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## SPORTING GOODS SALES TAX ALLOCATION

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Legislative Budget Board

October 2008

## SPORTING GOODS SALES TAX ALLOCATION

Since 1993, a portion of the sales tax revenue generated by sporting goods has been statutorily allocated to fund state park operations, capital, and local park grants. Prior to that, state and local parks were each allocated a one penny per pack tax on cigarettes, which probably set the precedent for providing equal allocations to state and local parks. The Sporting Goods Sales Tax (SGST) allocation was introduced because the cigarette tax proved to be a declining revenue source that bore no relationship to the mission of providing state park services.

Figure 1.  
2008-09 Biennium  
Estimated State Sales Tax Revenue from the Sale of Sporting Goods

Category of Sporting Good	Revenue (in \$1000s)	Percent of Total
Bicycles and Supplies	\$45,024.2	19.6
Hunting and Firearms Equipment	\$43,396.4	18.9
Exercise Equipment	\$40,602.2	17.7
Fishing Tackle	\$26,982.0	11.8
Golf Equipment	\$21,124.8	9.2
Camping	\$9,811.1	4.3
Snow Skiing Equipment	\$6,568.1	2.9
Hunting-Outdoor Apparel	\$4,007.0	1.7
Billiards/Indoor Games	\$3,932.4	1.7
Baseball/Softball	\$3,612.4	1.6
Skin Diving and Scuba Gear	\$3,326.7	1.5
Archery	\$3,242.4	1.4
Wheel Sports and Pogo Sticks	\$3,219.1	1.4
Tennis Equipment	\$2,921.5	1.3
Golf Shoes	\$2,287.7	1.0
Optics	\$1,972.8	0.9
Basketball	\$1,831.4	0.8
Bowling	\$1,677.0	0.7
Football Equipment	\$785.6	0.3
Cycling Shoes	\$455.7	0.2
Hockey Equipment and Ice Skates	\$435.9	0.2
Soccer	\$424.3	0.2
Bowling Shoes	\$401.0	0.2
Ski Apparel	\$368.6	0.2
Water Skis	\$337.5	0.1
Volleyball and Badminton	\$335.8	0.1
Racquetball Equipment	\$80.5	0.0
<b>TOTAL</b>	<b>\$229,164.0</b>	<b>100.0</b>

Source: Comptroller of Public Accounts, National Sporting Goods Association

The Comptroller derives estimates for these receipts using a national survey of the sporting goods market (see Figure 1). The statutory definition of sporting goods from the Tax Code is indicated below. While the SGST is not directly related to park use, no other significant tax or user fee provides a greater connection to park use. Although the types of sporting goods items listed in Figure 1 may not always be used in state and local parks, surveys have shown a relationship between the purchase of sports equipment and state park visitation.

**Statutory Definition of Sporting Goods**

"Sporting goods" means an item of tangible personal property designed and sold for use in a sport or sporting activity, excluding apparel and footwear except that which is suitable only for use in a sport or sporting activity, and excluding board games, electronic games and similar devices, aircraft and powered vehicles, and replacement **parts** and accessories for any excluded item.

Source: Tax Code, Sec. 151.801(e)2

### House Bill 12, Eightieth Legislature

Prior to September 1, 2007, the biennial statutory allocation of sporting goods sales tax receipts to the Texas Parks and Wildlife Department was fixed at \$64.0 million per biennium and distributed as shown in Figure 2:

Figure 2.	
Biennial Statutory Allocation of Sporting Goods Sales Tax Receipts (BEFORE House Bill 12)	(\$ in millions)
State Parks Account No. 64	\$31.0
Texas Recreation and Local Parks Account No. 467	\$31.0
Parks and Wildlife Conservation and Capital Account No. 5004	\$2.0
<b>TOTAL</b>	<b>\$64.0</b>

House Bill 12 provides for a statutory allocation of ALL SGST receipts: **6%** to the Texas Historical Commission (THC); and, 94% to the Texas Parks and Wildlife Department (TPWD), with the amount designated for TPWD specifically allocated by General Revenue-Dedicated account as shown in Figure 3.

However, House Bill 12 limits the amount of receipts TPWD and THC may receive to the amounts appropriated in the General Appropriations Act (GAA). Biennial appropriations of SGST receipts total \$111.8 million in the 2008-09 GAA. (See attached table for amounts of the SGST in the 2008-09 GAA.)

The amounts estimated to be collected exceed the amounts appropriated in the 2008-09 GAA by \$117.3 million, and are used to fund other General Revenue appropriations.

**Figure 3.**

<b>Statutory Allocation of Sporting Goods Sales Tax Receipts (AFTER House Bill 12)</b>	Statutory Allocation percentage	Maximum Statutory Allocation 2008-09 (\$ in millions)
Texas Historical Commission	6%	
Historic Site Account (see note)		\$13.7
Texas Parks and Wildlife Department	94%	\$215.4
State Parks Account No. 64	<i>74%</i>	<i>\$159.4</i>
Texas Recreation and Local Parks Account No. 467	<i>15%</i>	<i>\$32.3</i>
Large County and Municipality Recreation and Parks Account (see note)	<i>10%</i>	<i>\$21.5</i>
Parks and Wildlife Conservation and Capital Account No. 5004	<i>1%</i>	<i>\$2.2</i>
<b>TOTAL</b>	100%	\$229.1
<i>Note: Eightieth Legislature did not exempt Historic Site and Large County and Municipality Recreation and Parks accounts from funds consolidation which means that the funds were not created and revenue is retained in the General Revenue Fund.</i>		

House Bill 12 includes a provision creating a joint legislative task force on the use of the sporting goods sales tax to:

- Review and make recommendations regarding the items included in the statutory definition of sporting goods.
- Determine the amount of SGST receipts required to fund 2008-09 appropriated amounts for state and local parks, historic sites, coastal management programs and water planning.
- Present a report to the Eighty-first Legislature no later than December 15, 2008, which includes the findings of the Task Force, and recommendations regarding those items necessary to include in the statutory definition of sporting goods in order to generate enough revenue to accomplish the following:
  - Fund estimated ongoing annual appropriations of \$70.0 million, and hold the agency harmless for the use of one-time fund balances in the 2008-09 biennium (approximately \$50 million); and  
While funding this annual spending level, generate too much revenue to be deposited, but not appropriated out of the GR-dedicated accounts receiving the SGST allocation, thus creating large unexpended balances.

Finally, there is language in House Bill 12 stating that it is the intent of the Eightieth Legislature that the cap limiting the SGST allocation to TPWD and THC to appropriated amounts be repealed upon adoption of a statute implementing the task force's recommendations. (See attached document for text of section of House Bill 12 establishing the joint task force.)

**Sporting Goods Sales Tax in the 2008-09 General Appropriations Act (GAA)  
2008-09 Biennial Revenue Estimate = \$229.1 Million**

Agencies Receiving Statutory Allocations	House Bill 12 Maximum Statutory Allocation		2008-09 GAA*		Undesignated SGST Receipts****
	(\$ in millions)	% of Total	(\$ in millions)	% of Each Statutory Allocation	(\$ in millions)
Texas Parks and Wildlife Department (TPWD)	\$ 215.4	94%	\$ 98.1	46%	\$ 117.3
Texas Historical Commission (THC) **	13.7	6%	13.7	100%	0
<b>Total</b>	<b>\$ 229.1</b>	<b>100%</b>	<b>\$ 111.8</b>		<b>\$ 117.3</b>

Statutory Distribution to TPWD General Revenue-Dedicated Accounts	Statutory Allocation to TPWD = \$215.4 million (94%)		2008-09 GAA*		Undesignated SGST Receipts****
	(\$ in millions)	% of Total	(\$ in millions)	% of Each Statutory Allocation	(\$ in millions)
State Parks Account No. 64 Amounts appropriated: • state park operations and minor repair (\$33.6 million); • coastal erosion projects (\$25.0 million); • debt service (\$6.2 million); and • land acquisition (\$0.3 million)	\$ 159.4	74%	\$ 65.1	41%	\$ 94.3
Local Parks Accounts					
1) Texas and Recreation Parks Account	32.3	15%	18.6	58%	13.7
2) Large County and Municipality Recreation and Parks Account****	21.5	10%	12.4	58%	9.1
Conservation and Capital Account No. 5004	2.2	1%	2.0	91%	0.2
<b>Total</b>	<b>\$ 215.4</b>	<b>100%</b>	<b>\$ 98.1</b>		<b>\$ 117.3</b>

Notes:

\*In addition to amounts shown above, an estimated additional \$23 million will be spent on employee benefits for TPWD and THC historic site staff during the 2008-09 biennium.

\*\*House Bill 12 created a Historic Site Account, which was not exempted from funds consolidation. In the 2008-09 biennium, THC amounts are being deposited to a General Revenue subaccount.

\*\*\*Likethe Historic Site Account, the Large County and Municipality Recreation and Parks Account (which was also created by House Bill 12) was not exempted from funds consolidation. However, TPWD is following legislative intent and applying a 60%/40% split to its appropriation with 60% of funds designated for small entities with populations less than 500,000, and 40% for large entities with populations of 500,000 or more.

\*\*\*\*Undesignated SGST receipts are classified as General Revenue, and are used in the 2008-09 biennium for other purposes.

SECTION 56. (a) The joint legislative task force on the use of the sales tax on sporting goods is composed of eight members, as follows:

(1) two members of the House Culture, Recreation and Tourism Committee, one being the chair of the committee and one appointed by the speaker of the house of representatives;

(2) two members, each of whom must be a member of the House Appropriations Committee or House Ways and Means Committee, as appointed by the speaker of the house of representatives;

(3) two members of the Senate Committee on Natural Resources, one being the chair of the committee and one appointed by the lieutenant governor; and

(4) two members of the Senate Committee on Finance, appointed by the lieutenant governor.

(b) The speaker of the house of representatives shall designate the chair of the House Committee on Culture, Recreation, and Tourism to serve as a joint presiding officer of the task force, and the lieutenant governor shall designate another task force member to serve as the other joint presiding officer.

(c) The task force meets at the call of the joint presiding officers.

(d) The task force shall:

(1) review the items that are included in the definition of "sporting goods" under Section 151.801(e), Tax Code;

(2) determine the amount of sales tax revenue that must be generated from the sale of "sporting goods" to fund, at a minimum, the appropriations made by the 80th Legislature regarding state parks, local parks, historic sites, coastal management programs, and water planning;

(3) not later than December 15, 2008, prepare and present to the legislature a report that describes the findings of the task force and includes recommendations regarding the specific items that should be included in the definition of "sporting goods" under Section 151.801(e), Tax Code, in order to more evenly match the revenue streams needed to cover ongoing appropriations (estimated to be \$70 million per annum), net of the use of unexpended balances in 2008-2009 biennium, without creating large dedicated fund balances.

(e) It is the intent of the 80th Legislature that Section 151.801(c-1), Tax Code, as added by this Act, be repealed on adoption of a statute implementing the recommendations of the task force.

## Joint Legislative Task Force on the Use of the Sporting Goods Sales Tax (SGST)

Potential NEW Uses of SGST Receipts in the 2010-11 Biennium		
Description	(\$ in millions)	Comments
<b>1) Replace One-Time Balances Used in 2008-09</b>		
(a) Texas Recreation and Parks Account No. 467		
Designated Local Park Grants	\$ 16.7	See Rider 34, Local Park Grants (2008-09 GAA)
State Park Operations	\$ 19.1	
Subtotal		See Art. IX, Sec. 19.81 (a), Contingency Appropriation for HB 12 (2008-09 GAA)
	\$ 35.8	
(b) State Parks Account No. 64		
State Park Operations (Transportation Items)	\$ 5.6	Bill pattern expenditures
State Park Operations	\$ 0.2	See Art. IX, Sec. 19.81(a), Contingency Appropriation for HB 12 (2008-09 GAA)
Land Acquisition	\$ 4.0	See Art. IX, Sec. 19.81(a), Contingency Appropriation for HB 12 (2008-09 GAA)
Subtotal		
	\$ 9.8	
(c) Conservation and Capital Account No. 5004		
Minor Repairs	\$ 4.1	See Art. IX, Sec. 19.81 (a), Contingency Appropriation for HB 12 (2008-09 GAA)
Subtotal		
	\$ 4.1	
Total, Replace One-Time Balances	\$ 49.7	
<b>2) Fund General Obligation (GO) Bond Debt Service</b>		
Total, GO Bond Debt Service	\$ 4.1	Increase above 2008-09 appropriated levels for debt service on 2008-09 issues funded by SGST receipts.
	\$ 4.1	
<b>3) Funding Options Not Implemented in 2008-09</b>		
(a) Revenue Bond Debt Service (Park Related Projects)*	\$ 8.1	2008-09 amounts currently funded by General Revenue and General Revenue-Dedicated accounts.
(b) Fund GO Bond Debt Service for Prior Bond Issues*	\$ 9.4	General Revenue for debt service on revenue bonds issued prior to 2008-09 (TPWD bill pattern)
		General Revenue for debt service on GO bonds issued prior to 2008-09 (Texas Public Finance Authority end-of-article appropriations)

**Joint Legislative Task Force on the Use of the  
Sporting Goods Sales Tax (SGST)**

<b>Potential NEW Uses of SGST Receipts in the 2010-11 Biennium</b>		
<b>Description</b>	<b>(\$ in millions)</b>	<b>Comments</b>
b) Replace Boat and Boat Motor Sales Tax*	\$ 10.6	This is not a statutory allocation of General Revenue, but rather an allocation made in the GAA via the MOF table.
Total, Funding Options Not Implemented in 2008-09	\$ 28.1	
<b>4) Financing State Water Plan * Debt Service (Existing Debt Only)</b>	\$ 18.7	General Revenue increase for debt service on \$764 million in bonds authorized to be issued in 2008-09 is \$18.7 million. GR portion of estimated debt service for 2010-11 is \$62.8 million. See House Bill 12, Sec. 56(d)(2) for authorized uses for SGST
<b>Total * NEW Uses</b>	\$ 18.7	
	\$ 100.6	
<b>5) Continue Existing 2008-09 Funding Levels from SGST Receipts</b>		Assumes continuation of \$25.0 million for pass through funds to the General Land Office for coastal erosion programs
(a) Texas Parks and Wildlife Department	\$ 98.1	
(a) Texas Historical Commission	\$ 13.7	
<b>Total, Continue Existing 2008-09 Funding Levels from SGST</b>	\$ 111.8	
<b>TOTAL, New and Existing Uses of SGST Receipts</b>	\$ 212.4	Combined total for new and existing uses, excluding employee benefit costs, is within 2008-09 BRE for SGST receipts.

\*See "Streamline the Funding Structure for State and Local Parks," *Texas State Government Effectiveness and Efficiency Review*, pages 481-492.

### Trends in Park Related Funding, Fiscal Years 1998-2009

	1998-99	2000-01	2002-03	2004-05	2006-07	2008-09
1 State Parks Strategies	68,422,737	85,651,203	100,556,206	103,172,726	109,305,131	157,581,523
Number of FTEs	1,081.0	1,114.5	1,109.7	1,074.3	1,046.2	1,234.1
Percent Change in Funding		25.2%	17.4%	2.6%	5.9%	44.2%
2 Local Parks Strategies	36,846,811	48,130,672	50,690,167	39,255,739	36,867,464	62,897,806
Number of FTEs	14.0	16.1	12.9	12.2	14.9	17.0
Percent Change in Funding		30.6%	5.3%	-22.6%	-6.1%	70.6%
3 Capital Programs Goal						
Park Related	32,526,822	47,274,041	55,426,925	47,119,671	31,533,290	56,999,605
Percent Change in Funding		45.3%	17.2%	-15.0%	-33.1%	80.8%
4 Indirect Administration	7,698,092	10,778,505	12,066,972	12,976,006	12,857,239	21,194,950
Number of FTEs	71.0	103.5	91.5	97.6	86.1	129.3
Percent Change in Funding		40.0%	12.0%	7.5%	-0.9%	64.8%
5 Communication Division Costs						
Park Related	2,154,123	3,516,553	3,630,564	2,734,357	2,961,579	3,281,939
Percent Change in Funding		63.2%	3.2%	-24.7%	8.3%	10.8%
GRAND TOTAL, Park Related Spending	147,648,585	195,350,974	222,370,834	205,258,499	193,524,703	301,955,823
METHOD OF FINANCE						
General Revenue Funds	53,873,198	111,127,712	122,089,420	103,629,873	91,178,637	124,311,229
GR-Dedicated Funds	75,161,663	52,166,566	49,703,826	51,789,669	60,404,613	124,479,436
Other Funds	12,771,052	25,251,122	30,493,617	31,668,777	13,296,272	36,000,473
Federal Funds	5,842,672	6,805,574	20,083,971	18,170,180	28,645,181	17,164,685
GRAND TOTAL, Parks Related Spending	147,648,585	195,350,974	222,370,834	205,258,499	193,524,703	301,955,823
GRAND TOTAL, FTEs	1,166.0	1,234.1	1,214.1	1,184.1	1,147.2	1,380.4
Percent Change in Funding		32.3%	13.8%	-7.7%	-5.7%	56.0%

Sources: Texas Parks and Wildlife Department, Legislative Budget Board