

Summary of Legislative Budget Estimates

For the 2000-2001 Biennium

Submitted to the 76th Legislature

January 1999

LEGISLATIVE BUDGET BOARD

January 12, 1999

Honorable Governor of Texas
Honorable Members of the Seventy-sixth Legislature
Assembled in Regular Session

Ladies and Gentlemen:

This document, *Summary of Legislative Budget Estimates*, provides an overview of the recommended 2000-01 biennial budget, prepared for your consideration by the director and staff of the Legislative Budget Board in compliance with the provisions of Section 322.008, Government Code. The detailed recommended budget for each agency of state government is being transmitted under separate cover.

In general, under guidelines established by the Legislative Budget Board, this recommended budget would limit agency funding to spending levels expected during the 1998-99 biennium, except for increases provided under the following circumstances: expenditures necessary to provide for projected public school enrollment growth, tax rate growth, district property value changes, and equity standards under school finance current law; annualized cost of current school facilities projects; current needs for instructional materials; higher education enrollment growth; projected growth in adult and youth corrections populations; debt payments; projected health and human services costs, including caseload and cost increases for federally mandated Medicaid programs and children in foster or related care; and employer costs for staff benefits under current policies.

Although the Comptroller of Public Accounts' official estimate of revenue available for appropriation by the Seventy-sixth Legislature had not been published at the time this document was prepared, these recommended appropriations are expected to be within available revenue. The recommendations are also within the limitation on the growth of appropriations established by the Legislative Budget Board on November 19, 1998, pursuant to Article VIII, Section 22, of the Texas Constitution.

The amounts requested by state agencies and institutions of Higher Education include exceptional items beyond baseline budget needs.

The members and staff of the Legislative Budget Board are grateful to the many officials and employees of state government whose efforts and cooperation are necessary during the legislative appropriations process.

Respectfully submitted,

John Keel
Director



INTRODUCTION

The Legislative Budget Board recommended appropriations for state government operations for the 2000-01 biennium total \$91.7 billion from all fund sources (excluding Tobacco Settlement Receipts). The recommendations provide a \$3.3 billion, or 3.8 percent, increase from the 1998-99 biennial level.

General revenue funding, including funds dedicated within the General Revenue Fund, totals \$57.4 billion (excluding Tobacco Settlement Receipts) for the 2000-01 biennium, an increase of \$3.3 billion, or 6.1 percent, compared to the anticipated 1998-99 biennial spending level. Figures 1 and 2 show the 2000-01 recommendations by government function.

In addition to the amounts specified above, the estimates for the 2000-01 biennium include \$1.8 billion in General Revenue-Dedicated Tobacco Settlement Receipts collected from the 1998 Comprehensive Tobacco Settlement (Figure 3). Funding of certain items included in the \$1.8 billion, such as endowments at various institutions of higher education, will require statutory authority.

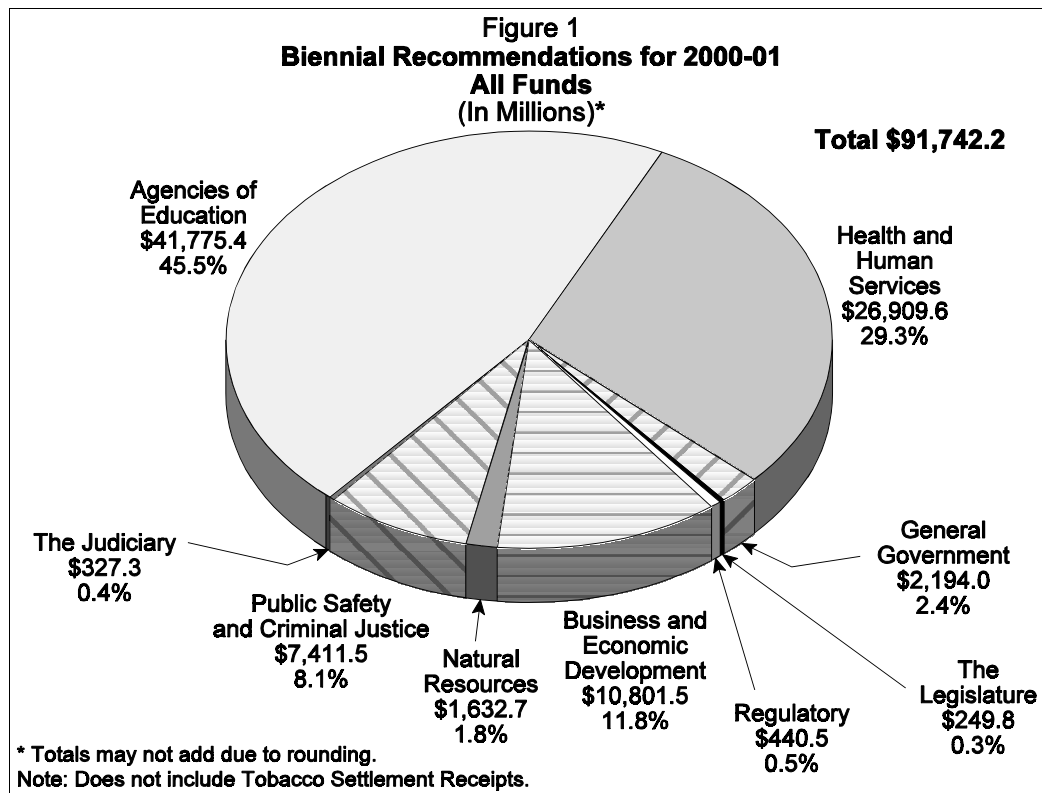


Figure 2
Biennial Recommendations for 2000-01
General Revenue and General Revenue-Dedicated Funds
(In Millions)*

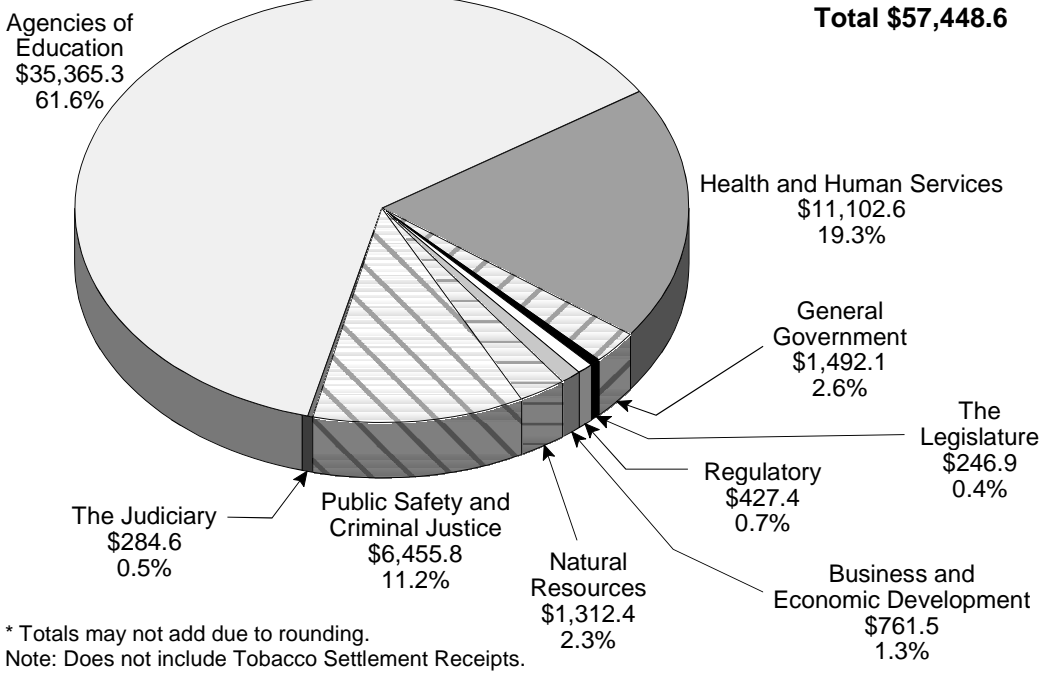
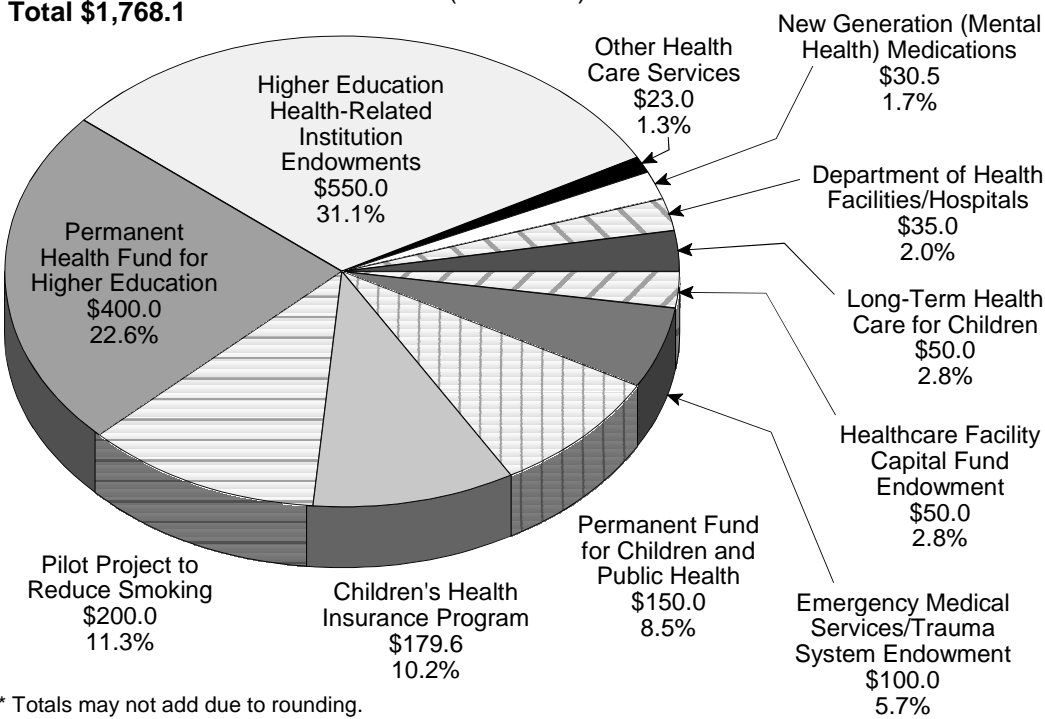


Figure 3
Tobacco Settlement Receipts for 2000-01
(In Millions)*



Highlights of the Recommendations for the 2000-01 Biennium

The Legislative Budget Board recommendations include **increased general revenue funding** from the 1998-99 biennial level for a number of **key budget items** including:

- \$1.6 billion to Public Education to fully fund the Foundation School Program, raise the guaranteed yield, fund facilities obligations, and provide an increase in funding for textbooks;
- \$233 million to Higher Education for enrollment growth at the junior colleges and health-related institutions, debt service requirements for tuition revenue bonds, and health insurance premiums for higher education employees;
- \$229 million to Public Safety and Criminal Justice for costs related to increased adult and juvenile offender populations, including operating new prisons and juvenile institutions coming on-line;
- \$428 million to Health and Human Services for Medicaid costs, increased state matching funds due to less favorable federal match rates, increased foster care and adoption caseloads, and higher need nursing home clients;
- \$124 million to the Employees Retirement System to cover employer costs and employee benefits, including increased health care and retirement costs;
- \$296 million to the Teacher Retirement System for retirement and health insurance, reflecting an increased number of public and higher education employees and increased payroll costs; and
- \$76 million to the Teacher Retirement System for the projected TRS-Care (i.e., health care for retired teachers) deficit in 2001.

Major Changes by Function Compared to the 1998-99 Biennium

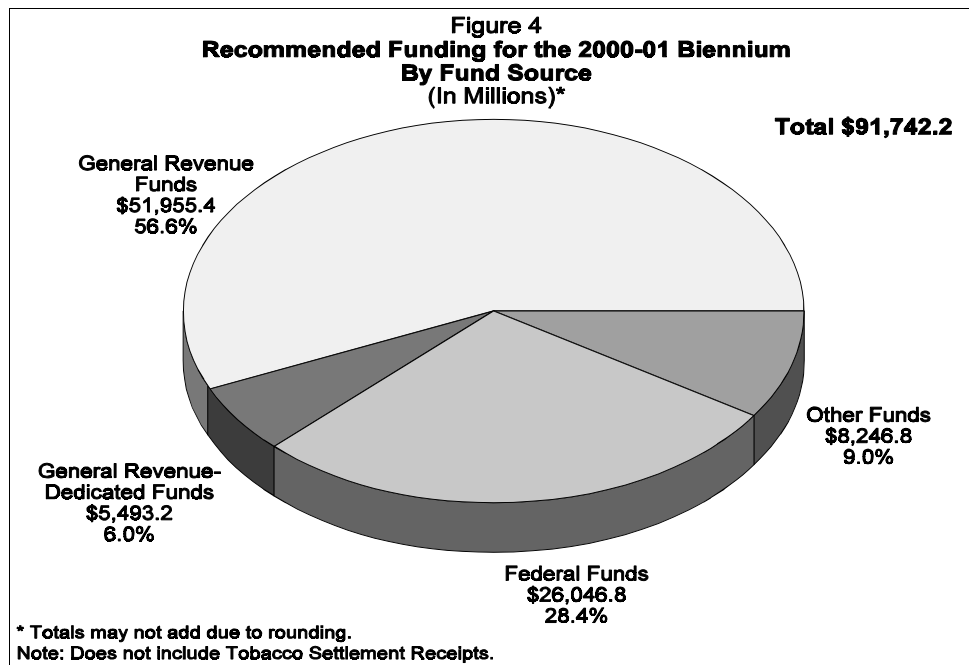
The LBB recommendations for the 2000-01 biennium result in the following major funding changes from the 1998-99 biennium:

- \$2.5 billion, or 7.5 percent, General Revenue and General Revenue-Dedicated Funds increase for Public and Higher Education;
- \$464.7 million, or 4.4 percent, General Revenue and General Revenue-Dedicated Funds increase in Health and Human Services;
- \$428.0 million, or 7.1 percent, General Revenue and General Revenue-Dedicated Funds increase for Public Safety and Criminal Justice;

- \$50.1 million, or 3.7 percent, General Revenue and General Revenue-Dedicated Funds decrease in Natural Resources;
- \$396.1 million, or 8.1 percent, Federal Funds increase primarily for highway transportation in Business and Economic Development;
- \$127.7 million, or 0.8 percent, Federal Funds increase for Health and Human Services; and
- \$436.8 million, or 5.0 percent, total decrease in Other Funds, due primarily to decreased bond proceeds for construction in the Public Safety and Criminal Justice function, and decreased State Highway Funds available to the Texas Department of Transportation as compared to resources available for highway and right-of-way construction for 1998-99.

Federal Funds included in the recommendations for 2000-01 total \$26.0 billion, an increase of \$0.5 billion, or 1.9 percent, compared to 1998-99. The recommended Federal Funds budget constitutes 28.4 percent of the state’s total budget. In addition to the \$26.0 billion Federal Funds expenditure estimate, state-owned hospitals are expected to receive \$557.1 million in federal disproportionate share hospital funds.

Federal Fund amounts recommended for the 2000-01 biennium and included in the recommended appropriations for various agencies are estimated based on factors and information available at the time the recommendations were made. Federally funded programs will be monitored during the legislative budget process and updates will be made based on the best information available at the time the budget for the 2000-01 biennium is finalized. Figure 4 shows the 2000-01 recommended budget by major fund source:



Recommendations by Function and Method of Financing for the 2000-01 Biennium

Tables 1 through 6 compare the recommendations for the 2000-01 biennium with estimated 1998-99 expended/budgeted levels. The tables show the budgets by government function and separate tables are shown for All Funds, General Revenue Funds, General Revenue-Dedicated Funds, General Revenue and General Revenue-Dedicated Funds, Federal Funds, and Other Funds.

For definitional purposes, the term “General Revenue Funds” includes the non-dedicated portion of the General Revenue Fund and three education funds—the Available School Fund, the State Textbook Fund and the Foundation School Fund. “General Revenue Funds” also includes the dedicated portions of some taxes that have historically counted as general revenue. The term “General Revenue-Dedicated Funds” includes those funds that were re-dedicated under House Bill 3050, Seventy-fourth Legislature, 1995, and House Bill 2948, Seventy-fifth Legislature, 1997, and all other dedicated accounts within the General Revenue Fund.

Table 1 All Funds Biennial Recommendations for 2000-01 Compared to the 1998-99 Budget (In Millions)*				
	Expended/ Budgeted 1998-99	Recommended 2000-01	Biennial Change**	Percent Change**
Article I - General Government	\$ 2,042.5	\$ 2,194.0	\$ 151.6	7.4%
Article II - Health and Human Services	26,360.6	26,909.6	549.0	2.1
Article III - Agencies of Education	38,942.3	41,775.4	2,833.1	7.3
<i>Public Education</i>	<i>26,898.2</i>	<i>29,227.6</i>	<i>2,329.5</i>	<i>8.7</i>
<i>Higher Education</i>	<i>12,044.1</i>	<i>12,547.7</i>	<i>503.6</i>	<i>4.2</i>
Article IV - The Judiciary	321.9	327.3	5.4	1.7
Article V - Public Safety and Criminal Justice	7,304.0	7,411.5	107.5	1.5
Article VI - Natural Resources	1,683.6	1,632.7	(50.9)	(3.0)
Article VII - Business and Economic Development	10,965.5	10,801.5	(164.0)	(1.5)
Article VIII - Regulatory	424.2	440.5	16.3	3.8
Article IX - General Provisions	110.9	0.0	(110.9)	(100.0)
Article X - The Legislature	<u>245.7</u>	<u>249.8</u>	<u>4.1</u>	1.7
TOTAL	\$ 88,401.2	\$ 91,742.2	\$ 3,341.0	3.8%
Article XII - Tobacco Settlement Receipts	<u>0.0</u>	<u>1,768.1</u>	<u>1,768.1</u>	NA
GRAND TOTAL	<u>\$ 88,401.2</u>	<u>\$ 93,510.3</u>	<u>\$ 5,109.1</u>	5.8%

* Totals may not add due to rounding.

** Biennial change and percent change calculated on actual amounts before rounding.

Table 2
General Revenue Funds
Biennial Recommendations for 2000-01
Compared to the 1998-99 Budget
(In Millions)*

	Expended/ Budgeted 1998-99	Recommended 2000-01	Biennial Change**	Percent Change**
Article I - General Government	\$ 1,207.7	\$ 1,302.4	\$ 94.8	7.8%
Article II - Health and Human Services	10,236.7	10,665.0	428.3	4.2
Article III - Agencies of Education	29,918.2	32,212.9	2,294.7	7.7
<i>Public Education</i>	21,701.9	23,681.4	1,979.5	9.1
<i>Higher Education</i>	8,216.3	8,531.5	315.2	3.8
Article IV - The Judiciary	282.3	282.8	0.5	0.2
Article V - Public Safety and Criminal Justice	5,821.6	6,257.8	436.2	7.5
Article VI - Natural Resources	408.3	411.7	3.4	0.8
Article VII - Business and Economic Development	332.1	298.8	(33.3)	(10.0)
Article VIII - Regulatory	261.8	277.0	15.1	5.8
Article IX - General Provisions	57.3	0.0	(57.3)	(100.0)
Article X - The Legislature	<u>242.8</u>	<u>246.9</u>	<u>4.1</u>	1.7
TOTAL	\$ 48,768.9	\$ 51,955.4	\$ 3,186.5	6.5%
Article XII - Tobacco Settlement Receipts	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	NA
GRAND TOTAL	<u>\$ 48,768.9</u>	<u>\$ 51,955.4</u>	<u>\$ 3,186.5</u>	6.5%

* Totals may not add due to rounding.

** Biennial change and percent change calculated on actual amounts before rounding.

Table 3
General Revenue-Dedicated Funds
Biennial Recommendations for 2000-01
Compared to the 1998-99 Budget
(In Millions)*

	Expended/ Budgeted 1998-99	Recommended 2000-01	Biennial Change**	Percent Change**
Article I - General Government	\$ 239.4	\$ 189.7	\$ (49.7)	(20.7)%
Article II - Health and Human Services	401.3	437.6	36.3	9.1
Article III - Agencies of Education	2,967.7	3,152.4	184.6	6.2
<i>Public Education</i>	1.3	1.4	0.1	4.0
<i>Higher Education</i>	2,966.4	3,151.0	184.6	6.2
Article IV - The Judiciary	1.7	1.8	0.0	0.9
Article V - Public Safety and Criminal Justice	206.2	198.0	(8.2)	(4.0)
Article VI - Natural Resources	954.1	900.7	(53.4)	(5.6)
Article VII - Business and Economic Development	455.4	462.7	7.3	1.6
Article VIII - Regulatory	148.7	150.4	1.7	1.1
Article IX - General Provisions	3.4	0.0	(3.4)	(100.0)

Table 3
General Revenue-Dedicated Funds
Biennial Recommendations for 2000-01
Compared to the 1998-99 Budget
(In Millions)*

	Expended/ Budgeted 1998-99	Recommended 2000-01	Biennial Change**	Percent Change**
Article X - The Legislature	0.0	0.0	0.0	NA
TOTAL	\$ 5,377.9	\$ 5,493.2	\$ 115.3	2.1%
Article XII - Tobacco Settlement Receipts	0.0	1,768.1	1,768.1	NA
GRAND TOTAL	<u>\$ 5,377.9</u>	<u>\$ 7,261.3</u>	<u>\$ 1,883.4</u>	35.0%

* Totals may not add due to rounding.

** Biennial change and percent change calculated on actual amounts before rounding.

Table 4
General Revenue and General Revenue-Dedicated Funds
Biennial Recommendations for 2000-01
Compared to the 1998-99 Budget
(In Millions)*

	Expended/ Budgeted 1998-99	Recommended 2000-01	Biennial Change**	Percent Change**
Article I - General Government	\$ 1,447.1	\$ 1,492.1	\$ 45.1	3.1%
Article II - Health and Human Services	10,638.0	11,102.6	464.7	4.4
Article III - Agencies of Education	32,885.9	35,365.3	2,479.4	7.5
<i>Public Education</i>	21,703.2	23,682.8	1,979.6	9.1
<i>Higher Education</i>	11,182.7	11,682.5	499.8	4.5
Article IV - The Judiciary	284.0	284.6	0.5	0.2
Article V - Public Safety and Criminal Justice	6,027.8	6,455.8	428.0	7.1
Article VI - Natural Resources	1,362.5	1,312.4	(50.1)	(3.7)
Article VII - Business and Economic Development	787.4	761.5	(26.0)	(3.3)
Article VIII - Regulatory	410.6	427.4	16.8	4.1
Article IX - General Provisions	60.7	0.0	(60.7)	(100.0)
Article X - The Legislature	242.8	246.9	4.1	1.7
TOTAL	\$ 54,146.8	\$ 57,448.6	\$ 3,301.9	6.1%
Article XII - Tobacco Settlement Receipts	0.0	1,768.1	1,768.1	NA
GRAND TOTAL	<u>\$ 54,146.8</u>	<u>\$ 59,216.7</u>	<u>\$ 5,070.0</u>	9.4%

* Totals may not add due to rounding.

** Biennial change and percent change calculated on actual amounts before rounding.

Table 5
Federal Funds
Biennial Recommendations for 2000-01
Compared to the 1998-99 Budget
(In Millions)*

	Expended/ Budgeted 1998-99	Recommended 2000-01	Biennial Change**	Percent Change**
Article I - General Government	\$ 448.9	\$ 443.2	\$ (5.7)	(1.3)%
Article II - Health and Human Services	15,497.6	15,625.3	127.7	0.8
Article III - Agencies of Education	4,264.0	4,334.3	70.3	1.6
<i>Public Education</i>	4,060.2	4,129.6	69.4	1.7
<i>Higher Education</i>	203.8	204.7	0.9	0.4
Article IV - The Judiciary	0.0	0.0	0.0	NA
Article V - Public Safety and Criminal Justice	240.2	175.4	(64.8)	(27.0)
Article VI - Natural Resources	208.2	196.4	(11.9)	(5.7)
Article VII - Business and Economic Development	4,871.4	5,267.5	396.1	8.1
Article VIII - Regulatory	4.6	4.8	0.2	4.2
Article IX - General Provisions	35.9	0.0	(35.9)	(100.0)
Article X - The Legislature	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	NA
TOTAL	\$ 25,570.8	\$ 26,046.8	\$ 476.0	1.9%
Article XII - Tobacco Settlement	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	NA
GRAND TOTAL	\$ <u>25,570.8</u>	\$ <u>26,046.8</u>	\$ <u>476.0</u>	1.9%

* Totals may not add due to rounding.

** Biennial change and percent change calculated on actual amounts before rounding.

Table 6
Other Funds
Biennial Recommendations for 2000-01
Compared to the 1998-99 Budget
(In Millions)*

	Expended/ Budgeted 1998-99	Recommended 2000-01	Biennial Change**	Percent Change**
Article I - General Government	\$ 146.5	\$ 258.6	\$ 112.2	76.6%
Article II - Health and Human Services	225.0	181.7	(43.3)	(19.3)
Article III - Agencies of Education	1,792.4	2,075.8	283.4	15.8
<i>Public Education</i>	1,130.7	1,411.2	280.5	24.8
<i>Higher Education</i>	661.7	664.6	2.9	0.4
Article IV - The Judiciary	37.9	42.7	4.9	12.8
Article V - Public Safety and Criminal Justice	1,036.1	780.4	(255.7)	(24.7)
Article VI - Natural Resources	112.9	123.9	11.0	9.8
Article VII - Business and Economic Development	5,306.7	4,772.5	(534.2)	(10.1)
Article VIII - Regulatory	9.0	8.3	(0.7)	(8.0)
Article IX - General Provisions	14.3	0.0	(14.3)	(100.0)

	Expended/ Budgeted 1998-99	Recommended 2000-01	Biennial Change**	Percent Change**
Article X - The Legislature	2.8	2.9	0.0	0.9%
TOTAL	\$ 8,683.6	\$ 8,246.8	\$ (436.8)	(5.0)%
Article XII - Tobacco Settlement Receipts	0.0	0.0	0.0	NA
GRAND TOTAL	\$ 8,683.6	\$ 8,246.8	\$ (436.8)	(5.0)%

* Totals may not add due to rounding.

** Biennial change and percent change calculated on actual amounts before rounding.

Significant Funding Elements and Costs for the 2000-01 Biennium

In addition to growth in Education, Criminal Justice and Health and Human Services, there are a number of other areas that have a significant impact on the 2000-01 budget recommendation. The following elements of cost including debt service, employee benefits/employer costs and capital are described. Each of these costs is distributed to the various functions of government (Education, Public Safety and Criminal Justice, etc.) to reflect the total cost of each function.

Debt Service

Debt service costs included in the recommendations total \$466.6 million in 2000 and \$485.2 million in 2001. Table 7 shows expended/budgeted and recommended debt service costs by agency and method of finance for the 1998-99 and 2000-01 biennia. The recommendations include a biennial increase of \$162.3 million in General Revenue Funds for debt service over the 1998-99 level.

Table 7 Debt Service Payments Biennial Recommendations for 2000-01 By Agency and Fund Source (In Millions)*					
	Expended/ Budgeted 1998-99	Recommended 2000-01	Biennial Change	Percent Change	
Texas Public Finance Authority	\$ 503.2	\$ 543.3	\$ 40.1	8.0%	
Water Development Board—Water Bonds	14.7	30.0	15.3	103.8	
General Services Commission Lease Payments	83.8	90.5	6.7	7.9	
Parks and Wildlife Lease Payments	1.6	7.3	5.7	362.5	
Department of Health Lease Payments	5.6	6.3	0.7	12.7	
Preservation Board/History Museum Lease Payments	2.5	11.6	9.1	361.2	
Department of Criminal Justice—Private Prison Lease/Purchase	45.6	39.5	(6.2)	(13.5)	
Tuition Revenue Bonds	123.5	214.7	91.2	73.8	

Table 7
Debt Service Payments
Biennial Recommendations for 2000-01
By Agency and Fund Source
(In Millions)*

	Expended/ Budgeted 1998-99	Recommended 2000-01	Biennial Change	Percent Change
Adjutant General/Military Facilities Commission	<u>8.5</u>	<u>8.6</u>	<u>0.1</u>	1.0%
TOTAL, Debt Service Payments	<u>\$ 789.1</u>	<u>\$ 951.8</u>	<u>\$ 162.7</u>	20.6%
Method of Financing:				
General Revenue Funds	\$ 754.5	\$ 916.8	\$ 162.3	21.5%
General Revenue-Dedicated Funds	12.3	20.6	8.3	67.9
Other Funds	<u>22.3</u>	<u>14.4</u>	<u>(7.9)</u>	(35.6)
TOTAL, All Funds	<u>\$ 789.1</u>	<u>\$ 951.8</u>	<u>\$ 162.7</u>	20.6%

* Totals may not add due to rounding.

** Biennial change and percent change calculated on actual amounts before rounding.

Employee Benefits/Payroll Expense

- The Employees Retirement System (ERS) state contribution rate is continued at the current level of 6.0 percent, resulting in an increase of \$31.1 million in All Funds to account for payroll growth. Of this increase, \$8.4 million is attributable to personnel growth in Public Safety and Criminal Justice agencies.
- The Teacher Retirement System and Optional Retirement Program state contribution rates are also continued at 6.0 percent, resulting in All Funds increases of \$291.4 million and \$23.7 million, respectively, to cover payroll growth.

Group Insurance

- Recommendations relating to group insurance premium contribution rates for state and higher education employees provide for increases above the 1999 rates of 9.0 percent in 2000 and an additional 9.3 percent in 2001 to cover anticipated increases in claims and medical inflation.
- Employees Retirement System group insurance contributions will increase by \$186.2 million due primarily to the increase in premiums.
- General revenue funding for Higher Education Group Insurance is increased by \$110.1 million, or 22.1 percent above the 1998-99 levels to increases in premium rates and covering current employee enrollment.

- General revenue funding for public school retirees' health insurance is increased by \$96.3 million, or 65.0 percent. Included in the recommendations is \$76.2 million to cover the projected deficit in the trust fund for TRS-Care.

Social Security and Benefit Replacement Pay

- The recommendations for Social Security reflect an increase in All Funds of \$77.2 million due to payroll growth. Of this increase, \$39.0 million is attributable to institutions of higher education.
- The recommendations for Benefit Replacement Pay assume annual decreases resulting from employee turnover. The recommendations reflect a decrease in All Funds of \$42.1 million, or 18.8 percent, for Benefit Replacement Pay for state agency employees.

Table 8 Selected Employee Benefits All Funds Biennial Recommendations for 2000-01 Compared to the 1998-99 Budget (In Millions)*					
	Expended/ Budgeted 1998-99	Recommended 2000-01	Biennial Change**	Percent Change**	
Employees Retirement System - Retirement Contributions	\$ 533.8	\$ 564.9	\$ 31.1	5.8%	
Employees Retirement System - Group Insurance	1,074.9	1,261.1	186.2	17.3	
Social Security	1,008.8	1,086.0	77.2	7.7	
Benefit Replacement Pay - State Agency Employees	224.6	182.5	(42.1)	(18.8)	
Teacher Retirement System - Retirement Contributions	1,941.6	2,233.1	291.4	15.0	
Teacher Retirement System - Retirees' Health Insurance	148.0	244.3	96.3	65.0	
Optional Retirement Program	191.4	215.0	23.7	12.4	
Higher Education Group Insurance	<u>498.9</u>	<u>609.0</u>	<u>110.1</u>	22.1	
TOTAL, Selected Employee Benefits	<u>\$ 5,622.1</u>	<u>\$ 6,395.9</u>	<u>\$ 773.8</u>	13.8%	
Method of Financing:					
General Revenue Funds	\$ 4,403.1	\$ 5,048.1	\$ 645.0	14.6%	
General Revenue-Dedicated Funds	274.7	308.3	33.6	12.2	
Federal Funds	536.0	590.6	54.6	10.2	
Other Funds	<u>408.2</u>	<u>448.9</u>	<u>40.7</u>	10.0	
TOTAL, All Funds	<u>\$ 5,622.1</u>	<u>\$ 6,395.9</u>	<u>\$ 773.8</u>	13.8%	

* Totals may not add due to rounding.

** Biennial change and percent change calculated on actual amounts before rounding.

Capital Budget

Capital budget projects with costs greater than \$25,000 total \$647.4 million in All Funds. The General Revenue Funds and General Revenue-Dedicated Funds portion of the capital budget totals \$339.4 million. The following table shows the recommended capital budget amounts by the various capital budget categories:

Category	2000	2001
Acquisition of Land and Other Real Property	\$ 3,998,484	\$ 4,034,116
Construction of Buildings and Facilities:		
General Services Commission	40,270,000	20,950,000
Department of Health	3,139,566	3,137,536
Department of Criminal Justice	20,664,823	18,796,456
Texas Military Facilities Commission	47,071,944	0
General Land Office and Veterans' Land Board	157,220	157,220
Natural Resource Conservation Commission	45,000	0
Parks and Wildlife Department	24,622,000	14,622,000
Department of Transportation	<u>24,554,020</u>	<u>37,122,000</u>
SUBTOTAL, Construction of Buildings and Facilities	<u>\$ 160,524,573</u>	<u>\$ 94,785,212</u>
Repairs or Rehabilitation of Buildings and Facilities	\$ 32,335,091	\$ 3,793,058
Construction of Roads (excluding Department of Transportation)	6,000,000	0
Acquisition of Information Resource Technologies	78,358,193	59,931,813
Transportation Items	55,101,825	56,454,830
Acquisition of Capital Equipment and Items	44,414,320	37,806,937
Lease Payments to the Master Lease Purchase Program	<u>9,063,818</u>	<u>846,946</u>
TOTAL, Capital Budget Recommendations	<u>\$ 389,796,304</u>	<u>\$ 257,652,912</u>

* May include debt service payments.

Informational Item for Agencies with "Appropriations Limited to Revenue Collections" Rider

In the LBB recommendations for the 2000-01 biennium, an informational item identifying direct and indirect costs attributable to an agency but appropriated elsewhere in the bill will appear in the bill pattern for those agencies which are required by an "Appropriations Limited to Revenue Collections" rider to support all or part of their agency operations through revenue collections. For an agency which is required to support all of its operations through revenue collection, this informational item will appear as a specific dollar amount in the agency's bill pattern as a line item titled "Other Direct and Indirect Costs Appropriated Elsewhere in this Act." For an agency which is required to support only specific programs, strategies or goals through revenue collection, this informational item will appear as a specific dollar amount in the "Appropriations Limited to Revenue Collections" rider.

This informational item provides an estimate of “other” types of direct costs associated with agency operations which are not included in the agency’s bill pattern, such as payroll-related costs and debt service costs. “Indirect costs,” which are prorated allocations of the costs that central service agencies absorb for other agencies (e.g., Department of Public Safety providing security for agencies) are also included. This information assists in identifying the full cost of an agency and in comparing appropriation levels with projected revenue levels.

Tobacco Settlement Receipts

The estimates for the 2000-01 biennium include \$1.8 billion in Tobacco Settlement Receipts collected from the 1998 Comprehensive Tobacco Settlement. The \$1.8 billion includes: endowments at 10 of the state’s health-related institutions (\$550 million), the establishment of a permanent health fund for higher education (\$400 million), a pilot project to reduce smoking (\$200 million), funding for the Children’s Health Insurance Program (\$179.6 million), a permanent fund for children and public health (\$150 million), a statewide emergency medical services/trauma system endowment (\$100 million), a healthcare facility capital fund endowment (\$50 million), and funding for long-term health care for children (\$50 million), Department of Health hospitals and facilities (\$35 million), New Generation mental health medications (\$30.5 million), Texas Healthy Kids Fund/Corporation (\$3 million) and other health care services (\$20.0 million).

Separate legislation will be necessary to implement some of these appropriation items such as the health-related institution endowments.

Full-time Equivalent Positions Recommended for the 2000-01 Biennium

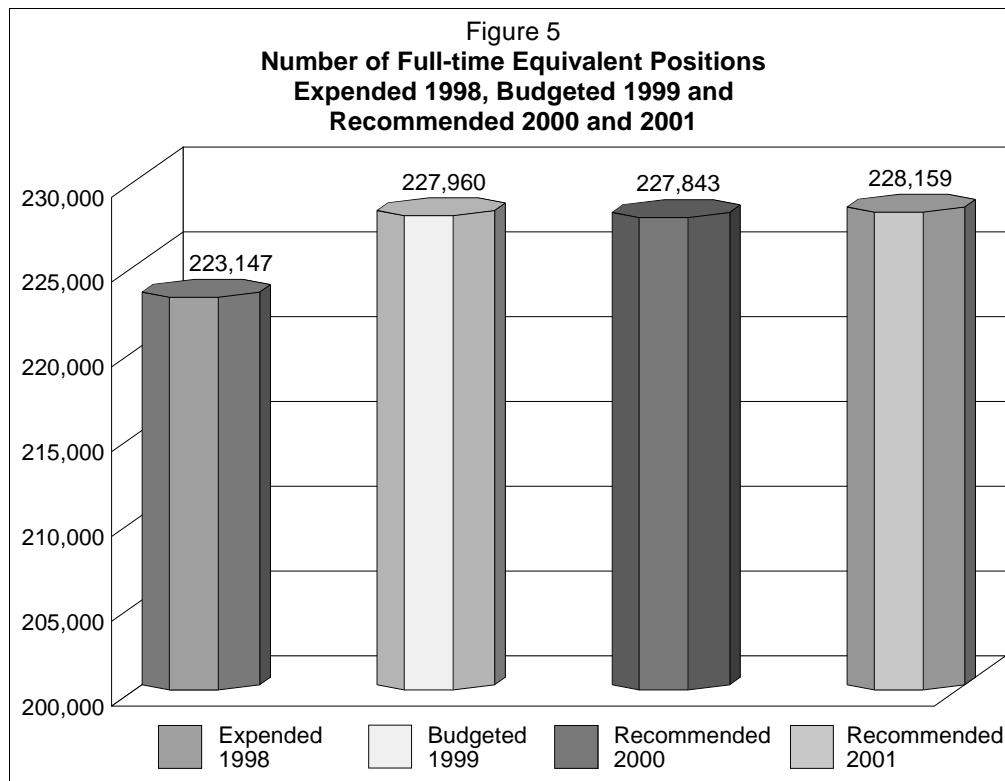
Recommendations provide for 227,843 full-time equivalent (FTE) positions in 2000 and 228,159 in 2001. As depicted in Figure 5, this represents an increase of 199 FTE positions from the 1999 level. The number of FTEs in the Public Safety and Criminal Justice function has increased by approximately 1,400 while other functions overall have decreased by approximately 1,200.

The General Appropriations Act (GAA) for the 1996-97 biennium established FTE targets for all agencies. The GAA for the 1998-99 biennium established FTE limitations or “caps” for all agencies. For fiscal year 1999, the statewide number of budgeted positions exceeds the total cap for all agencies by 4,850 FTEs, primarily due to prison facilities coming on-line earlier than projected and increases in higher education staff and faculty.

**Table 10
Number of Full-time Equivalent Positions
Annual Recommendations for 2000-01
Compared to 1998-99 Expended/Budgeted**

	Expended 1998	Budgeted 1999	Recommended 2000	Recommended 2001
ARTICLE I - General Government	8,784.5	8,993.0	9,043.5	9,091.5
ARTICLE II - Health and Human Services	53,924.5	53,846.5	52,947.5	52,947.0
ARTICLE III - Agencies of Education				
Appropriated Funds Only	74,919.5	76,902.0	76,670.5	76,697.5
<i>Total, Education</i>	<i>120,258.0</i>	<i>123,164.5</i>	<i>125,398.0</i>	<i>126,024.5</i>
ARTICLE IV - The Judiciary	1,205.0	1,240.0	1,235.5	1,235.5
ARTICLE V - Public Safety and Criminal Justice	52,048.5	54,432.5	55,592.0	55,850.0
ARTICLE VI - Natural Resources	8,532.5	8,634.5	8,615.5	8,613.0
ARTICLE VII - Business and Economic Development	20,196.5	20,163.5	19,914.5	19,891.0
ARTICLE VIII - Regulatory	<u>3,535.5</u>	<u>3,748.0</u>	<u>3,823.5</u>	<u>3,833.0</u>
TOTAL, All Articles	<u>223,146.5</u>	<u>227,960.0</u>	<u>227,842.5</u>	<u>228,158.5</u>
FTE Cap *	<u>223,420.5</u>	<u>223,110.0</u>	<u>227,842.5</u>	<u>228,158.5</u>
Difference (Total minus Target)	(274.0)	4,850.0	NA	NA

* The 1998 and 1999 FTE caps for institutions of higher education were based on total FTEs. The 2000 and 2001 recommended FTE caps for institutions of higher education are based on appropriated FTEs. For comparison purposes, the 1998 and 1999 FTE caps above have been adjusted to reflect only appropriated FTEs for institutions of higher education.



Performance Measures and Performance Targets

There are four types of performance measures used in the appropriations process: “Outcome” (e.g., results/impact), “Output” (e.g., volume), “Efficiency” and “Explanatory.” Each type of measure serves a different purpose. For “Key” outcome, output and efficiency measures, a performance target is established for each year of the biennium for which funds are appropriated. As depicted in Table 11, the recommended appropriations for the 2000-01 biennium contain 2,082 performance measures which represents a 24.9 percent reduction in the total number of measures from the 1998-99 biennial level, and a 31.6 percent reduction from the 1996-97 biennial level.

Type of Measure	1994-95 Appropriated	1996-97 Appropriated	1998-99 Appropriated	2000-01 Recommended
Outcome (Results/Impact)	1,134	1,083	1,018	883
Output (Volume)	1,279	1,345	1,123	797
Efficiency	424	443	490	284
Explanatory	<u>24</u>	<u>175</u>	<u>143</u>	<u>118</u>
TOTAL	<u>2,861</u>	<u>3,046</u>	<u>2,774</u>	<u>2,082</u>

Differences Between Appropriated and Expended/Budgeted Amounts for the 1998-99 Biennium

A comparison of the amount of appropriations for the 1998-99 biennium which totaled \$87.1 billion as shown in the *1998-99 Fiscal Size Up* (published by the Legislative Budget Board in January 1998) with the expended 1998 and budgeted 1999 amounts shown in the *Legislative Budget Estimates for the Seventy-sixth Legislature*, which total \$88.4 billion, identifies a difference of \$1.3 billion. The net increase of \$1.3 billion shown in the *Legislative Budget Estimates* is explained by the following items:

- an increase of \$0.7 billion in **state highway funds** and a corresponding decrease of \$0.1 billion in Federal Funds due to the timing of highway construction and right-of-way acquisition projects;
- an increase of \$0.5 billion in Federal Funds for **public schools** due to new federal initiatives, higher-than-expected receipts, and carry-forward of unexpended balances;
- an increase of \$0.3 billion in additional Other Education and General Income (e.g., tuition, patient income) by **institutions of higher education**, of which \$0.2 billion is from increases in patient revenues at the health-related institutions;

- an increase of \$0.2 billion in additional Federal Funds for **health-related programs** due to enhanced federal match rates and increases in other health-related programs;
- an increase of \$0.2 billion in Federal Funds for **workforce development** due to new federal grants and additional available federal grant funds;
- an increase of \$0.1 billion in General Revenue Funds for **criminal justice programs** due to inclusion of local funds for commissary sales into the state Treasury resulting from legislation adopted in 1997;
- an increase of \$0.1 billion in appropriated receipts and Federal Funds for **mental health and mental retardation** community services programs;
- a reduction of \$0.2 billion in General Revenue Funds and Federal Funds due to lower-than-expected Temporary Assistance to Needy Families, Food Stamp, and long-term care caseloads and associated staffing levels;
- a decrease of \$0.1 billion in General Revenue Funds for **public schools** due to lower-than-expected expenditures for the enrollment contingency appropriation;
- a reduction of \$0.1 billion in General Revenue and General Revenue-Dedicated Funds for **Optional Retirement program** contributions due to improved reporting by institutions of higher education;
- a reduction of \$0.1 billion in General Revenue-Dedicated Funds for Lottery Commission operating expenditures due to a 15.9 percent decline in **gross lottery ticket sales** for 1998—this decline is expected to continue through 1999; and
- a reduction of \$0.1 billion in Other Funds for the General Services Commission for **interagency contracts** and carry-forward of **unexpended balances**.

Table 12 below shows the major budget adjustments comprising the \$1.3 billion difference between 1998-99 appropriations published in the *Fiscal Size Up* as compared to 1998-99 expended/budget amounts published in the *Legislative Budget Estimates*.

Table 12
**Reconciliation of Previously Published 1998-99 Appropriations to 1998-99
 Expended/Budgeted Amounts in the *Legislative Budget Estimates***
All Funds
 (In Billions)*

	Adjustments	1998-99 Biennium
1998-99 Appropriations as published in <i>Fiscal Size-Up</i>		\$ 87.1
Major Budget Adjustments:		
Highway Funds	\$ 0.6	
Public School Federal Funds	0.5	
Higher Education Other Education and General Income	0.3	
Federal Health Revenues	0.2	
Federal Workforce Development Grants	0.2	
Criminal Justice Programs	0.1	
Mental Health and Mental Retardation Federal Revenues	0.1	
Human Services Caseload Reductions	(0.2)	
Public School Enrollment Contingency	(0.1)	
Optional Retirement Program	(0.1)	
Decreased Lottery Commission Operating Costs	(0.1)	
General Services Commission Decreases	(0.1)	
Other Unexpended Balances and Miscellaneous Adjustments	(0.1)	
Subtotal, Adjustments		<u>1.3</u>
TOTAL, Expended/Budgeted for 1998-99		<u>\$ 88.4</u>

* Totals may not add due to rounding.

Major Interagency Program Transfers During the 1998-99 Biennium

The following are major transfers of funding, programs or strategies between agencies during the 1998-99 biennium. The following text and Table 13 identify programs for which funds were appropriated to one agency in the 1998-99 biennium and are included in a different agency in the 2000-01 budget recommendations. In most cases, 1998-99 amounts in the *Legislative Budget Estimates* were adjusted to reflect these transfers. Major transfers during fiscal years 1998-99 include:

- pursuant to House Bill 2133, Seventy-fifth Legislature, 1997, the administration of the state's risk management program was transferred from the Texas Workers' Compensation Commission to the newly created **State Office of Risk Management (SORM)**, along with \$1.7 million in All Funds appropriations. Additionally, administration of the Workers' Compensation program for state employees was transferred to SORM from the Office of the Attorney General, along with \$8.6 million in All Funds appropriations;

- Senate Bill 1060, Seventy-fifth Legislature, 1997, transferred from All Funds \$2.5 million each year from the Department of Human Services to the Veterans' Land Office to establish **nursing homes for veterans**;
- pursuant to House Bill 2561, Seventy-fifth Legislature, 1997, the **Sexual Assault Prevention and Crisis Services Program** was transferred from the Department of Health to the Office of the Attorney General, which resulted in a total transfer from All Funds of \$8.0 million;
- pursuant to Senate Bill 30, Seventy-fifth Legislature, 1997, **Medicaid fraud** investigative staff and appropriations were transferred from the Department of Health and the Department of Human Services to the Health and Human Services Commission, resulting in a total transfer of \$8.2 million from All Funds;
- Texas A&M System Administration and Texas A&M University transferred a total of \$14 million in All Funds appropriations to the Texas A&M University service agencies for infrastructure and physical plant expenditures for these agencies;
- \$43.0 million of fiscal year 1998 and \$42.4 million of fiscal year 1999 All Funds appropriations were transferred to the Texas A&M University System Health Science Center as part of a consolidation of Texas A&M University Health Science Center, Texas A&M University System - Baylor College of Dentistry and Texas A&M University Institute of Biosciences and Technology; and
- pursuant to Senate Bill 371, Seventy-fifth Legislature, 1997, the State Fire Marshal's Office was transferred along with \$7.8 million in All Funds appropriations from the Commission on Fire Protection to the Department of Insurance.

Table 13 Major Interagency Program Transfers During the 1998-99 Biennium (Amounts Transferred During Fiscal Years 1998-99)		
Agency/Program or Strategy Transferred From	Agency/Program or Strategy Transferred To	Total Amount Transferred During 1998-99 All Funds (In Millions)
Texas Workers' Compensation Commission State's Risk Management Program	State Office of Risk Management All Strategies	\$ 1.7
Office of the Attorney General Texas Workers' Compensation Program	All Strategies	8.6
Total Transfer to State Office of Risk Management		\$ 10.3
Department of Human Services Nursing Homes for Veterans	Veterans' Land Office Nursing Homes for Veterans	\$ 5.0
Department of Health Sexual Assault Prevention and Crisis Services Program	Office of the Attorney General Sexual Assault Prevention and Crisis Services Program	8.0

Agency/Program or Strategy Transferred From	Agency/Program or Strategy Transferred To	Total Amount Transferred During 1998-99 All Funds (In Millions)
Department of Health Medicaid Fraud Investigation	Health and Human Services Commission Medicaid Fraud Investigation	4.4
Department of Human Services Medicaid Fraud Investigation	Medicaid Fraud Investigation	<u>3.8</u>
Total Transfer to Health and Human Services Commission		\$ 8.2
Texas A&M System Administration Infrastructure/Physical Plant Expenditures	Texas A&M University Service Agencies Infrastructure/Physical Plant Expenditures	\$ 6.6
Texas A&M University Infrastructure/Physical Plant Expenditures	Infrastructure/Physical Plant Expenditures	<u>7.3</u>
Total Transfer to Texas A&M University Service Agencies		\$ 14.0
Texas A&M University Health Science Center, Texas A&M University System - Baylor College of Dentistry, Texas A&M University Institute of Biosciences and Technology Various Programs	Texas A&M University System Health Science Center Health Science Center Consolidation	\$ 85.4
Commission on Fire Protection State Fire Marshal's Office	Department of Insurance State Fire Marshal's Office	7.8

Major Budget Reductions from the 1998-99 Biennium

The recommendations for the 2000-01 biennium include a number of budget reductions from the 1998-99 biennium. Table 14 below identifies approximately \$500 million in General Revenue and General Revenue-Dedicated Fund reductions of at least \$5 million grouped into four categories by agency: "One-time Expenditures in 1998-99," "Savings/Budget Reductions," "Fund Substitution" and "Project Completion."

Table 14 Selected Reductions to the 1998-99 Budget for General Revenue and General Revenue-Dedicated Funds Included in Recommendations for the 2000-01 Biennium By Reduction Category (In Millions)		
Agency	Description of Reduction	Amount
One-Time Expenditures in 1998-99		
Department of Health	Recoupment of employee benefits by federal government.	\$ 22.6
	Capital projects.	15.0
Department of Human Services	State Immigrant Food Assistance Program.	6.1
Department of Mental Health and Mental Retardation	Capital items.	7.6
Department of Protective and Regulatory Services	Capital items.	6.4
Texas Education Agency	Transition assistance for House Bill 4 homestead exemption.	43.7

Agency	Description of Reduction	Amount
General Academic Institutions	Emergency appropriations.	13.2
Department of Economic Development	Funding for defense-dependent communities.	20.0
Savings/Budget Reductions		
All Agencies	Benefit Replacement Pay savings.	\$ 27.4
Higher Education Institutions	Benefit Replacement Pay savings.	15.2
General Services Commission	Decline in Oil Overcharge funds.	82.9
Department of Human Services	Decreased funding for Client Self-Support Eligibility due to declining caseloads.	27.5
Department of Mental Health and Mental Retardation	Decreased expenditures for non-Medicaid residential facilities for persons with mental retardation.	14.8
	Decreased expenditures for state schools due to declining census.	6.5
	Reduced FTEs at state hospitals.	5.9
Department of Criminal Justice	Decrease in contracted correctional beds due to new prison capacity.	36.2
	Reduced debt service costs realized through refinancing.	6.1
Low-Level Radioactive Waste Disposal Authority	Discontinued funding of Licensing strategy.	5.6
Natural Resource Conservation Commission	Phase-out of the Waste Tire Recycling Program.	26.7
	Reduction of Petroleum Storage Tank Remediation fees.	9.8
Railroad Commission	Sunset of various oil and gas fees.	16.7
Fund Substitution		
Department of Mental Health and Mental Retardation	Increased use of third party collections.	\$ 7.5
	Increased use of Medicare and Medicaid funds.	6.5
Department of Protective and Regulatory Services	Increased use of federal funds.	22.0
Comptroller's Office-Judiciary Section	Increase in Judicial Fund estimated amounts.	5.3
Project Completion		
Department of Criminal Justice	Offender Information Management Re-engineering Project.	\$ 22.8

Factors Affecting the State Budget Over the Past 10 Years

The most significant factors influencing the cost of state government include public and higher education enrollment, prison incarceration, and certain health and human service programs.

Major growth indicators for the period 1990 to 1999 include:

- average daily attendance in public schools has grown 19.0 percent;
- higher education enrollment in the state universities has decreased by 1.5 percent;
- community college enrollment has grown by 13.7 percent;
- average monthly caseload for Temporary Assistance for Needy Families (TANF) grants (includes TANF-Basic and TANF-UP) has decreased by 36.0 percent;
- average monthly caseloads for nursing home clients has grown by 14.3 percent;

- average monthly caseloads for Medicaid clients has grown by 49.7 percent;
- inmate population in the Department of Criminal Justice has grown by 239.2 percent; and
- average daily population in Texas Youth Commission institutions has grown by 169.1 percent.

These factors are not comprehensive in explaining the growth in the budget. Cost-related factors have an equal or greater effect on growth.

Table 15 shows the major budget growth indicators comparing fiscal year 1990 with 1999.

Table 15 Major Budget Indicators 1990 and 1999			
Indicators	Actual 1990	Estimated 1999	Percent Change
Average Daily Attendance - Public Schools	3,071,843	3,655,000	19.0%
Fall Headcount Enrollment - State Universities	405,682	399,812	(1.5)
Community/Junior College Fall Headcount Enrollment	371,299	422,284	13.7
Average Monthly Caseload - Temporary Assistance for Needy Families (TANF) Grants (Basic and UP)	603,255	385,942	(36.0)
Average Monthly Caseload - Nursing Home Clients (Excludes Hospice)	59,753	68,323	14.3
Average Monthly Caseload - Medicaid Clients	1,202,108	1,799,540	49.7
Inmate Population - Department of Criminal Justice	42,520	144,234	239.2
Average Daily Population - Texas Youth Commission Programs	1,996	5,372	169.1

Revenue Outlook for the 2000-01 Biennium

The Comptroller's certification estimate of September 1997 projected the amount of revenue available in General Revenue Funds for the 1998-99 biennium would be \$49.8 billion. The state's fiscal outlook for the current biennium has improved since the Comptroller's 1997 estimate was released:

- sales tax, motor vehicle sales tax, franchise tax, and inheritance tax collections were strong in fiscal year 1998;
- revenue collections in the General Revenue Fund exceeded estimate by almost \$1.2 billion in fiscal year 1998; and
- the General Revenue Fund, including dedicated accounts, ended fiscal year 1998 with a \$3.3 billion balance.

In July 1998, the Comptroller issued a reassessment of the revenue outlook for 1998-99 and a preliminary estimate for 2000-01. The Comptroller estimated that the fiscal year 1999 ending balance in the General Revenue Fund, including dedicated account balances, would be \$3.7 billion. For the 2000-01 biennium, the Comptroller projected that the amount of general revenue available for appropriation would be \$6.3 billion greater than the original 1998-99 appropriations level. The Comptroller's official 2000-01 estimate, which had not been released at the time this document was prepared, may differ from the preliminary estimate issued in July 1998.

Constitutional Spending Limits

Texas has four constitutional limits on spending: the "pay-as-you-go" or balanced budget limit, the limit on the rate of growth of appropriations from certain state taxes, the limit on welfare spending and a limit on tax supported debt.

Article III, Section 49a, "Pay-as-you-go" Limit

Article III, Section 49a, Texas Constitution, is the "pay-as-you-go" limit. It requires that bills making appropriations be sent to the Comptroller for certification that the appropriations are within available revenue.

Recommended appropriations from the General Revenue Fund for the 2000-01 biennium total \$52.0 billion. While the Comptroller's official 2000-01 estimate (which had not been released at the time this document was prepared) may differ somewhat from the preliminary estimate issued in July, the LBB recommendations are expected to be well within available revenue.

Article VIII Limit on the Growth of Certain Appropriations

Article VIII, Section 22, Texas Constitution states: "In no biennium shall the rate of growth of appropriations from state tax revenue not dedicated by this Constitution exceed the estimated rate of growth of the state's economy." Under Government Code, Section 316, the Legislative Budget Board is required to adopt the items of information establishing the Article VIII limit. The Board met on November 19, 1998 and adopted the following items:

- the level of appropriations from state tax revenue not dedicated by the Constitution for the 1998-99 biennium of \$39,319,092,042, subject to adjustments resulting from revenue forecast revisions or subsequent appropriations certified by the Comptroller of Public Accounts;
- the estimated rate of growth of the Texas economy from the 1998-99 biennium to the 2000-01 biennium of 13.44 percent; and therefore,
- the 2000-01 limit on appropriations from state tax revenue not dedicated by the Constitution of \$44,603,578,012, subject to adjustments to 1998-99 biennial appropriations referenced above.

While the exact relationship between the LBB recommended 2000-01 appropriations and the Article VIII limit will depend on the contents of the Comptroller's revised revenue estimate and emergency appropriations which may be enacted by the Legislature, preliminary estimates indicate that LBB recommendations are within the Article VIII limit.

Welfare Spending Limit

Article III, Section 51-a, of the Texas Constitution provides that the amount that may be paid out of state funds for assistance grants to or on behalf of needy dependent children and their caretakers shall not exceed 1 percent of the state budget in any biennium.

In accordance with Human Resources Code, Section 31.503, the following items of information pertaining to the limit are provided:

- the 2000-01 biennial budget defined in Human Resources Code, Section 31.051, is \$93,510.3 million based on the General Appropriations Bill prepared under the direction of the Legislative Budget Board;
- the maximum biennial amount of 1 percent of the state budget is \$935.1 million; and
- the biennial amount included in the General Appropriations Bill prepared under the direction of the Legislative Budget Board which is subject to the limit on state dollars paid out in Temporary Assistance for Needy Families, formerly AFDC, grants is \$419.7 million. This amount is \$515.4 million less than the 1 percent limit.

Debt Limit

In November 1997 voters approved a constitutional amendment which limits the authorization of tax-supported debt. Article III, Section 49(j) of the Constitution provides that the Legislature may not authorize additional state debt if in any fiscal year the resulting maximum annual debt service payable from the General Revenue Fund, excluding revenues constitutionally dedicated for purposes other than payment of state debt, exceeds 5 percent of the average annual unrestricted general revenue for the previous three years.

The following information is provided pursuant to the debt limit provision:

- preliminary estimates by the Legislative Budget Board indicate that, based on the constitutional provision, the average unrestricted general revenues for the three years immediately preceding fiscal years 2000 and 2001 will be \$23,412,261,000 and \$24,155,929,000, respectively;
- the maximum annual amount of 5 percent of the average unrestricted general revenue for the three years preceding fiscal years is estimated at \$1,170,613,050 for fiscal year 2000 and \$1,207,796,450 for fiscal year 2001;

- General Revenue bond debt service costs applicable to the bond debt limit under Article III, Section 49(j), Texas Constitution, including: the amount included in the Legislative Budget Board recommended appropriations for the 2000-01 biennium; debt service amounts for the Higher Education Coordinating Board bonds receiving constitutional appropriation; General Services Commission leases with option-to-purchase payments; and Master Lease Purchase Program payments total \$475,700,394 for fiscal year 2000 and \$493,414,508 for fiscal year 2001; and
- the debt service on outstanding debt as a percent of unrestricted general revenue is estimated at 2.0 percent for both fiscal years 2000 and 2001.

The revenue estimates above for fiscal years 1999 and 2000 will require updating when the Comptroller's Revenue Estimate is released for each fiscal year.



GENERAL GOVERNMENT

Overview

All Funds recommendations for General Government total \$2,194.0 million for the 2000-01 biennium, which is an increase of \$151.6 million, or 7.4 percent, from 1998-99 (Table 1). For General Revenue and General Revenue-Dedicated Funds, the recommendations total \$1,492.1 million, which is an increase of \$45.1 million, or 3.1 percent, from 1998-99 (Table 2). Selected performance measures for agencies in the General Government function are depicted in Table 3.

Table 1 All Funds General Government Biennial Recommendations for 2000-01 Compared to the 1998-99 Budget (In Millions)*					
	Expended/ Budgeted 1998-99	Recommended 2000-01	Biennial Change**	Percent Change**	
Aircraft Pooling Board	\$ 5.5	\$ 6.9	\$ 1.4	24.4%	
Arts, Commission on the	12.1	12.1	0.0	0.0	
Attorney General, Office of the	543.4	544.2	0.8	0.1	
Bond Review Board	1.0	1.1	0.0	3.8	
Comptroller of Public Accounts	351.2	351.2	0.0	0.0	
Fiscal Programs - Comptroller of Public Accounts	217.6	256.3	38.8	17.8	
Emergency Communications, Advisory Commission on State	28.6	28.2	(0.3)	(1.2)	
Employees Retirement System	11.0	11.0	0.0	0.0	
Ethics Commission	3.1	3.1	0.0	0.0	
Finance Authority, Texas Public	1.4	1.7	0.3	20.0	
Fire Fighters' Pension Commissioner	0.4	0.4	0.0	4.6	
General Services Commission	297.4	339.2	41.8	14.1	
Governor, Office of the	14.3	17.2	2.9	20.4	
Trusted Programs within the Office of the Governor	195.8	192.0	(3.8)	(1.9)	
Historical Commission	15.6	14.3	(1.4)	(8.8)	
Human Rights, Commission on	4.2	4.3	0.2	3.7	
Incentive and Productivity Commission	0.4	0.4	0.0	0.8	
Information Resources, Department of	18.3	15.7	(2.6)	(14.1)	
Library and Archives Commission	44.4	44.1	(0.3)	(0.7)	
Pension Review Board, State	0.6	0.6	0.0	0.0	
Preservation Board	39.0	82.4	43.4	111.2	
Risk Management, Office of	10.8	10.7	(0.1)	(1.2)	

	Expended/ Budgeted 1998-99	Recommended 2000-01	Biennial Change**	Percent Change**
Workers' Compensation Payments	71.0	85.8	14.8	20.8
Secretary of State	36.1	36.1	0.0	0.0
State-Federal Relations, Office of	2.1	2.2	0.1	3.1
Veterans Commission	5.8	5.7	(0.1)	(1.4)
Subtotal, General Government	<u>\$ 1,931.2</u>	<u>\$ 2,067.0</u>	<u>\$ 135.8</u>	7.0%
Retirement and Group Insurance	\$ 88.5	\$ 98.6	\$ 10.1	11.4%
Social Security and Benefit Replacement Pay	59.9	59.8	(0.1)	(0.1)
Subtotal, Employee Benefits	<u>\$ 148.3</u>	<u>\$ 158.3</u>	<u>\$ 10.0</u>	6.8%
Lease Payments	\$ 33.4	\$ 37.1	\$ 3.7	11.1%
Less: Interagency Contracts	<u>\$ 70.4</u>	<u>\$ 68.4</u>	<u>\$ (2.0)</u>	(2.8)%
Total, General Government	<u>\$ 2,042.5</u>	<u>\$ 2,194.0</u>	<u>\$ 151.6</u>	7.4%

* Totals may not add due to rounding.

** Biennial change and percent change calculated on actual amounts before rounding.

<p style="text-align: center;">Table 2 General Revenue and General Revenue-Dedicated Funds General Government Biennial Recommendations for 2000-01 Compared to the 1998-99 Budget (In Millions)*</p>				
	Expended/ Budgeted 1998-99	Recommended 2000-01	Biennial Change**	Percent Change**
Aircraft Pooling Board	\$ 0.0	\$ 0.0	\$ 0.0	(100.0)%
Arts, Commission on the	9.4	9.4	0.0	0.0
Attorney General, Office of the	252.8	258.7	5.8	2.3
Bond Review Board	1.0	1.1	0.0	3.8
Comptroller of Public Accounts	350.0	349.8	(0.2)	0.0
Fiscal Programs - Comptroller of Public Accounts	217.6	256.3	38.8	17.8
Emergency Communications, Advisory Commission on State	28.6	28.2	(0.3)	(1.2)
Employees Retirement System	11.0	11.0	0.0	0.0
Ethics Commission	3.0	3.0	0.0	0.0
Finance Authority, Texas Public	0.0	0.0	0.0	NA
Fire Fighters' Pension Commissioner	0.2	0.2	0.0	0.1
General Services Commission	170.8	123.3	(47.6)	(27.9)
Governor, Office of the	14.3	17.2	2.9	20.4
Trusted Programs within the Office of the Governor	61.7	64.3	2.6	4.2
Historical Commission	9.7	10.2	0.4	4.3
Human Rights, Commission	1.1	1.1	0.0	0.0
Incentive and Productivity Commission	0.0	0.0	0.0	(100.0)
Information Resources, Department of	7.2	7.2	0.0	0.0

	Expended/ Budgeted 1998-99	Recommended 2000-01	Biennial Change**	Percent Change**
Library and Archives Commission	23.5	23.5	0.0	0.0
Pension Review Board, State	0.5	0.5	0.0	6.6
Preservation Board	12.0	29.4	17.4	144.5
Risk Management, Office of	9.2	8.9	(0.3)	(2.9)
Workers' Compensation Payments	70.2	84.7	14.5	20.7
Secretary of State	31.7	31.6	(0.1)	(0.3)
State-Federal Relations, Office of	1.8	1.9	0.1	4.3
Veterans Commission	5.7	5.7	(0.1)	(1.4)
Subtotal, General Government	<u>\$ 1,293.2</u>	<u>\$ 1,327.2</u>	<u>\$ 34.0</u>	2.6%
Retirement and Group Insurance	\$ 70.5	\$ 78.1	\$ 7.5	10.7%
Social Security and Benefit Replacement Pay	49.9	49.7	(0.2)	(0.3)
Subtotal, Employee Benefits	<u>\$ 120.4</u>	<u>\$ 127.8</u>	<u>\$ 7.4</u>	6.1%
Lease Payments	<u>\$ 33.4</u>	<u>\$ 37.1</u>	<u>\$ 3.7</u>	11.1%
Total, General Government	<u>\$ 1,447.1</u>	<u>\$ 1,492.1</u>	<u>\$ 45.1</u>	3.1%

* Totals may not add due to rounding.

** Biennial change and percent change calculated on actual amounts before rounding.

Measure	Actual 1998	Budgeted 1999	Recommended 2000	2001
Office of the Attorney General, Amount of Child Support Collected (In Millions)	\$ 757.0	\$ 832.8	\$ 911.7	\$ 991.6
Comptroller of Public Accounts, Percent Accuracy Rate of Reported Amounts on Original Audits	98%	98%	98%	98%
Comptroller of Public Accounts, Treasury Portfolio Yield Compared to Money Market Funds Having the Same Investment Authority	106%	100%	100%	100%
Advisory Commission on State Emergency Communications, Number of Counties with Functioning 9-1-1 Systems at Automatic Location Identification	211	254	254	254
General Services Commission, Cost Savings Achieved by Moving State Agencies From Leased Space to State-owned Space	\$ 1,142,700	\$ 557,856	\$ 894,210	\$ 867,084
Department of Information Resources, Total Savings and Cost Avoidance Through Utilization of Cooperative Services	\$ 22,097,230	\$ 24,300,000	\$ 24,300,000	\$ 24,300,000
Secretary of State, Percent of Business Organization Document Filings and Public Information Request Responses Completed Within Three Days	76%	72%	76%	76%

Significant Recommendations

Significant recommendations for agencies in the General Government function include:

Commission on the Arts

- continuation of the \$2.0 million General Revenue Funds appropriation to the Cultural Endowment Fund; and
- continuation of \$1.3 million in interagency contracts from the Texas Department of Transportation for promotion of tourism through grants funding tourism activities and agency promotion of tourism through marketing activities.

Office of the Attorney General

- a General Revenue Funds increase of \$6.4 million and an All Funds increase of \$9.7 million due to an increase in expected payments by the Crime Victims Compensation program; and
- a Federal Funds reduction of \$6.5 million as a result of a decrease in expenditures, such as computer programming and design, by the Child Support Enforcement program that were eligible for higher federal matching rates in 1998-99.

Comptroller of Public Accounts

- continuation of services at 1998-99 funding levels while providing for new information resources technology investments to streamline operations and improve customer service;
- a \$3.9 million General Revenue Funds increase in support for audit operations, including technology investments to improve audit coverage and provide more timely information to taxpayers;
- a \$3.1 million General Revenue Funds increase to maintain fiscal year 1999 funding levels for tax compliance, taxpayer services, fiscal management and research, local government assistance and revenue estimating;
- a \$2.5 million decrease in General Revenue Funds for revenue and tax processing due to cost savings through mandated use of electronic fund transfers and use of the Internet and other electronic media for tax filing and other on-line services and non-recurring costs of implementing the Integrated Tax System;
- a \$3.0 million decrease in General Revenue Funds due to non-recurring programming costs associated with the Integrated Statewide Administrative System (ISAS) and final conversion of large agencies to USPS, the statewide payroll system; and

- a \$1.6 million decrease in General Revenue Funds for the Texas Performance Review and Investments due to one-time cost of contracted studies of Capitol Metro and a Higher Education Disparity study and further cost savings from consolidating Treasury with Office of the Comptroller, respectively.

Fiscal Programs - Comptroller of Public Accounts

- a \$32.7 million increase in General Revenue Funds for Reimbursements-Mixed Beverage Tax to meet increased tax reimbursements to counties; and
- an increase of \$6.1 million in General Revenue Funds for Unclaimed Property Receipts due to information about the program being put on the Internet.

Advisory Commission on State Emergency Communications

- a decrease in General Revenue-Dedicated Funds of \$342,500 which provides the Poison Control Network with fiscal year 1999 level funding.

General Services Commission

- a net increase of \$84.1 million in bond funds primarily due to unexpended balances available to the General Services Commission for previously authorized projects;
- an increase of \$6.4 million in General Revenue Funds due to unexpended balances for asbestos abatement, emergency repairs and other General Revenue-funded construction and replacement of 1998-99 Deferred Maintenance funds used for other unexpected facility expenses;
- an increase of \$3.6 million in Other Funds for reappropriation of funds to relocate the Aircraft Pooling Board from Robert Mueller Airport to the new municipal airport and an increase in appropriated receipts to reflect fees paid by local governments for use of state travel contracts when transporting state prisoners;
- an increase of \$1.6 million in Federal Funds for U.S. Department of Energy programs administered by the State Energy Conservation Office; and
- a decrease in General Revenue-Dedicated Funds of \$53.9 million due primarily to a decline in projected Oil Overcharge expenditures from 1998-99 levels and a projected reduction in new Oil Overcharge revenues.

A Legislative Budget Board evaluation focusing on use of charge cards by state employees, contained in the *Staff Performance Report to the 76th Legislature*, produced the following recommendation:

- The General Services Commission (GSC) should establish firmer controls on the use of individual charge cards. This would include GSC changing its rules to limit who can apply for an individual charge card and instituting automatic controls on the use of the charge card and on other agencies' use of the charge card program.

A Legislative Budget Board evaluation focusing on state agency billing and reimbursement systems, contained in the *Staff Performance Report to the 76th Legislature*, produced the following recommendation:

- Cost recovery rates for all of the General Services Commission's (GSC) full cost recovery programs should be tested and sampled by the State Auditor's Office as part of its regularly scheduled audits of GSC. Also, if the minor construction program continues to operate at a loss, GSC should evaluate alternatives to the current structure for providing services.

A Legislative Budget Board evaluation focusing on the purchase of electricity by state agencies, contained in the *Staff Performance Report to the 76th Legislature*, produced the following recommendation:

- The Seventy-sixth Legislature should consider establishing an interagency work group consisting of the General Services Commission, Public Utility Commission, the Office of the Attorney General and the Office of the Comptroller to study the feasibility of aggregated procurement and central payment of electric services under various regulatory frameworks.

Trusted Programs within the Office of the Governor

- an increase of \$4.3 million in General Revenue Funds for Agency Grant Assistance due primarily to unexpended balance carry-forward from the 1998-99 biennium;
- a decrease of \$2.2 million in General Revenue Funds for Disaster Assistance due primarily to \$2.0 million emergency appropriations to respond to the Del Rio and South Texas floods, the drought and other disasters that occurred during the 1998-99 biennium; and
- a decrease of \$5.9 million in Federal Funds due to budgeting projects on a cash basis in the Criminal Justice program.

Historical Commission

- an increase of \$1.0 million in General Revenue Funds for the purchase and acquisition of documents, records and other historical artifacts relating to Texas history;
- continuation of a \$2.5 million General Revenue Funds appropriation for the Preservation Trust Fund which will allow the agency to award an estimated 45 historic preservation grants over the biennium;
- continuation of a \$1.3 million appropriation of Other Funds for the promotion of tourism and travel to the state's historical sites which will allow for continued development of the agency's new Texas Travel Trails program;
- a decrease of \$1.8 million in Other Funds primarily due to (1) completion of several interagency contracts and anticipated declines in continuing contract amounts; (2) reductions associated with one-time Governor's Emergency and Deficiency grants for the Sam Rayburn House and the L' Aimable shipwreck; and (3) anticipated decreases in appropriated receipts received by the Historical Commission; and
- an appropriation of \$420,000 in General Revenue Funds to fund continuation of activities of the Texas Emancipation Juneteenth Cultural and Historical Commission.

Commission on Human Rights

- a decrease of \$168,170 in Federal Funds due to the elimination of one-time grants offset reimbursements from the U.S. Department of Housing and Urban Development; and
- an increase of \$168,170 in receipts from interagency contracts.

A Legislative Budget Board evaluation focusing on the Commission on Human Rights' billing and reimbursement practices, contained in the *Staff Performance Report to the 76th Legislature*, produced recommendations which would require that:

- The agency submit a comprehensive costing methodology to the State Auditor's Office to ascertain potential cost savings or means to more efficiently conduct personnel policy reviews of state agencies.
- The agency maintain records of actual time, travel expenses and other costs of conducting personnel policy reviews in lieu of billing each agency at a uniform rate for personnel policy reviews.
- The State Auditor designate the agency billing system as a regular component for review when auditing the agency.

Department of Information Resources

- a reduction of \$993,000 in Federal Funds for the Texas Orthoimagery Program; and
- a reduction of \$1.6 million in Other Funds for the Cooperative Contracts Program from gains in efficiency and program changes.

Preservation Board

- an increase of \$2.6 million in unexpended bond proceeds for the construction of the State History Museum, projected to be completed by February 2001;
- a reduction of \$0.9 million in General Revenue Funds due to lower expenditures for the Capitol building, including one-time expenditures for Capitol security;
- an increase of \$3.7 million for funding the renovation and operating costs for the Pease Mansion; and
- an increase of \$0.8 million to fund the Capitol Information and Guide Services with a corresponding increase of 30 full-time equivalent positions.

Workers' Compensation Payments

- a General Revenue Funds increase of \$14.5 million for increases in medical and indemnity payments to injured state workers and to offset an expected funding shortfall in fiscal year 1999.

Secretary of State

- a reduction of \$79,914 in General Revenue Funds due to anticipated lower fee revenues, particularly from fees for publishing election night returns and from notary fees; and
- an increase of \$90,915 in appropriated receipts from business entity and Uniform Commercial Code filings.

A Legislative Budget Board evaluation focusing on the Secretary of State's billing and reimbursement practices, contained in the *Staff Performance Report to the 76th Legislature*, produced recommendations which offer the following options to fully cover costs associated with publication of the *Texas Register*:

- Charge for Internet access to the *Texas Register* to cover the cost of its publication only if alternative sources of funding, such as charging for value-added services, do not cover the costs of publication.
- Discontinue publishing a print version of the *Texas Register* and continue publishing it on the Internet and sell computer printouts of the publication to those who do not have Internet access and provide copies free of charge to public libraries.
- Consider charging other agencies for the cost of publishing notices in the *Texas Register*.



HEALTH AND HUMAN SERVICES

Overview

All Funds recommendations for Health and Human Services total \$26.9 billion for the 2000-01 biennium, which is an increase of \$549.0 million, or 2.1 percent, from 1998-99 (Table 1). For General Revenue and General Revenue-Dedicated Funds, the recommendations total \$11.1 billion, which is an increase of \$464.7 million, or 4.4 percent, from 1998-99 (Table 2). Selected performance measures for agencies in the Health and Human Services function are depicted in Table 3.

Table 1 All Funds Health and Human Services Biennial Recommendations for 2000-01 Compared to the 1998-99 Budget (In Millions)*					
	Expended/ Budgeted 1998-99	Recommended 2000-01	Biennial Change**	Percent Change**	
Aging, Department on	\$ 118.8	\$ 119.4	\$ 0.6	0.5%	
Alcohol and Drug Abuse, Commission on	306.7	304.8	(1.9)	(0.6)	
Blind, Commission for the	93.3	93.7	0.4	0.5	
Cancer Council	8.0	8.0	0.0	0.0	
Children's Trust Fund of Texas Council	8.6	7.6	(1.0)	(11.1)	
Deaf and Hard of Hearing, Commission for the	3.3	3.4	0.1	3.3	
Early Childhood Intervention, Interagency Council on	146.9	161.5	14.6	10.0	
Health, Department of	12,977.9	12,882.6	(95.4)	(0.7)	
Health and Human Services Commission	58.6	42.4	(16.2)	(27.6)	
Healthy Kids Corporation, Texas	6.5	0.0	(6.5)	(100.0)	
Human Services, Department of	7,028.4	7,339.1	310.7	4.4	
Mental Health and Mental Retardation, Department of	3,404.0	3,382.3	(21.8)	(0.6)	
Protective and Regulatory Services, Department of	1,114.5	1,174.8	60.2	5.4	
Rehabilitation Commission	535.7	541.4	5.7	1.1	
Subtotal, Health and Human Services	<u>\$ 25,811.3</u>	<u>\$ 26,060.9</u>	<u>\$ 249.6</u>	1.0%	
Retirement and Group Insurance	\$ 533.8	\$ 592.4	\$ 58.7	11.0%	
Social Security and Benefit Replacement Pay	290.9	282.2	(8.7)	(3.0)	
Subtotal, Employee Benefits	<u>\$ 824.7</u>	<u>\$ 874.6</u>	<u>\$ 50.0</u>	6.1%	
Bond Debt Service Payments	\$ 31.8	\$ 37.9	\$ 6.1	19.1%	
Lease Payments	13.9	14.8	0.9	6.7	

	Expended/ Budgeted 1998-99	Recommended 2000-01	Biennial Change**	Percent Change**
Subtotal, Debt Service	\$ 45.7	\$ 52.7	\$ 7.0	15.3%
Less: Interagency Contracts	\$ 321.1	\$ 78.7	\$ (242.4)	(75.5)%
Total, Health and Human Services	\$ 26,360.6	\$ 26,909.6	\$ 549.0	2.1%

* Totals may not add due to rounding.

** Biennial change and percent change calculated on actual amounts before rounding.

Table 2
General Revenue and General Revenue-Dedicated Funds
Health and Human Services
Biennial Recommendations for 2000-01
Compared to the 1998-99 Budget
(In Millions)*

	Expended/ Budgeted 1998-99	Recommended 2000-01	Biennial Change**	Percent Change**
Aging, Department on	\$ 13.8	\$ 13.7	0.0	(0.3)%
Alcohol and Drug Abuse, Commission on	54.5	54.5	0.0	0.0
Blind, Commission for the	21.0	21.0	0.0	0.0
Cancer Council	8.0	8.0	0.0	0.0
Children's Trust Fund of Texas Council	3.8	3.8	0.0	(1.0)
Deaf and Hard of Hearing, Commission for the	1.6	1.6	0.0	(1.2)
Early Childhood Intervention, Interagency Council on	66.4	66.4	0.0	0.0
Health, Department of	4,948.1	5,115.3	167.2	3.4
Health and Human Services Commission	13.3	13.1	(0.1)	(1.0)
Healthy Kids Corporation, Texas	6.5	0.0	(6.5)	(100.0)
Human Services, Department of	2,551.6	2,922.5	370.9	14.5
Mental Health and Mental Retardation, Department of	1,904.8	1,902.4	(2.3)	(0.1)
Protective and Regulatory Services, Department of	469.0	401.2	(67.8)	(14.5)
Rehabilitation Commission	110.4	110.4	0.0	0.0
Subtotal, Health and Human Services	\$ 10,172.8	\$ 10,634.0	\$ 461.2	4.5%
Retirement and Group Insurance	\$ 273.8	\$ 284.3	\$ 10.5	3.9%
Social Security and Benefit Replacement Pay	146.8	132.3	(14.5)	(9.9)
Subtotal, Employee Benefits	\$ 420.6	\$ 416.6	\$ (3.9)	(0.9)%
Bond Debt Service Payments	\$ 30.7	\$ 37.2	\$ 6.5	21.2%
Lease Payments	13.9	14.8	0.9	6.7
Subtotal, Debt Service	\$ 44.6	\$ 52.0	\$ 7.4	16.7%
Total, Health and Human Services	\$ 10,638.0	\$ 11,102.6	\$ 464.7	4.4%

* Totals may not add due to rounding.

** Biennial change and percent change calculated on actual amounts before rounding.

Table 3
**Selected Performance Measures
 Health and Human Services**

Measure	Actual 1998	Budgeted 1999	Recommended	
			2000	2001
Medicaid Caseload (Premium Services), Average Number of Recipient Months per Month	1,861,423	1,799,540	1,638,428	1,608,824
Average Monthly Medicaid Caseload in DHS Community Care	84,777	94,397	100,519	107,464
Average Monthly Caseload, Nursing Facility Clients (Medicaid and Medicare Co-Pay)	67,749	68,323	68,323	68,323
Percent of Long-term Care Clients Served in Community Settings	60%	63%	63%	65%
Average Monthly Enrollment of Mental Retardation Campus Based Services: State Schools and State Centers	5,525	5,457	5,382	5,307
Average Monthly Census of Mental Health Campus-Based Services: State Hospitals and State Centers	2,370	2,456	2,456	2,456
Number of WIC Participants Receiving Nutritious Food Supplements per Month	696,810	709,000	735,623	735,623
Number of Equipment Vouchers Issues: Specialized Telecommunication Devices	1,900	8,500	8,500	8,500
Number of Consumers Served in Vocational Rehabilitation Program (TCB)	12,061	11,130	11,330	11,480
Number of Eligible Clients Provided Vocational Rehabilitation Services (TRC)	108,893	100,586	110,424	111,211
Number of Completed Child Abuse/Neglect Investigations	111,147	104,287	111,814	111,814
Average Number of Days per Month for Foster Care, All Levels	347,099	362,696	374,323	383,929
Average Number of Children Provided Adoption Subsidy per Month	7,655	8,774	9,846	10,918
Number of Completed Adult Abuse/Neglect/Exploitation Investigations	52,152	53,711	56,033	58,478

Major Budget Issues

The recommendations address a number of substantive budget issues affecting agencies in the Health and Human Services function. Specific issues and recommendations are discussed below.

- The majority of the increased funding for health and human services is associated with Medicaid costs, increased state matching funds due to less favorable federal match rates, increased caseloads for foster care and adoption subsidies, and higher need nursing home clients. Caseload growth for Medicaid entitlement groups is included, particularly for aged and disabled populations that are Supplemental Security Income (SSI) and Medicare

eligible. Although Children's Health Insurance Program (CHIP) expenditures and caseloads are included as health and human services agencies in the 1998-99 biennium, appropriations for 2000-01 are contained in Article XII (i.e., Tobacco Settlement Receipts) of the recommended appropriations bill.

- Medicaid, Food Stamp and Temporary Assistance for Needy Families (TANF) caseloads for currently eligible populations are expected to be lower in the 2000-01 biennium than in the 1998-99 biennium.
- Reductions of almost 900 full-time equivalent positions (FTE) from the 1999 budgeted level are recommended for health and human services agencies. The Department of Human Services has been under its FTE cap and the recommendations continue FTE reductions in 2000-01 to track projected declines in income-based Medicaid, Food Stamp and TANF caseloads. The Department of Health has also been under its FTE cap and the 2000-01 recommendations include an adjustment based on this experience.
- Federal welfare reform ended the entitlement to cash welfare payments and consolidated funding into the Temporary Assistance for Needy Families (TANF) block grant. Although \$1,052 million in TANF Federal Funds was appropriated for the 1998-99 biennium, current estimates of expenditures total \$832.4 million, mainly due to declining caseloads. For the 2000-01 biennium, Legislative Budget Board recommendations for TANF Federal Funds total \$738.1 million, which includes \$72.4 million transferred from two other federal grants: Social Services Block Grant (Title XX) and Child Care and Development Fund. At recommended levels, available balances in TANF Federal Funds are projected to be \$581.8 million at the end of the 2000-01 biennium.
- Recommendations consolidate the required state match to secure the Temporary Assistance for Needy Families (TANF) block grant for Texas at the Department of Human Services, which serves as the single state agency to interface with federal partners. This change was made to facilitate reporting requirements and to ensure the responsibility is met.
- Recommended funding is continued at 1999 appropriated levels for services previously funded through the Social Services Block Grant (SSBG)/Title XX. Estimated reductions of \$74 million are anticipated for 2000-01. Recommendations include a combination of method of financing changes, increased TANF transfers to other block grants and General Revenue Funds to maintain these levels.

Significant Recommendations

Significant recommendations for agencies in the Health and Human Services function include:

Commission on Alcohol and Drug Abuse

- a \$1.9 million decrease in Federal Funds and no change in General Revenue Funds from the 1998-99 level.

A Legislative Budget Board evaluation focusing on the amount of Federal Funds available for appropriation from the Substance Abuse Prevention and Treatment block grant, contained in the *Staff Performance Report to the 76th Legislature*, produced several recommendations:

- The Legislature should consider policy direction and appropriation levels regarding unexpended balances and funding increases at the federal level for the Substance Abuse Prevention and Treatment block grant.
- The Legislature should consider adopting language requiring the Commission on Alcohol and Drug Abuse to provide information to the Legislature regarding the intended use of Substance Abuse Prevention and Treatment grant funds in excess of the appropriated amounts.
- The Commission on Alcohol and Drug Abuse should develop a contingency plan for the allocation of grant funds to providers in the event that the increase in the grant award to Texas is not maintained in future years.

Commission for the Blind

- an All Funds increase of \$0.4 million related to anticipated Federal Funds for the Vocational Rehabilitation program.

Children's Trust Fund of Texas Council

- an All Funds decrease of \$1.0 million due to the agency's spend down of previous federal grant awards during the current biennium which results in lower available federal fund balances for the next biennium.

Commission for the Deaf and Hard of Hearing

- an All Funds increase of \$0.1 million over the 1998-99 biennium. The recommendations continue funding for case management services and the Specialized Telecommunications Devices program.

Interagency Council on Early Childhood Intervention

- an All Funds increase of \$14.6 million due to anticipated Federal Funds.

Department of Health

- a \$95.4 million decrease in All Funds from the 1998-99 level and an increase of \$167.2 million, or 3 percent, in General Revenue and General Revenue-Dedicated Funds from the 1998-99 level; and
- a reduction of 87 FTEs from the 1999 budgeted level.

Specific program recommendations include:

Medicaid Program

- a \$125.4 million increase in General Revenue Funds for the Medicaid program with a corresponding decrease of \$139.3 million in All Funds.

The recommendations take into account several trends affecting the Medicaid program:

- a decline in Medicaid caseloads, particularly income-related groups such as families eligible for the Temporary Assistance for Needy Families (TANF) program. The decline (including the CHIP Phase 1 children) is projected at 6 percent in 2000 and 3 percent in 2001;
- increases in cost related to increased utilization and other factors are included at approximately 2.5 percent each year for premium related services, primarily including hospital and physician services;
- Medicare premiums for elderly or disabled individuals eligible for both Medicaid and Medicare programs which are paid through the Medicaid program are anticipated to grow in both the number served and cost for premiums (as set by the federal government); and
- the average cost per prescription in the Vendor Drug program is projected to increase by approximately 7 percent per year in fiscal years 2000 and 2001.

Additional Medicaid funding changes include the following:

- a \$102.3 million increase in General Revenue Funds with an equal amount of fewer Federal Funds due to a less favorable federal matching rate (62.45 percent in fiscal year 1999 and 61.36 percent in fiscal year 2000);
- a \$21.1 million decrease in General Revenue Funds and \$78.2 million decrease in All Funds because continued implementation of the Children's Health Insurance Program, Phase 1, is recommended to be funded with tobacco settlement receipts in another section of the appropriations bill (Article XII). This program covers older children through age 18 in families with incomes up to 100 percent of the federal poverty limit; and
- a \$2.4 million decrease in General Revenue Funds for Family Planning Services and a \$20.8 million decrease in All Funds for Family Planning primarily due to reductions in caseload for the Medicaid program. Funding for Title XX services is continued at the 1999 appropriated level. Funding for Title X Family Planning Services is increased by \$1.5 million in All Funds based on projected increases at the federal level.

- \$81.5 million of General Revenue Funds are part of the 1998-99 baseline expenditures for the STAR+PLUS managed care waiver for elderly and disabled individuals in Harris County at TDH; however, the recommendations for the 2000-01 biennium include appropriations for these services at the Department of Human Services which administers the Acute/Long-term Health Care program;
- adjustment for a one-time expenditure of \$22.6 million in General Revenue associated with a federal recoupment related to employee benefits in the 1998-99 biennium; and
- expenditures for the 1998-99 biennium reflect lower General Revenue Fund expenditures (\$98.5 million) due to the pre-payment of September 1997 (fiscal year 1998) premiums in fiscal year 1997. The recommendations include 24 months of premium payments for the 2000-01 biennium.

Public Health Programs

Significant changes in the Public Health programs include:

- increased funding of \$63.4 million for the Women, Infants and Children (WIC) program with \$45 million from formula rebates (General Revenue-Dedicated Funds) and \$18.4 million in Federal Funds;
- \$0.3 million in reductions associated with agency moves to state-owned space;
- method of financing changes utilizing Earned Federal Funds in lieu of General Revenue Funds (\$8.7 million);
- recommending bond debt service for the Laboratory at the level of projected need which is \$0.7 million above the 1998-99 levels in General-Revenue Dedicated Funds;
- funding for trauma networks (\$4 million in General Revenue-Dedicated Funds) and Emergency Medical Services grants (\$3.1 million in Other Funds) is included in Article XII (i.e., Tobacco Settlement Receipts) of the 2000-01 General Appropriations Bill; and
- maintaining anticipated caseload for the Kidney Health Care Program by transferring funding within the agency in areas projected to lapse funds in 1998-99.

A Legislative Budget Board evaluation focusing on Texas' efforts to immunize preschool children, contained in the *Staff Performance Report to the 76th Legislature*, produced the following recommendations:

- The General Appropriations Act should include two key performance measures: one designed to capture the state's progress towards reaching immunization goals for preschool children and one designed to capture the amount of direct assistance provided by the federal government in vaccine to assist the state in reaching those same immunization goals.
- A reporting requirement to the Legislature should be modified to require specific approaches planned for the fiscal year of the report to address geographic areas of under-immunization and estimates of impact that each approach will make to increase immunization rates.

Health and Human Services Commission

- decreased General Revenue Funds of \$0.1 million and \$0.3 million in All Funds associated with one-time capital expenditures for the Neural Network (Medicaid Fraud Detection System) and additional investigators; and
- decreased federal and other funding of \$15.9 million due to: (1) fewer pass through funds to Enterprise Communities and Empowerment Zones; (2) decreased interagency contracts primarily related to the Texas Integrated Enrollment and Services (TIES) project; and (3) end of grant award funding for initiatives involving the Texas Information and Referral Network, the Office of Community Transportation Services, Service Integration, and STAR+PLUS managed care pilot. In tandem with the grant funding decreases, four full-time equivalent positions are eliminated.

Department of Human Services

- a \$310.7 million increase in All Funds over 1998-99 including an increase of \$370.9 million in General Revenue Funds from the 1998-99 level; and
- a reduction of approximately 800 positions from the 1999 budgeted level.

Specific program recommendations include:

Long-Term Care Services

- a \$230.0 million increase in All Funds for Community Care Services and Long-term Care Eligibility and Planning, including \$85.3 million in General Revenue Funds, due to caseload growth and higher levels of client need in Medicaid entitlement programs, maintenance of the Community-based Alternatives and the Community Living Assistance and Support Services Medicaid waivers at approved 1999 levels, and maintenance of non-Medicaid programs at 1999 levels;

- a \$196.1 million increase in All Funds for Nursing Facility and Hospice Payments, including \$76.2 million in General Revenue Funds to fund increases in client levels of need and caseload growth in the Hospice program;
- a \$65.2 million increase in All Funds, including \$28.4 million in General Revenue Funds, is provided for caseload growth in the STAR+PLUS Medicaid waiver which combines acute and long-term care services for elderly and disabled clients in Harris County; and
- a \$0.4 million increase in Federal Funds for long-term care provider credentialing.

Supportive and Preventive Services Fostering Self-Sufficiency

- a reduction of \$140.4 million in All Funds for Temporary Assistance for Needy Families (TANF) cash assistance grants reflects declining caseloads;
- a reduction of \$67.6 million in All Funds, including \$34.5 million in General Revenue Funds for Client Self-Support Eligibility Determination Services due to declining caseloads and one-time expenditures;
- a \$30.7 million increase in Federal Funds for the Nutrition Assistance strategy; and
- a \$6.1 million reduction in General Revenue Funds for the Refugee Assistance program to reflect the restoration of federal Food Stamp benefits to immigrants who were temporarily served by a state-funded food assistance program during the 1998-99 biennium. Federal Funds for the strategy are increased by \$1.3 million. The value of federal Food Stamps is not included in the General Appropriations Bill.

Method of Finance Adjustments and Administration

- a \$49.7 million increase in the General Revenue Fund Match for Medicaid due to a less favorable Federal Medical Assistance Percentage;
- a \$86.9 million increase in General Revenue Funds required to secure the Temporary Assistance for Needy Families federal block grant for the state is consolidated at the Department of Human Services, with equal offsets at other agencies;
- \$60.0 million in Earned Federal Fund (EFF) balances, accumulated during previous biennia, and \$10.0 million in EFF to be generated in the 2000-01 biennium with equal offsets in other General Revenue Funds;
- an increase of \$84.3 million in General Revenue Funds for the STAR+PLUS Medicaid waiver to replace interagency contract funding provided by the Department of Health during the 1998-99 biennium;
- lower staffing levels due to a decline in Client Self Support caseloads;

- funding for required debt service for 1992-95 purchases made through the Master Lease Purchase Program, development of Long Term Care Regulatory automation systems, routine replacement of information hardware and software, and equipment purchases for the consolidated health and human services print shop; and
- a \$1.6 million increase in All Funds for administrative support, including \$0.8 million in General Revenue Funds.

A Legislative Budget Board evaluation focusing on the determination of Food Stamp eligibility and benefit levels, contained in the *Staff Performance Report to the 76th Legislature*, produced the following recommendations:

- The Legislature should continue its oversight of the Texas Food Stamp program by requiring the Department of Human Services to set goals for achieving and maintaining payment error rates which are within the federal tolerance level, and by requiring the Department of Human Services to report regularly on its payment error rate.
- The Legislature should consider adopting a limitation on appropriations which makes receipt and expenditure of enhanced federal funds for administration of the Food Stamp program by the Department of Human Services contingent upon proper notification to the LBB and the Governor.

A Legislative Budget Board evaluation of the Temporary Assistance for Needy Families Program, contained in the *Staff Performance Report to the 76th Legislature*, produced the following recommendation:

- The Legislature should consider adopting a limitation on appropriations which, contingent upon achievement of two-parent work participation rates, limits expenditures of \$15.7 million in TANF General Revenue Maintenance-of-Effort funds each year of the 2000-01 biennium.

Department of Mental Health and Mental Retardation

- a \$21.8 million, or 0.6 percent decrease in All Funds from the 1998-99 biennium, including a \$2.3 million, or 0.1 percent decrease in General Revenue Funds.

Specific program recommendations include:

Campus and Community-based Mental Health Services

- a \$3.2 million increase in All Funds for mental health community services, such as assessment and coordination, assertive community treatment, supported housing and supported employment;

- a \$5.9 million reduction in General Revenue Funds associated with fewer full-time equivalent positions at state hospitals; and
- a \$1.6 million decrease in General Revenue Funds for community hospitals (this level of funding maintains the 1999 level budgeted by the agency and includes additional funding for the 1998-99 salary increase associated with contracted employees from the University of Texas Health Science Center at Houston).

Campus and Community-based Mental Retardation Services

- a General Revenue Fund increase of \$15.8 million for community residential services, to annualize caseload growth for two Medicaid programs: Home and Community-based Services Waiver and Intermediate Care Facilities for Persons with Mental Retardation (this amount does not include the additional General Revenue required due to the change in the Federal Medical Assistance Percentage);
- a \$15.6 million increase in All Funds for non-residential community services in the Assessment and Coordination, Vocational Services, and Training Services strategies;
- a \$14.8 million reduction in General Revenue Funds due to decreased expenditures for non-Medicaid residential facilities; and
- a \$5.4 million All Funds decrease at state schools due to a census decline of 75 clients each year of the biennium projected by the agency.

Capital Construction and Indirect Administration

- \$8.6 million is provided from the General Revenue-Dedicated Texas Capital Trust Fund Account for repairs and renovations required at state hospitals and state schools; and
- significant changes in funding from the previous biennium are due to a \$42.2 million decrease in General Obligation bond proceeds and a \$7.0 million decrease in General Revenue Funds compared to funding provided in the 1998-99 biennium for one-time capital projects, and a \$0.6 million decrease in funding available from the General Revenue-Dedicated Texas Capital Trust Fund Account.

Method of Finance Adjustments

- an \$18.5 million increase in the General Revenue Fund Match for Medicaid and an offsetting decrease in Medicaid federal funds due to a less favorable Federal Medical Assistance Percentage;
- a \$6.5 million decrease in General Revenue Funds and an equal increase in Federal Funds due to a recommended increase in Medicare and Medicaid collections at state hospitals (the required General Revenue Fund Match for Medicaid is provided);

- a \$7.5 million decrease in General Revenue Funds for state hospitals with an equal increase in appropriated receipts from third party collections; and
- a \$3.6 million decrease in General Revenue Funds and an equal increase in appropriated receipts for community services for persons with mental retardation.

Department of Protective and Regulatory Services

- an All Funds increase of \$48.6 million (including a \$19.2 million increase in General Revenue Funds) to provide for caseload growth in the foster care and adoption assistance programs;
- an All Funds increase of \$15.9 million (including a \$10.9 million decrease in General Revenue Funds) to continue 1999 direct delivery staffing for child protective services, adult protective services and child care regulation and to continue 1999 client service levels for purchased day care services and at-risk prevention programs;
- a \$3.1 million decrease in General Revenue Funds due to one-time capital expenditures and lease savings associated with moves into state-owned office space; and
- an All Funds decrease of \$1.3 million due to discontinuation of an interagency contract with the Department of Human Services for the Second Chance Teen Parent Program.

Method of Finance Adjustments

- a \$55.2 million decrease in General Revenue Funds for the Temporary Assistance for Needy Families (TANF) program which is offset by an equal increase in TANF Federal Funds (the recommendations place the majority of General Revenue Funds required to secure the TANF federal block grant for Texas in the budget for the Department of Human Services);
- a \$22 million decrease in General Revenue Funds which is offset by increased federal revenue from the TANF Child Care and Development Fund, the Title IVB-2 Family Preservation and Support program and the Title IV-E Foster Care program;
- a \$7.8 million increase in Earned Federal Funds which includes a \$6.6 million balance carried forward from 1998-99 with equal offsets in other General Revenue Funds; and
- a \$4.1 million increase in General Revenue matching funds for Medicaid, foster care and adoption assistance programs due to a less favorable Federal Medical Assistance Percentage matching rate and an equal reduction in Federal Funds.

Rehabilitation Commission

- a \$3.6 million increase in General Revenue Funds with an equal decrease in General Revenue-Dedicated Funds to maintain Comprehensive Rehabilitation Services at the 1998-99 level; and

- a Federal Funds increase of \$5.6 million for Disability Determination Services.

A Legislative Budget Board evaluation focusing on the availability and use of federal funds for vocational rehabilitation services, contained in the *Staff Performance Report to the 76th Legislature*, produced the following recommendation:

- The Rehabilitation Commission should provide information to the Legislature regarding any proposal to secure additional federal funding which would increase state funding requirements and full-time equivalent positions for the Vocational Rehabilitation Program.



EDUCATION

Overview

All Funds recommendations for Education total \$41.8 billion for the 2000-01 biennium, which is an increase of \$2.8 billion, or 7.3 percent, from 1998-99 (Table 1). For General Revenue and General Revenue-Dedicated Funds, the recommendations total \$35.4 billion, which is an increase of \$2.5 billion, or 7.5 percent, from 1998-99 (Tables 2 and 3). Selected performance measures for agencies in the Education function are depicted in Table 4.

Of the \$41.8 billion in All Funds recommended for Education for the 2000-01 biennium, \$29.2 billion, or 69.9 percent, is for Public Education. This amount represents an increase of 8.7 percent from 1998-99.

Table 1 All Funds Education Biennial Recommendations for 2000-01 Compared to the 1998-99 Budget (In Millions)*				
	Expended/ Budgeted 1998-99	Recommended 2000-01	Biennial Change**	Percent Change**
Public Schools				
Education Agency, Texas	\$ 24,549.6	\$ 26,507.4	\$ 1,957.8	8.0%
Educator Certification, State Board for	27.7	24.5	(3.2)	(11.6)
Blind and Visually Impaired, School for the	26.5	26.2	(0.3)	(1.3)
Deaf, School for the	<u>32.0</u>	<u>33.4</u>	<u>1.4</u>	4.3
Subtotal, Public Schools	<u>\$ 24,635.8</u>	<u>\$ 26,591.5</u>	<u>\$ 1,955.6</u>	7.9%
Public Higher Education				
Two-Year Institutions:				
Public Community/Junior Colleges	\$ 1,341.5	\$ 1,374.4	\$ 32.9	2.5%
Lamar Lower-Level Institutions	33.6	39.3	5.7	17.0
Texas State Technical College	<u>99.7</u>	<u>106.6</u>	<u>6.9</u>	6.9
Subtotal, Two-Year Institutions	<u>\$ 1,474.8</u>	<u>\$ 1,520.2</u>	<u>\$ 45.5</u>	3.1%
General Academic Institutions	3,999.1	4,151.0	151.9	3.8
Health-Related Institutions	3,267.8	3,350.8	83.0	2.5
A&M University Services	512.4	515.7	3.3	0.6
Higher Education Fund	448.7	448.7	0.0	0.0
Available University Fund	523.2	526.7	3.5	0.7
Other Higher Education	<u>483.6</u>	<u>484.6</u>	<u>0.9</u>	0.2
Subtotal, Higher Education	<u>\$ 10,709.7</u>	<u>\$ 10,997.8</u>	<u>\$ 288.1</u>	2.7%
Telecommunications Infrastructure Fund	<u>\$ 384.0</u>	<u>\$ 407.0</u>	<u>\$ 23.0</u>	6.0%

	Expended/ Budgeted 1998-99	Recommended 2000-01	Biennial Change**	Percent Change**
Teacher Retirement System	\$ 2,137.9	\$ 2,525.6	\$ 387.7	18.1%
Optional Retirement Program	191.4	215.0	23.7	12.4
Higher Education Employees Group Insurance Contributions	498.9	609.0	110.1	22.1
Retirement and Group Insurance	38.4	43.2	4.8	12.6
Social Security and Benefit Replacement Pay	<u>363.2</u>	<u>402.0</u>	<u>38.8</u>	10.7
Subtotal, Employee Benefits	<u>\$ 3,229.7</u>	<u>\$ 3,794.8</u>	<u>\$ 565.1</u>	17.5%
Bond Debt Service Payments	\$ 30.9	\$ 30.9	\$ 0.0	0.0%
Lease Payments	<u>14.7</u>	<u>15.5</u>	<u>0.8</u>	5.1
Subtotal, Debt Service	<u>\$ 45.6</u>	<u>\$ 46.3</u>	<u>\$ 0.8</u>	1.7%
Less:				
Interagency Contracts	<u>\$ 62.4</u>	<u>\$ 62.0</u>	<u>\$ (0.4)</u>	(0.7)%
Total, Education	<u>\$ 38,942.3</u>	<u>\$ 41,775.4</u>	<u>\$ 2,833.1</u>	7.3%

* Totals may not add due to rounding.

** Biennial change and percent change calculated on actual amounts before rounding.

Table 2
General Revenue Funds
Education
Biennial Recommendations for 2000-01
Compared to the 1998-99 Budget
(In Millions)*

	Expended/ Budgeted 1998-99	Recommended 2000-01	Biennial Change**	Percent Change**
Public Schools				
Education Agency, Texas	\$ 19,746.7	\$ 21,379.3	\$ 1,632.6	8.3%
Educator Certification, State Board for	27.7	24.5	(3.2)	(11.6)
Blind and Visually Impaired, School for the Deaf, School for the	21.5	21.6	0.1	0.6
	<u>26.6</u>	<u>28.4</u>	<u>1.8</u>	6.7
Subtotal, Public Schools	<u>\$ 19,822.5</u>	<u>\$ 21,453.8</u>	<u>\$ 1,631.3</u>	8.2%
Public Higher Education				
Two-Year Institutions:				
Public Community/Junior Colleges	\$ 1,341.5	\$ 1,374.4	\$ 32.9	2.5%
Lamar Lower-Level Institutions	26.2	30.9	4.7	18.0
Texas State Technical College	<u>82.8</u>	<u>86.5</u>	<u>3.7</u>	4.4
Subtotal, Two-Year Institutions	<u>\$ 1,450.4</u>	<u>\$ 1,491.7</u>	<u>\$ 41.3</u>	2.8%
General Academic Institutions	2,890.9	2,952.9	62.0	2.1
Health-Related Institutions	1,592.2	1,609.6	17.4	1.1
A&M University Services	243.4	243.4	0.0	0.0
Higher Education Fund	448.7	448.7	0.0	0.0
Available University Fund	0.0	0.0	0.0	NA
Other Higher Education	<u>349.0</u>	<u>350.4</u>	<u>1.5</u>	0.4
Subtotal, Higher Education	<u>\$ 6,974.6</u>	<u>\$ 7,096.7</u>	<u>\$ 122.1</u>	1.8%
Telecommunications Infrastructure Fund	\$ 0.0	\$ 0.0	\$ 0.0	NA

	Expended/ Budgeted 1998-99	Recommended 2000-01	Biennial Change**	Percent Change**
Teacher Retirement System	\$ 2,074.2	\$ 2,447.1	\$ 372.9	18.0%
Optional Retirement Program	167.9	188.7	20.8	12.4
Higher Education Employees Group Insurance Contributions	498.9	609.0	110.1	22.1
Retirement and Group Insurance	33.9	38.4	4.6	13.5
Social Security and Benefit Replacement Pay	300.7	332.8	32.2	10.7
Subtotal, Employee Benefits	<u>\$ 3,075.5</u>	<u>\$ 3,616.1</u>	<u>\$ 540.6</u>	17.6%
Bond Debt Service Payments	\$ 30.9	\$ 30.9	\$ 0.0	0.0%
Lease Payments	14.7	15.5	0.8	5.1
Subtotal, Debt Service	<u>\$ 45.6</u>	<u>\$ 46.3</u>	<u>\$ 0.8</u>	1.7%
Total, Education	<u>\$ 29,918.2</u>	<u>\$ 32,212.9</u>	<u>\$ 2,294.7</u>	7.7%

* Totals may not add due to rounding.

** Biennial change and percent change calculated on actual amounts before rounding.

Table 3
General Revenue-Dedicated Funds
Education
Biennial Recommendations for 2000-01
Compared to the 1998-99 Budget
(In Millions)*

	Expended/ Budgeted 1998-99	Recommended 2000-01	Biennial Change**	Percent Change**
Public Schools				
Education Agency, Texas	\$ 0.5	\$ 0.5	\$ 0.0	0.0%
Educator Certification, State Board for	0.0	0.0	0.0	NA
Blind and Visually Impaired, School for the	0.0	0.0	0.0	NA
Deaf, School for the	0.0	0.0	0.0	NA
Subtotal, Public Schools	<u>\$ 0.5</u>	<u>\$ 0.5</u>	<u>\$ 0.0</u>	0.0%
Public Higher Education				
Two-Year Institutions:				
Public Community/Junior Colleges	\$ 0.0	\$ 0.0	\$ 0.0	NA
Lamar Lower-Level Institutions	7.4	8.4	1.0	13.5%
Texas State Technical College	16.9	20.1	3.2	18.7
Subtotal, Two-Year Institutions	<u>\$ 24.4</u>	<u>\$ 28.5</u>	<u>\$ 4.2</u>	17.1%
General Academic Institutions	1,103.8	1,193.8	90.0	8.2
Health-Related Institutions	1,675.5	1,741.2	65.6	3.9
A&M University Services	13.4	13.8	0.4	3.1
Higher Education Fund	0.0	0.0	0.0	NA
Available University Fund	0.0	0.0	0.0	NA
Other Higher Education	2.8	2.8	0.0	0.0
Subtotal, Higher Education	<u>\$ 2,819.9</u>	<u>\$ 2,980.2</u>	<u>\$ 160.2</u>	5.7%
Telecommunications Infrastructure Fund	<u>\$ 0.0</u>	<u>\$ 0.0</u>	<u>\$ 0.0</u>	NA
Teacher Retirement System	\$ 63.7	\$ 78.5	\$ 14.8	23.2%
Optional Retirement Program	23.5	26.4	2.9	12.4

	Expended/ Budgeted 1998-99	Recommended 2000-01	Biennial Change**	Percent Change**
Higher Education Employees Group				
Insurance Contributions	0.0	0.0	0.0	NA
Retirement and Group Insurance	0.7	0.8	0.1	10.3
Social Security and Benefit Replacement Pay	59.4	66.0	6.7	11.2
Subtotal, Employee Benefits	<u>\$ 147.3</u>	<u>\$ 171.7</u>	<u>\$ 24.4</u>	16.6%
Bond Debt Service Payments	\$ 0.0	\$ 0.0	\$ 0.0	NA
Lease Payments	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	NA
Subtotal, Debt Service	<u>\$ 0.0</u>	<u>\$ 0.0</u>	<u>\$ 0.0</u>	NA
Total, Education	<u>\$ 2,967.7</u>	<u>\$ 3,152.4</u>	<u>\$ 184.6</u>	6.2%

* Totals may not add due to rounding.

** Biennial change and percent change calculated on actual amounts before rounding.

Table 4 Selected Performance Measures Education				
Measure	Actual 1998	Budgeted 1999	Recommended 2000	2001
Public Education				
Total Average Daily Attendance	3,581,486	3,655,000	3,725,004	3,809,140
Percent of Equalized Revenue in the Foundation School Program	94.8%	94.1%	98.0%	98.0%
Percent of Students in Districts with Substantially Equal Access to Revenues	87.9%	83.0%	85.0%	85.0%
Percent of Students Passing All Tests Taken	76.9%	72.0%	80.0%	84.0%
Percent of African-American Students Passing All Tests Taken	61.8%	60.0%	74.0%	78.0%
Percent of Hispanic Students Passing All Tests Taken	67.4%	60.0%	74.0%	78.0%
Percent of Economically Disadvantaged Students Passing All Tests Taken	65.9%	60.0%	72.0%	76.0%
Public Higher Education				
Percentage of University Students Graduating within Six Years	47.3%	47.4%	47.6%	47.6%
Retention Rate of Students Completing Required Remediation	77.8%	77.8%	77.8%	77.8%
Percent of Students Enrolled in Colleges Who are Black or Hispanic	32.9%	32.5%	33%	33%
Amount of Grant and Scholarship Funds Distributed	\$ 68,877,163	\$ 63,000,000	\$ 69,000,000	\$ 69,000,000
Percent of Family Practice Residency Program Graduates Practicing in Texas	87.0%	85.0%	87.0%	87.0%

Major Budget Issues

The recommendations address a number of substantive budget issues for **public schools** which include:

- increasing General Revenue Funds to maintain public school finance equity standards as modeled by Legislative Budget Board staff; and
- increasing funding for textbooks so that the adoption process is realigned with the Texas Essential Knowledge and Skills curriculum, and fully fund the Technology Allotment.

The recommendations address a number of budget issues affecting **public higher education** which includes:

- using the Texas Higher Education Coordinating Board recommended formulas to distribute the recommended funding level;
- providing additional funding for enrollment growth at two-year institutions and for increased class or program enrollment for certain health-related institution programs;
- including projected increases in other educational and general income (i.e., General Revenue-Dedicated) for all institutions. Recommendations allow the general academic institutions to retain the 2000-01 statutory tuition increases (\$2 per semester credit hour in 2000 and again in 2001) locally and allow the health-related institutions to retain patient care or other educational and general income increases locally;
- providing for increased tuition revenue bond debt service requirements; and
- providing for increases in General Revenue Funds for higher education group insurance to meet current employment levels and increases in premiums.

Significant Recommendations

Significant recommendations for agencies and institutions in the Education function include:

Texas Education Agency

- a \$1.5 billion increase in General Revenue Funds to fully fund enrollment growth, tax rate response and to maintain school finance equity under the Foundation School Program;
- a \$167 million increase in General Revenue Funds for textbooks and the technology allotment;
- a \$70 million increase in Federal Funds for special education and school lunch programs;

- anticipation of a \$238 million increase in attendance credits (i.e., recapture from property wealthy school districts);
- a \$46 million increase in General Revenue Funds to meet the 1999 instructional facilities allotment program obligation; and
- continue the 1998-99 transition assistance for teacher salary increases (\$145 million) but elimination of transition assistance for total revenue declines associated with implementation of HB 4 (\$44 million).

Legislative Budget Board evaluations of public school accountability and educational technology, contained in the *Staff Performance Report to the 76th Legislature*, produced the following recommendations:

- The Texas Education Agency should strengthen its audit functions related to monitoring TAAS exemptions for accountability ratings. An important goal of audit functions should be to ensure that districts and campuses are not exempting students to avoid their inclusion in accountability ratings.
- State agencies and institutions of higher education should coordinate their educational technology activities to ensure that common objectives are met, needs are efficiently addressed, and classroom teachers are sufficiently trained to make good use of educational technology.

State Board for Educator Certification

- a \$3.2 million decrease in General Revenue Funds for the Centers for Professional Development of Teachers due to an anticipated reduction in the number of new centers.

Texas Schools for the Deaf and Blind and Visually Impaired

- maintaining 1998-99 teacher salary increases and providing contingency salary increase funding for the 2000-01 biennium, resulting in a \$1.8 million increase in General Revenue Funds for the School for the Deaf, and a \$1.3 million increase for the School for the Blind and Visually Impaired (salary increase funding for the School for the Blind is offset by a decrease related to one-time capital projects).

Telecommunications Infrastructure Fund Board

- an increase of \$23.0 million in the Telecommunications Infrastructure Fund due to increased revenue in 1998-99 and revised revenue estimates for 2000-01.

Teacher Retirement System and Optional Retirement Program

- an increase of \$291.4 million in General Revenue Funds for contributions to the Teacher Retirement System (TRS) retirement fund to account for payroll growth in public and higher education;
- an increase of \$20.0 million in General Revenue Funds to maintain the current contribution rate to the insurance program for retired public school employees, while factoring in payroll growth; and
- a General Revenue Funds increase of \$76.2 million to cover the projected deficit in the TRS-Care health insurance trust fund.

Optional Retirement Program

- an All Funds increase of \$23.6 million to account for payroll growth among participating higher education employees.

Higher Education Group Insurance

- an increase of \$110.1 million in General Revenue Funds due to growth in enrollment and premium rates;
- funding for group insurance contributions for all higher education employees and retirees as of the October 31, 1998 census date; and
- a 9.0 percent premium rate increase for fiscal year 2000, and an additional 9.3 percent premium rate increase for fiscal year 2001.

General Academic Institutions

- an \$88.2 million increase in Other Educational and General Income for projected tuition and other increases;
- allowing institutions to retain 2000-01 statutory tuition increases of \$69.5 million (\$2 per semester credit hour in 2000 and again in 2001);
- reallocating \$39 million in General Revenue Funds appropriated in 1998-99 for salary increases and distributing amounts among the institutions through the funding formulas;
- reallocating \$23.3 million in General Revenue Funds appropriated in 1998-99 for formula transition and distributing amounts among the institutions through the formulas;
- maintaining the teaching experience supplement weight at 5 percent of lower division and upper division semester credit hours taught by tenured and tenure-track faculty;

- a \$13.8 million increase in General Revenue (i.e., formula) Funds to fund increased rates for upper-division teacher education programs;
- reallocating \$12.9 million in General Revenue Funds appropriated to one-time or discontinued special items into the formulas and distributing amounts among the institutions;
- reallocating \$2.4 million in General Revenue Funds appropriated in 1998-99 for lease of facilities into the formulas and distributing amounts among the institutions;
- transferring \$1 million in General Revenue Funds for cooperative health service programs to The University of Texas at Pan American from The University of Texas Medical Branch at Galveston and The University of Texas Health Science Center at San Antonio;
- eliminating \$13.3 million in General Revenue Funds for emergency appropriations including \$10.4 million in “bridge” funding to allow Texas Southern University to meet 1997 financial obligations while federal student financial aid funds are pending;
- implementing savings of \$10.3 million in General Revenue Funds for Benefit Replacement Pay;
- a \$75.1 million increase in General Revenue Funds for tuition revenue bond debt service requirements;
- a \$3.1 million increase in General Revenue Funds for the new TxPharm degree program; and
- a \$2.7 million increase in certain estimated appropriations (e.g., Special Mineral Fund at Texas A&M University System) in General Revenue-Dedicated and Other Funds.

A Legislative Budget Board evaluation focusing on the impact of new national accreditation standards on academic programs and funding needs for the state’s pharmacy schools contained in the *Staff Performance Report to the 76th Legislature*, produced two recommendations:

- Transitional special item funding should be provided to the four pharmacy schools during the 2000-01 biennium for a new academic program called TxPHARM to upgrade the credentials of practicing pharmacists.
- The Texas Higher Education Coordinating Board should study TxPHARM’s progress through fiscal year 2002 to assess overall academic quality, student retention, and cost-effectiveness, and it should forward its findings and any recommendations to the Seventy-eighth Legislature in 2003.

Health-Related Institutions

- a \$65.6 million increase in Other Educational and General Income (e.g., patient revenues) at all institutions, except The University of Texas Medical Branch at Galveston and The University of Texas Health Science Center at Houston;
- General Revenue Fund increase of \$3.9 million for Texas A&M University Health Science Center's Rural Public Health School, \$2.8 million for the Pharmacy School and \$1.1 million for the Physician's Assistants Program at Texas Tech University Health Sciences Center (provides for enrollment growth in state-funded programs);
- a \$1.1 million increase in General Revenue Funds for the TxPharm Program at the Pharmacy School at Texas Tech University Health Sciences Center;
- a \$16.1 million increase in General Revenue Funds for increased tuition revenue bond debt service;
- a decrease of \$2.2 million in General Revenue Funds for The University of Texas Southwestern Medical Center at Dallas' primary care residency training programs due to availability of other state funding for residency training; and a \$261,561 decrease for Texas Tech University Health Sciences Center's Pathology Lab in Lubbock due to the completion of the lab;

A Legislative Budget Board evaluation focusing on the use of interagency contracts for health care services between state agencies and health-related institutions, contained in the *Staff Performance Report to the 76th Legislature*, produced several recommendations:

- The Legislature should consider funding all staff benefit costs for contract employees in the appropriations to the funding agency. The funding agency should incorporate those costs into the health-related institution's contract award.
 - Agency contracts with health-related institutions should include performance measures that focus on the consequences of health care provision and which can be used to determine levels of reimbursement and the award of future contracts.
 - The Legislature should consider determining when a health-related institution should be responsible for exceeding the financial limits of a contract with a state agency and whether a catastrophic reserve is necessary. If a catastrophic reserve is necessary, the Legislature should consider whether these funds should be held in the state treasury or in a local account by the health care provider.
- transferring the operating and debt service costs for the Lower Rio Grande Valley Regional Academic Health Center from The University of Texas System Administration to The University of Texas Health Science Center at San Antonio; and

- consolidating Texas A&M University Health Science Center, Texas A&M University System - Baylor College of Dentistry and the Texas A&M University Institute of Biosciences and Technology under the Texas A&M University System Health Science Center.

Two-year Institutions

- an increase of \$34.9 million in General Revenue Funds for enrollment growth;
- reallocating \$7.4 million in General Revenue Funds from eliminated 1998-99 special items into the 2000-2001 formula funding base;
- increased funding of \$0.9 million in General Revenue Funds for operations and special needs at the Southwest Collegiate Institute for the Deaf;
- funding the Lamar two-year institutions and Texas State Technical College's (TSTC) physical plant operations under the general academic space support formula, resulting in an additional \$4.0 million in General Revenue Funds for the TSTC components; and
- elimination of \$0.3 million in General Revenue Funds for completed Master Lease Purchase projects at TSTC components.

A Legislative Budget Board evaluation focusing on the Southwest Collegiate Institute for the Deaf (SWCID), contained in the *Staff Performance Report to the 76th Legislature*, produced the following recommendations:

- Rider language should be modified to eliminate the requirement subjecting SWCID to rules and regulations related to institutions of higher education contained in the General Appropriations Act and the Education Code.
- Funding should be transferred to Howard County Junior College to provide for the benefits currently funded by state funds.
- The Higher Education Coordinating Board should coordinate with the Comptroller of Public Accounts to simplify and consolidate reporting requirements for SWCID and ensure that all necessary information is reported to both these agencies.

A&M Service Agencies

- incorporating infrastructure funding at each service agency based proportionately on the Texas Higher Education Coordinating Board's Space Projection Model;
- a decrease of \$0.5 million in General Revenue Funds for savings associated with benefit replacement pay;

- an increase of \$2.9 million in Federal Funds and Other Funds which includes a decrease of \$1.4 million in Other Funds for the Texas Forest Service related to the decline of the timber market and the shift of services to the private sector, and an increase of \$2.5 million in Other Funds for the Texas Transportation Institute, the majority of which is due to the estimated increase in the generation of local funds for research activities; and
- an increase of \$0.5 million in General Revenue Funds for the Texas Wildlife Damage Management Service related to the purchase of vehicles.

Available University Fund

- an increase of \$3.5 million in earnings from the Permanent University Fund.

Other Higher Education

- \$4.6 million decrease in General Revenue Funds for new community college campuses, National Guard ROTC Program and Minority Doctoral Incentive Program. This level of funding provides for the projected funding requirements for these programs;
- \$3.3 million in increased General Revenue Funds for Baylor College of Medicine as required by law; and
- \$1.2 million in increased General Revenue Funds to maintain the 1999 spending level for the Primary Care Residency Program.



JUDICIARY

Overview

All Funds recommendations for the Judiciary total \$327.3 million for the 2000-01 biennium, which is an increase of \$5.4 million, or 1.7 percent, from 1998-99 (Table 1). For General Revenue and General Revenue-Dedicated Funds, the recommendations total \$284.6 million, which is an increase of \$0.5 million, or 0.2 percent, from 1998-99 (Table 2). Selected performance measures for agencies in the Judiciary function are depicted in Table 3.

Table 1 All Funds Judiciary Biennial Recommendations for 2000-01 Compared to the 1998-99 Budget (In Millions)*					
	Expended/ Budgeted/ 1998-99	Recommended 2000-01	Biennial Change**	Percent Change**	
Supreme Court of Texas	\$ 11.7	\$ 12.2	\$ 0.5	4.1%	
Court of Criminal Appeals	20.2	19.5	(0.7)	(3.3)	
First Court of Appeals District, Houston	4.6	4.6	0.0	(0.3)	
Second Court of Appeals District, Fort Worth	3.8	3.8	0.0	0.0	
Third Court of Appeals District, Austin	3.4	3.4	0.0	1.3	
Fourth Court of Appeals District, San Antonio	3.8	3.8	0.0	(0.1)	
Fifth Court of Appeals District, Dallas	6.5	6.5	0.0	(0.2)	
Sixth Court of Appeals District, Texarkana	1.9	1.9	0.0	(0.2)	
Seventh Court of Appeals District, Amarillo	2.4	2.4	0.0	(0.1)	
Eighth Court of Appeals District, El Paso	2.4	2.4	0.0	0.0	
Ninth Court of Appeals District, Beaumont	1.9	1.9	0.0	(0.4)	
Tenth Court of Appeals District, Waco	1.9	1.9	0.0	0.2	
Eleventh Court of Appeals District, Eastland	1.9	1.9	0.0	(0.3)	
Twelfth Court of Appeals District, Tyler	1.9	1.9	0.0	0.2	
Thirteenth Court of Appeals District, Corpus Christi	3.5	3.4	(0.1)	(3.3)	
Fourteenth Court of Appeals District, Houston	4.6	4.6	0.0	(0.1)	
Office of Court Administration, Texas Judicial Council	15.6	14.0	(1.7)	(10.6)	
State Prosecuting Attorney, Office of the	0.7	0.7	0.0	0.0	
State Law Library	1.6	1.7	0.1	3.7	
Court Reporters Certification Board	0.2	0.2	0.0	(0.4)	
State Commission on Judicial Conduct	1.4	1.4	0.0	0.0	
Judiciary Section, Comptroller's Department	148.4	150.6	2.2	1.5	
Subtotal, Judiciary	<u>\$ 244.3</u>	<u>\$ 244.6</u>	<u>\$ 0.3</u>	0.1%	

	Expended/ Budgeted 1998-99	Recommended 2000-01	Biennial Change**	Percent Change**
Retirement and Group Insurance	\$ 67.2	\$ 72.4	\$ 5.1	7.6%
Social Security and Benefit Replacement Pay	14.3	14.6	0.2	1.6
Subtotal, Employee Benefits	<u>\$ 81.6</u>	<u>\$ 86.9</u>	<u>\$ 5.4</u>	6.6%
Lease Payments	\$ 4.6	\$ 4.7	\$ 0.0	0.4%
Less:				
Interagency Contracts	\$ 8.6	\$ 8.9	\$ 0.3	3.4%
Total, The Judiciary	<u><u>\$ 321.9</u></u>	<u><u>\$ 327.3</u></u>	<u><u>\$ 5.4</u></u>	1.7%

* Totals may not add due to rounding.

** Biennial change and percent change calculated on actual amounts before rounding.

<p style="text-align: center;">Table 2 General Revenue and General Revenue-Dedicated Funds Judiciary Biennial Recommendations for 2000-01 Compared to the 1998-99 Budget (In Millions)*</p>				
	Expended/ Budgeted 1998-99	Recommended 2000-01	Biennial Change**	Percent Change**
Supreme Court of Texas	\$ 7.7	\$ 7.7	\$ 0.0	0.6%
Court of Criminal Appeals	11.8	11.8	0.0	0.3
First Court of Appeals District, Houston	4.5	4.6	0.0	0.8
Second Court of Appeals District, Fort Worth	3.8	3.8	0.0	0.7
Third Court of Appeals District, Austin	3.3	3.4	0.1	2.1
Fourth Court of Appeals District, San Antonio	3.8	3.8	0.0	0.7
Fifth Court of Appeals District, Dallas	6.5	6.5	0.0	0.8
Sixth Court of Appeals District, Texarkana	1.9	1.9	0.0	0.6
Seventh Court of Appeals District, Amarillo	2.4	2.4	0.0	0.6
Eighth Court of Appeals District, El Paso	2.4	2.4	0.0	0.6
Ninth Court of Appeals District, Beaumont	1.9	1.9	0.0	0.6
Tenth Court of Appeals District, Waco	1.9	1.9	0.0	0.6
Eleventh Court of Appeals District, Eastland	1.9	1.9	0.0	0.0
Twelfth Court of Appeals District, Tyler	1.9	1.9	0.0	0.4
Thirteenth Court of Appeals District, Corpus Christi	3.5	3.4	(0.1)	(3.3)
Fourteenth Court of Appeals District, Houston	4.6	4.6	0.0	0.8
Office of Court Administration, Texas Judicial Council	6.7	4.9	(1.8)	(26.4)
State Prosecuting Attorney, Office of the	0.7	0.7	0.0	0.0
State Law Library	1.5	1.6	0.0	3.2
Court Reporters Certification Board	0.2	0.2	0.0	0.0
State Commission on Judicial Conduct	1.2	1.2	0.0	0.0
Judiciary Section, Comptroller's Department	126.6	123.3	(3.3)	(2.6)
Subtotal, Judiciary	<u>\$ 200.4</u>	<u>\$ 195.7</u>	<u>\$ (4.7)</u>	(2.3)%
Retirement and Group Insurance	\$ 65.5	\$ 70.5	\$ 5.0	7.7%

	Expended/ Budgeted 1998-99	Recommended 2000-01	Biennial Change**	Percent Change**
Social Security and Benefit Replacement Pay	13.5	13.7	0.2	1.5%
Subtotal, Employee Benefits	\$ 78.9	\$ 84.2	\$ 5.2	6.6%
Lease Payments	\$ 4.6	\$ 4.7	\$ 0.0	0.4%
Total, The Judiciary	\$ 284.0	\$ 284.6	\$ 0.5	0.2%

* Totals may not add due to rounding.

** Biennial change and percent change calculated on actual amounts before rounding.

Table 3 Selected Performance Measures Judiciary				
Measure	Actual 1998	Budgeted 1999	Recommended 2000 2001	
Appellate Courts				
<u>Disposition Rate (as a percent of filings)</u>				
Supreme Court of Texas	108%	100%	100%	100%
Court of Criminal Appeals	46%	55%	60%	60%
<u>Clearance Rate</u>				
First Court of Appeals District, Houston	88%	90%	95%	95%
Second Court of Appeals District, Fort Worth	113%	100%	100%	100%
Third Court of Appeals District, Austin	97%	95%	100%	100%
Fourth Court of Appeals District, San Antonio	82%	100%	100%	100%
Fifth Court of Appeals District, Dallas	98%	96%	95%	95%
Sixth Court of Appeals District, Texarkana	88%	100%	100%	100%
Seventh Court of Appeals District, Amarillo	97%	100%	100%	100%
Eighth Court of Appeals District, El Paso	89%	100%	100%	100%
Ninth Court of Appeals District, Beaumont	94%	100%	100%	100%
Tenth Court of Appeals District, Waco	76%	100%	100%	100%
Eleventh Court of Appeals District, Eastland	96%	95%	100%	100%
Twelfth Court of Appeals District, Tyler	119%	100%	100%	100%
Thirteenth Court of Appeals District, Corpus Christi	106%	100%	100%	100%
Fourteenth Court of Appeals District, Houston	81%	100%	95%	95%
Office of Court Administration, Texas Judicial Council				
Percent of Clients Rating Service as Satisfactory		80%	85%	85%
Hours of Legal Research for Customers	3,144	3,648	3,648	3,648

Measure	Actual 1998	Budgeted 1999	Recommended 2000	Recommended 2001
Office of the State Prosecuting Attorney				
Cases Won by the State on Appeal in Which the State Prosecuting Attorney Directly Participated		35	35	35
State Law Library				
Percent of Positive Evaluations of Library Service by Library Users	81%	90%	90%	90%
Court Reporters Certification Board				
Number of New Licenses Issued	92	150	100	100
Number of Complaints Resolved	26	12	12	12
State Commission on Judicial Conduct				
Percent of Complaints Disposed of	103%	100%	100%	100%
Judiciary Section, Comptroller's Department				
Motor Fuel Tax Restitution Recovered	\$142,892	\$100,000	\$100,000	\$100,000
Insurance Fraud Restitution	\$172,501	\$100,000	\$150,000	\$150,000
General Fraud Restitution Recovered	\$66,638	\$20,000	\$41,000	\$41,000

Major Budget Issues

The recommendations address a number of substantive budget issues affecting agencies in the Judiciary function including:

- annualizing the second step of the judicial pay raises that was funded in the second year of the 1998-99 biennium;
- including a new line item within the Supreme Court for the Basic Civil Legal Services program created by the Seventy-fifth Legislature, 1997;
- deleting the Supplemental Funding strategy for the Courts of Appeals, and including the funds in the Appellate Court Operations strategy; and
- incorporating additional staff into the Office of Court Administration pursuant to the implementation of Senate Bill 1417, Seventy-fifty Legislature, 1997, which created the Judicial Committee on Information Technology.

Significant Recommendations

Significant recommendations for agencies in the Judiciary function include:

- an increase of \$363,000 for the Courts of Appeals to annualize the second step of the judicial pay raise; and

- a decrease of \$1.6 million for the Office of Court Administration (OCA) related to the Judicial Committee on Information Technology, which OCA intends to present before the Seventy-sixth Legislature as part of a Judiciary-wide information technology project.



PUBLIC SAFETY AND CRIMINAL JUSTICE

Overview

All Funds recommendations for Public Safety and Criminal Justice total \$7.4 billion for the 2000-01 biennium, which is an increase of \$107.5 million, or 1.5 percent, from 1998-99 (Table 1). For General Revenue and General Revenue-Dedicated Funds, the recommendations total \$6.5 billion, which is an increase of \$428.0 million, or 7.1 percent, from 1998-99 (Table 2). Selected performance measures for agencies in the Public Safety and Criminal Justice function are depicted in Table 3.

Table 1 All Funds Public Safety and Criminal Justice Biennial Recommendations for 2000-01 Compared to the 1998-99 Budget (In Millions)*					
	Expended/ Budgeted 1998-99	Recommended 2000-01	Biennial Change**	Percent Change**	
Adjutant General's Department	\$ 58.7	\$ 56.1	\$ (2.6)	(4.4)%	
Alcoholic Beverage Commission	45.6	45.0	(0.6)	(1.4)	
Criminal Justice, Department of	4,663.4	4,610.1	(53.3)	(1.1)	
Criminal Justice Policy Council	13.5	2.5	(11.0)	(81.8)	
Fire Protection, Commission on	5.4	5.4	0.0	0.0	
Jail Standards, Commission on	1.8	2.0	0.2	8.8	
Juvenile Probation Commission	202.1	209.5	7.4	3.6	
Law Enforcement Officer Standards and Education, Commission on	7.5	5.1	(2.5)	(32.7)	
Local Continuing Education Grants for Peace Officers	12.0	12.0	0.0	0.0	
Military Facilities Commission, Texas	24.9	62.7	37.8	152.2	
Polygraph Examiners Board	0.2	0.2	0.0	2.5	
Private Investigators and Private Security Agencies, Board of	4.9	4.9	(0.1)	(1.8)	
Public Safety, Department of	666.4	635.0	(31.4)	(4.7)	
Youth Commission, Texas	429.1	452.1	23.0	5.4	
Subtotal, Public Safety and Criminal Justice	<u>\$ 6,135.7</u>	<u>\$ 6,102.5</u>	<u>\$ (33.2)</u>	(0.5)%	
Retirement and Group Insurance	\$ 525.3	\$ 615.1	\$ 89.7	17.1 %	
Social Security and Benefit Replacement Pay	285.0	293.1	8.1	2.8	
Subtotal, Employee Benefits	<u>\$ 810.4</u>	<u>\$ 908.2</u>	<u>\$ 97.8</u>	12.1%	
Bond Debt Service Payments	\$ 432.2	\$ 466.1	\$ 33.9	7.9%	
Lease Payments	3.8	4.2	0.3	9.0	
Subtotal, Debt Service	<u>\$ 436.0</u>	<u>\$ 470.2</u>	<u>\$ 34.3</u>	7.9%	

	Expended/ Budgeted 1998-99	Recommended 2000-01	Biennial Change**	Percent Change**
Less: Interagency Contracts	\$ 78.0	\$ 69.3	\$ (8.6)	(11.1)%
Total, Public Safety and Criminal Justice	\$ 7,304.0	\$ 7,411.5	\$ 107.5	1.5%

* Totals may not add due to rounding.

** Biennial change and percent change calculated on actual amounts before rounding.

<p style="text-align: center;">Table 2 General Revenue and General Revenue-Dedicated Funds Public Safety And Criminal Justice Biennial Recommendations for 2000-01 Compared to the 1998-99 Budget (In Millions)*</p>				
	Expended/ Budgeted 1998-99	Recommended 2000-01	Biennial Change**	Percent Change**
Adjutant General's Department	\$ 23.2	\$ 22.8	\$ (0.4)	(1.5)%
Alcoholic Beverage Commission	44.6	44.0	(0.6)	(1.4)
Criminal Justice, Department of	4,250.8	4,480.1	229.3	5.4
Criminal Justice Policy Council	1.4	1.4	0.0	0.0
Fire Protection, Commission on	5.4	5.4	0.0	0.0
Jail Standards, Commission on	1.5	1.6	0.1	8.6
Juvenile Probation Commission	155.2	161.6	6.4	4.1
Law Enforcement Officer Standards and Education, Commission on	5.6	4.5	(1.1)	(19.9)
Local Continuing Education Grants for Peace Officers	12.0	12.0	0.0	0.0
Military Facilities Commission, Texas	1.6	3.3	1.7	105.0
Polygraph Examiners Board	0.2	0.2	0.0	2.5
Private Investigators and Private Security Agencies, Board of	3.6	3.5	(0.1)	(2.5)
Public Safety, Department of	57.9	57.2	(0.7)	(1.2)
Youth Commission, Texas	341.4	407.1	65.7	19.3
Subtotal, Public Safety and Criminal Justice	\$ 4,904.4	\$ 5,204.8	\$ 300.4	6.1%
Retirement and Group Insurance	\$ 454.0	\$ 535.1	\$ 81.1	17.9%
Social Security and Benefit Replacement Pay	242.5	250.9	8.4	3.5
Subtotal, Employee Benefits	\$ 696.5	\$ 786.0	\$ 89.5	12.8%
Bond Debt Service Payments	\$ 423.0	\$ 460.8	\$ 37.8	8.9%
Lease Payments	3.8	4.2	0.3	9.0
Subtotal, Debt Service	\$ 426.8	\$ 464.9	\$ 38.1	8.9%
Total, Public Safety and Criminal Justice	\$ 6,027.8	\$ 6,455.8	\$ 428.0	7.1%

* Totals may not add due to rounding.

** Biennial change and percent change calculated on actual amounts before rounding.

Table 3
**Selected Performance Measures
Public Safety and Criminal Justice**

Measure	Actual 1998	Budgeted 1999	Recommended 2000	Recommended 2001
Alcoholic Beverage Commission				
Number of Inspections Made	97,953	107,207	107,207	107,207
Average Cost per Inspection	\$ 145.01	\$ 136.55	\$ 138.43	\$ 134.59
Number of Applications Processed	100,726	95,925	95,546	95,832
Number of Inspections, Analyses and Compliance Activities	78,200	78,622	81,190	81,190
Department of Criminal Justice				
Number of Inmates Incarcerated in the Institutional Division	115,267	118,634	120,697	121,934
Average Inmate Population in State Jail Facilities	21,583	24,273	24,273	24,273
Average Number of Inmates in Contractual Correctional Bed Capacity	1,038	2,657	1,012	0
Number of Inmates Released on Parole	10,462	13,380	14,280	14,334
Total Felony Offenders Under Direct Community Supervision (Adult Probationers)	164,219	165,428	166,617	165,069
Managed Health Care Cost per Inmate Day	\$ 4.68	\$ 5.25	\$ 5.30	\$ 5.30
Department of Public Safety				
Traffic Law Violator Contacts	2,036,874	2,190,725	2,025,876	2,025,876
Number of Accident Reports Processed	650,176	600,000	600,000	600,000
Annual Texas Crime Index Rate	5,478	5,747	5,478	5,478
Number of Emergency Incidents Coordinated	2,191	745	1,700	1,700
Texas Youth Commission				
Average Daily Population: Correctional Programs	4,875	5,372	5,802	5,977
Average Daily Population: Specialized Correctional Treatment	828	900	1,005	1,062
Average Daily Population: Aftercare	2,550	3,406	3,121	3,244
One Year Rearrest Rate (Percent)	47%	44%	44%	44%
Juvenile Probation Commission				
Rate of Successful Completion of Deferred Prosecution Cases (Percent)	79%	85%	85%	85%
Average Daily Population: Youth Supervised Under Court Ordered Probation	22,272	21,796	21,482	21,734
Commission on Law Enforcement Officer Standards and Education				
Number of New Licenses Issued to Individuals	9,875	10,000	11,157	11,689
Number of On-Site Academy Evaluations Conducted	36	35	60	60
Complaints Resolved	2,571	190	180	180

Major Budget Issues

The recommendations address a number of substantive budget issues affecting agencies in the Public Safety and Criminal Justice function. Specific recommendations and issues are detailed below.

The recommendations for the Alcoholic Beverage Commission:

- maintain the 1998-99 biennium expended/budgeted level of funding for salaries and wages, effectively reducing the full-time equivalent (FTE) position cap from 515 to 501 FTEs; and
- include funding for the acquisition of 72 replacement vehicles.

The recommendations for the Texas Department of Criminal Justice:

- provide full 24-month operation of all correctional capacity added during the 1998-99 biennium;
- provide funding to operate two 660-bed and two 990-bed high security prison units scheduled for completion in fiscal year 2000;
- include fiscal year 2000 funding for contracted, temporary correctional beds needed (with county jails) due to projected inmate population exceeding prison capacity;
- include funding for caseload growth in parole population;
- provide funding for growth in felony and misdemeanor community supervision (adult probation) population and to maintain fiscal year 1999 level of operations.
- provide psychiatric and managed health care funding for offender population growth;
- include General Revenue replacement of Federal Funds for incarcerated aliens due to anticipated reduction in federal award; and
- anticipate an increase in Texas Correctional Industries sales receipts.

The recommendations for the Department of Public Safety:

- maintain funding for 7,063 FTEs, as appropriated for fiscal year 1999, including 3,228 commissioned officers;
- include funds for the purchase of over 900 vehicles in the 2000-01 biennium and would maintain replacement mileage at over 100,000 miles per vehicle; and
- do not include capital expenditures for the acquisition of property or the construction of facilities due to the agency's two-year moratorium on these projects to focus resources on other priorities.

The recommendations for the Juvenile Probation Commission:

- include an increase in General Revenue Funds for the state share of operating post-adjudication beds; and
- expand the eligibility criteria for counties participating in the state-funded Juvenile Justice Alternative Education Program to include counties with populations between 72,000 and 125,000.

The recommendations for the Texas Youth Commission:

- provide for the operations of all additional capacity, including 1,008 beds that became operational in fiscal years 1998 and 1999;
- include funding to phase in remaining capacity, 452 beds, authorized by the Seventy-fifth Legislature, 1997, and scheduled to open during the 2000-01 biennium; and
- include a decrease in General Revenue Funds for managed health care to utilize the reserve funds held by Texas Tech University Health Sciences Center in the method of financing.

Significant Recommendations

Significant recommendations for agencies in the Public Safety and Criminal Justice function include:

Adjutant General's Department

- a \$801,430 All Funds increase for utilities costs for existing facilities and planned new military facilities (includes \$465,745 in General Revenue Funds and \$335,686 in Other Funds);
- a \$20,000 increase in General Revenue Funds due to increased debt service for construction projects of military facilities begun in prior years;
- \$809,630 for rehabilitation of Camp Mabry military housing and office buildings (includes \$731,000 in General Revenue Funds and \$78,630 in Federal Funds); and
- a \$2 million decrease in All Funds for one-time capital repair and construction projects in the 1998-99 biennium.

Department of Criminal Justice

- an increase of \$82.3 million in General Revenue Funds to provide full 24-month operation of all correctional capacity added during the 1998-99 biennium;

- an increase of \$65.4 million in General Revenue Funds to provide funding to operate two 660-bed and two 990-bed high security prison units scheduled for completion in fiscal year 2000;
- a decrease of \$36.3 million in General Revenue Funds for contracted temporary correctional beds (with county jails) due to new prison capacity becoming operational (fiscal year 2000 funding is \$14.8 million and fiscal year 2001 is \$0);
- an increase of \$35.3 million in General Revenue Funds to provide psychiatric and managed health care funding for offender population growth;
- a reduction of \$6.2 million in General Revenue debt service costs due to refinanced revenue bond obligations;
- an anticipated increase in Texas Correctional Industries General Revenue sales receipts of \$11.2 million;
- a reduction of \$282.8 million in All Funds for one-time capital construction and repair projects in the 1998-99 biennium;
- an increase of \$16.4 million in All Funds for projected caseload growth in parole population (includes \$15.3 million in General Revenue Funds and \$1.1 million in Other Funds);
- an increase of \$17.2 million in All Funds for projected growth in felony and misdemeanor community supervision population and to maintain fiscal year 1999 level of operations (includes \$8.5 million in General Revenue Funds and \$8.7 million in Other Funds); and
- \$59.6 million replacement of Federal Funds with General Revenue Funds for incarcerated aliens due to anticipated reduction in federal award compared to the 1998-99 biennium.

Commission on Fire Protection

- continuation of funding at the 1998-99 biennial level.

Juvenile Probation Commission

- a \$10.3 million reduction in bond proceeds for one-time capital construction projects;
- an expansion of Juvenile Justice Alternative Education programs (JJAEPs) to include counties with populations greater than 72,000, but less than or equal to 125,000 (the statute currently provides that counties with populations over 125,000 must operate a state-supported JJAEP); funding is maintained at the 1998-99 appropriated level, which is \$1.5 million greater than the 1998-99 spending level during the phase-in period of the program; and

- a \$7.7 million increase in General Revenue Funds for the state share of operating post-adjudication beds.

Commission on Law Enforcement Officer Standards and Education

- the transfer of \$6,000,000 per annum from the Commission to the Comptroller of Public Accounts for the distribution of Local Continuing Education Grants for Peace Officers to local jurisdictions; and
- a \$1.1 million General Revenue and General Revenue-Dedicated Funds reduction due to the elimination of one-time start-up costs for three new programs and the elimination of one-time matching funds for the construction of the Texas Peace Officers' Memorial.

Texas Military Facilities Commission

- a \$46.3 million Federal Funds increase and \$1.6 million General Revenue increase for new construction and required renovation of armories and other military facilities;
- a \$11.9 million decrease in All Funds for one-time capital repair and construction projects in the 1998-99 biennium; and
- an \$82,313 increase in Other Funds for debt service for revenue bonds.

Department of Public Safety

- a decrease of \$0.7 million in General Revenue and General Revenue-Dedicated Funds and \$1.3 million in State Highway Funds, primarily due to the elimination of one-time start-up costs associated with legislation enacted in 1997;
- an \$8.8 million reduction in Federal Funds and Criminal Justice Grants, as anticipated by the agency, primarily for disaster assistance and non-recurring grants for special projects;
- a \$12.9 million reduction in appropriated receipts including state and federal controlled substance forfeitures, reimbursement and payments and sale of printed records; and
- a \$7.7 million reduction in interagency contracts (anticipated by the agency).

Texas Youth Commission

- \$38 million to annualize operating costs for facilities phased in during the 1998-99 biennium;
- 543.5 additional FTEs from the fiscal year 1999 level;

- a \$7 million General Revenue Funds increase for education and treatment costs as a result of increased populations and caseloads (included are increases in special education, vocational education and specialized treatment);
- current capitation (i.e., per day costs) rates of \$5.07 (\$1,851 annually) for Texas Tech Health Sciences Center and \$5.09 (\$1,858 annually) for the University of Texas Medical Branch for managed health care;
- a \$16.8 million General Revenue Funds increase in contract care; and
- moving Project RIO (job training and placement) funding from the Workforce Commission to the Texas Youth Commission.



NATURAL RESOURCES

Overview

All Funds recommendations for Natural Resources total \$1.6 billion for the 2000-01 biennium, which is a decrease of \$50.9 million, or 3.0 percent, from 1998-99 (Table 1). For General Revenue and General Revenue-Dedicated Funds, the recommendations total \$1.3 billion, which is a decrease of \$50.1 million, or 3.7 percent, from 1998-99 (Table 2). Selected performance measures for agencies in the Natural Resources function are depicted in Table 3.

Table 1 All Funds Natural Resources Biennial Recommendations for 2000-01 Compared to the 1998-99 Budget (In Millions)*					
	Expended/ Budgeted 1998-99	Recommended 2000-01	Biennial Change**	Percent Change**	
Agriculture, Department of	\$ 49.1	\$ 48.8	\$ (0.3)	(0.6)%	
Animal Health Commission	23.4	22.8	(0.6)	(2.5)	
General Land Office and Veterans' Land Board	102.0	94.3	(7.6)	(7.5)	
Low-level Radioactive Waste Disposal Authority	7.7	1.1	(6.6)	(85.2)	
Natural Resource Conservation Commission	779.7	738.0	(41.7)	(5.4)	
Parks and Wildlife Department	371.4	372.5	1.1	0.3	
Railroad Commission of Texas	99.2	74.7	(24.5)	(24.7)	
River Compact Commissions	0.8	0.8	0.0	0.0	
Soil and Water Conservation Board	18.8	18.2	(0.6)	(3.1)	
Water Development Board	80.2	75.5	(4.7)	(5.9)	
Debt Service Payments-General Obligation Water Bonds	14.7	30.0	15.3	103.8	
Subtotal, Natural Resources	<u>\$ 1,547.0</u>	<u>\$ 1,476.8</u>	<u>\$ (70.2)</u>	(4.5)%	
Retirement and Group Insurance	\$ 90.5	\$ 101.4	\$ 10.9	12.1%	
Social Security and Benefit Replacement Pay	56.2	56.0	(0.2)	(0.3)	
Subtotal, Employee Benefits	<u>\$ 146.7</u>	<u>\$ 157.4</u>	<u>\$ 10.8</u>	7.3%	
Bond Debt Service Payments	\$ 8.3	\$ 8.4	\$ 0.1	0.9	
Lease Payments	1.9	2.1	0.2	9.4	
Subtotal, Debt Service	<u>\$ 10.2</u>	<u>\$ 10.5</u>	<u>\$ 0.3</u>	2.5%	

	Expended/ Budgeted 1998-99	Recommended 2000-01	Biennial Change**	Percent Change**
Less: Interagency Contracts	\$ 20.4	\$ 12.1	\$ (8.3)	(40.7)%
Total, Natural Resources	\$ 1,683.6	\$ 1,632.7	\$ (50.9)	(3.0)%

* Totals may not add due to rounding.

** Biennial change and percent change calculated on actual amounts before rounding.

Table 2
General Revenue and General Revenue-Dedicated Funds
Natural Resources
Biennial Recommendations for 2000-01
Compared to the 1998-99 Budget
(In Millions)*

	Expended/ Budgeted 1998-99	Recommended 2000-01	Biennial Change**	Percent Change**
Agriculture, Department of	\$ 44.0	\$ 44.0	\$ 0.0	0.1%
Animal Health Commission	18.1	18.1	0.0	0.0
General Land Office and Veterans' Land Board	51.5	48.4	(3.1)	(6.0)
Low-level Radioactive Waste Disposal Authority	7.7	1.1	(6.6)	(85.2)
Natural Resource Conservation Commission	671.1	633.6	(37.5)	(5.6)
Parks and Wildlife Department	288.7	286.5	(2.2)	(0.8)
Railroad Commission of Texas	80.9	60.0	(20.9)	(25.9)
River Compact Commissions	0.8	0.8	0.0	0.0
Soil and Water Conservation Board	14.3	14.3	0.0	0.1
Water Development Board	45.6	37.1	(8.5)	(18.5)
Debt Service Payments—General Obligation Water Bonds	2.7	21.6	18.9	699.3
Subtotal, Natural Resources	\$ 1,225.3	\$ 1,165.6	\$ (59.8)	(4.9)%
Retirement and Group Insurance	\$ 78.5	\$ 88.1	\$ 9.6	12.2%
Social Security and Benefit Replacement Pay	48.3	48.2	(0.1)	(0.3)
Subtotal, Employee Benefits	\$ 126.9	\$ 136.3	\$ 9.4	7.4%
Bond Debt Service Payments	\$ 8.3	\$ 8.4	\$ 0.1	0.9
Lease Payments	1.9	2.1	0.2	9.4
Subtotal, Debt Service	\$ 10.2	\$ 10.5	\$ 0.3	2.5%
Total, Natural Resources	\$ 1,362.5	\$ 1,312.4	\$ (50.1)	(3.7)%

* Totals may not add due to rounding.

** Biennial change and percent change calculated on actual amounts before rounding.

Table 3
**Selected Performance Measures
 Natural Resources**

Measure	Actual 1998	Budgeted 1999	Recommended 2000	Recommended 2001
Percent Change in the Known Prevalence of Bovine Brucellosis from the 1994 Level	(84)%	(91)%	(98)%	(99)%
Percent of Permanent School Fund Upland Acreage Leased	79%	77%	79%	80%
Percent of Leaking Petroleum Storage Sites Cleaned-up	62%	65%	72%	76%
Percent of Texas Population Served by Public Water Systems Which Meet Drinking Water Standards	97%	96%	97%	97%
Annual Percent of Stationary and Mobile Source Pollution Reductions in Non-Attainment Areas	4%	5%	5%	6%
Annual Percent Reduction in Disposal of Municipal Solid Waste per Capita	1.3%	1.0%	1.5%	1.5%
Percent (State Parks) Repair Needs Met	2%	20%	25%	35%
Number of Known Abandoned Wells Plugged with the Use of State Funds	1,605	1,200	276	0
Percent of Agricultural/Silvicultural Operations within Identified Problem Areas Having District-Approved Water Quality Management Plans Developed and Certified	8%	5%	10%	12%
Percent of Future Water Demands and Supplies Adequately Identified for Texas Water User Groups	34%	88%	94%	100%

Major Budget Issues

The recommendations address a number of substantive budget issues affecting the agencies in the Natural Resources function which include:

- funding to continue restoration of the Historic District at Dallas Fair Park;
- restricted General Revenue-Dedicated Funds in the amount of \$1.1 million to phase-out agency operations for the Low-Level Radioactive Waste Disposal Authority;
- no funding for the continuation of the Galveston Bay Estuary and Corpus Christi Bay National Estuary programs;
- a \$26.7 million reduction in General Revenue-Dedicated Funds, as requested by the Natural Resource Conservation Commission, due to the phase-out of the Waste Tire Recycling programs;

- a \$9.8 million reduction in General Revenue-Dedicated Funds to maintain Natural Resource Conservation Commission funding for petroleum storage tank remediation fees at 1998-99 levels, less unexpended balances;
- an overall decrease of \$4.7 million in General Revenue-Dedicated Funds, reflecting the overall request by the Texas Parks and Wildlife Department to increase funding from the Game, Fish and Water Safety Account by \$6.0 million, decrease funding from the State Parks Account by \$6.9 million, and decrease funding from the Recreation and Parks Account by \$3.8 million;
- a \$13.4 million increase in funding the Texas Parks and Wildlife Department for ongoing construction projects, including a \$4.1 million increase in General Revenue Funds;
- a \$3.8 million decrease in General Revenue Funds due to a reduction in available matching Federal Funds for the Safe Drinking Water Act State Revolving Funds as requested by the Water Development Board; and
- a net increase of \$15.3 million in All Funds for payment of debt service on general obligation bonds for water-related projects for the Economically Distressed Areas Program and State Participation Program.

Significant Recommendations

Significant recommendations for agencies in the Natural Resources function include:

Department of Agriculture

- \$1.9 million in General Revenue Funds to continue restoration projects at Dallas Fair Park; and
- a \$200,000 decrease in available Federal Funds for the USDA Pesticide Data Program with no decrease in performance levels related to pesticide complaint investigations.

A Legislative Budget Board evaluation focusing on Drought Planning and Preparation, contained in the *Staff Performance Report to the 76th Legislature*, produced several recommendations including:

- Designating a State Drought Manager to manage and coordinate drought planning and response, act as the decision maker in implementing a State Drought Plan, and develop an information and communications network to forecast and inform interested parties of the potential for drought.
- Renaming the Drought Response and Monitoring Committee as the Drought Preparedness Council, designating the State Drought Manager as the Chair of the Council, and expanding the membership to include the Texas Forest Service, Texas Department of Transportation, Texas Department of Economic Development, the Texas Farm Bureau and other parties affected by drought.
- Establishing a statutorily-dedicated funding source for financial assistance during drought.

Animal Health Commission

- a \$0.5 million decrease in available Federal Funds for the Bovine Brucellosis Eradication program as the incidence of the disease continues to decrease to the projected 98.7 percent reduction from the 1994 level.

General Land Office and Veterans' Land Board

- a \$1.0 million reduction in General Revenue-Dedicated Funds for oil spill response;
- a \$1.5 million reduction in General Revenue-Dedicated Funds for the Galveston Bay National Estuary Program;
- a \$0.6 million reduction in General Revenue and a \$1.6 million increase in Other Funds to pay for defense of title for Permanent School Fund (PSF) land and the prosecution of mineral lease claims;
- a \$1.8 million decrease in Federal Funds for the Coastal Management Program due to fiscal year 1997 funding being received in fiscal year 1998;
- a \$1.6 million reduction in Other Funds for veterans benefit programs; and
- a \$4.6 million reduction in Other Funds due to a one-time appropriation for construction of four veterans' homes which will provide 600 nursing home beds for Texas veterans.

Low-level Radioactive Waste Disposal Authority

The recommendations for the Low-level Radioactive Waste Disposal Authority reflect the following changes from 1998-99 based on the assumption that a license will not be issued for the operation of a disposal facility:

- a \$5.6 million decrease in funding for licensing activities, as requested by the agency;
- a \$1.2 million decrease due to the elimination of payments to the host county; and
- a \$0.2 million increase in funding for administrative costs.

Natural Resource Conservation Commission

- \$26.0 million in General Revenue-Dedicated Funds for final payment on the settlement in *Cause No. 95-1462, Tejas Testing Technology One, L.C., et al. v. The State of Texas, et al.*;
- a \$1.5 million increase in General Revenue Funds for the Safe Drinking Water Program;
- a \$26.7 million reduction in General Revenue-Dedicated Funds to reflect the phase-out of the Waste Tire Recycling program;
- a \$2.5 million increase in General Revenue-Dedicated Funds to reflect two-year funding for the National Pollution Discharge Elimination System program (initiated in fiscal year 1999), which will allow the agency to increase permitting, inspections and enforcement of water quality throughout the state;
- a \$1.8 million reduction in General Revenue-Dedicated Funds in the waste management account;
- a \$9.8 million reduction in General Revenue-Dedicated Funds in Petroleum Storage Tank Remediation fees due, in part, to a decline in the amount of reimbursement activity; and
- a \$2.2 million reduction in Federal Funds and a \$1.5 million reduction in Interagency Contracts for the National Estuary programs.

Parks and Wildlife Department

- a \$2.6 million decrease in General Revenue Funds related to small repairs and maintenance at state parks;
- a \$1.0 million decrease in Federal Funds and a corresponding \$1 million increase in General Revenue-Dedicated Funds for the shrimp license buyback program;
- a \$3.9 million decrease in General Revenue-Dedicated Funds from unexpended cigarette tax revenue due to the completion of construction projects;

- an increase of \$4.1 million in General Revenue-Dedicated Funds and \$10.8 million in bond proceeds for construction projects which will allow the agency to continue to meet the critical major repair backlog at state parks; and
- a \$6.3 million decrease in Federal Funds due to a reduction in formula and competitive federal grants.

Railroad Commission of Texas

- a \$4.6 million decrease in General Revenue-Dedicated Funds as requested by the agency due to declining fund balances;
- a \$16.8 million reduction in available funding due to the sunset of certain oil and gas fees on August 31, 1999, which will significantly impact the number of abandoned wells and polluted sites cleaned up with state funds;
- a \$2.2 million decrease in available Federal Funds for one-time, pass thru grants for rail rehabilitation projects;
- a \$0.2 million increase in Federal Funds for a pipeline repository;
- a \$1.5 million reduction in appropriated receipts mainly due to the transfer of the print shop operations to the General Services Commission; and
- a \$0.4 million increase in funding from the Texas Experimental Research and Recovery Activity and the Alternative Fuels Research and Education accounts.

Soil and Water Conservation Board

- a \$0.5 million reduction in Federal Funds for Clean Water Act Nonpoint Source Pollution programs.

Water Development Board

- a \$2.5 million reduction in General Revenue Funds for regional planning grants based on the original program cost estimate;
- a \$3.0 million reduction in General Revenue Funds to reflect a reduction in state match funds for federal financial assistance under the Safe Drinking Water Act State Revolving Fund;
- a \$2.4 million decrease in General Revenue Funds for a one-time appropriation to the Canadian River Basin Chlorine Control Project;

- a \$6.7 million increase in Federal Funds for the development of the Strategic Mapping Program, which will allow the agency to develop additional digital geographic mapping data for public use;
- a \$1.5 million decrease in Federal Funds for the Clean Water State Revolving Fund;
- a \$2.9 million decrease in Federal Funds due to a phase-out of the Colonias Wastewater Treatment Assistance Program;
- a \$2.9 million increase in appropriated receipts and a \$0.9 million decrease in Earned Federal Funds to account for the change in funding administrative costs associated with the Clean Water State Revolving Fund; and
- a \$1.4 million decrease in Water Assistance Funds for the Economically Distressed Areas Program due to a reduction in available funds.

Debt Service Payments for General Obligation Water Bonds

- an \$18.9 million increase in General Revenue Funds for payment of debt service on general obligation bonds issued for water infrastructure projects for the Economically Distressed Areas Program and the State Participation Program; and
- a \$3.6 million decrease in Other Funds, mostly due to unallocated bond proceeds earning interest in fiscal year 1999.

Article VI, Special Provisions

- elimination of the Special Provision which allowed most agencies in the Natural Resources function to use 50 percent of additional Earned Federal Funds as match for federal grant awards.



BUSINESS AND ECONOMIC DEVELOPMENT

Overview

All Funds recommendations for Business and Economic Development total \$10.8 billion for the 2000-01 biennium, which is a decrease of \$164.0 million, or 1.5 percent, from 1998-99 (Table 1). For General Revenue and General Revenue-Dedicated Funds, the recommendations total \$761.5 million, which is a decrease of \$26.0 million, or 3.3 percent, from 1998-99 (Table 2). Selected performance measures for agencies in the Business and Economic Development function are depicted in Table 3.

Table 1 All Funds Business And Economic Development Biennial Recommendations for 2000-01 Compared to the 1998-99 Budget (In Millions)*				
	Expended/ Budgeted 1998-99	Recommended 2000-01	Biennial Change**	Percent Change**
Aerospace Commission	\$ 0.5	\$ 0.4	\$ (0.1)	(19.7)%
Economic Development, Department of	195.4	122.0	(73.4)	(37.6)
Housing and Community Affairs, Department of	454.8	390.6	(64.2)	(14.1)
Lottery Commission	424.4	412.9	(11.5)	(2.7)
Transportation, Department of	7,636.8	7,625.3	(11.5)	(0.2)
Workforce Commission	1,901.2	1,861.5	(39.7)	(2.1)
Reimbursement to the Unemployment Compensation Benefit Account	<u>26.3</u>	<u>26.3</u>	<u>0.0</u>	0.0
Subtotal, Business and Economic Development	<u>\$ 10,639.5</u>	<u>\$ 10,439.1</u>	<u>\$ (200.5)</u>	(1.9)%
Retirement and Group Insurance	\$ 257.9	\$ 291.5	\$ 33.6	13.0%
Social Security and Benefit Replacement Pay	<u>127.1</u>	<u>123.9</u>	<u>(3.2)</u>	(2.5)
Subtotal, Employee Benefits	<u>\$ 385.0</u>	<u>\$ 415.4</u>	<u>\$ 30.4</u>	7.9%
Lease Payments	<u>\$ 0.3</u>	<u>\$ 0.4</u>	<u>\$ 0.1</u>	43.2%
Less:				
Interagency Contracts	<u>\$ 59.3</u>	<u>\$ 53.4</u>	<u>\$ (5.9)</u>	(10.0)%
Total, Business and Economic Development	<u><u>\$ 10,965.5</u></u>	<u><u>\$ 10,801.5</u></u>	<u><u>\$ (164.0)</u></u>	(1.5)%

* Totals may not add due to rounding.

** Biennial change and percent change calculated on actual amounts before rounding.

Table 2
**General Revenue And General Revenue-Dedicated Funds
 Business And Economic Development
 Biennial Recommendations for 2000-01
 Compared to the 1998-99 Budget
 (In Millions)***

	Expended/ Budgeted 1996-97	Recommended 1998-99	Biennial Change**	Percent Change**
Aerospace Commission	\$ 0.4	\$ 0.4	\$ 0.0	(1.8)%
Economic Development, Department of	73.0	56.8	(16.2)	(22.2)
Housing and Community Affairs, Department of	13.6	15.8	2.3	16.7
Lottery Commission	424.4	412.9	(11.5)	(2.7)
Transportation, Department of	48.4	56.1	7.7	16.0
Workforce Commission	193.6	183.7	(9.9)	(5.1)
Reimbursement to the Unemployment Compensation Benefit Account	<u>19.5</u>	<u>19.5</u>	<u>0.0</u>	0.0
Subtotal, Business and Economic Development	<u>\$ 773.0</u>	<u>\$ 745.3</u>	<u>\$ (27.7)</u>	(3.6)%
Retirement and Group Insurance	\$ 8.0	\$ 9.3	\$ 1.4	16.9%
Social Security and Benefit Replacement Pay	<u>6.2</u>	<u>6.4</u>	<u>0.2</u>	3.8
Subtotal, Employee Benefits	<u>\$ 14.2</u>	<u>\$ 15.8</u>	<u>\$ 1.6</u>	11.2%
Lease Payments	<u>\$ 0.3</u>	<u>\$ 0.4</u>	<u>\$ 0.1</u>	43.2%
Total, Business and Economic Development	<u><u>\$ 787.4</u></u>	<u><u>\$ 761.5</u></u>	<u><u>\$ (26.0)</u></u>	(3.3)%

* Totals may not add due to rounding.

** Biennial change and percent change calculated on actual amounts before rounding.

Table 3
**Selected Performance Measures
 Business and Economic Development**

Measure	Actual 1998	Budgeted 1999	Recommended 2000	Recommended 2001
Texas Workforce Commission				
Choices Participation Rate for Two-Parent Families	40%	90%	90%	90%
Choices Participation Rate for All Families	24%	35%	40%	45%
Percent of Skills Development Trainees Securing Employment with Participating Businesses	86%	90%	95%	95%
Total Number of Clients Who Participate in General Workforce Programs	1,372,917	1,342,910	1,413,599	1,479,262
Average Number of Children Served Per Day, Excluding Choices/Education and Training Services	67,505	71,343	70,000	70,000

Measure	Actual 1998	Budgeted 1999	Recommended 2000	2001
Texas Department of Housing and Community Affairs				
Percent of Households/Individuals of Very Low, Low, and Moderate Income Needing Affordable Housing that Subsequently Receive Such Housing or Housing Related Assistance	1.2%	1.0%	0.7%	0.8%
Lottery Commission				
Number of Lottery Retailer Business Locations Licensed	16,723	17,000	17,500	17,700
Department of Transportation				
Percent of State Highway System Pavement Rated Good or Better on the Pavement Management Information System Condition Score	86%	84%	86%	86%

Major Budget Issues

The recommendations address a number of substantive budget issues affecting agencies in the Business and Economic Development function. Specific recommendations and issues include:

- continuation of the requirement that General Revenue Fund agencies and special fund agencies pay half of their unemployment compensation and unemployment insurance claims, respectively, out of appropriated funds;
- an increase of \$501.3 million in Federal Funds for highway planning and construction;
- a decrease of \$1.0 million in Governor's Deficiency Grant funds and \$64.9 million in Federal Funds available to the Texas Department of Housing and Community Affairs through Low Income Home Energy Assistance Program, Community Development Block Grant and Oil Overcharge funds;
- an increase of \$15.4 million in Federal Funds for Texas Workforce Commission child care programs;
- an increase of \$20.6 million in Federal Funds for the Texas Workforce Commission's 1998 Welfare-to-Work grant;
- a decrease of \$14.5 million in Federal Funds for the Texas Workforce Commission due to declining Food Stamp caseloads;
- a decrease of \$13.3 million in the Texas Workforce Commission's federal School-to-Work Implementation grant due to a reduction in the federal grant award to Texas; and

- a \$10.3 million decrease in the Texas Workforce Commission's Temporary Assistance for Needy Families Choices Program federal block grant due to declining caseloads.

Significant Recommendations

Significant recommendations for agencies in the Business and Economic Development function include:

Department of Economic Development

- a \$54 million decrease in Other Funds due to the expiration of the Smart Jobs Program in December 1999;
- a \$20 million decrease in General Revenue Funds for financial assistance to defense-dependant communities; and
- a \$3.5 million decrease in Federal Funds for the Texas Manufacturing Assistance Center Program.

Department of Housing and Community Affairs

- a \$65.9 million decrease in funds available through the Low Income Home Energy Assistance Program, Community Development Block Grant, Governor's Deficiency Grant and Oil Overcharge funds;
- a \$2.6 million increase in appropriated receipts due to additional Bond Administration fees, Manufactured Housing receipts, Low Income Housing Tax Credit fees, and Investor-owned Utility grants; and
- a shift of \$2.4 million in funding for the Manufactured Housing Program from the Manufactured Homeowners Recovery Trust Fund to General Revenue Funds as a result of funds consolidation.

Lottery Commission

- a decrease of \$11.5 million in General Revenue-Dedicated Funds as a result of a projected decline in revenues from lottery ticket sales.

Department of Transportation

- an increase of \$7.6 million in General Revenue-Dedicated Funds, pursuant to Senate Bill 370, Seventy-fifth Legislature, for use by the Turnpike Division at the Department of Transportation;
- an increase of \$501.3 million in Federal Funds for highway planning and construction; and

- a reduction of \$9.4 million in one-time Oil Overcharge Funds for public transportation projects.

Workforce Commission

- an increase of \$31.5 million in All Funds for child care programs;
- a decrease of \$26.1 million in Federal Funds due to one time information resource capital projects in 1998-99;
- a decrease of \$13.3 million in the School-to-Work Implementation grant due to a reduction in the federal grant award to Texas;
- an increase of \$20.6 million for the federal Welfare-to-Work grant;
- transfer of \$16.6 million General Revenue to the Texas Department of Criminal Justice and the Texas Youth Commission with a corresponding \$9.4 million increase in Other Funds for Project RIO (job training and placement);
- a net decrease of \$14.5 million in Food Stamp Employment & Training funds due to lower projected caseloads;
- a reduction of \$10.3 million for the Temporary Assistance for Needy Families Choices Program due to falling caseloads; and
- a decrease of \$20.8 million in Federal Funds for indirect administration and for various federally funded programs, including Job Training and Partnership Act and Trade Assistance Adjustment.

A Legislative Budget Board evaluation of the Temporary Assistance for Needy Families (TANF) Program, contained in the *Staff Performance Report to the 76th Legislature*, produced the following recommendations:

- The Texas Workforce Commission and Local Workforce Development Boards should develop a plan to achieve the federal work participation rates for two-parent families in order to avoid penalties and lower the state’s TANF maintenance of effort (\$15.7 million per year).
- The Legislature should consider authorizing additional uses of TANF funds, such as employment and support services, to further assist welfare clients towards self-sufficiency.
- The Legislature should consider establishing a pool of TANF funds for local governments and non-profit organizations to use as match for the federal Access to Jobs transportation program.

A Legislative Budget Board evaluation focusing on the availability of additional federal Welfare-to-Work funds, contained in the *Staff Performance Report to the 76th Legislature*, produced the following recommendations:

- The Texas Workforce Commission should collect and report information from the local workforce development boards on the proposed use and projected client outcomes of Welfare-to-Work funds to evaluate the need for additional Welfare-to-Work funds.
- The Texas Workforce Commission should analyze expenditures in the Skills Development Fund and the Self-sufficiency Fund to determine if any expenditures meet the requirements for Welfare-to-Work match or TANF maintenance of effort.
- The Legislature should consider requiring the Texas Education Agency to certify the maximum pre-kindergarten expenditures allowable under federal law as TANF maintenance of effort and child care state match.
- The Texas Workforce Commission should consider options for using additional certified pre-kindergarten expenditures for child care match in 1999, making General Revenue Funds available for Welfare-to-Work match, if this can be accomplished without reducing the availability of child care to the current population.
- The Legislature should consider using 100 percent federal TANF funds for services to hard-to-employ welfare clients where allowable, instead of Welfare-to-Work funds, which require state match.

Reimbursements to the Unemployment Compensation Benefit Account

The \$26.3 million recommendation for the Reimbursements to the Unemployment Compensation Benefit Account is attributable to:

- a 38 percent projected increase in payout requirements above the 1998-99 estimates to reflect the growth of actual payments in 1998; and
- continuation of the requirement that General Revenue and special fund agencies pay half of their unemployment insurance claims out of appropriated funds.



REGULATORY

Overview

All Funds recommendations for Regulatory agencies total \$440.5 million for the 2000-01 biennium, which is an increase of \$16.3 million, or 3.8 percent, from 1998-99 (Table 1). For General Revenue and General Revenue-Dedicated Funds, the recommendations total \$427.4 million, which is an increase of \$16.8 million, or 4.1 percent, from 1998-99 (Table 2). Selected performance measures for agencies in the Regulatory function are depicted in Table 3.

Table 1 All Funds Regulatory Biennial Recommendations for 2000-01 Compared to the 1998-99 Budget (In Millions)*					
	Expended/ Budgeted 1998-99	Recommended 2000-01	Biennial Change**	Percent Change**	
Accountancy, Board of Public	\$ 6.2	\$ 5.9	\$ (0.3)	(4.6)%	
Administrative Hearings, Office of	11.2	11.2	0.0	(0.2)	
Architectural Examiners, Board of	2.3	2.3	0.0	0.1	
Barber Examiners, Board of	1.1	1.1	0.0	0.0	
Chiropractic Examiners, Board of	0.6	0.6	0.0	(0.1)	
Cosmetology Commission	4.3	4.3	0.0	0.0	
Credit Union Department	2.5	3.7	1.2	47.4	
Dental Examiners, Texas State Board of	2.6	2.5	(0.1)	(2.9)	
Engineers, Board of Registration for Professional	2.8	2.7	(0.1)	(2.5)	
Finance Commission of Texas	0.4	0.4	0.0	0.0	
Banking, Department of	17.6	26.8	9.2	52.5	
Consumer Credit Commissioner, Office of the Savings and Loan Department	4.8	4.8	0.0	0.0	
Funeral Service Commission	1.9	3.8	1.8	95.9	
Funeral Service Commission	1.0	1.0	0.0	(0.3)	
Insurance, Department of	96.2	94.9	(1.3)	(1.4)	
Insurance Counsel, Office of Public	2.4	2.4	0.0	(2.0)	
Land Surveying, Board of Professional	0.6	0.6	0.0	0.5	
Licensing and Regulation, Department of	12.3	12.3	0.0	0.0	
Medical Examiners, Board of	9.5	9.2	(0.3)	(3.4)	
Nurse Examiners, Board of	5.8	5.8	0.0	(0.8)	
Nurse Examiners, Board of Vocational	2.2	2.2	0.0	(0.2)	
Optometry Board	0.6	0.6	0.0	0.5	
Pest Control Board, Structural	2.7	2.4	(0.3)	(11.8)	
Pharmacy, Board of	4.8	4.6	(0.2)	(4.1)	

	Expended/ Budgeted 1998-99	Recommended 2000-01	Biennial Change**	Percent Change**
Physical Therapy and Occupational Examiners, Executive Council of	1.5	1.5	0.0	1.0%
Plumbing Examiners, Board of	2.7	2.7	0.0	0.0
Podiatric Medical Examiners, Board of	0.3	0.3	0.0	0.2
Psychologists, Board of Examiners of	1.5	1.5	0.0	2.7
Racing Commission	20.1	21.4	1.3	6.5
Real Estate Commission	8.1	8.3	0.2	2.6
Securities Board, State	7.0	7.0	0.0	0.0
Tax Professional Examiners, Board of	0.3	0.3	0.0	0.0
Utility Commission, Public	24.1	24.0	(0.1)	(0.4)
Utility Counsel, Office of the Public	3.3	3.3	0.0	0.0
Veterinary Medical Examiners, Board of	1.1	1.1	0.0	1.9
Workers' Compensation Commission	91.6	91.9	0.3	0.4
Workers' Compensation, Research and Oversight Council on	1.3	1.3	0.0	0.0%
Subtotal, Regulatory	<u>\$ 359.4</u>	<u>\$ 370.7</u>	<u>\$ 11.3</u>	3.2%
Retirement and Group Insurance	\$ 38.2	\$ 42.7	\$ 4.5	11.9%
Social Security and Benefit Replacement Pay	<u>24.2</u>	<u>24.1</u>	<u>0.0</u>	(0.2)%
Subtotal, Employee Benefits	<u>\$ 62.3</u>	<u>\$ 66.8</u>	<u>\$ 4.5</u>	7.2%
Lease Payments	\$ 11.2	\$ 11.8	\$ 0.6	5.2%
Less: Interagency Contracts	<u>\$ 8.7</u>	<u>\$ 8.8</u>	<u>\$ 0.1</u>	1.3%
Total, Regulatory	<u><u>\$ 424.2</u></u>	<u><u>\$ 440.5</u></u>	<u><u>\$ 16.3</u></u>	3.8%

* Totals may not add due to rounding.

** Biennial change and percent change calculated on actual amounts before rounding.

Table 2 General Revenue and General Revenue-Dedicated Funds Regulatory Biennial Recommendations for 2000-01 Compared to the 1998-99 Budget (In Millions)*				
	Expended/ Budgeted 1998-99	Recommended 2000-01	Biennial Change**	Percent Change**
Accountancy, Board of Public	\$ 6.1	\$ 5.8	\$ (0.3)	(4.4)%
Administrative Hearings, Office of	2.3	2.3	0.0	(0.3)
Architectural Examiners, Board of	2.3	2.3	0.0	0.0
Barber Examiners, Board of	1.1	1.1	0.0	0.0
Chiropractic Examiners, Board of	0.6	0.6	0.0	0.1
Cosmetology Commission	3.7	3.7	0.0	0.0
Credit Union Department	2.5	3.7	1.2	47.4
Dental Examiners, Texas State Board of	2.3	2.3	0.0	0.1

	Expended/ Budgeted 1998-99	Recommended 2000-01	Biennial Change**	Percent Change**
Engineers, Board of Registration for Professional	2.7	2.7	0.0	0.0%
Finance Commission of Texas	0.4	0.4	0.0	0.0
Banking, Department of	17.3	26.5	9.2	53.5
Consumer Credit Commissioner, Office of the	4.8	4.8	0.0	0.0
Savings and Loan Department	1.9	3.8	1.8	95.9
Funeral Service Commission	1.0	1.0	0.0	0.0
Insurance, Department of	95.1	94.0	(1.1)	(1.1)
Insurance Counsel, Office of Public	2.4	2.4	0.0	(2.0)
Land Surveying, Board of Professional	0.6	0.6	0.0	0.5
Licensing and Regulation, Department of	12.0	12.0	0.0	(0.1)
Medical Examiners, Board of	9.4	9.1	(0.3)	(3.5)
Nurse Examiners, Board of	4.6	4.5	(0.1)	(1.4)
Nurse Examiners, Board of Vocational	2.1	2.1	0.0	0.3`
Optometry Board	0.5	0.5	0.0	0.5
Pest Control Board, Structural	2.2	2.2	0.0	(0.2)
Pharmacy, Board of	4.7	4.5	(0.2)	(4.2)
Physical Therapy and Occupational Examiners, Executive Council of	1.4	1.4	0.0	1.1
Plumbing Examiners, Board of	2.7	2.7	0.0	0.0
Podiatric Medical Examiners, Board of	0.3	0.3	0.0	0.2
Psychologists, Board of Examiners of	1.3	1.4	0.0	3.6
Racing Commission	20.1	21.4	1.3	6.5
Real Estate Commission	7.7	7.9	0.2	2.8
Securities Board, State	7.0	7.0	0.0	0.0
Tax Professional Examiners, Board of	0.3	0.3	0.0	0.0
Utility Commission, Public	23.1	23.0	(0.1)	(0.5)
Utility Counsel, Office of the Public	3.3	3.3	0.0	0.0
Veterinary Medical Examiners, Board of	1.1	1.1	0.0	1.9
Workers' Compensation Commission	84.8	84.8	0.0	0.0
Workers' Compensation, Research and Oversight Council on	1.3	1.3	0.0	0.0
Subtotal, Regulatory	<u>\$ 337.1</u>	<u>\$ 348.8</u>	<u>\$ 11.8</u>	3.5%
Retirement and Group Insurance	\$ 38.1	\$ 42.7	\$ 4.5	11.9%
Social Security and Benefit Replacement Pay	<u>24.2</u>	<u>24.1</u>	<u>0.0</u>	(0.2)
Subtotal, Employee Benefits	<u>\$ 62.3</u>	<u>\$ 66.8</u>	<u>\$ 4.5</u>	7.2%
Lease Payments	\$ 11.2	\$ 11.8	\$ 0.6	5.2%
Total, Regulatory	<u><u>\$ 410.6</u></u>	<u><u>\$ 427.4</u></u>	<u><u>\$ 16.8</u></u>	4.1%

* Totals may not add due to rounding.

** Biennial change and percent change calculated on actual amounts before rounding.

Table 3
Selected Performance Measures
Regulatory

Measure	Actual 1998	Budgeted 1999	Recommended 2000	Recommended 2001
Total Number of New Licenses Issued to Individuals	63,384	60,223	66,719	67,143
Department of Insurance				
Number of Complaints Resolved	22,939	22,750	23,750	24,750
Public Utility Commission				
Average Annual Residential Telephone Bill for Basic Service in Texas as a Percentage of the National Average	72%	72.5%	73%	73%
Average Cost of Electricity per kWh in Texas for Residential Customers as a Percentage of the National Average	91%	93%	93%	93%
Percentage of Annual Statewide Electric Energy Obtained Through the Competitive Wholesale Market	14%	14%	15%	16%
Workers' Compensation Commission				
Number of Employers Provided Inspections, Consultations, and Investigations	3,152	3,112	3,502	3,502
Percentage of Compensation Benefit Dispute Cases Resolved in Benefit Review Conference	89%	89%	89%	89%

Major Budget Issues

The recommendations address a number of substantive budget issues affecting agencies in the Regulatory function. Specific recommendations and issues include:

- funding for agency operations for the 2000-01 biennium at 1998-99 levels;
- maintaining contingency appropriations provisions for three agencies which regulate financial institutions; and
- subjecting most regulatory agencies to a special provision expressing legislative intent that agency revenues cover the cost of agency appropriations as well as covering an amount equal to other direct and indirect costs appropriated elsewhere in the General Appropriations Act.

Significant Recommendations

Significant recommendations for agencies in the Regulatory function include:

- contingency riders authorizing a General Revenue Funds increase of up to \$8.7 million for the Department of Banking, \$1.8 million for the Savings and Loan Department and

\$1.1 million for the Credit Union Department in the event additional state resources are necessary to maintain adequate regulation of the industry. These provisions were included in the 1998-99 General Appropriations Act, but industry conditions did not warrant expenditure of the appropriated funds.

Department of Insurance

- \$7.8 million in General Revenue Funds for the State Fire Marshal's Office, transferred from the Commission on Fire Protection in 1998; and
- a \$1.3 million reduction in General Revenue Funds because of lapsed salary amounts, reductions in capital expenditures and non-recurring appropriations for the Texas Health Insurance Risk Pool.

Board of Medical Examiners and Board of Pharmacy

- a decrease of \$0.5 million in General Revenue Funds resulting from a change in the method of payment for national exam fees.

Racing Commission

- an increase of \$1.3 million in General Revenue-Dedicated Funds projected for statutory allocation to the Texas Bred Incentive Program.

Public Utility Commission

- a decrease of \$0.1 million in General Revenue Funds due to a reduction in the estimated contract amount requested by the State Office of Administrative Hearings.

Workers' Compensation Commission

- a net increase of \$0.5 million in Federal Funds and \$0.1 million in Earned Federal Funds for health and safety services; and
- a reduction of \$0.1 million in General Revenue Funds due to rent savings from the relocation of the El Paso field office to a new state office building.

Health Licensing Agencies

- a reduction of \$0.5 million in General Revenue Funds resulting from a change in the method of payment of national exam fees.

April 22, 1998

TO: State Agency Board/Commission Chairs
State Agency Heads
Chancellors and Presidents of Institutions of Higher Education

In preparation for the 2000-01 biennial appropriations cycle, we ask that you limit your baseline appropriations request to amounts expended in fiscal year 1998 and budgeted in fiscal year 1999.

As an exception to this general policy, affected agencies may include in their baseline appropriations request sufficient funds for the following:

- projected public school enrollment, adjustments in school district property values and tax effort, annualized cost of current school facilities projects, and current needs for instructional materials;
- projected higher education enrollment;
- projected population in the state's adult and youth correctional facilities;
- projected health and human service caseload for federally mandated programs and to meet federal work participation requirements;
- projected debt service demands for existing bond authorizations; and
- projected employee benefit costs under current policies.

The budget instructions issued by the Legislative Budget Board and Governor's Office of Budget and Planning allow agencies to develop requests for exceptional items which exceed the baseline appropriations level. These requests may include new initiatives or existing agency programs.

In developing the General Appropriations Act for the 2000-01 biennium, our offices and the legislative committees will carefully scrutinize the public benefit of every dollar requested. We seek your assistance and cooperation in this effort.

Sincerely,

BOB BULLOCK
Lieutenant Governor

JAMES E. "PETE" LANEY
Speaker, House of Representatives

BILL RATLIFF
State Senator

ROBERT (ROB) JUNELL
State Representative

KEN ARMBRISTER
State Senator

TOM CRADDICK
State Representative

TEEL BIVINS
State Senator

CHRISTINE HERNANDEZ
State Representative

CARLOS TRUAN
State Senator

MARK STILES
State Representative