

## **BILL ANALYSIS**

Senate Research Center  
77R4997 ESH-D

S.B. 451  
By: Duncan  
Education  
3/1/2001  
As Filed

### **DIGEST AND PURPOSE**

Currently, interest and dividend income from the Texas Permanent School Fund (PSF), along with other revenue, flows into the Available School Fund (ASF), which is distributed to local school districts based on average daily attendance. Over the past few years, there has been a steady decline in income generated by PSF in both nominal and real terms. To deal with fluctuations like this, some financial experts suggest managing PSF as a total return fund which would make distributions from a prudent portion of its total return, regardless of how the return is generated. As proposed, S.B. 451 allows PSF to be managed as a total return fund and captures the additional revenue generated into a newly created Education Excellence Supplemental Fund. This fund is subject to legislative appropriation for the purpose of further enhancement of public education.

### **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 the heading to Chapter 43, Education Code, as follows:

#### **CHAPTER 43. PERMANENT SCHOOL FUND, AVAILABLE SCHOOL FUND, AND EDUCATION EXCELLENCE SUPPLEMENTAL FUND**

SECTION 2. Amends Sections 43.001, 43.002, and 43.016, Education Code, to read as follows:

Sec. 43.001. New heading: COMPOSITION OF PERMANENT SCHOOL FUND, AVAILABLE SCHOOL FUND, AND EDUCATION EXCELLENCE SUPPLEMENTAL FUND. Provides an exception to the composition of the permanent school fund (PSF). Requires the available school fund be apportioned annually to each school district, rather than to each county, according to its scholastic population. Provides that the available school fund (ASF) consists partly of certain distributions from, rather than certain interest and dividends arising from, PSF. Provides that the education excellence supplemental fund (supplemental fund) consists of certain distributions from PSF. Prohibits a distribution from ASF to a school district from exceeding the distribution from ASF the school district received for the state fiscal year beginning September 1, 2001, adjusted for certain conditions. Redefines "scholastic population."

Sec. 43.002. New heading: TRANSFERS FROM PERMANENT SCHOOL FUND AND GENERAL REVENUE FUND TO AVAILABLE SCHOOL FUND AND EDUCATION EXCELLENCE SUPPLEMENTAL FUND. Requires the comptroller, on the first working day of each month in a state fiscal year, to transfer certain amounts from PSF to ASF and the supplemental fund.

Sec. 43.016. Requires all available school funds to be apportioned in each school district,

rather than county, for the education of its students, rather than children.

SECTION 3. Amends Chapter 43, Education Code, by adding Section 43.020, as follows:

Sec. 43.020. MANAGEMENT AND USE OF EDUCATION EXCELLENCE SUPPLEMENTAL FUND. Provides that the supplemental fund is under the management of the State Board of Education (board). Authorizes the board to use money in the education fund only for the improvement of public education as directed by the General Appropriations Act.

SECTION 4. Repealer: Section 43.008, Education Code (Treatment of Premium and Discount).

SECTION 5. Effective date: September 1, 2002. Makes application of this Act contingent upon the approval by the voters of the constitutional amendment proposed by the 77th Legislature, Regular Session, 2001, relating to making distributions from PSF to ASF and creating the education excellence supplemental fund.