

SUMMARY OF LEGISLATIVE
BUDGET ESTIMATES
FOR THE 2006 -2007 BIENNIUM



SUBMITTED TO THE 79TH TEXAS LEGISLATURE

Legislative Budget Board
January 2005

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LEGISLATIVE BUDGET BOARD

January 17, 2005

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

Ladies and Gentlemen:

This document, *Summary of Legislative Budget Estimates*, provides an overview of the recommended 2006–07 biennial budget and was prepared and compiled by the staff of the Legislative Budget Board in compliance with the provisions of Section 322.088, Government Code, which state that the Director, under the direction of the board, shall prepare the general appropriations bill for introduction at each regular legislative session. This document summarizes recommended funding for the operation of Texas state government for the 2006–07 biennium.

Under guidelines established by the Legislative Budget Board, this recommended budget holds funding for many state services to 95 percent of the 2004–05 General Revenue spending level. Exceptions include funding the following: enrollment growth, other current law requirements, and equity within the Foundation School Program; higher education enrollment growth; projected population levels in adult and youth corrections systems; caseload growth in Medicaid, the Children’s Health Insurance Program, and foster care/adoption subsidies; employer costs for staff benefits; and existing debt service.

The recommended appropriations are within both the Comptroller of Public Accounts’ Biennial Revenue Estimate and the limitation on the growth of appropriations established by the Legislative Budget Board on November 17, 2004, pursuant to Article VIII, Section 22, of the Texas Constitution.

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "John O'Brien", is written over the typed name and title.

John O'Brien
Deputy Director

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INTRODUCTION

The Legislative Budget Board's recommended appropriations for state government operations for the 2006–07 biennium total \$134.4 billion from all fund sources. The recommendations provide a

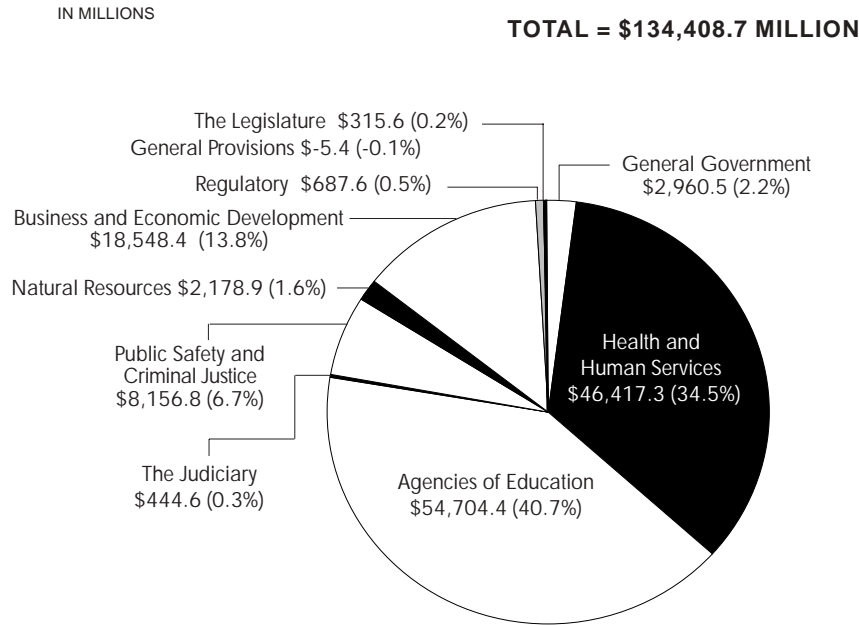
\$7.8 billion, or 6.1 percent, increase from the 2004–05 biennial level.

General Revenue funding, including funds dedicated within the General Revenue Fund, totals

\$69.5 billion for the 2006–07 biennium, an increase of \$4.0 billion, or 6.1 percent, over the anticipated 2004–05 biennial spending level. Figures 1 and 2 show the 2006–07 recommendations by government function.

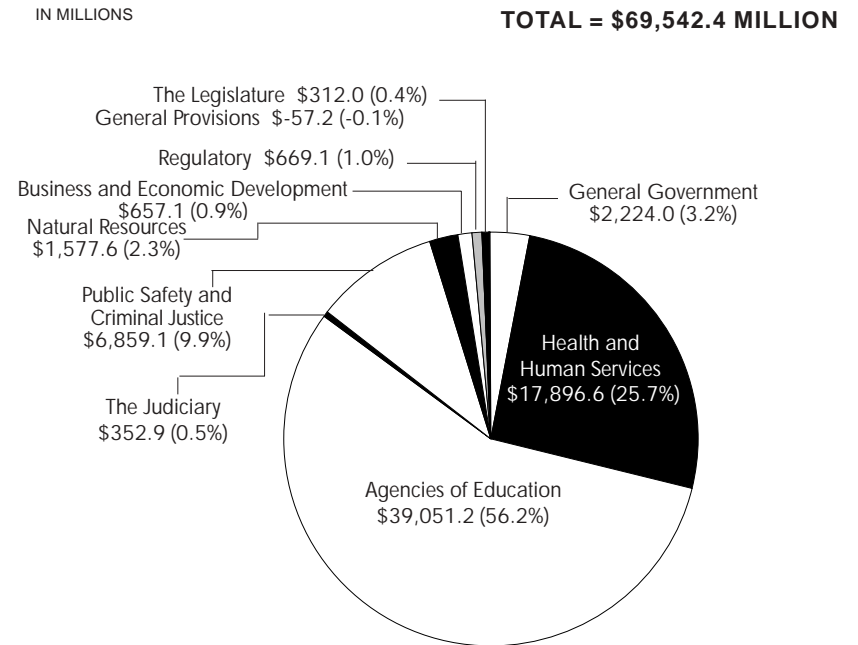
2006–07 BIENNIAL RECOMMENDATIONS

**FIGURE 1
ALL FUNDS**



NOTES: Excludes interagency contracts. Biennial change and percentage change have been calculated on actual amounts before rounding. Therefore, table and figure amounts may not add because of rounding.

**FIGURE 2
GENERAL REVENUE AND
GENERAL REVENUE–DEDICATED FUNDS**



NOTE: Biennial change and percentage change have been calculated on actual amounts before rounding. Therefore, table and figure amounts may not add because of rounding.

HIGHLIGHTS OF THE RECOMMENDATIONS

For the 2006–07 biennium, the Legislative Budget Board’s recommendations include funding for the following key budget items:

EDUCATION

- \$24.7 billion in All Funds for the Foundation School Program. This includes an increase in General Revenue Funds of \$1.1 billion to maintain current enrollment growth, maintain law obligations, ensure equity, and account for a one-month deferral of funding for the current biennium. The recommendations also reflect a transfer of \$548.0 million from the Teacher Retirement System to the Texas Education Agency to include teacher pass-through funds in the Foundation School Program.
- \$0.4 billion for TRS-Care, the healthcare system for retired school employees. This represents a reduction of \$0.3 billion primarily due to a large 2005 reserve and implementation of federal Medicare legislation.
- Enrollment growth is funded at institutions of higher education resulting in a \$0.2 billion increase in General Revenue Funds. The recommendations also reflect projected growth of \$0.3 billion in General Revenue–Dedicated Funds, primarily in tuition and fees.

HEALTH AND HUMAN SERVICES

- \$35.5 billion in All Funds (\$13.5 billion in General Revenue and General Revenue–Dedicated Funds) for Medicaid programs. This represents an increase of \$2.5 billion in All Funds (\$1.6 billion in General Revenue and General Revenue–Dedicated Funds) to serve anticipated increases in clients and to replace one-time State Fiscal Relief (federal) Funds.
- \$1.0 billion in All Funds (\$0.4 billion in General Revenue Funds) for the Children’s Health Insurance Program. Funding covers estimated client caseloads and restores dental and vision benefits.

CRIMINAL JUSTICE

- \$4.0 billion in All Funds for the incarceration and treatment of adult felons. This reflects an increase of \$0.1 billion in General Revenue Funds to address projected population increases, replace one-time land sale receipts, and partially compensate for reductions in Federal Funds.

EMPLOYEE BENEFITS

- \$2.9 billion in All Funds for state employee healthcare costs. This reflects an increase of \$0.3 billion in General Revenue Funds for increased medical and drug costs.
- \$3.7 billion in All Funds for retirement contributions for the Teacher Retirement System (\$2.9 billion), the Employees Retirement System (\$0.6 billion), and the Optional Retirement System (\$0.2 billion) for certain higher education employees.

BOND DEBT SERVICE

- \$1.2 billion in All Funds for debt service payments on bonds and other long-term financing. This includes an increase of \$0.3 billion in General Revenue Funds to cover principal and interest needs for existing general obligation and tuition revenue bonds and to account for the fact that 2004–05 biennial appropriations covered interest payments only.

TRANSPORTATION

- \$13.9 billion in All Funds for the state’s transportation system. This includes planning and design, acquisition of right-of-way, construction, and maintenance and operation of the system. The recommendations represent a \$1.2 billion increase in Federal Funds and a \$1.7 billion increase in Other Funds over the 2004–05 base level due primarily to additional finance tools available to the Texas Department of Transportation.

POLICY RECOMMENDATIONS AND OTHER BUDGET REDUCTIONS

- Approximately \$1.3 billion in General Revenue Fund savings are included in the recommendations resulting from Legislative Budget Board staff analyses of state government efficiency and operations. An additional \$0.6 billion in General Revenue Fund savings results from holding funding for many services at 95 percent of the 2004–05 spending level, and applying other budget savings strategies.

RECOMMENDATIONS BY METHOD OF FINANCING

2006-07 BIENNIAL RECOMMENDATIONS

**TABLE 1
ALL FUNDS**

IN MILLIONS				
FUNCTION	ESTIMATED/ BUDGETED 2004-05*	RECOMMENDED 2006-07	BIENNIAL CHANGE	PERCENTAGE CHANGE
Article I - General Government	\$3,479.9	\$2,960.5	\$(519.4)	(14.9)%
Article II - Health and Human Services	44,002.9	46,417.3	2,414.4	5.5
Article III - Agencies of Education	51,539.1	54,704.4	3,165.3	6.1
Public Education	34,600.5	36,707.9	2,107.3	6.1
Higher Education	16,938.6	17,996.5	1,057.9	6.2
Article IV - The Judiciary	428.7	444.6	15.9	3.7
Article V - Public Safety and Criminal Justice	8,172.4	8,156.8	(15.6)	(0.2)
Article VI - Natural Resources	2,323.3	2,178.9	(144.4)	(6.2)
Article VII - Business and Economic Development	15,683.2	18,548.4	2,865.2	18.3
Article VIII - Regulatory	669.5	687.6	18.1	2.7
Article IX - General Provisions	0.0	(5.4)	(5.4)	NA
Article X - The Legislature	325.0	315.6	(9.4)	(2.9)
Grand Total	\$126,624.1	\$134,408.7	\$7,784.6	6.1%
*Includes anticipated supplemental spending needs. NOTES: Excludes interagency contracts. Biennial change and percentage change have been calculated on actual amounts before rounding. Therefore, table and figure amounts may not add because of rounding.				

RECOMMENDATIONS BY METHOD OF FINANCING

2006-07 BIENNIAL RECOMMENDATIONS

**TABLE 2
GENERAL REVENUE FUNDS**

IN MILLIONS				
FUNCTION	ESTIMATED/ BUDGETED 2004-05*	RECOMMENDED 2006-07	BIENNIAL CHANGE	PERCENTAGE CHANGE
Article I - General Government	\$1,480.3	\$1,745.0	\$265.3	17.9%
Article II - Health and Human Services	15,508.6	17,177.5	1,669.0	10.8
Article III - Agencies of Education	34,383.5	36,102.6	1,719.2	5.0
Public Education	24,233.8	25,792.6	1,558.8	6.4
Higher Education	10,149.7	10,310.0	160.3	1.6
Article IV - The Judiciary	318.0	324.0	6.0	1.9
Article V - Public Safety and Criminal Justice	6,569.9	6,818.7	248.7	3.8
Article VI - Natural Resources	485.3	406.4	(78.9)	(16.3)
Article VII - Business and Economic Development	256.0	255.4	(0.6)	(0.3)
Article VIII - Regulatory	377.0	388.7	11.7	3.1
Article IX - General Provisions	0.0	(58.7)	(58.7)	NA
Article X - The Legislature	321.4	312.0	(9.4)	(2.9)
 Grand Total	 \$59,700.0	 \$63,472.1	 \$3,772.1	 6.3%
*Includes anticipated supplemental spending needs.				
NOTE: Biennial change and percentage change have been calculated on actual amounts before rounding. Therefore, table and figure amounts may not add because of rounding.				

RECOMMENDATIONS BY METHOD OF FINANCING

2006-07 BIENNIAL RECOMMENDATIONS

**TABLE 3
GENERAL REVENUE-DEDICATED FUNDS**

IN MILLIONS				
FUNCTION	ESTIMATED/ BUDGETED 2004-05*	RECOMMENDED 2006-07	BIENNIAL CHANGE	PERCENTAGE CHANGE
Article I - General Government	\$424.7	\$478.3	\$53.6	12.6%
Article II - Health and Human Services	830.2	719.1	(111.1)	(13.4)
Article III - Agencies of Education	2,637.8	2,948.5	310.8	11.8
Public Education	241.6	230.1	(11.5)	(4.8)
Higher Education	2,396.2	2,718.4	322.3	13.4
Article IV - The Judiciary	29.6	28.9	(0.7)	(2.4)
Article V - Public Safety and Criminal Justice	46.0	40.5	(5.5)	(12.0)
Article VI - Natural Resources	1,158.6	1,171.2	12.6	1.1
Article VII - Business and Economic Development	427.2	401.7	(25.5)	(6.0)
Article VIII - Regulatory	270.8	280.4	9.6	3.5
Article IX - General Provisions	0.0	1.6	1.6	NA
Article X - The Legislature	0.0	0.0	0.0	NA
 Grand Total	 \$5,824.9	 \$6,070.2	 \$245.4	 4.2%
*Includes anticipated supplemental spending needs. NOTE: Biennial change and percentage change have been calculated on actual amounts before rounding. Therefore, table and figure amounts may not add because of rounding.				

RECOMMENDATIONS BY METHOD OF FINANCING

2006-07 BIENNIAL RECOMMENDATIONS

**TABLE 4
GENERAL REVENUE AND GENERAL REVENUE-DEDICATED FUNDS**

IN MILLIONS				
FUNCTION	ESTIMATED/ BUDGETED 2004-05*	RECOMMENDED 2006-07	BIENNIAL CHANGE	PERCENTAGE CHANGE
Article I - General Government	\$1,905.1	\$2,224.0	\$318.9	16.7%
Article II - Health and Human Services	16,338.8	17,896.6	1,557.8	9.5
Article III - Agencies of Education	37,021.2	39,051.2	2,030.0	5.5
Public Education	24,475.4	26,022.7	1,547.3	6.3
Higher Education	12,545.8	13,028.5	482.6	3.8
Article IV - The Judiciary	347.6	352.9	5.3	1.5
Article V - Public Safety and Criminal Justice	6,615.9	6,859.1	243.2	3.7
Article VI - Natural Resources	1,643.9	1,577.6	(66.3)	(4.0)
Article VII - Business and Economic Development	683.2	657.1	(26.1)	(3.8)
Article VIII - Regulatory	647.7	669.1	21.4	3.3
Article IX - General Provisions	0.0	(57.2)	(57.2)	NA
Article X - The Legislature	321.4	312.0	(9.4)	(2.9)
Grand Total	\$65,524.8	\$69,542.4	\$4,017.6	6.1%

*Includes anticipated supplemental spending needs.
NOTE: Biennial change and percentage change have been calculated on actual amounts before rounding. Therefore, table and figure amounts may not add because of rounding.

RECOMMENDATIONS BY METHOD OF FINANCING

2006-07 BIENNIAL RECOMMENDATIONS

**TABLE 5
FEDERAL FUNDS**

IN MILLIONS				
FUNCTION	ESTIMATED/ BUDGETED 2004-05*	RECOMMENDED 2006-07	BIENNIAL CHANGE	PERCENTAGE CHANGE
Article I - General Government	\$869.4	\$658.4	\$(211.0)	(24.3)%
Article II - Health and Human Services	26,762.4	27,600.0	837.6	3.1
Article III - Agencies of Education	7,781.5	8,408.1	626.6	8.1
Public Education	7,441.7	8,080.1	638.3	8.6
Higher Education	339.7	328.0	(11.7)	(3.4)
Article IV - The Judiciary	0.1	0.1	0.0	0.0
Article V - Public Safety and Criminal Justice	404.6	284.1	(120.5)	(29.8)
Article VI - Natural Resources	320.5	279.8	(40.7)	(12.7)
Article VII - Business and Economic Development	8,353.0	9,457.1	1,104.1	13.2
Article VIII - Regulatory	6.1	4.9	(1.2)	(19.7)
Article IX - General Provisions	0.0	4.1	4.1	NA
Article X - The Legislature	0.0	0.0	0.0	NA
 Grand Total	 \$44,497.6	 \$46,696.6	 \$2,199.0	 4.9%
*Includes anticipated supplemental spending needs.				
NOTE: Biennial change and percentage change have been calculated on actual amounts before rounding. Therefore, table and figure amounts may not add because of rounding.				

RECOMMENDATIONS BY METHOD OF FINANCING

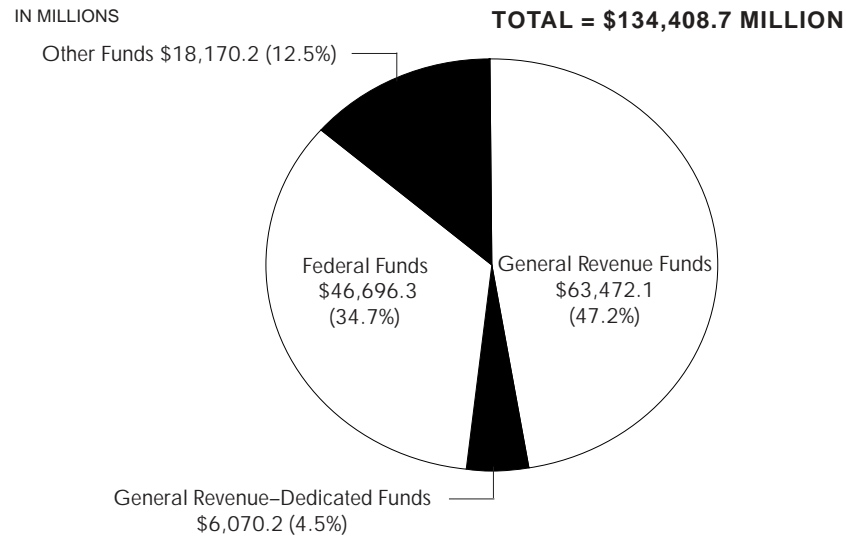
2006-07 BIENNIAL RECOMMENDATIONS

**TABLE 6
OTHER FUNDS**

IN MILLIONS				
FUNCTION	ESTIMATED/ BUDGETED 2004-05	RECOMMENDED 2006-07	BIENNIAL CHANGE	PERCENTAGE CHANGE
Article I - General Government	\$705.5	\$78.1	\$(627.4)	(88.9)%
Article II - Health and Human Services	901.8	921.0	19.2	2.1
Article III - Agencies of Education	6,736.4	7,245.1	508.7	7.6
Public Education	2,683.4	2,605.1	(78.3)	(2.9)
Higher Education	4,053.0	4,640.0	587.0	14.5
Article IV - The Judiciary	81.0	91.6	10.6	13.1
Article V - Public Safety and Criminal Justice	1,151.9	1,013.6	(138.3)	(12.0)
Article VI - Natural Resources	358.9	321.6	(37.3)	(10.4)
Article VII - Business and Economic Development	6,647.0	8,434.2	1,787.2	26.9
Article VIII - Regulatory	15.6	13.6	(2.0)	(12.8)
Article IX - General Provisions	0.0	47.7	47.7	NA
Article X - The Legislature	3.6	3.6	0.0	0.0
 Grand Total	 \$16,601.7	 \$18,170.1	 \$1,568.4	 9.4%
<p>NOTES: Excludes interagency contracts. Biennial change and percentage change have been calculated on actual amounts before rounding. Therefore, table and figure amounts may not add because of rounding.</p>				

RECOMMENDATIONS BY FUND SOURCE

**FIGURE 3
BIENNIAL RECOMMENDATIONS FOR 2006-07
BY FUND SOURCE**



NOTE: Excludes interagency contracts.

SIGNIFICANT FUNDING ELEMENTS AND COSTS

IN ADDITION to growth in Transportation, Education, and Health and Human Services, there are a number of other areas that have a significant impact on the 2006–07 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 \$623.7 million in All Funds in fiscal year 2006 and \$620.4 million in fiscal year 2007 for a total of \$1.2 billion in All funds for the 2006–07 biennium. Table 7 shows estimated/budgeted and recommended general obligation and revenue bond debt service costs by agency and method of financing for the 2004–05 and 2006–07 biennia. The recommendations include a biennial increase of \$227.6 million in General Revenue Funds for debt service from the 2004–05 level. This increase is primarily due to paying off principal in addition to interest on general obligation bonds; as a cost saving measure only interest was paid for the 2004–05 biennium.

EMPLOYEE BENEFITS/PAYROLL EXPENSE

The Employees Retirement System (ERS) state contribution rate for retirement is continued at the current level of 6.0 percent, an increase of \$17.0 million in All Funds to account for payroll growth.

The Teacher Retirement System (TRS) and Optional Retirement Program state contribution rates also are continued at 6 percent, resulting in All Funds increases of \$216.9 million and \$4.4 million, respectively, to cover payroll growth.

GROUP INSURANCE

Recommendations relating to group insurance premium contribution rates for state and higher education employees provide for increases above the fiscal year 2005 costs of 6.5 percent in fiscal year 2006 and an additional 6.5 percent in fiscal year 2007 to

**TABLE 7
DEBT SERVICE PAYMENTS
BY AGENCY AND FUND SOURCE**

IN MILLIONS	ESTIMATED/ BUDGETED 2004–05	RECOMMENDED 2006–07	BIENNIAL CHANGE	PERCENTAGE CHANGE
AGENCY/FUND SOURCE				
Public Finance Authority	\$475.5	\$664.4	\$188.8	39.7%
Water Development Board–Water Bonds	50.3	52.2	1.9	3.8
Building and Procurement Commission Lease Payments	92.7	92.9	0.1	0.2
Preservation Board/History Museum Lease Payments	13.4	13.2	(0.2)	(1.8)
Department of State Health Services Lease Payments	6.3	6.3	0.0	0.6
Health and Human Services Commission Lease Payments	4.2	3.5	(0.7)	(15.9)
Tuition Revenue Bonds	281.4	365.0	83.7	29.7
Adjutant General/Military Facilities Commission	6.5	5.6	(0.9)	(14.5)
Department of Criminal Justice Private Prison Lease/Purchase	37.7	30.3	(7.4)	(19.6)
Parks and Wildlife Department Lease Payments	11.3	10.7	(0.6)	(5.0)
TOTAL, DEBT SERVICE PAYMENTS	\$979.3	\$1,244.1	\$264.8	27.0%
METHOD OF FINANCING				
General Revenue Funds	\$921.2	\$1,148.9	\$227.6	24.7%
General Revenue–Dedicated Funds	30.0	61.4	31.4	104.5
Other Funds	28.0	33.8	5.8	20.8
TOTAL, ALL FUNDS	\$979.3	\$1,244.1	\$264.8	27.0%

Note: Biennial change and percentage change have been calculated on actual amounts before rounding. Therefore, table and figure amounts may not add because of rounding.

SIGNIFICANT FUNDING ELEMENTS AND COSTS

cover anticipated increases in claims and medical inflation.

Employees Retirement System of Texas group insurance contributions will increase by \$323.9 million because of the increase in premiums and the increase in the number of retirees.

Funding for Higher Education Group Insurance is increased by \$42.4 million in General Revenue Funds above the 2004–05 levels because of increases in premium rates offset by application of proportionality to community colleges.

Public school retirees' health insurance (TRS-Care) is decreased by \$262.1 million in General Revenue Funds. The decrease is primarily attributable to a balance in the TRS-Care trust fund at the end of fiscal year 2005 and an estimated \$116.1 million reimbursement from the federal government. In 2006 the recently passed Medicare drug plan will begin reimbursing employers some of their costs as an incentive to maintain current prescription drug benefits. The ERS reimbursement is estimated to be \$48.5 million, and the Reimbursement to Higher Education and Group Insurance is estimated to be \$20.0 million. These savings are already reflected in the amounts above, and the total estimated savings to employee benefits is \$184.6 million.

SOCIAL SECURITY CONTRIBUTIONS AND BENEFIT REPLACEMENT PAY

The recommendations for Social Security reflect an All Funds increase of \$52.0 million caused by payroll growth. Of this increase, \$29.8 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 \$12.6 million, or 9.8 percent, for Benefit Replacement Pay for state employees.

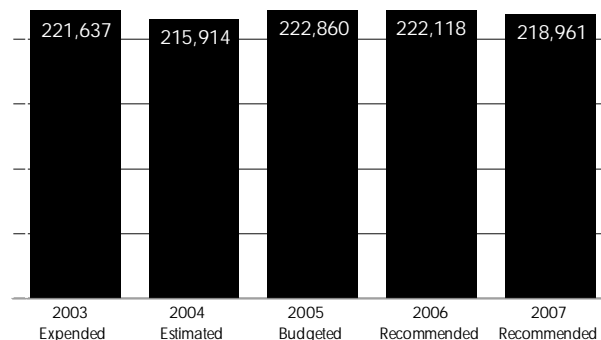
**TABLE 8
SELECTED EMPLOYEE BENEFITS, ALL FUNDS**

IN MILLIONS	ESTIMATED/ BUDGETED	RECOMMENDED	BIENNIAL	PERCENTAGE
AGENCY/FUND SOURCE	2004–05	2006–07	CHANGE	CHANGE
Benefit Replacement Pay	\$128.8	\$116.2	\$(12.6)	(9.8)%
Social Security	1,157.5	1,209.5	52.0	4.5
ERS Retirement	559.4	576.4	17.0	3.0
ERS Health	1,746.2	2,070.1	323.9	18.5
TRS Retirement	2,639.5	2,856.4	216.9	8.2
TRS Retiree Insurance	710.5	448.4	(262.1)	(36.9)
Optional Retirement Program	218.9	223.3	4.4	2.0
Higher Education Group Insurance	796.1	838.6	42.4	5.3
TOTAL, SELECTED EMPLOYEE BENEFITS	\$7,957.1	\$8,339.0	\$381.9	4.8%
METHOD OF FINANCING				
General Revenue Funds	\$6,378.0	\$6,723.8	\$345.7	5.4%
General Revenue–Dedicated Funds	367.5	406.2	38.6	10.5
Federal Funds	607.3	644.6	37.3	6.1
Other Funds	604.2	680.6	76.4	12.7
TOTAL, ALL FUNDS	\$7,957.1	\$8,339.0	\$381.9	4.8%
NOTE: Biennial change and percentage change have been calculated on actual amounts before rounding. Therefore, table and figure amounts may not add because of rounding.				

FULL-TIME-EQUIVALENT POSITIONS

The recommendations provide for 222,118 full-time-equivalent positions (FTEs) in fiscal year 2006, and 218,961 in fiscal year 2007. As shown in Figure 4, the fiscal year 2007 amount represents a decrease of 3,899 from the 2005 budgeted level.

**FIGURE 4
FULL-TIME-EQUIVALENT POSITIONS**



**TABLE 9
FULL-TIME-EQUIVALENT POSITIONS**

IN MILLIONS					
FUNCTION	EXPENDED 2003	ESTIMATED 2004	BUDGETED 2005	RECOMMENDED 2006	RECOMMENDED 2007
Article I - General Government	9,106	8,803	9,359	9,252	9,252
Article II - Health and Human Services	48,894	46,630	46,328	44,840	41,720
Article III - Agencies of Education	77,685	77,685	81,101	82,668	82,668
Article IV - The Judiciary	1,299	1,287	1,326	1,286	1,286
Article V - Public Safety and Criminal Justice	53,747	51,991	53,574	53,019	53,036
Article VI - Natural Resources	8,289	8,086	8,525	8,403	8,349
Article VII - Business and Economic Development	19,237	18,140	19,049	19,005	19,000
Article VIII - Regulatory	3,380	3,292	3,598	3,645	3,650
Total, All Articles	221,637	215,914	222,860	222,118	218,961

NOTE: 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, efficiency and explanatory 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 2006–07 biennium contain 2,048 key performance measures, which represents a 5 percent decrease in the total number of key performance measures from the 2004–05 biennial level and a 26 percent decrease 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 measures to the Legislative Budget Board.

**TABLE 10
PERFORMANCE MEASURES, BY TYPE**

TYPE OF MEASURE	NUMBER OF MEASURES				
	APPROPRIATED 1998–99	APPROPRIATED 2000–01	APPROPRIATED 2002–03	APPROPRIATED 2004–05	RECOMMENDED 2006–07
KEY					
Outcome (results/impact)	1,012	902	830	901	893
Output (volume)	1,123	828	819	824	716
Efficiency	491	300	291	295	317
Explanatory	143	121	125	135	122
Total	2,769	2,151	2,065	2,155	2,048
NON-KEY					
Outcome (results/impact)	1,640	1,985	1,355	1,414	1,480
Output (volume)	1,794	1,634	1,538	1,455	1,326
Efficiency	751	807	863	831	724
Explanatory	1,137	1,045	1,056	1,084	974
Total	5,322	5,471	4,812	4,784	4,504

APPROPRIATED AND ESTIMATED/BUDGETED FUNDS COMPARISON

All Funds appropriations for the 2004–05 biennium, as reflected in the 2004–05 *Fiscal Size-up* publication, totaled \$118.2 billion. The sum of fiscal year 2004 estimated amounts and fiscal year 2005 budgeted amounts as shown in the *Legislative Budget Estimates* for the Seventy-ninth Legislature, 2005, is \$126.6 billion. The increase of \$8.4 billion is attributable to the following items:

- ◆ an increase of \$1.7 billion in anticipated 2005 supplemental needs for the Health and Human Services Commission, primarily for Medicaid and the Children’s Health Insurance Program (\$0.7 billion in General Revenue Funds and \$1.0 billion in Federal Funds);
- ◆ an increase of \$0.5 billion in anticipated supplemental needs for the Texas Education Agency for the Foundation School Program;
- ◆ an increase of \$4.2 billion due to higher than expected federal receipts for Health and Human Services (\$2.0 billion), transportation (\$1.1 billion), education (\$0.5 billion), and other federal programs (\$0.6 billion);
- ◆ \$0.6 billion in patient income and tobacco proceeds expenditures at health science centers;
- ◆ an increase of \$0.3 billion in bond proceeds available for transportation;
- ◆ \$0.3 billion for establishment of a revolving loan fund for economic development activities in defense-dependent communities; and
- ◆ an increase of \$0.5 billion in local and Other Funds used to draw down federal health and human services funding.

**TABLE 11
RECONCILIATION OF 2004–05 APPROPRIATIONS
TO 2004–05 ESTIMATED/BUDGETED AMOUNTS
ALL FUNDS**

IN BILLIONS		
BUDGET ADJUSTMENTS	ADJUSTMENT AMOUNT	2006–07 BIENNIUM
2004–05 APPROPRIATIONS AS PUBLISHED IN FISCAL SIZE-UP		\$118.2
Major Budget Adjustments		
Health and Human Services supplemental needs	\$1.7	
Education supplemental needs	0.5	
Health and Human Services Federal Funds	2.0	
Transportation Federal Funds	1.1	
Education Federal Funds	0.5	
Other Federal Funds	0.6	
Patient income and Tobacco Proceeds	0.6	
Bond proceeds for transportation	0.3	
Loan fund for defense-dependent communities	0.3	
Local and Other Funds for Health and Human Services	0.5	
Miscellaneous items	0.3	
Subtotal, Adjustments		\$8.4
TOTAL, ESTIMATED / BUDGETED FOR 2004–05		\$126.6
<small>NOTES: 2004–05 appropriations include anticipated supplemental spending needs. Totals may not add because of rounding.</small>		

FACTORS AFFECTING THE STATE BUDGET

Recommended healthcare-related appropriations for the 2006–07 biennium will total \$48.6 billion in All Funds, representing 36 percent of the proposed state budget. Healthcare-related costs, increasing annually by double digits, continue to be the state’s single largest budget driver.

Significant factors affecting the cost of state government include public and higher education enrollment, prison incarceration, and certain health and human services programs. As depicted in Table 12, the following are the major growth indicators for the period 1994 to 2004:

- Average daily attendance in public schools has grown 21.5 percent.
- Higher education enrollment in general academic institutions has increased by 5.8 percent.
- Community college enrollment has grown by 26.9 percent.
- Average monthly caseload for nursing home clients has decreased by 3.8 percent.
- Average monthly caseload for Medicaid clients (Acute Care Premium Groups) has grown by 30.8 percent.
- Average inmate population in the Department of Criminal Justice has grown by 125 percent;
- Average residential population at the Youth Commission has increased by 117 percent.
- The Children’s Health Insurance Program served 409,865 children in fiscal year 2004.

These factors do not totally explain the growth in the budget. Other cost-related factors, such as medical inflation, can have an equal or greater effect on growth.

**TABLE 12
MAJOR BUDGET INDICATORS, 1994 AND 2004**

INDICATORS	ACTUAL 1994	ACTUAL 2004	PERCENTAGE CHANGE
Average Daily Attendance—Public Schools	3,303,633	4,015,213	21.5%
Fall Headcount Enrollment—General Academic Institutions	406,466	429,998*	5.8
Fall Headcount Enrollment—Community/Junior College	408,055	515,771*	26.9
Average Monthly Caseload—Nursing Home Clients (excludes Hospice)	67,678	65,123	(3.8)
Average Monthly Caseload—Medicaid Clients (Acute Care Premium Groups)	2,033,489	2,659,753	30.8
Average Inmate Population—Department of Criminal Justice	66,084	148,717	125.0
Average Residential Population—Youth Commission	2,190	4,753	117.0
Average Monthly Caseload—Children’s Health Insurance Program (CHIP)	0	409,865	NA

*Preliminary.

REVENUE OUTLOOK FOR THE 2006–07 BIENNIUM

CONSTITUTIONAL SPENDING LIMITS

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

ARTICLE III, §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 2006–07 biennium total \$63.5 billion, which is within the “pay as you go” limit.

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 17, 2004, and adopted the following items:

- ♦ the level of appropriations from state tax revenue not dedicated by the constitution for the 2004–05 biennium of \$46,834,691,177 subject to appropriations adjustments or revisions to the revenue forecast;
- ♦ the estimated rate of growth of the Texas economy from the 2004–05 biennium to the 2006–07 biennium of 11.34 percent, and therefore;
- ♦ the 2006–07 limit on appropriations from state tax revenue not dedicated by the constitution of \$52,145,745,157 subject to adjustments to 2004–05 biennial appropriations referenced above.

The LBB-recommended 2006–07 appropriations are within the Article VIII limit. The exact relationship between the final 2006–07 appropriations and the Article VIII limit will depend on the contents of the Comptroller’s revised revenue estimate and supplemental appropriations that may be enacted by the legislature.

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 pertaining to the limit are provided:

- ♦ The 2006–07 biennial budget defined in Human Resources Code, §31.051, is \$134,408.7 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 \$1,344.1 million.
- ♦ 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 \$137.3 million. This amount is \$1,206.8 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

REVENUE OUTLOOK FOR THE 2006–07 BIENNIUM

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 2005 will be \$26,892,544,000.
- ◆ The maximum annual amount of 5 percent of the average unrestricted general revenue for the three years preceding fiscal year 2005 is estimated at \$1,344,627,000.
- ◆ 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 2006–07 biennium; debt service amounts for the Higher Education Coordinating Board bonds receiving constitutional appropriation; Building and Procurement Commission leases with option-to-purchase payments; and Master Lease Purchase Program payments total \$406,256,000 for fiscal year 2006.

- ◆ The debt service on outstanding debt as a percentage of unrestricted general revenue is estimated at 1.5 percent for fiscal year 2005.
- ◆ If authorized but unissued (as of August 31, 2004) non-self-supporting bonds payable from the General Revenue Fund were issued, debt service for these bonds would total \$216,177,000. Debt service for these authorized but unissued bonds as a percentage of unrestricted general revenue is estimated at 0.8 percent.

- ◆ The maximum debt service on authorized non-self-supporting bonds payable from the General Revenue Fund is estimated at 2.3 percent of unrestricted general revenue, or 2.7 percent below the constitutional limit.

ECONOMIC STABILIZATION FUND (RAINY DAY FUND)

The Economic Stabilization Fund, frequently referred to as the Rainy Day Fund, ended fiscal year 2004 with a balance of \$365.6 million. As a result of natural gas tax collections in fiscal year 2004 exceeding 1987 levels, the fund received a transfer of \$594.5 million from the General Revenue Fund in September 2004. The September transfer plus interest earnings brought the Economic Stabilization Fund balance to \$846.9 million as of January 1, 2005. The comptroller forecasts that by the end of fiscal year 2007, the balance in the Economic Stabilization Fund will be \$2.0 billion.

GENERAL GOVERNMENT

2006-07 BIENNIAL RECOMMENDATIONS

ALL FUNDS recommendations for General Government total \$3.0 billion for the 2006-07 biennium, which is a decrease of \$519.4 million, or 14.9 percent, from the 2004-05 biennium (Table 13).

For General Revenue and General Revenue-Dedicated Funds, the recommendations total \$2.2 billion, which is an increase of \$318.9 million, or 16.7 percent, from the 2002-03 biennium (Table 14).

Selected performance measures for agencies in the General Government function are depicted in Table 15.

**TABLE 13
ALL FUNDS**

IN MILLIONS				
AGENCY	ESTIMATED/ BUDGETED 2004-05	RECOMMENDED 2006-07	BIENNIAL CHANGE	PERCENTAGE CHANGE
Commission on the Arts	\$11.4	\$10.5	\$(1.0)	(8.5)%
Office of the Attorney General	872.3	885.2	12.9	1.5
Bond Review Board	1.0	1.0	(0.1)	(5.0)
Building and Procurement Commission	104.8	99.3	(5.5)	(5.2)
Cancer Council	7.2	6.6	(0.6)	(8.0)
Comptroller of Public Accounts	372.0	356.9	(15.1)	(4.1)
Fiscal Programs-Comptroller of Public Accounts	455.2	479.4	24.2	5.3
Commission on State Emergency Communications	104.9	99.7	(5.2)	(5.0)
Employees Retirement System	13.4	13.9	0.5	3.6
Texas Ethics Commission	3.8	3.4	(0.4)	(10.0)
Public Finance Authority	1.5	1.5	0.0	0.0
Fire Fighters' Pension Commissioner	0.9	0.9	(0.0)	(1.5)
Office of the Governor	17.2	16.5	(0.7)	(4.1)

Continued on next page.

GENERAL GOVERNMENT

2006-07 BIENNIAL RECOMMENDATIONS

**TABLE 13
ALL FUNDS (CONTINUED)**

IN MILLIONS				
AGENCY	ESTIMATED/ BUDGETED 2004-05	RECOMMENDED 2006-07	BIENNIAL CHANGE	PERCENTAGE CHANGE
Trusted Programs Within the Office of the Governor	\$900.9	\$552.3	\$(348.6)	(38.7)%
Historical Commission ¹	63.2	15.4	(47.7)	(75.6)
Texas Incentive and Productivity Commission	0.1	0.0	(0.1)	(100.0)
Department of Information Resources	135.6	131.9	(3.7)	(2.7)
Library & Archives Commission	56.7	52.5	(4.2)	(7.4)
Pension Review Board	0.6	0.6	(0.1)	(8.5)
Preservation Board	24.0	22.8	(1.2)	(4.9)
State Office of Risk Management	15.3	15.5	0.2	1.5
Workers' Compensation Payments	114.2	123.1	8.9	7.8
Secretary of State	226.9	43.7	(183.1)	(80.7)
Office of State-Federal Relations	2.3	2.3	(0.0)	(0.4)
Veterans Commission	6.9	6.9	0.0	0.0
Retirement and Group Insurance ²	136.5	153.3	16.8	12.3
Social Security and Benefit Replacement Pay	65.4	66.8	1.4	2.2
Bond Debt Service Payments ³	20.4	60.1	39.7	194.5
Lease Payments	20.7	20.6	(0.2)	(0.9)
Article Total (less Interagency Contracts)	\$3,479.9	\$2,960.5	\$(519.4)	(14.9)%

¹ Amounts do not reflect \$40 million in bond proceeds (Other Funds) included in Article IX for courthouse preservation grants.

² Amounts do not reflect adjustments for group insurance included in Article IX associated with implementation of Medicare Part D and cost adjustments.

³ Amounts do not reflect \$3.8 million in General Revenue Funds included in Article IX for debt service payments on bond proceeds for courthouse preservation grants.

Note: Biennial change and percentage change have been calculated on actual amounts before rounding. Therefore, table amounts may not add because of rounding.

GENERAL GOVERNMENT

2006-07 BIENNIAL RECOMMENDATIONS

IN MILLIONS				
AGENCY	ESTIMATED/ BUDGETED 2004-05	RECOMMENDED 2006-07	BIENNIAL CHANGE	PERCENTAGE CHANGE
Commission on the Arts	\$7.3	\$6.3	\$(1.0)	(13.4)%
Office of the Attorney General	414.4	410.4	(4.0)	(1.0)
Bond Review Board	1.0	1.0	(0.1)	(5.0)
Building and Procurement Commission	57.0	63.7	6.7	11.7
Cancer Council	7.0	6.6	(0.4)	(5.4)
Comptroller of Public Accounts	371.4	356.3	(15.1)	(4.1)
Fiscal Programs-Comptroller of Public Accounts	453.2	477.7	24.5	5.4
Commission on State Emergency Communications	104.4	99.2	(5.2)	(5.0)
Employees Retirement System	13.4	13.9	0.5	3.6
Texas Ethics Commission	3.8	3.4	(0.4)	(10.1)
Public Finance Authority	1.0	1.0	(0.1)	(5.0)
Fire Fighters' Pension Commissioner	0.2	0.2	(0.0)	(5.0)
Office of the Governor	16.5	15.7	(0.8)	(5.0)
Trusteed Programs Within the Office of the Governor	141.5	403.8	262.3	185.3
Historical Commission	12.2	9.7	(2.6)	(20.9)
Texas Incentive and Productivity Commission	0.0	0.0	0.0	NA
Department of Information Resources	5.1	3.9	(1.1)	(21.9)
Library & Archives Commission	29.8	28.3	(1.5)	(4.9)
Pension Review Board	0.6	0.6	(0.0)	(5.0)

Continued on next page.

GENERAL GOVERNMENT

2006-07 BIENNIAL RECOMMENDATIONS

**TABLE 14
GENERAL REVENUE AND GENERAL REVENUE-DEDICATED FUNDS (CONTINUED)**

IN MILLIONS				
AGENCY	ESTIMATED/ BUDGETED 2004-05	RECOMMENDED 2006-07	BIENNIAL CHANGE	PERCENTAGE CHANGE
Preservation Board	\$23.9	\$22.7	\$(1.2)	(5.0)%
State Office of Risk Management	8.7	6.8	(1.9)	(21.6)
Workers' Compensation Payments	0.0	0.0	0.0	0.0
Secretary of State	35.4	32.8	(2.6)	(7.4)
Office of State-Federal Relations	1.8	1.7	(0.1)	(5.0)
Veterans Commission	6.9	6.9	0.0	0.0
Retirement and Group Insurance ¹	104.2	116.8	12.7	12.2
Social Security and Benefit Replacement Pay	52.8	54.0	1.2	2.3
Bond Debt Service Payments ²	20.4	60.1	39.7	194.5
Lease Payments	11.2	20.6	9.3	83.2
Article Total (less Interagency Contracts)	\$1,905.1	\$2,224.0	\$318.9	16.7%

¹ Amounts do not reflect adjustments for group insurance included in Article IX associated with implementation of Medicare Part D and cost adjustments.

² Amounts do not reflect \$3.8 million in General Revenue Funds included in Article IX for debt service payments on bond proceeds for courthouse preservation grants.

NOTE: Biennial change and percentage change have been calculated on actual amounts before rounding. Therefore, table amounts may not add because of rounding.

GENERAL GOVERNMENT

2006-07 BIENNIAL RECOMMENDATIONS

**TABLE 15
SELECTED PERFORMANCE MEASURES**

MEASURE	ACTUAL 2004	BUDGETED 2005	RECOMMENDED 2006	RECOMMENDED 2007
OFFICE OF THE ATTORNEY GENERAL				
Amount of Title IV-D Child Support Collected (in millions)	\$1,678.0	\$1,784.6	\$1,909.5	\$2,033.6
COMPTROLLER OF PUBLIC ACCOUNTS				
Delinquent Taxes Collected Per Collection-related Dollar Expended	\$84	\$76	\$84	\$84
EMPLOYEES RETIREMENT SYSTEM				
Percent of HealthSelect Participants Satisfied with Network Services	82%	85%	85%	85%
DEPARTMENT OF INFORMATION RESOURCES				
Total Savings and Cost Avoidance through Utilization of Cooperative Services (in millions)	\$51.2	\$62.5	\$53.0	\$55.0
STATE OFFICE OF RISK MANAGEMENT				
Incident Rate of Injuries and Illnesses Per 100-Covered Full-time State Employees	4%	4%	4%	4%
SECRETARY OF STATE				
Number of Business, Commercial, and Public Filings Transactions Processed	1,555,476	1,435,000	1,560,000	1,560,000
OFFICE OF STATE-FEDERAL RELATIONS				
Texas' Proportionate Share of Federal Funding	6.8%	6.5%	6.8%	6.8%
VETERANS COMMISSION				
Amount of VA Monetary Awards (in Millions of Dollars) Paid Because of Commission Advocacy in Claims Representation of Veterans with Service-connected Disabilities	\$813	\$830	\$835	\$859

BUDGET ISSUES AND RECOMMENDATIONS

2006-07 BIENNIAL RECOMMENDATIONS

TABLE 16 RECOMMENDED FUNDING FOR MAJOR BUDGET ISSUES				
IN MILLIONS	ALL FUNDS			
	ESTIMATED/ BUDGETED 2004-05	RECOMMENDED 2006-07	BIENNIAL CHANGE	PERCENTAGE CHANGE
MAJOR BUDGET ISSUE AND DESCRIPTION				
ACROSS ARTICLE APPROPRIATIONS				
CRIME VICTIMS COMPENSATION Decrease in appropriations for direct payments to victims, victims' services grants and related programs to multiple state agencies out of the Compensation to Victims of Crime Account No. 469.	\$281.8	\$205.8	\$(76.1)	(27.0)%
BUILDING AND PROCUREMENT COMMISSION-LEASE PAYMENTS Increase of \$9.2 million in General Revenue Funds for Revenue Bonds for Lease Payments for state-owned space due to depletion of available funds balances (\$9.5 million) used during the 2004-05 biennium and an increase of \$0.4 million in General Revenue-Dedicated Funds.	\$92.7	\$92.8	\$0.1	< 1.0%
EMPLOYEE BENEFITS				
Retirement Increase of \$17.0 million in All Funds (\$13.8 million in General Revenue Funds and General Revenue-Dedicated Funds) for employee retirement benefits, assuming a state contribution of 6 percent, an estimated 2 percent annual growth rate in payroll, and continuation of the 90-day delay in retirement contributions that is set to expire on August 31, 2005.	\$559.4	\$576.4	\$17.0	3.0%
Group Insurance Increase of \$323.9 million in All Funds (\$213.0 million in General Revenue Funds and General Revenue-Dedicated Funds) for employee group insurance, assuming a 6.5 percent annual growth rate in costs based on fiscal year 2005 premiums, with an \$86.9 million increase in All Funds due to 2005 costs in excess of premiums, less anticipated reimbursements from the federal government for the Medicare Part D prescription drug benefit (\$48.5 million in All Funds). In addition, a 5 percent annual growth rate in retirees is assumed. Lastly, amounts include appropriations for the State Kids Insurance Program (total of \$20.2 All Funds, and \$17.1 in General Revenue Funds and General Revenue-Dedicated Funds); however, historical expenditures are reflected at the Health and Human Services Commission.	\$1,746.2	\$2,070.1	\$323.9	18.5%

Continued on next page.

BUDGET ISSUES AND RECOMMENDATIONS

2006–07 BIENNIAL RECOMMENDATIONS

**TABLE 16
RECOMMENDED FUNDING FOR MAJOR BUDGET ISSUES (CONTINUED)**

IN MILLIONS	ALL FUNDS			
	ESTIMATED/ BUDGETED 2004–05	RECOMMENDED 2006–07	BIENNIAL CHANGE	PERCENTAGE CHANGE
MAJOR BUDGET ISSUE AND DESCRIPTION				
Social Security Increase of \$52.0 million in All Funds (\$47.0 million in General Revenue Funds and General Revenue–Dedicated Funds) for social security based on a 2 percent annual growth rate for general state employees and 3.5 percent for higher education employees.	\$1,157.5	\$1,209.5	\$52.0	4.5%
Benefit Replacement Pay Decrease of \$12.6 million in All Funds (\$6.9 million in General Revenue Funds and General Revenue–Dedicated Funds) for benefit replacement pay due to a projected 5 percent turnover rate in employees hired before September 1, 1995.	\$128.8	\$116.2	\$(12.6)	(9.8)%
STATE DEBT ISSUED BY THE TEXAS PUBLIC FINANCE AUTHORITY Increase of \$188.9 million in All Funds (\$161.4 million in General Revenue Funds) reflecting payment of principal and interest on bonds issued through fiscal year 2005 and interest-only payments for \$40 million in courthouse preservation bonds issued during the 2006–07 biennium.	\$475.5	\$664.4	\$188.9	39.7%
GENERAL GOVERNMENT AGENCY APPROPRIATIONS Based on the 2006–07 recommendations, approximately 60 percent of the General Government agencies' appropriations are at or below 95 percent of the 2004–05 expenditure levels for General Revenue Funds and General Revenue–Dedicated Funds. (This excludes end of article appropriations for employee benefits and debt service.)				
Child support enforcement activities such as establishing paternity and child support obligations, and enforcing child support, (\$445.1 million total); and contract for the State Disbursement Unit to distribute child support payments (\$59.4 million total).	\$490.1	\$504.5	\$14.4	2.9%
Crime Victims Compensation Fund Appropriations at the Office of the Attorney General Direct compensation to victims and grants to entities providing services or assistance to victims of crime.	\$168.1	\$168.1	\$0.0	0.0%
Payments to claimants of unclaimed property.	\$180.0	\$160.7	\$(19.3)	(10.7)%

Continued on next page.

BUDGET ISSUES AND RECOMMENDATIONS

2006-07 BIENNIAL RECOMMENDATIONS

**TABLE 16
RECOMMENDED FUNDING FOR MAJOR BUDGET ISSUES (CONTINUED)**

IN MILLIONS	ALL FUNDS			
	ESTIMATED/ BUDGETED 2004-05	RECOMMENDED 2006-07	BIENNIAL CHANGE	PERCENTAGE CHANGE
MAJOR BUDGET ISSUE AND DESCRIPTION				
Increase in Oil Overcharge receipts (General Revenue-Dedicated Funds) for grants and loans.	\$38.9	\$72.7	\$33.8	86.9%
Decrease in grants awarded to businesses for economic development and job creation by the Trusted Programs Within the Office of the Governor.	\$285.0	\$270.8	\$(14.2)	(5.0)%
Decrease in county courthouse preservation grants, technical assistance, and program administration.	\$46.7	\$40.6	\$(6.1)	(13.1)%

NOTE: Biennial change and percentage change have been calculated on actual amounts before rounding. Therefore, table amounts may not add because of rounding.

BUDGET ISSUES AND RECOMMENDATIONS

2006-07 BIENNIAL RECOMMENDATIONS

**TABLE 17
SIGNIFICANT AGENCY BUDGET RECOMMENDATIONS**

IN MILLIONS						
BUDGET RECOMMENDATION AND DESCRIPTION		GENERAL REVENUE FUNDS	GENERAL REVENUE-DEDICATED FUNDS	FEDERAL FUNDS	OTHER FUNDS	ALL FUNDS
OFFICE OF THE ATTORNEY GENERAL						
Increase in Child Support Enforcement (net \$14.5 million in All Funds and mainly consisting of \$14.7 million in Federal Funds) due to the anticipated receipt of federal incentive payments.						
	Est/Bud 2004-05	\$136.0	\$0.0	\$291.1	\$3.4	\$430.6
	Rec 2006-07	\$135.8	\$0.0	\$305.8	\$3.4	\$445.0
Reduction in Legal Services (\$5.2 million in All Funds, mainly consisting of a \$4.2 million reduction in General Revenue Funds) due to the one-time appropriation for litigation expenses related to redistricting and anti-trust cases.						
	Est/Bud 2004-05	\$81.8	\$0.9	\$6.3	\$32.9	\$121.9
	Rec 2006-07	\$77.6	\$0.6	\$5.1	\$33.4	\$116.7
Increase in Medicaid fraud investigations (\$3.9 million in All Funds) mainly due to a federal requirement to phase-in the program enhancements.						
	Est/Bud 2004-05	\$5.2	\$0.0	\$12.7	\$0.0	\$17.9
	Rec 2006-07	\$6.1	\$0.0	\$15.7	\$0.0	\$21.8
BUILDING AND PROCUREMENT						
Reduction of \$4.2 million in All Funds, of which \$1.0 million is General Revenue Funds and \$3.2 million is Other Funds, for custodial services due to lower contracted rates for custodial services, and a reduction for central office services, primarily due to the closure of the Central Supply Store.						
	Est/Bud 2004-05	\$9.7	\$0.0	\$0.0	\$4.0	\$13.7
	Rec 2006-07	\$8.7	\$0.0	\$0.0	\$0.8	\$9.5

Continued on next page.

BUDGET ISSUES AND RECOMMENDATIONS

2006-07 BIENNIAL RECOMMENDATIONS

**TABLE 17
SIGNIFICANT AGENCY BUDGET RECOMMENDATIONS (CONTINUED)**

IN MILLIONS						
BUDGET RECOMMENDATION AND DESCRIPTION		GENERAL REVENUE FUNDS	GENERAL REVENUE- DEDICATED FUNDS	FEDERAL FUNDS	OTHER FUNDS	ALL FUNDS
Increase of \$9.5 million in General Revenue Funds to replace land sales receipts which will be used to pay utilities during the 2006-07 biennium.	Est/Bud 2004-05	\$0.0	\$0.0	\$0.0	\$9.5	\$9.5
	Rec 2006-07	\$9.5	\$0.0	\$0.0	\$0.0	\$9.5
COMPTROLLER OF PUBLIC ACCOUNTS Reductions of \$14.1 million in General Revenue Funds for dissemination of tax policy information (\$6.8 million), and for researching, analyzing, and producing economic and fiscal reports for state and local governments (\$7.3 million).	Est/Bud 2004-05	\$48.8	\$0.0	\$0.0	\$0.0	\$48.8
	Rec 2006-07	\$34.7	\$0.0	\$0.0	\$0.0	\$34.7
FISCAL PROGRAMS-COMPTROLLER Increase of \$8.8 million in General Revenue Funds for payments to counties for: voter registration activities (\$3.6 million); and mixed beverage tax due to projected 2.9 percent growth rate in collections (\$5.2 million).	Est/Bud 2004-05	\$179.1	\$0.0	\$0.0	\$0.0	\$179.1
	Rec 2006-07	\$187.9	\$0.0	\$0.0	\$0.0	\$187.9
Reduction of \$19.3 million in General Revenue Funds for unclaimed property payments to claimants.	Est/Bud 2004-05	\$180.0	\$0.0	\$0.0	\$0.0	\$180.0
	Rec 2006-07	\$160.7	\$0.0	\$0.0	\$0.0	\$160.7
Increase of \$33.8 million in Oil Overcharge receipts (General Revenue-Dedicated Funds) for grants and loans.	Est/Bud 2004-05	\$0.0	\$38.9	\$0.0	\$0.0	\$38.9
	Rec 2006-07	\$0.0	\$72.7	\$0.0	\$0.0	\$72.7

Continued on next page.

BUDGET ISSUES AND RECOMMENDATIONS

2006-07 BIENNIAL RECOMMENDATIONS

**TABLE 17
SIGNIFICANT AGENCY BUDGET RECOMMENDATIONS (CONTINUED)**

IN MILLIONS						
BUDGET RECOMMENDATION AND DESCRIPTION		GENERAL REVENUE FUNDS	GENERAL REVENUE- DEDICATED FUNDS	FEDERAL FUNDS	OTHER FUNDS	ALL FUNDS
TRUSTEED PROGRAMS WITHIN THE OFFICE OF THE GOVERNOR Reduction in the Texas Enterprise Fund of \$14.2 million in All Funds for grants which encourage new jobs and economic growth.	Est/Bud 2004-05	\$0.0	\$0.0	\$0.0	\$285.0	\$285.0
	Rec 2006-07	\$270.8	\$0.0	\$0.0	\$0.0	\$270.8
Reduction in the Criminal Justice Division of \$44.4 million in Federal Funds due to the discontinuation of the Juvenile Accountability grant and the restructuring of the Byrne and Law Enforcement grants.	Est/Bud 2004-05	\$4.7	\$52.7	\$191.2	\$0.0	\$248.5
	Rec 2006-07	\$4.3	\$52.3	\$146.8	\$0.0	\$203.4
Reductions in Economic Development and Tourism of \$38.6 million, mainly in Other Funds and Federal Funds due to the discontinuation of the Smart Jobs Program and the federal Empowerment Zones program.	Est/Bud 2004-05	\$44.6	\$12.9	\$9.2	\$23.9	\$90.5
	Rec 2006-07	\$42.6	\$8.8	\$0.0	\$0.6	\$52.0
Reduction in Other Funds reflects the projected issuance of \$250 million in bonds in 2004-05 to assist defense-dependent communities with economic development.	Est/Bud 2004-05	\$0.0	\$0.0	\$0.0	\$250.0	\$250.0
	Rec 2006-07	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
HISTORICAL COMMISSION Decrease of \$5 million in bond proceeds (Other Funds) for grants for the preservation of county courthouses and a decrease of \$1.1 million in General Revenue Funds for courthouse preservation grants, technical assistance, and program administration. The amount shown in Other Funds for 2006-07 is appropriated in Article IX of the bill.	Est/Bud 2004-05	\$1.7	\$0.0	\$0.0	\$45.0	\$46.7
	Rec 2006-07	\$0.6	\$0.0	\$0.0	\$40.0	\$40.6

Continued on next page.

BUDGET ISSUES AND RECOMMENDATIONS

2006-07 BIENNIAL RECOMMENDATIONS

**TABLE 17
SIGNIFICANT AGENCY BUDGET RECOMMENDATIONS (CONTINUED)**

IN MILLIONS						
BUDGET RECOMMENDATION AND DESCRIPTION		GENERAL REVENUE FUNDS	GENERAL REVENUE-DEDICATED FUNDS	FEDERAL FUNDS	OTHER FUNDS	ALL FUNDS
JUNETEENTH COMMISSION (WITHIN THE HISTORICAL COMMISSION) Decrease of approximately \$1.0 million in General Revenue Funds, resulting in an appropriation of \$100,000 for operations and activities for the Commission during the 2006-07 biennium.						
	Est/Bud 2004-05	\$1.1	\$0.0	\$0.0	\$0.0	\$1.1
	Rec 2006-07	\$0.1	\$0.0	\$0.0	\$0.0	\$0.1
INCENTIVE AND PRODUCTIVITY COMMISSION A reduction of \$87,000 in All Funds due to zero-funding the agency for the 2006-07 biennium. The Council on Competitive Government assumed administrative oversight duties during fiscal year 2004.						
	Est/Bud 2004-05	\$0.0	\$0.0	\$0.0	\$0.1	\$0.1
	Rec 2006-07	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
SECRETARY OF STATE Decrease of \$182.3 million in All Funds (\$179.1 million in Federal Funds) for administration of the federal Help America Vote Act of 2002.						
	Est/Bud 2004-05	\$3.3	\$0.0	\$181.8	\$2.2	\$187.3
	Rec 2006-07	\$2.3	\$0.0	\$2.7	\$0.0	\$5.0
STATE OFFICE OF RISK MANAGEMENT Decrease of \$1.9 million for reviewing and paying eligible workers' compensation claims, and an increase of \$2.3 million in Other Funds (Interagency contracts) for the medical cost containment contract partially funded with General Revenue Funds during the 2004-05 biennium.						
	Est/Bud 2004-05	\$8.7	\$0.0	\$0.0	\$2.6	\$11.3
	Rec 2006-07	\$6.8	\$0.0	\$0.0	\$4.9	\$11.7

Continued on next page.

BUDGET ISSUES AND RECOMMENDATIONS

2006-07 BIENNIAL RECOMMENDATIONS

TABLE 17
SIGNIFICANT AGENCY BUDGET RECOMMENDATIONS (CONTINUED)

IN MILLIONS						
BUDGET RECOMMENDATION AND DESCRIPTION		GENERAL REVENUE FUNDS	GENERAL REVENUE- DEDICATED FUNDS	FEDERAL FUNDS	OTHER FUNDS	ALL FUNDS
WORKERS' COMPENSATION PAYMENTS Increase of \$8.9 million Other Funds (mainly interagency contracts with state agencies) reflecting an annual 4 percent projected growth rate in payments for workers compensation claims.	Est/Bud 2004-05	\$0.0	\$0.0	\$0.0	\$114.2	\$114.2
	Rec 2006-07	\$0.0	\$0.0	\$0.0	\$123.1	\$123.1

HEALTH AND HUMAN SERVICES

2006-07 BIENNIAL RECOMMENDATIONS

ALL FUNDS recommendations for Health and Human Services total \$46.4 billion for the 2006-07 biennium, which is an increase of \$2.4 billion, or 5.5 percent, from the 2004-05 biennium (Table 18). Funding for the 2004-05 biennium includes an estimated supplemental appropriation of \$1.7 billion in All Funds, including \$657.1

million in General Revenue Funds and General Revenue-Dedicated Funds, for the Medicaid and Children's Health Insurance Program (CHIP) programs.

For General Revenue and General Revenue-Dedicated Funds, the recommendations total

\$17.9 billion, which is an increase of \$1.6 billion, or 9.5 percent, from the 2004-05 biennium (Table 19).

Selected performance measures for agencies in the Health and Human Services function are depicted in Table 20.

**TABLE 18
ALL FUNDS**

IN MILLIONS				
AGENCY	ESTIMATED/ BUDGETED 2004-05	RECOMMENDED 2006-07	BIENNIAL CHANGE	PERCENTAGE CHANGE
Department of Aging and Disability Services	\$9,512.8	\$10,341.4	\$828.7	8.7%
Department of Assistive and Rehabilitative Services	913.5	947.3	33.7	3.7
Department of Family and Protective Services	1,720.2	1,778.4	58.2	3.4
Department of State Health Services	4,689.9	4,578.6	(111.2)	(2.4)
Health and Human Services Commission	26,385.0	28,162.5	1,777.5	6.7
Retirement and Group Insurance*	722.5	802.5	80.0	11.1
Social Security and Benefit Replacement Pay	260.0	254.7	(5.3)	(2.0)
Bond Debt Service Payments	36.5	56.1	19.6	53.7
Lease Payments	14.9	14.6	(0.3)	(2.1)
Article II, Special Provisions	0.0	(277.6)	(277.6)	NA
Article Total (less Interagency Contracts)	\$44,002.9	\$46,417.3	\$2,414.4	5.5%

*Amounts do not reflect adjustments for group insurance included in Article IX associated with implementation of Medicare Part D and cost adjustments.

NOTES: 2004-05 appropriations include anticipated supplemental spending needs.
Biennial change and percentage change have been calculated on actual amounts before rounding. Therefore, table amounts may not add because of rounding.

HEALTH AND HUMAN SERVICES

2006-07 BIENNIAL RECOMMENDATIONS

**TABLE 19
GENERAL REVENUE AND GENERAL REVENUE-DEDICATED FUNDS**

IN MILLIONS				
AGENCY	ESTIMATED/ BUDGETED 2004-05	RECOMMENDED 2006-07	BIENNIAL CHANGE	PERCENTAGE CHANGE
Department of Aging and Disability Services	\$3,596.9	\$4,048.9	\$452.0	12.6%
Department of Assistive and Rehabilitative Services	188.0	181.0	(7.0)	(3.7)
Department of Family and Protective Services	549.1	578.8	29.8	5.4
Department of State Health Services	2,132.7	2,096.0	(36.7)	(1.7)
Health and Human Services Commission	9,271.7	10,419.9	1,148.2	12.4
Retirement and Group Insurance*	412.8	473.7	61.0	14.8
Social Security and Benefit Replacement Pay	142.7	142.7	(0.1)	0.0
Bond Debt Service Payments	30.1	50.5	20.4	67.8
Lease Payments	14.9	14.6	(0.3)	(2.1)
Article II, Special Provisions	0.0	(109.5)	(109.5)	NA
Article Total	\$16,338.8	\$17,896.6	\$1,557.8	9.5%

*Amounts do not reflect adjustments for group insurance included in Article IX associated with implementation of Medicare Part D and cost adjustments.

NOTES: 2004-05 appropriations include anticipated supplemental spending needs.
Biennial change and percentage change have been calculated on actual amounts before rounding. Therefore, table amounts may not add because of rounding.

HEALTH AND HUMAN SERVICES

2006-07 BIENNIAL RECOMMENDATIONS

**TABLE 20
SELECTED PERFORMANCE MEASURES**

MEASURE	ACTUAL 2004	BUDGETED 2005	RECOMMENDED 2006	RECOMMENDED 2007
DEPARTMENT OF AGING AND DISABILITY SERVICES				
Average Number of Clients Served per Month: Medicaid Non-waiver Community Care	114,010	125,332	137,452	149,102
Average Number of Clients Served per Month: Medicaid Community-based Alternatives Waiver	27,664	26,100	26,100	26,100
Average Number of Clients Served per Month: Home and Community-based Services	8,243	8,860	8,970	8,970
Average Number of Clients Served per Month: Medicaid Related Conditions Waiver	1,812	1,817	1,817	1,817
Average Number of Clients Served per Month: Texas Home Living Waiver	101	2,052	2,851	2,851
Average Monthly Caseload, Nursing Facility Clients (Medicaid, Medicare Copay, and Hospice)	69,293	69,387	71,166	72,206
Average Number of Persons in ICF/MR Medicaid Eligible Beds per Month	7,308	7,308	7,308	7,308
Average Monthly Number of MR Campus Residents (State Schools)	4,991	5,003	5,007	5,011
DEPARTMENT OF ASSISTIVE AND REHABILITATIVE SERVICES				
Number of Consumers Served (Vocational Rehabilitation for Persons who are Blind or Visually Impaired)	10,235	10,010	10,069	10,188
Number of Consumers Served (Vocational Rehabilitation Services for People with Disabilities)	144,863	120,000	120,115	121,515
Number of Children Served in Comprehensive Services (Early Childhood Intervention)	43,009	44,147	47,175	48,978

Continued on next page.

HEALTH AND HUMAN SERVICES

2006-07 BIENNIAL RECOMMENDATIONS

**TABLE 20
SELECTED PERFORMANCE MEASURES (CONTINUED)**

MEASURE	ACTUAL 2004	BUDGETED 2005	RECOMMENDED 2006	RECOMMENDED 2007
Number of Contact Hours of Communication Access Services Provided (for Persons who are Deaf or Hard of Hearing)	24,407	23,540	24,237	24,237
People Receiving Comprehensive Rehabilitation Services	458	363	523	523
DEPARTMENT OF FAMILY AND PROTECTIVE SERVICES				
Number of Completed Child Protective Services Investigations	138,587	152,798	159,113	170,480
Average Number of Days per Month of Foster Care for All Levels of Care	488,060	532,692	547,396	578,955
Average Number of Children Provided Adoption Subsidy per Month	16,661	18,312	19,118	20,385
Average Number of STAR Youth Served per Month	4,993	5,221	4,130	4,130
Number of Completed Adult Protective Services Investigations	60,998	63,823	65,477	67,025
DEPARTMENT OF STATE HEALTH SERVICES				
Number of Doses Administered (Immunizations)	11,805,340	11,788,002	11,823,411	11,823,411
Number of Children with Special Health Care Needs Clients Receiving Medical Services	1,843	2,114	2,274	2,315
Number of WIC Participants Provided Nutritious Food Supplements per Month	881,761	881,761	944,564	977,624
Number of Adults Served in Treatment Programs for Substance Abuse	46,563	52,977	54,350	54,350
Number of Youth Served in Treatment Programs for Substance Abuse	6,404	7,377	7,553	7,553

Continued on next page.

HEALTH AND HUMAN SERVICES

2006-07 BIENNIAL RECOMMENDATIONS

**TABLE 20
SELECTED PERFORMANCE MEASURES (CONTINUED)**

MEASURE	ACTUAL 2004	BUDGETED 2005	RECOMMENDED 2006	RECOMMENDED 2007
Number of Dual Diagnosis Clients Served for Substance Abuse	5,700	6,265	6,082	6,082
Average Daily Census of State Mental Health Facilities	2,295	2,268	2,254	2,254
HEALTH AND HUMAN SERVICES COMMISSION				
Average Medicaid Acute Care Recipient Months per Month	2,659,753	2,862,298	2,987,578	3,137,045
Total Medicaid Prescriptions Incurred	36,487,135	40,149,567	32,567,119	30,172,502
Average Aged and Medicare-eligible Recipient Months per Month: STAR+PLUS*	29,171	30,068	30,872	31,683
Average Disabled and Blind Recipient Months per Month: STAR+PLUS*	22,992	23,343	23,629	23,918
Average CHIP Programs Recipient Months per Month	409,865	346,179	324,750	331,132
Average Number of TANF Recipients per Month	253,905	218,792	211,709	215,300
Average Number of TANF State Paid Recipients per Month	18,989	16,640	16,718	16,871
Number of Women and Children Served (Family Violence Services)	83,349	83,349	83,349	83,349

*Does not reflect anticipated expansion of STAR+PLUS waiver to additional state regions.

BUDGET ISSUES AND RECOMMENDATIONS

2006-07 BIENNIAL RECOMMENDATIONS

TABLE 21 RECOMMENDED FUNDING FOR MAJOR BUDGET ISSUES				
IN MILLIONS	ALL FUNDS			
	ESTIMATED/ BUDGETED 2004-05	RECOMMENDED 2006-07	BIENNIAL CHANGE	PERCENTAGE CHANGE
MAJOR BUDGET ISSUE AND DESCRIPTION				
<p>MEDICAID</p> <p>Recommended funding for the 2006-07 biennium includes \$13.5 billion in General Revenue Funds and General Revenue-Dedicated Funds, \$21.2 billion in Federal Funds, and \$0.8 billion in Other Funds. This represents an increase of \$2.5 billion in All Funds, including \$1.6 billion in General Revenue Funds and General Revenue-Dedicated Funds. Funding increases are primarily related to: serving an anticipated increase in clients (caseloads) who are entitled to services under federal law—primarily children and elderly and disabled persons; maintaining fiscal year 2005 reimbursement rates to providers for client services; and replacing one-time State Fiscal Relief (Federal) Funds with General Revenue Funds.</p> <p>Caseload Assumptions: Acute care caseloads grow from 2,862,298 in fiscal year 2005 to 2,987,578 in fiscal year 2006 and 3,137,045 in fiscal year 2007. Over two-thirds of clients are projected to be children. Recommendations assume a continuation of six-month continuous eligibility for children enrolled in acute care; this will require a change in statute. Nursing Facility-related caseloads grow from 69,387 in fiscal year 2005 to 71,166 in fiscal year 2006 and 72,206 in fiscal year 2007 (includes Medicaid, Medicare Copay, and Hospice). Community Care Medicaid non-waiver (entitlement) caseloads grow from 125,332 in fiscal year 2005 to 137,452 in fiscal year 2006 and 149,102 in fiscal year 2007.</p> <p>Funding for the 2004-05 biennium includes an estimated supplemental appropriation of \$1.5 billion in All Funds, including \$578.6 million in General Revenue Funds and General Revenue-Dedicated Funds.</p>				
	\$33,037.5	\$35,540.4	\$2,502.9	7.6%

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BUDGET ISSUES AND RECOMMENDATIONS

2006-07 BIENNIAL RECOMMENDATIONS

TABLE 21 RECOMMENDED FUNDING FOR MAJOR BUDGET ISSUES (CONTINUED)		ALL FUNDS			
IN MILLIONS		ESTIMATED/ BUDGETED 2004-05	RECOMMENDED 2006-07	BIENNIAL CHANGE	PERCENTAGE CHANGE
MAJOR BUDGET ISSUE AND DESCRIPTION					
<p>CHILDREN'S HEALTH INSURANCE PROGRAM (CHIP) Recommended funding for the 2006-07 biennium includes \$361.7 million in General Revenue Funds and \$602.4 million in Federal Funds.</p> <p>A net funding reduction of \$28.0 million in All Funds is primarily related to a projected decrease in caseloads—compared to fiscal year 2005 level—associated with policy changes enacted during the 2004-05 biennium. Caseloads are projected to decrease from 346,179 in fiscal year 2005 to 324,750 in fiscal year 2006 and then to increase to 331,132 in fiscal year 2007.</p> <p>Funding levels assume: maintaining six-month continuous eligibility (this will require a change in statute); maintaining fiscal year 2005 reimbursement rates to providers for client services; restoring dental and vision benefits; and funding the State Kids Insurance Program (SKIP) at the Employees Retirement System.</p> <p>Method of financing change: A \$6.7 million increase in General Revenue Funds is offset by a \$34.6 million decrease in Federal Funds and a \$0.1 million decrease in Other Funds. Recommendations assume higher collections in premium copayment revenues (family contributions), which are not eligible for matching Federal Funds.</p> <p>Funding for the 2004-05 biennium includes an estimated supplemental appropriation of \$206.2 million in All Funds, including \$78.5 million in General Revenue Funds.</p>		\$992.1	\$964.1	\$(28.0)	(2.8)%

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BUDGET ISSUES AND RECOMMENDATIONS

2006-07 BIENNIAL RECOMMENDATIONS

TABLE 21 RECOMMENDED FUNDING FOR MAJOR BUDGET ISSUES (CONTINUED)				
IN MILLIONS	ALL FUNDS			
	ESTIMATED/ BUDGETED 2004-05	RECOMMENDED 2006-07	BIENNIAL CHANGE	PERCENTAGE CHANGE
MAJOR BUDGET ISSUE AND DESCRIPTION				
<p>FOSTER CARE AND ADOPTION SUBSIDIES</p> <p>Recommended funding for the Department of Family and Protective Services includes an increase of \$52.9 million in All Funds, including \$20.5 million in General Revenue Funds and General Revenue-Dedicated Funds, to address projected growth in the number of children served and to maintain rates for these services.</p> <p>Caseload assumptions: The Average Number of Days per Month of Foster Care for All Levels of Care is projected to be 578,955 for fiscal year 2007, an increase of 46,263 days or 8.7 percent over the fiscal year 2005 level of 532,692. The Average Number of Children Provided Adoption Subsidy per Month is projected to be 20,385 in fiscal year 2007, an increase of 2,073 children or 11.3 percent over the fiscal year 2005 level of 18,312.</p>	\$0.0	\$52.9	\$52.9	NA
<p>CHILD PROTECTIVE SERVICES</p> <p>Recommended funding for the Department of Family and Protective Services provides an increase of \$10.7 million in All Funds (a \$14.4 million increase in General Revenue Funds and General Revenue-Dedicated Funds partially offset by a \$3.7 million decrease in Federal Funds) to annualize direct-delivery staff phased in during fiscal year 2005 and to offset the loss of Medicaid funding for targeted case management. The recommended staffing level for 2006-07 is 4,675, an increase of 45 from the fiscal year 2005 average level.</p>	\$0.0	\$10.7	\$10.7	NA
<p>ADULT PROTECTIVE SERVICES</p> <p>Recommended funding for the Department of Family and Protective Services provides an increase of \$12.5 million in All Funds, including \$12.3 million in General Revenue Funds, to fund additional direct delivery staff, subject matter staff, regional trainers, emergency client services, and the mobile caseworker system. In total, 35 FTEs are added for fiscal year 2006 and 66 FTEs are added for fiscal year 2007.</p>	\$0.0	\$12.5	\$12.5	NA

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BUDGET ISSUES AND RECOMMENDATIONS

2006-07 BIENNIAL RECOMMENDATIONS

TABLE 21 RECOMMENDED FUNDING FOR MAJOR BUDGET ISSUES (CONTINUED)				
IN MILLIONS	ALL FUNDS			
MAJOR BUDGET ISSUE AND DESCRIPTION	ESTIMATED/ BUDGETED 2004-05	RECOMMENDED 2006-07	BIENNIAL CHANGE	PERCENTAGE CHANGE
<p>CALL CENTER SAVINGS</p> <p>Recommended funding assumes the use of call centers to help determine eligibility for various programs—pursuant to House Bill 2292, Seventy-eighth Legislature, Regular Session, 2003—beginning in fiscal year 2006.</p> <p>Estimated savings total \$140.9 million in All Funds, including \$65.1 million in General Revenue Funds. A Health and Human Services Commission rider reduces agency funding by these amounts, and reduces the number of approved FTEs by 829 for fiscal year 2006 and by 3,980 for fiscal year 2007. Portions of the savings and FTE reduction may be allocated to the Department of Aging and Disability Services, which determines functional eligibility for long-term care clients. (A component of this entry is also included in the change in Medicaid funding noted on page 38.)</p>	\$0.0	\$(140.9)	\$(140.9)	NA
<p>PAYMENT OF DEFERRED REIMBURSEMENTS</p> <p>Recommendations include an increase of \$144.3 million in All Funds for the Department of Aging and Disability Services to pay for services associated with August 2005: \$138.8 million in All Funds, including \$54.9 million in General Revenue Funds, for nursing facility services; and \$5.5 million in General Revenue Funds to pay for community center mental retardation services.</p> <p>The 2004-05 General Appropriations Act deferred payment for these services until the 2006-07 biennium. (This entry is also included in the change in Medicaid funding noted on page 38.)</p>	\$0.0	\$144.3	\$144.3	NA

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BUDGET ISSUES AND RECOMMENDATIONS

2006-07 BIENNIAL RECOMMENDATIONS

TABLE 21 RECOMMENDED FUNDING FOR MAJOR BUDGET ISSUES (CONTINUED)				
IN MILLIONS	ALL FUNDS			
	ESTIMATED/ BUDGETED 2004-05	RECOMMENDED 2006-07	BIENNIAL CHANGE	PERCENTAGE CHANGE
MAJOR BUDGET ISSUE AND DESCRIPTION				
STAR+PLUS EXPANSION				
<p>Recommendations assume expansion of the STAR+PLUS Medicaid managed long-term care program and an associated savings of \$277.6 million in All Funds, including \$109.5 million in General Revenue Funds. An Article II, Special Provisions rider reduces the Department of Aging and Disability Services funding by these amounts and allows additional funding to be transferred to the Health and Human Services Commission, which operates the STAR+PLUS program. (This entry is also included in the change in Medicaid funding noted on page 38.)</p>	\$0.0	\$(277.6)	\$(277.6)	NA
FUNDING REDUCTION				
<p>In addition to other adjustments, funding for health and human services agencies was reduced by \$99.5 million in General Revenue Funds as part of a broader effort to achieve savings.</p>	\$0.0	\$(99.5)	\$(99.5)	NA
<p>NOTE: Biennial change and percentage change have been calculated on actual amounts before rounding. Therefore, table amounts may not add because of rounding.</p>				

BUDGET ISSUES AND RECOMMENDATIONS

2006-07 BIENNIAL RECOMMENDATIONS

**TABLE 22
SIGNIFICANT AGENCY BUDGET RECOMMENDATIONS**

IN MILLIONS						
BUDGET RECOMMENDATION AND DESCRIPTION		GENERAL REVENUE FUNDS	GENERAL REVENUE- DEDICATED FUNDS	FEDERAL FUNDS	OTHER FUNDS	ALL FUNDS
DEPARTMENT OF AGING AND DISABILITY SERVICES						
Community Care Entitlement (Medicaid)						
An increase of \$382.2 million in All Funds (22.7 percent), including \$170.1 million in General Revenue Funds (26.7 percent) for increases in caseloads and maintaining rates at fiscal year 2005 levels. The Average Number of Clients Served per Month: Medicaid Non-waiver Community Care increases by 23,770 from 125,332 in fiscal year 2005 to 149,102 in fiscal year 2007.						
	Est/Bud 2004-05	\$636.8	\$0.0	\$1,040.0	\$8.3	\$1,685.2
	Rec 2006-07	\$806.9	\$0.0	\$1,252.3	\$8.3	\$2,067.4
Community Care Waivers (Medicaid)						
An increase of \$51.1 million in All Funds (3.0 percent), including \$37.9 million in General Revenue Funds (5.9 percent) to maintain caseloads at August 2005 levels and to maintain rates at fiscal year 2005 levels. The Average Number of Clients Served per Month: Medicaid Waiver Community Care increases by 909 from 40,147 in fiscal year 2005 to 41,056 in fiscal year 2007. August 2005 caseloads may exceed the fiscal year 2005 average.						
	Est/Bud 2004-05	\$640.8	\$0.0	\$1,040.3	\$6.5	\$1,687.6
	Rec 2006-07	\$678.7	\$0.0	\$1,052.5	\$7.5	\$1,738.7

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BUDGET ISSUES AND RECOMMENDATIONS

2006-07 BIENNIAL RECOMMENDATIONS

TABLE 22
SIGNIFICANT AGENCY BUDGET RECOMMENDATIONS (CONTINUED)

IN MILLIONS						
BUDGET RECOMMENDATION AND DESCRIPTION		GENERAL REVENUE FUNDS	GENERAL REVENUE- DEDICATED FUNDS	FEDERAL FUNDS	OTHER FUNDS	ALL FUNDS
<p>Nursing Facility and Hospice Payments (Medicaid)</p> <p>An increase of \$443.8 million in All Funds (12.1 percent), including \$227.3 million in General Revenue Funds (16.4 percent) for increases in caseloads, maintaining rates at fiscal year 2005 levels, and funding the August 2005 nursing facility payment. The August 2005 payment of approximately \$138.8 million in All Funds, including \$54.9 million in General Revenue Funds, had been deferred during the 2004-05 biennium. The Average Monthly Caseload for Nursing Facility Clients (Medicaid, Medicare Copay, and Hospice) increases by 2,819 from 69,387 in fiscal year 2005 to 72,206 in fiscal year 2007. The number of Promoting Independence clients increases by 1,723 from 3,033 in fiscal year 2005 to 4,756 in fiscal year 2007.</p>	Est/Bud 2004-05	\$1,396.1	\$0.0	\$2,272.6	\$2.7	\$3,671.4
	Rec 2006-07	\$1,623.4	\$0.0	\$2,489.1	\$2.7	\$4,115.2
<p>Intermediate Care Facilities-Mental Retardation (Medicaid)</p> <p>A decrease of \$4.7 million in All Funds (0.6 percent) and an increase of \$4.4 million in General Revenue Funds (1.9 percent) to maintain average costs and caseloads at fiscal year 2005 levels. The Average Number of Persons in ICF/MR Medicaid Eligible Beds per Month remains unchanged at 7,308 for fiscal years 2005, 2006, and 2007.</p>	Est/Bud 2004-05	\$237.0	\$42.8	\$456.5	\$6.5	\$742.8
	Rec 2006-07	\$241.4	\$42.8	\$446.0	\$7.9	\$738.1

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BUDGET ISSUES AND RECOMMENDATIONS

2006-07 BIENNIAL RECOMMENDATIONS

TABLE 22
SIGNIFICANT AGENCY BUDGET RECOMMENDATIONS (CONTINUED)

IN MILLIONS						
BUDGET RECOMMENDATION AND DESCRIPTION		GENERAL REVENUE FUNDS	GENERAL REVENUE-DEDICATED FUNDS	FEDERAL FUNDS	OTHER FUNDS	ALL FUNDS
<p>Mental Retardation State Schools Services (Medicaid)</p> <p>A decrease of \$2.4 million in All Funds (0.3 percent) and increases of \$9.0 million in General Revenue Funds (4.4 percent) and \$2.4 million in General Revenue-Dedicated Funds (4.3 percent) from the 2004-05 level for increases in caseloads, changes in FMAP, and holding average costs at fiscal year 2005 levels. The Average Monthly Number of MR Campus (State School) Residents increases by 8 from 5,003 in fiscal year 2005 to 5,011 in fiscal year 2007.</p>	Est/Bud 2004-05	\$205.2	\$55.6	\$462.0	\$51.1	\$773.8
	Rec 2006-07	\$214.2	\$58.0	\$453.2	\$45.9	\$771.4
<p>DEPARTMENT OF ASSISTIVE AND REHABILITATIVE SERVICES</p> <p>Early Childhood Intervention Services</p> <p>Reduction of \$1.6 million in General Revenue Funds is offset by increase of \$3.6 million in Foundation School Funds through an interagency contract with the Texas Education Agency, allowing the state to meet the maintenance of effort requirement for Federal Funds. It is anticipated that the Number of Children Served in Comprehensive Services will increase by 4,831 from 44,147 in fiscal year 2005 to 48,978 in fiscal year 2007.</p>	Est/Bud 2004-05	\$60.3	\$0.0	\$152.8	\$29.5	\$242.6
	Rec 2006-07	\$58.7	\$0.0	\$179.4	\$33.1	\$271.2

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BUDGET ISSUES AND RECOMMENDATIONS

2006-07 BIENNIAL RECOMMENDATIONS

**TABLE 22
SIGNIFICANT AGENCY BUDGET RECOMMENDATIONS (CONTINUED)**

IN MILLIONS						
BUDGET RECOMMENDATION AND DESCRIPTION		GENERAL REVENUE FUNDS	GENERAL REVENUE- DEDICATED FUNDS	FEDERAL FUNDS	OTHER FUNDS	ALL FUNDS
<p>Rehabilitation Services (General) Net increase of \$4.2 million in All Funds, including a \$10.1 million increase in Federal Funds, partially offset by reductions of \$5.0 million in General Revenue Funds and approximately \$1.0 million in Other Funds. Method of finance change reduces General Revenue Funds and replaces with Federal Funds in Independent Living programs, and uses General Revenue Funds to draw down additional Federal Funds in the Vocational Rehabilitation program. It is anticipated that the number of people served in the largest program, Vocational Rehabilitation, will increase by 1,515 from 120,000 in fiscal year 2005 to 121,515 in fiscal year 2007.</p>	Est/Bud 2004-05	\$75.7	\$0.0	\$269.8	\$3.2	\$348.7
	Rec 2006-07	\$70.7	\$0.0	\$279.9	\$2.3	\$352.9
<p>Rehabilitation Services (Blind) Increase of \$1.3 million in Federal Funds for Vocational Rehabilitation for persons who are blind or visually impaired. It is anticipated that the number of people served will increase by 178 from 10,010 in fiscal year 2005 to 10,188 in fiscal year 2007.</p>	Est/Bud 2004-05	\$11.9	\$0.0	\$59.7	\$0.0	\$71.6
	Rec 2006-07	\$11.8	\$0.0	\$61.0	\$0.1	\$72.9

Continued on next page.

BUDGET ISSUES AND RECOMMENDATIONS

2006-07 BIENNIAL RECOMMENDATIONS

**TABLE 22
SIGNIFICANT AGENCY BUDGET RECOMMENDATIONS (CONTINUED)**

IN MILLIONS						
BUDGET RECOMMENDATION AND DESCRIPTION		GENERAL REVENUE FUNDS	GENERAL REVENUE- DEDICATED FUNDS	FEDERAL FUNDS	OTHER FUNDS	ALL FUNDS
<p>Comprehensive Rehabilitation Services General Revenue–Dedicated Funds are moved from general administration strategies to client services, serving more clients, and subrogation receipts are appropriated to the program. Funding to the program is increased by \$0.8 million. It is anticipated that the number of people served will increase by 160 from 363 in fiscal year 2005 to 523 in fiscal year 2007.</p>	Est/Bud 2004–05	\$0.0	\$20.1	\$0.0	\$0.0	\$20.1
	Rec 2006–07	\$0.0	\$20.8	\$0.0	\$0.1	\$20.9
<p>DEPARTMENT OF FAMILY AND PROTECTIVE SERVICES Foster Care Payments Increase of \$36.7 million in All Funds, including \$11.8 million in General Revenue Funds and General Revenue–Dedicated Funds, due to projected growth in caseloads. General Revenue Funds are used in place of General Revenue–Dedicated Funds from the Crime Victims Compensation Account (\$36.1 million). The Average Number of Days per Month of Foster Care for All Levels of Care is 547,396 for fiscal year 2006 and 578,955 for fiscal year 2007. The fiscal year 2007 number represents an increase of 46,263 days, or 8.7 percent, over fiscal year 2005.</p>	Est/Bud 2004–05	\$183.1	\$62.1	\$437.0	\$0.9	\$683.1
	Rec 2006–07	\$231.0	\$26.0	\$460.5	\$2.3	\$719.8

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BUDGET ISSUES AND RECOMMENDATIONS

2006-07 BIENNIAL RECOMMENDATIONS

**TABLE 22
SIGNIFICANT AGENCY BUDGET RECOMMENDATIONS (CONTINUED)**

IN MILLIONS						
BUDGET RECOMMENDATION AND DESCRIPTION		GENERAL REVENUE FUNDS	GENERAL REVENUE- DEDICATED FUNDS	FEDERAL FUNDS	OTHER FUNDS	ALL FUNDS
<p>Adoption Subsidy Payments Increase of \$16.1 million in All Funds, including \$8.7 million in General Revenue Funds and General Revenue-Dedicated Funds, due to projected growth in caseloads. The Average Number of Children Provided Adoption Subsidy per Month is 19,118 for fiscal year 2006 and 20,385 for fiscal year 2007. The fiscal year 2007 number represents an increase of 2,073 children, or 11.3 percent, over fiscal year 2005.</p>	Est/Bud 2004-05	\$112.7	\$0.0	\$91.4	\$0.0	\$204.1
	Rec 2006-07	\$121.4	\$0.0	\$98.8	\$0.0	\$220.2
<p>Adult Protective Services Direct Delivery Staff Increase of \$12.5 million in All Funds, including \$12.3 million in General Revenue Funds and General Revenue-Dedicated Funds, to expand direct delivery staffing levels and increase emergency client services. The number of direct delivery staff assigned to in-home services (fieldwork) rose by 104 FTEs from fiscal year 2004 to fiscal year 2005 and an additional 63 FTEs are recommended through fiscal year 2007. The total number of FTEs recommended for the strategy is 579 for fiscal year 2006 and 610 for fiscal year 2007.</p>	Est/Bud 2004-05	\$10.0	\$3.5	\$42.6	\$0.0	\$56.1
	Rec 2006-07	\$22.2	\$3.5	\$42.8	\$0.0	\$68.5

Continued on next page.

BUDGET ISSUES AND RECOMMENDATIONS

2006-07 BIENNIAL RECOMMENDATIONS

**TABLE 22
SIGNIFICANT AGENCY BUDGET RECOMMENDATIONS (CONTINUED)**

IN MILLIONS						
BUDGET RECOMMENDATION AND DESCRIPTION		GENERAL REVENUE FUNDS	GENERAL REVENUE- DEDICATED FUNDS	FEDERAL FUNDS	OTHER FUNDS	ALL FUNDS
<p>Child Protective Services Direct Delivery Staff Increase of \$10.7 million in All Funds, including \$14.4 million in General Revenue Funds, to replace Medicaid Federal Funds for targeted case management and maintain the staffing level budgeted for the end of fiscal year 2005 (Child Protective Services Phase-In). An additional 45 FTEs are recommended for 2006-07 to maintain the fiscal year 2005 staffing level. The total number of FTEs recommended for the strategy is 4,675 for fiscal year 2006 and 4,675 for fiscal year 2007.</p>	Est/Bud 2004-05	\$94.2	\$0.0	\$303.0	\$6.9	\$404.1
	Rec 2006-07	\$108.7	\$0.0	\$298.1	\$8.0	\$414.8
<p>Services to At-Risk Youth (STAR) Program Decrease of \$8.1 million in All Funds, including \$10.5 million in General Revenue Funds and General Revenue-Dedicated Funds. The agency allocated the 5 percent base reduction to this strategy and the recommendations replace a portion of the reduction with Title IVB-2 Federal Funds (\$1.7 million). The Average Number of STAR Youth Served per Month is 4,130 for fiscal year 2006 and 4,130 for fiscal year 2007, compared to 5,221 for fiscal year 2005.</p>	Est/Bud 2004-05	\$15.8	\$5.9	\$13.2	\$0.0	\$34.9
	Rec 2006-07	\$5.4	\$5.8	\$15.6	\$0.0	\$26.8

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BUDGET ISSUES AND RECOMMENDATIONS

2006-07 BIENNIAL RECOMMENDATIONS

TABLE 22
SIGNIFICANT AGENCY BUDGET RECOMMENDATIONS (CONTINUED)

IN MILLIONS						
BUDGET RECOMMENDATION AND DESCRIPTION		GENERAL REVENUE FUNDS	GENERAL REVENUE- DEDICATED FUNDS	FEDERAL FUNDS	OTHER FUNDS	ALL FUNDS
DEPARTMENT OF STATE HEALTH SERVICES						
General Revenue Funds were maintained at the 2004-05 biennial level for most key public health programs, including immunizations, HIV/STD and Hepatitis C, Children with Special Health Care Needs, WIC, and mental health and substance abuse services.						
Immunize Children and Adults						
Provides funding to increase Number of Doses Administered from 11,788,002 in fiscal year 2005 to 11,823,411 in fiscal year 2006 and fiscal year 2007.						
	Est/Bud 2004-05	\$51.5	\$0.0	\$29.2	\$6.1	\$86.8
	Rec 2006-07	\$51.5	\$0.0	\$30.3	\$6.1	\$87.9
HIV/STD and Hepatitis C Prevention						
Provides funding to increase Number of Persons Served by the HIV Medication Program 13,107 in fiscal year 2005 to 13,127 in fiscal year 2006 and fiscal year 2007.						
	Est/Bud 2004-05	\$83.4	\$0.0	\$196.3	\$1.9	\$281.6
	Rec 2006-07	\$83.4	\$0.0	\$197.6	\$0.0	\$281.0
Children with Special Health Care Needs						
Provides funding to increase the Number of Children with Special Health Care Needs Clients Receiving Medical Services from 2,114 in fiscal year 2005 to 2,274 in fiscal year 2006 and 2,315 in fiscal year 2007. Performance is based on agency estimates, which indicate an increase in the number of clients.						
	Est/Bud 2004-05	\$46.9	\$0.1	\$28.6	\$1.5	\$77.1
	Rec 2006-07	\$47.0	\$0.0	\$25.1	\$0.0	\$72.1

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BUDGET ISSUES AND RECOMMENDATIONS

2006-07 BIENNIAL RECOMMENDATIONS

**TABLE 22
SIGNIFICANT AGENCY BUDGET RECOMMENDATIONS (CONTINUED)**

IN MILLIONS						
BUDGET RECOMMENDATION AND DESCRIPTION		GENERAL REVENUE FUNDS	GENERAL REVENUE- DEDICATED FUNDS	FEDERAL FUNDS	OTHER FUNDS	ALL FUNDS
<p>Women, Infants, and Children and Farmer's Market Nutrition Services The number of participants projected to receive food supplements per month grows from 881,761 in fiscal year 2005 to 944,564 in fiscal year 2006 and 977,624 in fiscal year 2007. Performance is based on agency estimates, which indicate an increase in the number of clients.</p>	Est/Bud 2004-05	\$2.6	\$382.8	\$964.3	\$0.0	\$1,349.7
	Rec 2006-07	\$2.6	\$382.8	\$949.3	\$0.0	\$1,334.7
<p>Mental Health Services for Adults and Children General Revenue Funds were maintained at the 2004-05 biennial level in order to meet a federal maintenance of effort requirement for mental health services.</p>	Est/Bud 2004-05	\$480.0	\$0.0	\$209.0	\$0.1	\$689.1
	Rec 2006-07	\$480.4	\$0.0	\$225.9	\$0.1	\$706.4
<p>Substance Abuse Prevention and Treatment Services General Revenue Funds were maintained at the 2004-05 biennial level in order to meet a federal maintenance of effort requirement for substance abuse services. The Number of Adults Served in Treatment Programs for Substance Abuse grows from 52,977 in fiscal year 2005 to 54,350 in fiscal years 2006 and 2007. Performance is based on agency estimates, which indicate an increase in the number of clients.</p>	Est/Bud 2004-05	\$41.0	\$0.0	\$269.2	\$0.3	\$310.5
	Rec 2006-07	\$41.7	\$0.0	\$266.1	\$0.1	\$307.9

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BUDGET ISSUES AND RECOMMENDATIONS

2006-07 BIENNIAL RECOMMENDATIONS

TABLE 22
SIGNIFICANT AGENCY BUDGET RECOMMENDATIONS (CONTINUED)

IN MILLIONS						
BUDGET RECOMMENDATION AND DESCRIPTION		GENERAL REVENUE FUNDS	GENERAL REVENUE- DEDICATED FUNDS	FEDERAL FUNDS	OTHER FUNDS	ALL FUNDS
Mental Health State Hospitals and Mental Health Community Hospitals General Revenue Funds were maintained at the 2004-05 biennial level. The Average Daily Census of State Mental Health Facilities remains stable at 2,268 in fiscal year 2005, and 2,254 in fiscal years 2006 and 2007.	Est/Bud 2004-05	\$474.0	\$0.0	\$36.0	\$67.3	\$577.4
	Rec 2006-07	\$474.0	\$0.0	\$35.4	\$57.3	\$566.7
HEALTH AND HUMAN SERVICES COMMISSION						
Medicaid (Acute Care & STAR+PLUS)						
Net increase of \$1.3 billion in General Revenue Funds and General Revenue-Dedicated Funds: an increase of \$1.1 billion primarily for projected caseload growth and an increase of \$200.0 million for replacement of one-time State Fiscal Relief (Federal) Funds, with a reduction of \$15.0 million for a slightly more favorable Federal Medical Assistance Percentage.						
Caseload assumptions:						
The Average Medicaid Acute Care Recipient Months per Month increases by 274,747 from 2,862,298 in fiscal year 2005 to 3,137,045 in fiscal year 2007. The sum of the Average Aged and Medicare-eligible Recipient Months per Month and the Average Disabled and Blind Recipient Months per Month in the STAR+PLUS program increases by 2,190 from 53,411 in fiscal year 2005 to 55,601 in fiscal year 2007. The anticipated expansion of the STAR+PLUS managed long-term care waiver to additional state regions should increase the number of STAR+PLUS clients further; however the impact has not yet been determined.						
	Est/Bud 2004-05	\$8,171.6	\$4.0	\$14,250.9	\$639.2	\$23,065.7
	Rec 2006-07	\$9,485.3	\$0.0	\$14,985.2	\$715.5	\$25,186.0

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BUDGET ISSUES AND RECOMMENDATIONS

2006-07 BIENNIAL RECOMMENDATIONS

**TABLE 22
SIGNIFICANT AGENCY BUDGET RECOMMENDATIONS (CONTINUED)**

IN MILLIONS						
BUDGET RECOMMENDATION AND DESCRIPTION		GENERAL REVENUE FUNDS	GENERAL REVENUE- DEDICATED FUNDS	FEDERAL FUNDS	OTHER FUNDS	ALL FUNDS
<p>Eligibility Determination Reduction of \$168.1 million in All Funds, including \$83.7 million in General Revenue Funds, to reflect savings estimated by the Health and Human Services Commission in transition to use of call centers for determination of eligibility for certain benefits (as required by House Bill 2292, Seventy-eighth Legislature, Regular Session, 2003). FTEs in eligibility determination strategies subsequently decline from 7,226.5 in fiscal year 2005 to 6,239.9 in fiscal year 2006 to 3,088.9 in fiscal year 2007.</p>	Est/Bud 2004-05	\$332.5	\$0.0	\$499.0	\$12.7	\$844.2
	Rec 2006-07	\$248.8	\$0.0	\$412.4	\$14.9	\$676.1
<p>Children's Health Insurance Program (CHIP) A net reduction of \$28.0 million in All Funds (a \$34.6 million decrease in Federal Funds partially offset by a \$6.7 million increase in General Revenue Funds) due to projected caseload decline, funding for dental and vision benefits, and increase in premium copayment revenue. The Average CHIP Program Recipient Months per Month are projected to decrease by 15,047 from 346,179 in fiscal year 2005 to 331,132 in fiscal year 2007 due to the continuing impact of six-month continuous eligibility and other policy changes implemented during the 2004-05 biennium. Funding for the State Kids Insurance Program (SKIP) is included at the Employees Retirement System.</p>	Est/Bud 2004-05	\$355.0	\$0.0	\$637.0	\$0.1	\$992.1
	Rec 2006-07	\$361.7	\$0.0	\$602.4	\$0.0	\$964.1

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BUDGET ISSUES AND RECOMMENDATIONS

2006-07 BIENNIAL RECOMMENDATIONS

**TABLE 22
SIGNIFICANT AGENCY BUDGET RECOMMENDATIONS (CONTINUED)**

IN MILLIONS						
BUDGET RECOMMENDATION AND DESCRIPTION		GENERAL REVENUE FUNDS	GENERAL REVENUE-DEDICATED FUNDS	FEDERAL FUNDS	OTHER FUNDS	ALL FUNDS
Temporary Assistance for Needy Families (TANF) Grants Reductions of \$42.1 million in All Funds, including \$34.1 million in General Revenue Funds and \$8.0 million in Federal Funds, due to projected caseload decline. Caseloads are projected to decrease by 3,261 from 235,432 in fiscal year 2005 to 232,171 in fiscal year 2007 due to the continuing impact of full family sanction policies. Certain General Revenue Funds are reduced and replaced with TANF Federal Funds.	Est/Bud 2004-05	\$171.4	\$0.0	\$268.1	\$4.1	\$443.6
	Rec 2006-07	\$137.3	\$0.0	\$260.1	\$4.1	\$401.5
NOTE: Totals may not add due to rounding.						

EDUCATION

2006-07 BIENNIAL RECOMMENDATIONS

ALL FUNDS recommendations for Education total \$54.7 billion for the 2006-07 biennium, which is an increase of \$3.2 billion, or 6.1 percent, from the 2004-05 biennium (Table 23).

For General Revenue and General Revenue-Dedicated Funds, the recommendations total \$39.1 billion, which is an increase of \$2.0 billion, or 5.5 percent, from the 2004-05 biennium (Table 24).

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

IN MILLIONS	ESTIMATED/ BUDGETED 2004-05	RECOMMENDED 2006-07	BIENNIAL CHANGE	PERCENTAGE CHANGE
AGENCY				
PUBLIC SCHOOLS				
Texas Education Agency	\$31,007.0	\$33,572.2	\$2,565.2	8.3%
State Board for Educator Certification	38.2	52.6	14.4	37.7
School for the Blind and Visually Impaired	31.2	30.8	(0.4)	(1.2)
School for the Deaf	38.7	39.1	0.4	1.1
Subtotal, Public Schools	\$31,115.1	\$33,694.8	\$2,579.7	8.3%
PUBLIC HIGHER EDUCATION				
General Academic Institutions	\$5,226.5	\$5,552.7	\$326.2	6.2%
Health-related Institutions	5,429.4	5,951.2	521.8	9.6
A&M Service Agencies	735.0	731.6	(3.4)	(0.5)
Higher Education Fund	350.0	332.5	(17.5)	(5.0)
Available University Fund	708.4	755.3	46.9	6.6
Research Development Fund	23.3	22.1	(1.2)	(5.2)

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2006-07 BIENNIAL RECOMMENDATIONS

TABLE 23 ALL FUNDS (CONTINUED)				
IN MILLIONS				
AGENCY	ESTIMATED/ BUDGETED 2004-05	RECOMMENDED 2006-07	BIENNIAL CHANGE	PERCENTAGE CHANGE
Other Higher Education	\$879.2	\$828.6	\$(50.6)	(5.8)%
TWO-YEAR INSTITUTIONS				
Public Community/Junior Colleges	\$1,507.1	\$1,651.7	\$144.6	9.6%
Lamar Lower-level Institutions	55.5	57.2	1.7	3.1
Texas State Technical Colleges	144.1	147.0	2.9	2.0
Subtotal, Two-year Institutions	\$1,706.7	\$1,855.9	\$149.2	8.7%
Subtotal, Higher Education	\$15,058.5	\$16,029.8	\$971.3	6.5%
ARTICLE III BENEFITS AND DEBT SERVICE				
Teacher Retirement System ¹	\$3,983.5	\$3,502.5	\$(481.0)	(12.1)%
Optional Retirement Program	218.9	223.3	4.4	2.0
Higher Education Employees Group Insurance Contributions ²	796.1	823.6	27.5	3.5
Retirement and Group Insurance ²	38.7	44.4	5.7	14.7
Social Security and Benefit Replacement Pay	430.4	460.5	30.1	7.0
Subtotal, Employee Benefits	\$5,467.6	\$5,054.3	\$(413.3)	(7.6)%
Bond Debt Service Payments	\$0.9	\$2.2	\$1.3	144.4%
Lease Payments	16.5	17.3	0.8	4.8
Subtotal, Debt Service	\$17.4	\$19.5	\$2.1	12.1%
Article III, Special Provisions	0.0	4.6	4.6	NA
Total Article (less Interagency Contracts)	\$51,539.0	\$54,704.4	\$3,165.4	6.1%
¹ Amounts do not reflect General Revenue reduction of \$116.1 million included in Article IX associated with implementation of Medicare Part D.				
² Amounts do not reflect adjustments for group insurance included in Article IX associated with the implementation of Medicare Part D and cost adjustments.				
NOTE: Biennial change and percentage change have been calculated on actual amounts before rounding. Therefore, table amounts may not add because of rounding.				

EDUCATION

2006-07 BIENNIAL RECOMMENDATIONS

TABLE 24 GENERAL REVENUE AND GENERAL REVENUE-DEDICATED FUNDS				
IN MILLIONS				
AGENCY	ESTIMATED/ BUDGETED 2004-05	RECOMMENDED 2006-07	BIENNIAL CHANGE	PERCENTAGE CHANGE
PUBLIC SCHOOLS				
Texas Education Agency	\$21,484.8	\$22,988.1	\$1,503.3	7.0%
State Board for Educator Certification	35.9	40.6	4.7	13.1
School for the Blind and Visually Impaired	24.0	24.1	0.1	0.4
School for the Deaf	29.6	29.6	0.0	0.0
Subtotal, Public Schools	\$21,574.3	\$23,082.4	\$1,508.1	7.0%
PUBLIC HIGHER EDUCATION				
General Academic Institutions	\$5,209.4	\$5,542.3	\$332.9	6.4%
Health-related Institutions	2,310.0	2,299.3	(10.7)	(0.5)
A&M Service Agencies	297.4	296.9	(0.5)	(0.2)
Higher Education Fund	350.0	332.5	(17.5)	(5.0)
Available University Fund	0.0	0.0	0.0	0.0
Research Development Fund	23.3	22.1	(1.2)	(5.2)
Other Higher Education	683.6	649.6	(34.0)	(5.0)
TWO-YEAR INSTITUTIONS				
Public Community/Junior Colleges	\$1,507.1	\$1,651.7	\$144.6	9.6%
Lamar Lower-level Institutions	55.5	57.2	1.7	3.1
Texas State Technical Colleges	144.1	147.0	2.9	2.0
Subtotal, Two-year Institutions	\$1,706.7	\$1,855.9	\$149.2	8.7%

Continued on next page.

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2006-07 BIENNIAL RECOMMENDATIONS

**TABLE 24
GENERAL REVENUE AND GENERAL REVENUE-DEDICATED FUNDS (CONTINUED)**

IN MILLIONS	ESTIMATED/ BUDGETED 2004-05	RECOMMENDED 2006-07	BIENNIAL CHANGE	PERCENTAGE CHANGE
AGENCY				
Subtotal, Higher Education	\$10,580.4	\$10,998.6	\$418.2	4.0%
ARTICLE III BENEFITS AND DEBT SERVICE				
Teacher Retirement System ¹	\$3,383.1	\$3,417.9	\$34.8	1.0%
Optional Retirement Program	218.9	223.3	4.4	2.0
Higher Education Employees Group Insurance Contributions ²	795.4	822.8	27.4	3.4
Retirement and Group Insurance ²	33.4	38.3	4.9	14.7
Social Security and Benefit Replacement Pay	418.3	447.6	29.3	7.0
Subtotal, Employee Benefits	\$4,849.1	\$4,949.9	\$100.8	2.1%
Bond Debt Service Payments	\$0.9	\$2.2	\$1.3	144.4%
Lease Payments	16.5	17.3	0.8	4.8
Subtotal, Debt Service	\$17.4	\$19.5	\$2.1	12.1%
Article III, Special Provisions	0.0	0.7	0.7	NA
Total Article	\$37,021.2	\$39,051.1	\$2,029.9	5.5%
¹ Amounts do not reflect General Revenue reduction of \$116.1 million included in Article IX associated with implementation of Medicare Part D. ² Amounts do not reflect adjustments for group insurance included in Article IX associated with the implementation of Medicare Part D and cost adjustments. NOTE: Biennial change and percentage change have been calculated on actual amounts before rounding. Therefore, table amounts may not add because of rounding.				

EDUCATION

2006-07 BIENNIAL RECOMMENDATIONS

**TABLE 25
SELECTED PERFORMANCE MEASURES**

MEASURE	ACTUAL 2004	BUDGETED 2005	RECOMMENDED 2006	RECOMMENDED 2007
PUBLIC EDUCATION				
Total Average Daily Attendance (ADA)	4,015,213	4,100,333	4,184,223	4,272,352
Percent of Equalized Revenue in the Foundation School Program	94.9%	94.7%	98%	98%
Percent of Students in Districts with Substantially Equal Access to Revenues	81.7%	80.5%	85%	85%
Percent of Students Passing All Tests Taken	66.55%	68%	70%	72%
Percent of African-American Students Passing All Tests Taken	51.45%	57%	60%	63%
Percent of Hispanic Students Passing All Tests Taken	56.78%	58%	60%	63%
Percent of Economically Disadvantaged Students Passing All Tests Taken	55.2%	58%	60%	63%
Percent of Districts Rated Exemplary or Recognized	32%	35%	40%	50%
Annual Statewide Dropout Rate for All Students	0.9%	1.1%	1.1%	2.9%
HIGHER EDUCATION				
Percentage of University Students Graduating Within Six Years	52.6%	53.0%	53.3%	53.5%
Percent of Family Residency Program Graduates Practicing in Texas	84%	84%	83%	83.5%
Number of Students receiving TEXAS Grants	61,448	56,109	36,227	19,425
Percent Increase in Fall Student Headcount Enrollment since Fall 2000	15.4%	18%	21%	24%
Percent of Public Two-Year Institution Students Graduating in Three Years	16%	15%	15%	15%

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2006-07 BIENNIAL RECOMMENDATIONS

**TABLE 25
SELECTED PERFORMANCE MEASURES (CONTINUED)**

MEASURE	ACTUAL 2004	BUDGETED 2005	RECOMMENDED 2006	RECOMMENDED 2007
Percent of Medical School Graduates Practicing Primary Care in Texas	36.3%	30.7%	35.5%	35.5%
Percent of Bachelor of Science in Nursing Graduates Who Are Licensed in Texas	96.1%	93.8%	91.3%	91.3%
Percent of Medical School Graduates Practicing Primary Care in Texas	36.3%	30.7%	35.5%	35.5%
Percent of Bachelor of Science in Nursing Graduates Who Are Licensed in Texas	96.1%	93.8%	91.3%	91.3%

BUDGET ISSUES AND RECOMMENDATIONS

2006-07 BIENNIAL RECOMMENDATIONS

TABLE 26 RECOMMENDED FUNDING FOR MAJOR BUDGET ISSUES				
IN MILLIONS	ALL FUNDS			
	ESTIMATED/ BUDGETED 2004-05	RECOMMENDED 2006-07	BIENNIAL CHANGE	PERCENTAGE CHANGE
MAJOR BUDGET ISSUE AND DESCRIPTION				
<p>TEXAS EDUCATION AGENCY Foundation School Program funding includes General Revenue Funds increase of \$1.1 billion and Other Funds increase of \$442 million to fully fund current law obligations, including obligations within the facilities funding programs.</p> <p>Consolidation of various funding streams into the strategy for Foundation School Program—Operations, within the Texas Education Agency. Consolidated programs include funding for the Foundation School Program, Instructional Materials, Technology Allotment and school district employee pass-through, previously funded within the Teacher Retirement System. These newly consolidated programs increase the Foundation School Program by an additional \$1.1 billion in General Revenue Funds.</p>	\$22,056	\$24,673	\$2,617	11.9%
<p>TEACHER RETIREMENT SYSTEM Funding provided for retired employees group insurance program (TRS-Care) to reflect a 6.5 percent increase in claims costs. Article IX includes \$116.1 million in General Revenue Fund savings associated with implementation of Medicare Part D, which is also reflected in the 2006-07 recommended figure.</p>	\$710.5	\$448.5	\$(262.0)	(36.9)%
<p>HIGHER EDUCATION COORDINATING BOARD General Revenue Funds and General Revenue-Dedicated Funds were reduced 5 percent from the 2004-05 expenditure levels.</p> <p>Decreasing Federal Funds and Other Funds transferred from the Texas Education Agency.</p>	\$666.9	\$633.71	\$(33.2)	(4.9)%
<p>GENERAL ACADEMIC INSTITUTIONS Fully funded weighted semester hour credit growth of 4.9 percent (\$105 million) and added an additional \$67 million.</p> <p>Funded non-formula General Revenue Fund items at 95 percent of the 2004-05 expenditure level. The recommendations also convert some non-formula General Revenue Funds to formula General Revenue Funds.</p>	\$0.0	\$172.2	\$172.2	NA
	\$976.4	\$847.7	\$(128.7)	(13.1)%

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BUDGET ISSUES AND RECOMMENDATIONS

2006-07 BIENNIAL RECOMMENDATIONS

TABLE 26 RECOMMENDED FUNDING FOR MAJOR BUDGET ISSUES (CONTINUED)				
IN MILLIONS	ALL FUNDS			
	ESTIMATED/ BUDGETED 2004-05	RECOMMENDED 2006-07	BIENNIAL CHANGE	PERCENTAGE CHANGE
MAJOR BUDGET ISSUE AND DESCRIPTION				
Includes \$1.9 billion in General Revenue–Dedicated Funds (an increase of \$289 million) mostly due to growth in tuition and fees.	\$1,628.6	\$1,917.9	\$289.3	17.7%
HEALTH-RELATED INSTITUTIONS				
Fully funded growth of 6.9 percent for full-time-student equivalents (\$18.3 million in General Revenue Funds) offset by a 5 percent reduction in all non-formula General Revenue Funds (\$38.6 million).	\$1,839.3	\$1,819.0	\$(20.3)	(1.1)%
General Revenue–Dedicated Funds increase due to growth in indirect cost recovery associated with grants.	\$ 470.6	\$ 480.2	\$ 9.6	2.0%
Other Funds increase primarily due to patient income growth at the University of Texas M.D. Anderson Cancer Center.	\$3,119.4	\$3,651.8	\$532.4	17.1%
PUBLIC COMMUNITY/JUNIOR COLLEGES				
Fully funded student contact hour growth of 2.6 percent and redirected group health insurance funds through the funding formula.	\$1,507.1	\$1,651.7	\$144.6	9.6%
HIGHER EDUCATION EMPLOYEE GROUP HEALTH INSURANCE CONTRIBUTIONS				
Net increase in funding to address rising health costs after \$106 million was redirected to the Community/Junior College formulas excluding Article IX adjustments.	\$796.1	\$823.6	\$27.5	3.5%
AVAILABLE UNIVERSITY FUND				
Reflects estimated increases in the distributions from the Permanent University Fund.	\$708.4	\$755.3	\$46.8	6.6%
HIGHER EDUCATION FUND				
Funding for the Higher Education Fund represents 95 percent of the 2004-05 expenditure level.	\$350	\$332	\$(17.5)	(5.0)%
NOTE: Biennial change and percentage change have been calculated on actual amounts before rounding. Therefore, table amounts may not add because of rounding.				

BUDGET ISSUES AND RECOMMENDATIONS

2006-07 BIENNIAL RECOMMENDATIONS

**TABLE 27
SIGNIFICANT AGENCY BUDGET RECOMMENDATIONS**

IN MILLIONS						
BUDGET RECOMMENDATION AND DESCRIPTION		GENERAL REVENUE FUNDS	GENERAL REVENUE- DEDICATED FUNDS	FEDERAL FUNDS	OTHER FUNDS	ALL FUNDS
TEXAS EDUCATION AGENCY						
Foundation School Program–Operations. Current law state aid payments for school district operations increase by \$1,168 million in General Revenue Funds and \$442 million in Other Funds. The General Revenue Funds increase reflects costs of meeting enrollment growth and equity standards. Growth in Other Funds is due to an increased estimate of recapture payments from school districts and the use of \$100 million in Highway Fund 6 funds for the transportation allotment.						
	Est/Bud 2004-05	\$18,273.0	\$0.0	\$0.0	\$2,075.0	\$20,348.0
	Rec 2006-07	\$19,441.0	\$0.0	\$0.0	\$2,517.0	\$21,958.0
Foundation School Program–Facilities. Funding school facilities at current law obligations allows for a cost decrease of \$98 million in General Revenue Funds, due to rising property values which serve to lower the state share of facilities programs.						
	Est/Bud 2004-05	\$1,462.0	\$0.0	\$0.0	\$0.0	\$1,462.0
	Rec 2006-07	\$1,364.0	\$0.0	\$0.0	\$0.0	\$1,364.0
Foundation School Program–Active-Care Pass-Through. The Active-Care supplement (pass-through) is moved from the Teacher Retirement System and rolled into the FSP, causing an increase of \$548 million in General Revenue Funds. This funding level allows for full-time school district employees to receive \$500 per year and part-time employees to receive \$250 per year, excluding administrators.						
	Est/Bud 2004-05	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
	Rec 2006-07	\$548.0	\$0.0	\$0.0	\$0.0	\$548.0

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BUDGET ISSUES AND RECOMMENDATIONS

2006-07 BIENNIAL RECOMMENDATIONS

TABLE 27
SIGNIFICANT AGENCY BUDGET RECOMMENDATIONS (CONTINUED)

IN MILLIONS						
BUDGET RECOMMENDATION AND DESCRIPTION		GENERAL REVENUE FUNDS	GENERAL REVENUE- DEDICATED FUNDS	FEDERAL FUNDS	OTHER FUNDS	ALL FUNDS
<p>Foundation School Program—Instructional Materials. General Revenue for textbook funding is rolled into the FSP, and appropriations are sufficient to cover cost of all textbook purchases deferred to fiscal year 2006 from fiscal year 2005, as well as all continuing contracts for the 2006–07 biennium. This represents a decrease of \$53.6 million in All Funds. New textbooks scheduled for purchase in the 2006–07 biennium are not covered by this funding level.</p>	Est/Bud 2004–05	\$389.1	\$0.0	\$0.0	\$0.0	\$389.1
	Rec 2006–07	\$327.0	\$0.0	\$8.5	\$0.0	\$335.5
<p>Foundation School Program—Technology Allotment. The technology allotment is rolled into the FSP, and appropriations are reduced by \$11.5 million in General Revenue–Dedicated Funds, reflecting a 5 percent reduction.</p>	Est/Bud 2004–05	\$0.0	\$241.5	\$0.0	\$0.0	\$241.5
	Rec 2006–07	\$0.0	\$230.0	\$0.0	\$0.0	\$230.0
<p>Other General Revenue-Funded Programs. Remaining major education programs are reduced by \$17.3 million in General Revenue Funds, reflecting the agency’s overall 5 percent General Revenue Funds reduction to programs not related to the Foundation School Program.</p>	Est/Bud 2004–05	\$1,068.9	\$0.1	\$0.0	\$3.0	\$1072.0
	Rec 2006–07	\$1,037.7	\$0.1	\$0.0	\$0.0	\$1,037.8
<p>Federal Funds. Federal Funds are increased by \$614 million. Estimates for federal Title I grants for low-income students (\$179 million increase), special education funds (\$250 million increase), 21st Century Community Learning Centers (\$44 million increase), and English language acquisition (\$26 million) constitute the bulk of the growth in appropriations.</p>	Est/Bud 2004–05	\$0.0	\$0.0	\$7,372.8	\$0.0	\$7,372.8
	Rec 2006–07	\$0.0	\$0.0	\$7,986.8	\$0.0	\$7,986.8

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BUDGET ISSUES AND RECOMMENDATIONS

2006-07 BIENNIAL RECOMMENDATIONS

**TABLE 27
SIGNIFICANT AGENCY BUDGET RECOMMENDATIONS (CONTINUED)**

IN MILLIONS						
BUDGET RECOMMENDATION AND DESCRIPTION		GENERAL REVENUE FUNDS	GENERAL REVENUE- DEDICATED FUNDS	FEDERAL FUNDS	OTHER FUNDS	ALL FUNDS
Administrative Reductions. All Funds appropriations for agency administration are reduced by \$9.4 million, a decrease of 7.7 percent. Decreases in General Revenue Funds (\$9.8 million) and Other Funds (\$5.0 million) are partially offset by an increase in Federal Funds (\$5.4 million). The Other Funds decrease is due to the elimination of funding for external managers of the Permanent School Fund.	Est/Bud 2004-05	\$50.2	\$0.0	\$52.8	\$18.6	\$121.6
	Rec 2006-07	\$40.4	\$0.0	\$58.2	\$13.6	\$112.2
STATE BOARD FOR EDUCATOR CERTIFICATION Funding increased by an estimated \$3.4 million in General Revenue Funds (Certification and Assessment Fees) to allow agency to meet projected demand for educator certification examinations.	Est/Bud 2004-05	\$21.9	\$0.0	\$0.0	\$0.0	\$21.9
	Rec 2006-07	\$25.3	\$0.0	\$0.0	\$0.0	\$25.3
Funding increased by \$11.0 million in Federal Funds to continue support for the Texas Beginning Educator Support System (TxBESS) induction and mentoring program for educators.	Est/Bud 2004-05	\$0.0	\$0.0	\$1.0	\$0.0	\$1.0
	Rec 2006-07	\$0.0	\$0.0	\$12.0	\$0.0	\$12.0
Funding for remaining strategies and programs provided at 100 percent of 2004-05 All Funds level.	Est/Bud 2004-05	\$14.0	\$0.0	\$1.3	\$0.0	\$15.3
	Rec 2006-07	\$15.3	\$0.0	\$0.0	\$0.0	\$15.3

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BUDGET ISSUES AND RECOMMENDATIONS

2006-07 BIENNIAL RECOMMENDATIONS

**TABLE 27
SIGNIFICANT AGENCY BUDGET RECOMMENDATIONS (CONTINUED)**

IN MILLIONS						
BUDGET RECOMMENDATION AND DESCRIPTION		GENERAL REVENUE FUNDS	GENERAL REVENUE- DEDICATED FUNDS	FEDERAL FUNDS	OTHER FUNDS	ALL FUNDS
TEXAS SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED						
Funding for teacher salary increases grows by an estimated \$0.4 million in General Revenue Funds to match anticipated raises of educators in the Austin Independent School District.	Est/Bud 2004-05	\$0.2	\$0.0	\$0.0	\$0.0	\$0.2
	Rec 2006-07	\$0.6	\$0.0	\$0.0	\$0.0	\$0.6
Instructional and residential services for students, and technical assistance and outreach to school districts and parents decreases by \$0.1 million in General Revenue Funds and \$0.5 million in All Funds. This decrease is largely due to anticipated declines in Federal and state specialized grants.						
	Est/Bud 2004-05	\$18.8	\$0.0	\$4.7	\$2.4	\$25.9
	Rec 2006-07	\$18.7	\$0.0	\$4.6	\$2.1	\$25.4
Funding for school administration decreases by \$0.3 million in All Funds, representing a 5 percent reduction.						
	Est/Bud 2004-05	\$5.0	\$0.0	\$0.0	\$0.1	\$5.1
	Rec 2006-07	\$4.7	\$0.0	\$0.0	\$0.1	\$4.8
TEXAS SCHOOL FOR THE DEAF						
Funding for teacher salary increases grows by an estimated \$0.7 million in General Revenue to match anticipated raises of educators in the Austin Independent School District.	Est/Bud 2004-05	\$0.3	\$0.0	\$0.0	\$0.0	\$0.3
	Rec 2006-07	\$1.0	\$0.0	\$0.0	\$0.0	\$1.0
Instructional and residential services for students, and technical assistance and outreach to school districts and parents increases by \$0.2 million in All Funds.						
	Est/Bud 2004-05	\$21.1	\$0.0	\$2.6	\$6.1	\$29.8
	Rec 2006-07	\$20.8	\$0.0	\$2.8	\$6.4	\$30.0

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BUDGET ISSUES AND RECOMMENDATIONS

2006-07 BIENNIAL RECOMMENDATIONS

TABLE 27
SIGNIFICANT AGENCY BUDGET RECOMMENDATIONS (CONTINUED)

IN MILLIONS						
BUDGET RECOMMENDATION AND DESCRIPTION		GENERAL REVENUE FUNDS	GENERAL REVENUE- DEDICATED FUNDS	FEDERAL FUNDS	OTHER FUNDS	ALL FUNDS
Funding for school administration decreases by \$0.4 million in All Funds, representing a 5 percent reduction.	Est/Bud 2004-05	\$8.2	\$0.0	\$0.0	\$0.3	\$8.5
	Rec 2006-07	\$7.9	\$0.0	\$0.0	\$0.3	\$8.1
TEACHER RETIREMENT SYSTEM						
Funding increased by \$216.9 million in All Funds in retirement strategies commensurate with projected payroll growth at current contribution rate of 6 percent.	Est/Bud 2004-05	\$2,527.4	\$109.3	\$0.0	\$0.0	\$2,639.6
	Rec 2006-07	\$2,727.0	\$126.3	\$0.0	\$3.0	\$2,856.4
Funding provided for retired employees group insurance program (TRS-Care) to reflect a 6.5 percent increase in claims costs. Article IX includes \$116.1 million in General Revenue Funds savings associated with implementation of Medicare Part D, which is reflected in the All Funds figure.	Est/Bud 2004-05	\$194.5	\$0.0	\$0.0	\$516.0	\$710.5
	Rec 2006-07	\$448.5	\$0.0	\$0.0	\$0.0	\$448.5
TRS-ActiveCare "Pass-through" program providing supplemental funds to active public education employees transferred to the Texas Education Agency.	Est/Bud 2004-05	\$552.0	\$0.0	\$0.0	\$0.0	\$552.0
	Rec 2006-07	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Funding for administrative costs provided at 100 percent of 2004-05 biennial level.	Est/Bud 2004-05	\$0.0	\$0.0	\$0.0	\$81.5	\$81.5
	Rec 2006-07	\$0.0	\$0.0	\$0.0	\$81.5	\$81.5

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BUDGET ISSUES AND RECOMMENDATIONS

2006-07 BIENNIAL RECOMMENDATIONS

TABLE 27
SIGNIFICANT AGENCY BUDGET RECOMMENDATIONS (CONTINUED)

IN MILLIONS						
BUDGET RECOMMENDATION AND DESCRIPTION		GENERAL REVENUE FUNDS	GENERAL REVENUE-DEDICATED FUNDS	FEDERAL FUNDS	OTHER FUNDS	ALL FUNDS
OPTIONAL RETIREMENT SYSTEM Funding increased by \$4.4 million (\$3.7 million in General Revenue Funds) to account for payroll growth among participating higher education employees.						
	Est/Bud 2004-05	\$185.1	\$33.8	\$0.0	\$0.0	\$218.9
	Rec 2006-07	\$188.9	\$34.5	\$0.0	\$0.0	\$223.3
HIGHER EDUCATION EMPLOYEES GROUP INSURANCE Increase of \$42.4 million in General Revenue Funds for higher education employee group insurance, assuming a 6.5 percent annual growth rate in costs based on fiscal year 2005 rates. Also incorporates anticipated reimbursements from the federal government (\$20.0 million) for the Medicare Part D prescription drug benefit and cost adjustments (\$35.0 million) in Article IX. Recommendations also incorporate a reduction of \$106.0 million in General Revenue Funds to apply proportionality to community colleges. This \$106.0 million reduction was incorporated into the community colleges' formula funding.						
	Est/Bud 2004-05	\$795.4	\$0.0	\$0.0	\$0.7	\$796.1
	Rec 2006-07	\$837.8	\$0.0	\$0.0	\$0.8	\$837.9
HIGHER EDUCATION COORDINATING BOARD General Revenue Funds and General Revenue-Dedicated Funds were reduced 5 percent from the 2004-05 expenditure levels.						
	Est/Bud 2004-05	\$666.9	\$13.9	\$0.0	\$0.0	\$680.8
	Rec 2006-07	\$633.7	\$13.2	\$0.0	\$0.0	\$646.9
In anticipation of fewer available grants, Federal Funds have been reduced to agency-requested levels.						
	Est/Bud 2004-05	\$0.0	\$0.0	\$129.0	\$0.0	\$129.0
	Rec 2006-07	\$0.0	\$0.0	\$119.9	\$0.0	\$119.9

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BUDGET ISSUES AND RECOMMENDATIONS

2006-07 BIENNIAL RECOMMENDATIONS

**TABLE 27
SIGNIFICANT AGENCY BUDGET RECOMMENDATIONS (CONTINUED)**

IN MILLIONS						
BUDGET RECOMMENDATION AND DESCRIPTION		GENERAL REVENUE FUNDS	GENERAL REVENUE- DEDICATED FUNDS	FEDERAL FUNDS	OTHER FUNDS	ALL FUNDS
Agency-requested reductions in the Texas Education Agency's Educational Aide Program resulted in a decrease in transfers to the Higher Education Coordinating Board.	Est/Bud 2004-05	\$0.0	\$0.0	\$0.0	\$60.2	\$60.2
	Rec 2006-07	\$0.0	\$0.0	\$0.0	\$52.7	\$52.7
Maintain funding only for students currently in the TEXAS Grant program.	Est/Bud 2004-05	\$324.1	\$0.0	\$0.0	\$0.3	\$324.4
	Rec 2006-07	\$194.3	\$0.0	\$0.0	\$0.4	\$194.7
Funding for the B-on-Time program was increased.	Est/Bud 2004-05	\$0.0	\$10.8	\$0.0	\$0.0	\$10.8
	Rec 2006-07	\$129.7	\$10.8	\$0.0	\$0.0	\$140.5
AVAILABLE UNIVERSITY FUND						
Increased funding (\$46.8 million in Other Funds) due to projected growth in distributions from the Permanent University Fund.	Est/Bud 2004-05	\$0.0	\$0.0	\$0.0	\$708.4	\$708.4
	Rec 2006-07	\$0.0	\$0.0	\$0.0	\$755.3	\$755.3
HIGHER EDUCATION FUND						
Decreased funding (\$17.5 million in General Revenue Funds) due to funding the Higher Education Fund at 95 percent of the 2004-05 appropriation levels. Recommended amounts do not include additional General Revenue Funds for the Permanent Higher Education Fund corpus.	Est/Bud 2004-05	\$350.0	\$0.0	\$0.0	\$0.0	\$350.0
	Rec 2006-07	\$332.5	\$0.0	\$0.0	\$0.0	\$332.5

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BUDGET ISSUES AND RECOMMENDATIONS

2006-07 BIENNIAL RECOMMENDATIONS

**TABLE 27
SIGNIFICANT AGENCY BUDGET RECOMMENDATIONS (CONTINUED)**

IN MILLIONS						
BUDGET RECOMMENDATION AND DESCRIPTION		GENERAL REVENUE FUNDS	GENERAL REVENUE- DEDICATED FUNDS	FEDERAL FUNDS	OTHER FUNDS	ALL FUNDS
RESEARCH DEVELOPMENT FUND						
Decreased funding (\$1.2 million in General Revenue Funds) due to funding the Research Development Fund at 95 percent of the September 2004 Budget Execution amount for the Texas Excellence Fund and the University Research Fund.						
	Est/Bud 2004-05	\$23.3	\$0.0	\$0.0	\$0.0	\$23.3
	Rec 2006-07	\$22.1	\$0.0	\$0.0	\$0.0	\$22.1
GENERAL ACADEMIC INSTITUTIONS						
Fully funded weighted semester hour credit growth of 4.9 percent (\$105.2 million) and added an additional \$67.0 million in formula funding.						
	Est/Bud 2004-05	\$2,659.8	\$0.0	\$0.0	\$0.0	\$2,659.8
	Rec 2006-07	\$2,833.8	\$0.0	\$0.0	\$0.0	\$2,833.8
Total non-formula General Revenue Funds are funded at 95 percent of the 2004-05 expenditure levels, with the exception of tuition revenue bond debt service which is fully funded. Two-year Lamars portion of the two-year academic institutions' instruction and operation formula was increased \$1.7 million over the 2004-05 expenditure level. The recommendation also includes a conversion of non-formula General Revenue Funds to formula General Revenue Funds.						
	Est/Bud 2004-05	\$976.4	\$0.0	\$0.0	\$0.0	\$976.4
	Rec 2006-07	\$847.7	\$0.0	\$0.0	\$0.0	\$847.7
Includes \$1.9 billion in General Revenue-Dedicated Funds (an increase of \$289.0 million) mostly due to growth in tuition and fees.						
	Est/Bud 2004-05	\$0.0	\$1,628.6	\$0.0	\$0.0	\$1,628.6
	Rec 2006-07	\$0.0	\$1,917.9	\$0.0	\$0.0	\$1,917.9

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BUDGET ISSUES AND RECOMMENDATIONS

2006-07 BIENNIAL RECOMMENDATIONS

**TABLE 27
SIGNIFICANT AGENCY BUDGET RECOMMENDATIONS (CONTINUED)**

IN MILLIONS						
BUDGET RECOMMENDATION AND DESCRIPTION		GENERAL REVENUE FUNDS	GENERAL REVENUE- DEDICATED FUNDS	FEDERAL FUNDS	OTHER FUNDS	ALL FUNDS
HEALTH-RELATED INSTITUTIONS						
Fully funded a 6.9 percent growth in full time student equivalent hours for 2006-07 (\$18.3 million in General Revenue Funds). Non-formula items were funded at 95 percent of the 2004-05 expenditure level, resulting in a net reduction of \$38.6 million in non-formula General Revenue Funds.	Est/Bud 2004-05	\$1,839.3	\$0.0	\$0.0	\$0.0	\$1,839.3
	Rec 2006-07	\$1,819.0	\$0.0	\$0.0	\$0.0	\$1,819.0
An increase of \$9.6 million in General Revenue-Dedicated Funds, primarily due to an increase in indirect cost recovery related to federal and other grants.	Est/Bud 2004-05	\$0.0	\$470.6	\$0.0	\$0.0	\$470.6
	Rec 2006-07	\$0.0	\$480.2	\$0.0	\$0.0	\$480.2
A net increase of \$532.4 million in Other Funds, mostly due to growth in patient income at the University of Texas M.D. Anderson Cancer Center.	Est/Bud 2004-05	\$0.0	\$0.0	\$0.0	\$3,119.4	\$3,119.4
	Rec 2006-07	\$0.0	\$0.0	\$0.0	\$3,651.8	\$3,651.8
PUBLIC COMMUNITY/JUNIOR COLLEGES						
Fully funded student contact hour growth of 2.6 percent (\$38.6 million) and redirected group health insurance funds (\$106.0 million) through the funding formula.	Est/Bud 2004-05	\$1,507.1	\$0.0	\$0.0	\$0.0	\$1,507.1
	Rec 2006-07	\$1,651.7	\$0.0	\$0.0	\$0.0	\$1,651.7

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BUDGET ISSUES AND RECOMMENDATIONS

2006-07 BIENNIAL RECOMMENDATIONS

**TABLE 27
SIGNIFICANT AGENCY BUDGET RECOMMENDATIONS (CONTINUED)**

IN MILLIONS							
BUDGET RECOMMENDATION AND DESCRIPTION		GENERAL REVENUE FUNDS	GENERAL REVENUE-DEDICATED FUNDS	FEDERAL FUNDS	OTHER FUNDS	ALL FUNDS	
TEXAS ENGINEERING EXPERIMENT STATION An agency-requested decrease of 4.0 percent (\$3.4 million) in Federal Funds for research that addresses specific industrial and governmental needs, including formation of industry research consortia and public/private partnerships.		Est/Bud 2004-05	\$23.2	\$1.9	\$95.1	\$44.7	\$164.9
		Rec 2006-07	\$23.2	\$1.9	\$91.3	\$44.1	\$160.6
TEXAS STATE TECHNICAL COLLEGES Fully funded contact hour enrollment growth of 2.8 percent and incorporated a change in the allocation of recommended dollars for two-year institutions.		Est/Bud 2004-05	\$76.1	\$0.0	\$0.0	\$0.0	\$76.1
		Rec 2006-07	\$81.4	\$0.0	\$0.0	\$0.0	\$81.4
Less General Revenue Funds needed in the general academic institution infrastructure formula because of an increase in tuition and fees.		Est/Bud 2004-05	\$16.9	\$0.0	\$0.0	\$0.0	\$16.9
		Rec 2006-07	\$13.6	\$0.0	\$0.0	\$0.0	\$13.6
Increase in formula General Revenue-Dedicated Funds (\$4.5 million) from tuition and fees for infrastructure and instruction/operations.		Est/Bud 2004-05	\$0.0	\$22.4	\$0.0	\$0.0	\$22.4
		Rec 2006-07	\$0.0	\$26.9	\$0.0	\$0.0	\$26.9
Generally funded non-formula General Revenue Fund items at 95 percent of the 2004-05 expenditure level.		Est/Bud 2004-05	\$19.3	\$0.0	\$0.0	\$0.0	\$19.3
		Rec 2006-07	\$18.3	\$0.0	\$0.0	\$0.0	\$18.3

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BUDGET ISSUES AND RECOMMENDATIONS

2006-07 BIENNIAL RECOMMENDATIONS

**TABLE 27
SIGNIFICANT AGENCY BUDGET RECOMMENDATIONS (CONTINUED)**

IN MILLIONS						
BUDGET RECOMMENDATION AND DESCRIPTION		GENERAL REVENUE FUNDS	GENERAL REVENUE- DEDICATED FUNDS	FEDERAL FUNDS	OTHER FUNDS	ALL FUNDS
The recommendations move some General Revenue–Dedicated Funds into the infrastructure and instruction/operations to properly reflect the use of this revenue.	Est/Bud 2004–05	\$0.0	\$10.8	\$0.0	\$0.0	\$10.8
	Rec 2006–07	\$0.0	\$6.8	\$0.0	\$0.0	\$6.8
<p>TEXAS TRANSPORTATION INSTITUTE</p> <p>An increase of 2.9 percent (\$1.4 million in Other Funds) to provide for growth in sponsored research for 2006–07. This growth is primarily due to the growth in the Texas Department of Transportation Research Program, which funds the development of new technologies, construction and maintenance innovations, and safety improvements. The agency also estimates a slight increase in federal competitive research funds.</p>	Est/Bud 2004–05	\$0.0	\$0.0	\$7.2	\$67.6	\$74.8
	Rec 2006–07	\$0.0	\$0.0	\$7.5	\$69.4	\$76.9

JUDICIARY

2006-07 BIENNIAL RECOMMENDATIONS

ALL FUNDS recommendations for the Judiciary total \$444.6 million for the 2006-07 biennium, which is an increase of \$15.9 million, or 3.7 percent, from the 2004-05 biennium (Table 28).

For General Revenue and General Revenue-Dedicated Funds, the recommendations total \$352.9 million, which is an increase of \$5.3 million, or 1.5 percent, from the 2004-05 biennium (Table 29).

Selected performance measures for agencies in the the Judiciary function are depicted in Table 30.

**TABLE 28
ALL FUNDS**

IN MILLIONS				
AGENCY	ESTIMATED/ BUDGETED 2004-05	RECOMMENDED 2006-07	BIENNIAL CHANGE	PERCENTAGE CHANGE
Supreme Court of Texas	\$23.1	\$35.5	\$12.4	53.6%
Court of Criminal Appeals	27.2	25.1	(2.1)	(7.8)
First Court of Appeals District, Houston	5.3	5.0	(0.3)	(5.7)
Second Court of Appeals District, Fort Worth	4.4	4.0	(0.4)	(8.1)
Third Court of Appeals District, Austin	3.9	3.6	(0.3)	(7.2)
Fourth Court of Appeals District, San Antonio	4.2	3.9	(0.3)	(7.5)
Fifth Court of Appeals District, Dallas	7.3	6.8	(0.5)	(6.5)
Sixth Court of Appeals District, Texarkana	2.1	2.0	(0.1)	(5.8)
Seventh Court of Appeals District, Amarillo	2.8	2.7	(0.2)	(5.3)
Eighth Court of Appeals District, El Paso	2.6	2.1	(0.4)	(16.6)
Ninth Court of Appeals District, Beaumont	2.4	2.5	0.0	2.0
Tenth Court of Appeals District, Waco	2.0	1.8	(0.1)	(5.7)

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JUDICIARY

2006-07 BIENNIAL RECOMMENDATIONS

TABLE 28 ALL FUNDS (CONTINUED)				
IN MILLIONS				
AGENCY	ESTIMATED/ BUDGETED 2004-05	RECOMMENDED 2006-07	BIENNIAL CHANGE	PERCENTAGE CHANGE
Eleventh Court of Appeals District, Eastland	\$2.2	\$2.0	\$(0.1)	(6.2)%
Twelfth Court of Appeals District, Tyler	2.2	2.0	(0.1)	(5.2)
Thirteenth Court of Appeals District, Corpus Christi	3.9	3.6	(0.4)	(9.3)
Fourteenth Court of Appeals District, Houston	5.4	5.0	(0.4)	(7.7)
Office of Court Administration, Texas Judicial Council	52.2	53.2	0.9	1.8
Office of the State Prosecuting Attorney	0.7	0.6	(0.0)	(5.0)
State Law Library	1.7	1.6	(0.1)	(5.3)
State Commission on Judicial Conduct	1.8	1.6	(0.2)	(9.6)
Judiciary Section, Comptroller's Department	180.5	183.0	2.5	1.4
Retirement and Group Insurance*	87.1	92.6	5.5	6.3
Social Security and Benefit Replacement Pay	15.8	16.2	0.5	2.9
Lease Payments	4.9	5.0	0.1	1.6
Article IV, Special Provisions	0.0	0.0	0.0	0.0
Article Total (less Interagency Contracts)	\$428.7	\$444.6	\$15.9	3.7%

*Amounts do not reflect adjustments for group insurance included in Article IX associated with implementation of Medicare Part D and cost adjustments.

NOTE: Biennial change and percentage change have been calculated on actual amounts before rounding. Therefore, table amounts may not add because of rounding.

JUDICIARY

2006-07 BIENNIAL RECOMMENDATIONS

IN MILLIONS				
AGENCY	ESTIMATED/ BUDGETED 2004-05	RECOMMENDED 2006-07	BIENNIAL CHANGE	PERCENTAGE CHANGE
Supreme Court of Texas	\$7.6	\$7.4	\$(0.3)	(3.6)%
Court of Criminal Appeals	8.0	7.6	(0.4)	(5.0)
First Court of Appeals District, Houston	5.2	5.0	(0.3)	(5.0)
Second Court of Appeals District, Fort Worth	4.2	4.0	(0.2)	(5.0)
Third Court of Appeals District, Austin	3.8	3.6	(0.2)	(5.0)
Fourth Court of Appeals District, San Antonio	4.1	3.9	(0.2)	(5.0)
Fifth Court of Appeals District, Dallas	7.2	6.8	(0.4)	(5.6)
Sixth Court of Appeals District, Texarkana	2.1	2.0	(0.1)	(5.0)
Seventh Court of Appeals District, Amarillo	2.8	2.7	(0.1)	(5.0)
Eighth Court of Appeals District, El Paso	2.5	2.1	(0.4)	(15.3)
Ninth Court of Appeals District, Beaumont	2.4	2.5	0.1	2.9
Tenth Court of Appeals District, Waco	1.9	1.8	(0.1)	(5.0)
Eleventh Court of Appeals District, Eastland	2.1	2.0	(0.1)	(5.0)
Twelfth Court of Appeals District, Tyler	2.1	2.0	(0.1)	(5.0)
Thirteenth Court of Appeals District, Corpus Christi	3.8	3.6	(0.2)	(5.0)
Fourteenth Court of Appeals District, Houston	5.3	5.0	(0.3)	(5.0)
Office of Court Administration, Texas Judicial Council	40.6	41.4	0.8	1.9
Office of the State Prosecuting Attorney	0.7	0.6	(0.0)	(5.0)
State Law Library	1.6	1.5	(0.1)	(5.0)

Continued on next page.

JUDICIARY

2006-07 BIENNIAL RECOMMENDATIONS

**TABLE 29
GENERAL REVENUE AND GENERAL REVENUE-DEDICATED FUNDS (CONTINUED)**

IN MILLIONS				
AGENCY	ESTIMATED/ BUDGETED 2004-05	RECOMMENDED 2006-07	BIENNIAL CHANGE	PERCENTAGE CHANGE
State Commission on Judicial Conduct	\$1.7	\$1.6	\$(0.1)	(4.7)%
Judiciary Section, Comptroller's Department	133.3	135.5	2.2	1.7
Retirement and Group Insurance*	84.0	89.2	5.3	6.3
Social Security and Benefit Replacement Pay	15.6	16.0	0.5	2.9
Lease Payments	4.9	5.0	0.1	1.6
Article IV, Special Provisions	0.0	0.0	0.0	0.0
Article Total	\$347.6	\$352.9	\$5.3	1.5%

*Amounts do not reflect adjustments for group insurance included in Article IX associated with implementation of Medicare Part D and cost adjustments.
 Note: Biennial change and percentage change have been calculated on actual amounts before rounding. Therefore, table amounts may not add because of rounding.

JUDICIARY

2006-07 BIENNIAL RECOMMENDATIONS

**TABLE 30
SELECTED PERFORMANCE MEASURES**

MEASURE	ACTUAL 2004	BUDGETED 2005	RECOMMENDED 2006	RECOMMENDED 2007
SUPREME COURT OF TEXAS Disposition Rate	101.6%	100%	100%	100%
COURT OF CRIMINAL APPEALS Disposition Rate for Petitions for Discretionary Review Which are Granted	54%	54%	75%	75%
14 COURTS OF APPEALS Clearance Rate	97.7%	88.9%	93.5%	93.5%

BUDGET ISSUES AND RECOMMENDATIONS

2006-07 BIENNIAL RECOMMENDATIONS

TABLE 31 RECOMMENDED FUNDING FOR MAJOR BUDGET ISSUES				
IN MILLIONS	ALL FUNDS			
	ESTIMATED/ BUDGETED 2004-05	RECOMMENDED 2006-07	BIENNIAL CHANGE	PERCENTAGE CHANGE
MAJOR BUDGET ISSUE AND DESCRIPTION				
<p>LEGAL SERVICES FOR THE INDIGENT For basic civil legal services for indigents (\$12.8 million increase), and grants to counties for improved standards and services for indigent criminal defense services (\$1.4 million increase) from revenue dedicated for these purposes by statute. This funding is within the Supreme Court of Texas and the Office of Court Administration.</p>	\$42.6	\$56.8	\$14.2	33.3%
<p>SALARIES FOR DISTRICT JUDGES & PROSECUTORS For judge and prosecutor salaries, including salaries for nine new courts created by the Seventy-eighth Legislature, Regular Session and Third Called Special Session, 2003.</p>	\$117.1	\$118.3	\$1.2	1.0%
<p>WITNESS EXPENSES For travel expenses of witnesses called in criminal proceedings who reside outside the county where the trial is held.</p>	\$1.2	\$2.2	\$1.0	83.3%
<p>APPELLATE COURT OPERATIONS For intermediate and statewide final jurisdiction in civil and criminal cases (14 Courts of Appeals, Court of Criminal Appeals, and the Supreme Court of Texas).</p>	\$66.4	\$62.0	\$(4.4)	(6.6)%
<p>NOTE: Biennial change and percentage change have been calculated on actual amounts before rounding. Therefore, table amounts may not add because of rounding.</p>				

BUDGET ISSUES AND RECOMMENDATIONS

2006-07 BIENNIAL RECOMMENDATIONS

**TABLE 32
SIGNIFICANT AGENCY BUDGET RECOMMENDATIONS**

IN MILLIONS						
BUDGET RECOMMENDATION AND DESCRIPTION		GENERAL REVENUE FUNDS	GENERAL REVENUE-DEDICATED FUNDS	FEDERAL FUNDS	OTHER FUNDS	ALL FUNDS
COURTS OF APPEALS (14 COURTS) Funding decrease for the 14 Courts of Appeals, which was reduced to 95 percent of 2004-05 spending levels less one-time expenditures (a \$2.6 million decrease in General Revenue Funds and a \$0.9 million decrease in Other Funds, which consist of miscellaneous charges for copies, etc.).						
	Est/Bud 2004-05	\$49.6	\$0.0	\$0.0	\$0.9	\$50.5
	Rec 2006-07	\$47.0	\$0.0	\$0.0	\$0.0	\$47.0
OFFICE OF COURT ADMINISTRATION Increased funding for grants to counties for improved services to indigent defendants (\$1.4 million increase).						
	Est/Bud 2004-05	\$0.0	\$27.3	\$0.0	\$0.0	\$27.3
	Rec 2006-07	\$0.0	\$28.7	\$0.0	\$0.0	\$28.7
SUPREME COURT Funding increase for grants to provide basic civil legal services for the indigent (a \$12.8 million increase in Other Funds).						
	Est/Bud 2004-05	\$0.0	\$0.0	\$0.0	\$15.3	\$15.3
	Rec 2006-07	\$0.0	\$0.0	\$0.0	\$28.1	\$28.1
JUDICIARY SECTION, COMPTROLLER'S DEPARTMENT Increased funding for expenses of witnesses called in criminal proceedings who reside outside the county where the trial is held (\$1.0 million increase).						
	Est/Bud 2004-05	\$1.2	\$0.0	\$0.0	\$0.0	\$1.2
	Rec 2006-07	\$2.2	\$0.0	\$0.0	\$0.0	\$2.2

Continued on next page.

BUDGET ISSUES AND RECOMMENDATIONS

2006-07 BIENNIAL RECOMMENDATIONS

TABLE 32
SIGNIFICANT AGENCY BUDGET RECOMMENDATIONS (CONTINUED)

IN MILLIONS						
BUDGET RECOMMENDATION AND DESCRIPTION		GENERAL REVENUE FUNDS	GENERAL REVENUE- DEDICATED FUNDS	FEDERAL FUNDS	OTHER FUNDS	ALL FUNDS
Increased funding for judge and prosecutor salaries, including salaries for nine new courts created by the Seventy-eighth Legislature, Regular Session and Third Called Special Session, 2003 (\$1.2 million increase).	Est/Bud 2004-05	\$93.1	\$0.0	\$0.0	\$24.0	\$117.1
	Rec 2006-07	\$94.3	\$0.0	\$0.0	\$24.0	\$118.3

PUBLIC SAFETY AND CRIMINAL JUSTICE

2006-07 BIENNIAL RECOMMENDATIONS

ALL FUNDS recommendations for Public Safety and Criminal Justice total \$8.2 billion for the 2006-07 biennium, which is a decrease of \$15.6 million, or 0.2 percent, from the 2004-05 biennium (Table 33).

For General Revenue and General Revenue-Dedicated Funds, the recommendations total \$6.9 billion, which is an increase of \$243.2 million, or 3.7 percent, from the 2004-05 biennium (Table 34).

Selected performance measures for agencies in the Public Safety and Criminal Justice function are depicted in Table 35.

IN MILLIONS				
AGENCY	ESTIMATED/ BUDGETED 2004-05	RECOMMENDED 2006-07	BIENNIAL CHANGE	PERCENTAGE CHANGE
Adjutant General's Department	\$90.7	\$91.7	\$1.0	1.1%
Alcoholic Beverage Commission	60.2	55.4	(4.8)	(7.9)
Department of Criminal Justice	4,898.3	4,830.0	(68.3)	(1.4)
Commission on Fire Protection	5.6	5.3	(0.3)	(5.1)
Commission on Jail Standards	1.8	1.7	(0.1)	(4.7)
Juvenile Probation Commission	266.9	267.8	0.9	0.4
Commission on Law Enforcement Officer Standards and Education	5.4	5.1	(0.2)	(4.4)
Texas Military Facilities Commission	47.5	15.1	(32.3)	(68.1)
Department of Public Safety	986.8	846.7	(140.1)	(14.2)
Youth Commission	487.9	457.7	(30.2)	(6.2)
Retirement and Group Insurance*	791.7	901.8	110.0	13.9

Continued on next page.

PUBLIC SAFETY AND CRIMINAL JUSTICE

2006-07 BIENNIAL RECOMMENDATIONS

**TABLE 33
ALL FUNDS (CONTINUED)**

IN MILLIONS				
AGENCY	ESTIMATED/ BUDGETED 2004-05	RECOMMENDED 2006-07	BIENNIAL CHANGE	PERCENTAGE CHANGE
Social Security and Benefit Replacement Pay	\$290.3	\$298.6	\$8.3	2.9%
Bond Debt Service Payments	400.2	510.8	110.6	27.6
Lease Payments	4.0	4.2	0.2	4.3
Article Total (less Interagency Contracts)	\$8,172.4	\$8,156.8	\$(15.6)	(0.2)%
*Amounts do not reflect adjustments for group insurance included in Article IX associated with implementation of Medicare Part D and cost adjustments.				
NOTE: Biennial change and percentage change have been calculated on actual amounts before rounding. Therefore, table amounts may not add because of rounding.				

PUBLIC SAFETY AND CRIMINAL JUSTICE

2006-07 BIENNIAL RECOMMENDATIONS

**TABLE 34
GENERAL REVENUE AND GENERAL REVENUE-DEDICATED FUNDS**

IN MILLIONS				
AGENCY	ESTIMATED/ BUDGETED 2004-05	RECOMMENDED 2006-07	BIENNIAL CHANGE	PERCENTAGE CHANGE
Adjutant General's Department	\$22.7	\$22.7	\$0.0	0.0%
Alcoholic Beverage Commission	58.6	54.4	(4.2)	(7.2)
Department of Criminal Justice	4,613.1	4,649.2	36.1	0.8
Commission on Fire Protection	5.6	5.3	(0.3)	(5.0)
Commission on Jail Standards	1.7	1.6	(0.1)	(5.0)
Juvenile Probation Commission	186.1	185.3	(0.8)	(0.4)
Commission on Law Enforcement Officer Standards and Education	5.2	5.0	(0.3)	(5.3)
Texas Military Facilities Commission	3.1	3.0	(0.2)	(5.0)
Department of Public Safety	11.1	37.9	26.8	241.4
Youth Commission	426.3	404.4	(21.9)	(5.1)
Retirement and Group Insurance*	645.7	735.6	89.9	13.9
Social Security and Benefit Replacement Pay	233.1	240.3	7.1	3.1
Bond Debt Service Payments	399.6	510.4	110.7	27.7
Lease Payments	4.0	4.2	0.2	4.3
Article Total	\$6,615.9	\$6,859.1	\$243.2	3.7%

*Amounts do not reflect adjustments for group insurance included in Article IX associated with implementation of Medicare Part D and cost adjustments.

NOTE: Biennial change and percentage change have been calculated on actual amounts before rounding. Therefore, table amounts may not add because of rounding.

PUBLIC SAFETY AND CRIMINAL JUSTICE

2006-07 BIENNIAL RECOMMENDATIONS

**TABLE 35
SELECTED PERFORMANCE MEASURES**

MEASURE	ACTUAL 2004	BUDGETED 2005	RECOMMENDED 2006	RECOMMENDED 2007
ADJUTANT GENERAL'S DEPARTMENT				
Total Number of Assigned Military Strength	20,140	20,042	20,112	20,115
ALCOHOLIC BEVERAGE COMMISSION				
Number of Inspections Made	117,460	106,000	110,000	110,000
Number of Licenses/Permits Issued	98,343	99,144	102,000	102,000
DEPARTMENT OF CRIMINAL JUSTICE				
Average Number of Felony Offenders Under Direct Supervision (Adult Probationers)	156,981	156,184	155,247	154,315
Average Number of Offenders Incarcerated	137,481	138,581	139,249	139,249
Average Number of Offenders in Contract Prisons and Privately Operated State Jails	11,236	11,198	11,585	11,585
Average Number of Inmates in Contractual Correctional Bed Capacity	0	0	1,042	2,478
Average Number of Offenders Under Active Parole Supervision	76,641	78,323	79,138	79,961
Three-year Recidivism Rate	28.3%	33.0%	30.0%	30.0%
JUVENILE PROBATION COMMISSION				
Rate of Successful Completion of Court-ordered Probation	87%	85%	87%	87%
Average Daily Population of Youth Supervised Under Deferred Prosecution	10,787	11,165	10,924	11,142
Average Daily Population of Youth Supervised Under Court-ordered Probation	23,801	25,586	23,926	24,070

Continued on next page.

PUBLIC SAFETY AND CRIMINAL JUSTICE

2006-07 BIENNIAL RECOMMENDATIONS

**TABLE 35
SELECTED PERFORMANCE MEASURES (CONTINUED)**

MEASURE	ACTUAL 2004	BUDGETED 2005	RECOMMENDED 2006	RECOMMENDED 2007
Average Daily Population of Youth Supervised Prior to Court Proceedings	6,402	6,914	6,607	6,627
Mandatory Student Attendance Days in Juvenile Justice Alternative Education Programs During the Regular School Year	107,812	118,523	130,299	143,245
DEPARTMENT OF PUBLIC SAFETY				
Traffic Law Violator Contacts	2,326,565	2,430,453	2,500,000	2,500,000
Number of Accident Reports Processed	373,287	600,000	700,000	700,000
Annual Texas Index Crime Rate	5,144	5,257	5,200	5,200
Number of Emergency Incidents Coordinated	4,150	2,032	2,000	2,000
YOUTH COMMISSION				
Average Daily Population: Institutional Programs	3,935	4,227	4,358	4,358
Average Daily Population: Contract Programs	608	600	232	300
Average Daily Population: Halfway House Programs	210	218	218	218
One-year Rearrest Rate	55%	54%	54%	54%

BUDGET ISSUES AND RECOMMENDATIONS

2006-07 BIENNIAL RECOMMENDATIONS

TABLE 36 RECOMMENDED FUNDING FOR MAJOR BUDGET ISSUES				
IN MILLIONS	ALL FUNDS			
	ESTIMATED/ BUDGETED 2004-05	RECOMMENDED 2006-07	BIENNIAL CHANGE	PERCENTAGE CHANGE
MAJOR BUDGET ISSUE AND DESCRIPTION				
<p>DEPARTMENT OF CRIMINAL JUSTICE Increased funding (\$40.2 million in General Revenue Funds and \$11.1 million in Federal Funds) for contracted temporary capacity as a result of projected increases in incarcerated populations. This level of funding is based on the projected average number of inmates in contractual correctional bed capacity during fiscal year 2006 being 1,042 and 2,478 during fiscal year 2007.</p>	\$0.0	\$51.3	\$51.3	NA
<p>DEPARTMENT OF PUBLIC SAFETY An anticipated reduction in Federal Funds primarily related to the Motor Carrier Safety Assistance Program and disaster recovery and mitigation assistance during fiscal years 2004 and 2005.</p>	\$169.3	\$55.7	\$(113.5)	(67)%
<p>YOUTH COMMISSION Reduced funding (\$22.7 million in All Funds and \$22.6 million in General Revenue Funds) for contract programs as a result of projected juvenile residential populations. This level of funding is based on the projected average daily population in contract programs during fiscal year 2006 being 232 and 300 during fiscal year 2007.</p>	\$45.2	\$22.5	\$(22.7)	(50)%
<p>NOTE: Biennial change and percentage change have been calculated on actual amounts before rounding. Therefore, table amounts may not add because of rounding.</p>				

BUDGET ISSUES AND RECOMMENDATIONS

2006-07 BIENNIAL RECOMMENDATIONS

**TABLE 37
SIGNIFICANT AGENCY BUDGET RECOMMENDATIONS**

IN MILLIONS						
BUDGET RECOMMENDATION AND DESCRIPTION		GENERAL REVENUE FUNDS	GENERAL REVENUE-DEDICATED FUNDS	FEDERAL FUNDS	OTHER FUNDS	ALL FUNDS
<p>DEPARTMENT OF CRIMINAL JUSTICE</p> <p>Reduced funding (\$9.5 million in All Funds and \$3.9 million in General Revenue Funds) for basic adult community supervision (adult probation) as a result of projected decreases in direct supervision populations. This level of funding is based on the projected average number of felons under direct community supervision during fiscal year 2006 being 155,247 and 154,315 during fiscal year 2007.</p> <p>Increased funding (\$0.6 million in All Funds and \$31.2 million in General Revenue Funds) for the incarceration and treatment of adult offenders in state-owned institutions (excludes contracted temporary capacity). Recommendations for fiscal years 2006 and 2007 include: an increase of \$16.7 million in General Revenue Funds for institutional operations and maintenance to maintain funding at the 2004 level and partially compensate for reductions in the federal State Criminal Alien Assistance Program; and an increase of \$23.4 million in General Revenue Funds for contract prisons and privately operated state jails to compensate for a one-time General Revenue Funds reduction during 2004-05 for the sale of real property. The projected average number of inmates incarcerated with these funds is 150,834 during fiscal years 2006 and 2007.</p>	Est/Bud 2004-05	\$197.7	\$0.0	\$0.0	\$7.4	\$205.1
	Rec 2006-07	\$193.8	\$0.0	\$0.0	\$1.8	\$195.6
	Est/Bud 2004-05	\$3,729.6	\$22.4	\$42.1	\$127.7	\$3,921.9
	Rec 2006-07	\$3,760.9	\$21.3	\$34.3	\$106.1	\$3,922.5

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BUDGET ISSUES AND RECOMMENDATIONS

2006-07 BIENNIAL RECOMMENDATIONS

**TABLE 37
SIGNIFICANT AGENCY BUDGET RECOMMENDATIONS (CONTINUED)**

IN MILLIONS						
BUDGET RECOMMENDATION AND DESCRIPTION		GENERAL REVENUE FUNDS	GENERAL REVENUE- DEDICATED FUNDS	FEDERAL FUNDS	OTHER FUNDS	ALL FUNDS
Increased funding (\$51.3 million in All Funds and \$40.2 million in General Revenue Funds) for contracted temporary capacity as a result of projected increases in incarcerated populations. This level of funding is based on the projected average number of inmates in contractual correctional bed capacity during fiscal year 2006 being 1,042 and 2,478 during fiscal year 2007.	Est/Bud 2004-05	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
	Rec 2006-07	\$40.2	\$0.0	\$11.1	\$0.0	\$51.3
Reduced funding (\$73.5 million in Other Funds) for the construction and repair of facilities as a result of general obligation bond appropriations during the 2004-05 biennium.	Est/Bud 2004-05	\$0.0	\$0.0	\$0.0	\$73.5	\$73.5
	Rec 2006-07	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Increased funding (\$4.5 million in General Revenue Funds) for parole supervision resulting from projected increases in parole caseloads. This level of funding is based on the projected average number of offenders under active parole supervision during fiscal year 2006 being 79,138 and 79,961 during fiscal year 2007.	Est/Bud 2004-05	\$152.8	\$0.0	\$0.0	\$0.0	\$152.9
	Rec 2006-07	\$157.3	\$0.0	\$0.0	\$0.0	\$157.4

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BUDGET ISSUES AND RECOMMENDATIONS

2006-07 BIENNIAL RECOMMENDATIONS

TABLE 37
SIGNIFICANT AGENCY BUDGET RECOMMENDATIONS (CONTINUED)

IN MILLIONS						
BUDGET RECOMMENDATION AND DESCRIPTION		GENERAL REVENUE FUNDS	GENERAL REVENUE- DEDICATED FUNDS	FEDERAL FUNDS	OTHER FUNDS	ALL FUNDS
<p>JUVENILE PROBATION COMMISSION</p> <p>Increased funding (\$2.1 million in transfers from the Foundation School Fund) for the Juvenile Justice Alternative Education Program for projected mandatory student population increases during the regular school year. The projected number of mandatory student attendance days in the regular school year during fiscal year 2006 is 130,299 and 143,245 during fiscal year 2007.</p>	Est/Bud 2004-05	\$0.0	\$0.0	\$0.0	\$15.0	\$15.0
	Rec 2006-07	\$0.0	\$0.0	\$0.0	\$17.1	\$17.1
<p>TEXAS MILITARY FACILITIES COMMISSION</p> <p>Reduced funding (\$31.4 million in All Funds) for building maintenance and new facility construction primarily related to federal funding and revenue bond appropriations during fiscal years 2004 and 2005.</p>	Est/Bud 2004-05	\$2.4	\$0.0	\$18.3	\$19.0	\$39.8
	Rec 2006-07	\$2.1	\$0.0	\$2.6	\$3.6	\$8.3
<p>DEPARTMENT OF PUBLIC SAFETY</p> <p>An anticipated reduction of \$113.5 million in Federal Funds primarily related to the Motor Carrier Safety Assistance Program and disaster recovery and mitigation assistance during fiscal years 2004 and 2005.</p>	Est/Bud 2004-05	\$0.0	\$0.0	\$169.3	\$0.0	\$169.3
	Rec 2006-07	\$0.0	\$0.0	\$55.7	\$0.0	\$55.7
<p>Reduced funding (\$31.9 million in State Highway Funds) for driver license reengineering related to one-time appropriations during fiscal years 2004 and 2005.</p>	Est/Bud 2004-05	\$0.0	\$0.0	\$0.0	\$31.9	\$31.9
	Rec 2006-07	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0

Continued on next page.

BUDGET ISSUES AND RECOMMENDATIONS

2006-07 BIENNIAL RECOMMENDATIONS

**TABLE 37
SIGNIFICANT AGENCY BUDGET RECOMMENDATIONS (CONTINUED)**

IN MILLIONS						
BUDGET RECOMMENDATION AND DESCRIPTION		GENERAL REVENUE FUNDS	GENERAL REVENUE- DEDICATED FUNDS	FEDERAL FUNDS	OTHER FUNDS	ALL FUNDS
Increased funding (\$29.2 million in General Revenue Funds) for the administration and vendor compensation for the Driver Responsibility Program. The funding is estimated based on projected revenue from surcharges and related costs collected through the program.	Est/Bud 2004-05	\$1.0	\$0.0	\$0.0	\$0.0	\$1.0
	Rec 2006-07	\$30.2	\$0.0	\$0.0	\$0.0	\$30.2
Reduced funding (\$12.1 million in All Funds and \$2.0 million in General Revenue-Dedicated Funds) for the Crash Records Information System (CRIS). The CRIS system is scheduled for implementation in April 2005. The recommended funding level for 2006-07 is for ongoing costs for the operation of CRIS.	Est/Bud 2004-05	\$0.0	\$2.0	\$0.0	\$11.2	\$13.2
	Rec 2006-07	\$0.0	\$0.0	\$0.0	\$1.1	\$1.1
YOUTH COMMISSION						
Reduced funding (\$22.7 million in All Funds and \$22.6 million in General Revenue Funds) for contract programs as a result of projected juvenile residential populations. This level of funding is based on the projected average daily population in contract programs during fiscal year 2006 being 232 and 300 during fiscal year 2007.	Est/Bud 2004-05	\$41.7	\$0.0	\$3.5	\$0.0	\$45.2
	Rec 2006-07	\$19.1	\$0.0	\$3.3	\$0.0	\$22.5

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BUDGET ISSUES AND RECOMMENDATIONS

2006-07 BIENNIAL RECOMMENDATIONS

**TABLE 37
SIGNIFICANT AGENCY BUDGET RECOMMENDATIONS (CONTINUED)**

IN MILLIONS						
BUDGET RECOMMENDATION AND DESCRIPTION		GENERAL REVENUE FUNDS	GENERAL REVENUE- DEDICATED FUNDS	FEDERAL FUNDS	OTHER FUNDS	ALL FUNDS
Increased funding (\$6.1 million in All Funds and \$6.7 million in General Revenue Funds) for 24-months of operation of all agency-operated institutional facilities (including capacity additions during the 2004-05 biennium). This level of funding is based on the projected average daily population in institutional programs being 4,358 during fiscal years 2006 and 2007.	Est/Bud 2004-05	\$223.2	\$0.0	\$10.6	\$2.5	\$236.2
	Rec 2006-07	\$229.9	\$0.0	\$11.1	\$1.4	\$242.3
Reduced funding (\$7.4 million in All Funds) for construction and renovation of agency facilities primarily as a result of general obligation bond expenditures during fiscal years 2004 and 2005.	Est/Bud 2004-05	\$0.1	\$0.0	\$0.1	\$8.0	\$8.2
	Rec 2006-07	\$0.0	\$0.0	\$0.0	\$0.8	\$0.8

NATURAL RESOURCES

2006-07 BIENNIAL RECOMMENDATIONS

ALL FUNDS recommendations for Natural Resources total \$2.2 billion for the 2006-07 biennium, which is a decrease of \$144.4 million, or 6.2 percent, from the 2004-05 biennium (Table 38).

For General Revenue and General Revenue-Dedicated Funds, the recommendations total \$1.6 billion, which is a decrease of \$66.3 million, or 4.0 percent, from the 2004-05 biennium (Table 39).

Selected performance measures for agencies in the Natural Resources function are depicted in Table 40.

IN MILLIONS				
AGENCY	ESTIMATED/ BUDGETED 2004-05	RECOMMENDED 2006-07	BIENNIAL CHANGE	PERCENTAGE CHANGE
Department of Agriculture	\$124.6	\$107.0	\$(17.5)	(14.1)%
Animal Health Commission	31.8	23.8	(8.0)	(25.1)
Commission on Environmental Quality	924.1	899.5	(24.6)	(2.7)
General Land Office and Veterans' Land Board	91.9	82.9	(9.0)	(9.8)
Trusted Programs Within the General Land Office	196.4	185.0	(11.4)	(5.8)
Parks and Wildlife Department	482.7	405.5	(77.2)	(16.0)
Railroad Commission	110.6	105.1	(5.5)	(5.0)
Texas River Compact Commissions	0.7	0.7	(0.0)	(3.5)
Soil and Water Conservation Board	27.9	25.2	(2.7)	(9.6)
Water Development Board	88.6	75.7	(12.8)	(14.6)
Debt Service Payments-Non-Self Supporting G.O. Water Bonds	50.3	52.2	1.9	3.8

Continued on next page.

NATURAL RESOURCES

2006-07 BIENNIAL RECOMMENDATIONS

**TABLE 38
ALL FUNDS (CONTINUED)**

IN MILLIONS				
AGENCY	ESTIMATED/ BUDGETED 2004-05	RECOMMENDED 2006-07	BIENNIAL CHANGE	PERCENTAGE CHANGE
Retirement and Group Insurance*	\$138.4	\$156.3	\$17.9	12.9%
Social Security and Benefit Replacement Pay	59.2	60.5	1.2	2.1
Bond Debt Service Payments	15.2	16.8	1.7	11.0
Lease Payments	2.2	2.3	0.2	7.4
Article Total (less Interagency Contracts)	\$2,323.3	\$2,178.9	\$(144.4)	(6.2)%
<p>*Amounts do not reflect adjustments for group insurance included in Article IX associated with implementation of Medicare Part D and cost adjustments. NOTE: Biennial change and percentage change have been calculated on actual amounts before rounding. Therefore, table amounts may not add because of rounding.</p>				

NATURAL RESOURCES

2006-07 BIENNIAL RECOMMENDATIONS

**TABLE 39
GENERAL REVENUE AND GENERAL REVENUE-DEDICATED FUNDS**

IN MILLIONS				
AGENCY	ESTIMATED/ BUDGETED 2004-05	RECOMMENDED 2006-07	BIENNIAL CHANGE	PERCENTAGE CHANGE
Department of Agriculture	\$89.3	\$78.9	\$(10.4)	(11.7)%
Animal Health Commission	16.6	15.8	(0.8)	(5.0)
Commission on Environmental Quality	817.9	780.9	(37.0)	(4.5)
General Land Office and Veterans' Land Board	29.5	23.3	(6.2)	(21.0)
Trusted Programs Within the General Land Office	11.1	15.3	4.2	37.5
Parks and Wildlife Department	320.7	306.7	(14.0)	(4.4)
Railroad Commission	91.9	88.8	(3.1)	(3.4)
Texas River Compact Commissions	0.7	0.7	(0.0)	(3.5)
Soil and Water Conservation Board	18.8	14.2	(4.6)	(24.6)
Water Development Board	37.7	30.7	(7.0)	(18.6)
Debt Service Payments- Non-Self Supporting G.O. Water Bonds	40.2	32.8	(7.4)	(18.5)
Retirement and Group Insurance*	114.7	129.5	14.8	12.9
Social Security and Benefit Replacement Pay	48.3	49.2	1.0	2.0
Bond Debt Service Payments	4.3	8.6	4.2	97.9
Lease Payments	2.2	2.3	0.2	7.4
Article Total	\$1,643.9	\$1,577.6	\$(66.3)	(4.0)%

*Amounts do not reflect adjustments for group insurance included in Article IX associated with implementation of Medicare Part D and cost adjustments.
NOTE: Biennial change and percentage change have been calculated on actual amounts before rounding. Therefore, table amounts may not add because of rounding.

NATURAL RESOURCES

2006-07 BIENNIAL RECOMMENDATIONS

**TABLE 40
SELECTED PERFORMANCE MEASURES**

MEASURE	ACTUAL 2004	BUDGETED 2005	RECOMMENDED 2006	RECOMMENDED 2007
DEPARTMENT OF AGRICULTURE				
Number of School District Staff Trained	9,500	10,000	10,000	10,000
COMMISSION ON ENVIRONMENTAL QUALITY				
Annual Percent of Stationary and Mobile Source Pollution Reductions in Non-attainment Areas	5.0%	6.0%	6.0%	6.0%
Average Cost Per Ton of Nitrous Oxides Reduced through the Texas Emissions Reduction Plan	\$5,811	\$5,000	\$5,000	\$5,000
GENERAL LAND OFFICE				
Amount of Revenue Detected from Audits	\$15,544,231	\$15,500,000	\$8,000,000	\$8,000,000
GENERAL LAND OFFICE-TRUSTEED PROGRAMS				
Percent of Eroding Shorelines Maintained, Protected or Restored for Gulf Beaches and Other Shorelines	24.5%	24.0%	7.0%	18.0%
PARKS AND WILDLIFE DEPARTMENT				
Number of State Parks in Operation	111	112	111	113
Number of Major/Repair Construction Projects Completed	82	103	28	2
RAILROAD COMMISSION				
Percentage of Known Orphaned Wells Plugged with the Use of State Funds	10.0%	11.4%	11.4%	10.9%
SOIL AND WATER CONSERVATION BOARD				
Number of Acres of Brush Treated	197,216	155,000	155,000	155,000
WATER DEVELOPMENT BOARD				
Total Dollars Financial Assistance Provided to Communities	\$431,349,206	\$437,715,000	\$433,615,000	\$440,500,000

BUDGET ISSUES AND RECOMMENDATIONS

2006-07 BIENNIAL RECOMMENDATIONS

TABLE 41 RECOMMENDED FUNDING FOR MAJOR BUDGET ISSUES		ALL FUNDS			
IN MILLIONS		ESTIMATED/ BUDGETED 2004-05	RECOMMENDED 2006-07	BIENNIAL CHANGE	PERCENTAGE CHANGE
MAJOR BUDGET ISSUE AND DESCRIPTION					
CONTINGENCY APPROPRIATION					
Total spending by the General Land Office (including Trusteed Programs) out of General Revenue-Dedicated Funds (Coastal Protection Account No. 027) for coastal erosion projects includes \$13.6 million for 2006-07 contingent on legislation modifying the statutory limit on the use of funds for this purpose to interest earnings and revenue to General Revenue-Dedicated Funds (Coastal Protection Account No. 027) exceeding the Comptroller's revenue estimate.		\$17.4	\$15.3	\$(2.1)	(12.1)%
METHOD-OF-FINANCE SUBSTITUTIONS: REPLACE GENERAL REVENUE WITH OTHER FUNDS AND BALANCES IN GENERAL REVENUE-DEDICATED ACCOUNTS					
Replace General Revenue Funds used to fund brush control projects at the Soil and Water Conservation Board, debt service for agricultural water conservation bonds, and regional water planning activities at the Water Development Board with Other Funds.		\$18.3	\$15.8	\$(2.5)	(13.7)%
Replace General Revenue Funds used to fund water-related programs at the Texas Commission on Environmental Quality with balances in General Revenue-Dedicated Funds (Water Resource Management Account No. 153).		\$103.4	\$100.8	\$(2.6)	(2.5)%
Replace General Revenue Funds used to fund state park operations with General Revenue-Dedicated Funds (State Parks Account No. 64) reallocated from capital improvement and land acquisition projects (\$8.3 million).		\$87.3	\$84.2	\$(3.2)	(3.6)%
SPENDING LIMITED TO REVENUE COLLECTIONS					
Spending out of General Revenue-Dedicated Funds (Operating Permit Fee Account No. 5094) reduced to available revenue (a decrease of \$7.0 million) for Texas Commission on Environmental Quality.		\$61.9	\$54.9	\$(7.0)	(11.3)%
LOCAL PARK GRANTS					
For grants primarily to local governments to acquire and develop new parks or to renovate existing parks (The sporting goods sales tax allocation for local parks allowed by statute is \$31.0 million) and is funded through the Texas Parks and Wildlife Department.		\$40.4	\$29.3	\$(11.1)	(27.5)%

Continued on next page.

BUDGET ISSUES AND RECOMMENDATIONS

2006-07 BIENNIAL RECOMMENDATIONS

**TABLE 41
RECOMMENDED FUNDING FOR MAJOR BUDGET ISSUES (CONTINUED)**

IN MILLIONS	ALL FUNDS			
	ESTIMATED/ BUDGETED 2004-05	RECOMMENDED 2006-07	BIENNIAL CHANGE	PERCENTAGE CHANGE
MAJOR BUDGET ISSUE AND DESCRIPTION				
CAPITAL IMPROVEMENTS AND MAJOR REPAIRS				
For infrastructure maintenance and improvements at Texas Parks and Wildlife Department sites and facilities, includes a decrease in bond proceeds for completed projects (\$35.8 million) and a decrease of \$4.4 million in General Revenue-Dedicated Funds (State Parks Account No. 64) for capital projects, of which \$3.8 million was reallocated to park operations.				
	\$55.9	\$15.8	\$(40.0)	(71.6)%
NOTE: Biennial change and percentage change have been calculated on actual amounts before rounding. Therefore, table amounts may not add because of rounding.				

BUDGET ISSUES AND RECOMMENDATIONS

2006-07 BIENNIAL RECOMMENDATIONS

**TABLE 42
SIGNIFICANT AGENCY BUDGET RECOMMENDATIONS**

IN MILLIONS						
BUDGET RECOMMENDATION AND DESCRIPTION		GENERAL REVENUE FUNDS	GENERAL REVENUE-DEDICATED FUNDS	FEDERAL FUNDS	OTHER FUNDS	ALL FUNDS
DEPARTMENT OF AGRICULTURE						
Reduced funding for boll weevil eradication due to successful eradication in nine of the fourteen eradication zones (a \$10.4 million decrease in General Revenue Funds).						
	Est/Bud 2004-05	\$41.0	\$0.0	\$0.0	\$0.0	\$41.0
	Rec 2006-07	\$30.6	\$0.0	\$0.0	\$0.0	\$30.6
Decrease in Other Funds (Texas Agriculture Fund No. 683) because of a one-time transfer to address insolvent loan programs (a \$10.0 million decrease).						
	Est/Bud 2004-05	\$0.0	\$0.0	\$0.0	\$10.0	\$10.0
	Rec 2006-07	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
ANIMAL HEALTH COMMISSION						
Of the agency's total Federal Funds, a decrease primarily due to one-time funds for tuberculosis testing (\$3.0 million decrease); Homeland Security funds for personal computers, brucellosis testing equipment, and vehicles (\$1.0 million decrease); and funds for Avian Influenza outbreaks (\$1.0 million decrease).						
	Est/Bud 2004-05	\$0.0	\$0.0	\$15.2	\$0.0	\$15.2
	Rec 2006-07	\$0.0	\$0.0	\$8.0	\$0.0	\$8.0
COMMISSION ON ENVIRONMENTAL QUALITY						
Decrease in funding from General Revenue-Dedicated Funds (Clean Air Account No. 151) for Air Quality Assessment and Planning mainly because of funding reductions in the Low-Income Vehicle Repair and Assistance Program (a \$13.7 million decrease).						
	Est/Bud 2004-05	\$0.0	\$65.7	\$0.0	\$0.0	\$65.7
	Rec 2006-07	\$0.0	\$52.0	\$0.0	\$0.0	\$52.0

Continued on next page.

BUDGET ISSUES AND RECOMMENDATIONS

2006-07 BIENNIAL RECOMMENDATIONS

**TABLE 42
SIGNIFICANT AGENCY BUDGET RECOMMENDATIONS (CONTINUED)**

IN MILLIONS						
BUDGET RECOMMENDATION AND DESCRIPTION		GENERAL REVENUE FUNDS	GENERAL REVENUE- DEDICATED FUNDS	FEDERAL FUNDS	OTHER FUNDS	ALL FUNDS
Decrease in funding from General Revenue-Dedicated Funds (Waste Management Account No. 549) for Petroleum Storage Tank Administration since the Petroleum Storage Remediation program sunsets in fiscal year 2007, and as a result related administrative costs significantly decline (an \$11.0 million decrease).	Est/Bud 2004-05	\$0.0	\$21.3	\$0.0	\$0.0	\$21.3
	Rec 2006-07	\$0.0	\$10.3	\$0.0	\$0.0	\$10.3
For water-related programs, an overall net decrease of \$2.6 million which includes an increase in funding from General Revenue-Dedicated Funds (Water Resource Management Account No. 153) to replace General Revenue Funds (a \$40.0 million increase).	Est/Bud 2004-05	\$53.0	\$50.4	\$0.0	\$0.0	\$103.4
	Rec 2006-07	\$10.4	\$90.4	\$0.0	\$0.0	\$100.8
Increase in Other Funds (Appropriated Receipts) for pipeline engine grants authorized by House Bill 2914, Seventy-seventh Legislature, 2001 (a \$15.2 million increase).	Est/Bud 2004-05	\$0.0	\$0.0	\$0.0	\$2.8	\$2.8
	Rec 2006-07	\$0.0	\$0.0	\$0.0	\$18.0	\$18.0
Decrease in funding from General Revenue-Dedicated Funds (Operating Permit Account No. 5094) to equal available revenue (a \$7.0 million decrease).	Est/Bud 2004-05	\$0.0	\$61.9	\$0.0	\$0.0	\$61.9
	Rec 2006-07	\$0.0	\$54.9	\$0.0	\$0.0	\$54.9

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BUDGET ISSUES AND RECOMMENDATIONS

2006-07 BIENNIAL RECOMMENDATIONS

**TABLE 42
SIGNIFICANT AGENCY BUDGET RECOMMENDATIONS (CONTINUED)**

IN MILLIONS						
BUDGET RECOMMENDATION AND DESCRIPTION		GENERAL REVENUE FUNDS	GENERAL REVENUE- DEDICATED FUNDS	FEDERAL FUNDS	OTHER FUNDS	ALL FUNDS
An agency-wide decrease of \$5.1 million in Federal Funds primarily due to completion of multi-year non-point source pollution and public drinking water operator certification grants (an \$8.0 million decrease) and nonrecurring grants for clean up of a Superfund site and a leaking underground storage tank (a \$3.4 million decrease) and Air Quality/BioWatch grants (a \$5.0 million increase).	Est/Bud 2004-05	\$0.0	\$0.0	\$95.1	\$0.0	\$95.1
	Rec 2006-07	\$0.0	\$0.0	\$90.1	\$0.0	\$90.1
GENERAL LAND OFFICE-TRUSTEED PROGRAMS Of the agency's total Federal Funds, a decrease primarily due to a one-time appropriation for the Coastal Impact Assistance Program (a \$12.7 million decrease).	Est/Bud 2004-05	\$0.0	\$0.0	\$21.6	\$0.0	\$21.6
	Rec 2006-07	\$0.0	\$0.0	\$8.0	\$0.0	\$8.0
PARKS AND WILDLIFE DEPARTMENT Reduced funding for state park operations, including minor repair and support programs (a \$2.7 million decrease in General Revenue Funds, a \$0.6 million increase in General Revenue-Dedicated Funds, and a \$2.0 million decrease in Other Funds).	Est/Bud 2004-05	\$72.3	\$29.4	\$0.8	\$2.5	\$105.0
	Rec 2006-07	\$69.6	\$30.0	\$0.2	\$0.5	\$100.3

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BUDGET ISSUES AND RECOMMENDATIONS

2006-07 BIENNIAL RECOMMENDATIONS

**TABLE 42
SIGNIFICANT AGENCY BUDGET RECOMMENDATIONS (CONTINUED)**

IN MILLIONS						
BUDGET RECOMMENDATION AND DESCRIPTION		GENERAL REVENUE FUNDS	GENERAL REVENUE- DEDICATED FUNDS	FEDERAL FUNDS	OTHER FUNDS	ALL FUNDS
Reduced funding for capital improvement and repair projects (a \$35.8 million decrease in bond proceeds for completed projects, a \$6.1 million increase in General Revenue-Dedicated Funds to annualize revenue from the new freshwater fish stamp which is dedicated by statute for inland fish hatchery repairs and replacement, and an \$8.9 million decrease in Federal Funds due to completed projects and the transfer of local park acquisition and development grants to the Local Parks strategy).	Est/Bud 2004-05	\$1.0	\$6.7	\$9.2	\$39.0	\$55.9
	Rec 2006-07	\$0.0	\$12.7	\$0.3	\$2.8	\$15.8
Reduced funding for local park grants (a \$5.4 million decrease in General Revenue Funds; i.e., the statutory sporting goods sales tax allocation, an \$8.9 million decrease in General Revenue-Dedicated Funds, and a \$3.7 million increase in Federal Funds for local park acquisition and development grants).	Est/Bud 2004-05	\$15.8	\$9.8	\$14.7	\$0.0	\$40.4
	Rec 2006-07	\$10.5	\$0.9	\$17.9	\$0.0	\$29.3
Decrease in funding for coastal fisheries primarily due to one-time grants to commercial shrimpers for economic losses due to increased imports and fuel costs (a \$6.2 million decrease in Federal Funds).	Est/Bud 2004-05	\$0.0	\$9.8	\$18.1	\$1.2	\$29.1
	Rec 2006-07	\$0.0	\$8.9	\$14.1	\$0.0	\$23.0
No funding for park land acquisitions in 2006-07 (a \$7.1 million decrease in Federal Funds due to one-time habitat acquisitions at Government Canyon State Natural Area and the transfer of grant funds to the Local Parks strategy, and a \$1.5 million decrease in Other Funds).	Est/Bud 2004-05	\$0.0	\$0.6	\$7.1	\$1.5	\$9.2
	Rec 2006-07	\$0.0	\$0.6	\$0.0	\$0.0	\$0.6

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BUDGET ISSUES AND RECOMMENDATIONS

2006-07 BIENNIAL RECOMMENDATIONS

TABLE 42
SIGNIFICANT AGENCY BUDGET RECOMMENDATIONS (CONTINUED)

IN MILLIONS						
BUDGET RECOMMENDATION AND DESCRIPTION		GENERAL REVENUE FUNDS	GENERAL REVENUE-DEDICATED FUNDS	FEDERAL FUNDS	OTHER FUNDS	ALL FUNDS
RAILROAD COMMISSION Reduced funding for the oil and gas migration capital budget project (a \$1.5 million decrease in General Revenue Funds) and for oil and gas monitoring and inspections due to the consolidation of four field offices (a \$0.8 million decrease in General Revenue Funds and a decrease of 9.5 FTEs).						
	Est/Bud 2004-05	\$54.2	\$0.0	\$0.0	\$0.0	\$54.2
	Rec 2006-07	\$51.5	\$0.0	\$0.0	\$0.0	\$51.5
SOIL AND WATER CONSERVATION BOARD For brush control projects, a net decrease of \$1.8 million which includes a net increase in Other Funds for an interagency contract with the Water Development Board to replace General Revenue Funds (a \$3.7 million increase) and completion of brush control projects funded by bond proceeds (a \$1.7 million decrease).						
	Est/Bud 2004-05	\$3.8	\$0.0	\$0.0	\$1.7	\$5.5
	Rec 2006-07	\$0.0	\$0.0	\$0.0	\$3.7	\$3.7
WATER DEVELOPMENT BOARD For regional water planning activities, a net decrease of \$0.7 million which includes replacing General Revenue Funds with Other Funds (Water Assistance Fund No. 480), a \$5.1 million decrease in General Revenue Funds.						
	Est/Bud 2004-05	\$7.4	\$0.0	\$0.0	\$0.0	\$7.4
	Rec 2006-07	\$1.6	\$0.0	\$0.0	\$5.1	\$6.7

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BUDGET ISSUES AND RECOMMENDATIONS

2006-07 BIENNIAL RECOMMENDATIONS

**TABLE 42
SIGNIFICANT AGENCY BUDGET RECOMMENDATIONS (CONTINUED)**

IN MILLIONS						
BUDGET RECOMMENDATION AND DESCRIPTION		GENERAL REVENUE FUNDS	GENERAL REVENUE- DEDICATED FUNDS	FEDERAL FUNDS	OTHER FUNDS	ALL FUNDS
For agricultural water conservation projects, a net decrease of \$5.7 million primarily due to the completion of a one-time \$10.0 million pilot project and an increase of \$3.7 million to fund brush control projects at the Soil and Water Conservation Board (combined, a net decrease in Other Funds of \$6.3 million).	Est/Bud 2004-05	\$0.6	\$0.0	\$0.0	\$11.2	\$11.8
	Rec 2006-07	\$0.6	\$0.0	\$0.0	\$5.6	\$6.2
DEBT SERVICE PAYMENTS-NON-SELF SUPPORTING G.O. WATER BONDS Replace General Revenue Funds for debt service on agricultural water conservation bonds with Other Funds (Agriculture Water Conservation Account No. 358).	Est/Bud 2004-05	\$5.4	\$0.0	\$0.0	\$0.0	\$5.4
	Rec 2006-07	\$0.0	\$0.0	\$0.0	\$5.4	\$5.4
Increase in debt service requirements for the Economically Distressed Area Program because of additional \$25 million bond issue in fiscal year 2004 (an increase of \$1.3 million in General Revenue Funds and \$0.5 million in Other Funds).	Est/Bud 2004-05	\$25.0	\$0.0	\$0.0	\$4.5	\$29.5
	Rec 2006-07	\$26.3	\$0.0	\$0.0	\$5.0	\$31.3
Decrease in General Revenue Funds for State Participation Program debt service because significantly more revenue from repayments becomes available as loans mature and payments include both principal and interest (a \$3.3 million decrease in General Revenue Funds offset by a \$3.4 million increase in Other Funds).	Est/Bud 2004-05	\$9.8	\$0.0	\$0.0	\$5.7	\$15.4
	Rec 2006-07	\$6.5	\$0.0	\$0.0	\$9.0	\$15.6

BUSINESS AND ECONOMIC DEVELOPMENT

2006-07 BIENNIAL RECOMMENDATIONS

ALL FUNDS recommendations for Business and Economic Development total \$18.5 billion for the 2006-07 biennium, which is an increase of \$2.9 billion, or 18.3 percent, from the 2004-05 biennium (Table 43).

For General Revenue and General Revenue-Dedicated Funds, the recommendations total \$657.1 million, which is a decrease of \$26.1 million, or 3.8 percent, from the 2004-05 biennium (Table 44).

Selected performance measures for agencies in the Business and Economic Development function are depicted in Table 45.

IN MILLIONS				
AGENCY	ESTIMATED/ BUDGETED 2004-05	RECOMMENDED 2006-07	BIENNIAL CHANGE	PERCENTAGE CHANGE
Department of Housing and Community Affairs	\$323.4	\$314.3	\$(9.1)	(2.8)%
Texas Lottery Commission	411.3	390.7	(20.6)	(5.0)
Office of Rural Community Affairs	193.9	194.5	0.7	0.3
Department of Transportation	12,220.8	15,097.3	2,876.5	23.5
Texas Workforce Commission	2,143.8	2,098.5	(45.3)	(2.1)
Reimbursements to the Unemployment Compensation Benefit Account	51.6	33.7	(18.0)	(34.8)
Retirement and Group Insurance*	374.3	431.8	57.6	15.4
Social Security and Benefit Replacement Pay	126.2	128.4	2.3	1.8
Bond Debt Service Payments	2.3	14.6	12.2	522.6
Lease Payments	0.3	0.2	(0.1)	(41.6)
Article Total (less Interagency Contracts)	\$15,683.2	\$18,548.4	\$2,865.2	18.3%

*Amounts do not reflect adjustments for group insurance included in Article IX associated with implementation of Medicare Part D and cost adjustments.

NOTE: Biennial change and percentage change have been calculated on actual amounts before rounding. Therefore, table amounts may not add because of rounding.

BUSINESS AND ECONOMIC DEVELOPMENT

2006-07 BIENNIAL RECOMMENDATIONS

**TABLE 44
GENERAL REVENUE AND GENERAL REVENUE-DEDICATED FUNDS**

IN MILLIONS				
AGENCY	ESTIMATED/ BUDGETED 2004-05	RECOMMENDED 2006-07	BIENNIAL CHANGE	PERCENTAGE CHANGE
Department of Housing and Community Affairs	\$15.0	\$12.3	\$(2.6)	(17.6)%
Texas Lottery Commission	411.3	390.7	(20.6)	(5.0)
Office of Rural Community Affairs	13.2	12.8	(0.4)	(3.3)
Department of Transportation	1.6	1.2	(0.4)	(24.6)
Texas Workforce Commission	205.2	194.9	(10.3)	(5.0)
Reimbursements to the Unemployment Compensation Benefit Account	16.7	10.4	(6.3)	(37.6)
Retirement and Group Insurance*	12.8	15.0	2.2	17.2
Social Security and Benefit Replacement Pay	4.9	5.0	0.1	2.0
Bond Debt Service Payments	2.3	14.6	12.2	522.6
Lease Payments	0.3	0.2	(0.1)	(41.6)
Article Total	\$683.2	\$657.1	\$(26.1)	(3.8)%

*Amounts do not reflect adjustments for group insurance included in Article IX associated with implementation of Medicare Part D and cost adjustments.
Note: Biennial change and percentage change have been calculated on actual amounts before rounding. Therefore, table amounts may not add because of rounding.

BUSINESS AND ECONOMIC DEVELOPMENT

2006-07 BIENNIAL RECOMMENDATIONS

**TABLE 45
SELECTED PERFORMANCE MEASURES**

MEASURE	ACTUAL 2004	BUDGETED 2005	RECOMMENDED 2006	RECOMMENDED 2007
DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS				
Percent of Households/Individuals of Very Low, Low, and Moderate Income Needing Affordable Housing That Subsequently Receive Housing or Housing-related Assistance	1.8%	1.4%	1.8%	1.8%
TEXAS LOTTERY COMMISSION				
Number of Retailer Business Locations Licensed	16,521	16,800	16,800	16,800
OFFICE OF RURAL COMMUNITY AFFAIRS				
Percent of Small Communities Population Benefiting from Public Facility, Economic Development, Housing Assistance, and Planning Projects	37%	36%	36%	36%
Number of New Community/Economic Development Contracts Awarded	278	325	325	325
DEPARTMENT OF TRANSPORTATION				
Percent of Construction Projects Completed on Budget	98.8%	95%	98.8%	98.8%
Percent of Construction Projects Completed on Time	74.2%	74%	74%	74%
TEXAS WORKFORCE COMMISSION				
Entered Employment Rate	61.4%	61%	63%	63%
Choices Participation Rate	45.4%	43.5%	47.3%	47.3%
Average Number of Children Served Per Day, Transitional and At-Risk Services	87,600	87,706	82,849	81,530
Skills Development Customers Served	13,799	11,414	9,339	9,384

BUDGET ISSUES AND RECOMMENDATIONS

2006-07 BIENNIAL RECOMMENDATIONS

TABLE 46 RECOMMENDED FUNDING FOR MAJOR BUDGET ISSUES				
IN MILLIONS	ALL FUNDS			
	ESTIMATED/ BUDGETED 2004-05	RECOMMENDED 2006-07	BIENNIAL CHANGE	PERCENTAGE CHANGE
MAJOR BUDGET ISSUE AND DESCRIPTION				
TEXAS DEPARTMENT OF TRANSPORTATION				
For the management and plan development necessary for systematic preservation and expansion of the transportation system.	\$1,279.5	\$1,523.1	\$243.6	19.0%
For acquiring right-of-way.	\$775.2	\$1,056.4	\$281.2	36.3%
For the construction, reconstruction, rehabilitation, and traffic management of roads, bridges, and facilities on the state transportation system through private sector contracts.	\$4,268.7	\$6,107.7	\$1,839.0	43.1%
For maintaining and operating the highway system.	\$4,791.4	\$5,261.2	\$469.8	9.8%
TEXAS WORKFORCE COMMISSION				
Fund child care services to enable TANF Choices, transitioning, and the at-risk families to work or train for work and administration. The reductions are primarily related to a one-time draw of previously available balances of Federal Funds and the remaining amounts are tied to decreased matching funds.	\$915.9	\$878.0	\$(37.9)	(4.1)%
NOTE: Biennial change and percentage change have been calculated on actual amounts before rounding. Therefore, table amounts may not add because of rounding.				

BUDGET ISSUES AND RECOMMENDATIONS

2006-07 BIENNIAL RECOMMENDATIONS

**TABLE 47
SIGNIFICANT AGENCY BUDGET RECOMMENDATIONS**

IN MILLIONS						
BUDGET RECOMMENDATION AND DESCRIPTION		GENERAL REVENUE FUNDS	GENERAL REVENUE-DEDICATED FUNDS	FEDERAL FUNDS	OTHER FUNDS	ALL FUNDS
DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS						
Replaced \$3.3 million in General Revenue Funds with Other Funds from Appropriated Receipts for Manufactured Housing operations.						
	Est/Bud 2004-05	\$3.5	\$0.0	\$0.0	\$3.7	\$7.2
	Rec 2006-07	\$0.2	\$0.0	\$0.0	\$7.0	\$7.2
Reduced Federal Funds by \$7.6 million for the Low-Income Home Energy Assistance Program to anticipated Federal Funds levels.						
	Est/Bud 2004-05	\$0.0	\$0.0	\$88.4	\$0.0	\$88.4
	Rec 2006-07	\$0.0	\$0.0	\$80.8	\$0.0	\$80.8
Reduced Federal Funds by \$1.8 million for affordable housing loans and grants through the HOME program to anticipated Federal Funds levels.						
	Est/Bud 2004-05	\$0.0	\$0.0	\$88.5	\$0.0	\$88.5
	Rec 2006-07	\$0.0	\$0.0	\$86.7	\$0.0	\$86.7
TEXAS LOTTERY COMMISSION						
Reduced General Revenue-Dedicated Funds by \$19.3 million for lottery operations.						
	Est/Bud 2004-05	\$0.0	\$386.4	\$0.0	\$0.0	\$386.4
	Rec 2006-07	\$0.0	\$367.1	\$0.0	\$0.0	\$367.1
Reduced General Revenue Funds by \$1.2 million for bingo regulation.						
	Est/Bud 2004-05	\$24.8	\$0.0	\$0.0	\$0.0	\$24.8
	Rec 2006-07	\$23.6	\$0.0	\$0.0	\$0.0	\$23.6

Continued on next page.

BUDGET ISSUES AND RECOMMENDATIONS

2006-07 BIENNIAL RECOMMENDATIONS

**TABLE 47
SIGNIFICANT AGENCY BUDGET RECOMMENDATIONS (CONTINUED)**

IN MILLIONS						
BUDGET RECOMMENDATION AND DESCRIPTION		GENERAL REVENUE FUNDS	GENERAL REVENUE- DEDICATED FUNDS	FEDERAL FUNDS	OTHER FUNDS	ALL FUNDS
OFFICE OF RURAL COMMUNITY AFFAIRS						
Increased Federal Funds by \$0.9 million including a \$1.2 million increase in funding for the Community Development Block Grant program and a decrease of \$0.3 million for federal rural hospital grant programs.	Est/Bud 2004-05	\$4.0	\$0.0	\$179.9	\$0.0	\$183.9
	Rec 2006-07	\$4.0	\$0.0	\$180.8	\$0.0	\$184.8
TEXAS DEPARTMENT OF TRANSPORTATION						
Increased All Funds by \$24.0 million for general aviation grants; ended funding (\$6.4 million in Other Funds) for the State Aircraft Pooling Board (SAPB); required the sale of SAPB equipment; and included a General Revenue Funds reduction of \$0.3 million for the special aviation loan fund due to loans issued in 2004, a \$1.5 million increase in anticipated Federal Funds, and an increase of \$22.8 million in Other Funds for aviation grants.	Est/Bud 2004-05	\$0.5	\$0.0	\$70.5	\$54.5	\$125.5
	Rec 2006-07	\$0.2	\$0.0	\$72.0	\$77.3	\$149.5
Increased All Funds by \$243.6 million for highway construction planning, design, and management costs, which included \$135.9 million in anticipated Texas Mobility Funds; \$82.2 million in anticipated Federal Funds; and \$25.6 million in State Highway Funds.	Est/Bud 2004-05	\$0.0	\$0.0	\$556.5	\$723.0	\$1,279.5
	Rec 2006-07	\$0.0	\$0.0	\$638.7	\$884.4	\$1,523.1
Increased All Funds by \$281.2 million for acquiring right-of-way, which included increases of \$206.4 million in anticipated Texas Mobility Funds; \$95.5 million in State Highway Funds; and an anticipated decrease of \$20.7 million in Federal Funds.	Est/Bud 2004-05	\$0.0	\$0.0	\$221.8	\$553.4	\$775.2
	Rec 2006-07	\$0.0	\$0.0	\$201.1	\$855.3	\$1,056.4

Continued on next page.

BUDGET ISSUES AND RECOMMENDATIONS

2006-07 BIENNIAL RECOMMENDATIONS

**TABLE 47
SIGNIFICANT AGENCY BUDGET RECOMMENDATIONS (CONTINUED)**

IN MILLIONS						
BUDGET RECOMMENDATION AND DESCRIPTION		GENERAL REVENUE FUNDS	GENERAL REVENUE- DEDICATED FUNDS	FEDERAL FUNDS	OTHER FUNDS	ALL FUNDS
Increased All Funds by \$1.8 billion for highway construction funding, which included increases of \$1.2 billion in anticipated Texas Mobility Funds and \$892.5 million in Federal Funds offset by decreases of \$215.9 million in State Highway Funds and \$40 million in General Obligation Bond Proceeds.	Est/Bud 2004-05	\$0.0	\$0.0	\$3,064.3	\$1,204.4	\$4,268.7
	Rec 2006-07	\$0.0	\$0.0	\$3,956.9	\$2,150.8	\$6,107.7
Increased All Funds by \$469.8 million for maintaining and operating the highway system, which included increases of \$191.8 million in Federal Funds and 278 million in State Highway Funds.	Est/Bud 2004-05	\$0.0	\$0.0	\$1,860.1	\$2,930.3	\$4,791.4
	Rec 2006-07	\$0.0	\$0.0	\$2,051.9	\$3,208.3	\$5,261.2
Increased All Funds by \$1.9 million for public transportation grants which included an increase of \$3.5 million in State Highway Funds offset by an anticipated decrease of \$1.6 million in Federal Funds.	Est/Bud 2004-05	\$0.0	\$0.0	\$55.3	\$56.6	\$111.9
	Rec 2006-07	\$0.0	\$0.0	\$53.7	\$60.1	\$113.8
Increased funding for the Medical Transportation Program by \$21.3 million, which included increases of \$20.4 million in State Highway Funds (of which \$10 million will be used for a Medicaid Match and \$6.4 million will support client workforce transportation) and \$0.8 million in Interagency Contracts.	Est/Bud 2004-05	\$0.0	\$0.0	\$0.0	\$166.1	\$166.1
	Rec 2006-07	\$0.0	\$0.0	\$0.0	\$187.4	\$187.4

Continued on next page.

BUDGET ISSUES AND RECOMMENDATIONS

2006-07 BIENNIAL RECOMMENDATIONS

**TABLE 47
SIGNIFICANT AGENCY BUDGET RECOMMENDATIONS (CONTINUED)**

IN MILLIONS						
BUDGET RECOMMENDATION AND DESCRIPTION		GENERAL REVENUE FUNDS	GENERAL REVENUE- DEDICATED FUNDS	FEDERAL FUNDS	OTHER FUNDS	ALL FUNDS
Increased funding for the registration and titling of motor vehicles by \$10.3 million in State Highway Funds.	Est/Bud 2004-05	\$0.0	\$0.0	\$0.0	\$119.4	\$119.4
	Rec 2006-07	\$0.0	\$0.0	\$0.0	\$129.7	\$129.7
Increased funding for administration by \$10.4 million in State Highway Funds to support the additional finance tools and funding (\$2.8 billion in All Funds) available to the agency.	Est/Bud 2004-05	\$0.0	\$0.0	\$0.0	\$325.4	\$325.4
	Rec 2006-07	\$0.0	\$0.0	\$0.0	\$335.8	\$335.8
TEXAS WORKFORCE COMMISSION						
Reduced \$4.3 million in General Revenue Funds from the Skills Development program and reallocated a portion of those funds to Project Reintegration of Offenders (RIO).	Est/Bud 2004-05	\$24.4	\$0.0	\$0.0	\$0.0	\$24.4
	Rec 2006-07	\$20.1	\$0.0	\$0.0	\$0.0	\$20.1
Reduced \$37.9 million in All Funds for the Child Care and Development program, which included a reduction of \$4.2 million in General Revenue Funds, \$32.9 million in Child Care and Development Federal Funds (\$23.7 million was for one-time draws of previously available balances and \$9.2 million was for anticipated reductions in state and local matching funds to provide child care for qualified clients), and \$0.8 million in Other Funds.	Est/Bud 2004-05	\$139.8	\$0.0	\$770.3	\$5.8	\$915.9
	Rec 2006-07	\$135.6	\$0.0	\$737.4	\$5.0	\$878.0

Continued on next page.

BUDGET ISSUES AND RECOMMENDATIONS

2006-07 BIENNIAL RECOMMENDATIONS

**TABLE 47
SIGNIFICANT AGENCY BUDGET RECOMMENDATIONS (CONTINUED)**

IN MILLIONS							
BUDGET RECOMMENDATION AND DESCRIPTION			GENERAL REVENUE FUNDS	GENERAL REVENUE- DEDICATED FUNDS	FEDERAL FUNDS	OTHER FUNDS	ALL FUNDS
Reduced \$8.5 million in All Funds for Trade Adjustment Assistance for dislocated workers, which included a reduction of \$8.9 million in Federal Funds and an increase of \$0.4 million in Other Funds.	Est/Bud 2004-05	\$0.0	\$0.0	\$32.3	\$0.0	\$32.3	
	Rec 2006-07	\$0.0	\$0.0	\$23.4	\$0.4	\$23.8	
Increased \$6.3 million in Unemployment Insurance Federal Funds to administer the Unemployment Insurance (UI) program to provide UI claim services to employers and unemployed workers.	Est/Bud 2004-05	\$0.0	\$0.0	\$112.4	\$0.0	\$112.4	
	Rec 2006-07	\$0.0	\$0.0	\$118.7	\$0.0	\$118.7	
Increased \$8.9 million in All Funds for the Temporary Assistance for Needy Families (TANF) Choices Program, which included increases of \$3.2 million in Federal Funds and \$5.7 million in Interagency Contracts to provide employment, training, and job retention services for applicants, recipients, and former recipients of TANF cash assistance.	Est/Bud 2004-05	\$0.0	\$0.0	\$163.5	\$7.1	\$170.6	
	Rec 2006-07	\$0.0	\$0.0	\$166.7	\$12.8	\$179.5	
Increased \$10.5 million in All Funds for the Workforce Investment Act Program, which included an increase of \$11.6 million in Workforce Investment Act Federal Funds and a reduction of \$1.1 million in Other Funds to provide employment and training services to adults and dislocated workers.	Est/Bud 2004-05	\$0.0	\$0.0	\$370.9	\$1.1	\$372.0	
	Rec 2006-07	\$0.0	\$0.0	\$382.5	\$0.0	\$382.5	

Continued on next page.

BUDGET ISSUES AND RECOMMENDATIONS

2006-07 BIENNIAL RECOMMENDATIONS

**TABLE 47
SIGNIFICANT AGENCY BUDGET RECOMMENDATIONS (CONTINUED)**

IN MILLIONS						
BUDGET RECOMMENDATION AND DESCRIPTION		GENERAL REVENUE FUNDS	GENERAL REVENUE- DEDICATED FUNDS	FEDERAL FUNDS	OTHER FUNDS	ALL FUNDS
Reduced funding by \$0.8 million in All Funds for the Food Stamp and Employment Training Program by reallocating \$2.2 million in General Revenue Funds from reductions for the Skills Development Program, by reducing \$1.4 million in Federal Funds, and by increasing Other Funds by \$0.5 million.	Est/Bud 2004-05	\$7.4	\$0.0	\$26.9	\$0.3	\$34.6
	Rec 2006-07	\$7.5	\$0.0	\$25.5	\$0.8	\$33.9
Reduced \$1.0 million in All Funds for administration, which included a reduction of \$4.0 million in General Revenue Funds and an increase of \$3.1 million in Federal Funds.	Est/Bud 2004-05	\$5.3	\$1.5	\$42.0	\$2.9	\$51.7
	Rec 2006-07	\$1.2	\$1.5	\$45.0	\$3.0	\$50.7
REIMBURSEMENT TO THE UNEMPLOYMENT COMPENSATION BENEFIT ACCOUNT						
Reduced \$17.9 million in All Funds, which included reductions of \$6.3 million in General Revenue-Dedicated Funds and \$11.8 million in Other Funds for an anticipated decrease in payments to former state employees.	Est/Bud 2004-05	\$0.0	\$16.7	\$0.0	\$35.0	\$51.6
	Rec 2006-07	\$0.0	\$10.4	\$0.0	\$23.2	\$33.7

REGULATORY

2006-07 BIENNIAL RECOMMENDATIONS

ALL FUNDS recommendations for Regulatory total \$687.6 million for the 2006-07 biennium, which is an increase of \$18.1 million, or 2.7 percent, from the 2004-05 biennium (Table 48).

For General Revenue and General Revenue-Dedicated Funds, the recommendations total \$669.1 million, which is an increase of \$21.4 million, or 3.3 percent, from the 2004-05 biennium (Table 49).

Selected performance measures for agencies in the Regulatory function are depicted in Table 50.

**TABLE 48
ALL FUNDS**

IN MILLIONS				
AGENCY	ESTIMATED/ BUDGETED 2004-05	RECOMMENDED 2006-07	BIENNIAL CHANGE	PERCENTAGE CHANGE
State Office of Administrative Hearings	\$14.3	\$14.2	\$(0.2)	(1.1)%
Department of Banking	22.5	33.6	11.1	49.3
Board of Barber Examiners	1.2	1.3	0.0	1.7
Board of Chiropractic Examiners	0.7	0.7	0.0	0.7
Office of Consumer Credit Commissioner	6.8	6.8	(0.0)	(0.1)
Cosmetology Commission	4.7	4.7	(0.0)	(0.1)
Credit Union Department	3.3	3.6	0.3	9.4
Texas State Board of Dental Examiners	3.1	3.3	0.1	4.1
Funeral Service Commission	1.3	1.2	(0.1)	(5.1)
Board of Professional Geoscientists	0.8	0.8	(0.0)	(5.0)
Health Professions Council	1.2	1.5	0.4	31.8
Department of Insurance	98.9	97.6	(1.3)	(1.3)

Continued on next page.

REGULATORY

2006-07 BIENNIAL RECOMMENDATIONS

TABLE 48 ALL FUNDS (CONTINUED)				
IN MILLIONS				
AGENCY	ESTIMATED/ BUDGETED 2004-05	RECOMMENDED 2006-07	BIENNIAL CHANGE	PERCENTAGE CHANGE
Office of Public Insurance Counsel	\$2.0	\$1.9	\$(0.1)	(5.0)%
Board of Professional Land Surveying	0.7	0.7	0.0	0.5
Department of Licensing and Regulation	23.2	21.0	(2.2)	(9.4)
Board of Medical Examiners	16.5	15.0	(1.5)	(9.2)
Board of Nurse Examiners	9.6	9.1	(0.5)	(5.5)
Optometry Board	0.8	0.8	(0.0)	(1.0)
Structural Pest Control Board	2.9	2.8	(0.1)	(4.8)
Board of Pharmacy	6.5	6.5	0.0	0.1
Executive Council of Physical Therapy & Occupational Therapy Examiners	1.8	1.8	0.0	1.8
Board of Plumbing Examiners	3.2	3.3	0.1	1.9
Board of Podiatric Medical Examiners	0.4	0.4	(0.0)	(2.1)
Board of Examiners of Psychologists	1.4	1.4	(0.0)	(1.5)
Racing Commission	21.6	19.6	(2.0)	(9.2)
Real Estate Commission	9.2	9.2	(0.0)	(0.4)
Residential Construction Commission	6.3	6.5	0.2	2.7
Savings and Loan Department	6.9	11.9	5.0	71.7
Securities Board	10.4	10.4	0.0	0.0
Board of Tax Professional Examiners	0.3	0.3	0.0	5.1

Continued on next page.

REGULATORY

2006-07 BIENNIAL RECOMMENDATIONS

**TABLE 48
ALL FUNDS (CONTINUED)**

IN MILLIONS				
AGENCY	ESTIMATED/ BUDGETED 2004-05	RECOMMENDED 2006-07	BIENNIAL CHANGE	PERCENTAGE CHANGE
Public Utility Commission of Texas	\$185.8	\$193.5	\$7.7	4.1%
Office of Public Utility Counsel	3.5	3.3	(0.2)	(5.0)
Board of Veterinary Medical Examiners	1.2	1.1	(0.1)	(5.7)
Workers' Compensation Commission	111.4	104.3	(7.1)	(6.4)
Retirement and Group Insurance*	54.1	61.0	6.9	12.7
Social Security and Benefit Replacement Pay	24.6	25.1	0.5	2.2
Lease Payments	10.7	12.1	1.4	12.8
Article Total (less Interagency Contracts)	\$669.5	\$687.6	\$18.1	2.7%

*Amounts do not reflect adjustments for group insurance included in Article IX associated with implementation of Medicare Part D and cost adjustments.

NOTE: Biennial change and percentage change have been calculated on actual amounts before rounding. Therefore, table amounts may not add because of rounding.

REGULATORY

2006-07 BIENNIAL RECOMMENDATIONS

IN MILLIONS				
AGENCY	ESTIMATED/ BUDGETED 2004-05	RECOMMENDED 2006-07	BIENNIAL CHANGE	PERCENTAGE CHANGE
State Office of Administrative Hearings	\$4.7	\$4.4	\$(0.3)	(5.4)%
Department of Banking	22.4	33.5	11.1	49.6
Board of Barber Examiners	1.2	1.2	0.0	2.0
Board of Chiropractic Examiners	0.7	0.7	0.0	1.9
Office of Consumer Credit Commissioner	6.8	6.8	(0.0)	(0.1)
Cosmetology Commission	4.0	4.1	0.1	1.7
Credit Union Department	3.3	3.6	0.3	9.4
Texas State Board of Dental Examiners	2.8	2.9	0.1	3.6
Funeral Service Commission	1.2	1.1	(0.1)	(5.0)
Board of Professional Geoscientists	0.8	0.8	(0.0)	(5.0)
Health Professions Council	0.9	1.3	0.4	42.2
Department of Insurance	98.1	97.1	(1.1)	(1.1)
Office of Public Insurance Counsel	2.0	1.9	(0.1)	(5.0)
Board of Professional Land Surveying	0.7	0.7	0.0	0.5
Department of Licensing and Regulation	22.0	20.7	(1.3)	(6.1)
Board of Medical Examiners	16.4	14.9	(1.5)	(9.3)
Board of Nurse Examiners	8.1	7.7	(0.4)	(5.1)
Optometry Board	0.7	0.7	(0.0)	(0.2)
Structural Pest Control Board	2.5	2.5	(0.0)	(0.2)

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REGULATORY

2006-07 BIENNIAL RECOMMENDATIONS

IN MILLIONS				
AGENCY	ESTIMATED/ BUDGETED 2004-05	RECOMMENDED 2006-07	BIENNIAL CHANGE	PERCENTAGE CHANGE
Board of Pharmacy	\$6.5	\$6.5	\$0.0	0.1%
Executive Council of Physical Therapy & Occupational Therapy Examiners	1.7	1.7	0.1	3.3
Board of Plumbing Examiners	3.1	3.2	0.1	2.3
Board of Podiatric Medical Examiners	0.4	0.4	(0.0)	(1.1)
Board of Examiners of Psychologists	1.3	1.2	(0.1)	(5.0)
Racing Commission	21.6	19.6	(2.0)	(9.2)
Real Estate Commission	8.8	8.8	(0.0)	(0.5)
Residential Construction Commission	6.3	6.5	0.2	2.7
Savings and Loan Department	6.9	11.9	5.0	71.7
Securities Board	10.4	10.4	0.0	0.0
Board of Tax Professional Examiners	0.3	0.3	0.0	5.1
Public Utility Commission of Texas	185.1	192.6	7.5	4.1
Office of Public Utility Counsel	3.5	3.3	(0.2)	(5.0)
Board of Veterinary Medical Examiners	1.2	1.1	(0.1)	(5.7)
Workers' Compensation Commission	102.3	97.2	(5.1)	(5.0)
Retirement and Group Insurance*	54.1	61.0	6.9	12.7

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REGULATORY

2006-07 BIENNIAL RECOMMENDATIONS

**TABLE 49
GENERAL REVENUE AND GENERAL REVENUE-DEDICATED FUNDS (CONTINUED)**

IN MILLIONS				
AGENCY	ESTIMATED/ BUDGETED 2004-05	RECOMMENDED 2006-07	BIENNIAL CHANGE	PERCENTAGE CHANGE
Social Security and Benefit Replacement Pay	\$24.3	\$24.8	\$0.5	2.2%
Lease Payments	10.7	12.1	1.4	12.8
Article Total	\$647.7	\$669.1	\$21.4	3.3%

*Amounts do not reflect adjustments for group insurance included in Article IX associated with implementation of Medicare Part D and cost adjustments.
NOTE: Biennial change and percentage change have been calculated on actual amounts before rounding. Therefore, table amounts may not add because of rounding.

REGULATORY

2006-07 BIENNIAL RECOMMENDATIONS

**TABLE 50
SELECTED PERFORMANCE MEASURES**

MEASURE	ACTUAL 2004	BUDGETED 2005	RECOMMENDED 2006	RECOMMENDED 2007
ALL AGENCIES				
Total Number of New Individual Licenses Issued	158,123	100,128	110,260	110,991
DEPARTMENT OF INSURANCE				
Number of Complaints Resolved	32,483	32,200	32,200	32,200
PUBLIC UTILITY COMMISSION				
Average Annual Residential Telephone Bill in Texas as a Percentage of the National Average	63.8%	76.6%	65%	65%
Average Annual Residential Electric Bill from Competitive Suppliers as a Percentage of the National Average	146.25	149.9	140.7	148
Average Price of Electricity per kWh in Texas for Residential Customers from Competitive Suppliers as a Percentage of the National Residential Average	112.7	102.9	104.1	109.6
Percent of Texas Cities Served by Three or More Certified Telecommunication Providers	85.9%	83.5%	86%	86%
WORKERS' COMPENSATION COMMISSION				
Number of Inspections, Consultations, and Investigations Provided to Employees	3,512	3,680	3,680	3,680
Percentage of Benefit Dispute Cases Resolved by the Commission's Informal Dispute Resolution System	86%	83%	86%	86%
Percentage of Medical Dispute Cases Resolved by Initial Administrative Decision	88%	85%	87%	87%
Average Number of Days to Resolve Benefit Dispute	46	57	46	46

BUDGET ISSUES AND RECOMMENDATIONS

2006-07 BIENNIAL RECOMMENDATIONS

TABLE 51 RECOMMENDED FUNDING FOR MAJOR BUDGET ISSUES				
IN MILLIONS	ALL FUNDS			
	ESTIMATED/ BUDGETED 2004-05	RECOMMENDED 2006-07	BIENNIAL CHANGE	PERCENTAGE CHANGE
MAJOR BUDGET ISSUE AND DESCRIPTION				
<p>PUBLIC UTILITY COMMISSION For energy assistance to low-income residential electric customers, including \$19.6 million during 2006-07 that is contingent upon a municipally owned utility or electric cooperative opting into the competitive market.</p>	\$157.4	\$166.0	\$8.6	5.4%
<p>TEXASONLINE The TexasOnline program allows the public to apply for a number of both new and renewal occupational licenses, permits, and registrations over the Internet.</p>	\$4.5	\$5.9	\$1.4	31.1%
<p>NOTE: Biennial change and percentage change have been calculated on actual amounts before rounding. Therefore, table amounts may not add because of rounding.</p>				

BUDGET ISSUES AND RECOMMENDATIONS

2006-07 BIENNIAL RECOMMENDATIONS

**TABLE 52
SIGNIFICANT AGENCY BUDGET RECOMMENDATIONS**

IN MILLIONS						
BUDGET RECOMMENDATION AND DESCRIPTION		GENERAL REVENUE FUNDS	GENERAL REVENUE-DEDICATED FUNDS	FEDERAL FUNDS	OTHER FUNDS	ALL FUNDS
DEPARTMENT OF BANKING						
Increased contingency funding for bank examinations by \$11.1 million in General Revenue Funds to maintain regulatory standards if significant changes in the industry occur.						
	Est/Bud 2004-05	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
	Rec 2006-07	\$11.1	\$0.0	\$0.0	\$0.0	\$11.1
SAVINGS AND LOAN DEPARTMENT						
Increased contingency funding for savings and loan examinations by \$1.3 million in General Revenue Funds to maintain regulatory standards if significant changes in the industry occur.						
	Est/Bud 2004-05	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
	Rec 2006-07	\$1.3	\$0.0	\$0.0	\$0.0	\$1.3
Increased contingency funding for mortgage broker examinations by \$3.7 million in General Revenue Funds to maintain regulatory standards if significant changes in the industry occur.						
	Est/Bud 2004-05	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
	Rec 2006-07	\$3.7	\$0.0	\$0.0	\$0.0	\$3.7
DEPARTMENT OF INSURANCE						
Reduced All Funds by \$1.5 million for collecting and analyzing market data and providing information and reports, which included reductions of \$0.9 million in General Revenue Funds; \$0.5 million in General Revenue-Dedicated Funds; and \$0.2 million in Federal Funds.						
	Est/Bud 2004-05	\$27.0	\$13.7	\$0.2	\$0.3	\$41.2
	Rec 2006-07	\$26.2	\$13.2	\$0.0	\$0.3	\$39.7

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BUDGET ISSUES AND RECOMMENDATIONS

2006-07 BIENNIAL RECOMMENDATIONS

**TABLE 52
SIGNIFICANT AGENCY BUDGET RECOMMENDATIONS (CONTINUED)**

IN MILLIONS						
BUDGET RECOMMENDATION AND DESCRIPTION		GENERAL REVENUE FUNDS	GENERAL REVENUE-DEDICATED FUNDS	FEDERAL FUNDS	OTHER FUNDS	ALL FUNDS
DEPARTMENT OF LICENSING AND REGULATION Reduced funding by \$0.9 million in Federal Funds related to the expiration of funds for the Weather Modification Program grant.						
	Est/Bud 2004-05	\$0.0	\$0.0	\$0.9	\$0.0	\$0.9
	Rec 2006-07	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
BOARD OF MEDICAL EXAMINERS Reduced General Revenue-Dedicated Funds by \$1.1 million for anticipated reductions in collections from \$80 surcharges applied to biennial physician licenses and renewals as of January 1, 2005.						
	Est/Bud 2004-05	\$4.7	\$6.1	\$0.0	\$0.0	\$10.8
	Rec 2006-07	\$4.7	\$5.0	\$0.0	\$0.0	\$9.7
RACING COMMISSION Reduced \$2 million in General Revenue Funds for a one-time reimbursement of expenses related to hosting the Breeders' Cup at Lone Star Park in fiscal year 2005.						
	Est/Bud 2004-05	\$2.0	\$19.6	\$0.0	\$0.0	\$21.6
	Rec 2006-07	\$0.0	\$19.6	\$0.0	\$0.0	\$19.6
PUBLIC UTILITY COMMISSION Reduced funding for the Low Income Discount program by \$11 million in General Revenue-Dedicated Funds for anticipated reductions in the number of eligible customers.						
	Est/Bud 2004-05	\$0.0	\$157.4	\$0.0	\$0.0	\$157.4
	Rec 2006-07	\$0.0	\$146.4	\$0.0	\$0.0	\$146.4

Continued on next page.

BUDGET ISSUES AND RECOMMENDATIONS

2006-07 BIENNIAL RECOMMENDATIONS

**TABLE 52
SIGNIFICANT AGENCY BUDGET RECOMMENDATIONS (CONTINUED)**

IN MILLIONS						
BUDGET RECOMMENDATION AND DESCRIPTION		GENERAL REVENUE FUNDS	GENERAL REVENUE- DEDICATED FUNDS	FEDERAL FUNDS	OTHER FUNDS	ALL FUNDS
Increased contingency funding for the Low Income Discount program by \$19.6 million in General Revenue-Dedicated Funds to maintain the program at 10 percent if a municipally owned utility or electric cooperative opts into the competitive market.	Est/Bud 2004-05	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
	Rec 2006-07	\$0.0	\$19.6	\$0.0	\$0.0	\$19.6
Reduced funding for telephone and electric utility rate cases by \$1 million in All Funds, which included a reduction of \$1.1 million in General Revenue Funds and an increase of \$0.1 million in General Revenue-Dedicated Funds.	Est/Bud 2004-05	\$5.6	\$0.6	\$0.0	\$0.2	\$6.4
	Rec 2006-07	\$4.4	\$0.7	\$0.0	\$0.2	\$5.4
WORKERS' COMPENSATION COMMISSION Reduced General Revenue Funds by \$4.7 million for salary and longevity pay, retirement incentives, and other operating costs.	Est/Bud 2004-05	\$94.5	\$0.0	\$0.0	\$0.0	\$94.5
	Rec 2006-07	\$89.8	\$0.0	\$0.0	\$0.0	\$89.8
Reduced funding by \$2.1 million in Other Funds for a one-time grant from the Texas Mutual Insurance Company for health care provider reviews.	Est/Bud 2004-05	\$0.0	\$0.0	\$0.0	\$2.1	\$2.1
	Rec 2006-07	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0