

**Department of Licensing and Regulation
Summary of Budget Recommendations - Senate**

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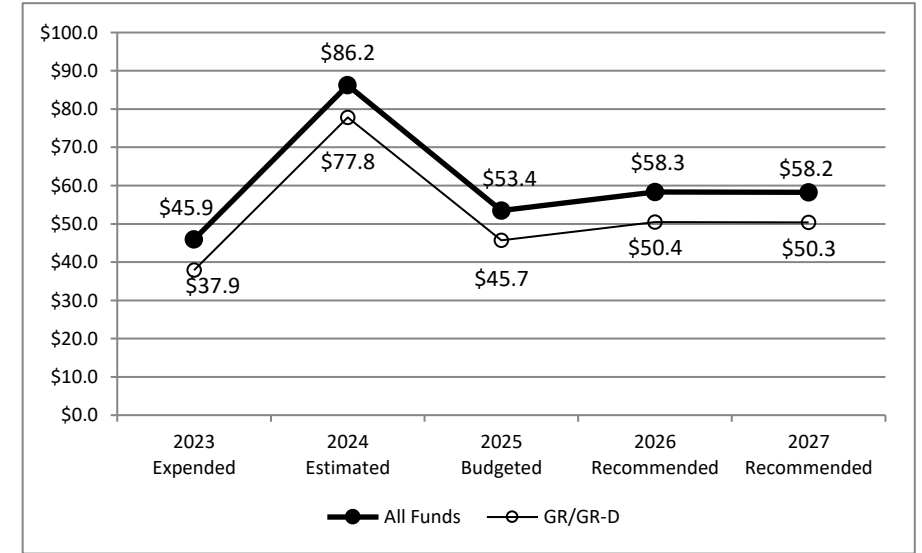
Courtney Arbour, Executive Director

Blake Fall, LBB Analyst

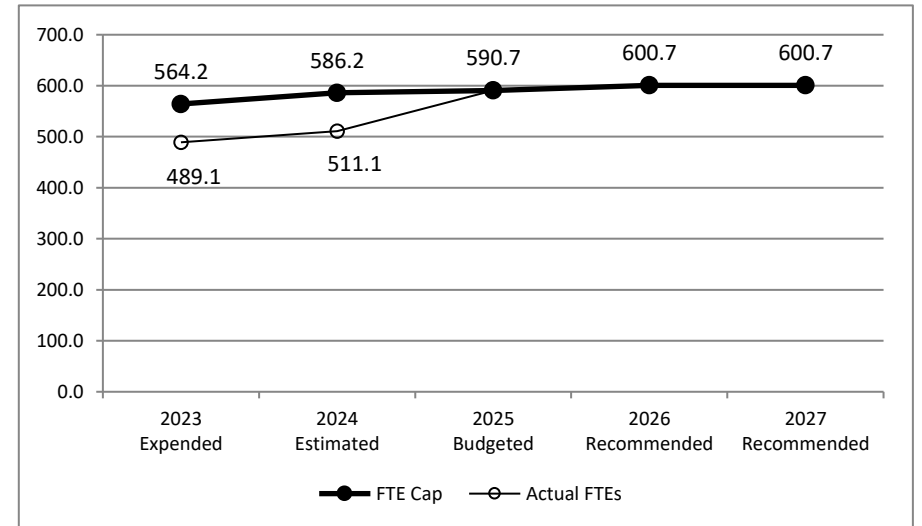
Method of Financing	2024-25 Base	2026-27 Recommended	Biennial Change (\$)	Biennial Change (%)
General Revenue Funds	\$121,522,865	\$98,761,612	(\$22,761,253)	(18.7%)
GR Dedicated Funds	\$2,029,830	\$2,029,830	\$0	0.0%
<i>Total GR-Related Funds</i>	<i>\$123,552,695</i>	<i>\$100,791,442</i>	<i>(\$22,761,253)</i>	<i>(18.4%)</i>
Federal Funds	\$0	\$0	\$0	0.0%
Other	\$16,099,639	\$15,715,492	(\$384,147)	(2.4%)
All Funds	\$139,652,334	\$116,506,934	(\$23,145,400)	(16.6%)

	FY 2025 Budgeted	FY 2027 Recommended	Biennial Change	Percent Change
FTEs	590.7	600.7	10.0	1.7%

Historical Funding Levels (Millions)



Historical Full-Time-Equivalent Employees (FTEs)



The bill pattern for this agency (2026-27 Recommended) represents an estimated 100.0% of the agency's estimated total available funds for the 2026-27 biennium.

Department of Licensing and Regulation
Summary of Funding Changes and Recommendations - Senate

Funding Changes and Recommendations for the 2026-27 Biennium compared to the 2024-25 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) Increase of General Revenue and 10.0 additional full-time equivalent positions to assist in the enforcement of emergency closure orders of massage establishments in an effort against human trafficking.	\$1.7	\$0.0	\$0.0	\$0.0	\$1.7	B.1.1, B.1.3, B.1.4
<i>OTHER Funding Changes and Recommendations (these issues are not addressed in Section 3 but details are provided in Appendix A):</i>						
B) Decrease of General Revenue for one-time funding for the purchase of vehicles, contingent appropriations for combative sports regulation, development of the Financial Crimes Intelligence Center, and the development of a cloud-based licensing system.	(\$26.3)	\$0.0	\$0.0	\$0.0	(\$26.3)	B.1.1, C.1.2
C) Increase of General Revenue to biennialize the statewide salary adjustment included in the 2024-2025 appropriations.	\$1.9	\$0.0	\$0.0	\$0.0	\$1.9	All Strategies
D) Increase of Interagency Contract for the agency's participation in the Motor Vehicle Crime Prevention Authority program at the Department of Motor Vehicles.	\$0.0	\$0.0	\$0.0	\$0.4	\$0.4	B.1.1
E) Decrease in Appropriated Receipts for various publications, conferences, and fee collections not anticipated in the 2026-27 biennium.	\$0.0	\$0.0	\$0.0	(\$0.8)	(\$0.8)	A.1.1, A.1.2, A.1.4, B.1.1, B.1.3, C.1.1, C.1.2
TOTAL SIGNIFICANT & OTHER Funding Changes and Recommendations (in millions)	(\$22.7)	\$0.0	\$0.0	(\$0.4)	(\$23.1)	As Listed
<i>SIGNIFICANT & OTHER Funding Increases</i>	\$3.6	\$0.0	\$0.0	\$0.4	\$4.0	As Listed
<i>SIGNIFICANT & OTHER Funding Decreases</i>	(\$26.3)	\$0.0	\$0.0	(\$0.8)	(\$27.1)	As Listed

NOTE: Totals may not sum due to rounding.

**Department of Licensing and Regulation
Selected Fiscal and Policy Issues - Senate**

1. **Anti-Human Trafficking Efforts.** Recommendations include a total of \$4.7 million in General Revenue and 32.0 full-time equivalent positions for human trafficking prevention, which includes an additional \$1.7 million in General Revenue and authority for 10.0 additional full-time equivalent (FTE) positions to assist the agency in enforcing emergency order closures of massage establishments suspected of human trafficking. Pursuant to House Bill 3579, Eighty-eighth Legislature, Regular Session, 2023, TDLR was authorized to issue emergency closure orders at massage establishments where human trafficking was suspected. In July 2024, the agency had more than 80 active closure orders with anticipated increases in active cases. To assist in addressing this backlog of cases and aiding further anti-human trafficking efforts, recommendations include funding for additional staff, including two attorneys, two legal assistants, five field inspectors, and one FTE to provide victim services, hearing preparation, and expert testimony. Appropriations made for this purpose are not subject to the agency's Appropriations Limited to Revenue Collections (ALRC) obligations.
2. **Modern and Comprehensive Licensing System.** The Department of Licensing and Regulation (TDLR) was appropriated \$32.9 million in General Revenue for the development of a comprehensive, cloud-based licensing system to replace all nine of their current licensing systems. Recommendations include \$8.8 million in General Revenue with capital budget authority for the continuing costs of operating the comprehensive licensing system. The current status of the project is that the Request For Offers (RFO) has been published and the agency is expecting to have a contractor by March 2025. Currently, \$396,051 of the appropriation has been spent on working with consultants on the creation of the RFO and the vision for the database. The agency has made a request that is not included in recommendations for unexpended balance authority between fiscal year 2025, fiscal year 2026, and fiscal year 2027 as the agency states they will not be able to complete the project by the end of fiscal year 2025.
3. **Financial Crimes Intelligence Center.** Recommendations include the continuation of \$6.0 million in General Revenue for the operations of the Financial Crimes Intelligence Center (FCIC). The FCIC is a fusion center staffed by law enforcement officers that coordinates with local, state, and federal law enforcement agencies, financial institutions, merchants, and the fuel industry to stop credit card fraud. The Financial Crimes Intelligence Center is managed and operated by Smith County (Sec. 2312.051, Occupations Code). TDLR reimburses Smith County for all administrative and operational costs of the FCIC as authorized by statute (Sec. 2312.053, Occupations Code). For the 2024-25 biennium, the FCIC was appropriated an additional \$5,019,252 for additional personnel, construction of a forensic crime laboratory, facility renovations, equipment, and software services. Out of these appropriations, \$1.6 million was removed as one-time funds and the remainder is included in recommendations for ongoing operations.

Not included in recommendations is an agency request of \$19.7 million in General Revenue to supply the FCIC with salary increases, 25 additional staff, vehicle purchases, IT upgrades, and field office expansions in the Houston, Dallas and San Antonio metro areas. These appropriations would not be subject to the agency's Appropriations Limited to Revenue Collection (ALRC) obligations.

4. **Administrative Attachment of the Board of Veterinary Medical Examiners.** Pursuant to Senate Bill 1414, Eighty-eighth Legislature, Regular Session, 2023, the Board of Veterinary Medical Examiners (BVME) was temporarily administratively attached to TDLR until the end of fiscal year 2027. TDLR was appropriated \$1,970,517 and 9.0 additional full-time-equivalent positions in contingency funding for their efforts in the attachment. Recommendations maintain this funding for the 2026–27 biennium. In this attachment, TDLR would assist BVME with contested cases, rulemaking, and other administrative duties while several TDLR staff would be stationed in areas like licensing and enforcement to review their operations and provide recommendations. Additionally, TDLR has provided statutory recommendations to the Legislature, and will conclude a full rule review by December 31, 2025.

**Department of Licensing and Regulation
Rider Highlights - Senate**

Modification of Existing Riders

- 12. **Motorcycle Operator Safety and Training.** Recommendations include amending the rider to remove the Texas A&M Engineering Extension Service (TEEX) and the associated funding as they are no longer required in the administration of the program. The funds used originally for the purpose of contracting with TEEX to administer motorcycle instructor courses will now be used by TDLR to regulate and endorse third-party instructor training providers.

Deleted Riders

- Former 8. **Reimbursement of Advisory Committee Members for Travel Expenses.** Recommendations include the agency's request to delete the rider. The rider is no longer necessary as pursuant to House Bill 3743, Eighty-eighth Legislature, Regular Session, 2023, the provision in the government code that allows for travel reimbursement of advisory committee members no longer applies to advisory committees made to advise the agency.
- Former 14. **Modern and Comprehensive Licensing System.** Recommendations include the deletion of the rider as the funds appropriated for the project have been removed as one-time funding.

**Department of Licensing and Regulation
Items Not Included in Recommendations - Senate**

	2026-27 Biennial Total			Information Technology Involved?	Contracting Involved?	Estimated Continued Cost 2028-29
	GR & GR-D	All Funds	FTEs			

Agency Exceptional Items Not Included (in agency priority order)

1)	General Revenue funding with authority for an additional 12.0 full-time equivalent positions to fill vacant positions, provide raises for existing staff, and hire additional staff for increased agency workload. The requested positions are: a) 1.0 Hydrologist II at \$59,580 each year. b) 1.0 Program Specialist II at \$54,600 each year. c) 2.0 Program Specialist III at \$60,113 each year. d) 1.0 Program Specialist IV at \$68,194 each year. e) 1.0 Program Specialist V at \$75,521 each year. f) 1.0 Licensing Specialist III at \$54,500 each year. g) 1.0 Attorney III at \$103,000 each year. h) 2.0 Legal Assistant III at \$67,000 each year. i) 1.0 Accountant III at \$559,500 each year. j) 1.0 Programmer V at \$111,517 each year.	\$4,728,881	\$4,728,881	12.0	No	No	\$4,657,848
2)	General Revenue funding and capital budget authority to modernize the agency's cybersecurity system alongside several new cybersecurity projects.	\$1,438,000	\$1,438,000	0.0	Yes	Yes	\$1,061,800
3)	General Revenue funding for the Financial Crimes Intelligence Center to provide salary raises, 25 additional county employees, vehicle purchases, field operations equipment, software upgrades, and field offices.	\$19,698,511	\$19,698,511	0.0	No	No	\$19,396,624
4)	General Revenue funding for the replacement of the agency's Helpdesk System.	\$150,000	\$150,000	0.0	Yes	Yes	\$100,000
5)	One-time General Revenue funding and capital budget authority to replace 459 agency computers due for replacement.	\$522,068	\$522,068	0.0	Yes	No	\$0

Department of Licensing and Regulation
Items Not Included in Recommendations - Senate

		2026-27 Biennial Total			Information Technology Involved?	Contracting Involved?	Estimated Continued Cost 2028-29
		GR & GR-D	All Funds	FTEs			
6)	One-time General Revenue funding and capital budget authority for the purchase of 9 vehicles.	\$515,000	\$515,000	0.0	No	No	\$0
7)	General Revenue funding and capital budget authority to implement artificial intelligence into the agency's customer service program.	\$500,000	\$500,000	0.0	Yes	Yes	\$900,000

Agency Rider Edit Requests Not Included

8)	Unexpended Balance Appropriation: Modern and Comprehensive Licensing System. Agency requests amending the rider to grant unexpended balance authority carry over unexpended funds for the Legacy Modernization project in the 2024-2025 biennium into the 2026-2027 biennium for the same purpose of developing a comprehensive, cloud-based licensing system. It is estimated that the agency will need to carry over funds to complete the project, but the amount cannot be estimated at this time.	\$0	\$0	\$0	No	No	\$0
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TOTAL Items Not Included in Recommendations		\$27,552,460	\$27,552,460	12.0			\$26,116,272
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**Department of Licensing and Regulation
Appendices - Senate**

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* Appendix is not included - no significant information to report

**Department of Licensing and Regulation
Funding Changes and Recommendations by Strategy - Senate -- ALL FUNDS**

Strategy/Goal	2024-25 Base	2026-27 Recommended	Biennial Change	% Change	Comments
LICENSE, REGISTER AND CERTIFY A.1.1	\$11,784,315	\$10,825,865	(\$958,450)	(8.1%)	Recommendations include decreases primarily due to large amounts of lump sum payouts in fiscal year 2024 that are not estimated to continue and allocating funds to enforcement strategies to improve recruitment and retention of legal staff.
LICENSE BUSINESSES AND FACILITIES A.1.2	\$3,590,094	\$3,332,272	(\$257,822)	(7.2%)	Recommendations include decreases primarily due to large amounts of lump sum payouts in fiscal year 2024 that are not estimated to continue and allocating funds to enforcement strategies to improve recruitment and retention of legal staff.
EXAMINATIONS/CONTINUING EDUCATION A.1.3	\$3,591,600	\$3,677,504	\$85,904	2.4%	
CUSTOMER SERV. A.1.4	\$5,878,735	\$6,057,866	\$179,131	3.0%	
TEXAS.GOV A.1.5	\$1,300,000	\$1,300,000	\$0	0.0%	
Total, Goal A, LICENSING	\$26,144,744	\$25,193,507	(\$951,237)	(3.6%)	
CONDUCT INSPECTIONS B.1.1	\$30,983,593	\$30,388,331	(\$595,262)	(1.9%)	Recommendations include the following: - Decrease in General Revenue of \$1,632,916 in one-time funding for the operation of the Financial Crimes Intelligence Center. - Increase in Interagency Contracts of \$391,059 for the agency's operation within the Motor Vehicle Crime Prevention Authority. -Increase in General Revenue of \$979,997 for human trafficking prevention and enforcing emergency closure orders of massage establishments.
BUILDING PLAN REVIEWS B.1.2	\$2,265,720	\$2,364,282	\$98,562	4.4%	Recommendations include increases primarily due to the re-allocation of funds to enforcement strategies to improve recruitment and retention of legal staff and budgeting for full staff capacity in 2026-27 biennium.
RESOLVE COMPLAINTS B.1.3	\$11,406,645	\$12,931,486	\$1,524,841	13.4%	Recommendations include an increase of \$747,816 in General Revenue for human trafficking prevention and increases primarily due to the re-allocation of funds to enforcement strategies to improve recruitment and retention of legal staff and budgeting for full staff capacity in 2026-27 biennium.
INVESTIGATION B.1.4	\$9,154,191	\$9,432,386	\$278,195	3.0%	
Total, Goal B, ENFORCEMENT	\$53,810,149	\$55,116,485	\$1,306,336	2.4%	

Department of Licensing and Regulation
Funding Changes and Recommendations by Strategy - Senate -- ALL FUNDS

Strategy/Goal	2024-25 Base	2026-27 Recommended	Biennial Change	% Change	Comments
CENTRAL ADMINISTRATION C.1.1	\$11,245,182	\$11,843,506	\$598,324	5.3%	Recommendations include an increase primarily due to budgeting for full staff capacity for the 2027-27 biennium.
INFORMATION RESOURCES C.1.2	\$46,516,131	\$22,323,845	(\$24,192,286)	(52.0%)	Recommendations include a decrease in General Revenue of \$24,100,000 in one-time funding for the development of a standardized licensing system.
OTHER SUPPORT SERVICES C.1.3	\$1,936,128	\$2,029,591	\$93,463	4.8%	
Total, Goal C, INDIRECT ADMINISTRATION	\$59,697,441	\$36,196,942	(\$23,500,499)	(39.4%)	
Grand Total, All Strategies	\$139,652,334	\$116,506,934	(\$23,145,400)	(16.6%)	Recommendations include the following: - An increase of \$1,863,850 in General Revenue for the biennialization of the statewide salary adjustment. - A decrease in Appropriated Receipts of \$775,206 due to reduced forecasted amounts.

**Department of Licensing and Regulation
FTE Highlights - Senate**

Full-Time-Equivalent Positions	Expended 2023	Estimated 2024	Budgeted 2025	Recommended 2026	Recommended 2027
Cap	564.2	586.2	590.7	600.7	600.7
Actual/Budgeted	489.1	511.1	590.7	NA	NA

Schedule of Exempt Positions					
Executive Director, Group 6	\$180,000	\$190,000	\$190,000	\$190,000	\$190,000

Note:

a) The State Auditor's Office Report, Executive Compensation at State Agencies (Report 25-702, October 2024), indicates a market average salary of \$194,563 for the Executive Director position at the Texas Department of Licensing and Regulation. The agency is not requesting any changes to the exempt position salary.