent increase in licensees in fiscal year 1994.

► Funding for pesticide regulation has also grown. TDA spent \$4.4 million in 1991. By 1994, expenditures had climbed to \$6.7 million, or a 52 percent increase. The SPCB experienced a 73 percent increase during the same period, up to \$1.6 million in 1994.

▼ **The Legislature created the Agriculture Resources Protection Authority (ARPA) to coordinate and approve the state's pesticide regulatory efforts.**

▶ ARPA was created to help agencies that regulate different communities achieve a consistent statewide approach to pesticide regulation.

▶ Agencies with pesticide responsibilities are subject to ARPA's general oversight.

Policy decisions by the agencies, as reflected through rules, are subject to ARPA review and approval. ARPA is authorized to act as an appeal body to review agency orders and enforcement decisions.

▼ **ARPA has struggled to fulfill its role of coordination and oversight.**

▶ ARPA's oversight powers are uncommon given its composition. The review found no other Texas entity, made primarily of staff, that has authority to review and approve the rules and enforcement actions of other agencies.

▶ ARPA has not developed any substantive policy direction, through rules, to guide its rule review or appellate authority. Proposed rules have lapsed four times and have not been re-proposed since May 1992.

▶ ARPA's authority to approve agency rules or hear

appeals is subject to legal challenge.

During ARPA meetings, its members have discussed whether it could legally perform these functions.

In September 1994, TDA requested an Attorney General Opinion on these matters.

▼ **ARPA's current composition does not have broad enough representation of interests to provide a balance of perspectives when making decisions about pesticide regulation.**

▶ The committee's current composition provides technical expertise about the uses and health effects of pesticides, representation for consumers and agricultural producers, and TDA.

▶ Representatives of other interests, such as pesticide applicators, chemical producers, farmworkers, and environmentalists, are needed to provide the perspective of all those with a vested interest in how the state regulates pesticides.

▶ In its 1989 Sunset review of the Department of Agriculture, the Sunset Commission recommended a pesticide advisory committee for the Department that had

ARPA's membership does not have broad enough representation to provide a balance of perspectives when making decisions about pesticide regulation.

this wide range of representation.

▼ **Divergent patterns of regulatory activity suggest a continued need for coordination and oversight.**

▮ Although several state agencies have responsibility for pesticide regulation, the Sunset review focused on TDA and the Structural Pest Control Board (SPCB) because they have the primary responsibility to regulate pesticide applicators.

▮ The charts shown on this page compare growth in pesticide program expenditures and licensees with TDA and SPCB enforcement actions.

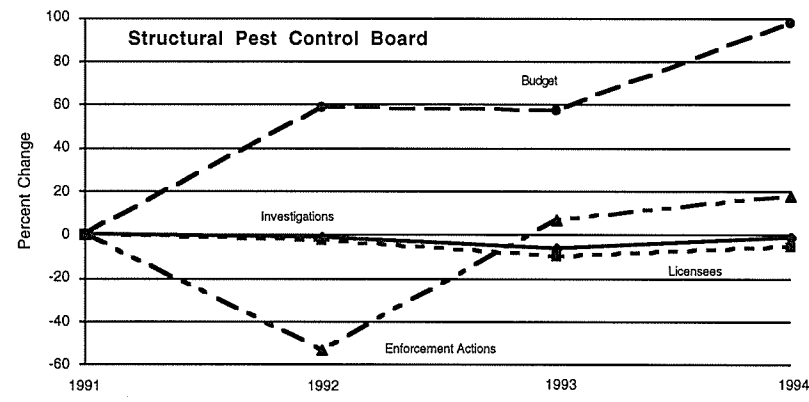
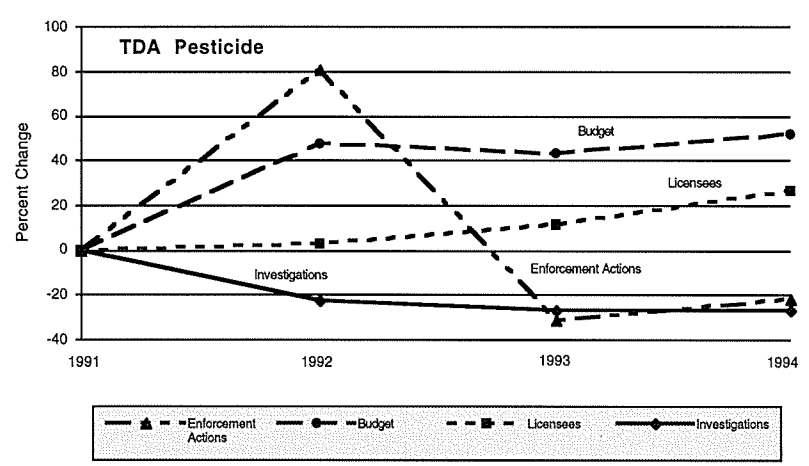
▮ Between 1991 and 1994, complaints received each year by TDA dropped from 507 to 372, or a 27 percent decrease. Meanwhile, SPCB conducted twice the number of investigations than TDA, despite a small decrease from 1,040 in 1991 to 1,023 in 1994.

▮ Between 1991 and 1994, TDA enforcement actions, excluding fines, declined from 175 to 114, or 22 percent. By comparison, the enforcement actions of SPCB increased from 252 to 290, or 15 percent.

▮ Between 1991 and 1994, TDA assessed 121 administrative fines. During this same period, SPCB assessed 302, or 181 more fines, despite a smaller regulated community.

▮ TDA has the additional responsibility to enforce the state Right-to-Know (RTK) law. This law requires certain employers to notify agricultural workers of pesticide use. TDA investigations of RTK violations have decreased 53 percent between fiscal year

**Comparison of Budget, Licensees and Enforcement
FY 1991 to 1994**



1993 and 1994 and resulted in three findings of noncompliance in 1993 and none in 1994.

▼ **Several other states use oversight committees to coordinate pesticide regulation.**

▶ Twenty-seven other states have oversight committees with a role in coordinating state pesticide policy.

▶ Twelve states have an Agriculture Department headed by an elected Commissioner. Of these 12, nine have a committee to oversee the state's pesticide programs.

▶ In other states, these oversight committees serve functions ranging from rule review and hearing contested cases to allocating pesticide funds.

Most of these committees have farmer, farmworker, agriculture industry, agriculture department, and environmental representatives.

▼ **Variations in administrative penalty authority for TDA compared to other pesticide agencies also needs review.**

▶ TDA has authority to assess an administrative fine

of up to \$2,000 for one pesticide violation or \$4,000 per incident.

▶ Other pesticide agencies can fine on a per day, per incident basis. This allows a fine for each day a violation occurs. For example, SPCB has authority to assess administrative fines of up to \$5,000 per day, per violation. Additionally, the Texas Natural Resources Conservation Commission has administrative fine authority up to a maximum of \$10,000 per day.

▶ TDA is not allowed to pursue civil or criminal action against a violator if an administrative fine has been assessed and paid. This is a restriction not placed on other pesticide enforcement agencies.

CONCLUSION

The Legislature created the Agriculture Resources Protection Authority to address the need for oversight and coordination of the state's approach to pesticide regulation. ARPA's current composition and questions about its authority have kept it from fulfilling this role. Differing approaches among agencies with pesticide regulatory responsibility suggest continuing oversight is needed.

ARPA, with a restructured membership, is needed to continue oversight of the state's agencies regulating pesticides.

Recommendations

Changes in Statute

- **Restructure the membership of the Agriculture Resources Protection Authority to add the following members:**
 - a pesticide applicator;
 - a person involved in the agricultural chemical industry;
 - a person directly involved in agricultural labor; and
 - a person with a demonstrated interest in protecting the environment.
 - **Specify that the Governor shall appoint the committee's non-agency members and select ARPA's chair.**
 - **Remove ARPA's authority to hear appeals of agency orders or enforcement actions.**
 - **Remove ARPA's authority to approve proposed rules but retain its ability to review rules before their adoption.**
 - **Require ARPA to review and comment on quarterly reports of enforcement efforts provided by agencies subject to its oversight.**
 - **Require ARPA to review and comment on the strategic plans and requests for appropriations of agencies subject to oversight.**
 - **Require ARPA to conduct periodic public hearings to solicit comments on the status of the state's pesticide regulation efforts.**
 - **Require ARPA to review the enforcement authority of the agencies subject to its oversight and make recommendations to the Legislature on changes needed to improve the consistency of penalties authorized.**
- This recommendation makes changes in ARPA's membership to improve the balance of interests represented. Adding the four members recommended will ensure that ARPA includes a broad diversity of members and all perspectives about pesticides as it works to oversee state agencies' pesticide regulation efforts. This recommendation will not affect current members as their positions are maintained in the expanded composition.
- The composition for ARPA would include:
- Commissioner of Agriculture;
 - Director of Agricultural Experiment Station - Texas A&M University;
 - Dean of Agricultural Sciences - Texas Tech University;
 - Dean of Public Health - University of Texas Health Science Center at Houston;
 - Director of Environmental Epidemiology - Texas Department of Health;
 - Director of Groundwater Conservation - Texas Natural Resources Conservation Commission;

- Director of the Institute for International Agribusiness Studies - Prairie View A&M University;
- Six members appointed by the Governor with Senate confirmation:
 - a consumer representative;
 - an agricultural producer;
 - a pesticide applicator;
 - a person involved in the agricultural chemical industry;
 - a person directly involved in agricultural labor; and
 - a person with a demonstrated interest in protecting the environment.

ARPA would no longer have the authority to veto rules. However, agencies subject to oversight would be required to submit proposed rules to ARPA for review and comment before final adoption.

ARPA's new duties to review enforcement reports, strategic plans, and requests for appropriations would provide the Authority with information to make constructive suggestions and the ability to report to the Legislature on the state's overall approach to pesticide regulation.

FISCAL IMPACT

This recommendation will have a fiscal impact. Expenses for the four additional members to attend quarterly meetings will total approximately \$3,200 per year. TDA estimates ARPA costs to conduct two hearings a year will be about \$6,200.



FINANCE PROGRAMS

IMPROVE AGRICULTURAL FINANCE PROGRAMS

Texas has \$33 million in revolving funds to provide loan guaranties, linked deposit loans, and other assistance to agriculture-related businesses. Almost every state offers similar programs to encourage business growth.

The goal of government-backed finance programs is to leverage the lending power of the private sector. As private sector loans increase, industries grow and the economy improves.

In Texas, the Texas Department of Agriculture (TDA) and the Texas Agricultural Finance Authority (TAFA) administer the state's agricultural finance programs. The chart, *Overview of Agricultural Finance Programs in Texas*, provides an overview of these programs.

TAFA is a nine-member, Governor-appointed board created within TDA by the Legislature in 1987. It has the authority to act independently of TDA to administer the \$25 million bond authority backed guaranty program and another new \$3 million guaranty fund for young farmers.

TDA provides technical and support services for TAFA.

TDA oversees two financial programs: an agricultural diversification grant program and a "linked deposit program." Linked deposit programs deposit state money in banks that provide low-interest agricultural loans.

Since 1987, the Legislature has authorized \$30 million in general obligation bonds and \$500 million in revenue bonds to fund these programs. An additional \$5 million has been dedicated from the State Treasury for the linked deposit program.

Several revolving funds in the State Treasury support the finance programs. The largest, the Texas Agricultural Fund, holds commercial paper proceeds, interest earned, and operating funds. The Young Farmer Loan Guarantee Account holds farm vehicle license proceeds and operating funds. Three revolving accounts have been set up to administer the Farm and Ranch Finance Program when it becomes operational.

The activities of the finance program, from the initiation of the programs through the end of fiscal year 1994, include:

- Loan guaranties for 44 businesses totaling about \$31 million;
- Low-interest loans for 63 businesses through linked deposits totaling about \$6.5 million;
- Loan guaranties for four young farmers totaling about \$150,230; and

- Grants to 88 non-profit entities totaling \$1.2 million.

Appendices A through D provide details on the programs' active participants as of the end of fiscal year 1994.

The Sunset review focused on the structure and oversight of Texas agricultural finance programs and identified several areas needing improvement. The proposed changes are designed to consolidate and strengthen oversight of these programs and direct more resources toward value-added processing.

Overview of Agricultural Finance Programs in Texas				
Program Name	Purpose	Resources	Oversight	Businesses Assisted
TAFA Loan Guaranty Program	Guarantees payment on long-term loans up to \$2 million (\$5 million in certain instances).	\$25 million General Obligation (G.O.) Bond Authority (used) Texas Agricultural Fund No. 683 (Revolving Fund Balance \$2,670,971)	Texas Agricultural Finance Authority	Currently 38 guaranties 44 since created
Linked Deposit Program	Deposits state funds in state depositories that agree to make low-interest agricultural loans	\$5 million (authorized) from State Treasury Current Linked Deposits total \$2.1 million	Agriculture Commissioner with State Treasury	Currently 35 loans 63 since created
Farm and Ranch Finance Program (Under Development)	Guarantees payment on loans, and makes direct loans, for real property.	\$500 million in G.O. Bond Authority (Not Used) Farm and Ranch Finance Funds No. 575, 576, and 593 (Revolving Fund Balance \$0)	Texas Agricultural Finance Authority and Veterans Land Board	Inactive
Young Famer Loan Guaranty Program	Guarantees payment on loans to your, first-time farmers for up to \$50,000.	Young Farmer Loan Guarantee Account No. 090 (Revolving Fund Balance \$ 2,672,926)	Texas Agriculture Finance Authority	Currently 4 loans
Rural Microenterprise Loan Program (Inactive)	Provides direct loans for up to \$30,000 for small rural businesses.	\$5 million G.O. Bond Authority (Never used) Rural Microenterprise Loan Fund (Never established)	Agricultural Commissioner with advice from TAFA	Inactive
Agricultural Diversification Grants	Grants up to \$100,000 to non-profits with business affiliates. Grants for research, business assistance, or business incubators.	Appropriated funds (\$200,000 for FY 1994)	Agricultural Commissioner with advice from TAFA	8 grants in FY 1994 88 since created



ISSUE 2

STRENGTHEN THE TEXAS AGRICULTURAL FINANCE AUTHORITY.

BACKGROUND

In 1987, the Legislature created the Texas Agricultural Finance Authority (TAFE) to administer several agricultural finance programs and the bond programs that finance them.

TAFE is a nine-member, Governor-appointed board with the authority to adopt rules, issue bonds and approve loan guaranties. TAFE functions within the Texas Department of Agriculture (TDA) which provides technical and administrative support.

The board's current composition is provided in the chart, *Composition of the Texas Agricultural Finance Authority*.

TAFE's main responsibilities include:

- administering a \$25 million commercial paper investment program;
- issuing up to \$5 million in general obligation bonds and \$500 million in revenue bonds (with the approval of the Bond Review Board);
- overseeing two loan guaranty programs;
- developing new financial assistance programs;
- overseeing expenditures from several special accounts in the State Treasury for finance programs; and

"(TAFE) is created to provide financial assistance for the expansion, development and diversification of production, processing, marketing, and export of Texas Agricultural products."
(Sec. 58.011, Agricultural Code)

Composition of the Texas Agricultural Finance Authority

- **Two ex officio, voting members:**
 - Commissioner of Agriculture - Rick Perry*
 - Director of the Inst. for International Agribusiness Studies at Prairie View A&M - Dr. Freddie Richards*
- **Seven members appointed by the Governor and confirmed by the Senate with at least one, but no more than 2, representing the following:**
 - City or county officials - Commissioner Bennie Claunch, Muleshoe; and Judge R. Brad Rowland, Anson*
 - Lending institutions with agricultural experience - George Mullino, Sr., Rochester*
 - Agricultural businesses - Peggy Barnes Maddox, Sweetwater; and Betty Condra, Lubbock*
 - Other agricultural entities - Louis Mata, El Paso; and Mary Webb (Chair), Gorman*

- serving an advisory role for the TDA-administered grant program.

TAFA's efforts are described in the chart, *Texas Agricultural Business Finance Programs with TAFA Involvement*.

TAFA uses its \$25 million general obligation bond authority to make short term investments in the commercial paper market. Since 1991, TAFA has earned about \$3.2

million through its commercial paper investments and used these earnings to support its Loan Guaranty Program.

TAFA's investment funds, interest earnings, and operating funds are deposited in the revolving Texas Agricultural Fund in the State Treasury and are available to TAFA without legislative appropriation. TAFA is required by law to adopt and forward an annual budget for expenditures from the fund to the Governor and the Legislature by September 1.

The Sunset review examined the composition, authority and general practices of TAFA to determine its effectiveness. The review also examined TAFA's enabling statute in light of the Sunset Commission's standard across-the-board provisions (ATBs). The ATB recommendations are listed in a section at the end of the report.

FINDINGS

▼ **TAFA members are not provided any financial training and state law requires only one member to have banking experience; however, their duties involve highly technical financial decisions.**

► State law requires at least one, but no more than two, TAFA members to be bankers

Texas Agricultural Business Finance Programs with TAFA Involvement

TAFA Loan Guaranty Program:

Provides \$25 million in guaranties for loans up to \$5 million for up to 20 years. Allowable uses of loan proceeds include: purchase of land, improvements, equipment, working capital, and refinancing of existing debt in cases of business expansion.

Number of Active Loans: 38

Young Farmer Loan Guarantee Program:

Provides a current fund of \$3 million for guaranties up to \$50,000 for 10 years. Guaranties are for first-time farmers. Allowable uses include: livestock, feed, seed, equipment, facilities, and leases. Proceeds cannot be used to purchase land.

Number of Active Loans: 4

Agricultural Diversification Grants

Uses appropriated funds to provide grants for research, business assistance and business incubator services. TDA develops the program, evaluates the proposals, and budgets the appropriated funds. TAFA gives final consent to grant awards.

Number of Grants Awarded 1994: 8

Farm and Ranch Finance - transferred from Veterans Land Board in 1993. To provide direct loans, not to exceed \$150,000, for the purchase of farm and ranch land. (Under development)

Rural Microenterprise Program - To provide direct loans, not to exceed \$30,000, to rural businesses. In 1989, voters authorized \$5 million in general obligation bond authority for the program. (Inactive)

with agricultural lending experience. Other members are required to be local officials or have agricultural backgrounds.

▶ TAFAs members' duties involve issuing bonds, investing funds, and evaluating financial records to make lending decisions; however, most are not required to have financial backgrounds nor do they receive technical training in finance.

▶ TAFAs is currently considering increasing loan guaranty programs using its \$500 million revenue bond authority. Expansion to this degree will require considerable financial expertise.

▼ **While TAFAs works diligently to administer its two loan guaranty programs, it has not provided consistent oversight of its budget.**

▶ State law requires TAFAs to approve an annual budget for expenditures from the Texas Agricultural Fund, as expenditures are not subject to legislative appropriations. While TAFAs recently adopted a budget for fiscal year 1995, it did not approve a budget for fiscal years 1993 or 1994.

▶ Under state law, TAFAs previous year's budget remains in effect if TAFAs does not approve a new budget by September 1. This provision is for extension of the approval deadline until the next scheduled board meeting; however, the provision has been used to extend the deadline for two years.

▶ Since TAFAs did not forward an approved budget to the Legislature and the Governor for 1993 or 1994, their oversight of the fund was limited.

▼ **State law does not require TAFAs to approve and file budgets for the two other funds it administers.**

▶ State law does not require TAFAs to adopt and file budgets for expenditures from the Young Farmer Loan Guarantee Account or the Farm and Ranch Finance Program accounts.

▼ **TDA's strategic plan and appropriations request include TAFAs programs, but TAFAs has no formal role in developing these documents.**

▶ Although TAFAs was created within TDA, TAFAs has the authority to take budget and policy actions independent of the Texas

TAFAs makes primarily financial decisions but most of its members do not have financial backgrounds nor are members provided training in finance.

Additional financial expertise and a more active role in planning and budgeting would strengthen TAFE.

Department of Agriculture. TDA's strategic plan includes TAFE's finance programs as part of its strategy to generate marketing opportunities. Nearly one-half of the performance measures TDA uses to demonstrate its performance relate to TAFE programs but the board was not involved in setting the proposed performance levels.

▶ Although TAFE has no formal role in developing TDA's appropriation request, the Department's 1996-1997 appropriation request seeks \$352,998 from funds overseen by TAFE as a source of funding the administrative costs of the TDA finance division.

CONCLUSION

Despite the technical and financial expertise needed to effectively administer TAFE's loan programs, few members are required to have financial backgrounds. The state does not provide financial training to assist TAFE members who spend substantial amounts of time fulfilling their duties.

While TAFE has adopted a 1995 budget for expenditures from the Texas Agricultural Fund, it did not adopt budgets for fiscal years 1993 or 1994, as required by law. Operating without an approved budget limits state oversight of TAFE expenditures. The other special accounts TAFE administers operate with limited oversight as well, as state law does not require approved budgets for these programs.

Finally, TAFE does not have a formal role in developing TDA's strategic plan or appropriation request as they relate to TAFE's finance programs.

Recommendations

Changes in Statute

- **Change the composition of the Texas Agricultural Finance Authority by requiring that four of the members have agriculture-related lending or investment experience.**
- **Require that all TAFE members receive relevant financial training before assuming duties as members.**
- **Require that TAFE approve and file an annual budget before expenditures are allowed from the:**
 - Texas Agricultural Fund;
 - Young Farmer Loan Guarantee Account; and
 - Farm and Ranch Finance Program accounts.
- **Require TAFE input on finance-related portions of TDA's Strategic Plan and biennial request for appropriations.**

These changes will strengthen TAFE's fiscal management abilities. Adding members with financial experience will enhance the board's ability to make lending and investment decisions.

Providing investment and money-management training will ensure that TAFE members with non-financial backgrounds have equal input in board decisions. Training should be designed to address specific TAFE matters and could be provided by TDA or contracted.

The new composition for TAFE would include:

- Commissioner of Agriculture;
- Director of International Agribusiness Studies, Prairie View A&M University; and
- Seven members appointed by the Governor with Senate confirmation:
 - A city or county official;
 - A representative of an agricultural business;
 - A representative of an agriculture-related entity (eg. trade association or rural chamber of commerce); and
 - Four members with agricultural lending experience.

Requiring TAFE to approve and file an annual budget with the Legislature and Governor before expenditures are made from any of the funds it administers will ensure adequate expenditure oversight for state funds.

Providing for TAFE input on the financial portions of TDA's strategic plan and biennial appropriation request will ensure that TAFE's mandated responsibilities are appropriately addressed.

FISCAL IMPACT

These recommendations would not result in a fiscal impact to the state. The one-time cost for new TAFE member training would be funded, as are other TAFE administrative expenses and board member expenses, through the Texas Agricultural Fund from investment earnings.

ISSUE 3



PLACE ALL TEXAS AGRICULTURAL FINANCE PROGRAMS UNDER TAFA.

BACKGROUND

The Texas Agricultural Finance Authority (TAFA) oversees most, but not all, of the agricultural finance programs administered by TDA.

In 1987, the Legislature created three agricultural finance programs and established three separate structures for oversight:

- A bond-financed, agricultural loan guaranty program administered by the Texas Agricultural Finance Authority (TAFA);
- A grant program administered by TDA with advice from the

Agricultural Diversification Board; and

- A Linked Deposit program, administered by TDA, which dedicates up to \$5 million from the State Treasury for low-interest loans to agricultural businesses.

In 1993, the Legislature restructured these finance programs and expanded TAFA's composition and duties. The Agricultural Diversification Board was abolished and its advisory role on TDA grant programs was transferred to TAFA. Also, the Farm and Ranch Finance Program

Texas Agricultural Finance Programs and Oversight

Programs

Oversight Structure

TAFA Loan Guaranty Program
Young Farmer's Loan Guaranty Program
Farm and Ranch Finance Program (Under Development)

Texas Agricultural Finance Authority only:
Issues bonds, adopts rules, approves expenditures, and approves guarantees. TAFA investment decisions for the Farm and Ranch Finance Program are subject to approval by the Veterans Land Board due to the bond authority in the Texas constitution.

Agricultural Diversification Grant Program
Rural Microenterprise Loan Program (Inactive)

Commissioner of Agriculture with TAFA consent:
Adopts rules and budget, evaluates grant applicants, and recommends awards to TAFA for final consent. TAFA issues bonds for Rural Microenterprise Program.

Linked Deposit Program

Commissioner of Agriculture only:
Adopts rules and certifies loan eligibility. State Treasury establishes Linked Deposit agreements with banks and deposits funds. TAFA has no statutory role.

was transferred from the Veterans Land Board to TAFE.

The Sunset review examined the effectiveness of using different oversight procedures to administer similar financial programs.

FINDINGS

▼ **Consolidating program oversight under TAFE would unify oversight and not eliminate TDA influence.**

► The Commissioner of Agriculture is a voting member of TAFE.

▼ **TAFE's efforts to distribute state agricultural financial resources equitably is limited because it is not involved with the Linked Deposit Program, Texas' second largest agricultural finance program.**

► TAFE works to ensure its loan guaranties are distributed to all regions of the state fairly

in terms of the size and number of loans.

► TAFE does not analyze the distribution of Linked Deposits because it has no role in the program. TDA sets program rules and certifies the eligibility of applicants submitted by lenders. The decision to make a loan rests with the lender.

▼ **Linked Deposit loans are not as well distributed throughout the state as TAFE loan guaranties.**

► The review took into account that alternative forms of agriculture would not be distributed the same as traditional agriculture. However, current agricultural production rates provide the only available comparison point.

► TAFE loan guaranties are better distributed among the regions of the state than the Linked Deposit loans, when considering the agricultural production of the regions.

► About 37 percent of Linked Deposit dollars are concentrated in Central Texas. This region currently accounts for less than 10 percent of the state's agricultural production. While this region extends to the Rio Grande Valley, none of

**Distribution of Assistance
TAFE Loan Guaranty and Linked Deposit Program
Compared with Current Agricultural Production
(As of August 31, 1994)**

TDA Region	Percent of Current TAFE Loan Guaranty Obligation	Percent of Current Linked Deposit Balances	Percent of Value of Ag. Production by Region (1993)
Region 1 - North and West TX	42.2%	17.2%	37.3%
Region 2 - Northeast TX	35.9%	7.0%	26.1%
Region 3 - East and Coastal TX	8.5%	26.4%	19.3%
Region 4 - Central TX to Del Rio	10.5%	37.2%	9.5%
Region 5 - Valley to Corpus	2.9%	12.3%	7.8%

the current Linked Deposit loans are to that part of the region.

▶ Only 24 percent of Linked Deposit dollars have gone to North, Northeast, and West Texas. However, these regions account for 63 percent of Texas' agricultural production. In contrast, about 78 percent of TAFE loan guaranty funds go to these regions.

▼ **TAFE's consent role on grants does not allow the board to provide adequate input in decisions.**

▶ TAFE can only consent to Agricultural Diversification Grants for applicants previously selected by TDA. TAFE members recently expressed concern about this limitation.

▶ TAFE recently delayed approving program grants because members received limited information about potential recipients.

▶ The delay resulted from TAFE's understanding that it was to evaluate each grant applicant as it would for other TAFE programs. TDA, on the other hand, understood TAFE's role as giving final consent to TDA's recommendations.

▼ **TDA and TAFE have the authority to establish a program for loan guaranties to rural, small businesses but have not implemented one.**

▶ TDA is authorized to provide small loans, up to \$30,000, to rural businesses. TAFE is authorized to use its \$5 million in general obligation bond authority to fund the program. However, the program has not been established.

▶ In 1994, the Speaker of the House appointed an interim committee to study the issue of small business access to capital. In committee hearings, small businesses reported that the inability to obtain financing is a significant problem, especially in rural areas.

TAFE could improve the effectiveness of the state's agricultural finance programs by having oversight of all the programs.

CONCLUSION

TAFE's ability to effectively manage the state's agricultural financial loan programs would benefit from TAFE having oversight of all the programs. TAFE does not currently have the authority to effectively oversee the Linked Deposit Program, Agricultural Diversification Program, or the Rural Microenterprise Loan Program. Consolidated oversight would allow TAFE to do the job the

Legislature envisioned when it created the board. TAFE could then work to ensure that the programs' benefits are distributed equitably throughout the state.

Neither TDA nor TAFE have established the \$5 million rural microenterprise program authorized in 1989. This program could address the difficulty small businesses report in securing financing.

Recommendations

Changes in Statute

■ **Transfer the responsibility for administering the following programs to the Texas Agricultural Finance Authority:**

- **Linked Deposit Program;**
- **Agricultural Diversification Grant Program;**
and
- **Rural Microenterprise Loan Program.**

This change will give TAFE the authority it needs to effectively set the policy direction for all state agricultural business finance programs. TAFE would adopt all program policies and procedures and oversee the use of program resources. TAFE

would evaluate and approve all applications for assistance.

This change would provide an opportunity for TAFE to use each program strategically to meet the applicant's needs instead of offering a limited array of financial services. TDA would continue to provide staff support for all loans and guaranty programs.

Management Action

■ **TAFE should implement the Rural Microenterprise Loan Program using the general obligation bond authority voters have already approved or recommend that the Legislature abolish the authority or transfer it to another agency.**

This recommendation would encourage TAFE to establish this program as authorized by the Legislature over five years ago. If the program is unworkable or no longer needed, TAFE should recommend that the Legislature abolish the program and the bond authority. If another agency could be authorized to implement the program, TAFE should recommend transfer. Continuing the unused bond authority serves no useful purpose.

FISCAL IMPACT

The statutory recommendation would not result in a fiscal impact to the state. However, since the Agricultural Diversification Grant Program is funded with appropriated funds, the Legislature would continue to appropriate funds to TDA.

The management action recommended would either make \$5 million in loan guaranties available for small, rural businesses or would eliminate the state's commitment to \$5 million in unused general obligation bond authority.

ISSUE 4



ESTABLISH PRIORITIES FOR LINKED DEPOSIT LOANS TO BETTER DISTRIBUTE RESOURCES.

BACKGROUND

The Legislature established the Linked Deposit Program in 1987 to provide an incentive to Texas lending institutions to make low-interest loans to develop new types of agriculture.

The TDA Linked Deposit Program is a joint venture between TDA and the State Treasury. Under the program, the State Treasury enters into linked deposit agreements with state depository banks. State funds are deposited and accrue interest at two percentage points below the U.S. Treasury Note rate, but not less than 1.5 percent. Participating depository banks agree to pass along the reduced interest rate to loans for agricultural businesses. The businesses must qualify under the lending bank's credit standards and the program's eligibility terms.

Under state law, the Agriculture Commissioner clarifies, by rule, the types of agricultural efforts that are eligible by issuing lists of the types of crops, activities, and equipment that qualify for the different categories of loans.

The Legislature authorized the State Treasurer to set aside up to

\$5 million for the program. State law restricts the types of loans to enterprises that diversify the agricultural economy. In addition, caps were placed on the size of loans that specific types of projects could receive. The chart below provides information about the program's eligibility guidelines.

TDA and the State Treasury negotiated the first linked deposit agreement in 1988 and the first loan was made shortly after. Since that time 63 businesses have

TDA Linked Deposit Program

Statutory Eligibility Guidelines

An applicant must be in the business or entering the business of:

- Processing and marketing agricultural crops in Texas (maximum loan size - \$500,000)
- Producing alternative crops in Texas (maximum loan size - \$250,000)
- Producing agricultural crops in Texas, the production of which has declined markedly because of natural disaster (maximum loan size - \$250,000)
- Producing agricultural crops in Texas using water conservation equipment for agricultural purposes (maximum loan size - \$250,000)

Funds may be used for the purchase or lease of land, machinery, equipment, seed, fertilizer, plants, inventory, or professional services.

TDA's ability to prioritize the types of linked deposit loans is limited by the program's current structure.

received linked deposit loans totaling \$6.5 million.

Today, 30 businesses have active loans with a total state linked deposit commitment of \$2.1 million. The remaining \$2.9 million in authorized State Treasury funds are not being used for linked deposits. TDA attributes the low program activity to relatively low interest rates available in the loan market without the program.

In 1994, the State Treasury estimates that the Linked Deposit Program cost \$52,457 in lost interest revenue. Appendix B provides a listing of the current loans.

The Legislature created the Linked Deposit Program not only to help individual businesses but to also help the Texas economy overall.

The Sunset review examined the performance of the Linked Deposit Program to identify changes that could improve the benefit it provides.

FINDINGS

▼ **The Linked Deposit Program's current structure limits TDA's ability to prioritize the types of loans made.**

- ▶ Under the current loan scheme, lenders with a potential borrower submit a

loan application to TDA with a proposed interest rate. TDA reviews the application and, if appropriate, recommends it to the State Treasury for funding. The Treasury then places the appropriate amount of state funds on deposit with the lending institution based on the linked deposit agreement with the lender.

- ▶ Since TDA's involvement is limited to acting on loan applications submitted by lenders, it cannot prioritize the types of loans funded through the program.

▼ **Two-thirds of Linked Deposit loans fall in the statutory eligibility category of "alternative crop."**

- ▶ Current linked deposit loans are concentrated on a few alternative crop industries: emu and ostrich farms (9 loans) and exotic deer and llama farms (10 loans). These industries account for 55 percent of loan dollars. In total, two-thirds of the loan dollars are for alternative crop projects. The chart, *Linked Deposit Loans by Industry*, analyzes the distribution of loans.

- ▶ TDA, based on statutory guidelines, provides few restrictions on the types of alternate crops that are

eligible. Basically, any crop that has less than \$5 million in production is considered eligible. TDA rules list 55 crops as eligible under this category, including, for example: aloe vera, catfish, honey, exotic game, emus, wild flowers, cashmere and dairy goats, wine grapes, shrimp, and longhorn cattle.

▼ **Linked deposit loans are concentrated on producers in Central Texas.**

► The review took into account that alternative forms of agriculture would not be distributed the same as traditional agriculture. However, current agricultural production rates provide the only available comparison point.

► More than a third (37 percent) of current loans are concentrated in Central Texas even though the region accounts for less than 10 percent of the state's agricultural production. Only 24 percent of linked deposit dollars go to North, Northeast, and West Texas while those areas account for 63 percent of the state's agricultural production.

▼ **TDA now promotes expanding Texas' value-added processing industry.**

The ability to refocus the program on those efforts could benefit the state's economy.

► The TDA Strategic Plan highlights the Department's emphasis. *"Texas sends 92 percent of the commodities it produces out of state for processing, while other states process about 80 percent in-state. If Texas developed the capability to process an additional 5 percent of its raw products in-state, our gross state product would grow by \$2.5 billion and 30,000 jobs would be created."*

► More emphasis on value-added processing could fully use the \$2.9 million in unused low interest loan capacity to assist the development of the Texas processing industry.

Linked deposit loans are concentrated on Central Texas and exotic game ranching.

Linked Deposit Loans by Industry
(as of August 31, 1994)

Industry	Linked Deposit Loan Balance	Percent
Exotic Deer and Llama Ranches	\$809,594	38.5%
Produce and Processing Industry	\$605,325	28.8%
Ostriches and Emu Ranches	\$371,320	17.7%
Wine Industry	\$194,074	9.2%
Specialty Meats Industry	\$121,571	5.8%
Total	\$2,101,884	100.0%

Linked deposit loans should be better distributed across the state. More loans to value-added processing businesses could benefit the state economy.

▼ **Current money handling practices cost the state in lost interest.**

▶ Linked Deposit lenders now send TDA quarterly reports of loan payment activity. Once TDA receives the lender's reports reflecting lower loan balances, TDA notifies the State Treasury that the linked deposit amount can be reduced. The Treasurer then invests the freed-up funds at the standard higher interest rates it gets on most funds.

▶ Linked Deposit records showed state deposits often exceed active loan balances, sometimes by as much as \$85,000. Excess funds left on deposit earn a lower-than-market rate of interest. While occasionally this difference is due to unused line of credit arrangements, TDA attributes most cases to the quarterly transfer agreement. As shown in the Linked Deposit loan listing in Appendix B, state funds in linked deposits exceeded outstanding loan values by \$116,564 on August

31, 1994. The state lost the ability to get a higher rate of interest on this amount.

CONCLUSION

The review identified concerns about the statutory structure of the Linked Deposit Program and its resulting loan portfolio. Loans have become concentrated on one eligible loan category and the Central Texas region. Thus, the program is not spread among all who could benefit.

TDA currently recommends expanding the state's value-added industry as the best way to expand the agricultural economy. Refocusing some of the Linked Deposit resources on this industry could provide more benefits for the state as a whole.

The review also identified money handling practices that are costing the state in lost interest on its money. Monitoring the payment activity on a more frequent basis would ensure that state funds are not left drawing a lower-than-market interest rate unnecessarily.

Recommendations

Change in Statute

- **Require TDA to establish loan priorities for the Linked Deposit Program to ensure an emphasis on loans to the value-added processing industry and that loans are distributed among the geographic regions of the state.**

This change would require TDA to establish priorities to better guide the distribution of this major source of financial assistance. TDA would set, by rule, the loan priorities to focus loans more on value-added processing and ensure geographic distribution. To achieve this goal, TDA could limit the total dollars for any one eligibility category or area of the state.

Encouraging low-interest loans to expand businesses in the value-added food and fiber processing industry will help provide more in-state processing resulting in more agriculture profits remaining in state. Loans for other types of ventures would remain available but at a lower priority.

Issue 3 of this report proposes transferring administration of the Linked Deposit Program to TAFE. If that recommendation is adopted, TAFE would assume the responsibility to set program guidelines.

Existing loans will not be affected by this change, only future loans.

Management Action

- **TDA should work with the State Treasury to review Linked Deposit reporting and money handling practices to reduce, to the extent practical, the amount of funds left in linked deposits in excess of existing loan balances.**

This recommendation would encourage TDA and the State Treasury to review its money handling practices to eliminate, where possible, lost interest revenue due to infrequent reporting and money transfers. Monitoring the payment activity on a more frequent basis would ensure that state funds are not left drawing a lower-than-market interest rate unnecessarily.

If the authority to administer the program is transferred to the Texas Agricultural Finance Authority, as proposed in Issue 3, TAFE would be encouraged to work with the State Treasury, instead of TDA.

FISCAL IMPACT

The statutory recommendations would not result in a fiscal impact to the state. The management action recommended would reduce the loss of state funds by reducing the amount of time state funds are in low interest bearing linked deposits. The amount of reduction will depend on what changes are implemented and cannot be estimated.



ISSUE 5

STRENGTHEN PROTECTION OF THE TAFE LOAN GUARANTY PROGRAM.

BACKGROUND

The Texas Agricultural Finance Authority (TAFE) Loan Guaranty Program is the largest state agricultural finance program in Texas. This program can guarantee loans for up to \$5 million made by local lenders. TAFE finances the program with \$25 million in general obligation bond authority.

The Guaranty Program helps agricultural businesses who need a guarantee to qualify for financing. TAFE guarantees payment of the loan and secures a lien on the property and other collateral and guarantees. If the business defaults on the loan, TAFE is responsible for the outstanding loan balances after assets are liquidated.

At present, loans for 38 businesses are guaranteed through the program for a total of \$23.4 million. The chart, *Current TAFE Loan Guaranty Participants*, in Appendix A, provides a listing of the businesses that currently have guaranties through the program.

In 1993, the Legislature attempted to raise the level of resources available to the program and

proposed an increase of \$75 million in general obligation bond authority, but voters rejected the additional bond authority. In anticipation of the increased funding, the Legislature authorized larger loan guaranties, up to \$5 million with a two-thirds vote of TAFE. Due to the limited resources on hand, however, TAFE has only approved one guaranty exceeding \$2 million, and that was for \$2.2 million.

Texas has two other business finance programs, both operated by the Texas Department of Commerce. The Rural Loan Guaranty Program, in operation since 1971, provides guaranties on long-term loans to rural businesses up to \$350,000. The Export Loan Guaranty Program, established in 1989, provides guaranties on short-term loans up to \$200,000 to finance export projects. Both programs operate with appropriated funds totaling \$5.5 million.

The Sunset review examined the TAFE Loan Guaranty Program to determine whether current statutory requirements provide adequate safeguards for state funds, and whether loan limits are appropriate for a fund this size.

TAFE Loan Guaranty Program is the state's largest agricultural finance program and provides \$23.4 million in loan guaranties to 38 businesses.

TAFAs Guaranty Program can be particularly affected by loan defaults because of high loan maximums.

FINDINGS

▼ **The TAFAs Loan Guaranty Program has experienced a higher default rate than similar programs administered by the Texas Department of Commerce.**

► Since the TAFAs program started in 1991, four loans with an original loan value of \$2.4 million have defaulted. After liquidating assets, TDA estimates TAFAs could lose about \$1 million on these four businesses. Two other businesses have ceased operations or gone bankrupt but their assets are expected to cover the state's obligation.

► In contrast, the Texas Department of Commerce (TDOC) Rural Loan Guaranty Program and Export Loan Guaranty Program have operated since 1971 with only one default.

▼ **The TAFAs Guaranty Program can be particularly affected by defaults because of high loan maximums.**

► TAFAs's guaranty maximum is much higher than the programs run by TDOC. The TAFAs program guarantees loans up to \$2 million to one business and state law permits up to \$5 million to one business with a two-thirds vote of TAFAs members.

► In contrast, state law does not set a specific maximum for TDOC's loan guaranty programs for exporters and rural non-agricultural businesses. By rule, TDOC limits guaranty amounts to \$350,000 for rural loans and \$200,000 for export loans.

▼ **Changing the standard statutory guaranty maximum to \$1 million would allow limited state resources to help more Texas businesses and better spread the financial risk.**

► Few businesses apply for guaranties on loans over \$1 million. Of the 31 active loan guaranties, only seven businesses have loans over \$1 million. TAFAs recently approved two of the seven.

► TAFAs could retain the flexibility to deal with special circumstances by approving larger loans with a two-thirds vote of the members.

▼ **Multiple loan guaranties for the same business concentrates state assistance on few businesses and makes the program more susceptible to losses due to default.**

► The TAFAs Guaranty Program has served 44 businesses since its creation. Seven of the 38 businesses

currently served have two active loans guaranteed.

- ▶ Both guaranties approved by TAFE in early fiscal year 1995 were to businesses that already had active loans guaranteed.

- ▶ By rule, TDOC's two loan guaranty programs do not provide multiple loan guaranties to any one business.

- ▶ Multiple loans to the same business increase potential losses, since two guaranties depend on the success of one business.

▼ **Preventing the guarantee of more than 90 percent of a loan could further protect the program from default.**

- ▶ While state law does not restrict the percent of guarantee for the TAFE Loan Guaranty Program, state law prohibits guaranteeing more than 90 percent of a loan under the Young Farmers Loan Guaranty Program.

- ▶ State law also prevents the Texas Department of Commerce from guaranteeing more than 90 percent of a loan. At the request of TDOC, the Legislature increased the equity requirements in 1991 for both guaranty programs from 85 percent.

- ▶ TAFE's guaranty program does not have a similar restriction in statute. While TAFE has adopted 90 percent as a guideline, it recently waived the policy and approved a 100 percent guaranty on a \$2.2 million loan.

- ▶ Requiring the lender to assume at least 10 percent of the risk raises the lender's commitment to making only good loans. The U.S. Small Business Administration recently tried a 100 percent business loan guaranty program and found that low lender risk resulted in significant defaults.

▼ **State law requires TAFE to consider the effect of financing on job creation and retention when evaluating an application, but this has not been a factor in recent applicant reviews.**

- ▶ TAFE reviewed and approved 10 applications in 1994. A review of meeting minutes and application analyses provided TAFE members showed that the extent of job creation or retention was not considered as a major factor in evaluating the applications.

Risks associated with TAFE loan guaranties could be reduced by lowering loan maximums, limiting multiple loans to the same business, and limiting the percent of the loan that can be guaranteed by the state.

CONCLUSION

The TAFE Loan Guaranty Program has experienced a comparatively high default rate. While some risk is expected in this type of program, excessive defaults could deplete the program. The review found that high statutory maximum loan limits, lack of a 90 percent loan

guaranty limit, and providing multiple loans to the same business can contribute to a higher level of risk.

In addition, TAFE is not complying with the requirement to evaluate guaranty applicants based on potential job creation or retention, as state law requires.

Recommendations

Changes in Statute

- **Lower the standard maximum amount for loan guaranties to any one business to \$1 million and allow guaranties up to \$2 million with a two-thirds vote of TAFE members.**
- **Require a two-thirds vote of TAFE to approve an application for a loan guaranty for any business that already has a loan guaranteed through the program.**
- **Prohibit TAFE from guaranteeing more than 90 percent of a loan.**

These recommendations would reduce the potential for loss from the failure of any one business. This change will also limit the concentration of loan guaranty resources in a limited number of businesses. Guaranty maximums would be lowered from the current levels of \$2 million, and \$5 million with a two-thirds vote of TAFE members.

Prohibiting guaranties in excess of 90 percent of the loan value will ensure that businesses have equity at stake in the loans guaranteed by the state. These changes will not affect any businesses with existing loan guaranties, only future applicants.

Management Action

- **TAFE should, as required by current law, place a priority on considering applications based on potential for job creation and retention.**

This recommendation would encourage TAFE to place a higher priority on considering the potential for job creation or retention when evaluating guaranty applications. This change would help ensure that the guaranties support businesses that will provide the broadest benefit to the state's economy.

FISCAL IMPACT

These recommendations could have a fiscal impact by reducing the potential state liability from defaults on loans the state has guaranteed.

Defaults to date present a potential drain on the guaranty fund of \$1 million. While the amount of averted future losses cannot be estimated, any avoided losses mean more money will be available for future guaranties.



ISSUE 6

REQUIRE A COST-BENEFIT STUDY OF AGRICULTURAL FINANCE PROGRAMS AND ENCOURAGE OUTREACH EFFORTS.

BACKGROUND

The Texas Legislature has created several agricultural business finance programs in recent years, but these programs have not been evaluated to assess their relative impact. Because businesses that receive government backed financing have an advantage over those that do not, government finance programs need to have an outreach component to ensure that businesses have fair access to the limited assistance available.

The Sunset review examined whether adequate information is available to evaluate the relative cost and benefit of the different approaches to agricultural business finance and where state financing resources can be used most effectively. In addition, the review looked at current outreach efforts to see whether agricultural businesses had reasonable access to information about the availability of financing.

FINDINGS

- ▼ **The costs and potential benefits of the different agricultural finance programs vary significantly.**

- ▶ Different costs are associated with the different types of assistance: loan guaranties, linked deposits, and grants.

Loan guaranties can be the least costly. Guaranty money is not spent unless the borrower defaults. Careful monitoring is needed because defaults can quickly deplete reserves and shift the cost factor.

Linked deposits cost government more because deposits get a below-market rate of interest when placed with participating banks. The cost of this type of program is in the lost earning power of the state deposits.

Grants are the most costly because grant money is spent money. Grants are generally reserved for research and other projects that have a high potential to benefit the state.

- ▼ **Limited information is currently available to evaluate the relative benefits of the different programs.**

The costs and potential benefits of the different agricultural finance programs vary significantly.

► TDA and TAFE have developed some measures of economic impact. The limited information available indicates that the TAFE Loan Guaranty Program provides more benefits than the Linked Deposit Program.

► As shown in the chart below, businesses created more jobs and had higher projected revenues through the TAFE Guaranty Program. However, this information is only a crude measure and allowances should be made for the difference in program size and individual loan size. Further study is needed.

▼ **The Legislature recently required the State Auditor to conduct two studies of other state business assistance program administered by the Texas Department of Commerce (TDOC): the Texas Enterprise Zone Program and the Rural Loan Guaranty Program.**

► The 73rd Legislature required the State Auditor to conduct a cost benefit study of the Texas Enterprise Zone

Program which is administered by the Texas Department of Commerce. This program provides state tax rebates and reductions as incentives for businesses to create jobs in economically depressed areas of the state.

► Legislative leaders have repeatedly expressed concerns about the relative cost and benefit of enterprise zone tax incentives as a type of economic development program.

The Legislature directed the State Auditor to examine the zones' impact on the regional and state tax base, tax revenues, socio-economic condition, and unemployment rate.

► The State Auditor's October 1994 report indicated that TDOC's Enterprise Zone Program has had minimal impact. The report found only small changes to unemployment and socioeconomic conditions, noting that the program is not targeting areas of high unemployment. The report also found that the program has had little impact on state and local tax bases.

► In addition, in 1993 the Legislature required the State Auditor to study TDOC's Rural Loan Guaranty Program

**Agricultural Finance Programs
Measures of Economic Impact**

	State Investment (August 31, 1994)	Business Revenues (FY 1993)	Number of Employees
TAFE Loan Guaranty	\$23,436,820	\$141,153,036	1,214
Linked Deposit	\$2,101,884	\$5,309,780	381

and report on the advisability of increasing the program's loan capacity. That study concluded that losses on existing guaranties were unlikely so expansion was advised. However, the Auditor recommended that TDOC should place more emphasis on verifying job creation and retention by businesses.

▼ **Current TDA and TAFE efforts do not ensure that most eligible businesses are aware of the available financing.**

► TDA and TAFE members say that they often inform people about the programs. However, outreach is not a priority for the program because so few businesses can be served each year.

► Only 20 businesses applied for assistance in 1994. The low number of applications may confirm the finding in a recent State Auditor Office's report concerning the state's business development efforts. That report states that, when surveyed, only 25 percent of Texas businesses were aware that any state business assistance was available. The State Auditor concluded, "*If businesses aren't aware of a program that is designed to assist them, they will not be*

able to take advantage of the services."

▼ **Outreach efforts could increase participation by women-owned and minority-owned businesses.**

► The Legislature recently gave TAFE two goals: that 20 percent of its loan guaranties and consultant contracts go to minority-owned businesses; and that 10 percent go to women-owned businesses. While these statutory provisions were linked to a failed constitutional amendment, the intent remains.

► Currently, TAFE provides a total of four percent of its guaranty dollars to women and minority-owned businesses.

► State agencies have used outreach to encourage more women-owned and minority-owned businesses to participate in the state procurement process.

CONCLUSION

The Legislature has established several agricultural finance programs, each with a different cost and benefit to the state. These programs have not been evaluated to determine their relative costs and benefits.

More information is needed on the costs and benefits of the State's agricultural finance programs.

A wider awareness of the programs would allow those with the highest need and greatest potential to benefit the state economy, to actually receive financial assistance.

In addition, without a strong outreach program, TDA and TAFAs cannot be sure that the limited financial assistance available is getting to those that need it the most. A wider awareness of the

availability of agricultural finance programs would increase the chance that those with the highest need and greatest potential to benefit the state economy, actually receive this assistance.

Recommendations

Change in Statute

- **Require TDA and TAFAs, with the assistance of the State Auditor, to conduct a biennial study of the costs and benefits of each of the agricultural business finance programs they oversee.**

TDA and TAFAs would work together to develop a study of the relative cost and benefit to the state economy of each type of agricultural business finance program. The availability of this information could guide future decisions on resource allocation by the Legislature.

The study should examine the relative benefit in terms of the number of jobs actually created or

retained as a result of the assistance. The State Auditor's Office should assist with these studies. The expertise gained through the Office's recent studies of TDOC's Enterprise Zone Program and Rural Loan Guaranty Program should be tapped by TDA and TAFAs.

Issue 3 proposes transferring the administration of all agricultural finance programs to the Texas Agricultural Finance Authority. If that recommendation is adopted, the study suggested in this issue would be performed by TAFAs with the help of TDA staff.

Management Action

- **TDA and TAFAs should place a priority on outreach efforts to provide information on the availability of finance services.**

This recommendation would encourage TDA and TAFAs to develop a stronger effort to distribute information about the types of financial assistance available. This change would ensure that the businesses that need the services the most are aware that help is available.

FISCAL IMPACT

This recommendation will result in a small cost for the study, which could be funded by the Texas Agricultural Fund.



REGULATORY PROGRAMS

STREAMLINE REGULATORY PROGRAMS

The Texas Department of Agriculture (TDA) administers a variety of regulatory programs, including:

- regulating retailers using a number of TDA licensing programs;
- inspecting and enforcing weights and measurement standards;
- regulating the egg, organics, and aquaculture industries; and
- regulating the nursery and floral industries to protect against pests and diseases.

The Sunset review examined TDA programs to determine their effectiveness and the need to continue.

The review determined that many TDA programs should be continued due to regulatory benefits gained by the public and the affected industry. However, the review uncovered several programs that are no longer needed and should not continue.

The review also found areas of duplication or overlap between TDA and other state agencies. These areas were investigated to

determine methods of streamlining and relieving unnecessary burdens on regulated industries.

In addition, Sunset sought to continue the Legislature's efforts to privatize government services by investigating what TDA programs could be performed by the private sector. An analysis was performed on certain TDA programs to determine benefits of privatization.

The following section outlines Sunset recommendations intended to streamline TDA regulatory functions and increase the Department's effectiveness.



ISSUE 7

IMPROVE COST RECOVERY FOR REGULATORY PROGRAMS.

BACKGROUND

The Legislature has consistently directed state agencies to look to fee revenue to support government regulatory programs.

TDA administers seven major program areas with more than 30 agriculture and consumer protection regulatory programs. In many instances, state law sets an upper limit on the fee TDA can charge. In other instances, the actual fee is set in statute and TDA has no discretion.

The Legislature has taken several steps to encourage the Department to be more aggressive in recovering the cost of its regulatory programs through fees. As a result of the Sunset review in 1989, the Legislature adopted a provision that required TDA to include in its biennial budget request, a proposed fee schedule that would set regulatory fees at levels to recover all appropriate program costs.

The 1989 and 1991 appropriations bills included specific fee schedules. The Department's 1993 appropriations include a rider requiring at least 60 percent recovery of regulatory costs

through fees in fiscal year 1994.

In 1995, the percent is increased to 75 percent. By fiscal year 1996, fee revenue must recover 100 percent of regulatory costs. The rider exempts several programs from the fee recovery standard, including seed testing, plant quarantine, piece rate crop survey, right-to-know, integrated pest management, produce recovery fund, boll weevil control, and predatory management services.

TDA's current fee structure results in fees for some programs that generate revenue well above the costs of administering the programs. The excess revenue is used to cover the costs of other programs whose fees generate insufficient revenue.

In 1994, TDA collected about \$7.5 million in regulatory fees and spent about \$12.7 million on regulatory programs. Cost recovery averaged 77 percent for all programs combined.

The Sunset review examined steps TDA has taken to reach its mandated goal of 100 percent cost recovery by 1996, the adequacy of the Department's current fee

Fees for most TDA programs do not recover costs due to current statutory fee limits or lack of fee authority.

authority, and the equity of current fee levels.

The following recommendations suggest changes needed to allow TDA to reach its cost recovery goal.

These recommendations cover expanding TDA's fee setting authority, removing statutory fee caps, requiring full cost recovery, and ensuring fee equity.

FINDINGS

▼ Fees for most TDA regulatory programs do not recover costs.

► The chart below shows three major TDA program areas in which fees more than recover program costs while four others recover less.

Most notably, the pesticide industry pays about 60 percent of the state's cost to regulate the industry. Grain warehouses only pay 31 percent of

the state's cost to regulate the industry.

In contrast, seed quality program fees pay 287 percent of TDA's cost of regulation. Egg industry licensing and inspection fees pay 166 percent of TDA's costs.

▼ In most programs, 100 percent cost recovery is prevented by current statutory fee maximums.

► All but six of TDA's more than 50 regulatory fees are set at the maximum allowed by statute. In six other programs, fees are set specifically in statute, and TDA has no flexibility to raise or lower the fee. The chart, *FY 1994 TDA Regulatory Fee Revenue and Statutory Fee Levels*, shows fee levels, those set at the statutory cap, and revenue generated. The chart does not include non-regulatory fees collected by TDA.

Program Area	Total Costs FY 1994	94-95 Rider Exempted Costs	Costs Funded by Fed Revenue	Costs to be Recovered Through Fees	FY 1994 Fee Revenue	Percent of Costs Recovered
Pesticides	\$6,688,583	\$225,509	\$2,678,147	\$3,784,927	\$2,261,349	60%
Agrisystems	1,467,227	1,016,375	100,000	350,852	137,425	39%
Grain Warehouse	650,075	N/A	0	650,075	199,473	31%
Plant Quality	2,087,890	1,020,179	141,266	926,445	940,576	102%
Seed Quality	2,446,374	2,110,650	0	335,724	964,578	287%
Egg Quality	413,836	N/A	36,663	377,173	624,742	166%
Weights and Measures	3,362,128	24,526	0	3,337,602	2,374,516	71%
Aquaculture	18,805	0	0	18,805	17,350	92%
TOTAL	\$17,134,918	\$4,397,239	\$2,956,076	\$9,781,603	\$7,520,008	77%

**Texas Department of Agriculture
FY 1994 Regulatory Fee Revenue and Statutory Fee Levels**

Description	Current Fee	Statutory Max?	Number Issued	Fee Revenue
Nursery/Floral Certificates/Late Fees	\$25 - \$100 (based on vol.)	Yes	18,785	\$846,178
Rose Grading Certification	\$15 - \$100 (based on vol.)	Yes	17	1,255
State Phytosanitary Certificates and Inspections	\$25	Yes	4,268	93,142
Seed Laboratory	\$4 - \$50 (based on type of test)	Yes	18,477 tests	199,153
Vegetable Seed Licenses	\$100	Yes	76	8,420
Texas Tested Seed Labels	3¢	Yes	1,011,720	32,322
Texas Tested Seed Inspections	6¢ per 100 lbs	Yes	387,429,009	246,899
Seed Certification Enforcement	\$20 per field plus 24¢ - \$42 (based on vol.)	Yes	2,570 fields	260,856
Certified Registered and Foundation Labels	8¢	Yes	2,549,486	216,928
Grain Warehouse Licenses/Late Fees	\$75	Yes	518	39,927
Grain Warehouse Inspections and Permits	\$4 per 10,000 bushels	Yes	733	159,546
Weights & Measures (for breakout see other chart)				2,374,516
Egg Licenses/Late Fees	\$15 - \$2,000 (based on vol.)	Yes	409	89,642
Egg Inspections	5¢ per case	Yes	10,702,000	535,100
Pesticide Control Registration/Late Fees	\$100	Yes	12,004 products	1,332,875
Herbicide Permits*	\$1 per 100 cases	N/A	**	4,667
Herbicide Inspection Fees*	\$20	N/A	14	280
Herbicide & Pesticide Dealers Licenses: Individual & Combined/Late Fees	\$100	Yes	1,600	166,980
Aflatoxin Testing	\$35	Yes	378	21,420
Pesticide Applicator Certification Testing Fee	\$20	Yes	1,987	110,557
Commercial Pesticide Applicator Licenses/Late Fees	\$150	Yes	2,148	329,390
Noncommercial Pesticide Applicator Licenses	\$100	Yes	1,102	110,200
Private Pesticide Applicator Licenses Fees	\$50	Yes	5,667	179,900
Organic Certification Producers Inspection Fee	\$40 - \$2,500	Yes	120	29,920
Organic Certification Processors	\$150 - \$2,500	No	32	8,125
Organic Certification Retailers	\$25	No	8	650
Organic Certification Distributors	\$100 - \$2,500	No	16	520
Cooperative Certificate of Authority	\$10	Yes	340	3,500
Sweet Potato Labels	1¢	No	5,500	55
Sweet Potato Inspections	\$5 plus 25¢ per acre \$25 cash dealers	No	560	427
Vegetable & Citrus Sellers Licenses	\$75 all others	Yes	1,420	54,807
Vegetable Inspections - Other than Sweet Potato	\$5 plus 25¢ per acre	No	140	884
Citrus Maturity Stamps	1.5¢ per carton	Yes	14,000	38,537
Aquaculture Facility License Fee/Vehicle Fee	\$100	Yes	371	17,350
Total for All Programs				\$7,520,008

* Herbicide Permits & Inspections: Fees discontinued September 1993.

**TDA unable to accurately determine due to accounting procedures.

▼ **Some regulatory programs lack authority to charge fees.**

► TDA began regulating universal product code (UPC) scanners at check-out counters in 1991. TDA regulates scanners using its general authority to regulate scales used to set prices for goods sold. In 1994, TDA inspected 1,215 scanners.

► TDA does not have the statutory authority to charge fees for this regulatory effort. A review of inspector hours shows that scanner inspections accounted for 13.5 percent of all inspector hours, costing TDA \$453,887 in 1994. Total 1994 expenditures for weights

and measures regulation was about \$3.4 million.

▼ **The Legislature has exempted some TDA regulatory programs from cost recovery.**

► In the 1994-1995 TDA appropriation, the Legislature exempted certain TDA activities from cost recovery requirements it placed on TDA. These include predator management, quarantine enforcement, piece rate survey, boll weevil control, pest management, right-to-know, and seed testing. Some of these services are not currently subject to a regulatory fee.

► This approach should be continued so that cost recovery is not required where inappropriate.

**Weights and Measures Program
Estimated Costs and Revenues 1994**

Name of Program	Program Expenditures	Fee Revenue	Percent Recovery
Fuel Pumps	\$1,156,572	\$1,006,969	87%
Pharmacy Balances	127,760	49,963	39%
Commercial Scales	672,426	637,888	95%
Livestock Scales	77,329	32,900	42%
Ranch Scales	2,353	5,375	228%
Truck Scales	275,694	382,800	138%
Other Scales	23,535	42,700	181%
LPG Meters	73,967	224,480	303%
Bulk Meters	90,777	31,550	35%
Scanners	453,887	0	0%
*Butterfat Testers	0	760	--
*Antifreeze	16,192	5,060	31%
*Public Weighers	101	132,900	**
*Metrology Lab	309,355	150,900	49%
Program Total	\$3,279,948	***\$2,703,815	82%

* TDA estimated costs
 ** Recovery percentage highly inflated due to low costs
 *** Difference of \$329,299 from TDA Costs chart due to suspense account balance

▼ **TDA does not track fee revenue and program costs so that fees can be set at levels which equitably distribute costs among various regulatory programs.**

► TDA does not currently track regulatory program costs or fee revenue to the degree that they can be tied to each program and type of license.

For example, in the weights and measures program, annual license fees for weighing and

measuring devices, ranging from gas pumps to pharmacy scales to livestock scales, are combined into one revenue stream.

► To estimate TDA costs of regulating each type of weighing and measuring device, Sunset staff analyzed field inspector time sheets for fiscal year 1994 to determine the relative proportion of time spent on inspections. Fee revenue estimates were based on the number of devices licensed and the individual license fee.

The chart, *Weights and Measures Program Estimated Costs and Revenues 1994*, uses this approach to analyze the equity of these fees. Analysis shows a significant difference in the level of cost recovery among programs.

► Because all measuring device regulatory activities are accounted for together and not divided by type of device, the analysis of weights and measures resulted in only estimates. TDA needs to develop a system to accurately track fees, revenues, and effort for each of its regulatory programs to allow equitable cost recovery.

► The cost allocation system needs to include a comparison

of programs' current fees generated with the inspection interval. If a program is generating more revenue than TDA is spending on regulation, the Department should consider whether the time interval between inspections or the fee itself should be reduced.

▼ **Given adequate fee authority, the requirement that TDA submit a cost recovery fee schedule with its request for appropriations would serve a useful purpose.**

► Since TDA does not have the authority to raise fees, it has not placed a priority on submitting the cost recovery fee schedule with its budget request, as required by law. This provision was added to state law in 1989 as a result of the Sunset process. TDA has not submitted the required schedule. Instead, TDA reports general information on fee revenue and program expenditures in its budget request.

► If statutory fee caps were removed, TDA would have the ability to set fees according to a cost recovery schedule. Submitting such a schedule to the Legislature would provide information needed to review TDA's proposed budget with

TDA needs adequate fee authority to recover 100 percent of appropriate program costs.

Some industries pay fees that recover only a small portion of the state's cost to regulate the industry, while others pay substantially more.

the knowledge of proposed program budgets' impact on fees.

CONCLUSION

State law limits TDA's authority to raise fees in its regulatory programs. Most fees are at current statutory maximums. However, the Legislature has directed TDA to set fees to recover 100 percent of regulatory program costs by fiscal year 1996. TDA needs authority to comply with this legislative mandate.

The Sunset review found that some industries pay fees that recover only a small portion of the state's cost to regulate the industry, while others pay substantially more. TDA's current management information is not sufficient to provide cost and revenue information needed to fully set fees equitably, and, based on cost, make necessary adjustments in inspection intervals in the various programs.

Recommendations

Changes in Statute

- **Remove fee limits for regulatory programs and authorize TDA to set fees to recover 100 percent of program costs, except for programs exempted by rider in the General Appropriations Bill.**
- **Authorize TDA to charge retail locations a fee for the inspection of UPC scanners.**

This change will provide TDA the authority it needs to comply with the legislative mandate to recover 100 percent of regulatory program costs by 1996. TDA will be able to adjust fees to match program funding levels authorized by the Legislature. The Legislature will be able to exempt certain programs or parts of programs from the statutory cost recovery requirement through a rider in TDA's appropriations. This will allow the Legislature to adjust and refine its cost recovery policy as circumstances require.

Management Action

- **TDA should place a priority on submitting a full regulatory cost recovery fee schedule with its biennial request for appropriations.**
- **TDA should establish an accounting system that tracks the cost and revenue of its regulatory programs and adjusts fees annually to provide an equitable fee schedule.**
- **TDA should evaluate the appropriateness of its current inspection intervals in its regulatory programs.**

By submitting the cost recovery fee schedule with its budget request, TDA will supply the Legislature with information to consider the impact changing program costs will have on fee levels. This

information will be an important factor in budget decisions and act as a safeguard in exchange for giving TDA additional discretion to set fees.

These recommendations encourage TDA to use its new fee setting authority to make fees more equitable to the industries it regulates. TDA needs to modify its expenditure and revenue tracking to allow for this.

These recommendations also encourage TDA to compare fee revenue generated, program costs, and inspection intervals for each of its regulatory programs. If fee revenue exceeds expenditures, the Department should determine if the fee is too high and should be reduced or if inspection efforts should be increased by shortening the inspection interval.

FISCAL IMPACT

These recommendations will result in increased revenue to the state. Currently, TDA collects about \$7.5 million in fee revenue through its regulatory programs. Total costs of all regulatory programs was about \$17.1 million in fiscal year 1994.

Several TDA regulatory programs are currently exempt from full cost recovery by a 1994 appropriations rider. These programs account for \$4.4 million of regulatory program costs. Also, some regulatory programs receive federal funds which accounted for about \$3 million in revenue in 1994. None of these amounts would be recovered through fees. Net costs to be recovered in all regulatory programs (excluding exempted programs and costs financed through federal

funds) was about \$9.7 million in 1994, or about \$2.2 million more than current fee revenue.

Fees in programs that are not recovering their costs, such as pesticides and weights and measures, would increase to offset costs. Fees in programs that more than recover costs, such as eggs and seed quality, could be decreased to cover the costs of regulation. Additional revenue will also be generated from new fees authorized for UPC scanner regulation.

In summary, if TDA uses its authority to set fees to recover these regulatory program costs, fee revenue could increase by as much as \$2.2 million a year.

ISSUE 8



ESTABLISH A CONSOLIDATED LICENSING PROGRAM FOR GROCERY RETAILERS.

BACKGROUND

Few industries are subject to a greater administrative burden than is the neighborhood grocery store. The burden is not from regulations that protect health and safety, but instead the burden is from administrative paperwork in completing the many application and renewal forms required for the many licenses they must maintain.

The chart to the right, *Texas License Requirements on Grocery Stores*, outlines the types of state licenses an average grocery supermarket must maintain.

TDA operates programs that regulate eggs, floral and garden products, pesticides, organics, commercial scales, and scanners at the check-out stand — all through separate programs. Other state agencies regulate sanitation, food handling practices, seafood sales, dairy products, meat products, alcohol, and tobacco sales.

Each state license requires the retailer to complete a different set of paperwork, comply with different renewal policies, submit different fees, and meet different time frames. Each program includes unannounced inspections

and has different inspection standards.

State agency administration is just as burdensome. Each licensing program has a separate staff who reviews program applications, maintains lists of licensees, sends out renewal notices, and logs inspection activity. Each business may have several sets of licensing records maintained by separate programs under different filing systems. TDA programs have operated under this type of paper and pencil record-keeping system for many years.

Within the past few months, however, TDA has implemented a new computerized licensing system that integrates all its licensing records into one database. This system reduces the need for duplicate records and allows TDA to identify the potential for consolidating paperwork.

The Sunset review examined TDA's licensing programs to find ways to streamline the

Texas License Requirements on Grocery Stores

An average grocery store in Texas could be required to maintain the following state licenses:

- Retail grocery permit (TDH);
- Sales tax permit (Comp.);
- Tobacco permit (Comp.);
- Alcoholic beverage permit (TABC);
- Egg retailer license (TDA);
- Organic retailer (TDA);
- Food manufacturer license (TDH);
- Nursery/Floral retailer (TDA);
- Pharmacy (TSPB);
- Commercial scale permits (TDA);
- Vending machine license (Comp.);
- Pesticide applicator license (SPCB);
- Retail fish-dealer's license (TPWD)
- Retail fish-truck license (TPWD)
- Foodstamp permit (DHS)

TDH - Texas Department of Health
 Comp. - Comptroller's Office
 TABC - Texas Alcoholic Beverage Comm.
 TDA - Texas Department of Agriculture
 TSPB - Texas State Pharmacy Board
 SPCB - Structural Pest Control Board
 TPWD - Texas Dept. of Parks and Wildlife
 DHS - Department of Human Services

Texas retailers must hold licenses through several TDA programs which increases costs and causes inspection and enforcement problems.

administrative burden for retailers, as well as the state.

FINDINGS

▼ Many Texas businesses hold licenses with several TDA programs.

► Most large grocery stores must have four kinds of TDA licenses: egg retailer, commercial scales, nursery/floral retailer, and organic retailer. In addition to the regular inspections required to maintain these licenses, grocers are subject to check-out scanner accuracy testing and random package weight inspections.

▼ This regulatory approach adds to administrative costs for the state and the Texas retailer. Higher costs are ultimately borne by taxing consumers.

► Each business must keep up with the separate applications, fees, and procedures for each license program. Likewise, TDA must keep up with each program's licensing records, send separate renewal notices, and account for fee revenue and expenditures.

▼ Regulating one business through several programs creates problems with

inspections and enforcement.

► Each program has its own inspection requirements. At different times of the year, one business can see several TDA inspectors for various types of inspections. According to retailers, at least one store manager is usually involved with the inspector throughout the visit. Multiple inspections cost the state more in inspector travel time and inconvenience the business. In 1994, TDA inspectors spent 18 percent of their inspection time in travel.

► Enforcement efforts can be undermined when one business is regulated through several programs. If a business commits a violation so serious that TDA revokes its license under one program, TDA must take separate action against each TDA license to effectively prevent potential problems in other areas.

▼ Texas government has recently adopted the goal of "one-stop shopping" for services to business.

► The Legislature has made changes recently to move toward providing "user-friendly" government services. Texans should be able to use state services without wading through layers of bureaucracy.

and calls to many separate programs.

► Two recent state initiatives illustrate the change. Unemployed Texans used to apply to several different agencies for services: Texas Department of Commerce for job training, Department of Human Services for public assistance, and Texas Employment Commission for job finding. The 73rd Legislature created the Council on Workforce and Economic Competitiveness to coordinate the services and provide one application point for the various state services.

The Texas Department of Health (TDH) recently created a program to consolidate food establishment licenses. Many grocery stores fall under several state license requirements: food retailer, restaurant, food processor and food manufacturer. TDH now has the grocery store licensed once under the primary license. Inspections cover all areas of activity, generally in one inspection.

- ▼ **TDA's new computerized licensing system provides the technical capability to consolidate and cross-reference licensing records**

and coordinate inspection schedules.

► This year, TDA has taken a major step to improve its information management. TDA and the Texas Department of Information Resources initiated a new computer-based integrated licensing system (ILS). This system computerizes all licensing records and integrates the information into one system. TDA has computers for most field inspectors and plans to purchase others, allowing better coordination of inspection schedules.

CONCLUSION

Retailers who sell a variety of products must maintain numerous TDA licenses. TDA's licensing structure results in multiple sets of license applications, licensing files, inspection forms, and contacts with TDA. This process is bureaucratic for the business and the state. As a result, the agency and Texas businesses have higher administrative costs with no additional protection.

TDA has recently developed the information processing capabilities to streamline the administrative paperwork and coordinate inspections.

In line with the move to one-stop government services, TDA should consolidate multiple licenses for businesses regulated by separate Department programs.

Recommendation

Change in Statute

■ **Require TDA to establish a process to allow businesses to consolidate multiple TDA licenses and inspections.**

This recommendation would address the administrative burden separate licensing programs place on private businesses. TDA would be required to establish a program for retailers to consolidate their TDA licenses into one set of paperwork. To the extent possible, TDA would consolidate its inspections of a business or coordinate inspections. TDA enforcement powers would remain the same; however, TDA would be authorized to develop a system whereby all TDA licenses could be jeopardized by certain violations of any TDA regulatory program. This authority

would be reserved for the most serious violations. The new capability to share information between regulatory program staff will facilitate this change.

Consolidating the licenses of individual businesses would streamline government without sacrificing consumer protection. Regulatory efficiency would be increased and duplicative administrative overhead decreased.

Business efficiency would be increased as licensees fill out one set of licensing paperwork and maintain one staff contact for all TDA regulated activities. To the extent possible, TDA would organize its inspection efforts by retailer rather than by licensing program. If one inspector could not perform all types of inspection, a team of inspectors could inspect a business for every product regulated by TDA in one visit.

FISCAL IMPACT

This recommendation would result in a fiscal impact to the state. However, initial costs for conversion to consolidated licensing would result in long term savings. Under the cost recovery recommendation in Issue 7, TDA would pass along savings in the form of reduced license fees as an incentive for participation in the consolidated license program.



ISSUE 9

AUTHORIZE TDA TO PRIVATIZE OFFICIAL INSPECTIONS OF WEIGHING AND MEASURING DEVICES.

BACKGROUND

TDA is responsible for checking the accuracy of all weighing and measuring devices used in commerce. These devices include gas pumps, grocery scales, liquified petroleum gas (LPG) meters, universal product code (UPC) scanners and others.

State law requires inspection of each device at least every three years. The Department performs additional inspections as needed to respond to complaints.

In 1993, the Legislature, in an effort to privatize government services, authorized TDA to license individuals or companies to inspect or test LPG meters and ranch scales.

Applicants seeking licensure must show proof of their competency by completing TDA-approved educational courses, agreeing to inspection of their facilities and equipment, and carrying liability insurance.

The new regulatory approach is designed to allow certified private individuals to inspect, test, calibrate meters and scales, and affix the required Commissioner's

seal. These services may be performed at the request of the owner or as follow-up to problems detected by complaints or TDA inspections. The Department also checks the inspections of certified private individuals to ensure accuracy.

To date, TDA has not fully implemented this program and no individuals or companies are currently licensed to participate.

The Sunset review looked at the current status of the privatization effort and whether other changes are needed to get the program operating.

FINDINGS

▼ **The current structure of the weights and measures program prevents privatization of certain services.**

► Currently, only LPG meters and ranch scales are included in the new approach of licensing private individuals and companies.

▼ **TDA has indicated that it plans to seek statutory changes during the**

TDA plans to seek authority for greater privatization in the upcoming legislative session.

upcoming legislative session to allow greater privatization.

▶ The Department will seek authority to certify private individuals to perform testing and inspection of other weighing and measuring devices.

▶ TDA will also seek to remove the requirement that the Department inspect devices at least once every three years and affix the Commissioner's seal, thereby allowing private individuals to conduct the "official" inspections.

▼ **Privatization will increase the availability of inspections, improve services to owners and users, and reduce the costs of government.**

▶ The changes made for LPG meters and ranch scales last session were based on the need for owners and users of these devices to have someone available to respond quickly to problems. When a meter or scale broke, was suspected of mismeasurement, or had been tagged by TDA as needing repair, businesses wanted a way to have qualified people either on-site or close at hand who could certify that the

devices were in good working order.

▶ TDA's staffing limitations prevent this level of response. The Department currently inspects only about 40 percent of certain weighing and measuring devices each year.

▶ The needs that led to private inspections for LPG meters and ranch scales also apply to other types of weights and measures.

▶ Costs of regulation would decrease as TDA inspectors shift from routine inspections to spot checks of licensees' activities and responding to complaints.

▶ For example, TDA estimates the cost of an LPG meter inspection is \$75 (\$25 per year registration fee). In FY 1994, TDA inspected 593 meters for renewal of the seals, complaint calls, and requests for inspection.

However, if TDA only conducted spot checks and responded to complaints, TDA estimates that only 431 meters would be checked. The registration fee per LPG meter could be reduced to approximately \$10.35.

▼ **Although authorized to privatize inspections in 1993, the Department has yet to**

get a program started for LPG meters and ranch scales.

- ▶ Rules for the ranch scale program became effective in October 1994, but as of the writing of this report, no one has applied for a license.
- ▶ TDA estimates the LPG program will be operational in January 1995.

CONCLUSION

TDA performs the official tests and inspection of most weighing and measuring devices in the state.

In 1993, the Legislature allowed TDA to privatize inspections of LPG meters and ranch scales. At the moment, neither program is operational.

However, the current statutory structure of other weights and measures programs prevents TDA from expanding privatization to these devices. As a result, Texas is missing the opportunity to improve regulatory efforts, reduce costs, and improve services to businesses.

TDA lacks statutory authority to extend the privatization of inspections to other weighing and measuring devices.

Recommendations

Changes in Statute

- **Authorize TDA to certify individuals and companies to test, calibrate, conduct “official” inspections, and affix the Commissioner’s seal.**
- **Specify that the authority to allow private individuals and companies to test and inspect weighing and measuring devices is contingent on achieving performance goals set for LPG meters and ranch scales.**
- **Specify that statutory inspection intervals shall be maintained when private individuals assume responsibility for official inspections.**

These recommendations would allow TDA to license individuals and companies to perform all routine inspections of weighing and measuring devices. The Department would be required to ensure the competency of the licensee, regulate the timeliness of routine inspections, and ensure continuation of current inspection intervals. TDA could then reduce its costs by only performing random inspections of the licensee’s work, responding to complaints, and performing tests upon request.

Because TDA has yet to establish programs for LPG meters and ranch scales, the Department needs to get them operating before attempting to expand the concept to other devices.

Management Action

- **The Department should take steps necessary to establish the program already authorized for LPG meters and ranch scales.**
- **The Department should study the approach needed to establish similar programs for other weighing and measuring devices.**
- **The Department should work with the Legislative Budget Board to establish performance goals that would measure the success of privatizing testing and inspection of LPG meters and ranch scales.**

These recommendations would encourage TDA to increase its efforts to begin initial licensure of LPG meter and ranch scale inspectors. With more privatization of TDA's regulatory duties occurring in the future, implementation should occur more promptly. The Department is also encouraged to identify other devices whose inspections could be privatized. The Department should then begin licensure of individuals or businesses familiar with the calibration of those devices.

Regarding the development of performance measures, these goals are needed to ensure the Department takes steps necessary to get currently authorized programs going.

FISCAL IMPACT

These recommendations would result in a fiscal impact to the state. TDA's inspection duties would be reduced. TDA estimates they would inspect fewer devices annually, lowering the costs of administration. Because the agency is required to recover 100 percent of its costs, registration fees would decrease for these devices.

In addition, the Department will collect registration fees for individuals and companies interested in performing these services for the state. The cost of administering the licensing program and the resulting revenue could not be estimated, but all new costs would be recovered through fees.

ISSUE 10



TRANSFER EGG REGULATION TO THE TEXAS DEPARTMENT OF HEALTH.

BACKGROUND

While all food is subject to the broad provisions of the Texas Food and Drug Act, the Legislature has also adopted the Texas Egg Law to focus special efforts on the egg industry. This law has seen little change since it was first adopted in 1957.

In the 1950s, Texas was one of two states that had no state egg regulations, and, as a result, became a dumping ground for inferior eggs. Consumers had grown to expect a couple of bad eggs in a dozen. The Legislature enacted the law at the urging of the Texas egg industry.

The Texas Department of Agriculture (TDA) enforces the Texas Egg Law. This law requires licensing of many types of businesses that deal with eggs.

The chart, *Texas Egg Law — Licensing Requirements*, describes the various license classes. Licensing all egg handlers helped state regulators track the movement of eggs.

In addition to licensing egg handlers, the Texas Egg Law authorizes an egg grade inspection program. TDA inspects egg

quality at the facilities of egg wholesalers and retailers.

Egg quality grade inspections involve “candling” a sample of each egg shipment at a facility. The TDA inspector holds each egg to a light to illuminate its contents so the inspector can check for cracks, dirt, and grading.

All eggs are Grade AA (the highest grade) when laid unless they are abnormal. As eggs age, they dehydrate and deteriorate to a lower grade. Eggs lower than Grade B cannot be sold in Texas and are used by egg processors to make pasteurized egg products. TDA inspections are meant to assure that the eggs in a carton still qualify for the grade on the label.

The Texas Egg Law mainly addresses mis-graded eggs and requires that the cartons identify the source of the eggs. Egg shipments found to be below the grade labeled are subject to a stop-sale order. Stop-sale shipments must be destroyed or sent to a licensed egg processor.

Texas Egg Law Licensing Requirements

State law requires people who handle or sell eggs to maintain a state license. Four types of license are available. None of the licenses have eligibility requirements.

- **Egg dealer-wholesaler:**
This license is for egg producers and distributors. The annual license fee ranges from \$15 to \$2,000 based on production volume.
- **Egg broker:**
This license is for people who broker eggs but do not actually handle the eggs. Brokers pay an annual fee of \$350.
- **Egg processor:**
This license is for food manufacturers that make pasteurized egg products from raw eggs. Processors pay an annual license fee of \$45 to \$350 based on the volume of eggs processed.
- **Egg retailer:**
This license is for anyone who sells eggs at the retail level. Retailers must maintain an annual license but they are not required to pay a fee.

TDA and the Health Department both have authority to regulate eggs but do not coordinate their efforts.

TDA maintains inspection efforts for eggs. In 1991, inspection numbers peaked at 10.5 million dozen eggs. In 1994, TDA conducted 1,864 inspections, hand sampling a total of 2.3 million dozen eggs, and spent \$398,432 enforcing the Texas Egg Law. As a result of TDA inspections, 273,719 dozen eggs were removed from the retail market under stop-sale orders. The chart, *TDA Egg Inspection Efforts - FY 1989 to*

1994, illustrates the level of activity.

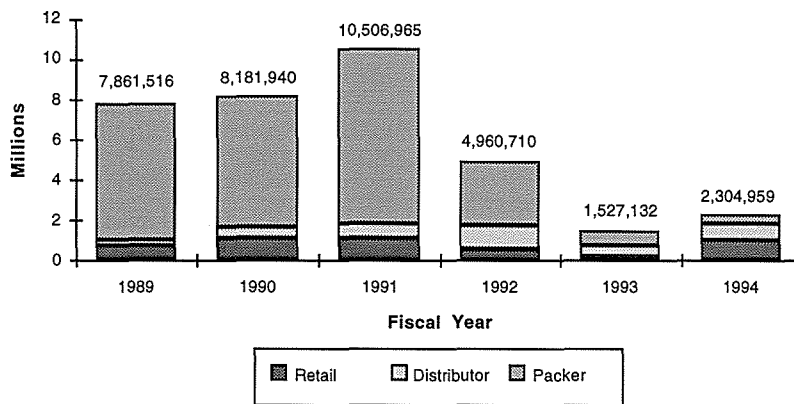
In addition to the egg regulation provided by TDA, the Texas Department of Health (TDH) also regulates the handling of eggs. In 1993, the Legislature required TDH to license all food retailers that are not licensed by local health departments.

Since eggs are considered a potentially hazardous food by the federal Food and Drug Administration, special handling and refrigeration requirements apply to the handling of eggs by food retailers. State and local health inspectors routinely examine the sanitation, refrigeration and condition of eggs. TDH inspectors check the condition of eggs and penalize the facilities for dirty or cracked eggs or improper storage temperatures.

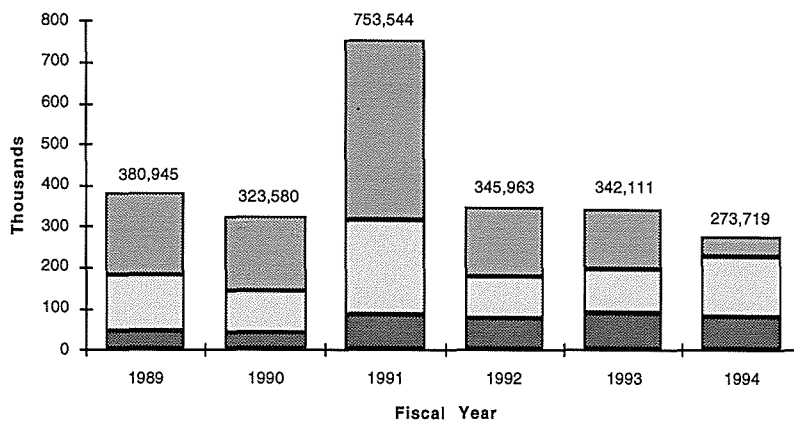
The Sunset review examined state regulatory efforts regarding eggs. The review examined the extent of consumer protection offered through the existing TDA and TDH programs concerning eggs. The review included: research into the history of the Texas Egg Law; discussions with TDA inspectors, program managers, and the egg industry; discussions with TDH program managers; observing TDA egg inspections; and reviewing program records and workload measures.

TDA Egg Inspection Efforts

Dozens Inspected 1989-1994



Dozens Rejected 1989-1994



FINDINGS

▼ **Consumers have two concerns about eggs, breakage and bacteria. TDA regulation addresses breakage while the Health Department addresses bacteria. The two agencies operate under different standards.**

▶ TDA regulations permit eggs to be stored at temperatures that the Texas Department of Health prohibits for food safety reasons. TDA regulations permit eggs to be stored at temperatures up to 60 degrees.

The Texas Department of Health requires eggs to be stored at a maximum of 45 degrees. Egg programs in 27 other states have also adopted the 45 degree maximum. These temperatures protect eggs from deterioration and reduce the growth of salmonella, the main bacterial risk for humans.

TDA staff agrees that the lower temperature would better maintain the quality of the eggs and reduce the chance of bacteria, but that refrigeration equipment would be cost prohibitive. However, industry representatives indicate that, due to federal and state health regulations,

most facilities have obtained the needed refrigeration capabilities.

▼ **TDA is the lead agency for state egg regulation but food establishments that handle eggs are also subject to regulation by the Texas Department of Health. The two agencies' efforts are not coordinated.**

▶ TDA regulates eggs at the packer, wholesaler, and retail level and checks for egg grading and labeling. TDA inspections focus on egg quality and truth in labeling.

▶ TDH regulates the handling of eggs through its licensing of food retailers, processors, and warehouses. TDH inspections focus on egg safety.

▶ TDA and the Texas Department of Health do not coordinate their efforts concerning eggs. In fact, managers and inspectors of each agency have little awareness of the activities of the other. When interviewed, TDA inspectors as well as program directors in TDA and TDH knew little of the inspection and licensing efforts of the other agency.

State egg inspections should focus primarily on food safety and then quality.

Egg regulation, as a food safety effort, should be carried out by the Health Department, the state agency with primary responsibility for ensuring food safety.

▼ **TDA's extensive egg inspection effort checks mainly for problems consumers can check for themselves.**

- ▶ Consumers are able to determine if eggs offered for sale are dirty, cracked, or leaking. Most consumers are aware of the likelihood that eggs on the shelf may get damaged, examine the eggs visually, and select those that meet their standards.
- ▶ Seventy percent of the shipments of eggs that TDA inspectors declared inferior were due to cracked or leaking eggs.

▼ **State food inspection programs should focus primarily on food safety, and then quality.**

- ▶ While TDA's egg quality inspection is a service to the consumer, it is only half the service needed. Shifting the focus of the state's regulation of eggs to first assuring safety and then quality would more appropriately address consumer needs.

▼ **Now that all food retailers are regulated by state or local health officials, the separate egg retailer license required by the Texas Egg Law no longer serves a**

consumer protection purpose.

- ▶ Food retailer regulation provides stronger protection at the retail level than the Texas Egg Law. TDH has adopted standards for food retailer's facilities and practices. In its inspections, TDH checks whether retailers buy their eggs from licensed egg dealers. Tracking whether eggs come from a TDA regulated dealer was one of the initial reasons Texas licensed egg dealers.
- ▶ TDA has not been enforcing the license requirement at the retail level. In 1994, only 1,308 retailers were licensed to sell eggs in Texas, while Texas has more than 20,000 food retailers. TDA has never revoked or suspended an egg retailer's license. TDA uses stop-sale orders at the retail level to remove low quality eggs from the market. However, TDA staff reports plans to start enforcing the egg license requirements.
- ▶ U.S. Department of Agriculture and most other states do not regulate the quality of eggs at the retail level. Most focus all efforts on the dealer-wholesaler. In 1994, about 35 percent of all

eggs TDA inspected were at the retail level.

CONCLUSION

The Department's egg inspection efforts currently focus on egg quality but do not address food safety issues. While this provides some level of protection, inspection efforts should strive to ensure food safety first and then quality.

Shifting responsibility for all egg inspection efforts to the Texas Department of Health, the state agency charged with food safety, would allow the state to better address the need to ensure a safe supply of eggs to consumers. Since TDH has begun regulating food retailers, the separate TDA egg retailer license no longer serves to protect the consumer and can be eliminated.

Recommendations

Changes in Statute

- **Transfer the duty to enforce the Texas Egg Law from TDA to the Texas Department of Health.**
- **Eliminate the requirement that food retailers maintain a separate egg retailer license.**

Transferring the responsibility for enforcing the Texas Egg Law to the Texas Department of Health will consolidate state egg regulation. Texas Department of Health could prioritize its efforts between egg safety and egg quality to ensure Texas consumers receive the protection they need most.

TDA egg inspectors would be transferred to the Texas Department of Health to be used in food inspections. This will provide personnel to increase TDH's current food safety efforts. Other TDH food inspection efforts could also benefit from the increased inspection capability.

The Texas Egg Law contains broad authority to set egg quality and safety standards. TDH could use the authority to establish food safety and quality standards.

FISCAL IMPACT

This recommendation will not have a fiscal impact. Resources would be transferred but at no additional cost. In fiscal year 1994, TDA's direct cost of egg inspection efforts totalled \$352,542.

Eliminating the separate licensing requirements for egg retailers will eliminate unnecessary paperwork

for food retailers and the state. Egg retailers will still be subject to inspection but will no longer be required to file annually for a separate egg retailer license. No license revenue will be lost because egg retailers are exempt from license fees.



ISSUE 11

TRANSFER ADMINISTRATIVE HEARINGS TO THE STATE OFFICE OF ADMINISTRATIVE HEARINGS.

BACKGROUND

TDA conducts two types of hearings: regulatory hearings and Produce Recovery Fund hearings. Both are conducted according to the Administrative Procedure Act.

Regulatory hearings are held to consider administrative violations of the Texas Agriculture Code, or TDA rules, and address regulatory issues including pest management, weights and measurement standards and pesticide regulations. All regulatory hearings are held in Austin.

Produce Recovery Fund hearings are held to consider claims against a trust fund administered by TDA. The Produce Recovery Fund reimburses producers and dealers who sell their produce on credit but do not receive payment for it. TDA is not a party in these cases. Some Produce Recovery Fund hearings are held in TDA's regional offices. In fiscal year 1994, the Produce Recovery Fund paid 13 claims for a total of \$85,922.

TDA currently has a hearings office staffed by three administra-

tive law judges (ALJs) who conduct both types of hearings.

Hearings are conducted in accordance with the TDA Rules of Practice. After review by the ALJ, cases are forwarded to the Agriculture Commissioner who has the final decision making authority.

In fiscal year 1994, the hearings division held 41 hearings and spent about \$65,900. More than half of those hearings (27) were for the Produce Recovery Fund program.

In 1991, the Legislature created the State Office of Administrative Hearings (SOAH) to conduct administrative hearings for state agencies. The Sunset review focused on whether transferring the agency's administrative violation hearings to SOAH would improve the independence, quality, or cost effectiveness of the hearings process.

FINDINGS

▼ TDA's administrative hearings process would be more independent if located at SOAH.

► In TDA hearings, the majority of participants—the hearing officer, the prosecutor, and staff that investigated the charge—are employed by TDA. This process, and the close proximity of participants, increases opportunities for ex parte communication and leads to the perception that the hearings process and its decisions are not independent of the agency.

► The problem of independence would not exist if hearings were conducted by SOAH since the ALJ would be a SOAH employee and would office at SOAH headquarters. This would effectively separate the investigation and prosecution functions from the hearings function.

► As with other agencies' hearings, SOAH would consider the applicable TDA rules or policies in conducting hearings. In this way, TDA will still determine how broader policy matters or recurring issues will be treated. The ALJ would recommend final actions based on the hearing. The TDA Commissioner would

continue to make the final determination based on the ALJ's recommendation.

▼ SOAH has the experience and ability to hold quality administrative hearings.

► SOAH currently has jurisdiction to hold hearings for 62 agencies including the Texas Alcoholic Beverage Commission, Texas Department of Insurance, Texas Department of Transportation, Texas Employees Retirement System, and 29 occupational licensing agencies. In fiscal year 1994, SOAH held hearings for 40 state agencies.

► TDA hearings are similar to the hearings conducted at SOAH. Many SOAH administrative hearings involve a variety of technical topics.

► SOAH serves as the central administrative hearings office for the state and is in a unique position to hire some of the most qualified ALJs in Texas. SOAH currently employs 13 ALJs with an average of 13.6 years of experience. To enhance their skills and abilities, each ALJ receives more than 77 hours of continuing education and in-house training in hearings and law-related topics each year.

▼ **SOAH has reduced overall hearings costs for state agencies that have transferred their hearings functions to SOAH.**

► During fiscal year 1994, SOAH estimates that it saved more than \$359,000 in hearings costs that would have been incurred had the hearings been conducted by other state agencies. This savings represents a 43 percent reduction in the cost of hearings.

CONCLUSION

The Legislature has clearly expressed its intent to consolidate the hearings functions of state agencies if such a transfer would improve the independence, quality, or cost effectiveness of hearings. The review of TDA’s administrative hearings process indicated that SOAH has the ability to conduct the hearings and that a transfer would provide more independence—both real and perceived—an equal level of quality, and could improve the cost effectiveness of the hearings process.

Transferring TDA hearings to SOAH would provide more independence and lower costs.

Recommendation

Change in Statute

■ **Transfer TDA’s hearings function to the State Office of Administrative Hearings.**

This recommendation would transfer TDA’s hearing function to the State Office of Administrative Hearings. TDA hearing staff would be transferred to SOAH and the cost of these hearings would be paid through interagency contract. Produce Recovery Fund hearings would be held regionally.

In conducting hearings, SOAH would consider the applicable substantive rules or policies of TDA. In this way, TDA would still determine how broader policy matters or recurring issues will be treated by administrative law judges. The ALJs will issue proposals for decisions to the TDA Commissioner who will make the final decision.

FISCAL IMPACT

Historical data indicates that transferring the administrative hearings function from TDA could result in cost reductions of 43 percent. The fiscal impact cannot be estimated at this time because the ultimate structure of the interagency contact with

SOAH and the specific costs to conduct administrative hearings cannot be determined. Any cost reductions that are achieved by transferring this function would be retained by TDA.



ISSUE 12

ABOLISH LOW PRIORITY TDA REGULATORY PROGRAMS.

BACKGROUND

The Agriculture Code is filled with authority for TDA to operate programs whose importance has diminished with time. The Sunset review looked at each of these laws to identify those that no longer require active enforcement by TDA.

The following findings and recommendations deal with abolishing those programs that are no longer active or effective. These include raw milk tank gauge testing, butterfat tester licensing, brake fluid certification, and cotton classer registration.

Raw Milk Tanks

Since the late 1960s, TDA has been authorized to test the accuracy of milk tank gauges. On dairy farms, milk producers use large tanks to store milk before distribution. A gauge measures the volume of the tank's contents. To test the accuracy of the gauge, the tanks must be emptied then filled with water and measured.

FINDINGS

- ▼ **Although authorized to test raw milk tank meters, TDA**

lacks the ability to perform this function.

- ▶ TDA inspected and calibrated raw milk tank meters until the program was discontinued in 1992. At that time, the Department's outdated equipment malfunctioned due to age. TDA decided to allow the private sector to self-regulate the accuracy of tank gauges rather than buy new equipment.

- ▼ **Some milk cooperatives and the federal government currently test milk tank gauges for accuracy.**

- ▶ Milk cooperatives such as the Associated Milk Producers, Inc. calibrate the gauges on their producers' milk storage tanks. The cooperatives, however, do not test the gauges for accuracy on a regular basis.

- ▶ The Milk Market Administrator of the USDA regularly checks tank gauges of independent milk producers every two years. The USDA also provides this service upon request or in response to a

State law requires TDA to operate several regulatory programs whose importance have diminished with time.

The federal government and milk industry now regulate activities TDA is also required to regulate.

complaint. The USDA also has plans underway to fill the gap left by TDA by ensuring that milk cooperatives begin regular checks of their producers' tanks.

Butterfat Tester Licensing

State law authorizes TDA to license testers of butterfat content in milk. Butterfat content helps determine milk prices. Until recently, a glass instrument called a Babcock tester was used. TDA is required to license individuals to use this apparatus for commercial purposes.

A person may receive a license to test butterfat if the person is reliable, competent, and qualified to operate the testing equipment. TDA is authorized to test the applicant's qualifications. In fiscal year 1994, TDA licensed 76 butterfat testers. Each licensee pays an annual fee of \$10.

FINDINGS

▼ **The current regulation of butterfat testers does not protect the public or the industry.**

► The butterfat tester program is basically a desk-top registration program. TDA does not test an applicant's competence, reliability, or ability to operate any testing equipment. Anyone can get a license by

simply applying and paying the required \$10 fee.

► The statute still requires butterfat testers to use Babcock testers although newer testing equipment is available. TDA indicates that Babcock testers are obsolete.

▼ **The federal government, milk cooperatives, and independent milk companies employ butterfat testers.**

► All milk producers must have their milk tested to determine its value. Milk cooperatives, such as the Associated Milk Producers Inc., Mid-America Dairymen, and Southern Milk Sales, test the butterfat content for their producers before milk is loaded for mass distribution. Samples are drawn from every dairy farm and sent to a lab for testing.

The Milk Market Administrator, which is a branch of the USDA Marketing Service, allows private butterfat testing of milk. However, the equipment used by the cooperatives must be calibrated according to the U.S. marketing order standards for milk.

► Some independent milk producers without lab capabilities, such as Oak Farms, Higea, and Krogers,

may send their samples directly to the Milk Market Administrator who will test them for a fee.

► TDA staff reports that all TDA registered butterfat testers are employed by the milk cooperatives and independent milk companies.

Brake Fluid Certification

In 1968, the U.S. Congress established federal motor vehicle safety standards that set requirements for all fluids used in hydraulic brake systems of motor vehicles. The purpose of the standards is to reduce failures in hydraulic brake systems that occur because of improper or contaminated fluid. The federal law also establishes guidelines for state certification of brake fluid.

The Texas program was originally created under the Texas Department of Public Safety (DPS) in 1957. In 1979, the Legislature amended the brake fluid program to mirror federal standards. DPS registered brake fluid manufacturers but lacked the facilities to test the samples submitted. In 1991, the Legislature transferred the program from DPS to TDA.

In fiscal year 1993, TDA registered 20 manufacturers of brake fluid. The Department does not collect a fee for testing and certification although it has the authority to do so.

FINDINGS

▼ **TDA does not verify or analyze the brake fluid samples submitted.**

► Current law mandates that brake fluid manufacturers send TDA a sample of brake fluid and an analysis of the sample contents. TDA is required to determine whether the sample conforms to state brake fluid standards. TDA examines the analysis submitted by the manufacturer. However, TDA does not test samples to verify the accuracy of analyses submitted.

► Historically, this program has not been implemented because of potentially high testing costs. However, TDA has not sought the funds needed to acquire the equipment and expertise to analyze brake fluid.

► State law does not provide for the storage and disposal of the fluids. The average sample size is one gallon or one case of 12 ounce cans. TDA currently stores more than 100 samples at TDA's lab in Austin.

▼ **Brake fluid is tested by the federal government using the same standards as Texas requirements.**

Brake fluid quality is regulated by the federal government.

Eliminating certain low-priority state regulatory programs should be transparent to the industry and the consumer.

▶ The U.S. Department of Transportation (USDOT) randomly samples and tests brake fluid according to federal standards. Approximately 30 brands are tested annually for compliance.

USDOT is authorized to recall and stop the sale of any brand of brake fluid for non-compliance.

▶ Only three states, California, Georgia, and Florida, actively test the quality of brake fluid.

▶ Current Texas standards were originally based on those adopted at the federal level.

Cotton Classers

Cotton classing, or grading, is the method used to determine cotton prices. In 1917, the Legislature created the registered public cotton classer program under TDA for people who graded cotton for the Texas public.

To qualify as a cotton classer, an applicant must have good moral character, be licensed by the USDA, and submit a bond with TDA.

FINDINGS

▼ **The cotton classer program is completely inactive. No one has ever registered.**

▶ No one is currently registered to be a cotton

classer. In fact, TDA has no record of ever registering anyone under this program.

▼ **This program duplicates the U.S. cotton grading service of USDA.**

▶ The USDA Marketing Service certifies the grade of 97 percent of all cotton in the nation according to the official cotton standards established in the U.S. Cotton Standards Act. All graders are USDA employees.

CONCLUSION

TDA has the authority to inspect and test the accuracy of milk tank gauges. TDA discontinued its calibration program in 1992. The federal government performs this function for independent milk producers and has the ability to step in and require producer co-ops to calibrate their members' tanks regularly.

Licensing of butterfat testers is an unnecessary and ineffective regulatory program. TDA registers butterfat testers but does not regulate their activities. However, the federal government actively regulates butterfat testing in the state and provides testing services upon request.

TDA registers a small number of brake fluid manufacturers in Texas. However, brake fluid quality has never been actively

tested by the state. The federal government actively samples and tests brake fluid quality using standards equal to those in Texas law.

TDA's cotton classer program is completely inactive; no one has ever registered with the agency. The state's cotton classer program duplicates current USDA efforts that cover nearly all cotton produced in the nation.

Recommendation

Change in Statute

■ **Repeal the Department's authority to:**

- test raw milk tank gauges;
- license butterfat testers;
- certify brake fluid; and
- register cotton classers.

This recommendation will eliminate inactive or unnecessary programs currently required by statute. TDA would be relieved of the responsibility to maintain the minimal effort it currently

directs at these low priority programs. The protections envisioned by the various laws will not be lost. Federal efforts and self-policing by the industries involved will ensure that gauges are calibrated, testers are regulated, and brake fluid is analyzed. The recommended eliminations should be transparent to the industry based on the Department's minimal level of effort in these areas.

FISCAL IMPACT

Discontinuing licensing butterfat testers would cause a minimal loss of revenue of \$760 in registration fees. Repealing the brake fluid certification process will eliminate a small amount of administrative costs. Discontinuing the other programs will not result in a fiscal impact to the state.

OTHER ISSUES



ISSUE 13

PROVIDE DIAL-UP PUBLIC ACCESS TO TDA INFORMATION.

BACKGROUND

Texas state agencies are rapidly helping build the "Information Highway." Agencies have found that providing dial-up, computer access to their services reduces costs and helps them better meet the needs of businesses and the general public. The Texas Department of Agriculture does not currently provide dial-up access to the agricultural information it keeps.

"Dial-up access" refers to the ability to access a database through the use of a computer, a modem, and a phone call.

Several state agencies have led the effort to make the information state government collects more accessible to the public electronically through dial-up access. The State Comptroller's Office, Texas Department of Information Resources, Texas State Library, and Texas Department of Commerce have developed systems that are accessible to businesses by telephone.

State agency dial-up services provide many types of information, including: economic, employment, and population data;

listings of Texas businesses; rules on certain state licenses and permits; requests for bids on state contracts; information on the availability of grants; and notices of legislative issues.

While not on-line, TDA has a long tradition of providing information to the agricultural community. Since the 1920s, TDA has operated a service called Market News to provide daily reports on the prices paid for livestock and produce. This service helps farmers time their transactions to get the best prices. Market News is available through radio reports and newspapers. TDA provides news releases and broadcast-quality recorded reports, by phone, and over the Texas State Network, through a satellite feed.

TDA also operates the Texas Agricultural Statistics Service. While farmers need the Market News for daily price information, they also need information on regional and state production levels. Investors and lenders also use this information.

In a joint program with the U.S. Department of Agriculture, TDA reports the volume of state

Existing TDA Information Services

Market News:

Reports daily market price information on livestock and commodities in various markets around the state. Information is provided in paper form for newspapers and broadcast-quality audio reports available by phone and through the Texas News Network, by satellite feed.

Texas Agricultural Statistics Service:

Reports the volume of state production of major crops and livestock by areas of the state. This material is published several times a year in paper form, through a joint program with the U.S. Department of Agriculture.

Texas Agricultural Marketing Exchange (TAME):

Serves as an in-house computer information service to help TDA marketing staff match buyers with Texas suppliers. The information system contains information on 11,562 Texas agricultural businesses.

**Texas State Agency
Dial-up Services
for the Public**

Many state agencies now offer dial-up on-line information access for the public.

- **State Comptroller:**
Windows on State Government provides a wide range of information about state agency operations, available grants, and economic and population forecasts.
- **Texas Department of Information Resources:**
Texas Information Highway provides access to the Internet and many state agency data systems.
- **Texas Department of Commerce:**
Texas One and Texas Marketplace offer access to trade lead information, state bid requests, economic and demographic data, and many other types of information through the Internet.
- **Texas State Library:**
Provides access to its extensive card catalog through a dial-up service.
- **Texas Ethics Commission:**
Offers timely information on ethics rulings, information on lobbyists, and financial information on political candidates.

production of major crops and livestock. This material is published several times a year in paper form.

TDA has recently developed another information source to help agricultural businesses--trade lead information. The Texas Agricultural Marketing Exchange (TAME) is an in-house information service to help TDA marketing staff match buyers with Texas suppliers.

The Sunset review examined the way TDA provides information to businesses and the public. Discussions with TDA staff indicated that they have adopted a goal of providing dial-up information access in the future. The review examined TDA's current information services for ways that technology could help the Department cost-effectively enhance its services and provide greater access to its information.

FINDINGS

▼ **Several major state agencies operate dial-up, computer information services for the public.**

► Texas Department of Commerce has operated the Texas Marketplace for more than five years. This computer bulletin board system is a place for Texas businesses to post notices to buy and sell goods.

In the past year, Commerce has unveiled its new on-line service, Texas One. While buyer-seller matching is still a central feature, Texas One also links to the Internet. The Internet is an international network of government and private computer databases.

Texas One sifts through Internet's extensive information sources to make them more useful for businesses. Notices of state agency requests for bids are also available. Commerce reports that Texas One received 21,000 calls in September 1994.

► The State Comptroller's dial-up system, Windows on State Government, provides a wide range of state agency information including, for example: winning lottery numbers, available grant resources, and legislative reports. In September 1994, Windows on State Government received 32,000 calls.

► Other agencies also provide on-line services to the public. The Texas State Library provides its card catalog through dial-up access. The Texas Ethics Commission provides dial-up access to information on its activities and rulings and the required financial filings by lobbyists

and candidates for public office.

▼ **TDA has developed a computer trade lead system but businesses do not have direct access to the information.**

► The Texas Agricultural Marketing Exchange system (TAME) is TDA's on-line, computer trade lead system developed with the Texas Department of Information Resources. TAME includes information on 11,562 agricultural producers and suppliers in Texas. When TDA marketing staff identify a potential buyer, they use TAME to locate Texas suppliers.

Businesses do not presently have on-line access to TAME. Without dial-up access, the TAME system cannot effectively serve as a buyer-seller bulletin board like Texas Marketplace. Texas Department of Commerce has found the bulletin board feature to be a useful marketing service.

▼ **TDA's Market News service and Agricultural Statistics Service would also be appropriate for dial-up access.**

► The daily Market News is a series of price quotes for different commodities at

different markets. This detailed, time-sensitive information is very adaptable for computer access since printed compilations become outdated quickly. Several other states now offer their Market News service through a dial-up service, including Illinois, Nebraska and Oregon.

► Direct computer access to the Texas Agricultural Statistics Service would improve the usefulness of the information. In recent years, the Texas Farm Bureau has stressed the need for agricultural production statistics at the county level for all commodities. As a result of budget cut-backs, the Service eliminated some county data reporting. Providing dial-up computer access would make it easier for users to get the information in ways that meet their individual needs.

▼ **Other types of TDA information could also be provided through dial-up access to help Texas agricultural businesses.**

► Not all Texas businesses have easy access to state laws and regulations. Businesses have difficulty complying with state laws and regulations if they are not certain of the requirements. Businesses,

The review examined ways technology could help enhance Department services and provide greater access to its information.

Providing state agricultural laws and regulations on-line could make them more accessible and increase voluntary compliance.

both large and small, complain of difficulty keeping up with changing state laws and regulations.

The Texas Agriculture Code is an extensive body of law with more than 40 chapters. Providing current state agriculture laws and TDA regulations on-line with dial-up computer access would be one way the state could make the laws and regulations more accessible and potentially increase voluntary compliance.

► In other TDA regulatory programs, compliance could be increased through a wider distribution of information. For example, Texas registers 10,500 pesticide products for sale in Texas. Unless a product is registered, it cannot be sold. However, TDA does not provide a listing of the registered products to retailers. By providing this list on-line, TDA would help Texas retailers comply with the pesticide registration law and ensure that retailers have access to timely notice of changes in product registration.

▼ **Creating a new information service could be confusing and cumbersome for businesses. Adding TDA**

information services to existing state agency dial-up computer services could save state resources and simplify access for Texas businesses.

► Having several different Texas government business information systems could lead to confusion and cumbersome access. Texas businesses would have to learn the access procedures and check several information systems to get all the information they need from various agencies. Moving towards "One-Stop-Shopping" for all state government information for Texas businesses would simplify access. Using the technology available today, TDA would not lose control of its information services — the services could operate as a discreet component of a larger, dial-up service.

► Adding an agricultural component that includes Market News, Agricultural Statistics Services, Texas Agricultural Marketing Exchange, and other types of information on TDA laws and regulations would broaden the services provided by Texas Information Highway, Texas-One, or Windows on State Government.

CONCLUSION

While several state agencies in Texas currently provide dial-up computer access to their information systems, TDA does not. Three TDA information systems contain information that is appropriate for dial-up public access: Market News, Texas Agricultural Statistics Service and Texas Agricultural Marketing Exchange. The information's

usefulness could be improved by dial-up access capabilities since some of the information is time-sensitive and detailed. In addition, businesses could benefit from on-line text of the Texas Agriculture Code and TDA regulations.

Adding TDA information to an existing state dial-up service would be a workable, low cost way to provide dial-up access to TDA information.

TDA has several information systems that should be made available to the public through dial-up access.

Recommendation

Management Action

- **TDA should work with the Department of Information Resources to provide the public with dial-up, computer access to:**
 - TDA's three existing information systems: Market News, Texas Agricultural Statistics Service, and the Texas Agricultural Marketing Exchange;
 - Texas Agriculture Code and TDA regulations;
 - the list of TDA registered pesticides and other TDA licensed businesses; and
 - other types of similar information, as TDA deems appropriate.

laws and TDA regulations affecting agriculture, and information on TDA registered pesticides would all be valuable additions to the information the state routinely makes available through its existing dial-up computer services.

TDA should work with the Department of Information Resources to ensure that this new access system is structured in the most efficient way possible. Interagency contracts with the Texas Department of Information Resources, Texas Department of Commerce, or the State Comptroller's Office may be necessary to cover any additional costs.

This recommendation would encourage TDA to place a priority on providing dial-up access to its existing information resources. It would greatly expand public access to the information TDA normally collects and publishes in paper form. Agricultural market price information, production statistics, producer and buyer information, state

FISCAL IMPACT

This management action could have a cost associated but the impact depends on how it is implemented and cannot be estimated.



ISSUE 14

CONTINUE THE TEXAS DEPARTMENT OF AGRICULTURE FOR 12 YEARS.

BACKGROUND

In 1907, the Legislature created the Texas Department of Agriculture (TDA) to encourage the proper development of Texas agriculture. Over the years, the Legislature has expanded the Department's duties.

TDA is currently the lead state agency for promoting, supporting, and regulating the Texas agriculture industry. TDA also inspects many facets of commercial and retail operations to protect the consumer from inaccurate measuring devices and inferior produce.

In 1994, the TDA Strategic Plan sets out the Department's goals:

- enabling Texas agriculture to expand profitable markets while protecting public health and natural resources;
- protecting consumers by enforcing standards in agricultural products; and
- increasing the likelihood that goods for sale in Texas are properly measured, priced, and marketed.

To accomplish its goals, TDA operates programs that provide:

- marketing, agribusiness development, and financing;
- pesticide and herbicide regulation;
- integrated pest management;
- commodity warehouse regulation;
- produce recovery fund reimbursements;
- plant quality inspections;
- crop seed certification;
- produce certification;
- egg quality inspections; and
- weight and measure accuracy inspections.

To justify continuing an agency's functions, certain conditions should exist. The state should have a current and continuing need to provide the functions or services; the functions should not duplicate those currently provided by any other state agency; and the benefits of maintaining a separate agency must outweigh any advantages of transferring the agency's functions or services to another state agency.

The Legislature created the Department in 1907 to encourage the development of the agriculture industry.

Every state has an agency similar to the Texas Department of Agriculture.

FINDINGS

▼ **The primary goals of TDA continue to be important needs of the state.**

► The Department's main goal is to enable Texas agriculture to expand profitable markets while protecting public health and the state's natural resources. The Department devotes two-thirds of its resources towards this goal which contributes to expanding the state's economy, protecting the environment, and protecting the health of Texas citizens.

► The Department's second goal is to protect consumers by enforcing standards in agricultural commodities. TDA efforts focus on commodities in the nursery, floral, seed, and egg industries. TDA devotes 20 percent of its spending to this goal. These areas need continued attention.

► The Department's third priority is to increase the likelihood that goods for sale in Texas are properly measured, priced, and marketed. By enforcing national standards of accuracy on commercial weighing and measuring devices, TDA protects consumers from inaccurate measuring devices.

TDA devotes the remaining 14 percent of its spending to this area. Protection of consumers continues to be an important state effort.

▼ **Every state has an agency similar to the Texas Department of Agriculture.**

► All 50 states have an agency or department that regulates the production, promotion, processing, and sale of agricultural commodities.

▼ **The review did not identify any workable alternatives for combining TDA with another agency that would result in substantial benefits.**

► Although other state agencies perform functions similar to TDA responsibilities, none have the agricultural focus. Several other agencies have responsibilities related to pesticides and business development, but only the Department's programs focus on the needs of agriculture.

► However, the review found improvements could be made through transfer of some Department functions to other state agencies. This report includes recommendations to transfer several TDA functions to other agencies.

Egg inspection activities are recommended for transfer to the Texas Department of Health. TDH is the state's lead agency for food regulation.

The duty to coordinate state policy and regulation for the aquaculture industry is recommended for transfer to the Sea Grant program at Texas A&M University. That program has been providing this service on an informal basis.

TDA's hearings functions are recommended for transfer to the State Office of Administrative Hearings, as that agency

is the state's lead agency for administrative hearings.

These transfers are addressed in separate issues in this report.

CONCLUSION

The functions currently assigned to TDA are appropriately placed. The state's interests would suffer without an agency to support the efforts of the agricultural community and consumers of Texas. No local or state agencies were identified that could assume TDA's functions with added benefits or reduced costs to the state.

The Department should be continued for an additional 12 years.

Recommendation

Change in Statute

■ Continue the Texas Department of Agriculture for 12 years.

Continuing the Texas Department of Agriculture for the standard 12-year period would ensure continued promotion and regulation of agriculture.

FISCAL IMPACT

If the Legislature continues the current functions of TDA using the existing organizational structure, its annual appropriations of \$24 million would continue to be required. These funds would continue to be received from general revenue, licensing fees, and federal funds.

Texas Department of Agriculture	
Recommendations	Across-the-Board Provisions
A. GENERAL	
Not Applicable	1. Require at least one-third public membership on state agency policymaking bodies.
Already in Statute	2. Require specific provisions relating to conflicts of interest.
Already in Statute	3. Prohibit persons required to register as a lobbyist from acting as general counsel to the agency or policymaking body or serving as a member of the policymaking body.
Not Applicable	4. Require that appointment to the policymaking body be made without regard to the appointee's race, color, disability, sex, religion, age, or national origin.
Not Applicable	5. Specify grounds for removal of a member of the policymaking body.
Update	6. Require agencies to prepare an annual financial report that meets the reporting requirements in the appropriations act.
Update	7. Require the agency to establish career ladders.
Update	8. Require a system of merit pay based on documented employee performance.
Already in Statute	9. Provide for notification and information to the public concerning agency activities.
Update	10. Require that all agency funds be placed in the treasury to ensure legislative review of agency expenditures through the appropriations process.
Apply	11. Require information to be maintained on complaints.
Update	12. Require that all parties to written complaints be periodically informed in writing as to the status of the complaint.
Update	13. Require development of an E.E.O. policy.
Already in Statute	14. Require that information on standards of conduct be provided to members of policymaking bodies and agency employees.
Not Applicable	15. Provide for public testimony at meetings of the policymaking body.
Not Applicable	16. Require the agency's policymaking body to develop and implement policies that clearly separate the functions of the policymaking body and the agency staff.
Update	17. Require development of an accessibility plan and compliance with state and federal accessibility laws.
Not Applicable	18. Provide for the Governor to designate the presiding officer of a state agency's policymaking body.
Apply	19. Require the agency to comply with the state's open meetings law and administrative procedures law.
Not Applicable	20. Require training for members of policymaking bodies.

Texas Department of Agriculture (cont.)	
Recommendations	Across-the-Board Provisions
	B. LICENSING
Update/Modify	1. Require standard time frames for licensees who are delinquent in renewal of licenses.
Update	2. Provide for notice to a person taking an examination of the results of the examination within a reasonable time of the testing date.
Already in Statute	3. Provide an analysis, on request, to individuals failing the examination.
Update	4. Authorize agencies to establish a procedure for licensing applicants who hold a license issued by another state.
Not Applicable	5. Authorize agencies to issue provisional licenses to license applicants who hold a current license in another state.
Update	6. Authorize the staggered renewal of licenses.
Apply*	7. Authorize agencies to use a full range of penalties.
Apply*	8. Specify disciplinary hearing requirements.
Already in Statute	9. Revise restrictive rules or statutes to allow advertising and competitive bidding practices that are not deceptive or misleading.
Modify	10. Require the policymaking body to adopt a system of continuing education.

*Many programs have the specific language: this change will give TDA general authority for all programs.

Texas Agricultural Finance Authority	
Recommendations	Across-the-Board Provisions
A. GENERAL	
Not Applicable	1. Require at least one-third public membership on state agency policymaking bodies.
Apply	2. Require specific provisions relating to conflicts of interest.
Apply	3. Prohibit persons required to register as a lobbyist from acting as general counsel to the agency or policymaking body or serving as a member of the policymaking body.
Apply	4. Require that appointment to the policymaking body be made without regard to the appointee's race, color, disability, sex, religion, age, or national origin.
Apply	5. Specify grounds for removal of a member of the policymaking body.
Not Applicable	6. Require agencies to prepare an annual financial report that meets the reporting requirements in the appropriations act.
Not Applicable	7. Require the agency to establish career ladders.
Not Applicable	8. Require a system of merit pay based on documented employee performance.
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Not Applicable	13. Require development of an E.E.O. policy.
Apply	14. Require that information on standards of conduct be provided to members of policymaking bodies and agency employees.
Apply	15. Provide for public testimony at meetings of the policymaking body.
Apply	16. Require the agency's policymaking body to develop and implement policies that clearly separate the functions of the policymaking body and the agency staff.
Not Applicable	17. Require development of an accessibility plan and compliance with state and federal accessibility laws.
Already in Statute	18. Provide for the Governor to designate the presiding officer of a state agency's policymaking body.
Apply	19. Require the agency to comply with the state's open meetings law and administrative procedures law.
Apply	20. Require training for members of policymaking bodies.

State Seed and Plant Board	
Recommendations	Across-the-Board Provisions
	A. GENERAL
Not Applicable	1. Require at least one-third public membership on state agency policymaking bodies.
Apply	2. Require specific provisions relating to conflicts of interest.
Apply	3. Prohibit persons required to register as a lobbyist from acting as general counsel to the agency or policymaking body or serving as a member of the policymaking body.
Apply	4. Require that appointment to the policymaking body be made without regard to the appointee's race, color, disability, sex, religion, age, or national origin.
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Apply	18. Provide for the Governor to designate the presiding officer of a state agency's policymaking body.
Apply	19. Require the agency to comply with the state's open meetings law and administrative procedures law.
Apply	20. Require training for members of policymaking bodies.

Produce Recovery Fund Board	
Recommendations	Across-the-Board Provisions
	A. GENERAL
Already in Statute	1. Require at least one-third public membership on state agency policymaking bodies.
Apply	2. Require specific provisions relating to conflicts of interest.
Apply	3. Prohibit persons required to register as a lobbyist from acting as general counsel to the agency or policymaking body or serving as a member of the policymaking body.
Apply	4. Require that appointment to the policymaking body be made without regard to the appointee's race, color, disability, sex, religion, age, or national origin.
Apply	5. Specify grounds for removal of a member of the policymaking body.
Not Applicable	6. Require agencies to prepare an annual financial report that meets the reporting requirements in the appropriations act.
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Not Applicable	17. Require development of an accessibility plan and compliance with state and federal accessibility laws.
Apply	18. Provide for the Governor to designate the presiding officer of a state agency's policymaking body.
Apply	19. Require the agency to comply with the state's open meetings law and administrative procedures law.
Apply	20. Require training for members of policymaking bodies.



BACKGROUND

CREATION AND POWERS

The Texas Department of Agriculture (TDA) is the state's lead agency for agriculture development and regulation and has a role in consumer protection.

TDA's duties have grown since it was established by the Legislature in 1907. The Texas economy and the nature of agriculture have also changed. These changes are chronicled in the chart, *How TDA Responsibilities Have Grown*.

In 1994, the TDA Strategic Plan set out the Department's goals to include:

- *"enabling Texas agriculture to expand profitable markets while protecting public health and natural resources;*
- *protecting consumers by enforcing standards in agricultural products; and*
- *increasing the likelihood that goods for sale in Texas are properly measured, priced, and marketed."*

How TDA Responsibilities Have Grown

The Texas economy has changed dramatically since the Department was created in 1907. In those days, cotton, cattle and lumber were the leading Texas industries. Agriculture was even a strong segment of the manufacturing industry with meat packing and cottonseed oil production ranking behind only oil and gas production.

The state's economy was far more dependent on agriculture than was the nation's. Agriculture accounted for nearly half of the state's economy (48 percent) while it accounted for only 18 percent of the national economy.

TDA's earliest programs involved regulating cotton grading and grain warehouses, controlling boll weevils, and inspecting imported plants for pests. Agricultural development efforts started with TDA organizing growers' marketing associations, promotional events, and farmers' markets. In 1917, TDA established a produce inspection program.

Between 1920 and 1950, the state established few new agricultural programs. World War II shifted the state's economy toward military expansion, manufacturing and fuel production. By the mid-point of the century, agriculture provided only about 17 percent of the state's economy.

The 1950s and '60s saw an expansion of TDA activities: its first mandates to regulate pesticides and herbicides; inspection of egg quality; increased reporting of commodity production and prices; oversight of state commodity boards; and creation of the first promotional label program, "Texas Agricultural Product."

By the 1970s, TDA pesticide regulation had become a major program and by the late '80s, Texas adopted farm worker protection standards. TDA also established livestock export pens to facilitate trade. The Legislature created bond-funded business finance programs to support agricultural expansion.

In the 1990s, agricultural products account for \$36 billion, or eight percent of the state's gross product. Changes in the global economy and Texas government have brought another series of changes for TDA. While recent NAFTA and GATT trade agreements have opened doors to exporting, long-standing federal subsidies are being phased out. Export assistance programs have grown and TDA has renewed efforts to encourage in-state value-added processing of Texas grown products. Balancing federal clean water and endangered species protection regulations with agricultural production needs has also become a focus. In the midst of these changes, statewide strategic planning and budgeting has prompted a rethinking of Department priorities.

To accomplish its goals, TDA operates programs that provide:

- marketing, agribusiness development, and financing;
- pesticide and herbicide regulation;
- integrated pest management;
- commodity warehouse regulation;
- produce recovery fund reimbursements;
- plant quality inspections;
- crop seed certification;
- produce certification;
- egg quality inspections; and
- weights and measures inspections.

Many governmental agencies are involved in agriculture in Texas. The chart, *Role of Government Agencies in Texas Agriculture*, provides additional information on various state and federal agencies involved in the regulation and promotion of agriculture.

Role of Government Agencies in Texas Agriculture

Texas Department of Agriculture	Promotes, supports and regulates pesticide use and the commercial activities of farmers, ranchers, and agribusinesses. Also regulates weights and measures.
Texas Agricultural Experiment Station	Conducts research that supports agriculture and its consumers. Research efforts concern maintaining a safe, affordable, and reliable food supply while using environmentally sound practices.
Texas Agricultural Extension Service	Distributes information to the public based on the research done by the Texas Agricultural Experiment Station and other sources. Information concerns home economics, community development, and leadership, as well as agriculture.
Environmental Protection Agency	Federal agency that oversees national environmental protection and regulatory efforts. Sets national policy on pesticide regulation and worker protection efforts. Provides some funding for state pesticide regulation efforts.
U.S. Department of Agriculture	Federal agency that oversees national efforts to promote, support, and regulate agriculture. Sets quality standards for agricultural products. Provides some funding for state agricultural efforts.
Texas Natural Resources Conservation Commission	State agency that oversees state environmental protection and regulatory efforts.
Texas Animal Health Commission	State agency that oversees animal disease control efforts in livestock.

POLICYMAKING STRUCTURE

TDA has operated under the direction of a statewide, elected Commissioner of Agriculture since the Department was established in 1907. Texas is one of 13 states with an elected Commissioner.

Nine commissioners have served in Texas since the Department was created. In 1989, the Legislature strengthened the experience requirements for the post to require that the Commissioner have at least five years of agricultural experience to be eligible to take office.

Rick Perry is the current Commissioner of Agriculture and has a background in wheat and cotton farming. Commissioner Perry was elected in November 1990 after serving three terms in the Texas House of Representatives.

The Commissioner directs Department activities and sets program policy through the standard state rulemaking process. The Commissioner also serves as the final decision-maker for TDA enforcement actions before such appeals are taken to the courts.

State law establishes several independent boards attached to TDA to set the policies and oversee the operations of certain programs.

In general, the boards have independent authority to establish

policies and regulations for the TDA programs they oversee. Each board's make up includes the Commissioner or other TDA representative, related agencies and universities, and several members appointed by the Governor. Additional information about these boards is provided in the chart on the next page, *Independent Boards at the Texas Department of Agriculture*.

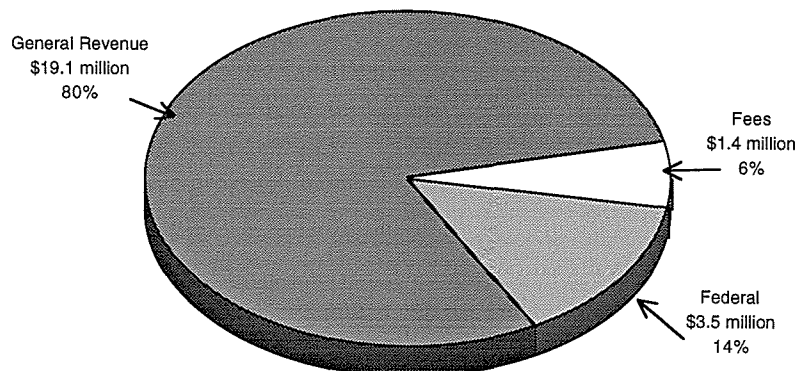
FUNDING AND ORGANIZATION

TDA is funded by a mix of licensing fee revenue, federal funding, and general revenue appropriations. Relative proportions of TDA funding are described in the chart, *Sources of TDA Funding for 1994*.

Most of TDA's funding, about 80 percent, comes from the General Revenue Fund. In recent years, the Department has had to get more of its funding from other sources and rely less on general revenue. Ten years ago, 98

The Commissioner directs Department activities and sets program policy.

Sources of TDA Funding for 1994



Independent Boards at the Texas Department of Agriculture

Board Name	Duty	Composition
Texas Agricultural Finance Authority (Business Finance)	Oversees bond programs and approves loan guaranties. Rule Adoption: Yes Gov. Designates Chair: Yes Senate Confirms: Yes	9 Governor-appointed and ex officio members: - Commissioner of Agriculture - Director of the Institute for International Agribusiness Studies - Prairie View A&M University - 7 members appointed by the Governor: - Local official, ag. lender, ag. business, & other agricultural entity (at least one each)
Agriculture Resources Protection Authority (Pesticides)	Coordinates pesticide policies and programs conducted by various state agencies. Rule Adoption: Yes Gov. Designates Chair: No Senate Confirms: Yes	9 Governor-appointed and ex officio members: - Commissioner of Agriculture (Chair) - Director of Ag. Experiment Station - A&M University - Dean of Agricultural Science - Texas Tech University - Dean of Public Health - UT Houston - Director of Environmental Epidemiology - Texas Department of Health - Director of Groundwater Conservation - Texas Natural Resource Conservation Commission - Director of the Institute for International Agribusiness Studies - Prairie View A&M University - A consumer representative - An agricultural producer
State Seed and Plant Board (Seed Law)	Sets standards for seed certification and hears disputes. Rule Adoption: Yes Gov. Designates Chair: No Senate Confirms: Yes	6 Governor-appointed and ex officio members: - Director of the TDA Seed Division - Individual from Soil & Crop Science Division - Texas Ag. Experiment Station - A&M University - Individual from Plant & Soil Science Dept. - Texas Tech University - Licensee - Dealer of seeds - Farmer not engaged in seed production
Produce Recovery Fund Board (Produce Recovery Fund)	Advises TDA on budget for the Produce Recovery Fund and rule adoption, conducts hearings on disputed claims. Rule Adoption: No Gov. Designates Chair: No Senate Confirms: No	6 Governor-appointed members: - 2 Producers - 2 Produce seller licensees - 2 Public members (each member must be from a different Senate district)
Fire Ant Advisory Board (Fire Ant Eradication)	Oversees fire ant research finance program. Rule Adoption: Yes Gov. Designates Chair: No Senate Confirms: No	9 Governor-appointed, Commissioner-appointed and ex officio members: - Commissioner of Agriculture (Chair) - Executive Director - Texas Parks & Wildlife - Executive Director - Texas Department of Transportation - 2 appointed by Commissioner of Agriculture: - Farm/ranch and nursery industry reps. - 4 members appointed by the Governor: - Utility company, insurance company, physician, and public member

percent of the Department's budget was supported by general revenue.

Federal grant proceeds are the second largest source of TDA funding. TDA supports about 14 percent of its operations through federal grants. In 1994, TDA received grants totaling \$3.5 million. Most grants were through the U.S. Department of Agriculture and the U.S. Environmental Protection Agency. Grants support plant disease control efforts, market promotion, pesticide regulation and monitoring, and agricultural statistics services.

Fee revenue provides the third largest source of TDA funds, six percent. TDA was appropriated \$1.4 million from fee revenue in 1994.

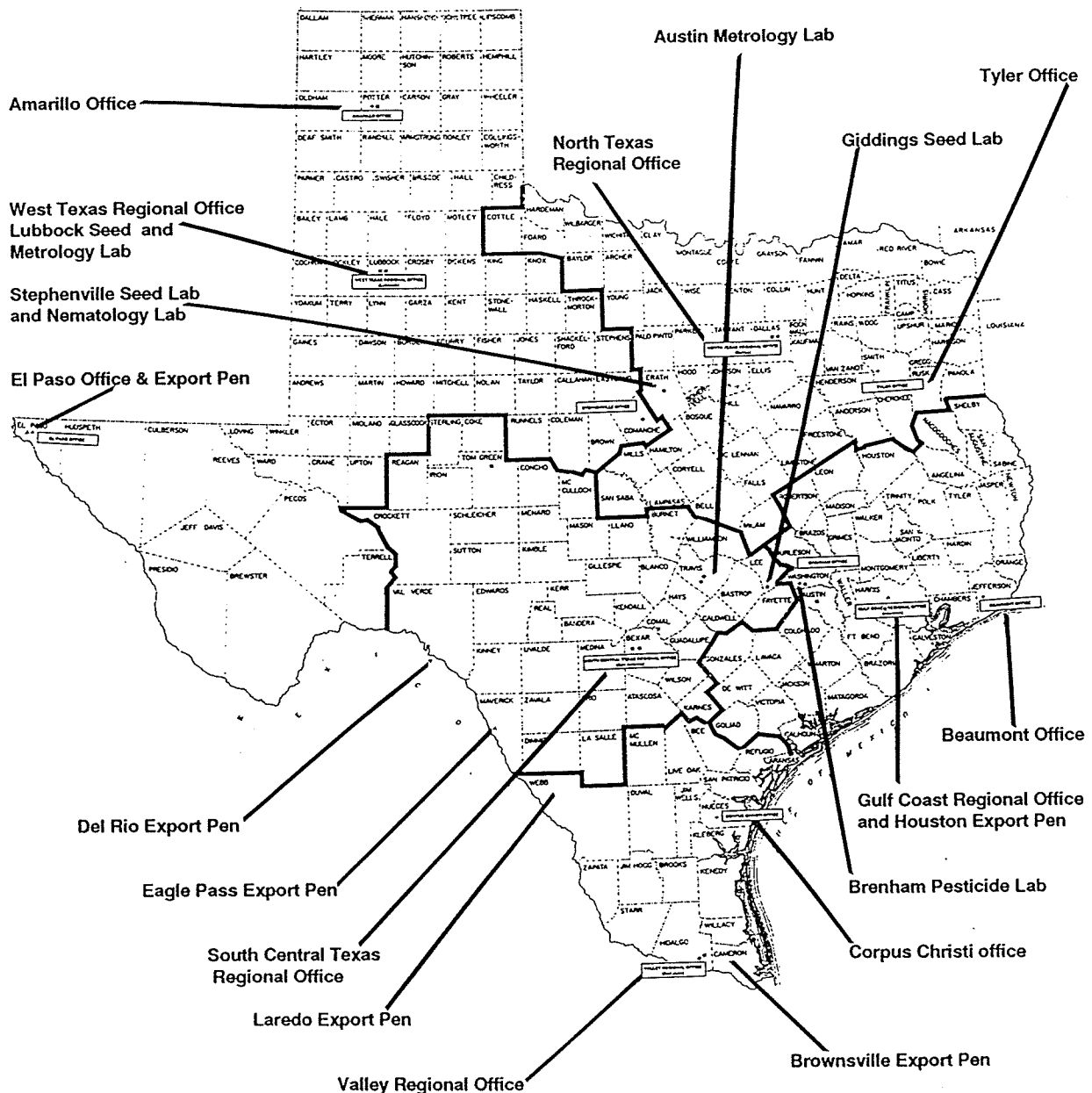
However, TDA collected more in fee revenue than it was appropriated. TDA collected about \$7.5 million in fees in fiscal year 1994.

The extent of cost recovery through licensing fees has grown following passage of legislation in 1989 resulting from the Department's previous Sunset review. TDA is required to recover its regulatory costs — 100 percent by fiscal year 1996. In 1989, license fees covered about 50 percent of the costs. Today, fees recover about 77 percent of regulatory program costs.

TDA operates from its headquarters in Austin and five district and five sub-offices. In addition, TDA maintains laboratory facilities in four locations, six livestock export

facilities, and two cooperative produce inspection centers. The TDA service regions and the location of TDA regional facilities are provided in the map, *TDA Regional Structure*.

TDA Regional Structure



TDA had a workforce of 524 and expenditures of about \$24 million in fiscal year 1994.

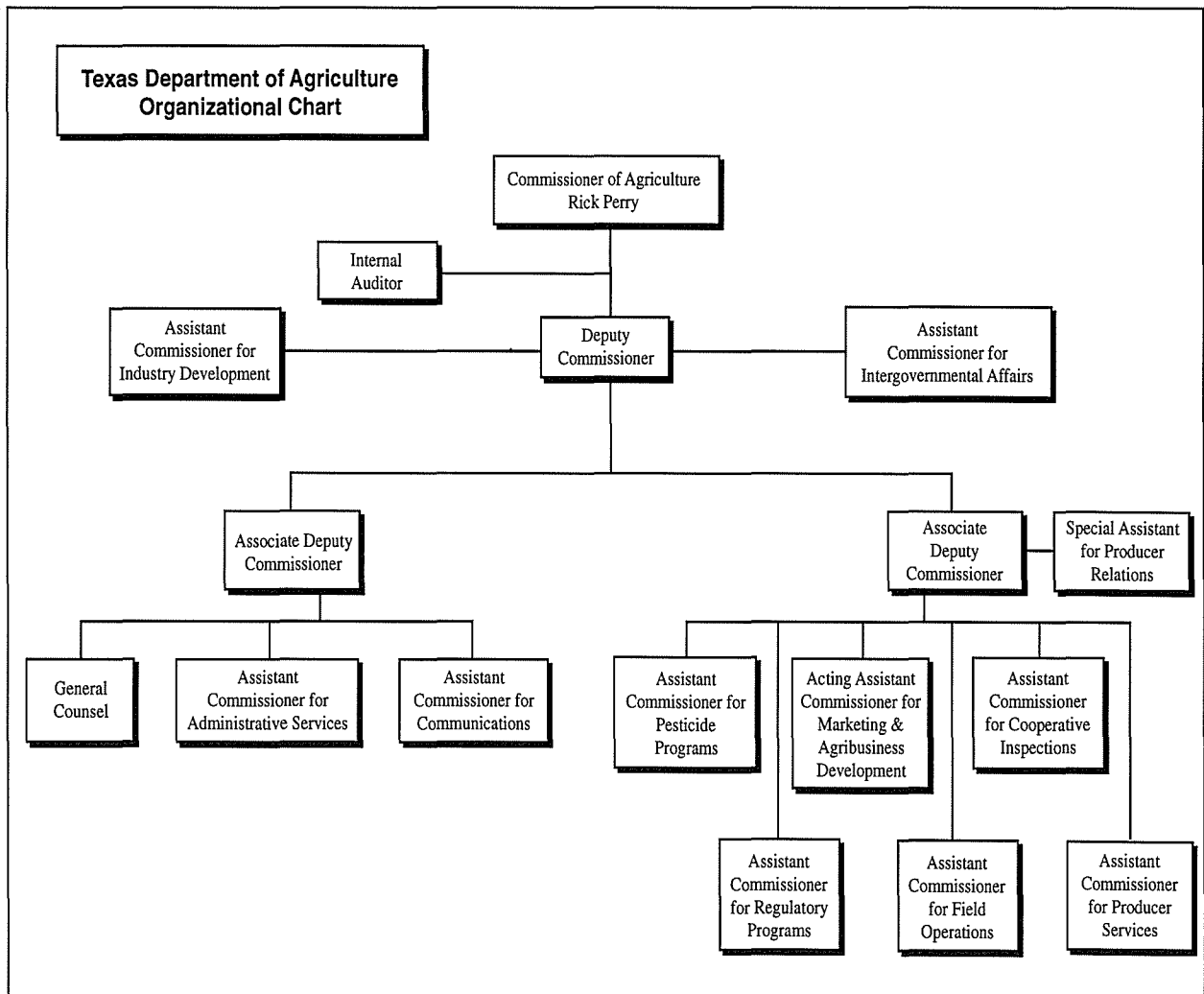
TDA organizes its workforce in two ways: programmatically and regionally.

Central office staff makes up 43 percent of the workforce and is organized primarily along program strategy lines and support functions. Central office staff provides

oversight and administrative guidance for the programs.

Field staff makes up the other 57 percent of the TDA workforce and are organized in five regional offices. Each field office employs inspectors, marketing specialists, and administrative staff.

The Department's organizational structure and allocation of staff is illustrated in the chart, *TDA Organizational Structure*.



The chart, *Texas Department of Agriculture Equal Employment Opportunity Statistics*, compares the TDA workforce to state goals in the General Appropriations Act.

TDA continues to work to meet the state's goal to use historically-underutilized businesses (HUBs) in contracts for goods and purchased services. The chart, *Agency Use of Historically Underutilized Businesses, Fiscal Year 1994*, shows participation of HUBs in the Department's contracts.

STRATEGIC PLANNING

In 1991, Texas incorporated a strategic planning and budgeting system into the legislative appropriations process. Strategic planning attempts to move government from short-term crisis intervention to long-term goal setting, allocate funds by priority, and improve agency accountability. The strategic plan focuses the budgetary process on agency results, rather than agency efforts.

An agency's strategic plan identifies its mission, goals, and strategies. While the agency's mission and goals are broad statements of principles, the strategies describe the actual activities through which the goals will be accomplished.

Strategies serve as the basic funding element in performance-based budgeting.

Agencies now receive strategy-based appropriations. Agency administrative costs are allocated

among strategies to give a better accounting of the total cost of services.

Performance measures are linked to the strategy appropriations to help monitor the agency's progress toward achieving its overall goals.

TDA has been given full transferability in its 1994-1995 appropriation. While most agencies have limited flexibility in transferring funds between strategy-based line-item appropriations, agencies run by elected officials are generally provided broader flexibility. However, TDA must notify the Legislative Budget Board of any

Total Purchases of Goods and Services	\$3,208,130
Total Spent with Certified HUBs	\$353,835
Percent Spent with Certified HUBs	11.03%
Statewide Average	11.88%
State Goal	30%

Texas Department of Agriculture Equal Employment Opportunity Statistics - 1994

Job Category	Total Positions	Minority Workforce Percentages					
		Black		Hispanic		Female	
		Agency	State Goal	Agency	State Goal	Agency	State Goal
Officials/Administration	29	21%	5%	14%	8%	31%	26%
Professional	329	10%	7%	20%	7%	26%	44%
Technical	53	8%	13%	32%	14%	40%	41%
Protective Services	0	0	13%	0	18%	0	15%
Para-Professionals	19	26%	25%	5%	30%	79%	55%
Administrative Support	122	21%	16%	25%	17%	96%	84%
Skilled Craft	5	0	11%	20%	20%	20%	8%
Service/Maintenance	12	17%	19%	75%	32%	0	27%

The mission of TDA is to make Texas the nation's leader in agriculture while providing efficient and extraordinary service.

budget transfers and must meet its performance measures.

The Department's 1994 Strategic Plan sets out the mission of TDA as: *"To make Texas the nation's leader in agriculture while providing efficient and extraordinary service."* TDA identified three primary goals to support this mission.

Goal A: Expand profitable agricultural markets while protecting public health and natural resources.

The Department's first goal combines helping the agricultural sector develop economically with the duty to regulate agricultural produce, products, and services. TDA uses five strategies to accomplish this goal:

1. Increasing market opportunities for agricultural production and processing;
2. Regulating pesticides;
3. Promoting integrated pest management (IPM);
4. Certifying produce quality; and
5. Regulating commodity warehouses.

In 1994, TDA spent about \$6.2 million, or 26 percent of TDA's total expenditures for the first strategy — marketing and finance activities. About \$8.7 million, or about 36 percent of TDA's total expenditures, was used for pesticide and IPM. The other regula-

tory strategies accounted for about \$900,000.

Goal B: Protect consumers by enforcing standards for agricultural commodities.

TDA's second goal addresses the need to ensure the consistent availability of quality produce for Texas consumers. TDA protects Texas consumers by establishing and enforcing standards for crop seeds, eggs, and plants sold in Texas. TDA uses three main strategies to accomplish this goal:

1. Regulating plant quality in production and sales;
2. Certifying crop seed quality; and
3. Inspecting egg quality.

In 1994, TDA spent \$4.8 million, or 20 percent of its expenditures, for work to achieve this goal.

Goal C: Increase the likelihood that goods for sale in Texas are properly measured and priced.

TDA's third goal addresses the need to protect Texas consumers from unfair prices due to improperly measured or mispriced goods. TDA has one strategy to accomplish this goal:

1. Inspecting weighing and measuring devices.

In 1994, TDA spent \$3.4 million, or about 14 percent of its expenditures, on this goal.

An overview of TDA's Strategic Plan and expenditures for 1994 and 1995 is provided in the chart, *Strategic Planning and Budgeting at TDA*.

DEPARTMENT FUNCTIONS

TDA has ten major program areas that parallel the strategies identified in the Department's strategic plan.

Marketing, Agribusiness Development, and Financing

Effective agricultural development requires many different approaches: marketing and promoting Texas agricultural products; developing value-added processing capabilities; encouraging export trade; and helping businesses obtain needed financing.

Marketing Texas agricultural products is one of TDA's original duties. With almost a century of experience, TDA has developed a wide variety of initiatives to promote Texas agricultural products world-wide. These efforts are aimed particularly at assistance to those producers who have limited resources for individual marketing efforts.

To increase the demand for Texas products, TDA promotes products at local, state, national and international events. TDA operates several label-based promotion campaigns, like "Taste of Texas" and "Texas Grown," which help

Strategic Planning and Budgeting at the Texas Department of Agriculture

		FY 1994 Estimated	FY 1995 Budgeted
Goal A.	To enable Texas, farmers, ranchers and agribusinesses to expand profitable markets for their agricultural products while protecting public health and our state's natural resources.		
Strategy A.1.1	Generate marketing opportunities for Texas farmers, ranchers and agribusiness	\$ 6,229,653	\$ 6,525,960
Strategy A.1.2	Regulate pesticide use through registration, certification, education, and enforcement	\$ 7,049,003	\$ 6,371,738
Strategy A.1.3	Assist farmers with integrated pest management practices to reduce pesticide use	\$ 1,662,550	\$ 1,916,606
Strategy A.1.4	Certify fruits, vegetables and peanuts to enhance their marketability	\$ 238,874	\$ 293,395
Strategy A.1.5	Verify that commodity warehouses are capable of properly storing and handling commodities; assist producers and sellers of Texas grown citrus and vegetables recover monies owed them	\$ 674,784	\$ 720,636
Goal B.	To protect consumers by establishing and enforcing standards against pests and diseases in agricultural commodities.		
Strategy B.1.1	Inspect and register nursery and floral production and retail outlets	\$ 2,040,054	\$ 1,834,116
Strategy B.1.2	Verify that farmers, ranchers and home gardeners receive the quality and type of seeds desired	\$ 2,397,946	\$ 2,593,653
Strategy B.1.3	Verify that chicken egg producers, dealers, wholesalers and retail establishments meet quality standards	\$ 398,432	\$ 579,667
Goal C.	To increase the likelihood that goods offered for sale to Texas consumers are properly measured, priced and marketed.		
Strategy C.1.1	Inspect weighing and measuring devices and remove inaccurately measured, priced or marketed goods from sale	\$ 3,371,849	\$ 2,645,613
TOTAL		\$ 24,063,145	\$ 23,481,384

consumers identify and choose Texas products.

While marketing increases demand, TDA administers other programs to help Texas agriculture meet that demand. To assist Texas producers in the export business, TDA provides up-to-date trade

information, business training, and livestock holding pens. To further increase market share for Texas products, TDA helps interested buyers locate Texas suppliers and facilitates those transactions.

TDA also provides help with financing for business start-ups and expansion. The state provides \$33 million in revolving funds for loan guaranties, linked deposit loans, and grants which make it easier for agricultural businesses to get financing through their local lending institutions. A Governor-appointed board, the Texas Agricultural Finance Authority, oversees the operation of the finance services.

In 1994, about 1,300 Texas businesses participated in TDA's marketing programs. Twenty businesses received initial financing and another 73 worked with TDA on repayment of loans from previous years. TDA reports that, in 1994, its finance programs enabled Texas businesses to create about 376 jobs.

While most services under this program area are performed through central office and regional staff, the operation of export pens involves specialized facilities. TDA operates six livestock export pens along the Texas-Mexico border. Additional information on the finance programs and the

export facilities is included in the Issues section of this report.

Pesticide-Herbicide Regulation

TDA has been the state's lead agency for pesticide regulation since pesticides were first regulated in Texas in 1943. State pesticide and herbicide regulation are closely linked. For clarity in this report, all references to pesticide regulation also apply to herbicides.

Other Texas agencies also have pesticide responsibilities. An analysis of these agencies' responsibilities is provided in the chart, *State Agencies With Pesticide-Related Responsibilities in Texas*.

TDA uses a number of methods to regulate pesticides and herbicides. Each product sold in Texas that makes a pesticidal claim must be registered with TDA. Each distributor that sells restricted or state-limited use pesticides must be licensed as a dealer by TDA. Each person who buys and uses these pesticides must be licensed as an applicator by TDA.

TDA also focuses on the safe use of pesticides by overseeing compliance with both state and federal pesticide worker protection laws.

Many Texas employers are subject to both state and federal farm worker protection requirements. Federal and state law requires farm

operators to protect their workers from the potentially dangerous agricultural chemicals in use. The Texas Right-to-Know law, adopted in 1989, generally requires employers that use large quantities of pesticides to provide workers with information about the pesticides used. Similarly, new federal Worker Protection Standards adopted in 1994, require all employers to provide farmworker training and, on request, notice to affected parties of upcoming pesticide applications. Both the state and federal laws require employers to maintain records on pesticide use. TDA oversees worker training and employer compliance in Texas. Further information on TDA's pesticide enforcement programs is included in Issue 1 of this report.

In 1994, TDA registered 12,004 pesticide products, conducted about 5,200 inspections, and investigated 338 complaints. About 20,000 dealers and commercial applicators held licenses with TDA. Additionally, TDA licenses or certifies about 180,000 private applicators.

Integrated Pest Management

Integrated pest management (IPM) is a system that allows producers to use fewer agricultural chemicals to control pests without reducing crop production. Reduced reliance on chemicals supports environmental protection and reduces costs for producers and consumers.

State boll weevil and pink boll worm control programs use IPM techniques. By regulating farming practices, Texas has greatly

State Agencies With Pesticide-Related Responsibilities in Texas

Texas Department of Agriculture	Registers all pesticides sold in Texas. Certifies and licenses pesticide dealers and agricultural pesticide applicators. Investigates and prosecutes violations of state and federal pesticide laws.
Structural Pest Control Board	Licenses and regulates structural pest control applicators.
Texas Natural Resources Conservation Commission	Regulates toxins, such as pesticides, in water effluent as part of waste water permitting process. May pursue enforcement actions if misuse of pesticides causes water contamination.
Texas Department of Health	Licenses pesticide applicators involved in health-related pest control activities (vector and rodent control).
Texas Agricultural Experiment Station and Texas Agricultural Extension Service	Provides education, information, and research on the use of pesticides. Develops pest control guides and publications.

reduced the damage done to Texas cotton crops by these pests.

IPM techniques also help to control fruit fly damage. TDA monitors the state for fruit fly problems and quarantines infested counties to control this pest.

TDA also promotes organic products. By expanding organic farming, Texas will reduce reliance on agricultural chemicals in Texas.

In 1994, TDA inspected more than one million acres of cotton for compliance with control practices and monitored 83,000 fruit fly traps for evidence of infestation.

Commodity Warehouse Regulation

Since 1901, the state has regulated commodity warehouses, also known as public grain warehouses. Regulation helps to protect producers from losses due to fraud or poor management.

Grain warehouse failures can have a catastrophic impact on a regional agricultural economy.

Public grain warehouses are much like banks to grain producers. Producers deposit their grain with the warehouse and receive negotiable receipts in exchange. The warehouse must properly store the grain and have sufficient inventory available to cover the receipts when producers wish to withdraw and sell their grain.

TDA annual inspections are meant to ensure that the grain and accounts are properly handled so that the grain is available when depositors are ready to capitalize on advantageous market conditions.

In 1994, TDA licensed 550 warehouses and conducted 683 inspections under this program.

Produce Recovery Fund

The Produce Recovery Fund, established in 1977, compensates producers of Texas-grown citrus and vegetables who do not receive promised compensation for goods sold.

State law establishes the Produce Recovery Fund Board to oversee the Fund. This Governor-appointed board advises the Department on program policy and approves all awards of compensation.

State law requires citrus or vegetable dealers to be licensed by TDA. In addition, these dealers must pay an annual fee to participate in the Produce Recovery Fund.

Citrus and vegetable producers who sell their goods on credit to a dealer may apply to the Fund for compensation up to \$20,000 per transaction if they are not paid for their produce, as contracted.

In 1994, TDA licensed about 1,400 buyers and sellers and

conducted 96 claim investigations. That year, 13 businesses received compensation totaling \$85,922.

Plant Quality

TDA protects Texas agriculture and consumers from pest infestation and inferior quality crops by monitoring plants sold in or imported to Texas. State laws for this activity date back to 1929.

TDA inspectors check plants that are imported or offered for sale in Texas. Also, TDA provides inspection certificates required by many states before producers may export Texas plants into those states.

TDA also inspects certain crops in the field to help identify and eradicate pests that could destroy agricultural production for an entire region of the state. TDA efforts focus mainly on pests in corn, citrus fruits, and cotton.

In 1994, TDA inspected 33.8 million acres of crops, certified 18,785 nurseries or florists, performed 11,853 quarantine inspections, and issued 3,244 export certificates.

Crop Seed Certification

Texas crop seed laws, established in 1941, are meant to ensure that crop plantings are productive. The Texas Seed Law assures farmers that seed is accurately labeled, that the seed will germinate as labeled, and that the seed is not contami-

nated with noxious weeds or other material.

The Texas Seed and Plant Board establishes seed certification standards. This Governor-appointed board establishes rules and makes final decisions on sanctions and disputes concerning seed certification and dispute arbitration.

In 1994, TDA inspected 174 seed processing facilities and analyzed 23,502 seed samples to determine the quality of seed on the market.

In addition to program staff and regional inspectors, this program maintains three specialized seed laboratories in Giddings, Lubbock, and Stephenville.

Produce Certification

TDA protects the quality of certain varieties of Texas produce through a state-federal cooperative produce inspection program established in 1946.

The Texas Cooperative Inspection Service (TCIP), as it is now called, is a cooperative effort between TDA and the United States Department of Agriculture (USDA). Under federal marketing orders, TCIP inspectors examine and grade the quality of fresh fruits, vegetables and peanuts shipped from Texas and Mexico.

A marketing order establishes minimum standards for the condition and quality of a particular type

of produce that may be distributed to prevent inferior quality produce from entering the market. All marketing orders in Texas have been issued by USDA.

Producers of a specific commodity petition and vote on establishing a federal marketing order. After USDA determines a need, inspection standards are set for specified commodities produced in a certain area.

In Texas, federal marketing orders are in place for citrus, onions, and melons produced in the Rio Grande Valley. This means that such commodities leaving the Valley or being imported anywhere in the U.S. must meet the same minimum standards. However, these standards do not apply to these commodities when produced outside the marketing order area but elsewhere within the nation.

Under marketing orders initiated by other states, TCIP inspects a variety of produce including, for example, tomatoes and onions.

In 1994, TCIP certified 107,000 produce shipments and inspected fruits, vegetables, and nuts.

Egg Quality Inspections

Egg quality inspections at the producer, distributor and retail level protect consumers from poor quality eggs. TDA egg inspection efforts date back to 1957.

Egg quality can degrade quickly with improper storage. TDA inspects egg shipments to determine proper grading and labeling and overall quality. Failure to meet established standards can result in the inspector issuing a stop-sale, which means the shipment cannot be sold at retail.

In 1994, TDA inspected the quality of egg shipments that included a total of 2.3 million dozen eggs and issued 1,001 stop sale orders. TDA licensed 1,640 egg producers, distributors and retailers.

Weights and Measures Inspections

Consumer protection regarding the accuracy of weights and measures used in commerce is the final major area of TDA responsibility. This duty was first authorized in 1919. Forty state agriculture agencies have similar responsibilities for this type of consumer protection program.

Weights and measures regulation has developed hand-in-hand with agriculture in Texas. The earliest TDA programs checked the accuracy of scales used in the sale of agricultural goods. Accurate scales helped producers as well as consumers.

Today, these efforts have grown to include: testing gas pump and grocery scale accuracy at least every three years, licensing LP gas

meter technicians, and most recently, testing UPC scanner price accuracy.

In 1994, TDA performed 113,513 weights and measures inspections.

SUPPORT FUNCTIONS

TDA uses five administrative divisions to support the programmatic divisions. The five support divisions include: the Commissioner's office, intergovernmental affairs, general counsel, administrative services, and communications.

The Commissioner's office develops and oversees implementation of TDA policies and procedures and advocates for Texas agriculture, both in Texas and nationally.

Intergovernmental affairs monitors the activities of federal, state and local governments concerning agriculture. This division works extensively with the Texas Legislature, Congress, and advocates for Texas agriculture. In addition, the division works with other state agencies concerning policies that impact agriculture.

The general counsel's office handles TDA legal affairs. A major component of the work involves supporting TDA's regulatory programs. This division is responsible for conducting TDA's rulemaking and administrative hearings process. Addi-

tional information on the TDA enforcement and hearing process is provided in the chart, *TDA Enforcement and Hearing Process*.

The administrative services division supports TDA's programs by collecting fees, maintaining accounting records, hiring staff, providing training, managing TDA facilities, and providing computer and automated technology services for TDA. Working with the Texas Department of Information Resources, TDA has networked its central office operations and automated many of its program databases. For example, the Texas Agricultural Marketing Exchange (TAME) provides on-line access to trade leads and information on Texas suppliers to assist TDA marketing and business assistance efforts.

The communications division supports TDA programs by providing graphic art, photography, radio, video, and written materials. This material is used for: promoting Texas agriculture, distributing market price information, educating Texas school children about agriculture, and training farm workers on pesticide safety.

TDA Enforcement and Hearings Process

All programs use a standard complaint investigation, enforcement, and hearings process. Different types of enforcement actions are available to help TDA enforce state law. In some cases, a stop-sale order may be issued on the spot by an inspector to prevent continued violations.

Administrative penalties are used for many violations. Criminal and civil penalties are also available under state and federal law but are used for only the most serious violators.

Enforcement actions are initiated either as a result of a routine inspection or through a complaint from the public. After a field investigation is complete, a centralized enforcement staff decides on the type of action needed.

Levels for administrative penalties are set by a fine schedule and hearings are conducted by a TDA administrative law judge, when needed. The Commissioner is the final decision-maker before the court system.

In 1994, TDA conducted 370 investigations and took enforcement action in 118 cases. Administrative penalties totaling \$32,950 were assessed.

APPENDIX A



TAFAs Loan Guaranty Participants (As of August 31, 1994)

Borrower	Approval Date	Original Loan Amount	Current Loan Amount	% of GTY	Current GTY Amount	Lender
Agri-Gold	Jun-92	\$530,000	\$480,635	90%	\$436,171	Citizens State Bank - Anton
American Lamb Producers (default)	Jan-92	\$1,315,000	\$345,896	90%	\$307,157	Texas Commerce Bank - Austin
Bladenrunner Farms	Apr-94	\$175,000	\$155,555	90%	\$139,999	Cattlemen's State Bank - Austin
Brochettes (default)	Aug-92	\$300,000	\$243,130	90%	\$218,817	Alief Alamo Bank - Houston
Cain's Meat Market	Feb-94	\$390,000	\$383,586	90%	\$349,727	Peoples State Bank - Henderson
Colorado County Rice Mill	Aug-94	\$1,200,000	\$0	90%	\$1,080,000	First National Bank - Eagle Lake
Cotton Unlimited	Jun-91	\$2,222,000	\$2,135,414	90%	\$1,922,072	Post Econ. Dev. Corp.
East Texas Feeds	May-92	\$369,106	\$277,699	90%	\$250,508	Alvin State Bank
Ekstrom Enterprises	Dec-91	\$325,000	\$240,553	90%	\$238,208	First Commercial Bank - Seguin
Emanon Products	May-94	\$505,797	\$324,126	90%	\$455,217	Copperas Cove Industrial Foundation
En Casa	Dec-91	\$650,000	\$308,093	90%	\$277,284	NationsBank - San Antonio
Falcon Industries	Jan-92	\$200,000	\$133,534	90%	\$120,180	First State Bank - Graham
George Mea	Jan-92	\$1,050,000	\$858,272	78%	\$669,452	Lindale State Bank - Lindale
Green Valley Exotic	Dec-91	\$75,000	\$50,000	90%	\$45,000	First National Bank - Kerrville
Highland Foods Company	Jun-91	\$2,200,000	\$0	90%	\$0	Security State Bank - Abilene
Huse Processing	Feb-94	\$130,000	\$130,000	53%	\$69,000	First Bank & Trust Co. - Dawson
J & B Sausage Company (paid off)	Feb-92	\$1,700,000	\$0	80%	\$0	Bank of America Texas, N.A.
Joe & Ricky Harkness	May-92	\$70,000	\$35,068	90%	\$31,561	Farmers State Bank - Center
Jupe Feeds	Aug-94	\$920,000	\$0	90%	\$828,000	Frost National Bank - San Antonio
Shell Ridge Jalapeno	Jun-93	\$60,000	\$55,521	90%	\$49,868	Victoria Bank & Trust - Rockport
Living Christmas Tree	May-92	\$555,500	\$541,104	90%	\$490,968	Texas Economic Financing Corp.
Lone Star Knitting	Jul-94	\$700,000	\$0	90%	\$630,000	Wellington State Bank
M & W Carrot	Dec-91	\$1,018,000	\$946,405	90%	\$851,765	People's Bank and Trust - Borger
Mat's Organic Garden	Aug-92	\$90,000	\$79,616	90%	\$71,654	Copperas Cove Econ. Dev. Corp.
Mesquite Country (paid off)	Oct-91	\$200,000	\$0	90%	\$0	Abilene Econ. Dev. Corp.
Mrs. Crockett's Kitchen	Dec-91	\$2,200,000	\$2,007,500	90%	\$1,806,750	Commercia Bank - Dallas
Naiad (default)	May-92	\$560,000	\$334,055	90%	\$279,800	Alvin State Bank
North TX Livestock Company	Feb-92	\$425,000	\$388,822	90%	\$349,939	Texas Bank - Weatherford
Oakridge Farms	Jun-92	\$414,932	\$370,475	84%	\$311,199	Lufkin National Bank
Pogue Seed Company	May-91	\$1,400,000	\$1,027,026	90%	\$939,237	First-Nichols National Bank - Kenedy
Ray Kesey Feeders	Aug-92	\$555,000	\$500,000	90%	\$450,000	First National Bank of Ft. Stockton
Robert and Dorothy Rotter	Sep-92	\$150,000	\$119,978	90%	\$107,980	Texas Bank Odessa - Dripping Springs
San Angelo Packing	Jun-93	\$400,000	\$360,000	90%	\$360,000	Sundown State Bank - Levelland
San Augustine Packing Co. (default)	Oct-92	\$235,000	\$231,548	90%	\$208,393	First National Bank - San Augustine
Southwest Mariculture	Dec-91	\$1,400,000	\$657,692	90%	\$591,922	Alice Bank of Texas
Stramit U.S.A.	Aug-94	\$1,600,000	\$0	30%	\$480,000	CoBank
Strube Meat Packing	Aug-92	\$377,000	\$343,214	90%	\$308,892	First National Bank of Rotan
Sweet Heat Company	Dec-93	\$146,800	\$109,800	90%	\$132,120	Bonham State Bank
TX Hill Country Processors	Apr-92	\$693,000	\$0	90%	\$623,700	Copperas Cove Econ. Dev.
Texcot Bleachery	Aug-94	\$1,300,000	\$0	90%	\$1,170,000	City Bank - Lubbock
Tyler Rose Nursery	Jan-92	\$1,225,000	\$967,966	80%	\$954,372	Lindale State Bank - Lindale
United Bean Marketing Co-Op	Jan-92	\$2,000,000	\$1,832,393	100%	\$1,832,393	First State Bank - Canyon
Wolfe the Florist	Dec-91	\$2,000,000	\$1,800,944	90%	\$1,620,849	Central National Bank - Waco
Wright Fibers	May-92	\$2,200,000	\$2,163,333	64%	\$1,376,666	Moore Development for Big Spring
TOTAL		\$36,232,135	\$20,338,953		\$23,436,820	

**Link Deposit Loan Participants
(As of August 31, 1994)**

Borrower	Industry	Location	Current Loan Amount	Loan Interest Rate	Maturity Date	Link Deposit Balance	Link Deposit Rate	Lender
4k Llama	Llamas	Houston	\$13,213	4.5%	8/31/95	\$14,500	1.7%	OmniBank - Houston
4k Llama	Llamas	Houston	\$72,415	4.5%	8/31/11	\$73,500	1.7%	Omni Bank - Houston
4K Llama	Llamas	Houston	\$150,500	5.6%	12/22/94	\$150,500	2.8%	OmniBank - Houston
B3R Country Meats	Specialty Meats	Childress	\$33,701	5.7%	9/9/95	\$58,500	1.7%	1st Bank & Trust - Memphis
Bear Creek Emus	Emus	La Grange	\$5,000	5.7%	8/28/94	\$47,000	1.7%	La Grange Ntl. Bank
Bear Creek Emus	Emus	La Grange	\$0	5.5%	3/1/94	\$38,000	1.7%	La Grange Ntl. Bank
Big Tree Deer Farms	Exotic Deer	McMahon	\$26,367	6.6%	8/31/95	\$28,000	2.8%	OmniBank - Lockhart
Boyd Olde Oaks Ranch	Ostriches	Houston	\$10,350	5.5%	11/1/94	\$11,000	1.7%	1st Ntl. Bank - Eagle Lake
Broken Arrow Ranch	Deer	Ingram	\$225,854	3.7%	10/21/01	\$237,500	1.7%	1st Ntl. Bank - Kerrville
Commanche Springs Ranch	Deer/Antelope	Eden	\$51,832	5.7%	8/31/95	\$52,000	1.7%	1st Ntl. Bank of West Texas
David R. Hodges	Ostriches	Amarillo	\$12,000	6.3%	6/30/95	\$0	n/a	Boatmen's 1st Ntl. Bank - Amarillo
Elmore & Stahl	Vegetable Processing	Pharr	\$155,000	5.1%	11/2/98	\$155,000	2.8%	First Bank & Trust - Mission
Fresh-Organic	Organic Vegetables	Bernado	\$2,740	5.5%	10/17/95	\$1,500	1.7%	1st Ntl. Bank - Eagle Lake
Guadalupe Smoked Meats	Specialty Meats	Boerne	\$6,762	5.7%	5/20/95	\$8,755	3.5%	Citizens Ntl. Bank - New Braunfels
Heart-Bar Deer Farms	Deer	Yancey	\$80,357	3.5%	9/30/96	\$89,500	3.1%	NationsBank - San Antonio
Jay D. Harkins	Ostriches	Elgin	\$30,000	7.1%	8/1/96	\$45,000	1.7%	Bank One Texas, N.A., Austin
John T. Jones, Jr.	Exotic Deer	Austin	\$63,782	4.7%	5/23/04	\$65,000	2.8%	Heritage Bank - Wharton
Kerry Stames	Emus	Rockdale	\$33,000	5.7%	5/31/95	\$50,000	1.7%	NBC Bank - Rockdale
Lone Star Peanut Co.	Peanut Processing	Rochester	\$70,808	4.7%	12/1/98	\$71,000	1.7%	Home State Bank - Rochester
Lowrance Ranch Exotics	Ostriches	Truscott	\$60,000	5.7%	6/11/96	\$60,000	1.7%	Crowell State Bank - Crowell
Messina Hof Wine Cellars	Wine	Bryan	\$194,074	4.7%	8/31/95	\$197,500	1.7%	Victoria Bank & Trust - Bryan
Miller's Specialty Meats	Specialty Meats	Llano	\$22,972	5.7%	1/22/98	\$24,000	1.7%	Llano National Bank
Nature's Gift	Apple Production	Lamesa	\$85,000	7.1%	12/6/98	\$100,000	3.1%	Lamesa Ntl. Bank
Nature's Gift	Apple Production	Lamesa	\$100,000	6.8%	12/6/98	\$100,000	2.8%	Lamesa Ntl. Bank
Nepalitos Ranch	Ostriches and Deer	Kerrville	\$82,750	6.7%	3/1/95	\$85,000	3.1%	NationsBank - Greenspoint
O.B. Macaroni Co.	Macaroni	Ft. Worth	\$3,831	4.0%	9/30/94	\$27,000	3.7%	Bank One Texas, N.A. - Ft. Worth
Oak Ridge Ranch	Emus	San Augustine	\$20,000	6.9%	10/10/94	\$35,000	2.9%	First State Bank - Chireno
Oak Ridge Ranch	Emus	San Augustine	\$15,000	5.5%	10/10/94			First State Bank - Chireno
Price & Sons dba Price Axis	Exotic Deer	Eden	\$0	5.9%	9/20/94	\$98,000	1.9%	Crockett County Ntl. - San Angelo
Rancho Grande Emu	Emus	Rockport	\$103,220	7.1%	9/1/04	\$1,093	1.7%	Commercial State Bank - Sinton
Red Deer Farm	Deer	Bellville	\$15,000	5.5%	1/16/96	\$30,000	1.7%	1st Ntl. Bank - Bellville
River City Produce	Produce	San Antonio	\$185,396	6.9%	6/7/99	\$98,000	1.7%	Groos Bank - San Antonio
Rudy and Judy Lambert	Whitetail Deer	Ft. Worth	\$110,274	4.4%	9/25/95	\$100,000	4.3%	Bank One Texas, N.A. - Ft. Worth
Southern Gold Honey Co.	Honey	Vidor	\$2,552	4.5%	9/30/94	\$6,600	2.1%	Community Bank - Vidor
Taylor Meats	Specialty Meats	Center	\$58,136	5.5%	5/30/07	\$60,000	3.1%	Shelby Savings Bank, SSB - Center
Total			\$2,101,886			\$2,218,448		

APPENDIX B



APPENDIX C

Young Farmer Loan Guarantee Program Participants

(As of August 31, 1994)

FLINT L. FELDHOUSEN (5/94)

Blessing, Matagorda County

Status of Loan: Preparing loan documents

Original Loan Amount: \$45,700

Current Loan Amount: Not yet funded.

% of Guarantee: 90%

Guarantee Amount: \$41,130

Current Guarantee Amount: \$41,130

Lender: City State Bank of Palacios

Loan to establish a cow/calf operation. He will purchase approximately 40-41 cross bred cattle with Brahman influence and 2 registered Beefmaster bulls to produce quality steers and heifers for the replacement market. Funds will also purchase equipment, feed, fertilizer and lease pasture in either Matagorda or Jackson County for the operation.

JUAQUIN KETCHBAW (5/94)

Big Wells, Dimmit County

Status of Loan: Preparing loan documents.

Original Loan Amount: \$20,000

Current Loan Amount: \$15,755

% of Guarantee: 90%

Guarantee Amount: \$18,000

Current Guarantee Amount: \$14,180

Lender: Dilley State Bank

Loan to purchase a pair of "juvenile" emus to establish an emu production operation in Big Wells to be located at the site of his parents' existing emu operation — K Bar Ranch.

SAM AND KAREN TORRES (5/94)

Stephenville, Erath County

Status of Loan: Preparing loan documents.

Original Loan Amount: \$50,000

Current Loan Amount: \$49,912

% of Guarantee: 90%

Guarantee Amount: \$45,000

Current Guarantee Amount: \$44,920

Lender: Town and Country Bank, Stephenville

Loan to purchase approximately 38-40 Holstein springer heifers for his dairy operation at Triple M. Dairy in Stephenville. He currently owns 20 milking head. Triple M. Dairy is a partnership owned by Karen's father and grandfather and Sam will continue as herdsman of the dairy in charge of all aspects of the dairy. Mild is sold to AMPI; Sam operates under his in law's producer number.

ANDY AND MONIQUE WARNER (8/94)

Stephenville, Erath County

Status of Loan: Preparing loan documents.

Original Loan Amount: \$80,000

Current Loan Amount: Not yet funded.

% of Guarantee: 62.50%

Guarantee Amount: \$50,000

Current Guarantee Amount: \$50,000

Loan to purchase a total of 83 Holstein heifers to establish his own dairy, comingled with his uncle John Vanderhorst's herd. Andy will continue as Operations Manager.

APPENDIX D

Texas Agricultural Diversification Program Fiscal Year 1994

Small Agribusiness Incubator Stephenville/Erath	\$35,000	Dr. Ashley Lovell Tarleton State University
<i>Purpose:</i> To provide a comprehensive array of professional services to enterprises that process and market agricultural crops or that produce alternative agricultural crops in Texas.		
Ag Logistics Center San Antonio/Bexar Corp.	\$23,000	Ms. Frances Teran Bexar Co. Local Economic Development
<i>Purpose:</i> To provide an environment conducive to establishing start-up businesses in the production, processing and distribution of agricultural products by providing support services at affordable rates. TADA funds will assist with management, marketing and project financing for this small business incubator.		
Area Ag-Business Assist. Midlothian/Ellis	\$8,000	Ms. Pam Mundo Midlothian Area Business Resource Ctr.
<i>Purpose:</i> To expand the business services already provided by the existing small business incubator by providing for the purchase of computer equipment.		
Corridor Ag-Business San Marcos/Hays	\$26,000	Ms. Vikki Fruit Greater San Marcos Eco. Devo. Corp.
<i>Purpose:</i> To provide funds to hire and equip an experienced manager for a small agribusiness incubator to provide technical assistance to local entrepreneurs interested in value-added processing and/or starting innovative diversified agricultural production projects in Hays and surrounding counties.		
Promote Texas Wine Mkt. Lubbock/Lubbock	\$15,000	Dr. Lynn Huffman Texas Tech University
<i>Purpose:</i> To enhance the ability of small Texas wineries to market their wines to increase the number of visitors to wineries in the Hill Country and High Plains regions and to expand sales at each local winery.		
Seafood Processing Caldwell/Burleson	\$30,000	Dr. R.W. Brick Burleson Co. Industrial Foundation
<i>Purpose:</i> To develop a demonstration shrimp processing plant to compliment the existing shrimp production demonstration facility, to develop product marketing tools, to train and educate and to test new innovations in seafood processing.		
Cottonseed Flame Delinting Roby/Fisher	\$50,000	Dr. Dick Crill Midwest Development Corp.
<i>Purpose:</i> To construct a prototype cyclone flame cottonseed delinting plant to be used to determine if the system can be operated on a commercial scale to achieve a 100% delinting operation which would be more economical and environmentally friendly than the current acid or saw delinting processes.		
Methanol/Crops Temple/Bell	\$13,000	Dr. Thomas Gerik TAES Blackland Research Center
<i>Purpose:</i> To determine if methanol can be used as a plant growth stimulator, to answer basic questions about the way methanol alters crop growth and development and to address the physiological basis of methanol activity in crops.		

TEXAS DEPARTMENT OF AGRICULTURE

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