LEGISLATIVE BUDGET BOARD FISCAL YEAR 2004

Budget and Performance Assessments

State Agencies and Institutions

SUBMITTED TO THE 79TH TEXAS LEGISLATURE

LEGISLATIVE BUDGET BOARD

BUDGET AND PERFORMANCE ASSESSMENTS

STATE AGENCIES AND INSTITUTIONS
FISCAL YEAR 2004

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INTRODUCTION

This Legislative Budget Board (LBB) summary report, *Budget and Performance Assessments of State Agencies and Institutions, Fiscal Year 2004*, is designed to address the Legislature's need for useful and timely Texas government budget and performance information.

This report is organized by government function. Each chapter includes a ***Fiscal Year 2004 Performance Summary***, which details the percentage of each state agency's fiscal year 2004 performance measures (i.e., Outcome/Results/Impact, Output/Volume and Efficiency) in which 95 percent of the targeted level was attained or exceeded.

Each chapter also contains a two-page budget and performance summary, or "snapshot," for state agencies, the appellate courts, and four higher education institutional categories (General Academics, Health-related, Public Community/Junior Colleges, and Texas State Technical College). Each snapshot contains eight elements:

- ***2004 Estimated Funds.*** A pie chart of estimated All Funds expended amounts, by type of fund, for fiscal year 2004. This information is derived from the 2004 Legislative Appropriations Request reported/entered by agencies and institutions into the LBB's Automated Budget and Evaluation System of Texas (ABEST). In some instances, however, fiscal year 2004 budgeted information has been used when expended information for fiscal year 2004 is not available for an agency or institution due to program transfers, reporting requirements, or insufficient information.
- ***Full-time-equivalent Positions.*** A bar-and-line chart and brief description of the number of full-time-equivalent (FTE) positions for the 2000–2004 period. The FTE caps for fiscal years 2000 through 2004 are included in the chart. The FTE caps (included in the 2004–05 General Appropriations Act) reflect any adjustments jointly approved by the LBB and the Governor's Office. The source for FTE positions is the State Auditor's Office, except where noted.
- ***Major Contracts.*** Information on major agency and institution contracts (i.e., contractor, purpose, and cost) that was reported by agencies for fiscal year 2004 (initiated, ongoing, or completed). Multi-year contracts are asterisked. The LBB requires all state agencies and institutions of higher education to submit information on:

  1. construction, consulting, and professional services contracts initiated that total $14,000 or more;
  2. major information systems contracts initiated that total $100,000 or more; and
  3. all other contracts initiated which do not meet the above requirements that total $50,000 or more.
- ***Performance Measures.*** A line graph of actual and targeted performance for up to four key measures (i.e., included in the 2004–05 General Appropriations Act). In most instances, actual and targeted performance are shown for fiscal years 2000–2004.
- ***Budget Highlights.*** A brief description of fiscal year 2004 expenditure information, including key issues and/or concerns.
- ***Performance Measures Audit Reports.*** Information concerning the most recent measures certification audit by the State Auditor's Office is provided.
- ***Other Reports and Reviews.*** Recent reports by the State Auditor's Office and the Sunset Advisory Commission containing performance-related findings and recommendations relating to each agency

and institution are listed. In addition, this section identifies agencies which are eligible for an enhanced compensation program during fiscal year 2004, pursuant to Article IX, Section 6.28(d) of the 2004–05 General Appropriations Act.* Eligibility is based on attainment of at least 80 percent of key performance targets in fiscal year 2004 and certification that at least 70 percent of audited key measures are accurate. Classified employees who directly contribute to improvements in agency or institution performance may be awarded up to 6.8 percent of their annual base salary.

- ***Performance Highlights.*** A statement of the percentage of each agency's or institution's fiscal year 2004 performance targets (i.e., Outcome/Results/Impact, Output/Volume, and Efficiency) in which 95 percent of the targeted performance level was attained or exceeded is provided, along with a statement noting the number of Outcome/Results/Impact, Output/Volume and Efficiency measures that were attained or exceeded. Additionally, performance measures and/or issues in which there has been a significant variance and/or that is of general interest are noted.

Budget and performance information for four higher education institutional categories (General Academic, Health-related, Public Community/Junior Colleges, and Texas State Technical College) and the 14 Court of Appeals Districts is consolidated; however, the performance of individual institutions of higher education is detailed for selected key performance measures.

This report may be accessed via the LBB web site at http://www.lbb.state.tx.us.

* (d) "To further foster, support, and reward outstanding performance, ongoing productivity improvement and innovative improvement programs, and to retain key high performing employees, qualified state agencies and institutions may expend amounts necessary from funds appropriated in this Act for the purposes of enhancing compensation for employees who directly contributed to such improvements. Only classified employees (including classified employees of institutions of higher education) are eligible for enhanced compensation, and this award shall not exceed 6.8 percent of an employee's annual base pay. To be eligible for this provision, an agency or institution must:

(1) Achieve or exceed targets for 80 percent of the established key performance measures:

(A) For fiscal year 2004, eligibility shall be determined by the Legislative Budget Board based on performance reported to the Automated Budgeting and Evaluation System of Texas (ABEST) for fiscal year 2003;

(B) For fiscal year 2005, eligibility shall be determined by the Legislative Budget Board based on performance reported to ABEST for fiscal year 2004; and

(2) Have an unqualified certification for at least 70 percent of its performance measures as shown by its most recent certification review by the State Auditor's Office; and

(3) File a report with the Comptroller, Legislative Budget Board, Governor, House Appropriations Committee, and Senate Finance Committee describing the success of the innovative program and criteria used to assess the improvements; and

(4) Sixty days prior to implementation file a report with the Comptroller, Legislative Budget Board, Governor, House Appropriations Committee, and Senate Finance Committee describing in detail how the agency intends to use this flexibility to further the goals of this section."

General Government

Fiscal Year 2004 Performance Summary

Agency	Percentage of Performance Targets Achieved [1]	Number of Key Performance Measures
Commission on the Arts	50%	6
Office of the Attorney General	93	14
Bond Review Board	50	4
Building and Procurement Commission	29	17
Cancer Council	80	5
Comptroller of Public Accounts	77	22
Fiscal Programs - Comptroller of Public Accounts[2]	50	2
Commission on State Emergency Communications	100	5
Employees Retirement System	67	6
Texas Ethics Commission	80	5
Public Finance Authority	0	2
Fire Fighters' Pension Commissioner	50	6
Trusteed Programs within the Office of the Governor	83	6
Historical Commission	50	8
Texas Incentive and Productivity Commission	25	4
Department of Information Resources	80	10
Library and Archives Commission	88	8
Pension Review Board	75	4
Preservation Board	100	4
State Office of Risk Management	71	7
Secretary of State	89	9
Office of State-Federal Relations	100	3
Veterans Commission	100	5

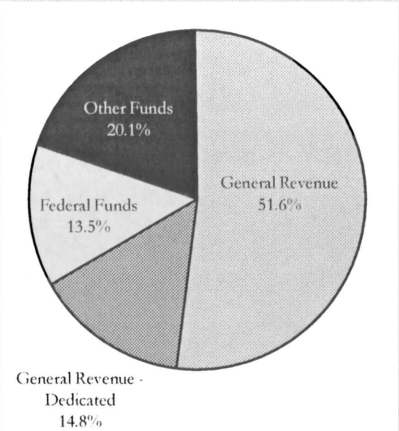
[1] *Percentage of Performance Targets Achieved* reflects those measures (excluding explanatory) for which performance has attained or exceeded 95 percent of the established target.

[2] An individual budget and performance summary was not prepared for this program.

COMMISSION ON THE ARTS

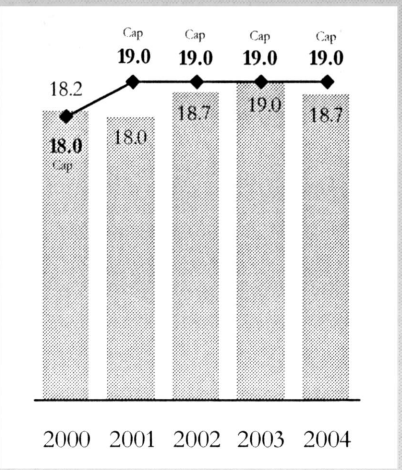
SELECTED BUDGET INFORMATION

ALL FUNDS, 2004 BUDGETED



Total: $5,622,403

FULL-TIME-EQUIVALENT POSITIONS



MAJOR CONTRACTS REPORTED, 2004

In fiscal year 2004, the agency reported **four** contracts:

Tate Austin *
Public relations
$100,000

Writers' League of Texas
Fiscal agent
$45,000

Region XX Educational Service Center *
Conference development
$15,000

Duane Sanford
Exhibit setup and curatorial services
$15,000

* Known multi-year contract

BUDGET HIGHLIGHTS

Distribution of grants to arts, cultural, educational, and civic organizations for support of arts education and arts and cultural programs accounted for 76 percent of the agency's total fiscal year 2004 expenditures. Grant-distribution activities were funded with approximately 49 percent General Revenue Funds, 11 percent General Revenue–Dedicated Funds, 18 percent Federal Funds, and 22 percent Other Funds.

In fiscal year 2004, the agency used Appropriated Receipts for a new fundraising effort to supplant General Revenue Fund reductions for agency activities and operations.

FULL-TIME-EQUIVALENT EMPLOYEES

The agency did not exceed its cap for full-time-equivalent (FTE) positions in fiscal year 2004.

The agency averaged 18.7 FTE positions for the fiscal year. Approximately 48 percent of the agency's FTE positions are assigned primarily to distributing grants.

PERFORMANCE MEASURES AUDIT REPORTS

In its fiscal year 2004 report, *Implementation of Prior Audit Recommendations by the Commission on the Arts*, the State Auditor's Office (SAO) verified that the agency has taken actions to address inaccuracies found in performance measures in the June 2002 report, *An Audit on Internal Controls and Financial Processes at the Commission on the Arts and the Funeral Service Commission.* In that report, one measure was found to be inaccurate and factors prevented certification of one measure. The SAO also verified that the agency implemented its recommendations related to the agency's grant monitoring and awards processes.

OTHER REPORTS AND REVIEWS

No special reports or reviews of the agency were identified after September 2003.

PERFORMANCE HIGHLIGHTS

During fiscal year 2004, the agency attained (within 5 percent) or exceeded 50 percent of its six established key performance targets.

The agency attained or exceeded one of its two outcome targets and two of its four output/efficiency targets.

MEASURES ASSESSMENTS

The agency exceeded its fiscal year 2004 performance target for the *Average Grant Amount Awarded for Arts Education Programs* although performance declined approximately 4 percent from the previous year. Budget reductions resulted in a decrease in available funds for arts education grants compared to fiscal year 2003, but according to the agency, it made minimal reductions in the area of arts education compared to other areas.

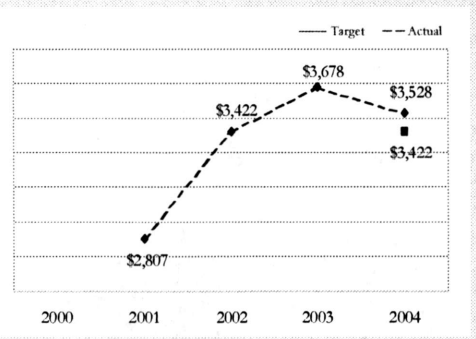
The agency did not meet its fiscal year 2004 target for the *Percentage of Total Assistance Dollars Provided to Applications from Minority Organizations* although its performance increased approximately 13 percent from the previous year. Fiscal year 2004 performance can be attributed to a decline in available dollars for grants as a result of budget reductions. According to the agency, performance improved from the previous fiscal year because, as a result of technical assistance by the agency, minority organizations competed more successfully in the grants process. Increased attendance by minority organizations at the agency's biennial conference also positively affected performance related to this measure. Despite the agency's activities, the growth among minority organizations has been in decline, mainly because of transitions in leadership and challenges in fundraising.

Increased agency activities to reach rural and geographically isolated communities resulted in the agency exceeding its target for the *Percentage of Total Assistance Dollars Provided to Applications from Rural and Geographically Isolated Communities*. According to the agency, its higher level of participation in meetings associated with the Funders Forums (meetings organized by legislators, chambers of commerce, or nonprofit organizations to assemble government and private agencies to discuss funding opportunities with constituents) enabled the agency to expand its reach to rural and geographically isolated communities and improve participation by those communities in the agency's grants programs. The effect was a greater distribution of funds to rural and geographically isolated communities. Increased attendance by members of rural and geographically isolated communities at the agency's biennial conference also positively affected performance related to this measure.

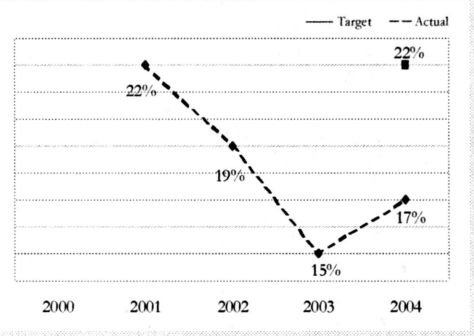
An increase in the number of meetings related to state tourism and a more pronounced role in its involvement in the Texas Travel Industry Association enabled the agency to exceed its fiscal year 2004 target for *Number of Marketing and Public Relations Activities, Conferences and Seminars which Promote Tourism*. This higher level of participation in tourism working groups also attributed to the approximate 41 percent rise in performance from fiscal year 2003.

SELECTED PERFORMANCE MEASURES

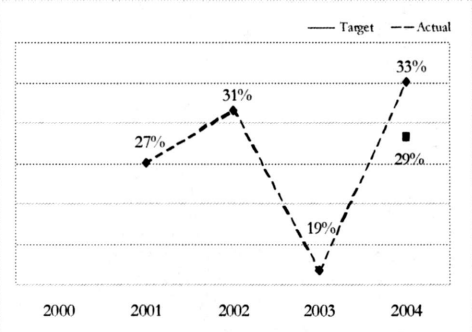
AVERAGE GRANT AMOUNT AWARDED FOR ARTS EDUCATION PROGRAMS



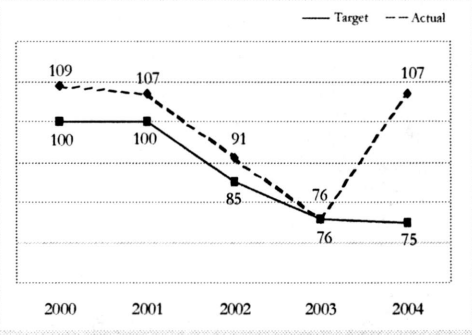
PERCENTAGE OF TOTAL ASSISTANCE DOLLARS PROVIDED TO APPLICATIONS FROM MINORITY ORGANIZATIONS



PERCENTAGE OF TOTAL ASSISTANCE DOLLARS PROVIDED TO APPLICATIONS FROM RURAL AND GEOGRAPHICALLY ISOLATED COMMUNITIES



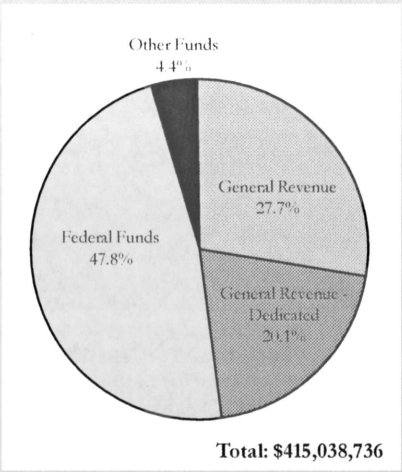
NUMBER OF MARKETING AND PUBLIC RELATIONS ACTIVITIES, CONFERENCES AND SEMINARS WHICH PROMOTE TOURISM



Office of the Attorney General

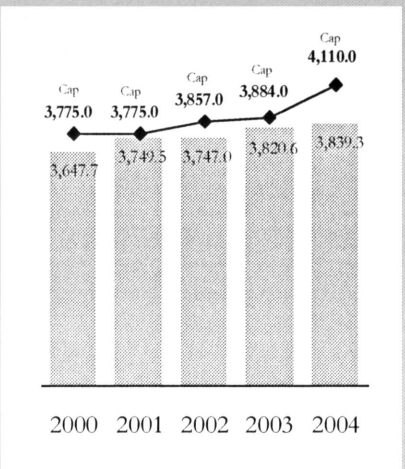
Selected Budget Information

ALL FUNDS, 2004 ESTIMATED



Total: $415,038,736

FULL-TIME-EQUIVALENT POSITIONS



MAJOR CONTRACTS REPORTED, 2004

In fiscal year 2004, the agency reported **120** contracts, including:

ACS State and Local Solutions *
State disbursement unit
$128,022,219

Northrup Grumman Technical Services *
Mainframe operations
$30,232,600

Verizon *
Statewide telecom network upgrades
$22,137,269

Northrup Grumman Technical Services *
Employer new hire data services
$12,975,618

Public Consulting Group Inc. *
Medical support data match services
$9,800,000

ADS Mail Box Corporation *
Outgoing mail services
$6,498,673

* Known multi-year contract

Budget Highlights

Approximately 19 percent of the agency's fiscal year 2004 expenditures were related to providing financial assistance to victims who are injured or killed as a result of criminally injurious conduct. Sixteen percent of the agency's expenditures were related to defending state laws and the Texas Constitution, representing the state in litigation, and approving public bond issues.

Approximately 69 percent of Federal Funds expended by the agency were for child support enforcement. Crime Victims Compensation and Victims Assistance are other agency programs that received significant Federal Funds in fiscal year 2004, which accounted for 16 percent of the Federal Funds expended.

House Bill 2292, Seventy-eighth Legislature, Regular Session, 2003, added Section 28 to Article II of the General Appropriations Act (2004–05 Biennium), Special Provisions Relating to All Health and Human Services Agencies, which provided $22.0 million for the purpose of reducing Medicaid fraud and overpayments. Of the $22.0 million, $16.5 million was funded with Federal Funds and the remaining $5.5 million was funded with General Revenue Funds.

Full-time-equivalent Employees

The agency did not exceed its cap for full-time-equivalent (FTE) positions in fiscal year 2004.

Seventy percent of the FTE positions were assigned to child support enforcement, and 23 percent of the FTEs were assigned to legal services.

Performance Measures Audit Reports

The most recent performance measures audit by the State Auditor's Office (SAO) was in July 1996, when the *Performance Measures at 20 State Agencies and 1 Educational Institution* report certified eight measures without qualifications and certified one measure with qualifications. Subsequently, the agency initiated internal controls to ensure accuracy of reported data.

Other Reports and Reviews

An Audit Report on the Child Support Enforcement Program at the Office of the Attorney General, dated March 2004, issued by the SAO stated the Office of the Attorney General (OAG) generally administers the Child Support Program so that child support payments are disbursed to custodial parents accurately and in a timely manner. However, according to the report, the OAG needs to improve physical security and tracking of payments processed by its Payment Processing section. In addition, weaknesses in controls over access to child support information systems creates a risk that unauthorized individuals could make inappropriate changes to case information. The OAG's contract monitoring function generally does a good job of managing the State Disbursement Unit contract. In addition, the two major systems used to process child support transactions appear to have controls in place to share data accurately; however, insufficient access controls leave them vulnerable to unauthorized access.

The agency is eligible to implement an enhanced compensation program for employees during fiscal year 2005, pursuant to Article IX, Section 6.28(d) of the 2004–05 General Appropriations Act. Agency eligibility is based on attainment of at least 80 percent of key performance targets in fiscal year 2004 and certification that at least 70 percent of audited key measures are accurate. Classified employees who directly contribute to improvements in agency performance may be awarded up to 6.8 percent of their base salary.

PERFORMANCE HIGHLIGHTS

During fiscal year 2004, the agency attained (within 5 percent) or exceeded 93 percent of its 14 established key performance targets.

The agency attained or exceeded all 4 of its outcome targets and 9 of its 10 output/efficiency targets.

During fiscal year 2004, the amount of child support collected reached a record $1.6 billion. This amount exceeded the previous reporting period by approximately 7 percent. Texas ranks third in the nation for child support collections, surpassed only by California and Ohio.

MEASURES ASSESSMENTS

The agency exceeded the fiscal year 2004 target for *Delinquent Revenue Collected (in Millions)*. However, performance decreased by approximately 18 percent in fiscal year 2004 from the fiscal year 2003 level, resulting in the lowest amount collected in the past three reporting periods. The amount collected more than the target occurred primarily because of significant one-time collections on Comptroller of Public Accounts bankruptcy cases.

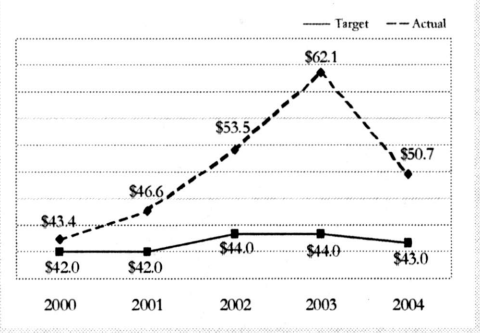
The agency exceeded the target for *Amount of Title IV-D Child Support Collected (in Millions)*. Amounts collected in fiscal year 2004 resulted from continued improvements to the automated income-withholding system, improved collection of employment information from the Texas Workforce Commission, and an increase in the number of income-withholding orders issued.

The *Average Number of Days to Analyze a Claim and Make an Award* of compensation to crime victims exceeded the fiscal year 2004 target by approximately 40 percent. This measure also exceeded the fiscal year 2003 level by 16 percent and represents the best performance for the five-year reporting period. Improved performance resulted from the continued enhancement of the document imaging system, refinement of internal work processing, and increased staff.

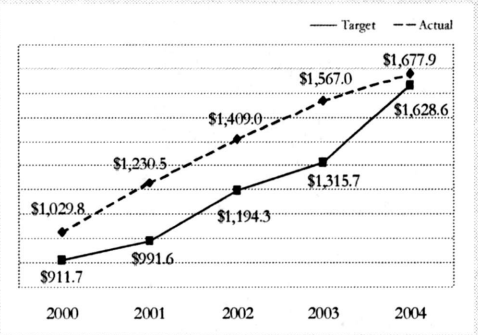
The fiscal year 2004 target for *Amount of Medicaid Overpayments Identified (in Millions)* was exceeded by approximately $14.9 million, representing the best performance over the five-year reporting period. Increased performance can be attributed to implementation of House Bill 2292, Seventy-eighth Legislature, Regular Session, 2003, which increased agency appropriations by $22.0 million and 200 FTEs. In addition, three fraud cases accounted for 73 percent, or $18.4 million, of the total amount of overpayments identified in fiscal year 2004. The three fraud cases were for fraudulent billings and failure to report "best price" for prescription drugs.

SELECTED PERFORMANCE MEASURES

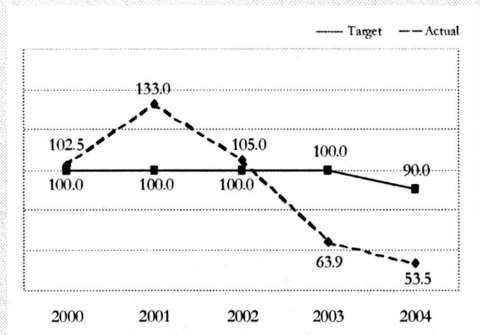
DELINQUENT REVENUE COLLECTED (IN MILLIONS)



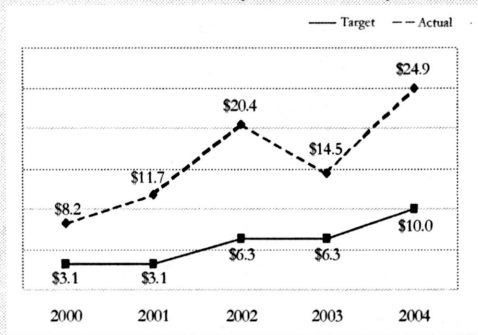
AMOUNT OF TITLE IV-D CHILD SUPPORT COLLECTED (IN MILLIONS)



AVERAGE NUMBER OF DAYS TO ANALYZE A CLAIM AND MAKE AN AWARD



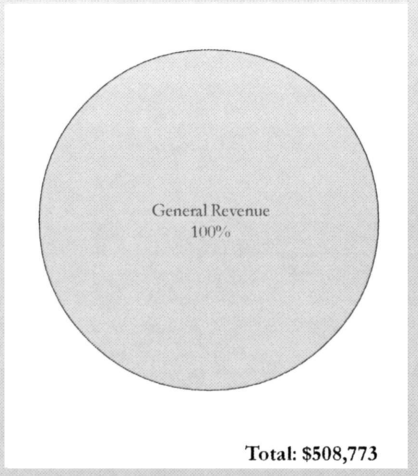
AMOUNT OF MEDICAID OVERPAYMENTS IDENTIFIED (IN MILLIONS)



Bond Review Board

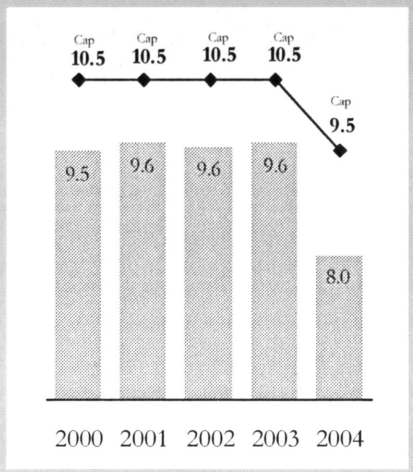
Selected Budget Information

ALL FUNDS, 2004 ESTIMATED



Total: $508,773

FULL-TIME-EQUIVALENT POSITIONS



MAJOR CONTRACTS REPORTED, 2004

In fiscal year 2004, the agency reported **no** contracts.

Budget Highlights

Approximately 42 percent of the agency's reported expenditures in fiscal year 2004 were spent protecting the state's bond rating by reviewing bond issues proposed by state agencies and universities and by analyzing the state's debt obligations.

The agency generated $1.4 million in General Revenue Funds during fiscal year 2004 from the Private Activity Bond Allocation Program in fees paid by applicants and authorized recipients of the tax-exempt bonds. The Seventy-eighth Legislature, Regular Session, 2003, amended Chapter 1372.006 of the Government Code to increase the multifamily application fee from $500 to $5,000 per application.

Full-time-equivalent Employees

The agency did not exceed its cap for full-time-equivalent positions in fiscal year 2004.

Performance Measures Audit Reports

The most recent performance measures audit by the State Auditor's Office was in March 1999, when the *1999 Small Agency Management Control Audit* report certified two measures with qualifications, found one measure to be inaccurate, and factors prevented certification of one measure.

Other Reports and Reviews

No special reports or reviews of the agency were identified after September 2003.

PERFORMANCE HIGHLIGHTS

During fiscal year 2004, the agency attained (within 5 percent) or exceeded 50 percent of its four established key performance targets.

The agency had no key outcome targets during fiscal year 2004. The agency attained or exceeded two of its four output/efficiency targets.

MEASURES ASSESSMENTS

The agency exceeded its target for *Number of State Bond Issues and Lease Purchase Projects Reviewed* in fiscal year 2004. There was a 5.5 percent increase in debt issued by Texas state agencies and universities from the prior year. As a result of continued low interest rates, the number of requests for housing projects increased as well as the number of refundings approved by the agency. Of the $3.0 billion in bonds issued in fiscal year 2004, 30.3 percent of the total debt approved was comprised of refunding bonds issued by state agencies and universities.

The agency reviews and approves the issuance and refundings of all state bonds to ensure proper legal authorization and accurate and adequate disclosure on bond issues and on lease-purchase projects that are greater than $250,000 and/or have a term of five years or more, with the exception of Permanent University Bonds.

The target for *Number of Responses to Debt Information Requests* was not attained in fiscal year 2004 due to a decrease in the number of requests received from rating agencies, bond counsels, state agencies, and universities. According to the agency, a streamlined bond application process and increased usage of the agency's website resulted in a decrease in the number of traditional requests for information received.

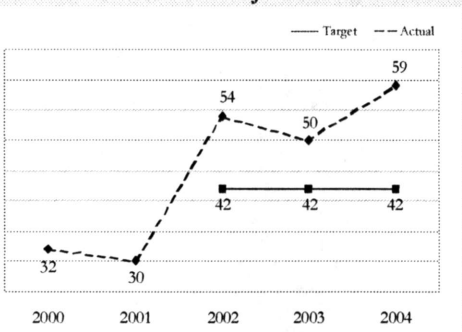
For the fourth consecutive year, the agency exceeded its target for *Number of Local Government Financings Analyzed.* Agency analysis includes issuance and interest costs for local government bonds and cash and present value savings for refundings. With the continuance of low interest rates, local municipalities issued more debt. In addition, the agency reports that more efficient processing occurred as additional staff were dedicated to full-time analysis of local government financings.

The agency did not meet its target for *Number of Applications Reviewed* for the Private Activity Bond Allocation Program (PAB). The agency has administered the PAB since January 1, 1992 to provide issuers and private enterprises a means to finance certain projects at a lower cost. The PAB regulates the state ceiling and monitors the amount of demand for and the use of private activity bonds each year. Texas' ceiling on the amount of private activities financed by tax-exempt bonds increased from $75 to $80 per capita in 2004, leaving Texas with a volume cap set at $1.8 million dollars, which is the second highest in the nation.

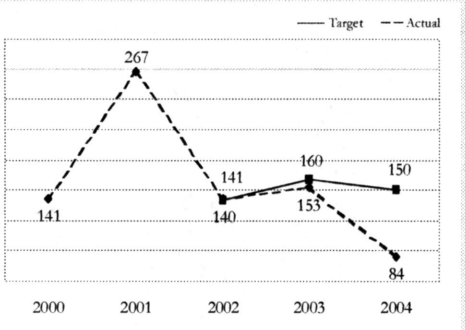
Although the volume cap is established in federal law based on Texas' annual population census, the Texas Legislature determines the state's allocation among the six subceilings. A large amount in the volume cap within the PAB was released from other subceilings, which resulted in an increase in multifamily housing tax-exempt bond requests, but a reduction in applications for student loan bonds and state-voted issues such as water projects and veterans' mortgage bonds.

SELECTED PERFORMANCE MEASURES

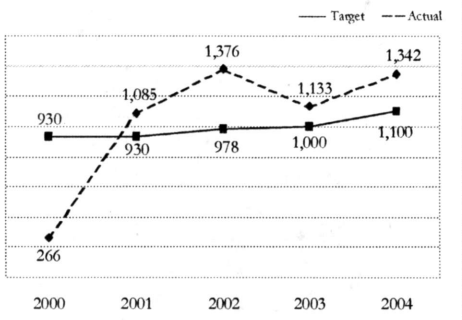
NUMBER OF STATE BOND ISSUES AND LEASE PURCHASE PROJECTS REVIEWED



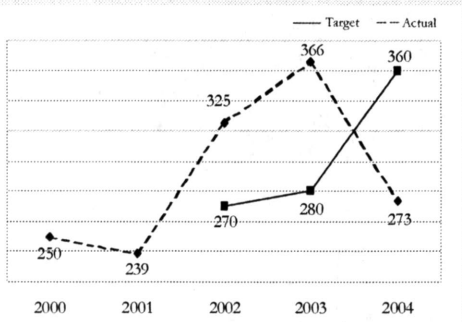
NUMBER OF RESPONSES TO DEBT INFORMATION REQUESTS



NUMBER OF LOCAL GOVERNMENT FINANCINGS ANALYZED



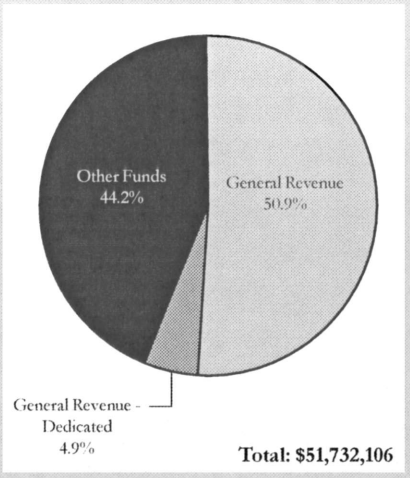
NUMBER OF APPLICATIONS REVIEWED



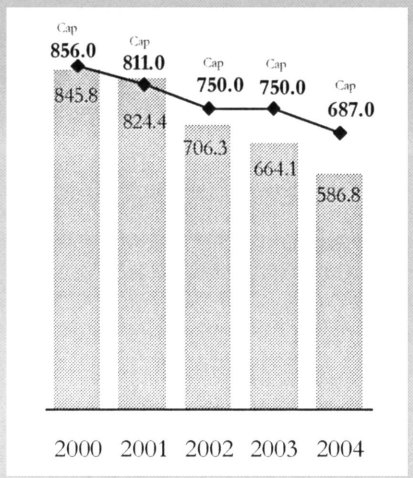
Building and Procurement Commission

Selected Budget Information

ALL FUNDS, 2004 ESTIMATED



FULL-TIME-EQUIVALENT POSITIONS



MAJOR CONTRACTS REPORTED, 2004

In fiscal year 2004, the agency reported **112** contracts, including:

Harvey-Cleary Engineers & Builders *
Construction management services
$10,000,000

Gilbane Building Company *
Construction services at Texas Dept. of Health
$4,201,552

Lott Brothers Construction Co. *
Construction of new dormitories
$3,242,300

Acklam Construction Co., Inc. *
Construction of storage addition in laboratory
$1,288,440

Flynn Construction Inc.
Construction management services
$1,250,000

Barecky Construction Co.
Water damage remediation
$897,456

* Known multi-year contract

Budget Highlights

Forty-two percent of the agency's expenditures from General Revenue Funds in fiscal year 2004 were for utility costs for facilities under the agency's management. The agency estimates that utility costs will increase over the next several years.

House Bill 3042, Seventy-eighth Legislature, Regular Session, 2003, reduced the allocation of office space from 153 square feet per full-time-equivalent (FTE) to 135 square feet per FTE. In addition, this legislation required the agency to provide facilities management services for all agencies in and adjacent to Travis County (excluding the Capitol and higher education, prison, military, and residential facilities) and required development of a program for commercial use of state agency parking garages in Austin.

The General Land Office identified several underutilized properties managed by the Texas Building and Procurement Commission (TBPC). As a result, General Appropriations Act (2004–05 Biennium), Article IX, Section 12.04, reduced TBPC's General Revenue Funds appropriation by $4.1 million in fiscal year 2004 for the sale of those properties. Proceeds from the sale of those properties were appropriated to the agency in the form of Other Funds and used at the discretion of the agency.

Full-time-equivalent Employees

The agency did not exceed its cap for full-time-equivalent (FTE) positions in fiscal year 2004.

The agency had an average of approximately 100 FTE vacancies during fiscal year 2004. Those vacancies included 5 for the leasing function, 7 for the Central Supply Store, 37 for the transfer of the print shop to the Texas Department of Transportation, and 9 for the Surplus Property Program. Many of the additional vacancies were due to turnover and normal attrition.

Performance Measures Audit Reports

The most recent performance measures audit by the State Auditor's Office was in November 2002, when the *Performance Measures at 14 Entities* report found all four measures reviewed to be inaccurate. The agency indicates that it has implemented policies and procedures to correct the inaccuracies found in the four measures.

Other Reports and Reviews

No special reports or reviews of the agency were identified after September 2003.

PERFORMANCE HIGHLIGHTS

During fiscal year 2004, the agency attained (within 5 percent) or exceeded 29 percent of its 17 established key performance targets.

The agency attained or exceeded one of its nine outcome targets and four of its eight output/efficiency targets.

During fiscal year 2004, the agency did not attain any of its key performance measures in Building Construction and Procurement. According to the agency's Office of Internal Audit, these programs did not have an effective system to collect, calculate, and report performance measure data, and also lacked sufficient documentation to support reported data.

MEASURES ASSESSMENTS

Although performance increased slightly from the previous fiscal year, the agency did not attain the target for *Number of State Travelers Using Travel Contracts* in fiscal year 2004. According to the agency, state travel contracts provide flexibility of flight changes and cancellations; however, flights without this flexibility can often be purchased at a lower cost. As a result, the agency provides alternatives such as booking reservations directly with the vendors through online reservation systems or toll-free telephone numbers. Additionally, data for this measure is often incomplete because the agency relies on reports submitted by the corporate travel charge card vendor, and those reports do not identify individual travelers.

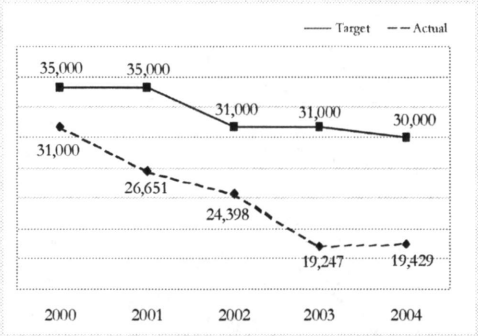
The target for *Percentage of Completed Construction Projects on Schedule and within Budget* was not attained. In fiscal year 2004, of the 28 construction projects, 27 were completed on schedule and 22 projects were finished within budget. According to the agency, unforeseen conditions encountered during construction, such as buried utility lines and asbestos, were the primary reasons several projects exceeded budget. The agency discovered significant mold at one project that required remediation, and relocation of the Texas Center for Infectious Disease hospital required additional work to be performed on the previous site to leave it in a usable condition.

The agency did not meet its target for *Average Cost per Square Foot of TBPC-Provided Custodial Services*. There was an 89 percent increase in average cost from fiscal year 2003 to fiscal year 2004 due to a revised methodology in the calculation of this measure that, in addition to program costs, accounts for indirect expenses and state-provided fringe benefits. Additionally, the agency is outsourcing more custodial services than in the past and reassigning custodial staff to other facilities. As a result, the amount of space for which the agency is directly providing custodial service is decreasing, while overall program costs remain the same.

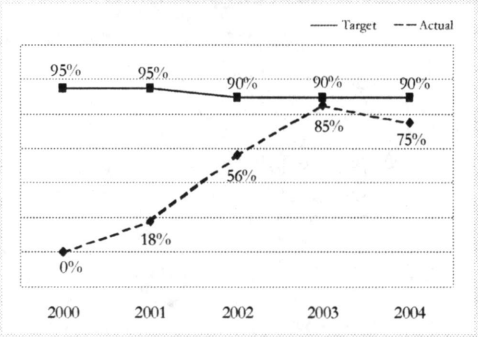
Although the average cost increased 26 percent from fiscal year 2003, the target for *Cost per Square Foot of All Building Maintenance (except Utilities)* was exceeded. House Bill 3042, Seventy-eighth Legislature, Regular Session, 2003, increased the amount of square footage for which the agency provided maintenance beginning in fiscal year 2004; however, maintenance staff was not increased proportionately to match. The 26 percent increase from fiscal year 2003 was partially the result of the agency increasing the amount of building maintenance services provided in facilities transferred to it through House Bill 3042.

SELECTED PERFORMANCE MEASURES

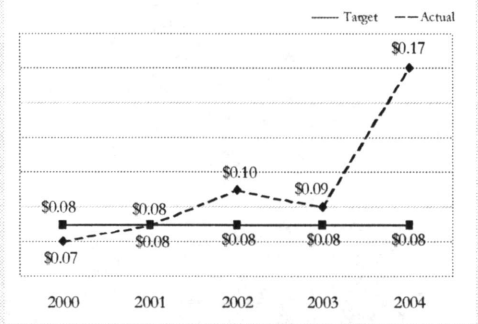
NUMBER OF STATE TRAVELERS USING TRAVEL CONTRACTS



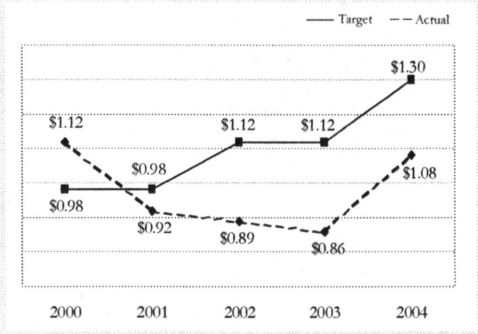
PERCENTAGE OF COMPLETED CONSTRUCTION PROJECTS ON SCHEDULE AND WITHIN BUDGET



AVERAGE COST PER SQUARE FOOT OF TBPC-PROVIDED CUSTODIAL SERVICES



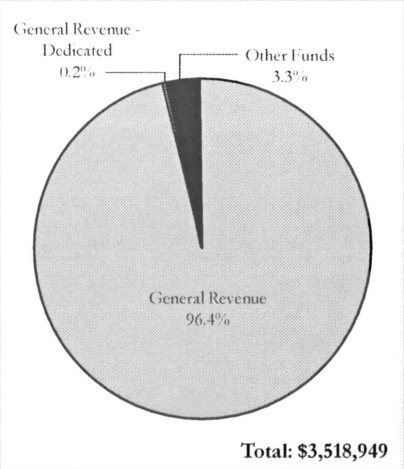
COST PER SQUARE FOOT OF ALL BUILDING MAINTENANCE (EXCEPT UTILITIES)



CANCER COUNCIL

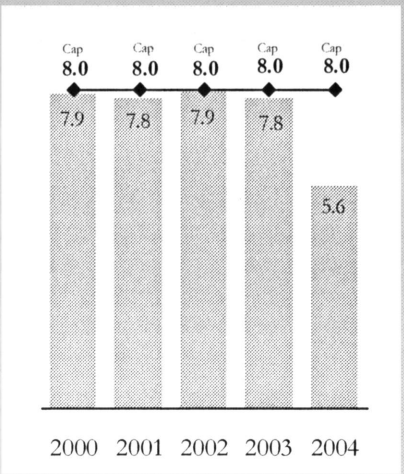
SELECTED BUDGET INFORMATION

ALL FUNDS, 2004 ESTIMATED



Total: $3,518,949

FULL-TIME-EQUIVALENT POSITIONS



MAJOR CONTRACTS REPORTED, 2004

In fiscal year 2004, the agency reported **no** contracts.

BUDGET HIGHLIGHTS

Approximately 97 percent of the agency's expenditures in fiscal year 2004 consisted of General Revenue Funds. The remaining 3 percent consisted of expenditures for an interagency contract with the Department of Health to provide administrative support to the Texas Comprehensive Cancer Control Coalition. Of the agency's total budget, approximately 89 percent was spent on grants to entities in the public and private sectors for cancer prevention and control initiatives.

FULL-TIME-EQUIVALENT EMPLOYEES

The agency did not exceed its cap for full-time-equivalent positions in fiscal year 2004.

For most of the fiscal year, both the public information officer and an administrative technician position remained vacant.

PERFORMANCE MEASURES AUDIT REPORTS

The most recent performance measures audit by the State Auditor's Office was in January 1997, when the *Performance Measures at 13 State Agencies and 7 Educational Institutions* report certified without qualifications the seven measures reviewed.

OTHER REPORTS AND REVIEWS

No special reports or reviews of the agency were identified after September 2003.

The agency is eligible to implement an enhanced compensation program for employees during fiscal year 2005, pursuant to Article IX, Section 6.28(d) of the 2004–05 General Appropriations Act. Agency eligibility is based on attainment of at least 80 percent of key performance targets in fiscal year 2004 and certification that at least 70 percent of audited key measures are accurate. Classified employees who directly contribute to improvements in agency performance may be awarded up to 6.8 percent of their base salary.

PERFORMANCE HIGHLIGHTS

During fiscal year 2004, the agency attained (within 5 percent) or exceeded 80 percent of its five established key performance targets.

The agency has no outcome targets, but attained or exceeded four of its five output/efficiency targets.

MEASURES ASSESSMENTS

Fiscal year 2004 was the third consecutive year in which the agency exceeded its target for *Number of People Directly Served by Council-funded Cancer Prevention and Control Activities*. Among the many services and information provided to residents statewide through the 30 projects funded was information to school-aged children on lowering cancer mortality from tobacco and sun exposure; information to women in the valley about breast and cervical cancer screenings; training materials to health specialists, which were distributed to schools and the general public about the benefits of healthy eating and physical activity to prevent cancer; and information to cancer survivors and their caregivers regarding nutrition to maintain optimal health.

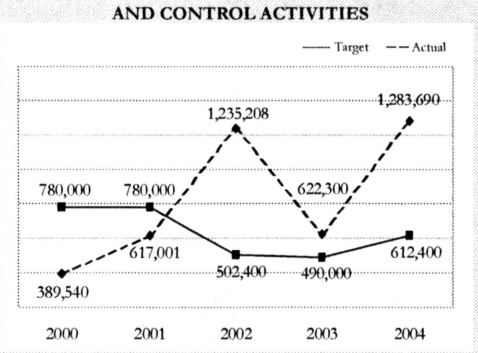
During all five years of the reporting period, the agency exceeded its target for *Number of Healthcare and/or Education Professionals Who Receive Council-funded Training or Materials*. According to the agency, performance reported for fiscal year 2004 exceeded the target by 126 percent as a result of collaborative efforts with partner organizations and due to several high performing programs in which information was distributed to school nurses and teachers.

The fiscal year 2004 *Average Cost per Healthcare and/or Education Professional Trained* reflected a slight increase above fiscal year 2003 performance, but significantly lower costs than the previous three fiscal years. The agency attributes this performance to increased attendance at sponsored events. In addition, oncology professionals have obtained donated advertising space in professional periodicals and magazines to increase access to cancer prevention and treatment information.

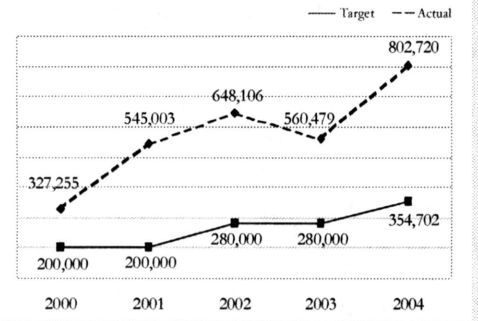
For the second consecutive year, the agency did not attain its target for the *Number of Clock Hours Donated to Local Contractors for Public Awareness, Professional Education, Early Detection Activities and Other Activities*. According to the agency, several factors affected its performance for this measure: (1) a reduced travel budget and staff shortages limited the number of hours that healthcare professionals could donate; (2) there was a delay until the second quarter of the fiscal year in funding a project that significantly contributed toward the target; and (3) professional training provided by agency-funded programs was conducted in shorter amounts of time and at lower costs than anticipated.

SELECTED PERFORMANCE MEASURES

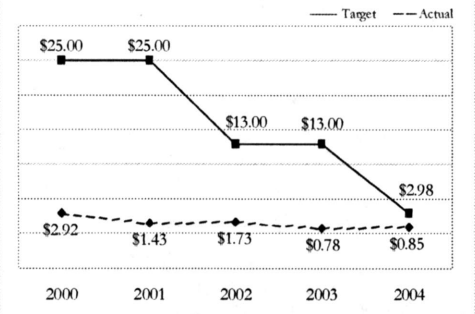
NUMBER OF PEOPLE DIRECTLY SERVED BY COUNCIL-FUNDED CANCER PREVENTION AND CONTROL ACTIVITIES



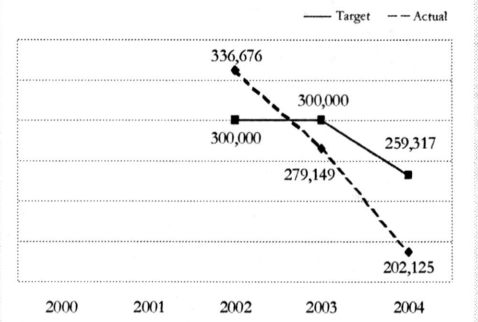
NUMBER OF HEALTHCARE AND/OR EDUCATION PROFESSIONALS WHO RECEIVE COUNCIL-FUNDED TRAINING OR MATERIALS



AVERAGE COST PER HEALTHCARE AND/OR EDUCATION PROFESSIONAL TRAINED



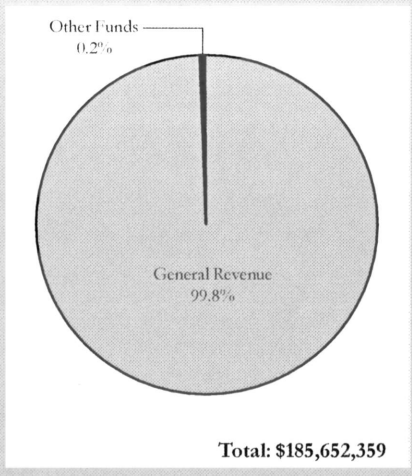
NUMBER OF CLOCK HOURS DONATED FOR PUBLIC AWARENESS, PROFESSIONAL EDUCATION, EARLY DETECTION ACTIVITIES AND OTHER ACTIVITIES



Comptroller of Public Accounts

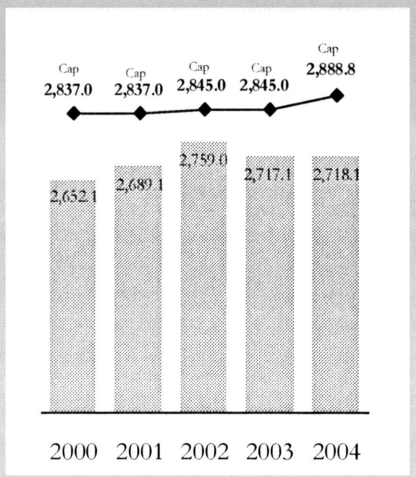
Selected Budget Information

ALL FUNDS, 2004 ESTIMATED



Total: $185,652,359

FULL-TIME-EQUIVALENT POSITIONS



MAJOR CONTRACTS REPORTED, 2004

In fiscal year 2004, the agency reported **253** contracts, including:

BRC Technology Services Inc. *
Computer programming services
$12,519,329

Public Consulting Group, Inc. *
Strategic policy initiatives
$8,000,000

IBM Corporation *
Equipment leases
$7,380,285

Computer Associates *
Computer maintenance and repair
$7,121,265

Lehman Brothers Inc. *
Texas Local Governmental Investment Pool
$5,431,619

Affiliated Computer Services, Inc. *
Computer programming services
$5,054,926

* Known multi-year contract

Budget Highlights

General Revenue Funds accounted for 99 percent of the agency's expenditures for fiscal year 2004.

Fifty-six percent of fiscal year 2004 expenditures were used for improving compliance with tax laws, such as ongoing audit activities, providing taxpayer information, and collecting delinquent taxes. Forty-four percent of fiscal year 2004 expenditures were used for managing the state's fiscal affairs and receipt and disbursement of state tax revenue. These management functions included accounting and reporting, processing claims and payments, handling investments, and processing tax returns.

House Bill 1365, Seventy-eighth Legislature, Regular Session, 2003, eliminated Texas Emissions Reduction Plan funding to the agency; the funding had been used for administration of that program. In addition, House Bill 7, Seventy-eighth Legislature, Third Called Session, 2003, transferred the Texas Performance Review and the Texas School Performance Review programs to the Legislative Budget Board.

Full-time-equivalent Employees

The agency did not exceed its cap for full-time-equivalent (FTE) positions in fiscal year 2004.

The agency had approximately 171 vacant FTE positions in fiscal year 2004 as a result of employees taking advantage of the retirement incentive program and because of difficulty in filling over 100 FTEs in various program areas.

Performance Measures Audit Reports

The most recent performance measures audit by the State Auditor's Office (SAO) was in May 1998, when the *Performance Measures at 36 State Entities* report certified without qualifications two measures and certified with qualifications one measure.

Other Reports and Reviews

A Follow-up Audit Report on the Texas Treasury Safekeeping Trust Company, the Texas Guaranteed Tuition Plan, and the Texas Local Government Investment Pool, dated October 2003, issued by the SAO stated that while the Texas Treasury Safekeeping Trust Company (Trust Company), the Texas Guaranteed Tuition Plan (Plan, formerly the Texas Tomorrow Fund), and the Texas Local Government Investment Pool (TexPool) have made progress since the previous 2001 audit, both the Trust Company and the Plan still need to address significant issues identified in the original report.

PERFORMANCE HIGHLIGHTS

During fiscal year 2004, the agency attained (within 5 percent) or exceeded 77 percent of its 22 established key performance targets.

The agency attained or exceeded 5 of its 7 outcome targets and 12 of its 15 output/efficiency targets.

The agency attained or exceeded all performance targets in the following programs areas; Ongoing Audit Activities, Tax Law Compliance, Tax Hearing, and Revenue and Tax Processing. Positive performance is attributed to continued enforcement, aggressive collections, and increased responsiveness by the agency.

As was the case in fiscal year 2003, the Integrated Statewide Administration System program, which provides training on general ledger accounting, asset management, purchasing, budget preparation, and labor distribution, failed to meet performance targets because of a lower than anticipated number of requests for training by user agencies.

MEASURES ASSESSMENTS

The target for *Percent Accuracy Rate of Reported Amounts on Original Audits* has been attained for the five-year reporting period. More than 14,000 audits were conducted in fiscal year 2004 to ensure accurate reporting by taxpayers. As with previous reporting periods, the continued success of the audit program is attributed to assistance and seminars provided by the agency, and its enforcement activities.

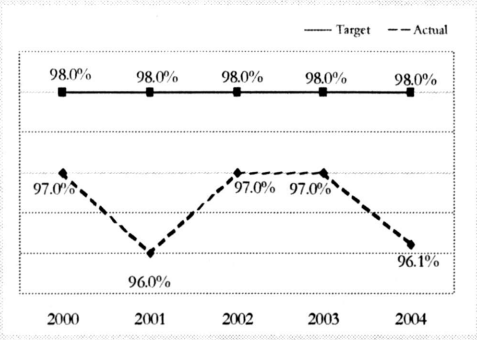
The *Average Monthly Delinquent Account Closure Rate per Enforcement Collector* exceeded the fiscal year 2004 target as a result of several special projects aimed at closing old low-dollar cases in which all available collection actions had been exhausted.

During fiscal year 2004, the agency exceeded its target for *Average Length of Time (Work Days) Taken to Issue a Proposed Decision following Record Closing* by 50 percent by reducing the number of tax hearings held each week. As a result, administrative law judges were able to draft and issue proposed decisions in a more timely manner.

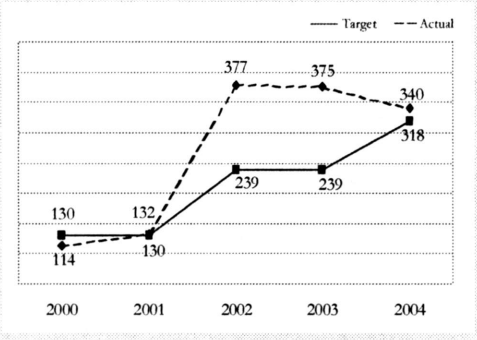
Actual performance for *Increased Interest (in Millions) Earned through Minimization of Float (Banking)* has continued to decrease over the past several years because of a prolonged drop in interest rates. At the beginning of fiscal year 2004, interest rates were at 1.47 percent and subsequently dropped to 1.42 percent by the fourth quarter reporting period.

SELECTED PERFORMANCE MEASURES

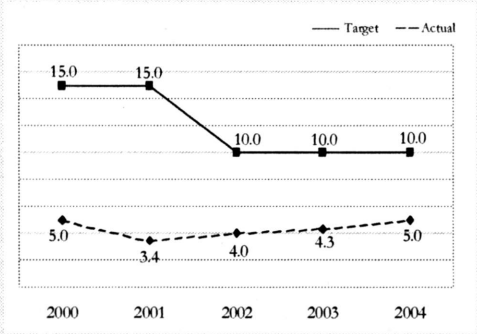
PERCENT ACCURACY RATE OF REPORTED AMOUNTS ON ORIGINAL AUDITS



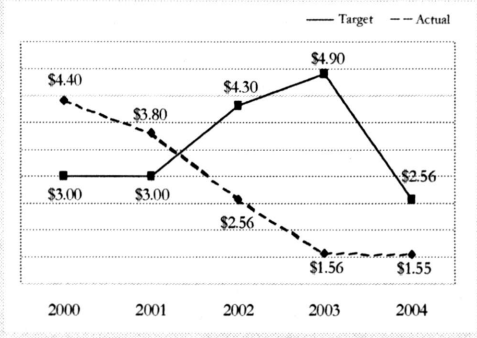
AVERAGE MONTHLY DELINQUENT ACCOUNT CLOSURE RATE PER ENFORCEMENT COLLECTOR



AVERAGE TIME (WORK DAYS) TAKEN TO ISSUE A PROPOSED DECISION FOLLOWING RECORD CLOSING



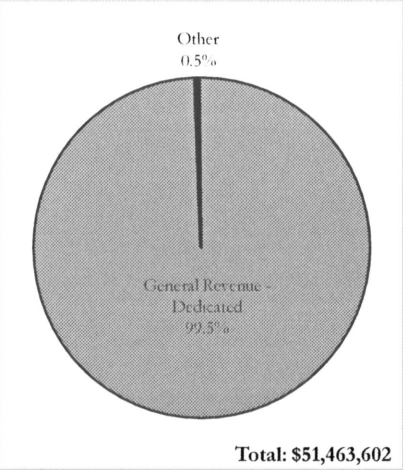
INCREASED INTEREST (IN MILLIONS) EARNED THROUGH MINIMIZATION OF FLOAT (BANKING)



Commission on State Emergency Communications

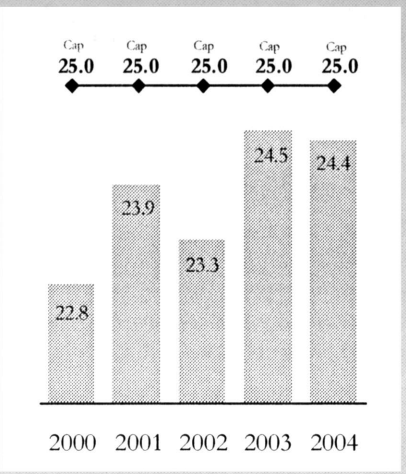
Selected Budget Information

ALL FUNDS, 2004 ESTIMATED



Total: $51,463,602

FULL-TIME-EQUIVALENT POSITIONS



MAJOR CONTRACTS REPORTED, 2004

In fiscal year 2004, the agency reported **four** contracts:

Micromedex
Reference database license
$245,160

SDSM, Inc. *
Accounting services
$100,000

Jansen & Gregorczyk, CPAs *
Internal auditing services
$40,000

Garza/Gonzalez & Associates *
Internal auditing services
$20,000

* Known multi-year contract

Budget Highlights

Funding for the agency comes from three telecommunications fees: the Landline Service Fee is $0.50 per landline telephone number per month; the Wireless Service Fee is $0.50 per wireless telephone number per month; and, the Equalization Surcharge is 0.6 percent on intrastate long distance calls in Texas.

Eighty-one percent of the agency's funding is provided as grants to the Regional Planning Commissions for 9-1-1 Emergency Communications Services and 12 percent is provided to the Texas Department of Health for Poison Control Network Services.

When a person calls 9-1-1 from their home telephone, the 9-1-1 Public Safety Answering Point (PSAP) receives the address and telephone number of the caller. Without this location and callback information, critical response time is lost. Because wireless telephones are not associated with a specific location such as a house or an office, the Federal Communications Commission created specific requirements for the delivery of location information with 9-1-1 calls. Phase I wireless service provides the PSAP with the location of the cell tower that transmitted the 9-1-1 call, along with the caller's telephone number. Phase II service provides more location information by delivering the latitude and longitude coordinates of the caller along with the Phase I information to the PSAP. At the end of fiscal year 2004, Phase II had been fully deployed at 6 call centers, and 56 other call centers have requested and are actively testing the services.

The agency administers a public education program, providing educational items, such as pens, pencils, and notebooks for purchase by the 9-1-1 districts and home rule cities for distribution throughout communities.

Full-time-equivalent Employees

The agency did not exceed its cap for full-time-equivalent (FTE) positions in fiscal year 2004.

Eighty-eight percent of the FTE positions were assigned to statewide 9-1-1 Emergency Communication Services. The remaining 12 percent of the FTE positions were assigned to provide the state's Poison Control Center network that is accessible to all Texans by calling 1-800-222-1222.

Performance Measures Audit Reports

The most recent performance measures audit by the State Auditor's Office was in July 1996, when the *Performance Measures at 20 State Agencies and 1 Educational Institution* report certified with qualifications one measure, five measures were found to be inaccurate, and factors prevented certification of one measure. The agency reports that in response to the audit recommendations it has established systems (1) to gather accurate data from Councils of Governments and poison control centers and (2) to verify data entries for quarterly performance measures reporting.

Other Reports and Reviews

No special reports or reviews of the agency were identified after September 2003.

COMMISSION ON STATE EMERGENCY COMMUNICATIONS

PERFORMANCE HIGHLIGHTS

During fiscal year 2004, the agency attained (within 5 percent) or exceeded all five of its established key performance targets.

The agency attained or exceeded both of its outcome targets and all three of its output/efficiency targets.

MEASURES ASSESSMENTS

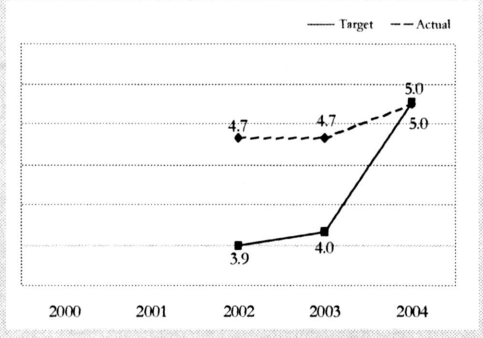
The agency attained its target for the *Number of 911 Calls Received by State Program Public Safety Answering Points (PSAPs) (in Millions)*. The target was increased from 4.0 million calls in fiscal year 2003 to 5.0 million calls in fiscal year 2004. This measure reflects the growing demand for 9-1-1 services, in particular from wireless telephones, which continues to increase annually. The agency estimates that approximately 40 percent of 9-1-1 calls to PSAPs are wireless.

The agency exceeded the target for the *Total Number of Poison Control Calls Processed* in fiscal year 2004. The fiscal year 2004 target was lowered to 255,200 calls from 339,570 calls in fiscal year 2003. The personnel processing these calls are certified health professionals such as pharmacists, nurses, or medical technicians. The Seventy-eighth Legislature, Regular Session, 2003, authorized a pay increase for these personnel, which has alleviated the high turnover rate and reduced vacancies. This has positively affected the agency's ability to meet the target for this measure.

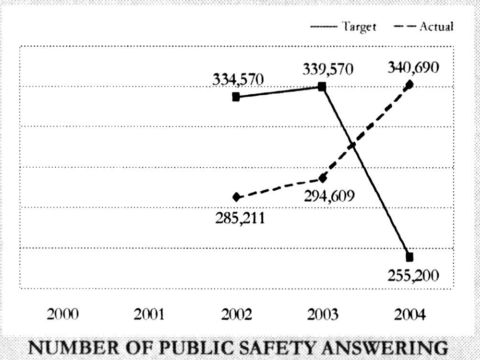
The agency attained the target for the *Number of Public Safety Answering Points with Wireless Automatic Number Identification (ANI)*. This measure counts the number of 9-1-1 centers that are capable of receiving emergency calls from wireless telephones with a callback number and cell tower location; which is referred to as Wireless Phase I Enhanced Service. By the end of fiscal year 2004, all of the agency's 350 Public Safety Answering Points had deployed Wireless Phase I Enhancement and are now capable of receiving Wireless Phase I ANI level of service in the 225 counties participating in the state program. Of the 29 wireless carriers operating within the state program, 27 have implemented the Wireless ANI level of service.

SELECTED PERFORMANCE MEASURES

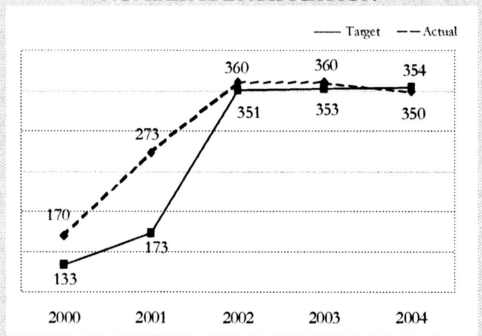
NUMBER OF 911 CALLS RECEIVED BY STATE PROGRAM PUBLIC SAFETY ANSWERING POINTS (IN MILLIONS)



TOTAL NUMBER OF POISON CONTROL CALLS PROCESSED



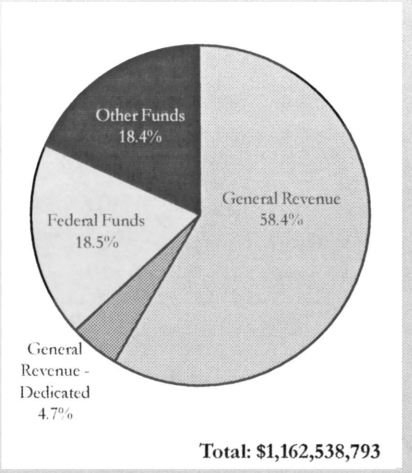
NUMBER OF PUBLIC SAFETY ANSWERING POINTS WITH WIRELESS AUTOMATIC NUMBER IDENTIFICATION



Employees Retirement System

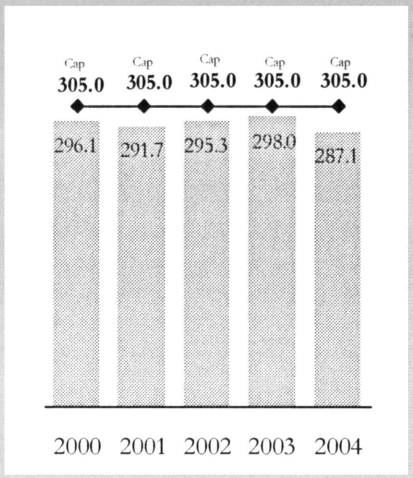
Selected Budget Information

ALL FUNDS, 2004 ESTIMATED



Total: $1,162,538,793

FULL-TIME-EQUIVALENT POSITIONS



MAJOR CONTRACTS REPORTED, 2004

In fiscal year 2004, the agency reported 62 contracts, including:

Medco Health Solutions, Inc. *
Pharmacy benefits management
$780,047,743

BCBSTX *
HealthSelect health plan
$152,701,029

Scott & White Health Plans*
HMO health plan
$134,588,233

Firstcare *
HMO health plan
$81,845,476

Aetna *
Dental HMO
$25,721,127

Group Life & Health *
Administration, accidental death and dismemberment
$20,276,903

* Known multi-year contract

Budget Highlights

Approximately 72.5 percent of the agency's expenditures in fiscal year 2004 went toward the state's share of the cost of providing healthcare benefits to general state employees, retirees, and their dependents. None of the expenditures are related to agency administration, which is paid out of the trust accounts.

The Seventy-eighth Legislature, Regular Session, 2003 enacted several statutes that changed employee eligibility for insurance and retirement:

- Senate Bill 1370 implemented a 90-day health insurance waiting period for new-hires and those not retiring directly from state service. Senate Bill 1370 also established minimum eligibility for retiree insurance for employees retiring on or after September 1, 2003 by requiring those retirees to be age 65 with 10 years of service or to satisfy the Rule of 80 (employee's age plus number of years of service equals 80).
- House Bill 2359 implemented a 90-day delay in retirement contributions—both the 6 percent contributed by the state and the 6 percent deducted from the employee's salary—for new state employees. The 90-day delay statutorily expires September 1, 2005.
- House Bill 3208, provides active service employees a one-time lump sum payment equal to 25 percent of their base pay for the last 12 months of their retirement if they retire when first eligible. The lump sum payment statutorily expires September 1, 2005. There were 3,914 employees who retired from state service in fiscal year 2004; of those, 2,287 retired under the retirement incentive program.

Full-time-equivalent Employees

The agency did not exceed its cap for full-time-equivalent positions in fiscal year 2004.

Performance Measures Audit Reports

The most recent performance measures audit by the State Auditor's Office was in November 2002, when the *Performance Measures at 14 Entities* report certified without qualifications one measure and found three measures to be inaccurate.

Other Reports and Reviews

No special reports or reviews of the agency were identified after September 2003.

PERFORMANCE HIGHLIGHTS

During fiscal year 2004, the agency attained (within 5 percent) or exceeded 67 percent of its six established key performance targets.

The agency attained or exceeded both of its outcome targets and two of its four output/efficiency targets.

MEASURES ASSESSMENTS

The agency attained the target for *Percent of ERS Retirees Expressing Satisfaction with Member Benefit Services* in fiscal year 2004. The agency indicates that retiree satisfaction remains high because benefit levels continue to remain constant. Also, continued improvements in the availability of personal information through the agency's website reflect a high degree of retiree satisfaction, which is measured through an annual survey conducted by the agency.

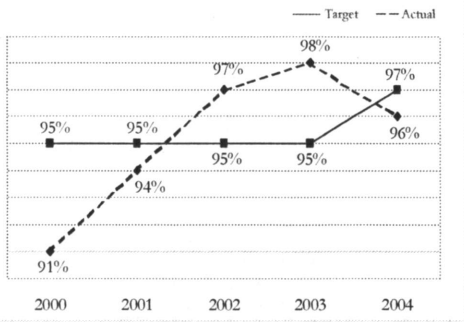
The agency did not attain the target for *Average Number of Days to Provide ERS Retirement Packets* in fiscal year 2004. The agency received a higher than anticipated increase in the volume of retirement applications due to the retirement incentive offered by the Seventy-eighth Legislature, Regular Session, 2003. Of the total number of employees retiring in 2004, 58.4 percent retired under the retirement incentive provision.

The agency exceeded the target for the *Percent of HealthSelect Participants Satisfied with Network Services*. Effective May 2003, several plan design changes took place that negatively impacted member satisfaction. Consequently, members paid more out-of-pocket expenses including higher prescription drug prices. In addition to the plan changes, the agency anticipated a reduction in the provider network, but this did not occur; however, this factor was considered in setting a reduced 2004 performance target. Although member satisfaction continued to decrease, it did not decline to the level expected.

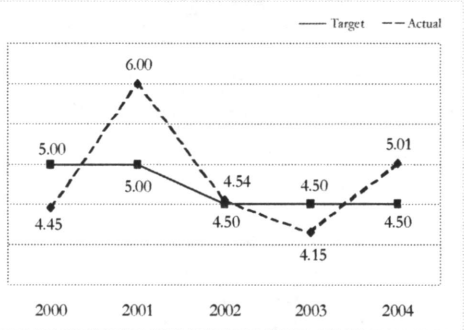
The agency attained the target for the *Total Cost Paid per HealthSelect Member for Administration and Claims Processing* for fiscal year 2004. HealthSelect is administered by BlueCross BlueShield (BCBS) of Texas. When the agency renegotiated the BCBS contract in fiscal year 2003, it allowed for increases based on the Consumer Price Index. The agency was able to meet the performance standard in fiscal year 2004 despite a 3.4 percent increase above the fiscal year 2003 cost for administration and claims processing.

SELECTED PERFORMANCE MEASURES

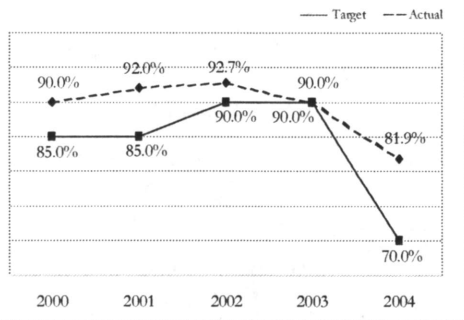
PERCENT OF ERS RETIREES EXPRESSING SATISFACTION WITH MEMBER BENEFIT SERVICES



AVERAGE NUMBER OF DAYS TO PROVIDE ERS RETIREMENT PACKETS



PERCENT OF HEALTHSELECT PARTICIPANTS SATISFIED WITH NETWORK SERVICES

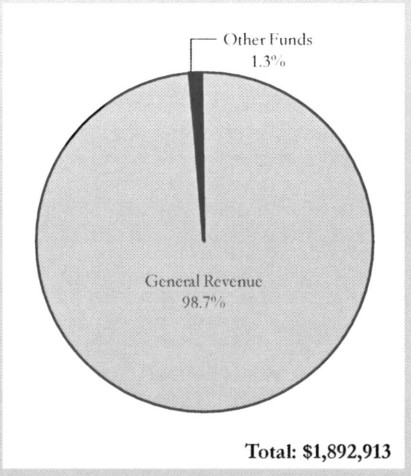


TOTAL COST PAID PER HEALTHSELECT MEMBER FOR ADMINISTRATION AND CLAIMS PROCESSING

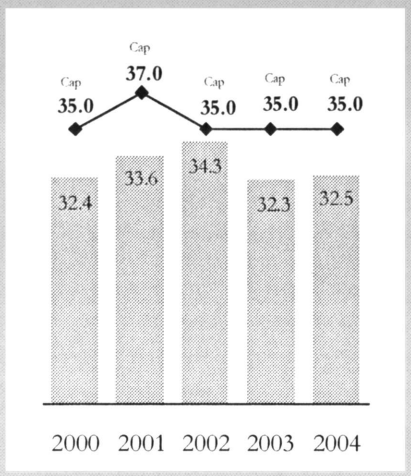
TEXAS ETHICS COMMISSION

SELECTED BUDGET INFORMATION

ALL FUNDS, 2004 ESTIMATED



FULL-TIME-EQUIVALENT POSITIONS



MAJOR CONTRACTS REPORTED, 2004

In fiscal year 2004, the agency reported **no** contracts.

BUDGET HIGHLIGHTS

Thirty-eight percent of total agency expenditures were for indirect administration. Another 34 percent of agency expenditures were associated with information storage and assisting persons accessing that information, and the remaining 28 percent was for responding to complaints, enforcing applicable statutes, and providing ethics education.

The Ethics Commission went through Sunset review prior to the Seventy–eighth legislative session. The Sunset legislation, House Bill 1606, passed by the Seventy-eighth Legislature, Regular Session, 2003, directs the agency to expand its use of electronic filing systems to make campaign finance information readily accessible to the public, increases penalties for late-filed reports, and establishes additional controls over campaign finances.

House Bill 29, Seventy-eighth Legislature, Third Called Session, 2003, appropriated the revenue ($0.3 million) from increased lobbyist fees to the agency to develop and administer an electronic system for lobbyist reporting.

FULL-TIME-EQUIVALENT EMPLOYEES

The agency did not exceed its cap for full-time-equivalent positions in fiscal year 2003.

The agency averaged two vacancies during the fiscal year, representing unfilled positions for an attorney and an administrative technician. As of July 2004, the agency indicates it was fully staffed.

PERFORMANCE MEASURES AUDIT REPORTS

The most recent performance measures audit by the State Auditor's Office was in November 2002, when the *Performance Measures at 14 Entities* report found all four measures to be inaccurate. The agency indicates that it has implemented policies and procedures to correct the inaccuracies found in the four measures.

OTHER REPORTS AND REVIEWS

No special reports or reviews of the agency were identified after September 2003.

PERFORMANCE HIGHLIGHTS

During fiscal year 2004, the agency attained (within 5 percent) or exceeded 80 percent of its five established key performance targets.

The agency attained its single outcome target and exceeded three of its four output/efficiency targets.

MEASURES ASSESSMENTS

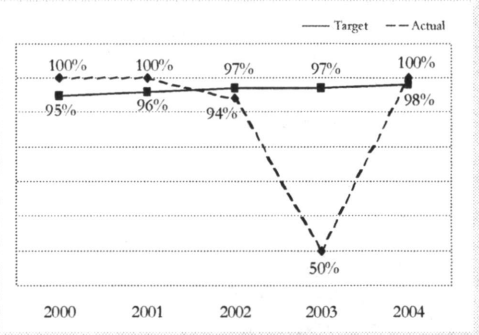
The agency attained the fiscal year 2004 target for *Percent of Advisory Opinion Requests Answered by Commission within 90 Working Days of Receipt* and exceeded the target for *Average Time (Working Days) to Answer Advisory Opinion Requests*. The agency elected to meet every other month instead of quarterly, resulting in all advisory opinion requests being reviewed and answered within the 90-day time frame. The time to respond to legal advisory opinion requests averaged approximately 19 days, which is a direct result of less complicated complaints requiring less research and review.

The target for *Number of Reports Logged within Two Working Days of Receipt* was not attained due to employee turnover that resulted in temporary vacancies and inexperienced staff within this program area. However, fiscal year 2004 represents the highest performance since fiscal year 2000 because of increased emphasis on staff training and retention, according to the agency.

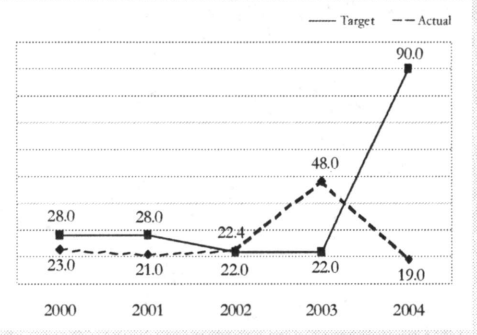
In fiscal year 2004, the agency again exceeded the target for *Average Time (Working Days) to Respond to Sworn Complaints*, with a slight decline from fiscal year 2003. House Bill 1606, Seventy-eighth Legislature, Regular Session, 2003, which required timely responses to complaints from the public, and appropriations associated with implementing that legislation contributed to the ongoing performance of this measure.

SELECTED PERFORMANCE MEASURES

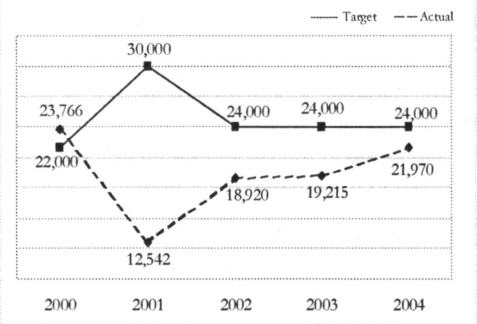
PERCENT OF ADVISORY OPINION REQUESTS ANSWERED BY COMMISSION WITHIN 90 WORKING DAYS OF RECEIPT



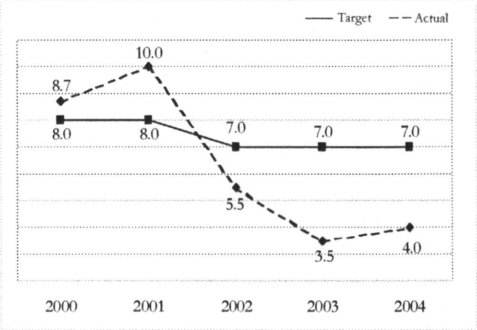
AVERAGE TIME (WORKING DAYS) TO ANSWER ADVISORY OPINION REQUESTS



NUMBER OF REPORTS LOGGED WITHIN TWO WORKING DAYS OF RECEIPT



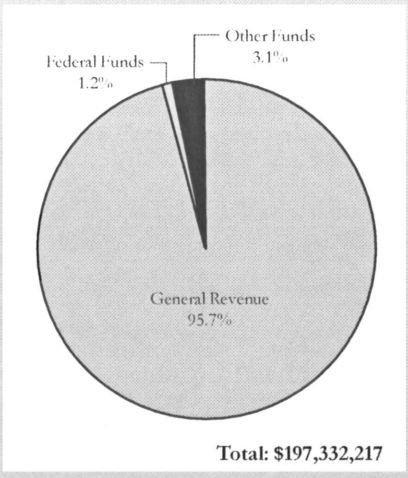
AVERAGE TIME (WORKING DAYS) TO RESPOND TO SWORN COMPLAINTS



PUBLIC FINANCE AUTHORITY

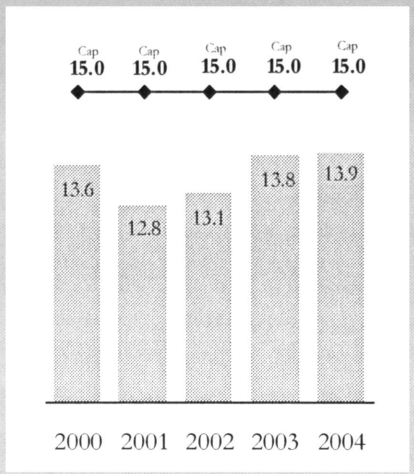
SELECTED BUDGET INFORMATION

ALL FUNDS, 2004 ESTIMATED



Total: $197,332,217

FULL-TIME-EQUIVALENT POSITIONS



MAJOR CONTRACTS REPORTED, 2004

In fiscal year 2004, the agency reported 36 contracts, including:

Vinson & Elkins *
Bond counsel
$195,000

Moody's Investors Service
Rating service
$130,000

Coastal Securities
Financial advising
$105,000

First Southwest Asset Management Inc.
Arbitrage rebate services
$100,000

Bankers Trust (Deutsche Bank)
Pay agent
$100,000

Deloitte & Touche
Arbitrage computation
$100,000

* Known multi-year contract

BUDGET HIGHLIGHTS

Approximately 99.6 percent of total expenditures in fiscal year 2004 were for debt service payments on outstanding debt on general obligation bonds. The remaining 0.4 percent of expenditures were for agency administrative costs, which consist of cost-recovery fees for the Master Lease Purchase Program and General Revenue Funds.

Payments for debt due in fiscal year 2004 were restructured as interest-only to defer the first principle payment until the 2006–07 biennium.

The agency refunded $2.2 million in existing debt and reduced the state debt service requirements by $726,508 in fiscal year 2004.

FULL-TIME-EQUIVALENT EMPLOYEES

The agency did not exceed its cap for full-time-equivalent positions in fiscal year 2004.

PERFORMANCE MEASURES AUDIT REPORTS

The most recent performance measures audit by the State Auditor's Office was in August 1997, when the *1997 Small Agency Management Control Audit* report certified without qualifications the three measures reviewed.

OTHER REPORTS AND REVIEWS

No special reports or reviews of the agency were identified after September 2003.

PERFORMANCE HIGHLIGHTS

During fiscal year 2004, the agency did not attain either of its established key performance targets for its two output measures.

The agency did not have any key outcome or efficiency targets during fiscal year 2004.

MEASURES ASSESSMENTS

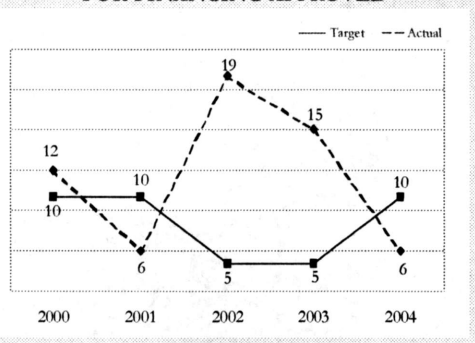
The agency did not attain its fiscal year 2004 target for *Number of Requests for Financing Approved.* A decrease in appropriations from fiscal year 2003 to fiscal year 2004 for proceeds for general obligation bonds resulted in fewer requests from client agencies for bond financing. The agency issues both general obligation bonds and revenue bonds. General obligation bonds are legally backed by the full faith and credit of the state and require a voter approved constitutional amendment, whereas revenue bonds are legally secured by a specified revenue source and do not require voter approval.

The *Number of Financial Transactions Including Debt Service Payments* decreased in fiscal year 2004 from fiscal year 2003 and was below the target. Financial transactions include debt service payments, transfer of interest earnings, as well as transfers to client agencies for construction expenditures and other miscellaneous financial transactions. In fiscal year 2004, the agency reports having implemented a new accounting system, which resulted in a delay in interest transfers for a few months until the accounting system was completed.

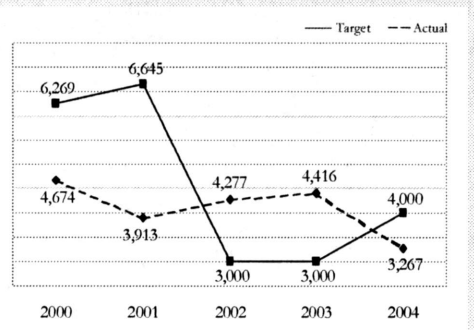
When funding is provided through commercial paper, fewer financial transactions are required than when funding is provided through long-term fixed rate bond funding where multiple funds are established. According to the agency, more financings provided through commercial paper resulted in a decrease in the number financial transactions in fiscal year 2004. In addition, the agency indicates that a decrease in appropriations in fiscal year 2004 for payments for general obligation bonds also resulted in fewer financial transactions.

SELECTED PERFORMANCE MEASURES

NUMBER OF REQUESTS FOR FINANCING APPROVED



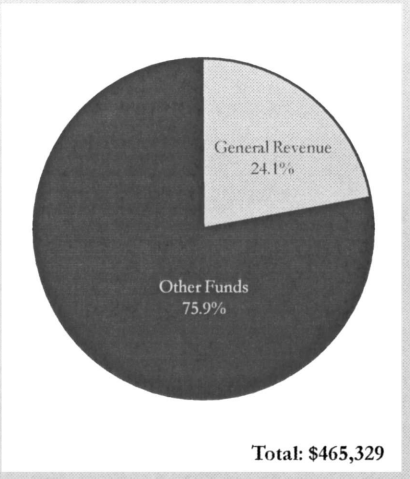
NUMBER OF FINANCIAL TRANSACTIONS INCLUDING DEBT SERVICE PAYMENTS



Fire Fighters' Pension Commissioner

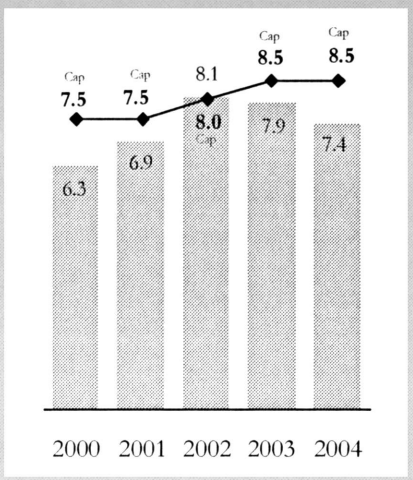
Selected Budget Information

ALL FUNDS, 2004 ESTIMATED



Total: $465,329

FULL-TIME-EQUIVALENT POSITIONS



MAJOR CONTRACTS REPORTED, 2004

In fiscal year 2004, the agency reported **six** contracts:

Atlanta Capital Management Co. *
Investment manager
$100,000

Alliance Capital Management LP *
Investment advising
$80,170

Rice, Hall, James & Associates *
Investment advising
$51,793

State Street Bond Market Fund *
Fixed income investment services
$46,122

Rudd and Wisdom, Inc. *
Actuarial services
$40,000

Milliman USA *
Investment consulting
$35,000

* Known multi-year contract

Budget Highlights

General Revenue Funds accounted for 24 percent of the agency's reported expenditures and Other Funds accounted for reported expenditures of $353,043, or the remaining 76 percent of the agency's budget.

Other Funds are generated from the Texas Statewide Emergency Services Personnel Retirement Fund, and are used to administer the retirement fund for local volunteer fire and emergency medical services personnel and to make annuity payments to retirees and their beneficiaries.

In fiscal year 2004, actuaries performed a valuation of the Texas Statewide Emergency Services Personnel Retirement Fund, and as of August 31, 2004, the fund had an unfunded actuarial accrued liability of $13.4 million.

Full-time-equivalent Employees

The agency did not exceed its cap for full-time-equivalent positions in fiscal year 2004.

Performance Measures Audit Reports

The most recent performance measures audit by the State Auditor's Office (SAO) was in May 1998, when an *Audit Report on Performance Measures* certified without qualifications one measure, certified with qualifications one measure, and found three measures to be inaccurate.

Other Reports and Reviews

A Report on the Fire Fighters' Pension Commissioner's Texas Statewide Emergency Services Personnel Retirement Fund for Fiscal Year 2003, dated February 2004, issued by the SAO, stated that in the SAO audit report dated January 7, 2004, an unqualified opinion was issued regarding whether the basic financial statements of the agency for the fiscal year ended August 31, 2003, were materially correct in accordance with U.S. generally accepted accounting principles. Although the SAO noted no problems with the agency's basic financial statements, as of fiscal year 2002, the Texas Statewide Emergency Services Personnel Retirement Fund was actuarially unsound. Current member benefits are not in jeopardy; however, based on the valuation the agency's actuary made as of August 31, 2002, the fund's financial health is declining, requiring $946,388 in additional annual contributions beginning in fiscal year 2003. In addition, the fund's administrative costs in relation to its benefit payments remain excessively high. During fiscal year 2003, the fund's ratio of administrative expenses to benefit payments was 45 percent, while the ratios for three other pension funds reviewed ranged from 1.1 percent to 2.2 percent. Significant changes are necessary to improve the ratio of administrative expenses to benefit payments.

PERFORMANCE HIGHLIGHTS

During fiscal year 2004, the agency attained (within 5 percent) or exceeded 50 percent of its six established key performance targets.

The agency did not attain or exceed its single outcome target, but attained or exceeded three of its five output/efficiency targets.

MEASURES ASSESSMENTS

The target for the *Period (in Years) to Amortize the Unfunded Actuarial Accrued Liability* for the Texas Statewide Emergency Services Personnel Retirement Fund was not attained in fiscal year 2004. Although the plan achieved investment returns exceeding 8 percent, the funding position of the plan worsened due to an increase in normal costs and contributions falling short of the actuarially determined amount.

The pension fund is actuarially unsound as defined by the Texas Statewide Emergency Services Retirement Act, which means the amount of contributions is not sufficient to cover the normal cost and amortization of the unfunded liabilities in a period not to exceed 30 years.

Contributions fund retirement, disability, and death benefits. The contribution per member has a statutory minimum contribution rate of $12 per member per month and historically has not been adjusted for inflation. The actual pension payout is six times the average contribution rate per member, and contributions to the plan totaled $1.8 million in fiscal year 2004.

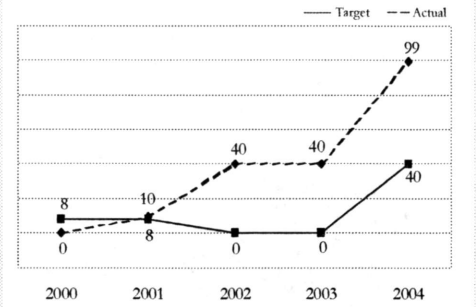
The agency attained the target for the *Number of Retirement Payments Distributed* to members of the Texas Statewide Emergency Services Personnel Retirement Fund. The measure is based on the number of additional retirees, beneficiaries, and disabled persons receiving payments from the retirement plan. Although the agency continues to see a small growth in the number of retirees receiving payments and the number of volunteer fire departments participating in the statewide pension fund, payments decreased slightly due to lump-sum payments in the prior year.

The agency did not attain the target for *Average Annual Administrative Cost per Pension Plan Member.* The Texas Statewide Emergency Services Personnel Retirement Fund (TSESRA) administrative costs are funded by investment returns and funds appropriated out of the TSESRA Fund by the legislature. According to the agency, higher expenditures in fiscal year 2004 contributed to not attaining the target. The board of trustees authorized additional funds to conduct several actuarial studies and an asset-liability study to address the actuarial funding issues. In addition, the executive director requested an audit by the State Auditor's Office on the status of agency operations. The agency also reported an increase in assets, which resulted in increased investment expenses.

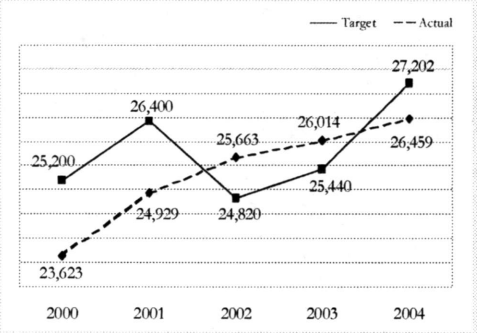
For the second consecutive year, the agency exceeded the target for the *Number of Benefit Determinations for Local Funds.* Benefit determinations are made at the request of the local fire fighter retirement boards for each member who applies for retirement benefits. According to the agency, it exceeded the target as a result of increased efforts by agency staff to work with local pension boards to confirm eligibility of annuitants and to ensure that all requests for benefits from retirees were reviewed and calculated correctly.

SELECTED PERFORMANCE MEASURES

PERIOD (IN YEARS) TO AMORTIZE THE UNFUNDED ACTUARIAL ACCRUED LIABILITY

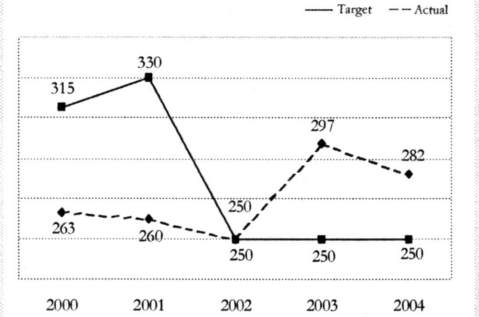


NUMBER OF RETIREMENT PAYMENTS DISTRIBUTED



AVERAGE ANNUAL ADMINISTRATIVE COST PER PENSION PLAN MEMBER

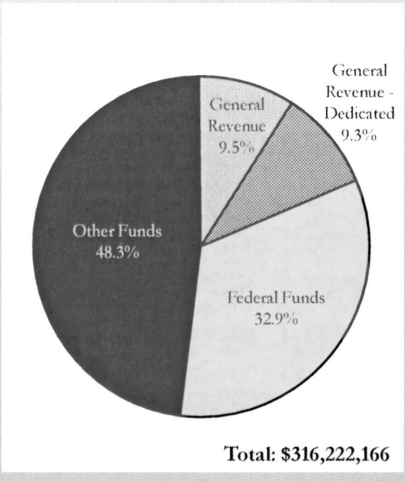
NUMBER OF BENEFIT DETERMINATIONS FOR LOCAL FUNDS



TRUSTEED PROGRAMS WITHIN THE OFFICE OF THE GOVERNOR

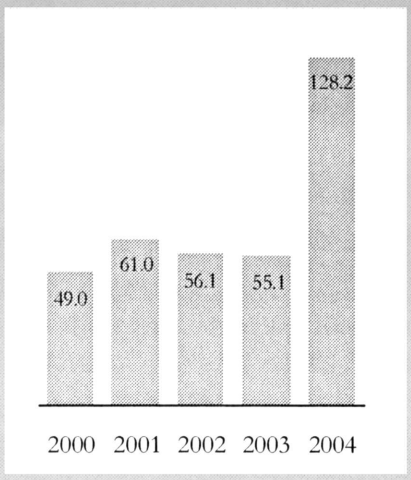
SELECTED BUDGET INFORMATION

ALL FUNDS, 2004 ESTIMATED



Total: $316,222,166

FULL-TIME-EQUIVALENT POSITIONS



MAJOR CONTRACTS REPORTED, 2004

In fiscal year 2004, the agency reported **no** contracts.

BUDGET HIGHLIGHTS

Beginning in fiscal year 2004, the agency assumed the duties of the Texas Department of Economic Development (TxDED) and the Texas Aerospace Commission (TAC) per Senate Bill 275, Seventy-eighth Legislature, Regular Session, 2003. Fifty-eight percent of the agency's budget was utilized for marketing Texas businesses, recruiting and expanding business, promoting tourism, and encouraging job growth through grants to businesses from the Texas Enterprise Fund.

Other Funds represented 48 percent of the agency's overall funding in fiscal year 2004. This consisted primarily of $130.5 million out of the Economic Stabilization Fund for Texas Enterprise Fund grants.

Thirty-three percent of the agency's budget consisted of Federal Funds. Most of these funds ($98.4 million) were grants for juvenile justice, drug control and enforcement, counter-terrorism, crime analysis, and crime victims assistance programs.

FULL-TIME-EQUIVALENT EMPLOYEES

The Governor's Office is exempt from any limitation on full-time-equivalent (FTE) positions. Additionally, the Governor's Office has the authority to transfer FTEs between the Office of the Governor and the Trusteed Programs within the Office of the Governor.

FTEs for the agency increased by 73.1 FTEs in fiscal year 2004. This was due to the transfer of responsibilities from TxDED and TAC.

PERFORMANCE MEASURES AUDIT REPORTS

The most recent performance measures audit by the State Auditor's Office (SAO) was in January 1997, when the *Performance Measures at 13 State Agencies and 7 Educational Institutions* report certified without qualifications one measure, certified with qualifications one measure, and factors prevented certification of one measure.

OTHER REPORTS AND REVIEWS

Because the agency assumed the duties of TxDED, it requested an audit of TxDED. *A Financial Review of the Texas Department of Economic Development*, dated May 2004, issued by the SAO stated that TxDED materially understated its unreserved undesignated fund balance by $2.8 million on its balance sheet for the fiscal year ending August 31, 2003. This means that TxDED had $2.8 million more in unspent and unreserved funds than it reported. The SAO found that fiscal year 2003 expenditure data in TxDED's accounting system (MIP) corresponded to the Uniform Statewide Accounting System (USAS); however, the SAO also found accounting deficiencies in MIP that negatively affected its accuracy and reliability. For example, TxDED had not yet closed out MIP for fiscal year 2003. The SAO made recommendations to improve controls over MIP because the Office of the Governor reports that it may use TxDED's accounting system as one of the data sources for its fiscal year 2004 and 2005 financial statements. After fiscal year 2005, it will discontinue using this accounting system.

TRUSTEED PROGRAMS WITHIN THE OFFICE OF THE GOVERNOR

PERFORMANCE HIGHLIGHTS

During fiscal year 2004, the agency attained (within 5 percent) or exceeded 83 percent of its six established key performance targets.

The agency attained or exceeded two of its three outcome targets and all three of its output/efficiency targets.

MEASURES ASSESSMENTS

The agency attained the fiscal year 2004 target rate for *Percentage of Criminal Justice Division (CJD) Grants Complying with CJD Guidelines.* The agency has refined the use of its automated system to accurately identify grants that are noncompliant. Previously, some grants would be identified as noncompliant due to administrative problems beyond the control of the grantee. According to the agency, current procedures identify grants that are truly noncompliant.

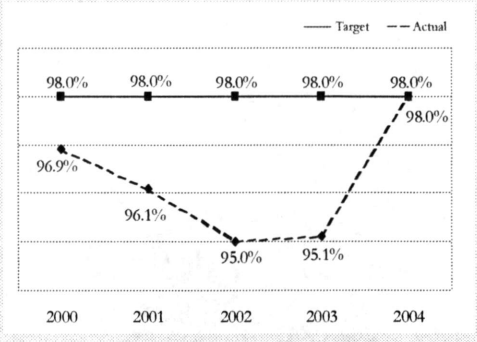
The agency exceeded the target for *Estimated Production Budgets of Films and Television Projects Made in Texas (in Millions)* by 13 percent. According to the agency, film production in Texas during 2004 was unusually active, with several large-budget films responsible for the agency exceeding the target. These film projects included *Spy Kids 3* ($38 million), *Sin City* ($40 million), and *Friday Night Lights* ($40 million).

Targeted performance for *Number of CJD Grants Currently Operating* was exceeded by 40 percent. The agency has continued to combine individual grants into block grants to reduce grant administration costs. While the agency has continued to combine grants, the number of grants operating increased by 253 in fiscal year 2004. According to the agency, this is due to unspent federal grant amounts returned to CJD by grantees and then awarded out again as new grants.

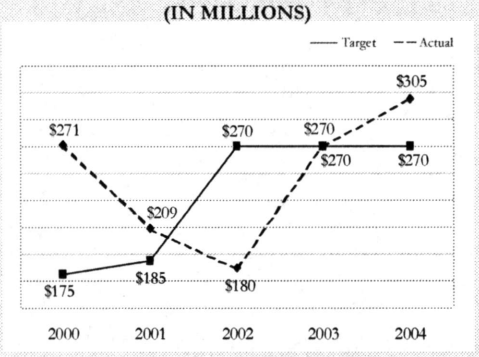
The agency attained its fiscal year 2004 performance target for *Number of Local Volunteer Committees on People with Disabilities and Communities Supported.* The agency assists communities in organizing and developing local disability committees as well as providing technical assistance and information dissemination to established local disability committees. The agency delivers committee support via its website, postal mail, e-mail, telephone calls, and personal visits.

SELECTED PERFORMANCE MEASURES

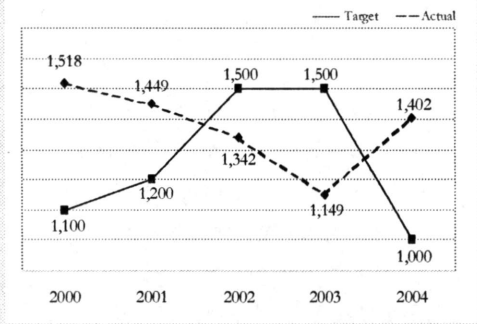
PERCENTAGE OF CJD GRANTS COMPLYING WITH CJD GUIDELINES



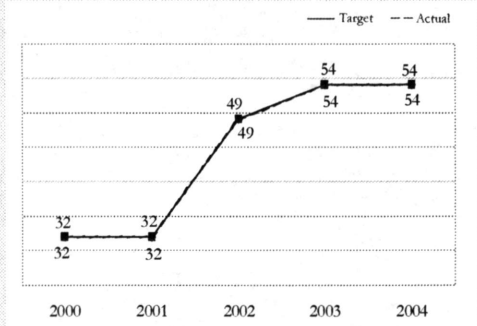
ESTIMATED PRODUCTION BUDGETS OF FILMS/TELEVISION PROJECTS MADE IN TEXAS (IN MILLIONS)



NUMBER OF CJD GRANTS CURRENTLY OPERATING



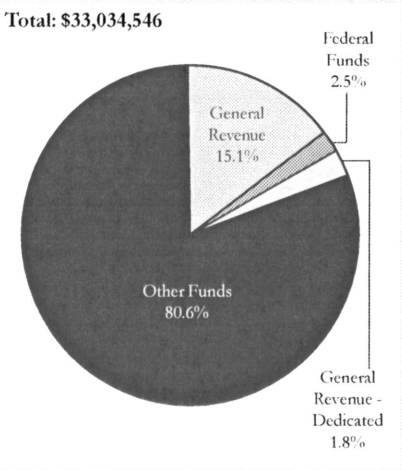
NUMBER OF LOCAL VOLUNTEER COMMITTEES ON PEOPLE WITH DISABILITIES AND COMMUNITIES SUPPORTED



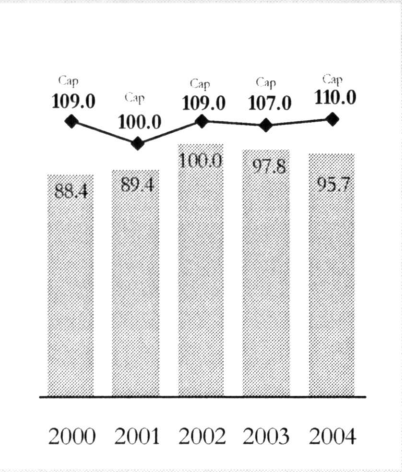
Historical Commission

Selected Budget Information

ALL FUNDS, 2004 ESTIMATED



FULL-TIME-EQUIVALENT POSITIONS



MAJOR CONTRACTS REPORTED, 2004

In fiscal year 2004, the agency reported **six** contracts:

Historical Art in Bronze *
Juneteenth memorial commemorative statue
$210,000

Southwestern Color Graphics *
"Texas Trail Lakes" brochure
$92,415

Southwestern Color Graphics *
"Texas Brazos Trail" brochure
$91,621

Tony Sherman's Gallery
Sculpting services
$87,500

Sotheby's *
Purchase of historical documents
$15,925

Fred McDonald *
Appraisal services for artifacts
$15,500

* Known multi-year contract

Budget Highlights

Grant expenditures increased significantly from fiscal year 2003 and represented 82 percent of the agency's total budget in fiscal year 2004. Of the agency's total grant expenditures, 94 percent consisted of Courthouse Preservation grant awards, marking significant growth from fiscal year 2003. This growth stems from the appropriation of $25.0 million in bond proceeds to the agency in fiscal year 2004 for Courthouse Preservation grants, which are provided as part of the agency's Historic Courthouse Preservation Program. The program provides partial matching grants and technical assistance to counties for restoration of their historic county courthouses and comprises 77 percent of the agency's total budget. Funding sources are General Revenue Funds and General Obligation Bond proceeds.

Preservation Trust Fund (PTF) grants made up 4 percent of the agency's total grant expenditures. PTF grants are provided as matching grants to public and private owners of eligible historic properties and archeological sites for acquisition, development, surveying, and training. The grants are funded by General Revenue Funds and the General Revenue–Dedicated Preservation Trust Fund account.

Full-time-equivalent Employees

The agency did not exceed its cap for full-time-equivalent (FTE) positions in fiscal year 2004.

The agency indicates that staff turnover among reviewers, museum services personnel, photography staff, and administrative positions, along with vacancies resulting from eligible staff accepting retirement incentives, contributed to low staffing levels. Additional vacancies in fiscal year 2004 included 1.5 FTE positions for the Emancipation Juneteenth Cultural and Historical Commission.

Performance Measures Audit Reports

The most recent performance measures audit by the State Auditor's Office was in February 1999, when the *Follow-Up Audit on Management Controls* report certified without qualifications the four measures reviewed.

Other Reports and Reviews

No special reports or reviews of the agency were identified after September 2003.

PERFORMANCE HIGHLIGHTS

During fiscal year 2004, the agency attained (within 5 percent) or exceeded 50 percent of its eight established key performance targets.

The agency attained or exceeded its one outcome target and three of its seven output/efficiency targets.

MEASURES ASSESSMENTS

For the fourth consecutive year, the agency did not attain its performance target for the *Number of Historic Properties Provided Technical Assistance, Monitoring, and Mandated State and/or Federal Architectural Reviews in Order to Encourage Preservation.* According to the agency, reviews require more time to complete and are more complex than in previous years because of increased project size, number of site visits, and number of customer consultations, particularly for reviews related to federal investment tax credits, Federal Section 106, and private installations at state military bases. The decline in performance also relates to turnover of five reviewer positions in fiscal year 2004, which resulted in delays of project review completion.

The agency did not meet its fiscal year 2004 target for the *Number of Preservation Trust Fund (PTF) Grants Awarded,* although the number of awarded PTF grants rose approximately 24 percent from the previous fiscal year. According to the agency, it initially awarded 29 grants, but because one project lacked the required matching funds and therefore the grant award was returned, the agency was able to fund two additional projects with the returned funding, for a total of 31 grant awards. Compared to fiscal year 2003, there was no change in the types of projects (architecture, archeology, education) awarded funds, but grant awards to education projects increased. Grant recipients included political subdivisions, public institutions, and nonprofit organizations.

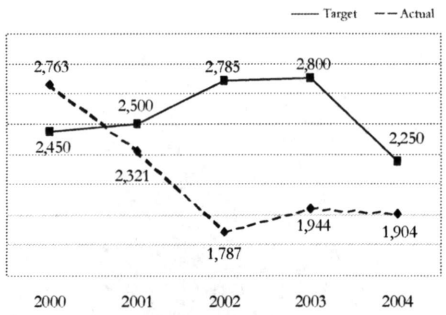
The agency did not attain its target for the *Number of Construction Projects Reviewed for Archeological Impact* because an archeology reviewer position was vacant as a result of the retirement incentive and remained vacant throughout fiscal year 2004. The agency completed approximately 78 percent of the targeted number of project reviews. Project reviews were submitted primarily by the Commission on Environmental Quality, the U.S. Department of Housing and Urban Development, and the U.S. Economic Development Administration. Submissions totaled 6,198 in fiscal year 2004, compared to 6,352 in fiscal year 2003, representing a decline of slightly more than 2 percent.

The *Number of Public Presentations and Workshops Given* was not attained in fiscal year 2004. Although the agency conducted more site visits and assessment trips (used for determining historical designation eligibility) than formal presentations (speaking events), the agency's travel budget and client schedule delays limited overall activity. Also, two vacancies slowed the agency's ability to provide site visits and presentations.

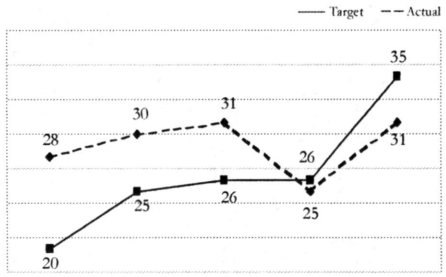
The agency's Main Street and Heritage Trails programs represented an area of high activity for the agency in fiscal year 2004. Site assistance and evaluations related to these programs rose 19 percent from fiscal year 2003 because the agency expanded its assistance to include graduate cities of the Main Street Program and added the Plains Trail region, which comprises 52 counties, to the Heritage Trails program.

SELECTED PERFORMANCE MEASURES

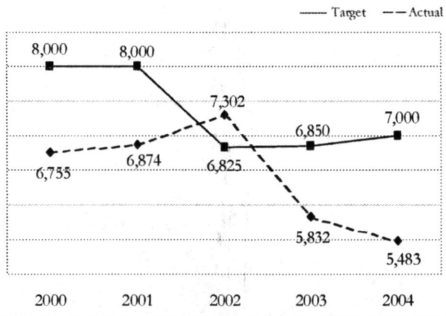
NUMBER OF HISTORIC PROPERTIES PROVIDED TECHNICAL ASSISTANCE, MONITORING, AND MANDATED REVIEWS TO ENCOURAGE PRESERVATION



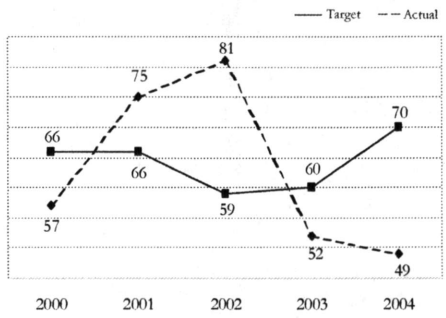
NUMBER OF PRESERVATION TRUST FUND GRANTS AWARDED



NUMBER OF CONSTRUCTION PROJECTS REVIEWED FOR ARCHEOLOGICAL IMPACT



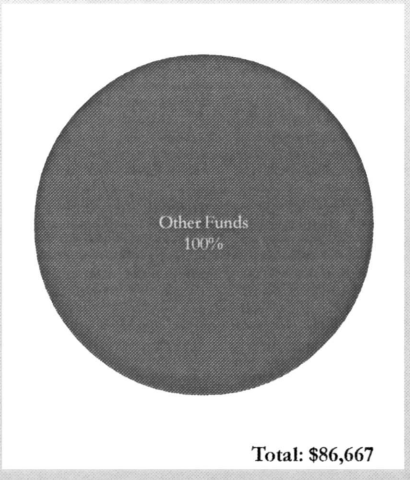
NUMBER OF PUBLIC PRESENTATIONS AND WORKSHOPS GIVEN



Texas Incentive and Productivity Commission

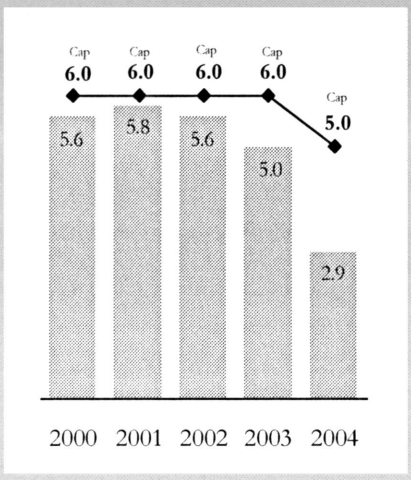
Selected Budget Information

ALL FUNDS, 2004 ESTIMATED



Total: $86,667

FULL-TIME-EQUIVALENT POSITIONS



MAJOR CONTRACTS REPORTED, 2004

In fiscal year 2004, the agency reported **no** contracts.

Budget Highlights

The Texas Incentive and Productivity Commission ceased operations at the end of fiscal year 2004. The Council on Competitive Government assumed some of the agency's duties, primarily assisting state agencies in starting their own suggestion programs through a set of published guidelines.

Beginning in fiscal year 2004, the agency was funded entirely through 10 percent of the savings generated from state employee suggestions. The agency expended 61 percent of its budget on promoting participation in the State Employee Incentive Program by educating state employees about the program. The remaining 39 percent was used for reviewing suggestions submitted by state employees to determine which suggestions would be approved.

Full-time-equivalent Employees

The agency did not exceed its cap for full-time-equivalent (FTE) positions in fiscal year 2004.

During the third quarter of fiscal year 2004, the executive director resigned and the position was not filled. During the fourth quarter of fiscal year 2004, the agency had one FTE.

Performance Measures Audit Reports

The most recent performance measures audit by the State Auditor's Office was in August 1997, when the *Performance Measures at 26 State Agencies Audit* report certified without qualifications the seven measures reviewed.

Other Reports and Reviews

No special reports or reviews of the agency were identified after September 2003.

Texas Incentive and Productivity Commission

Performance Highlights

During fiscal year 2004, the agency attained (within 5 percent) or exceeded 25 percent of its four established key performance targets.

The agency did not attain its only outcome target and attained or exceeded one of its three output/efficiency targets.

Measures Assessments

In most cases, activity ceased or declined significantly in the last quarter of fiscal year 2004 in anticipation of closing the agency. This negatively affected agency performance in attaining targets for key measures, specifically the first three measures discussed here.

The agency failed to attain the target for *Actual Total Savings/Revenues from Approved Suggestions (in Millions)*. The agency approved fewer suggestions in 2004 due to a decrease in the number of suggestions submitted.

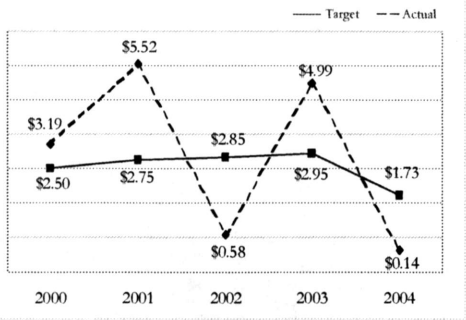
The agency exceeded the performance target for *Average Cost to Process Suggestions*, realizing a cost of 46 percent of the target. Only one FTE processed suggestions in fiscal year 2004.

The agency failed to attain the target for *Number of Training and Promotion Hours* due to staff vacancies. The agency employed only one trainer in fiscal year 2004, while the target assumed the presence of 2.2 FTEs for training.

The agency failed to attain the target for *Average Cost per Training Hour*. The agency performed less training for the reporting period than estimated because there was only one FTE available to perform this function. However, while personnel costs for training decreased during this period, operating costs remained the same resulting in a higher cost per hour.

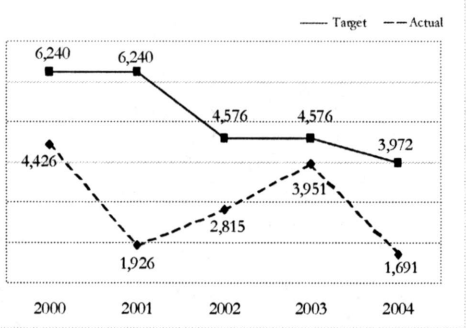
Selected Performance Measures

ACTUAL TOTAL SAVINGS/REVENUES FROM APPROVED SUGGESTIONS (IN MILLIONS)

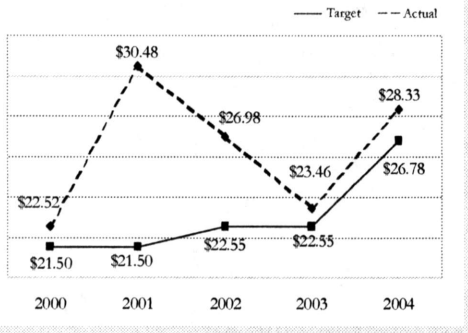


AVERAGE COST TO PROCESS SUGGESTIONS

NUMBER OF TRAINING AND PROMOTION HOURS



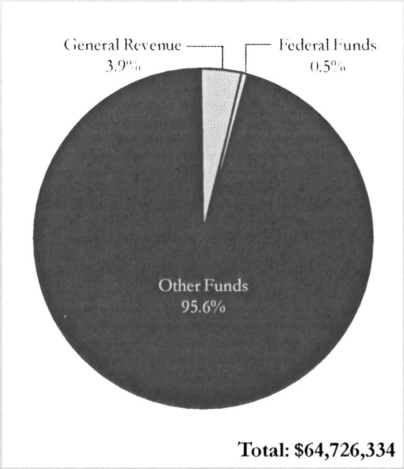
AVERAGE COST PER TRAINING HOUR



Department of Information Resources

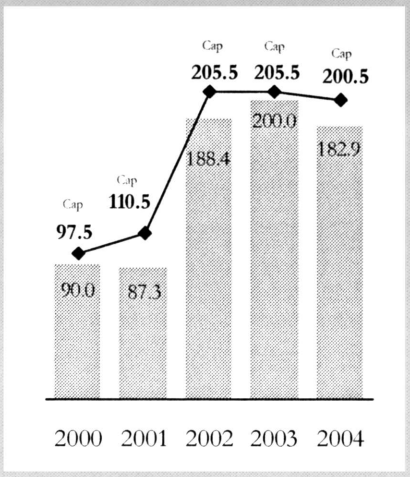
Selected Budget Information

ALL FUNDS, 2004 ESTIMATED



Total: $64,726,334

FULL-TIME-EQUIVALENT POSITIONS



MAJOR CONTRACTS REPORTED, 2004

In fiscal year 2004, the agency reported **357** contracts, including:

AT&T Corporation *
Telephone circuit usage
$36,000,000

Southwestern Bell, Inc. *
Telecommunications circuits
$12,126,000

PeopleSoft USA *
Computer software and maintenance
$9,884,900

SBC *
Telecommunications circuits
$6,464,811

Compaq *
Computer equipment maintenance
$5,000,000

Language Line Services *
Telephone circuit usage
$4,500,000

* known multi-year contract

Budget Highlights

Other Funds accounted for 95.6 percent of the agency's expenditures in fiscal year 2004. The majority of the expenditures were for providing telecommunications and information resource technology goods and services to state agencies, counties, municipalities, and school districts within the state of Texas.

The agency experienced an increase in Appropriated Receipts collected as a result of more entities such as counties, municipalities, and school districts using the GoDIRect program, which allows governmental entities to buy directly from vendors through contracts administered by the Department of Information Resources (DIR).

The agency completed the Orthoimagery Project that began in fiscal year 2003, which was funded by a federal block grant. In addition, the agency received a Notice of Sub-recipient Award from the Texas Engineering Extension Service in the amount of $290,000 to procure video communications equipment on behalf of the state of Texas for homeland security efforts.

Full-time-equivalent Employees

The agency did not exceed its cap for full-time-equivalent (FTE) positions in fiscal year 2004.

Six percent of the agency's FTEs were assigned to producing the Biennial Statewide Information Resources Strategic Plan and related performance reports and analyses. The agency assigned 7 percent of the FTEs to manage the contract for Texas Online; 6 percent of the FTEs were assigned to developing technical standards, policies, and reports on new technologies, and to providing educational programs to state agencies; 15 percent of the agency's FTEs were assigned to contract management; and 21 percent of the FTEs were assigned to the Capitol Complex Telephone System. Another 29 percent of the agency's FTEs were assigned to the Texas Agency Network (TEX-AN) strategies and the remaining FTEs were assigned to indirect administration.

Performance Measures Audit Reports

The most recent performance measures audit by the State Auditor's Office was in August 1997, when the *Performance Measures at 26 State Agencies Audit* report certified without qualifications five measures and found three measures to be inaccurate.

Other Reports and Reviews

No special reports or reviews of the agency were identified after September 2003.

PERFORMANCE HIGHLIGHTS

During fiscal year 2004, the agency attained (within 5 percent) or exceeded 80 percent of its 10 established key performance targets.

The agency attained or exceeded all three of its outcome targets and five of its seven output/efficiency targets.

MEASURES ASSESSMENTS

The agency attained its fiscal year 2004 target for *Percent Customer Satisfaction with Capitol Complex Telephone System Attained.* According to the agency, upgrades and enhancements continue to improve efficiency and provide greater reliability to the Capitol Complex Telephone System, which provides service to 98 state agencies housed within the 43 Capitol complex buildings. Furthermore, the agency is making necessary upgrades to the telecommunications system to implement Voice over Internet Protocol.

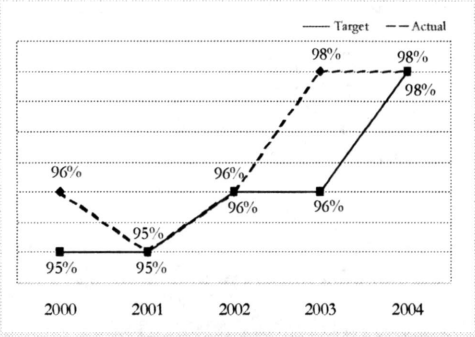
The GoDIRect program has provided a streamlined process for agencies to purchase goods and services using DIR contracts, making the program more cost-effective for users and vendors than previously. Additional products and lower prices have also increased GoDIRect utilization. However, although the agency negotiated discounted retail prices for participants of the GoDIRect program, the competitive nature of the information technology market has forced retail prices lower than the negotiated contract prices. Therefore, the dollars saved have decreased, preventing the agency from attaining the target for *Total Savings and Cost Avoidance through Utilization of Cooperative Services (in Millions).*

For the fifth consecutive year, the target was exceeded for *Number of Technical and Industry Standards Reviewed.* During the Seventy-eighth Legislature, Regular Session, 2003, the target was increased from 65 standards reviewed to 100 standards reviewed. As a member of the Organization for the Advancement of Structured Information Systems, the agency is required to review more standards than previously targeted.

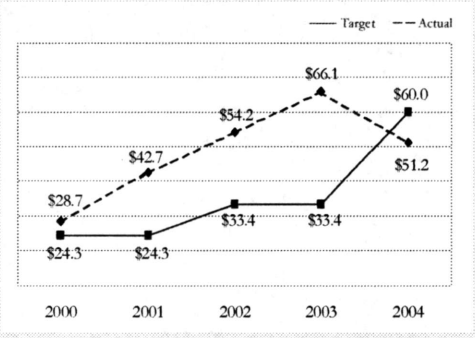
The agency exceeded its target for *Average Price per Intrastate Minute on TEX-AN.* All state agencies are required to use TEX-AN, which currently supports approximately 550 customers. Institutions of higher education, legislative agencies, cities, counties, education service centers, and independent school districts may choose to use TEX-AN, which could decrease their long distance telephone bills. The Telecommunications Planning and Oversight Committee estimates savings of approximately $34.5 million per year compared to published industry rates, which consists of $8.3 million for voice services and $26.2 million for data services.

SELECTED PERFORMANCE MEASURES

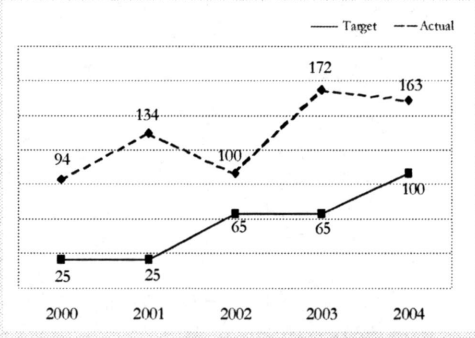
PERCENT CUSTOMER SATISFACTION WITH CAPITOL COMPLEX TELEPHONE SYSTEM ATTAINED



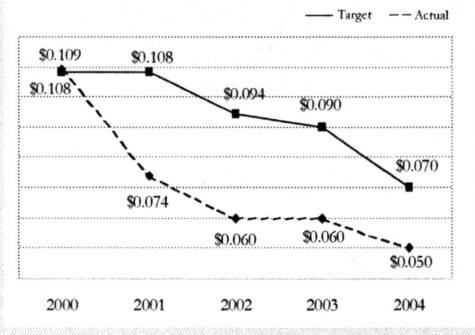
TOTAL SAVINGS AND COST AVOIDANCE THROUGH UTILIZATION OF COOPERATIVE SERVICES (IN MILLIONS)



NUMBER OF TECHNICAL AND INDUSTRY STANDARDS REVIEWED



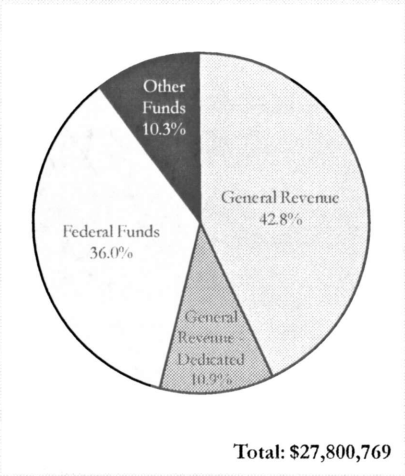
AVERAGE PRICE PER INTRASTATE MINUTE ON TEX-AN



Library and Archives Commission

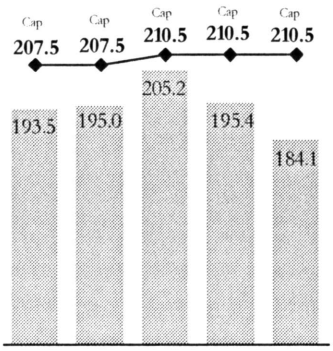
Selected Budget Information

ALL FUNDS, 2004 ESTIMATED



Total: $27,800,769

FULL-TIME-EQUIVALENT POSITIONS



MAJOR CONTRACTS REPORTED, 2004

In fiscal year 2004, the agency reported **seven** contracts, including:

Ebsco Subscription Services *
Electronic database service
$2,874,980

Gale Group *
Direct electronic information service
$2,463,085

Amigos Library Services
OCLC support, service, and training
$438,500

Amigos Library Services *
Database of electronic books
$170,880

Amigos Library Services *
Courier service
$143,560

Jefferson Wells International *
Internal audit services
$40,365

* Known multi-year contract

Budget Highlights

Expenditures for grants to local libraries comprised approximately 46 percent of the agency's fiscal year 2004 budget. Of the total grant awards, about 16 percent were for grants to TexShare member libraries for interlibrary loan services, and roughly 84 percent were for local library development grants, such as Lone Star Libraries grants.

Costs associated with the TexShare databases represented almost 20 percent of the agency's total budget. Approximately 700 member libraries were registered for access to the databases, which totaled 47 databases at the end of fiscal year 2004.

Full-time-equivalent Employees

The agency did not exceed its cap for full-time-equivalent (FTE) positions in fiscal year 2004.

The agency averaged 184.1 FTEs for the fiscal year. Vacancies existed in all agency areas. Most of the vacancies in fiscal year 2004 resulted from the impact of retirement incentives.

Performance Measures Audit Reports

The most recent performance measures audit by the State Auditor's Office was in January 1997, when the *Performance Measures at 13 State Agencies and 7 Educational Institutions* report certified without qualifications two measures and certified with qualifications one measure. The agency automated its reporting system to ensure accuracy of measures information.

Other Reports and Reviews

No special reports or reviews of the agency were identified after September 2003.

PERFORMANCE HIGHLIGHTS

During fiscal year 2004, the agency attained (within 5 percent) or exceeded 88 percent of its eight established key performance targets.

The agency attained or exceeded two of its three outcome targets and all five of its output/efficiency targets.

MEASURES ASSESSMENTS

Because the state's population eligible for Talking Book Program services outpaced the number of people registered for services, the performance target for *Percent of Eligible Population Registered for Talking Book Program Services* was not reached in fiscal year 2004. According to the agency, the number of people registered for services has been increasing slightly since fiscal year 2002 but has not kept up with the rise in the number of people eligible for services. The agency has improved its customer retention activity by telephoning inactive registered patrons about their expiring membership. Membership is maintained by checking out books. Retention practices have included membership reminders via periodic postal cards and newsletters describing program services and available books.

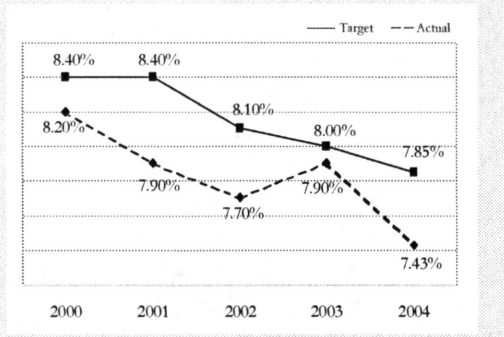
The *Number of Persons Provided Project-sponsored Services by Shared Resources* grew by almost 223 percent from fiscal year 2003, enabling the agency to exceed its performance target by 255 percent in fiscal year 2004. The rise can be attributed to increased TexShare database usage because of the addition of 10 TexShare databases; heavier reliance by member libraries on electronic information; new usage by K–12 students who lost database access in their schools; larger enrollments in academic libraries; and attention to the genealogy and medical databases generated by the pledge drive for those databases. An improvement in the electronic mechanism for counting customer usage, and implementation of a new system for electronically requesting materials via interlibrary loans also positively affected the number of people served by shared resources.

The agency met its target for *Number of Persons* (with Disabilities) *Served* (by Direct Library Service by Mail) for fiscal year 2004, reflecting improvement from fiscal year 2003. The number of people served by the agency's direct mail library services is comprised of members of the agency's Talking Book Program. Retention activities have enabled the agency to reach its target, which include requiring new registrants to check out a minimum of one book at the time of registration, telephoning inactive registrants before their membership expires, and distributing newsletters in English and Spanish that promote books and services.

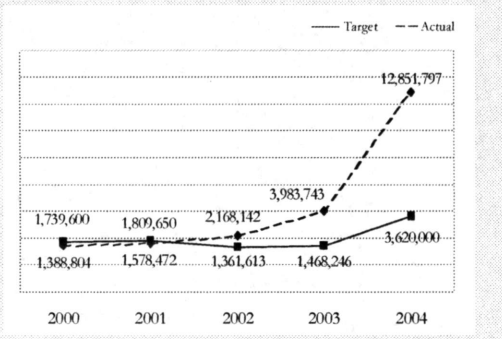
Because of increased records storage from agencies, the agency continues to exceed its target for the *Number of Cubic Feet Stored/Maintained.* Compared to the previous fiscal year, delays in the destruction of records have improved to a 3,000-document from a 9,000-document destruction lag. Capacity at the State Records Center reached an estimated 93 percent in fiscal year 2004, about a 4 percent increase from the previous year.

SELECTED PERFORMANCE MEASURES

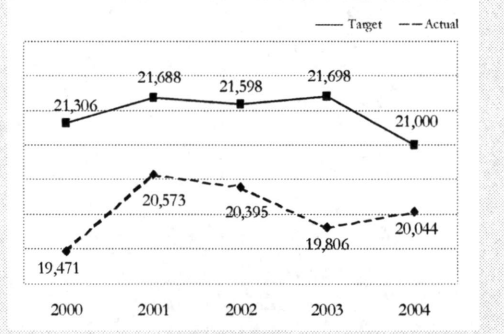
PERCENT OF ELIGIBLE POPULATION REGISTERED FOR TALKING BOOK PROGRAM SERVICES



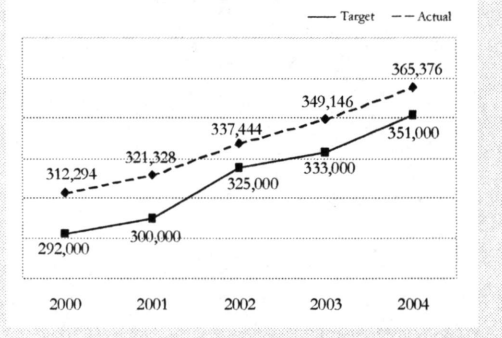
NUMBER OF PERSONS PROVIDED PROJECT-SPONSORED SERVICES BY SHARED RESOURCES



NUMBER OF PERSONS (WITH DISABILITIES) SERVED (BY DIRECT LIBRARY SERVICE BY MAIL)



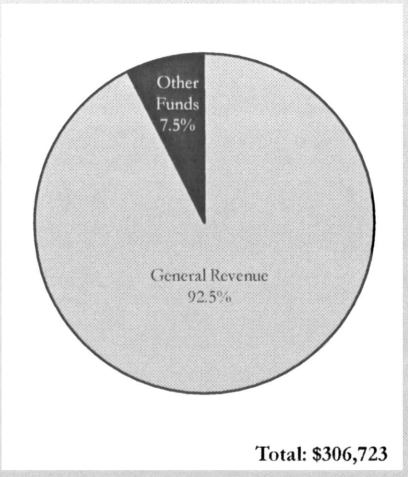
NUMBER OF CUBIC FEET STORED/MAINTAINED



Pension Review Board

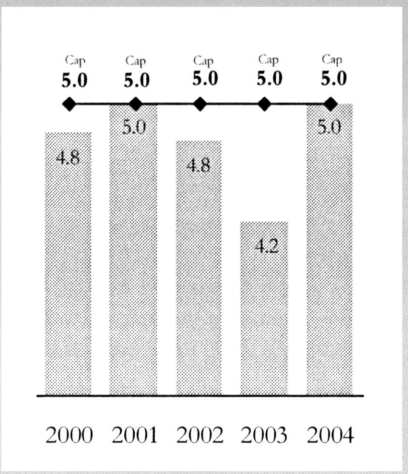
Selected Budget Information

ALL FUNDS, 2004 ESTIMATED



Total: $306,723

FULL-TIME-EQUIVALENT POSITIONS



MAJOR CONTRACTS REPORTED, 2004

In fiscal year 2004, the agency reported **no** contracts.

Budget Highlights

General Revenue Funds accounted for 92.5 percent of the agency's reported expenditures in fiscal year 2004 to ensure actuarial soundness of the Texas Public Retirement Systems by conducting reviews of the systems.

Other Funds in the agency's budget included revenues from pension seminars conducted for trustees and administrators of public retirement systems. During the Seventy-eighth Legislature, Regular Session, 2003, the agency's budget structure changed to reflect full funding from General Revenue Funds and eliminated funding from voluntary contribution fees received from state public retirement systems.

Full-time-equivalent Employees

The agency did not exceed its cap for full-time-equivalent positions in fiscal year 2003.

Performance Measures Audit Reports

The most recent performance measures audit by the State Auditor's Office was in August 1997, when the *1997 Small Agency Management Control Audit* report found one measure to be inaccurate.

Other Reports and Reviews

No special reports or reviews of the agency were identified after September 2003.

PERFORMANCE HIGHLIGHTS

During fiscal year 2004, the agency attained (within 5 percent) or exceeded 75 percent of its four established key performance targets.

The agency attained or exceeded both of its outcome targets and one of its two output/efficiency targets.

MEASURES ASSESSMENTS

For the fifth consecutive year, the agency exceeded the target for *Percent of Texas Public Retirement Systems that Are Actuarially or Financially Sound.* According to the agency, this level of performance reflects its efficient oversight and review of state and local government retirement systems in Texas to determine the actuarial soundness of the pension funds.

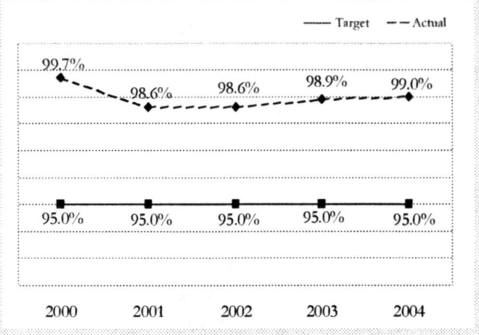
The agency developed an early warning system to detect pension plans that have potential problems and an online website, TexasPensions.org, that allows pensions to be registered online in a timely manner. The website also provides pension system administrators access to view and update information. Statute requires an actuarial valuation of the assets and liabilities of a pension system at least once every three years. The agency conducts annual reviews of the top 25 to 30 pension plans based on the amount of assets in the retirement system and also annually reviews the largest public defined contribution plans.

The target for *Number of Reviews Completed* was exceeded in fiscal year 2004. The agency reported that it continues to improve its website portal to provide more online support to public pension systems, resulting in a shift of staff resources directly toward pension system reviews. In fiscal year 2004, the agency reviewed 270 of the 383 public pension systems registered in Texas. The agency developed a campaign to locate governmental entities that sponsor retirement plans and to encourage those entities to register the plans with the agency. The agency began the campaign by identifying municipal utility districts that sponsor retirement plans and then requesting the districts register those plans. The agency also plans to contact independent school districts, and hospital districts.

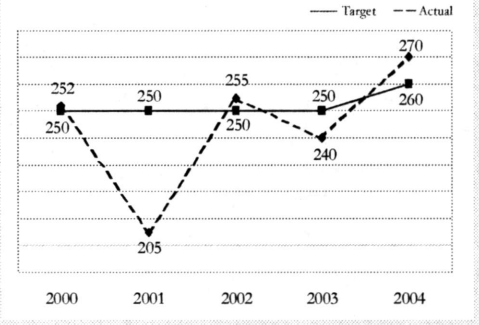
For the third consecutive year, the agency did not attain the target for *Number of Technical Assistance Reports Provided by Staff.* According to the agency, a continuing increase in website usage by the public has reduced the need for written technical assistance. The agency receives numerous telephone calls for assistance, but only written responses are counted toward target attainment. Technical assistance ranges from providing information about pension issues and investments to answering questions about laws and reporting requirements.

SELECTED PERFORMANCE MEASURES

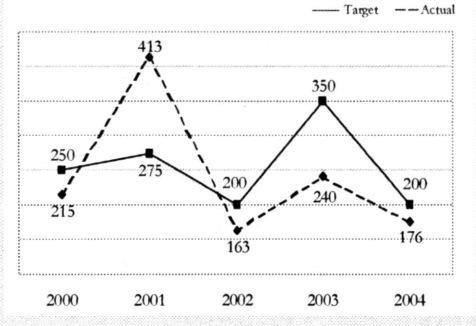
PERCENT OF TEXAS PUBLIC RETIREMENT SYSTEMS THAT ARE ACTUARIALLY OR FINANCIALLY SOUND



NUMBER OF REVIEWS COMPLETED



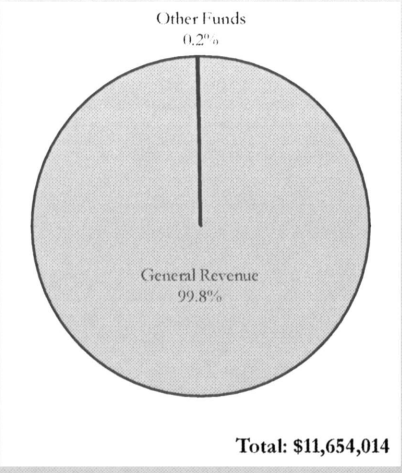
NUMBER OF TECHNICAL ASSISTANCE REPORTS PROVIDED BY STAFF



Preservation Board

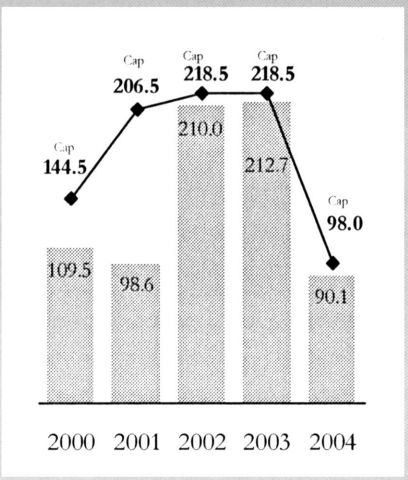
Selected Budget Information

ALL FUNDS, 2004 ESTIMATED



Total: $11,654,014

FULL-TIME-EQUIVALENT POSITIONS



MAJOR CONTRACTS REPORTED, 2004

In fiscal year 2004, the agency reported **14** contracts, including:

Clola Enterprises, Inc. *
Professional services
$923,718

Flynn Construction
Renovation services, Capitol Extension
$242,000

IMAX Corporation *
Lease of IMAX film
$181,000

Thyssenkrupp Elevator *
Maintenance services at Capitol
$129,566

BRSG Austin, Inc. *
Marketing and advertising for the Museum
$100,000

MacGillivray Freeman Films, Inc. *
Lease of IMAX film
$90,000

* Known multi-year contract

Budget Highlights

Thirty-five percent of the agency's fiscal year 2004 General Revenue Fund expenditures were for preserving and providing maintenance for buildings within the Capitol grounds and providing educational programs for visitors. Fifty-eight percent of General Revenue Fund expenditures were for debt service payments on the Bob Bullock Texas State History Museum, and the remaining 7 percent was for indirect administration and management of the agency's enterprises.

For fiscal year 2004, the number of tourist and school children that visited the Bob Bullock Texas State History Museum declined by approximately 10 percent as compared to fiscal year 2003 and is attributable to a weak economy. The agency is attempting to maximize exhibits and film scheduling in order to increase interest and attendance.

The agency continues to operate several enterprise activities as authorized by statute. These enterprises include two gift shops, one in the Capitol Extension and one in the Visitors Center, and a visitors parking garage. The agency also continues to receive lease revenue from private contracts for the Capitol Extension cafeteria, an automatic teller machine, and a press area. All of these enterprise activities are self-supporting and requires no appropriation of General Revenue Funds. Proceeds from enterprise activities are deposited into funds held outside the treasury.

Full-time-equivalent Employees

The agency did not exceed its cap for full-time-equivalent (FTE) positions in fiscal year 2004.

The agency's FTE cap for fiscal year 2004 was 98, as compared to 218.5 in fiscal year 2003. The Seventy-eighth Legislature, 2003, separated the FTEs appropriated with funds in the General Appropriations Act, 2004–05 Biennium (98.0 FTEs) from those funded outside the state Treasury (120.5). Overall, there was no change to the total number of authorized FTEs for the agency.

Performance Measures Audit Reports

The most recent performance measures audit by the State Auditor's Office was in February 1996, when the *Performance Measures at 21 State Agencies and 1 Educational Institution* report certified without qualifications two measures.

Other Reports and Reviews

No special reports or reviews of the agency were identified after September 2003.

PERFORMANCE HIGHLIGHTS

During fiscal year 2004, the agency attained (within 5 percent) or exceeded 100 percent of its four established key performance targets.

The agency attained or exceeded its only outcome target and all three of its output/efficiency targets.

The agency's workload fluctuates during legislative sessions and tends to be higher during those years. This impacts three of the measures noted on the graphs.

MEASURES ASSESSMENTS

The agency exceeded the target for *Number of Repairs and Restorations of Historical Items Completed.* As a result of the special legislative sessions in fiscal year 2003, the number of repairs and restorations completed increased due to a high volume of both visitors and occupants throughout the Capitol and Capitol extension. Repairing historical items, which include furniture and paintings, can take several months and carried over from fiscal year 2003 into fiscal year 2004.

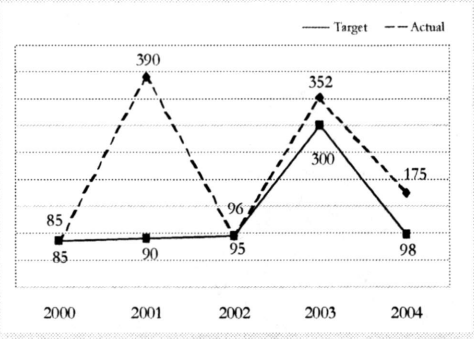
The fiscal year 2004 target for *Cost per Building Square Foot of Custodial Care* was attained and reflects a slight decrease in costs from fiscal year 2003. However, costs were above the target of $2.00 per square foot because of a slight increase in the cost of outsourced evening custodial services.

In fiscal year 2004, the agency again exceeded the target for *Number of School-age Tours Conducted at the Visitors Center.* Factors contributing to this increased performance include vigorously contacting area teachers to invite student groups to the Capitol Visitor's Center, modifying Visitors Center tours to provide three different tours depending on the level of school groups, and adding a monument tour.

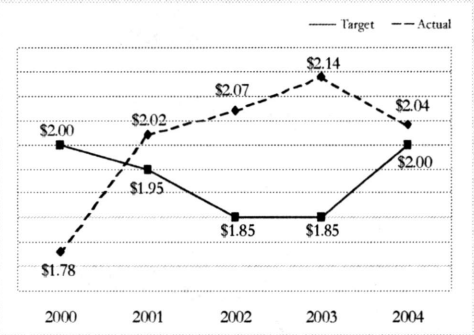
The *Number of Capitol Gift Shop Sales Transactions* target for fiscal year 2004 was attained but reflects a 20 percent decrease from sales in fiscal year 2003. According to the agency, this decrease can be attributed primarily to a general downturn in the economy.

SELECTED PERFORMANCE MEASURES

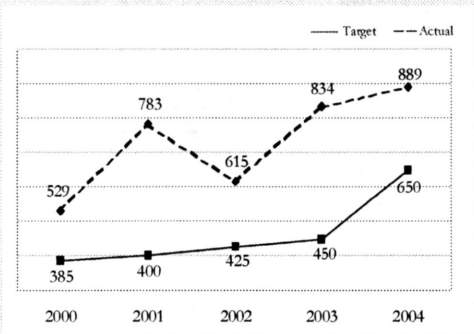
NUMBER OF REPAIRS AND RESTORATIONS OF HISTORICAL ITEMS COMPLETED



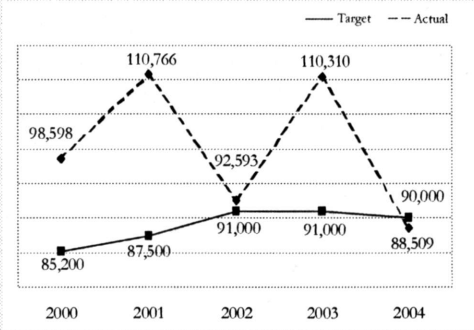
COST PER BUILDING SQUARE FOOT OF CUSTODIAL CARE



NUMBER OF SCHOOL-AGE TOURS CONDUCTED AT THE VISITORS CENTER



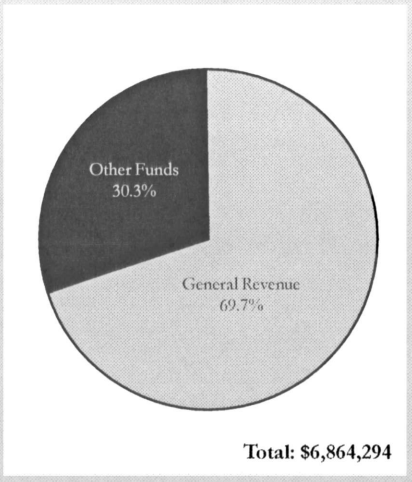
NUMBER OF CAPITOL GIFT SHOP SALES TRANSACTIONS



State Office of Risk Management

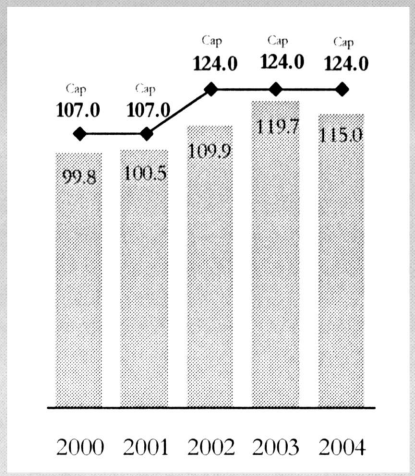
Selected Budget Information

ALL FUNDS, 2004 ESTIMATED



Total: $6,864,294

FULL-TIME-EQUIVALENT POSITIONS



MAJOR CONTRACTS REPORTED, 2004

In fiscal year 2004, the agency reported **one** contract:

ARGUS *
Medical cost containment
$6,700,000

* Known multi-year contract

Budget Highlights

During fiscal year 2004, the agency expended 70 percent of its total budget on reviewing workers' compensation claims, determining eligibility for medical and indemnity benefits, and determining injured employees' weekly wage and indemnity payments. These activities were funded primarily with General Revenue Funds. The agency used the remaining 30 percent, consisting of Interagency Contracts, for developing risk management programs that assist state agencies in meeting statewide risk management guidelines.

Workers' compensation costs for fiscal year 2004 were $56.2 million, $13.8 million less than fiscal year 2003. This 20 percent decrease was the result of (1) full implementation of the cost allocation plan adopted in the 2002–03 biennium, (2) a decrease in the injury frequency rate, and (3) improved practices in the claims adjustments process.

Full-time-equivalent Employees

The agency did not exceed its cap for full-time-equivalent positions in fiscal year 2004.

Seventy percent of the agency's staff was assigned to reviewing workers compensation claims, determining eligibility, and paying claims. The remaining 30 percent of staff were involved in developing and monitoring agencies' risk assessment programs.

Performance Measures Audit Reports

The most recent performance measures audit by the State Auditor's Office was in May 2000, when the *Performance Measures at 11 State Agencies* report certified with qualifications the five measures reviewed.

Other Reports and Reviews

No special reports or reviews of the agency were identified after September 2003.

PERFORMANCE HIGHLIGHTS

During fiscal year 2004, the agency attained (within 5 percent) or exceeded 71 percent of its seven established key performance targets.

The agency attained or exceeded both of its outcome targets and three of its five output/efficiency targets.

MEASURES ASSESSMENTS

The agency exceeded the performance target for *Cost of Workers' Compensation per Covered State Employee*, realizing a cost of 79 percent of the targeted amount. The agency uses actuarial projections to forecast the total costs of workers' compensation payments. Actual costs for fiscal year 2004 were significantly lower than actuarial projections, therefore the average cost of workers' compensation per covered employee was less than the targeted amount.

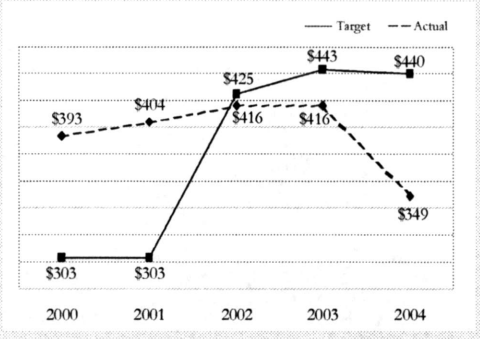
The agency exceeded its fiscal year 2004 target for *Incident Rate of Injuries and Illnesses per 100 Covered Full-time State Employees*. The 2004 rate is a continuation of the significant decrease in the injury frequency rate (IFR) from 2002 to 2003. Agencies' workers' compensation assessment amounts are partly determined by the agency's historical IFR, and the State Office of Risk Management cites this as providing agencies with an incentive to reduce and prevent claims. The agency also attributes its risk management guidelines and services as playing a role in reducing the incident rate of injuries and illnesses.

Targeted performance for *Number of Medical Bills Processed* was exceeded by 6 percent in fiscal year 2004. The agency reports that a lengthy processing time by the cost containment vendor resulted in the agency receiving duplicate invoices, which is what increased the number of bills to be processed. The agency has recently negotiated and signed a contract with a new cost containment vendor for fiscal year 2005. The new contract contains penalties for failure to meet the contracted timeline.

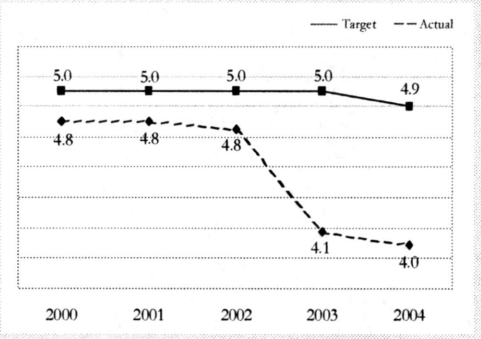
The amount for *Average Cost to Administer a Claim* was 14 percent higher than targeted in fiscal year 2004. According to the agency, the increased average cost was the result of a decline in the number of claims administered occurring at the same time that the overall cost for claims administration functions increased slightly. The agency states that improved controls in the payment process resulted in a reduction in the number of claims paid, therefore reducing the number of claims administered.

SELECTED PERFORMANCE MEASURES

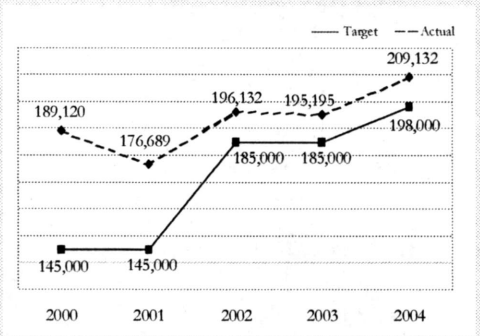
COST OF WORKERS' COMPENSATION PER COVERED STATE EMPLOYEE



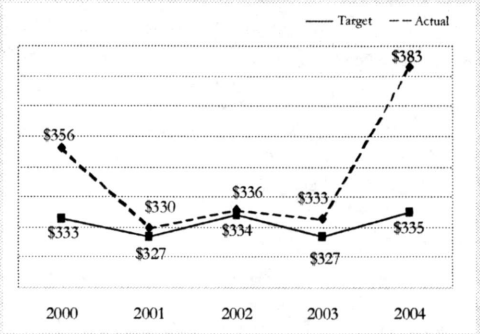
INCIDENT RATE OF INJURIES AND ILLNESSES PER 100 COVERED FULL-TIME STATE EMPLOYEES



NUMBER OF MEDICAL BILLS PROCESSED



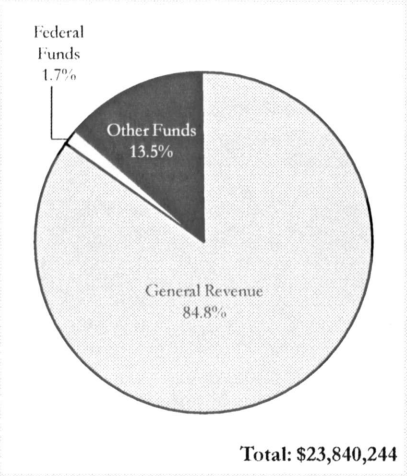
AVERAGE COST TO ADMINISTER A CLAIM



SECRETARY OF STATE

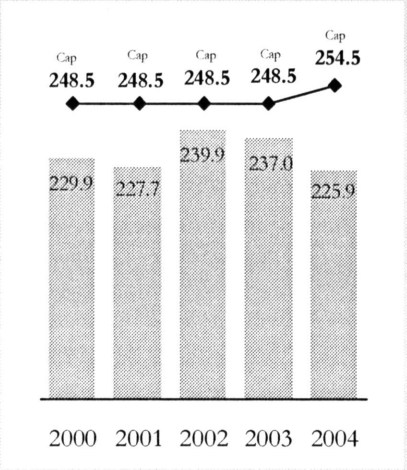
SELECTED BUDGET INFORMATION

ALL FUNDS, 2004 ESTIMATED



Total: $23,840,244

FULL-TIME-EQUIVALENT POSITIONS



MAJOR CONTRACTS REPORTED, 2004

In fiscal year 2004, the agency reported **two** contracts:

Moblis Technologies, Inc.
Maintenance for Business Entity Filing System
$70,000

Maximus, Inc. *
Federal indirect cost recovery plan
$47,280

BUDGET HIGHLIGHTS

Because fiscal year 2004 was a primary election year, grants to state and county political chairs for reimbursement of primary election costs represented approximately 46 percent of the agency's total fiscal year 2004 budget. The General Revenue Fund is the only funding source for these grants.

Through budget execution authority in fiscal year 2004, the agency received a total of $1.0 million in additional General Revenue Funds—$500,000 to pay for a legislatively required compensation increase for election judges and clerks and $500,000 for reimbursement of primary election expenditures—from appropriations made in House Bill 1, Article IX, Section 11.28(c) as added by the Seventy-eighth Legislature, Third Called Session, 2003. The agency also received $1.5 million in transfer authority between strategies to reimburse local election officials for primary election costs.

To make the election improvements required by the federal Help America Vote Act of 2002 (HAVA) and House Bill 1549, Seventy–eighth Legislature, Regular Session, 2003, the agency received about $57.5 million in Federal Funds in fiscal year 2004. The agency is transferring this amount to fiscal year 2005 to implement HAVA voting systems standards.

FULL-TIME-EQUIVALENT EMPLOYEES

The agency did not exceed its cap for full-time-equivalent (FTE) positions in fiscal year 2004, averaging 225.9 FTEs in fiscal year 2004.

Although the agency's FTE cap increased by six FTEs for carrying out the HAVA elections reforms, vacancies existed across the agency. Many of the openings were for clerical positions in the agency's information management area, which were not filled because of the increase in document filing through the agency's website.

PERFORMANCE MEASURES AUDIT REPORTS

The most recent performance measures audit by the State Auditor's Office was in March 1999, when the *Small Agency Management Control Audit* report certified four of the five performance measures reviewed. The other measure was inaccurate as a result of miscalculations. According to the agency, the definition of the inaccurate measure was clarified and record-keeping was improved.

OTHER REPORTS AND REVIEWS

No special reports or reviews of the agency were identified after September 2003.

The agency is eligible to implement an enhanced compensation program for employees during fiscal year 2005, pursuant to Article IX, Section 6.28(d) of the 2004–05 General Appropriations Act. Agency eligibility is based on attainment of at least 80 percent of key performance targets in fiscal year 2004 and certification that at least 70 percent of audited key measures are accurate. Classified employees who directly contribute to improvements in agency performance may be awarded up to 6.8 percent of their base salary.

PERFORMANCE HIGHLIGHTS

During fiscal year 2004, the agency attained (within 5 percent) or exceeded 89 percent of its nine established key performance targets.

The agency attained or exceeded its one outcome target and seven of its eight output/efficiency targets.

MEASURES ASSESSMENTS

The *Percent of Business, Commercial, and Public Filings and Information Requests Completed in Three Days* has been increasing since fiscal year 2002. In fiscal year 2004, the agency exceeded its target by approximately 26 percent. The number of online filings and information requests grew as customers expanded their use of the Business Entity and Secured Transaction filing system, increasing the number of filings completed in one day. Additionally, the agency improved performance by introducing the ability to file new types of documents online. Staff productivity also increased with improvements to the internal processing of public information reports and requests for copies and certificates.

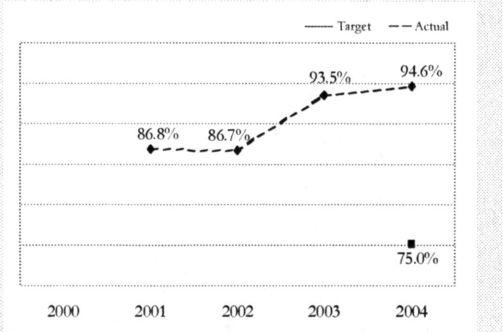
The number of business transactions processed and requests for processed information on business entities rose as usage of the agency's online filing system expanded, the availability of images of filed documents increased, and document processing improved. As a result, the *Average Cost per Business, Commercial, and Public Filings Transaction and Public Information Request* significantly declined, enabling the agency to exceed its fiscal year 2004 target by about 47 percent.

The agency also exceeded its target for the *Average Cost per Election Authority Assisted or Advised* by almost 21 percent. Implementation of the Help America Vote Act (HAVA), required by House Bill 1549, Seventy–eighth Legislature, Regular Session, 2003, resulted in significant changes to state election law and procedure. Consequently, more training sessions and materials were required and requested. Also, House Bill 1695, Seventy–eighth Legislature, Regular Session, 2003, increased compensation of polling place officials who attended training, which improved primary election training attendance. Although average costs tend to decline in even-numbered fiscal years because of the timing of primary elections, the average cost was higher in fiscal year 2004 as a result of increased demand for training sessions and materials and the revision and update of training materials to reflect legislative changes.

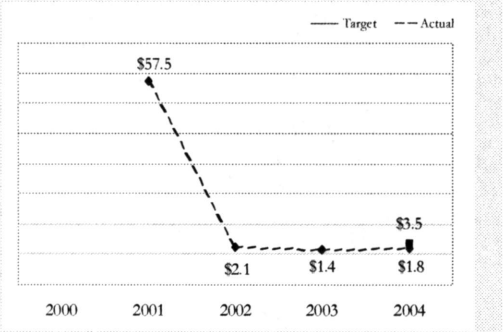
The *Count of Collaborative Meetings Coordinated* by Colonias Initiative Program ombudsmen increased by approximately 44 percent between fiscal years 2003 and 2004. According to the agency, the target was exceeded mainly because of increased activity in coordinating federal and state agency representatives at the Colonias Conference in Eagle Pass to provide information and resources about health, social, and physical infrastructure issues in colonias. Also, the ombudsmen were involved in planning and coordinating meetings for the Operation Lone Star program, which provides free health services to colonias residents in Hidalgo, Cameron, and Starr counties. Colonias are unincorporated settlements along the Texas–Mexico border that may lack basic water and sewer systems, electricity, paved roads, and safe and sanitary housing.

SELECTED PERFORMANCE MEASURES

PERCENT OF BUSINESS, COMMERCIAL, AND PUBLIC FILINGS AND INFORMATION REQUESTS COMPLETED IN THREE DAYS

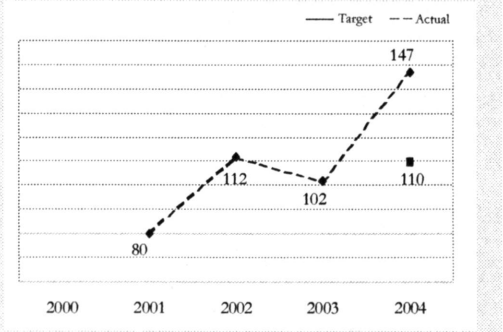


AVERAGE COST PER BUSINESS, COMMERCIAL, AND PUBLIC FILINGS TRANSACTION AND PUBLIC INFORMATION REQUEST



AVERAGE COST PER ELECTION AUTHORITY ASSISTED OR ADVISED

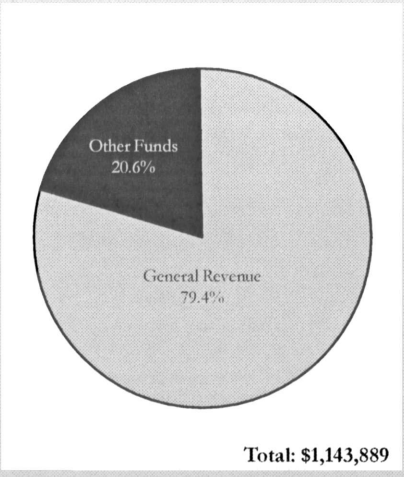
COUNT OF COLLABORATIVE MEETINGS COORDINATED



Office of State-Federal Relations

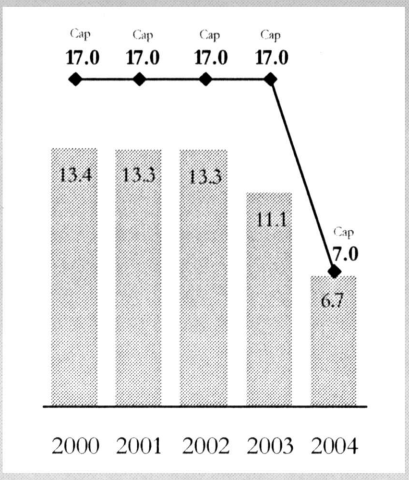
Selected Budget Information

ALL FUNDS, 2004 ESTIMATED



Total: $1,143,889

FULL-TIME-EQUIVALENT POSITIONS



MAJOR CONTRACTS REPORTED, 2004

In fiscal year 2004, the agency reported **two** contracts:

Federalist Group LLC *
Federal governmental consulting
$345,000

Piper Rudnick, LLP
Federal governmental consulting
$90,000

Budget Highlights

Eighty-one percent of the agency's fiscal year 2004 General Revenue Funds were used to monitor federal funding and regulatory issues and to provide reports and briefings to state and federal officials.

Beginning in fiscal year 2004, the agency contracted with private consultants to advise and assist the agency in increasing the overall effectiveness of its efforts to communicate the state's priorities to the federal government in Washington, DC, to secure increased federal funds appropriations to Texas, and to advance the state's legislative and regulatory priorities.

Funds received from other state agencies through Interagency Contracts were used for both direct expenditures (e.g. research publications and subscriptions) and for indirect administration. Agencies with staff located in Washington, DC during fiscal year 2004 included Texas Department of Transportation, Texas Water Development Board, Texas Education Agency, General Land Office, Texas Department of Criminal Justice, and Texas Department of Agriculture.

Full-time-equivalent Employees

The agency did not exceed its cap for full-time-equivalent (FTE) positions in fiscal year 2004.

Forty-two percent of the FTE positions were assigned to monitor federal funding and regulatory issues and provide reports and briefings to state and federal officials. The agency assigned 29 percent of the FTEs to distribute timely information and reports. The remaining 29 percent of the FTEs were engaged in agency administration.

In accordance with the Seventy-eighth Legislature, General Appropriations Act, 2004–05 Biennium, the agency's fiscal year 2004 FTE cap was reduced from 17 FTEs to 7 FTEs to reflect the use of consultants to assist agency staff.

Performance Measures Audit Reports

The most recent performance measures audit by the State Auditor's Office was in November 1996, when the *1996 Small Agency Management Control Audit* report certified without qualifications two measures reviewed.

Other Reports and Reviews

No special reports or reviews of the agency were identified after September 2003.

The agency is eligible to implement an enhanced compensation program for employees during fiscal year 2005, pursuant to Article IX, Section 6.28(d) of the 2004–05 General Appropriations Act. Agency eligibility is based on attainment of at least 80 percent of key performance targets in fiscal year 2004 and certification that at least 70 percent of audited key measures are accurate. Classified employees who directly contribute to improvements in agency performance may be awarded up to 6.8 percent of their base salary.

PERFORMANCE HIGHLIGHTS

During fiscal year 2004, the agency attained (within 5 percent) or exceeded all three of its established key performance targets.

The agency exceeded or attained both of its outcome targets and its one output/efficiency target.

MEASURES ASSESSMENTS

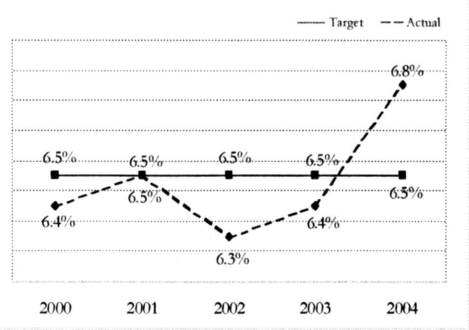
The agency exceeded its performance target for *Texas' Proportionate Share of Federal Funding*, with fiscal year 2004 performance increasing 6.25 percent from fiscal year 2003. Federal funding to states is largely formula-based. The total Federal Funds to Texas increased by 13.8 percent in fiscal year 2004, almost double the national average increase of 7.5 percent. The agency reports that Texas' ranking among the states moved up from forty-first to thirty-first on a per capita basis, which is due mainly to growth in grants and procurement. During fiscal year 2004, Texas received Homeland Security Appropriations of approximately $39.3 million to improve security in the Dallas, Houston, and San Antonio areas. In addition, Texas will receive an annual allocation of approximately $47.5 million of the 2003 Medicare Prescription Drug Act, Section 1011, which provides a total of $1.0 billion during fiscal year 2005 through fiscal year 2008 for payments to healthcare providers to offset uncompensated care to undocumented aliens required by the Emergency Medical Treatment and Labor Act.

The agency exceeded its performance target for *Percent of Customers Satisfied with OSFR Services*. In fiscal year 2003, the agency began using an Internet-based customer satisfaction survey. Since then, the agency's use of the online survey has allowed for more detailed survey results. All 1,500 subscribers to *News from Washington* were invited to participate in the fiscal year 2004 survey. The results showed that the overall satisfaction level remains high and that a majority of respondents rated the agency's performance as improved from the previous year.

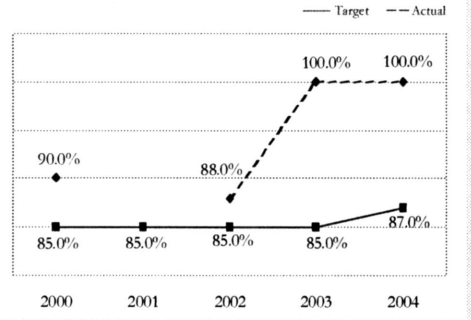
The agency attained the fiscal year 2004 target for *Percent of Responses within Two Business Days*, exceeding its fiscal year 2003 performance. The agency reported the number of requests decreased to 291 in fiscal year 2004, compared to 386 requests in fiscal year 2003. The number of requests depends primarily on factors outside the agency's control, such as interest by outside parties in obtaining information and the issues being considered by Congress. Of the 291 requests received in fiscal year 2004, the agency responded to 282 within two days.

SELECTED PERFORMANCE MEASURES

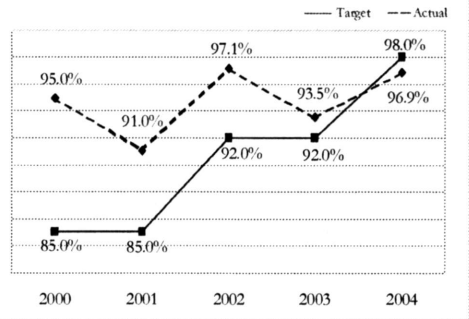
TEXAS' PROPORTIONATE SHARE OF FEDERAL FUNDING



PERCENT OF CUSTOMERS SATISFIED WITH OSFR SERVICES



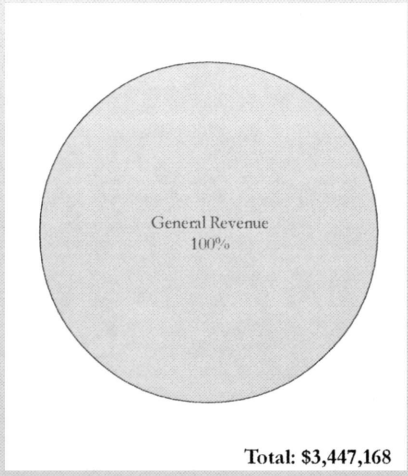
PERCENT OF RESPONSES WITHIN TWO BUSINESS DAYS



VETERANS COMMISSION

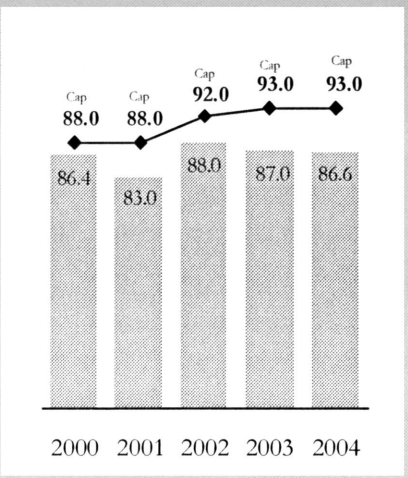
SELECTED BUDGET INFORMATION

ALL FUNDS, 2004 ESTIMATED



Total: $3,447,168

FULL-TIME-EQUIVALENT POSITIONS



MAJOR CONTRACTS REPORTED, 2004

In fiscal year 2004, the agency reported **no** contracts.

BUDGET HIGHLIGHTS

The agency's expenditures are funded completely by General Revenue Funds. Approximately 84 percent of the agency's total budget for the year paid for salaries and related costs. The majority of the agency's staff fulfills the agency's primary function by directly assisting veterans and their families in obtaining entitled benefits from the U.S. Department of Veterans Affairs. Marketing activities represented just over 4 percent of the agency's total fiscal year 2004 budget.

FULL-TIME-EQUIVALENT EMPLOYEES

The agency did not exceed its cap for full-time-equivalent (FTE) positions in fiscal year 2004, averaging 86.6 FTEs for the fiscal year.

Approximately 86 percent of the agency's FTEs provide direct claims assistance to veterans and their families, filing more than 54,000 claims in fiscal year 2004. Counselors and an administrative position comprised the vacancies.

PERFORMANCE MEASURES AUDIT REPORTS

The most recent performance measures audit by the State Auditor's Office was in February 1999, when *A Follow-up Audit on Management Controls* report certified without qualifications the four measures reviewed.

OTHER REPORTS AND REVIEWS

No special reports or reviews of the agency were identified after September 2003.

The agency is eligible to implement an enhanced compensation program for employees during fiscal year 2005, pursuant to Article IX, Section 6.28(d) of the 2004–05 General Appropriations Act. Agency eligibility is based on attainment of at least 80 percent of key performance targets in fiscal year 2004 and certification that at least 70 percent of audited key measures are accurate. Classified employees who directly contribute to improvements in agency performance may be awarded up to 6.8 percent of their base salary.

PERFORMANCE HIGHLIGHTS

During fiscal year 2004, the agency attained (within 5 percent) or exceeded all five of its established key performance targets.

The agency attained or exceeded both of its outcome targets and all three of its output/efficiency targets.

MEASURES ASSESSMENTS

Maintaining its growth trend, the agency again exceeded its target for the *Amount of VA Monetary Awards (in Millions of Dollars) Paid because of Commission Advocacy in Claims Representation of Veterans with Service Connected Disabilities.* The rise in monetary awards paid on claims (an almost 16 percent increase) can be attributed to the increase in claims filed for veterans, which is the result of the agency's ongoing marketing efforts, including distribution of information through briefings, town hall meetings, and public service announcements (PSAs). In fiscal year 2004, the agency expanded its marketing activity by televising its PSAs in different regions, distributing radio PSAs to 350 English and 100 Spanish radio stations, partnering with more state agencies to distribute information, and mailing more than 5,000 postcards to veterans returning from Iraq and Afghanistan. The agency has also emphasized its activity at National Guard and Reserve units.

Benefits paid to widows and orphans of veterans increased to $187 million, or roughly 2 percent more than in fiscal year 2003. As the agency reaches veterans with information about agency services, it indirectly reaches their survivors as well.

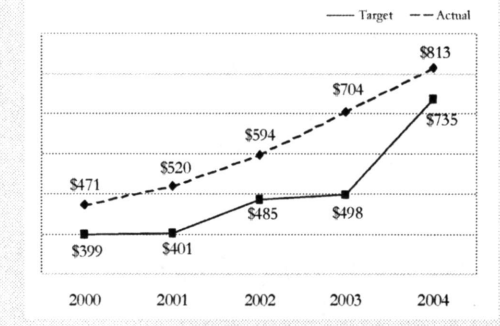
In fiscal year 2004, the *Number of Claims for Veterans Benefits Filed and Developed on Behalf of Veterans with Service-connected Disabilities* grew by approximately 12 percent from the previous year. The agency exceeded its target for this measure mainly because of its continued marketing activity to reach veterans with information about agency services and the value of filing for veterans benefits. The agency's postcard outreach program for veterans returning from Iraq and Afghanistan has also positively impacted the number of claims filed. Additionally, claims filed through Veterans County Service Officers (VCSO), who are appointed by county commissioners courts to assist veterans obtain entitled benefits, have also been rising. The agency provides training to VCSOs and processes claims filed through them.

The *Number of Active Veterans Benefits Cases for Veterans, Their Widows, or Their Orphans Represented by the Texas Veterans Commission* increased by almost 5 percent from fiscal year 2003 to fiscal year 2004, with the agency exceeding its performance target by approximately 7 percent. As the agency increases awareness of its services, it attracts more clients, which affects the number of active benefits cases. The number of active cases includes new and existing active cases.

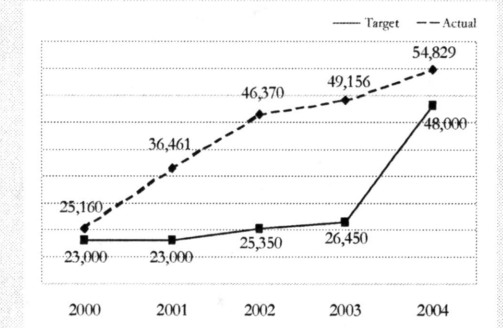
Because of increased workload from the U.S. Department of Veterans Affairs, the agency exceeded its target for the *Number of Appeals of Unfavorable Veterans Affairs Decisions Filed on Behalf of Veterans, Their Widows, or Their Orphans*, and the number of appeals grew close to 30 percent from fiscal year 2003. Most of the appeals were related to service-connected claims.

SELECTED PERFORMANCE MEASURES

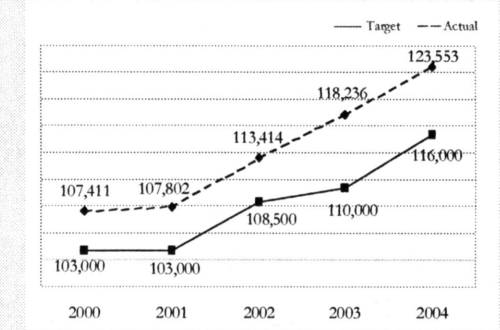
AMOUNT OF VA MONETARY AWARDS (IN MILLIONS) PAID BECAUSE OF COMMISSION ADVOCACY IN CLAIMS REPRESENTATION OF VETERANS WITH SERVICE DISABILITIES



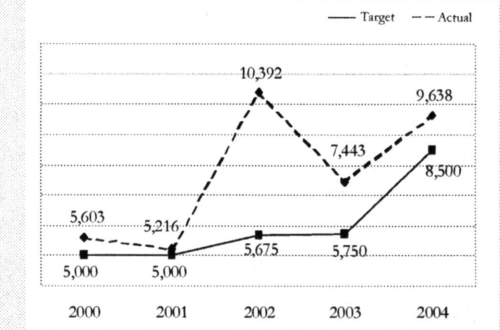
NUMBER OF CLAIMS FOR VETERANS BENEFITS FILED AND DEVELOPED ON BEHALF OF VETERANS WITH SERVICE-CONNECTED DISABILITIES



NUMBER OF ACTIVE VETERANS BENEFITS CASES FOR VETERANS, THEIR WIDOWS, OR THEIR ORPHANS REPRESENTED BY THE COMMISSION



NUMBER OF APPEALS OF UNFAVORABLE VA DECISIONS FILED ON BEHALF OF VETERANS, THEIR WIDOWS, OR THEIR ORPHANS



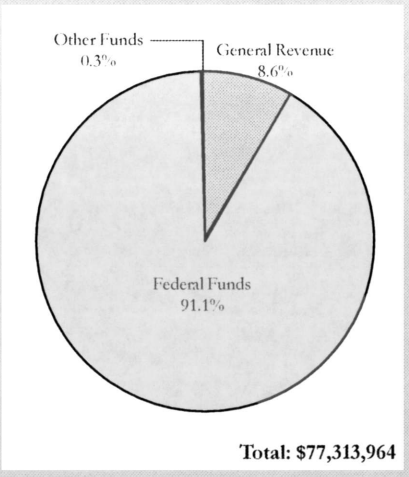
AGENCY	PERCENTAGE OF PERFORMANCE TARGETS ACHIEVED [1]	NUMBER OF KEY PERFORMANCE MEASURES
Department on Aging	50%	16
Commission on Alcohol and Drug Abuse	94	17
Commission for the Blind	80	10
Commission for the Deaf and Hard of Hearing	67	6
Interagency Council on Early Childhood Intervention	83	6
Department of Health	70	30
Health and Human Services Commission	76	25
Department of Human Services	67	57
Department of Mental Health and Mental Retardation	76	34
Department of Protective and Regulatory Services	74	34
Rehabilitation Commission	93	15

[1] *Percentage of Performance Targets Achieved* reflects those measures (excluding explanatory) for which performance has attained or exceeded 95 percent of the established target.

Department on Aging

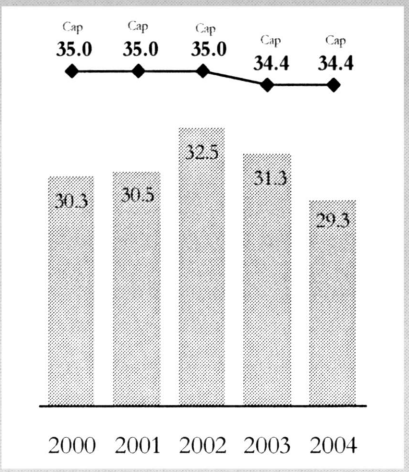
Selected Budget Information

ALL FUNDS, 2004 ESTIMATED



Total: $77,313,964

FULL-TIME-EQUIVALENT POSITIONS



MAJOR CONTRACTS REPORTED, 2004

In fiscal year 2004, the agency reported **17** contracts, including:

Texas Legal Services Center *
Training and technical support
$110,000

Gregorcyzk & Jansen, CPAs
Internal auditor
$43,200

TIBH Industries/Peak Performers
Temporary accounting services
$33,017

Robert Half International, Inc. (Accountemps)
Temporary accounting services
$31,000

Evins Temporary Services
Temporary executive assistant
$21,930

Northrup Grumman Technical Services, Inc.
Computer lease
$21,541

* Known multi-year contract

Budget Highlights

Federal Funds accounted for 91.1 percent of the agency's expenditures in fiscal year 2004, and General Revenue Funds accounted for 8.6 percent of the expenditures. Other Funds comprised the remaining 0.3 percent of total expenditures.

The agency's federal funding was derived largely from grants authorized by the Older American Act, most of which require a state and/or local match of 15 percent to 25 percent. The Older Americans Act provides funding for congregate and home-delivered meals, transportation services, care coordination, and other services to assist independent living.

The agency's expenditures for fiscal year 2004 were $2.8 million higher in All Funds than appropriated to it in the Seventy-eighth Legislature, General Appropriations Act, 2004–05 Biennium. This difference was primarily the result of increases in federal funding to the agency.

Pursuant to House Bill 2292, Seventy-eighth Legislature, Regular Session, 2003, the agency's client services were absorbed into the Department of Aging and Disability Services, effective September 1, 2004. Human resources functions transferred to the Health and Human Services Commission (HHSC).

Full-time-equivalent Employees

The agency did not exceed its estimated cap for full-time-equivalent (FTE) positions in fiscal year 2004.

The FTE cap for fiscal year 2004 has been adjusted for the transfer of certain FTEs to HHSC.

Performance Measures Audit Reports

The most recent performance measures audit by the State Auditor's Office was in November 2002, when the *Performance Measures at 14 Entities* report certified with qualifications two measures, found two measures to be inaccurate, and factors prevented certification of two measures. Since the audit, the agency reports that it has improved its management information system, its process for testing performance measures, and its documentation of performance measure reviews.

Other Reports and Reviews

No special reports or reviews of the agency were identified after September 2003.

PERFORMANCE HIGHLIGHTS

During fiscal year 2004, the agency attained (within 5 percent) or exceeded 50 percent of its 16 established key performance targets.

The agency attained or exceeded 2 of its 3 outcome targets and 6 of its 13 output/efficiency targets.

MEASURES ASSESSMENTS

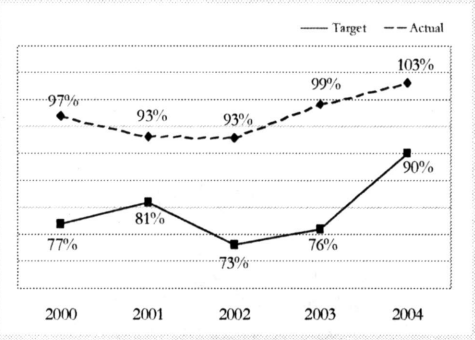
The agency exceeded its target for *Percent of Nursing Homes with a Certified Ombudsman.* The agency's fiscal year 2004 performance of 103 percent indicates that the number of certified ombudsmen was higher than the number of nursing homes in the state. According to the agency, recruitment and retention efforts have increased the number of active ombudsmen. During fiscal year 2004, there were 1,139 certified ombudsmen who provided services in long-term care facilities. Ombudsmen investigate and help resolve the complaints of long-term care residents and provide information about long-term care options.

The agency exceeded its target for *Number of Home-delivered Meals Served (in Millions)* for fiscal year 2004. However, the *Number of Congregate Meals Served (in Millions)* was below targeted performance. In total, the Nutrition Services Program provided 8.3 million home-delivered and congregate meals in fiscal year 2004. The Nutrition Services Program is the largest of the agency's programs.

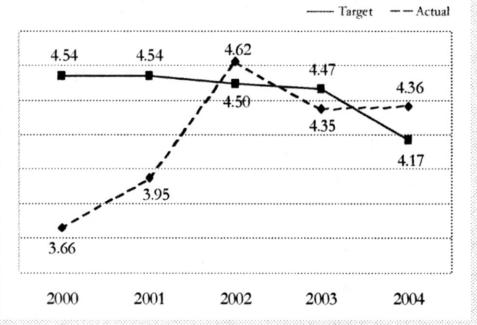
The *Number of One-way Trips (in Millions)* was below targeted performance for fiscal year 2004. The number of one-way trips has declined since fiscal year 2000, as the cost per one-way trip has increased. The agency indicates increased fuel costs and utilization of high cost medical transportation services have contributed to increased costs.

SELECTED PERFORMANCE MEASURES

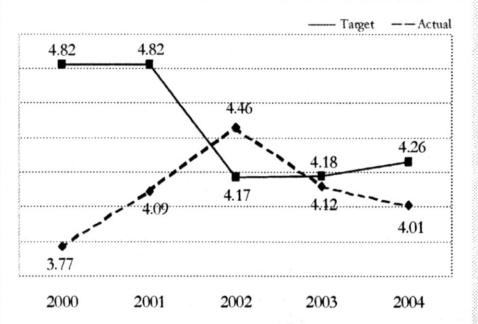
PERCENT OF NURSING HOMES WITH A CERTIFIED OMBUDSMAN



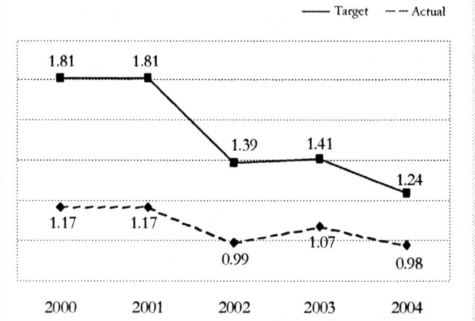
NUMBER OF HOME-DELIVERED MEALS SERVED (IN MILLIONS)



NUMBER OF CONGREGATE MEALS SERVED (IN MILLIONS)



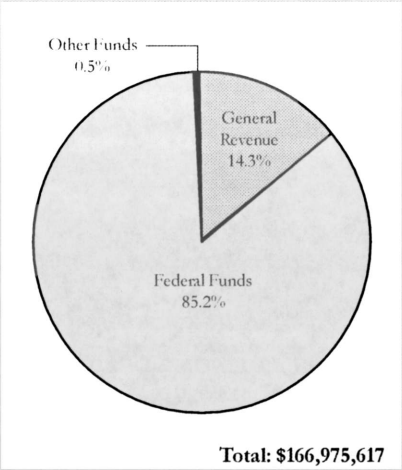
NUMBER OF ONE-WAY TRIPS (IN MILLIONS)



Commission on Alcohol and Drug Abuse

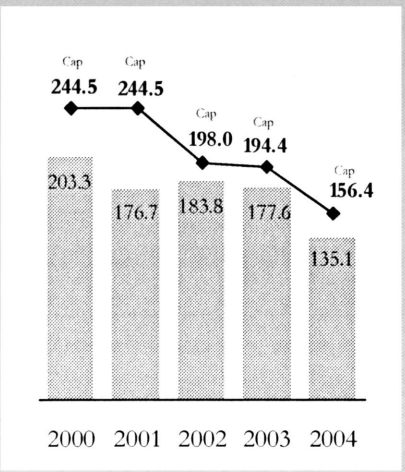
Selected Budget Information

ALL FUNDS, 2004 BUDGETED



Total: $166,975,617

FULL-TIME-EQUIVALENT POSITIONS



MAJOR CONTRACTS REPORTED, 2004

In fiscal year 2004, the agency reported **five** contracts:

NF Consulting Services *
Programming services
$2,899,006

Dell Financial Services *
Computer lease
$589,735

DM 2000, Inc. *
Offender education material storage, distribution
$379,248

Swift Solutions *
Event planning and coordinating
$135,404

Alamo Workforce Development Board *
Intervention services
$100,000

* Known multi-year contract

Budget Highlights

In fiscal year 2004, General Revenue Funds accounted for 14.3 percent of the agency's reported expenditures; Federal Funds represented 85.2 percent; and 0.5 percent was from Other Funds. The agency expended approximately $137.6 million in Federal Funds through a Substance Abuse Prevention and Treatment (SAPT) Block Grant award.

Three strategies accounted for approximately 93.6 percent of the agency's total budgeted expenditures for fiscal year 2004. Treatment was the largest of the agency's strategies, utilizing 52.7 percent of total expenditures. Intervention accounted for 22.8 percent and Prevention accounted for 18.1 percent.

During fiscal year 2004, $5.0 million in General Revenue Funds was moved from fiscal year 2005 to fiscal year 2004, and $1.6 million in General Revenue Funds was transferred to the agency from the Health and Human Services Commission (HHSC). These actions ensured that the state met the maintenance of effort (MOE) requirement for the federal SAPT Block Grant. The MOE provision requires the state to maintain spending at the average of the prior two years.

The Texas Commission on Alcohol and Drug Abuse (TCADA) was formally merged with the Department of Health and the mental health component of the Department of Mental Health and Mental Retardation to form the Department of State Health Services (DSHS) on September 1, 2004. Most components of TCADA were placed under the Mental Health and Substance Abuse Services Division at that time. The new agency was established pursuant to House Bill 2292, Seventy-eighth Legislature, Regular Session, 2003, which reorganized all health and human service agencies. TCADA had been the principal state agency designated by the governor to receive SAPT block grant Federal Funds. After the establishment of the DSHS, the governor designated DSHS as the principal state agency for activities authorized under the federal Public Health Service Act.

Certain TCADA functions transferred to HHSC during 2004, including staffing and appropriations for human resources, planning and evaluation, procurement, and Office of the Inspector General. The total amount transferred to HHSC in fiscal year 2004 was approximately $1.6 million with $241,665 being General Revenue Funds.

Full-time-equivalent Employees

The agency did not exceed its cap for full-time-equivalent (FTE) positions in fiscal year 2004.

The fiscal year 2004 FTE cap has been adjusted for transfers of certain administrative staff to HHSC.

Performance Measures Audit Reports

The most recent performance measures audit by the State Auditor's Office was in August 2001, when the report on *Performance Measures at 12 State Entities* found that none of the five measures reviewed for fiscal year 2000 were certified and none of the four measures reviewed for the first quarter of fiscal year 2001 were certified.

Other Reports and Reviews

No special reports or reviews of the agency were identified after September 2003.

PERFORMANCE HIGHLIGHTS

During fiscal year 2004, the agency attained (within 5 percent) or exceeded 94 percent of its 17 established key performance targets.

The agency attained or exceeded 4 of its 5 outcome targets and all 12 of its output/efficiency targets.

MEASURES ASSESSMENTS

The agency exceeded its fiscal year 2004 target for *Number of Youth Served in Prevention Programs*. Service providers have shifted toward more group education and skills development training. The agency now requires the use of research-based models for prevention that have been recognized by the Center for Substance Abuse Prevention. A prevention outcome measure is now included by TCADA in provider contracts. The agency indicated that higher than expected attendance of youths at tobacco and other prevention presentations had a significant impact on exceeding the targeted level.

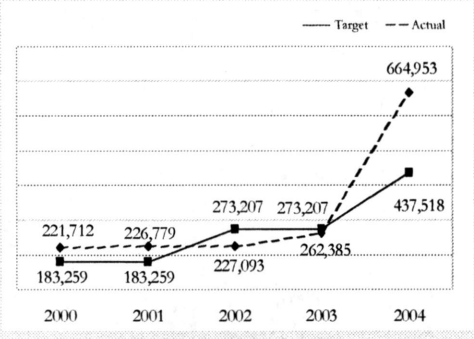
The agency attained its target for *Number of Field Audits Performed* in fiscal year 2004. The agency reorganized functional units during fiscal year 2001, enabling staff to audit an increased number of providers in fiscal year 2002 than in previous years. Implementation in fiscal year 2002 of an automated system for tracking and completing audit reports resulted in the agency's ability to attain the target in fiscal year 2004 with a reduced number of staff. Field audits determine a contractor's level of compliance with federal and state regulations regarding service delivery and financial accountability.

The agency exceeded its target for the *Average Cost per Adult Served in Treatment Programs* in fiscal year 2004. Providers reduced the average length of stay for adults served in detoxification, per TCADA direction, which reduced the average cost of treatment.

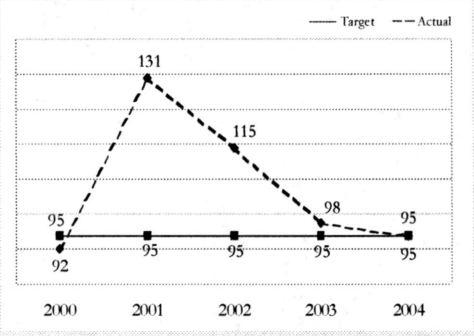
The agency exceeded its fiscal year 2004 target for *Number of Youth Served in Treatment Programs*. The agency conducted training for its providers in fiscal year 2003, emphasizing utilization of a continuum of services. The agency indicated that the increase in the number of youth served reflected an increase in the use of outpatient services for youth by providers in fiscal year 2004. The emphasis on outpatient services allowed more clients to receive services because of reduced costs per client.

SELECTED PERFORMANCE MEASURES

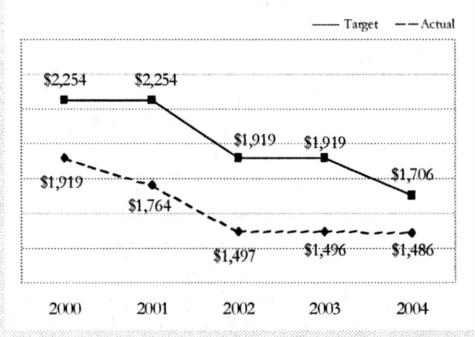
NUMBER OF YOUTH SERVED IN PREVENTION PROGRAMS



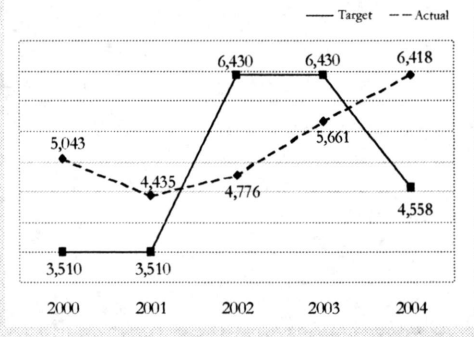
NUMBER OF FIELD AUDITS PERFORMED



AVERAGE COST PER ADULT SERVED IN TREATMENT PROGRAMS



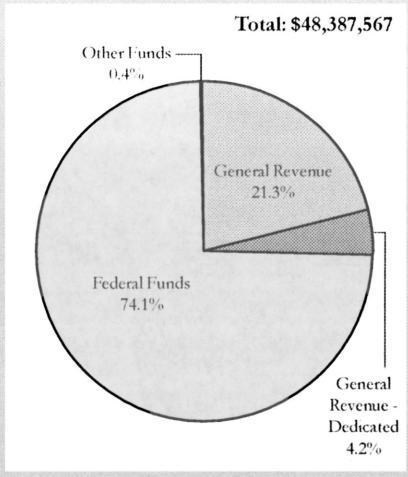
NUMBER OF YOUTH SERVED IN TREATMENT PROGRAMS



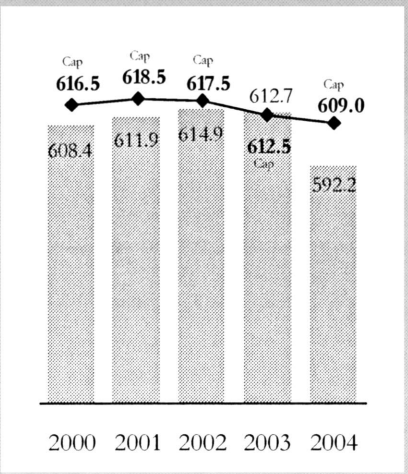
COMMISSION FOR THE BLIND

SELECTED BUDGET INFORMATION

ALL FUNDS, 2004 ESTIMATED



FULL-TIME-EQUIVALENT POSITIONS



MAJOR CONTRACTS REPORTED, 2004

In fiscal year 2004, the agency reported **40** contracts, including:

Northrup Grumman Technical Services, Inc. *
Computer support services
$1,067,775

EpicEdge, Inc. *
HHSAS implementation support
$905,782

Duration Software Inc. *
Consumer service case management system
$879,800

Pulse Data Humanware *
Adaptive software and hardware
$340,382

Christal Vision *
Adaptive software and hardware
$333,451

Prevent Blindness Texas *
Vision screening services
$319,424

* Known multi-year contract

BUDGET HIGHLIGHTS

The Vocational Rehabilitation Program is the agency's largest program. This federally funded program helps persons with vision impairments secure and retain employment. The state must maintain, at a minimum, the same level of expenditures for the current fiscal year as was achieved two years earlier. The required state match or share of total expenditures is 21.3 percent.

The agency's expenditures in fiscal year 2004 totaled approximately $48.4 million. The state collected less in donations than appropriated for the Blindness, Education, Screening and Treatment (BEST) program. The program is funded only with General Revenue Funds that are derived from $1 donations made at the time a driver's license is renewed. In fiscal year 2003, over $1.0 million was expended on the BEST program, of which about half was a balance carried forward from fiscal year 2002 donations. In fiscal year 2004, the agency began with a zero balance and anticipated donations of approximately $620,000, which were not generated. A total of $420,000 was collected and expended on the program. The agency reports a combination of factors contributed to the decline in fiscal year 2004 donations: other donation options (such as the Department of Health anatomical gift education program), an extension of the renewal period from four years to six, and the online renewal option. The agency also lapsed appropriations in the amount of $76,000 from General Revenue Funds.

The agency expended $150,700 more than assumed in the General Appropriations Act (GAA), 2004–05 Biennium, for the Business Enterprises of Texas (BET) Trust Fund strategy. The BET Trust Fund provides for a retirement and benefits plan for visually impaired food service vendors participating in the BET program. Rider 9, 2004–05 GAA, authorizes estimated expenditures necessary to make payments for the plan. In fiscal year 2004, expenditures exceeded revenues for this General Revenue–Dedicated Fund; therefore, the corpus was reduced.

In Other Funds, the agency lapsed authority to expend about $100,000 from the Blind Commission Endowment Fund. Donations to this fund decreased by 60 percent from fiscal year 2003 to fiscal year 2004. In fiscal year 2004, the agency expended $23,000, leaving $83,500 in the fund.

On March 1, 2004, the Commission for the Blind was consolidated with the Rehabilitation Commission, the Interagency Council on Early Childhood Intervention, and the Commission for the Deaf and Hard of Hearing to form the Department of Assistive and Rehabilitative Services, pursuant to House Bill 2292, Seventy-eighth Legislature, Regular Session, 2003.

FULL-TIME-EQUIVALENT EMPLOYEES

The agency did not exceed its cap for full-time-equivalent (FTE) positions in fiscal year 2004.

The fiscal year 2004 FTE cap has been adjusted for transfers of positions to the Health and Human Services Commission.

PERFORMANCE MEASURES AUDIT REPORTS

The most recent performance measures audit by the State Auditor's Office was in July 1995, when the *Performance Measures at 20 Universities, Health-related Institutions, and State Agencies* report certified without qualifications four measures and certified with qualifications one measure.

OTHER REPORTS AND REVIEWS

No special reports or reviews of the agency were identified after September 2003.

The agency is eligible to implement an enhanced compensation program for employees during fiscal year 2005, pursuant to Article IX, Section 6.28(d) of the 2004–05 General Appropriations Act. Agency eligibility is based on attainment of at least 80 percent of key performance targets in fiscal year 2004 and certification that at least 70 percent of audited key measures are accurate. Classified employees who directly contribute to improvements in agency performance may be awarded up to 6.8 percent of their base salary.

PERFORMANCE HIGHLIGHTS

During fiscal year 2004, the agency attained (within 5 percent) or exceeded 80 percent of its 10 established key performance targets.

The agency attained or exceeded both of its outcome targets and six of its eight output/efficiency targets.

MEASURES ASSESSMENTS

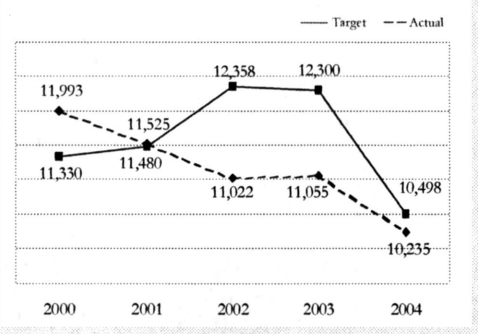
The agency met its fiscal year 2004 target for *Number of Consumers Served (Vocational Rehabilitation)*, providing vocational rehabilitation services to 10,235 blind or visually impaired consumers. The agency also attained the target for the *Average Cost per Consumer Served* in the Vocational Rehabilitation program at $3,815 per consumer. Achievements for both measures represent an improvement over fiscal year 2003, in which neither target was attained.

The agency did not meet the fiscal year 2004 target for *Average Program Administration Cost per Consumer (Business Enterprises of Texas)*. Costs were 26.5 percent higher than the target. The agency did not meet the target for *Number of Consumers Served*. There were 105 blind and visually impaired vendors who participated in the program, rather than the target of 116. The agency reports that recruiting difficulties caused fewer consumers to be served in fiscal year 2004, but that more vendors are anticipated to join the program in fiscal year 2005. The cost measure includes program operating costs such as vending machines, serving line equipment, repairs and maintenance of equipment, and an allocation of the agency's administration and support costs. The Business Enterprises of Texas (BET) program provides and maintains employment opportunities for blind and visually impaired individuals in the field of food service and vending in public and private facilities. BET is authorized by federal and state law. General Revenue–Dedicated Funds appropriated for the program are generated through vending machines located on state property that are not assigned to a BET manager.

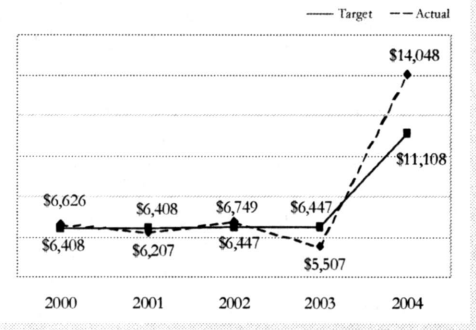
The agency attained the target for *Number of Children Receiving Habilitative Services* and exceeded the target for *Average Cost per Child Served (Habilitative Services)* in fiscal year 2004. Appropriations for the Blind Children's Vocational Discovery and Development program were reduced by just under $1.0 million from fiscal year 2003 to fiscal year 2004. Services eliminated from this program for fiscal year 2004 include vision screening, restoration services, and respite care. According to the agency, these services cost less to provide. The average cost per child served from fiscal year 2003 to fiscal year 2004 increased by 40 percent because the program focused on providing more expensive treatment and services.

SELECTED PERFORMANCE MEASURES

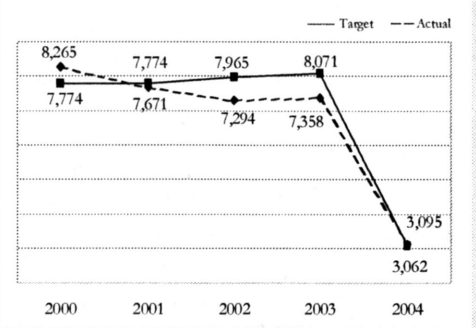
NUMBER OF CONSUMERS SERVED (VOCATIONAL REHABILITATION)



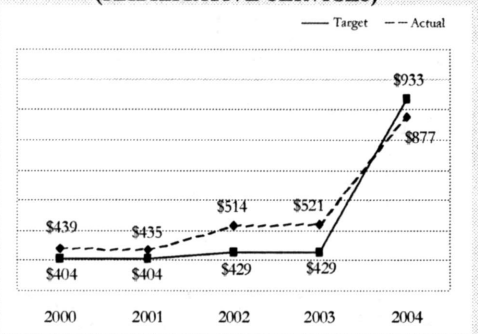
AVERAGE PROGRAM ADMINISTRATION COST PER CONSUMER (BUSINESS ENTERPRISES OF TEXAS)



NUMBER OF CHILDREN RECEIVING HABILITATIVE SERVICES



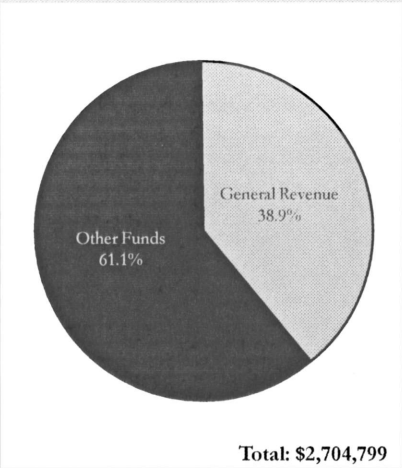
AVERAGE COST PER CHILD SERVED (HABILITATIVE SERVICES)



Commission for the Deaf and Hard of Hearing

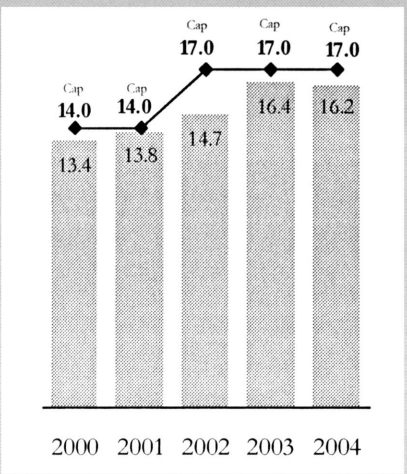
Selected Budget Information

ALL FUNDS, 2004 ESTIMATED



Total: $2,704,799

FULL-TIME-EQUIVALENT POSITIONS



MAJOR CONTRACTS REPORTED, 2004

In fiscal year 2004, the agency reported **11** contracts, including:

Big Country Services for the Deaf/Hard of Hearing *
Regional client services
$180,000

Communication Access Interpreting Services *
Regional client services
$180,000

CSD of Texas *
Regional client services
$180,000

Deaf Action Center *
Regional client services
$180,000

El Paso Center of the Deaf and Hard of Hearing *
Regional client services
$180,000

Highland Council for the Deaf *
Regional client services
$180,000

* Known multi-year contract

Budget Highlights

The agency's expenditures for fiscal year 2004 totaled an estimated $2.7 million in All Funds.

The percentage of the agency's budget comprised of Other Funds continued to increase, up from 55 percent in fiscal year 2003 to 61 percent in fiscal year 2004. Conversely, the percentage of the agency's budget from General Revenue Funds has decreased, having comprised 61 percent of the budget in fiscal year 2001, but comprising only 39 percent ($1.0 million) of the total budget in fiscal year 2004.

Other Funds in fiscal year 2004 consisted of Interagency Contracts, Universal Services Funds, and donations. Revenue from interpreter certification fees previously was classified as Other Funds, however, for the 2004–05 biennium this revenue is classified as General Revenue Funds. General Appropriations Act (2004–05 Biennium), Rider 8, requires the agency to collect $130,000 in certification fees towards the cost of the Interpreter Certification strategy.

The 2004–05 General Appropriations Act authorized the agency to collect and spend revenue from the sale of specialty license plates. The state collected $5,000 of the $35,000 estimated for fiscal year 2004; however, the agency anticipates increased sales in fiscal year 2005.

On March 1, 2004, the Commission for the Deaf and Hard of Hearing was consolidated with the Commission for the Blind, the Interagency Council on Early Childhood Intervention, and the Rehabilitation Commission to form the Department of Assistive and Rehabilitative Services, pursuant to House Bill 2292, Seventy-eighth Legislature, Regular Session, 2003.

Full-time-equivalent Employees

The agency did not exceed its cap for full-time-equivalent positions in fiscal year 2004.

Performance Measures Audit Reports

The most recent performance measures audit by the State Auditor's Office was in November 2002, when the *Performance Measures at 14 Entities* report certified with qualifications one measure, found two measures to be inaccurate, and factors prevented certification of one measure. The agency reports that it is now documenting performance measure reviews and has informally disseminated policies for performance reporting in response to the audit.

Other Reports and Reviews

No special reports or reviews of the agency were identified after September 2003.

COMMISSION FOR THE DEAF AND HARD OF HEARING

PERFORMANCE HIGHLIGHTS

During fiscal year 2004, the agency attained (within 5 percent) or exceeded 67 percent of its six established key performance targets.

The agency has no outcome targets. It attained or exceeded four of its six output/efficiency targets.

MEASURES ASSESSMENT

The agency exceeded the target for *Number of Contact Hours of Communication Access Services Provided.* Communication access services are provided through various contracts serving the deaf and hard of hearing. The agency was able to exceed the target because contractors served more individuals than anticipated through workshops and presentations.

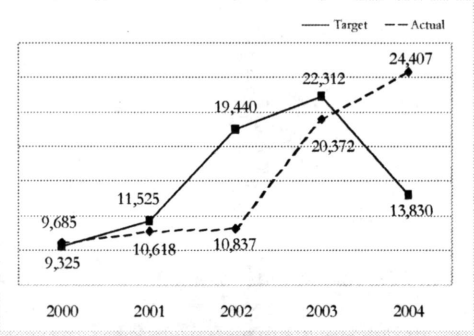
For the third consecutive year, the agency exceeded the target for *Number of Vouchers Issued for Specialized Telecommunications Equipment or Service.* The number of voucher applications has continued to increase since the Seventy-seventh Legislature, 2001, eliminated the $35 application fee. The Specialized Telecommunications Assistance Program provides vouchers for equipment or services that enable persons with a disability to communicate by phone. The Seventy-eighth Legislature, Regular Session, 2003, added two-way pagers to the list of eligible devices. Approximately $600,000 in Universal Services Funds were expended on vouchers for specialized telecommunications equipment or service in fiscal year 2004.

The agency did not meet the fiscal year 2004 target for *Number of Individuals Trained* in the Training and Education strategy, serving 79 percent of the target. Revenue collected from sales of specialty Texas Commission for the Deaf and Hard of Hearing license plates was directed to this strategy; however, sales did not meet expectations and the agency received only $5,000 of an anticipated $35,000 appropriation. The agency reports that the target for this measure could not be met without the anticipated funds.

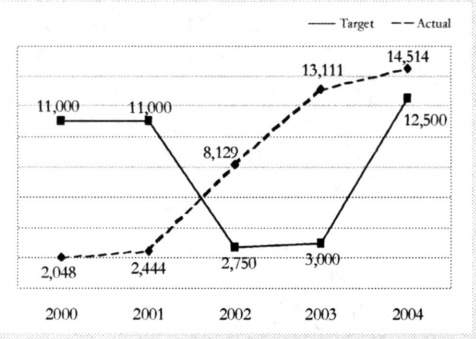
The agency did not attain the target for *Average Cost per Camper* in fiscal year 2004. The target is based on camp capacity of 126 campers and, according to the agency, last minute cancellations increased the average cost. At Camp Sign, young persons who are deaf and hard of hearing participate in a week-long outdoor training program. In 2004, there were 106 youth who attended camp.

SELECTED PERFORMANCE MEASURES

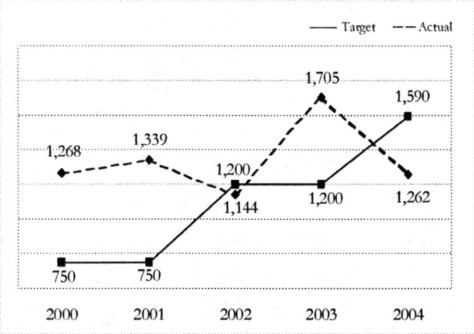
NUMBER OF CONTACT HOURS OF COMMUNICATION ACCESS SERVICES PROVIDED



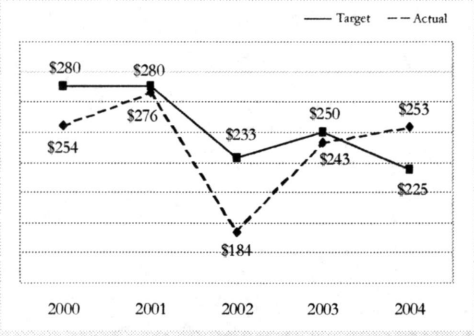
NUMBER OF VOUCHERS ISSUED FOR SPECIALIZED TELECOMMUNICATIONS EQUIPMENT OR SERVICE



NUMBER OF INDIVIDUALS TRAINED



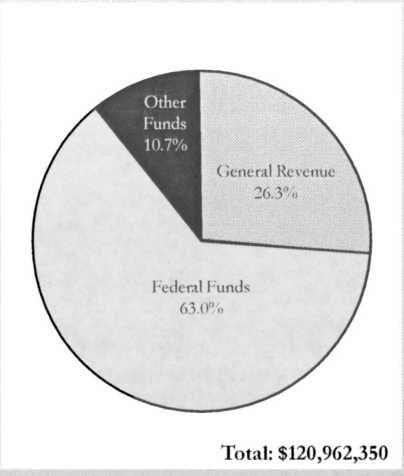
AVERAGE COST PER CAMPER



Interagency Council on Early Childhood Intervention

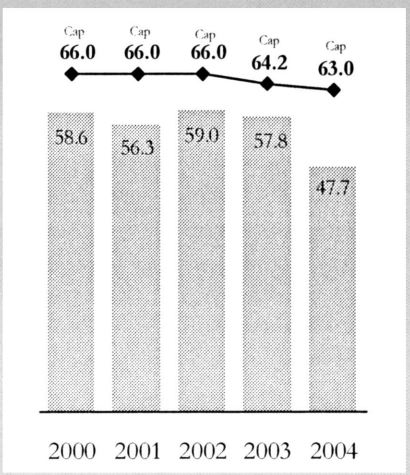
Selected Budget Information

ALL FUNDS, 2004 ESTIMATED



Total: $120,962,350

FULL-TIME-EQUIVALENT POSITIONS



MAJOR CONTRACTS REPORTED, 2004

In fiscal year 2004, the agency reported **one** contract:

Jansen & Gregorczyk, CPAs
Internal auditing services
$47,430

Budget Highlights

The agency's expenditures for fiscal year 2004 totaled $120.9 million in All Funds. Of the $31.8 million expended in General Revenue Funds, about half was used to match Medicaid funds for Developmental Rehabilitation Services provided by local contractors. Federal Funds included $9.0 million more in Medicaid funds than assumed in the 2004–05 General Appropriations Act (GAA), lessening the reliance on Special Education Grants for Infants and Disabilities (IDEA Part C) grant funds and enabling the agency to carry Part C grants forward for fiscal year 2005. The agency is required by GAA (2004–05 Biennium), Rider 7, to maximize Medicaid funds prior to the use of state appropriations and the IDEA Part C funds. The agency also received $600,000 in Federal Funds for "state fiscal relief," freeing up an equal amount of General Revenue Funds.

Other Funds accounted for an estimated 10 percent of the agency's expenditures, and is composed primarily of $12.9 million in Foundation School Funds (General Revenue Fund) set aside from the Special Education Allotment received through an interagency contract with the Texas Education Agency (TEA). The contract between TEA and the agency specifies funds will be provided for eligibility determination and comprehensive and transition services for children birth through two years of age. In fiscal year 2004, the agency reported expending all of the Foundation School Funds for Comprehensive Services. Comprehensive Services, which include developmental services, physical therapy, speech language therapy, nutrition services, and service coordination, are provided to children with disabilities and developmental delays. Previously, the agency was required to use the funds for eligibility determination, but an amendment to GAA (2004–05 Biennium), Rider 6, by the Seventy-eighth Legislature, 2003, authorized the agency to utilize the funds for other services.

On March 1, 2004, the Interagency Council on Early Childhood Intervention was consolidated with the Commission for the Blind, the Commission for the Deaf and Hard of Hearing, and the Rehabilitation Commission to form the Department of Assistive and Rehabilitative Services, pursuant to House Bill 2292, Seventy-eighth Legislature, Regular Session, 2003.

Full-time-equivalent Employees

The agency did not exceed its cap for full-time-equivalent (FTE) positions in fiscal year 2004.

The FTE cap for fiscal year 2004 has been adjusted to reflect transfers of positions to the Health and Human Services Commission.

Performance Measures Audit Reports

The most recent performance measures audit by the State Auditor's Office was in August 1994, when the *Performance Measures at 25 State Agencies* report certified without qualifications one measure, certified with qualifications four measures, and factors prevented certification of one measure.

Other Reports and Reviews

No special reports or reviews of the agency were identified after September 2003.

Interagency Council on Early Childhood Intervention

Performance Highlights

During fiscal year 2004, the agency attained (within 5 percent) or exceeded 83 percent of its six established key performance targets.

The agency attained or exceeded its only outcome target and four of its five output/efficiency targets.

Measures Assessments

The agency attained the fiscal year 2004 target for *Number of Children Served through Comprehensive Services*. The Seventy-eighth Legislature, 2003, approved certain program changes to Early Childhood Intervention (ECI) services that were implemented in fiscal year 2004. The agency implemented a Family Cost Share program, requiring families with incomes above 200 percent of the federal poverty level to participate in the cost of program services. In addition, some criteria used in eligibility assessment were slightly modified. According to the agency, these changes resulted in a curbing of the growth rate in the number of children enrolled in comprehensive services. The target was met, despite the slowed growth rate. However, the agency did not meet the target for *Number of Children Receiving Eligibility Services*, serving 88 percent of the projected number. The agency attributes the lower number of referrals for eligibility determination to eligibility changes and the Family Cost Share system, as well as to concerns of referral sources about budget scarcity.

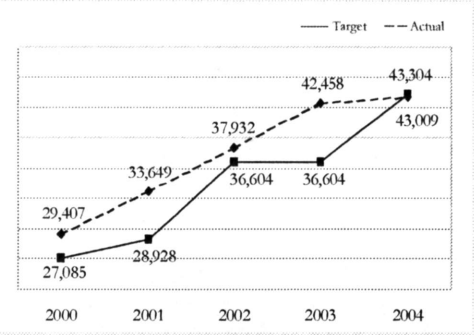
The agency exceeded the fiscal year 2004 target for *Number of Training and Technical Assistance Events Provided* by holding more videoconferencing events to address program initiatives and changes to the Competency Demonstration System Curriculum. The Competency Demonstration System is ECI's credentialing system for Early Intervention Specialists to meet federal requirements, including the provision of Developmental Rehabilitation Services.

The performance reported for *Average Cost per Child: Comprehensive Services State and Federal* (state and federal funds only, not including local costs) for fiscal year 2004 exceeded the target by spending less per child than the target amount. However, the agency reported that this measure is subject to revision because final data reported by contractors and compiled by the agency is not available until February 2005. For the past four fiscal years, revised data increased the *Average Cost per Child: Comprehensive Services State and Federal* from the performance reported at the end of the fiscal year. In each of these fiscal years, the agency attained or exceeded the target with the revisions.

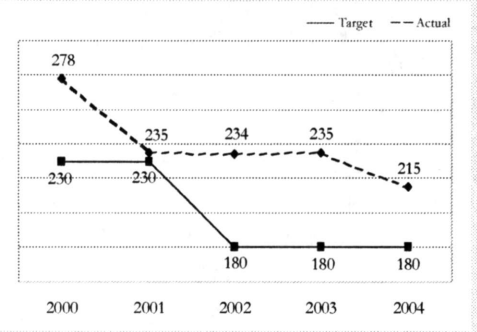
The *Number of Children Receiving Respite Services* declined from fiscal year 2003, but still exceeded the target for fiscal year 2004. Respite Services grants are provided by the agency to local programs, which allocate the funds among a greater number of families in response to increased demand for respite, according to the agency. Respite Services are funded solely through General Revenue Funds. Appropriated funds declined by 64 percent from fiscal year 2003 to fiscal year 2004.

Selected Performance Measures

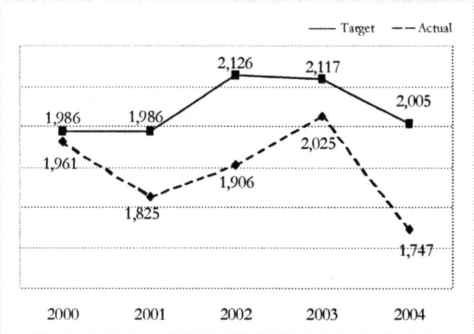
NUMBER OF CHILDREN SERVED THROUGH COMPREHENSIVE SERVICES



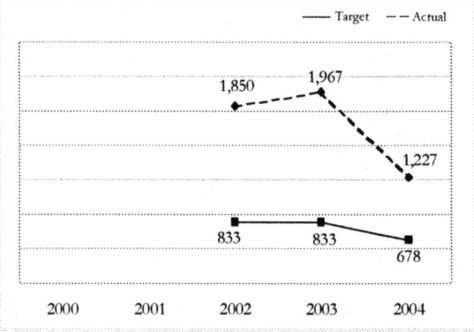
NUMBER OF TRAINING AND TECHNICAL ASSISTANCE EVENTS PROVIDED



AVERAGE COST PER CHILD: COMPREHENSIVE SERVICES STATE AND FEDERAL



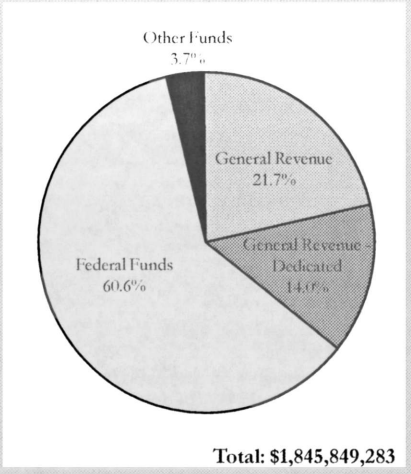
NUMBER OF CHILDREN RECEIVING RESPITE SERVICES



Department of Health

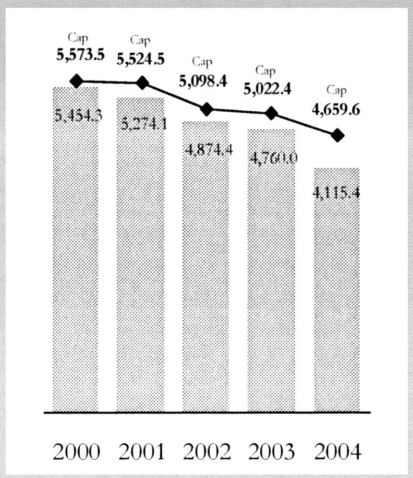
Selected Budget Information

ALL FUNDS, 2004 ESTIMATED



Total: $1,845,849,283

FULL-TIME-EQUIVALENT POSITIONS



MAJOR CONTRACTS REPORTED, 2004

In fiscal year 2004, the agency reported **1,158** contracts, including:

Maximus, Inc.
Texas Health Steps
$13,041,638

Gerber Products Company *
Rebates for baby formula
$10,350,000

Houston Dept. of Health & Human Services *
WIC card participation
$8,411,706

City of Dallas Environmental & Health Services *
WIC card participation
$8,176,680

Dallas-Fort Worth Hospital Council *
Regional advisory council
$7,872,434

Hidalgo County Health Department *
WIC card participation
$6,612,002

* Known multi-year contract

Budget Highlights

General Revenue and General Revenue–Dedicated Funds accounted for 36 percent, or $659.4 million, of the agency's expenditures in fiscal year 2004. Of the total General Revenue-related funds, the agency expended $187 million in Women, Infants, and Children (WIC) program rebates, $18.2 million in funds designated for trauma facilities and emergency medical services, and $16.7 million in Permanent Funds created with Tobacco Settlement receipts for tobacco education/enforcement, children and public health needs, emergency medical services, and small urban hospitals.

The agency's General Revenue Fund expenditures were approximately $41.7 million less than the amount appropriated in its bill pattern by the Seventy-eighth Legislature, General Appropriations Act (GAA), 2004–05 Biennium. Article II, Special Provision 26, Contingency Reduction for Transportation Service, reduced General Revenue funding by $24.3 million. Medical transportation services for health and human services clients were provided by the Department of Transportation during the 2004–05 biennium. A carry-forward of unexpended balances accounted for the remaining difference. General Revenue–Dedicated Fund expenditures were approximately $18.3 million more than assumed in the agency bill pattern due to a contingency appropriation for trauma and emergency medical services.

Federal Funds constituted 60.6 percent, or $1.1 billion, of the agency's expenditures in fiscal year 2004. The agency expended $495.1 million in Federal Funds for WIC nutrition services and $84.5 million in Federal Funds for bioterrorism preparedness activities such as enhancing surveillance and epidemiological capacity in regional offices, increasing the capabilities of local state laboratories, and improving the training of local and regional staff. Agency expenditures in Federal Funds were approximately $141.7 million more than the amount appropriated by the 2004–05 GAA. Rider 14 authorized the agency to receive, administer, and disburse federal funds not included in the agency's regular appropriations. The increase in Federal Funds was primarily related to bioterrorism preparedness and the Special Supplemental Nutrition Program for WIC.

The agency's Other Funds expenditures were $15.4 million more than the amount appropriated by the 2004–05 GAA primarily due to an increase in interagency contracts.

The Department of State Health Services became a state agency on September 1, 2004. The agency is a consolidation of the legacy agencies Department of Health, Commission on Alcohol and Drug Abuse, the mental health component of the Department of Mental Health and Mental Retardation, and the Health Care Information Council, pursuant to House Bill 2292, Seventy-eighth Legislature, Regular Session, 2003.

Full-time-equivalent Employees

The agency did not exceed its cap for full-time-equivalent (FTE) positions in fiscal year 2004.

During fiscal year 2004, the agency transferred 374.3 FTEs and $439.8 million in All Funds (on an annual basis) to the Health and Human Services Commission to consolidate various administrative activities.

Performance Measures Audit Reports

The most recent performance measures audit by the State Auditor's Office (SAO) was in August 2001, when the *Performance Measures at 12 State Agencies* report certified with qualifications six measures and factors prevented certification of two measures for fiscal year 2000. The report also certified

with qualifications five measures and factors prevented certification of two measures for the first quarter of fiscal year 2001.

OTHER REPORTS AND REVIEWS

An Audit Report on the Department of Health's Implementation of Its Bioterrorism Preparedness Plans, dated June 2004, issued by the SAO, stated that the agency has made substantial progress in implementing bioterrorism preparedness plans specified in its cooperative agreements with two federal agencies that fund its bioterrorism preparedness activities. However, the agency's contracting and other internal processes did not ensure adequate accountability for how bioterrorism preparedness funds were used.

An Audit Report on The Department of Health's Monitoring of Program Service Contractors' Financial Operations, dated June 2004, issued by the SAO, stated that the agency had not corrected long-standing deficiencies in its monitoring of program service contractors' financial operations. Although the contractors reviewed were providing program services, the SAO identified financial control weaknesses at some of them that could prevent the maximization of program services. In addition, during the fiscal year 2003 single audit, an independent auditor reported that the agency had not conducted financial monitoring at 104 (80 percent) of the 130 program service contractors tested. Weaknesses in its risk assessment process also led the agency to exclude at least 100 contractors from consideration for financial monitoring, and the agency had not included all contracts in its Contract Development System.

An Audit Report on the State of Texas Financial Portion of the Statewide Single Audit Report for the Year Ended August 31, 2003, dated March 2004, issued by the SAO, stated that although the agency has significantly strengthened certain aspects of its financial reporting, remaining weaknesses in its financial reporting reduce the reliability of its financial information.

PERFORMANCE HIGHLIGHTS

During fiscal year 2004, the agency attained (within 5 percent) or exceeded 70 percent of its 30 established key performance targets.

The agency attained or exceeded 7 of its 8 outcome targets and 14 of its 22 output/efficiency targets.

MEASURES ASSESSMENTS

The agency met its fiscal year 2004 target of 7.28 million doses (within 5 percent) for *Number of Vaccine Doses Administered (in Millions)* by achieving 97.5 percent, or 7.1 million doses administered.

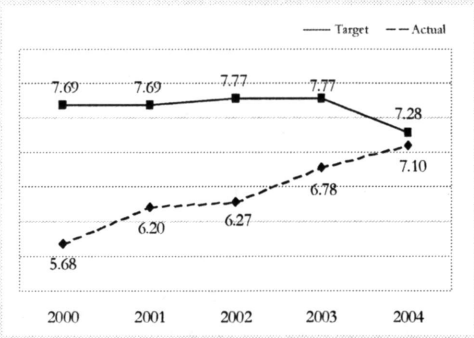
The agency exceeded its fiscal year 2004 target for *Number of Women Provided Services (Maternal and Child Health)* by 139.9 percent of the target. According to the agency, data indicated that some contractors reached their Title V award ceiling but continued to provide services to Title V eligible clients using other funds.

The agency exceeded its fiscal year 2004 target for *Number of WIC Participants Provided Nutritious Food Supplements per Month* by 105.5 percent of the target. According to the agency, more individuals were in need of the services because of poor economic conditions. The agency indicates that more services could be provided than anticipated because additional Federal Funds were available.

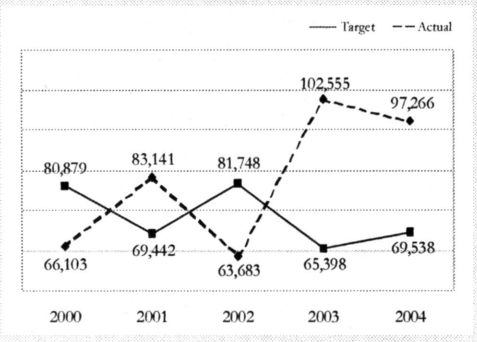
The agency met its target for *Number of Work Time Units Produced (Laboratory)*. The agency's performance of 16.5 million units was 95.1 percent of the target in fiscal year 2004.

SELECTED PERFORMANCE MEASURES

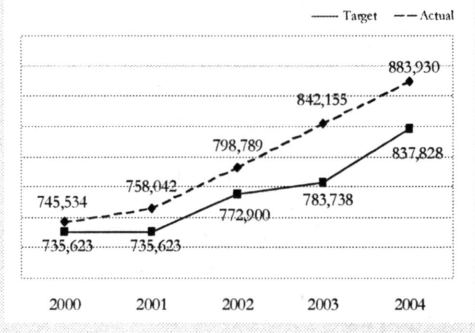
NUMBER OF VACCINE DOSES ADMINISTERED (IN MILLIONS)



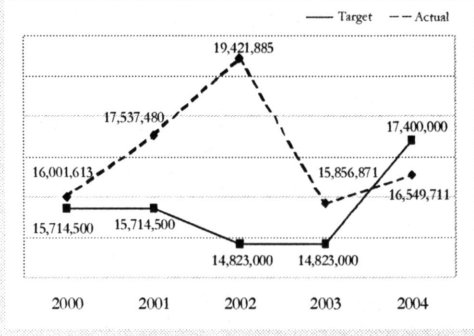
NUMBER OF WOMEN PROVIDED SERVICES (MCH)



NUMBER OF WIC PARTICIPANTS PROVIDED NUTRITIOUS FOOD SUPPLEMENTS PER MONTH



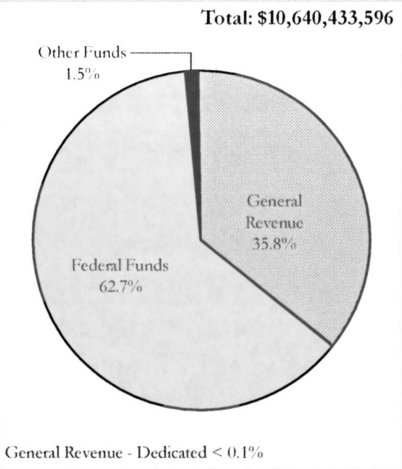
NUMBER OF WORK TIME UNITS PRODUCED (LABORATORY)



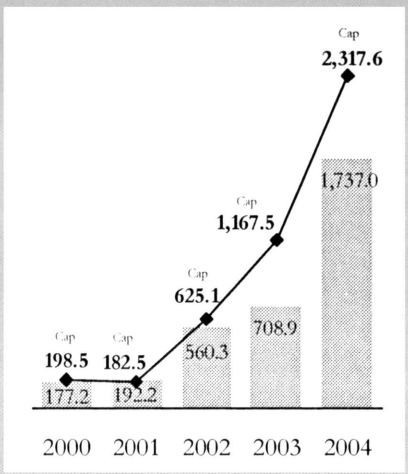
Health and Human Services Commission

Selected Budget Information

ALL FUNDS, 2004 ESTIMATED



FULL-TIME-EQUIVALENT POSITIONS



MAJOR CONTRACTS REPORTED, 2004

In fiscal year 2004, the agency reported **229** contracts, including:

ACS State Healthcare *
Fiscal agent claims administrator
$90,988,116

NHIC *
Insured arrangement claims administrator
$50,527,743

Birch & Davis *
CHIP administrative services
$33,226,747

Northrup Grumman Technical Services, Inc. *
Data processing and technical support
$10,315,832

Provider Synergies LLC *
Supplemental rebate services
$6,235,750

Heritage Info Systems *
Prior authorization and drug review services
$4,804,170

* Known multi-year contract

Budget Highlights

The Health and Human Services Commission (HHSC) expended $10.6 billion in All Funds, including $3.8 billion in General Revenue Funds, during fiscal year 2004. Over 88 percent of agency appropriations were used to fund health care provider payments for services provided to clients in the acute care Medicaid program. Approximately 6 percent of agency funds were used for provider payments in the Children's Health Insurance Program (CHIP) and related programs. Medicaid and CHIP provide hospital and physician services and medically necessary prescription medications, as well as other services.

There are four primary reasons that expended funds were greater than appropriated. First, the Early Periodic Screening Diagnosis and Treatment (Texas Health Steps) and Family Planning Medicaid programs transferred from the Department of Health to HHSC at the end of fiscal year 2003. Second, the agency received more in Federal Funds because of State Fiscal Relief funds, a temporary increase in the federal matching rate for the Medicaid program. General Revenue Funds made available as a result of enhanced federal funding were used to partially restore provider rates. Third, the agency adopted new accounting and payment methods for the fee-for-service Medicaid program, which shifted certain expenditures between biennia. HHSC switched from accrual to cash accounting and began to reimburse for services rendered rather than pay an insurance premium in advance of anticipated services. And fourth, certain administrative programs transferred to the agency from the other health and human services agencies to prepare for full implementation of House Bill 2292, Seventy-eighth Legislature, Regular Session, 2003.

On September 1, 2004, the Temporary Assistance for Needy Families program, Eligibility Determination, STAR+Plus, Nutrition Assistance, and other programs were transferred to the agency pursuant to House Bill 2292.

Full-time-equivalent Employees

The agency did not exceed its cap for full-time-equivalent (FTE) positions in fiscal year 2004.

The cap has been adjusted for full-time-equivalent positions that were transferred to the Health and Human Services Commission during fiscal year 2004 pursuant to House Bill 2292. The bill consolidated various health and human services programs and administrative functions, however, the agency chose to fill only critical positions in order to generate savings. In other instances, FTEs were transferred without associated funding.

Performance Measures Audit Reports

The most recent performance measures audit by the State Auditor's Office (SAO) was in August 2001, when the *Performance Measures at 12 State Agencies* report certified without qualifications one measure and found two measures to be inaccurate for fiscal year 2000. The report also certified without qualifications one measure, found one measure to be inaccurate, and factors prevented certification of two measures for the first quarter of fiscal year 2001. In fiscal year 2001, an internal work group was formed at the agency to develop policies and procedures for collecting and reviewing performance measure data and to help clarify measure definitions.

Other Reports and Reviews

An Audit Report on the Health and Human Services Commission's Administration of the CHIP Exclusive Provider Organization Contract, dated July 2004, issued by

the SAO, stated that the agency issued approximately $20.0 million in unnecessary or excessive payments to Clarendon National Insurance Company (Clarendon), the exclusive provider organization (EPO) for CHIP. According to the report, these payments, combined with the agency's serious deficiencies in contracting practices and contract monitoring, constitute an abuse of the agency's fiduciary responsibility to appropriately oversee and manage the EPO contract and associated CHIP funds. The agency responded by acknowledging that the fees paid Clarendon were "high," but disagreed that the fees were excessive. HHSC also asserts that it was in a weak negotiating position because Clarendon was the only firm willing to bid on EPO services. However, the agency did not attempt to reopen the procurements for competition after its decision to self-insure the cost of medical claims.

A Review of the Health and Human Services Commission's Reports of Average Drug Prices Related to the Medicaid Vendor Drug Program, dated June 2004, issued by the SAO stated that the agency did not comply with General Appropriations Act (2004–05 Biennium), Rider 33, page II-54, which requires the agency to produce semiannual reports of average drug manufacturer prices and wholesale purchase prices.

A Report on Contract Administration for the Texas Integrated Eligibility Redesign System (TIERS), dated May 2004, issued by the SAO stated that changes to TIERS prevented the SAO from completing its audit objectives; however, the SAO's preliminary work identified potential issues and risks in all phases of contract administration. On September 1, 2003, responsibility for TIERS began transferring from the Department of Human Services to the Health and Human Services Commission (HHSC) as a result of the consolidation of health and human services agencies.

PERFORMANCE HIGHLIGHTS

During fiscal year 2004, the agency attained (within 5 percent) or exceeded 76 percent of its 25 established key performance targets.

The agency attained or exceeded 5 of its 7 outcome targets and 14 of its 18 output/efficiency targets.

MEASURES ASSESSMENTS

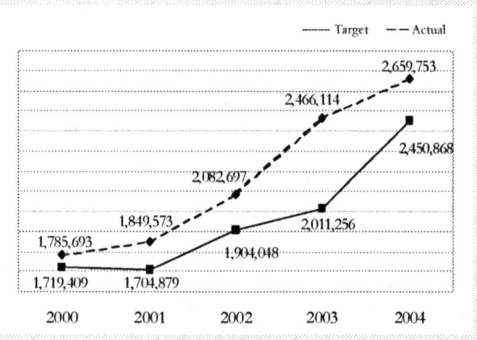
The agency exceeded its target in fiscal year 2004 for *Medicaid Acute Care Recipient Months per Month* by 9 percent because of caseload increases. Most of the increase was related to the growth in children's groups. As a result of the increase in Medicaid recipient months, the agency also exceeded its target for *Annual Medicaid Prescriptions Incurred.*

Increased caseloads contributed to the agency exceeding its target for *Supplemental Medical Insurance Part B (SMIB) Recipient Months per Month* in fiscal year 2004. The *Average SMIB Premium per Month*, which is set by the federal government, has increased by approximately 40.6 percent since 2000. SMIB premiums cover doctors' fees, outpatient hospital visits, and other medical services and supplies for certain Medicare beneficiaries.

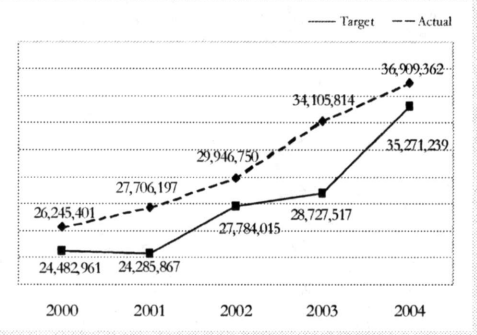
The agency exceeded its target for *Average CHIP Children Recipient Months per Month* in fiscal year 2004. The agency states that there was some delay in implementing policy changes assumed in the 2004–05 GAA. This resulted in caseloads declining more slowly than projected.

SELECTED PERFORMANCE MEASURES

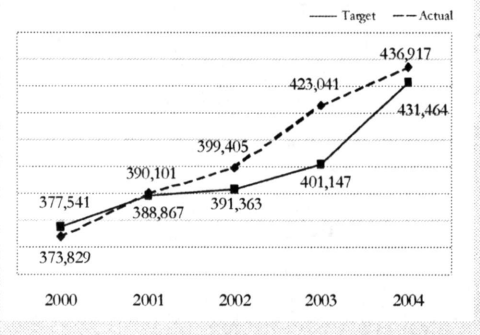
MEDICAID ACUTE CARE RECIPIENT MONTHS PER MONTH



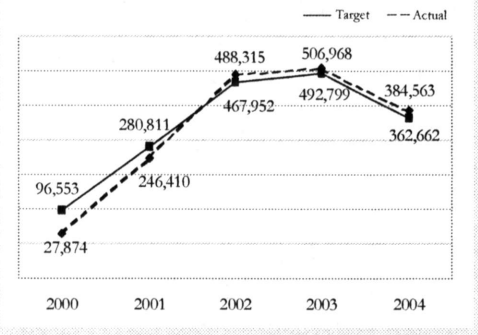
ANNUAL MEDICAID PRESCRIPTIONS INCURRED



SUPPLEMENTAL MEDICAL INSURANCE PART B (SMIB) RECIPIENT MONTHS PER MONTH



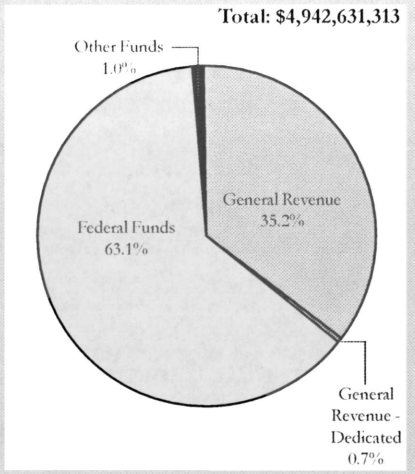
AVERAGE CHIP CHILDREN RECIPIENT MONTHS PER MONTH



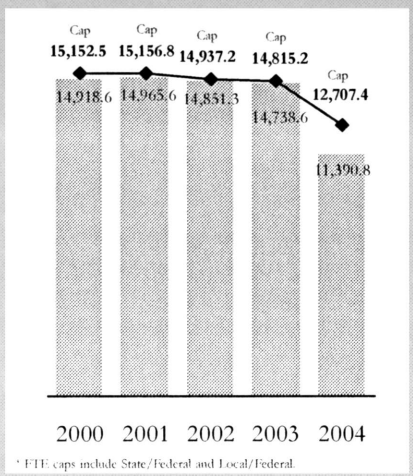
Department of Human Services

Selected Budget Information

ALL FUNDS, 2004 ESTIMATED



FULL-TIME-EQUIVALENT POSITIONS*



* FTE caps include State/Federal and Local/Federal.

MAJOR CONTRACTS REPORTED, 2004

In fiscal year 2004, the agency reported **3,881** contracts, including:

Deloitte Consulting, LLC *
TIERS software development
$126,394,168

Northrup Grumman Technical Services, Inc. *
Data center services
$67,593,540

ACS State and Local Solutions *
EBT-2 retailer management services
$31,659,818

GTECH Corporation *
EBT-2 call center
$27,000,000

SAGEM Morpho, Inc. *
LSIS finger imaging
$24,259,984

Northrup Grumman Technical Services, Inc. *
EBT-2 central processing services
$20,761,066

* Known multi-year contract

Budget Highlights

General Revenue Funds and General Revenue–Dedicated Funds accounted for 36 percent of the agency's expenditures in fiscal year 2004. Federal Funds constituted 63.1 percent of the agency's expenditures in the same year.

The agency earned approximately $7.4 million in enhanced Federal Funds for outstanding payment accuracy performance in the Food Stamp program.

A majority of Department of Human Services (DHS) programs (including long-term care programs) were merged with the mental retardation component from the Department of Mental Health and Mental Retardation and all strategies of the Texas Department on Aging to form the Department of Aging and Disability Services (DADS) on September 1, 2004. The new agency was established pursuant to House Bill 2292, Seventy-eighth Legislature, Regular Session, 2003, which reorganized all health and human service agencies.

Certain DHS functions transferred to the Health and Human Services Commission (HHSC) during fiscal year 2004, including staffing and appropriations for civil rights, human resources, most information technology positions, planning and evaluation, procurement, and Office of the Inspector General. The following DHS programs transferred to HHSC on September 1, 2004: Temporary Assistance for Needy Families Grants, Client Self Support Eligibility and Issuance Services, Nutrition Assistance, Refugee Assistance, and Family Violence Services. The total amount transferred to HHSC related to fiscal year 2004 was approximately $1.4 billion, with $437.2 million coming from General Revenue Funds and General Revenue–Dedicated Funds.

Full-time-equivalent Employees

The agency did not exceed its cap for full-time-equivalent (FTE) positions in fiscal year 2004.

The fiscal year 2004 FTE cap and actual FTE count have been adjusted to reflect transfers of administrative staff to HHSC.

The agency has two FTE position caps in the General Appropriations Act. One relates to positions funded with state and federal funds, and one relates to positions funded with local and federal funds. The local and federal positions are outstationed public assistance eligibility workers, often found in hospitals or other community settings.

Performance Measures Audit Reports

The most recent performance measures audit by the State Auditor's Office was in November 2002, when the *Performance Measures at 14 Entities* report certified with qualifications five measures and factors prevented certification of one measure.

Other Reports and Reviews

No special reports of the agency were identified after September 2003.

The agency underwent review by the Sunset Advisory Commission during the 2002–03 biennium.

PERFORMANCE HIGHLIGHTS

During fiscal year 2004, the agency attained (within 5 percent) or exceeded 67 percent of its 57 established key performance targets.

The agency attained or exceeded 6 of its 8 outcome targets and 32 of its 49 output/efficiency targets.

MEASURES ASSESSMENTS

The agency met its target for *Percent of Long-term Care Clients in Community Settings* in fiscal year 2004. The percentage continues to increase over time as clients become more aware of community-based options for services and as the legislature authorizes increases in funding over time for community based services waivers. The actual percentages of clients served in the community continue to exceed projections. These Medicaid programs are included in this measure: Community Care Entitlement–Primary Home Care, Community Attendant Services, Day Activity and Health Services, Community Care Waivers–Community-based Alternatives (CBA), Medically Dependent Children, Deaf-blind with Multiple Disabilities, Community Living and Support Services, and Star+Plus CBA. Non-Medicaid community care programs are also included in this measure.

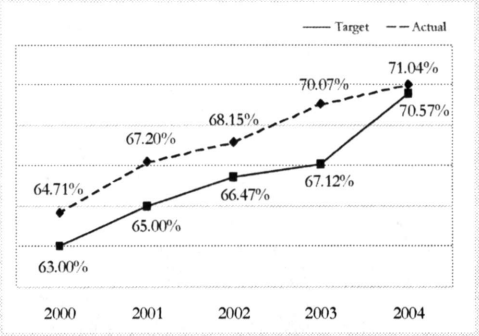
The *Average Number of Clients Served per Month: Medicaid Non-Waiver Community Care* continues to grow as clients become more aware of community-based services options and as the population ages and demand for services in general increases. Therefore, the agency met its target for this measure in fiscal year 2004, as in the previous four fiscal years. Nonwaiver community-care Medicaid services include Primary Home Care, Community Attendant Services, and Day Activity and Health Services.

The *Average Number of Persons Receiving Medicaid-funded Nursing Facility Services per Month* continues to decline as more clients are served in the community. For fiscal year 2004, approximately 1,293 clients were transferred from nursing facility services to community care services, in accordance with General Appropriations Act (2004–05 Biennium), Rider 28, Promoting Independence. In addition, higher than anticipated caseloads in co-paid Medicare/Medicaid nursing facility services, as well as Hospice services, have impacted the number of persons served in Medicaid-funded nursing facility care.

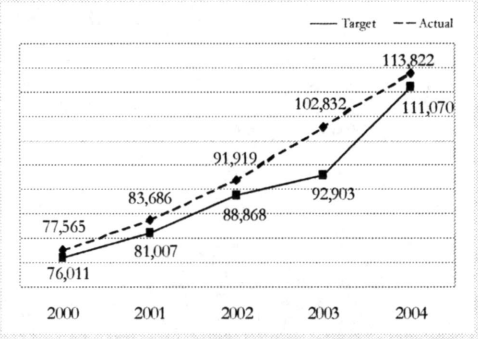
The *Total Number of Persons Receiving Temporary Assistance for Needy Families (TANF) per Month* was less than the targeted level. The agency indicated that provisions included in House Bill 2292 related to full family sanctions, pay for performance, and the lower value of the vehicle exemption had a greater impact on this measure than had been anticipated. An adult who receives TANF is limited to receiving those benefits for a maximum of 60 months. The time-limit clock starts running when a client is either directed or chooses to enroll in the Texas Workforce Commission's CHOICES program. When the time limit is reached, the parent—not the child—loses TANF benefits. Under state law, once a client has exhausted the time limit, that person is not eligible for TANF again for five years. The agency indicated that 3,902 clients reached their maximum time on TANF in fiscal year 2004 and are no longer receiving TANF benefits.

SELECTED PERFORMANCE MEASURES

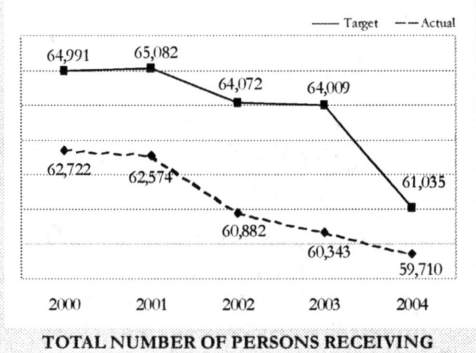
PERCENT OF LONG-TERM CARE CLIENTS IN COMMUNITY SETTINGS



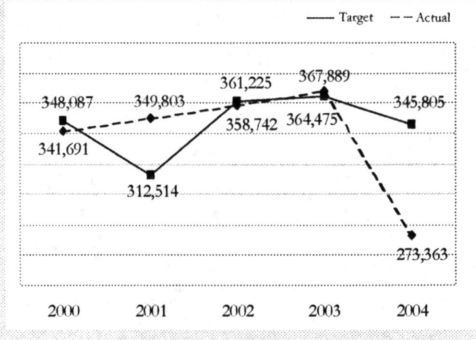
AVERAGE NUMBER OF CLIENTS SERVED PER MONTH: MEDICAID NON-WAIVER COMMUNITY CARE



AVERAGE NUMBER OF PERSONS RECEIVING MEDICAID-FUNDED NURSING FACILITY SERVICES PER MONTH



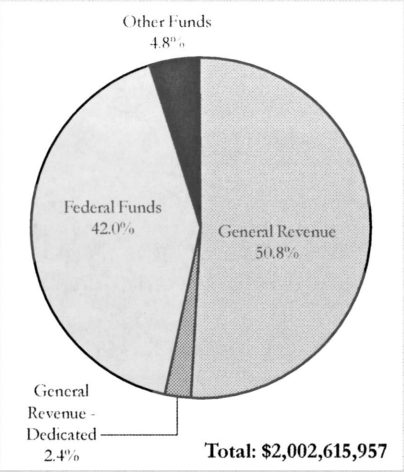
TOTAL NUMBER OF PERSONS RECEIVING TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF) PER MONTH



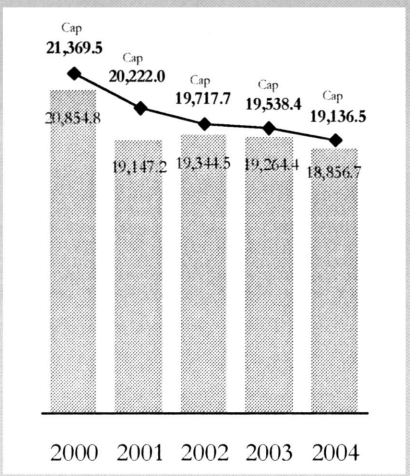
Department of Mental Health and Mental Retardation

Selected Budget Information

ALL FUNDS, 2004 ESTIMATED



FULL-TIME-EQUIVALENT POSITIONS



MAJOR CONTRACTS REPORTED, 2004

In fiscal year 2004, the agency reported **215** contracts, including:

Sempra Energy Solutions
Natural gas
$6,457,929

Creative Socio-Medics *
Pharmacy software systems
$3,059,007

Northrup Grumman Technical Services, Inc.
Mainframe processing services
$2,158,368

David Wood Construction *
Modify sleep areas; add fire sprinkler system
$1,743,277

McKesson Corporation
Client pharmaceuticals
$1,688,152

CMPA, Inc. *
Safety code improvements, Abilene State School
$1,552,633

* Known multi-year contract

Budget Highlights

General Revenue and General–Dedicated Funds accounted for 53.2 percent of the agency's expenditures in fiscal year 2004, and Federal Funds accounted for 42 percent. Other Funds comprised the remaining 4.8 percent of the agency's total expenditures.

Expenditures reported by the agency for fiscal year 2004 exceeded amounts appropriated to it in the Seventy-eighth Legislature, General Appropriations Act (GAA), 2004–05 Biennium, by $7.2 million in All Funds. The agency's General Revenue and General Revenue–Dedicated Fund expenditures were $41.1 million less than appropriated to it, whereas the agency's Federal Fund expenditures were $47.3 million above and Other Fund expenditures were $1.0 million above appropriated amounts. Federal Fund increases were attributed to refinancing of consumers from state-funded services into Medicaid waiver services and to state fiscal relief funds (enhanced federal funding for Medicaid). The increase in federal funding contributed to an unexpended balance for fiscal year 2004 of $27.7 million in General Revenue Funds. Other General Revenue and General Revenue–Dedicated Funds differences were the result of GAA (2004–05 Biennium) Article IX reductions for property sales, Article II Special Provisions reductions for transportation services, and lapsing Capital Trust Funds. The General Revenue Fund reductions for property sales and transportation services were offset by increases in Other Funds.

Pursuant to House Bill 2292, Seventy-eighth Legislature, Regular Session, 2003, the agency's client services were absorbed into two new agencies effective September 1, 2004. Mental Retardation (MR) client services moved to the Department of Aging and Disability Services and Mental Health (MH) client services moved to the Department of State Health Services. Certain administrative functions transferred to the Health and Human Services Commission (HHSC).

Full-time-equivalent Employees

The agency did not exceed the estimated cap for full-time-equivalent (FTE) positions in fiscal year 2004.

The FTE cap for fiscal year 2004 has been adjusted for the transfer of certain FTEs to HHSC.

Performance Measures Audit Reports

The most recent performance measures audit by the State Auditor's Office was in August 2001, when the *Performance Measures at 12 State Agencies* report certified with qualifications three measures, found six measures to be inaccurate, and factors prevented certification of one measure for fiscal year 2000. The report also certified with qualifications one measure, found four measures to be inaccurate, and factors prevented certification of one measure for the first quarter of fiscal year 2001.

Other Reports and Reviews

No special reports or reviews of the agency were identified after September 2003.

Department of Mental Health and Mental Retardation

Performance Highlights

During fiscal year 2004, the agency attained (within 5 percent) or exceeded 76 percent of its 34 established key performance targets.

The agency attained or exceeded 4 of its 5 outcome targets and 22 of its 29 output/efficiency targets.

Measures Assessments

The *Average Monthly Number of Children Receiving MH Services in the Community* was below the fiscal year 2004 target. The number of children receiving mental health services has declined by more than one-half since fiscal year 2000. According to the agency, the decline is due to a shift in emphasis from the number of clients served to providing more expensive evidence-based services such as family focused and school-based services.

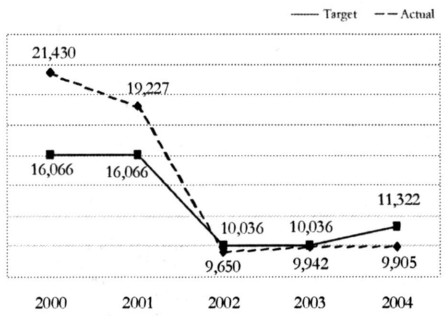
The agency achieved its target in fiscal year 2004 for *Average Monthly Number of State Mental Health Facility Consumers Receiving New Generation Medications*. The agency attributes the increased use of new generation medications to increased admissions at state mental health hospitals.

The agency achieved its target for *Average Monthly Number of MR Campus Residents (State Schools)* in fiscal year 2004. However, the number of residents in state schools continued a five-year decline.

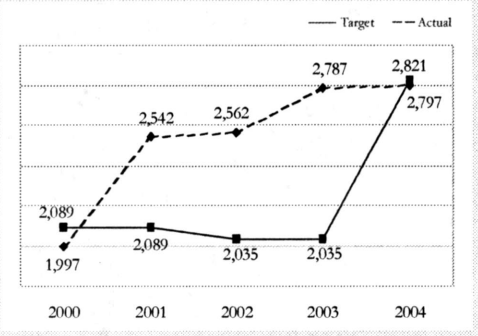
The agency exceeded its target for *Average Monthly Number of Consumers Receiving Medicaid Waiver Services (MR)* in fiscal year 2004. The increase in MR consumers receiving Medicaid waiver services paralleled a decrease in the number of consumers receiving state-funded residential and nonresidential community services. According to the agency, the shift from state-funded community services to Medicaid waiver services is due to the agency's continued refinancing efforts. The agency refinanced consumers by using General Revenue Funds appropriated for community services as the state match for Medicaid federal funds for waiver services.

Selected Performance Measures

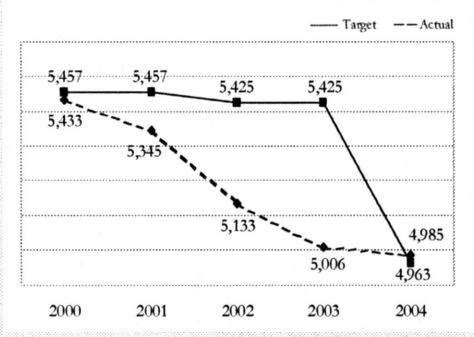
AVERAGE MONTHLY NUMBER OF CHILDREN RECEIVING MH SERVICES IN THE COMMUNITY



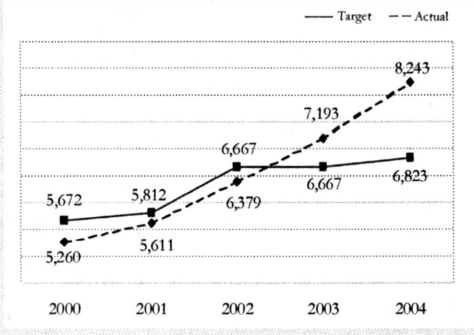
AVERAGE MONTHLY NUMBER OF STATE MENTAL HEALTH FACILITY CONSUMERS RECEIVING NEW GENERATION MEDICATIONS



AVERAGE MONTHLY NUMBER OF MR CAMPUS RESIDENTS (STATE SCHOOLS)



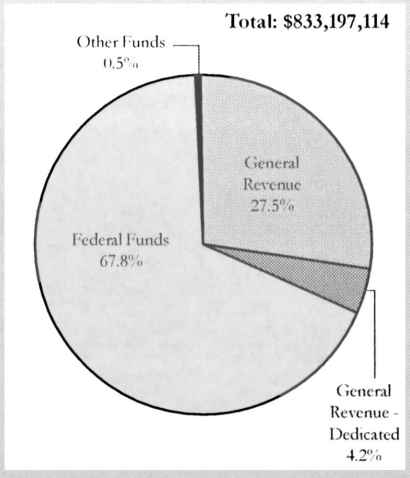
AVERAGE MONTHLY NUMBER OF CONSUMERS RECEIVING MEDICAID WAIVER SERVICES (MR)



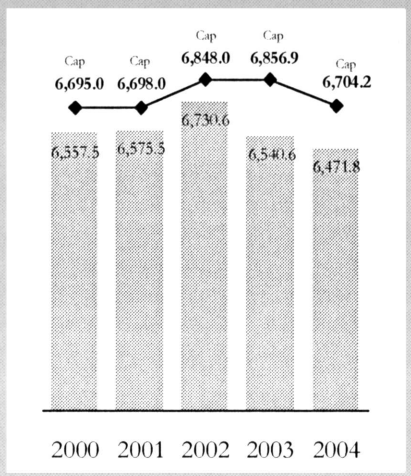
Department of Protective and Regulatory Services

Selected Budget Information

ALL FUNDS, 2004 ESTIMATED



FULL-TIME-EQUIVALENT POSITIONS



MAJOR CONTRACTS REPORTED, 2004

In fiscal year 2004, the agency reported **753** contracts, including:

Northrup Grumman Technical Services, Inc. *
Outsourced services
$84,446,450

Bair Foundation of Texas *
Child placement agency (foster homes)
$39,334,828

Life Support Counseling & Research *
Child placement agency (foster homes)
$30,698,886

Lutheran Social Services of the South Inc. *
Child placement agency (foster homes)
$29,189,210

Arrow Project *
Child placement agency (foster homes)
$19,774,780

A World for Children, Inc. *
Child placement agency (foster homes)
$13,096,776

* Known multi year contract

Budget Highlights

General Revenue Funds and General Revenue–Dedicated Funds accounted for 31.7 percent of the agency's expenditures in fiscal year 2004 and Federal Funds accounted for 67.8 percent. The Temporary Assistance for Needy Families (TANF) grants contributed slightly more than one-third ($189 million) of the Federal Funds.

Expenditures for fiscal year 2004 were $39.1 million lower than appropriated by Article II of the Seventy-eighth Legislature, General Appropriations Act, 2004–05 Biennium. This was primarily due to slower growth in foster care payments, transfer of the Communities-in-Schools program to the Texas Education Agency, and transfer of various administrative functions to the Health and Human Services Commission pursuant to House Bill 2292, Seventy-eighth Legislature, Regular Session, 2003.

The agency spent $14.5 million less than appropriated for the *Foster Care Payments* strategy for fiscal year 2004 as a result of lower than projected caseload growth and placement of children in lower levels of care. The expenditure variance occurred in Federal Funds, with a $7.9 million increase in Title IV-E Federal Funds (entitlement revenue) offset by the lapse of $22.4 million in TANF Federal Funds (block grant revenue).

Fifty-one percent of the agency's total expenditures in fiscal year 2004 was for foster care and adoption subsidy payments, and 34 percent was for other child protective services. In addition, 4 percent was for adult protective services, 4 percent for prevention services, 4 percent for administration, 2 percent for child-care regulation, and 1 percent for statewide intake services.

During fiscal year 2004, the agency was renamed the Department of Family and Protective Services, pursuant to House Bill 2292.

Full-time-equivalent Employees

The agency did not exceed its cap for full-time-equivalent (FTE) positions in fiscal year 2004.

The FTE cap has been adjusted for the transfer of 90 positions to the Health and Human Services Commission pursuant to House Bill 2292.

Performance Measures Audit Reports

The most recent performance measures audit by the State Auditor's Office (SAO) was in August 2001, when the *Performance Measures at 12 State Agencies* report certified without qualifications four measures, certified with qualifications two measures, found two measures to be inaccurate, and factors prevented certification of one measure for fiscal year 2000. The report also certified without qualifications three measures, certified with qualifications four measures, and factors prevented certification of one measure for the first quarter of fiscal year 2001. The agency reported that it has addressed SAO concerns about the two measures found to be inaccurate and has taken steps to correct the factors that prevented certification of two measures.

Other Reports and Reviews

A Financial Review of the Department of Family and Protective Services, dated July 2004, issued by the SAO stated that the agency's accounting systems and processes enable it to report accurate and consistent strategy-level financial

statement information to the legislature and oversight agencies. However, the data analysis identified inconsistencies in the agency's use of its Information Management Protecting Adults and Children in Texas system that diminish the data's usefulness for making day-to-day management decisions and detecting anomalies in service delivery and related expenditures. It was noted that the agency has addressed prior findings related to calculating and reporting performance measures and is taking steps to improve the accuracy of its forecasts of future foster care needs.

Forgotten Children, A Special Report on the Texas Foster Care System, dated April 2004, issued by the Texas Comptroller of Public Accounts identified problems in the agency's foster care system and recommended numerous improvements to ensure child safety and well-being.

Final Report on Executive Order RP 33, Relating to Reforming the Adult Protective Services Program, dated November 2004, issued by the Health and Human Services Commission identified problems in the agency's in-home adult protective services program and provided a plan to strengthen and improve services for vulnerable adults.

Final Report on Executive Order RP 35, Relating to Reforming the Child Protective Services Program, dated January 2005, issued by the Health and Human Services Commission identified problems in the agency's child protective services program and provided a two-year plan to strengthen and transform the service delivery system.

PERFORMANCE HIGHLIGHTS

During fiscal year 2004, the agency attained (within 5 percent) or exceeded 74 percent of its 34 established key performance targets. This count does not include two performance measures for the Communities-in-Schools program that transferred to the Texas Education Agency on September 1, 2003.

The agency attained or exceeded 7 of its 9 outcome targets and 18 of its 25 output/efficiency targets.

MEASURES ASSESSMENTS

The agency attained its targets for fiscal year 2004 for *Number of Confirmed Child Protective Services Cases* and *Average Number of Days per Month of Foster Care for All Levels of Care*. Confirmed cases rose 6.4 percent between fiscal year 2000 and fiscal year 2004. Foster care days rose 32.9 percent over the same period of time.

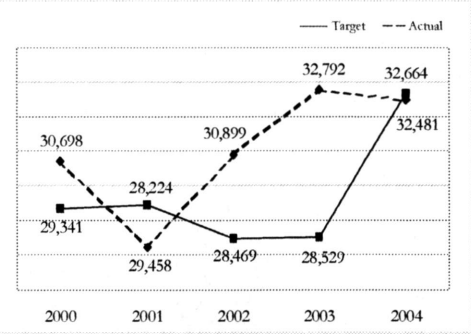
The agency exceeded its target for fiscal year 2004 for *Number of Children in PRS Conservatorship Who Are Adopted*. The agency states that this is due to collaboration with the private sector, enhanced recruitment efforts, and searching for an adoptive family earlier in the permanency planning process.

The agency attained its target for fiscal year 2004 for *Number of Completed Adult Protective Services Investigations*. Completed investigations rose 18.5 percent between fiscal year 2000 and fiscal year 2004.

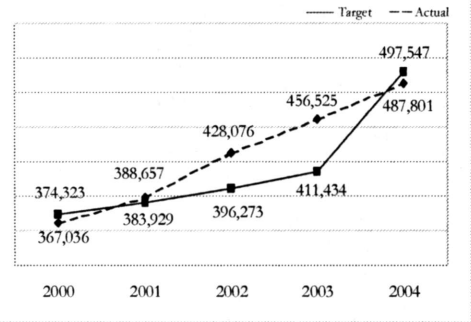
The *Child Protective Services Caseworker Turnover Rate* declined from 23.5 percent in fiscal year 2003 to 23.0 percent in fiscal year 2004.

SELECTED PERFORMANCE MEASURES

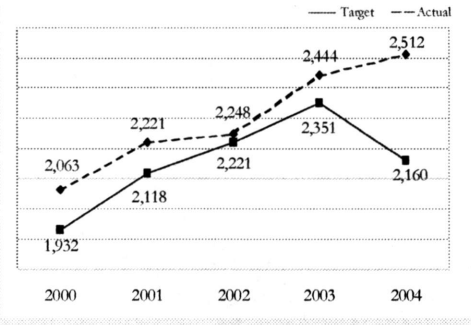
NUMBER OF CONFIRMED CHILD PROTECTIVE SERVICES CASES



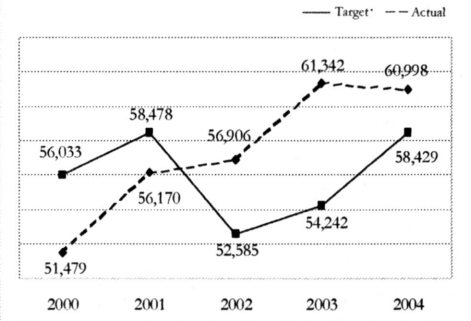
AVERAGE NUMBER OF DAYS PER MONTH OF FOSTER CARE FOR ALL LEVELS OF CARE



NUMBER OF CHILDREN IN PRS CONSERVATORSHIP WHO ARE ADOPTED



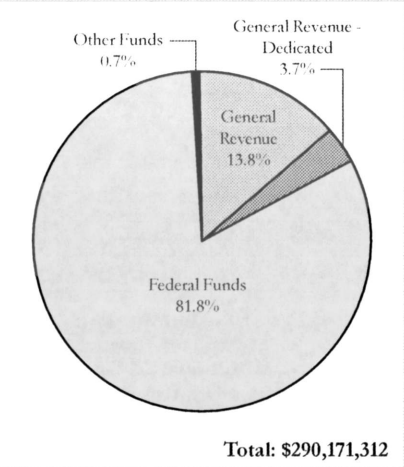
NUMBER OF COMPLETED ADULT PROTECTIVE SERVICES INVESTIGATIONS



REHABILITATION COMMISSION

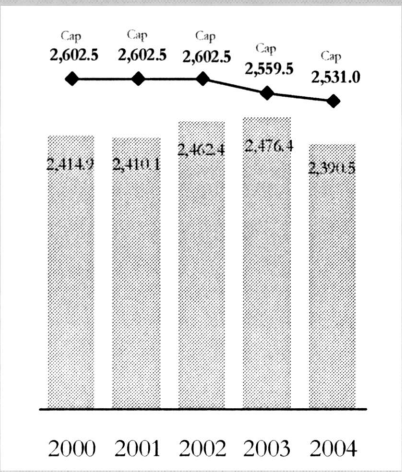
SELECTED BUDGET INFORMATION

ALL FUNDS, 2004 ESTIMATED



Total: $290,171,312

FULL-TIME-EQUIVALENT POSITIONS



MAJOR CONTRACTS REPORTED, 2004

In fiscal year 2004, the agency reported **428** contracts, including:

Starboard Technology *
Computer equipment rental
$14,245,050

Northrup Grumman Technical Services, Inc. *
Computer hardware and software services
$6,400,000

Neurobehavioral Resources Ltd. *
Post acute brain injury services
$3,028,903

Brown-Karhan Private Group Homes, Inc. *
Post acute brain injury services
$2,425,453

Pate Rehabilitation Endeavors Inc. *
Community rehabilitation program services
$2,302,674

Texas Industries for the Blind and Handicapped *
Mail services
$1,895,292

* Known multi-year contract

BUDGET HIGHLIGHTS

The Vocational Rehabilitation Program is the agency's largest program. This federally funded program helps persons with disabilities secure and retain employment. The state must maintain, at a minimum, the same level of expenditures for the current fiscal year as was achieved two years earlier. The required state match or share of total expenditures is 21.3 percent.

The agency's expenditures for fiscal year 2004 totaled approximately $290.0 million in All Funds. The agency expended about $400,000 less in General Revenue Funds than was appropriated in the 2004–05 General Appropriations Act (GAA) for fiscal year 2004. The reduction of funds was primarily due to a requirement in GAA Article II, Special Provisions, Section 26, for the agency to enter into a Memorandum of Understanding with the Texas Department of Transportation to provide transportation services for health and human services clients. A related increase is reflected in Other Funds in the agency's budget.

The agency reported a lapse of $3.9 million in collections of Federal Funds, which the agency attributes mainly to an overestimation of the amount of federal Social Security Disability Insurance funds provided for the Disability Determination Services strategy, a program funded with 100 percent Federal Funds.

In Other Funds, the agency expended an estimated $1.0 million more in subrogation receipts than the $500,000 estimated in the 2004–05 GAA for fiscal year 2004. Rider 3 of the agency's bill pattern authorizes the agency to expend all subrogation receipts, including a one-time balance. Subrogation receipts are collected from cost-recovery legal action related to rehabilitation services provided by the agency. Costs may be recovered from personal insurance, from another person for personal injury caused by negligence or wrongdoing, or other sources. Rider 3 appropriates the subrogation receipts for client services in the Vocational Rehabilitation Program.

On March 1, 2004, the Rehabilitation Commission was consolidated with the Commission for the Blind, the Interagency Council on Early Childhood Intervention, and the Commission for the Deaf and Hard of Hearing to form the Department of Assistive and Rehabilitative Services, pursuant to House Bill 2292, Seventy-eighth Legislature, Regular Session, 2003.

FULL-TIME-EQUIVALENT EMPLOYEES

The agency did not exceed its cap for full-time-equivalent (FTE) positions in fiscal year 2004.

The FTE cap for fiscal year 2004 has been adjusted to reflect transfers of positions to the Health and Human Services Commission.

PERFORMANCE MEASURES AUDIT REPORTS

The most recent performance measures audit by the State Auditor's Office was in August 1997, when the *Performance Measures at 26 State Agencies* report certified without qualifications seven measures, certified with qualifications one measure, and found one measure to be inaccurate.

OTHER REPORTS AND REVIEWS

No special reports or reviews of the agency were identified after September 2003.

The agency is eligible to implement an enhanced compensation program for employees during fiscal year 2005, pursuant to Article IX, Section 6.28(d)

of the 2004–05 General Appropriations Act. Agency eligibility is based on attainment of at least 80 percent of key performance targets in fiscal year 2004 and certification that at least 70 percent of audited key measures are accurate. Classified employees who directly contribute to improvements in agency performance may be awarded up to 6.8 percent of their base salary.

PERFORMANCE HIGHLIGHTS

During fiscal year 2004, the agency attained (within 5 percent) or exceeded 93 percent of its 15 established key performance targets.

The agency attained or exceeded all three of its outcome targets and 11 of its 12 output/efficiency targets.

MEASURES ASSESSMENTS

The agency did not achieve the target for *Number of Eligible Clients Provided Vocational Rehabilitation Services*, serving 92 percent of the target number. According to the agency, policy changes in response to a recent review of the agency by the federal Rehabilitation Services Administration were implemented in fiscal year 2004 to improve quality of services and to ensure accurate eligibility assessment. The agency reports that lower caseloads, as well as improvements in assessment and initial planning, resulted in fewer clients served.

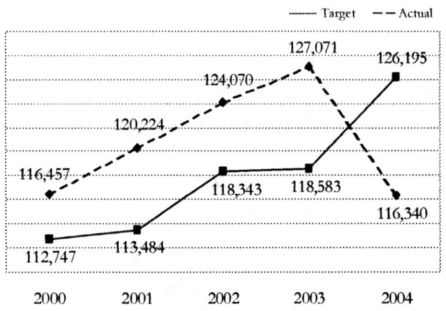
The agency attained the target for *Cost per Client Rehabilitated and Employed*, spending $8,285 for each client achieving employment. The agency also attained the target for *Number of Eligible Clients Rehabilitated and Employed*. The target was lowered from fiscal year 2003 to fiscal year 2004, because of difficulty achieving the target in past years. The agency did not achieve either performance target for the Vocational Rehabilitation Program in fiscal year 2003.

The *Number of Individuals Whose TRC-supported Training and Education Extended Past Two Years* exceeded the fiscal year 2004 target. Desired performance for this measure is equal to or lower than the target. There were 171 more individuals who had training and education extend beyond two years in fiscal year 2004 than in fiscal year 2003. In addition, the agency exceeded its target for the *Average Length of TRC-supported Training and Education*, by providing short-term training programs averaging 9.4 months. The agency reports that utilization of short-term training programs reduces the *Cost per Individual in a TRC-supported Training and Education Course*—another measure in which the target was exceeded. The agency also reported that maximizing use of comparable benefits, such as student financial aid and tuition exemptions for the deaf, contributed to exceeding this target.

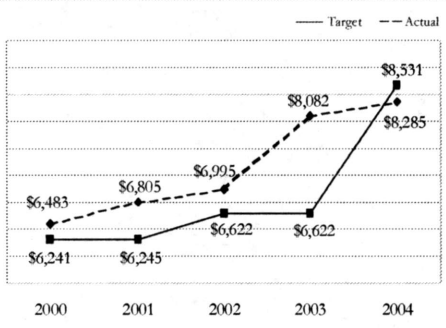
The agency exceeded the fiscal year 2004 target for the *Cost per Comprehensive Rehabilitation Services Client*, spending only 71 percent of the anticipated costs. The cost dropped for the third year, although the agency had reported in fiscal year 2003 that an increase in costs for fiscal year 2004 was expected. According to the agency, the cost per consumer served is lower than anticipated because more consumers were served in the last two quarters, reducing the Comprehensive Rehabilitation Services (CRS) waiting list. The timing of availability of funds impacts the cost measure, therefore, the agency anticipates increased costs in fiscal year 2005, compounded by rising medical costs. The target for *Number of People Receiving Comprehensive Rehabilitation Services* was also exceeded. The CRS program provides rehabilitation services to persons with traumatic spinal cord and/or brain injuries, and is funded by court fees assessed on misdemeanor and felony convictions.

SELECTED PERFORMANCE MEASURES

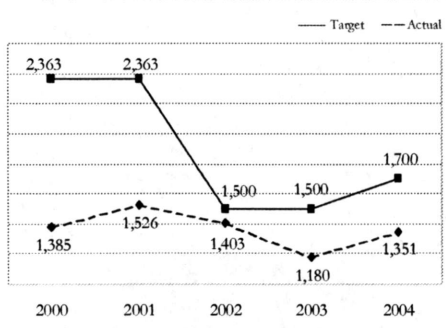
NUMBER OF ELIGIBLE CLIENTS PROVIDED VOCATIONAL REHABILITATION SERVICES



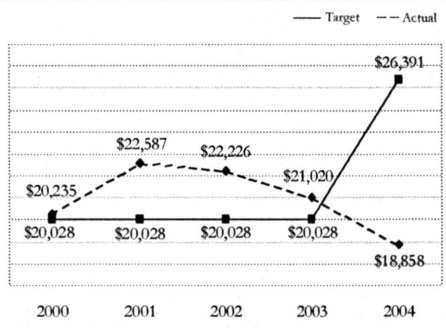
COST PER CLIENT REHABILITATED AND EMPLOYED



NUMBER OF INDIVIDUALS WHOSE TRC-SUPPORTED TRAINING AND EDUCATION EXTENDED PAST TWO YEARS



COST PER COMPREHENSIVE REHABILITATION SERVICES CLIENT



AGENCY	PERCENTAGE OF PERFORMANCE TARGETS ACHIEVED [1]	NUMBER OF KEY PERFORMANCE MEASURES
Public Education:		
Texas Education Agency	64%	73
State Board for Educator Certification	65	17
School for the Blind and Visually Impaired	92	13
School for the Deaf	80	15
Teacher Retirement System	86	7
Public Higher Education:		
Higher Education Coordinating Board	69	45
General Academic Institutions	53	234
Health-related Institutions	76	106
Public Community/Junior Colleges	80	508[2]
Texas State Technical College	70	20
Texas Agricultural Experiment Station	88	8
Texas Cooperative Extension	100	8
Texas Engineering Experiment Station	89	9
Texas Transportation Institute	86	7
Texas Engineering Extension Service	57	7
Texas Forest Service	64	11
Texas Veterinary Medical Diagnostic Laboratory	80	5
Texas Food and Fibers Commission	100	4

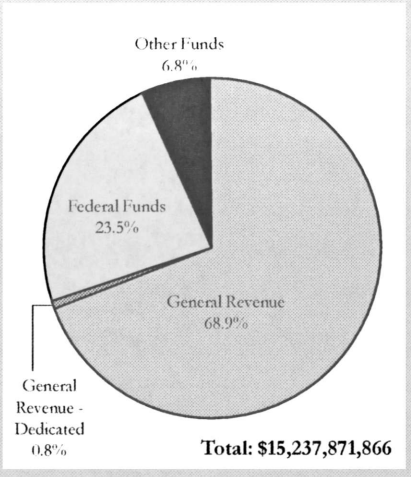
[1] *Percentage of Performance Targets Achieved* reflects those measures (excluding explanatory) for which performance has attained or exceeded 95 percent of the established target.

[2] Total number of performance measures for which institutions made projections. Public Community/Junior Colleges do not have key measures appearing in the General Appropriations Act.

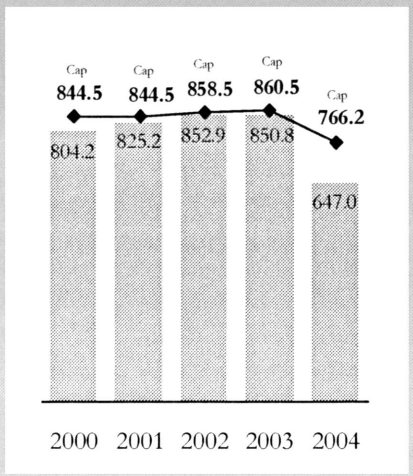
Texas Education Agency

Selected Budget Information

ALL FUNDS, 2004 ESTIMATED



FULL-TIME-EQUIVALENT POSITIONS



MAJOR CONTRACTS REPORTED, 2004

In fiscal year 2004, the agency reported **56** contracts, including:

National Computer Systems, Inc. *
Conduct student assessments
$237,848,651

Northrup Grumman Technical Services *
Mainframe outsourcing
$25,974,902

Oak Hill Technology, Inc. *
Monitor student assessment program
$16,738,799

NCS Pearson, Inc. *
Study guide development
$13,241,288

Northrup Grumman Technical Services *
Desktop support
$11,051,147

Educational Testing Service *
Advanced placement exams
$5,800,000

* Known multi-year contract

Budget Highlights

Ninety-one percent ($9.7 billion) of the General Revenue Funds expended by the agency in fiscal year 2004 were allocated to school districts through the Foundation School Program.

The Other Funds appropriation of $1.044 billion includes $1.035 billion in attendance credits revenue, or "recapture," from property-wealthy school districts, which is used as a method of finance for the Foundation School Program. The remaining $9.0 million is appropriated from the Permanent School Fund for administration of the fund.

The agency distributed nearly $3.6 billion in Federal Funds in fiscal year 2004, a 25 percent increase from the prior year. Federal funding for economically disadvantaged students through Title I of the No Child Left Behind Act accounted for most of this increase.

Higher than estimated growth in student enrollment (calculated as average daily attendance) in both fiscal years 2003 and 2004 rendered the school districts' Foundation School Program entitlements $360 million more than appropriated for that purpose in fiscal year 2004. Using mechanisms established in the General Appropriations Act, the agency was directed to transfer this amount from fiscal year 2005 to fiscal year 2004 to cover the shortfall.

Full-time-equivalent Employees

The agency did not exceed its cap for full-time-equivalent positions in fiscal year 2004.

Performance Measures Audit Reports

The most recent performance measures audit by the State Auditor's Office (SAO) was in May 1998, when the *Performance Measures at 36 State Entities* report certified all five measures reviewed.

Other Reports and Reviews

An Audit Report on the Certification of the Permanent School Fund's Bond Guarantee Program, dated April 2004, issued by the SAO certified that the amount of bonds guaranteed by the Permanent School Fund's Bond Guarantee Program is within the limit prescribed by Section 45.053(a) of the Texas Education Code. However, the program is approaching a second guarantee limit established by an Internal Revenue Service letter ruling. Based on current trends, the remaining program capacity of $4.1 billion at August 31, 2003, could be depleted in 2005.

The agency underwent review by the Sunset Advisory Commission during the 2004–05 biennium.

PERFORMANCE HIGHLIGHTS

During fiscal year 2004, the agency attained (within 5 percent) or exceeded 64 percent of its 73 established key performance targets.

The agency attained or exceeded 28 of its 44 outcome targets and 19 of its 29 output/efficiency targets.

MEASURES ASSESSMENTS

In fiscal year 2004, the agency did not attain its target for *Percent of Students Passing All Tests Taken*. According to the agency, the target for 2004 was set based on the results of the first administration of the Texas Assessment of Knowledge and Skills (TAKS) examination. When this target was set, there were still two unknowns: (1) the standard of performance that would be required by the State Board of Education for proficiency and (2) the performance level students would be able to achieve on the new examination. TAKS is a more rigorous examination that covers more grades and subject areas than previous assessments.

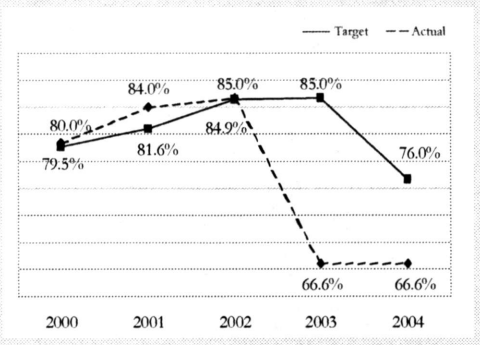
The agency attained its target for *Percent of Students Included in the Accountability System* in fiscal year 2004. About 6 percent of the student body in the tested grades (grades 3–11) took the State-Developed Alternative Assessment (SDAA) for special education students, the results of which were used in calculating campus and district accountability ratings.

The target for *Annual Statewide Dropout Rate for All Students* was exceeded in fiscal year 2004. The number of reported dropouts held constant between the fiscal year 2003 and fiscal year 2004 reports. During that period, the annual dropout rate for African American students and students identified as "other" decreased by 0.1 percent. The annual dropout rate for Hispanic students increased by 0.1 percent, and the annual dropout rate for Anglo students held constant at 0.4 percent. The annual dropout rate for economically disadvantaged students increased by 0.1 percent. Although the gaps have narrowed in recent years, the dropout rates for African American and Hispanic students (1.2 percent and 1.4 percent respectively) remain more than three times that of Anglo students (0.4 percent).

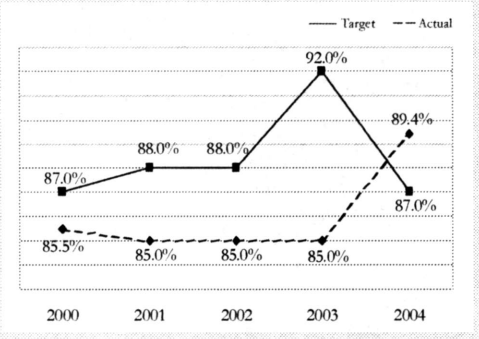
The agency did not attain its target for *Percent of Special Education Students Included in the Accountability System* in fiscal year 2004. Beginning in 2004, the measure includes the number of students taking either the TAKS or the SDAA. Because the SDAA is currently available only for students in grades 3–8, special education students in grades 9–11 for whom the TAKS is not an appropriate assessment take a Locally-Developed Alternative Assessment (LDAA), which is not included in the state accountability system. Fifteen percent of special education students take an LDAA. Another 10 percent of special education students are not included in the accountability system because they did not test in the same district in which they were enrolled the previous October. This mobility policy applies to all students. Absence, Limited English Proficiency exemption, and other reasons account for the remaining subset of special education students who are not included in the accountability system.

SELECTED PERFORMANCE MEASURES

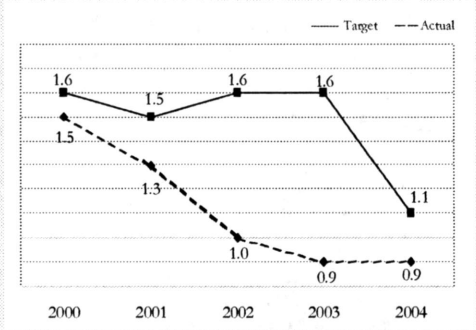
PERCENT OF STUDENTS PASSING ALL TESTS TAKEN



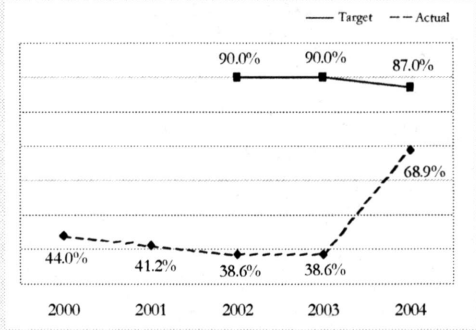
PERCENT OF STUDENTS INCLUDED IN THE ACCOUNTABILITY SYSTEM



ANNUAL STATEWIDE DROPOUT RATE FOR ALL STUDENTS



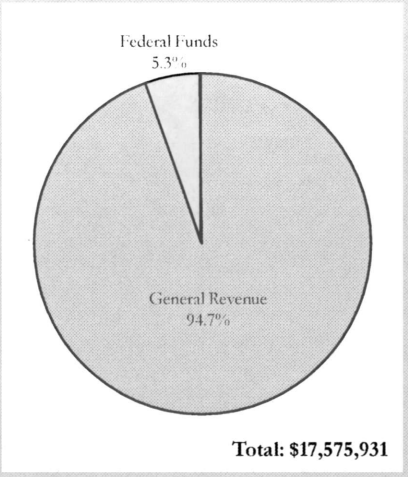
PERCENT OF SPECIAL EDUCATION STUDENTS INCLUDED IN THE ACCOUNTABILITY SYSTEM



State Board for Educator Certification

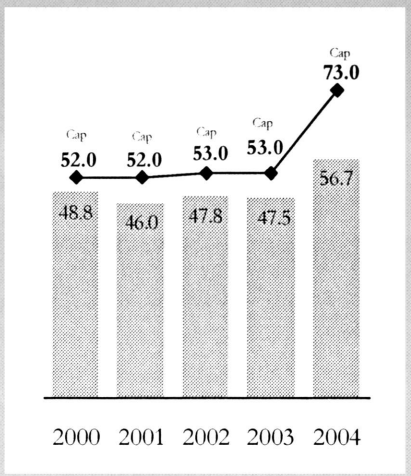
Selected Budget Information

ALL FUNDS, 2004 ESTIMATED



Total: $17,575,931

FULL-TIME-EQUIVALENT POSITIONS



MAJOR CONTRACTS REPORTED, 2004

In fiscal year 2004, the agency reported **16** contracts, including:

National Evaluation Systems, Inc.*
Administer assessments, educator certifications
$39,445,580

Resources for Learning *
Comparability study
$858,821

NF Consulting Services *
Hardware and software support
$733,835

Bearing Point *
Subscription fee service
$715,290

WB IND-HP Limited *
Building lease
$714,913

National Evaluation Systems, Inc. *
Develop master science exam
$629,000

* Known multi-year contract

Budget Highlights

Approximately 84 percent of the agency's total fiscal year 2004 expenditures supported functions related to educator preparation, certification examination, and credentialing. The remainder supported enforcement of standards of professional conduct (including the new fingerprinting component of the criminal history background check program) and educator retention and recruitment.

Certification and assessment fees (General Revenue Funds) accounted for an estimated 95 percent of the agency's total expenditures for fiscal year 2004.

Federal Funds provided $940,000 to support the creation of a Master Science Teacher Certificate and to continue support for the Texas Beginning Educator Support System, a teacher induction/mentoring program.

Full-time-equivalent Employees

The agency did not exceed its cap for full-time-equivalent (FTE) positions in fiscal year 2004.

The agency's FTE cap increased by 20 positions between fiscal year 2003 and fiscal year 2004 as a result of transferring some information and referral service functions of the Region 20 Education Service Center to the agency and the conversion of six contract positions into state employee positions.

Performance Measures Audit Reports

The most recent performance measures audit by the State Auditor's Office was in May 2000, when the *Performance Measures at 11 State Agencies* report certified with qualification one measure, found two measures to be inaccurate, and factors prevented certification of two measures.

Other Reports and Reviews

No special reports of the agency were identified after September 2003.

The agency underwent review by the Sunset Advisory Commission during the 2002–03 biennium, and the commission recommended continuation of the agency for another 12 years. However, under the omnibus Sunset review bill, House Bill 2455, Seventy-eighth Legislature, Regular Session, 2003, the agency is continued until August 31, 2005 and is directed to enter into a Memorandum of Understanding with the Texas Education Agency to consolidate administrative functions and services. The process began in fiscal year 2004. Under House Bill 2455, the Sunset Advisory Commission was directed to conduct a special review of the agency focusing on the 2002 recommendations. The commission issued the special report in November 2004 and included five agency-specific recommendations.

State Board for Educator Certification

Performance Highlights

During fiscal year 2004, the agency attained (within 5 percent) or exceeded 65 percent of its 17 established key performance targets.

The agency attained or exceeded 4 of its 6 outcome targets and 7 of its 11 output/efficiency targets.

Measures Assessments

While the actual *Number of Certification Exams Administered* decreased from fiscal year 2003, the target for 2004 was exceeded by 26 percent. According to the agency, demand for certification examinations is difficult to project, largely due to unpredictable demand coming out of alternative certification programs.

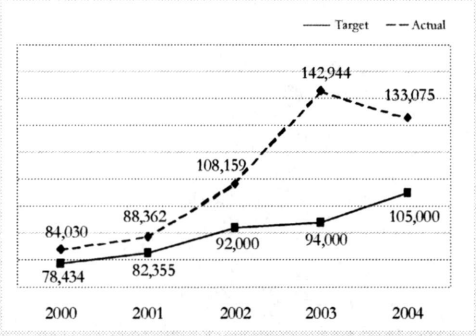
After several years of fluctuating performance, the trend for the output measure, *Number of Individuals Issued Initial Teacher Certificates,* is on an upward track. As cited by the agency, the increase in both the number of exams administered and the number of individuals issued initial certificates during fiscal year 2004 is due primarily to the requirements in the federal No Child Left Behind Act regarding "Highly Qualified" educators. Increases can also be attributed to individuals obtaining one or more of the Examination for the Certification of Educators in Texas certificates that are being phased out effective August 31, 2004.

The agency exceeded the target for the *Percent of Educator Preparation Programs Rated "Accredited"*, with 100 percent of educator preparation programs receiving full accreditation. According to the agency, a change in the Accelerated Science Achievement Program rule to align with federal Title II accountability requirements led to improvement in accreditation status.

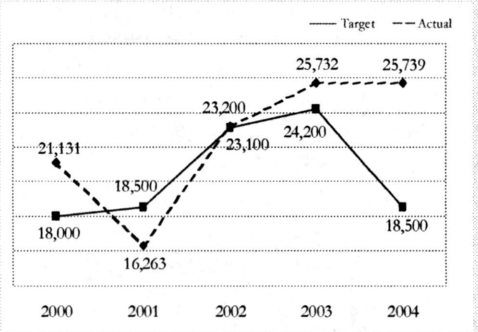
The agency exceeded its fiscal year 2004 target for *Percent of Documented Complaints Resolved within Six Months.* According to the agency, this performance can be attributed to the consistent efficiency and diligence of the Professional Discipline Unit.

Selected Performance Measures

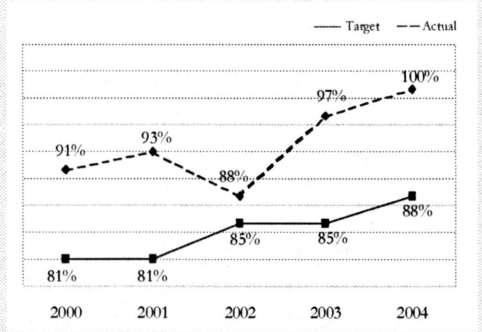
NUMBER OF CERTIFICATION EXAMS ADMINISTERED



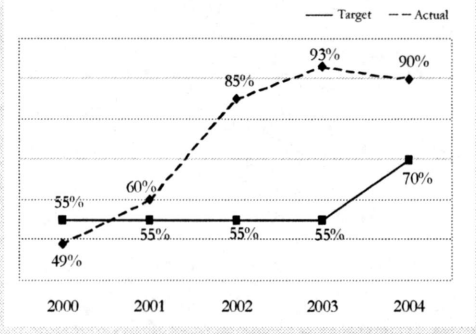
NUMBER OF INDIVIDUALS ISSUED INITIAL TEACHER CERTIFICATES



PERCENT OF EDUCATOR PREPARATION PROGRAMS RATED "ACCREDITED"



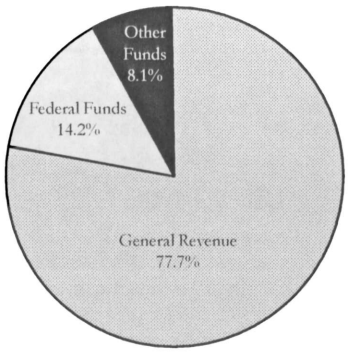
PERCENT OF DOCUMENTED COMPLAINTS RESOLVED WITHIN SIX MONTHS



School for the Blind and Visually Impaired

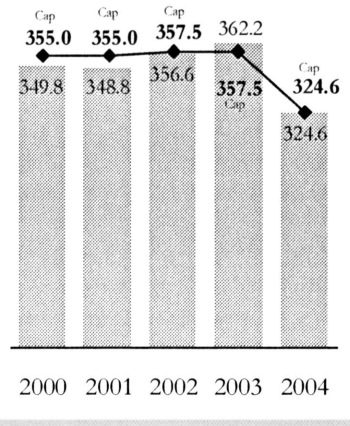
Selected Budget Information

ALL FUNDS, 2004 ESTIMATED



Total: $15,942,052

FULL-TIME-EQUIVALENT POSITIONS



MAJOR CONTRACTS REPORTED, 2004

In fiscal year 2004, the agency reported **no** contracts.

Budget Highlights

The agency reported Other Funds expenditures of $1.3 million, which included $884,124 in Appropriated Receipts from school districts. These funds represent the districts' Foundation School Fund entitlements for the students referred to the agency.

Administrative expenditures accounted for $2.6 million of the $15.9 million All Funds total for fiscal year 2004, or about 16 percent of the agency's budget.

Approximately 86 percent of the $2.3 million in Federal Funds received by the agency in fiscal year 2004 were special education grants. Other Federal Funds included grants for health services, technology, and child nutrition.

The agency received $457,660 in additional General Revenue Fund appropriations through budget execution in fiscal year 2004 to cover higher than expected salary, utility, and retirement incentive costs.

Full-time-equivalent Employees

The agency did not exceed its cap for full-time-equivalent positions in fiscal year 2004.

Performance Measures Audit Reports

The most recent performance measures audit by the State Auditor's Office was August 1997, in the *1997 Small Agency Management Control Audit* that certified with qualification two measures.

Other Reports and Reviews

No special reports or reviews of the agency were identified after September 2003.

School for the Blind and Visually Impaired

Performance Highlights

During fiscal year 2004, the agency attained (within 5 percent) or exceeded 92 percent of its 13 established key performance targets.

The agency attained or exceeded all 3 of its outcome targets and 9 of its 10 output/efficiency targets.

Measures Assessments

The agency exceeded its fiscal year 2004 target for *Percent of Students Whose ISDs Rated Summer School Very Satisfactory.* According to the agency, students learn skills and have experiences at summer school that are not available to them in their regular public schools.

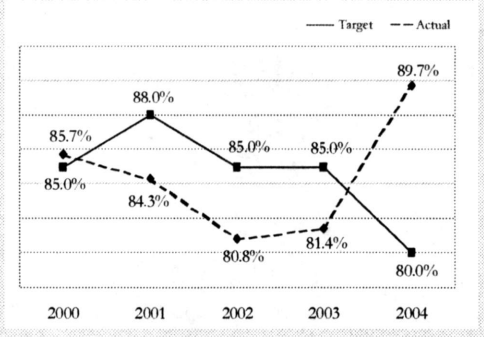
As compared with fiscal year 2003, the *Number of On-site Visits* were targeted to be lower in fiscal year 2004 due to substantial budget reductions. However, resources were found throughout fiscal year 2004, and the agency surpassed its target for the *Number of On-site Visits.* The agency cites the increase in students with complex programming needs as the reason multiple visits were conducted to help assist staff to implement recommended changes.

The agency attained or exceeded targets for all measures that reflected the number of students enrolled in programs. The *Number of Students Enrolled in Day Programming During the School Year* was above target because the addition of a new post-secondary program and an increased number of referrals of visually impaired students who require intensive and specialized services have boosted the enrollment. The increase in *Number of Students Enrolled with Multiple Disabilities* is due to an increased number of referrals of visually impaired students with additional disabilities.

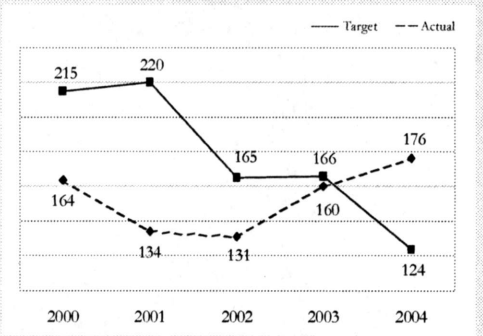
As a result of budget reductions in fiscal year 2004, the *Average Cost of Instructional Program per Student per Day* was below target. The budget was substantially reduced in fiscal year 2004, leading to staff reductions, thereby reducing the cost of instruction per student.

Selected Performance Measures

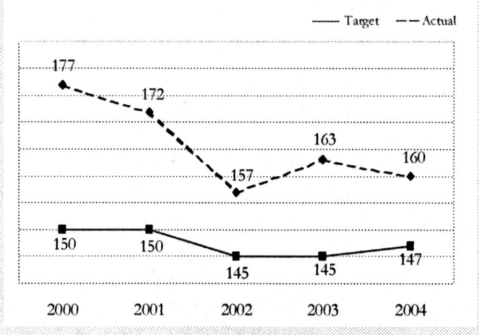
PERCENT OF STUDENTS WHOSE ISDs RATED SUMMER SCHOOL VERY SATISFACTORY



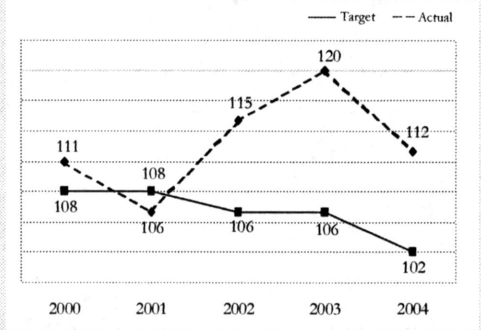
NUMBER OF ON-SITE VISITS



NUMBER OF STUDENTS ENROLLED IN DAY PROGRAMMING DURING THE SCHOOL YEAR



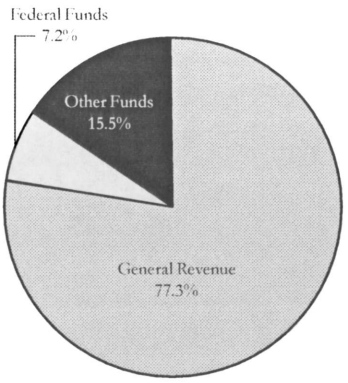
NUMBER OF STUDENTS ENROLLED WITH MULTIPLE DISABILITIES



School for the Deaf

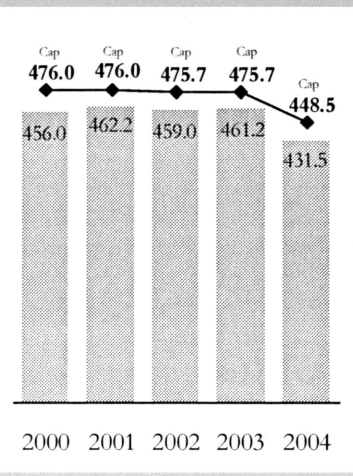
Selected Budget Information

ALL FUNDS, 2004 ESTIMATED



Total: $19,363,559

FULL-TIME-EQUIVALENT POSITIONS



MAJOR CONTRACTS REPORTED, 2004

In fiscal year 2004, the agency reported **five** contracts:

Adventure Express *
Transportation services
$216,000

Clark Travel *
Charter bus services
$207,946

Department of Veterans Affairs *
Laundry services
$80,000

Bryan Independent School District
Communications skills workshop
$55,000

Northrup Grumman Technical Services
Information technology services
$30,000

* Known multi-year contract

Budget Highlights

Fifty percent of the agency's All Funds budget in fiscal year 2004 was dedicated to direct classroom instruction or after-school residential education programs.

Ninety-nine percent of the agency's Other Funds expenditures of nearly $3 million were Appropriated Receipts from school districts. These funds represent the districts' Foundation School Fund entitlements for the students referred to the agency.

Special education grants represent approximately 44 percent of the $1.4 million in Federal Funds received by the agency in fiscal year 2004. Other major sources of Federal Funds included Title I grants for low-income students, technology grants, and funds for child nutrition and medical assistance.

Administrative expenditures accounted for $4.3 million of the $19.4 million All Funds total for fiscal year 2004, or about 22 percent of the agency's budget.

Full-time-equivalent Employees

The agency did not exceed its cap for full-time-equivalent positions in fiscal year 2004.

Performance Measures Audit Reports

The most recent performance measures audit by the State Auditor's Office was in March 2000, when the *2000 Small Agency Management Control Audit* report certified without qualifications three measures, certified with qualifications two measures, and found two measures to be inaccurate.

Other Reports and Reviews

No special reports or reviews of the agency were identified after September 2003.

PERFORMANCE HIGHLIGHTS

During fiscal year 2004, the agency attained (within 5 percent) or exceeded 80 percent of its 15 established key performance targets.

The agency attained or exceeded its only outcome target and 11 of its 14 output/efficiency targets.

MEASURES ASSESSMENTS

For fiscal year 2004, the agency met its target (within five percent) for the *Number of Students Enrolled at TSD,* and slightly exceeded its target for *Number of Students Enrolled in the Special Needs Department.* According to the agency, this increase is due to a higher than estimated student need and an increase in the number of students referred to the school.

The agency attained (within 5 percent) its fiscal year 2004 target for *Number of Residential Students.* The agency attributes the decline over the past five years in part to the fact that many families relocate to the Austin area so their child can attend the school and still live at home with the family.

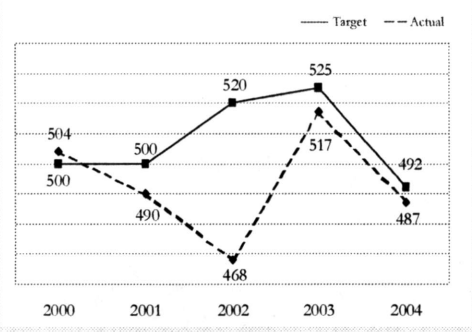
The total *Number of Students Enrolled at TSD* and *Number of Residential Students* decreased overall from fiscal year 2003 to fiscal year 2004. The agency indicates that one factor contributing to this decline was budget reductions that occurred in fiscal year 2004.

The actual *Number of TSD Students Enrolled in Summer Programs* exceeded the target in fiscal year 2004. According to the agency, at the time the target was established, the agency was unsure about the resources that would be available to operate summer programs for anyone except high school students needing to obtain credits required for graduation. However, during the fiscal year, the agency received addition Federal Funds and payments from schools districts, allowing it to serve more students than expected.

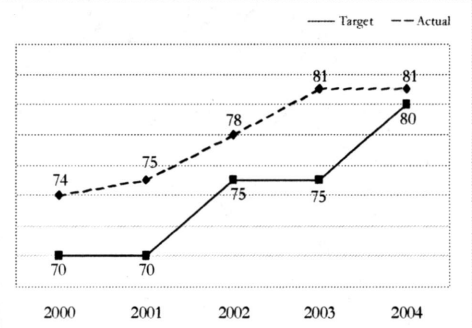
The *Average Cost of Instruction Program per Student per Day* did not meet the targeted performance for fiscal year 2004. The average cost per student per day was $68.68, compared to a target cost of $62.96. The agency cites the increase in number of students with special needs requiring complex related and support services as the reason the cost of instruction surpassed the target.

SELECTED PERFORMANCE MEASURES

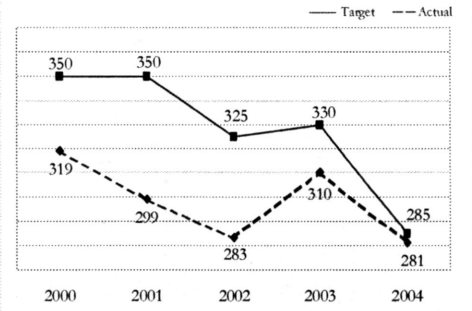
NUMBER OF STUDENTS ENROLLED AT TSD



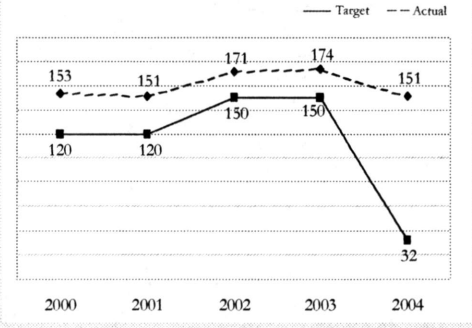
NUMBER OF STUDENTS ENROLLED IN THE SPECIAL NEEDS DEPARTMENT



NUMBER OF RESIDENTIAL STUDENTS



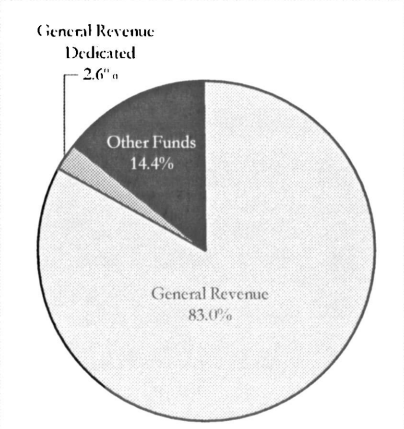
NUMBER OF TSD STUDENTS ENROLLED IN SUMMER PROGRAMS



TEACHER RETIREMENT SYSTEM

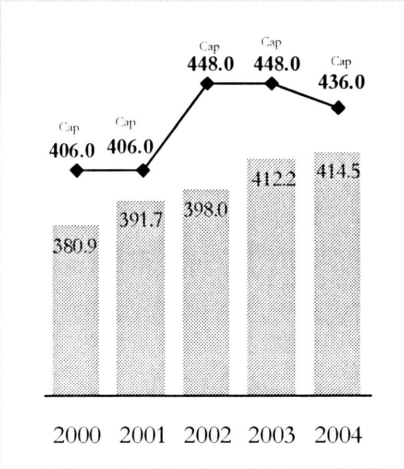
SELECTED BUDGET INFORMATION

ALL FUNDS, 2004 ESTIMATED



Total: $2,064,893,352

FULL-TIME-EQUIVALENT POSITIONS



MAJOR CONTRACTS REPORTED, 2004

In fiscal year 2004, the agency reported **103** contracts, including:

Aetna Life Insurance Company *
Retired members health plan
$1,781,780,510

Blue Cross Blue Shield of Texas *
Active member health plan
$1,070,000,000

Merck-Medco Managed Care, LLC *
Retired member pharmacy benefits management
$1,000,774,392

Caremark, Inc. *
Pharmacy benefits management
$600,000,000

Medco Health Solutions *
Active member drug claims reimbursement
$245,000,000

Merck-Medco Managed Care, LLC *
Active member pharmacy benefits management
$157,500,000

* Known multi-year contract

BUDGET HIGHLIGHTS

The Teacher Retirement System of Texas (TRS) expended an estimated $37.6 million from the Pension Trust Fund for administrative operations in fiscal year 2004. Of those funds, about $16.3 million was expended for direct and indirect investment costs. The remainder funded benefits administration and other administrative functions related to the retirement system and the healthcare programs administered by the agency.

The retirement system expended about $5.1 million in fiscal year 2004 from the Pension Trust Fund for professional services, including actuarial services. Of that amount, about $3.0 million was expended specifically for investment consultants and advisors.

TRS pension fund investments generated a 9.5 percent time-weighted return for the past 10 years ending August 31, 2004, exceeding long-term expectations and the long-term 8 percent assumption used for actuarial purposes. The August 31, 2004 TRS actuarial valuation indicated a market return of 11.9 percent. The pension fund investment portfolio reflected an allocation of 66 percent equities, 29 percent fixed income, 3 percent alternative assets (including private equities and real estate), and 2 percent short-term assets (e.g., money market and cash).

About $447.0 million was expended to support TRS-Care, the healthcare system for public education retirees, in fiscal year 2004. Of that amount, about $186.0 million in General Revenue Funds was related to the statutorily required state contribution of 1.0 percent of public education payroll; the remaining $261.0 million was supplemental state funds. As part of House Bill 3459, Seventy-eighth Legislature, Regular Session, 2003, beginning in fiscal year 2004, the state contribution rate was increased from 0.5 percent to 1.0 percent, and the active member contribution rate was increased from 0.25 percent to 0.5 percent. For the first time, school districts were required to contribute 0.4 percent of payroll to TRS-Care.

House Bill 3459 also reduced the amount of the active employee "pass-through" program for fiscal years 2004 and 2005. Prior to fiscal year 2004, each active public school employee received $1,000 annually. Beginning in fiscal year 2004, that amount was reduced to $500 for each full-time employee and $250 for each part-time employee. TRS expended approximately $273 million in General Revenue Funds for this program in fiscal year 2004.

FULL-TIME-EQUIVALENT EMPLOYEES

The agency did not exceed its cap for full-time-equivalent positions in fiscal year 2004.

PERFORMANCE MEASURES AUDIT REPORTS

The most recent performance measures audit by the State Auditor's Office (SAO) was in February 1996, when the *Performance Measures at 21 State Agencies and 1 Educational Institution* report certified without qualification two measures, certified with qualifications two measures, found one measure to be inaccurate, and factors prevented certification of three measures.

OTHER REPORTS AND REVIEWS

An Audit Report on the Teacher Retirement System's Implementation of TRS-ActiveCare, the Health Care Plan for Active School District Employees, dated March 2004, issued by the SAO stated that as the Texas Insurance Code requires, TRS-ActiveCare

offers a catastrophic coverage health plan and a health plan (ActiveCare 3) with benefits that are comparable to the benefits offered to state employees through HealthSelect. The SAO also identified related supplemental information and potential risks regarding cost and coverage that could result from having multiple TRS-ActiveCare plans.

A Report on the Teacher Retirement System's Pension and Retiree Health Insurance Plans, dated December 2003, issued by the SAO restated its findings from a November 10, 2003 audit report, that the basic financial statements of the system for the fiscal year ended August 31, 2003, were materially correct in accordance with generally accepted U.S. accounting principles. Although current member benefits are not in jeopardy, the system's pension and retiree health insurance plans are both facing important funding challenges comparable to similar benefit programs across the nation. Although additional annual funding is not needed immediately to cover current member benefits, additional funding would be necessary over the long term to amortize the pension plan's unfunded liability. Unlike the pension plan, the retiree health insurance plan is funded on a pay-as-you-go basis.

PERFORMANCE HIGHLIGHTS

During fiscal year 2004, the agency attained (within 5 percent) or exceeded 86 percent of its seven established key performance targets.

The agency attained or exceeded both of its outcome targets and four of its five output/efficiency targets.

MEASURES ASSESSMENTS

Agency performance for the *TRS Annual Operating Expense per Active and Retired Member* exceeded the target with a lower than targeted operating expense. According to TRS, the variance can be attributed to the number of employees working for the agency. There was a request for additional personnel after vacancies were created during the hiring freeze in 2003; and when there was no change in FTEs, personnel costs decreased, leading to an overall reduction in operating expenses.

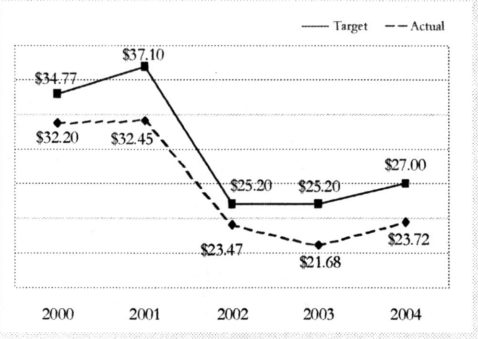
The agency exceeded its target for the *Number of TRS Benefit Applications Processed* in fiscal year 2004. The number of applications processed substantially increased from 66,635 in fiscal year 2003 to a total of 75,249 processed in fiscal year 2004. TRS does not control the number of applications received, but all applications received are processed. The agency attributes this growth to an increase in retirement volume because of changes in Social Security rules and state laws related to retiree health benefit eligibility.

Due to negotiation of discounts with hospital and physician networks, the agency surpassed its target by 86.5 percent for the *Dollar Amount of Participating Network Savings (in Millions)*. The agency was able to achieve additional savings by restructuring prescription drug benefits and through negotiated pricing of services in hospital, pharmacy, and physician networks.

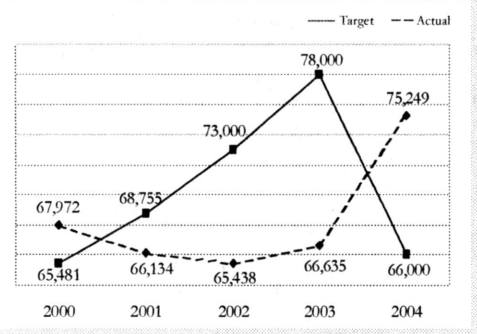
The agency attained the target (within 5 percent) for *Percent of Claims Adjudicated within 14 Days of Receipt*, which according to the agency reflects the efficiency of the claims settlement process.

SELECTED PERFORMANCE MEASURES

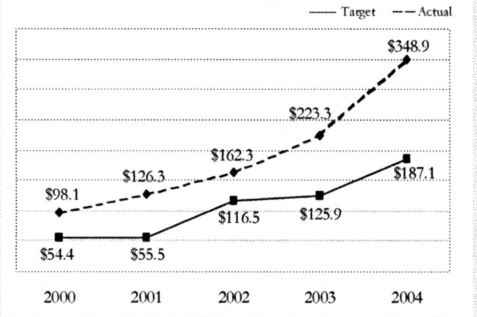
TRS ANNUAL OPERATING EXPENSE PER ACTIVE AND RETIRED MEMBER



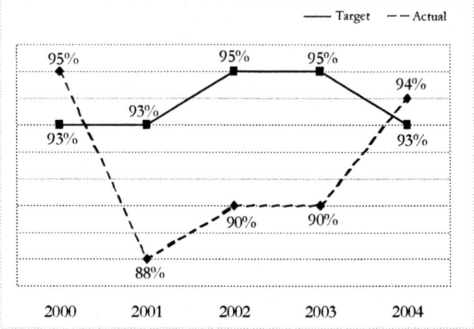
NUMBER OF TRS BENEFIT APPLICATIONS PROCESSED



DOLLAR AMOUNT OF PARTICIPATING NETWORK SAVINGS (IN MILLIONS)



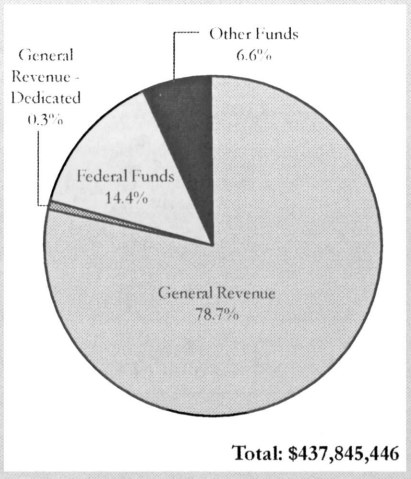
PERCENT OF CLAIMS ADJUDICATED WITHIN 14 DAYS OF RECEIPT



Higher Education Coordinating Board

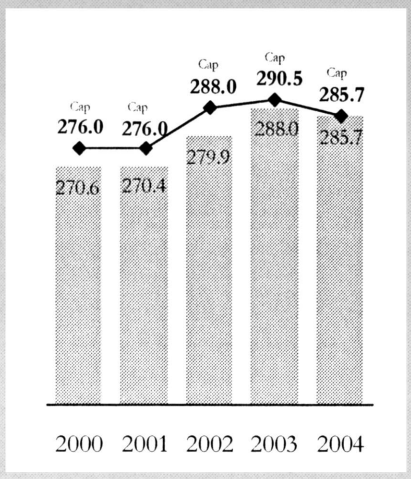
Selected Budget Information

ALL FUNDS, 2004 ESTIMATED



Total: $437,845,446

FULL-TIME-EQUIVALENT POSITIONS



MAJOR CONTRACTS REPORTED, 2004

In fiscal year 2004, the agency reported **18** contracts, including:

Management, Inc. *
Building lease contract
$11,587,603

Sherry Matthews, Inc.
Research and advertising/marketing campaign
$3,530,000

DPS Maintenance Management Group
Computer system maintenance
$787,512

SBC
Telephone system
$548,368

TIBH
Temporary personnel services
$403,976

Walraven Company *
Advertising services
$346,748

* Known multi-year contract

Budget Highlights

General Revenue Funds accounted for 78.7 percent of the agency's estimated budget for fiscal year 2004. General Revenue Funds were reduced $9.5 million due to the Governor's veto of funding for the Advanced Research Program. Although $9.0 million was appropriated for two-year enrollment growth, $4.2 million in General Revenue Funds were not expended because three new community college campuses did not open.

Federal Funds made up 14.4 percent of the agency's expenditures in fiscal year 2004—up from 13.8 percent in fiscal year 2003. The agency received an additional $5.5 million in Federal Funds under General Appropriations Act (2004–05 Biennium) Article IX, Section 8.02.

Other Funds comprised 6.6 percent of the agency's expenditures in fiscal year 2004, which is an increase from 4.5 percent in fiscal year 2003.

General Revenue–Dedicated Funds accounted for 0.3 percent of the agency's estimated budget for fiscal year 2004. In the Seventy-eighth Legislative Session, 2003, the B-On-Time Loan Program was created to provide eligible students non-interest loans to attend colleges and universities. If the student meets specific criteria, the entire loan amount can be forgiven upon graduation.

Full-time-equivalent Employees

The agency did not exceed its cap for full-time-equivalent positions in fiscal year 2004.

Performance Measures Audit Reports

The most recent performance measures audit by the State Auditor's Office (SAO) was in August 1997, when the *Performance Measures of 26 State Agencies* report certified without qualifications four measures and found one measure to be inaccurate.

Other Reports and Reviews

The October 2003 report on *A Review of Enrollment Reporting by Texas Public Community, State, and Technical Colleges* issued by the SAO found that the Higher Education Coordinating Board must redistribute slightly more than $2.0 million of appropriated funding among the community colleges.

PERFORMANCE HIGHLIGHTS

During fiscal year 2004, the agency attained (within 5 percent) or exceeded 69 percent of its 45 established key performance targets.

The agency attained or exceeded 10 of its 13 outcome targets and 21 of its 32 output/efficiency targets.

Two outcome measures, *Percentage of Family Practice in Medically Underserved Areas* and *Percentage of Family Practice in Texas*, were unable to be calculated due to passage of legislation that prohibits the release of Social Security numbers by a licensing agency, which prevented the agency from matching resident physicians to practice locations.

MEASURES ASSESSMENTS

The graduation rate represents a statewide rate for all individual students. The composite graduation rate reported for general academic institutions represents the average of the institutions' graduation rates. Graduation rates for individual institutions are shown in the General Academic Institutions assessments beginning on page 86.

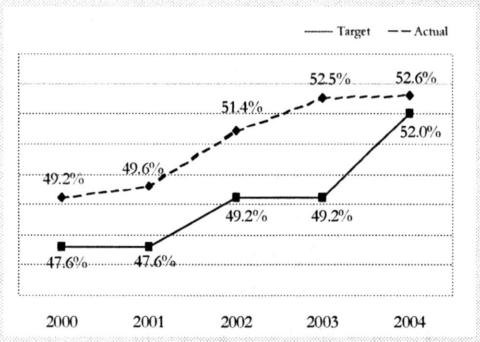
The statewide *Percentage of University Students Graduating within Six Years* continued its five-year increase. According to the agency, this is the result of higher education institutions' efforts directed at retaining and graduating students. Several schools have initiated programs to help students graduate quicker, such as guaranteeing classes needed to graduate will be offered in a timely manner.

Although down slightly, the *Number of Grants or Scholarships Awarded* continued to surpass the target in fiscal year 2004. The *Amount of Grant and Scholarship Funds Distributed (in Millions)*, surpassed the target by $19.4 million, but was still slightly less than in fiscal year 2003. More TEXAS Grants than expected were awarded because of improvements in the identification of eligible students, increased awareness of the program, and increases in the number of students who were eligible. The number of eligible students that receive TEXAS Grants is determined by the availability of funds and the cost of tuition at institutions.

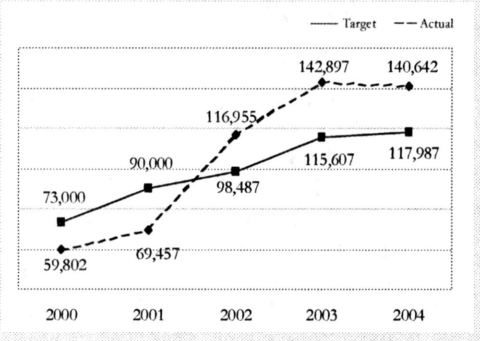
While the agency has exceeded the target for *Percentage of Students Enrolled in Colleges Who are African-American or Hispanic* from fiscal year 2000 to fiscal year 2003, in fiscal year 2004, it did not exceed the target. Ongoing improvement within these two measures will contribute to achieving the participation and success goals established in *Closing the Gaps*.

SELECTED PERFORMANCE MEASURES

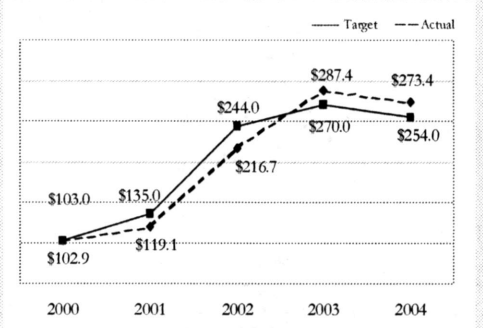
PERCENTAGE OF UNIVERSITY STUDENTS GRADUATING WITHIN SIX YEARS



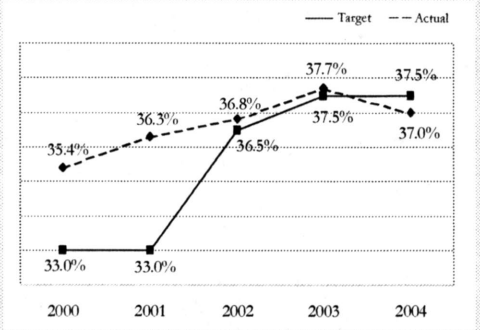
NUMBER OF GRANTS OR SCHOLARSHIPS AWARDED



AMOUNT OF GRANT AND SCHOLARSHIP FUNDS DISTRIBUTED (IN MILLIONS)



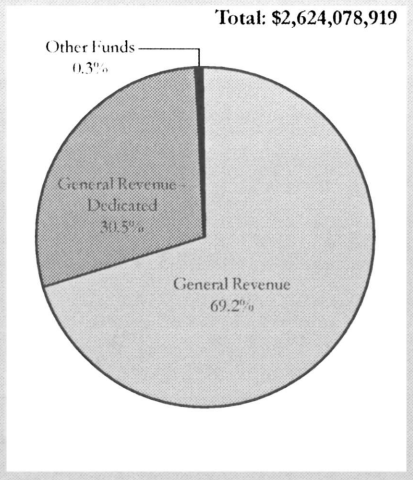
PERCENTAGE OF STUDENTS ENROLLED IN COLLEGES WHO ARE AFRICAN-AMERICAN OR HISPANIC



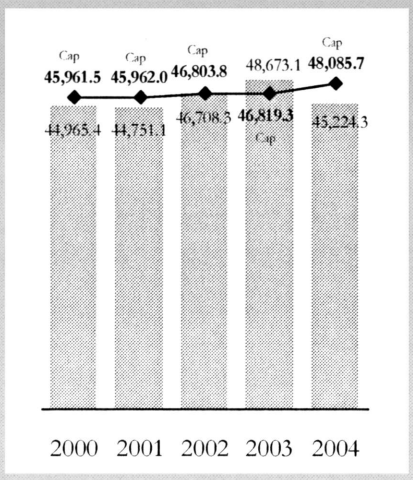
General Academic Institutions

Selected Budget Information

ALL FUNDS, 2004 ESTIMATED



FULL-TIME-EQUIVALENT POSITIONS



MAJOR CONTRACTS REPORTED, 2004

In fiscal year 2004, the general academic institutions reported **2,060** contracts, including:

Texas Tech University:
Lee Lewis Construction, Inc. *
Jones SBC Stadium renovation
$69,227,929

University of Texas at San Antonio:
HOK BFW SA *
Building and parking garage
$61,782,154

Texas A&M University:
J.T. Vaughn Construction Company, Inc. *
Parking garage and pedestrian passageway
$41,081,289

University of Houston:
Gilbane Building Company
Library expansion
$40,714,533

Lamar State College - Port Arthur reported **no** contracts.

* Known multi-year contract

Budget Highlights

In fiscal year 2004, General Revenue Funds accounted for 69.2 percent of the expenditures for the general academic institutions, the university system offices, and the two-year Lamar institutions.

General Revenue–Dedicated or Other Educational and General Income Funds constituted 30.5 percent of the institutions' expenditures in fiscal year 2004. Other Educational and General Income Funds consist of tuition and fees, including teaching and lab fees, interest on local funds, student teaching fees, and indirect cost recovery.

Other Funds, such as interest earnings on tobacco-related funds and Texas A&M's Real Estate Research Center fees make up the remaining 0.3 percent of the institutions' expenditures. Expenditures from tobacco-related funds at The University of Texas System and The University of Texas at El Paso totaled $2.1 million.

General Revenue Fund expenditures for fiscal year 2004 were $14.0 million less than appropriated to the agency in the Seventy-eighth Legislature, General Appropriations Act (GAA), 2004–05 Biennium. This reduction includes the $4.6 million of the institutions' General Revenue Funds as provided in the 2004–05 GAA, Special Provisions Relating to Higher Education, Section 56. **The adjustments also include a $653,379 lapse in General Revenue Funds, $90,088 in unexpended balances carried forward from fiscal year 2003, approximately $3.4 million in unexpended balances to be carried forward to fiscal year 2005, and $5.4 million in transfers to other higher education institutions.**

Other Education and General Revenue Funds generated in fiscal year 2004 exceeded preliminary estimates by 5.2 percent. The increase included $5.8 million in unexpended balances from fiscal year 2003 and an increase in tuition, fees, and indirect cost recovery earnings. Increased enrollment and a $2.00 increase in statutory tuition account for the additional tuition revenue.

Full-time-equivalent Employees

General Academic Institutions did not exceed their aggregate cap for full-time-equivalent (FTE) positions for fiscal year 2004.

Eighteen individual general academic institutions exceeded their FTE cap: The University of Texas at Arlington, The University of Texas El Paso, The University of Texas at Brownsville, The University of Texas Permian Basin, The University of Texas at San Antonio, Prairie View A&M University, West Texas A&M University, Stephen F. Austin State University, Texas Southern University, University of Houston–Clear Lake, Angelo State University, Sam Houston State University, Sul Ross State University, University of Houston System Administration, Texas Tech University System Administration, Board of Regents, Texas State University System Central Office, and Lamar University–Port Arthur.

Performance Measures Audit Reports

The most recent performance measures audit by the State Auditor's Office (SAO) was in November 2002, when the *Performance Measures at 14 Entities* report found that performance reporting by all institutions had improved.

Other Reports and Reviews

An Audit Report on Protection of Research Data at Higher Education Institutions, dated June 2004, issued by the SAO stated that higher education institutions should do more to protect research data.

An Audit Report on the State of Texas Financial Portion of the Statewide Single Audit Report for the Year Ended August 31, 2003, dated March 2004, issued by the SAO identified seven buildings valued at $92.0 million that Prairie View A&M University had misclassified.

A Financial Review of The University of Texas at San Antonio, dated February 2004, issued by the SAO stated that although the university adequately controls the establishment and execution of contracts, it is not able to efficiently generate a complete list of its current contractual obligations. The SAO identified 120 contracts active during fiscal year 2003, totaling $86.3 million, that were not reported to the Legislative Budget Board as required.

A Financial Review of Texas State University–San Marcos, dated November 2003, issued by the SAO stated that the university's systems and procedures allow it to report accurate and consistent financial statement information on a summary level; however, the university has failed to resolve a long-standing discrepancy in a bookstore cash account and did not include contracts totaling $52.0 million in its report to the Legislative Budget Board.

A Financial Review of Prairie View A&M University, dated November 2003, issued by the SAO stated that weaknesses in the university's fundamental financial processes caused inaccuracies and inconsistencies in some of the information in its financial system, making that information unreliable. In addition, the university does not routinely reconcile accounts receivable balances in its financial systems.

PERFORMANCE HIGHLIGHTS

During fiscal year 2004, the institutions attained (within 5 percent) or exceeded 53 percent of their 234 established key performance targets.

All general academic institutions reported performance measures on time and provided adequate explanations of variances.

The three Lamar State Colleges attained (within 5 percent) or exceeded 78 percent of their 14 established key performance targets. All three state colleges reported performance measures on time and provided adequate explanations of variance.

MEASURES ASSESSMENTS

The *Percent of First-time, Full-time, Degree-seeking Freshmen Who Earn a Degree in Six Years* increased to 37.8 percent. Twenty-one of the 30 four year institutions attained or exceeded their established performance target for this measure.

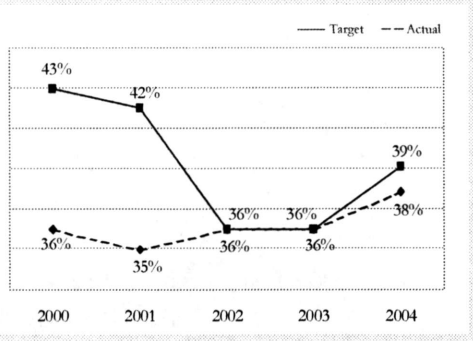
Freshmen retention rates decreased in fiscal year 2004 by over 1.5 percent from fiscal year 2003, and 11 of the 30 institutions did not attain their established target for *Retention Rate of First-time, Full-time Freshmen after One Year.*

The *Percent of Lower-division Courses Taught by Tenured or Tenure-track Faculty* decreased by almost 1 percent, and fell short of the composite target average of 48.3 percent. Only 9 of the 30 general academic institutions attained or exceeded their established target for this measure. Incentive for tenure/tenure track faculty to teach both lower- and upper-division courses was provided by a teaching experience supplement in the institutions' funding formula.

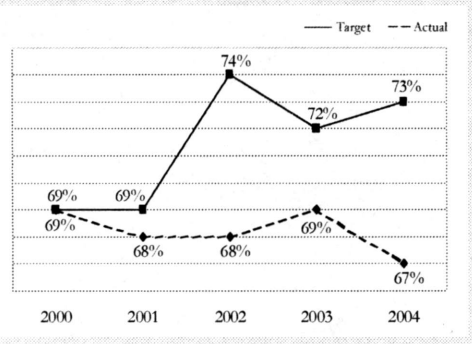
All three Lamar State Colleges exceeded their established target for the *Percent of Courses Completed at Lamar State Colleges.* The Lamar State Colleges at Port Arthur and Orange have both seen significant increases in the number of students transferring to a university—a 5 percent increase at Lamar State College–Orange and a 10 percent increase at Lamar State College–Port Arthur.

SELECTED PERFORMANCE MEASURES

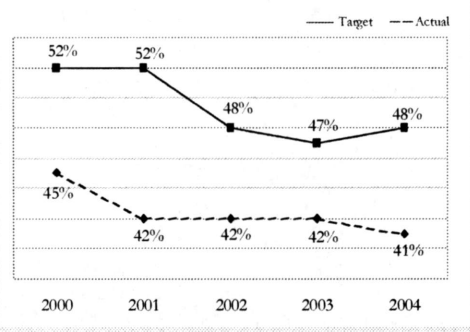
PERCENT OF FIRST-TIME, FULL-TIME DEGREE-SEEKING FRESHMEN WHO EARN A DEGREE IN SIX YEARS



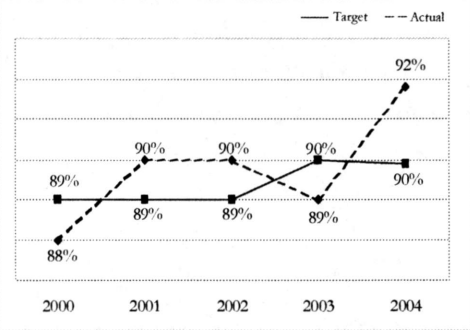
RETENTION RATE OF FIRST-TIME, FULL-TIME FRESHMEN AFTER ONE YEAR



PERCENT OF LOWER-DIVISION COURSES TAUGHT BY TENURED OR TENURE-TRACK FACULTY



PERCENT OF COURSES COMPLETED AT LAMAR STATE COLLEGES



PERCENTAGE OF LOWER DIVISION COURSES TAUGHT BY TENURED FACULTY

Institution	2000	2001	2002	2003	2004
University of Texas at Arlington	34%	32%	28%	29%	26%
University of Texas at Austin	36	35	34	34	35
University of Texas at Dallas	34	29	22	22	17
University of Texas at El Paso	51	40	34	34	52
University of Texas - Pan American	44	41	33	36	29
University of Texas of the Permian Basin	54	48	54	39	54
University of Texas at San Antonio	39	29	34	36	32
University of Texas at Tyler	**	**	**	**	56
Texas A&M University	26	25	26	27	29
Texas A&M University at Galveston	33	21	23	28	35
Prairie View A&M University	50	53	58	60	55
Tarleton State University	35	45	47	42	44
Texas A&M University - Corpus Christi	46	41	38	42	40
Texas A&M University - Kingsville	51	53	56	53	46
Texas A&M International University	60	50	53	53	52
West Texas A&M University	45	44	46	47	49
Texas A&M University - Commerce	35	37	43	43	41
University of Houston	46	43	36	35	32
University of Houston - Downtown	42	39	35	38	37
Midwestern State University	55	54	53	55	58
University of North Texas	39	30	34	28	29
Stephen F. Austin State University	57	55	57	58	59
Texas Southern University	48	45	33	37	31
Texas Tech University	33	30	27	30	29
Texas Woman's University	40	44	39	38	35
Angelo State University	55	51	53	55	54
Lamar University - Beaumont	64	60	60	59	53
Sam Houston State University	60	60	60	56	57
Texas State University - San Marcos	44	46	41	39	40
Sul Ross State University	51	45	52	54	49

** - Data not reported.

PERCENTAGE OF FIRST-TIME, FULL-TIME, DEGREE-SEEKING FRESHMEN WHO EARN A BACCALAUREATE DEGREE WITHIN SIX ACADEMIC YEARS

Institution	2000	2001	2002	2003	2004
University of Texas at Arlington	31%	31%	35%	37%	37%
University of Texas at Austin	69	70	72	71	74
University of Texas at Dallas	49	55	50	56	56
University of Texas at El Paso	23	26	25	26	36
University of Texas - Pan American	24	23	25	26	27
University of Texas of the Permian Basin	31	22	23	29	34
University of Texas at San Antonio	23	25	26	29	30
University of Texas at Tyler	**	**	**	**	44
Texas A&M University	69	74	75	75	76
Texas A&M University at Galveston	49	35	31	37	29
Prairie View A&M University	29	32	32	36	34
Tarleton State University	38	37	45	43	47
Texas A&M University - Corpus Christi	37	37	33	36	42
Texas A&M University - Kingsville	20	25	26	22	26
Texas A&M International University	74	27	37	27	36
West Texas A&M University	28	34	36	36	36
Texas A&M University - Commerce	36	35	35	35	38
University of Houston	35	36	37	39	39
University of Houston - Downtown	11	14	14	13	13
Midwestern State University	28	38	31	26	30
University of North Texas	36	37	38	39	40
Stephen F. Austin State University	36	37	39	35	35
Texas Southern University	12	10	16	17	17
Texas Tech University	48	51	52	54	54
Texas Woman's University	39	44	38	35	41
Angelo State University	34	32	35	35	34
Lamar University - Beaumont	23	26	26	29	31
Sam Houston State University	34	37	34	33	40
Texas State University - San Marcos	42	41	45	46	49
Sul Ross State University	18	18	15	18	18

** - Data not reported.

RETENTION RATE OF FIRST-TIME, FULL-TIME, DEGREE-SEEKING FRESHMEN AFTER ONE ACADEMIC YEAR

Institution	2000	2001	2002	2003	2004
University of Texas at Arlington	67%	69%	70%	70%	69%
University of Texas at Austin	90	92	91	92	93
University of Texas at Dallas	76	78	79	84	80
University of Texas at El Paso	70	68	69	71	63
University of Texas - Pan American	57	61	65	66	66
University of Texas of the Permian Basin	65	56	61	64	69
University of Texas at San Antonio	59	64	66	65	63
University of Texas at Tyler	**	**	**	**	57
Texas A&M University	89	88	90	89	89
Texas A&M University at Galveston	76	50	58	56	51
Prairie View A&M University	70	69	70	67	67
Tarleton State University	64	67	62	64	63
Texas A&M University - Corpus Christi	65	71	63	66	63
Texas A&M University - Kingsville	61	61	59	55	51
Texas A&M International University	66	66	64	67	63
West Texas A&M University	66	66	66	66	66
Texas A&M University - Commerce	58	65	64	67	65
University of Houston	76	73	79	79	78
University of Houston - Downtown	58	61	63	62	60
Midwestern State University	58	63	63	67	64
University of North Texas	69	69	72	74	73
Stephen F. Austin State University	58	60	58	60	66
Texas Southern University	61	60	63	65	62
Texas Tech University	79	81	82	82	83
Texas Woman's University	69	67	70	75	69
Angelo State University	63	58	62	63	64
Lamar University - Beaumont	69	69	69	69	66
Sam Houston State University	62	67	63	64	68
Texas State University - San Marcos	75	74	77	78	77
Sul Ross State University	58	47	48	49	50

** - Data not reported.

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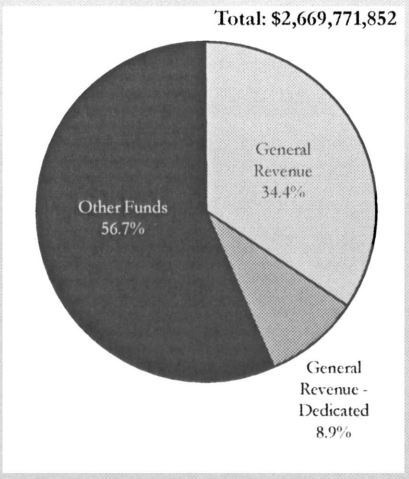
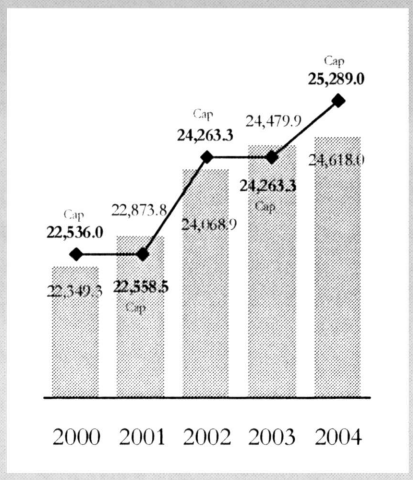
HEALTH-RELATED INSTITUTIONS

SELECTED BUDGET INFORMATION

ALL FUNDS, 2004 ESTIMATED



FULL-TIME-EQUIVALENT POSITIONS



MAJOR CONTRACTS REPORTED, 2004

In fiscal year 2004, the health-related institutions reported **1,048** contracts, including:

University of Texas M.D. Anderson Cancer Center:
Amerisource Bergen *
Full-line wholesale drug distribution
$850,000,000

Texas Tech University Health Sciences Center:
J.T. Vaughn Construction Company, Inc. *
El Paso HSC research facility
$28,296,484

UNT Health Science Center at Fort Worth:
Austin Commercial, LP *
Construction at School of Public Health
$23,027,632

UT Southwestern Medical Center at Dallas:
UTS Health Systems
Billing and business services
$22,768,095

UT Health Science Center at Houston:
Camden Building, Inc.
New building construction
$18,972,896

* Known multi-year contract

BUDGET HIGHLIGHTS

The institutions' estimated expenditures were approximately 16 percent more than the appropriated amounts, primarily because of the increases in patient income at The University of Texas Medical Branch in Galveston and The University of Texas M.D. Anderson Cancer Center. In addition, the institutions received increases in General Revenue Funds appropriations provided in the 2004–05 General Appropriations Act, Article III, Special Provisions Relating to Higher Education, Section 56.

Forty-three percent of General Revenue Funds and 26 percent of General Revenue–Dedicated Funds were expended by the health-related institutions in fiscal year 2004 for educational programs. These programs included (1) medical education in the prevention, diagnosis, and treatment of diseases; (2) training in biomedical sciences; (3) nursing and dental education; (4) pharmacy education and training; (5) physicians assistant academic and clinical training; (6) educating for allied health professionals who will be involved in the identification, evaluation, treatment and prevention of diseases, injuries and conditions; and (7) training in public health programs that focus on preventive care/health promotion for public health needs.

Approximately 76 percent of the institutions' expenditures from Other Funds and 24 percent of General Revenue Funds were expended for patient care, which included operational support activities and delivery of care in the hospitals and clinics. Institutions generate Other Funds, which are primarily hospital income, through the operation of a hospital or dental clinic.

The institutions also had expenditures from tobacco-related funds totaling $40.8 million in fiscal year 2004. These funds were expended for programs that benefit medical research, health education, and treatment programs.

Two institutions, The University of Texas Health Science Center in San Antonio and Texas Tech Health Science Center received additional funds through a budget execution on February 9, 2004. The University of Texas Health Science Center in San Antonio received $9.0 million for the Regional Academic Health Centers in Harlingen and Edinburg. Texas Tech Health Science Center received $2.0 million in start-up funds for the new four-year medical school in El Paso.

Nine institutions, including the Baylor College of Medicine, received a total of $51.2 million in additional General Revenue Funds through budget execution on August 23, 2004 that was allocated among each of the institutions.

FULL-TIME-EQUIVALENT EMPLOYEES

The institutions did not exceed their caps for full-time-equivalent (FTE) positions in fiscal year 2004. The institutions employed FTEs through other funding sources in addition to those funded through appropriations. For example, The University of Texas M.D. Anderson Cancer Center employs research teams that are funded through grants the primary research generates, and The University of Texas Medical Branch at Galveston employs FTEs for services provided under the correctional managed healthcare contract with the Texas Department of Criminal Justice. The total number of FTE positions for the health-related institutions was 37,897 for fiscal year 2004.

PERFORMANCE MEASURES AUDIT REPORTS

The most recent performance measures audit by the State Auditor's Office (SAO) was in November 2002, when the *Performance Measures at 14 Entities* report certified with qualifications three measures and found one measure to be inaccurate at The University of Texas Health Science Center at San Antonio.

The report also certified without qualifications two measures at The University of Texas Southwestern Medical Center at Dallas.

OTHER REPORTS AND REVIEWS

An Audit Report on Protection of Research Data at Higher Education Institutions, dated June 2004, issued by the SAO, identified instances in which research data was very well protected, but also identified inconsistent security measures at each of the three institutions audited: The University of Texas at Austin, The University of Texas Health Science Center in San Antonio, and The University of Texas Southwestern Medical Center at Dallas. The University of Texas Southwestern Medical Center is taking corrective actions to address audit findings.

The University of Texas Medical Branch at Galveston and Texas Tech University Health Sciences Center are eligible to implement an enhanced compensation program for employees during fiscal year 2005, pursuant to Article IX, Section 6.28(d) of the 2004–05 General Appropriations Act. Agency eligibility is based on attainment of at least 80 percent of key performance targets in fiscal year 2004 and certification that at least 70 percent of audited key measures are accurate. Classified employees who directly contribute to improvements in agency performance may be awarded up to 6.8 percent of their base salary.

PERFORMANCE HIGHLIGHTS

During fiscal year 2004, the nine health-related institutions attained (within 5 percent) or exceeded 76 percent of their 106 established key performance targets.

The institutions attained or exceeded 74 of the 94 outcome targets and 7 of the 12 output/efficiency targets.

MEASURES ASSESSMENTS

The institutions exceeded the target for *Total Expenditures for Conduct of Research and Development (in Millions)* in fiscal year 2004. This success was attributed primarily to increases in research funding for bio-defense at the federal level through institutions such as the National Institutes of Health, as well as aggressive efforts by institutions to acquire enhanced grant support from the Federal Government and private sources. The University of Texas Medical Branch at Galveston was awarded a National Institutes of Health grant of $110 million for construction of a national bio-containment lab.

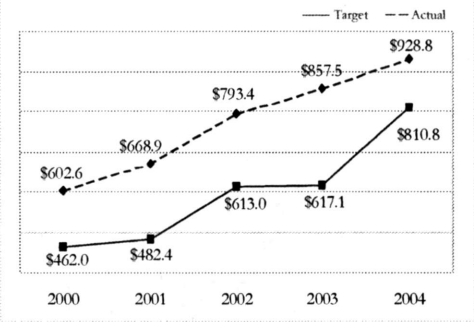
The institutions exceeded the target for *Total Gross Charges for Unsponsored Charity Care Provided in State-owned Facilities (in Millions)* in fiscal year 2004, with an increase of 18.6 percent more than in fiscal year 2003. According to the institutions, the increase was primarily due to the large number of uninsured patients seeking healthcare.

In fiscal year 2004, the institutions attained the target for the measure *Percent of Medical School Graduates Practicing Primary Care in Texas.* Primary care providers coordinate an individual's total healthcare, from routine physicals to hospitalization. Primary care physicians specialize in Family Practice, Internal Medicine, General Practice, and Pediatrics. This success was attributed to aggressive efforts by the institutions to promote primary care fields by providing guest speakers and educational and professional activities for students. Two of the seven institutions that have this measure, The University of Texas Medical Branch at Galveston and The University of Texas Health Science Center at Houston, did not attain the target.

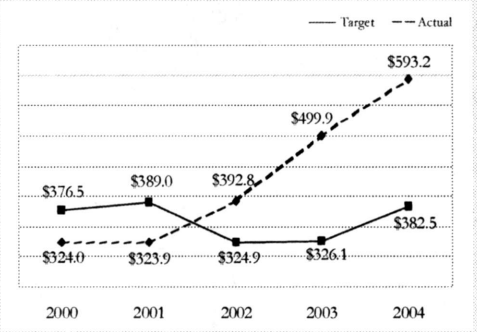
The institutions collectively attained the target for *Percent of Bachelor of Science in Nursing Graduates Who Are Licensed in Texas.* There is a shortage of nurses in Texas, which is likely attracting students to pursue a nursing degree. Job placement programs the institutions have with affiliated hospitals also helped in meeting the target. One of the four institutions that use this performance measure, The University of Texas Medical Branch at Galveston, did not attain the target.

SELECTED PERFORMANCE MEASURES

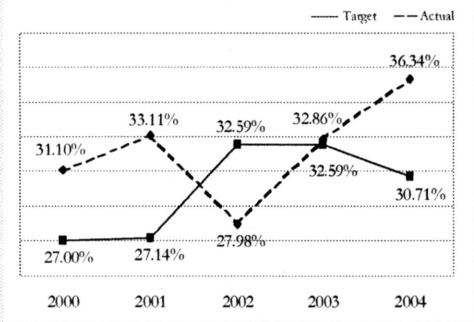
TOTAL EXPENDITURES FOR CONDUCT OF RESEARCH AND DEVELOPMENT (IN MILLIONS)



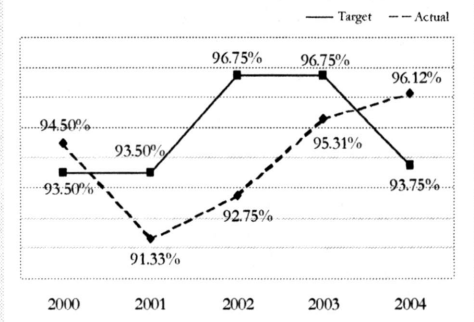
TOTAL GROSS CHARGES FOR UNSPONSORED CHARITY CARE PROVIDED IN STATE-OWNED FACILITIES (IN MILLIONS)



PERCENT OF MEDICAL SCHOOL GRADUATES PRACTICING PRIMARY CARE IN TEXAS



PERCENT OF BACHELOR OF SCIENCE IN NURSING GRADUATES WHO ARE LICENSED IN TEXAS



MINORITY ADMISSIONS AS A PERCENTAGE OF TOTAL FIRST-YEAR ADMISSIONS

Institution	2000	2001	2002	2003	2004
The University of Texas Southwestern Medical Center at Dallas	14.1%	15.7%	20.4%	15.3%	15.7%
The University of Texas Medical Branch at Galveston	36.0	24.3	21.0	25.0	23.7
The University of Texas Health Science Center at Houston	16.0	18.0	21.0	20.0	20.0
The University of Texas Health Science Center at San Antonio	20.0	34.4	33.0	36.0	32.2
The University of Texas M. D. Anderson Cancer Center *					
The University of Texas Health Center at Tyler *					
Texas A&M University System Health Science Center	9.0	13.0	18.0	22.0	20.0
University of North Texas Health Science Center at Fort Worth	17.8	19.4	19.2	18.8	13.9
Texas Tech University Health Sciences Center	12.2	15.5	15.3	15.5	15.4
Total Average	**17.9%**	**20.1%**	**21.1%**	**21.8%**	**20.2%**

* The University of Texas M.D. Anderson Cancer Center and the University of Texas Health Center at Tyler are hospital components and do not have student admissions.

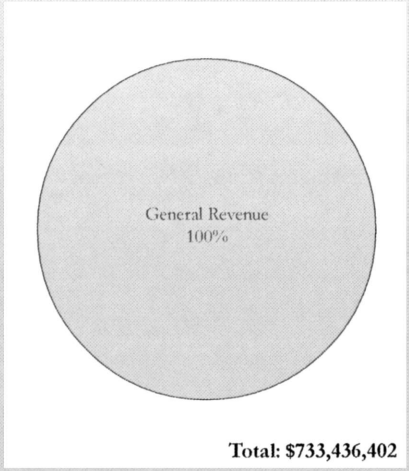
TOTAL EXPENDITURES FOR RESEARCH AND DEVELOPMENT (IN THOUSANDS)

Institution	2000	2001	2002	2003	2004
The University of Texas Southwestern Medical Center at Dallas	$171,621.8	$206,917.7	$239,312.5	$253,727.7	$284,005.0
The University of Texas Medical Branch at Galveston	79,450.6	76,783.0	96,422.8	108,163.4	120,694.0
The University of Texas Health Science Center at Houston	108,789.0	113,677.0	123,444.0	134,439.0	131,837.00
The University of Texas Health Science Center at San Antonio	81,053.9	91,000.0	109,600.0	105,000.0	111,473.0
The University of Texas M. D. Anderson Cancer Center	122,085.9	138,921.3	169,684.20	191,523.0	211,917.0
The University of Texas Health Center at Tyler	8,402.4	4,105.8	3,989.5	4,489.8	5,467.0
Texas A&M University System Health Science Center	16,668.5	20,851.2	29,179.6	35,009.90	37,200.00
University of North Texas Health Science Center at Fort Worth	7,974.3	8,473.5	9,279.1	12,774.7	15,300.0
Texas Tech University Health Sciences Center	6,600.9	8,146.00	12,529.7	11,965.5	10,928.1
Total	**$602,647.3**	**$668,875.5**	**$793,441.4**	**$857,093.1**	**$928,821.1**

Public Community/Junior Colleges

Selected Budget Information

ALL FUNDS, 2004 ESTIMATED



Total: $733,436,402

FULL-TIME-EQUIVALENT POSITIONS

Public community/junior colleges do not report the number of full-time-equivalent positions to the Legislative Budget Board.

MAJOR CONTRACTS REPORTED, 2004

Public community/junior colleges do not report contract information to the Legislative Budget Board.

Budget Highlights

Public community/junior colleges received only General Revenue Funds in fiscal year 2004. State law limits General Revenue Fund appropriations to administrative and instructional services in support of academic and vocational education. General Revenue Fund appropriations in fiscal year 2004 accounted for approximately one-third of community colleges' total funding. The remaining two-thirds of community colleges' total funding was composed of tuition, fees, Federal Funds, and local ad valorem taxes. These non-General Revenue sources of income are not appropriated through the legislative appropriations process.

In addition to directly appropriated General Revenue Funds, the 50 community college districts had access to over $18.0 million in General Revenue Funds trusteed to the Higher Education Coordinating Board for dramatic enrollment growth, developmental education, and growth at new campuses. General Revenue Funds were also appropriated to the Employee's Retirement System, the Teacher's Retirement System, and the Optional Retirement Program to reimburse community/junior colleges for the benefit costs associated with employees' salaries paid with General Revenue Funds.

The budget figures represent an aggregate of the 50 public community/junior college districts, plus the Southwest Collegiate Institute for the Deaf at Howard College, and incorporate a $3.9 million reduction to appropriations made pursuant to Seventy-eighth Legislature, General Appropriations Act (2004–05 Biennium), Section 56, Special Provisions Relating Only to State Agencies of Higher Education.

Full-time-equivalent Employees

Public community/junior colleges do not report full-time-equivalent positions to the Legislative Budget Board.

Performance Measures Audit Reports

The State Auditor's Office has not performed any performance measures audit work related to public community/junior colleges.

Other Reports and Reviews

No special reports or reviews of the agency were identified after September 2003.

PERFORMANCE HIGHLIGHTS

During fiscal year 2004, the public community/junior colleges attained (within 5 percent) or exceeded 80 percent of their 508 projected performance estimates.

Public community/junior colleges each report 10 performance measures. Each institution provides a projection of performance for the upcoming year as part of the annual performance report. Fiscal year 2004 is the eighth year community/junior colleges have reported performance levels. All colleges reported performance data on time, and most provided adequate explanations for variances from projections.

The performance information represents a composite average of the 51 reporting institutions—50 community college districts plus the Southwest Collegiate Institute for the Deaf.

MEASURES ASSESSMENTS

The *Number of Degrees or Certificates Awarded* and the *Number of Students Who Transfer to a University* both increased again in fiscal year 2004, exceeding expectations for the fourth consecutive year. The institutions continue to attribute the increases to higher enrollments, expanded program offerings, and enhanced retention efforts. Further increases are projected as enrollments continue to increase over the next several years.

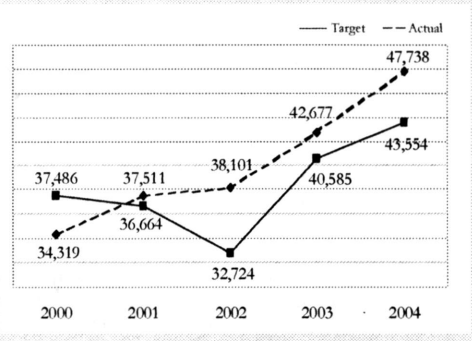
The *Percentage of Developmental Education Students Who Pass Texas Success Initiative Allowable Examinations* (previously entitled *Percentage of Developmental Education Students Who Pass Texas Academic Skills Program*) decreased from 14.7 percent in fiscal year 2003 to 13.3 percent in fiscal year 2004. While this measure indicates the rate at which students complete developmental education, it does not measure the proportion of a cohort of under-prepared students who are successfully remediated. Expanded exemptions in the Texas Success Initiative program in recent years has resulted in a population of developmental education students with high remediation needs, increasing completion time.

Thirty-three of the community/junior colleges reported an increase over fiscal year 2003 in the *Percentage of Enrolled Students Who Are Minorities*. The average of minority student enrollment for all 50 districts slightly increased from 35.5 percent in fiscal year 2003 to 35.9 percent in fiscal year 2004. Ongoing improvement in this measure will contribute to the achievement of the participation and success goals established in *Closing the Gaps*. It is important to note that while Hispanics and African-Americans are captured in this measure's definition of "minority," individuals of Asian descent are not considered "minorities" for purposes of this measure's definition.

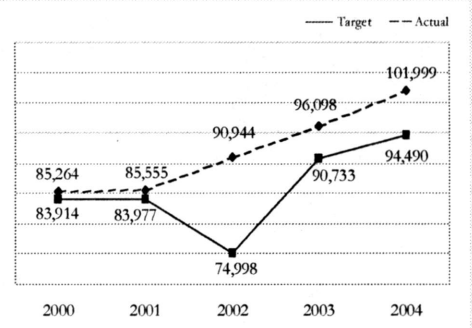
The *Percentage of Contact Hours Taught by Full-time Faculty* has remained steady at about 70 percent over the full eight years community/junior colleges have been reporting performance.

SELECTED PERFORMANCE MEASURES

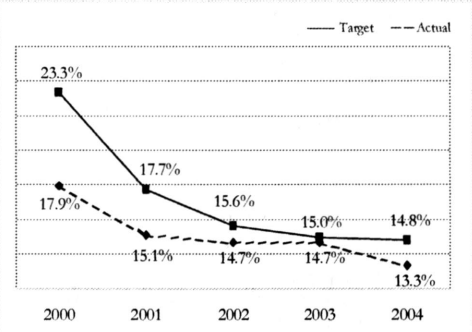
NUMBER OF DEGREES OR CERTIFICATES AWARDED



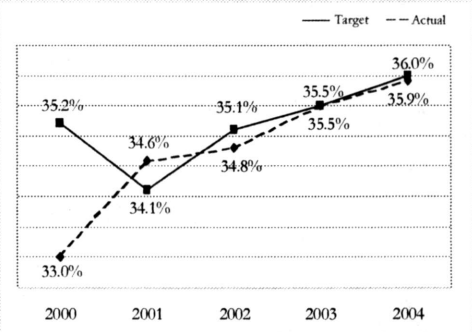
NUMBER OF STUDENTS WHO TRANSFER TO A UNIVERSITY



PERCENTAGE OF DEVELOPMENTAL EDUCATION STUDENTS WHO PASS TEXAS SUCCESS INITIATIVE ALLOWABLE EXAMINATIONS



PERCENTAGE OF ENROLLED STUDENTS WHO ARE MINORITIES



PUBLIC COMMUNITY/JUNIOR COLLEGES

NUMBER OF DEGREES OR CERTIFICATES AWARDED

Institution	2000	2001	2002	2003	2004
Alamo Community College	2,028	2,173	2,372	2,468	3,215
Alvin Community College	571	502	565	665	713
Amarillo College	876	946	973	893	989
Angelina College	456	393	524	524	613
Austin Community College	1,098	1,083	1,120	1,215	1,333
Blinn College	629	645	633	624	886
Brazosport College	365	357	393	397	416
Central Texas College	1,303	1,242	966	1,030	1,161
Cisco Junior College	300	303	296	307	372
Clarendon College	120	113	95	98	123
Coastal Bend College	575	564	559	583	616
College of the Mainland	350	413	413	408	370
Collin County Community College	770	831	840	1,047	1,081
Dallas County Community College	2,883	2,884	3,039	3,621	4,085
Del Mar College	962	1,021	1,069	1,125	1,184
El Paso Community College	989	1,190	1,241	1,259	1,431
Frank Phillips College	180	168	173	186	186
Galveston College	185	182	226	188	244
Grayson County College	530	631	587	659	712
Hill College	286	280	266	380	474
Houston Community College	1,735	2,028	1,758	2,479	2,990
Howard College	231	236	265	276	396
Kilgore College	717	653	799	791	959
Laredo Community College	659	696	708	848	853
Lee College	1,392	1,124	1,157	1,148	1,258
McLennan Community College	656	651	624	683	720
Midland College	476	659	721	823	726
Navarro College	466	554	451	558	682

NUMBER OF DEGREES OR CERTIFICATES AWARDED (CONTINUED)

Institution	2000	2001	2002	2003	2004
North Central Texas College	468	374	368	659	443
North Harris Montgomery Community College	1,380	1,551	1,767	1,959	1,959
Northeast Texas Community College	269	239	235	256	303
Odessa College	513	552	423	434	634
Panola College	279	302	371	298	279
Paris Junior College	275	332	287	314	426
Ranger College	140	145	126	124	121
San Jacinto College	1,806	2,064	2,075	2,272	2,278
South Plains College	565	608	610	691	800
South Texas Community College	536	828	751	938	1,378
Southwest Texas Junior College	321	357	356	398	472
Southwest Collegiate Institute for the Deaf	11	11	29	20	3
Tarrant County College	2,221	2,337	2,339	2,497	2,796
Temple College	350	364	397	393	461
Texarkana College	618	634	615	583	655
Texas Southmost College	595	593	591	621	928
Trinity Valley Community College	1,026	1,026	1,128	1,129	1,294
Tyler Junior College	965	976	907	1,750	1,270
Vernon Regional Junior College	370	391	387	437	495
Victoria College	464	467	475	496	512
Weatherford College	319	408	398	498	640
Western Texas College	174	183	180	178	240
Wharton County Junior College	311	392	446	449	545
Total	**35,764**	**37,656**	**38,094**	**42,677**	**47,738**

PUBLIC COMMUNITY/JUNIOR COLLEGES

NUMBER OF STUDENTS WHO TRANSFER TO A UNIVERSITY

Institution	2000	2001	2002	2003	2004
Alamo Community College	5,655	5,811	6,087	6,932	7,587
Alvin Community College	773	713	726	712	740
Amarillo College	1,012	1,128	1,266	1,362	1,513
Angelina College	821	918	953	989	1,027
Austin Community College	6,469	6,672	6,872	7,070	7,163
Blinn College	5,302	5,646	6,256	6,909	7,247
Brazosport College	647	701	756	839	824
Central Texas College	593	666	749	821	913
Cisco Junior College	607	619	683	577	605
Clarendon College	290	304	299	315	305
Coastal Bend College	579	559	592	602	660
College of the Mainland	6,113	627	677	664	685
Collin County Community College	2,493	2,522	2,594	2,919	3,336
Dallas County Community College	7,677	7,634	8,119	8,344	8,739
Del Mar College	1,598	1,593	1,532	1,520	1,547
El Paso Community College	2,552	2,669	2,922	3,083	3,198
Frank Phillips College	245	257	284	**	**
Galveston College	400	423	459	480	460
Grayson County College	457	480	522	625	601
Hill College	436	425	436	436	483
Houston Community College	7,782	7,720	7,877	7,821	8,331
Howard College	568	486	499	556	660
Kilgore College	930	913	874	900	970
Laredo Community College	1,334	1,372	1,477	1,575	1,627
Lee College	641	553	623	619	617
McLennan Community College	869	908	899	961	1,050
Midland College	1,036	1,112	1,065	1,080	1,080
Navarro College	885	944	1,047	1,080	1,225

** - Data not reported.

NUMBER OF STUDENTS WHO TRANSFER TO A UNIVERSITY (CONTINUED)

Institution	2000	2001	2002	2003	2004
North Central Texas College	1,030	1,045	1,167	1,299	1,505
North Harris Montgomery Community College	4,730	4,936	5,353	5,883	5,883
Northeast Texas Community College	522	527	511	513	557
Odessa College	1,024	1,013	1,023	1,039	1,036
Panola College	354	374	420	442	449
Paris Junior College	495	592	684	546	824
Ranger College	267	257	238	282	291
San Jacinto College	3,210	3,332	3,513	3,724	3,906
South Plains College	1,372	1,627	1,803	2,116	2,274
South Texas Community College	1,671	2,024	2,437	2,935	3,419
Southwest Texas Junior College	876	912	923	936	959
Southwest Collegiate Institute for the Deaf	2	3	4	7	3
Tarrant County College	5,098	5,201	5,515	5,814	6,217
Temple College	257	523	607	643	695
Texarkana College	671	668	653	680	730
Texas Southmost College	2,050	2,131	2,338	2,334	2,466
Trinity Valley Community College	832	814	894	917	995
Tyler Junior College	2,013	1,994	2,022	2,066	2,184
Vernon Regional Junior College	370	433	488	492	521
Victoria College	859	861	927	1,008	1,020
Weatherford College	560	679	657	672	783
Western Texas College	249	271	318	337	335
Wharton County Junior College	1,325	1,477	1,588	1,622	1,754
Total	**88,601**	**85,812**	**91,228**	**96,098**	**101,999**

PERCENTAGE OF CONTACT HOURS TAUGHT BY FULL-TIME FACULTY

Institution	2000	2001	2002	2003	2004
Alamo Community College	63.6%	62.9%	70.4%	67.7%	67.2%
Alvin Community College	61.9	61.2	61.7	58.3	54.5
Amarillo College	74.9	72.8	76.8	75.8	73.4
Angelina College	67.0	67.0	67.0	67.0	67.0
Austin Community College	39.4	41.1	43.1	43.4	47.9
Blinn College	57.0	64.8	62.7	67.5	73.7
Brazosport College	72.7	76.8	76.0	70.8	76.2
Central Texas College	58.9	62.4	64.1	71.0	60.8
Cisco Junior College	79.0	78.9	79.0	77.0	76.0
Clarendon College	69.6	71.7	72.7	73.4	73.3
Coastal Bend College	71.8	68.5	79.7	76.1	77.5
College of the Mainland	62.8	57.9	65.0	64.1	68.1
Collin County Community College	53.8	50.9	45.2	46.0	45.7
Dallas County Community College	45.0	45.5	42.0	42.4	48.0
Del Mar College	73.5	72.0	72.8	73.2	74.2
El Paso Community College	47.0	46.5	48.9	50.3	46.3
Frank Phillips College	63.0	62.1	67.0	69.3	67.6
Galveston College	61.0	58.8	55.4	61.0	66.8
Grayson County College	79.0	81.9	82.2	78.0	77.7
Hill College	72.0	73.0	75.0	78.0	70.0
Houston Community College	51.6	54.4	56.0	56.4	59.3
Howard College	71.5	78.5	78.0	76.6	74.2
Kilgore College	85.1	80.4	79.0	74.0	75.0
Laredo Community College	79.1	82.6	81.6	78.8	76.8
Lee College	66.0	60.8	66.4	74.5	79.5
McLennan Community College	76.2	71.8	75.0	76.9	75.1
Midland College	62.0	52.0	67.2	68.0	71.0
Navarro College	62.2	62.3	60.0	53.7	53.5

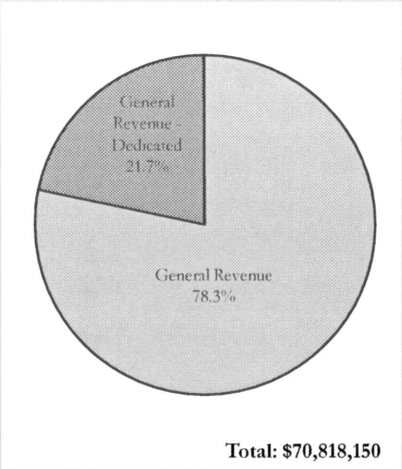
PERCENTAGE OF CONTACT HOURS TAUGHT BY FULL-TIME FACULTY (CONTINUED)

Institution	2000	2001	2002	2003	2004
North Central Texas College	61.4%	56.5%	57.3%	58.1%	55.9%
North Harris Montgomery Community College	52.1	51.7	50.7	50.5	50.5
Northeast Texas Community College	75.0	72.0	67.0	71.4	68.2
Odessa College	81.3	79.8	77.8	80.0	75.0
Panola College	89.0	86.0	90.0	85.0	88.0
Paris Junior College	77.3	76.2	72.0	77.9	69.9
Ranger College	80.7	78.0	77.0	77.3	75.5
San Jacinto College	62.0	58.9	60.9	60.5	65.3
South Plains College	92.0	91.8	92.0	89.0	90.0
South Texas Community College	71.8	79.1	74.4	81.0	74.0
Southwest Texas Junior College	80.0	74.3	73.0	86.6	69.4
Southwest Collegiate Institute for the Deaf	88.6	99.5	96.0	92.7	94.3
Tarrant County College	64.8	64.0	61.9	60.4	61.2
Temple College	69.3	70.0	71.0	76.8	71.9
Texarkana College	79.1	81.3	81.3	81.7	80.0
Texas Southmost College	68.8	69.1	67.0	67.9	65.2
Trinity Valley Community College	86.0	85.6	81.6	82.2	82.3
Tyler Junior College	77.3	76.8	79.7	75.4	78.5
Vernon Regional Junior College	77.7	74.7	69.7	69.9	70.4
Victoria College	85.0	83.2	76.6	81.2	84.4
Weatherford College	76.0	79.0	77.0	78.0	78.8
Western Texas College	86.8	81.0	80.6	80.6	81.0
Wharton County Junior College	70.0	73.0	70.5	70.0	73.8

Texas State Technical Colleges

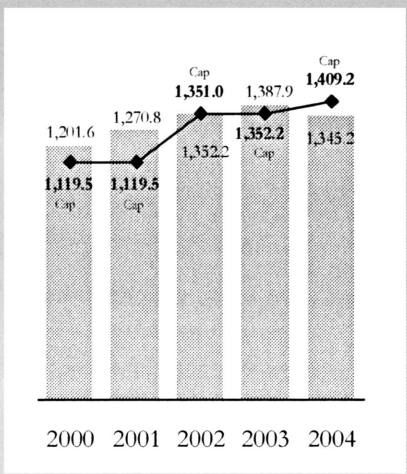
Selected Budget Information

ALL FUNDS, 2004 ESTIMATED



Total: $70,818,150

FULL-TIME-EQUIVALENT POSITIONS



MAJOR CONTRACTS REPORTED, 2004

In fiscal year 2004, the campuses reported **54** contracts, including:

Harlingen Campus:
Scoggins Construction
Learning Resource Center construction
$873,079

System Administration:
Datatel Inc.
Software licenses
$149,550

West Texas Campus:
World Wide Enterprises *
Janitorial cleaning
$97,450

Waco Campus:
Spherion Corporation
Temporary employment agency
$70,726

Marshall Campus:
Extrude Hone
Pro metal machine
$70,000

* Known multi-year contract

Budget Highlights

General Revenue Funds accounted for 78.3 percent of the college system's budgeted expenditures in fiscal year 2004. The total reflects a reduction of $143,821 in General Revenue Funds as provided in the General Appropriations Act (2004–05 Biennium), Special Provisions Relating to Higher Education, Section 56.

Other educational and general revenue (General Revenue–Dedicated Funds) generated in fiscal year 2004 exceeded preliminary estimates by 30.1 percent, primarily because of increased tuition and fee income.

The budget data presented in this report are composite totals for all Texas State Technical College (TSTC) components: Harlingen, West Texas, Marshall, and Waco.

Full-time-equivalent Employees

TSTC did not exceed its aggregate cap for full-time-equivalent (FTE) positions in fiscal year 2004. The system office and the Harlingen, Waco, and West Texas components did not exceed their individual FTE caps; however, the Marshall component did exceed its FTE cap by four positions.

Performance Measures Audit Reports

The most recent performance measures audit by the State Auditor's Office was in July 1996, when the *Performance Measures at 20 State Agencies and 1 Educational Institution* report certified with qualifications the seven measures reviewed.

Other Reports and Reviews

No special reports or reviews of the colleges were identified after September 2003.

Texas State Technical College–Waco is eligible to implement an enhanced compensation program for employees during fiscal year 2005, pursuant to Article IX, Section 6.28(d) of the 2004–05 General Appropriations Act. Agency eligibility is based on attainment of at least 80 percent of key performance targets in fiscal year 2004 and certification that at least 70 percent of audited key measures are accurate. Classified employees who directly contribute to improvements in agency performance may be awarded up to 6.8 percent of their base salary.

PERFORMANCE HIGHLIGHTS

During fiscal year 2004, the components of Texas State Technical College attained (within 5 percent) or exceeded 70 percent of their 20 established key performance targets.

The performance data represent composite totals for all four TSTC components.

MEASURES ASSESSMENTS

None of the Texas State Technical Colleges attained the established target for *Percent of First-time, Full-time, Degree-seeking Students Who Graduate in Three Years*, and the system as a whole experienced an overall decline of more than 7 percent in the graduation rate. Among factors the schools reported contributed to the decline in graduation rates were an increase in the number of students requiring remediation, which has caused delays in graduation and higher dropout rates; the conversion from the quarter to the semester system, which has resulted in fewer students enrolling year-round and fewer opportunities for students to enroll in the classes they need; and the necessity of many TSTC students to work in addition to going to school, which results in their taking fewer hours than necessary to graduate in three years.

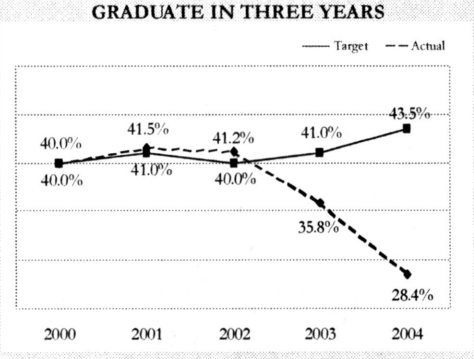
All components experienced large increases in the *Annual Headcount Enrollment*. The schools reported *Annual Headcount Enrollment* grew as a result of expanded and refined marketing and recruitment efforts, enhanced retention programs, and having included continuing workforce education programs in enrollment figures. The school has also implemented recruitment efforts targeted to attract nontraditional students into technical fields.

Across the TSTC system, the *Number of Minority Graduates* increased by 38 graduates. TSTC–West Texas was the only component that had a decrease in the *Number of Minority Graduates*, but still attained (within 5 percent) its target.

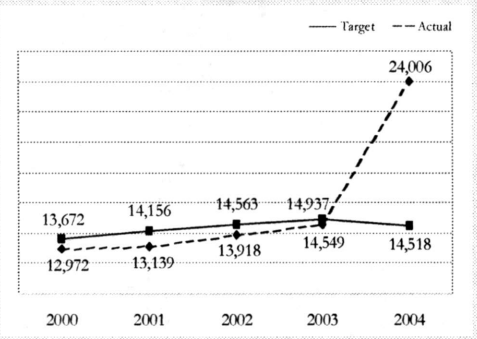
TSTC–West Texas was the only component that did not attain its established target for *Number of Degrees and Certificates Awarded*, but it anticipates its retention efforts will increase the number of degrees and certificates awarded in the future. The combined increase of all the TSTCs was nearly 300 degrees and certificates awarded.

SELECTED PERFORMANCE MEASURES

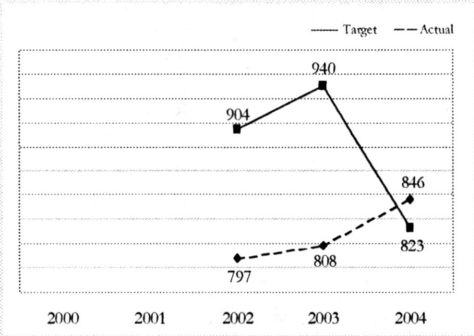
PERCENT OF FIRST-TIME, FULL-TIME, DEGREE-SEEKING STUDENTS WHO GRADUATE IN THREE YEARS



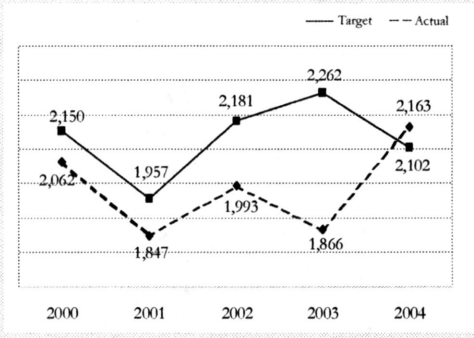
ANNUAL HEADCOUNT ENROLLMENT



NUMBER OF MINORITY GRADUATES



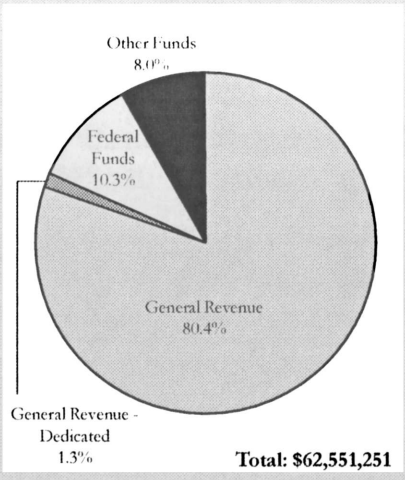
NUMBER OF DEGREES AND CERTIFICATES AWARDED



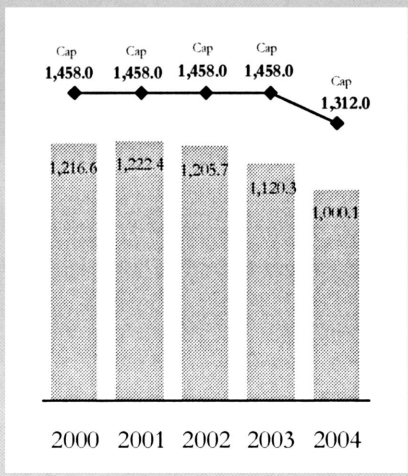
Texas Agricultural Experiment Station

Selected Budget Information

ALL FUNDS, 2004 ESTIMATED



FULL-TIME-EQUIVALENT POSITIONS



MAJOR CONTRACTS REPORTED, 2004

In fiscal year 2004, the agency reported **no** contracts.

Budget Highlights

General Revenue Funds accounted for 80.4 percent of the agency's budgeted expenditures in fiscal year 2004.

Between fiscal years 2003 and 2004, the agency's agricultural and life sciences research strategies were rolled into one main strategy called *Agricultural/Life Sciences Research.* Approximately 77 percent of the agency's fiscal year 2004 expenditures supported agricultural and life sciences research efforts to serve society with productive and sustainable environmental, natural resources, and agricultural systems.

The agency acts in a limited regulatory capacity for the honeybee and feed and fertilizer industries. In fiscal year 2004, the agency budgeted approximately 5.2 percent of its total funding and approximately 70 full-time-equivalent positions for the provision of apiary and feed and fertilizer regulatory services for the state.

General Revenue Fund expenditures were reduced by $225,695 in fiscal year 2004 as the result of a partial transfer of funding from the Texas State Data Center to the University of Texas at San Antonio, and $130,749 pursuant to General Appropriations Act (2004–05 Biennium), Special Provision, Section 56 for Health Related Institutions.

Full-time-equivalent Employees

The agency did not exceed its cap for full-time-equivalent (FTE) positions in fiscal year 2004.

The agency reported that the number of FTEs for 2004 was 92 positions (7 percent) below the FTE cap.

Performance Measures Audit Reports

The most recent performance measures audit by the State Auditor's Office was in August 1997, when the *Performance Measures at 26 State Agencies* report found two measures to be inaccurate and factors prevented certification of four measures. In response, the agency reviewed and corrected its control and storage of source documentation used in calculations for the four noncertifiable measures. The agency corrected the specific calculation errors for the two measures determined to be inaccurate. Overall, to address the larger issue of measure data accuracy, the agency added a formal review procedure to verify measure data prior to submission.

Other Reports and Reviews

No special reports or reviews of the agency were identified after September 2003.

Texas Agricultural Experiment Station

Performance Highlights

During fiscal year 2004, the agency attained (within 5 percent) or exceeded 88 percent of its eight established key performance targets.

The agency attained or exceeded one of its two outcome targets and all six of its output/efficiency targets.

Measures Assessments

According to the agency, its production of research is more fully reflected in its performance measures over a timeline of several years rather than just the previous fiscal year. Research cycles typically last between 2–5 years; therefore, the drop in the *Percent Change in Number of Patents, Disclosures, Licenses, and Publications* indicates a drop in the agency's production several years prior. Other factors affecting this measure include shifts in funding from non-state sources, changing research interests of faculty members, and the allocation of agency resources.

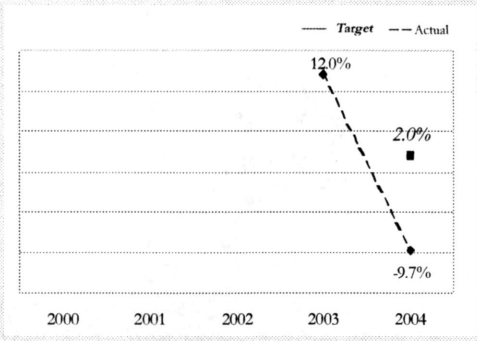
The agency exceeded its target for *Number of Refereed Publications (Agricultural/Life Sciences Research)* in fiscal year 2004. Published research projects take several years to complete, therefore, only a longer trend is useful in judging the agency's research efforts. Refereed publications are publications submitted to peer review and published in professional journals.

A large number of beehives were sold or transported in the state in fiscal year 2004, leading the agency to exceed its target for *Number of Apiaries Inspected (Regulatory Services)*. The agency is required to inspect all beehives and apiaries sold or transferred by commercial beekeepers within the state.

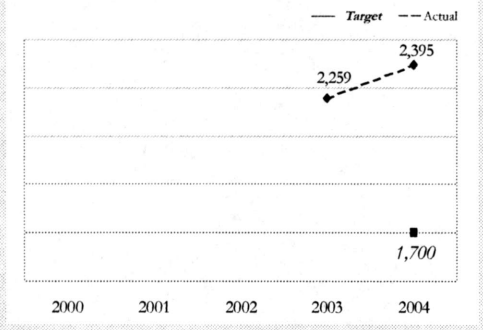
The agency exceeded its target for *Amount of External Sponsor Support – Agriculture/Life Sciences Research*. The agency reported a large increase in research grants received by the agency in fiscal year 2004. Sponsors include a wide range of entities offering research grants on a competitive basis, including other state agencies, private foundations, commodity groups, private corporations, and federal agencies.

Selected Performance Measures

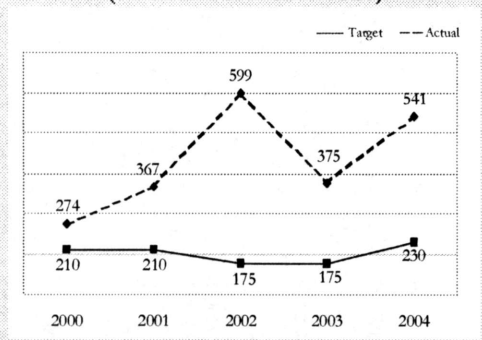
PERCENT CHANGE IN NUMBER OF PATENTS, DISCLOSURES, LICENSES, AND PUBLICATIONS



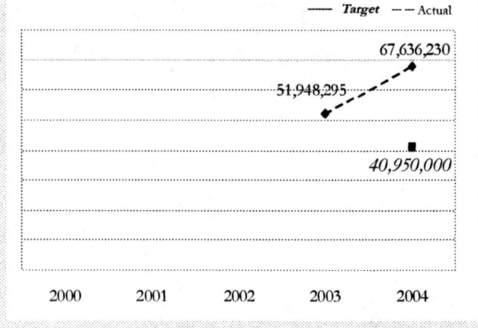
NUMBER OF REFEREED PUBLICATIONS (AGRICULTURE/LIFE SCIENCES RESEARCH)



NUMBER OF APIARIES INSPECTED (REGULATORY SERVICES)



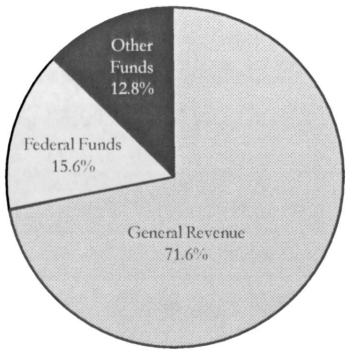
AMOUNT OF EXTERNAL SPONSOR SUPPORT (AGRICULTURE/LIFE SCIENCES RESEARCH)



Texas Cooperative Extension

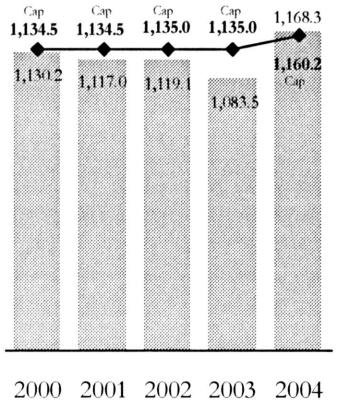
Selected Budget Information

ALL FUNDS, 2004 ESTIMATED



Total: $62,006,356

FULL-TIME-EQUIVALENT POSITIONS



MAJOR CONTRACTS REPORTED, 2004

In fiscal year 2004, the agency reported **no** contracts.

Budget Highlights

General Revenue Funds accounted for 71.6 percent of the agency's expenditures in fiscal year 2004. Approximately 68 percent of the agency's total funds were appropriated.

Approximately 35 percent of the agency's fiscal year 2004 budgeted expenditures funded educational programs that contributed to the economic viability of Texas' agricultural producers, rural communities, and families.

Leadership development, health and safety education, and environmental education accounted for an additional 53 percent of the agency's fiscal year 2004 expenditures. The agency's educational priorities are shaped in part by Texans across the state who participate in Texas Community Futures Forums, hosted every four years by the agency.

Fiscal year 2004 expenditures included $3.0 million in appropriations through budget execution to absorb the responsibilities and full-time-equivalent positions of the Texas Wildlife Damage Management Service, another Texas A&M University System service agency. Appropriations for the Texas Wildlife Damage Management Service were vetoed by the Governor in June 2004.

Expenditures for fiscal year 2004 were $2.9 million higher than the Article III bill pattern appropriation. Of this amount, a $0.1 million reduction in General Revenue Funds occurred pursuant to General Appropriations Act (GAA), 2004–05 Biennium, Special Provision, Section 56, for appropriations to the Health Related Institutions, and a $0.1 million reduction in General Revenue–Dedicated Funds was due to the elimination of the Agricultural Soil and Water Conservation Account pursuant to GAA (2004–05 Biennium) Article IX, Section 626 and to the passage of House Bill 3442 and Senate Bill 1053, Seventy-eighth Legislature, Regular Session, 2003.

Full-time-equivalent Employees

The agency exceeded its cap for full-time-equivalent (FTE) positions in fiscal year 2004.

The agency exceeded its FTE cap by 8.1 FTEs. Budget execution moved the responsibilities of the Texas Wildlife Management Damage Service to the agency, adding 87 FTEs.

Performance Measures Audit Reports

The most recent performance measures audit by the State Auditor's Office was in November 2000, when the *Performance Measures at 25 State Agencies and Educational Institutions* certified without qualifications the six measures reviewed.

Other Reports and Reviews

No special reports or reviews of the agency were identified after September 2003.

The agency is eligible to implement an enhanced compensation program for employees during fiscal year 2005, pursuant to Article IX, Section 6.28(d) of the 2004–05 General Appropriations Act. Agency eligibility is based on attainment of at least 80 percent of key performance targets in fiscal year 2004 and certification that at least 70 percent of audited key measures are accurate. Classified employees who directly contribute to improvements in agency performance may be awarded up to 6.8 percent of their base salary.

PERFORMANCE HIGHLIGHTS

During fiscal year 2004, the agency attained (within 5 percent) or exceeded 100 percent of its eight established key performance targets.

The agency did not have any outcome targets and attained or exceeded all eight of its output/efficiency targets.

MEASURES ASSESSMENTS

The agency exceeded the target for *Direct Teaching Exposures—Economic Competitiveness (in Millions)* in fiscal year 2004, and in the previous two fiscal years. According to the agency, its performance was the result of increasing its programming efforts and including within the measure direct teaching exposures generated by distance education technologies. In spring 2004, the agency held its second Texas Community Futures Forum, a statewide needs assessment that the agency uses to prioritize its programming efforts.

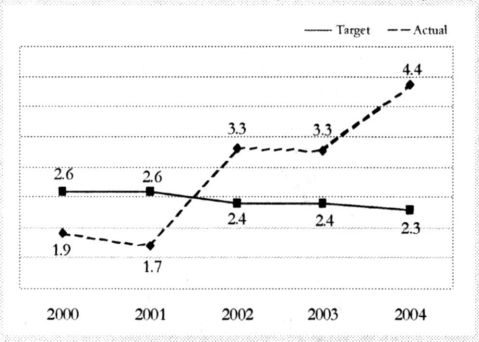
The agency exceeded the target for *Direct Teaching Exposures—Environmental Education (in Millions)* in fiscal year 2004 and in the previous four fiscal years. According to the agency, interest in water issues during the planting and growing seasons for production agriculture and urban water conservation accounted for exceeding the target.

The agency exceeded the target for *Direct Teaching Exposures—Health and Safety Education (in Millions).* The agency reported it was able to attain its goal by expanding educational efforts by master volunteers and by expanding its use of distance education technology. New programming subject matter also helped increase interest.

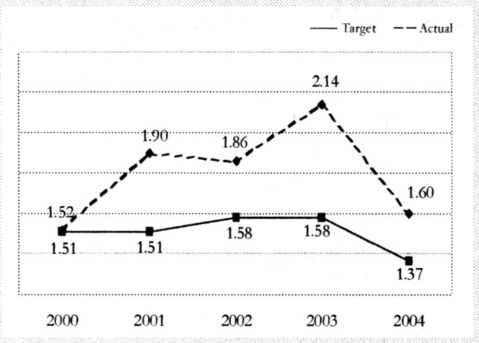
The agency exceeded the target for *Impact per Dollar Spent—Economic Competitiveness* for fiscal year 2004. In previous fiscal years, the agency reports it did not meet the target because of reductions in the national economic impact multiplier and due to the declining number of agricultural producers. For fiscal year 2004, the target more appropriately reflects the potential impact per dollar spent.

SELECTED PERFORMANCE MEASURES

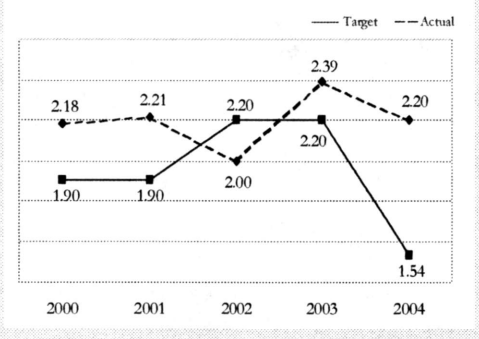
DIRECT TEACHING EXPOSURES–ECONOMIC COMPETITIVENESS (IN MILLIONS)



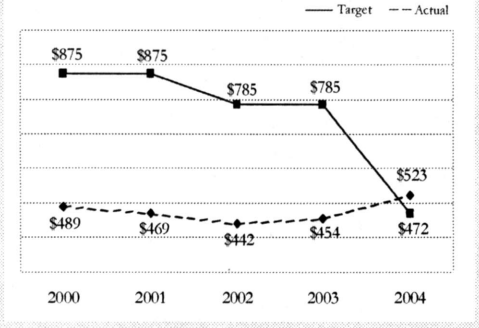
DIRECT TEACHING EXPOSURES–ENVIRONMENTAL EDUCATION (IN MILLIONS)



DIRECT TEACHING EXPOSURES–HEALTH AND SAFETY EDUCATION (IN MILLIONS)



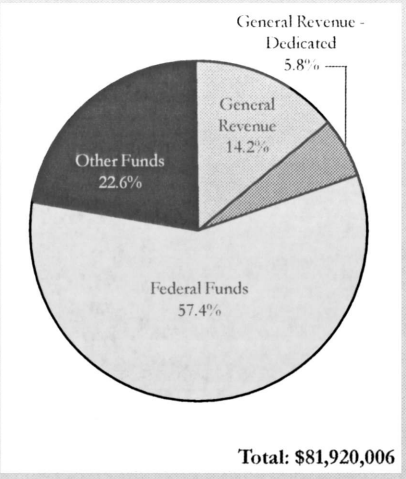
IMPACT PER DOLLAR SPENT–ECONOMIC COMPETITIVENESS



Texas Engineering Experiment Station

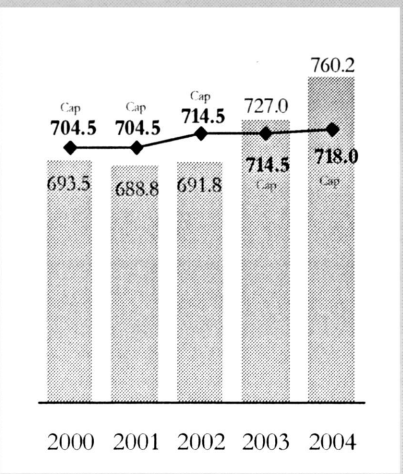
Selected Budget Information

ALL FUNDS, 2004 ESTIMATED



Total: $81,920,006

FULL-TIME-EQUIVALENT POSITIONS



MAJOR CONTRACTS REPORTED, 2004

In fiscal year 2004, the agency reported **no** contracts.

Budget Highlights

General Revenue Funds accounted for 14.2 percent of the agency's budgeted expenditures in fiscal year 2004, and General–Revenue Dedicated Funds accounted for 5.8 percent.

Federal Funds constituted 57.4 percent of the agency's budgeted expenditures, and Other Funds made up 22.6 percent of the agency's total expenditures. The majority of the agency's Federal Funds and Other Funds were from contracts and grants earmarked for specific interdisciplinary engineering research projects.

The agency's total reported expenditures for fiscal year 2004 was $14.1 million above the amounts appropriated to it in the Seventy-eighth Legislature, General Appropriations Act (GAA), 2004–05 Biennium. The expenditure growth was partially the result of $0.2 million more in estimated General Revenue Dedicated Funds for indirect cost recovery income. (In the 2006–07 biennium, indirect cost recovery income will be converted to Other Funds.) In addition, the agency received $13.3 million more in Federal Funds than anticipated.

General Revenue Funds appropriated to the agency were reduced by $200,000 pursuant to 2004–05 GAA, Section 56, for appropriations to the Health Related Institutions.

Other Funds were nearly $0.2 million less than estimated as a result of less than anticipated fee income.

Full-time-equivalent Employees

The agency exceeded its cap for full-time-equivalent (FTE) positions in fiscal year 2004.

Employees from federal contracts, which were higher than expected in fiscal year 2004, are included in the FTE number.

Performance Measures Audit Reports

The most recent performance measures audit by the State Auditor's Office was in November 2000, when the *Performance Measures at 25 State Agencies and Educational Institutions* report certified without qualifications three measures, found one measure to be inaccurate, and factors prevented certification of one measure.

Other Reports and Reviews

No special reports or reviews of the agency were identified after September 2003.

PERFORMANCE HIGHLIGHTS

During fiscal year 2004, the agency attained (within 5 percent) or exceeded 89 percent of its nine established key performance targets.

The agency attained or exceeded all three of its outcome targets and five of its six output/efficiency targets..

MEASURES ASSESSMENTS

The agency exceeded its target for *Leverage Ratio of General Revenue Appropriations to Total Funds (Excluding Infrastructure Funds)* in fiscal year 2004, reflecting its effectiveness in using General Revenue Funds as seed money to attract external funding. This measure includes both the agency's appropriated funds and restricted and designated funds in the calculation of the leverage ratio. Many of the agency's research projects are collaborative efforts with other universities. Infrastructure funds are excluded from this performance measure because the agency's seed money is used to attract funds for research, not agency infrastructure, and is prohibited from any other use.

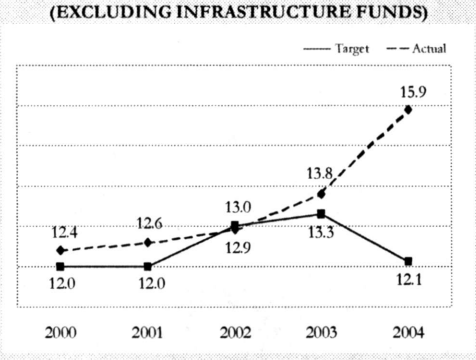
Fiscal year 2004 was the eighth consecutive year in which the agency attained or exceeded its target for *Dollar Volume of Research—Research Divisions (in Millions).* The agency reported that it is proactive in assisting researchers to secure funding through Texas Engineering Experiment Station (TEES) Research Services, an agency unit that helps researchers identify new funding opportunities, review and prepare grant proposal budgets, and submit grant proposals to grant sponsors.

The agency attained its target for *Number of Collaborative Initiatives (Multi-institutional Outreach)* in fiscal 2004, the seventh consecutive year to do so. The agency reported that an increase in the number of federal initiatives with numerous Texas institutions resulted in an increase in performance. The agency reports that it has also intensified its focus on research and partnerships with the TEES regional divisions.

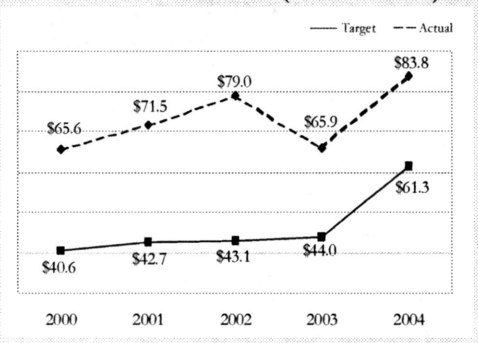
Fiscal year 2004 was the seventh consecutive year in which the agency attained or exceed its target for *Number of Minority Students Participating in Agency Activities (Educational Programs).* According to the agency, researchers and staff have made a concerted effort to increase the number of students benefiting from these programs. The target has been increased for the 2006–07 biennium to coincide with historical performance.

SELECTED PERFORMANCE MEASURES

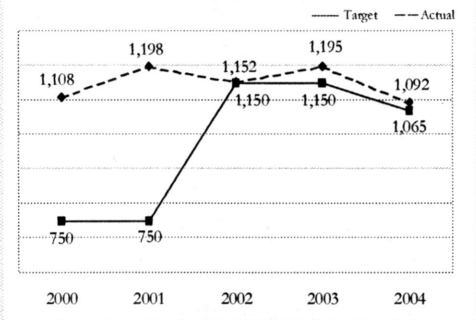
LEVERAGE RATIO OF GENERAL REVENUE APPROPRIATIONS TO TOTAL FUNDS (EXCLUDING INFRASTRUCTURE FUNDS)



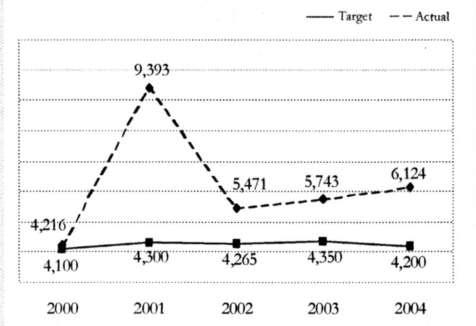
DOLLAR VOLUME OF RESEARCH–RESEARCH DIVISIONS (IN MILLIONS)



NUMBER OF COLLABORATIVE INITIATIVES (MULTI-INSTITUTIONAL OUTREACH)



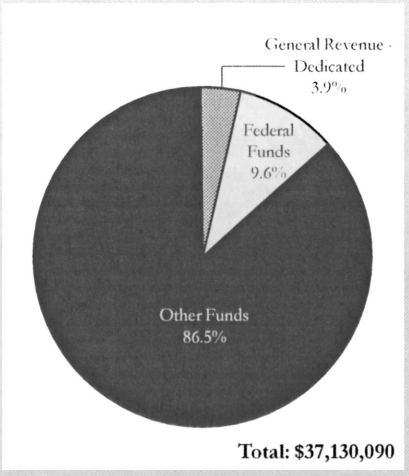
NUMBER OF MINORITY STUDENTS PARTICIPATING IN AGENCY ACTIVITIES (EDUCATIONAL PROGRAMS)



Texas Transportation Institute

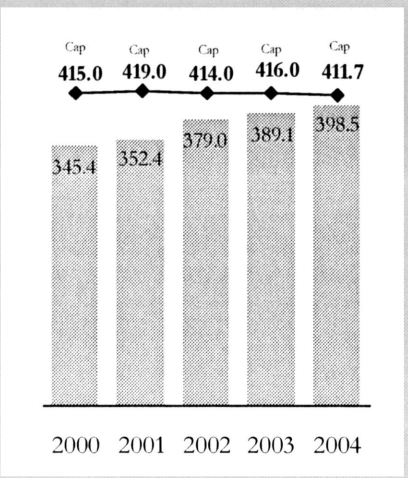
Selected Budget Information

ALL FUNDS, 2004 ESTIMATED



Total: $37,130,090

FULL-TIME-EQUIVALENT POSITIONS



MAJOR CONTRACTS REPORTED, 2004

In fiscal year 2004, the agency reported **no** contracts.

Budget Highlights

Federal Funds constituted 9.6 percent of the agency's total budgeted expenditures, and Other Funds composed 86.5 percent. Approximately 66 percent, or $21.2 million, of the agency's Other Funds budgeted for fiscal year 2004 were from interagency research contracts with the Texas Department of Transportation (TxDOT), while State Highway Fund No. 006 and Appropriated Receipts comprised 15 percent and 17 percent, respectively.

Expenditures for fiscal year 2004 were $2.8 million more than the Article III bill pattern appropriations. Of this amount, there was a Federal Funds increase of $299,359, a reduction of $2,192 from State Highway Fund No. 006, a decrease of $775,511 in Appropriated Receipts, and a $2.6 million increase in Interagency Contracts. General Revenue–Dedicated Funds in the amount of $37,101 reflected lower than estimated indirect cost recovery income; $299,359 in Federal Funds reflected higher than estimated federal income; and $1.8 million in Other Funds reflected higher than estimated Other Funds income, which was primarily due to increases in research contracts awarded by the Texas Department of Transportation.

The Seventy-eighth Legislature, Regular Session, 2003, appropriated $10.2 million to the agency from State Highway Fund No. 006 in lieu of General Revenue Funds for the 2004–05 biennium.

Full-time-equivalent Employees

The agency did not exceed its cap for full-time-equivalent positions in fiscal year 2004.

Performance Measures Audit Reports

The most recent performance measures audit by the State Auditor's Office was in May 1998, when the *Performance Measures at 36 State Entities* report certified without qualifications the four measures reviewed.

Other Reports and Reviews

No special reports or reviews of the agency were identified after September 2003.

The agency is eligible to implement an enhanced compensation program for employees during fiscal year 2005, pursuant to Article IX, Section 6.28(d) of the 2004–05 General Appropriations Act. Agency eligibility is based on attainment of at least 80 percent of key performance targets in fiscal year 2004 and certification that at least 70 percent of audited key measures are accurate. Classified employees who directly contribute to improvements in agency performance may be awarded up to 6.8 percent of their base salary.

PERFORMANCE HIGHLIGHTS

During fiscal year 2004, the agency attained (within 5 percent) or exceeded 86 percent of its seven established key performance targets.

The agency attained or exceeded both of its outcome targets and four of its five output/efficiency targets.

MEASURES ASSESSMENTS

The agency attained or exceeded its target for *Dollar Volume of Research Studies Performed (in Millions)* in fiscal years 2000 through 2004, reflecting the agency's ongoing success in securing external funding sources. Unexpectedly high funding from the TxDOT Research Program and the Transportation Safety Center contributed to the agency surpassing its performance target in fiscal year 2004.

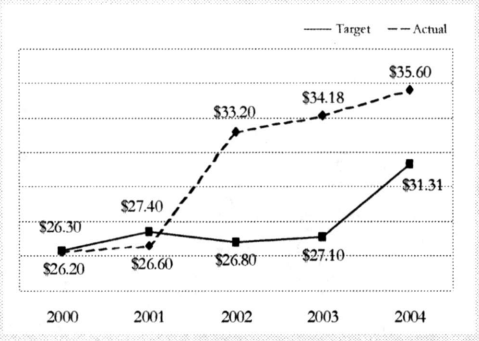
Fiscal year 2004 was the fifth consecutive year in which the agency exceeded its target for *Leverage Ratio of Direct State Appropriations to Total Funds (Excluding Infrastructure Funds)*. This measure gauges the agency's ability to leverage its State Highway Fund No. 006 appropriations to obtain funding from other sources, especially interagency contracts with the Texas Department of Transportation and federal funding from the U.S. Department of Transportation.

In fiscal year 2004, the agency continued its trend of exceeding its target for *Number of Texas Transportation Institute (TTI) Patented Safety Devices Installed—Sponsored Research* for the fifth successive fiscal year. The agency reports that licensee sales of Guardrail Terminals and Crash Cushions developed by the Texas Transportation Institute are exceeding original estimates.

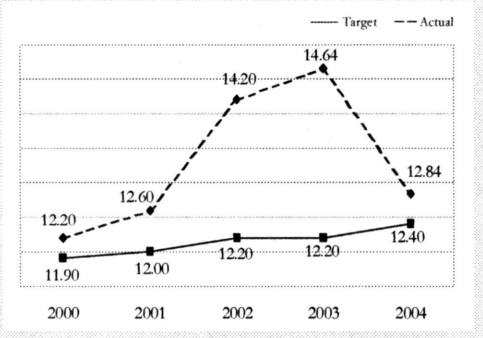
The agency attained its fiscal year 2004 target for the *Number of Students Involved in TTI Education and Research Activities—National Centers.* In 2004, the number of students involved in education and research activities through the agency's nine national centers and regional research divisions at nine universities in Texas declined slightly throughout the year.

SELECTED PERFORMANCE MEASURES

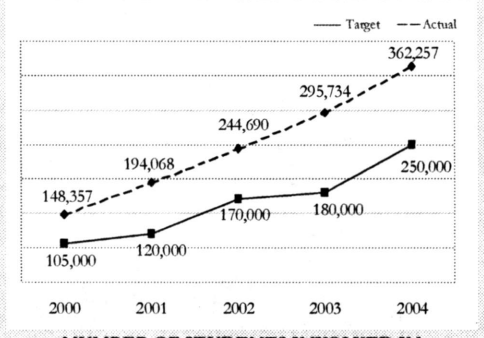
DOLLAR VOLUME OF RESEARCH STUDIES PERFORMED (IN MILLIONS)



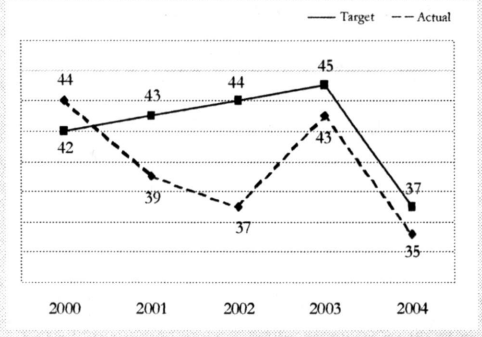
LEVERAGE RATIO OF DIRECT STATE APPROPRIATIONS TO TOTAL FUNDS (EXCLUDING INFRASTRUCTURE FUNDS)



NUMBER OF TTI PATENTED SAFETY DEVICES INSTALLED–SPONSORED RESEARCH



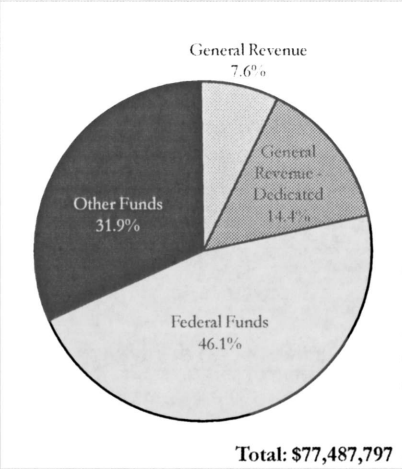
NUMBER OF STUDENTS INVOLVED IN TTI EDUCATION AND RESEARCH ACTIVITIES–NATIONAL CENTERS



Texas Engineering Extension Service

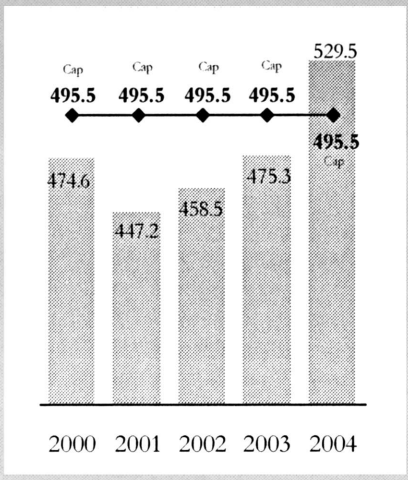
Selected Budget Information

ALL FUNDS, 2004 ESTIMATED



Total: $77,487,797

FULL-TIME-EQUIVALENT POSITIONS



MAJOR CONTRACTS REPORTED, 2004

In fiscal year 2004, the agency reported **101** contracts, including:

K2Share LLC *
Software development
$1,694,035

URS Corporation *
Wastewater system upgrade, Brayton Fire Field
$1,345,125

Community Research Associates *
ODP technical assistance
$500,000

AT Solutions Inc. *
Computer services
$231,891

O'Neill Conrad Opplett Architects, Inc. *
Classroom building and structural burn
$149,930

Texas Water Utilities Association *
Instructional services
$100,000

* Known multi-year contract

Budget Highlights

General Revenue Funds accounted for 7.6 percent of the agency's budgeted expenditures in fiscal year 2004.

Federal Funds constituted 46.1 percent of the agency's budgeted expenditures, and Other Funds composed 31.9 percent of the agency's total expenditures. Other Funds come from fees paid for specific agency training services and various interagency contracts. These funds are used to support the agency's training-related operations. Approximately 66.3 percent of the agency's fiscal year 2004 budgeted expenditures supported public sector training efforts.

Agency expenditures for fiscal year 2004 were $18.2 million more than appropriated to it in the General Appropriations Act (GAA), 2004–05 Biennium. A $0.3 million reduction pursuant to provisions of House Bill 7, Seventy-eighth Legislature, Regular Session, 2003, combined with a $0.1 million increase for salary increases pursuant to GAA (2004–05 Biennium), Article IX, Sec. 10.12, resulted in a net reduction of $0.2 million in General Revenue Funds.

General Revenue–Dedicated Funds in the amount of $6.9 million reflected higher than estimated indirect cost recovery income. In the 2006–07 biennium, indirect cost recovery income will be converted to Other Funds.

Other Funds in the amount of $5.2 million reflected higher than estimated appropriated receipts and interagency contracts income.

Federal Funds in the amount of $17.3 million reflected higher than estimated federal income. The agency's federal funding has grown significantly from $2.7 million in fiscal year 1995 to over $35.7 million in fiscal year 2004, an increase of more than 1,200 percent during a nine-year period.

Full-time-equivalent Employees

The agency exceeded its cap for full-time-equivalent (FTE) positions in fiscal year 2004.

The number of FTEs reported includes positions from federal contracts for homeland security. There were more federal contract positions than expected in fiscal year 2004.

Performance Measures Audit Reports

The most recent performance measures audit by the State Auditor's Office (SAO) was in November 2000, when the *Performance Measures at 25 State Agencies and Educational Institutions* report certified with qualifications one measure and found four measures to be inaccurate.

Other Reports and Reviews

In January 2005, the SAO released a report on homeland security that recommended the agency ensure that its State Homeland Security grant program funds are used for their intended purpose and that the agency adequately protect the grant program funds against fraud.

PERFORMANCE HIGHLIGHTS

During fiscal year 2004, the agency attained (within 5 percent) or exceeded 57 percent of its seven established key performance targets.

The agency attained or exceeded its only outcome target and three of its six output/efficiency targets.

MEASURES ASSESSMENTS

Fiscal year 2004 was the fifth consecutive year in which the agency exceeded its target for *Clients Served per FTE (Technology Transfer).* In calendar year 2002, the National Aeronautics and Space Administration (NASA) decreased its number of direct technology transfer initiatives with the agency, which comprised a large portion of the agency's technology transfer initiatives. The continued impact of the decrease in transfer initiatives from NASA, combined with a downturn in the manufacturing sector, which has especially affected the agency's programs with semiconductor and small manufacturers, accounts for the percentage decrease in companies served. The number of clients served in fiscal year 2004 includes all companies the agency served, whereas in previous fiscal years, the performance applied only to Texas companies served.

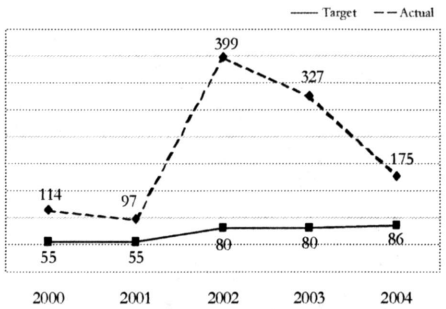
The agency exceeded its target for *Leverage Ratio of General Revenue Appropriations to Total Funds (Excluding Infrastructure Funds)* in fiscal year 2004. This increase resulted from a large amount of additional federal funds received while General Revenue funding remained constant. Infrastructure is excluded from the ratio calculation because the agency's seed money is used to attract funds for program dollars, not agency infrastructure. The funds the agency receives for infrastructure from the GAA cannot be used for any other purpose.

Continuing a seven-year upward trend, the agency exceeded its target for *Average Number of Student Contact Hours per Full-time Industrial Trainer* in fiscal year 2004. Prior to fiscal year 2004, the number of full-time industrial trainers was calculated based on the class market sector; the number is now determined by the strategy from which the trainers are paid, which provides a more accurate count. The change in calculation method resulted in a decrease in the number of industrial trainers relative to previous years, thus increasing the ratio of trainers to student contact hours.

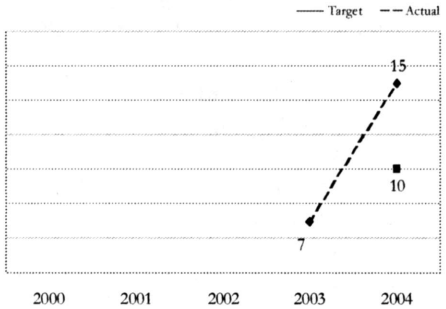
For fiscal year 2004, the agency did not attain its target for *Number of Technology Transfer Initiatives with Communities and Businesses.* The agency indicates that the loss of contracts with NASA and the downturn in the manufacturing industries account for the decrease in the number of technology transfer initiatives.

SELECTED PERFORMANCE MEASURES

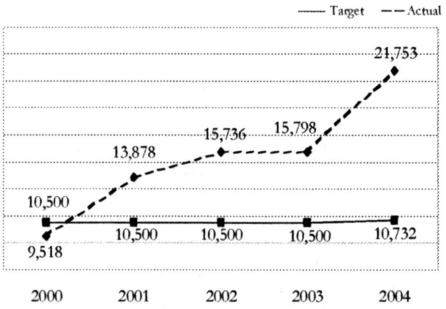
CLIENTS SERVED PER FTE (TECHNOLOGY TRANSFER)



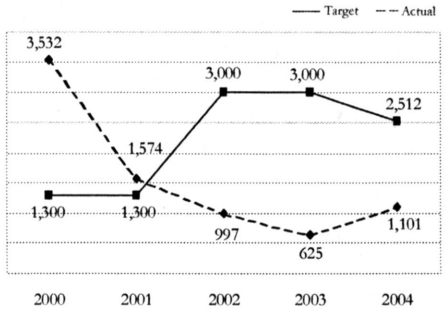
LEVERAGE RATIO OF GENERAL REVENUE APPROPRIATIONS TO TOTAL FUNDS (EXCLUDING INFRASTRUCTURE FUNDS)



AVERAGE NUMBER OF STUDENT CONTACT HOURS PER FULL-TIME INDUSTRIAL TRAINER



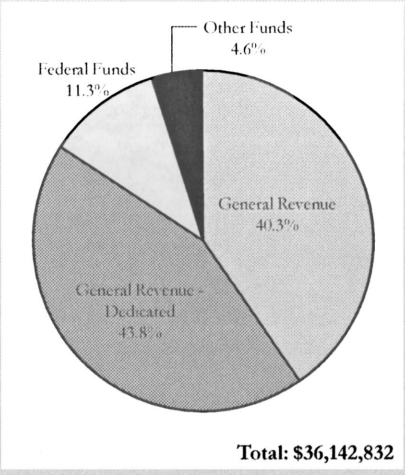
NUMBER OF TECHNOLOGY TRANSFER INITIATIVES WITH COMMUNITIES AND BUSINESSES



Texas Forest Service

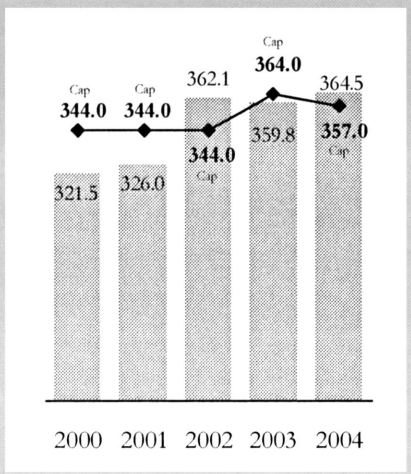
Selected Budget Information

ALL FUNDS, 2004 ESTIMATED



Total: $36,142,832

FULL-TIME-EQUIVALENT POSITIONS



MAJOR CONTRACTS REPORTED, 2004

In fiscal year 2004, the agency reported **six** contracts:

Space Imaging *
Southern wildlife risk assessment
$1,744,622

Gaston Manor Partners LP *
Office space - Austin
$317,856

Boykin Investments *
Office space - Abilene
$244,598

Hi-Cross LLC *
Office space - Longview
$72,000

Bastrop Partnership *
Office space - Bastrop
$60,480

Penta Partners, Ltd. *
Office space - Horseshoe Bay
$59,875

* Known multi-year contract

Budget Highlights

General Revenue Funds accounted for 40.3 percent of the agency's budgeted expenditures in fiscal year 2004. Approximately 88 percent of the agency's total budgeted expenditures funded wildfire prevention and suppression operations.

Agency expenditures for fiscal year 2004 were higher than appropriated to it in the Seventy-eighth Legislature, General Appropriations Act (GAA), 2004–05 Biennium. General Revenue Funds were reduced by $37,771 pursuant to GAA (2004–05 Biennium), Special Provision, Section 56, for appropriations to the Health Related Institutions. The agency collected and expended $382,410 more revenue from the Rural Volunteer Fire Department Insurance Account than was estimated in the 2004–05 GAA. This revenue comes from a tax on retail fireworks, and is passed through to local volunteer fire departments as grants. The agency received an additional $0.5 million in Federal Funds and collected $8,000 less than estimated in Appropriated Receipts.

Full-time-equivalent Employees

The agency exceeded its cap for full-time-equivalent (FTE) positions in fiscal year 2004.

The agency reported having seven FTEs more than its fiscal year 2004 FTE cap. The agency requested to exceed its cap by 23 FTE positions to accommodate implementing the volunteer fire department (VFD) assistance program, which was authorized by House Bills 3667 and 2604 in the Seventy-seventh Legislative Session, 2001. Although the legislation that authorized the VFD assistance program had authorized 20 FTEs for the program, neither the Seventy-seventh Legislature nor the Seventy-eighth Legislature raised the agency's FTE cap.

Performance Measures Audit Reports

The most recent performance measures audit by the State Auditor's Office was in January 1997, when the *Performance Measures at 13 State Agencies and 7 Educational Intuitions* report certified without qualification one measure and certified with qualifications three measures.

Other Reports and Reviews

No special reports or reviews of the agency were identified after September 2003.

PERFORMANCE HIGHLIGHTS

During fiscal year 2004, the agency attained (within 5 percent) or exceeded 64 percent of its 11 established key performance targets.

The agency did not attain or exceed any of its 3 outcome targets, but attained or exceeded seven of its eight output/efficiency targets.

MEASURES ASSESSMENTS

The agency did not meet its target in *Saved-to-Loss Ratio of Resources and Property Values from Wildfires* for the third consecutive year. The agency reports that a lower number of fires in the previous year resulted in less property having been affected; however a lower number of fires does not affect the ratio of saved-to-loss. The 3.1 saved-to-loss ratio in fiscal year 2004 was an improvement from fiscal year 2003, when the ratio was 2.1.

Fiscal year 2004 was the first year since fiscal year 2001 in which the agency did not attain within 5 percent its target for *Number of Trees Saved from the Spread of Oak Wilt Disease.* According to the agency, the easiest to treat Oak Wilt areas have already been treated, leaving fewer areas that required attention in fiscal year 2004.

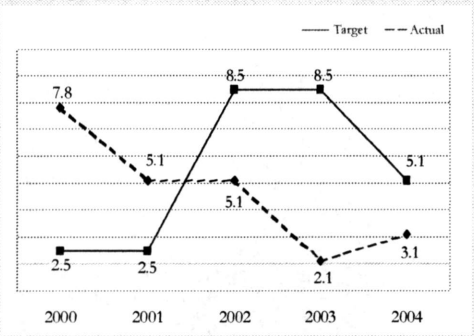
The agency exceeded its target for *Number of Contact Hours of Firefighter Training (Wildlife and Emergency Program)* in fiscal year 2004. The agency also exceeded its target for this measure in the previous four fiscal years. The target has been set low because funding was not permanent; however, the target has been increased to 50,000 for fiscal year 2005.

The agency has two permanent firefighting academies: one in Bastrop and one in Lufkin. The academy in Bastrop is one of three federally recognized academies and primarily trains students from Texas, although it also provides training to students from other states. The firefighting academy in Lufkin provides training to students from Arkansas and Louisiana in addition to the students from Texas.

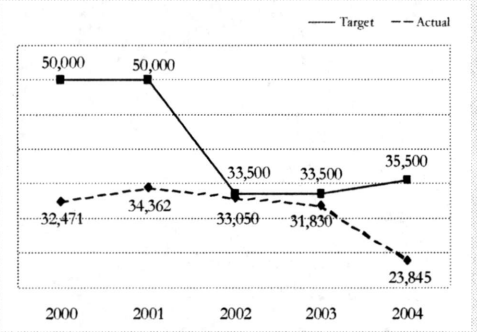
Fiscal year 2004 was the second time in the most recent four years in which the agency attained or exceeded its target for *Reforestation Acres.* Pine planting in East Texas and hardwood planting in Central and East Texas protect wildlife habitat and protect water quality. Conifers and hardwoods are planted on the High Plains for windbreaks, living snow fences, and wildlife habitat. An improved reporting process, as well as backlogged demand for reforestation, boosted the reported number of reforested acres.

SELECTED PERFORMANCE MEASURES

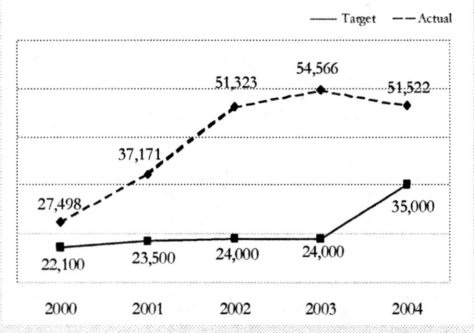
SAVED-TO-LOSS RATIO OF RESOURCES AND PROPERTY VALUES FROM WILDFIRES



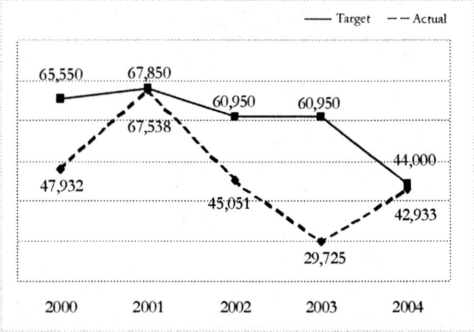
NUMBER OF TREES SAVED FROM THE SPREAD OF OAK WILT DISEASE



NUMBER OF CONTACT HOURS OF FIREFIGHTER TRAINING (WILDLIFE AND EMERGENCY PROGRAM)



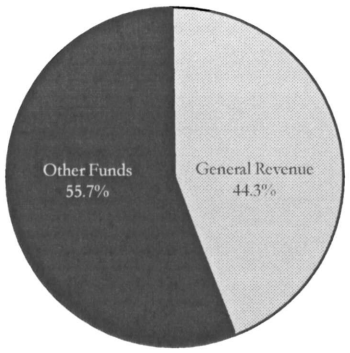
REFORESTATION ACRES



Texas Veterinary Medical Diagnostic Laboratory

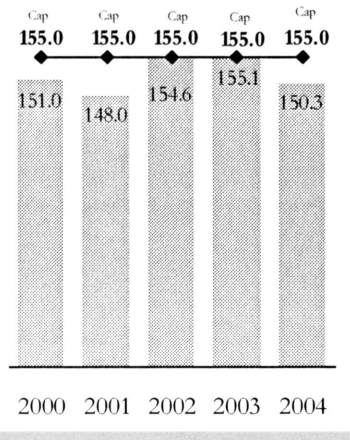
Selected Budget Information

ALL FUNDS, 2004 ESTIMATED



Total: $10,719,046

FULL-TIME-EQUIVALENT POSITIONS



MAJOR CONTRACTS REPORTED, 2004

In fiscal year 2004, the agency reported **no** contracts.

Budget Highlights

General Revenue Funds accounted for 44.3 percent and Other Funds constituted 55.7 percent of the agency's expenditures in fiscal year 2004. The agency's Other Funds is comprised of fee income from administering drug testing and diagnostic services.

Total expenditures in fiscal year 2004 were $305,557 more than appropriated to the agency and reflects a reduction of $12,312 in General Revenue Funds, pursuant to General Appropriations Act (2004–05 Biennium), Special Provision, Section 56, for appropriations to the Health Related Institutions. The agency collected and expended $730,996 more than anticipated in Veterinary Medical Diagnostic Laboratory Fee Revenue due to higher than expected demand for disease testing. This increase was offset by lower than anticipated collections of $135,061 in Drug Testing Laboratory Fee Revenue. Overall, Other Funds expenditures reflect greater than estimated fee income.

Full-time-equivalent Employees

The agency did not exceed its cap for full-time-equivalent positions in fiscal year 2004.

Performance Measures Audit Reports

The most recent performance measures audit by the State Auditor's Office was in May 2000, when the *Performance Measures at 11 State Agencies* report certified with qualifications one measure, found one measure to be inaccurate, and factors prevented certification of three measures.

Other Reports and Reviews

No special reports or reviews of the agency were identified after September 2003.

TEXAS VETERINARY MEDICAL DIAGNOSTIC LABORATORY

PERFORMANCE HIGHLIGHTS

During fiscal year 2004, the agency attained (within 5 percent) or exceeded 80 percent of its five established key performance targets.

The agency attained or exceeded both of its outcome targets and two of its three output/efficiency targets.

MEASURES ASSESSMENTS

Although the target was set higher in fiscal year 2004 than in previous years, the agency exceeded the *Number of Diagnostic Services Rendered.* According to the agency, the increase in fiscal year 2004 was due to expanding its diagnostic testing services.

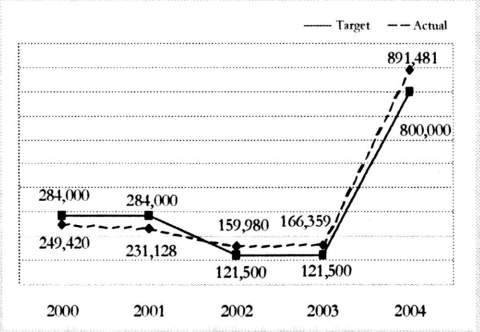
The agency attained the target for *Percent of Animals Testing Drug-free* in fiscal year, as it has consistently since fiscal year 1997. The Racing Commission has contracted with the agency for more than 10 years to test race animals in the horse and greyhound industry for illegal performance-enhancing drugs.

The agency exceeded its target for *Number of Cases Submitted and Examined* for the second consecutive year, and increased its total from the year prior for the third consecutive year. The agency routinely tests for a wide range of ingested and airborne pathogens, including anthrax and the foot and mouth virus. According to the agency, performance within this measure indicates whether the disease diagnostic and surveillance program is adequately meeting the state's needs. Disease diagnosis and surveillance is important to public health and to the state's economy.

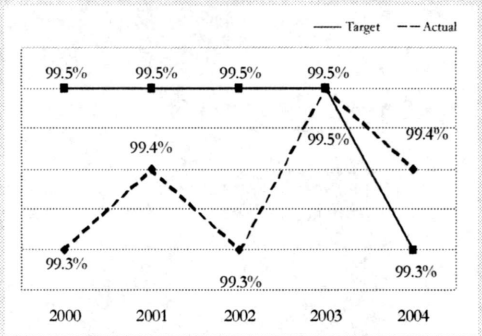
The agency attained its target for *Number of Animals Tested* in fiscal year 2004. This measure reflects the number of animals from which urine and blood samples are submitted to the agency for drug testing. According to the agency, its activity within this measure is impacted by the number of requests received from the Texas Racing Commission to have animals within the horse and greyhound racing industries tested for the presence of illegal drugs.

SELECTED PERFORMANCE MEASURES

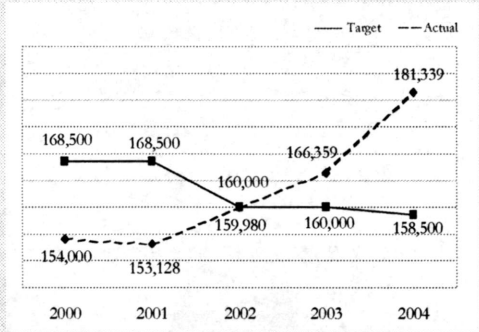
NUMBER OF DIAGNOSTIC SERVICES RENDERED



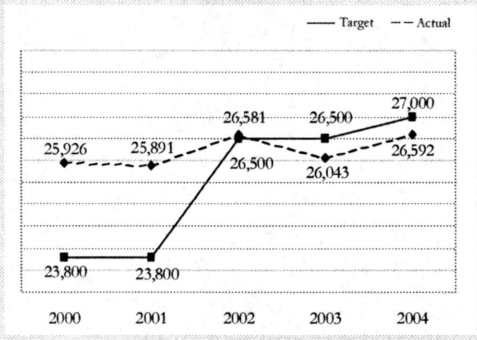
PERCENT OF ANIMALS TESTING DRUG-FREE



NUMBER OF CASES SUBMITTED AND EXAMINED



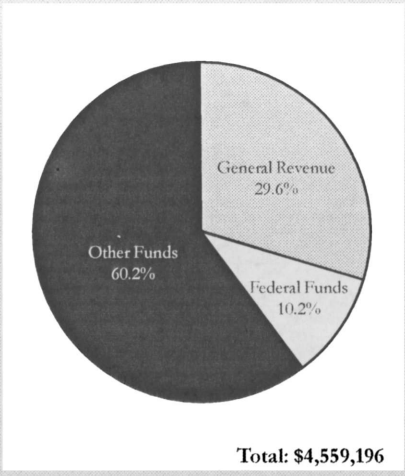
NUMBER OF ANIMALS TESTED



Texas Food and Fibers Commission

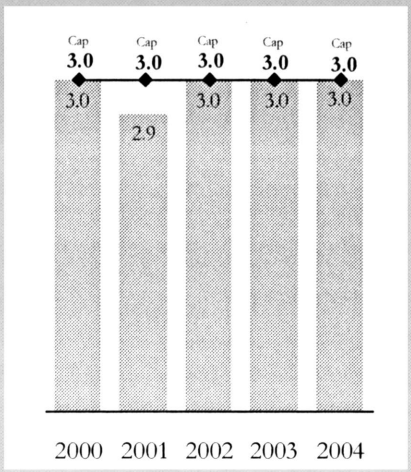
Selected Budget Information

ALL FUNDS, 2004 ESTIMATED



Total: $4,559,196

FULL-TIME-EQUIVALENT POSITIONS



MAJOR CONTRACTS REPORTED, 2004

In fiscal year 2004, the agency reported **no** contracts.

Budget Highlights

General Revenue Funds accounted for 29.6 percent of the agency's total expenditures in fiscal year 2004. Federal Funds constituted 10.2 percent of the agency's expenditures and Other Funds made up 60.2 percent of the agency's total expenditures. Appropriated receipts comprised the entire $2.7 million in Other Funds.

Approximately 95 percent of the agency's expenditures in fiscal year 2004 was for research and development related to cotton, sheep and goats, oilseed, textiles, nutrition utilization, natural fibers utilization, and apparel research and marketing. In fiscal year 2004, the agency continued to maintain the Texas Agricultural Research Database, which lists over 1,000 projects and receives over 15,000 queries per month.

Full-time-equivalent Employees

The agency did not exceed its cap for full-time-equivalent positions in fiscal year 2004.

Performance Measures Audit Reports

The most recent performance measures audit by the State Auditor's Office was in November 1996, when the *1996 Small Agency Management Control Audit* found factors that prevented certification of the four measures reviewed.

Other Reports and Reviews

No special reports or reviews of the agency were identified after September 2003.

PERFORMANCE HIGHLIGHTS

During fiscal year 2004, the agency attained (within 5 percent) or exceeded 100 percent of its four established key performance targets.

The agency attained or exceeded its one outcome target and all three of its output/efficiency targets.

MEASURES ASSESSMENTS

The agency coordinates cooperative research with Texas A&M University, Texas Tech University, Texas Woman's University, The University of Texas at Austin, and state agencies such as the Texas Department of Agriculture, and seeks cooperative projects with the U.S. Department of Agriculture, the Environmental Protection Agency, and commodity groups to promote the production, use, and quality of Texas natural fibers and food protein products.

The agency attained its target for *Cumulative Accrual (in Millions)* in fiscal year 2004, which measures the total amount of outside contributions received by the four participating universities for research related to agency projects. This measure is an indicator of industry support for the research being conducted by the agency.

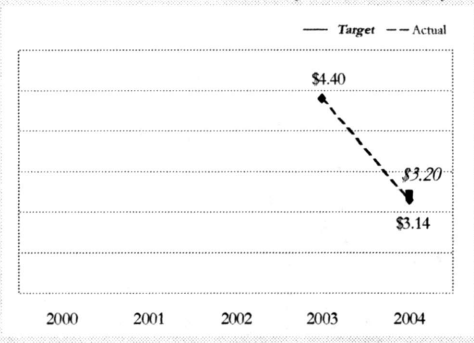
The agency attained the target for *Number of Research and Development Projects* in fiscal year 2004. According to the agency, this performance reflects recommendations by the agency's Industrial Advisory Committee to allocate research dollars among the 38 most viable projects. The committee is statutorily authorized and meets annually to review the agency's ongoing research projects and to discuss industry research needs. The committee provides industry feedback to Texas' agricultural researchers.

The target for *Number of Formal Published Research Reports* was exceeded by the agency in fiscal year 2004 after not attaining the target in any of the previous five years. In fiscal year 2000, the agency implemented more stringent evaluative standards in determining whether a submission qualifies as a formal published report, and at that time the agency began placing greater value on peer-review reports published in technical field journals. Progress in this measure demonstrates progress within the agency's research projects.

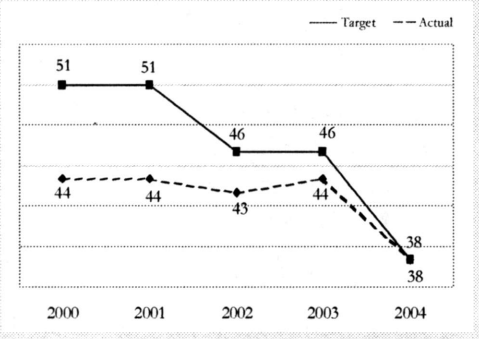
The agency attained the target for *Leverage Ratio of General Revenue to Other Research Funds* in fiscal year 2004. Participating universities were able to leverage General Revenue Funds in accordance with their anticipated goal. The agency's advisory committee, comprising fiber and food protein industry leaders, recommends project funding based on priority, short-term research needs of the industry, and typically leverages $3 in Other Funds or Federal Funds to every $1 of General Revenue Funds.

SELECTED PERFORMANCE MEASURES

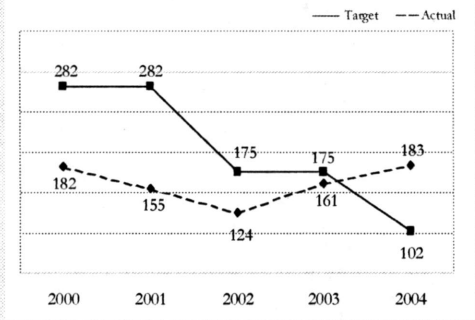
CUMULATIVE ACCRUAL (IN MILLIONS)



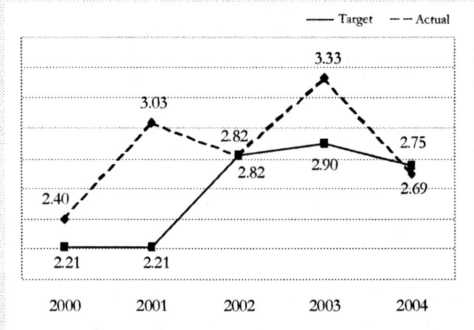
NUMBER OF RESEARCH AND DEVELOPMENT PROJECTS



NUMBER OF FORMAL PUBLISHED RESEARCH REPORTS



LEVERAGE RATIO OF GENERAL REVENUE TO OTHER RESEARCH FUNDS



AGENCY	PERCENTAGE OF PERFORMANCE TARGETS ACHIEVED [1]	NUMBER OF KEY PERFORMANCE MEASURES
Supreme Court of Texas	50%	2
Court of Criminal Appeals	25	4
Court of Appeals Districts:		
First Court of Appeals District, Houston[2]	66	3
Second Court of Appeals District, Fort Worth[2]	100	3
Third Court of Appeals District, Austin[2]	66	3
Fourth Court of Appeals District, San Antonio[2]	100	3
Fifth Court of Appeals District, Dallas[2]	100	3
Sixth Court of Appeals District, Texarkana[2]	100	3
Seventh Court of Appeals District, Amarillo[2]	100	3
Eighth Court of Appeals District, El Paso[2]	33	3
Ninth Court of Appeals District, Beaumont[2]	66	3
Tenth Court of Appeals District, Waco[2]	0	3
Eleventh Court of Appeals District, Eastland[2]	100	3
Twelfth Court of Appeals District, Tyler[2]	66	3
Thirteenth Court of Appeals District, Corpus Christi[2]	66	3
Fourteenth Court of Appeals District, Houston[2]	66	3
Office of Court Administration, Texas Judicial Council	89	9
Office of the State Prosecuting Attorney	0	1
State Law Library	100	1
State Commission on Judicial Conduct	100	1

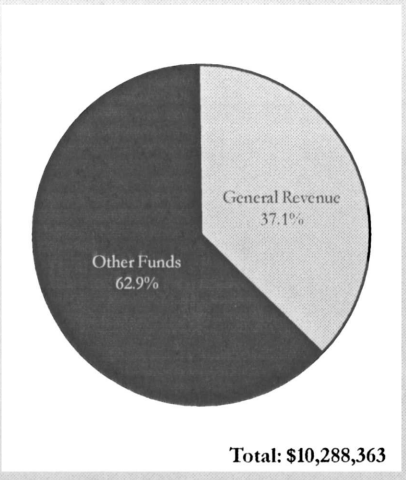
[1] *Percentage of Performance Targets Achieved* reflects those measures (excluding explanatory) for which performance has attained or exceeded 95 percent of the established target.

[2] A consolidated budget and performance summary was prepared for these courts beginning on page 126.

Supreme Court of Texas

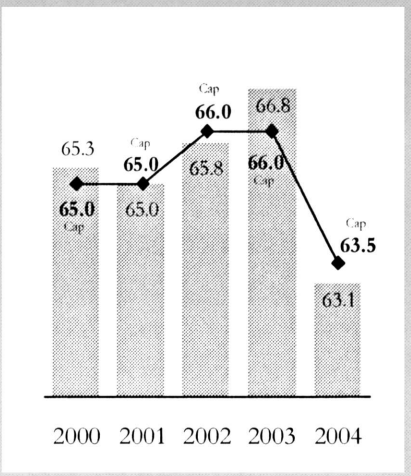
Selected Budget Information

ALL FUNDS, 2004 ESTIMATED



Total: $10,288,363

FULL-TIME-EQUIVALENT POSITIONS



MAJOR CONTRACTS REPORTED, 2004

In fiscal year 2004, the court reported **no** contracts.

Budget Highlights

During fiscal year 2004, the court expended $3.8 million in General Revenue Funds and $66,000 in Other Funds for staff salaries and operating expenses related to the court's primary mission of hearing final state appeals in civil and juvenile cases. Appellate court operations accounted for 37.8 percent of total court expenditures.

In addition to appellate court operations, the court administers the Basic Civil Legal Services Program. Other Funds accounted for expenditures of $6.4 million in grants made to provide legal assistance to low-income Texans in civil matters. This program, which accounted for 62.2 percent of the court's fiscal year 2004 expenditures, was financed through a filing fee assessed on civil proceedings in Texas, new fees created by House Bill 599 and House Bill 462, Seventy-eighth Legislature, Regular Session, 2003, and an interagency contract with the Office of the Attorney General.

Full-time-equivalent Employees

Appellate courts are exempt from the cap on full-time-equivalent positions.

Performance Measures Audit Reports

The most recent performance measures audit by the State Auditor's Office was in July 1996, when the *Performance Measures at 20 State Agencies and 1 Educational Institution* report certified without qualifications two measures.

Other Reports and Reviews

No special reports or reviews of the agency were identified after September 2003.

PERFORMANCE HIGHLIGHTS

During fiscal year 2004, the court attained (within 5 percent) or exceeded 50 percent of its two established key performance targets.

The court attained or exceeded its single outcome target but did not meet its one output/efficiency target.

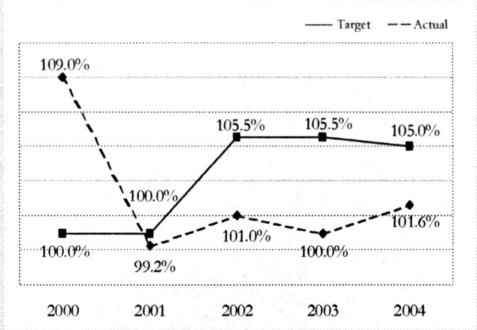
MEASURES ASSESSMENTS

In fiscal year 2004, the court met its *Disposition Rate* target by making adjustments to its motions requests process. The court has assigned one clerk to process all requests for motions, allowing the justices more uninterrupted time for studying and writing on cases.

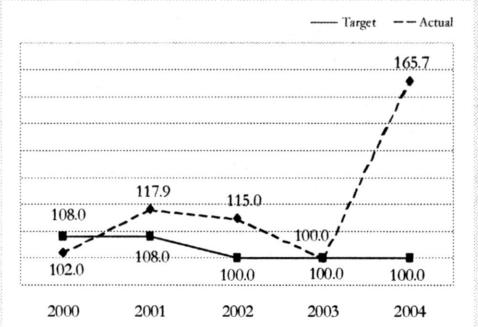
The court did not meet its targeted performance for *Average Number of Days Since Filing of All Matters Pending.* In fiscal year 2004, the court requested a full briefing of 222 cases, compared to 238 cases in fiscal year 2003. Full briefings are requested by the court when an issue is not adequately developed in the petition or as a predicate to granting a petition for review. Rule 55.7 of the Texas Rules of Appellate Procedure, builds in a delay of 50 to 65 days before any action can be taken on cases for which a full briefing has been requested.

SELECTED PERFORMANCE MEASURES

DISPOSITION RATE



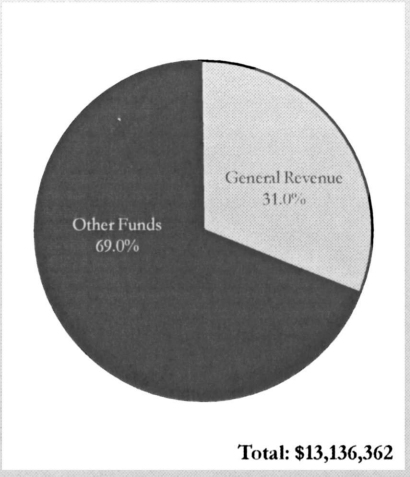
AVERAGE NUMBER OF DAYS SINCE FILING OF ALL MATTERS PENDING



Court of Criminal Appeals

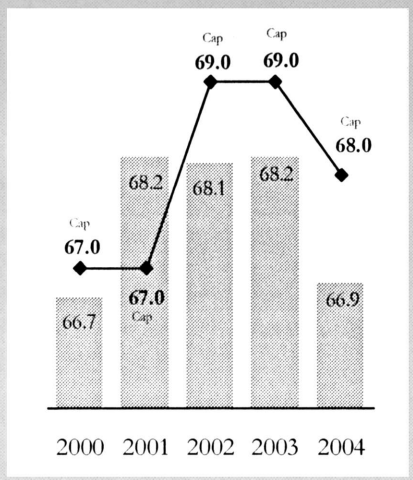
Selected Budget Information

ALL FUNDS, 2004 ESTIMATED



Total: $13,136,362

FULL-TIME-EQUIVALENT POSITIONS



MAJOR CONTRACTS REPORTED, 2004

In fiscal year 2004, the court reported **no** contracts.

Budget Highlights

The court expended $4.1 million in General Revenue Funds and $31,000 in Other Funds for staff salaries and operational expenses related to its primary mission of hearing final state appeals in criminal matters. General Revenue Fund expenditures for appellate court operations accounted for 31.0 percent of the court's fiscal year 2004 expenditures.

Other Funds accounted for expenditures of $9.1 million for the remaining 69.0 percent of the court's budget and was primarily used to provide judicial education courses to over 3,250 judges, over 3,650 prosecutor office personnel, and over 1,400 defense attorneys.

Full-time-equivalent Employees

Appellate courts are exempt from the cap on full-time-equivalent positions.

Performance Measures Audit Reports

The most recent performance measures audit by the State Auditor's Office was in July 1996, when the *Performance Measures at 20 State Agencies and 1 Educational Institution* report certified without qualifications three measures.

Other Reports and Reviews

No special reports or reviews of the agency were identified after September 2003.

PERFORMANCE HIGHLIGHTS

During fiscal year 2004, the court attained (within 5 percent) or exceeded 25 percent of its four established key performance targets.

The court did not attain or exceed either of its two outcome targets and attained or exceeded one of its two output/efficiency targets.

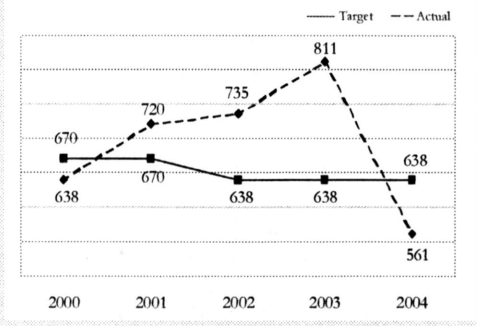
MEASURES ASSESSMENTS

The court exceeded its target for *Average Time from Time Filed to Disposition in Death Penalty Cases.* Death penalty cases are complex cases with appellate briefs that often exceed 125 pages in length. The court's ability to retain experienced and knowledgeable death penalty staff, in addition to having no cases older than 30 months, has helped to decrease the average time from filing to disposition of death penalty cases.

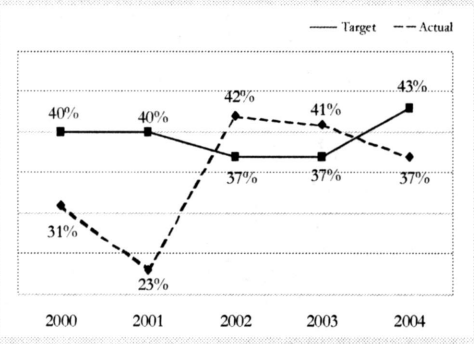
The court did not attain its targets for *Disposition Rate for Death Penalty Cases, Disposition Rate for Petitions for Discretionary Review which Are Granted,* and *Average Time (in Days) from the Time Petitions for Discretionary Review Are Granted until Disposition.* These measures were directly affected by the court's process for disposition and its ability to retain key staff. Many of the petitions for discretionary review are granted near the end of the fiscal year and are left pending until the court returns from summer recess. As a result, several of the cases reviewed in fiscal year 2004 were carried over from the previous fiscal year, adding to the time and rate of disposition. Additionally, while the court's death penalty staff has remained stable, the court experienced a loss of other case disposition personnel who were eligible to accept the early retirement incentive made available during the 2004–05 biennium.

SELECTED PERFORMANCE MEASURES

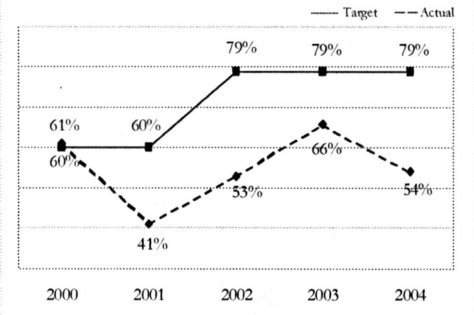
AVERAGE TIME FROM TIME FILED TO DISPOSITION IN DEATH PENALTY CASES



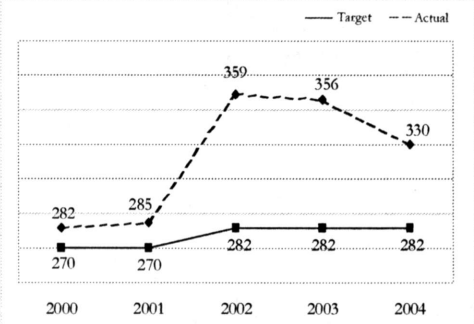
DISPOSITION RATE FOR DEATH PENALTY CASES



DISPOSITION RATE FOR PETITIONS FOR DISCRETIONARY REVIEW WHICH ARE GRANTED



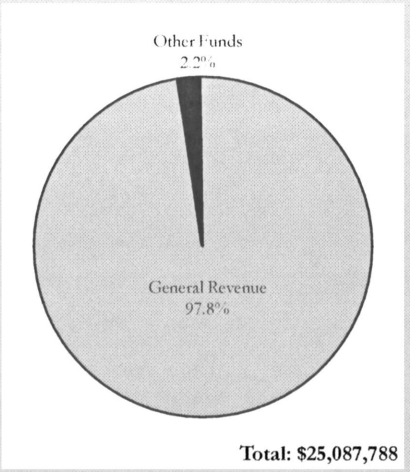
AVERAGE TIME (IN DAYS) FROM THE TIME PETITIONS FOR DISCRETIONARY REVIEW ARE GRANTED UNTIL DISPOSITION



Court of Appeals Districts

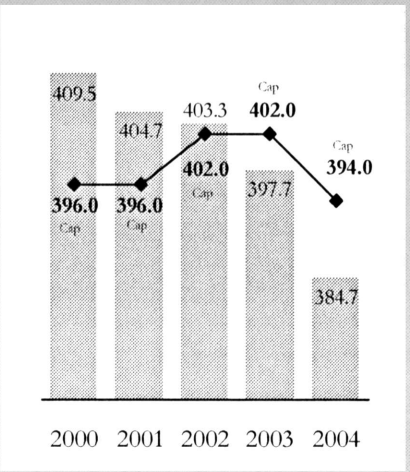
Selected Budget Information

ALL FUNDS, 2004 ESTIMATED



Total: $25,087,788

FULL-TIME-EQUIVALENT POSITIONS



MAJOR CONTRACTS REPORTED, 2004

In fiscal year 2004, the appellate courts reported **no** contracts.

* Known multi-year contract

Budget Highlights

All 14 intermediate appellate courts, with the exception of the Third District in Austin, are supported with a combination of state and local funding. Court operations at the Third District Court of Appeals are funded entirely by the state, with the exception of salary supplements for justices, which are provided to all courts by local government.

The sources of state funding for the appellate courts include General Revenue Funds, Appropriated Receipts, and interagency contracts. State funding for the courts provides for staff salaries, other personnel costs, and operating costs.

Local governments typically provide the office space in which a court is located, salary supplements for justices, and in some cases, facility upkeep and renovation. Some local governments choose to provide other services, such as court security and records storage.

Full-time-equivalent Employees

Appellate courts are exempt from the cap on full-time-equivalent positions.

Performance Measures Audit Reports

The most recent performance measures audit by the State Auditor's Office was in March 1997, when the *Financial Controls and Performance Measures at the Courts of Appeals and Other Judicial Branch Agencies* report certified without qualifications 24 measures, certified with qualifications three measures, and found one measure to be inaccurate.

Other Reports and Reviews

No special reports or reviews of the appellate courts were identified after September 2003.

PERFORMANCE HIGHLIGHTS

The appellate courts are exempted from state strategic planning requirements; however, all 14 appellate courts have three outcome measures used as indicators of timeliness in clearing cases on each court's respective docket.

The selected performance measures graphs on the right show the average performance and average target of all 14 courts of appeals and are not an indicator of the performance of any individual court.

MEASURES ASSESSMENT

The *Clearance Rate* decreased from 100.6 percent in fiscal year 2003 to 97.7 percent in fiscal year 2004. In fiscal year 2004, clearance rate targets ranged from a low of 86.6 percent to a high of 135 percent. According to many of the courts, budget reductions and resultant difficulties in hiring or retaining staff are the primary contributors to declining clearance rates.

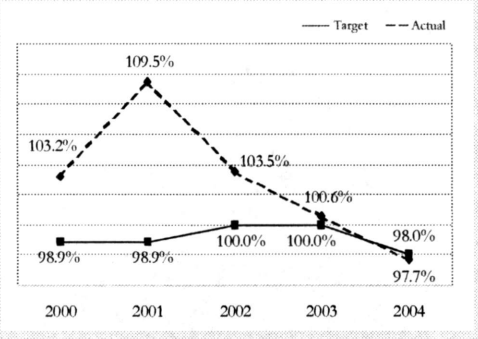
The *Average Percent of Cases under Submission for More than 12 Months* decreased from 5.9 percent in fiscal year 2003 to 4.8 percent in fiscal year 2004. Performance for all courts ranged from a low of 0.0 percent to a high of 22 percent. According to some of the courts, justice and court staff vacancies, in addition to case complexity, contributed to the courts' variance in performance.

The *Average Percent of Cases Filed but Not yet Disposed for More than 24 Months* decreased from 1.9 percent in fiscal year 2003 to 1.4 percent in fiscal year 2004. Performance for all courts ranged from a low of 0.0 percent to a high of 7.8 percent. According to the courts, utilization of memorandum opinions and Rule 25.2 of the Texas Rules of Appellate Procedure allowed the courts to dispose of a higher number of cases.

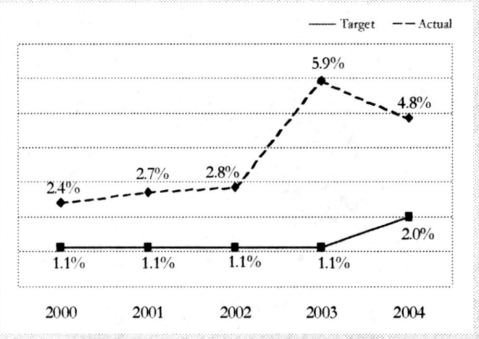
In general, there are several factors that may prevent an individual court from achieving or exceeding the targeted level, such as justice and court staff vacancies and case complexity. Furthermore, transferring cases between courts tends to impact the receiving court negatively and the transferring court positively on performance as it relates to the clearance rate.

SELECTED PERFORMANCE MEASURES

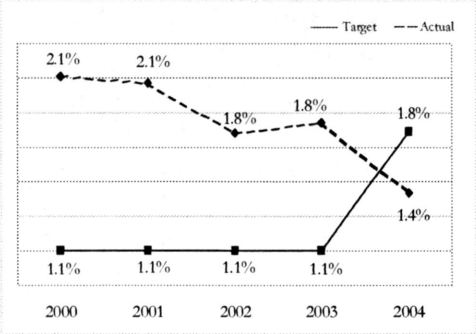
CLEARANCE RATE



AVERAGE PERCENT OF CASES UNDER SUBMISSION FOR MORE THAN 12 MONTHS



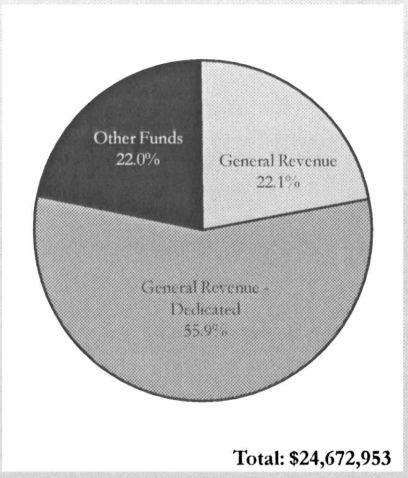
AVERAGE PERCENT OF CASES FILED BUT NOT YET DISPOSED FOR MORE THAN 24 MONTHS



Office of Court Administration, Texas Judicial Council

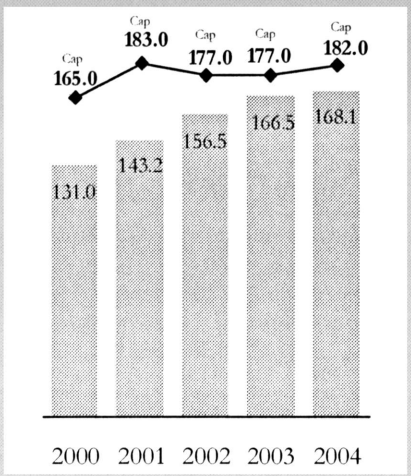
Selected Budget Information

ALL FUNDS, 2004 ESTIMATED



Total: $24,672,953

FULL-TIME-EQUIVALENT POSITIONS



MAJOR CONTRACTS REPORTED, 2004

In fiscal year 2004, the agency reported **10** contracts, including:

Vintage ITS
Computer purchase
$351,948

Optima Systems, Inc. *
Foster care case management project
$340,000

County Information Resources Agency *
Trial court connectivity
$281,820

Software House International Inc. *
Information technology
$161,915

Vintage ITS
Computer purchase
$114,542

Bexar County *
Juvenile justice accountability project
$110,629

* Known multi-year contract

Budget Highlights

The *Indigent Defense* strategy accounted for 51.4 percent of agency expenditures in fiscal year 2004. The funding provided $12.0 million in grants to counties with public defender offices or court-appointed attorneys that met statewide standards to improve legal services for indigent criminal defendants. Of this amount, $10.7 million was awarded in formula grants to 228 counties; $1.1 million was awarded in discretionary grants to six counties; $0.2 million was awarded in extraordinary grants to 4 counties; and, $0.1 million was awarded in direct disbursement grants to 14 counties for projects to improve the delivery of indigent defense services.

An additional 20.8 percent of the agency's expenditures were for the Title IV-D Masters and Assistants program in fiscal year 2004. The Title IV-D program administers child support cases and is operated through an interagency contract with the Office of the Attorney General. Another 10.3 percent of expenditures were for the *Judicial Committee on Information Technology* strategy. The funding provides for maintenance of information technology equipment and case management systems at the appellate courts, and for improved technology at the trial courts.

The Seventy-eighth Legislature, Regular Session, 2003, adopted recommendations of the Sunset Advisory Commission in Senate Bill 273. Under the bill, appropriations of the Court Reporters Certification Board (CRCB) were transferred to the Office of Court Administration (OCA), and OCA was directed to provide administrative support to the CRCB in fulfilling its statutory responsibilities.

Full-time-equivalent Employees

The agency did not exceed its cap for full-time-equivalent (FTE) positions in fiscal year 2004.

In fiscal year 2004, the agency was 14 FTE positions below the FTE cap primarily due to position vacancies in the Title IV-D Masters and Assistants program. Two factors contributed to program vacancies: (1) the agency delayed hiring to identify locations with the greatest need after a review of statewide caseloads, and (2) during fiscal year 2004, positions budgeted for Bexar and Harris counties could not be filled due to a shortage of available courtroom space.

Performance Measures Audit Reports

The most recent performance measures audit by the State Auditor's Office was in May 2000, when the *Performance Measures at 11 State Agencies* report certified with qualifications one measure and found one measure to be inaccurate.

Other Reports and Reviews

No special reports or reviews of the agency were identified after September 2003.

Office of Court Administration, Texas Judicial Council

Performance Highlights

During fiscal year 2004, the agency attained (within 5 percent) or exceeded 89 percent of its nine established key performance targets.

The agency attained or exceeded six of its seven outcome targets and both of its output/efficiency targets.

Measures Assessments

The agency exceeded its targeted performance for *Number of New Collections Programs Implemented or Existing Programs Expanded.* According to the agency, additional staff hired has been successful in promoting the program across the state. In fiscal year 2004, nine new county and five new municipal programs were implemented, while four existing county programs were expanded.

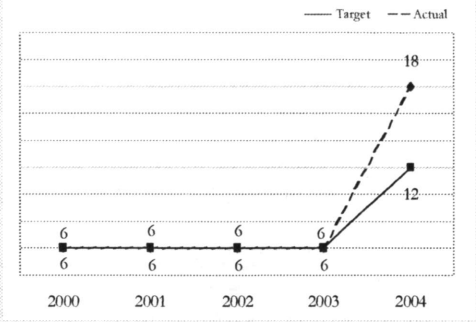
The agency met its targeted performance for *Percent of Counties Receiving Grants* in fiscal year 2004. According to the agency, formula, direct disbursement, extraordinary, and discretionary grants allow the agency the flexibility to meet the changing fiscal needs of local governments.

The agency met its targeted performance for *Title IV-D Case Disposition Rate* in fiscal year 2004. According to the agency, associate judges in the agency's Title IV-D Masters and Assistants program were able to dispose of over 145,000 child support cases because of the long tenure of the associate judges and their ability to effectively manage their dockets.

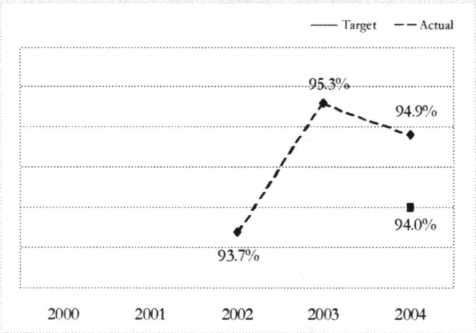
The agency exceeded its targeted performance for *Number of New Licenses Issued to Individuals.* The licensing examination for court reporters consists of a written and an oral examination. According to the agency, an unusually high pass rate on the oral examination has resulted in a greater number of licenses issued in fiscal year 2004.

Selected Performance Measures

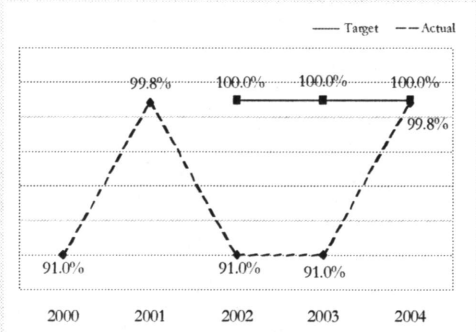
NUMBER OF NEW COLLECTIONS PROGRAMS IMPLEMENTED OR EXISTING PROGRAMS EXPANDED



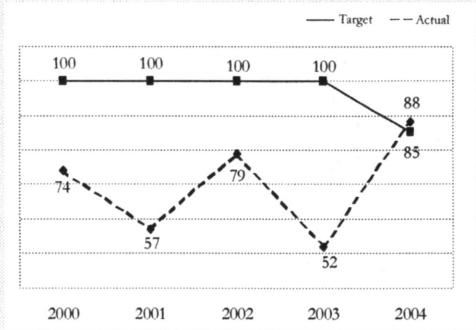
PERCENT OF COUNTIES RECEIVING GRANTS



TITLE IV-D CASE DISPOSITION RATE



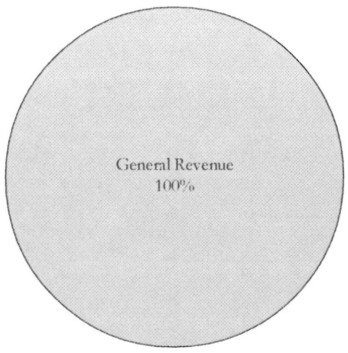
NUMBER OF NEW LICENSES ISSUED TO INDIVIDUALS



Office of the State Prosecuting Attorney

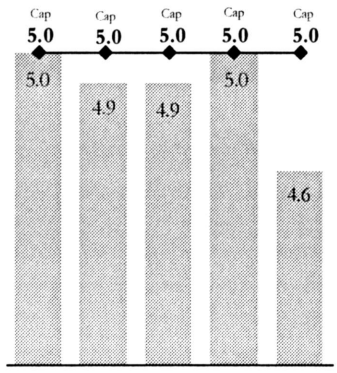
Selected Budget Information

ALL FUNDS, 2004 ESTIMATED



Total: $322,880

FULL-TIME-EQUIVALENT POSITIONS



MAJOR CONTRACTS REPORTED, 2004

In fiscal year 2004, the agency reported **no** contracts.

Budget Highlights

The agency is funded entirely by General Revenue Funds. To comply with budget reductions required by the Seventy-eighth Legislature, 2003, the agency reduced funding for salaries, which represented 96 percent of agency expenditures in fiscal year 2004. Based on a finding of fact issued by the Comptroller of Public Accounts in fiscal year 2004 certifying that sufficient revenue was available in the General Revenue Fund, and pursuant to an agency rider in the 2004–05 General Appropriations Act, the agency received an appropriation of $16,059 to restore salaries to fiscal year 2002 levels.

Full-time-equivalent Employees

The agency did not exceed its cap for full-time-equivalent positions in fiscal year 2004.

Performance Measures Audit Reports

The most recent performance measures audit by the State Auditor's Office was in May 2000, when the *Performance Measures at 11 State Agencies* report certified with qualifications two measures.

Other Reports and Reviews

No special reports or reviews of the agency were identified after September 2003.

Office of the State Prosecuting Attorney

Performance Highlights

During fiscal year 2004, the agency did not attain (within 5 percent) its single key performance target.

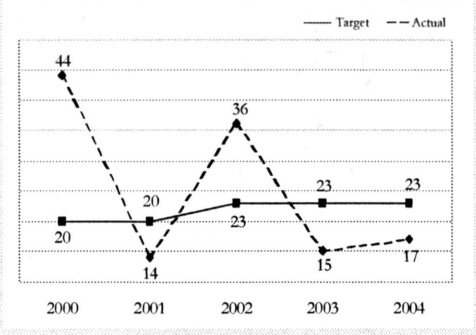
The agency did not have any output/efficiency targets.

Measures Assessments

The agency did not meet the fiscal year 2004 target for *Petitions for Discretionary Review Granted by the Court of Criminal Appeals.* Whether a petition is granted or denied rests solely within the discretion of the Court of Criminal Appeals. While 38 Petitions for Discretionary Review (PDR) were filed in fiscal year 2004, the Court of Criminal Appeals granted only 17 PDRs. Although the fiscal year 2004 target was not met, the performance exceeded that of the previous year.

Selected Performance Measures

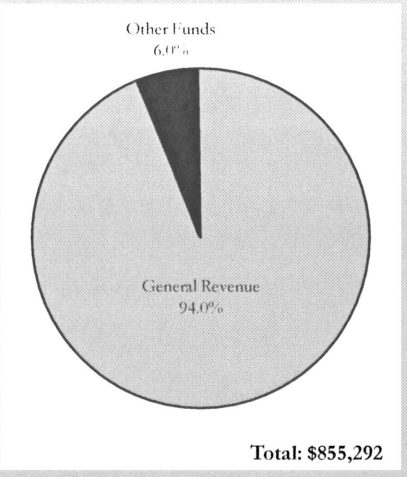
PETITIONS FOR DISCRETIONARY REVIEW GRANTED BY THE COURT OF CRIMINAL APPEALS



State Law Library

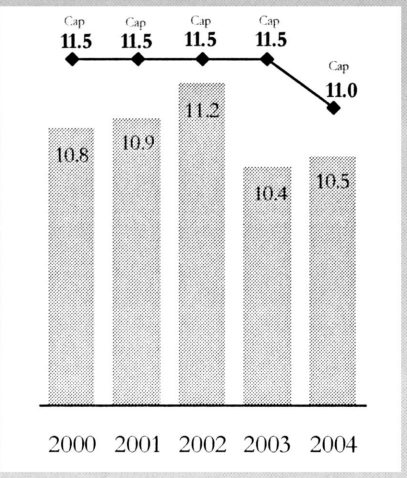
Selected Budget Information

ALL FUNDS, 2004 ESTIMATED



Total: $855,292

FULL-TIME-EQUIVALENT POSITIONS



MAJOR CONTRACTS REPORTED, 2004

In fiscal year 2004, the agency reported **no** contracts.

Budget Highlights

General Revenue Funds accounted for an estimated 94 percent of the State Law Library's expenditures in fiscal year 2004.

Other Funds expenditures (6 percent) represent fees the agency collects for services such as photocopying, sending facsimiles, conducting computer-based research for patrons, and circulation charges.

In fiscal year 2004, the agency significantly reduced additions to the library's permanent and nonpermanent collections to achieve budget reductions mandated by the Seventy-eighth Legislature, 2003.

Full-time-equivalent Employees

The agency did not exceed its cap for full-time-equivalent positions in fiscal year 2004.

Performance Measures Audit Reports

The most recent performance measures audit by the State Auditor's Office was in May 1998, when the *Performance Measures at 36 State Agencies* report stated that factors prevented certification of two measures.

Other Reports and Reviews

No special reports or reviews of the agency were identified after September 2003.

PERFORMANCE HIGHLIGHTS

During fiscal year 2004, the agency attained (within 5 percent) or exceeded its single established key performance target.

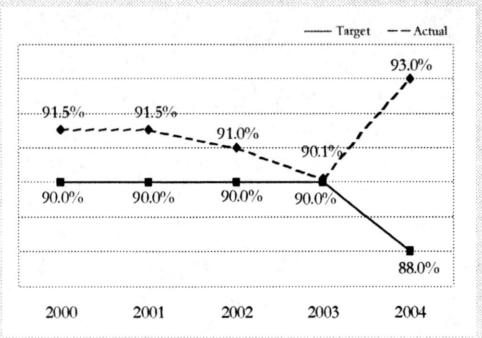
The agency did not have any output/efficiency targets in fiscal year 2004.

MEASURES ASSESSMENTS

The target for *Percent of Positive Evaluations of Library Service by Library Users* was exceeded in fiscal year 2004. According to the agency, this successful performance was due to the resourcefulness and dedication of experienced library staff, which compensated for budget reductions related to the library's permanent and nonpermanent collections.

SELECTED PERFORMANCE MEASURES

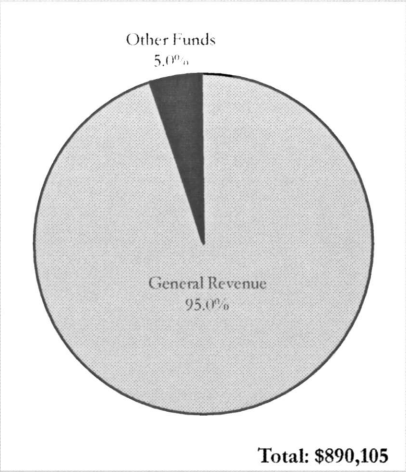
PERCENT OF POSITIVE EVALUATIONS OF LIBRARY SERVICE BY LIBRARY USERS



State Commission on Judicial Conduct

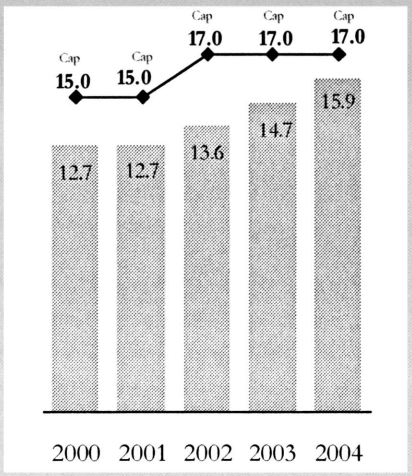
Selected Budget Information

ALL FUNDS, 2004 ESTIMATED



Total: $890,105

FULL-TIME-EQUIVALENT POSITIONS



MAJOR CONTRACTS REPORTED, 2004

In fiscal year 2004, the agency reported **no** contracts.

Budget Highlights

General Revenue Funds accounted for 95 percent of the agency's total expenditures in fiscal year 2004, with salary expenditures accounting for 84 percent of the agency's total expenditures. In addition, the agency expended $40,000 of the $75,000 allocated for formal proceedings, conducting six formal proceedings in fiscal year 2004.

Expenditures out of Other Funds totaled $44,400 in fiscal year 2004 for an interagency contract with the Court of Criminal Appeals to provide judges with judicial ethics education and assistance and judicial misconduct prevention programs.

Full-time-equivalent Employees

The agency did not exceed its cap for full-time-equivalent (FTE) positions in fiscal year 2004.

The agency operated below its approved FTE cap throughout the most recent five fiscal years because of high employee turnover; however, the agency significantly reduced its employee turnover rate from 62 percent in fiscal year 2002 to 7 percent in fiscal year 2004.

Performance Measures Audit Reports

The most recent performance measures audit by the State Auditor's Office was in July 1996, when the *Performance Measures at 20 State Agencies and 1 Educational Institution* report certified with qualifications three measures.

Other Reports and Reviews

No special reports or reviews of the agency were identified after September 2003.

PERFORMANCE HIGHLIGHTS

During fiscal year 2004, the agency attained (within 5 percent) or exceeded its single established key performance target.

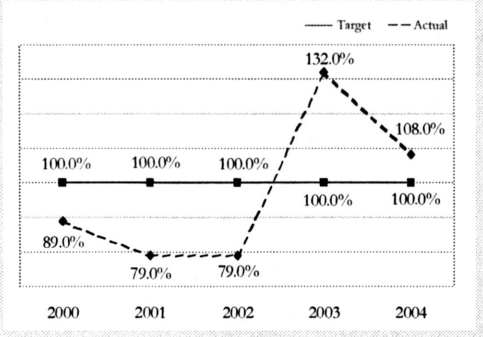
The agency attained or exceeded its single outcome target. The agency did not have any output/efficiency targets.

MEASURES ASSESSMENTS

The agency exceeded its target for *Percent of Cases Disposed* during fiscal year 2004. According to the agency, several factors contributed to its success: use of the Oral Dismissal Docket, which allows staff to make oral rather than written presentations to the commission on cases recommended for dismissal; use of Administrative Dismissal Reports, which allow for the disposition of cases that do not allege misconduct; and retention of experienced staff.

SELECTED PERFORMANCE MEASURES

PERCENTAGE OF CASES DISPOSED



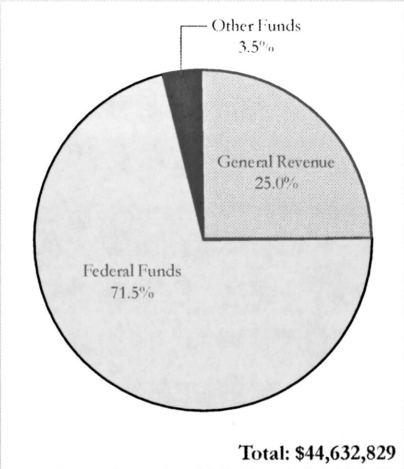
AGENCY	PERCENTAGE OF PERFORMANCE TARGETS ACHIEVED [1]	NUMBER OF KEY PERFORMANCE MEASURES
Adjutant General's Department	0%	3
Alcoholic Beverage Commission	80	10
Department of Criminal Justice	86	22
Commission on Fire Protection	100	3
Commission on Jail Standards	33	6
Juvenile Probation Commission	64	11
Commission on Law Enforcement Officer Standards and Education	71	7
Texas Military Facilities Commission	100	2
Department of Public Safety	57	28
Youth Commission	77	26

[1] *Percentage of Performance Targets Achieved* reflects those measures (excluding explanatory) for which performance has attained or exceeded 95 percent of the established target.

Adjutant General's Department

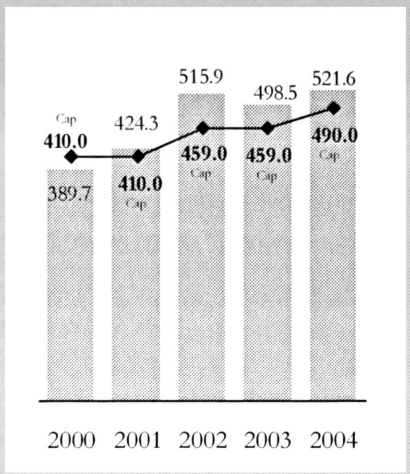
Selected Budget Information

ALL FUNDS, 2004 ESTIMATED



Total: $44,632,829

FULL-TIME-EQUIVALENT POSITIONS



MAJOR CONTRACTS REPORTED, 2004

In fiscal year 2004, the agency reported **22** contracts, including:

Dorazio Enterprises *
Construction of site improvements
$2,162,000

Braun & Butler Construction *
Renovate Building 45, Camp Mabry
$1,140,326

Howard Peabody Inc.
Construction, Camp Mabry
$687,760

PECO Construction
Construction of aircraft storage building
$656,000

Ideal National Mechanical *
Renovations, Buildings 82 and 83, Camp Mabry
$520,463

Freese and Nichols *
Design and supervision of site improvements
$365,736

* Known multi-year contract

Budget Highlights

General Revenue Funds accounted for 25 percent of the agency's state expenditures for fiscal year 2004. Federal Funds constituted 71.5 percent of the agency's state expenditures in fiscal year 2004.

The agency also manages other federal funds (Federal Direct Funds) that are paid directly by the federal government to Texas National Guard personnel. In fiscal year 2004, these Federal Direct Funds totaled $416.5 million and supported 21,665 Texas guard members.

Full-time-equivalent Employees

The agency exceeded its cap for full-time-equivalent (FTE) positions in fiscal year 2004.

The 31.6 FTE positions above the cap were authorized by rider in the agency's appropriations bill pattern, which allows the agency additional FTEs for projects that are 100 percent federally funded.

Performance Measures Audit Reports

The most recent performance measures audit by the State Auditor's Office was in March 1999, when the *1999 Small Agency Management Control Audit* report certified one measure without qualifications and certified three measures with qualifications.

Other Reports and Reviews

No special reports or reviews of the agency were identified after September 2003.

PERFORMANCE HIGHLIGHTS

During fiscal year 2004, the agency did not attain (within 5 percent) or exceed any of its three established key performance targets.

The agency has no outcome targets and did not attain or exceed any of its three output/efficiency targets.

MEASURES ASSESSMENTS

The agency did not meet the target for *Average Maintenance Cost per Square Foot of All Buildings (Less Texas Military Facilities Commission State-owned Armories)* in fiscal year 2004. The cost was 59 percent higher than the target largely because of greater than expected federally reimbursed obligations and general obligation bond proceed expenditures for major maintenance at Camp Mabry. Approximately 4.3 million square feet of facility space is maintained. The facilities include federal armories, maintenance and storage areas, troop billets, administration buildings, and other structures. The building maintenance was 83 percent federally reimbursed and 17 percent General Revenue funded.

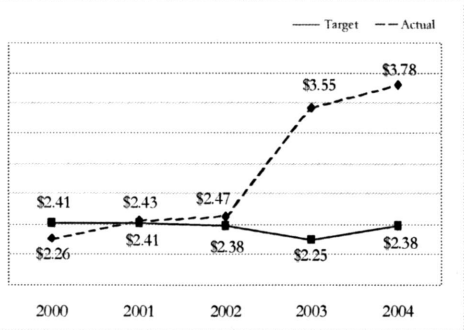
The agency did not meet its target for *Utilities Cost per Square Foot, All Buildings*. The cost was 31 percent higher than the annual projection of $0.64 because of an increase in the price of natural gas and increased utilization of Texas National Guard facilities for training and deployment since September 11, 2001.

The agency did not meet its target for *Number of Missions Performed Supporting Federal, State, and Local Drug Law Enforcement Agencies*. Federal funding affects the number of missions that can be performed. The agency states that the number of missions performed for fiscal year 2004 was 36 percent below the target because Federal Funds for counter-drug efforts could not support the number of requested missions.

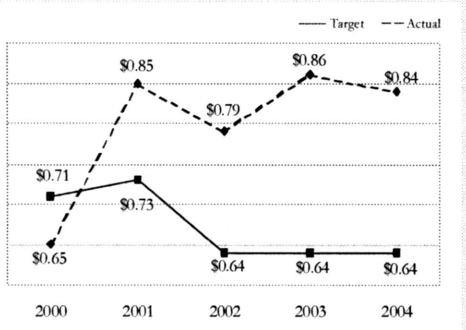
Although not included in the target attainment percentage, the agency's explanatory measure of *Authorized Military Strength* was exceeded by 134 Texas guard members. *Authorized Military Strength* is set by the National Guard Bureau and can fluctuate depending on budgeting and mission requirements.

SELECTED PERFORMANCE MEASURES

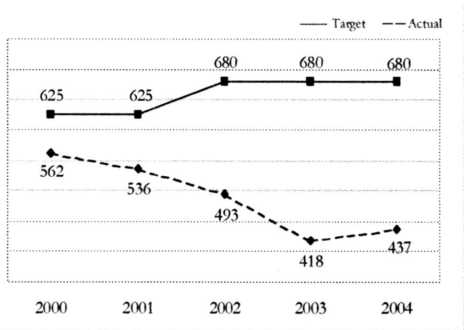
AVERAGE MAINTENANCE COST PER SQUARE FOOT OF ALL BUILDINGS



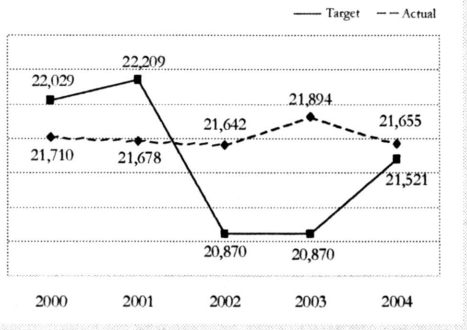
UTILITIES COST PER SQUARE FOOT, ALL BUILDINGS



NUMBER OF MISSIONS PERFORMED SUPPORTING FEDERAL, STATE, AND LOCAL DRUG LAW ENFORCEMENT AGENCIES



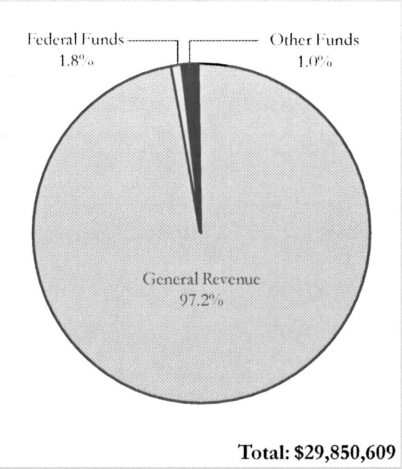
AUTHORIZED MILITARY STRENGTH



Alcoholic Beverage Commission

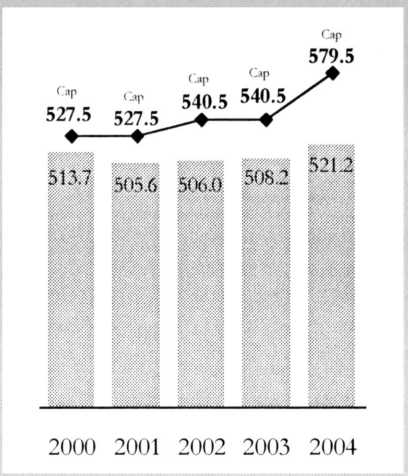
Selected Budget Information

ALL FUNDS, 2004 ESTIMATED



Total: $29,850,609

FULL-TIME-EQUIVALENT POSITIONS



MAJOR CONTRACTS REPORTED, 2004

In fiscal year 2004, the agency reported **27** contracts, including:

Asem Properties *
Lease of office space
$5,002,264

Versa Management Systems, Inc. *
Computer software and services
$1,139,800

Heights Medical Tower Ltd. *
Lease of office space
$519,480

Pengo Realty LP *
Lease of office space
$429,979

AP-Knight LP *
Lease of office space
$360,637

LB Chevy Chase Center *
Lease of office space
$313,073

* Known multi-year contract

Budget Highlights

General Revenue Funds accounted for 97.2 percent of the agency's expenditures in fiscal year 2004. The agency supports its appropriations, as well as direct and indirect costs, through the collection of fines, fees, and other revenue. Other revenue includes server training fees, label approvals, bond forfeitures, and industry surcharges.

Over 51 percent of the agency's expenditures were for enforcement activities to detect and deter violations of the Alcoholic Beverage Code. The agency accomplishes this strategy by inspecting licensed establishments and investigating complaints.

The agency's expenses related to compliance monitoring accounted for over 12 percent of the agency's fiscal year 2004 expenditures. The agency accomplishes this strategy by investigating and analyzing all segments of the alcoholic beverage industry. The agency also verifies the accuracy and timeliness of tax reporting payments and initiates any necessary compliance and/or administrative actions for failure to comply, while providing instruction to promote voluntary compliance.

The agency is upgrading its information systems in support of its statewide licensing, enforcement, and compliance activities. The upgrade will provide the opportunity for renewal of alcoholic beverage licenses and permits online. The fiscal year 2004 expenditure for this upgrade was $871,929.

Full-time-equivalent Employees

The agency did not exceed its cap for full-time-equivalent (FTE) positions in fiscal year 2004.

The agency's cap for FTE positions was increased from 540.5 in fiscal year 2003 to 579.5 in fiscal year 2004. The agency received an additional 39 FTEs in fiscal year 2004 for upgrading information systems and increasing compliance monitoring. The agency reports that it is below the FTE cap in fiscal year 2004 because of attrition, retirements, and delays in hiring new personnel.

Performance Measures Audit Reports

The most recent performance measures audit by the State Auditor's Office was in February 1996, when the *Performance Measures at 21 State Agencies and 1 Educational Institution* report certified without qualifications three measures.

Other Reports and Reviews

The staff report of the Sunset Advisory Commission, dated October 2004, identified three areas of concern: (1) the agency's statutory mission is outdated, and the agency lacks a comprehensive process for planning its activities statewide and measuring its progress toward achieving its goals; (2) enforcement efforts are not prioritized to focus on problems posing the greatest risk to public safety, and the agency fails to provide consistent and predictable penalties for violations; and (3) certain business practices tied to the production and distribution of alcoholic beverages are over-regulated, with no clear public purpose, and the agency provides poor guidance to the industry in interpreting statutory requirements. The report recommends continuing the agency until 2016.

PERFORMANCE HIGHLIGHTS

During fiscal year 2004, the agency attained (within 5 percent) or exceeded 80 percent of its 10 established key performance targets.

The agency attained or exceeded all three of its outcome targets and five of its seven output/efficiency targets.

MEASURES ASSESSMENTS

For the third consecutive year, the target for *Number of Inspections Made* was exceeded. The agency reports that agents had more time to focus on inspections because of changes in the agency's educational activities. Enforcement agents typically provide instruction to school children, licensees and their employees, and to members of civic groups to promote a better understanding of alcoholic beverage laws and voluntary compliance. During fiscal year 2004, enforcement agents spent less time on education activities and were able to focus more on inspections. Additionally, agents assigned to Licensing Standards/Homeland Security generated more inspections than were initially expected. Inspections include routine compliance checks, surveillance, undercover operations, and visits made in conjunction with ongoing complaint investigations.

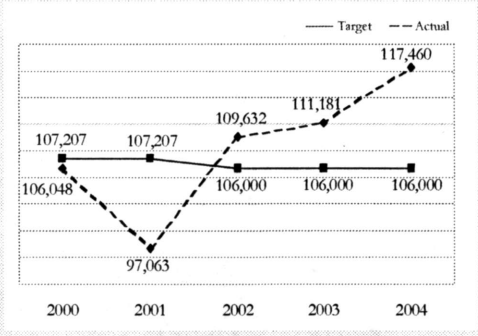
The agency met its targeted performance for the *Average Cost per Inspection* in fiscal year 2004. During an inspection, agents look for (1) proper posting of licenses and required signs, (2) promotional and marketing violations, and (3) intoxicated and underage customers. Agents also verify that the products sold are in compliance with the authorized permit.

The agency met its fiscal year 2004 target for *Percentage of Original License/ Permit Applications Processed within 14 Days*. The agency prioritizes the processing of original licenses and permits to allow new businesses to open. The amount of time required for processing is calculated from the date the application is received until the license/permit is issued or deficiencies are communicated to the applicant.

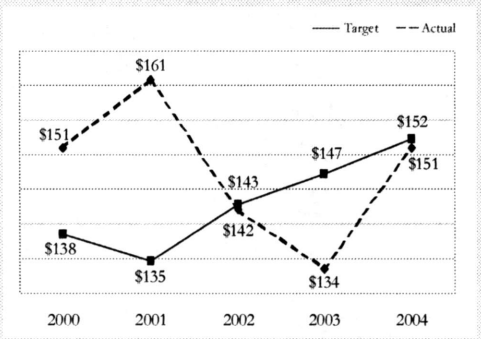
The fiscal year 2004 target for the *Number of Licenses/Permits Issued* was met. The number of licenses and permits issued is driven by the number of applications received. Licenses and permits must be renewed annually and include wine and beer retailers' permits, brew pub licenses, package store permits, and local distributors' permits.

SELECTED PERFORMANCE MEASURES

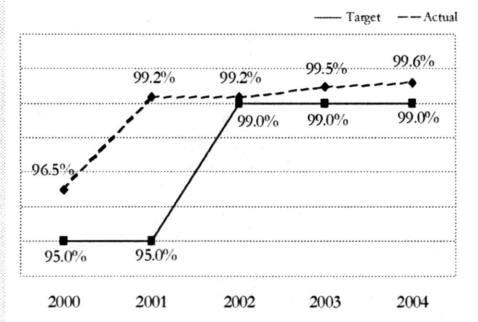
NUMBER OF INSPECTIONS MADE



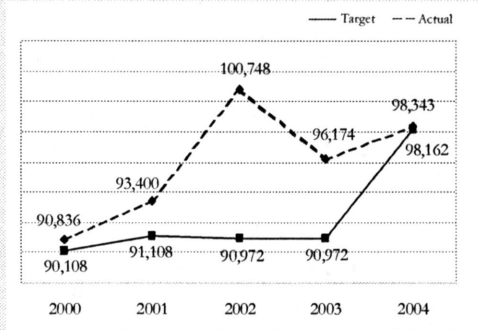
AVERAGE COST PER INSPECTION



PERCENTAGE OF ORIGINAL LICENSE/PERMIT APPLICATIONS PROCESSED WITHIN 14 DAYS



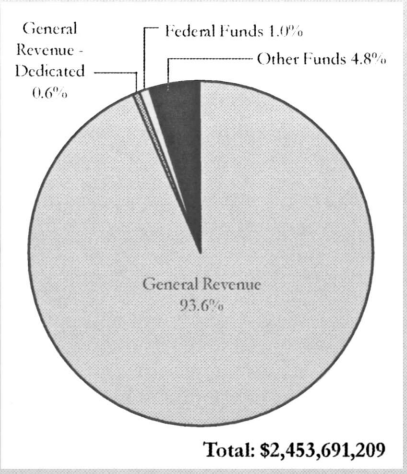
NUMBER OF LICENSES/PERMITS ISSUED



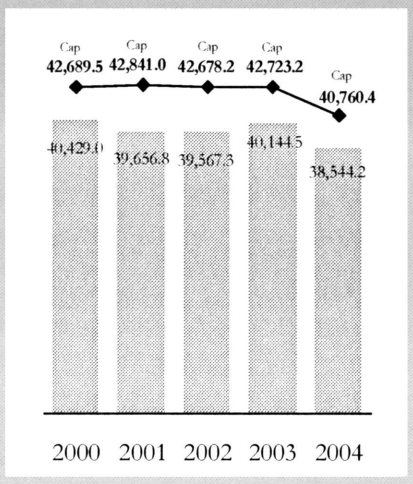
Department of Criminal Justice

Selected Budget Information

ALL FUNDS, 2004 ESTIMATED



FULL-TIME-EQUIVALENT POSITIONS



MAJOR CONTRACTS REPORTED, 2004

In fiscal year 2004, the agency reported **187** contracts, including:

Corrections Corporation of America *
Pre-parole transfer - Mineral Wells
$68,793,375

Corrections Corporation of America *
Dawson State Jail
$56,993,659

Corrections Corporation of America *
Bradshaw State Jail
$39,073,998

Northrup Grumman Technical Services, Inc. *
Computer center operations
$34,423,969

GEO Group, Inc. *
Sanders Estes Correctional Center
$29,638,910

Corrections Corporation of America *
Bartlett State Jail
$29,414,541

* Known multi-year contract

Budget Highlights

General Revenue and General Revenue–Dedicated Funds accounted for 94.2 percent of the agency's $2.5 billion of expenditures in fiscal year 2004. The expenditures were primarily for the custody, care, and supervision of offenders under community supervision (adult probation), offenders under parole supervision, and offenders incarcerated within the agency's correctional institutions.

The agency's expenses related to incarcerating offenders accounted for 78.9 percent ($1.9 billion) of the agency's total fiscal year 2004 expenditures. Three operational areas constituted the majority of the expenditures related to the custody and care of incarcerated offenders: providing a security and classification system ($909.2 million); providing necessary institutional goods and services ($454.7 million); and maintaining managed healthcare and psychiatric services for incarcerated offenders ($342.3 million).

To address state budget constraints, the agency's expenditures during fiscal year 2004 reflect significant operational changes: the reduction of the treatment period in Substance Abuse Felony Punishment Facilities from nine months to six months; the reduction or elimination of certain substance abuse treatment programs; the modification of the agency's overtime policy and offender meal plan; and the expanded use of competitive contracts.

Full-time-equivalent Employees

The agency did not exceed its cap for full-time-equivalent (FTE) positions in fiscal year 2004.

As a result of budget reductions, the agency's average FTE positions decreased by 1,600 FTEs between fiscal year 2003 and fiscal year 2004 (no correctional security positions were eliminated).

The agency continues to experience correctional officer vacancies as a result of a high turnover rate among these positions. As of August 31, 2004, the agency reported 2,324 correctional officer vacancies relative to ideal staffing levels.

Performance Measures Audit Reports

The most recent performance measures audit by the State Auditor's Office (SAO) was in August 2001, when the *Performance Measures at 12 State Agencies* report certified with qualifications five measures and factors prevented certification of two measures for fiscal year 2000. The report also certified with qualifications three measures and factors prevented certification of one measure for the first quarter of fiscal year 2001.

Other Reports and Reviews

In September 2004, the SAO released an audit report on *Contract Administration at the Department of Criminal Justice's Community Justice Assistance Division* in which the SAO found that the division needs to improve monitoring of its contracts with the community supervision and corrections departments and to obtain more accurate and complete information to allocate funds for adult probation services.

In November 2004, the SAO released an audit report on *Management of Correctional Managed Healthcare Contracts*. The report concluded that deficiencies in the Correctional Managed Healthcare Committee's management of inmate healthcare and potential conflicts of interest between the committee and university providers indicate that a separate committee is no longer essential for the management of contracts for inmate healthcare.

PERFORMANCE HIGHLIGHTS

During fiscal year 2004, the agency attained (within 5 percent) or exceeded 86 percent of its 22 established key performance targets.

The agency attained or exceeded 3 of its 4 outcome targets and 16 of its 18 output/efficiency targets.

MEASURES ASSESSMENTS

The agency's *Three-year Recidivism Rate* decreased for the second consecutive year and met the target for fiscal year 2004. The recidivism rate is defined as the percentage of offenders released from the agency's Correctional Institutions Division (exclusive of state jails) that are revoked and/or returned to the division within 36 months of release. The rates for fiscal years 2000 through 2002 were calculated by the Criminal Justice Policy Council; the rates for fiscal years 2003 and 2004 were calculated by the Legislative Budget Board.

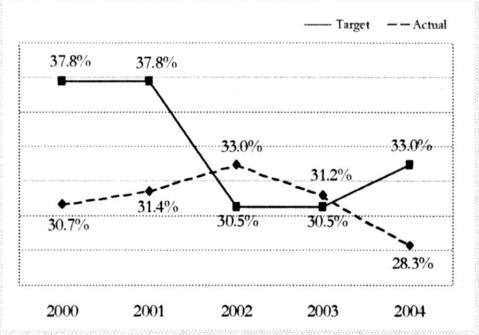
The *Turnover Rate of Correctional Officers* did not meet the target, but has decreased in comparison to previous fiscal years. The agency indicates that retirement incentives offered during fiscal year 2004 contributed to a high turnover rate.

After increasing from fiscal year 1997 to fiscal year 2002, the *Medical Care Cost per Inmate Day* has decreased during fiscal years 2003 and 2004, and the agency has attained the targeted performance level. Inmates within the agency's correctional institutions are provided healthcare through a contractual agreement with the University of Texas Medical Branch and the Texas Tech University Health Sciences Center. The Correctional Managed Healthcare Committee, by statute, provides oversight for the contractual healthcare services.

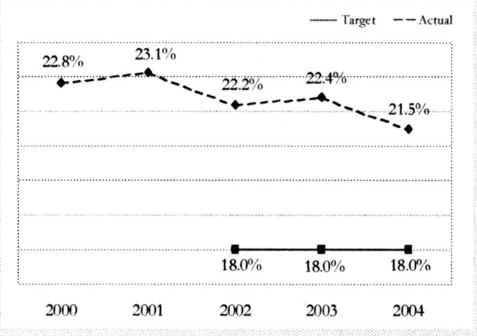
Although not included in the target attainment percentage, the agency met its target for the explanatory measure, *Average Number of Inmates in Contractual Correctional Bed Capacity*. During fiscal year 1998, the number of offenders sentenced to the agency's correctional institutions surpassed the agency's incarceration operating capacity, resulting in the agency contracting with counties for temporary correctional capacity to confine felony offenders. Because of decreasing populations during fiscal year 2002, the agency phased out contractual correctional bed capacity in August 2002 and did not place any offenders in contractual correctional beds during fiscal year 2003 nor in fiscal year 2004. This measure does not include contracts with private vendors for the operation of agency facilities.

SELECTED PERFORMANCE MEASURES

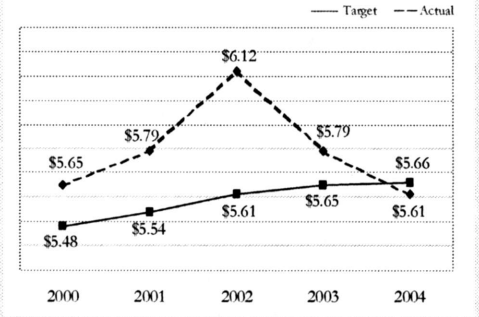
THREE-YEAR RECIDIVISM RATE



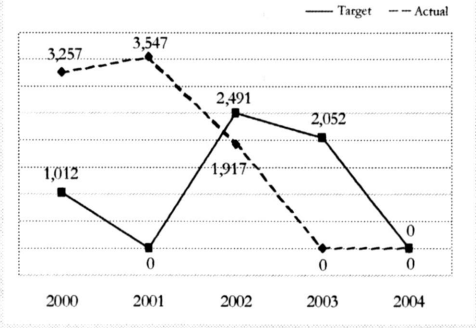
TURNOVER RATE OF CORRECTIONAL OFFICERS



MEDICAL CARE COST PER INMATE DAY



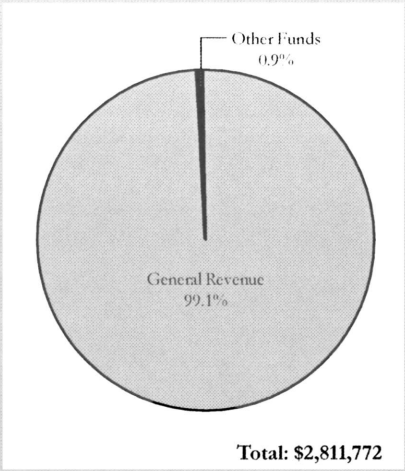
AVERAGE NUMBER OF INMATES IN CONTRACTUAL CORRECTIONAL BED CAPACITY



COMMISSION ON FIRE PROTECTION

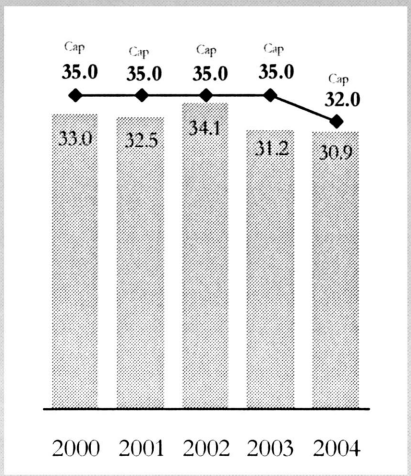
SELECTED BUDGET INFORMATION

ALL FUNDS, 2004 ESTIMATED



Total: $2,811,772

FULL-TIME-EQUIVALENT POSITIONS



MAJOR CONTRACTS REPORTED, 2004

In fiscal year 2004, the agency reported **no** contracts.

BUDGET HIGHLIGHTS

General Revenue Funds (Insurance Companies Maintenance Tax and Insurance Department Fees) accounted for 99.1 percent of the agency's expenditures in fiscal year 2004.

Approximately 36.1 percent of the agency's budget was expended on certifying and regulating fire departments and fire service personnel. Another 35.9 percent of the agency's fiscal year 2004 expenditures were for grant and loan programs to local fire departments.

The agency's Other Funds (0.9 percent of the agency's expenditures) were miscellaneous fees that the agency collected from the sale of items such as fire department lists/labels, fire department manuals, seals, patches, and decals. These funds were used to offset the costs of producing the materials.

FULL-TIME-EQUIVALENT EMPLOYEES

The agency did not exceed its cap for full-time-equivalent (FTE) positions in fiscal year 2004.

The agency's FTE cap was reduced from 35 to 32 in fiscal year 2004 because of budget reductions.

PERFORMANCE MEASURES AUDIT REPORTS

The most recent performance measures audit by the State Auditor's Office was in November 2002, when the *Performance Measures at 14 Entities* report certified with qualifications two measures, found one measure to be inaccurate, and factors prevented certification of one measure. The agency responded by installing new software to verify data submitted to the Automated Budget and Evaluation System of Texas (ABEST), fixing a minor programming error, agreeing to have a second person verify ABEST data, and updating a performance measure definition.

OTHER REPORTS AND REVIEWS

No special reports or reviews of the agency were identified after September 2003.

PERFORMANCE HIGHLIGHTS

During fiscal year 2004, the agency attained (within 5 percent) or exceeded 100 percent of its three established key performance targets.

The agency attained or exceeded all three of its outcome targets. The agency does not have any output/efficiency targets.

MEASURES ASSESSMENTS

The agency attained its fiscal year 2004 target for *Percentage of Total Amount Requested for Loans/Grants Compared with Requests Awarded.* This was not a key measure prior to fiscal year 2002; therefore, there were no targeted amounts for previous years. The Fire Department Emergency Program distributes funds to local fire departments, particularly in rural areas, to assist in funding equipment, facilities, and training. During fiscal year 2004, the agency allocated $1.0 million in grants and loans.

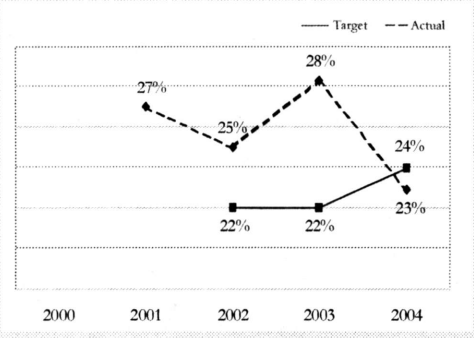
The agency attained its fiscal year 2004 target for *Percentage of Inspected Fire Certificate Holders with No Recent Violations.* The agency consistently meets the target for this measure because fire departments attempt to correct any violations as soon as possible (usually before the inspection is closed). This was not a key measure prior to fiscal year 2002; therefore, there were no targeted amounts for previous years.

The agency exceeded its fiscal year 2004 target for *Percentage Increase in the Number of Research Requests Made to the Fire Protection Information Resource Center.* In general, the number of requests is customer-driven. The higher than usual number of research requests reflects an increase in local fire departments actively seeking research materials. The agency reports that it has improved documentation to ensure all information requests are counted. The Ernest A. Emerson Fire Protection Resource Library provides resources for fire-protection research and education materials to fire departments and other entities. The library includes a video and print collection, training materials, fire codes, and fire service management information.

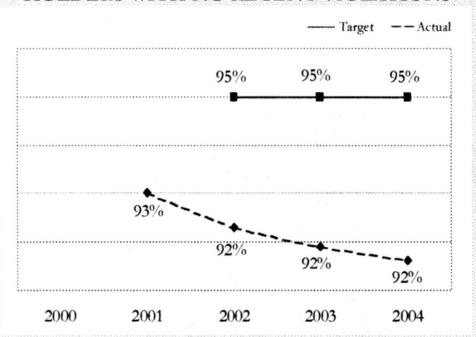
Although not included in the target attainment percentage, the agency exceeded its fiscal year 2004 target for its explanatory measure, *Number of Fire Service Personnel Certified.* All paid fire protection personnel are required to participate in the certification process; however, participation in the certification process is optional for volunteer fire protection personnel. The increase in the number of certificates issued during fiscal year 2004 was the result of a greater number of paid personnel and volunteers obtaining certification than anticipated. The number of fire personnel obtaining certification has increased each of the past four years.

SELECTED PERFORMANCE MEASURES

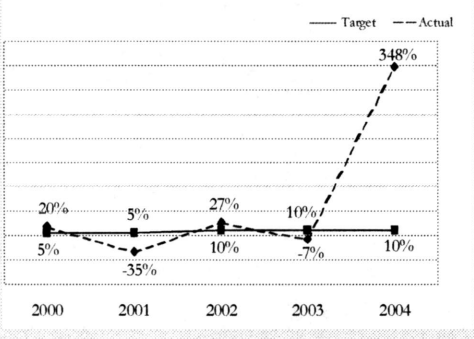
PERCENTAGE OF TOTAL AMOUNT REQUESTED FOR LOANS/GRANTS COMPARED WITH REQUESTS AWARDED



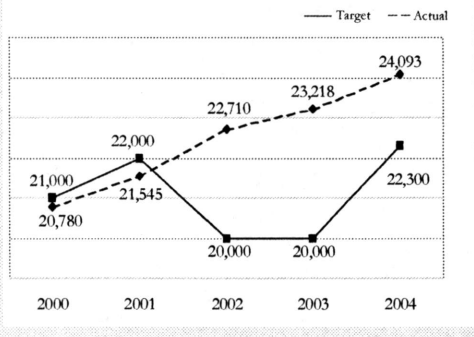
PERCENTAGE OF INSPECTED FIRE CERTIFICATE HOLDERS WITH NO RECENT VIOLATIONS



PERCENTAGE INCREASE IN THE NUMBER OF RESEARCH REQUESTS MADE TO THE FIRE PROTECTION INFORMATION RESOURCE CENTER



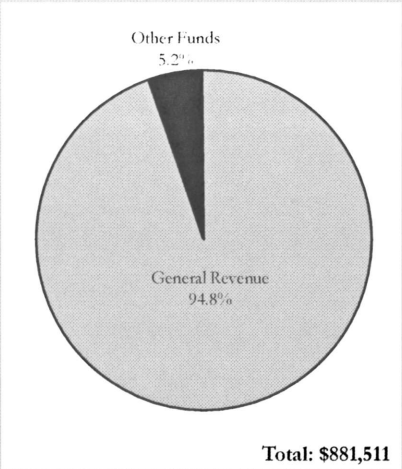
NUMBER OF FIRE SERVICE PERSONNEL CERTIFIED



COMMISSION ON JAIL STANDARDS

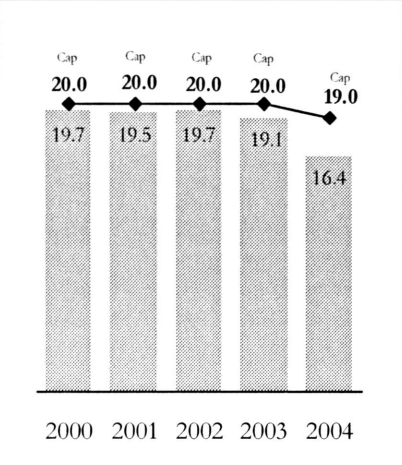
SELECTED BUDGET INFORMATION

ALL FUNDS, 2004 ESTIMATED



Total: $881,511

FULL-TIME-EQUIVALENT POSITIONS



MAJOR CONTRACTS REPORTED, 2004

In fiscal year 2004, the agency reported **2** contracts:

Dell Computer Corporation *
Computer lease
$89,092

June Scogin
Juvenile justice survey
$35,000

* Is a known multi-year contract

BUDGET HIGHLIGHTS

General Revenue Funds accounted for 94.8 percent of the agency's expenditures in fiscal year 2004.

The remaining 5.2 percent of the agency's expenditures were from Appropriated Receipts and a grant from the Criminal Justice Division of the Governor's Office. The criminal justice grant was for conducting an annual survey regarding juveniles incarcerated in adult jails.

Agency activities associated with monitoring and enforcing jail standards made up 38.1 percent of expenditures in fiscal year 2004. Other agency activities include auditing jail populations and operational costs, analyzing facility needs and reviewing construction plans, providing jail management training and consultation, and conducting an annual survey of local jails to determine compliance with the Juvenile Justice and Delinquency Prevention Act.

FULL-TIME-EQUIVALENT EMPLOYEES

The agency did not exceed its cap for full-time-equivalent positions in fiscal year 2004.

PERFORMANCE MEASURES AUDIT REPORTS

The most recent performance measures audit by the State Auditor's Office was in August 1997, when a report on *Performance Measures at 26 State Agencies* certified without qualifications five measures, certified with qualifications one measure, found one measure to be inaccurate, and factors prevented certification of one measure. Since the time of the audit, the agency has revised procedures to improve the documentation of its performance.

OTHER REPORTS AND REVIEWS

No special reports or reviews of the agency were identified after September 2003.

PERFORMANCE HIGHLIGHTS

During fiscal year 2004, the agency attained (within 5 percent) or exceeded 33 percent of its six established key performance targets.

The agency did not attain or exceed either of its two outcome targets, but did attain or exceed two of its four output/efficiency targets.

MEASURES ASSESSMENTS

In fiscal year 2004, the *Number of Jails Achieving Compliance* decreased significantly compared to fiscal years 2000–03. The agency reports that cost-saving measures, including the elimination of noncritical travel, have resulted in a reduction in the number of on-site consultations provided. The agency believes that there is a direct correlation between the decrease in technical assistance and the decrease in the number of compliant jails. The *Number of Jails Achieving Compliance* is defined as the number of jails found to be in compliance with minimum jail standards at the time of the most recent inspection.

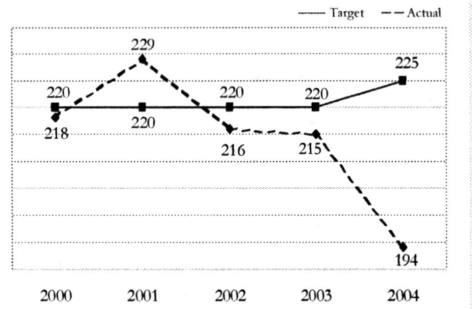
The *Number of Annual Inspections Conducted* has remained relatively stable since fiscal year 1999. By statute, a jail must be inspected on-site each fiscal year. The inspections may be announced or unannounced.

The *Number of On-site Planning and Construction Consultations with Jail Representatives* decreased for the fourth consecutive fiscal year. The number of on-site planning and construction consultations is dependent on the number of new jails in planning or under construction and the number of requests for assistance that are received. The agency reports that cost-saving measures, including the elimination of noncritical travel, have resulted in a reduction in the number of on-site construction consultations provided. The agency conducts telephone consultations and encourages county officials to meet with staff in the agency's offices. In addition to a review and discussion of facility planning and construction, consultations may include a review of construction documents and facility needs.

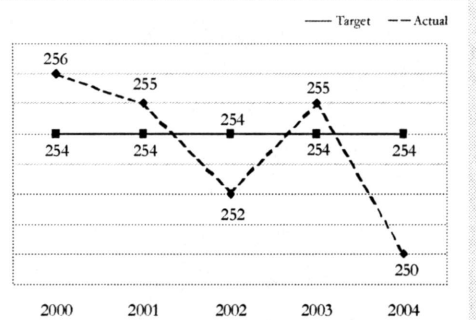
The *Number of On-site Operation and Management Consultations with Jail Representatives* increased slightly in fiscal year 2004 but did not reach the target level. Several factors can affect the amount of operational and management consultations, including changes in jail standards, changes in state and federal law, implementation of new programs, and staff turnover. The agency reports that cost-saving measures, including the elimination of noncritical travel, have resulted in a reduction in the number of on-site consultations provided. The agency conducts telephone consultations and encourages county officials to meet with staff in the agency's offices. Consultations include a review and discussion of requirements for compliance with minimum standards and provide assistance on achieving compliance in an effective and efficient manner.

SELECTED PERFORMANCE MEASURES

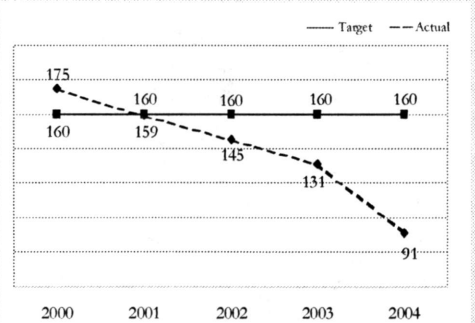
NUMBER OF JAILS ACHIEVING COMPLIANCE



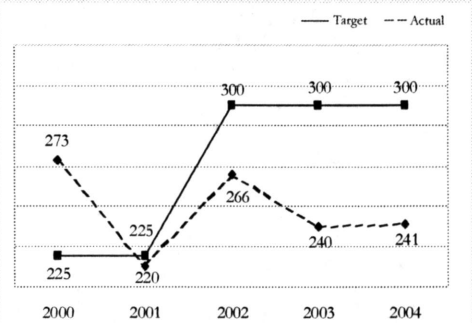
NUMBER OF ANNUAL INSPECTIONS CONDUCTED



NUMBER OF ON-SITE PLANNING AND CONSTRUCTION CONSULTATIONS WITH JAIL REPRESENTATIVES



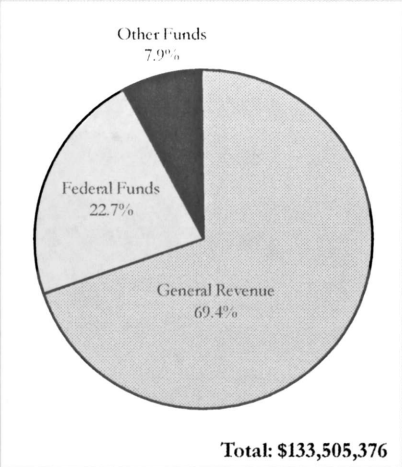
NUMBER OF ON-SITE OPERATION AND MANAGEMENT CONSULTATIONS WITH JAIL REPRESENTATIVES



JUVENILE PROBATION COMMISSION

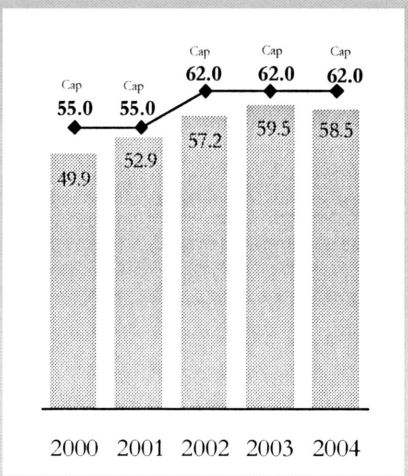
SELECTED BUDGET INFORMATION

ALL FUNDS, 2004 ESTIMATED



Total: $133,505,376

FULL-TIME-EQUIVALENT POSITIONS



MAJOR CONTRACTS REPORTED, 2004

In fiscal year 2004, the agency reported **one** contract:

Northrup Grumman *
Software installation
$203,000

* Known multi-year contract

BUDGET HIGHLIGHTS

Funding for local juvenile probation department programs for basic probation and community corrections accounted for 69.3 percent of the agency's fiscal year 2004 expenditures.

Federal Funds ($30.3 million) are passed through to the local departments as partial reimbursements of costs associated with non-secure residential placement services (Foster Care Services) and program administrative fees.

Other Fund expenditures in fiscal year 2004 included a transfer of $7.5 million from the Foundation School Fund to provide funding for the Juvenile Justice Alternative Education Program, which provides off-campus education programs for students removed from local classrooms for disciplinary reasons. This was an increase of $0.7 million in comparison to fiscal year 2003.

FULL-TIME-EQUIVALENT EMPLOYEES

The agency did not exceed its cap for full-time-equivalent positions in fiscal year 2004.

PERFORMANCE MEASURES AUDIT REPORTS

The most recent performance measures audit by the State Auditor's Office (SAO) was in August 1994, when the *Performance Measures at 25 State Agencies* report certified without qualifications one measure, certified with qualifications six measures, and factors prevented certification of two measures.

The July 2002 report on *The Juvenile Probation Commission,* issued by the SAO, found weaknesses in the agency's monitoring function, including performance measures. In response to the audit, the agency agreed to revise its data auditing policy and procedures for performance measures.

OTHER REPORTS AND REVIEWS

No special reports or reviews of the agency were identified after September 2003.

PERFORMANCE HIGHLIGHTS

During fiscal year 2004, the agency attained (within 5 percent) or exceeded 64 percent of its 11 established key performance targets.

The agency attained or exceeded all three of its outcome targets and four of its eight output/efficiency targets.

MEASURES ASSESSMENTS

The agency's target for *Rate of Successful Completion of Court-ordered Probation* was attained for fiscal year 2004. This measure shows the number of court-ordered probationers who completed their supervision period without being committed to the Texas Youth Commission, transferred to the adult system, or terminated from probation early due to noncompliance. According to the agency, the target was achieved as a result of the local probation departments successfully supervising adjudicated juveniles to ensure their compliance with the conditions of probation. A total of 20,822 juvenile offenders successfully completed their court-ordered probation in fiscal year 2004.

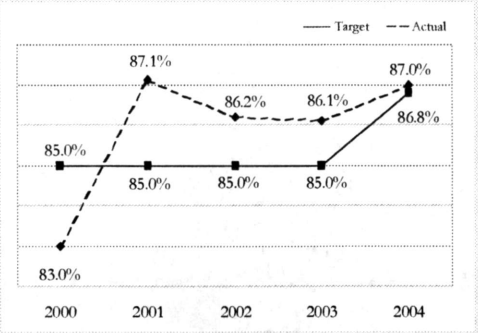
The *Average Daily Population of Youth Supervised under Court-ordered Probation* was not attained for fiscal year 2004. The agency reports that the average daily population of youth supervised under court-ordered probation was higher in fiscal year 2004 than in fiscal year 2003 because more juveniles are being adjudicated to probation and juveniles on probation are remaining under supervision longer. Data for fiscal years 2003 and 2004 are revised measure information submitted by the agency to show individual youths instead of cases.

The *Average Daily Population of Youth Supervised under Intensive Supervision Probation* in fiscal year 2004 was lower than targeted. The agency reports that the number of referrals from the courts was lower than projected. There was a total of 107,793 referrals to juvenile probation from the courts during fiscal year 2004. Intensive supervision probation provides an intermediate sanction level for youth who require a higher level of supervision than standard probation services provide. This program requires frequent reporting by the probationer and a limited caseload for probation officers who supervise youth assigned to intensive supervision. Data for fiscal years 2003 and 2004 are revised measure information submitted by the agency to show individual youths instead of cases.

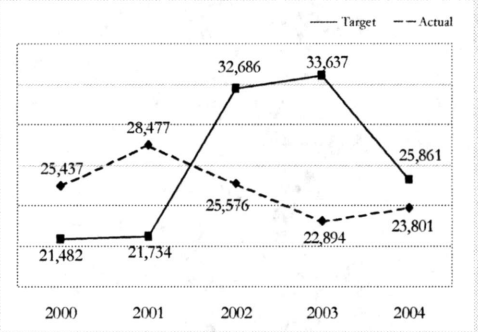
The agency exceeded its fiscal year 2004 target for *Number of Mandatory Students in Juvenile Justice Alternative Education Programs*. The mandatory student population has been steadily increasing the past three years. The agency reports that these increases are a result of stricter enforcement of school safety requirements and increases in drug offenses. The mandatory students participating in this program are referred from local school districts as a result of an expulsion from public school. The focus of the program is to provide continuing education in a safe environment to youth who exhibit disruptive behavior. Juvenile Justice Alternative Education Programs are operated by county juvenile boards and are required in counties that have a population of over 125,000. Currently, 26 counties operate this program throughout Texas.

SELECTED PERFORMANCE MEASURES

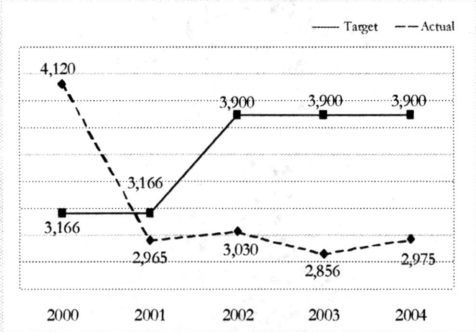
RATE OF SUCCESSFUL COMPLETION OF COURT-ORDERED PROBATION



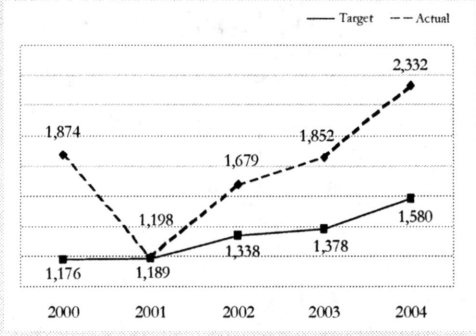
AVERAGE DAILY POPULATION OF YOUTH SUPERVISED UNDER COURT-ORDERED PROBATION



AVERAGE DAILY POPULATION OF YOUTH SUPERVISED UNDER INTENSIVE SUPERVISION PROBATION



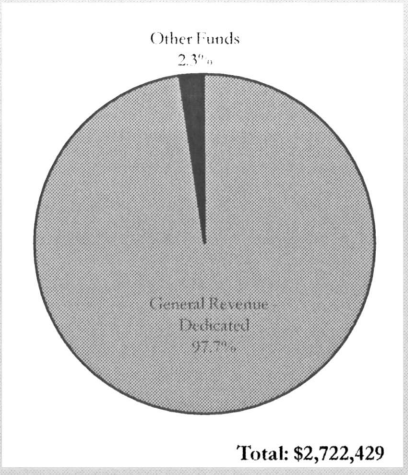
NUMBER OF MANDATORY STUDENTS IN JUVENILE JUSTICE ALTERNATIVE EDUCATION PROGRAMS



Commission on Law Enforcement Officer Standards and Education

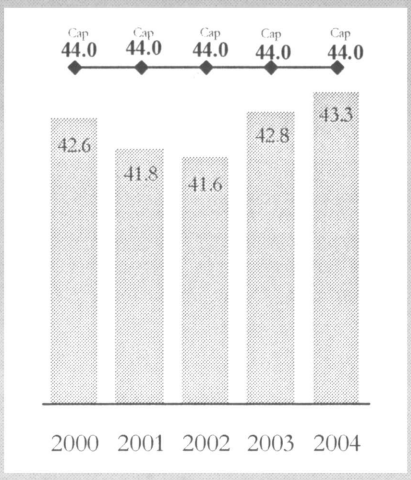
Selected Budget Information

ALL FUNDS, 2004 ESTIMATED



Total: $2,722,429

FULL-TIME-EQUIVALENT POSITIONS



MAJOR CONTRACTS REPORTED, 2004

In fiscal year 2004, the agency reported **no** contracts.

Budget Highlights

General Revenue–Dedicated Funds accounted for 97.7 percent of the agency's expenditures in fiscal year 2004. These funds were primarily from the Law Enforcement Officer Standards and Education Account. This account receives a portion of court costs paid by convicted felons and misdemeanants.

More than 32 percent of the agency's total expenditures were for licensing activities. The agency issues licenses and certificates to individuals who demonstrate required competencies.

Approximately 25 percent of the agency's total expenditures were related to course development. The agency manages the development, delivery, and quality of law enforcement training and education statewide.

Full-time-equivalent Employees

The agency did not exceed its cap for full-time-equivalent positions in fiscal year 2004.

Performance Measures Audit Reports

The most recent performance measures audit by the State Auditor's Office was in January 1997, when the *Performance Measures at 13 State Agencies and Seven Educational Institutions* report certified without qualifications two measures, certified with qualifications one measure, and found three measures to be inaccurate. According to the agency, it has since revised procedures to address the issues identified in the audit.

Other Reports and Reviews

No special reports or reviews of the agency were identified after September 2003.

COMMISSION ON LAW ENFORCEMENT OFFICER STANDARDS AND EDUCATION

PERFORMANCE HIGHLIGHTS

During fiscal year 2004, the agency attained (within 5 percent) or exceeded 71 percent of its seven established key performance targets.

The agency attained or exceeded both of its outcome targets and three of its five output/efficiency targets.

MEASURES ASSESSMENTS

For the second consecutive year, the target for *Number of New Licenses Issued to Individuals* was not met. New licenses are those licenses issued to applicants who have not previously been issued that particular type of license. The agency reports that the issuance of new licenses was below the target because of a decrease in the number of license applications received.

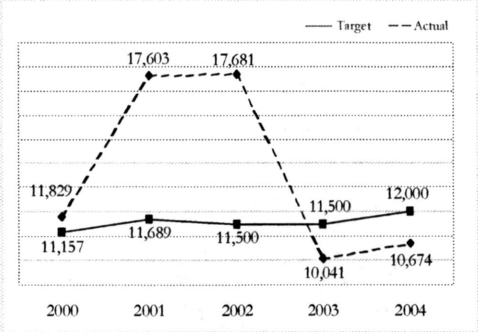
The agency met the fiscal year 2004 target for *Average Licensing Cost per Individual License Issued.* The target was $14.50 per individual license, however, the actual cost was $11.95 per individual license. The agency reports that the variance was caused by a decrease in demand for new licenses.

As in the previous four fiscal years, the agency exceeded the target for *Complaints Resolved.* A complaint is defined as information received or developed regarding a licensee that indicates a violation of statute or agency rules, or misconduct directly related to the duties and responsibilities of the license held. During the first quarter of fiscal year 2004, the agency received approximately 2,500 complaints regarding noncompliance with training requirements. A case was opened on each complaint, and all of those complaints were resolved by the end of the second quarter of the fiscal year. According to the agency, exceeding this measure's target in fiscal year 2004 is attributable to resolving this initial influx of cases.

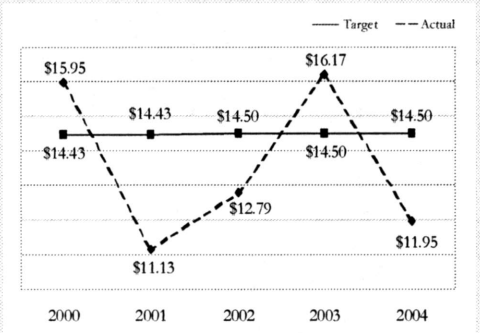
The agency did not meet its fiscal year 2004 target for the *Average Cost per Complaint Resolved.* The agency attributes the increase in average cost to an increase in the number of cases requiring criminal investigation. The agency reports that complaints requiring criminal investigation are more time consuming and may involve travel, resulting in higher costs.

SELECTED PERFORMANCE MEASURES

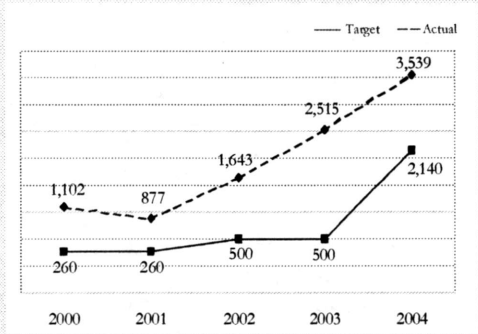
NUMBER OF NEW LICENSES ISSUED TO INDIVIDUALS



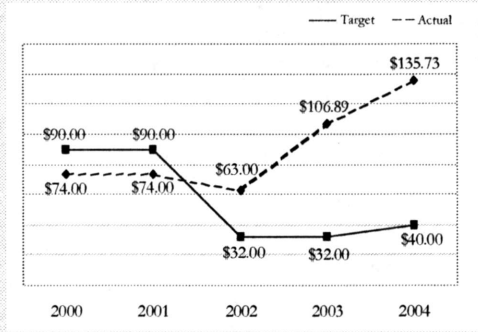
AVERAGE LICENSING COST PER INDIVIDUAL LICENSE ISSUED



COMPLAINTS RESOLVED



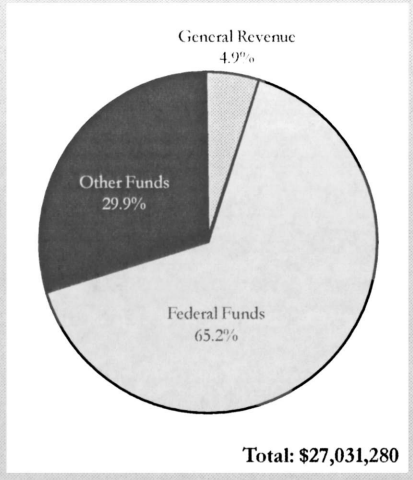
AVERAGE COST PER COMPLAINT RESOLVED



Texas Military Facilities Commission

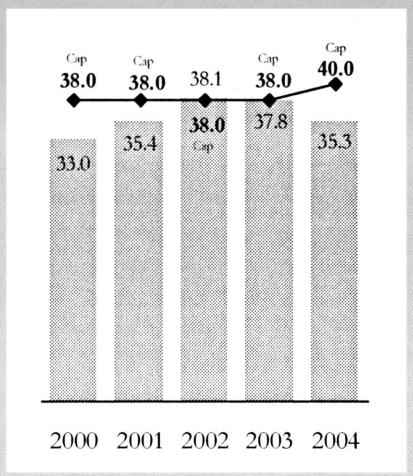
Selected Budget Information

ALL FUNDS, 2004 ESTIMATED



Total: $27,031,280

FULL-TIME-EQUIVALENT POSITIONS



MAJOR CONTRACTS REPORTED, 2004

In fiscal year 2004, the agency reported **16** contracts, including:

Zapalac/Reed Construction Co. *
Construction of Army aviation support facility
$21,340,000

Turner, Hickey & Associates *
Architectural/engineering design
$2,825,000

Advantage USAA, Inc. *
Roof replacement, Dallas Armory
$370,000

Advantage USAA, Inc. *
Roof replacement, Ft. Worth Armory
$235,000

E I B Contractors, LLC
Maintenance services
$202,168

Ed Parker, Inc.
Roof replacement
$149,000

* Known multi-year contract

Budget Highlights

General Revenue Funds accounted for 4.9 percent of the agency's expenditures in fiscal year 2004.

Federal Funds constituted 65.2 percent of the agency's fiscal year 2004 expenditures. Federal funding is used for construction, renovation, and maintenance of military facilities.

Interagency Contracts (Other Funds) from the Adjutant General's Department accounted for 13.2 percent of the agency's expenditures in fiscal year 2004. The Interagency Contracts were used to pay debt service on revenue bonds issued by the agency to construct and repair various military facilities for the Texas National Guard. Revenue Bond Proceeds (Other Funds) comprised 9.5 percent of the agency's fiscal year 2004 expenditures. The agency was appropriated $5.6 million in revenue bonds during the 2004–05 biennium to construct a new armory in Midland–Odessa. The Current Fund Balance generated from the sale of property, lease payments, and interest on investments comprised the remaining 7.2 percent of agency expenditures from Other Funds.

Full-time-equivalent Employees

The agency did not exceed its cap for full-time-equivalent (FTE) positions in fiscal year 2004.

Although the agency did not exceed its cap for FTE positions, a rider in the agency's bill pattern authorizes the agency to exceed its FTE cap for projects that are 100 percent federally funded.

Performance Measures Audit Reports

The most recent performance measures audit by the State Auditor's Office was in March 1999, when the *1999 Small Agency Management Control Audit* report certified without qualifications one measure and certified with qualifications two measures.

Other Reports and Reviews

No special reports or reviews of the agency were identified after September 2003.

PERFORMANCE HIGHLIGHTS

During fiscal year 2004, the agency attained (within 5 percent) or exceeded 100 percent of its two established key performance targets.

The agency attained or exceeded both of its outcome targets and has no output/efficiency targets.

MEASURES ASSESSMENTS

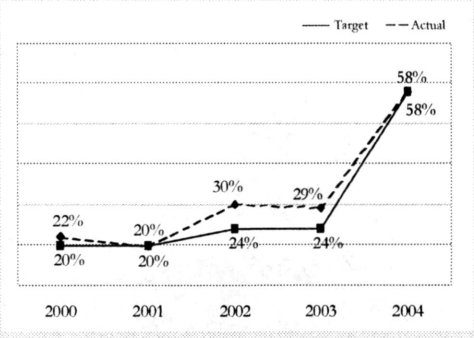
The agency met its target for *Percent of Needed Routine or Preventive Maintenance Completed.* During the strategic planning process for the 2004–05 biennium, significant changes were made to the methodology of how the measure is calculated. Prior to fiscal year 2004, the total number of requests was compared to the total number of work orders completed. However, one work order could contain more than one request. Beginning in fiscal year 2004, the total number of requests completed is compared to the total number of requests made.

The agency exceeded its target for *Percent of Facilities that Comply with Texas Accessibility Standards* by 25 percent. The outcome for fiscal year 2004 includes projects that were completed in fiscal year 2003 but were not inspected and certified as compliant with the Texas Accessibility Standards until fiscal year 2004. A rider in the agency's bill pattern prioritizes maintenance or construction projects designed to ensure compliance with accessibility standards at facilities that are used by the public.

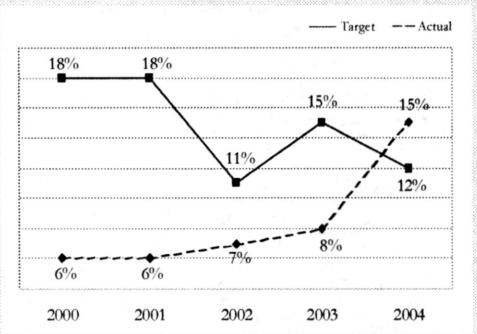
Although not included in the target attainment percentage, the agency attained (within 5 percent) its fiscal year 2004 goal for *Number of Facilities Maintained.* During fiscal year 2004, the agency maintained 312 facilities and over 3 million square feet of building space. The number of facilities maintained during fiscal year 2004 was lower than the targeted level because of increased deployments and the reorganization of the Texas National Guard resulting in the closure of some armories.

SELECTED PERFORMANCE MEASURES

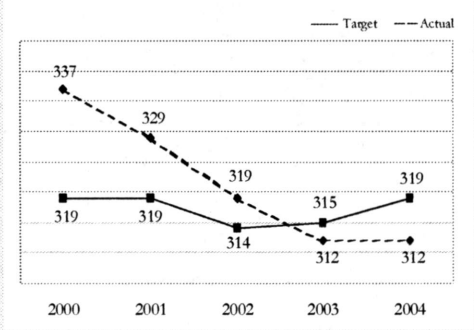
PERCENT OF NEEDED ROUTINE OR PREVENTIVE MAINTENANCE COMPLETED



PERCENT OF FACILITIES THAT COMPLY WITH TEXAS ACCESSIBILITY STANDARDS



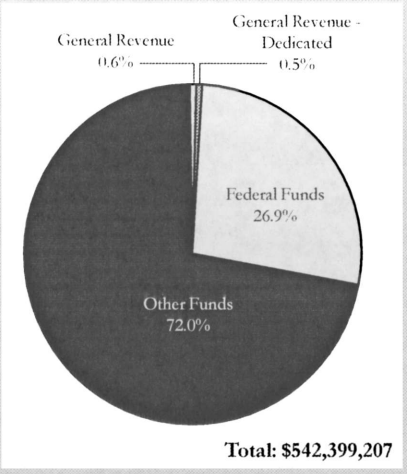
NUMBER OF FACILITIES MAINTAINED



Department of Public Safety

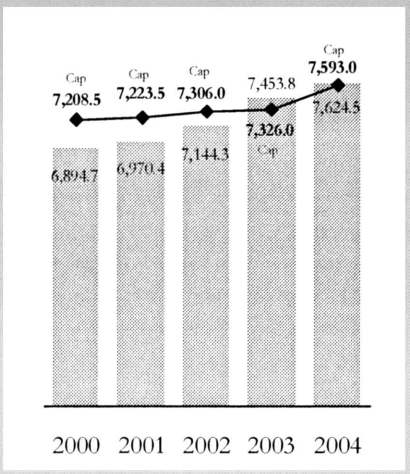
Selected Budget Information

ALL FUNDS, 2004 ESTIMATED



Total: $542,399,207

FULL-TIME-EQUIVALENT POSITIONS



MAJOR CONTRACTS REPORTED, 2004

In fiscal year 2004, the agency reported **212** contracts, including:

Philpott Motors *
Automobiles (Ford Crown Victorias)
$12,379,565

IBM Corporation *
Crash Records Information System payments
$9,920,556

Motorola, Inc. *
Equipment and services for HUB satellite
$9,664,550

Mobile Vision *
Law enforcement mobile video system
$9,385,950

AAMVANET, Inc. *
Subscription agreement, commercial driver records
$3,600,000

Polaroid Corp. *
Digital image driver license systems
$3,418,000

* Known multi-year contract

Budget Highlights

General Revenue and General Revenue–Dedicated Funds accounted for 1.1 percent of the agency's expenditures for fiscal year 2004. The agency's largest method of finance in fiscal year 2004 was Other Funds, which includes State Highway Funds. State Highway Funds constituted 66.1 percent of the agency's expenditures in fiscal year 2004. The State Highway Fund is derived from motor vehicle registration fees and taxes on motor fuels and lubricants. The fund is used for public road construction, maintenance, and policing state highways.

Federal Funds constituted 26.9 percent of the agency's fiscal year 2004 expenditures. The majority of these funds were for local disaster recovery and mitigation assistance through the agency's Division of Emergency Management.

Agency activities related to law enforcement on highways accounted for 34.4 percent of the agency's expenditures for fiscal year 2004. Emergency management accounted for 20.3 percent, and indirect administration and support accounted for 17 percent.

Full-time-equivalent Employees

The agency exceeded its cap for full-time-equivalent (FTE) positions in fiscal year 2004.

The agency utilized General Appropriations Act, 2004–05 Biennium, Article IX, Section 6.14 (g) to exceed the FTE cap in fiscal year 2004 for federally funded FTE positions related to increased border enforcement.

Performance Measures Audit Reports

The most recent performance measures audit by the State Auditor's Office (SAO) was in August 2001, when the *Performance Measures at 12 State Entities* report certified without qualifications one measure, certified with qualifications two measures, found one measure to be inaccurate, and factors prevented certification of one measure for fiscal year 2000. The report also certified without qualifications one measure, certified with qualifications one measure, and factors prevented certification of one measure for the first quarter of fiscal year 2001.

Other Reports and Reviews

A Review of the Department of Public Safety's Fiscal Year 2003 Seized Assets Report Format, dated June 2004, issued by the SAO, stated the agency did not fully meet the seized assets reporting format requirements in the 2004–05 GAA, Rider 11 because it did not include the specific intended use of the seized assets. The agency's seized assets report did, however, contain all other information required by Rider 11.

An Audit Report on the Department of Public Safety's Management of the Integrated Satellite Business Network (ISBN) Project, dated November 2003, issued by the SAO, stated that the agency's ISBN meets the intended functionality; however, while the ISBN contract was within the contract budget, the SAO was unable to determine the total cost of the project because the agency did not track internal personnel costs of managing the project. Additionally, the project had to be extended 36 months.

PERFORMANCE HIGHLIGHTS

During fiscal year 2004, the agency attained (within 5 percent) or exceeded 57 percent of its 28 established key performance targets.

The agency attained or exceeded all six of its outcome targets and 10 of its 22 output/efficiency targets.

MEASURES ASSESSMENTS

The agency met its targeted performance for *Traffic Law Violator Contacts (in Millions)* in fiscal year 2004. Traffic law violator contacts are the number of highway patrol citations and warnings issued by the Department of Public Safety (DPS) to violators of the state's traffic laws. This measure addresses the actual on-the-road interventions by uniformed DPS troopers in driver behavior and vehicle conditions that contribute to the frequency and severity of traffic crashes.

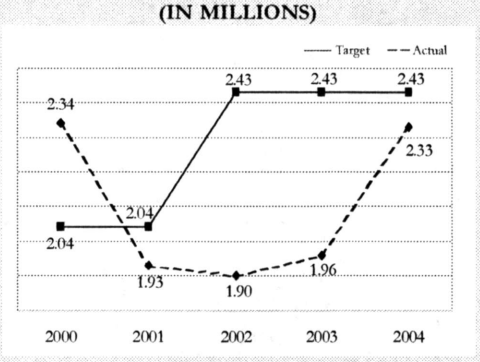
The target for the *Number of Accident Reports Processed* was met in fiscal year 2004. The agency attributes the reduction in the number of reports processed to a workflow change within the Accident Records Bureau. The bureau is preparing to automate its current manual processes by implementing the Crash Records Information System (CRIS) in April 2005. Law enforcement agencies throughout the state submit reports to DPS regarding investigations of traffic accidents that resulted in fatality, bodily injury, or property damage in excess of $500.

The agency met its fiscal year 2004 target for the *Annual Texas Index Crime Rate.* The Index Crime Rate is based on the number of violent and property crimes reported to the Uniform Crime Reporting Program by law enforcement agencies statewide.

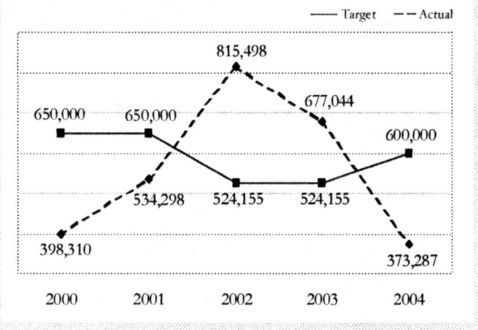
The agency reports that the *Number of Emergency Incidents Coordinated* was higher than targeted because of severe weather-related events. The State Operations Center also coordinated a significantly higher number of Amber Alert requests from local jurisdictions than in previous years.

SELECTED PERFORMANCE MEASURES

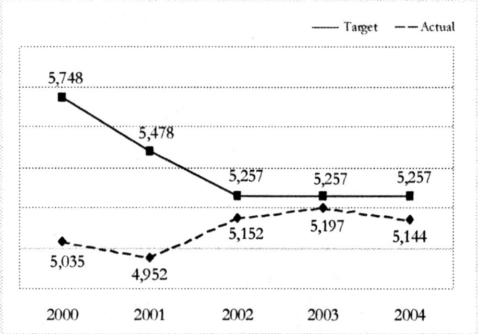
TRAFFIC LAW VIOLATOR CONTACTS (IN MILLIONS)



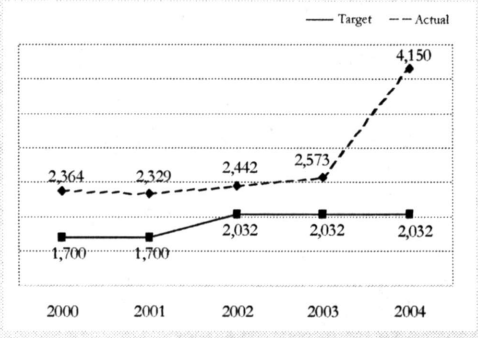
NUMBER OF ACCIDENT REPORTS PROCESSED



ANNUAL TEXAS INDEX CRIME RATE



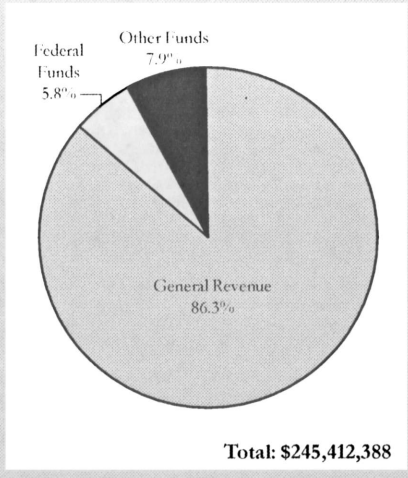
NUMBER OF EMERGENCY INCIDENTS COORDINATED



YOUTH COMMISSION

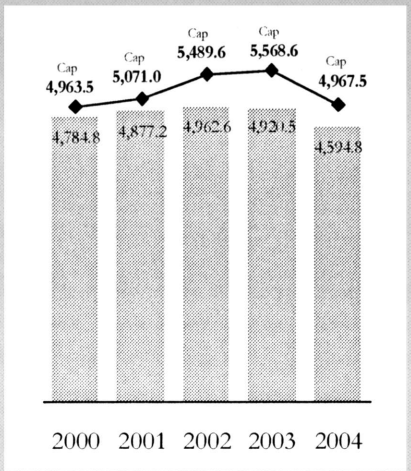
SELECTED BUDGET INFORMATION

ALL FUNDS, 2004 ESTIMATED



Total: $245,412,388

FULL-TIME-EQUIVALENT POSITIONS



MAJOR CONTRACTS REPORTED, 2004

In fiscal year 2004, the agency reported **171** contracts, including:

Sedalco, Inc. *
Expansion of McLennan Co. State School
$24,704,127

Blair-Hall Co., Inc. *
Expansion of Sheffield Boot Camp
$6,811,130

Aramark *
Food service
$5,000,000

Zimmerman Construction Co., Inc. *
Repair buildings at Crockett, Marlin & Corsicana
$1,618,360

Velasco Construction, Inc. *
Construction at Evins Regional Juvenile Center
$1,230,600

Mel Mathews Boys Ranch, Inc. *
Residential services
$884,760

* Known multi year contract

BUDGET HIGHLIGHTS

Institutional or community-based correctional programs accounted for 67 percent of the agency's fiscal year 2004 expenditures.

Education, workforce, and rehabilitative treatment programs accounted for 25 percent of fiscal year 2004 expenditures.

The agency expended $6.5 million for repair and rehabilitation of existing facilities, primarily financed from General Obligation Bonds. These projects included roof replacements and utility, road, and site work. In addition, the agency expended $1.2 million, primarily financed from General Obligation Bonds, for the construction of buildings and facilities. These projects included the expansion and addition of new facilities at the Gainesville State School, the McLennan County State Juvenile Correctional Facility, the Sheffield Boot Camp, the Evins Regional Juvenile Center, and the Corsicana Residential Treatment Center.

In fiscal year 2004, the agency lapsed $2.9 million in General Revenue Funds because of decreases in youth residential populations as compared to appropriated levels.

FULL-TIME-EQUIVALENT EMPLOYEES

The agency did not exceed its cap for full-time-equivalent (FTE) positions in fiscal year 2004.

The agency was below its authorized FTE cap primarily because of delays in the construction/expansion of correctional facilities.

PERFORMANCE MEASURES AUDIT REPORTS

The most recent performance measures audit by the State Auditor's Office was in July 1996, when the *Performance Measures at 20 State Agencies and One Educational Institution* report certified without qualification nine measures.

OTHER REPORTS AND REVIEWS

No special reports or reviews of the agency were identified after September 2003.

PERFORMANCE HIGHLIGHTS

During fiscal year 2004, the agency attained (within 5 percent) or exceeded 77 percent of its 26 established key performance targets.

The agency attained or exceeded 6 of its 7 outcome targets and 14 of its 19 output/efficiency targets.

MEASURES ASSESSMENTS

According to the agency, it did not attain several of its output performance targets because of a decrease in new institutional commitments relative to projections. New institutional commitments have decreased from a high of 3,188 in fiscal year 1998 to 2,514 in fiscal year 2003, and 2,523 in fiscal year 2004.

The agency did not meet its target for *Average Daily Population: Institutional Programs*. This was because fewer youth than projected were committed to the agency's 14 institutional facilities. Commitments are made at the discretion of local judges. The total youth residential population includes institutional, halfway house, and contract care beds. Beginning in fiscal year 2004, these three categories were divided into three separate performance measures. Since this was not a key measure prior to fiscal year 2004, there were no targeted amounts for previous years.

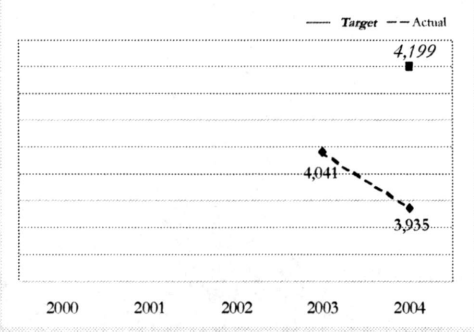
The fiscal year 2004 target for *Average Daily Population: Contract Programs* was not attained because fewer youths than projected were committed to the Texas Youth Commission. Commitments are made at the discretion of local judges. Contract-care facilities provide bed space when youth populations increase over institutional bed capacity and provide specialized placement options within TYC. Since this was not a key performance measure prior to fiscal year 2004, there were no targeted amounts for previous years.

The agency met its target for *Average Daily Attendance in TYC-operated Schools*. TYC was able to meet the target as a result of increased youth attendance rates. The agency evaluates the educational needs of youths at the Marlin Orientation and Assessment Unit upon commitment and develops individualized academic plans for each student. The plans are reassessed, as needed, with standardized testing. Improvement in educational skills is considered an integral component of a youth's rehabilitation and successful reentry into community life.

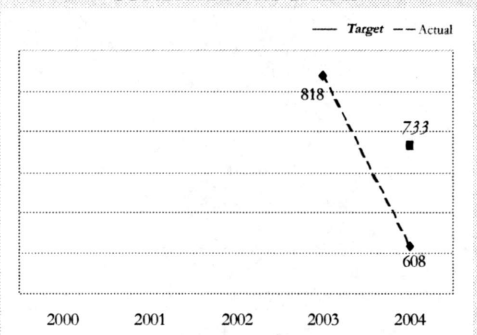
The agency met its target for *Diploma or GED Rate (TYC Teacher Institutions)* by emphasizing General Equivalency Diploma (GED) preparation and testing. This measure calculates the percentage of youth aged 16 or above who have earned a high school diploma or GED within 90 days after their release from institutions employing TYC teachers. Achievement of educational goals is correlated to improved job and educational opportunities after release. The number of youths that received a diploma or GED in fiscal year 2004 was 1,174, compared to 1,275 in fiscal year 2003.

SELECTED PERFORMANCE MEASURES

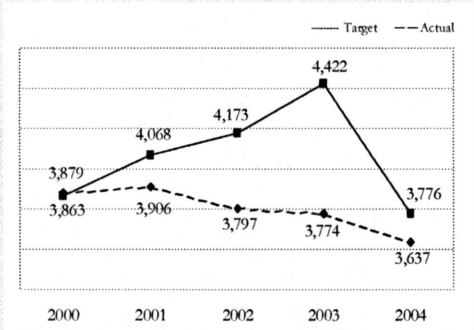
AVERAGE DAILY POPULATION: INSTITUTIONAL PROGRAMS



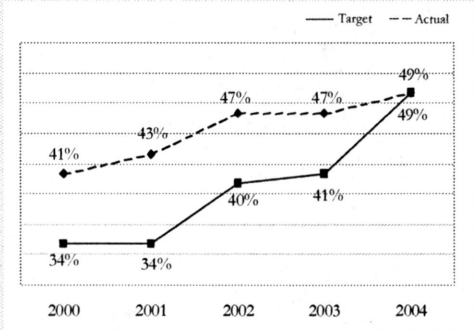
AVERAGE DAILY POPULATION: CONTRACT PROGRAMS



AVERAGE DAILY ATTENDANCE IN TYC-OPERATED SCHOOLS



DIPLOMA OR GED RATE (TYC TEACHER INSTITUTIONS)



AGENCY	PERCENTAGE OF PERFORMANCE TARGETS ACHIEVED [1]	NUMBER OF KEY PERFORMANCE MEASURES
Department of Agriculture	67%	18
Animal Health Commission	50	4
Commission on Environmental Quality	73	49
General Land Office and Veterans' Land Board	92	12
Trusteed Program within the General Land Office[2]	100	2
Parks and Wildlife Department	65	20
Railroad Commission	82	22
Texas River Compact Commissions	80	5
Soil and Water Conservation Board	83	6
Water Development Board	31	13

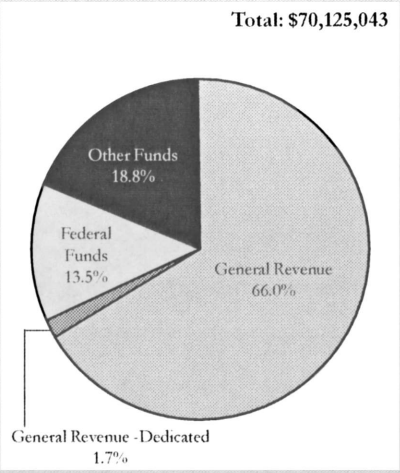
[1] *Percentage of Performance Targets Achieved* reflects those measures (excluding explanatory) for which performance has attained or exceeded 95 percent of the established target.

[2] An individual budget and performance summary was not prepared for this program.

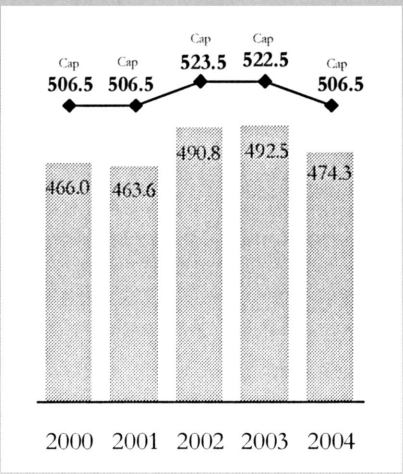
Department of Agriculture

Selected Budget Information

ALL FUNDS, 2004 ESTIMATED



FULL-TIME-EQUIVALENT POSITIONS



MAJOR CONTRACTS REPORTED, 2004

In fiscal year 2004, the agency reported **seven** contracts, including:

BAE Systems Integrated Defense *
Software development services
$3,484,962

Vinson & Elkins
Legal services
$75,000

Gerber Properties *
Rental of office space for Region 2 (Dallas)
$57,420

Aus-Tex Plumbing and Heating *
Rental of office space for TDA warehouse services
$50,943

Textron Construction
Construction of office space
$25,676

* Known multi-year contract

Budget Highlights

General Revenue Funds and General–Revenue Dedicated Funds accounted for approximately 68 percent of the agency's budget in fiscal year 2004. Fifty-one percent of the agency's General Revenue Fund expenditures were used for the Boll Weevil Eradication Program. At the end of fiscal year 2004, there were 9 of the 14 eradication zones participating in the program that had achieved either a functional or suppressed status of eradication (no reproducing weevils).

An additional 15 percent of General Revenue Funds expended were used for generating marketing opportunities for Texas farmers, ranchers, and agribusinesses through a number of programs such as the GO TEXAN Partner Program, the Young Farmer Loan Guarantee Program, Linked Deposit Program, oyster promotion, shrimp and wine marketing, and fiber marketing.

Seventy-six percent of Federal Funds received in fiscal year 2004 were from the U.S. Department of Agriculture for the administration of the Child Nutrition Program.

Of the Other Funds expended, approximately 76 percent was a one-time expenditure in Texas Agriculture Fund No. 683 to address insolvent loan programs.

Full-time-equivalent Employees

The agency did not exceed its cap for full-time-equivalent (FTE) positions in fiscal year 2004.

The agency added two FTE positions as a result of provisions within House Bill 2470, Seventy-eighth Legislature, Regular Session, 2003, which created the Shrimp Marketing Program. In addition, 15 FTEs were transferred to the agency from the Texas Education Agency for administration of the Child Nutrition Program.

Performance Measures Audit Reports

The most recent performance measures audit by the State Auditor's Office was in January 1997, when the *Performance Measures at 13 State Agencies and 7 Educational Institutions* report certified without qualifications one measure, certified with qualifications two measures, and found one measure to be inaccurate.

Other Reports and Reviews

No special reports or reviews of the agency were identified after September 2003.

PERFORMANCE HIGHLIGHTS

During fiscal year 2004, the agency attained (within 5 percent) or exceeded 67 percent of its 18 established key performance targets.

The agency attained or exceeded all five of its outcome targets and 7 of its 13 output/efficiency targets.

MEASURES ASSESSMENTS

The agency exceeded its fiscal year 2004 target for the *Percent of Communities Assisted* because assistance was provided to a larger than projected number of governmental units and economic hub communities as part of the agency's effort to facilitate regional cooperation among rural communities. Additionally the *Texas Yes!* Program promoted agency assistance programs in rural communities.

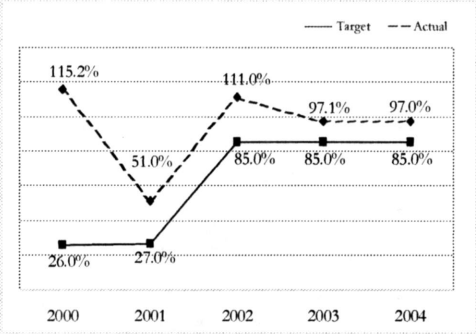
The target for *Number of Pesticide Complaint Investigations Conducted* was attained in fiscal year 2004. This measure is a constituent-driven measure, and the agency has little control over whether an individual chooses to report a pesticide violation. The agency's target for this measure is based on average performance from previous fiscal years.

The agency exceeded its fiscal year 2004 target for the *Number of Seed Samples Analyzed.* The prevalence of sorghum ergot, a fungal disease of sorghum, has increased in recent fiscal years primarily due to Mexican import requirements and favorable weather conditions. As a result, more lab samples have been required to verify that seed samples are free of the disease.

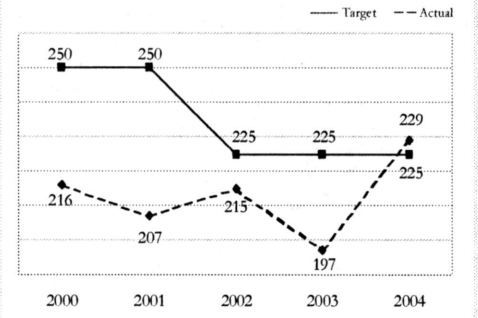
The target for the *Percent of Total Weights and Measures Inspections Conducted Resulting in Compliance with Standards* was met in fiscal year 2004. The agency attributes the positive level of compliance rates to aggressive enforcement activities and increased customer awareness of the agency's inspection process.

SELECTED PERFORMANCE MEASURES

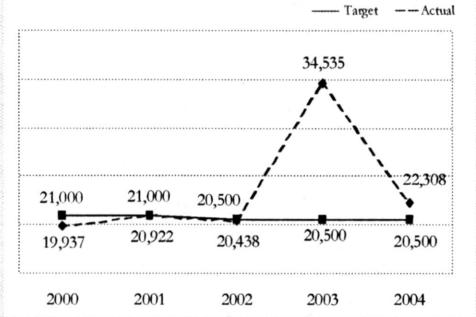
PERCENT OF COMMUNITIES ASSISTED



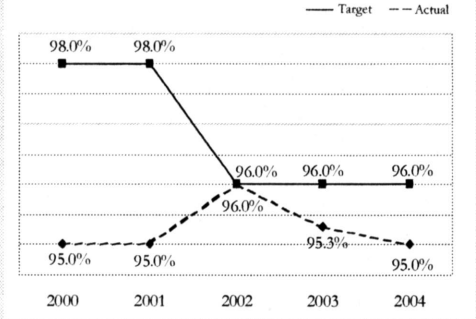
NUMBER OF PESTICIDE COMPLAINT INVESTIGATIONS CONDUCTED



NUMBER OF SEED SAMPLES ANALYZED



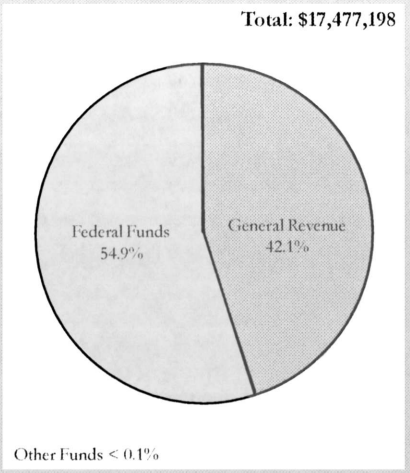
PERCENT OF TOTAL WEIGHTS AND MEASURES INSPECTIONS CONDUCTED RESULTING IN COMPLIANCE WITH STANDARDS



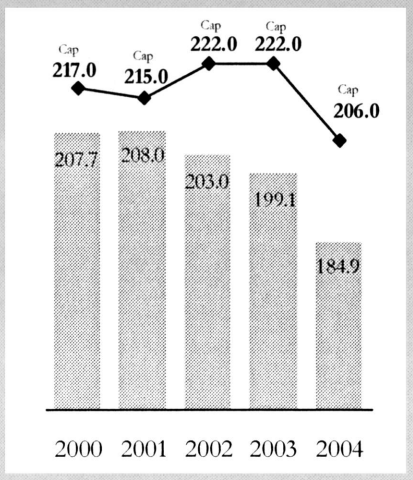
Animal Health Commission

Selected Budget Information

ALL FUNDS, 2004 ESTIMATED



FULL-TIME-EQUIVALENT POSITIONS



MAJOR CONTRACTS REPORTED, 2004

In fiscal year 2004, the agency reported **four** contracts:

Vintage IT Services *
Computer purchases
$111,292

Xerox Corporation *
Digital copier lease
$53,895

Texas Veterinary Medical Association *
Veterinary practitioners database
$50,000

IDEXX Corp. *
PCR-A machines maintenance
$24,868

* Known multi-year contract

Budget Highlights

Approximately 62 percent of the agency's General Revenue Funds were spent on preventing, monitoring, controlling and eradicating animal diseases and infestations through statewide field-based programs.

Ninety-two percent of Federal Funds received from the U.S. Department of Agriculture were spent on field operations, which included surveillance and inspections of livestock and poultry. In fiscal year 2004, the agency received an additional $5.5 million in Federal Funds, which was used to purchase computer hardware, computer software, equipment, and vehicles, and to fund eight new inspector positions for the agency's tuberculosis eradication program.

Full-time-equivalent Employees

The agency did not exceed its cap for full-time-equivalent (FTE) positions in fiscal year 2004.

The agency added five FTEs as a result of receiving Federal Funds for tuberculosis eradication and six FTEs as a result of receiving Federal Funds for the agency's exotic Newcastle disease program. The agency also added seven federally funded FTEs authorized by General Appropriations Act (2004–05 Biennium) Article IX, Section 6.14(g). Approximately 67 percent of the agency's 184.9 FTE positions were involved in the monitoring and inspection of livestock and poultry in an effort to eradicate/control diseases and infestations. The majority of the remaining staff was engaged in identifying specimens; testing blood, tissue, and milk samples; interpreting those tests; and making diagnoses.

Performance Measures Audit Reports

The most recent performance measures audit by the State Auditor's Office was in August 2001, when the *Performance Measures at 12 State Entities* report certified with qualifications four measures for fiscal year 2000. The report also certified with qualifications three measures for the first quarter of fiscal year 2001.

Other Reports and Reviews

No special reports or reviews of the agency were identified after September 2003.

PERFORMANCE HIGHLIGHTS

During fiscal year 2004, the agency attained (within 5 percent) or exceeded 50 percent of its four established key performance targets.

The agency attained or exceeded its one outcome target and one of its three output/efficiency targets.

MEASURES ASSESSMENTS

The agency attained the target for *Percent Change in Known Prevalence of Bovine Brucellosis from the 1994 Level.* Only two incidences of Bovine brucellosis were detected in fiscal year 2004: one in Henderson County and one in Leon County. The agency conducts brucellosis tests on cattle herds when they are brought to market or slaughter.

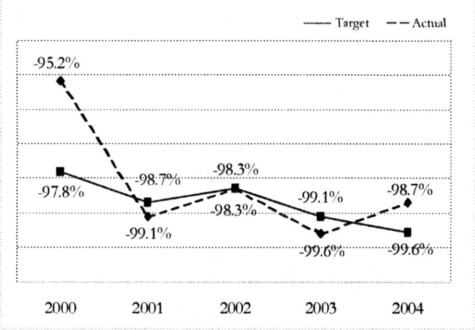
Targeted performance for the *Number of Livestock Shipments Inspected* was not met in fiscal year 2004 because there were fewer than expected Mexican livestock imports. This reduction in imports was a result of (1) federal regulations temporarily restraining livestock movement when tuberculosis problems arose; (2) drought conditions; and (3) changed importation rules in Mexico. Additionally, inspectors were shifted to control outbreaks of avian influenza in Gonzalez and Hopkins counties, resulting in a reduction in livestock vehicle inspections.

The target for the *Number of Specimens Processed through the State/Federal Cooperative Laboratory* was attained in fiscal year 2004 due in part to good economic conditions of the cattle industry and in part to the processing of samples from New Mexico. The New Mexico samples are processed under a program funded entirely by the federal government. The specimens processed included brucellosis and pseudorabies tests, which are often conducted to meet requirements for movement, private sale, or herd certification.

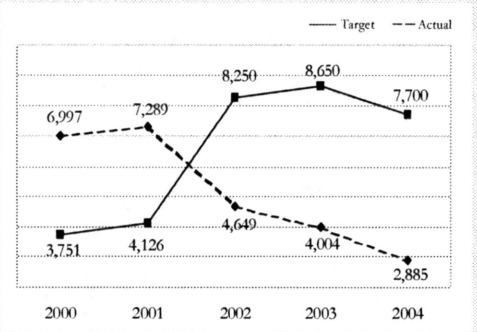
The agency did not attain the target for *Number of Compliance Actions Completed.* The reduction in the number of livestock inspections in fiscal year 2004 caused a reduction in the number of compliance actions. Approximately 40 percent of compliance actions are related to livestock vehicle inspections. If violations are detected and documented during an investigation, agency staff generate a compliance action request, which triggers an evaluation that may result in: (1) a formal investigation and complaint; (2) a warning letter delivered to the violator; (3) an administrative penalty being assessed; or (4) the case being closed due to lack of evidence.

SELECTED PERFORMANCE MEASURES

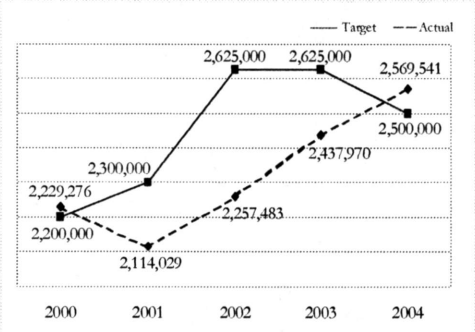
PERCENT CHANGE IN KNOWN PREVALENCE OF BOVINE BRUCELLOSIS FROM THE 1994 LEVEL



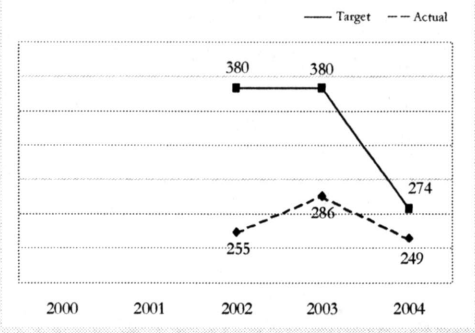
NUMBER OF LIVESTOCK SHIPMENTS INSPECTED



NUMBER OF SPECIMENS PROCESSED THROUGH THE STATE/FEDERAL COOPERATIVE LABORATORY



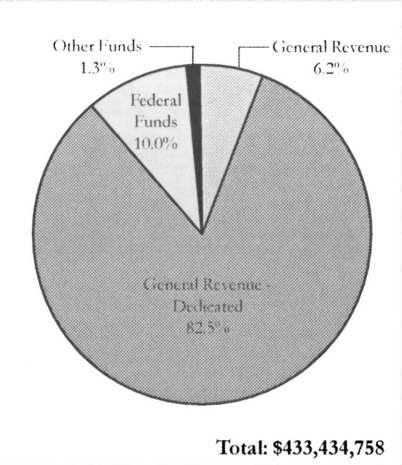
NUMBER OF COMPLIANCE ACTIONS COMPLETED



Commission on Environmental Quality

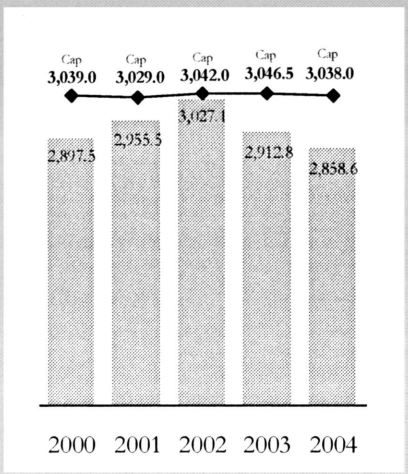
Selected Budget Information

ALL FUNDS, 2004 ESTIMATED



Total: $433,434,758

FULL-TIME-EQUIVALENT POSITIONS



MAJOR CONTRACTS REPORTED, 2004

In fiscal year 2004, the agency reported **155** contracts, including:

Engitech, Inc. *
Training and certification
$8,099,700

Dallas Area Rapid Transit *
Texas Emissions Reduction Plan
$7,591,680

VIA Metropolitan Transit *
Texas Emissions Reduction Plan
$5,046,029

North Central Texas Council of Governments*
Waste management planning
$4,820,416

Houston-Galveston Area Council *
Waste management planning
$4,241,839

Weston Solutions, Inc. *
Remedial investigation and removal services
$4,040,000

* Known multi-year contract

Budget Highlights

Approximately 82 percent of the agency's fiscal year 2004 expenditures were from dedicated fee revenue. Air-related fees accounted for 56 percent of these funds, while waste-related fees accounted for 37 percent of the funds. Water-related fees made up only 7 percent of expenditures, with most water programs funded by the agency's $26.7 million in General Revenue Fund expenditures.

Of the agency's $43.6 million in Federal Funds expenditures, approximately 44 percent was through Performance Partnership grants, which the agency used in various strategies. The following programs each made up approximately 11 percent of Federal Funds expenditures: Superfund cleanup, nonpoint source implementation grants, and leaking underground storage tank cleanup.

Nearly 52.7 percent of the agency's expenditures were pass-through funds. The largest pass-through programs are the Texas Emissions Reduction Plan grants and the Petroleum Storage Tank Cleanup program.

Full-time-equivalent Employees

The agency did not exceed its cap for full-time-equivalent (FTE) positions in fiscal year 2004.

Thirty-nine of the agency's FTEs performed assessment-, planning- and permitting-related activities, and 29 percent worked to support enforcement and compliance activities. An additional 19 percent of FTEs worked in indirect administration, while 10 percent were involved in pollution cleanup activities, and 4 percent worked to promote safe drinking water, which includes the regulation of water utilities.

Performance Measures Audit Reports

The most recent performance measures audit by the State Auditor's Office (SAO) was in May 1998, when the *Performance Measures Audit at 36 State Agencies* report certified without qualifications the three measures reviewed.

Other Reports and Reviews

An Audit Report on the Commission on Environmental Quality's Enforcement and Permitting Functions for Selected Programs, dated November 2003, issued by the SAO, stated that for the air, water quality, and public water supply programs evaluated, the agency did not consistently issue enforcement orders or settle enforcement cases within required time frames, did not classify supplemental environmental projects (SEP) according to established criteria nor did the agency monitor SEPs, and it did not calculate penalties accurately or fully collect delinquent penalties.

PERFORMANCE HIGHLIGHTS

During fiscal year 2004, the agency attained (within 5 percent) or exceeded 73 percent of its 49 established key performance targets.

The agency attained or exceeded 10 of its 15 outcome targets and 26 of its 34 output/efficiency targets.

MEASURES ASSESSMENTS

The agency attained its fiscal year 2004 target for the *Percent of Texas Surface Water Meeting or Exceeding Water Quality Standards*. As was the case in fiscal year 2003, this was due to revisions to site-specific standards for three reservoirs (Falcon, Hubbard Creek, and Mackenzie) and Lake Fork, and the subsequent removal of these bodies from the impaired water body list. Additionally, Mountain Lake, Bardwell Reservoir, and Lake Waxahachie have been removed from the list as a result of a total maximum daily load (TMDL) study and management practices that have lowered agricultural impacts from herbicides. Additionally, bays and estuaries that had been counted as impaired bodies based on a perceived, rather than an actual risk to human health based on sampling data, have been removed from the list of impaired bodies.

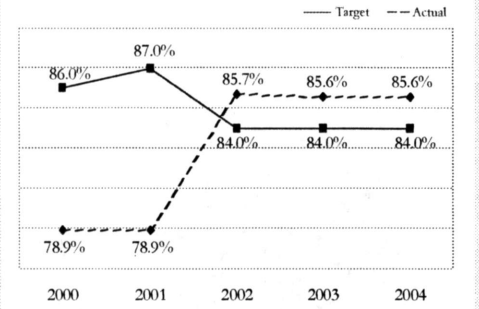
The target for the *Percent of Leaking Petroleum Storage Tank (PST) Sites Cleaned Up* was attained in fiscal year 2004 as a result of committing additional staff resources to the cleanup; utilizing the PST privatization contractor to review PST files, reimbursement claims, and protests for new cases; and, focusing agency efforts on site-specific conditions at low-risk sites. The agency anticipates being able to clean up all remaining petroleum storage tank sites by fiscal year 2007, when the program is scheduled to sunset.

The agency did not attain the fiscal year 2004 target for the *Annual Percent of Stationary and Mobile Source Pollution Reductions in Non-attainment Areas*. There are four major components of the emissions inventory: point, area, on-road mobile, and non-road mobile sources. In fiscal year 2004, point source and on-road mobile emissions decreased, but area and non-road mobile emissions continued to rise due to a lack of current controls and an increase in population in non-attainment areas. New rules affecting non-road mobile emissions will soon become effective and should result in a decrease in these emissions.

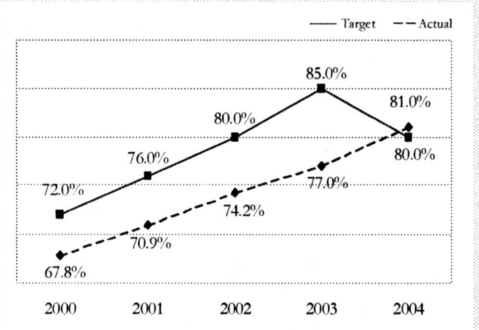
The target for the *Average Cost per Ton of Nitrous Oxides Reduced through Texas Emissions Reduction Plan Expenditures* was not attained in fiscal year 2004. While cost-effectiveness was a major factor in the funding decisions in fiscal year 2004, the agency also considered project location and project necessity to ensure a broad range of projects and applicants were funded. To meet the $5,000 per ton target, the agency has set a cap of $7,000 per ton for the fiscal year 2005 grants, a reduction from the current $13,000 per ton cap.

SELECTED PERFORMANCE MEASURES

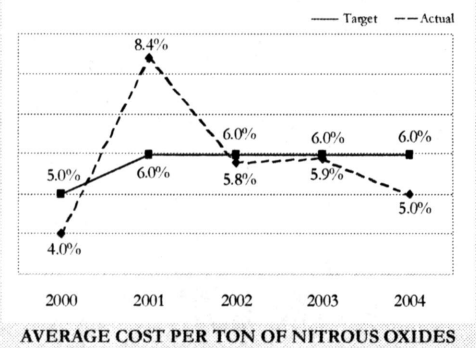
PERCENT OF TEXAS SURFACE WATER MEETING OR EXCEEDING WATER QUALITY STANDARDS



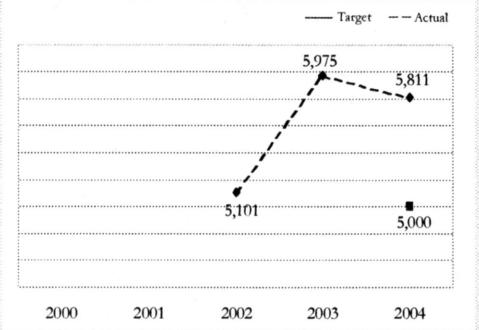
PERCENT OF LEAKING PETROLEUM STORAGE TANK SITES CLEANED UP



ANNUAL PERCENT OF STATIONARY AND MOBILE SOURCE POLLUTION REDUCTIONS IN NON-ATTAINMENT AREAS



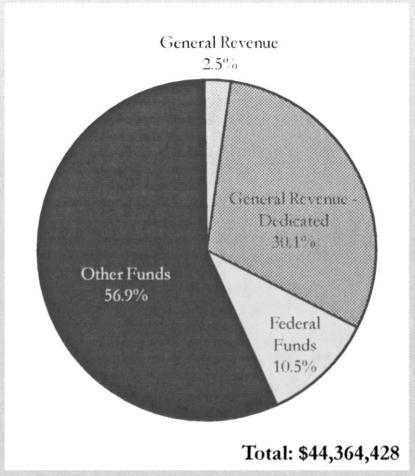
AVERAGE COST PER TON OF NITROUS OXIDES REDUCED THROUGH TEXAS EMISSIONS REDUCTION PLAN EXPENDITURES



General Land Office and Veterans' Land Board

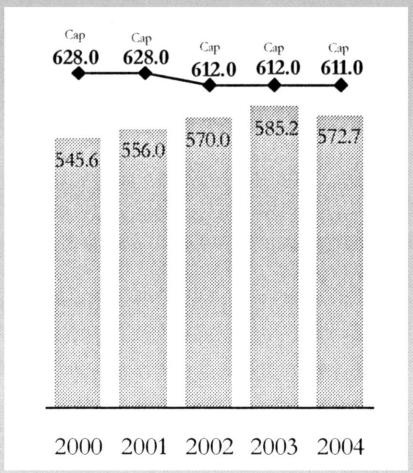
Selected Budget Information

ALL FUNDS, 2004 ESTIMATED



Total: $44,364,428

FULL-TIME-EQUIVALENT POSITIONS



MAJOR CONTRACTS REPORTED, 2004

In fiscal year 2004, the agency reported 187 contracts, including:

Care Inns of Texas, Ltd. *
Management/operations -- Temple Veterans' Home
$14,605,739

Graeber, Simmons & Cowan *
Architectural/engineering services, State Veterans' Homes
$12,188,913

Urban Associates *
Construction of El Paso veterans' home
$9,694,650

Care Inns of Texas, Ltd. *
Management/operations -- Bonham Veterans' Home
$7,910,736

Wilson County Memorial Hospital District *
Management/operations -- Floresville Veterans' Home
$6,682,678

CWR Construction *
Texas State Veterans' Cemetery
$6,042,000

* Known multi-year contract

Budget Highlights

Other Funds accounted for 57 percent of the agency's budget in fiscal year 2004. Fifty-seven percent of the agency's Other Funds were related to providing Texas veterans with low-interest land, home, and home-improvement loans; long-term nursing facilities; and cemeteries. Thirty-four percent of Other Funds were expended to manage state assets. Prior to the approval of House Joint Resolution 68, Seventy-eighth Legislature, Regular Session, 2003, which directs the agency to pay asset management costs out of the Permanent School Fund (PSF), this function was funded out of the General Revenue Fund.

Seventy-five percent of General Revenue–Dedicated Fund expenditures were related to administering the Oil Spill Prevention and Response Program.

Full-time-equivalent Employees

The agency did not exceed its cap for full-time-equivalent (FTE) positions in fiscal year 2004.

Approximately 40 percent of the agency's FTE positions provided Texas veterans with low-interest loans for land, homes, and home improvements, and opportunities for long-term care. Another 30 percent of agency FTEs managed state assets and 19 percent of the FTEs were engaged in oil spill prevention and response activities.

Performance Measures Audit Reports

The most recent performance measures audit by the State Auditor's Office (SAO) was in May 1998, when the *Performance Measures Audit at 36 State Agencies* report certified without qualifications four measures and certified with qualifications one measure.

Other Reports and Reviews

An Audit Report on Controls over Permanent School Fund Real Estate and Collection of Oil and Gas Revenue at the General Land Office, dated June 2004, issued by the SAO stated that House Bill 3558, Seventy-eighth Legislature, 2003, significantly increased the funds available to the real estate investment program of the School Land Board (board) and the General Land Office (GLO) for the Permanent School Fund. In response, the board and GLO worked to comply with legislative requirements to purchase $150.0 million of state real property for the PSF, and also developed and generally adhered to reasonably comprehensive investment policies and procedures. The GLO's controls over land holdings and over revenue collections for oil and gas leases that support the PSF are generally adequate. However, because the board and GLO did not implement investment controls that represent best practices among institutional real estate investors, the pace of investment was slower-than-forecasted, earning less than was anticipated for contributions to the Available School Fund during the 2002–03 biennium.

General Land Office and Veterans' Land Board

Performance Highlights

During fiscal year 2004, the agency attained (within 5 percent) or exceeded 92 percent of its 12 established key performance targets.

The agency attained or exceeded both of its outcome targets and 9 of its 10 output/efficiency targets.

Measures Assessments

The agency exceeded the fiscal year 2004 target for *Amount of Revenue Detected from Audits (in Millions)* as a result of an increased effort to close audits and the implementation of limited review and energy marketing audits. Limited review audits are issue-specific and shorter in duration than field audits, and energy-marketing audits are compliance audits regarding in-kind oil and gas volumes. These reviews generated $4.5 million in fiscal year 2004.

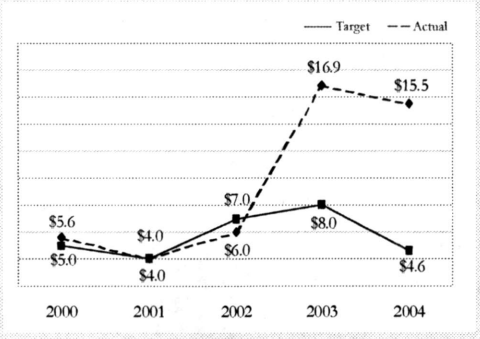
The fiscal year 2004 target for *Annual Revenue from the Sale of State Lands (in Millions)* was exceeded mainly due to Permanent School Fund (PSF) purchases of state-owned property. The Seventy-eighth Legislature, 2003, directed the agency to sell to the PSF $150.0 million of state agency property previously determined to be underutilized. As a result, $40.2 million in state-owned properties were sold during fiscal year 2004, many of them acquired by the PSF.

The agency exceeded the fiscal year 2004 target for the *Percent of Veterans Reached through Outreach Efforts*. According to the agency, the higher level of contact with the Texas veteran population was a result of increases in the number of conferences and seminars on veterans' benefits conducted, as well as distribution of *Texas Veterans' Voice*, a biannual newsletter for Texas veterans.

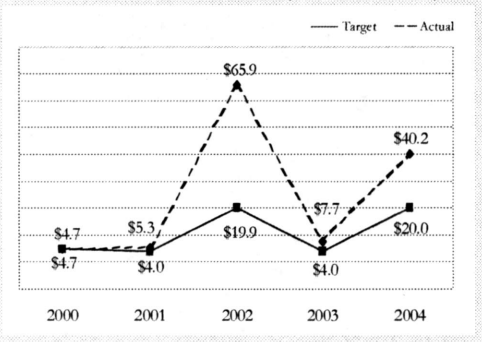
For fiscal year 2004, the *Number of Oil Spill Responses* was less than originally projected. The agency has little control over the number of reported oil spills. The General Land Office is the only state agency to physically respond to oil spills that occur on or threaten Texas' coastal waters.

Selected Performance Measures

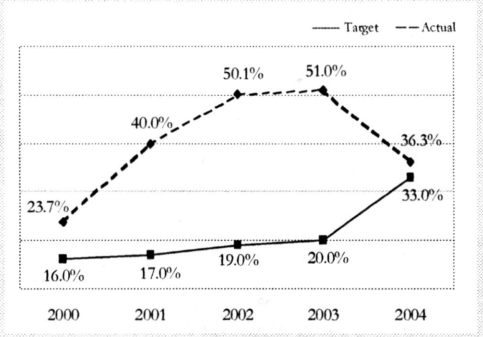
AMOUNT OF REVENUE DETECTED FROM AUDITS (IN MILLIONS)



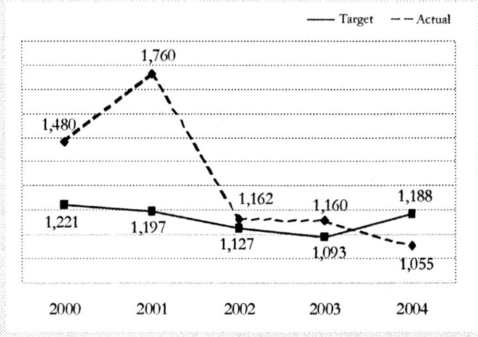
ANNUAL REVENUE FROM THE SALE OF STATE LANDS (IN MILLIONS)



PERCENT OF VETERANS REACHED THROUGH OUTREACH EFFORTS



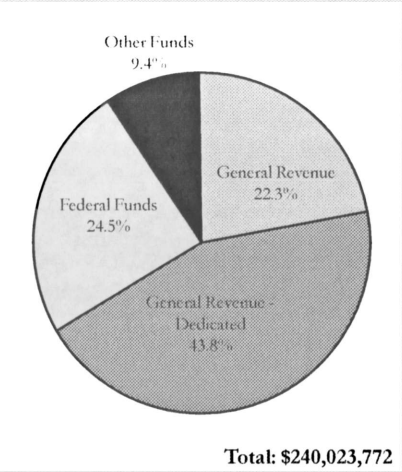
NUMBER OF OIL SPILL RESPONSES



Parks and Wildlife Department

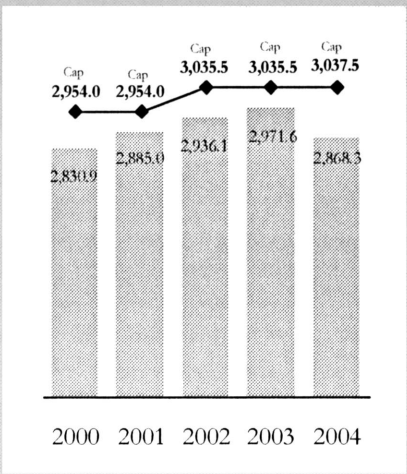
Selected Budget Information

ALL FUNDS, 2004 ESTIMATED



Total: $240,023,772

FULL-TIME-EQUIVALENT POSITIONS



MAJOR CONTRACTS REPORTED, 2004

In fiscal year 2004, the agency reported **70** contracts, including:

Bryan Construction Company *
Intensive culture program facility
$2,492,739

Tom Page & Co., Inc.
Site development
$1,968,900

MCI Worldcom Communications *
Point of sale license system
$1,750,000

4-D Construction *
Water system improvements
$669,019

Ducks Unlimited *
Texas prairie wetlands project
$400,000

Ducks Unlimited *
East Texas wetlands project
$400,000

* Known multi-year contract

Budget Highlights

Approximately 53.7 percent of the agency's expenditures ($128.8 million) were funded by General Revenue–Dedicated Funds and General Revenue Funds from the statutory allocation of sporting goods sales tax revenue for state and local parks.

The agency's General Revenue–Dedicated Funds consist of revenues received from user fees paid by hunters, anglers, boaters, and day and overnight visitors at state parks. The agency's largest expenditures in fiscal year 2004 were for managing fish and wildlife ($68.0 million), operating state parks ($53.5 million), and enforcing related game, fish and water safety laws ($34.9 million).

Full-time-equivalent Employees

The agency did not exceed its cap for full-time-equivalent (FTE) positions in fiscal year 2004.

During fiscal year 2004, the agency's actual staffing levels totaled 2,868.3, which was 5.2 percent below the authorized FTE cap. The agency's turnover rate for the fiscal year was 21.7 percent, and 61 employees took advantage of the early retirement incentive authorized by House Bill 3208, Seventy-eighth Legislature, Regular Session, 2003. Approximately 37 percent of the agency's FTE positions operate state parks and 26 percent manage fish and wildlife. Another 17 percent are game wardens, who investigate pollution incidents and illegal dumping on state park lands and enforce hunting, fishing, and boating safety laws and other provisions of the Parks and Wildlife and state penal codes.

Performance Measures Audit Reports

The most recent performance measures audit by the State Auditor's Office (SAO) was in August 2001, when the *Performance Measures at 12 State Entities* report certified without qualifications two measures and factors prevented certification of four measures. Since the audit, two of the four measures which could not be certified have been replaced, and the agency states that data collection and reporting controls for the other two measures have been improved.

Other Reports and Reviews

An Audit Report on Fund-raising Activities at the Texas Parks and Wildlife Department, dated January 2004, issued by the SAO, stated that the agency does not have accurate information about who has engaged in fund-raising activities or about the value of donations each person has received or solicited. As a result, the SAO was unable to assure the completeness and reliability of the list disclosing who has engaged in fund-raising activities for the agency and the value of gifts each person has received or solicited. In addition, the agency has not performed a comprehensive cost-benefit analysis of the Texas Wildlife Expo (Expo). Based on a profit and loss statement the SAO compiled for the 2002 Expo, the result is a loss of $760,646.

PERFORMANCE HIGHLIGHTS

During fiscal year 2004, the agency attained (within 5 percent) or exceeded 65 percent of its 20 established key performance targets.

The agency attained or exceeded 3 of its 5 outcome targets and 10 of its 15 output/efficiency targets.

MEASURES ASSESSMENTS

The fiscal year 2004 target for the *Annual Percent Change in Opportunities Provided for Target User Groups* was not achieved. The number of outreach events intended to increase awareness of agency programs and facilities by historically underserved populations, including women, minorities and at-risk youth, declined by 4 percent primarily due to mandated budget reductions, according to the agency. The agency reported six outreach program staff were laid off.

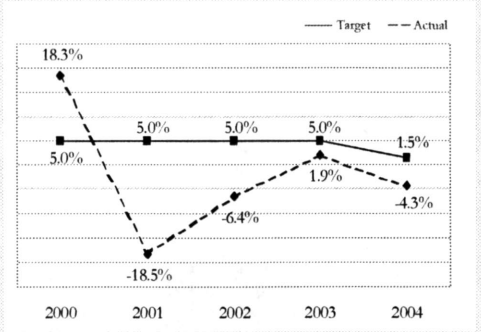
The agency attained the target for the *Number of State Parks in Operation* in fiscal year 2004. House Bill 2108, Seventy-sixth Legislature, 1999, authorized the agency to transfer parks to local governments and other governmental and nongovernmental entities. Between fiscal years 2000 and 2004, the agency transferred five facilities to local governments and another facility to Texas Tech University. In addition, the agency transferred a facility to the U.S. Fish and Wildlife Service.

The agency attained the target for the *Number of Grant-Assisted Projects Completed* despite weather-related delays in local park construction projects. Using the sporting goods sales tax allocation for local parks, the agency makes matching grants to local governments to acquire and/or develop new parks, or for major renovations of existing parks. Other factors that impact the timely completion of projects by local governments include the availability of the local matching funds and the land acquisition process. Based on grant program guidelines, local governments have three years to complete grant-funded construction projects.

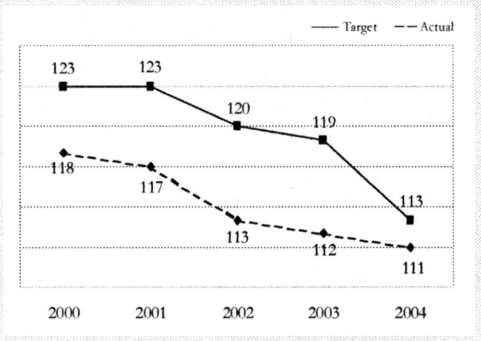
The target for the *Number of Fingerlings Stocked (in Millions)* was not attained in fiscal year 2004 because scheduled repair and construction projects at both freshwater and saltwater fish hatcheries temporarily shut down production in several ponds. For example, the agency reports that production at the Sea Center marine hatchery located in Lake Jackson was suspended in fiscal year 2004 because of scheduled repairs.

SELECTED PERFORMANCE MEASURES

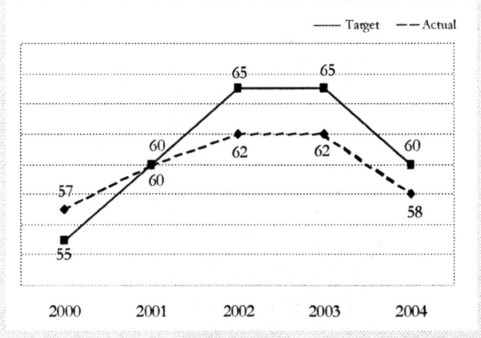
ANNUAL PERCENT CHANGE IN OPPORTUNITIES PROVIDED FOR TARGET USER GROUPS



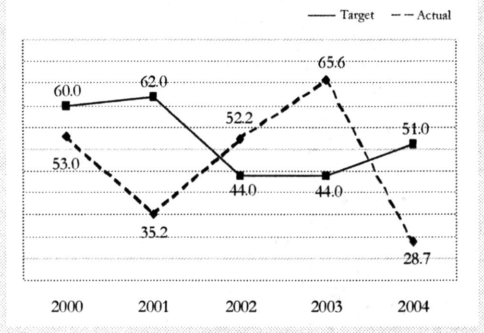
NUMBER OF STATE PARKS IN OPERATION



NUMBER OF GRANT ASSISTED PROJECTS COMPLETED



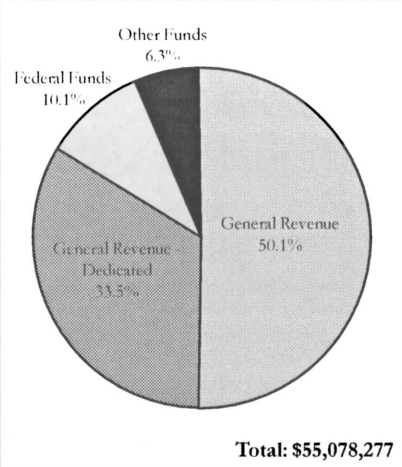
NUMBER OF FINGERLINGS STOCKED (IN MILLIONS)



Railroad Commission

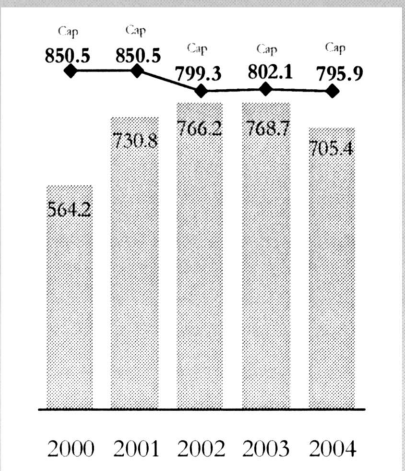
Selected Budget Information

ALL FUNDS, 2004 ESTIMATED



Total: $55,078,277

FULL-TIME-EQUIVALENT POSITIONS



MAJOR CONTRACTS REPORTED, 2004

In fiscal year 2004, the agency reported 92 contracts, including:

Maximus, Inc.
IT system migration
$1,891,335

Hunter Industries, Ltd. *
Surface mining abandoned land mine project
$1,840,301

Kent Environmental Services, LLC
Site remediation
$1,099,020

PSC-IOI *
Site remediation
$920,132

Corrigan Consulting, Inc. *
Environmental engineering services
$750,000

HBC Terracon *
Environmental engineering services
$750,000

* Known multi-year contract

Budget Highlights

Thirty-six percent of the agency's expenditures from the General Revenue Fund was used for monitoring and inspection activities, while 11 percent was used for pipeline safety activities. Energy resource development and oil and gas well plugging each accounted for 10 percent of total General Revenue Fund expenditures.

Oil and gas well plugging accounted for 50 percent of the agency's General Revenue–Dedicated Fund expenditures, while an additional 29 percent was expended on oil and gas remediation activities, which includes site cleanups.

Full-time-equivalent Employees

The agency did not exceed its cap for full-time-equivalent (FTE) positions in fiscal year 2004.

Most of the agency's FTE positions (33 percent) performed activities related to oil and gas monitoring and inspections. Twelve percent of the FTEs were engaged in oil and gas well plugging activities, while 11 percent worked to ensure pipeline safety, and 10 percent worked to promote energy resource development.

Performance Measures Audit Reports

The most recent performance measures audit by the State Auditor's Office was in January 1997, when the *Performance Measures at 13 State Agencies and 7 Educational Institutions* report certified with qualifications one measure and found one measure to be inaccurate.

Other Reports and Reviews

No special reports or reviews of the agency were identified after September 2003.

PERFORMANCE HIGHLIGHTS

During fiscal year 2004, the agency attained (within 5 percent) or exceeded 82 percent of its 22 established key performance targets.

The agency attained or exceeded 4 of its 5 outcome targets and 14 of its 17 output/efficiency targets.

MEASURES ASSESSMENTS

The agency attained its target for the *Number of Wells Monitored* in fiscal year 2004. Although new wells are added to the schedule each year, the agency and industry also remove wells from the schedule as they are plugged. The number of wells on the schedule has remained fairly constant over the past five years even with oil and gas price fluctuations. This measure includes the number of active and inactive oil, gas, and service wells carried on the master oil and gas schedule and regulated by the agency.

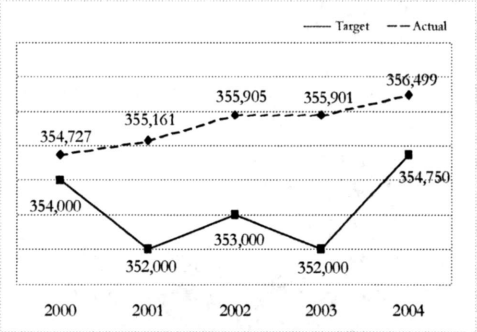
Although the target for *Number of Rail Units Inspected* was attained in fiscal year 2004, there was an overall decrease in performance from fiscal year 2003 due to the elimination of three positions, the result of legislatively mandated budget reductions. This measure comprises the number of units of railroad equipment, facilities, and operations inspected by each inspector.

The agency exceeded its fiscal year 2004 target for the *Number of Pollution Sites Investigated, Assessed, or Cleaned Up with the Use of State Funds* as a result of more available Oil Field Cleanup Account No. 145 funds, continued use of a streamlined bid procedure that groups cleanups in the same geographical area into one bid, and drier than usual weather in the summer months.

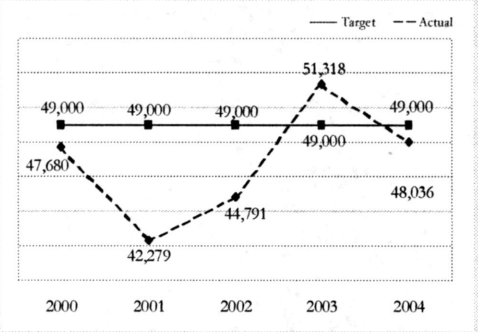
The target for the *Number of Oil and Gas Facility Inspections Performed* was exceeded in fiscal year 2004 as a result of improved weather conditions and the transfer of four FTEs to the Field Operations Division. The purpose of this measure is to gauge the level of activity for the agency's district offices.

SELECTED PERFORMANCE MEASURES

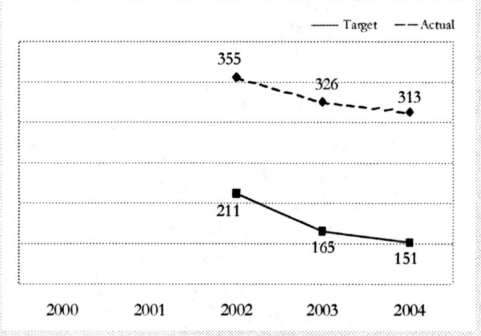
NUMBER OF WELLS MONITORED



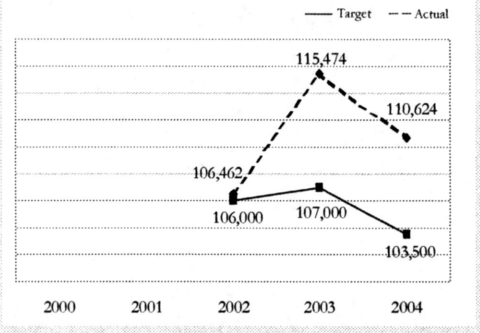
NUMBER OF RAIL UNITS INSPECTED



NUMBER OF POLLUTION SITES INVESTIGATED, ASSESSED, OR CLEANED UP WITH THE USE OF STATE FUNDS



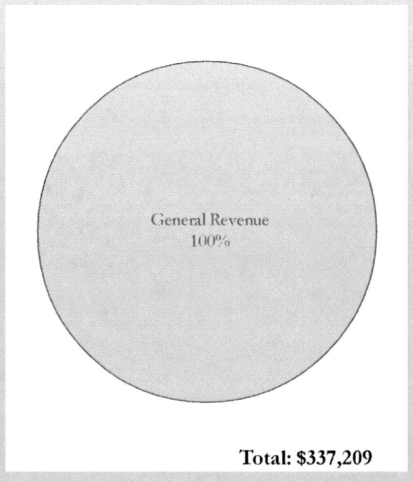
NUMBER OF OIL AND GAS FACILITY INSPECTIONS PERFORMED



Texas River Compact Commissions

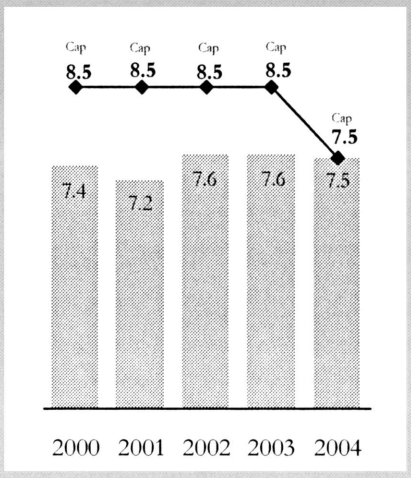
Selected Budget Information

ALL FUNDS, 2004 ESTIMATED



Total: $337,209

FULL-TIME-EQUIVALENT POSITIONS



MAJOR CONTRACTS REPORTED, 2004

In fiscal year 2004, the agency reported **no** contracts.

Budget Highlights

The Rio Grande Compact and the Pecos River Compact combined accounted for 71 percent of the five commissions' fiscal year 2004 expenditures. The majority of funding was spent on these two commissions because each compact must pay part of the cost of maintaining stream flow gauges due to water rights disputes with New Mexico. The Sabine River Compact also shares in the cost of maintaining stream flow gauges, from which data are used to administer the compact. To date, there have been no water rights disputes between Texas and Louisiana.

Full-time-equivalent Employees

The commissions did not exceed their cap for full-time-equivalent (FTE) positions in fiscal year 2004.

The commissions had a combined total of 7.5 FTE positions in fiscal year 2004. The Rio Grande and Sabine River Compact Commissions had 2.0 FTEs each; the Canadian River Compact Commission had 1.5 FTEs, and the Pecos and the Red River Compact Commissions had 1.0 FTE each.

Performance Measures Audit Reports

The most recent performance measures audit by the State Auditor's Office was in January 1997, when the *Performance Measures at 13 State Agencies and 7 Educational Institutions* report certified with qualifications the five measures reviewed.

Other Reports and Reviews

No special reports or reviews of the commissions were identified after September 2003.

PERFORMANCE HIGHLIGHTS

During fiscal year 2004, the commissions attained (within 5 percent) or exceeded 80 percent of their five established key performance targets.

The commissions attained or exceeded four of their five outcome targets. The river compact commissions do not have key output or efficiency targets.

MEASURES ASSESSMENTS

The Rio Grande Compact Commission met its fiscal year 2004 target for the *Percentage Received of Texas' Equitable Share of Quality Water Annually as Apportioned by the Rio Grande Compact* because New Mexico used water credits from prior years to meet their delivery requirements to Texas. In the past, New Mexico has accumulated water credits due primarily to water releases to meet the environmental needs of the Rio Grande silvery minnow, an endangered species.

Although the Pecos River Compact Commission exceeded the target for the *Percentage Received of Texas Equitable Share of Quality Water Annually as Apportioned by the Pecos River Compact* in fiscal year 2004, the number of acre-feet of quality water received from New Mexico was slightly less than normal due to drought conditions in the Pecos River basin and New Mexico's water credits from over-deliveries in prior years. Delivery requirements for New Mexico vary depending on precipitation levels in the river basin.

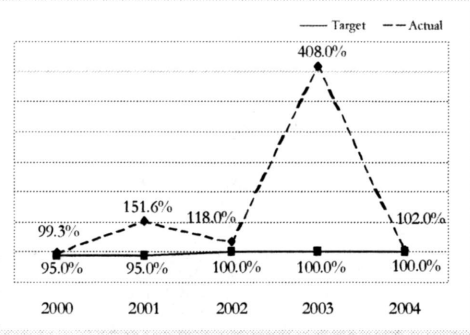
The Canadian River Compact Commission did not meet its fiscal year 2004 target for the *Percentage Received of Texas' Equitable Share of Quality Water Annually as Apportioned by the Canadian River Compact* due to drought conditions in the Canadian River basin, and as a result, the acre-feet of water stored by Texas was 47 percent below the storage limits set by the compact. Compliance with the Canadian River compact is based on the amount of water each participating state—Texas, New Mexico and Oklahoma—is allowed to have in storage. The normal amount of water stored in Texas reservoirs in average runoff years, and assuming New Mexico is in compliance with compact delivery requirements, is 350,000 acre-feet. Actual acre-feet of water stored by Texas in fiscal year 2004 was 202,299 acre-feet.

The Sabine River Compact Commission met its fiscal year 2004 target for the *Percentage Received of Texas' Equitable Share of Quality Water Annually as Apportioned by the Sabine River Compact* because the number of acre-feet of quality water diverted by Texas exceeded the five-year average as a result of increased water consumption from the river basin located in Texas, for which the primary users are located in East Texas.

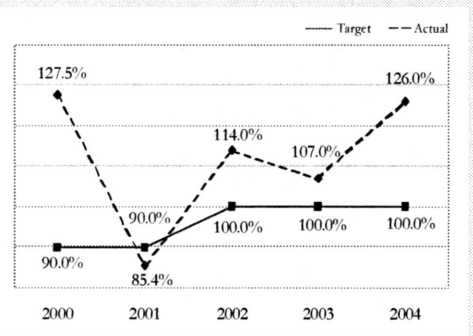
Texas has consistently received its share of quality water from the Red River since fiscal year 1997, and as a result, the Red River Compact Commission met its fiscal year 2004 target for the *Percentage Received of Texas' Equitable Share of Quality Water Annually as Apportioned by the Red River Compact.*

SELECTED PERFORMANCE MEASURES

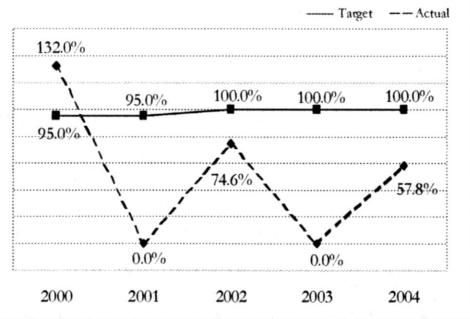
PERCENTAGE RECEIVED OF TEXAS' EQUITABLE SHARE OF QUALITY WATER ANNUALLY AS APPORTIONED BY THE RIO GRANDE COMPACT



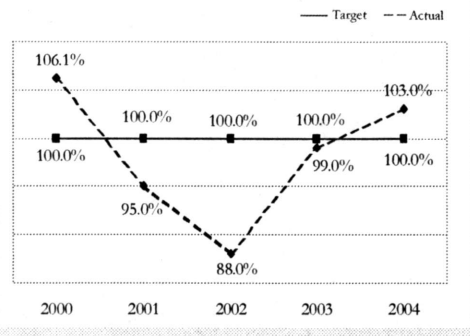
PERCENTAGE RECEIVED OF TEXAS' EQUITABLE SHARE OF QUALITY WATER ANNUALLY AS APPORTIONED BY THE PECOS RIVER COMPACT



PERCENTAGE RECEIVED OF TEXAS' EQUITABLE SHARE OF QUALITY WATER ANNUALLY AS APPORTIONED BY THE CANADIAN RIVER COMPACT



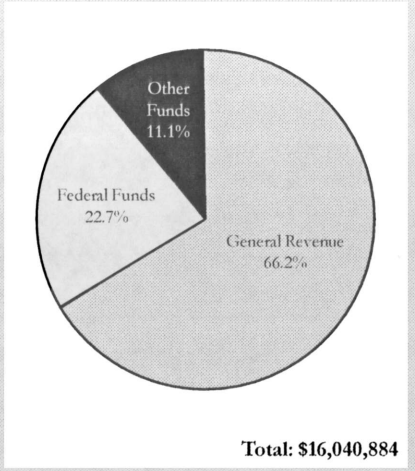
PERCENTAGE RECEIVED OF TEXAS' EQUITABLE SHARE OF QUALITY WATER ANNUALLY AS APPORTIONED BY THE SABINE RIVER COMPACT



Soil and Water Conservation Board

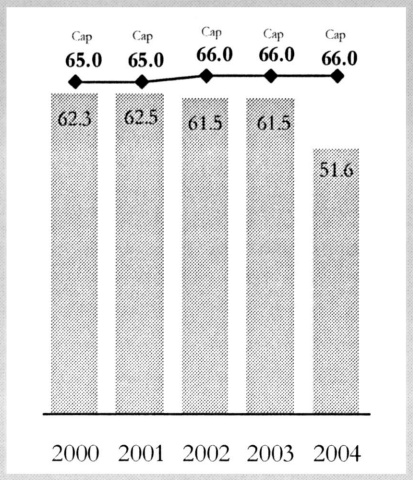
Selected Budget Information

ALL FUNDS, 2004 ESTIMATED



Total: $16,040,884

FULL-TIME-EQUIVALENT POSITIONS



MAJOR CONTRACTS REPORTED, 2004

In fiscal year 2004, the agency reported **5** contracts:

Hopkins-Rains Soil and Water Conservation Dept. *
Program support
$110,182

Nacogdoches Soil and Water Conservation Dept. *
Program support
$110,182

Upper Colorado River Authority
Monitoring
$60,000

Jansen & Gregorczyk, CPAs
Internal auditing services
$24,960

United States Department of Agriculture *
Poultry study
$15,000

* Known multi-year contract

Budget Highlights

General Revenue Funds accounted for 66 percent of the agency's reported expenditures in fiscal year 2004, or $18.9 million, and Federal Funds made up 23 percent, or $3.6 million. The remaining 11 percent of expenditures, totaling $1.8 million, was from interagency contracts with the Water Development Board from unexpended balances in bond proceeds used to provide brush control cost-share grants.

Full-time-equivalent Employees

The agency did not exceed its cap for full-time-equivalent (FTE) positions in fiscal year 2004.

More than one-half of the agency's FTE positions developed and implemented pollution abatement plans for agricultural and silvicultural problem areas.

Performance Measures Audit Reports

The most recent performance measures audit by the State Auditor's Office (SAO) was in August 2001, when the *Performance Measures at 12 State Entities* report certified with qualifications two measures, found one measure to be inaccurate, and factors prevented certification of one measure for fiscal year 2000. The report also certified with qualifications one measure and found one measure to be inaccurate for the first quarter of fiscal year 2001.

Other Reports and Reviews

An Audit Report on the Texas State Soil and Water Conservation Board, dated March 2004, issued by the SAO, stated that the agency's past financial reports have not consistently been reliable, in part because the agency lacks basic written procedures for accounting and budgeting. The agency has met reporting requirements specific to itself, but has not submitted several key reports required from all state agencies, and some of its submitted reports have contained some deficiencies. Further, the SAO audit report states that the agency needs to strengthen its guidance and oversight of expenditures made or approved by the local soil and water districts.

PERFORMANCE HIGHLIGHTS

During fiscal year 2004, the agency attained (within 5 percent) or exceeded 83 percent of its six established key performance targets.

The agency attained or exceeded both of its outcome targets and three of its four output/efficiency targets.

MEASURES ASSESSMENTS

The agency exceeded its fiscal year 2004 target for the *Percent of District Financial Needs Met by Soil and Water Conservation Board Grants*, with 34 percent of needs met, which was a level almost equal to performance in fiscal year 2003. According to the agency, the target was exceeded because soil and water districts did not identify as great a level of needs as anticipated, instead having focussed on obtaining Federal Funds.

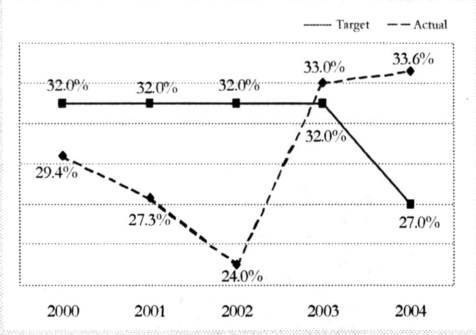
Although the agency exceeded its target for the *Percent of Agricultural and Silvicultural Operations with a Potential to Cause Nonpoint Source Pollution in Areas with Approved Total Maximum Daily Loads (TMDLs) Having Certified Water Quality Management Plans*, the agency's performance actually dropped from over 45 percent in fiscal year 2003 to only 27.6 percent in fiscal year 2004. The decrease was a result of more areas, thus more operations, having approved TMDLs.

The agency exceeded its fiscal year 2004 target for the *Number of Acres of Brush Treated*. The agency attributes the better-than-expected performance to favorable weather conditions to perform brush removal operations. This was not a key measure prior to fiscal year 2002, therefore no historical data is available for previous years.

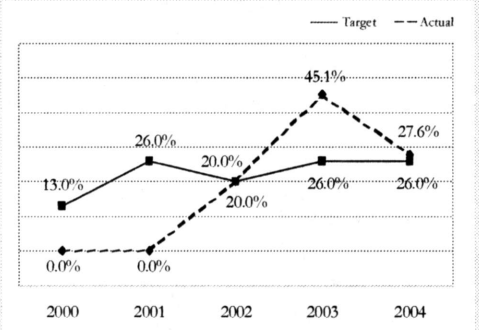
The agency did not meet its target for the *Number of Pollution Abatement Plans Certified* in fiscal year 2004. The agency reports that the U.S. Environmental Protection Agency has shifted from a focus on pollution abatement plans to other activities such as demonstration projects. The amount of Federal Funds available to complete work on pollution abatement plans has therefore been reduced as compared to past years.

SELECTED PERFORMANCE MEASURES

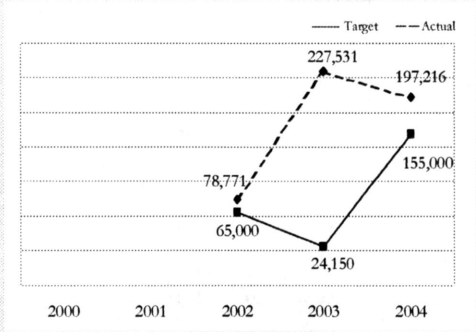
PERCENT OF DISTRICT FINANCIAL NEEDS MET BY SOIL AND WATER CONSERVATION BOARD GRANTS



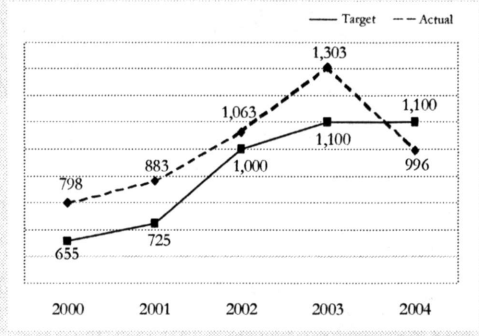
PERCENT OF AGRICULTURAL AND SILVICULTURAL OPERATIONS WITH POLLUTION POTENTIAL HAVING CERTIFIED WATER QUALITY MANAGEMENT PLANS



NUMBER OF ACRES OF BRUSH TREATED



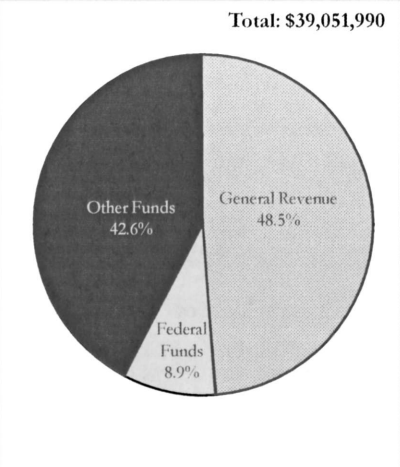
NUMBER OF POLLUTION ABATEMENT PLANS CERTIFIED



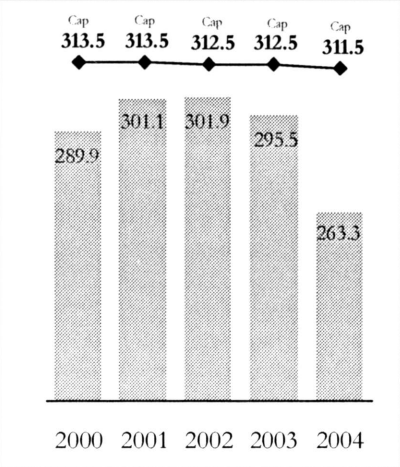
Water Development Board

Selected Budget Information

ALL FUNDS, 2004 ESTIMATED



FULL-TIME-EQUIVALENT POSITIONS



MAJOR CONTRACTS REPORTED, 2004

In fiscal year 2004, the agency reported **41** contracts, including:

R.W. Harden and Associates, Inc. *
Numerical groundwater flow model
$1,000,000

Intera, Inc. *
Numerical groundwater flow model
$754,182

Intera, Inc. *
Groundwater flow model of Seymour Aquifer
$754,182

US Geological Survey *
Water resources investigations program
$715,100

LBG-Guyton Associates *
Numerical groundwater flow model
$700,000

Hidalgo County Irrigation District #2 *
Feasibility study
$424,795

* Known multi-year contract

Budget Highlights

General Revenue Funds accounted for almost one-half (48 percent) of the agency's expenditures in fiscal year 2004. Federal Funds accounted for 9 percent of the agency's expenditures, with Other Funds accounting for the remaining 43 percent. Appropriated Receipts were the largest portion of Other Funds (63 percent) expenditures.

The majority of the agency's spending in fiscal year 2004 (57 percent) was on programs in Water Resource Planning; one-third (33 percent) was spent providing Water Project Financing; and the remaining 10 percent was for Indirect Administration.

Full-time-equivalent Employees

The agency did not exceed its cap for full-time-equivalent (FTE) positions in fiscal year 2004.

Approximately 44 percent of the agency's FTEs worked in activities relating to Water Resource Planning, while 34 percent worked to provide water project financing, and 21 percent worked in Central Administration.

The agency had 38.2 FTE positions vacant in fiscal year 2004, which the agency attributes to a 12.5 percent reduction in General Revenue Funds as compared to the 2003 biennium. The agency reports that the main area affected by the vacancies was the State Revolving Fund program.

Performance Measures Audit Reports

The most recent performance measures audit by the State Auditor's Office (SAO) was in May 1998, when the *Performance Measures Audit at 36 State Agencies* certified without qualifications six measures and found one measure to be inaccurate.

Other Reports and Reviews

An Audit Report on the State of Texas Financial Portion of the Statewide Single Audit Report for the Year Ended August 31, 2003, dated March 2004, issued by the SAO, stated the Water Development Board does not consistently and promptly terminate users' access rights to its automated financial systems, nor does it require users to regularly change their passwords for those systems.

A Review of the Water Development Board's 2003 Fee Structure for the State Participation Program, dated September 2003, issued by the SAO, stated that the fee that the agency charges political subdivisions for participating in the State Participation Program has not been sufficient to recover the costs of administering the program. The SAO projected that over the next five years the agency will spend approximately $240,000 in General Revenue Funds to subsidize the program. This money cannot be recouped because the agency cannot retroactively increase the fee on previously committed projects. During the expected term of the existing financial agreements, this subsidy will exceed $500,000.

PERFORMANCE HIGHLIGHTS

During fiscal year 2004, the agency attained (within 5 percent) or exceeded 31 percent of its 13 established key performance targets.

The agency attained or exceeded one of its four outcome targets and three of its nine output/efficiency targets.

MEASURES ASSESSMENTS

The agency did not meet its fiscal year 2004 target for the *Percent of Texas Communities and Other Entities Receiving Technical and Financial Assistance for Water Planning and Conservation.* The agency attributes this to (1) shifting the focus of resources to supporting the Water Conservation Implementation Task Force created by Senate Bill 1094, Seventy-eighth Legislature, Regular Session, 2003; (2) having higher levels of precipitation than in the past, resulting in less concern for water supplies; and (3) experiencing vacancies in programs focused on providing assistance to communities.

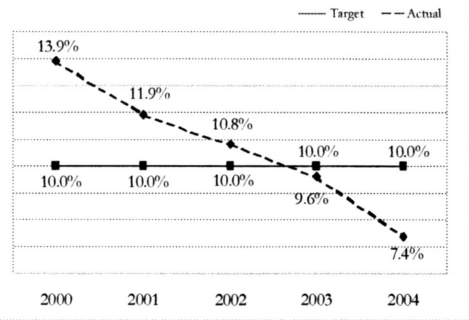
The agency met its target for the *Number of Bay and Estuary Instream Study Elements Completed* for the fifth consecutive year. The agency completed 4.7 such elements in fiscal year 2004, which is fewer than in years past because the agency devoted resources to the preparation of documentation and materials to the National Academy of Sciences which is conducting a review of the agency's methodology for completing instream flow studies, modeling, and analysis.

The agency did not meet its fiscal year 2004 target for the *Number of Active Grants for Regional Water, Wastewater, Flood, and Research Studies Funded from the Research and Planning Fund.* According to the agency, performance was low because there were more grant closings than anticipated, which required a greater amount of agency resources than in other stages of the grant process. This was not a key measure prior to fiscal year 2004; therefore, there were no targeted amounts from previous years.

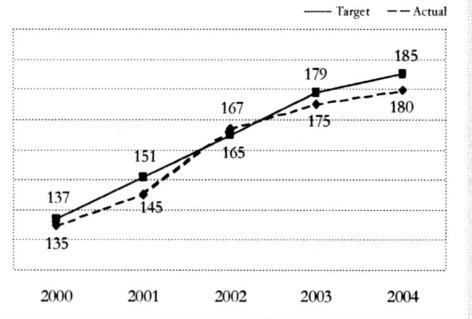
The agency exceeded its fiscal year 2004 target for the *Percent of Estimated Total Colonia Population Provided a Construction Funding Commitment for Water or Wastewater Services*, reaching 72 percent of the colonia population. Since fiscal year 2000, the agency has gone from serving less than one-half of the colonia population to serving nearly three-fourths. This has been accomplished using Federal Funds and bond proceeds, such as $25 million in General Obligation bonds issued in fiscal year 2004.

SELECTED PERFORMANCE MEASURES

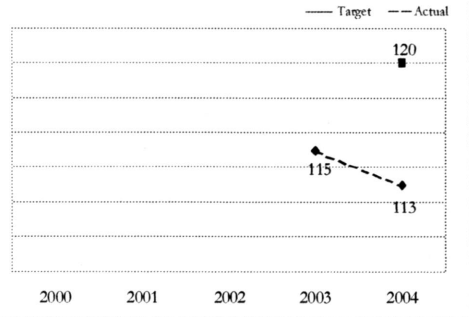
PERCENT OF TEXAS COMMUNITIES AND OTHER ENTITIES RECEIVING TECHNICAL AND FINANCIAL ASSISTANCE FOR WATER PLANNING AND CONSERVATION



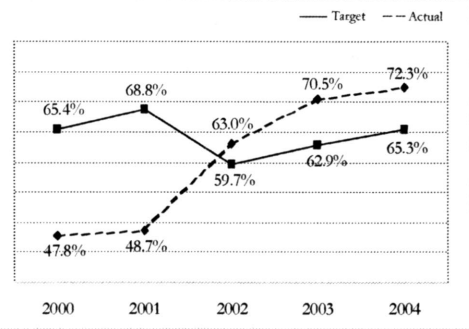
NUMBER OF BAY AND ESTUARY INSTREAM STUDY ELEMENTS COMPLETED



NUMBER OF ACTIVE GRANTS FOR REGIONAL WATER, WASTEWATER, FLOOD, AND RESEARCH STUDIES FUNDED FROM THE RESEARCH AND PLANNING FUND



PERCENT OF ESTIMATED TOTAL COLONIA POPULATION PROVIDED A CONSTRUCTION FUNDING COMMITMENT FOR WATER OR WASTEWATER SERVICES



BUSINESS AND ECONOMIC DEVELOPMENT

FISCAL YEAR 2004 PERFORMANCE SUMMARY

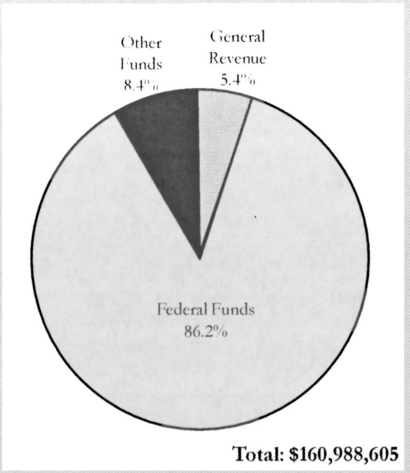
AGENCY	PERCENTAGE OF PERFORMANCE TARGETS ACHIEVED [1]	NUMBER OF KEY PERFORMANCE MEASURES
Department of Housing and Community Affairs	68%	31
Texas Lottery Commission	68	19
Office of Rural Community Affairs	88	8
Department of Transportation	69	29
Texas Workforce Commission	63	57

[1] *Percentage of Performance Targets Achieved* reflects those measures (excluding explanatory) for which performance has attained or exceeded 95 percent of the established target.

Department of Housing and Community Affairs

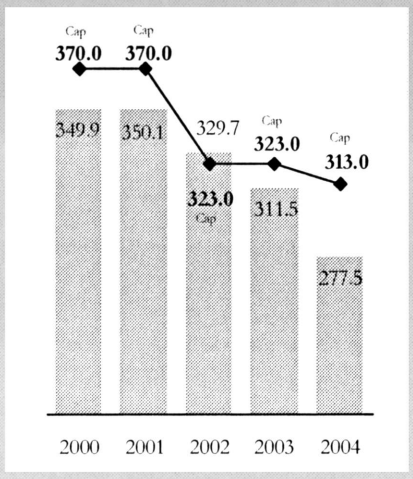
Selected Budget Information

ALL FUNDS, 2004 ESTIMATED



Total: $160,988,605

FULL-TIME-EQUIVALENT POSITIONS



MAJOR CONTRACTS REPORTED, 2004

In fiscal year 2004, the agency reported **16** contracts, including:

Vinson & Elkins, LLP *
Bond counsel
$400,000

Monitoring Data Systems *
Monitoring
$371,315

Deloitte & Touche LLP *
Year-end financial audit reports
$208,852

McCall, Parkhurst & Horton, LLP
Bond counsel
$200,000

DAB Engineering and Testing *
Inspecting structures
$127,000

W. S. Allen and Associates, Inc. *
Inspecting structures
$60,000

* Known multi-year contract

Budget Highlights

Approximately 65 percent of the agency's reported $8.7 million in General Revenue Fund expenditures were spent through the Housing Trust Fund program in fiscal year 2004. This amount includes approximately $2.4 million carried forward from fiscal year 2003, which were appropriated to the agency in fiscal year 2004. Also, reported expenditures of $1.8 million in fee-generated General Revenue Funds were used to regulate manufactured housing.

The agency reported expenditures of $138.7 million in Federal Funds in fiscal year 2004, which was an increase of $5.7 million above the anticipated amount appropriated for the fiscal year. The majority of this increase came from Low-income Home Energy Assistance Program (LIHEAP) funds. Federal Funds are used to provide housing and housing-related assistance to low- and very-low-income families in Texas, as well as to develop viable communities by providing decent housing and suitable living environments. The agency reported spending approximately $45.6 million in LIHEAP funds, $40.4 million to provide affordable housing through the HOME Investment Partnerships Program, and $30.8 million through the Community Services Block Grant Program.

Appropriated Receipts accounted for approximately $13.4 million in expenditures from Other Funds, the majority of which was used for administering the Federal Tax Credit Program, Energy Assistance Program, the Single Family Mortgage Revenue Bond Program, and for monitoring activities for federal and state housing program requirements. This amount also includes $1.9 million in titling fee revenue spent to regulate manufactured housing.

Full-time-equivalent Employees

The agency did not exceed its cap for full-time-equivalent (FTE) positions in fiscal year 2004.

The agency's FTE cap decreased from 323 in fiscal year 2003 to 313 in fiscal year 2004. The agency reduced staffing levels by 15 FTEs in its Manufactured Housing Division. In addition, 16 employees took advantage of retirement incentives.

Performance Measures Audit Reports

The most recent performance measures audit by the State Auditor's Office (SAO) was in November 2002, when the *Performance Measures at 14 Entities* report certified with qualifications three measures and found four measures to be inaccurate. The agency has implemented several changes in response to the SAO audit. There is a new procedure for updating performance reports with recalculated results and within each of the reporting areas there is a system for internal review of the measures and documentation of management control.

Other Reports and Reviews

The agency underwent review by the Sunset Advisory Commission during the 2002–03 biennium. The provisions of Senate Bill 264, Seventy-eighth Legislature, Regular Session, 2003, continue the agency until fiscal year 2011.

Department of Housing and Community Affairs

Performance Highlights

During fiscal year 2004, the agency attained (within 5 percent) or exceeded 68 percent of its 31 established key performance targets.

The agency attained or exceeded all 10 of its outcome targets and 11 of its 21 output/efficiency targets.

Measures Assessments

The agency exceeded its target for *Percent of Households/Individuals of Very Low/Low and Moderate Income Needing Affordable Housing* in fiscal year 2004 because various programs exceeded agency expectations. The Multifamily Bond Program produced a total of 3,808 units in fiscal year 2004. The agency received increased reservations as a result of many issuers choosing to return their reservations because of low interest rates and economic conditions. The Housing Tax Credit Program also produced a total of 18,399 units, including those contributed by the tax-exempt bond program. The agency reports that increased performance is due to a higher number of tax credits associated with Private Activity Bond projects.

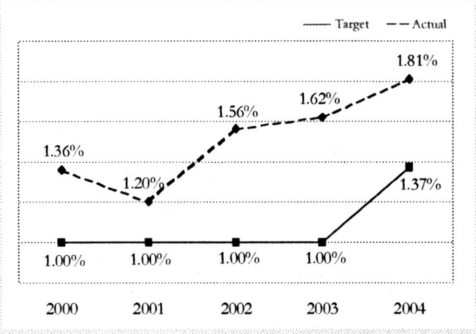
The agency exceeded the target for the *Number of Low/Very Low-income Households Benefiting from HOME* in fiscal year 2004. According to the agency, the increase is the result of approximately $16.6 million in deobligated funds awarded for disaster relief projects. To ensure efficient use of funds, the agency reviews all existing contracts to identify funds that can be deobligated. Funds are deobligated as a result of lack of performance and expired contracts. The awards approved by the agency's board in July and August 2004 contributed to the agency exceeding the target.

The agency exceeded the target for *Number of Moderate Income Households that Received Loans through the Mortgage Revenue Bond Program* in fiscal year 2004 because originations were higher than expected due to the lack of funding for a competitive down payment assistance that generally helps the agency serve lower-income borrowers. Through its Down Payment Assistance Program (DPA), the agency implemented a 4 percent DPA grant in accordance with a lower funding level. Furthermore, the agency is required to reserve for one year, 30 percent of its First Time Homebuyer funds for use by households earning up to 60 percent of area median family income. The agency's ability to serve lower-income borrowers is directly linked to its ability to provide down payment assistance.

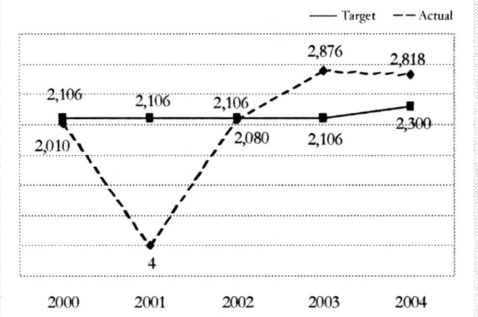
The agency did not attain the target for *Number of On-site Technical Assistance Visits Conducted Annually through the Colonia Field Offices.* Field offices in El Paso and Laredo experienced vacancies during fiscal year 2004. As a result, the agency reported a decrease in the amount of technical assistance it provided to local governments and nonprofit organizations and a decrease in its assistance with grant funding projects and planning activities. The agency recently hired additional staff and conducted more staff training workshops than in previous years and anticipates that those actions will reverse the downward trend.

Selected Performance Measures

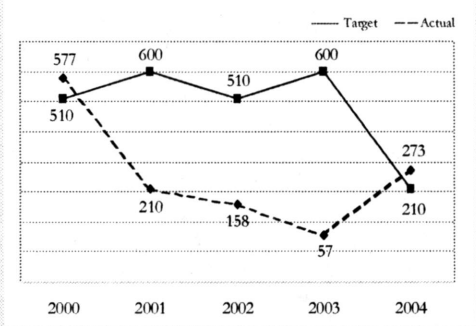
PERCENT OF HOUSEHOLDS/INDIVIDUALS OF VERY LOW/LOW AND MODERATE INCOME NEEDING AFFORDABLE HOUSING



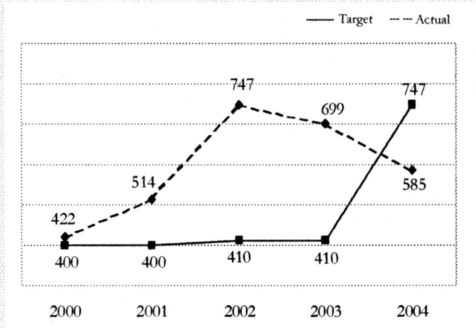
NUMBER OF LOW AND VERY LOW-INCOME HOUSEHOLDS BENEFITTING FROM *HOME*



NUMBER OF MODERATE INCOME HOUSEHOLDS THAT RECEIVED LOANS THROUGH THE MORTGAGE REVENUE BOND PROGRAM



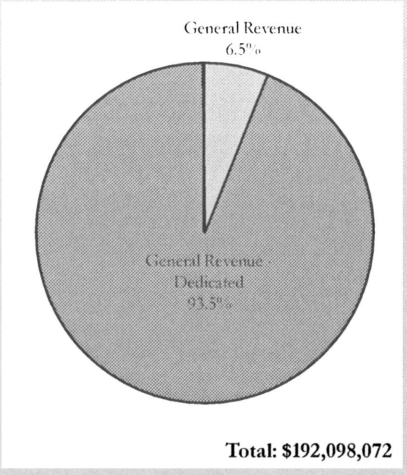
NUMBER OF ON-SITE TECHNICAL ASSISTANCE VISITS CONDUCTED ANNUALLY THROUGH THE COLONIA FIELD OFFICES



Texas Lottery Commission

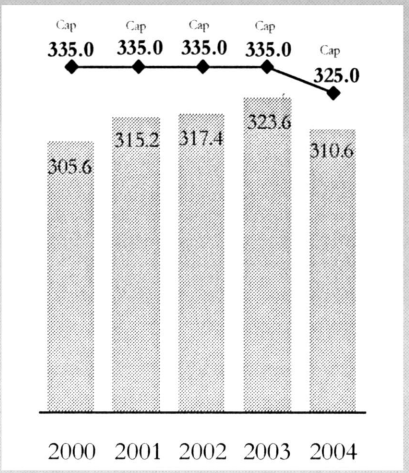
Selected Budget Information

ALL FUNDS, 2004 ESTIMATED



Total: $192,098,072

FULL-TIME-EQUIVALENT POSITIONS



MAJOR CONTRACTS REPORTED, 2004

In fiscal year 2004, the agency reported **47** contracts, including:

GTECH *
Lottery operator
$750,000,000

DDB Dallas *
Marketing advertising services
$39,185,917

King Group *
Marketing advertising services
$16,126,637

Grant Buildings *
Lease agreement
$8,731,114

Interlot *
Instant ticket vending machines
$8,307,020

Scientific Games International *
Instant tickets and service
$4,859,013

* Known multi-year contract

Budget Highlights

The total cost of the agency's lottery operations in fiscal year 2004 was approximately $179.6 million or 5.2 percent of gross revenue from the sale of lottery tickets. General Revenue–Dedicated Lottery Account No. 5025 accounted for 93.5 percent of the agency's reported expenditures for fiscal year 2004. The remaining 6.5 percent of the agency's budget was fee-generated General Revenue Funds from licensing fees and Bingo prize fee revenue, which is used to support the regulation of Bingo in the state. The allocation of Bingo prize fees to local governmental entities comprised 78.9 percent of the agency's Bingo appropriations.

Full-time-equivalent Employees

The agency did not exceed its cap for full-time-equivalent (FTE) positions in fiscal year 2004.

The agency has been staffed below its FTE cap consistently since fiscal year 2000. In fiscal year 2004, the agency reported staffing levels of 14.4 FTEs below its cap due to staff turnover and retirement.

Performance Measures Audit Reports

The most recent performance measures audit by the State Auditor's Office (SAO) was in November 2000, when the *Performance Measures at 25 State Agencies and Educational Institutions* certified without qualifications one measure, certified with qualifications four measures, found one measure to be inaccurate, and factors prevented certification of two measures.

Other Reports and Reviews

An Audit Report on Selected Controls over Instant Tickets at the Texas Lottery Commission, dated August 2004, issued by the SAO, identified multiple internal weaknesses in controls over instant win tickets that require immediate attention and correction. Although no instances of misuse were found, these weaknesses could negatively affect the agency's ability to prevent and detect misuse of the instant win tickets by agency staff or the contracted operators. The SAO reports that the agency has adequate controls over the tickets used by its Marketing and Security Divisions; however, the SAO noted opportunities for improvement.

The agency underwent review by the Sunset Advisory Commission during the 2004–05 biennium. House Bill 2455, Seventy-eighth Legislature, Regular Session, 2003, continued the agency for two years and directed the Sunset Advisory Commission to review the appropriateness of recommendations made to the Seventy-eighth Legislature and report any changes to the Seventy-ninth Legislature, 2005. The Sunset Advisory Commission decisions include continuing the agency for 12 years and expanding the Lottery Commission from three to five members.

PERFORMANCE HIGHLIGHTS

During fiscal year 2004, the agency attained (within 5 percent) or exceeded 68 percent of its 19 established key performance targets.

The agency attained or exceeded 4 of its 5 outcome targets and 9 of its 14 output/efficiency targets.

MEASURES ASSESSMENTS

The agency attained (within 5 percent) the target for *Number of Retailer Business Locations Licensed* in fiscal year 2004. The number of new retailer location licenses stabilized as core businesses became licensed and declined due to a slowdown in the state's economy in recent years. The number of licenses increased in fiscal year 2004 with the addition of two large retailer chains.

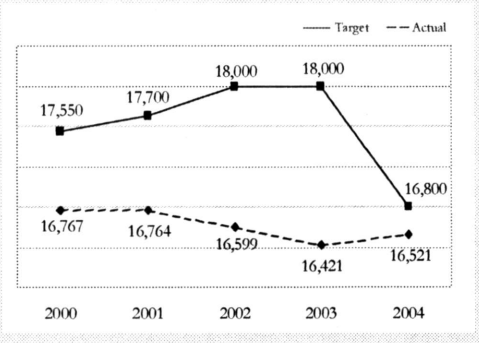
The performance for *Average Cost per Retailer Location License Issued* continued to exceed the target in fiscal year 2004. According to the agency, the addition of two large retailer chains in the fourth quarter increased the number of new licensed locations resulting in a lower average cost per license than originally anticipated. The agency has also continued its efforts to automate processes and increase staff efficiency to reduce license application processing times.

The agency exceeded its target for *Number of Lottery Complaints Resolved* in fiscal year 2004. The agency investigates criminal and administrative cases, which include the sale of lottery tickets to minors, fraud, and retailers' failure to pay prizes. The agency reports that the number of complaints related to fraudulent prize claims and failure to pay prizes has increased.

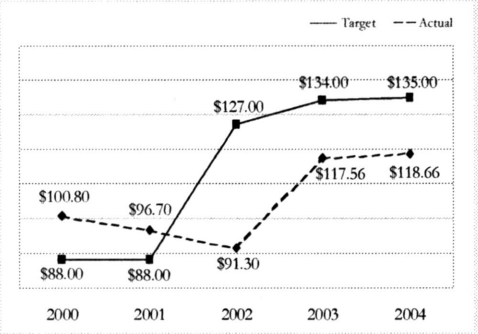
The target was not met for *Number of Licenses Renewed to Individuals and Organizations (Bingo)* in fiscal year 2004. The number of license renewal applications received by the agency has declined steadily in recent years. According to the agency, the most common reasons for organizations to surrender or not renew their licenses is a decline in attendance and low revenues.

SELECTED PERFORMANCE MEASURES

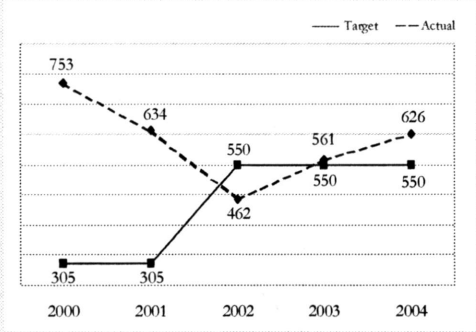
NUMBER OF RETAILER BUSINESS LOCATIONS LICENSED



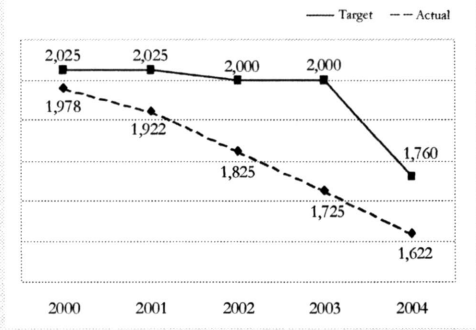
AVERAGE COST PER RETAILER LOCATION LICENSE ISSUED



NUMBER OF LOTTERY COMPLAINTS RESOLVED



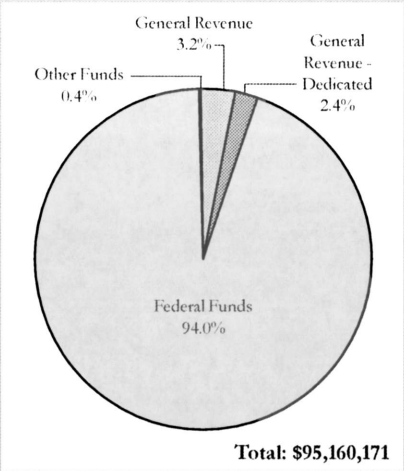
NUMBER OF LICENSES RENEWED TO INDIVIDUALS AND ORGANIZATIONS (BINGO)



Office of Rural Community Affairs

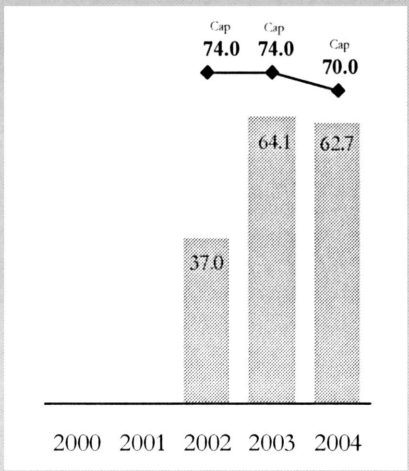
Selected Budget Information

ALL FUNDS, 2004 ESTIMATED



Total: $95,160,171

FULL-TIME-EQUIVALENT POSITIONS



MAJOR CONTRACTS REPORTED, 2004

In fiscal year 2004, the agency reported **one** contract:

Ziegner Technologies, Inc. *
Accounting software package
$76,946

* Known multi-year contract

Budget Highlights

The agency reported expenditures of $3.1 million in General Revenue Funds in fiscal year 2004. Approximately $2.2 million of this funding was used to draw down $89.4 million in Federal Funds.

Of the amounts appropriated to the agency from Tobacco Funds, the agency expended $2.3 million in General Revenue–Dedicated Funds to provide grants for rural hospital capital improvements and $112,500 in Other Funds to recruit and retain rural healthcare professionals in fiscal year 2004. These appropriations are based on available interest earnings from endowments, which are funded with tobacco settlement receipts.

House Bill 1877, Seventy-eighth Legislature, Regular Session, 2003, required the agency to establish the Rural Physician Relief Program and that the program be funded through fees paid by participating physicians and collections from local contributions. The program allows rural physicians to take time away from their practice by providing substitute physicians. The program was not in operation in fiscal year 2004. The agency anticipates starting program operations in fiscal year 2005.

Federal Funds accounted for 94 percent of the agency's expenditures in fiscal year 2004. The agency received approximately $87.4 million in Community Development Block Grant Federal Funds to promote community and economic development projects for communities in rural areas. The agency received $2.0 million in Federal Funds to operate as the designated State Office of Rural Health and to provide grants to increase access to primary healthcare and emergency medical devices.

Full-time-equivalent Employees

The agency did not exceed its cap for full-time-equivalent (FTE) positions in fiscal year 2004.

The agency reports that its FTE level was below the FTE cap in fiscal year 2004 as a result of staff turnover and retirement incentives.

Performance Measures Audit Reports

The agency was created by the Seventy-seventh Legislature, 2001. The agency's functions, however, had existed within the Texas Department of Housing and Community Affairs and the Department of Health prior to January 1, 2002. The first performance measures audit by the State Auditor's Office that included the new agency was in November 2002, when the report, *Performance Measures at 14 Entities*, certified with qualifications three measures and found four measures to be inaccurate.

Other Reports and Reviews

No special reports or reviews of the agency were identified after September 2003.

PERFORMANCE HIGHLIGHTS

During fiscal year 2004, the agency attained (within 5 percent) or exceeded 88 percent of its eight established key performance targets.

The agency attained or exceeded both of its outcome targets and five of its six output/efficiency targets.

MEASURES ASSESSMENTS

The agency exceeded its fiscal year 2004 target for *Percent of Small Communities' Population Benefiting from Public Facility, Economic Development, Housing Assistance, and Planning Projects* despite a decrease in the number of projected beneficiaries from contracts awarded. The agency reported funding more citywide projects in fiscal year 2004 than it anticipated. According to the agency, its community development programs served approximately 1,017 eligible rural communities in 245 counties.

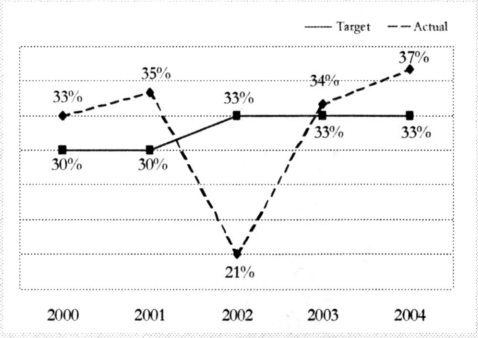
The agency did not meet its target for *Number of New Community and Economic Development Contracts Awarded Annually*. The actual number of contracts are not annually proportionate when awarded in a program year. The 278 contracts awarded during fiscal year 2004 were from program years (2001–04). The number of awards made after August 31, 2004 will be included in the first quarter of fiscal year 2005. Approximately $85.5 million in Federal Funds was administered for community and economic development grants in fiscal year 2004. The majority of grants are awarded from the agency's Community Development Fund to address housing needs, water and sewer system improvements, and street and drainage improvements.

The agency met its fiscal year 2004 target for *Number of Projected Beneficiaries from New Community and Economic Development Contracts Awarded*. The number of community development project beneficiaries is dependent upon the nature of activities funded; for example, disaster relief contracts awarded during the preceding fiscal year resulted in a larger than average number of beneficiaries that year.

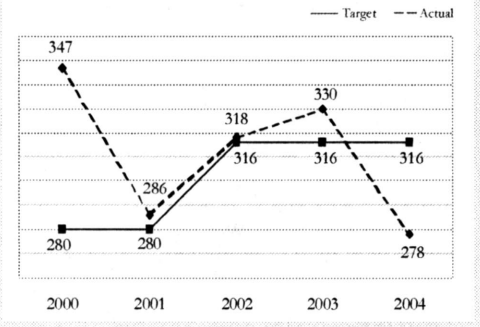
The target was attained (within 5 percent) for the *Number of Primary Care Practitioners Recruited to Rural Areas* in fiscal year 2004. The agency provides financial incentives in the form of stipends and health education loan repayment assistance to help rural communities recruit and retain healthcare professionals, which include physicians, nurses, physician's assistants, psychiatric practitioners, and other health technicians. The most common placements in fiscal year 2004 were physicians (30 for the reporting period).

SELECTED PERFORMANCE MEASURES

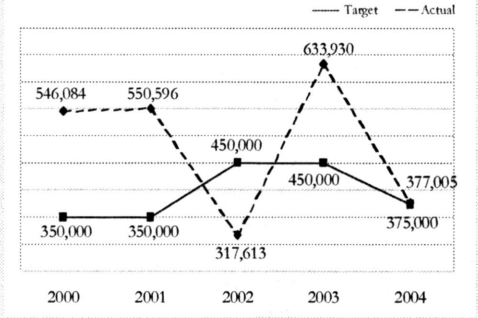
PERCENT OF SMALL COMMUNITIES' POPULATION BENEFITING FROM PUBLIC FACILITY, ECONOMIC DEVELOPMENT, HOUSING ASSISTANCE, AND PLANNING PROJECTS *



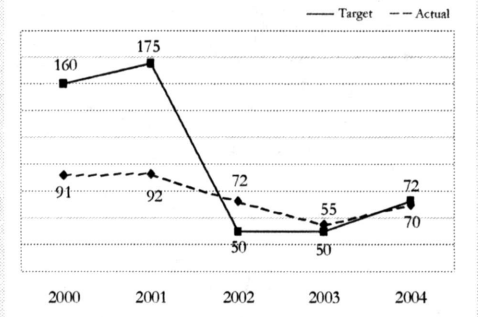
NUMBER OF NEW COMMUNITY AND ECONOMIC DEVELOPMENT CONTRACTS AWARDED ANNUALLY *



NUMBER OF PROJECTED BENEFICIARIES FROM NEW COMMUNITY AND ECONOMIC DEVELOPMENT CONTRACTS AWARDED *



NUMBER OF PRIMARY CARE PRACTITIONERS RECRUITED TO RURAL AREAS †



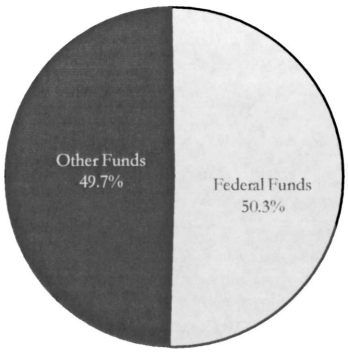
* Transferred from the Department of Housing and Community Affairs.
† Transferred from the Department of Health.

Department of Transportation

Selected Budget Information

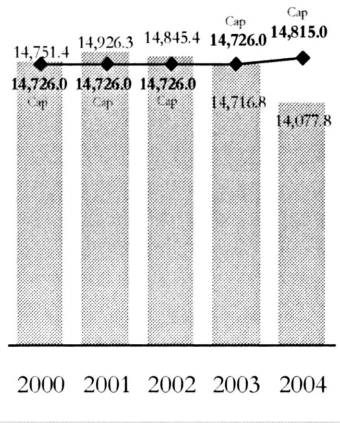
ALL FUNDS, 2004 ESTIMATED

Total: $5,455,588,014



General Revenue < 0.1%
General Revenue - Dedicated < 0.1%

FULL-TIME-EQUIVALENT POSITIONS



MAJOR CONTRACTS REPORTED, 2004

In fiscal year 2004, the agency reported **6,458** contracts, including:

Lone Star Infrastructure *
Design and construction components
$1,244,793,940

Zachry Construction Corporation *
Interchange construction
$216,461,268

Williams Brothers Construction Co., Inc. *
Reconstruction and widening of freeway
$137,227,269

Central Texas Regional Mobility Authority *
Political subdivision funds
$127,000,000

Williams Brothers Construction Co., Inc. *
Reconstruct 8-lane freeway
$112,894,093

Granite Construction Company *
Construction of interchange
$103,939,096

* Known multi-year contract

Budget Highlights

State Highway Funds and Federal Funds accounted for 99 percent of all the agency's reported expenditures in fiscal year 2004. State Highway Fund No. 006 accounted for 48.7 percent and Federal Funds accounted for 50.3 percent. All other funding sources, including Appropriated Receipts, Interagency Contracts, General Revenue Funds, General Revenue–Dedicated Funds, and general obligation bond proceeds accounted for 1 percent of the agency's expenditures. The agency did not report spending any funds from the Texas Mobility Fund. During fiscal year 2004, reported expenditures for direct construction, right-of-way acquisition, and maintenance, including contracted routine and preventative maintenance, totaled approximately $4.4 billion. Direct expenditures reported for planning, designing, and managing highway projects totaled approximately $561.5 million.

The agency's total reported spending exceeded original appropriations made directly to it in the Seventy-eighth Legislature, General Appropriations Act (GAA), 2004–05 Biennium, by a net amount of $98.4 million in All Funds. Additional revenues of $382.8 million available in Federal Funds reimbursements were reported as being spent along with $45.1 million in Interagency Contracts for the operations of the Medical Transportation Program and the State Aircraft Pooling Board offsetting unspent amounts of $304.5 million in State Highway Funds for highway construction and $25.0 million in general obligation bonds for colonia road projects. The agency reported spending $10.0 million in general obligation bond proceeds for colonia projects in fiscal year 2004.

The agency reported an increased appropriation of $817.3 million in State Highway Funds available above amounts directly appropriated to it that were not expended in fiscal year 2004. In addition, the agency reported $151.2 million in State Highway Funds carried forward into the next fiscal year for capital budget authority, enhancements to the registration and titling systems, and other transportation related purposes. All of these funds are appropriated to the agency in fiscal year 2005.

House Bills 3588, 3184, 2292, and 471, Seventy-eighth Legislature, Regular Session, 2003, and House Bill 2, Seventy-eighth Legislature, Third Called Session, 2003, provided a comprehensive restructuring of methods used to develop, finance, construct, maintain, operate, and police the state's transportation system to enhance safety, efficiency, and mobility that includes new approaches in transportation facilities.

House Bill 7, Seventy-eighth Legislature, Third Called Session, 2003, ratified an interagency contract between the agency and the Aircraft Pooling Board to provide flight services to state agencies and institutions of higher education for a limited time while a feasibility study was conducted to determine if services would be continued after the Aircraft Pooling Board's 2004–05 appropriations were vetoed by the governor. The agency continued this interagency contract agreement in fiscal year 2004.

Full-time-equivalent Employees

The agency did not exceed its cap for full-time-equivalent (FTE) positions in fiscal year 2004.

The agency's 2004 FTE cap included 172 FTEs for coordinating statewide public transportation and the Medical Transportation program, pursuant to House Bill 3588, Seventy-eighth Legislature, Regular Session, 2003. The

agency reported it filled 171 of these positions during the fiscal year, but staff turnover and retirement incentives accounted for the average number of FTEs remaining below the cap.

PERFORMANCE MEASURES AUDIT REPORTS

The most recent performance measures audit by the State Auditor's Office (SAO) was in November 2002, when the *Performance Measures at 14 Entities* report certified with qualifications three measures and found one measure to be inaccurate. According to the agency, written policies and procedures for calculating performance measures were developed that provide consistent guidance for collecting performance measures data. A document review process was also included to help ensure the accuracy of the results.

OTHER REPORTS AND REVIEWS

An Audit Report on the Department of Transportation's Management of the Statewide Traffic Analysis and Reporting System, dated May 2004, issued by the SAO, stated that after spending at least $9.8 million in more than four years on the development of its Statewide Traffic Analysis and Reporting System (STARS) project, the agency may not be able to complete or rely on the system. Poor management of the project and the related contracts resulted in delays, cost increases, and questionable functionality.

PERFORMANCE HIGHLIGHTS

During fiscal year 2004, the agency attained (within 5 percent) or exceeded 69 percent of its 29 established key performance targets.

The agency attained or exceeded 11 of its 14 outcome targets and 9 of its 15 output/efficiency targets.

MEASURES ASSESSMENTS

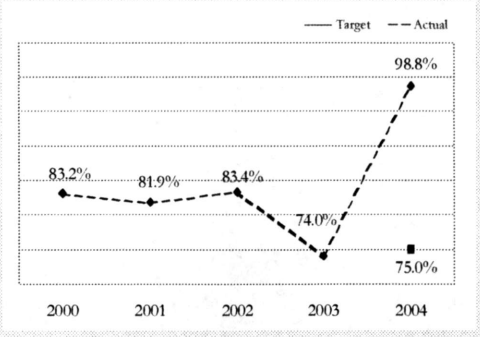
The agency exceeded its target for *Percent of Construction Projects Completed on Budget* in fiscal year 2004. However, the target was not met for *Percent of Construction Projects Completed on Time*. According to the agency, contractors are now charged project time on a calendar-day basis rather than a traditional workday basis, which has resulted in a decrease in performance for the percent of projects completed on time. The agency reported a total of 790 construction contracts completed in fiscal year 2004, which was a decrease from 815 contracts completed in fiscal year 2003. The dollar volume of contracts completed in fiscal 2004 was $7.2 billion.

The agency did not meet its target for *Percent of Bridges Rated in Good Condition or Higher*. This measure indicates the percentage of all on-system and off-system bridges that are not identified as structurally deficient or functionally obsolete. The agency develops an annual report on Texas bridges to identify critically deficient bridges and develop a project schedule for the 12-month contract letting period. According to the agency, contracts were awarded for 240 deficient or obsolete bridges in fiscal year 2004. The total number of on-system and off-system bridges reported by the agency is 48,920.

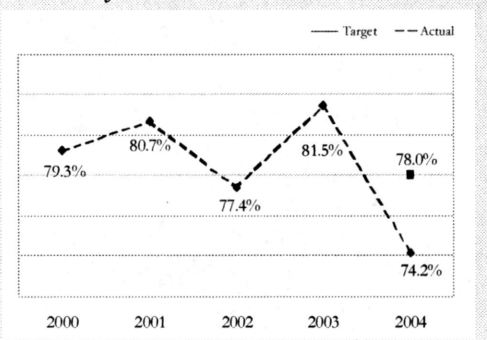
The target was not met for *Number of Vehicle Titles Issued* in fiscal year 2004. According to the agency, statutory changes enacted pursuant to House Bill 3588, Seventy-eighth Legislature, Regular Session, 2003, eliminated salvage certificates and changed issuance requirements of salvage related titles, which resulted in a lower level of performance than originally anticipated. The agency also reports that automobile sales and the associated title issuances did not increase at the rate originally anticipated for fiscal year 2004.

SELECTED PERFORMANCE MEASURES

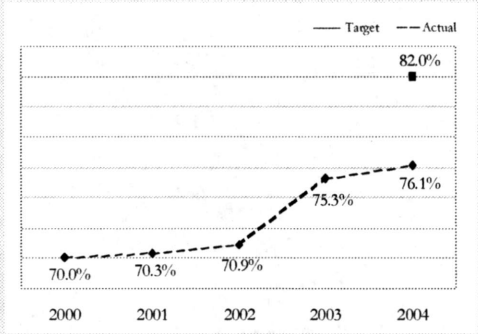
PERCENT OF CONSTRUCTION PROJECTS COMPLETED ON BUDGET



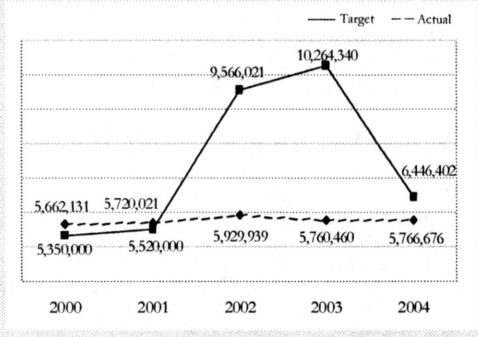
PERCENT OF CONSTRUCTION PROJECTS COMPLETED ON TIME



PERCENT OF BRIDGES RATED IN GOOD CONDITION OR HIGHER



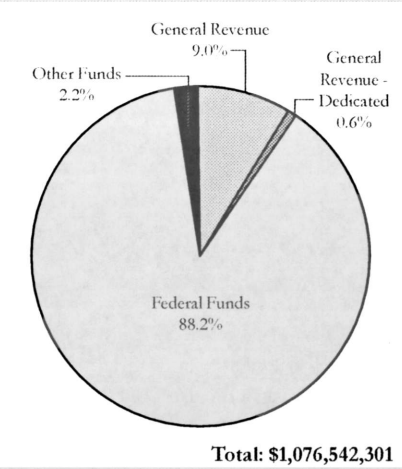
NUMBER OF VEHICLE TITLES ISSUED



Texas Workforce Commission

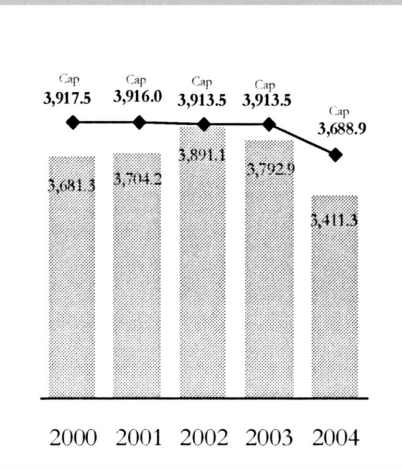
Selected Budget Information

ALL FUNDS, 2004 ESTIMATED



Total: $1,076,542,301

FULL-TIME-EQUIVALENT POSITIONS



MAJOR CONTRACTS REPORTED, 2004

In fiscal year 2004, the agency reported **53** contracts, including:

Northrup Grumman Technical Services *
PeopleSoft contractor support
$9,587,205

UNISYS Corporation *
Technical assistance
$4,005,229

School and Main Institute, Inc. *
Statewide youth progress initiative
$2,917,657

IBM Corporation *
Software purchase and assistance
$2,572,066

Samcorp General Contractors *
Construction/renovation, McAllen TeleCenter
$2,466,316

Deloitte & Touche Consulting Group LLC *
Programming and implementation services
$2,025,811

* Known multi-year contract

Budget Highlights

General Revenue and General Revenue–Dedicated Funds accounted for 9.6 percent of the agency's reported expenditures in fiscal year 2004. The agency expended 76.0 percent of its General Revenue Funds to match Federal Funds for various federal programs. The General Revenue–Dedicated Funds expenditures included $5.2 million in Unemployment Insurance Program administrative funds used for the enforcement of labor laws.

With the enactment of House Bill 2933, Seventy-eighth Legislature, Regular Session, 2003, the Texas Commission of Human Rights was abolished and all of its powers, duties, functions, and activities were transferred to the Texas Workforce Commission upon certification of the Civil Rights Division by the federal government. The agency received $0.7 million in General Revenue Funds, $1.2 million in Federal Funds, and $0.1 million in Other Funds to perform its functions in fiscal year 2004.

Pursuant to Executive Order RP27, August 11, 2003, the grant management and close-out functions of the Telecommunications Infrastructure Fund board were transferred to the Texas Workforce Commission. The agency received and reported expenditures of $585,000 in General Revenue–Dedicated Funds to perform those functions.

Federal Funds constituted 88.2 percent of the agency's expenditures in fiscal year 2004. The agency received an additional $12.4 million in Federal Funds above amounts directly appropriated to it in the Seventy-eighth Legislature, General Appropriations Act, 2004–05 Biennium.

Full-time-equivalent Employees

The agency did not exceed its cap for full-time-equivalent (FTE) positions in fiscal year 2004.

The agency received 49 FTEs for fiscal year 2004 with the abolishment of the Commission on Human Rights and establishment of the Civil Rights Division pursuant to enactment of House Bill 2933, Seventy-eighth Legislature, Regular Session, 2003.

The fiscal year 2004 FTE cap was reduced from fiscal year 2003 to coincide with agency funding. Staff turnover, loss of staff through retirements, other vacancies, and the transfer of FTEs from the Commission on Human Rights not occurring until the middle of the fiscal year, contributed to the agency being below the FTE cap in fiscal year 2004.

Performance Measures Audit Reports

The most recent performance measures audit by the State Auditor's Office was in November 2002, when the *Performance Measures at 14 Entities* report certified with qualifications two measures, found three measures to be inaccurate, and factors prevented certification of two measures. The agency generally agreed with the audit findings and has implemented changes in its performance reporting system accordingly.

Other Reports and Reviews

No special reports or reviews of the agency were identified after September 2003.

PERFORMANCE HIGHLIGHTS

During fiscal year 2004, the agency attained (within 5 percent) or exceeded 63 percent of its 57 established key performance targets.

The agency attained or exceeded 16 of its 21 outcome targets and 20 of its 36 output/efficiency targets.

MEASURES ASSESSMENTS

The agency met the target for *Average Number of Children Served per Day, Transitional and At-risk Child-care Services* in fiscal year 2004. According to the agency, fewer children were served in the Choices child-care program than projected (an average of 23,843 per day compared to the 25,864 projected), leaving additional funds available for local workforce boards to expend on transitional and at-risk child-care programs.

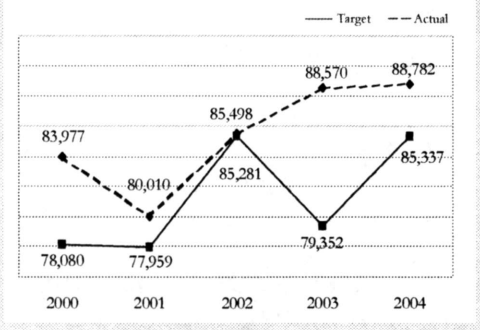
The reported *Number of Initial Unemployment Insurance Claims Filed* was lower than projected and exceeded the target for fiscal year 2004. The Unemployment Insurance Program is an employer-paid insurance program designed to provide temporary financial assistance by replacing a portion of lost wages for eligible workers who are unemployed through no fault of their own. According to the agency, improved economic conditions and a lower unemployment rate resulted in a reduction in the number of initial claims filed.

In fiscal year 2004, the agency exceeded the target for *Average Time to Process Initial Unemployment Insurance Claims (in Minutes)* through the agency's telecenters for a third consecutive year. The agency reports that while the implementation of new unemployment insurance integrity processes resulted in a slight increase in the average time to process initial claims, the increased usage of Internet filing and other electronic claim filing systems has reduced the workload on the telecenters.

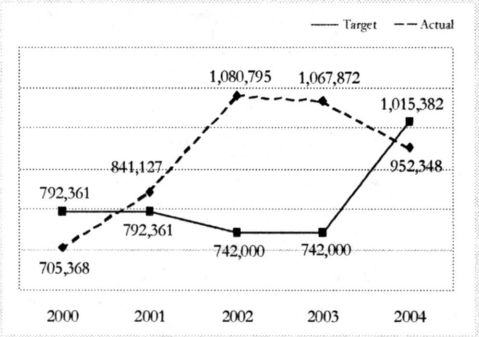
The agency reported that performance on the *Percent of Choices Participants Who Enter Employment* attained the target (within 5 percent) in fiscal year 2004 as a result of continued efforts by local workforce development boards to provide services that help public assistance recipients transfer from welfare to work. The Choices program is an employment and training program serving applicants, recipients, and former recipients of Temporary Assistance for Needy Families (TANF) cash assistance. Participation in the Choices program is mandatory for TANF recipients.

SELECTED PERFORMANCE MEASURES

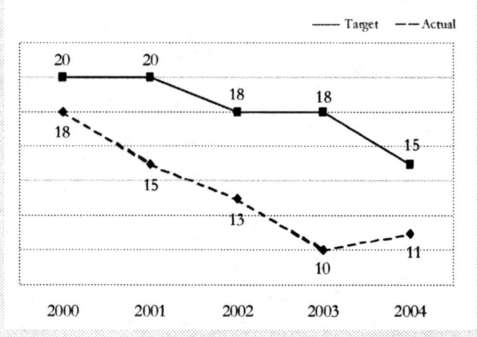
AVERAGE NUMBER OF CHILDREN SERVED PER DAY, TRANSITIONAL AND AT-RISK CHILD-CARE SERVICES



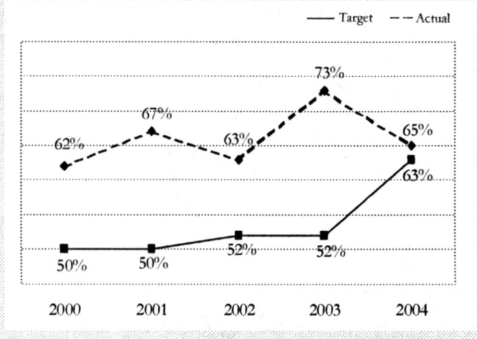
NUMBER OF INITIAL UNEMPLOYMENT INSURANCE CLAIMS FILED



AVERAGE TIME TO PROCESS INITIAL UNEMPLOYMENT INSURANCE CLAIMS (IN MINUTES)



PERCENT OF CHOICES PARTICIPANTS WHO ENTER EMPLOYMENT



FISCAL YEAR 2004 PERFORMANCE SUMMARY

AGENCY	PERCENTAGE OF PERFORMANCE TARGETS ACHIEVED [1]	NUMBER OF KEY PERFORMANCE MEASURES
Board of Public Accountancy[2]		
State Office of Administrative Hearings	78%	9
Board of Architectural Examiners[2]		
Board of Barber Examiners	63	8
Board of Chiropractic Examiners	64	11
Cosmetology Commission	64	11
Credit Union Department	86	7
State Board of Dental Examiners	93	14
Board of Professional Engineers[2]		
Department of Banking	86	7
Office of Consumer Credit Commissioner	82	11
Savings and Loan Department	75	12
Funeral Service Commission	60	20
Board of Professional Geoscientists	50	14
Department of Insurance	62	34
Office of Public Insurance Counsel	60	10
Board of Professional Land Surveying	80	10
Department of Licensing and Regulation	94	17
Board of Medical Examiners	75	28
Board of Nurse Examiners	68	22
Optometry Board	83	6
Structural Pest Control Board	92	12
Board of Pharmacy	100	11
Executive Council of Physical Therapy and Occupational Therapy Examiners	88	17
Board of Plumbing Examiners	89	9
Board of Podiatric Medical Examiners	63	8
Board of Examiners of Psychologists	100	8
Racing Commission	53	17
Real Estate Commission	84	19
Residential Construction Commission[3]		
Securities Board	90	10
Board of Tax Professional Examiners	80	10
Public Utility Commission	75	24
Office of Public Utility Counsel	75	8
Board of Veterinary Medical Examiners	82	11
Workers' Compensation Commission	65	23

[1] *Percentage of Performance Targets Achieved* reflects those measures (excluding explanatory) for which performance has attained or exceeded 95 percent of the established target.

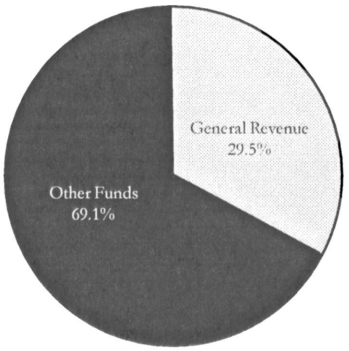
[2] An individual budget and performance summary was not prepared for this agency. This agency is participating in the self-directed semi-independent agency pilot project established by Senate Bill 736, Seventy-seventh Legislature, 2001.

[3] The Residential Construction Commission was created during the 2004–05 biennium; an individual budget and performance summary was not prepared for this agency.

State Office of Administrative Hearings

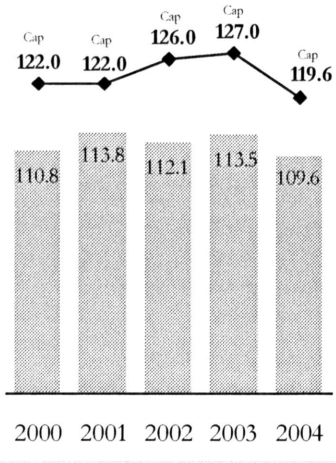
Selected Budget Information

ALL FUNDS, 2004 ESTIMATED



Total: $7,184,476

FULL-TIME-EQUIVALENT POSITIONS



MAJOR CONTRACTS REPORTED, 2004

In fiscal year 2004, the agency reported **six** contracts:

On-The-Record Reporting
Transcribing services -- Houston
$30,000

On-The-Record Reporting
Transcribing services -- San Antonio
$27,500

On-The-Record Reporting
Transcribing services -- Austin
$27,500

Monday N. Rufus, PC *
Internal auditing services
$21,246

On-The-Record Reporting
Transcribing services -- Dallas
$15,000

On-The-Record Reporting
Transcribing services -- Ft. Worth
$15,000

* Known multi-year contract

Budget Highlights

The agency's fiscal year 2004 budget consisted of a mix of fees (Other Funds) it charged other state agencies for conducting administrative hearings and $2.4 million in General Revenue Funds appropriated directly to it for this same purpose.

Approximately 38.7 percent of the agency's fiscal year 2004 expenditures were from State Highway Fund 6, supporting hearings related to administrative revocations of driver's licenses performed for the Department of Public Safety. Interagency Contracts, including a lump sum contract with the Texas Council of Environmental Quality, accounted for 26.5 percent of the agency's expenditures. The agency also reported receiving $392,089 in Interagency Contracts from the Texas Workers' Compensation Commission in fiscal year 2004.

As a result of increased workloads and expanded jurisdiction, the agency expended an estimated $338,261 in Interagency Contract funds more than amounts directly appropriated to it in the General Appropriations Act, 2004–05 Biennium (GAA). These monies were appropriated through riders within the agency's 2004–05 GAA bill pattern.

The agency's appropriations were increased by $112,706 in General Revenue Funds pursuant to enactment of Senate Bill 1147, Seventy-eighth Legislature, Regular Session, 2003. The enactment of this legislation transferred the administrative hearing functions performed by the Department of Licensing and Regulation to the State Office of Administrative Hearings.

Full-time-equivalent Employees

The agency did not exceed its cap for full-time-equivalent (FTE) positions in fiscal year 2004.

The agency's 2004 FTE cap was reduced from the 2003 level to coincide with its fiscal year 2004 funding level.

The agency was authorized an additional two FTEs pursuant to enactment of Senate Bill 1147, Seventy-eighth Legislature, Regular Session, 2003, which transferred the FTEs from the Department of Licensing and Regulation. The agency reported staffing levels of 10 FTEs below the cap in fiscal year 2004 due to staff turnover and having five employees who were part time throughout the year. Staff turnover occurred among several positions: administrative law judges, administrative support, docketing personnel, paralegals, accounting staff, and human resources staff.

Performance Measures Audit Reports

The most recent performance measures audit by the State Auditor's Office was in March 1999, when the *1999 Small Agency Management Control Audit* certified with qualifications two measures and found one measure to be inaccurate.

Other Reports and Reviews

No special reports or reviews of the agency were identified after September 2003.

State Office of Administrative Hearings

Performance Highlights

During fiscal year 2004, the agency attained (within 5 percent) or exceeded 78 percent of its nine established key performance targets.

The agency attained its only outcome target and six of its eight output/efficiency targets.

Measures Assessments

The agency attained its target for *Percentage of Participants Surveyed Expressing Satisfaction with Overall Process* in fiscal year 2004. The annual survey was mailed to 1,250 customers in fiscal year 2004. In view of the agency's quasi-judicial function—with winners and losers in each case—the agency states that this high level of customer satisfaction indicates the majority of persons who appear before the agency feel they are treated with courtesy, respect, and fairness. The survey results also reflect high marks for the agency's administrative law judges' knowledge of applicable law and procedures.

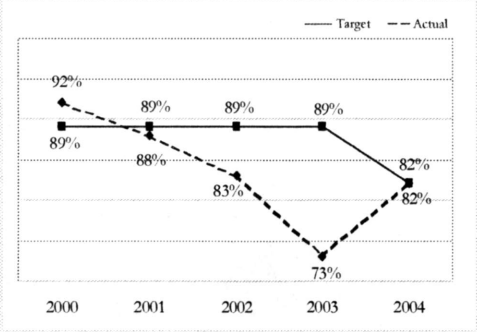
The agency exceeded the target for *Number of Administrative License Revocation Cases Docketed and Decided* during fiscal year 2004. According to the agency, factors beyond its influence impacted performance. For example, the number of Driving Under the Influence (DUI) citations and suspension notices issued by peace officers statewide, and of those, the number in which people cited sought a hearing affect this measure. Additionally, on January 1, 2000, the legal limit for blood alcohol concentration changed from 0.10 to 0.08, which resulted in a higher number of DUI citations and suspension notices and a resulting increase in the number of Administrative License Revocations (ALR) cases referred to the agency.

The agency exceeded the target for the *Number of Cases Disposed* in fiscal year 2004. According to the agency, this measure is indicative of the general increase in the number of cases filed at the agency. This measure includes both general dockets and ALR dockets. Of the 29,352 cases reported in fiscal year 2004, there were 21,951 ALR cases and 7,401 general docket cases. The number of general docket cases disposed increased in fiscal year 2004 by 3,577. Some of the agencies with significant increases in the number of general docket cases disposed during fiscal year 2004 were the Texas Cosmetology Commission (2,252), Office of Attorney General–Title IV-D Child Support (455), and the Texas Workers' Compensation Commission (235).

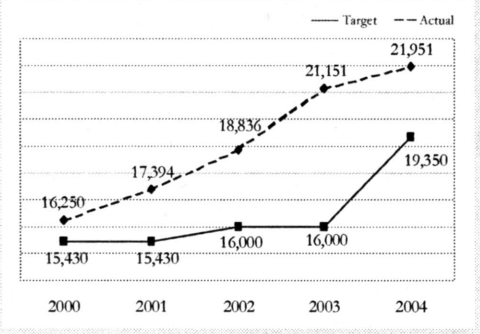
The agency did not meet the target for *Average Cost per Alternative Dispute Resolution Proceeding* during fiscal year 2004. According to the agency, it handled a greater number of mediated Texas Workers' Compensation Commission cases in fiscal year 2002 and in prior years, causing a lower average cost than in fiscal years 2003 and 2004. In fiscal years subsequent to 2002, participants have demonstrated an inclination to settle small, less contested matters themselves, resulting in cases remaining to be mediated by the agency that are more complex and/or involve multiple participants.

Selected Performance Measures

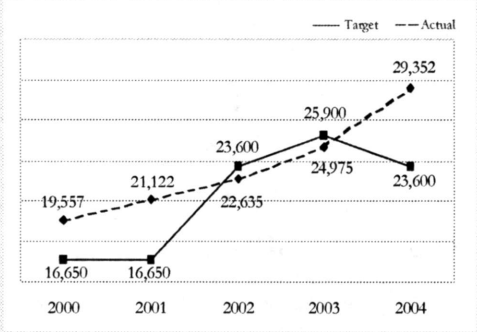
PERCENTAGE OF PARTICIPANTS SURVEYED EXPRESSING SATISFACTION WITH OVERALL PROCESS



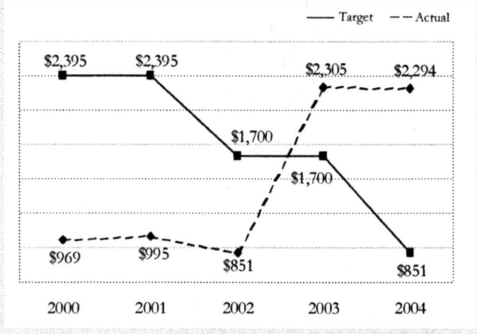
NUMBER OF ADMINISTRATIVE LICENSE REVOCATION CASES DOCKETED AND DECIDED



NUMBER OF CASES DISPOSED



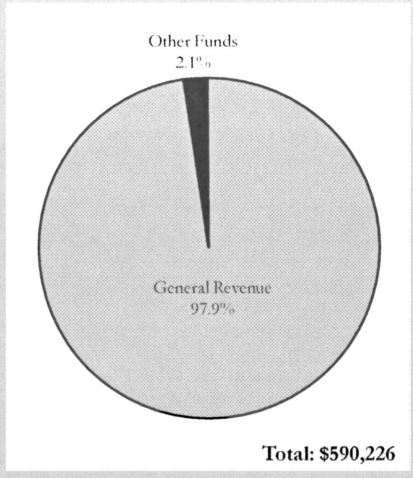
AVERAGE COST PER ALTERNATIVE DISPUTE RESOLUTION PROCEEDING



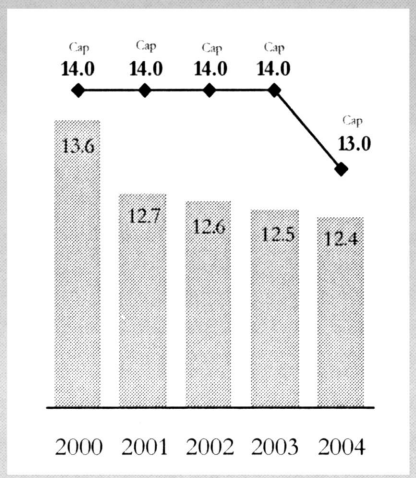
Board of Barber Examiners

Selected Budget Information

ALL FUNDS, 2004 BUDGETED



FULL-TIME-EQUIVALENT POSITIONS



MAJOR CONTRACTS REPORTED, 2004

In fiscal year 2004, the agency reported **no** contracts.

Budget Highlights

Fee-generated General Revenue Funds collected from the agency's licensing activities accounted for the majority of the agency's reported expenditures in fiscal year 2004. Approximately $12,600 in Appropriated Receipts collected from the sale of publications was also expended, which was $24,900 less than appropriated to the agency in fiscal year 2004.

During fiscal year 2004, the agency participated in the TexasOnline Authority to furnish new license and license renewal services through the Internet. According to the agency, more fees were generated for the TexasOnline Authority from new and renewal licenses than were originally anticipated. The agency reported expending $450 more in General Revenue Funds than amounts directly appropriated to it in the Seventy-eighth Legislature, General Appropriations Act (GAA), 2004–05 Biennium, for increased payments to the TexasOnline Authority. These funds were appropriated in the Special Provisions of the 2004–05 GAA.

Full-time-equivalent Employees

The agency did not exceed its cap for full-time-equivalent (FTE) positions in fiscal year 2004.

The agency's 2004 FTE cap was reduced from the 2003 level to coincide with its fiscal year 2004 funding level.

Performance Measures Audit Reports

The most recent performance measures audit by the State Auditor's Office (SAO) was in January 1999, when *A Follow-up Audit on Management Controls* found five measures had factors that prevented certification. According to the agency, a comprehensive review of performance reporting was undertaken following the audit. Following recommendations in the SAO audit report, the agency adopted specific risk-ranking criteria for determining the frequency to inspect agencies, a key concern listed in the audit. The agency reports that it has taken steps to implement the SAO's recommendations concerning the performance measures.

Other Reports and Reviews

An Audit Report on Internal Controls and Financial Processes at the Board of Barber Examiners, dated October 2003, issued by the SAO stated that the agency does not ensure that its licensing and enforcement functions are efficient, effective, and managed in accordance with laws and regulations designed to protect the public. In addition, the agency has not ensured that its financial processes and controls enable it to maintain financial records that present a true picture of performance and provide reliable information for decision making. The agency reports that it has taken steps to implement the SAO's recommendations. The SAO will begin a follow-up audit in fiscal year 2005.

The agency underwent review by the Sunset Advisory Commission during the 2004–05 biennium.

PERFORMANCE HIGHLIGHTS

During fiscal year 2004, the agency attained (within 5 percent) or exceeded 63 percent of its eight established key performance targets.

The agency attained or exceeded two of its four outcome targets and three of its four output/efficiency targets.

MEASURES ASSESSMENTS

The agency attained (within 5 percent) the target limits for its performance on the *Percent of Licensees with No Recent Violations.* Out of a total 23,332 entities (17,696 licensees and 5,636 barber shops), 993 fines were assessed to 719 individuals during fiscal year 2004. The agency has been able to consistently meet the target for this performance measure due to the number of nonjurisdictional complaints filed.

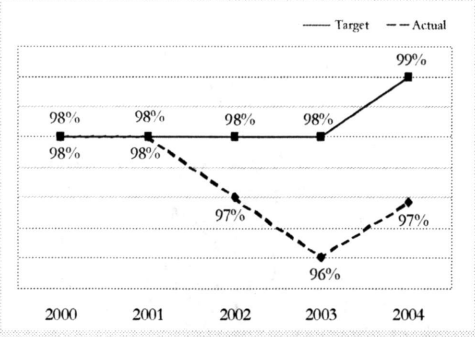
The agency exceeded the target for *Number of New Licenses Issued to Individuals* in fiscal year 2004. The agency issued 917 new licenses during fiscal year 2004 to individuals who met all education requirements and passed both the written and practical examinations, which was in line with previous years. An increase from 30 barber schools to 32 contributed to the agency's performance. The examination is offered monthly and is administered at the agency's Austin headquarters.

The agency attained its target for the *Number of Licenses Renewed (Individuals)* in fiscal year 2004. The past several years shows a steady increase, with the largest increase occurring in fiscal year 2004. The agency indicates the increase is related to the economy and that individuals are renewing their license because of limited opportunities to move into other industries.

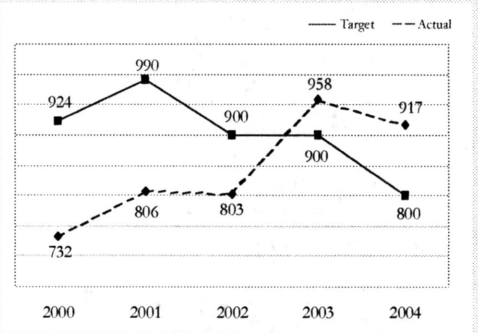
The agency exceeded the target for *Complaints Resolved* in fiscal year 2004. According to the agency, inspectors have conducted additional follow-up on unresolved complaints and reduced an existing backlog of cases generated by staff investigator absences. Inspectors are now regularly sent a listing of outstanding complaints for their region.

SELECTED PERFORMANCE MEASURES

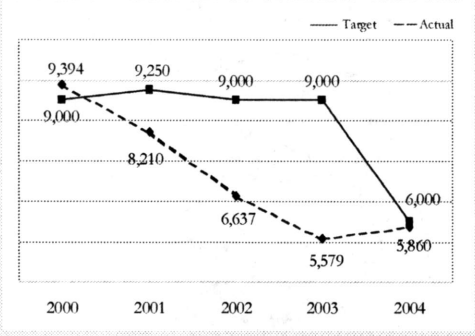
PERCENT OF LICENSEES WITH NO RECENT VIOLATIONS



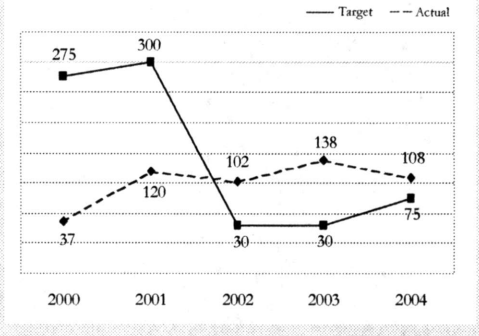
NUMBER OF NEW LICENSES ISSUED TO INDIVIDUALS



NUMBER OF LICENSES RENEWED (INDIVIDUALS)



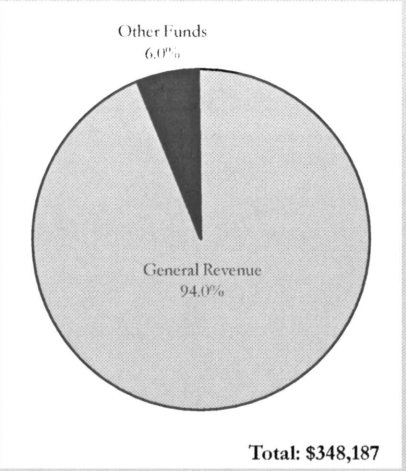
COMPLAINTS RESOLVED



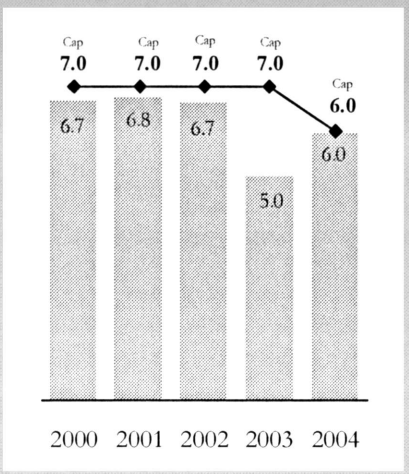
Board of Chiropractic Examiners

Selected Budget Information

ALL FUNDS, 2004 ESTIMATED



FULL-TIME-EQUIVALENT POSITIONS



MAJOR CONTRACTS REPORTED, 2004

In fiscal year 2004, the agency reported **no** contracts.

Budget Highlights

Fee-generated General Revenue Funds accounted for $327,213 out of the agency's reported expenditures in fiscal year 2004. All other expenditures were made from Appropriated Receipts collected from the sale of publications.

In fiscal year 2004, the agency reported expenditures of $100,814 in fee-generated General Revenue Funds related to enforcement activities, of which $63,083 was for staff salaries.

The agency expended $17,832 in fiscal year 2004 related to the web-based licensing system provided through the TexasOnline Authority.

Full-time-equivalent Employees

The agency did not exceed its cap for full-time-equivalent (FTE) positions in fiscal year 2004.

The FTE cap was reduced by one position in fiscal year 2004 related to an overall reduction in the agency's budget.

Performance Measures Audit Reports

The most recent performance measures audit by the State Auditor's Office was in August 1997, when the *Performance Measures at 26 State Agencies* report certified with qualification one measure and found three measures to be inaccurate. Pursuant to the audit findings, the agency implemented a corrective action plan to address the issues identified and to ensure accuracy for future audits.

Other Reports and Reviews

No special reports of the agency were identified after September 2003.

The agency underwent review by the Sunset Advisory Commission during the 2004–05 biennium.

PERFORMANCE HIGHLIGHTS

During fiscal year 2004, the agency attained (within 5 percent) or exceeded 64 percent of its 11 established key performance targets.

The agency attained or exceeded all four of its outcome targets and three of its seven output/efficiency targets.

MEASURES ASSESSMENTS

The agency did not meet the target for *Number of New Licenses Issued to Individuals* in fiscal year 2004. Reduced enrollment and graduates from the state's two chiropractic colleges created a smaller pool of new licensees.

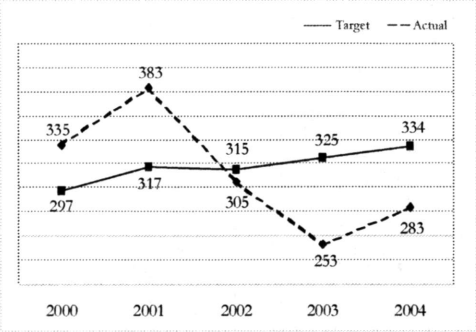
The agency exceeded its target for *Number of Licenses Renewed (Individuals).* The projected number of license renewals for fiscal year 2004 was based on the number of active chiropractic practitioners. In addition to active practitioner renewals, 285 formerly inactive practitioners returned to an active status. When an inactive license reverts to an active status it is considered a renewal of an active license.

The agency exceeded its target for *Number of Complaints Resolved* in fiscal year 2004. The agency increased its enforcement committee meetings from bimonthly to monthly, allowing for quicker resolution of cases. In addition, the agency issued a mass docket order to police chiropractors practicing with expired licenses in the fourth quarter.

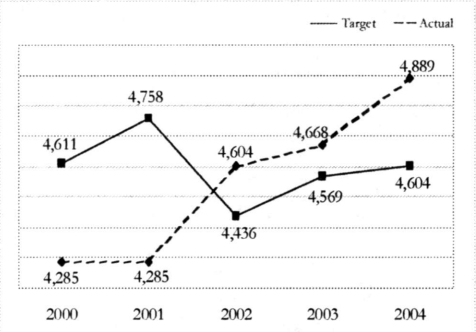
The agency did not meet the target for *Average Time per Complaint Resolution (in Days).* During fiscal year 2004, the agency had one case resolved at the State Office of Administrative Hearings (SOAH) that had been open for 1,100 days, and three additional cases resolved at SOAH that had been open over 1,000 days each. Complaints are considered resolved when a final action is taken by the agency's board. The board does not take any actions if the complaint is pending before SOAH.

SELECTED PERFORMANCE MEASURES

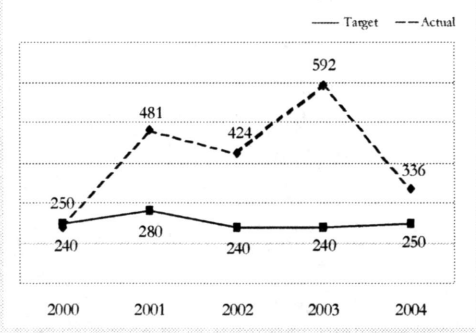
NUMBER OF NEW LICENSES ISSUED TO INDIVIDUALS



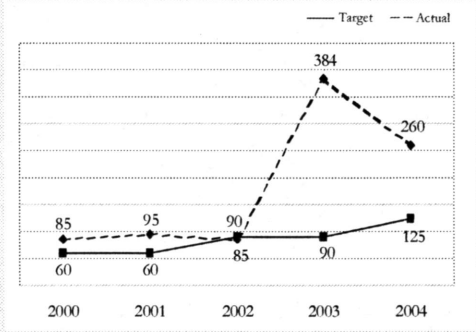
NUMBER OF LICENSES RENEWED (INDIVIDUALS)



NUMBER OF COMPLAINTS RESOLVED



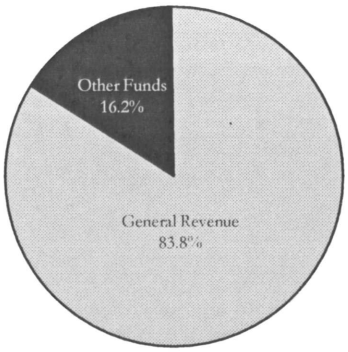
AVERAGE TIME PER COMPLAINT RESOLUTION (IN DAYS)



COSMETOLOGY COMMISSION

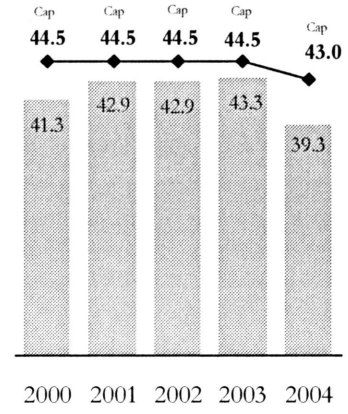
SELECTED BUDGET INFORMATION

ALL FUNDS, 2004 ESTIMATED



Total: $2,447,609

FULL-TIME-EQUIVALENT POSITIONS



MAJOR CONTRACTS REPORTED, 2004

In fiscal year 2004, the agency reported **one** contract:

Northrup Grumman Technical Services
Information resource technology
$271,885

* Known multi-year contract

BUDGET HIGHLIGHTS

General Revenue Funds generated by professional license fees made up the majority of the agency's $2.4 million budget in fiscal year 2004. Appropriated Receipts collected from the sale of the agency's rule books accounted for $386,840 more than previously estimated because of higher than expected sales of the rule books.

The agency expended $9,770 in General Revenue Funds less than amounts directly appropriated to it in the Seventy-eighth Legislature, General Appropriations Act (GAA), 2004–05 Biennium, for retirement incentives. These monies were reduced in the General Provisions of the 2004–05 GAA, Article IX, Section 12.03, Retirement Incentives.

During fiscal year 2004, the agency participated in the TexasOnline Authority to furnish new license and license renewal services through the Internet.

FULL-TIME-EQUIVALENT EMPLOYEES

The agency did not exceed its cap for full-time-equivalent positions in fiscal year 2004.

The agency's FTE cap was reduced to coincide with the level of funding.

PERFORMANCE MEASURES AUDIT REPORTS

The most recent performance measures audit by the State Auditor's Office (SAO) was in March 2000, when the *2000 Small Agency Management Control Audit* report certified without qualifications five measures and found one measure to be inaccurate. The agency has implemented a corrective action plan in response to the audit findings.

OTHER REPORTS AND REVIEWS

An Audit Report on the Internal Controls and Financial Processes at the Cosmetology Commission, dated February 2004, issued by the SAO stated that there was gross fiscal mismanagement at the agency during fiscal years 2002 and 2003. During that time, the agency significantly mismanaged its fiscal responsibilities and exposed state funds to the risk of loss and abuse. It did not maintain proper control over assets, did not discharge fiscal obligations in a timely manner, misused state funds, and did not keep adequate fiscal records. Most significantly, the agency had not collected $2.8 million of the $4.8 million in penalties it assessed from September 1999 through June 2003 and had not followed statutory and regulatory requirements for the collection of administrative penalties. The SAO will begin a follow-up audit in fiscal year 2005 to determine whether the agency has taken correction action to address these findings.

The agency underwent review by the Sunset Advisory Commission during the 2004–05 biennium.

PERFORMANCE HIGHLIGHTS

During fiscal year 2004, the agency attained (within 5 percent) or exceeded 64 percent of its 11 established key performance targets.

The agency attained or exceeded all four of its outcome targets and three of its seven output/efficiency targets.

MEASURES ASSESSMENTS

The agency did not attain the target for *Number of New Licenses Issued to Individuals* in fiscal year 2004. According to the agency, fewer people are receiving licenses because of a higher failure rate on licensing examinations. The agency accounts for the decline in the examination pass rate as a result of having changed from administering a state examination to administering a national examination. In addition, the agency previously provided a sample examination with answers as a study tool, but now provides a study guide instead. The pass rate for fiscal year 2004 was 57.9 percent for all schools. Comparatively, the high school vocational programs averaged a 40 percent pass rate because they are required to perform only 1,000 clock hours of training compared to 1,500 hours required at colleges and private schools.

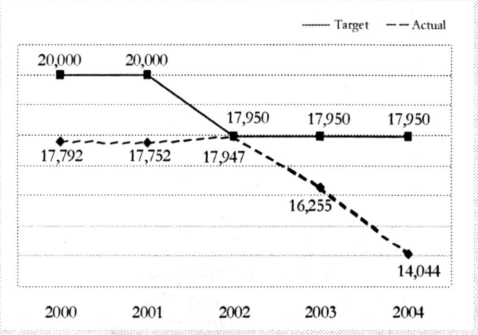
The agency did not attain the target for *Number of Licenses Renewed (Individuals)* in fiscal year 2004. On September 1, 2003, the agency's authorizing statute was amended to require individuals to obtain either a high school diploma, General Education Diploma, or pass an ability to benefit test to qualify for renewing their license. According to the agency, this change contributed to not meeting the target.

The agency exceeded its target for the *Complaints Resolved* in fiscal year 2004. The agency hired additional staff in the Enforcement Department, including an enforcement director, to increase the agency's ability to investigate and resolve complaints. In addition, the agency assigned one staff person in the Enforcement Department with the sole responsibility of (1) assigning complaints to inspectors; (2) serving as a liaison to ensure that inspectors obtain technical assistance when needed; and (3) updating the enforcement database to provide better tracking of the complaint process. The agency indicates that this process change contributed to the agency exceeding its target.

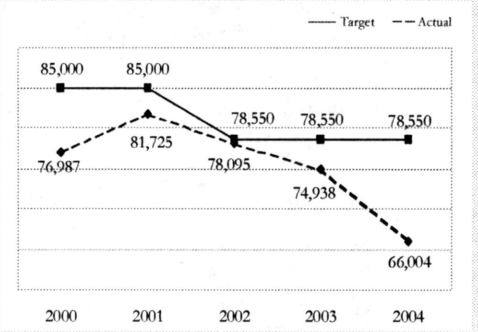
The agency did not attain its target for *Average Time for Complaint Resolution (Days)* for fiscal year 2004. According to the agency, inspector position vacancies and 122 complaints pending from the previous fiscal year contributed to the agency not meeting the target. To address these issues, the agency hired additional staff in the Enforcement Department to increase the agency's ability to investigate and resolve complaints. In addition, the agency assigned one staff person in the Enforcement Department with the sole responsibility of facilitating the complaint resolution process.

SELECTED PERFORMANCE MEASURES

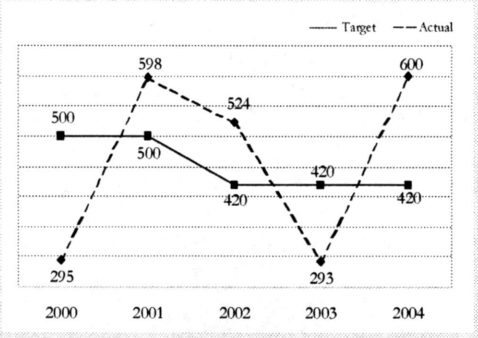
NUMBER OF NEW LICENSES ISSUED TO INDIVIDUALS



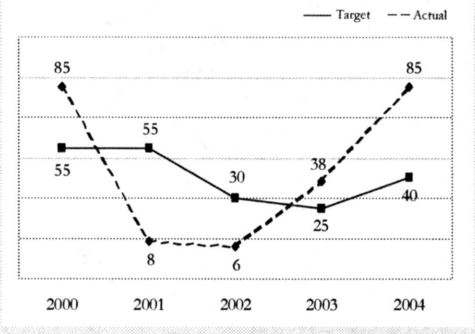
NUMBER OF LICENSES RENEWED (INDIVIDUALS)



COMPLAINTS RESOLVED



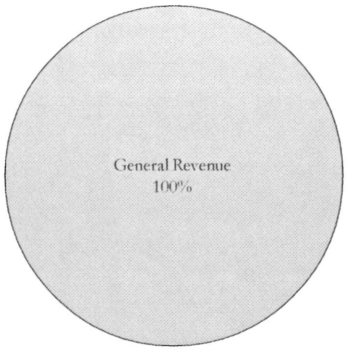
AVERAGE TIME FOR COMPLAINT RESOLUTION (DAYS)



CREDIT UNION DEPARTMENT

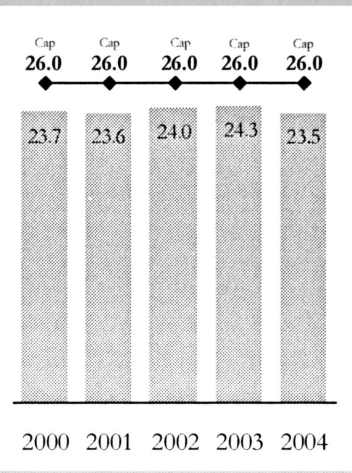
SELECTED BUDGET INFORMATION

ALL FUNDS, 2004 ESTIMATED



Total: $1,619,903

FULL-TIME-EQUIVALENT POSITIONS



MAJOR CONTRACTS REPORTED, 2004

In fiscal year 2004, the agency reported **no** contracts.

BUDGET HIGHLIGHTS

Fee-generated General Revenue Funds accounted for all of the agency's expenditures in fiscal year 2004.

Conditions within the industry did not warrant activation of General Appropriations Act (2004–05 Biennium), Rider 5, Contingency Appropriation: Regulatory Response during the fiscal year. This rider would have provided $120,000 and three full-time-equivalent positions if the condition of the credit union industry in Texas experienced problems or if there was a reduction in federal regulatory resources applied to the Texas state-chartered credit union industry.

The agency reported spending more than $1.4 million related to the examination of state-chartered credit unions in fiscal year 2004. Of this amount, $183,636 was used for travel expenses related to conducting examinations.

FULL-TIME-EQUIVALENT EMPLOYEES

The agency did not exceed its cap for full-time-equivalent (FTE) positions in fiscal year 2004.

The agency's FTE cap for fiscal year 2004 includes three positions associated with Rider 5, Contingency Appropriation: Regulatory Response, which was not activated.

PERFORMANCE MEASURES AUDIT REPORTS

The most recent performance measures audit by the State Auditor's Office was in August 1994, when the *Audit Report on Performance Measures at 25 State Agencies* certified without qualifications seven measures and found one measure to be inaccurate. The agency has taken actions to address the inaccuracy.

OTHER REPORTS AND REVIEWS

No special reports or reviews of the agency were identified after September 2003.

The agency is eligible to implement an enhanced compensation program for employees during fiscal year 2005, pursuant to Article IX, Section 6.28(d) of the 2004–05 General Appropriations Act. Agency eligibility is based on attainment of at least 80 percent of key performance targets in fiscal year 2004 and certification that at least 70 percent of audited key measures are accurate. Classified employees who directly contribute to improvements in agency performance may be awarded up to 6.8 percent of their base salary.

PERFORMANCE HIGHLIGHTS

During fiscal year 2004, the agency attained (within 5 percent) or exceeded 86 percent of its seven established key performance targets.

The agency attained or exceeded all four of its outcome targets and two of its three output/efficiency targets.

MEASURES ASSESSMENTS

The agency exceeded the target for *Percentage of Credit Unions Receiving Regular Examinations Annually* in fiscal year 2004. In fiscal year 2003, the agency reduced travel for examinations in order to reduce overall expenditures as part of the statewide costs savings plan. Examinations scheduled during the fourth quarter of 2003 that required travel were moved to the first quarter of 2004. In addition, the number of credit unions supervised by the department declined in fiscal year 2004 from 245 to 239 because of merger activity.

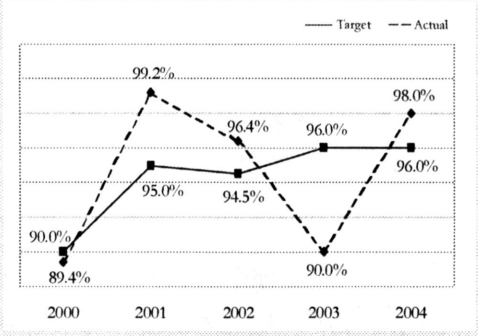
The target for *Number of Examinations Performed* was attained (within 5 percent). In addition to shifting examinations from fiscal year 2003 into fiscal year 2004, the number of examinations performed increased because the agency maintained full staffing levels of examiners throughout most of the year, and the overall examiner experience level increased, raising productivity levels.

The agency met the target for *Percentage of Safe and Sound Credit Unions*, as the improving economy resulted in fewer mortgage and car loan defaults for credit unions in fiscal year 2004. In addition, the agency actively pursued more follow-up contacts with problem credit unions in an effort to help them improve performance. The mergers that occurred in fiscal year 2004 generally involved smaller problem credit unions merging with larger, better run credit unions.

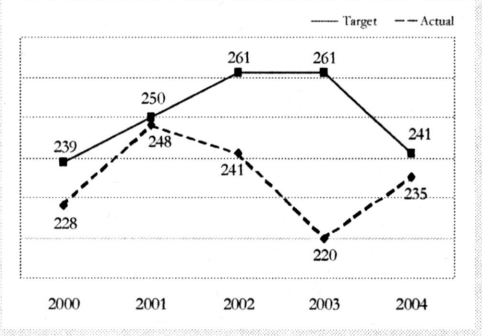
By focusing staff resources, setting out well-defined internal application processing procedures, and effective date tracking of applications, the agency exceeded the target for *Percentage of Applications Approved within 60 Days*, achieving 100 percent for the second consecutive year. In addition, the agency approved 97 percent of applications within 45 days, and 23 percent of applications within 30 days.

SELECTED PERFORMANCE MEASURES

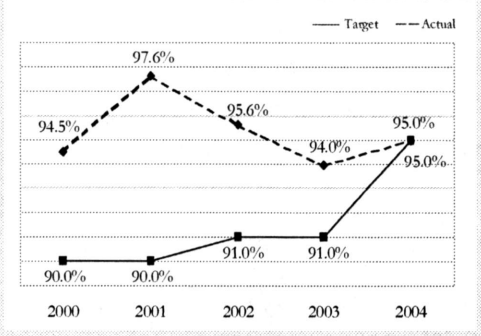
PERCENTAGE OF CREDIT UNIONS RECEIVING REGULAR EXAMINATIONS ANNUALLY



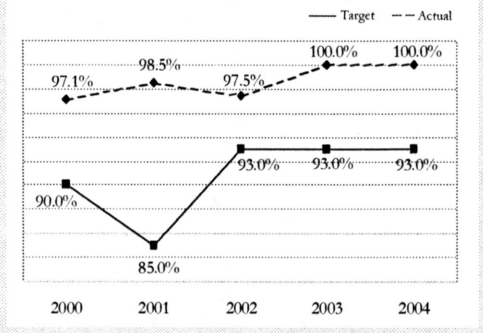
NUMBER OF EXAMINATIONS PERFORMED



PERCENTAGE OF SAFE AND SOUND CREDIT UNIONS



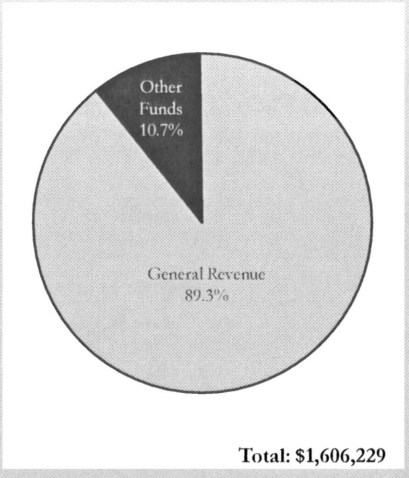
PERCENTAGE OF APPLICATIONS APPROVED WITHIN 60 DAYS



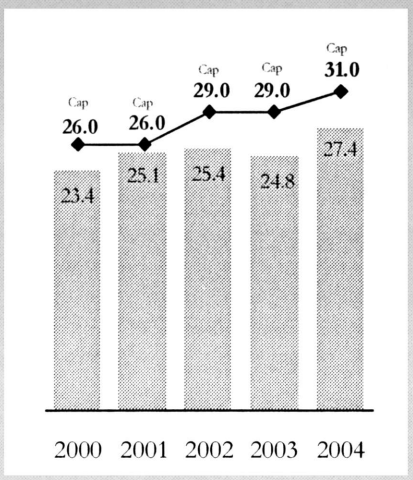
State Board of Dental Examiners

Selected Budget Information

ALL FUNDS, 2004 ESTIMATED



FULL-TIME-EQUIVALENT POSITIONS



MAJOR CONTRACTS REPORTED, 2004

In fiscal year 2004, the agency reported **two** contracts:

Northrup Grumman Technical Services
Computer services
$202,175

Texas Pharmacy Association
Peer assistance program
$79,510

Budget Highlights

Fee-generated General Revenue Funds accounted for the majority of the agency's expenditures in fiscal year 2004.

The agency reported expenditures of $5,597 less in General Revenue Funds than amounts directly appropriated to it in the Seventy-eighth Legislature, General Appropriations Act (GAA), 2004–05 Biennium, due to reductions for retirement incentives.

The agency uses the TexasOnline Authority to furnish license renewal services through the Internet. The agency began using the TexasOnline Authority in April 2002 for renewals of dentist and dental hygienist licenses. In fiscal year 2004, the agency expended $86,949 for payments to the TexasOnline Authority.

The agency reported expenditures of $3,213 in Appropriated Receipts above amounts directly appropriated to it in the 2004–05 GAA and spent it on additional operating costs. The additional revenues were generated from the sale of agency publications and records.

Full-time-equivalent Employees

The agency did not exceed its cap for full-time-equivalent (FTE) positions in fiscal year 2004.

The FTE cap was increased by two FTEs for fiscal year 2004: one attorney position and one investigator position.

According to the agency, it had four vacancies during fiscal year 2004 that took up to two months to fill.

Performance Measures Audit Reports

The most recent performance measures audit by the State Auditor's Office was in June 2002, when the *Internal Controls and Financial Process at the Texas State Board of Dental Examiners* report certified with qualifications the one measure reviewed.

Other Reports and Reviews

No special reports or reviews of the agency were identified after September 2003.

PERFORMANCE HIGHLIGHTS

During fiscal year 2004, the agency attained (within 5 percent) or exceeded 93 percent of its 14 established key performance targets.

The agency attained or exceeded all 4 of its outcome targets and 9 of its 10 output/efficiency targets.

MEASURES ASSESSMENTS

The *Number of New Licenses Issued to Individuals* exceeded the target in fiscal year 2004. This measure accounts for the number of new licensees from two measures: *Number of New Licenses Issued to Individuals: Dentists* and *Number of New Licenses Issued to Individuals: Dental Hygienists.* The agency met or exceeded the target for both measures in fiscal year 2004. According to the agency, the number of both types of licenses issued depends on various factors, including (1) the number of graduates from Texas and out-of-state dental schools who seek licensing in Texas; (2) the regional examination schedules; and (3) the number of applicants seeking credentials.

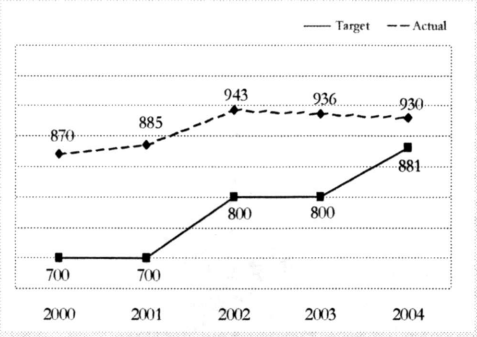
The *Number of Complaints Resolved* exceeded the target in fiscal year 2004. The agency has continued to work to reduce a large backlog of complaint cases. According to the agency, the target was exceeded due to the addition of staff that included two investigators and two attorneys and by conducting two staff settlement conferences and six informal settlement conferences in fiscal year 2004. The agency reports that the settlement conferences began in fiscal year 2004, and the majority of resolved cases dealt with quality of patient care and professional conduct.

The agency exceeded its target for *Percent of Complaints Resulting in Disciplinary Action* in fiscal year 2004. Of the 1,096 cases resolved in fiscal year 2004, there were 280 (about 26 percent) that required disciplinary action. The agency imposed sanctions in response to valid complaints, which indicates a positive performance by the agency in fulfilling its mission to protect the public. Disciplinary actions issued during the reporting period included 30 license suspensions and 6 license revocations.

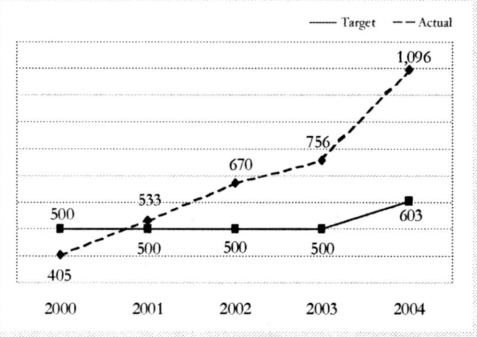
The target for *Average Time for Complaint Resolution (Days)* was not met in fiscal year 2004. The agency continues its efforts to reduce a backlog of old complaint cases, which consequently affects the average number of days in which complaints are resolved. The agency resolved 49 cases that were between 1,000 and 2,200 days old during fiscal year 2004. The agency anticipates clearing all backlogged cases in fiscal year 2005 and that it will be able to report resolving complaints at the targeted levels.

SELECTED PERFORMANCE MEASURES

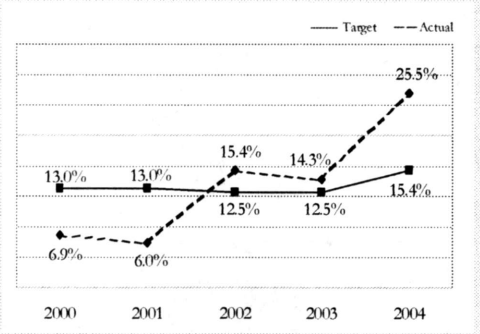
NUMBER OF NEW LICENSES ISSUED TO INDIVIDUALS



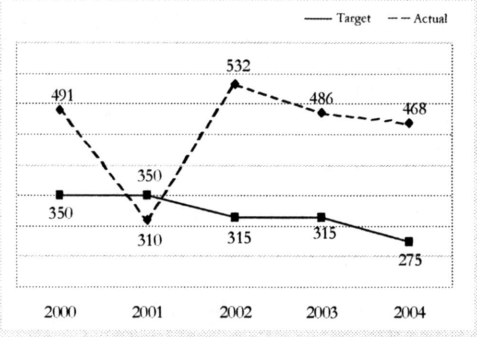
NUMBER OF COMPLAINTS RESOLVED



PERCENT OF COMPLAINTS RESULTING IN DISCIPLINARY ACTION



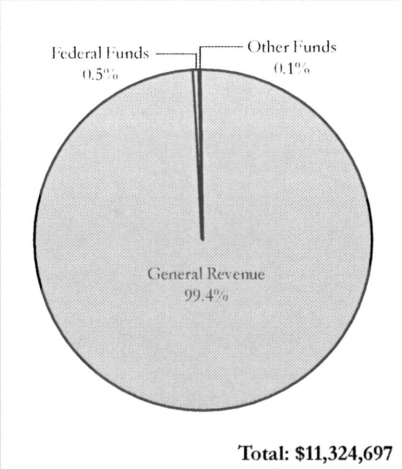
AVERAGE TIME FOR COMPLAINT RESOLUTION (DAYS)



Department of Banking

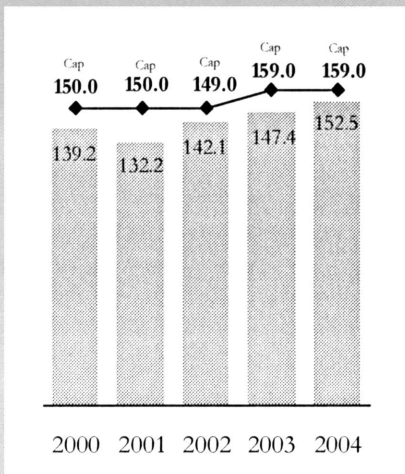
Selected Budget Information

ALL FUNDS, 2004 ESTIMATED



Total: $11,324,697

FULL-TIME-EQUIVALENT POSITIONS



MAJOR CONTRACTS REPORTED, 2004

In fiscal year 2004, the agency reported **two** contracts:

Southwest Constructors *
Construction services
$200,000

Garza/Gonzales & Associates
Internal auditing services
$28,800

* Known multi-year contract

Budget Highlights

Fee-generated General Revenue Funds accounted for the majority of the agency's reported expenditures in fiscal year 2004. The agency reported expenditures of $27,309 less in General Revenue Funds than amounts directly appropriated to it in the Seventy-eighth Legislature, General Appropriations Act (GAA), 2004–05 Biennium, for reductions related to retirement incentives and reduce leased office space.

The agency expended a little more than $7.4 million in fee-generated General Revenue Funds in fiscal year 2004 for the examination of banks, trust companies, foreign bank agencies, and foreign representative offices in conjunction with federal regulatory agencies.

The agency received $89,230 in General Revenue Funds in fiscal year 2004 as part of a legal settlement related to work performed on the Finance Commission building. All of these funds were returned to the state Treasury. In addition, the agency received $5,000 in General Revenue Funds as part of asbestos litigation; those funds were used for general operating expenses.

The agency did not activate GAA (2004–05 Biennium) Rider 3, Contingency Appropriation: State Regulatory Response in fiscal year 2004. This rider would have provided up to almost $5.6 million and 56.5 full-time-equivalent positions if warranted by growth in the state-chartered commercial banking industry, a reduction of federal regulatory resources applied to the Texas state-chartered commercial banking industry, or an inability to perform examinations with the required frequency.

Full-time-equivalent Employees

The agency did not exceed its cap for full-time-equivalent (FTE) positions in fiscal year 2004.

The agency reported staffing levels 6.5 FTEs below the FTE cap in fiscal year 2004 because staff turnover left positions temporarily vacant.

Performance Measures Audit Reports

The most recent performance measures audit by the State Auditor's Office was in August 1994, when the *Audit Report on Performance Measures at 25 State Agencies* certified without qualifications five measures and found two measures to be inaccurate. The agency has since taken steps to correct the inaccuracies.

Other Reports and Reviews

No special reports or reviews of the agency were identified after September 2003.

The agency is eligible to implement an enhanced compensation program for employees during fiscal year 2005, pursuant to Article IX, Section 6.28(d) of the 2004–05 General Appropriations Act. Agency eligibility is based on attainment of at least 80 percent of key performance targets in fiscal year 2004 and certification that at least 70 percent of audited key measures are accurate. Classified employees who directly contribute to improvements in agency performance may be awarded up to 6.8 percent of their base salary.

PERFORMANCE HIGHLIGHTS

During fiscal year 2004, the agency attained (within 5 percent) or exceeded 86 percent of its seven established key performance targets.

The agency attained or exceeded all three of its outcome targets and three of its four output/efficiency targets.

MEASURES ASSESSMENTS

The target for *Percentage of Banks Receiving Examinations when Due* was exceeded in fiscal year 2004. Entry level examiners hired during the previous two years have begun to reach levels of experience and training that allow less supervision from more experienced examiners, which in turn frees up the more experienced examiners to increase their examination output. In addition, the Federal Deposit Insurance Corporation committed more examiners to examine Texas banks than originally anticipated.

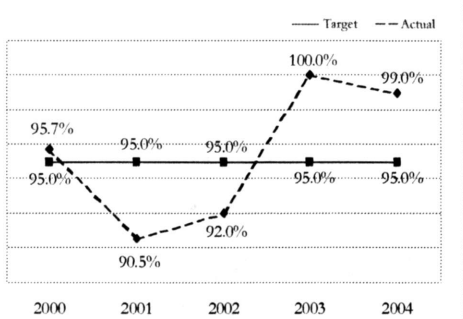
According to the agency, it was able to exceed the target for *Number of Bank and Foreign Bank Examinations Performed* due to a reduction in employee turnover since fiscal year 2001. Pay increases for financial examiners helped reduce the turnover rate. New staff have gained proficiency in the examination process, so less examiner time is required for on-the-job training and more time may be spent performing examinations. It typically takes an examiner 48 to 60 months of examination experience to gain the proficiency required to lead examinations of small, noncomplex institutions.

While the agency achieved a full staffing level among special audit examiners in the second quarter of fiscal year 2004, the agency did not meet the target for *Number of Special Audit Licensees Examined.* The agency attributes this level of performance to having had an examiner who was on intermittent medical leave during the year, which reduced the number of staff available to perform special audits. Additionally, four new examiners were still in the training process; it generally takes 6–12 months to sufficiently train examiners to perform noncomplex examinations of one special audit licensee type without supervision. It usually takes 36 months before an employee is sufficiently trained to act as an examiner-in-charge on complex examinations.

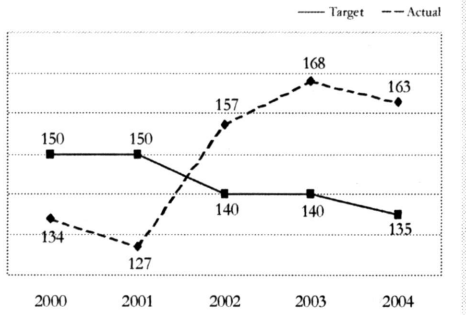
The agency exceeded the fiscal year 2004 target for *Number of Trust Company/Department and EDP Examinations/Certifications and Other Specialized Reviews Performed.* According to the agency, the target was exceeded because the examiners with responsibility for these reviews have been with the agency for a significant amount of time. In addition, the agency did not redirect resources for bank examinations as it reported doing in fiscal year 2003; therefore, more resources were available to perform trust company, trust department, and electronic data processing examinations during fiscal year 2004.

SELECTED PERFORMANCE MEASURES

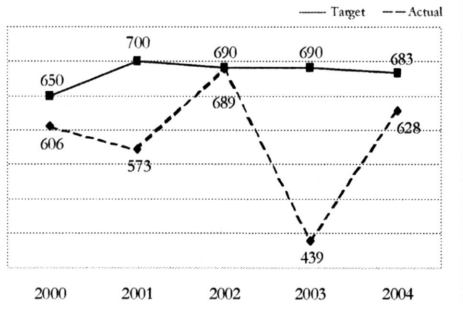
PERCENTAGE OF BANKS RECEIVING EXAMINATIONS WHEN DUE



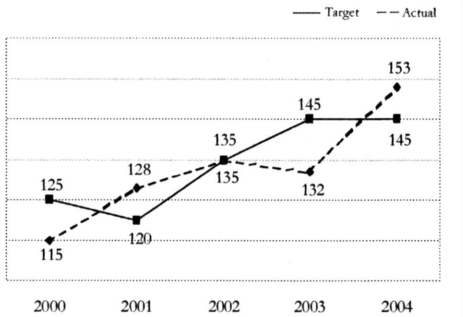
NUMBER OF BANK AND FOREIGN BANK EXAMINATIONS PERFORMED



NUMBER OF SPECIAL AUDIT LICENSEES EXAMINED



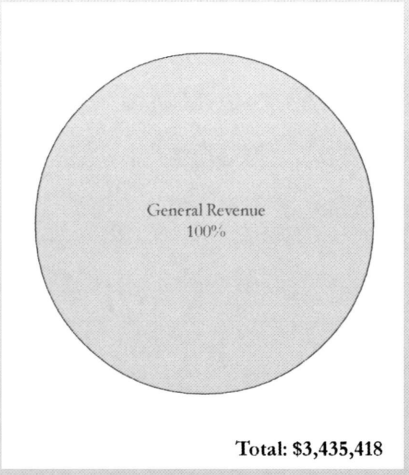
NUMBER OF TRUST COMPANY/DEPARTMENT AND EDP EXAMINATIONS/CERTIFICATIONS AND OTHER SPECIALIZED REVIEWS PERFORMED



Office of Consumer Credit Commissioner

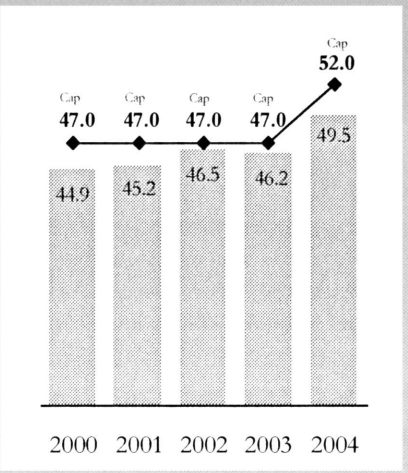
Selected Budget Information

ALL FUNDS, 2004 ESTIMATED



Total: $3,435,418

FULL-TIME-EQUIVALENT POSITIONS



MAJOR CONTRACTS REPORTED, 2004

In fiscal year 2004, the agency reported **no** contracts.

Budget Highlights

Fee-generated General Revenue Funds accounted for all of the agency's reported expenditures in fiscal year 2004.

The agency was appropriated $7,135 in General Revenue Funds more than the amounts directly appropriated to it in the Seventy-eighth Legislature, General Appropriations Act, 2004–05 Biennium for retirement incentives associated with the passage of House Bill 3208, Seventy-eighth Legislature, Regular Session, 2003.

The agency expended a little more than $2.0 million for examination of regulated lenders and pawnshops and to initiate enforcement action against those who committed violations.

Full-time-equivalent Employees

The agency did not exceed its cap for full-time-equivalent (FTE) positions in fiscal year 2004.

The agency's FTE cap was increased by five positions in fiscal year 2004 for motor vehicle sale finance enforcement. The agency was 2.5 FTEs below the cap because of the time required to fill the additional positions and because of general staff turnover.

Performance Measures Audit Reports

The most recent performance measures audit by the State Auditor's Office (SAO) was in May 2000, when the *Performance Measures at 11 State Agencies* report found five measures to be inaccurate. The agency reports that is has since made changes to ensure the accuracy of these measures. While the SAO has not re-audited the measures, the agency had the measures certified by an outside auditor.

Other Reports and Reviews

No special reports or reviews of the agency were identified after September 2003.

Office of Consumer Credit Commissioner

Performance Highlights

During fiscal year 2004, the agency attained (within 5 percent) or exceeded 82 percent of its 11 established key performance targets.

The agency attained or exceeded all five of its outcome targets and four of its six output/efficiency targets.

Measures Assessments

The agency exceeded the target for *Monies Returned to Consumers from Licensed Lenders (in Thousands)* in fiscal year 2004. Of the total monies returned, more than $23.0 million came from a large centralized record examination of a finance company that had recently acquired another large finance company. Significant monetary errors were found relating to both mortgage loan and consumer loan issues. One of the errors in the consumer loan accounts was a systematic error related to the misapplication of a recent rate provision amendment in the Finance Code, resulting in approximately $10.5 million of the total. In addition, examinations of motor vehicle sales finance licensees resulted in more than $0.8 million in refunds.

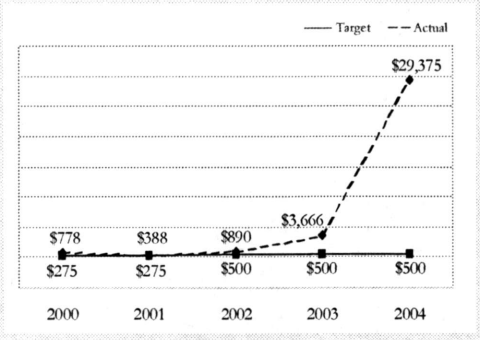
The target for *Number of Complaints Closed* was attained (within 5 percent) in fiscal year 2004 because of a stable consumer assistance staff, improved training and prioritization in processing and resolving complaints, and better consumer assistance staff access to experienced examiners to help in answering inquiries and resolving complaints.

The agency did not meet its fiscal year 2004 target for *Number of Business Applications Processed.* Longer than expected renovation and construction time decreased productivity, as renovation of the licensing area, which was expected to take less than one month, took more than three months. In addition, the agency shifted resources from business application processing to facilitate the renewal process for pawn and motor vehicle sales finance.

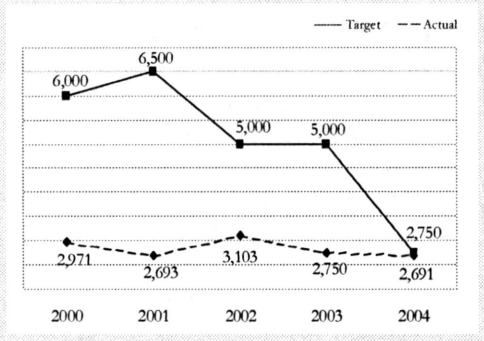
The target for *Number of Consumers Receiving In-person Services* was exceeded in fiscal year 2004, as the agency attended home and garden shows, home exposition shows, health fairs, and job fairs with a total attendance above 191,000 individuals. In addition, the agency made presentations at schools and civic organizations.

Selected Performance Measures

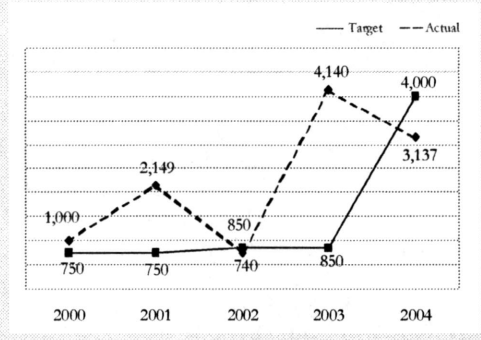
MONIES RETURNED TO CONSUMERS FROM LICENSED LENDERS (IN THOUSANDS)



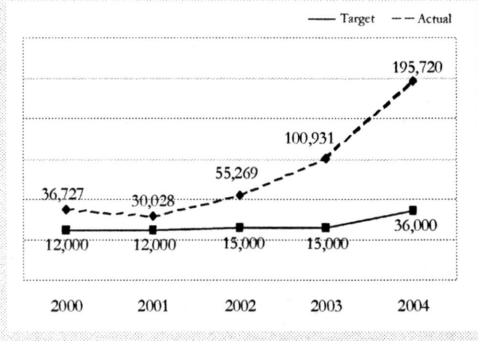
NUMBER OF COMPLAINTS CLOSED



NUMBER OF BUSINESS APPLICATIONS PROCESSED



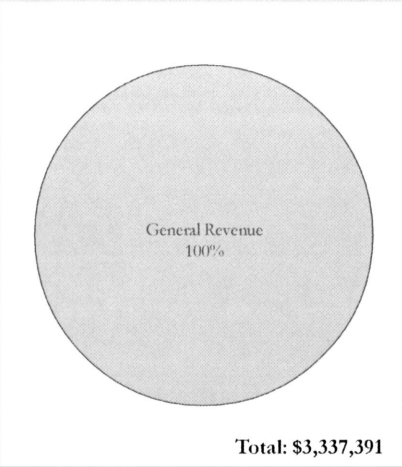
NUMBER OF CONSUMERS RECEIVING IN-PERSON SERVICES



SAVINGS AND LOAN DEPARTMENT

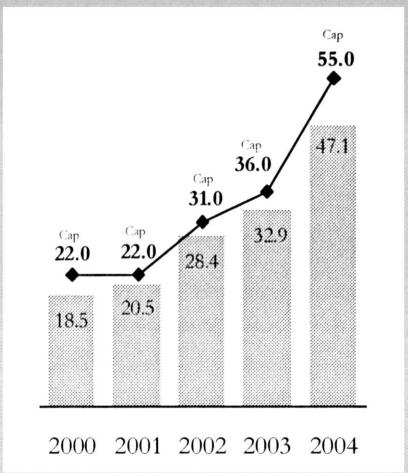
SELECTED BUDGET INFORMATION

ALL FUNDS, 2004 ESTIMATED



Total: $3,337,391

FULL-TIME-EQUIVALENT POSITIONS



MAJOR CONTRACTS REPORTED, 2004

In fiscal year 2004, the agency reported **no** contracts.

BUDGET HIGHLIGHTS

Fee-generated General Revenue Funds accounted for all of the agency's reported expenditures in fiscal year 2004.

In fiscal year 2004, the agency did not activate Rider 4, Contingency Appropriation: Thrift Regulatory Response in the Seventy-eighth Legislature, General Appropriations Act (GAA), 2004–05 Biennium. The rider would have provided an additional $512,500 in fee-generated General Revenue Funds and seven full-time-equivalent (FTE) positions if warranted by an increase in the size of the state-regulated thrift industry, by concerns about the safe and sound operations of thrift institutions, or by a reduction of federal regulatory resources applied to the Texas state-chartered thrift industry.

The agency also did not activate Rider 5, Contingency Appropriation: Mortgage Broker Regulatory Response in the 2004–05 GAA in fiscal year 2004. The rider would have provided an additional $1.9 million in fee-generated General Revenue and 30 FTE positions if warranted by an increase in the size of the state-regulated mortgage broker industry or by increased compliance incidents of regulatory or supervisory concerns related to the state-regulated mortgage broker industry.

The agency reported spending $362,295 in fee-generated General Revenue Funds above the amounts directly appropriated to it in the 2004–05 GAA related to the regulation of mortgage bankers required by Senate Bill 252, Seventy-eighth Legislature, Regular Session, 2003. In addition, the agency reported spending $215,588 in fee-generated General Revenue Funds above the amounts directly appropriated to it in the 2004–05 GAA for obtaining criminal history record information from mortgage broker and loan officer license applicants.

The agency also reported spending $70,735 in fiscal year 2004 in payments to the TexasOnline Authority for providing the agency's web-based licensing system.

FULL-TIME-EQUIVALENT EMPLOYEES

The agency did not exceed its cap for full-time-equivalent (FTE) positions in fiscal year 2004.

The agency was appropriated an additional five FTEs in fiscal year 2004 more than the amounts appropriated to it in the 2004–05 GAA related to the regulation of mortgage bankers required by Senate Bill 252, Seventy-eighth Legislature, Regular Session, 2003. The agency was 7.9 FTEs below the cap because of general staff turnover.

PERFORMANCE MEASURES AUDIT REPORTS

The most recent performance measures audit by the State Auditor's Office was in August 1994, when the *Audit Report on Performance Measures at 25 State Agencies* certified without qualifications the six measures reviewed.

OTHER REPORTS AND REVIEWS

No special reports or reviews of the agency were identified after September 2003.

PERFORMANCE HIGHLIGHTS

During fiscal year 2004, the agency attained (within 5 percent) or exceeded 75 percent of its 12 established key performance targets.

The agency attained or exceeded six of its seven outcome targets and three of its five output/efficiency targets.

MEASURES ASSESSMENTS

The target for *Number of Examinations Performed* was not met in fiscal year 2004 because of a decrease in the number of savings institutions under the agency's jurisdiction. The agency had anticipated an increase in the number of state-chartered thrifts from 24 in fiscal year 2003 to 26 in fiscal year 2004; instead, it decreased to 23. The agency undertook examinations on all institutions for which examinations were required in fiscal year 2004.

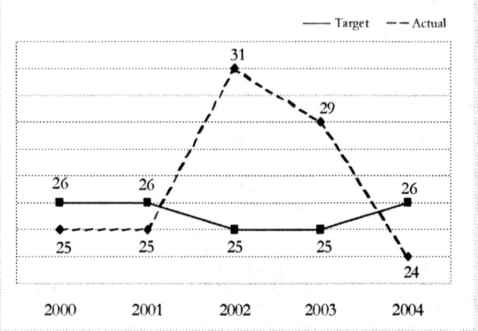
The agency exceeded the target for *Number of Applications Processed.* Improving economic conditions and solid industry profitability in fiscal year 2004 fueled an increase in the level of branch office, merger/acquisition, and acquisition/conversion application activity.

The agency did not meet the fiscal year 2004 target for *Number of Consumer Complaints Completed* related to the mortgage broker licensing program. Office space relocation and construction was completed in January 2004, allowing the agency to hire additional investigators authorized by the Seventy-eighth Legislature, 2003. With the agency filling new investigator positions, performance improved each quarter, increasing from 97 complaints processed in the first quarter to 324 complaints processed in the fourth quarter.

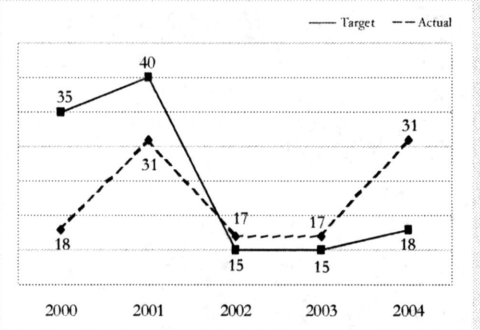
The target for *Number of New Licenses Issued to Individuals* for the mortgage broker and mortgage banker licensing program was again exceeded in fiscal year 2004. From July to September of 2003, the agency received more than 9,000 applications for new individual licenses, as individuals attempted to gain licensure prior to the fiscal year 2004 implementation of a new prelicense test requirement for all new mortgage broker and loan officer applicants. The majority of these individuals were licensed during the first quarter of fiscal year 2004.

SELECTED PERFORMANCE MEASURES

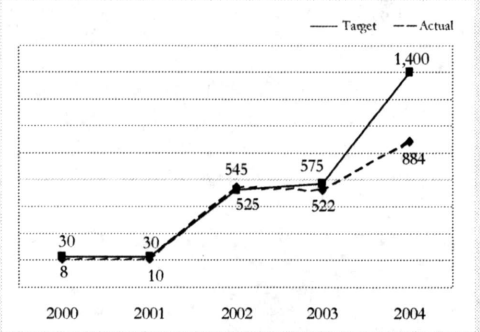
NUMBER OF EXAMINATIONS PERFORMED



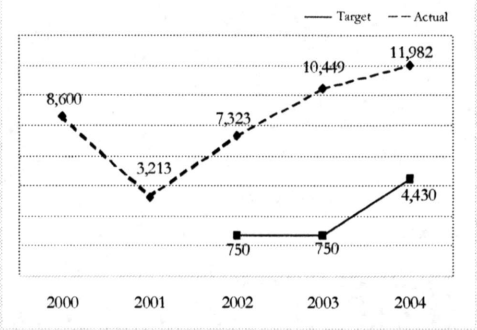
NUMBER OF APPLICATIONS PROCESSED



NUMBER OF CONSUMER COMPLAINTS COMPLETED



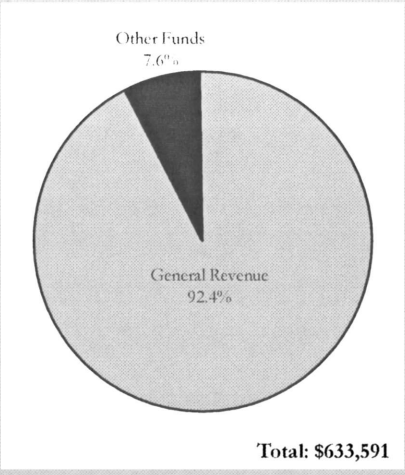
NUMBER OF NEW LICENSES ISSUED TO INDIVIDUALS



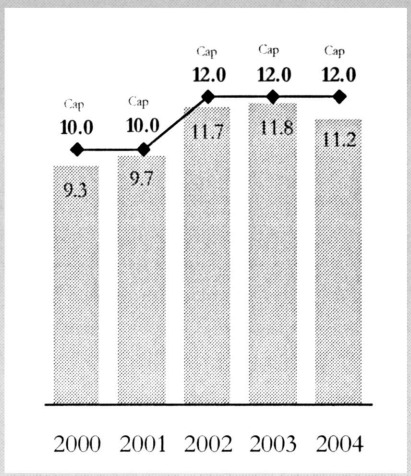
FUNERAL SERVICE COMMISSION

SELECTED BUDGET INFORMATION

ALL FUNDS, 2004 ESTIMATED



FULL-TIME-EQUIVALENT POSITIONS



MAJOR CONTRACTS REPORTED, 2004

In fiscal year 2004, the agency reported **one** contract:

Versa Systems *
Database programming
$181,233

* Known multi-year contract

BUDGET HIGHLIGHTS

Fee-generated General Revenue Funds accounted for the majority of the agency's expenditures in fiscal year 2004. The agency reported expending $585,591 in General Revenue Funds, which was the amount appropriated to it in the Seventy-eighth Legislature, General Appropriations Act, 2004–05 Biennium (GAA). The agency was appropriated $5,000 in Appropriated Receipts, of which the agency received and expended $43,000 above amounts directly appropriated to it in the 2004–05 GAA for additional operating costs. The additional Appropriated Receipts were generated from the sale of agency publications.

The agency participates in the TexasOnline Authority, to furnish license renewal services through the Internet. The agency began using the TexasOnline Authority in April 2003 for renewals of individual and provisional licenses and in August 2004 for renewals of establishment licenses. In fiscal year 2004, the agency expended $25,000 for payments to the TexasOnline Authority.

FULL-TIME-EQUIVALENT EMPLOYEES

The agency did not exceed its cap for full-time-equivalent (FTE) positions in fiscal year 2004.

In fiscal year 2004, the agency was 0.8 FTEs below the cap as a result of a vacant accountant position that the agency does not intend to fill and because of staff turnover in the Licensing Division. The agency accountant position became vacant in April 2004, and the agency began contracting with the Board of Examiners of Psychologists for its accounting functions. The agency intends to continue the contract in the 2006–07 biennium.

PERFORMANCE MEASURES AUDIT REPORTS

The most recent performance measures audit by the State Auditor's Office (SAO) was in June 2002, when the *Internal Control and Financial Processes at the Commission on the Arts and the Funeral Service Commission* found two measures to be inaccurate. The agency reports that it has taken steps to implement the SAO's recommendations concerning the accuracy of the two measures.

OTHER REPORTS AND REVIEWS

No special reports or reviews of the agency were identified after September 2003.

PERFORMANCE HIGHLIGHTS

During fiscal year 2004, the agency attained (within 5 percent) or exceeded 60 percent of its 20 established key performance targets.

The agency attained or exceeded 2 of its 5 outcome targets and 10 of its 15 output/efficiency targets.

MEASURES ASSESSMENTS

The agency exceeded the target *Percent of Complaints Resolved within Six Months* in fiscal year 2004. Although the agency implemented improvements that enhanced the efficiency of the complaint investigation process and resulted in quicker complaint resolution, the number of complaints processed that involved the State Office of Administrative Hearing (SOAH) extended the average time for resolving complaints. This also resulted in the agency not meeting the target for *Average Time (in Days) for Complaint Resolution* in fiscal year 2004. According to the agency, these complaints take longer to resolve and are more complex than other complaints.

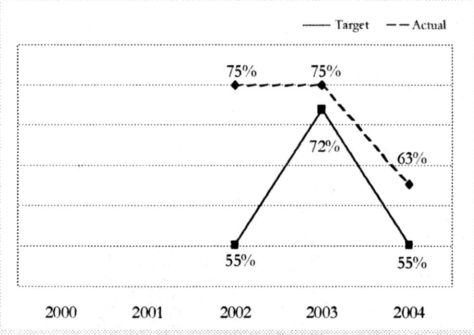
The agency did not meet the fiscal year 2004 target for *Number of Complaints Resolved* because fewer complaints received were under the agency's jurisdiction. The agency changed the process for handling consumer complaints, which affected 90 percent of the complaints handled by the agency, and included screening complaints to determine jurisdictional status. There were fewer complaints to be investigated and resolved because some complaints received by the agency were not under its jurisdiction.

The agency did not meet the target for *Average Time (in Days) for Complaint Resolution* in fiscal year 2004. According to the agency, complaints returned to the agency from the State Office of Administrative Hearings (SOAH) are more complex than other complaints and therefore take longer to resolve. The number of complaints the agency processed from SOAH resulted in an increase in the agency's average time to resolve complaints in fiscal year 2004.

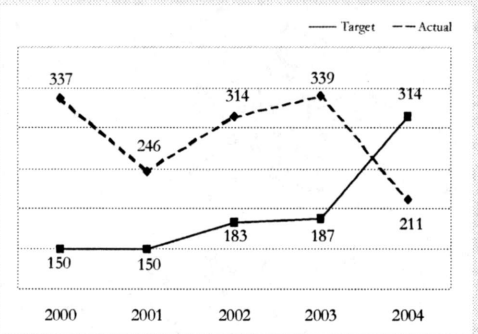
The target for *Number of New Licenses Issued to Individuals* was not met in fiscal year 2004. The agency states that staff turnover in the Licensing Division was high in July 2004, which resulted in a backlog of provisional licenses. According to the agency, a vacant position was filled in October to address this concern. The agency reports that prior to fiscal year 2003, some licensed individuals were inadvertently counted twice. During those years, provisional licensees were counted when they completed the provisional licensing program and again when they received the regular license.

SELECTED PERFORMANCE MEASURES

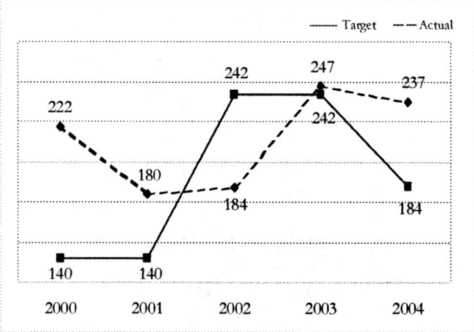
PERCENT OF COMPLAINTS RESOLVED WITHIN SIX MONTHS



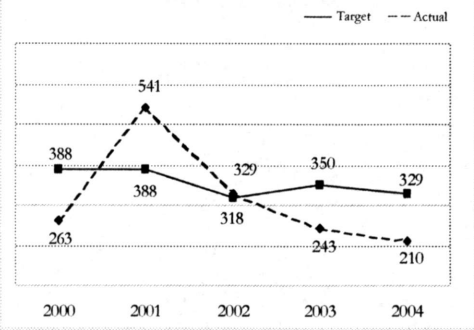
NUMBER OF COMPLAINTS RESOLVED



AVERAGE TIME (IN DAYS) FOR COMPLAINT RESOLUTION



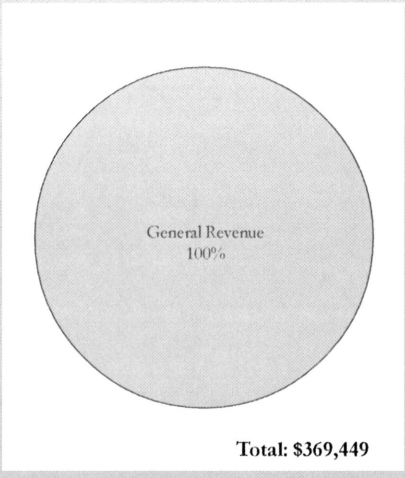
NUMBER OF NEW LICENSES ISSUED TO INDIVIDUALS



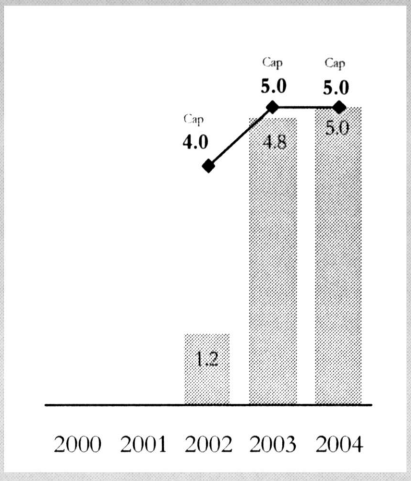
Board of Professional Geoscientists

Selected Budget Information

ALL FUNDS, 2004 ESTIMATED



FULL-TIME-EQUIVALENT POSITIONS



MAJOR CONTRACTS REPORTED, 2004

In fiscal year 2004, the agency reported **two** contracts:

Vintage *
Computer hardware and support services
$91,477

Versa Management Systems *
Software and services
$88,300

* Known multi-year contract

Budget Highlights

Fee-generated General Revenue Funds accounted for all of the agency's expenditures in fiscal year 2004. The agency expended $104,255 less than amounts directly appropriated to it in the Seventy-eighth Legislature, General Appropriations Act, 2004–05 Biennium.

The agency began using the TexasOnline Authority, to furnish license renewal services via the Internet on July 1, 2004. In fiscal year 2004, the agency expended $19,040 for payments to the TexasOnline Authority. The agency purchased a Database Assessment Service to assist in providing a more efficient query of the agency's licensing system for critical data and streamlining of the licensing process.

The agency was created by the adoption of the Texas Geoscientists Practice Act by the Seventy-seventh Legislature, 2001, as outlined in Senate Bill 405, which set forth regulations for the public practice of geoscience, established the qualification standards for licensed geoscientists, and provided penalties for violation of this Act.

Senate Bill 405 granted the agency authority to administer and implement licensing, administration, and enforcement functions. However, funding was contingent upon the collection of fees prior to any expenditures. As a result of this requirement, the agency was unable to engage in any operations until after the receipt of a $200,000 emergency and deficiency grant from the Office of the Governor in fiscal year 2003. The grant allowed the agency to develop licensing requirements (with the help of the Texas Department of Licensing and Regulation) and to begin collecting fees for licenses.

The first meeting of the board took place on May 28, 2002, at which time the board approved a contract with the Texas Department of Licensing and Regulation to provide start-up administrative support through August 21, 2003. Upon expiration of the contract, the board, with the executive director and staff, became an independent agency.

Full-time-equivalent Employees

The agency did not exceed its cap for full-time-equivalent positions in fiscal year 2004.

Performance Measures Audit Reports

No reports of the agency were identified.

Other Reports and Reviews

No special reports or reviews of the agency were identified.

PERFORMANCE HIGHLIGHTS

During fiscal year 2004, the agency attained (within 5 percent) or exceeded 50 percent of its 14 established key performance targets.

The agency attained or exceeded 1 of its 3 outcome targets and 6 of its 11 output/efficiency targets.

MEASURES ASSESSMENTS

The agency exceeded the target for *Number of Licenses Renewed* in fiscal year 2004. The agency received more than 6,800 geoscientist license applications by August 31, 2003, which was the ending date for the grandfather period for new geoscientist licensing requirements. In fiscal year 2004, more than 6,100 licensees submitted an application for license renewal.

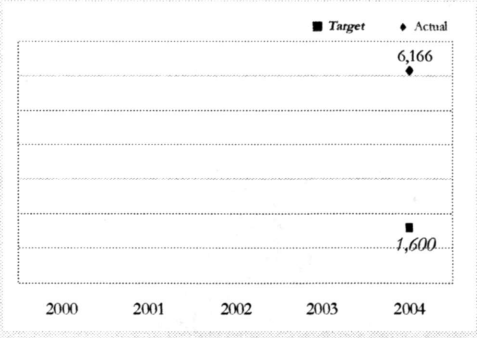
The agency exceeded its fiscal year 2004 target for *Complaints Resolved.* The executive director is authorized to administratively close certain complaints instead of those complaints requiring closure by the board. This enforcement procedure has made it possible for the agency to process a higher number of complaints not only more efficiently, but also more expediently than expected. Complaints may fall into the administratively closed category if the issues are simple, such as licensure credential verification, practicing without a license, or if the complaints resolved themselves.

The agency did not attain its target for *Number of Enforcement Cases and Inquiries Resolved* in fiscal year 2004. The agency indicated the primary reason the target was not met was that initial enforcement cases received did not merit extensive investigation nor did they have the correct jurisdictional requirements. The agency began conducting an extensive outreach program in May 2004 to address the issues affecting this measure. Recently, the Texas Commission on Environmental Quality and the Texas Railroad Commission, both of which have licensed geoscientists on staff, have incorporated Board of Professional Geoscientists (BPG) requirements into their processes and have begun to follow BPG rules requiring environmental documents to be signed and sealed with the professional geoscientists seal.

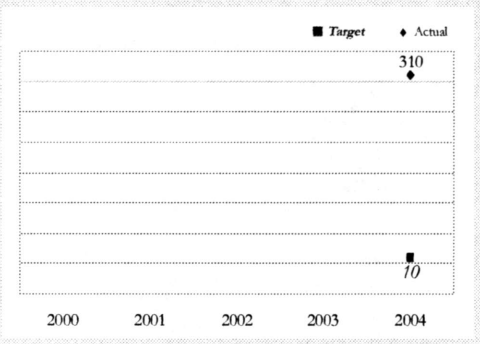
The agency attained the target for *Average Licensing Cost per Individual License Issued* in fiscal year 2004 by keeping the cost below the targeted amount. The agency attributes this to having implemented an automated licensing data processing system. As a new agency, it also started with lower salaries than was anticipated, resulting in a lower than expected average cost of processing. The agency expects that the costs will remain the same through fiscal year 2005.

SELECTED PERFORMANCE MEASURES

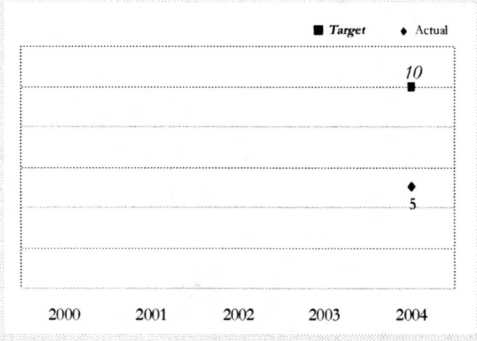
NUMBER OF LICENSES RENEWED



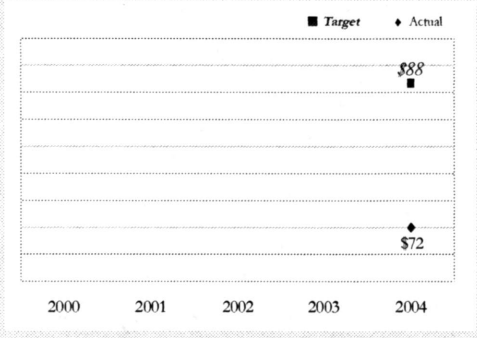
COMPLAINTS RESOLVED



NUMBER OF ENFORCEMENT CASES AND INQUIRIES RESOLVED



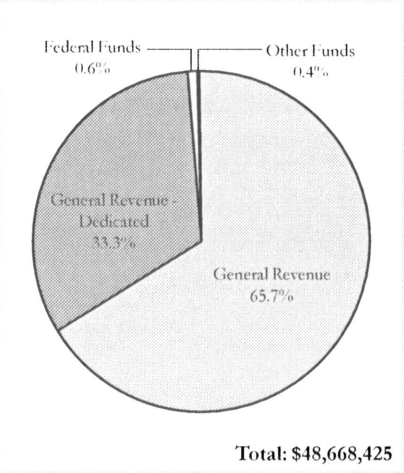
AVERAGE LICENSING COST PER INDIVIDUAL LICENSE ISSUED



DEPARTMENT OF INSURANCE

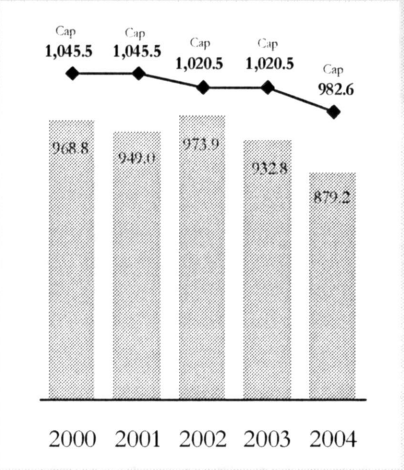
SELECTED BUDGET INFORMATION

ALL FUNDS, 2004 ESTIMATED



Total: $48,668,425

FULL-TIME-EQUIVALENT POSITIONS



MAJOR CONTRACTS REPORTED, 2004

In fiscal year 2004, the agency reported **34** contracts, including:

NAIC *
Database filing fee
$1,275,000

Innovative IT Solutions *
Software maintenance
$622,000

Postmaster Relationship
Postage
$381,000

Vintage IT Services *
Computer purchases
$376,642

Madison Consulting Group, Inc. *
Actuarial services
$370,000

Vista Solutions *
Software maintenance
$290,753

* Known multi-year contract

BUDGET HIGHLIGHTS

Agency reported expenditures of $32.0 million in fee-generated General Revenue Funds and $16.2 million in General Revenue–Dedicated Funds accounted for 99 percent of the agency's expenditures in fiscal year 2004. Insurance company maintenance taxes and agency fees accounted for all generated revenues.

The agency reported spending $2.5 million in General Revenue Funds and $1.3 million in General Revenue–Dedicated Funds less than amounts directly appropriated to it in the Seventy-eighth Legislature, General Appropriations Act (2004–05 Biennium). The reductions included $2.3 million for unfilled vacancy salaries; $1.3 million for companies paying database fees to the National Association of Insurance Commissioners as per enactment of Senate Bill 637, Seventy-eighth Legislature, Regular Session, 2003; $150,663 for staff retirement incentives; and $90,000 for required reductions in human resources staff.

The agency received $272,256 in Federal Funds related to the Federal Health Resources and Services Administration state planning grant. The funds were provided to help the state develop a plan to reduce the number of citizens without health insurance by conducting surveys and collecting information related to insurance and the uninsured. The agency reported spending $57,600 in fiscal year 2004 for an interagency contract for the Health Insurance Counseling and Advocacy Program (HICAP), through which the agency provides special outreach to Texas seniors. The agency's role in HICAP is to provide training and support on insurance issues to local benefit counselors in the local Area Agency on Aging offices.

The agency uses the electronic portion of the TexasOnline Authority for renewal transactions, to collect licensee information, and to collect and process payments. In fiscal year 2004, the agency reported spending $55,572 for payments to the TexasOnline Authority.

Senate Bill 14, Seventy-eighth Legislature, Regular Session, 2003, brought all licensed automobile and residential property insurers under rate regulation by the Department of Insurance (TDI). Under the provisions of Senate Bill 14, residential property rates are now subject to prior approval, with the agency authorized to require refunds when filings indicate excessive rates have been charged. Insurers that use credit scoring must now file their models with TDI, and an insurer may not use credit information as the sole basis for denying, canceling, or renewing a policy.

FULL-TIME-EQUIVALENT EMPLOYEES

The agency did not exceed its cap for full-time-equivalent (FTE) positions in fiscal year 2004.

The agency's FTE cap decreased by 37.9 FTEs from fiscal year 2003 to fiscal year 2004. The agency reported staffing levels of 103.4 FTEs below its cap in fiscal year 2004, equating to 43.5 unfunded FTEs and 59.9 FTEs from vacancies and staff turnover. The agency experienced a 10 percent turnover rate in fiscal year 2004 among financial examiners, information technology professionals, actuaries, and attorneys. The agency has been staffed below its FTE cap since fiscal year 1998.

PERFORMANCE MEASURES AUDIT REPORTS

The most recent performance measures audit by the State Auditor's Office was in May 1998, when the *Performance Measures at 36 State Agencies* report

certified without qualifications four measures, certified with qualifications one measure, and found one measure to be inaccurate. The agency implemented a corrective action plan to address the audit report findings and to ensure accuracy for future audit reports.

OTHER REPORTS AND REVIEWS

No special reports or reviews of the agency were identified after September 2003.

PERFORMANCE HIGHLIGHTS

During fiscal year 2004, the agency attained (within 5 percent) or exceeded 62 percent of its 34 established key performance targets.

The agency attained or exceeded 9 of its 13 outcome targets and 12 of its 21 output/efficiency targets.

MEASURES ASSESSMENTS

The agency exceeded the target for *Number of Inquiries Answered* in fiscal year 2004 because of an increase of 285,882 contacts through the Practices and Claims Complaint Information (PCCI) application on the agency's website. PCCI company profiles provide customers with basic information about more than 2,000 licensed insurers. The increase in the number of website contacts accounted for the total increase in the number of inquiries answered in fiscal year 2004. The agency attributes this increase to the public's growing reliance on the Internet as an information resource and to improvements made by the agency to its website that increased user access speed.

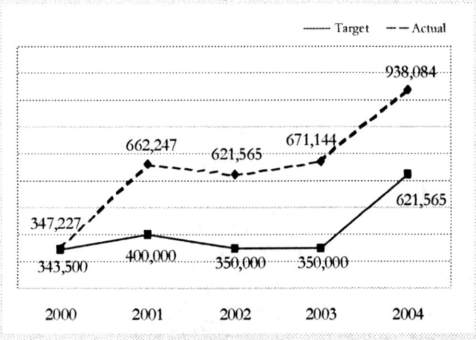
The target for *Percent of Companies Rehabilitated after Texas Department of Insurance Intervention* was not attained. In fiscal year 2004, the agency released six companies from rehabilitation. In addition, two other companies were scheduled to emerge from rehabilitation before the end of the year, but requested a delay in their release until fiscal year 2005. With the exception of fiscal year 2003, annual performance for this measure has varied between 17 percent and 19 percent. Performance in fiscal year 2003 reflects an increase in activity because of four additional rehabilitations that resulted from merger activity of four subsidiaries into the parent insurance company. The agency uses an "integrated action" through financial audits, exams, and reported complaints to identify and intervene with companies at the earliest indication of problems.

The agency exceeded the target for *Average Number of Days from "At Risk" Identification to Solvency Action* because only one of 12 actions required a notice of hearing in fiscal year 2004. The agency is able to take action more quickly when no notice of hearing is required. A company that is determined by the agency to in a hazardous financial condition may be placed into administrative oversight or conservatorship.

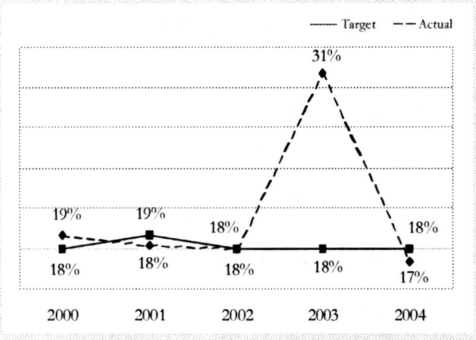
The agency exceeded the target for *Number of Contested Cases Closed* in fiscal year 2004 because a large number of contested cases were closed due to default and consent orders. Contested cases included revocation of an agency's license, unauthorized companies or agents selling unauthorized insurance, and monetary fines assessed for unfair and illegal practices against companies and agents. Cases closed as a consequence of parties not responding to the notice of hearing within 20 days result in a default order. Parties agreeing to the terms of the order prior to the hearing date result in a consent order.

SELECTED PERFORMANCE MEASURES

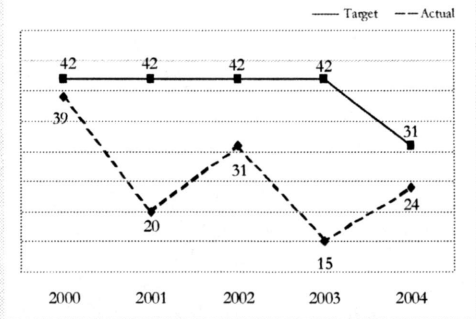
NUMBER OF INQUIRIES ANSWERED



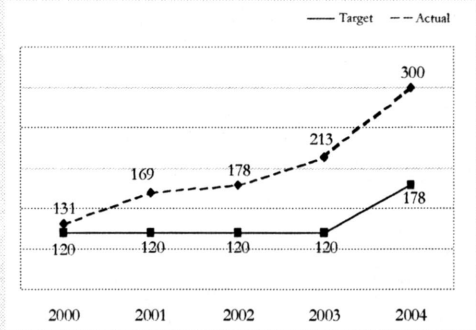
PERCENT OF COMPANIES REHABILITATED AFTER AGENCY INTERVENTION



AVERAGE NUMBER OF DAYS FROM "AT RISK" IDENTIFICATION TO SOLVENCY ACTION



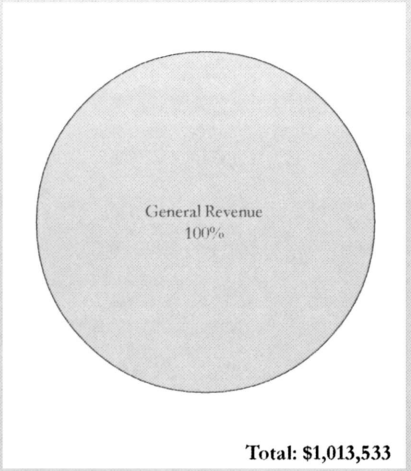
NUMBER OF CONTESTED CASES CLOSED



Office of Public Insurance Counsel

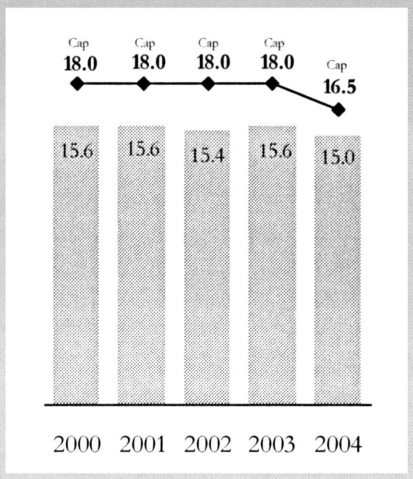
Selected Budget Information

ALL FUNDS, 2004 ESTIMATED



Total: $1,013,533

FULL-TIME-EQUIVALENT POSITIONS



MAJOR CONTRACTS REPORTED, 2004

In fiscal year 2004, the agency reported **one** contract:

Allan I. Schwartz, AIS Risk Consultants *
Actuarial services and expert witness
$152,500

* Known multi-year contract

Budget Highlights

Fee-generated General Revenue Funds, which are derived from assessments on property and casualty, title, and other types of insurance products, accounted for all of the agency's reported expenditures in fiscal year 2004. The agency reported expending the amount of General Revenue Funds appropriated to it in the Seventy-eighth Legislature, General Appropriations Act, 2004–05 biennium.

The agency's primary function is to support the interests of consumers. Senate Bill 14, Seventy-eighth Legislature, Regular Session, 2003, directed the agency to review rate filings submitted by insurance companies to determine whether they are actuarially sound and meet statutory requirements on behalf of insurance consumers. The agency devoted approximately 88 percent of its staff work hours to participating in rate and rule hearings on behalf of Texas insurance customers in fiscal year 2004. The agency assisted customers by obtaining expert witnesses, arranging for staff and consumer testimony, and providing staff research and staff attorneys for use in rulemaking decisions by the insurance commissioner, in hearings conducted by the State Office of Administrative Hearings, and in court proceedings.

Full-time-equivalent Employees

The agency did not exceed its cap for full-time-equivalent (FTE) positions in fiscal year 2004.

The agency reported staffing levels of 1.5 FTEs below the FTE cap in fiscal year 2004 due to staff turnover.

Performance Measures Audit Reports

The most recent performance measures audit by the State Auditor's Office was in May 1998, when the *Performance Measures at 36 State Agencies* report certified without qualifications the five measures reviewed.

Other Reports and Reviews

No special reports or reviews of the agency were identified after September 2003.

PERFORMANCE HIGHLIGHTS

During fiscal year 2004, the agency attained (within 5 percent) or exceeded 60 percent of its 10 established key performance targets.

The agency attained or exceeded three of its four outcome targets and three of its six output/efficiency targets.

MEASURES ASSESSMENTS

The agency did not meet the target for *Number of Industry-wide Rate Hearings in which OPIC Participated.* OPIC acts as an advocate for consumers at industry-wide hearings, which are conducted to determine benchmark and other industry-wide rates in various lines of insurance. The Texas Department of Insurance scheduled two industry-wide rate hearings in fiscal year 2004; OPIC participated in both. The agency anticipates that there will continue to be fewer industry-wide rate hearings because Senate Bill 14, Seventy-eighth Legislature, Regular Session, 2003, deregulated automobile insurance and homeowner insurance.

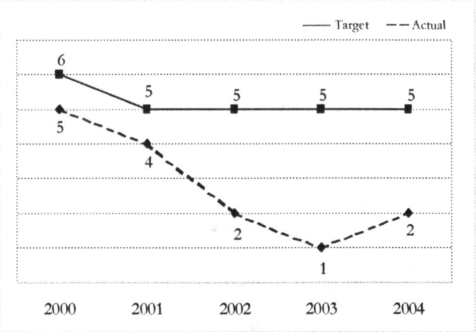
The target for *Number of Rulemaking Proceedings in which OPIC Participated* was exceeded in fiscal year 2004. Measure performance is significantly affected by the number and type of rules proposed by outside entities and the anticipated impact of these proposed rules on consumers. In fiscal year 2004, more rules that would impact consumers and necessitate OPIC participation were proposed by outside entities than anticipated.

The target for *Number of Judicial Proceedings in which OPIC Participated as a Party of Record* was not met in fiscal year 2004. There were no judicial proceedings in which the agency participated during the administrative process during the year. The agency does not file lawsuits itself, so measure performance is predicated on outside parties filing lawsuit or appealing Texas Department of Insurance administrative decisions.

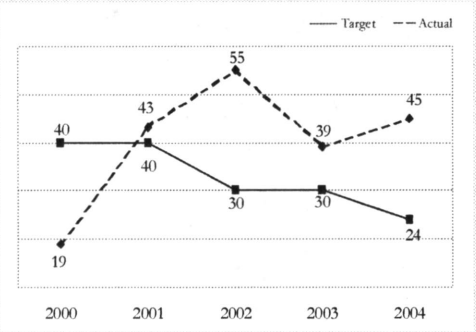
The agency did not meet the target for *Savings (in Millions) to Consumers as a Result of Rate Hearings Participation.* Savings for fiscal year 2004 fell short of the target by $462 million, or almost 50 percent. According to the agency, postponement of the automobile and homeowner insurance benchmark rate hearings, as the industries moved to a file and use regulatory system, resulted in lower savings during the reporting period.

SELECTED PERFORMANCE MEASURES

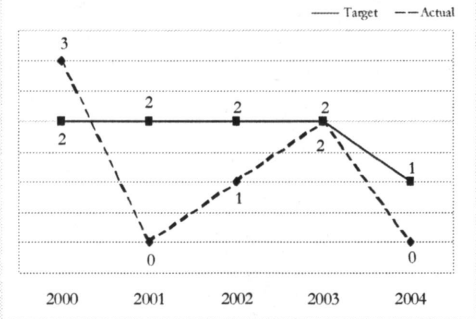
NUMBER OF INDUSTRY-WIDE RATE HEARINGS IN WHICH OPIC PARTICIPATED



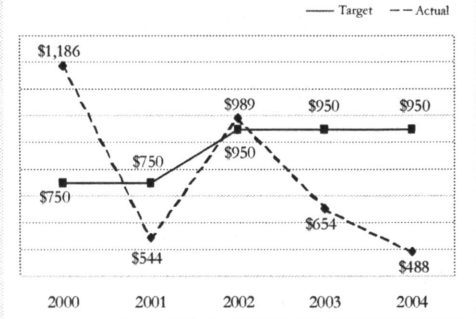
NUMBER OF RULEMAKING PROCEEDINGS IN WHICH OPIC PARTICIPATED



NUMBER OF JUDICIAL PROCEEDINGS IN WHICH OPIC PARTICIPATED AS A PARTY OF RECORD



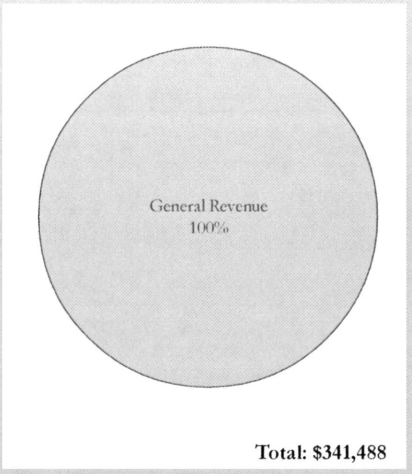
SAVINGS (IN MILLIONS) TO CONSUMERS AS A RESULT OF RATE HEARINGS PARTICIPATION



Board of Professional Land Surveying

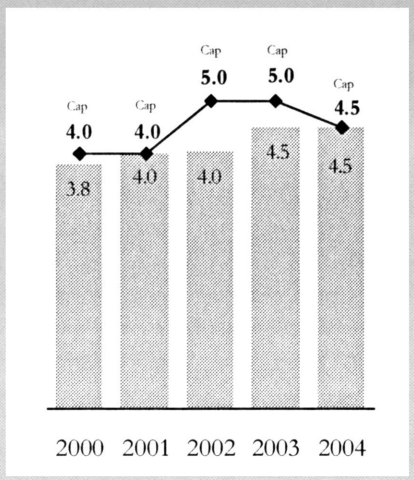
Selected Budget Information

ALL FUNDS, 2004 ESTIMATED



Total: $341,488

FULL-TIME-EQUIVALENT POSITIONS



MAJOR CONTRACTS REPORTED, 2004

In fiscal year 2004, the agency reported **no** contracts.

Budget Highlights

Fee-generated General Revenue Funds accounted for all of the agency's expenditures in fiscal year 2004.

Senate Bill 260, Seventy-eighth Legislature, Regular Session, 2003, continued the agency for the standard 12-year period. The bill also authorized the agency to create and maintain examination advisory committees and made conforming changes to key elements of the agency's licensing and regulatory functions to follow commonly applied licensing practices.

The agency reported expenditures of $3,348 less than amounts appropriated directly to it in the Seventy-eighth Legislature, General Appropriations Act, 2004–05 Biennium, for lower payments to the TexasOnline Authority. The agency participates in the TexasOnline Authority to furnish license renewal services through the Internet, which has provided licensees with access to information and services since the agency began using the TexasOnline Authority in November 2002. In fiscal year 2004, the agency expended $10,873 for payments to the TexasOnline Authority. In addition, the agency provides services to the public through the Internet, which includes continuing education courses, customer service surveys, newsletters, applicant forms, and complaint forms.

Full-time-equivalent Employees

The agency did not exceed its cap for full-time-equivalent positions in fiscal year 2004.

Performance Measures Audit Reports

The most recent performance measures audit by the State Auditor's Office was in December 1995, when the *1995 Small Agency Management Control Audit* report certified with qualifications one measure, found two measures to be inaccurate, and one measure had factors that prevented certification. The agency implemented new tracking and reporting procedures to correct the measures found to be inaccurate.

Related Reports and Reviews

No special reports or reviews of the agency were identified after September 2003.

Board of Professional Land Surveying

Performance Highlights

During fiscal year 2004, the agency attained (within 5 percent) or exceeded 80 percent of its 10 established key performance targets.

The agency attained or exceeded three of its four outcome targets and five of its six output/efficiency targets.

Measures Assessments

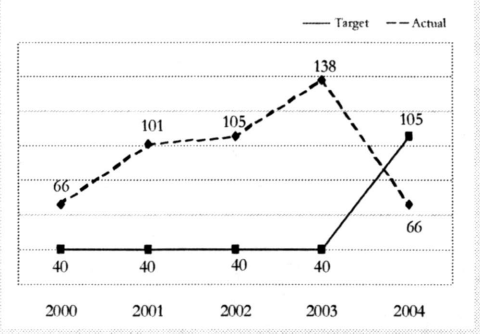
The agency did not meet its target for the *Number of New Licenses Issued to Individuals* in fiscal year 2004. House Bill 200, Seventy-fourth Legislature, 1995, changed licensing requirements to require a four-year college degree that includes 32 hours of survey-related courses for licensing; experience cannot be used in lieu of education. The change took effect on January 1, 2003. In the years immediately preceding that deadline, higher numbers of license applications were received as individuals attempted to become licensed prior to having to meet the new education requirements. The number of applications received following the January 2003 deadline declined because remaining potential applicants had to meet the education requirements. Applicants not meeting the education requirement only had one opportunity in fiscal year 2004 to pass the examination after the January deadline had passed because licensing examinations are administered only in April and October of each year.

Fiscal year 2004 is the fifth consecutive year in which the agency exceeded its target for *Average Licensing Cost per Individual License Issued* by keeping the cost below the targeted amount. The agency was able to reduce related administrative costs by (1) administering the licensing examinations only twice a year; (2) saving on postage costs by no longer sending reminder letters to registrants about continuing education hours or license renewal; and (3) decreasing staff operating and programmer costs.

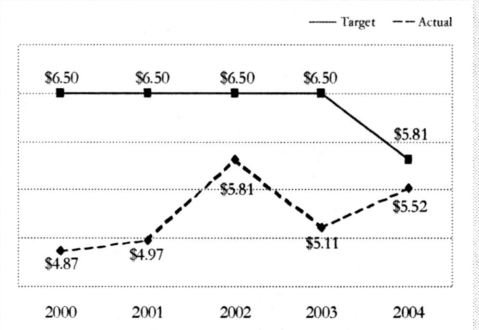
The target for both the *Number of Complaints Resolved* and for the *Median Time (in Days) for Complaints Resolved within Six Months* was exceeded in fiscal year 2004. The agency's sunset legislation, Senate Bill 260, Seventy-eighth Legislature, Regular Session, 2003, included provisions that authorize staff to conduct investigations, determine violations, and recommend sanctions without board approval beginning in fiscal year 2004. Previously, all such actions required board approval. This change and the addition of a part-time investigator expedited the complaint resolution process by reducing the amount of time required to resolve complaints and enabling more complaints to be processed.

Selected Performance Measures

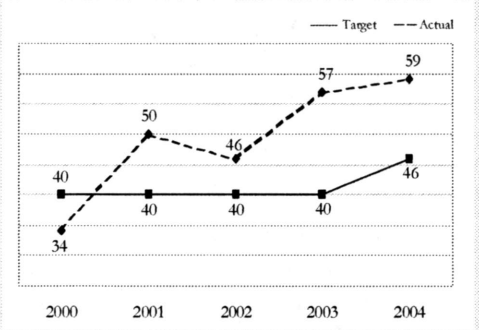
NUMBER OF NEW LICENSES ISSUED TO INDIVIDUALS



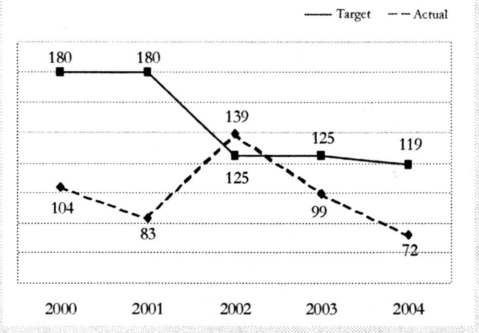
AVERAGE LICENSING COST PER INDIVIDUAL LICENSE ISSUED



NUMBER OF COMPLAINTS RESOLVED



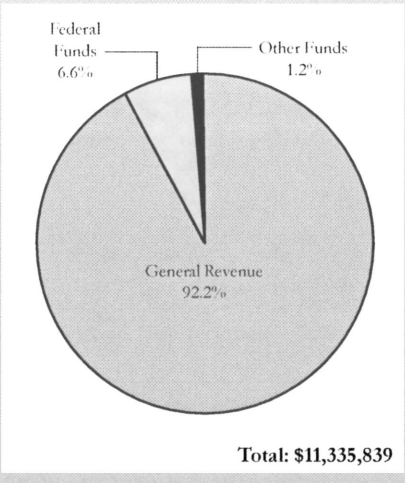
MEDIAN TIME (IN DAYS) FOR COMPLAINTS RESOLVED WITHIN SIX MONTHS



Department of Licensing and Regulation

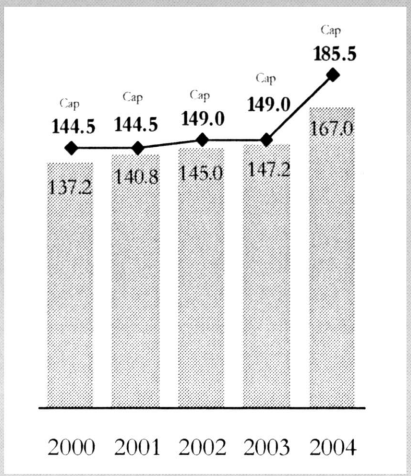
Selected Budget Information

ALL FUNDS, 2004 ESTIMATED



Total: $11,335,839

FULL-TIME-EQUIVALENT POSITIONS



MAJOR CONTRACTS REPORTED, 2004

In fiscal year 2004, the agency reported two contracts:

Prometric, Inc. *
Examination delivery
$221,339

Monday N. Rufus, PC *
Internal auditing services
$91,030

* Known multi-year contract

Budget Highlights

Fee-generated General Revenue Funds accounted for $10.4 million of the agency's reported expenditures in fiscal year 2004. This amount exceeds original appropriations made to the agency by $3.2 million.

The agency received $2.2 million and 36.5 full-time-equivalent positions relating to the licensing of electricians, pursuant to the provisions of House Bill 24, Seventy-eighth Legislature, Third Called Session, 2003.

The agency collected and spent additional revenue above amounts originally appropriated to it from fees for administering and enforcing the Architectural Barriers Act and laws related to elevators, escalators, and related equipment in fiscal year 2004. The agency collected an additional $1.0 million for architectural barrier inspections and $187,635 from elevator inspector registrations, contractor registrations, and certificate compliance filings.

The agency transferred $112,706 and two full-time-equivalent positions from the State Office of Administrative Hearings relating to the function of administrative hearings, pursuant to the provisions of Senate Bill 1147, Seventy-eighth Legislature, Regular Session, 2003.

The agency received $748,800 in Federal Funds for administration of the Weather Modification Grant Program in fiscal year 2004, pursuant to the General Appropriations Act (2004–05 Biennium), Article IX, Section 8.02.

The agency uses the TexasOnline Authority to furnish license renewal services through the Internet. The agency began using the TexasOnline Authority in September 2000 for license renewals of air conditioning contractors and auctioneers. According to the agency, well drillers and pump installers, licensed court interpreters, and property tax consultants licensees are also able to renew their license online. In fiscal year 2004, the agency expended $74,530 for payments to the TexasOnline Authority.

Full-time-equivalent Employees

The agency did not exceed its cap for full-time-equivalent positions in fiscal year 2004.

The agency received 36.5 FTE positions relating to the licensing of electricians, pursuant to the provisions of House Bill 24, Seventy-eighth Legislature, Third Called Session, 2003.

Performance Measures Audit Reports

The most recent performance measures audit by the State Auditor's Office was in March 2000, when the *2000 Small Agency Management Control Audit* certified without qualifications the five measures reviewed.

Other Reports and Reviews

No special reports of the agency were identified after September 2003.

The agency underwent review by the Sunset Advisory Commission during the 2002–03 biennium and was continued for another 12 years through enactment of Senate Bill 279, Seventy-eighth Legislature, Regular Session, 2003.

The agency is eligible to implement an enhanced compensation program for employees during fiscal year 2005, pursuant to Article IX, Section 6.28(d) of the 2004–05 General Appropriations Act. Agency eligibility is

based on attainment of at least 80 percent of key performance targets in fiscal year 2004 and certification that at least 70 percent of audited key measures are accurate. Classified employees who directly contribute to improvements in agency performance may be awarded up to 6.8 percent of their base salary.

PERFORMANCE HIGHLIGHTS

During fiscal year 2004, the agency attained (within 5 percent) or exceeded 94 percent of its 17 established key performance targets.

The agency attained or exceeded seven of its eight outcome targets and all nine of its output/efficiency targets.

MEASURES ASSESSMENTS

The agency exceeded its target for *Number of New Licenses Issued to Individuals* in fiscal year 2004. According to the agency, the performance was a one-time exception associated with the creation of a new program in which a large number of practicing electricians were required to become licensed in the same year. In future years, both the Electricians and the For Profit Legal Service Contracts programs will cause the number of new licenses issued to remain higher than in the past, but not nearly as high as in fiscal years 2004 and 2005. In subsequent years, the impact of the new programs is expected to substantially increase the number of license renewals.

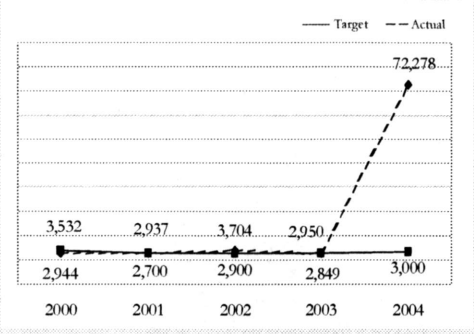
The agency exceeded the target for *Average Licensing Cost per Individual License Issued* in fiscal year 2004. According to the agency, this was a one-time exception associated with the creation of a new program in which a large number of practicing electricians were required to become licensed in the same year. The Electricians program only operated and incurred costs for one-half of fiscal year 2004, but a full year's number of licenses were issued. In fiscal year 2005, it is anticipated that costs will be incurred for the full year and a similar number of licenses will be issued.

The agency exceeded the *Inspection Coverage Rate* target in fiscal year 2004. According to the agency, the performance is primarily a result of construction activity, as evidenced by project completions and Architectural Barriers inspections, which grew at a rate higher than projected. The performance exceeded 100 percent because the measure compares the number of inspections conducted to the number the agency projected would be due during the period.

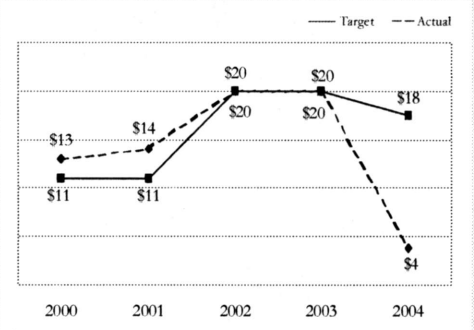
The *Number of Complaints Resolved* exceeded the agency's target for fiscal year 2004. The agency's enforcement division resolved 1,919 more complaints than projected. The agency received a large volume of application complaint cases related to criminal convictions. The agency resolved 1,106 unanticipated electrician application cases during the fiscal year. The agency also resolved Air Conditioning and Refrigeration Contractors (ACR), Industrialized Housing and Building, Service Contract Providers, and Water Well Driller Programs. The ACR program resolved 262 more cases than was anticipated. The agency cites that the enforcement division's interactions with the Air Conditioning Enforcement Task Team has contributed to exceeding the target.

SELECTED PERFORMANCE MEASURES

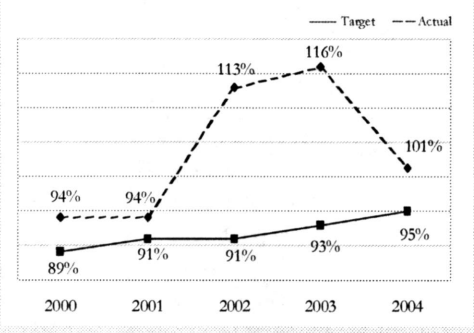
NUMBER OF NEW LICENSES ISSUED TO INDIVIDUALS



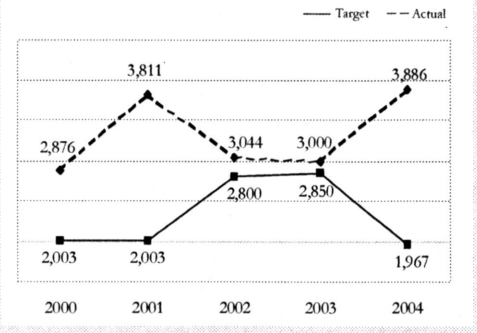
AVERAGE LICENSING COST PER INDIVIDUAL LICENSE ISSUED



INSPECTION COVERAGE RATE



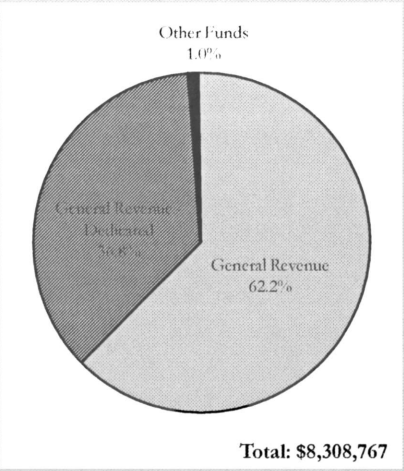
NUMBER OF COMPLAINTS RESOLVED



Board of Medical Examiners

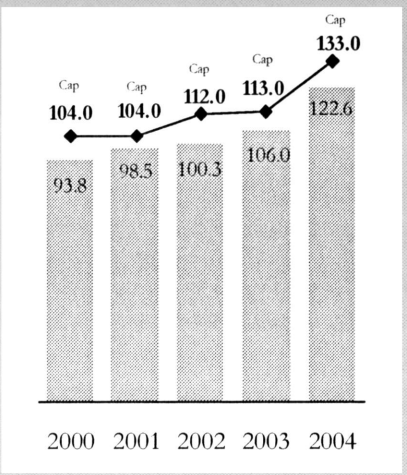
Selected Budget Information

ALL FUNDS, 2004 ESTIMATED



Total: $8,308,767

FULL-TIME-EQUIVALENT POSITIONS



MAJOR CONTRACTS REPORTED, 2004

In fiscal year 2004, the agency reported **two** contracts:

KPMG Peat Marwick LLP *
Assessment of agency operations
$86,000

IT Nexus, Inc.
IT evaluation
$49,800

* Known multi-year contract

Budget Highlights

Fee-generated General Revenue Funds and General Revenue–Dedicated Funds accounted for the majority of the agency's reported expenditures in fiscal year 2004. The agency reported expenditures of approximately $5.2 million in General Revenue Funds, which included $10,440 more than amounts appropriated to it in the Seventy-eighth Legislature, General Appropriations Act (GAA), 2004–05 Biennium, for small increases in payments to the TexasOnline Authority and for retirement incentives. Expenditures of approximately $3.1 million from the newly created General Revenue–Dedicated Physician Enforcement Account No. 8074 were reported by the agency, which included $419,076 less than amounts appropriated to it in the 2004–05 GAA, for enforcement of physician regulations, because revenue collections were below anticipated levels. The agency also reported expenditures of $80,423 in Appropriated Receipts, which included $64,577 less than amounts appropriated to it in the 2004–05 GAA, for revenue collections from the sale of agency publications and records, which were below anticipated levels.

Senate Bill 104, Seventy-eighth Legislature, Regular Session, 2003, made the following changes to regulations and enforcement of the practice of medicine in Texas: (1) required the agency to incorporate an expert physician panel into its enforcement process; (2) required the agency to collect an additional $80 surcharge from physicians who are registering for the first time as well as from those who are renewing their registration permits; and (3) doubled the surcharge for the first registration permit and renewal of a registration permit from $200 to $400.

The agency uses the TexasOnline Authority to furnish license renewal services through the Internet. The agency began using the TexasOnline Authority in June 2002 for license renewals of physicians, physician assistants, acupuncturists, and noncertified radiological technicians. In fiscal year 2004, the agency expended $239,417 for payments to the TexasOnline Authority.

Full-time-equivalent Employees

The agency did not exceed its cap for full-time-equivalent (FTE) positions in fiscal year 2004.

The agency received authority for an additional 20 FTEs through enactment of Senate Bill 104. The agency increased the number of investigators from 17 positions to 26 positions; compliance officers increased from 4 to 8; and the number of staff attorney's increased from 8 to 12. An additional three FTEs were filled to provide administrative support in the investigations, litigation, and compliance departments.

Performance Measures Audit Reports

The most recent performance measures audit by the State Auditor's Office was in November 2002, when the *Performance Measures at 14 Entities* report certified with qualifications two measures and found two measures to be inaccurate. The agency states that it has implemented procedures to address those issues related to reporting and verifying data prior to entering measures, as well as issues related to separation of duties.

OTHER REPORTS AND REVIEWS

No special reports of the agency were identified after September 2003.

The agency underwent review by the Sunset Advisory Commission during the 2004–05 biennium. The Sunset Advisory Commission recommends three changes to the agency's operations: (1) add at least two expert panelists for each standard of care investigation; (2) increase the size of the District Review Committees and require committee members to receive training at a minimal cost; and (3) create a statutory basis for the Physician Assistant's Board late-renewal penalty.

PERFORMANCE HIGHLIGHTS

During fiscal year 2004, the agency attained (within 5 percent) or exceeded 75 percent of its 28 established key performance targets.

The agency attained or exceeded 6 of its 9 outcome targets and 15 of its 19 output/efficiency targets.

MEASURES ASSESSMENTS

The agency exceeded the fiscal year 2004 target for *Number of New Licenses Issued to Individuals (Physicians).* The agency re-engineered the licensing process, which enabled the agency to process more applications for licensure. With the new process in place, the average number of days to license physicians decreased significantly from 134 days to 50 days.

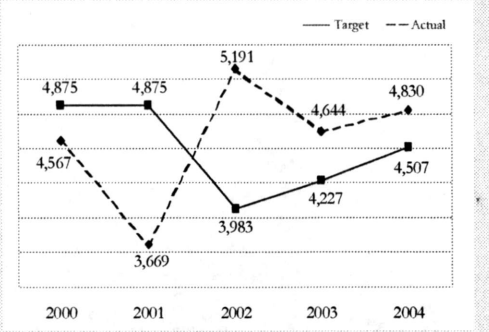
The agency attained its target (within 5 percent) for *Number of New Licenses Issued to Individuals (Physician Assistants)* in fiscal year 2004. According to the agency, two new programs commenced in fiscal years 2000 and 2001, which resulted in new graduates who applied and became licensed in fiscal year 2004, which contributed to the agency meeting this target.

The agency exceeded the target for *Number of Complaints Resolved (Physicians)* in fiscal year 2004 as a result of implementing requirements established within Senate Bill 104, Seventy-eighth Legislature, Regular Session, 2003, which increased performance standards for the agency relating to resolving complaints. An additional 20 FTEs were also authorized as a result of this legislation to provide support in the investigations, litigation, and compliance departments. By reprioritizing and changing processes, the agency succeeded in resolving a backlog of complaints.

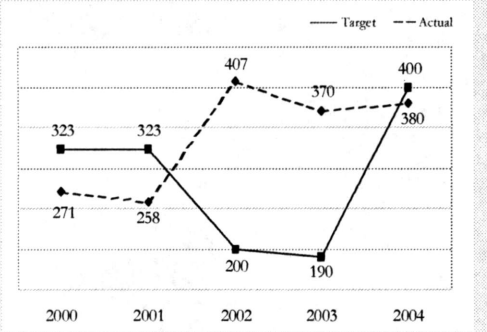
The agency did not attain its target for the *Average Time in Days for Complaint Resolution (Physician)* in fiscal year 2004. The agency reports that there was an increase in the number of complicated complaints filed, which take longer to resolve. Additionally, resolution of some cases required waiting for a trial and/or a conviction to be issued in a criminal matter. According to the agency, making the transition to a revised complaint process required by provisions within Senate Bill 104, Seventy-eighth Legislature, Regular Session, 2003, also caused some delays.

SELECTED PERFORMANCE MEASURES

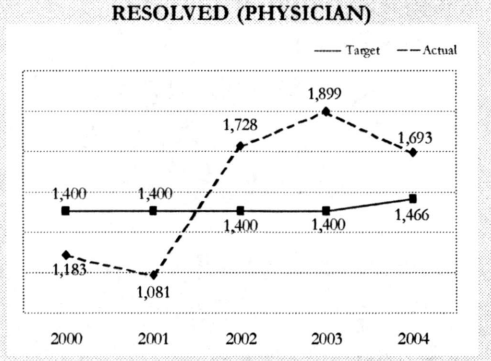
NUMBER OF NEW LICENSES ISSUED TO INDIVIDUALS (PHYSICIAN)



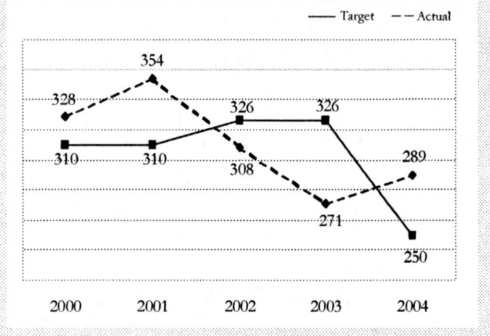
NUMBER OF NEW LICENSES ISSUED TO INDIVIDUALS (PHYSICIAN ASSISTANT)



NUMBER OF COMPLAINTS RESOLVED (PHYSICIAN)



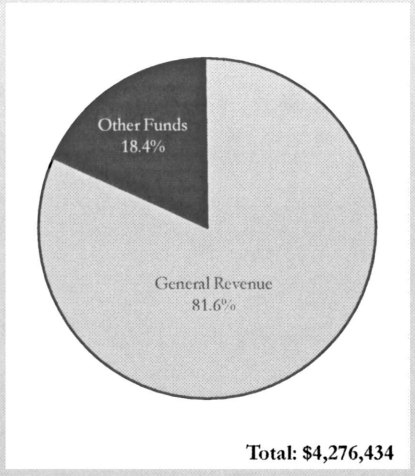
AVERAGE TIME IN DAYS FOR COMPLAINT RESOLUTION (PHYSICIAN)



Board of Nurse Examiners

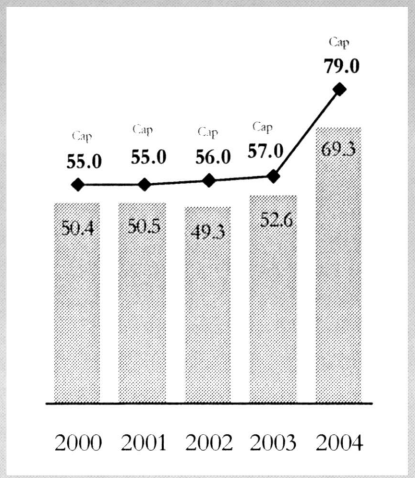
Selected Budget Information

ALL FUNDS, 2004 ESTIMATED



Total: $4,276,434

FULL-TIME-EQUIVALENT POSITIONS



MAJOR CONTRACTS REPORTED, 2004

In fiscal year 2004, the agency reported two contracts:

Texas Nurse Foundation *
Peer assistance
$647,496

Paragon Printing and Mailing *
Printing and mailing
$82,627

* Known multi-year contract

Budget Highlights

Fee-generated General Revenue Funds accounted for a majority of the agency's total reported expenditures in fiscal year 2004. All other reported expenditures were from Appropriated Receipts collected from the sale of publications.

House Bill 1483, Seventy-eighth Legislature, Regular Session, 2003, merged the Board of Vocational Nurse Examiners into the agency during fiscal year 2004.

The agency reported spending $451,381 in fee-generated General Revenue Funds above the amounts directly appropriated to it in the Seventy-eighth Legislature, General Appropriations Act, 2004–05 Biennium, related to obtaining criminal history record information about registered nurses, pursuant to Senate Bill 1952, Seventy-eighth Legislature, Regular Session, 2003. While the agency also had appropriation authority to obtain criminal history record information about licensed vocational nurses, pursuant to House Bill 660, Seventy-eighth Legislature, Regular Session, 2003, it made no expenditures for this purpose.

The agency reported spending $252,200 in fiscal year 2004 in payments to the TexasOnline Authority for its web-based licensing system.

Full-time-equivalent Employees

The agency did not exceed its cap for full-time-equivalent (FTE) positions in fiscal year 2004.

The agency was 9.7 FTEs below the cap in fiscal year 2004 because of an increase in the length of time that vacant positions were left unfilled to stay within reduced appropriation amounts from (1) the governor's line item veto related to the agency's merger with the Board of Vocational Nurse Examiners and (2) reductions to meet the available General Revenue Funds estimate.

Performance Measures Audit Reports

The most recent performance measures audit by the State Auditor's Office was in May 1998, when the *Performance Measures at 36 State Agencies* report certified without qualifications the three measures reviewed.

Other Reports and Reviews

No special reports or reviews of the agency were identified after September 2003.

PERFORMANCE HIGHLIGHTS

During fiscal year 2004, the agency attained (within 5 percent) or exceeded 68 percent of its 22 established key performance targets.

The agency attained or exceeded 6 of its 9 outcome targets and 9 of its 13 output/efficiency targets.

MEASURES ASSESSMENTS

The agency exceeded the target for *Number of New Licenses Issued to Individuals (RN)* in fiscal year 2004. The target includes new licenses issued both by examination and by endorsement. The agency issues licenses by endorsement to practicing nurses moving to Texas from other states who meet certain qualifications. While the total number of new licenses issued decreased, the number of new licenses issued by examination to graduates of Texas nursing schools increased by 170. In addition, the number of new licenses issued by examination to foreign and out-of-state graduates increased, as 58 more graduates came from the Philippines in fiscal year 2004 than in fiscal year 2003.

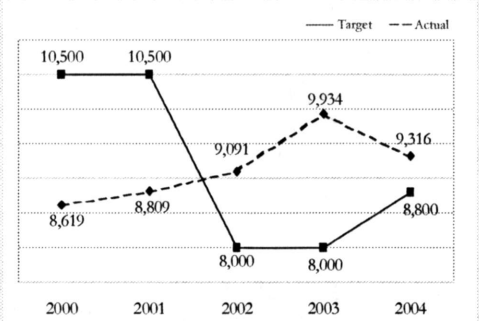
The target for *Average Time for Complaint Resolution (Days) (RN)* was exceeded in fiscal year 2004 because of implementation and continued use of the agency's default procedure. Instead of taking all default revocation cases to the State Office of Administrative Hearings, the agency sets these cases before the board's eligibility and disciplinary committee, which meets monthly. This procedure allows for more timely complaint resolution.

The agency exceeded its target for *Number of New Licenses Issued to Individuals (LVN)* in fiscal year 2004. Programs for training licensed vocational nurses average one year in length. The total number of new licenses issued is higher because all graduates of the United States Army's licensed practicing nurse programs are initially licensed in Texas.

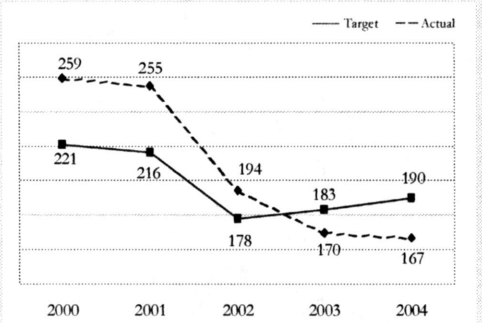
The agency did not meet the target for *Average Time for Complaint Resolution (Days) (LVN)* in fiscal year 2004. According to the agency, the target was not met as a result of (1) the merger of the Board of Vocational Nurse Examiners (BVNE) into the agency, which added BVNE complaints to the caseload, and (2) a staff shortage at the BVNE prior to the merger.

SELECTED PERFORMANCE MEASURES

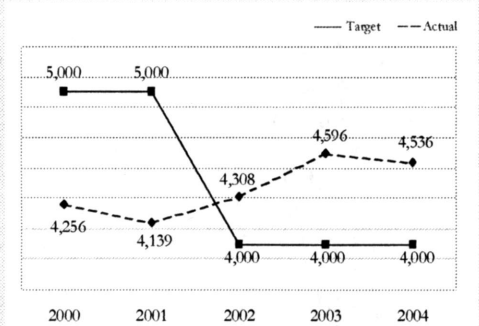
NUMBER OF NEW LICENSES ISSUED TO INDIVIDUALS (RN)



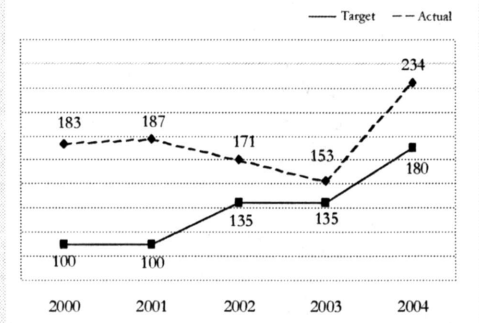
AVERAGE TIME FOR COMPLAINT RESOLUTION (DAYS) (RN)



NUMBER OF NEW LICENSES ISSUED TO INDIVIDUALS (LVN)



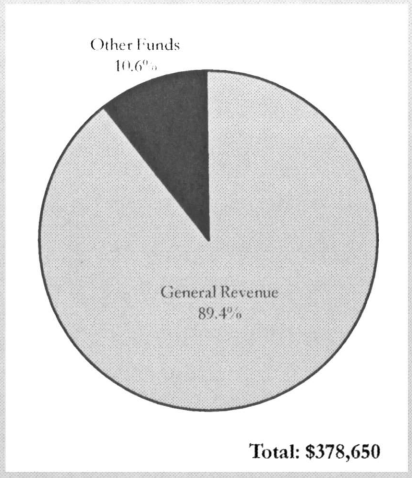
AVERAGE TIME FOR COMPLAINT RESOLUTION (DAYS) (LVN)



Optometry Board

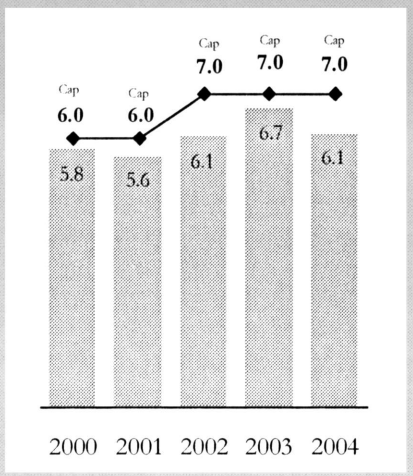
Selected Budget Information

ALL FUNDS, 2004 ESTIMATED



Total: $378,650

FULL-TIME-EQUIVALENT POSITIONS



MAJOR CONTRACTS REPORTED, 2004

In fiscal year 2004, the agency reported **no** contracts.

Budget Highlights

Fee-generated General Revenue Funds accounted for the majority of the agency's reported expenditures in fiscal year 2004. The agency reported expenditures of $338,626 in General Revenue Funds, which was the amount appropriated to it in the Seventy-eighth Legislature, General Appropriations Act (GAA), 2004–05 Biennium. The agency also reported expenditures of $6,200 in Appropriated Receipts above amounts appropriated to it in the 2004–05 GAA from the sale of license verifications in fiscal year 2004.

The agency uses the TexasOnline Authority to furnish license renewal services through the Internet. The agency began using the TexasOnline Authority in November 2003. In fiscal year 2004, the agency expended $15,725 for payments to the TexasOnline Authority.

Full-time-equivalent Employees

The agency did not exceed its cap for full-time-equivalent positions in fiscal year 2004.

According to the agency, an accountant position was vacant during the first quarter of the fiscal year and an administrative assistant position remained vacant during the second and third quarters.

Performance Measures Audit Reports

The most recent performance measures audit by the State Auditor's Office (SAO) was in May 2000, when the *Performance Measures at 11 State Agencies* certified with qualifications four measures and found one measure to be inaccurate. According to the agency, it is in compliance with the SAO's recommendations.

Other Reports and Reviews

No special reports of the agency were identified after September 2003.

The agency underwent review by the Sunset Advisory Commission during the 2004–05 biennium. Sunset Advisory Commission decisions as of July 2004 recommend standardizing the agency's licensing functions by changing the basis for assessing late renewal penalties, outsourcing the administration of its jurisprudence examination, and revising enforcement activities by improving the agency's complaint resolution process.

PERFORMANCE HIGHLIGHTS

During fiscal year 2004, the agency attained (within 5 percent) or exceeded 83 percent of its six established key performance targets.

The agency attained or exceeded both of its outcome targets and three of its four output/efficiency targets.

MEASURES ASSESSMENTS

The agency has consistently met its target for *Percent of Licensees with No Recent Violations*. The agency attributes the positive performance to continually emphasizing compliance issues in its interactions with optometrists. The agency encourages licensees to contact its staff with questions concerning compliance. Additionally, a significant amount of information pertaining to compliance is disseminated through the agency's website and newsletters. According to the agency, it administered only five disciplinary orders in fiscal year 2004, which included violations such as failure to properly examine a patient and prescribing medication without proper authority.

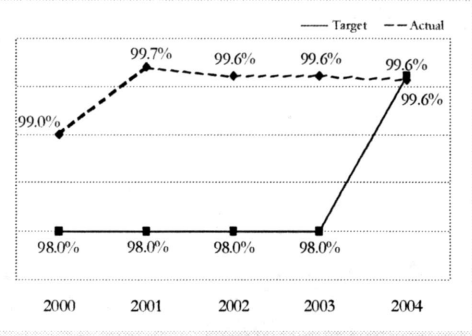
The agency exceeded the target for *Number of New Licenses Issued to Individuals* in fiscal year 2004. This measure is directly tied to the number of individuals who graduate from an accredited optometry program in Texas, or in other states, and then seek licensing in Texas. According to the most recent information the agency obtained from the University of Houston, the number of graduates from the optometry program is expected to increase slightly during the next few years; therefore, the agency anticipates continuing to meet or exceed the target for this measure during the same time period.

The agency has consistently attained its target (within 5 percent) for *Number of Licenses Renewed (Individuals)* during the prior four fiscal years and exceeded the target in fiscal year 2004. Since passage of House Bill 1051, Seventy-sixth Legislature, 1999, which expanded the scope of practice, Texas has remained an attractive location for practicing optometry. The agency's licensee population grew steadily at a rate of approximately 2.5 percent per fiscal year from 2000 to 2003, but declined to 1.5 percent from fiscal year 2003 to fiscal year 2004. This measure includes out-of-state licensees retaining their Texas licenses as well.

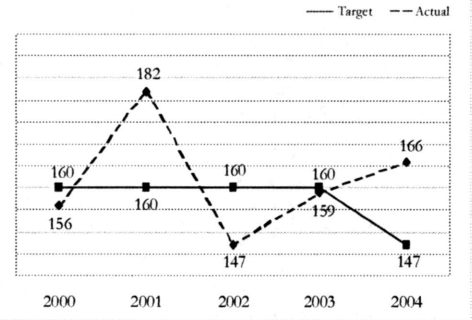
The agency exceeded its fiscal year 2004 target for *Complaints Resolved* for the third consecutive year. The agency reported receiving an unusually high number of complaints from a multi-state dispenser of contact lenses. New federal legislation regarding the release of contact lens prescriptions is expected to reduce the number of complaints received by the agency and thus reduce the number of complaints resolved to historical levels. This new federal law requires an optometrist to automatically distribute a contact lens prescription to clients after an examination. In the past, Texas law required the optometrist to issue a prescription upon request. According to the agency, many optometrists were already dispensing prescriptions automatically. The federal law also established a system whereby lens dispensers can verify prescriptions with the optometrist.

SELECTED PERFORMANCE MEASURES

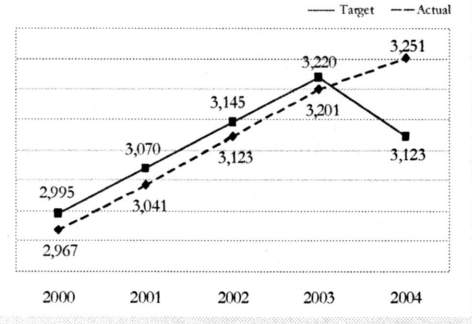
PERCENT OF LICENSEES WITH NO RECENT VIOLATIONS



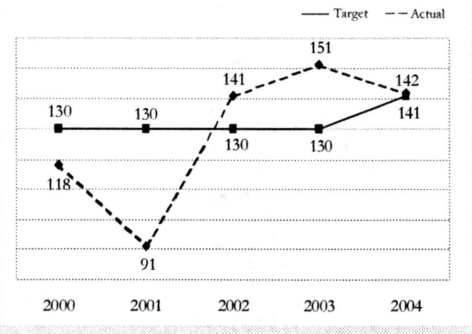
NUMBER OF NEW LICENSES ISSUED TO INDIVIDUALS



NUMBER OF LICENSES RENEWED (INDIVIDUALS)



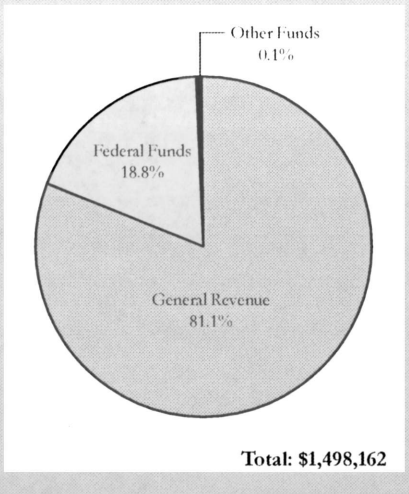
COMPLAINTS RESOLVED



Structural Pest Control Board

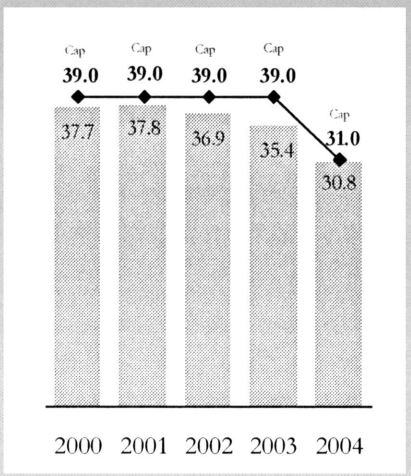
Selected Budget Information

ALL FUNDS, 2004 ESTIMATED



Total: $1,498,162

FULL-TIME-EQUIVALENT POSITIONS



MAJOR CONTRACTS REPORTED, 2004

In fiscal year 2004, the agency reported **no** contracts.

Budget Highlights

Fee-generated General Revenue Funds accounted for 81.1 percent of the agency's expenditures for fiscal year 2004. Federal Funds accounted for 18.8 percent of the agency's total expenditures. Those funds were from the U.S. Environmental Protection Agency (EPA) to investigate EPA violations. Appropriated Receipts collected from the sale of copies accounted for the remaining 0.1 percent of the agency's fiscal year 2004 expenditures.

The agency reported exceeding its Federal Funds appropriations by $131,734 in fiscal year 2004 in expenditures related to enforcement and licensing activities and public awareness efforts. In addition, the agency reported a reduction of $51,657 in Federal Funds from the fiscal year 2003 funding level. The agency had been awarded discretionary grants during the 2002–03 biennium but was unable to secure new grants in fiscal year 2004 because only a limited number of discretionary grant funds available were within the scope of the agency's mission.

The agency uses the TexasOnline Authority to furnish license renewal services through the Internet. The TexasOnline Authority has provided licensees with access to information and services since the agency began using the TexasOnline Authority in October 2002. In fiscal year 2004, the agency expended $60,335 for payments to the TexasOnline Authority.

Full-time-equivalent Employees

The agency did not exceed its cap for full-time-equivalent (FTE) positions in fiscal year 2004.

The agency's FTE cap decreased from 39 in fiscal year 2003 to 31 in fiscal year 2004 because of the lower funding level adopted by the Seventy-eighth Legislature, Regular Session, 2003. Reductions included 5.5 FTEs in licensing and examinations and 2.5 FTEs in enforcement.

Performance Measures Audit Reports

The most recent performance measures audit by the State Auditor's Office (SAO) was in May 1998, when the *Performance Measures at 36 State Agencies* report certified with qualifications the two measures reviewed.

Other Reports and Reviews

An Audit Report on Internal Controls and Financial Processes at the Structural Pest Control Board, dated November 2003, issued by the SAO stated that the agency did not inspect almost 21 percent of the eligible pest control businesses within the two-year period ending on June 26, 2003. State law requires the agency to inspect businesses that have been issued a structural pest control business license at least once in any two-year period. In its Annual Financial Report for fiscal year 2002, the Board did not report as accounts receivable an estimated $30,500 in penalties it assessed but did not collect during the fiscal year. According to the report, the agency should also improve certain controls to ensure accurate financial information. Strengthening application and access controls over information technology resources should help the agency ensure that financial and operational data is accurate and protected.

PERFORMANCE HIGHLIGHTS

During fiscal year 2004, the agency attained (within 5 percent) or exceeded 92 percent of its 12 established key performance targets.

The agency attained or exceeded four of its five outcome targets and all seven of its output/efficiency targets.

MEASURES ASSESSMENTS

The target for *Number of New Licenses Issued to Individuals* was exceeded in fiscal year 2004. Because the agency had exceeded the target for this measure in fiscal years 1996 through 2001, the target was raised in fiscal year 2002. Following a slight decline in the number of new licenses issued in fiscal years 2002 and 2003, the agency reported that the increase in licenses issued in fiscal year 2004 could be attributed to increases in the economy and warmer temperatures. The agency reports that pest control demands tend to increase in the warmer climates when most bugs emerge and people call for service. When this increase occurs, companies are more likely to hire new employees to meet the increase in demand.

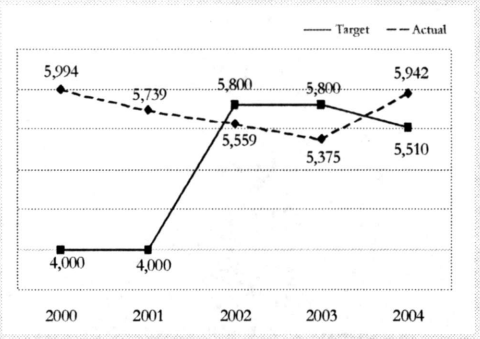
The agency exceeded its fiscal year 2004 target for *Average Cost per Individual License Issued* by keeping the average cost approximately 31 percent lower than the target. There were more renewals issued than new licenses in fiscal year 2004, which reduced the average cost because renewals are less expensive to process than new licenses. The target was reduced from $30 to $25 in fiscal year 2004 in response to a change in the cost allocation, which now includes salaries as well as other direct and indirect costs.

The agency attained (within 5 percent) the target for *Number of Complaints Resolved* in fiscal year 2004. The agency indicated fewer complaints were generated in fiscal year 2004 than anticipated because inspectors increased the thoroughness of their inspections and reviews of businesses and their records. As a result, pest control businesses were more likely to be in compliance with regulations.

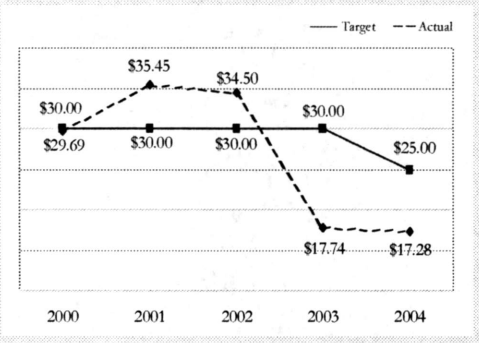
Although the actual percentages reported decreased from fiscal years 2000 through 2003, the agency has attained (within 5 percent) its target for *Percent of Licensees with No Recent Violations* for the past several biennia and in fiscal year 2004. The agency attributes this performance to the development and utilization of a penalty policy matrix regarding violations. Penalties are determined based on the number of violations committed, the nature of the violation, whether people or the environment were endangered, and whether the violation was intentional. Other factors that contributed to meeting the target include publicizing the penalty information, maintaining consistency in the inspection process, and educating licensees through continuing education courses.

SELECTED PERFORMANCE MEASURES

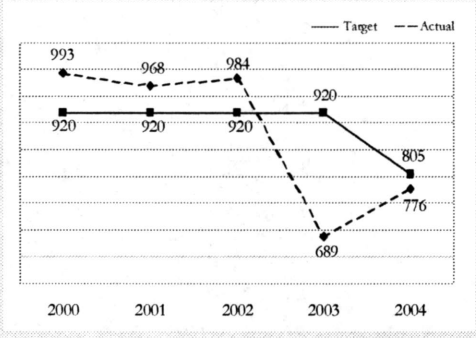
NUMBER OF NEW LICENSES ISSUED TO INDIVIDUALS



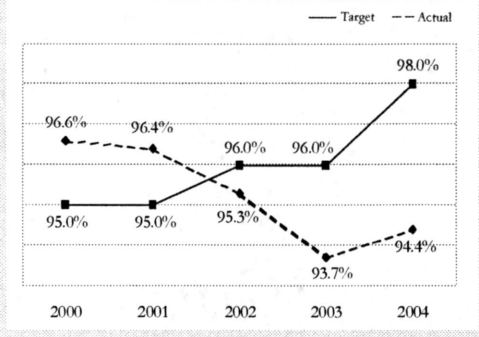
AVERAGE COST PER INDIVIDUAL LICENSE ISSUED



NUMBER OF COMPLAINTS RESOLVED



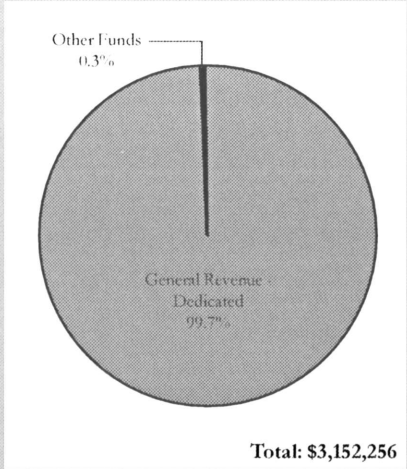
PERCENT OF LICENSEES WITH NO RECENT VIOLATIONS



BOARD OF PHARMACY

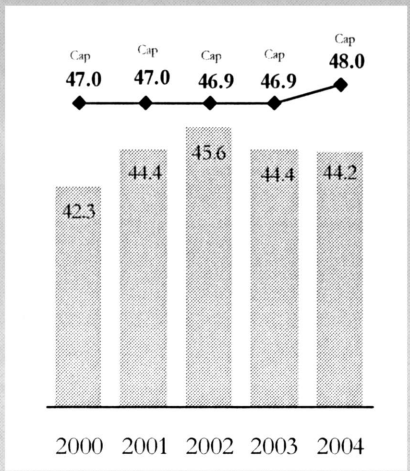
SELECTED BUDGET INFORMATION

ALL FUNDS, 2004 ESTIMATED



Total: $3,152,256

FULL-TIME-EQUIVALENT POSITIONS



MAJOR CONTRACTS REPORTED, 2004

In fiscal year 2004, the agency reported **two** contracts:

Northrup Grumman Technical Services
Computer programming services
$190,031

Texas Pharmacy Association *
Peer assistance
$189,000

* Known multi-year contract

BUDGET HIGHLIGHTS

Fee-generated General Revenue (GR)–Dedicated Funds accounted for the majority of the agency's reported expenditures in fiscal year 2004. The agency reported expenditures of approximately $3.1 million in GR–Dedicated Pharmacy Account 523 Funds, which included $7,072 less than amounts appropriated to it in the Seventy-eighth Legislature, General Appropriations Act (GAA), 2004–05 Biennium, for retirement incentives. The agency also reported expenditures of $7,730 in Appropriated Receipts above amounts appropriated directly to it in the 2004–05 GAA, from the sale of pharmacy law books, copying fees, and reimbursements and payments above anticipated levels.

The agency's appropriations were increased by $726,269 in GR–Dedicated Funds to fund additional full-time-equivalent positions for the purpose of registering pharmacy technicians in accordance with the requirements of Senate Bill 730, Seventy-eighth Legislature, Regular Session, 2003.

The agency uses the TexasOnline Authority to furnish license renewal services via the Internet. The agency began using the TexasOnline Authority in October 2002 for renewals of pharmacist licenses. Online initial licensing and license renewal for pharmacy technicians began in January 2004. According to the agency, exam, reciprocity, and new pharmacy applications are scheduled to be made available online beginning in fiscal year 2005. In fiscal year 2004, the agency expended $136,020 for payments to the TexasOnline Authority.

FULL-TIME-EQUIVALENT EMPLOYEES

The agency did not exceed its cap for full-time-equivalent (FTE) positions in fiscal year 2004.

Senate Bill 730 authorized a net increase of 2.9 FTEs in fiscal year 2004 above 2002–03 levels to implement the registration of pharmacy technicians.

According to the agency, the staffing level was below the FTE cap because four positions became vacant and three new positions were not filled until September 1, 2004.

PERFORMANCE MEASURES AUDIT REPORTS

The most recent performance measures audit by the State Auditor's Office was in March 2000, when the *2000 Small Agency Management Control Audit* certified without qualifications the eight measures reviewed.

OTHER REPORTS AND REVIEWS

No special reports of the agency were identified after September 2003.

The agency underwent review by the Sunset Advisory Commission during the 2004–05 biennium. The Sunset Advisory Commission decisions as of May 2004 recommend consolidating the GR–Dedicated Pharmacy Board Account No. 523 into the General Revenue Fund.

The agency is eligible to implement an enhanced compensation program for employees during fiscal year 2005, pursuant to Article IX, Section 6.28(d) of the 2004–05 General Appropriations Act. Agency eligibility is based on attainment of at least 80 percent of key performance targets in fiscal year 2004 and certification that at least 70 percent of audited key measures are accurate. Classified employees who directly contribute to improvements in agency performance may be awarded up to 6.8 percent of their base salary.

PERFORMANCE HIGHLIGHTS

During fiscal year 2004, the agency attained (within 5 percent) or exceeded all of its 11 established key performance targets.

The agency attained or exceeded all four of its outcome targets and all seven of its output/efficiency targets.

MEASURES ASSESSMENTS

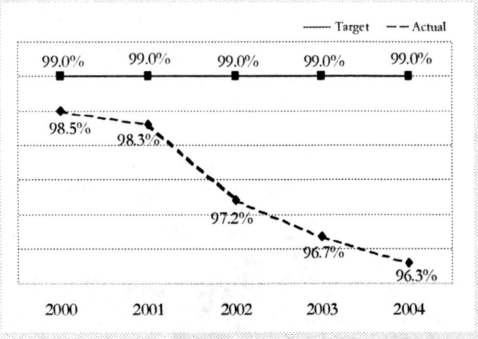
The agency has consistently maintained a performance level within 5 percent of the target for *Percent of Licensees with No Recent Violations*. This measure represents the percentage of the total number of licensees at the end of the reporting period who have not been subject to a disciplinary order within the current and preceding two years. Common violations reported in fiscal year 2004 included drug audit discrepancies and dispensing errors identified by agency investigators. Since fiscal year 2001, there has been a continued increase in the agency's licensing population and in the number of complaints resolved resulting in disciplinary action. New pharmacy technicians accounted for both a significant increase in the licensing population and in the number of resolved complaints in which disciplinary actions were taken during fiscal year 2004. In addition, more complaints were resolved in fiscal year 2004 that resulted in disciplinary action for newly licensed pharmacy technicians than for pharmacists and pharmacies combined.

The target for *Percent of Complaints Resulting in Disciplinary Action* was exceeded in fiscal year 2004. The agency entered 469 disciplinary orders in fiscal year 2004, which represents a 120 percent increase in the number of disciplinary orders entered in fiscal year 2003. According to the agency, this increase was due to implementation of the new program to register pharmacy technicians that began in fiscal year 2004. Of the 469 disciplinary orders entered in fiscal year 2004, there were 235 orders entered against pharmacists and pharmacies and 234 orders entered against technicians. In fiscal year 2003, the agency entered 213 disciplinary orders, none of which involved technicians.

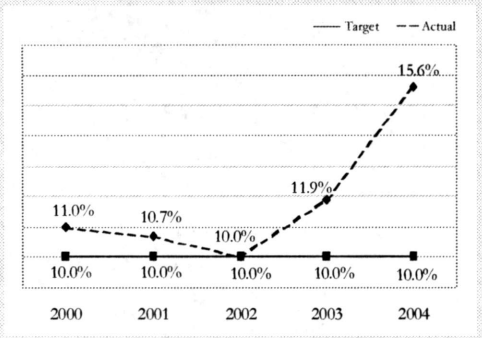
The agency exceeded its target for both the *Number of Complaints Resolved* and for *Average Time for Complaint Resolution (Days)* in fiscal year 2004. The Seventy-eighth Texas Legislature, 2003, authorized funds for the agency to implement a new program to register pharmacy technicians, starting in fiscal year 2004. The agency received approximately 24,000 applications, and reports approximately 10 percent of the initial applicant pool had a criminal record history that required further investigation and opening a complaint. Consequently, the agency experienced a major increase in the number of complaints received in fiscal year 2004. According to the agency, the following four factors contributed to the agency closing a high number of complaints (primarily complaints involving pharmacy technicians) in fiscal year 2004: (1) two additional business meetings were conducted in the fourth quarter to review disciplinary orders against technicians; (2) additional staff were directed to investigate complaints; (3) complaints classified as background checks were resolved more quickly than other types of complaints; and, (4) the agency delayed the investigation and resolution of other types of complaints.

SELECTED PERFORMANCE MEASURES

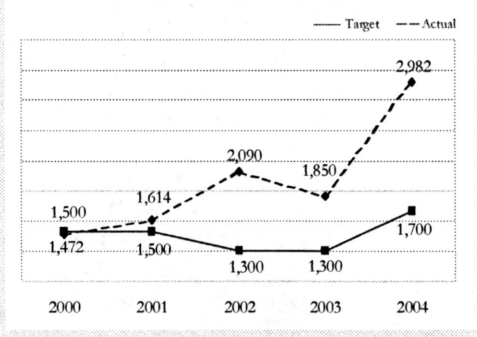
PERCENT OF LICENSEES WITH NO RECENT VIOLATIONS



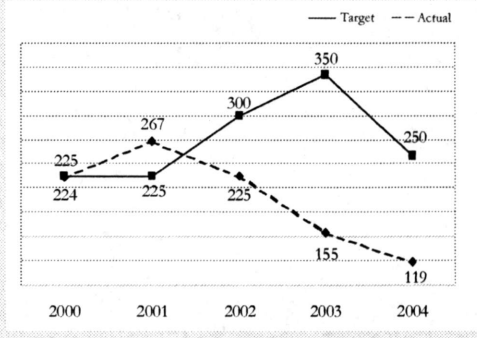
PERCENT OF COMPLAINTS RESULTING IN DISCIPLINARY ACTION



NUMBER OF COMPLAINTS RESOLVED

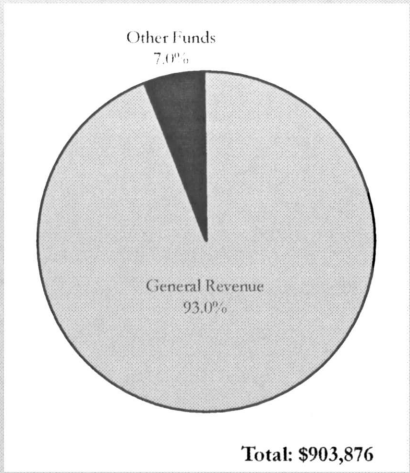


AVERAGE TIME FOR COMPLAINT RESOLUTION (DAYS)

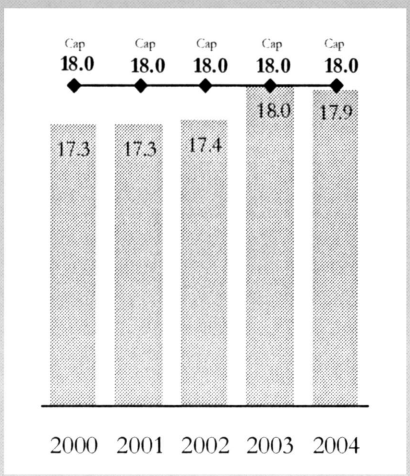


SELECTED BUDGET INFORMATION

ALL FUNDS, 2004 ESTIMATED



FULL-TIME-EQUIVALENT POSITIONS



MAJOR CONTRACTS REPORTED, 2004

In fiscal year 2004, the agency reported **no** contracts.

BUDGET HIGHLIGHTS

Fee-generated General Revenue Funds accounted for the majority of the agency's reported expenditures in fiscal year 2004. Appropriated Receipts accounted for all of the reported expenditures.

The agency reported expenditures of $840,876 in General Revenue Funds, which is the amount directly appropriated to it in the Seventy-eighth Legislature, General Appropriations Act (GAA), 2004–05 Biennium.

The agency reported operating cost expenditures of $63,000 in Appropriated Receipts above amounts directly appropriated to it by the 2004–05 GAA from increased sales of publications and records.

The agency uses the TexasOnline Authority to furnish license renewal services and Jurisprudence Exams through the Internet. The agency began using the TexasOnline Authority in March 2002 for license renewals and license examinations of Physical Therapists, Physical Therapist Assistants, Occupational Therapists, and Occupational Therapist Assistants. In fiscal year 2004, the agency expended $86,850 for payments to the TexasOnline Authority.

FULL-TIME-EQUIVALENT EMPLOYEES

The agency did not exceed its cap for full-time-equivalent positions in fiscal year 2004.

PERFORMANCE MEASURES AUDIT REPORTS

The most recent performance measures audit by the State Auditor's Office was in March 2000, when the *2000 Small Agency Management Control Audit* report certified without qualifications three measures, certified with qualifications three measures, found two measures to be inaccurate, and factors prevented certification of five measures. The agency reports that it has since implemented a corrective action plan to address the audit findings and to ensure the accuracy of future performance reports.

OTHER REPORTS AND REVIEWS

No special reports or reviews of the agency were identified after September 2003.

PERFORMANCE HIGHLIGHTS

During fiscal year 2004, the agency attained (within 5 percent) or exceeded 88 percent of its 17 established key performance targets.

The agency attained or exceeded all six of its outcome targets and 9 of its 11 output/efficiency targets.

MEASURES ASSESSMENTS

The agency attained the target (within 5 percent) for *Number of New Licenses Issued to Individuals: Physical Therapy* in fiscal year 2004. The agency reported that the availability of the TexasOnline Authority to furnish licenses helped attain this target. However, enrollment in physical therapy and physical therapy assistant education programs has continued to decline since fiscal year 2000.

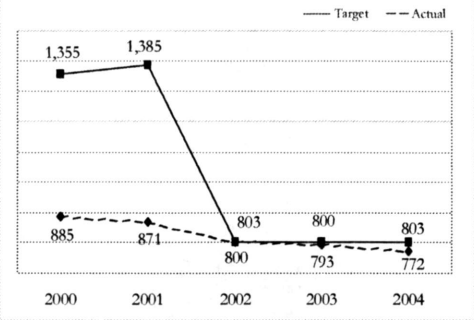
The agency did not meet the target for the *Number of New Licenses Issued to Individuals: Occupational Therapy*. The agency reported that managed care and Medicare reimbursement caps reduced the number of available jobs in previous fiscal years. The agency also reported the closing of two occupational therapy colleges and two occupational therapy assistant training programs. Fewer graduates from the related colleges and training programs resulted in fewer applicants for licensure in both fields during fiscal year 2004.

The agency exceeded the target for *Number of Complaints Resolved: Physical Therapy* in fiscal year 2004. Complaint cases are resolved by the investigation committee during its quarterly meetings. The agency reports that the cancellation of the last investigation committee meeting in fiscal year 2003 resulted in a higher number of cases being reviewed and closed at the first meeting held in fiscal year 2004. In addition, the agency reported a large increase in continuing education audit cases.

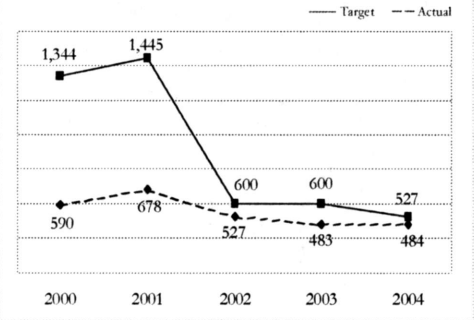
The agency exceeded its target for *Number of Complaints Resolved: Occupational Therapy* in fiscal year 2004. The agency reports that the cancellation of the last investigation committee meeting in fiscal year 2003 resulted in a number of cases being reviewed and closed at the first meeting held in fiscal year 2004. The Occupational Therapy Board began conducting continuing education audits during fiscal year 2003 and reports a large increase in the number of cases in fiscal year 2004. Continuing education noncompliance cases are resolved quickly, which helped the agency exceed its target for the reporting period.

SELECTED PERFORMANCE MEASURES

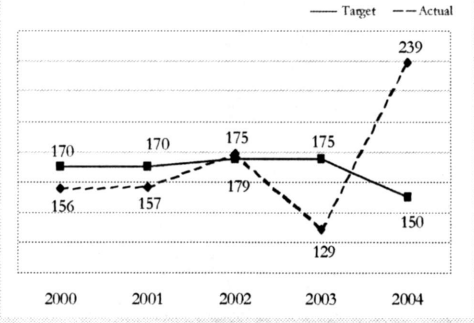
NUMBER OF NEW LICENSES ISSUED TO INDIVIDUALS: PHYSICAL THERAPY



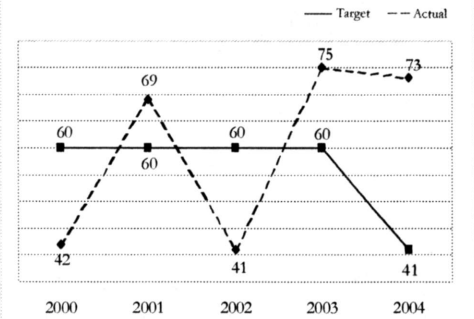
NUMBER OF NEW LICENSES ISSUED TO INDIVIDUALS: OCCUPATIONAL THERAPY



NUMBER OF COMPLAINTS RESOLVED: PHYSICAL THERAPY



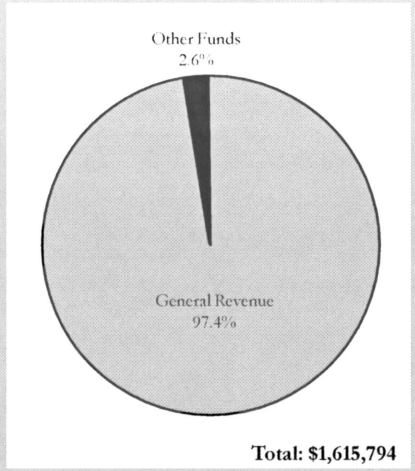
NUMBER OF COMPLAINTS RESOLVED: OCCUPATIONAL THERAPY



Board of Plumbing Examiners

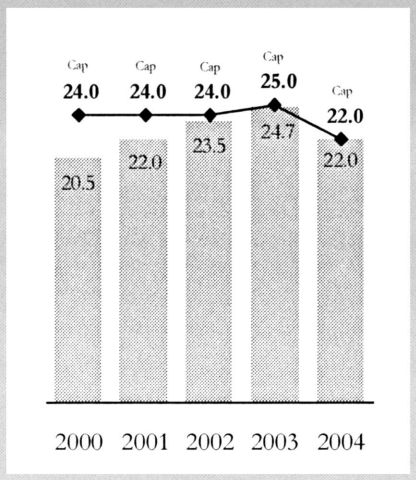
Selected Budget Information

ALL FUNDS, 2004 ESTIMATED



Total: $1,615,794

FULL-TIME-EQUIVALENT POSITIONS



MAJOR CONTRACTS REPORTED, 2004

In fiscal year 2004, the agency reported **no** contracts.

Budget Highlights

Fee-generated General Revenue Funds accounted for the majority of the agency's reported expenditures in fiscal year 2004. The agency reported expenditures of $20,000 in General Revenue Funds above amounts directly appropriated to it in the Seventy-eighth Legislature, General Appropriations Act (GAA), 2004-05 Biennium, for payment to the TexasOnline Authority, which was offset by a reduction of $5,669 in General Revenue Fund expenditures for retirement incentives.

The agency uses the TexasOnline Authority to furnish license renewal services through the Internet. The agency began using the TexasOnline Authority in August 2002, for plumbing license renewals and registrations. In fiscal year 2004, the agency expended $65,000 in General Revenue Funds for payments to the TexasOnline Authority.

The agency reported expenditures of $31,944 in Appropriated Receipts above amounts directly appropriated to it in the 2004-05 GAA for operating expenses and to conduct seminars and conferences. Expenditures of $21,400 in Appropriated Receipts were funded from the sale of publications. The agency collected an additional $544 in fiscal year 2004 for fees from seminars and conferences and also expended $10,000 in Unexpended Balances carried forward from fees collected for seminars and conferences during the prior biennium.

Full-time-equivalent Employees

The agency did not exceed its cap for full-time-equivalent (FTE) positions in fiscal year 2004.

The agency's FTE cap decreased from 25 FTEs in fiscal year 2003 to 22 FTEs in fiscal year 2004. The agency eliminated three positions in response to a lower funding level adopted by the Seventy-eighth Legislature, Regular Session, 2003.

Performance Measures Audit Reports

The most recent performance measures audit by the State Auditor's Office was in July 1996, when the *Performance Measures at 20 State Agencies and 1 Educational Institution* report certified without qualifications one measure, certified with qualifications three measures, found one measure to be inaccurate, and factors prevented certification of one measure. According to the agency, errors in the database and automated reports have been corrected.

Other Reports and Reviews

No special reports or reviews of the agency were identified after September 2003.

PERFORMANCE HIGHLIGHTS

During fiscal year 2004, the agency attained (within 5 percent) or exceeded 89 percent of its nine established key performance targets.

The agency attained or exceeded three of its four outcome targets and all five of its output/efficiency targets.

MEASURES ASSESSMENTS

The agency exceeded its fiscal year 2004 target for *Number of New Licenses Issued to Individuals* by 72 percent. According to the agency, enforcement of the Plumbing License Law, which requires all plumbers to be licensed, resulted in an increase in the number of plumbers taking the licensing examination and the number of new licenses issued above amounts anticipated.

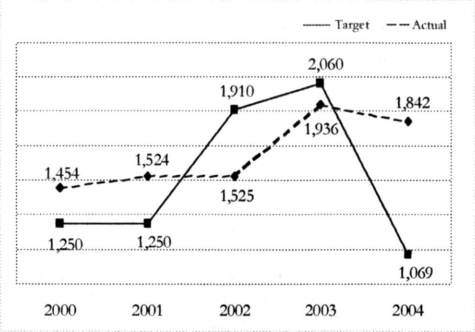
The agency exceeded its fiscal year 2004 target for *Percentage of Licensees with No Recent Violations*. The agency indicates that the significant increase in the number of new licensees above amounts anticipated affected the percentage of licensed plumbers who committed violations in comparison to the total number of licensees. This resulted in a higher percentage of licensed plumbers who had no recent violations. The fiscal year 2004 target was based on expectations of a reduction in field staff by two; however, only one position was lost, resulting in sufficient staffing to investigate and resolve more complaints than anticipated. The most common violations were offering to perform or performing plumbing work without a proper license and employing persons who are not licensed or registered.

The agency exceeded the target for *Number of Complaints Resolved* in fiscal year 2004. According to the agency, this measure relates directly to the agency's enforcement of plumbing statutes. The Plumbing License Law enacted by the Seventy-seventh Legislature, 2001, went into effect June 2003, authorizing the agency to impose administrative penalties in response to certain complaints rather than having to file a Class C misdemeanor citation with local justice courts. This enables field representatives to investigate a larger number of complaints. Additionally, the fiscal year 2004 target was based on expectations of a reduction in field staff by two; however, only one position was lost, resulting in sufficient staffing to investigate and resolve more complaints than anticipated.

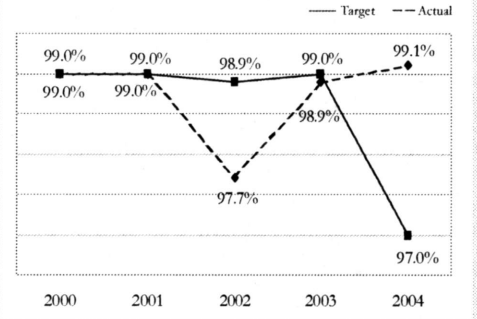
The agency did not attain its target for *Percentage of Complaints Resolved Resulting in Disciplinary Action* for fiscal year 2004 because fewer complaints were found to be valid and several complaints did not provide sufficient evidence of a violation to warrant disciplinary actions. According to the agency, consistency is maintained in dispensing disciplinary action against individuals who violate the Plumbing License Law, which serves as a deterrent to committing violations. Additionally, licensees voluntarily comply with statutes and other requirements by resolving complaints immediately themselves in an effort to avoid disciplinary action.

SELECTED PERFORMANCE MEASURES

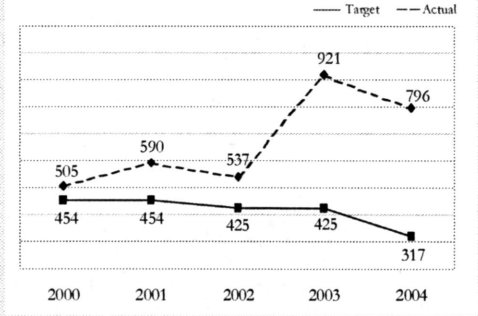
NUMBER OF NEW LICENSES ISSUED TO INDIVIDUALS



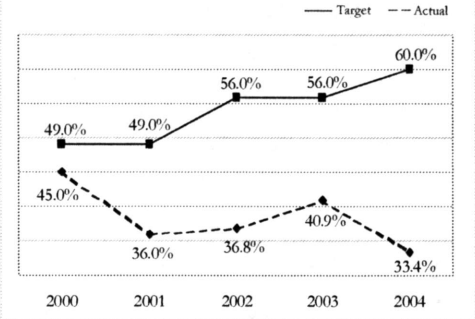
PERCENTAGE OF LICENSEES WITH NO RECENT VIOLATIONS



NUMBER OF COMPLAINTS RESOLVED



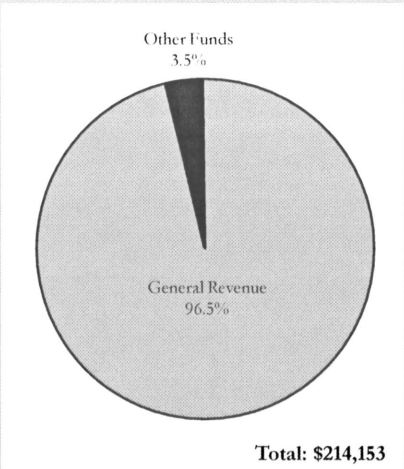
PERCENTAGE OF COMPLAINTS RESOLVED RESULTING IN DISCIPLINARY ACTION



Board of Podiatric Medical Examiners

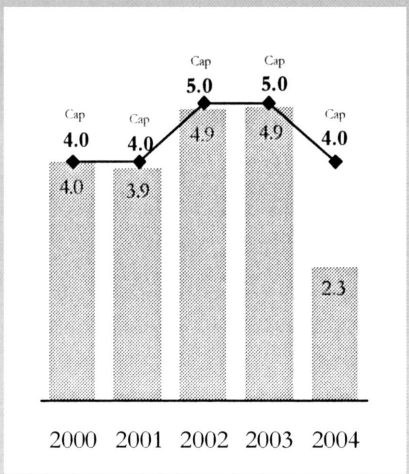
Selected Budget Information

ALL FUNDS, 2004 ESTIMATED



Total: $214,153

FULL-TIME-EQUIVALENT POSITIONS



MAJOR CONTRACTS REPORTED, 2004

In fiscal year 2004, the agency reported **two** contracts:

York, Keller & Field, LLP *
Legal services
$45,000

York, Keller & Field, LLP *
Legal services
$22,584

* Known multi-year contract

Budget Highlights

Fee-generated General Revenue Funds accounted for the majority of the agency's reported expenditures in fiscal year 2004. The agency reported expenditures of $230 in General Revenue Funds above amounts appropriated to it in the Seventy-eighth Legislature, General Appropriations Act, 2004–05 Biennium, for increased TexasOnline Authority payments. The agency also reported expenditures of $4,366 in Appropriated Receipts more than directly appropriated to it from the sale of provider lists, labels, rule books, and copying fees.

The agency uses the TexasOnline Authority to furnish license renewal services through the Internet. The agency began using the TexasOnline Authority in September 2003 for renewals of podiatrist and radiological technologist licenses. In fiscal year 2004, the agency expended $3,900 for payments to the TexasOnline Authority.

Full-time-equivalent Employees

The agency did not exceed its cap for full-time-equivalent (FTE) positions in fiscal year 2004.

The agency reported staffing at 1.7 FTEs below the cap due to the executive director position having been vacant since April 2004 and an administrative technician IV position having been unfilled after the agency reduced its workforce in response to budgetary constraints.

Performance Measures Audit Reports

The most recent performance measures audit by the State Auditor's Office was in March 2000, when the *2000 Small Agency Management Control Audit* certified without qualifications three measures, certified with qualifications two measures, and found one measure to be inaccurate. In a February 2001 follow-up audit, corrective actions had been implemented, and all six measures were found to be in compliance.

Other Reports and Reviews

No special reports of the agency were identified after September 2003.

The agency underwent review by the Sunset Advisory Commission during the 2004–05 biennium. The Sunset Advisory Commission decisions as of July 2004 recommend standardizing the agency's licensing functions by ensuring criminal convictions are addressed, streamlining the licensing-by-endorsement process, and changing the basis for assessing late renewal fees. In addition, the decisions recommend authorizing the agency to include inspections during an investigation, to temporarily suspend a license, and to issue cease-and-desist orders.

Board of Podiatric Medical Examiners

Performance Highlights

During fiscal year 2004, the agency attained (within 5 percent) or exceeded 63 percent of its eight established key performance targets.

The agency attained or exceeded all four of its outcome targets and one of its four output/efficiency targets.

Measures Assessments

In fiscal year 2004, the agency did not meet its target for *Number of New Licenses Issued to Individuals*. Nationally, fewer students have been entering podiatric medical colleges, resulting in fewer graduates and fewer potential licensees in Texas. While Texas does not have a podiatric medical college, many individuals come to Texas for their residency programs and seek licensure in the state upon completion of their education. The agency reports that many individuals who received a new license in fiscal year 2004 had received a temporary license in a previous year to complete residency program requirements. Once individuals obtain a temporary license for their residency program, the agency does not count them as new licensees upon receiving their official new license because they were counted as such in the year that they first obtained their temporary license.

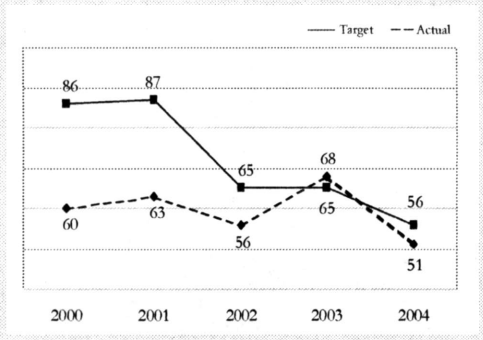
The target for the *Average Licensing Cost per Individual License Issued* was not met because the cost exceeded the target for fiscal year 2004 by 42 percent. According to the agency, the primary reason for the higher cost was the salary level of staff associated with the licensing process. In previous fiscal years, a lower paid position handled licensing, resulting in a low cost per license. However, the agency eliminated this position in fiscal year 2004 in response to budget constraints, and the licensing responsibilities were then performed by a higher paid employee. This resulted in a higher cost per license for the year.

The agency attained its target (within 5 percent) for *Complaints Resolved* in fiscal year 2004. Although the agency has limited resources available for enforcement activities, staff work with other federal, state, and local law enforcement entities to close complaint investigations. According to the agency, when a complaint is received, agency staff makes a preliminary determination as to the seriousness of the allegation and the potential danger to the public health and welfare. Complaints that are judged to be more serious are given higher priority.

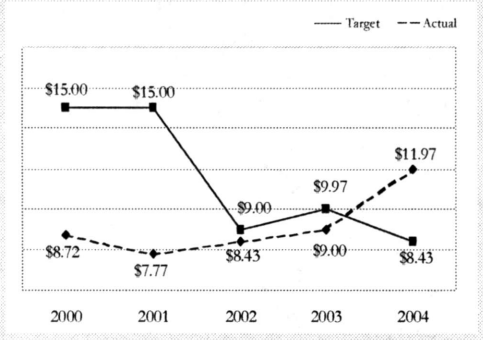
The agency exceeded its target for *Percent of Documented Complaints Resolved within Six Months* in fiscal year 2004 by 24 percent. The percentage of complaints resolved within six months by the agency has continually increased over the past five years and exceeds fiscal year 2000 levels by 79 percent. According to the agency, it received more cases than anticipated that did not require complex investigations in fiscal year 2004, which led to quicker resolution.

Selected Performance Measures

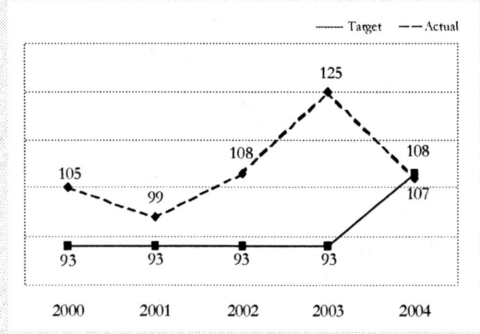
NUMBER OF NEW LICENSES ISSUED TO INDIVIDUALS



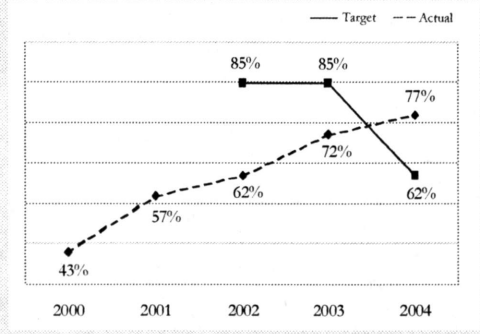
AVERAGE LICENSING COST PER INDIVIDUAL LICENSE ISSUED



COMPLAINTS RESOLVED



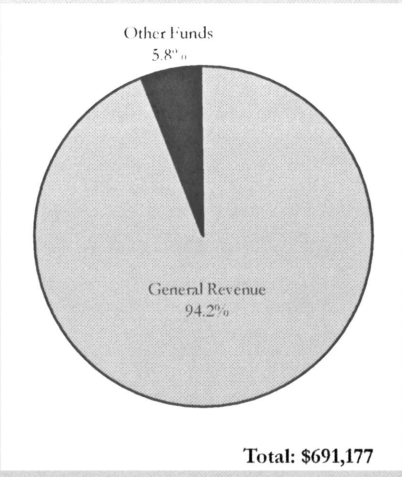
PERCENT OF DOCUMENTED COMPLAINTS RESOLVED WITHIN SIX MONTHS



Board of Examiners of Psychologists

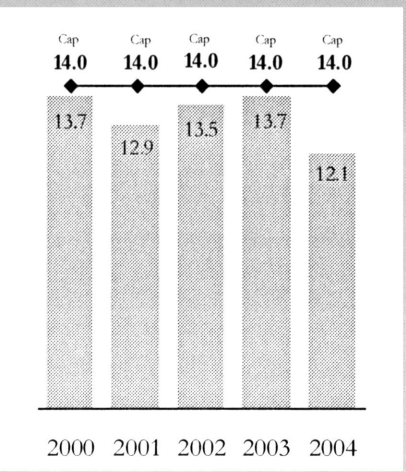
Selected Budget Information

ALL FUNDS, 2004 ESTIMATED



Total: $691,177

FULL-TIME-EQUIVALENT POSITIONS



MAJOR CONTRACTS REPORTED, 2004

In fiscal year 2004, the agency reported **no** contracts.

Budget Highlights

Fee-generated General Revenue Funds accounted for the majority of the agency's reported expenditures in fiscal year 2004. The agency reported expenditures of $655,563 in General Revenue Funds, which was the amount appropriated to it in the Seventy-eighth Legislature, General Appropriations Act (GAA), 2004–05 Biennium.

The agency uses the TexasOnline Authority to furnish license renewal services through the Internet. The agency began using the TexasOnline Authority in January 2003 for license renewals and for providing online profiles of licensed psychologists. In fiscal year 2004, the agency expended $30,000 in General Revenue Funds for payments to the TexasOnline Authority.

The agency received a small amount of Other Funds from publications sales, copy fees, written verification letters, and interagency contracts in fiscal year 2004. The agency reported expenditures of $23,541 less in Appropriated Receipts in fiscal year 2004 than had been appropriated to it in the 2004–05 GAA as a result of a decrease in the number of written verification letters produced and in the number of publication and open record letters sold as compared to previous fiscal years. The agency also reported expenditures of $44,796 in Interagency Contracts above amounts appropriated to it in the 2004–05 GAA in fiscal year 2004 for providing accounting services to the Funeral Services Commission.

Full-time-equivalent Employees

The agency did not exceed its cap for full-time-equivalent (FTE) positions in fiscal year 2004.

The agency reported staffing at 1.9 FTEs below the FTE cap in fiscal year 2004 due to the loss of an investigator and a clerical employee in fiscal year 2004.

Performance Measures Audit Reports

The most recent performance measures audit by the State Auditor's Office was in February 1996, when the *Performance Measures at 21 State Agencies and 1 Educational Institution* report certified with qualifications one measure and found one measure to be inaccurate. According to the agency, the measure found to be inaccurate has been redefined and is now in compliance.

Other Reports and Reviews

No special reports were identified after September 2003.

The agency underwent review by the Sunset Advisory Commission during the 2004–05 biennium. The Sunset Advisory Commission decisions as of July 2004 recommend discontinuing the agency's oral examination of candidates for licensure as psychologists, changing the basis on which the agency assesses late renewal fees, and applying other licensing and enforcement procedural improvements.

PERFORMANCE HIGHLIGHTS

During fiscal year 2004, the agency attained (within 5 percent) or exceeded 100 percent of its eight established key performance targets.

The agency attained or exceeded all three of its outcome targets and all five of its output/efficiency targets.

MEASURES ASSESSMENTS

The target for *Number of New Certificates/Licenses Issued to Individuals* was exceeded in fiscal year 2004. According to the agency, an increase in the number of out-of-state applications received and licensing staff efficiency in processing applications resulted in more licenses having been issued than originally projected.

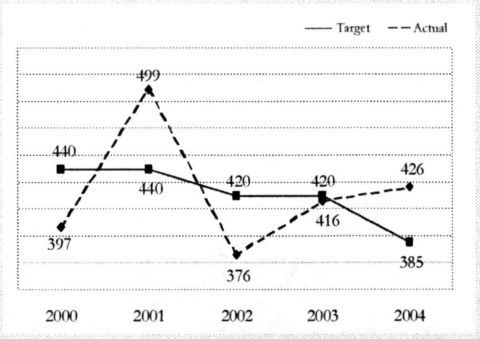
The *Number of Certificates/Licenses Renewed to Individuals* in fiscal year 2004 continued the trend of exceeding the targeted level. As more licensees choose online renewal, the agency is more likely to meet and exceed this target. According to the agency, it will start sending renewal postcard reminders to licensees that encourage them to renew online. The agency expects this to further increase the number of online renewals and thereby help the agency continue to meet this target.

The agency attained its fiscal year 2004 target (within 5 percent) for *Number of Complaints Resolved.* The agency reported receiving fewer continuing education complaints, which are usually resolved quickly, and cross-training a licensing staff employee to become a part-time investigator. Additionally, the agency reports that other staff, such as the enforcement manager/investigator, general counsel, and executive director, are involved in resolving complaints. Moreover, key staff are authorized to resolve continuing education complaints upon receiving payment of an administrative fine.

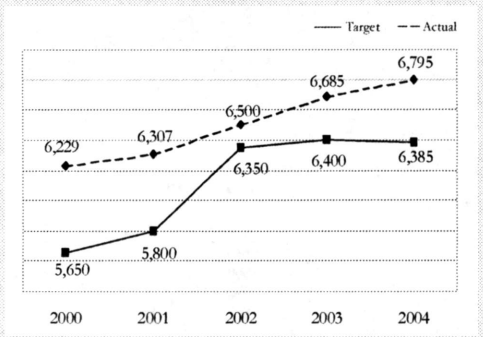
The target for *Average Time in Days for Complaint Resolution* was exceeded in fiscal year 2004. The agency reported receiving a high number of complaints during the fourth quarter of the fiscal year against non-licensees involving the unlicensed practice of hypnotherapy that were closed quickly because there was insufficient information on which to base an investigation. According to the agency, the remaining cases that have sufficient information to conduct an investigation are being processed in fiscal year 2005. In addition, the agency reported assigning more substantive complaints to professional reviewers, which lengthens the resolution time.

SELECTED PERFORMANCE MEASURES

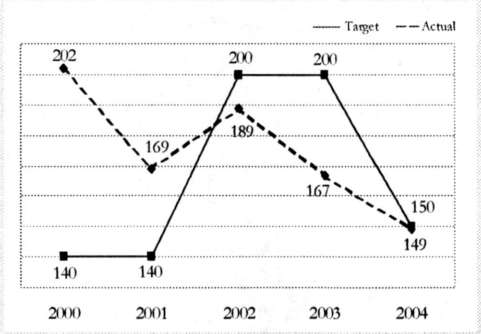
NUMBER OF NEW CERTIFICATES/LICENSES ISSUED TO INDIVIDUALS



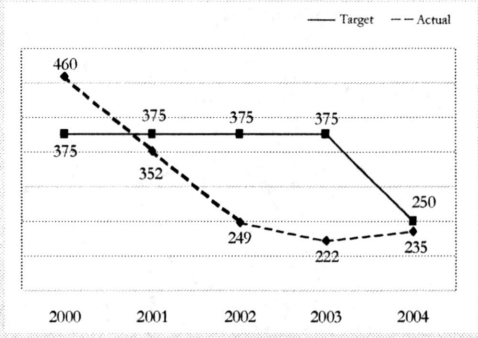
NUMBER OF CERTIFICATES/LICENSES RENEWED TO INDIVIDUALS



NUMBER OF COMPLAINTS RESOLVED



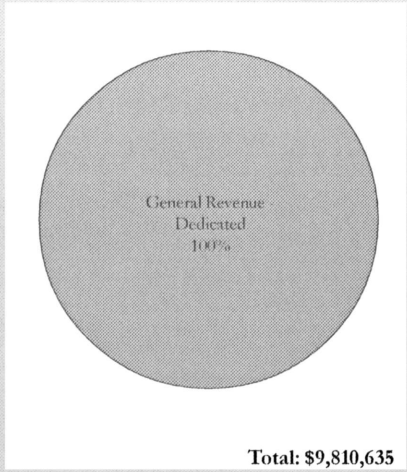
AVERAGE TIME IN DAYS FOR COMPLAINT RESOLUTION



RACING COMMISSION

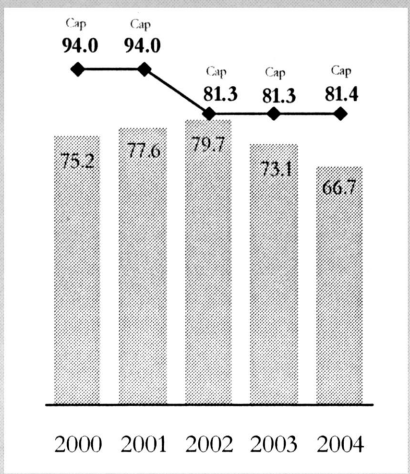
SELECTED BUDGET INFORMATION

ALL FUNDS, 2004 ESTIMATED



Total: $9,810,635

FULL-TIME-EQUIVALENT POSITIONS



MAJOR CONTRACTS REPORTED, 2004

In fiscal year 2004, the agency reported **two** contracts:

Monday N. Rufus, PC
Auditing services
$25,000

Horace A. Smith, DVM
Veterinary services
$22,000

* Known multi-year contract

BUDGET HIGHLIGHTS

The agency's reported expenditures in fiscal year 2004 were entirely comprised of General Revenue–Dedicated Funds. The agency's largest single program, the Texas Bred Incentive Program (TBIP), accounted for an estimated 55.2 percent of the agency's reported expenditures. The funds are only used to provide awards to Texas breeders. The TBIP was established by the Texas Racing Act to encourage agriculture and horse and greyhound breeding in Texas by providing purse supplements and monetary rewards to owners and breeders of winning Texas-bred horses and greyhounds.

The remaining 44.8 percent of the agency's fiscal year 2004 expenditures were used for licensing and regulation of the pari-mutuel waging industry in Texas.

During fiscal year 2004, the agency began participating in the TexasOnline Authority to furnish license renewal services through the Internet. The agency reported expending $17,000 more in General Revenue–Dedicated Funds than amounts directly appropriated to it in the Seventy-eighth Legislature, General Appropriations Act, 2004–05 Biennium, for payments to the TexasOnline Authority.

FULL-TIME-EQUIVALENT EMPLOYEES

The agency did not exceed its cap for full-time-equivalent (FTE) positions in fiscal year 2004.

The agency reported that several factors kept the number of FTEs below the fiscal year 2004 cap: five FTEs retired under the retirement incentive program; the agency reduced work hours of the stewards, judges and veterinarians at all track locations; and the agency laid off two pari-mutuel auditors, a systems analyst, an administrative assistant, the chief financial officer, and five licensing clerks.

PERFORMANCE MEASURES AUDIT REPORTS

The most recent performance measures audit by the State Auditor's Office was in March 2000, when the *2000 Small Agency Management Control Audit* report certified without qualifications five measures and factors prevented certification of one measure.

OTHER REPORTS AND REVIEWS

No special reports or reviews of the agency were identified after September 2003.

PERFORMANCE HIGHLIGHTS

During fiscal year 2004, the agency attained (within 5 percent) or exceeded 53 percent of its 17 established key performance targets.

The agency attained or exceeded 4 of its 5 outcome targets and 5 of its 12 output/efficiency targets.

MEASURES ASSESSMENTS

The agency did not attain the fiscal year 2004 target for the *Number of Investigations Completed.* The agency cited the maturing licensed population, the continued decline in the number of animal drug positives, and a reduction in the number of criminal history reports requiring follow-up as reasons for fewer investigations. The agency reported in fiscal year 2003 the primary reason for the decline in number of investigations completed was a reduction in the agency's investigation presence at the racetracks that was caused by the 7 percent budget reduction at many agencies.

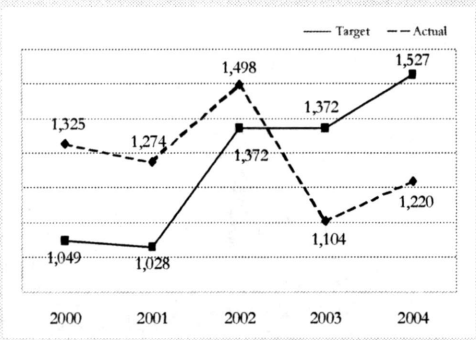
The target for *Average Regulatory Cost per Horse Racetrack* in fiscal year 2004 was attained (within 5 percent) through short-term and long-term planning by experienced staff, according to the agency. The agency has consistently met (within 5 percent) or exceeded the target for this measure. The agency reported it significantly reduced its expenditures in the Enforcement Division to meet its 7 percent budget reductions in fiscal year 2003. Reductions included staff layoffs, mandatory leave without pay, reduced travel, and reduced purchases of capital and consumable goods.

According to the agency, it did not attain the *Number of Race Animals Inspected Pre-race* target in fiscal year 2004 because 35 performances were cancelled at Corpus Christi Greyhound Racetrack and Gulf Greyhound Park due to an outbreak of "kennel cough," a highly contagious disease among the racing animals. All race animals participating in pari-mutuel racing in Texas are subject to drug testing to ensure the integrity of the race results. At horse racetracks, animals that place first in each race are required to be tested; animals placing second or third are also routinely tested. Additionally, the Texas Racing Act allows racing judges, an agency veterinarian, or any representative of the agency to seek testing of a horse or greyhound involved in a race.

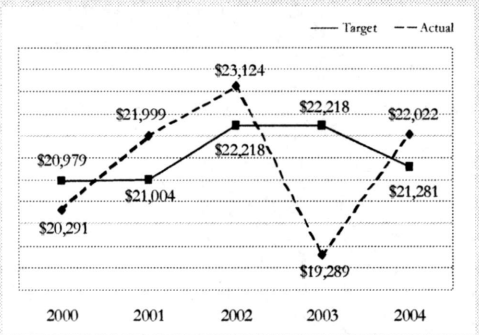
The agency exceeded the target for *Percentage of Compliance Audits Passed* in fiscal year 2004. According to the agency, the level of experience among the pari-mutuel audit staff and the racetrack pari-mutuel/simulcasting staff contributed to the agency's performance. The agency further states that continued dialog between the two staffs to resolve misunderstandings and avoid potential problems also contributed to the agency's success.

SELECTED PERFORMANCE MEASURES

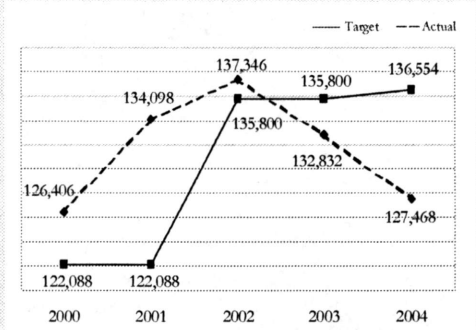
NUMBER OF INVESTIGATIONS COMPLETED



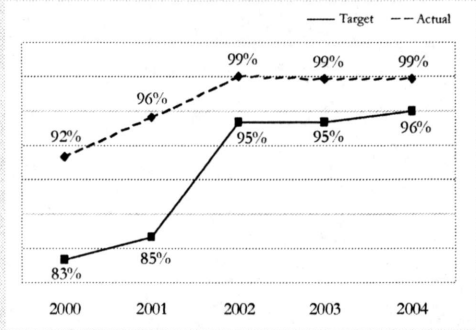
AVERAGE REGULATORY COST PER HORSE RACETRACK



NUMBER OF RACE ANIMALS INSPECTED PRE-RACE



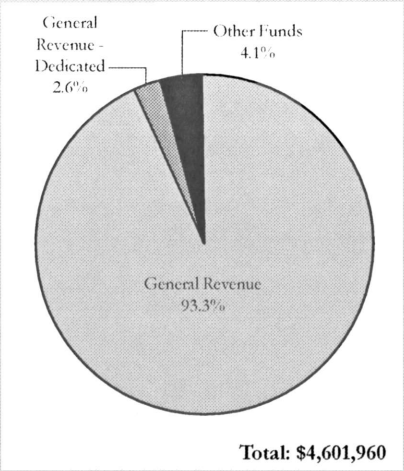
PERCENTAGE OF COMPLIANCE AUDITS PASSED



Real Estate Commission

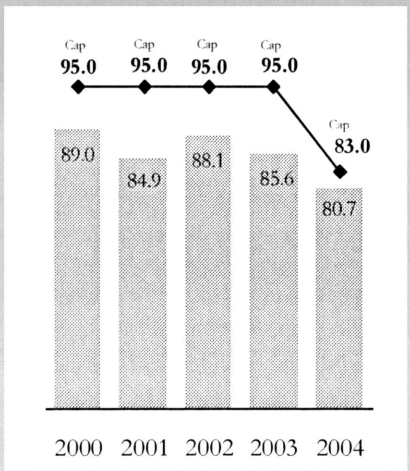
Selected Budget Information

ALL FUNDS, 2004 ESTIMATED



Total: $4,601,960

FULL-TIME-EQUIVALENT POSITIONS



MAJOR CONTRACTS REPORTED, 2004

In fiscal year 2004, the agency reported two contracts:

Unisys Corp. *
Computer maintenance
$141,153

Garza/Gonzalez & Associates *
Internal audit services
$14,000

* Known multi year contract

Budget Highlights

The Real Estate Commission has two governing boards: the Real Estate Commission and the Texas Appraiser Licensing and Certification Board.

General Revenue Funds generated by professional license fees accounted for a majority of the agency's reported expenditures in fiscal year 2004. The agency reported expenditures of almost $4.3 million in General Revenue Funds for fiscal year 2004. A $25 fee per license, totaling $120,000, was collected and passed through to the General Revenue–Dedicated Appraiser Registry Account No. 028. Appropriated Receipts in the amount of $186,505 constituted the remainder of the agency's fiscal year 2004 expenditures. Although most of the receipts came from the sale of the agency's quarterly newsletter, additional revenue was received from conducting Residential Service Company audits.

The agency uses the electronic payment portion of the TexasOnline Authority to support both license application and renewal transactions. The agency utilizes an internally developed system to collect licensee information and to confirm specific details for renewal eligibility and then relies upon the TexasOnline Authority to collect and process payment via an electronic payment module. In fiscal year 2004, the agency expended $231,996 for payments to the TexasOnline Authority.

Full-time-equivalent Employees

The agency did not exceed its cap for full-time-equivalent (FTE) positions in fiscal year 2004.

The agency's FTE cap decreased from 95 in fiscal year 2003 to 83 in fiscal year 2004. The agency eliminated 12 positions in response to a lower funding level adopted by the Seventy-eighth Legislature, 2003. In fiscal year 2004, the agency reported staffing levels of 2.3 FTEs below the cap due to staff turnover.

Performance Measures Audit Reports

The most recent performance measures audit by the State Auditor's Office was in May 1998, when the *Performance Measures at 36 State Agencies* report certified without qualifications the four measures reviewed.

Other Reports and Reviews

No special reports or reviews of the agency were identified after September 2003.

The agency is eligible to implement an enhanced compensation program for employees during fiscal year 2005, pursuant to Article IX, Section 6.28(d) of the 2004–05 General Appropriations Act. Agency eligibility is based on attainment of at least 80 percent of key performance targets in fiscal year 2004 and certification that at least 70 percent of audited key measures are accurate. Classified employees who directly contribute to improvements in agency performance may be awarded up to 6.8 percent of their base salary.

PERFORMANCE HIGHLIGHTS

During fiscal year 2004, the agency attained (within 5 percent) or exceeded 84 percent of its 19 established key performance targets.

The agency attained or exceeded 7 of its 8 outcome targets and 9 of its 11 output/efficiency targets.

MEASURES ASSESSMENTS

The *Number of New Licenses Issued to Individuals (Real Estate Only)* exceeded targeted amounts in fiscal year 2004 as a result of more license applications being received than anticipated. The agency indicated that downturns in economic conditions brought about a higher number of people than usual starting careers in the field of real estate. The agency expects this trend to continue over the next biennium.

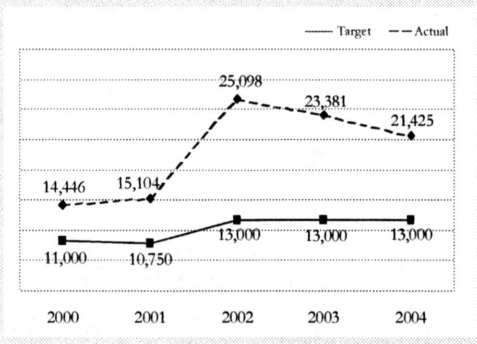
The agency exceeded its fiscal year 2004 target for *Number of Complaints Resolved (Real Estate Only)*. According to the agency, there were several reasons for this outcome: (1) a continued emphasis by enforcement division staff on resolving complaints in a timely fashion; (2) a streamlined process to include earlier screening of complaints involving lack of jurisdiction or that have insufficient evidence to proceed; (3) a lower turnover rate in the enforcement division; (4) increased resources (one FTE); and (5) an ongoing evaluation of the enforcement process to ensure the most efficient procedures are in place.

The agency exceeded its fiscal year 2004 target for *Number of New Licenses and Certificates Issued to Individuals (Appraisers Only)*. According to the agency, consumer and lender demands regarding property refinancing transactions brought about an increase in the number of licensed appraisers. Trainees who have been sponsored by a certified appraiser for a specified training period can apply for an appraiser license once they meet the requirements. Currently, there are no educational requirements to become a trainee, thus making this vocation more desirable.

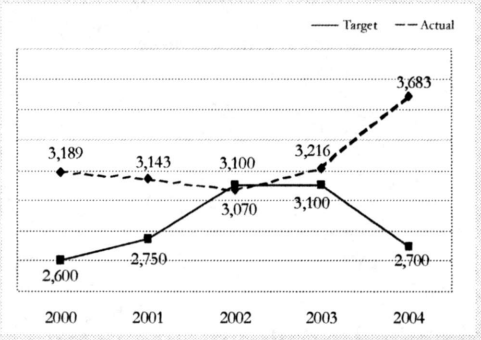
The agency did not meet its fiscal year 2004 target for *Complaints Resolved (Appraisers Only)* in part because of a workload increase. The agency also reports that the current appraiser complaint process requires action by the board at various stages, which slows down complaint resolution. Additionally, the agency states that any nonvoluntary disciplinary action requires commitment of time by staff from the Office of the Attorney General and getting on the docket at the State Office of Administrative Hearings (SOAH). Final action can only by taken by the board on SOAH's proposal for decision.

SELECTED PERFORMANCE MEASURES

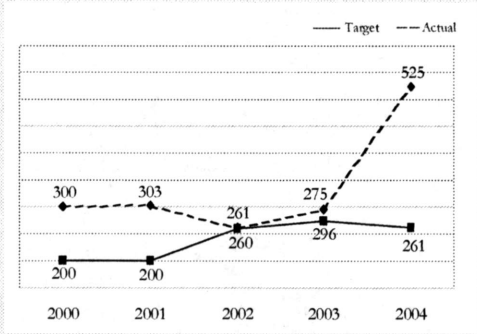
NUMBER OF NEW LICENSES ISSUED TO INDIVIDUALS



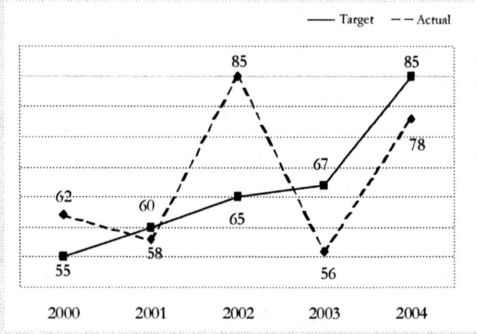
NUMBER OF COMPLAINTS RESOLVED (REAL ESTATE ONLY)



NUMBER OF NEW LICENSES AND CERTIFICATIONS ISSUED TO INDIVIDUALS (APPRAISERS ONLY)



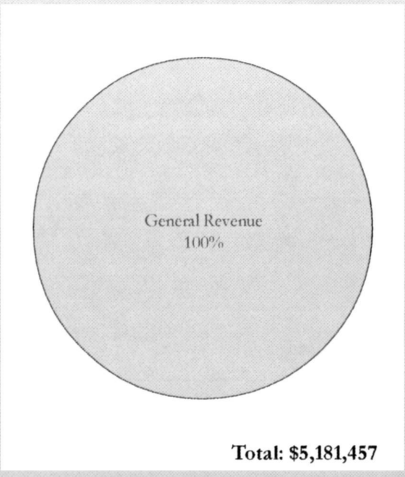
COMPLAINTS RESOLVED (APPRAISERS ONLY)



SECURITIES BOARD

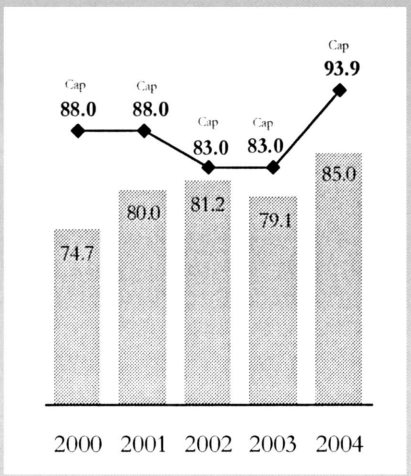
SELECTED BUDGET INFORMATION

ALL FUNDS, 2004 ESTIMATED



Total: $5,181,457

FULL-TIME-EQUIVALENT POSITIONS



MAJOR CONTRACTS REPORTED, 2004

In fiscal year 2004, the agency reported **no** contracts.

BUDGET HIGHLIGHTS

Fee-generated General Revenue Funds accounted for all of the agency's expenditures in fiscal year 2004.

House Bill 1840, Seventy-eighth Legislature, Regular Session, 2003, authorized the agency to establish and set certain fees in amounts reasonable and necessary to cover the cost of administering and enforcing the Securities Act in excess of the amount generated by the fees as of September 1, 2002. Previously, the agency did not control the levels of any of the fees it charged. The agency reported expenditures of nearly $1.7 million in fee-generated General Revenue Funds and 27 full-time-equivalent positions above the amounts directly appropriated to it in the General Appropriations Act, 2004–05 Biennium, related to enactment of the bill.

The agency expended approximately $2.2 million in fee-generated General Revenue Funds in fiscal year 2004 for the investigation of Securities Act violations and to ensure appropriate enforcement action was taken against violators.

Employee salaries accounted for a little more than $4.1 million of the agency's expenditures in fiscal year 2004.

The agency's appropriations were reduced by $23,873 related to the retirement incentive and to the efficient use of state-owned and leased space.

FULL-TIME-EQUIVALENT EMPLOYEES

The agency did not exceed its cap for full-time-equivalent (FTE) positions in fiscal year 2004.

With the passage of House Bill 1840, Seventy-eighth Legislature, Regular Session, 2003, the agency's FTE cap increased by 10.9 positions from fiscal year 2003. Because of the time involved in filling the new positions, along with normal staff turnover, and the time required to restaff previously filled positions, the agency was 8.9 FTEs below its FTE cap in fiscal year 2004. At the end of the fiscal year, the agency had 89 FTEs in place.

PERFORMANCE MEASURES AUDIT REPORTS

The most recent performance measures audit by the State Auditor's Office was in May 2000, when the *Performance Measures at 11 State Agencies* certified with qualifications the five measures reviewed.

OTHER REPORTS AND REVIEWS

No special reports or reviews of the agency were identified after September 2003.

PERFORMANCE HIGHLIGHTS

During fiscal year 2004, the agency attained (within 5 percent) or exceeded 90 percent of its 10 established key performance targets.

The agency attained or exceeded three of its four outcome targets and all six of its output/efficiency targets.

MEASURES ASSESSMENTS

The agency succeeded in meeting the target for *Percentage of Texas Dealers Inspected* because of increased staffing levels and additional funding available for travel in fiscal year 2004. The Inspections and Compliance Division was expanded by four additional FTEs that included two attorneys, one financial examiner, and one administrative assistant.

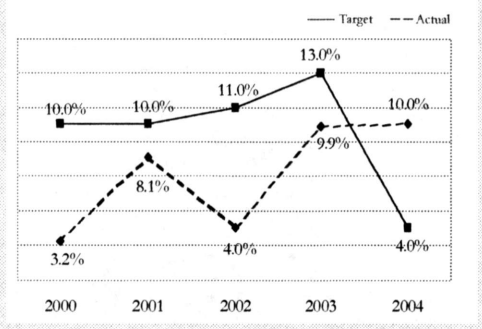
Increased staffing levels and reduced turnover allowed the agency to exceed the target for *Number of Inspections Conducted* in fiscal year 2004. According to the agency, turnover in the Inspections and Compliance Division decreased from 45 percent in fiscal year 2003 to 6 percent in fiscal year 2004 because of increased staff salaries. This reduction in turnover allowed the agency to focus more time and resources on performing inspections. An inspection is a review of the books and records of a registered firm. The books and records are examined to determine continued compliance with the Securities Act and with agency rules and regulations.

The target for *Number of New Applications Reviewed* was exceeded in fiscal year 2004. According to the agency, measure performance tends to fluctuate with the securities market. As interest and activity in the securities market increases, securities dealers tend to hire additional employees and investment bankers bring more new securities issues to market.

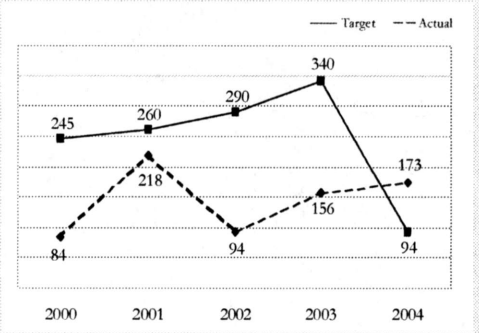
The agency exceeded the target for *Number of Enforcement Actions Taken.* The Enforcement Division was increased by five additional FTEs, or 25 percent, in fiscal year 2004, providing greater staff resources for the execution of enforcement actions. In addition, during fiscal year 2004, the agency pursued three large criminal cases, which resulted in 149 enforcement actions. No such cases were pursued in fiscal year 2003.

SELECTED PERFORMANCE MEASURES

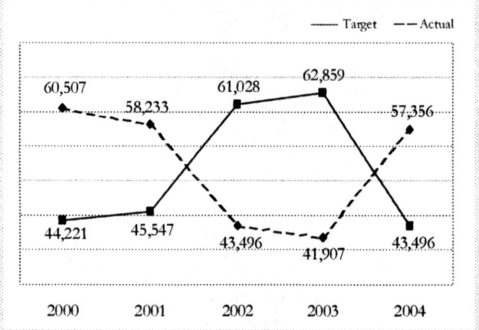
PERCENTAGE OF TEXAS DEALERS INSPECTED



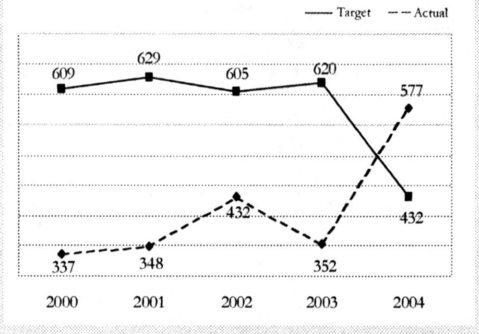
NUMBER OF INSPECTIONS CONDUCTED



NUMBER OF NEW APPLICATIONS REVIEWED



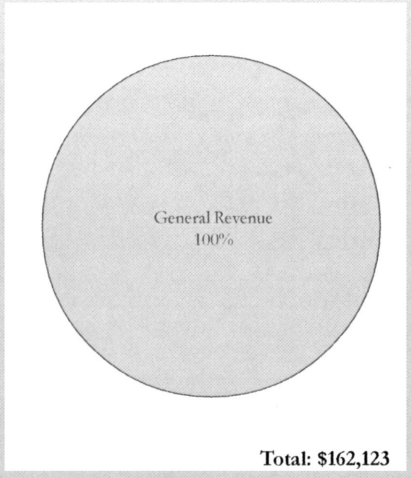
NUMBER OF ENFORCEMENT ACTIONS TAKEN



Board of Tax Professional Examiners

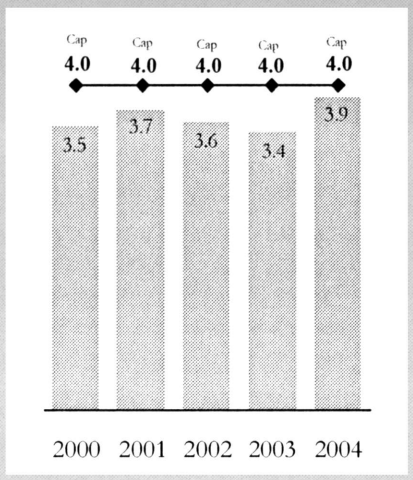
Selected Budget Information

ALL FUNDS, 2004 ESTIMATED



Total: $162,123

FULL-TIME-EQUIVALENT POSITIONS



MAJOR CONTRACTS REPORTED, 2004

In fiscal year 2004, the agency reported **no** contracts.

Budget Highlights

Fee-generated General Revenue Funds charged for applicant processing, exams, and license renewals accounted for all of the agency's reported fiscal year 2004 expenditures. The board is financed entirely by those persons it regulates through registrant application fees, registration fees, examination fees, annual registration renewal fees, and penalty fees. The agency's registrant population is composed of appointed and elected public servants operating Texas' property tax system.

During fiscal year 2004, the agency participated in the TexasOnline Authority to furnish license renewal services through the Internet. However, the agency reported that fewer fees were generated for the TexasOnline Authority from licensing renewals than were originally anticipated. The agency reported spending $1,195 less in General Revenue Funds than amounts directly appropriated to it in the Seventy-eighth Legislature, General Appropriations Act, 2004–05 Biennium, for reduced payments to the Texas Online Authority.

Full-time-equivalent Employees

The agency did not exceed its cap for full-time-equivalent positions in fiscal year 2004.

Performance Measures Audit Reports

The most recent performance measures audit by the State Auditor's Office was in May 1998, when the *Performance Measures at 36 State Agencies* report certified with qualifications two measures and found two measures to be inaccurate.

Other Reports and Reviews

No special reports or reviews of the agency were identified after September 2003.

Board of Tax Professional Examiners

Performance Highlights

During fiscal year 2004, the agency attained (within 5 percent) or exceeded 80 percent of its 10 established key performance targets.

The agency attained or exceeded three of its five outcome targets and four of its five output/efficiency targets.

Measures Assessments

The agency met the *Number of New Licenses Issued to Individuals* target during fiscal year 2004. According to the agency, its performance reflects the overall turnover rate of the property tax profession. The number of new licenses issued during the past five years has averaged approximately 340 annually. The agency reports that the number of new licenses issued has continually increased each year since fiscal year 2002, primarily due to licensed registrants retiring and being replaced. Any person who engages in appraisal of property for ad valorem tax purposes, or who is authorized to render judgment on, recommend, or certify an appraised value to the appraisal review board of an appraisal district must register with the agency. Additionally, any person who performs assessment or collection functions for a taxing unit whose chief administrator requires them to, must register with the agency.

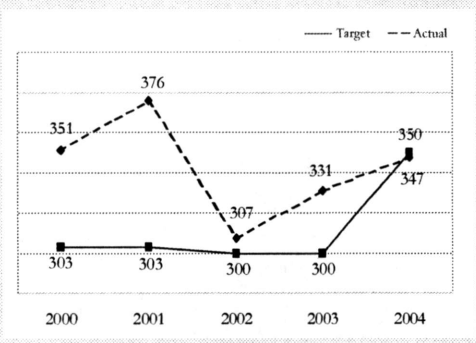
The agency exceeded the fiscal year 2004 target for *Number of Persons Certified/Recertified.* According to the agency, the measure reflects the number of registrants who complete the five-year recertification requirement after the initial certification or complete the initial certification requirements. This performance reflects more registrants continuing in the property tax field than initially forecasted and may be attributed to the job security a registrant may enjoy with a taxing entity. Registered Professional Appraisers and Registered Texas Assessor-Collectors must acquire 75 continuing education units; Registered Texas Collectors must acquire 25 units.

The agency did not attain its target for *Percent of Complaints Resulting in Disciplinary Action* in fiscal year 2004. No disciplinary action was taken during the fiscal year against any registrant. The agency resolved 12 complaints during fiscal year 2004, and no registrants were found in violation of any board rule or policy that warranted disciplinary action.

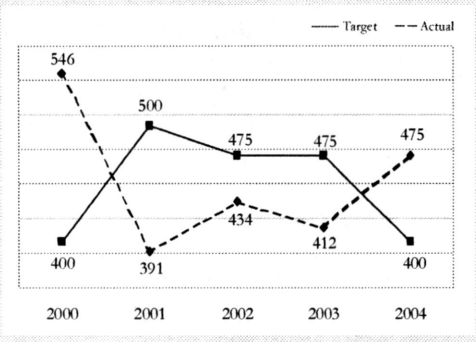
The agency exceeded the *Number of Approved Courses Offered* target during fiscal year 2004. Agency-approved sponsors conduct the courses. Sponsors are private entities who hire and pay approved instructors to teach the courses. According to the agency, it regularly encourages sponsors to increase the frequency of course offerings to allow more flexibility for the registrants, who are required to attend the courses. Performance on this measure reflects positive results from the agency's efforts.

Selected Performance Measures

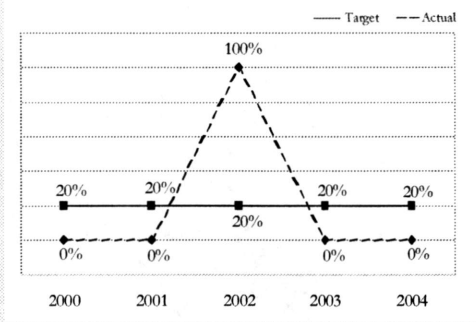
NUMBER OF NEW LICENSES ISSUED TO INDIVIDUALS



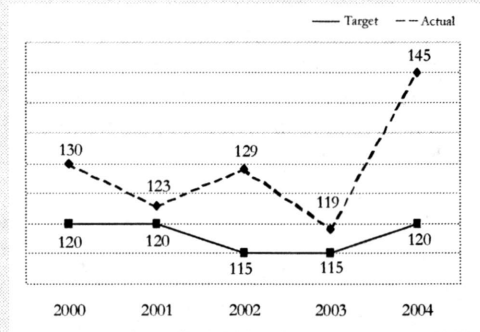
NUMBER OF PERSONS CERTIFIED/RECERTIFIED



PERCENT OF COMPLAINTS RESULTING IN DISCIPLINARY ACTION



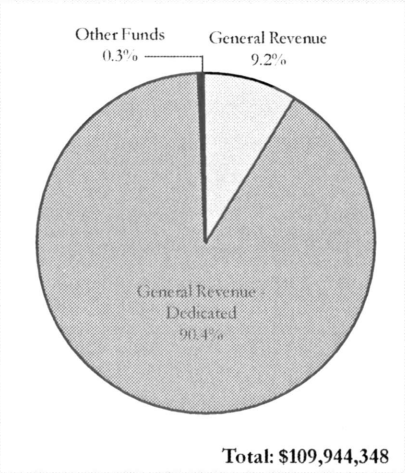
NUMBER OF APPROVED COURSES OFFERED



PUBLIC UTILITY COMMISSION

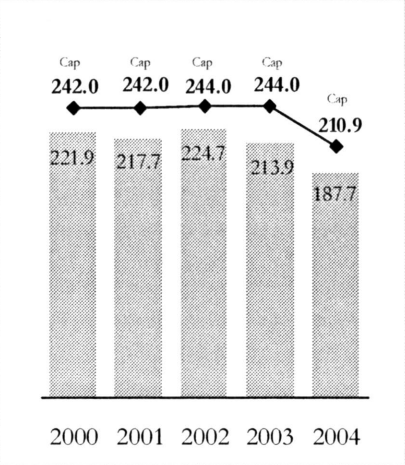
SELECTED BUDGET INFORMATION

ALL FUNDS, 2004 ESTIMATED



Total: $109,944,348

FULL-TIME-EQUIVALENT POSITIONS



MAJOR CONTRACTS REPORTED, 2004

In fiscal year 2004, the agency reported **14** contracts, including:

NECA Services *
Low income discount administration
$4,397,160

Technology and Inclusion *
"Speech to Speech" contract
$3,466,427

NCS Pearson & Associates *
Low income discount application
$2,204,960

Potomac Economics *
Electric market oversight
$1,000,000

Xerox Corporation *
Copier lease
$851,892

Austin Ribbon & Computer/Dell Financial *
Computer lease
$408,308

* Known multi-year contract

BUDGET HIGHLIGHTS

General Revenue Funds accounted for 9.2 percent of the agency's expenditures in fiscal year 2004. The General Revenue Dedicated—System Benefit Trust Fund (SBF) accounted for 90.4 percent of the agency's expenditures. All other funding came from Appropriated Receipts for the sale of printed materials and reimbursements from the Universal Service Fund for administrative costs.

Prioritization of the SBF was established under House Bill 1902, Seventy-seventh Legislature, 2001, to provide low-income individuals a discount on their electricity bills; education on consumer electric choice in a deregulated market; transfers to the Foundation School Program to offset property value decline in affected communities; transfers to the Texas Department of Housing and Community Affairs (TDHCA) for weatherization programs; and administrative costs.

In fiscal year 2004, the low-income discount rate was set at 10 percent, equating to $95.0 million in discount payments to qualifying customers. The number of program participants decreased from 758,000 in the first quarter of 2004 to 303,000 in the fourth quarter. The agency attributes this decrease to three major agency rule changes: (1) the guaranteed enrollment period for automatically enrolled customers was changed from 13 months to 1 month; (2) the individual being granted the discount must be the electric customer and must be at least 15 years of age; and (3) the agency began matching eligible customers using data from retail electric providers, which provides a closer match than the Electric Reliability Council of Texas database that was previously used.

The agency expended $0.7 million from the SBF for customer education. No transfers were made to the Foundation School Program, as market values had not declined further, nor to TDHCA for weatherization.

House Bill 1365, Seventy-eighth Legislature, Regular Session, 2003, removed the authority to fund the energy efficiency grant program from the General Revenue Dedicated—Texas Emissions Reduction Plan (TERP) account, eliminating funding for the program. Prior to enactment of the bill, almost $1.8 million was appropriated from the TERP account to fund the energy efficiency grant program in fiscal year 2004. No other appropriations were made for this purpose.

FULL-TIME-EQUIVALENT EMPLOYEES

The agency did not exceed its cap for full-time-equivalent positions in fiscal year 2004.

PERFORMANCE MEASURES AUDIT REPORTS

The most recent performance measures audit by the State Auditor's Office (SAO) was in May 1998, when the *Performance Measures at 36 State Agencies* report certified with qualifications two measures and found two measures to be inaccurate.

OTHER REPORTS AND REVIEWS

An Audit Report on the Public Utility Commission of Texas's Administration of the System Benefit Fund, dated July 2004, issued by the SAO stated that while the majority of funds from the SBF were distributed correctly, there were instances in which the agency did not administer the SBF in accordance with laws and regulations.

The agency underwent review by the Sunset Advisory Commission during the 2004–05 biennium. The commission recommended a six-year continuation of the agency and to increase the maximum administrative penalty the agency can impose from $5,000 to $25,000 per day per violation.

PERFORMANCE HIGHLIGHTS

During fiscal year 2004, the agency attained (within 5 percent) or exceeded 75 percent of its 24 established key performance targets.

The agency attained or exceeded five of its seven outcome targets and 13 of its 17 output/efficiency targets.

MEASURES ASSESSMENTS

The target for *Average Cost of Electricity per KWh in Texas for Residential Customers as a Percentage of the National Residential Average* was not met in fiscal year 2004 due to a significant increase in natural gas prices. According to the agency, Texas is disproportionately dependent on natural gas for the production of power. Increases in natural gas prices during the early part of the fiscal year increased the price of electricity in Texas relative to the national average. Power generation in Texas is more reliant on natural gas than in many other states, so the increase in fuel costs negatively affected the cost of electricity in comparison to the national average.

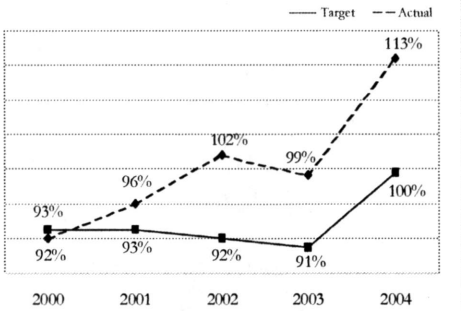
The agency exceeded the target for *Average Annual Residential Telephone Bill in Texas as a Percentage of the National Average*. According to the agency, the average residential telephone bill in Texas for basic service remained lower than the national average in fiscal year 2004. The ratio between the state and national rate did not change significantly from fiscal year 2003 to fiscal year 2004. The Texas single-line residential rate decreased in fiscal year 2004 from $9.54 to $9.30. This rate change was mainly driven by a decrease in the weighted single-line residential access line rates of Verizon and Guadalupe Valley Telephone Cooperative, as well as a drop in the access lines reported by SBC Texas. Rates of competitive local exchange carriers and other alternative local providers, such as cellular carriers, are not included in the calculation of this performance measure.

The agency exceeded the target for *Number of Rate Cases Completed for Regulated Utilities* in fiscal year 2004. The agency completed 10 electric rate cases in the fourth quarter of fiscal year 2004, all of which were classified as minor electric rate cases. Since this is a new measure, earlier projections did not account for price-to-beat fuel factor cases, which were previously classified as fuel rather than rate proceedings, and therefore were not counted in this measure nor included in the 2004–05 biennium projections. Year-to-date performance exceeded the annual target by more than double the number of cases projected. According to the agency, this measure is difficult to predict because it is dependent, in part, on applications for rate changes initiated by electric providers. The increased cost of natural gas in fiscal year 2004 may have affected the number of rate case applications filed by regulated electric utilities, resulting in higher than normal performance.

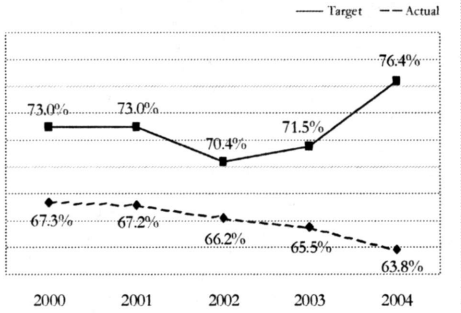
The agency exceeded the target for *Number of Compliance Investigations Conducted* in fiscal year 2004. The agency received more complaints in the third quarter related to "fax blasting" and "no call" violations. According to the agency, an investigation is complete when the agency distributes findings in a "Report of Violations" to the person or company investigated. If there are no violations, a memorandum to the file is prepared and the date of this internal memorandum is the date the investigation is considered complete.

SELECTED PERFORMANCE MEASURES

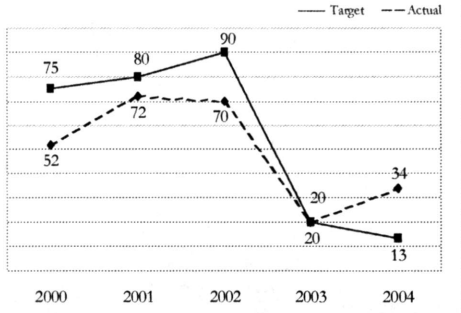
AVERAGE COST OF ELECTRICITY PER KWH IN TEXAS FOR RESIDENTIAL CUSTOMERS AS A PERCENTAGE OF THE NATIONAL RESIDENTIAL AVERAGE



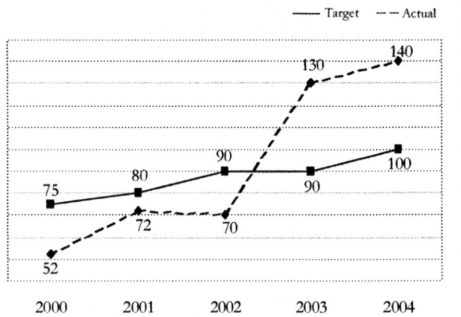
AVERAGE ANNUAL RESIDENTIAL TELEPHONE BILL IN TEXAS AS A PERCENTAGE OF THE NATIONAL AVERAGE



NUMBER OF RATE CASES COMPLETED FOR REGULATED UTILITIES



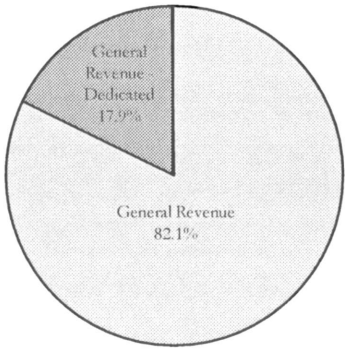
NUMBER OF COMPLIANCE INVESTIGATIONS CONDUCTED



Office of Public Utility Counsel

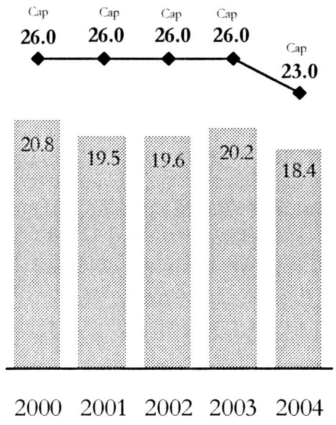
Selected Budget Information

ALL FUNDS, 2004 ESTIMATED



Total: $1,609,124

FULL-TIME-EQUIVALENT POSITIONS



MAJOR CONTRACTS REPORTED, 2004

In fiscal year 2004, the agency reported **two** contracts:

DAI Management Consultants *
Expert witness
$69,500

Energy Strategies *
Expert witness
$55,000

* Known multi-year contract

Budget Highlights

The agency reported General Revenue Fund expenditures of $1.3 million in fiscal year 2004. The agency participates in a variety of state and federal electric and telecommunications cases. Because it cannot control the timing or duration of these cases, and cases regularly take place over multiple years, the agency carried forward $138,676 in unexpended General Revenue Fund balances related to participation in proceedings from fiscal year 2004 into fiscal year 2005.

The agency received $288,138 in General Revenue Dedicated—System Benefit Account (SBA) appropriations in fiscal year 2004 for administrative costs related to electric utility deregulation. The SBA is financed by a mandatory fee set at an amount not to exceed $0.65 per megawatt hour, which is passed through to users of electricity in areas of the state with electric provider competition.

In fiscal year 2004, the agency expended a total of almost $1.2 million in All Funds related to participation in major electric rate cases, rules and other proceedings.

Full-time-equivalent Employees

The agency did not exceed its cap for full-time-equivalent positions in fiscal year 2004.

The agency was below its FTE cap for fiscal year 2004 because of unfilled vacancies.

Performance Measures Audit Reports

The most recent performance measures audit by the State Auditor's Office was in August 1997, when the *Performance Measures at 26 State Agencies* report certified without qualifications the eight measures reviewed.

Other Reports and Reviews

No special reports of the agency were identified after September 2003.

The agency underwent review by the Sunset Advisory Commission during the 2004–05 biennium.

PERFORMANCE HIGHLIGHTS

During fiscal year 2004, the agency attained (within 5 percent) or exceeded 75 percent of its eight established key performance targets.

The agency attained or exceeded one of its two outcome targets and five of its six output/efficiency targets.

MEASURES ASSESSMENTS

For the second consecutive year, the *Number of Electric Cases in which OPUC Participates* declined but exceeded its fiscal year 2004 target. The agency carried over and completed 23 cases from fiscal year 2003 and participated in 38 new cases. The agency reported that the reasons for the variance include the unique nature of the transition to competition cases, which makes predictions difficult, and the carryover effect from the previous fiscal year due to cases crossing fiscal years.

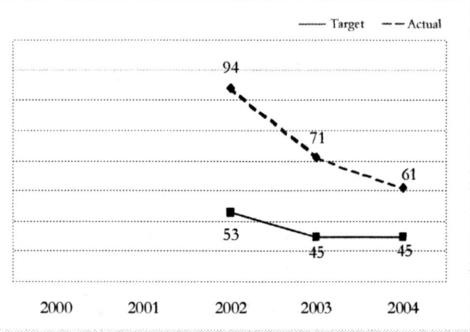
The agency slightly exceeded its fiscal year 2004 target for the *Number of Telecommunications Cases in which OPUC Participates*. The number of cases depends primarily upon the number of telecommunications cases filed at the Public Utility Commission (PUC) in which consumers need representation, making forecasting several years in advance difficult. Additionally, the agency carried over a number of cases from the previous fiscal year due to the cases crossing fiscal years.

The agency reported a small increase in the *Percentage of OPUC Telecommunications Proceedings that Are Competition Related* from fiscal year 2003 and exceeded its target for fiscal year 2004. The agency is reactive to projects and cases initiated by the PUC, the Federal Communications Commission (FCC), utilities, and competitors. There was an increase in competition-related proceedings filed in fiscal year 2004 that required participation by the agency, particularly proceedings involving interpretation and fact-finding under the Telecommunications Act of 1996, including the FCC's attempt to rewrite competition rules for access to unbundled network elements (UNE). These elements are the basic parts of the telecommunications network that incumbents and competitors need to package and sell services.

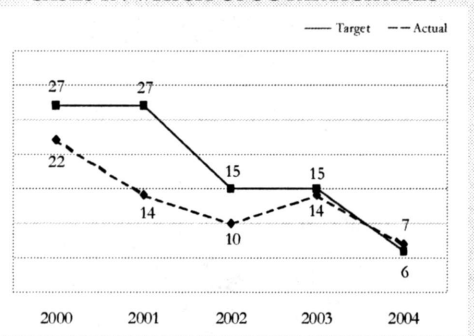
The target for *Number of Telecommunications Projects in which OPUC Participates* was not attained in fiscal year 2004. Agency-reported amounts reflect a decline for the second consecutive year, reaching 85.7 percent of its target. The decline in participation reflects the agency's decision to absorb most of its budget reductions in this strategy due to lower levels of appropriations. The agency was involved in a variety of projects, including the triennial federal and state review of the availability of UNEs, customer service standards for wireless carriers, and universal service.

SELECTED PERFORMANCE MEASURES

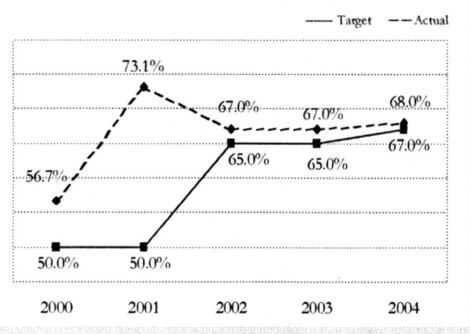
NUMBER OF ELECTRIC CASES IN WHICH OPUC PARTICIPATES



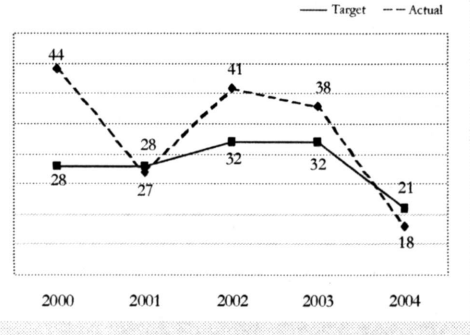
NUMBER OF TELECOMMUNICATIONS CASES IN WHICH OPUC PARTICIPATES



PERCENTAGE OF OPUC TELECOMMUNICATIONS PROCEEDINGS THAT ARE COMPETITION RELATED



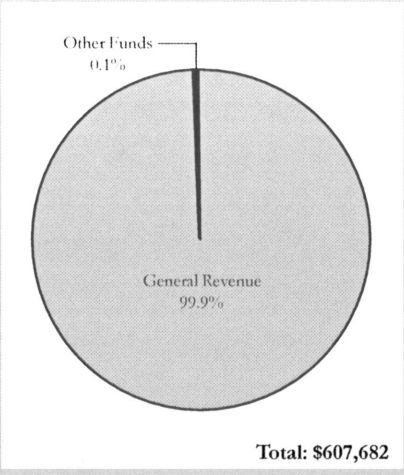
NUMBER OF TELECOMMUNICATIONS PROJECTS IN WHICH OPUC PARTICIPATES



Board of Veterinary Medical Examiners

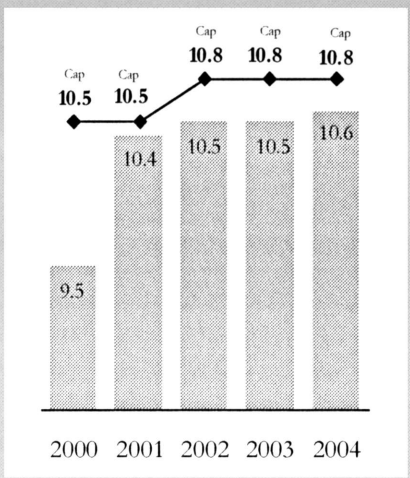
Selected Budget Information

ALL FUNDS, 2004 ESTIMATED



Total: $607,682

FULL-TIME-EQUIVALENT POSITIONS



MAJOR CONTRACTS REPORTED, 2004

In fiscal year 2004, the agency reported **no** contracts.

Budget Highlights

Fee-generated General Revenue Funds accounted for almost all of the agency's reported total expenditures in fiscal year 2004. Appropriated Receipts accounted for all other expenditures.

The agency collected and spent $14,250 in General Revenue Funds above its regular appropriations in the Seventy-eighth Legislature, General Appropriations Act (2004–05 Biennium), from administrative penalties to fund the Peer Assistance Program.

The agency uses the TexasOnline Authority to furnish license renewal services through the Internet. The agency began using the TexasOnline Authority in January 2002 for license renewals for veterinarians. In fiscal year 2004, the agency expended $30,485 for payments to the TexasOnline Authority.

Full-time-equivalent Employees

The agency did not exceed its cap for full-time-equivalent (FTE) positions in fiscal year 2004.

Agency staffing levels have consistently been below the FTE cap since fiscal year 2000 due to staff turnover.

Performance Measures Audit Reports

The most recent performance measures audit by the State Auditor's Office was in August 1997, when the *Performance Measures at 26 State Agencies* report certified with qualifications four measures and found one measure to be inaccurate. The agency has since implemented procedures to ensure accurate reporting.

Other Reports and Reviews

No special reports of the agency were identified after September 2003.

The agency underwent review by the Sunset Advisory Commission during fiscal year 2004.

The agency is eligible to implement an enhanced compensation program for employees during fiscal year 2005, pursuant to Article IX, Section 6.28(d) of the 2004–05 General Appropriations Act. Agency eligibility is based on attainment of at least 80 percent of key performance targets in fiscal year 2004 and certification that at least 70 percent of audited key measures are accurate. Classified employees who directly contribute to improvements in agency performance may be awarded up to 6.8 percent of their base salary.

Board of Veterinary Medical Examiners

Performance Highlights

During fiscal year 2004, the agency attained (within 5 percent) or exceeded 82 percent of its 11 established key performance targets.

The agency attained or exceeded three of its five outcome targets and all six of its output/efficiency targets.

Measures Assessments

The agency exceeded the target for the *Number of New Licenses Issued to Individuals* in fiscal year 2004. The agency has consistently met or exceeded this target over the past five fiscal years. The agency reports that a majority of the licenses issued are not proportionate throughout the fiscal year due to graduation occurring during the months of May and June. This increases the number of licenses issued during the third quarter of the fiscal year.

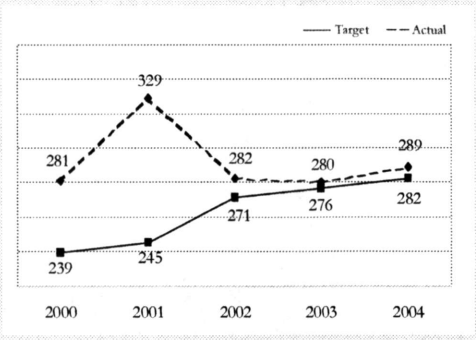
The agency exceeded its target for the *Number of Licenses Renewed (Individuals)* in fiscal year 2004. The agency reported that historical data and trends are used to establish the target for this measure. Knowing the total amount of veterinarians and veterinarian graduates from the previous year, contributes to meeting or exceeding this target, although the actual number who renew their license is beyond the agency's control as veterinarians may retire or move to another state.

The agency exceeded the target for the *Number of Complaints Resolved* in fiscal year 2004. The Enforcement Division, which manages the complaints received, consists of a chief investigator and three inspector positions. The agency reports that historically each of the three inspectors process approximately 7.5 cases per month, or a combined total of approximately 270 cases per year; however, staff were able to complete an additional 38 complaints in fiscal year 2004.

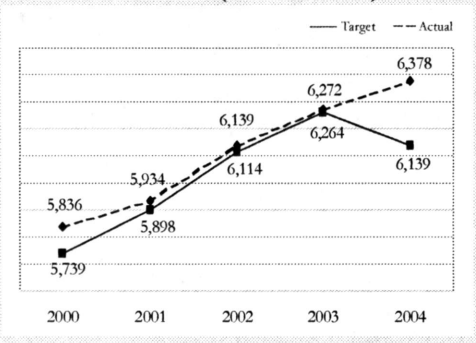
The agency attained the target (within 5 percent) for *Average Time for Complaint Resolution*. The agency reported a favorable completion time of 153.5 days for complaint resolutions in fiscal year 2004. The agency indicated that on average, complaints are resolved in approximately 160 days, however, in an effort to meet the target for *Number of Complaints Resolved*, staff managed to resolve cases quicker than usual. Complexity of complaints also impacts the amount of time required to resolve cases.

Selected Performance Measures

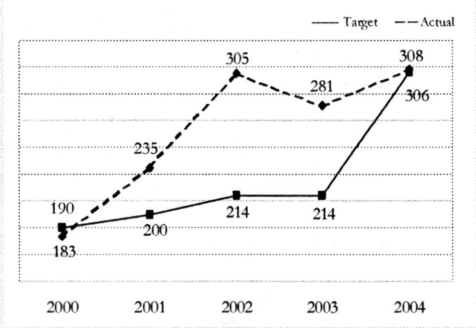
NUMBER OF NEW LICENSES ISSUED TO INDIVIDUALS



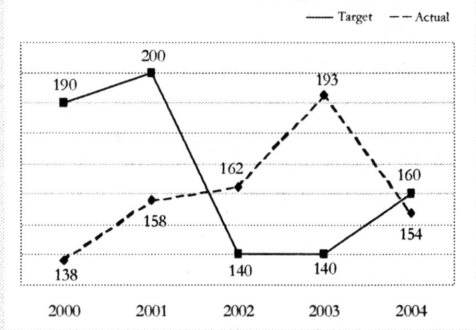
NUMBER OF LICENSES RENEWED (INDIVIDUALS)



NUMBER OF COMPLAINTS RESOLVED



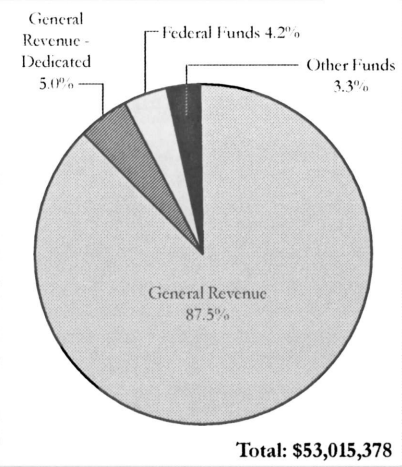
AVERAGE TIME FOR COMPLAINT RESOLUTION



Workers' Compensation Commission

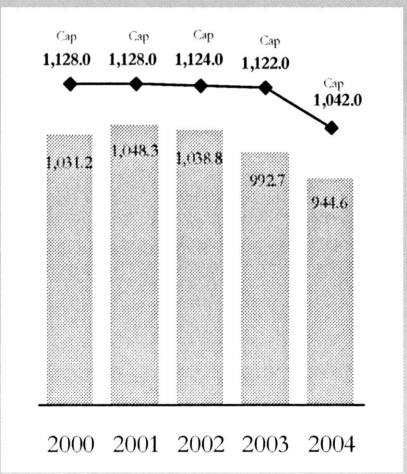
Selected Budget Information

ALL FUNDS, 2004 ESTIMATED



Total: $53,015,378

FULL-TIME-EQUIVALENT POSITIONS



MAJOR CONTRACTS REPORTED, 2004

In fiscal year 2004, the agency reported **28** contracts, including:

Northrup Grumman Technical Services *
Outsourced mainframe services
$14,183,715

Northrup Grumman Technical Services *
Seat management services
$3,542,155

Print Assist *
Printer maintenance
$454,966

Triangle Technology *
Repository software
$397,379

Storage Applications, Inc. *
Storage area network
$288,138

Software House International *
Software license
$274,738

* Known multi-year contract

Budget Highlights

The Workers' Compensation Commission reported spending $46.4 million in General Revenue Funds in fiscal year 2004. These funds were generated through a maintenance tax levied on insurance carriers and through regulatory fees paid by certified self-insurers. According to the agency, maintenance tax collections for calendar year 2004 totaled $52.8 million.

The agency reported spending $2.6 million from General Revenue–Dedicated Subsequent Injury Funds. House Bill 3318, Seventy-eighth Legislature, Regular Session, 2003, established the Subsequent Injury Fund as a dedicated account in the General Revenue Fund. The account is funded by compensable death benefits for claims in which there is no legal beneficiary.

The agency reported spending $2.2 million in Federal Funds in fiscal year 2004 for the Occupational Health and Safety Consultation (OSHCON) Program. The services provided through OSHCON assist Texas employers in identifying and eliminating occupational hazards in the workplace.

The agency reported spending approximately $1.0 million in Other Funds to conduct worker health and safety seminars and to perform compliance audits and inspections. The agency also reported spending $727,237 in Other Funds received through a $2.1 million grant from the Texas Mutual Insurance Company (TMIC), which was used to perform medical quality reviews and to provide funding for expert medical witnesses and legal assistance. The remainder of the grant funds is budgeted in fiscal year 2005.

Full-time-equivalent Employees

The agency did not exceed its cap for full-time-equivalent (FTE) positions in fiscal year 2004.

The agency continued to experience high turnover levels in its field offices and customer service divisions in fiscal year 2004, which was compounded by a number of retirees taking advantage of retirement incentives. According to the agency, 36 employees have retired since the end of fiscal year 2003 and 61.4 positions remained vacant in fiscal year 2004. The agency has been staffed below its FTE cap consistently since fiscal year 1998.

Performance Measures Audit Reports

The most recent performance measures audit by the State Auditor's Office was in November 2002, when the *Performance Measures at 14 Entities* report certified with qualifications three measures and found two measures to be inaccurate. According to the agency, it has addressed the issues by strengthening its procedures for processing fraud referrals and had its internal auditor verify procedures.

Other Reports and Reviews

The agency underwent review by the Sunset Advisory Commission during the 2004–05 biennium.

PERFORMANCE HIGHLIGHTS

During fiscal year 2004, the agency attained (within 5 percent) or exceeded 65 percent of its 23 established key performance targets.

The agency attained or exceeded 6 of its 7 outcome targets and 9 of its 16 output/efficiency targets.

MEASURES ASSESSMENTS

The agency attained the target for *Percentage of Dispute Cases Resolved by the Commission's Informal Dispute Resolution System* in fiscal year 2004; however, the performance fell below the targeted amount for the third consecutive year. The measure reflects the percentage of benefit dispute cases resolved by the agency's informal dispute resolution system prior to a contested case hearing. The agency reports that while the number of disputes received by the Workers' Compensation Commission has decreased in recent years, the number of disputes concluded in contested case hearings has increased.

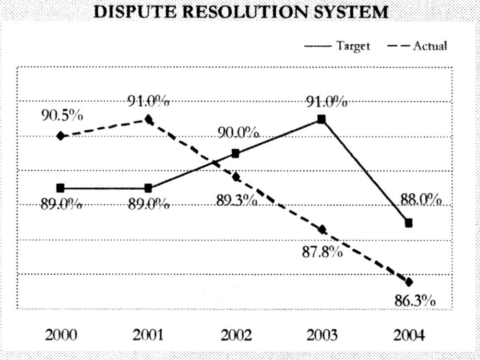
The agency did not attain the target for *Average Number of Days to Resolve Benefit Dispute.* This was not a key measure prior to fiscal year 2002, therefore, there were no target amounts for previous years. The fiscal year 2004 target was increased to reflect the exclusion of maximum medical improvement and impairment cases, which were relatively quicker to resolve. The actual performance for this measure reflects an increase in the number of cases referred to contested case hearings.

The target for *Statewide Incidence Rate of Injuries and Illnesses per 100 Full-time Employees* was exceeded in fiscal year 2004. According to the agency, the incident rate reported in fiscal year 2004 was the lowest recorded since rates were first calculated in 1990. The agency's performance for fiscal year 2004 is based on the most recently reported data by the Bureau of Labor Statistics and reflects Texas' incidence rate for calendar year 2002. The statewide injury and illness rate continues to remain below the national rate.

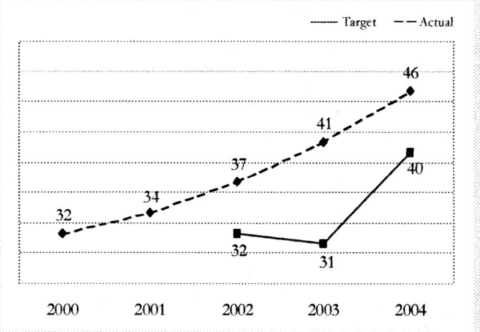
The agency did not meet the fiscal year 2004 target for *Number of Fraud Investigations Completed.* The agency reports that staff vacancies during the first three quarters of fiscal year 2004 resulted in decreased productivity for the fraud unit. Additionally, the agency has experienced a decrease in the number of fraud referrals received from the Department of Insurance since fiscal year 2002.

SELECTED PERFORMANCE MEASURES

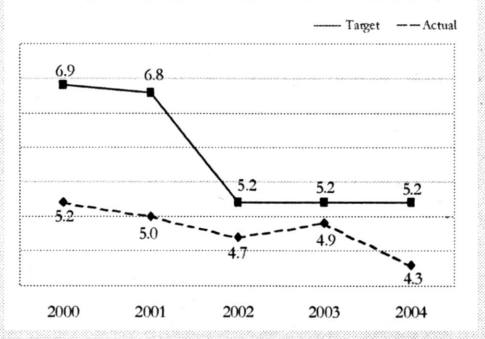
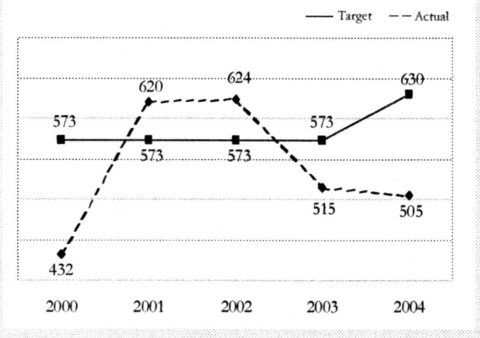
PERCENTAGE OF DISPUTE CASES RESOLVED BY THE COMMISSION'S INFORMAL DISPUTE RESOLUTION SYSTEM



AVERAGE NUMBER OF DAYS TO RESOLVE BENEFIT DISPUTE



STATEWIDE INCIDENCE RATE OF INJURIES AND ILLNESSES PER 100 FULL-TIME EMPLOYEES



NUMBER OF FRAUD INVESTIGATIONS COMPLETED