

109TH CONGRESS  
1ST SESSION

# H. R. 2661

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 HOUSE OF REPRESENTATIVES

MAY 26, 2005

Mr. BRADY of Texas introduced the following bill; which was referred to the Committee on Ways and Means

---

## 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 FITING 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.

○