

## **BILL ANALYSIS**

Senate Research Center  
78R7580 ESH-D

S.B. 962  
By: Shapleigh  
Education  
4/3/2003  
As Filed

### **DIGEST AND PURPOSE**

Currently, the Texas Constitution does not allow any portion of the principal of the Permanent School Fund (PSF) to be used to support public education. Under the current income-based spending policy, all realized capital gains from the PSF remain with the corpus of the fund, and the Available School Fund (ASF) distributes income from fund investments to school districts. Managing the fund on a total return basis would allow the fund to grow at a faster rate, and allow larger distributions to local districts via the ASF when the PSF's value increases. As proposed, S.B. 962 establishes a total return management policy for the PSF.

### **RULEMAKING AUTHORITY**

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Sections 43.001 and 43.002, Education Code, as follows:

Sec. 43.001. COMPOSITION OF PERMANENT SCHOOL FUND AND AVAILABLE SCHOOL FUND. (a) Includes the interest and dividends from any securities or funds belonging to the permanent school fund, all interest derivable from the proceeds of the sale of land set apart for the permanent school fund, and all money derived from the lease of land belonging to the permanent school fund, in the assets of the permanent school fund.

(b) Provides that the available school fund required to be apportioned annually to each school district, rather than county, according to its scholastic population consists of certain funds, including the distributions to the fund from the permanent school fund as provided by Section 5, Article VII, of the Texas Constitution. Deletes text referring to certain monies. Redesignates Subdivisions (4) - (6) to Subdivisions (2) - (4).

(c) Redefines "scholastic population."

Sec. 43.002. TRANSFERS FROM PERMANENT SCHOOL FUND AND GENERAL REVENUE FUND TO AVAILABLE FUND. (a) Requires the comptroller, on the first working day of each month in a state fiscal year, to transfer from the permanent school fund to the available school fund an amount equal to one-twelfth of the annual distribution from the permanent school fund to the available school fund for the fiscal year as determined by the State Board of Education under Section 5, Article VII, Texas Constitution, and by the General Appropriations Act.

(a-1) Requires the comptroller, notwithstanding Subsection (a), for the fiscal year beginning September 1, 2003, to transfer certain funds from the permanent school fund to the available school fund on certain days.

(a-2) Provides that Subsection (a-1) and this subsection expire on

September 1, 2004.

(b) Creates this section from existing text. Prohibits, of the amounts available for transfer from the general revenue fund to the available school fund for the months of January and February of each fiscal year, more than the amount necessary to enable the comptroller to distribute from the available school fund an amount equal to 9-1/2 percent of the estimated annual available school fund apportionment to category 1 school districts, as defined by Section 42.259 (Foundation School Fund Transfers), Education Code, and 3-1/2 percent of the estimated annual available school fund apportionment to category 2 school districts, as defined by Section 42.259 (Foundation School Fund Transfers), Education Code, from being transferred from the general revenue fund to the available school fund. Requires any remaining amount that would otherwise be available for transfer for the months of January and February to be transferred from the general revenue fund to the available school fund in equal amounts in June and in August of the same fiscal year.

SECTION 2. Effective date: January 1, 2004, if the constitutional amendment proposed by the 78th Legislature, Regular Session, 2003, relating to distributions from the permanent school fund, is approved by the voters. Provides that if the proposed constitutional amendment is not approved by the voters, this Act has no effect.