



Texas School Coalition

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ISSUE BRIEF

AVAILABLE SCHOOL FUND

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The Available School Fund (ASF) is a constitutionally-dedicated fund comprised of money set aside by the state from current or annual revenues for the support of the public school system.

SOURCES OF REVENUE

There are two major revenue sources for the fund: earnings from the Permanent School Fund (PSF) and 25 percent of receipts from the Motor Fuels Tax.

Proceeds from the PSF are determined by the State Board of Education (SBOE) on an annual basis. Two-thirds of the SBOE must approve of a distribution rate from the PSF that may not exceed 6% of the average market value of the portfolio in the 16 previous fiscal quarters or the total return of the portfolio in the preceding 10 years (so that only interest income is expended, thereby protecting the perpetuity of the Permanent School Fund). Distribution rates have ranged from 4.5% to 2.5% in the last 10 years. The distribution rate adopted for the 2016-2017 biennium is 3.5%, which is expected to deliver \$1.057 billion to the ASF annually.

In addition to the annual PSF distribution adopted by the SBOE, the earnings resulting from PSF real estate holdings managed by the General Land Office (GLO) may also benefit the ASF. Revenue generated by the GLO can be reinvested, transferred to the PSF or up to \$300 million per year can be transferred directly to the ASF.

CONSTITUTIONAL PROVISIONS

The available school fund shall be applied annually to the support of the public free schools. Except as provided by this section, the legislature may not enact a law appropriating any part of the permanent school fund or available school fund to any other purpose. The permanent school fund and the available school fund may not be appropriated to or used for the support of any sectarian school. The available school fund shall be distributed to the several counties according to their scholastic population and applied in the manner provided by law.

Texas Constitution,
Article VII, Section 5(c)

Finally, 25% of the receipts from the Motor Fuels Tax are statutorily dedicated to the ASF. That dedication is expected to deliver \$853 million in FY16 and \$876 million in FY17.

AVAILABLE SCHOOL FUND DISTRIBUTION

Half of the earnings from the PSF are distributed through the ASF for the purchase of instructional materials, and the remainder of the ASF is distributed annually to schools on a per-capita basis.

The Texas Constitution addresses the use of the Available School Fund, prohibiting the Texas Legislature from appropriating the fund for purposes other than the support of the public school system. Further, it calls for the distribution of the fund according to “scholastic population.”

The term “scholastic population” is defined in the Education Code (Section 43.002(c)) to mean school age children enrolled in Average Daily Attendance in the preceding school year.

AVAILABLE SCHOOL FUND PAYMENTS

All school districts and charter schools are entitled to receive payments from the ASF for each student enrolled in Average Daily Attendance (ADA). As detailed on the table to the right, the distribution rate per ADA varies from year to year, depending on the distribution rate from the PSF approved by the SBOE. The distribution rate in the current school year is \$257/ADA.

The ASF payments serve as a method of finance for the Foundation School Program. Therefore, the amount to which a district is entitled through their per-capita allotment on an ADA basis is used to finance the dollars in state aid to which they receive under the school finance formulas.

Due to the constitutional dedication, every district is entitled to receive the per-capita distribution

from the ASF—regardless of their property wealth status. Districts that pay recapture, and therefore do not receive state funding under the school finance formulas, are still entitled to their per-capita distribution from the ASF.

That means that if the distribution rate per ADA declines, that loss in funding is off-set by State General Revenue in districts that receive funding. However, districts that pay recapture simply experience a loss in funding if the per-capita distribution rate declines.

| School Year | Distribution Rate/ADA | Allotment |
|-------------|-----------------------|-----------------|
| 2005–2006 | \$317.00 | \$1,276,255,334 |
| 2006–2007 | \$394.00 | \$1,624,852,326 |
| 2007–2008 | \$280.00 | \$1,170,922,357 |
| 2008–2009 | \$258.00 | \$1,093,744,680 |
| 2009–2010* | \$274.06 | \$1,179,465,191 |
| 2010–2011* | \$466.68 | \$2,037,709,255 |
| 2011–2012 | \$251.75 | \$1,118,031,221 |
| 2012–2013 | \$469.22 | \$2,174,014,726 |
| 2013–2014 | \$261.37 | \$1,228,380,693 |
| 2014-2015 | \$257.27 | \$1,228,000,000 |

**A portion of the payment was financed by funds provided under the federal American Recovery and Reinvestment Act (ARRA) of 2009 in these years.*

