

TEXAS NAVY, INCORPORATED

Staff Report
to the
Sunset Advisory Commission
February 20, 1978

TABLE OF CONTENTS

	<u>Page</u>
Introduction	1
Background	2
Review of Operations	4
Conclusions	6

INTRODUCTION

This report is submitted pursuant to Section 1.06, Subsection (3) of the Texas Sunset Act and contains a review of the operations of the Texas Navy, Incorporated. Termination of Texas Navy, Incorporated has been scheduled for September 1, 1979 unless it is continued by law.

The material contained in the report is divided into three sections: background, review of operations, conclusions, and recommendations. The Background section contains a brief history of legislative intent and a discussion of the original need for the Texas Navy, Incorporated. The Review of Operations section contains a review of the operation of the agency, and uses the self-evaluation report submitted by the agency as the basis of review unless noted. The information contained in the self-evaluation report was verified, and additional data were obtained through interviews and review of agency files and other data sources.

The Conclusions section discusses the agency's response to the present need for its existence, and an overall determination is made as to whether or not Sunset criteria are being met.

This report is designed to provide an objective view of agency operations, based on the evaluation techniques utilized to date. Together with pertinent information obtained from public hearings, a factual base for the final recommendations to the Legislature will be provided.

BACKGROUND

The Texas Navy, Incorporated is a non-profit corporation which is designated as the official body to conduct the affairs of the Texas Navy (Article 5891.1, V.A.C.S.). The duties of the Texas Navy, Inc. are to assist in the "preservation and promotion of the history of the Texas Navy and of the water resources of this state."

The history of the Texas Navy began in 1836 when Texas proclaimed its independence. The First Texas Navy consisted of four small ships headquartered at Galveston. Shortly after the Battle of San Jacinto, in 1836, the First Texas Navy was disbanded. The Second Texas Navy was organized in 1839 and remained active until 1845 when Texas became a part of the United States and the Texas Navy was absorbed by the United States Navy. The Third Texas Navy was established as a commemorative organization by Governor Price Daniel in 1958 and now functions as the Texas Navy, Inc.

A non-profit corporate charter for the Texas Navy, Inc. was issued October 10, 1972. The statute establishing the authority of the Texas Navy, Inc. became effective August 27, 1973. The charter provides for five members of the Board of Directors. The statute provides for four additional members of the Board: two to be appointed by the Governor; one by the Lieutenant Governor; and one by the Speaker of the House of Representatives. The by-laws provide for a total of at least eleven members (including the four appointed by public officials). The by-laws further provide that if the public officials do not make their appointments within 30 days, the other members may elect members to fill the vacancies.

Revenues of the Texas Navy, Inc. are derived through dues and donations and are held in a local bank account. The statute specifies that "no state funds shall be required" by the Texas Navy, Inc.

The statutory objectives of the Texas Navy, Inc. are: 1) to promote travel to historical sites in which the Texas Navy operated; 2) to conduct a public relations campaign to create a responsible and accurate image of Texas; 3) to encourage Texas communities, organizations and individuals to support the objectives of the Texas Navy, Inc.; 4) to promote and assist in the organization of the admirals of the Texas Navy; and 5) to advertise the historic character and heroic acts of the Texas Navy.

The original Board of Directors consisted of five members. Presently, the Board of Directors consists of eleven members and two officers. The Board meets quarterly, on the first Wednesday of the months of March, June, September and December. The Board provides general direction and management of the activities of the Texas Navy, Inc. Day-to-day operations are administered by an executive director, whose title is Chief of Naval Operations.

Membership in the Texas Navy is derived from the list of admirals commissioned by the Governor. Dues of \$25 annually are assessed to members holding these commissions. Revenues from all sources (dues and sale of mementos) amounted to \$13,907 in fiscal year 1977.

In addition, the Texas Navy, Inc. provides a link between Texas and descendents of both Texas Naval officers and crew members. The corporation maintains files of correspondence relating to historical events retold by these descendents. Original documents and one-of-a-kind artifacts such as ship logs and diaries once belonging to Texas Naval officers and crew members are preserved.

REVIEW OF OPERATIONS

The present eleven member Board of Directors consists only of members selected through the process established in the by-laws of the corporation. None of the appointments provided for by statute have been made since its enactment, according to the Secretary of State's office. The Board functions in the manner of a non-profit corporation's board of directors. Minutes of meetings are not required to be filed with any other state agency, but are on file in the Texas Navy, Inc. office.

The staff of the Texas Navy, Incorporated consists of a Chief of Naval Operations and two secretaries. The C.N.O. serves as the administrator and receives no salary. The present C.N.O. was a member of the original Board of Directors and has served as the C.N.O. since the time of incorporation. One of the secretaries is a full-time employee of the corporation and the wife of the C.N.O. Her salary is \$2,750 per year. The other secretary is a part-time employee of the corporation and receives a salary of \$794 per year. The staffing pattern has remained unchanged since incorporation.

According to information reported in the Corporation's self-evaluation, the board members and employees are not state officers and employees, and thus not subject to the provisions of Article 6252-9b, Standards of Conduct of State Officers and Employees. The Self-evaluation Report, further, indicates that none of its records are considered to be confidential and that the public is not restricted from attending the meetings.

The offices of the corporation are located at 202 Port Holiday Mall in Galveston. Rent and utilities expenditures amounted to \$2,845 in fiscal year 1977.

The Corporation receives donations and dues from members who have been commissioned and from others interested in the history of the Texas Navy. In

addition, during 1974, the Corporation received \$135 in interest payments and \$7,500 in grant funds from the Moody Foundation. The following is a summary of total revenues and expenditures since 1975.

<u>Fiscal Year</u>	<u>Revenues</u>	<u>Expenditures</u>
1975	\$ 12,498	\$ 10,432
1976	12,867	13,098
1977	13,907	13,795

In 1977, there were 725 new commissions issued and 413 admirals paid dues. Other revenues are derived from the sale of Christmas cards and other Naval mementos. Each newly commissioned admiral receives a certificate signed by the Governor which carries the Official State Seal.

The Texas Navy, Incorporated is not subject to audit by the State Auditor. The only audit requirements are those required under the Texas Non-profit Corporation Act. The Corporation is not required to file an inventory of property with the Board of Control nor to file Annual Reports with the Governor, Legislative Budget Board or State Auditor.

The funds received by the Texas Navy, Inc. are deposited to a bank account in Galveston. They are totally outside the State Treasury. No state appropriations have ever been made to the Texas Navy, Inc. Therefore, no quantitative performance or work load measures have been developed prior to the self-evaluation and none were reported in the self-evaluation.

CONCLUSIONS

Although the Texas Navy, Inc., is cited in the statutes, the corporation has no other characteristics unique to state agencies. The Texas Navy, Inc. does not receive state funds and is not subject to the state reporting and auditing requirements. The membership of its board as presently constituted is privately determined. The objectives are similar to those of other historical organizations. Participation in its activities is totally voluntary, based on an individual's interest. The statutory status of the Texas Navy, Inc. does not give it exclusive rights to perform any of the functions set out in the statute or charter. The only apparent result of statutory authorization of the Texas Navy, Inc. is that the corporation is officially designated to organize the admirals commissioned by the Governor and in this regard receives the list of names and addresses of admirals as they are commissioned.

Alternatives

If the Sunset Commission recommends that the Texas Navy, Incorporated not be continued in statute, several alternate approaches could be taken:

1. The Texas Navy, Inc. could continue to function as a non-profit corporation, but would have to compete with similar corporate entities in receiving the mailing lists of admirals from the Governor.

Under this alternative, the corporate charter would remain in effect whether the corporation is mentioned in statute or not. Artifacts could continue to be received and managed by the Texas Navy, Inc. The corporation could continue to solicit member dues and donations which would continue to be tax exempt. The Governor's Office could send cards from which the corporation could develop a mailing list and solicit members, although other corporate entities could probably demand the same service. This alternative would continue the present inexpensive method of achieving the objectives of the organization and would not involve expenditure of tax dollars.

2. The Governor's Office could take over all functions presently performed by the Texas Navy, Inc.

In addition to the Governor's ceremonial function, the Governor could assume responsibility for preservation of artifacts and research of

historical data related to the Navy. The voluntary activities of the CNO and other members could probably continue under the direction of the Governor and his staff. Donations would continue to be tax exempt and could be used to defray any additional costs involved.

If the Sunset Commission recommends that the Texas Navy, Incorporated be continued in statute, several alternative approaches could be taken:

1. The Texas Navy, Inc. could continue to function as an independent body, but could be made subject to state audit.

The only change in the operation of the Texas Navy, Inc. would be the requirement that the State Auditor's Office perform a regular financial audit. There would be a slight cost increase for the State Auditor if he were required to audit the Texas Navy. Artifacts could continue to be cared for and historical research could continue to be conducted by the Texas Navy, Inc. The membership program could continue and funds could be raised through dues and donations, which would continue to be tax exempt.

2. The Texas Navy, Inc. could be continued as established in statute in 1973, with the provision that Sunset review again take place in 1991. The purpose of such a review would be to determine whether the corporation's authority had been changed to the extent that it should be considered a state agency and if so whether its existence is justified.

This alternative would not change any of the operations of the Texas Navy, Inc. The Governor would continue the ceremonial function of commissioning admirals and the Navy would continue to receive referrals of inquiries from the Governor's office regarding Texas Navy history. The Navy would continue the function of preserving artifacts and historical research. Funding would continue to come from member's tax-exempt dues and donations and would continue to be protected through the current requirements of an independent audit. This is an inexpensive method of achieving the objectives of the organization without spending tax dollars. The voluntary activities of the CNO and other members would continue.