

## **BILL ANALYSIS**

Senate Research Center

S.J.R. 78  
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Education  
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As Filed

### **AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

Texas has worked hard to ensure that its public schools are fit for a 21st century education. It is imperative that our state update the methods of funding public education to reflect our 21st century policies as well. The Permanent School Fund (PSF) is a lasting legacy of the Texas legislature. It is time the legislature updated the PSF management structures to model other 21st century investment strategies in our state.

Established in 1894 with a \$2 million investment from the Texas legislature, the PSF has long been one of the methods Texas uses to pay for public education. The PSF has grown significantly since, from \$30.6 billion in 2013 to over \$44 billion within just five years.

S.J.R. 78 creates the Bicentennial Education Fund (BEF). The BEF will serve as a new mechanism to distribute more money to school districts in Texas. Coupled with the reforms of S.B. 2440, the streamlining and update of the PSF will result in increased investment returns and more accountability on the part of the PSF's money and land managers.

Funds in the BEF will be directly spent on merit-based teacher pay and "incentivizing scholastic achievement among historically underperforming student groups." This means that as the legislature looks to invest in new areas of school finance like merit-based teacher pay, improving third grade reading scores, and increasing college, career, and military readiness, the state will have a long-term, stable source of funding to pay for these reforms.

S.J.R. 78 proposes a constitutional amendment relating to the permanent school fund.

### **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 Section 2, Article VII, Texas Constitution, to provide that the purpose of the permanent school fund is to maximize available revenue distributions for the education of students enrolled in the state's public education system.

SECTION 2. Amends Section 4, Article VII, Texas Constitution, as follows:

Sec. 4. SALE OF PERMANENT SCHOOL FUND LANDS; INVESTMENT OF PROCEEDS. Requires the proceeds of certain sales to be used to acquire other land for the permanent school fund as provided by law or to be invested by the comptroller of public accounts of the State of Texas, as directed by the entity designated by the legislature to manage the assets of the permanent school fund, rather than as is authorized to be directed by the State Board of Education (SBOE) herein provided for, to invest the proceeds in certain financial instruments.

SECTION 3. Amends Section 5, Article VII, Texas Constitution, as follows:

Sec. 5. New heading: PERMANENT SCHOOL FUND, AVAILABLE SCHOOL FUND, AND BICENTENNIAL EDUCATION FUND: COMPOSITION, MANAGEMENT, USE, AND DISTRIBUTION. (a) Provides that the permanent school fund consists of certain land, properties, and revenue, including all revenue otherwise deposited into the fund.

(a-1) Provides that the available school fund consists of the distributions made to it from the total return on select investment assets of and net revenue deposits into the permanent school fund as directed by the entity designated by the legislature to manage the assets of the permanent school fund, and certain taxes and appropriations, rather than consisting of distributions made to it from the total return on all investment assets of the permanent school fund and certain taxes and appropriations. Provides that the total amount distributed from the permanent school fund to the available school fund:

(1) is required, in each year of a state fiscal biennium, to be a certain amount in accordance with the rate adopted by:

(A) a vote of two-thirds of the total membership of the entity designated by the legislature to manage the assets of the permanent school fund, rather than a vote of two-thirds of the total membership of SBOE, taken before the regular session of the legislature convenes; or

(B) the legislature by general law or appropriation, if the entity designated by the legislature to manage the assets of the permanent school fund, rather than SBOE, does not adopt a rate as provided by Paragraph (A) of this subdivision; and

(2) makes no changes to this subdivision.

(a-2) Provides that the bicentennial education fund consists of the distributions made to it from the total return on select investment assets of and net revenue deposits into the permanent school fund as directed by the entity designated by the legislature to manage the assets of the permanent school fund, the taxes authorized by this constitution or general law to be part of the bicentennial education fund, and appropriations made to the bicentennial education fund by the legislature.

(a-3) Requires the entity designated by the legislature to manage the assets of the permanent school fund to coordinate distributions under Subsections (a-1) and (a-2) as necessary to ensure sufficient funding is available to guarantee bonds issued under subsection (d).

(b) Makes no changes to this subsection.

(c) Requires the available school fund and bicentennial education fund, rather than the available school fund, to be applied annually to the support of the public free schools. Prohibits the legislature, except as provided by this section, from enacting a law appropriating any part of the permanent school fund, available school fund, or bicentennial education fund, rather than any part of the permanent school fund or available school fund, to any other purpose. Prohibits appropriating or using the permanent school fund, available school fund, or bicentennial education fund, rather than the permanent school fund or available school fund, for the support of any sectarian school. Requires the bicentennial education fund to be distributed to school districts for the purposes of providing funding for merit-based teacher pay and for incentivizing scholastic achievement among historically underperforming student groups in the manner provided by law.

(d) and (e) Makes no changes to these subsections.

(f) Authorizes the entity designated by the legislature to manage the assets of the permanent school fund, rather than SBOE, notwithstanding any other provision of this constitution, in managing the assets of the permanent school fund, to acquire, exchange, sell, supervise, manage, or retain, through procedures and subject to restrictions it establishes and in amounts it considers appropriate, any kind of investment, rather than any kind of investment, including investments in the Texas growth fund created by Article XVI, Section 70, of this constitution, that persons of ordinary prudence, discretion, and intelligence, exercising the judgment and care under the circumstances then prevailing, acquire or retain for their own account in the management of their affairs, not in regard to speculation but in regard to the permanent disposition of their funds, considering the probable income as well as the probable safety of their capital.

(g) Deletes this subsection and existing text authorizing the Texas General Land Office or an entity other than SBOE that has responsibility for the management of permanent school fund land or other properties, notwithstanding any other provision of this constitution or of a statute, to in its sole discretion distribute to the available school fund each year revenue derived during that year from the land or properties, not to exceed \$300 million each year.

SECTION 4. Requires that the proposed constitutional amendment be submitted to the voters at an election to be held November 5, 2019. Sets forth the required language of the ballot.