

Financial Overview

JANUARY 2009



TEXAS
PARKS &
WILDLIFE

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.

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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 93 state parks (of which 90 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 500 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 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 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,

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

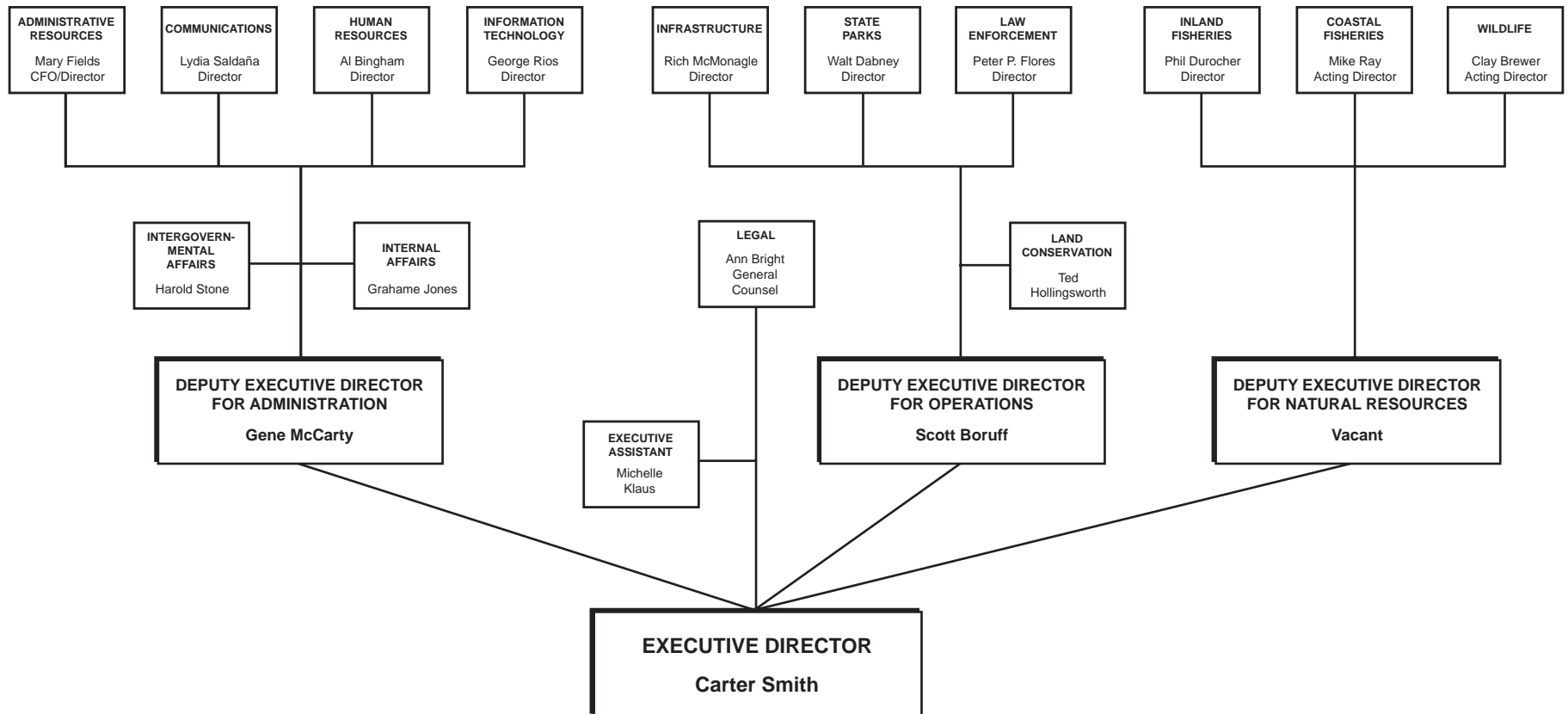


Figure 1

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 2009 combined budget for TPWD, which includes operating expenses, capital projects, grants and employee benefits, totals approximately \$402.9 million.

BY DIVISION

As shown in Figure 2, the State Parks Division accounts for the largest portion (27.2%) of the budget. Of the total State Parks Division budget of \$109.7 million, approximately \$20.9 million is “passed through” in the form of grants.

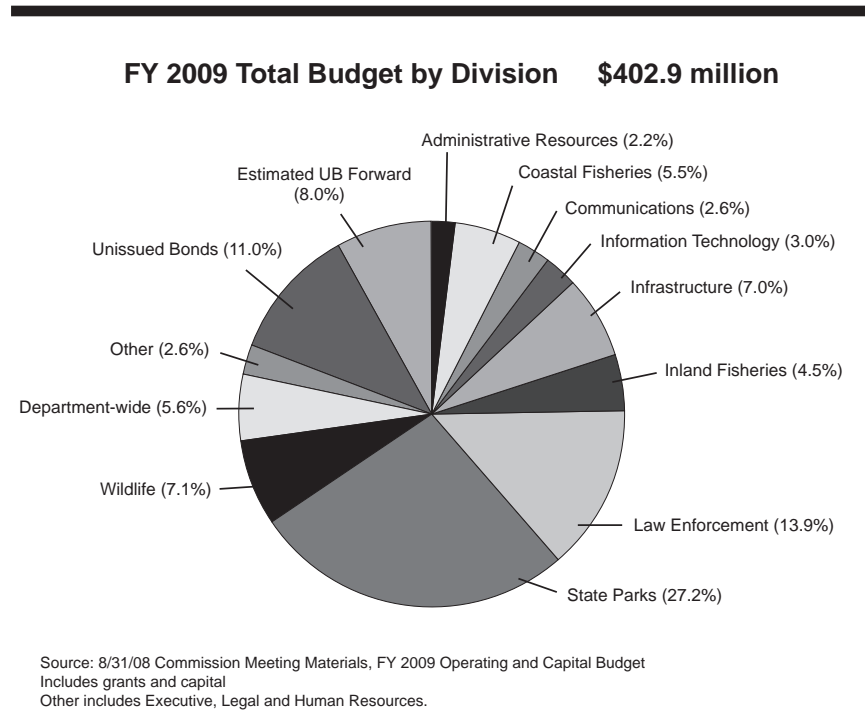


Figure 2

The Law Enforcement Division accounts for the second largest portion of the budget, receiving roughly \$56.0 million, or 13.9 percent of the total. The third largest portion of the TPWD budget (11.0%, or \$44.1 million) consists of unissued Proposition 4 and Proposition 8 bonds for statewide park repairs. Allocations for aquatic resource protection and fish and wildlife management activities, reflected in the Wildlife, Coastal and Inland Fisheries divisions, represent roughly 17.1 percent of the budget. The Wildlife Division budget is the largest, at \$28.8 million, followed by Coastal Fisheries (\$22.0 million) and Inland Fisheries (\$17.9 million).

Estimated unexpended balances carried forward for capital projects such as repairs, construction and land acquisition account for a large portion of the TPWD budget as well, representing 8.0 percent (\$32.1 million) of the total.

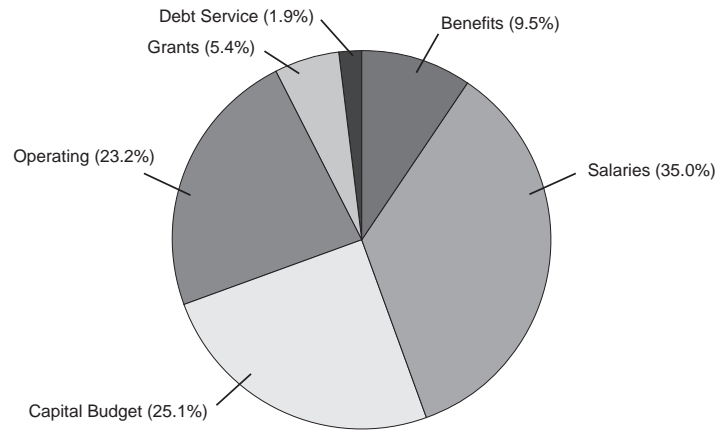
Infrastructure related activities represent about 7.0 percent (\$28.1 million) of the total budget; the Communications Division, including outreach and education, accounts for 2.6 percent (\$10.4 million); while central functions such as Administrative Resources, Information Technology, and “Other” together account for roughly 7.8 percent of the budget.

Finally, in Fiscal Year 2009, 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 5.6 percent (or \$22.4 million) of the overall budget.

BY CATEGORY

As a heavily service-oriented agency with over 3,000 authorized full-time equivalent positions, personnel costs comprise the largest portion of TPWD’s budget. As shown in Figure 3, approximately 35.0 percent (or \$141.1 million) of the overall budget is allocated for salaries in Fiscal Year 2009.

FY 2009 Total Budget by Category \$402.9 million



Source: 8/31/08 Commission Meeting Materials, FY 2009 Operating and Capital Budget

Figure 3

Employee benefits for current employees account for an additional 9.5 percent (or \$38.1 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 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 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.

Critical infrastructure repairs and other initiatives that comprise the agency’s capital program account for the next largest category of

spending, with approximately 25.1 percent (or \$101.1 million) allocated for this purpose. About 23.2 percent (or \$93.4 million) is allocated for operating expenses, while 1.9 percent (\$7.6 million) is allocated for debt service on bonds. Finally, the Department’s grant budget comprises 5.4 percent (or approximately \$21.6 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.

By far the largest portion of funding is attributed to TPWD’s special, or dedicated, funds, which together account for approximately 46.3 percent of the Fiscal Year 2009 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.

**FY 2009 Total Budget by Funding Source
(in millions)**

| | | |
|--------------------------|--------------|---------------|
| General Revenue – Fund 1 | 87.4 | 21.7% |
| GR Ded. – Account 9 | 125.1 | 31.1% |
| GR Ded. – Account 64 | 46.2 | 11.5% |
| GR Ded. – Other | 15.0 | 3.7% |
| Federal | 58.8 | 14.6% |
| Other | 70.3 | 17.5% |
| Total | 402.8 | 100.0% |

*Slight difference due to rounding.

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

Other includes interagency contracts, appropriated receipts and bonds.

Figure 4

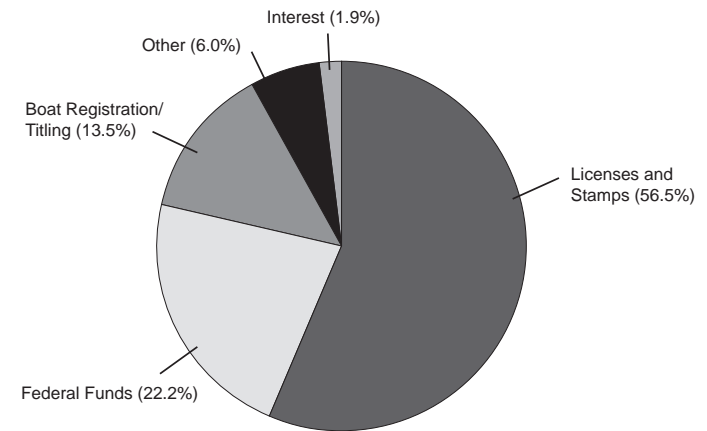
GENERAL REVENUE DEDICATED

The largest of the agency’s special funds is the Game, Fish and Water Safety Account (Account 009), which accounts for 31.1 percent of the agency’s budget for Fiscal Year 2009. 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. other activities and sources, such as the sale/lease of grazing rights on public lands, the sale of sand, shell and gravel, fines and penalties collected for violations of laws pertaining to the protection of fish, game and wildlife, and interest earnings.

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

**Game, Fish and Water Safety Account 9
2009 Estimated Revenue – \$158.3 million**



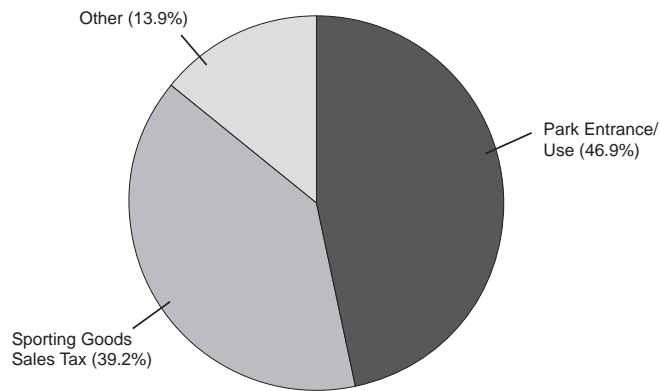
Source: Based on Comptroller’s Biennial Revenue Estimate (Jan. 2007).

Figure 5

The State Parks Account (Account 064) is the second-largest dedicated funding source for the Department and accounts for about 11.5 percent of the Fiscal Year 2009 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, including gifts, grants and donations, oil and gas royalties and leases, federal funds, and interest.

State Parks Account 64
2009 Estimated Revenue – \$75.5 million



Source: Based on Comptroller's Biennial Revenue Estimate (Jan. 2007) adjusted to include Sporting Goods Sales Tax 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 difficul-

ties 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.

Until recently, 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. In addition, proceeds above the \$27 million, up to a statutory cap of \$32 million, were split as follows: 40 percent to Account 064, 40 percent to Account 467 and 20 percent to the Texas Parks and Wildlife Conservation and Capital Account (Account 5004). During 78th and 79th legislative sessions, however, these statutory allocations were not applied, resulting in much lower appropriations to TPWD from this source. In 2007, the 80th Legislature passed House Bill 12, which directed 94 percent of total sporting goods sales tax proceeds to TPWD and the remaining 6 percent to the Texas Historical Commission. However, House Bill 12 also provided that amounts credited to either agency could not exceed actual amounts appropriated by the Legislature. As a result of this legislation, TPWD experienced an increase in sporting goods sales tax allocations in the 2008-09 biennium, receiving a total of approximately \$46 million from this source in Fiscal Year 2009.

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 percent 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 2009 TPWD received an appropriation of approximately \$16.1 million from this source.

TPWD also received \$8.2 million in “pure” general revenue appropriations. Of this amount, \$5.0 million is for debt service payments on revenue bonds. The remaining amounts will be used to subsidize park operations and fund border security and other law enforcement related operations. Finally, general revenue funding for TPWD also includes receipts from the Boat and Boat Motor Sales and Use Tax. The Fiscal Year 2009 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.

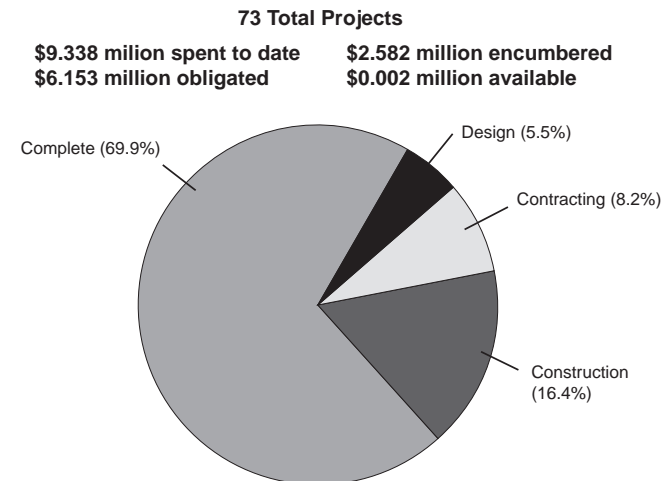
BOND AUTHORITY

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 (Proposition 8 general obligation bonds) 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 from this issuance, totaling \$36.68 million, in January 2003. As of November 2008, TPWD had completed a total of 195 projects associated with this bond issuance and had fully expended the appropriation.

In 2005, the 79th Legislature authorized an additional \$18.1 million in Proposition 8 general obligation bond authority for the 2006-07 biennium. As of November 2008, TPWD had encumbered and expended \$11.9 million and obligated/committed \$6.2 million on 73 projects statewide (see Figure 7). The 79th Legislature also authorized the issuance of

General Obligation Bond Project Status (Prop. 8, 2nd Issue - April 2006) as of November 2008 (\$18.075 million)



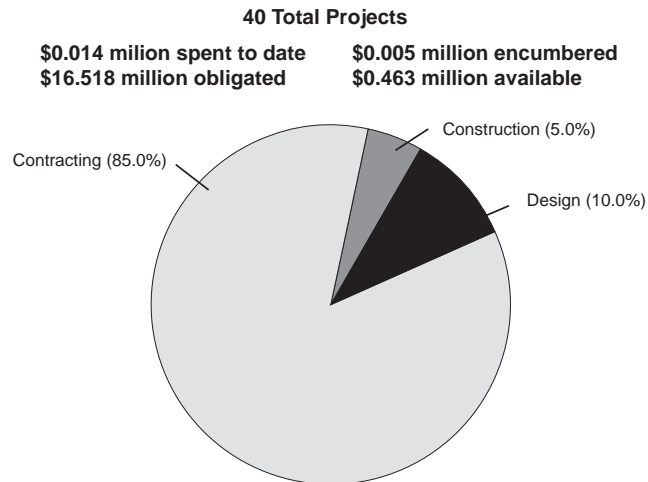
Source: TPWD—Infrastructure Division

Figure 7

\$15.0 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 received these funds in March 2007 and the project is currently in the construction phase. As of November 2008, TPWD had expended \$2.2 million and encumbered \$12.8 million of the total.

For the 2008-09 biennium, the 80th Legislature authorized another \$17 million of Proposition 8 and \$52.12 million in Proposition 4 general obligation bonds for state park capital repairs and for the dry berthing of the Battleship TEXAS. Of the Proposition 8 amounts, a total of \$16.5 million had been obligated as of November 2008 (see Figure 8). The Department has embarked on a new project delivery method which groups projects regionally, and as a result, this issue includes an anticipated 40 projects statewide, the majority of which are currently in the contracting stage.

**General Obligation Bond Project Status
(Prop. 8, 3rd Issue - Sept. 2008) as of November 2008
(\$17.0 million)**

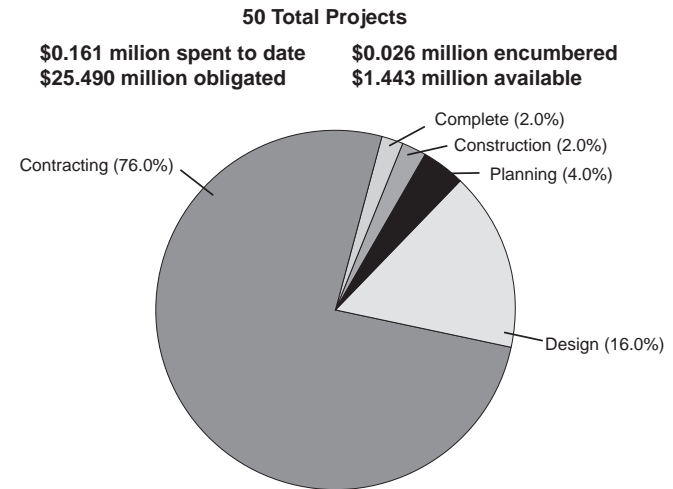


Source: TPWD-Infrastructure Division

Figure 8

In September 2008, TPWD received \$27.12 million of the Proposition 4 general obligation bond amounts. As of November, \$25.4 million of this amount had been obligated for 50 projects statewide (see Figure 9). The Department hopes to secure the remaining Proposition 4 general obligation bond authority of \$25 million during fiscal year 2009 and will use these funds for dry docking and repairs to the Battleship TEXAS.

**General Obligation Bond Project Status
(Prop. 4 - Sept. 2008) as of November 2008
(\$27.120 million)**



Source: TPWD-Infrastructure Division

Figure 9

FEDERAL SOURCES

In Fiscal Year 2009 approximately \$58.8 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 2009, the Department budgeted \$14.5 million and \$18.8 million, respectively, from these two sources.

Other significant federal funding anticipated in Fiscal Year 2009 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 9, 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 2009, the bill pattern appropriation authority for TPWD totaled \$251.5 million (see Figure 10).

FY 2009 Appropriation Authority (in millions)

| | |
|--|--------------|
| Fund 1 – General Revenue | 62.6 |
| Account 9 – Game, Fish and Water Safety | 99.8 |
| Account 64 – State Parks | 42.4 |
| Federal | 39.0 |
| Other (Appropriated Receipts, Other GR-Ded. Accts, etc.) | 7.7 |
| Total | 251.5 |

Does not include Rider 27 amounts, authority associated with fringe benefits or other authority granted in Article IX of the GAA.
Source: 2008-09 General Appropriations Act (May 23, 2007 Conference Committee version).

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.

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 11 shows the crosswalk between Fiscal Year 2009 appropriation authority and the final approved TPWD operating budget.

GAA – FY 2009 Operating Budget Crosswalk (in millions)

| | |
|--------------------------------------|--------------|
| General Appropriations Act | 251.5 |
| Adjustments: | |
| Contingent Funds (HB12, HB15, etc) | 28.7 |
| Salary Increases | 5.7 |
| Benefits/Benefit Replacement Pay | 39.0 |
| Construction and Land Acquisition UB | 76.2 |
| Federal Funds | 7.8 |
| Other Adjustments | (6.1) |
| Total, FY 2009 Budget* | 402.8 |

*Slight difference due to rounding.
Source: 8/31/08 Commission Meeting Materials, slide presentation.

Figure 11

For Fiscal Year 2009, the starting point for development of TPWD’s internal budget was 100 percent of the Fiscal Year 2008 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 2009 budget reflected the continued impact of contingent appropriation increases and reductions, such as those associated with the transfer of sites to the Texas Historical Commission (House Bill 12) and the data center services consolidation (House Bill 15). The budget also reflected increases associated with the 2 percent payraise for employees. 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

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 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 79th 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. 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 2010-11 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.

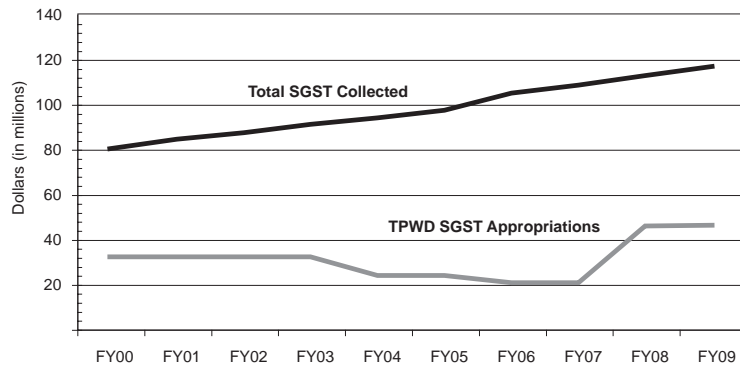
Available fund balances are also affected by allocations that are required, but not specifically or directly appropriated to the agency by the Legislature. An example is the requirement that payment of employee benefit costs be proportional to the source from which the salaries are paid. While comprising a portion of fund balances, amounts associated with employee benefits are not available for other uses. Recently authorized longevity, hazardous duty and reclassification increases are yet another example. If additional appropriation authority is not provided to cover these mandatory increases, TPWD must 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. 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 \$116.6 million in Fiscal Year 2009. Due to the statutory cap (in place until 2007) on the amounts of sporting goods sales tax allocated to TPWD, appropriations to TPWD from this source as a percent of overall sporting goods sales tax showed a steady decline over the years. In 2001, sporting goods sales tax appropriated to TPWD represented approximately 38 percent of the total. By Fiscal Year 2007, this figure had dropped to 19 percent. Beginning in 2008, House Bill 12 of the 80th Legislature removed the \$32 million cap and instead provided that

TPWD and the Texas Historical Commission were to receive a set percentage of the overall sporting goods sales tax collected: 94 and 6 percent, respectively. This same bill, however, provided that the amounts credited to either agency could not exceed the actual amounts appropriated by the Legislature for that biennium. While TPWD did ultimately experience an increase in sporting goods sales tax allocations in Fiscal Year 2009, the total of \$46.1 million represented approximately 40 percent of total sporting goods sales tax collections, rather than the full 94 percent as laid out in House Bill 12, and it is unknown at this time if these funding levels will be continued in the upcoming biennium. A joint legislative task force is currently studying these and other related issues, and is scheduled to issue a report prior to the start of 81st Legislature.

Total Estimated Sporting Goods Sales Tax Collections Compared to Actual TPWD SGST Appropriations



Source: Comptroller's Office and GAAs
 FY2006-2009 estimates based on information from the CPA as of 11/30/2006.

Figure 12

Similarly, revenue received from unclaimed refunds of motorboat fuel taxes has fallen short of maximum allowable levels. 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, TPWD has historically received less than the authorized amount.

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

Fiscal Year 2010-2011 Legislative Appropriations Request

EXCEPTIONAL ITEMS

TPWD's Legislative Appropriations Request (LAR) for Fiscal Years 2010-2011 contains a base budget request totaling \$643.9 million over the biennium. The Department has also requested nine exceptional items, listed in priority order below:

Salary Equity/Total Compensation Package: Surveys and compensation studies have consistently identified fair pay and compensation as significant issues for the department. Analysis of TPWD's current salary structure indicates that agency-wide, approximately 68 percent of employees are paid in the first quartile, compared to a statewide average of 46 percent. The percentage is much higher among employees in the administrative support classifications. Additionally, TPWD's average salary lags the Article VI (natural resource) average by about 11 percent and trails the Texas Commission on Environmental Quality (TCEQ), the natural resource agency most comparable in terms of size and mission, by over 16.5 percent.

An effective compensation package that includes competitive salaries as well as an active merit program is critical to our ability to retain and recruit qualified staff. As such, TPWD's highest funding priority is assuring that staff are appropriately compensated and that salaries are competitive with other similar state agencies. The Department began making specific agency-wide equity adjustments effective July 2008.

This request, totaling \$20.0 million in general revenue and Game, Fish and Water Safety Account (Account 009) over the biennium, would allow TPWD to continue equity adjustments for the remaining TPWD staff and institute a total compensation package in 2010 and 2011.

Increased Fuel and Operational Costs: Increases in fuel prices have a significant impact on TPWD operations and programs. Routine agency daily operations, such as vehicle and boat patrols conducted by game wardens, population and harvest surveys, research, and state park maintenance are all heavily fuel intensive. With an estimated 44 percent change in the average price of gasoline between 2007 and 2009, additional funds must be directed to addressing fuel costs in order for TPWD to continue to carry out its core responsibilities. The rising cost of many of the services needed to operate TPWD programs and facilities, including state parks, fish hatcheries, wildlife management areas, and law enforcement operations have also been a concern in recent years. Specific aspects of TPWD operations have experienced dramatic increases over and above standard inflationary indices. For example, the cost of goods used in the state parks minor repair program increased by 13.3 percent in the first half of 2008. The costs for feed, fertilizers and other products required to operate fish hatcheries have also grown significantly, in some cases by over 40 percent.

In addition to inflationary increases, TPWD is experiencing growth in operational costs due to implementation of legislative requirements associated with Senate Bill 3 and expansion of hatchery capacity associated with the completion of the East Texas Fish Hatchery.

This exceptional item requests \$11.9 million in general revenue and Game, Fish and Water Safety Account (Account 009) funding to address these needs as follows:

- Fuel Price Increases: \$5.0 million
- Inflationary Operational Cost Increases: \$6.6 million
- Edwards Aquifer Recovery Implementation Plan (EARIP): \$50,000

- Operational Costs at the East Texas Fish Hatchery: \$227,083 (scheduled to come online in 2010).

Statewide Capital Repairs/Construction: Due to our mission and statewide presence, the extent and diversity of TPWD land and facility holdings is considerable relative to most other agencies. These holdings, which include the Austin Headquarters Complex, field offices, state parks, natural areas, historic sites, wildlife management areas and hatcheries statewide, require ongoing major repairs/construction to provide quality visitor experiences as well as to ensure the safety and efficiency of operations. In recent years, TPWD has benefited from substantial amounts of bond funding to address renovations and repairs at various locations. The most recent bond authorization by the 80th Legislature included \$44.1 million specifically for statewide park repairs and \$25 million for repairs to the Battleship TEXAS. While these funds will allow much-needed improvements to our state parks, many other deferred needs remain at state parks and other facilities. An ongoing investment in TPWD's facility infrastructure, including the headquarters, field offices and other public field sites, is necessary to ensure proper upkeep and to avoid further costs of deferred maintenance. TPWD requests a total of \$36.0 million in General Obligation bonds for this purpose in the 2010-11 biennium.

Expanded Public Access to Outdoor Recreational Opportunities:

The first goal in TPWD's *Land and Water Resources Conservation and Recreation Plan* is to improve access to the outdoors by identifying opportunities to expand outdoor recreation, water access, hunting, and fishing on both public and private lands and waters. This exceptional item requests \$12.2 million over the biennium, as shown below, in support of this goal.

- Private Lands and Permitting: Funding and FTEs to enhance capability to provide technical assistance to private landowners across the state and to address the growing workload associated with the Deer Breeder Program. \$1.7 million and 15 FTEs.

- **Improved/Expanded Access to Inland and Coastal Public Waters:** Funding and FTEs to provide assistance to local communities in support of projects that provide increased/improved access to water resources. Examples include development of new paddling trails, development of/improvements to new and existing boat ramps, community fishing programs, and new bank/pier fishing opportunities. \$2.5 million and 7 FTEs.
- **Aquatic Vegetation Control:** Resources for vegetation management on Texas' most problematic water bodies and for quick response to new infestations that may occur. \$2.5 million.
- **Texas Outdoor Family and Park Operations Staff:** Funding and FTEs to allow for the expansion of the Texas Outdoor Family program in state parks and to improve park management, services and programs. \$716,382 and 10 FTEs.
- **New Panhandle Off-Road Vehicle Recreation Site:** Funding and FTEs required to responsibly develop, operate and manage a high demand, off-road vehicle recreational site near the Canadian River. \$1.6 million, with 6 FTEs in FY 2010 and 10.5 in FY 2011.
- **Marketing/Outreach Efforts:** Funding and FTEs for enhanced marketing, social networking, direct mail, Internet development, and demographic research initiatives needed to promote outdoor recreational opportunities to targeted consumer audiences and to expand urban and minority outreach efforts in San Antonio. \$3.2 million and 6 FTEs.

State Parks Fiscal Controls: The March 2007 State Auditor's Office (SAO) report on financial process at TPWD's state parks called for improved accuracy of park revenue and visitation reporting, new fiscal controls, and a stronger commitment to best business practices. Full implementation of these important recommendations has required devotion of most park staff resources, at times creating challenges in balancing priority needs involving business practices, customer service,

and field operations/maintenance. For example, ensuring adequate separation of duties in critical functions such as revenue collection, cash reconciliation, accounting and reporting, often means that field staff in small parks must focus on administrative responsibilities, rather than operational ones, thereby leaving key park functions relating to stewardship and visitor services unattended.

This exceptional item requests \$2.4 million in general revenue over the biennium and 47.2 FTEs to improve compliance with new fiscal control/other audit requirements and ensure that other critical park services are supported.

Information Technology Initiatives: TPWD continues to face challenges in maintaining current technology services and keeping up with advancing and rapidly changing technologies. Development and implementation of new applications and expansion of voice/data connectivity for field staff are top IT priorities for the agency, as these efforts can help improve agency data collection/sharing and increase the efficiency of day-to-day operations. Addressing increased costs associated with the data center consolidation effort is also a priority.

This exceptional item requests a total of \$5.4 million in general revenue funding over the biennium. Of this total, \$3.5 million is for increased network and other adjusted data center charges, including data center increases associated with proposed growth of agency technology initiatives, and \$1.9 million and three FTEs is associated with custom application development.

Law Enforcement In-Vehicle Automation: This exceptional item would provide \$5.0 million in general revenue funding for the Law Enforcement In-Vehicle Automation Project, which supports deployment of turnkey computer systems in law enforcement vehicles. The project will allow game wardens to perform their job duties while on patrol in remote areas of Texas and put TPWD on par with the Department of Public Safety and city and county law enforcement entities throughout the state. Job efficiency will be greatly improved by

providing access to common technologies such as laptops, internet, email, network resources, etc. Wardens will have the ability to run queries and obtain background information on violators in several different systems. Real-time tracking of Department patrol vehicles for officer system concern and safety will be available. Funding is requested for FTEs, associated operating costs and computers.

Land Acquisition/Development: As evidenced by almost universal passage of local ballot initiatives designed to help acquire key lands and waters for public access and benefits, the demand for more parks and wildlife management areas is very strong among Texans. With an ever expanding urban public, the State of Texas needs to invest in accessible places for the public to enjoy Texas' unique and nearly unparalleled outdoor recreational opportunities. TPWD's *Land and Water Resources Conservation and Recreation Plan* calls for the Department to focus on expanding existing state parks and wildlife management areas to improve access, recreation experience, wildlife habitat and resource protection; to acquire and develop a minimum of four, 5,000-acre or larger state parks near major urban centers of the state; and to acquire new wildlife management areas in high priority ecoregions of the state.

TPWD is also in need of adequate funding sources for facility development in order to maintain/expand current levels of revenue and visitation at sites and to improve services to the public.

This exceptional item requests a total of \$30.0 million in general revenue over the biennium to allow the department to address land acquisition and development needs. Of this total, half is for land acquisition and the other half will fund development needs.

Governor's Border Security Initiative: TPWD game wardens have played a supporting role in the Governor's Texas Border Initiative while adhering to their primary functions of fisheries and wildlife law enforcement, boating safety, and search and rescue. Their knowledge and experience in providing law enforcement services off the pavement and on the water is a well known asset for Texas. In this regard, TPWD has

served as a partner and force multiplier along our southern border, including the international lakes and the gulf coast. Events such as the Texas Border Initiative can stretch agency funding beyond its limits. This exceptional item provides stable funding to address (1) placing more patrol officers on the Texas Border (22.9 FTEs in 2010; 25 in 2011); (2) costs associated with operation of equipment; and (3) costs associated with the purchase, maintenance and replacement of equipment. The total request is for \$9.1 million in general revenue funds over the biennium.

RIDERS AND OTHER ITEMS

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 2010-11 biennium.

Rider 22 – Appropriation Land Sale Proceeds: This rider authorizes 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 2010 and 2011. This authority will 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*. TPWD requests continuation of this rider in the 2010-2011 biennium.

Fund Balances and Use of Sporting Good Sales Tax: The Legislative Budget Board's Texas State Government Efficiency and Effectiveness Report (January 2007) recommended the use of fund balances to address

TPWD funding issues in the 2008-09 biennium. Consistent with the recommendations in this report, the 80th Legislature made a one-time appropriation totaling \$27.4 million over the biennium from unexpended fund balances in the State Parks Account, the Texas Recreation and Parks Account, and the Texas Parks and Wildlife Capital and Conservation Account. These amounts were directed to state park operations, including salaries, operating expenses, minor repairs and land acquisition. As a result of this directive to spend down fund balances, balances and revenues in these accounts are not expected to

be sufficient to support TPWD's balance needs and base level funding request for the 2010-11 biennium. Therefore, as directed by the Legislative Budget Board, TPWD's 2010-2011 Legislative Appropriations Request reflects sporting goods sales tax in amounts needed to replace use of the one-time balances and also includes a 10 percent reserve of total revenues in each account to ensure that sufficient funding will be available to meet demand. Providing a consistent funding stream of sporting goods sales tax will ensure continued investments in state and local parks for the 2010-11 biennium.

A P P E N D I X

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 border security and other law enforcement related operations.

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

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

GAME, FISH AND WATER SAFETY
Account 009

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

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

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

STATE PARKS
Account 064

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

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

AUTHORITY: Includes TPW Code 11.035; Tax Code 151.801

TEXAS 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 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 exceed \$14 million per year, at least 15% must be used to fund indoor recreational facility grants.

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

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

AUTHORITY: TPW Code Chapter 24; Tax Code 151.801

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

AUTHORITY: TPW Code 77.120

GENERAL OBLIGATION BONDS

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

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

REVENUE BONDS

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

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

MISCELLANEOUS

Parks and Wildlife Conservation and Capital Account 5004:

Receives sporting goods sales tax revenues, revenue bond proceeds, conservation license plate revenues 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; Transportation Code 504.618).

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).

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).



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