

Overview of the Relationship Among the Permanent School Fund, the Available School Fund, and the General Land Office in Public Education Funding

House Appropriations Committee
December 20, 2012

Presented by the Legislative Budget Board

What is the Permanent School Fund?

- The Permanent School Fund (PSF) is an endowment fund established by the Texas constitution that is managed to be a permanent, perpetual source of funding for public education, primarily through transfers to the Available School Fund (ASF).
- The PSF is managed jointly by the State Board of Education (SBOE) and the General Land Office (GLO) through the School Land Board (SLB).

	SLB-Managed	SBOE -Managed
Fair Market Value (8/31/2012 unaudited)	\$5.8 billion	\$25.5 billion
Asset Types	Minerals (38%) Real Asset Investments (27%) Cash (24%) Land (12%)	Equities (55%) Alternative Investments (24%) Fixed Income (21%)
Total Fund Value	\$31.3 billion	

The Permanent School Fund and The Available School Fund

The **Permanent School Fund** acts as a source of funding for public education through transfers to the **Available School Fund (ASF)**, which is appropriated by the Legislature.

ASF Appropriated for Two Purposes:

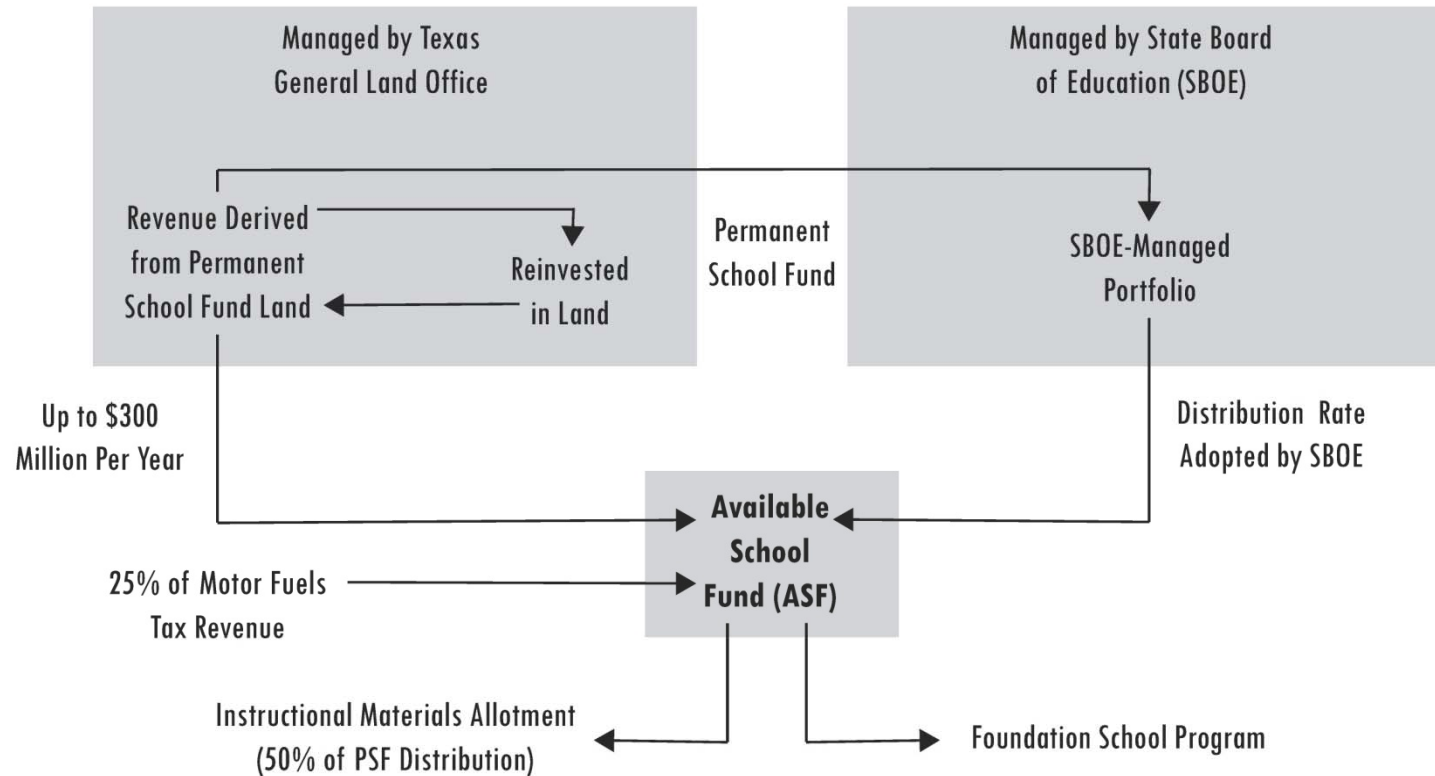
- Instructional Materials Allotment
- Per capita apportionment in the Foundation School Program (FSP)

Sources of revenue for the ASF:

- Total return distribution from Permanent School Fund (PSF) based on distribution rate set by the State Board of Education (\$1.02 billion per year in 2012–13)
- 25 percent of motor fuels tax revenue (\$700M to \$800M annually)
- Discretionary distribution by the General Land Office (GLO) from GLO-managed PSF holdings (\$300 million annual maximum)

Flow of Funds

Permanent School Fund and Available School Fund



Flow of Funds

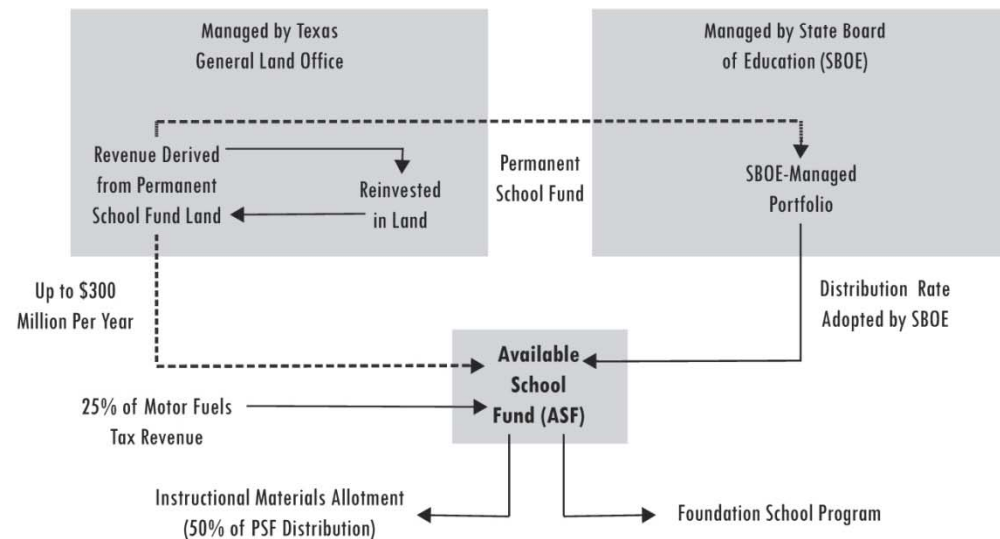
GLO Contributions to the Permanent School Fund

GLO Contributions to the PSF

Each year the GLO has transferred a portion of the revenue derived from PSF lands to the SBOE managed portfolio for investment.

For the 2012–13 biennium, the amount transferred was increased by \$150 million per year compared to what had been allocated in recent history, for a total biennial transfer of \$500 million. This enabled the SBOE to adopt a higher total return distribution rate to the ASF (4.2 percent), which increased funds available for appropriation.

Fiscal Year	(in millions)
2008	\$100.4
2009	\$100.0
2010	\$100.0
2011	\$100.0
2012	\$250.0
2013	\$250.0



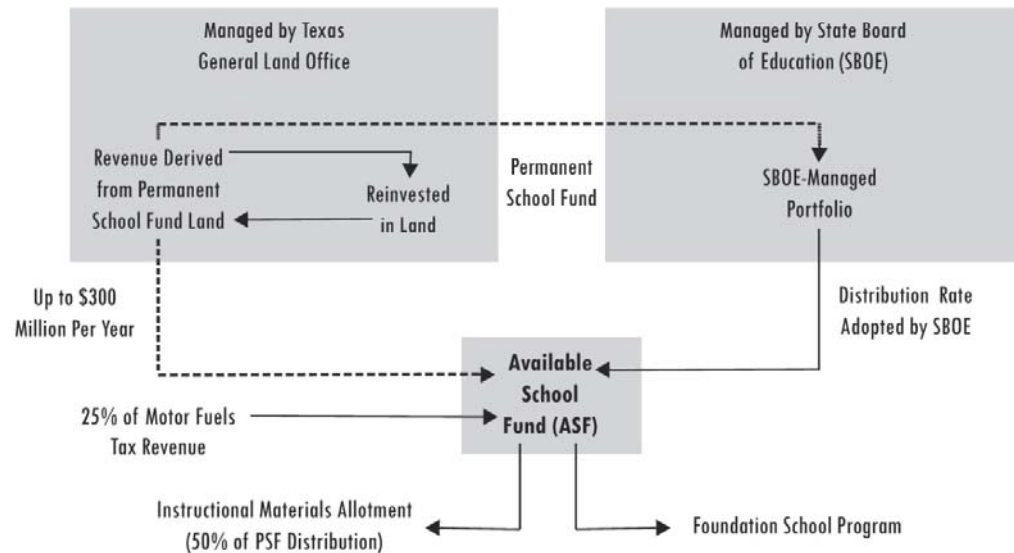
Flow of Funds

GLO Contributions to the Available School Fund

HJR 109

In part, HJR 109, enacted by the Eighty-second Legislature and approved by voters in November 2011, amended the constitution to allow the GLO to transfer revenues derived from the management of PSF lands directly to the ASF, limited to \$300 million per year.

Because those funds would be deposited directly to the ASF, they would be available for appropriation in total.



HJR 109 and the 2012–13 Budget

In the appropriations process for 2012–13, \$300.0 million of the estimated cost of the Foundation School Program was made contingent on enactment of HJR 109, voter approval of the constitutional amendment, and the transfer of funds from the GLO to the ASF.

To date, no funds have been transferred from the GLO to the ASF, which is creating a shortfall in the appropriation supporting the state's obligation in the FSP for fiscal year 2013.

Questions?