

**State Office of Administrative Hearings
Summary of Recommendations - House**

Page VIII-1

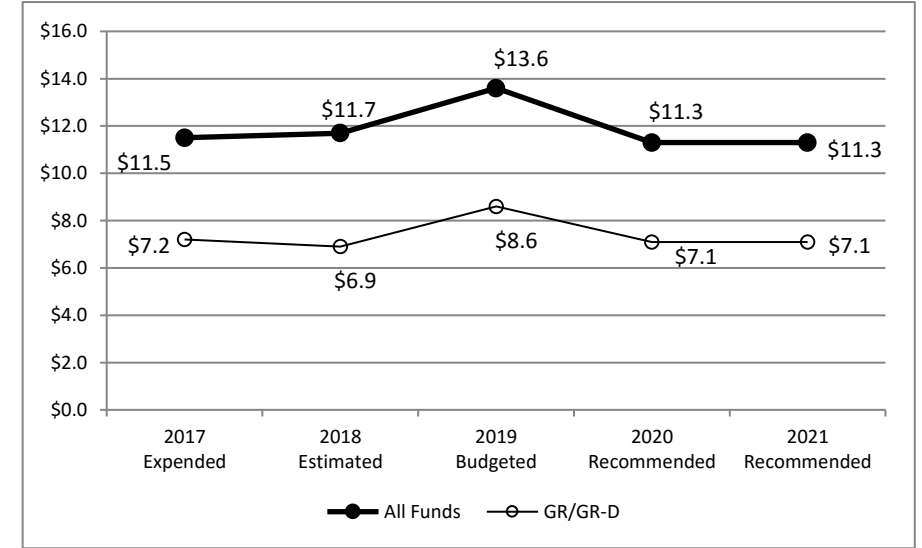
Lesli Ginn, Chief Administrative Law Judge

Caitlin Pearson, LBB Analyst

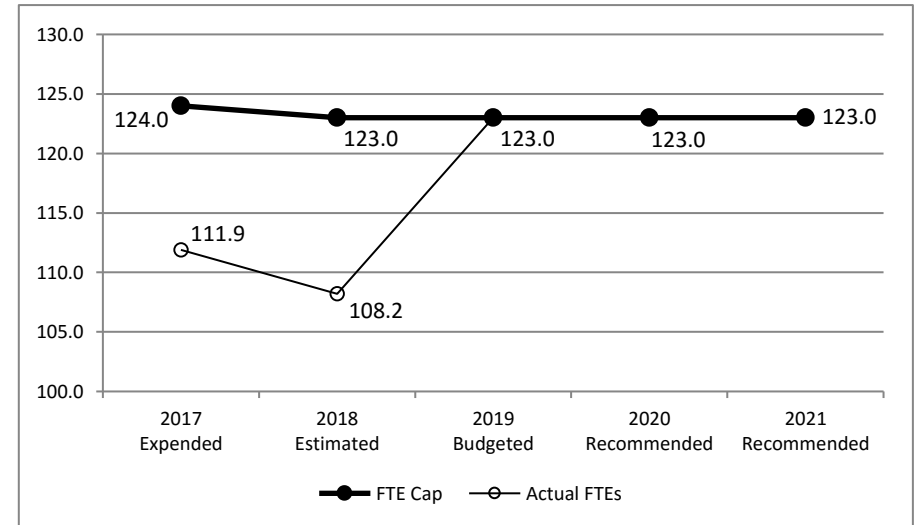
Method of Financing	2018-19 Base	2020-21 Recommended	Biennial Change (\$)	Biennial Change (%)
General Revenue Funds	\$15,561,130	\$14,266,130	(\$1,295,000)	(8.3%)
GR Dedicated Funds	\$0	\$0	\$0	0.0%
<i>Total GR-Related Funds</i>	<i>\$15,561,130</i>	<i>\$14,266,130</i>	<i>(\$1,295,000)</i>	<i>(8.3%)</i>
Federal Funds	\$0	\$0	\$0	0.0%
Other	\$9,727,296	\$8,406,784	(\$1,320,512)	(13.6%)
All Funds	\$25,288,426	\$22,672,914	(\$2,615,512)	(10.3%)

	FY 2019 Budgeted	FY 2021 Recommended	Biennial Change	Percent Change
FTEs	123.0	123.0	0.0	0.0%

Historical Funding Levels (Millions)



Historical Full-Time-Equivalent Employees (FTEs)



The bill pattern for this agency (2020-21 Recommended) represents an estimated 100% of the agency's estimated total available funds for the 2020-21 biennium.

**State Office of Administrative Hearings
Summary of Funding Changes and Recommendations - House**

Funding Changes and Recommendations for the 2020-21 Biennium compared to the 2018-19 Base Spending Level (in millions)		General Revenue	GR-Dedicated	Federal Funds	Other Funds	All Funds	Strategy in Appendix A
<i>SIGNIFICANT Funding Changes and Recommendations (each issue is explained in Section 3 and additional details are provided in Appendix A):</i>							
A)	One-time expenses for the agency's case management system from the 2018-19 biennium.	(\$1.4)	\$0.0	\$0.0	\$0.0	(\$1.4)	A.1.1
B)	Increase to retain a full-time system database administrator and for Data Center disaster recovery and utilities to align with the Department of Information Resources estimates of ongoing costs.	\$0.1	\$0.0	\$0.0	\$0.0	\$0.1	A.1.1, A.2.1, B.1.1
C)	Decrease of Interagency Contracts for the projected decrease in case hours from 2018-19 contracted levels.	\$0.0	\$0.0	\$0.0	(\$1.3)	(\$1.3)	A.1.1
TOTAL SIGNIFICANT Funding Changes and Recommendations (in millions)		(\$1.3)	\$0.0	\$0.0	(\$1.3)	(\$2.6)	As Listed
<i>SIGNIFICANT Funding Increases</i>		\$0.1	\$0.0	\$0.0	\$0.0	\$0.1	As Listed
<i>SIGNIFICANT Funding Decreases</i>		(\$1.4)	\$0.0	\$0.0	(\$1.3)	(\$2.7)	As Listed

**State Office of Administrative Hearings
Selected Fiscal and Policy Issues - House**

1. **Case Management System.** The State Office of Administrative Hearings (SOAH) was appropriated \$1.4 million in General Revenue (GR) and capital budget authority in the 2016-17 biennium for an integrated case management system. Implementation was delayed due to an assessment of the agency's IT infrastructure, systems, and processes, and a resulting modernization of certain software and hardware systems. Due to the delay, the agency received unexpended balance authority for the \$1.4 million in the 2018-19 biennium. SOAH anticipates procuring the case management system in fiscal year 2019.

Recommendations include the removal of the one-time funding of \$1.4 million in GR in the 2020-21 biennium for the case management system. Recommendations also include an increase of \$125,000 in GR to retain a full-time system database administrator and fund increased costs for the Data Center disaster recovery services and utilities in alignment with the Department of Information Resources estimates of ongoing costs.

2. **Interagency Contracts Decrease.** The agency anticipates a decrease in case hours from 2018-19 contracted levels for agencies funded through Interagency Contracts (IAC). As a result, recommendations include \$8.2 million in IACs in the 2020-21 biennium, a decrease of \$1.3 million from the 2018-19 base. The projected case hours for the 2020-21 biennium is 64,428, a decrease of 11,644 from the contracted case hours in the 2018-19 biennium. The decrease in case hours is primarily related to the Health and Human Services Commission, Department of Family and Protective Services, and Department of State Health Services as the agencies had difficulty estimating their case hours throughout consolidation. Recommendations are based on the IAC hourly billing rate of \$128 established in the agency's Rider 8, Billing Rate for Workload, in the 2018-19 General Appropriations Act.
3. **Request to Increase Hourly Billing Rate.** SOAH requests to increase the agency's hourly billing rate from \$128 to \$150 in Rider 7, Billing Rate for Workload, in the 2020-21 biennium for cases funded through IAC, in alignment with actual costs reported in the SOAH Hearings Activity Report required by Rider 5 in the agency's bill pattern. This request would result in an increase of \$1.4 million in IACs in the 2020-21 biennium. The agency states the increase is primarily related to a higher percentage of large and complex cases (see Section 5: Items Not Included in Recommendations #1; Appendix G: Interagency Contracts Overview). In the event that the hourly billing rate of \$150 and an associated increase in IAC funds is not adopted, the agency requests an exceptional item of \$1.4 million in GR to maintain the current level of funding for all agencies (see Section 5: Items Not Included in Recommendations #2).

**State Office of Administrative Hearings
Rider Highlights - House**

Modification of Existing Riders

2. **Capital Budget.** Recommendations include a decrease of capital budget authority totaling \$60,200 in GR for the removal of PC replacements from the agency's capital budget due to the project cost being under the \$100,000 threshold set in Article IX, Section 14.03. The agency will continue PC replacements within its daily operating budget. Modifications to the rider also include an increase of \$24,906 in GR for Data Center Services disaster recovery in alignment with the Department of Information Resources estimates of ongoing costs.
5. **Hearings Activity Report.** Recommendations include the removal of the requirement to track the number of transcripts requested by Administrative Law Judges as the Administrative Law Judges only request approximately 0-3 transcripts each year.
7. **Billing Rate for Workload.** Recommendations include the deletion of section (b) of Rider 7. Rider 7(b) states SOAH and the Comptroller of Public Accounts shall establish an Interagency Contract and the contract shall provide funding for hearings on tax issues conducted by Master Administrative Law Judge IIs in a team with expertise in state tax. The deleted section is currently established in statute and the deletion aligns with the Eighty-fourth Legislature Sunset recommendations.

Deleted Riders

3. **Renegotiation of Lump Sum Contract.** Recommendations include the deletion of this rider to align the contracts for the Texas Commission on Environmental Quality (TCEQ) and Public Utility Commission (PUC) to lump sum contracts similar to other Interagency Contract agencies, pursuant to Government Code, Sec. 2003.024, Interagency Contracts; Anticipated Hourly Usage and Cost Estimates. Historically, PUC has exceeded the contract amount and TCEQ actual costs have been below the contract amount. SOAH states the rider creates an unnecessary administrative burden for the agency. Contract renegotiation occurs late in the fiscal year, and thus the agency has difficulty expending the refunded amounts within the same fiscal year.
9. **Unexpended Balance and Capital Authority: Case Management System.** Recommendations include the deletion of this rider as the agency anticipates procuring and implementing the case management system in fiscal year 2019.

**State Office of Administrative Hearings
Items Not Included in Recommendations - House**

		2020-21 Biennial Total			Information Technology Involved?	Contracting Involved?	Estimated Continued Cost 2022-23
		GR & GR-D	All Funds	FTEs			

Agency Exceptional Items - In Agency Priority Order

1)	Hourly Billing Rate for Interagency Contracts (IAC). Request to increase the hourly billing rate from \$128 to \$150 in Rider 7, Billing Rate for Workload, for cases funded through IACs, and an associated increase in IACs totaling \$1.4 million.	\$0	\$1,417,416	0.0	No	No	\$1,417,416
2)	In the event that the hourly billing rate increase is not adopted , the agency requests General Revenue to maintain the 2018-19 funding level.	\$1,417,416	\$1,417,416	0.0	No	No	\$1,417,416

**State Office of Administrative Hearings
Appendices - House**

Table of Contents		
Appendix	Appendix Title	Page
A	Funding Changes and Recommendations by Strategy	7
B	Summary of Federal Funds	*
C	FTE Highlights	*
D	Performance Measure Highlights	*
E	Summary of Ten Percent Biennial Base Reduction Options	8
F	Interagency Contracts Overview	9

* Appendix is not included - no significant information to report

** Information is included in the presentation section of the packet

**State Office of Administrative Hearings
Funding Changes and Recommendations - House, by Strategy -- ALL FUNDS**

Strategy/Goal	2018-19 Base	2020-21 Recommended	Biennial Change	% Change	Comments
CONDUCT HEARINGS A.1.1	\$21,123,739	\$18,474,328	(\$2,649,411)	(12.5%)	
CONDUCT ALT DISPUTE RESOLUTION A.2.1	\$461,021	\$498,468	\$37,447	8.1%	
Total, Goal A, ADMINISTRATIVE HEARINGS	\$21,584,760	\$18,972,796	(\$2,611,964)	(12.1%)	
INDIRECT ADMINISTRATION B.1.1	\$3,703,666	\$3,700,118	(\$3,548)	(0.1%)	
Total, Goal B, INDIRECT ADMINISTRATION	\$3,703,666	\$3,700,118	(\$3,548)	(0.1%)	
Grand Total, All Strategies	\$25,288,426	\$22,672,914	(\$2,615,512)	(10.3%)	All Funds net decrease primarily due to the following: -Decrease of \$1,420,000 in GR for one-time expenses for the agency's case management system from the 2018-19 biennium; -Decrease of \$1,320,512 in Interagency Contracts for the projected decrease in case hours from 2018-19 contracted levels; and -Increase of \$125,000 in GR to retain a full-time system database administrator and for Data Center disaster recovery and utilities to align with the Department of Information Resources estimates of ongoing costs.

**State Office of Administrative Hearings
Summary of Ten Percent Biennial Base Reduction Options - House**

Priority	Item	Description/Impact	Biennial Reduction Amounts			Potential Revenue Loss	Reduction as % of Program GR/GR-D Total	Program GR/GR-D Total	Included in Introduced Bill?
			GR & GR-D	All Funds	FTEs				
1)	Eliminate 3 Employees from Hearings and Administration Programs	This reduction would delay the hiring of vacated positions in Hearings and Administration by six to twelve months. Depending on positions vacated, agency referrals, and the length of time cases are left open, the reduction would result in a delay in the hearing schedule.	\$389,029	\$389,029	3.0	\$0	2%	\$22,174,446	N
2)	Eliminate 1 Administrative Law Judge	Reduction of one Administrative Law Judge position will impact SOAH's performance measures and result in a delay in the hearing schedule.	\$177,600	\$177,600	1.0	\$0	1%	\$18,474,328	N
3)	Other Operating Expenses	Reduction would delay the PC replacement, training, software purchases, furniture and equipment replacement, and registration fees throughout the agency.	\$211,428	\$211,428	0.0	\$0	1%	\$22,174,446	N
4)	Eliminate 3.5 Employees from Hearings and Administration Programs	Reduction of 3.5 FTEs would eliminate 2.0 positions in the Hearings program and 1.5 positions in the Administration program. Depending on positions vacated, agency referrals, and the length of time cases are left open, the reduction would result in a delay in the hearing schedule.	\$389,028	\$389,028	3.5	\$0	2%	\$22,174,446	N
5)	Eliminate 2 Administrative Law Judges	Reduction of two Administrative Law Judge positions will impact SOAH's performance measures and result in a delay in the hearing schedule.	\$389,028	\$389,028	2.0	\$0	2%	\$18,474,328	N
TOTAL, 10% Reduction Options			\$1,556,113	\$1,556,113	9.5	\$0			

**State Office of Administrative Hearings
Interagency Contracts Overview - House**

Article	Agency Name	2020-21 Projected Case Hours	2020-21 Recommended	2020-21 Including Exceptional Item	Difference
I	Comptroller of Public Accounts	11,322	\$1,449,216	\$1,698,300	\$249,084
I	Office of the Attorney General	2,794	\$357,632	\$419,100	\$61,468
II	Health and Human Services Commission (also pays on behalf of Department of Family and Protective Services & Department of State Health Services)	22,262	\$2,849,536	\$3,339,300	\$489,764
III	Texas Education Agency	2,566	\$328,448	\$384,900	\$56,452
III	Texas Education Agency - Individuals with Disabilities Education Act	13,200	\$1,689,600	\$1,980,000	\$290,400
V	Justice Juvenile Department	42	\$5,376	\$6,300	\$924
VI	Commission on Environmental Quality	3,998	\$511,744	\$599,700	\$87,956
VII	Department of Motor Vehicles	1,754	\$224,512	\$263,100	\$38,588
VIII	Public Utility Commission - Waste Water	3,908	\$500,224	\$586,200	\$85,976
VIII	Department of Insurance - Workers' Compensation	740	\$94,720	\$111,000	\$16,280
SDSI	Real Estate Commission	1,000	\$128,000	\$150,000	\$22,000
SDSI	Board of Public Accountancy	264	\$33,792	\$39,600	\$5,808
SDSI	Board of Professional Engineers	242	\$30,976	\$36,300	\$5,324
SDSI	Department of Savings and Mortgage Lending	152	\$19,456	\$22,800	\$3,344
SDSI	Office of Consumer Credit Commissioner	126	\$16,128	\$18,900	\$2,772
SDSI	Board of Architectural Examiners	58	\$7,424	\$8,700	\$1,276
Interagency Contracts Total		64,428	\$8,246,784	\$9,664,200	\$1,417,416
		Billing Rate	\$128	\$150	

Notes: The 2020-21 Recommended column reflects an hourly billing rate of \$128 to align with the 2018-19 billing rate. The 2020-21 Including Exceptional Item column reflects an hourly billing rate of \$150, as requested by the agency in alignment with actual costs reported in the SOAH Hearings Activity Report. According to the agency, the projected increase in costs is primarily related to a higher percentage of large and complex cases.