

TEXAS BOLL WEEVIL ERADICATION FOUNDATION, INC.



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June 25, 2020

Jennifer Jones
Executive Director
Sunset Advisory Commission
P.O. Box 13066
Austin, Texas 78711-3066

Dear Ms. Jones,

Thank you for the opportunity to provide the Texas Boll Weevil Eradication Foundation's (Foundation) position on the issues presented in the Sunset staff report. The Foundation appreciates the Sunset staffs' thorough and professional review and looks forward to continuing to serve as a resource for the Sunset Commission members and staff as well as the Legislature throughout this process.

First, Foundation management agrees with the points made by Sunset staff in the report. There are a couple of points that bear additional comments, however.

First, as to the TDA portion of the report, the Commission finds that certain advisory committees have expired by operation of law. This finding is relevant to the Foundation because one set of those committees are the Cotton Producer Advisory Committees. The CPACs play an important role in boll weevil eradication as they consider and recommend stalk destruction dates and deadline extensions. To the extent the CPACs are dissolved, the Foundation requests guidance from the Commission related to where those functions should be housed going forward. The zone-level Foundation grower-steering committees could theoretically perform this function; however, those steering committees are not appointed by the Commissioner of Agriculture or any other official. To the contrary, each cotton gin in a zone may nominate a member or some such, but in any event the committees are informally organized.

The grower steering committees already make recommendations to the Foundation board, namely assessment and maintenance fee rates and assessment due dates. The stalk destruction date recommendations currently made by CPACs could be added to the grower steering committees' portfolio, with those recommendations proceeding to Foundation board or management and then to the Commissioner. (Stalk destruction deadline waivers would likely need to go through management, as such are time sensitive and the Foundation board meets quarterly.)

Second, the Commission has recommended that the Foundation adopt a policy regarding the desired level of reserve funds. Again, Foundation management understands the rationale for this recommendation and supports it, but there are unique factors to take into account.

Boll weevil eradication has been a \$1.3 billion dollar effort to date. The current year operating budget for the Foundation is \$31 million. The Foundation had \$102 million in cash on hand at the end of the fiscal year, which Foundation management would contend constitutes about \$75 million in actual reserves, taking into account working capital requirements. So, while the reserves may seem healthy from the standpoint of current actual budgets, they are relatively minimal when compared to total eradication costs to date.

It is important to remember that that \$1.3 billion is the cost to date to eradicate boll weevil from Texas one time. In the event of a catastrophic reinfestation, we could expect such costs to be incurred again. That is why the Foundation still traps and monitors eradicated areas. It is also why it is absolutely vital to have adequate reserves to swiftly respond to any reinfestation.

Foundation management believes a target reserve amount of 10-15% of total eradication costs to date would be a reasonable benchmark for reserves. The Foundation would appreciate guidance from the Commission on reasonable measures for reserve fund policy between now and the time the Foundation board discusses a reserve fund policy at our November board meeting.

Alternatively, a reserve guideline could be based a dollar figure per acre of cotton, such as \$15-\$25 per acre of cotton planted in the state.

In closing, the Foundation would like to thank Robert Romig and his team for their thoroughness and thoughtfulness of both the review process and the report. We look forward to continuing to work with the Commission and the Legislature as the process continues.

Sincerely,



Lindy Patton
President and CEO

Cc Woody Anderson
Zach Brady
Patrick Burson