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A Texas Program that Backs School Districts' Bond Debt is About to Reach its Limit — And It Could Mean Raising Taxes.

Under the state's Permanent School Fund's Bond Guarantee Program, schools get the best interest rate on bonds. That soon may be over if the federal government doesn't act.

A state-backed program that for decades has helped school districts get the lowest interest rates possible on bonds is about to reach its limit — and if it does, districts might find themselves having to ask for more money from taxpayers.

The Permanent School Fund is a state endowment of about $56 billion funded through investments and land holdings. It was created in 1854 to give Texas' public schools another form of revenue other than tax dollars. Through its bond guarantee program, when a school district passes a bond package, the PSF promises lenders who buy the bonds that the state will pay them back if the school district can't. Having the PSF as a guarantor helps school districts get the best interest rates on those bonds.

But the PSF's guarantee program has a limit on how much debt it can cover at any given time. The IRS, which has jurisdiction over tax-exempt municipal bonds, has set that limit at about $117 billion. As of Oct. 31, the program only has about $652.6 million left in capacity before the program shuts down, according to the latest state projections. That's down from $3 billion at the end of September.

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TEXAS TRIBUNE

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