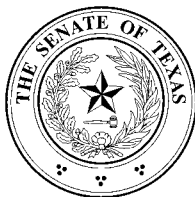


**SENATE SUBCOMMITTEE ON
AGRICULTURE, RURAL AFFAIRS
AND COASTAL RESOURCES**

**INTERIM REPORT TO THE
81ST LEGISLATURE**

DECEMBER 2008

Members:
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Senator Glenn Hegar
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Senate Subcommittee on Agriculture, Rural Affairs and Coastal Resources

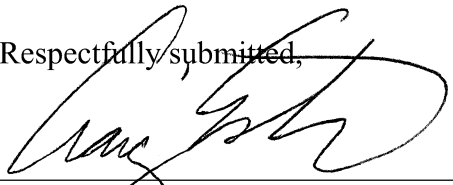
December 1, 2008

The Honorable David Dewhurst
Lieutenant Governor of Texas
Members of the Texas Senate
Texas State Capitol
Austin, Texas 78701

Dear Governor Dewhurst and Fellow Members:

The Subcommittee on Agriculture, Rural Affairs and Coastal Resources of the Eightieth Interim Legislature hereby submits its interim report including recommendations for consideration by the Eighty-first Legislature.

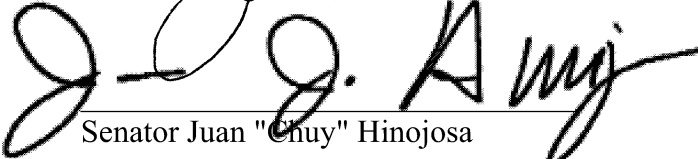
Respectfully submitted,



Senator Craig Estes, Chair



Senator Carlos Uresti



Senator Juan "Chuy" Hinojosa



Senator Glenn Hegar



Senator Mike Jackson

TABLE OF CONTENTS

INTRODUCTION OF CHARGES AND HEARINGS1

CHARGE 1: FUEL ETHANOL AND BIODIESEL INCENTIVE PROGRAM.....1

 BACKGROUND AND HISTORY2

Fuel Ethanol and Biodiesel Incentive Program3

Feed, Food and Fuel Debate3

Other State and Federal Incentives.....5

Texas Agricultural Finance Authority.....7

 RECOMMENDATIONS9

CHARGE 2: COASTAL EROSION PLANNING AND RESPONSE ACT.....10

 BACKGROUND AND HISTORY10

Funding the Coastal Erosion Planning and Response Act11

Impact and Effectiveness of Funding Increases11

Options For Future Funding Sources12

 RECOMMENDATIONS13

CHARGE 3: WHITE-TAILED DEER.....14

 BACKGROUND AND HISTORY14

Economic Impact and Available Market.....14

Overabundant Deer Herd in Texas15

Regulation on Processing White-tailed Deer in Texas.....15

 RECOMMENDATIONS16

CHARGE 4: THOROUGHBRED AND QUARTER HORSE INDUSTRIES.....16

CHARGE 5: TEXAS WINE AND GRAPE INDUSTRY.....19

 BACKGROUND AND HISTORY19

Texas Wine Marketing Assistance Program20

Education and Research Industry Development20

Wine Grape Investment Pilot Grant Program21

 RECOMMENDATIONS21

CHARGE 6: OPEN BEACHES ACT/ FEDERAL FARM BILL23

 HB 2819 - ENFORCEMENT OF THE OPEN BEACHES ACT23

Management and Protection of Coastal Public Land and Resources23

Impact of Hurricane Ike.....24

 RECOMMENDATIONS26

 THE FEDERAL FOOD, CONSERVATION AND ENERGY ACT OF 200827

Program Funding Summary.....27

Impact on Texas28

 RECOMMENDATIONS29

APPENDICES30

INTRODUCTION OF CHARGES AND HEARINGS

Lieutenant Governor Dewhurst directed the Senate Subcommittee on Agriculture, Rural Affairs and Coastal Resources to review the following issues:

CHARGE 1: Study the economic development impact, benefits and costs of the Fuel Ethanol and Biodiesel Incentive Program. Analyze and make recommendations regarding the following areas of interest:

- state cost versus economic benefit, including any impact on the price of feed for livestock and food for human consumption;
- the program as compared to other state and federal incentives;
- any federal legislative or administrative changes relating to the program; and
- options to encourage research and new technologies and market based incentives and competitive feedstock issues including feedstock development.

CHARGE 2: Study the impact of funding increases and their effectiveness for the Coastal Erosion Planning and Response Program and provide options for possible future funding sources.

CHARGE 3: Study the economic impacts and unintended consequences of allowing white-tailed deer raised on deer farms in Texas to be legally processed for venison. Study the interstate shipment issues with venison from other states currently faced by Texas restaurant suppliers.

CHARGE 4: Study the growth potential for rural economic development through the wine and grape industry as a result of expanded traditional agricultural operations and expanded agritourism.

CHARGE 5: Monitor the implementation of legislation addressed by the Subcommittee on Agriculture, Rural Affairs and Coastal Resources, 80th Legislature, Regular Session, and make recommendations for any legislation needed to improve, enhance, and/or complete the implementation. Specifically, monitor the implementation of HB 2819 relating to enforcement of the Open Beaches Act. Additionally, monitor the implementation of the federal 2007 Farm Bill and determine the impact on the Texas agricultural industry.

CHARGE 6: Study the impact of the thoroughbred and quarter horse industries on agriculture in Texas, specifically the reasons for decline in those industries over the last several years.

The Subcommittee held two hearings on these issues:

August 26, 2008, Austin, Texas

July 14, 2008, Austin, Texas

CHARGE 1: Fuel Ethanol and Biodiesel Incentive Program

Background and History

The Fuel Ethanol and Biodiesel Incentive Program (Incentive Program) is laid out in Chapter 16 of the Texas Agriculture Code and allows for Texas biofuel producers to receive grants based on the amount of biofuel produced by their facilities. The original enabling legislation was passed in 2003, but no appropriation was made that year.

In 2005 an appropriations rider allowed for funding the Incentive Program if the Texas Comptroller's office had surplus funds, but the rider made no mention of maximums or minimums. The Incentive Program became operational on May 1, 2006. The program was set up in the Governor's office which served as a third party between the biodiesel producers and the Texas Department of Agriculture (TDA). TDA received five quarters of funding; the 4th quarter of 2006 and all four quarters of 2007, totaling roughly \$14 million.

To be eligible for the incentive program a plant must show that it is capable of producing fuel ethanol or biodiesel and the producer has made a substantial investment of resources in Texas including establishing the plant as a permanent fixture in the State. If the application is approved, the Comptroller's office imposes a fee on the producer in an amount equal to 3.2 cents for each gallon of fuel ethanol or biodiesel produced in each registered plant up to a maximum of 18 million gallons.¹ The producer is then entitled to receive 20 cents for each gallon of fuel ethanol or biodiesel produced. Therefore, the State's contribution is 16.8 cents per gallon. For a detailed list of all incentive payments made, please see Appendix A.

Fuel Ethanol and Biodiesel Production Incentive Program			
	Fee Received	CPA match	Incentive Payment
4thQtr/ '06	\$399,329	\$2,096,477	\$2,495,806
1stQtr/ '07	\$459,748	\$2,413,679	\$2,873,428
2ndQtr/ '07	\$453,987	\$2,383,433	\$2,837,420
3rdQtr/ '07	\$502,310	\$2,637,127	\$3,139,437
4thQtr/ '07	\$422,667	\$2,218,999	\$2,641,666
Total		\$11,749,715	\$13,987,756

**Information Provided to the Subcommittee by the Texas Department of Agriculture*

The Legislature formally transferred authority for administration of the Incentive Program to TDA during the 80th Legislative Session. Expecting this transition, TDA listed the Incentive Program as an exceptional line item in the agency's 2008/2009 legislative appropriations request. Based on the number of applications and program demand, TDA asked the Legislature for \$85 million for the 2008/2009 biennium. The amount was based on estimates that biofuel production would boom over the next two years, but the program did not receive an appropriation.

As a result of no funding, the agency did not accept new registrations or applications starting September 1, 2007. The Incentive Program is currently inactive.

Fuel Ethanol and Biodiesel Incentive Program

It is no surprise that biodiesel and ethanol plants provide a large tax base and many jobs. According to a June study by Texas A&M University, the State invested \$14 million in the Incentive Program between 2006 and 2008. This funding resulted in a \$2.23 billion positive economic impact and the creation of 8,800 jobs. The amount of biodiesel made in Texas jumped 110% between June 2006 and August 2007 – the period in which the State's Incentive Program was in place.²

Ethanol plants did not receive incentive money because the program was established to be a production incentive (money is exchanged only after the production of the first gallon) and it takes much more time and investment to build the more expensive ethanol plants. By the time Texas ethanol plants were ready to produce, the program was no longer being funded.

It is also important to note that this particular program was less attractive to ethanol producers than biodiesel producers because ethanol plants produce 45-110 million gallons per year and the program cutoff is 18 million gallons per year. Due to economies of scale, investors cannot build smaller ethanol plants and still make a profit; therefore, the Incentive Program did less to lure ethanol plants than it did biodiesel plants.

Feed, Food and Fuel Debate

The federal ethanol mandate, known as the Renewable Fuel Standard, requires that ethanol be blended at low levels with gasoline as part of an effort to extend the nation's fuel supply, reduce dependence on foreign oil and improve air quality. Renewable fuel use of both ethanol and biodiesel reached 3.5 billion gallons in 2004.³ In December 2007, Congress raised the renewable fuel quota and laid out a schedule of annual increases that would bring the quota to approximately 11 billion gallons in 2009 and 36 billion gallons in 2022.

In April 2008 Governor Rick Perry sent a letter to the Environmental Protection Agency (EPA) requesting a waiver that would reduce the 2008 federal ethanol mandate from 9 billion to 4.5 billion gallons. According to his letter to the EPA, Governor Perry's request was based "upon data demonstrating that implementation of the mandate is unnecessarily having a negative impact on Texas' otherwise strong economy while driving up global food prices."⁴ Governor Perry pointed to the fact that corn prices increased 138% globally over the previous three years while global food prices increased 83%.⁵

Governor Perry successfully gained a national stage for an issue that had become a rallying point for ethanol skeptics during the Summer months of 2008. The EPA public comment period on Governor Perry's request attracted more than 22,000 letters in support of the proposed waiver.⁶ Several trade groups including the Grocery Manufacturers Association, National Turkey Federation and National Restaurant Association and corporations including Kraft Foods, Tyson Foods and PepsiCo joined Governor Perry in his the attempt to limit the ethanol mandate.⁷

Dr. Thomas Elam of FarmEcon LLC and Keith Collins, former Chief Economist of the U.S. Department of Agriculture, led the two most prominent studies supporting the Governor's case. Elam's study, entitled "Biofuel Support Costs to the U.S. Economy: The Key Role of the RFS in a Feedstock Shortage Scenario," argues that that federal ethanol mandates placed significant pressure on food prices and ethanol has had little effect on gas prices (only \$0.04 per gallon). The study also describes the expected impact of crop shortages on commodity and food prices if congressional food-to-fuel mandates remain at current levels. Elam concludes that maintenance of the current RFS in light of recent flooding in the Midwest would prove devastating to livestock and poultry farmers and would increase the burden of food prices for American consumers.⁸

The Collins study, "The Role of Biofuels and Other Factors in Increasing Farm and Food Prices," indicates that unless the RFS is suspended or revisited, U.S. grain stocks will continue to fall as ethanol consumes a larger share of the dwindling corn supply.⁹ "Government support for corn-based ethanol ensures a permanent, significant, and increasing demand for corn," Collins said. He also states that reducing the RFS by half would bring down the price of corn by \$2.25 per bushel, saving more than \$9 billion in feed and food costs. Additionally, he predicted that the average cost of a ton of soybean meal would fall by \$150, saving over \$5 billion.¹⁰

Both the Elam and Collins studies can be found at the Food Before Fuel Website, www.foodbeforefuel.com. It is important to note the Elam study was made possible by the Balanced Food and Fuel Coalition. Collins prepared his study for Kraft Foods Global, Inc. as supporting material for its comment submission to the EPA on Governor Perry's request for a waiver of the RFS.

According to other experts, the waiver proposed by Governor Perry could hurt consumers by sharply raising gas prices. Some analysts suggested gas prices would be as much as \$.42 a gallon higher without ethanol used as a substitute.¹¹

In April 2008 Texas A&M AgriLife released a report titled, "The Effect of Ethanol on Texas Food and Feed." This study found that relaxing the RFS would not result in significantly lower corn prices. A summary of findings is provided below:

- Corn prices have little to do with rising food costs, but do have a small effect on some food items.
- Relaxing the RFS does not result in significantly lower corn prices. This is due to the ethanol infrastructure already in place and the generally positive economics for the industry.
- The ethanol industry has grown in excess of the RFS, indicating that relaxing the standard would not cause a contraction in the industry.
- Overall energy costs (\$100 per barrel oil) is the underlying force driving changes in the agricultural industry. For example, rising fertilizer costs led to a 3 million acre reduction in planted corn acres in the 2006-2007 crop year.

In June 2008, Texas A&M released an updated study titled, "Analysis of the Effects of Short Corn Crop Scenarios on the Likelihood of Meeting the Renewable Fuel Standard." This report takes into account the unexpected corn production shortfalls due to flooding in the Midwest. While the initial study indicated that a one-half RFS waiver would drop corn prices by \$.50 to \$.60 per bushel, the updated study showed that relaxing the RFS may result in a drop of \$.73 per bushel.¹²

That same month, Secretary of Energy Samuel W. Bodman and Secretary of Agriculture Edward T. Schafer sent a letter to U.S. Senator Jeff Bingaman addressing a number of questions related to biofuels, food, and gasoline and diesel prices.¹³ The letter highlighted the Department of Energy's (DOE) finding that biofuels account for only a small percentage of the increase in global food prices. Similar to the A&M study, the DOE lists other factors such as higher oil and gas prices, increased demand as developing countries grow and people improve their diets, export restrictions and two years of bad weather and drought. The letter also states that without biofuels, gas prices would increase \$.20 to \$.35 per gallon.¹⁴ Schafer noted that U.S. Department of Agriculture economists estimate "that only 3% of the more than 40% increase in world food prices this year is due to the increased demand on corn for ethanol."¹⁵

With conflicting evidence and advocates on both sides, the EPA made the difficult decision to deny Governor Perry's waiver request on August 7, 2008. EPA administrator Stephen L. Johnson said that the mandate was "strengthening our nation's energy security and supporting American farming communities," and that it was not causing "severe harm to the economy or the environment."¹⁶

Other State and Federal Incentives

Nearly every U.S. state offers incentives to enhance biodiesel and ethanol production or consumption. Concepts range from demand side policies to supply side policies and also include general initiatives such point of taxation and studies on potential benefits. Demand side policies include renewable portfolio standards, requiring state fleets and equipment to use alternative fuels, reimbursements for schools to use biodiesel and excise/sales tax exemptions or reductions. Supply side policies include production incentives, low interest loan programs and tax credits for capital investments made in blending, storage and dispensing infrastructures.

The Subcommittee has collected an overwhelming amount of information on the hundreds of incentive programs offered by states across the nation. A few examples include:

Florida

- *Renewable Energy Technologies Grants Program.* Provides matching grants for demonstration, commercialization, research, and development projects relating to renewable energy technologies, including those generating or utilizing hydrogen or biomass resources.¹⁷
- *Hydrogen and Biofuels Tax Exemption.* Through July 1, 2010, the sale or use of biodiesel (B10-B100) is exempt from Florida state sales, rental, use, consumption, distribution, and storage tax.¹⁸

- *Hydrogen and Biofuels Investment Tax Credit.* A credit for costs incurred for 75% of all capital operation and maintenance, and research and development costs incurred in connection with an investment in the production, storage, and distribution of biodiesel up to a maximum of \$6.5 million in each fiscal year.

Oklahoma

- *Biofuels Tax Exemption.* Exempts the state motor fuel excise tax for individuals producing biodiesel with feedstocks grown on their property.¹⁹
- *Alternative Fuel Vehicle (AFV) Tax Credit.* One-time income tax credit for 50% of the costs of converting vehicle or for 50% of the incremental cost of purchasing a new original equipment manufacturer AFV.²⁰
- *AFV and Refueling Infrastructure Tax Credit.* Tax credit for up to 50% of the cost of installing refueling infrastructure for AFVs (includes compressed natural gas, liquefied natural gas, liquefied petroleum gas, methanol, and electricity).²¹
- *Biodiesel Production Tax Credit.* Biodiesel production facilities allowed a credit of \$0.20 per gallon of biodiesel produced.²²
- *Oklahoma Biofuels Development Act.* Created to encourage the processing, market development, promotion, distribution and research of fuels derived from grain, ethanol or ethanol components, biodiesel, bio-based lubricants, etc.²³
- *Alternative Fuels Conversion Act.* All school and government vehicles may be converted to operate on alternative fuel and all school districts should consider only purchasing AFVs.²⁴

Arizona

- *Class 6 Property.* Property that is used specifically to produce biodiesel fuel is qualified as a Class 6 Property for purposes of taxation (assessed at a 5% assessment ratio).
- *Clean Fuel Diesel for Heavy-Duty Equipment.* Any state agency that contracts for the use of heavy-duty diesel equipment in certain counties must construct its request for proposal in a manner that gives incentives to bidders that use equipment retrofitted with diesel retrofit kits, newer clean diesel technologies or biodiesel.²⁵
- *Alternative Fuel Use and Acquisition Requirements.* Local governments in certain counties required to develop and implement a vehicle fleet plan for the purpose of encouraging and increasing the use of alternative fuels and clean burning fuels. Includes specific restrictions on the percentage of the fleet that must run on alternative fuels based on type of vehicles and entity (school districts, state vehicles, local government vehicles).²⁶

Texas Incentives

In addition to the Fuel Ethanol and Biodiesel Incentive Program, which is no longer funded, Texas offers tax exemptions on biofuel blends. The Texas Tax Code, Section 162.001 and 162.204 provide that biodiesel or ethanol blended with taxable diesel, that is identified when sold or used as a biodiesel or ethanol fuel blend, is exempt from the diesel fuel tax.

Generally speaking, Texas invests in renewable fuels primarily through research grants. The Emerging Technology Fund (ETF) is a \$200 million initiative created by the Texas Legislature

in 2006 to help businesses get innovations to the marketplace. The ETF has invested approximately \$4 million in Texas A&M's Texas Agricultural Experiment Station in Pecos, TX. These funds are being used to fund the station's research and development of microalgae-derived fuels such as biodiesel. Other investors including the U.S. Army and General Atomics have contributed funds to support the station's research and development.²⁷

The Texas A&M University System also received a \$5 million grant from the State's ETF for the Texas A&M Agriculture and Engineering Bioenergy Alliance. The BioEnergy Alliance is a partnership between the Texas Agricultural Experiment Station (TAES) and the Texas Engineering Experiment Station (TEES) that will use its grant funds to hire new commercially focused faculty to accelerate the path to market for their innovative research on the next generation of biofuels. Most recently, the BioEnergy Alliance and Chevron Corporation have entered into a strategic research agreement to accelerate the production and conversion of crops for manufacturing ethanol and other biofuels from cellulose. Chevron Technology Ventures, a division of Chevron USA, Inc., will support research initiatives over a four-year period.²⁸

Federal Incentives

There are several federal initiatives that incentivize biofuel production under the Federal 2008 Food, Conservation and Energy Act. This bill appropriates \$1 billion to leverage renewable energy industry investments in new technologies and new feedstocks. For example, portions of the funding support Bioenergy Research Centers where scientists work together to make the conversion of plant fiber to fuel more cost-effective and efficient.²⁹

Additionally, \$320 million in loan guarantees are provided to biorefineries producing advanced biofuels and \$35 million to assist existing ethanol plants in reducing their use of fossil fuels.³⁰ In November 2008, Agriculture Secretary Ed Schafer announced that the U.S. Department of Agriculture (USDA) is accepting applications for loan guarantees under the Biorefinery Assistance Program.³¹ This program provides loan guarantees for the development, construction and retrofitting of viable commercial-scale biorefineries producing advanced biofuels. The program provides \$75 million in Fiscal Year 2009 and \$245 million in Fiscal Year 2010. Loan guarantees do not exceed \$250 million per project.

For critics that point to unfair incentives in the fuel marketplace, it is important to note that both federal and state incentives have been and are still used to assist the oil and gas industry. In 2006 alone, according to the Texas Comptroller, oil and gas subsidies topped \$3.5 billion from the federal government with an additional \$1.4 billion from Texas. These figures do not include initial infrastructure or incalculable depreciation and trade-related subsidies.³²

Texas Agricultural Finance Authority

The Legislature created the Texas Agricultural Finance Authority (TAFA) in 1987 to provide financial assistance for the expansion, development, and diversification of Texas agricultural products.³³ TAFA has constitutional authority to issue \$525 million in general obligation bonds, but most TAFA's programs have been under moratorium since 2002 due to a high volume of defaulted loans. The Public Finance Authority estimates that the program is still carrying approximately \$14.7 million in debt as a result of delinquent loans.³⁴

A recent review by the Texas Sunset Advisory Commission instructs the Texas Department of Agriculture (TDA) to develop and present a strategy for TAFE's future prior to the start of the 2009 Legislative Session. One option being considered is the development of a Sustainable Biofuel Feedstock Development Grant and Loan Program to assist farmers interested in contributing to renewable energy by producing feedstocks used to make ethanol and biodiesel in Texas. With new statutory authority, this program could be funded by the proceeds of general obligation bonds up to the existing constitutional bonding authority for the Texas Agricultural Fund.

Such a program would rejuvenate TAFE and Texas agriculture by expanding grower options and improving the economic feasibility of energy crops that provide reliable, high value yields. By attracting investment in agricultural projects from a whole new class of energy crop investors, TAFE could see a substantial improvement in the quality and credit worthiness of its loan recipients, which will also help TAFE maintain the self-funded nature of all its loan programs.

In light of the recently expanded renewable fuel standard which mandates the production of biodiesel, the question is not whether or when additional production will be built, but where it will be built. In order for Texas agricultural products to be a part of this growing industry, production must be located near those products. To ensure that new production is built and maintained in Texas, State Legislators should consider developing programs to compete with the other state incentives.³⁵

Texas has 22 total biodiesel plants (17 operational and 5 under construction). Together, these plants have the capacity to produce 370.3 million gallons of biodiesel per year. There are also a total of 10 ethanol plants in Texas (5 under construction and 5 with pending permits). Together, these plants have a total capacity 908 million gallons per year. While the job creation and capitol investment is appreciated, these plants are importing the majority of their feedstocks from other states. In the case of biodiesel, Texas biodiesel producers are importing feedstocks and then exporting the resulting fuel to Europe, which has a higher demand for biodiesel.

Research nationwide has shown that cellulosic biofuel (biodiesel and ethanol produced from a variety of plant material other than the edible part of crops) is the next generation biofuel. Examples include switch grass, corn stover, high-tonnage sorghums, forest waste, fast-growing trees, woodchips, canola and algae. According to the USDA, "these energy crops require further research and development but they represent a key long-term component to a sustainable biofuels industry."³⁶ As mentioned before, the USDA is funding a \$320 million loan guarantee project for the development, construction and retrofitting of biorefineries producing fuel from these feedstocks.

California recognizes the demand for biofuel feedstock production. By Executive Order S-06-06, the state plans to use biomass resources from agriculture, forestry, and urban wastes to provide transportation fuels and electricity to satisfy California's fuel and energy needs. To increase the use of biomass in fuel production, the state will produce its own biofuels at a minimum of 20% by 2010, 40% by 2020, and 75% by 2050. The California Air Resources Board and the California Energy Commission, in conjunction with other agencies, have

participated in the Bioenergy Interagency Working Group to prepare a Bioenergy Action Plan. The plan includes: research and development of commercially viable biofuels production and advance biomass conversion technologies; evaluation of the potential for biofuels to provide a clean, renewable source for hydrogen fuel; and increases the of flexible-fuel vehicles to 50% of total new vehicles purchased by state agencies by 2010.

A state with a vast agricultural and forest industry, Texas has the potential to become a major biofuel feedstock producer. Realistically, the United States is a long way from reducing dependence on petrofuels (traditional gasoline and diesel, biodiesel and ethanol). The United States transportation energy future will eventually center around three commodities: electricity (solar and wind), natural gas, and cellulosic renewable fuels. Texas is already a leader in wind power, agriculture and natural gas production. By evolving as a leader in alternative feedstock development, the State would position itself as the leader in renewable energy for years to come. This notion has huge implications for economic development, the environment and sustainability.

Recommendations

The Legislature should consider creating a Sustainable Biofuel Oversight Council to assist in leveraging state and federal funds that encourage growth of biofuel feedstock production in Texas and provide research and guidance on renewable energy investments. Through collaboration with the Texas Department of Agriculture, the Texas Agricultural Finance Authority, The State Energy Conservation Office and the Governor's Office, the Council could provide great benefit to both policy makers and the agricultural industry by researching funds available for expanding feedstock production and providing recommendations that take into account rural economic development, use of previously unproductive land, low water use and sustainability.

The Texas Agricultural Finance Authority should work with the Council and consider the economic and ecological benefits of supporting alternative feedstocks when awarding grants under both new and existing farmer loan and grant programs.

CHARGE 2: Coastal Erosion Planning and Response Act

Background and History

The State of Texas has a large and diverse coastal area along the Gulf of Mexico. Spanning 18 coastal counties, the coastal zone includes over 367 miles of Gulf-fronting shorelines open to the public for recreational activities. Approximately 55 million visits are made to Texas beaches each year, contributing over \$7 billion to the economy. Additionally, Texas has millions of acres in coastal bays that provide recreational opportunities for hunters, fisherman and birdwatchers.³⁷

The Texas coast also helps protect infrastructure and industries that are vital to the economy of Texas from damage caused by tropical storms and hurricanes. Forty percent of Texas jobs are directly tied to production along the coast and 44% of the State's total income is linked to Gulf Coast sectors such as manufacturing, petroleum refining, petrochemicals, shipping and tourism.³⁸

Many Texas coastal shorelines are eroding or losing land due to a number of factors. Causes of coastal erosion are both man-made and natural:

- Dams on rivers have reduced sand and sediment from reaching the Gulf coast.
- Rivers have been diverted to develop shipping lanes, resulting in critical erosion of nearby land.
- Structures such as jetties, dikes, seawalls and groins have changed the way sand moves along the coast and caused erosion of down-drift beaches and shorelines.
- Wakes, surges, and waves from ships and other vessels erode shorelines.
- Groundwater and petroleum extractions have caused land subsidence.

To protect the State's natural resources and mitigate coastal erosion, the Texas Legislature enacted the Coastal Erosion Planning and Response Act (CEPRA) in 1999. CEPRA project funding is primarily done in a partnership arrangement between the General Land Office (GLO) and a Qualified Project Partners (QPP) such as coastal communities and counties, state and federal agencies, homeowner associations, non-profit organizations and other potential partners. Most projects and studies require a minimum funding match based on the type of project. The GLO has technical project managers and many QPPs take advantage of GLO's ability to manage their projects from start to construction. Reimbursement grants are also available.³⁹

Examples of typical CEPRA projects include beach nourishment and dune restoration, habitat restoration, shoreline stabilization and structure relocation. Project evaluation criteria can be found in Section 33.603, Natural Resources Code. A few examples include:⁴⁰

- The feasibility and cost-effectiveness of the proposed project.
- The effects and benefits of the proposed project on public access, infrastructure, natural resources, and private property.
- Whether the local government is adequately administering its duties under the Open Beaches Act and Dune Protection Act.

- Potential co-sponsors, associated funding and the ability to maximize the leveraging of federal, local and private funds.
- The economic benefits to the state relative to the state cost of the proposed project.

Funding the Coastal Erosion Planning and Response Act

Over the 10-year history of the CEPRA program, \$62.12 million in state funding has been provided to combat erosion. In comparison, \$522 million in projects have been requested. The CEPRA program has been successful in leveraging state appropriated funds with other sources of funding, including \$62.25 million in partner funds.

In the first two cycles of the program (FY 2000-2003), \$15 million in state funding was provided each biennium from general revenue. In the following two cycles (FY 2004-2007) funding was cut in half and taken from the Coastal Protection Fund (CPF). The CPF is used for oil spill clean up activities and is funded by a 1.33 cent per barrel tax on oil unloaded in Texas ports.

For the 2008-2009 biennium, funding is provided by the sales tax on sporting goods, through a memorandum of understanding with the Texas Parks and Wildlife Department. The sales tax on sporting goods is currently under study by a joint legislative task force.

State Funding for the CEPRA Program 2009-2009						
Biennium	State Funding	Source	Matching Funds	Projects Completed	Projects Requested	Funding Requests
2000-2001 Cycle I	\$15 M	General Revenue	\$10,038,807	42	63	\$129,171,116
2002-2003 Cycle II	\$15 M	General Revenue	\$9,380,019	53	64	\$108,221,545
2004-2005 Cycle III	\$7.32 M	CPF	\$14,468,801	20	77	\$36,498,859
2006-2007 Cycle IV	\$7.3 M	CPF	\$8,502,368	49	81	\$111,780,028
2008-2009 Cycle V	\$17.5 M	Sales Tax on Sporting Goods	\$19,866,628	47	84	\$136,613,223
Totals	\$62.12 M		\$62,256,623	211	369	\$522,284,771

**Information Provided to the Subcommittee by the Texas General Land Office*

Impact and Effectiveness of Funding Increases

State funding for the CEPRA program increased 140% from the 2006-2007 cycle to the 2008-2009 cycle and matching funds for the CEPRA program nearly doubled. However, the number of projects requested and completed varied little. The two primary reasons for this are the impact of Hurricane Ike on the Galveston area and Bolivar Peninsula and the GLO's ability to tackle larger and more expensive projects that were not feasible prior to the increased allocation.

Prior to the Hurricane Ike in September 2008, the GLO was able to approve several large requested projects. For example, an approval was made for a project on the west end of

Galveston for a three to five mile beach restoration at a projected cost of \$6 million. With a budget of only \$7.3 million in the 2006-2007 cycle, it would not have made sense to allocate 86% of funds to one project.

The GLO is currently reviewing awarded projects in the areas affected by the hurricane to assess projects that are no longer practical and what can be delayed to address more pressing issues. This reallocation of funds is likely to continue into the 81st Legislative Session.

A total of 49 projects were initiated under the 2006-2007 cycle with 39 complete as of August 11, 2008. Some of these projects are being continued under the 2008-2009 cycle for a total of 47 projects. Although 34 were initially approved, some of those projects had to be placed on hold or cancelled due to circumstances beyond GLO control. Other viable projects were added to the original lists from the Project Goal Summaries provided during the original selection process.⁴¹

A full list of projects from the previous two CEPRA cycles is provided in Appendix B.¹

Options For Future Funding Sources

As mentioned previously, funding in the current biennium for the coastal programs at the GLO comes from the sales tax on sporting goods through a memorandum of understanding with Texas Parks and Wildlife. One option for future funding sources is for the sales tax on sporting goods to be made a permanent source of funding for coastal programs.

A total of \$25.2 million transferred from Texas Parks and Wildlife Department to the General Land Office for the 2008/2009 biennium. These funds are used for both CEPRA projects and staff for all coastal programs. Of these funds, \$17.5 million went to CEPRA grants and the rest of the appropriation went to staff. Of the \$17.5 million in CEPRA funding, \$5.1 million was spent on parks and habitat projects.

State Funding for the CEPRA Program 2009-2009					
Biennium	CEPRA Funds (Parks/Habitat Projects)	Matching Funds (Parks/Habitat Projects)	Total Funds (Parks/Habitat Projects)	Total Funds (All Projects)	Parks/Habitat Funding (as % of Total Funding)
2000-2001 Cycle I	\$6,364,866	\$5,927,562	\$12,292,428	\$21,641,081	57%
2002-2003 Cycle II	\$6,590,703	\$3,007,713	\$9,598,416	\$22,406,876	43%
2004-2005 Cycle III	\$4,285,209	\$3,971,224	\$8,256,434	\$23,605,962	35%
2006-2007 Cycle IV	\$2,984,500	\$5,790,419	\$8,774,919	\$15,802,368	56%
2008-2009 Cycle V	\$5,100,000	\$9,670,378	\$14,770,378	\$38,848,886	38%
Totals	\$25,325,278	\$28,367,297	\$53,692,575	\$122,305,174	44%

*Information Provided to the Subcommittee by the Texas General Land Office

¹ Cycle 5 project information is expected to change significantly due to the impact of Hurricane Ike. For project updates, please contact the Texas General Land Office.

CEPRA expenditures for parks and habitat restoration make up approximately 44% of CEPRA spending. These projects have brought in an additional \$28.3 million in federal and local matching funds, for a total expenditure of \$53.6 million on park projects and habitat restoration.⁴² The remaining CEPRA funding has been spent on coastal restoration projects that also provide benefits to the public through beach nourishment, shoreline stabilization, structure relocation or erosion response demonstration projects.

Section 151.081, Texas Tax Code provides that 94% of the proceeds from the tax on the sale, storage, or use of sporting goods shall be credited to the Texas Parks and Wildlife Department (TPWD) and 6% of the proceeds shall be credited to the Texas Historical Commission. However, neither TPWD or the Historical Commission shall receive more than the amount appropriated by the Legislature for that biennium.

For the 2008-2009 Biennial Revenue Estimate (BRE), the Texas Comptroller of Public Accounts estimated that the state sales tax received from the sale of sporting goods is projected to be \$112.5 million for FY 2008; \$116.7 million for FY 2009, \$120.8 million for FY 2010 and \$125.3 million for FY 2011. These estimates will be updated as the Comptroller's office prepares the BRE for the upcoming session.⁴³

The General Land Office is requesting approximately \$42.5 million for CEPRA and coastal programs for the 2010-2011 biennium. As mentioned before, TPWD is currently entitled to 94% of the revenue and the Historical Commission is entitled to 6%, depending upon the amount of funding appropriated by the Legislature. Based on the Comptroller's estimates, there is enough funding to support the full legislative appropriations requests of the GLO, TPWD and Texas Historical Commission.

Other funding sources that may be tapped into are the coastal industry and local or individual contributions (construction permit fees, special taxing districts, real estate transfer fees, and beach front rental fees). The Texas coast provides more than recreation and tourism; the beach protects infrastructure and industries that are vital to the economy of Texas. It is clear that costs to develop and maintain a healthy coastal protection infrastructure must be shared.

Recommendations

The Legislature should consider creating a permanent source of funding for certain coastal programs using funds from the sales tax on sporting goods. Consideration should be given to the facts that a significant portion of coastal funding is already being spent in parks and habitat areas, these programs are successful in leveraging federal, local and private funds and that protecting coastal industries and natural resources is vital to the State's economy.

CHARGE 3: White-tailed Deer

Background and History

Texas deer breeding operations are a growing and necessary component to our diversified rural economic development. Most Texans may only be aware of a deer industry relating to hunting but not aware that deer breeding is similar to other agricultural operations involving livestock. While raising deer is not the same as raising cattle, there are similar issues with proper land management, fencing, nutrition, and health and welfare.

The Texas State Senate recently conducted two legislative reviews on the deer breeding industry. In addition to the Subcommittee's review, Senate Bill 573 established the Select Interim Committee to Study the Practice of Breeding white-tailed and Mule Deer. This committee is charged with "reviewing the operation of breeding facilities in this state, determining if any barriers exist that prevent the breeding industry from operating in an efficient and effective manner, identifying opportunities to improve or enhance the breeding industry in the state, and reviewing the responsibility for disease control and associated issues of liability and indemnification."⁴⁴ The Committee met in a public hearing on October 1, 2008, and the findings and recommendations of the Committee are expected to be reported no later than February 1, 2009.

Economic Impact and Available Market

The white-tailed deer, one of the most popular and recognizable species of wildlife in Texas, are a significant recreational resource among hunters. White-tailed deer are also an important economic resource to many rural landowners who lease hunting rights on their property and the businesses that profit from traveling hunters. Texas leads the nation in economic activity related to hunting, with deer hunting contributing \$2.2 million to the economy.⁴⁵

According to a recent study by Texas A&M University, the Texas deer breeding industry provides an economic benefit of \$652 million and support of more than 7,000 jobs. Similar studies in other states such as Minnesota and Pennsylvania have concluded that private deer breeding operations provide a net economic impact, often benefiting rural areas which are dependent on new and innovative approaches to job creation and economic development.

Promoting the processing of venison should add to the net positive impact already provided by the industry. Nearly 80% of the commercially available venison in this country is provided by New Zealand which is also the primary supplier for European markets. This foreign market share represents a large domestic growth opportunity to meet an existing demand. Furthermore, just as Texas agricultural products flow across the globe, a well-established Texas deer industry could become a leading American exporter for venison.

There is very little federal law governing the deer industry, leaving the issue to be regulated by the various states. Most states, as does Texas, considers its native deer population to be the property of the State and placed under the management of a statewide agency such as the Parks

and Wildlife Department. Without specific state authority to grant private management of deer for commercial purposes, the availability of domestically commercially raised deer will be limited.

Overabundant Deer Herd in Texas

An estimated 4 million deer are in Texas.⁴⁶ In many areas, deer population densities have exceeded the land's ability to sustain them, and neighborhoods are confronting a myriad of issues resulting from overpopulation. Unnaturally high deer densities can present significant ecological, social, and economic problems for a variety of stakeholders.

According to the Texas Parks and Wildlife Department, an overabundant deer herd is described as one that has "exceeded the capacity of the native plant community." Overabundant deer herds result in concerns for the deer, native plant communities, urban landscapes and the health, safety and economic well being of local communities.⁴⁷ Homeowners spend thousands of dollars replacing landscapes destroyed by hungry deer, the agricultural community suffers serious loss from damage to crops, and deer on roadways endanger lives and damage automobiles. In a November 2005 report on auto-deer collisions, the auto insurer State Farm estimates that there are 1.5 million deer-vehicle collisions each year. These collisions result in 150 human deaths and \$1.1 billion in vehicle damages. According to State Farm, Texas ranks ninth in the nation for number of collisions with deer.⁴⁸

Many Texas cities have implemented programs to address the deer population problem. For example, the Wildland Conservation Division of the City of Austin uses a combination of lethal means and the installation of game fencing to prohibit movement of deer. Deer removed from the land are processed and donated to the Capital Area Food Bank through the statewide Hunters for the Hungry program.

Some experts in deer management feel that commercial processing white-tailed deer in Texas, an activity currently prohibited, could provide an opportunity to deal with the surplus of deer.⁴⁹

Regulation on Processing White-tailed Deer in Texas

For the most part, the deer breeding industry and the Texas Parks and Wildlife Department (TPWD) are able to work in tandem, preserving the State's natural resources while providing economical and recreational opportunities for Texas hunters. However, when considering allowing white-tailed deer raised on deer farms in Texas to be legally processed for venison, it is important to understand that the philosophical differences between these groups are indicative of a larger debate on the harvesting of this species. TPWD is mostly concerned with issues regarding wildlife habitats, disease and ensuring that the movement of animals is closely regulated.⁵⁰ Deer breeders claim that the primary product of the deer breeding industry is genetic improvement and the end product is deer stock for hunting.

Many individuals, including some breeders and hunters, view the deer industry as similar to the game bird and fishing industry that are marketed for both trade and recreation. Others, including

conservationists, feel that the focus of deer management in Texas has changed from restoration of deer to recreational harvest for hunting purposes.⁵¹

To illustrate this point, at the Subcommittee's July 14, 2008 hearing, David Sinclair, Chief of Wildlife Enforcement at TPWD, expressed concern that if white-tailed venison was added to the commercial market, the magnitude of the white-tailed deer industry will make available more farm-raised venison than wild venison. He expressed hope that in this event, a tracking system to distinguish venison meat from wild deer and from farm-raised deer would be put in place.⁵² In response to these concerns, Dr. Dick Cain highlighted the opinion that while it is difficult to identify whether animals came from a farm or the wild, the inability to differentiate wild birds from farm-raised ones has not halted the sale of game birds to restaurants.

There are other consequences to consider. According to the Department of State Health Services (DSHS), there would be substantial implications to the current system of venison donation if the state were to allow for the processing of white-tailed deer raised on deer farms in Texas. Currently, when an individual harvests a white-tailed deer, that venison may be donated to a food bank because of classification exemptions. If that same individual shoots an axis deer, the venison may only be donated if the animal received both anti-mortem and post-mortem inspections.

When DSHS places a species in the commercial meat trade, then all individuals for that species must be inspected, including those that are donated to non-profits such as Hunters for the Hungry. According to federal and state law, DSHS would require both anti-mortem and post-mortem inspection of any white-tailed deer that is harvested for donation or commercial trade.⁵³ Most individuals hunt for personal consumption because inspections can be costly. If the State were to change the classification of white-tailed deer to be like that of axis deer, then all individuals would be forced to hunt for their own consumption unless the deer were herded together, inspected and then slaughtered.

Surveys demonstrating citizen's positive perception of hunting typically refer to sport hunting. Generally speaking, hunting attitudes become negative when conditions become artificial.⁵⁴ The issues discussed above are important to legislators who represent citizens with a broad range of views, including breeders, hunters, conservationists and animal activists.

Recommendations

In future consideration of legislation allowing for the commercial processing of white-tail deer, the Legislature should consider evidence indicating a negative effect on food banks and homeless shelters that rely on donation of venison. The Legislature should also weigh negative public attitudes about this proposed practice with the potential economic benefit to the State and benefit to communities suffering from overabundant deer herds.

CHARGE 4: THOROUGHBRED AND QUARTER HORSE INDUSTRIES

The Texas racing industry has struggled to build and maintain profitability, interest and attendance since legalization of pari-mutuel wagering in 1987. In fact, the Texas Racing Commission estimates that "the majority, if not all, of Texas' racetracks are losing money."⁵⁵ The decline in wagering and overall racing industry profits over the last several years has been a disappointment to voters expecting a significant impact on agriculture and the Texas economy.

The table below, provided by the Texas Sunset Advisory Commission, demonstrates the steady decline in racetrack attendance and the amount of money wagered over the last five years.

Racetrack Performance Data			
Year	Handle	State Tax	Patrons
2003	\$557,527,617	\$4,615,249	2,862,501
2004	\$564,297,349	\$4,650,399	3,783,720
2005	\$515,074,486	\$4,441,690	2,432,071
2006	\$504,233,570	\$4,398,721	2,361,397
2007	\$492,199,990	\$4,351,865	2,276,474

**Provided by the Texas Sunset Advisory Commission*

Several groups were tasked with studying the thoroughbred and quarter horse industries during the 80th Legislative Interim.

- Senate Natural Resources Subcommittee on Agriculture, Rural Affairs and Coastal Resources
- House Committee on Agriculture and Livestock
- Texas Sunset Advisory Commission review of the Texas Racing Commission and Equine Research Account Advisory Committee.

The decline of the industry has made it more difficult for the Racing Commission to respond to advances in wagering technology, ensure safe facilities and oversee racetrack license holders. It is the Sunset Advisory Commission's opinion that "clearer statutory authority and added flexibility would help the Commission oversee today's racing industry, as well as adapt to any future changes."⁵⁶

An example of creating clearer statutory authority is addressing the prohibition of online or phone wagering. The Texas Racing Act does not specifically prohibit online or phone account

wagering; therefore, out-of-state online wagering companies "interpret the Act to allow Texas residents to place bets on pari-mutuel horse and greyhound races, as long as the race occurs outside the state." As a result, both the racing industry and the State lose money as unregulated online and phone account wagering sites take bets from Texas customers and offer Texas races to non-Texans. The Sunset Advisory Commission adopted the recommendation to clarify that no entity, "including out-of-state businesses that offer online or phone accounts," can accept wagers on horse or greyhound races by Texas bettors.⁵⁷

The thoroughbred and quarter horse industries impact Texas agriculture and animal health. The Texas Racing Commission is appropriated approximately \$10.1 million, entirely paid for by racing-related fees, fines, and wagers. Half of these funds go directly to the horse and greyhound breeding industries as required by statute.⁵⁸ Additionally, the Texas Racing Act requires a portion of the wagers placed on Texas horse races to fund research relating to the horse and breeding industries. The impact of funded research is generally unknown, but the Sunset Advisory Commission acknowledges that any research that provides insight into keeping horses healthy and productive could be important to the State.⁵⁹

After thoughtful review and public comment, the Sunset Advisory Commission recommended continuing the Texas Racing Commission for six years. Several specific recommendations are made that enhance regulatory tools and the Texas Racing Commission's approach to licensing racing industry occupations.

CHARGE 5: Texas Wine and Grape Industry

Background and History

The Texas wine and grape industry was studied in depth between the 78th and 79th Legislative Sessions by the Texas Senate Intergovernmental Relations Committee and MKF Research, a leading research source on the U.S. wine industry. The primary issues discovered included sales and distribution barriers, ambiguity and conflict among staff of the Texas Alcohol and Beverage Commission and industry members, and insufficient funding and budget reductions for new and existing education, training, and research.

Due in large part to the leadership of Senator Frank Madla, several bills have addressed these issues over the last several years. Examples include setting the hours of operation and sales for a winery, shipment of wine throughout the state and nationally, setting the percentage of Texas grapes which must be in the Texas wine, and allowing wineries to manufacture and sell wine in dry counties. Additionally, SB 1137, 79th Regular Session, created the Wine Industry Development fund through a general revenue stream and established the Texas Wine Industry Development Committee at the Texas Department of Agriculture (TDA).

Texas has dedicated more than \$4.5 million in funding to supporting and growing the Texas wine industry, including \$1.2 million for research and development to Texas AgriLife Extension Service, Texas AgriLife Research, Texas Tech University, Texas A&M and Grayson County College.⁶⁰ As a result, Texas is now the fifth-largest wine-producing state in the nation and has 210 commercial vineyards planted on more than 3,200 acres around the state. With more than 160 Texas wineries, the Texas wine industry supports approximately 8,900 jobs.⁶¹

This investment has created many benefits to the taxpayer. The Texas wine industry attracts more than 958,000 tourists and is one of agriculture's fastest growing industries. The Texas wine industry marked a milestone earlier this year as the Texas Wine and Grape Growers Association and Texas Tech University announced an economic impact of \$1.35 billion generated by Texas grape growers and wine makers.

It appears that the State's investment was timely, as some of the wine and grape industry's success can be attributed to a steady rising demand for wine nationwide. Researchers attribute increased demand to a specific increase in men and all ethnic groups enjoying more wine, Americans seeking opportunities to socialize in small groups, retail efforts to promote and market, and the release of several studies demonstrating the positive health impact of consuming wine.⁶²

The wine and winegrape industry generates significant tax dollars, benefiting federal, state and local governments. Texas' wine, grape and allied industries paid \$63.3 million in state and local taxes and \$78.9 million in federal taxes in 2007. The Texas wine industry has had tremendous growth and is creating a much better product than it was ten years ago.⁶³

Texas Wine Marketing Assistance Program

With direction from the Wine Industry Development Advisory Committee (WIDAC), the Texas Wine Marketing Assistance Program (TWMAP) is charged with enhancing the growth of the Texas wine industry through educational and marketing practices. These programs involve a multi-faceted approach to industry development.

The Texas Department of Agriculture's (TDA) wine marketing program continues to garner attention and praise for the State's wine industry while raising the overall visibility and awareness of Texas wines. TDA's Texas wine e-marketing campaign provides educational information directly to the Texas wine industry and interested consumers. For example, the agency's successful Texas wine e-zine, with a subscriber list that has doubled within the last year, is sent out through a permission-based e-mail with interesting topics about Texas wines.

TDA also has many exciting programs that will be rolled out in FY 2009. Examples include marketing literature and educational pieces designed to increase and drive agriculture tourism, updated Texas winery guides, manuals for individuals considering starting a vineyard in Texas, and increased production of wine marketing items such as corkscrews, compendiums, posters, glasses and wine journals. TDA is also looking for ways to enhance the new GO TEXAN Restaurant Program and create new ways to incorporate Texas agriculture products into Texas restaurants.

Education and Research Industry Development

A large portion of Texas wine funds are used to promote and market Texas wine through a variety of activities and materials including viticulture research and education at Texas university systems. Top enologist and viticulture experts are now positioned across the state to support all Texas wineries.

During the 79th Legislative Session, Senate Bill 1370 directed \$4.09 million for wine industry development. A portion of these funds totaling \$3.66 million has been dedicated to TDA for marketing, education and research industry development. Two grant programs with combined funds of \$2.19 million were designed for education and research. Below is a list of grants awarded under each program for the biennium: ⁶⁴

\$1,626,000 - Enology and Viticulture Education and Research Grant Program (EVER)

- Developing and Maintaining Viticulture and Enology-Related Education Programs - \$235,000 awarded to Texas AgriLife Extension Service.
- Enology Outreach Program - \$92,500 awarded to Grayson County College - T.V. Munson Viticulture and Enology Center.
- Viticulture and Enology Certificate Program - \$90,000 awarded to Grayson County College - T.V. Munson Viticulture and Enology Center.
- Texas Enology Education & Extension Program Operations Support - \$85,500 Jointly awarded to Texas AgriLife Extension Service (\$47,079) and Texas Tech University (\$123,921).
- Viticulture Research - \$110,000 jointly awarded to Texas AgriLife Research (\$133,386) and Texas Tech University (\$86,614 over two years).

- Assessment of Xylem Fluid-Feeding Hemiptera Populations Responsible for Transmission and Spread of PD of Grapevine on the High Plains of Texas - \$150,000. Awarded to Texas AgriLife Research.
- The Effects of Nutrition on the Stability of Texas Wines - \$50,000 jointly awarded to Texas AgriLife Research (\$4,384) and Texas Tech University (\$95,616).

\$560,000 - Texas Enology Teaching, Research and Extension Grant Program (ENO).

- \$125,000 awarded to Texas Tech University for 75% of an Enology Faculty Position, 50% of an Enology Extension Specialist and Research Operations Support.
- \$105,000 awarded to Texas AgriLife Research for Research and Technical Operations Support and funding for two graduate students.
- \$50,000 awarded to Texas AgriLife Extension Service for an Enology Faculty Position and Enology Extension Specialist.

Wine Grape Investment Pilot Grant Program

The Wine Grape Investment Pilot Grant Program is a one-time matching funds reimbursement program to encourage new investment in expanding the acreage of wine grape production. The reports generated by grant recipients will also provide valuable information about the costs of wine grape production and indicators of success in growing wine grapes.

For the purpose of the Wine Grape Investment Pilot Grant Program, an applicant is a person or business that agrees to grow at least five new or additional acres of wine grapes for commercial production purposes. The maximum grant amount that may be awarded per applicant is \$25,000 and total funds available for all program grants are \$250,000. The applicant must incur all the expenses and submit the required documentation to receive the matching funds as specified in the application.

Recommendations

The Legislature should continue investing in this industry as an economic tool and monitor implementation of past bills.

- Continued funding at current levels is expected to sustain economic growth rates and continued revenue opportunities to the state through increased tax revenue.

The Legislature should consider developing a program by which Texas wineries could sell wine at remote locations like Farmer's Markets and other festivals that do not hold a temporary retailer's permit from the Texas Alcoholic Beverage Commission.

- This would ensure that Texas wine is represented in places where Texans expect to see Texas products.

- National trends and consumer interest in purchasing local products have prompted other wine states like California, Washington, Oregon and New York to put similar programs in place.⁶⁵

The Legislature should consider amending the law so that wineries may sell beer for on premise consumption in addition to wine during special events where food is served, such as weddings.

- Requiring wineries to purchase the beer through a Class B Wholesaler would mitigate distribution expense concerns for beer distributors due to the rural location of most wineries.
- Wineries have sound business plans because they have diverse revenue streams. A significant revenue stream for many wineries are special events that feature food. Currently, a winery cannot provide any alcoholic beverage other than wine during these events that often have hundreds of guests with diverse tastes. A program allowing wineries to sell beer in certain circumstances would allow wineries to better meet the needs of their clientele.

The Legislature should consider amending the law to increase the cap on the number of gallons a winery may sell annually for off-premise consumption.

- Currently, wineries are permitted to sell wine for off-premises consumption in an amount not to exceed 35,000 gallons annually. As indicated by the most recent economic impact study, the wine industry is growing at exponential rates and the 35,000 gallon limit will soon impede the rural economic growth generated by the wine industry.

The Legislature should consider amending the law to allow Texas wineries with distillers permits to sell brandy to other Texas wineries.

- Currently, wineries choosing to fortify wine with brandy for ports and sherrys must purchase that brandy from an out-of-state source, or apply for a federal distillers permit and distill their own brandy. Allowing Texas wineries with distillers permits to sell brandy to other Texas wineries would maximize the economic impact of the Texas wine and grape industry by encouraging business between Texans rather than between Texans and out-of-state vendors.
- Reducing the barriers for brandy procurement would allow more wineries to produce fortified wines and sherrys, thereby diversifying product lines and expanding customer bases.
- This change in law would foster additional revenue growth for the state because a higher tax rate is paid on fortified wines.⁶⁶

CHARGE 6: Open Beaches Act/ Federal Farm Bill

HB 2819 - Enforcement of the Open Beaches Act

Many Gulf coast beaches have suffered substantial coastal erosion that shows no sign of abating. The extent and location of the worst erosion has led to the difficult problem of structures legally built behind the line of vegetation ending up on the public beach because of erosion and storm events.

Through authority granted in 1959 with the passage of the Open Beaches Act (OBA), the Texas General Land Office (GLO) has served as the steward of the Texas coast for nearly fifty years. This Act, combined with the Dune Protection Act (DPA) and laws governing state-owned submerged lands, provides the outline for how the Texas Land Commissioner is to oversee his responsibilities on the coast.⁶⁷ More specifically, the Land Commissioner is tasked in the Texas OBA with protecting the public's common-law beach easement from the line of vegetation to the line of mean low water. The fact that erosion and storm events have caused structures to lie on the public beach has created a situation where the interests of the property owners conflict with the public's right to access and use the beach.

During the 80th Legislative Session, lawmakers passed HB 2819 because they saw a need for an updated OBA and DPA. Although the General Land Office received mostly positive feedback, rulemaking decisions on the line of vegetation and Local Government Erosion Response Plans became controversial in some communities. The General Land Office made great efforts to communicate with coastal communities and found that negative feelings about the proposed rule changes were allayed once the agency could explain the situation to the public. Just as the Land Office and Legislators became more confident that the contentious situation was a result of misinformation, Hurricane Ike hit the upper Texas coast and impeded the agency's progress on implementing rules developed for HB 2819.

Management and Protection of Coastal Public Land and Resources

The Open Beaches Act (OBA) is found in Chapter 61 of the Texas Natural Resources Code. It gives the State of Texas the authority to enforce the public's common-law rights to have access to and use of the public beach.

Prior to HB 2819, the Land Commissioner had only two options when dealing with the enforcement of the OBA: to sue a homeowner or to offer limited relocation assistance. HB 2819 enacted a series of additional tools to help the Land Commissioner enforce the OBA and DPA. The tools include:

- Granting the Commissioner rule making authority to determine when something is a health and safety risk or interferes with the public's right to access the beach.
- Authorizing the issuance of administrative orders and penalties to remove structures from the public beach or require restoration of damaged dunes. The penalty for violations of such orders was increased to up to \$2,000 per day.

- Denial of windstorm insurance through the state windstorm insurance pool for houses in violation of the law on the public beach.
- Allowing the Commissioner to establish rules on determining the line of vegetation and providing stronger legal standing for this determination.
- Updating disclosures to purchasers of coastal properties, including the real estate disclosure notice, to clearly inform a purchaser that additional risks are associated with coastal real property and that the property may be subject to suits by the State should the line of vegetation shift.

Another useful tool to protect the state's beaches is the adoption and implementation of local Erosion Response Plans. Local governments are authorized to adopt Erosion Response Plans to reduce the costs associated with coastal erosion and storm damage. HB 2819 further defined the information to be included in those plans, including establishing a building setback line, and made the adoption of a plan a consideration in the state's Coastal Erosion Planning and Response Act (CEPRA) grants. The Commissioner was given authorization to adopt rules regarding the adoption of the setback line, but these rules had not been adopted by the time this report went to print.

HB 2819 made several administrative changes impacting the GLO's ability to manage and protect coastal lands. The bill extended the time limit for review and approval of local government beach access and dune protection plans from 60 to 90 days. The increasingly complex nature of these plans and the number of proposals had made the 60-day review period inadequate. Similarly, HB 2819 created a two-tiered review process for construction permits. Prior to this bill, the GLO had ten days to review development plans submitted by local governments. Plans submitted to the GLO have involved 50 to 100 residential lots and/or high-rise condominium projects and 10 days was not an adequate time to review. For small-scale construction projects of less than 5,000 square feet or two stories or less in height, the deadline for GLO review and comment will continue to be 10 days. For projects greater than those limits, the agency is allowed 30 days for the review and comment process.

Impact of Hurricane Ike

On September 13, 2008, Hurricane Ike hit the upper Texas coast as a strong Category 2 hurricane, followed by high water, including storm surge and battering waves. The wind and water impacts of Hurricane Ike on coastal Brazoria County, Galveston Island, and Bolivar Peninsula were catastrophic.⁶⁸ This event undoubtedly impacted the GLO's ability to plan for funding requests in the next legislative session and has forced the agency to reallocate funds to focus on the most imminent problems.

Additionally, Hurricane Ike has affected the GLO's ability to implement the rules developed for HB 2819. HB 2819 was signed by the Governor on June 15, 2007, with an effective date of September 1, 2007. The development of rules regarding enforcing the open beaches and dune protection violations began in September 2007. The rules for erosion response plans, line of vegetation and administrative review were published May 16, 2008 and the public comment period ended September 15, 2008.

The GLO has held several meetings throughout the coastal areas and cities to discuss the draft rules and receive feedback. While final rules were expected to be published by November 15, 2008, Commissioner Patterson made a decision very early after Hurricane Ike hit the coast to delay any actions, or approval of, the proposed beach and dune rules. On September 18, 2008, Commissioner Patterson reassured coastal homeowners that he "would not be enforcing the Texas Open Beaches Act any time soon." Later, the Commissioner suspended taking any action on proposed changes to the beach and dune rules. "There will be no immediate enforcement of the Open Beaches Act on structures unless they present an imminent threat to the public health and safety," Patterson said. "The priority now should be repair and recovery, not fighting over whose house is on the public beach."⁶⁹

Commissioner Patterson also issued emergency rules that allow coastal property owners to immediately begin work to stabilize and repair structures damaged by Hurricane Ike. The emergency rules are in place until January 10, 2009. A brief summary of those rules follows:

- For 120 days after September 12, local governments may issue permits for repair of residential structures without regard to the proximity of those structures to the line of vegetation.
- Repair permits are valid for 180 days.
- Repairs may be made to protect public health, safety and welfare, and to prevent further damage to the structure.
- Local governments may authorize repair of a septic system landward of the line of vegetation if the system complies with Texas Commission on Environmental Quality and local government rules.

An obvious complication of Hurricane Ike is the increased number of homes likely in violation of the Open Beaches Act. Prior to the storm, approximately 13 homes were in litigation with the GLO. Of those homes in litigation, 9 were destroyed by the hurricane, but will remain in litigation.⁷⁰ In the aftermath of Hurricane Ike, The GLO must give the beaches time to adjust to the new average tide lines and vegetation lines. Until that time, only estimations can be made as to how many new homes are located on public beaches.

Most would agree that structures on the beach that pose a threat to public health and safety need to be removed. Accomplishing this goal can be difficult in situations that require prioritizing public safety over personal property rights. The Legislature should consider two policy changes that would provide the GLO greater leverage in these instances:

- Provide funds to local governments to assist in removing structures that pose a threat to public health and safety.
- Examine the GLO's authority to offer voluntary buyouts to structure owners.

Currently, the GLO is authorized to issue \$50,000 to homeowners to relocate their structures. When a homeowner refuses, the result is several hundred thousand dollars in legal fees over many years of litigation. For homes that may be worth only \$150,000, a buyout offer to the property owner may save the state \$300,000.

As highlighted by the devastation caused by Hurricane Ike, it is time for Texas to define the need and set priorities for coastal protection and restoration projects. The GLO is currently studying the Texas coast to identify critical shoreline and beach re-nourishment needs. Based upon predetermined criteria, the GLO can then designate geographic areas as "Critical Erosion Zones," which will help decision makers prioritize the allocation of resources.

Recommendations

Due to the ongoing recovery efforts and significant alteration of the beach and dune system, Commissioner Patterson has withdrawn the proposed changes to the beach and dune rules, including those related to building setback lines, until further notice. The Subcommittee will continue to monitor the implementation of HB 2819 and enforcement of the Open Beaches Act.

The State should maintain existing Open Beaches Act and submerged land enforcement authority. Additionally, the Legislature may consider policies that may provide the General Land Office (GLO) with greater leverage in ensuring public safety regarding structures in violation of the Open Beaches Act.

The Federal Food, Conservation and Energy Act of 2008

The Food, Conservation and Energy Act of 2008 is projected to cost \$290 billion over five years and lay the groundwork for national agriculture policy until 2012. Passage of the 600 page bill is a story ripe with surprises and contentious compromises. President Bush had vetoed the measure twice, claiming that it was too expensive and gave too much money to wealthy farmers when farm incomes are high. Later, it was discovered that Title III of the bill, 34 pages, was inadvertently omitted from the package sent to the President for consideration. The mistake was traced back to an error by the House Clerk's Office and Congress was forced to approve the incomplete legislation.⁷¹

After successful veto overrides by the U.S. Senate and the U.S. House of Representatives, the vast majority (93%) of the Food, Conservation and Energy Act of 2008 went into effect on May 22, 2008. The remaining title was approved following subsequent action by Congress.⁷²

Program Funding Summary

The 2008 Farm Bill will be in effect 2008 through 2012. Over this time period a total of \$209 billion will go to nutrition programs, \$35 billion towards agricultural commodity programs, and \$25 billion to conservation programs.⁷³

Below is a summary of funding for several of the large programs:

- Overall spending on farm programs is decreased and now accounts for approximately 12% of total expenditures.
- Funding for the Specialty Crop Research Initiative provides an additional \$50 million each year to address the critical needs of the specialty crop industry (producers and handlers of fruits and vegetables, tree nuts, dried fruits, etc.) by developing and disseminating science-based tools to address needs of specific crops.⁷⁴
- Funding was increased by \$10.3 billion over the budget baseline for nutrition programs. These programs now account for 73.5% of the overall total expenditures under the bill.
- Conservation funding has been increased, with an additional \$4 billion over previous levels for a total of approximately \$25 billion.
- Energy program funding has been increased, including \$1 billion to leverage renewable energy industry investments in new technologies and new feedstocks.
- A total of \$50 million was allocated to assist the U.S. Department of Agriculture in implementation of the new law.⁷⁵

Impact on Texas

Many titles in the 2008 Farm Bill have a direct impact on producers and rural businesses while others are targeted at increasing demand for agricultural commodities and value-added products. Farm policy overall will remain very similar to policy under the 2002 Farm Bill and no major changes are implemented for the 2008 crop year because of the delay in completing the legislation.

The farm commodity programs are the most visible part of the farm bill. In fact, five crops (corn, wheat, cotton, rice and soybeans) account for over 90% of government commodity payments to farmers.⁷⁶ The 2008 Farm Bill continues the direct payment, counter-cyclical payment, and marketing loan programs for the 2008-2012 crop years, but adjusts target prices and loan rates for some commodities. For a more detailed explanation of policy developments and changes in the farm commodity programs, the Subcommittee recommends reading the July 2008 Congressional Research Report to Congress prepared by Jim Monke, specialist in the Agriculture Policy, Resources, Science and Industry Division of the Congressional Research Service.⁷⁷

Below is a summary of major policy changes that will have an effect on Texas agriculture and livestock producers:

- Target prices and loan rates are rebalanced, the countercyclical payment structures for both commodity and dairy producers are retained, and eligibility requirements for receipt of commodity program payments are modified.
- The ethanol tariff is extended until December 31, 2010, and the ethanol tax credit is reduced from 51 cents to 45 cents.
- Producers who wish to participate in the new disaster program are required to have crop insurance or non-insured crop disaster assistance coverage for the land for which assistance is being requested. Because the law was enacted after the application period had closed for those programs, a waiver was authorized that allows producers to pay a buy-in fee to be eligible for this new disaster assistance.⁷⁸

The issue of labeling and identification of products and animals has continued for several years in both the federal government and in the Texas Legislature. Country of Origin Labeling (COOL) was first included in the 2002 Farm Bill but Congress delayed implementation of the provision several times. COOL requires retailers to notify their customers of the country of origin of agricultural products. Food service establishments are specifically exempted as are covered commodities that are ingredients in a processed food item.⁷⁹

HB 1361, enacted during the 79th Legislature, Regular Session, authorized the Texas Animal Health Commission to develop an animal identification system consistent with the National Animal Identification System (NAIS) developed by the United States Department of Agriculture (USDA). At the time, the USDA was in the process of developing a mandatory NAIS. Since that time, the USDA-NAIS has been changed to a voluntary program reflecting a belief that the private market will eventually compel registration in an identification system.

The Commission dropped its plans for creating a mandatory system and has a voluntary system consistent with the USDA-NAIS. There is some concern that the original language of HB 1361 authorizes the Commission to create a mandatory system even if the USDA-NAIS remains voluntary. H.B. 461 by Representative Miller, 80th Legislative Session, would have required the Commission's system to remain voluntary at the state level.⁸⁰ HB 461 did not pass into law, but it is likely that the bill and the issue of labeling and identification will resurface in the 81st Legislative Session.

Several changes were made to COOL in the 2008 Farm Bill:

- Expands the list of covered commodities to include chicken, goat meat, ginseng, pecans and macadamia nuts.
- The Secretary is prohibited from requiring the maintenance of additional records other than those maintained in the normal conduct of business such as animal health papers, import or customs documents, or producer affidavits.
- The notice of country of origin for all ground meat products will include a list of all of the countries of origin contained or reasonably contained in the product.

Recommendations

The USDA Farm Service Agency (FSA) will work with University Extension agents to implement approximately 80% of the new Farm Bill.⁸¹ The Subcommittee will continue to monitor the implementation of the Farm Bill and respond to Texas agricultural needs as they arise.

APPENDICES

Appendix A- Fuel Ethanol and Biodiesel Production Incentive Program

Plants - 4thQtr/06	County	Total Production	Fee	Fee Recv'd	CPA match	Incentive Payment
Central Texas	Lee	\$3,900	\$0	\$0	\$0	\$0
Organic Fuels	Harris	\$6,354,267	\$203,337	\$203,337	\$1,067,517	\$1,270,853
Huish Detergents	Harris	\$3,385,369	\$108,332	\$108,331	\$568,738	\$677,069
Johann Haltermann	Harris	\$1,949,197	\$62,374	\$62,374	\$327,465	\$389,839
SMS Envirofuels	Atascosa	\$0	\$0	\$0	\$0	\$0
Smithfield Bioenergy	Johnson	\$790,226	\$25,287	\$25,287	\$132,757	\$158,044
Totals		\$12,482,959	\$399,330	\$399,329	\$2,096,477	\$2,495,806

Plants - 1stQtr/07	County	Total Production	Fee	Fee Recv'd	CPA match	Incentive Payment
Central Texas	Lee	\$0	\$0	\$0	\$0	\$0
Organic Fuels	Harris	\$6,467,798	\$206,970	\$206,970	\$1,086,590	\$1,293,560
Huish Detergents	Harris	\$3,861,409	\$123,565	\$123,565	\$648,717	\$772,282
Johann Haltermann	Harris	\$2,781,746	\$89,016	\$89,016	\$467,333	\$556,349
SMS Envirofuels	Atascosa	\$110,000	\$3,520	\$3,520	\$18,480	\$22,000
Smithfield Bioenergy	Johnson	\$955,241	\$30,568	\$30,568	\$160,480	\$191,048
Pacific Biodiesel Texas	Hill	\$190,944	\$6,110	\$6,110	\$32,079	\$38,189
Brownfield Biodiesel	Crosby	\$0	\$0	\$0	\$0	\$0
Totals		\$14,367,138	\$459,748	\$459,748	\$2,413,679	\$2,873,428

Plants - 2ndQtr/07	County	Total Production	Fee	Fee Recv'd	CPA match	Incentive Payment
Central Texas	Lee	\$0	\$0	\$0	\$0	\$0
Organic Fuels	Harris	\$5,403,716	\$172,919	\$172,919	\$907,824	\$1,080,743
Huish Detergents	Harris	\$4,825,712	\$154,423	\$154,423	\$810,720	\$965,142
Johann Haltermann	Harris	\$2,809,658	\$89,909	\$89,909	\$472,023	\$561,932
SMS Envirofuels	Atascosa	\$5,250	\$168	\$168	\$882	\$1,050
Smithfield Bioenergy	Johnson	\$727,606	\$23,283	\$23,266	\$122,144	\$145,410
Pacific Biodiesel Texas *	Hill	\$156,899	\$5,021	\$5,021	\$26,359	\$31,380
Brownfield Biodiesel	Crosby	\$4,950	\$158	\$158	\$832	\$990
GGF Gonzales	Gonzales	\$68,195	\$2,182	\$2,182	\$11,457	\$13,639
AgriBiofuels	Liberty	\$121,923	\$3,902	\$3,902	\$20,483	\$24,385
Safe Fuels, Inc	Montgomery	\$46,442	\$1,486	\$1,486	\$7,802	\$9,288
NMM, Ltd	Harris	\$17,308	\$554	\$554	\$2,908	\$3,462
Totals		\$14,187,659	\$454,005	\$453,987	\$2,383,433	\$2,837,420

Plants - 3rdQtr/07	County	Total Production	Fee	Fee Recv'd	CPA match	Incentive Payment
Central Texas	Lee	\$0	\$0	\$0	\$0	\$0
Organic Fuels	Harris	\$4,572,524	\$146,321	\$146,321	\$768,184	\$914,505
Huish Detergents	Harris	\$4,764,322	\$152,458	\$152,458	\$800,406	\$952,864
Johann Haltermann	Harris	\$2,934,001	\$93,888	\$93,888	\$492,912	\$586,800
SMS Envirofuels	Atascosa	\$575	\$0	\$0	\$0	\$0
Smithfield Bioenergy	Johnson	\$1,780,294	\$56,969	\$56,969	\$299,089	\$356,059
Pacific Biodiesel Texas	Hill	\$126,575	\$4,050	\$4,050	\$21,265	\$25,315
Brownfield Biodiesel	Crosby	\$29,980	\$959	\$959	\$5,037	\$5,996
GGF Gonzales	Gonzales	\$268,898	\$8,605	\$8,605	\$45,175	\$53,780
AgriBiofuels	Liberty	\$887,498	\$28,400	\$28,400	\$149,100	\$177,500
Safe Renewables Corp.	Montgomery	\$256,696	\$8,214	\$8,214	\$43,125	\$51,339
NMM, Ltd	Harris	\$65,396	\$2,093	\$2,093	\$10,987	\$13,079
Bioselect Fuels	Galveston	\$0	\$0	\$0	\$0	\$0
Agrimax Fuels	Harris	\$11,000	\$352	\$352	\$1,848	\$2,200
ECO Friendly Products	Harris	\$0	\$0	\$0	\$0	\$0
Totals		\$15,697,759	\$502,310	\$502,310	\$2,637,127	\$3,139,437

Plants - 4thQtr/07	County	Total Production	Fee	Fee Recv'd	CPA match	Incentive Payment
Central Texas	Lee	\$0	\$0	\$0	\$0	\$0
Organic Fuels	Harris	\$5,582,593	\$49,791	\$49,791	\$261,402	\$311,192
Huish Detergents	Harris	\$6,085,842	\$145,554	\$145,554	\$764,158	\$909,711
Johann Haltermann	Harris	\$369,379	\$11,820	\$11,820	\$62,056	\$73,876
SMS Envirofuels	Atascosa	\$0	\$0	\$0	\$0	\$0
Smithfield Bioenergy	Johnson	\$2,948,409	\$94,349	\$94,349	\$495,333	\$589,682
Pacific Biodiesel Texas	Hill	\$210,242	\$6,728	\$6,728	\$35,321	\$42,048
Brownfield Biodiesel	Crosby	\$36,547	\$1,170	\$1,170	\$6,140	\$7,309
GGF Gonzales	Gonzales	\$347,196	\$11,110	\$11,110	\$58,329	\$69,439
AgriBiofuels	Liberty	\$681,517	\$21,809	\$21,809	\$114,495	\$136,303
Safe Renewables Corp.	Montgomery	\$343,225	\$10,983	\$10,983	\$57,662	\$68,645
NMM, Ltd	Harris	\$58,342	\$1,867	\$1,867	\$9,801	\$11,668
Bioselect Fuels	Galveston	\$467,156	\$14,949	\$14,949	\$78,482	\$93,431
Agrimax Fuels	Harris	\$0	\$0	\$0	\$0	\$0
Green Earth Fuels	Galena Park	\$1,641,797	\$52,538	\$52,538	\$275,822	\$328,359
ECO Friendly Products	Harris	\$0	\$0	\$0	\$0	\$0
Totals		\$18,772,245	\$422,667	\$422,667	\$2,218,999	\$2,641,666

**Information Provided to the Subcommittee by the Texas Department of Agriculture*

Appendix B- Fuel Ethanol and Biodiesel Production Incentive Program

Cycle 4 Projects

Project	CEPRA Expenditures	Total Project Costs
Port Aransas Nature Preserve, Shore Protection	\$2,000,000	\$6,184,860
Cedar Bayou/Vinson Slough, Habitat Restoration - Design	\$90,000	\$149,590
West Bay Bird Island, Habitat Restoration Construction	\$490,462	\$490,462
Surfside Beach, Debris Removal	\$169,583	\$169,583
San Luis Pass Inlet Management Phase 2 Study/ Treasure Island Alternatives Analysis	\$251,254	\$251,254
Quintana Beach Nourishment FEMA Repair	\$30,207	\$30,207
Structure Relocation & Demolition Projects	\$703,426	\$703,426
Surfside Beach Shoreline Stabilization Feasibility Study	\$339,734	\$339,734
Surfside Beach Structure Demolition & Material Disposal	\$35,296	\$35,296
South Padre Island Beach Nourishment & Sand Sources Study	\$301,708	\$600,000
USACE Feasibility Study - Galveston County	\$404,186	\$1,451,000
Jamaica Beach, Dune Restoration	\$800,000	\$1,066,667
Offshore Galveston Sand Sources Study	\$220,027	\$220,027
Virginia Point Shoreline Protection, Alternatives Analysis	\$50,000	\$100,000
Rollover Pass Beach Nourishment	\$200,000	\$1,267,000
Gilchrist West Beach Nourishment FEMA Repair	\$20,474	\$20,474
West Galveston Island Beach Nourishment FEMA Repair	\$1,198,980	\$1,203,729
USACE Feasibility Study - Jefferson County	\$110,631	\$1,349,000
Economic Benefits of Cycle 4 Projects	\$124,893	\$125,000
Mapping and Characterization of Significant Washover Features on the Texas Gulf Shoreline	\$28,900	\$28,900

Cycle 5 Projects

Project	CEPRA Expenditures	Total Project Costs
USACE Erosion Response Feasibility Study – Galveston County	\$150,000	\$400,000
USACE Erosion Response Feasibility Study – Jefferson County	\$150,000	\$400,000
Gilchrist West Beach Nourishment – Hurricane Rita Repairs	\$393,000	\$393,000
West Galveston Island Beach Nourishment Hurricane Rita Repairs	\$868,000	\$868,000
Bahia Grande Restoration	\$200,000	\$2,900,000
South Padre Off-Shore Sand Source Phase 2 – Data Collection	\$300,000	\$600,000
South Padre Island Beach Restoration Using Submerged Sand	\$2,100,000	\$2,800,000
South Padre Beach Nourishment Using Sand from Park Rd.100	\$600,000	\$801,000
Broadway Dr. Shoreline Stabilization and Ecosystem Enhancement	\$1,200,000	\$6,300,000
Cedar Bayou & Vinson's Slough Marsh Restoration	\$40,000	\$100,000
Sargent Beach – Dune and Beach Restoration	\$150,000	\$200,000
San Bernard River Sand Source Investigation	\$50,000	\$500,000
Relocation of Structure, Village of Surfside Beach	\$50,000	\$50,000
Relocation of Structure, Village of Surfside Beach	\$50,000	\$50,000
Relocation of Structure, Village of Surfside Beach	\$50,000	\$50,000
Relocation of Structure, Village of Surfside Beach	\$50,000	\$50,000
Surfside Long Term Stabilization Project – Phase 1	\$1,100,000	\$5,754,000
House Acquisition and Demolition Project	\$120,000	\$2,010,000
Shoreline Stabilization Project- Brazoria County	\$100,000	\$200,000
Treasure Island Beach Nourishment Project	\$75,000	\$100,000
San Luis Pass Inlet Management Study Phase 3	\$100,000	\$400,000
Bay Harbor Habitat Restoration Project	\$100,000	\$340,886
Structure Relocation of 13223 Bermuda Beach Drive	\$50,000	\$50,000
Galveston Island Beach Stabilization Demonstration Project	\$100,000	\$200,000
West Galveston Island End of Seawall Beach Nourishment	\$5,000,000	\$13,500,000
San Jacinto Placement Area Preparation	\$85,000	\$250,000
Rollover Pass Beach Nourishment w/ Use of Dredged Materials	\$150,000	\$500,000
Pine Gully Shoreline Protection and Marsh Restoration	\$60,000	\$100,000
Sylvan Beach Shoreline Protection and Beach Nourishment	\$1,400,000	\$2,524,172
Gulf Intracoastal Waterway (GIWW) at McFaddin National Wildlife Refuge - Breakwater and Marsh Restoration Project	\$25,000	\$115,000
McFaddin Nat'l Wildlife Refuge – Salt Bayou Dune Restoration	\$25,000	\$115,000
Cordgrass Planting Along Shorelines of the GIWW at McFaddin National Wildlife Refuge	\$60,000	\$120,000
Use of Dredged Material on Texas Point Nat'l Wildlife Refuge	\$500,000	\$2,500,000
Pleasure Island Protection from Ship Wakes	\$750,000	\$2,620,000
Aerial Photography of CEPRA Projects and Coastal Shorelines	\$150,000	\$150,000
Update of Critical Erosion Rates on the Texas Gulf Coast	\$150,000	\$150,000
Pre- and Post-Storm Monitoring of CEPRA Beach Nourishment Projects – Phase 3	\$100,000	\$240,000

*/** to be fully reimbursed by FEMA post-construction

**Information Provided to the Subcommittee by the Texas General Land Office*

Appendix C - Wine Grape Investment Pilot Grant Program

Applicant Name	County	TDA Region (RED)	Total Project Costs	Eligible Grant
Mesa Vinyards, LP	Pecos	Panhandle/South Plains	\$425,401	\$25,000
Brennan Vineyards, LLC	Comanche	North Texas	\$68,700	\$22,900
AA Martin Partners, Ltd. dba Martin's Vineyard	Harris	Central Texas/Coastal Plains	\$85,104	\$25,000
Bell Mountain Vineyards, Inc.	Gillespie	Central Texas/Coastal Plains	\$92,472	\$25,000
Rene Hill Trust dba Krick Hill Vineyard	Hockley	Panhandle/South Plains	\$77,729	\$4,750
Cliff Bryan Bingham	Terry	Panhandle/South Plains	\$184,170	\$25,000
Clint Bingham	Terry	Panhandle/South Plains	\$67,050	\$22,350
Sawyer Farm Partneship dba The Family Vineyard	Terry	Panhandle/South Plains	\$95,715	\$25,000
John Francis Oswald dba Oswald Vinyard	Terry	Panhandle/South Plains	\$155,000	\$25,000
Delaney Vineyards, Inc.	Tarrant	North Texas	\$126,900	\$25,000
Red Caboose, LLC	Bosque	Central Texas/Coastal Plains	\$150,702	\$25,000
Total			\$1,528,943	\$250,000

**Information Provided to the Subcommittee by the Texas Department of Agriculture*

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- ⁴ Letter from Texas State Governor Rick Perry, Office of Governor, State of Texas, to United State Environmental Protection Agency, April 25, 2008.
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- ¹¹ Smith, Ron. "Gas savings from biofuel offset food price hikes but livestock operators feeling ethanol pinch" Farm Press Editorial staff. July 16, 2008.
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- ¹⁸ Reference Senate Bill 888, 2006 and Florida Statutes 212.08
- ¹⁹ Oklahoma Statutes 68-500.4 and 68-500.10
- ²⁰ Oklahoma Statutes 68-2357.22
- ²¹ Oklahoma Statutes 68-2357.22
- ²² Reference HB 1513, 2007 and Oklahoma Statutes 68-2357.67
- ²³ Oklahoma Statutes 2-1950.10 and 2-1950.11
- ²⁴ Oklahoma Statutes 74-130.3
- ²⁵ Executive Order No. 2007-03, 2007
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