

109TH CONGRESS  
1ST SESSION

# S. 1474

To amend the Deficit Reduction Act of 1984 to clarify the Permanent University Fund arbitrage exception and to increase from 20 percent to 30 percent the amount of securities and obligations benefitting from the exception.

---

## IN THE SENATE OF THE UNITED STATES

JULY 22, 2005

Mrs. HUTCHISON (for herself and Mr. CORNYN) introduced the following bill;  
which was read twice and referred to the Committee on Finance

---

## A BILL

To amend the Deficit Reduction Act of 1984 to clarify the Permanent University Fund arbitrage exception and to increase from 20 percent to 30 percent the amount of securities and obligations benefitting from the exception.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

3       **SECTION 1. MODIFICATION OF SPECIAL ARBITRAGE RULE**  
4       **FOR CERTAIN FUNDS.**

5       (a) IN GENERAL.—Paragraph (1) of section 648 of  
6       the Deficit Reduction Act of 1984 (98 Stat. 941) is  
7       amended to read as follows:

1           “(1) such securities or obligations are held in a  
2       fund—

3           “(A) which, except to the extent of the in-  
4       vestment earnings on such securities or obliga-  
5       tions, cannot be used, under State constitu-  
6       tional or statutory restrictions continuously in  
7       effect since October 9, 1969, through the date  
8       of issue of the bond issue, to pay debt service  
9       on the bond issue or to finance the facilities  
10      that are to be financed with the proceeds of the  
11      bonds, or

12           “(B) the annual distributions from which  
13      cannot exceed 7 percent of the average fair  
14      market value of the assets held in such fund ex-  
15      cept to the extent distributions are necessary to  
16      pay debt service on the bond issue,”.

17       (b) CONFORMING AMENDMENT.—Paragraph (3) of  
18   such section is amended by striking “the investment earn-  
19   ings of” both places it occurs and inserting “distributions  
20   from”.

21       (c) CHANGE OF DATE RELATING TO AMOUNT BENE-  
22   FITTING FROM RULE.—Paragraph (4) of such section is  
23   amended by striking “October 9, 1969” and inserting  
24   “March 1, 1985”.

1       (d) EFFECTIVE DATE.—The amendments made by  
2 this section shall take effect on the date of enactment of  
3 this Act.

