

SUBJECT: Transferring capital trust fund balances to housing trust fund

COMMITTEE: Urban Affairs — committee substitute recommended

VOTE: 6 ayes — Hill, Bailey, Burnam, Ehrhardt, Garcia, Hodge

1 nay — Shields

1 present, not voting — Clark

1 absent — Wohlgemuth

WITNESSES: None

BACKGROUND : All proceeds from real estate transactions involving land owned or held in trust by the state not constitutionally or statutorily dedicated to another fund are deposited in the Texas capital trust fund. The capital trust fund may be used by certain state agencies to finance building acquisition, construction, repair, improvement or equipment. At the end of each budget cycle, the unencumbered balance of the fund in excess of \$500 million is transferred to the general revenue fund.

The active asset management program of the Department of Mental Health and Mental Retardation (MHMR) uses the capital trust fund to sell or lease underutilized land assets and thereby fund federally mandated improvements to its facilities.

The Texas Housing Trust Fund administered by the Texas Department of Housing and Community Affairs (TDHCA) provides loans, grants and other comparable forms of assistance to local units of government, public housing authorities, nonprofit organizations, and income-eligible individuals, families and households to finance, acquire, rehabilitate and develop decent, safe and sanitary housing.

DIGEST: CSHB 3531 would require the comptroller to transfer any unappropriated or unencumbered balance in the Texas capital trust fund to the credit of the housing trust fund at the end of each fiscal year.

TDHCA could use transfers from the capital trust fund that were derived from MHMR activities only to develop and implement housing programs for persons with mental illnesses or mental retardation.

CSHB 3531 would take effect September 1, 1997.

**SUPPORTERS  
SAY:**

CSHB 3346 would establish an innovative mechanism to provide the housing trust fund with a source of dedicated revenue without raising taxes or fees or making a new appropriation. It is vital to take steps now to strengthen affordable housing programs in Texas because federal funding is shrinking at the same time that the need for affordable housing in the state continues to grow. Currently, the housing trust fund is the only direct state assistance to help Texans in their pursuit of safe affordable housing. This bill would increase the balance of the fund, thereby enabling it to more effectively address the critical unmet need for such housing.

The Legislature has the option to appropriate money from the capital trust fund; only unappropriated and unencumbered monies from the trust could go to the housing trust fund as a result of this bill. Income from the trust fund would continue to flow to the general revenue fund.

The bill would protect the interests of the MHMR because residual amounts in the capital trust fund resulting from MHMR asset management would still be directed the housing needs of its client population.

**OPPONENTS  
SAY:**

The unencumbered unappropriated balance should be left to accrue in the capital trust fund for future legislative appropriations that could benefit many different agencies rather than being automatically transferred without appropriation to the housing trust fund for the sole use of the TDHCA. Also, CSHB 3531 could potentially redirect money that would go to the general revenue fund under current law.

**NOTES:**

The committee substitute retained the currently authorized uses of the capital trust fund and provided for annually transferring its total unencumbered unappropriated balance to the housing trust fund.