

**TEXAS PERMANENT SCHOOL FUND
BOND GUARANTEE PROGRAM SUMMARY
Month Ending January 31, 2023**

The following information is provided for the benefit of holders of Texas school district bonds and charter district bonds that have been guaranteed by the Texas Permanent School Fund (Fund). In addition to the capacity limits established for the Bond Guarantee Program (Program) by relevant State law, the State Board of Education (SBOE) is also authorized to establish reserves of Program capacity. The most recent Program capacity reserve set by the SBOE is 5% of the permissible limit for the Program.

| | PROGRAM TOTAL | CHARTER DISTRICTS ³ |
|--|---|---------------------------------------|
| Maximum Allowable For Guarantee under Federal law ¹ | \$ 117,318,653,038 ¹ | |
| Maximum Allowable For Guarantee under State law ¹ | \$ 151,235,150,192 ¹ | |
| GUARANTEE CAPACITY AT January 2023 (lower of State or Federal) | (A)⁷ \$ 117,318,653,038 | \$ 7,779,399,883 ³ |
| Reserve of 5% of the Maximum Allowable for Guarantee ² | \$ (5,865,932,652) ² | |
| Reserve of 5% of the Charter District Guarantee ⁶ | (388,969,994) ⁶ | (388,969,994) ⁶ |
| Total Combined Reserve | (B)⁷ \$ (6,254,902,646) | |
| Total NET CAPACITY at January 2023 | \$ 111,063,750,392 | |
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| <u>Amounts Guaranteed as of January 31, 2023</u> | | |
| - School District Bonds | (C) ⁷ (102,526,319,921) | |
| - Charter District Refunding Bonds (≤ 50% of charter capacity) | (C) ⁷ (777,303,460) | (777,303,460) ⁴ |
| - Charter District Non-Refunding Bonds | (C) ⁷ (3,146,832,540) | (3,146,832,540) |
| <u>New Guarantees In Process</u> | | |
| - School District Bonds | (D) ⁷ (4,142,160,000) | |
| - Charter District Refunding Bonds (≤ 50% of charter capacity) | (D) ⁷ - | - |
| - Charter District Non-Refunding Bonds | (D) ⁷ - | - |
| <u>Approved January 31, 2023</u> | | |
| - School District Bonds | (E) ⁷ (277,000,000) | |
| - Charter District Refunding Bonds (≤ 50% of charter capacity) | (E) ⁷ - | - |
| - Charter District Non-Refunding Bonds | (E) ⁷ - | - |
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| PROJECTED AVAILABLE CAPACITY at January 31, 2023 | \$ 194,134,471 ⁷ | |
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| Maximum Charter District Refunding Capacity | | \$ 3,889,699,942 ⁴ |
| CHARTER DISTRICT RESERVE FUND BALANCE | | \$ 83,689,755 ⁵ |
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| NUMBER OF ISSUES GUARANTEED | | |
| Number of Issues as of September 1, 2022 | 3,442 | 94 |
| Fiscal Year Activity: | | |
| District Issues Guaranteed During Fiscal Year | 63 | 6 |
| District Issues Refunded or Matured | (9) | (1) |
| Number of Issues as of January 31, 2023 | 3,496 | 99 |
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| TOTAL BONDS GUARANTEED | | |
| Balance as of September 1, 2022 | \$ 103,239,495,929 | \$ 3,711,396,000 |
| Fiscal Year Activity: | | |
| District Issues Guaranteed During Fiscal Year | 3,439,469,992 | 216,545,000 |
| District Issues Refunded or Matured | (228,510,000) | (3,805,000) |
| Balance as of January 31, 2023 | \$ 106,450,455,921 | \$ 3,924,136,000 |
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| CUMULATIVE HISTORY OF BOND GUARANTEE PROGRAM | | |
| District Issues Guaranteed: | | |
| Amount of Issues Guaranteed from 1985 to August 31, 2022 | \$ 236,222,539,956 | \$ 4,036,470,000 |
| Amount of Issues Guaranteed in Fiscal Year 2023 | 3,439,469,992 | 216,545,000 |
| TOTAL AMOUNT OF ISSUES SINCE INCEPTION | \$ 239,662,009,948 | \$ 4,253,015,000 |

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NOTES:

¹ For State law purposes, the General Land Office (GLO) managed assets are included in the Fund. However, prior to March 31, 2005, when a private letter ruling (the "2005 IRS Letter") was received from the Internal Revenue Service (the "IRS"), such assets were excluded by the Texas Education Agency (Agency) in calculating Fund values for purposes of determining the capacity of the Program under a program capacity limitation deriving from a prior IRS private letter ruling relating to the Fund. The 2005 IRS Letter clarified that the GLO managed assets may be included in Fund values for the purpose of calculating the capacity of the Program.

Beginning in FY 2006, the Agency has included, and for future years the Agency expects to include, GLO managed assets in its reporting of the Market Value and Book Value of the Fund. On December 16, 2009, the Agency received IRS Notice 2010-5 and based on the Notice, calculated the Maximum Allowable for Guarantee to be 5 times the cost value of the Fund on that day (\$117,318,653,038). The limit of the guarantee utilized here is based on the State Capacity Limit determined on the basis of the cost value of the Fund multiplied by the capacity multiplier determined annually by the SBOE, but not to exceed a multiplier of five. On February 2, 2018, the SBOE voted to set the capacity multiplier at 3.50, effective April 29, 2018. At January 31, 2023 the Market Value and the Book Value of total Fund assets were \$58,240,839,084 and \$43,210,042,912 respectively. In determining the Market Value of the PSF, the Agency uses current values for Agency managed investment portfolios and cash held by the GLO. Quarterly valuations provided by the GLO are used for real assets and mineral interests managed by the GLO.

² Per SBOE regulations, codified at Texas Administrative Code Title 19, Part 2, Chapter 33.65, the SBOE shall establish an amount of capacity to be held in reserve of no less than 5.0% of the fund's capacity.

³ At its February 2014 meeting the SBOE approved rules governing participation of Charter Districts in the Program. These rules are codified at Texas Administrative Code Title 19, Part 2, Chapters 33.1001 and 33.67. Chapter 33.67 stipulates that Charter District guarantee capacity shall be based on a ratio of charter students to total public school students, as annually determined by the Commissioner of Education (currently 6.98%), applied against the available capacity of the Bond Guarantee Program. The available capacity is defined in Chapter 33.65 and 33.67 as maximum allowable for guarantee less total amount of outstanding guaranteed bonds, and less the SBOE-established reserve.

⁴ Texas Administrative Code Title 19, Part 2, Chapter 33.67 limits guarantees of charter district refunding bonds to no more than 50% of the allocated charter district capacity. This percentage is to be re-assessed by the Commissioner of Education annually.

⁵ Texas Administrative Code Title 19, Part 2, Chapter 33 Subchapter AA Section 33.1001 establishes rules governing the Charter District Bond Guarantee Reserve Fund. These rules require charter districts with a closing date before March 1, 2017, to initially remit 0.1% of the principal amount on the closing date for the bonds within 30 days of the closing date, and to remit annually to the Agency an amount equal to 0.1% of the principal amount outstanding on the anniversary of the closing date. For charter districts with a closing date on or after March 1, 2017, the Commissioner will calculate an amount equal to 10% of the savings on the charter district resulting from the lower interest rate on the bond due to guarantee by the Fund, in accordance with a methodology described in the Rule. This rate is to be applied against the outstanding bond principal balance, and is to be used for the first payment due, within 30 days of the closing date, and thereafter on the anniversary of the closing date for until all principal has been paid. For charter districts with a closing date on or after September 1, 2017, the full amount of savings is to be paid into the reserve in accordance with the formula described at Subchapter AA sec. 33.1001(c) within 30 days of the closing date. Per Texas Administrative Code Title 19, Part 2, Chapter 33.67(l), this reserve is to be used to pay charter district principal and interest in the event of a default.

⁶ Texas Administrative Code Title 19, Part 2, Chapter 33.67 was amended to require a 5% reserve against total Charter District guarantee capacity, effective October 19, 2015. This reserve is established in rule, and does not impact determination of the total statutory charter district guarantee capacity.

⁷ Projected Available Capacity is calculated as Guarantee Capacity (A) less Combined Reserve (B) less Amount Guaranteed (C) less New Guarantees in Process (D) less bonds Approved (E).