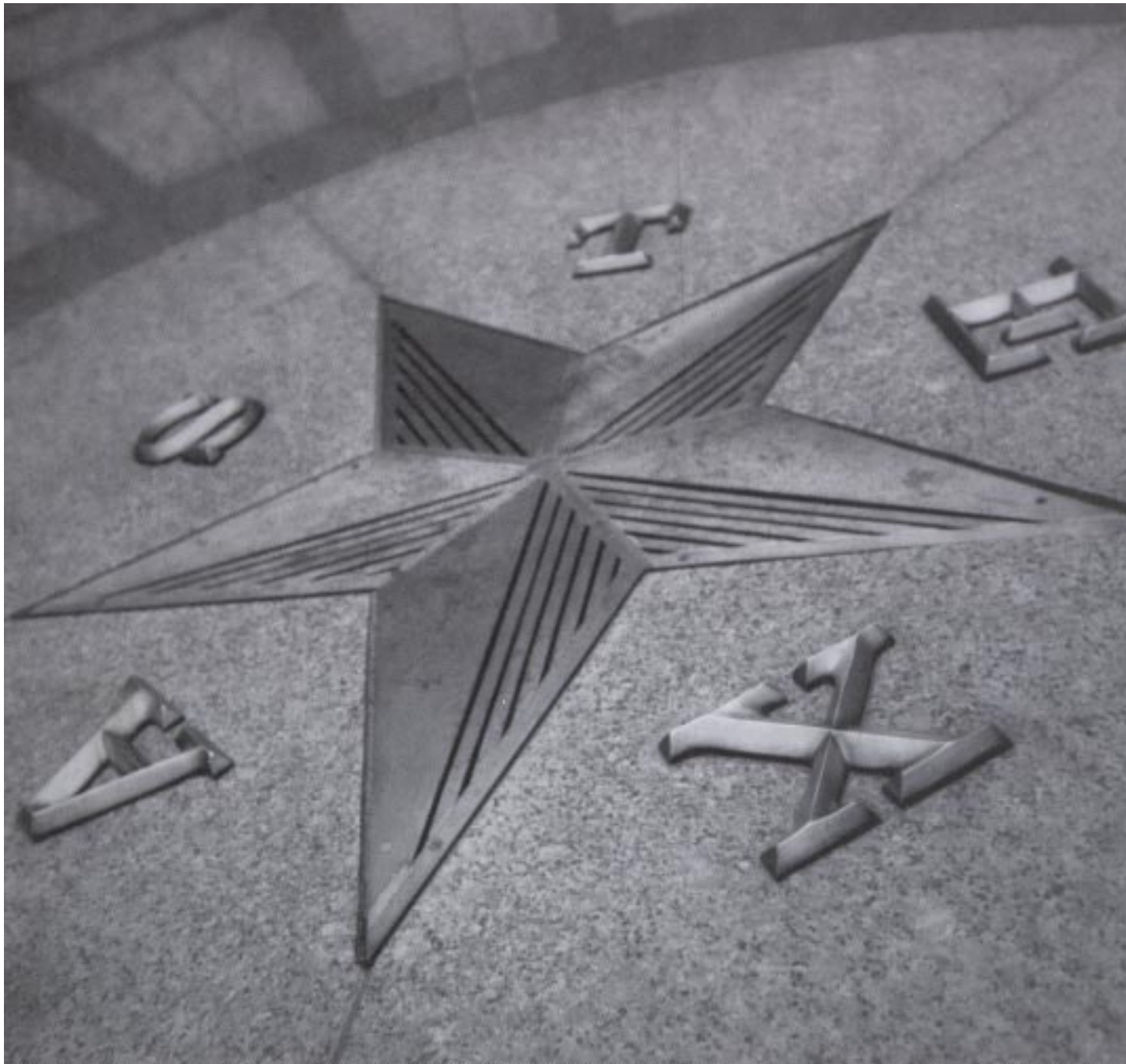


Summary of Conference Committee Report on Senate Bill 1



CONTENTS

INTRODUCTION	1	THE JUDICIARY	51
Highlights of the Recommendations	2	Recommendations by Method of Financing	51
Major Changes by Method of Financing and Function	4	Selected Performance Measures	52
Recommendations by Method of Financing	5	Budget Issues and Recommendations	53
Conference Committee Recommendations	9	PUBLIC SAFETY AND CRIMINAL JUSTICE	57
Significant Funding Elements and Costs	10	Recommendations by Method of Financing	57
Full-time-equivalent Positions	12	Selected Performance Measures	59
Performance Measures and Targets	13	Budget Issues and Recommendations	60
Article IX - General Provisions	14	NATURAL RESOURCES	65
Factors Affecting the State Budget	15	Recommendations by Method of Financing	65
Revenue Outlook for the 2000–03 Biennium	16	Selected Performance Measures	66
Constitutional Spending Limits	16	Budget Issues and Recommendations	67
GENERAL GOVERNMENT	19	BUSINESS AND ECONOMIC DEVELOPMENT	73
Recommendations by Method of Financing	19	Recommendations by Method of Financing	73
Selected Performance Measures	21	Selected Performance Measures	74
Budget Issues and Recommendations	22	Budget Issues and Recommendations	75
HEALTH AND HUMAN SERVICES	27	REGULATORY	79
Recommendations by Method of Financing	27	Recommendations by Method of Financing	79
Selected Performance Measures	29	Selected Performance Measures	81
Budget Issues and Recommendations	30	Budget Issues and Recommendations	82
EDUCATION	41		
Recommendations by Method of Financing	41		
Selected Performance Measures	44		
Budget Issues and Recommendations	45		

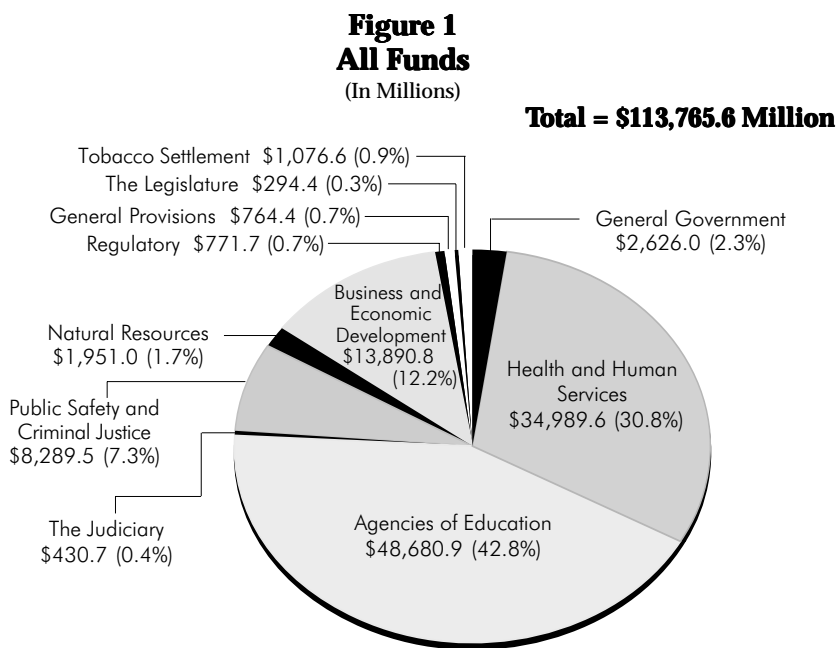
INTRODUCTION

The Senate Bill 1 Conference Committee's recommended appropriations for state government operations for the 2002–03 biennium total \$113.8 billion from all fund sources. The recommendations provide an \$11.8 billion, or 11.6 percent, increase from the 2000–01 biennial level.

General Revenue funding totals \$61.7 billion for the 2002–03 biennium, an increase of \$5.1 billion, or 9.1 percent, over the anticipated 2000–01 biennial spending level. General Revenue funding, including funds dedicated within the General Revenue Fund, totals \$66.2 billion.

Figures 1 and 2 show the 2002–03 recommended appropriations by government function.

Biennial Recommendations for 2002–03

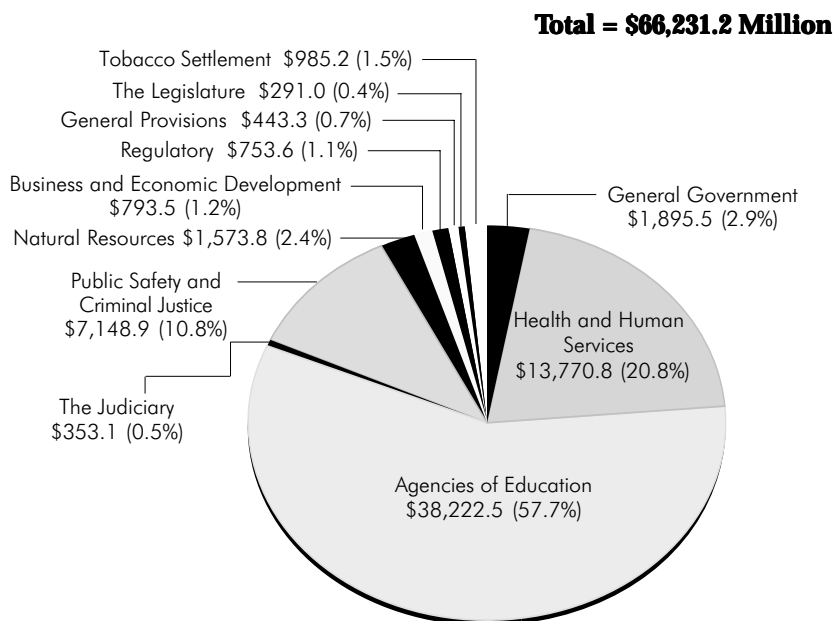


NOTES: Excludes interagency contracts.

Totals may not add because of rounding.

SOURCE: Legislative Budget Board is the source for all figures and tables in this document.

Figure 2 General Revenue and General Revenue-Dedicated Funds (In Millions)



NOTE: Totals may not add because of rounding.

HIGHLIGHTS OF THE RECOMMENDATIONS

The Senate Bill 1 Conference Committee's recommendations include increased funding from the 2000–01 biennial level for the following key budget items:

EDUCATION

- Sufficient General Revenue funding in the Foundation School Program to increase formula funding to school districts and address equity within the system and provide funding for a school district health insurance program;
- A \$102 million General Revenue Funds increase for new public school textbook adoptions;
- A \$900 million increase in Federal Funds for the Texas Education Agency for the School Breakfast and School Lunch Programs, Special Education Grants, and programs for needy children;
- A \$376 million General Revenue Funds increase over fiscal years 2000–01 to cover projected deficit in the Teacher Retirement System–Care retiree health insurance fund;

- A \$232.5 million General Revenue Funds increase for contributions to the Teacher Retirement System to help fund payroll growth in public and higher education;
- A \$280.2 million General Revenue Funds increase for the Toward EXcellence, Access, and Success (TEXAS) Grant Program;
- A \$160.1 million General Revenue Funds increase to fund enrollment growth at general academic and two-year institutions;
- A \$127.4 million General Revenue Funds increase to higher education formula funding;
- An \$111.7 million General Revenue Funds increase to fund new and enhanced special items at general academic and health-related institutions; and
- A \$40 million General Revenue Funds increase for the Tuition Equalization Grants Program.

HEALTH AND HUMAN SERVICES

A \$2.1 billion General Revenue Funds increase for the Medicaid program (\$4.3 billion in All Funds).

Funding for the acute care component of Medicaid program was transferred from the Department of Health to the Health and Human Services Commission.

Significant increases in the Medicaid program include the following:

- A \$1,281.9 million General Revenue Funds increase (\$3,225.1 million in All Funds) to support caseload growth and increases related to cost and utilization for acute care, community care, and nursing facility and hospice care services;
- A \$206.1 million increase related to a less favorable Federal Medical Assistance Percentage matching rate;
- A \$387 million General Revenue Funds increase (\$970 million in All Funds) for various acute care, community care, and nursing facility rate increases;

HIGHLIGHTS OF THE RECOMMENDATIONS

- A \$122.6 million Tobacco Settlement receipts increase for Medicaid Simplification;
- A \$263 million Tobacco Settlement receipts increase relating to the Children’s Health Insurance Program (CHIP).
- A \$263 million Tobacco Settlement receipts increase in Article XII and an \$18 million General Revenue Funds increase in copay revenues and a \$628.7 million Federal Funds increase at the Health and Human Services Commission for the CHIP.

PUBLIC SAFETY AND CRIMINAL JUSTICE

- A \$185.9 million General Revenue Funds increase to provide salary increases and extend the career ladders for adult and juvenile correctional officers, parole officers, juvenile probation officers, and other correctional personnel.

GENERAL GOVERNMENT

- A \$65.8 million General Revenue–Dedicated Funds increase for compensation to victims of crime and programs that support crime victims.

EMPLOYER COSTS

- A \$308.5 million General Revenue Funds increase (\$592.8 million in All Funds) for a pay raise (including longevity, contingent on the passage of legislation) for state employees and nonfaculty employees of institutions of higher education; and
- A \$800.2 million All Funds increase (\$621.7 million in General Revenue Funds) to cover the increased cost of group insurance for state employees.

TRANSPORTATION

- A \$961 million increase in Federal Funds from reimbursements received under federal transportation formulas.

MAJOR CHANGES BY METHOD OF FINANCING AND FUNCTION

The Senate Bill 1 Conference Committee's recommendations for the 2002-03 biennium include the following major funding changes from the 2000-01 biennium:

GENERAL REVENUE FUNDS

- A \$5.1 billion, or 9.1 percent, increase in General Revenue Funds. As depicted in Figure 3, General Revenue Funds make up 54.2 percent of the recommended budget;

GENERAL REVENUE-DEDICATED FUNDS

- A \$224.4 million, or 5.2 percent, increase in General Revenue-Dedicated Funds. General Revenue-Dedicated Funds make up 4 percent of the recommended budget;

FEDERAL FUNDS

- A \$5.2 billion, or 17.8 percent,

increase in Federal Funds. Federal Funds make up 30.6 percent of the recommended budget; and

OTHER FUNDS

- A \$1.2 billion, or 10.6 percent, increase in Other Funds. Other Funds make up 11.2 percent of the recommended budget.

The recommendations result in major funding changes for the following functions:

HEALTH AND HUMAN SERVICES

- A \$1.7 billion, or 14.5 percent, increase in General Revenue and General Revenue-Dedicated Funds; a \$3.3 billion, or 18.7 percent, increase in Federal Funds;

PUBLIC EDUCATION

- A \$510.2 million, or 2 percent, increase in General Revenue

and General Revenue-Dedicated Funds; a \$888.7 million increase in Federal Funds; and a \$643.8 million increase in Other Funds;

HIGHER EDUCATION

- A \$1.2 billion, or 11.2 percent, increase in General Revenue and General Revenue-Dedicated Funds;

PUBLIC SAFETY AND CRIMINAL JUSTICE

- A \$308.1 million, or 4.5 percent, increase in General Revenue and General Revenue-Dedicated Funds;

GENERAL GOVERNMENT

- A \$163.7 million, or 9.5 percent, increase in General Revenue and General Revenue-Dedicated Funds;

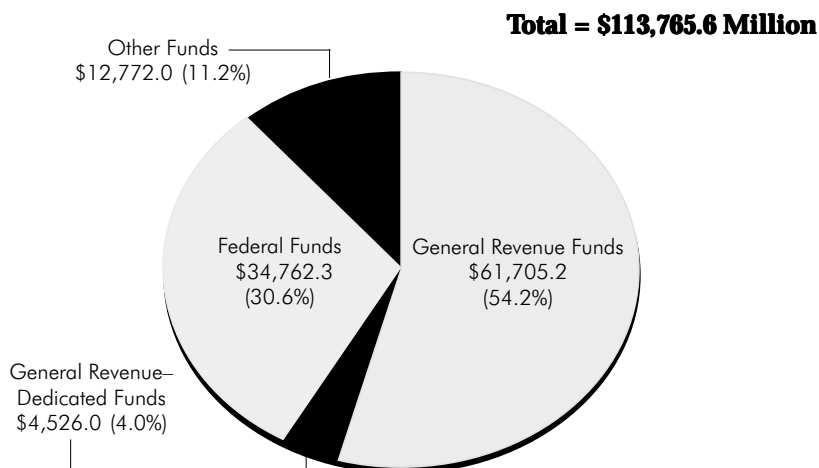
BUSINESS AND ECONOMIC DEVELOPMENT

- A \$996.4 million, or 16.7 percent, increase in Federal Funds, primarily for highway planning and construction; and

TOBACCO SETTLEMENT RECEIPTS

- A \$583 million increase in General Revenue from Tobacco Settlement receipts, primarily for the Children's Health Insurance Program (CHIP), Medicaid Simplification for Children, Medicaid Provider Rates, Department of Mental Health and Mental Retardation Community Centers (Rate Change - Drug Costs), and Department of Human Services Community Care Programs.

Figure 3
Biennial Recommendations for 2002-03
By Fund Source
(In Millions)



NOTES: Excludes interagency contracts. Totals may not add because of rounding.

RECOMMENDATIONS BY METHOD OF FINANCING

Tables 1 through 6 compare the Senate Bill 1 Conference Committee's recommendations for the 2002–03 biennium with estimated 2000–01 expended/budgeted levels.

The tables show the budgets by government function; 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 primarily the nondedicated 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 include the dedicated portions of some taxes that have historically

counted as General Revenue.

The term “General Revenue–Dedicated Funds” includes those funds that were rededicated under House Bill 3050, Seventy-fourth Legislature, 1995; House Bill 2948, Seventy-fifth Legislature, 1997; and House Bill 3084, Seventy-sixth Legislature, 1999; and all other dedicated accounts within the General Revenue Fund.

2002–03 BIENNIAL RECOMMENDATIONS

Table 1
All Funds
(In Millions)

Function	Expended/ Budgeted 2000–01*	Conference Recommended 2002–03	Biennial Change	Percentage Change
Article I - General Government	\$2,469.8	\$2,626.0	\$156.3	6.3
Article II - Health and Human Services	29,876.2	34,989.6	5,113.4	17.1
Article III - Agencies of Education	45,239.3	48,680.9	3,441.6	7.6
Public Education	31,173.8	33,216.5	2,042.7	6.6
Higher Education	14,065.5	15,464.3	1,398.9	9.9
Article IV - The Judiciary	383.7	430.7	47.1	12.3
Article V - Public Safety and Criminal Justice	8,084.4	8,289.5	205.1	2.5
Article VI - Natural Resources	1,911.8	1,951.0	39.2	2.0
Article VII - Business and Economic Development	12,731.1	13,890.8	1,159.6	9.1
Article VIII - Regulatory	528.8	771.7	243.0	45.9
Article IX - General Provisions	0.0	764.4	764.4	100.0
Article X - The Legislature	282.5	294.4	11.8	4.2
Total	\$101,507.7	\$112,689.0	\$11,181.3	11.0
Article XII - Tobacco Settlement	\$418.2	\$1,076.6	\$658.3	157.4
Grand Total	\$101,925.9	\$113,765.6	\$11,839.7	11.6

Notes: Excludes interagency contracts.

Totals may not add because of rounding.

Biennial change and percentage change calculated on actual amounts before rounding.

*Includes anticipated supplemental spending needs.

2002-03 BIENNIAL RECOMMENDATIONS (CONTINUED)

Table 2
General Revenue Funds
(In Millions)

	Expended/ Budgeted 2000-01*	Conference Recommended 2002-03	Biennial Change	Percentage Change
Article I - General Government	\$1,423.7	\$1,506.3	\$82.6	5.8
Article II - Health and Human Services	11,528.2	13,209.7	1,681.5	14.6
Article III - Agencies of Education	34,750.6	36,375.6	1,625.0	4.7
Public Education	25,468.3	25,978.5	510.2	2.0
Higher Education	9,282.3	10,397.1	1,114.8	12.0
Article IV - The Judiciary	315.8	350.9	35.1	11.1
Article V - Public Safety and Criminal Justice	6,717.5	7,031.8	314.3	4.7
Article VI - Natural Resources	539.4	590.7	51.3	9.5
Article VII - Business and Economic Development	367.4	396.5	29.2	7.9
Article VIII - Regulatory	358.0	661.7	303.7	84.8
Article IX - General Provisions	0.0	348.6	348.6	100.0
Article X - The Legislature	279.1	291.0	11.8	4.2
Total	\$56,279.6	\$60,762.7	\$4,483.1	8.0
Article XII - Tobacco Settlement	\$281.0	\$942.5	\$661.4	235.4
Grand Total	\$56,560.6	\$61,705.2	\$5,144.5	9.1

NOTES: Totals may not add because of rounding.

Biennial change and percentage change calculated on actual amounts before rounding.

*Includes anticipated supplemental spending needs.

Table 3
General Revenue-Dedicated Funds
(In Millions)

	Expended/ Budgeted 2000-01	Conference Recommended 2002-03	Biennial Change	Percentage Change
Article I - General Government	\$308.1	\$389.3	\$81.1	26.3
Article II - Health and Human Services	498.4	561.1	62.8	12.6
Article III - Agencies of Education	1,732.8	1,847.0	114.1	6.6
Public Education	0.0	0.0	0.0	0.0
Higher Education	1,732.8	1,847.0	114.1	6.6
Article IV - The Judiciary	1.8	2.2	0.3	17.1
Article V - Public Safety and Criminal Justice	123.4	117.1	(6.2)	(5.1)
Article VI - Natural Resources	1,000.9	983.1	(17.7)	(1.8)
Article VII - Business and Economic Development	433.9	397.0	(37.0)	(8.5)
Article VIII - Regulatory	157.0	91.9	(65.2)	(41.5)
Article IX - General Provisions	0.0	94.7	94.7	100.0
Article X - The Legislature	0.0	0.0	0.0	0.0
Total	\$4,256.4	\$4,483.3	\$226.9	5.3
Article XII - Tobacco Settlement	\$45.3	\$42.8	\$(2.5)	(5.6)
Grand Total	\$4,301.7	\$4,526.0	\$224.4	5.2

Notes: Totals may not add because of rounding.

Biennial change and percentage change calculated on actual amounts before rounding.

2002-03 BIENNIAL RECOMMENDATIONS (CONTINUED)

Table 4
General Revenue and General Revenue-Dedicated Funds
(In Millions)

	Expended/ Budgeted 2000-01*	Conference Recommended 2002-03	Biennial Change	Percentage Change
Article I - General Government	\$1,731.8	\$1,895.5	\$163.7	9.5
Article II - Health and Human Services	12,026.6	13,770.8	1,744.2	14.5
Article III - Agencies of Education	36,483.4	38,222.5	1,739.1	4.8
Public Education	25,468.3	25,978.5	510.2	2.0
Higher Education	11,015.1	12,244.0	1,228.9	11.2
Article IV - The Judiciary	317.7	353.1	35.4	11.1
Article V - Public Safety and Criminal Justice	6,840.8	7,148.9	308.1	4.5
Article VI - Natural Resources	1,540.3	1,573.8	33.6	2.2
Article VII - Business and Economic Development	801.3	793.5	(7.8)	(1.0)
Article VIII - Regulatory	515.1	753.6	238.5	46.3
Article IX - General Provisions	0.0	443.3	443.3	100.0
Article X - The Legislature	279.1	291.0	11.8	4.2
Total	\$60,536.0	\$65,246.0	\$4,710.0	7.8
Article XII - Tobacco Settlement	\$326.3	\$985.2	\$658.9	201.9
Grand Total	\$60,862.3	\$66,231.2	\$5,368.9	8.8

Notes: Totals may not add because of rounding.

Biennial change and percentage change calculated on actual amounts before rounding.

*Includes anticipated supplemental spending needs.

Table 5
Federal Funds
(In Millions)

Function	Expended/ Budgeted 2000-01*	Conference Recommended 2002-03	Biennial Change	Percentage Change
Article I - General Government	\$566.7	\$603.8	\$37.1	6.5
Article II - Health and Human Services	17,687.5	20,995.8	3,308.4	18.7
Article III - Agencies of Education	4,742.0	5,635.7	893.8	18.8
Public Education	4,520.2	5,408.9	888.7	19.7
Higher Education	221.8	226.9	5.0	2.3
Article IV - The Judiciary	0.0	0.0	0.0	0.0
Article V - Public Safety and Criminal Justice	321.9	262.5	(59.4)	(18.4)
Article VI - Natural Resources	223.7	209.7	(14.0)	(6.3)
Article VII - Business and Economic Development	5,966.1	6,962.6	996.4	16.7
Article VIII - Regulatory	5.1	4.8	(0.2)	(4.5)
Article IX - General Provisions	0.0	87.4	87.4	100.0
Article X - The Legislature	0.0	0.0	0.0	0.0
Total	\$29,512.9	\$34,762.3	\$5,249.4	17.8
Article XII - Tobacco Settlement	\$0.0	\$0.0	\$0.0	0.0
Grand Total	\$29,512.9	\$34,762.3	\$5,249.4	17.8

Notes: Totals may not add because of rounding.

Biennial change and percentage change calculated on actual amounts before rounding.

*Includes anticipated supplemental spending needs.

2002-03 BIENNIAL RECOMMENDATIONS (CONTINUED)

Table 6
Other Funds
(In Millions)

	Expended/ Budgeted 2000-01	Conference Recommended 2002-03	Biennial Change	Percentage Change
Article I - General Government	\$171.2	\$126.7	\$(44.5)	(26.0)
Article II - Health and Human Services	162.1	222.9	60.8	37.5
Article III - Agencies of Education	4,013.9	4,822.6	808.7	20.1
Public Education	1,185.4	1,829.2	643.8	54.3
Higher Education	2,828.5	2,993.5	165.0	5.8
Article IV - The Judiciary	66.0	77.7	11.6	17.6
Article V - Public Safety and Criminal Justice	921.8	878.1	(43.6)	(4.7)
Article VI - Natural Resources	147.9	167.5	19.6	13.3
Article VII - Business and Economic Development	5,963.7	6,134.7	171.0	2.9
Article VIII - Regulatory	8.7	13.3	4.7	53.9
Article IX - General Provisions	0.0	233.7	233.7	100.0
Article X - The Legislature	3.4	3.4	(0.0)	(0.4)
Total	\$11,458.7	\$12,680.7	\$1,222.0	10.7
Article XII - Tobacco Settlement	92.0	\$91.4	\$(0.6)	(0.7)
Grand Total	\$11,550.6	\$12,772.0	\$1,221.4	10.6

Notes: Excludes interagency contracts.

Totals may not add because of rounding.

Biennial change and percentage change calculated on actual amounts before rounding.

CONFERENCE COMMITTEE RECOMMENDATIONS

Tables 7 and 8 compare the Conference Committee's recommended All Funds and General Revenue and General Revenue-Dedicated funding for the 2002-03 biennium with the House and Senate versions of Senate Bill 1.

Senate, House, and Conference Committee Recommendations

Table 7
All Funds
(In Millions)

Function	Senate Recommended 2002-03	House Recommended 2002-03	Conference Recommended 2002-03
Article I - General Government	\$2,576.5	\$2,594.8	\$2,626.0
Article II - Health and Human Services	34,706.3	32,980.2	34,989.6
Article III - Agencies of Education	47,964.0	48,045.4	48,680.9
Article IV - The Judiciary	402.8	403.3	430.7
Article V - Public Safety and Criminal Justice	8,000.9	8,221.4	8,289.5
Article VI - Natural Resources	1,816.5	1,834.5	1,951.0
Article VII - Business and Economic Development	13,801.7	13,798.4	13,890.8
Article VIII - Regulatory	789.0	774.9	771.7
Article IX - General Provisions	781.5	200.0	764.4
Article X - The Legislature	289.5	290.4	294.4
Total	\$111,128.8	\$109,143.2	\$112,689.0
Article XII - Tobacco Settlement	\$586.8	\$597.2	\$1,076.6
Grand Total	\$111,715.6	\$109,740.4	\$113,765.6

NOTES: Totals may not add because of rounding.
Biennial change and percentage change calculated on actual amounts before rounding.

Table 8
General Revenue and General Revenue-Dedicated Funds
(In Millions)

Function	Senate Recommended 2002-03	House Recommended 2002-03	Conference Recommended 2002-03
Article I - General Government	\$1,884.5	\$1,866.1	\$1,895.5
Article II - Health and Human Services	13,994.9	13,288.0	13,770.8
Article III - Agencies of Education	37,375.0	37,769.7	38,222.5
Article IV - The Judiciary	328.2	331.4	353.1
Article V - Public Safety and Criminal Justice	6,993.5	7,210.5	7,148.9
Article VI - Natural Resources	1,477.9	1,495.4	1,573.8
Article VII - Business and Economic Development	773.8	796.5	793.5
Article VIII - Regulatory	775.8	756.7	753.6
Article IX - General Provisions	584.8	200.0	443.3
Article X - The Legislature	286.1	287.0	291.0
Total	\$64,474.5	\$64,001.3	\$65,246.0
Article XII - Tobacco Settlement	\$495.5	\$505.8	\$985.2
Grand Total	\$64,969.9	\$64,507.2	\$66,231.2

NOTES: Totals may not add because of rounding.
Biennial change and percentage change calculated on actual amounts before rounding.

SIGNIFICANT FUNDING ELEMENTS AND COSTS

In addition to growth in the various functions of state government, there are a number of other areas that have a significant impact on the budget recommendations for the 2002–03 biennium.

The cost elements for debt service and employee benefits/employer costs are described below. These costs are distributed to the various functions of government (Education, Public Safety and Criminal Justice, etc.) to reflect the total cost of each function (see Table 9 and Table 10).

DEBT SERVICE

Debt service costs included in the recommendations total \$464.3 million in fiscal year 2002 and \$554.3 million in fiscal year 2003.

Table 9 shows expended/budgeted and recommended General Obligation and Revenue Bond debt service costs by agency and method of financing for the 2000–01 and 2002–03 biennia. The recommendations include a biennial increase of \$57.3 million in General Revenue Funds for debt service from the 2000–01 level.

EMPLOYEE BENEFITS/PAYROLL EXPENSE

The Employees Retirement System of Texas state contribution rate is

continued at the current level of 6.0 percent, resulting in an increase of \$59.2 million in All Funds to account for payroll growth.

The Teacher Retirement System of Texas and Optional Retirement Program state contribution rates also are continued at 6.0 percent, resulting in All Funds increases of \$263.0 million and \$21.1 million, respectively, to cover payroll growth.

GROUP INSURANCE

Recommendations relating to group insurance premium contribution rates for state and higher education employees

Table 9
Debt Service Payments
by Agency and Fund Source
(In Millions)

Agency/Fund Source	Expended/ Budgeted 2000–01	Conference Recommended 2002–03	Biennial Change	Percentage Change
Texas Public Finance Authority	\$559.3	\$528.6	\$(30.7)	(5.5)
Water Development Board–Water Bonds	27.9	44.0	16.1	57.7
General Services Commission Lease Payments	89.9	90.6	0.7	0.8
Preservation Board/History Museum Lease Payments	10.4	13.6	3.1	30.2
Department of Health Lease Payments	6.3	6.3	0.0	0.1
Department of Human Services Lease Payments	0.0	7.4	7.4	NA
Tuition Revenue Bonds	205.0	270.1	65.1	31.7
Adjutant General/Military Facilities Commission	8.0	9.4	1.4	17.1
Department of Criminal Justice				
Private Prison Lease/Purchase	39.5	37.6	(1.8)	(4.6)
Department of Agriculture Lease Payments	0.0	0.2	0.2	NA
Parks and Wildlife Department Lease Payments	6.8	10.7	3.9	57.5
Total, Debt Service Payments	\$953.0	\$1,018.5	65.4	6.9
Method of Financing:				
General Revenue Funds	\$923.7	\$981.0	\$57.3	6.2
General Revenue–Dedicated Funds	20.5	12.3	(8.2)	(39.9)
Other Funds	8.9	25.2	16.2	181.6
Total, All Funds	\$953.1	\$1,018.5	\$65.4	6.9

NOTES: Totals may not add because of rounding.

Biennial change and percentage change calculated on actual amounts before rounding.

SIGNIFICANT FUNDING ELEMENTS AND COSTS (CONTINUED)

provide for increases above the 2001 rates of 26.0 percent in fiscal year 2002 and an additional 12.4 percent in fiscal year 2003 to cover anticipated increases in claims and medical inflation. The amount for fiscal year 2002 includes a 12 percent increase to catch up with current costs.

ERS of Texas group insurance contributions will increase by \$511.6 million, primarily because of the increase in premiums.

General Revenue funding for Higher Education Group Insurance is increased by \$290.0 million, or 46.7 percent above the 2000–01 levels, because of increases in premium rates and the need to cover current employee enrollment.

General Revenue funding for public school retirees' health insurance is increased by \$403.6 million, or 164.5 percent. Included in the recommendations is \$452.2 million (a \$375.9 million increase over 2000–01) 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 \$117.1 million caused by payroll growth. Of this increase, \$42.3 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 \$28.4 million, or 15.3 percent, for Benefit Replacement Pay for state employees.

TOBACCO SETTLEMENT RECEIPTS

Appropriations of Tobacco Settlement receipts and the earnings of permanent funds and endowments are made in Article XII. The \$1.1 billion biennial appropriation includes funding for the Children's Health Insurance Program (CHIP) (\$419.1 million); Department of Human Services (\$143.8 million); Medicaid Simplification (\$122.6

million); Medicaid Provider Rates (\$120 million); other health care services (\$124 million); and distributions from funds and endowments (\$134.1 million). The increase in appropriations from 2000–01 is primarily due to the implementation of CHIP and the funding of additional health and human services programs with Tobacco Settlement receipts. Anticipated revenue from Tobacco Settlement receipts for the 2002–03 biennium is estimated to be \$445 million in fiscal year 2002 and \$484.5 million in fiscal year 2003.

Table 10
Selected Employee Benefits
All Funds
(In Millions)

Agency/Fund Source	Expended/ Budgeted 2000–01	Conference Recommended 2002–03	Biennial Change	Percentage Change
Employees Retirement System— Retirement Contributions	\$562.7	\$621.9	\$59.2	10.5
Employees Retirement System— Group Insurance	1,238.6	1,750.2	511.6	41.3
Social Security	1,079.5	1,196.5	117.1	10.8
Benefit Replacement Pay— State Agency Employees	185.2	156.8	(28.4)	(15.3)
Teacher Retirement System— Retirement Contributions	2,253.4	2,516.4	263.0	11.7
Teacher Retirement System— Retirees' Health Insurance	245.4	648.9	403.6	164.5
Optional Retirement Program	196.3	217.4	21.1	10.8
Higher Education Group Insurance	621.3	911.4	290.0	46.7
Total, Selected Employee Benefits	\$6,382.3	\$8,019.5	\$1,637.2	25.7
Method of Financing:				
General Revenue Funds	\$5,145.8	\$6,503.8	\$1,358.0	26.4
General Revenue—Dedicated Funds	297.0	364.8	67.8	22.8
Federal Funds	483.6	585.9	102.3	21.2
Other Funds	455.9	565.1	109.2	23.9
Total, All Funds	\$6,382.3	\$8,019.5	\$1,637.2	25.7

NOTES: Totals include additional employee benefits appropriated in Article IX for employee pay raises. Totals may not add because of rounding. Biennial change and percentage change calculated on actual amounts before rounding.

FULL-TIME-EQUIVALENT POSITIONS

Recommendations provide for 230,093 full-time-equivalent (FTE) positions in 2002 and 230,362 in 2003. As shown in Figure 4, the 2003 amount represents an increase of 1,049 FTE positions from the 2001 level.

The General Appropriations Act for the 2000–01 biennium established FTE limitations, or “caps,” for all agencies.

For fiscal year 2001, the statewide number of budgeted

positions exceeds the total cap for all agencies by 2,364 FTEs (see Table 11), primarily because of

increases in higher education staff and faculty.

Figure 4
Full-time-equivalent Positions

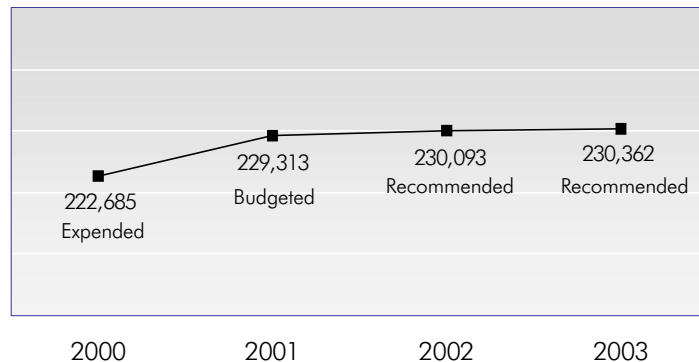


Table 11
Full-time-equivalent Positions

Function	Expended 2000	Budgeted 2001	Conference Recommended 2002	Conference Recommended 2003
Article I - General Government	8,863	9,224	9,389	9,415
Article II - Health and Human Services	51,339	50,662	50,855	50,923
Article III - Agencies of Education				
Appropriated Funds Only	76,462	79,903	79,784	79,804
Total, Education	125,233	130,417	131,412	132,394
Article IV - The Judiciary	1,287	1,335	1,324	1,324
Article V - Public Safety and Criminal Justice	53,438	56,091	56,745	56,889
Article VI - Natural Resources	8,495	8,509	8,590	8,590
Article VII - Business and Economic Development	19,247	19,826	19,530	19,530
Article VIII - Regulatory	3,555	3,764	3,876	3,887
Article IX - General Provisions	0	0	0	0
Total, All Articles	222,685	229,313	230,093	230,362
FTE Cap	227,856	226,949	230,093	230,362
Difference (Total Minus Cap)	(5,171)	2,364	NA	NA

NOTES: Totals may not add because of rounding.

PERFORMANCE MEASURES AND TARGETS

There are four types of performance measures used in the appropriations process: outcome, output, efficiency, and explanatory. Each type of measure serves a different purpose:

- Outcome measures are used to assess an agency's effectiveness in serving its key customers and in achieving its mission, goals, and objectives. They also are used to direct resources to strategies with the greatest effect on the most-valued outcomes.
- Output measures are used to assess workload and the agency's efforts to address workload demands.
- Efficiency measures are used

to assess the cost efficiency, productivity, and timeliness of agency operations.

- Explanatory measures are used to define the agency's operating environment and to explain factors that are relevant to the interpretation of other agency measures.

Performance measures contained in the General Appropriations Act are designated as key measures. For key outcome, output, and efficiency performance measures, a target is established for each year of the biennium for which funds are appropriated.

As shown in Table 12, the recommended appropriations for the 2002–03 biennium contain

2,167 key performance measures, which represents a 0.7 percent increase in the total number of key performance measures from the 2000–01 biennial level and a 21.7 percent reduction from the 1998–99 biennial level.

Performance measures that have been developed for state agency use but that are not contained in the General Appropriations Act are designated as non-key measures. Although targets are not established, agencies annually submit performance information related to these measure to the Legislative Budget Board.

Table 12 provides a summary of the number of key and non-key measures used by agencies since the 1996–97 biennium.

Table 12
Performance Measures, by Type

Type of Measure	Number of Measures			Conference Recommended 2002–03
	Appropriated 1996–97	Appropriated 1998–99	Appropriated 2000–01	
Key				
Outcome (Results/Impact)	1,118	1,012	902	894
Output (Volume)	1,445	1,123	828	841
Efficiency	512	491	300	304
Explanatory	175	143	121	128
Total	3,250	2,769	2,151	2,167
Non-key				
Outcome (Results/Impact)	1,924	1,640	1,985	1,303
Output (Volume)	2,767	1,794	1,634	1,529
Efficiency	1,319	751	807	859
Explanatory	1,506	1,137	1,045	1,051
Total	7,516	5,322	5,471	4,742

ARTICLE IX - GENERAL PROVISIONS

Changes to Article IX, General Provisions, contained in the Conference Committee Report on Senate Bill 1 include the following:

- An increase of \$169 million in General Revenue Funds and \$22.7 million in General Revenue–Dedicated Funds to fund a 4 percent salary increase for state employees with a \$100 per month minimum;
- Targeted salary increases for employees of the Texas Department of Criminal Justice and Texas Youth Commission;
- An increase of \$32 million in General Revenue Funds and \$3.5 million in General Revenue–Dedicated Funds for an increase in longevity pay contingent on enactment of appropriate legislation;
- Contingent on availability of funding, an increase of \$63.4 million General Revenue Funds and \$8.3 million in General Revenue–Dedicated Funds for a 3 percent salary increase with a minimum of \$65 per month for state employees under Schedule B, and \$65 per month minimum

for employees under Schedules A and C;

- An appropriation of \$33.8 million for the Texas EXcellence Fund;
- An appropriation of \$76.4 million for tuition revenue bond debt service;
- Numerous appropriations contingent on passage of legislation and/or contingent on the availability of funding;
- Agencies' appropriations withheld equal to 50 percent of value of lost property;
- Salary cap limiting an agency's use of appropriated funds for salary increases is removed;
- Travel cap is modified to apply only to out-of-state travel;
- Retention bonus authority is expanded to apply to any classified employee;
- Travel reimbursement authority is increased for meals, lodging, and mileage;
- Agencies and institutions of higher education are required to

have current Biennial Operating Plans and Information Resources Strategic Plans that are consistent with their capital budgets. If they do not, the Legislative Budget Board can limit access to information technology appropriations;

- Additional restrictions on certain capital budget transfers;
- Each state agency must provide information to all employees regarding State Kids Insurance Program (SKIP);
- Disincentives for agencies to enter into emergency leases; and
- At the request of a member of the Legislature, an agency is to provide notice of a press release to the member.

FACTORS AFFECTING THE STATE BUDGET

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. The following are the major growth indicators for the period 1990 to 2000:

- Average daily attendance in public schools has grown by 20.5 percent;
- Higher education enrollment in general academic institutions has increased by 0.8 percent;
- Community college enrollment has grown by 17.7 percent;

- Average monthly caseload for Temporary Assistance for Needy Families (TANF) grants (includes TANF-Basic and TANF-UP) has decreased by 43.4 percent;
- Average monthly caseload for nursing home clients has grown by 10.6 percent;
- Average monthly caseload for Medicaid clients has grown by 50.3 percent;
- Inmate population in the Department of Criminal Justice has grown by 214.9 percent;
- New adjudications to the juvenile probation system have

grown by 154.7 percent; and

- The Children’s Health Insurance Program—Phase II served 37,175 children in fiscal year 2000. It is projected to serve more than 425,000 children by September 2001.

These factors do not totally explain the growth in the budget. Cost-related factors have an equal or greater effect on growth.

Table 15 compares the major budget growth indicators for fiscal years 1990 and 2000.

**Table 15
Major Budget Indicators
1990 and 2000**

Indicator	Actual 1990	Actual 2000	Percentage Change
Average Daily Attendance—Public Schools	3,071,843	3,702,288	20.5
Fall Headcount Enrollment—General Academic Institutions	405,682	409,044*	0.8*
Fall Headcount Enrollment—Community/Junior College	371,299	436,967	17.7
Average Monthly Caseload—TANF Grants (Basic and UP)	603,255	341,480	(43.4)
Average Monthly Caseload—Nursing Home Clients (Excludes Hospice)	59,753	66,598	11.5
Average Monthly Caseload—Medicaid Clients	1,202,108	1,807,075	50.3
Inmate Population—Department of Criminal Justice	47,982	151,100	214.9
New Adjudications to the Juvenile Probation System	10,315	26,272	154.7
Average Monthly Caseload—Children’s Health Insurance Program	0	37,175	100.0

*Estimated

REVENUE OUTLOOK FOR THE 2002-03 BIENNIUM

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, § 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.

The Comptroller’s January 2001 estimate of the amount available for spending from the General Revenue Fund was \$60.8 billion. The Comptroller has since added \$143 million to the estimate for tobacco settlement revenue, and reduced the estimate by \$18 million for possible losses in the tobacco products tax.

Pending legislation, legislation already adopted by the Seventy-seventh Legislature, and items contained in Senate Bill 1 would add another \$1.2 billion in revenue, bringing the total amount available for certification

from General Revenue Funds to \$62.2 billion.

Senate Bill 1 appropriations from General Revenue Funds for the 2002-03 biennium total \$61.7 billion. Other bills would appropriate an additional \$390 million, making total appropriations affecting General Revenue Funds \$62.1 billion. Therefore, General Revenue Fund appropriations are expected to be within available revenue.

ARTICLE VIII, § 22, LIMIT ON THE GROWTH OF CERTAIN APPROPRIATIONS

Article VIII, § 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, § 316, the Legislative Budget Board is required to adopt the items of information establishing the Article VIII limit. The Board met on November 29, 2000, and adopted the following items:

- The level of appropriations from state tax revenue not dedicated by the Constitution for the 2000-01 biennium of \$44,795,017,340, 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 2000-01 biennium to the 2002-03 biennium of 14.09 percent; and, therefore,
- The 2002-03 limit on appropriations from state tax revenue not dedicated by the Constitution of \$51,106,635,283, subject to adjustments to 2000-01 biennial appropriations referenced above.

The Conference Committee’s recommended General Appropriations Bill is \$1.6 billion below the Article VIII limit, excluding contingency appropriations. If all contingency appropriations are certified, Senate Bill 1 would still be below the Article VIII limit.

ARTICLE III, § 51-a, WELFARE SPENDING LIMIT

Article III, § 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.

REVENUE OUTLOOK FOR THE 2002-03 BIENNIUM (CONTINUED)

In accordance with Human Resources Code, § 31.053, the following items of information pertaining to the limit are provided:

- The 2002-03 biennial budget defined in Human Resources Code, § 31.051, is \$113,765.6 million, based on the General Appropriations Bill recommended by the Senate Bill 1 Conference Committee;
- The maximum biennial amount of 1 percent of the state budget is \$1,137.7 million; and
- The biennial amount included in the General Appropriations Bill prepared under the direction of the Senate Bill 1 Conference Committee that is subject to the limit on state dollars paid out in Temporary Assistance for Needy Families grants is \$243.2 million. This amount is \$894.5 million less than the 1 percent limit.

ARTICLE III, § 49 (j),

DEBT LIMIT

Article III, § 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:

- 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 year 2001 were \$24,273,345,000;
- The maximum annual amount of 5 percent of the average unrestricted general revenue for the three years preceding fiscal year 2001 is estimated at \$1,213,667,000;
- General Revenue bond debt service costs applicable to the bond debt limit under Article III, § 49(j), Texas Constitution, including the amount contained in the General Appropriations Bill recommended for the 2002-03 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 \$376,397,000 for fiscal year 2003; and

- Debt service on outstanding debt as a percentage of unrestricted general revenue is estimated at 1.6 percent for fiscal year 2002.

ECONOMIC STABILIZATION FUND (RAINY DAY FUND)

The Economic Stabilization Fund, frequently referred to as the Rainy Day Fund, ended fiscal year 2000 with a balance of \$84.7 million. As a result of natural gas tax collections in fiscal year 2000 exceeding 1987 levels, the fund received a transfer of \$103.1 million from the General Revenue Fund in November 2000. The November transfer plus interest earnings brought the Economic Stabilization Fund balance to \$189.6 million as of January 1, 2001.

Under the Comptroller's 2002-03 Biennial Revenue Estimate, \$327 million would transfer to the fund in fiscal year 2002 and \$290 million in fiscal year 2003. The Comptroller estimates that the Economic Stabilization Fund balance, including interest, will reach \$881 million by the end of the 2002-03 biennium.

GENERAL GOVERNMENT

All Funds recommendations for General Government total \$2,626.0 million for the 2002–03 biennium, which is an increase of \$156.3 million, or 6.3 percent, from 2000–01 (Table 16).

For General Revenue and General Revenue–Dedicated Funds, the recommendations total \$1,895.5 million, which is an increase of \$163.7 million, or 9.5 percent, from 2000–01 (Table 17).

Selected performance measures for agencies in the General Government function are depicted in Table 18.

Table 16
All Funds
(In Millions)

Agency	Expended/ Budgeted 2000–01*	Recommended 2002–03	Biennial Change	Percentage Change
Aircraft Pooling Board	\$8.2	\$8.9	\$0.6	7.8
Commission on the Arts	13.1	14.5	1.5	11.1
Office of the Attorney General	656.3	745.9	89.6	13.6
Bond Review Board	1.1	1.2	0.1	7.2
Comptroller of Public Accounts	359.7	360.2	0.6	0.2
Fiscal Programs - Comptroller of Public Accounts	335.6	375.7	40.1	12.0
Commission on State Emergency Communications	71.5	87.0	15.5	21.7
Employees Retirement System	12.2	12.7	0.6	4.7
Texas Ethics Commission	3.9	3.9	0.0	(0.6)
Public Finance Authority	1.4	1.4	0.0	3.1
Fire Fighters' Pension Commissioner	0.7	0.9	0.2	22.3
State General Services Commission	227.9	320.9	93.0	40.8
Office of the Governor	15.2	17.9	2.7	17.5
Trusted Programs within the Office of the Governor	274.1	297.3	23.2	8.4
Historical Commission	65.7	65.4	(0.3)	(0.5)
Commission on Human Rights	4.8	5.0	0.2	4.3
Texas Incentive and Productivity Commission	0.5	0.5	0.0	0.6
Department of Information Resources	18.0	12.1	(5.9)	(32.7)
Library & Archives Commission	55.7	74.7	19.0	34.1
Pension Review Board	0.6	0.6	0.0	2.0
Preservation Board	63.7	29.7	(34.0)	(53.4)
State Office of Risk Management	11.2	11.5	0.2	2.1
Workers' Compensation Payments	103.7	103.9	0.3	0.3
Secretary of State	39.9	40.8	0.9	2.3
Office of State-Federal Relations	2.3	2.3	0.0	(0.9)
Veterans Commission	7.1	6.6	(0.5)	(7.5)
Subtotal, General Government	\$2,354.0	\$2,601.4	\$247.4	10.5
Retirement and Group Insurance	\$99.2	\$124.9	\$25.7	25.9
Social Security and Benefit Replacement Pay	60.9	61.1	0.2	0.3
Subtotal, Employee Benefits	\$160.1	\$186.0	\$25.9	16.2
Bond Debt Service Payment	\$0.0	\$3.3	\$3.3	100.0
Lease Payments	36.5	38.8	2.2	6.1
Subtotal, Debt Service	\$36.5	\$42.0	\$5.5	15.0
Less Interagency Contracts	\$80.9	\$203.4	\$122.5	151.5
Total, Article I - General Government	\$2,469.8	\$2,626.0	\$156.3	6.3

NOTES: Totals may not add because of rounding.

Biennial change and percentage change calculated on actual amounts before rounding.

*Includes anticipated supplemental spending needs.

GENERAL GOVERNMENT (CONTINUED)

2002-03 BIENNIAL RECOMMENDATIONS

Table 17
General Revenue and General Revenue-Dedicated Funds
(In Millions)

Agency	Expended/ Budgeted 2000-01*	Recommended 2002-03	Biennial Change	Percentage Change
Aircraft Pooling Board	\$1.4	\$1.4	\$0.0	0.0
Commission on the Arts	9.8	11.3	1.5	15.1
Office of the Attorney General	300.8	377.0	76.2	25.3
Bond Review Board	1.1	1.2	0.1	7.2
Comptroller of Public Accounts	358.3	359.1	0.8	0.2
Fiscal Programs - Comptroller of Public Accounts	330.5	373.9	43.4	13.1
Commission on State Emergency Communications	71.5	87.0	15.5	21.7
Employees Retirement System	12.2	12.7	0.6	4.7
Texas Ethics Commission	3.9	3.9	0.0	0.0
Public Finance Authority	0.6	1.1	0.5	95.0
Fire Fighters' Pension Commissioner	0.2	0.2	0.0	0.0
State General Services Commission	95.0	93.4	(1.6)	(1.7)
Office of the Governor	15.2	17.9	2.7	17.5
Trusted Programs within the Office of the Governor	90.7	86.9	(3.8)	(4.2)
Historical Commission	60.7	61.0	0.2	0.4
Commission on Human Rights	1.2	1.5	0.3	23.0
Texas Incentive and Productivity Commission	0.5	0.5	0.0	0.6
Department of Information Resources	6.3	5.3	(1.0)	(16.1)
Library & Archives Commission	26.8	26.9	0.1	0.5
Pension Review Board	0.5	0.5	0.0	0.0
Preservation Board	23.3	26.7	3.4	14.7
State Office of Risk Management	9.4	9.3	(0.1)	(1.0)
Workers' Compensation Payments	102.8	102.8	0.0	0.0
Secretary of State	34.3	34.0	(0.3)	(0.8)
Office of State-Federal Relations	2.0	2.0	0.0	0.0
Veterans Commission	7.0	6.6	(0.4)	(6.4)
Subtotal, General Government	\$1,565.9	\$1,704.0	\$138.1	8.8
Retirement and Group Insurance	\$78.8	\$98.7	\$19.9	25.3
Social Security and Benefit Replacement Pay	50.6	50.9	0.3	0.5
Subtotal, Employee Benefits	\$129.4	\$149.6	\$20.2	15.6
Bond Debt Service Payment	\$0.0	\$3.3	\$3.3	100.0
Lease Payments	36.5	38.8	2.2	6.1
Subtotal, Debt Service	\$36.5	\$42.0	\$5.5	15.0
Total, Article I - General Government	\$1,731.8	\$1,895.5	\$163.7	9.5

NOTES: Totals may not add because of rounding.

Biennial change and percentage change calculated on actual amounts before rounding.

*Includes anticipated supplemental spending needs.

GENERAL GOVERNMENT (CONTINUED)

2002-03 BIENNIAL RECOMMENDATIONS

Table 18
Selected Performance Measures

Measure	Actual 2000	Budgeted 2001	Recommended 2002	Recommended 2003
Office of the Attorney General Amount of Child Support Collected (in Millions)	\$1,029.8	\$1,088.5	\$1,194.3	\$1,315.7
Comptroller of Public Accounts Treasury Portfolio Yield Compared to Money Market Funds Having Similar Investment Authority	104%	100%	105%	105%
Employees Retirement System Percentage of ERS Retirees Expressing Satisfaction with Member Benefit Services	91%	95%	95%	95%
State General Services Commission Percentage of Goods and Services Purchased from Term Contracts	49%	53%	53%	56%
Department of Information Resources Total Savings and Cost Avoidance through Utilization of Cooperative Services (in Millions)	\$28	\$37	\$33	\$33
State Office of Risk Management Incident Rate of Injuries and Illnesses Per 100 Covered Full-time State Employees	4.8	5.0	5.0	5.0
Secretary of State Percentage of Business Entity Filings and Public Information Request Responses Completed within Three Business Days	82%	76%	80%	82%
Office of State-Federal Relations Texas' Proportionate Share of Federal Funding	6.4%	6.5%	6.5%	6.5%
Veterans Commission Amount of Department of Veterans Affairs Awards (in Millions) Paid Because of Commission Advocacy in Claims Representation of Veterans with Service Disabilities	\$470	\$420	\$485	\$498

BUDGET ISSUES AND RECOMMENDATIONS

The recommendations address a number of major budget issues affecting agencies in the General Government function, including the following:

- An increase of \$65.8 million from the Compensation to Victims of Crime Fund for expansion of victim assistance programs at the Office of the Attorney General;
- An increase of \$18.2 million in General Revenue Funds for the Comptroller of Public Accounts due to increased spending demands for unclaimed property, mixed beverage sales, and tort claims and federal court judgment program areas; and
- An increase of \$8.4 million in General Revenue unexpended balances for emergency/deficiency and disaster grants in the Office of the Governor.

Significant budget recommendations for agencies in the General Government function include the following:

AIRCRAFT POOLING BOARD

- Continuation of \$1.4 million in General Revenue Funds for aircraft maintenance, acquisition, repair, and replacement.

COMMISSION ON THE ARTS

- Continuation of \$2 million appropriation in General

Revenue Funds to the Cultural Endowment Fund; and

- An increase of \$1.9 million in General Revenue–Dedicated Funds generated from the sale of the “Texas, State of the Arts” license plates, which will be used for agency operations.

OFFICE OF THE ATTORNEY GENERAL

- An increase of \$39.6 million from the Compensation to Victims of Crime Fund for Victims Assistance Grants, including grants for Children’s Advocacy Centers, Court Appointed Special Advocates (CASA), victim assistance coordinators and liaisons, and legal services;
- An increase of \$26.2 million from the Compensation to Victims of Crime Fund for increases in compensation payments to victims of violent crime;
- An increase of \$10.9 million in All Funds for full funding of the State Disbursement Unit, scheduled to be completely implemented in November 2001; and
- An increase of \$6.8 million in All Funds, and 36 full-time-equivalent (FTE) positions, to establish four regional call centers to respond to child support enforcement inquiries.

FISCAL PROGRAMS -

COMPTROLLER OF PUBLIC ACCOUNTS

- An increase of \$27.9 million in General Revenue Funds for advanced tax compliance and debt collections. This increase will produce an additional \$337.9 million in revenue for the biennium;
- An increase of \$13 million in General Revenue Funds for the Unclaimed Property Program, due to increased awareness of the program due to program information being posted on the Internet;
- An increase of \$3 million in General Revenue Funds for Reimbursements–Mixed Beverage Tax to fund increased tax reimbursements to counties;
- An increase of \$2.2 million in General Revenue Funds due to increased judgments in the Tort Claims/Federal Court Judgments programs; and
- A decrease of \$3.2 million in Federal Funds due to the expiration of the US Department of Energy Grant for the Amarillo National Resource Center for Plutonium.

COMMISSION ON

STATE EMERGENCY COMMUNICATIONS

- An increase of \$15.5 million in General Revenue–Dedicated Funds, due primarily to an \$8

BUDGET ISSUES AND RECOMMENDATIONS (CONTINUED)

million additional appropriation for wireless 9-1-1 service improvements contingent on the collection of additional fees from wireless service providers, and a \$4 million increase to fund recurring equipment maintenance and addressing costs for the statewide 9-1-1 system.

TEXAS PUBLIC FINANCE AUTHORITY

- An increase of \$0.5 million in General Revenue Funds to replace revenue bond proceeds used to fund operating costs. The agency estimates that this change in method of financing should save an estimated \$1.8 million in future debt service payments.

GENERAL SERVICES COMMISSION

- An increase of \$6.7 million in General Revenue Funds due to carryforward of unexpended balances resulting from moving Telecommunications Revolving Fund Account from Article IX into agency's appropriation bill pattern;
- An increase of \$1.3 million in General Revenue Funds for building design and construction management (a portion of this increase was appropriated through House Bill 1333, Seventy-seventh Legislature, relating to making emergency appropriations);

- An increase of \$139.9 million in Other Funds as a result of moving Telecommunications Revolving Fund Account from Article IX into the agency's appropriation bill pattern;
- An increase of \$6 million in Other Funds primarily due to carryforward of unexpended balances for asbestos abatement;
- A decrease of \$4.2 million in General Revenue Funds due to a decline in unexpended balances for deferred maintenance;
- A decrease of \$1.3 million in General Revenue Funds due to a decline in available unexpended balances for completion of the technology infrastructure upgrade, construction management system, and data warehouse/decision support projects (a portion of the unexpended balance was appropriated through House Bill 1333, Seventy-seventh Legislature, relating to making emergency appropriations); and
- A decrease of \$47.8 million in Other Funds (Bond Proceeds–Revenue Bonds) resulting from a decline in available unexpended balances for construction projects.

OFFICE OF THE GOVERNOR

- An increase of \$2.7 million in General Revenue Funds due to

carryforward of unexpended balances.

TRUSTEED PROGRAMS WITHIN THE OFFICE OF THE GOVERNOR

- An increase of \$2.5 million in General Revenue Funds due to \$1.5 million for criminal justice grants to drug courts, and \$1.0 million for grants to eligible counties that have reached or exceeded the constitutional limit on property tax rates;
- A decrease of \$2.8 million in General Revenue–Dedicated Funds due to a decline in available balances in the Crime Stoppers Assistance and Criminal Justice Planning accounts; and
- A decrease of \$3.9 million in the Disaster Contingency Account due to a decline in local government matching grants for federal disaster assistance.

A Federal Funds increase of \$27.4 million due mainly to increases in the following:

- An increase of \$13.1 million in the Juvenile Justice Accountability Grant;
- An increase of \$7.6 million in Crime Victim Assistance Funds due to increases in criminal fines;
- An increase of \$4.3 million in funding for juvenile justice and

BUDGET ISSUES AND RECOMMENDATIONS (CONTINUED)

residential substance abuse programs;

- An increase of \$2.9 million in funding for programs to combat drug-related crimes and violence;
- A \$0.3 increase for the Texas Head Start Collaborative office, which provides statewide coordination of the state's Head Start program between schools, social service agencies, and community-based early childhood education programs; and
- A \$0.6 million decrease due to a decline in the amount of grants available to local entities for incarcerating non-US citizens.

HISTORICAL COMMISSION

- Continuation of \$50 million in General Revenue Funds for the Texas Historic Courthouse Preservation Program, which provides financial and technical assistance to critical courthouse projects statewide;
- Continuation of \$2.5 million in General Revenue Funds for the Preservation Trust Fund, which will allow the agency to award an estimated 52 historic preservation grants over the biennium;
- Continuation of Juneteenth funding for a total of \$1.1 million in General Revenue Funds, including \$0.8 million in

unexpended balances from the 2000–01 biennium;

- An increase of \$0.5 million in General Revenue Funds for grants for the Pearce Civil War Collection;
- An increase of \$0.4 million in General Revenue Funds for grants for the LaSalle Projects; and
- A decrease of \$1 million in General Revenue Funds for purchase of historical artifacts.

COMMISSION ON HUMAN RIGHTS

- An increase of \$0.3 million to expand the agency's Alternative Dispute Resolution program and purchase new computers and a local area network.

DEPARTMENT OF INFORMATION RESOURCES

- An increase of \$0.6 million in General Revenue Funds for implementation of statewide Internet security study recommendations;
- An increase of \$0.5 million in Other Funds for continued operation and expansion of the Texas Online Project;
- A decrease of approximately \$1.6 million in General Revenue Funds due to completion of the

first phase of an Internet security study; and

- A decrease of \$3.4 million in Federal Funds and \$1.0 million in Other Funds due to the expiration of a grant from the US Geological Survey agency for development of a state base map.

LIBRARY AND ARCHIVES COMMISSION

- An increase of \$12.6 million in Other Funds due to an inter-agency grant from the Telecommunications Infrastructure Board, which will be used to provide statewide licensing of databases and access to library collections for TexShare libraries;
- An increase of \$5.8 million from the Telecommunications Infrastructure Fund for the Loan Star Libraries Program;
- A replacement of \$0.9 million in General Revenue Funds with settlement proceeds from Toys "R" Us which will be used to purchase children's books;
- An increase of \$0.5 million in General Revenue–Dedicated Funds from the sale of "New Millennium/Texas Reads" license plates; and
- A decrease of \$0.5 million in General Revenue Funds due to completion of the Sam Houston Center construction project.

BUDGET ISSUES AND RECOMMENDATIONS (CONTINUED)

STATE PRESERVATION BOARD

- An increase of \$3.1 million in General Revenue Funds for debt service payments for the Bob Bullock Texas State History Museum;
- An increase of \$9.5 million in All Funds, including \$6.5 million in unexpended balances from the 2000–01 biennium, for major repairs and replacement of building equipment and systems within the Capitol and Capitol Extension (the unexpended balances were appropriated through House Bill 1333, Seventy-seventh Legislature, relating to making emergency appropriations); and
- A reduction of \$40 million in bond proceeds due to the completion of construction for the Bob Bullock Texas State History Museum.

SECRETARY OF STATE

- An increase of \$1.2 million in Other Funds due to increasing activity in business filings, Uniform Commercial Code transactions, and information requests; and
- A decrease of \$0.3 million in General Revenue Funds due primarily to a decrease in the number of estimated constitutional amendments to be published during the 2002–03 biennium.

STATE OFFICE OF RISK MANAGEMENT

- An increase of \$0.3 million in General Revenue Funds to reduce caseload at the agency's Claims Processing Division.

TEXAS VETERANS COMMISSION

- An increase of \$0.4 million in General Revenue Funds to market the agency's services to veterans, provide an additional Veterans Assistance Counselor, and provide additional travel for outreach;
- A decrease of \$0.8 million in General Revenue Funds due to a one-time donation to the World War II National Monument in fiscal year 2000; and
- A decrease of \$82,048 in inter-agency contracts due to the termination of a contract with the General Land Office to verify eligibility for veterans' home and home improvement loans.

HEALTH AND HUMAN SERVICES

All Funds recommendations for Health and Human Services total \$34,989.6 million for the 2002–03 biennium, which is an increase of \$5,113.4 million, or 17.1

percent, from 2000–01 (Table 19). For General Revenue and General Revenue–Dedicated Funds, the recommendations total \$13,770.8 million, which is an

increase of \$1,744.2 million, or 14.5 percent, from 2000–01 (Table 20).

Selected performance measures for agencies in the Health and Human Services function are depicted in Table 21.

Table 19
All Funds
(In Millions)

Agency	Expended/ Budgeted 2000–01*	Recommended 2002–03	Biennial Change	Percentage Change
Department on Aging	\$124.1	\$139.8	\$15.7	12.7
Commission on Alcohol and Drug Abuse	339.2	351.4	12.2	3.6
Commission for the Blind	95.2	94.5	(0.7)	(0.8)
Cancer Council	8.1	8.1	0.0	0.0
Children’s Trust Fund of Texas Council	3.9	3.8	(0.1)	(2.6)
Commission for the Deaf and Hard of Hearing	3.5	4.6	1.2	33.1
Interagency Council on Early Childhood Intervention	163.8	204.1	40.3	24.6
Department of Health	14,579.3	2,955.1	(11,624.2)	(79.7)
Health and Human Services Commission	373.1	15,861.6	15,488.5	4,151.3
Department of Human Services	7,825.5	9,109.5	1,284.0	16.4
Department of Mental Health and Mental Retardation	3,647.4	3,733.7	86.3	2.4
Department of Protective and Regulatory Services	1,408.2	1,563.2	155.0	11.0
Rehabilitation Commission	550.9	561.3	10.3	1.9
Subtotal, Health and Human Services	\$29,122.0	\$34,590.6	\$5,468.5	18.8
Retirement and Group Insurance	\$576.2	\$740.3	\$164.0	28.5
Social Security and Benefit Replacement Pay	278.5	273.8	(4.7)	(1.7)
Subtotal, Employee Benefits	\$854.8	\$1,014.1	\$159.3	18.6
Bond Debt Service Payments	\$36.1	\$38.7	\$2.6	7.3
Lease Payments	14.8	14.1	(0.7)	(4.7)
Subtotal, Debt Service	\$50.9	\$52.9	\$1.9	3.8
Article II, Special Provisions	\$0.0	\$(489.9)	\$(489.9)	(100.0)
Less Interagency Contracts	151.6	178.0	26.4	17.4
Total, Article II - Health and Human Services	\$29,876.2	\$34,989.6	\$5,113.4	17.1

Notes: Totals may not add because of rounding.

Biennial change and percentage change calculated on actual amounts before rounding.

*Includes anticipated supplemental spending needs.

HEALTH AND HUMAN SERVICES (CONTINUED)

2002-03 BIENNIAL RECOMMENDATIONS

Table 20
General Revenue and General Revenue-Dedicated Funds
(In Millions)

Agency	Expended/ Budgeted 2000-01*	Recommended 2002-03	Biennial Change	Percentage Change
Department on Aging	\$15.3	\$15.5	\$0.1	0.9
Commission on Alcohol and Drug Abuse	54.6	54.6	0.0	0.0
Commission for the Blind	23.6	25.7	2.1	9.0
Cancer Council	8.1	8.1	0.0	0.0
Children's Trust Fund of Texas Council	3.6	3.6	0.0	0.0
Commission for the Deaf and Hard of Hearing	2.0	2.0	0.1	2.6
Interagency Council on Early Childhood Intervention	66.5	71.3	4.8	7.2
Department of Health	5,814.5	1,280.1	(4,534.4)	(78.0)
Health and Human Services Commission	14.3	5,820.2	5,805.8	40,480.5
Department of Human Services	2,899.9	3,351.2	451.3	15.6
Department of Mental Health and Mental Retardation	2,009.4	2,164.3	154.9	7.7
Department of Protective and Regulatory Services	455.1	534.8	79.8	17.5
Rehabilitation Commission	105.8	106.9	1.1	1.1
Subtotal, Health and Human Services	\$11,472.6	\$13,438.3	\$1,965.7	17.1
Retirement and Group Insurance	\$341.7	\$359.7	\$18.0	5.3
Social Security and Benefit Replacement Pay	161.4	140.8	(20.6)	(12.8)
Subtotal, Employee Benefits	\$503.1	\$500.5	\$(2.7)	(0.5)
Bond Debt Service Payments	\$36.0	\$32.9	\$(3.1)	(8.7)
Lease Payments	14.8	14.1	(0.7)	(4.7)
Subtotal, Debt Service	\$50.9	\$47.0	\$(3.8)	(7.5)
Article II, Special Provisions	\$0.0	\$(215.0)	\$(215.0)	(100.0)
Total, Article II - Health and Human Services	\$12,026.6	\$13,770.8	\$1,744.2	14.5

Notes: Totals may not add because of rounding.

Biennial change and percentage change calculated on actual amounts before rounding.

*Includes anticipated supplemental spending needs.

HEALTH AND HUMAN SERVICES (CONTINUED)

2002-03 BIENNIAL RECOMMENDATIONS

Table 21
Selected Performance Measures

Measures	Actual 2000	Budgeted 2001	Recommended 2002	Recommended 2003
Medicaid Caseload (Premium Services), Average Number of Recipient Months Per Month*	1,807,075	1,854,040	1,953,956	2,067,958
Average Monthly Medicaid Caseload in DHS Community Care	105,020	110,763	121,170	125,205
Average Monthly Caseload, Nursing Facility Clients (Medicaid and Medicare Copay)	66,598	68,338	67,380	67,374
Percentage of Long-term Care Clients Served in Community Settings	65%	66%	67%	67%
Number of TANF-Basic Recipients Per Month	310,937	305,154	324,649	326,033
Number of TANF-UP Recipients Per Month	30,543	31,234	36,576	38,443
Number of Adults and Youth Served in Substance Abuse Prevention	342,554	318,149	371,675	371,675
Number of Adults, Youth, and Dual Diagnosis Clients Served in Substance Abuse Treatment	42,538	39,537	40,129	40,129
Average Monthly Number of Customers Served in MR Home and Community-based Services	5,260	5,844	6,667	6,667
Average Monthly Number of MR Campus (State School) Residents	5,433	5,436	5,425	5,425
Average Daily Census of State Mental Health Facilities	2,356	2,273	2,235	2,237
Number of WIC Participants Receiving Nutritious Food Supplements Per Month	745,534	755,000	772,900	783,738
Number of Equipment/Service Vouchers Issued: Specialized Telecommunication Program	2,048	2,500	2,750	3,000
Number of Consumers Served in Vocational Rehabilitation Program (TCB)	11,993	11,480	12,358	12,300
Number of Eligible Clients Provided Vocational Rehabilitation Services (TRC)	116,457	113,484	118,343	118,583
Percentage of Community Youth Development Program Youth with Improved TAAS Scores	59%	59%	59%	59%
Number of Children in DPRS Conservatorship Who Are Adopted	2,063	2,107	2,221	2,351
Number of Completed Child Abuse/Neglect Investigations	121,732	118,164	119,419	121,348
Number of Days of Child Day Care Paid Per Month	57,845	63,605	78,567	78,567
Average Number of Days Per Month for Foster Care, All Levels	366,501	381,180	396,273	411,434
Average Number of Children Provided Adoption Subsidy Per Month	10,749	12,069	13,402	14,735
Number of Completed Adult Abuse/Neglect/ Exploitation Investigations	51,479	51,652	52,585	54,242
Average CHIP Phase II Children Recipient Months Per Month	37,156	244,735	467,952	492,799

* Includes Health and Human Services Commission and Department of Human Services premium caseloads.

BUDGET ISSUES AND RECOMMENDATIONS

The recommendations address a number of major budget issues affecting agencies in the Health and Human Services function. These issues are listed below.

The majority of funding for Health and Human Services is associated with the Medicaid program. A total of \$25 billion is recommended in All Funds, with \$10 billion in General Revenue and \$15 billion in Federal Funds in Medicaid appropriations contained in Article II and Article XII, excluding employee benefits. Tobacco Settlement Receipts total \$968.1 million in Article XII, of which \$465.8 million is recommended for Medicaid-related programs for Health and Human Services programs and activities.

Highlights of Medicaid funding include:

- A \$206.1 million General Revenue Funds increase due to a less favorable Federal Medical Assistance Percentage (FMAP) matching rate as compared to the 2000–01 biennium. The FMAP is 60.57 in fiscal year 2001, 60.17 in fiscal year 2002 and is projected to be 60.24 in fiscal year 2003;
- A \$1,282.1 million All Funds increase (\$507.5 million General Revenue Funds) for Medicaid

caseload growth and annualization of 2001 rates. Programs reflecting these increases include long-term care services such as nursing facility and hospice, community care, and acute care services, such as hospital and physician payments for services to Medicaid clients;

- An increase of \$392.1 million in All Funds (\$155.9 million General Revenue Funds) to fund an additional Medicaid payment (24 months of payments in 2002–03 versus 23 months of payments for 2000–01) for health care premium coverage and nursing home services;
- An increase of \$1,506.6 million in All Funds (\$542.6 million in General Revenue Funds; \$58.2 million in premium credits and vendor drug rebates generated by the program) for growth in Medicaid acute care utilization and costs of services;
- An increase of \$478.3 million in All Funds (\$190.3 million in General Revenue Funds) for nursing facility and hospice rate increases and changes in acuity of clients;

- An increase of \$486.3 million in All Funds (\$197.0 million in General Revenue Funds) for Medicaid provider rate increases for medical professionals, community care provider wages, outpatient hospital services, dental providers, health maintenance organizations, Home-based and Community-based waiver services and STAR+PLUS waiver services;
- An increase of \$261.0 million in All Funds (\$104.4 million in General Revenue Funds) for waiting lists and waiver services;
- An increase of \$51.2 million in All Funds (\$24.6 million in General Revenue Funds) for community care services;
- \$492 million in General Revenue Fund increases are located in Article XII (Tobacco Settlement Receipts) including \$122.6 million for simplification in enrollment criteria for children; and
- August 2003 payments for Medicaid premiums and nursing facility services are deferred to the 2004–05 biennium (\$404.6 million in All Funds and \$161.3 million in General Revenue Funds).

BUDGET ISSUES AND RECOMMENDATIONS (CONTINUED)

Recommendations for federal Temporary Assistance for Needy Families (TANF) funding total \$1,159.6 million for the 2002–03 biennium, compared with \$1,179.2 for the 2000–01 biennium, including TANF funding outside of Article II health and human services agencies. An estimated \$224.5 million in TANF funds will be carried forward into the 2002–03 biennium. The TANF balance at the end of the 2002–03 biennium based on recommended funding levels is projected to be \$147.3 million. This estimate assumes fiscal year 2002 and 2003 TANF awards at the 2001 basic funding level, plus supplemental funding for high growth/low benefit states both years of the 2002–03 biennium.

An increase of \$263 million in Tobacco Settlement receipts and \$18 million in copay revenues at the Health and Human Services Commission is recommended for caseload increases in the Children’s Health Insurance Program (CHIP). The number of clients in the CHIP Phase II, is projected to reach 467,952 in fiscal year 2002 and 492,799 in fiscal year 2003. Funding for other programs within the CHIP, such as funding for Medicaid spillover associated with the implementation of CHIP, CHIP Phase I, Legal Immigrant Children, and the State Employee Children’s Insurance Program (SKIP), is included in the Article XII appropriation.

The following items were transferred to Article XII from Article II:

- \$122.6 million in Tobacco Settlement Receipts for Medicaid simplification;
- An increase of \$125.8 million in Tobacco Settlement Receipts for Community Care Programs at the Department of Human Services;
- An increase of \$120 million in Tobacco Settlement Receipts for various Medicaid acute care provider rate increases from the Health and Human Services Commission;
- An increase of \$29.8 million in Tobacco Settlement Receipts for services in the Home-based and Community-based Services program at the Department of Mental Health and Mental Retardation; and
- An increase of \$28.8 million in Tobacco Settlement Receipts for Community Centers at the Department of Mental Health and Mental Retardation.

Two reductions are contained in Article II, Special Provisions:

- A decrease of \$10 million in General Revenue Funds relating

to savings from business process improvements to be realized by the Health and Human Services Commission; and

- A decrease of \$479.9 million in All Funds, of which \$205 million is General Revenue Funds for various Medicaid cost containment and savings efforts to be realized by the Health and Human Services Commission.

Overall, full-time-equivalent (FTE) positions increased by 194 in fiscal year 2002 and increased by 262 in fiscal year 2003 from fiscal year 2001 levels. The total number of FTE positions recommended for health and human services agencies is 50,855 in fiscal year 2002 and 50,923 in fiscal year 2003. The increases are associated with additional positions at the Department of Protective and Regulatory Services and additional locally/federally funded positions at the Department of Human Services.

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

DEPARTMENT ON AGING

- An increase of \$12.3 million in Federal Funds for the National Caregiver Support Program.

BUDGET ISSUES AND RECOMMENDATIONS (CONTINUED)

COMMISSION ON ALCOHOL AND DRUG ABUSE

A \$12.2 million All Funds increase compared to 2000–01 expenditure levels. This includes a \$0.3 million Federal Funds decrease and a \$12.5 million Other Funds increase:

- A \$13.8 million increase in Interagency Contract Receipts (Other Funds), along with the creation of a new strategy (Safe & Drug Free Schools), to reflect the administrative transfer of the Safe and Drug Free Schools and Communities Act Program from the Governor’s Office to the Commission on Alcohol and Drug Abuse; and
- A \$1.2 million decrease in other Interagency Contract Receipts.

COMMISSION FOR THE BLIND

- An overall increase of \$2.1 million in General Revenue Funds;
- A \$2.5 million General Revenue Funds (Earned Federal Funds) increase to utilize agency-generated revenues and an increase of \$0.4 million in General Revenue Funds to meet matching requirements for federal vocational rehabilitation funds;
- An estimated \$1.0 million decrease in General Revenue Funds from voluntary fee collections for the Blindness

Education, Screening, and Treatment (BEST) Program due to projected lower contributions and policy changes reducing the frequency of driver’s license renewals from four to six years starting in 1997 offset by a \$0.2 million increase related to an unexpended balance rider; and

- A Federal Funds decrease of \$2.5 million, including a \$3.7 million decrease in vocational rehabilitation funds to align the matching of funds between state and federal fiscal years.

COMMISSION FOR THE DEAF AND HARD OF HEARING

- A \$1.2 million All Funds increase, relating to interagency contract funding for 11 Regional Specialist projects.

INTERAGENCY COUNCIL ON EARLY CHILDHOOD INTERVENTION

- An overall increase of \$40.3 million in All Funds, of which \$4.8 million is General Revenue Funds;
- A \$3.8 million General Revenue Funds increase that directs appropriations to ECI rather than to the Department of Mental Health and Mental Retardation for ECI services;
- \$1 million in General Revenue Funds to expand respite services;

- A \$21.3 million increase in Federal Funds to provide for caseload growth;
- A net increase of \$14.2 million in Other Funds as compared with the 2000–01 biennium. This includes \$16.5 million in an interagency contract with Texas Education Agency to fund eligibility determination services; and a \$2.3 million decrease in Other Funds primarily associated with a reduction in interagency contracts relating to ECI services; and
- \$1 million in Tobacco Settlement receipts appropriated in Article XII to maintain funding for respite services.

DEPARTMENT OF HEALTH

Prior to the transfer of certain Medicaid funding to the Health and Human Services Commission, adjustments to the Department of Health’s budget represent a \$3.5 billion All Funds increase, compared to expenditures in the 2000–01 biennium. This includes a \$1.5 billion General Revenue Funds increase, a \$2.0 billion Federal Funds increase, and a \$32.9 million Other Funds increase. (A comparison of Department of Health funding levels—after the transfer of certain Medicaid funding—to 2000–01 expenditures is reflected at the end of this section.)

BUDGET ISSUES AND RECOMMENDATIONS (CONTINUED)

Specific program recommendations include:

Public Health Programs

- A \$76.1 million All Funds increase for Public Health programs. This includes a \$19.8 million General Revenue Funds increase, a \$23.6 million Federal Funds increase, and a \$32.7 million Other Funds increase.

Specific funding changes in Public Health programs include the following:

- A \$54.2 million Federal Funds increase for the Special Supplemental Program for Women, Infants and Children (WIC) program; an \$11.7 General Revenue–Dedicated Funds increase in rebates for the WIC program is also provided;
- A \$33.9 million General Obligation Bond proceeds (Other Funds) increase for hospital construction and repairs;
- A \$6.2 million General Revenue Funds increase in rebates for the Kidney Health Care and Children with Special Health Care Needs program;
- A \$0.7 million General Revenue Funds increase for the regulation of End Stage Renal Disease facilities;

- A \$0.6 million General Revenue Funds increase for the Mobile Health Unit Program;
- A \$0.5 million General Revenue–Dedicated Funds increase for the Animal Friendly Program;
- A \$0.5 million in General Revenue Funds increase to continue the Medically Needy Pilot Program;
- A \$0.2 million Interagency Contract Receipts (Other Funds) increase for epidemiological research; the agency’s established number of full-time-equivalent positions is also increased by 1.5 each year;
- A \$9.8 million decrease in Title V Federal Funds due to a reduction in carryforward balances; a decrease of \$7 million in Title V Federal Funds for the Children with Special Health Care Needs (CSHCN) program in fiscal year 2002. The transition of some CSHCN clients to the Children’s Health Insurance Program (CHIP) in fiscal year 2001 will reduce expenditures by approximately \$7 million; Federal Funds will be carried forward into fiscal year 2002 and used to fund continuing services at the Interagency Council on Early Childhood Intervention;

- An \$8.8 million decrease in other federal grants, including \$4.9 million in the Abstinence Education grant and \$1.7 million in the Preventive Health and Health Services Block Grant;
- A \$5 million decrease in federal Blood Alcohol Content funding;
- A \$1.4 million decrease in Other Funds; and
- A \$0.4 million decrease in General Revenue Funds associated with the transfer of the administration of the Mycobacterial-Mycology Research Lab to the University of Texas Health Science Center at San Antonio.

Medicaid Program

A \$3.4 billion All Funds increase for the Medicaid program, compared to expenditures in the 2000–01 biennium. This includes a \$1.5 billion General Revenue Funds increase, a \$1.9 billion Federal Funds increase, and a \$0.2 million Other Funds increase.

Specific Medicaid funding changes include the following:

- A \$2.5 billion All Funds increase, comprised of \$991.7 million in General Revenue Funds and \$1.5 billion in Federal Funds to maintain fiscal

BUDGET ISSUES AND RECOMMENDATIONS (CONTINUED)

year 2001 costs; to address increasing cost and utilization trends, and to allow for growth in caseloads;

- A \$140.0 million General Revenue Funds increase and a \$211.2 million Federal Funds increase to increase rates for physician services, outpatient hospital services, dental services, and services delivered through managed care organizations; \$120 million of the increase is reflected in Article XII as Tobacco Settlement Receipts;
- A \$123.7 million General Revenue Funds increase with an equal Federal Funds reduction due to a continued decline in the federal match rate (60.57 percent in fiscal year 2001, 60.17 percent in fiscal year 2002);
- A \$122.6 million Tobacco Settlement Receipts increase (in Article XII) and a \$185.0 million Federal Funds increase (in Article II) to simplify Medicaid eligibility and enrollment processes for children;
- A \$101 million General Revenue Funds increase and a \$152 million Federal Funds increase to pay the 24th month premium in fiscal year 2003. The 2000–01 biennium provided for 23 months of premium payments;

- A \$17.6 million General Revenue Funds increase and a \$26.6 million Federal Funds increase to address acute care expenditures associated with Medicaid waiver expansions at the Department of Human Services and the Department of Mental Health and Mental Retardation;
- A \$0.2 million Telecommunications Infrastructure Fund increase for a telemedicine pilot program; and
- A \$0.3 million General Revenue Funds decrease and a \$0.3 million Federal Funds decrease to consolidate Medicaid rate setting at the Health and Human Services Commission; FTEs are reduced by six from the 2001 budgeted level.

Pursuant to legislative action to restructure the Medicaid program, a number of strategies related to the acute care Medicaid program are transferred to the Health and Human Services Commission. Transferred funding totals \$15 billion in All Funds. This includes \$6 billion in General Revenue Funds and \$9 billion in Federal Funds. Additionally, 373 FTEs per year are transferred to the Health and Human Services Commission.

After the transfer of certain Medicaid funding, Department of Health funding for the 2002–03

biennium represents an \$11.6 billion All Funds decrease from 2000–01 expenditure levels. This includes a \$4.5 billion General Revenue Funds decrease, a \$7.1 billion Federal Funds decrease, and a \$32.9 million Other Funds increase.

HEALTH AND HUMAN SERVICES COMMISSION

An overall increase of \$15,488.5 million in All Funds, of which \$5,805.8 million is General Revenue Funds, and \$9,654.9 million is Federal Funds.

- Most of the increase is associated with the transfer of Medicaid acute care strategies from the Department of Health. A total of \$15 billion in All Funds, of which \$6 billion is General Revenue Funds and \$9 billion is Federal Funds, was transferred from the Department of Health to the Health and Human Services Commission; and
- An increase of \$122.6 million in Tobacco Settlement Receipts is recommended in Article XII for Medicaid simplification and \$120.0 million in Tobacco Settlement Receipts is recommended in Article XII for Medicaid provider rate increases.

Medicaid

- A total of \$15 billion in All Funds, including \$6 billion in General Revenue Funds is

BUDGET ISSUES AND RECOMMENDATIONS (CONTINUED)

recommended in new Medicaid strategies transferred from the Department of Health. This includes funding for hospital and physician services and prescription drugs (see the Department of Health for more information).

- An increase of \$9.6 million in Federal Funds and \$5.4 million in Interagency Contracts to expand the consolidated waiver program to 200 clients per year; and
- An increase of \$3.2 million in All Funds, including \$1.6 million in General Revenue Funds, and an increase of 20.5 FTEs over fiscal year 2001 levels for the transfer of the Medicaid rate setting function to the Health and Human Services Commission, with offsetting reductions in funding and FTEs in other state agencies.

Children's Health Insurance Program

- An increase of \$263 million in Tobacco Settlement Receipts is recommended in Article XII for the Children's Health Insurance Program (CHIP). An increase of \$18 million is recommended from copay revenues generated by the CHIP program. An increase of \$672.7 million in Federal Funds for the CHIP Program is recommended at the Health and Human Services Commission.

Other Programs

- An increase of \$20 million from the Telecommunications Infrastructure Fund is recommended for a new program of technology grants to facilitate communication for persons with disabilities; and
- An increase of \$1.7 million from the Telecommunications Infrastructure Fund is recommended for telecommunications infrastructure relating to the Texas Information and Referral Network or the 211 telephone line development project.

DEPARTMENT OF HUMAN SERVICES

- An overall All Funds increase of \$1,284.0 million, including a \$451.3 million increase in General Revenue and General Revenue–Dedicated Funds.
- Included in the increases listed below is a \$61.5 million increase in General Revenue Funds for Federal Medical Assistance Percentage or FMAP adjustment.

Long-Term-Care Services

Recommendations for the Community Care Services strategy below include \$125.8 in Tobacco Funds, recommended in Article XII.

- \$175.2 million in All Funds, including \$66.1 million in General Revenue Funds, is included for caseload growth of approximately 5 percent per

year in Medicaid nonwaiver community care, annualization of Medicaid waiver caseloads, and 2001 costs;

- \$44.3 million in All Funds, including \$17.7 million in General Revenue Funds, for increased client acuity;
- \$125.9 million in All Funds, including \$59.4 million in General Revenue Funds, to reduce Long-term Care interest lists for Community-based Alternatives, Community Living Assistance and Support Services (CLASS), Deaf-Blind, Medically Dependent Children's Program, and In-home and Family Support;
- \$114.1 million in All Funds, including \$50 million in General Revenue Funds for Community Care attendants salaries; and
- \$5 million in General Revenue Funds for in-home and family support to assist elderly and persons with disabilities to maintain their independence.

Funding for the Nursing Facility and Hospice Payments strategy provides:

- \$123.6 million in All Funds, including \$46.3 million in General Revenue Funds, to fund caseload growth of less

BUDGET ISSUES AND RECOMMENDATIONS (CONTINUED)

than 1 percent in the Nursing Facility and Hospice Programs;

- \$139.1 million in All Funds, including \$54.8 million in General Revenue Funds, for 12 payments for fiscal year 2002 for Nursing Facilities;
- A decrease of \$134.8 million in All Funds, including \$53.6 million in General Revenue for the fiscal year 2003 August nursing facility payment (twenty-fifth month);
- \$38.4 million in All Funds, including \$15.3 million in General Revenue Funds, for increased client acuity; and
- \$439.9 million in All Funds, including \$175.0 million in General Revenue for nursing facility rate adjustments.

Funding for the Integrated Service Delivery strategy provides a decrease of \$12.7 million in All Funds, including a \$0.4 million increase in General Revenue Funds, for the STAR+PLUS Medicaid waiver.

Supportive and Preventive Services Fostering Self-Sufficiency

- A \$19.1 million increase in All Funds, including a \$2.2 million decrease in General Revenue Funds, for Temporary Assistance for Needy Families (TANF) grants;

• Increased funding will maintain the maximum monthly grant for families at 17 percent of the federal poverty level, maintain a program providing once-a-year grants to TANF-eligible children, and maintain the earned income disregard at levels established by the Seventy-sixth Legislature, 1999;

- A \$0.6 million increase in All Funds for the Community Alzheimer's Resources and Education (CARE) Program;
- A \$49.2 million Federal Funds increase for the TANF Program due to caseload growth;
- A \$27.5 million Federal Funds increase for Nutrition Assistance;
- A \$2.6 million Federal Funds increase for Refugee Assistance;
- A \$0.3 million Federal Funds increase for Family Violence Prevention; and
- \$5.2 million in Compensation to Victims of Crime funding to expand Family Violence Services.

Administrative/Other

- Staffing levels for the Department of Human Services are 21 FTEs lower than the fiscal year 2001 budgeted levels for 2002–03 due to the transfer of the DHS rate-setting staff to the Health and Human Services Commission;

• Overall local-federal FTEs for the department are 204.5 FTEs higher for fiscal years 2002–03 when compared to fiscal year 2001;

- Disaster Assistance Funds for fiscal year 2000 of \$9.3 million in All Funds (\$270,000 in General Revenue Funds) were not included for the 2002–03 biennium;
- A total of \$17.3 million in Tobacco Settlement receipts is provided in Article XII to maintain service levels established in the 2000–01 biennium for the Medically Dependent Children's Program and for the CLASS Medicaid waiver program; and
- \$136.9 million in All Funds including, \$21.2 million in General Revenue, \$36.5 million in Revenue Bond Proceeds, and \$10.0 million in Temporary Assistance for Needy Families Federal Funds for the Texas Integrated Eligibility Redesign Systems or TIERS.

DEPARTMENT OF MENTAL HEALTH AND MENTAL RETARDATION

- An \$86.3 million All Funds increase, including a \$154.9 million General Revenue Funds increase, a \$33.3 million Federal Funds decrease, and a \$35.3 million Other Funds decrease.

BUDGET ISSUES AND RECOMMENDATIONS (CONTINUED)

- Of the total General Revenue increase, \$15.6 million is included for a less favorable Federal Medical Assistance Percentage (FMAP).
- A reduction of 138 full-time-equivalent positions from the 2001 budgeted level due to the transition of State-operated community services and state employees to local operation.

Specific program recommendations include the following:

Campus and Community-based Mental Health Services

- A \$19.4 million All Funds increase, including a \$17.0 million General Revenue Funds increase, and a \$2.9 million Federal Funds increase, for Adult Mental Health Community Services, such as Assertive Community Treatment, Supported Employment, and Supported Housing, and to annualize levels of New Generation Medications. Included in Article XII, Tobacco Settlement Receipts, is \$28.8 million in General Revenue Funds for a rehabilitation services rate change and increased prescription drug costs;
- A \$7.3 million All Funds increase, including a \$7.5 million General Revenue Funds increase, for the NorthSTAR Behavioral Health Services

Managed Care waiver, to maintain fiscal year 2001 service levels and address increased costs of prescription drugs;

- A \$5.9 million All Funds increase, including a \$4.7 million General Revenue Funds increase, for Children's Mental Health Services, to maintain fiscal year 2001 service levels;
- A \$0.8 million General Revenue Funds increase for Mental Health Community Hospitals for outpatient medication services;
- A \$1.4 million All Funds decrease, including a \$16.7 million General Revenue Funds increase, an \$8.1 million Federal Funds decrease, and a \$10.0 million Other Funds decrease to align methods of finance; and
- A \$6.7 million All Funds decrease, including \$3.8 million General Revenue Funds and \$2.9 million Federal Funds decrease, for Assessment and Service Coordination due to the FMAP change and the transition of state-operated services to local control.

Campus and Community-based Mental Retardation Services

- A \$61.7 million All Funds increase (\$10.3 million in General Revenue Funds and \$51.5 million Federal Funds) for

Home-based and Community-based Services, to annualize caseload growth. Included in Article XII, Tobacco Settlement Receipts, is \$29.8 million General Revenue Funds for a rate increase for HCS providers and 130 placements for persons moving from State Schools, 276 placements for persons moving from ICFs/MR, and 259 placements for persons on the community waiting list;

- An \$11 million General Revenue Funds increase for Mental Retardation Community Services to maintain fiscal year 2001 service levels;
- An \$11.1 million All Funds increase (\$80.2 million in General Revenue Funds increase, a \$61.8 million Federal Funds decrease and \$7.2 million Other Funds decrease) to align methods of finance. Included in this increase is \$3.5 million General Revenue Funds for Mexia State School decertified (from Medicaid) beds, and \$4.6 million General Revenue Funds and \$7.0 million Federal Funds for increased costs of utilities and prescription drugs;
- A \$3.7 million All Funds decrease, including a \$4.2 million General Revenue Funds increase, for Intermediate Care Facilities for the Mentally

BUDGET ISSUES AND RECOMMENDATIONS (CONTINUED)

Retarded to offset declining FMAP; and

- A \$3.0 million All Funds decrease, including a \$0.3 million General Revenue Funds increase for Assessment and Service Coordination due to the FMAP change and the transition of state-operated services to local control.

Capital Construction

- An \$18.1 million All Funds decrease, due primarily to the use during fiscal years 2000–01 of General Obligation Bond Funds and Capital Trust Fund monies that are not projected to continue;
- A \$3.6 million General Revenue and General Revenue–Dedicated Funds increase for Life Safety Code projects;
- A \$7.3 million General Revenue–Dedicated Capital Trust Fund decrease, due to projected unavailability of revenues; and
- A \$14.5 million General Obligation Bond Proceeds decrease.

Administration

- A \$17.2 million All Funds increase (\$10.3 million in General Revenue Funds increase and \$6.9 million in Federal Funds) to provide a one-group relocation and pay increase for the MHMR Service Series employees;

- A \$0.1 million General Revenue Funds increase for a classification reallocation for chaplain positions; and
- A \$3.5 million All Funds decrease due to one-time expenditures in fiscal year 2001 and transfer of the Medicaid rate-setting function to the Health and Human Services Commission.

Tobacco Settlement Receipts

- Maintenance of funding at the 2000–01 level in some areas, including \$30.5 million for New Generation Medications and \$15.0 million for Children’s Mental Health Services, with an increase to the Home-based and Community-based Services Medicaid waiver funding for a total of \$34.6 million and the addition of \$28.8 million for Community Centers rehabilitation rate change and prescription drug costs.

DEPARTMENT OF PROTECTIVE AND REGULATORY SERVICES

- An increase of \$79.8 million is General Revenue Funds and General Revenue–Dedicated Funds; and
- The number of FTE positions for fiscal year 2003 is 211 higher than fiscal year 2001. Specific program recommendations include the following:

Child Protective Services

- A \$20.7 million General Revenue Funds increase for adoption subsidy caseload and rate increases. The All Funds increase for adoption subsidy payments is \$38.6 million due to a Federal Funds increase of \$17.9 million;
- A \$19.8 million General Revenue Funds and General Revenue–Dedicated Funds increase for foster care caseload and rate increases. The All Funds increase for foster care payments is \$61.4 million due to a Federal Funds increase of \$41.6 million. The Federal Funds increase includes additional Title IV-E entitlement revenues and TANF block grant revenues due to a projected increase in eligibility for the Emergency Assistance Program;
- A \$5 million General Revenue Funds increase due to a less favorable federal medical assistance percentage (FMAP);
- A \$3.0 million General Revenue Funds increase for Child Protective Services (CPS) staffing strategies, including an increase of \$6.6 million to maintain current caseloads per CPS worker and \$1.0 million to provide laptop computers which is offset by a decrease of \$4.6 million due primarily to one-time expenditures and method-of-finance changes. The

BUDGET ISSUES AND RECOMMENDATIONS (CONTINUED)

All Funds increase for these strategies is \$9.4 million. The increase in funding for Child and Family Services will support 137 new FTEs through 2003 to maintain current caseloads per CPS worker;

- A \$2.1 million General Revenue Funds increase for At-Risk Prevention Services to maintain fiscal year 2001 service levels. The All Funds increase for this strategy is \$2.8 million due to a Federal Funds increase of \$0.7 million; and
- A \$1.6 million General Revenue Funds increase for CPS Purchased Services. The All Funds increase for this strategy is \$10.3 million due to a Federal Funds increase of \$8.7 million.

Adult Protective Services

- A \$9.6 million General Revenue Funds increase for Adult Protective Services. The All Funds increase for this strategy is \$0.5 million due to a decrease of \$9.1 million in Title XX Social Services Block Grant federal revenues; and
- A \$2.0 million General Revenue Funds increase for MHMR Investigations. The All Funds increase for this strategy is \$2.2 million which will support 33 new FTEs through fiscal year 2003 to maintain the current caseload per MHMR worker.

Child Care Regulation

- A \$0.5 million General Revenue Funds increase for Child Care Regulation. The All Funds increase for this strategy is \$0.9 million which will support 41 new FTEs through fiscal year 2003 to maintain the current caseload per residential child care licensing worker and child care licensing worker.

Indirect Administration and CAPS Maintenance

- A \$7.3 million General Revenue Funds increase for indirect administration and maintenance of the Child and Adult Protective System primarily associated with information technology initiatives to enhance existing automated systems, improve network efficiency, use Web-based technology and provide cellular telephone allowances for CPS staff. The All Funds increase for these strategies is \$12.0 million due to a Federal Funds increase of \$4.7 million.

Supplemental Appropriations Made in Riders

- An \$8.2 million General Revenue Funds increase for a targeted salary increase for protective services specialists. The All Funds increase for this item is \$11.7 million; and

- A \$5.0 million All Funds increase for At-Risk Prevention Services contingent upon the availability of Social Services Block Grant funding exceeding the amounts appropriated in the Act by at least \$5.0 million.

REHABILITATION COMMISSION

- A \$1.1 million General Revenue Funds increase and a \$4.1 million Federal Funds increase to allow for projected growth in federal Vocational Rehabilitation Funds in fiscal years 2002 and 2003;
- A \$4.4 million General Revenue–Dedicated Funds increase (Comprehensive Rehabilitation Account) and a \$4.4 million General Revenue Funds decrease to fully fund Comprehensive Rehabilitation Services from available revenues and balances in the Comprehensive Rehabilitation Account; and
- A \$5 million Federal Funds increase for the Vocational Rehabilitation Program to maintain federal grant expenditures at fiscal year 2001 levels.

AGENCIES OF EDUCATION

All Funds recommendations for Agencies of Education total \$48,680.9 million for the 2002–03 biennium, which is an increase of \$3,441.6 million, or 7.6 percent, from 2000–01 (Table 22).

For General Revenue and General Revenue–Dedicated Funds, the recommendations total \$38,222.5 million, which is an increase of \$1,739.1 million, or 4.8 percent, from 2000–01 (Tables 23 and 24).

Selected performance measures for agencies in the Agencies of Education function are depicted in Table 25.

Table 22
All Funds
(In Millions)

Agency	Expended/ Budgeted 2000–01	Recommended 2002–03	Biennial Change	Percentage Change
Public Schools				
Texas Education Agency	\$28,660.6	\$30,044.8	\$1,384.1	4.8
State Board for Educator Certification	38.3	29.4	(8.9)	(23.3)
School for the Blind and Visually Impaired	29.4	36.7	7.3	24.7
School for the Deaf	36.8	44.9	8.0	21.8
Subtotal, Public Schools	\$28,765.2	\$30,155.7	\$1,390.5	4.8
Telecommunications Infrastructure Fund Board	\$476.1	\$400.0	\$(76.1)	(16.0)
Public Higher Education				
General Academic Institutions	4,549.4	4,795.2	245.8	5.4
Health-related Institutions	3,803.1	4,156.5	353.4	9.3
A&M University Services	634.6	596.9	(37.7)	(5.9)
Higher Education Fund	448.7	448.7	0.0	0.0
Available University Fund	652.1	725.9	73.8	11.3
Other Higher Education	591.2	901.4	310.2	52.5
Two-year Institutions:				
Public Community/Junior Colleges	1,458.5	1,579.4	120.9	8.3
Lamar Lower-level Institutions	53.8	58.0	4.2	7.8
Texas State Technical College	129.5	145.1	15.6	12.1
Subtotal Two-year Institutions	1,641.8	1,782.5	140.8	8.6
Subtotal, Higher Education	\$12,321.0	\$13,407.1	\$1,086.2	8.8
Teacher Retirement System	\$2,555.3	\$3,245.8	\$690.6	27.0
Optional Retirement Program	196.3	217.4	21.1	10.8
Higher Education Employees Group Insurance Contributions	621.3	911.4	290.0	46.7
Retirement and Group Insurance	37.8	48.5	10.6	28.1
Social Security and Benefit Replacement Pay	391.6	415.8	24.2	6.2
Subtotal, Employee Benefits	\$3,802.3	\$4,838.8	\$1,036.6	27.3
Bond Debt Service Payments	\$56.4	\$1.3	\$(55.1)	(97.7)
Lease Payments	15.5	16.2	0.7	4.8
Subtotal, Debt Service	\$71.8	\$17.5	\$(54.4)	(75.7)
Less Interagency Contracts	\$197.1	\$139.2	\$(57.9)	(29.4)
Article III, Special Provisions	\$0.0	\$1.0	\$1.0	100.0
Total, Article III - Agencies of Education	\$45,239.3	\$48,680.9	\$3,441.6	7.6

NOTES: Totals may not add because of rounding.
Biennial change and percentage change calculated on actual amounts before rounding.

AGENCIES OF EDUCATION (CONTINUED)

2002-03 BIENNIAL RECOMMENDATIONS

Table 23
General Revenue Funds
(In Millions)

Agency	Expended/ Budgeted 2000-01	Recommended 2002-03	Biennial Change	Percentage Change
Public Schools				
Texas Education Agency	\$23,192.7	\$23,104.4	\$(88.3)	(0.4)
State Board for Educator Certification	27.9	25.8	(2.1)	(7.6)
School for the Blind and Visually Impaired	24.1	24.7	0.6	2.6
School for the Deaf	30.4	31.4	1.0	3.3
Subtotal, Public Schools	\$23,275.2	\$23,186.4	\$(88.8)	(0.4)
Telecommunications Infrastructure Fund Board	\$0.0	\$0.0	\$0.0	0.0
Public Higher Education				
General Academic Institutions	3,326.5	3,555.7	229.2	6.9
Health-related Institutions	1,705.6	1,825.2	119.5	7.0
A&M University Services	288.4	288.4	0.0	0.0
Higher Education Fund	448.7	448.7	0.0	0.0
Available University Fund	0.0	0.0	0.0	0.0
Other Higher Education	453.7	759.6	306.0	67.5
Two-year Institutions:				
Public Community/Junior Colleges	1,458.5	1,579.4	120.9	8.3
Lamar Lower-level Institutions	44.7	47.4	2.6	5.9
Texas State Technical College	108.0	122.0	14.0	13.0
Subtotal Two-year Institutions	1,611.2	1,748.8	137.6	8.5
Subtotal, Higher Education	\$7,834.1	\$8,626.5	\$792.3	10.1
Teacher Retirement System	\$2,417.6	\$3,053.7	\$636.0	26.3
Optional Retirement Program	175.4	194.3	18.9	10.8
Higher Education Employees Group Insurance Contributions	621.3	911.4	290.0	46.7
Retirement and Group Insurance	35.0	45.6	10.6	30.3
Social Security and Benefit Replacement Pay	320.0	340.2	20.2	6.3
Subtotal, Employee Benefits	\$3,569.4	\$4,545.2	\$975.8	27.3
Bond Debt Service Payments	\$56.4	\$1.3	\$(55.1)	(97.7)
Lease Payments	15.5	16.2	0.7	4.8
Subtotal, Debt Service	\$71.8	\$17.5	\$(54.4)	(75.7)
Article III, Special Provisions	\$0.0	\$0.0	\$0.0	0.0
Total, Article III - Agencies of Education	\$34,750.6	\$36,375.6	\$1,625.0	4.7

NOTES: Totals may not add because of rounding.

Biennial change and percentage change calculated on actual amounts before rounding.

AGENCIES OF EDUCATION (CONTINUED)

2002-03 BIENNIAL RECOMMENDATIONS

Table 24
General Revenue-Dedicated Funds
(In Millions)

Agency	Expended/ Budgeted 2000-01	Recommended 2002-03	Biennial Change	Percentage Change
Public Schools				
Texas Education Agency	\$0.0	\$0.0	\$0.0	0.0
State Board for Educator Certification	0.0	0.0	0.0	0.0
School for the Blind and Visually Impaired	0.0	0.0	0.0	0.0
School for the Deaf	0.0	0.0	0.0	0.0
Subtotal, Public Schools	\$0.0	\$0.0	\$0.0	0.0
Telecommunications Infrastructure Fund Board	\$0.0	\$0.0	\$0.0	0.0
Public Higher Education				
General Academic Institutions	1,202.0	1,235.3	33.3	2.8
Health-related Institutions	314.9	376.1	61.1	19.4
A&M University Services	23.5	15.8	(7.8)	(33.0)
Higher Education Fund	0.0	0.0	0.0	0.0
Available University Fund	0.0	0.0	0.0	0.0
Other Higher Education	3.3	3.0	(0.3)	(9.0)
Two-year Institutions:				0.0
Public Community/Junior Colleges	0.0	0.0	0.0	0.0
Lamar Lower-level Institutions	9.1	10.7	1.6	17.2
Texas State Technical College	21.4	23.1	1.6	7.6
Subtotal Two-year Institutions	30.6	33.8	3.2	10.5
Subtotal, Higher Education	\$1,574.3	\$1,663.9	\$89.5	5.7
Teacher Retirement System	\$79.2	\$96.9	\$17.7	22.3
Optional Retirement Program	20.8	23.0	2.2	10.5
Higher Education Employees Group Insurance Contributions	0.0	0.0	0.0	0.0
Retirement and Group Insurance	0.0	0.0	0.0	0.0
Social Security and Benefit Replacement Pay	58.4	62.2	3.8	6.4
Subtotal, Employee Benefits	\$158.5	\$182.1	\$23.6	14.9
Bond Debt Service Payments	\$0.0	\$0.0	\$0.0	0.0
Lease Payments	0.0	0.0	0.0	0.0
Subtotal, Debt Service	\$0.0	\$0.0	\$0.0	0.0
Article III, Special Provisions	\$0.0	\$1.0	\$1.0	100.0
Total, Article III - Agencies of Education	\$1,732.8	\$1,847.0	\$114.1	6.6

NOTES: Totals may not add because of rounding.

Biennial change and percentage change calculated on actual amounts before rounding.

AGENCIES OF EDUCATION (CONTINUED)

2002-03 BIENNIAL RECOMMENDATIONS

Table 25
Selected Performance Measures

Measure	Actual 2000	Budgeted 2001	Recommended 2002	Recommended 2003
Public Education				
Total Average Daily Attendance (ADA)	3,702,288	3,763,308	3,835,159	3,901,634
Percentage of Equalized Revenue in the Foundation School Program	97.2%	97.5%	98.0%	98.0%
Percentage of Students in Districts with Substantially Equally Access to Revenues	90.8%	90.4%	85.0%	85.0%
Percentage of Students Passing All Tests Taken	80%	84%	85%	85%
Percentage of African-American Students Passing All Tests Taken	67%	78%	80%	80%
Percentage of Hispanic Students Passing All Tests Taken	72%	78%	80%	80%
Percentage of Economically Disadvantaged Students Passing All Tests Taken	70%	76%	78%	78%
Percentage of Districts Rated Exemplary or Recognized	57.8%	48.5%	30.5%	30.5%
Percentage of Campuses Rated Exemplary or Recognized	47.7%	42.0%	46.7%	46.7%
Public Higher Education				
Percentage of University Students Graduating within Six Years	49.2%	48.4%	49.2%	49.2%
Retention Rate of Students Completing Required Developmental Education	88.5%	86%	88.5%	88.5%
Percentage of Students Enrolled in Colleges Who Are African-American or Hispanic	35.4%	35.5%	36.5%	37.5%
Number of Students Receiving Awards-TEXAS Grant Program	10,500	20,000	44,844	60,879

BUDGET ISSUES AND RECOMMENDATIONS

The major budget recommendations for public schools and retired teachers include:

- Providing sufficient General Revenue Funds to fund the current legal obligation for the Foundation School Program, including the obligations incurred in the Instructional Facilities Allotment;
- Providing sufficient funds to address the equity of the school finance system;
- Allocating sufficient funds from the Textbook Fund to fund new textbook adoptions; and
- Providing funding for the state's costs for providing pension and insurance benefits to retired school district employees.

The major budget recommendations for public higher education include:

- Providing an increase for the Toward EXcellence, Access, and Success (TEXAS) Grant Program;
- Providing an increase for the Tuition Equalization Grants (TEG) Program;
- Providing increases to the Available University Fund (AUF) attributable to Proposition 17, approved in the November 1999 statewide election, allowing distributions to the

AUF from capital gains as well as income return and allowing for payment of Permanent University Fund (PUF) expenses from the PUF;

- Providing additional funding for enrollment growth at four-year and two-year institutions;
- Providing additional formula funding for higher education;
- Providing additional funding for new and enhanced special items at four-year and health-related institutions;
- Changing the Growth Supplement methodology from using enrollment forecasts to actual growth Fall to Fall in weighted semester credit hours. Growth funds are trustee'd to the Texas Higher Education Coordinating Board;
- Projecting increases in other educational and general income (i.e., General Revenue-Dedicated) for all general academic institutions and health-related institutions;
- Providing increases in General Revenue Funds for higher education group insurance to meet current employment levels and increases in premiums; and
- Allowing health-related institutions to retain patient care income increases locally.

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

TEXAS EDUCATION AGENCY

- Maintenance of the 2000–01 level of General Revenue funding for the Foundation School Program;
- A \$102 million increase in General Revenue Funds for new textbook adoptions;
- Allocation of \$200 million to the Teacher Retirement System;
- A \$19 million General Revenue Funds increase to the Windham School District (this increase is a transfer of funds from the Texas Department of Criminal Justice);
- A \$13 million increase in General Revenue Funds to meet the obligation incurred by the state in 2000–01 in the Instructional Facilities Allotment;
- A \$13 million General Revenue Funds increase to the Advanced Placement/International Baccalaureate Program;
- A \$8 million General Revenue Funds increase for the Master Reading Teacher Program;
- A \$16 million General Revenue Funds decrease to the Reading Initiative, due to

BUDGET ISSUES AND RECOMMENDATIONS (CONTINUED)

slower-than-anticipated expenditures in 2000–01;

- A significant increase in Federal Funds, including a \$182 million increase to the School Breakfast and Lunch Programs, a \$275 million increase for special education, \$147 million for needy children, \$11 million for teacher preparation, \$180 million for school renovation grants, \$50 million for class size reduction, and \$18 million for various classroom-improvement programs;
- Anticipation of a \$614 million increase in anticipated attendance credits revenue (recapture from property-wealthy school districts); and
- A \$31 million decrease in System Benefit Funds; System Benefit Funds were used in fiscal year 2001 to replace recapture revenue lost to the state because of property value declines associated with electric utility deregulation. \$34 million in System Benefit Funds are used as a method of financing for the 2002–03 biennium in the Texas Education Agency's (TEA) bill pattern.

STATE BOARD FOR EDUCATOR CERTIFICATION

- A continuation of \$2.8 million in biennial funding for test development. Certification and

assessment fee revenue, an account in the General Revenue Fund, is the source of this funding; however, the agency is required by appropriation rider to seek Federal Funds to reduce the cost of test development to the fee revenue account.

SCHOOL FOR THE DEAF AND SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED

- A \$7 million increase in General Obligation Bond proceeds (Other Funds) to the Texas School for the Deaf to complete a campus renovation and consolidation project;
- A \$5 million General Obligation Bond proceeds (Other Funds) increase to the Texas School for the Blind and Visually Impaired for facilities construction and/or renovation; and
- A \$1.6 million Federal Funds increase to the School for the Blind and Visually Impaired to administer, in conjunction with Texas Tech and Stephen F. Austin Universities, a teacher preparation program. This increase also funds expansion of short-term and technology outreach programs.

TELECOMMUNICATIONS INFRASTRUCTURE FUND BOARD

- A \$75.1 million decrease in Other Funds to reach an annual appropriation level of \$200 million; and

- A \$1.7 million increase in Other Funds for administration and 6 additional FTEs contingent upon Board action to move grant monitoring activities in-house.

TEACHER RETIREMENT SYSTEM

- A \$14.8 million All Funds increase for administrative operations, including 17 new full-time-equivalent (FTE) positions in benefits processing and investments;
- An increase of \$376.0 million in General Revenue Funds over fiscal years 2000–01 to cover a projected deficit in the TRS-Care retiree health insurance fund. Total funding in the bill to cover the deficit is \$452.2 million;
- A \$232.5 million General Revenue Funds increase for contributions to the Teacher Retirement System retirement fund to account for payroll growth in public and higher education; and
- A \$27.6 million General Revenue Funds increase to maintain the current contribution rate to the health insurance program for retired public school employees, reflecting payroll growth among public school employees.

BUDGET ISSUES AND RECOMMENDATIONS (CONTINUED)

OPTIONAL RETIREMENT PROGRAM

- An \$18.9 million General Revenue Funds increase and a \$2.2 million General Revenue–Dedicated Funds increase to account for payroll growth among participating higher education employees.

BOND DEBT SERVICE PAYMENTS

- A \$56.4 million General Revenue Funds decrease due to the final defeasance of the Superconducting Super Collider bonds.

HIGHER EDUCATION GROUP INSURANCE

- An increase of \$290 million in General Revenue Funds due to growth in enrollment and current rate premium increases;
- Funding for group insurance contributions for all higher education employees and retirees as of the October 31, 2000, census date; and
- A 12.48 percent premium rate increase from updated rates for fiscal year 2002 and an additional 12.42 percent compounded premium rate increase for fiscal year 2003.

GENERAL ACADEMIC INSTITUTIONS

- Continuation of the \$68.1 million increase in General Revenue Funds for faculty and nonfaculty salary increases added by the Seventy-sixth Legislature, 1999, and distributing amounts among the

institutions through the funding formulas;

- A \$71.7 million increase in General Revenue Funds to fund enrollment growth of 3.1 percent;
- A \$50 million increase in General Revenue Funds to comply with the Texas Commitment to the US Office of Civil Rights' Priority Plan for Texas Southern University and Prairie View A&M University;
- Distribution of \$23.4 million in General Revenue Funds for formula hold harmless to address potential shortfalls during the 2002–03 biennium;
- \$19.8 million in General Revenue Funds to annualize fiscal year 2001 faculty salary increases and including those amounts in the funding formula;
- A \$33.3 million increase in Other Educational and General Income for projected tuition and other increases;
- A \$34 million General Revenue Funds decrease as a result of the Growth Supplement transfer to the Texas Higher Education Coordinating Board;
- \$12.5 million in General Revenue Funds for Capital Equity and Excellence Hold Harmless for fiscal year 2003;

- Savings of \$6.3 million over the 2000–01 biennium in General Revenue Funds for Benefit Replacement Pay;
- \$47.2 million to increase the teaching experience supplement weight from 5 percent to 10 percent for lower division and upper division semester credit hours taught by tenured and tenure-track faculty;
- Converting the Texas A&M University College of Veterinary Medicine Special Item into Operations & Instruction Formula and E&G Space Support Formula and adding the Bush School of Government rider appropriation to the Institutional Enhancement Special Item for Texas A&M University;
- \$58 million in additional General Revenue Funds for Institutional Enhancements; and
- A \$47 million General Revenue Funds increase for new and enhanced special items.

HEALTH-RELATED INSTITUTIONS

- Continuation of the \$31.6 million increase in General Revenue Funds for fiscal year 2000–01 nonfaculty salary increases and fiscal year 2000 faculty salary increases added by the Seventy-sixth Legislature, 1999;

BUDGET ISSUES AND RECOMMENDATIONS (CONTINUED)

- An increase in General Revenue Funds of \$64.7 million for new and enhanced special items. This includes \$34.2 million to support research special items, \$16.5 million for special items related to instruction, and \$14.0 million for health care-related special items;
- An increase of \$31.4 million in General Revenue Funds to provide additional formula funding for the health-related institutions. This includes \$2.2 million for the research formula;
- A \$8.9 million increase in General Revenue Funds to provide formula funding at 91 percent in both years of the biennium for the Texas A&M University System Baylor College of Dentistry;
- A \$6.6 million increase in General Revenue Funds to annualize fiscal year 2001 faculty salary increases;
- An increase of \$5.6 million in General Revenue Funds to provide formula hold harmless to ensure that all institutions receive at least the same amount of formula funding as in 2000–01;
- A \$3.6 million increase in General Revenue Funds for The UT Health Center at Tyler for medical education and research items. This item will be formula

funded based on the number of primary chest disease diagnoses in the state;

- A \$3.1 million increase in General Revenue Funds for Texas Tech University Health Sciences Center for medical education at the Odessa campus;
- A \$0.6 million increase in General Revenue Funds to provide the small class supplement to The UT Health Science Center at Houston School of Public Health for its satellite campuses in Dallas, El Paso, and San Antonio. In addition, \$2.7 million in General Revenue Funds from a special item for the satellite public health program are transferred to the formula strategies for this item;
- A \$172.7 million increase in health-related institutions' patient income, which includes a \$190.0 million increase in patient income at The University of Texas M. D. Anderson Cancer Center offset by a decrease of \$17.3 million at the other institutions that operate hospitals or clinics. This is a new method of financing to account for patient income at medical schools that operate a hospital or dental clinic;
- A \$61.1 million increase in Other Educational and General Income, primarily due to a

change in the allocation of benefits costs at medical schools that operate hospitals;

- A \$3.4 million decrease in General Revenue Funds, due to the elimination of start-up funding for several programs (programs continue to receive formula funding);
- A decrease of \$2.4 million in General Revenue Funds for savings associated with benefit replacement pay;
- Converting special items at The UT MD Anderson Cancer Center into formula funded strategies for Science Park Operations and Support for Patient Care, based on the number of new cancer cases in the state; and
- Maintaining all other special items at the 2000–01 appropriated levels.

TWO-YEAR INSTITUTIONS

- A \$88.4 million General Revenue Funds increase for enrollment growth of 5.74 percent;
- A \$51 million increase in General Revenue Funds for the contact hour funding formula;
- A \$0.5 million General Revenue Funds decrease associated with special items at the Southwest Collegiate Institute for the Deaf;

BUDGET ISSUES AND RECOMMENDATIONS (CONTINUED)

- Funding the Lamar State Colleges and Texas State Technical College's (TSTC) physical plant operations through the general academic infrastructure formula, resulting in an increase of \$2 million in General Revenue Funds for TSTC components and \$2 million for Lamar State Colleges;
- A \$7 million General Revenue Funds increase to Institutional Enhancement at the Texas State Technical College components, and Lamar State Colleges. The Texas State Technical Colleges received \$4 million and the Lamar State Colleges received \$3 million for the biennium; and
- Elimination of \$4.2 million in General Revenue Funding for one-time special items at TSTC components.

A&M SERVICE AGENCIES

- Funding for infrastructure at each service agency is based on proportions derived from the Texas Higher Education Coordinating Board's Space Projection Model;
- A \$6 million increase in General Revenue Funds to enhance each agency's operational and programmatic efficiency;
- A \$2.5 million increase in General Revenue Funds for the Texas Veterinary Medical Diagnostic

Laboratory to fund facility improvement and infrastructure maintenance costs;

- A \$2.1 million increase in Federal Funds for the Texas Engineering Experiment Station to reflect increased federal support for several of the agency's research programs;
- A \$1 million increase in General Revenue Funds to provide pay raises for county extension agents at the Texas Agricultural Extension Service;
- A \$1 million increase in State Highway Fund No. 006 for the Texas Transportation Institute's Transportation Safety Center;
- A \$0.5 million decrease in General Revenue Funds for savings associated with Benefit Replacement Pay; and
- A \$16.9 million decrease in General Revenue Funds for the Texas Forest Service to reflect a US Department of Agriculture Forest Service repayment for that amount, a \$1.6 million decrease in General Revenue Funds to reflect an emergency appropriation, and a \$33.3 million decrease in Other Funds to reflect US Federal Emergency Management Agency reimbursements.

AVAILABLE UNIVERSITY FUND

- A \$73.8 million increase in earnings from the Permanent University Fund.

HIGHER EDUCATION

COORDINATING BOARD

- A \$280.2 million increase in General Revenue Funds (including \$39 million appropriated in House Bill 1333) for the Toward EXcellence, Access, and Success (TEXAS) Grant Program;
- A \$40 million increase in General Revenue Funds for the Tuition Equalization Grants Program;
- A \$11.1 million increase in General Revenue Funds to create a trusted fund for enrollment growth (including nursing growth) for general academic institutions at the Coordinating Board (moved from institutions' appropriation bill patterns);
- A \$10 million increase in General Revenue Funds contingent upon enactment of Senate Bill 1596, Seventy-seventh Legislation, 2001, for the TEXAS Grant II Program;
- A \$2.3 million increase in General Revenue Funds for the Baylor College of Medicine to match the formula increase percentage for health-related institutions.

BUDGET ISSUES AND RECOMMENDATIONS (CONTINUED)

- A \$1.4 million increase in General Revenue Funds to create a trustee fund for nursing enrollment growth for health-related institutions at the Coordinating Board;
- A \$0.5 million increase in General Revenue Funds contingent upon enactment of House Bill 3590, Seventy-seventh Legislature, 2001, for the National Geographic Society Texas Fund for Geography Education;
- A \$0.4 million increase in General Revenue Funds and a \$0.5 million increase in Other Funds for the agency's Information Access Initiative to provide a statewide PreK-16 public education data warehouse;
- A \$0.4 million increase in Other Funds to upgrade distance learning through Huston-Tillotson College; and
- A \$2.7 million decrease in General Revenue Funds for new community college campuses.

ARTICLE XII TOBACCO

APPROPRIATIONS TO HIGHER EDUCATION

Article XII of the 2002-03 General Appropriations Bill contains \$91.4 million in Other Funds in Tobacco Settlement receipts for higher education institutions and agencies. Article XII appropriations are not included in the All Funds total listed at the beginning of this chapter. Appropriations from the

Tobacco Settlement receipts include the following:

- \$75.2 million in interest earnings from Tobacco Settlement receipts for the health-related institutions, which includes a \$10 million decrease in direct appropriations of Tobacco Settlement receipts to the UT MD Anderson Cancer Center and a \$0.5 million decrease in interest earnings from individual endowments and the Permanent Health Fund for higher education, due to lower estimated interest earnings;
- \$12.1 million in interest earnings from Tobacco Settlement receipts for the Higher Education Coordinating Board (including Baylor College of Medicine), which includes a \$1 million decrease in direct appropriations of Tobacco Settlement receipts to the Baylor University Medical Center;
- \$4.1 million in interest earnings from Tobacco Settlement receipts for the general academic institutions; and
- Providing unexpended balances authority across biennia to allow higher education institutions to carry forward unexpended interest earnings from fiscal year 2001 to fiscal year 2002.

THE JUDICIARY

All Funds recommendations for the Judiciary total \$430.7 million for the 2002–03 biennium, which is an increase of \$47.1 million, or 12.3 percent, from 2000–01 (Table 26).

For General Revenue and General Revenue–Dedicated Funds, the recommendations total \$353.1 million, which is an increase of \$35.4 million, or 11.1 percent, from 2000–01 (Table 27).

Selected performance measures for agencies and courts in The Judiciary function are depicted in Table 28.

Table 26
All Funds
(In Millions)

Agency	Expended/ Budgeted 2000–01	Recommended 2002–03	Biennial Change	Percentage Change
Supreme Court of Texas	\$17.8	\$18.1	\$0.3	1.5
Court of Criminal Appeals	22.7	26.7	4.0	17.4
First Court of Appeals District, Houston	5.5	5.2	(0.3)	(5.2)
Second Court of Appeals District, Fort Worth	4.1	4.2	0.1	2.0
Third Court of Appeals District, Austin	3.6	3.8	0.2	6.3
Fourth Court of Appeals District, San Antonio	4.0	4.1	0.1	2.6
Fifth Court of Appeals District, Dallas	7.5	7.4	(0.1)	(0.7)
Sixth Court of Appeals District, Texarkana	2.0	2.1	0.1	4.6
Seventh Court of Appeals District, Amarillo	2.6	2.8	0.3	9.9
Eighth Court of Appeals District, El Paso	2.7	2.8	0.1	2.6
Ninth Court of Appeals District, Beaumont	2.0	2.1	0.1	4.5
Tenth Court of Appeals District, Waco	2.1	2.2	0.1	4.6
Eleventh Court of Appeals District, Eastland	2.0	2.1	0.1	5.9
Twelfth Court of Appeals District, Tyler	2.1	2.2	0.2	7.3
Thirteenth Court of Appeals District, Corpus Christi	3.6	3.8	0.2	5.4
Fourteenth Court of Appeals District, Houston	5.6	5.2	(0.4)	(6.9)
Office of Court Administration, Texas Judicial Council	25.0	43.6	18.6	74.5
Office of the State Prosecuting Attorney	0.7	0.7	0.0	0.0
State Law Library	1.8	1.9	0.1	4.9
Court Reporters Certification Board	0.2	0.3	0.1	29.9
State Commission on Judicial Conduct	1.3	1.8	0.5	37.3
Judiciary Section, Comptroller’s Department	180.6	190.4	9.8	5.4
Subtotal, The Judiciary	\$299.7	\$333.7	\$34.0	11.4
Retirement and Group Insurance	\$76.2	\$85.5	\$9.3	12.2
Social Security and Benefit Replacement Pay	15.4	15.7	0.3	1.6
Subtotal, Employee Benefits	\$91.6	\$101.1	\$9.6	10.4
Lease Payments	\$4.7	\$4.5	\$(0.2)	(4.1)
Article IV, Special Provisions	0.0	1.0	1.0	100.0
Less Interagency Contracts	12.2	9.5	(2.6)	(21.7)
Total, Article IV - The Judiciary	\$383.7	\$430.7	\$47.1	12.3

NOTES: Totals may not add because of rounding.
Biennial change and percentage change calculated on actual amounts before rounding.

THE JUDICIARY (CONTINUED)

2002-03 BIENNIAL RECOMMENDATIONS

Table 27
General Revenue and General Revenue-Dedicated Funds
(In Millions)

Agency	Expended/ Budgeted 2000-01	Recommended 2002-03	Biennial Change	Percentage Change
Supreme Court of Texas	\$10.1	\$8.1	\$(2.1)	(20.3)
Court of Criminal Appeals	9.6	9.1	(0.5)	(5.6)
First Court of Appeals District, Houston	4.8	5.2	0.4	9.3
Second Court of Appeals District, Fort Worth	4.0	4.2	0.2	5.2
Third Court of Appeals District, Austin	3.5	3.8	0.3	7.5
Fourth Court of Appeals District, San Antonio	3.9	4.1	0.2	5.2
Fifth Court of Appeals District, Dallas	6.7	7.4	0.7	10.0
Sixth Court of Appeals District, Texarkana	2.0	2.1	0.1	5.7
Seventh Court of Appeals District, Amarillo	2.5	2.8	0.3	10.6
Eighth Court of Appeals District, El Paso	2.5	2.8	0.2	9.2
Ninth Court of Appeals District, Beaumont	2.0	2.1	0.1	6.1
Tenth Court of Appeals District, Waco	2.1	2.2	0.1	6.4
Eleventh Court of Appeals District, Eastland	2.0	2.1	0.1	6.2
Twelfth Court of Appeals District, Tyler	2.0	2.2	0.2	7.5
Thirteenth Court of Appeals District, Corpus Christi	3.6	3.8	0.2	6.0
Fourteenth Court of Appeals District, Houston	4.8	5.2	0.4	9.0
Office of Court Administration, Texas Judicial Council	14.8	34.1	19.3	131.1
Office of the State Prosecuting Attorney	0.7	0.7	0.0	0.0
State Law Library	1.7	1.8	0.1	4.8
Court Reporters Certification Board	0.2	0.3	0.1	42.3
State Commission on Judicial Conduct	1.3	1.8	0.5	37.4
Judiciary Section, Comptroller's Department	140.8	145.3	4.5	3.2
Subtotal, The Judiciary	\$225.8	\$251.3	\$25.5	11.3
Retirement and Group Insurance	\$73.4	\$82.3	\$8.9	12.1
Social Security and Benefit Replacement Pay	13.8	14.0	0.2	1.5
Subtotal, Employee Benefits	\$87.2	\$96.3	\$9.1	10.4
Lease Payments	\$4.7	\$4.5	\$(0.2)	(4.1)
Article IV, Special Provisions	0.0	1.0	1.0	100.0
Total, Article IV - The Judiciary	\$317.7	\$353.1	\$35.4	11.1

NOTES: Totals may not add because of rounding.
Biennial change and percentage change calculated on actual amounts before rounding.

THE JUDICIARY (CONTINUED)

2002-03 BIENNIAL RECOMMENDATIONS

Table 28
Selected Performance Measures

Measure	Actual 2000	Budgeted 2001	Recommended 2002	Recommended 2003
Appellate Courts,				
Supreme Court of Texas				
Disposition Rate	108%	105%	105%	105%
Court of Criminal Appeals				
Disposition Rate for Petitions for Discretionary Review Which Are Granted	61%	79%	79%	79%
Fourteen Courts of Appeals: Clearance Rate				
First Court of Appeals District, Houston	126%	82%	100%	100%
Second Court of Appeals District, Fort Worth	101	100	100	100
Third Court of Appeals District, Austin	105	100	100	100
Fourth Court of Appeals District, San Antonio	100	100	100	100
Fifth Court of Appeals District, Dallas	124	120	100	100
Sixth Court of Appeals District, Texarkana	85	100	100	100
Seventh Court of Appeals District, Amarillo	94	100	100	100
Eighth Court of Appeals District, El Paso	94	100	100	100
Ninth Court of Appeals District, Beaumont	112	100	100	100
Tenth Court of Appeals District, Waco	85	100	100	100
Eleventh Court of Appeals District, Eastland	103	100	100	100
Twelfth Court of Appeals District, Tyler	100	100	100	100
Thirteenth Court of Appeals District, Corpus Christi	101	100	100	100
Fourteenth Court of Appeals District, Houston	113	105	100	100
Office of Court Administration, Texas Judicial Council				
Number of New Collections Programs Implemented or Existing Programs Expanded	7	6	6	6
Disposition Rate (As a Percentage of Servings)	91%	100%	100%	100%
State Commission on Judicial Conduct				
Percentage of Cases Disposed of	89%	92%	100%	100%
Court Reporters Certification Board				
Number of New Licenses Issued to Individuals	74	100	100	100
Percentage of Licensees with No Recent Violations	100%	99%	99%	99%
Office of the State Prosecuting Attorney				
Petitions for Discretionary Review Granted by the Court of Criminal Appeals	44	20	23	23
State Law Library				
Percentage of Positive Evaluations of Library Service by Library Users	92%	88%	90%	90%

BUDGET ISSUES AND RECOMMENDATIONS

The recommendations address a number of major budget issues affecting agencies and courts in the Judiciary function, including the following:

- Increasing funding for legal staff salaries and other requested items at the appellate courts;
- Setting a salary cap on the salaries of permanent legal staff at the intermediate appellate courts;
- Providing unexpended balance authority between biennia and between the years of a biennium for the appellate courts; and restricting the amounts the appellate courts may carry forward from fiscal year 2001 to fiscal year 2002 from being included in the baseline amounts requested by the appellate courts in their Legislative Appropriations Requests for the 2004–05 biennium;
- Providing unexpended balance authority between biennia and between the years of a biennium for the Basic Civil Legal Services Program administered by the Supreme Court;
- Deleting the Metropolitan Court Backlog Reduction

strategy and related appropriations from the Supreme Court;

- Increasing funding of the Judicial Education strategy for the Court of Criminal Appeals to expand training and technical assistance to criminal defense attorneys who regularly represent indigent defendants in criminal matters;
- Annualizing the costs of the Judicial Education strategy for the Court of Criminal Appeals to reflect expanded training programs;
- A contingency rider to provide funding and additional full-time-equivalent (FTE) positions for the establishment of the Task Force on Indigent Defense within the Texas Judicial Council;
- Annualizing the costs of the Foster Care Courts Program, which was funded in the second year of the 2000–01 biennium through the Office of Court Administration; and increasing funding and staff for the creation of eight new foster care courts funded through the Office of Court Administration;
- Increased funding for additional staff, a Public Awareness

program, and a Judicial Diversion (Amicus Curiae) program at the State Commission on Judicial Conduct;

- Increasing funding for additional staff and operations in the Criminal Division of the Prison Prosecution Unit funded through the Judiciary Section, Comptroller’s Department;
- Increasing funding to maintain staffing levels, to provide for additional staff, and for increased lease costs at the Public Integrity Unit funded through the Judiciary Section, Comptroller’s Department; and
- Decreasing funding and staff for the Judicial Committee on Information Technology strategy within the Office of Court Administration.

Significant budget recommendations for agencies and courts in the Judiciary function include the following:

- An All Funds increase of \$4.3 million for providing unexpended balance authority between biennia for the appellate courts and the Basic Civil Legal Services Program;

BUDGET ISSUES AND RECOMMENDATIONS (CONTINUED)

- An All Funds increase of \$2.3 million for the Court of Criminal Appeals to annualize costs of expanded training programs;
- An All Funds increase of \$1.1 million for the Prison Prosecution Unit for additional staff and expanded operations, including costs for a projected increase in death penalty cases;
- An All Funds increase of \$1 million for the Public Integrity Unit to maintain staffing levels at 35.5 employees with forecasted Travis County compensation policy increases and associated fringe benefits; and for increased lease costs;
- A General Revenue Funds contingency appropriation of \$19.8 million and five FTEs for the establishment of the Task Force on Indigent Defense within the Texas Judicial Council. The Task Force will have authority to make grants to counties for indigent defense services;
- A General Revenue Funds increase of \$4.3 million to fund increased salaries for legal staff and other requested items at the appellate courts;
- A General Revenue Funds increase of \$0.9 million to annualize costs of the Foster Care Courts Program, funded in the second year of the 2000–01 biennium; and a General Revenue–Dedicated Funds (Compensation to Victims of Crime Funds) increase of \$2.2 million and an additional 15 FTEs for the creation of eight new foster care courts funded through the Office of Court Administration;
- A General Revenue Funds increase of \$0.9 million for additional staff in the General State Division of the Public Integrity Unit;
- A General Revenue Funds increase of \$0.4 million to the State Commission on Judicial Conduct for an additional 2 FTEs, a Public Awareness program, and Judicial Diversion (Amicus Curiae) program;
- An Other Funds increase of \$1.7 million to the Court of Criminal Appeals for the costs of expanded training and technical assistance to criminal defense attorneys who regularly represent indigent defendants in criminal matters;
- An All Funds reduction of \$1.2 million to reflect estimated collections into the Basic Civil Legal Services account for the 2002–03 biennium;
- Continued funding of the Judicial Committee on Information Technology (JCIT) including a \$5.7 million increase in General Revenue Funds and an additional 13.7 FTEs over the Appropriations Bill as Introduced for the strategy relating to judiciary-wide information technology projects coordinated by the Office of Court Administration; compared to the 2000–01 base spending level, the bill is an overall reduction of \$3.6 million in General Revenue funding and 6.5 FTEs for the JCIT strategy; and
- A General Revenue Funds reduction of \$2 million and 22 FTEs, due to the elimination of the Metropolitan Court Backlog Reduction Program.

PUBLIC SAFETY AND CRIMINAL JUSTICE

All Funds recommendations for Public Safety and Criminal Justice total \$8,289.5 million for the 2002–03 biennium, which is an increase of \$205.1 million, or 2.5 percent, from 2000–01 (Table 29).

For General Revenue and General Revenue–Dedicated Funds, the recommendations total \$7,148.9 million, which is an increase of \$308.1 million, or 4.5 percent, from 2000–01 (Table 30).

Selected performance measures for agencies in the Public Safety and Criminal Justice function are depicted in Table 31.

Table 29
All Funds
(In Millions)

Agency	Expended/ Budgeted 2000–01*	Recommended 2002–03	Biennial Change	Percentage Change
Adjutant General’s Department	\$66.6	\$72.5	\$6.0	8.9
Alcoholic Beverage Commission	50.1	51.1	1.0	2.0
Department of Criminal Justice	5,080.0	5,087.9	7.9	0.2
Criminal Justice Policy Council	13.4	2.8	(10.6)	(79.2)
Commission on Fire Protection	5.7	6.3	0.7	11.5
Commission on Jail Standards	1.9	1.9	0.0	0.4
Juvenile Probation Commission	213.3	238.3	25.0	11.7
Commission on Law Enforcement Officer Standards and Education	5.0	5.1	0.1	1.6
Texas Military Facilities Commission	25.2	74.3	49.1	194.9
Texas Commission on Private Security	6.0	5.6	(0.4)	(6.8)
Department of Public Safety**	795.5	759.2	(36.3)	(4.6)
Youth Commission	532.9	530.9	(1.9)	(0.4)
Subtotal, Public Safety and Criminal Justice	\$6,795.6	\$6,835.9	\$40.3	0.6
Retirement and Group Insurance	\$614.3	\$814.3	\$200.0	32.6
Social Security and Benefit Replacement Pay	297.0	313.2	16.2	5.5
Subtotal, Employee Benefits	\$911.3	\$1,127.6	\$216.2	23.7
Bond Debt Service Payments	\$456.8	\$468.1	\$11.3	2.5
Lease Payments	4.2	3.7	(0.4)	(10.1)
Subtotal, Debt Service	\$461.0	\$471.8	\$10.9	2.4
Less Interagency Contracts	\$83.4	\$145.8	\$62.4	74.8
Total, Article V - Public Safety and Criminal Justice	\$8,084.4	\$8,289.5	\$205.1	2.5

NOTES: Totals may not add because of rounding.

Biennial change and percentage change calculated on actual amounts before rounding.

* Includes anticipated supplemental spending needs.

** Includes appropriations for the Polygraph Examiners Board.

PUBLIC SAFETY AND CRIMINAL JUSTICE (CONTINUED)

2002-03 BIENNIAL RECOMMENDATIONS

Table 30
General Revenue and General Revenue-Dedicated Funds
(In Millions)

Agency	Expended/ Budgeted 2000-01*	Recommended 2002-03	Biennial Change	Percentage Change
Adjutant General's Department	\$23.1	\$26.2	\$3.1	13.5
Alcoholic Beverage Commission	49.0	50.2	1.2	2.4
Department of Criminal Justice	4,782.0	4,802.4	20.4	0.4
Criminal Justice Policy Council	2.4	2.5	0.1	3.5
Commission on Fire Protection	5.7	6.3	0.7	11.6
Commission on Jail Standards	1.8	1.8	0.0	0.0
Juvenile Probation Commission	169.5	194.7	25.2	14.9
Commission on Law Enforcement Officer Standards and Education	4.7	4.8	0.1	2.9
Texas Military Facilities Commission	3.3	3.5	0.2	5.4
Texas Commission on Private Security	3.6	3.6	0.0	0.0
Department of Public Safety**	112.4	134.2	21.7	19.3
Youth Commission	435.7	467.4	31.7	7.3
Subtotal, Public Safety and Criminal Justice	\$5,593.3	\$5,697.6	\$104.4	1.9
Retirement and Group Insurance	\$533.2	\$710.0	\$176.8	33.2
Social Security and Benefit Replacement Pay	254.2	270.3	16.1	6.3
Subtotal, Employee Benefits	\$787.3	\$980.3	\$192.9	24.5
Bond Debt Service Payments	\$456.1	\$467.3	\$11.2	2.5
Lease Payments	4.2	3.7	(0.4)	(10.1)
Subtotal, Debt Service	\$460.2	\$471.0	\$10.8	2.3
Total, Article V - Public Safety and Criminal Justice	\$6,840.8	\$7,148.9	\$308.1	4.5

NOTES: Totals may not add because of rounding.

Biennial change and percentage change calculated on actual amounts before rounding.

* Includes anticipated supplemental spending needs.

** Includes appropriations for the Polygraph Examiners Board.

PUBLIC SAFETY AND CRIMINAL JUSTICE (CONTINUED)

2002-03 BIENNIAL RECOMMENDATIONS

Table 31
Selected Performance Measures

Measure	Actual 2000	Budgeted 2001	Recommended 2002	Recommended 2003
Alcoholic Beverage Commission				
Number of Inspections Made	106,048	105,800	106,000	106,000
Number of Alcoholic Beverages and Cigarette Packages Stamped	4,046,189	2,800,000	4,476,300	4,476,300
Number of Inspections, Analyses, and Compliance Activities	88,860	81,190	83,200	83,200
Department of Criminal Justice				
Number of Offenders Incarcerated	141,144	144,778	144,778	144,778
Number of Offenders in Contract Prisons and Privately Operated State Jails	11,118	11,375	11,375	11,375
Average Number of Inmates in Contractual Correctional Bed Capacity	3,257	4,109	2,491	2,052
Number of Parole Cases Processed	37,426	37,226	37,881	38,147
Total Felony Offenders under Direct Supervision (Adult Probationers)	160,723	158,920	162,540	164,263
Medical Care Cost Per Inmate Day	\$5.65	\$5.57	\$5.61	\$5.65
Juvenile Probation Commission				
Rate of Successful Completion of Court-ordered Probation	83%	85%	85%	85%
Average Daily Population of Youth Supervised under Court-ordered Probation	25,437	31,960	32,686	33,637
Average Daily Population of Youth Supervised under Intensive-supervision Probation	4,120	3,622	3,900	3,900
Commission on Law Enforcement Officer Standards and Education				
Number of New Licenses Issued to Individuals	11,829	11,689	11,500	11,500
Number of On-site Academy Evaluations Conducted	62	60	60	60
Complaints Resolved	1,102	260	500	500
Department of Public Safety				
Traffic Law Violator Contacts	2,337,806	2,523,100	2,430,453	2,430,453
Number of Accident Reports Processed	398,310	650,000	524,155	524,155
Annual Texas Crime Index Rate	5,035.2	5,478	5,257	5,257
Number of Emergency Incidents Coordinated	2,364	1,700	2,032	2,032
Youth Commission				
Average Daily Population: Correctional Programs	5,559	5,637	5,719	5,842
Average Daily Population: Assessment and Orientation	408	436	436	436
Average Daily Population: Aftercare	3,113	3,168	3,100	3,130
One-year Rearrest Rate (Percentage)	54%	54%	54%	54%

BUDGET ISSUES AND RECOMMENDATIONS

The recommendations address a number of major budget issues affecting agencies in the Public Safety and Criminal Justice function, including the following:

ALCOHOLIC BEVERAGE COMMISSION

- Funding is included to support the automatic step increases, due to changes in the Schedule C Classification Salary Schedule, that will occur in the 2002–03 biennium; and
- Funding and personnel are added for the agency’s Licensing and Port of Entry programs contingent on the agency increasing fee and tax revenue to an amount sufficient to cover the costs related to the appropriation.

DEPARTMENT OF CRIMINAL JUSTICE

- Increased funding is provided for salary increases and to extend the career ladder for correctional officers, parole officers, and other correctional personnel;
- Additional funding is provided for enhanced mental health services and case management within the criminal justice system;
- Funding is included to address projected increases in community supervision and parole populations;

- Funding is included for rate increases for contract prisons and privately operated state jails;
- Full 24-month operation of all correctional capacity added during the 2000–01 biennium is provided;
- Federal Funds are replaced with General Revenue Funds for incarcerated aliens to compensate for an anticipated reduction in Federal Funds;
- Reduced funding for a projected decrease in need for contracted temporary correctional capacity in county jails;
- Reduced funding for projected savings in inmate medical care;
- An increase in Texas Correctional Industries sales receipts is anticipated; and
- Contingency appropriation funding is provided for capital expenditures including the repair and rehabilitation of facilities and the expansion of the Western Regional Medical Facility.

JUVENILE PROBATION COMMISSION

- Funding is increased for projected basic supervision population growth;
- Funding is provided for increased salaries for certified

juvenile probation officers and juvenile detention/correctional officers;

- Funding is provided for specialized caseloads that address mentally impaired juveniles;
- Funding provided for annualization of operational costs of three postadjudication facilities that began operation during the 2000–01 biennium;
- Increased funding for the Juvenile Justice Alternative Education Program;
- Funding additional full-time-equivalent positions (FTEs) to administer new programs, provide departments with technical assistance and provide the Legislature with accurate data on counties; and
- Interagency contract funding from the Governor’s Office for Juvenile Accountability Incentive Block Grants is reduced.

DEPARTMENT OF PUBLIC SAFETY

- Funds from the General Revenue–Dedicated Operators and Chauffeurs License Account are replaced with General Revenue and Fugitive Apprehension Account Funds due to insufficient balances in the Operators and Chauffeurs License Account that was used to fund the increase in commissioned officer salaries;

BUDGET ISSUES AND RECOMMENDATIONS (CONTINUED)

- Additional funding and personnel for the Vehicle Emissions Program is provided due to additional counties being required to participate in the program;
- Increased funding for the implementation of a vehicle replacement schedule that lowers the average trade-in mileage for agency patrol vehicles from 115,000 to 90,000 miles;
- Funding and personnel are added to staff a communications facility in Conroe;
- Funding to provide cameras to local police agencies to prevent racial profiling in accordance with Senate Bill 1074, Seventy-seventh Legislature;
- Increased funding to provide capital equipment for additional highway patrol troopers that will be shifted from other areas within the agency; and
- Inclusion of the recommended appropriations and FTEs for the Polygraph Examiners Board for the 2002–03 biennium in the agency’s 2002–03 appropriation.

YOUTH COMMISSION

- Increased funding is provided for salary increases and to extend the career ladder for juvenile correctional officers;

- Contingency appropriation funding is provided for capital expenditures including the repair or replacement of utilities, roads, and roofs, the repair or rehabilitation of buildings, and the construction of an education building at the Evins Regional Juvenile Center;
- Additional funding is provided for increased security staffing, gang intervention specialists, and educational program improvements;
- Increase funding is provided for increased medical care costs;
- Funding necessary to provide sufficient bed capacity and direct supervision to address projected growth in youth served by the agency for 2002–03 is included; and
- Increased funding is provided to deal with correctional population growth in educational services, treatment programming, and assessment and diagnostic operations.

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

ADJUTANT GENERAL’S DEPARTMENT

- An increase of \$2.3 million in All Funds for major repair of Camp Mabry military facilities,

several army logistical facilities, and various organizational maintenance shops;

- An increase of \$1.9 million in General Revenue Funds, and 49 FTEs, for the Seaborne/Challenge Program, which is transferred from Texas A&M University at Galveston;
- An increase of \$0.8 million in General Revenue Funds to pay debt service to the Texas Military Facilities Commission on revenue bonds issued for the purchase of land to construct a Joint Reserve Facility in the Houston area and for major repairs of Texas National Guard facilities; and
- An increase of \$3.1 million in Federal Funds to construct a Unit Equipment Training Site at Camp Bullis.

ALCOHOLIC BEVERAGE COMMISSION

- A \$0.7 million increase in General Revenue Funds for additional personnel for the agency’s Port of Entry Program contingent on certification that the additional personnel will result in an increase in tax collections on cigarettes and alcoholic beverages in an amount sufficient to support the costs of program expansion;
- A \$0.2 million increase in General Revenue Funds for additional

BUDGET ISSUES AND RECOMMENDATIONS (CONTINUED)

personnel for the agency's licensing programs contingent on the agency increasing fee revenue to an amount sufficient to cover the costs related to the appropriation;

- An increase of \$0.2 million in General Revenue Funds to support automatic step increases for the agency's commissioned officers; and
- A \$0.2 million agency anticipated decrease in interagency contracts.

DEPARTMENT OF CRIMINAL JUSTICE

- An increase of \$146 million in General Revenue Funds to provide salary increases and extend the career ladder for correctional officers, parole officers, and other correctional personnel;
- An increase of \$31 million in General Revenue Funds to enhance mental health services in the criminal justice system;
- An increase of \$23 million in General Revenue Funds to provide full 24-month operation of all correctional capacity added during the 2000–01 biennium;
- An increase of \$13.3 million in General Revenue Funds for projected increases in felony

community supervision (probation) and parole populations;

- An increase of \$12.6 million in General Revenue Funds for multi-year contract rate increases for contract prisons and privately operated state jails;
- Replacement of \$9.1 million in Federal Funds (for incarcerated aliens) with General Revenue Funds to compensate for an anticipated reduction in the federal award;
- An anticipated increase in Texas Correctional Industries sales receipts of \$6.9 million;
- A reduction of \$72.2 million in General Revenue Funds and an increase of \$72.2 million in Other Funds resulting from the reclassification of receipts from Texas Correctional Industries sales to other state agencies;
- A reduction of \$26 million in General Revenue Funds for one-time expenditures related to the agency's re-engineering project;
- A reduction of \$19.4 million in General Revenue Funds transferring appropriations for the Windham School District for State Jails to the Texas Education Agency;
- A decrease of \$71.6 million in General Revenue Funds for a

projected decrease in need for contracted temporary correctional capacity in county jails;

- A reduction of \$12.3 million in General Revenue Funds for one-time expenditures related to the Hepatitis B Testing Pilot Program;
- A reduction of \$4.9 million in General Revenue Funds for projected savings in inmate medical care;
- A reduction of \$7.4 million in General Revenue Funds for one-time transportation purchases approved by the Seventy-sixth Legislature, 1999;
- A contingency appropriation of \$80 million in General Obligation Bond proceeds, for capital expenditures related to the repair and rehabilitation of facilities and the expansion of the Western Regional Medical Facility; and
- A reduction of \$150.5 million in Other Funds for one-time capital construction and repair projects in the 2000–01 biennium.

CRIMINAL JUSTICE POLICY COUNCIL

- A reduction of \$10.7 million in Federal Funds for a projected decrease in federal discretionary grants (agency will continue to compete for discretionary grants that benefit the state); and

BUDGET ISSUES AND RECOMMENDATIONS (CONTINUED)

- An increase of \$0.2 million in Other Funds for the evaluation of criminal justice initiatives.

COMMISSION ON FIRE PROTECTION

- A General Revenue Funds increase of \$0.6 million to expand the grant and loan program, and provide a contingency appropriation for a lawsuit judgement.

JUVENILE PROBATION COMMISSION

- An All Funds increase of \$1.4 million for the Juvenile Justice Alternative Education Program;
- An All Funds increase of \$1.9 million for annualization of three postadjudication facilities that began operation during the 2000–01;
- A \$20.5 million General Revenue Funds increase for salary increases, including fringe benefits, of \$3,000 for juvenile probation officers per year and \$1,500 for juvenile detention and juvenile correctional officers per year;
- A \$4 million General Revenue Funds increase for specialized caseloads that address mentally impaired juveniles;
- A \$1.3 million General Revenue Funds increase for projected basic probation supervision population growth;

- A \$0.5 million increase in General Revenue Funds and a \$0.2 million increase in Federal Funds for seven additional FTEs; and
- A \$6.2 million All Funds reduction in Juvenile Accountability Incentive Block Grants from the Governor’s Office.

TEXAS MILITARY FACILITIES COMMISSION

- A \$4.3 million All Funds increase for roof replacements and repair at various Texas military facilities;
- A \$1.7 million All Funds increase for the purchase of land (and related debt service on revenue bonds) to construct a Joint Reserve Facility in the Houston area;
- A \$1.6 million All Funds increase for major maintenance of various organizational maintenance shops and other military facilities;
- A \$52.4 million Federal Funds increase for facilities construction at Austin-Bergstrom International Airport for Texas National Guard operations; and
- An \$11.3 million All Funds reduction associated with one-time capital repair projects in 2000–01.

DEPARTMENT OF PUBLIC SAFETY

- A \$21.4 million increase in General Revenue Funds and a \$19.2 million increase in Fugitive Apprehension Account Funds to replace funds from a General Revenue–Dedicated source for the purposes of maintaining the increases in the Schedule C Classification Salary Schedule approved by the Seventy-sixth Legislature, 1999;
- A \$6.4 million increase in General Revenue Funds to be covered by fee revenue to expand the vehicle emissions program;
- A \$0.5 million increase in General Revenue Funds to provide for personnel at the Conroe Communications Center;
- A \$15.1 million increase in General Revenue–Dedicated Funds to implement a vehicle replacement schedule at 90,000 miles for patrol vehicles;
- A \$0.4 million increase in General Revenue–Dedicated Funds to provide the 50 percent state match required for a Federal Emergency Management Agency–funded program that had been 100 percent federally funded prior to fiscal year 2000;
- A \$44.1 million decrease in General Revenue–Dedicated

BUDGET ISSUES AND RECOMMENDATIONS (CONTINUED)

Funds related to a projected reduction of fund balance in the account;

- An \$18.5 million increase in General Obligation Bond proceeds to provide in-car cameras to local police agencies to prevent racial profiling;
- A \$6.6 million increase in State Highway Funds to purchase vehicles and other capital equipment items for additional highway patrol troopers;
- A \$75.8 million agency anticipated decrease in Federal Funds related to pass-through reimbursements to local governments, the receipt of which is dependent on the occurrence of declared disasters and emergencies; and
- A \$14.3 million agency anticipated decrease in Appropriated Receipts, including state and federal controlled-substance forfeitures, reimbursement and payments, sale of printed records, and interagency contracts.

YOUTH COMMISSION

- An increase of \$8.4 million in All Funds, including an \$8.9 million increase in General Revenue Funds, to provide sufficient bed capacity and direct supervision to address projected growth in youth

served by the agency for the 2002–03 biennium. The All Funds total includes a projected Federal Funds decrease of \$0.6 million;

- An increase of \$19.4 million in General Revenue Funds to provide salary increases and extend the career ladder for juvenile correctional officers;
- A contingency appropriation of \$10.8 million in General Obligation Bond proceeds for capital expenditures related to the repair or replacement of utilities, roads, and roofs, the repair or rehabilitation of buildings, and the construction of an education building at the Evins Regional Juvenile Center;
- An increase of \$2.8 million in General Revenue Funds related to educational services for projected growth in youth served by the agency;
- An increase of \$3.2 million in General Revenue Funds for increased security staffing, gang intervention specialists, and educational program improvements;
- An increase of \$2.2 million in General Revenue Funds for medical cost increases in managed health care contracts;

- An increase of \$0.4 million in General Revenue Funds related to correctional treatment programming for projected growth in youth served by the agency;
- An increase of \$0.3 million in General Revenue Funds to maintain offender assessment and diagnostic operations at the 2001 budgeted level (result of projected growth in youth served by the agency);
- An increase of \$3.4 million in Federal Funds to utilize Violent Offender Incarceration funds for contract care;
- A reduction of \$46.5 million in All Funds for one-time capital repair and construction projects during the 2000–01 biennium;
- A reduction of \$2.5 million in General Revenue Funds for radio conversion and replacement; and
- A reduction of \$1.1 million in Federal Funds and an increase of \$1.1 million in Other Funds resulting from the reclassification of funds from the Texas Commission on Alcohol and Drug Abuse.

NATURAL RESOURCES

All Funds recommendations for Natural Resources total \$1,951.0 million for the 2002–03 biennium, which is an increase of \$39.2 million, or 2.0 percent,

from 2000–01 (Table 32). For General Revenue and General Revenue–Dedicated Funds, the recommendations total \$1,573.8 million, which is an

increase of \$33.6 million, or 2.2 percent, from 2000–01 (Table 33).

Selected performance measures for agencies in the Natural Resources function are depicted in Table 34.

Table 32
All Funds
(In Millions)

Agency	Expended/ Budgeted 2000–01	Recommended 2002–03	Biennial Change	Percentage Change
Department of Agriculture	\$103.9	\$117.7	\$13.8	13.3
Animal Health Commission	24.3	24.4	0.2	0.7
General Land Office and Veterans' Land Board	93.5	84.5	(9.1)	(9.7)
Trusteed Programs within the General Land Office	29.1	35.8	6.7	22.9
Natural Resource Conservation Commission	801.5	756.7	(44.8)	(5.6)
Parks and Wildlife Department	463.0	473.8	10.8	2.3
Railroad Commission	99.1	105.3	6.1	6.2
Texas River Compact Commissions	0.8	0.8	0.0	1.0
Soil and Water Conservation Board	29.5	31.8	2.3	7.8
Water Development Board	83.6	85.9	2.3	2.8
Debt Service Payments				
Non-Self Supporting G.O. Water Bonds	27.9	44.0	16.1	57.7
Subtotal, Natural Resources	\$1,756.2	\$1,760.6	\$4.4	0.2
Retirement and Group Insurance	\$102.0	\$130.1	\$28.2	27.6
Social Security and Benefit Replacement Pay	\$56.6	56.7	0.1	0.2
Subtotal, Employee Benefits	\$158.6	\$186.8	\$28.3	17.8
Bond Debt Service Payments	\$10.0	\$12.9	\$2.9	28.8
Lease Payments	\$2.1	2.2	0.1	4.3
Subtotal, Debt Service	\$12.1	\$15.1	\$3.0	24.5
Less Interagency Contracts	\$15.1	\$11.6	\$(3.5)	(23.4)
Total, Article VI - Natural Resources	\$1,911.8	\$1,951.0	\$39.2	2.0

NOTES: Totals may not add because of rounding.
Biennial change and percentage change calculated on actual amounts before rounding.

NATURAL RESOURCES (CONTINUED)

2002-03 BIENNIAL RECOMMENDATIONS

Table 33
General Revenue and General Revenue-Dedicated Funds
(In Millions)

Agency	Expended/ Budgeted 2000-01	Recommended 2002-03	Biennial Change	Percentage Change
Department of Agriculture	\$97.2	\$109.2	\$12.0	12.4
Animal Health Commission	18.6	18.6	0.0	0.0
General Land Office and Veterans' Land Board	45.5	45.1	(0.4)	(0.8)
Trusted Programs within the General Land Office	15.0	17.4	2.4	16.0
Natural Resource Conservation Commission	703.3	670.9	(32.4)	(4.6)
Parks and Wildlife Department	330.5	346.2	15.6	4.7
Railroad Commission	83.3	92.1	8.9	10.6
Texas River Compact Commissions	0.8	0.8	0.0	1.0
Soil and Water Conservation Board	24.6	26.3	1.6	6.7
Water Development Board	56.7	45.8	(10.8)	(19.1)
Debt Service Payments				
Non-Self Supporting G.O. Water Bonds	19.8	37.8	18.1	91.4
Subtotal, Natural Resources	\$1,395.2	\$1,410.2	\$15.1	1.1
Retirement and Group Insurance	\$84.6	\$108.2	\$23.7	28.0
Social Security and Benefit Replacement Pay	48.4	48.6	0.1	0.3
Subtotal, Employee Benefits	\$133.0	\$156.8	\$23.8	17.9
Bond Debt Service Payments	\$10.0	\$4.6	\$(5.4)	(53.9)
Lease Payments	2.1	2.2	0.1	4.3
Subtotal, Debt Service	\$12.1	\$6.8	\$(5.3)	(43.8)
Total, Article VI - Natural Resources	\$1,540.3	\$1,573.8	\$33.6	2.2

NOTES: Totals may not add because of rounding.

Biennial change and percentage change calculated on actual amounts before rounding.

NATURAL RESOURCES (CONTINUED)

2002-03 BIENNIAL RECOMMENDATIONS

Table 34
Selected Performance Measures

Measure	Actual 2000	Budgeted 2001	Recommended 2002	Recommended 2003
Department of Agriculture Percentage Increase from the 1996 Level in the Number of Marketing Opportunities for Texas Farmers, Ranchers, and Agribusinesses	87.3%	78.7%	89.0%	92.0%
Animal Health Commission Percentage Change in Known Prevalence of Bovine Brucellosis from the 1994 Level	-95.2%	-97.4%	-98.3%	-99.1%
General Land Office Percentage of Permanent School Fund Uplands Acreage Leased	78%	76%	76%	76%
Trusted Programs within the General Land Office Percentage of Eroding Shorelines Maintained, Protected, or Restored for Gulf Beaches and Other Shorelines	0%	10%	15%	20%
Natural Resource Conservation Commission Annual Percentage of Stationary and Mobile Source Pollution Reductions in Nonattainment Areas	4%	6%	6%	6%
Parks and Wildlife Department Percentage of (State Parks) Repair Needs Met	51%	50%	50%	55%
Railroad Commission Number of Wells Plugged with the Use of State Funds	1,335	1,270	790	735
Soil and Water Conservation Board Percentage of Soil and Water Resource Needs with Conservation Plans or Specified Programs Developed to Address Those Needs	22%	27%	30%	32%
Water Development Board Percentage of Texas Communities Receiving Technical and Financial Assistance for Water Planning and Conservation	14%	10%	10%	10%

BUDGET ISSUES AND RECOMMENDATIONS

The recommendations address a number of major budget issues affecting agencies in the Natural Resources function, including the following:

- \$179.7 million in General Revenue–Dedicated Funds being appropriated to the Texas Natural Resource Conservation Commission for petroleum storage tank remediation and program administration is contingent upon passage of legislation (House Bill 2912) by the Seventy-seventh Legislature, 2001, reinstating the petroleum product delivery fee;
- An increase of \$9.5 million in General Revenue–Dedicated Funds for the Natural Resource Conservation Commission to address problems relating to waste tires;
- Continued progress on infrastructure improvements requires an increase of \$3.9 million in General Revenue Funds for debt service payments for the Parks and Wildlife Department; and
- The completion, by the Water Development Board, of a majority of the water-planning activities required by Senate Bill 1, Seventy-fifth Legislature, 1997, which resulted in a decrease of \$7.8 million in General Revenue Funds.

Significant budget recommendations for agencies in the Natural Resources function include the following:

DEPARTMENT OF AGRICULTURE

- An increase of \$5 million in General Revenue Funds for administration of the Weather Modification Grant Program;
- An increase of \$3.5 million in General Revenue Funds to upgrade the information resource system;
- An increase of \$1 million in General Revenue Funds to fund targeted salary increases;
- An increase of \$1 million in General Revenue Funds for the “Go Texan” marketing and promotion program;
- An increase of \$0.5 million in appropriations out of the General Revenue Fund for restoration of the Agrarian District at Fair Park;
- Continuation of \$50 million in appropriations out of the General Revenue Fund for boll weevil eradication;
- An increase of \$1.8 million in bond proceeds for the construction of a metrology (weights and measures) laboratory; and
- A decrease of \$0.2 million in Federal Funds due to the

elimination of funding for fire ant eradication and the reduction of funds for a marketing grant for livestock grading.

ANIMAL HEALTH COMMISSION

- An increase of \$0.2 million in Federal Funds for surveillance of bovine tuberculosis and the coordination of animal health emergency and natural disaster management efforts.

GENERAL LAND OFFICE

- An increase of \$0.5 million in Other Funds due to creation of the new Texas Veterans Homes Administration Fund to administer loans for veterans’ homes;
- An increase of \$0.2 million in Other Funds, due to the increased participation of eligible Texas veterans in the Veterans Land Program Administration;
- A decrease of \$0.5 million in the General Revenue Funds, due in part to a decrease in full-time-equivalent (FTE) positions and an effort to streamline agency operations and associated costs;
- A decrease of \$3.6 million in Federal Funds, primarily due to reductions in coastal management grants;
- A decrease of \$4.6 million in Other Funds as a result of a transfer of appropriations from receipts of land sales from the General Land Office to the

BUDGET ISSUES AND RECOMMENDATIONS (CONTINUED)

Trusted Program within the General Land Office; and

- A decrease of \$0.6 million in Other Funds, due to the completion of the sale of the Superconducting Super Collider property.

TRUSTEED PROGRAM WITHIN THE GENERAL LAND OFFICE

- Continued appropriations totalling \$12.6 million in General Revenue Funds and \$2.4 million out of Coastal Protection Account No. 27 for the Coastal Erosion Control Program established by House Bill 2560, Seventy-sixth Legislature, 1999;
- An increase of \$2.4 million in General Revenue–Dedicated Funds due to carryforward of unexpended balances; and
- An increase of \$4.6 million in Other Funds as a result of a transfer of appropriations from receipts of land sales from the General Land Office to the Trusted Program within the General Land Office.

NATURAL RESOURCE CONSERVATION COMMISSION

A \$0.8 million increase in General Revenue Funds including:

- An increase of \$4 million to refine air quality models used to demonstrate attainment for federal air quality standards;

- An increase of \$1.5 million in funding for Total Maximum Daily Load assessments;
- An increase of \$2.0 million for pay raises targeted to certain job classifications;
- A \$5 million decrease for the transfer of the weather modification grant program to the Texas Department of Agriculture;
- A decrease of \$1.3 million in unexpended balances; and
- A decrease of \$0.4 million for the purchase of computers.

A decrease of \$45.6 million in General Revenue–Dedicated Funds (Petroleum Storage Tank Remediation Account No. 655), which consists of the following:

- A \$19.4 million decrease due to a slower rate of remediation activity in 2002–03. (\$160.0 million of the appropriations out of the Petroleum Storage Tank Remediation Account No. 655 are contingent on passage of legislation (House Bill 2912) by the Seventy-seventh Legislature, 2001, reinstating the petroleum products delivery fee); and
- A \$26 million decrease due to a Tejas settlement payment in fiscal year 2000.

A net increase of \$9.2 million in General Revenue–Dedicated Funds (Clean Air Account No. 151), due to the following:

- An increase of \$17.1 million in new fee revenues for a low-income vehicle repair replacement and retrofitting program, contingent upon legislation (House Bill 2134);
- An estimated increase of \$2.2 million in operating permit fee revenues from upset and maintenance emission events;
- An increase of \$1 million in grants to near nonattainment areas for air quality planning;
- An increase of \$0.3 million for additional requirements associated with the motor vehicle inspection and maintenance program;
- A one-time payment of \$9 million in fiscal year 2000 for the Tejas settlement; and
- A decrease of \$3.4 million in unexpended balances.

Other changes include:

- An increase of \$9.6 million in General Revenue–Dedicated (Solid Waste Disposal Account No. 5000), \$7.5 million of which is for grants for the disposal of waste tires, and \$2.0 million of which is for grants to promote the use of tire-derived fuel;

BUDGET ISSUES AND RECOMMENDATIONS (CONTINUED)

- An increase of \$9.0 million in General Revenue–Dedicated Funds (Waste Management Account No. 549) due to an accelerated schedule of PST site closures. \$19.7 million of the appropriations out of the Waste Management Account No. 549 is contingent upon legislation by the Seventy-seventh Legislature, 2001, reinstating the petroleum product delivery fee (House Bill 2912);
- a decrease of \$14.3 million in General Revenue–Dedicated Funds (Hazardous/Solid Waste Remediation Account No. 550 unexpended balances) due to the completion of Superfund site cleanups;
- A decrease of \$1.3 million in General Revenue–Dedicated Funds (Water Resources Management Account No. 153 unexpended balances) due to decreased water rights review activities;
- An increase of \$0.3 million in General Revenue–Dedicated Funds (Low-Level Waste Account No. 088) due to the creation of a permanent low-level waste storage program that is contingent upon legislation (Senate Bill 1541);
- A \$0.7 million decrease in General Revenue–Dedicated Funds (Used Oil Recycling

Account No. 146) in unexpended balances; and

- A decrease of \$2.7 million in interagency contracts, due to a reduction in federal funding for projects conducted in conjunction with the Water Development Board.

A decrease of \$9.7 million in Federal Funds consisting of the following major changes:

- A decrease of \$3 million in Superfund State Site-Specific Cooperative Agreements, because fewer projects are at the remediation stage;
- A decrease of \$2.7 million in Surveys, Studies, Investigation and Special Purpose Grants, due to fewer applications for discretionary grants;
- A decrease of \$1.9 million in Nonpoint Source Implementation grants; and
- A decrease of \$0.9 million in funding for the National Estuary Program because funding previously funneled through the state will go directly to a nonprofit entity operating the Coastal Bend Bay and Estuary Program.

PARKS AND WILDLIFE DEPARTMENT

A General Revenue Funds increase of \$12.3 million due to the following:

- An \$8.5 million increase to restore or establish services at existing state parks and the World Birding Centers;
- A \$3.9 million rise in debt service requirements for the infrastructure repair bonds;
- A \$1 million increase for restoration projects at Hermann Park;
- An offsetting \$0.7 million decrease caused by reallocating the salaries of some in-house design and construction staff from General Revenue to bond proceeds; and
- A decrease of \$0.6 million in funding from the Boat and Boat Motor Sales and Use Tax due to elimination of one-time costs for a study of renovations to the *Battleship Texas*.

An overall increase of \$3.4 million in the General Revenue–Dedicated funds, due to the following:

- A \$4 million increase in Game, Fish and Water Safety Account No. 9 associated with fee increases for cost recovery of commercial fishery programs;

A \$5.3 million increase in various General Revenue–Dedicated Funds to appropriate all anticipated revenue collections to the agency;

- A \$1.5 million increase in State Parks Account No. 64 to

BUDGET ISSUES AND RECOMMENDATIONS (CONTINUED)

partially fund services at existing state parks and the World Birding Centers;

- A \$5 million reduction in Game, Fish and Water Safety Account No. 9 funds for conservation education projects;
- A \$1.7 million decrease in various General Revenue–Dedicated Funds for adjustments to agree with the Comptroller’s *2002–03 Biennial Revenue Estimate*;
- A \$0.6 million decrease in Texas Parks and Wildlife Capital Account No. 5004, due to completion of construction projects; and
- A \$0.3 million decrease in Game, Fish and Water Safety Account No. 9 funds, due to one-time costs for the Texas Tech University 21st Century Plan.

A Federal Funds decrease of \$4.1 million, due to the following:

- A decrease for a one-time grant of \$7.3 million for coastal wetlands planning;
- A \$1.6 million decrease in outdoor recreation acquisition grants;
- A \$0.5 million decrease in Environmental Protection grant funds; and
- A \$5.6 million increase in fish and wildlife restoration grant funds.

In addition,

- A \$0.7 million decrease in Other Funds due to progress on the parks infrastructure repairs program during the 2000–01 biennium and the addition of \$36.7 million in bond funds for construction projects in fiscal year 2003, contingent on enactment of legislation and voter approval of a constitutional amendment in November 2001.

RAILROAD COMMISSION

- An increase of \$3.7 million in General Revenue Funds to fund the Oil and Gas Technology Migration Project;
- An increase of \$1.4 million in General Revenue Funds to fund targeted salary increases;
- An increase of \$0.7 million in General Revenue Funds to purchase additional replacement vehicles;
- A net increase of \$2 million in General Revenue–Dedicated Funds primarily due to a carry forward of unexpended balances in the Oil Field Cleanup Fund No. 145;
- A decrease of \$1.5 million in Federal Funds because of declining federal grant awards for Surface Mining Program, National Pipeline Mapping, Underground Injection Control, Electronic Compliance Ap-

proval Process and Waste Minimization Grants; and

- A decrease of \$0.05 million in Other Funds due in part to completion of contracts with the Natural Resource Conservation Commission for well plugging and remediation and a reduction of available funds from the State Energy Conservation Office for alternative fuels research and education.

SOIL AND WATER

CONSERVATION BOARD

- Continuation of \$9.2 million in General Revenue Funds for the Brush Control Program; and \$15.0 million in Agricultural Water Bond proceeds for the Brush Control Program contingent upon passage of legislation;
- An increase of \$1.1 million in General Revenue Funds for Manure Transportation reimbursements;
- An increase of \$0.5 million in General Revenue Funds for costs associated with the preparation of wastewater management plans for poultry operators; and
- An increase of \$0.7 in Federal Funds for Nonpoint Source Implementation grants.

BUDGET ISSUES AND RECOMMENDATIONS (CONTINUED)

WATER DEVELOPMENT BOARD

A decrease of \$10.9 million out of the General Revenue Fund that consists of the following:

- A reduction of \$7.8 million in regional planning grants, due to the substantial completion of planning activities required by Senate Bill 1, Seventy-fifth Legislature, 1997;
- A decrease of \$3.6 million, due to the completion of the Emergency Interconnects Project, funded by Senate Bill 472, Seventy-sixth Legislature, 1999;
- A decrease of \$2.2 million, due to the completion of the Canadian River Basin Chlorine Project in fiscal year 2002;
- An increase of \$1.9 million for wastewater improvement grants for cities in the North Bosque River watershed;
- A reduction of \$1.3 million, due to the completion of the first phase of development of the Strategic Mapping Pool (Stratmap) Project;
- An increase of \$1 million for a 30-year loan for the Hueco Bolson desalination project in El Paso;
- A decrease of \$1 million in state matching funds for the State Revolving Fund, due to a decline in anticipated federal grant awards;

- An increase of \$1.7 million to fund an agencywide data integration project; and
- An increase of \$0.3 million for research relating to aquifer recharge characteristics of the playa lakes.

Other increases include the following:

- A \$0.6 million increase in Federal Funds for the Drinking Water State Revolving Fund Program;
- A \$9.1 million increase in Other Funds (Water Assistance Fund No. 480 unexpended balances);
- A \$0.6 million Other Funds increase (Water Assistance Fund No. 480), due to an increase in funding requested for border projects;
- A \$0.3 million Other Funds increase (Groundwater Districts Assistance Fund No. 363), for grants to groundwater districts; and
- A \$1.7 million increase in Appropriated Receipts, due to increased administrative and indirect charges to the Clean Water State Revolving Fund.

DEBT SERVICE—NON-SELF SUPPORTING G.O. WATER BONDS

An increase of \$18.1 million in General Revenue Funds for debt service, including:

- A \$7.7 million increase for the Economically Distressed Areas Program (EDAP);
- An increase of \$7.4 million in General Revenue Funds for debt service on State Participation Bonds, including \$3.0 million in debt service for \$35 million in newly authorized debt for the 2002–03 biennium and \$4.4 million for \$50.0 million issued during the 2000–01 biennium; and
- An increase of \$3 million in General Revenue Funds for debt service on \$16 million in Agricultural Water Conservation Bonds to be issued during the biennium for brush control projects by the Soil and Water Conservation Board and the Department of Agriculture, contingent upon passage of legislation (Senate Bill 312).

An increase of \$0.5 million in Other Funds out of the State Participation Program Bond Payment Account, due to increased interest available from bond proceeds.

BUSINESS AND ECONOMIC DEVELOPMENT

All Funds recommendations for Business and Economic Development total \$13,890.8 million for the 2002–03 biennium, which is an increase of \$1,159.6 million, or 9.1

percent, from 2000–01 (Table 35).

For General Revenue and General Revenue–Dedicated Funds, the recommendations total \$793.5 million, which is a decrease

of \$7.8 million, or 1.0 percent, from 2000–01 (Table 36).

Selected performance measures for agencies in the Business and Economic Development function are depicted in Table 37.

Table 35
All Funds
(In Millions)

Agency	Expended/ Budgeted 2000–01	Recommended 2002–03	Biennial Change	Percentage Change
Texas Aerospace Commission	\$0.4	\$2.0	\$1.6	369.9
Texas Department of Economic Development	131.6	127.4	(4.2)	(3.2)
Department of Housing and Community Affairs	441.4	442.3	0.9	0.2
Texas Lottery Commission	398.4	365.0	(33.4)	(8.4)
Department of Transportation	9,301.8	10,349.1	1,047.3	11.3
Texas Workforce Commission	2,072.7	2,107.2	34.5	1.7
Reimbursements to the Unemployment Compensation Benefit Account	25.3	26.3	1.0	4.0
Subtotal, Business and Economic Development	\$12,371.7	\$13,419.4	\$1,047.7	8.5
Retirement and Group Insurance	\$285.7	\$376.3	\$90.6	31.7
Social Security and Benefit Replacement Pay	126.4	126.2	(0.2)	(0.2)
Subtotal, Employee Benefits	\$412.1	\$502.5	\$90.4	21.9
Lease Payments	\$0.4	\$0.3	\$(0.1)	(24.9)
Less Interagency Contracts	53.1	31.4	(21.7)	(40.8)
Total, Article VII - Business and Economic Development	\$12,731.1	\$13,890.8	\$1,159.6	9.1

NOTES: Totals may not add because of rounding.

Biennial change and percentage change calculated on actual amounts before rounding.

BUSINESS AND ECONOMIC DEVELOPMENT (CONTINUED)

2002-03 BIENNIAL RECOMMENDATIONS

Table 36
General Revenue and General Revenue-Dedicated Funds
(In Millions)

Agency	Expended/ Budgeted 2000-01	Recommended 2002-03	Biennial Change	Percentage Change
Texas Aerospace Commission	\$0.4	\$2.0	\$1.6	369.9
Texas Department of Economic Development	52.2	56.2	4.0	7.7
Department of Housing and Community Affairs	25.4	43.4	17.9	70.5
Texas Lottery Commission	398.4	365.0	(33.4)	(8.4)
Department of Transportation	59.1	55.7	(3.3)	(5.6)
Texas Workforce Commission	233.3	226.3	(7.0)	(3.0)
Reimbursements to the Unemployment Compensation Benefit Account	8.3	8.6	0.3	4.0
Subtotal, Business and Economic Development	\$777.0	\$757.2	\$(19.8)	(2.5)
Retirement and Group Insurance	\$15.5	\$25.4	\$9.9	64.0
Social Security and Benefit Replacement Pay	8.4	10.5	2.2	26.2
Subtotal, Employee Benefits	\$23.8	\$36.0	\$12.1	50.8
Lease Payments	\$0.4	\$0.3	\$(0.1)	(24.9)
Total, Article VII - Business and Economic Development	\$801.3	\$793.5	\$(7.8)	(1.0)

NOTES: Totals may not add because of rounding.

Biennial change and percentage change calculated on actual amounts before rounding.

BUSINESS AND ECONOMIC DEVELOPMENT (CONTINUED)

2002-03 BIENNIAL RECOMMENDATIONS

Table 37
Selected Performance Measures

Measure	Actual 2000	Budgeted 2001	Recommended 2002	Recommended 2003
Texas Department of Economic Development Number of SMART Jobs Participants Completing Training for New Jobs	4,530	7,472	4,120	8,177
Department of Housing and Community Affairs Percentage of Households/Individuals of Very Low, Low, and Moderate Income Needing Affordable Housing That Subsequently Receive Such Housing or Housing-related Assistance	1.4%	0.9%	1.0%	1.0%
Texas Lottery Commission Number of Lottery Retailer Business Locations Licensed	16,767	17,700	18,000	18,000
Department of Transportation Percentage of State Highway System Mainlane Pavement Mileage Rated Good or Better Based on the Pavement Management Information System Condition Score	86%	86%	86%	86%
Texas Workforce Commission Entered Employment Rate	58%	59.5%	61%	62.5%
Choices Participation Rate for 2-Parent Families	55%	30%	26.1%	25.6%
Choices Participation Rate for All Families	24.6%	30%	26.1%	25.6%
Average Number of Children Served Per Day: Excluding Choices and E&T	83,977	85,600	85,281	79,352
Percentage of Skills Development Trainees Securing Employment with Participating Businesses	93%	98%	98%	98%

BUDGET ISSUES AND RECOMMENDATIONS

The recommendations address a number of major budget issues affecting agencies in the Business and Economic Development function, including the following:

- An increase of \$960.8 million in Federal Funds for Highway Planning and Construction, Aviation, and Public Transportation;
- An increase of \$159.0 million in federal Child Care and Development Fund monies, an increase of \$2.5 million in matching General Revenue Funds, and a corresponding decrease of \$79.1 million of Temporary Assistance for Needy Families (TANF) funds for child care;
- A \$104.5 million increase in State Highway Funds;
- An increase of \$36.3 million in TANF funds for the Choices Program;
- A decrease of \$22.8 million in federal School-to-Work program funds, due to the phase-out of the program by the end of fiscal year 2002;
- An offset of \$12.8 million in State Highway Fund support for a \$12.8 million decrease in Oil Overcharge funding that is no longer available to support the Public Transportation Program;

- A decrease of \$11.4 million in matching General Revenue Funds and a decrease of \$47.2 million in federal Welfare-to-Work funds due to the decrease of available funds for the Welfare-to-Work Program; and
- a \$10.6 million decrease in Federal Funds at the Department of Housing and Community Affairs related to one-time federal drought relief and Low Income Home Energy Assistance Program emergency funding.

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

TEXAS AEROSPACE COMMISSION

- An increase of \$1.5 million for the pursuit of spaceport initiatives.

TEXAS DEPARTMENT OF ECONOMIC DEVELOPMENT

- A \$3.7 million increase in General Revenue–Dedicated Funds for economic development loan guarantees;
- Maintenance of \$54 million in funding for the Smart Jobs Program (set to expire in December 2001); and
- A \$1 million Federal Funds increase for the Empowerment Zone Program.

DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

- A \$17.9 million increase in General Revenue Funds (System Benefit Funds) for the Weatherization Program;
- An increase of \$0.8 million in Appropriated Receipts and Earned Federal Funds for capital budget purchases;
- An increase of \$0.7 million in Appropriated Receipts for increased monitoring in Compliance Regulation for the HOME program;
- A \$10.6 million decrease in Federal Funds related to one-time federal drought relief and Low Income Home Energy Assistance Program emergency funding;
- A \$2.2 million decrease in Federal Funds, due to an anticipated reduction related to the Community Development Block Grant and HOME Investment Partnership Programs; and
- A \$6.9 million reduction in Interagency Contracts related to federal emergency management grants and unexpended balances of Oil Overcharge funding.

TEXAS LOTTERY COMMISSION

- A decrease of \$2.1 million (\$1.4 million in General Revenue–Dedicated Funds and \$0.7

BUDGET ISSUES AND RECOMMENDATIONS (CONTINUED)

million in General Revenue Funds), due to a one-time capital budget purchase for the Bingo division and a decline in capital budget purchases for the lottery division;

- A decrease of \$29.4 million in General Revenue–Dedicated Funds to bring the appropriations for lottery operations in compliance with the statutory cap of 7 percent of lottery sales and the Comptroller’s *2002–03 Biennial Revenue Estimate*, and
- A decrease of \$1.8 million in General Revenue–Dedicated Funds due to moving the drawing studio in-house.

DEPARTMENT OF TRANSPORTATION

- A \$6.5 million General Revenue Funds increase for auto theft prevention grants;
- A \$960.8 million Federal Funds increase for Highway Planning and Construction, Aviation, and Public Transportation;
- A \$104.5 million increase in State Highway Funds;
- An offset of \$12.8 million in State Highway Fund support for a \$12.8 million decrease in oil overcharge funding that is no longer available to support the Public Transportation Program;

- A decrease of \$9.8 million in General Revenue–Dedicated funds for the Turnpike Division as a result of funds no longer being available. Program support is continuing with remaining General Revenue–Dedicated Funds and State Highway Funds; and
- A \$2 million Interagency Contracts decrease for the Public Transportation Program for one-time assistance to local workforce development boards and private industry councils for development of a transportation service delivery system for Welfare-to-Work-eligible clients.

TEXAS WORKFORCE COMMISSION

- An increase of \$159.0 million in federal Child Care and Development Fund monies, an increase of \$2.5 million in General Revenue Funds, and a corresponding decrease of \$79.1 million of TANF funds for child care;
- An increase of \$36.3 million of TANF funds for the Choices Program;
- An increase of \$14.4 million in Federal Funds for six information resources projects;
- An increase of \$13.1 million in Workforce Investment Act funds;

- A decrease of \$11.4 million in matching General Revenue Funds and a decrease of \$47.2 million in federal Welfare-to-Work (WtW) funds, due to the decrease of available funds for the WtW Program;
- A decrease of \$22.8 million in federal School-to-Work Program funds, due to the phase-out of the program by the end of fiscal year 2002; and
- A decrease of \$3 million of TANF funds for adult education and literacy training and job retention and re-employment services.

REIMBURSEMENT TO THE UNEMPLOYMENT COMPENSATION BENEFIT ACCOUNT

The \$26.3 million recommendation for the Reimbursement to the Unemployment Compensation Benefit Account is attributable to a slight increase in payout requirements for the 2002–03 biennium compared with the 2000–01 biennium.

The requirement that General Revenue and special fund agencies pay half of their unemployment insurance claims out of appropriated funds is continued.

REGULATORY

All Funds recommendations for Regulatory total \$771.7 million for the 2002–03 biennium, which is an increase of \$243.0 million, or 45.9

percent, from 2000–01 (Table 38). For General Revenue and General Revenue–Dedicated Funds, the recommendations total \$753.6 million, which is an increase of \$238.5

million, or 46.3 percent, from 2000–01 (Table 39). Selected performance measures for agencies in the Regulatory function are depicted in Table 40.

Table 38
All Funds
(In Millions)

Agency	Expended/ Budgeted 2000–01	Recommended 2002–03	Biennial Change	Percentage Change
Board of Public Accountancy	\$6.1	\$6.3	\$0.2	2.8
State Office of Administrative Hearings	12.2	12.5	0.3	2.2
Board of Architectural Examiners	2.8	3.4	0.7	24.5
Board of Barber Examiners	1.2	1.1	0.0	(1.0)
Board of Chiropractic Examiners	0.7	0.7	0.0	(0.3)
Cosmetology Commission	4.5	4.5	0.0	0.0
Credit Union Department	2.7	3.4	0.7	27.4
Texas State Board of Dental Examiners	2.7	2.8	0.1	2.5
Board of Professional Engineers	3.3	3.3	0.0	0.3
Finance Commission of Texas	0.4	0.4	0.0	0.0
Department of Banking	18.3	29.2	10.9	59.6
Office of Consumer Credit Commissioner	4.7	4.9	0.2	3.8
Savings and Loan Department	2.6	4.0	1.5	58.5
Funeral Service Commission	1.0	1.4	0.4	36.6
Department of Insurance	101.2	98.5	(2.7)	(2.7)
Office of Public Insurance Counsel	2.4	2.4	0.0	0.0
Board of Professional Land Surveying	0.6	0.7	0.1	11.6
Department of Licensing and Regulation	13.0	13.8	0.7	5.7
Board of Medical Examiners	11.2	10.5	(0.7)	(6.7)
Board of Nurse Examiners	6.2	6.2	0.0	(0.7)
Board of Vocational Nurse Examiners	2.5	2.7	0.2	8.7
Optometry Board	0.6	0.7	0.1	19.4
Structural Pest Control Board	2.8	2.7	(0.1)	(4.4)
Board of Pharmacy	5.6	5.6	0.0	(0.1)
Executive Council of Physical Therapy and Occupational Therapy Examiners	1.6	1.6	0.0	(0.5)
Board of Plumbing Examiners	2.8	3.0	0.2	6.3
Board of Podiatric Medical Examiners	0.4	0.4	0.1	20.3
Board of Examiners of Psychologists	1.5	1.6	0.0	2.9
Racing Commission	20.6	22.4	1.8	8.7
Real Estate Commission	8.6	8.8	0.2	2.2
Securities Board	7.4	8.7	1.4	18.5
Board of Tax Professional Examiners	0.3	0.3	0.0	0.0
Public Utility Commission of Texas	103.5	310.3	206.8	199.7
Office of Public Utility Counsel	3.9	3.9	(0.1)	(1.3)
Board of Veterinary Medical Examiners	1.2	1.2	0.0	(0.9)
Workers' Compensation Commission	96.3	98.7	2.3	2.4
Research and Oversight Council on Workers' Compensation	1.4	1.9	0.5	39.9
Subtotal, Regulatory	\$458.8	\$684.4	\$225.5	49.2
Retirement and Group Insurance	\$43.1	\$54.8	\$11.6	26.9
Social Security and Benefit Replacement Pay	24.6	24.7	0.1	0.4
Subtotal, Employee Benefits	\$67.7	\$79.4	\$11.7	17.3
Lease Payments	\$11.8	\$10.8	\$(0.9)	(8.0)
Less Interagency Contracts	9.6	2.9	(6.7)	(69.5)
Total, Article VIII - Regulatory	\$528.8	\$771.7	\$243.0	45.9

NOTES: Totals may not add because of rounding.
Biennial change and percentage change calculated on actual amounts before rounding.

REGULATORY (CONTINUED)

2002-03 BIENNIAL RECOMMENDATIONS

Table 39
General Revenue and General Revenue-Dedicated Funds
(In Millions)

Agency	Expended/ Budgeted 2000-01	Recommended 2002-03	Biennial Change	Percentage Change
Board of Public Accountancy	\$6.0	\$6.2	\$0.2	2.7
State Office of Administrative Hearings	2.7	4.7	2.0	72.4
Board of Architectural Examiners	2.7	3.4	0.7	24.6
Board of Barber Examiners	1.2	1.1	0.0	(1.0)
Board of Chiropractic Examiners	0.7	0.7	0.0	(0.3)
Cosmetology Commission	3.8	3.9	0.1	3.2
Credit Union Department	2.7	3.4	0.7	27.4
Texas State Board of Dental Examiners	2.4	2.5	0.1	2.8
Board of Professional Engineers	3.2	3.2	0.1	2.7
Finance Commission of Texas	0.4	0.4	0.0	0.0
Department of Banking	18.0	29.0	10.9	60.6
Office of Consumer Credit Commissioner	4.7	4.9	0.2	3.8
Savings and Loan Department	2.6	4.0	1.5	58.5
Funeral Service Commission	1.0	1.4	0.4	37.0
Department of Insurance	100.2	97.5	(2.7)	(2.7)
Office of Public Insurance Counsel	2.4	2.4	0.0	0.0
Board of Professional Land Surveying	0.6	0.7	0.1	11.6
Department of Licensing and Regulation	12.8	13.5	0.7	5.5
Board of Medical Examiners	10.9	10.1	(0.7)	(6.9)
Board of Nurse Examiners	4.9	4.9	0.0	(0.9)
Board of Vocational Nurse Examiners	2.4	2.7	0.2	8.9
Optometry Board	0.6	0.6	0.1	11.9
Structural Pest Control Board	2.4	2.5	0.1	2.2
Board of Pharmacy	5.4	5.4	0.0	(0.1)
Executive Council of Physical Therapy and Occupational Therapy Examiners	1.5	1.5	0.0	(0.2)
Board of Plumbing Examiners	2.8	3.0	0.2	6.9
Board of Podiatric Medical Examiners	0.4	0.4	0.1	20.8
Board of Examiners of Psychologists	1.4	1.5	0.1	3.8
Racing Commission	20.6	22.4	1.8	8.7
Real Estate Commission	8.2	8.4	0.2	2.3
Securities Board	7.3	8.7	1.4	18.6
Board of Tax Professional Examiners	0.3	0.3	0.0	0.0
Public Utility Commission of Texas	102.4	309.3	206.9	202.1
Office of Public Utility Counsel	3.9	3.9	(0.1)	(1.3)
Board of Veterinary Medical Examiners	1.2	1.2	0.0	(0.8)
Workers' Compensation Commission	90.1	92.4	2.3	2.5
Research and Oversight Council on Workers' Compensation	1.4	1.9	0.5	39.9
Subtotal, Regulatory	\$436.4	\$664.2	\$227.7	52.2
Retirement and Group Insurance	\$42.6	\$54.1	\$11.6	27.2
Social Security and Benefit Replacement Pay	24.3	24.5	0.1	0.6
Subtotal, Employee Benefits	\$66.9	\$78.6	\$11.7	17.5
Lease Payments	\$11.8	\$10.8	\$(0.9)	(8.0)
Total, Article VIII - Regulatory	\$515.1	\$753.6	\$238.5	46.3

NOTES: Totals may not add because of rounding.

Biennial change and percentage change calculated on actual amounts before rounding.

REGULATORY (CONTINUED)

2002-03 BIENNIAL RECOMMENDATIONS

Table 40
Selected Performance Measures

Measure	Actual 2000	Budgeted 2001	Recommended 2002	Recommended 2003
Total Number of New Licenses Issued to Individuals	71,944*	62,707	61,449	61,751
Department of Insurance Number of Complaints Resolved	29,859	24,750	29,000	30,000
Public Utility Commission of Texas Average Annual Residential Telephone Bill for Basic Service in Texas As a Percentage of the National Average	68.5%	69.8%	70.4%	71.5%
Average Residential Electric Bill As a Percentage of the National Residential Average	127%	127%	127%	126%
Average Cost of Electricity Per kWh in Texas for Residential Customers As a Percentage of the National Average	93%	93%	92%	91%
Percentage of Cities Served by Three or More Certified Telecommunications Providers	0%	82%	83%	84%
Workers' Compensation Commission Number of Employers Provided Consultations, Inspections and Investigations	3,602	3,670	3,670	3,670
Percentage of Compensation Benefit Dispute Cases Resolved by the Commission's Informal Dispute Resolution System	91%	90%	90%	91%
Percentage of Medical Dispute Cases Resolved by the Commission's Informal Dispute Resolution System	94%	94%	95%	96%
Average Number of Days to Complete Medical Dispute Cases	287	70	25	25

* Includes 8,600 licensees from the new Mortgage Broker Licensing program at the Savings & Loan Department.

BUDGET ISSUES AND RECOMMENDATIONS

The recommendations address a number of major budget issues affecting agencies in the Regulatory function, including the following:

- Funding the majority of agency operations for the 2002–03 biennium at the 2000–01 level;
- A \$208.4 million General Revenue Funds increase at the Public Utility Commission associated with electric deregulation and the System Benefit Fund as the result of the adoption of Senate Bill 7 by the Seventy-sixth Legislature, 1999;
- Contingency riders authorizing a fee-generated General Revenue Funds increase of \$10.3 million and up to 81.5 full-time-equivalent (FTE) positions in the event additional resources are needed to adequately regulate the financial industry. The Department of Banking could receive up to \$8.7 million, the Savings and Loan Department up to \$1.3 million, and the Credit Union Department up to \$0.3 million;
- A \$4.3 million increase in General Revenue Funds related to salary increases for financial examiners affecting the Department of Banking, Office of Consumer Credit Commissioner, Savings and Loan Department, Credit Union Department, Department of Insurance, and Texas Workers' Compensation Commission;

- A \$1.5 million increase in General Revenue and General Revenue–Dedicated Funds related to leases for certain agencies;
- A \$4 million reduction in General Revenue–Dedicated Funds related to a one-time contribution to the Catastrophe Reserve Trust Fund at the Department of Insurance;
- Funding for an information technology staff person to be shared between the Optometry Board, Board of Veterinary Examiners, and the Health Professions Council;
- 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; and
- Instructing agencies to explore the feasibility of relocating outside the Austin area if their lease expires during the biennium.

Significant budget recommendations for agencies in the Regulatory function include the following:

STATE OFFICE OF ADMINISTRATIVE HEARINGS

- A contingency appropriation of \$1.4 million in General Revenue Funds for Public Utility Commission (PUC) hearings and

\$5.0 million of State Highway Funds for Department of Public Safety (DPS) license revocation hearings with a corresponding decrease of \$6.4 million in interagency contracts for the PUC and DPS; and

- A contingency appropriation of \$0.6 million in General Revenue Funds for hearings costs of 23 small agencies and the second phase of the new docket management system with a corresponding decrease of \$0.3 million in interagency contracts for those 23 small agencies.

BOARD OF ARCHITECTURAL EXAMINERS

- An increase of \$0.3 million in General Revenue Funds and 2 FTEs for enforcement and continuing education; and
- An increase of \$0.4 million in General Revenue Funds for the Architect Scholarship Program.

CREDIT UNION DEPARTMENT

- A \$0.3 million increase in General Revenue Funds for an increase in financial examiner salaries.

DENTAL EXAMINERS

- A \$0.07 million increase in General Revenue Funds and 1 FTE for enforcement.

DEPARTMENT OF BANKING

- A \$2.4 million increase in General Revenue Funds for an increase in financial examiner salaries.

SAVINGS AND LOAN DEPARTMENT

- An increase of \$0.2 million in General Revenue Funds and 3

BUDGET ISSUES AND RECOMMENDATIONS (CONTINUED)

FTEs to perform investigations as a result of the adoption of the Mortgage Broker Licensing Act by the Seventy-sixth Legislature, 1999.

FUNERAL SERVICES COMMISSION

- An increase of \$0.3 million in fee-generated General Revenue Funds for a new licensing system.

DEPARTMENT OF INSURANCE

- An increase of \$1.2 million in General Revenue Funds for an increase in financial examiner salaries; and
- A reduction of \$4 million in General Revenue–Dedicated Funds related to a one-time contribution to the Catastrophe Reserve Trust Fund.

DEPARTMENT OF LICENSING AND REGULATION

- An increase of \$0.6 million in General Revenue Funds related to the purchase of a comprehensive licensing system; and
- An increase of \$0.1 million in General Revenue Funds and 1 FTE to provide depth in the boiler inspection program.

MEDICAL EXAMINERS

- An increase of \$0.3 million in General Revenue Funds and 4 FTEs for licensing; and
- A decrease of \$1 million in General Revenue Funds for initial start-up costs for the physician profile system and for a one-time capital purchase of an imaging system.

BOARD OF VOCATIONAL NURSE EXAMINERS

- An increase of \$0.2 million in General Revenue Funds for the transfer of the agency's licensing system to the Board of Nurse Examiners, the hiring of an additional investigator to resolve complaints and the purchase of computers.

RACING COMMISSION

- An increase of \$1.2 million in General Revenue–Dedicated Funds and up to 14 FTEs contingent on two new race tracks becoming operational during the 2002–03 biennium; and
- A \$0.6 million increase in General Revenue–Dedicated Funds for an increase in operating costs due to the opening of Valley Race Park in fiscal year 2000, an increase in the central office lease, an increase for the Texas Bred Incentive Program awards, an increase for the software maintenance contract, and an increase for steward and veterinarian travel expenses.

SECURITIES BOARD

- An increase of \$0.8 million in General Revenue Funds and 3.5 FTEs in fiscal year 2002 and 7 FTEs in 2003 to increase the audit inspection cycle from nine years to seven years;
- An increase of \$0.3 million in General Revenue Funds and 3 FTEs to establish an enforcement office in San Antonio; and
- An increase of \$0.2 million in General Revenue Funds related

to salary increases for selected agency staff.

PUBLIC UTILITY COMMISSION

- A \$208.4 million increase in System Benefit Fund appropriations related to the implementation of electric utility restructuring.

WORKERS' COMPENSATION COMMISSION

- A \$1 million increase in General Revenue Funds for the Business Process Redesign project to automate processes, ensure network stability, and to format required forms for electronic submittal; and
- The Texas Workers' Compensation Commission set the annual maintenance tax of gross workers' compensation premiums at 1.71 percent, which is a reduction of .01 percent from last year's 1.72 percent.

RESEARCH AND OVERSIGHT COUNCIL ON WORKERS' COMPENSATION

- An increase of \$0.4 million in General Revenue–Dedicated to fund Texas' participation in the Workers' Compensation Research Institute's multi-state comparison study.

HEALTH-LICENSING AGENCIES

- A \$29,000 reduction in General Revenue Funds for support of the Health Professions Council for a one-time capital budget purchase of an imaging system.

