

## **BILL ANALYSIS**

Senate Research Center  
77R641 ESH-D

S.B. 490  
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Education  
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As Filed

### **DIGEST AND PURPOSE**

Since 1990, the permanent school fund (PSF) has grown by over 100 percent with a significant increase in both realized and unrealized capital gains. However, the benefit to schools of the available school fund (ASF), which consists of certain income deriving from PSF and motor fuels taxes, has recently remained flat, and appears to be declining. As proposed, S.B. 490 allows PSF to be managed under a total return approach to allow the fund to benefit from capital gains. This increase in income is dedicated to funding health insurance for school employees.

### **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 Chapter 43, Education Code, to read as follows:

CHAPTER 43. New heading: PERMANENT SCHOOL FUND, AVAILABLE SCHOOL FUND,  
AND PUBLIC SCHOOL EMPLOYEE HEALTH INSURANCE FUND

SECTION 2. Amends Section 43.001, Education Code, to read as follows:

Sec. 43.001. New heading: COMPOSITION OF PERMANENT SCHOOL FUND,  
AVAILABLE SCHOOL FUND, AND PUBLIC SCHOOL EMPLOYEE HEALTH FUND.  
Provides an exception to the composition of the permanent school fund. Provides that the available school fund consists of certain distributions from the permanent school fund, rather than specific interest, dividends, and money arising or derived from the permanent school fund. Provides that the public school employee health insurance fund (insurance fund) consists of certain distributions from the permanent school fund and certain appropriations made by the legislature.

SECTION 3. Amends Section 43.002, Education Code, to read as follows:

Sec. 43.002. New heading: TRANSFERS FROM PERMANENT SCHOOL FUND AND  
GENERAL REVENUE FUND TO AVAILABLE SCHOOL FUND AND PUBLIC  
SCHOOL EMPLOYEE HEALTH INSURANCE FUND. Requires the comptroller to, on  
the first working day of each month in a state fiscal year, transfer certain amounts from the permanent school fund to the available school fund and the insurance fund.

SECTION 4. Amends Chapter 43, Education Code, by adding Section 43.020, as follows:

Sec. 43.020. MANAGEMENT AND USE OF PUBLIC SCHOOL EMPLOYEE HEALTH  
INSURANCE FUND. Provides that the insurance fund is under the management of the board  
of trustees of the Teacher Retirement System of Texas (TRS). Authorizes TRS to use money in

the insurance fund only to provide and administer the group health insurance under the Texas School Employees Uniform Group Health Insurance Benefits Act (Article 3.50-7, Insurance Code).

SECTION 5. Repealer: Section 43.008, Education Code (Treatment of Premium and Discount).

SECTION 6. Effective date: September 1, 2002. Makes application of this Act contingent upon approval by the voters of the constitutional amendment proposed by the 77th Legislature, Regular Session, 2001, relating to the use of income and appreciation of the permanent school fund.