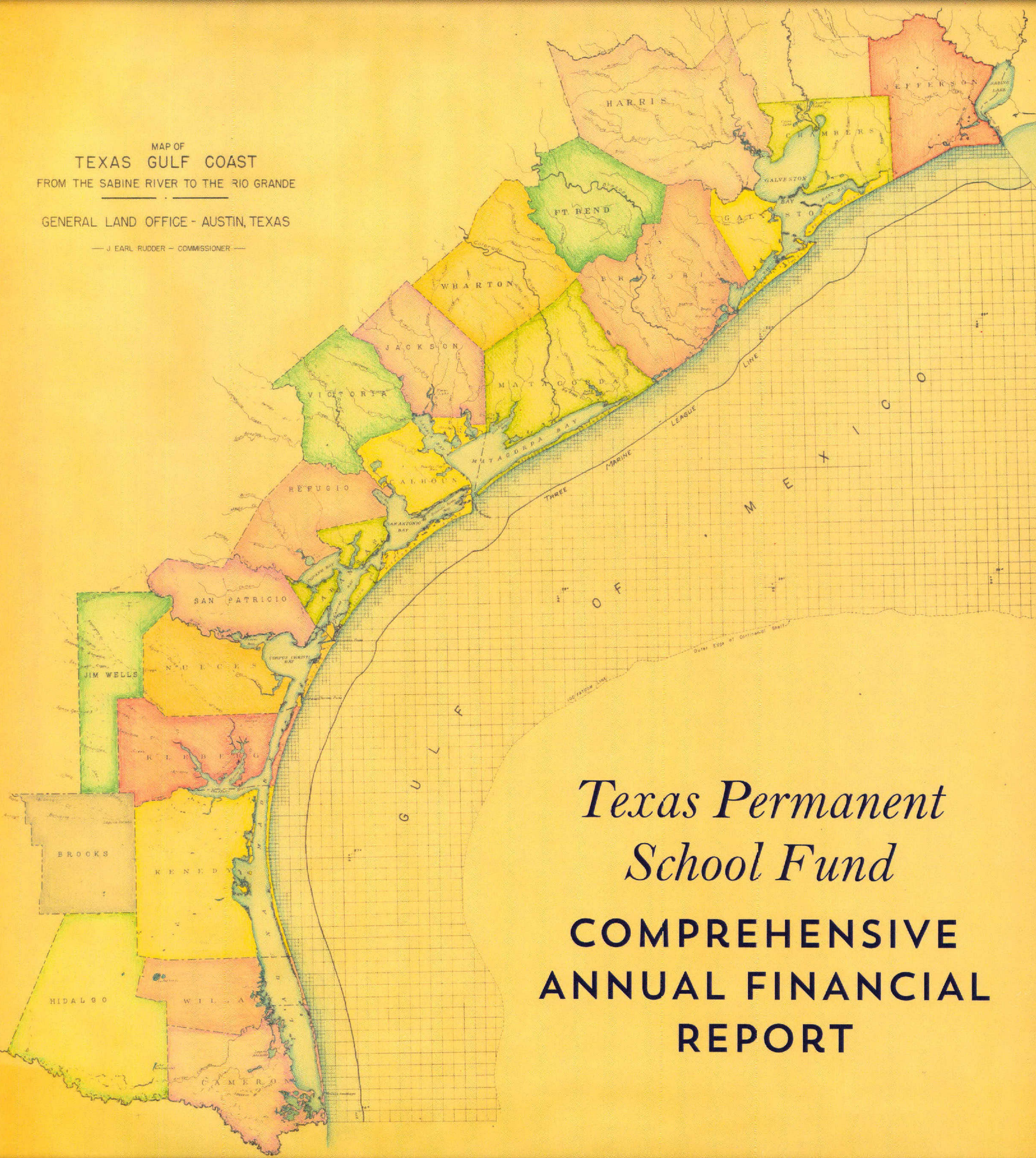
A Permanent Fund of the State of Texas



Texas Permanent School Fund

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ending **AUGUST 31, 2019**

The Texas Permanent School Fund's wealth sources from the prudent investment of its financial resources and the abundance of its natural resources. A large part of the Fund's current mineral revenue comes from the submerged lands the Fund owns off the Texas coast, which is delineated on the front cover map by the Three Marine League Line.

TEXAS PERMANENT SCHOOL FUND

A Permanent Fund of the State of Texas

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDING AUGUST 31, 2019

Physical Address:
The Texas Permanent School Fund
400 West 15th Street 11th Floor
Austin, Texas 78701-1600

Mailing Address:
Texas Education Agency
1701 North Congress Avenue
Austin, Texas 78701-1494

http://tea.texas.gov/Finance_and_Grants/Permanent_School_Fund/

Prepared by:
Finance Department
Texas Permanent School Fund

Financial Reporting & Accounting Department
General Land Office

Publication Number FS20 110 01

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Holdings – may be found at
http://tea.texas.gov/Finance_and_Grants/Texas_
Permanent_School_Fund/Texas_Permanent_School_Fund_-_Holdings/

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SECTION ONE

INTRODUCTION

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Texas Education Agency
Commissioner Mike Morath
1701 North Congress Avenue • Austin, Texas 78701-1494 • 512 463-9734 • 512 463-9838 FAX • tea.texas.gov

MESSAGE FROM THE COMMISSIONER OF EDUCATION

December 20, 2019

Dear Governor Abbott, Lieutenant Governor Patrick, Speaker Bonnen, Members of the Texas Legislature, and Citizens of Texas,

I am pleased to present the Comprehensive Annual Financial Report of the Texas Permanent School Fund (PSF or the Fund) for the fiscal year ending August 31, 2019. Since its creation as a permanent endowment in 1854, the Fund has provided support for public education in two very important ways: Funding to help pay for the cost of public education and as a financial backstop to the bond issues underwritten by individual school and charter districts. During the 2019 fiscal year, the Fund continued the tradition of improving its financial strength and providing valuable financial resources to fund public education in the State of Texas. The fund continues to hold its ranking as the largest educational endowment in the country.

This report is designed to provide an overview of the Fund's financial statements, independently audited by the State Auditor's Office, to the Fund owners, the citizens of Texas, and other interested parties. The Fund's financial statements are audited as a best practice. As required for compliance with the U.S. Securities and Exchange Commission Rule 15c2-12, in the Fund's administration of the Bond Guarantee Program, the Fund discloses these audited financial statements through the Municipal Securities Rulemaking Board as well as on the Texas Education Agency website.

MANAGEMENT RESPONSIBILITY

This report consists of PSF management's representations regarding PSF financial position, results of operations, and program administration. The responsibility for the accuracy, completeness, and fair presentation of this information, including all disclosures, rests with the management of the Fund. To provide reasonable assurance in making these representations, management maintains a comprehensive internal control framework designed to protect PSF assets from loss, theft, or misuse, and to compile sufficient, reliable, and accurate information for the preparation of PSF financial statements in conformity with Generally Accepted Accounting Principles (GAAP). Because the costs of internal controls should not outweigh related benefits, the PSF's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

FINANCIAL INFORMATION

The basic financial statements have been prepared in accordance with GAAP applied on a consistent basis as stipulated by the Governmental Accounting Standards Board (GASB). The Management's Discussion and Analysis (MD&A) includes a narrative introduction, overview, and analysis to accompany the basic financial statements. This letter, in conjunction with the transmittal letter following, is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the independent auditor's report.

I wish to thank the State Board of Education members for their efforts and continued diligence in fulfilling their fiduciary duty to protect the Permanent School Fund for future generations of Texas students. The Texas Education Agency is honored and pleased to work with the State Board of Education on the investments and administration of the Fund. We will continue to work with the Board and the State's leadership to assure the ongoing prudent management of the Fund, and to see that it is well positioned to continue the mission of financing Texas education for the years ahead.

Mike Morath
Commissioner of Education

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MESSAGE FROM THE EXECUTIVE ADMINISTRATOR

December 20, 2019

I am honored to present the Comprehensive Annual Financial Report (CAFR) of the Texas Permanent School Fund (PSF) for the year ended August 31, 2019.

The 165-year-old Texas Permanent School Fund (PSF or the Fund) continued on its path of growth and financial strength in domestic and global markets, and maintained the tradition and obligation of strong support for public education in Texas during fiscal year 2019.

INVESTMENTS

For the 12-month period ending August 31, 2019, the portion of the PSF managed by the State Board of Education (PSF[SBOE]) achieved a return of 4.17%, and the portion of the PSF managed by the School Land Board (PSF[SLB]) achieved a total return for the year of 5.84% (9.86% excluding cash). For the past five years, the time-weighted annual return has been 5.25% for the PSF(SBOE) and 6.13% for the PSF(SLB) externally managed investments (11.36% excluding cash). All returns noted above are net of fees.

At the end of fiscal 2019, the Fund balance was $46.5 billion, an increase of $2.4 billion from the prior year. This increase is primarily due to overall increases in value of almost all asset classes in which the Fund is invested. During the year, the SBOE continued implementing the long-term strategic asset allocation, diversifying the PSF(SBOE) to strengthen the Fund. The asset allocation is projected to increase returns over the long run while reducing risk and portfolio return volatility. The Fund is invested in global markets and experiences volatility commensurate with the underlying indices. The Fund is broadly diversified and benefits from the low cost structure of its investment program. Changes continue to be researched, crafted, and implemented to make the cost structure more efficient.

PROGRAMS

The Fund serves Texans in two ways. First, a distribution is made every year from the Fund to pay a portion of educational costs in each school district within the state. During the current fiscal year, the Fund distributed approximately $1.5 billion for education. Since 1960, the Fund has distributed about $29.5 billion to help fund the education of Texas students.

Second, the Fund provides a guarantee for bonds issued by participating local school districts. The PSF also guarantees bonds of qualified charter districts. Because of the PSF guarantee, qualified school and charter districts are able to pay lower interest rates when they issue debt since the debt carries an overlay of the PSF's AAA rating provided by the three major rating agencies. At the end of the fiscal year, PSF assets guaranteed $82.5 billion in school district bonds providing cost savings to 847 public school districts in the State, and $1.9 billion in charter district bonds providing cost savings to 15 Texas charter districts.

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Texas Permanent School Fund for its CAFR for the fiscal year ended August 31, 2018. This was the fifth consecutive year that the Fund has achieved this prestigious award. To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR which meets or exceeds program standards and must satisfy both GAAP and applicable legal requirements.

MESSAGE FROM THE EXECUTIVE ADMINISTRATOR

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGMENTS

My thanks and gratitude go to the members of the State Board of Education for their wise counsel and continued efforts to strengthen the Permanent School Fund. I also thank Commissioner of Education Mike Morath and Deputy Commissioner of Finance Mike Meyer for their ongoing support and encouragement. Finally, I want to thank the hard working and dedicated team of professionals within the PSF and other divisions at the Texas Education Agency. The Board and Agency staff are committed to provide prudent PSF portfolio management and ethical and transparent delivery of increased Fund value to the school children and citizens of Texas. It is a privilege to work with professionals such as these who embody such a high level of integrity and devotion to service of the Fund's mission to improve the outlook for all Texans through education of its children.

B. Holland Timmins, CFA
Executive Administrator and Chief Investment Officer
Texas Permanent School Fund

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Texas Permanent School Fund

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

August 31, 2018

Christopher P. Morrill

Executive Director/CEO

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ADMINISTRATION

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MARTY ROWLEY
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Committee on School Finance / Permanent School Fund

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Texas Education Agency

Commissioner of Education

MIKE MORATH
(Executive Officer of the State Board of Education)

Executive Administrator and Chief Investment Officer

HOLLAND TIMMINS, CFA

Deputy Chief Investment Officer, Director of Fixed Income

CARLOS VEINTEMILLAS

Deputy Executive Administrator

CATHERINE A. CIVILETTO, CPA

Director of Equities

KARIM HIRANI

Director of Global Risk Control Strategies

CARLOS CASTRO

Director of Private Markets

JOHN GRUBENMAN, CFA

Investment Counsel

NEPC, LLC

Custodian and Securities Lending Agent

THE BANK OF NEW YORK MELLON

ORGANIZATIONAL STRUCTURE

Texas Permanent School Fund Financial Assets

- Managed by the elected State Board of Education

- Administered by the Texas Education Agency, which is under the guidance of the Commissioner of Education, an appointee of the Governor

Texas Permanent School Fund Land, Mineral Rights, and Certain Real Assets Investments

- Managed by the School Land Board, which includes the Elected Commissioner of the General Land Office

- Administered by the General Land Office, under the guidance of the Commissioner of the General Land Office

SECTION TWO

FINANCIAL STATEMENTS

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State Auditor's Office

Lisa R. Collier,
CPA, CFE, CIDA,
First Assistant State Auditor

Independent Auditor's Report

Members of the State Board of Education
Members of the School Land Board

Report on the Financial Statements

We have audited the accompanying financial statements of the Permanent School Fund (Fund), as of and for the year ended August 31, 2019, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Fund, a permanent fund of the State of Texas, as of August 31, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Fund Financial Statements

As discussed in Note 1, the financial statements present only the Fund, a permanent fund of the State of Texas, and do not purport to, and do not, present fairly the financial position of the State of Texas as of August 31, 2019, or the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Investments with Values that Are Not Readily Determined

The financial statements include investments valued at approximately $21.0 billion as of August 31, 2019, whose fair values have been estimated by management in the absence of readily determinable fair values. That total includes $17.1 billion as discussed in Note 2 and $3.9 billion as discussed in Note 3. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Fund's basic financial statements. The Introduction, Statistical Summary, Bond Guarantee Program, and Supplemental Schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Introduction, Statistical Summary, Bond Guarantee Program, and Supplemental Schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued a separate report dated December 20, 2019, on our consideration of the Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Fund's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fund's internal control over financial reporting and compliance.

Lisa R. Collier

Lisa R. Collier, CPA, CFE, CIDA
First Assistant State Auditor

December 20, 2019

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

This Management's Discussion and Analysis (MD&A) is required by the Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB 34). The purpose of the MD&A is to provide an objective and easy to read analysis of the Texas Permanent School Fund (Fund) financial activities based on currently known facts, decisions, and conditions. Please read the MD&A in conjunction with the transmittal letters from the Commissioner of Education, the Executive Administrator, and the Fund's financial statements.

The activity of the Fund directed by the State Board of Education (SBOE) shall be referred to throughout as the PSF(SBOE). The activity of the Fund managed by the School Land Board (SLB) shall be referred to throughout as the PSF(SLB). The SLB manages designated land, mineral interests, and real assets investments of the Fund as detailed in the notes to the financial statements. All other Fund assets are the management responsibility of the SBOE. The annual report of the Fund is divided into five sections: the introduction, the financial statements with accompanying notes preceded by this MD&A, statistical summaries and analyses, a summary of the Bond Guarantee Program, and supplemental financial information for the PSF(SBOE).

FINANCIAL HIGHLIGHTS

- The total fund balance of the Fund increased $2.4 billion or 5.5% during fiscal year 2019.
- The Fund, through the PSF(SBOE), provided $1.2 billion to the Available School Fund, derived by using the total return based distribution method of the Texas Constitution, Article 7, Section 5(a).
- The Fund, through the PSF(SLB), provided $300 million to the Available School Fund, per the Texas Constitution, Article 7, Section 5(g).
- As of August 31, 2019, $84.4 billion in school and charter district bond issues were guaranteed by the Fund in support of public education in Texas. The amount outstanding increased 6.7% from the prior fiscal year end.

Required Financial Statements

GASB 34 requires two financial statements for governmental funds: the balance sheet and the statement of revenues, expenditures, and changes in fund balance. These statements report financial information regarding the Fund's activities under U.S. Generally Accepted Accounting Principles (GAAP).

The notes to the financial statements contain supplemental information that is essential for the fair presentation of the financial statements.

Balance Sheet

The balance sheet reports the assets, liabilities, deferred inflows, and fund balance of the Fund.

Assets

The assets of the Fund are categorized as cash, securities lending cash collateral, receivables, investments, and related assets. Cash and cash equivalents include investments that can be converted into cash within one year and are used primarily to settle the day-to-day security clearing activities/capital calls of the PSF(SBOE) assets and the funding of real assets investments by the PSF(SLB). The PSF(SBOE) engages in securities lending activity in order to earn incremental income. See Note 7 for details on securities lending.

PSF(SBOE) Investments

Investments consist primarily of PSF(SBOE) managed holdings, including public market equity, fixed income securities and alternative investments, such as absolute return, real estate, private equity, risk parity, real return and emerging market equity and debt investments.

Following are the methodologies used by the PSF(SBOE) to determine the fair value of investments.

Assets	Valuation
Equity and fixed income	Quoted market prices
Short-term securities (maturities less than 1 year)	Amortized cost (approximates fair value)
Absolute return investments	Net asset value (NAV) of fund-of-funds provided by the investment advisor
Risk parity investments	NAV of the fund provided by general partner or investment advisor
Real estate	Latest capital account balance or valuation data*
Private equity	Latest capital account balance or valuation data*
External commodity	NAV provided by the fund's general partner
Emerging market debt	NAV provided by the fund's investment
Emerging market equity	NAV provided by the fund's investment

* Adjusted for contributions and withdrawals subsequent to latest valuation or reporting date

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PSF(SLB) Investments

PSF(SLB) investments in real assets represent real property and ownership interests in externally managed real assets investment funds, separate accounts, and co-investment vehicles held for the benefit of the Fund, and are carried at fair value. Sovereign lands and mineral interests are also reported at fair value.

Unless determined otherwise, the PSF(SLB) deposits all proceeds of mineral leases and royalties generated from existing and future leases of the Fund's mineral interests into a special fund (Real Estate Special Fund Account, or RESFA) at the State Treasury. These proceeds can be used by the SLB to acquire additional tracts of land; to acquire interests in real property for biological, commercial, geological, cultural, or recreational purposes; to acquire mineral and royalty interests; to acquire interests in real estate; to pay for reasonable fees for professional services related to these investments; or to acquire, sell, lease, trade, improve, maintain, protect, or use land, mineral royalty interests, or real assets investments, an investment or interest in public infrastructure, or other interests, all for the use and benefit of the Fund. Note 3 of the notes to the financial statements contains a summary of the historical cost of the land owned by the Fund. As of August 31, 2019, the estimated fair value of the land, real assets investments and mineral rights (excluding cash) was approximately $7.7 billion and the historical cost was approximately $3.9 billion. PSF(SLB) real assets investments include commingled closed-end funds, commingled open-end funds, separate accounts, and co-investment vehicles that invest in private-market real assets transactions across the energy, infrastructure, and real estate sectors of the real assets investment universe.

Liabilities

Liabilities represent claims against the Fund as of August 31, 2019. The payable for PSF(SBOE) securities lending cash collateral invested is the largest category of liabilities and represents the value of the cash collateral provided by the borrowers in accordance with the securities lending agreement. This collateral is returned to the borrowers when the securities are returned from loan.

Deferred Inflows of Resources

Deferred inflows of resources consist primarily of dividend and interest receivable amounts for which receipt is due more than 60 days subsequent to year end.

Fund Balance

The fund balance of the Fund has been classified in accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). As described more fully in notes 1.D. and 9. of the financial statements, the entire fund balance is classified as nonspendable except for that portion explicitly allowed to be expended by the Texas Constitution, which is classified as restricted. The Texas Constitution allows the Fund to expend funds appropriated by the legislature for operating costs, for transfers to the Available School Fund in support of public education, and for payment of guaranteed debt in the event of default.

TABLE 1
Summarized Balance Sheet Accounts
(in Millions)

	As of August 31, 2019	As of August 31, 2018	Amount of Increase (Decrease)	Percent Change
ASSETS				
Investments	$ 41,669.0	$ 39,562.3	$ 2,106.7	5.3%
Securities Lending Cash Collateral Invested	1,733.3	2,212.1	(478.8)	-21.6%
Cash, Receivables, and Other Assets	5,066.1	4,746.3	319.8	6.7%
TOTAL ASSETS	$ 48,468.4	$ 46,520.7	$ 1,947.7	4.2%
LIABILITIES				
Payables for Investments Purchased	$ 39.3	$ 60.1	$ (20.8)	-34.6%
Payables for Security Lending Cash Collateral Invested	1,754.1	2,237.8	(483.7)	-21.6%
Other Liabilities	159.7	123.5	36.2	29.3%
TOTAL LIABILITIES	$ 1,953.1	$ 2,421.4	$ (468.3)	-19.3%
DEFERRED INFLOWS OF RESOURCES	$ 14.9	$ 31.8	$ (16.9)	-53.1%
TOTAL FUND BALANCE	$ 46,500.4	$ 44,067.5	$ 2,432.9	5.5%

Comparative Balance Sheet Highlights

- Total fund balance increased by 5.5% during the fiscal year, after transfers out to the Available School Fund ($1.2 billion from the PSF(SBOE) and $0.3 billion from the PSF(SLB)). This increase was primarily attributable to the increase in fair value of the PSF(SLB) real assets investments and its restatement of fund balance.
- The change in the fair value of the PSF(SBOE) and PSF(SLB) investments is consistent with the change in value of the markets in which those

investments were made.

- Securities Lending Cash Collateral Invested (Assets and Liabilities) decreased by 21.6%, due primarily to reduced short positions and related borrowings in the market. Additionally, Federal Reserve rate cuts during the year have also contributed to relatively relaxed loan demand.

Statement of Revenues, Expenditures, and Changes in Fund Balance

The statement of revenues, expenditures, and changes in fund balance represents the activity from the PSF(SBOE) investment portfolio and the PSF(SLB) real assets investment portfolio that occurred during the fiscal year.

TABLE 2
Summarized Revenue and Expenditure Accounts
(in Millions)

	Fiscal Year Ended August 31, 2019	Fiscal year Ended August 31, 2018	Amount of Increase (Decrease)	Percent Change
REVENUES				
Land Endowment Income	$ 1,068.6	$ 994.5	$ 74.1	7.5%
Dividends and Interest Income	1,057.2	1,064.6	(7.4)	-0.7%
Securities Lending (net of rebates/fees)	5.2	8.9	(3.7)	-41.6%
Gain on Sale of Sovereign Land	1.4	2.4	(1.0)	-41.7%
Net Increase/(Decrease) in Fair Value of Investments	1,525.8	1,868.3	(342.5)	-18.3%
Revenue from Sales of Purchased Gas	57.3	67.2	(9.9)	-14.7%
Settlement of Claims	0.3	0.7	(0.4)	-57.1%
Other Income	1.9	1.4	0.5	35.7%
TOTAL REVENUES	3,717.7	4,008.0	(290.3)	-7.2%
EXPENDITURES				
PSF(SBOE) Operational Costs	29.0	26.8	2.2	8.2%
PSF(SLB) Operational Costs	24.9	29.9	(5.0)	-16.7%
SEMP Gas Supplies Purchased for Resale	56.5	66.0	(9.5)	-14.4%
TOTAL EXPENDITURES	110.4	122.7	(12.3)	-10.0%
TOTAL NET TRANSFERS	(1,535.8)	(1,235.8)	(300.0)	24.3%
NET CHANGE IN FUND BALANCE	2,071.5	2,649.5	(578.0)	-21.8%
BEGINNING FUND BALANCE	44,067.5	41,418.0	2,649.5	6.4%
Restatements	361.4	-	361.4	100.0%
BEGINNING FUND BALANCE, AS RESTATED	44,428.9	41,418.0	3,010.9	7.3%
ENDING FUND BALANCE	$46,500.4	$44,067.5	$ 2,432.9	5.5%

Comparative Revenue and Expenditure Highlights

- For fiscal year 2019, total revenues were $3.7 billion, a decrease of $0.3 billion from fiscal year 2018. This decrease is reflective of the performance of the markets in which the Fund was invested in fiscal year 2019.
- Total operating expenditures, net of security lending rebates and fees, decreased 10.0% from $122.7 million for the fiscal year ending August 31, 2018, to $110.4 million for the fiscal year ending August 31, 2019, primarily due to a decrease in PSF(SLB) SEMP purchased gas for resale expenditure.
- Restatements were made by the PSF(SLB) to correct the mineral valuation balance from the prior year for leases excluded in error, and by the PSF(SBOE) to reflect the accumulated incentive allocation accrual applicable to prior periods for certain investment managers.
- Overall, the fund balance increased by $2.4 billion for the fiscal year ending August 31, 2019.

Expenditures are paid from the Fund before distributions are made under the total return formula. Such expenditures include the costs incurred by the PSF(SLB) to manage the land endowment and operational costs of the PSF(SBOE), including certain external appropriated management fees. Total return takes into account the change in the fair value of the Fund during the year as well as all net income generated by PSF(SBOE) investments. Management fees for alternative investments are paid from the investment assets themselves.

INVESTMENT MANAGEMENT

PSF(SBOE) Asset Allocation and Portfolio

In June 2018, the SBOE reaffirmed the existing long term asset allocation policy, which further diversifies the PSF(SBOE) assets into alternative asset classes whose returns are not highly correlated to traditional asset classes. Management expects this allocation plan to provide incremental total return at reduced risk. Management anticipates that asset classes will be strategically added commensurate with the economic environment and the goals and objectives of the SBOE. Investments in absolute return were launched during fiscal year 2008 and real estate and private equity launched during the latter part of fiscal year 2010. Risk parity strategies and real return investments in Treasury Inflation Protected Securities (TIPS) were implemented in the later months of fiscal year 2011. Real return investments in commodities were funded in fiscal year 2013 and increased allocations were made to both real estate and private equity. The emerging market debt in local currency asset class was added in 2014. The emerging international equity asset class funding was initiated in the later months of fiscal year 2015. In 2018, an internally managed commodities portfolio was initiated.

The table below provides an overview of the management of each asset class.

Asset Class	Asset Management
Equity	Passive management
Domestic equity	Internal staff
International equity	External manager
Emerging market equity	External manager
Fixed income	
Core fixed income	Active management by internal staff
Emerging market debt	External manager
Real Return TIPS	Active management by internal staff
Absolute return	Held within single member limited liability companies, each with an external investment manager or operating partner
Risk parity	Limited liability company or limited partnership with an external manager
Real estate	Direct with general partners utilizing limited partnership agreements
Private equity	Limited partnerships externally managed, internally managed, or jointly managed
Commodities	Limited partnerships utilizing external investment managers, and internally managed

TABLE 3
Strategic Asset Allocation – PSF(SBOE)
August 31, 2019 and 2018

ASSET CLASS	2019	2018	Increase (Decrease)
EQUITY			
Domestic Small/Mid Cap	5.0%	5.0%	0.0%
Domestic Large Cap	13.0%	13.0%	0.0%
Total Domestic Equity	18.0%	18.0%	0.0%
International Developed and Emerging Large Cap	14.0%	14.0%	0.0%
Emerging International Equities	3.0%	3.0%	0.0%
Total International Equity	17.0%	17.0%	0.0%
TOTAL PUBLIC MARKET EQUITY	35.0%	35.0%	0.0%
FIXED INCOME			
Core Fixed Income	12.0%	12.0%	0.0%
Emerging Market Debt	7.0%	7.0%	0.0%
TOTAL FIXED INCOME	19.0%	19.0%	0.0%
ALTERNATIVE INVESTMENTS			
Absolute Return	10.0%	10.0%	0.0%
Real Estate	10.0%	10.0%	0.0%
Private Equity	13.0%	13.0%	0.0%
Risk Parity	7.0%	7.0%	0.0%
Real Return	6.0%	6.0%	0.0%
TOTAL ALTERNATIVE INVESTMENTS	46.0%	46.0%	0.0%
TOTAL	100.0%	100.0%	0.0%

Actual allocations within the portfolios fluctuate as the markets shift and portfolio rebalancing takes place as needed to adhere to the strategic allocation guidelines. Table 3 above indicates the strategic asset allocation of PSF(SBOE) approved by the SBOE in June 2018 and in effect as of August 31, 2019.

The market value of the PSF(SBOE) is directly impacted by the performance of the various financial markets in which the assets are invested. In addition, the PSF(SBOE) investments are exposed to various risks, such as interest rate, market, and credit risks. The most important factor affecting investment performance is the asset allocation decision made by the SBOE. Investment return is presented net of fees (NOF). The PSF(SBOE) investment in Domestic Large Cap Equity and Domestic Small/Mid Cap Equity securities experienced returns of 3.14% and -8.99%, respectively, during the fiscal year. The absolute return investments yielded a return of 2.28% and real estate and private equity investments returned 7.22% and 11.93%, respectively. The return on investment in fixed income return was 10.54% for the fiscal year. Risk parity and real return portfolios returned 10.89% and 0.71%, respectively. The emerging market debt investment returned 10.40% while the emerging market and international equities portfolios returned -4.15% and -2.93%, respectively. Combined, all asset classes produced an investment return of 4.17% for the fiscal year ended August 31, 2019, which is reflective of the market conditions in which the various asset classes operate. Actual performance exceeded the target policy NOF benchmark of 3.76% by approximately 41 basis points.

Table 4 summarizes the changes in the composition of the PSF(SBOE) investment portfolio, including cash, receivables and payables during the fiscal year, but does not include real assets or cash under the management of the PSF(SLB). The total fair value of the PSF(SBOE) investments increased by $0.2 billion (0.7%) from the previous fiscal year. Unallocated Cash is on hand at fiscal year-end to cover both ASF payments and capital calls. At August 31, 2019, PSF(SBOE) unfunded commitments to real estate investments totaled $1.9 billion and unfunded commitments to the four private equity limited partnerships and direct investments in limited partnerships totaled $2.3 billion.

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TABLE 4
Comparative Investment Schedule – PSF(SBOE) (in Millions)
August 31, 2019 and 2018

ASSET CLASS	August 31, 2019	August 31, 2018	Amount of Increase (Decrease)	Percent Change
EQUITY				
Domestic Small Cap	$ 1,645.8	$ 1,764.6	$ (118.8)	-6.7%
Domestic Large Cap	4,643.7	5,840.3	(1,196.6)	-20.5%
Total Domestic Equity	6,289.5	7,604.9	(1,315.4)	-17.3%
International Equity	5,676.3	6,179.6	(503.3)	-8.1%
TOTAL EQUITY	11,965.8	13,784.5	(1,818.7)	-13.2%
FIXED INCOME				
Domestic Fixed Income	4,575.2	4,505.0	70.2	1.6%
Emerging Market Debt	2,410.4	2,111.3	299.1	14.2%
TOTAL FIXED INCOME	6,985.6	6,616.3	369.3	5.6%
ALTERNATIVE INVESTMENTS				
Absolute Return	3,622.6	3,521.8	100.8	2.9%
Real Estate	2,983.5	2,541.3	442.2	17.4%
Private Equity	3,872.8	3,115.3	757.5	24.3%
Risk Parity	2,557.6	2,306.5	251.1	10.9%
Real Return	2,109.3	2,024.1	85.2	4.2%
TOTAL ALTERNATIVE INVESTMENTS	15,145.8	13,509.0	1,636.8	12.1%
UNALLOCATED CASH	163.3	102.4	60.9	59.5%
TOTAL PSF(SBOE) INVESTMENTS	$34,260.5	$34,012.2	$ 248.3	0.7%

PSF(SLB) Portfolio

The table below provides an overview of the real assets investment portfolio managed by the PSF(SLB).

Category	Description
Discretionary real assets investments	Externally managed real estate, infrastructure, and energy/minerals investment funds, separate accounts, and co-investment vehicles; internally managed direct real estate investments, and cash associated with RESFA.
Sovereign and other lands	Lands set aside for the Fund when it was created, and other various lands not considered discretionary real asset investments.
Mineral interests	Minerals associated with Fund lands.

PSF(SLB) Discretionary Real Assets Investments – External

Approximately $1.02 billion of capital commitments to externally managed real assets investment funds, separate accounts, and co-investment vehicles were funded during fiscal year 2019. At August 31, 2019, the fair value of the externally managed investments was approximately $3.9 billion, and PSF(SLB) unfunded commitments to real investments totaled approximately $2.5 billion.

PSF(SLB) Discretionary Real Estate Investments – Internal

At August 31, 2019, there were 15 internally managed discretionary real estate investments with a fair value of approximately $247.3 million.

PSF(SLB) Sovereign and Other Lands

At August 31, 2019, the sovereign lands portfolio, approximately 407,784 acres of primarily land-locked tracts in West Texas, had a fair value of approximately $242.3 million. In addition to the sovereign lands portfolio, the PSF(SLB) also manages approximately 254,912 acres of other lands with a fair value of approximately $280.1 million.

PSF(SLB) Mineral Interests

The PSF(SLB) also manages approximately 13 million acres of various submerged, free royalty, mineral-reserved lands, and mineral interest with a risk-adjusted fair value of approximately $3.2 billion.

TABLE 5
Comparative Investment Schedule – PSF(SLB)
August 31, 2019 and 2018
(in Millions)

Asset Class	As of August 31, 2019	As of August 31, 2018	Amount of Increase (Decrease)	Percent Change
Discretionary Real Assets				
Investments Externally Managed				
Real Assets Investment Funds*				
Energy/Minerals	$ 1,667.6	$ 1,410.9	$ 256.7	18.2%
Infrastructure	1,226.3	589.5	636.8	108.0%
Real Estate	1,033.6	1,126.2	(92.6)	-8.2%
Internally Managed Direct Real Estate Investments	247.3	273.4	(26.1)	-9.5%
Total Discretionary Real Assets Investments	4,174.8	3,400.0	774.8	22.8%
Domestic Equity Received as In-Kind Distribution	1.3	4.2	(2.9)	-69.0%
Sovereign and Other Lands	372.3	387.7	(15.4)	-4.0%
Mineral Interests	3,198.2	2,022.8	1,175.4	58.1%
Cash at State Treasury**	4,457.3	4,247.3	210.0	4.9%
Total PSF(SLB) Investments	$12,203.9	$ 10,062.0	$2,141.9	21.3%

*The fair values of externally managed real assets investment funds, separate accounts, and co-investment vehicles are estimated by management using the most recent valuations available, adjusted for subsequent contributions and withdrawals.

**Cash at State Treasury represents amounts that have been deposited in the State Treasury and temporarily invested in short-term investments until called for investment by the external real assets investment funds, separate accounts, and co-investment vehicles to which PSF(SLB) has made capital commitments. Prior to September 1, 2019, PSF(SLB) was required by statute to deposit cash designated by the SLB for investment in real assets in the State Treasury until it is drawn for investment.

OTHER PROGRAMS

Support Provided to the Public School System

The Fund supports the State's public school system in two major ways: Distributions to the Available School Fund (ASF) and the guarantee of school district and charter district issued bonds through the Fund's Bond Guarantee Program.

ASF Distribution

The Fund annually distributes a predetermined percentage of its asset value to the ASF. For fiscal year 2019, the PSF(SBOE) distribution to the ASF totaled $1.2 billion. The SBOE adopted new administrative rules in September 2009 based on Attorney General Opinion GA-0707 issued on April 13, 2009. These rules state the SBOE will determine each year whether a distribution to the ASF is permitted under the Texas Constitution, Article VII, §5(a)(2), and shall be made for the current fiscal year.

During fiscal year 2019, the PSF(SLB) also distributed $300 million directly to the ASF.

Bond Guarantee Program

Through the Bond Guarantee Program (BGP), the Fund is pledged to guarantee bonds issued by Texas school districts thus enhancing their credit rating. During fiscal year 2014, the SBOE authorized the BGP to guarantee qualified charter district bonds. Since the Program's inception in 1983, the Fund has guaranteed 7,389 school district and 54 charter district bond issues for a total of $184.3 billion and $1.9 billion, respectively. During the past fiscal year, the number of all outstanding issues increased by 53. The dollar amount of all issues outstanding increased by approximately $5.3 billion (6.7%). This program is designed for school districts and charter districts with credit ratings lower than AAA. Bonds issued by participants and guaranteed under the BGP are rated AAA, thus allowing participants to borrow at a lower cost.

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TABLE 6
Comparative Summary of the Bond Guarantee Program
(in Millions except for Number of Issues)

	Fiscal Year Ending August 31, 2019	Fiscal Year Ending August 31, 2018	Amount of Increase (Decrease)	Percent Change
Number of Issues	3,346	3,293	53	1.6%
Issues Guaranteed During the Fiscal Year	$ 9,799.1	$ 10,110.0	$ (310.9)	-3.1%
Issues Refunded or Matured During the Fiscal Year	$ 4,482.1	$ 5,295.2	$ (813.1)	-15.4%
Year End Balance	$ 84,397.9	$ 79,080.9	$ 5,317.0	6.7%
Total Guarantee Capacity (Net of Reserves)	$111,289.4	$111,347.6	$ (58.2)	-0.1%

The capacity of the overall Fund to guarantee bonds under the BGP is limited in two ways: by State law (the "State Capacity Limit") and by the Internal Revenue Service (IRS) Notice 2010-5 (Notice) received by the Texas Education Agency (TEA) on December 16, 2009, codified by Internal Revenue Code 1.148-11 on July 18, 2016. The State Capacity Limit is currently 3.50 times the latest cost value of the Fund. Texas Education Code Section 45.053(d) provides that the SBOE may, by rule, increase the capacity of the Guarantee Program to an amount not to exceed five times the cost value of the Fund, provided that the increased limit does not violate federal laws or regulations and does not prevent bonds guaranteed by the BGP from receiving the highest available credit rating, subject to other constraints. Internal Revenue Code 1.148(d)(1)(F) changed the Internal Revenue Service Limit to a sum certain amount calculated on the date of the Notice, which totals $117,318,653,038. Additionally, state law allows for and the SBOE has elected to reserve 5% of capacity as determined above from use in guaranteeing bonds. This reserve is held for purposes detailed in the Texas Administrative Code Title 19 Part 2 Chapter 33 Subchapter A Rule 33.65.

Charter district capacity is further defined as the lower of the State Capacity Limit or the Internal Revenue Service Limit, less the 5% reserve, as described above, multiplied by the ratio of students enrolled in charter schools to total students enrolled in all Texas public schools, as authorized by a five year statutory phase-in. This student ratio is to be determined annually by the Commissioner.

TEXAS PERMANENT SCHOOL FUND
BALANCE SHEET
AUGUST 31, 2019

Assets	
Cash and Cash Equivalents	
Cash in Bank	$ 8,521,863
Cash in State Treasury	4,542,748,856
Cash Equivalents	185,367,554
Securities Lending Cash Collateral Invested	1,733,292,822
Receivables	
Interest and Dividends Receivable	82,495,497
Investments Sold	21,343,988
Land Endowment Revenue	222,636,590
Land Sale Notes	90,484
Due from Broker for Margin Collateral	1,762,768
Due From Other Funds	1,130,917
Prepaid Items	414
Investments and Related Assets	
Investments, at fair value	30,935,081,796
Investments in other Real Assets, at fair value	10,733,915,057
Total Assets	$ 48,468,388,606
Liabilities, Deferred Inflow Of Resources And Fund Balances	
Liabilities:	
Accounts Payable	$ 9,185,544
Payroll Payable	2,368,663
Payable for Investments Purchased	39,299,552
Unearned Revenue	147,229,504
Due To Other Funds	949,987
Payable for Securities Lending Cash Collateral Invested	1,754,111,742
Total Liabilities	$ 1,953,144,992
Deferred Inflow Of Resources	
Interest and Dividends	$ 14,859,524
Total Deferred Inflow Of Resources	$ 14,859,524
Fund Financial Statement-Fund Balances	
Nonspendable	$ 45,295,578,848
Restricted for Public School Support	1,204,805,242
Total Fund Balance	$ 46,500,384,090
Total Liabilities, Deferred Inflow of Resources And Fund Balance	$ 48,468,388,606

The accompanying notes are an integral part of these financial statements.

TEXAS PERMANENT SCHOOL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEAR ENDED AUGUST 31, 2019

Revenues		
Interest, Dividends and Other Investment Income	$	1,057,217,903
Settlement of Claims		277,275
Securities Lending		49,219,699
Gain on Sale of Sovereign Land		1,385,536
Net Increase/(Decrease) in Fair Value of Investments		1,525,823,103
Land Endowment Income		1,068,633,339
Revenue from Sales of Purchased Gas		57,252,937
Other		1,874,519
Total Revenues	$	3,761,684,311
Expenditures		
Salaries and Wages	$	25,525,556
Payroll Related Costs		6,621,187
Professional Fees and Services		10,484,150
Travel		355,877
Materials and Supplies		1,705,605
Communication and Utilities		4,381,953
Gas Supplies Purchased for Resale		56,484,279
Repairs and Maintenance		287,888
Rentals and Leases		1,258,739
Printing and Reproduction		19,509
Public Assistance Payments		3,566
Securities Lending Rebates and Fees		43,972,286
Other Expenditures		2,644,652
Capital Outlay		608,404
Total Expenditures	$	154,353,651
Excess of Revenues Over Expenditures	$	3,607,330,660
Other Financing Sources/(Uses)		
Transfers Out to Other Funds		(1,535,835,058)
Insurance Recoveries		5,924
Total Other Financing Sources/(Uses)	$	(1,535,829,134)
Net Change in Fund Balance	$	2,071,501,526
Fund Financial Statement-Fund Balance		
Fund Balance-September 1, 2018	$	44,067,479,662
Restatements		361,402,902
Fund Balance-September 1, 2018, as restated	$	44,428,882,564
Fund Balance-August 31, 2019	$	46,500,384,090

The accompanying notes are an integral part of these financial statements.

TEXAS PERMANENT SCHOOL FUND
NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Reporting Entity

The Texas Permanent School Fund (the Fund) was created with a $2,000,000 appropriation by the Legislature of 1854 expressly for the benefit of funding public education for present and future generations. The Constitution of 1876 stipulated that certain lands and all proceeds from the sale of these lands should also constitute the Fund. Additional Acts later gave more public domain land and rights to the Fund. In 1953, the U.S. Congress passed the Submerged Lands Acts that relinquished to coastal States all rights of the U.S. navigable waters within State boundaries. If the State, by law, had set a boundary larger than three miles prior to or at the time of admission to the U.S., or if the boundary had been approved by Congress, then the larger boundary applied. Concluding three years of litigation, the U. S. Supreme Court on May 31, 1960, affirmed Texas' historic three league (10.35 miles) seaward boundary. Texas proved its submerged lands property rights to three leagues into the Gulf of Mexico by citing historic laws and treaties dating back to 1836. All lands lying within that limit belong to the Fund. The Fund currently owns approximately 13 million total acres.

The State of Texas (State) Constitution describes the Fund as "permanent" with proceeds produced by the Fund to be used to complement taxes in financing public education. Under an obligation to maintain trust principal, the Fund's assets are held in a trustee capacity for the benefit of public free schools. The annual distribution provided by the Fund is calculated using a total return methodology and in accordance with the Texas Constitution.

The Fund's financial assets are managed by the State Board of Education (SBOE). The SBOE is comprised of fifteen elected members. Administrative duties related to these assets reside with the Fund's Investment Office, a division of the Texas Education Agency (TEA), which is under the guidance of the Commissioner of Education, an appointee of the Governor. Investment Office operations are included in the TEA's financial report for inclusion in the State's Comprehensive Annual Financial Report (CAFR). The Fund's financial statements are reported as a governmental permanent fund in the State's CAFR. The portion of the Fund directed by the SBOE shall be referred to within these notes as the PSF(SBOE) assets.

Texas law assigns control of the Fund's land, mineral rights, and certain real assets investments to the three-member School Land Board (SLB), which includes the elected Commissioner of the General Land Office (GLO), an appointee of the Governor, and an appointee of the Attorney General. Administrative duties related to the land and mineral rights reside with the GLO, which is under the guidance of the Commissioner of the GLO. SLB land and real assets investment operations are included in the GLO's annual financial report for inclusion in the State's CAFR. The portion of the Fund managed by the SLB shall be referred to within these notes as the PSF(SLB) assets.

The 79th Legislature authorized the SLB to manage and operate the State Energy Marketing Program (SEMP) with land sale, lease, and royalty receipts of the Fund. This legislation allowed for certain portions of SEMP accounting to be consolidated into the Fund from a special revenue fund.

B. Basis of Presentation and Basis of Accounting

The accompanying financial statements of the Fund were prepared to conform to U.S. Generally Accepted Accounting Principles (GAAP) as established by the Governmental Accounting Standards Board (GASB).

The Fund is classified as a governmental permanent fund. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. The Management's Discussion and Analysis is required as supplementary information preceding the financial statements.

Measurement focus refers to the definition of the resource flows measured and has to do with the types of transactions or events reported in the statement of revenues, expenditures, and changes in fund balance. Basis of accounting refers to the timing of the recognition of transactions or events. Under the modified accrual basis of accounting, amounts are recognized as revenues in the period in which they are available to finance expenditures of the current period and are measurable. The Fund considers revenues available if they are collected within 60 days of the end of the current period. Accruals whose receipt is due after the 60 day period are classified as deferred inflows of resources. Amounts are considered measurable if they can be estimated or otherwise determined. Expenditures are recognized in the period in which the related fund liability is incurred, if measurable.

Preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of income and expenditures during the reporting period. Externally managed emerging market debt and emerging market equity, as well as alternative investments, including absolute return fund of funds, risk parity strategies, commodities (real return investments), private equity and real estate, are valued by the PSF(SBOE) at fair values as determined by management. The real assets investments are valued by the PSF(SLB) at net asset value (NAV) per share.

The GLO and TEA organizations each adopt an agency-wide budget for legislative approval. Each of these agencies' budgets encompasses operations of the Fund overseen by their respective Boards. However, there is no legally adopted budget specifically for the Fund as a whole. These agency budgets are prepared biennially and represent appropriations authorized by the Legislature and approved by the Governor of Texas (the General Appropriations Act).

C. Assets, Income, Expenditures, and Transfers

Cash and Cash Equivalents

Cash and cash equivalents consist of money market instruments, cash held at the State Treasury, cash held in a FDIC insured bank account, foreign currencies and other overnight funds. The PSF(SBOE) cash in bank balance represents the U.S. dollar equivalent of amounts held in foreign currencies for which trade settlement is pending and dividend payment is awaiting repatriation. The Fund's deposits with the State Treasury are available upon demand and are therefore presented as cash. Cash equivalents on the balance sheet represent cash balances that are invested in the money market fund managed by the PSF(SBOE) custodian, The Bank of New York Mellon Corporation (Custodian). Cash held in the money market fund is primarily utilized to settle investment obligations. Cash and cash equivalents are an integral part of investment management of the Fund. PSF(SLB) cash and cash equivalents include cash on hand, cash in local banks, and cash and cash equivalents in the State Treasury.

Receivables

The PSF(SBOE) reports receivables based on revenues earned but not collected during the fiscal year.

The PSF(SLB) reports receivables based on revenues earned but not collected during the fiscal year. The voluntary oil and gas royalty receivables are calculated from production reports or remittance advices; the payments and reporting of these royalties are not legally due until the second month after production occurs. The receivables for voluntary oil and gas royalties are established based on the information received in the remittance advices from fiscal year end through October 2019 for the production months August 2019 and earlier.

PSF(SBOE) Investments

Investment transactions are recorded on a trade date basis. Investments are reported at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and GASB Statement No. 72, *Fair Value Measurement and Application* (GASB 72), as applicable. PSF(SBOE) investments, such as equities and fixed income securities with readily determinable fair values, are valued on the basis of market valuations provided by the Custodian. Short-term securities, which have maturities less than one year at the time of purchase, are valued at amortized cost, which approximates fair value.

Fair values of PSF(SBOE) absolute return fund of funds are based on the net asset value (NAV) provided to management by the investment advisors of the funds.

Fair values of PSF(SBOE) risk parity strategies are based on the NAV provided to management by the general partner or the investment advisor, as applicable for each investment structure.

Fair values of PSF(SBOE) real estate investments are estimated by management using the latest valuation provided by the general partners, adjusted for contributions and withdrawals subsequent to the latest available valuation reporting date.

Fair values of PSF(SBOE) private equity investment funds are estimated by management using the investment's capital account balance at the latest available reporting date, as communicated by the investment manager or general partner, adjusted for contributions and withdrawals subsequent to the latest available reporting date.

Fair values of PSF(SBOE) externally managed commodity investment funds, which are a component of the real return portfolio, are based on the NAV provided to management by the general partners of the funds.

Fair values of PSF(SBOE) emerging market debt investments are based on the NAV provided to management by the investment advisor for each investment structure.

Fair values of PSF(SBOE) emerging market equity investments are based on the NAV provided to management by the investment advisor for the investment structure.

Fair values of the externally managed PSF(SLB) real assets investments portfolio are estimated by management using the latest valuations provided by the investment managers, adjusted for contributions and withdrawals subsequent to the latest available valuation reporting date.

PSF(SBOE) investments are registered in the name of the Fund or are registered in the nominee name of the Custodian of the Fund, and are held in the name of the Fund by the Custodian. Certain physical securities are held in the name of the Fund. The absolute return investments are held within single member limited liability companies, each with an external manager. The Fund's ownership interests in the risk parity strategies are through a limited liability company and a limited partnership, each with an external investment manager. Externally managed commodities are managed in limited partnerships, each with an investment manager. Private equity investments are managed in limited partnerships, each with an external investment manager. Real estate investments are executed direct with general partners utilizing limited partnership agreements. Emerging market debt investments are executed by investment advisors under investment management agreements. Emerging market equity investments are held in fund-of-one structures with executed investment management agreements with managers.

PSF(SLB) Land Endowment and Other Real Property Investments

The land endowment is maintained on the Fund's behalf by the SLB, administered by the GLO and is generally held to produce income. Public domain appropriated to the Fund, including surface acres, submerged and offshore lands, and mineral rights, is reported at fair value. In accordance with GASB 72, real estate and minerals held as investments are reported at fair value.

The fair valuation process of PSF(SLB)'s land surface value is based on using a combination of level 2 and level 3 inputs. These inputs consist of market data from a variety of sources and surveys tempered with known transactions in the subject's competing marketplace. Values are based on estimated appraised values or are independently determined by the staff in Appraisal Services using a combination of actual sales and data from studies conducted by the Texas Chapter of the American Society of Farm Managers and Rural Appraisers, Multiple Listing Services throughout the state and CoStar commercial sales data in certain metropolitan areas. Since the majority of PSF(SLB) lands are vacant, the market approach to value is utilized and applied to the aggregate of properties located in a specific land class and region throughout the state. Except for cases where the asset has income production over and above the amount to offset holding costs, both the market and income approaches to value are utilized.

Because of the inherent uncertainty of valuations, the value of alternative investments estimated by management may differ significantly from the value that would have been used had a liquid market for these investments existed and such differences can be material to the financial statements. Actual results can differ from the estimates.

The 77th Legislature amended the Natural Resources Code (NRC) effective September 1, 2001, to allow the GLO to deposit some or all the proceeds of future mineral leases and royalties generated from existing and future active leases of the Fund's mineral interest into a special account, now called the Real Estate Special Fund Account (RESFA), to be used to acquire additional real assets investments. The 79th Legislature further amended the NRC in 2005 to clarify the purposes on which the funds can be used, including adding three additional purposes. For the use and benefit of the Fund, the proceeds in the RESFA are to be used by the SLB to add to a tract of public school land, add contiguous land to public school land, acquire, as public school land, interests in real property for biological, commercial, geological, cultural, or recreational purposes; to acquire mineral and royalty interests; to protect, maintain, or enhance the value of public school lands; to acquire interests in real estate; and to pay reasonable fees for professional services related to Fund investments.

The 80th Legislature passed HB 3699 which further expanded the SLB's authority to use revenues generated by lands dedicated to the Fund for deposit into the RESFA to acquire, sell, lease, trade, improve, maintain, protect, or use land, mineral and royalty interests or interest in public infrastructure, or other interests. The RESFA is to be used to make prudent investments in real assets on behalf of the Fund.

Income, Expenditures, and Transfers

Investment income/loss derived from the PSF(SBOE) investment assets consists of the net increase/(decrease) in the fair value of the investments and securities lending cash collateral, securities lending revenue, and interest and dividends. All major revenue sources mentioned in the paragraphs below are susceptible to accrual.

Land endowment income, derived from the real assets administered by the GLO, consists principally of mineral royalties, bonus and delay rental payments, commercial lease payments, operating lease payments, and investment gain/loss. Investment income/loss derived from the PSF(SLB) investment assets consists of the net increase/(decrease) in the fair value of real assets investments, income, and dividends.

Royalty income is recognized upon oil and gas production and the various types of lease income are recognized during the applicable lease period. SEMP revenues are generated from the sale of natural gas supplies and enhancements from the sale of generated electricity to school districts and other governmental entities.

Operating and investment management expenditures, less securities lending rebates and fees incurred by PSF(SBOE) and PSF(SLB) are as follows:

PSF(SBOE) appropriated expenditures to administer fund assets totaled $28,961,722, which includes $540,000 paid directly to an external international equity investment manager. PSF(SBOE) appropriated expenditures do not include investment fees incurred and charged by general partners or investment managers in externally managed investment portfolios. Fees for these portfolios are netted against returns for the investments and are reported as part of the net asset value on the balance sheet.

Under the direction of the GLO, $24,935,363 was spent to manage the PSF(SLB) assets. Additionally, SEMP expenditures of $56,484,279, also under the direction of the GLO, include the purchase of gas supplies in the open market and are reflected in the total expenditures for 2019. See Note 5 for details on SEMP.

A referendum was held in the State on November 8, 2011 and voters of the State approved non-substantive changes to the Texas Constitution to clarify references to the Fund, and approved an amendment which included an increase to the base used to calculate the Fund's distribution rate by adding to the calculation base certain discretionary real assets and cash in the Fund that is managed by entities other than the SBOE (i.e., the SLB).

Article VII, Section 5 of the Texas Constitution stipulates two constraints that affect the amount to be distributed to the Available School Fund (ASF). First, the SBOE is prevented from approving a distribution rate or making transfers to the ASF that exceed 6% of the average of the market value of the Fund, excluding real property, on the last day of each of the sixteen State fiscal quarters preceding the Regular Session of the Legislature that begins before that State fiscal biennium. Second, the total distributions to the ASF over the 10-year period as defined in subsection 5(a)(2) may not exceed the total return on all investment assets of the PSF(SBOE) over the same 10-year period.

The constitutional amendments approved also provided authority to the SLB or other non-SBOE entity exercising responsibility for the management of land or other properties of the Fund to determine at its sole discretion whether to transfer annually up to $300 million from PSF(SLB) assets resulting from current year revenue derived from such land or properties to the ASF.

The SBOE set the rate for the 2018-2019 biennium at 3.7% based on a commitment of the SLB to transfer $490 million to the PSF(SBOE) during the biennium. The SLB transferred $255 million to the PSF(SBOE) during the year ended August 31, 2019. Interfund transfers from the PSF(SBOE) to the ASF totaled $1.2 billion during the fiscal year and transfers from the PSF(SLB) to the ASF totaled $300 million.

D. Fund Balance Classification
GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54) requires that governmental fund balances be classified in the financial statements as nonspendable, restricted, committed, assigned and unassigned. In accordance with GASB 54, fund balance is classified as nonspendable and restricted based on provisions in the Texas Constitution which limit the use of the Fund to the support of public free schools.

The Texas Constitution, Article 7 describes the fund as "permanent," specifically describes how the Fund may be spent, and also explicitly restricts the legislature from appropriating any part of the Fund to any other purpose. The Texas Constitution allows the Fund to be spent on 1) transfers to the Available School Fund in accordance with Constitutional requirements, 2) expenses of managing the PSF land and investments as appropriated by the Legislature, and 3) guaranteed bond payments in the event of default. Accordingly, that portion of the fund balance is classified as restricted based on Constitutional provisions that limit the use of the Fund to these purposes. The remainder of the fund balance is classified as nonspendable, in alignment with the Fund's permanent nature as described in the Constitution.

2. DEPOSITS AND INVESTMENTS

Deposits and investments of the Fund are exposed to risks that have the potential to result in losses. GASB Statement No. 40, *Deposit and Investment Risk Disclosures-An Amendment to GASB Statement No. 3* establishes and modifies disclosure requirements related to deposit and investment risks. Deposit risks include custodial credit and foreign currency risk. Investment risks include credit risk (custodial credit risk and concentrations of credit risk), interest rate risk, and foreign currency risk. This statement applies to all state and local governments.

A. Investment Policies
The Texas Constitution and applicable statutes delegate to the SBOE the authority and responsibility for investment of the Fund's assets excluding investment of the land endowment, which is the responsibility of the SLB. In making these investments, the SBOE is charged with exercising the judgment and care under the circumstances then prevailing which persons of ordinary prudence, discretion, and intelligence exercise in the management of their own affairs not in regard to speculation, but in regard to the permanent disposition of their funds, considering the probable income there from as well as the probable safety of their capital. The Fund is authorized to purchase, sell, and invest its funds and funds under its control in accordance with the Texas Administrative Code. The deposit policy of the Fund states that all residual cash must be invested on a daily basis. Permissible investments subject to Constitutional and SBOE imposed restrictions include the following:

- Equities listed on well recognized principal U.S. or foreign exchanges, including common or preferred stocks; equity futures; corporate bonds, debentures, and convertible preferred corporate stocks that may be converted into equities; and investment trusts.
- Fixed income securities, including U.S. or foreign treasury or government agency obligations, U.S. or foreign corporate bonds, asset or mortgage backed securities, taxable municipal obligations, Canadian bonds, Yankee bonds, supranational bonds denominated in U.S. dollars, 144A securities, and interest rate futures. Fixed income securities, upon purchase, must be rated at least BBB by Standard and Poor's (S&P), Baa3 by Moody's Investors Service (Moody's) and BBB by Fitch. Fixed income securities may not be purchased unless there is a stated par value amount due at maturity.
- Real estate, including investments in real properties, such as apartments, office buildings, retail centers, infrastructure, timberlands and industrial parks. It also includes investments in real estate related securities and real estate related debt.
- Private equity, including venture capital, buy-out investing, mezzanine financing, distressed debt and special situation strategies.
- Absolute return investments which are a diversified bundle of primarily marketable

investment strategies that seek positive returns, regardless of market direction.

- Real return investments which target a return that exceeds the rate of inflation, measured by the Consumer Price Index (CPI).
- Commodities, including investments in exchange traded futures, and U.S. Government and U.S. Government agency securities as collateral. Short-term securities held as collateral must be rated at least A-1 by S&P or P-1 by Moody's. Long-term securities held as collateral must be rated at least A- by S&P or A3 by Moody's.
- Short-term U.S. Government or U.S. Government agency securities, money market funds, corporate discounted instruments, corporate-issued commercial paper, U.S. or foreign bank time deposits, bankers acceptances, and fully collateralized repurchase agreements. Short term money market instruments must be rated at least A-1 by S&P or P-1 by Moody's.
- Risk parity strategies.
- Any new form of investment or non-publicly traded investment approved by the SBOE based on risk and return characteristics consistent with Fund's goals and objectives, and
- Currency hedging strategies, as approved by the SBOE, for the international portfolio.

The Texas Constitution also establishes the authority of the GLO which is responsible for managing most state-owned lands and minerals and is responsible for protecting the economic future of the Texas Gulf Coast by preserving all vital assets and natural resources from erosion. The GLO administers the land endowment and real assets investments under the direction of the SLB. Before using funds for prescribed purposes, the SLB must determine, using the prudent investor standard, which is the best use of the funds for the intended purpose of the Fund. The PSF(SLB) real assets investments are diversified across the real estate, infrastructure, and energy/minerals sectors.

B. Investment Value Measurement (PSF(SBOE) Only)

Security transactions are recorded on a trade date basis. Public market investments, except those held within the alternative investments, are registered in the nominee name of The Bank of New York Mellon, the Custodian of the Permanent School Fund, at the Depository Trust Company. At the Custodian, the securities are held in the name of the Permanent School Fund. Certain physical securities are held in the name of the Fund. Alternative investments are held within LLCs (limited liability companies) or LPs (limited partnerships) in the name of the Texas Education Agency.

Investments other than PSF(SLB) managed land endowment and other real property at fair value as of August 31, 2019, are as follows:

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PSF(SBOE) Investments	Fair Value
Domestic Equity	$ 6,268,975,408
International Equity - Foreign Currency Denominated	4,487,572,161
International Equity - USD Denominated (ADR/GDR)	258,572,666
International Equity - Emerging Markets	888,381,242
Cash Equivalents - Short-term Investment Facility	185,367,554
Asset Backed Securities	3,167,061
Collateralized Loan Obligations	308,317,836
Commercial Mortgage Backed Securities	73,802,439
Corporate Obligations	1,225,902,376
Non-Agency Mortgage Backed Securities	92,293,256
Non-U.S. Government Agency Obligations	75,387,590
Non-U.S. Government Sovereign Debt Obligations	70,529,822
U.S. Government Agency Commercial Mortgage Backed Securities	67,746,778
U.S. Government Agency Mortgage Backed Securities	696,838,297
U.S. Government Agency Obligations	92,717,170
U.S. Taxable Municipal Bonds	67,759,061
U.S. Treasury Securities	1,696,036,015
U.S. Treasury TIPS	56,002,148
Emerging Market Debt	2,411,233,451
Real Estate Investments	2,987,198,599
Risk Parity Strategies	2,557,584,765
Real Return - Externally Managed Commodities	950,416,822
Real Return - TIPS	1,080,481,912
Absolute Return Investments	3,622,636,890
Private Equity Investments	3,882,726,630
Total Investments Other Than PSF(SLB) Managed Land Endowment and Real Property	$34,107,647,949

The Fund's PSF(SBOE) managed assets recorded at fair value have been categorized based upon a fair value hierarchy in accordance with GASB 72.

GASB 72 defines "fair value" as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. Where available, fair value is based on observable market prices or parameters or derived from such prices or parameters. The availability of valuation techniques and observable inputs can vary from security to security and is affected by a wide variety of factors including the type of security, whether the security is new and not yet established in the marketplace, and other characteristics particular to the transaction.

GASB 72 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs). The three levels of the fair value hierarchy under GASB 72 are described below:

- Level 1 inputs – Unadjusted, quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities. An active market is defined as a market where transactions for the financial instrument occur with sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2 inputs – Inputs, other than quoted prices in active markets that are either directly or indirectly observable for the asset or liability through correlation with market data at the measurement date and for the duration of the instrument's anticipated life.
- Level 3 Inputs – Prices or valuations that require inputs that are both significant to the fair measurement and unobservable. Valuation under Level 3 generally involves a significant degree of judgment from management. Due to the inherent uncertainty of these estimates, these values may differ materially from the values that would have been used had a ready market for the investments existed.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. Management's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and consideration of factors specific to the investment.

In accordance with GASB 72, valuation techniques used for assets and liabilities accounted for at fair value are generally categorized into three types:

- Market approach valuation techniques use prices and other relevant information from market transactions involving identical or comparable assets or liabilities. Valuation techniques consistent with the market approach include comparables and matrix pricing. Comparables use market multiples, which might lie in ranges with a different multiple for each comparable. The selection of where within the range the appropriate multiple falls requires judgment, considering both quantitative and qualitative factors specific to the measurement. Matrix pricing is a mathematical technique used principally to value certain securities without relying exclusively on quoted prices for the specific securities, but comparing the securities to benchmark or comparable securities.

- Income approach valuation techniques convert future amounts, such as cash flows or earnings, to a single present amount, or a discounted amount. These techniques rely on current market expectations of future amounts. Examples of income approach valuation techniques include present value techniques; option-pricing models, binomial or lattice models that incorporate present value techniques; and the multi-period excess earnings method.
- Cost approach valuation techniques are based upon the amount that, at present, would be required to replace the service capacity of an asset, or the current replacement cost. That is, from the perspective of a market participant (seller), the price that would be received for the asset is determined based on the cost to market participant (buyer) to acquire or construct a substitute asset of comparable utility.

The three approaches described above are consistent with generally accepted valuation methodologies. While all three approaches are not applicable to all assets or liabilities accounted for at fair value, where appropriate and possible, one or more valuation techniques may be used. The selection of the valuation method to apply considers the definition of an exit price and the nature of the asset being valued, and significant expertise and judgment is required. For assets accounted for at fair value, the valuation selected is generally the market or income approach.

For the year ended August 31, 2019, the application of valuation techniques applied to similar assets and liabilities has been consistent.

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The following table presents information about the PSF(SBOE) assets measured at fair value as of August 31, 2019.

	Level 1	Level 2	Level 3	Total
Domestic Equity Portfolios				
Advertising, Media, & Publishing	$ 139,185,398	$ -	$ -	$ 139,185,398
Aerospace & Defense	138,616,393	-	-	138,616,393
Agriculture & Environment	67,895,242	-	-	67,895,242
Banking & Finance	657,542,605	-	-	657,542,605
Biotechnology & Chemistry	246,647,092	-	-	246,647,092
Business Services	173,231,699	-	-	173,231,699
Capital Goods & Vehicles	2,377,756	-	-	2,377,756
Construction & Machinery	191,162,144	-	-	191,162,144
Consumer Goods	566,996,316	-	-	566,996,316
Energy & Utilities	514,201,672	-	-	514,201,672
Food & Beverage	197,941,146	-	-	197,941,146
Health & Pharmaceutical	667,374,282	-	-	667,374,282
Industrial Commodities	42,369,306	-	-	42,369,306
Industrial Manufacturing	144,234,194	-	-	144,234,194
Information Technology & Electronics	1,490,539,022	-	-	1,490,539,022
Insurance	269,787,437	-	-	269,787,437
Investment Management	347,427,417	-	-	347,427,417
Packaging	20,645,554	-	-	20,645,554
Real Estate	9,108,581	-	-	9,108,581
Telecommunications	177,218,114	-	-	177,218,114
Travel & Entertainment	204,474,038	-	-	204,474,038
Subtotal - Domestic Equity	6,268,975,408	-	-	6,268,975,408

International Equity Portfolio	Level 1	Level 2	Level 3	Total
Advertising, Media, & Publishing	$ 51,695,811	$ -	$ -	$ 51,695,811
Aerospace & Defense	54,986,106	-	-	54,986,106
Agriculture & Environment	16,039,957	-	-	16,039,957
Banking & Finance	704,560,388	-	-	704,560,388
Biotechnology & Chemistry	147,687,961	-	-	147,687,961
Capital Goods & Vehicles	9,965,753	-	-	9,965,753
Commercial Services	90,918,460	-	-	90,918,460
Communications	208,278,483	-	-	208,278,483
Construction & Machinery	268,931,593	-	-	268,931,593
Consumer Goods	399,601,558	-	-	399,601,558
Energy & Utilities	557,612,665	-	-	557,612,665
Food & Beverage	356,694,212	-	-	356,694,212
Health & Pharmaceutical	383,216,992	-	-	383,216,992
Industrial Commodities	98,201,417	-	-	98,201,417
Industrial Manufacturing	201,519,730	-	-	201,519,730
Information Technology & Electronics	553,117,703	-	-	553,117,703
Insurance	246,422,954	-	-	246,422,954
Investment Management	137,679,714	-	-	137,679,714
Packaging	1,586,797	-	-	1,586,797
Real Estate	102,596,120	-	-	102,596,120
Travel & Entertainment	154,830,453	-	-	154,830,453
Subtotal - International Equity	4,746,144,827	-	-	4,746,144,827

	Level 1	Level 2	Level 3	Total
Fixed Income Portfolio				
Asset Backed Securities	$ -	$ 3,167,061	$ -	$ 3,167,061
Collateralized Loan Obligations	-	308,317,836	-	308,317,836
Commercial Mortgage Backed Securities	-	73,802,439	-	73,802,439
U.S. Government Agency Commercial Mortgage Backed Securities	-	67,746,777	-	67,746,777
Corporate Obligations	-	1,225,902,376	-	1,225,902,376
Non-Agency Mortgage Backed Securities	-	92,293,256	-	92,293,256
Non-U.S. Government Agency Obligations	-	75,387,590	-	75,387,590
Non-U.S. Government Sovereign Debt Obligations	-	70,529,822	-	70,529,822
U.S. Government Agency Obligations	-	92,717,170	-	92,717,170
U.S. Government Agency Mortgage Backed Securities	-	696,838,297	-	696,838,297
U.S. Taxable Municipal Obligations	-	67,759,061	-	67,759,061
U.S. Treasury TIPS	56,002,148	-	-	56,002,148
U.S. Treasury Securities	1,696,036,016	-	-	1,696,036,016
Subtotal - Fixed Income	$ 1,752,038,164	$2,774,461,685	$ -	$ 4,526,499,849
Real Return - U.S. Treasury TIPS Portfolio				
U.S. Treasury TIPS	$ 1,080,481,912	-	-	$ 1,080,481,912
Real Return - Commodities Collateral Portfolio				
U.S. Treasury Securities	$ 194,902,383	-	-	$ 194,902,383
Cash Equivalents				
Short-term Investment Facility	$ 185,367,554	-	-	$ 185,367,554
Total investments by fair value level	**$ 14,227,910,248**	**$2,774,461,685**	**$ -**	**$ 17,002,371,933**

The Fund utilizes the net asset value (NAV) per share as a method for determining fair value for its investments in absolute return, real estate, private equity, emerging market debt, emerging market equity, risk parity and externally managed real return strategies. These investments calculate the NAV consistent with Financial Accounting Standards Board's measurement principles for investment companies and the Fund does not intend to sell all or portion of the investment for an amount that is different from the NAV. These investments are exempt from classification within the fair value hierarchy.

The following table presents information about the Fund's PSF(SBOE) managed assets measured at NAV at August 31, 2019.

Investments measured at NAV	
Absolute Return Investments	$ 3,622,636,890
Real Estate Investments	2,987,198,599
Private Equity Investments	3,882,726,630
Emerging Market Debt	2,411,233,451
Emerging Market Equity	888,381,242
Risk Parity Strategies	2,557,584,765
Real Return - Externally Managed Commodities	755,514,439
Total investments measured at NAV	**$ 17,105,276,016**

The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) is presented on the following table.

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice	Liquidity Expectation	
Absolute Return Investments						
Credit	$ 1,005,407,580	$ -	Daily, Monthly, Quarterly, Semi-Annual, Annual, 2-year, Distribution Provision, Other	10-95 days		(1)
Relative Value	477,432,638	-	Monthly, Quarterly, Semi-Annual	17-185 days		(2)
Multi-Strategy	647,745,446	-	Monthly, Quarterly, Semi-Annual, Distribution Provision, Other	45-180 days		(3)
Equity	800,721,074	-	Monthly, Quarterly, Annual, Multiple	18-120 days		(4)
Macro	580,438,388	-	Monthly, Quarterly	2-93 days		(5)
Commodities	60,355,053	-	Daily, Quarterly	90 days		(6)
Other	50,536,711	-	Not Applicable	none		(7)
Real Estate Investments	2,987,198,599	1,913,565,465	none	none	1-18 years	(8)
Private Equity Investments						(9)
Large Capital Buy-out	847,094,191	316,332,144	none	none	2-15 years	
Mid Capital Buy-out	1,675,210,906	1,147,933,572	none	none	2-15 years	
Special Situation	595,844,433	394,962,389	none	none	2-15 years	
Venture/Growth Capital	854,644,836	446,902,225	none	none	2-15 years	
Accumulated Incentive Allocation	(90,067,736)	-	none	none		
Emerging Market Debt	2,411,233,451	-	Daily	5 days		
Emerging Market Equity	888,381,242	-	Daily	1-3 days		
Risk Parity Strategies	2,557,584,765	-	Monthly	5-15 days		(10)
Real Return - Externally Managed Commodities	755,514,439	-	Daily	3 days		(11)
Total investments measured at NAV	$ 17,105,276,016	$ 4,219,695,795				

(1) Investment includes fund of funds which have been valued using the NAV per share for the fund. Investments representing 28.0% of the fair value have redemption restrictions that do not allow for redemption during a restricted time period. Investments representing 52.8% of the fair value have certain gate restrictions ranging from 5.0% to 50.0%. The restriction period at August 31, 2019 ranges from September 1, 2019 to July 30, 2021 for these investments.

(2) Investment includes fund of funds which have been valued using the NAV per share for the fund. Investments representing 17.0% of the fair value have redemption restrictions that do not allow for redemption during a restricted time period. Investments representing 47.5% of the fair value have certain gate restrictions ranging from 25.0% to 50.0%. The restriction period at August 31, 2019 ranges from September 1, 2019 to July 1, 2020 for these investments.

(3) Investment includes fund of funds which have been valued using the NAV per share for the fund. Investments representing 4.7% of the fair value have redemption restrictions that do not allow for redemption during a restricted time period. Investments representing 52.6% of the fair value have certain gate restrictions ranging from 5.0% to 25.0%. The restriction period at August 31, 2019 ranges from October 1, 2019 to July 30, 2021 for these investments.

(4) Investment includes fund of funds which have been valued using the NAV per share for the fund. Investments representing 48.0% of the fair value have redemption restrictions that do not allow for redemption during a restricted time period. Investments representing 50.1% of the fair value have certain gate restrictions ranging from 10.0% to 50.0%. The restriction period at August 31, 2019 ranges from September 16, 2019 to July 2, 2020 for these investments.

(5) Investment includes fund of funds which have been valued using the NAV per share for the fund. Investments representing 67.5% of the fair value have certain gate restrictions ranging from 25.0% to 50.0%. The restriction period at August 31, 2019 ranges from September 1, 2019 to July 2, 2020 for these investments.

(6) Investment includes fund of funds which have been valued using the NAV per share for the fund. Investments representing 70.3% of the fair value have certain gate restrictions of 20.0%. The restriction period at August 31, 2019 is October 2, 2019 to November 1, 2019 for these investments.

(7) Investment includes fund of funds which have been valued using the NAV per share for the fund. Investments representing 31.9% of the fair value do not have redemption provisions and distributions will be made as the underlying investments are liquidated.

(8) Investment includes real estate funds that primarily invest in real estate, including commercial, residential and industrial, and real estate financing. Investments are located in the Americas, Asia, Australia, New Zealand, and Europe. The investments have been valued using the NAV per share for the fund. Most of these investments are in closed end funds and cannot be redeemed. Investments representing 53.9% of the fair value are open ended, and require redemption notice ranging from 0 to 90 days. Investments representing 5.8% of the fair value have lock periods of 24 months. Distributions from each fund will be received as the underlying investments are liquidated. It is expected that the funds will be liquidated over the next 1-18 years.

(9) Investment includes 4 separate private equity fund-of-funds and direct investments in limited partnerships, each utilizing various strategies as listed. There are no redemption provisions with the investment funds, distributions will be made as the underlying investments are liquidated. The underlying assets are expected to be liquidated over the next 2-15 years. The underlying investments are within various industries including communications, consumer services, distressed debt, diversified, energy, financial services, healthcare, manufacturing, software and technology. Also included is the cumulative incentive allocation due to the fund-of-funds managers. This allocation is not allocable to the various investment strategies.

(10) Investment includes two externally managed funds with 48.8% of the fair value of the investment subject to a redemption notice of 5 days and 51.2% subject to a redemption notice of 15 days.

(11) Investment includes two externally managed funds which have been valued using the NAV.

C. Custodial Credit Risk for Deposits

The custodial credit risk for deposits is the risk that in the event of bank failure, the Fund's deposits may not be recovered. Except for the requirement to invest cash daily, the State Constitution, applicable statutes, and the Fund's investment policies do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits. As of August, 31, 2019, there was $7,859,067 of PSF(SBOE) uninsured and uncollateralized cash in bank subject to custodial credit risk. This cash in bank balance represents the U.S. dollar equivalent of amounts held in foreign currencies and cash received but not yet invested. It is for trades for which settlement is pending, dividend payments that are awaiting repatriation, and cash invested overnight at the Fund's custodial bank. The remaining PSF(SLB) balance of $662,796 is uninsured and uncollateralized cash in bank subject to custodial credit risk. This represents the PSF(SLB) cash portion of a tenancy in common development project and other limited partnership development projects.

Most of the cash managed by the PSF(SBOE) is deposited in the State Treasury in an external investment pool managed by the Texas Comptroller of Public Accounts (CPA). The CPA invests in authorized investments consistent with applicable law and the CPA investment policy. The CPA pools funds for investment purposes and allocates investment earnings on pooled funds proportionately among the various state agencies whose funds are so pooled. Currently, most pooled funds are invested in repurchase agreements, reverse repurchase agreements, obligations of the United States and its agencies and instrumentalities, and fully collateralized deposits in authorized state depositories. All investments are marked to market daily, using an external pricing service. The State Treasury deposits are not subject to custodial risk because the State Treasury has an arrangement with financial institutions to collateralize state deposits in excess of depository insurance.

The cash attributable to the PSF(SLB) real assets investment portfolio is deposited in the State Treasury and invested as described in the preceding paragraph; therefore, those deposits are not exposed to custodial credit risk.

D. Custodial Credit Risk for Investments (PSF(SBOE) Only)

The custodial credit risk for investments is the risk that in the event of a failure of the counterparty, the Fund will not be able to recover the value of the investment or securities held as collateral that are in the possession of an outside party. PSF(SBOE) investments are registered in the name of the Fund or are registered in the nominee name of The Bank of New York Mellon Corporation and held in the name of the Fund at The Bank of New York Mellon Corporation. PSF(SBOE) investments are not subject to custodial credit risk. However, the invested securities lending collateral detailed below as of August 31, 2019, is subject to custodial credit risk because the collateral is purchased and held by the counterparty, The Bank of New York Mellon Corporation is contracted to serve as both the custodian and the securities lending agent. The cost basis of invested securities lending collateral at August 31, 2019 was $1,754,111,742 and the fair value was $1,733,292,822, which is detailed in the following schedule.

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The Fund measures the fair value of its securities lending program cash collateral by the same methodology described above, as follows:

Invested Securities Lending Collateral	**Cost Basis**	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
Asset Backed Floating Rate Note	$ 354,025,559	$ 354,206,921	$ -	$ 354,206,921	$ -
Certificate of Deposit	18,700,000	18,701,776	-	18,701,776	-
Corporate Floating Rate Notes	1,243,999,070	1,222,997,012	-	1,222,997,012	-
Repurchase Agreements	94,787,113	94,787,113	-	94,787,113	-
Time Deposits	42,600,000	42,600,000	-	42,600,000	-
Total Securities Lending Collateral (Exh. I)	$ 1,754,111,742	$1,733,292,822	$ -	$ 1,733,292,822	$ -

The State Constitution, applicable statutes, and the PSF(SBOE) investment policies do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments, including securities lending collateral investments.

E. Credit Risk for Debt Investments (PSF(SBOE) Only)

Credit risk is the risk that an issuer or other counterparty of an investment will not fulfill its obligation to pay interest and repay principal. This is measured by the assignment of a rating by a nationally recognized statistical rating organization (NRSRO).

The rated debt investments of the PSF(SBOE) as of August 31, 2019, are as follows:

- If ratings are comparable between all NRSROs, the S&P rating scale is used to rate the securities.
- On securities with split or different ratings between the NRSROs, the rating indicative of the greatest level of risk is disclosed.
- For purposes of this disclosure, ratings have been aggregated to the base alpha rating.

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Investment Type	Rating	Rating Service	Fair Value
Asset Backed Securities	A	S&P	$ 3,167,061
Collateralized Loan Obligations	A	S&P	9,722,265
Collateralized Loan Obligations	BBB	S&P	69,205,101
Collateralized Loan Obligations	Baa	Moody's	229,390,469
Commercial Mortgage Backed Obligations	AAA	Fitch	31,509,563
Commercial Mortgage Backed Obligations	Aaa	Moody's	18,253,456
Commercial Mortgage Backed Obligations	AA	Fitch	6,047,868
Commercial Mortgage Backed Obligations	Aa	Moody's	9,705,199
Commercial Mortgage Backed Obligations	BBB	S&P	8,286,353
Corporate Obligations	AA	S&P	42,837,736
Corporate Obligations	A	S&P	125,856,318
Corporate Obligations	A	Fitch	20,684,878
Corporate Obligations	A	Moody's	41,690,871
Corporate Obligations	BBB	S&P	713,106,557
Corporate Obligations	BBB	Fitch	93,630,663
Corporate Obligations	Baa	Moody's	177,830,788
Corporate Obligations	Ba	Moody's	10,264,266
Non-Agency Mortgage Backed Securities	AAA	S&P	23,132,754
Non-Agency Mortgage Backed Securities	AAA	Fitch	41,214,065
Non-Agency Mortgage Backed Securities	Aaa	Moody's	7,553,845
Non-Agency Mortgage Backed Securities	AA	S&P	11,101,534
Non-Agency Mortgage Backed Securities	AA	Fitch	3,970,464
Non-Agency Mortgage Backed Securities	Aa	Moody's	5,320,594
Non-U.S. Government Agency Obligations	AAA	S&P	44,633,108
Non-U.S. Government Agency Obligations	AA	S&P	5,150,000
Non-U.S. Government Agency Obligations	AA	Fitch	4,197,882
Non-U.S. Government Agency Obligations	A	S&P	5,069,400
Non-U.S. Government Agency Obligations	A	Fitch	5,456,300
Non-U.S. Government Agency Obligations	BBB	S&P	7,879,400
Non-U.S. Government Agency Obligations	BB	Fitch	3,001,500
Non-U.S. Sovereign Government Debt	A	Fitch	14,711,700
Non-U.S. Sovereign Government Debt	BBB	S&P	23,390,736
Non-U.S. Sovereign Government Debt	BBB	Fitch	32,427,386
U.S. Government Agency Commercial Mortgage Backed Securities	AA	S&P	25,284,539
U.S. Government Agency Commercial Mortgage Backed Securities	Aa	Moody's	15,804,091
U.S. Government Agency Commercial Mortgage Backed Securities	A	Fitch	17,702,308
U.S. Government Agency Commercial Mortgage Backed Securities	BBB	Fitch	8,955,840
U.S. Government Agency Obligations	AA	S&P	92,717,170
U.S. Government Agency Mortgage Backed Securities	AA	S&P	696,838,297
U.S. Taxable Municipal Bonds	AAA	S&P	13,225,235
U.S. Taxable Municipal Bonds	AA	S&P	21,887,021
U.S. Taxable Municipal Bonds	AA	Fitch	8,355,663
U.S. Taxable Municipal Bonds	Aa	Moody's	13,023,101
U.S. Taxable Municipal Bonds	A	S&P	5,429,941
U.S. Taxable Municipal Bonds	A	Fitch	5,838,100
U.S. Treasury Inflation Protected Securities	AA	S&P	1,136,484,060
U.S. Treasury Securities	AA	S&P	1,890,938,398
Total Credit Risk Rated Debt Securities			$ 5,801,883,844
Corporate Obligations	Withdrawn Rating	Moody's	300
Total Fixed Income			$ 5,801,884,144

F. Credit Risk for Invested Securities Lending Collateral (PSF(SBOE) only)
The following presents the rated investments of the cash collateral as of August 31, 2019. The investment policy of the PSF(SBOE) defines the various permissible collateral investments including required ratings, at the time of purchase. Negotiable certificates of deposit drawn on certain prescribed banks, commercial paper, asset backed commercial paper, and short term corporate debt other than commercial paper must carry a "Tier 1" rating, defined as the highest short-term rating category by S&P, Moody's or Fitch. Asset backed securities shall be rated Aaa or AAA by Moody's and S&P respectively. Reverse repurchase agreements must have a counterparty rated Tier 1 and the underlying collateral shall be Tier 1 if the security is a short term security and at least Aa2 Moody's/AA S&P or better if the collateral is corporate debt (other than commercial paper). Foreign sovereign debt issued by a foreign government rated Aa2 Moody's/AA S&P or better is permissible collateral.

Investment Type	Rating	Rating Service	Fair Value
Asset Backed Floating Rate Notes	AAA	S&P	$ 194,761,209
Asset Backed Floating Rate Notes	AAA	Fitch	159,445,712
Certificate of Deposit	A-1	S&P	18,701,776
Floating Rate Notes	AA	S&P	372,468,016
Floating Rate Notes	A	S&P	660,638,604
Floating Rate Notes	A	Fitch	168,276,854
Floating Rate Notes	A1	Moody's	21,613,538
Repurchase Agreements	Not Rated	N/A	94,787,113
Time Deposits	A-1	S&P	29,800,000
Time Deposits	P-1	Moody's	12,800,000
Total Investments			$ 1,733,292,822

G. Interest Rate Risk for Debt Investments (PSF(SBOE) only)
Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of the investment. Duration is a measure of the price sensitivity of a debt investment to changes arising from movements in interest rates.

Duration is the weighted average maturity of an instrument's cash flows, where the present value of the cash flows serves as the weights. The duration of an instrument can be calculated by first multiplying the time until receipt of cash flow by the ratio of the present value of that cash flow to the instrument's total present value. The sum of these weighted time periods is the duration of the instrument. Effective duration extends this analysis to incorporate an option adjusted measure of an instrument's sensitivity to changes in interest rates. The SBOE approved Investment Procedures Manual mandates the average duration of the core fixed income portfolio to be consistent with the duration of the Bloomberg Barclay's Capital U.S. Aggregate Bond Index (formerly the Lehman Bros. Aggregate Index) and the real return portfolio (TIPS) be consistent with the Bloomberg Barclay's Capital U.S. TIPS Index and the emerging market debt portfolio be consistent with the JPM GBI-EM Global Diversified Index. As of August 31, 2019, the Bloomberg Barclay's Capital U.S. Aggregate Bond index duration is 6.10 years, the Bloomberg Barclay's Capital U.S. TIPS Index duration is 7.97 years, and the JPM GBI-EM Global Diversified Index is 5.49 years.

Investments in fixed income securities by investment type, fair value, and the effective weighted duration rate as of August 31, 2019, are as follows for the core fixed income, real return, and emerging market debt portfolios.

Investment Type	Fair Value	Effective Weighted Duration Years
Asset Backed Securities	$ 3,167,061	1.746
Collateralized Loan Obligations	308,317,836	0.711
Commercial Mortgage Backed Securities	73,802,439	3.482
Corporate Obligations	1,225,902,376	8.107
Non-Agency Mortgage Backed Securities	92,293,256	3.259
Non-U.S. Government Agency Obligations	75,387,590	3.410
Non-U.S. Sovereign Government Debt	70,529,822	8.752
U. S. Government Agency Commercial Mortgage Backed Securities	67,746,777	6.054
U. S. Government Agency Mortgage Backed Securities	696,838,297	3.999
U. S. Government Agency Obligations	92,717,170	8.277
U.S. Taxable Municipal Securities	67,759,061	11.768
U. S. Treasury Securities	1,696,036,016	6.734
U. S. Treasury TIPS	56,002,148	6.214
Total Fixed Income Portfolio (Excluding Real Return TIPS)	**$4,526,499,849**	**6.214**
Real Return - U. S. Treasury TIPS Portfolio	**$1,080,481,912**	**8.272**
Real Return Commodities - U.S. Treasury Securities	**$ 194,902,383**	**0.191**
Emerging Market Debt Portfolio	**$2,411,233,451**	**5.770**

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H. Interest Rate Risk for Invested Securities Lending Collateral (PSF(SBOE) only)

The following provides information about the interest rate risks and maturities associated with invested securities lending collateral by investment type. The PSF(SBOE) investment policy defines the maturities of all permissible securities lending collateral investments. The maximum maturity of invested securities lending collateral is 397 days on fixed rate and 3 years on floating rate securities, except for bank time deposits which is 60 days, bankers acceptances which is 45 days, and reverse repurchase agreements which is 180 days. The maximum weighted average maturity of the entire collateral portfolio must be 180 days or less. The maximum weighted average interest rate exposure of the entire collateral portfolio must be 60 days or less.

Investment Type	Fair Value	Investment Maturities Less Than One Year	Investment Maturities Greater Than One Year
Asset Backed Floating Rate Notes	$ 354,206,921	$ 237,257,310	$116,949,611
Certificates of Deposit	18,701,776	18,701,776	-
Corporate Floating Rate Notes	1,222,997,012	1,190,342,480	32,654,532
Repurchase Agreements	94,787,113	94,787,113	-
Time Deposits	42,600,000	42,600,000	-
Total	$ 1,733,292,822	$ 1,583,688,679	$149,604,143

I. Concentration of Credit Risk

Concentration of credit risk is the risk of loss due to the magnitude of the Fund's investment in a single issuer. The investment policies of the PSF(SBOE) preclude engaging in any purchase transaction after which the cumulative market value of equity securities, fixed income securities, or cash equivalent securities of a single corporation (excluding the U. S. government or its agencies) exceeds 2.5% of the PSF(SBOE) total market value or 5.0% of the manager's total portfolio market value.

As of August 31, 2019, the PSF(SBOE) held $285,628,208 in fixed income securities and mortgage-backed obligations issued by the Federal National Mortgage Association (Fannie Mae) and $311,578,705 in fixed income securities and mortgage-backed obligations issued by the Federal Home Loan Mortgage Corporation (Freddie Mac). While these investments represent more than 5% of the PSF(SBOE) fixed income portfolio market value total, they do not exceed a concentration of more than 2.5% of the total PSF(SBOE) market value. Fannie Mae and Freddie Mac are government-sponsored enterprises chartered by Congress and, since September 2008, has been in conservatorship, operating under the direction of the Federal Housing Finance Agency. The U.S. Department of the Treasury has an agreement to provide required capital to correct net worth deficiencies; therefore, the credit risk is the same as holding U.S. Government securities.

J. Investments with Fair Values That Are Highly Sensitive to Interest Rate Changes (PSF(SBOE) only)

In accordance with PSF(SBOE) investment policies, the PSF(SBOE) may invest in asset-backed and mortgage-backed obligations. The PSF(SBOE) may also invest in investments that have floating rates with periodic changes in market rates, zero coupon bonds, and stripped U.S. Treasury and Agency securities created from coupon securities. As of August 31, 2019, the PSF(SBOE) held investments that are highly sensitive to interest rate changes.

Mortgage-backed obligations are subject to early principal payment in a period of declining interest rates. These securities also tend to increase in duration as interest rates rise. The resultant reduction or extension in expected cash flows will affect the fair value of these securities. As of August 31, 2019, these securities totaled $930,680,770.

Collateralized loan obligations are asset-backed securities backed by the receivables on leveraged business loans and are similar to collateralized mortgage obligations. The investor receives scheduled debt payments from the underlying loans but assumes most of the risk in the event that borrowers default. The securities held by PSF(SBOE) are in low duration tranches to mitigate default risk but are still subject to this risk. As of August 31, 2019, these securities totaled $308,317,836.

Asset-backed obligations are backed by home equity loans, auto loans, equipment loans, and credit card receivables. Pre-payments by the obligees of the underlying assets in periods of declining interest rates could reduce or eliminate the stream of income that would have been received. Conversely, rising interest rates could extend the stream of income that would have been received. As of August 31, 2019, these securities totaled $3,167,061.

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K. Foreign Currency Risk for Deposits and Investments (PSF(SBOE) only)

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of a deposit or an investment. Exposure to foreign currency risk as of August 31, 2019, is as follows:

Deposits		Amount
Currency		
Australian Dollar	$	206,658
Brazil Real		31,652
Canadian Dollar		346,826
Chilean Peso		1,340
Chinese Yuan Renminbi		9,386
Danish Krone		323,504
Euro Currency Unit		202,192
Hong Kong Dollar		163,250
Indonesian Rupiah		655
Japanese Yen		146,319
Malaysian Ringgit		144,096
Mexican Peso		62,729
Moroccan Dirham		1
New Taiwan Dollar		692,428
Norwegian Krone		11
Philippines Peso		2,775
Polish Zloty		7,409
Pound Sterling		249,035
Qatari Riyal		740,066
Singapore Dollar		99,753
South African Rand		67,426
South Korean Won		410,776
Swedish Krona		147,040
Swiss Franc		13,672
Thailand Baht		(62)
United Arab Emirates Dirham		795,911
Total Deposits Subject to Foreign Currency Risk	$	4,864,848

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Investments in Equity Securities		Fair Value
Currency		
Australian Dollar	$	224,461,666
Brazil Real		93,142,777
Canadian Dollar		335,292,236
Chilean Peso		10,757,897
Chinese Yuan Renminbi		23,590,675
Columbian Peso		5,698,180
Czech Koruna		1,857,371
Danish Krone		57,602,527
Egyptian Pound		1,787,011
Euro Currency Unit		1,006,963,631
Hong Kong Dollar		382,398,421
Hungarian Forint		3,130,520
Indonesian Rupiah		28,204,159
Israeli Shekel		11,594,707
Japanese Yen		777,130,043
Malaysian Ringgit		27,780,139
Mexican Peso		31,674,933
New Taiwan Dollar		143,196,830
New Zealand Dollar		9,119,732
Norwegian Krone		20,563,428
Philippines Peso		14,363,330
Polish Zloty		11,132,441
Pound Sterling		516,062,088
Qatari Riyal		16,123,461
Russian Ruble (New)		37,437,511
Singapore Dollar		40,484,769
South African Rand		68,567,789
South Korean Won		143,002,846
Swedish Krona		79,885,619
Swiss Franc		308,206,973
Thailand Baht		37,796,714
Turkish Lira		6,367,752
United Arab Emirates Dirham		12,193,985
Total Securities Subject to Foreign Currency Risk	$	4,487,572,161

The investment policy of the PSF(SBOE) allows for international diversification to improve the risk and return characteristics of the PSF(SBOE). As such, the PSF(SBOE) investments are exposed to foreign currency risk. The investment policy of the PSF(SBOE) does not contain legal or policy requirements that limit the exposure to foreign currency risk. With SBOE approval, the Fund is permitted to hedge currency. Hedging currency is a way to limit exposure to foreign currency risk. Currently, foreign currency exchange forward contracts are only executed as part of normal trading of foreign denominated equity securities and real estate and private equity investments; therefore, no hedging took place.

3. PSF(SLB) INVESTMENT IN LAND, MINERAL INTERESTS AND REAL ASSETS INVESTMENTS

The historical cost and fair value of PSF(SLB) land, mineral interests, and real assets investments during the year ending August 31, 2019, are included in the following table. Permanent improvements may be included in the costs or fair values of the surface acres, although such improvements are not specifically identified. All acreage totals provided are approximations.

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Investment Type	Historical Cost	Fair Value
Investments in Real Assets		
Sovereign Lands (1)(5)	$ 839,607	$ 242,278,892
Discretionary Internal Investments (3)	174,389,928	247,329,000
Domestic Equity	7,524,402	1,310,880
Other Lands (5)	41,482,890	130,050,473
Minerals (2)	13,434,780	3,198,174,631
Investments with External Managers (4)	3,640,187,571	3,927,572,581
Total Investments	$3,877,859,178	$ 7,746,716,457
Cash in State Treasury (6)	$4,457,258,385	$ 4,457,258,385
Total Investments and Cash in State Treasury	$8,335,117,563	$ 12,203,974,842
Consisting of the following:		
Noncurrent Investments	$3,877,859,178	$ 7,746,716,457
Total Investments, as above	$3,877,859,178	$ 7,746,716,457

(1) Historical cost of investments at August 31, 2019
(2) Includes an estimated 1,000,000 acres in freshwater rivers.
(3) Includes commercial real estate investments only.
(4) Includes investments in commercial real estate, infrastructure, and energy/minerals.
(5) Includes an estimated 1,747,600 in excess acreage.
(6) Cash in State Treasury is managed by the Treasury Operations Division of the Comptroller of Public Accounts of the state of Texas.

The Fund's PSF(SLB) managed assets recorded at fair value have been characterized based upon the fair value hierarchy in accordance with GASB 72 as described in Note 2.B. above. The following table presents information about the PSF(SLB) managed assets at fair value as of August 31, 2019.

Investments in Real Assets	Level 1	Level 2	Level 3	Total
Domestic Equity	$ 1,310,880	$ -	$ -	$ 1,310,880
Sovereign Lands	-	-	242,278,892	242,278,892
Discretionary Internal Investments	-	-	247,329,000	247,329,000
Other Lands	-	-	130,050,473	130,050,473
Minerals	-	-	3,198,174,631	3,198,174,631
Total investments by fair value level	$ 1,310,880	$ -	$ 3,817,832,996	$ 3,819,143,876

The Fund utilizes the NAV per share as a method for determining the fair value of its PSF(SLB) managed investments with external investment managers. The following table presents information about the Fund's PSF(SLB) managed assets measured at net asset value.

Investments measured at NAV	
Investments with external managers	
Energy	$ 1,667,635,029
Real Estate	1,033,634,489
Infrastructure	1,226,303,063
Total PSF(SLB) investments	$ 3,927,572,581

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice	Liquidity Expectation
Investments with external managers					
Energy	$ 1,667,635,029	$ 946,340,187	None	None	2-12 years
Real Estate:					
Closed-End	609,379,796	711,581,381	None	None	2-12 years
Open-End	424,254,693	125,000,000	Quarterly	45-90 days	2-12 years
Infrastructure	1,226,303,063	720,885,884	None	None	2-12 years
Total investments measured at NAV	$ 3,927,572,581	$ 2,503,807,452			

The current surface real property portfolio of the Fund is managed by the PSF(SLB) and consists of 662,696 surface acres valued at $619,658,366. Of this, 407,784 acres are sovereign lands with a fair value of $242,278,892 located primarily in West Texas and representing 61.5 percent of the total acreage, but only 39.1 percent of the total value. Some of this property, though marginally suitable, has been leased for grazing and hunting purposes. The remainder, most of which is landlocked, has little value other than for adjacent landowners who wish to increase their holdings. Over time, these properties will likely be sold.

The September 1, 2018, beginning basis for the Fund's consolidated (including joint ventures) land surface portfolio value was $238,844,493. Contributions of approximately $812 thousand were made to ongoing development projects. The basis of the Fund's land surface portfolio at August 31, 2019, was $216,712,426. In addition to the land surface portfolio, the Fund also owns approximately 12.6 million acres of Relinquishment Act, Submerged, Free Royalty, Mineral Reserved Lands and mineral estates on surface lands representing a basis of $13,434,780.

Dispositions for the fiscal year ended August 31, 2019, equaled 330.76 acres sold for net proceeds of $7.0 million, and a gain of approximately $3.0 million.

The fair value of the Fund's interests in oil and gas is determined by using the present value technique of the income approach and is based upon an industry-standard 3P reserve report (i.e. proved, possible, and probable reserves) prepared by a third-party expert, W.D. Von Gonten & Co., a Houston-based petroleum engineering firm. Employing a methodology for estimating reserves that conforms to all standards established by the Society of Petroleum Engineers, the World Petroleum Council, the American Association of Petroleum Geologists, and the Society of Petroleum Evaluation Engineers, Von Gonten estimated future revenues from those estimated reserves and then discounted those estimated future revenues at 10 percent to arrive at a non-risk-adjusted total reserve valuation of $3,496,550,098.

The properties evaluated for the purposes of this reserve estimate are located throughout Texas and produce from various conventional and unconventional reservoirs. The property set includes approximately 15,398 active Proved Developed Producing (PDP) wells with an estimated discounted future net revenue value of $2,579,640,855; 200 Proved Undeveloped (PUD) locations with an estimated discounted future net revenue value of $475,113,115; 1,310 Probable Undeveloped (PROB) locations with an estimated discounted future net revenue value of $380,072,384; 429 gross Possible Undeveloped (POSS) locations with an estimated discounted future net revenue value of $41,216,272; and 283 Contingent Resources (CONT) locations with an estimated discounted future net revenue value of $20,507,472. With regard to Proved Reserves, there should be at least a 90 percent probability that the quantities actually recovered will equal or exceed the estimate; for Probable Reserves, there should be at least a 50 percent probability that the quantities actually recovered will equal or exceed the estimate; for Possible Reserves, there should be at least a 10 percent probability that the quantities actually recovered will equal or exceed the estimate. Contingent Resources are potentially recoverable but are not currently considered to be commercially recoverable due to one or more contingencies. Hard minerals are not included in the estimate and are not included in the fair value due to their immateriality.

In accordance with CPA Reporting Requirements, the non-risk-adjusted reserve valuation for each component of the total non-risk-adjusted future net revenue value provided by W.D. Von Gonten & Co. is further adjusted by certain mean factors from the 2019 *Annual Survey of Parameters Used in Property Evaluation* report prepared by the Society of Petroleum Evaluation Engineers (SPEE). Proved Developed and Proved Undeveloped reserves are adjusted using a factor of 1.00; Probable reserves are adjusted using a factor of 0.36; and Possible reserves are adjusted using a factor of 0.16. Contingent resources are excluded. The risk-adjusted mineral valuation is $3,198,174,631.

PSF(SLB) is a party to multiple direct single-asset real estate transactions held in its discretionary internally-managed real estate portfolio. A discussion of these transactions can be found in Note 13. The method for determining the fair value of each uses either the income or market approach and Level 3 inputs as described in the previous table. The fair values are included in Discretionary Internal Investments.

The PSF(SLB) real assets investments include 68 commingled closed-end funds, commingled open-end funds, separate accounts, and co-investment vehicles that invest in private-market real assets transactions across the energy, infrastructure and real assets investment universe. The fair values of these investments have been determined using the NAV per share (or its equivalent) of the Fund's ownership interest in partners' capital. These types of investments generate some income over the lives of the associated partnerships, but are generally illiquid until the underlying assets are liquidated. Except for open-ended funds, most of the partnerships have specific termination dates, and it is expected that a majority of the underlying assets of these partnerships will be liquidated over the next 12 years.

4. LEASES

The PSF(SLB), through the GLO, manages several types of operating leases. The need for each specific lease category is based upon the type of action proposed (e.g., pier, dock, agriculture, recreational hunting, pipeline, etc.) and the statute under which it will be authorized. Lease categories managed by the GLO are summarized as follows:

Commercial Leases and Easements (LC) are issued for projects that produce revenue from the private use of state-owned property. LCs are issued pursuant to Chapters 33 and 51, Texas Natural Resources Code (TNRC), and fees are based on the published SLB rate schedule in effect at the time of contract issuance. The rate schedule allows calculation of fees based upon the amount of state land encumbered and the appraised value of the adjacent littoral property. LCs cover activities and structures such as marinas, bait stands, fishing piers, mooring dolphins, fuel docks, dredging activity, restaurants, and navigation signs. Contracts for LCs grant the applicant exclusive use of the site for the purposes specified in the contract.

Coastal Easements (CE) are issued by the GLO pursuant to TNRC §33.103(a)(2) and 33.111(a) authorizing owners of private property abutting submerged state-owned lands to place and maintain structures on coastal public land adjacent to their private property. CEs typically cover structures such as piers, decks, docks, rip-rap, pilings, bulkheads, and boat lifts. CEs are also issued for activities such as dredging, filling, and material disposal. Contracts for CEs grant the applicant exclusive use of the structure, but not use of the public land around the structure.

Coastal Leases (CL) are issued by the GLO pursuant to TNRC §33.103(1) and 33.105. CLs are issued to state agencies, eligible cities or counties, nonprofit, tax-exempt organizations, or scientific or educational entities to authorize the use of state-owned land for public recreation, estuarine preserves, wildlife preserves, or scientific research activities. CLs grant the applicant limited exclusive use of the property for the purposes stated within the contract. The GLO may issue other grants of interest for use of the same property, so long as it does not interfere with the current leaseholder's activities.

Surface Leases (SL) are issued by the GLO pursuant to TNRC §51.011, 51.121, and 51.292. Coastal SLs are issued for activities on submerged coastal public lands and are typically used to authorize activities not associated with littoral property ownership adjacent to state-owned submerged land, and for energy platforms in the Gulf of Mexico. Examples of activities covered by coastal SLs include, but are not limited to: drilling platforms not on a leased mineral tract, electrical substations, pumping stations, loading racks, tank farms, artificial reefs, and wildlife preserves. Upland SLs typically authorize activities such as hunting, grazing, crop production, timber production, and other commercial activity.

Miscellaneous Easements (ME) are issued on both coastal submerged lands and state-owned uplands for projects which require a right-of-way (ROW) on, across, under, or over state-owned lands, pursuant to TNRC §51.291. Fees are based upon a published rate schedule and are calculated based on the width and length of right-of-way, the region of the state, and the diameter of the pipeline, and the power wattage (if applicable). ME contracts cover activities such as oil and gas pipelines, power transmission lines, communication lines, roads, and certain other structures and uses. Contracts for MEs grant the applicant exclusive use of the ROW for the purposes specified in the contract.

Holders of the above leases and easements are required to maintain all structures in a safe condition and to comply with all terms of the contract. Violation of the contract terms or failure to submit payment for the required land-use fees may result in delinquent penalties and/or termination of the contract. Removal of the structures may also be required at the expense of the lease/easement holder. Obtaining said leases and easements from the GLO does not exempt the applicant from complying with all other applicable local, state, and federal permitting requirements.

Special Documents (SD) are issued for projects on state-owned submerged land and state-owned uplands. The SLB has authorized the land commissioner to approve, by Special Document, erosion response projects administered by the GLO pursuant to the Coastal Erosion Planning and Response Act (CEPRA), codified as TNRC, Chapter 33, Subchapter H, and the regulations set forth in Texas Administrative Code, Title 31, Part 1, Chapter 15, Subchapter B. SDs are also issued for Highway Use Agreements under Chapter 203, Subchapter D, Texas Transportation Code for Texas Department of Transportation projects on land dedicated to the Fund. SDs may also be used for projects that do not fall into one of the other established categories.

All PSF lands are evaluated for lease potential. As of August 31, 2019, the historical cost of all internally managed properties available for leasing activity was $216,712,426. The fair value of the properties was $619,658,366. Non-sovereign real estate in the Fund is held as an investment and is not depreciated.

Contingent rental revenues in the amount of $2,571,936 are reported for 23 leases for the year ended August 31, 2019.

A schedule of estimated future lease payments by lease type is presented below in the aggregate and for each of the five succeeding years. The amounts include known lease escalation provisions.

Lease Categories	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FYs 2025 & Beyond
Coastal Easements	$ 324,428	$ 292,317	$ 235,572	$ 194,325	$ 143,691	$ 269,781
Coastal Leases	1,245	1,245	1,245	1,245	1,245	72,190
Commercial Leases and Easements	1,653,818	1,676,160	1,595,786	1,513,717	1,227,427	7,608,510
Miscellaneous Easements	299,823	306,384	302,142	281,273	271,619	486,355
Special Documents	-	-	-	10,000	10,000	-
Surface Leases	3,495,929	3,174,044	2,917,946	2,678,665	2,169,267	19,422,171
Total Lease Payments	$ 5,775,243	$ 5,450,150	$ 5,052,691	$ 4,679,225	$ 3,823,249	$ 27,859,007

5. STATE ENERGY MARKETING PROGRAM

The State Energy Marketing Program (SEMP) of the SLB is designed to provide additional revenues, or enhancements, to the PSF(SLB) and to provide savings to public customers by offering utility services at a below-market rate. The 79th Legislature authorized the SLB to manage and operate the SEMP with land sale, lease, and royalty receipts of the Fund. Royalty payments due the State on certain leases are received in the form of mineral production instead of monetary royalty payments. The SEMP then sells the oil and gas to public retail customers. These customers include public school districts, state institutions of higher education, state agencies, and political subdivisions.

6. DERIVATIVES

The PSF(SBOE) enters into futures contracts in its internally managed portfolios to facilitate various trading strategies, primarily as a tool to increase or decrease market exposure to various asset classes, and therefore classifies its futures contracts as investments. The SBOE approved Investment Procedure Manual defines the parameters for investing in futures contracts. The total amount of a portfolio's financial futures contract obligation should not exceed ten percent (10.0%) of the market value of the portfolio's total assets. The PSF(SBOE) may exceed the ten percent (10.0%) rule during a transition approved by the SBOE. In no instance will the total amount of the contracts be an amount greater than the market value of a portfolio's cash, receivables and short-term securities.

Upon entering into a futures contract, initial margin deposit requirements are satisfied by segregating specific securities or cash as collateral for the account of the FCM broker. During the period the futures positions are open, the contracts are marked to market daily; that is, they are valued at the close of business each day, and a gain or loss is recorded between the value of the contracts that day and on the previous day. The daily gain or loss is referred to as the daily variation margin which is settled in cash with the broker each morning for the amount of the previous day's mark to market. The PSF(SBOE) executes such contracts on major exchanges through major financial institutions and minimizes market and credit risk associated with these contracts through the managers' various trading and credit monitoring techniques.

As of August 31, 2019, the PSF(SBOE) invested in S&P 500 Index Futures contracts, S&P 400 Index Futures contracts, and various Commodity Futures contracts as detailed below with the FCM:

PSF(SBOE) Portfolio	Futures Contracts	Change in Fair Value	Notional Value
Equity	Domestic stock index futures	$ 224,263	$ 19,264,720
Commodity	Commodity futures	(16,045,564)	225,004,043
International equity	Foreign stock index futures	(601,006)	17,490,760
Fixed income	Interest rate futures	2,563	-
TIPS	Interest rate futures	(1,563)	-
Total Futures		$ (16,421,307)	$ 261,759,523

The change in fair value is included in the net increase/(decrease) in fair value of investments on the statement of revenues, expenditures, and changes in fund balance. The futures contracts themselves had no fair value at August 31, 2019. If the FCM failed, the loss that would be recognized at August 31, 2019, would be $16,450,861.

Foreign currency balances are not maintained by the Fund except for transactions that occur as part of normal security transactions (i.e., buys, sales and income payment). Foreign currency exchange (FX) contracts are executed by the external investment manager on the same day as security transactions. The investment manager buys or sells the FX contract in the currency native to the security transaction. These foreign exchange contracts hedge against the risk of currency changes between trade and settlement dates. Risks associated with such contracts include movement in the value of the foreign currency related to the U.S. dollar and the ability of the counterparty to perform. For income payments received in other currencies, the custodian bank executes foreign exchange spot contracts to repatriate payments to U.S. dollars on actual income payment date.

As a function of its normal business operations, the GLO manages the SEMP and enters into commodity transactions for the delivery of natural gas (Gas) and electric power (Power) to Public Retail Customers (PRCs). In addition, SEMP takes a portion of oil royalty entitlements as "Take-in-Kind" (TIK) royalty instead of cash. These transactions meet the definition of derivative instruments per GASB Statement No. 53 (GASB 53), Accounting and Reporting for Derivative Instruments. However, since all such contracts result in physical delivery of the derivative's underlying commodity via normal purchase and sales contracts, SEMP contracts identified as derivatives under GASB 53 are not subject to the requirements of GASB 53.

As of August 31, 2019, GLO had outstanding natural gas commitments/open positions with third parties for 16,605,525 MMBtus (million British Thermal Units) valued at $12,759,606. Power contracts are priced off the Electricity Reliability Council of Texas (ERCOT) grid. The fair value of future cash flows from electric contracts is not reported because the electric service provider (ESP) is responsible for hedging these transactions and GLO simply has a credit risk related to these future cash flows.

The risks associated with these derivative transactions include the following: The SEMP program is exposed to credit risk in the event a gas supplier fails to honor its obligation or if the ESP fails to deliver electricity per the terms of the contract. The ESP provides collateral in form of an irrevocable letter of credit to protect for Power sales.

SEMP has minimal exposure to risk related to sales because GLO deals exclusively with PRCs and can place a warrant hold on appropriation distributions from the State Comptroller to the PRC to satisfy delinquent obligations. Exposure to termination risk is also minimal, but nonetheless possible because all contracts with PRCs are Interagency or Interlocal Agreements subject to funding by Legislature that can be terminated with 30 days' notice subject to termination provisions. Lastly, market access risk is not prevalent as GLO is backed by the State of Texas' credit rating (thus eliminating potential risk of financial loss due to a deteriorating credit rating).

7. SECURITIES LENDING

The PSF(SBOE) is authorized to conduct a securities lending program in accordance with Article 7, Section 5 of the Texas Constitution. The implementation policy for the program is further defined in Texas Administrative Code Title 19, Part 2, Chapter 33. The PSF(SBOE), through its securities lending agent The Bank of New York Mellon Corporation (Agent), lends securities to certain brokers in exchange for authorized collateral.

Authorized collateral includes cash, government securities, irrevocable letters of credit, and other assets specifically agreed to by the Agent and the SBOE. The PSF(SBOE) receives collateral against the loaned securities in an amount of 102.0% of the fair value plus accrued income for domestic corporate securities and 105.0% of the fair value plus accrued income for foreign securities; except in the case of foreign securities denominated and payable in U.S. Dollars, the required percentage is 102.0%. Collateral provided for Reverse Repurchase Agreements is maintained at various percentages depending on the type of security provided as collateral.

The Agent indemnifies the SBOE against losses as a result of the broker's failure to return loaned securities. Securities collateral cannot be pledged or sold unless the borrower defaults. All securities within the PSF(SBOE) portfolio are available to be loaned to brokers based on market demand. The contract does not restrict the total aggregate value of loaned securities outstanding at any one time and loans are made to a specific list of brokers. The PSF(SBOE) has the option to set a maximum aggregate loan limit for each broker.

As defined by the lending agreement, the length of maturities permitted for loans are clearly selected, defined, and approved by the lender. Loans made in this program can be terminated on demand by either party and are considered to have a one-day maturity, although cash collateral is invested in securities having longer maturities. As of August 31, 2019, the Fund invested cash collateral had a weighted average maturity of 25 days to reset date.

During the fiscal year ending August 31, 2019, the Agent did not experience any losses on securities lending activity as a result of borrower defaults. In addition, there were no prior losses to recover in the current fiscal year.

Certain assets held in the invested cash collateral pool experienced a permanent impairment as of September 30, 2008. The original cost basis of these permanently impaired assets totaled $104,953,800. Partial cash recoveries since impairment have reduced the amortized cost to $71,717,706. Beginning in April 2013, all Fund earnings from the securities lending program have been directed to further reduce the amortized cost. At fiscal year-end, these assets remain in the cash collateral pool at an amortized cost of $21,036,274; however, the estimated market value is $0 as of August 31, 2019.

As of August 31, 2019, the fair value of securities on loan to brokers equaled $1,869,257,717 against non-cash collateral with a fair value of $162,398,028 and invested cash collateral with a cost basis of $1,754,111,742 and a fair value of $1,733,292,822. Non-cash collateral received for securities lending activities is not recorded as assets because the underlying investments remain under the control of the borrower, except in the event of default.

At fiscal year end, the Fund does not have a credit risk associated with the securities lending program, because the Fund owes the borrowers a total of $1,917,157,921 in non-cash and cash collateral while the borrowers owe securities back to the Fund with a fair value of $1,869,257,717.

Income is earned in two ways from loaning securities. If the broker provides cash collateral, income is earned by investing the cash collateral, and the broker is compensated with a "rebate," an interest rate paid on the cash collateral given. If the investment of cash collateral fails to provide enough income to pay the rebate, the Fund and its Agent share the difference based on the agreed upon earnings split. During the year ended August 31, 2019, income generated from the investment of cash collateral was sufficient to compensate the lender. If the broker provides securities or letters of credit as collateral for the securities lent, it pays a negotiated lender fee. Additionally, in certain market conditions, the broker may actually pay a fee or receive a negative rebate on cash collateral. Net income generated from securities lending transactions is then split between the Fund and its securities lending agent.

For fiscal year ended August 31, 2019, securities lending revenue totaled $6,172,880, expenditures for bank fees and other adjustments totaled $925,467, while net securities lending income totaled $5,247,413.

8. DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources relate primarily to interest and dividends measurable at year-end and due to the PSF(SBOE), but which are not available within sixty days subsequent of year-end for satisfaction of current liabilities.

9. FUND BALANCE

The PSF fund balance has been classified on the face of the balance sheet in accordance with GASB 54, which establishes criteria for classifying fund balances into specifically defined classifications detailed above in Note 1.D., and clarifies definitions for governmental fund types.

Article VII of the Texas Constitution describes the Fund as a permanent school fund set apart for the support of public schools, and specifically describes how the Fund may be spent. In accordance with the permanent nature of the Fund, the entirety of the fund balance is classified as nonspendable, except for those items the Texas Constitution explicitly allows to be spent from the Fund, which are classified as restricted since all Fund spending must be in support of public free schools. The items for which the Fund may be spent are transfers to the Available School Fund, expenses of managing the Fund land and investments, and guaranteed bond payments in the event of default. Since the legislature makes appropriations on a biennial basis, the unexpended appropriation for the biennial period is reflected as restricted. Transfers to the Available School Fund are approved annually by the State Board of Education, so the annual transfer amount for the next period is reflected as restricted.

Based on these Constitutional provisions, fund balance as of August 31, 2019 is classified as follows:

	PSF(SBOE)	PSF(SLB)	Total	
Nonspendable				
Fund Balance	$ 33,056,203,459	$ 12,239,375,389	$ 45,295,578,848	(1)
Restricted Fund Balance				
Appropriated Expenditures	$ 60,737,817	$ 42,397,768	$ 103,135,585	(2)
Transfer to the ASF	1,101,669,657	-	1,101,669,657	(3)
Bond Defaults	-	-	-	(4)
Total Restricted Fund Balance	$ 1,162,407,474	$ 42,397,768	$ 1,204,805,242	
Total Fund Balance at August 31, 2019	$ 34,218,610,933	$ 12,281,773,157	$ 46,500,384,090	

The Constitutional authority citation is:
(1) Texas Constitution, Article 7, Sec. 2
(2) Texas Constitution, Article 7, Sec. 5.(a)
(3) Texas Constitution, Article 7, Sec. 5.(b)
(4) Texas Constitution, Article 7, Sec. 5.(d)

The Texas Constitution, Article 7, Sec. 5.(g), allows the General Land Office to transfer at its sole discretion up to $300 million each year from revenue derived during that year from the land or properties to the Available School Fund. Accordingly, since any such transfers must be made by the measurement date, they are not included as a component of the restricted fund balance classification detailed above.

10. NON-EXCHANGE FINANCIAL GUARANTEES

Bond Guarantee Program

In 1983, the voters of the State approved a constitutional amendment which provides for the guarantee of school district bonds by the Permanent School Fund. This amendment was statutorily codified in the Texas Education Code Title 2, Subtitle I, Chapter 45, Subchapter C. The Guarantee Program is administered by the Commissioner. For eligible bonds, including refunding bonds, school districts apply for guarantee and pay a processing fee of $1,500. The Commissioner may endorse bonds for guarantee only after investigating the accreditation and financial viability of the applying school district. If the school district is considered viable and the bonds are approved by the State of Texas Attorney General, then the guarantee is endorsed at a zero premium charge to the district. In the event of a default by a school district, and upon proper notice to the

Commissioner, the PSF will transfer to the Paying Agent/Registrar an amount necessary to pay the maturing or matured principal and/or interest. Upon receipt of funds for payment of such principal or interest, the Paying Agent/Registrar must pay the amount due and forward the canceled Bond or evidence of payment of the interest to the CPA. The Commissioner will instruct the CPA to withhold the amount paid, plus interest, from the first State money payable to the school district. The amount withheld will be deposited to the credit of the PSF. To date, no school districts have ever defaulted on their guaranteed bonded indebtedness.

In 2011, the 82nd Texas Legislature enacted a Bill that established the Charter District Bond Guarantee Program as a new component of the Bond Guarantee Program, and authorized the use of the PSF to guarantee revenue bonds issued by or for the benefit of certain open-enrollment charter schools that are designated as "charter districts" by the Commissioner. Charter district applicants are subject to the same application fee structure as described above for school districts. Upon meeting certain statutory eligibility requirements and approval by the Commissioner, bonds properly issued by a charter district participating in the Program are fully guaranteed by the corpus of the PSF. Implementation of the Charter District Bond Guarantee Program was deferred pending receipt of guidance from the Internal Revenue Service, which was received in September 2013, and the establishment of regulations to govern the program, which were published for public comment in December 2013, approved in January 2014, and became effective in March, 2014.

Statute requires charter district participants in the Program to contribute a portion of their savings that result from their participation in the Program to a Charter District Bond Guarantee Reserve Fund. This fund is separately managed by TEA. In the event of a default by a charter district, the Commissioner shall instruct the CPA to transfer from the Charter District Bond Guarantee Reserve Fund to the district's paying agent the amount necessary to pay the maturing or matured principal and/or interest. If funds in the Charter District Bond Guarantee Reserve Fund are insufficient to pay the amount due on a bond in default, the payment process followed is the same as for school districts. As with school districts, no charter districts have defaulted on their guaranteed bonded indebtedness.

The Internal Revenue Service issued Notice 2010-5 on December 16, 2009 stating that it intended to propose regulations to replace the previous federal law limit on the Guarantee program capacity to be no more than five times the cost value of the PSF on that date. Section 4 of the Notice states that it may be relied on for bonds issued after December 16, 2009. Amendments to Treasury Regulation Section 1.148-11 were published in the Federal Register on July 18, 2016. By their terms, the amendments codified Notice 2010-5 and apply to bonds sold on or after October 17, 2016. For bonds sold prior to that date, Notice 2010-5 can be relied upon.

The 80th Texas Legislature adopted a change in the state law limit, amending Section 45.053 of the Texas Education Code to allow the SBOE to increase the guarantee capacity up to five times the cost value of the PSF, provided that the Board determines that any increase will still allow school district bonds to receive the highest rating. Effective March 29, 2018, the SBOE authorized capacity multiplier for the State Capacity Limit was adjusted to 3.50 times the cost value of the Fund, including the portion managed by the SLB.

As of August 31, 2019, the capacity of the Guarantee Program is $117,318,653,038 under Federal law and $123,509,204,770 under State law. Total outstanding bonds guaranteed by the PSF under this program total $84,397,900,203 at August 31, 2019; of that, $82,537,755,203 is for school district guarantees (847 school districts) and $1,860,145,000 is for charter district guarantees (15 charter districts). These dollar amounts represent the outstanding principal amount of the bonds issued. They do not reflect any subsequent accretions in value for the compound interest bonds (zero coupon bonds), nor do they include interest on current interest bonds or variable rate notes. The balances also exclude bonds that have been refunded and released from the Bond Guarantee Program. The balance of bonds guaranteed under the program does not exceed the calculated capacity of the program as of August 31, 2019.

Guarantees extend through the maturity dates of the bonds. As of August 31, 2019, the total principal debt guaranteed on bond issues is $84,397,900,203, the expected interest to be paid out over the remaining life of those bond issues is $48,790,249,062, and the final maturity is scheduled to occur in the year 2055.

As of August 31, 2019, no financial liability to the PSF has been recorded in relation to the Fund's obligation to stand ready to perform over the term of the guarantee. The guarantee functions as a liquidity facility and an intercept program that carries very little risk to the PSF. The guarantee is offered at a nominal cost to a school district or charter district that properly applies, receives endorsement by the Commissioner, and has its bonds approved by the State of Texas Attorney General.

11. CONTINGENCIES

A. Bond Guarantee Program

As described by Note 10 in greater detail, the TEA administers a Bond Guarantee Program for qualified school districts and charter districts who choose to participate. The purpose of the Program is to ultimately reduce borrowing costs for participating districts by increasing their credit rating through association with the Program. The TEA, through the PSF, commits to payment of the next scheduled principal or interest payment on behalf of a participating district in the event of that district's default.

B. Pending Litigation

The PSF(SBOE) has potential liability in a class action defense which asserts fraudulent conveyance claims and which seeks to recover moneys paid the PSF(SBOE) for the sale of publicly-traded securities in response to tender offers made in the context of leveraged buy-outs. While ultimately uncertain whether the PSF(SBOE) will have any liability for this matter, management believes that it is unlikely that this suit will result in any liability to the Fund during the twelve months subsequent to August 31, 2019, therefore, in accordance with GAAP, no accrual for this matter is currently reflected in the accompanying financial statements. The Attorney General's Office is representing the PSF(SBOE) and asserting sovereign immunity and other defenses.

Tribune Company, No. 08-13141; The Official Committee of Unsecured Creditors of Tribune Company v. Fitzsimmons, Adv. Pro. No. 10-54010 (Bankr. D. Del); and Deutsche Bank v. Employees Retirement Fund of the City of Dallas, No. 3:11-CV-1167-F; (N. D. Tex. Dallas Div.) CONSOLIDATED in: Tribune Company Fraudulent Conveyance Litigation; Nos. 11-MD-2296 and 12-MC-2296 (S. D. N. Y.)

The PSF(SBOE) received approximately $3.9 million for Tribune stock.

As of August 31, 2019, certain lawsuits were pending against the state and/or the Commissioner of the GLO, which challenge the Fund's title to certain real property or past mineral income from that property. The following lawsuits are pending and may represent contingent liabilities:

BHP Billiton Petroleum Properties, (N.A.), LP v. Rio Oil & Gas (Permian) II, LLC

State issued deep rights lease to Defendant; Plaintiff filed suit to quiet title on its belief that it retained some of same through a pooling agreement. Petition filed April 4, 2019; GLO petition in intervention filed June 14, 2019; court-ordered abatement as of June 20, 2019 to allow BHP to join all RAL surface owners. The probability of liability is reasonably possible. The possible final amount of loss is indeterminable at this time.

Brannan, et al. v. State of Texas, et al.

Plaintiffs seek declaratory relief as to the rights of beachfront property owners, and members of the general public, to beaches on the Gulf Coast of Texas at Surfside Beach as well as a determination as to whether the imposition upon private property of a rolling easement for public use constitutes a deprivation of use or a taking by the State. Trial court granted the State's summary judgment motion regarding Plaintiffs' takings claims based on the rolling beach easement. Multiple parties subsequently intervened, claiming that the GLO was taking their property by refusing to allow them to make repairs to their beachfront homes after a high tide. Trial court issued an injunction ordering the removal of all houses on the easement. First Court of Appeals affirmed the injunction and agreed that the owners' claims for damages due to a permanent taking and a regulatory taking had been properly denied. Court of Appeals denied Plaintiffs' motion for rehearing, withdrew the opinion from August 2009, and issued a new opinion in February 2010. In April 2010, Plaintiffs filed a petition for review in the Texas Supreme Court. The case was remanded to the First Court of Appeals for further consideration in light of the *Severance* opinion. On May 1, 2014, the First Court of Appeals reversed on submission the trial court's summary judgment granted in favor of the State and remanded the case back to the trial court for reconsideration in light of/accordance with *Severance*. On July 28, 2014, a Status Conference was held in Brazoria County

District Court. On August 13, 2014, Plaintiffs filed a motion for partial summary judgment seeking a declaration that the GLO and City's imposition of a "rolling easement" following Tropical Storm Frances in 1998 and the 2006 "bull tides" constituted taking without just compensation. A summary judgment hearing was held on January 27, 2015. On February 19, 2015, the GLO filed its reply brief in support of its plea to the jurisdiction and a cross motion for summary judgment on Plaintiffs' claims. On April 20, 2015, the GLO filed a Plea to the Jurisdiction and a Motion for Summary Judgment on the issue of attorney's fees. On June 22, 2015, the court heard all motions but dismissed only Brannan's takings claims as against the Village of Surfside and its mayor. In October and November of 2015, Plaintiffs filed multiple supplemental motions and memoranda and attempted to set a hearing to facilitate the court's decision-making. By rulings issued November 18, 2015 on motions properly before the court, the State's jurisdictional pleas/summary judgment motions regarding 1) non-entitlement to attorney's fees and 2) Plaintiffs' takings claims were granted; and all of Plaintiffs' motions were denied except Brannan's motion for separate trial only on her takings claim – all of which was memorialized by order dated January 4, 2016. Plaintiffs' multiple motions for declarations filed subsequent to the November rulings were heard on January 25, 2016. On February 1, 2016, Plaintiffs filed 3 additional motions, noticing a hearing for February 23, 2016. On February 16, 2016, the GLO filed responses and a jurisdictional plea, the latter of which was also argued at the reset March 29, 2016 hearing. On July 8, 2016, Plaintiffs filed Supplemental Pleadings specific to Angela Mae Brannan. On August 18, 2016, a new claim was filed via "Motion on a Taking" specific only to Angela Mae Brannan, simultaneously noticing a request that her claims be tried in October 2016 and a docket call for same on September 9, 2016. On September 8, 2016, the GLO served additional discovery and filed a jurisdictional plea on Ms. Brannan's declaratory judgment claims, setting the latter for a September 27, 2016 hearing, which subsequently pushed. On September 9, 2016, the court ordered the parties to mediate within 30 days Ms. Brannan's remaining takings claims, and set same for trial on November 14, 2016; mediation subsequently cancelled and trial setting passed. On December 2, 2016, Ms. Brannan filed her opposition to the GLO's jurisdictional plea on her declaratory judgment claims; hearing on which was held February 27, 2017 (along with GLO's motion to strike Pedestrian Beach, LLC's petition in intervention filed December 13, 2016, and motion to sever Plaintiffs' New-Property Claims if Agreed Order as to same not signed/entered, as well as Plaintiffs' Motion for Relief from Unfair Discovery Practice). On March 27, 2017, the court signed an order granting the GLO's motion to sever all new property claims (from original cases) and sua sponte severing all declaratory judgment causes of action in all cases (from takings claims) into Cause No. 91156-CV, but abated discovery and conveyed an intent to rule on all pending motions regardless. On April 25, 2017, the court heard and granted GLO's motion to dismiss Plaintiffs' anthropogenic erosion claims, but denied GLO's summary judgment motion as to revetment claims (limitations). Agreements in principle reached on 10 original properties with takings compensation claims. On September 20, 2017, the court issued rulings striking Pedestrian Beach, LLC's Petition in Intervention; granting the GLO's jurisdictional pleas as to new properties added by October 2015 supplemental pleadings and as to Angela Mae Brannan's declaratory judgment claims; and denying four of Plaintiffs' pending declaratory judgment motions. Appeal noticed on November 8, 2017; assigned to 1st Court of Appeals. briefed in full as of October 8, 2018. On February 28, 2019, the GLO filed a motion for leave to file its simultaneously-filed motion to strike Appellants' Supplement filed on February 13, 2019, submitted June 11, 2019 post-oral argument. The probability of liability is reasonably possible. The possible final amount of loss is indeterminable at this time.

Fleming v. Bush, in his Capacity as Texas Land Commissioner

Plaintiff seeks judgment for title to and possession of identified real property in Nueces County, as well as declarations 1) that the title claimed by Land Commissioner Bush, if any, is invalid and 2) establishing property boundaries. Petition filed July 18, 2018; Answer and jurisdictional plea filed August 17, 2018. Jurisdictional plea/summary judgment motion filed January 15, 2019. On February 4, 2019, Fleming filed an amended petition and a jurisdictional plea/summary judgment response; Commissioner's reply filed February 8, 2019; hearing held February 11, 2019 and motion taken under advisement. The probability of liability is remote. The possible final amount of loss is indeterminable at this time.

GLO v. USFWS, DOI, et al.

Suit for declaratory judgment/injunctive relief as regards Federal Defendants' denial of the Petition to

Delist from the Endangered Species Act the Golden-Cheeked Warbler. Petition filed June 5, 2017. On August 1, 2017, The Travis Audubon Society, Texas Ornithological Society, Center for Biological Diversity and Defenders of Wildlife collectively filed a motion to intervene, to which both GLO and Defendants filed motions in opposition. Defendants' Motion to Dismiss (12(b)(1) and (6)) filed September 11, 2017; GLO filed response to same and its First Amended Complaint on September 21, 2017, in response to which Defendants filed a motion to partially dismiss same on October 5, 2017. GLO filed its response on October 19, 2017. On October 11, 2017, Intervenors filed a proposed answer to Plaintiff's Amended Complaint. On October 31, 2017, Defendants filed a third motion to partially dismiss GLO's Second Amended Complaint. Intervention/dismissal motions heard November 16, 2017; by order entered November 30, 2017; motion to intervene denied without prejudice; Defendants; motion to partially dismiss granted (GLO first and third claims for relief dismissed). Summary judgment briefed in full as of August 15, 2018. order issued February 6, 2019 granting Defendants' motion. GLO's Notice of Appeal filed March 1, 2019; briefed in full as of July 18, 2019; oral argument scheduled for week of December 2, 2019. The probability of liability is reasonably possible. The possible final amount of loss is indeterminable at this time.

GLO v. UT Board of Regents, et al.

The GLO received legislative permission to file a declaratory action in Travis County against the UT Board of Regents – the University Fund manager – regarding the PSF land/University Land boundary in Pecos County. GLO filed an Amended Petition on February 5, 2014. On May 12, 2014, a hearing was held on the Board of Regents' Motion to Dismiss and special exceptions, all of which were denied via orders signed and entered on June 27, 2014. On July 25, 2014, the Board of Regents filed a Motion to Dismiss for Lack of Jurisdiction, which was denied on August 5, 2014. On July 30, 2014, select Defendants/Cross-Plaintiffs filed a Motion for Partial Summary Judgment. The GLO filed a Motion for Summary Judgment on September 18, 2014. Defendants/Cross Plaintiffs filed a Motion for Summary Judgment on October 23, 2014; to which the GLO filed a response on November 6, 2014. All motions were heard November 13, 2014; on November 21, 2014, the court issued a letter ruling and subsequently signed and entered an order on December 5, 2014, granting the GLO's motion and denying the Board's motion. Mediation was held June 11, 2015 and settlement discussions are ongoing. On September 16, 2015, the GLO filed a motion (which Cross-Plaintiffs filed subsequent motions to join) to sever its claims as against the Board in order to render the court's prior order granting the GLO's summary judgment motion final and appealable. Stroman Motion to Sever denied June 25, 2018; Settlement agreement executed, agreed final judgement to be filed. The settlement agreement did not result in any loss to the GLO.

Hudspeth County V. GLO & Bush, as Land Commissioner

Suit for taking (GLO) and trespass to try title (Commissioner) in context of minerals (Sand, gravel, limestone, igneous rock) produced pursuant to mining lease with Desert Rock Co. to which Plaintiff lays claim and alleges it has not been compensated for. Petition filed July 3, 2018; Answer and jurisdictional plea filed August 1, 2018. Summary judgement motion filed in support of Commissioner's plea hearing held May 9, 2019.The probability of liability is reasonably possible. The possible final amount of loss is indeterminable at this time.

Lone Oak Club, LLC v. Jerry Patterson, et al.

Plaintiff filed a trespass to try title suit, asserting ownership to certain property involving the tidally influenced boundary in Chambers County, and alleging that the Commissioner, through ultra vires acts, has wrongfully asserted jurisdiction, title and right to possession and control over watercourses or navigable streams on said properties; has been encouraging the general public to commit trespass and hunt without consent on the properties and streambeds and has unreasonably interfered with Plaintiff's rights to possession, use, control and quiet enjoyment. Plaintiff seeks title and possession of the disputed property, pre- and post- judgment interest and reasonable attorney's fees. Lone Oak's Motion to Retain was granted November 19, 2015. On April 14, 2016, Plaintiff filed a motion to substitute counsel and subsequently substituted Commissioner Bush for Patterson and non-suited all other remaining Defendants. Rule 166 Conference held June 30, 2016: claims related to all, but one tract severed and abated. On October 26, 2016, the court granted Lone Oak's summary judgment motion, denying the Commissioner's motion. Judgment entered January 26, 2017, following hearing on same. GLO noticed appeal on February 24, 2017; assigned to 1st Court of Appeals. Briefed in full as of November 22, 2017; submitted on briefs January 30, 2018; affirmed via Opinion issued February 22, 2018. Supreme Court petition filed June 8, 2018; court-requested response filed August 20, 2018; Reply filed November 5, 2018. Merits briefing requested: fully briefed on merits as of May 20, 2019; submitted September 17, 2019 post-oral argument. The probability of liability is reasonably possible. The possible final amount of loss is indeterminable at this time.

Presidio Holdings, LLC, et al. v. Green River Resources, Inc., et al.

Plaintiffs sued to have certain oil, gas, and mineral leases declared terminated. The GLO's Answer and Plea to the Jurisdiction were filed on August 7, 2015. The probability of liability is reasonably possible. The possible final amount of loss is indeterminable at this time.

Signal Drilling, LLC, et al. v. New-Tex Operating, LLC, et al.

Plaintiff sued for injunctive relief and compensation for alleged interest in oil, gas, and mineral leases. Answer filed October 26, 2015. On December 4, 2015, New-Tex Defendants filed a First Amended Answer and a Second Amended Counterclaim. On December 24, 2015, Signal propounded discovery on the agency and filed a Second Amended Petition and Applications for Receivership and Injunctive Relief, in which Jaten Oil Company is also named as a Plaintiff and multiple causes of action are alleged as against the GLO and Commissioner Bush. On January 15, 2016, the GLO filed its First Amended Answer/Jurisdictional Plea. On March 21, 2016, the court granted without hearing an opposed motion for continuance on the GLO's plea hearing, previously reset for March 23, 2016. On April 19, 2016, the agency filed a First Amended Motion for Protective Order in response to Signal's attempt to serve a second set of discovery requests; GLO's plea hearing reset for June 8, 2016. On June 7, 2016, the court signed an order as to Signal's nonsuit without prejudice of all claims against the GLO and Commissioner Bush. On September 8, 2016, the GLO filed its jurisdictional plea as to Jaten/Riparia claims, noticing a hearing for October 19, 2016. On September 29, 2016, Signal filed a motion for partial summary judgment as against the New-Tex Defendants, also to be heard October 19, 2016. On October 13, 2016, the court signed an order on Jaten/Riparia's nonsuit without prejudice of all claims against the State, the GLO and Commissioner Bush, removing all State Defendants from the litigation and mooting the need for the October 19th jurisdictional plea hearing. On November 22, 2016, the New-Tex Defendants filed a motion to dismiss (absence of the State as an indispensable party) and a partial summary judgment motion for a declaration that the subject Jaten Top Lease is void as violative of the rule against perpetuities. On December 8, 2016, Signal filed a Third Amended Petition, naming Ponderosa Operating, LLC and Ponderosa Energy, LLC as defendants, to which New-Tex allegedly assigned its (subject) leasehold interest effective as of May 1, 2016. Ponderosa Energy filed its answer on December 26, 2016, denying property ownership and arguing indispensability of the State as necessary party. On January 26, 2017, Ponderosa Operating, LLC filed a plea in abatement. On February 21, 2017, Signal filed its First Supplemental Petition and Application for Declaratory Relief, seeking in part to bring the State and Commissioner Bush back into the litigation (not seeking "to (re)assert affirmative claims for relief against the [GLO], but rather merely add them ... as a necessary and indispensable party"); and Ponderosa Operating, LLC filed an amended plea in abatement. Signal served its supplemental petition on the Commissioner and the agency on March 16, 2017; answer due April 10, 2017. On March 30, 2017, Signal filed a Motion for Modification of Temporary Injunction Order, noticing a hearing for April 5, 2017. The GLO filed its answer early, including a jurisdictional plea for which a motion to shorten time was also filed to have it heard contemporaneously; however, the court continued the plea, allowing for limited jurisdictional discovery in the interim and dissolved the prior injunction between Signal and New-Tex, the former of which entered into a new agreement as to timelines by when assignee Ponderosa is to timely deposit royalties into the court registry. GLO plea heard September 12, 2017; continuance granted as to Plaintiffs' partial summary judgment motions previously set for late September. GLO plea denied October 12, 2017; interlocutory appeal briefed in full as of March 26, 2018; argued September 12, 2018. On March 27, 2019, Riemer plaintiff Hap Johnson Royalty Co., LLC filed a plea in intervention, notwithstanding that the Signal Drilling lawsuit is currently stayed given the pending interlocutory appeal. The probability of liability is reasonably possible. The possible final amount of loss is indeterminable at this time.

State of Texas v. Coastland Operations, LLC

Defendant owes the agency $35,322 for renewal fees on multiple easements. Petition filed November 5, 2018; answered December 28, 2018. The probability of liability is reasonably possible. The possible final amount of loss is indeterminable at this time.

State v. Riemer
State alleged unlawful fencing of the Canadian River bed below Sanford Dam; Riemer filed multiple counterclaims. Trial court denied the State's plea to the jurisdiction. Appellate court reversed, ordering the trial court to dismiss all claims against the State except Riemer's claim to the surface of the two tracts as well as select takings claims of other parties who sought class certification. On December 30, 2009, the trial court denied class certification, a decision affirmed on appeal in May 2011. Counter-Plaintiffs filed a petition for review with the Texas Supreme Court, which held that the trial court abused its discretion and reversed and remanded the matter to the Seventh Court of Appeals to address the remaining contested class certification requirements. Appellate oral arguments were held on November 4, 2013. In an opinion issued November 26, 2014, the 7th Court affirmed the denial of class certification. On January 9, 2015, Riemer filed a petition for review with the Texas Supreme Court; the State filed its response on February 9, 2015; and Riemer filed a reply on February 24, 2015. In response to the Court's request for merits briefing (and via extensions granted), Riemer filed on July 1, 2015; the State filed its Response on August 20, 2015 and Riemer filed a Reply on September 25, 2015. On October 23, 2015, the Court denied Riemer's petition. Riemer's motion for rehearing was filed December 7, 2015 and denied January 8, 2016. On February 27, 2017, Riemer filed in district court its 14th Amended Counterclaim and 12th Amended Third Party Petition, as well as motions for partial summary judgment on limitations and navigability. Hearing held May 22, 2017, wherein both Riemer partial summary judgments were granted. On September 20, 2017, Plaintiffs filed a motion to sever (properties – albeit not specifically identified – west of the Borger-Stinnett Highway from those east); case reassigned to Judge Brancheau, who requested case status briefs. State's plea and Riemer's motion to sever heard November 1, 2017; by letter ruling dated December 2, 2017, the court granted the motion to sever, denied the State's plea outright as to the severed cause (Plaintiffs west of the highway) and granted the plea as to each Defendant of non-constitutional takings claims in the original cause (Plaintiffs east of the highway). Interlocutory appeal briefed in full as of March 27, 2018; argued December 5, 2018. Upon receipt of Railroad Commission letters communicating a contract award to commence plugging operations on Riemer tracts, Riemer filed in the appellate court an emergency motion to lift the automatic stay; briefed in full as of February 12, 2019; denied by order issued February 15, 2019. On March 7, 2019, the 7th Court of Appeals affirmed the trial court's denial of the GLO's jurisdictional plea; mandate issued May 24, 2019. Discovery is in progress. The probability of liability is reasonably possible. The possible final amount of loss is indeterminable at this time.

West Gulf Marine, Ltd. v. Texas General Land Office & George P. Bush
Plaintiff seeks title determination as to certain submerged properties under Galveston Bay, or alternatively to recover compensation for properties allegedly taken. Petition filed December 7, 2018; answered January 11, 2019; jurisdictional plea filed June 19, 2019; argued August 8, 2019; granted August 14, 2019. West Gulf filed its Notice of Appeal on September 13, 2019. The probability of liability is reasonably possible. The possible final amount of loss is indeterminable at this time.

There may be substantial legal obstacles to satisfaction of a judgment with Fund monies. The above lawsuits are referenced in this note as contingent liabilities in the interest of full disclosure.

While ultimately uncertain whether the Fund will have any liability for these matters, management believes that it is unlikely that these suits will result in any liability to the Fund during the twelve months subsequent to August 31, 2019; therefore, in accordance with GAAP, no accrual for these matters is currently reflected in the accompanying financial statements. The possibility that payment will be required from the Fund is remote.

The GLO had a claim amount of $4,702,727 for oil and gas sales transactions related to Enron Corporation, of which none was accrued as revenue in the year of Enron's bankruptcy due to the unlikelihood of its collection. Revenues will be recognized in the years collections are received. The GLO received and recognized total cumulative revenues of $2,770,382 through August 31, 2019.

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12. SIGNIFICANT COMMITMENTS

In November 2018, the SBOE set the distribution rate to the ASF for the 2020-2021 biennium at 2.9%. The PSF(SBOE) will distribute approximately $1.1 billion annually for each year of the 2020-2021 biennium.

As of August 31, 2019, the SBOE has approved and the Fund made cumulative capital commitments to externally managed real estate investment funds in a total amount of $5.1 billion and capital commitments to private equity limited partnerships for a total of $6.3 billion, to be implemented over the next several years. Unfunded commitments at August 31, 2019 totaled $1.9 billion in real estate investments and $2.3 billion in private equity investments.

During the fiscal year, new commitments were approved for real estate investment funds in the amount of $837.6 million, and for private equity limited partnerships in the amount of $798.7 million. All such commitments are subject to successful negotiation of contracts.

The PSF(SLB) makes investments in certain limited partnerships that legally commit it to future capital contributions of which approximately $2.50 billion remains unfunded as of August 31, 2019. There were three new capital commitments to externally-managed real assets investment funds or co-investment vehicles totaling approximately $300 million that were not yet closed at August 31, 2019.

On August 21, 2018, the SLB adopted a resolution that releases $600 million from the Real Estate Special Fund Account (RESFA) during fiscal 2020 and fiscal 2021 to the Available School Fund. The funds are scheduled to be released in eight quarterly installments of $75 million each on the 25th day (or next succeeding business day if the 25th is not a business day) of November 2019, February 2020, May 2020, August 2020, November 2020, February 2021, May 2021, and August 2021, respectively.

On November 19, 2018, the SLB adopted a resolution that releases $55 million from the Real Estate Special Fund Account (RESFA) during fiscal 2020 and fiscal 2021 to the State Board of Education for investment in the PSF. The funds are scheduled to be released in four quarterly installments of $2.5 million each on the 25th day (or next succeeding business day if the 25th is not a business day) of November 2019, February 2020, May 2020, and August 2020, and four quarterly installments of $11.25 million each on the 25th day (or next succeeding business day if the 25th is not a business day) November 2020, February 2021, May 2021, and August 2021, respectively.

At separate meetings on October 8, November 19, and December 17, 2019, the SLB approved capital commitments to three new real assets investment funds totaling $700 million.

The current land inventory includes approximately 424 acres of PSF property that is the remaining inventory of the Paseo Del Este development. This acreage is subject to a commitment to sell parcels of land over time as the development proceeds. The sales price of specific parcels are governed by the terms of a Purchase Contract effective June 1, 1998, and the four subsequent contract amendments, and are subject to an annual seven percent (7%) increase compounded annually, but calculated on a per diem basis. This remaining acreage is reported in inventory at a fair value of $17,963,281 as of August 31, 2019.

13. RELATED PARTIES

The PSF(SBOE) is the sole member for certain limited liability companies it has elected to establish as vehicles for investments in the absolute return and emerging market equity asset classes. The fair value of the investments held by these vehicles is carried in the balance sheet and more fully discussed in Note 2 above. During the fiscal year, the PSF(SBOE) transferred $26.6 million between these investment vehicles and invested $320.0 million in two of the vehicles. At fiscal year-end, there were no outstanding receivables or payables between the PSF(SBOE) and these investment vehicles, nor were there any outstanding commitments to or from the vehicles.

In accordance with the *Investment Vehicle Guidelines* adopted by the School Land Board in July 2018, the GLO can form and utilize special purpose vehicles (SPVs), such as limited liability companies (LLCs), special purpose corporations, and limited partnerships, to isolate liabilities, limit future funding obligations, avoid submitting to foreign jurisdictions, and to enhance the transferability of an investment. Since the State of Texas for the use and benefit of PSF(SLB) owns 100% of the SPVs, the GLO and the SPVs are related parties; however, there are no related party transactions between the Fund and the SPV's.

Following is a brief description of each of the currently active SPVs formed by the GLO:

Capitol Co-Investments 6, LLC
On behalf of the State of Texas for the use and benefit of PSF(SLB), the GLO has formed an SPV, Capitol Co-Investments 6, LLC (the Company). The Company's purpose is to make, hold and dispose of one or more investments and serve any other lawful purpose for which a limited liability company may be organized under Texas Business Organizations Code. PSF(SLB) is the sole member of the Company; hence the GLO, acting on behalf of PSF(SLB), has full authority over the Company's operations. PSF(SLB) is entitled to all distributions and the GLO, acting on behalf of PSF(SLB), elects when the Company may be dissolved. Upon dissolution, title to all property held by the Company will be transferred to PSF(SLB). As of August 31, 2019, Capitol Co-Investments 6, LLC has a net asset value of $34,824,310.

Capitol Co-Investments 7, LLC
On behalf of the State of Texas for the use and benefit of PSF(SLB), the GLO has formed an SPV, Capitol Co-Investments 7, LLC (the Company). The Company's purpose is to make, hold and dispose of one or more investments and serve any other lawful purpose for which a limited liability company may be organized under Texas Business Organizations Code. PSF(SLB) is the sole member of the Company; hence the GLO, acting on behalf of PSF(SLB), has full authority over the Company's operations. PSF(SLB) is entitled to all distributions and the GLO, acting on behalf of the PSF(SLB), elects when the Company may be dissolved. Upon dissolution, title to all property held by the Company will be transferred to PSF(SLB). As of August 31, 2019, Capitol Co-Investments 7, LLC has a net asset value of $59,587,000.

Capitol Co-Investments 8, LLC
On behalf of the State of Texas for the use and benefit of PSF(SLB), the GLO has formed an SPV, Capitol Co-Investments 8, LLC (the Company). The Company's purpose is to make, hold and dispose of one or more investments and serve any other lawful purpose for which a limited liability company may be organized under Texas Business Organizations Code. PSF(SLB) is the sole member of the Company; hence the GLO, acting on behalf of PSF(SLB), has full authority over the Company's operations. PSF(SLB) is entitled to all distributions and the GLO, acting on behalf of PSF(SLB), elects when the Company may be dissolved. Upon dissolution, title to all property held by the Company will be transferred to PSF(SLB). The SLB approved an increase of $180 million in its existing investment in Capitol Co-Investments 8, LLC at its September 4, 2018 meeting. As of August 31, 2019, Capitol Co-Investments 8, LLC has a net asset value of $248,240,714.

Capitol Co-Investments 9, LLC
On behalf of the State of Texas for the use and benefit of PSF(SLB), the GLO has formed an SPV, Capitol Co-Investments 9, LLC (the Company). The Company's purpose is to make, hold and dispose of one or more investments and serve any other lawful purpose for which a limited liability company may be organized under Texas Business Organizations Code. PSF(SLB) is the sole member of the Company; hence the GLO, acting on behalf of PSF(SLB), has full authority over the Company's operations. PSF(SLB) is entitled to all distributions and the GLO, acting on behalf of PSF(SLB), elects when the Company may be dissolved. Upon dissolution, title to all property held by the Company will be transferred to PSF(SLB). As of August 31, 2019, Capitol Co-Investments 9, LLC has a net asset value of $177,678,571.

Capitol Co-Investments 10, LLC
On behalf of the State of Texas for the use and benefit of PSF(SLB), the GLO has formed an SPV, Capitol Co-Investments 10, LLC (the Company). The Company's purpose is to make, hold and dispose of one or more investments and serve any other lawful purpose for which a limited liability company may be organized under Texas Business Organizations Code. PSF(SLB) is the sole member of the Company; hence the GLO, acting on behalf of PSF(SLB), has full authority over the Company's operations. PSF(SLB) is entitled to all distributions and the GLO, acting on behalf of PSF(SLB), elects when the Company may be dissolved. Upon dissolution, title to all property held by the Company will be transferred to PSF(SLB). As of August 31, 2019, Capitol Co-Investments 10, LLC has a net asset value of $0.

Capitol Co-Investments 11, LLC
On behalf of the State of Texas for the use and benefit of PSF(SLB), the GLO has formed an SPV, Capitol Co-Investments 11, LLC (the Company). The

Company's purpose is to make, hold and dispose of one or more investments and serve any other lawful purpose for which a limited liability company may be organized under Texas Business Organizations Code. PSF(SLB) is the sole member of the Company; hence the GLO, acting on behalf of PSF(SLB), has full authority over the Company's operations. PSF(SLB) is entitled to all distributions and the GLO, acting on behalf of PSF(SLB), elects when the Company may be dissolved. Upon dissolution, title to all property held by the Company will be transferred to PSF(SLB). As of August 31, 2019, Capitol Co-Investments 11, LLC has a net asset value of $74,278,299.

Capitol Co-Investments 12, LLC
On behalf of the State of Texas for the use and benefit of PSF(SLB), the GLO has formed an SPV, Capitol Co-Investments 12, LLC (the Company). The Company's purpose is to make, hold and dispose of one or more investments and serve any other lawful purpose for which a limited liability company may be organized under Texas Business Organizations Code. PSF(SLB) is the sole member of the Company; hence the GLO, acting on behalf of PSF(SLB), has full authority over the Company's operations. PSF(SLB) is entitled to all distributions and the GLO, acting on behalf of PSF(SLB), elects when the Company may be dissolved. Upon dissolution, title to all property held by the Company will be transferred to PSF(SLB). As of August 31, 2019, Capitol Co-Investments 12, LLC has a net asset value of $102,303,137.

Capitol Co-Investments 13, LLC
On behalf of the State of Texas for the use and benefit of PSF(SLB), the GLO has formed an SPV, Capitol Co-Investments 13, LLC (the Company). The Company's purpose is to make, hold and dispose of one or more investments and serve any other lawful purpose for which a limited liability company may be organized under Texas Business Organizations Code. PSF(SLB) is the sole member of the Company; hence the GLO, acting on behalf of PSF(SLB), has full authority over the Company's operations. PSF(SLB) is entitled to all distributions and the GLO, acting on behalf of PSF(SLB), elects when the Company may be dissolved. Upon dissolution, title to all property held by the Company will be transferred to PSF(SLB).As of August 31, 2019, Capitol Co-Investments 13, LLC has a net asset value of $84,816,886.

Capitol Co-Investments 14, LLC
On behalf of the State of Texas for the use and benefit of PSF(SLB), the GLO has formed an SPV, Capitol Co-Investments 14, LLC (the Company). The Company's purpose is to make, hold and dispose of one or more investments and serve any other lawful purpose for which a limited liability company may be organized under Texas Business Organizations Code. PSF(SLB) is the sole member of the Company; hence the GLO, acting on behalf of PSF(SLB), has full authority over the Company's operations. PSF(SLB) is entitled to all distributions and the GLO, acting on behalf of PSF(SLB), elects when the Company may be dissolved. Upon dissolution, title to all property held by the Company will be transferred to PSF(SLB). As of August 31, 2019, Capitol Co-Investments 14, LLC has a net asset value of $59,697,892.

Capitol Co-Investments 15, LLC
On behalf of the State of Texas for the use and benefit of PSF(SLB), the GLO has formed an SPV, Capitol Co-Investments 15, LLC (the Company). The Company's purpose is to make, hold and dispose of one or more investments and serve any other lawful purpose for which a limited liability company may be organized under Texas Business Organizations Code. PSF(SLB) is the sole member of the Company; hence the GLO, acting on behalf of PSF(SLB), has full authority over the Company's operations. PSF(SLB) is entitled to all distributions and the GLO, acting on behalf of PSF(SLB), elects when the Company may be dissolved. Upon dissolution, title to all property held by the Company will be transferred to PSF(SLB). As of August 31, 2019, Capitol Co-Investments 15, LLC has a net asset value of $85,180,313.

Capitol Co-Investments 16, LLC
On behalf of the State of Texas for the use and benefit of PSF(SLB), the GLO has formed an SPV, Capitol Co-Investments 16, LLC (the Company). The Company's purpose is to make, hold and dispose of one or more investments and serve any other lawful purpose for which a limited liability company may be organized under Texas Business Organizations Code. PSF(SLB) is the sole member of the Company; hence the GLO, acting on behalf of PSF(SLB), has full authority over the Company's operations. PSF(SLB) is entitled to all distributions and the GLO, acting on behalf of PSF(SLB), elects when the Company may be dissolved. Upon dissolution, title to all property held by the Company will be transferred to PSF(SLB).

As of August 31, 2019, Capitol Co-Investments 16, LLC has a net asset value of $113,632,796.

Tenancy In Common and Joint Ventures

In July 2007, a one-half tenancy in common interest was formed between the SLB and Cherokee Sugar Land, LP, for the use and benefit of the PSF. This joint tenancy in common was formed to develop the combined tracts of land over several years. The PSF will pay one-half of the development cost and will participate in one-half of all income. Imperial Johnson, LLC, the development manager, submits an annual budget to the PSF for approval. During fiscal 2019, a total of approximately $631 thousand was contributed to fund development costs. Additionally, a payable of approximately $77 thousand for development costs has been accrued as of August 31, 2019.

In 2005, the PSF acquired 1,984 acres located in New Braunfels, Texas fee simple, associated with a Development/Disposition Agreement with RS New Braunfels, LTD and RS New Braunfels, Two, LTD. The purpose of the contractual agreement was for the agent to obtain necessary entitlements to enhance the value and marketability of the assets.

In August 2012, Galveston Preserve at West Beach, Ltd., a Texas limited partnership, was formed between MP Marquette Galveston LLC and Marquette Preserve, LP, LLC – both Texas limited liability companies – and the SLB for the use and benefit of the PSF. The PSF contributed 1,031.52 acres to the partnership. The acreage will be used for a mixed use residential/commercial development.

In April 2014, Grand Parkway 1358, LP, a Texas limited partnership, was formed between Johnson GP 1358, LLC and Johnson 1258 Investors LLC – both Texas limited liability companies – and the SLB for the use and benefit of the Permanent School Fund (PSF). The development, known as Harvest Green, is a mixed use residential/commercial development located near Sugarland, Texas. The PSF contributed 1,343.679 acres of land to the partnership. The infrastructure for the master planned development began in late 2014.

In May 2017, 290 WR Holdings LP, a Texas limited partnership was formed between Johnson WR Investors LLC, Johnson WR GP LLC, and the SLB for the use and benefit of the Permanent School Fund (PSF). The partnership acquired 1,617 acres located in northwest Houston. The property is planned for a future master-planned community. The master-planned development is scheduled to begin construction in 2020.

14. SUBSEQUENT EVENTS

The 86th Legislature approved legislation altering some aspects of the SLB and the RESFA.

Effective September 1, 2019, the membership of the SLB was increased from three to five members, comprised of the Commissioner of the General Land Office and four citizens of the State appointed by the governor with the advice and consent of the Senate.

On September 3, 2019, the SLB released $3.9 billion dollars to the Permanent School Fund liquid account. The SBOE will administer the funds in the same manner that other assets of the permanent school fund are managed, until such time the funds are required to meet investment needs of the SLB, at which time they will be remitted back for the SLB's use.

On November 5, 2019, the voters of the State of Texas approved a constitutional amendment (House Joint Resolution 151, 86th Legislature, Regular Session) allowing increased distributions to the available school fund. Section 5(g), Article VII, Texas Constitution was amended to allow the School Land Board to distribute to the available school fund an amount not to exceed $600 million per year.

15. RESTATEMENTS

The PSF(SBOE) restated fund balance by $76,408,698 to reflect the accumulated incentive allocation accrual due to private equity fund-of-funds managers applicable to prior periods.

A restatement of $437,811,600 was made by the PSF(SLB) to correct the mineral valuation balance from the prior year, as leases were excluded in error.

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SECTION THREE

STATISTICAL SUMMARY

(UNAUDITED)

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This part of the Fund's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements and note disclosures says about the Fund's overall financial position.

Contents

A History and Description of the Texas Permanent School Fund

An Overview of the Strength of the Texas Permanent School Fund Assets Managed By the State Board of Education (SBOE), Fiscal Years Ended August 31, 2019 and 2018 (Figure 1)

This figure and schedule present information regarding the diversification of the portfolio of assets in the Texas Permanent School Fund managed by the SBOE.

Asset Allocation Mix-SBOE, Fiscal Year Ended August 31, 2019 (Figure 2)

This schedule and figure present information regarding the portfolio mix by asset class as a percentage of total assets.

Asset Allocation Mix Including Assets Managed by the School Land Board (SLB), Fiscal Year Ended August 31, 2019 (Figure 3)

This schedule and figure present information regarding the portfolio mix by asset class as a percentage of total assets, including assets managed by the SLB.

Total PSF(SBOE) Fund Rate of Return, Fiscal Year Ended August 31, 2019 (Net of Fees) (Figure 4)

These figures contain information comparing the actual performance of assets of the Fund to benchmarks, using a time weighted rate of return.

Total PSF(SBOE) Fund Rate of Return, Last Five Fiscal Years (Net of Fees) (Figure 5)

This schedule presents annual composite performance and benchmark data for assets managed over the last five years by the SBOE, net of fees.

Total PSF(SBOE) Time Weighted Returns, Last Five Fiscal Years (Gross of Fees) and Selected Cumulative Periods

This schedule presents information containing the time weighted rate of returns, gross of fees, for assets managed by the SBOE for the last five fiscal years by asset class and also cumulative for three, five and ten years.

Total PSF(SBOE) Time Weighted Returns, Last Five Fiscal Years (Net of Fees) and Selected Cumulative Periods

This schedule presents information containing the time weighted rate of returns, net of fees, for assets managed by the SBOE for the last five fiscal years by asset class and also cumulative for three, five and ten years.

Total PSF(SLB) Time Weighted Returns, Selected Cumulative Periods

These schedules present information containing the time weighted rate of returns for assets managed by the SLB for selected cumulative periods.

PSF(SBOE) Investment Management Fees for the 12 Months Ended June 30, 2019

This schedule presents information containing PSF(SBOE) investment management fees and profit sharing paid for the twelve months ended June 30, 2019.

PSF(SLB) Investment Management Fees for the 12 Months Ended August 31, 2019

This schedule presents information containing PSF(SLB) investment management fees and profit sharing paid for the twelve months ended August 31, 2019.

Contributions to the Texas Permanent School Fund Assets Managed by the SBOE, Last Ten Fiscal Years (Figure 6)

This figure presents information regarding the contributions made by the SLB to PSF(SBOE) for the past ten fiscal years.

Distributions to the Available School Fund (ASF), Last Ten Fiscal Years (Figure 7)

This figure contains information regarding the distributions to the ASF by the SBOE and the SLB for the last ten fiscal years.

Fund Balances, Last Ten Fiscal Years (Figure 8)

This figure provides information regarding the breakdown of fund balances for the last ten fiscal years for comparison.

Changes in Fund Balances, Last Ten Fiscal Years (Figure 9)

This figure provides trend information including a summarized comparison of the net change in fund balances for the last ten fiscal years.

Average Daily Attendance and Contributions to ASF, Last Ten Fiscal Years (Figure 10)

This schedule provides trend information regarding the average daily attendance and distributions to the ASF for the last ten fiscal years in total and per student.

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A History and Description of the Texas Permanent School Fund

The Texas Permanent School Fund (Fund) was created with a $2,000,000 appropriation by the Legislature of 1854 expressly for the benefit of the public schools of Texas. These funds were available as a result of a $10 million payment from the United States government in exchange for giving up claims to western lands claimed by the former Republic of Texas. In 1854–55, the Fund's first annual per student distribution for public education was 62 cents. By 1861, the Fund was depleted by railroad loan defaults, collapse of the Confederate monetary system, and eventual loan of the Fund to the Civil War effort. The Constitution of 1876 stipulated that certain lands and all proceeds from the sale of these lands should also constitute the Texas Permanent School Fund. Additional Acts later gave more public domain land and rights to the Fund.

In 1953, the U.S. Congress passed the Submerged Lands Acts that relinquished to coastal States all rights of the U.S. navigable waters within State boundaries. Submerged lands were defined to be those lands beneath and beyond three miles of the shoreline. If the State, by law, had set a larger boundary prior to or at the time of admission to the Union, or it had been approved by Congress, then the larger boundary applied. After three years of litigation (1957–1960), the U.S. Supreme Court on May 31, 1960, affirmed Texas' historic three marine leagues (10.35 miles) seaward boundary. Texas proved its submerged lands property rights to three leagues into the Gulf of Mexico by citing historic laws and treaties dating back to 1836. All lands lying within that limit belong to the Fund. The proceeds from the sale and the mineral related rental of these lands, including bonuses, delay rentals, and royalty payments, become the corpus of the Fund.

On November 8, 1983, the voters of the State approved a Constitutional Amendment, which provides for the guarantee of school district bonds by the Fund. On approval by the Commissioner of Education, bonds properly issued by a school district are fully guaranteed by the corpus of the Fund. During 2014, charter district bonds were also included in the Fund's bond guarantee program. The Texas Permanent School Fund has guaranteed over $186.2 billion in school bonds since the inception of the program, resulting in substantial savings to the taxpayers of the State through reduced issuance costs and lower borrowing costs.

Historically, only the income produced by the Fund was used to complement taxes in financing public education. As such, from 1854 through the 2003 fiscal year, all interest and dividends produced by Fund investments and certain land related income flowed into the Available School Fund (ASF). From the ASF, monies are distributed to the public schools based on average daily student attendance.

On September 13, 2003, the voters of the State of Texas (State) approved a Constitutional Amendment that changed the Fund distribution methodology from an income-based formula to a total return based formula (2003 Constitutional Amendment). With the approval of the 2003 Constitutional Amendment, interest and dividends produced by fund investments and certain land related revenues are additional revenue to the Fund. Beginning in September 2003, the Fund transfers on a monthly basis a total return amount to the ASF. Revenues earned by the Fund include gains realized on the sale of land and real estate owned by the Fund; lease payments, bonuses and royalty income received from oil, gas and mineral leases; commercial real estate lease revenues; surface lease and easement revenues; revenues from the resale of natural and liquid gas supplies; dividends, interest, and securities lending revenues; the net increase or decrease in the fair market value of the investment portfolio and externally managed real assets investment funds; and other miscellaneous fees and income.

Expenditures are paid from the Fund and include operational costs, investment management fees, and costs incurred to manage the land endowment and real assets investments.

In making investments, the SBOE is charged with exercising the judgment and care under the circumstances then prevailing which men of ordinary prudence, discretion, and intelligence exercise in the management of their own affairs, not in regard to speculation, but in regard to the permanent disposition of their funds, considering the expected income as well as the probable safety of their capital. The SBOE employs independent firms for advice on investment programs, asset allocation, and performance measurement to assist in the management of the PSF(SBOE) assets. The SBOE may appoint a Committee of Investment Advisors (CIA) to provide independent review of the Fund's investment policies, procedures, and nature of investments.

The CIA advises the SBOE members on investment plans, strategies, and programs. Each member of the SBOE may appoint a single member to the CIA. The CIA members serve at the pleasure of the SBOE member that appointed them.

While many factors impact the decision-making process, the most important factor is the asset allocation strategy. In order to protect the purchasing power of the PSF(SBOE) assets from inflation while maintaining sufficient distribution to support the funding of education in Texas, the SBOE must determine the appropriate balance between expected risk and return as the portfolio is diversified.

The financial marketplace is very dynamic and continuously provides new potential investment opportunities. Working closely with investment staff and investment advisors, the SBOE approved a target asset allocation strategy at the June 2018 Board Meeting, which is expected to provide an increased total return at reduced risk. This asset allocation strategy affords the SBOE the opportunity to select from a broad range of investment opportunities, thus creating a more diversified portfolio while continuing to meet the Fund's financial objectives for risk, return, and income. The PSF(SBOE) target asset allocation includes Real Estate investments which are funded and managed separately from the PSF(SLB) Real Assets investments.

Texas law assigns control of the Fund's land and mineral rights to the three-member SLB, which includes the elected Commissioner of the General Land Office (GLO), an appointee of the Governor, and an appointee of the Attorney General. The assets managed by GLO on behalf of the SLB generally fall into three broad categories: (1) discretionary real assets investments, (2) sovereign and other lands, and (3) mineral interests.

In 1985, the SLB, through the GLO, was authorized to use the proceeds of land sales to acquire other interests in real property. In the ensuing years, the SLB's investment authority has been modified and expanded several times. The current investment authority of the SLB is detailed in Section 51 of the Natural Resources Code (NRC). Additionally, Section 51.402 states that the market value of the investments in real estate on January 1 of each even-numbered year may not exceed an amount that is equal to 15 percent of the market value of the Fund on that date.

The 77th Legislature amended the NRC effective September 2001 to allow the SLB to deposit some or all of the proceeds of future mineral leases and royalties generated from existing and future active leases of the Fund's mineral interest into a real estate special fund account (RESFA) at the State Treasury. The 79th Legislature further amended the NRC in 2005 to clarify the purposes for which the RESFA can be used, including adding three additional purposes. For the use and benefit of the Fund, proceeds in the RESFA are to be used by the SLB to acquire, as public school land:

- Land
- Interests in real property for biological, commercial, geological, cultural or recreational purposes
- To acquire mineral and royalty interests
- To protect, maintain, or enhance the value of public school lands
- To acquire interests in real estate
- To pay reasonable fees for professional services related to Fund investments

In 2007, the 80th Legislature again amended Chapter 51 of the NRC with HB 3699, authorizing the SLB and the Land Commissioner to designate funds previously transferred to PSF(SBOE) for deposit into RESFA and to determine whether to release any funds from the RESFA to the PSF(SBOE) or to directly transfer funds to the ASF. HB 3699 also expanded the investment authority of PSF(SLB) to include the following:

- Land
- Interests in real property for biological, commercial, geological, cultural or recreational purposes
- To acquire mineral and royalty interests
- To protect, maintain, or enhance the value of public school lands
- To acquire interests in real estate
- To pay reasonable fees for professional services related to Fund investments
- To acquire, sell, lease, trade, improve, maintain, protect, or use land, mineral royalty interests, or real estate investments, an investment or interest in public infrastructure, or other interests

The legislation became effective June 15, 2007, and was duly implemented by SLB resolution on September 1, 2007. On November 8, 2011, voters approved amendments to the State Constitution that included a change that increases the base amount used in calculating the distribution rate from the PSF(SBOE) to the Available School Fund (ASF), as more fully described in Note 1 to the financial statements.

The SLB's written investment policy statement (Investment Policy) authorizes the investment of money in the RESFA, in externally managed commingled funds and separate accounts, as well as in direct investments that are sourced, executed, and managed internally by the GLO.

The Investment Policy also authorizes an investment advisory committee (IAC) to review potential externally-managed investments and make recommendations to the SLB for the investment of money in the RESFA.

The current IAC is comprised of four members, chaired by the Chief Investment Officer of the GLO. The IAC meets periodically to review potential investments and works in conjunction with the SLB's real assets investment advisor, currently The Townsend Group, to evaluate potential investments and make recommendations to the SLB for the investment of money in the RESFA. Following the formulation of recommendations by the IAC, the chairman of the IAC makes formal presentations and recommendations to the SLB for its consideration and approval.

The SLB's general investment objective is to invest money in the RESFA in land, interests in real estate, mineral or royalty interests, real assets investments, investments or interest in public infrastructure, or other interests, in a manner that seeks to maximize returns within the framework of the prudent investor standard. Given the typical nature of private-markets real assets investments, it is expected that the investment portfolio managed by the SLB will be characterized by a long term investment horizon and will be relatively illiquid.

Money in the RESFA that is awaiting investment by the SLB is currently held in an external investment pool managed by the Texas Comptroller of Public Accounts consistent with applicable law and the CPA investment policy. The CPA pools funds for investment purposes and allocates investment earnings on pooled funds. The CPA invests in authorized investments proportionately among the various state agencies whose funds are so pooled. The approximate size of the pool ranges from $17 to $35 billion depending upon seasonal variations in revenues and expenditures. Currently, most pooled funds are invested in the following instruments: repurchase agreements, obligations of the United States and its agencies and instrumentalities, corporate debt, and fully collateralized deposits in authorized state depositories. All investments are marked to market daily using an external financial service.

State Street Bank and Trust Company (State Street) provides accounting, performance measurement, and reporting services for the SLB related to its real assets investment portfolio. The cash flow data and net asset values, used by State Street to provide its accounting and performance measurement and reporting services, are provided to State Street directly by the SLB's external fund managers with regard to the SLB's externally managed real assets investments and by GLO staff with regard to the SLB's internally managed real assets investments.

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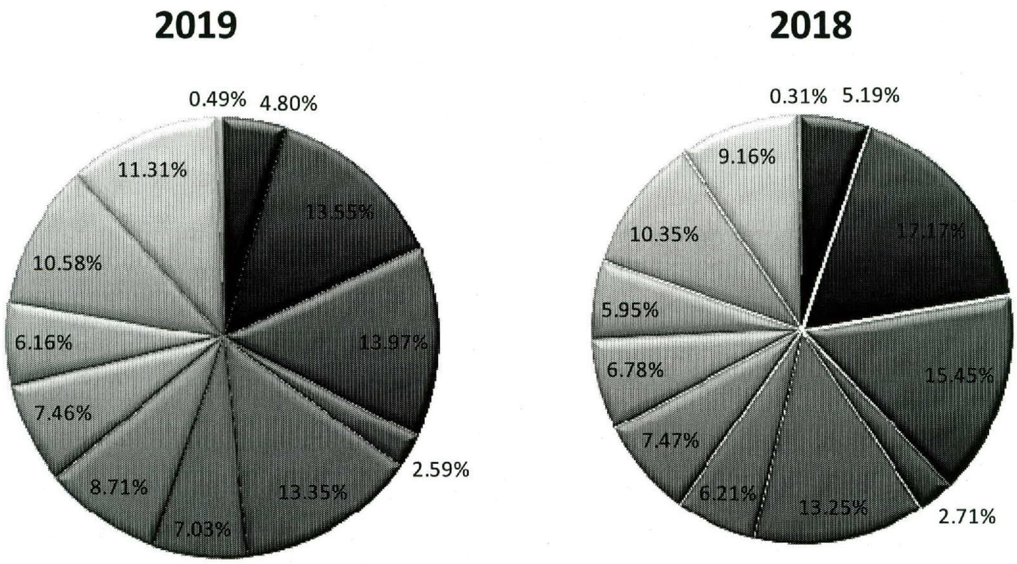
AN OVERVIEW OF THE STRENGTH OF THE TEXAS PERMANENT SCHOOL FUND ASSETS MANAGED BY THE STATE BOARD OF EDUCATION (SBOE)

Founded in 1854, the SBOE Texas Permanent School Fund (PSF(SBOE)) has grown from its initial capitalization of $2,000,000 to approximately $34.3 billion as of August 31, 2019. See Figure 1 graph and table below for the portfolio diversification at fair value at August 31, 2019 and 2018.

FIGURE 1
TEXAS PERMANENT SCHOOL FUND
Portfolio Diversification
Fair Value



Asset Class	August 31, 2019	Percent	August 31, 2018	Percent
Domestic Small-Mid Cap	$ 1,645,771,494	4.80%	$ 1,764,647,997	5.19%
Domestic Large Cap	4,643,732,247	13.55%	5,840,272,450	17.17%
International Equity	4,787,885,568	13.97%	5,256,316,387	15.45%
International Equity - Emerging Markets	888,381,242	2.59%	923,271,012	2.71%
Domestic Fixed Income	4,575,171,155	13.35%	4,505,014,752	13.25%
Emerging Market Debt	2,410,467,810	7.03%	2,111,311,813	6.21%
Real Estate	2,983,448,072	8.71%	2,541,299,208	7.47%
Risk Parity	2,557,584,765	7.46%	2,306,404,334	6.78%
Real Return	2,109,258,497	6.16%	2,024,119,064	5.95%
Absolute Return	3,622,636,890	10.58%	3,521,819,971	10.35%
Private Equity	3,872,812,323	11.31%	3,115,327,740	9.16%
Unallocated Cash	163,323,076	0.49%	102,353,996	0.31%
Net Investment Balance	$ 34,260,473,139	100.00%	$ 34,012,158,724	100.00%

The asset classes include cash that has been allocated to the investment portfolios.

TEXAS PERMANENT SCHOOL FUND
ASSET ALLOCATION MIX - SBOE
AS OF AUGUST 31, 2019

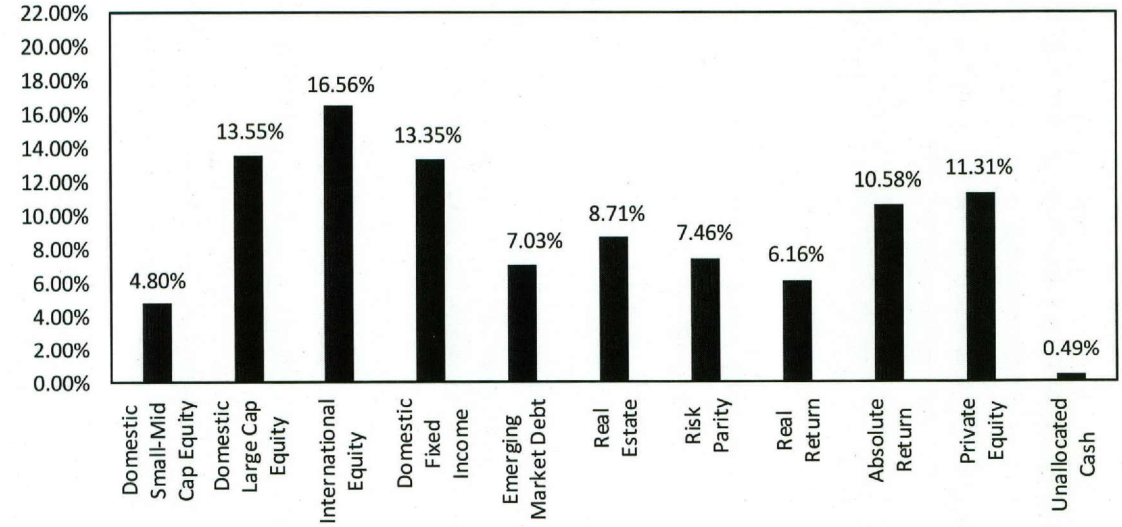
ASSET CLASS	Book Value	Mix	Fair Value	Mix
Equity				
Public Market Equity				
Domestic Small-Mid Cap	$ 1,185,561,743	4.40%	$ 1,645,771,494	4.80%
Domestic Large Cap	2,006,941,883	7.45%	4,643,732,247	13.55%
Total Domestic Equity	3,192,503,626	11.85%	6,289,503,741	18.35%
Developed and Emerging Market International Equity	4,670,618,326	17.32%	5,676,266,810	16.56%
Total Public Market Equity	7,863,121,952	29.17%	11,965,770,551	34.91%
Fixed Income				
Domestic Fixed Income	4,404,361,208	16.34%	4,575,171,155	13.35%
Emerging Market Debt	2,392,271,275	8.88%	2,410,467,810	7.03%
Total Fixed Income	6,796,632,483	25.22%	6,985,638,965	20.38%
Alternative Investments				
Real Estate	2,436,145,770	9.04%	2,983,448,072	8.71%
Risk Parity	1,611,455,040	5.98%	2,557,584,765	7.46%
Real Return	2,470,992,747	9.17%	2,109,258,497	6.16%
Absolute Return	2,585,182,607	9.59%	3,622,636,890	10.58%
Private Equity	3,026,372,981	11.24%	3,872,812,323	11.31%
Total Alternative Investments	12,130,149,145	45.02%	15,145,740,547	44.22%
Unallocated Cash	163,323,076	0.59%	163,323,076	0.49%
Fund Total	$ 26,953,226,656	100.00%	$ 34,260,473,139	100.00%

Notes:

The PSF(SBOE) asset classes include cash that has been allocated to the investment portfolios, as well as receivables and payables related to the particular portfolios. Average current and prior fiscal year-end equity holdings as a percentage of average current and prior fiscal year-end Fund total market value was 37.72%, and the percentage of the Fund's current fiscal year-end portfolio managed by external managers was 51.82%.

TEXAS PERMANENT SCHOOL FUND
ASSET ALLOCATION MIX - SBOE
AS OF AUGUST 31, 2019

FIGURE 2:
TEXAS PERMANENT SCHOOL FUND
Asset Allocation Mix
As of August 31, 2019

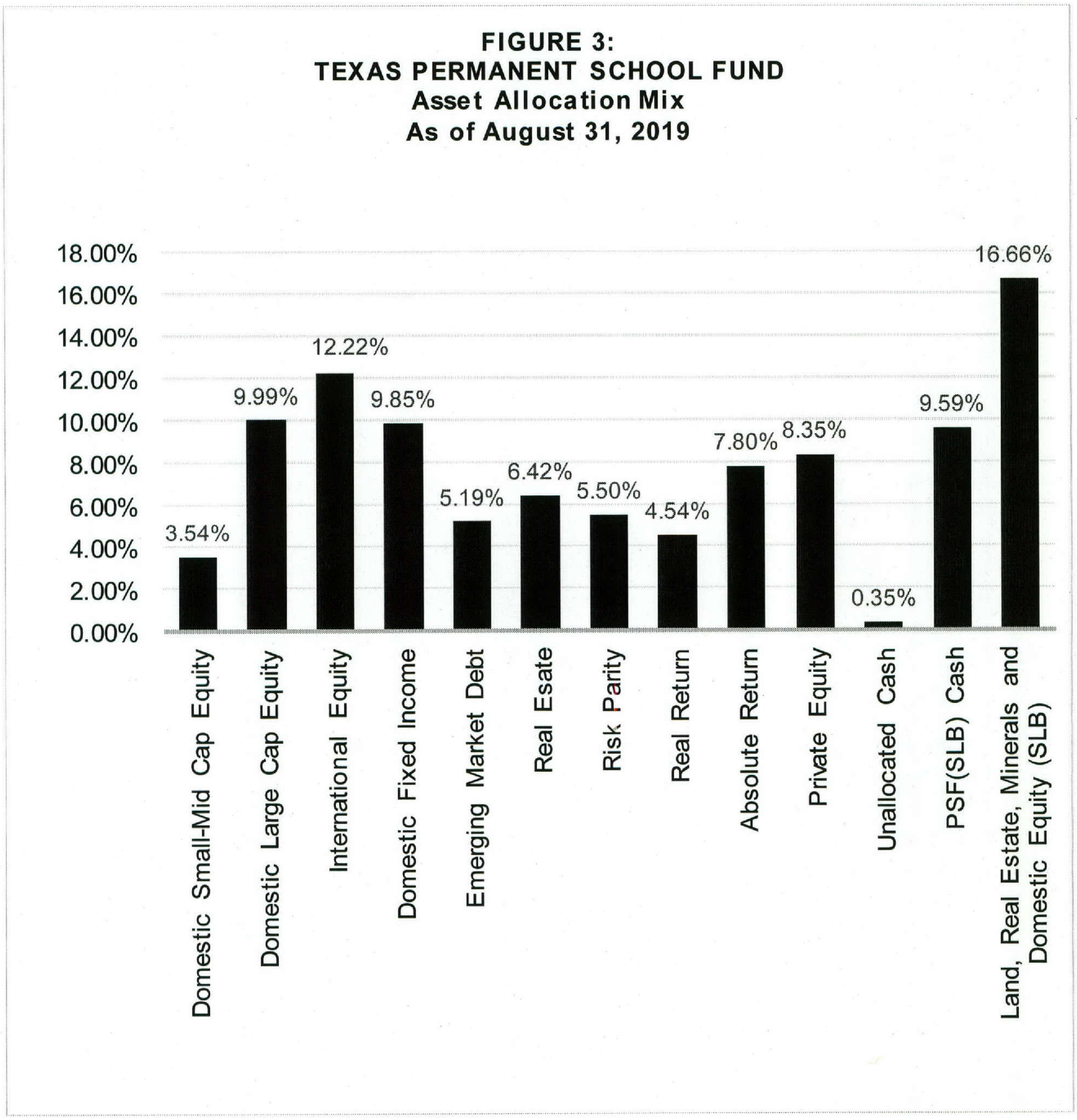


TEXAS PERMANENT SCHOOL FUND
ASSET ALLOCATION MIX INCLUDING ASSETS MANAGED BY THE SLB
AS OF AUGUST 31, 2019

ASSET CLASS	Book Value	Fair Value	Mix
PSF(SBOE)			
Equity			
Public Market Equity			
Domestic Small-Mid Cap Equity	$ 1,185,561,743	$ 1,645,771,494	3.54%
Domestic Large Cap Equity	2,006,941,883	4,643,732,247	9.99%
Total Domestic Equity	3,192,503,626	6,289,503,741	13.53%
International Equity	4,670,618,326	5,676,266,810	12.22%
Total Public Market Equity	7,863,121,952	11,965,770,551	25.75%
Fixed Income			
Domestic Fixed Income	4,404,361,208	4,575,171,155	9.85%
Emerging Market Debt	2,392,271,275	2,410,467,810	5.19%
Total Fixed Income	6,796,632,483	6,985,638,965	15.04%
Alternative Investments			
Real Estate	2,436,145,770	2,983,448,072	6.42%
Risk Parity	1,611,455,040	2,557,584,765	5.50%
Real Return	2,470,992,747	2,109,258,497	4.54%
Absolute Return	2,585,182,607	3,622,636,890	7.80%
Private Equity	3,026,372,981	3,872,812,323	8.35%
Total Alternative Investments	12,130,149,145	15,145,740,547	32.61%
Unallocated Cash	163,323,076	163,323,076	0.35%
PSF(SLB)			
Cash	4,457,258,385	4,457,258,385	9.59%
Domestic Equity	7,524,402	1,310,880	0.00%
Land, Real Asset Investments and Minerals			
Soveriegn/Other Lands and Discretionary Internal Investments	216,712,425	619,658,365	1.33%
Investments with External Managers	3,640,187,571	3,927,572,581	8.45%
Mineral Investments	13,434,780	3,198,174,631	6.88%
Total Domestic Equity, Land, Real Assets, and Minerals	3,877,859,178	7,746,716,457	16.66%
FUND TOTAL	$ 35,288,344,219	$ 46,464,447,981	100.00%

The PSF(SBOE) asset classes include cash that has been allocated to the investment portfolios as well as receivables and payables related to the particular portfolios.

TEXAS PERMANENT SCHOOL FUND
ASSET ALLOCATION MIX INCLUDING ASSETS MANAGED BY THE SLB
AS OF AUGUST 31, 2019



TOTAL PSF (SBOE) FUND RATE OF RETURN FOR FISCAL YEAR ENDED AUGUST 31, 2019

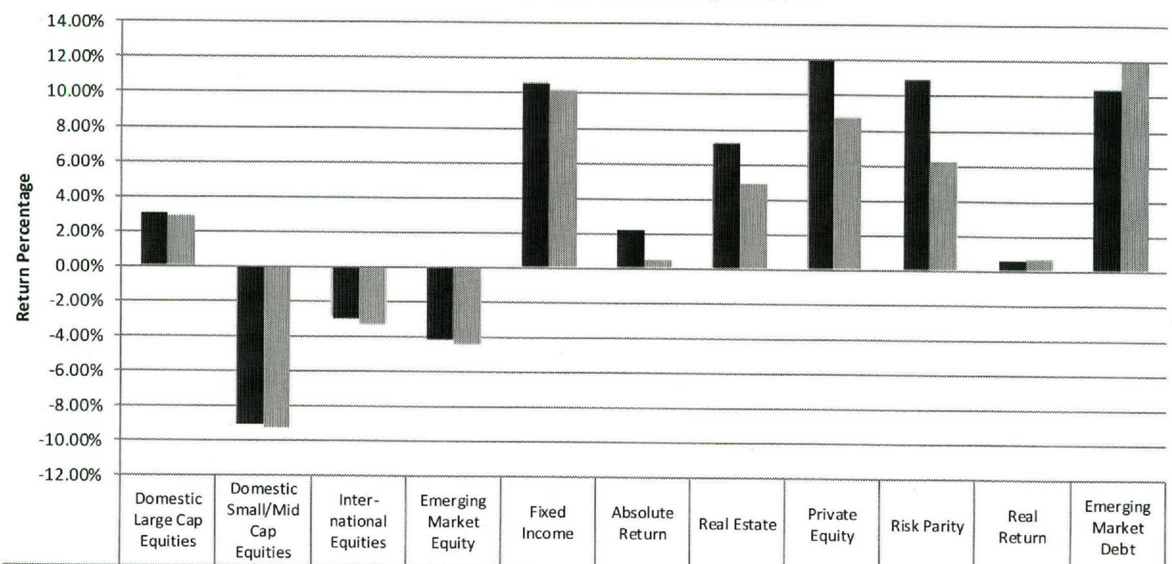
The total market value of the PSF(SBOE) at August 31, 2019, was $34.3 billion. The PSF(SBOE) annual rates of net of fees (NOF) return for the one year, five year and ten year periods ending August 31, 2019, were 4.17%, 5.25% and 8.18%, respectively. The Fund returned 4.17% for the fiscal year, outperforming its target benchmark of 3.76% by approximately 41 basis points.

The capital markets continued to capture overall positive momentum with real return and emerging market debt realizing positive returns. Large cap domestic equity, fixed income, real estate, private equity, absolute return, and risk parity realized impressive returns while exceeding most of their respective benchmarks.

During the year, the PSF(SBOE) continued to implement its strategic asset allocation plan. The PSF(SBOE) strategic asset allocation reduces the Fund's risk profile while improving its expected return. The strategic asset allocation of the PSF(SBOE) includes an 18% allocation to domestic equities, 17% allocation to international equities including emerging markets, 12% allocation to core fixed income, 7% allocation to emerging market debt, and a 46% allocation to alternative assets. Alternative assets include absolute return, risk parity, private equity, real estate, and real return strategies (TIPS and commodities).

Additional information about performance is included in the chart on pages 73 and 74. The information shown is for fiscal year periods ending August 31 and includes comparisons to established benchmarks for the same time periods. Benchmark compositions are defined in the chart footnotes. Investment performance is calculated using a time weighted rate of return. Returns are calculated using standard industry practices. Total return takes into account the change in the fair value of the Fund during the year as well as all net income generated by PSF(SBOE) investments.

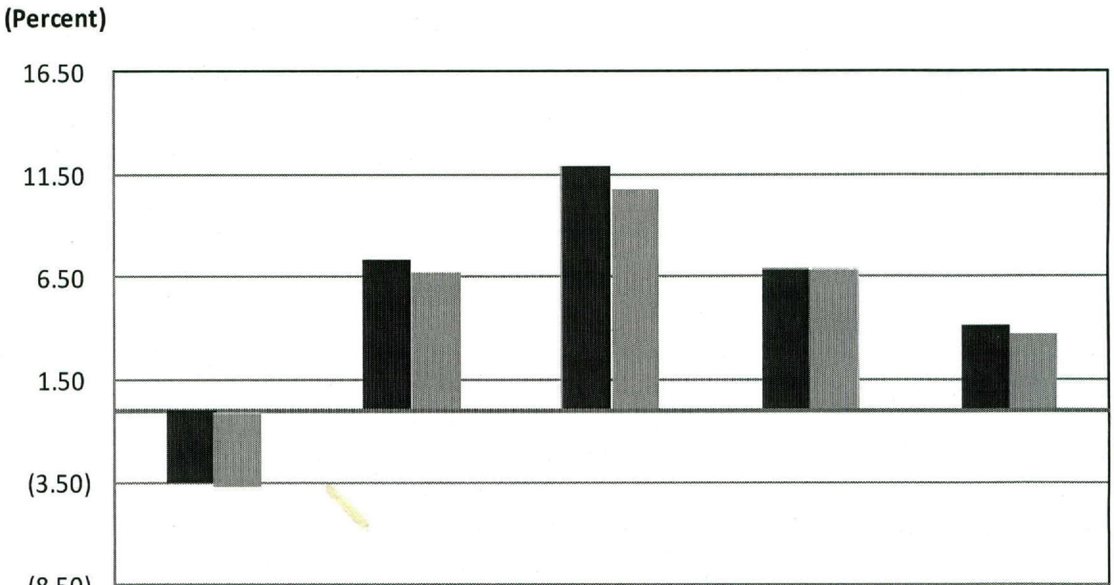
FIGURE 4
TEXAS PERMANENT SCHOOL FUND
Time Weighted Returns by Portfolio (Net of Fees)
For Fiscal Year Ended August 31, 2019



	Domestic Large Cap Equities	Domestic Small/Mid Cap Equities	Inter-national Equities	Emerging Market Equity	Fixed Income	Absolute Return	Real Estate	Private Equity	Risk Parity	Real Return	Emerging Market Debt
Performance	3.14%	-8.99%	-2.93%	-4.15%	10.54%	2.28%	7.22%	11.93%	10.89%	0.71%	10.40%
Benchmark	2.92%	-9.20%	-3.27%	-4.36%	10.17%	0.54%	4.89%	8.72%	6.22%	0.74%	11.91%

TOTAL PSF (SBOE) FUND RATE OF RETURN
LAST FIVE FISCAL YEARS

FIGURE 5:
TEXAS PERMANENT SCHOOL FUND
Total Time Weighted Returns (Net of Fees)



	2015	2016	2017	2018	2019
PSF(SBOE)	(3.49)	7.47	11.80	6.95	4.17
Target Policy Benchmark	(3.71)	6.84	10.66	6.89	3.76

TOTAL PSF (SBOE) TIME WEIGHTED RETURNS (GROSS OF FEES)
LAST FIVE FISCAL YEARS AND SELECTED CUMULATIVE PERIODS

Total PSF(SBOE) Portfolio [1]	2015	2016	2017	2018	2019	3 Years	5 Years	10 Years
PSF(SBOE)	(3.36)	7.61	11.96	7.23	4.54	7.87	5.47	8.35
Target Policy Benchmark [2]	(3.71)	6.84	10.66	6.89	3.76	7.26	4.98	7.83
Domestic Large Cap Equities								
PSF(SBOE)	0.66	12.71	16.30	19.83	3.14	12.85	10.28	13.57
Domestic Equity Benchmark [3]	0.48	12.55	16.23	19.66	2.92	12.70	10.11	13.45
Domestic Small/Mid Cap Equities								
PSF(SBOE)	0.75	12.89	12.80	23.95	(8.99)	8.37	7.68	13.17
Domestic Equity Benchmark [4]	0.55	12.61	12.60	23.74	(9.20)	8.15	7.45	12.97
International Equities								
PSF(SBOE)	(12.05)	3.36	19.04	3.51	(2.92)	6.16	1.69	5.00
International Equity Benchmark [5]	(12.35)	2.92	18.88	3.18	(3.27)	5.87	1.37	4.71
Emerging Market Equity								
PSF(SBOE) (inception to date)	(15.30)	10.73	26.28	(1.07)	(3.88)	6.29	-	-
Emerging Market Equity Benchmark [6]	(15.73)	11.83	24.53	(0.68)	(4.36)	5.76	-	-
Fixed Income								
PSF(SBOE)	1.48	5.98	1.61	(0.78)	10.54	3.68	3.69	4.43
Fixed Income Benchmark [7]	1.56	5.97	0.49	(1.05)	10.17	3.09	3.35	3.91
Absolute Return								
PSF(SBOE)	2.60	(0.88)	7.32	6.66	2.74	5.55	3.65	5.41
Absolute Return Benchmark [8]	1.49	(2.16)	6.89	4.34	0.54	3.89	2.17	3.61
Real Estate								
PSF(SBOE)	12.97	12.23	10.52	12.01	9.26	10.59	11.39	-
Real Estate Benchmark [9]	7.37	8.94	5.96	8.08	4.89	7.15	8.31	-
Private Equity								
PSF(SBOE)	13.02	12.76	16.35	15.94	12.92	15.06	14.19	-
Private Equity Benchmark [10]	6.75	2.39	9.61	13.21	8.72	12.12	9.91	-
Risk Parity								
PSF(SBOE)	(9.47)	8.17	8.77	3.43	11.21	7.75	4.15	-
Risk Parity Benchmark [11]	1.06	10.09	9.74	11.05	6.22	8.98	7.57	-
Real Return								
PSF(SBOE)	(15.31)	0.26	2.38	0.70	0.85	1.31	(2.46)	-
Real Return Benchmark [12]	(16.05)	(1.71)	1.77	0.73	0.74	1.08	(3.15)	-
Emerging Market Debt								
PSF(SBOE) (inception to date)	(21.30)	9.97	11.84	(11.40)	10.72	3.14	(1.03)	-
Emerging Market Debt Benchmark [13]	(21.54)	11.33	9.86	(10.05)	11.91	3.42	(0.69)	-

[1] Time weighted rates of return adjusted for cash flows for the PSF(SBOE) investment assets. Does not include GLO managed real estate or real assets. Returns are gross of fees.

[2] As of 8/31/2019, Total PSF weights are fixed with the following: 13.00% S&P 500 Index, 5.00% S&P 1000 Index, 12.00% Barclays Capital Aggregate, 14.00% MSCI ACWI ex US Net, 3.00% MSCI Emerging Market Net Dividend Index, 3.00% Real Return Benchmark, 3.00% Commodities, 10.00% Real Estate Benchmark, 7.00% Risk Parity Benchmark, 10.00% Absolute Return Benchmark, 13.00% Private Equity Benchmark, and 7.00% JPM GBI EM Global Diversified.

[3] As of 8/31/2019, Benchmark consists of 100% S&P 500 Index.

[4] As of 8/31/2019, Benchmark consists of 100% S&P 1000 Index.

[5] As of 8/31/2019, Benchmark consists of 100% MSCI All Country World Ex-US Net Dividend Index.

[6] As of 8/31/2019, Benchmark consists of 100% MSCI Emerging Market Net Dividend Index.

[7] As of 8/31/2019, Benchmark consists of 100% Barclays Capital U.S. Aggregate Bond Index.

[8] As of 8/31/2019, Benchmark consists of 100% HFRI Fund of Funds Composite Index.

[9] As of 8/31/2019 Benchmark is calculated by using market value weighting of the Core and Non-Core time weighted return benchmark components. Core real estate benchmark is NCREIF Fund Index Open End Diversified Core Equity, Equally Weighted, Net of Fee time weighted return lagged one quarter. Non-core real estate benchmark is the custom PrivateiQ® time weighted return benchmark, lagged one quarter.

[10] As of 8/31/2019, Benchmark represents the Burgiss custom PrivateiQ® benchmark time weighted return, one quarter lagged.

[11] As of 8/31/2019, Benchmark consists of 60% S&P 500 and 40% Barclays Capital U.S. Aggregate Bond Index.

[12] As of 8/31/2019, Benchmark weights are fixed with the following: 50% Barclays Capital U.S. Treasury: US TIPS Index and 50% Dow Jones UBS Commodities Total Return Index.

[13] As of 8/31/2019, Benchmark consists of 100% JPM GBI EM Global Diversified.

TOTAL PSF (SBOE) TIME WEIGHTED RETURNS (NET OF FEES) LAST FIVE FISCAL YEARS AND SELECTED CUMULATIVE PERIODS

Total PSF(SBOE) Portfolio [1]	**2015**	**2016**	**2017**	**2018**	**2019**	**3 Years**	**5 Years**	**10 Years**
PSF(SBOE)	(3.49)	7.47	11.80	6.95	4.17	7.59	5.25	8.18
Target Policy Benchmark [2]	(3.71)	6.84	10.66	6.89	3.76	7.26	4.98	7.83
Domestic Large Cap Equities								
PSF(SBOE)	0.66	12.71	16.30	19.83	3.14	12.85	10.28	13.57
Domestic Equity Benchmark [3]	0.48	12.55	16.23	19.66	2.92	12.70	10.11	13.45
Domestic Small/Mid Cap Equities								
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Domestic Equity Benchmark [4]	0.55	12.61	12.60	23.74	(9.20)	8.15	7.45	12.97
International Equities								
PSF(SBOE)	(12.06)	3.34	19.03	3.50	(2.93)	6.14	1.68	4.99
International Equity Benchmark [5]	(12.35)	2.92	18.88	3.18	(3.27)	5.87	1.37	4.71
Emerging Market Equity								
PSF(SBOE) (inception to date)	(15.38)	10.31	25.88	(1.38)	(4.15)	5.97	---	---
Emerging Market Equity Benchmark [6]	(15.73)	11.83	24.53	(0.68)	(4.36)	5.76	---	---
Fixed Income								
PSF(SBOE)	1.48	5.98	1.61	(0.78)	10.54	3.68	3.69	4.43
Fixed Income Benchmark [7]	1.56	5.97	0.49	(1.05)	10.17	3.09	3.35	3.91
Absolute Return								
PSF(SBOE)	1.99	(1.43)	6.81	6.17	2.28	5.07	3.12	4.74
Absolute Return Benchmark [8]	1.49	(2.16)	6.89	4.34	0.54	3.89	2.17	3.61
Real Estate								
PSF(SBOE)	12.97	12.23	10.29	10.41	7.22	9.30	10.60	---
Real Estate Benchmark [9]	7.37	8.94	5.96	8.08	4.89	7.15	8.31	---
Private Equity								
PSF(SBOE)	12.65	12.39	15.98	15.18	11.93	14.35	13.61	---
Private Equity Benchmark [10]	6.75	2.39	9.61	13.21	8.72	12.12	9.91	---
Risk Parity								
PSF(SBOE)	(9.73)	7.85	8.46	3.13	10.89	7.44	3.84	---
Risk Parity Benchmark [11]	1.06	10.09	9.74	11.05	6.22	8.98	7.57	---
Real Return								
PSF(SBOE)	(15.43)	0.10	2.21	0.53	0.71	1.15	(2.61)	---
Real Return Benchmark [12]	(16.05)	(1.71)	1.77	0.73	0.74	1.08	(3.15)	---
Emerging Market Debt								
PSF(SBOE) (inception to date)	(21.68)	9.55	11.45	(11.71)	10.40	2.80	(1.40)	---
Emerging Market Debt Benchmark [13]	(21.54)	11.33	9.86	(10.05)	11.91	3.42	(0.69)	---

[1] Time weighted rates of return adjusted for cash flows for the PSF(SBOE) investment assets. Does not include GLO managed real estate or real assets. Returns are net of fees.

[2] As of 8/31/2019, Total PSF weights are fixed with the following: 13.00% S&P 500 Index, 5.00% S&P 1000 Index, 12.00% Barclays Capital Aggregate, 14.00% MSCI ACWI ex US Net, 3.00% MSCI Emerging Market Net Dividend Index, 3.00% Real Return Benchmark, 3.00% Commodities, 10.00% Real Estate Benchmark, 7.00% Risk Parity Benchmark, 10.00% Absolute Return Benchmark, 13.00% Private Equity Benchmark, and 7.00% JPM GBI EM Global Diversified.

[3] As of 8/31/2019, Benchmark consists of 100% S&P 500 Index.

[4] As of 8/31/2019, Benchmark consists of 100% S&P 1000 Index.

[5] As of 8/31/2019, Benchmark consists of 100% MSCI All Country World Ex-US Net Dividend Index.

[6] As of 8/31/2019, Benchmark consists of 100% MSCI Emerging Market Net Dividend Index.

[7] As of 8/31/2019, Benchmark consists of 100% Barclays Capital U.S. Aggregate Bond Index.

[8] As of 8/31/2019, Benchmark consists of 100% HFRI Fund of Funds Composite Index.

[9] As of 8/31/2019 Benchmark is calculated by using market value weighting of the Core and Non-Core time weighted return benchmark components. Core real estate benchmark is NCREIF Fund Index Open End Diversified Core Equity, Equally Weighted, Net of Fee time weighted return lagged one quarter. Non-core real estate benchmark is the custom PrivateiQ® time weighted return benchmark, lagged one quarter.

[10] As of 8/31/2019, Benchmark represents the Burgiss custom PrivateiQ® benchmark time weighted return, one quarter lagged.

[11] As of 8/31/2019, Benchmark consists of 60% S&P 500 and 40% Barclays Capital U.S. Aggregate Bond Index.

[12] As of 8/31/2019, Benchmark weights are fixed with the following: 50% Barclays Capital U.S. Treasury: US TIPS Index and 50% Dow Jones UBS Commodities Total Return Index.

[13] As of 8/31/2019, Benchmark consists of 100% JPM GBI EM Global Diversified.

TOTAL PSF (SLB) TIME WEIGHTED RETURNS
SELECTED CUMULATIVE PERIODS

At August 31, 2019, PSF(SLB) discretionary real assets investments, including invested Cash at the State Treasury (most of which was associated with existing unfunded capital commitments to new real assets investments) were approximately $8.63 billion, which was approximately 17.8% of the total Fund assets of approximately $48.47 billion. PSF(SLB) discretionary real assets investments, excluding Cash at the State Treasury, were approximately $4.18 billion, which was approximately 8.6% of the total Fund assets. Discretionary real assets investments within the RESFA managed by PSF(SLB) are currently limited by the Natural Resource Code (NRC) to no more than 15% of the market value of total Fund assets.

At June 30, 2019, the time-weighted returns on the PSF(SLB) discretionary real assets investment portfolio were as follows:

GROSS OF FEES

Time-Weighted Returns on the PSF(SLB) Investment Portfolio (Excluding Cash)

	1-Year	3-Year	5-Year	10-Year
Total PSF(SLB) Portfolio**	12.05%	16.04%	13.92%	14.45%

Returns on Individual Portfolio Sectors	1-Year	3-Year	5-Year	10-Year
Energy	7.96%	15.87%	4.59%	15.62%
Infrastructure	16.90%	24.45%	22.10%	23.24%
Real Estate	11.77%	10.34%	11.77%	11.45%

	1-Year	3-Year	5-Year	10-Year
Benchmark* Returns	5.55%	6.19%	7.14%	7.86%

Time-Weighted Returns on the PSF(SLB) Investment Portfolio (Including Cash)

	1-Year	3-Year	5-Year	10-Year
Total PSF(SLB) Portfolio**	6.83%	8.70%	7.32%	7.71%

NET OF FEES

Time-Weighted Returns on the PSF(SLB) Investment Portfolio (Excluding Cash)

	1-Year	3-Year	5-Year	10-Year
Total PSF(SLB) Portfolio**	9.86%	13.37%	11.36%	11.71%

Returns on Individual Portfolio Sectors	1-Year	3-Year	5-Year	10-Year
Energy	6.43%	13.78%	2.66%	10.84%
Infrastructure	13.46%	19.02%	17.03%	17.76%
Real Estate	9.73%	8.65%	10.08%	9.78%

	1-Year	3-Year	5-Year	10-Year
Benchmark* Returns	5.23%	5.85%	6.72%	7.23%

Time-Weighted Returns on the PSF(SLB) Investment Portfolio (Including Cash)

	1-Year	3-Year	5-Year	10-Year
Total PSF(SLB) Portfolio**	5.84%	7.44%	6.13%	6.41%

**Benchmark is composite of 67% CPI Index, All Urban Consumers plus 74.10707 basis points quarterly and 33% NFI-All Open End Funds Index.*
***Total PSF(SLB) portfolio performance is reflective of externally managed investments only.*

Note: Until September 1, 2019, PSF(SLB) was legally required to deposit cash designated by the SLB for investment in real assets into the State Treasury for investment in short-term investments until it was ultimately drawn for investment in real assets. It is typical for capital commitments to externally-managed real assets investment funds to be drawn down over a two to five year investment period. This structural delay between commitment and funding can create a negative effect on returns (typically referred to as a "cash drag") until the committed cash is finally drawn. In an effort to ameliorate this cash drag effect, on September 3, 2019, the SLB released $3.90 billion from the Real Estate Special Fund Account (RESFA) to the Permanent School Fund Liquid Fund Account (LFA) in accordance with Texas Natural Resource Code Section 51.414 and the terms of a resolution adopted by the SLB on August 29, 2019.

PSF(SBOE) Investment Management Fees
For the Twelve Months Ended June 30, 2019

Asset Class		**Market Value of Assets Under Management at June 30, 2019**		**Investment Management Fees Paid**		**Profit Sharing Paid**
Emerging Market Equity	$	942,230,290	$	2,605,066	$	-
International Equity		5,032,527,004		540,000		-
Emerging Market Debt		2,482,742,244		10,831,133		-
Real Estate		2,885,078,692		42,025,206		9,559,257
Commodities		780,305,545		3,013,087		-
Risk Parity		2,521,871,382		6,672,407		-
Absolute Return		3,621,265,952		15,918,742		-
Private Equity		3,731,429,088		27,769,029		4,914,851
Totals			$	109,374,670	$	14,474,108

NOTES:
Due to the timing of information received from investment managers/general partners, fees and profit sharing paid in conjunction with investment activities, along with the related market value of assets under management, are presented for the calendar year ended June 30, 2019.

Management fees and profit sharing paid as reflected in this schedule are only for direct, contractual relationships between the external manager/general partner and the PSF(SBOE). Some investment structures carry investments in underlying funds that also incur management fee and profit sharing costs; these are not reflected here due to the lack of a direct legal relationship between the PSF(SBOE) and the underlying fund manager.

Profit sharing paid represents profit that the PSF(SBOE) shared with, and was paid to, external entities in the calendar year ended June 30, 2019 when the target investment returns of the underlying investments were surpassed.

The amount of fees appropriated and paid from the PSF(SBOE) and recorded as an appropriated expenditure for the calendar year ended June 30, 2019 totaled $540,000, for the International Equity portfolio. All other fees and costs reflected in this schedule were paid directly from portfolio assets and are reflected in the recorded net asset value, as reported by the investment manager/general partner.

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PSF(SLB) Investment Management Fees
For the Twelve Months Ended August 31, 2019

PSF(SLB) Investment Sector	Management Fees (Note A)	Profit Share (Note B)	Investment Expenses (Note C)
Energy	$ 14,340,534	$ -	$ 3,069,637
Real Estate	4,869,598	6,264,575	1,466,784
Infrastructure	11,576,164	366,978	3,203,142
Totals	$ 30,786,296	$ 6,631,553	$ 7,739,563

(A) Amounts represent management fees paid to external investment managers in the current fiscal year. Any unpaid accruals of management fees at the end of the fiscal year are reported as part of the fair value of investments.

(B) Amounts represent profits that were shared with, and paid to, external investment managers in the current fiscal year when the target investment returns on the underlying investments were exceeded by the managers.

(C) Amounts include partnership expenses, organizational expenses, and other investment-related expenses.

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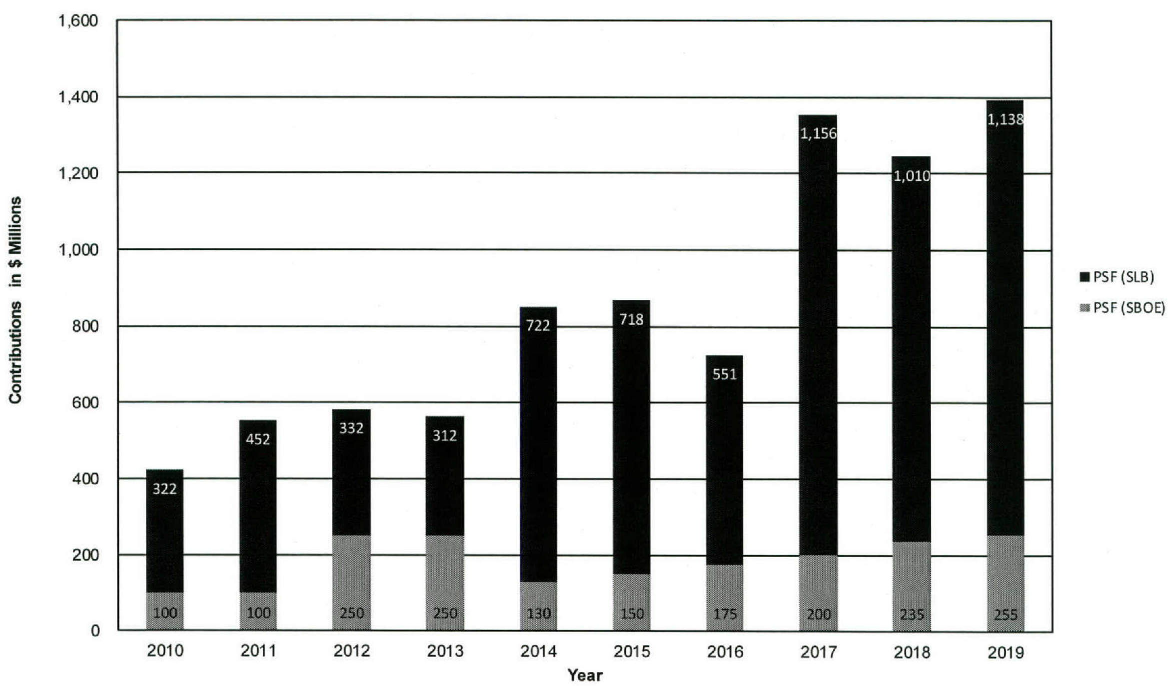
Contributions to the Texas Permanent School Fund Assets Managed by the SBOE, Last Ten Fiscal Years

The School Land Board (SLB) makes contributions to the PSF(SBOE) from the revenue generated by royalties, lease payments, and other income derived from lands dedicated to the Fund. Legislative actions in the past several years have amended the Natural Resources Code (NRC) several times and have impacted the flow of contributions from the PSF(SLB) to the PSF(SBOE).

H.B. 3558 passed by the 77th Legislature and subsequent actions by the 79th and 80th Legislatures amended the NRC to grant the SLB authority to deposit some or all of the Fund's land and mineral interest proceeds previously transferred to the PSF(SBOE) into a special fund account at the State Treasury and to grant investment authority to the SLB for this Real Estate Special Fund Account (RESFA). The amount of proceeds retained by the SLB under this legislative authority continues to grow and has increased from $151.6 million at August 31, 2002, to approximately $8.6 billion at August 31, 2019.

The 80th Legislature also authorized the SLB and the Land Commissioner to determine whether to release any funds from the RESFA to the PSF(SBOE). During the fiscal year, the PSF(SBOE) received $255 million in contributions from the SLB, which sourced from the SLB resolution adopted in August 2016, to release to the PSF(SBOE) a total of $490 million from the RESFA - $235 million in fiscal year 2018 and $255 million in fiscal year 2019.

FIGURE 6:
TEXAS PERMANENT SCHOOL FUND
Contributions to
PSF(SBOE) and PSF(SLB)
(in millions)



DISTRIBUTIONS TO THE AVAILABLE SCHOOL FUND (ASF), LAST TEN FISCAL YEARS

Since September 2003, the Fund has calculated its annual distribution to the Available School Fund using a total return methodology. Prior to that year, all interest and dividends earned from investments was paid immediately to the ASF. In fiscal year 2019, $1.2 billion was distributed to the ASF by the PSF(SBOE). The amount transferred was determined by the SBOE under administrative rules adopted in September 2009.

These rules state the SBOE will determine each year whether a distribution to the ASF is permitted under the Texas Constitution Article VII, §5(a)(2), and if a transfer shall be made for the current state fiscal year. The rule adoption was the result of Attorney General Opinion No. GA-0707, dated April 13, 2009, which clarified the proper application by the SBOE of Article VII, §5(a)(1) and §5(a)(2).

The ASF is distributed during the year to the school districts throughout the state based on their average daily attendance (ADA). For fiscal year 2019, the per student income earned by the Fund and distributed to school districts was $306, the seventh year in which charter schools were included in the ADA. In fiscal years 2017 and 2018, this amount was $212 and $247, respectively (Figure 7).

On November 8, 2011, Texas voters approved Proposition 6, a constitutional amendment which increases the base amount used in calculating the distribution rate from the PSF(SBOE) to the ASF by adding certain discretionary real assets and cash in the Fund that is managed by entities other than the SBOE (at present, by the SLB). While the amendment provided for an increase in the base for the calculation, no new resources were provided for deposit to the PSF(SBOE). The new calculation base is required to be used to determine all payments to the ASF from the PSF(SBOE) beginning with the 2012-13 biennium. The SBOE approved a distribution rate of 3.7% for the 2018-2019 biennium based on a commitment of the SLB to transfer $490 million to the PSF(SBOE) during the biennium.

The changes approved by the voters also provide authority to the SLB to determine at its sole discretion whether to release each year from PSF(SLB) assets to the ASF an amount not to exceed $300 million. A distribution of $300 million was made by the PSF(SLB) during fiscal year 2019. The PSF(SLB) adopted a resolution on August 21, 2018, approving the release of $600 million to the ASF in fiscal years 2020 – 2021.

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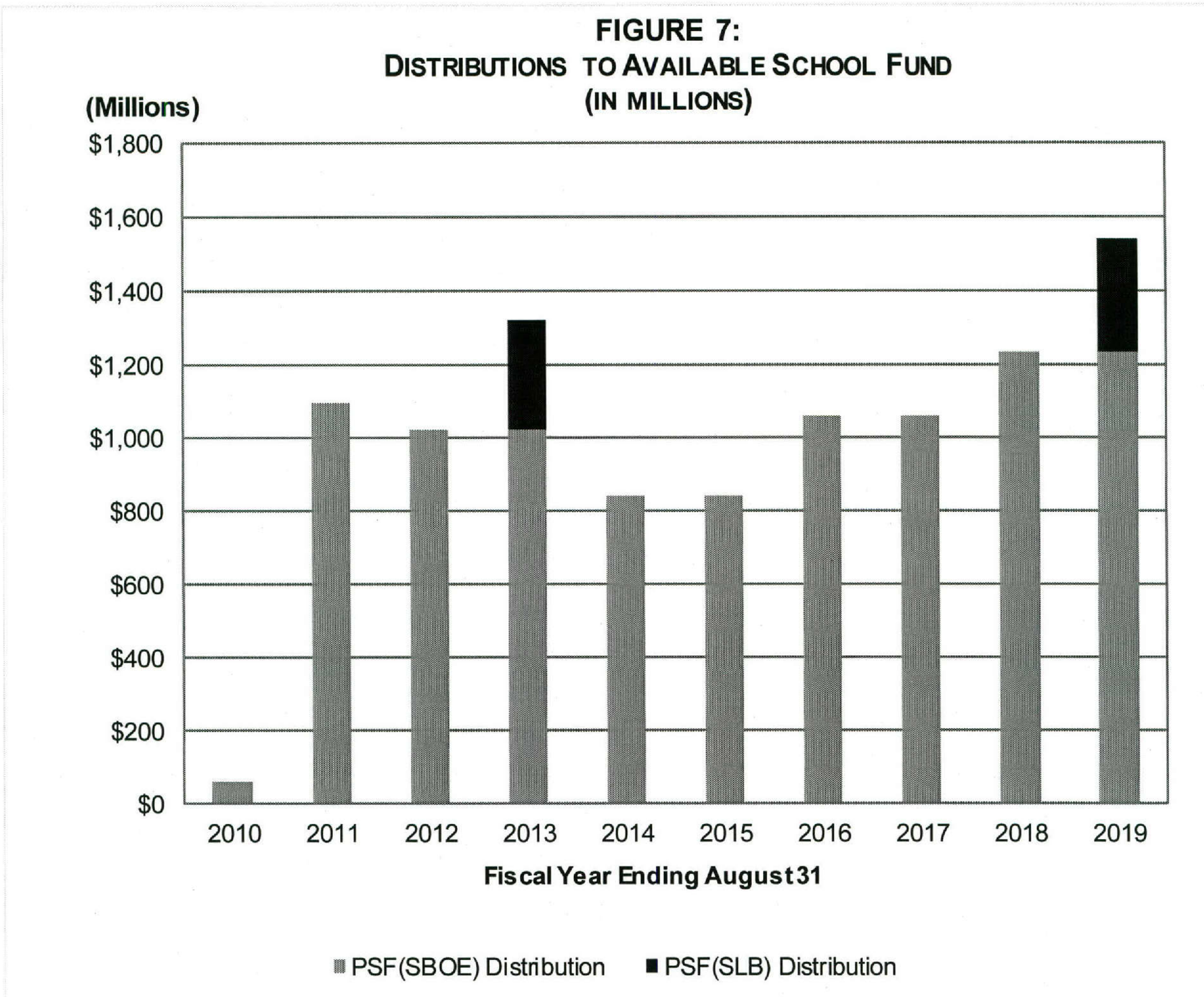
DISTRIBUTIONS TO THE AVAILABLE SCHOOL FUND (ASF), LAST TEN FISCAL YEARS



Fiscal Year Ending	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
PSF(SBOE) Distribution	$61	$1,093	$1,021	$1,021	$839	$839	$1,056	$1,056	$1,236	$1,236
PSF(SLB) Distribution	$0	$0	$0	$300	$0	$0	$0	$0	$0	$300
Per Student Distribution (dollars)	$14	$246	$221	$281	$175	$173	$215	$212	$247	$306

FUND BALANCES, LAST TEN FISCAL YEARS

This schedule provides information on the modified accrual basis of accounting for the last ten fiscal years for the Fund. The information source of this schedule is the Balance Sheet for each respective fiscal year's audited financial statements. Please see Note 1.B. for the Fund's description of the modified accrual basis of accounting.

FIGURE 8:
Comparative Fund Balances
(in thousands)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Reserved for:										
Encumbrances	$ 4,963	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Loans and Contracts	3,479	-	-	-	-	-	-	-	-	-
Public School Support	24,386,874	-	-	-	-	-	-	-	-	-
Nonspendable	-	25,857,001	27,739,396	29,676,949	34,069,613	32,682,611	36,155,567	40,083,721	42,783,122	45,295,579
Restricted	-	1,090,257	1,063,529	924,543	881,607	1,150,932	1,108,362	1,334,246	1,284,357	1,204,805
Total Fund Balance	$ 24,395,316	$ 26,947,258	$ 28,802,925	$ 30,601,492	$ 34,951,220	$ 33,833,543	$ 37,263,929	$ 41,417,967	$ 44,067,479	$ 46,500,384

NOTE - Prior to fiscal year 2011 the Fund classified its entire fund balance as reserved. During fiscal year 2011 the Fund implemented Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54), which required several prescribed classifications of fund balance. Generally, the portion classified as nonspendable represents the Fund's constitutionally permanent nature, and the remainder is classified as restricted since it may only be disposed in accordance with the scope of constitutional and statutory requirements.

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CHANGES IN FUND BALANCES, LAST TEN FISCAL YEARS

This schedule provides trend information on the modified accrual basis of accounting for Revenues, Expenditures, and net change in Fund Balances. This information included in this schedule is obtained from the Statement of Revenues, Expenditures, and Changes in Fund Balance from each respective fiscal year's audited financial statements. Please see Note 1.B. for the Fund's description of the modified accrual basis of accounting.

FIGURE 9:
Comparative Changes in Fund Balance
(in thousands)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenues:										
Gain on Sale of Land	$ 11,462	$ -	$ 9,779	$ 2,687	$ 6,949	$ 2,720	$ 2,267	$ 1,466	$ 2,423	$ 1,386
Dividends and Interest	586,275	604,035	598,778	635,529	661,752	560,683	567,493	610,035	1,064,715	1,057,218
Securities Lending	7,059	6,341	7,418	10,330	9,408	7,725	8,419	25,238	49,416	49,220
Land Endowment Income	360,522	526,037	390,498	410,447	675,799	580,299	522,433	939,053	994,513	1,068,633
Sales of Purchased Gas	49,544	56,318	46,763	51,121	67,248	83,890	76,978	103,883	67,197	57,253
Net Increase/(Decrease) in Fair Value of Investments	918,173	2,537,670	1,897,573	2,064,158	3,858,498	(1,387,556)	1,507,682	3,691,679	1,868,259	1,525,823
Other	2	4,305	1,860	30,491	4,056	9,261	6,039	4,059	2,072	2,152
Total Revenues	1,933,037	3,734,706	2,952,669	3,204,763	5,283,710	(142,978)	2,691,311	5,375,413	4,048,595	3,761,685
Expenditures:										
Administrative	24,228	34,285	32,542	39,573	38,902	53,202	38,339	48,815	56,509	53,290
Gas Supplies Purchased for Res	49,079	54,587	42,430	44,137	54,819	78,157	74,450	98,792	66,008	56,484
Securities Lending Rebates/Fees	1,059	946	1,107	1,549	1,411	1,159	1,684	16,366	40,511	43,972
Debt Service	-	-	-	-	-	-	-	-	-	-
Capital Outlay	170	136	37	50	177	155	610	374	220	608
Total Expenditures	74,536	89,954	76,116	85,309	95,309	132,673	115,083	164,347	163,248	154,354
Other Sources/(Uses)										
Transfers In	-	-	-	-	-	-	9	-	-	-
Transfers Out	(60,700)	(1,092,809)	(1,020,887)	(1,320,887)	(838,672)	(838,672)	(1,056,422)	(1,056,412)	(1,235,835)	(1,535,835)
Sale of Capital Assets	-	-	-	-	-	-	4	3	-	-
Insurance Recoveries	-	-	-	-	-	-	-	-	-	6
Other Financing Sources/(Uses)	(60,700)	(1,092,809)	(1,020,887)	(1,320,887)	(838,672)	(838,672)	(1,056,409)	(1,056,409)	(1,235,835)	(1,535,829)
Net Change in Fund Balance	$ 1,797,801	$ 2,551,943	$ 1,855,666	$ 1,798,567	$ 4,349,729	$ (1,114,323)	$ 1,519,819	$ 4,154,657	$ 2,649,512	$ 2,071,502

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AVERAGE DAILY ATTENDANCE AND CONTRIBUTIONS TO THE AVAILABLE SCHOOL FUND, LAST TEN FISCAL YEARS

This schedule provides trend information on the average daily attendance of students attending Texas public schools and contributions made by the PSF to the Available School Fund to support the cost of educating those students. This information included in this schedule is obtained from final Statewide Summary of Finances for each respective school year, and the Statement of Revenues, Expenditures, and Changes in Fund Balance from each respective fiscal year's audited financial statements. Please see Note 1.B. for the Fund's description of the modified accrual basis of accounting.

FIGURE 10:
Average Daily Attendance and
Distribution to the Available School Fund
(Dollars in thousands, except for per student amounts)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Average Daily Attendance	4,365,254	4,440,621	4,618,495	4,699,372	4,780,830	4,854,882	4,924,589	4,971,656	5,004,998	5,019,837
Distribution to the Available School Fund	$ 60,700	$ 1,092,809	$ 1,020,887	$ 1,320,887	$ 838,672	$ 838,672	$ 1,056,412	$ 1,056,412	$ 1,235,835	$ 1,535,835
Per Student Distribution	$ 14	$ 246	$ 221	$ 281	$ 175	$ 173	$ 215	$ 212	$ 247	$ 306

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Section Four

Bond Guarantee Program

(Unaudited)

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AN OVERVIEW OF THE BOND GUARANTEE PROGRAM

Since its inception in 1983, the Bond Guarantee Program (BGP) has guaranteed 7,389 school district bond issues for a total of $184.3 billion. At the end of fiscal year 2019, there were 3,297 issues of guaranteed school district bonds outstanding with a balance of $82.5 billion. This balance represents the principal amount of the bonds issued and does not reflect any subsequent accretions in value for compound interest bonds (zero coupon securities). The balance also excludes bonds that have been refunded and released from the Bond Guarantee Program. During this fiscal year the total amount of school district bonds outstanding increased by $4.9 billion while the number of outstanding issues guaranteed by the Fund increased by 48.

The BGP has also guaranteed 54 charter district bond issues for a total of $1.9 billion, since 2014 when charter districts were added to the program. During fiscal year 2019, the amount of charter district bonds outstanding increased by $427.2 million while the number of outstanding issues guaranteed by the Fund increased by 5. At the end of the fiscal year 2019, there were 49 issues of guaranteed charter district bonds outstanding with a balance just under $1.9 billion. As with school district debt, this amount represents the principal amount of the bonds issued and does not reflect any subsequent accretions in value for compound interest bonds (zero coupon securities).

The Commissioner of Education is charged with administering the Program. For eligible bonds, including refunding bonds, school districts and charter districts submit an application for guarantee and a processing fee of $1,500. The Commissioner may endorse bonds for guarantee only after investigating the accreditation and financial viability of the applying school or charter district. If the district is considered viable and the bonds are approved by the State of Texas Attorney General, then the guarantee is endorsed at a zero premium charge to the district.

In the event of a default by a school district, and upon proper notice to the Commissioner, the Fund will transfer to the Paying Agent/Registrar an amount necessary to pay the maturing or matured principal and/or interest. Upon receipt of funds for payment of such principal or interest, the Paying Agent/Registrar must pay the amount due and forward the canceled Bond or evidence of payment of the interest to the State Comptroller of Public Accounts (Comptroller). The Commissioner will instruct the Comptroller to withhold the amount paid, plus interest, from the first State money payable to the school district. The amount withheld will be deposited to the credit of the Fund. To date, no school district has ever defaulted on their guaranteed bonded indebtedness.

Statute requires charter district participants in the Program to contribute a portion of their savings that result from participation in the Program to a Charter District Bond Guarantee Reserve Fund. This Fund is separately managed by TEA. In the event of a default by a charter district, the Commissioner shall instruct the Comptroller to transfer from the Charter District Bond Guarantee Reserve Fund to the district's paying agent the amount necessary to pay the maturing or matured principal and/or interest. If funds in the Reserve Fund are insufficient to pay the amount due on a bond in default, the payment process described above for school districts would apply.

The guarantee maximum capacity of the overall Program is limited in two ways. The first limit is the lower of that imposed by the "State Capacity Limit" limiting the amount guaranteed to 350% of the current historical cost of the assets in the Fund, or the limit imposed by the Internal Revenue Service, Internal Revenue Code Section 1.148-11(d)(1)(F) or the "IRS Limit" (calculated to be $117,318,653,038). The second limit is a 5% reserve of the maximum capacity set aside by the SBOE for specific purposes as described by Texas Administrative Code Title 19 Part 2 Chapter 33 Subchapter A Rule 33.65.

Charter district capacity is further defined as the remaining capacity as described above (the lower of 3.50 times asset cost or the IRS limit, less the 5% reserve), the difference of which is applied against the ratio of charter district students compared to all public school students.

As of August 31, 2019, the ratio of guaranteed debt outstanding to the book value of the Fund was 2.39:1 and the ratio of guaranteed debt to the fair value of the Fund was 1.82:1.

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An Overview of the Bond Guarantee Program

To be eligible for the bond guarantee program, school districts and charter districts must be accredited by the State, have bond ratings below AAA, and have their applications approved by the Commissioner of Education. If a school district or charter district fails to make scheduled payments for any bond issues guaranteed by the Fund, the Fund will make the scheduled debt service payment for the defaulting school district as described above. The Fund will not accelerate total bond issue payments. Any State funds subsequently due to the district will instead be paid to the Fund until all monies due the Fund are repaid.

Figure 11 lists the districts with the ten largest aggregate amounts of bonds outstanding, which are guaranteed under the program as of August 31, 2019.

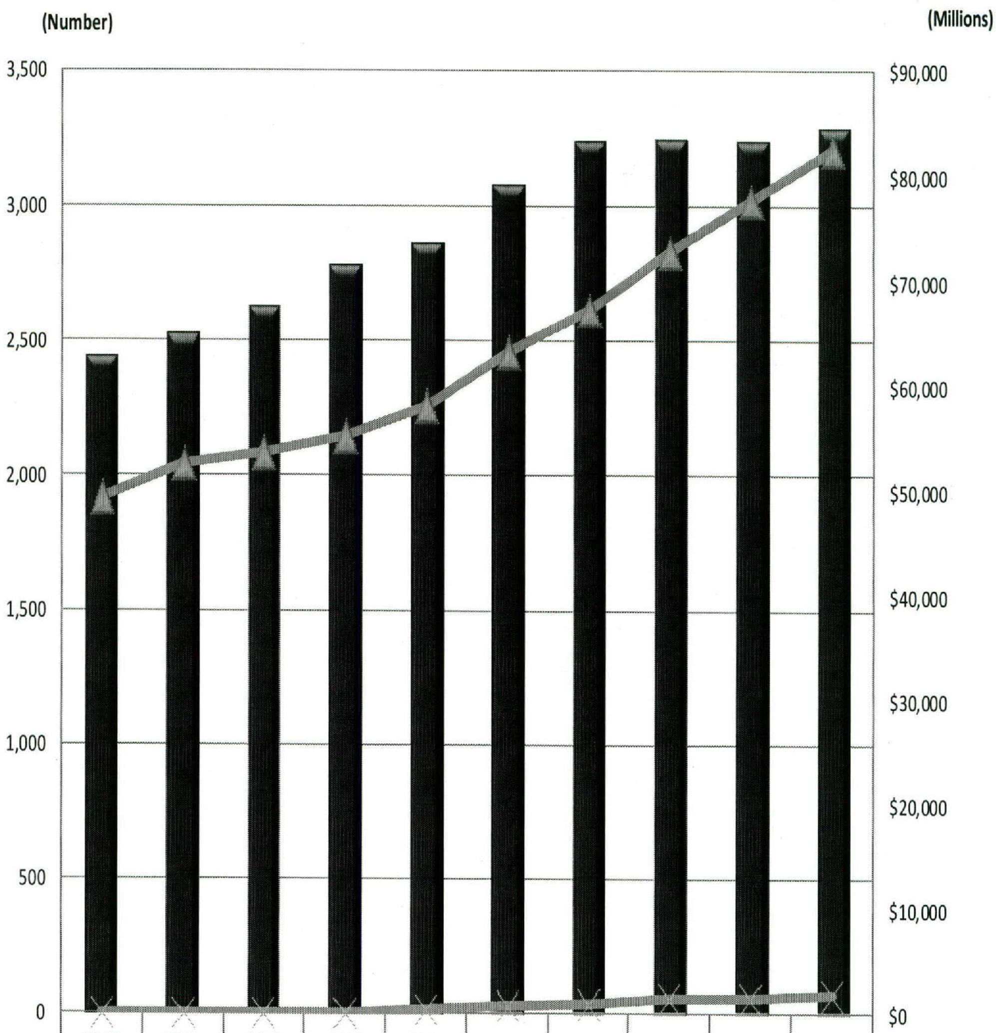
FIGURE 11:
Bond Guarantee Program
Ten Largest Total Debt Outstanding
Guaranteed Under the Program
At August 31, 2019

District Name	Balance
Cypress-Fairbanks ISD	$ 2,586,595,000
Dallas ISD	2,465,020,000
Houston ISD	2,393,580,000
Northside ISD [Bexar]	2,173,695,000
Frisco ISD	1,937,107,591
Katy ISD	1,843,845,000
North East ISD	1,330,755,000
Conroe ISD	1,183,820,000
Denton ISD	1,092,909,104
Fort Bend ISD	1,091,388,767

NUMBER OF ISSUES	Total	School Districts	Charter Districts
Number of Issues as of September 1, 2018	3,293	3,249	44
Fiscal Year Activity:			
District Issues Guaranteed During Fiscal Year	201	195	6
District Issues Matured	(119)	(118)	(1)
District Issues Refunded	(29)	(29)	0
Number of Issues as of August 31, 2019	3,346	3,297	49
BALANCE			
Balance as of September 1, 2018	$ 79,080,901,069	$ 77,647,966,069	$ 1,432,935,000
Fiscal Year Activity:			
District Issues Guaranteed During Fiscal Year	9,799,070,087	9,346,850,087	452,220,000
District Issues Matured	(3,087,927,954)	(3,062,917,954)	(25,010,000)
District Issues Refunded	(1,394,142,999)	(1,394,142,999)	-
Balance as of August 31, 2019	$ 84,397,900,203	$ 82,537,755,203	$ 1,860,145,000

BOND GUARANTEE PROGRAM COMPARATIVE STATUS SUMMARY
LAST TEN FISCAL YEARS

FIGURE 12:
Bond Guarantee Program Comparative Status Summary



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Number of Issues - School District	2,452	2,536	2,634	2,789	2,869	3,089	3,244	3,253	3,249	3,297
Number of Issues - Charter School	-	-	-	-	10	28	35	40	44	49
Issued Year-End Balance - School District	49,302	52,654	53,634	55,219	58,062	63,198	67,342	72,884	77,648	82,538
Issued Year-End Balance - Charter School	-	-	-	-	303	758	961	1,381	1,433	1,860

Bond Guarantee Program --- Issued and Guaranteed For the Fiscal Year Ended August 31, 2019

SCHOOL DISTRICT NAME	BALANCE	SCHOOL DISTRICT NAME	BALANCE
Abbott ISD	$ 3,795,000	Baird ISD	$ 4,210,000
Abernathy ISD	18,930,000	Balmorhea ISD	875,000
Abilene ISD	225,792,883	Bandera ISD	18,440,000
Academy ISD	18,920,000	Bangs ISD	6,070,000
Adrian ISD	5,195,000	Banquete ISD	6,765,000
Agua Dulce ISD	4,415,000	Barbers Hill ISD	209,765,000
Alamo Heights ISD	181,450,000	Bartlett ISD	945,000
Alba-Golden ISD	1,615,000	Bastrop ISD	150,082,298
Aldine ISD	1,052,075,000	Bay City ISD	107,788,484
Aledo ISD	162,844,869	Beaumont ISD	316,380,000
Alice ISD	38,286,918	Beeville ISD	12,949,686
Alief ISD	268,290,000	Bells ISD	15,855,000
Allen ISD	599,795,427	Bellville ISD	18,730,000
Alpine ISD	330,000	Belton ISD	241,814,996
Alto ISD	2,305,000	Ben Bolt-Palito Blanco ISD	3,450,000
Alvarado ISD	69,795,000	Benavides ISD	4,780,000
Alvin ISD	815,705,000	Big Sandy ISD [Polk]	1,620,000
Alvord ISD	6,070,000	Big Sandy ISD [Upshur]	7,209,999
Amarillo ISD	245,770,000	Big Spring ISD	47,575,000
Anahuac ISD	24,825,000	Birdville ISD	397,327,084
Anderson-Shiro CISD	25,427,368	Bishop CISD	27,855,449
Andrews ISD	22,995,637	Blackwell CISD	1,610,000
Angleton ISD	103,520,000	Blanco ISD	8,000,000
Anna ISD	137,055,024	Bland ISD	12,826,016
Anson ISD	5,060,000	Blanket ISD	830,000
Anthony ISD	4,345,000	Bloomburg ISD	504,000
Aquilla ISD	1,119,000	Blooming Grove ISD	1,090,000
Aransas Co ISD	23,235,000	Bloomington ISD	8,130,000
Aransas Pass ISD	15,710,000	Blue Ridge ISD	36,095,000
Archer City ISD	15,710,000	Bluff Dale ISD	5,025,000
Argyle ISD	188,007,890	Blum ISD	6,955,000
Arlington ISD	732,472,018	Boerne ISD	320,837,404
Arp ISD	18,565,000	Boles ISD	3,755,000
Aspermont ISD	6,820,000	Bonham ISD	33,925,000
Athens ISD	65,265,000	Borger ISD	66,661,811
Atlanta ISD	11,820,500	Bosqueville ISD	7,230,000
Aubrey ISD	86,301,852	Bowie ISD	21,675,000
Austin ISD	873,463,916	Boyd ISD	19,545,000
Austwell-Tivoli ISD	14,305,000	Brady ISD	17,305,000
Avalon ISD	800,000	Brazos ISD	12,864,987
Azle ISD	81,050,000	Brazosport ISD	223,659,985

BOND GUARANTEE PROGRAM --- ISSUED AND GUARANTEED
FOR THE FISCAL YEAR ENDED AUGUST 31, 2019

SCHOOL DISTRICT NAME		BALANCE	SCHOOL DISTRICT NAME		BALANCE
Breckenridge ISD	$	3,775,000	Cedar Hill ISD	$	91,325,656
Bremond ISD		8,789,578	Celeste ISD		6,370,000
Brenham ISD		28,978,374	Celina ISD		138,864,551
Bridge City ISD		13,785,960	Center ISD		21,770,000
Bridgeport ISD		16,690,000	Center Point ISD		900,000
Brock ISD		44,962,794	Centerville ISD [Leon]		13,684,998
Brookesmith ISD		500,000	Central Heights ISD		11,055,000
Brooks Co ISD		28,710,000	Central ISD		10,265,000
Brownfield ISD		7,665,000	Channelview ISD		124,460,000
Brownsboro ISD		22,796,927	Channing ISD		1,075,000
Brownsville ISD		100,520,000	Chapel Hill ISD [Smith]		13,470,000
Bruceville-Eddy ISD		5,350,000	Chapel Hill ISD [Titus]		2,515,000
Bryan ISD		197,820,000	Charlotte ISD		8,445,000
Bryson ISD		12,676,084	Chico ISD		16,645,000
Buckholts ISD		470,000	Childress ISD		315,000
Buffalo ISD		12,973,967	Chillicothe ISD		10,005,000
Bullard ISD		64,290,533	China Spring ISD		34,245,000
Buna ISD		21,255,000	Chireno ISD		795,000
Burkburnett ISD		39,085,000	Chisum ISD		27,820,000
Burkeville ISD		1,010,000	Christoval ISD		680,000
Burleson ISD		332,770,852	City View ISD		11,183,693
Burnet CISD		32,775,000	Claude ISD		1,290,000
Burton ISD		5,400,000	Clear Creek ISD		821,080,000
Bushland ISD		19,665,000	Cleburne ISD		128,247,083
Bynum ISD		695,000	Cleveland ISD		134,044,989
Caddo Mills ISD		27,264,860	Clifton ISD		23,810,000
Calallen ISD		70,225,000	Clint ISD		163,486,634
Caldwell ISD		39,039,600	Clyde CISD		20,335,000
Calhoun Co ISD		38,565,000	Coahoma ISD		14,509,997
Callisburg ISD		16,255,760	Coldspring-Oakhurst CISD		18,105,000
Cameron ISD		16,380,000	College Station ISD		320,530,000
Canadian ISD		9,960,000	Collinsville ISD		8,118,000
Canton ISD		27,196,000	Colorado ISD		27,465,000
Canutillo ISD		86,285,000	Columbia-Brazoria ISD		31,209,998
Canyon ISD		169,745,000	Columbus ISD		8,474,989
Carlisle ISD		9,500,000	Comal ISD		743,575,504
Carrizo Springs CISD		40,785,000	Comanche ISD		8,145,000
Carroll ISD		233,927,164	Comfort ISD		14,479,994
Carrollton-Farmers Branch ISD		212,450,000	Commerce ISD		21,070,000
Carthage ISD		24,300,000	Community ISD		55,160,000
Castleberry ISD		37,375,000	Comstock ISD		1,445,000

BOND GUARANTEE PROGRAM --- ISSUED AND GUARANTEED
FOR THE FISCAL YEAR ENDED AUGUST 31, 2019

SCHOOL DISTRICT NAME	BALANCE	SCHOOL DISTRICT NAME	BALANCE
Connally ISD	$ 12,520,000	Detroit ISD	$ 5,020,000
Conroe ISD	1,183,820,000	Devers ISD	405,000
Coolidge ISD	2,160,000	Devine ISD	10,230,000
Cooper ISD	8,940,000	Deweyville ISD	5,705,000
Coppell ISD	339,982,416	Diboll ISD	14,409,921
Copperas Cove ISD	9,384,994	Dickinson ISD	305,160,000
Corpus Christi ISD	581,145,000	Dilley ISD	35,950,000
Corrigan-Camden ISD	2,685,000	Dimmitt ISD	29,904,998
Corsicana ISD	86,085,880	Dodd City ISD	4,105,000
Cotulla ISD	31,740,000	Donna ISD	67,980,000
Covington ISD	437,000	Dripping Springs ISD	272,034,999
Crandall ISD	63,138,014	Driscoll ISD	7,278,306
Crane ISD	3,950,000	Dublin ISD	4,365,000
Crawford ISD	5,930,068	Dumas ISD	15,060,000
Crockett Co Cons CSD	4,635,000	Duncanville ISD	200,331,096
Crockett ISD	10,795,000	Eagle Mountain-Saginaw ISD	594,189,150
Crosby ISD	136,920,000	Eagle Pass ISD	41,910,000
Crosbyton CISD	7,370,000	Eanes ISD	67,625,000
Cross Roads ISD	4,315,000	Early ISD	16,096,236
Crowley ISD	456,222,515	East Bernard ISD	20,080,000
Crystal City ISD	45,360,000	East Central ISD	122,633,479
Cuero ISD	63,375,000	East Chambers ISD	14,039,000
Culberson Co-Allamoore ISD	22,465,000	Eastland ISD	7,730,000
Cumby ISD	1,418,000	Ector Co ISD	160,495,000
Cushing ISD	11,140,000	Ector ISD	1,465,000
Cypress-Fairbanks ISD	2,586,595,000	Edcouch-Elsa ISD	30,825,000
D'Hanis ISD	4,170,000	Edgewood ISD [Bexar]	56,595,000
Daingerfield-Lone Star ISD	6,964,000	Edgewood ISD [Van Zandt]	3,175,000
Dalhart ISD	12,150,000	Edinburg CISD	107,475,000
Dallas ISD	2,465,020,000	Edna ISD	18,265,000
Danbury ISD	15,235,000	El Campo ISD	25,995,000
Dawson ISD [Navarro]	8,223,271	El Paso ISD	710,151,571
Dayton ISD	85,025,000	Electra ISD	10,805,000
De Leon ISD	885,000	Elgin ISD	38,359,984
Decatur ISD	31,417,612	Elkhart ISD	13,155,000
Deer Park ISD	199,540,000	Elysian Fields ISD	6,475,000
Del Valle ISD	185,209,999	Ennis ISD	111,558,683
Denison ISD	75,939,560	Era ISD	4,170,000
Denton ISD	1,092,909,104	Etoile ISD	2,115,000
Denver City ISD	66,120,000	Eula ISD	3,922,100
DeSoto ISD	86,646,064	Eustace ISD	37,680,000

Bond Guarantee Program --- Issued and Guaranteed
For the Fiscal Year Ended August 31, 2019

SCHOOL DISTRICT NAME		BALANCE	SCHOOL DISTRICT NAME		BALANCE
Evadale ISD	$	2,003,291	Gary ISD	$	7,430,000
Everman ISD		82,590,000	Gatesville ISD		15,275,000
Ezzell ISD		3,535,000	George West ISD		28,625,000
Fabens ISD		25,800,000	Georgetown ISD		402,375,000
Fairfield ISD		3,630,000	Giddings ISD		29,450,000
Falls City ISD		28,515,000	Gilmer ISD		44,310,000
Fannindel ISD		960,000	Gladewater ISD		31,040,000
Farmersville ISD		8,680,000	Glasscock Co ISD		14,000,000
Farwell ISD		8,755,000	Glen Rose ISD		15,250,000
Fayetteville ISD		7,255,000	Godley ISD		59,275,000
Ferris ISD		31,376,169	Goldthwaite CISD		21,220,000
Flatonia ISD		16,157,900	Goliad ISD		7,450,000
Florence ISD		11,210,000	Gonzales ISD		20,995,000
Floresville ISD		56,919,990	Goodrich ISD		2,400,000
Flour Bluff ISD		46,220,000	Goose Creek CISD		484,440,000
Floydada ISD		36,145,000	Gordon ISD		70,000
Follett ISD		1,505,000	Gorman ISD		3,778,398
Forney ISD		253,449,194	Grady ISD		37,580,000
Forsan ISD		16,330,000	Graford ISD		8,199,306
Fort Bend ISD		1,091,388,767	Graham ISD		21,955,000
Fort Elliott CISD		2,040,000	Granbury ISD		105,018,250
Fort Hancock ISD		1,000,000	Grand Prairie ISD		429,885,000
Fort Stockton ISD		36,130,000	Grand Saline ISD		5,670,000
Fort Worth ISD		794,715,000	Grandfalls-Royalty ISD		10,300,000
Franklin ISD		5,150,000	Grandview ISD		11,815,000
Frankston ISD		14,106,275	Grandview-Hopkins ISD		220,000
Fredericksburg ISD		24,705,000	Grape Creek ISD		11,270,000
Freer ISD		22,574,908	Grapeland ISD		10,640,000
Frenship ISD		193,890,000	Grapevine-Colleyville ISD		318,401,058
Friendswood ISD		85,675,000	Greenville ISD		73,540,000
Friona ISD		2,330,000	Greenwood ISD		55,640,000
Frisco ISD		1,937,107,591	Gregory-Portland ISD		134,715,000
Frost ISD		6,341,000	Groesbeck ISD		10,190,000
Fruitvale ISD		2,005,000	Groom ISD		13,205,000
Gainesville ISD		26,020,000	Gruver ISD		1,314,286
Galena Park ISD		292,029,756	Gunter ISD		16,130,000
Galveston ISD		65,334,998	Gustine ISD		830,000
Ganado ISD		23,995,000	Hale Center ISD		4,769,135
Garland ISD		529,510,000	Hallettsville ISD		20,795,000
Garner ISD		1,145,000	Hallsburg ISD		2,125,000
Garrison ISD		1,420,000	Hallsville ISD		60,125,000

Bond Guarantee Program --- Issued and Guaranteed
For the Fiscal Year Ended August 31, 2019

SCHOOL DISTRICT NAME	BALANCE	SCHOOL DISTRICT NAME	BALANCE
Hamlin ISD	$ 3,345,000	Hunt ISD	$ 3,525,000
Hamshire-Fannett ISD	20,490,000	Huntington ISD	13,985,000
Hardin ISD	17,495,000	Huntsville ISD	16,440,000
Hardin-Jefferson ISD	32,715,000	Hurst-Euless-Bedford ISD	290,650,000
Harlandale ISD	167,165,164	Hutto ISD	267,232,301
Harleton ISD	979,000	Idalou ISD	11,595,000
Harlingen CISD	113,925,000	Industrial ISD	21,195,000
Harmony ISD	689,000	Ingleside ISD	41,120,000
Hart ISD	1,965,000	Ingram ISD	12,815,000
Hartley ISD	4,980,000	Iola ISD	8,750,000
Haskell CISD	20,733,000	Iowa Park CISD	11,270,000
Hawkins ISD	19,245,000	Ira ISD	10,720,000
Hawley ISD	5,615,000	Iraan-Sheffield ISD	13,805,000
Hays CISD	470,875,000	Iredell ISD	4,525,000
Hearne ISD	7,890,000	Irving ISD	404,065,000
Hempstead ISD	11,489,480	Italy ISD	12,320,000
Henderson ISD	40,345,000	Itasca ISD	10,700,000
Henrietta ISD	8,050,000	Jacksboro ISD	18,660,000
Hereford ISD	20,935,000	Jacksonville ISD	85,245,000
Hermleigh ISD	5,389,999	Jarrell ISD	96,730,000
Hico ISD	2,840,000	Jasper ISD	7,580,000
Hidalgo ISD	28,200,000	Jayton-Girard ISD	1,665,000
Higgins ISD	1,205,000	Jefferson ISD	5,795,000
High Island ISD	490,000	Jim Hogg Co ISD	16,610,000
Highland ISD	8,115,000	Jim Ned CISD	12,550,000
Highland Park ISD [Dallas]	323,240,000	Joaquin ISD	10,885,000
Highland Park ISD [Potter]	19,405,000	Johnson City ISD	15,660,000
Hillsboro ISD	8,634,164	Joshua ISD	100,270,000
Hitchcock ISD	29,433,639	Jourdanton ISD	39,725,000
Holland ISD	8,530,000	Judson ISD	531,949,223
Holliday ISD	16,645,000	Karnes City ISD	20,535,070
Hondo ISD	35,765,000	Katy ISD	1,843,845,000
Honey Grove ISD	8,130,000	Kaufman ISD	69,440,940
Hooks ISD	5,955,000	Keene ISD	11,775,000
Houston ISD	2,393,580,000	Keller ISD	649,705,320
Howe ISD	21,798,106	Kelton ISD	2,013,000
Hubbard ISD [Hill]	8,194,999	Kemp ISD	19,494,993
Hudson ISD	13,170,000	Kenedy County-Wide CSD	297,000
Huffman ISD	75,039,997	Kenedy ISD	29,650,000
Hull-Daisetta ISD	908,000	Kennedale ISD	30,910,025
Humble ISD	533,815,000	Kerens ISD	16,920,000

Bond Guarantee Program --- Issued and Guaranteed For the Fiscal Year Ended August 31, 2019

SCHOOL DISTRICT NAME	BALANCE	SCHOOL DISTRICT NAME	BALANCE
Kermit ISD	$ 23,260,000	Liberty ISD	$ 36,185,000
Kerrville ISD	60,675,000	Liberty-Eylau ISD	23,125,000
Kilgore ISD	44,585,000	Lindale ISD	74,104,093
Killeen ISD	422,765,000	Lingleville ISD	7,391,000
Kingsville ISD	63,401,767	Lipan ISD	7,361,454
Kirbyville CISD	21,690,000	Little Cypress-Mauriceville CISD	57,960,000
Klein ISD	1,079,985,000	Little Elm ISD	294,094,212
Klondike ISD	2,825,000	Livingston ISD	58,130,000
Knippa ISD	3,330,000	Llano ISD	42,205,000
Kopperl ISD	20,000	Lockhart ISD	67,000,000
Kountze ISD	9,045,000	Lockney ISD	5,335,000
Kress ISD	2,420,000	Lohn ISD	890,000
Krum ISD	28,936,866	Lometa ISD	3,645,000
La Feria ISD	21,270,000	London ISD	32,702,752
La Grange ISD	31,635,000	Lone Oak ISD	8,620,000
La Joya ISD	210,465,945	Longview ISD	203,190,000
La Porte ISD	216,660,000	Loop ISD	1,055,000
La Poynor ISD	7,951,000	Loraine ISD	8,485,000
La Pryor ISD	1,800,000	Lorena ISD	27,754,470
La Vega ISD	37,221,698	Los Fresnos CISD	25,705,000
La Vernia ISD	33,735,000	Lovejoy ISD	166,105,234
La Villa ISD	8,600,000	Lubbock ISD	269,520,000
Lago Vista ISD	36,941,925	Lubbock-Cooper ISD	252,824,951
Lake Dallas ISD	89,125,180	Lueders-Avoca ISD	910,000
Lake Travis ISD	406,345,000	Lufkin ISD	75,944,999
Lake Worth ISD	61,130,858	Luling ISD	8,830,000
Lamar CISD	1,039,230,000	Lumberton ISD	1,190,000
Lamesa ISD	7,565,000	Lyford CISD	3,275,000
Lampasas ISD	31,549,982	Lytle ISD	24,190,000
Lancaster ISD	137,895,000	Mabank ISD	36,785,272
Laredo ISD	244,870,000	Madisonville CISD	21,410,000
Lasara ISD	5,470,000	Magnolia ISD	114,975,000
Latexo ISD	394,996	Malakoff ISD	18,980,000
Leander ISD	1,005,433,901	Malone ISD	851,000
Lefors ISD	2,710,000	Malta ISD	715,000
Leggett ISD	1,960,000	Manor ISD	280,494,999
Leon ISD	5,015,000	Mansfield ISD	755,525,000
Levelland ISD	48,935,000	Marble Falls ISD	101,665,000
Lewisville ISD	982,925,300	Marfa ISD	5,710,000
Lexington ISD	7,605,000	Marion ISD	38,040,000
Liberty Hill ISD	226,094,648	Marshall ISD	89,750,000

Bond Guarantee Program --- Issued and Guaranteed
For the Fiscal Year Ended August 31, 2019

SCHOOL DISTRICT NAME		BALANCE	SCHOOL DISTRICT NAME		BALANCE
Mart ISD	$	10,090,000	Moulton ISD	$	12,860,000
Martins Mill ISD		2,360,000	Mount Calm ISD		1,500,000
Martinsville ISD		3,680,000	Mount Enterprise ISD		2,510,000
Mason ISD		3,680,000	Mount Pleasant ISD		76,285,000
Matagorda ISD		4,205,000	Mount Vernon ISD		19,785,000
Mathis ISD		23,110,000	Muenster ISD		15,600,574
Maud ISD		620,000	Muleshoe ISD		16,270,000
May ISD		1,691,000	Munday CISD		6,630,000
Maypearl ISD		11,522,677	Nacogdoches ISD		100,010,000
McAllen ISD		60,180,000	Natalia ISD		10,850,000
McCamey ISD		16,065,000	Navarro ISD		35,025,494
McDade ISD		720,000	Navasota ISD		58,145,000
McGregor ISD		22,311,343	Nazareth ISD		462,864
McKinney ISD		516,205,000	Neches ISD		3,570,000
McLean ISD		1,325,000	Nederland ISD		25,335,000
McMullen Co ISD		15,073,000	Needville ISD		49,640,000
Meadow ISD		845,000	New Boston ISD		13,091,714
Medina ISD		5,525,000	New Braunfels ISD		186,469,245
Medina Valley ISD		162,237,932	New Caney ISD		500,875,359
Melissa ISD		142,150,000	New Diana ISD		7,980,000
Mercedes ISD		48,800,000	New Home ISD		4,800,000
Meridian ISD		5,915,000	New Summerfield ISD		7,465,000
Merkel ISD		11,095,000	New Waverly ISD		4,600,000
Mesquite ISD		608,469,767	Newcastle ISD		4,500,000
Mexia ISD		12,510,000	Newton ISD		3,105,000
Miami ISD		20,015,000	Nixon-Smiley CISD		13,764,000
Midland ISD		200,050,995	Normangee ISD		16,991,984
Midlothian ISD		355,236,373	North East ISD		1,330,755,000
Midway ISD [Clay]		4,490,000	North Hopkins ISD		4,220,000
Midway ISD [McLennan]		86,944,005	North Zulch ISD		3,745,000
Milano ISD		3,645,000	Northside ISD [Bexar]		2,173,695,000
Mildred ISD		19,190,000	Northside ISD [Wilbarger]		1,240,000
Miles ISD		7,290,000	Northwest ISD		934,245,475
Miller Grove ISD		1,390,000	Nursery ISD		2,280,000
Millsap ISD		16,269,903	O'Donnell ISD		12,264,000
Mineral Wells ISD		48,880,000	Oakwood ISD		1,529,033
Mission CISD		106,250,000	Odem-Edroy ISD		25,920,000
Monahans-Wickett-Pyote ISD		144,369,145	Olfen ISD		760,000
Monte Alto ISD		12,545,000	Olney ISD		4,995,000
Montgomery ISD		337,175,000	Onalaska ISD		11,159,756
Moody ISD		9,534,999	Orange Grove ISD		9,386,366

Bond Guarantee Program --- Issued and Guaranteed
For the Fiscal Year Ended August 31, 2019

SCHOOL DISTRICT NAME	BALANCE	SCHOOL DISTRICT NAME	BALANCE
Orangefield ISD	$ 7,755,000	Post ISD	$ 35,650,000
Ore City ISD	8,100,000	Poteet ISD	24,740,000
Overton ISD	7,563,227	Poth ISD	13,719,000
Paint Creek ISD	2,490,000	Pottsboro ISD	8,265,000
Paint Rock ISD	1,980,000	Prairiland ISD	6,895,000
Palacios ISD	4,140,000	Premont ISD	11,305,000
Palestine ISD	51,740,000	Presidio ISD	3,130,094
Palmer ISD	16,735,000	Princeton ISD	189,588,384
Palo Pinto ISD	2,575,000	Pringle-Morse CISD	1,005,000
Pampa ISD	36,870,000	Progreso ISD	22,230,000
Panhandle ISD	5,995,000	Prosper ISD	784,243,637
Panther Creek CISD	680,000	Queen City ISD	2,035,000
Paradise ISD	8,405,694	Quinlan ISD	12,725,000
Paris ISD	45,405,000	Quitman ISD	13,111,000
Pasadena ISD	669,115,000	Rains ISD	10,915,000
Pawnee ISD	3,440,000	Rankin ISD	27,720,000
Pearland ISD	447,510,000	Raymondville ISD	14,430,000
Pearsall ISD	11,455,000	Reagan Co ISD	28,730,000
Peaster ISD	20,942,306	Red Lick ISD	4,365,000
Pecos-Barstow-Toyah ISD	37,756,817	Red Oak ISD	96,700,000
Perrin-Whitt CISD	4,220,000	Redwater ISD	6,820,000
Perryton ISD	17,008,712	Refugio ISD	19,701,255
Petrolia CISD	2,735,000	Rice CISD	27,549,996
Pettus ISD	27,715,000	Rice ISD	24,184,592
Pewitt CISD	975,000	Richardson ISD	576,969,992
Pflugerville ISD	596,945,000	Richland Springs ISD	2,485,000
Pharr-San Juan-Alamo ISD	271,490,000	Riesel ISD	24,344,998
Pilot Point ISD	13,990,000	Rio Grande City CISD	76,805,000
Pine Tree ISD	48,295,000	Rio Hondo ISD	30,136,061
Pittsburg ISD	18,519,000	Rio Vista ISD	1,690,000
Plains ISD	29,100,000	River Road ISD	9,251,840
Plano ISD	759,425,000	Rivercrest ISD	4,560,000
Pleasant Grove ISD	44,605,000	Robert Lee ISD	6,245,000
Pleasanton ISD	55,960,000	Robinson ISD	20,835,000
Plemons-Stinnett-Phillips CISD	13,385,000	Robstown ISD	48,984,293
Point Isabel ISD	10,875,000	Rockdale ISD	22,645,000
Ponder ISD	16,240,000	Rocksprings ISD	1,095,000
Poolville ISD	3,175,000	Rockwall ISD	515,570,826
Port Aransas ISD	7,511,000	Rogers ISD	10,844,710
Port Arthur ISD	192,220,000	Roma ISD	70,565,000
Port Neches-Groves ISD	84,720,000	Roosevelt ISD	8,230,000

Bond Guarantee Program --- Issued and Guaranteed For the Fiscal Year Ended August 31, 2019

SCHOOL DISTRICT NAME	BALANCE	SCHOOL DISTRICT NAME	BALANCE
Ropes ISD	$ 4,510,000	Seguin ISD	$ 156,479,858
Roscoe Collegiate ISD	4,955,000	Seminole ISD	19,855,000
Rosebud-Lott ISD	11,989,464	Seymour ISD	2,230,000
Round Rock ISD	539,275,000	Shallowater ISD	26,555,042
Round Top-Carmine ISD	1,650,000	Sharyland ISD	98,000,000
Royal ISD	60,815,641	Shelbyville ISD	830,000
Royse City ISD	125,896,727	Sheldon ISD	405,684,996
Runge ISD	3,572,000	Shepherd ISD	19,104,353
Rusk ISD	7,625,000	Sherman ISD	214,515,000
S & S CISD	25,060,000	Shiner ISD	2,695,000
Sabinal ISD	715,000	Sidney ISD	1,140,000
Sabine ISD	18,005,000	Silsbee ISD	30,850,000
Sabine Pass ISD	13,534,485	Silverton ISD	5,525,000
Saint Jo ISD	6,560,000	Simms ISD	1,165,000
Salado ISD	62,555,000	Sinton ISD	23,822,224
Sam Rayburn ISD	3,560,000	Skidmore-Tynan ISD	9,527,187
San Angelo ISD	96,694,981	Slaton ISD	15,475,000
San Antonio ISD	1,034,234,988	Slidell ISD	1,045,000
San Augustine ISD	9,000,000	Slocum ISD	2,855,000
San Benito CISD	90,150,000	Smithville ISD	39,290,000
San Diego ISD	21,290,000	Smyer ISD	191,500
San Elizario ISD	26,890,000	Snook ISD	14,670,000
San Felipe Del Rio CISD	29,979,993	Snyder CISD	8,718,365
San Isidro ISD	357,000	Socorro ISD	765,157,648
San Marcos CISD	221,563,210	Somerset ISD	34,175,700
San Perlita ISD	5,670,000	Somerville ISD	12,485,000
San Saba ISD	4,173,000	Sonora ISD	1,567,307
Sands CISD	3,405,000	South San Antonio ISD	150,031,030
Sanford-Fritch ISD	7,611,928	Southside ISD	90,550,000
Sanger ISD	19,490,524	Southwest ISD	286,063,272
Santa Anna ISD	935,000	Spearman ISD	6,065,000
Santa Fe ISD	83,845,000	Splendora ISD	63,140,000
Santa Gertrudis ISD	2,645,000	Spring Branch ISD	560,685,000
Santa Maria ISD	10,930,000	Spring Hill ISD	39,557,000
Santa Rosa ISD	8,550,000	Spring ISD	583,855,000
Savoy ISD	1,105,000	Springtown ISD	51,905,000
Schertz-Cibolo-Universal City	406,571,092	Spur ISD	3,515,000
Schulenburg ISD	8,130,000	Spurger ISD	1,930,000
Scurry-Rosser ISD	6,290,000	Stafford MSD	97,915,000
Seagraves ISD	8,400,000	Stamford ISD	7,870,000
Sealy ISD	52,980,000	Stanton ISD	31,026,000

Bond Guarantee Program --- Issued and Guaranteed
For the Fiscal Year Ended August 31, 2019

SCHOOL DISTRICT NAME		BALANCE	SCHOOL DISTRICT NAME		BALANCE
Stephenville ISD	$	78,945,000	Turkey-Quitaque ISD	$	2,345,000
Sterling City ISD		16,465,000	Tyler ISD		395,975,000
Stockdale ISD		13,055,000	Union Grove ISD		12,295,000
Stratford ISD		6,955,000	United ISD		477,063,071
Sudan ISD		2,000,000	Uvalde CISD		9,874,996
Sulphur Bluff ISD		521,000	Valley Mills ISD		14,005,000
Sulphur Springs ISD		44,770,000	Valley View ISD [Cooke]		10,860,000
Sunnyvale ISD		94,382,581	Valley View ISD [Hidalgo]		39,300,000
Sunray ISD		8,570,000	Van Alstyne ISD		54,950,000
Sweeny ISD		46,205,000	Van ISD		39,420,000
Sweetwater ISD		6,105,000	Van Vleck ISD		45,250,000
Taft ISD		26,615,000	Vega ISD		16,580,000
Tahoka ISD		7,710,000	Venus ISD		33,891,462
Tarkington ISD		8,810,000	Veribest ISD		1,000,000
Tatum ISD		15,940,000	Victoria ISD		115,390,000
Taylor ISD		58,925,000	Vidor ISD		12,998,415
Teague ISD		13,855,000	Waco ISD		148,430,000
Temple ISD		179,185,000	Waelder ISD		2,935,000
Tenaha ISD		2,955,000	Walcott ISD		1,005,000
Terrell Co ISD		2,980,000	Wall ISD		17,105,000
Terrell ISD		54,457,255	Waller ISD		114,125,000
Texarkana ISD		42,952,461	Warren ISD		19,164,881
Texas City ISD		213,525,000	Waskom ISD		12,125,000
Texline ISD		1,860,000	Water Valley ISD		2,615,000
Thrall ISD		14,415,000	Waxahachie ISD		242,964,828
Three Rivers ISD		23,810,000	Weatherford ISD		115,755,803
Tidehaven ISD		42,820,000	Webb CISD		11,720,000
Timpson ISD		8,685,000	Weimar ISD		7,380,000
Tioga ISD		5,810,193	Wellman-Union CISD		18,180,000
Tolar ISD		9,153,569	Wells ISD		2,860,000
Tom Bean ISD		8,830,000	Weslaco ISD		42,840,000
Tomball ISD		494,035,000	West Hardin Co CISD		1,935,000
Tornillo ISD		17,034,998	West ISD		1,884,187
Trent ISD		2,550,000	West Orange-Cove CISD		60,043,543
Trenton ISD		6,270,000	West Oso ISD		29,779,682
Trinidad ISD		780,000	West Rusk Co CISD		14,160,000
Trinity ISD		14,075,000	West Sabine ISD		7,645,000
Troup ISD		6,015,000	Wharton ISD		54,475,000
Troy ISD		31,045,011	Wheeler ISD		4,960,000
Tulia ISD		12,625,000	White Deer ISD		11,585,000
Tuloso-Midway ISD		54,780,000	White Oak ISD		17,280,000

BOND GUARANTEE PROGRAM --- ISSUED AND GUARANTEED
FOR THE FISCAL YEAR ENDED AUGUST 31, 2019

SCHOOL DISTRICT NAME		BALANCE
White Settlement ISD	$	149,227,305
Whiteface CISD		9,320,000
Whitehouse ISD		108,900,000
Whitesboro ISD		8,685,000
Whitewright ISD		6,670,025
Whitharral ISD		1,565,000
Whitney ISD		34,800,000
Wichita Falls ISD		75,470,000
Wildorado ISD		11,095,000
Willis ISD		145,812,984
Wimberley ISD		103,018,501
Windthorst ISD		1,700,000
Wink-Loving ISD		50,385,000
Winnsboro ISD		31,050,000
Winona ISD		25,374,999
Woden ISD		9,135,000
Wolfe City ISD		3,395,000
Woodsboro ISD		10,630,000
Wortham ISD		5,645,000
Wylie ISD [Collin]		446,303,247
Wylie ISD [Taylor]		49,990,000
Yantis ISD		155,000
Yoakum ISD		41,965,000
Yorktown ISD		4,375,000
Ysleta ISD		510,535,000
Zavalla ISD		5,030,000
Zephyr ISD		3,445,000
TOTAL SCHOOL DISTRICT AMOUNT OUTSTANDING	**$**	**82,537,755,203**

CHARTER DISTRICT NAME		BALANCE
A.W. Brown-Fellowship Charter School	$	26,205,000
Eagle Advantage Schools, Inc.		19,350,000
Golden Rule Schools, Inc.		27,605,000
Great Hearts America Texas		93,350,000
Harmony Public Schools		296,765,000
IDEA Academy, Inc.		588,335,000
KIPP Texas, Inc.		282,593,000
Lifeschool Of Dallas		86,680,000
Nova Academy		5,145,000
Odyssey 2020 Academy, Inc.		11,640,000
Orenda Education		37,740,000
Responsive Education Solutions		121,480,000
Riverwalk Education Foundation		7,657,000
Trinity Basin Preparatory Inc.		26,745,000
Uplift Education		228,855,000
TOTAL CHARTER DISTRICT AMOUNT OUTSTANDING	**$**	**1,860,145,000**
GRAND TOTAL AMOUNT OUTSTANDING	**$**	**84,397,900,203**

Section Five

Supplemental Schedules

(Unaudited)

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TEXAS PERMANENT SCHOOL FUND
SCHEDULE OF HISTORICAL EARNED INCOME – PSF(SBOE)
ASSIGNED TO THE AVAILABLE SCHOOL FUND

Year	Total Investment Fund [1]	Increase (Decrease) Over Previous Year [2]	Net Income From Investments [3]	Other Income [4]	Total Income From Operations	Distributions [5]
1854	$ 2,000,000	$ -	$ -	$ -	$ -	$ -
1900	9,102,873	682,284	337,437	445,705	783,142	-
1910	16,752,407	712,842	628,669	1,341,858	1,970,527	-
1920	25,698,282	2,832,785	899,946	1,988,609	2,888,555	-
1930	38,718,106	2,349,227	1,668,949	1,100,598	2,769,547	-
1940	68,299,082	5,119,511	2,353,046	978,828	3,331,874	-
1950	161,179,979	10,891,509	3,586,117	399,857	3,985,974	-
1961	454,391,643	28,570,043	13,474,481	291,955	13,766,436	4,593,565
1970	842,217,721	43,557,978	34,114,113	648,842	34,762,955	-
1980	2,464,579,397	401,868,617	158,079,171	8,396,255	166,475,426	-
1990	8,930,703,666	(160,746,667)	671,049,192	3,585,802	674,634,994	-
2000	22,275,586,452	2,659,856,111	694,916,560	3,570,745	698,487,305	-
2008	23,142,393,002	(2,169,442,344)	-	-	-	716,534,543
2009	20,545,271,679	(2,597,121,323)	-	-	-	716,533,764
2010	22,107,795,468	1,562,523,789	-	-	-	60,700,000
2011	24,091,592,601	1,983,797,133	-	-	-	1,092,809,024
2012	25,502,953,268	1,411,360,667	-	-	-	1,020,886,917
2013	27,165,474,239	1,662,520,971	-	-	-	1,020,886,919
2014	30,709,230,670	3,543,756,431	-	-	-	838,672,346
2015	28,949,453,126	(1,759,777,544)	-	-	-	838,672,334
2016	30,155,990,622	1,206,537,496	-	-	-	1,056,412,420
2017	32,727,880,581	2,571,889,959	-	-	-	1,056,412,420
2018	34,012,158,724	1,284,278,143	-	-	-	1,235,835,058
2019	34,260,473,139	248,314,415	-	-	-	1,235,835,058

1 Includes cash, stocks at cost, and bonds at par (1854-1986). Beginning in 1987 and thereafter, the total investment fund is reported using fair values.

2 Includes revenue from GLO, gains and losses on security transactions, and increases/decreases in the fair value of the portfolios.

3 For 2004, income from investments includes interest and dividends on debt and equity securities respectively, interest on funds in the State Treasury, and securities lending proceeds. Due to the change to the total return methodology, the net income from investments is through September 29, 2003 only.

For 2003, income from investments includes interest and dividends on debt and equity securities respectively, interest on funds in accrual basis of accounting.

For the years 1994-2002, income from investments includes interest and dividends on debt and equity securities respectively, interest on funds in the State Treasury, and securities lending proceeds.

For the years 1987-1993, income from investments includes interest and dividends on debt and equity securities, respectively and interest on funds in the State Treasury.

For the years 1854-1986, income from investments includes interest and dividends on debt and equity securities, respectively.

4 For the years 1987-2004, other income includes interest on land notes and interest payments and surface rental income from land owned by the Fund. (Surface rental income included beginning with fiscal year 1979).

For the years 1854-1986, other income includes interest on funds in the State Treasury, interest on land notes, and interest payments and surface rental income from land owned by the Fund. (Surface rental income included beginning with fiscal year 1979).

5 One percent, or $4,593,565 and $4,625,982 was transferred to the ASF in 1961 and 1962 respectively (Sec. 5, S.B, 1, 57th Legislature, 2nd Called Session). Beginning in fiscal year 2004, the ASF received a total return transfer amount in lieu of actual revenue.

TEXAS PERMANENT SCHOOL FUND
SCHEDULE OF ADMINISTRATIVE EXPENSES – PSF(SBOE) (IN MILLIONS)

The Texas Permanent School Fund is required by the General Appropriations Act to publish the costs of administrating the Fund for the current year and projections for the following three years. The schedule below reflects the current year's appropriated costs. Projected amounts are based on the current operating structure and full implementation of the long-term allocation plan adopted by the State Board of Education.

The total appropriated PSF(SBOE) administrative expenses include salaries, wages and related costs, professional fees and services, communication and utilities, rentals and leases, investment management fees paid directly to external portfolio managers, and other expenses for operation of the Fund.

Actual-Fiscal Year 2019	$28.9
Projected-Fiscal Year 2020	$30.4
Projected-Fiscal Year 2021	$30.4
Projected-Fiscal Year 2022	$30.4

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COMPLIANCE STATEMENT

TITLE VI, CIVIL RIGHTS ACT OF 1964; THE MODIFIED COURT ORDER, CIVIL ACTION 5281, FEDERAL DISTRICT COURT, EASTERN DISTRICT OF TEXAS, TYLER DIVISION

Reviews of local education agencies pertaining to compliance with Title VI Civil Rights Act of 1964 and with specific requirements of the Modified Court Order, Civil Action No. 5281, Federal District Court, Eastern District of Texas, Tyler Division are conducted periodically by staff representatives of the Texas Education Agency. These reviews cover at least the following policies and practices:

(1) Acceptance policies on student transfers from other school districts;
(2) Operation of school bus routes or runs on a non-segregated basis;
(3) Nondiscrimination in extracurricular activities and the use of school facilities;
(4) Nondiscriminatory practices in the hiring, assigning, promoting, paying, demoting, reassigning, or dismissing of faculty and staff members who work with children;
(5) Enrollment and assignment of students without discrimination on the basis of race, color, or national origin;
(6) Nondiscriminatory practices relating to the use of a student's first language; and
(7) Evidence of published procedures for hearing complaints and grievances.

In addition to conducting reviews, the Texas Education Agency staff representatives check complaints of discrimination made by a citizen or citizens residing in a school district where it is alleged discriminatory practices have occurred or are occurring.

Where a violation of Title VI of the Civil Rights Act is found, the findings are reported to the Office for Civil Rights, U.S. Department of Education.

If there is a direct violation of the Court Order in Civil Action No. 5281 that cannot be cleared through negotiation, the sanctions required by the Court Order are applied.

TITLE VII, CIVIL RIGHTS ACT OF 1964 AS AMENDED BY THE EQUAL EMPLOYMENT OPPORTUNITY ACT OF 1972; EXECUTIVE ORDERS 11246 AND 11375; EQUAL PAY ACT OF 1964; TITLE IX, EDUCATION AMENDMENTS; REHABILITATION ACT OF 1973 AS AMENDED; 1974 AMENDMENTS TO THE WAGE-HOUR LAW EXPANDING THE AGE DISCRIMINATION IN EMPLOYMENT ACT OF 1967; VIETNAM ERA VETERANS READJUSTMENT ASSISTANCE ACT OF 1972 AS AMENDED; IMMIGRATION REFORM AND CONTROL ACT OF 1986; AMERICANS WITH DISABILITIES ACT OF 1990; AND THE CIVIL RIGHTS ACT OF 1991.

The Texas Education Agency shall comply fully with the nondiscrimination provisions of all federal and state laws, rules, and regulations by assuring that no person shall be excluded from consideration for recruitment, selection, appointment, training, promotion, retention, or any other personnel action, or be denied any benefits or participation in any educational programs or activities which it operates on the grounds of race, religion, color, national origin, sex, disability, age, or veteran status (except where age, sex, or disability constitutes a bona fide occupational qualification necessary to proper and efficient administration). The Texas Education Agency is an Equal Employment Opportunity/Affirmative Action employer.

"Financing tomorrow's education with sound investments"

Texas Education Agency
1701 North Congress Avenue
Austin, TX 78701-1494

Texas Permanent School Fund
400 West 15th Street, Suite 1100
Austin, TX 78701-1600

FS20 110 01 ★ DECEMBER 2019

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