

Texas Permanent School Fund Distributions to the Available School Fund

May 3, 2018

History of the PSF

- † 1836, Republic of Texas Congress established and endowed primary to university level education system. State granted land to each county for school support.
- † 1845, State Constitution established free schools and the legislature stipulated it set apart not less than 1/10 of annual revenue be derived from taxation.
- † 1854, a portion of the \$10 million proceeds from Compromise of 1850 was reserved to start an educational fund. Special School Fund established and was the predecessor of the Permanent School Fund.
- † 1861, Special School Fund resources were nearly exhausted due to the use of funds for other purposes such as building prisons and purchasing weapons.
- † 1876, Texas Constitution established the Permanent School Fund and direction of investment of proceeds from sales of land to the newly established State Board of Education.
- † ††



Bond Guarantee Program

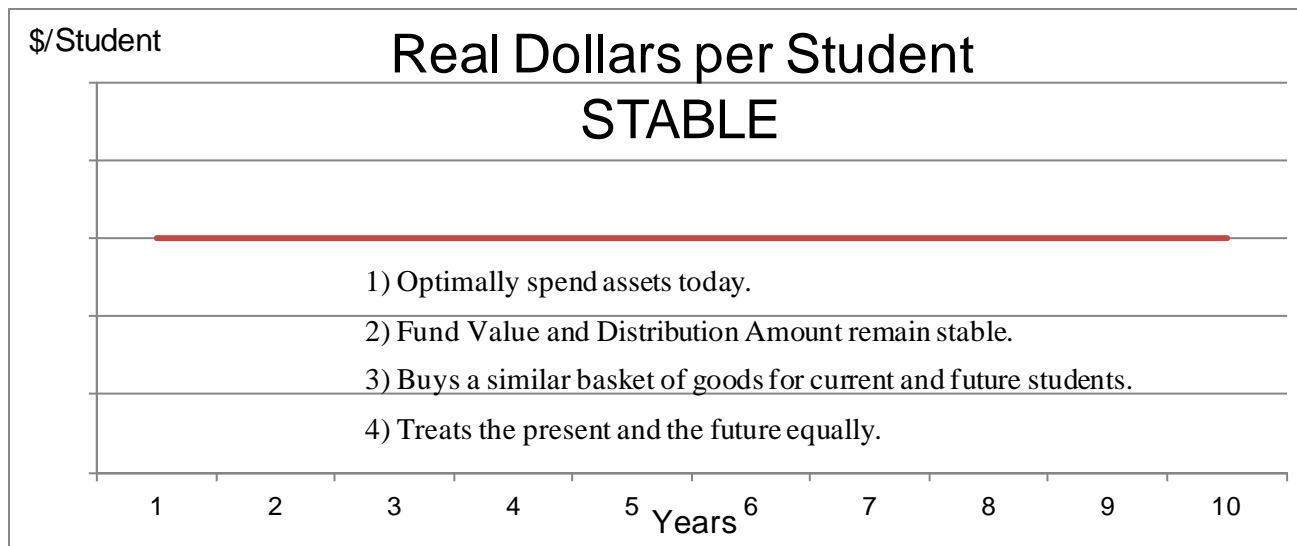
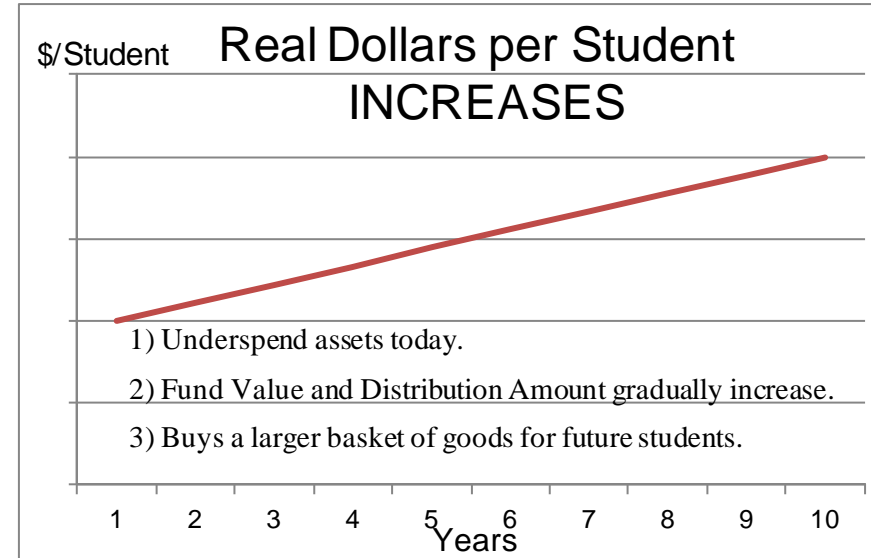
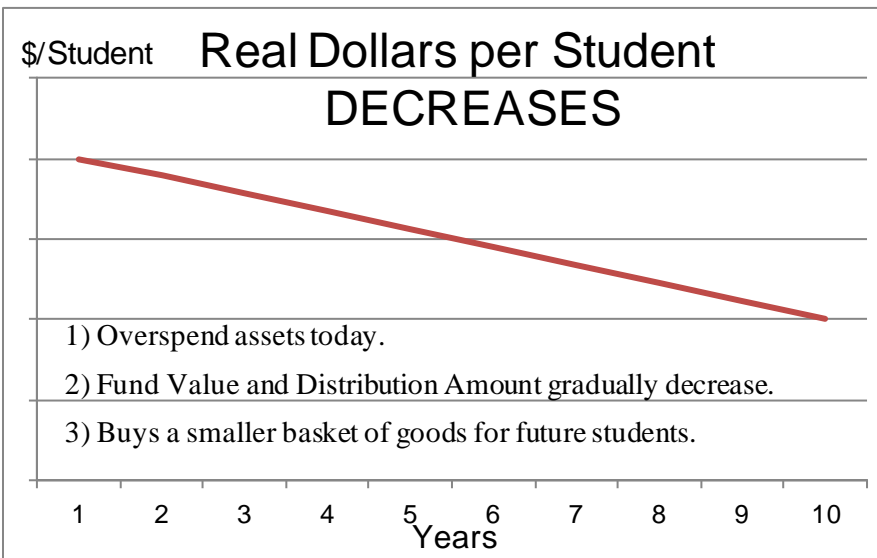
August 31, 2013



State Board of Education Rules

Texas Administrative Code

Hypothetical Endowment Spending Options



Spending Rate Structure

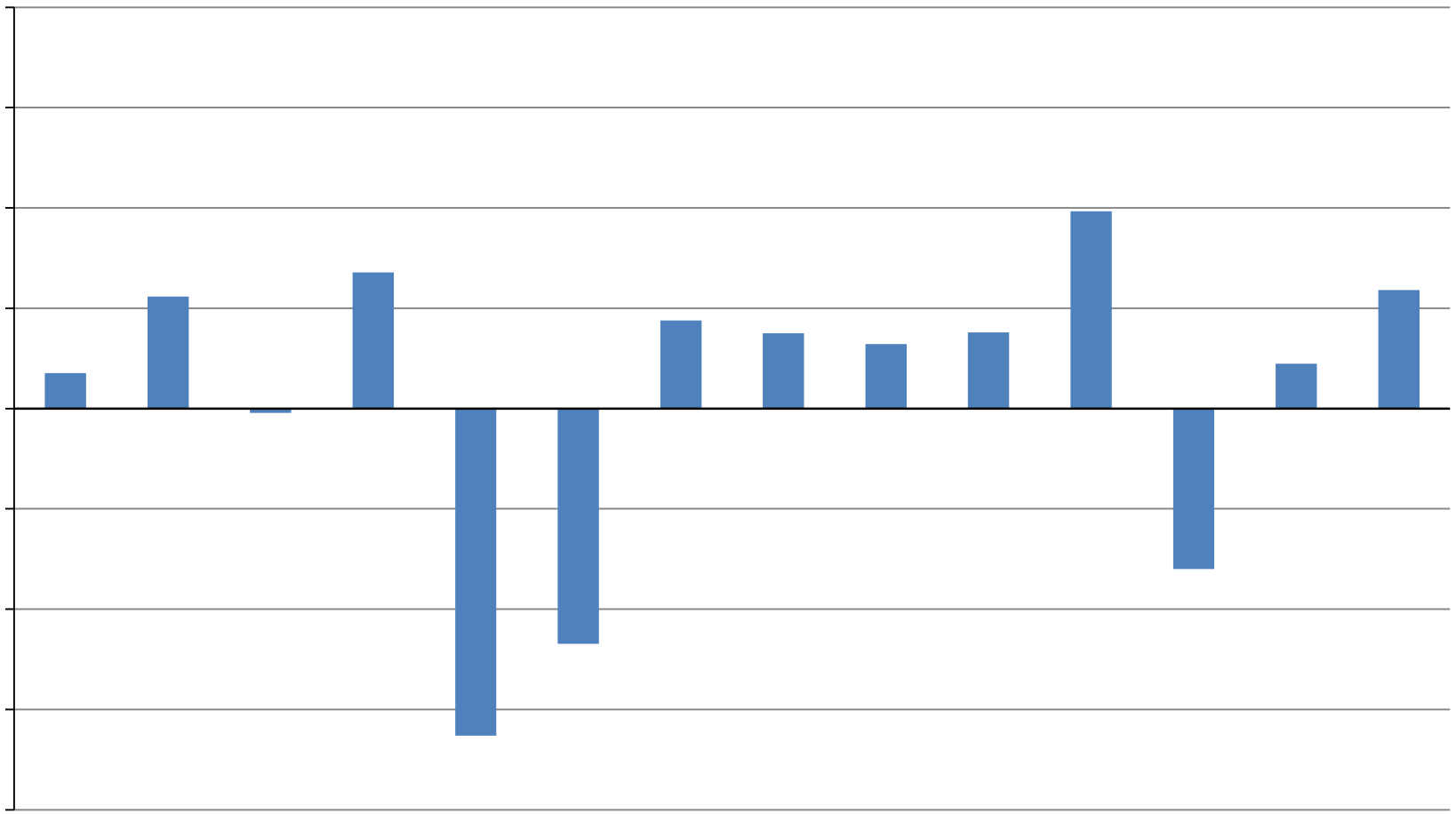
The Spending Rate is Determined by the Following Components:

Expected Total Return (+)

Rate of Inflation (CPI) (

Spending Impact on Intergenerational Equity

(Fiscal Years)



Article VII, Section 5, Texas Constitution

‰ The Distribution Asset-base:

- ‰ Investment assets managed by the State Board of Education.
- ‰ Discretionary real asset investments and cash in the state treasury derived from property belonging to the fund (General Land Office assets).
- ‰ The base is calculated by combining these assets and averaging them for the previous sixteen state fiscal quarters prior to the regular session of the legislature convening.

‰ Limits on the Distribution:

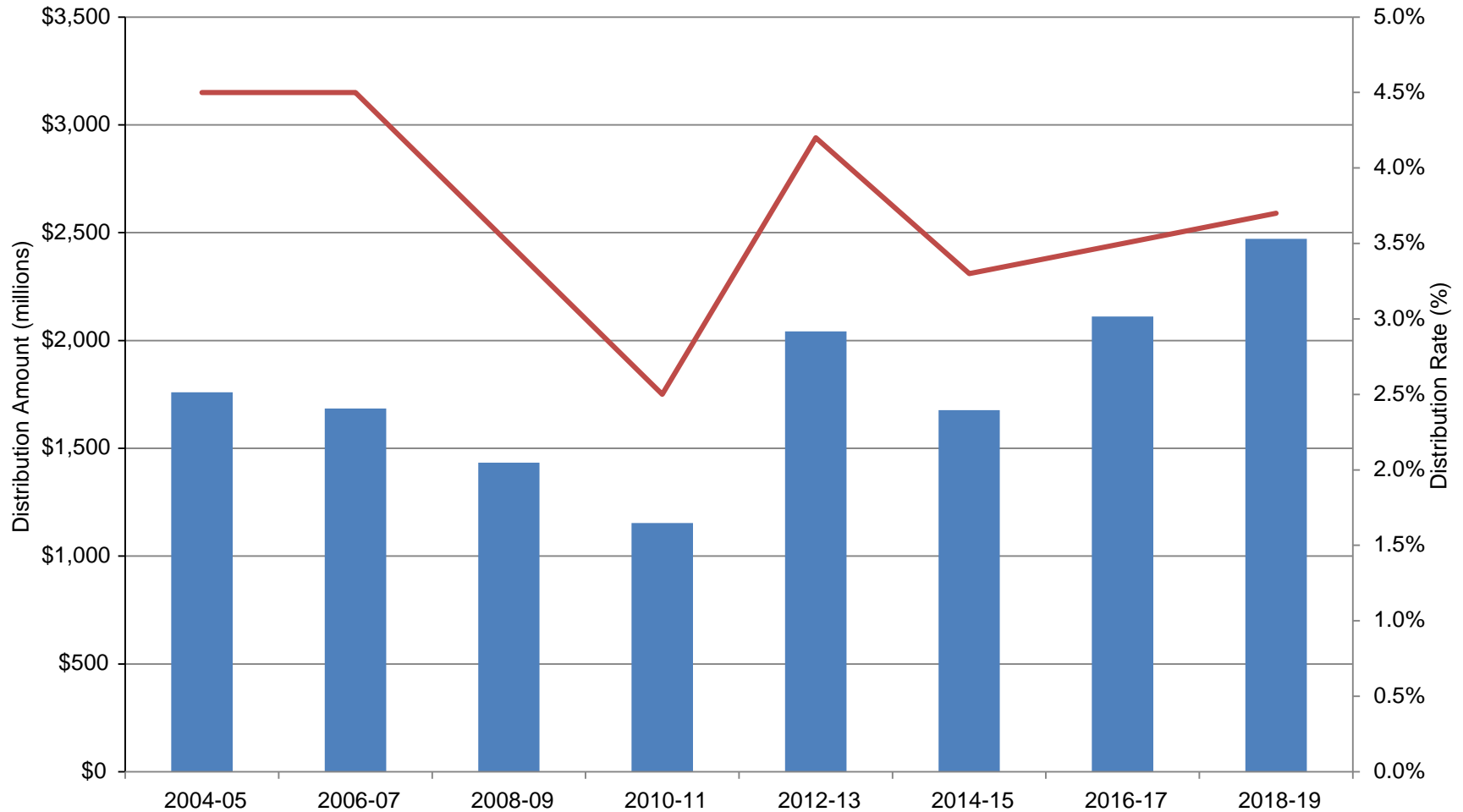
- ‰ In each year, the distribution limit is six percent of the average market value of the assets listed above.
- ‰

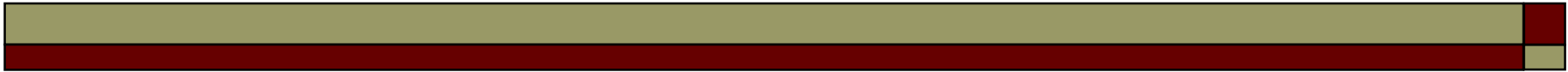
PSF Distribution History

Biennium	Biennial Distribution	Spending Rate	Notes
2004-05	\$1,759,963,932	4.5	The 4.5% spending rate was set by passage of Proposition 9 in 2003 (HJR 68, 78th R.S.).
2006-07	\$1,685,015,658	4.5	The 4.5% rate was set at a special meeting of the SBOE on 1/4/05. An initial 4.0% rate was set by the SBOE on 11/5/04. (The rate was increased to 4.5% as the GLO pledged to distribute \$165 million immediately and a three-year minimum commitment of \$78 million per year.)
2008-09	\$1,433,068,307	3.5	The 3.5% rate was set by the SBOE on 9/15/06.
2010-11	\$1,153,509,024	2.5	The 2.5% rate was set by the SBOE on 11/21/08 during the global financial crisis after the bankruptcy of Lehman Brothers. In FY 2010, the biennial distribution of \$1,153M would have violated the ten-year test, so it was limited to \$60.7M. In FY 2011, a catch-up payment was made.
2012-13	\$2,041,773,884	4.2	The 4.2% rate was set by the SBOE on 11/19/10 contingent on the transfer of an additional \$300 million from the School Land Board (SLB) to the SBOE-managed PSF investment assets. Without the \$300 million transfer from the SLB, the rate would have been 3.5%. Also, the asset base was increased to include some SLB assets with the adoption of HJR 109.
2014-15	\$1,677,344,680	3.3	The 3.3% rate was set by the SBOE on 11/16/12.
2016-17	\$2,111,621,706	3.5	The 3.5% rate was set by the SBOE on 11/21/14.
2018-19	\$2,471,243,368*	3.7	The 3.7% rate was set by the SBOE on 11/18/16.

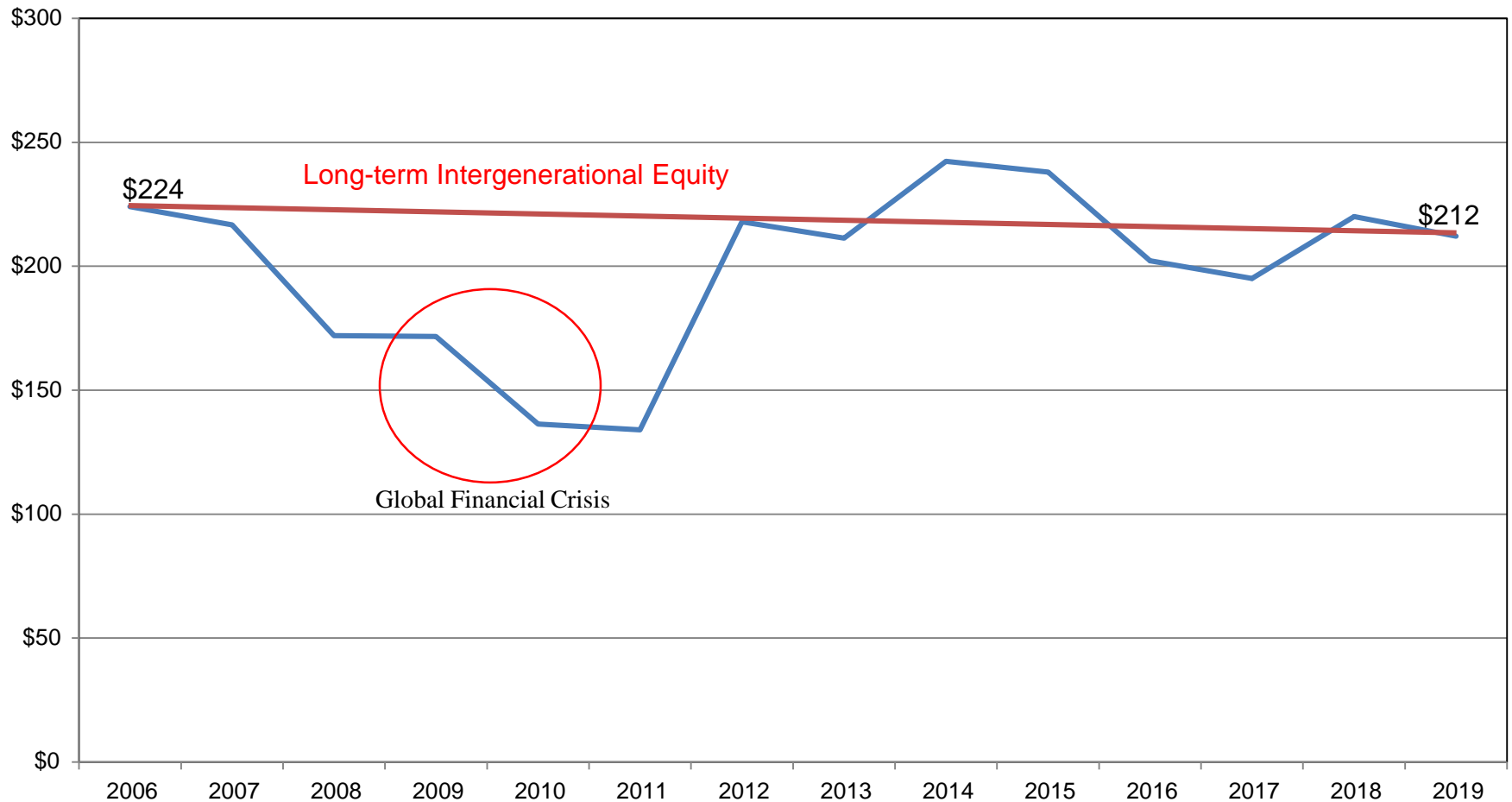
* 2018-19 biennial distribution is projected and the SBOE must affirm the payment for each fiscal year to ensure that it meets the ten-year test

PSF Distribution History



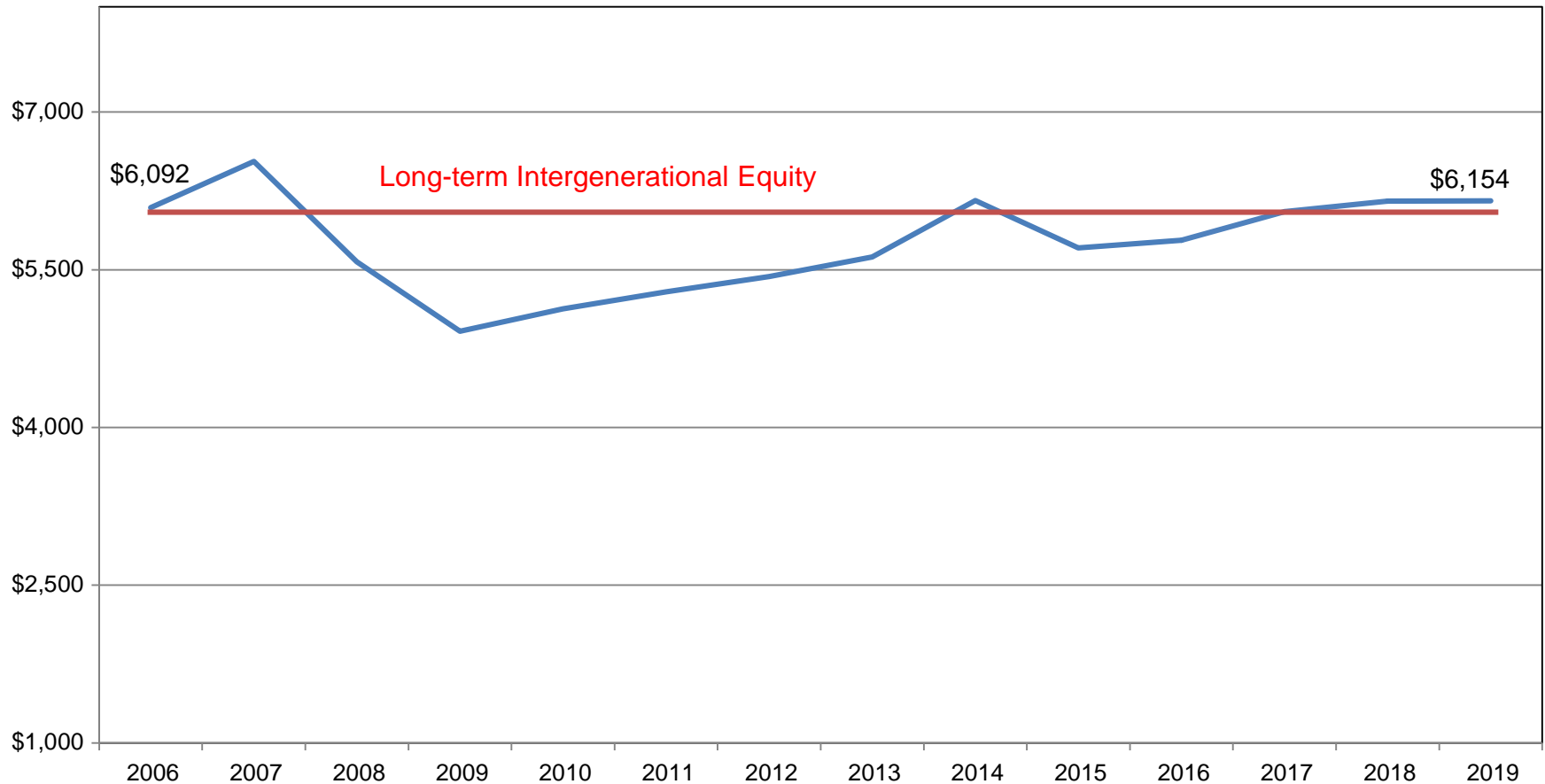


Real Distributions per Student



*Amounts shown in 2017 Dollars. Amount for Fiscal Year 2019 assumes the ten-year test is not triggered.

Real Assets per Student



Asset Allocation PSF/GLO

