

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

April 20, 2007

TO: Honorable Jim Keffer, Chair, House Committee on Ways & Means

FROM: John S. O'Brien, Director, Legislative Budget Board

IN RE: HB2558 by Otto (Relating to managing the assets of the Texas preservation trust fund account.), **Committee Report 1st House, Substituted**

Currently, funds in GR Account 0664 are subject to the State Funds Reform Act, limiting the earnings potential to that of the General Revenue Fund 0001. Because the rate of return under expanded investment authority is unknown, the fiscal impact on the state cannot be estimated.

The bill would amend Section 442.015 of the Government Code to allow the Comptroller to manage the assets in GR Account 0664—Texas Preservation Trust under the provisions commonly referred to as the "prudent investor rule."

The bill would specify that the amount of a distribution would be determined by the Comptroller in a manner intended to provide a stable and predictable stream of annual distributions and to maintain over time the purchasing power of account investments and annual distributions from the account.

The bill would provide that if the purchasing power of account investments for any 10-year period was not preserved, the Comptroller could not increase annual distributions from the account until the purchasing power of account investments had been restored. The bill would also specify that an annual distribution made by the Comptroller from the account during a fiscal year could not exceed an amount equal to 7 percent of the average net fair market value of the investment assets of the account, as determined by the Comptroller.

The Historical Commission stated that the bill could potentially produce a positive impact of \$500,000.00 per year on the Texas Preservation Trust Fund account, thereby increasing the number of grants made available through this fund.

This bill would take effect immediately upon enactment, assuming that it received the requisite two-thirds majority votes in both houses of the Legislature. Otherwise, it would take effect September 1, 2007.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts, 808 Historical Commission

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