

BILL ANALYSIS

H.B. 4590
By: Pitts
Appropriations
Committee Report (Unamended)

BACKGROUND AND PURPOSE

The Permanent School Fund (PSF) was created in 1854 for the benefit of Texas public schools. Interest and dividends from the PSF flow into the Available School Fund (ASF), along with 1/4 of the collections from the motor fuels tax. The PSF distributes a predetermined percentage of its asset value to the ASF on an annual basis. From the ASF, funding is distributed to public schools based on average daily student attendance. Any shortfall in the ASF would require additional General Revenue to make up the difference.

Article 7, Section 5 (a)(2) of the Texas Constitution states that the total amount of funds distributed from the PSF to the ASF over a 10 year period may not exceed the total return on investment assets over the same time period. The market value of the PSF currently is around \$16 billion, down sharply from the end-of-fiscal-year 2008 value of \$23.2 billion and way down from its all-time high in October 2007 of approximately \$26 billion. This decrease could force a zero payout for 2010-2011.

Current law restricts monthly payments of the distribution to 1/12 of the annual distribution. In the event that a payout occurs in fiscal year 2011 but not in fiscal year 2010, the state will need more flexibility to provide monthly payments to school districts. H.B. 4590 would amend the current statute to provide this flexibility.

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

H.B. 4590 amends Section 43.002 of the Education Code by amending Subsection (a) and adding Subsection (a-1). The bill amends Subsection (a) to require the monthly distribution to equal to the annual distribution less the amount that has already been transferred during the fiscal year, divided by the number of months remaining in the fiscal year.

The bill adds Subsection (a-1), which would allow amounts authorized by the State Board of Education but not transferred to the ASF during the first year of the biennium due to restrictions in Section 5(a)(2) of the Texas Constitution to be transferred to the ASF in the second year of the biennium

EFFECTIVE DATE

September 1, 2009.