July 27, 1998

RE: Certification of the Permanent School Fund Bond Guarantee Program

Members of the Legislative Audit Committee:

We certify that the Permanent School Fund Bond Guarantee Program (Program) is in compliance with Section 45.053(a) of the Texas Education Code (Code). This certification is required by Section 45.053(b) of the Code. The Code states that the Commissioner of Education may not approve bonds for guarantee if the approval would result in the total amount of outstanding guaranteed bonds exceeding an amount equal to two times the cost value or market value, whichever is less, of the Permanent School Fund (Fund), exclusive of real estate.

As of August 31, 1997, the maximum allowable for guarantee was $21,387,549,400, which is two times the cost value of the Fund. The total amount of bonds guaranteed by the Program as of August 31, 1997, was $13,547,971,980.

The Program was created as a means for school districts to improve the credit rating and marketability of school district bonds. Only bonds issued by an accredited school district under Subchapter A, Chapter 45 of the Texas Education Code or Article 717k, Vernon’s Texas Civil Statutes are eligible for guarantee by the Fund.

During the course of our work, we became aware of opportunities for improvement in the maintenance of the data on bonds guaranteed by the Fund. These are not considered significant, and they were discussed with management. Management has either taken corrective action or is in the process of reviewing how to implement the recommendations.

We appreciate the Texas Education Agency's cooperation on this project. If you have any questions, please contact Carol Smith at 479-4700.

Sincerely,

Lawrence F. Alwin, CPA
State Auditor

cbg

cc: Dr. Michael Moses, Commissioner of Education
State Board of Education

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