

A New Public Education Endowment:



LEGACY EDUCATION FUND

Proposing a new roadmap for public education

Raise Your Hand Texas is calling on Texas lawmakers to transform how it helps fund public education by establishing a new education endowment, which could diversify revenue sources and open up access to new funds for public education. The proposed “Legacy Education Fund” is a practical first step that would deliver increased, enduring funds for our public schools.

“By establishing a new public education endowment, we can move beyond the short-term nature of our two-year budget cycles and deliver a bold, enduring investment in the future of every Texas student.”

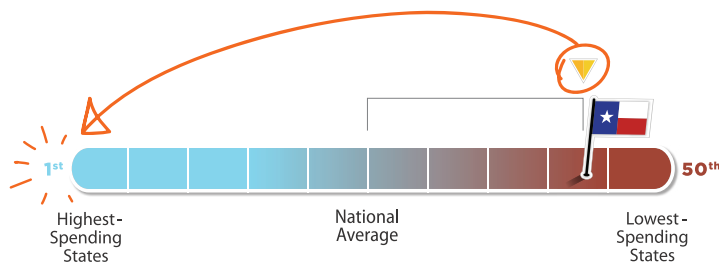
— Libby Cohen, Executive Director, Raise Your Hand Texas

Why does Texas need to consider a new funding source: the “Legacy Education Fund?”

Texas public schools are still in a funding crisis, even after the 89th Legislature’s much-publicized \$8.5 billion infusion of education dollars. Districts across Texas continue to grapple with severe budget shortfalls, program cuts, and staffing crises despite the recent funding boost.

To truly stabilize public education, the state needs a sustainable, long-term funding strategy rather than temporary fixes. Now is the time to explore ideas, including a new type of public education endowment alongside the existing Permanent School Fund (PSF).

Texas Ranks in the Bottom 10 in Per-Pupil Spending¹



Texas should rank among the best in public education funding in the US, not among the worst.

Texas has one of the nation’s largest and most dynamic economies and has enjoyed years of sustained economic growth. Yet, our per-pupil school funding ranks in the bottom 10 in the United States. The “Legacy Education Fund” could be a meaningful first step towards creating a new roadmap for making Texas’ public education funding levels more competitive with those of other states. Even with the existing PSF and recent investments from the 89th Legislative Session, today’s school funding is not sufficient.

Don’t we already have a permanent school fund?

Yes, we have the PSF. It is constitutionally dedicated to be a finance mechanism for a per-student amount (usually in the \$400 to \$600 range), fund some instructional materials, and guarantee certain school bonds. PSF generates a per-student entitlement that is transferred to the Foundation School Program; however, it is not supplemental funding for districts beyond what is entitled to them through the funding formulas set by the Texas Legislature.

The proposed “Legacy Education Fund” would supplement, or add to the existing funding for public schools, by increasing any number of funding formulas like teacher pay, academic programs, or the basic allotment.

What would a new public education endowment give our state?

- **Durability:** An endowment ensures funding is protected for generations, regardless of economic climate.
- **Diversifies funding streams:** An endowment allows for new sources of long-term revenue streams.
- **Stability:** Texas schools can plan with confidence, relieving the constant uncertainty in state budget allocations.
- **Competitive Investment:** Strong schools fuel economic growth, promote healthier communities, and enhance the quality of life for all Texans. An endowment sets Texas on the path towards keeping up with other states’ investments in their public school students.
- **Legacy:** Establishing an endowment is a permanent promise to our kids and a down payment on quality education.

How would the “Legacy Education Fund” work?

The “Legacy Education Fund” has the capacity to:

- **lock** in the corpus (principal) of the endowment so it cannot be spent—only invested
- **specify** that earnings must be used only for public education
- **prevent** the Texas Legislature from reducing general revenue funding because of the new fund (i.e., enforce “supplement, not supplant”)
- **ensure** the fund does not count against the state’s spending limit

What resources are available to fund the “Legacy Education Fund?”

- The Economic Stabilization Fund balance is \$28.5 billion (end of FY '27), approaching its constitutional cap and ranking among the largest state reserves in the nation
- State General Revenue, which the Legislature can allocate to strengthen the endowment
- Dedicated share of sales tax growth, committing a fraction of annual sales tax revenue to provide a steady funding stream
- State savings due to local school district value growth, directing part of the reduced state share of school finance into the endowment when local property values rise
- Private donations, gifts, and grants from individuals, foundations, and businesses, with options for state-matched incentives

What is needed to enact a new funding source, the “Legacy Education Fund?”

Legislative votes required

- Spending from the Economic Stabilization Fund requires a supermajority vote in both chambers.

Voter approval for a constitutional amendment

- Lawmakers must place a constitutional amendment on the ballot
- Texas voters then decide with a simple majority.

Existing Texas Endowments

The Permanent School Fund (PSF) finances a portion of the Foundation School Program entitlement, but it supplants rather than supplements school funding. It does not provide additional dollars to raise the basic allotment or fund new education priorities.

Texas has a model in the **Texas Water Fund**, where voters overwhelmingly approved a dedicated, long-term solution to secure water.

- In 2023, Texas created the Texas Water Fund with a \$1 billion appropriation and voter approval of Proposition 6; in 2025, Proposition 4 expanded the effort, authorizing up to \$20 billion for water projects over the next two decades.

What would the anticipated return or payout be from the “Legacy Education Fund?”

Corpus Growth Over 10 Years with Annual Distributions
(8% return, 5% payout)



What Other States Are Doing

	Fund Name / Type	Year Created	How it works
Texas	Permanent School Fund	1845	Generates revenue from oil, gas, and mineral royalties on state-owned lands and from investments, using these returns to support public education.
Alabama	Education Trust Fund / Advancement & Technology Fund	1927 (ETF) / 2013 (Tech Fund)	Dedicated education budget separate from general revenue. The Advancement and Technology Fund supports facilities, technology, and capital projects.
Louisiana	Education Excellence Fund	1999	Endowment created from Louisiana’s share of the 1998 national tobacco settlement (Millennium Trust). Annual earnings support K–12 and early childhood education.
Nebraska	Education Future Fund	2023	Created with a \$1 billion general revenue deposit and \$250 million annual contributions. Supports education initiatives and teacher pay.
Colorado	State Education Fund	2000	Established by voter-approved Amendment 23. Receives one third of one percent of taxable income annually to supplement K–12 finance.
Michigan	School Aid Fund	1994	Created through Proposal A to shift school funding from local property taxes to statewide sales, income, and other dedicated taxes.

Source: ¹ National Education Association’s 2025 Rankings and Estimates Report