



Texas Permanent School Fund Corporation

Legislative Appropriations Request

Fiscal Years 2024-2025

LEGISLATIVE APPROPRIATIONS REQUEST
For Fiscal Years 2024 and 2025

Submitted to the
Governor's Office, Budget and Policy Division
and the Legislative Budget Board

by

Texas Permanent School Fund Corporation

September 2022

Texas Permanent School Fund Corporation
Legislative Appropriations Request, 2024-25 Biennium

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Administrator's Statement

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Automated Budget and Evaluation System of Texas (ABEST)

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INTRODUCTION

This is the inaugural Legislative Appropriations Request (LAR) of the Texas Permanent School Fund Corporation (“Texas PSF” or “Corporation”). Texas PSF was created following the enactment of Senate Bill 1232 (SB 1232), 87th Legislature, Regular Session and established to unify the governance and management of the state’s endowment fund for public schools, in order to maximize its benefits for current and future generations of Texas schoolchildren. The necessary resources requested in this LAR will allow the Corporation to successfully implement the legislation, enable the Board to fulfill its fiduciary duties, and protect and grow this key funding source for our public education system.

Texas’ Permanent School Fund (PSF), which received its first significant funding of \$2 million in 1854, comprises net assets of approximately \$51.3 billion at the end of fiscal year 2022. Historically, management of these assets has been split: the General Land Office (GLO) or School Land Board (SLB) managed PSF lands and related mineral rights, and the State Board of Education (SBOE) managed PSF investments. However, particularly over the last 20 years, this bifurcated governance led to inefficient asset allocation. Most notably, the GLO began investing in real asset investment funds, and statutory limitations required the GLO to hold large amounts of oil and gas royalty revenue in cash and other short-term investments at the state Treasury, creating a “cash drag” which lowered the Fund’s overall returns.

The 87th Legislature addressed this inefficiency, among others, by enacting SB 1232, which eliminated the governance and management bifurcation by creating the Texas PSF, a special purpose governmental corporation with fiduciary responsibilities to manage the Fund’s mineral revenues and investment assets. Under this unified structure, Texas PSF will optimize the Fund’s allocation across all asset classes, significantly increasing investment returns over the long run.

Since its incorporation in December 2021, Texas PSF staff have been working tirelessly to create the Corporation’s new operational structure and functions. Much of this work will continue in fiscal year 2023, including critical transfers of assets, staff, operational funding, as well as the deployment of stand-alone investment, information technology, and supporting administrative environments. However, the complex task of standing up this new corporation will continue through the 2024-25 biennium.

BENEFITS OF THE PSF

The PSF serves Texas and its public schools in two ways. First, a distribution is made every year from the PSF to pay a portion of educational costs in each school district and charter school within the state. Biennially the SBOE adopts a two-year distribution rate, as a percent of investment assets, to be transferred to the Available School Fund (ASF). The rate is set at a percentage level that generates a level of funding estimated to ensure that current and future Texas schoolchildren benefit from the Fund equally, adjusted for inflation. Further, a distribution from PSF royalty revenue directly to the ASF may be made annually in an amount not to exceed \$600 million per year. During the 2022-23 biennium both distributions will be made, providing nearly \$2.2 billion each year for education. Since 1969, the Fund has distributed approximately \$37.3 billion to help fund the education of Texas students.

Second, the PSF provides a guarantee for bonds issued by participating local school districts and qualified charter districts. Because of the PSF’s AAA credit rating, qualified school and charter districts pay lower interest rates on their debt guaranteed by the Fund. At the end of FY 2022, PSF assets guaranteed \$99.5 billion in school district and charter school bonds providing cost savings to 865 public school districts in the State, and \$3.7 billion in charter district bonds providing cost savings to 31 Texas charter districts. This guarantee will save Texas taxpayers approximately \$425 million per year over the life of these bonds.

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HISTORY AND STRUCTURE OF THE PSF

The PSF was conceived in 1845 as a perpetual fund to support Texas public schools, to which ten percent of all tax revenue would be devoted. However, with the State's small tax base the Fund failed to accumulate significant deposits. The PSF's initial significant funding was a \$2 million appropriation by the Legislature in 1854, which was a portion of the \$10 million payment from the United States government in exchange for the State giving up claims to western lands the former Republic of Texas had claimed as its own. Further, the Constitution of 1876 stipulated that certain lands and all proceeds from the sale or lease of these lands, would comprise the PSF. In the mid-20th century, the US Supreme Court ruled that Texas owned the seabed extending three leagues (10.35 miles) from its coastline; these lands, and the royalty revenue generated from them, were added to the PSF.

PSF lands, including the leasing of surface and mineral rights to them, are managed by the GLO and overseen by the SLB, an entity comprising the Land Commissioner and four citizen members appointed by the Governor. The proceeds from these lands, particularly oil and natural gas royalty revenue, formed the historical corpus of the PSF. Since 1929, the Texas Constitution has authorized the SBOE, now comprising 15 elected members, to both invest these proceeds and to make annual distributions to public schools (Texas Constitution, Article 7, Section 5). The SLB retained the authority to use certain proceeds to make real property purchases for the benefit of the Fund and, in the early 2000s this was significantly expanded to include other real asset investments.

By the end of FY 2022, PSF assets have grown to approximately \$51.3 billion. Investment assets managed by the SBOE account for approximately \$40.0 billion of the total, and the School Land Board currently oversees the remaining \$11.3 billion.

SENATE BILL 1232

As PSF assets have increased and diversified, its bifurcated governance and management structure – with investments split between the SBOE and SLB – has presented challenges to optimal asset allocation. Particularly over the last decade, cash holdings required to support SLB real asset investments have sharply increased, leading to a significant “cash drag,” limiting the total return of the portfolio. This “cash drag” was first addressed by the 86th Legislature with the creation of the PSF liquid account, allowing the SBOE to invest a portion of the cash holdings to achieve higher yields. This effort was successful, but did not remedy asset allocation challenges stemming from the Fund's bifurcated management.

The 87th Legislature responded by enacting SB 1232, which allowed for the creation of a corporation to unify the PSF's governance and management for the purpose of maximizing returns for Texas public schools by enhancing productivity and improving operational efficiency. Since the SBOE approved the formation of the Corporation in late 2021, PSF, TEA and GLO staff have been working to build the operational and administrative infrastructure of the stand-alone Texas PSF. Pursuant to SB 1232, all investment assets of the Fund, as well as all powers, duties, functions, programs, and activities relating to their management and investment, including related full-time equivalent positions (FTEs) and supporting operational funding, will transfer from the SBOE and SLB (administered by TEA and GLO respectively) to Texas PSF. Per the timeline specified in the legislation, these transfers will begin in January 2023 and should be completed by the end of the calendar year.

TEXAS PSF GOVERNANCE

SB 1232 created a nine-member board of directors to hold the fiduciary responsibility, delegated by SBOE, for the PSF. The board comprises five members of the SBOE, the Land Commissioner, and one Land Commissioner appointee along with two gubernatorial appointees, with the requirement that the appointees must have substantial expertise in investments and asset management. The current Texas PSF Board of Directors are:

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Board Member	Term Expiration Date	Hometown
Tom Maynard (SBOE)	1/1/2023	Florence, TX
Keven Ellis (SBOE)	1/1/2023	Lufkin, TX
Lawrence Allen (SBOE)	1/1/2023	Richmond, TX
Marisa Perez-Diaz (SBOE)	1/1/2023	Converse, TX
Patricia Hardy (SBOE)	1/1/2023	Fort Worth, TX
Todd Williams (Governor)	1/1/2023	Dallas, TX
Bradfield Wright (Governor)	1/1/2027	Houston, TX
George P. Bush (GLO)	1/1/2023	Fort Worth, TX
Appointment pending (GLO)	1/1/2025	

The Board has hired a chief executive officer, Holland Timmins, who is empowered to employ staff to run the day-to-day operations of the Corporation. To maximize its ability to exercise its fiduciary duties and provide parity with similar state funds, SB 1232 exempted Texas PSF from several statutory provisions, including those relating to: position classification and exempt positions; travel expenses; and purchasing and contract management, including professional and consulting services.

FUNDING AND RIDER REQUESTS

This LAR would provide Texas PSF, in its first full biennium of operation, with the resources needed to successfully protect and grow the state’s public education endowment. The requested appropriations, budget structure, FTEs and riders are designed to provide the Corporation the flexibility to fulfill its fiduciary duty while providing oversight and transparency to the Legislature and Governor.

Although fiscal year 2023 is a key transition year, the work to build a new, stand-alone state agency will continue into the 2024-25 biennium. This work includes fully staffing the Corporation with investment operational support personnel; building and maintaining the data, research, and information technology environments for both investment management and administration; and, due to the lease expiration of its current location, securing a facility to house all of these functions.

Requested funding would support the primary function of Texas PSF: the management and investment of \$51.3 billion in Texas PSF assets. This work is functionally organized by asset classes. Funding also provides for the Corporation’s investment support and administrative functions, including risk management, legal, finance, human resources, compliance and other operational activities. Additionally, this LAR reflects the constitutional requirement that management expenses for PSF assets be appropriated by the Legislature from the Fund, and thus the funding request would have no impact to the state Treasury.

Competition for investment talent represents a significant cost factor for Texas PSF. Projected inflationary pressures and sharply higher cost-of-living increases in the central Texas region are contributing to recruitment and retention challenges currently being faced by the Corporation. Furthermore, comparative data on investment expenses across major state investment funds indicate that Texas PSF investment staff compensation is below market. This request includes a level of funding necessary to begin to redress competitive compensation disadvantages facing Texas PSF.

An additional asset in recruitment and retention is the relocation of the Corporation to a new facility, scheduled for October 2023. Texas PSF's current location, the Moody Bank building on 15th Street in Austin, is not renewing all leases in calendar year 2023; Texas PSF has secured new space in Austin that will be outfitted with the

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office functionality required of a financial investment operation.

Importantly, this funding request makes key investments in operations while continuing the PSF's long-standing track record of administrative efficiency. PSF administrative expenses, expressed as the number of basis points of assets under management, would remain low.

Finally, uncertainty in financial markets and the global economy including inflationary pressures, as well as the potential emergence of new investment opportunities, will require that Texas PSF's operations be flexible and agile. The funding request is paired with a request for a "fiduciary finding" rider that would allow limited additional appropriation authority under certain circumstances. This flexibility, which every other major state investment fund possesses, would provide the Corporation the budgetary resources to meet its Constitutional fiduciary duty, giving it the ability to react to market and global events in a manner that prudently safeguards the PSF.

BACKGROUND CHECKS

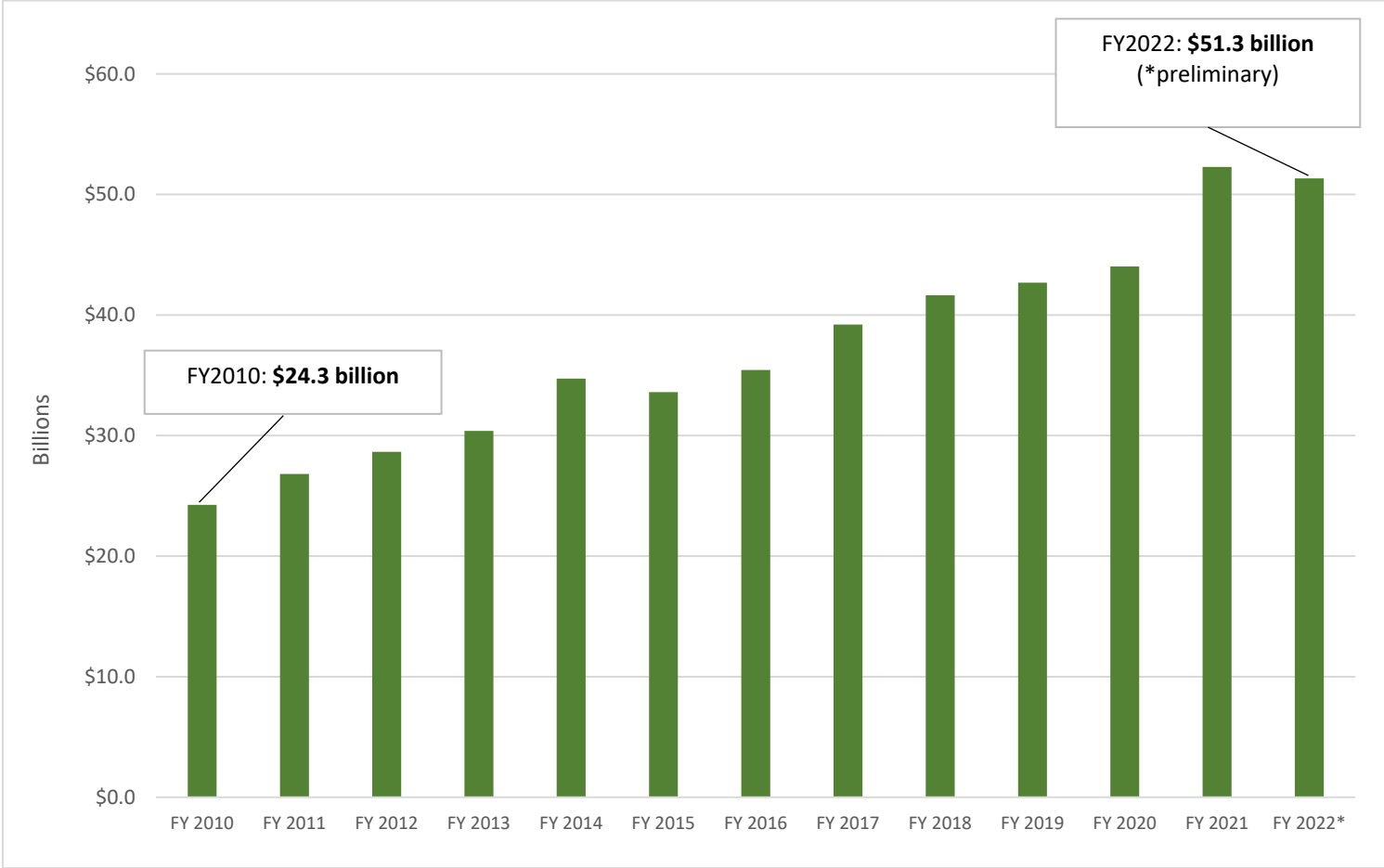
Currently, new employees of Texas PSF are hired through the Texas Education Agency (TEA) and undergo background checks under the requirements of Texas Education Code, Chapter 22, which establishes the authority and duty of TEA to conduct background checks on educators and agency employees. Texas PSF's standalone Human Resources capacity will launch in fiscal year 2023, at which time the Corporation will continue a policy of running background checks on new hires, pursuant to its fiduciary authority in the Texas Constitution, Article 7, Section 5.

CONCLUSION

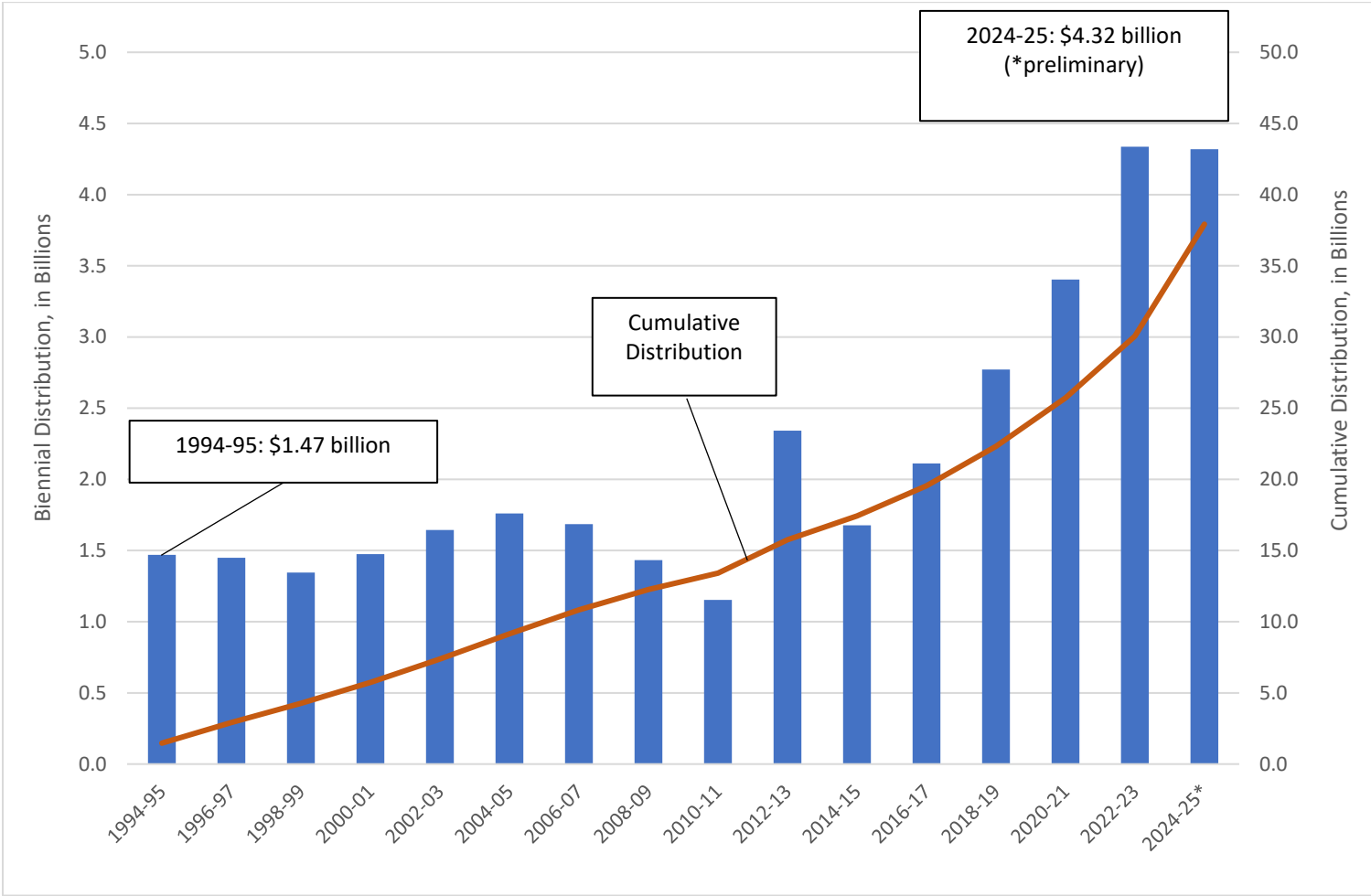
The requested funding, FTEs and riders in this LAR would provide Texas PSF with the resources to successfully implement SB 1232 and execute its Constitutional fiduciary duty to prudently manage the state's public education endowment. The PSF is a key funding source for our school districts and charter schools, and embodies the great resources of the state of Texas and the foresight of its founders. The requests in this LAR would enable the Corporation to protect this unique asset.

Texas PSF looks forward to partnering with state leadership and the 88th Legislature as we work to grow the Fund for the benefit of all Texans.

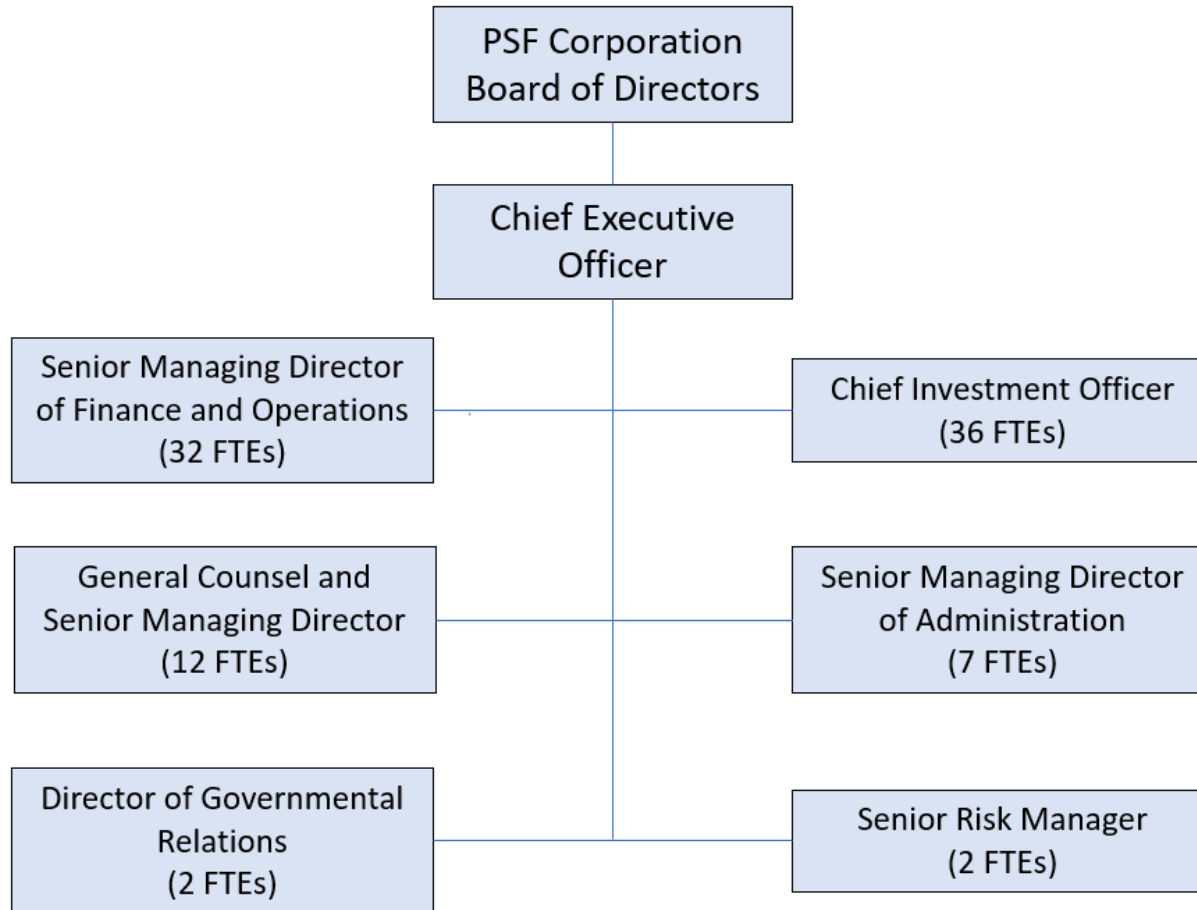
PSF Net Asset Value, FY 2010 to FY 2022 (preliminary)



PSF Biennial Distributions to ASF, with Cumulative Distribution to ASF 1994-95 to 2024-25 Biennium (preliminary)



Texas Permanent School Fund Corporation – Organizational Chart



Texas Permanent School Fund Corporation – Description of Functional Units

Permanent School Fund Board of Directors. Governs the management and investment of the Permanent School Fund (PSF) and the Charter District Bond Guarantee Reserve Fund. The nine-member Board comprises five members of the State Board of Education, the Texas Land Commissioner, a member appointed by the Texas Land Commissioner, and two members appointed by the Governor. The appointed members are required to have substantial expertise in investments and asset management.

Chief Executive Officer. Exercises broad authority over the Corporation's operations, investment management, financial management related to the Bond Guarantee Program, and distribution of Permanent School Fund assets. This position reports and is responsible to the Board of Directors.

Chief Investment Officer. Develops and supervises a team of investment professionals charged with managing the Fund's investment portfolio across all asset classes. Works with the chief executive officer to establish asset allocation strategy and investment processes.

Senior Managing Director of Finance and Operations. Directs the Corporation's financial management and planning, and oversees core operational functions, including information technology, finance, budget, procurement, and investment operations.

General Counsel and Senior Managing Director. Serves as chief legal officer for the Corporation, advising the CEO and Board of Directors on all legal matters. Oversees Texas PSF's operational due diligence, compliance, investment and other contracting, and public information requests functions.

Senior Managing Director of Administration. Oversees the administrative functions of the Corporation, including human resources, facilities and building management, travel, records retention, and corporate board activity.

Senior Risk Manager. Provides technical expertise on multi-asset investment risk matters and enterprise risk, conducting risk assessments and other analysis to advise the Corporation on investment opportunities and exposures.

Director of Governmental Relations. Works with state and federal governmental entities on budgetary and policy matters relating to the PSF. Oversees media relations and communications across print and digital platforms.



CERTIFICATE

Agency Name Texas Permanent School Fund Corporation

This is to certify that the information contained in the agency Legislative Appropriations Request filed with the Legislative Budget Board (LBB) and the Governor's Office Budget Division (Governor's Office) is accurate to the best of my knowledge and that the electronic submission to the LBB via the Automated Budget and Evaluation System of Texas (ABEST) and the PDF file submitted via the LBB Document Submission application are identical.

Additionally, should it become likely at any time that unexpended balances will accrue for any account, the LBB and the Governor's Office will be notified in writing in accordance with Article IX, Section 7.01 (2022-23 GAA).

Chief Executive Officer or Presiding Judge

B. Holland Timmins

Signature

B. Holland Timmins

Printed Name

Chief Executive Officer

Title

September 15, 2022

Date

Chief Financial Officer

David Trice

Signature

David Trice

Printed Name

Senior Managing Director of Finance and Operations

Title

September 16, 2022

Date

Board or Commission Chair

Tom G. Maynard

Signature

Tom Maynard

Printed Name

Chair, Texas PSF Co. Board of Directors

Title

September 19, 2022

Date

Digitally signed by Tom G. Maynard
DN: cn=Tom G. Maynard, o=State Board of Education,
ou=State Board of Education, email=Tom.G.Maynard@sbos.texas.gov,
Date: 2022.09.19 14:55:54 -0500

Budget Overview - Biennial Amounts
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Appropriation Years: 2024-25

	GENERAL REVENUE FUNDS		GR DEDICATED		FEDERAL FUNDS		OTHER FUNDS		ALL FUNDS		EXCEPTIONAL ITEM FUNDS
	2022-23	2024-25	2022-23	2024-25	2022-23	2024-25	2022-23	2024-25	2022-23	2024-25	2024-25
	Goal: 1. Manage Permanent School Fund										
1.1.1. Agency Operations							45,477,575	102,590,535	45,477,575	102,590,535	
Total, Goal							45,477,575	102,590,535	45,477,575	102,590,535	
Total, Agency							45,477,575	102,590,535	45,477,575	102,590,535	
Total FTEs									95.7	119.7	0.0

2.A. Summary of Base Request by Strategy

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Goal / Objective / STRATEGY	Exp 2021	Est 2022	Bud 2023	Req 2024	Req 2025
1 Manage Permanent School Fund					
1 Protect and Grow Fund Assets					
1 AGENCY OPERATIONS	0	0	45,477,575	49,780,705	52,809,830
TOTAL, GOAL 1	\$0	\$0	\$45,477,575	\$49,780,705	\$52,809,830
TOTAL, AGENCY STRATEGY REQUEST	\$0	\$0	\$45,477,575	\$49,780,705	\$52,809,830
TOTAL, AGENCY RIDER APPROPRIATIONS REQUEST*				\$0	\$0
GRAND TOTAL, AGENCY REQUEST	\$0	\$0	\$45,477,575	\$49,780,705	\$52,809,830
<u>METHOD OF FINANCING:</u>					
Other Funds:					
44 Permanent School Fund	0	0	45,477,575	49,780,705	52,809,830
SUBTOTAL	\$0	\$0	\$45,477,575	\$49,780,705	\$52,809,830
TOTAL, METHOD OF FINANCING	\$0	\$0	\$45,477,575	\$49,780,705	\$52,809,830

*Rider appropriations for the historical years are included in the strategy amounts.

2.B. Summary of Base Request by Method of Finance

88th Regular Session, Agency Submission, Version 1

Automated Budget and Evaluation System of Texas (ABEST)

Agency code: 706

Agency name: Texas Permanent School Fund Corporation

METHOD OF FINANCING	Exp 2021	Est 2022	Bud 2023	Req 2024	Req 2025
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OTHER FUNDS

44 Permanent School Fund No. 044

REGULAR APPROPRIATIONS

Regular Appropriations from MOF Table (2024-25 GAA)

\$0	\$0	\$0	\$49,780,705	\$52,809,830
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Comments: Base request represents first full biennium of operational funding for the Corporation, pursuant to SB 1232, 87th Legislature.

TRANSFERS

Texas Education Agency transfers FY 2023 appropriated PSF dollars to the Texas Permanent School Fund Corporation for FY 2023.

\$0	\$0	\$31,435,370	\$0	\$0
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Comments: Texas Education Agency transfers FY 2023 appropriated PSF dollars to the Texas Permanent School Fund Corporation for FY 2023. Authority for the transfer is granted in SB 1232 (87th, R.S.) and Article IX, Sec. 18.53, 2022-23 GAA.

Texas Education Agency transfers previously appropriated and unexpended PSF dollars to the Texas Permanent School Fund Corporation for FY 2023.

\$0	\$0	\$8,669,336	\$0	\$0
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Comments: Texas Education Agency transfers previously appropriated and unexpended PSF dollars to the Texas Permanent School Fund Corporation for FY 2023. Authority for the transfer is granted in SB 1232 (87th, R.S.) and Article IX, Sec. 18.53, 2022-23 GAA.

2.B. Summary of Base Request by Method of Finance

9/20/2022 9:15:30AM

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Agency code: 706		Agency name: Texas Permanent School Fund Corporation				
METHOD OF FINANCING		Exp 2021	Est 2022	Bud 2023	Req 2024	Req 2025
<u>OTHER FUNDS</u>						
General Land Office transfers PSF appropriated dollars to the Texas Permanent School Fund Corporation for activities beginning on January 1, 2023.						
		\$0	\$0	\$1,372,869	\$0	\$0
<p>Comments: General Land Office transfers PSF appropriated dollars to the Texas Permanent School Fund Corporation for FY 2023 for activities beginning on January 1, 2023. Authority for the transfer is granted in SB 1232 (87th, R.S.) and Article IX, Sec. 18.53, 2022-23 GAA.</p>						
GLO transfers appropriations via Rider 10 to the Texas Permanent School Fund Corporation.						
		\$0	\$0	\$4,000,000	\$0	\$0
<p>Comments: General Land Office transfers PSF dollars appropriated via Rider 10 to the Texas Permanent School Fund Corporation for FY 2023 for activities beginning on January 1, 2023. Authority for the transfer is granted in SB 1232 (87th, R.S.) and Article IX, Sec. 18.53, 2022-23 GAA.</p>						
TOTAL,	Permanent School Fund No. 044	\$0	\$0	\$45,477,575	\$49,780,705	\$52,809,830
TOTAL, ALL	OTHER FUNDS	\$0	\$0	\$45,477,575	\$49,780,705	\$52,809,830
GRAND TOTAL		\$0	\$0	\$45,477,575	\$49,780,705	\$52,809,830

2.B. Summary of Base Request by Method of Finance

9/20/2022 9:15:30AM

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Automated Budget and Evaluation System of Texas (ABEST)

Agency code: 706	Agency name: Texas Permanent School Fund Corporation				
METHOD OF FINANCING	Exp 2021	Est 2022	Bud 2023	Req 2024	Req 2025
FULL-TIME-EQUIVALENT POSITIONS					
REGULAR APPROPRIATIONS					
Regular Appropriations from MOF Table (2024-25 GAA)	0.0	0.0	0.0	114.5	119.7
RIDER APPROPRIATION					
Art IX, Sec 6.10(a)(1), Board or Administrator FTE Adjustment (2022-23 GAA)	0.0	0.0	6.7	0.0	0.0
Comments: Texas PSF will use a portion of 10% allowance to staff up stand-alone agency.					
TRANSFERS					
Texas Education Agency transfers FTEs to the Texas Permanent School Fund Corporation.	0.0	0.0	85.0	0.0	0.0
General Land Office transfers FTEs to the Texas Permanent School Fund Corporation.	0.0	0.0	4.0	0.0	0.0
Comments: GLO is transferring two-thirds of the annual amount of 6 FTEs to the PSF Corporation to reflect the transfer date of January 1, 2023.					
TOTAL, ADJUSTED FTES	0.0	0.0	95.7	114.5	119.7

**NUMBER OF 100% FEDERALLY FUNDED
FTEs**

2.C. Summary of Base Request by Object of Expense

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OBJECT OF EXPENSE	Exp 2021	Est 2022	Bud 2023	BL 2024	BL 2025
1001 SALARIES AND WAGES	\$0	\$0	\$10,465,247	\$19,851,337	\$21,936,745
1002 OTHER PERSONNEL COSTS	\$0	\$0	\$276,564	\$463,811	\$513,131
2001 PROFESSIONAL FEES AND SERVICES	\$0	\$0	\$13,404,907	\$5,990,640	\$5,112,673
2003 CONSUMABLE SUPPLIES	\$0	\$0	\$8,617	\$8,972	\$9,021
2004 UTILITIES	\$0	\$0	\$374,817	\$128,782	\$63,566
2005 TRAVEL	\$0	\$0	\$260,567	\$416,177	\$466,600
2006 RENT - BUILDING	\$0	\$0	\$926,516	\$3,204,936	\$3,064,902
2009 OTHER OPERATING EXPENSE	\$0	\$0	\$14,132,956	\$17,739,532	\$21,294,292
5000 CAPITAL EXPENDITURES	\$0	\$0	\$5,627,384	\$1,976,518	\$348,900
OOE Total (Excluding Riders)	\$0	\$0	\$45,477,575	\$49,780,705	\$52,809,830
OOE Total (Riders)					
Grand Total	\$0	\$0	\$45,477,575	\$49,780,705	\$52,809,830

2.F. Summary of Total Request by Strategy
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DATE : 9/15/2022
 TIME : 3:44:15PM

Agency code: 706 Agency name: Texas Permanent School Fund Corporation

Goal/Objective/STRATEGY	Base 2024	Base 2025	Exceptional 2024	Exceptional 2025	Total Request 2024	Total Request 2025
1 Manage Permanent School Fund						
1 Protect and Grow Fund Assets						
1 AGENCY OPERATIONS	\$49,780,705	\$52,809,830	\$0	\$0	\$49,780,705	\$52,809,830
TOTAL, GOAL 1	\$49,780,705	\$52,809,830	\$0	\$0	\$49,780,705	\$52,809,830
TOTAL, AGENCY STRATEGY REQUEST	\$49,780,705	\$52,809,830	\$0	\$0	\$49,780,705	\$52,809,830
TOTAL, AGENCY RIDER APPROPRIATIONS REQUEST						
GRAND TOTAL, AGENCY REQUEST	\$49,780,705	\$52,809,830	\$0	\$0	\$49,780,705	\$52,809,830

2.F. Summary of Total Request by Strategy
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 Automated Budget and Evaluation System of Texas (ABEST)

DATE : 9/15/2022
 TIME : 3:44:15PM

Agency code: 706 Agency name: Texas Permanent School Fund Corporation

Goal/Objective/STRATEGY	Base 2024	Base 2025	Exceptional 2024	Exceptional 2025	Total Request 2024	Total Request 2025
Other Funds:						
44 Permanent School Fund	\$49,780,705	\$52,809,830	\$0	\$0	\$49,780,705	\$52,809,830
	\$49,780,705	\$52,809,830	\$0	\$0	\$49,780,705	\$52,809,830
TOTAL, METHOD OF FINANCING	\$49,780,705	\$52,809,830	\$0	\$0	\$49,780,705	\$52,809,830
FULL TIME EQUIVALENT POSITIONS	114.5	119.7	0.0	0.0	114.5	119.7

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GOAL: 1 Manage Permanent School Fund
 OBJECTIVE: 1 Protect and Grow Fund Assets
 STRATEGY: 1 Agency Operations

Service Categories:

Service: 09 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2021	Est 2022	Bud 2023	BL 2024	BL 2025
Efficiency Measures:						
KEY 1	Internal PSF Managers: Performance in Excess of Assigned Benchmark	0.00	0.00	101.00	101.00	101.00
KEY 2	Permanent School Fund (PSF) Invest Exp As a Basis Point of Net Assets	0.00	0.00	16.00	16.00	16.00
Explanatory/Input Measures:						
KEY 1	Mkt Value of Fin Assets of the Permanent School Fund (PSF) in Billions	0.00	0.00	52.70	54.00	55.40
Objects of Expense:						
1001	SALARIES AND WAGES	\$0	\$0	\$10,465,247	\$19,851,337	\$21,936,745
1002	OTHER PERSONNEL COSTS	\$0	\$0	\$276,564	\$463,811	\$513,131
2001	PROFESSIONAL FEES AND SERVICES	\$0	\$0	\$13,404,907	\$5,990,640	\$5,112,673
2003	CONSUMABLE SUPPLIES	\$0	\$0	\$8,617	\$8,972	\$9,021
2004	UTILITIES	\$0	\$0	\$374,817	\$128,782	\$63,566
2005	TRAVEL	\$0	\$0	\$260,567	\$416,177	\$466,600
2006	RENT - BUILDING	\$0	\$0	\$926,516	\$3,204,936	\$3,064,902
2009	OTHER OPERATING EXPENSE	\$0	\$0	\$14,132,956	\$17,739,532	\$21,294,292
5000	CAPITAL EXPENDITURES	\$0	\$0	\$5,627,384	\$1,976,518	\$348,900

706 Texas Permanent School Fund Corporation

GOAL: 1 Manage Permanent School Fund
 OBJECTIVE: 1 Protect and Grow Fund Assets
 STRATEGY: 1 Agency Operations

Service Categories:

Service: 09 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2021	Est 2022	Bud 2023	BL 2024	BL 2025
TOTAL, OBJECT OF EXPENSE		\$0	\$0	\$45,477,575	\$49,780,705	\$52,809,830
Method of Financing:						
	44 Permanent School Fund	\$0	\$0	\$45,477,575	\$49,780,705	\$52,809,830
SUBTOTAL, MOF (OTHER FUNDS)		\$0	\$0	\$45,477,575	\$49,780,705	\$52,809,830
TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)					\$49,780,705	\$52,809,830
TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)		\$0	\$0	\$45,477,575	\$49,780,705	\$52,809,830
FULL TIME EQUIVALENT POSITIONS:		0.0	0.0	95.7	114.5	119.7
STRATEGY DESCRIPTION AND JUSTIFICATION:						

706 Texas Permanent School Fund Corporation

GOAL: 1 Manage Permanent School Fund
 OBJECTIVE: 1 Protect and Grow Fund Assets Service Categories:
 STRATEGY: 1 Agency Operations Service: 09 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2021	Est 2022	Bud 2023	BL 2024	BL 2025
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The Texas Education Code, Chapter 43, Subchapter B authorizes the State Board of Education (SBOE) to incorporate the Texas Permanent School Fund Corporation ("Texas PSF"), and delegate the Board's responsibility, under Texas Constitution, Article 7, Section 5, to manage and invest the Fund. The SBOE approved the incorporation of Texas PSF at its November 19, 2021 meeting. Pursuant to Texas PSF's enabling legislation -- Senate Bill 1232, 87th Legislature, Regular Session -- PSF assets under the control of the SBOE and certain assets under the control of the School Land Board (SLB) shall be transferred to Texas PSF as soon as practicable after December 31, 2022. Additionally, all powers, duties, functions, programs, and activities of the SBOE and SLB relating to the management and investment of those Fund assets also shall transfer to Texas PSF.

This strategy contains the operating funding and full-time equivalent positions (FTEs) necessary to carry out the fiduciary duties delegated to the Texas PSF. All functional activities of Texas PSF, and all full-time equivalent positions, are funded from this strategy. These activities include the investment management work of the Corporation, which is generally organized functionally by asset classes. It also includes the investment support and administrative functions, including risk management, legal, finance, human resources, governmental relations and other operational activities.

EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:

706 Texas Permanent School Fund Corporation

GOAL: 1 Manage Permanent School Fund
 OBJECTIVE: 1 Protect and Grow Fund Assets Service Categories:
 STRATEGY: 1 Agency Operations Service: 09 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2021	Est 2022	Bud 2023	BL 2024	BL 2025
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Competition for investment talent represents a significant cost factor for Texas PSF. Comparative data on investment expenses across major state investment funds, as well as recruitment and retention challenges currently being faced by the Corporation, indicate that Texas PSF investment staff compensation is below market. Adding to this recruitment and retention challenge are projected inflationary pressures and sharply higher cost-of-living increases in the central Texas region. This request includes a level of funding necessary to begin to redress competitive disadvantages in compensation facing Texas PSF.

An additional asset in recruitment and retention is the relocation of the Corporation to a new facility, scheduled for October 2023. Texas PSF's current location, the Moody Bank building on 15th Street in Austin, is not renewing all leases in calendar year 2023; Texas PSF has secured new space in Austin that will be fitted out with the office functionality required of a financial investment operation.

Finally, uncertainty in financial markets and the global economy, including inflationary pressures, as well as potential investment opportunities, will require that Texas PSF's operations be flexible and agile. This strategy funding request, in concert with the fiduciary rider request allowing limited additional appropriation authority under certain circumstances, would provide the Corporation the budgetary resources to react to market and global events in a manner that prudently safeguards the Permanent School Fund.

706 Texas Permanent School Fund Corporation

GOAL: 1 Manage Permanent School Fund
 OBJECTIVE: 1 Protect and Grow Fund Assets
 STRATEGY: 1 Agency Operations

Service Categories:

Service: 09 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2021	Est 2022	Bud 2023	BL 2024	BL 2025
------	-------------	----------	----------	----------	---------	---------

EXPLANATION OF BIENNIAL CHANGE (includes Rider amounts):

<u>STRATEGY BIENNIAL TOTAL - ALL FUNDS</u>		BIENNIAL	<u>EXPLANATION OF BIENNIAL CHANGE</u>	
Base Spending (Est 2022 + Bud 2023)	Baseline Request (BL 2024 + BL 2025)	CHANGE	\$ Amount	Explanation(s) of Amount (must specify MOFs and FTEs)
\$45,477,575	\$102,590,535	\$57,112,960	\$57,112,960	As a new entity with funds transferred on or after 1/1/23, Texas PSF doesn't have FY22 base funding, and FY23 is a partial year. The 24-25 request is the first full biennium of operational funding.
			\$57,112,960	Total of Explanation of Biennial Change

SUMMARY TOTALS:

OBJECTS OF EXPENSE:	\$0	\$0	\$45,477,575	\$49,780,705	\$52,809,830
METHODS OF FINANCE (INCLUDING RIDERS):				\$49,780,705	\$52,809,830
METHODS OF FINANCE (EXCLUDING RIDERS):	\$0	\$0	\$45,477,575	\$49,780,705	\$52,809,830
FULL TIME EQUIVALENT POSITIONS:	0.0	0.0	95.7	114.5	119.7

3.B. Rider Revisions and Additions Request

Agency Code: 706	Agency Name: Texas Permanent School Fund Corporation	Prepared By: John McGeady	Date: 09/09/2022	Request Level: Base
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Current Rider Number	Page Number in 2022-23 GAA	Proposed Rider Language
701	NEW	<p><u>Permanent School Fund.</u> In its annual report on the Permanent School Fund (PSF), completed by February 28 of each year, the Texas PSF Corporation (Texas PSF) shall report on the actual and projected costs of administering the Permanent School Fund for the year covered by the report and the following three years.</p> <p><u>Under the authority in Texas Education Code §43.055(c), the Chief Executive Officer may establish an incentive compensation plan for Permanent School Fund staff employed by the Corporation.</u></p> <p><u>It is the intent of the Legislature that payments made pursuant to the plan are not eligible compensation for ERS pension plan purposes; any payments made pursuant to the plan are to be considered fringe benefits and not base pay or otherwise eligible compensation for ERS pension plan purposes.</u></p> <p><u>Any unexpended balances appropriated from the Permanent School Fund remaining as of August 31, 2023, are appropriated for the same purpose for the biennium beginning September 1, 2023. Any unexpended funds appropriated from the Permanent School Fund as of August 31, 2024, are appropriated to fiscal year 2025 for the same purposes.</u></p> <p><i>Justification: This is a legacy rider from TEA’s 2022-23 GAA bill pattern. Compared to the TEA version, rider language has been updated to reflect enactment of SB 1232, and dates have been updated. The reference to the incentive compensation plan has been modified to reflect SB 1232, including deleting references to the state salary classification schedule, as SB 1232 exempted Texas PSF from that schedule. References to the PSF liquid account also are deleted, as SB 1232 directs that the PSF liquid account be abolished upon resolution of its commitments.</i></p>
702	NEW	<p><u>Applicability of Certain GAA Provisions.</u> Pursuant to Texas Education Code, §43.059, Texas PSF is exempt, as needed to fulfill its fiduciary duties, from certain statutory requirements and restrictions relating to agency operations and governance. Notwithstanding any other provision of this Act, Texas PSF is exempt from provisions of this Act that address areas of operations or governance that would conflict with the Corporation's statutory exemptions.</p> <p><i>Justification: This new rider would clarify the applicability of GAA provisions to Texas PSF as a special purpose governmental entity, which SB 1232 exempted from a number of personnel, purchasing and other administrative statutes.</i></p>

**3.B. Rider Revisions and Additions Request
(continued)**

<p align="center">703</p>	<p align="center">NEW</p>	<p><u>Appropriation: Texas PSF Fiduciary Finding.</u> (a) <u>In addition to amounts appropriated above, Texas PSF is appropriated funds out of the Permanent School Fund in amounts identified in the Corporation’s fiduciary finding, as submitted to the Legislative Budget Board and Governor, and pursuant to the requirements described in this rider. Similarly, the Corporation’s Number of Full-time Equivalents (FTE) shall be increased by an amount identified in the fiduciary finding.</u></p> <p>(b) <u>Texas PSF may determine that the level of appropriations and FTEs made above in Strategy A.1.1 are insufficient to fully meet its fiduciary duties under Texas Education Code §43.059(c) and §43.063(c-g), and may establish a necessary additional amount of funding and/or FTEs for any fiscal year in the 2024-25 biennium in a fiduciary finding. Upon such a finding, the Corporation shall provide written notification to the LBB and Governor at least 30 days in advance of any use of funding or FTE authority pursuant to this rider. This notification shall include:</u></p> <p align="center">(1) <u>The amount of additional funding from the Permanent School Fund, and/or increase in FTE authority, to be authorized by this rider for each affected year of the 2024-25 biennium, as identified in the fiduciary finding;</u> (2) <u>A statement of the justifications and objectives for the additional funding and/or staff; and</u> (3) <u>Any additional information requested by the LBB or the Governor regarding the fiduciary finding.</u></p> <p>(c) <u>The amount of funding appropriated by this rider in a fiscal year, when added to appropriations to Texas PSF from the Permanent School Fund made above, shall not exceed the performance measure target established in this Act for investment expense as a number of basis points of net assets.</u></p> <p>(d) <u>On the 31st day after the notification complying with the requirements described in (b) and (c), Texas PSF is appropriated the funding and FTE authority identified by the fiduciary finding.</u></p> <p>(e) <u>In the event Texas PSF determines in a fiduciary finding that additional appropriations are needed that exceed the limit in (c), the Corporation’s Board of Directors may submit a request, including the information required in (b), to the Legislative Budget Board and Governor for that appropriation. Unless disapproved, the request is considered approved 30 days after the request is delivered. Requests for additional information under (b)(3) shall restart the approval clock.</u></p> <p>(f) <u>Information regarding the use of any funding and/or FTEs authorized by this rider shall be included in the annual report of the Permanent School Fund for the affected fiscal year.</u></p> <p><i>Justification: The PSF Corporation has a fiduciary duty, both constitutional and statutory, to manage the fund on a day-to-day basis in a manner that responsibly maximizes investment returns for the benefit of Texas public schools. In order to do so, there may be circumstances in which the level of appropriations and/or FTEs in the GAA are insufficient to meet this fiduciary duty. The PSF Corporation respectfully requests a rider that would allow for an increase to appropriations and/or FTEs under such circumstances, with limitations and reporting requirements. This authority would be similar to what is available to all other Texas state investment funds.</i></p>
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5.A. Capital Budget Project Schedule
 88th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: **9/15/2022**
 TIME : **4:03:01PM**

Agency code: **706**

Agency name: **Texas Permanent School Fund Corporation**

Category Code / Category Name

Project Sequence/Project Id/ Name

OOE / TOF / MOF CODE

Est 2022

Bud 2023

BL 2024

BL 2025

5003 Repair or Rehabilitation of Buildings and Facilities

4/4 Facility Finish-out

OBJECTS OF EXPENSE

Capital

General	5000	CAPITAL EXPENDITURES		\$0	\$0	\$1,174,745	\$0
		Capital Subtotal OOE, Project	4	\$0	\$0	\$1,174,745	\$0
		Subtotal OOE, Project	4	\$0	\$0	\$1,174,745	\$0
		TYPE OF FINANCING					
		<u>Capital</u>					
General	CA	44 Permanent School Fund		\$0	\$0	\$1,174,745	\$0
		Capital Subtotal TOF, Project	4	\$0	\$0	\$1,174,745	\$0
		Subtotal TOF, Project	4	\$0	\$0	\$1,174,745	\$0
		Capital Subtotal, Category	5003	\$0	\$0	\$1,174,745	\$0
		Informational Subtotal, Category	5003				
		Total, Category	5003	\$0	\$0	\$1,174,745	\$0

5005 Acquisition of Information Resource Technologies

1/1 Network Infrastructure

OBJECTS OF EXPENSE

Capital

General	5000	CAPITAL EXPENDITURES		\$0	\$0	\$340,800	\$340,800
		Capital Subtotal OOE, Project	1	\$0	\$0	\$340,800	\$340,800

5.A. Capital Budget Project Schedule
 88th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 9/15/2022
 TIME : 4:03:01PM

Agency code: 706

Agency name: Texas Permanent School Fund Corporation

Category Code / Category Name

Project Sequence/Project Id/ Name

OOE / TOF / MOF CODE

Est 2022

Bud 2023

BL 2024

BL 2025

Subtotal OOE, Project 1

\$0

\$0

\$340,800

\$340,800

TYPE OF FINANCING

Capital

General CA 44 Permanent School Fund

\$0

\$0

\$340,800

\$340,800

Capital Subtotal TOF, Project 1

\$0

\$0

\$340,800

\$340,800

Subtotal TOF, Project 1

\$0

\$0

\$340,800

\$340,800

2/2 Laptops

OBJECTS OF EXPENSE

Capital

General 5000 CAPITAL EXPENDITURES

\$0

\$0

\$144,000

\$0

Capital Subtotal OOE, Project 2

\$0

\$0

\$144,000

\$0

Subtotal OOE, Project 2

\$0

\$0

\$144,000

\$0

TYPE OF FINANCING

Capital

General CA 44 Permanent School Fund

\$0

\$0

\$144,000

\$0

Capital Subtotal TOF, Project 2

\$0

\$0

\$144,000

\$0

Subtotal TOF, Project 2

\$0

\$0

\$144,000

\$0

Capital Subtotal, Category 5005

\$0

\$0

\$484,800

\$340,800

Informational Subtotal, Category 5005

Total, Category 5005

\$0

\$0

\$484,800

\$340,800

7000 Data Center/Shared Technology Services

5.A. Capital Budget Project Schedule
 88th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: **9/15/2022**
 TIME : **4:03:01PM**

Agency code: **706**

Agency name: **Texas Permanent School Fund Corporation**

Category Code / Category Name

Project Sequence/Project Id/ Name

OOE / TOF / MOF CODE

Est 2022

Bud 2023

BL 2024

BL 2025

3/3 Data Center Services

OBJECTS OF EXPENSE

Capital

General	5000	CAPITAL EXPENDITURES		\$0	\$0	\$308,873	\$0
		Capital Subtotal OOE, Project	3	\$0	\$0	\$308,873	\$0
		Subtotal OOE, Project	3	\$0	\$0	\$308,873	\$0
TYPE OF FINANCING							
<u>Capital</u>							
General	CA	44	Permanent School Fund	\$0	\$0	\$308,873	\$0
		Capital Subtotal TOF, Project	3	\$0	\$0	\$308,873	\$0
		Subtotal TOF, Project	3	\$0	\$0	\$308,873	\$0
		Capital Subtotal, Category	7000	\$0	\$0	\$308,873	\$0
		Informational Subtotal, Category	7000	\$0	\$0	\$308,873	\$0
		Total, Category	7000	\$0	\$0	\$308,873	\$0
AGENCY TOTAL -CAPITAL				\$0	\$0	\$1,968,418	\$340,800
AGENCY TOTAL -INFORMATIONAL							
AGENCY TOTAL				\$0	\$0	\$1,968,418	\$340,800

5.A. Capital Budget Project Schedule
 88th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: **9/15/2022**
 TIME : **4:03:01PM**

Agency code: **706**

Agency name: **Texas Permanent School Fund Corporation**

Category Code / Category Name

Project Sequence/Project Id/ Name

OOE / TOF / MOF CODE

Est 2022

Bud 2023

BL 2024

BL 2025

METHOD OF FINANCING:

Capital

General	44	Permanent School Fund	\$0	\$0	\$1,968,418	\$340,800
Total, Method of Financing-Capital			\$0	\$0	\$1,968,418	\$340,800
Total, Method of Financing			\$0	\$0	\$1,968,418	\$340,800

TYPE OF FINANCING:

Capital

General	CA	CURRENT APPROPRIATIONS	\$0	\$0	\$1,968,418	\$340,800
Total, Type of Financing-Capital			\$0	\$0	\$1,968,418	\$340,800
Total, Type of Financing			\$0	\$0	\$1,968,418	\$340,800

5.B. Capital Budget Project Information
 88th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 9/15/2022
 TIME: 4:03:32PM

Agency Code:	706	Agency name:	Texas Permanent School Fund Corporation
Category Number:	5005	Category Name:	ACQUISITN INFO RES TECH.
Project number:	1	Project Name:	Network Infrastructure

PROJECT DESCRIPTION

General Information

As Texas PSF completes its transition to a stand-alone state entity in a new facility, there are costs to standing up and/or transitioning network infrastructure, including T1 lines/WAN network, network servers and security tools.

PLCS Tracking Key	N/A
Number of Units / Average Unit Cost	N/A
Estimated Completion Date	08/31/2024

Additional Capital Expenditure Amounts Required		2026	2027
		0	0
Type of Financing	CA	CURRENT APPROPRIATIONS	
Projected Useful Life	N/A		
Estimated/Actual Project Cost	\$681,600		
Length of Financing/ Lease Period	N/A		

<u>ESTIMATED/ACTUAL DEBT OBLIGATION PAYMENTS</u>					
	2024	2025	2026	2027	Total over project life
	0	0	0	0	0

<u>REVENUE GENERATION / COST SAVINGS</u>		
<u>REVENUE COST FLAG</u>	<u>MOF CODE</u>	<u>AVERAGE AMOUNT</u>

Explanation: Network infrastructure costs represented here represented annual costs related to: security tools, server management costs, and hardware maintenance costs.

Project Location: Austin, Texas

Beneficiaries: Texas PSF staff

Frequency of Use and External Factors Affecting Use:

Daily

5.B. Capital Budget Project Information
 88th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 9/15/2022
 TIME: 4:03:32PM

Agency Code:	706	Agency name:	Texas Permanent School Fund Corporation
Category Number:	5005	Category Name:	ACQUISITN INFO RES TECH.
Project number:	2	Project Name:	Laptops

PROJECT DESCRIPTION

General Information

Costs represent the end user laptop lease purchase program, with a 4 year replacement cycle. Given the nature of the data and reliability needs of a financial investment function, high-performance laptops are essential.

PLCS Tracking Key	N/A
Number of Units / Average Unit Cost	40 / \$3,600
Estimated Completion Date	Ongoing

Additional Capital Expenditure Amounts Required		2026	2027
		0	0
Type of Financing	CA	CURRENT APPROPRIATIONS	
Projected Useful Life	4 years		
Estimated/Actual Project Cost	\$144,000		
Length of Financing/ Lease Period	N/A		

<u>ESTIMATED/ACTUAL DEBT OBLIGATION PAYMENTS</u>					Total over project life
2024	2025	2026	2027		
0	0	0	0		0

<u>REVENUE GENERATION / COST SAVINGS</u>		
<u>REVENUE COST FLAG</u>	<u>MOF CODE</u>	<u>AVERAGE AMOUNT</u>

Explanation: This effort supports increased functionality, performance, mobility, longevity, and reliability of the desktop computing environment. This activity will maximize flexibility for Texas PSF staff with a "work from anywhere" approach.

Project Location: Austin, Texas

Beneficiaries: Texas PSF staff

Frequency of Use and External Factors Affecting Use:

Daily

5.B. Capital Budget Project Information
 88th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 9/15/2022
 TIME: 4:03:32PM

Agency Code:	706	Agency name:	Texas Permanent School Fund Corporation
Category Number:	7000	Category Name:	Data Center/Shared Technology Svcs
Project number:	3	Project Name:	Data Center Services

PROJECT DESCRIPTION

General Information

The Texas Department of Information Resources (DIR) provides shared technology services in compliance with Texas Government Code Chapter 2054, Subchapter L, Statewide Technology Centers. Prior to January 1, 2023, PSF operations used DIR Data Center Services (DCS) as part of the Texas Education Agency, and this cost is budgeted to continue through FY 2024.

PLCS Tracking Key N/A
Number of Units / Average Unit Cost N/A
Estimated Completion Date August 31, 2024

Additional Capital Expenditure Amounts Required		2026	2027
		0	0
Type of Financing	CA	CURRENT APPROPRIATIONS	
Projected Useful Life	Ongoing		
Estimated/Actual Project Cost	\$308,873		
Length of Financing/ Lease Period	N/A		

<u>ESTIMATED/ACTUAL DEBT OBLIGATION PAYMENTS</u>				Total over
2024	2025	2026	2027	project life
0	0	0	0	0

<u>REVENUE GENERATION / COST SAVINGS</u>		
<u>REVENUE COST FLAG</u>	<u>MOF CODE</u>	<u>AVERAGE AMOUNT</u>

Explanation: As Texas PSF completes its transition to a stand-alone state entity during the 2024-25 biennium, the Corporation will continue DCS use through FY 2024 and seek alternate technology services.

Project Location: Austin, Texas

Beneficiaries: Texas PSF staff

Frequency of Use and External Factors Affecting Use:
 Daily

5.B. Capital Budget Project Information
 88th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 9/15/2022
 TIME: 4:03:32PM

Agency Code:	706	Agency name:	Texas Permanent School Fund Corporation
Category Number:	5003	Category Name:	REPAIR OR REHABILITATION
Project number:	4	Project Name:	Facility Finish-out

PROJECT DESCRIPTION

General Information

Texas PSF's current office space lease is being terminated by the building owner in fall 2023. The Corporation has located new office space in a new building in Austin with sufficient square footage to house the larger staff size. This item represents expenditures required to fit out the new space to specifications suitable for an investment function, including conference rooms, technology accommodations, a boardroom and training space.

PLCS Tracking Key N/A
Number of Units / Average Unit Cost N/A
Estimated Completion Date October 2024

Additional Capital Expenditure Amounts Required		2026	2027
		0	0
Type of Financing	CA	CURRENT APPROPRIATIONS	
Projected Useful Life	N/A		
Estimated/Actual Project Cost	\$1,174,745		
Length of Financing/ Lease Period	N/A		

<u>ESTIMATED/ACTUAL DEBT OBLIGATION PAYMENTS</u>					Total over
2024	2025	2026	2027		project life
0	0	0	0		0

<u>REVENUE GENERATION / COST SAVINGS</u>		
<u>REVENUE COST FLAG</u>	<u>MOF CODE</u>	<u>AVERAGE AMOUNT</u>

Explanation: This item represents expenditures required to fit out the new space to specifications suitable for a large-scale financial investment operation and its supporting administrative needs, including conference rooms, technology accommodations, a boardroom and training space.

Project Location: Austin, Texas

Beneficiaries: Texas PSF facilities are used by staff, Board members, and visitors in support of the mission of the Corporation.

Frequency of Use and External Factors Affecting Use:

Daily

Agency code: 706 Agency name: Texas Permanent School Fund Corporation

Category Code/Name

Project Sequence/Project Id/Name

Goal/Obj/Str	Strategy Name	Est 2022	Bud 2023	BL 2024	BL 2025
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5003 Repair or Rehabilitation of Buildings and Facilities

4/4 Facility Finish-out

GENERAL BUDGET

Capital	1-1-1	AGENCY OPERATIONS	0	0	\$1,174,745	\$0
		TOTAL, PROJECT	\$0	\$0	\$1,174,745	\$0

5005 Acquisition of Information Resource Technologies

1/1 Network Infrastructure

GENERAL BUDGET

Capital	1-1-1	AGENCY OPERATIONS	0	0	340,800	340,800
		TOTAL, PROJECT	\$0	\$0	\$340,800	\$340,800

2/2 Laptops

GENERAL BUDGET

Capital	1-1-1	AGENCY OPERATIONS	0	0	144,000	0
		TOTAL, PROJECT	\$0	\$0	\$144,000	\$0

7000 Data Center/Shared Technology Services

3/3 Data Center Services

GENERAL BUDGET

Capital	1-1-1	AGENCY OPERATIONS	0	0	308,873	0
		TOTAL, PROJECT	\$0	\$0	\$308,873	\$0

Agency code: **706** Agency name: **Texas Permanent School Fund Corporation**

Category Code/Name

Project Sequence/Project Id/Name

Goal/Obj/Str	Strategy Name	Est 2022	Bud 2023	BL 2024	BL 2025
	TOTAL CAPITAL, ALL PROJECTS	\$0	\$0	\$1,968,418	\$340,800
	TOTAL INFORMATIONAL, ALL PROJECTS				
	TOTAL, ALL PROJECTS	\$0	\$0	\$1,968,418	\$340,800

706 Texas Permanent School Fund Corporation

Category Code/Name

Project Sequence/Name

Goal/Obj/Str	Strategy Name	Est 2022	Bud 2023	BL 2024	BL 2025
5003 Repair or Rehabilitation of Buildings and Facilities					
<i>4 Facility Finish-out</i>					
OOE					
Capital					
1-1-1 AGENCY OPERATIONS					
<u>General Budget</u>					
5000	CAPITAL EXPENDITURES	0	0	1,174,745	0
TOTAL, OOE's		\$0	\$0	1,174,745	0
5005 Acquisition of Information Resource Technologies					
<i>1 Network Infrastructure</i>					
OOE					
Capital					
1-1-1 AGENCY OPERATIONS					
<u>General Budget</u>					
5000	CAPITAL EXPENDITURES	0	0	340,800	340,800
TOTAL, OOE's		\$0	\$0	340,800	340,800

706 Texas Permanent School Fund Corporation

Category Code/Name

Project Sequence/Name

Goal/Obj/Str	Strategy Name	Est 2022	Bud 2023	BL 2024	BL 2025
2 Laptops					
OOE					
Capital					
1-1-1 AGENCY OPERATIONS					
<u>General Budget</u>					
5000	CAPITAL EXPENDITURES	0	0	144,000	0
TOTAL, OOE's		\$0	\$0	144,000	0

7000 Data Center/Shared Technology Services

3 Data Center Services

OOE

Capital

1-1-1 AGENCY OPERATIONS

General Budget

5000	CAPITAL EXPENDITURES	0	0	308,873	0
TOTAL, OOE's		\$0	\$0	308,873	0

706 Texas Permanent School Fund Corporation

Est 2022

Bud 2023

BL 2024

BL 2025

TOTAL,

TOTAL, ALL PROJECTS

**6.B. Current Biennium Onetime Expenditure Schedule
Summary of Onetime Expenditures**

Agency Code: 706	Agency Name: Texas PSF Corporation	Prepared By: John McGeady	Date: 09/08/2022	
Projects	Estimated 2022	Budgeted 2023	Requested 2024	Requested 2025
SB 1232 Transition Costs	\$0	\$8,074,666	\$1,283,305	\$0
Total, All Projects	\$0	\$8,074,666	\$1,283,305	\$0

**6.B. Current Biennium Onetime Expenditure Schedule
Strategy Allocation from 2022-23 Biennium to 2024-25 Biennium**

Agency Code: 706	Agency Name: Texas PSF Corporation	Prepared By: John McGeady	Date: 09/08/2022
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2022-23 PROJECT: SB 1232 Transition Costs ALLOCATION TO STRATEGY: A.1.1	2024-25 PROJECT: N/A ALLOCATION TO STRATEGY:
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Strategy Code	OOE/MOF Code	Strategy Allocation	Estimated 2022	Budgeted 2023	Requested 2024	Requested 2025
Object of Expense:						
A.1.1	2001	Professional Fees and Services		\$2,374,540	\$108,560	\$0
A.1.1	2004	Utilities		\$162,657		
A.1.1	2009	Other Operating Expense		\$258,985		
A.1.1	5000	Capital Expenditures		\$5,278,484	\$1,174,745	
Total, Object of Expense				\$8,074,666	\$1,283,305	\$0
Method of Financing:						
A.1.1	44	Permanent School Fund		\$8,074,666	\$1,283,305	\$0
Total, Method of Financing				\$8,074,666	\$1,283,305	\$0

Project Description for the 2022-23 Biennium:

SB 1232 implementation entails a complex transfer of assets, staff and resources from TEA and GLO into a new operational environment, and housed in a new facility. Costs include tenant improvement costs needed to fit-out the new office space for an investment management function, including furniture and equipment. Texas PSF also has hired a corporate transition consultant to assist in the successful implementation, particularly with building IT infrastructure, including: network services; investment data center deployment; software and conference room solutions.

Project Description and Allocation Purpose for the 2024-25 Biennium:

Due to the work to finish out the new facility space scheduled to extend through the end of FY2023, tenant improvement onetime costs are budgeted to continue into FY2024. Additionally, infrastructure work will begin in FY2023, but due to the complexity of seamlessly transitioning from existing IT environments to a newly-built one, a small amount of this work is expected to extend into FY2024.

6.H. Estimated Total of All Agency Funds Outside the GAA Bill Pattern
Texas Permanent School Fund Corporation

ESTIMATED GRAND TOTAL OF AGENCY FUNDS OUTSIDE THE 2024-25 GAA BILL PATTERN	\$ 55,413,628,872
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Permanent School Fund No. 44

Estimated Beginning Balance in FY 2022	\$ 52,284,118,230
Estimated Revenues FY 2022	\$ (947,352,104)
Estimated Revenues FY 2023	\$ 1,324,488,566
FY 2022-23 Total	\$ 52,661,254,692
Estimated Beginning Balance in FY 2024	\$ 52,661,254,692
Estimated Revenues FY 2024	\$ 1,358,660,371
Estimated Revenues FY 2025	\$ 1,393,713,809
FY 2024-25 Total	\$ 55,413,628,872

Constitutional or Statutory Creation and Use of Funds:

Texas Constitution, Article 7, Section 5 identifies the use of PSF Funds as: (1) making an annual distribution to Texas public schools; (2) using the Fund to guarantee school and chart district bonds, as provided by the legislature in law (Education Code, Sec. 43.067); and funding the expenses of managing PSF land and investments.

Method of Calculation and Revenue Assumptions:

PSF change in net assets for each of fiscal years 2024 and 2025 is calculated as growth in the fund by an average inflation (CPI) estimate of 2.75%, plus a 10-year compound average annual student growth estimate of 0.83%, less the SLB distribution adoption for the 2024-25 biennium of \$600 million in each year. Estimated investment return in excess of this calculated amount is distributed in each year to the ASF, in order to balance the needs of current and future generations of Texas public school students.