



Texas Parks and Wildlife Department

FINANCIAL OVERVIEW

January 2004

TEXAS
PARKS &
WILDLIFE

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 many questions one might have about the agency, and includes 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 Texas 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 1.3 million acres of parks and recreation areas, wildlife management areas, natural areas, and historic/cultural areas. In all, the Department manages 118 state parks 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 450 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 regulating 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 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, the Chief of Staff, 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. In fact approximately 78 percent of the Department's employees are located away from the central headquarters in Austin.

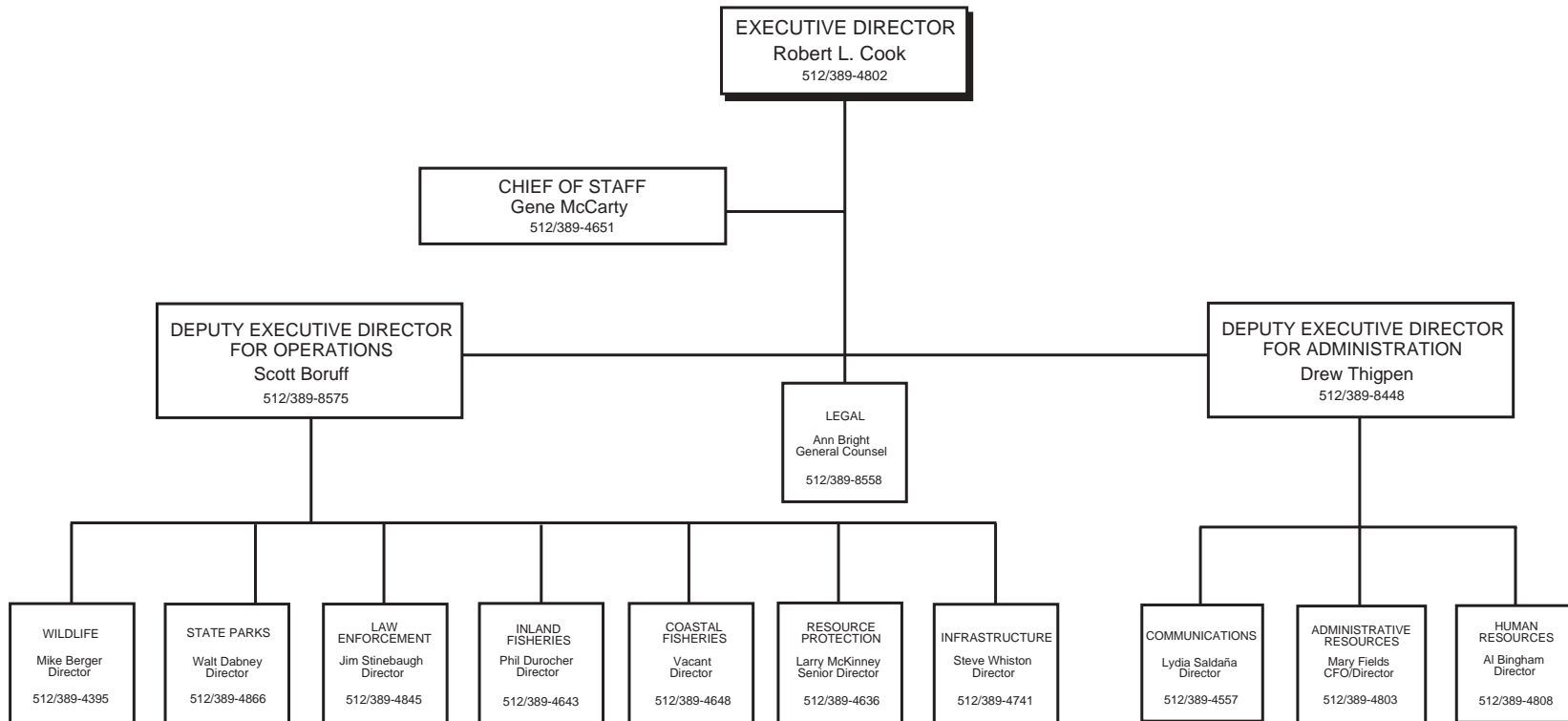


Figure 1

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 freshwater fish and their habitats. Activities include fisheries management and research; aquatic habitat management; fishing access projects; and fish production. 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; and the Artificial Reef program. The Coastal Fisheries Division also operates three marine fish hatcheries.

THE RESOURCE PROTECTION DIVISION'S primary focus is on habitat conservation/restoration and protecting fish, wildlife and plant resources from degradation or depletion. Activities include investigating fish kills and pollution incidents; assessing injury to fish and wildlife resources; evaluating and assessing the impact of development projects

on aquatic resources; providing recommendations for protection of fish and wildlife resources to state, local, and federal entities; and working with other state and federal agencies to conserve and restore wetlands.

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.

INFORMATION TECHNOLOGY provides information resources services in support of all TPWD divisions. Functions include planning

and quality assurance; disaster recovery; procurement; network operations; database administration; training and help desk services; productions control; and applications development.

The Budget and Where It Goes

The Fiscal Year 2004 combined budget for TPWD, which includes operating expenses, capital projects, grants and employee benefits, totals approximately \$289.1 million.

BY DIVISION

As shown in Figure 2, the State Parks Division accounts for the largest portion (28.4%) of the budget. Of the total State Parks Division budget of \$82.1 million, approximately \$1.6 million is for capital projects and \$19.7 million is “passed through” in the form of grants.

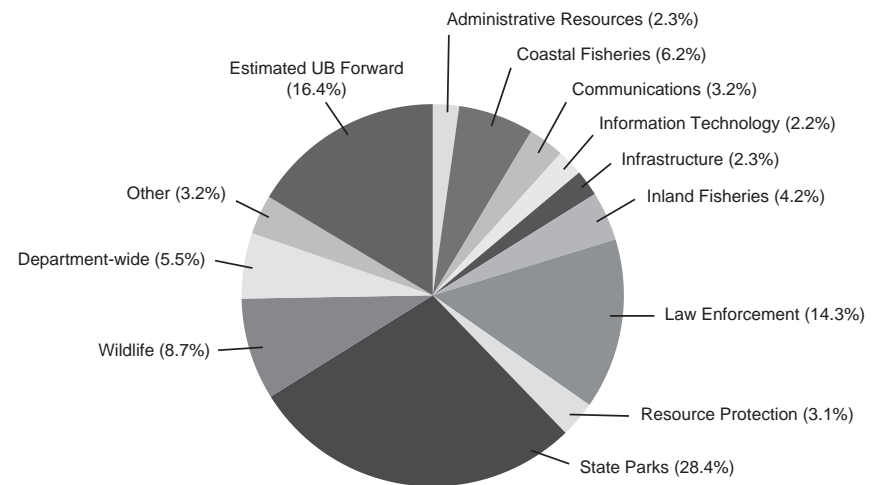
The second largest portion of the TPWD budget (16.4%, or \$47.4 million) consists of estimated unexpended balances carried forward for capital projects such as repairs and construction. The Law Enforcement Division accounts for the third largest portion of the budget, receiving roughly \$41.3 million, or 14.3 percent of the total.

Funding for fisheries and wildlife management, reflected in allocations for Wildlife, Inland, and Coastal Fisheries divisions, represents roughly 19 percent of the budget. The Wildlife Division budget is the largest, at \$25.1 million, followed by Coastal Fisheries (\$17.9 million), and Inland Fisheries (\$12.2 million).

About 3.1 percent (or \$8.8 million) of the TPWD budget is used to fund activities of the Resource Protection Division, while the Infrastructure Division represents about 2.3 percent (\$6.6 million) of the total budget.

The Communications Division, including outreach and education, accounts for 3.2 percent (\$9.2 million), while central functions such as Administrative Resources, Information Technology, and “Other” together account for roughly 7.7 percent of the budget. Finally, in Fiscal Year 2004, department-wide initiatives such as debt service payments, allocations for the State Office of Risk Management (SORM) and the Statewide Cost Allocation Plan (SWCAP), accounted for 5.5 percent (or \$16 million) of the overall budget.

FY 2004 Total Budget by Division \$289.1 million



Source: 8/31/03 Commission meeting materials, FY 2004 Operating and Capital Budget
 * Includes grants and capital
 Other includes Executive, Legal and Human Resources.
 Department-wide includes funding for items such as debt service, SORM, SWCAP and Land and Water Conservation Funds (FF).

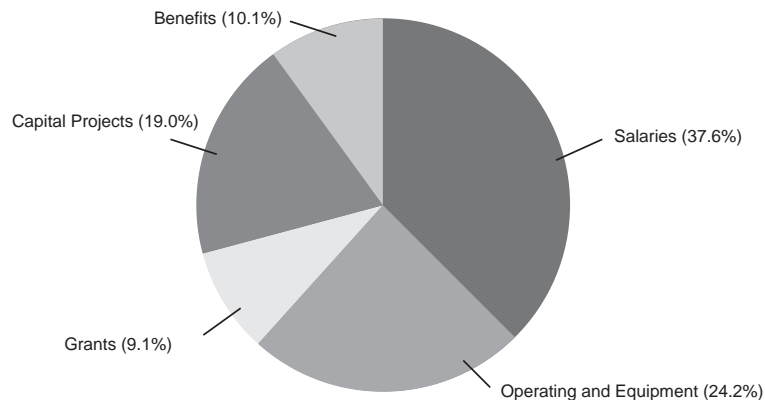
Figure 2

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 37.6 percent (or \$108.7 million) of the overall budget is allocated for salaries in Fiscal Year 2004.

Employee benefits for current employees account for an additional 10.1 percent (or \$29.1 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

FY 2004 Total Budget by Category \$289.1 million



Source: 8/31/03 Commission meeting materials, FY 2004 Operating and Capital Budget

Figure 3

provisions of the General Appropriations Act. These provisions require that payments for employee benefit costs be proportional to the source from which the salaries are paid. For a majority of state agencies,

general tax 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 24.2 percent (or \$69.9 million) allocated for this purpose. The Department's grant budget comprises 9.1 percent (or approximately \$26.3 million) of overall funding, and includes amounts for local park, outreach, boating access and a number of other grant programs.

Finally, about 19 percent (or \$55 million) is allocated for critical infrastructure repairs and other initiatives that comprise the agency's capital program.

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 then 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 to cover a sizable amount of TPWD's budget, they are not sufficient to cover all funding needs. As a result, TPWD is funded from a combination of general revenue, general revenue- dedicated, federal, and other funds. Figure 4 depicts the major funding sources for the Department.

**FY 2004 Total Budget by Funding Source
(in millions)**

General Revenue – Fund 1	34.4	11.9%
GR Ded. – Account 9	96.4	33.4%
GR Ded. – Account 64	44.3	15.3%
GR Ded. – Other	14.2	4.9%
Federal	49.7	17.2%
Other	50.1	17.3%
Total	289.1	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

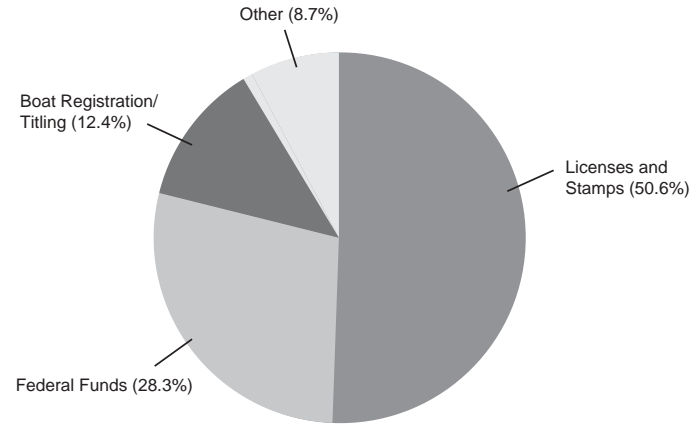
By far the largest portion of funding is attributed to TPWD’s special, or dedicated, funds which together account for over 50% of the Fiscal Year 2004 budget. Compared to general revenue, which is derived from general state taxes, these dedicated funds primarily consist of revenues generated from Parks and Wildlife 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 33.4 percent of the agency’s budget for Fiscal Year 2004. 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 from Sportfish and Wildlife Restoration;
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
2004 Estimated Revenue – \$128.2 million**



Source: Based on Comptroller’s Biennial Revenue Estimate – 2004-05 / January 2003

Figure 5

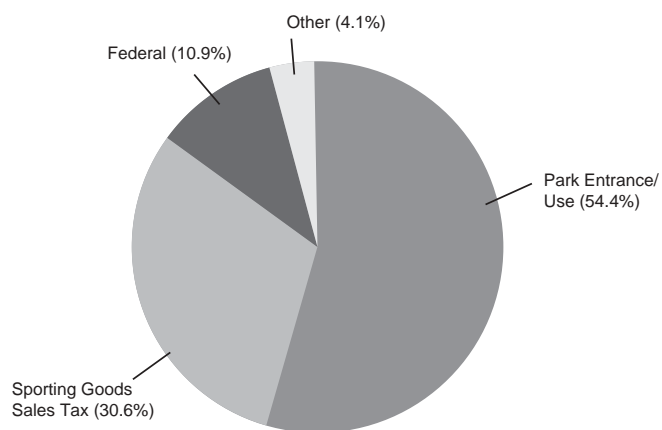
As a statutorily dedicated account, Account 009 may be used only for purposes related to the protection, regulation and conservation of the state’s fish and wildlife, sand, shell, and gravel, and the enforcement of water safety laws. Therefore, this fund pays for the operational activi-

ties and capital projects of the Inland Fisheries, Coastal Fisheries, Wildlife, Law Enforcement, and Resource Protection Divisions as well as some support services of the administrative divisions.

The State Parks Account (Account 064) is the second largest dedicated funding source for the Department and accounts for about 15.3 percent of the Fiscal Year 2004 operating budget. The sources and uses of the account are associated with the operation of state parks, historic sites, and natural areas. As shown in 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
2004 Estimated Revenue – \$50.7 million



Source: Based on Comptroller's Biennial Revenue Estimate – 2004-05 / January 2003 and General Appropriations Act

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 sporting goods sales tax. 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 78th Legislative session however, these historic allocations were not applied in determining appropriations from this source. The 78th Legislature appropriated a total of \$23.7 million to TPWD, with \$15.5 million allocated to Account 064 and approximately \$8.2 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 appropriated to TPWD consists of allocations 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 gasoline taxes may be appropriated only to the Parks and Wildlife Department (V.T.C.A. Tax Code, 153.502). While the proceeds from the motorboat gasoline tax can be spent for any purpose within the responsibilities of TPWD, it has historically been used to subsidize park operations. In Fiscal Year 2004 TPWD received an appropriation of approximately \$14.0 million from this source.

TPWD also received \$10.3 million in “pure” general revenue appropriations. Of this amount, \$5.7 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 2004 appropriation to TPWD from this source was \$5.3 million. These amounts are in addition to the amounts deposited into Account 009 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.

The Department was authorized \$60 million in revenue bonds by the 75th Legislature (1997) for use in addressing critical facility repairs, including health and safety, regulatory and resource damage, Americans with Disabilities Act requirements, water/wastewater projects and hatchery renovations. The bonds were issued in four fiscal increments starting in 1998. During Fiscal Year 2003, the Department closed out two of the issues totaling over \$30.5 million and is currently close to 85 percent complete on the remaining two issues. Figures 7 and 8 illustrate the issuance and project status associated with these revenue bonds.

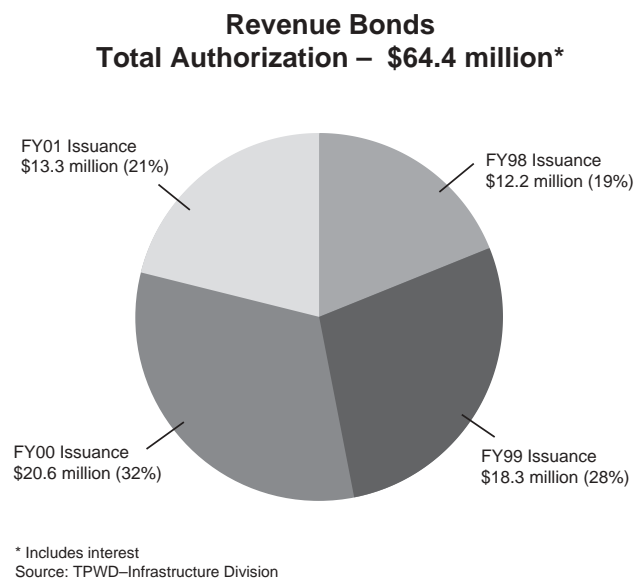
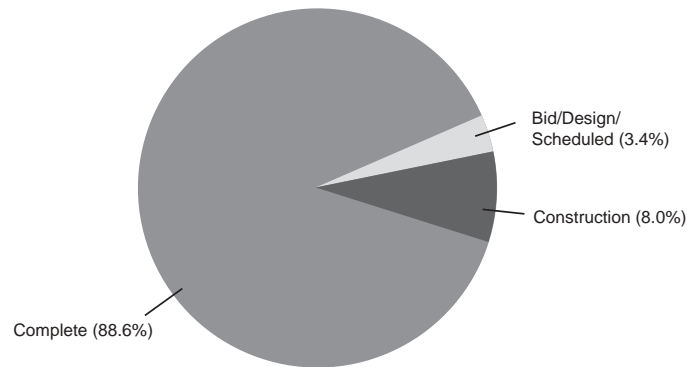


Figure 7

Revenue Bond Project Status As of November 2003

414 Total Projects
\$59.8 million spent to date \$1.6 million encumbered



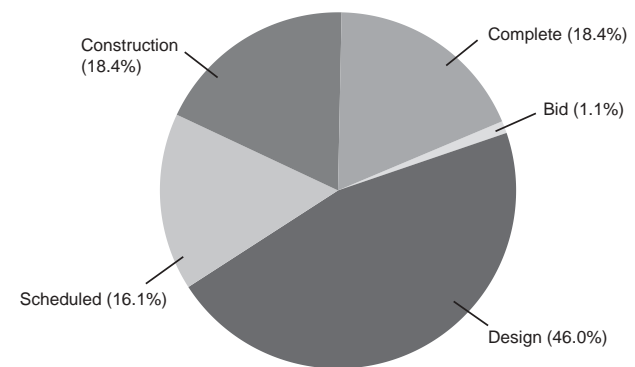
Source: TPWD—Infrastructure Division

Figure 8

In addition to the revenue bonds, 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 on expenditures of this bond issue (see Figure 9). As of November 2003, the Department had expended and encumbered over \$8.0 million and identified and obligated the remaining \$28.7 million for facility repair and renovation projects across the state. Due to concerns regarding adequate funding to cover debt service requirements on these bonds, no additional appropriation authority was provided to TPWD for the 2004-2005 biennium. The Department plans to seek authority from the 79th Legislature for approval of a bond issuance for Fiscal Years 2006 and 2007.

General Obligation Bond Project Status As of November 2003

87 Total Projects
\$2.3 million spent to date \$5.7 million encumbered



Source: TPWD—Infrastructure Division

Figure 9

FEDERAL SOURCES

In Fiscal Year 2004 approximately \$49.7 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 2004, the Department budgeted \$8.7 million and \$14.9 million respectively from these two sources.

Other federal funding received by the agency in Fiscal Year 2004 includes shrimp disaster relief funding, State Wildlife grants, and grants under the National Recreational Trails program and the Boating Safety Financial Assistance program. 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 Parks and Wildlife Foundation of Texas, Inc. The Foundation was incorporated in 1991 as a non-profit for the explicit purpose of assisting TPWD in carrying out its mission.

Lone Star Legacy. The private sector has an opportunity to preserve their favorite Texas places for future generations through Lone Star Legacy. The campaign, launched by former Governor Bush, offers endowment opportunities for Texas Parks and Wildlife sites across the system through the Parks and Wildlife Foundation of Texas. Only the interest generated from the funds can be spent. While some donors have allowed their gifts to be distributed equally to all sites, others can contribute to their favorite outdoor locale with specific donations. These tax-deductible donations will serve as a long-term funding strategy to benefit our state parks, wildlife management areas and fish hatcheries.

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 (G.A.A.) 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 increase or limit budgeting flexibility for TPWD. Examples of current riders that increase flexibility include Rider 10, Fund Transfer Authority (which helps alleviate cash flow problems) and Rider 27, Appropriation of Certain Concession Receipts (which provides authority to spend certain concession receipts generated at state parks or other TPWD facilities). Riders imposing limitations or directing expenditures include Rider 1, Capital Budget, which specifically delineates the capital budget amounts and items on which appropriations may be spent, and Rider 16, Limitation on Out of State Travel, which limits travel expenditures to 75 percent of amounts spent in Fiscal Year 2000.

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 2004, the appropriation authority (including

riders) for TPWD totaled \$254.3 million (see Figure 10). As compared to the department's requested funding levels, these appropriations reflected the following significant reductions:

- Proposition 8 bonds – \$16.3 million in 2004, total of \$34.2 million (General Obligation Bonds)
- Local Park Grant Program – \$7.7 million (Sporting Goods Sales Tax)
- Minor Repairs – \$1.1 million (GR)
- Outreach and Public Awareness – \$1.4 million (various GR-Dedicated funds)
- Information Resources – \$0.9 million (GR and GR-Dedicated)

The appropriations also reflected some significant additions, including \$15.8 million contingent upon fee increases adopted by the Commission, as well as \$299,000 for implementation of House Bill 2926, which requires mandatory licensing of marine dealers, manufacturers, and distributors.

**FY 2004 Appropriation Authority
(in millions)**

Fund 1 – General Revenue	53.3
Account 9 – Game, Fish and Water Safety	81.9
Account 64 – State Parks	18.9
Account 467 – Texas Recreation and Parks Account	4.9
Bonds	43.5
Federal	46.1
Other (Appropriated Receipts, Other GR ded etc)	5.7
Total	254.3

Includes line-items and agency rider appropriations only. Does not include authority associated with fringe benefits or other authority granted in Article IX.

Source: 2004-05 General Appropriations Act

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 2004 appropriation authority and the final approved TPWD operating budget.

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

General Appropriations Act	254.3
Adjustments:	
Riders	(0.40)
Appropriated Receipts	0.9
Federal Funds	3.7
Benefit Replacement Pay	1.5
Benefits	29.1
Total, FY 2004 Budget	289.1

Source: 8/31/03 Commission presentation, adjusted to reflect riders.

Figure 11

For Fiscal Year 2004, the TPWD budget development process underwent a number of changes designed to strengthen the linkage between the agency's internal budget and the General Appropriations Act and to improve internal budget management practices. For example, the base budget was defined by appropriation authority for the Fiscal Year rather than what each division was budgeted in the prior year. Employee benefits, which had historically been incorporated into the base budget for each division, were excluded from the base so as not to be in direct competition with the specific line item authority provided in the General Appropriations Act.

TPWD faced some difficult decisions in developing the 2004 operating budget. To assure our ability to perform core mission and service functions, the final budget included reductions in both operations and staffing. In all, the operating and capital budget of \$289.1 million is 14.5 percent, or \$49 million less than the Fiscal Year 2003 budget. The areas most significantly impacted by these reductions include state parks improvements and repairs, local park grants, and outreach and public awareness programs. Staffing reductions were also made, with a total of 79 vacant and 24 filled positions eliminated. On a positive note, the Legislature helped with a rider that allowed the Commission to increase fees and provide \$15.8 million to fund essential programs and avoid further reductions.

Financial Issues

As previously noted, 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. 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. Given the nature of estimates, the actual balances and revenues received can be different than the original projection.

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 cause of the lapse is not clearly understood, this could be perceived as an ineffective use of state funds.

On the other hand, if actual cash exceeds the amount of appropriation authority, TPWD's ability to effectively manage funds and be accountable to those who contributed to the agency's funding would be restricted. In this situation, because of appropriation limitations, TPWD would not be able to expend the additional cash generated to respond to increased pressure on agency resources and facilities.

FUND BALANCES VS. FUND AVAILABILITY

Another funding issue facing the Department is that 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 must be spent only on very specific purposes. Revenue from turkey, waterfowl and white-winged dove stamps may only be spent for

research, management and protection of each species or their habitats. Balances derived from these stamps are not available and may not be appropriated for general use. There is a distinction, therefore, between the total balances/ revenue of Account 009 and the actual amounts available for appropriation or expenditure on general agency operations.

In other cases fund balances are affected by allocations that are required, but not 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. Because TPWD funding is derived from several agency-specific funds and accounts, payments for benefit costs must be transferred out of these funds to the retirement system. While comprising a portion of fund balances, these amounts are not available for other uses.

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 climbed from \$71.6 million in Fiscal Year 2000 to an estimated \$78 million in Fiscal Year 2003. During the same time frame, the percentage of overall Sporting Goods Sales tax received by TPWD has steadily decreased, from around 44 percent to 41 percent.

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

gasoline taxes may be appropriated only to the Parks and Wildlife Department. In recent years however, the disparity between amounts authorized and amounts appropriated has consistently remained at over \$1 million, and the cumulative difference between the statutorily authorized allocation and actual appropriations received over the years has been quite significant, totaling close to \$13.0 million.

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.

Other Issues

BONDS

One of the biggest challenges facing TPWD over the next two years will be obtaining authority from the 79th Legislature for the next appropriation of Proposition 8 bond funds. Since TPWD did not receive approval for any of the \$34 million requested for the 2004-2005 biennium, the next proposed funding request is estimated at close to \$46.4 million. Eighteen million of this amount is identified for repairs, with the remaining \$28.4 million dedicated to complete renovations at specific park sites. It will be critical for the Department to secure this funding to avoid creating an unreasonable critical repair backlog. Likewise, reinstatement of funding for the minor repair program will also be a priority, as continued deferral of routine maintenance projects is likely to result in increased future capital costs.

BUSINESS IMPROVEMENT PLAN

In January 2002, the Commission obtained the services of a consultant to conduct a management review of TPWD. The goals of the review were to recommend changes and improvements that would allow the Department to more effectively address issues identified as part of the 2001 State Auditor's Office audit of TPWD; to identify strategic issues to be addressed by the Commission; and to examine long-term financial obligations. The review identified several areas of concern related to TPWD's organizational structure, financial management, budgeting practices, and operations, and ultimately resulted in development of a Business Improvement Plan to track progress in addressing the issues noted.

Implementation of the recommendations in the report has been a top priority for TPWD over the last two years, and significant progress has been made in this regard. As of November 2003, of the 94 items in the plan, 70 (or 74 percent) were complete, and an additional 11 (12 percent) were over 80 percent complete. Key accomplishments have included:

- Hired a General Counsel;
- Strengthened oversight of the Point-of-Sale contract by revising document retention requirements, hiring a contract monitor and license auditor to conduct audits of POS system;
- Strengthened mail room and cash handling procedures;
- Completed reconciliation between IFS and USAS for 1998-2002 and initiated ongoing reconciliations.

PROPOSED STRUCTURE CHANGES

During the 78th Legislative Session, a number of concerns and issues surfaced regarding the usefulness of TPWD's current strategic planning and budget structure. As the agency worked with the Legislature and oversight offices it became apparent that there was general confusion

about the specific programs reflected in each goal and strategy. For example, the differences between Wildlife, Coastal and Inland programs included under Strategy A.1.1. Public Hunting and Fishing, and those under Strategy C.2.1. Manage Fish and Wildlife, were not obvious, and other aspects of strategy level funding were not readily apparent without detailed knowledge of TPWD's internal budget. Furthermore, issues with the existing structure made it difficult to respond to certain requests for information in a timely and reliable manner.

In response to these issues, TPWD anticipates requesting changes to its strategic planning and budget structure during the upcoming strategic planning process. An effort is currently underway to develop a structure organized more along divisional lines and aimed at ensuring greater transparency and simplification of our goals, objectives and strategies. TPWD believes this proposal will offer a number of advantages over the current structure, and looks forward to working with the oversight agencies to explain this request and negotiate an acceptable structure in the upcoming months.

LICENSE RESTRUCTURING

House Bill 1989, passed by the 78th Legislature, established a new freshwater fishing stamp and eliminated existing muzzleloader and freshwater trout stamp requirements in Fiscal Year 2005. TPWD has initiated a review of current licensing requirements to determine how best to incorporate the freshwater fishing stamp into our existing license structure. This effort has served as a mechanism to examine and address other licensing issues as well, including the Super Combo package, customized fishing licenses, the duration of temporary licenses, and annual licensing. TPWD hopes to use the results of these reviews to effect changes in the existing license structure that will maximize customer convenience and revenue and minimize customer confusion and impacts to the Point-of-Sale system. Initial proposals have already been discussed at Commission meetings, and we expect changes to be adopted during the spring of 2004.

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 153.502.

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. 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 turkey, waterfowl, white-winged dove, freshwater trout and saltwater sport fishing stamps 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, 43.014, 43.254, 43.305, 43.405, 43.505; 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.

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.
- 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 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; donations.

AUTHORITY: TPW Code 77.120

REVENUE BOND ISSUES

FY 98 Account 7503	FY 00 Account 7508
FY 99 Account 7506	FY 01 Account 7511

ALLOWABLE USES: Financing the repair, renovation, improvement, and equipping parks and wildlife facilities.

AUTHORITY: TPW Code 13.0045

GENERAL OBLIGATION BONDS

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

AUTHORITY: General Appropriations Act (2001); 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 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).



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