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A Texas Fund That Lowers School Borrowing Costs Is Available Again to Districts.

A $56.8 billion sovereign wealth fund's program that helps schools in Texas pay lower interest rates on municipal bonds will be available again to eligible schools and districts.

The Internal Revenue Service raised the capacity limits of The Texas Permanent School Fund's debt guarantee program, according to a press release by the State Board of Education on Thursday. The IRS posted a notice of intent to update language that previously limited the capacity of the fund's debt guarantee program.

In November, for the first time in about a decade the fund had to turn nearly all applicants to its program away because of the lack of capacity.

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"News of this change by the IRS is a welcome victory for Texas students and taxpayers," said State Board of Education Chairman Keven Ellis in the press statement. "Instead of paying millions in higher interest costs, school districts can instead use that money for much-needed facility improvements."

The rule change is effective as of May 10, and will allow the State Board of Education and Texas Education Agency to guarantee bonds passed in elections earlier this month, the release said. Without the change, requests for a guarantee would have been denied, forcing school districts and charter schools to pay higher interest rates.

The update allows the program to guarantee debt up to a limit of five times the cost value of the fund, or about $218 billion at current levels, according to the release. Credit guarantee essentially allows Texas public and charter schools to issue debt at AAA credit ratings, despite the underlying rating of the issuer.

Bloomberg Markets

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May 12, 2023

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