April 23, 1997

Members of the Legislative Audit Committee:
   The Honorable James E. “Pete” Laney, Speaker of the House, Chair
   The Honorable Bob Bullock, Lieutenant Governor, Vice Chair
   The Honorable Bill Ratliff
   The Honorable Kenneth Armbrister
   The Honorable Robert Junell
   The Honorable Tom Craddick

We certify that the Bond Guarantee Program is in compliance with Title 2, Section 45.053 of the Texas Education Code. The Education Code requires the State Auditor to certify that the total amount of outstanding guaranteed bonds does not exceed an amount equal to two times the cost value or market value, whichever is less, of the Permanent School Fund, exclusive of real estate.

As of August 31, 1996, the maximum allowable for guarantee was $19.9 billion, which is equal to two times the cost value of the Permanent School Fund. The total amount guaranteed by the program as of this date was $9.2 billion.

We performed an analysis of the Bond Guarantee Program, which provides for guarantee of school district bonds by the Permanent School Fund. This program was created as a means to improve the credit rating and marketability of school district bonds. Our objective was to certify that the amount of bonds guaranteed by the Permanent School Fund did not exceed limits prescribed by state law.

Sincerely,

Lawrence F. Alwin, CPA
State Auditor

cc:  Mr. Jack Christie, D.C., Board Chairman
     Mr. Mike Moses, Commissioner

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