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School Districts Face Millions in Extra Costs as Texas Program that Backs Bond Debt Hits its Limit.

A state-backed program that for decades has helped school districts get the lowest interest rates possible on bonds and keep their credit scores high has reached its debt limit — and it could cost taxpayers millions of dollars.

Texas' Permanent School Fund promises lenders who buy bonds from a school district that the state will pay them back if the district can't. But it can only vouch for so much debt.

The IRS, which has jurisdiction over tax-exempt municipal bonds, has set that limit at about \$117 billion — and it was reached in December. Since then, at least 49 school and charter districts that asked the PSF to back their debt were denied due to insufficient capacity, resulting in more than \$6.87 billion in unguaranteed bonds.

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