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Feb. 21, 2007

Permanent School Fund tops \$25 billion

AUSTIN – The Permanent School Fund, the state’s 153-year-old endowment for public schools, on Tuesday topped the \$25 billion mark for the first time in its history.

The Fund was originally created with a \$2 million appropriation from the Texas Legislature in 1854.

“This is an important milestone for the Permanent School Fund. The Fund has consistently been one of the top funds in the world and has provided money for the public schoolchildren of Texas through both good and bad markets. Today, it is performing admirably under the leadership of Holland Timmins, executive administrator, and the prudent oversight of the State Board of Education,” said Geraldine “Tincy” Miller, chair of the State Board of Education.

The Permanent School Fund is the second largest education endowment in the country, trailing only the Harvard University endowment.

The Texas endowment fund experienced strong growth in 2006, earning a return of 14.98 percent, which outperformed the target policy return of 14.41 percent. In calendar year 2006 alone, the Fund grew from \$21.9 billion to \$24.4 billion.

Timmins said that “the Permanent School Fund is an extraordinary gem that benefits every person living in Texas from students to taxpayers. The Fund has crossed the \$25 billion level now due to the very strong return that it experienced in 2006.”

Proceeds and sales from this perpetual fund are used to help finance Texas public schools. It expects to distribute about \$1.7 billion to the schools during the 2006-2007 biennium.

The money available for distribution is used to fund the purchase of textbooks for the state’s 4.5 million schoolchildren. This function has earned the Fund the nickname “the children’s textbook fund.” After paying for the books which are given free of charge to students, the remaining available money is distributed on a per capita basis. For fiscal year 2006, the per capita distribution was \$213 per student, up from 62 cents per student when first distributed in 1855. This is the only state revenue distributed to schools, regardless of the property wealth of a district.

Since 1983, the corpus of the Permanent School Fund has been used to guarantee school bonds. This strong backing means any bond guaranteed by the PSF has the equivalent of an AAA rating, the highest available, and that saves districts millions of dollars in interest and insurance costs.

During the past 24 years, the Bond Guarantee Program has guaranteed more than 3,347 school district bond issues. The amount of these issues is \$64.5 billion.

For more information about the Permanent School Fund, please visit:
<http://www.tea.state.tx.us/psf/>.

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