

## **BILL ANALYSIS**

S.B. 206  
By: Ellis, Rodney  
Appropriations  
Committee Report (Unamended)

### **BACKGROUND AND PURPOSE**

Since 1990, the permanent school fund (PSF) has grown by more than 100% 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 the PSF and motor fuel taxes, has remained flat, and appears to be declining. Senate Bill 206 redefines the composition of the PSF and the ASF to reflect the change to total return management of the PSF, contingent upon passage of a constitutional amendment that directs the income from PSF assets to be deposited into the PSF and a percentage of the total market value to be annually spent as the Available School Fund for the support of public education.

### **RULEMAKING AUTHORITY**

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

### **ANALYSIS**

Senate Bill 206 amends the Education Code by altering the composition of the ASF to reflect the adoption of a constitutional amendment to distribute funds from the total value of the PSF rather than income. The proposed constitutional amendment would amend Section 5(a), Article VII, of the Texas Constitution by deleting language that credits the following to the ASF: (1) interest and dividends arising from any securities or funds belonging to the PSF, (2) all interest derivable from the proceeds of the sale of land set apart for the PSF, and (3) all money derived from the lease of land belonging to the PSF.

Senate Bill 206 directs the comptroller, on a monthly basis, to transfer from the PSF to the ASF an amount equal to one-twelfth of the annual distribution from the permanent school fund to the available school fund as provided by Section 5(a), Article VII, Texas Constitution. With regards to the fiscal year 2004 annual distribution, this bill requires the comptroller to transfer on January 2, 2004 an amount equal to five-twelfths of the annual distribution, and on the first working day of each month after January 2004, an amount equal to one-twelfth of the annual distribution. The provision relating to the fiscal year 2004 distribution expires September 1, 2004.

Senate Bill 206 amends Section 31.301 of the Natural Resources Code to require the appropriate board, before approving a trade, to make a finding that no loss will occur to the PSF, rather than the ASF.

Senate Bill 206 requires the money received by the school land board for the grant of any interest not under Section 33.015 of the Natural Resources Code to be deposited in the State Treasury to the credit of the PSF, rather than the ASF. This bill also requires the payments on public school land received by the commissioner of the General Land Office, including payments received as interest on the purchase of public land, to be credited to the PSF. This bill also requires the income on public school land received by the commissioner of the General Land Office to be credited to the PSF, rather than the ASF.

Senate Bill 206 requires the interest earned on the special fund account created by Section 51.401 of the Natural Resources Code be deposited to the credit of the PSF, rather than the ASF.

Senate Bill 206 requires the allocated interest on certain protested payments under Section 52.137 of the Natural Resources Code to be deposited to the PSF, rather than the ASF.

Senate Bill 206 requires the interest earned on the special fund account created by Section 52.297 of the Natural Resources Code to be deposited to the PSF, rather than the ASF.

Senate Bill 206 requires the interest earned on the special fund account created by Section 53.155 of the Natural Resources Code to be deposited to the PSF, rather than the ASF.

Senate Bill 206 amends Section 5, Chapter 314, Acts of the 56th Legislature, Regular Session, 1959 (Article 5337-2, Vernon's Texas Civil Statutes) to require all income received by the Land Commissioner under the Act from public school lands to be credited to the PSF, rather than the ASF.

Senate Bill 206 also repeals Section 43.008 of the Education Code.

**EFFECTIVE DATE**

January 1, 2004, contingent upon voter approval of the constitutional amendment proposed by House Joint Resolution 66 or Senate Joint Resolution 13, which relate to the use of income and appreciation of the PSF.