



# Certification of the Permanent School Fund's Bond Guarantee Program for Fiscal Year 2025

Lisa R. Collier, CPA, CFE, CIDA  
State Auditor

The State Auditor's Office certifies that, for the fiscal year ended August 31, 2025, 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) reserve requirement.

As of August 31, 2025, the total principal of the 3,557 outstanding bond issues guaranteed by the Program was \$143.94 billion, which included \$138.14 billion for public school districts and \$5.80 billion for charter districts. (See the [Summary of Bond Guarantee Activity](#) for additional information on the Program's fiscal year 2025 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 2025 were:

- Internal Revenue Service - \$254.16 billion.
- State capacity - \$177.91 billion.
- Charter district allocation - \$13.95 billion.

---

• *Audit Objective* | p. 5

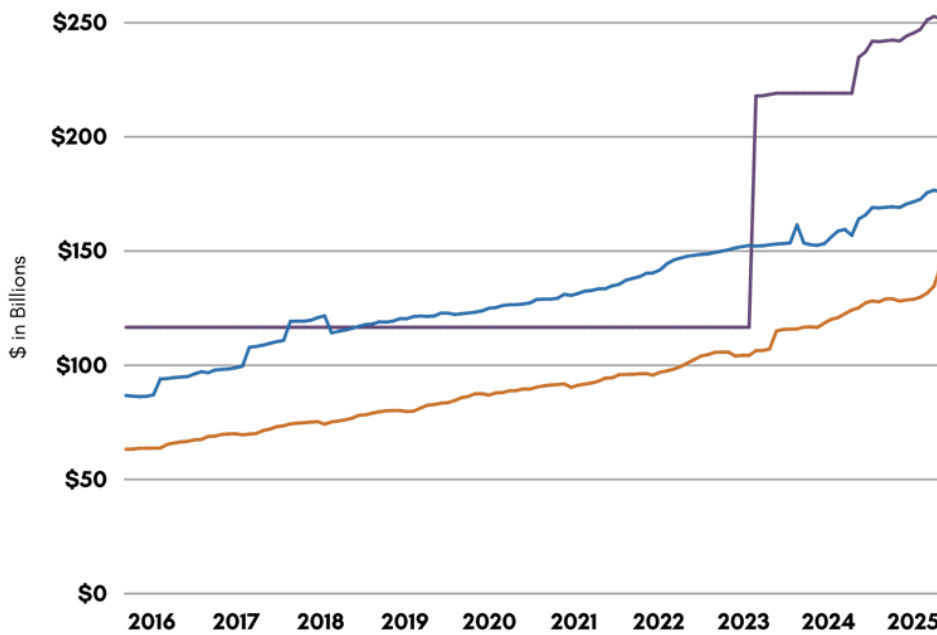
---

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

Figure 1 shows the amounts of outstanding bonds guaranteed; the calculated State Capacity Limit; and the Internal Revenue Service Limit from September 1, 2015, through August 31, 2025.

Figure 1

**Amount of Outstanding Bonds Guaranteed Compared to State Capacity and Internal Revenue Service Limits  
Fiscal Years 2016 through 2025**



**IRS Limit**

**State Capacity Limit**

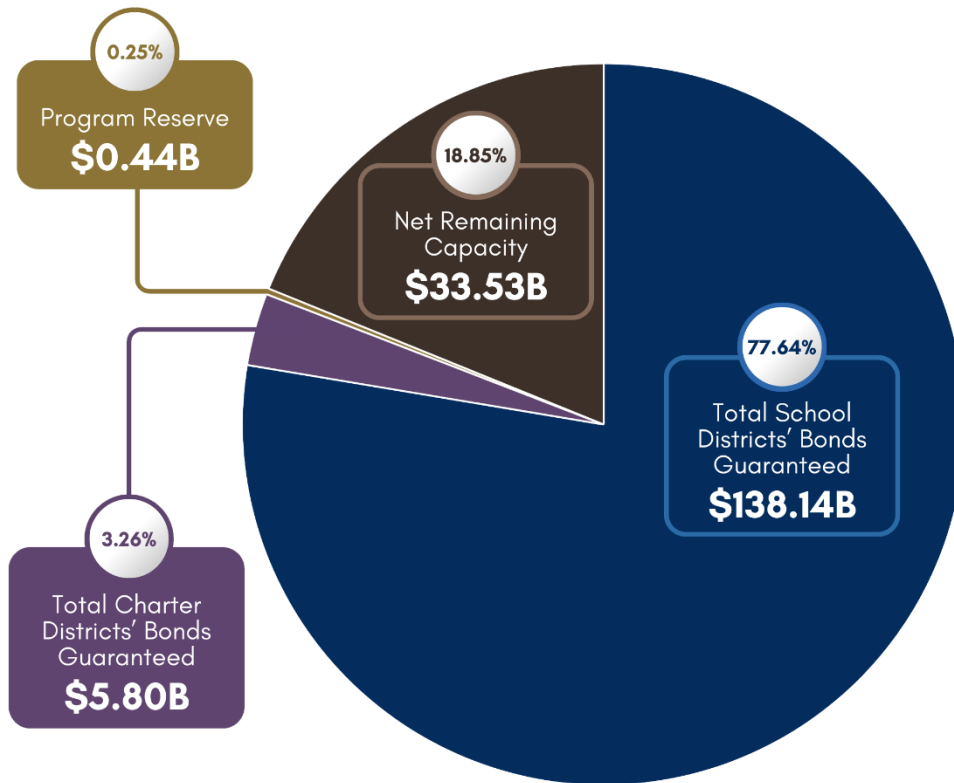
**Outstanding Guaranteed Bonds**

Source: Based on Program data from the Texas Permanent School Fund Corporation for the fiscal year ending August 31, 2025.

As of August 31, 2025, the Program’s total bond guarantee capacity was the State Capacity Limit of \$177.91 billion. As Figure 2 on the next page shows, the Program could guarantee an additional \$33.53 billion in bonds.

Figure 2

***Bond Guarantee Program Capacity as of August 31, 2025  
(Amounts in Billions)<sup>1</sup>***



Source: Based on Program data from the Texas Permanent School Fund Corporation for the fiscal year ending August 31, 2025.

<sup>1</sup> Amounts and percentages are rounded.

## Summary of Bond Guarantee Activity

Figure 3 and Figure 4 summarize fiscal year 2025 activity for the 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, 2024	3,330	103	3,433
Issues guaranteed	349	17	366
Issues matured	(177)	(7)	(184)
Issues refunded and adjustments made	(58)	0	(58)
<b>Number of Issues on August 31, 2025</b>	<b>3,444</b>	<b>113</b>	<b>3,557</b>

Source: Based on Program data from the Texas Permanent School Fund Corporation for the fiscal year ending August 31, 2025.

Figure 4

### *Dollar Amount of Guaranteed Bonds Outstanding Fiscal Year Activity*

Category	School Districts	Charter Districts	Total Number of Issues
Balance on September 1, 2024	\$121,046,871,603	\$4,769,110,000	\$125,815,981,603
Issues guaranteed	29,425,727,195	1,189,760,000	30,615,487,195
Issues matured	(4,971,379,608)	(87,831,000)	(5,059,210,608)
Issues refunded and adjustments made	(7,360,838,092)	(70,465,000)	(7,431,303,092)
<b>Balance on August 31, 2025</b>	<b>\$138,140,381,098</b>	<b>\$5,800,574,000</b>	<b>\$143,940,955,098</b>

Source: Based on Program data from the Texas Permanent School Fund Corporation for the fiscal year ending August 31, 2025.

## 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 2025.

**Audit work** included reviewing the State Board of Education's bond guarantee limit and reserve calculations based on requirements for accuracy and determining the Fund's total cost value as of the end of fiscal year 2025.

Specifically, the review included determining whether the Fund's calculation of the Program capacity complied with Texas Administrative Code, Title 19, Section 33.6, which limits total bond guarantees to 3.5 times the cost value of the Fund, as authorized by Texas Education Code, Section 45.053(d).

The audit further verified compliance with the Internal Revenue Service limit. Internal Revenue Service Notice 2023-39 established a bond guarantee capacity limit of no more than 500 percent of the total cost of the assets held by the Fund, and the audit verified that the Fund's calculations of Program capacity complied with this limitation.

The review also included the Fund's calculation of the charter district bond capacity to determine whether it complied with Texas Education Code, Section 45.0532(a), and Texas Administrative Code, Title 19, Section 33.7(d), which limits charter district guarantees based on the percentage of the students enrolled in open enrollment charter district schools relative to the total Texas public school enrollment (7.86 percent for fiscal year 2025).

**Audit fieldwork** was conducted from January 2026 through March 2026. 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:



- Alex Kipple, CFE (Project Manager)
- Alyssa Alvarado
- Daniel Spencer, MSA, CIA, CFE (Quality Control Reviewer)
- Amadou Ngaide, MBA, CIDA, CFE, CICA (Audit Manager)



Copies of this report have been distributed to the following:

## **Legislative Audit Committee**

The Honorable Dan Patrick, Lieutenant Governor, Joint Chair

The Honorable Dustin Burrows, Speaker of the House, Joint Chair

The Honorable Joan Huffman, Senate Finance Committee

The Honorable Robert Nichols, Member, Texas Senate

The Honorable Greg Bonnen, House Appropriations Committee

The Honorable Morgan Meyer, House Ways and Means Committee

## **Office of the Governor**

The Honorable Greg Abbott, Governor

## **Texas Permanent School Fund Corporation**

Members of the Texas Permanent School Fund Corporation Board of Directors

Mr. Robert Borden, Chief Executive Officer and Chief Investment Officer



This document is not copyrighted. Readers may make additional copies of this report as needed. In addition, most State Auditor's Office reports may be downloaded from our website: <https://sao.texas.gov>.

In compliance with the Americans with Disabilities Act, this document may also be requested in alternative formats. To do so, contact our report request line at (512) 936-9500 (Voice), (512) 936-9400 (FAX), or 1-800-RELAY-TX (TDD); or visit the Robert E. Johnson Building, 1501 North Congress Avenue, Suite 4.224, Austin, Texas 78701.

The State Auditor's Office is an equal opportunity employer and does not discriminate on the basis of race, color, religion, sex, national origin, age, or disability in employment or in the provision of services, programs, or activities.

To report waste, fraud, or abuse in state government, visit <https://sao.fraud.texas.gov>.