OBJECTIVE
The Permanent School Fund is managed to be a permanent, perpetual source of funding of public education, through regular transfers to the Available School Fund.

KEY FACTS
- The Available School Fund comprises transfers from the Permanent School Fund and the state’s motor fuel tax revenue.
- The State Board of Education manages the Permanent School Fund portfolio of securities and the General Land Office manages the Permanent School Fund Lands.
- The Available School Fund is a method of finance for instructional materials and the Foundation School Program.

BUDGETARY IMPACT
In the 2012–13 biennium, $2.8 billion was appropriated from the Available School Fund to be used for the purchase of instructional materials and a per capita distribution to school districts.

In the 2012–13 biennium, for the purpose of managing the Permanent School Fund and its lands, the Texas Education Agency is estimating expenditures of $42.1 million, and the General Land Office was appropriated $26.9 million.

STATUTORY REFERENCES
Texas Constitution, Article VII, Section 2
AVAILABLE SCHOOL FUND (GENERAL REVENUE FUNDS)
The SBOE makes distributions from the PSF to the ASF on an annual basis. The distribution rate that is credited to the ASF must be approved by 2/3 of the board and may not exceed 6 percent of the average market value of the portfolio in the 16 previous fiscal quarters or the total return of the portfolio during the 10 preceding fiscal years. The average market value of the portfolio in this calculation excludes real property belonging to the PSF, but does include discretionary real assets investments and cash managed by GLO derived from property belonging to the PSF. The actual distribution adopted by the SBOE is set with consideration of a policy of intergenerational equity, whereby the distribution rate cannot jeopardize the probability that the PSF will be able to support the public education of future generations of Texas students at a comparable level. In the recent past, the SBOE has adopted rates ranging from 4.5 percent for the 2004–05 and 2006–07 biennia to a low of 2.5 percent for the 2010–11 biennium, reflecting market conditions. For the 2012–13 biennium, the adopted rate of 4.2 percent is projected to yield about $943.2 million per fiscal year. Because only interest can be spent out of the PSF, the corpus of the PSF remains intact and continues to benefit the public schools of Texas in perpetuity.

The ASF is a constitutionally dedicated fund for the support of the public education system. It is funded from the previously mentioned distributions from returns on investment of the PSF as approved by the SBOE and from revenue derived from the lands of the PSF as directed by GLO (up to $300 million per year). In addition to these revenue sources, the ASF is statutorily dedicated 25 percent of the state’s motor fuels tax revenue. Appropriations from the ASF for the 2012–13 biennium include $1,545.4 million in anticipated revenues from the state motor fuels tax allocated to support the Instructional Materials Allotment and the FSP (see Fig. 1).

The Texas Education Code requires that 50 percent of the amount transferred from the PSF to the ASF (or another amount approved by the Legislature) be transferred to the Instructional Materials Fund to fund instructional materials for school districts and the remaining portion of the ASF to be used as a per capita distribution to school districts. The per capita apportionment serves as a method of financing the Foundation School Program.