

Amend HJR 68 by adding appropriately numbered SECTIONS to read as follows, and renumbering remaining SECTIONS accordingly:

SECTION _____. Section 5, Article VII, Texas Constitution, is amended to read as follows:

Sec. 5. (a) The permanent school fund consists of all land appropriated for public schools by this constitution or the other laws of this state, other properties belonging to the permanent school fund, and all revenue derived from the land or other properties. The available school fund consists of the distributions made to it from the total return on all investment assets of [~~principal of all bonds and other funds, and the principal arising from the sale of the lands hereinbefore set apart to said school fund, shall be~~] the permanent school fund, [and all the interest derivable therefrom and] the taxes [~~herein~~] authorized by this constitution or general law to be part of [~~and levied shall be~~] the available school fund, and appropriations made to the available school fund by the legislature. The total amount distributed from the permanent school fund to the available school fund:

(1) in each year of a state fiscal biennium must be an amount that is not more than six percent of the average of the market value of the permanent school fund, excluding real property belonging to the fund that is managed, sold, or acquired under Section 4 of this article, on the last day of each of the 16 state fiscal quarters preceding the regular session of the legislature that begins before that state fiscal biennium, in accordance with the rate adopted by:

(A) a vote of two-thirds of the total membership of the State Board of Education, taken before the regular session of the legislature convenes; or

(B) the legislature by general law or appropriation, if the State Board of Education does not adopt a rate as provided by Paragraph (A) of this subdivision;

(2) over the ten-year period consisting of the current state fiscal year and the nine preceding state fiscal years may not exceed the total return on all investment assets of the permanent school fund over the same ten-year period; and

(3) may not exceed a portion of the total return on all

investment assets of the permanent school fund such that the portion of the total return retained in the permanent school fund is sufficient, as determined by the comptroller of public accounts, to preserve the purchasing power of the permanent school fund for the current fiscal year and the next nine fiscal years.

(b) The expenses of managing permanent school fund land and investments shall be paid by appropriation from the permanent school fund.

(c) The available school fund shall be applied annually to the support of the public free schools. Except as provided by this section, the legislature may not enact a [no] law [shall ever be enacted] appropriating any part of the permanent school fund or available school fund to any other purpose. The permanent school fund and the available school fund may not [whatever, nor shall the same, or any part thereof ever] be appropriated to or used for the support of any sectarian school. The[, and the] available school fund [herein provided] shall be distributed to the several counties according to their scholastic population and applied in the [such] manner [as may be] provided by law.

(d) [(b)] The legislature by law may provide for using the permanent school fund [and the income from the permanent school fund] to guarantee bonds issued by school districts or by the state for the purpose of making loans to or purchasing the bonds of school districts for the purpose of acquisition, construction, or improvement of instructional facilities including all furnishings thereto. If any payment is required to be made by the permanent school fund as a result of its guarantee of bonds issued by the state, an amount equal to this payment shall be immediately paid by the state from the treasury to the permanent school fund. An amount owed by the state to the permanent school fund under this section shall be a general obligation of the state until paid. The amount of bonds authorized hereunder shall not exceed \$750 million or a higher amount authorized by a two-thirds record vote of both houses of the legislature. If the proceeds of bonds issued by the state are used to provide a loan to a school district and the district becomes delinquent on the loan payments, the amount of the delinquent payments shall be offset against state aid to which the

district is otherwise entitled.

(e) [~~(e)~~] The legislature may appropriate part of the available school fund for administration of [~~the permanent school fund or of~~] a bond guarantee program established under this section.

(f) [~~(d)~~] Notwithstanding any other provision of this constitution, in managing the assets of the permanent school fund, the State Board of Education may 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, 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) Notwithstanding Subsection (a) of this section, the total amount distributed from the permanent school fund to the available school fund for the state fiscal years beginning September 1, 2003, and September 1, 2004, must be an amount equal to the lesser of:

(1) five percent of the average of the market value of the permanent school fund, excluding real property belonging to the fund that is managed, sold, or acquired under Section 4 of this article, on the last day of each of the 16 state fiscal quarters preceding the regular session of the 78th Legislature; or

(2) a portion of the total return on all investment assets of the permanent school fund such that the portion of the total return retained in the permanent school fund is sufficient, as determined by the comptroller of public accounts, to preserve the purchasing power of the permanent school fund for the current fiscal year and the next nine fiscal years.

(h) Subsection (g) of this section and this subsection expire December 1, 2006.

SECTION _____. This proposed constitutional amendment shall be submitted to the voters at an election to be held September 13, 2003. The ballot shall be printed to permit voting for or against the proposition: "The constitutional amendment relating to the use of income and appreciation of the permanent school fund."