

TEXAS
PARKS &
WILDLIFE

FINANCIAL

O V E R V I E W



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Texas Parks and Wildlife Department

FOREWORD

The Texas Parks and Wildlife Department Financial Overview document was created by the Administrative Resources Division to serve a number of purposes and audiences. The Overview provides answers to 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.

TABLE OF CONTENTS

Roles and Responsibilities	1	The Budget Process	10
Organization	2	Legislative Appropriations	
		TPWD Budget	
The Budget and Where It Goes	4	Financial Issues	11
By Division		Appropriation Authority vs. Cash Available	
By Category		Fund Balances vs. Fund Availability	
		Limitations of Tax Revenues and Fees	
Financing the Budget	5	Fiscal Year 2008-2009 Legislative Appropriations	
Department Funding and Accounts		Request	13
General Revenue Dedicated		Exceptional Items	
General Revenue		Riders	
Bond Authority			
Federal		Appendix	17
Other			

Roles and Responsibilities

In 1963, the Texas State Legislature merged the Game and Fish Commission with the State Parks Board to create the Texas Parks and Wildlife Department (TPWD) as it exists today. This merger was significant in that two very different financial structures were combined along with different cultures and missions.

As reflected in the Parks and Wildlife Code, the Department's current 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 112 state parks (of which 107 are open to the public) and 51 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 490 commissioned peace officers serving as TPWD game wardens ensure compliance with these regulations, as well as provisions of the Texas Parks and Wildlife Code,

certain portions of the Penal Code, the Water Code and the Antiquities Code. The 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 habitat. These activities incorporate pollution surveillance and enforcement of some 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 technical assistance and direct matching grants to local political subdivisions and non-profit 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 about 10 positions to over 1,000 regular full-time positions (see Figure 1). Division oversight responsibilities rest with the Executive Office and the Deputy Executive Directors for Operations

and Administration. Except for administrative functions, all other divisions of the agency have locations at regional and park site offices throughout the state.

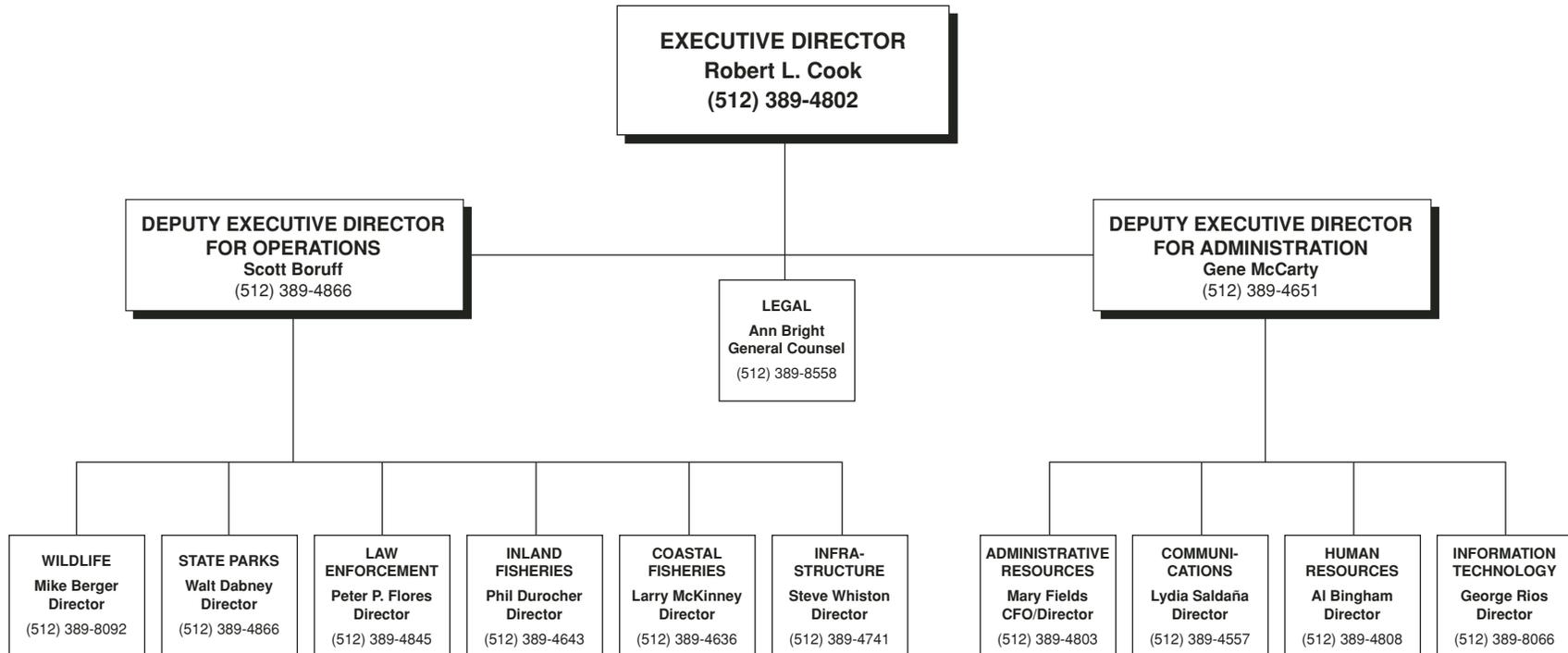


Figure 1

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.

The STATE PARKS DIVISION is the largest, both organizationally and financially, of the agency's divisions, employing over 1,000 persons responsible for the management and operation of all state parks, natural areas, historic sites and park regional offices, and for the administration of the Department's grants-in-aid program.

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 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; habitat conservation and restoration activities; and management and coordination of water-related issues. The Coastal Fisheries Division also operates three marine fish hatcheries.

The INFRASTRUCTURE DIVISION manages the capital 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 COMMUNICATIONS DIVISION is the marketing and public information arm of the Department, with responsibility for administering outreach and education programs and disseminating conservation related information to the public through both internal and external media.

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 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 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 INFORMATION TECHNOLOGY DIVISION provides information resources services in support of all TPWD divisions. Key functions include operations, applications development, customer service, and planning and quality assurance.

The Budget and Where It Goes

The Fiscal Year 2007 combined budget for TPWD, which includes operating expenses, capital projects, grants and employee benefits, totals approximately \$295.0 million.

BY DIVISION

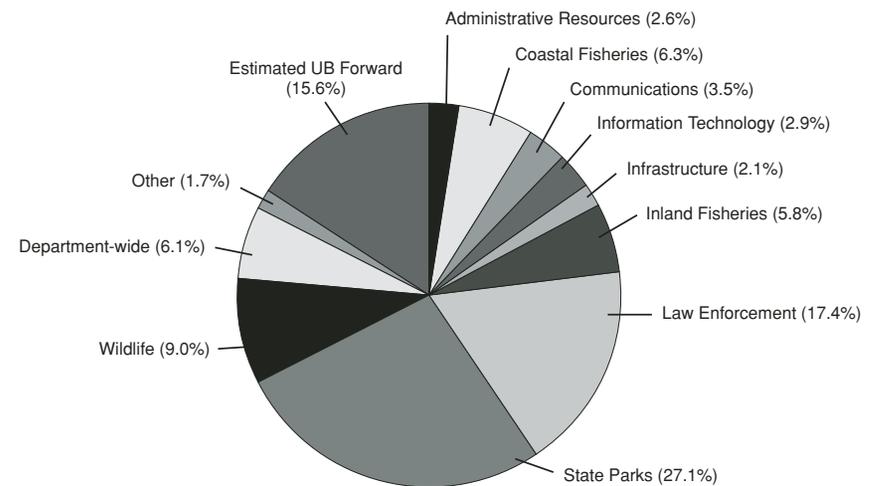
As shown in Figure 2, the State Parks Division accounts for the largest portion (27.1%) of the budget. Of the total State Parks Division budget of \$79.8 million, approximately \$12.4 million is “passed through” in the form of grants.

The Law Enforcement Division accounts for the second largest portion of the budget, receiving roughly \$51.2 million, or 17.4 percent of the total. The third largest portion of the TPWD budget (15.6%, or \$45.9 million) consists of estimated unexpended balances carried forward for capital projects such as repairs, construction and land acquisition.

Allocations for aquatic resource protection and fish and wildlife management activities, reflected in the Wildlife, Coastal and Inland Fisheries divisions, represent roughly 21.1 percent of the budget. The Wildlife Division budget is the largest, at \$26.4 million, followed by Coastal Fisheries (\$18.7 million) and Inland Fisheries (\$17.2 million).

Infrastructure related activities represent about 2.1 percent (\$6.3 million) of the total budget. The Communications Division, including outreach and education, accounts for 3.5 percent (\$10.2 million), while central functions such as Administrative Resources, Information Technology, and “Other” together account for roughly 7.2 percent of the budget. Finally, in Fiscal Year 2007, 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, accounted for 6.1 percent (or \$18.0 million) of the overall budget.

FY 2007 Total Budget by Division \$295.0 million



Source: 8/31/06 Commission Meeting Materials, FY 2007 Operating and Capital Budget
Includes grants and capital
Other includes Executive, Legal and Human Resources.

Figure 2

BY CATEGORY

As a heavily service-oriented agency with close to 3,000 authorized full-time equivalent positions, personnel costs comprise the largest portion of TPWD's budget. As shown in Figure 3, approximately 41.2 percent (or \$121.5 million) of the overall budget is allocated for salaries in Fiscal Year 2007.

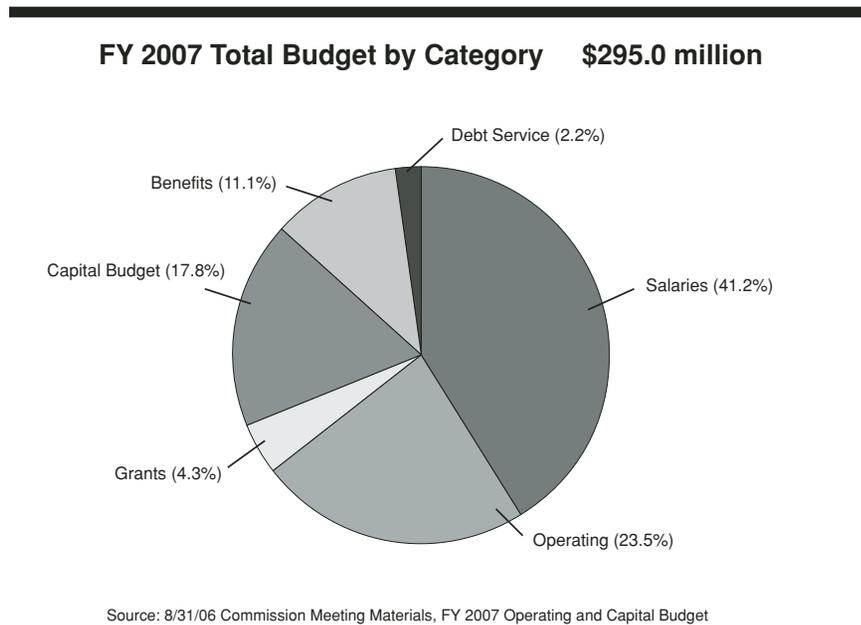


Figure 3

Employee benefits for current employees account for an additional 11.1 percent (or \$32.8 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 with provisions of the General Appropriations Act which require payments for employee benefit costs 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 systems 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.

Operating expenses account for the next largest category of spending, with approximately 23.5 percent (or \$69.2 million) allocated for this purpose. About 17.8 percent (or \$52.4 million) is allocated for critical infrastructure repairs and other initiatives that comprise the agency's capital program, while 2.2 percent (\$6.5 million) is allocated for debt service on bonds. Finally, the Department's grant budget comprises 4.3 percent (or approximately \$12.6 million) of overall funding, and includes amounts for local park, outreach, boating access and a number of other grant programs.

Financing the Budget

DEPARTMENT FUNDING AND ACCOUNTS

Unlike many state agencies, a large portion of TPWD's budget is financed with revenues generated from consumers of Parks and Wildlife products and services. These revenues are generally deposited into agency specific accounts. For example, hunting and fishing license revenues are deposited into the Game, Fish and Water Safety Account (Account 009), while entrance and facility use fees paid by state park visitors are deposited into the State Parks Account (Account 064).

While revenues from these sources help fund a sizable amount of TPWD's budget, they are generally 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 2007 Total Budget by Funding Source
(in millions)**

General Revenue – Fund 1	54.8	18.6%
GR Ded. – Account 9	107.2	36.3%
GR Ded. – Account 64	34.4	11.7%
GR Ded. – Other	0.7	0.2%
Federal	55.2	18.7%
Other	42.7	14.5%
Total	295.0	100.0%

GR Ded–Other includes smaller GR–Dedicated accounts such as 506, 679, 544, etc.
Other includes interagency contracts, appropriated receipts and bonds.

Figure 4

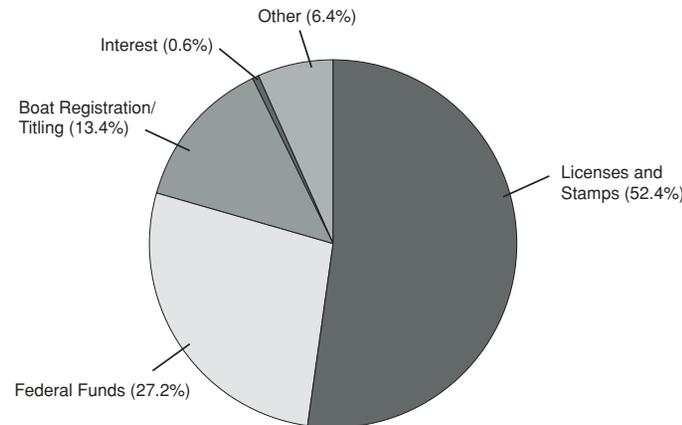
By far the largest portion of funding is attributed to TPWD’s special, or dedicated, funds, which together account for approximately 48 percent of the Fiscal Year 2007 budget. Compared to general revenue, which is derived from general state taxes, these dedicated funds primarily consist of revenues generated 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 36.3 percent of the agency’s budget for Fiscal Year 2007. The main sources of revenue for Account 009 (shown in Figure 5) include:

1. all types of fishing and hunting licenses 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. fines and penalties collected for violations of laws pertaining to the protection of fish, game and wildlife, and the sale of sand, shell and gravel; and
5. other activities, such as the sale/lease of grazing rights on public lands.

**Game, Fish and Water Safety Account 9
2007 Estimated Revenue – \$151.4 million**



Source: Based on Comptroller’s Biennial Revenue Estimate (Jan. 2005).

Figure 5

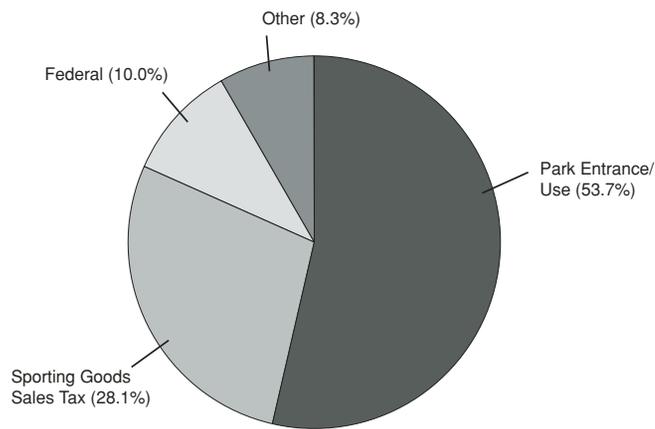
As a statutorily dedicated account, Account 009 may be used only for purposes related to the protection, regulation and conservation of the state’s fish and wildlife, sand, shell, and gravel, and the enforcement of water safety laws. Therefore, this fund pays for the operational

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.

The State Parks Account (Account 064) is the second largest dedicated funding source for the Department and accounts for about 11.7 percent of the Fiscal Year 2007 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). These sources 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, such as park concessions, publications, and fines and penalties;
4. a portion of vessel registration, vessel manufacturer or dealer licensing and vessel/outboard motor titling fees.

State Parks Account 64
2007 Estimated Revenue – \$55.2 million



Source: Based on Comptroller's Biennial Revenue Estimate (Jan. 2005) adjusted to include SGST allocation.

Figure 6

For 23 years the primary source of funding for Account 064 was a one penny per pack tax on cigarettes. Once generating close to \$19 million per year, the proceeds from the cigarette tax declined over the years to a low of \$12.5 million. This loss of revenue compounded financial difficulties already facing Texas' growing and aging state park system. During the 73rd Legislative Session (1993), the Department worked successfully with legislators and state leadership to pass House Bill 706, which replaced cigarette tax funding for state parks with a portion of revenues derived from the sales tax on sporting goods. This source of revenue has the advantage of being more closely linked with actual users of the Department's services and is more in line with the Department's mission.

By statute, proceeds from the sporting goods sales tax up to a specified amount of \$27 million have historically been 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. Beginning in Fiscal Year 1996, the state began to split proceeds above the \$27 million, up to a statutory cap of \$32 million, 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). During the last two legislative sessions however, these historic allocations have not been applied in determining appropriations from this source. In Fiscal Year 2007 for example, the 79th Legislature appropriated a total of \$20.5 million to TPWD, with \$15.3 million allocated to Account 064 and approximately \$5.2 million allocated to Account 467.

Account 467, the Texas Recreation and Parks Account, is the third largest dedicated funding source for TPWD. Revenue for the account is derived mainly from allocations of sporting goods sales tax and from interest earned on balances. By statute, revenue from the account finances 50% matching grants to local political subdivisions for planning, acquisition, or development of parks or other recreational areas. The account may also be used to provide grants for indoor recreational facilities and for educational and outreach programs.

In addition to the accounts mentioned above, several smaller dedicated accounts also fund TPWD operations. A complete description of these 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 the allocation from the Sporting Goods Sales Tax, described above.

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 2007 TPWD received an appropriation of approximately \$13.9 million from this source.

TPWD also received \$6.1 million in “pure” general revenue appropriations. Of this amount, \$5.3 million is for debt service payments on revenue bonds. The remaining amounts will be used to subsidize park operations. Finally, general revenue funding for TPWD generally also includes receipts from the Boat and Boat Motor Sales and Use Tax. The Fiscal Year 2007 appropriation to TPWD from this source was \$5.3 million. These amounts are in addition to the amounts deposited into Account 009 under V.T.C.A. Tax Code 160.122 for collection and processing of boat and boat motor sales and use taxes.

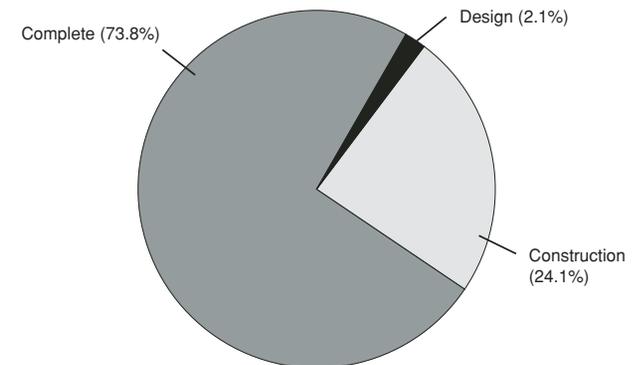
BOND AUTHORITY

Bonds account for a sizable portion of agency finances, and have served to enhance TPWD’s ability to undertake projects at parks and wildlife management areas and to address critical repair and construction needs.

In 2001 the 77th Legislature authorized, and voters approved, \$101.5 million in new general obligation bond authority for critical repairs and improvements at state parks, wildlife management areas and hatcheries. Sites specifically designated to receive bond funding for repairs and renovations included the San Jacinto Battleground, Battleship Texas, the Admiral Nimitz Museum, Sheldon Lake State Park, and the Levi Jordan Plantation. TPWD received the first appropriation in January 2003 in the amount of \$36.7 million and has made significant progress in expending this bond issue. As of October 2006, the Department had

General Obligation Bond Project Status (1st Issue - January 2003) as of October 2006 (\$36.7 million)

141 Total Projects
\$32.4 million spent to date \$2.6 million encumbered \$1.7 million obligated



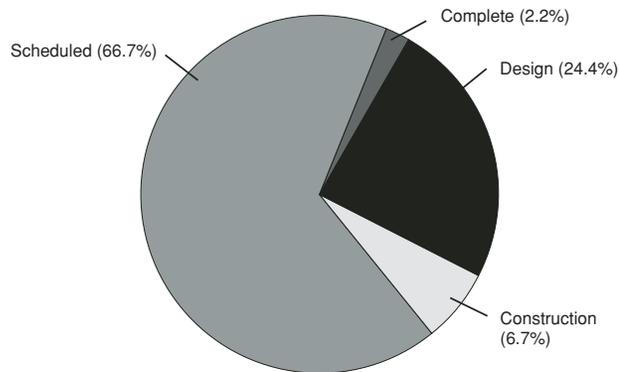
Source: TPWD—Infrastructure Division

Figure 7

**General Obligation Bond Project Status
(2nd Issue - April 2006) as of October 2006
(\$18.1 million)**

45 Total Projects

**\$0.1 million spent to date \$0.13 million encumbered \$17.4 million obligated
\$0.4 million available**



Source: TPWD—Infrastructure Division

Figure 8

expended and encumbered approximately \$35 million and identified and obligated \$1.7 million for facility repair and renovation projects across the state (see Figure 7). The 79th Legislature authorized an additional \$18.1 million in general obligation bond authority over the 2006-07 biennium. Of this amount, TPWD has obligated/committed \$17.4 million (see Figure 8). The Department hopes to secure additional general obligation bond authority over the next biennium and has included a request for the remaining balance of bond authority (approximately \$46 million) as part of its 2008-2009 Legislative Appropriations Request.

Finally, the 79th Legislature also authorized the issuance of \$15 million in revenue bonds to finance construction of a new East Texas fish hatchery, with debt service to be paid using proceeds from the freshwater fishing stamp. The Department plans to issue these bonds during Fiscal Year 2007.

FEDERAL SOURCES

In Fiscal Year 2007 approximately \$55.2 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 that ranges from 5 percent to 50 percent. 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 2007, the Department budgeted \$13.4 million and \$20.5 million, respectively, from these two sources.

Other significant federal funding anticipated in Fiscal Year 2007 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 non-profit 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 11, Fund Transfer Authority (which helps alleviate cash flow problems) and Rider 27, Appropriation of Receipts Out of General Revenue–Dedicated Accounts (which provides authority to spend revenues received in excess of the Comptroller’s Biennial Revenue Estimate). 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 2007, the bill pattern appropriation authority for TPWD totaled \$197.7 million (see Figure 9).

FY 2007 Appropriation Authority (in millions)

Fund 1 – General Revenue	46.2
Account 9 – Game, Fish and Water Safety	80.6
Account 64 – State Parks	22.4
Account 467 – Texas Recreation and Parks Account	0.4
Federal	44.6
Other (Appropriated Receipts, Other GR-Ded. Accts, etc.)	3.4
Total*	197.7

Does not include Rider 27 amounts, authority associated with fringe benefits or other authority granted in Article IX of the GAA.
Source: 2006-07 General Appropriations Act
*Slight difference due to rounding.

Figure 9

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.

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 generally includes amounts associated with employee benefits, which are not reflected in TPWD appropriations. Figure 10 shows the crosswalk between Fiscal Year 2007 appropriation authority and the final approved TPWD operating budget.

**GAA – FY 2007 Operating Budget Crosswalk
(in millions)**

General Appropriations Act	197.7
Adjustments:	
Rider 27	8.5
Salary Increases	11.1
Benefit Replacement Pay	1.2
Benefits	32.8
Unexpended Balances	45.9
Federal Funds	(2.2)
Nimitz Adjustment	0.1
Total, FY 2007 Budget*	295.0

*Slight difference due to rounding.
Source: 8/31/06 Commission Meeting Materials, slide presentation.

Figure 10

For Fiscal Year 2007, the starting point for development of TPWD's internal budget was 100% of the Fiscal Year 2006 base plus additional Rider 27 revenues. 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). The final approved Fiscal Year 2007 budget reflected 5% reductions to General Revenue and GR-Dedicated funding (totaling approximately \$2.6 million in operations and \$5 million for local parks), and absorbed costs associated with unfunded mandatory longevity, hazardous duty and reclassification increases approved by the 79th Legislature. The budget also reflected increases in operating costs associated with rising fuel and utility costs. Additions to the budget included carry forward of unexpended balances associated with general obligation and revenue bonds, and as mentioned previously, the additional revenues appropriated via Rider 27, Appropriation of Receipts out of GR-Dedicated Accounts.

Financial Issues

The majority of funding for TPWD is derived from user fees such as hunting and fishing licenses, state park entry and camping fees, and boat registration and titling transactions. Due to these unique funding streams and the agency's funding structure, TPWD 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 serious implications. 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. During the last legislative session, TPWD successfully worked with the Legislature to add rider language authorizing expenditure of

any revenues brought in over and above the Comptroller's Biennial Revenue Estimate (Rider 27, 2006-2007 General Appropriations Act). The authority provided by this rider has been helpful in allowing TPWD to address funding needs resulting from budget reductions and cost increases. TPWD is seeking continuation of this rider in the 2008-09 biennium.

FUND BALANCES VS. FUND AVAILABILITY

Fund balances do not always accurately reflect 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.

Available 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 fund balances, amounts associated with employee benefits are not available for other uses. The recently authorized longevity, hazardous duty and reclassification increases are yet another example. Because additional appropriation authority was not provided to cover these mandatory increases, TPWD was required to absorb the costs within existing authority, leaving less for other agency operations.

LIMITATIONS OF TAX REVENUES AND FEES

Dedicated tax revenues, such as the Sporting Goods Sales Tax and Unclaimed Motorboat Fuel Tax refunds represent an important source of funding for the agency. However, as overall taxes from these sources have increased over the years, the Department's portion has not grown commensurately.

As noted previously, the Department's allocation from the Sporting Goods Sales tax is statutorily capped at \$32 million per year. 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 \$104.4 million in Fiscal Year 2007. During the same time frame, appropriations to TPWD from this source as a percent of overall Sporting Goods Sales tax generated has steadily declined, from around 38 percent in 2001 to 20 percent in Fiscal Year 2007.

Likewise, revenue received from unclaimed refunds of motorboat fuel taxes has generally been less than the total amounts authorized. 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. However, there has traditionally been a disparity between amounts authorized and amounts appropriated, with TPWD receiving less than the 75 percent authorized.

While many of these issues have been examined by TPWD and other agencies such as the Sunset Commission, additional legislative action is required to address the inflexibilities in TPWD's funding 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 2008-2009 Legislative Appropriations Request

EXCEPTIONAL ITEMS

TPWD's Legislative Appropriations Request (LAR) for Fiscal Years 2008-2009 contains a base budget request totaling \$409.2 million over the biennium. This request includes a 10 percent reduction to general revenue-related funding. The Department has also requested seven exceptional items, listed in priority order below:

Restore 10% Reductions: All agencies were required to submit budget requests limited to 90 percent of Fiscal Year 2006-2007 general revenue-related funds. The Department's highest priority is to restore the reductions taken to comply with this directive. This exceptional item would reinstate a total of \$30.6 million and 117.4 FTEs over the biennium. While these reductions impact nearly all agency strategies and objects of expense, the areas most significantly affected include Law Enforcement (\$5.6 million and 52 FTEs), State Parks (\$4.8 million and 44.4 FTEs) and Local Parks (\$7.8 million and 2 FTEs in the Local Parks Grant program).

Additional Funding for State Parks: This exceptional item would provide \$170.8 million in general revenue and 262.7 FTEs for state parks over the biennium, as recommended by the State Parks Advisory Committee. The request includes funding above the 2007 level for the following items in priority order:

- (1) \$14.2 million for state park salaries
- (2) \$11.4 million for operating costs
- (3) \$8.0 million for minor repairs
- (4) \$13.2 million for equipment, transportation items and computers
- (5) \$4.0 million for other division costs to support the State Park Division
- (6) \$50.0 million for major repairs

- (7) \$30.0 million for acquisition and development of new and existing parks
- (8) \$40.0 million for local park grants

Proposition 8 GO Bonds: Proposition 8 General Obligation bonds were approved by the voters in 2001 to address a critical backlog of repairs. This exceptional item requests appropriation of the remaining balance of \$46 million in GO bonds over the 2008-09 biennium. Approval of these amounts will allow the department to address major repair and maintenance needs, help prevent an unreasonable critical repair backlog, and will fund specific projects, such as Levi Jordan, Battleship Texas and the San Jacinto Battleground. Debt service associated with this request is \$2.8 million over the biennium and will be requested by the Texas Public Finance Authority.

General Revenue Funding for Game Wardens: This exceptional item would provide \$5.2 million in general revenue funding to support game warden operations. The funding will offset budgetary impacts resulting from increased operational costs such as fuel, utilities and consumable supplies, and allow the Law Enforcement Division to maintain level manpower at 510 game wardens. The request for general revenue funding is driven by the fact that services provided by game wardens benefit all citizens of the state, not just hunters, anglers and outdoor enthusiasts. Work on hurricanes Katrina and Rita during the last year underscored the vital role that game wardens play in protecting and serving citizens. Additionally, increased game warden involvement in homeland security activities and emergency management responsibilities has raised concerns regarding use of the traditional source of funding (Game, Fish, and Water Safety Account 009) for non-fish and wildlife related enforcement efforts.

Appropriation of Freshwater Stamp Funds: House Bill 1989 of the 78th Legislature authorized TPWD to create a freshwater fishing stamp, the proceeds of which were to be used for the repair, maintenance, renovation, or replacement of freshwater fish hatcheries in Texas, or for

the purchase of game fish to be stocked in the state's public waters. TPWD estimates that the total amount of funding available from the sale of the freshwater fish stamp (including existing balances and revenue received in fiscal years 2008 and 2009) will total \$23.6 million over the 2008-09 biennium. This exceptional item requests that after satisfying debt service relating to previous bond authority (totaling approximately \$5.6 million), the remaining \$18.1 million of dedicated funds collected from the sale of this stamp be appropriated to complete construction of the East Texas Fish Hatchery and to maintain and repair other hatcheries statewide, including projects such as water supply renovation and golden alga treatment at the Dundee Fish Hatchery and construction of a water storage reservoir at the Texas Freshwater Fisheries Center.

Capital Repairs to the Battleship Texas: The Battleship Texas represents an ongoing funding challenge for TPWD. The 1914-era ship requires extensive multi-million dollar repair and maintenance projects every decade or so. Critical repairs to the Battleship Texas and the construction of a permanent on-site dry berth at the San Jacinto Battleground is estimated to cost \$51.04 million. The 79th Legislature authorized the Texas Department of Transportation to issue \$16.1 million in federal Surface Transportation Enhancement Program funds for the Battleship Texas. If approved, these funds will be used for the construction of a permanent dry berth for the ship. An additional \$12.4 million of remaining GO Bond (Proposition 8 authority) is being requested as part of exceptional item #3 to complete construction of the dry berth, install emergency dewatering pumps, perform necessary steel hull, electrical system and wood deck repairs. This exceptional item requests general revenue for the balance of \$22.5 million in Fiscal Year 2009 for the remaining critical repairs the ship, including internal structural repairs, steel hull repairs to the ship bottom, keels and blister tanks, repairs to above deck superstructure, cranes and masts, installation of a heating /cooling system, ventilation and dehumidification systems and additional electrical system upgrades.

Texas State Railroad: The Texas State Railroad (TSRR), a historical railroad dating back to 1881, currently offers service between Rusk and Palestine and is known as one of the nation's largest and most unique steam train operations. It is also the single most costly state park to operate. Due to the high costs associated with repairs, safe operations and maintenance, the Texas State Railroad is slated to become a static museum display at TPWD's base level funding request. This exceptional item requests \$11.8 million in general revenue funding and 61.7 FTEs to continue the Texas State Railroad as a fully operational railroad. The request would cover additional salary and operational costs, annual track maintenance, repairs and rail operations, equipment purchases and repair, land acquisition, and major repairs and construction required to resume full operations. There would be continuing construction, equipment, repair and other costs associated with the proper maintenance and upkeep of the TSRR beyond the 2008-09 timeframe.

RIDERS

TPWD's Legislative Appropriations Request also contains the following significant rider proposals:

Rider 27– Appropriation of Receipts out of General Revenue– Dedicated Accounts: This rider allows any additional revenue received in excess of the Comptroller's Biennial Revenue Estimate to be appropriated to the Department and has proven very helpful in light of inflationary cost increases experienced over the last several years. TPWD requests continuation of this rider for the 2008-09 biennium.

New Rider – Appropriation Land Sale Proceeds: This requested rider would authorize the Department to spend receipts from the sale of TPWD lands to improve or acquire other real property, in accordance with provisions of the Parks and Wildlife Code, and would allow any unexpended balances to be carried forward into fiscal years 2008 and 2009. This authority would allow the Department to take advantage of

favorable land purchasing opportunities as they arise and assist the agency in meeting the land acquisition goals set forth in the Land and Water Resources Conservation and Recreation Plan.

New Rider – Strategy D.1.1 Transferability Provisions: The Department is requesting an exemption from the 12.5 percent strategy transferability limitations in cases where appropriations are transferred from any existing strategy into Strategy D.1.1 Major Improvements and Repairs. This strategy was intended to reflect the agency’s capital budget authority for construction and major repairs, essentially mirroring the capital budget rider. As such, TPWD is requesting that such transfers be subject to the 25 percent limitation applied to capital budget items instead.

New Rider – Capital Budget Transferability: Article IX, Sec. 6.16(i)(2) limits capital budget transfers to 25 percent of either the amount of the capital budget item from which funds are being transferred or the amount of the capital budget item to which funds are being transferred. The 2006-2007 General Appropriations Act provided a much more specific listing of items within the construction capital budget category than had historically been shown in TPWD’s capital budget rider. This greater level of detail has had the effect of reducing TPWD’s ability to address changes in construction needs as they arise. TPWD is requesting that the transferability provisions be applicable to each major capital budget category rather than each individual item to better address changing priorities from operating to construction during a given fiscal year.

A P P E N D I X

GENERAL REVENUE Fund 001

ALLOWABLE USES: Supplemental funding for any departmental program. Has historically been used to subsidize park operations and support administrative divisions.

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: 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.

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

AUTHORITY: TPW Code 11.035; Tax Code 151.801

**TEXAS PARK DEVELOPMENT
Account 408**

ALLOWABLE USES: Acquiring, developing, improving, beautifying, and equipping state park sites and paying expenses incurred in issuing bonds.

SOURCE(S): Proceeds derived from the sale of Texas Park Development Bonds.

AUTHORITY: Texas Constitution, Article III, 49-e; TPW Code 21.102

TEXAS PARK DEVELOPMENT BONDS INTEREST AND SINKING FUND Fund 409

ALLOWABLE USES: Paying principal, interest, exchange and collection charges associated with the issuance and maturity of Texas Park Development Bonds.

SOURCE(S): Interest received from the sale of bonds, income from park entrance or gate fees, investment income, other.

AUTHORITY: Texas Constitution, Article III, 49-e; TPW Code 21.105

TEXAS RECREATION AND PARKS Account 467

ALLOWABLE USES: Matching grants for planning, acquisition, or development of local parks and grants for recreation, conservation, or education programs for underserved populations. Once revenues 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, interest income, entrance fees, other income.
- AUTHORITY:** TPW Code 11.052

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, interest.

AUTHORITY: TPW Code 89.041

PARK FEE TRUST Account 965

ALLOWABLE USES: Administrative and operational costs of collecting entrance and gate fees at state parks and historic sites. Net income is transferred to the Interest and Sinking Fund (Account 409) for payment of bonds.

SOURCE(S): Entrance and permit fees.

AUTHORITY: Texas Constitution, Article III, 49-e; TPW Code 21.111

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 fees for commercial bay or bait shrimp boats, grants and donations.

AUTHORITY: TPW Code 77.120

GENERAL OBLIGATION BONDS

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

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

MISCELLANEOUS

Parks and Wildlife Conservation and Capital Account 5004:

Receives Sporting Goods Sales tax revenues, revenue bond proceeds and other funds for expenditure only on acquisition, development, maintenance or operation of parks, fisheries or wildlife projects that have been individually approved by the Commission (TPW Code 11.043).

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).

Varner-Hogg Trust Account 941:

Earnings from gifts of property and cash dividends used to maintain Varner-Hogg State Park (TPW Code 13.004, 13.008; Op.Tex.Att'yGen. No.WW-122).

Big Bend National Park Account 5030:

Consists of license plate fees to be used only by TPWD to support activities of a designated nonprofit organization whose primary purpose is improvement and preservation of Big Bend National Park (Transportation Code 504.606).

Waterfowl/Wetland Conservation Plates Account 5057:

Consists of license plate fees to be used only by TPWD to support activities of a designated nonprofit organization whose primary purpose is the conservation of waterfowl and wetlands (Transportation Code 504.627).

Texas Lions Camp Plate Account 5116:

Consists of license plate fees to be used only by TPWD to support activities of a designated nonprofit organization whose primary purpose is to provide a camp for disabled, hearing or vision impaired, or diabetic children who reside in Texas (Transportation Code 504.656).

Marine Mammal Plate Account 5120:

Consists of license plate fees to be used only by TPWD to support activities of the Texas Marine Mammal Stranding Network in the recovery, rehabilitation, and release of stranded marine mammals (Transportation Code 504.644).

Floating Cabin Purchase Account 5087:

Consists of gifts, grants and interest from private or public sources. Money in account may be used only to purchase a floating cabin for which a permit has been issued (TPW Code 32.058).



4200 Smith School Road
Austin, Texas 78744