

The **Strategic Plan Assessment** Section is a comprehensive evaluation of TDLR, its performance, and its needs, organized under the following sections/headings:

Technological Developments – Impact of technology on our current operations, our current advanced level of automation using technology, our vision for use of future technological advances, and a discussion of the use of future innovative technology.

Key Organizational Events in Areas of Change – Discussion of results of management’s deep-rooted belief in innovation, efficiency and excellent customer service: our successes, addition of new/transferred programs, innovative use of technology, success of strategic initiatives from our last plan, license fee reductions, and other opportunities for improvement.

TDLR Highlights and Accomplishments – Highlights of agency successes, new responsibilities, increased efficiencies, and organizational and service improvements.

Self-Evaluation and Opportunities for Improvement – Results of our focus on being a model state agency through self-assessment and continued improvement. Includes information on staff retention and growth, performance measuring and audits, strategic challenges, customer support and interaction, and our efficient, targeted use of private sector partnerships.

Service Population Demographics – How our services benefit Texans, and who we serve.

Public Perception – Information on how Texans use our services, and of how changes in Texas’ population will effect and increase the need for services.

Economic Variables – An analysis of the effects of changes in the economy and other factors such as natural disasters, and our ability to successfully deal with these factors.

Effect of Federal Statutes/Regulations – Outline of federal laws, rules, regulations, court cases and partnerships that affect us, and how we deal with changes these may generate.

Cooperation with Local, State and Federal Entities – Discussion of possible effects of State law changes and outstanding court cases, and of our partnerships with local government.

TDLR Customer Satisfaction – Summary of customer assessment and public feedback gained from our strategic planning focus groups.

Strategic Plan Assessment Highlights

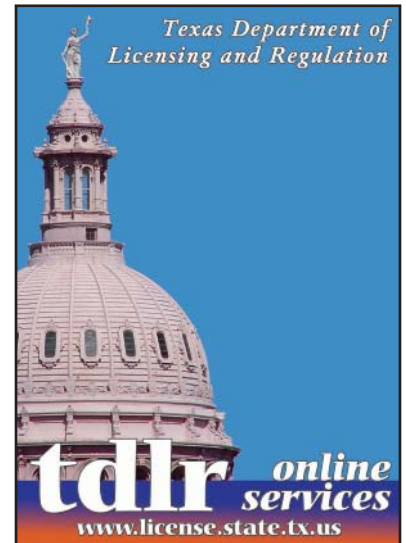
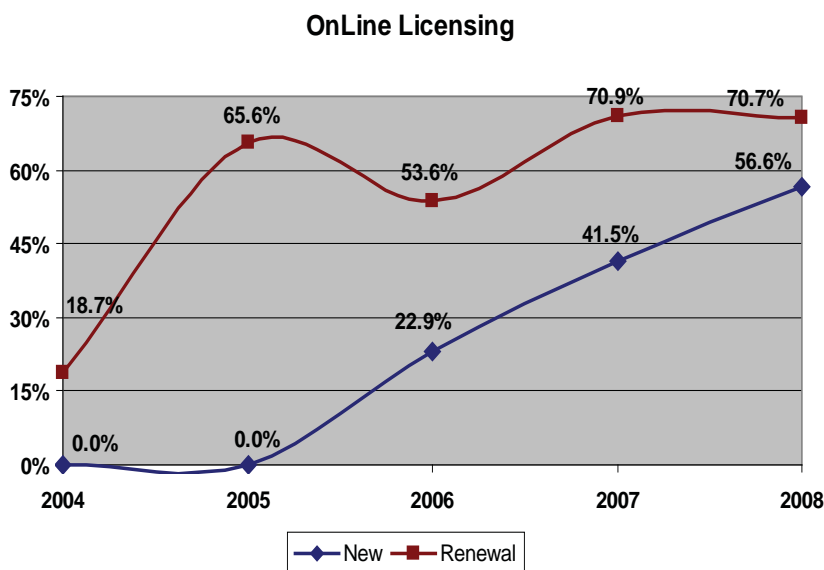
- our innovative and targeted use of technology to increase efficiency
- our strategic and ongoing process review to increase productivity and decrease costs
- inventive software and online services that make compliance with regulatory requirements easier and quicker
- significant improvement in internal and external communication and customer service
- continued growth in the agency as a recognition of the continued success of our common-sense approach to licensing and regulation
- substantial increase in use and usefulness of online services

Technological Developments

Impact of Technology on Current Operations

Using technology to its greatest advantage is one of the key building blocks for our success. Agency processes – the work performed to license and administer the programs – are continually reviewed and streamlined for cost-efficiency and delivery of exemplary customer service.

As a charter participant in TexasOnline, TDLR continues to be a leader in the use of new technology. Through our development of multiple integrated systems, we have built a success story that uses technology advances to create advantages of scale which translate to more customer service for a lower cost. TDLR continues to develop efficient online services and market their benefits to licensees. The following chart shows TDLR’s success in developing online applications which have increased from three percent in 2004 to sixty-two percent in 2008, while paper applications have declined from sixty-five percent in 2004 to twenty percent in 2008.



post card notification of impending license expiration encourages online renewals



mobile computing is a great benefit to inspectors and investigators

Private sector partnerships for high-volume repetitive duties free agency staff to devote more time to tasks that require personal attention. An example of such partnerships is TDLR's document imaging service. By working with a private sector company, the agency took advantage of the company's imaging expertise and economies of scale to perform the tasks of scanning and indexing millions of documents into a vast bank of imaged data. As a result of the partnership, TDLR was able to increase efficiency in the review, retrieval, and dissemination of imaged data, and to reduce storage space and paper costs. License status, violations and inspection information are all available online because of these imaged documents.

This approach also helps TDLR maximize its resources when it takes on large licensee populations, such as electricians. By redirecting the massive volume of paperwork to private companies geared to deal with that scale, TDLR is able to better focus on its mission of ensuring compliance with state law and safety to the public.

Connected to the imaging system is TDLR's licensing system, the Texas Umbrella Licensing Information Program (TULIP). Internally developed by TDLR's Information Technology staff, TULIP generates licenses and records digitally, saving paper, storage and maintenance.

TDLR is also moving from desktop computers to mobile computing. The Commission meeting materials are on CD-ROM. Providing Commissioners with network access during meetings saves money and makes the meetings more effective. Key personnel have PDAs, enabling them to connect to e-mail, work on documents and coordinate efforts while on the move in the buildings, away from the office, or out in the field.

PDAs and notebook computers allow investigators and inspectors to write and transmit information from remote areas throughout Texas and reduces the need to visit the home office before filing reports. Information is accessible throughout TDLR in a more timely manner than ever before.

Better Communication

TDLR has improved communication with licensees by using technological advances. TDLR uses online surveys to poll licensees on questions that

affect policies and their implementation. Electronic mailing lists, with over a quarter-million subscribers, keep licensees and the interested public informed of rule and law changes, meeting times and other program events. Updated constantly, the agency web site is the primary point of contact for information on all program types, both for the industries and for the consumers. The agency-only Intranet provides vital information and tools for employees to help them do their jobs efficiently.

Improving Services

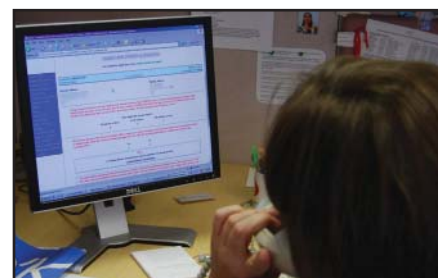
Two recent developments, created internally, are targeted to specific program areas and are great successes. The Student Hours Enrollment Automated Reporting System (SHEARS) is TDLR's web interface for schools offering instruction to barber and cosmetology students. SHEARS enables these schools to file student information directly with TDLR, easing the burden of school reporting and resulting in a more timely and verifiable transfer of records. Students can now access their records and track their progress to course completion, as well as receive notification of updated records and eligibility for examinations.

The Texas Occupations Online Licensing System (TOOLS) was developed to provide a way for towing companies and vehicle storage facilities to electronically submit and track their license information through a secure connection. This shortens the delivery time of information, reduces traditional mail use, and allows the licensees to maintain some of their account information. TOOLS also allows for the real-time updating of insurance information by authorized insurance providers in Texas.

Impact of Anticipated Technological Advances

As technological advances have occurred, TDLR's culture of process review spurs the agency to develop new ways to turn these advances into advantages. TDLR's workflow will continue to use economies of scale to streamline processes that benefit the public, by expanding its partnering with private entities and developing new strategies internally.

Advances such as Internet-based computer applications, notebook computers, and PDAs means that more employees will be able to work efficiently without



the TOOLS software allows towing and vehicle storage companies to securely submit and track their license information



a kiosk is available in TDLR's lobby to facilitate online licensing and renewals

being attached to a desk in an office. This also means that web services will increase, and that delivery of these web services will need to be compatible with these portable devices in order to maximize this potential.

Degree of Department Automation

TDLR is a highly automated agency. The most visible delivery point of this automation is the agency's web site, which provides access to virtually every service the agency provides. Online licensing and renewal, searchable databases of licensees, equipment and enforcement actions, reporting of violations, and tracking of documents are all available online. Other services and tools on the web site include program forms, laws, and rules; public meeting agendas, minutes, and audio files; contact information and electronic mailing lists.

Internally, there are many more automated components that provide the information and services displayed on the web site. Private sector entities electronically provide information on projects and installations throughout the state, including reporting on boiler inspections and architectural projects.

TDLR's Customer Service section is automating many of its practices, which will result in better deployment of resources and an increase in strategically placed information on the web site. TDLR's imaging system, the licensing systems (TULIP and TOOLS), the SHEARS system, and TDLR's computer network all play important parts in agency automation.

Anticipated Need for Automation

In order to continue our success, TDLR must stay abreast of technological advances and find ways to turn them into advantages. The following are opportunities for automating services:

- investigating the expanded use of remote meeting technologies, to allow for teleconferencing;
- increasing the data sharing between headquarters and remote offices;
- increasing system security for computer networks;
- moving internal agency documents to a paperless format, such as the ending of distributing printed payroll documents;

- adding features such as photographs to license cards to better identify the license holder;
- expanding services that are accessible by wireless devices such as PDAs;
- identifying and implementing other opportunities to use economies of scale in partnerships; and
- converting all license types to TDLR's licensing systems

Key Organizational Events and Areas of Change

Success Breeds Challenges, Challenges Breed Opportunities

Our mission to ensure the public's safety and to foster a fair and efficient regulatory environment is realized every day. Management's deep-rooted belief in innovation, efficiency and excellent customer service has enabled us to achieve our vision of becoming a model state agency. As such, the Legislature sees us as an agency with solutions for new or troubled licensing programs and continues to add to our scope of responsibility by placing these programs under TDLR's umbrella. We continue to fine-tune our organization and functional alignment to adapt to the changing and growing demands on our human and financial resources.

Recognizing the agency's efficient structure and common-sense approach to licensing and regulation, the Legislature transferred the duties of two struggling licensing agencies to TDLR. On September 1, 2005, all duties, workloads and liabilities of the Texas Board of Barber Examiners and the Texas Cosmetology Commission were transferred to TDLR. These transfers increased our licensee population by 115 percent, but came with only a thirty-one percent increase in our number of FTEs.

In 2007, the Legislature gave us more responsibilities and additional employees. Two new license types were added to existing programs – technicians under the Air Conditioning program and appliance installers under the Electricians program. The regulation of tow trucks and vehicle storage facilities was transferred to us from the Texas Department of Transportation and the scope of these programs was expanded to include the licensing of tow truck drivers and vehicle storage facility employees. A new licensing program was created for the regulation of discount health care card operators.

What are the keys to TDLR's success?

"TDLR has obtained great success by two objectives: Focus on Customers, and Focus on Employees." -- Mike Arismendez, TDLR Commissioner (Shallowater, TX)



in 2007 the Legislature transferred the regulation of tow trucks and vehicle storage facilities to TDLR

Why is TDLR unique among state agencies?

"TDLR is recognized among Texas legislators, industry leaders and the citizens of Texas as a well managed and effective agency. Proof of this is found in the large number of programs transferred by the 79th and 80th Legislatures."
-- Lewis Benavides, TDLR Commissioner
(Oak Point, Texas)

Interim Charges

Management's philosophy of excellence and its track record of success has earned TDLR a reputation as an organization that can adapt to change, solve problems, and effectively manage a variety of new and existing programs. As the Legislative committees consider their interim charges, they may look to TDLR to provide information on the issues they are studying. For example, the House Committee on Appropriations is charged with examining regulatory agencies and programs to consider aspects such as call center consolidation, strategies to allow greater access to revenue generated, and communication of best practice alternatives across agency lines. The House Committee on Government Reform reviews a wide variety of state agencies with an eye to streamlining state government. The Committee is instructed to recommend the repeal of unnecessary statutory requirements, the deregulation of certain industries if in the public interest, and ways to implement agency efficiency recommendations identified by the Legislative Budget Board, the State Auditor's Office, and the Sunset Advisory Commission. The Senate Business and Commerce Committee studies the number of state business licenses and the need and cost for each license. They estimate the cost and benefits to consumers of licenses and the effect on small, start-up businesses.

The House Licensing and Administrative Procedures Committee examines the current practice of certain occupations and determining whether these occupations pose any significant threat to the health, safety and welfare of the general public to the extent that increased regulation is needed. In previous Legislative Sessions, occupations such as roofing contractors and sheet metal workers have been proposed for inclusion under TDLR's umbrella. The department is in a unique position to provide valuable information to the Committee. TDLR is prepared to lend its expertise to the Committee's evaluation of these interim charges.

The House Committee on Government Reform studies and reviews current laws regarding licensing and regulation of professionals and makes recommendations on limiting and streamlining license requirements. The House Committee on Appropriations evaluates budget structure effectiveness and assesses all performance measures, operating budgets, budget transfers, changes in full-time equivalents, major contracts, litigation, debt financing, and all rider provisions and has oversight of all state agencies.

One of TDLR's major functions involves screening the criminal backgrounds of license applicants for original applications and renewals. Three interim committee charges could have a direct affect on how we perform criminal history checks:

- The Senate Committee on Government Organization examines criminal background check requirements across Texas health and human services, law enforcement and education agencies, as well as other licensed professionals. They also determine best practices, develop cross-agency standards, and make recommendations for reducing costs and streamlining processes.
- The House Committee on Corrections considers new strategies for meeting prisoner re-entry challenges in Texas, including evaluation of programs with documented success. This review should include identifying barriers to finding housing and employment.
- The Senate Committee on Criminal Justice reviews the process for re-entry of criminal offenders into communities. They identify barriers to the successful return to law-abiding behavior, including the absence of employment opportunities created by restrictions on obtaining certain state occupational licenses. They are to provide recommendations for improvements to current statutes governing this matter.

Growing Leaders

TDLR has consistently benefited from its philosophy of growing leaders from within. Our culture of innovation and core belief in leadership development and team building enables us to respond nimbly to a changing and growing environment. We embrace change and recognize that it presents a valuable opportunity for progress.

TDLR staff are encouraged to take part in shaping the philosophy and operations of the agency through participation in activities such as internal focus groups, Town Hall Meetings, strategic planning, the analysis and implementation of legislation, and employee surveys. This allows non-management staff to develop and showcase their leadership skills, while giving management the opportunity to assess staff members' leadership potential.

Improving Services Through Technology

TDLR is a leader in the innovative use of technology. Many licenses can be applied for and renewed online and most of our license databases can be accessed by the public and our staff through our web site.

We have created individual web pages for the twenty-six programs administered by TDLR. Program-specific “home pages” on our web site for each of the agency’s programs include extensive information and services, such as:

- basic description of the program and its purpose;
- program laws and rules – adopted and proposed;
- announcements of meetings and other public events;
- links to live and archived broadcasts of Advisory Board and Commission meetings;
- timely and simple online license applications and license renewals;
- printable application forms and instructions;
- database searches for licensees, buildings and equipment;
- online complaint filing;
- information on enforcement actions against licensees; and
- frequently asked questions (FAQs).

With the addition of new and transferred licensing programs, our Information Systems Development staff are faced with a tremendous and time-sensitive workload. Concurrently they are working on conversion projects for licensing programs remaining on our old legacy system. The most recent of these conversions was that of the elevator/escalator certification system, which includes information for over 40,000 pieces of equipment. Staff spent many hours converting and expanding the tow truck and vehicle storage licensing system transferred from the Texas Department of Transportation. The system, referred to as the Texas Occupations Online Licensing System (TOOLS), was up and running at the time of the transfer. The licensees experienced a seamless transfer, with almost no change to their business practices related to existing licensing requirements.

In addition to these accomplishments, the Information Systems Development staff have developed other online services such as:

- new license application for several of the agency's programs;
- license renewal for a growing number of licenses, the use of which is as high as ninety-six percent of those renewing in some programs;
- new *Student Hour and Enrollment Automated Reporting System* (SHEARS), which allows barber and cosmetology schools to use our web site to add and drop students, post student hours, apply for and print student permits, and enables students to track their hours;
- continuing education course completion data which allows providers to quickly post continuing education credits earned by licensees;
- construction project registration allowing design professionals and building owners to register their construction projects with the Architectural Barriers program, and soon, to pay registration fees by credit card;
- searchable online databases for licensees, Architectural Barriers projects, elevators and escalators, boilers, and online access to imaged inspection records and related documents for the Elevator and Boiler programs;
- sign-up for our automatic e-mail notification system, for all programs;
- online submission and search capability for well drilling and well plugging reports in the Water Well Drillers and Water Well Pump Installers programs, using the State of Texas Well Report Submission and Retrieval System (developed in conjunction with the Texas Water Development Board); and
- boiler inspection report submission by agency and third-party boiler inspectors.

Opportunities for Improvement

In focus groups and discussions conducted during our strategic planning process, staff and customers identified opportunities for improvement in our licensing, regulatory and enforcement functions. Included in these were changes in law that would provide consistency across TDLR's diverse programs, allowing them to better fit into our functional alignment. These changes will

License	Exp.Date	Name	City	Zip	County
INCL0000111111	04/21/2009	WRIGHT, CHARLES E (CHARLES E WRIGHT)	HOUSTON TX	77096	HARRIS
INCL0000111111	04/21/2009	CONWAY, MAURIE LOVE (H C SERVICES)	SAN MARCOS	78666	HAYS
INCL0000111111	04/21/2009	ANDERSON, ORVILLE J (JON ANDERSON COMPANY)	SUGAR LAND	77479	FORT BEND
INCL0000111111	04/21/2009	HORMAN, JAMES CHESTER (JAMES HORMAN INSPECTIONS)	PASADENA TX	77064	HARRIS
INCL0000111111	04/21/2009	MERINFIELD, ROBERT BRENT (JH AIR PLUS)	BUDA TX	78810	HAYS
INCL0000111111	04/21/2009	BRUNNE, DAVID (DAVID BRUNNE AIR CONDITIONING)	LODHWART TX	78044	CALDWELL
INCL0000111111	04/21/2009	WARR, FRIEDRICH EISENBURG (WARRMAN FONES CLEANING OF DALLAS INC)	Dallas TX	75207	DALLAS
INCL0000111111	04/21/2009	JENK, JOSEPH CONRAD (JOSEPH AND PRATT INC)	AUSTIN TX	78653	TRAVIS
INCL0000111111	04/21/2009	TAYLOR, LARRY PRESTON (LARRY TAYLORS)	DE KALB	75839	BOWNE
INCL0000111111	04/21/2009	HARREL, BARRY BRUCE (B H AIR CONDITIONING & HEATING INC)	HOUSTON TX	77071	HARRIS
INCL0000111111	04/21/2009	NICHOLAS, JERRY (JERRY TEMPERATURE CONTROL INC)	BAYTOWN TX	77629	HARRIS

license data and other information is accessible on TDLR's web site

bring greater efficiency and effectiveness to administration of the programs, helping to harmonize certain functions common to all of them, and providing better protection for consumers.

The following statutory changes would improve enforcement in the agency's programs:

- subpoena authority for all programs;
- cease and desist authority for all programs;
- emergency order authority for all programs;
- creation of license denial standards specific to the Discount Health Care Card program;
- amendment of the Personnel Employment Services law to give TDLR authority to pursue all violations of law and rules, rather than limiting our consumer protection to applicant fee violations.

The following statutory changes apply to all programs and improve licensing services to customers:

- authority to issue temporary licenses;
- authority to issue emergency licenses; and,
- authority to issue "inactive" status licenses.

Additional opportunities for improvement identified by TDLR staff and customers include:

- availability of even more online services;
- removal of the FDA listing requirement for sterilizers in the Barber and Cosmetology programs;
- evaluate the viability and continued regulation of certain licensing programs consistent with the House and Senate interim charges; and
- strengthen and clarify surety and financial bond requirements for certain license programs.

Fee Reductions

Part of TDLR's vision to be the model state agency is to set the standard for

Why is TDLR unique among state agencies?

"Preserving high quality service while lowering fees distinguishes TDLR from other state agencies. Through innovation, leadership, and strong teamwork, TDLR is able to accomplish what others can only attempt."

-- Lillian Norman – Keeney, TDLR Commissioner
(Taylor Lake Village, TX)

innovation, cost effectiveness and staff efficiency. This vision guides our goal to provide licensees the best services at the least possible cost. Consistent with our statute and as a part of this goal, annually we annually review the costs of administering each program and compare that to the amount of fees collected for the program. Through our functional alignment, constant process review, and subsequent improvement, we have been able to create cost savings for many of our programs. As a result, in fiscal year 2008 the Commission approved lowering licensing fees for seventeen different license types in eight different programs. As stewards of the public trust, we will continue to look for opportunities to reduce costs, ensure strategic use of public resources, and provide the highest level of customer service.

Changes in Commission Membership

In the two years since our last strategic plan, TDLR's seven member Commission has seen two changes in its membership. Frank Denton, first appointed to the Commission in 2002, was appointed as Chairman of the Commission by Governor Rick Perry in 2006. Chairman Denton is an experienced businessman from Conroe, who is currently President of Denton Investment Corporation. Deborah Yurco is the newest member of the Commission, appointed by Governor Perry in 2007. Commissioner Yurco, an Austin resident, is an attorney licensed in Texas and Florida.

TDLR Highlights and Accomplishments

Measure of Success

Department Performance

In our last strategic plan, we identified six areas in which we would prioritize our planning efforts for fiscal years 2007 and 2008 – staffing and personnel; technology; complaint resolution; communication; education and examination; and consolidation. Initiatives were identified within each area and tracked to completion. Some examples are:

- **Staffing and Personnel:** *Answer More than Twenty Percent of Incoming Calls* – we are now answering over sixty-five percent of all incoming customer calls.



Frank Denton was appointed as Chairman of TDLR's commission by Governor Rick Perry



in 2007, the Governor appointed Deborah Yurco to TDLR's commission

- **Technology:** *Complete Conversion of Barber and Cosmetology Programs to TULIP* – both programs have successfully integrated into our TULIP system, including all licensing and inspection functions.
- **Complaint Resolution:** *Successfully Process Backlog Complaints from Cosmetology Commission* – over 13,000 complaint cases inherited from the Cosmetology Commission have been closed.
- **Communications:** *Participate in Trade Shows, Conferences and Other Outreach Opportunities* – our staff have conducted more than thirty-two meetings relating to the towing and vehicle storage industries in more than nineteen cities; Electricians and Air Conditioning programs staff conducted construction site visits around the state to assist local building officials and educate industry members on licensing requirements.
- **Education and Examination:** *Employ Technology to Improve Course Completion Submittals; Enhance License Examinations* – continuing education providers now use our web site to report hours earned by licensees; examination subject matter experts met during the past fiscal year to analyze and review all exams, ensuring exams are current and accurate.
- **Consolidation Cleanup:** *Increase Consumer Protection and Improve Overall Effectiveness of Regulation of Barbers and Cosmetologists* – statutory changes made in the 2007 Legislative Session clarified requirements for sterilizers for manicure and pedicure tools; created new license types to minimize regulatory burden on licensees; and gave the agency new authority to issue cease and desist and emergency orders to respond to serious sanitation violations.

TDLR continues to demonstrate its commitment to excellence by meeting sixty-one percent of our key measures in fiscal year 2006 and sixty-three percent in fiscal year 2007. Despite the addition of two new programs and the expansion of an existing program, the agency's staff remained focused on the goal of maintaining TDLR's status as a model agency in state government.

In addition to these key measure achievements, TDLR has been awarded the following recognitions:

- “Highest Percent Participation” in 2007 for the State Employee Charitable Campaign;
- 3rd Place in the “Life is in Your Hands 2007 Awards” from the Blood Center of Central Texas for employee participation in blood donations; and
- “Highest Per Capita” award in 2005 for the State Employee Charitable Campaign.

These awards reflect TDLR’s employees’ commitment to service beyond its regulatory duties and to the communities in which they live.

New Responsibilities from the 2007 Legislative Session

TDLR was once again entrusted with the responsibility of additional programs. The agency was assigned one new licensing program, was the recipient of two transfer programs from another agency, and saw significant expansion of two existing programs.

House Bill 3064 created the licensing and regulation of Discount Health Care Card program operators, new to Texas and TDLR. While health care in general is a new area for TDLR, licensing and regulating new programs is not. By employing the best practices of our licensing model, we have been able to successfully incorporate the new law and program requirements into TDLR.

The licensing of tow trucks and the lots where towed cars are stored was transferred to TDLR from the Texas Department of Transportation (TxDOT). House Bill 2094 transferred the responsibility of these programs from TxDOT to TDLR. The bill significantly expanded the licensure requirements for these industries, creating new licenses for drivers of tow trucks and for employees of vehicle storage facilities. We are excited about applying our expertise in new industries, such as discount health care and tow truck operators. We look forward to providing greater consumer protection to the general public and a higher level of customer service to our licensees.

Our existing Air Conditioning and Refrigeration program was expanded under House Bill 463 to include the registration of air conditioning technicians. Previously, only the contractors were licensed but now those employees who assist with maintenance will be licensed as well.

What is the greatest agency accomplishment since you joined TDLR?

“The insight and innovation of TDLR leaders to implement the latest technologies for maximum productivity and minimum costs; and, by building teams who never lose focus, who identify internal and external needs, and identify processes to successfully integrate other organizations into TDLR.”
 – Luann Morgan, TDLR Commissioner
 (Midland, TX)

Finally, our existing Electricians program was expanded under Senate Bill 1222. Residential Appliance Installers, who often work with large retail home improvement stores, will now be licensed.

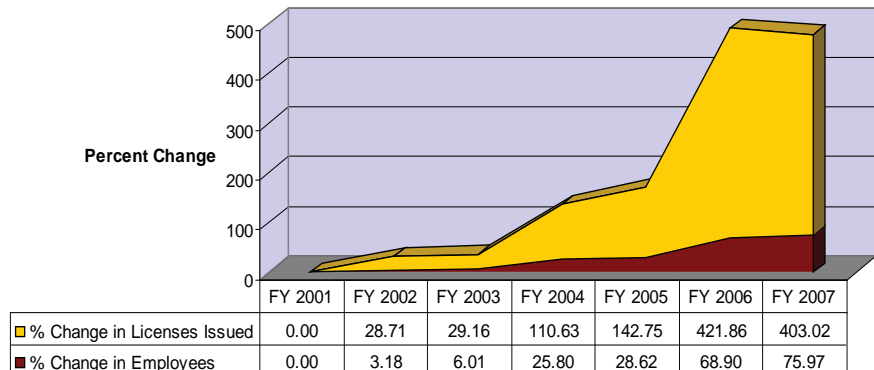
Increased Efficiencies

In fiscal year 2006, TDLR successfully consolidated two troubled agencies – the Board of Barber Examiners and the Texas Cosmetology Commission – into our functional alignment model. The net result of consolidations has been improved services to the licensees and general public, including the adoption of stronger sanitation guidelines, decentralized testing locations for students, lowered licensing costs, eliminated backlogs, and increased public outreach.

We also absorbed the new responsibilities associated with the licensing of electricians. TDLR realized significant efficiencies by partnering with a private company to perform manual processes, eliminating routine data entry by TDLR staff. This freed our staff to concentrate on complex analysis rather than manual processes. Another benefit of partnering with the private sector is that the work required to process licenses and renewals can be performed simultaneously by several divisions within TDLR. This reduces the time it takes to issue licenses.

Over the past seven years, TDLR’s innovative techniques for processing applications have allowed us to handle a 477 percent growth in the number of licensees without a proportionate increase in employees. The following chart shows the percentage increase in licensees and employees from the base year of 2001.

Comparison of Percent Increase in Licensees and Employees From Base Year 2001



These efficiencies allowed TDLR to lower license fees by \$3,338,085 over the past four years. The act of lowering license fees is unique in government, state and federal.

Customer Service Contact Center

The increase in licensee populations put a strain on our customer service resources. The creation of the statewide electrician license in 2004, followed by the addition of the Barber and Cosmetology programs in 2005, overwhelmed customer service's capacity to answer all phone calls. Staff turnover coupled with the rise in phone calls to 908,000 resulted in less than twenty percent of calls answered in 2007.

To reduce call volume and improve customer service, TDLR initiated an extensive outreach campaign. Inspectors distributed flyers to licensees, the agency answered frequently asked questions on the web site, staff encouraged licensees to contact us by e-mail, and staff attended trade shows and held Town Hall Meetings for licensees throughout the state. Staff also studied the best practices of call centers.

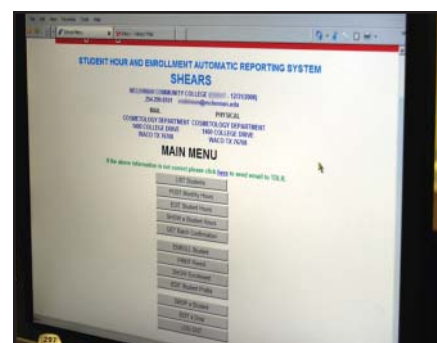
Only after taking these steps did TDLR request and receive additional appropriations for its customer service contact center in 2007. Our new contact center which opened in February 2008 was designed to encourage peer-to-peer assistance among call center employees and to give supervisors the ability to instantly check the status of any call. TDLR's phone system allowed us to see that a significant number of calls were coming in after hours. In March 2008, the contact center's hours were extended from the traditional 8 AM to 5 PM, to 7 AM to 6 PM. These additional two hours per day will allow us to answer approximately 13,000 more calls each year.

Student Hour and Enrollment Automated Reporting System (SHEARS)

TDLR immediately implemented efficiencies upon the transfer of the Barber and Cosmetology programs. Decentralizing testing centers and providing for exam sites throughout the state helped streamline the licensing process. Plans were made to convert and computerize the old paper-based system that was used to enroll more than 20,000 students annually and track their progress.



the agency's new customer contact center opened in February 2008



the SHEARS program was developed by TDLR to allow barber and cosmetology schools to post student information and to enable students to track their school hours

TDLR created SHEARS, the Student Hour and Enrollment Automated Reporting System. With SHEARS, a school logs on using its unique access number and PIN code to update students' records. The school may enroll students, print permits and report class hours earned. Under the old system, each of these actions required different forms that were filled out by hand, mailed to Austin, data-entered by staff, and returned to the school. Even the most minor change could take days, but with SHEARS, changes take seconds. In addition to saving time, SHEARS helps minimize errors by reducing the number of persons required to fill out forms and enter data. When a school posts hours earned for a particular student, the student receives an e-mail message, allowing the student to assure work is accurately reported.

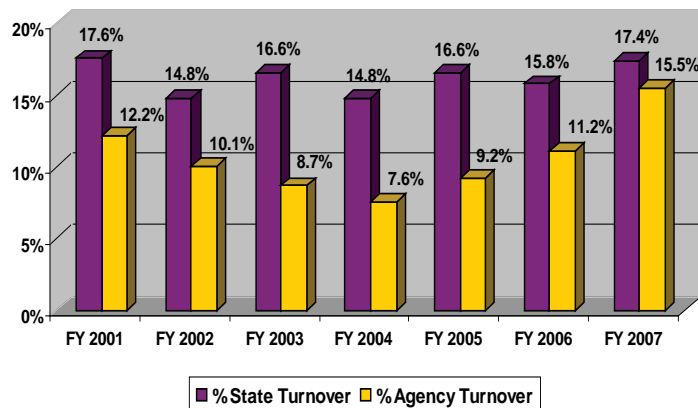
Self-Evaluation and Opportunities for Improvement

TDLR is always focused on being a model state agency. To gauge our success in this effort and to look for opportunities for improvement, executive management analyzes a number of criteria. These include employee turnover and overtime, key performance measure attainment, and audit findings.

Employee Turnover

One measure of agency health is the rate of employee turnover. TDLR employee turnover remains lower than other state agencies but has been increasing since 2004. The growth of the agency and its added responsibilities are reasons for this rise.

Agency To State Employee Turnover Comparison

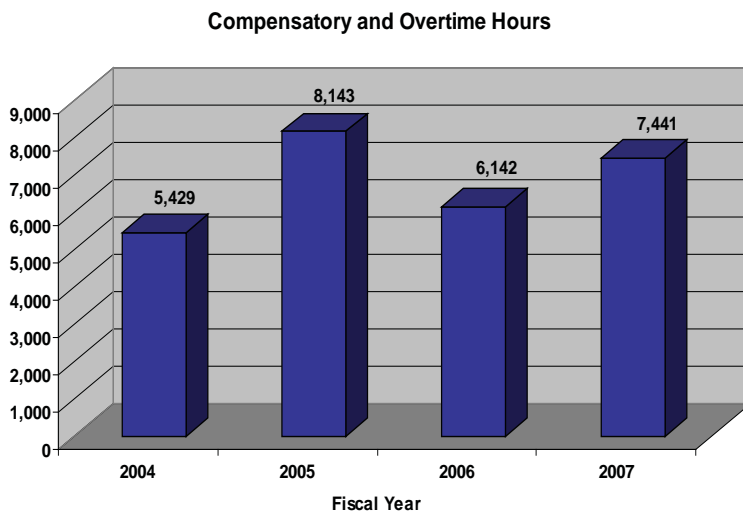


Although TDLR’s employee turnover rate increased from 7.6 percent to 9.2 percent from fiscal year 2004 to 2005, it remained seven percentage points below the statewide rate. This increase occurred while new programs, particularly the Electricians program, were added to TDLR’s regulatory responsibilities by the Legislature in 2003.

Another increase in turnover rate occurred after the 2005 Legislature transferred the responsibility of regulating barbers and cosmetologists to TDLR. TDLR grew by eighty-eight FTEs and underwent a major reorganization to absorb the new programs and manage the increased size of the agency. The transition and growing pains caused increased turnover but TDLR’s rate continued to be below the statewide average.

Based on the data available for fiscal year 2008, we are projecting the turnover rate for the fiscal year to be 7.4 percent, the lowest in the past nine years. This would mean the turnover rate for the fiscal year would drop below the level in fiscal year 2004.

Employee Overtime



The growth of the agency’s responsibilities has also resulted in more overtime opportunities for TDLR employees. The increased workload in fiscal years

TDLR “identifies and prevents individuals with serious criminal convictions from obtaining professional licenses.”

- 2006 State Auditor’s Office report

2004 and 2005, caused by the new Electricians program, was justification for overtime and compensatory hours in the Licensing and Enforcement divisions. Despite the increased compensatory and overtime hours, in fiscal years 2006 and 2007, resulting from the transfer of the Barber and Cosmetology programs into TDLR, employee hours were lower than the peak of fiscal year 2005.

Audits of TDLR

While reports by the State Auditor’s Office (SAO) and TDLR’s internal auditor have been positive the last two years, improvements have been proposed and TDLR has used those findings to further streamline our operations.

State Auditor’s Office Report on TDLR

In August 2006 the SAO issued an audit report on three of our programs: Air Conditioning and Refrigeration, Electricians, and Legal Service Contracts. The auditor found that TDLR has licensing procedures that result in qualified licensees and that TDLR does an effective job of protecting internal information systems resources. TDLR implemented the following recommendations from the SAO report:

- improve the consistency of licensing procedures to ensure that all applicants meet eligibility requirements;
- ensure that all license applicants’ information is provided to the Office of the Attorney General (for child support enforcement) and the Texas Guaranteed Student Loan Corporation, as required by law; and
- update information systems policies and procedures.

State Auditor’s Office Reports on Criminal Background Checks

In July 2006 the SAO reported on the use of criminal history records by six state agencies, including TDLR. SAO reported that TDLR complies with the law in using criminal history to evaluate new and renewal license applicants, and found that TDLR “identifies and prevents individuals with serious criminal convictions from obtaining professional licenses.” Of the six agencies audited, TDLR was the only one for whom the SAO had no recommendations to improve performance and use of criminal history checks.

A rider in the General Appropriations Act for fiscal year 2008 – 2009 directed SAO to conduct a review of procedures used to check criminal histories at all state agencies. The rider directed TDLR, along with the Department of Public Safety and the Legislative Budget Board, to assist in conducting the review. The SAO consulted TDLR staff in developing the methodology for the review. The SAO issued its report in March 2008. Out of thirty-two agencies, TDLR was one of only seven agencies that the SAO identified as having policies and procedures addressing seventy percent or more of elements in the SAO's best practices model for procedures to review criminal histories.

Internal Auditor Report on TDLR's Electricians Program

Chapter 2102, Government Code requires TDLR to have a program of internal auditing, which includes periodic audits of the agency's major systems and controls. TDLR contracts with a certified public accounting firm, selected through a competitive solicitation process, to be the agency's internal auditor. In August 2007 the internal auditor issued a report on TDLR's Electricians program. The conclusion was that TDLR "has adequate controls and procedures in place to provide reasonable assurance that the Electricians program is effectively established" and adheres to the electricians statute and rules.

The report recommended that TDLR take steps to consistently notify all parties to a complaint of the status of the investigation. In response, TDLR established a process to ensure that notices are consistently sent to all parties in complaint investigations.

Agency Characteristics Requiring Improvement

One of TDLR's most effective tools for gathering information from its customers is the use of external focus groups. On March 31, 2008, twelve external focus group meetings were conducted in Austin with representatives of regulated industries. The meetings helped TDLR learn what was working well, what changes were needed, and what trends could be forecast for the next five years.

Focus group participants identified opportunities for improvement in the regulation of their industries. Attendees expressed the need for tighter



one of TDLR's most effective tools is the use of external focus groups

regulation in several of TDLR's health and safety programs. Participants of the Barber and Cosmetology focus groups recommended statutory clarification on the sterilization equipment and those providing manicure and pedicure services. Several of the focus groups recommended an increase in the frequency of inspections. The Boiler focus group recommended the adoption of a version of ASME-CSDI for control and safety devices and participants from both the Air Conditioning and Refrigeration and Electricians groups expressed the need for licensing of state inspectors to ensure that standards are uniformly applied statewide.

There were many common topics of discussion in the focus groups. Some of the topics were agency communication efforts, our customer service call center, and the need for more online services. We learned that customers want to be able to use TDLR's web site to:

- file new and renewal applications;
- pay fees and fines by credit card;
- update address and license information;
- request and retrieve open records information;
- file inspection reports;
- track the status of complaints filed; and
- select the language in which information is communicated.

A knowledgeable and responsive Customer Service section is another key aspect of the agency's communication with customers. TDLR views each person we serve as deserving of our best efforts. We pride ourselves on courteous and timely delivery of services, getting the job done right the first time, exceeding customers' expectations, and making services easily accessible. During fiscal year 2008 additional staff members have been hired for our Customer Service section to further assist with timely responses.

We constantly refine our materials and processes and look for innovative ways to enhance our delivery of services. The agency actively participates in industry trade shows where information booths are set up to answer questions and provide attendees with the latest information. We have also upgraded our online services for customers.



a key aspect of the agency's communication with customers is a knowledgeable and responsive customer service section

Strategic Challenges

The Texas Commission of Licensing and Regulation, composed solely of public members with no financial interest in any of the occupations regulated by TDLR, relies heavily on technical input from its Advisory Boards for the administration of its programs. The Board members play a vital role in advising the Commission on matters relating to health and safety issues, technical standards, rules, examination content, and continuing education requirements. The statewide elimination of Advisory Board travel reimbursement has had an adverse effect on the attendance of these volunteer members, the frequency of meetings, and the timeliness of input. The lack of travel reimbursement creates an impediment to active participation of these non-paid appointees. We believe that the interest of the state is best served by providing travel reimbursements to Advisory Board members, as well as including public members on each of the Advisory Boards.

TDLR prides itself on providing excellent customer service. Consistent with the department's culture of innovation and its track record of problem-solving, the agency finds creative ways of managing and responding to the rising number of phone calls and e-mails. We have conducted on-site evaluations and reviews of public and private sector call centers and participated in a multi-agency customer service focus group to identify the best practices that can assist us in more effectively handling large volumes of phone calls.

Leveraging Community Resources to Address Agency Goals

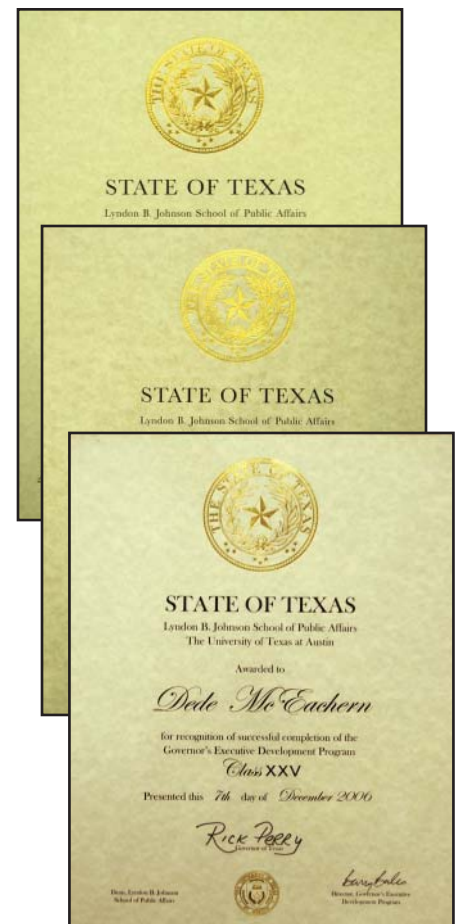
TDLR grows leaders from within the agency. Staff members are encouraged to participate in the planning, development, and implementation of the services we provide. In addition to utilizing in-house expertise, TDLR also uses other sources to accomplish its mission and goals.

Training: TDLR takes advantage of low cost and free training offered by other state agencies to expand training opportunities for its staff beyond those that the agency could otherwise afford. TDLR utilizes valuable training offered by the Office of the Attorney General, Texas Department of Agriculture, State Office of Risk Management, and the Employee Assistance Program (EAP), which significantly enhances staff development and effectiveness.

Assessment



TDLR relies heavily on technical input from its Advisory Boards, such as the Architectural Barriers Advisory Committee



staff are encouraged to participate in training and development programs



agency staff participate in industry conferences, trade shows and other events

Information Exchange Among Peers: TDLR seeks opportunities for peer-to-peer interaction and exchange of information. Staff participate in a number of activities that go well beyond simple networking. The executive director participates in leadership programs, making presentations at the LBJ School of Public Affairs and at forums hosted by other state and local organizations. The personnel attorney is a member of the mediation/dispute resolution roundtable and works with peers in other agencies to discuss and compare policies, procedures and practices in the workplace.

Executive management and division directors have taken advantage of the Governor's Executive Development Program by cultivating strategic relationships with key personnel at other state agencies. Collaborative relationships are also developed with staff from other state agencies to facilitate the sharing of tools, processes and ideas.

Community Resources: TDLR's licensees seek the agency's participation and support at community level events. For example, staff frequently participates in industry conferences, trade shows and meetings, local panel discussions, enforcement task force meetings, university presentations, and other community events. TDLR's ability to access and use these resources helps keep the agency abreast of emerging developments in the occupational areas it regulates and fosters its common-sense approach to regulation.

TDLR also recognizes the opportunity to assist other state agencies in providing guidance and examples of successes achieved. For example, the agency has been called on by the Governor's Office to assist the Texas Commission on Fire Protection with their strategic planning process. Sharing our model state agency vision and goal while providing problem-solving assistance has made TDLR more efficient, thereby showing the Legislative community our commitment to excellence in government.

Innovative partnering with local, state and federal entities has been key to the department's success in the efficient and effective licensing and regulation of twenty-six occupations and industries.

Local Partnerships

The department enhances the effectiveness of its regulatory efforts by working with local law enforcement, building officials, building inspectors,

code enforcement officers, fire marshals, county health departments, licensing authorities, and ground water conservation districts, in programs such as:

- Air Conditioning and Refrigeration
- Architectural Barriers
- Barbers
- Boilers
- Cosmetology
- Electricians
- Elevators and Escalators
- Industrialized Housing and Buildings
- Tow Trucks and Vehicle Storage Facilities
- Water Well Drillers and Water Well Pump Installers
- Weather Modification

We will continue working closely with local officials and their affected populations by providing training and informational seminars relating to these programs. One of the best examples of these partnerships is our annual participation in the Building Professional Institute (BPI), an annual education conference that is attended by thousands of building, construction, and design professionals.

The department has also cultivated partnerships with local chapters of business and advocacy organizations such as the Building Owners and Managers Association (BOMA), Coalitions of Texans with Disabilities, and occupational/trade organizations such as the Independent Electrical Contractors (IEC) of Texas, National Electrical Contractors Association (NECA), the Valley Building Officials Association (VBOA), the International Brotherhood of Electrical Workers (IBEW), the Consumer Health Alliance (CHA), the Lonestar Cosmetology Association, the Texas Association of Tonsorial Artists (TAOTA), the Texas Towing and Storage Association (TTSA), Southwest Tow Operators Association (STOA), and the Texas Groundwater Association (TGWA). These partnerships are instrumental in ensuring greater compliance with TDLR program requirements.

These partnerships have also provided networking opportunities with appraisal districts, local law enforcement, and municipal and county offices, including county health departments and elected officials. Their assistance is valuable



Architectural Barriers staff worked with the Texas Historical Commission to ensure accessibility of historic county courthouses, such as this one in Lampasas

to TDLR in pursuing compliance. The continued cooperation of local code enforcement officials is paramount to TDLR's enforcement successes that include multi-jurisdictional "sting" operations aimed at preventing unlicensed and unsafe activities. County health departments assist the agency in identifying sanitation problems in barber and cosmetology establishments, particularly those that provide manicure and pedicure services. Finally, TDLR continues to build and enhance our cooperative efforts with local municipal and regional licensing authorities in administering the Electrical, Air Conditioning, Towing, and Vehicle Storage Acts.

Technical Assistance Partnerships

Our expert staff provide technical assistance to interested groups. For example, Architectural Barriers staff work with the Texas Historical Commission to ensure accessibility of historic county courthouses. Our chief elevator inspector has provided technical guidance for renovation of the Governor's mansion. Outreach efforts to state educational institutions about requirements of the Architectural Barriers, Boiler, and Elevator Safety programs have benefited Texas A&M University, Texas State University, Baylor University, Southern Methodist University, the University of Texas, and other state institutions.

The Water Well Drillers and Water Well Pump Installers programs, through coordination with local groundwater conservation districts and river authorities, help to protect water quality by ensuring proper placement and construction of wells and plugging of abandoned wells. As a permanent member of the Texas Groundwater Protection Committee (TGPC), our well drilling experts contribute to the development of the state's water policies, especially those affecting water wells, groundwater protection issues, public outreach, and educational activities. The program also administers an online abandoned well referral system which allows the Texas Commission on Environmental Quality, groundwater conservation districts, and the public to submit a complaint concerning an abandoned well and to check the status of the complaint.

Weather Modification program staff also work with groundwater conservation districts, aquifer authorities, county commissions, as well as federal authorities and water management agencies in other states, to assess the impact of cloud

seeding technologies.

Interagency Partnerships

The department has interagency agreements with the Texas Department of State Health Services, Texas Commission on Fire Protection, Texas Department of Insurance (TDI), and the State Board of Plumbing Examiners. These agencies' inspectors, marshals or investigators report to TDLR unsafe or unregistered boilers discovered in the course of their regulatory or safety activities. In turn, we assist TDI and the Office of the State Fire Marshal with investigations of possible electrical fires and we report unlicensed plumbing activity to the Board of Plumbing Examiners. Department representatives are also members of the Central Texas Call Center Association, a multi-agency customer service focus group. The group of state agencies include: TDI, Office of the Attorney General, Public Utilities Commission, Texas Commission on Environmental Quality, and the Comptroller of Public Accounts. The group meets to discuss "best practices" and topics of interest concerning the services provided to the public.

TDI informs us of insolvent insurance companies, including risk retention groups, providing financial security for service contract providers. The agency participates in a workgroup with the Attorney General and TDI to address concerns with discount health care card operators. TDLR submits all individual license applicants to the Texas Department of Public Safety (DPS) for criminal history checks. DPS, also for a fee, performs FBI criminal history checks on the controlling persons of staff leasing services applicants.

Other TDLR partnerships with state agencies include:

- Governor's Committee on Persons with Disabilities – to award "Access for All" decals to accessible newly constructed buildings/facilities;
- Texas Facilities Commission – inspection of state leases; review and inspection of state construction projects;
- Texas Commission on Jail Standards – inspection of detention and correction facilities using portions of proposed federal accessibility standards specific to correction facilities;
- Texas Department of Transportation (TxDOT) – agreement to facilitate



several other agencies have agreements with TDLR regarding the inspection and reporting of boilers in Texas



"Access for All" decal awarded to accessible newly-constructed buildings

expedited reviews and inspections for TxDOT construction projects and to use portions of proposed federal accessibility standards that are specific to construction in the public right-of-way;

- Office of the Secretary of State – agreement to provide state and county voting officials with technical assistance about the accessibility of polling places, as well as assisting in addressing requirements of the federal Help America Vote Act (HAVA);
- Texas Historical Commission - Memorandum of Understanding to provide single point of contact at TDLR for expedited plan reviews and streamlined variance determinations for Historic Courthouse projects; and
- Texas Commission on Environmental Quality and the Texas Water Development Board – groundwater data management project.

Federal Partnerships

To assist in effectively administering state regulatory requirements and better serve our customers, TDLR monitors federal activities that may have an effect on the programs we regulate. The department keeps the public informed of federal regulatory requirements affecting the trades, professions and industries we regulate and works with federal agencies in implementing any necessary changes.

TDLR partners with federal agencies and organizations to keep up with current and future developments so that we may be more responsive to the industries under our jurisdiction. In addition to the relationships established with the federal agencies mentioned under “Federal Statutes and Regulations,” TDLR has developed partnerships in connection with the following programs:

1. *Combative Sports* – TDLR works closely with United States Citizenship & Immigration Services concerning athletic visas; Fight Fax, which is the federally-designated record keeper for the national boxer database; United States, Canadian, Puerto Rican and United States Virgin Island boxing/athletic commissions on contestants who fight in Texas; and the USA Boxing Organization, which is the national governing body of amateur boxing in the United States.
2. *Staff Leasing Services* – TDLR works with the Federal Bureau of Investigation



TDLR works with federal agencies and organizations so that we may be more responsive to the industries under our jurisdiction

(FBI), in addition to the Texas Department of Public Safety, to perform criminal history checks on controlling persons of staff leasing services applicants.

Private Sector Partnerships

Current Partnerships

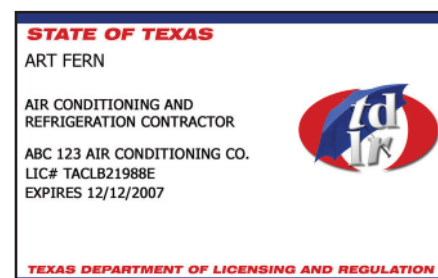
TDLR uses private sector partners to obtain specialized skills not available within the agency and contracts with outside vendors to provide cost-effective services. These partnerships allow us to focus on our core strengths and expand the expertise and perspective available to the agency.

These partnerships also fill a critical role when a project demands an objective third-party perspective such as the internal audit function. TDLR contracts with a certified public accounting firm to perform internal auditing functions required of state agencies under Chapter 2102 of the Government Code. For this service, use of a partnership is cost-effective, as the organization is not large enough to justify a full-time internal auditor.

TDLR uses private sector partners to create efficiencies, improve customer service and save taxpayer dollars. Currently, we are contracting for courier services, copier leases, call center software, printing, and the employee assistance plan.

Other partnerships provide direct benefits and enhance services to our customers. Examples are contracts to develop, maintain and deliver examinations; perform specialty inspection services; provide online licensure and renewal; and print and mail plastic license cards. A notable example of how TDLR has collaborated for services to create efficiencies, lower costs and improve customer service is its contract for document imaging. TDLR chose to use Neubus for its digital imaging processes and systems rather than develop an internal system. TDLR's decision to select Neubus as a cost-effective solution was affirmed by the Texas Council on Competitive Government when Neubus was identified as the statewide vendor for digital imaging services.

With the consolidation of the Barber and Cosmetology programs into TDLR,



private sector partnerships, such as the one for the printing and mailing of license cards, give direct benefits and enhanced services to TDLR's customers

the agency inherited two high-cost and inefficient contracts for data services associated with their legacy licensing systems. We acted swiftly to cancel the high-cost and inefficient data services contract and moved those operations to our in-house licensing system.

Future Partnerships

TDLR will continue to use private sector partnerships that add value to our operations and leverage our ability to achieve savings for our licensees. We will continue to rely on the services of a digital imaging vendor for records storage and retrieval and expand the type of documents imaged for customer viewing online.

In fiscal year 2006, consistent with TDLR's examination model for other programs, TDLR selected a vendor to deliver the examinations for the Barber and Cosmetology programs. We will likely contract for examination development and delivery for future programs transferred to the agency. We are exploring an expansion of the services provided by the examination vendor to include license issuance onsite upon passing the examination.

TDLR has determined that the data center consolidation project administered by the Department of Information Resources (DIR) is yielding significantly higher costs while providing lower than projected services as compared to our previous in-house operations.

We have demonstrated a commitment to increasing the use of TexasOnline for license renewals and initial license applications, and will continue to do so. The benefits to the customer are ease and convenience in applying for or renewing a license and quicker turn-around time to receive their licenses. The use of TexasOnline decreases staff time spent opening mail and processing applications.

Employee Satisfaction and Recommendations for Improvement

TDLR recognizes the importance and resourcefulness of its employees. The department believes a motivated and valued workforce contributes to its success. TDLR launched a random sample survey of its employees to uncover the attitudes and satisfaction level throughout our organization as well as

How would you describe TDLR's culture?

"The TDLR culture has an air of excellence that encourages its employees to strive to achieve while rewarding those same employees with positive encouragement and inner growth within the organization in a supportive environment."

-- Deborah Yurco, TDLR Commissioner
(Austin, TX)

conducted internal focus group sessions for all of its employees.

The random survey included sixty-two employees who were selected through the following process:

- an employee list was provided by Human Resources;
- individuals at the executive management and those conducting the survey were extracted from the list;
- only the employee ID number was used in the random selection process;
- a blind selection process was used per page within each division to gather the targeted number of employees by percentage; and
- of the sixty-two employees randomly sampled, forty-two responded, which is a return rate of sixty-eight percent.

In some of the key questions, employees overwhelmingly viewed themselves as valuable players of our team, saw customer service as a priority, and believed supervisors have confidence in their ability to do their job.

In addition to the high level of satisfaction experienced by TDLR employees, they also provided the department with a number of recommendations for improvement. These recommendations were gathered through the internal focus group process held in March 2008. This process garnered hundreds of comments and recommendations. The following is a summary of some of the key recommendations:

Training Issues

- Need to better understand the information gathering process to recognize the validity of the individual's account, and then use the initial information.
- Need for job-specific software training.
- Need for external technology training opportunities.

Communication

- Need for an integrated team concerning investigations.
- Need for up-to-date information to be shared within and between

divisions.

- Need for processes, procedures, and software documentation to be created and updated regularly.

Technology

- Need for an independent and thorough analysis of database software and systems.
- Need for manageable processes and systems throughout the agency (currently paper-based).
- Need to expand web site capabilities.

The employees also provided specific recommendations for bringing on new programs:

- provide the necessary tools to successfully complete work assignments;
- offer flexible training/learning opportunities;
- train supervisors and managers in coaching skills;
- identify and retain key employees in the consolidated agencies;
- continue TDLR Town Hall Meetings;
- initiate a suggestion box and reward suggestions acted upon (such as, “You Can Count on Me”); and
- involve employees in decision making and planning for the future (in between Strategic Planning Process).

Service Population Demographics

Benefits to Those We Serve

TDLR’s services affect virtually every Texan. Anyone engaging in the following activities, for example, benefits from what we do:

- Entering a public building (Architectural Barriers and Industrialized Housing and Buildings programs) ;
- Turning on lights (Electricians program);
- Using an elevator or escalator (Elevator Safety program);

- Getting a shave (Barbering program);
- Drinking a cold beverage or enjoying air conditioning (Air Conditioning and Refrigeration program);
- Seeking help with a disabled vehicle (Tow Trucks program);
- Using a laundromat (Boilers program);
- Getting a pedicure (Cosmetology program); or
- Drinking well water (Water Well Drillers and Water Well Pump Installers programs).

Texans benefit when they attend, or participate, in an auction or boxing event, get help from a staff leasing company, hire a property tax consultant, buy an extended warranty or a vehicle protection product, or use a licensed interpreter during a court proceeding.

Whom We Serve

The people we serve – the licensees and those who interact with them – continue to grow in number and encompass nearly every demographic category. This population has been evolving ever since the agency was established originally as the Bureau of Labor Statistics in 1909. In recent years, the Texas Legislature has re-directed TDLR’s focus from labor-related matters to occupational licensing and consumer protection. The agency’s responsibilities have consistently increased as a result of the Legislature’s confidence in TDLR’s ability to successfully administer new, complex and troubled programs. This success has contributed to TDLR’s growing reputation as a model state agency. The trend will likely continue as the Legislature studies and identifies additional programs to assign to the department.

Where We Serve Them

TDLR serves Texans statewide, but there is a marked concentration of our population in the area bounded to the northwest by Wichita Falls, the northeast by Texarkana, the southeast by Houston, and the southwest by San Antonio. It is home to roughly seventy percent of the state’s population. Not only does it house more than seventeen million Texans, but this area also contains most

How would you describe TDLR’s culture?

“It is focused on outcomes and its mission of service.”

-- Fred Moses, TDLR Commissioner
(Plano, TX)

of the state's twenty-five Standard Metropolitan Statistical Areas and accounts for eighty-five percent of Texas' total gross service sales.

Customer Profile

Texas' Changing Population

Texas' growing and increasingly diverse population will present new challenges to the state's social, economic, and service structures. The state's population is projected to more than double to fifty million people within the next thirty years.

With the non-English speaking population expanding, TDLR will need to provide more services in other languages. By 2040, the ethnic make up of Texas will have shifted. For example, the Hispanic population will have increased by some nineteen million to be, overwhelmingly, the majority ethnicity in the state. At the same time, the state population's average age will have increased by over six years to thirty-eight. The number of people sixty-five or older will have increased twice as rapidly as for the population as a whole. These dramatic trends in diversification and aging of Texas' population will intensify the demands on professions (barbers, cosmetologists, air-conditioning contractors, tow truck businesses, electricians, and licensed court interpreters) that serve the non-English or "English as a second language" speaking sectors of the economy.

As Texas' population grows older and further diversifies, markets for goods and services will change accordingly. TDLR will strengthen its regulatory protection in areas such as auctioneering, barbering, cosmetology, discount health care cards, legal service contracts, loss damage waivers in rental purchase agreements, personnel employment services, staff leasing services, talent agencies, and temporary common worker employers.

The increase in population will trigger demand for more housing and consumer goods. To ensure that Texans have the proper level of safety and consumer protection, TDLR will enhance its regulatory services in the areas of service contracts, air conditioning, electrical, maintenance agreements, and warranties.

The aging population means more Texans will experience physical challenges.

TDLR, through its Architectural Barriers and Elevator Safety programs, will meet those needs for improved accessibility in buildings and facilities. Additionally, TDLR will find ways to better identify and prosecute fraudulent activities, particularly those targeting older Texans that rely on the services of our licensees.

More Texans will heighten demand for water, so TDLR will continue to work closely with property owners and water conservation districts to help address this challenge. The need for more water will intensify the stress, especially during periods of severe drought, on the services offered by TDLR's Water Well Drillers, Water Well Pump Installers, and Weather Modification programs.

Economic Variables

The key factors affecting TDLR and the businesses, industries, general trades and occupations it regulates include Gross State Product (GSP) as a measure of economic output, employment trends, and construction activity. Other factors having an impact are natural disasters (like hurricanes Katrina and Rita) which cause damage and displacement.

Gross State Product

Texas' economy will grow over the next five years. Its GSP, with a projected annual growth rate consistent with the Gross Domestic Product, is forecast to expand at an average annual rate of 3.1 percent. This growth, along with an annual growth rate in the inflation adjusted Texas Real Gross Product of 5.3 percent, means more services will be provided by businesses regulated by TDLR. This is especially true for service contracts and vehicle protection product warranties.

Employment Trends

As a recipient of the Governor's Cup, a national recognition for having the highest rate of job creation, Texas continues to increase its share of total U.S. employment (now surpassing seven percent of the national total). Two sectors of the state economy, professional and business services and construction, led the way in the employment growth rate. If these trends continue, TDLR will



the pace of construction is expected to build over the next five years



TDLR's timely response to the destruction and displacement of people due to natural disasters allowed many workers to operate in Texas on a temporary basis

see an increase in its regulated population and the associated licensing and complaint resolution demands.

Employment in Texas is projected to continue growing, on average, at a 4.9 percent rate each year from 2013 to 2017, with a slightly higher percentage anticipated for metropolitan statistical areas. This means the demand for services offered by Personnel Employment Services, Staff Leasing Companies, and Temporary Common Worker Employers will accelerate.

Pace of Construction

Despite a slowing of all types of construction (residential, commercial, and public works) in recent months, the pace is expected to build over the next five years. Residential housing starts are predicted to average 188,000 per year for the period 2013 – 2017. The amount of commercial construction is expected to increase over the five year period by 8.6 million, to 186 million square feet, and public works activity will gain strength as well. These trends will place a greater demand upon many of TDLR's programs: Air Conditioning and Refrigeration, Architectural Barriers, Electricians, Elevators, Boilers, Industrialized Housing and Buildings, Temporary Common Worker Employers, Water Well Driller, and Water Well Pump Installers.

Displacement and Damage

Unforeseen natural and weather-related events will affect TDLR's population of licensees, sometimes for years to come. For instance, hurricanes Katrina and Rita (2005) led to the permanent displacement of thousands of residents from other Gulf Coast states into interior regions of Texas. The decision of these evacuees to stay in Texas and find permanent employment imposed additional licensing and regulatory responsibilities on TDLR. The agency's timely response to these disasters, including the emergency adoption of rules, allowed many displaced workers, such as barbers, cosmetologists, and electricians, to obtain a basic, temporary, or emergency license to operate in Texas.

The impact of natural disasters on TDLR's workload extends well beyond efforts to ensure a displaced population is afforded a means of making a living. Events like severe storms often deprive residents of shelter, electricity, water,

or other basic services. Recovery efforts then focus on repair work for air conditioning, electrical services, elevators, boilers, architectural barriers, water wells, and industrialized housing and buildings, which in turn require attention from TDLR staff. Evacuation and recovery efforts require the services of towing operators to clear routes and remove stranded vehicles. The need of displaced residents for modular housing and building units means the review, inspection, and certification workload of TDLR's Industrialized Housing and Buildings program is increased proportionately.

The rush to aid those adversely affected by natural disasters invariably leads to the proliferation of unskilled and unlicensed individuals offering to do repairs for home and business owners. TDLR reminds owners of damaged homes and businesses that contracting with unlicensed individuals for air conditioning and electrical repairs can be hazardous and costly. In the wake of these episodes, TDLR must respond to an influx of complaints filed by home and business owners who were scammed.

Effect of Federal Activities on State Regulatory Functions

Federal Statutes and Regulations

Federal statutes and regulations have had a minimal impact on the department's operations, but industries regulated by the department are affected by several federal laws and agencies (see Appendix I).

- The Americans with Disabilities Act of 1990 (ADA)
- Interstate Commerce Act
- Liability Risk Retention Act of 1986
- Magnuson-Moss Warranty Act
- Professional Boxing Safety Act
- Titles XVIII and XIX of the Social Security Act - Medicare and Medicaid
- Clean Air Act
- National Appliance Energy Conservation Act (NAECA) of 1987
- Help America Vote Act of 2002 (HAVA)



the effect of natural disasters on TDLR's workload extends well beyond temporary licensing

Federal Legislation, Regulations, and Court Cases

To better serve its customers through timely recognition of and appropriate responses to changes in federal requirements, TDLR staff monitor federal activities, including legislation, regulations, and court cases.

Legislation

The following federal legislation, which was introduced in the most recent Congressional session (110th Congress, 2007 – 2008), may affect the following TDLR programs:

1. Combative Sports – Senate Bill 84 and House Resolution 4031 establish a national boxing commission and provide for the licensing and registration of boxing personnel, which could require greater interaction between federal and state regulators.

2. Staff Leasing – House Resolution 2657 amends the Employee Retirement Income Security Act of 1974 (ERISA) to prohibit employers from disqualifying employees from benefits under their pension and welfare plans by misclassifying or reclassifying employees as temporary employees, part-time employees, leased employees, agency employees, staffing firm employees, or independent contractors. Senate Bill 1111 implements standards clarifying when employee leasing companies can be held liable for their clients' federal employment taxes. House Resolution 141 requires site-controlling employers to keep a site log for all recordable injuries and illnesses of employees on the particular site, whether such employees are employed directly by the site-controlling employer or are employed by contractors or temporary help or employee leasing services.

3. Loss Damage Waivers – House Resolution 1767, Senate Bill 1530 and Senate Bill 1012 amend the Consumer Credit Protection Act (15 U.S.C. §§1601 et seq.) to add a new title concerning consumer protections for rental-purchase agreements and transactions. Rental-purchase agreements that include loss damage waivers must be approved by TDLR.

4. Weather Modification – Senate Bill 1807 and House Resolution 3445 create the Weather Mitigation Advisory and Research Board within the National Science Foundation (NSF) to establish and coordinate the national

research and development program on weather mitigation. This legislation authorizes the Board to establish a grant program for the awarding of grants to eligible entities including state agencies for research and development projects that pertain to weather mitigation.

5. *Cosmetology* – House Resolution 3016 requires employers of cosmetologists to report income and tips of their cosmetologist employees and to provide income and tip information to self-employed cosmetologists to whom they pay more than \$600 in the taxable year. This resolution imposes similar reporting requirements upon individuals who rent chairs to cosmetologists.

6. *Architectural Barriers* – House Resolution 3195 and Senate Bill 1881 establish the Americans with Disabilities Act Restoration Act (ADARA), which would expand the definition of “disability” under the ADA in response to U.S. Supreme Court rulings that have narrowly interpreted the definition.

7. *Licensed Court Interpreters* – Senate Bill 702 and House Resolution 1645 authorize the U.S. Department of Justice to award grants to state courts to develop and implement state court interpreter programs.

8. *Boilers* – House Resolutions 6, 2556, 3236, and 3238 and Senate Bills 1115, 1321 and 1419 update the efficiency standards for residential boilers manufactured on or after September 1, 2012.

9. *Air Conditioning and Refrigeration* – House Resolution 3236 allows the Department of Energy (DOE) to establish regional standards for space heating and air conditioning products, other than window unit air conditioners and portable space heaters. For each product, the DOE may establish a national minimum standard.

Regulations

The following proposed federal regulation will affect the following TDLR program:

Architectural Barriers - The United States Architectural and Transportation Barriers Compliance Board has completed its recommended revisions to

the Americans with Disabilities Act Accessibility Guidelines and is awaiting final approval of them by the U.S. Department of Justice (DOJ). TDLR is poised to revise its rules affecting architectural barriers as soon as the DOJ approves the proposed federal changes. Harmonizing rules between state and federal governments simplifies compliance for building design and construction professionals and building owners while maintaining consistency in the application of accessibility standards.

Court Cases

While there are no current federal cases pending that involve TDLR as a party or would affect TDLR, the Office of the General Counsel has identified the following issue that may affect the Service Contract Providers program over the next five years. TDLR licenses and regulates service contract providers, which are required to back their service contracts with financial security such as a reimbursement insurance policy. In many cases, these reimbursement insurance policies are issued by risk retention groups. Federal law limits the ability of states to regulate risk retention groups, and there is a split among the federal appeals courts about whether a state may specifically exclude risk retention groups from providing financial security for service contracts. The 5th Circuit Court of Appeals has not ruled on the matter. TDLR is watching for any resolution of this issue in the federal courts because it could affect the future course of regulation in the Service Contract Providers program. TDLR does not currently interpret the service contract law to exclude risk retention groups or to establish any different requirements for risk retention groups than for other types of insurers. However, resolution of this issue in the federal courts could affect the ability of the Texas Legislature to target future regulation of risk retention groups.

Cooperation with Local, State, and Federal Entities

Effect of Anticipated State Statutory Changes

TDLR expects future Legislative Sessions to assign more programs to the department. These additions will also need Program Integration Teams as new or transferred license programs will require significant analysis and planning to ensure effective and seamless integration into TDLR.

Emerging technologies in the air conditioning and refrigeration industry are more complex, and have higher educational requirements. These higher

educational requirements may result in licensure of some currently exempt maintenance personnel. TDLR anticipates that amendments may be proposed in 2009 to remove the exemption for maintenance personnel from the Texas Occupations Code Chapter 1302. This will require them to become registered or licensed.

The scientific community continues to study and issue reports on Indoor Air Quality (IAQ) standards. TDLR anticipates amendments to the National Appliance Energy Conservation Act (NAECA) that may increase minimum energy efficiencies. Changes to the IAQ standards and the NAECA may require more regulatory resources for TDLR.

Effect of Outstanding Court Cases

TDLR's strategy is to manage litigation to achieve the most equitable result. TDLR's Office of the General Counsel works closely with the Office of the Attorney General (OAG), who represents TDLR in court to resolve cases. The outcomes of the following current court cases may affect TDLR's regulatory and related functions (see Appendix J).

I. TDLR Cases

A. Business and Occupations – Personnel Employment Services

USA Employment, L.L.C. v. Texas Department of Licensing and Regulation, Cause No. G-1-GN-08-000137, Travis County District Court, 261st Judicial District.

B. Business and Occupations – Cosmetology

Pegah Zabihi v. Texas Department of Licensing and Regulation, Cause No. D-1-GN-08-000728, Travis County District Court, 353rd Judicial District.

C. Business and Occupations – Combative Sports

Texas Department of Licensing and Regulation v. Benjamin L. Jackson, individually and d/b/a X-Treme Boxing Entertainment, X-treme Fight Club, X-Treme Fight Night, and X-Treme Promotions, Cause No. D-1-GN-08-001099, Travis County District Court, 353rd Judicial District.

2. Texas Cosmetology Commission

In 2005 the Legislature abolished the Texas Cosmetology Commission (TCC) and transferred all the rights and duties of that agency to TDLR effective September 1, 2005. As a result, TDLR has taken the TCC's place as a party in the following court cases.

Maria Pallotta and David Lopez and Dolphin Technical Inst. v. Texas Cosmetology Commission and Carolyn Modica, Cause No. E-165031, Jefferson County District Court, 172nd Judicial District.

Carolyn K. McCollum v. Texas Cosmetology Commission, Cause No. 2005-CI-20075, Bexar County District Court, 224th Judicial District.

Effect of Cooperation with Local Entities

Adoption of the 2003 International Building Code (IBC) as the state building code for commercial buildings will have a big impact on TDLR's building and mechanical programs. As municipalities move forward with implementing the IBC, their activities will require TDLR to increase coordination with municipalities, builders, design professionals and owners to resolve any differences between building code requirements at the state and municipal levels. Affected programs will include Architectural Barriers, Air Conditioning, Electricians, Elevator Safety, and Industrialized Housing and Buildings.

House Bill 1886 requires inspection of all portable modular buildings used as school buildings, regardless of whether the building is an industrialized building. By definition, an industrialized building is constructed in one or more modules at a location other than the installation site. While statutory authority for this bill falls under the authority of the Texas Education Agency (TEA), TDLR is responding to TEA's request for technical assistance on its proposed rules for inspecting these buildings.

TDLR Customer Satisfaction

Customer Assessment of TDLR's Services

In order to gather direct feedback from our customers, we conducted outreach efforts using three different methods. Licensees and industry representatives were invited to participate in focus group sessions or to respond in writing if they were not able to attend these sessions.

Twelve focus group sessions were held in Austin on March 31, 2008. The public was invited to provide input on each of TDLR’s twenty-six statutes. Questions posed to each focus group and related information were also posted on TDLR’s web site so that anyone could provide feedback via regular mail and e-mail. These surveys allowed for two different completion options – a paper version returnable by mail and an electronic web-based version.

These methods resulted in TDLR having our highest level of participation in the history of its strategic planning process.

Five questions were posed to those who attended the focus groups and those who responded in writing:

- What are we doing well?
- What can we do better?
- If you could change one service that we provide, what would it be and how would you change it?
- If you could eliminate or amend any provision of TDLR’s statutes or rules, which one would it be and why?
- What major changes will occur over the next five years that will impact the way you do business and the services we provide?

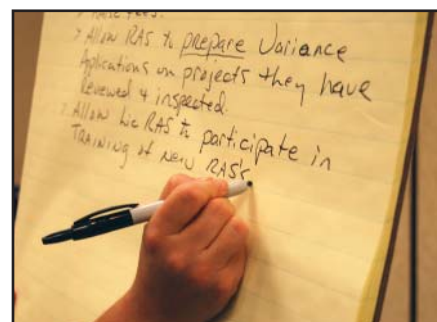
Feedback gathered from focus group attendees and comments received in writing are all available on TDLR’s web site at www.license.state.tx.us, at the link “About TDLR” which can be found in the upper left corner of the page. Comments common to many of the programs included:

(1) *What is TDLR doing well?*

Licenses were pleased with the way TDLR listens to and communicates with them, our staff’s responsiveness, and our willingness to find solutions to their concerns. We were also complimented on the amount and range of information available on our web site and its ease of navigation. The availability of online services such as license renewals, application forms, filing complaints, and submitting continuing education and school hours, was mentioned as something TDLR does well. Respondents also liked the ability to search our web site for information on licensees, the use of automatic e-mail notifications to communicate with interested parties, and the ability for customer service staff to respond to e-mails as



Strategic Planning focus group sessions were held in Austin to seek input from the public on each statute regulated by TDLR



responses from the groups were recorded

How do you describe the agency's approach to customer service?

"TDLR's core value of respect enables the agency to honor the public's trust and effectively administer the regulatory programs."

-- Bill Kuntz, TDLR Executive Director

well as telephone calls. Many complimented the agency on its increased complaint resolution and identification of unlicensed activity in the Air Conditioning, Auctioneer, Barber, Cosmetology, and Electricians programs.

(2) *What could TDLR do better?*

One repeated concern was that we are still not answering all incoming calls. Other concerns were stopping unlicensed activity and ensuring that enforcement is fair, effective and consistent. While online applications and renewals are available for some license types, requests were made to make them available for all license types. Some suggested that we offer all of our services online or by e-mail. Several also expressed a desire for more inspectors and inspections to improve public safety.

(3) *If you could change one service that TDLR provides, what would it be and how would you change it?*

In addition to increasing the ability to renew licenses online, many suggested that we send license renewal reminders via e-mail. There were requests for TDLR to conduct more enforcement stings and place even more emphasis on eliminating unlicensed activity. Many suggested that we perform more audits of continuing education (CE) providers and courses. A few recommended that TDLR, rather than third-parties, control CE course content and delivery.

(4) *If you could eliminate or amend one of TDLR's statutes or rules, what would it be and why?*

Requests were made for "apprentice" or "intern" systems in certain programs, allowing newer licensees to learn their trade as they become licensed. A reduction in the number of CE hours required to renew licenses was mentioned, as was adding CE requirements for some license types. In those programs that include Advisory Boards, participants suggested that funds be authorized to pay travel expenses for Board members.

(5) *What major changes will occur over the next five years?*

Predictions ranged from the effect of changing technology on certain industries, to the increased numbers of licensees and incidents of unlicensed activity. Some predicted a drop in licensee populations and a shortage of trained people in technical professions, due to fewer new

applicants and the retirement of current licensees. Others noted that our services will be affected by significant growth in and the aging of Texas' population. Climate change and its effects, such as drought and severe storms, will also have an impact.