

# STATE FUNDING PROGRAMS FOR OUTDOOR RECREATION: Texas Sporting Goods Sales Tax

## SUMMARY

The Texas Sporting Goods Sales Tax authorizes the Legislature to make appropriations from the collection of sales tax on sporting goods to support state parks, historic sites, and local park grants. The Sporting Goods Sales Tax is a portion of an existing 6.25 percent general sales tax.<sup>1</sup> The allocation to parks was capped at \$32 million per year until 2007. Today, the allocation for the support of parks is limited to up to 94 percent of the Sporting Goods Sales Tax revenue (Texas Tax Code [Chapter 151, Subchapter M., Sec. 151.801](#)). In recent years it has generated between \$75 and \$125 million per year for outdoor recreation.

This case study is part of a larger report describing how states fund outdoor recreation across the U.S. Access the full report “State Funding Mechanisms for Outdoor Recreation” here: <http://oia.outdoorindustry.org/headwaters>.

## FUNDING MECHANISM AND PROGRAM ORIGINS

Texas has a long history of funding outdoor recreation using excise taxes. Beginning in the 1970s, one penny from each pack of cigarettes sold in Texas went to help fund State Parks. Revenue peaked in the early 1980s at close to \$19 million. By the early 1990s, cigarette sales were declining and the tax revenue was less than \$12.5 million while State Park visitation increased by 37 percent during the same period. In 1992, the Texas Legislature’s Committee on Environmental Affairs released a report<sup>2</sup> after conducting research, polling, and public hearings. They found that the cigarette tax was not meeting the state’s needs and suggested several alternatives, including a sporting goods sales tax.

In 1993, the Texas Legislature passed House Bill 706 creating the Sporting Goods Sales Tax. While not a new or direct tax levied on sporting goods, the Sporting Goods Sales Tax carves out a portion of the existing 6.25 percent state sales tax for parks and historic sites.



## SNAPSHOT

Created in 1993

Allows a draw of up to 94 percent of sales tax received from estimated sale of sporting goods to be dedicated to State Parks and local park matching grants

Funded \$277.6 million for outdoor recreation in 2018/19

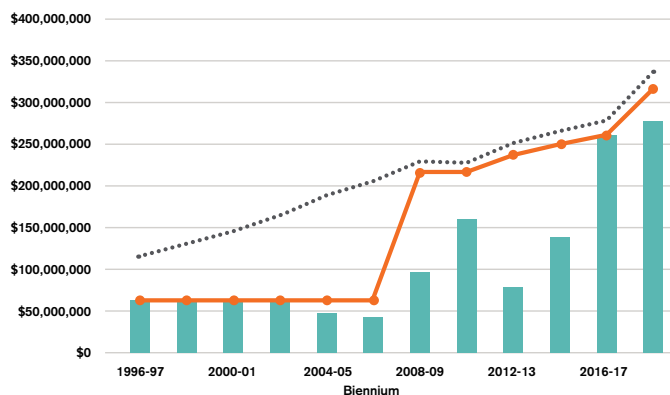
### Key factors of success:

- Portion of existing sales tax revenue, rather than a new tax
- Direct link between consumers of sporting goods and benefits of the tax
- Intentional programs reach diverse and changing demographics

The tax is calculated by estimating the amount of general sales tax revenue collected from the sale of sporting goods, including bicycles, hunting and firearms equipment, exercise equipment, fishing tackle, golf equipment, and other supplies.<sup>3</sup> Apparel and footwear are excluded, except those suitable only for use in a sport or sporting activity. The revenue is estimated by the Comptroller of Public Accounts through national market data. For example, economists estimate that sporting goods make up X percent of sales nationally. The Comptroller assigns, then, X percent of sales tax revenue to the Sporting Goods Sales Tax fund. This also helps Texas retailers avoid the burden of tracking taxable sales, although state law allows the Comptroller to require such reporting if “satisfactory” statistical data are not available.<sup>4</sup>

The creation of the Sporting Goods Sales Tax (SGST) was widely supported by outdoor retailers, recreationists, and state and local parks, as it was viewed as a major improvement compared to the cigarette tax for several reasons. First, while cigarette sales were declining, the sale of sporting goods was increasing and was likely to grow over time, keeping pace with increased park visitation. Second, the intent was to dedicate existing revenue that had been going to the general fund rather than create a new tax. Finally, many felt that it was logical and fair to directly link consumers of sporting goods to expenditures on outdoor recreation resources.

**Figure 8.1. Texas Sporting Goods Sales Tax Appropriations**



Sources: Texas Legislative Budget Board, Texas Parks and Wildlife Department (TPWD).

The Sporting Goods Sales Tax originally capped the contribution at \$32 million per year (the first two years were capped at \$27 million), which was not adequate to address the needs of a growing population. It also prescribed the distribution of funds among state accounts for operations, local parks, and capital projects, leaving little ability to adapt to changing needs and priorities.

In 2007, the Texas Legislature increased available funding by eliminating the fixed dollar allocation of \$32 million and instead allowing a maximum of 94 percent of the Comptroller’s sporting goods revenue estimate to be allocated to Texas Parks and Wildlife Department (TPWD). The remaining six percent can be allocated to the Texas Historical Commission. This allowed the Legislature to appropriate significantly more of the Sporting Goods Sales Tax receipts to parks and to capitalize on the increasing sales tax revenue attributed to sporting goods.

However, the benefits were not realized as the Legislature consistently appropriated less than the 94 percent permitted. Instead, lawmakers left portions of the Sporting Goods Sales Tax revenue in the general fund to support other needs and balance the state budget. From fiscal years 2001-2007 receipts of Sporting Goods Sales Tax in Texas increased from \$84.2 million to \$104.4 million, but appropriations to the Texas Parks and Wildlife Department declined from 38 percent to 20 percent of overall Sporting Goods Sales Tax.<sup>5</sup>

The 2015 State Legislature took major steps to improve the Sporting Goods Sales Tax program with two modifications. First, it eliminated the prescribed distribution of funds between accounts to give the Legislature discretion on how to direct funds and adapt to changing priorities and needs. Second, it passed legislation that statutorily dedicated the full 94 percent of the Sporting Goods Sales Tax to the Texas Parks and Wildlife Department, as was originally intended by the 2007 legislation.<sup>6</sup> For the first time, the full 94 percent of the Sporting Goods Sales Tax was appropriated to the Texas Parks and Wildlife Department for the 2016-2017 biennium, amounting to more than \$261 million—more than a million dollars above any prior appropriation. In the 2017-2018 biennium, the legislature appropriated 89 percent of available funds, amounting to more than \$277 million.

## FUNDING ALLOCATION AND ADMINISTRATION

Funds raised from the Texas Sporting Goods Sales Tax are disbursed to Texas State Parks for several purposes, including operations, capital improvements, and local park grants. Since the cap was changed to 94 percent of revenue in 2007, State Parks generally receives 80 to 90 percent of the funds for operations and capital projects; local park grants receive the balance.

Each biennium, Texas State Parks submits its appropriations request for operations and capital projects. State Parks has developed a system to quantify, measure, and rank its capital project priorities based on four categories: health and safety issues, regulatory compliance, continuity of business services, and conservation and stewardship. Historically, the State Parks appropriation request is not fully included in legislative budget bills, and State Parks leadership and advocates must make their case each biennium to increase appropriations.

## Local Park Grants

Texas State Parks manages the Sporting Goods Sales Tax revenue for local park grants, and treats the funds similarly to state-side Land and Water Conservation Fund (LWCF) grants. They award funds in four categories related to outdoor recreation:

- **Community Outdoor Outreach Program (COOP)** grants for local government and nonprofit programming that bring outdoor recreation to underserved populations such as low-income, minorities, handicapped, elderly, and others. Grants are up to \$50,000 and no match is required. Approximately \$1.25 million is awarded in this category each year.
- **Small Communities Grants** are awarded to local governments of communities with a population of less than 20,000. Grants are up to \$75,000 and require a 50 percent match. (These communities can also apply in the non-urban category.) Approximately \$750,000 is awarded in this category each year.
- **Outdoor Recreation Grants** are awarded to local governments of communities with a population of 500,000 or less. Approximately 60 percent of remaining funds are awarded in this category. Grants are capped at \$500,000.
- **Urban Outdoor Recreation Grants** are awarded to local governments of communities with a population of more than 500,000. Approximately 40 percent of remaining funds are granted in this category. Grants are capped at \$1 million.

Applications for all categories are accepted annually. Outdoor Recreation Grants staff provide a technical review of proposals and work with applicants to resolve any issues. Staff often provide technical support and work with applicants to improve proposals. Staff rank applications using a set of criteria that are established with significant public input, lending transparency and integrity to the evaluation process. Applications are placed in rank order and forwarded to the Parks and Wildlife Commission, a nine-member body appointed by the Governor with staggered six-year terms. The Parks and Wildlife Commission approves the funding requests, typically in order of ranking until the funding is allocated.

## SUCCESSSES

Despite funding uncertainties in Texas, the longevity of the program dating back to the cigarette tax has resulted in thousands of outdoor recreation projects in nearly every part of Texas. State Park partners and advocates have successfully made the case to increase funding and move toward more secure dedication of funding, although Texas still has challenges to overcome.

Agencies and partners have adopted a triple-bottom-line approach to showcase the economic, social, and environmental benefits of state and local parks. To that end, Texas State Parks and partners continually conduct public opinion polls and economic analyses that document the importance of outdoor recreation to Texans' quality of life, public health, and local economies.<sup>7</sup> For example, a recent survey found that 92 percent of Texans believe a high-quality park system is deeply valued for family recreation.<sup>8</sup> Another study found that state parks generate an estimated 5,871 jobs and \$774 million in sales from visitor spending.<sup>9</sup>

## CHALLENGES

Texas' most significant challenge is the unpredictability and unreliability of funding levels. Without dedicated funding, Texas State Parks and local park advocates must fight for appropriations in each legislative session, requiring time and effort. Grant levels vary widely from year to year as the legislature uses the Sporting Goods Sales Tax to make up for other declining revenue streams, such as oil and gas.

Unfortunately, many citizens mistakenly think the tax they pay on sporting goods automatically and fully goes to support parks, not realizing that significant portions of the Sporting Goods Sales Tax are diverted to other purposes. Polls show that voters strongly support the Sporting Goods Sales Tax and would support a constitutional amendment or other method to make the funding more secure and predictable.<sup>10</sup>

Texas has fewer acres of federal public land as a proportion of total area than any other state, making state and local parks especially critical to outdoor recreation. Coupled with rapidly rising, increasingly diverse, and increasingly urban population of more than 27 million people, the face of outdoor recreation in Texas is changing. Ensuring that state and local park services keep pace with changing needs and growing visitation will be a rising challenge in the coming decade, and unpredictable funding amplifies this challenge.



## LESSONS LEARNED

---

### Ensure that intent is matched by language.

While the creators of the Sporting Goods Sales Tax may have intended for the funding to be dedicated and predictable, it is unfortunately subject to legislative discretion. While recent changes have improved the picture for the Sporting Goods Sales Tax, there are still challenges, and it will be hard for legislators to give up a funding source when other revenues are in decline, despite the many arguments about the economic impacts of parks.

### The public supports applying directly related revenue to outdoor recreation.

In general, Texans support the Sporting Goods Sales Tax and appreciate that taxes from their purchase of sporting goods are reinvested in venues where they recreate (although the average voter may not realize that only a small portion of the Sporting Goods Sales Tax has historically been used for outdoor recreation). Ideally, as the user base grows, the funding available for outdoor recreation will grow in parallel. The Texas approach utilizes an existing tax, rather than creating a new tax, which is likely a key factor in its support.

## New approaches are necessary to reach changing communities.

Texas is taking proactive measures to develop programs and use funding to make outdoor recreation inclusive, diverse, equitable, and relevant to its communities that are increasingly ethnically and racially diverse. Many other funding programs support only acquisitions and improvements and won't support outreach and programming, but this may be shortsighted. Texas' COOP program and focus on urban grants helps intentionally reach some of the fastest-growing populations that can and should benefit from access to outdoor recreation, and that will be tomorrow's stewards of Texas' outdoor legacy.

## CONTACTS

---

### Brent Leisure

Director of State Parks  
Texas Parks and Wildlife Department  
512-389-4866  
[Brent.leisure@tpwd.texas.gov](mailto:Brent.leisure@tpwd.texas.gov)

### Tim Hogsett

Director, Recreation Grants Branch  
Texas Parks and Wildlife Department  
512-389-8712  
[Tim.hogsett@tpwd.texas.gov](mailto:Tim.hogsett@tpwd.texas.gov)

## END NOTES

---

1. Texas Legislative Budget Board. May 1996. Sporting Goods Sales Tax Allocation. [http://www.lbb.state.tx.us/Documents/Publications/Issue\\_Briefs/3110\\_SportingGoodsSalesTax.pdf](http://www.lbb.state.tx.us/Documents/Publications/Issue_Briefs/3110_SportingGoodsSalesTax.pdf).
2. Texas Parks and Wildlife Funding. <http://www.lrl.state.tx.us/scanned/interim/72/en89.pdf>.
3. Texas Legislative Budget Board. 2016. Sporting Goods Sales Tax (SGST) Summary. [http://www.lbb.state.tx.us/Documents/Publications/Info\\_Graphic/3043\\_Sporting\\_Goods\\_Sales\\_Tax\\_Summary.pdf](http://www.lbb.state.tx.us/Documents/Publications/Info_Graphic/3043_Sporting_Goods_Sales_Tax_Summary.pdf).
4. Texas State Tax Code Chapter 151, Subchapter M., Section 151.801. <http://www.statutes.legis.state.tx.us/Docs/TX/htm/TX.151.htm>.
5. Texas Parks and Wildlife. 2006. Financial Overview. [http://tpwd.texas.gov/publications/pwdpubs/media/pwd\\_rp\\_a0900\\_0679\\_11\\_06.pdf](http://tpwd.texas.gov/publications/pwdpubs/media/pwd_rp_a0900_0679_11_06.pdf).
6. Texas Parks and Wildlife Department. Texas State Parks Centennial Plan. [https://tpwd.texas.gov/publications/pwdpubs/media/pwd\\_rp\\_p4000\\_1947.pdf](https://tpwd.texas.gov/publications/pwdpubs/media/pwd_rp_p4000_1947.pdf).
7. Also see: Sunshine, Soccer, and Success: An Assessment of the Impact of Municipal Parks and Recreation Facilities and Programs on Business Activity in Texas. 2006. The Perryman Group. <http://www.memberize.com/clubportal/clubdocs/2657/economicimpact2006.pdf>.
8. Hill Research Consultants. December 2014. Texas statewide voter opinion survey summary. [https://www.tpwf.org/wp-content/uploads/2015/01/Texas\\_Parks\\_survey\\_12-14\\_handout.pdf](https://www.tpwf.org/wp-content/uploads/2015/01/Texas_Parks_survey_12-14_handout.pdf).
9. Youn Jeong, Ji and John L. Crompton. 2014. The Economic Contributions of Texas State Parks. Texas A&M University. [http://tpwd.texas.gov/newsmedia/releases/media/2014-11-06\\_economic\\_contributions\\_to\\_tsp.pdf](http://tpwd.texas.gov/newsmedia/releases/media/2014-11-06_economic_contributions_to_tsp.pdf).
10. Hill Research Consultants. December 2014. Texas statewide voter opinion survey summary. [https://www.tpwf.org/wp-content/uploads/2015/01/Texas\\_Parks\\_survey\\_12-14\\_handout.pdf](https://www.tpwf.org/wp-content/uploads/2015/01/Texas_Parks_survey_12-14_handout.pdf).

Report prepared by:



Authors of report:

Kelly Pohl and  
Megan Lawson, Ph.D.