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Financial Overview

Texas Parks and
Wildlife Department

JANUARY 2017

INTRODUCTION

The Texas Parks and Wildlife Department Financial Overview document was developed by TPWD’s Financial Resources Division to provide information on agency responsibilities, sources of funding, budget and financial issues, and appropriation requests. Its primary design at this time is to function as a reference tool for commissioners, management, 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. 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 50 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, provides technical guidance and assistance to landowners, 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 520 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 1,342 regular full-time equivalent positions (see Figure 1). Division oversight responsibilities rest with the Executive Office, the Chief Operating Officer and the Chief Administrative Officer. Except for some administrative functions, all 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 department owned and other public lands; administers the public hunt program; conducts surveys and research studies; issues scientific permits; and provides wildlife management assistance to private landowners.

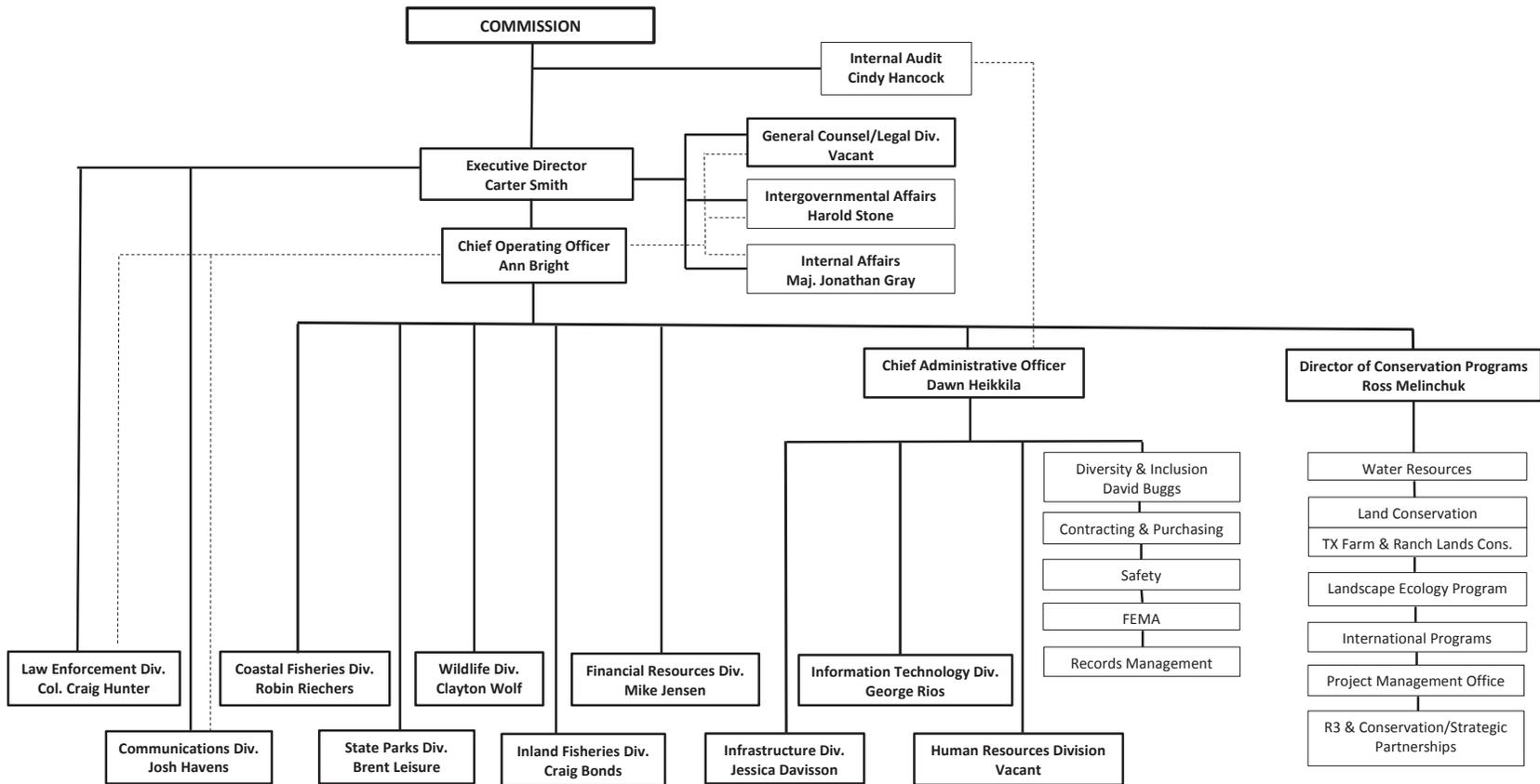


Figure 1

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; aquatic invasive species monitoring and treatment; instream flow and river studies; fish production; fish kill assessments; natural resource damage recovery; wetlands conservation; permitting; angler education and information; and fishing access. The Inland Fisheries Division operates five freshwater fish hatcheries.

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 to produce and stock saltwater fish into public waters.

The LAW ENFORCEMENT DIVISION's main responsibility is to serve the citizens of Texas by providing professional law enforcement, water safety, and search and rescue, while working to conserve and protect the natural resources of Texas.

The STATE PARKS DIVISION is the largest (both organizationally and financially) of the agency's divisions, employing 1,342 FTEs responsible for the management and operation of all state parks, state natural areas, historic sites and structures and park regional offices. Additionally, state parks peace officers are 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 project planning; budgeting; accounting; engineering and architectural

design; design and construction contracting; construction; and construction inspections, construction management, and land surveying. The division also administers the TPWD sustainability program, risk management, fleet management and radio management programs and provides facility management 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; and provides day-to-day services in employee recruitment, benefits and relations.

The FINANCIAL RESOURCES DIVISION provides financial management, accounts payable/payroll, and budget and planning services for 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.

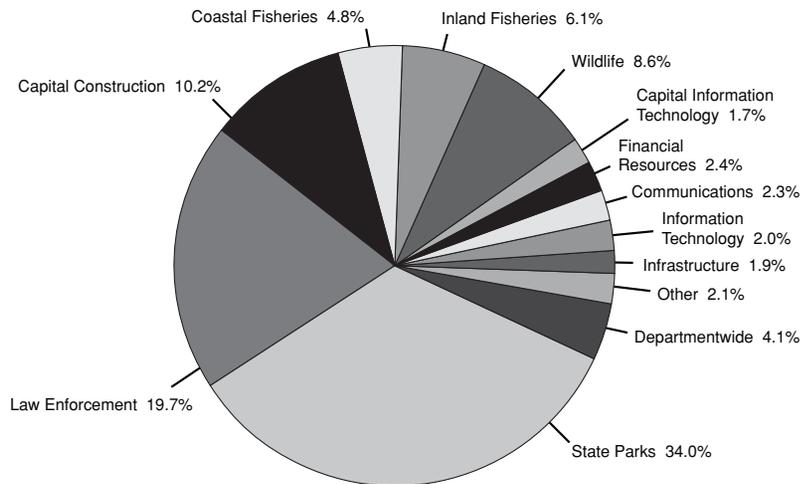
The Budget and Where It Goes

The Fiscal Year 2017 combined budget for TPWD, which includes operating expenses, capital projects, grants and employee benefits, totals approximately \$373.9 million.

BY DIVISION/FUNCTION

As shown in Figure 2, the State Parks Division accounts for the largest portion (34.0%) of the budget. Of the total State Parks Division budget of \$127.0 million, approximately \$20.2 million will be “passed through” in the form of grants to local governments and other entities.

FY 2017 Total Budget by Division \$373.9 million



Source: 8/25/16 Commission Meeting Materials, FY 2017 Operating and Capital Budget
 * Includes grants and capital
 Other includes Executive, Legal and Human Resources. Departmentwide includes funding for items such as debt service, SORM, payments to license agents, and the license system.

Figure 2

Funding for the Law Enforcement Division comprises the second largest portion of the budget at 19.7 percent, or \$73.5 million. Capital construction, which consists primarily of appropriations from the new Deferred Maintenance Account, accounts for 10.2 percent (\$38.3 million).

Allocations for aquatic resource protection and fish and wildlife management activities, reflected in the Wildlife, Coastal and Inland Fisheries divisions, together represent roughly 19.5 percent of the budget. The Wildlife Division budget is the largest, at \$32.2 million, followed by Inland Fisheries (\$22.9 million) and Coastal Fisheries (\$18.1 million).

Support functions provided by Infrastructure, Communications, Financial Resources, Information Technology, Executive, Legal and Human Resources account for 12.5 percent of the budget. Finally, 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 \$15.2 million) of the overall budget.

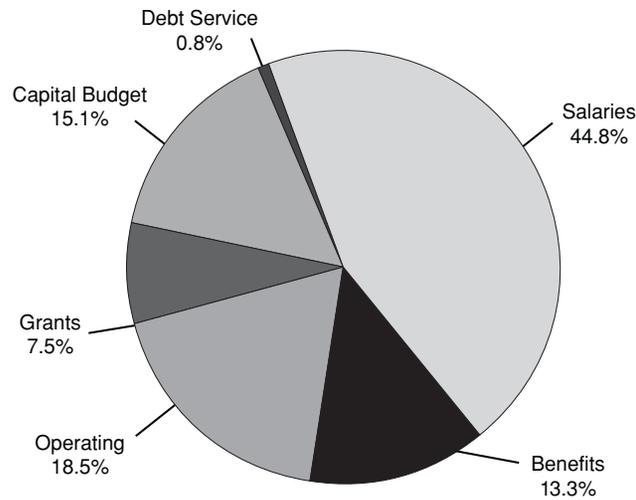
BY CATEGORY

As a heavily service-oriented agency with over 3,200 authorized full-time equivalent positions, personnel costs comprise the largest portion of TPWD’s budget. As shown in Figure 3, approximately 44.8 percent (or \$167.4 million) of the overall budget is allocated for salaries in Fiscal Year 2017.

Employee benefits account for an additional 13.3 percent (or \$49.9 million) of the Fiscal Year 2017 budget. It is important to note that benefits are not considered part of TPWD’s appropriated amounts, rather, they are transferred to the state’s retirement system

in compliance with provisions 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 much of 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.

FY 2017 Total Budget by Category \$373.9 million



Source: 8/25/16 Commission Meeting Materials, FY 2017 Operating and Capital Budget

Figure 3

The next largest category of spending is operating costs, which account for 18.5 percent (\$69.1 million) of the total budget, followed by critical infrastructure repairs and other items that comprise the agency's capital budget, which account for approximately 15.1 percent (or \$56.5 million) of the overall budget. The department's grant

budget comprises 7.5 percent (or approximately \$27.9 million) of overall funding. This includes amounts for local parks, outreach, boating access and other grant programs. Finally, roughly 0.8 percent (\$3.1 million) of the budget is allocated for debt service on bonds.

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 2017 Total Budget by Funding Source (in millions)

General Revenue – Account 001	110.7	29.6%
Game, Fish and Water Safety – Account 009	135.2	36.2%
State Parks – Account 064	51.5	13.8%
GR Ded. – Other	28.6	7.6%
Federal	43.3	11.6%
Other	4.6	1.2%
Total	373.9	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: 8/25/16 Commission Meeting Materials, FY 2017 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 57.6 percent of the Fiscal Year 2017 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.

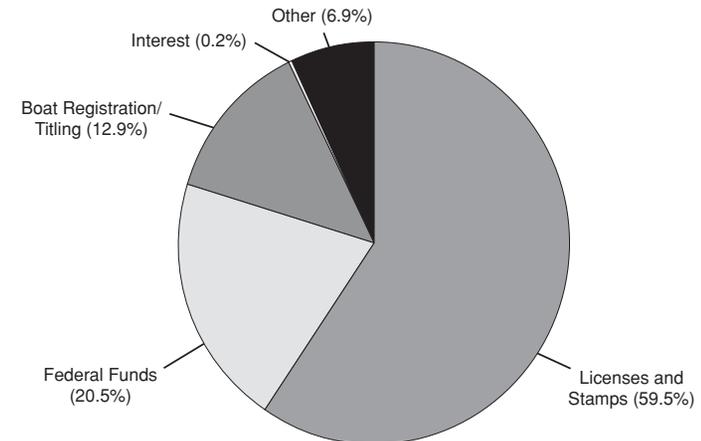
GENERAL REVENUE DEDICATED

The largest of the agency’s special funds is the Game, Fish and Water Safety Account (Account 009), which accounts for 36.2 percent of the agency’s budget for Fiscal Year 2017. 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 009 2017 Estimated Revenue – \$181.2 million



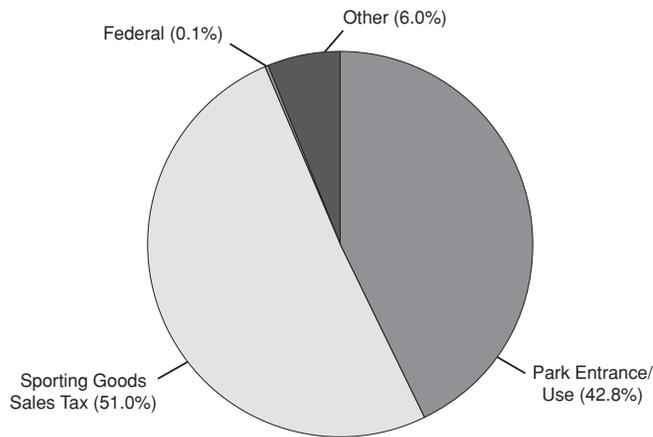
Source: Comptroller’s Biennial Revenue Estimate (Jan. 2017).

Figure 5

The State Parks Account (Account 064) is the second-largest dedicated funding source for the department and accounts for about 13.8 percent of the Fiscal Year 2017 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 064
2017 Estimated Revenue – \$122.3 million**



Source: Based on Comptroller's Biennial Revenue Estimate (Jan. 2017) adjusted to include Sporting Goods Sales Tax allocation.
Note: The SGST total above does not include amounts transferred to the deferred maintenance account, amounts for employee benefits or debt service payments to TPFA.

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 (Account 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 (SGST), which is used primarily to fund state and local park-related needs. Up 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 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 SGST proceeds to TPWD and the remaining 6 percent to the Texas Historical Commission, subject to legislative appropriations. House Bill 12 also required that SGST appropriations to TPWD be credited 74 percent to the State Parks Account, 15 percent to the Texas Recreation and Parks Account, 10 percent to the Large County and Municipality Recreation and Parks Account, and 1 percent credited to the Texas Capital and Conservation Account.

In 2015, the 84th Legislature enacted new legislation (House Bill 158 and Senate Bill 1366) which dedicated SGST to state and local parks purposes and increased flexibility in how these funds could be allocated between TPWD funds. For the 2016-2017 biennium, the Legislature provided the full 94 percent of SGST revenues, estimated at \$261.1 million, to cover TPWD state and local park-related appropriations and employee benefits, as well as amounts necessary for debt service on park related bonds.

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. TPWD's Fiscal Year 2017 budget reflects \$11.1 million from this source for parks, aquatic vegetation management and law enforcement purposes.

Finally, TPWD also receives “pure” general revenue appropriations to cover certain agency costs such as those required for debt service on revenue bonds, and law enforcement related operations.

BOND AUTHORITY

Bonds also comprise a 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 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 January 2017 had expended or encumbered \$36.4 million and obligated \$1.6 million to 137 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 January 2017 had expended or encumbered \$17.3 million and obligated \$13.3 million to a total of 87 projects (see 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 24 projects have been funded from this source (see Figure 9).

**General Obligation Bond Project Status
(Prop. 4, 2nd Issue – April 2010) as of January 17, 2017
(\$38.0 million)**

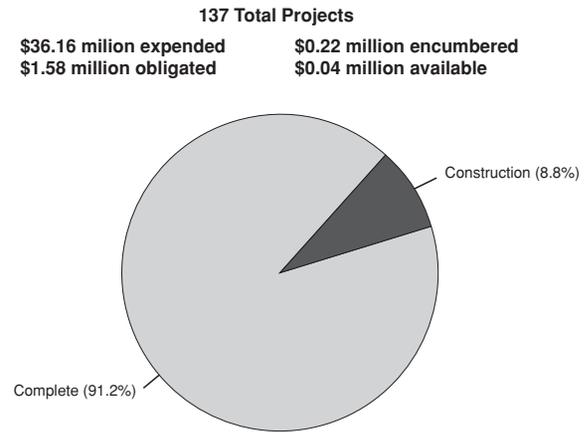


Figure 7

**General Obligation Bond Project Status
(Prop. 4, 3rd Issue – April 2012) as of January 17, 2017
(\$32.35 million)**

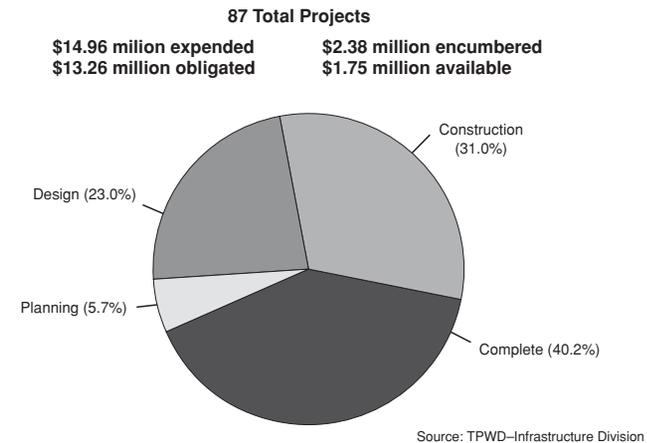


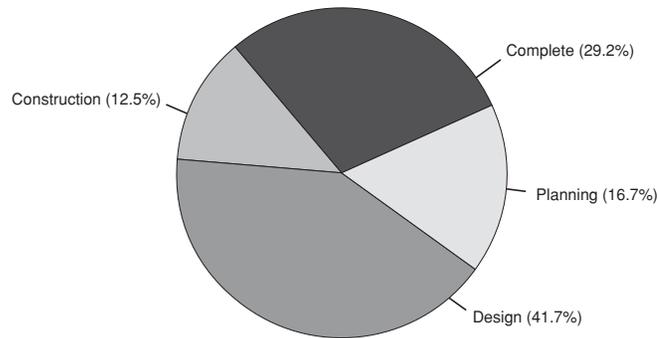
Figure 8

**General Obligation Bond Project Status
(Prop. 4, 4th Issue – March 2014) as of January 17, 2017**

(\$11.0 million)

24 Total Projects

\$1.44 million expended **\$0.95 million encumbered**
\$7.26 million obligated **\$1.35 million available**



Source: TPWD—Infrastructure Division

Figure 9

FEDERAL SOURCES

In Fiscal Year 2017 approximately \$43.3 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 2017, the department’s commission-approved budget reflected \$15.9 million and \$17.3 million, respectively, from these two sources.

Other significant federal funding anticipated in Fiscal Year 2017 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 28, 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 2017, the bill pattern appropriation authority for TPWD totaled \$317.9 million (see Figure 10).

FY 2017 Appropriation Authority (in millions)

General Revenue – Account 001	94.8
Game, Fish and Water Safety – Account 009	112.2
State Parks – Account 064	41.9
Deferred Maintenance – Account 5166	28.4
Federal	35.9
Other (Appropriated Receipts, Other GR-Ded. Accts, etc.)	4.7
<hr/>	
Total	317.9

Does not include authority associated with fringe benefits.
Source: 84th Legislature General Appropriations Act 2017 (2016-17 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 2017 appropriation authority and the final approved TPWD operating budget.

**GAA – FY 2017 Operating Budget Crosswalk
(in millions)**

General Appropriations Act	321.8
Adjustments:	
Benefits/Benefit Replacement Pay	49.9
Federal Funds	1.9
Appropriated Receipts/IAC	0.3
Total, FY 2017 Budget	373.9

Source: 8/25/16 Commission Meeting Materials, slide presentation.

Figure 11

For Fiscal Year 2017, 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 2017 budget reflected additional amounts associated with employee benefits, federal funds 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 in dedicated funds, TPWD’s ability to immediately utilize the excess funds to respond to increased demand would be restricted, as agency spending is limited to amounts appropriated. In these cases, excess revenue and balances would remain in the dedicated fund, helping to build balances which could be requested for appropriation in subsequent biennia.

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. Sufficient general-revenue dedicated fund balances must be reserved for payment of benefit costs and these amounts are not available for other uses.

The decline in unrestricted Account 009 cash balances in recent years has been a significant concern to the department. This trend has been driven primarily by mandated Schedule C and general salary increases, associated fringe costs, increases in the state contribution rate for employee benefits, and increases in transfers to the Employee Retirement System to cover insurance costs for current retirees. As expenditures continue to outpace revenues, cash balances will continue to decline and may not be sufficient to support appropriation levels into the future. To help address these concerns, TPWD initiated a hiring delay in the spring of 2016 and evaluated a suite of options, including seeking appropriation of Unclaimed Refunds of Motorboat Fuel Tax (URMFT), pursuing statutory changes to allow increased access to statutorily dedicated funds, and targeted fee increases.

After discussions with legislative leadership in the spring of 2016, implementation of a fee increase prior to the legislative session was

tabled. TPWD's main proposals to help address Account 009 cash concerns during the upcoming session include: (1) proposed method of finance shifts within the base request aimed at reducing the likelihood of a negative cash balance in unrestricted Account 009 during the 2018-19 biennium and (2) statutory changes that would allow greater access to certain revenue streams or dedicated funds. The proposed MOF changes are a short-term fix for the 2018-19 biennium only, and assuming no additional unrestricted Account 009 expenditures. Likewise, if statutory changes are used for growth rather than to replace existing Account 009 amounts, other options will need to be pursued.

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 \$140.6 million in Fiscal Year 2017. 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 until 2008 when 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 amounts appropriated to TPWD did grow after passage of HB 12, the total consistently fell below 94 percent. For the 2016-17 biennium, however, in tandem with passage of House Bill 158 and Senate Bill 1366, the 84th Legislature allocated the full 94 percent of Sporting Goods Sales Tax to TPWD.

Despite these positive changes, the methods used to appropriate and allocate SGST to the department continue to pose some issues. Most notably, while TPWD was allocated the full 94 percent of SGST for the 2016-17 biennium, current statute does not require legislative appropriation of 94 percent to TPWD each biennium, nor does it allow for transfer of the full 94 percent cash into TPWD accounts. This creates challenges for long-term planning and the ability to address state and local park needs with stable, reliable and consistent sources of funding into the future.

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.

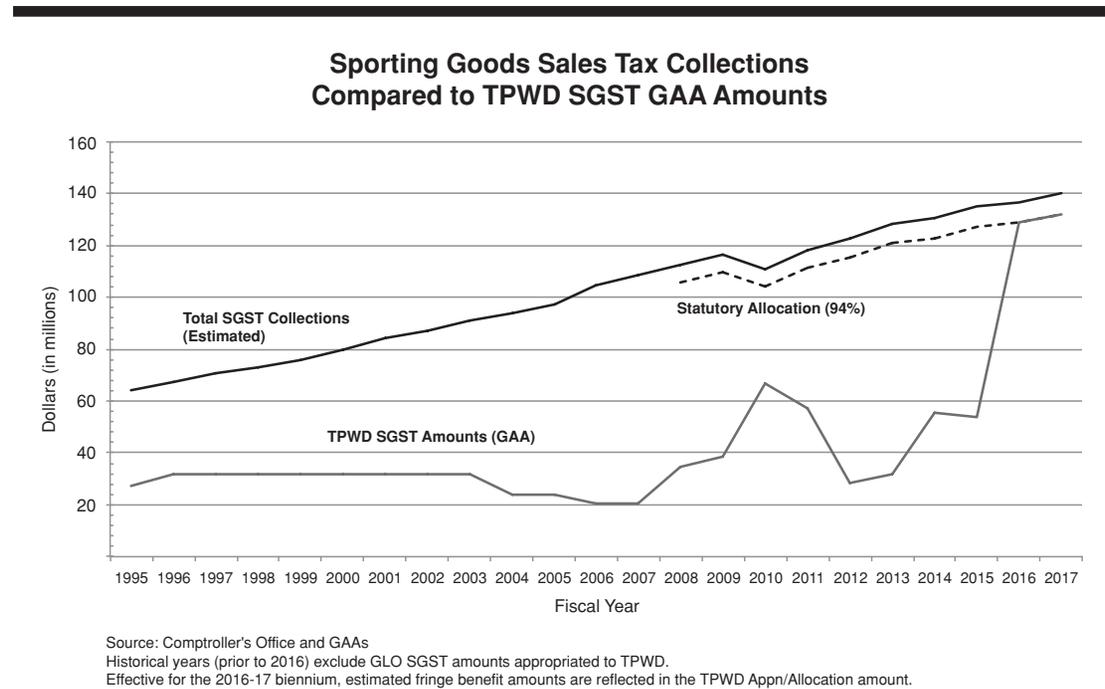


Figure 12

Fiscal Year 2018-2019 Funding and Rider Requests

BASE AND EXCEPTIONAL ITEMS

The Texas Parks and Wildlife Department’s Legislative Appropriations Request (LAR) for 2018-2019 included a biennial base funding request of \$686.1 million and 3,143.2 full-time equivalent (FTE) employee positions in each year. It also included a request for seven additional exceptional items totaling \$126.1 million and 28.1 FTEs.

The House and Senate (As Introduced) budget bills both reduced TPWD’s requested base funding, resulting in General Revenue (GR) and General Revenue-Dedicated (GR-D) decreases of 10 percent and 16 percent respectively. Both versions included significant decreases in GR and GR-D funding for capital construction funding. The impact of these reduction on total funding is masked by substantial increases in estimated federal funds, totaling \$53.0 million, which are included in both the House and Senate bills.

As a result of the GR and GR-D reductions in the House and Senate bills, TPWD has revised its request to include a total of eight exceptional items totaling \$202.6 million and 28.1 FTEs for the House, and \$212.9 million and 28.1 FTEs for the Senate, as shown in the revised list below (all amounts are biennial):

Deferred Maintenance/Capital Construction Projects

TPWD’s land and facility holdings include over 3,000 unique capital assets within agency field offices, state parks, historic sites, wildlife management areas, fish hatcheries, and the Austin Headquarters complex. These sites require ongoing investment to ensure proper functioning, upkeep, enhanced visitor experiences and the safety of staff and visitors. Approval of this exceptional item would allow the department to maintain funding for much needed capital construction,

TPWD LAR Compared to House and Senate (As Introduced) – Base

Funding Request (in millions):	LAR	House	Senate
Total Base	\$686.1	\$680.7	\$649.7
Base Method of Finance:			
General Revenue	\$194.6	\$197.2	\$191.1
General Revenue Dedicated	\$373.9	\$312.2	\$287.3
Federal	\$81.6	\$134.7	\$134.7
Other	\$36.0	\$36.6	\$36.6
Total, Base Method of Finance	\$686.1	\$680.7	\$649.7

Source: TPWD Legislative Appropriations Request, House and Senate versions of SB 1 (As Introduced)

Figure 13

repair and deferred maintenance projects at state parks and other facilities. This funding will be essential in addressing the significant accumulated deferred maintenance needs across state parks and meeting the 10-year capital plan discussed with the Legislature during the last legislative session. Due to differences in the amount of capital construction funding approved in the House and Senate (As Introduced) versions, the exceptional item request totals \$76.5 million to address state park related projects on the House side, while on the Senate side the request is for \$86.8 million to address fisheries, wildlife and state park related projects.

Law Enforcement Operations and Equipment

This exceptional item requests a total of \$31.5 million and 1 FTE over the biennium to be funded from General Revenue and Unclaimed Refunds of Motorboat Fuels Tax to adequately support ever-increasing law enforcement operations, presence on public waterways, search and rescue missions, and to ensure officers are adequately equipped and receive the technological tools and support needed to safely and efficiently carry out their duties.

Law Enforcement Operations:

\$11.8m over the biennium as follows:

- \$6.8m for overtime, travel, professional equipment, fuel and maintenance/repair to allow TPWD to continue to move personnel across the state for enforcement and search and rescue missions, disaster and emergency response, provide required training, maintain patrol levels, and ensure fleet and officer safety.
- \$1.7m for “special teams” operations including maintaining an active K9 team, vessel accident investigation team, marine and land-based tactical teams, search and rescue team, and dive and recovery team.
- \$610k for aircraft fuel, training and travel budget to perform search and rescue operations, conservation law enforcement, patrol lakes and rivers during peak times, and conduct wildlife surveys.
- \$198k for the forensic lab to ensure it remains in compliance with requirements for evidence submissions and testing.
- \$1.5m for RMS, Pocket Cop, and technology to allow officers to provide reports, track evidence as required by statute, and use mobile devices provided for officer and public safety.
- \$1m to put all required safety equipment on patrol vehicles before they can be put into service.

Capital Equipment, Transportation and Aircraft:

\$18.1m over the biennium, including \$3.6m for radios; \$300k for lab equipment; \$10.9m for replacement of aging and outworn boats/vehicles, and \$3.3m for a new aircraft.

Law Enforcement Technology Support:

\$1.6 m over the biennium to provide improved technology services to game wardens and law enforcement offices across the state, including phone system replacement, network management services, and enhanced security and help desk support.

State Park Operations

This exceptional item requests \$23.9 million and 16.1 FTEs over the biennium, to be funded from the State Parks Account 064 and Sporting Goods Sales Tax revenues, for state park staffing and operations, capital equipment, and technology support.

Maintain Core Services for Enhanced Visitation:

\$14.5m for cost increases and other operational imperatives including utilities, fuel, cyclical maintenance, and other operating costs required to support the parks’ heavy and growing usage; anticipated contract cost increases tied to the new State Parks Business System (formerly TxParks); additional salary and FTEs; and for concession growth reinvestment.

Capital Needs:

\$7.3m for replacement of antiquated and outworn vehicles (\$6.3m) and related equipment (\$1.0m).

State Parks Technology Support:

\$1.6m to provide improved technology services, including phone system replacement, network management services, and enhanced call center services.

State Parks Marketing Initiatives:

\$500k to implement marketing strategies aimed at increasing visitor diversity, enhancing state park visitation at non-peak times and at lesser visited state parks, and to increase communications and engagement with visitors.

Weather Related Construction and Repairs

Since early spring 2015, state parks and other TPWD field locations have been significantly impacted by a number of weather events/ natural disasters, including flooding and severe storms. The widespread and severe nature of these events has caused extensive damage to state parks and WMAs, with costs currently estimated at approximately \$57.7 million.

This exceptional item requests a total of \$49.2 million in General Revenue and SGST and 5 FTEs over the biennium to address these critical repair needs at state parks and WMAs. The request includes \$48.3m for construction/repair needs and \$879k for salaries, operations and equipment needed for staff to manage and deliver the increased volume of construction associated with these projects in the 2018-19 biennium.

CAPPS HR/Payroll

The 80th Texas Legislature passed House Bill 3106, charging the Comptroller's Office with implementing CAPPS statewide. Currently, TPWD utilizes multiple stand-alone systems to manage HR personnel and payroll data and processes. CAPPS will replace many of these applications with a single easy-to-use, easy-to-update system that can be scaled to meet the needs of the agency.

TPWD is scheduled to transition to the HR/Payroll component of CAPPS during the 2018-19 biennium, with an anticipated project start date of 9/1/2017 and implementation by 9/1/2018. This exceptional item requests \$1.1 million in General Revenue over the biennium for TPWD's staffing and operational needs associated with implementation of CAPPS HR/Payroll.

Local Park Grants

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. TPWD's Local Park Grant funding has been impacted by the required 4 percent budget reductions. This exceptional item request would provide \$4.4 million in Sporting Goods Sales Tax over the biennium, allowing TPWD to maintain SGST funding for the program at 100 percent of 2016-17 levels and to direct these funds to competitive grant programs.

Texas Farm and Ranch Lands Conservation

In 2015, the Legislature passed House Bill 1925, which transferred the Texas Farm and Ranch Lands Conservation Program (TFRLCP) from the Texas General Land Office to TPWD, and appropriated TPWD \$2.0 million and 2 FTEs to implement the program. The goal of the TFRLCP is to conserve working lands that have high values for water, fish, wildlife and agricultural production and that are at risk of development. Conservation is achieved by providing grant funds to purchase long-term conservation easements on those lands.

Based on the success of this program in 2016-17, TPWD requests an additional appropriation of \$5.0 million in General Revenue over the biennium to increase grants awarded for the purchase of long-term conservation easements. The funding would help address burgeoning landowner demand for such easements, facilitate an increase in acreage protected, and increase effectiveness in conserving the state's fish, wildlife, water, and open space resources, which are largely found on private lands.

Border Security Appropriation

For the 2016-17 biennium, TPWD has received funding for border surge operations through interagency contracts with DPS. For the 2018-19 biennium, TPWD is requesting a direct appropriation of funds for border surge activities rather than obtaining these amounts via interagency contract. A direct appropriation to TPWD would increase transparency and efficiency by eliminating the need for funding approvals and the reimbursement process.

This request, totaling \$11 million in General Revenue over the biennium, includes overtime, operating, and capital equipment (replacement vehicles, boats, ATVs, radios) needed to enhance the current efforts on the border. The request also includes funding for replacement of one 65-foot long-range offshore vessel. Texas game wardens currently operate two 65-foot offshore vessels to patrol Texas and federal

waters for vessels entering Texas waters illegally from Mexico, illegal commercial fishing, and search and rescue efforts in the Gulf of Mexico and large bay systems. These vessels are both over 34 years old and not suited for high-speed marine pursuit. The large vessels need to be replaced to ensure long-range, overnight, and multi-day enforcement operations are not compromised in the Gulf of Mexico and large bay systems.

RIDERS

TPWD's original Legislative Appropriations Request reflected several requested rider modifications aimed at improving transparency, efficiency and effectiveness of programs and operations. While the House and Senate bills (As Introduced) incorporated several of these requested revisions, a number of rider items remain outstanding, as follows:

Rider 4, Unexpended Balance For Construction Projects

The Senate version of the bill (As Introduced) eliminated the ability to carry forward unexpended balances tied to General Revenue and General Revenue-Dedicated funding sources. Without this language, TPWD may be unable to fully spend 2016-17 construction appropriations for their intended purposes. TPWD is requesting reinstatement of Rider 4 language as submitted in our Legislative Appropriations Request. Note that this is an issue on the Senate side only, since the House version already includes the UB amounts.

Payments to State Parks Business System Vendor(s)

This new rider is critical to ensuring TPWD can address changes in the State Parks Business System (formerly TxParks) that are anticipated to occur over the 2018-19 biennium. The department expects that costs for the new system will be based on a per-transaction or percent of revenue model, 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.

Appropriation of State Parks Merchandise for Resale Income

This new rider would allow TPWD to reinvest a portion of the revenue generated from staff-operated concession operations towards merchandise, rental equipment and food products for resale at those concession operations. It is anticipated that the ability to reinvest revenues in the program will lead to and enhance revenue growth, repeat visitation, destination travel and economic value.

Rider 32, Appropriation of Oyster Shell Recovery Receipts

TPWD is requesting modifications to this rider to ensure that TPWD can utilize any accumulated cash balances in the Oyster Shell Recovery and Replacement Account for the purpose of oyster reef recovery and enhancement, consistent with the intent of the enabling statute and expectations of licensed commercial oyster fisherman who are paying oyster shell recovery tag fees.

Rider 29, FTE Cap Flexibility

Both House and Senate versions of bill (As Introduced) deleted this rider, which grants TPWD greater flexibility in managing FTE counts. TPWD is requesting reinstatement of this rider.

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 PW 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 PW 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: PW 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: PW 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: PW 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:	PW 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:	PW 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 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). As such, language in Section 504.618 of the Transportation Code which specifies that conservation plate revenues shall be deposited to the Parks and Wildlife Conservation and Capital Account is obsolete.
- AUTHORITY:** PW 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, 3048-Hummingbird, 3049-Rattlesnake) 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: PW Code 77.120

DEFERRED MAINTENANCE FUND
Account 5166

ALLOWABLE USES: To fund deferred maintenance projects to bring state facilities into a better state of repair to ensure the safety of employees and visitors, the efficiency of building operations, and a long-term reduction in repair costs.

SOURCE(S): Fund consists of money appropriated, credited, or transferred to the fund by or at the discretion of the Legislature.

Note: This is not a TPWD specific fund. The appropriated fund includes amounts transferred from other funding sources to cover appropriations at multiple state agencies. For the 2016-17 biennium, a total of \$91.0 million was appropriated to TPWD from the Deferred Maintenance Account, consisting of the following sources: General Revenue (\$27.6 million), Sporting Goods Sales Tax - 64 (\$47.9 million), SGST - 5004 (\$6.6 million), and Game, Fish and Water Safety Account (\$8.9 million).

AUTHORITY: Government Code 2165.403

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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