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Financial Overview

Texas Parks and
Wildlife Department

JANUARY 2015

INTRODUCTION

The Texas Parks and Wildlife Department Financial Overview document was developed by TPWD's Administrative Resources Division to provide answers to various questions one might have about the agency, including information on agency responsibilities, organization, revenues, balances, funds, division budgets and appropriation authority. Its primary design at this time is to function as a reference tool for commissioners, top management, budget staff, interested employees, constituent groups and other agency customers.

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Roles and Responsibilities

The mission of TPWD is “to manage and conserve the natural and cultural resources of Texas and to provide hunting, fishing and outdoor recreation opportunities for the use and enjoyment of present and future generations.”

As reflected in the Parks and Wildlife Code, the department’s responsibilities encompass a range of activities.

State law authorizes TPWD to plan, acquire, improve, operate and maintain a system of public lands, including many historical and cultural sites. These resources include over 1.4 million acres of parks and recreation areas, wildlife management areas, natural areas and historic/cultural areas. In all, the department manages 95 state parks and 47 wildlife management areas.

TPWD also continues to serve as the state agency with primary responsibility for conserving, protecting and enhancing the state’s fish and wildlife resources. In fulfilling these responsibilities, the department monitors and assesses habitats, surveys fish and game populations, conducts research and demonstration projects, and currently operates eight fish hatcheries.

The department is also charged with regulating and enforcing commercial and recreational fishing, hunting, and boating laws in the state. Since the consolidation of related regulatory powers in 1983, TPWD sets and administers all rules regarding the taking of fish and wildlife in Texas. A force of approximately 530 commissioned peace officers serving as TPWD game wardens, as well as over 150 commissioned park peace officers, ensure compliance with these regulations, and with provisions of the Texas Parks and Wildlife Code, certain

portions of the Penal Code, the Water Code and the Antiquities Code. TPWD game wardens have the same authority as a sheriff to apprehend, convict, fine, and jail violators, in coordination with state and local prosecutors and courts.

TPWD serves an important role in environmental protection by monitoring, conserving and enhancing the quality of rivers, streams, lakes, coastal marshes, bays, beaches, gulf waters, and other aquatic and wildlife habitats. These activities incorporate pollution surveillance and enforcement of certain environmental laws. By statute, the department coordinates much of this activity with other state and federal agencies such as the Texas Commission on Environmental Quality and the U.S. Environmental Protection Agency.

The department is the primary educator of the public regarding laws and rules related to fish, game and environmental habitats, boating safety, firearm safety for hunters, fish and wildlife conservation and outdoor recreation in general. In addition to offering workshops, certification classes and outreach events, the agency disseminates information to the public through the *Texas Parks & Wildlife* magazine, a daily radio series and a weekly television show that airs on numerous public broadcasting systems throughout the state.

Finally, the department also provides assistance and direct matching grants to local political subdivisions and nonprofit entities for planning, acquisition or development of local parks, indoor and outdoor recreational facilities, and for recreation, conservation and education programs for underserved populations. These grants are funded through a combination of state and federal sources.

Organization

The department is functionally organized into 11 divisions that range in size from 10 positions to 1,322 regular full-time equivalent positions (see Figure 1). Division oversight responsibilities rest with the Executive Office and the Deputy Executive Director for Policy and Administration and the Deputy Executive Director for Natural Resources. Except for administrative functions, all other divisions of the agency have locations at regional and park site offices throughout the state.

The WILDLIFE DIVISION manages the taking of state wildlife; coordinates wildlife management on all public lands; administers the public hunt program; conducts surveys and research studies; issues scientific permits; and provides wildlife management assistance to private landowners.

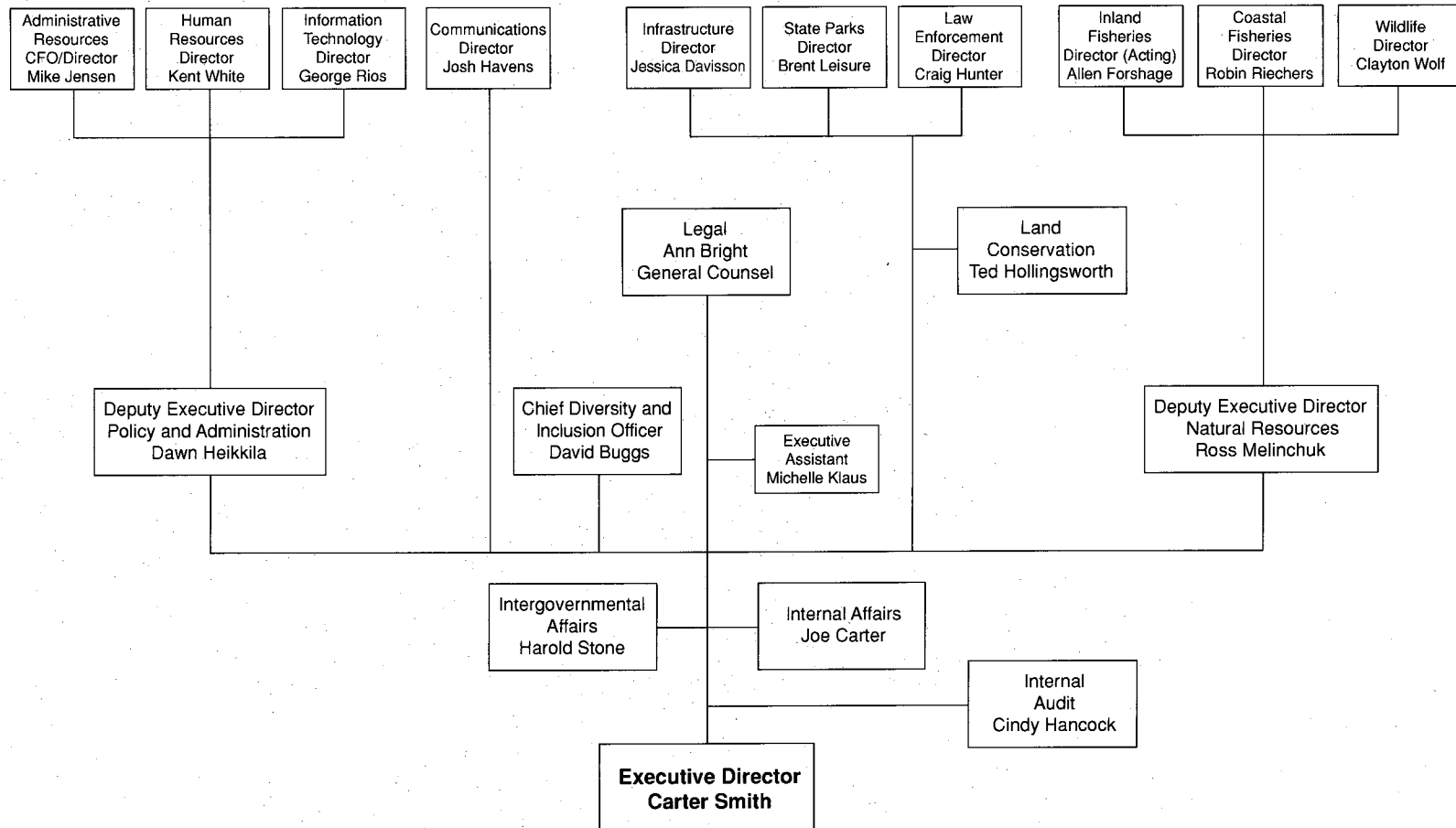


Figure 1

The INLAND FISHERIES DIVISION is responsible for the protection, enhancement and regulation of the state's freshwater resources. Activities include fisheries management and research; ecosystem and habitat assessment; instream flow and river studies; fish production; fish kill assessments; natural resource damage recovery; wetlands conservation; permitting; angler education and information; and fishing access. Five of the eight fish hatcheries operated by TPWD produce freshwater fish.

The COASTAL FISHERIES DIVISION is responsible for protecting, managing and ensuring the long-term sustainability of Texas' marine resources. Major activities and programs of this division include assessments for marine resource management; stock identification and research; fisheries enhancement; the Artificial Reef program; and habitat conservation and restoration activities. The Coastal Fisheries Division also operates three marine fish hatcheries.

The LAW ENFORCEMENT DIVISION works closely with other divisions to enforce state laws and department rules and regulations, to prevent violations through education and communication, and to investigate pollution incidents and other environmental crimes.

The STATE PARKS DIVISION is the largest (both organizationally and financially) of the agency's divisions, employing 1,322 FTEs responsible for the management and operation of all state parks, natural areas, historic sites and park regional offices, and state parks peace officers responsible for ensuring the overall safety, security and protection of state parks, visitors and resources. The division is also responsible for the administration of the department's local parks grants program.

The INFRASTRUCTURE DIVISION manages the capital construction program for TPWD facilities statewide. Division functions include planning; budgeting; construction; preparation of master plans for preservation and use of TPWD lands; and architectural,

surveying and other technical assistance to field locations. The division also administers the TPWD energy conservation, risk management, fleet management and radio management programs and provides support services for the TPWD headquarters complex.

The INFORMATION TECHNOLOGY DIVISION oversees information technology services in support of all TPWD divisions. Responsibilities include the development of policies and procedures, telecommunications and network operations, application development and maintenance, and hardware and software customer support.

The COMMUNICATIONS DIVISION is the marketing and public information arm of the department, responsible for administering outreach and education programs and disseminating conservation-related information to the public through both internal and external media.

The HUMAN RESOURCES DIVISION maintains all personnel records and develops personnel related policy and procedures; determines training needs and priorities; houses the safety program; and provides day-to-day services in employee recruitment, benefits and relations.

The ADMINISTRATIVE RESOURCES DIVISION provides support services, including financial management, accounts payable/payroll, purchasing/contracting, and budget and planning, to the entire department. Boat registration and licensing functions are also included in this division.

The LEGAL DIVISION provides legal assistance and advice to the TPW Commission and TPWD staff; represents the department in administrative legal proceedings; assists the Attorney General's office in litigation involving TPWD; and coordinates responses to requests for information under the Texas Public Information Act.

The Budget and Where It Goes

The Fiscal Year 2015 combined budget for TPWD, which includes operating expenses, capital projects, grants and employee benefits, totals approximately \$371.3 million.

BY DIVISION/FUNCTION

As shown in Figure 2, the State Parks Division accounts for the largest portion (28.7%) of the budget. Of the total State Parks Division budget of \$106.4 million, approximately \$12.8 million will be “passed through” in the form of grants to local governments and other entities.

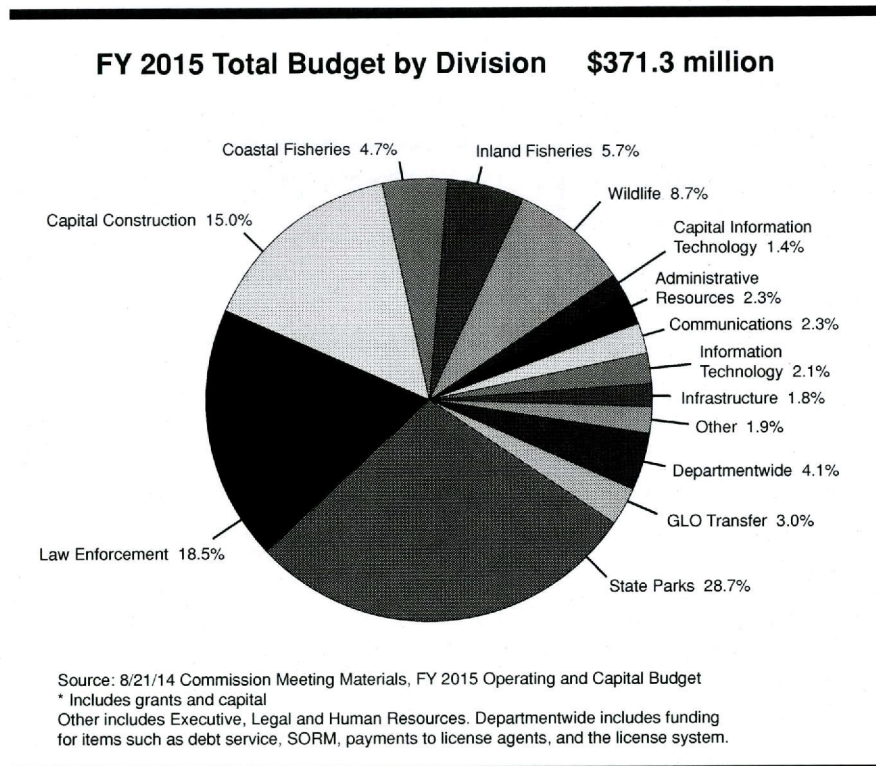


Figure 2

Funding for the Law Enforcement Division comprises the second largest portion of the budget at 18.5 percent, or \$68.6 million. Capital construction, which consists primarily of unexpended balances of Proposition 4 bonds for statewide repairs, accounts for 15.0 percent (\$55.5 million). Allocations for aquatic resource protection and fish and wildlife management activities, reflected in the Wildlife, Coastal and Inland Fisheries divisions, together represent roughly 19.1 percent of the budget. The Wildlife Division budget is the largest, at \$32.2 million, followed by Inland Fisheries (\$21.1 million) and Coastal Fisheries (\$17.6 million).

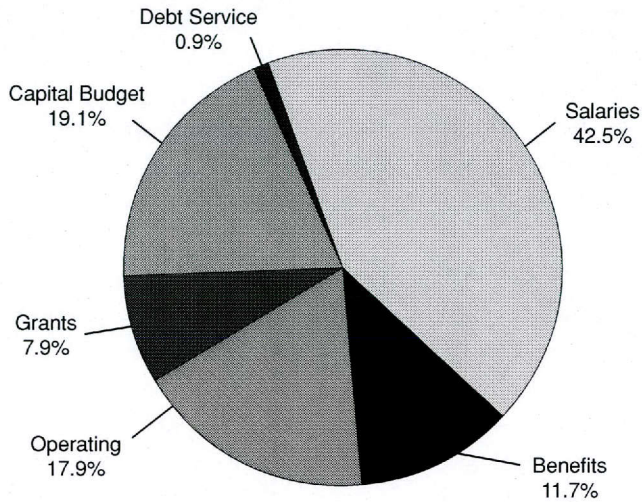
Support functions provided by Infrastructure, Communications, Administrative Resources, Information Technology, Executive, Legal and Human Resources account for 10.4 percent of the budget. Department-wide initiatives such as debt service payments, allocations for the State Office of Risk Management (SORM), payments to license agents and the point-of-sale contract, make up 4.1 percent (or \$15.0 million) of the overall budget. Finally, in Fiscal Year 2015, approximately 3.0 percent of the total TPWD budget was passed through to the General Land Office for coastal erosion projects.

BY CATEGORY

As a heavily service-oriented agency with over 3,100 authorized full-time equivalent positions, personnel costs comprise the largest portion of TPWD’s budget. As shown in Figure 3, approximately 42.5 percent (or \$157.8 million) of the overall budget is allocated for salaries in Fiscal Year 2015.

Employee benefits for current employees account for an additional 11.7 percent (or \$43.5 million). It is important to note that these amounts are not directly appropriated to or spent by TPWD – rather, they are transferred to the state’s retirement system in compliance

FY 2015 Total Budget by Category \$371.3 million



Source: 8/21/14 Commission Meeting Materials, FY 2015 Operating and Capital Budget

Figure 3

with provisions of the General Appropriations Act which require payments for employee benefit costs to be proportional to the source from which the salaries are paid. For a majority of state agencies, general revenue is used to fund salaries and as a result, general revenue is directly appropriated by the state to the retirement system for payment of benefits. However, because TPWD funding is derived from agency-specific accounts and most salaries are paid from these sources, payments for benefit costs must be transferred out of the specific accounts to the state’s retirement system.

Critical infrastructure repairs and other items that comprise the agency’s capital budget account for the next largest category of spending, with approximately 19.1 percent (or \$71.0 million) allocated for this purpose. About 17.9 percent (or \$66.4 million) is allocated for operating expenses, while 0.9 percent (\$3.4 million) is allocated for

debt service on bonds. Finally, the department’s grant budget comprises 7.9 percent (or approximately \$29.2 million) of overall funding. This includes amounts for local parks, outreach, boating access and other grant programs, as well as sporting goods sales tax passed through to the General Land Office for coastal erosion efforts.

Financing the Budget

DEPARTMENT FUNDING AND ACCOUNTS

TPWD generates significant revenues from the sale of Parks and Wildlife products and services, such as hunting and fishing licenses and state park entrance and facility use fees. These revenues help fund a sizable amount of TPWD’s budget, but they are not sufficient to cover all funding needs. As a result, TPWD is funded from a combination of general revenue, general revenue-dedicated, federal and other funds. Figure 4 depicts the major funding sources for the department.

FY 2015 Total Budget by Funding Source (in millions)

General Revenue – Fund 1	104.8	28.2%
GR Ded. – Account 9	130.0	35.0%
GR Ded. – Account 64	41.1	11.1%
GR Ded. – Other	1.6	0.4%
Federal	48.5	13.1%
Other	45.3	12.2%
Total	371.3	100.0%

GR Ded–Other includes smaller GR–Dedicated accounts such as 506, 679, 544, etc.

Other includes interagency contracts, appropriated receipts and bonds.

*Includes Benefits

Source: 8/21/14 Commission Meeting Materials, FY 2015 Operating and Capital Budget

Figure 4

By far the largest portion of funding is attributed to TPWD's special, or dedicated, funds, which together account for approximately 46.5 percent of the Fiscal Year 2015 budget. Compared to general revenue, which is derived from general state taxes, these dedicated funds primarily consist of revenues generated from Texas Parks and Wildlife Department customers. They are also distinguished from general revenue in that their appropriation and use is restricted to specific purposes as stated in statute.

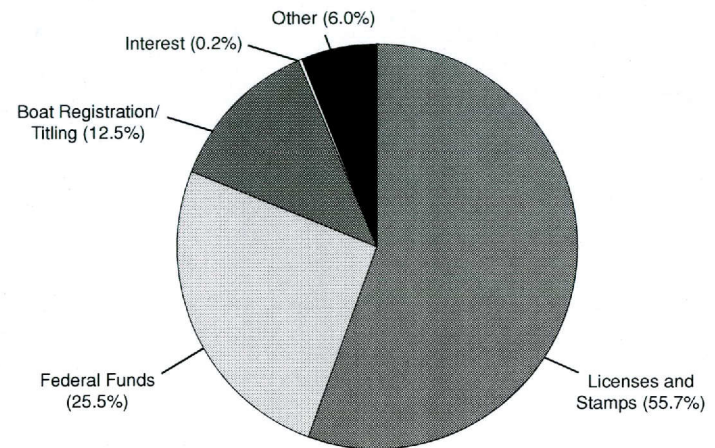
GENERAL REVENUE DEDICATED

The largest of the agency's special funds is the Game, Fish and Water Safety Account (Account 009), which accounts for 35.0 percent of the agency's budget for Fiscal Year 2015. The main sources of revenue for Account 009 (shown in Figure 5) include:

1. all types of fishing and hunting licenses, permits, and stamps;
2. federal funds received for fish and wildlife research and activities, including federal apportionments under the Sportfish and Wildlife Restoration Acts;
3. boat user, manufacturer, and dealer registration and titling fees, as well as boat and boat motor sales and use tax;
4. other activities and sources, such as the sale/lease of grazing rights on public lands, the sale of sand, shell and gravel, fines and penalties collected for violations of laws pertaining to the protection of fish, game and wildlife, and interest earnings.

As a statutorily dedicated account, Account 009 may be used only for purposes related to the protection, regulation and conservation of the state's fish and wildlife, sand, shell, and gravel, and the enforcement of water safety laws. Therefore, this fund pays for the operational activities and capital projects of the Inland Fisheries, Coastal Fisheries, Wildlife and Law Enforcement divisions as well as some support services of the administrative and support divisions.

**Game, Fish and Water Safety Account 9
2015 Estimated Revenue – \$178.4 million**



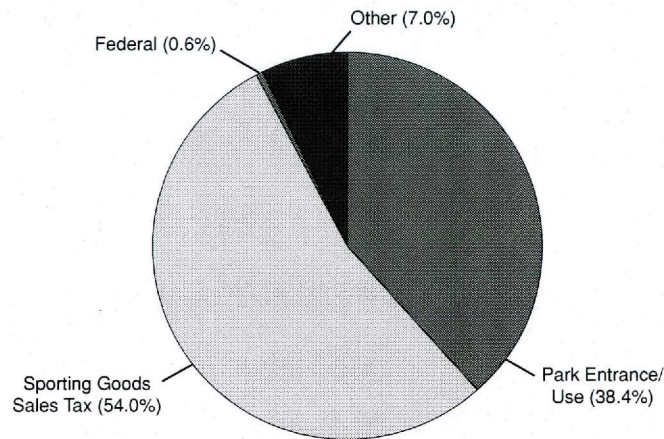
Source: Comptroller's Biennial Revenue Estimate (Jan. 2013).

Figure 5

The State Parks Account (Account 064) is the second-largest dedicated funding source for the department and accounts for about 11.1 percent of the Fiscal Year 2015 operating budget. The sources and uses of this account are associated with the operation of state parks, historic sites and natural areas (see Figure 6), and consist primarily of:

1. entrance and use fees for state parks;
2. a portion of the state sales tax on sporting goods;
3. other revenues, including gifts, grants and donations, oil and gas royalties and leases, federal funds, and interest.

**State Parks Account 64
2015 Estimated Revenue – \$94.1 million**



Source: Based on Comptroller's Biennial Revenue Estimate (Jan. 2013) adjusted to include Sporting Goods Sales Tax allocation.
 Note: The Comptroller's BRE for park entrance/use fees is significantly lower than actuals. If actual 2014 revenue of \$45.6 million was used, Park Entrance/Use fees would account for closer to 44% of the total State Park Account revenue while SGST would account for 49%.

Figure 6

In addition to the accounts mentioned above, several smaller dedicated accounts also fund TPWD operations. A complete description of agency accounts/funds, including statutory authorization and revenue streams, can be found in the Appendix.

GENERAL REVENUE

The General Revenue Fund (Fund 001) is another important source of funding for TPWD. The largest portion of general revenue funding appropriated to TPWD consists of allocations of sporting goods sales tax, which is used primarily to fund state and local park-related needs. During the 1970s and 1980s, the main source of funding for state parks was a one-penny-per-pack tax on cigarettes. During the 73rd Legislative Session (1993), the department worked successfully with

legislators and state leadership to replace cigarette tax funding for state parks with a portion of revenues derived from the sales tax on sporting goods (House Bill 706). From then until 2007, by statute, proceeds from the sporting goods sales tax up to a specified amount of \$27 million were divided in half between Account 064 and the Texas Recreation and Parks Account (Account 467), which is used to provide grant funding for local park and other projects/activities. Proceeds above the \$27 million, up to a statutory cap of \$32 million, were split as follows: 40 percent to Account 064, 40 percent to Account 467 and 20 percent to the Texas Parks and Wildlife Conservation and Capital Account (Account 5004). In 2007, the 80th Legislature passed House Bill 12, which directed 94 percent of total sporting goods sales tax proceeds to TPWD and the remaining 6 percent to the Texas Historical Commission. At the same time, House Bill 12 also provided that amounts credited to either agency could not exceed actual amounts appropriated by the Legislature. In FY 2015, TPWD was appropriated a total of \$59.3 million in sporting goods sales tax, to be transferred into the specified general revenue dedicated accounts as provided in the General Appropriations Act. Of this total, \$11.2 million was directed to fund General Land Office coastal erosion projects.

The next largest portion of general revenue appropriated to TPWD consists of unclaimed refunds of motorboat fuel taxes. By statute, 75 percent of the revenue from unclaimed refunds of motorboat fuel taxes may be appropriated only to the Texas Parks and Wildlife Department (V.T.C.A. Tax Code, 162.502). While the proceeds from refunds of the motorboat fuel tax can be spent for any purpose within the responsibilities of TPWD, they have historically been used to subsidize park operations. In Fiscal Year 2015 TPWD received an appropriation of approximately \$15.2 million from this source.

TPWD also received \$11.3 million in “pure” general revenue appropriations. Of this amount, \$3.4 million is for debt service payments on revenue bonds. The remaining amounts will be used for park operations and support, border security and other law enforcement related operations.

BOND AUTHORITY

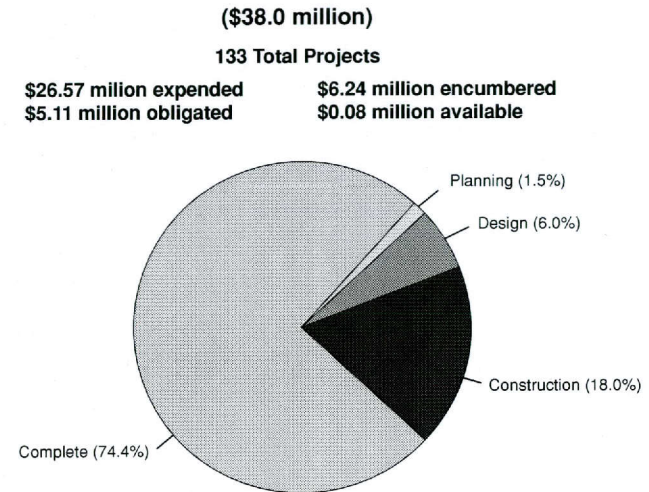
Bonds account for a sizable portion of agency finances, and have served to enhance TPWD’s ability to undertake projects at parks, wildlife management areas, fish hatcheries, and other facilities.

For the 2008-09 biennium, the 80th Legislature authorized \$17 million of Proposition 8 and \$52.12 million in new Proposition 4 general obligation bonds for state park capital repairs and for repairs to the Battleship Texas. As of October 31, 2014, TPWD had expended the full \$17 million of the Proposition 8 amounts and completed a total of 63 projects statewide. In September 2008, TPWD received \$27.12 million of the Proposition 4 general obligation bond amounts. A total of 85 projects were funded through this source, and as of October 31, 2014 the full amount had been expended and all projects have been completed. The department secured the remaining Proposition 4 general obligation bond authority of \$25 million for repairs to the Battleship Texas in July 2009. This project is currently in the construction phase, with a total of \$24.9 million expended/encumbered as of the end of October 2014.

For the 2010-11 biennium, the 81st Legislature authorized issuance of an additional \$38 million of Proposition 4 general obligation bonds for critical repairs and improvements at state parks, wildlife management areas and other facilities statewide. A total of \$10 million of this amount is dedicated to addressing weather related damages at Mother Neff State Park, Palo Duro Canyon State Park, and Government Canyon State Natural Area. TPWD received this issuance in April 2010, and as of October 31, 2014 had expended or encumbered \$32.8 million and obligated \$5.1 million to 133 projects statewide (see Figure 7).

In 2011, the 82nd Legislature authorized the third issuance of Proposition 4 general obligation bond authority, totaling \$32.35 million, for repair and replacement of TPWD facilities statewide. TPWD received this issuance in April 2012, and as of October 31, 2014 a total of 73 projects had been funded from this source (see Figure 8).

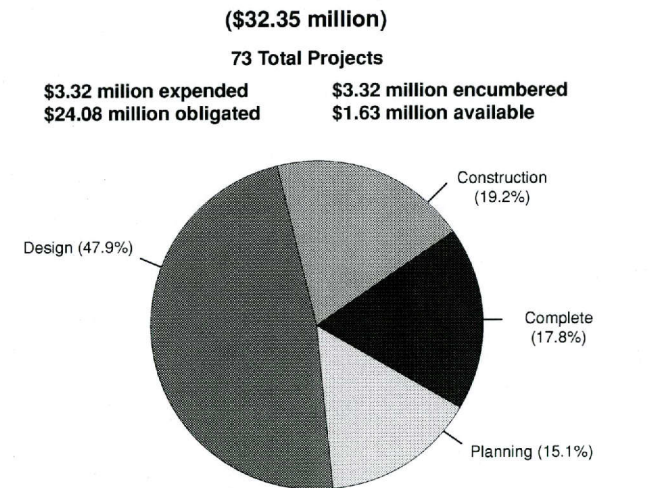
General Obligation Bond Project Status (Prop. 4, 2nd Issue – April 2010) as of October 31, 2014



Source: TPWD–Infrastructure Division

Figure 7

General Obligation Bond Project Status (Prop. 4, 3rd Issue – April 2012) as of October 31, 2014



Source: TPWD–Infrastructure Division

Figure 8

Finally, for the 2014-15 biennium, the 83rd Legislature authorized issuance of \$11 million of Proposition 4 general obligation bonds for deferred maintenance. A total of 19 projects have been funded from this source, the majority of which are in the planning and design phases (see Figure 9).

**General Obligation Bond Project Status
(Prop. 4, 4th Issue – March 2014) as of October 31, 2014
(\$11.0 million)**

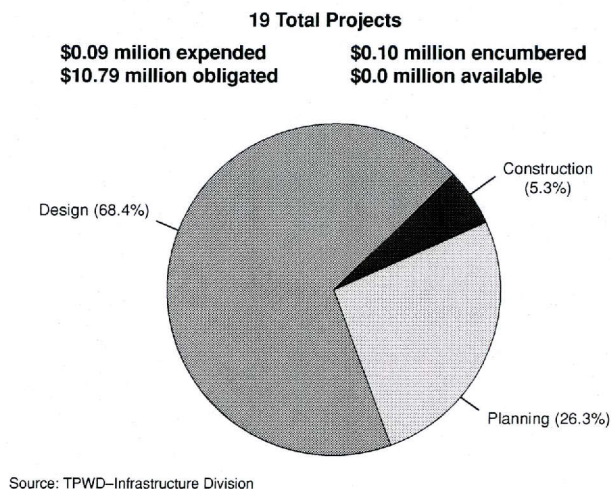


Figure 9

FEDERAL SOURCES

In Fiscal Year 2015 approximately \$48.5 million of department funding is estimated to come from the federal government in the form of apportionments, grants and contracts. Almost all federal programs from which the department receives funding require the state to match contributions by a set percentage. In addition, each program has specific requirements to maintain the state’s eligibility for participation. Some federal sources are project specific, while others are more flexible in terms of how the funds may be used.

Two of the largest federal funding sources are apportionments allocated by the U.S. Fish and Wildlife Service to states by formula under the Wildlife Restoration Act (a.k.a. Pittman-Robertson programs) and the Sportfish Restoration Act (a.k.a. Dingell-Johnson/Wallop-Breaux programs). In Fiscal Year 2015, the department budgeted \$19.0 million and \$18.4 million, respectively, from these two sources.

Other significant federal funding anticipated in Fiscal Year 2015 includes State Wildlife grants, National Recreational Trails grants and Boating Safety Financial Assistance grants. Under the state’s accounting mechanisms, the department’s federal funds flow into state funds. For example, both the Wildlife Restoration and Sportfish Restoration funds are deposited to Account 009.

OTHER

Foundation Support. The department receives additional support from the Texas Parks and Wildlife Foundation. The Foundation was incorporated in 1991 as a nonprofit entity for the purpose of assisting TPWD in carrying out its mission.

Friends Organizations. Numerous friends groups support the operations of specific TPWD sites, such as parks and hatcheries. These groups raise funds through private donations, gifts, concession operations and other sources and expend the receipts on behalf of the specific sites.

The Budget Process

LEGISLATIVE APPROPRIATIONS

In Texas, the state legislature meets and develops the state budget, or General Appropriations Act, every two years. The General Appropriations Act (GAA) establishes specific funding and performance levels for each state agency for the upcoming biennium, specifies the amounts that may be spent from each source of funding and sets agency staffing levels.

Agency-specific riders set further restrictions or more clearly specify the purposes for which appropriated funds may be used. In some cases, agency riders authorize appropriation of additional funds to the agency. As a result, riders can either increase or limit budgeting flexibility for TPWD. Examples of current riders that increase flexibility include Rider 5, Fund Transfer Authority (which helps alleviate cash flow problems) and Rider 31, Unexpended Balances Authority Within the Biennium (which allows the department to carry forward unexpended appropriations from one year to the other within a biennium). Rider 2, Capital Budget, which specifically delineates the capital budget amounts and items on which appropriations may be spent, is an example of a rider that limits and directs expenditures.

In addition to agency-specific information, the General Appropriations Act includes general provisions within Article IX that are applicable to all state agencies. These general provisions include items related to salary administration, various limitations on expenditures (including travel and salary caps) and additional appropriation authority.

In general, agency spending is limited to the agency-specific amounts set forth in the General Appropriations Act, plus any additional authority granted through agency rider and the general provisions of Article IX. In Fiscal Year 2015, the bill pattern appropriation authority for TPWD totaled \$265.1 million (see Figure 10).

FY 2015 Appropriation Authority (in millions)

Fund 1 – General Revenue	85.8
Account 9 – Game, Fish and Water Safety	101.4
Account 64 – State Parks	34.0
Federal	38.3
Other (Appropriated Receipts, Other GR-Ded. Accts, etc.)	5.6
Total	265.1

Does not include authority associated with fringe benefits.

Source: 83rd Legislature General Appropriations Act 2013 (2014-15 GAA)

Figure 10

TPWD BUDGET

Within the framework of appropriations authority granted by the Legislature, the department develops its annual, agency-wide budget. The budget is based on agency needs and priorities balanced against available and anticipated revenues and appropriation authority.

Budget development generally begins during the spring and culminates in the adoption of the TPWD budget by the Commission in August of each year. Amounts budgeted by TPWD for any given year will generally exceed the original appropriation authority as shown in the General Appropriations Act. This is primarily due to the fact that the budget will reflect increases in funding authorized in riders and general provisions. In addition, the agency budget includes amounts associated with employee benefits, which are not reflected in TPWD appropriations. Figure 11 shows the crosswalk between Fiscal Year 2015 appropriation authority and the final approved TPWD operating budget.

**GAA – FY 2015 Operating Budget Crosswalk
(in millions)**

General Appropriations Act	265.1
Adjustments:	
Employee Salary Increases	10.0
Benefits/Benefit Replacement Pay	43.4
Estimated UB Forward from 2014	52.1
Federal Funds	7.3
Appropriated Receipts/IAC	0.7
Total, FY 2015 Budget	371.3

Source: 8/20/14 Commission Meeting Materials, slide presentation.

Figure 11

For Fiscal Year 2015, the starting point for development of TPWD’s internal budget was the General Appropriation Act. Similar to past years, divisions were directed to justify and prioritize all programs and were allowed to request additional budget only if it came with additional funding and authority (for example, in the case of federal funds or donations). As compared to original appropriation authority, the final approved Fiscal Year 2015 budget reflected additional amounts associated with carry forward of unexpended balances, employee salary increases, employee benefits, and appropriated receipts.

Financial Issues

Due to TPWD’s unique funding streams and funding structure, the department faces a number of issues not often encountered by general revenue funded state agencies.

APPROPRIATION AUTHORITY VS. CASH AVAILABLE

For agencies such as TPWD that generate revenue through user fees and rely on dedicated accounts for funding, it is possible for the amount of appropriation authority granted by the Legislature to be different than the actual amount of cash generated and available for use. This is the result of a number of factors, including the fact that appropriation authority for agency funds such as Account 009 or 064 is based on estimates of the amount of available balances and revenue to be generated two to three years in the future.

This feature of the budgeting process can have implications for agency cash and appropriations. For example, if appropriation authority exceeds actual cash available (including beginning balances and revenues), TPWD would be limited to expending the cash amounts available and would lapse appropriation authority – there would simply not be enough cash to cover appropriations. If the reason for such a lapse is not clearly understood, it could be perceived as an ineffective use of state funds.

Absent specific rider or other appropriation authority, if actual cash exceeds the amounts appropriated, TPWD’s ability to effectively manage funds and be accountable to those who contributed to the agency’s funding would be restricted, as the agency would not be able to respond to increased demand and pressure on agency resources, services and facilities. In past years, Rider 27 in TPWD’s bill pattern authorized expenditure of revenues brought in over and above the Comptroller’s Biennial Revenue Estimate and was beneficial in allowing the agency to fund additional priorities and address increased demands for services. TPWD is seeking continuation of this rider for the 2016-17 biennium.

FUND BALANCES VS. FUND AVAILABILITY

Fund balances do not reflect actual fund availability. For example, Account 009 includes revenues generated from the sale of various stamps, which by statute are restricted only for use on research, management and protection of certain species or their habitats. There is a distinction therefore, between the total balances/revenue within general revenue-dedicated funds and the actual amounts available for appropriation or expenditure on general agency operations.

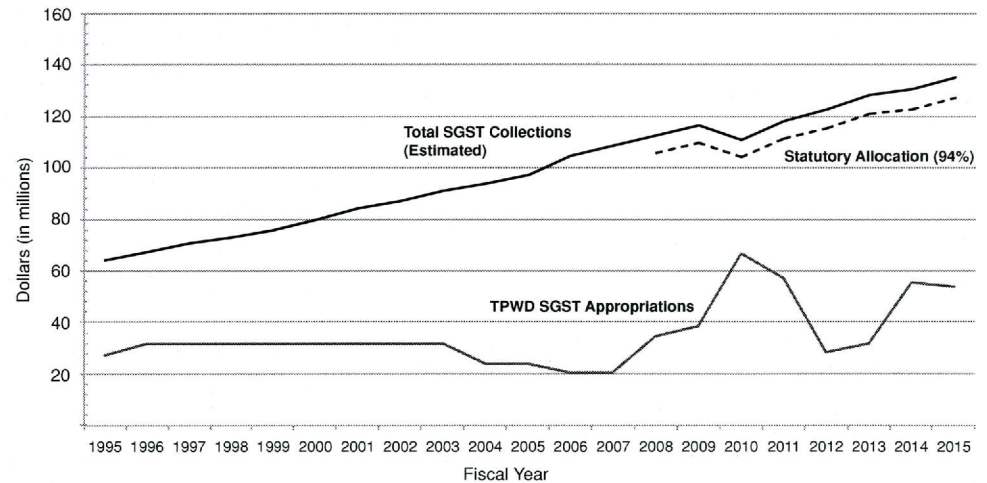
Fund balances are also affected by allocations that are required, but not specifically or directly appropriated to the agency by the Legislature. An example is the requirement that payment of employee benefit costs be proportional to the source from which the salaries are paid. While comprising a portion of general revenue-dedicated fund balances, amounts required to pay employee benefits are not available for other uses.

LIMITATIONS OF TAX REVENUES AND FEES

Dedicated tax revenues, such as the sporting goods sales tax (SGST) and unclaimed motorboat fuel tax refunds represent an important source of funding for the agency. Over the last several years, the Comptroller's estimate of total sporting goods sales tax revenues has steadily increased — from \$84.2 million in Fiscal Year 2001 to an estimated \$135.2 million in Fiscal Year 2015. Due to the statutory cap (in place until 2007) on the amounts of sporting goods sales tax allocated to TPWD, appropriations to TPWD from this source as a percent of overall sporting goods sales tax showed a steady decline over the years. In 2001, sporting goods sales tax appropriated to TPWD represented approximately 38 percent of the total. By Fiscal Year 2007, this figure had dropped to

19 percent. Beginning in 2008, House Bill 12 of the 80th Legislature removed the \$32 million cap and instead provided that TPWD and the Texas Historical Commission were to receive a set percentage of the overall sporting goods sales tax collected: 94 and 6 percent, respectively. This same bill, however, provided that the amounts credited to either agency could not exceed the actual amounts appropriated by the Legislature for that biennium. While TPWD did see some increases in sporting goods sales tax allocations, the amounts allocated for the 2014-15 biennium were less than the original statutory cap, and totals have consistently fallen well below the 94 percent laid out in House Bill 12. In Fiscal Year 2015, the total TPWD-related sporting goods sales tax appropriation represented approximately 40 percent (\$53.6 million) of total estimated sporting goods sales tax collections.

**Sporting Goods Sales Tax Collections
Compared to TPWD SGST Appropriations**



Source: Comptroller's Office and GAAs
Excludes GLO SGST amounts appropriated to TPWD.

Figure 12

In addition to issues regarding the overall amounts allocated to TPWD, the methods used to appropriate and allocate SGST to the department have posed some issues for the agency. The Comptroller's Office allocates one-twelfth of the total annual SGST appropriation to TPWD general revenue-dedicated accounts on a monthly basis. This method of allocation creates challenges in terms of cash flow, especially since operational and other expenditures are not necessarily evenly distributed across months. For example, TPWD is required to transfer \$11.2 million in SGST each fiscal year to the General Land Office (GLO) for coastal erosion projects. Given cash flow concerns surrounding payment of such large amounts before receipt of all SGST, TPWD's Rider 26, Coastal Erosion Interagency Contract establishes that payments to GLO shall be made in two equal installments in December and June.

Additional legislative discussion and action will be required to fully address these and other issues with TPWD's funding streams and structure. TPWD will also continue to examine and pursue alternative funding mechanisms and options to improve our capacity to address long-term funding needs.

Fiscal Year 2016-2017 Funding and Rider Requests

BASE AND EXCEPTIONAL ITEMS

TPWD's Legislative Appropriations Request (LAR) for Fiscal Years 2016-2017 contained a base budget request totaling \$575.0 million over the biennium. The department has also requested seven exceptional items totaling \$201.6 million, listed in priority order below:

State Parks Operations and Development

This exceptional item would provide a total of \$25.3 million/ 39 FTEs for state parks operational needs and development, as follows:

- **State Parks Staffing and Operations:** A total of \$8.3 million/ 12 FTEs for important staff resources to service new and existing facilities, manage and keep up sites and provide for essential operating and cyclical maintenance costs.
- **State Parks Law Enforcement Restructuring:** A total of \$5.3 million to help address critical restructuring needs for statewide park police operations and personnel. Funds will be used to pay for 27 additional state parks law enforcement personnel and associated operations costs, capital equipment, IT and transportation needs.
- **State Parks Law Enforcement Compensation Equity:** A total of \$3.1 million for a compensation package for state parks law enforcement to address long-standing equity, recruitment, and retention challenges in this statewide force.
- **Minor Repairs:** A total of \$2.5 million for pre-emptive repairs and maintenance to state parks.
- **State Parks Vehicle Replacement:** \$2.0 million for replacement of aging state park vehicles. Sixty (60%) of the current state park fleet is eligible for replacement by state standards.

- **State Parks Business System:** A total of \$1.5 million to address funding needs associated with the park reservation, visitation and revenue system. The current contract expires December 31, 2016. Funding is needed to address functional enhancements, anticipated increases in the monthly/annual costs of a new contract, statewide training on the new system, and hardware replacement.
- **Development of Palo Pinto Mountains State Park:** A total of \$2.7 million in remaining proceeds from the sale of the Eagle Mountain Lake property to initiate the design and engineering phase for development of the new park site.

Law Enforcement Funding

Services provided by TPWD game wardens benefit all citizens of the state. Demands for game warden services, time, involvement, and expertise continue to grow with the state's expanding population, law enforcement, and emergency response needs. As TPWD becomes increasingly involved, additional funding sources will be needed.

This exceptional item would provide a total of \$17.4 million in General Revenue over the biennium for law enforcement priorities as follows:

- **Homeland Security and Border Initiatives:** A total of \$3.7 million is requested to fund border security obligations and emergency response during emergency situations, such as hurricanes, tornadoes, or other catastrophic events. This request will fund overtime and operational costs, maintenance and repairs to equipment during deployment, and address radio communication interoperability for increased patrol and investigative capacity along the border.
- **Operator and Chauffeur's Account Shortfall:** A total of \$1.7 million is requested to address the cash shortfall in this fund and provide funding for the 15 game wardens dedicated to serve along the border historically funded from this source.

- **Game Warden Operations and Equipment:** A total of \$12.0 million to support game warden operations (\$8.6 million) and to maintain a replacement schedule for equipment, vehicles and boats used for law enforcement patrol, search and rescue efforts, and emergency response (\$3.4 million).

Under federal requirements, use of hunting and fishing revenues deposited to the Game, Fish and Water Safety Account (009) is restricted to the management of fish and wildlife resources of the state. Other uses of hunter and angler fees are considered to be a diversion of license fees and would jeopardize the state's annual federal apportionments of Sportfish Restoration and Wildlife Restoration funds used to support department programs and activities. For these reasons, General Revenue is the requested source of funding for the items included in this exceptional request.

Fish and Wildlife Initiatives

This exceptional item, totaling \$19.0 million and 9 FTEs over the biennium, includes funding and FTEs necessary to maintain and enhance core fish and wildlife efforts and expand key initiatives as follows:

- **Aquatic Invasive Species:** \$18 million/5 FTEs to address fresh and saltwater aquatic invasive species, which have generated mounting threats to Texas waters and regional economies in recent years. Funding would provide the department resources to focus on control and management of invasive species through use of management and control options; to provide education/outreach activities to the public; and to fund associated capital transportation needs.
- **Coast-wide Habitat Monitoring Program:** \$598,848/4 FTEs to initiate a routine coast-wide habitat monitoring program as a component of the existing fisheries dependent/independent long-term monitoring program. This will provide the agency with resources to monitor key habitats, flora and fauna, water

quality and water quantity parameters, and to record and assess natural and man-made changes and long-term impacts on natural resources.

- **Oyster Shell Recovery and Replacement Program:** \$325,305 for oyster reef enhancement. These funds will expand ongoing habitat restoration/enhancement efforts.

Agency Modernization

To ensure continued effectiveness in achieving TPWD's core goals/mission, public safety at TPWD sites, and adequate care of state assets, this exceptional item would provide \$82.4 million and 18 FTEs over the biennium for TPWD to modernize key aspects of TPWD operations and capital assets, including:

- **Information Technology Infrastructure:** A total of \$3.3 million/6 FTEs for security and technical staff and associated equipment, and upgrades to legacy communication systems and equipment.
- **IT Business Initiatives:** A total of \$2.0 million/4 FTEs for updates and additional functionality for various agency applications and to fund increases in data center services costs (DCS) for new and upgraded initiatives. A total of \$490,000 is requested to address unique application development for several business initiatives. The DCS request of \$1.5 million provides funds for disaster recovery to ensure continuity of critical business systems, keeping agency software licenses up-to-date, and for mitigating the risk of outages for online services used by customers.
- **Capital Construction Projects and Modernization:** A total of \$76.6 million for:
 - **Capital Construction Projects:** \$75.0 million to address critical statewide capital construction and repair needs to address severely deteriorated water and wastewater systems, restrooms, public buildings, and other facilities.

- **Planning and Design Staff:** \$820,000/5 FTEs to provide for much needed planning and design architects and engineers, as well as accompanying operating costs.
- **Construction Management System:** \$750,000 for a comprehensive Capital Construction Management System to integrate construction related business processes, monitor and track project progression and project deliverables.
- **Communications:** \$520,000/3 FTEs for web and mobile application development. This business request would provide staffing to address contemporary customer demands and expectations in terms of web-enabled services for mobile devices, thus modernizing product and service delivery methods. Funding for mobile application development would support the purchase of an IT contracted product/service to allow TPWD to reach out more efficiently and effectively to a customer base that seeks information in digital, mobile forms.

Local Parks Grant Program Funding

Local parks provide invaluable outdoor recreational and educational opportunities for communities around the state and help contribute to the physical, social, and mental well-being of its residents. They also offer positive and demonstrable economic impacts to communities.

This exceptional item requests \$14.1 million in Sporting Goods Sales Tax (SGST) to support the outdoor/indoor recreational needs of local governments. In combination with amounts already in the base, this would provide SGST funding at historic funding levels (\$31 million over the biennium) for local parks grants in the 2016-2017 biennium.

Battleship Texas

The 80th Legislature authorized \$25 million from General Obligation bonds and \$4 million in Appropriated Receipts for the repair of the Battleship Texas, contingent upon the completion of an initial naval engineering assessment of the ship. A structural assessment undertaken by TPWD in 2011 revealed that the Battleship Texas was in

much worse structural condition than previously suspected and that it would cost more than anticipated to execute the most critical repairs to the ship. Those repairs were deemed critical to the ship's survival regardless of whether the ship was ever placed into a permanent dry berth. In 2012, the LBB authorized TPWD to utilize the remaining bond proceeds from the dry berth project to make those "critical repairs that would best preserve the life of the ship," and TPWD prepared a bid package to include those repairs.

TPWD has expended or encumbered \$25 million in construction contracts towards those critical structural repairs, but because of the larger than anticipated scope, only a portion of the repairs have been completed. This item requests \$25 million to complete the balance of the known critical repair items originally issued for bid in 2012 necessary to preserve this state historic treasure.

Outdoor/Nature Tourism and Recreation

This exceptional item would provide \$18.5 million for two improvement projects benefiting outdoor/nature tourism and recreation at locations across the state, as listed below:

- **Visitor's Center at Franklin Mountains State Park:** A total of \$3.5 million to develop and construct a Visitor's Center at Franklin Mountains State Park, the country's largest urban state park. The proposed 7,770-square-foot center would include a viewing gallery, interpretive exhibit area, restrooms, gift shop, classroom, storage and space for TPWD administrative offices.
- **Texas State Aquarium at Corpus Christi:** A total of \$15 million of funding for the Texas State Aquarium for capital improvement projects.

RIDERS

Many riders added over the last few sessions, such as those allowing carry forward of unexpended balance authority within the biennium and allowing the agency to average FTEs over the biennium, have provided important flexibility to TPWD in managing budget and staff. TPWD will seek continuation of these riders in the 2016-17 biennium.

TPWD will also seek modification to several existing riders. For example, the agency is requesting revisions to Rider 27, Appropriation of Receipts Out of the General Revenue-Dedicated Accounts, to clarify that increases in appropriation authority in any given fiscal year will be based on actual revenues earned over the biennial revenue estimate in the prior fiscal year.

Other key rider modifications include expansion of Rider 12, Payments to License Agents and Tax Assessor Collectors, to include additional funds and estimated payments to the license system vendor; Rider 13, Capital Budget Expenditures from Federal and Other Funding Sources, to include damage and mitigation funds as an allowable source to increase capital budget authority; and Rider 37, Appropriation of Oyster Shell Recovery Receipts, to allow access to the balances that have accumulated in the Oyster Shell Recovery and Replacement Account.

Finally, TPWD is requesting addition of a new rider to address changes in the State Parks Business System (formerly TxParks) that are anticipated to occur over the 2016-2017 biennium. The current TxParks system contract will expire December 2016. The department expects that costs for a new system will be based on a per-transaction or percent of revenue model, the current industry standard, rather than the current flat fee structure. The requested rider would provide estimated authority to accommodate fluctuations in costs associated with increases/decreases in park revenues.

APPENDIX

GENERAL REVENUE

Account 001

ALLOWABLE USES: Supplemental funding for any departmental program. Has historically been used to subsidize park operations and support administrative divisions. Recently also used for aquatic vegetation management, border security and other law enforcement related operations.

SOURCE(S): Undedicated and unspecified state general revenue, unclaimed refunds of motor boat fuel taxes, other specific general revenue streams.

AUTHORITY: General Appropriations Act; Tax Code Chapter 160, 162.502.

GAME, FISH AND WATER SAFETY

Account 009

ALLOWABLE USES: Fisheries and wildlife management activities, including conservation, resource protection, research, habitat management and acquisition, private lands initiatives, fish hatcheries, and enforcement of game and fish laws. Also finances administrative costs of boat registration, boat and motor titling, construction and maintenance of boat ramps, issuing licenses, and enforcement of the Texas Water Safety Act. Proceeds credited to the account from the sale of certain stamps (such as migratory and upland game bird, freshwater and saltwater sportfishing) may only be spent for specific purposes as set forth in statute.

SOURCE(S): Hunting and fishing licenses and stamps, federal funds, boat user, manufacturer and dealer registration and titling fees, fines and penalties, revenue from other activities.

AUTHORITY: Includes TPW Code 11.033, 43.405, 43.657, 43.805; Tax Code 160.121

STATE PARKS

Account 064

ALLOWABLE USES: Acquisition, planning, development, administration, operation, maintenance and improvements of state parks and historic sites and related support functions.

SOURCE(S): Park entrance and use fees, sporting goods sales tax revenues, revenue derived from park concessions, donations, publications, fines and penalties, a portion of vessel registration and titling fees, and any other source provided by law.

AUTHORITY: Includes TPW Code 11.035; Tax Code 151.801

TEXAS RECREATION AND PARKS

Account 467

ALLOWABLE USES: Matching grants to counties/municipalities with populations of less than 500,000 and to any other political subdivision. Grants may be provided for planning, acquisition, or development of local parks and grants for recreation, conservation, or education programs for underserved populations. Once revenues to the account exceed \$14 million per year, at least 15% must be used to fund indoor recreational facility grants.

* During the 2008-09 biennium, the Legislature suspended statutory requirements regarding use of this fund and directed that balances in this account be used to fund state park operations (see House Bill 12 and GAA).

SOURCE(S): Sporting goods sales tax revenues, other sources as authorized.

AUTHORITY: TPW Code Chapter 24; Tax Code 151.801

**LARGE COUNTY AND MUNICIPALITY
RECREATION AND PARKS ACCOUNT**

Account 5150

ALLOWABLE USES: Matching grants to counties/municipalities with populations of 500,000 or more, and to non-profit corporations for use in large counties/municipalities. Grants may be provided for planning, acquisition, or development of local parks and grants for recreation, conservation, or education programs for underserved populations. Once revenues to the account exceed \$14 million per year, at least 15% must be used to fund indoor recreational facility grants.

SOURCE(S): Sporting goods sales tax revenues, other sources as authorized.

AUTHORITY: TPW Code Chapter 24; Tax Code 151.801

NON-GAME SPECIES AND ENDANGERED SPECIES CONSERVATION

Account 506

ALLOWABLE USES: Any department activity or program relating to non-game and endangered species, including management, research, conservation, restoration, dissemination of information, acquisition and development of habitat.

SOURCE(S): Private contributions, grants and donations, proceeds from sale of wildlife prints and stamps, endangered species propagation permits, entrance fees, other income.

AUTHORITY: TPW Code 11.052, 68.018

LIFETIME LICENSE ENDOWMENT

Account 544

ALLOWABLE USES: Interest earned on the fund may be used to acquire, develop, manage, and repair public hunting and fishing areas. The corpus of the fund may not be spent except as provided by law.

SOURCE(S): Revenues from lifetime hunting, fishing, or combination licenses, gifts, grants and donations, interest income, other.

AUTHORITY: TPW Code 11.061

ARTIFICIAL REEF

Account 679

ALLOWABLE USES: Promotion, development, maintenance, and enhancement of the state's artificial reef program.

SOURCE(S): Gifts and donations from private and public sources.

AUTHORITY: TPW Code 89.041

**PARKS AND WILDLIFE CONSERVATION AND CAPITAL
Account 5004**

ALLOWABLE USES: For expenditure only on acquisition, development, maintenance or operation of parks, fisheries or wildlife projects that have been individually approved by the Commission.

SOURCE(S): Receives sporting goods sales tax revenues, revenue bond proceeds, conservation license plate revenues and other funds. Note: House Bill 7 (83rd Legislature) provided that effective September 1, 2013, all revenue from the sale of specialty plates shall be paid to the credit of a new trust fund created by the Comptroller outside the general revenue fund (License Plate Trust Fund Account 0802).

AUTHORITY: TPW Code 11.043; Transportation Code 504.618

**LICENSE PLATE TRUST FUND
Account 0802**

ALLOWABLE USES: To be used in accordance with the statutory purpose of each individual specialty license plate as specified in the Transportation Code or other source.

Note: This is not a TPWD specific fund. The appropriated fund includes subaccounts for all specialty license plates, both TPWD and non-TPWD related. TPWD related subaccounts include TPWD Conservation Plates (3043- Horned Toad, 3044-Bluebonnet, 3045-Whitetail Deer, 3046-Camping, 3047- Largemouth Bass) and pass-through non-profit plates (3030- Big Bend, 3057- Waterfowl/Wetlands, 3116-Texas Lions Camp, 3120- Marine Mammal Recovery, 3142- Marine Conservation and 3151- Save Texas Ocelots).

SOURCE(S): Revenues from the sale of specialty license plates, interest.

AUTHORITY: Transportation Code 504.6012

SHRIMP LICENSE BUYBACK

Account 5023

ALLOWABLE USES: Only to buy back commercial bay or bait shrimp boat licenses from willing license holders.

SOURCE(S): Fee increases for bait-shrimp dealers, wholesale fish dealers, wholesale truck dealers, retail fish dealers, retail dealers trucks, shrimp house operators, commercial bait shrimp boats, commercial bay shrimp boats, commercial gulf shrimp boats, individual bait shrimp trawls and transfer fee for commercial bay or bait shrimp boats, grants and donations.

AUTHORITY: TPW Code 77.120

GENERAL OBLIGATION BONDS

ALLOWABLE USES: Critical infrastructure repair, maintenance, improvements and other projects.

AUTHORITY: General Appropriations Act; Texas Constitution, Article III, 50 (f) and 50 (g)

REVENUE BONDS

ALLOWABLE USES: Construction of a new freshwater fish hatchery in East Texas, including construction project management and necessary equipment.

AUTHORITY: General Appropriations Act, 79th Legislature, Rider 24

MISCELLANEOUS

Texas Park Development Account 408:

Consists of proceeds derived from the sale of Texas Park Development Bonds, to be used for acquiring, developing, improving, beautifying, and equipping state park sites and paying expenses incurred in issuing bonds (Texas Constitution, Article III, 49-e; TPW Code 21.102).

Texas Park Development Bonds Interest and Sinking Fund 409:

Consists of interest received from the sale of bonds, income from park entrance or gate fees, investment income, other, to be used for paying principal, interest, exchange and collection charges associated with the issuance and maturity of Texas Park Development Bonds (Texas Constitution, Article III, 49-e; TPW Code 21.105).

Operating Account 420:

May be used for cash flow management for any department program (TPW Code 11.038).

State Parks Endowment Trust Account 885:

Earnings from gifts of property and cash dividends used to maintain state parks as specified by each donor (TPW Code 13.004, 13.008; Op.Tex.Att'yGen. No. WW-122, MW-493).



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