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LEGISLATIVE EDUCATION STUDY COMMITTEE
BILL ANALYSIS
57th Legislature, 2nd Session, 2026

Bill Number	<u>SB166</u>	Sponsor	<u>Stewart</u>
Tracking Number	<u>.232730.2</u>	Committee Referrals	<u>STBTC/SFC</u>
Short Title	<u>Transfer from General Fund to Other Funds</u>		
Analyst	<u>Estupiñan</u>	Original Date	<u>2/10/2026</u>
		Last Updated	<u></u>

BILL SUMMARY

Synopsis of Bill

Senate Bill 166 (SB166) authorizes transfers from the general fund to other state funds if revenues and reserves exceed certain thresholds.

Funds that would receive new inflows include the Medicaid trust fund, the behavioral health trust fund, the community benefit fund, the public education reform fund (PERF), the rural health care delivery fund, and the Kiki Saavedra senior dignity fund.

The bill would be effective July 1, 2026.

FISCAL IMPACT

The bill does not contain an appropriation.

For FY27, the Legislative Finance Committee (LFC) estimates SB166 would not result in a transfer to the PERF, but the bill could result in a transfer of up to \$52.1 million to the PERF in FY28, growing to \$54.1 million in FY29, and \$56.3 million in FY30.

SUBSTANTIVE ISSUES

SB166 requires that if the revenues of the general fund exceed the total appropriations from the general fund, the excess revenue shall be transferred to the general fund operating reserve. If the sum of the excess revenue plus the balance in the general fund operating reserve prior to the transfer is greater than 5 percent, but less than 8 percent, of the aggregate recurring appropriations from the general fund for the previous fiscal year, then portions of the excess revenue above 5 percent but less than 8 percent will be transferred to several funds.

The distribution of the excess revenue would be as follows:

- 25 percent to the Medicaid trust fund;

- 25 percent to the behavioral health trust fund;
- 25 percent to the community benefit fund;
- 15 to the public education reform fund;
- 7 percent to the rural health care delivery fund; and
- 3 percent to the Kiki Saavedra senior dignity fund.

These distributions would only occur if the combined balances of the general fund operating reserve and the tax stabilization reserve for that fiscal year exceed 25 percent of the aggregate recurring appropriations for that fiscal year from the general fund.

Public Education Reform Fund. The Legislature created the PERF in 2019 to support evidence-based public education initiatives related to high-quality teaching and school leadership, extended learning opportunities for students, educational interventions for at-risk students, effective and efficient school administration, or promoting public education accountability. Between FY20 and FY23, the fund received reversions from the K-5 Plus and Extended Learning Time programs (ELTP) and sustained many programs through those reversions, including community schools, the family income index, and out-of-school time programs. These reversions to the PERF stopped with the repeal of K-5 Plus and ELTP in FY24.

Beginning in FY26, the Legislature converted the PERF into a multi-year accountability fund that supports programs with appropriations over three years, after which the programs are evaluated by the Public Education Department (PED) for their impact on student outcomes. The appropriations for these programs are supported through transfers from the general fund, totaling \$63.8 million in FY26. Some of the programs being supported through the PERF in FY26 include support for students who are unhoused, secondary educator literacy, innovative staffing strategies, attendance support, and math achievement.

For FY27, the House Appropriations and Finance Committee Substitute for House Bills 2 and 3 (HB2/HAFCS) includes an \$89.7 million transfer from the government results and opportunity expendable trust fund to PERF. This transfer would support \$21.6 million for innovation zones, \$18.3 million for community schools, \$15.3 million for high-impact tutoring, and \$34.5 million for out-of-school time programs.

SOURCES OF INFORMATION

- LESC Files
- Legislative Finance Committee (LFC) Files

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