



An Audit Report on

Certification of the Permanent School Fund's Bond Guarantee Program for Fiscal Year 2024

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State Auditor

The State Auditor's Office certifies that, for the fiscal year ended August 31, 2024, the amount of school district and charter district bonds guaranteed by the Permanent School Fund's (Fund) Bond Guarantee Program (Program) was within the limits applicable to the Program. In addition, the Fund had sufficient capacity to meet the State Board of Education's (Board) requirement to hold 0.25 percent of the total guarantee capacity in reserve for the same time period.¹

As of August 31, 2024, the total principal of the 3,433 outstanding bond issues guaranteed by the Program was \$125.8 billion, which included \$121.0 billion for public school districts and \$4.8 billion for charter districts. (See the [Summary of Bond Guarantee Activity](#) for additional information on the Program's fiscal year 2024 activity.)

The guarantee saves public school districts and charter districts money by enhancing their bonds to the highest possible rating. Without the Program's guarantee, public school districts and charter districts would need to (1) purchase private bond insurance or (2) pay higher interest rates on the bonds they sell.

The Program's ability to guarantee bonds is limited to the lesser of two values: the U.S. Internal Revenue Service-set limit (Internal Revenue Service Limit) or the Board-set limit (State Capacity Limit). State statute also limits the available bond guarantee capacity for charter districts. Specifically, those limits for fiscal year 2024 were:

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This audit was conducted in accordance with Texas Education Code, Sections 45.053 and 45.0531.

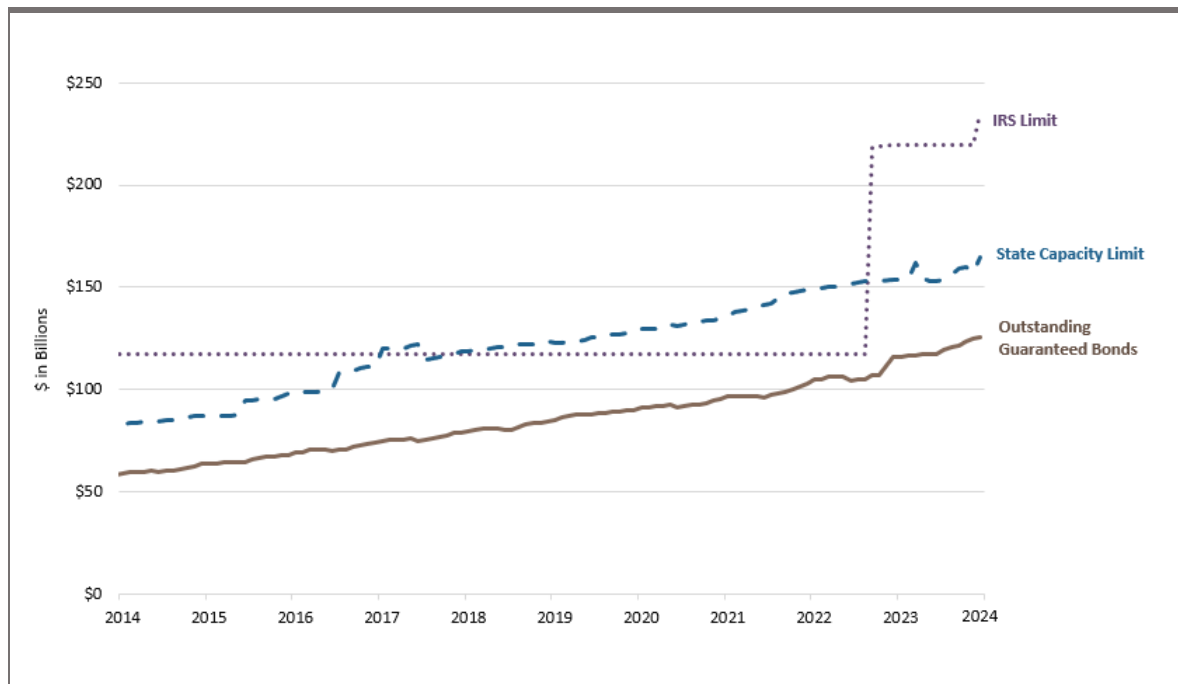
¹ On February 3, 2023, the Board approved the reduction of its required reserve for the Bond Guarantee Program from 5 percent to 0.25 percent.

- Internal Revenue Service - \$235.2 billion²
- State capacity - \$164.7 billion³
- Charter district allocation - \$12.6 billion⁴

Figure 1 shows the amounts of outstanding bonds guaranteed, the calculated State Capacity Limit, and the Internal Revenue Service Limit from September 1, 2014, through August 31, 2024.

Figure 1

***Amount of Outstanding Bonds Guaranteed Compared to State Capacity and Internal Revenue Service Limits
Fiscal Years 2015 through 2024
(September 1, 2014, through August 31, 2024)***



Source: Based on Program data from the Texas Permanent School Fund Corporation for the fiscal year ending August 31, 2024.

² Notice 2023-39 from the Internal Revenue Service (IRS) established a bond guarantee capacity limit of no more than 500 percent of the total cost of the assets held by the Fund.

³ Texas Administrative Code, Title 19, Section 33.6, set a limit on the Program’s bond guarantee capacity of 3.5 times the cost value of the Fund, as permitted by Texas Education Code, Section 45.053(d).

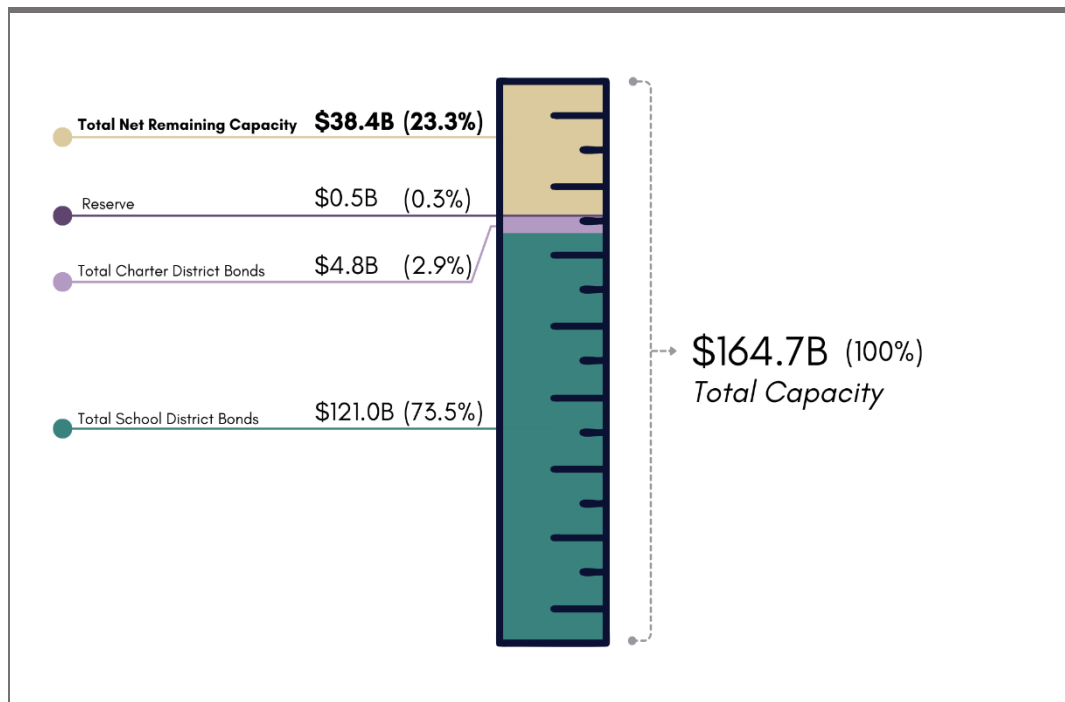
⁴ Texas Education Code, Section 45.0532(a) limited the available bond capacity for charter districts. That limit, as further described in Title 19, Texas Administrative Code, Section 33.7(d), is based on the percentage of the number of students enrolled in open-enrollment charter districts compared with the total number of students enrolled in all Texas public schools, as determined by the commissioner of education. For fiscal year 2024, that percentage was 7.69 percent.

Capacity is currently subject to a statutory reserve set by the Board of 0.25 percent of the Fund’s capacity, plus an additional 0.25 percent reserve of the charter district allocation.

As Figure 2 shows, as of August 31, 2024, the Program could guarantee an additional \$38.4 billion in bonds.

Figure 2

***Bond Guarantee Program Capacity as of August 31, 2024
(Amounts in Billions) ^{a b}***



^a Shaded portions of chart are not presented at scale.

^b Amounts and percentages are rounded.

Source: Based on Program data from the Texas Permanent School Fund Corporation for the fiscal year ending August 31, 2024.

Summary of Bond Guarantee Activity

Figures 3 and 4 summarize fiscal year 2024 activity for the Permanent School Fund's Bond Guarantee Program (Program) and show the changes in the number and dollar amount of outstanding bonds guaranteed by the Program.

Figure 3

Number of Guaranteed Bonds Outstanding Fiscal Year Activity

Category	School Districts	Charter Districts	Total Number of Issues
Number of Issues on September 1, 2023	3,339	102	3,441
Issues guaranteed	195	7	202
Issues matured	(148)	(3)	(151)
Issues refunded and adjustments made	(56)	(3)	(59)
Number of Issues on August 31, 2024	3,330	103	3,433

Source: Based on Program data from the Texas Permanent School Fund Corporation for the fiscal year ending August 31, 2024.

Figure 4

Dollar Amount of Guaranteed Bonds Outstanding Fiscal Year Activity

Category	School Districts	Charter Districts	Total Number of Issues
Balance on September 1, 2023	\$111,647,914,682	\$4,082,912,000	\$115,730,826,682
Issues guaranteed	17,375,530,000	782,260,000	18,157,790,000
Issues matured	(4,725,227,842)	(74,567,000)	(4,799,794,842)
Issues refunded and adjustments made	(3,251,345,237)	(21,495,000)	(3,272,840,237)
Balance on August 31, 2024	121,046,871,603	4,769,110,000	125,815,981,603

Source: Based on Program data from the Texas Permanent School Fund Corporation for the fiscal year ending August 31, 2024.

Objective, Scope, and Methodology

The **objective** of this audit was to determine whether the total amount of school district and charter district bonds that the Permanent School Fund's (Fund) Bond Guarantee Program (Program) guarantees is within the limits established by state statute.

The **scope** of this audit covered the Fund's valuation and all bonds guaranteed by the Fund at the end of fiscal year 2024.

Audit work included reviewing the State Board of Education's bond guarantee limit and reserve calculations for accuracy and determining the Fund's total cost value as of the end of fiscal year 2024.

Audit fieldwork was conducted from January 2025 through March 2025. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

The following members of the State Auditor's staff performed the audit:



- Daniel Spencer, CFE, MSA (Project Manager)
- Charlotte Carpenter, CPA
- Ann E. Karnes, CPA (Quality Control Reviewer)
- Michael O. Clayton, CPA, CISA, CFE, CIDA (Audit Manager)



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