

Summary of Legislative Budget Estimates

For the 2002-2003 Biennium

Submitted to the 77th Legislature

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LEGISLATIVE BUDGET BOARD

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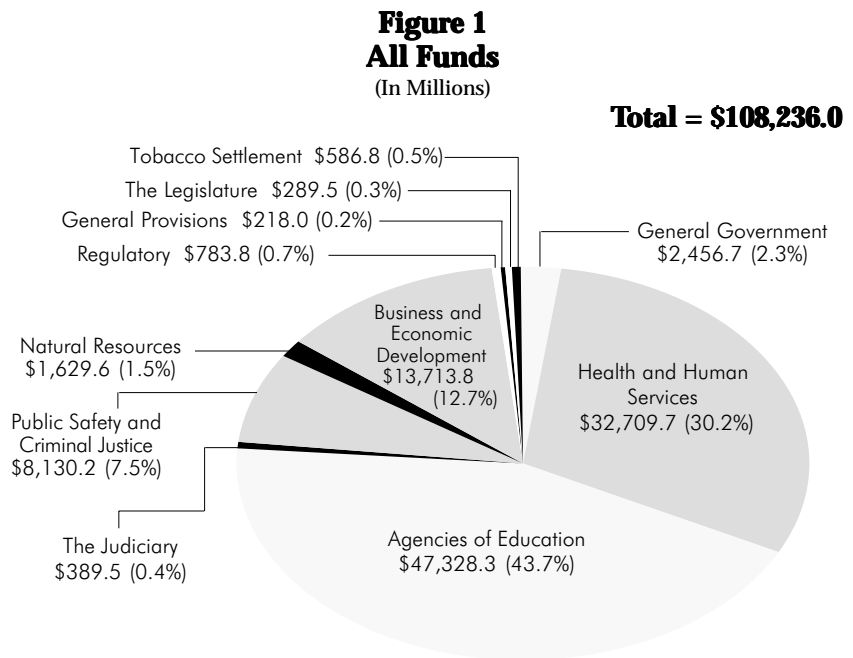
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INTRODUCTION

The Legislative Budget Board's recommended appropriations for state government operations for the 2002-03 biennium total \$108.2 billion from all fund sources. The recommendations provide a \$6.3 billion, or 6.2 percent, increase from the 2000-01 biennial level.

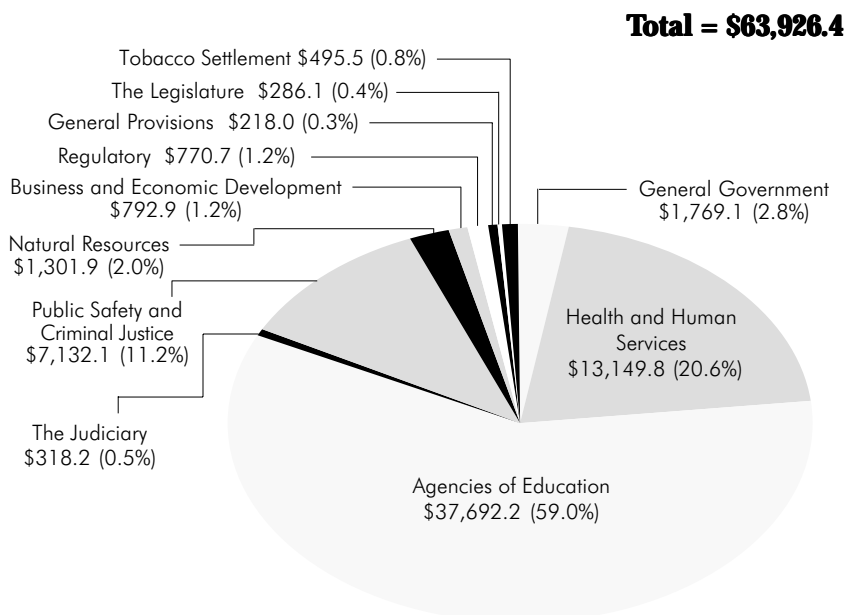
General Revenue funding, including funds dedicated within the General Revenue Fund, totals \$63.9 billion for the 2002-03 biennium, an increase of \$3.1 billion, or 5 percent, over the anticipated 2000-01 biennial spending level. Figures 1 and 2 show the 2002-03 recommendations by government function.

Biennial Recommendations for 2002-03



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

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



Note: Totals may not add because of rounding.

HIGHLIGHTS OF THE RECOMMENDATIONS

The Legislative Budget Board's recommendations include increased General Revenue funding from the 2000–01 biennial level for the following key budget items:

EDUCATION

- General Revenue funding for the Foundation School Program at 2000–01 levels, which is sufficient to address equity within the school finance system;
- a \$102 million General Revenue Funds increase for new public school textbook adoptions;
- a \$322 million increase in Federal Funds at the Texas Education Agency for expected growth in the School Breakfast and Lunch Programs, Special Education Grants, and programs for needy children;
- a \$232.5 million General Revenue Funds increase for contributions to the Teacher Retirement System to account for payroll growth in public and higher education;
- a \$175.9 million General Revenue Funds increase to cover an anticipated shortfall in the group insurance program (TRS-Care) for retired teachers;
- an \$80.2 million General

Revenue Funds increase to phase in the Toward EXcellence, Access, and Success (TEXAS) Programs; and

- an \$88 million General Revenue Funds increase to fund higher education enrollment growth.

HEALTH AND HUMAN SERVICES

- a \$202.3 million General Revenue Funds increase due to a less-favorable FMAP (Federal Medical Assistance Percentage) match rate;
- a \$1,282.1 million All Funds increase (\$507.5 million General Revenue Funds) for Medicaid caseload growth and annualization of 2001 rates;
- a \$74.4 million All Funds increase (\$23.5 million General Revenue Funds) for increased foster care and adoption subsidy caseloads;
- a \$776.5 million All Funds increase (\$308.7 million General Revenue Funds) to fund two additional Medicaid payments (the deferred 2001 payments plus 24 months) for premium and nursing home services; and
- a \$767 million All Funds increase (\$198 million in tobacco proceeds and \$18 million in other General Revenue Funds) for continued

growth and implementation of the Children's Health Insurance Program (CHIP). The increased Tobacco Settlement receipts are located in Article XII of the Appropriations Bill.

PUBLIC SAFETY AND CRIMINAL JUSTICE

- a \$187 million General Revenue Funds increase for costs related to increased adult and juvenile offender populations, including operating new prisons and juvenile institutions and capacity expansions that occurred in 2000–01 or are planned for 2002–03.

EMPLOYER COSTS

- a \$708.4 million All Funds increase (\$550.3 million in General Revenue–related 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.

CONTINGENCY RESERVE

- a \$200 million increase in General Revenue Funds appropriations for contingency needs or emergencies (contained in Article IX).

MAJOR CHANGES BY METHOD OF FINANCING AND FUNCTION

The Legislative Budget Board's recommendations for the 2002-03 biennium include the following major funding changes from the 2000-01 biennium:

GENERAL REVENUE FUNDS

- a \$3.2 billion, or 5.7 percent, increase in General Revenue Funds. As depicted in Figure 3, General Revenue Funds make up 55.2 percent of the recommended budget;

GENERAL REVENUE-DEDICATED FUNDS

- a \$132.7 million, or 3.1 percent, decrease in General Revenue-Dedicated Funds. General Revenue-Dedicated Funds make up 3.9 percent of the recommended budget;

FEDERAL FUNDS

- a \$2.9 billion, or 9.9 percent, increase in Federal Funds. Federal Funds make up 30 percent of the recommended budget; and

OTHER FUNDS

- a \$316.4 million, or 2.7 percent, increase in Other Funds. Other Funds make up 11 percent of the recommended budget.

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

PUBLIC EDUCATION

- a \$349.5 million, or 1.4 percent, increase in General Revenue and General Revenue-Dedicated Funds;

HIGHER EDUCATION

- an \$859.3 million, or 7.8 percent, increase in General Revenue and General Revenue-Dedicated Funds;

PUBLIC SAFETY AND CRIMINAL JUSTICE

- a \$291.3 million, or 4.3 percent, increase in General Revenue and General Revenue-Dedicated Funds;

HEALTH AND HUMAN SERVICES

- a \$1.1 billion, or 9.3 percent, increase in General Revenue and General Revenue-Dedicated Funds;

- a \$1.7 billion, or 9.8 percent, increase in Federal Funds;

GENERAL GOVERNMENT

- a \$37.3 million, or 2.2 percent, increase in General Revenue and General Revenue-Dedicated Funds;

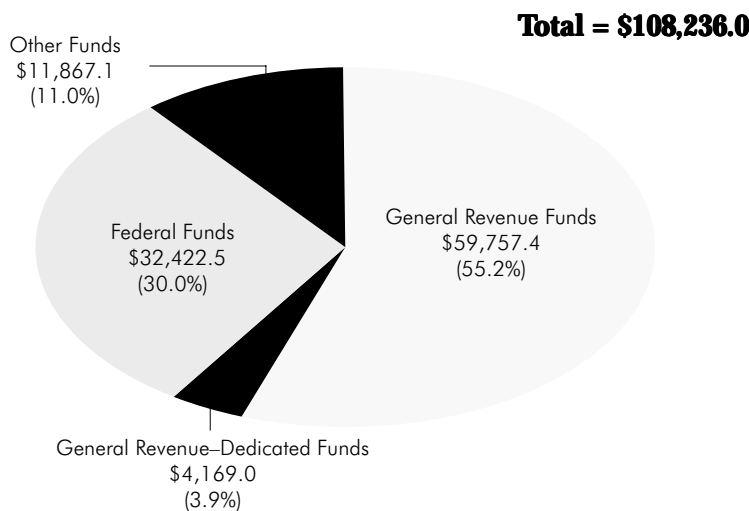
BUSINESS AND ECONOMIC DEVELOPMENT

- a \$933.2 million, or 15.6 percent, increase in Federal Funds, primarily for highway planning and construction;

TOBACCO SETTLEMENT RECEIPTS

- a \$169.2 million, or 51.9 percent, increase in General Revenue and General Revenue-Dedicated from Tobacco Settlement receipts, primarily for the Children's Health Insurance Program (CHIP).

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 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*	Recommended 2002–03	Biennial Change	Percentage Change
Article I - General Government	\$2,469.8	\$2,456.7	\$(13.1)	(0.5)
Article II - Health and Human Services	29,876.2	32,709.7	2,833.6	9.5
Article III - Agencies of Education	45,239.3	47,328.3	2,089.1	4.6
Public Education	31,173.8	32,346.5	1,172.6	3.8
Higher Education	14,065.5	14,981.9	916.4	6.5
Article IV - The Judiciary	383.7	389.5	5.8	1.5
Article V - Public Safety and Criminal Justice	8,084.5	8,130.2	45.7	0.6
Article VI - Natural Resources	1,911.8	1,629.6	(282.2)	(14.8)
Article VII - Business and Economic Development	12,731.1	13,713.8	982.6	7.7
Article VIII - Regulatory	528.8	783.8	255.0	48.2
Article IX - General Provisions	0.0	218.0	218.0	100
Article X - The Legislature	282.5	289.5	7.0	2.5
Total	\$101,507.7	\$107,649.1	\$6,141.5	6.1
Article XII - Tobacco Settlement	418.2	586.8	168.6	40.3
Grand Total	\$101,925.9	\$108,236.0	\$6,310.1	6.2

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

Table 2
General Revenue Funds
(In Millions)

Function	Expended/ Budgeted 2000–01*	Recommended 2002–03	Biennial Change	Percentage Change
Article I - General Government	\$1,423.7	\$1,469.3	\$45.6	3.2
Article II - Health and Human Services	11,528.2	12,655.0	1,126.8	9.8
Article III - Agencies of Education	34,750.6	35,703.8	953.2	2.7
Public Education	25,468.3	25,817.8	349.5	1.4
Higher Education	9,282.3	9,886.0	603.7	6.5
Article IV - The Judiciary	315.8	318.2	2.3	0.7
Article V - Public Safety and Criminal Justice	6,717.5	7,056.0	338.5	5.0
Article VI - Natural Resources	539.4	553.6	14.2	2.6
Article VII - Business and Economic Development	367.4	364.8	(2.5)	(0.7)
Article VIII - Regulatory	358.0	679.8	321.8	89.9
Article IX - General Provisions	0.0	218.0	218.0	100.0
Article X - The Legislature	279.1	286.1	7.0	2.5
Total	\$56,279.6	\$59,304.7	\$3,025.1	5.4
Article XII - Tobacco Settlement	281.0	452.7	171.7	61.1
Grand Total	\$56,560.6	\$59,757.4	\$3,196.8	5.7

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)

Function	Expended/ Budgeted 2000–01	Recommended 2002–03	Biennial Change	Percentage Change
Article I - General Government	\$308.1	\$299.8	\$(8.3)	(2.7)
Article II - Health and Human Services	498.4	494.8	(3.6)	(0.7)
Article III - Agencies of Education	1,732.8	1,988.4	255.6	14.7
Public Education	0.0	0.0	0.0	0.0
Higher Education	1,732.8	1,988.4	255.6	14.7
Article IV - The Judiciary	1.8	0.0	(1.8)	(100.0)
Article V - Public Safety and Criminal Justice	123.4	76.2	(47.2)	(38.3)
Article VI - Natural Resources	1,000.9	748.3	(252.6)	(25.2)
Article VII - Business and Economic Development	433.9	428.0	(5.9)	(1.4)
Article VIII - Regulatory	157.0	90.8	(66.2)	(42.2)
Article IX - General Provisions	0.0	0.0	0.0	0.0
Article X - The Legislature	0.0	0.0	0.0	0.0
Total	\$4,256.4	\$4,126.2	\$(130.2)	(3.1)
Article XII - Tobacco Settlement	45.3	42.8	(2.5)	(5.6)
Grand Total	\$4,301.7	\$4,169.0	\$(132.7)	(3.1)

NOTES: Totals may not add because of rounding.

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

2002-03 BIENNIAL RECOMMENDATIONS

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

Function	Expended/ Budgeted 2000-01*	Recommended 2002-03	Biennial Change	Percentage Change
Article I - General Government	\$1,731.8	\$1,769.1	\$37.3	2.2
Article II - Health and Human Services	12,026.6	13,149.8	1,123.2	9.3
Article III - Agencies of Education	36,483.4	37,692.2	1,208.8	3.3
Public Education	25,468.3	25,817.8	349.5	1.4
Higher Education	11,015.1	11,874.4	859.3	7.8
Article IV - The Judiciary	317.7	318.2	0.5	0.2
Article V - Public Safety and Criminal Justice	6,840.8	7,132.1	291.3	4.3
Article VI - Natural Resources	1,540.3	1,301.9	(238.4)	(15.5)
Article VII - Business and Economic Development	801.3	792.9	(8.4)	(1.1)
Article VIII - Regulatory	515.1	770.7	255.6	49.6
Article IX - General Provisions	0.0	218.0	218.0	100.0
Article X - The Legislature	279.1	286.1	7.0	2.5
Total	\$60,536.0	\$63,430.9	\$2,894.9	4.8
Article XII - Tobacco Settlement	326.3	495.5	169.2	51.9
Grand Total	\$60,862.3	\$63,926.4	\$3,064.0	5.0

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*	Recommended 2002-03	Biennial Change	Percentage Change
Article I - General Government	\$566.7	\$586.6	\$19.9	3.5
Article II - Health and Human Services	17,687.5	19,429.4	1,741.9	9.8
Article III - Agencies of Education	4,742.0	5,064.5	322.5	6.8
Public Education	4,520.2	4,838.9	318.8	7.1
Higher Education	221.8	225.6	3.8	1.7
Article IV - The Judiciary	0.0	0.0	0.0	0.0
Article V - Public Safety and Criminal Justice	321.9	248.7	(73.2)	(22.7)
Article VI - Natural Resources	223.7	209.1	(14.6)	(6.5)
Article VII - Business and Economic Development	5,966.1	6,899.4	933.2	15.6
Article VIII - Regulatory	5.1	4.8	(0.2)	(4.5)
Article IX - General Provisions	0.0	0.0	0.0	0.0
Article X - The Legislature	0.0	0.0	0.0	0.0
Total	\$29,512.9	\$32,442.5	\$2,929.6	9.9
Article XII - Tobacco Settlement	0.0	0.0	0.0	0.0
Grand Total	\$29,512.9	\$32,442.5	\$2,929.6	9.9

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

Table 6
Other Funds
(In Millions)

Function	Expended/ Budgeted 2000-01	Recommended 2002-03	Biennial Change	Percentage Change
Article I - General Government	\$171.2	\$100.9	\$(70.3)	(41.1)
Article II - Health and Human Services	162.1	130.6	(31.5)	(19.5)
Article III - Agencies of Education	4,013.9	4,571.7	557.7	13.9
Public Education	1,185.4	1,689.8	504.4	42.6
Higher Education	2,828.5	2,881.9	53.3	1.9
Article IV - The Judiciary	66.0	71.3	5.3	8.0
Article V - Public Safety and Criminal Justice	921.8	749.4	(172.4)	(18.7)
Article VI - Natural Resources	147.9	118.6	(29.2)	(19.8)
Article VII - Business and Economic Development	5,963.7	6,021.5	57.8	1.0
Article VIII - Regulatory	8.7	8.3	(0.3)	(4.0)
Article IX - General Provisions	0.0	0.0	0.0	0.0
Article X - The Legislature	3.4	3.4	0.0	(0.4)
Total	\$11,458.7	\$11,775.7	\$317.0	2.8
Article XII - Tobacco Settlement	92.0	91.4	(0.6)	(0.7)
Grand Total	\$11,550.6	\$11,867.1	\$316.4	2.7

NOTES: Excludes interagency contracts.

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 Education, Criminal Justice, and Health and Human Services, there are a number of other areas that have a significant impact on the 2002–03 budget recommendations.

The elements of cost 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.

DEBT SERVICE

Debt service costs included in the recommendations total \$469.1 million in 2002 and \$462.0 million in 2003. Table 7 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 decrease of \$24.3 million in General Revenue Funds for debt service from the 2000–01 level.

EMPLOYEE BENEFITS/PAYROLL EXPENSE

The Employees Retirement System (ERS) of Texas state contribution rate is continued at the current

level of 6.0 percent, resulting in an increase of \$25.1 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 \$250.2 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 7
Debt Service Payments
By Agency and Fund Source
(In Millions)

Agency/Fund Source	Expended/ Budgeted 2000–01	Recommended 2002–03	Biennial Change	Percentage Change
Public Finance Authority	\$559.3	\$520.5	\$(38.8)	(6.9)
Water Development Board–Water Bonds	27.9	43.0	15.1	54.1
General Services Commission Lease Payments	89.9	92.1	2.2	2.4
Parks and Wildlife Department Lease Payments	6.8	10.7	3.9	57.5
Department of Health Lease Payments	6.3	6.3	0.0	0.1
Preservation Board/History Museum Lease Payments	10.4	13.6	3.1	30.2
Department of Criminal Justice–Private Prison Lease/Purchase	39.5	37.6	(1.8)	(4.6)
Tuition Revenue Bonds	205.0	199.3	(5.7)	(2.8)
Adjutant General/Military Facilities Commission	8.0	8.0	0.0	0.1
Total, Debt Service Payments	\$953.3	\$931.1	\$(16.3)	(1.7)
Method of Financing:				
General Revenue Funds	\$923.7	\$899.3	\$(24.3)	(2.6)
General Revenue–Dedicated Funds	20.5	15.9	(4.7)	(22.7)
Other Funds	8.9	15.9	7.0	77.9
Total, All Funds	\$953.1	\$931.1	\$(22.0)	(2.3)

NOTES: Totals may not add because of rounding.

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

SIGNIFICANT FUNDING ELEMENTS AND COSTS

provide for increases above the 2001 rates of 23.2 percent in 2002 and an additional 10.0 percent in 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.

Employees Retirement System of Texas group insurance contributions will increase by \$453.4 million, primarily because of the increase in premiums.

General revenue funding for Higher Education Group Insurance is increased by \$255.0 million, or 41.0 percent above the 2000–01 levels, because of increases in premium rates and covering current employee enrollment.

General Revenue funding for public school retirees' health insurance is increased by \$203.6 million, or 83.0 percent. Included in the recommendations is \$252.2 million (a \$175.9 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 \$55.5 million caused by payroll growth. Of this increase, \$24.2 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 \$586.7 million biennial

appropriation includes funding for the Children's Health Insurance Program (CHIP) (\$354.1 million); New Generation mental health medications (\$30.5 million); other health care services (\$68.1 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. Anticipated revenue from Tobacco Settlement receipts for the 2002–03 biennium is estimated to be \$395 million in fiscal year 2002 and \$391 million in fiscal year 2003.

Table 8
Selected Employee Benefits
All Funds
(In Millions)

Agency/Fund Source	Expended/ Budgeted 2000–01	Recommended 2002–03	Biennial Change	Percentage Change
Employees Retirement System— Retirement Contributions	\$562.7	\$587.8	\$25.1	4.5
Employees Retirement System— Group Insurance	1,238.6	1,692.0	453.4	36.6
Social Security	1,079.5	1,135.0	55.5	5.1
Benefit Replacement Pay— State Agency Employees	185.2	156.8	(28.4)	(15.3)
Teacher Retirement System— Retirement Contributions	2,253.4	2,503.5	250.2	11.1
Teacher Retirement System— Retirees' Health Insurance	245.4	448.9	203.6	83.0
Optional Retirement Program	196.3	217.4	21.1	10.8
Higher Education Group Insurance	621.3	876.3	255.0	41.0
Total, Selected Employee Benefits	\$6,382.3	\$7,617.8	\$1,235.5	19.4
Method of Financing:				
General Revenue Funds	\$5,145.8	\$6,173.6	\$1,027.8	20.0
General Revenue—Dedicated Funds	297.0	341.3	44.3	14.9
Federal Funds	483.6	562.1	78.6	16.2
Other Funds	455.9	540.8	84.9	18.6
Total, All Funds	\$6,382.3	\$7,617.8	\$1,235.5	19.4

NOTES: 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 229,013 full-time-equivalent (FTE) positions in 2002 and 229,085 in 2003. As shown in Figure 4, the 2003 amount represents a decrease of 228 FTE positions from the 2001 level.

The General Appropriations Act (GAA) 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 9) primarily because of

increases in higher education staff and faculty.

Figure 4
Full-time-equivalent Positions

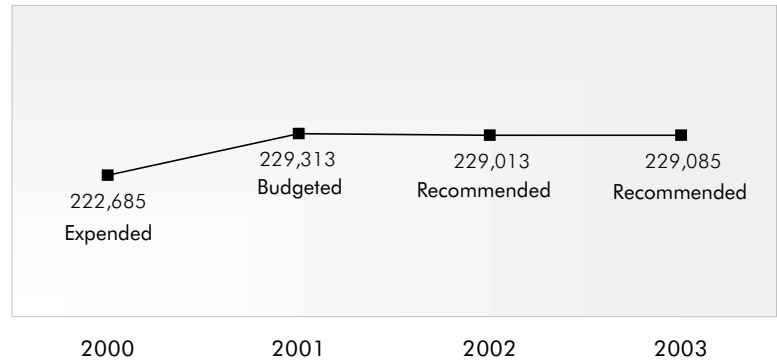


Table 9
Full-time-equivalent Positions

Function	Expended 2000	Budgeted 2001	Recommended 2002	Recommended 2003
Article I - General Government	8,863	9,224	9,277	9,275
Article II - Health and Human Services	51,339	50,662	50,506	50,506
Article III - Agencies of Education				
Appropriated funds only	76,462	79,903	79,673	79,690
Total, Education	125,233	130,417	131,301	132,280
Article IV - The Judiciary	1,287	1,335	1,287	1,287
Article V - Public Safety and Criminal Justice	53,438	56,091	56,476	56,555
Article VI - Natural Resources	8,495	8,509	8,414	8,386
Article VII - Business and Economic Development	19,247	19,826	19,526	19,526
Article VIII - Regulatory	3,555	3,764	3,854	3,859
Article IX - General Provisions	0	0	0	0
Total, All Articles	222,685	229,313	229,013	229,085
FTE Cap	227,856	226,949	229,013	229,085
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 those 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 10, the recommended appropriations for the 2002–03 biennium contain

2,065 Key performance measures, which represents a 4 percent reduction in the total number of key performance measures from the 2000–01 biennial level and a 25.4 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 10 provides a summary of the number of key and non-key measures used by agencies since the 1996–97 biennium.

Table 10
Performance Measures, by Type

Type of Measure	Number of Measures			
	Appropriated 1996–97	Appropriated 1998–99	Appropriated 2000–01	Recommended 2002–03
Key				
Outcome (results/impact)	1,118	1,012	902	830
Output (volume)	1,445	1,123	828	819
Efficiency	512	491	300	291
Explanatory	175	143	121	125
Total	3,250	2,769	2,151	2,065
Non-key				
Outcome (results/impact)	1,924	1,640	1,985	1,355
Output (volume)	2,767	1,794	1,634	1,538
Efficiency	1,319	751	807	863
Explanatory	1,506	1,137	1,045	1,056
Total	7,516	5,322	5,471	4,812

APPROPRIATED AND EXPENDED/BUDGETED FUNDS COMPARISON

A comparison of the amount of appropriations for the 2000–01 biennium, which totaled \$98.2 billion, as shown in the *2000–01 Fiscal Size-Up*, with the expended 2000 and budgeted 2001 amounts shown in the *Legislative Budget Estimates for the Seventy-seventh Legislature*, which total \$101.9 billion, identifies a difference of \$3.7 billion. The net increase of \$3.7 billion shown in the *Legislative Budget Estimates* is explained by the following items:

- an increase of \$1.9 billion in expenditures for Medicaid programs to cover increased costs for prescription drugs, greater-than-anticipated caseloads, and higher utilization of services. Of this amount, \$1.3 billion is in Federal Funds and \$0.6 billion is in General Revenue Funds;
- an increase of \$0.9 billion in State Highway Funds caused by increased available revenues, primarily from motor fuel taxes and unexpended balances carried forward from 1999, and a decrease of \$0.2 billion in Federal Funds caused by delays in completion of highway construction projects;
- an increase of \$0.4 billion in Federal Funds for public education due to new grants and greater-than-expected federal grant funding;
- an increase of \$0.3 billion in Other Educational and General

- Income (e.g., tuition) by institutions of higher education primarily from a change in the allocation of benefits at the health-related institutions;
- an increase of \$0.3 billion in General Revenue Funds for adult incarceration, due to carry-forward general obligation bond proceeds for construction and renovation and contracting with counties for jail space;
- an increase of \$0.3 billion in Federal Funds for the Children’s Health Insurance Program;
- an increase of \$0.1 billion for the Available University Fund because of the inclusion of dividends in the amounts available for expenditure;

- an increase of \$0.1 billion in Federal Funds for state emergency responses;
- an increase of \$0.1 billion in Telecommunications Infrastructure Fund expenditures caused by larger-than-expected unexpended balances;
- a decrease of \$0.3 billion in Other Funds for public education;
- a decrease of \$0.1 billion in General Revenue Funds for public education due to increased local property values in the 2000–01 biennium; and
- a decrease of \$0.1 billion in General Revenue Funds for miscellaneous programs.

Table 11
Reconciliation of 2000–01 Appropriations
to 2000–01 Expended/Budgeted Amounts
All Funds
(In Billions)

Budget Adjustments	Adjustment Amount	2002–03 Biennium
2000–01 Appropriations as published in <i>Fiscal Size-Up</i>		\$98.2
Major Budget Adjustments:		
Medicaid Expenditures	\$1.9	
Highway Funds	0.7	
Federal Education Funds	0.4	
Higher Education Other Educational and General Income	0.3	
Adult Incarceration	0.3	
Children’s Health Insurance Program	0.3	
Available University Fund	0.1	
Federal Emergency Response Funds	0.1	
Telecommunication Infrastructure Fund	0.1	
Other Public Education Funds	(0.3)	
General Revenue Public Education Funds	(0.1)	
Miscellaneous programs	(0.1)	
Subtotal, Adjustments		3.7
Total, Expended/Budgeted for 2000–01		\$101.9

NOTES: 2000–01 appropriations include anticipated supplemental spending needs. Totals may not add because of rounding.

MAJOR BUDGET REDUCTIONS

The recommendations for the 2002–03 biennium include a number of budget reductions from the 2000–01 biennium.

Table 12 identifies reductions of approximately \$228.4 million in General Revenue Funds and General Revenue–Dedicated Funds.

The reductions are grouped by agency as one-time expenditures in 2000–01 or savings/budget reductions.

Table 12
Selected Reductions to the 2000–01 Budget
General Revenue and General Revenue–Dedicated Funds
(In Millions)

Agency	Area	Amount
One-time Expenditures in 2000–01		
Department of Mental Health and Mental Retardation	Capital items	\$ 7.3
Higher Education Institutions	Special items	39.1
Department of Criminal Justice	Re-engineering project—Phase III Parole Component	26.0
	Hepatitis B Testing Pilot Program	12.3
	Transportation/vehicle purchases	7.4
	Texas Forest Service	Fire-suppression costs
Savings/Budget Reductions		
All Agencies	Benefit Replacement Pay savings	\$37.7
Department of Human Services	Enhanced funding for payment accuracy in the Food Stamp Program	32.9
	Decreased funding for the Texas Integrated Eligibility Redesign System (TIERS) Project	13.2
	Texas Education Agency	Decreased funding for special programs (lapse)
Higher Education Institutions	Decreased funding for tuition revenue bonds	5.9
Office of Court Administration	Decreased special funding for community/junior college campuses	4.6
	Decreased funding for Judicial Committee on Information Technology	9.1

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

**Table 13
Major Budget Indicators
1990 and 2000**

Indicators	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 (CHIP)	0	37,175	100.0

*Estimated

REVENUE OUTLOOK FOR THE 2002-03 BIENNIUM

The Comptroller's certification estimate of October 1999 projected that the amount of revenue available in General Revenue Funds for the 2000-01 biennium would be \$57.7 billion. The state's fiscal outlook for the current biennium has improved since the Comptroller's 1999 estimate was released:

- Sales tax, motor vehicle sales tax, natural gas tax, and oil production tax collections were strong in fiscal year 2000;
- Revenue collections in the General Revenue Fund exceeded the October 1999 estimate by almost \$1.45 billion in fiscal year 2000; and
- The General Revenue Fund, including dedicated accounts, ended fiscal year 2000 with a \$3.8 billion balance.

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.

Recommended appropriations from the General Revenue Fund for the 2002-03 biennium total \$59.8 billion. The recommendations are 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.

While the exact relationship between the LBB-recommended 2002-03 appropriations and the Article VIII limit will depend on the contents of the Comptroller's revised revenue estimate and emergency appropriations that may be enacted by the Legislature, LBB recommendations are within 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.

In accordance with Human Resources Code, §31.053, the following items of information

REVENUE OUTLOOK FOR THE 2002-03 BIENNIUM

pertaining to the limit are provided:

- The 2002-03 biennial budget defined in Human Resources Code, §31.051, is \$108,236.0 million, based on the General Appropriations Bill prepared under the direction of the Legislative Budget Board;
- The maximum biennial amount of 1 percent of the state budget is \$1,082.4 million; and
- The biennial amount included in the General Appropriations Bill prepared under the direction of the Legislative Budget Board 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 \$839.2 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:

- Preliminary estimates by the Legislative Budget Board indicate that, based on the constitutional provision, the average unrestricted general revenues for the three years immediately preceding fiscal year 2002 will be \$24,273,345,000;
- The maximum annual amount of 5 percent of the average unrestricted general revenue for the three years preceding fiscal year 2002 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 included in the Legislative Budget Board's recommended appropriations 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 \$366,395,000 for fiscal year 2002; and
- The debt service on outstanding debt as a percentage of unrestricted general revenue is estimated at 1.5 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. If the current trend in natural gas tax collections were to continue, there would be another significant transfer to the Economic Stabilization Fund in November 2001.

GENERAL GOVERNMENT

All Funds recommendations for General Government total \$2,456.7 million for the 2002–03 biennium, which is a decrease of \$13.1 million, or 0.5 percent, from 2000–01 (Table 14).

For General Revenue and General Revenue–Dedicated Funds, the recommendations total \$1,769.1 million, which is an increase of \$37.3 million, or 2.2 percent, from 2000–01 (Table 15).

Selected performance measures for agencies in the General Government function are depicted in Table 16.

Table 14
All Funds
(In Millions)

	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	14.3	1.2	9.3
Office of the Attorney General	656.3	646.8	(9.6)	(1.5)
Bond Review Board	1.1	1.1	0.0	1.7
Comptroller of Public Accounts	359.7	359.4	(0.3)	(0.1)
Fiscal Programs - Comptroller of Public Accounts	335.6	350.9	15.4	4.6
Commission on State Emergency Communications	71.5	87.3	15.8	22.1
Employees Retirement System	12.2	12.7	0.6	4.7
Texas Ethics Commission	3.9	3.6	(0.4)	(9.5)
Public Finance Authority	1.4	1.4	0.0	3.1
Fire Fighters' Pension Commissioner	0.7	0.7	(0.0)	(1.6)
State General Services Commission	227.9	191.0	(36.9)	(16.2)
Office of the Governor	15.2	17.9	2.7	17.5
Trusted Programs within the Office of the Governor	274.1	289.0	14.9	5.4
Historical Commission	65.7	64.0	(1.7)	(2.6)
Commission on Human Rights	4.8	4.7	(0.1)	(1.6)
Texas Incentive and Productivity Commission	0.5	0.5	0.0	0.6
Department of Information Resources	18.0	11.0	(7.0)	(39.0)
Library & Archives Commission	55.7	68.6	12.8	23.1
Pension Review Board	0.6	0.6	0.0	2.0
Preservation Board	63.7	26.6	(37.1)	(58.2)
State Office of Risk Management	11.2	11.2	(0.0)	(0.3)
Workers' Compensation Payments	103.7	103.9	0.3	0.3
Secretary of State	39.9	40.5	0.5	1.3
Office of State-Federal Relations	2.3	2.3	(0.0)	(0.9)
Veterans Commission	7.1	6.2	(0.9)	(12.9)
Subtotal, General Government	\$2,354.0	\$2,324.9	\$(29.1)	(1.2)
Retirement and Group Insurance	99.2	122.1	22.9	23.1
Social Security and Benefit Replacement Pay	60.9	61.1	0.2	0.3
Subtotal, Employee Benefits	\$160.1	\$183.2	\$23.1	14.4
Lease Payments	36.5	38.8	2.2	6.1
Less Interagency contracts	80.9	90.2	9.3	11.5
Total, Article I - General Government	\$2,469.8	\$2,456.7	\$(13.1)	(0.5)

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

2002-03 BIENNIAL RECOMMENDATIONS

Table 15
General Revenue and General Revenue-Dedicated Funds
(In Millions)

	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	11.0	\$1.2	12.6
Office of the Attorney General	300.8	296.1	(4.7)	(1.6)
Bond Review Board	1.1	1.1	0.0	1.7
Comptroller of Public Accounts	358.3	358.3	(0.0)	0.0
Fiscal Programs - Comptroller of Public Accounts	330.5	349.1	18.6	5.6
Commission on State Emergency Communications	71.5	87.3	15.8	22.1
Employees Retirement System	12.2	12.7	0.6	4.7
Texas Ethics Commission	3.9	3.5	(0.4)	(9.1)
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	91.1	(3.9)	(4.1)
Office of the Governor	15.2	17.9	2.7	17.5
Trusted Programs within the Office of the Governor	90.7	78.6	(12.0)	(13.3)
Historical Commission	60.7	59.6	(1.2)	(1.9)
Commission on Human Rights	1.2	1.2	0.0	0.0
Texas Incentive and Productivity Commission	0.5	0.5	0.0	0.6
Department of Information Resources	6.3	4.6	(1.7)	(26.2)
Library & Archives Commission	26.8	26.7	(0.1)	(0.1)
Pension Review Board	0.5	0.5	0.0	0.0
Preservation Board	23.3	26.6	3.3	14.3
State Office of Risk Management	9.4	9.0	(0.4)	(4.0)
Workers' Compensation Payments	102.8	102.8	0.0	0.0
Secretary of State	34.3	33.6	(0.7)	(1.9)
Office of State-Federal Relations	2.0	2.0	0.0	0.0
Veterans Commission	7.0	6.2	(0.8)	(11.8)
Subtotal, General Government	\$1,565.9	\$1,582.9	\$17.1	1.1
Retirement and Group Insurance	78.8	96.6	17.8	22.6
Social Security and Benefit Replacement Pay	50.6	50.9	0.3	0.5
Subtotal, Employee Benefits	\$129.4	\$147.4	\$18.0	13.9
Lease Payments	36.5	38.8	2.2	6.1
Total, Article I - General Government	\$1,731.8	\$1,769.1	\$37.3	2.2

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

2002-03 BIENNIAL RECOMMENDATIONS

Table 16
Selected Performance Measures

	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	\$1,193.8	\$1,298.0
Comptroller of Public Accounts				
Treasury Portfolio Yield Compared to Money Market Funds Having Similar Investment Authority	104%	100%	105%	105%
Employees Retirement System				
Percent of ERS Retirees Expressing Satisfaction with Member Benefit Services	90.8%	95%	95%	95%
State General Services Commission				
Percent 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				
Percent of Business Entity Filings and Public Information Request Responses Completed within Three Business Days	82.3%	76%	80%	82%
Office of State-Federal Relations				
Texas' Proportionate Share of Federal Funding	6.36%	6.52%	6.52%	6.52%
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	\$450	\$450

BUDGET ISSUES AND RECOMMENDATIONS

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

- continuation of \$123.0 million in General Revenue-related Funds for child support enforcement activities which include establishing paternity, obtaining and enforcing child support orders, and the operation of regional call centers;
- an increase of \$8.4 million in General Revenue unexpended balances for emergency/deficiency and disaster grants in the Office of the Governor; and
- an overall 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 judgement program areas.

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

AIRCRAFT POOLING BOARD

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

The Aircraft Pooling Board underwent review by the Sunset Advisory Commission during the 2000–01 biennium.

COMMISSION ON THE ARTS

- continuation of \$2 million appropriation in General Revenue Funds to the Cultural Endowment Fund; and
- an increase of \$1.4 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

- a decrease of \$11.0 million in All Funds due to reduced funding for the State Disbursement Unit in order to return funding to the 2000–01 appropriated level;
- an increase of \$3.2 million in Federal Funds available for Child Support Enforcement; and
- an All Funds increase of \$1.8 million for Victims Assistance Grants as a result of additional Federal Funds for sexual assault programs and additional general revenue–dedicated grants to the Court Appointed Special Advocates program from revenues from sales of specialty license plates.

The Child Support Enforcement Program of the Office of the Attorney General underwent review by the Sunset Advisory Commission during the 2000–01 biennium.

FISCAL PROGRAMS - COMPTROLLER OF PUBLIC ACCOUNTS

- an increase of \$13 million in General Revenue Funds for the Unclaimed Property program due to increased awareness of the program since being posted on the Internet;
- an increase of \$3 million in General Revenue Funds for Reimbursements-Mixed Beverage Tax to meet increased tax reimbursements to counties;
- an increase of \$2.2 million in General Revenue Funds due to increased judgements in the Tort Claims/Federal Court Judgements programs; and
- a decrease of \$3.2 million in Federal Funds due to the expiration of the Department of Energy Grant for the Amarillo National Resource Center for Plutonium.

The Texas Energy Coordination Council underwent review by the Sunset Advisory Commission during the 2000–01 biennium.

BUDGET ISSUES AND RECOMMENDATIONS

COMMISSION ON STATE EMERGENCY COMMUNICATIONS

- an increase of \$15.8 million in General Revenue–Dedicated Funds primarily to restore one-time savings in 9-1-1 service contracts with Councils of Government.

TEXAS PUBLIC FINANCE AUTHORITY

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

GENERAL SERVICES COMMISSION

- a \$1.3 million increase in General Revenue Funds for building design and construction management;
- 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 decrease of \$35.6 million in Other Funds (Bond Proceeds–Revenue Bonds) resulting from a decline in available unexpended balances for construction projects; and
- an increase of \$6 million in Other Funds primarily due to carry forward of unexpended balances for asbestos abatement.

The General Services Commission underwent review by the Sunset Advisory Commission during the 2000–01 biennium.

OFFICE OF THE GOVERNOR

- an increase of \$2.7 million in General Revenue Funds due to carry forward of unexpended balances.

TRUSTEED PROGRAMS WITHIN THE OFFICE OF THE GOVERNOR

- an increase of \$8.4 million in General Revenue Funds due to carry forward of unexpended balances for emergency/deficiency and disaster grants;
- a decrease of \$16.9 million in General Revenue–Dedicated Funds due to a decline in available balances in the Crime Stoppers Assistance and Criminal Justice Planning accounts;
- a decrease of \$3.9 million in the Disaster Contingency Account

due to a decline in local governments matching grants for federal disaster assistance;

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

- \$13.1 million for the second award of Juvenile Justice Accountability Grant;
- a \$7.6 million increase in Crime Victim Assistance Funds due to increases in criminal fines;
- a \$2.9 million increase in funding for programs to combat drug-related crimes and violence;
- a \$4.3 million increase in funding for juvenile justice and residential substance abuse 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.

A Federal Funds increase of \$250,000 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.

BUDGET ISSUES AND RECOMMENDATIONS

HISTORICAL COMMISSION

- continuation of a \$50 million appropriation in General Revenue Funds for the Texas Historic Courthouse Preservation Program which provides financial and technical assistance to critical courthouse projects state-wide;
- continuation of a \$2.5 million appropriation 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 \$620,000 in General Revenue Funds, including \$200,000 in unexpended balances from the 2000–01 biennium; and
- a decrease of \$1 million in General Revenue Funds for purchase of historical artifacts.

DEPARTMENT OF INFORMATION

RESOURCES

- 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 a \$1 million decrease 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

- an increase of \$12.6 million due to an interagency grant from the Telecommunications Infrastructure Board which will be used to provide statewide licensing of databases and access to library collections for TexShare libraries;
- a decrease of \$530,236 in General Revenue Funds due to completion of the Sam Houston Center construction project; and
- an increase of \$500,000 in General Revenue–Dedicated Funds from the sale of “New Millennium/Texas Reads” license plates.

STATE PRESERVATION BOARD

- an increase of \$3.1 million out of the General Revenue Fund for debt service payments for the Bob Bullock Texas State History Museum; and
- a reduction of \$40.0 million in Bond Proceeds due to the completion of construction for the Bob Bullock Texas State History Museum.

SECRETARY OF STATE

- a decrease of \$0.6 million in General Revenue Funds due primarily to a decrease in the number of estimated constitu-

tional amendments to be published; and

- an increase of \$1.2 million in Other Funds due to increasing activity in business filings, Uniform Commercial Code transactions, and information requests.

TEXAS VETERANS COMMISSION

- a decrease of \$830,000 in General Revenue due to a one-time donation to the World War II National Monument in 2000; and
- a decrease of \$82,048 in Interagency Contracts due to the termination of a contract with the General Land Office to verify eligibility of veterans’ home and home improvement loans.

HEALTH AND HUMAN SERVICES

All Funds recommendations for Health and Human Services total \$32,709.7 million for the 2002–03 biennium, which is an increase of \$2,833.5 million, or 9.5 percent,

from 2000–01 (Table 17).

For General Revenue and General Revenue–Dedicated Funds, the recommendations total \$13,149.8 million, which is an

increase of \$1,123.2 million, or 9.3 percent, from 2000–01 (Table 18).

Selected performance measures for agencies in the Health and Human Services function are depicted in Table 19.

Table 17
All Funds
(In Millions)

	Expended/ Budgeted 2000–01*	Recommended 2002–03	Biennial Change	Percentage Change
Department on Aging	\$124.1	\$127.4	\$3.3	2.7
Commission on Alcohol and Drug Abuse	339.2	331.1	(8.1)	(2.4)
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	3.6	0.1	2.7
Interagency Council on Early Childhood Intervention	163.8	181.7	17.9	10.9
Department of Health	14,579.3	16,076.1	1,496.8	10.3
Health and Human Services Commission	373.1	945.5	572.4	153.4
Department of Human Services	7,825.5	8,384.1	558.6	7.1
Department of Mental Health and Mental Retardation	3,647.4	3,616.1	(31.3)	(0.9)
Department of Protective and Regulatory Services	1,408.2	1,477.3	69.2	4.9
Rehabilitation Commission	550.9	556.1	5.2	0.9
Subtotal, Health and Human Services	\$29,122.0	\$31,805.4	\$2,683.4	9.2
Retirement and Group Insurance	576.2	721.5	145.3	25.2
Social Security and Benefit Replacement Pay	278.5	273.8	(4.7)	(1.7)
Subtotal, Employee Benefits	\$854.8	\$995.3	\$140.6	16.4
Bond Debt Service Payments	36.1	37.3	1.2	3.4
Lease Payments	14.8	14.1	(0.7)	(4.7)
Subtotal, Debt Service	\$50.9	\$51.5	\$0.5	1.0
Less Interagency contracts	151.6	142.5	9.1	(6.0)
Total, Article II - Health and Human Services	\$29,876.2	\$32,709.7	\$2,833.5	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.

HEALTH AND HUMAN SERVICES

2002-03 BIENNIAL RECOMMENDATIONS

Table 18
General Revenue and General Revenue-Dedicated Funds
(In Millions)

	Expended/ Budgeted 2000-01*	Recommended 2002-03	Biennial Change	Percentage Change
Department on Aging	\$15.3	\$15.3	0.0	0.0
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	(0.0)	(0.7)
Interagency Council on Early Childhood Intervention	66.5	70.3	3.8	5.7
Department of Health	5,814.5	6,529.1	714.6	12.3
Health and Human Services Commission	14.3	33.9	19.6	136.5
Department of Human Services	2,899.9	3,153.0	253.1	8.7
Department of Mental Health and Mental Retardation	2,009.4	2,033.9	24.5	1.2
Department of Protective and Regulatory Services	455.1	483.8	28.8	6.3
Rehabilitation Commission	105.8	105.8	0.0	0.0
Subtotal, Health and Human Services	\$11,472.6	\$12,519.1	\$1,046.5	9.1
Retirement and Group Insurance	341.7	423.6	81.9	(1.0)
Social Security and Benefit Replacement Pay	161.4	155.8	(5.6)	(3.5)
Subtotal, Employee Benefits	\$503.1	\$579.4	\$76.3	15.2
Bond Debt Service Payments	36.0	37.1	1.1	3.0
Lease Payments	14.8	14.1	(0.7)	(4.7)
Subtotal, Debt Service	\$50.9	\$51.3	\$0.4	0.8
Total, Article II - Health and Human Services	\$12,026.6	\$13,149.8	\$1,123.2	9.3

NOTES: Totals may not add because of rounding.

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

* Includes anticipated supplemental spending needs.

HEALTH AND HUMAN SERVICES

2002-03 BIENNIAL RECOMMENDATIONS

Table 19
Selected Performance 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	1,900,525	1,939,306
Average Monthly Medicaid Caseload in DHS Community Care	105,020	110,763	116,342	120,377
Average Monthly Caseload, Nursing Facility Clients (Medicaid and Medicare Copay)	66,598	68,338	68,015	68,435
Percent of Long-term Care Clients Served in Community Settings	64.7%	65.62%	66.47%	67.12%
Number of TANF-Basic Recipients per Month	310,937	305,154	299,957	294,769
Number of TANF-UP Recipients per Month	30,543	31,234	31,048	30,941
Number of Adults and Youth Served in Substance Abuse Prevention	342,554	318,149	327,619	327,619
Number of Adults, Youth and Dual Diagnosis Clients Served in Substance Abuse Treatment	42,538	39,537	41,394	41,394
Average Monthly Number of Customers Served in MR Home and Community-Based Services	5,260	5,844	6,002	6,002
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	2,273	2,273
Number of WIC Participants Receiving Nutritious Food Supplements per Month	745,534	755,000	766,000	777,000
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	116,457	116,457
Percent of Community Youth Development (CYD) Program Youth with Improved TAAS Scores	59%	59%	59%	59%
Number of Children in DPRS Conservatorship Who Are Adopted	2,063	2,107	2,107	2,107
Number of Completed Child Abuse/Neglect Investigations	121,732	118,164	118,164	118,164
Average Weighted Child Protective Services Caseload per Worker	25.1	23.1	24.2	25.3
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	37,175	237,864	428,453	428,453

* Includes Department of Health, 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 increased funding for health and human services is associated with the Medicaid program:

- a \$202.3 million General Revenue Funds increase due to a less favorable FMAP (Federal Medical Assistance Percentage) match rate; the Federal Medical Assistance Percentage (FMAP), the Medicaid matching rate, was 60.57 percent in 2001, 60.17 percent in fiscal year 2002, and is estimated to be 60.07 percent 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 payments, Community Care, and acute care services such as hospital and physician payments for Medicaid clients. Categories of recipients experiencing caseload growth include many children's groups; and

- a \$776.5 million All Funds increase (\$308.7 million General Revenue Funds) to fund two additional Medicaid payments (the deferred 2001 payments plus 24 months) for premium and nursing home services.

Increases of \$74.4 million in All Funds (\$23.5 million General Revenue Funds) were appropriated for foster care and adoption subsidy caseloads.

Recommendations for federal Temporary Assistance for Needy Families (TANF) funding total \$1,120.8 million for the 2002–03 biennium, compared to \$1,182.4 for the 2000–01 biennium, including TANF funding outside of Article II health and human services agencies. In general, Article II recommendations maintain current TANF spending levels, after adjustments for caseload. In all four years, TANF federal funding exceeds the state's annual federal allocation by using balances carried forward from previous years. An estimated \$221.4 million in TANF funds will be carried forward into the 2002–03 biennium. The TANF balance will diminish to approximately \$77.4 million by the end of the 2002–03 biennium based on recommended funding levels. These estimates assume 2002 and 2003 TANF awards at the 2001 basic funding level, without supplemental funding for high

growth/low benefit states, performance awards or penalties.

A net increase of \$195.2 million in Tobacco Settlement Receipts funding for health and human services-related initiatives and programs is provided in Article XII. An increase of \$198 million in Tobacco Settlement receipts is appropriated for caseload increases in the Children's Health Insurance Program (CHIP). Clients in the CHIP, Phase II, are assumed to reach 428,453 by the end of fiscal year 2001 and to be maintained at that level during the 2002–03 biennium. Funding for other programs within the Children's Health Insurance Program, such as funding for Medicaid spillover associated with the implementation of CHIP, CHIP Phase I, Legal Immigrant Children, and the State Employee Children's (Kids) Insurance Program (SKIP), is included in the Article XII appropriation.

Overall, full-time-equivalent (FTE) positions declined by 155 from fiscal year 2001 levels. The total number of FTE positions recommended for health and human services agencies is 50,506 in each fiscal year of the biennium. Most of the reduction is associated with continued transition of services to local control at the Department of Mental Health and Mental Retardation.

BUDGET ISSUES AND RECOMMENDATIONS

The Children's Trust Fund of Texas Council underwent a special-purpose review by the Sunset Advisory Commission during the 2000–01 biennium. The Office for the Prevention of Development Disabilities, administratively attached to the Department of Mental Health and Mental Retardation, also underwent review by the Sunset Advisory Commission during the 2000–01 biennium.

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

DEPARTMENT ON AGING

- an increase of \$3.3 million in All Funds due to an anticipated increase in federal funding for the Aging grant.

COMMISSION ON ALCOHOL AND DRUG ABUSE

- an overall \$8.1 million All Funds decrease with service levels maintained at the fiscal year 1999 levels;
- a \$6.8 million Federal Funds decrease due to the expiration of certain categorical grants and the depletion of prior year balances in the Substance Abuse Prevention and Treatment block grant; and
- a \$1.3 million Other Funds decrease related to interagency contracts.

Criminal justice treatment programs are no longer funded through the Commission on Alcohol and Drug Abuse.

COMMISSION FOR THE BLIND

- an overall increase of \$2.1 million in General Revenue 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 drivers license renewals from four to six years starting in 1997 offset by a \$0.2 million increase related to an Unexpended Balance Rider;
- a \$2.5 million Earned Federal Funds (General Revenue) 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;
- 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; and

- the transfer of one FTE and the responsibility to provide administrative support for the Commission for the Deaf and Hard of Hearing to the Rehabilitation Commission.

INTERAGENCY COUNCIL ON EARLY CHILDHOOD INTERVENTION

- a \$16.4 million increase in Federal Funds to provide for caseload growth in eligible children;
- 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;
- a \$2.3 million decrease in Other Funds as compared to the 2000–01 biennium primarily associated due to a reduction in interagency contracts relating to the ECI services; and
- a total of \$1 million in Tobacco Settlement Receipts is appropriated in Article XII to maintain funding for respite services.

DEPARTMENT OF HEALTH

- an overall \$1,500 million All Funds increase in the agency's bill pattern appropriation; this includes a \$714.6 million General Revenue Funds increase, a \$783.7 million Federal Funds increase, and a \$1.4 million Other Funds

BUDGET ISSUES AND RECOMMENDATIONS

decrease from the 2000–01 expenditure level;

- a total of \$29.9 million in Tobacco Settlement Receipts is provided through Article XII including \$19.6 million to renovate or rebuild two healthcare facilities operated by the Department of Health, \$5.4 million for immunizations, \$3.6 million for children’s Medicaid services, and \$1.2 million for newborn hearing screening. This represents an increase of \$2.7 million compared to 2000–01 expenditures primarily due to the inclusion of unexpended balances for the healthcare facilities;
- a total of \$42.8 million in interest earnings from endowments funded through Article XII with Tobacco Settlement Receipts; including \$18.0 million for Tobacco Education and Enforcement, \$9.0 million for Children and Public Health, \$9.0 million for Emergency Medical Services and Trauma Care, \$4.5 million for Rural Health Facility Capital Improvement, and \$2.3 million for Community Hospital Capital Improvement. The recommendations are \$2.5 million less than the 2000–01 level due to an anticipated decrease in interest earnings; and
- a reduction of six FTE positions

from the 2001 budgeted level to reflect a transfer of Medicaid rate setters to the Health and Human Services Commission.

Specific program recommendations for the agency’s bill pattern include:

MEDICAID PROGRAM

- a \$714.6 million General Revenue Funds increase and a \$1,474.6 million increase in All Funds for the Medicaid program.

Specific Medicaid funding changes include the following:

- a \$390.9 million General Revenue Funds increase and a \$972.7 million All Funds increase to maintain fiscal year 2001 rates and allow for approximately 2 percent growth per year over 2001 caseloads;
- 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 and 60.07 percent in fiscal year 2003);
- a \$101.0 million General Revenue Funds increase and a \$253 million All Funds increase to pay the 24th month premium in fiscal year 2003. The 2000–01

biennium provided for 23 months of premium payments;

- a \$99.3 million General Revenue Funds increase and a \$249.6 million All Funds increase to pay the August 2001 month premium in fiscal year 2002; and
- a \$0.3 million General Revenue Funds decrease and a \$0.7 million All Funds decrease to consolidate Medicaid rate setting at the Health and Human Services Commission; additionally, FTE positions are reduced by six from the 2001 budgeted level.

PUBLIC HEALTH PROGRAMS

- a \$23.6 million Federal Funds increase and a \$1.4 million Other Funds decrease for Public Health programs.

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;
- a \$9.8 million decrease in Title V Federal Funds due to a reduction in carryforward balances;
- a decrease of \$7.0 million in

BUDGET ISSUES AND RECOMMENDATIONS

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 \$7.0 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, \$1.7 million in the Preventive Health and Health Services block grant, and smaller reductions in other grants;
- a \$5.0 million decrease in federal Blood Alcohol Content funding; and
- a \$1.4 million decrease in Other Funds.

A Legislative Budget Board evaluation focusing on childhood immunization efforts in Texas, contained in the *Staff Performance Report to the 77th Legislature*, produced the following recommendations:

- The Department of Health should review all state immuni-

zation initiatives for conformity with legislative intent, prioritize them and report its findings and recommendations to the Legislative Budget Board and the Governor; and

- the Department of Health should undertake a comprehensive review of its current vaccine distribution system and report to the Legislative Budget Board and the Governor its findings and implementation plan to improve the system's effectiveness and efficiency.

A Legislative Budget Board evaluation focusing on prescription drug services, contained in the *Staff Performance Report to the 77th Legislature*, produced the following recommendations:

- the Legislature should consider directing selected state agencies to collect uniform data on prescription drug services; and
- the Legislature should consider directing agencies to work collaboratively to identify, evaluate, and adopt methods to control prescription drug expenditures; the Legislature should also consider adopting statutory changes that would improve the ability of agencies to control expenditures for prescription drug services.

HEALTH AND HUMAN SERVICES COMMISSION

- an increase of \$572.4 million in All Funds, of which of \$19.6 million is General Revenue Funds and \$551 million is Federal Funds. Most of this increase is associated with the Children's Health Insurance Program (CHIP). An increase of \$18 million in General Revenue Funds is recommended from copay revenues associated with the Children's Health Insurance program. In addition, \$354.1 million in Tobacco Settlement Receipts is provided in Article XII for the continued implementation of the CHIP. This represents an increase of \$197.9 million over 2000–01 funding levels; and

- an increase of \$3.2 million in All Funds and \$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.

A Legislative Budget Board evaluation focusing on the CHIP program, contained in the *Staff Performance Report to the 77th Legislature*, produced the following recommendation:

BUDGET ISSUES AND RECOMMENDATIONS

- the Legislature should consider amending state law to address the noncustodial parents' lack of authority to enroll their children in CHIP.

DEPARTMENT OF HUMAN SERVICES

- an increase in General Revenue and General Revenue–Dedicated Funds of \$253.1 million overall and an All Funds increase of \$558.6 million.

LONG TERM CARE SERVICES

Recommendations for the Community Care Services strategy provide an overall increase from the 2000–01 biennium of \$175.2 million in All Funds, including \$83.2 million in General Revenue Funds, for the following reasons:

- \$66.1 million in General Revenue Funds and \$175.2 million in All 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; and
- \$17.1 million in General Revenue Funds for Federal Medical Assistance Percentage or FMAP adjustment.

Recommended funding for the Nursing Facility and Hospice Payments strategy provides an increase of \$187.1 million in General Revenue Funds and

\$399.3 million in All Funds:

- \$46.3 million in General Revenue Funds and \$123.6 million in All Funds to fund caseload growth of less than 1 percent and hold costs at the 2001 levels in the Nursing Facility and Hospice programs;
- \$54.8 million in General Revenue Funds and \$139.1 million in All Funds for 12 payments for fiscal year 2002 for Nursing Facilities;
- \$53.6 million in General Revenue Funds and \$134.8 million in All Funds for the fiscal year 2001 August Nursing Facility payment (25th month); and
- \$31.7 million increase in General Revenue Funds and offsetting decrease in Federal Funds for FMAP adjustments for the 2002–03 biennium.

Recommended funding for the Integrated Service Delivery strategy provides a \$2.2 million increase in General Revenue Funds and a decrease of \$5.9 million in All Funds for the STAR+PLUS Medicaid waiver for less favorable FMAP and projected decreases in caseloads.

SUPPORTIVE AND PREVENTIVE SERVICES FOSTERING SELF-SUFFICIENCY

- recommended funding for the Temporary Assistance for

Needy Families (TANF) Grant provides \$2.2 million less in General Revenue Funds and \$19.1 million more in All Funds than budgeted for the 2000–01 biennium;

- 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;
- recommendations defer funding levels to the Seventy-seventh Legislature for the Texas Integrated Eligibility Redesign System or TIERS project and reduce funding by \$13.2 million in General Revenue Funds and \$50.4 million in All Funds;
- recommendations for the Nutrition Assistance strategy reflect an anticipated increase of \$27.5 million in federal grants;
- All Funds increase for Refugee Assistance of \$2.6 million to reflect an anticipated increase in the Federal Refugee and Entrant Assistance Grant; and
- \$333,437 in All Funds for the Family Violence Prevention

BUDGET ISSUES AND RECOMMENDATIONS

strategy reflects an anticipated increase in the federal grant.

ADMINISTRATIVE/OTHER

- recommended 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;
- Disaster Assistance Funds for fiscal year 2000 of \$9.3 million in All Funds (\$270,000 in General Revenue Funds) were not included in the recommendations for the 2002–03 biennium; and
- 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.

DEPARTMENT OF MENTAL HEALTH AND MENTAL RETARDATION

- a \$31.3 million All Funds decrease and a \$24.5 million General Revenue–related Funds increase to annualize fiscal year 2001 waiver clients and reflect the less favorable Federal Medical Assistance Percentage (FMAP);
- a reduction of 131 FTE positions

from the 2001 budgeted level, due to the transition of state-operated services to local control.

Specific program recommendations include:

CAMPUS AND COMMUNITY-BASED MENTAL HEALTH SERVICES

- a \$6.1 million All Funds increase and a \$9.8 million General Revenue Funds increase for Adult Mental Health Community Services, such as Assertive Community Treatment, Supported Employment, Supported Housing and New Generation Medications to annualize levels of New Generation Medications and to reflect agency shift of mental health block grant funds;
- a \$1.5 million All Funds increase and a \$2.5 million General Revenue Funds increase for the NorthSTAR Behavioral Health Services Managed Care waiver, due primarily to the FMAP change;
- a \$0.8 million All Funds increase and a \$0.6 million General Revenue Funds increase for Children’s Mental Health Services due to the change in FMAP;
- a \$6.7 million All Funds decrease and a \$3.8 million General Revenue Funds

decrease for Assessment and Service Coordination due to the transition of these state-operated services to local control; and

- a \$11.8 million All Funds decrease and a \$3.6 million General Revenue Funds decrease for Mental Health State Hospital Services, due to a decrease in projected revenues pursuant to a newly implemented Mental Health Authority funding methodology and a projected decline in caseload.

CAMPUS AND COMMUNITY-BASED MENTAL RETARDATION SERVICES

- a \$16.7 All Funds increase and a \$10.2 million General Revenue Funds increase for Home and Community-based Services, to annualize caseload growth at fiscal year 2001 levels and to offset declining FMAP;
- a \$4.5 million All Funds decrease and a \$6.4 million General Revenue Funds increase for Mental Retardation Community Services due to a one-time transfer of Title XX funds in fiscal year 2000 and to the declining FMAP;
- a \$3.7 million All Funds decrease and a \$4.2 million General Revenue Funds increase for Intermediate Care Facilities for the Mentally Retarded (ICF/MR) to offset

BUDGET ISSUES AND RECOMMENDATIONS

declining FMAP;

- a \$3.9 million All Funds decrease, a \$2.3 million General Revenue Funds increase and a \$4.3 million Federal Funds decrease for state school services due primarily to the FMAP change; and
- a \$2.9 million All Funds decrease, a \$0.3 million General Revenue Funds increase, and a \$3.0 million Federal Funds decrease for Assessment and Service Coordination due primarily to the FMAP change.

TOBACCO SETTLEMENT RECEIPTS

- continue same level of funding as in fiscal years 2000–01, including \$30.5 million for New Generation Medications, \$15 million for Children’s Mental Health Services, and \$4.8 million for Home and Community-based Services Medicaid waiver.

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 expected 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 \$3.6 million All Funds decrease and a \$0.3 million General Revenue Funds increase due to one-time expenditures in fiscal year 2001 and transfer of the Medicaid rate-setting function to Health and Human Services Commission.

DEPARTMENT OF PROTECTIVE AND REGULATORY SERVICES

- a \$28.8 million General Revenue Funds increase, including \$17.8 million for adoption subsidy caseload increases, \$5.7 million for foster care caseload increases and \$5.3 million for a less favorable Federal Medical Assistance Percentage (FMAP); and
- the number of FTE positions is maintained at the 2001 budgeted level which is approximately 160 positions above 2000.

Specific program recommendations include:

CHILD PROTECTIVE SERVICES (CPS)

- a \$17.8 million General Rev-

enue Funds increase for adoption subsidy payments and non-recurring adoption expenses. The All Funds increase for these items is \$33.0 million due to a Federal Funds increase of \$15.3 million from Title IV-E Adoption Assistance Program entitlement revenues;

- a \$5.7 million General Revenue Funds increase for foster care payments. The All Funds increase for this item is \$41.4 million due to a Federal Funds increase of \$35.7 million. The Federal Funds increase includes \$20.3 million from Title IV-E Foster Care Program entitlement revenues and \$15.4 million from TANF block grant revenues due to projected increase in eligibility for the Emergency Assistance Program;
- a \$5.3 million General Revenue Funds increase for the less favorable FMAP;
- 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 item is \$2.8 million due to a Federal Funds increase of \$0.7 million;
- a \$0.3 million General Revenue Funds increase for CPS Purchased Services. The All Funds increase for this strategy is \$6.9

BUDGET ISSUES AND RECOMMENDATIONS

million due to a Federal Funds increase of \$6.6 million. The Federal Funds increase includes but is not limited to \$5.4 million from Child Care and Development Fund discretionary program revenues and \$1.0 million from Chafee Foster Care Independence Program formula grant revenues; and

- a \$4.6 million General Revenue Funds decrease for CPS staffing strategies, including reductions of \$4.1 million for Child and Family Services, \$0.4 million for CPS Statewide Intake and \$0.1 million for Intensified Family Preservation. The All Funds decrease for these strategies is just \$1.7 million due to a \$3.4 million increase in Federal Funds which is offset by a \$0.5 million reduction in Other Funds. The recommendations maintain funding for salaries, personnel costs, operating expenses and client services at or above the 2001 budgeted level while reducing capital funding for one-time expenditures by \$5.0 million when compared to 2000-01.

ADULT PROTECTIVE SERVICES

- a \$4.7 million General Revenue increase for Adult Protective Services. The All Funds decrease for this program is \$4.4 million due to a Federal Funds decrease of \$9.1 million. The Federal Funds decrease

includes a \$9.2 million reduction in Social Services Block Grant (Title XX) revenues which is partially offset by an increase in Medicaid entitlement revenues.

CHILD CARE REGULATION

- a \$0.2 million General Revenue increase for child care regulation. The All Funds decrease for this program is \$7.7 million due a Federal Funds decrease of \$7.9 million. The Federal Funds decrease is primarily associated with completion of the new Child-care Licensing Automation Support System (CLASS).

INDIRECT ADMINISTRATION AND CAPS MAINTENANCE

- a \$2.3 million General Revenue decrease for indirect administration and maintenance of the Child and Adult Protective System (CAPS) associated with one-time capital and related operating costs. The All Funds decrease for these items is \$1.4 million due to a Federal Funds increase of \$0.8 million.

REHABILITATION COMMISSION

- a \$5.0 million increase in Federal Funds for Vocational Rehabilitation to maintain federal grant expenditures at 2001 levels;
- a \$4.4 million General Revenue-Dedicated Comprehen-

sive Rehabilitation Account Funds increase 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

- an increase of \$0.1 million in Other Funds and one FTE to reflect increased responsibilities for performing the financial and administrative functions for the Commission for the Deaf and Hard of Hearing via interagency contract.

AGENCIES OF EDUCATION

All Funds recommendations for Agencies of Education total \$47,328.3 million for the 2002–03 biennium, which is an increase of \$2,089.1 million, or 4.6 percent, from 2000–01 (Table 20).

For General Revenue and General Revenue–Dedicated Funds, the recommendations total \$37,692.2 million, which is an increase of \$1,208.8 million, or 3.3 percent, from 2000–01 (Tables 21 and 22).

Selected performance measures for agencies in the Agencies of Education function are depicted in Table 23.

Table 20
All Funds
(In Millions)

	Expended/ Budgeted 2000–01	Recommended 2002–03	Biennial Change	Percentage Change
Public Schools				
Texas Education Agency	\$28,660.6	\$29,506.0	\$845.3	2.9
State Board for Educator Certification	38.3	29.4	(8.9)	(23.3)
School for the Blind and Visually Impaired	29.4	31.2	1.8	6.2
School for the Deaf	36.8	38.0	1.2	3.2
Subtotal, Public Schools	\$28,765.2	\$29,604.6	\$839.4	2.9
Telecommunications Infrastructure Fund Board	476.1	462.4	(13.8)	(2.9)
Public Higher Education				
General Academic Institutions	4,549.4	4,579.0	29.5	0.6
Health-related Institutions	3,803.1	4,072.9	269.8	7.1
A&M University Services	634.6	585.3	(49.3)	(7.8)
Higher Education Fund	448.7	448.7	0.0	0.0
Available University Fund	652.1	739.2	87.1	13.4
Other Higher Education	591.2	670.4	79.2	13.4
Two-year Institutions:				
Public Community/Junior Colleges	1,485.5	1,497.6	39.1	2.7
Lamar Lower-level Institutions	53.8	54.6	0.7	1.4
Texas State Technical College	129.5	135.7	6.2	4.8
Subtotal Two-year Institutions	1,641.8	1,687.9	46.1	2.8
Subtotal, Higher Education	\$12,321.0	\$12,783.4	\$462.4	3.8
Teacher Retirement System	2,555.3	3,009.0	453.7	17.8
Optional Retirement Program	196.3	217.4	21.1	10.8
Higher Education Employees Group Insurance Contributions	621.3	876.3	255.0	41.0
Retirement and Group Insurance	37.8	48.0	10.1	26.8
Social Security and Benefit Replacement Pay	391.6	415.8	24.2	6.2
Subtotal, Employee Benefits	\$3,802.3	\$4,566.5	\$764.2	20.1
Bond Debt Service Payments	56.4	0.0	(56.4)	(100.0)
Lease Payments	15.5	16.2	0.7	4.8
Subtotal, Debt Service	\$71.8	\$16.2	\$(55.6)	(77.4)
Less Interagency contracts	197.1	104.7	(92.4)	(46.9)
Total, Article III - Agencies of Education	\$45,239.3	\$47,328.3	\$2,089.1	4.6

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

AGENCIES OF EDUCATION

2002-03 BIENNIAL RECOMMENDATIONS

Table 21
General Revenue Funds
(In Millions)

	Expended/ Budgeted 2000-01	Recommended 2002-03	Biennial Change	Percentage Change
Public Schools				
Texas Education Agency	\$23,192.7	\$23,334.1	\$141.4	0.6
State Board for Educator Certification	27.9	26.4	(1.5)	(5.3)
School for the Blind and Visually Impaired	24.1	24.7	0.6	2.4
School for the Deaf	30.4	31.7	1.2	4.1
Subtotal, Public Schools	\$23,275.2	\$23,416.9	\$141.7	0.6
Telecommunications Infrastructure Fund Board	0.0	0.0	0.0	0.0
Public Higher Education				
General Academic Institutions	3,326.5	3,338.4	12.0	0.4
Health-related Institutions	1,705.6	1,711.3	5.7	0.3
A&M University Services	288.4	277.9	(10.6)	(3.7)
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	530.4	76.8	16.9
Two-year Institutions				
Public Community/Junior Colleges	1,458.5	1,497.6	39.1	2.7
Lamar Lower-level Institutions	44.7	43.9	(0.8)	(1.9)
Texas State Technical College	108.0	112.6	4.2	4.3
Subtotal Two-year Institutions	1,611.2	1,654.1	42.9	2.7
Subtotal, Higher Education	\$7,834.1	\$7,960.9	\$126.8	1.6
Teacher Retirement System	2,417.6	2,853.7	436.0	18.0
Optional Retirement Program	175.4	194.3	18.9	10.8
Higher Education Employees Group Insurance Contributions	621.3	876.3	255.0	41.0
Retirement and Group Insurance	35.0	45.2	10.2	29.0
Social Security and Benefit Replacement Pay	320.0	340.2	20.2	6.3
Subtotal, Employee Benefits	\$3,569.4	\$4,309.7	\$740.3	20.7
Bond Debt Service Payments	56.4	0.0	(56.4)	-100
Lease Payments	15.5	16.2	0.7	4.8
Subtotal, Debt Service	71.8	16.2	(55.6)	-77.4
Total, Article III - Agencies of Education	\$34,750.6	\$35,703.8	\$953.2	2.7

NOTES: Totals may not add because of rounding.

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

AGENCIES OF EDUCATION

2002-03 BIENNIAL RECOMMENDATIONS

Table 22
General Revenue-Dedicated Funds
(In Millions)

	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	\$1,236.3	\$34.3	2.9
Health-related Institutions	314.9	517.1	202.2	64.2
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	3.3	0.0	0.8
Two-year Institutions:				
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	\$1,574.4	\$1,806.3	\$231.9	14.7
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
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
Total, Article III - Agencies of Education	\$1,732.8	\$1,988.4	\$255.6	14.7

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

AGENCIES OF EDUCATION

2002-03 BIENNIAL RECOMMENDATIONS

Table 23
Selected Performance Measures

	Actual 2000	Budgeted 2001	Recommended 2002	Recommended 2003
Public Education				
Total Average Daily Attendance (ADA)	3,702,288	3,763,308	3,827,170	3,893,604
Percent of Equalized Revenue in the Foundation School Program	97.2%	97.5%	98.0%	98.0%
Percent of Students in Districts with Substantially Equally Access to Revenues	90.8%	90.4%	85.0%	85.0%
Percent of Students Passing All Tests Taken	79.5%	84.0%	85.0%	85.0%
Percent of African-American Students Passing All Tests Taken	67.0%	78.0%	80.0%	80.0%
Percent of Hispanic Students Passing All Tests Taken	71.8%	78.0%	80.0%	80.0%
Percent of Economically Disadvantaged Students Passing All Tests Taken	69.8%	76.0%	78.0%	78.0%
Percent of Districts Rated Exemplary or Recognized	57.8%	48.5%	30.5%	NA
Percent of Campuses Rated Exemplary or Recognized	47.7%	42.0%	46.7%	NA
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 Remediation	88.5%	86%	88.5%	88.5%
Percentage of Students Enrolled in Colleges Who are Black or Hispanic	35.4%	35.5%	36.5%	37.5%
Amount of Grant and Scholarship Funds Distributed (in millions)	\$102.9	\$114.4	\$141.0	\$162.0
Percent of Family Practice Residency Program Graduates Practicing in Texas	86%	85%	87%	87%

BUDGET ISSUES AND RECOMMENDATIONS

The major budget recommendations for public schools and retired teachers:

- provide sufficient General Revenue Funds to fund the current law obligation for the Foundation School Program, including the obligations incurred in the Instructional Facilities Allotment;
- provide sufficient funds to address the equity of the school finance system;
- allocate sufficient funds from the Textbook Fund to fund new textbook adoptions; and
- provide 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:

- provide increases for phasing in the TEXAS (Toward EXcellence, Access, and Success) Grant Scholarships Program;
- provide increases to the Available University Fund 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 Univer-

sity Fund (PUF) expenses from the PUF;

- provide additional funding for enrollment growth at four-year and two-year institutions;
- reallocate the 2000–01 formula hold harmless levels into the 2002–03 recommendations for general academic institutions to partially offset shortfalls for affected institutions;
- project increases in other educational and general income (i.e., General Revenue–Dedicated) for all general academic institutions and health-related institutions;
- provide increases in General Revenue Funds for higher education group insurance to meet current employment levels and increases in premiums;
- include special item reductions for one-time capital items; and
- allow health-related institutions to retain patient care income increases locally.

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

TEXAS EDUCATION AGENCY

- maintenance of the 2000–01 level of General Revenue Funds

for the Foundation School Program;

- a \$102 million increase in General Revenue Funds for new textbook adoptions;
- 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 \$12 million General Revenue Funds increase for the Master Reading Teacher Program to maintain the funding initiated in 2001;
- a \$16 million General Revenue Funds decrease to the Reading Initiative, due to slower than anticipated expenditures in 2000–01;
- a \$322 Federal Funds increase, including a \$182 million increase to the school breakfast and lunch program, a \$47 million increase for special education, \$39 million for needy children, \$11 million for teacher preparation and \$18 million for various classroom improvement programs;

BUDGET ISSUES AND RECOMMENDATIONS

- anticipation of a \$457 increase in anticipated Attendance Credits revenue (recapture from property wealthy school districts); and
- a \$65 million decrease in the System Benefit Fund (SBF); the SBF was used in FY 2001 to replace lost recapture revenue to the state due to property value declines associated with electric utility deregulation. While the SBF is not used as a method of finance for 2002–03 in TEA’s bill pattern, it is recognized by rider as available if property values continue to decline.

In 2003, the Texas Education Agency (TEA) will be administering the new student assessments, which will cover more subject areas and be more closely aligned with the Texas Essential Knowledge and Skills. Because of these more rigorous tests, passing rates for all student groups are expected to decrease significantly. The Legislative Budget Board (LBB) has recommended that 2002 targets for passing rates be carried forward to 2003, pending a TEA analysis which will result in revised recommendations by Spring, 2001. Also, the TEA will not issue district or campus ratings in the 2002–03 school year, in order to give districts and campuses time to adjust to the new assessments. Measure targets relating to

these ratings have been left blank for 2003.

A LBB evaluation focusing on ancillary and support programs for Texas schoolchildren, contained in the *Staff Performance Report to the 77th Legislature*, produced the following recommendations:

- the Texas Education Code should be amended to clarify the liability of school districts making facilities available for after-school, evening, and weekend program; and
- a Texas-specific study should be conducted to determine which after-school and support programs are most effective at encouraging students participation.

STATE BOARD FOR EDUCATOR CERTIFICATION

- \$2.8 million in funding for continued test development in 2002 and 2003. Certification and assessment fee revenue, an account in the General Revenue Fund, is the source of this funding.

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

- in recognition of anticipated increases to teacher salaries at these two agencies, the General Revenue Fund estimated increase to the School for the

Deaf is \$1.2 million and to the School for the Blind and Visually Impaired is \$900,000; and

- a \$1.3 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; the School is anticipated to expend \$460,000 of this appropriation itself.

TELECOMMUNICATIONS INFRASTRUCTURE FUND BOARD

- an additional \$39.7 million to the Telecommunications Infrastructure Fund in new revenue not appropriated during the 2000–01 biennium, but less carryforward of unexpended balances than in that biennium, resulting in a \$13.8 million reduction in All Funds.

TEACHER RETIREMENT SYSTEM

- 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;
- \$252.2 million in General Revenue Funds for the Teacher Retirement System. This represents an increase of \$176

BUDGET ISSUES AND RECOMMENDATIONS

million over fiscal year 2000–01, to cover a projected deficit in the TRS-Care retiree health insurance fund, based on health care cost increases of 10 percent per year; 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.

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

HIGHER EDUCATION GROUP INSURANCE

- an increase of \$255.0 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 10.0 percent premium rate increase from updated rates for fiscal year 2002 and an additional 10.0 percent compounded premium rate increase for fiscal year 2003.

GENERAL ACADEMIC INSTITUTIONS

- a \$41.2 million General Revenue Funds increase to fund enrollment growth of 2.13 percent;
- a \$33.3 million increase in Other Educational and General Income for projected tuition and other increases;
- continuing the \$68.1 million increase in General Revenue Funds for faculty and non-faculty salary increases added by the Seventy-sixth Legislature, and distributing amounts among the institutions through the funding formulas;
- providing \$19.8 million in General Revenue Funds to annualize fiscal year 2001 faculty salary increases and including those amounts in the funding formula;
- redistributing \$21.5 million in General Revenue Funds appropriated in 2000–01 for formula hold harmless to address potential shortfalls during the 2002–03 biennium;

- reductions of \$5.9 million in tuition revenue debt service due to several tuition revenue bonds being paid off;
- maintaining the teaching experience supplement weight at 5 percent of lower division and upper division semester credit hours taught by tenured and tenure-track faculty;
- reducing General Revenue Funds by \$28.2 million, for one-time or discontinued special items;
- savings of \$6.3 million over the 2000–01 biennium in General Revenue Funds for Benefit Replacement Pay; and
- 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.

A Legislative Budget Board (LBB) evaluation focusing on general academic institution performance reporting, contained in the *Staff Performance Report to the 77th Legislature*, produced the following recommendations:

BUDGET ISSUES AND RECOMMENDATIONS

- the Higher Education Coordinating Board and the LBB should develop peer-institution criteria to cluster higher education institutions into groups of similar type and comparable demographics; and
- the Legislature should adopt a performance evaluation structure for higher education that includes aggregated indicators of performance directed toward statewide goals as well as institution-specific objectives.

HEALTH-RELATED INSTITUTIONS

- a \$202.2 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 \$61.9 million increase in Health-related Institutions Patient Income, which includes a \$117.4 million increase in Patient Income at The University of Texas M.D. Anderson Cancer Center offset by a decrease of \$55.4 million at the other institutions which operate hospitals or clinics. This is a new method of finance to account for patient income at medical schools that operate a hospital or dental clinic;
- continuing the \$31.6 million increase in General Revenue Funds for fiscal year 2000–01

non-faculty salary increases and fiscal year 2000 faculty salary increases added by the Seventy-sixth Legislature;

- a \$6.6 million increase in General Revenue Funds to annualize fiscal year 2001 faculty salary increases;
- a \$4.5 million increase in General Revenue Funds to provide formula funding at 81.5 percent in both years of the biennium for the Texas A&M University System Baylor College of Dentistry ;
- 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; and
- maintaining special items at 2000–01 appropriated levels.

TWO-YEAR INSTITUTIONS

- an increase of \$47.1 million in General Revenue Funds for enrollment growth of 3.06 percent;
- a net \$0.5 million decrease in General Revenue Funding

associated with special items at the Southwest Collegiate Institute for the Deaf;

- 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 \$4.1 million in General Revenue Funds for TSTC components and \$2.3 million for Lamar State Colleges; and
- elimination of \$4.2 million in General Revenue Funding for one-time special items at TSTC components.

A Legislative Budget Board evaluation focusing on community college funding formulas, contained in the *Staff Performance Report to the 77th Legislature*, produced the following recommendations:

- the Legislature should direct community colleges to use tuition and fee revenues to cover a portion of instruction and administrative costs; and
- the Higher Education Coordinating Board should develop a contact hour-based allocation mechanism that does not depend on a biennial cost study.

BUDGET ISSUES AND RECOMMENDATIONS

A&M SERVICE AGENCIES

- funding infrastructure at each service agency based on proportions derived from the Texas Higher Education Coordinating Board's Space Projection Model;
- a decrease of \$0.5 million in General Revenue Funds for savings associated with benefit replacement pay;
- an increase of \$0.4 million in General Revenue Funds for the Texas Agricultural Experiment Station to apply the 2001 faculty salary increase to both years of the 2002–03 biennium;
- a decrease of \$16.9 million for the Texas Forest Service in General Revenue Funds to reflect a US Department of Agriculture Forest Service repayment for that amount, a \$1.6 million decrease in General Revenue Funds to reflect the Senate Bill 472 emergency appropriation and a \$33.3 million decrease in Other Funds to reflect US Federal Emergency Management Agency (FEMA) reimbursements; and
- an increase of \$2.1 million in Federal Funds for the Texas Engineering Experiment Station to reflect increased federal support for several of the agency's research programs.

AVAILABLE UNIVERSITY FUND

- an increase of \$87.1 million in earnings from the Permanent University Fund.

HIGHER EDUCATION COORDINATING BOARD

- an increase of \$80.2 million in General Revenue Funds for the Toward EXcellence, Access, and Success (TEXAS) Grant Program (\$40.0 million of which is a rider appropriation that allows unexpended balances at the end of 2001 to be carried forward into the 2002–03 biennium);
- an increase of \$2.0 million in General Revenue Funds for tuition payment assistance for eligible members of the Texas National Guard and Texas State Guard (initiated in 2001);
- a decrease of \$4.6 million in General Revenue Funds for new community college campuses funded in the current biennium; and
- a decrease of \$1.1 million in General Revenue Funds for phasing out the National Guard ROTC Program.

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 agen-

cies. 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:

- \$4.1 million in interest earnings from Tobacco Settlement Receipts for the general academic institutions;
- \$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; and
- \$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 U.T. M.D. 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.

Tobacco funds are used to support health research, education, and treatment programs at higher education institutions and agencies.

THE JUDICIARY

All Funds recommendations for The Judiciary total \$389.5 million for the 2002–03 biennium, which is an increase of \$5.8 million, or 1.5 percent, from 2000–01 (Table 24).

For General Revenue and General Revenue–Dedicated Funds, the recommendations total \$318.2 million, which is an increase of \$0.5 million, or 0.2 percent, from 2000–01 (Table 25).

Selected performance measures for agencies in The Judiciary function are depicted in Table 26.

Table 24
All Funds
(In Millions)

	Expended/ Budgeted 2000–01	Recommended 2002–03	Biennial Change	Percentage Change
Supreme Court of Texas	\$17.8	\$17.4	\$(0.4)	(2.3)%
Court of Criminal Appeals	22.7	24.1	1.4	6.1
First Court of Appeals District, Houston	5.5	4.8	(0.7)	(13.3)
Second Court of Appeals District, Fort Worth	4.1	4.0	(0.1)	(3.1)
Third Court of Appeals District, Austin	3.6	3.5	(0.0)	(1.1)
Fourth Court of Appeals District, San Antonio	4.0	3.9	(0.1)	(2.5)
Fifth Court of Appeals District, Dallas	7.5	6.7	(0.7)	(9.8)
Sixth Court of Appeals District, Texarkana	2.0	2.0	(0.0)	(1.0)
Seventh Court of Appeals District, Amarillo	2.6	2.5	(0.0)	(0.6)
Eighth Court of Appeals District, El Paso	2.7	2.5	(0.2)	(6.0)
Ninth Court of Appeals District, Beaumont	2.0	2.0	(0.0)	(1.5)
Tenth Court of Appeals District, Waco	2.1	2.1	(0.0)	(1.7)
Eleventh Court of Appeals District, Eastland	2.0	2.0	(0.0)	(0.2)
Twelfth Court of Appeals District, Tyler	2.1	2.0	(0.0)	(0.2)
Thirteenth Court of Appeals District, Corpus Christi	3.6	3.6	(0.0)	(0.6)
Fourteenth Court of Appeals District, Houston	5.6	4.8	(0.8)	(14.6)
Office of Court Administration, Texas Judicial Council	25.0	15.6	(9.4)	(37.5)
Office of the State Prosecuting Attorney	0.7	0.7	0.0	0.0
State Law Library	1.8	1.8	0.0	0.4
Court Reporters Certification Board	0.2	0.2	(0.0)	(2.2)
State Commission on Judicial Conduct	1.3	1.4	0.1	8.5
Judiciary Section, Comptroller’s Department	180.6	185.1	4.5	2.5
Subtotal, The Judiciary	\$299.7	\$293.0	\$(6.6)	(2.2)
Retirement and Group Insurance	76.2	84.9	8.7	11.4
Social Security and Benefit Replacement Pay	15.4	15.7	0.3	1.6
Subtotal, Employee Benefits	\$91.6	\$100.5	\$9.0	9.8
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	(2.7)	(22.1)
Total, Article IV - The Judiciary	\$383.7	\$389.5	\$5.8	1.5

NOTES: Totals may not add because of rounding.

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

THE JUDICIARY

2002-03 BIENNIAL RECOMMENDATIONS

Table 25
General Revenue and General Revenue-Dedicated Funds
(In Millions)

	Expended/ Budgeted 2000-01	Recommended 2002-03	Biennial Change	Percentage Change
Supreme Court of Texas	\$10.1	\$7.7	\$(2.4)	(24.1)
Court of Criminal Appeals	9.6	8.7	(0.9)	(9.5)
First Court of Appeals District, Houston	4.8	4.8	0.0	0.0
Second Court of Appeals District, Fort Worth	4.0	4.0	0.0	0.0
Third Court of Appeals District, Austin	3.5	3.5	0.0	0.0
Fourth Court of Appeals District, San Antonio	3.9	3.9	0.0	0.0
Fifth Court of Appeals District, Dallas	6.7	6.7	0.0	0.0
Sixth Court of Appeals District, Texarkana	2.0	2.0	0.0	0.0
Seventh Court of Appeals District, Amarillo	2.5	2.5	0.0	0.0
Eighth Court of Appeals District, El Paso	2.5	2.5	0.0	0.0
Ninth Court of Appeals District, Beaumont	2.0	2.0	(0.0)	(0.1)
Tenth Court of Appeals District, Waco	2.1	2.1	0.0	0.0
Eleventh Court of Appeals District, Eastland	2.0	2.0	0.0	0.0
Twelfth Court of Appeals District, Tyler	2.0	2.0	0.0	0.0
Thirteenth Court of Appeals District, Corpus Christi	3.6	3.6	0.0	0.0
Fourteenth Court of Appeals District, Houston	4.8	4.8	0.0	0.0
Office of Court Administration, Texas Judicial Council	14.8	6.1	(8.7)	(58.7)
Office of the State Prosecuting Attorney	0.7	0.7	0.0	0.0
State Law Library	1.7	1.7	0.0	0.0
Court Reporters Certification Board	0.2	0.2	0.0	7.1
State Commission on Judicial Conduct	1.3	1.4	0.1	8.5
Judiciary Section, Comptroller's Department	140.8	143.8	3.1	2.2
Subtotal, The Judiciary	\$225.8	\$217.0	\$(8.8)	(3.9)
Retirement and Group Insurance	73.4	81.7	8.3	11.3
Social Security and Benefit Replacement Pay	13.8	14.0	0.2	1.5
Subtotal, Employee Benefits	\$87.2	\$95.7	\$8.5	9.8
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	\$318.2	\$0.5	0.2

NOTES: Totals may not add because of rounding.

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

THE JUDICIARY

2002–03 BIENNIAL RECOMMENDATIONS

Table 26
Selected Performance Measures

	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 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 Percent 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 in The Judiciary function including:

- providing unexpended balance authority between biennia and between the years of a biennium for the appellate courts;
- 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;
- annualizing the costs of the Judicial Education strategy for the Court of Criminal Appeals to reflect expanded training programs;
- annualizing the costs of the Foster Care Courts Program that was funded in the second year of the 2000–01 biennium through the Office of Court Administration; and
- reducing funding and staff for the Judicial Committee on

Information Technology strategy within the Office of Court Administration.

Significant budget recommendations for agencies in the Judiciary function include:

- 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;
- an All Funds increase of \$2.3 million to the Court of Criminal Appeals to annualize costs of expanded training programs;
- 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;
- a General Revenue Funds increase of \$0.1 million to the Prison Prosecution Unit for lapsed monies in fiscal year 2000 due to the first year implementation of the new civil commitment of sexually violent predators program;
- an All Funds reduction of \$1.2

million to reflect 2002–03 estimated collections into the Basic Civil Legal Services account;

- a General Revenue Funds decrease of \$9.1 million and 20.2 full-time-equivalent (FTE) positions for the Judicial Committee on Information Technology strategy relating to judiciary-wide information technology projects coordinated by the Office of Court Administration; and
- an General Revenue reduction of \$2.0 million and 22 FTEs due to the elimination of the Metropolitan Court Backlog Reduction program.

The State Commission on Judicial Conduct underwent review by the Sunset Advisory Commission during the 2001–01 biennium.

PUBLIC SAFETY AND CRIMINAL JUSTICE

All Funds recommendations for Public Safety and Criminal Justice total \$8,130.2 million for the 2002–03 biennium, which is an increase of \$45.7 million, or 0.6 percent, from 2000–01 (Table 27).

For General Revenue and General Revenue–Dedicated Funds, the recommendations total \$7,132.1 million, which is an increase of \$291.3 million, or 4.3 percent, from 2000–01 (Table 28).

Selected performance measures for agencies in the Public Safety and Criminal Justice function are depicted in Table 29.

Table 27
All Funds
(In Millions)

	Expended/ Budgeted 2000–01*	Recommended 2002–03	Biennial Change	Percentage Change
Adjutant General’s Department	\$66.6	\$70.5	\$4.0	6.0
Alcoholic Beverage Commission	50.1	50.0	(0.1)	(0.1)
Department of Criminal Justice	5,080.0	5,049.8	(30.2)	(0.6)
Criminal Justice Policy Council	13.4	2.5	(10.9)	(81.3)
Commission on Fire Protection	5.7	5.7	0.1	1.0
Commission on Jail Standards	1.9	1.9	0.0	0.4
Juvenile Probation Commission	213.3	218.6	5.3	2.5
Commission on Law Enforcement Officer Standards and Education	5.0	4.8	(0.2)	(4.0)
Texas Military Facilities Commission	25.2	68.1	42.9	170.3
Texas Commission on Private Security	6.0	5.6	(0.4)	(6.8)
Department of Public Safety **	795.5	701.7	(93.8)	(11.8)
Youth Commission	532.9	500.6	(32.3)	(6.1)
Subtotal, Public Safety and Criminal Justice	\$6,795.6	\$6,680.0	\$(115.6)	(1.7)
Retirement and Group Insurance	614.3	813.4	199.1	32.4
Social Security and Benefit Replacement Pay	297.0	304.0	7.0	2.4
Subtotal, Employee Benefits	\$911.3	\$1,117.5	\$206.1	22.6
Bond Debt Service Payments	456.8	471.5	14.7	3.2
Lease Payments	4.2	3.7	(0.4)	(10.1)
Subtotal, Debt Service	\$461.0	\$475.3	\$14.3	3.1
Less Interagency contracts	83.4	142.6	59.2	71.0
Total, Article V - Public Safety and Criminal Justice	\$8,084.5	\$8,130.2	\$45.7	0.6

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

2002-03 BIENNIAL RECOMMENDATIONS

Table 28
General Revenue and General Revenue-Dedicated Funds
(In Millions)

	Expended/ Budgeted 2000-01*	Recommended 2002-03	Biennial Change	Percentage Change
Adjutant General's Department	\$23.1	\$24.5	\$1.5	6.4
Alcoholic Beverage Commission	49.0	49.1	0.1	0.3
Department of Criminal Justice	4,782.0	4,862.3	80.3	1.7
Criminal Justice Policy Council	2.4	2.4	0.0	0.0
Commission on Fire Protection	5.7	5.7	0.1	1.0
Commission on Jail Standards	1.8	1.8	0.0	0.0
Juvenile Probation Commission	169.5	169.7	0.2	0.1
Commission on Law Enforcement Officer Standards and Education	4.7	4.7	0.0	0.7
Texas Military Facilities Commission	3.3	3.3	0.0	0.0
Texas Commission on Private Security	3.6	3.6	0.0	0.0
Department of Public Safety **	112.4	108.7	(3.7)	(3.3)
Youth Commission	435.7	451.3	15.6	3.6
Subtotal, Public Safety and Criminal Justice	\$5,593.3	\$5,687.3	\$94.1	1.7
Retirement and Group Insurance	533.2	709.2	176.1	33.0
Social Security and Benefit Replacement Pay	254.2	261.1	6.9	2.7
Subtotal, Employee Benefits	\$787.3	\$970.3	\$183.0	23.2
Bond Debt Service Payments	456.1	470.7	14.6	3.2
Lease Payments	4.2	3.7	(0.4)	(10.1)
Subtotal, Debt Service	\$460.2	\$474.4	\$14.2	3.1
Total, Article V - Public Safety and Criminal Justice	\$6,840.8	\$7,132.1	\$291.3	4.3

NOTES: Totals may not add because of rounding.

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

* Includes anticipated supplemental spending needs.

** Includes appropriations for the Polygraph Examiners Board.

PUBLIC SAFETY AND CRIMINAL JUSTICE

2002-03 BIENNIAL RECOMMENDATIONS

Table 29
Selected Performance Measures

	Actual 2000	Budgeted 2001	Recommended 2002	Recommended 2003
Alcoholic Beverage Commission				
Number of Inspections Made	106,048	105,800	106,000	106,000
Average Cost Per Inspection	\$150.89	\$144.25	\$142.76	\$147.16
Number of Alcoholic Beverages and Cigarette Packages Stamped	4,046,189	2,800,000	4,299,900	4,299,900
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	6,180	8,829	10,922
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	157,420	157,655
Medical Care Cost per Inmate Day	\$5.65	\$5.57	\$5.57	\$5.57
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 (Percent)	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 by:

ALCOHOLIC BEVERAGE COMMISSION:

- maintaining funding for 527.5 full-time-equivalent (FTE) positions, as appropriated for fiscal year 2001, including 226 commissioned officers; and
- including funding to support the automatic step increases, due to changes in the Schedule C Classification Salary Schedule, that will occur in the 2002–03 biennium.

DEPARTMENT OF CRIMINAL JUSTICE

- including funding for contracted temporary correctional capacity in county jails for projected inmate populations above prison capacity;
- providing for the continuation of interim career ladder adjustments for Correctional Officers and other correctional personnel;
- providing full 24-month operation of all correctional capacity added during the 2000–01 biennium;
- including General Revenue replacement of Federal Funds for incarcerated aliens to compensate for an anticipated

reduction in the federal award; and

- anticipating an increase in Texas Correctional Industries sales receipts.

JUVENILE PROBATION COMMISSION

- providing for the annualization of operational costs of three post-adjudication facilities that began operation in 2000–01;
- including a funding increase for projected basic supervision population growth; and
- providing additional General Revenue and Federal Funds above the 2000–01 spending level for the Title IV-E Foster Care Program.

DEPARTMENT OF PUBLIC SAFETY

- maintaining funding for 7,225.5 FTEs, as appropriated for fiscal year 2001, including 3,229 commissioned officers;
- including General Revenue Funds replacement of General Revenue–Dedicated Funds due to insufficient balance in the Operator and Chauffeurs License account that was used to fund the increase in commissioned officer salaries; and
- incorporating the recommendations for the Polygraph Examiners Board appropriations and FTEs into the Department’s

appropriation bill pattern.

YOUTH COMMISSION

- including funding necessary to provide sufficient bed capacity and direct supervision to address projected growth in youth served by the agency for 2002–03; and
- providing increased funding in the following areas to deal with correctional population growth—educational services, treatment programming, and assessment and diagnostic operations.

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

ADJUTANT GENERAL’S DEPARTMENT

- a General Revenue Funds increase of \$2.3 million and 49 FTEs for the Seaborne/Challenge Program, which is transferred from the Texas A&M University at Galveston;
- a Federal Funds increase of \$3.1 million to construct a Unit Equipment Training Site at Camp Bullis;
- an All Funds increase of \$0.8 million for major repair of Camp Mabry military facilities and several Army Logistical Facilities; and

BUDGET ISSUES AND RECOMMENDATIONS

- an All Funds reduction of \$0.9 million for one-time capital repair projects in 2000–01.

ALCOHOLIC BEVERAGE COMMISSION

- an increase of \$0.1 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 \$150.4 million in General Revenue Funds for contracted temporary correctional capacity in county jails for projected inmate populations above prison capacity;
- an increase of \$42.4 million in General Revenue Funds to continue the interim career ladder adjustments for Correctional Officers and other correctional personnel;
- an increase of \$23.0 million in General Revenue Funds to provide full 24-month operation of all correctional capacity added during the 2000–01 biennium;
- an anticipated increase in Texas Correctional Industries sales receipts of \$5.1 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 from General Revenue to Interagency Contracts;

- the 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;
- a reduction of \$26.0 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 reduction of \$12.3 million in General Revenue Funds for one-time expenditures related to the Hepatitis B Testing Pilot Program;
- a reduction of \$7.4 million in General Revenue Funds for one-time transportation purchases approved by the Seventy-sixth Legislature;
- a reduction of \$150.5 million in

Other Funds for one-time capital construction and repair projects in the 2000–01 biennium; and

- a reduction of \$13.0 million in Other Funds eliminating transfers from the Texas Commission on Alcohol and Drug Abuse.

A Legislative Budget Board evaluation focusing on prison facilities management, contained in the *Staff Performance Report to the 77th Legislature*, produced the following recommendations:

- the Texas Department of Criminal Justice (TDCJ) should complete a comprehensive assessment of the condition of its facilities;
- TDCJ should develop a model for forecasting future maintenance and repair needs and rank those needs based on cost data, mission needs, and security and safety issues;
- TDCJ should receive statutory design and build authority to enter into contracts with private firms for building and repair projects; and
- TDCJ should use its Computer Maintenance Management System (CMMS) for all its facilities as quickly as possible to maximize the advantages of

BUDGET ISSUES AND RECOMMENDATIONS

CMMS by detecting trend patterns in maintenance projects.

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).

JUVENILE PROBATION COMMISSION

- an All Funds increase of \$1.9 million for annualization of three post-adjudication facilities that began operation in 2000–01;
- an All Funds increase of \$0.7 million for the Juvenile Justice Alternative Education Program (JJAEP);
- a General Revenue Funds increase of \$1.3 million for projected basic probation supervision population growth; and
- a General Revenue increase of \$36,000 and All Funds increase of \$1.3 million for the Title IV-E Foster Care Program, Social Security Act.

A Legislative Budget Board evaluation focusing on the costs of secure and nonsecure residential juvenile placements, contained in the *Staff Performance Report to the*

77th Legislature, produced the following recommendations:

- The Juvenile Probation Commission (JPC) should assess whether residential placement funds are spent effectively and should gather adequate information on expenditures and placement program performance;
- JPC should begin to track aggregate data on residential placement costs and effectiveness and should require county juvenile probation departments to report the data under uniform standards; and
- JPC should monitor Level 5 placements to help determine whether eligibility guidelines should be modified in order to maximize the intended effect of diverting youth from commitment to the Texas Youth Commission.

TEXAS MILITARY FACILITIES COMMISSION

- a General Revenue Funds increase of \$0.9 million for major maintenance of facilities in Dallas, San Antonio, and Austin;
- a General Revenue Funds increase of \$0.6 million for roof replacements and repair at various Texas military facilities; and

- a Federal Funds increase of \$52.4 million for facilities construction at Austin Bergstrom airport for Texas National Guard operations.

DEPARTMENT OF PUBLIC SAFETY

- a \$40.6 million increase in General Revenue 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 in the Seventy-sixth legislative session;
- a \$0.4 million increase in General Revenue–Dedicated Funds to fully provide for the state match requirement for a Federal Emergency Management Agency funded program that went from 100 percent funding to a 50/50 match in fiscal year 2000;
- a \$44.1 million decrease in General Revenue–Dedicated Funds related to a projected reduction of fund balance in the account;
- 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

BUDGET ISSUES AND RECOMMENDATIONS

- 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.

A Legislative Budget Board evaluation focusing on the sale and distribution of driver information, contained in the *Staff Performance Report to the 77th Legislature*, produced the following recommendation:

- the Department of Public Safety (DPS) should implement record-keeping procedures that include the names of the individuals and businesses purchasing driver information and the statutory exemption under which they qualify to receive it.

A Legislative Budget Board evaluation focusing on the state's Criminal Justice Information System, contained in the *Staff Performance Report to the 77th Legislature*, produced the following recommendations:

- the State Agency Judicial Information Coordinating Committee, or a similar body, should be charged with developing an overarching plan for the development and enhancement of information systems

within the criminal justice and judicial systems in order to improve information sharing and reduce redundant reporting;

- the DPS and the TDCJ should be required to produce a joint strategic plan for the Criminal Justice Information System; and
- as resources permit, the DPS should acquire current technology that enhances the utility of the Computerized Criminal History and the Automated Fingerprint Identification systems.

YOUTH COMMISSION

- an All Funds increase of \$2.0 million related to educational services for projected growth in youth served by the agency;
- a General Revenue Funds increase of \$8.9 million and an All Funds increase of \$8.4 million to provide sufficient bed capacity and direct supervision to address projected growth in youth served by the agency for 2002–03. The All Funds total includes a projected Federal Funds decrease of \$0.6 million.;
- a General Revenue Funds increase of \$3.0 million to maintain salary increases resulting from changes made to the juvenile corrections officer

career ladder by the Seventy-sixth Legislature;

- a General Revenue Funds increase of \$0.4 million related to correctional treatment programming for projected growth in youth served by the agency;
- a General Revenue Funds increase of \$0.3 million to maintain offender assessment and diagnostic operations at the 2001 budgeted level (result of projected growth in youth served by the agency); and
- an All Funds reduction of \$46.5 million for one-time capital repair and construction projects in 2000–01.

NATURAL RESOURCES

All Funds recommendations for Natural Resources total \$1,629.6 million for the 2002–03 biennium, which is a decrease of \$282.2 million, or 14.8 percent, from

2000–01 (Table 30). For General Revenue and General Revenue–Dedicated Funds, the recommendations total \$1,301.9 million, which is a

decrease of \$238.4 million, or 15.5 percent, from 2000–01 (Table 31).

Selected performance measures for agencies in the Natural Resources function are depicted in Table 32.

Table 30
All Funds
(In Millions)

	Expended/ Budgeted 2000–01	Recommended 2002–03	Biennial Change	Percentage Change
Department of Agriculture	\$103.9	\$103.1	\$(0.9)	(0.8)
Animal Health Commission	24.3	24.4	0.2	0.7
General Land Office and Veterans' Land Office	93.5	89.3	(4.2)	(4.5)
Trusteed Programs within the General Land Office	29.1	28.8	(0.4)	(1.2)
Natural Resource Conservation Commission	801.5	541.8	(259.7)	(32.4)
Parks and Wildlife Department	463.0	418.5	(44.5)	(9.6)
Railroad Commission	99.1	90.6	(8.6)	(8.7)
Texas River Compact Commissions	0.8	0.8	0.0	0.0
Soil and Water Conservation Board	29.5	30.2	0.7	2.3
Water Development Board	83.6	72.7	(10.9)	(13.0)
Debt Service Payments - Non-Self Supporting G.O. Water Bonds	27.9	43.0	15.1	54.1
Subtotal, Natural Resources	\$1,756.2	\$1,443.1	\$(313.2)	(17.8)
Retirement and Group Insurance	102.0	127.6	25.6	25.2
Social Security and Benefit Replacement Pay	56.6	56.7	0.1	0.2
Subtotal, Employee Benefits	\$158.6	\$184.3	\$25.7	16.2
Bond Debt Service Payments	10.0	11.6	1.6	15.9
Lease Payments	2.1	2.2	0.1	4.3
Subtotal, Debt Service	\$12.1	\$13.8	\$1.7	13.9
Less Interagency contracts	15.1	11.6	(3.5)	(23.2)
Total, Article VI - Natural Resources	\$1,911.8	\$1,629.6	\$(282.2)	(14.8)

NOTES: Totals may not add because of rounding.

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

NATURAL RESOURCES

2002-03 BIENNIAL RECOMMENDATIONS

Table 31
General Revenue and General Revenue-Dedicated Funds
(In Millions)

	Expended/ Budgeted 2000-01	Recommended 2002-03	Biennial Change	Percentage Change
Department of Agriculture	\$97.2	\$97.1	\$(0.1)	(0.1)
Animal Health Commission	18.6	18.6	0.0	0.0
General Land Office and Veterans' Land Board	45.5	45.4	(0.1)	(0.2)
Trusted Programs within the General Land Office	15.0	15.0	0.0	0.0
Natural Resource Conservation Commission	703.3	456.0	(247.3)	(35.2)
Parks and Wildlife Department	330.5	327.9	(2.7)	(0.8)
Railroad Commission	83.3	77.6	(5.7)	(6.8)
Texas River Compact Commissions	0.8	0.8	0.0	0.0
Soil and Water Conservation Board	24.6	24.6	0.0	0.0
Water Development Board	56.7	42.3	(14.4)	(25.4)
Debt Service Payments				
Non-Self Supporting G.O. Water Bonds	19.8	36.4	16.6	84.1
Subtotal, Natural Resources	\$1,395.2	\$1,141.6	\$(253.6)	(18.2)
Retirement and Group Insurance	84.6	106.2	21.6	25.6
Social Security and Benefit Replacement Pay	48.4	48.6	0.1	0.3
Subtotal, Employee Benefits	\$133.0	\$154.7	\$21.7	16.4
Bond Debt Service Payments	10.0	3.3	(6.7)	(66.7)
Lease Payments	2.1	2.2	0.1	4.3
Subtotal, Debt Service	\$12.1	\$5.5	\$(6.6)	(54.4)
Total, Article VI - Natural Resources	\$1,540.3	\$1,301.9	\$(238.4)	(15.5)

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

NATURAL RESOURCES

2002-03 BIENNIAL RECOMMENDATIONS

Table 32
Selected Performance Measures

	Actual 2000	Budgeted 2001	Recommended 2002	Recommended 2003
Department of Agriculture Percent Increase from the 1996 Level in the Number of Marketing Opportunities for Texas Farmers, Ranchers and Agribusinesses	87.3%	78.7%	87.0%	89.6%
Animal Health Commission Percent Change in Known Prevalence of Bovine Brucellosis from the 1994 Level	-95.2%	-97.4%	-98.3%	-99.1%
General Land Office Percent of Permanent School Fund Uplands Acreage Leased	77.5%	76%	76%	76%
Trusteed Programs within the General Land Office Percent of Eroding Shorelines Maintained, Protected, or Restored for Gulf Beaches and Other Shorelines	0%	10%	15%	20%
Natural Resource Conservation Commission Annual Percent of Stationary and Mobile Source Pollution Reductions in Nonattainment Areas	4%	6%	6%	7%
Parks and Wildlife Department Percent 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 Percent of Soil and Water Resource Needs with Conservation Plans or Specified Programs Developed to Address those Needs	21.7%	27%	30%	32%
Water Development Board Percent of Texas Communities Receiving Technical and Financial Assistance for Water Planning and Conservation	13.9%	10%	10%	10%

BUDGET ISSUES AND RECOMMENDATIONS

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

- significant declines in available revenue at the Texas Natural Resource Conservation Commission are expected to impact funding and performance for petroleum storage tank remediation and program administration as well as air assessment and planning activities;
- 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 which resulted in a decrease of \$7.8 million in General Revenue Funds.

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

DEPARTMENT OF AGRICULTURE

- continuation of \$50.0 million out of the General Revenue Fund for boll weevil eradication;

- continuation of \$2.0 million out of the General Revenue Fund for restoration of the Agrarian District at Fair Park;
- continuation of \$1.0 million out of the General Revenue Fund for the “Go Texan” marketing and promotion program; and
- a decrease of \$0.2 million in Federal Funds for the US Department of Agriculture Pesticide Data Program.

ANIMAL HEALTH COMMISSION

- a net 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

- a decrease of \$0.2 million in the General Revenue Fund 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 \$0.6 million in Other Funds due to the completion of the Superconducting Super Collider Project;
- an increase of \$0.5 million in

Other Funds due to creation of the new Texas Veterans Homes Administration Fund to administer veterans’ homes; and

- an increase of \$0.2 million in Other Funds due to the increased participation of eligible Texas veterans in the Veterans Land Program Administration.

The Coastal Coordination Council underwent review by the Sunset Advisory Commission during the 2000–01 Biennium.

TRUSTEED PROGRAM WITHIN THE GENERAL LAND OFFICE

- continuation of \$12.6 million out of the General Revenue Fund and \$2.4 million out of the Coastal Protection Account No. 27 for the coastal erosion control program established by House Bill 2560, Seventy-sixth Legislature.

NATURAL RESOURCE CONSERVATION COMMISSION

A decrease of \$205.8 million out of the Petroleum Storage Tank Remediation (PSTR) Account No. 655, which consists of:

- a \$179.8 million decrease attributable to a projected shortfall in revenues to the Account resulting from a suspension of the fee in February 2000 and the expiration of the fee on March 1, 2002; and

BUDGET ISSUES AND RECOMMENDATIONS

- a \$26.0 million decrease due to a Tejas settlement payment in fiscal year 2000.

A decrease of \$20 million due to a decline in available unexpended balances in the following General Revenue-Related accounts:

- \$14.3 million in the Hazardous/Solid Waste Remediation Account No. 550 for the completion of superfund site cleanups;
- \$2.4 million in the Clean Air Account No. 151;
- \$1.3 million in General Revenue Funds;
- \$1.3 million in the Water Resources Management Account No. 153 for water rights review activities; and
- \$0.7 million out of the Used Oil Recycling Account No. 146.

A decrease of \$10 million out of the Clean Air Account No. 151 due to:

- a one-time payment of \$9 million in fiscal year 2000 for the Tejas settlement; and
- a reduction of \$1.0 million and eight FTEs in 2003, due to an anticipated shortfall of revenues in the Account.

Other decreases include:

- a decrease of \$10.8 million in the Waste Management Account No. 549 (including a decrease of 69 FTEs in 2002 and 82 FTEs in 2003) due to a reduction in revenues transferred to the Account from the PSTR Account No. 655 for administration of the petroleum storage tank program;
- a decrease of \$1.2 million out of the Low-Level Waste Account No. 088 due to the elimination of the program and suspension of fees; 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 \$3.0 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 Non-point Source Implementation Grant; 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 non-profit entity operating the Coastal Bend Bay and Estuary Program.

The Natural Resource Conservation Commission underwent review by the Sunset Advisory Commission during the 2000–01 biennium.

PARKS AND WILDLIFE DEPARTMENT

- a General Revenue Funds increase of \$3.6 million due primarily to a \$3.9 million rise in debt service requirements for the infrastructure repair bonds, and an offsetting \$700,000 decrease caused by reallocating the salaries of some in-house design and construction staff from General Revenue to bond proceeds; and
- a decrease of \$600,000 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.

A decrease of of \$5.5 million in the General Revenue–Dedicated funds, due to:

- \$5.0 million reduction in Game, Fish and Water Safety Account No. 9 funds for conservation education projects;

BUDGET ISSUES AND RECOMMENDATIONS

- \$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 \$0.6 million decrease in Texas Parks and Wildlife Capital Account No. 5004 due to completion of construction projects; and
- an increase of \$0.3 million in appropriations out of the Waterfowl and Wetlands Account No. 5057 and the Big Bend National Park Account No. 5030 for two new conservation license plates.

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

- 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 decrease in Other Funds (bond proceeds) of \$37.2 million due to progress on the

parks infrastructure repairs program.

A Legislative Budget Board evaluation focusing on increasing utilization of state parks, contained in the *Staff Performance Report to the 77th Legislature*, produced the following recommendations:

- the Texas Parks and Wildlife Department (TPWD) should establish new, large parks close to the state's major population centers, where most Texans live and where much of the state's population growth is expected to occur;
- the TPWD should review existing discounted fee programs for low income residents in Florida, New York, and California for applicability to the Texas parks system; and
- the TPWD should increase its marketing of park locations and amenities to target populations (minorities, low-income families, persons with disabilities, at-risk youth and women).

The Parks and Wildlife Department underwent review by the Sunset Advisory Commission during the 2000–01 biennium.

RAILROAD COMMISSION

- a decrease of \$3 million in oil field cleanup funds largely due to receipt of \$6 million from the KOCH settlement proceeds in

fiscal year 2000, of which \$4.5 million was expended during the 2000–01 biennium for site remediation;

- a \$2.6 million reduction in oil field cleanup funds due to declining revenues as a result of regulatory reform;
- a decrease of approximately \$1.5 million in federal receipts because of declining federal grant awards for Surface Mining Program, National Pipeline Mapping, Underground Injection Control, Electronic Compliance Approval Process (ECAP), and Waste Minimization grants; and
- a decrease of \$0.05 million in Other Funds due, in part, to completion of contracts with Natural Resource Conservation Commission for well plugging and remediation, and a reduction of available funds from the State Energy Conservation Office (SECO) for alternative fuels research and education.

The Railroad Commission underwent review by the Sunset Advisory Commission during the 2000–01 biennium.

SOIL AND WATER CONSERVATION BOARD

- continuation of \$9.2 million in General Revenue Funds for the Brush Control Program; and

BUDGET ISSUES AND RECOMMENDATIONS

- an increase of \$0.7 in Federal Funds for Nonpoint Source Implementation grants.

The Soil and Water Conservation Board underwent review by the Sunset Advisory Commission during the 2000–01 biennium.

WATER DEVELOPMENT BOARD

A decrease of \$14.4 million out of the General Revenue Fund consisting of:

- 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;
- a decrease of \$3.6 million, due to the completion of the Emergency Interconnects Project, funded by Senate Bill 472, Seventy-sixth Legislature;
- a decrease of \$2.2 million, due to the completion of the Canadian River Basin Chlorine Project in 2002;
- a reduction of \$1.7 million, due to the completion of the first phase of development of the Strategic Mapping Pool (Stratmap) project;
- a decrease of \$1.0 million in state matching funds for the State Revolving Fund, due to a decline in anticipated federal

grant awards; and

- an increase of \$1.7 million to fund an agency-wide data integration project.

Other increases include:

- an increase in Federal Funds of \$0.6 million for the Drinking Water State Revolving Fund program;
- an increase of \$0.6 million out of the Water Assistance Fund No. 480 due to an increase in funding requested for border projects;
- an increase of \$320,000 out of the Groundwater Districts Assistance Fund No. 363 for grants to groundwater districts; and
- an increase of \$1.7 million in Appropriated Receipts due to increased administrative and indirect charges to the Clean Water State Revolving Fund.

The Water Development Board underwent review by the Sunset Advisory Commission during the 2000–01 biennium.

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

- an increase of \$12.2 million in General Revenue Funds for debt service, including \$10.2 million for the issuance of \$65.7 million in Economically Distressed Areas Program (EDAP)

bonds. Also included in the increased amount is \$2.0 million for debt service on EDAP bonds which was previously paid for with proceeds from the Economically Distressed Areas Clearance Interest and Sinking Fund No. 357;

- an increase of \$4.4 million in General Revenue Funds for debt service on an additional \$50 million issuance in State Participation Bonds during the 2000-01 biennium; and
- an increase of \$0.5 million 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 \$13,713.8 million for the 2002–03 biennium, which is an increase of \$982.7 million, or 7.7

percent, from 2000–01 (Table 33).

For General Revenue and General Revenue–Dedicated Funds, the recommendations total \$792.9 million, which is a decrease of \$8.4

million, or 1.1 percent, from 2000–01 (Table 34).

Selected performance measures for agencies in the Business and Economic Development function are depicted in Table 35.

Table 33
All Funds
(In Millions)

	Expended/ Budgeted 2000–01	Recommended 2002–03	Biennial Change	Percentage Change
Texas Aerospace Commission	\$0.4	\$0.4	0.0	0.0
Texas Department of Economic Development	131.6	123.2	\$(8.4)	(6.4)
Department of Housing and Community Affairs	441.4	423.0	(18.5)	(4.2)
Texas Lottery Commission	398.4	396.2	(2.2)	(0.5)
Department of Transportation	9,301.8	10,241.7	939.9	10.1
Texas Workforce Commission	2,072.7	2,041.3	(31.5)	(1.5)
Reimbursements to the Unemployment Compensation Benefit Account	25.3	26.3	1.0	4.0
Subtotal, Business and Economic Development	\$12,371.7	\$13,252.2	\$880.5	7.1
Retirement and Group Insurance	285.7	366.5	80.8	28.3
Social Security and Benefit Replacement Pay	126.4	126.2	(0.2)	(0.2)
Subtotal, Employee Benefits	\$412.1	\$492.7	\$80.6	19.6
Lease Payments	0.4	0.3	(0.1)	(24.9)
Less Interagency contracts	53.1	31.4		18.0
Total, Article VII Business and Economic Development	\$12,731.1	\$13,713.8	\$982.7	7.7

NOTES: Totals may not add because of rounding.

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

BUSINESS AND ECONOMIC DEVELOPMENT

2002-03 BIENNIAL RECOMMENDATIONS

Table 34
General Revenue and General Revenue-Dedicated Funds
(In Millions)

	Expended/ Budgeted 2000-01	Recommended 2002-03	Biennial Change	Percentage Change
Texas Aerospace Commission	\$0.4	\$0.4	0.0	0.0
Texas Department of Economic Development	52.2	56.2	\$4.0	7.7
Department of Housing and Community Affairs	25.4	25.3	(0.1)	(0.5)
Texas Lottery Commission	398.4	396.2	(2.2)	(0.5)
Department of Transportation	59.1	48.4	(10.7)	(18.1)
Texas Workforce Commission	233.3	221.8	(11.5)	(4.9)
Reimbursements to the Unemployment Compensation Benefit Account	8.3	8.6	0.3	4.0
Subtotal, Business and Economic Development	\$777.0	\$756.9	\$(20.1)	(2.6)
Retirement and Group Insurance	15.5	25.1	9.6	61.9
Social Security and Benefit Replacement Pay	8.4	10.5	2.2	26.2
Subtotal, Employee Benefits	\$23.8	\$35.6	\$11.8	49.4
Lease Payments	0.4	0.3	(0.1)	(24.9)
Total, Article VII - Business and Economic Development	\$801.3	\$792.9	\$(8.4)	(1.1)

NOTES: Totals may not add because of rounding.

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

BUSINESS AND ECONOMIC DEVELOPMENT

2002-03 BIENNIAL RECOMMENDATIONS

Table 35
Selected Performance Measures

	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 Percent of Households/Individuals of Very Low, Low, and Moderate Income Needing Affordable Housing that Subsequently Receive Such Housing or Housing Related Assistance	1.36%	0.87%	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 Percent of State Highway System Mainlane Pavement Mileage Rated Good or Better Based on the Pavement Management Information System Condition Score	85.7%	85.5%	86%	86%
Texas Workforce Commission Entered Employment Rate	58%	59.5%	61%	62.5%
Choices Participation Rate for 2-Parent Families	55%	30%	32%	35%
Choices Participation Rate for All Families	24.6%	30%	32%	35%
Average Number of Children Served per Day: Excluding Choices and E&T	83,977	85,600	91,971	103,532
Percent 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:

- an increase of \$960.8 million in Federal Funds for Highway Planning and Construction, Aviation, and Public Transportation;
- an increase of \$92.1 million in federal Child Care and Development Fund (CCDF) monies and a corresponding decrease of \$79.1 million of TANF funds for child care at the Texas Workforce Commission;
- an increase of \$35.1 million of Temporary Assistance for Needy Families (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;
- a \$14.8 million decrease in Oil Overcharge funding for Public Transportation Programs at the Department of Transportation;
- a decrease of \$11.4 million in General Revenue match and a decrease of \$47.2 million in federal Welfare-to-Work funds at the Texas Workforce Commission due to the conclusion

of the Welfare-to-Work program during fiscal year 2002; 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 function include:

TEXAS DEPARTMENT OF ECONOMIC DEVELOPMENT

- a \$3.7 million increase in General Revenue–Dedicated Capital Access Fund No. 5035 for economic development loan guarantees;
- maintenance of funding for the Smart Jobs program (set to expire in December 2001) at \$54 million; and
- a \$1 million increase in Federal Funds for the Empowerment Zone Program. This program was transferred from the Health and Human Services Commission to the Department of Economic Development pursuant to House Bill 2641.

The Department of Economic Development underwent review by the Sunset Advisory Commission during the 2000–01 biennium.

DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

- maintaining the 2000–01 spending level of \$3.0 million in Oil Overcharge funds for weatherization programs;
- 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;
- a \$10.6 million decrease in Federal Funds related to one-time federal drought relief and Low Income Home Energy Assistance Program Emergency funding; and
- a \$6.9 million reduction in interagency contracts related to Federal Emergency Management grants and unexpended balances of Oil Overcharge funding.

The Department of Housing and Development underwent review by the Sunset Advisory Commission during the 2000–01 biennium.

TEXAS LOTTERY COMMISSION

- a decrease of \$2.1 million, (\$1.4 million in General Revenue–Dedicated Funds and \$0.7 million in General Revenue Funds) due to a one time capital budget purchase for the Bingo division and a decline in

BUDGET ISSUES AND RECOMMENDATIONS

capital budget purchases for the lottery division.

DEPARTMENT OF TRANSPORTATION

- an \$0.8 million decrease in General Revenue Funds for unexpended appropriation balances carried forward from the prior biennium for special aviation and auto theft prevention grants;
- 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;
- an increase of \$960.8 million in Federal Funds for Highway Planning and Construction, Aviation, and Public Transportation;
- a \$4.5 million increase in State Highway Funds;
- a \$14.8 million decrease in Oil Overcharge funding support for the Public Transportation Program as a result of funds no longer being available; and
- a decrease of \$2.0 million in interagency contracts 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

- a decrease of \$11.4 million in General Revenue match and a decrease of \$47.2 million in federal Welfare-to-Work funds due to the conclusion of the Welfare-to-Work program during fiscal year 2002;
- an increase of \$35.1 million of Temporary Assistance for Needy Families (TANF) funds for the Choices program;
- an increase of \$92.1 million in federal Child Care and Development Fund monies and a corresponding decrease of \$79.1 million of TANF funds for child care;
- 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 increase of \$13.1 million in Workforce Investment Act funds; and
- a decrease of \$14.4 million in federal funds and \$145,552 in General Revenue Funds for six information resources projects suited for the West Texas Disaster Recovery Operation Center.

A Legislative Budget Board evaluation focusing on the Welfare-to-Work (WtW) program, contained in the *Staff Performance Report to the 77th Legislature*, produced the following recommendations:

- the Texas Workforce Commission (TWC) should analyze expenditures in the Skills Development Fund and training programs at the Department of Criminal Justice to identify potential state match funds and use any identified match funds to offset shortfalls in local match funds; and
- the TWC and the Office of the Attorney General should identify noncustodial parents eligible for WtW services and consider requirements for participation in WtW activities.

REIMBURSEMENT TO THE UNEMPLOYMENT COMPENSATION BENEFIT ACCOUNT

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

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 \$783.8 million for the 2002–03 biennium, which is an increase of \$255 million, or 48.2 percent, from 2000–01 (Table 36).

For General Revenue and General Revenue–Dedicated Funds, the recommendations total \$770.7 million, which is an increase of \$255.6 million, or 49.6 percent, from 2000–01 (Table 37).

Selected performance measures for agencies in the Regulatory function are depicted in Table 38.

Table 36
All Funds
(In Millions)

	Expended/ Budgeted 2000–01	Recommended 2002–03	Biennial Change	Percentage Change
Board of Public Accountancy	\$6.1	\$6.1	0.0	0.0
State Office of Administrative Hearings	12.2	12.2	0.0	0.0
Board of Architectural Examiners	2.8	2.8	\$0.0	0.3
Board of Barber Examiners	1.2	1.1	(0.1)	(4.5)
Board of Chiropractic Examiners	0.7	0.7	(0.0)	(0.5)
Cosmetology Commission	4.5	4.3	(0.1)	(2.7)
Credit Union Department	2.7	3.1	0.4	15.3
Texas State Board of Dental Examiners	2.7	2.7	(0.0)	(0.4)
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	26.8	8.5	46.6
Office of Consumer Credit Commissioner	4.7	4.7	(0.0)	(1.0)
Savings and Loan Department	2.6	3.8	1.2	47.9
Funeral Service Commission	1.0	1.0	0.0	0.0
Department of Insurance	101.2	97.2	(4.0)	(4.0)
Office of Public Insurance Counsel	2.4	2.4	(0.0)	0.0
Board of Professional Land Surveying	0.6	0.6	0.0	0.0
Department of Licensing and Regulation	13.0	13.0	0.0	0.3
Board of Medical Examiners	11.2	10.2	(1.0)	(8.9)
Board of Nurse Examiners	6.2	6.1	(0.1)	(2.4)
Board of Vocational Nurse Examiners	2.5	2.5	(0.0)	(0.3)
Optometry Board	0.6	0.6	(0.0)	(1.0)
Structural Pest Control Board	2.8	2.6	(0.2)	(6.4)
Board of Pharmacy	5.6	5.6	(0.0)	(0.4)
Executive Council of Physical Therapy and Occupational Therapy Examiners	1.6	1.6	(0.0)	(0.7)
Board of Plumbing Examiners	2.8	3.0	0.1	4.3
Board of Podiatric Medical Examiners	0.4	0.4	(0.0)	(1.0)
Board of Examiners of Psychologists	1.5	1.6	0.0	2.2
Racing Commission	20.6	22.3	1.7	8.1
Real Estate Commission	8.6	8.7	0.1	0.7
Securities Board	7.4	7.7	0.3	4.3
Board of Tax Professional Examiners	0.3	0.3	0.0	0.0
Public Utility Commission of Texas	103.5	341.6	238.1	230.0
Office of Public Utility Counsel	3.9	3.4	(0.6)	(14.7)
Board of Veterinary Medical Examiners	1.2	1.1	(0.1)	(6.3)
Workers' Compensation Commission	96.3	97.6	1.2	1.3
Research and Oversight Council on Workers' Compensation	1.4	1.4	0.1	5.1
Subtotal, Regulatory	\$458.8	\$704.4	\$245.5	53.5
Retirement and Group Insurance	43.1	53.5	10.3	24.0
Social Security and Benefit Replacement Pay	24.6	24.7	0.1	0.4
Subtotal, Employee Benefits	\$67.7	\$78.2	\$10.4	15.4
Lease Payments	11.8	10.8	(0.9)	(8.0)
Less Interagency contracts	9.6	9.6	0.0	0.0
Total, Article VIII - Regulatory	\$528.8	\$783.8	\$255.0	48.2

NOTES: Totals may not add because of rounding.

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

REGULATORY

2002-03 BIENNIAL RECOMMENDATIONS

Table 37
General Revenue and General Revenue-Dedicated Funds
(In Millions)

	Expended/ Budgeted/ 2000-01	Recommended 2002-03	Biennial Change	Percentage Change
Board of Public Accountancy	\$6.0	\$6.0	(0.0)	(0.2)
State Office of Administrative Hearings	2.7	2.7	0.0	0.0
Board of Architectural Examiners	2.7	2.8	0.0	0.2
Board of Barber Examiners	1.2	1.1	\$(0.1)	(4.5)
Board of Chiropractic Examiners	0.7	0.7	(0.0)	(0.5)
Cosmetology Commission	3.8	3.8	0.0	0.0
Credit Union Department	2.7	3.1	0.4	15.3
Texas State Board of Dental Examiners	2.4	2.4	(0.0)	(0.5)
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	26.6	8.6	47.5
Office of Consumer Credit Commissioner	4.7	4.7	(0.0)	(1.0)
Savings and Loan Department	2.6	3.8	1.2	47.9
Funeral Service Commission	1.0	1.0	0.0	0.0
Department of Insurance	100.2	96.2	(4.0)	(4.0)
Office of Public Insurance Counsel	2.4	2.4	0.0	0.0
Board of Professional Land Surveying	0.6	0.6	0.0	0.0
Department of Licensing and Regulation	12.8	12.8	0.0	0.0
Board of Medical Examiners	10.9	9.9	(1.0)	(9.2)
Board of Nurse Examiners	4.9	4.8	(0.1)	(3.0)
Board of Vocational Nurse Examiners	2.4	2.4	(0.0)	(0.3)
Optometry Board	0.6	0.6	(0.0)	(1.0)
Structural Pest Control Board	2.4	2.4	(0.0)	(0.1)
Board of Pharmacy	5.4	5.4	(0.0)	(0.4)
Executive Council of Physical Therapy and Occupational Therapy Examiners	1.5	1.5	(0.0)	(0.4)
Board of Plumbing Examiners	2.8	2.9	0.1	4.8
Board of Podiatric Medical Examiners	0.4	0.4	(0.0)	(0.6)
Board of Examiners of Psychologists	1.4	1.4	0.0	3.0
Racing Commission	20.6	22.3	1.7	8.1
Real Estate Commission	8.2	8.3	0.1	0.7
Securities Board	7.3	7.7	0.3	4.3
Board of Tax Professional Examiners	0.3	0.3	0.0	0.0
Public Utility Commission of Texas	102.4	340.7	238.3	232.7
Office of Public Utility Counsel	3.9	3.4	(0.6)	(14.7)
Board of Veterinary Medical Examiners	1.2	1.1	(0.1)	(6.2)
Workers' Compensation Commission	90.1	91.3	1.2	1.3
Research and Oversight Council on Workers' Compensation	1.4	1.4	0.1	5.1
Subtotal, Regulatory	\$436.4	\$682.5	\$246.1	56.4
Retirement and Group Insurance	42.6	52.9	10.3	24.2
Social Security and Benefit Replacement Pay	24.3	24.5	0.1	0.6
Subtotal, Employee Benefits	\$66.9	\$77.3	\$10.5	15.6
Lease Payments	11.8	10.8	(0.9)	(8.0)
Total, Article VIII - Regulatory	\$515.1	\$770.7	\$255.6	49.6

NOTES: Totals may not add because of rounding.

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

REGULATORY

2002-03 BIENNIAL RECOMMENDATIONS

Table 38
Selected Performance Measures

	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%
Percent 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
Percent of Compensation Benefit Dispute Cases Resolved by the Commission's Informal Dispute Resolution System	90.5%	90%	90%	91%
Percent of Medical Dispute Cases Resolved by the Commission's Informal Dispute Resolution System	94.3%	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:

- a \$238.3 million 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;
- contingency riders authorizing a total fee-generated General Revenue Fund 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. These provisions were included in the 2000–01 General Appropriations Act, but were not implemented;
- 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;
- a \$1.5 million General Revenue–related funding increase related to leases for certain agencies;

- funding the majority of agency operations for the 2002–03 biennium at the 2000–01 level; and
- subjecting most regulatory agencies to a special provision expressing legislative intent that agency revenues cover the cost of agency appropriations as well as covering an amount equal to other direct and indirect costs appropriated elsewhere in the General Appropriations Act.

Significant budget recommendations for agencies in the Regulatory function include:

DEPARTMENT OF INSURANCE

- a reduction of \$4 million in General Revenue–Dedicated Funds related to a one time contribution to the Catastrophe Reserve Trust Fund.

In order to more accurately reflect the Department of Insurance’s method of finance, the Maintenance Tax Revenues and Insurance Department Fees are identified separately as General Revenue from the General Revenue–Dedicated Insurance Operating Fund Account 36.

A Legislative Budget Board evaluation focusing on the Texas Department of Insurance’s Market Assistance Program, contained in the *Staff Performance Report to the*

77th Legislature, produced the following recommendations:

- the Legislature should continue its support for the Market Assistance Program for residential and automobile insurance; and
- the Legislature should evaluate the feasibility of allowing the Texas Department of Insurance access to information and resources from the Department of Public Safety to help promote the program.

MEDICAL EXAMINERS

- a decrease of \$0.8 million in General Revenue Funds for initial start-up costs for the physician profile system; and
- a decrease of \$0.1 million in General Revenue Funds for a one-time capital purchase of an imaging system.

BOARD OF NURSE EXAMINERS

- a decrease of \$0.1 million in General Revenue Funds related to the completion of certain pilot programs for evaluating nursing competency and jurisprudence implemented by the Seventy-fifth Legislature.

RACING COMMISSION

- an increase of \$1.2 million in General Revenue–Dedicated Funds and up to 10.7 FTEs contingent on two new race

BUDGET ISSUES AND RECOMMENDATIONS

tracks becoming operational during the 2002–03 biennium; and

- a \$0.5 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 and an increase for the Texas Bred Incentive Program awards.

PUBLIC UTILITY COMMISSION

- a \$238.3 million increase in System Benefit Funding related to the implementation of electric utility restructuring as adopted by the Seventy-sixth Legislature in Senate Bill 7.

WORKERS COMPENSATION COMMISSION

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.

HEALTH LICENSING AGENCIES

- a \$100,000 General Revenue reduction in support of the Health Professions Council for a one-time capital budget purchase of an imaging system.

