

- SUBJECT:** Investment and use of the Texas preservation trust fund
- COMMITTEE:** Culture, Recreation and Tourism — favorable, without amendment
- VOTE:** 5 ayes — Guillen, Kuempel, Larson, Nevárez, Smith  
0 nays  
2 absent — Dukes, Aycock
- WITNESSES:** For — (*Registered, but did not testify*: Bill Hammond, Texas Association of Business; August Harris, Texas Historical Commission)  
Against — None  
On — Mark Wolfe, Texas Historical Commission (*Registered, but did not testify*: Lynn Ward, Texas Historical Commission)
- BACKGROUND:** Texas Preservation Trust proceeds may be used to pay for the operations of the Historical Commission and the acquisition, survey, restoration, or preservation of state historic property and designated landmarks.  
SB1, Art. 22, enacted by the 82nd Legislature in its first called session in 2011, allowed the preservation trust fund to be used for the operating expenses of the Historical Commission and required the Comptroller of Public Accounts and the Historical Commission to enter into a memorandum that allowed for the transfer of the trust fund from the Texas Treasury Safekeeping Trust Company to the treasury so loss of assets due to asset sales would be minimized. As of March 31, 2013, the Texas preservation trust had about \$8.23 million in assets.
- DIGEST:** HB 3651 would prohibit the use of the funds from the Texas Preservation Trust Fund from being used for operating expenses of the Texas Historical Commission.  
HB 3651 would require the comptroller to manage the assets of the trust fund in accordance with a legal investment standard known as the prudent investor rule. Amounts distributed would be determined by the comptroller in a manner intended to provide a stable and predictable

stream of distributions that would retain the purchasing power of the account investments. If the purchasing power of account investments was not preserved for any 10-year period, the comptroller could not increase annual distributions from the account until the purchasing power of the investments was restored.

An annual distribution made by the comptroller could not exceed 7 percent of the average net fair market value of the investment assets. Expenses of managing the account would be paid from the trust fund account. On request, the comptroller would be required to fully disclose all details concerning the investments of the trust fund.

HB 3651 would be effective on September 1, 2013.

**SUPPORTERS  
SAY:**

HB 3651 would protect the Texas Preservation Trust by prohibiting the use of the fund for the operational expenses of the Texas Historical Commission, freeing distributions to be used for historic preservation efforts. Both the House and Senate appropriations bills would fund the Historical Commission's operating expenses out of general revenue and not the Texas preservation trust. The bill would restore the management of the preservation trust fund to the Texas Treasury Safekeeping Trust Company, allowing the preservation trust to earn a higher rate of return.

The preservation trust was originally established to support historic preservation, but the 82nd Legislature in a supplemental appropriations bill (SB 1, Art. 22, 82nd Legislature, 1st Called Session) instructed the comptroller and the Historical Commission to wind down the trust, and use trust funds to support the operating expenses of the Historical Commission. HB 3651 would restore the preservation trust to its original purpose, allowing the agency to use trust proceeds on historic preservation projects.

The Legislative Budget Board reported a \$5.1 million general revenue cost to the bill for fiscal 2014-15 to cover the Historical Commission's operating costs that would no longer be funded out of the preservation trust fund. As part of the effort to restore the preservation trust fund to its original purpose, and the larger policy and fiscal efforts to use dedicated funds for their original purposes, the House and Senate appropriations bills both would allocate \$5.1 million from general revenue for the commission's operating expenses in fiscal 2014-15.

**OPPONENTS  
SAY:**

The state should continue to use the Texas preservation trust fund for operating expenses of the Historical Commission. Using the Texas preservation trust fund for agency operating expenses would negate the need to spend general revenue funds for the Historical Commission's operating expenses. There is no reason for the state to maintain a trust fund for the Historical Commission when taxpayers could use tax relief now.

**NOTES:**

According to the LBB fiscal note, HB 3651 would have a cost to general revenue of about \$5.1 million during the 2014-15 biennium.