



# ANNUAL COMPREHENSIVE FINANCIAL REPORT

STATE OF TEXAS • FISCAL YEAR ENDED AUGUST 31, 2023  
GLENN HEGAR, TEXAS COMPTROLLER OF PUBLIC ACCOUNTS



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in accessible data form (Excel) and may be found online at

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The Annual Comprehensive Financial Report was prepared by the Financial Reporting section of the Texas Comptroller of Public Accounts with assistance from other sections within the Fiscal Management, Revenue Estimating and Communications and Information Services divisions.

David Haecker, Financial Reporting Supervisor

Megan Toliver, Team Lead

Lisa Parks, Team Lead

Diana Dunnahoo

Ashley Bradshaw

Alton Gamble

Tong Jett

Felicia Jones

Grant King

Abedur Rahman

## Other Sections:

Statewide Fiscal Oversight, Appropriation Control

Statewide Fiscal Oversight, Statewide Fiscal Programs

Statewide Fiscal Systems, Fiscal Documentation

Statewide Fiscal Systems, Fiscal Systems Support

Communications and Information Services, Graphics

Communications and Information Services, Editorial

Revenue Estimating, Revenue Analysis

Rob Coleman, Director of Fiscal Management

Clarisse Roquemore, CPA, Assistant Director of Fiscal Management

Melissa Lujan, CPA, Manager of Statewide Fiscal Oversight

Lou Moreno, Manager of Fiscal Operations Area

Shelly Arnold, CPA, Fiscal Management, Special Projects

Kyle Baxter, Fiscal Management Administration

## Special Appreciation To:

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The State Auditor's Office auditing staff

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SECTION ONE

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INTRODUCTORY SECTION





February 28, 2024

To the Citizens of Texas, Governor Abbott  
and Members of the 88th Texas Legislature:

The state of Texas Annual Comprehensive Financial Report (ACFR) for the fiscal year ended Aug. 31, 2023, is submitted herewith. Responsibility for both the accuracy of the data presented, as well as the completeness and fairness of the presentation, rests with the office of the Texas Comptroller of Public Accounts. To the best of my knowledge, the information presented is accurate in all material respects, and all disclosures necessary for a reasonable understanding of the state's financial activities are included.

The reporting approach established by the Governmental Accounting Standards Board (GASB) was utilized. The state also voluntarily follows the recommendations of the Government Finance Officers Association (GFOA) of the United States and Canada for the contents of government financial reports and participates in the GFOA's review program for the Certificate of Achievement for Excellence in Financial Reporting. The State Auditor's Office performed an audit, in accordance with generally accepted auditing standards, of the state's general-purpose financial statements. Their opinion is presented in this report preceding the financial statements.

The State Auditor's Office contracted with Clifton Larson Allen (CLA) to perform portions of the federal audit procedures necessary to meet the requirements

of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). The federal portion of the Statewide Single Audit Report for the fiscal year ended Aug. 31, 2023, with the opinion expressed by CLA, will be issued separately.

## Profile of the Government

This report includes financial statements for the state of Texas reporting entity. Criteria for determining the reporting entity and presentation of the related financial data are established by GASB. The criteria include legal standing and financial accountability. Other organizations that would cause the financial statements to be misleading or incomplete if they were excluded are also included in the reporting entity. Note 1 of the notes to the financial statements provides detail on the financial reporting entity. Note 19 provides a brief summary of the nature of significant component units and their relationship to the state of Texas.

All activities generally considered part of the state of Texas are included in this report. These activities provide a range of services in the areas of education, health and human services, public safety and corrections, transportation, natural resources and recreation, regula-

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tion, general government, employee benefits and teacher retirement state contributions.

The state of Texas provides tax abatements to several programs intended to attract new industries, investors and commercial enterprises to the state or encourage the retention and development of existing businesses. These tax abatements can have significant future impacts that include the creation of new jobs, increase in capital investments, strengthening other businesses, reducing unemployment and expanding economic development. Note 29 provides information about the various tax abatement programs in the state.

The management's discussion and analysis (MD&A) in the financial section provides an overview of the state's financial activities, addressing both governmental and business-type activities reported in the government-wide financial statements.

## Accounting System and Budgetary Controls

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The state's internal accounting controls provide reasonable assurance regarding the safeguarding of assets against loss from unauthorized use or disposal and the reliability of financial records for preparing financial statements. The concept of reasonable assurance recognizes that the cost of a control should not exceed the resulting benefit.

Budgetary control is exercised through expenditure budgets for each agency. These budgets are entered into the statewide accounting system after the *General Appropriations Act* (GAA) becomes law. Generally, governmental funds are appropriated for a biennium. The GAA becomes law after passage by the Texas Legislature, certification by my office that the amounts appropriated are within the estimated collections and the signing of the bill by the governor. Controls are maintained first at the agency level, with additional control at the fund and appropriation level to ensure expenditures do not exceed authorized limits. Further detail on budgetary accounting

for the state, other than the MD&A section, is found in the required supplementary information.

## Financial Policies

Fiscal soundness is a principle that guides the financial policies of the state. The *Texas Constitution* supports responsible governance by mandating several limitations on the budgeting process. In addition to the certification process requiring passage of a balanced budget in Article III, Section 49-a, budget growth and indebtedness are also limited. According to Article VIII, Section 22, appropriations from state tax revenue not dedicated by the *Texas Constitution* cannot grow faster than state economic growth estimated by the Legislative Budget Board. Payments required for debt paid from general revenue cannot exceed 5 percent of the previous three-year average of non-dedicated general revenue as provided in Article III, Section 49-j.

The economic stabilization fund (ESF), commonly called the rainy day fund, authorized in 1988 by the *Texas Constitution*, Article III, Section 49-g, is yet another example of prudent governance. The Comptroller may transfer ESF amounts to the general revenue fund to prevent or eliminate temporary cash deficiencies. Any amounts transferred to general revenue shall be returned to the ESF with interest as soon as practicable, but no later than Aug. 31 of each odd-numbered year. Generally, the Texas Legislature may appropriate within the constitutional guidelines, by a three-fifths vote of the members present in each house, amounts in the ESF that do not exceed the amount of any unanticipated deficit in a current biennium or anticipated revenue decline during the next biennium. The Texas Legislature may also appropriate any amount from the ESF for any purpose only if approved by at least two-thirds of the members present in each house. The ESF shall receive a transfer, not later than the 90th day of each biennium, from the general revenue fund for one-half of any unencumbered positive balance remaining in the general revenue fund on the last

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day of the preceding biennium. The ESF also receives transfers, not later than the 90th day of each fiscal year, from the general revenue fund for at least 50 percent of the 75 percent of the prior fiscal year oil or natural gas production net collections that exceeded the amount of collections in fiscal 1987. The transfer amount of each production tax is calculated separately. Until the 2015 session, state law required the Comptroller's office to invest the ESF in relatively low-yield investments. House Bill 903 of the 84th Legislature allowed the agency to move a portion of the ESF into prudent but higher-yield investments that would maintain the fund's purchasing power. Senate Bill 69 of the 86th Legislature further increased the amount of the ESF subject to the new investment standard, while requiring liquid investments for at least one quarter of the fund.

The balance in the fund on Aug. 31, 2023, was \$14.4 billion. The ESF is also discussed in Note 13.

## **Economic Outlook**

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Texas has advantages such as relatively low living costs, an attractive business climate, a central Sunbelt location and a balanced mix of industries that have enabled its economy to grow faster than the nation's for many years. Over the past ten years, the Texas economy, as measured by Texas real Gross State Product (GSP), grew at an average annual rate of 3 percent, while the economy of the nation as a whole grew at an annual rate of 2.3 percent. For calendar year 2023 Texas real Gross Domestic Product (GDP) growth is estimated to have been 5.3 percent while that of the nation is estimated to have been 2.4 percent. Although a recession is not expected in calendar 2024, the growth rates for both Texas and the U.S. are projected to be below the 10-year average; 2.4 percent for Texas and 1.5 percent for the U.S.

After increases of 11.1 percent in 2021 and 5 percent in 2022, Texas personal income grew by an estimated 6.5 percent in 2023. It is expected to continue to grow in

2024 and through the coming biennium, by 6 percent in 2024, 5.7 percent in 2025 and 5.2 percent in 2026.

Underlying these expected gains is population growth that has been, and will continue to be, fueled by net migration and a relatively high birth rate. Recent estimates by the U.S. Census Bureau show that four Texas cities were among the nation's five most rapidly growing large cities from 2021 to 2022: Georgetown (1), Kyle (2), Leander (4) and Little Elm (5). Among the fifteen U.S. cities with the highest absolute increases in population, six were in Texas. Texas' population is projected to grow by an average 415,000 annually from 2024 to 2026, to reach 31.8 million.

As of November 2023, the Texas unemployment rate was 4.1 percent, up from 3.8 percent in November 2022. Over that period, the U.S. unemployment rate rose from 3.6 percent to 3.7 percent. The Texas unemployment rate is expected to average 4.3 percent in 2024, while the U.S. rate is expected to average 4 percent. Total Texas nonfarm employment rose by an estimated 3.6 percent in 2023 and is expected to increase by a further 1.4 percent in 2024.

## **Texas Industry Performance**

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All of Texas' 11 major nonfarm industries experienced net job growth from November 2022 to November 2023. Employment in goods-producing industries increased by 4 percent, while employment in service-producing industries rose by 2.8 percent. Employment gains in the goods-producing industries (mining and logging, manufacturing and construction) were led by a 35,700 increase in construction employment. Among the service-providing industries, the largest increases were seen in the education and health services (91,500) and the government (53,800) industries.

## **Manufacturing**

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Texas manufacturing industry employment increased by 3 percent over 2022. Durable goods employment was

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up 22,400, or 3.7 percent, with the largest increase in the fabricated metals manufacturing sector of 13,400, or 10.4 percent. That sector is closely associated with oil and natural gas exploration and production and employment in the sector has been increasing along with that in the mining industry. Nondurable-goods manufacturing employment grew by 5,700, or 1.7 percent, with the largest increase in the chemical manufacturing sector of 1,500, or 1.8 percent. Total manufacturing employment in November 2023 was 974,000.

The value of Texas exports in calendar year 2014 was a record \$289 billion, an increase of 3.3 percent from 2013. Those exports provided a substantial boost to manufacturing, notably for companies producing chemicals, computers and electronics, petroleum products, industrial machinery and transportation equipment. In 2015, the value of Texas exports fell sharply, hurt by falling oil prices and a stronger dollar, to \$251 billion, down 13.1 percent. Texas exports continued to fall in 2016, down another 7.4 percent. However, Texas 2017 exports were up 13.5 percent from the 2016 level, increased by another 19.4 percent in 2018, and by a further 4.8 percent in 2019. As a result of the COVID-19 pandemic and a fall in oil prices, exports fell sharply in 2020, down 15.5 percent from 2019 to \$279 billion. Export growth resumed in 2021, up 34.4 percent from 2020 and reaching a new high of \$375 billion. Growth continued in 2022; the value of exports increased by 29.4 percent to \$485.6 billion. However, exports began to decline in March 2023 (on a year-over-year basis). Through October 2023, Texas exports were down 5.6 percent from the corresponding period of 2022. Texas still remains the nation's leading exporting state, as it has been for more than a decade. Texas exports comprised 23 percent of total U.S. exports in 2022.

## Construction

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Total housing construction activity was down sharply over the year. Single-family building permits

issued in the 12-month period ending October 2023, at 141,518, were down by 14.8 percent from the same period one year earlier. Building permits for multi-family units were down by 22.3 percent. Total permits issued were down by 16.4 percent from the corresponding period in 2022.

According to Multiple Listing Service data from the Texas A&M Real Estate Center, the median sales price for an existing Texas single-family home was unchanged over the year at \$330,000 in both November 2022 and November 2023. The inventory of existing homes for sale in November 2023 was 3.7 months, up from 2.8 in November 2022.

## Mining

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Texas oil production peaked more than 50 years ago in 1972, when calendar year production reached 1,263 million barrels. Production volumes reached a low of 341 million barrels in calendar 2007. From that low point, oil production has increased steadily, in large part due to the development and widespread use of enhanced fracturing techniques. Calendar 2019 production increased by nearly 14 percent from 2018 levels, to reach a new record of 1.7 billion barrels. Decreased demand as a result of COVID-19 related economic disruptions combined with increases in Saudi Arabian and Russian production in the early part of 2020 led to a sharp decrease in oil prices and a resulting decrease in production. Calendar 2020 production was down by 7.2 percent from 2019. Oil production declined by a further 2 percent in 2021 but increased by 7.2 percent in 2022 and by an estimated 6 percent in 2023 to reach 1.7 billion barrels.

## Major Legislative Initiatives

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The 88th Legislature introduced 8,046 bills during its regular session from Jan. 10 through May 29 — more than any legislative session in recent history — and passed 1,246 bills (a 15 percent passage rate, on par with previous sessions).

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Lawmakers arrived at the Capitol with an historic \$32.7 billion ending balance from the 2022-23 biennium, as projected by the Biennial Revenue Estimate released on Jan. 9, 2023. They directed this unprecedented funding to critical statewide improvements, including further investment in the state’s electric grid, broadband internet accessibility and water supply planning, as well as considerable funding for higher education and school property tax relief.

The 88th Legislature’s House Bill (HB) 1, the 2024-25 *General Appropriations Act* (GAA), appropriates \$144.1 billion in General Revenue (GR), or unrestricted state funding, and \$321.3 billion in All Funds (AF) during the 2024-25 state budget cycle, an increase of \$13.7 billion and \$18 billion over the previous cycle, respectively (which includes appropriations made by the supplemental appropriations bill — Senate Bill (SB) 30 — also passed by the 88th Legislature).

The majority of expenditures with state GR in the GAA went to Education (\$72 billion — \$50.4 billion for public education, \$21.6 billion for higher education), Health and Human Services (\$42.9 billion) and Public Safety and Criminal Justice (\$13.4 billion). However, Business and Economic Development and Judiciary experienced the largest percentage increases in funding from the last biennium — 154.4 percent and 43.9 percent, respectively.

During the regular session, the 88th Legislature fully funded the statutory requirements of the Foundation School Program, which included \$3.2 billion in GR for projected public school enrollment growth and \$2.4 billion in GR for increases in the school finance formula’s “golden penny yield.” The Legislature also made the following appropriations, among other spending initiatives:

- \$3.4 billion in GR for a cost-of-living adjustment for eligible retirees who are enrolled in the Teacher Retirement System of Texas (House Joint Resolution (HJR) 2 (Proposition 9)) and

\$1.6 billion in GR for a one-time supplemental annuity payment for certain retirees.

- \$2.5 billion in GR to the Health and Human Services Commission (in addition to \$4.7 billion in federal funds) for Medicaid and \$2.2 billion in GR to build new state hospitals and boost inpatient capacity.
- \$1.8 billion in all funds for two separate 5-percent increases in state employee salaries.
- \$1.4 billion in GR to the Texas Education Agency for school safety programs implemented by school districts and charter schools, as well as new statewide initiatives.
- \$900 million in GR to the Employees Retirement System of Texas as part of the state’s long-term plan to pay down the pension system’s unfunded actuarial liabilities.

Immediately following the adjournment of the regular session on May 29, Gov. Abbott called a special session to cut school property taxes, a priority issue for which lawmakers did not pass legislation during the regular session. Of the 57 bills filed by the House and Senate during the first special session, none were passed, which prompted Gov. Abbott to call a second special session for the same purpose. The second special session ended early when lawmakers agreed on a property tax reform package.

On Oct. 9, Gov. Abbott called a third special session to address additional priority issues that were unable to pass during the regular session. Chief among them was a proposal to enact education savings accounts that would allow parents to use public funding to send their children to private school, if desired.

Lawmakers passed bills relating to human trafficking and COVID-19 vaccine mandates but did not pass a proposal to implement education savings accounts, which led to Gov. Abbott calling a fourth special session on Nov. 7. By the time this session wrapped up on Dec. 5, lawmakers allocated \$1.5 billion to border security

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infrastructure and passed legislation on illegal immigration but still did not come to an agreement on school choice.

Gov. Abbott has the authority to call additional special sessions in 2024.

Accounting for appropriations made by the 88th Legislature during the regular session and the first two special sessions, the 2024-25 Certification Revenue Estimate released Oct. 5 projected that the state will have an \$18.29 billion ending balance at the close of fiscal 2025. This amount does not account for the \$1.5 billion appropriation made by the border security bill passed in the fourth special session.

## Property Tax Reform

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SB 2, approved in the second special session and HJR 2 approved by voters in the November election (Proposition 4), reduces school property taxes to help ease some of the burden on property owners through increased exemptions, reductions in school district tax rates and limitations on appraised values for certain properties. Under the reform, Texas taxpayers' 2023 property tax bills will be based on the value adjusted for:

- An increase in the residence homestead exemption for school districts from \$40,000 to \$100,000.
- Compression of school district tax rates by an additional \$0.107 for the 2023-2024 tax year.
- An adjustment to the tax limitation (commonly called a tax ceiling or tax freeze) for an individual who is aged 65 or older or disabled related to the increase in the residence homestead from \$25,000 to \$40,000 and from \$40,000 to \$100,000, as well as ongoing adjustments based on any future increase in the residence homestead exemption.
- A temporary three-year "circuit breaker" limitation on the appraised value of real property, other than residence homesteads or property

subject to special appraisal, of 20 percent of the appraised value of the property in the prior year plus the value attributable to new improvements.

The reform's estimated net impact to the state's general revenue related funds is \$12.7 billion through the biennium ending Aug. 31, 2025.

## Economic Development

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HB 5, approved in the regular session, created a new incentive program called the Jobs, Energy, Technology and Innovation Act (JETI) that reduces school district maintenance and operations property tax for certain projects that create jobs and generate local and state tax revenue, similar to the former Texas Economic Development Act (more commonly known as Chapter 313). The new program has different eligibility criteria and investment and jobs requirements for businesses seeking property tax abatements under the program. Lawmakers structured JETI to encourage investment in less populous counties by lowering job and investment thresholds in those areas. Eligible projects include the construction of a project, or the expansion of an existing facility, related to:

- Manufacturing.
- Provision of utility services, including dispatchable energy.
- Development of natural resources, agriculture/forestry/fishing/hunting and mining/quarrying/oil and gas extraction.
- Research and development.
- Critical infrastructure.

## Infrastructure

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SB 28, approved in the regular session and Senate Joint Resolution (SJR) 75 approved by voters in the November election (Proposition 6), creates the Texas Water Fund with a \$1 billion allocation in GR to finance water or wastewater infrastructure projects, as well as the New Water Supply for Texas Fund for projects that develop new water supplies for the state.



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HB 9, approved in the regular session and HJR 125 approved by voters in the November election (Proposition 8), establishes the Broadband Infrastructure Fund with a \$1.5 billion allocation in GR to provide financial assistance for broadband and emergency telecommunications infrastructure projects in the state, which will further support the directive of the Broadband Development Office to expand high-speed internet access and adoption across Texas.

SB 2627, approved in the regular session and SJR 93 approved by voters in the November election (Proposition 7), establishes the Texas Energy Fund with a \$5 billion allocation in GR to support the construction, maintenance and modernization of dispatchable electric generating facilities. The fund will provide 3 percent, 20-year loans to cover 60 percent of total project costs for upgrades to existing generation facilities and help finance new construction for at least 100-megawatt capacity.

## Higher Education

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HB 8, approved in the regular session, establishes the public junior college state finance program to improve the state funding formula for community colleges, such as gearing it more toward student outcomes to encourage obtaining a degree, certificate or other credential or transferring to a general academic institution. The program's estimated net impact to the state's general revenue related funds is \$95.6 million through the biennium ending Aug. 31, 2025.

HB 1595, also approved in the regular session and HJR 3 approved by voters in the November election (Proposition 5), creates the Texas University Fund (TUF) with a \$3 billion allocation in GR as a dedicated funding source for general academic teaching universities. The following institutions are designated to receive distributions from the TUF:

- Texas State University.
- Texas Tech University.

- University of Houston.
- University of North Texas.

Other institutions also may become eligible for distributions from the TUF in the future if they meet criteria established in the bill.

## Criminal Justice

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SB 22, approved in the regular session, requires the Comptroller's office to establish and administer salary assistance grant programs for qualified sheriffs' offices, constables' offices and prosecutors' offices in rural counties to support law enforcement across the state. Grant amounts awarded under these programs will depend on the population of the county or jurisdiction the applying office serves.

The following amounts are set for the rural sheriffs' offices salary assistance grant program:

- \$250,000 if the county had a population of less than 10,000;
- \$350,000 if the county had a population of 10,000 to 50,000; or
- \$500,000 if the county had a population of 50,000 to 300,000.

The following amounts are set for the rural prosecutors' offices salary assistance grant program:

- \$100,000 if the office's jurisdiction had a population of less than 10,000;
- \$175,000 if the office's jurisdiction had a population of 10,000 to 50,000; or
- \$275,000 if the office's jurisdiction had a population of 50,000 to 300,000.

For constable's offices, a county with a population of 300,000 or less, the county must contribute at least 75 percent of the money required to meet the minimum annual salary of \$45,000 per year for each qualified constable. The other 25 percent will come from the grant money provided by SB 22.

HB 6, also approved in the regular session, allows fentanyl poisoning to be listed as the cause of death on

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a death certificate and for classification of those deaths as homicide or manslaughter depending on the circumstances.

## Border Security

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SB 3, approved in the fourth special session, appropriates \$1.54 billion in GR to the Office of the Governor's Trusteed Programs for border security operations and the construction, operation and maintenance of border barrier infrastructure. The bill directs \$40 million to be transferred to the Department of Public Safety for border security operations.

SB 4, also approved in the fourth special session, establishes criminal offenses for illegal entry and illegal reentry into the state and allows judges to order certain persons to return to foreign nations from which they entered in lieu of prosecution. The bill also includes immunity and indemnification provisions for government officials, employees and contractors who take certain actions to enforce the bill.

## Constitutional Amendments

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The 88th Legislature placed 14 state constitutional amendments on the Nov. 7, 2023 ballot:

- Proposition 1 (HJR 126): Protecting the right to engage in farming, ranching, timber production, horticulture and wildlife management.
- Proposition 2 (SJR 64): Authorizing a local option exemption from ad valorem taxation by a county or municipality of all or part of the appraised value of real property used to operate a childcare facility.
- Proposition 3 (HJR 132): Prohibiting the imposition of an individual wealth or net worth tax, including a tax on the difference between the assets and liabilities of an individual or family.
- Proposition 4 (HJR 2 – second special session): Authorizing the Legislature to establish a temporary limit on the maximum appraised value

of real property other than a residence homestead for ad valorem tax purposes; to increase the amount of the exemption from ad valorem taxation by a school district applicable to residence homesteads from \$40,000 to \$100,000; to adjust the amount of the limitation on school district ad valorem taxes imposed on the residence homesteads of the elderly or disabled to reflect increases in certain exemption amounts; to except certain appropriations to pay for ad valorem tax relief from the constitutional limitation on the rate of growth of appropriations; and to authorize the Legislature to provide for a four-year term of office for a member of the board of directors of certain appraisal districts.

- Proposition 5 (HJR 3): Authorizing the Texas University Fund, which provides funding to certain institutions of higher education to achieve national prominence as major research universities and drive the state economy.
- Proposition 6 (SJR 75): Creating the Texas Water Fund to assist in financing water projects in this state.
- Proposition 7 (SJR 93): Providing for the creation of the Texas Energy Fund to support the construction, maintenance, modernization and operation of electric generating facilities.
- Proposition 8 (HJR 125): Creating the Broadband Infrastructure Fund to expand high-speed broadband access and assist in the financing of connectivity projects.
- Proposition 9 (HJR 2): Authorizing the Legislature to provide a cost-of-living adjustment to certain annuitants of the Teacher Retirement System of Texas.
- Proposition 10 (SJR 87): Authorizing the Legislature to exempt from ad valorem taxation equipment or inventory held by a manufacturer of medical or biomedical products to protect the

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Texas health care network and strengthen our medical supply chain.

- Proposition 11 (SJR 32): Authorizing the Legislature to permit conservation and reclamation districts in El Paso County to issue bonds supported by ad valorem taxes to fund the development and maintenance of parks and recreational facilities.
- Proposition 12 (HJR 134): Providing for the abolition of the office of county treasurer in Galveston County.
- Proposition 13 (HJR 107): Increasing the mandatory age of retirement for state justices and judges.
- Proposition 14 (SJR 74): Providing for the creation of the Centennial Parks Conservation Fund for the creation and improvement of state parks.

Voters approved all but one constitutional amendment: Proposition 13.

## Awards and Acknowledgments

### Certificate of Achievement

The GFOA of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the state of Texas for its ACFR for the fiscal year ended Aug. 31, 2022. The Certificate of Achievement is a prestigious national award that recognizes conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized ACFR whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The state of Texas has received a Cer-

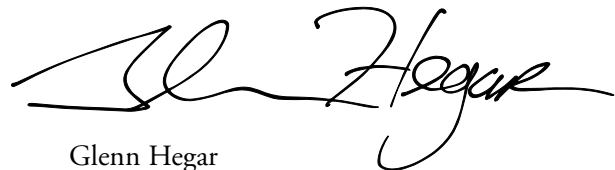
tificate of Achievement for the last 33 years (fiscal years ended August 1990 through 2022). We believe our current report continues to conform to the Certificate of Achievement Program requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

I will continue to maintain a highly qualified and professional staff to make this certification possible.

### Acknowledgments

The preparation of this report requires the collective efforts of hundreds of financial personnel throughout state government, including the dedicated management and staff of the Comptroller's Financial Reporting section and Fiscal Management Division; the chief financial officers, chief accountants and staff at each agency; and the management and staff of the State Auditor's Office. I sincerely appreciate the dedicated efforts of all these individuals who continue to strive for improvements that will make Texas a national leader in quality financial reporting.

Sincerely,



Glenn Hegar





## Elected State Officials

### Executive

---

Greg Abbott  
Governor

Dan Patrick  
Lieutenant Governor

Glenn Hegar  
Comptroller of Public Accounts

Ken Paxton  
Attorney General

Dr. Dawn Buckingham  
Land Commissioner

Wayne Christian  
Christi Craddick  
James Wright  
Railroad Commissioners

Sid Miller  
Commissioner of Agriculture

### Legislative

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Lieutenant Governor Dan Patrick  
President of the Senate

Dade Phelan  
Speaker of the House of Representatives

### Judicial

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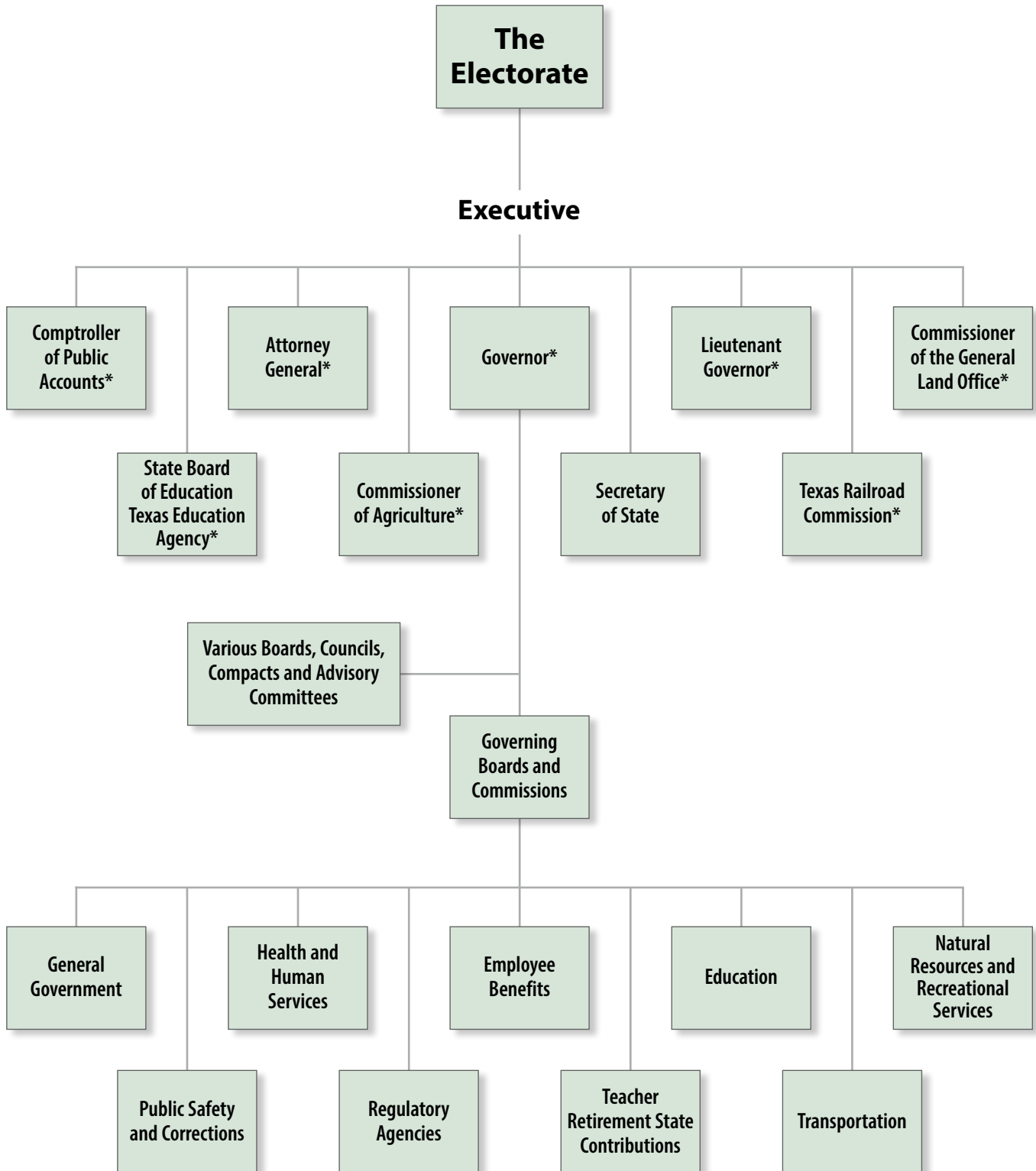
#### Supreme Court of Texas

Nathan L. Hecht, Chief Justice  
Jimmy Blacklock, Justice  
Debra Lehrmann, Justice  
John Devine, Justice  
Rebeca Aizpuru Huddle, Justice  
Jane Bland, Justice  
Jeffrey S. Boyd, Justice  
Brett Busby, Justice  
Evan A. Young, Justice

#### Court of Criminal Appeals

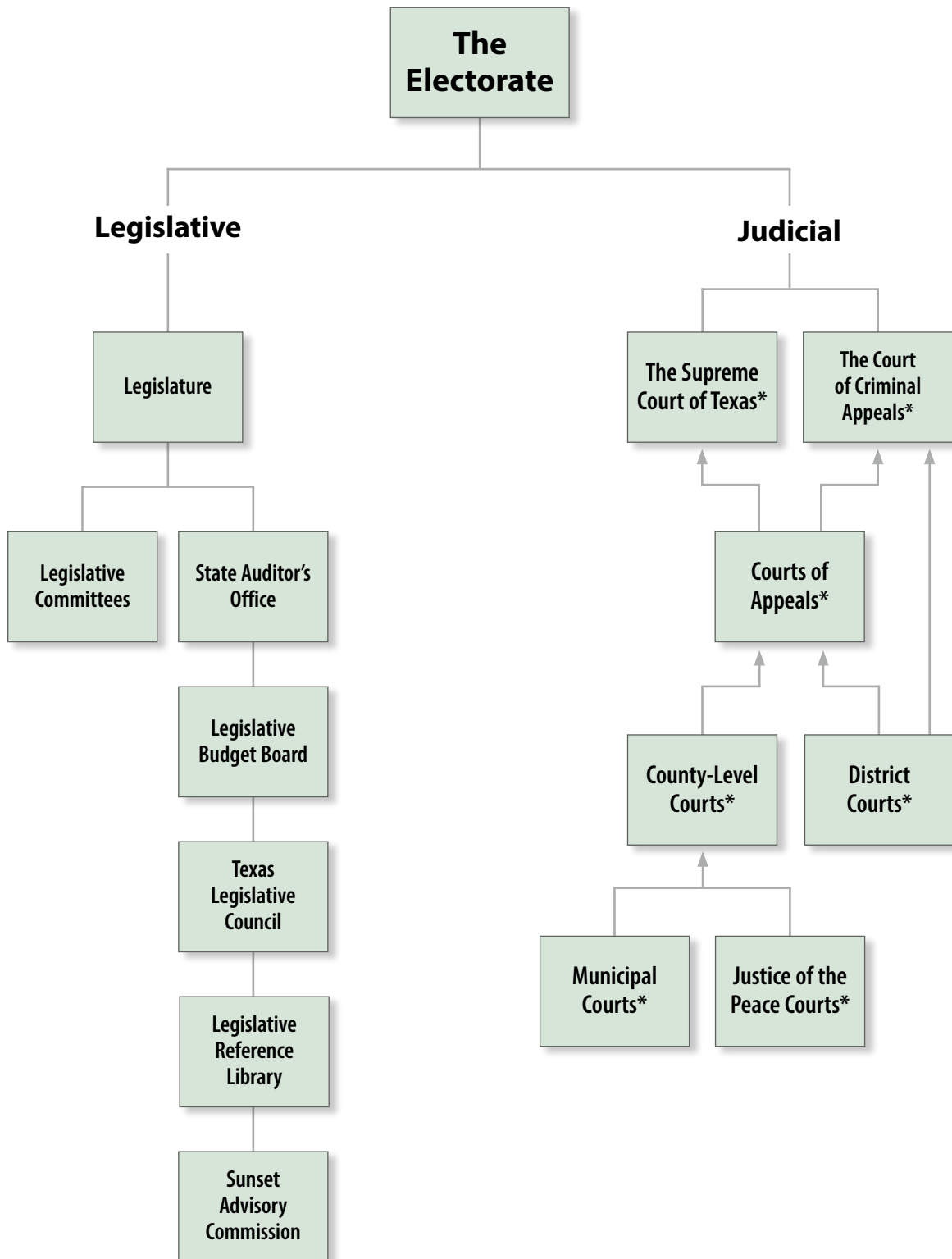
Sharon Keller, Presiding Judge  
Mary Lou Keel, Judge  
Bert Richardson, Judge  
Kevin Yeary, Judge  
Scott Walker, Judge  
Jesse F. McClure III, Judge  
Barbara Parker Hervey, Judge  
Michelle Slaughter, Judge  
David Newell, Judge

# GOVERNMENT STRUCTURE OF TEXAS



\* Elected Offices

# GOVERNMENT STRUCTURE OF TEXAS (CONCLUDED)



\* Elected Offices



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**State of Texas**

For its Annual Comprehensive  
Financial Report  
for the Fiscal Year Ended

August 31, 2022

*Christopher P. Morill*

Executive Director/CEO



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SECTION TWO

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FINANCIAL SECTION





**Lisa R. Collier,**  
CPA, CFE, CIDA,  
State Auditor

## Independent Auditor's Report

The Honorable Greg Abbott, Governor  
The Honorable Glenn Hegar, Comptroller of Public Accounts  
The Honorable Dan Patrick, Lieutenant Governor  
The Honorable Dade Phelan, Speaker of the House of Representatives  
and  
Members of the Legislature, State of Texas

### Report on the Audit of the Financial Statements


#### *Opinions*

We have audited the consolidated financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Texas (State), as of and for the year ended August 31, 2023, and the related notes to the financial statements, which collectively comprise the State's basic financial statements as listed in the table of contents.

In our opinion, based on our audits and the reports of the other auditors, the accompanying consolidated financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State, as of August 31, 2023, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the following entities:

- The Texas Department of Transportation, a component of the State of Texas, which is included in the governmental and proprietary funds. The Texas Department of Transportation constitutes 99.9 percent of the expenditures for the State Highway Fund, a major governmental fund. The Texas Department of Transportation also constitutes 57.7 percent of the assets of the governmental activities.
- The University of Texas System, a component of the State of Texas, which constitutes 72.8 percent of the assets of the Colleges and Universities, a major enterprise fund. The University of Texas System also constitutes 59.8 percent of the assets of the business-type activities.
- The Texas Lottery Commission, a component of the State of Texas, whose Lottery Fund is a major enterprise fund that constitutes 21.0 percent of the operating revenues of the business-type activities.

 Robert E. Johnson  
Building  
1501 N. Congress Avenue  
Austin, Texas 78701

 P.O. Box 12067  
Austin, Texas 78711-2067

 Phone:  
(512) 936-9500

 Fax:  
(512) 936-9400

 Internet:  
[www.sao.texas.gov](http://www.sao.texas.gov)

SAO Report No. 24-317

- The Employees Retirement System of Texas, a component of the State of Texas, which constitutes 14.4 percent of the assets of the Pension and Other Employee Benefit Trust Funds, a major fiduciary fund. The Employees Retirement System of Texas also constitutes 12.0 percent of the assets of the fiduciary activities.
- The Texas Treasury Safekeeping Trust Company, a component of the State of Texas, which constitutes 100 percent of the assets of the External Investment Trust Fund, a major fiduciary fund. The Texas Treasury Safekeeping Trust Company also constitutes 13.3 percent of the assets of the fiduciary activities.

The statements listed above were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for these entities, is based solely on the reports of the other auditors.

### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the State, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Emphasis of Matters***

#### *Investments with Values That Are Not Readily Determined*

As discussed in Note 3, the consolidated financial statements include investments valued at approximately \$153.6 billion as of August 31, 2023, whose fair values have been estimated by management in the absence of readily determinable fair values. Our opinion is not modified with respect to this matter.

#### *Permanent School Fund*

As discussed in Notes 1 and 14, on September 1, 2022, the Texas Permanent School Fund Corporation was recognized as a legally separate, special purpose governmental corporation reported as a discreetly presented component unit of the State. Due to its formation, it was necessary for the State to restate its beginning net position by \$42.3 billion in governmental activities on the government-wide statement of activities and its beginning fund balance by the same amount in the Permanent School Fund opinion unit on the governmental funds statement of revenues, expenditures, and changes in fund balances. This change was required due to the

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transfer of beginning asset and liability balances belonging to the Permanent School Fund from the Texas Education Agency to the Texas Permanent School Fund Corporation.

The remaining balances and activities reported in the Permanent School Fund opinion unit in the governmental funds statements represents activities and operations for land, mineral and royalty interests, and real property holdings managed by the Texas General Land Office in support of the Permanent School Fund. Our opinion is not modified with respect to this matter.

***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the State's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements;

- Obtain an understanding of internal control relevant to the audit 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 State’s internal control. Accordingly, no such opinion is expressed;
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements; and
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the State’s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that management’s discussion and analysis, the budgetary comparison schedules, the schedules of pension liability, and the schedules of OPEB liability, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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.

***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State’s basic financial statements. The combining financial statements and schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional

procedures in accordance with GAAS. In our opinion, the combining financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we will issue a separate report on our consideration of the State'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 State'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 State's internal control over financial reporting and compliance.



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

February 22, 2024





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SECTION TWO (CONTINUED)

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MANAGEMENT'S  
DISCUSSION  
AND ANALYSIS



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## Management’s Discussion and Analysis

The following is a discussion and analysis of the state of Texas’ financial performance for the fiscal year ended Aug. 31, 2023. Use this section in conjunction with the state’s basic financial statements. Comparative data is presented for this 2023 report.

## Highlights

### Government-wide

#### *Net Position*

The assets and deferred outflows of resources of the state of Texas exceeded its liabilities and deferred inflows of resources by \$201.4 billion as of Aug. 31, 2023, a decrease of \$3.9 billion or 1.9 percent from fiscal 2022. The majority of the decrease is primarily due to a decrease of \$42.3 billion in restricted net position from the transfers of beginning asset and liability balances from Texas Education Agency to Texas Permanent School Fund Corporation. The net position is comprised of \$135 billion in net investment in capital assets, \$106.2 billion in restricted and negative \$39.7 billion in unrestricted.

## Fund Level

### Governmental Funds

As of Aug. 31, 2023, the state’s governmental funds reported a combined ending fund balance of \$92.4 billion, a decrease of \$31 billion from fiscal 2022, primarily due to a significant reduction of federal revenue associated with the Coronavirus Relief Fund as the additional funding, initially provided to address the costs of COVID-19, starts to come to an end.

### Proprietary Funds

The proprietary funds reported a net position of \$95.4 billion as of Aug. 31, 2023, an increase of \$3.4 billion or 3.7 percent from fiscal 2022, primarily due to increases in federal revenues and pledged revenues.

## Long-Term Debt

The state’s total bonds outstanding increased by \$1.5 billion or 2.4 percent during fiscal 2023. This amount represents the net difference between net issuances, payments and refunding of outstanding bond debt. During fiscal 2023, the state issued bonds totaling \$5.8 billion. Detailed information regarding the government-wide, fund level and long-term debt activities is stated in the debt administration section of this management’s discussion and analysis (MD&A).

## Overview of the Financial Statements

The focus of this report is on reporting for the state as a whole and on the major individual funds. This report presents a comprehensive view of the state’s financial activities and makes it easier to compare the performance of Texas state government to that of other governments.

The Financial Section of this report presents the state’s financial position and activities in four parts:

- MD&A (this part)
- The basic financial statements
- Required supplementary information other than MD&A
- Other supplementary information presenting combining statements and schedules

The report also includes statistical and economic data.

The basic financial statements include government-wide financial statements, fund financial statements and notes to financial statements, which provide more detailed information to supplement the basic financial statements.

## Reporting on the State as a Whole

The government-wide financial statements are designed to present an overall picture of the financial position of the state. These statements consist of the

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statement of net position and the statement of activities, which are prepared using the economic resources measurement focus and the accrual basis of accounting. This means that all the current year's revenues and expenses are included, regardless of when cash is received or paid, producing a view of financial position similar to that presented by most private sector companies.

The statement of net position combines and consolidates the government's current financial resources with capital assets and long-term obligations. This statement includes all of the government's assets, deferred outflows of resources, liabilities and deferred inflows of resources.

Net position represents one measure of the state's financial health.

Other indicators of the state's financial health include the condition of its roads and highways (infrastructure) and economic trends affecting the state's future tax revenues.

The statement of activities focuses on both the gross and net cost of various activities (governmental, business-type and component units). These costs are paid by the state's general tax and other revenues. This statement summarizes the cost of providing (or the subsidy provided by) specific government services and includes all current year revenues and expenses.

The government-wide statement of net position and the statement of activities divide the state's activities into the following three types.

### **Governmental Activities**

The state's basic services are reported here, including general government, education, employee benefits, teacher retirement state contributions, health and human services, public safety and corrections, transportation, natural resources and recreation, and regulatory services. Taxes, fees and federal grants finance most of these activities.

### **Business-Type Activities**

Activities for which the state charges a fee to customers in order to pay for most or all of the costs of certain services it provides are reported as business-type activities. The state's institutions of higher education are included as business-type activities.

### **Component Units**

Component units are legally separate organizations for which the state is either financially accountable or the nature and significance of their relationship with the state is such that exclusion would cause the state's financial statements to be misleading or incomplete. The state has 27 discretely presented component units. Financial information for these entities is presented separately in the supplemental statements and notes.

### **Reporting on the State's Most Significant Funds**

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Fund financial statements provide additional detail about the state's financial position and activities. Some information presented in the fund financial statements differs from the government-wide financial statements due to the perspective and basis of accounting used. Funds are presented on the fund-level statements as major or nonmajor based on criteria set by the Governmental Accounting Standards Board (GASB).

A fund is a separate accounting entity with a self-balancing set of accounts. The state uses funds to keep track of sources of funding and spending related to specific activities.

### **Governmental Funds**

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A majority of the state's activity is reported in governmental funds. Reporting of these funds focuses on the flow of money into and out of the funds and the amounts remaining at fiscal year-end for future spending.

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Governmental funds are accounted for using the modified accrual basis of accounting, which measures cash and other assets that can be readily converted to cash. The governmental fund financial statements provide a detailed short-term view of the state's general governmental operations and the basic services it provides. This information helps determine the level of resources available for the state's programs. The reconciliations following the fund financial statements explain the differences between the governmental activities column reported on the government-wide statement of net position and the government-wide statement of activities and the governmental funds reported on the fund financial statements. The general fund, state highway fund and permanent school fund are reported as major governmental funds.

### **Proprietary Funds**

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When the state charges customers for services it provides, these activities are generally reported in proprietary funds. Services provided to outside (non-governmental) customers are reported in enterprise funds, a component of proprietary funds, and are accounted for using the economic resources measurement focus and the accrual basis of accounting. These are the same business-type activities reported in the government-wide financial statements, but are reported here to provide information at the fund level.

The employees' life, accident and health insurance benefits fund is reported as an internal service fund and provides services on a cost reimbursement basis to other agencies of the financial reporting entity.

Colleges and universities, the unemployment trust fund, the lottery fund and the water development board funds are reported as major proprietary funds.

### **Reporting on the State's Fiduciary Responsibilities**

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The state is the trustee or fiduciary for ten defined benefit plans and one defined contribution plan. It is also responsible for other assets that can only be used for trust beneficiaries. All state fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position. These activities are reported separately from other financial activities because the state cannot use the assets to finance its operations. The state's fiduciary responsibilities include ensuring that assets reported in these funds are used for their intended purposes.

### **Financial Analysis of the State as a Whole**

#### **Net Position**

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Total assets of the state were \$458.5 billion, a decrease of \$17 billion or 3.6 percent from fiscal 2022. Total liabilities of the state were \$216.9 billion, a decrease of \$4.2 billion or 1.9 percent from fiscal 2022. Cash and cash equivalents increased by \$14 billion in governmental activities and \$2.2 billion in business-type activities from fiscal 2022. There was a \$1.1 billion decrease in federal receivables primarily due to a significant reduction of federal revenue associated with COVID-19 related funding. There was a \$661.3 million increase in short-term debt primarily related to paid state unemployment benefits accrued from fiscal 2022. The state's bonded indebtedness was \$62 billion, which included new issuances of \$5.7 billion in state bonds to finance new construction, housing, water conservation and other projects. Approximately \$3.3 billion in bonded debt was retired or refunded. Net position was \$201.4 billion in fiscal 2023, a decrease of \$3.9 billion or 1.9 percent. Of the state's net position, \$135 billion was net investment in capital assets, while \$106.2 billion was restricted by the constitution or other legal requirements and was not available to finance day to day operations of the state. Unrestricted

net position was negative \$39.7 billion, a 43.3 percent increase from fiscal 2022. The majority of the net position decrease is primarily due to a decrease of \$44.8 billion in restricted net position.

## Changes in Net Position

The state's net position for fiscal 2023 decreased by \$3.9 billion. The state earned program revenues of \$149.9 billion and general revenues of \$96.3 billion, for total revenues of \$246.2 billion, a decrease of \$1 billion or 0.4 percent from fiscal 2022. The major components

of this decrease were operating grants and contributions, which had a decrease of \$12 billion, and tax revenues, with an increase of \$2.9 billion. Tax revenue for the year increased primarily due to increased collections of sales and use tax and franchise tax. The tax revenue increases were the result of increased business activity and higher prices caused by inflation in 2022. Federal revenues decreased by \$11.8 billion due to a significant reduction of COVID-19 related funding. Interest and investment income increased by \$1.1 billion compared to fiscal 2022 due to elevated interest rates and large cash balance in the state treasury.

<b>Statement of Net Position</b>						
<b>Table MDA-1</b>						
August 31, 2023 and 2022 (Amounts in Thousands)						
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Primary Government</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
<b>ASSETS</b>						
Assets Other Than Capital Assets	\$ 126,418,585	\$ 157,297,634	\$ 145,339,666	\$ 139,152,273	\$271,758,251	\$296,449,907
Capital Assets	147,149,759	140,537,306	39,547,093	38,462,665	186,696,852	178,999,971
Total Assets	<u>273,568,344</u>	<u>297,834,940</u>	<u>184,886,759</u>	<u>177,614,938</u>	<u>458,455,103</u>	<u>475,449,878</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>22,870,946</u>	<u>21,806,304</u>	<u>8,573,847</u>	<u>8,523,774</u>	<u>31,444,793</u>	<u>30,330,078</u>
<b>LIABILITIES</b>						
Current Liabilities	27,001,963	31,626,149	18,829,261	17,906,681	45,831,224	49,532,830
Noncurrent Liabilities	104,119,469	102,338,167	66,976,716	69,303,857	171,096,185	171,642,024
Total Liabilities	<u>131,121,432</u>	<u>133,964,316</u>	<u>85,805,977</u>	<u>87,210,538</u>	<u>216,927,409</u>	<u>221,174,854</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>59,292,222</u>	<u>72,288,283</u>	<u>12,239,407</u>	<u>6,931,927</u>	<u>71,531,629</u>	<u>79,220,210</u>
<b>NET POSITION</b>						
Net Investment in Capital Assets	120,940,547	110,800,734	14,025,399	13,654,730	134,965,946	124,455,464
Restricted	32,351,977	80,532,659	73,868,236	70,464,877	106,220,213	150,997,536
Unrestricted	<u>(47,266,888)</u>	<u>(77,944,748)</u>	<u>7,521,587</u>	<u>7,876,640</u>	<u>(39,745,301)</u>	<u>(70,068,108)</u>
Total Net Position	<u>\$ 106,025,636</u>	<u>\$ 113,388,645</u>	<u>\$ 95,415,222</u>	<u>\$ 91,996,247</u>	<u>\$201,440,858</u>	<u>\$205,384,892</u>

## Changes in Net Position

Table MDA-2

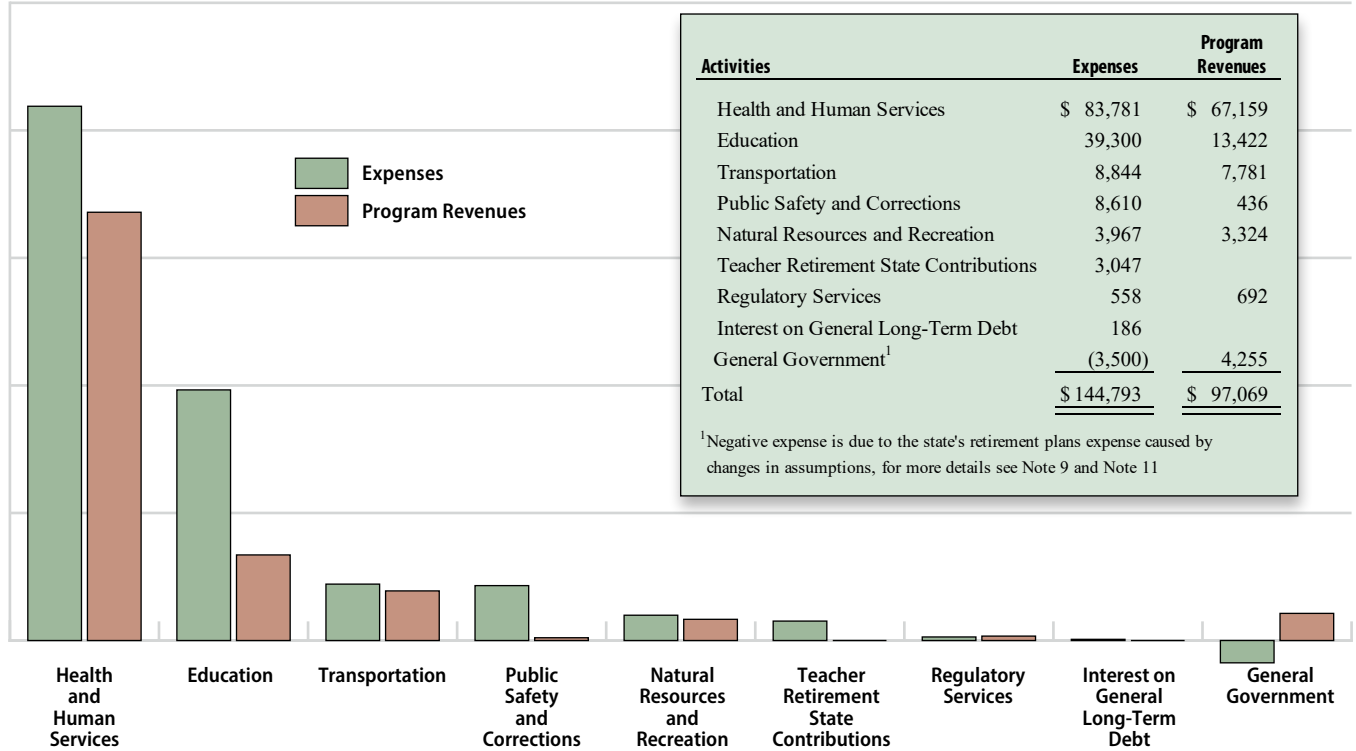
For the Fiscal Years Ended August 31, 2023 and 2022 (Amounts in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
<b>REVENUES</b>						
Program Revenues						
Charges for Services	\$ 14,867,890	\$ 15,349,104	\$ 34,060,590	\$ 32,447,069	\$ 48,928,480	\$ 47,796,173
Operating Grants and Contributions	82,074,497	98,895,680	18,547,535	13,748,930	100,622,032	112,644,610
Capital Grants and Contributions	126,370	62,953	263,497	272,484	389,867	335,437
Total Program Revenues	<u>97,068,757</u>	<u>114,307,737</u>	<u>52,871,622</u>	<u>46,468,483</u>	<u>149,940,379</u>	<u>160,776,220</u>
General Revenues						
Taxes	82,479,444	79,543,742			82,479,444	79,543,742
Unrestricted Investment Earnings	2,769,371	(177,703)	223,262	(148,182)	2,992,633	(325,885)
Settlement of Claims	632,711	647,729	2,218	2,425	634,929	650,154
Gain on Sale of Capital Assets	5,565	5,983	6,680	18,442	12,245	24,425
Gain on Other Financial Activity	908	(5,436)	(162)		746	(5,436)
Other General Revenues	9,666,211	6,197,723	512,958	360,334	10,179,169	6,558,057
Total General Revenues	<u>95,554,210</u>	<u>86,212,038</u>	<u>744,956</u>	<u>233,019</u>	<u>96,299,166</u>	<u>86,445,057</u>
Total Revenues	<u>192,622,967</u>	<u>200,519,775</u>	<u>53,616,578</u>	<u>46,701,502</u>	<u>246,239,545</u>	<u>247,221,277</u>
<b>EXPENSES</b>						
General Government	(3,499,619)	(2,612,809)	284,849	297,264	(3,214,770)	(2,315,545)
Education	39,299,707	41,640,966	46,635,059	40,335,100	82,934,766	81,976,066
Teacher Retirement State Contributions	3,047,455	4,266,932			3,047,455	4,266,932
Health and Human Services	83,779,885	87,732,567	2,383,827	1,993,906	86,163,712	89,726,473
Public Safety and Corrections	8,609,501	7,682,429	117,332	132,361	8,726,833	7,814,790
Transportation	8,843,755	7,731,490	678,327	710,006	9,522,082	8,441,496
Natural Resources and Recreation	3,967,367	3,572,620	651,703	539,464	4,619,070	4,112,084
Regulatory Services	557,714	506,166			557,714	506,166
Lottery			6,435,017	6,187,899	6,435,017	6,187,899
Interest on General Long-Term Debt	186,242	147,235			186,242	147,235
Total Expenses	<u>144,792,007</u>	<u>150,667,596</u>	<u>54,186,114</u>	<u>50,196,000</u>	<u>198,978,121</u>	<u>200,863,596</u>
Excess (Deficiency) Before Contributions, Special Items and Transfers	<u>47,830,960</u>	<u>49,852,179</u>	<u>(569,536)</u>	<u>(3,494,498)</u>	<u>47,261,424</u>	<u>46,357,681</u>
Capital Contributions	508	2,473		95,804	508	98,277
Contributions to Permanent and Term Endowments	(8,553,136)		326,116	410,448	(8,227,020)	410,448
Distributions from Permanent Fund Principal	(23,197)	(15,457)			(23,197)	(15,457)
Transfers - Internal Activities	(6,891,397)	(9,708,156)	6,891,397	9,708,156		
Change in Net Position	<u>32,363,738</u>	<u>40,131,039</u>	<u>6,647,977</u>	<u>6,719,910</u>	<u>39,011,715</u>	<u>46,850,949</u>
Net Position, Beginning Balance	113,388,645	72,752,717	91,996,247	83,671,908	205,384,892	156,424,625
Restatements	(39,726,747)	504,889	(3,229,002)	1,604,429	(42,955,749)	2,109,318
Net Position, Beginning Balance, as Restated	<u>73,661,898</u>	<u>73,257,606</u>	<u>88,767,245</u>	<u>85,276,337</u>	<u>162,429,143</u>	<u>158,533,943</u>
Net Position, Ending Balance	<u>\$ 106,025,636</u>	<u>\$ 113,388,645</u>	<u>\$ 95,415,222</u>	<u>\$ 91,996,247</u>	<u>\$ 201,440,858</u>	<u>\$ 205,384,892</u>

## Expenses and Program Revenues: Governmental Activities

Graph MDA-3

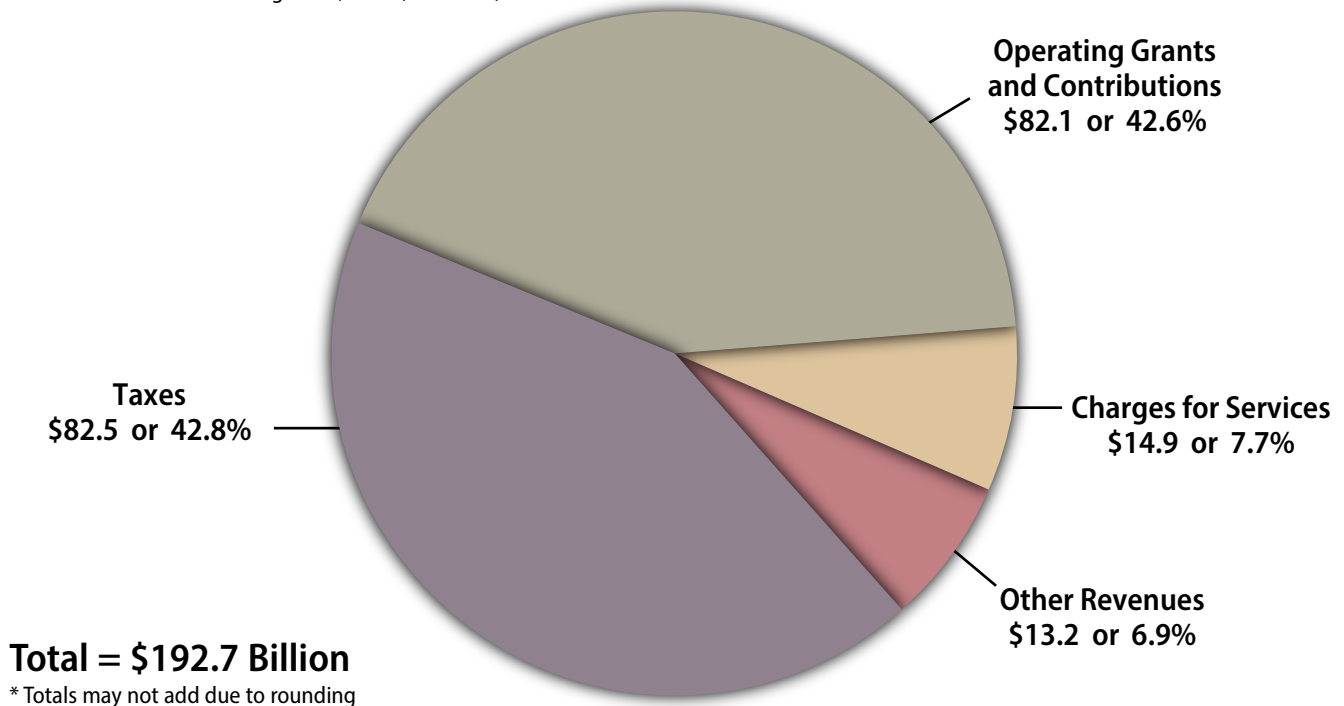
For the Fiscal Year Ended August 31, 2023 (In Millions)



## Revenue by Source: Governmental Activities

Graph MDA-4

For the Fiscal Year Ended August 31, 2023 (In Billions)\*

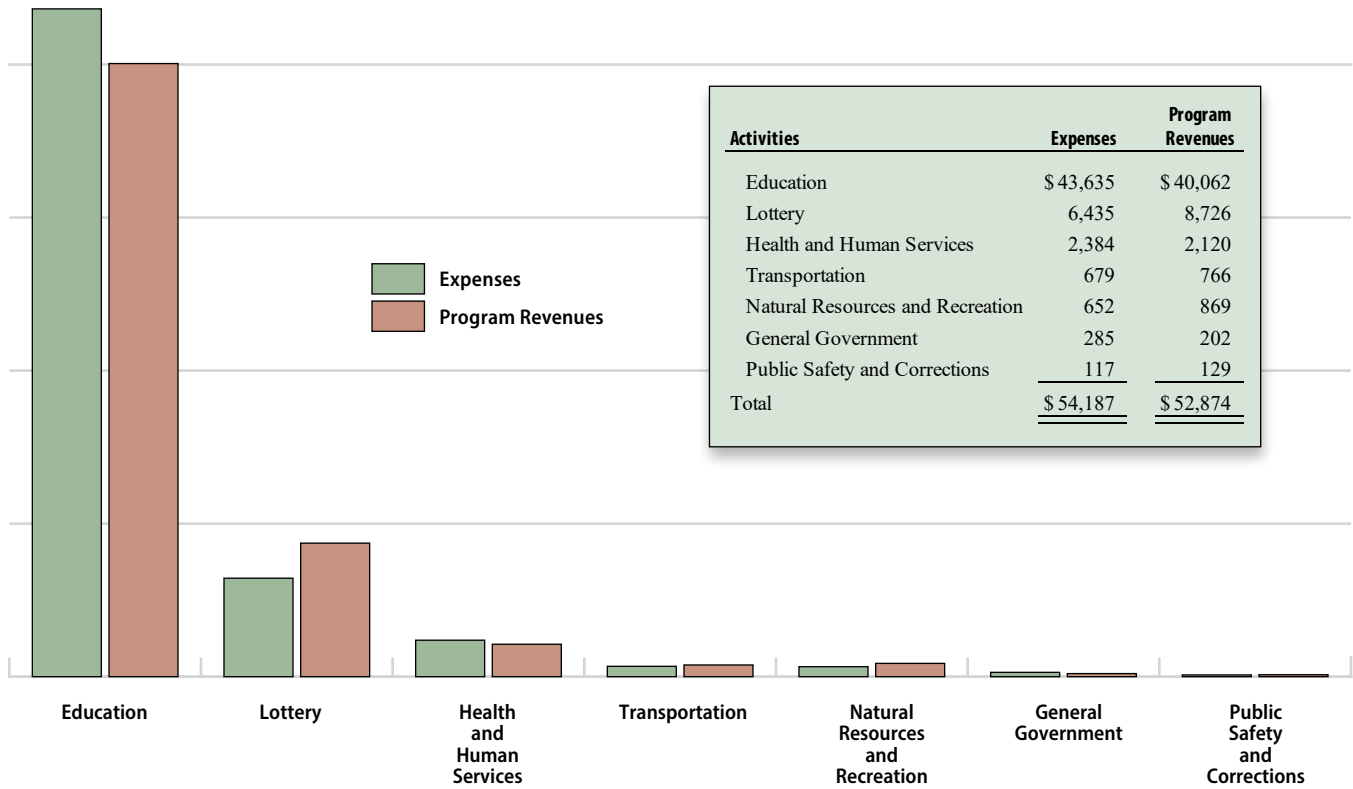




## Expenses and Program Revenues: Business-Type Activities

Graph MDA-5

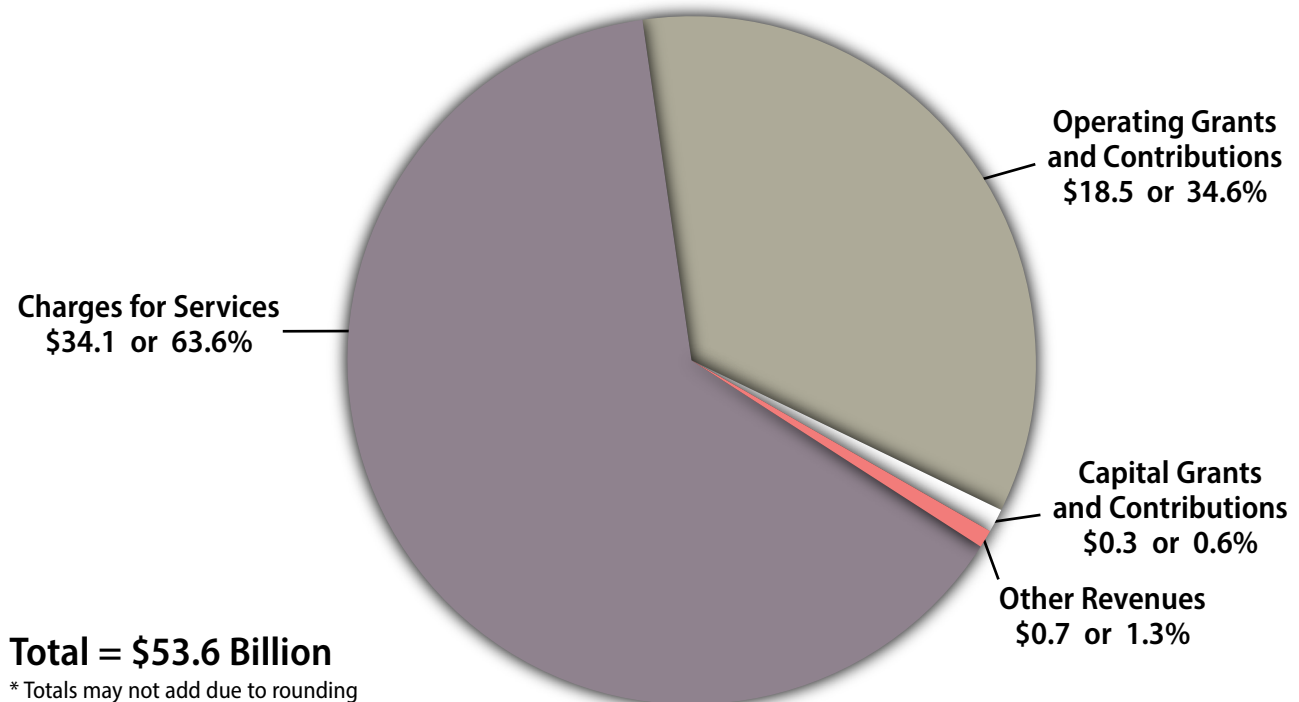
For the Fiscal Year Ended August 31, 2023 (In Millions)



## Revenue by Source: Business-Type Activities

Graph MDA-6

For the Fiscal Year Ended August 31, 2023 (In Billions)\*



The expenses of the state were \$199 billion, a decrease of \$2 billion, down 1 percent from fiscal 2022. The expense fluctuations in governmental activities are largely attributable to a \$4 billion decrease in health and human services. In business-type activities, there was a \$3.3 billion increase in education services and a \$389.9 million increase in health and human services.

The financial analysis of the state's funds will further explain the results for changes in the state's financial condition.

### Governmental Activities

Governmental activities program revenue was \$97.1 billion, including charges for services of \$14.9 billion, operating grants and contributions of \$82.1 billion and capital grants and contributions of \$126.4 million. Total program revenues decreased by \$17.2 billion for fiscal 2023 due to decreased federal revenues for COVID-19 related funding. Governmental activities expenses were \$144.8 billion. All functions of governmental activities in the government-wide statement of

activities have a net cost, except the general government which reported slight surpluses. The education function and the health and human services function account for 85 percent of governmental activities expenses and 86.9 percent of the net cost. The tax collections of the state provide the primary source of funding, which when added to program revenues, support the payment of governmental services.

### Business-Type Activities

Business-type activities generated program revenue of \$52.9 billion, including charges for services of \$34.1 billion, operating grants and contributions of \$18.5 billion and capital grants and contributions of \$263.5 million. The total expenses for business-type activities were \$54.2 billion. The largest changes occurred in education, with a \$3.3 billion increase for colleges and universities and in health and human services with a \$389.9 million increase. There was an increase in net position in the government's business-type activities of \$3.4 billion from \$92 billion in fiscal 2022.

<b>Net Cost (Income) of the State's Activities</b>				
<b>Table MDA-7</b>				
For the Fiscal Year Ended August 31, 2023 (Amounts in Thousands)				
<b>Services</b>	<b>Governmental Activities</b>		<b>Business-Type Activities</b>	
	<b>Total Cost</b>	<b>Net Cost (Income)</b>	<b>Total Cost</b>	<b>Net Cost (Income)</b>
General Government	\$ (3,499,619)	\$ (7,754,730)	\$ 284,849	\$ 83,142
Education	39,299,707	25,877,462	43,635,059	3,574,501
Teacher Retirement State Contributions	3,047,455	3,047,455		
Health and Human Services	83,779,885	16,620,909	2,383,827	264,177
Public Safety and Corrections	8,609,501	8,173,309	117,332	(12,009)
Transportation	8,843,755	1,063,538	678,327	(87,429)
Natural Resources and Recreation	3,967,367	643,589	651,703	(216,913)
Regulatory Services	557,714	(134,524)		
Lottery			6,435,017	(2,290,977)
Interest on General Long-Term Debt	186,242	186,242		
<b>Total of Services Provided</b>	<b>\$ 144,792,007</b>	<b>\$ 47,723,250</b>	<b>\$ 54,186,114</b>	<b>\$ 1,314,492</b>

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## Financial Analysis of the State's Funds

### Governmental Funds

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As of Aug. 31, 2023, governmental funds reported fund balances of \$92 billion. The general fund reported a positive \$65 billion fund balance, 70.3 percent of overall fund balance.

#### General Fund

The fund balance for the general fund as of Aug. 31, 2023, was \$65 billion, an increase of \$19.8 billion from fiscal 2022. The state constitution, state statute and federal rule or bond covenants constrain \$15.2 billion. The unassigned fund balance was \$49.8 billion, which includes \$17.5 billion in the economic stabilization fund, commonly called “the rainy day fund.” Contributing to the fund balance were decreases in spending for human and health services and education of \$4 billion and \$3.8 billion, respectively. There were decreases in federal revenues of \$14.6 billion, due to the decreased COVID-19 and public emergency funding. Other general revenues increased \$874.5 million or 9.1 percent from fiscal 2022. Investment earnings and sales and use tax increased 1,658.4 percent and 5.8 percent, respectively, due to increases in interest rates and the activities of businesses.

#### State Highway Fund

The fund balance for the state highway fund for fiscal 2023, was \$11.2 billion, a decrease of \$1.4 billion from \$12.6 billion in fiscal 2022. This decrease was primarily attributable to an increase in capital outlay expense of \$1.2 billion and \$418.8 million in transportation expense. The increases in capital outlay and transportation expenses due to increased utilization of Proposition 1 and 7 revenues during fiscal 2023. Cash and cash equivalents balance increased by \$1.9 billion as the net change in fund balance decreased by \$1.7 billion.

#### Permanent School Fund

The fund balance for the permanent school fund (PSF) in governmental funds as of Aug. 31, 2023, totaled \$6.5 billion, a decrease of \$50.3 billion from fiscal 2022. The decrease was primarily attributable to a change in reporting entity. On Sept. 1, 2022, the Texas Permanent School Fund Corporation began operating and reporting as a legally separate, special purpose government corporation, as authorized by Senate Bill 1232, 87th Legislature, Regular Session. The decrease in the fund balance was largely the result of transferring \$42.3 billion of the investment activities of the PSF from governmental permanent fund to the discretely presented component unit.

#### Proprietary Funds

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Proprietary funds reported net position of \$95.4 billion in fiscal 2023, an increase of \$3.4 billion from fiscal 2022. The state's public colleges and universities hold 93.2 percent of the reported net position in proprietary funds.

#### Colleges and Universities

Colleges and universities' net position for fiscal 2023 totaled \$88.9 billion, an increase of \$5.8 billion from fiscal 2022. Federal revenue and other revenues increased by \$283.6 million and \$53.7 million, respectively, for fiscal 2023. Pledged revenues increased \$3.2 billion, an increase of 9.1 percent. Payroll related costs increased by \$384.8 million and professional fees and services decreased by \$147.1 million for fiscal 2023. Salaries and wages increased by 9 percent to \$1.5 billion. These revenues and expenses primarily contributed to the net loss before capital contributions, endowments and transfers increase of \$2.7 billion from fiscal 2022. Change in net position was \$5.8 billion, an increase of \$6.7 billion from fiscal 2022. There was also \$1.9 million, a 12.2 percent decrease from fiscal 2022, collected from land mineral income (such as oil royalties) deposited into the Permanent University Fund (PUF) for

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the benefit of the University of Texas and Texas A&M University Systems. The PUF's net position after distributions increased by \$2.1 billion from \$30.9 billion in fiscal 2022 to \$33 billion in fiscal 2023. This endowment fund contributes to the support of 21 institutions and six agencies in the University of Texas System and the Texas A&M University System.

### **Unemployment Trust Fund**

The unemployment trust fund reports activity related to the administration of statewide unemployment benefits in proprietary funds. The fund reported a net position of \$2.1 billion for fiscal 2023, a decrease of \$106.2 million from \$2.2 billion from the prior fiscal year. Due to increased economic improvement the unemployment rate has declined during 2023. By the end of November 2023, the unemployment rate remained at close to 4 percent. Unemployment benefits paid for fiscal 2023 totaled \$2.4 billion, which represents a \$418.6 million increase or 21.3 percent compared to fiscal 2022. The increase in unemployment benefits paid was the result of an increase in the average weekly benefit in comparison to the prior fiscal year. During fiscal 2023, federal revenue decreased \$87.1 million in proportion to the decrease in unemployment benefit payments.

### **Lottery Fund**

The Texas Lottery Commission operates draw and scratch ticket lottery games to generate revenue for the state's foundation school fund. The lottery fund had a negative net position of \$1.2 million for fiscal 2023, an increase of \$19.6 million from the prior fiscal year. There was an increase in interest and investment income of \$29.1 million due to the change in the fair value of investments. Transfers to state agencies totaled \$2.2 billion. The commission recorded its highest level of total sales since ticket sales began in 1992 with collections of \$8.7 billion.

### **Water Development Board Funds**

The Water Development Board Funds reports activities from statewide water related projects that provide assistance to political subdivisions. The funds reported a net position of \$5.8 billion for fiscal 2023, an increase of \$427.9 million from fiscal 2022. An increase of \$917.5 million, or 9.4 percent, in overall bond liabilities occurred during fiscal 2023. The activities in these funds during fiscal 2022 resulted in a realignment of the Water Development Board Funds moving from a nonmajor reporting status to a discretely reported major fund in the proprietary fund financial statements.

### **Fiduciary Funds**

Fiduciary funds reported \$276.2 billion in net position for fiscal 2023, an increase of \$13.6 billion from \$262.5 billion in fiscal 2022, a 5.2 percent increase.

### **Pension and Other Employee Benefit Trust Funds**

Total net position for pension and other employee benefit trust funds was \$227.2 billion for fiscal 2023, an increase of \$5.9 billion from the \$221.3 billion reported in fiscal 2022. The majority of plan assets are held as investments for the pension funds. In fiscal 2023, additions from all sources increased by \$24.6 billion, including a \$23.3 billion increase in total net investment income. Total deductions increased by \$22.8 million from \$19.2 billion in fiscal 2022. The return on investments for the state's two largest pension systems, the Teacher Retirement System of Texas and the Employees Retirement System of Texas was 3.85 percent and 6.7 percent, respectively, compared to the previous year's returns of (6.7) percent and (1.5) percent. The increase is primarily from the improved performance of investments.

### **External Investment Trust Fund**

The Treasury Pool, managed by the Texas Treasury Safekeeping Trust Company (Trust Company) is the

only external investment trust fund. The Trust Company administers and invests funds belonging to state and local entities as well as providing direct access to services of the Federal Reserve System. The Trust Company reported a total net position of \$40 billion in fiscal 2023, an increase of \$7.6 billion from fiscal 2022. The increase in net position is primarily due to an increase in interest, dividend and other investment income.

### Private-Purpose Trust Funds

Total net position for private-purpose trust funds was \$4.8 billion in fiscal 2023, an increase of \$342 million from fiscal 2022. Additions from all sources of \$856.8 million exceeded total deductions of \$514.8 million primarily due to increase in fair value of investments. The net increase in net position of \$337.8 million is an increase of 8,226.2 percent from the net increase of \$4.1 million in fiscal 2022.

### Custodial Funds

Total net position for custodial funds was \$4.2 billion for fiscal 2023, which includes \$529.5 million in nonexternal investment pool custodial funds. The total net position decreased by \$200.8 million from fiscal 2022 primarily due to increases in other expenses and settlement of claims.

## Budgetary Highlights

### Variations for the General Fund

The differences from original and final revenue budgets are due to both economic and legislative reasons. Budget mechanisms allow budget revisions for certain revenues when collections exceed the original budget. Accordingly, major revisions were made to both total revenues and expenditures for a net change of \$7.4 billion.

There was a negative \$10.2 billion variance between the actual and final budget revenues. The largest negative revenue variance occurred with federal revenues, which reported a negative \$17.6 billion difference.

The largest expenditure variances occurred in the general government and health and human services, \$7.9 billion and negative \$7.9 billion, respectively. The net change in these functions comprise 0.4 percent of the overall expenditure variance of negative \$2.2 billion.

## Capital Assets – Net of Depreciation and Amortization

Table MDA-8

For the Fiscal Years Ended August 31, 2023 and 2022 (Amounts in Thousands)

Capital Asset Type	Governmental Activities		Business-Type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
Land and Land Improvements	\$ 19,415,650	\$ 18,522,819	\$ 2,650,957	\$ 2,586,241	\$ 22,066,607	\$ 21,109,060
Infrastructure	97,222,188	92,679,749	3,232,091	3,143,977	100,454,279	95,823,726
Construction in Progress	25,403,208	25,190,689	3,701,110	3,283,297	29,104,318	28,473,986
Land Use Rights – Permanent	97,031	69,514	22,918	22,918	119,949	113,788
Buildings and Building Improvements	2,730,198	1,737,214	22,170,531	22,149,681	24,900,729	24,152,661
Facilities and Other Improvements	82,616	73,715	1,853,965	1,917,893	1,936,581	1,996,326
Furniture and Equipment	308,884	261,762	2,182,796	2,127,706	2,491,680	2,406,565
Vehicles, Boats and Aircraft	623,689	626,830	98,757	89,650	722,446	660,161
Other Capital Assets	116,062	124,428	1,821,419	1,704,738	1,937,481	1,825,135
Intangible Capital Assets, Net	182,376	83,506	182,673	265,588	365,049	472,960
Total Capital Assets	<u>\$ 146,181,902</u>	<u>\$ 139,742,679</u>	<u>\$ 37,917,217</u>	<u>\$ 37,291,689</u>	<u>\$ 184,099,119</u>	<u>\$ 177,034,368</u>

## Capital Assets and Debt Administration

### Capital Assets

For fiscal 2023, the state has \$184.1 billion in net capital assets. This total represents an increase of \$7.1 billion in total capital assets or 4 percent from fiscal 2022. Included in this amount are increases to infrastructure of \$4.6 billion and land purchases and improvements of \$957.5 million primarily by the Texas Department of Transportation (TxDOT). Institutions of higher education also added \$64.7 million to land and land improvements.

To ensure future availability of essential services and to finance capital improvements, TxDOT made commitments for construction contracts, comprehensive development agreements and pass-through toll agreements totaling an estimated \$14.1 billion. These commitments extend beyond fiscal year-end and represent future costs to the state.

Note 2 provides detail about the state's capital assets and Note 15 details the state's significant commitments related to future capital expenditures.

### Infrastructure Assets

The value of the state's infrastructure assets is included in the governmental activities column of the government-wide statement of net position. The state accounts for its system of roads and highways using the depreciation method. Additional detail is found in Note 2 for capital assets.

### Debt Administration

The state of Texas issues both general obligation bonds and revenue bonds. Each series of revenue bonds is backed by the pledged revenue source and restricted funds specified in the bond resolution. Most revenue bonds are designed to be self-supporting from a primary revenue source related to the program financed.

The state's general obligation bond issues were rated Aaa by Moody's Investors Service, AAA by Standard & Poor's, AAA by Fitch Ratings, and AAA by Kroll Bank Ratings Agency as of August 2023. During fiscal 2023, Texas' state agencies and institutions of higher education issued \$5.8 billion in state bonds to finance new construction, transportation, housing,

## Outstanding Bonded Debt

Table MDA-9

For the Fiscal Years Ended August 31, 2023 and 2022 (Amounts in Thousands)

Description of Issue	Governmental Activities		Business-Type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
General Obligation Bonds	\$ 13,785,354	\$ 13,955,727	\$ 4,098,692	\$ 3,884,198	\$ 17,884,046	\$ 17,839,925
General Obligation Bonds –						
Direct Placements	278,970	280,956	42,590	58,050	321,560	339,006
Revenue Bonds	3,949,128	4,300,470	39,531,679	37,388,647	43,480,807	41,689,117
Revenue Bonds - Direct Borrowings/ Placements			293,564	691,149	293,564	691,149
Total Bonds Payable	<u>\$ 18,013,452</u>	<u>\$ 18,537,153</u>	<u>\$ 43,966,525</u>	<u>\$ 42,022,044</u>	<u>\$ 61,979,977</u>	<u>\$ 60,559,197</u>

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water conservation and treatment and other projects. General obligation debt accounted for \$1.1 billion of state bonds issued in fiscal 2023. This debt, which can only be authorized by a constitutional amendment, carries the full faith and credit of the state. The remaining \$4.6 billion is due to new issuances of revenue bonds, which are serviced by the revenue flows of individual entity projects. Bonds retired during the fiscal year were composed of \$956.1 million in general obligation bonds and \$1.5 billion in revenue bonds. Also, \$76.4 million in general obligation bonds and \$718.5 million in revenue bonds were refunded. The total outstanding general obligation debt of the state after new issuances, retirements and refundings as of Aug. 31, 2023, was \$18.2 billion. This represents an increase of \$26.7 million or 0.1 percent from fiscal 2022. An additional \$15.3 billion of general obligation bonds were authorized but are unissued. Total revenue bonds outstanding were \$43.8 billion, which is an increase of \$1.4 billion or 3.3 percent from fiscal 2022. Note 5 discloses the details on the state's long-term liabilities and Note 6 provides detailed information on the state's bonded indebtedness.

## **Economic Condition**

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The Texas economy added 407,100 nonfarm jobs from November 2022 to November 2023, an increase of 3.6 percent, to reach 14,094,900. Texas added more new jobs than any other state over those 12 months. Private-sector employment rose by 3 percent while government employment (federal, state and local) grew by 2.7 percent. The state's rate of job growth was the third highest among the 50 states (behind Nevada and Idaho).

## **Contacting the State's Financial Management**

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This financial report is designed to provide the state's citizens, taxpayers, customers, investors and creditors with a general overview of the state's finances and to demonstrate the state's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Financial Reporting section of the Texas Comptroller of Public Accounts at 111 E. 17th Street, Austin, Texas 78774.





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SECTION TWO (CONTINUED)

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# BASIC FINANCIAL STATEMENTS

**Statement of Net Position**

August 31, 2023 (Amounts in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
<b>ASSETS</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 77,311,672	\$ 12,158,588	\$ 89,470,260	\$ 1,759,878
Short-Term Investments	2,676,989	1,272,381	3,949,370	104,729
Receivables:				
Accounts	1,119,762	3,112,257	4,232,019	138,058
Taxes (Note 23)	6,180,031		6,180,031	
Federal	6,102,558	1,227,614	7,330,172	4,249
Leases (Note 5,8)	478	27,020	27,498	151
Public/Private Partnership Installment (Note 26)		10,188	10,188	
Other Intergovernmental	2,227,698	308,764	2,536,462	3,204
Gifts and Pledges		375,637	375,637	15
Investment Trades	5,560	707,906	713,466	75,926
Interest and Dividends	91,934	261,533	353,467	129,743
From Component Units (Note 12)	1,016		1,016	
From Fiduciary Funds	7,669		7,669	
Other Receivables	184,120	971,338	1,155,458	6,342
Securities Lending Collateral	41,784	704,551	746,335	3,893,671
Loans and Contracts	65,216	560,519	625,735	170
Inventories	415,581	358,176	773,757	8,522
Prepaid Items	8,058	366,773	374,831	14,159
Other Current Assets	171,349	822,883	994,232	36,258
Restricted:				
Cash and Cash Equivalents	449,274	6,491,388	6,940,662	32,464
Short-Term Investments	8,600	363,638	372,238	
Loans and Contracts	133,364	171,141	304,505	101,413
<b>Total Current Assets</b>	<b>97,202,713</b>	<b>30,272,295</b>	<b>127,475,008</b>	<b>6,308,952</b>
Noncurrent Assets:				
Receivables:				
Taxes (Note 23)	111,277		111,277	
Leases	1,148	467,897	469,045	116
Public/Private Partnership Asset (Note 26)	1,960,767	93,689	2,054,456	
Public/Private Partnership Installment (Note 26)		76,908	76,908	
Gifts and Pledges		780,968	780,968	8,680
Other Receivables	471,025	105,812	576,837	
Internal Balances (Note 12)	3,746	(3,746)		
Investments	24,149,280	26,803,716	50,952,996	51,895,324
Derivative Instruments: (Note 3, 7, 15)				
Investment	2		2	
Hedging		291,429	291,429	
Assets Held in Trust		4,643	4,643	
Loans and Contracts	752,449	14,191,800	14,944,249	822
Prepaid Items		1,706	1,706	498
Restricted:				
Cash and Cash Equivalents		432,330	432,330	6
Short-Term Investments		301	301	
Receivables		57,855	57,855	
Investments		68,078,871	68,078,871	651,860
Loans and Contracts	1,618,569	3,001,271	4,619,840	177,126
Other Restricted Assets	109,658		109,658	
Capital Assets: (Note 2)				
Non-Depreciable or Non-Amortizable	44,989,448	7,492,553	52,482,001	6,879
Depreciable or Amortizable, Net	102,160,311	32,054,540	134,214,851	73,998
Other Noncurrent Assets	37,951	681,921	719,872	117
<b>Total Noncurrent Assets</b>	<b>176,365,631</b>	<b>154,614,464</b>	<b>330,980,095</b>	<b>52,815,426</b>
<b>Total Assets</b>	<b>273,568,344</b>	<b>184,886,759</b>	<b>458,455,103</b>	<b>59,124,378</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred Outflows of Resources (Note 27)	22,870,946	8,573,847	31,444,793	
<b>Total Deferred Outflows of Resources</b>	<b>22,870,946</b>	<b>8,573,847</b>	<b>31,444,793</b>	<b>0</b>

The accompanying notes to the financial statements are an integral part of this statement.

*Continued on the following page*

**Statement of Net Position (continued)**

August 31, 2023 (Amounts in Thousands)

	Primary Government		Total	Component Units
	Governmental Activities	Business-Type Activities		
<b>LIABILITIES</b>				
Current Liabilities:				
Payables:				
Accounts	\$ 9,543,936	\$ 2,739,023	\$ 12,282,959	\$ 379,608
Payroll	973,801	1,469,108	2,442,909	4,988
Tax Refunds (Note 23)	1,159,189		1,159,189	
Federal	23,846	132,508	156,354	
Other Intergovernmental	722,573	3,776	726,349	
Investment Trades	770	1,656,988	1,657,758	98,809
Interest	274,743	257,947	532,690	1,751
Annuities		4,053	4,053	
Notes and Loans (Note 5)	111,616	10,906	122,522	751
To Primary Government (Note 12)				1,016
To Fiduciary Funds	53,334	91	53,425	
From Restricted Assets (Note 5)		451,193	451,193	30
Bonds:				
General Obligation (Note 5, 6)	745,547	295,558	1,041,105	
Revenue (Note 5, 6)	358,645	2,698,885	3,057,530	375
Internal Balances (Note 12)	1,905,638	(1,905,638)		
Short-Term Debt (Note 4)		2,731,695	2,731,695	
Obligations:				
Securities Lending	41,690	704,551	746,241	3,891,795
Reverse Repurchase Agreements	3,137		3,137	
Pollution Remediation (Note 5)	40,889		40,889	
Right to Use Leases (Note 5, 8)	173,016	358,839	531,855	1,585
Right to Use Subscriptions (Note 5, 8)	85,076	137,734	222,810	2,633
Funds Held for Others	195	71,669	71,864	187,047
Claims and Judgments (Note 5)	286,482	204,725	491,207	
Employees' Compensable Leave (Note 5)	792,282	597,954	1,390,236	4,401
OPEB (Note 11)	979,746	375,306	1,355,052	
Other Current Liabilities	440,451	346,751	787,202	194,031
Unearned Revenue	8,285,361	5,485,639	13,771,000	320,667
Total Current Liabilities	<u>27,001,963</u>	<u>18,829,261</u>	<u>45,831,224</u>	<u>5,089,487</u>
Noncurrent Liabilities:				
Payables:				
Notes and Loans (Note 5)	854,998	875,689	1,730,687	1,319
From Restricted Assets (Note 5)		1,176,869	1,176,869	254
Bonds:				
General Obligation (Note 5, 6)	13,318,777	3,845,724	17,164,501	
Revenue (Note 5, 6)	3,590,483	37,126,358	40,716,841	79,151
Obligations:				
Pollution Remediation (Note 5)	200,886	1,530	202,416	
Asset Retirement (Note 5)	2,278	35,626	37,904	
Right to Use Leases (Note 5, 8)	573,089	926,314	1,499,403	12,970
Right to Use Subscriptions (Note 5, 8)	138,860	207,467	346,327	2,415
Derivative Instruments: (Note 3, 7, 15)				
Investment		144,154	144,154	
Hedging		59,760	59,760	
Assets Held for Others		150,222	150,222	
Claims and Judgments (Note 5)	182,750	55,772	238,522	
Employees' Compensable Leave (Note 5)	360,546	643,569	1,004,115	1,363
Pension (Note 9)	45,960,233	8,540,759	54,500,992	
OPEB (Note 11)	38,831,622	12,755,787	51,587,409	
Other Noncurrent Liabilities	104,947	431,116	536,065	850
Total Noncurrent Liabilities	<u>104,119,469</u>	<u>66,976,716</u>	<u>171,096,185</u>	<u>98,322</u>
Total Liabilities	<u>131,121,432</u>	<u>85,796,977</u>	<u>216,927,409</u>	<u>5,187,809</u>

The accompanying notes to the financial statements are an integral part of this statement.

Concluded on the following page

**Statement of Net Position (concluded)**

August 31, 2023 (Amounts in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred Inflows of Resources (Note 27)	\$ 59,292,222	\$ 12,239,407	\$ 71,531,629	\$
Total Deferred Inflows of Resources	<u>59,292,222</u>	<u>12,239,407</u>	<u>71,531,629</u>	<u>0</u>
<b>NET POSITION</b>				
Net Investment in Capital Assets	120,940,547	14,025,399	134,965,946	53,521
Restricted for:				
Education	2,231,092	4,486,798	6,717,890	88
Transportation	11,270,155		11,270,155	
Debt Service	251,873	765,375	1,017,248	
Capital Projects	1,010,836	1,122,518	2,133,354	
Veterans Land Board Housing Programs		766,410	766,410	
Unemployment Trust Fund		2,103,011	2,103,011	
Funds Held as Permanent Investments:				
Nonexpendable	7,421,625	39,776,353	47,197,978	50,067,622
Expendable	858,567	18,816,034	19,674,601	2,903,513
Other Restricted Net Position	9,307,829	6,031,737	15,339,566	30,635
Unrestricted	(47,266,888)	7,521,587	(39,745,301)	881,190
Total Net Position	<u>\$ 106,025,636</u>	<u>\$ 95,415,222</u>	<u>\$ 201,440,858</u>	<u>\$ 53,936,569</u>

The accompanying notes to the financial statements are an integral part of this statement.

**Statement of Activities**

For the Fiscal Year Ended August 31, 2023 (Amounts in Thousands)

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>PRIMARY GOVERNMENT</b>				
Governmental Activities:				
General Government	\$ (3,499,619) <sup>1</sup>	\$ 1,915,381	\$ 2,339,730	\$
Education	39,299,707	1,672,890	11,749,355	
Teacher Retirement State Contributions	3,047,455			
Health and Human Services	83,779,885	6,299,207	60,859,769	
Public Safety and Corrections	8,609,501	224,935	211,257	
Transportation	8,843,755	3,222,638	4,443,915	113,664
Natural Resources and Recreation	3,967,367	843,738	2,467,334	12,706
Regulatory Services	557,714	689,101	3,137	
Interest on General Long-Term Debt	186,242			
Total Governmental Activities	<u>144,792,007</u>	<u>14,867,890</u>	<u>82,074,497</u>	<u>126,370</u>
Business-Type Activities:				
General Government	284,849	46,375	155,332	
Education	43,635,059	22,421,332	17,375,729	263,497
Health and Human Services	2,383,827	1,999,512	120,138	
Public Safety and Corrections	117,332	129,341		
Transportation	678,327	699,357	66,399	
Natural Resources and Recreation	651,703	38,679	829,937	
Lottery	6,435,017	8,725,994		
Total Business-Type Activities	<u>54,186,114</u>	<u>34,060,590</u>	<u>18,547,535</u>	<u>263,497</u>
Total Primary Government	<u>\$ 198,978,121</u>	<u>\$ 48,928,480</u>	<u>\$ 100,622,032</u>	<u>\$ 389,867</u>
<b>COMPONENT UNITS</b>				
Component Units	\$ 5,161,181	\$ 2,349,918	\$ 3,274,371	\$
Total Component Units	<u>\$ 5,161,181</u>	<u>\$ 2,349,918</u>	<u>\$ 3,274,371</u>	<u>\$ 0</u>

<sup>1</sup>Negative expense is due to the state's retirement plans expense caused by changes in assumptions, for more details see Note 9 and Note 11.

The accompanying notes to the financial statements are an integral part of this statement.

*Concluded on the following page*

**Statement of Activities (concluded)**

For the Fiscal Year Ended August 31, 2023 (Amounts in Thousands)

Functions/Programs	Net (Expense) Revenue and Changes in Net Position			Component Units
	Primary Government			
	Governmental Activities	Business-Type Activities	Total	
<b>PRIMARY GOVERNMENT</b>				
Governmental Activities:				
General Government	\$ 7,754,730	\$	\$ 7,754,730	\$
Education	(25,877,462)		(25,877,462)	
Teacher Retirement State Contributions	(3,047,455)		(3,047,455)	
Health and Human Services	(16,620,909)		(16,620,909)	
Public Safety and Corrections	(8,173,309)		(8,173,309)	
Transportation	(1,063,538)		(1,063,538)	
Natural Resources and Recreation	(643,589)		(643,589)	
Regulatory Services	134,524		134,524	
Interest on General Long-Term Debt	(186,242)		(186,242)	
Total Governmental Activities	<u>(47,723,250)</u>	<u>0</u>	<u>(47,723,250)</u>	<u>0</u>
Business-Type Activities:				
General Government		(83,142)	(83,142)	
Education		(3,574,501)	(3,574,501)	
Health and Human Services		(264,177)	(264,177)	
Public Safety and Corrections		12,009	12,009	
Transportation		87,429	87,429	
Natural Resources and Recreation		216,913	216,913	
Lottery		2,290,977	2,290,977	
Total Business-Type Activities	<u>0</u>	<u>(1,314,492)</u>	<u>(1,314,492)</u>	<u>0</u>
Total Primary Government	<u>(47,723,250)</u>	<u>(1,314,492)</u>	<u>(49,037,742)</u>	<u>0</u>
<b>COMPONENT UNITS</b>				
Component Units				463,108
Total Component Units	<u>0</u>	<u>0</u>	<u>0</u>	<u>463,108</u>
<b>GENERAL REVENUES</b>				
Taxes:				
Sales and Use	46,931,926		46,931,926	
Oil and Natural Gas Production	8,993,122		8,993,122	
Motor Vehicle and Manufactured Housing	6,863,270		6,863,270	
Franchise	6,768,758		6,768,758	
Motor Fuels	3,861,939		3,861,939	
Insurance Occupation	4,144,429		4,144,429	
Cigarette and Tobacco	1,211,005		1,211,005	
Other Taxes	3,704,995		3,704,995	
Unrestricted Investment Earnings	2,769,371	223,262	2,992,633	29,465
Settlement of Claims	632,711	2,218	634,929	252
Gain on Sale of Capital Assets	5,565	6,680	12,245	1,143
Gain (Loss) on Other Financial Activity	908	(162)	746	
Other General Revenues	9,666,211	512,958	10,179,169	932,703
Capital Contributions	508		508	
Contributions to Permanent and Term Endowments	(8,553,136)	326,116	(8,227,020)	8,555,755
Distributions from Permanent Fund Principal	(23,197)		(23,197)	
Transfers - Internal Activities (Note 12)	(6,891,397)	6,891,397		
Total General Revenues, Contributions, Extraordinary Items and Transfers	<u>80,086,988</u>	<u>7,962,469</u>	<u>88,049,457</u>	<u>9,519,318</u>
Change in Net Position	<u>32,363,738</u>	<u>6,647,977</u>	<u>39,011,715</u>	<u>9,982,426</u>
Net Position, September 1, 2022	113,388,645	91,996,247	205,384,892	1,685,651
Restatements (Note 14)	<u>(39,726,747)</u>	<u>(3,229,002)</u>	<u>(42,955,749)</u>	<u>42,268,492</u>
Net Position, September 1, 2022, as Restated	<u>73,661,898</u>	<u>88,767,245</u>	<u>162,429,143</u>	<u>43,954,143</u>
Net Position, August 31, 2023	<u>\$ 106,025,636</u>	<u>\$ 95,415,222</u>	<u>\$ 201,440,858</u>	<u>\$ 53,936,569</u>

The accompanying notes to the financial statements are an integral part of this statement.

# Statement of Net Position: Governmental Funds

August 31, 2023 (Amounts in Thousands)

	General	State Highway Fund	Permanent School Fund	Nonmajor Funds	Totals
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 61,893,734	\$ 10,824,149	\$ 497,484	\$ 3,919,184	\$ 77,134,551
Short-Term Investments	662,665	20,115		445,898	1,128,678
Receivables:					
Accounts	447,441	216,268	59,819	39,396	762,924
Taxes (Note 23)	5,959,061	249,022		83,225	6,291,308
Federal	5,510,574	589,517		2,466	6,102,557
Leases (Note 5,8)		1,627			1,627
Other Intergovernmental	1,783,023	218,889		225,786	2,227,698
Investment Trades	19			2,936	2,955
Interest and Dividends	44,277	3,008	2,102	20,707	70,094
Interfund (Note 12)	5,237				5,237
From Component Units (Note 12)			1,016		1,016
From Other Funds (Note 12)	1,207,610	3,348,672	53	1,047,484	5,603,819
Other Receivables	655,147				655,147
Investments	12,081,752	41,969	6,144,059	3,890,014	22,157,794
Loans and Contracts	180,705	236,428	19	400,514	817,666
Inventories	260,801	151,099		3,680	415,580
Prepaid Items	8,023		1	34	8,058
Other Assets	140,537			68,763	209,300
Restricted:					
Cash and Cash Equivalents	433,833	14,709		731	449,273
Short-Term Investments		8,600			8,600
Loans and Contracts	523,415			1,228,519	1,751,934
Other Restricted Assets				109,658	109,658
<b>Total Assets</b>	<b>\$ 91,797,854</b>	<b>\$ 15,924,072</b>	<b>\$ 6,704,553</b>	<b>\$ 11,488,995</b>	<b>\$ 125,915,474</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
Liabilities:					
Payables:					
Accounts	\$ 6,966,454	\$ 1,842,364	\$ 26,883	\$ 61,373	\$ 8,897,074
Payroll	862,508	102,226	2,172	6,895	973,801
Tax Refunds (Note 23)	1,159,189				1,159,189
Federal	23,846				23,846
Other Intergovernmental	722,573				722,573
Investment Trades	8			761	769
Interfund (Note 12)	189				189
To Other Funds (Note 12)	7,268,529	36,666	24	231,534	7,536,753
Obligations:					
Reverse Repurchase Agreements	3,137				3,137
Other Liabilities	501,681	58,070		6,158	565,909
Unearned Revenue	7,810,414	3,171	182,041	685,065	8,680,691
<b>Total Liabilities</b>	<b>25,318,528</b>	<b>2,042,497</b>	<b>211,120</b>	<b>991,786</b>	<b>28,563,931</b>
Deferred Inflows of Resources					
Deferred Inflows of Resources (Note 27)	1,500,367	2,680,212		757,588	4,938,167
<b>Total Deferred Inflows of Resources</b>	<b>1,500,367</b>	<b>2,680,212</b>	<b>0</b>	<b>757,588</b>	<b>4,938,167</b>
Fund Balances: (Note 13)					
Nonspendable	918,199	151,099	6,435,060	970,279	8,474,637
Restricted	3,700,259	11,050,264	58,373	8,557,233	23,366,129
Committed	10,565,520			223,531	10,789,051
Assigned	5,747				5,747
Unassigned	49,789,234			(11,422)	49,777,812
<b>Total Fund Balances</b>	<b>64,978,959</b>	<b>11,201,363</b>	<b>6,493,433</b>	<b>9,739,621</b>	<b>92,413,376</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 91,797,854</b>	<b>\$ 15,924,072</b>	<b>\$ 6,704,553</b>	<b>\$ 11,488,995</b>	<b>\$ 125,915,474</b>

The accompanying notes to the financial statements are an integral part of this statement.

# Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

August 31, 2023 (Amounts in Thousands)

**Total Fund Balance – Governmental Funds** \$ 92,413,376

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets less accumulated depreciation and amortization are included in the Statement of Net Position. (Note 2).

Capital Assets – Non-Depreciable or Non-Amortizable	\$ 44,989,446	
Capital Assets – Depreciable or Amortizable, Net	<u>102,160,313</u>	147,149,759

Reversal of prior year unearned tax revenues recorded in governmental funds but not in the Statement of Net Position.		395,330
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PPP Asset Receivable		1,960,767
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Investment derivative instrument asset was reported in the Statement of Net Position to reflect the fair value of derivative instruments.		2
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Deferred inflows of resources represent revenues the state earned after fiscal year-end but not available to pay current year’s expenditures, therefore, the revenues are deferred in the funds, but not reported in the Statement of Net Position. (Note 27).		4,938,167
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Deferred outflows of resources were reported in the Statement of Net Position to reflect the loss on bond/debt refunding and the impact of pension, OPEB, and asset retirement obligation transactions that are not reported in the funds. (Note 27)		22,870,946
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Deferred inflows of resources were reported in the Statement of Net Position to reflect the unamortized upfront payments received and capital assets acquired in connection with Public-Private and Public-Public Partnerships and the impact of pension and OPEB transactions that are not reported in the funds. (Note 26, 27)		(59,292,222)
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Long-term liabilities applicable to the state’s governmental activities are not due and payable in the current period and accordingly are not reported in the funds. These liabilities, however, are included in the Statement of Net Position. (Note 5, 9, 11 and RSI)

Claims and Judgments	(469,232)	
Right to Use Lease Obligations	(746,105)	
Right to Use Subscription Obligations	(223,936)	
Employees’ Compensable Leave	(1,152,828)	
Notes and Loans Payable	(966,614)	
General Obligation Bonds Payable	(14,064,324)	
Revenue Bonds Payable	(3,949,128)	
Pollution Remediation Obligation	(241,775)	
Net Pension Liability	(45,785,105)	
Total Pension Liability	(175,128)	
Net OPEB Liability	(36,537,479)	
Total OPEB Liability	(3,273,888)	
Asset Retirement Obligation	<u>(2,278)</u>	

(107,587,820) <sup>1</sup>

<sup>1</sup>current portion = \$3,573,299 and noncurrent portion = \$104,014,521

Interest payable applicable to the state’s governmental activities are not due and payable in the current period and accordingly are not reported in the funds. These liabilities, however, are included in the Statement of Net Position.		(254,234)
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The internal service fund is used by management to charge the costs of employees life, accident and health insurance benefits fund to individual funds. Since governmental activities are the predominant activities of internal service funds, the assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.		<u>3,431,565</u>
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**Net Position of Governmental Activities** \$ 106,025,636



## STATE OF TEXAS

# Statement of Revenues, Expenditures and Changes in Fund Balances: Governmental Funds

For the Fiscal Year Ended August 31, 2023 (Amounts in Thousands)

	General	State Highway Fund	Permanent School Fund	Nonmajor Funds	Totals
<b>REVENUES</b>					
Taxes	\$ 70,657,557	\$ 6,007,787	\$	\$ 5,335,302	\$ 82,000,646
Federal	74,715,674	4,159,945		60,288	78,935,907
Licenses, Fees and Permits	3,509,673	1,971,463	1,748	842,243	6,325,127
Sales of Goods and Services	6,041,260	45,964	28,810	523,142	6,639,176
Interest and Other Investment Income	2,015,604	390,696	50,230	283,488	2,740,018
Land Income	14,718	29,616	1,590,356	5,944	1,640,634
Settlement of Claims	602,484	49,020		286	651,790
Other Revenues	10,514,513	10,987	979	2,167,131	12,693,610
Total Revenues	<u>168,071,483</u>	<u>12,665,478</u>	<u>1,672,123</u>	<u>9,217,824</u>	<u>191,626,908</u>
<b>EXPENDITURES</b>					
Current:					
General Government	5,627,875	17,551		480,396	6,125,822
Education	34,937,518		1,047,121	3,197,690	39,182,329
Employee Benefits	19,249			35,144	54,393
Teacher Retirement State Contributions	3,047,455				3,047,455
Health and Human Services	83,619,460			4,999	83,624,459
Public Safety and Corrections	8,394,776			68,747	8,463,523
Transportation	50,491	4,980,499		303,921	5,334,911
Natural Resources and Recreation	3,952,135			69,366	4,021,501
Regulatory Services	525,348			26,840	552,188
Capital Outlay	1,287,993	9,168,786	169	316,093	10,773,041
Debt Service:					
Principal	240,158	112,736	242	1,027,770	1,380,906
Interest	20	715		722,246	722,981
Other Financing Fees	1,847	929		2,805	5,581
Total Expenditures	<u>141,704,325</u>	<u>14,281,216</u>	<u>1,047,532</u>	<u>6,256,017</u>	<u>163,289,090</u>
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	<u>26,367,158</u>	<u>(1,615,738)</u>	<u>624,591</u>	<u>2,961,807</u>	<u>28,337,818</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Bonds and Notes Issued	298,300			323,848	622,148
Bonds Issued for Refunding				350,000	350,000
Premiums on Bonds Issued				7,962	7,962
Payment to Escrow for Refunding				(350,000)	(350,000)
Increase in Obligation for RTU Leases/SBITAs	349,758	49,379	46	19,798	418,981
Sale of Capital Assets	12,664	15,463		3	28,130
Insurance Recoveries	6,598			7	6,605
Distributions from Permanent Fund Principal				(23,196)	(23,196)
Contributions to Permanent and Term Endowments			(8,553,136)		(8,553,136)
Transfer In (Note 12)	8,643,198	3,436,540		2,621,770	14,701,508
Transfer Out (Note 12)	<u>(15,727,874)</u>	<u>(681,386)</u>	<u>(123,644)</u>	<u>(5,059,293)</u>	<u>(21,592,197)</u>
Total Other Financing Sources (Uses)	<u>(6,417,356)</u>	<u>2,819,996</u>	<u>(8,676,734)</u>	<u>(2,109,101)</u>	<u>(14,383,195)</u>
Net Change in Fund Balances	<u>19,949,802</u>	<u>1,204,258</u>	<u>(8,052,143)</u>	<u>852,706</u>	<u>13,954,623</u>
Fund Balances, September 1, 2022	45,131,534	12,552,386	56,810,663	8,875,786	123,370,369
Restatements (Note 14)	<u>(102,377)</u>	<u>(2,555,281)</u>	<u>(42,265,087)</u>	<u>11,129</u>	<u>(44,911,616)</u>
Fund Balances, September 1, 2022, as Restated	<u>45,029,157</u>	<u>9,997,105</u>	<u>14,545,576</u>	<u>8,886,915</u>	<u>78,458,753</u>
Fund Balances, August 31, 2023	<u>\$ 64,978,959</u>	<u>\$ 11,201,363</u>	<u>\$ 6,493,433</u>	<u>\$ 9,739,621</u>	<u>\$ 92,413,376</u>

The accompanying notes to the financial statements are an integral part of this statement.

# Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities

For the Fiscal Year Ended August 31, 2023 (Amounts in Thousands)

Net Change in Fund Balances		\$ 13,954,623
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. In the Statement of Activities, however, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The amount by which capital outlay exceeds depreciation in the current period is:		
Capital Outlay	10,773,042	
Depreciation Expense (Note 2)	(2,949,184)	
Amortization Expense (Note 2)	<u>(322,899)</u>	
		7,500,959
The effect of various miscellaneous transactions involving capital assets (i.e., sales and trade-ins) is to decrease net position.		(22,568)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		(1,824,721)
The internal service fund is used by management to charge the costs of the employees life, accident and health insurance benefits fund to individual funds. The adjustments for the internal service fund "close" the fund by allocating these amounts to participating governmental activities.		302,022
Bond proceeds provide current financial resources to governmental funds, but increase long-term liabilities in the Statement of Net Position. Repayment of long-term debt consumes current financial resources and is an expenditure in the governmental funds, but reduces long-term liabilities in the Statement of Net Position.		
Bonds and Notes Issued	(972,148)	
Premiums on Bond Proceeds	(7,962)	
Increase in Obligations Under Right to Use Leases	(418,982)	
Repayment of Bond and RTU Lease/SBITA Principal	<u>1,730,907</u>	
		331,815
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		12,123,946
Transfers of capital assets are not reported in the governmental funds. In addition, resource flows between fiduciary funds and governmental funds are converted to revenues or expenses on the Statement of Activities.		
Capital Asset Transfers (Note 2)	(817)	
Increase in Revenues	—	
Decrease in Expenses	(1,635)	
Net Change in Transfers	<u>112</u>	
		(2,340)
<b>Change in Net Position of Governmental Activities</b>		<u><u>\$ 32,363,736</u></u>

**Statement of Net Position: Proprietary Funds**

August 31, 2023 (Amounts in Thousands)

	Business-Type Activities – Enterprise Funds					Totals	Governmental Activities – Internal Service Fund <sup>1</sup>
	Colleges and Universities	Unemployment Trust Fund	Lottery Fund	Water Development Board Funds	Nonmajor Enterprise Funds		
<b>ASSETS</b>							
Current Assets:							
Cash and Cash Equivalents	\$ 10,033,848	\$ 636	\$ 168,249	\$ 873,968	\$ 1,081,887	\$ 12,158,588	\$ 177,121
Short-Term Investments	408,083			864,298		1,272,381	1,548,312
Receivables:							
Accounts	2,694,127	304,331	37,542		76,249	3,112,249	356,837
Federal	1,187,714	19,773		3,903	16,224	1,227,614	
Leases (Note 5,8)	27,021					27,021	
Public/Private Partnership Installment (Note 26)	10,188					10,188	
Other Intergovernmental	308,764					308,764	
Gifts and Pledges	375,636					375,636	
Investment Trades	707,907					707,907	2,605
Interest and Dividends	132,201	21,159		91,581	16,591	261,532	21,839
Interfund (Note 12)	65,118				219	65,337	
From Other Funds (Note 12)	2,452,218	7,485			123,141	2,582,844	6,150
Other Receivables	965,266				6,072	971,338	
Securities Lending Collateral	704,551					704,551	41,784
Loans and Contracts	123,906			427,916	8,699	560,521	
Inventories	283,562		52,012		22,602	358,176	
Prepaid Items	334,070		31,363		1,340	366,773	
Other Current Assets	812,987				9,896	822,883	
Restricted:							
Cash and Cash Equivalents	1,296,527	2,437,709			2,757,151	6,491,387	
Short-Term Investments	312,103		50,902		632	363,637	
Loans and Contracts					171,142	171,142	
Total Current Assets	<u>23,235,797</u>	<u>2,791,093</u>	<u>340,068</u>	<u>2,261,666</u>	<u>4,291,845</u>	<u>32,920,469</u>	<u>2,154,648</u>
Noncurrent Assets:							
Receivables:							
Leases	467,897					467,897	
Public/Private Partnership Asset (Note 26)	93,689					93,689	
Public/Private Partnership Installment (Note 26)	76,908					76,908	
Interfund (Note 12)	1,502,418					1,502,418	
Gifts and Pledges	780,969					780,969	
Other Receivables		105,812				105,812	
Investments	26,365,701			213,432	224,583	26,803,716	1,991,486
Derivative Instruments: (Note 3, 7, 15)							
Hedging	130,780				160,649	291,429	
Assets Held in Trust	362				4,281	4,643	
Loans and Contracts	13,260			14,140,689	37,851	14,191,800	
Prepaid Items	1,706					1,706	
Restricted:							
Cash and Cash Equivalents	432,330					432,330	
Short-Term Investments	301					301	
Receivables	34,669				23,187	57,856	
Investments	64,977,115		197,435		2,904,321	68,078,871	
Loans and Contracts	37,759				2,963,512	3,001,271	
Capital Assets: (Note 2)							
Non-Depreciable or Non-Amortizable	6,614,058				878,495	7,492,553	
Depreciable or Amortizable, Net	29,758,672		3,462		2,292,408	32,054,542	
Other Noncurrent Assets	681,899				21	681,920	
Total Noncurrent Assets	<u>131,970,493</u>	<u>105,812</u>	<u>200,897</u>	<u>14,354,121</u>	<u>9,489,308</u>	<u>156,120,631</u>	<u>1,991,486</u>
Total Assets	<u>155,206,290</u>	<u>2,896,905</u>	<u>540,965</u>	<u>16,615,787</u>	<u>13,781,153</u>	<u>189,041,100</u>	<u>4,146,134</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>							
Deferred Outflows of Resources (Note 27)	8,366,495				207,352	8,573,847	
Total Deferred Outflows of Resources	<u>8,366,495</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>207,352</u>	<u>8,573,847</u>	<u>0</u>
<b>LIABILITIES</b>							
Current Liabilities:							
Payables:							
Accounts	2,528,485	45,259	52,477	351	112,451	2,739,023	646,864
Payroll	1,459,482		2,511		7,115	1,469,108	
Federal	53,519	78,989				132,508	
Other Intergovernmental	3,776					3,776	
Investment Trades	1,656,988					1,656,988	

<sup>1</sup> Employees life, accident and health insurance benefits fund is the only internal service fund. Combining statements are not presented.  
The accompanying notes to the financial statements are an integral part of this statement.

Concluded on the following page

**Statement of Net Position: Proprietary Funds (concluded)**

August 31, 2023 (Amounts in Thousands)

	Business-Type Activities – Enterprise Funds						Governmental Activities – Internal Service Fund <sup>1</sup>
	Colleges and Universities	Unemployment Trust Fund	Lottery Fund	Water Development Board Funds	Nonmajor Enterprise Funds	Totals	
<b>LIABILITIES (concluded)</b>							
Interest	\$ 38,135	\$	\$ 2	\$ 132,549	\$ 87,262	\$ 257,948	\$
Annuities			4,053			4,053	
Notes and Loans (Note 5)	10,906					10,906	
Interfund (Note 12)	66,639					66,639	
To Other Funds (Note 12)	551,978		86,378	3,903	33,736	675,995	25,820
From Restricted Assets (Note 5)	24,442		181,427		245,324	451,193	
Bonds:							
General Obligation (Note 5, 6)	3,057			42,036	250,465	295,558	
Revenue (Note 5, 6)	2,309,120			253,812	135,953	2,698,885	
Short-Term Debt (Note 4)	2,644,185				87,510	2,731,695	
Obligations:							
Securities Lending	704,551					704,551	41,690
Right to Use Leases	358,039		452		348	358,839	
Right to Use Subscriptions	92,298				45,435	137,733	
Funds Held for Others	71,669					71,669	195
Claims and Judgments (Note 5)	204,725					204,725	
Employees' Compensable Leave (Note 5)	591,667		1,905		4,382	597,954	
OPEB (Note 11)	375,307					375,307	
Other Current Liabilities	343,329		2,180		1,239	346,748	
Unearned Revenue	4,778,571	669,646			37,422	5,485,639	
Total Current Liabilities	18,870,868	793,894	331,385	432,651	1,048,642	21,477,440	714,569
Noncurrent Liabilities:							
Payables:							
Notes and Loans (Note 5)	251,299				624,390	875,689	
Interfund (Note 12)	1,506,164					1,506,164	
From Restricted Assets (Note 5)	9,166		207,857		959,846	1,176,869	
Bonds:							
General Obligation (Note 5, 6)	6,102			862,737	2,976,885	3,845,724	
Revenue (Note 5, 6)	18,116,664			9,548,407	9,461,287	37,126,358	
Obligations:							
Pollution Remediation (Note 5)	1,530					1,530	
Asset Retirement (Note 5)	35,626					35,626	
Right to Use Leases (Note 5, 8)	923,743		1,162		1,406	926,311	
Right to Use Subscriptions (Note 5, 8)	135,857				71,610	207,467	
Derivative Instruments: (Note 3, 7, 15)							
Investment	144,154					144,154	
Hedging	39,389				20,371	59,760	
Assets Held for Others	145,940				4,281	150,221	
Claims and Judgments (Note 5)	55,772					55,772	
Employees' Compensable Leave (Note 5)	639,986		1,809		1,774	643,569	
Pension (Note 9)	8,540,759					8,540,759	
OPEB (Note 11)	12,755,786					12,755,786	
Other Noncurrent Liabilities	431,118					431,118	
Total Noncurrent Liabilities	43,739,055	0	210,828	10,411,144	14,121,850	68,482,877	0
Total Liabilities	62,609,923	793,894	542,213	10,843,795	15,170,492	89,960,317	714,569
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Deferred Inflows of Resources (Note 27)	12,038,837				200,571	12,239,408	
Total Deferred Inflows of Resources	12,038,837	0	0	0	200,571	12,239,408	0
<b>NET POSITION</b>							
Net Investment in Capital Assets	13,237,184		1,848		786,368	14,025,400	
Restricted for:							
Education	4,486,798					4,486,798	
Debt Service	140,906				624,469	765,375	
Capital Projects	1,119,366				3,153	1,122,519	
Veterans Land Board Housing Programs					766,410	766,410	
Unemployment Trust Fund		2,103,011				2,103,011	
Funds Held as Permanent Investments:							
Nonexpendable	39,776,128				227	39,776,355	
Expendable	18,816,034					18,816,034	
Other Restricted Net Position			5,000	5,773,710	253,024	6,031,734	3,431,565
Unrestricted	11,347,609		(8,096)	(1,718)	(3,816,209)	7,521,586	
Total Net Position	\$ 88,924,025	\$ 2,103,011	\$ (1,248)	\$ 5,771,992	\$ (1,382,558)	\$ 95,415,222	\$ 3,431,565

<sup>1</sup> Employees life, accident and health insurance benefits fund is the only internal service fund. Combining statements are not presented. The accompanying notes to the financial statements are an integral part of this statement.

## Statement of Revenues, Expenses and Changes in Net Position: Proprietary Funds

For the Fiscal Year Ended August 31, 2023 (Amounts in Thousands)

	Business-Type Activities – Enterprise Funds					Totals	Governmental Activities – Internal Service Fund <sup>1</sup>
	Colleges and Universities	Unemployment Trust Fund	Lottery Fund	Water Development Board Funds	Nonmajor Enterprise Funds		
<b>OPERATING REVENUES</b>							
Lottery Collections	\$	\$	\$ 8,725,994	\$	\$	\$ 8,725,994	\$
Unemployment Taxes		1,999,289				1,999,289	
Hospital Revenue – Pledged	24,251,240					24,251,240	
Discounts and Allowances	(14,613,105)					(14,613,105)	
Tuition Revenue	118,682					118,682	
Tuition Revenue – Pledged	8,281,307					8,281,307	
Discounts and Allowances	(2,371,075)					(2,371,075)	
Professional Fees	10,324,151					10,324,151	
Professional Fees – Pledged	31,838					31,838	
Discounts and Allowances	(7,445,087)					(7,445,087)	
Auxiliary Enterprises	3,930					3,930	
Auxiliary Enterprises – Pledged	1,898,255				128,052	2,026,307	
Discounts and Allowances	(139,150)					(139,150)	
Other Sales of Goods and Services	19,414				38,615	58,029	
Other Sales of Goods and Services – Pledged	1,205,330				751,621	1,956,951	
Discounts and Allowances	(9,293)				(66,010)	(75,303)	
Interest and Investment Income	681			363,504	110,463	474,648	
Interest and Investment Income – Pledged	1,883			12,276		14,159	
Federal Revenue	3,351,368	120,138			103,360	3,574,866	
State Grant Revenue	29,602					29,602	
Premium Revenue							2,715,882
Other Operating Grant Revenue	1,253,509					1,253,509	
Other Operating Grant Revenue – Pledged	1,755,679					1,755,679	
Other Revenues	310,028	116,762	1,011	9,932	138,626	576,359	1,086
Other Revenues – Pledged	727,626					727,626	
Total Operating Revenues	28,986,813	2,236,189	8,727,005	385,712	1,204,727	41,540,446	2,716,968
<b>OPERATING EXPENSES</b>							
Cost of Goods Sold	175,447				95,387	270,834	
Salaries and Wages	18,236,038		21,528	6,428	52,455	18,316,449	6,150
Payroll Related Costs	5,718,942		7,369	1,144	15,263	5,742,718	1,868
Professional Fees and Services	2,006,173		5,199	7,954	155,777	2,175,103	2,389
Materials and Supplies	4,574,139		1,138	38	8,796	4,584,111	459
Travel	389,540		365	58	665	390,628	48
Communication and Utilities	769,571		582	205	2,316	772,674	849
Repairs and Maintenance	956,338		455		44,977	1,001,770	405
Rentals and Leases	389,218		4,780	55	2,494	396,547	150
Printing and Reproduction	69,004		43,667	2	255	112,928	25
Scholarships	1,535,151					1,535,151	
Lottery Fees and Other Costs			616,945			616,945	
Lottery Prize Payments			5,818,072			5,818,072	
Claims and Judgments	447,559					447,559	
Employee/Participant Benefit Payments					(2,065)	(2,065)	2,491,378
Unemployment Benefit Payments		2,383,822				2,383,822	
Net Change in Asset Retirement Obligation	452					452	
Depreciation and Amortization	3,066,982		658		118,842	3,186,482	
Bad Debt	3,971		1,047		2,609	7,627	
Interest	526		1	351,292	167,269	519,088	
Other Operating Expenses	4,007,433	6	15,165	544	238,025	4,261,173	3,677
Total Operating Expenses	42,346,484	2,383,828	6,536,971	367,720	903,065	52,538,068	2,507,398
Operating Income (Loss)	(13,359,671)	(147,639)	2,190,034	17,992	301,662	(10,997,622)	209,570

<sup>1</sup> Employees life, accident and health insurance benefits fund is the only internal service fund. Combining statements are not presented.  
The accompanying notes to the financial statements are an integral part of this statement.

Concluded on the following page

## Statement of Revenues, Expenses and Changes in Net Position: Proprietary Funds (concluded)

For the Fiscal Year Ended August 31, 2023 (Amounts in Thousands)

	Business-Type Activities – Enterprise Funds					Totals	Governmental Activities – Internal Service Fund <sup>1</sup>
	Colleges and Universities	Unemployment Trust Fund	Lottery Fund	Water Development Board Funds	Nonmajor Enterprise Funds		
<b>NONOPERATING REVENUES (EXPENSES)</b>							
Federal	\$ 2,758,568	\$	\$	\$ 244,997	\$ 13,022	\$ 3,016,587	\$
Gifts	1,067,074				134,953	1,202,027	
Gifts – Pledged	162,169					162,169	
Land Income					8,451	8,451	
Interest and Investment Income	5,102,445	41,479	(8,909)		242,378	5,377,393	92,089
Interest and Investment Income – Pledged	1,450,915					1,450,915	
Loan Premium and Fees on Securities Lending							541
Settlement of Claims	2,216				2	2,218	52
Depreciation and Amortization					25,588	25,588	
Other Nonoperating Revenues	228,540			125,051	13	353,604	
Other Nonoperating Revenues – Pledged	232,751					232,751	
Investing Activities	(282,994)				(625)	(283,619)	
Borrower Rebates and Agent Fees	(4,306)				40	(4,266)	(222)
Gain (Loss) on Sale of Capital Assets	6,397				1	6,398	
Claims and Judgments	(905)		(8)		(35,876)	(36,789)	
Interest	(771,350)		(19)		(334,599)	(1,105,968)	
Other Nonoperating Expenses	(193,394)			(46,529)	(1,674)	(241,597)	(8)
Total Nonoperating Revenues (Expenses)	<u>9,758,126</u>	<u>41,479</u>	<u>(8,936)</u>	<u>323,519</u>	<u>51,674</u>	<u>10,165,862</u>	<u>92,452</u>
Income (Loss) Before Capital Contributions,							
Endowments and Transfers	<u>(3,601,545)</u>	<u>(106,160)</u>	<u>2,181,098</u>	<u>341,511</u>	<u>353,336</u>	<u>(831,760)</u>	<u>302,022</u>
<b>CAPITAL CONTRIBUTIONS, ENDOWMENTS AND TRANSFERS</b>							
Capital Contributions – Federal	4,440					4,440	
Capital Contributions – Other	259,089				784	259,873	
Contributions to Permanent and Term Endowments	326,116					326,116	
Transfer In (Note 12)	10,200,906	758,691		99,816	272,244	11,331,657	
Transfer Out (Note 12)	(1,417,409)	(758,691)	(2,161,541)	(13,461)	(91,246)	(4,442,348)	
Total Capital Contributions,							
Endowments and Transfers	<u>9,373,142</u>	<u>0</u>	<u>(2,161,541)</u>	<u>86,355</u>	<u>181,782</u>	<u>7,479,738</u>	<u>0</u>
Change in Net Position	<u>5,771,597</u>	<u>(106,160)</u>	<u>19,557</u>	<u>427,866</u>	<u>535,118</u>	<u>6,647,978</u>	<u>302,022</u>
Net Position, September 1, 2022	83,163,835	2,209,171	(20,805)	5,344,126	1,299,919	91,996,246	3,129,542
Restatements (Note 14)	(11,407)				(3,217,595)	(3,229,002)	1
Net Position, September 1, 2022, as Restated	<u>83,152,428</u>	<u>2,209,171</u>	<u>(20,805)</u>	<u>5,344,126</u>	<u>(1,917,676)</u>	<u>88,767,244</u>	<u>3,129,543</u>
Net Position, August 31, 2023	<u>\$ 88,924,025</u>	<u>\$ 2,103,011</u>	<u>\$ (1,248)</u>	<u>\$ 5,771,992</u>	<u>\$ (1,382,558)</u>	<u>\$ 95,415,222</u>	<u>\$ 3,431,565</u>

<sup>1</sup> Employees life, accident and health insurance benefits fund is the only internal service fund. Combining statements are not presented.  
The accompanying notes to the financial statements are an integral part of this statement.

**Statement of Cash Flows: Proprietary Funds**

For the Fiscal Year Ended August 31, 2023 (Amounts in Thousands)

	Business-Type Activities-Enterprise Funds					Totals	Governmental Activities- Internal Service Fund <sup>1</sup>
	Colleges and Universities	Unemployment Trust Fund	Lottery Fund	Water Development Board Funds	Nonmajor Enterprise Funds		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
Proceeds from Customers	\$ 13,190,287	\$ 2,265,257	\$ 8,720,200	\$	\$ 893,926	\$ 25,069,670	\$ 587,274
Proceeds from Tuition and Fees	6,051,275					6,051,275	
Proceeds from Research Grants and Contracts	6,324,533	776,702			981	7,102,216	
Proceeds from Gifts					27	27	
Proceeds from Loan Programs	1,111,555				1,638,851	2,750,406	
Proceeds from Auxiliaries	2,133,113					2,133,113	
Proceeds from Other Operating Revenues	1,635,653	120,624			228,953	1,985,230	2,415,287
Payments to Suppliers for Goods and Services	(13,340,296)		(716,005)	(1,297)	(531,207)	(14,588,805)	(5,983)
Payments to Employees	(22,467,576)		(28,338)	(7,630)	(59,752)	(22,563,296)	
Payments for Loans Provided	(1,108,808)				(2,225,794)	(3,334,602)	
Payments for Lottery Prizes			(5,840,039)			(5,840,039)	
Payments for Unemployment Benefits		(2,244,906)				(2,244,906)	
Payments for Other Operating Expenses	(2,079,167)	(765,283)			(199,444)	(3,043,894)	(2,884,568)
Net Cash Provided (Used) by Operating Activities	(8,549,431)	152,394	2,135,818	(8,927)	(253,459)	(6,523,605)	112,010
<b>CASH FLOWS FROM NONCAPITAL</b>							
<b>FINANCING ACTIVITIES</b>							
Proceeds from Debt Issuance				1,234,783	5,668,149	6,902,932	
Proceeds from Gifts	1,369,591					1,369,591	
Proceeds from Endowments	277,181					277,181	
Proceeds from Transfers from Other Funds	8,867,762			2,531,125	274,203	11,673,090	
Proceeds from Interfund Payables				952		952	
Proceeds from Loan Programs	54,251					54,251	
Proceeds from Grant Receipts	3,837,089	758,691		244,671		4,840,451	
Proceeds from Other Noncapital Financing Activities	542,811		7,250		67,028	617,089	
Payments of Principal on Debt Issuance				(240,945)	(4,667,192)	(4,908,137)	
Payments of Interest		(19,762)		(413,276)	(328,185)	(761,223)	
Payments of Other Costs on Debt Issuance				(6,012)	(27,343)	(33,355)	
Payments for Transfers to Other Funds	(1,993,850)	(758,209)	(2,197,763)	(2,122,503)	(126,633)	(7,198,958)	
Payments for Grant Disbursements	(23,797)			(59,583)		(83,380)	
Payments for Interfund Receivables				(19,863)		(19,863)	
Payments for Other Noncapital Financing Uses	(653,043)		(50,588)		(114)	(703,745)	
Net Cash Provided (Used) by Noncapital Financing Activities	12,277,995	(19,280)	(2,241,101)	1,149,349	859,913	12,026,876	0
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>							
Proceeds from Sale of Capital Assets	60,506				236	60,742	
Proceeds from Debt Issuance	4,702,854					4,702,854	
Proceeds from State Grants and Contracts	1,155					1,155	
Proceeds from Federal Grants and Contracts					147,396	147,396	
Proceeds from Gifts	64,336					64,336	
Proceeds from Other Capital and Related Financing Activities	104,228				8,220	112,448	
Proceeds from Capital Contributions	65,580					65,580	
Payments for Additions to Capital Assets	(3,252,812)		(69)		(32,486)	(3,285,367)	
Payments of Principal on Debt Issuance	(3,752,438)				(64,069)	(3,816,507)	
Payments for Right to Use Leases	(146,343)		(462)		(4,358)	(151,163)	
Payments of Interest on Debt Issuance	(865,976)				(106,854)	(972,830)	
Payments of Other Costs on Debt Issuance	(31,952)					(31,952)	
Payments for Interfund Receivables	(11,612)				(76)	(11,688)	
Net Cash Used by Capital and Related Financing Activities	(3,062,474)	0	(531)	0	(51,991)	(3,114,996)	0

<sup>1</sup> Employees life, accident and health insurance benefits fund is the only internal service fund. Combining statements are not presented.  
The accompanying notes to the financial statements are an integral part of this statement.

Concluded on the following page

**Statement of Cash Flows: Proprietary Funds (concluded)**

For the Fiscal Year Ended August 31, 2023 (Amounts in Thousands)

	Business-Type Activities-Enterprise Funds					Totals	Governmental Activities- Internal Service Fund <sup>1</sup>
	Colleges and Universities	Unemployment Trust Fund	Lottery Fund	Water Development Board Funds	Nonmajor Enterprise Funds		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
Proceeds from Sale of Investments	\$ 55,991,204	\$	\$ 51,865	\$	\$ 484,937	\$ 56,528,006	\$
Proceeds from Interest and Investment Income	3,348,876	20,440		376,996	213,352	3,959,664	6,450
Proceeds from Principal Payments on Loans				511,974	104	512,078	
Payments to Acquire Investments	(58,255,882)		(7,250)	(261,520)	(970,814)	(59,495,466)	(24,695)
Payments for Nonprogram Loans Provided				(1,552,748)		(1,552,748)	
Net Cash Provided (Used) by Investing Activities	1,084,198	20,440	44,615	(925,298)	(272,421)	(48,466)	(18,245)
Net Increase (Decrease) in Cash and Cash Equivalents	1,750,288	153,554	(61,199)	215,124	282,042	2,339,809	93,765
Cash and Cash Equivalents, September 1, 2022	10,012,015	2,284,791	229,448	658,844	3,742,462	16,927,560	83,355
Restatements	402				(185,466)	(185,064)	1
Cash and Cash Equivalents, September 1, 2022, as Restated	10,012,417	2,284,791	229,448	658,844	3,556,996	16,742,496	83,356
Cash and Cash Equivalents, August 31, 2023	\$ 11,762,705	\$ 2,438,345	\$ 168,249	\$ 873,968	\$ 3,839,038	\$ 19,082,305	\$ 177,121
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>							
Operating Income (Loss)	\$ (13,359,671)	\$ (147,639)	\$ 2,190,034	\$ 17,992	\$ 301,662	\$ (10,997,622)	\$ 209,570
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:							
Depreciation and Amortization	3,066,982		658		118,842	3,186,482	
Bad Debt Expense	528,968		1,047		2,609	532,624	
Pension Expense	1,016,414					1,016,414	
OPEB Expense	1,051,254					1,051,254	
Operating Income (Loss) and Cash Flow Categories Classification Differences	30,805				148,239	179,044	
Changes in Assets and Liabilities:							
(Increase) Decrease in Receivables	(1,123,065)	217,390	(6,805)	81,418	89,851	(741,211)	(96,983)
(Increase) Decrease in Due From Other Funds	(32,493)			98,388	1,917	67,812	(2,604)
(Increase) in Inventories	(4,922)		(4,257)		(13,711)	(22,890)	
(Increase) in Notes Receivables	(1,758)					(1,758)	
(Increase) Decrease in Loans and Contracts	6,664			(1,152,996)	(676,243)	(1,822,575)	
(Increase) in Other Assets	(18,276)				(10,557)	(28,833)	
(Increase) in Deferred Outflows of Resources - Pensions	(1,216,456)					(1,216,456)	
Decrease in Deferred Outflows of Resources - OPEB	1,067,172					1,067,172	
(Increase) in Prepaid Expenses	(50,691)		(31,363)		(51)	(82,105)	
Increase (Decrease) in Payables	468,166	(117,428)	(13,496)	782,857	(228,125)	891,974	(8,176)
Increase in Deposits	131			175,813		175,944	
Increase (Decrease) in Due To Other Funds	168,796			(12,399)	8,933	165,330	10,206
Increase in Unearned Revenue	315,674	200,071			284	516,029	
Increase in Employees' Compensable Leave	74,722				146	74,868	
Increase (Decrease) in Benefits Payable	14,044				(125)	13,919	
Increase in Liabilities to Employees for Defined Benefit Pensions	3,258,353					3,258,353	
(Decrease) in Liabilities to Employees for Defined Benefit OPEB	(8,730,743)					(8,730,743)	
Increase (Decrease) in Other Liabilities	(188,072)				2,870	(185,202)	(3)
(Decrease) in Deferred Inflows of Resources - Pensions	(2,787,885)					(2,787,885)	
Increase in Deferred Inflows of Resources - OPEB	7,391,895					7,391,895	
Increase in Asset Retirement Obligations	341					341	
Increase in Deferred Inflows Leases	94,707					94,707	
Increase in Deferred Inflows - Public-Private/Public- Public Partnerships	409,513					409,513	
Total Adjustments	4,810,240	300,033	(54,216)	(26,919)	(555,121)	4,474,017	(97,560)
Net Cash Provided (Used) by Operating Activities	\$ (8,549,431)	\$ 152,394	\$ 2,135,818	\$ (8,927)	\$ (253,459)	\$ (6,523,605)	\$ 112,010
<b>NONCASH TRANSACTIONS</b>							
Donation of Capital Assets	\$ 68,527	\$	\$	\$	\$	\$ 68,527	\$
Net Change in Fair Value of Investments	\$ 1,076,895	\$	\$ (8,909)	\$ (4,126)	\$ (19,407)	\$ 1,044,453	\$ (35,578)
Other	\$ 417,091	\$	\$ (19)	\$	\$ (80,390)	\$ 336,682	\$
Borrowing Under Lease Purchase	\$ 425,419	\$	\$	\$	\$ 348	\$ 425,767	\$

<sup>1</sup> Employees life, accident and health insurance benefits fund is the only internal service fund. Combining statements are not presented.  
The accompanying notes to the financial statements are an integral part of this statement.



# Statement of Fiduciary Net Position

August 31, 2023 (Amounts in Thousands)

	Pension and Other Employee Benefit Trust Funds	External Investment Trust Fund <sup>2</sup>	Private- Purpose Trust Funds	Nontrusted External Investment Pool Custodial Funds	Other Custodial Funds
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 4,290,262	\$ 5,229	\$ 574,901	\$ 8	\$ 2,483,153
Receivables:					
Accounts	1,121,853				5,066
Taxes	3,200				
Federal	203,897		2,909		
Investment Trades	2,907,058		4,943		46,596
Interest and Dividends	529,473	165,968	2,751	2,964	92
Interfund				1,327	381
From Other Funds (Note 12)	138,117				
Other Receivables			738	529	7,299
Investments:					
U.S. Government	31,421,921	13,614,366		224,200	44,045
Corporate Equity	24,059,732		44,605		
Corporate Obligations	1,826,026	10,026,266	5,584		
Repurchase Agreements		13,770,034			
Foreign Securities	33,624,866		3,210		
Externally Managed	119,791,539			5,775	
Other Investments	27,968,398	2,715,539	4,137,194	301,317	2,614
Securities Lending Collateral	6,080,853			3,235	
Loans and Contracts			1,046		
Prepaid Items	434				
Other Assets	89			1,277	1,058,634
Restricted:					
Cash and Cash Equivalents			14		31,885
Investments					153,117
Properties, at Cost, Net of Accumulated Depreciation or Amortization	282,365		418		
<b>Total Assets</b>	<b>254,250,083</b>	<b>40,297,402</b>	<b>4,778,313</b>	<b>540,632</b>	<b>3,832,882</b>
<b>LIABILITIES</b>					
Payables:					
Accounts	431,797	186,023	8,312	295	8,066
Payroll	25,292				
Investment Trades	3,441,454			6,860	229
Interest	226		3,355		53
Annuities	317,818				
To Other Funds (Note 12)	92,362				
From Restricted Assets			1,265		
Obligations:					
Securities Lending	6,191,116			3,235	
Reverse Repurchase Agreements	16,475,946				
Right to Use Leases (Note 5, 8)	3,321				
Right to Use Subscriptions (Note 5, 8)	21,850				
Derivative Instruments:					
Investment				576	
Funds Held for Others	(46)				
Employees' Compensable Leave	24,415		9		
Other Liabilities	200	125,240	1,510	130	146,359
Unearned Revenue	423		1,800		(31,880)
<b>Total Liabilities</b>	<b>27,026,174</b>	<b>311,263</b>	<b>16,251</b>	<b>11,096</b>	<b>122,827</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred Inflows of Resources (Note 27)	55,030				
<b>Total Deferred Inflows of Resources</b>	<b>55,030</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>NET POSITION</b>					
Restricted for:					
Pensions	223,067,685				
OPEB <sup>1</sup>	4,059,745				
Held in Trust for Individuals, Organizations and Other Governments	41,449		4,762,062		
Pool Participants		39,986,139		529,536	
Other Purposes					3,710,055
<b>Total Net Position</b>	<b>\$ 227,168,879</b>	<b>\$ 39,986,139</b>	<b>\$ 4,762,062</b>	<b>\$ 529,536</b>	<b>\$ 3,710,055</b>

<sup>1</sup> Other Post Employment Benefits (OPEB)

<sup>2</sup> The activities of the Texas local government investment pool (TexPool) and the Texas local government investment pool prime (TexPool Prime) are reported as an external investment trust fund. Combining statements are not presented.

The accompanying notes to the financial statements are an integral part of this statement.

**Statement of Changes in Fiduciary Net Position**

For the Fiscal Year Ended August 31, 2023 (Amounts in Thousands)

	Pension and Other Employee Benefit Trust Funds	External Investment Trust Fund <sup>2</sup>	Private- Purpose Trust Funds	Nontrusted External Investment Pool Custodial Funds	Other Custodial Funds
<b>ADDITIONS</b>					
Contributions:					
Member State	\$ 5,636,649	\$	\$	\$ 5,480	\$ 984
Federal	6,092,993				
Other Contributions	311,701		11,284		462
Total Contributions	<u>3,601,174</u>	<u>0</u>	<u>377,357</u>	<u>5,480</u>	<u>60,508</u>
Total Contributions	<u>15,642,517</u>	<u>0</u>	<u>377,357</u>	<u>5,480</u>	<u>61,954</u>
Investment Income:					
From Investing Activities:					
Net Increase in Fair Value of Investments	2,572,668		95,968	1,391	7,713
Interest, Dividend and Other Investment Income	7,477,771	1,813,675	70,153	8,083	28,683
Total Investing Income	<u>10,050,439</u>	<u>1,813,675</u>	<u>166,121</u>	<u>9,474</u>	<u>36,396</u>
Less Investing Activities Expense	876,641	16,186	3,472	87	(10,623)
Net Income from Investing Activities	<u>9,173,798</u>	<u>1,797,489</u>	<u>162,649</u>	<u>9,387</u>	<u>47,019</u>
From Securities Lending Activities:					
Securities Lending Income	329,838				
Less Securities Lending Expense:					
Borrower Rebates <sup>1</sup>	303,481				
Management Fees	272				
Net Income from Securities Lending	<u>26,085</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Net Investment Income	<u>9,199,883</u>	<u>1,797,489</u>	<u>162,649</u>	<u>9,387</u>	<u>47,019</u>
Capital Share and Individual Account Transactions:					
Net Increase in Participant Investments	<u>0</u>	<u>5,835,370</u>	<u>0</u>	<u>0</u>	<u>0</u>
Other Additions:					
Settlement of Claims	459		235,871		3,598
Transfer In (Note 12)	155,544				100
Other Revenue	42,737		80,893	(9,222)	13,975,259
Total Other Additions	<u>198,740</u>	<u>0</u>	<u>316,764</u>	<u>(9,222)</u>	<u>13,978,957</u>
Total Additions	<u>25,041,140</u>	<u>7,632,859</u>	<u>856,770</u>	<u>5,645</u>	<u>14,087,930</u>
<b>DEDUCTIONS</b>					
Benefits	18,041,282		356,891		404
Refunds of Contributions	850,982			5,426	315
Intergovernmental Payments			98,591		
Settlement of Claims			52,088		82,470
Gain (Loss) on Sale of Capital Assets	(46,569)				
Administrative Expenses	144,068		6,827		10,069
Depreciation and Amortization	22,635		39		
Interest Expense	488				4,420
Transfer Out (Note 12)	154,264				
Other Deductions	23,177		379	559	13,690,725
Total Deductions	<u>19,190,327</u>	<u>0</u>	<u>514,815</u>	<u>5,985</u>	<u>13,788,403</u>
<b>INCREASE (DECREASE) IN NET POSITION</b>	<u>5,850,813</u>	<u>7,632,859</u>	<u>341,955</u>	<u>(340)</u>	<u>299,527</u>
Net Position, September 1, 2022	221,307,819	32,353,280	4,420,107	529,876	3,910,465
Restatements (Note 14)	10,247				(499,938)
Net Position, September 1, 2022, as Restated	<u>221,318,066</u>	<u>32,353,280</u>	<u>4,420,107</u>	<u>529,876</u>	<u>3,410,528</u>
Net Position, August 31, 2023	<u>\$ 227,168,879</u>	<u>\$ 39,986,139</u>	<u>\$ 4,762,062</u>	<u>\$ 529,536</u>	<u>\$ 3,710,055</u>

<sup>1</sup> The activities of the Texas local government investment pool (TexPool) and the Texas local government investment pool prime (TexPool Prime) are reported as an external investment trust fund. Combining statements are not presented.

<sup>2</sup> The pension funds of the Employees Retirement System of Texas received rebates from borrowers in excess of payments made to borrowers due to increased demand in the securities lending market.

The accompanying notes to the financial statements are an integral part of this statement.

## STATE OF TEXAS

## Statement of Net Position: Component Units

August 31, 2023 (Amounts in Thousands)<sup>1</sup>

	Texas Permanent School Fund Corporation	Teacher Retirement System of Texas	Nonmajor Funds	Totals
<b>ASSETS</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 554,040	\$ 474,317	\$ 731,521	\$ 1,759,878
Short-Term Investments	30,230		74,499	104,729
Receivables:				
Accounts		123,489	14,569	138,058
Federal			4,249	4,249
Leases (Note 5,8)			151	151
Other Intergovernmental			3,204	3,204
Gifts and Pledges			15	15
Investment Trades	75,926			75,926
Interest and Dividends	127,128	2,225	390	129,743
Other Receivables			6,342	6,342
Securities Lending Collateral	3,893,671			3,893,671
Loans and Contracts			170	170
Inventories			8,522	8,522
Prepaid Items			14,159	14,159
Other Current Assets			36,258	36,258
Restricted:				
Cash and Cash Equivalents			32,464	32,464
Loans and Contracts			101,413	101,413
Total Current Assets	<u>4,680,995</u>	<u>600,031</u>	<u>1,027,926</u>	<u>6,308,952</u>
Noncurrent Assets:				
Receivables:				
Leases			116	116
Gifts and Pledges			8,680	8,680
Investments	51,684,299		211,025	51,895,324
Loans and Contracts			822	822
Prepaid Items			498	498
Restricted:				
Cash and Cash Equivalents			6	6
Investments			651,860	651,860
Loans and Contracts			177,126	177,126
Capital Assets: (Note 2)				
Non-Depreciable or Non-Amortizable			6,879	6,879
Depreciable or Amortizable, Net	4,855		69,143	73,998
Other Noncurrent Assets			117	117
Total Noncurrent Assets	<u>51,689,154</u>	<u>0</u>	<u>1,126,272</u>	<u>52,815,426</u>
Total Assets	<u>56,370,149</u>	<u>600,031</u>	<u>2,154,198</u>	<u>59,124,378</u>

*Concluded on the following page*

## STATE OF TEXAS

## Statement of Net Position: Component Units (concluded)

August 31, 2023 (Amounts in Thousands)<sup>1</sup>

	Texas Permanent School Fund Corporation	Teacher Retirement System of Texas	Nonmajor Funds	Totals
<b>LIABILITIES</b>				
Current Liabilities:				
Payables:				
Accounts	\$ 1,514	\$ 315,217	\$ 62,877	\$ 379,608
Payroll	3,826	432	730	4,988
Investment Trades	98,809			98,809
Interest	2		1,749	1,751
Notes and Loans (Note 5)			751	751
To Primary Government (Note 12)	1,016			1,016
From Restricted Assets (Note 5)			30	30
Bonds:				
Revenue (Note 5, 6)			375	375
Obligations:				
Securities Lending	3,891,795			3,891,795
Right to Use Leases (Note 5, 8)	153		1,432	1,585
Right to Use Subscriptions (Note 5, 8)	2,633			2,633
Funds Held for Others			187,047	187,047
Employees' Compensable Leave (Note 5)	1,992	160	2,249	4,401
Other Current Liabilities		281	193,750	194,031
Unearned Revenue			320,667	320,667
Total Current Liabilities	<u>4,001,740</u>	<u>316,090</u>	<u>771,657</u>	<u>5,089,487</u>
Noncurrent Liabilities:				
Payables:				
Notes and Loans (Note 5)			1,319	1,319
From Restricted Assets (Note 5)			254	254
Bonds:				
Revenue (Note 5, 6)			79,151	79,151
Obligations:				
Right to Use Leases (Note 5, 8)			12,970	12,970
Right to Use Subscriptions (Note 5, 8)	2,415			2,415
Employees' Compensable Leave (Note 5)		104	1,259	1,363
Other Noncurrent Liabilities			850	850
Total Noncurrent Liabilities	<u>2,415</u>	<u>104</u>	<u>95,803</u>	<u>98,322</u>
Total Liabilities	<u>4,004,155</u>	<u>316,194</u>	<u>867,460</u>	<u>5,187,809</u>
<b>NET POSITION</b>				
Net Investment in Capital Assets	4,855		48,666	53,521
Restricted for:				
Education			88	88
Funds Held as Permanent Investments:				
Nonexpendable	49,511,167		556,455	50,067,622
Expendable	2,849,972		53,541	2,903,513
Other Restricted Net Position			30,635	30,635
Unrestricted		283,837	597,353	881,190
Total Net Position	<u>\$ 52,365,994</u>	<u>\$ 283,837</u>	<u>\$ 1,286,738</u>	<u>\$ 53,936,569</u>

## STATE OF TEXAS

## Statement of Activities: Component Units

For the Fiscal Year Ended August 31, 2023 (Amounts in Thousands)<sup>1</sup>

	Texas Permanent School Fund Corporation	Teacher Retirement System of Texas	Nonmajor Funds	Totals
<b>EXPENSES</b>				
Cost of Goods Sold	\$	\$	\$ 563	\$ 563
Salaries and Wages	14,085	2,288	76,350	92,723
Payroll Related Costs	5,363	244	17,687	23,294
Professional Fees and Services	12,775	2,184	26,639	41,598
Materials and Supplies	61	33	5,820	5,914
Travel	127	39	8,815	8,981
Communication and Utilities	1,409	33	1,209	2,651
Repairs and Maintenance	14	132	1,686	1,832
Rentals and Leases	44	1	3,781	3,826
Printing and Reproduction	2		1,412	1,414
Public Assistance Payments			36,667	36,667
Claims and Judgments			890	890
Employee/Participant Benefit Payments		2,260,177		2,260,177
Depreciation and Amortization	3,426		31,957	35,383
Bad Debt			41	41
Direct Interest			18,325	18,325
Interest	174		2,143	2,317
Other Financing Fees			88,820	88,820
Other Expenses	2,265,273	85,119	185,373	2,535,765
Total Expenses	<u>2,302,753</u>	<u>2,350,250</u>	<u>508,178</u>	<u>5,161,181</u>
<b>PROGRAM REVENUES</b>				
Charges for Services		1,838,037	518,998	2,357,035
Operating Grants and Contributions	2,926,758	220,765	119,731	3,267,254
Total Program Revenues	<u>2,926,758</u>	<u>2,058,802</u>	<u>638,729</u>	<u>5,624,289</u>
Net Program Revenues (Expenses)	<u>624,005</u>	<u>(291,448)</u>	<u>130,551</u>	<u>463,108</u>
<b>GENERAL REVENUES</b>				
Unrestricted Investment Earnings		27,739	1,726	29,465
Settlement of Claims	252			252
Gain (Loss) on Sale of Capital Assets			1,143	1,143
Other General Revenues	9,476,661		9,178	9,485,839
Contributions to Permanent and Term Endowments			2,619	2,619
Total General Revenues	<u>9,476,913</u>	<u>27,739</u>	<u>14,666</u>	<u>9,519,318</u>
Change in Net Position	<u>10,100,918</u>	<u>(263,709)</u>	<u>145,217</u>	<u>9,982,426</u>
Net Position, September 1, 2022		547,546	1,138,105	1,685,651
Restatements (Note 14)	42,265,076		3,416	42,268,492
Net Position, September 1, 2022, as Restated	<u>42,265,076</u>	<u>547,546</u>	<u>1,141,521</u>	<u>43,954,143</u>
Net Position, August 31, 2023	<u>\$ 52,365,994</u>	<u>\$ 283,837</u>	<u>\$ 1,286,738</u>	<u>\$ 53,936,569</u>

<sup>1</sup> The accompanying notes to the financial statements are an integral part of this statement.



## NOTES TO FINANCIAL STATEMENTS

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# Note 1

## Summary of Significant Accounting Policies

### Basis of Presentation

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The accompanying financial statements of the state of Texas were prepared in accordance with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The state of Texas implemented the following GASB statements in fiscal 2023.

GASB Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations and clarity associated with commitments extended by issuers, arrangements associated with conduit debt obligations and related note disclosures. The effective date of financial reporting for conduit debt obligations under GASB Statement No. 91 was the fiscal years beginning after Dec. 15, 2020. However, it was superseded by GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, until the fiscal years beginning after Dec. 15, 2021. To be classified as conduit debt, the debt instrument must meet all of the following characteristics:

- There are at least three parties involved; an issuer, a third-party obligor and a debt holder or debt trustee
- The issuer and the third-party obligor are not within the same financial reporting entity
- The debt obligation is not a parity bond of the issuer nor is it cross-collateralized with other debt of the issuer
- The third-party obligor or its agent, not the issuer, ultimately receives the proceeds from the debt issuance
- The third-party obligor, not the issuer, is primarily obligated for the payment of all amounts associated with the debt obligation, such as debt service payments.

A government can issue conduit debt obligations bearing the government's own name to provide financing for governmental or nongovernmental third-party obligors. Debt service payments are made by the third-party obligor directly to the debt trustee or, in a private placement, directly to the debt holders. The issuer assumes no responsibility for debt service payments beyond the resources provided by the third-party obligor. For more information on conduit debt accounting see Note 6, *Bonded Indebtedness*.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, supersedes GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, thus expanding the reporting requirements for all types of government contracts with operators to provide public services. GASB Statement No. 94 provides definitions of Public-Private and Public-Public Partnerships (PPPs) and Availability Payment Arrangements (APAs), provides uniform guidance for state agencies to report assets and liabilities related to PPPs on a consistent basis and provides disclosure requirements.

A PPP is an arrangement in which the government (the transferor) contracts with a governmental or nongovernmental operator to provide a public service by conveying control of the right to operate or use a non-financial asset of the government, such as infrastructure or other capital assets (the underlying PPP asset) for a period of time in an exchange or exchange-like transaction. There are three scenarios under which a contract is recognized as a PPP:

1. An underlying PPP asset is an existing asset of the transferor at the commencement of the PPP term.
2. An underlying PPP asset is a new asset purchased or constructed by the operator and the PPP meets the definition of a Service Concession Arrangement (SCA)

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3. An underlying PPP asset is a new asset purchased or constructed by the operator and the PPP does not meet the definition of an SCA.

If the underlying PPP asset is an existing asset, the transferor will continue to recognize the asset. The transferor will also recognize a receivable for installment payments, if any, and a deferred inflow of resources. If the underlying asset is a new asset purchased or constructed by the operator and the PPP meets the definition of a service concession arrangement, the transferor will recognize an asset when it is placed into service, a receivable for any installment payments and a deferred inflow of resources. If the underlying asset is a new asset purchased or constructed by the operator and the PPP does not meet the definition of an SCA, the transferor will recognize a receivable for the underlying PPP asset when it is placed in service, a receivable for any installment payments and a deferred inflow of resources.

An APA is an arrangement in which a state agency compensates an operator for activities that may include designing, constructing, financing, maintaining or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The payments by the state agency are based entirely on the asset's availability for use rather than on tolls, fees, or similar revenues or other measures of demand. Availability for use may be based on specified criteria, such as the physical condition of the asset, construction milestones or the achievement of certain availability measures. APA contracts that relate to designing, constructing or financing a nonfinancial asset in which ownership of the asset transfers by the end of the contract should be accounted for by the state agency as a financed purchase of the asset. An APA related to operating or maintaining a nonfinancial asset should be reported by the state agency as an outflow of resources (expensed) in the reporting period to which the payments relate. The state of Texas has not recognized any

APAs in fiscal 2023. For more information on PPPs see Note 26, *Public-Private and Public- Public Partnerships*.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, provides guidance on the accounting and financial reporting of subscription-based information technology arrangements (SBITAs). GASB Statement No. 96, based closely on GASB Statement No. 87, *Leases*, defines a SBITA, establishes that a SBITA results in a right-to-use subscription asset, provides capitalization criteria for outlays other than subscription payments and requires appropriate note disclosures. A SBITA includes a subscription term during which a government has a noncancellable right to use the underlying IT asset. The subscriber will recognize an intangible right-to-use subscription asset and a corresponding subscription liability. During the initial implementation stage, outlays are capitalized as an addition to the subscription asset. For more information on SBITAs see Note 8, *Leases and SBITAs*.

GASB Statement No. 99, *Omnibus 2022*, has different implementation dates for each requirement or amendment. The full implementation will not be completed until fiscal 2024. The issues addressed or amended for fiscal 2023 are as follows:

- Clarification of provisions in GASB Statement No. 87, as amended, related to the determination of the lease term, clarification of a short-term lease, recognition and measurement of a lease liability and lease asset and identification of lease incentives.
- Clarification of provisions in GASB Statement No. 94, related to the determination of the PPP term, the recognition and measurement of installment payments and the transfer of the underlying PPP asset.
- Clarification of provisions in GASB Statement No. 96, related to the SBITA term, clarification of a short-term SBITA and recognition and measurement of a subscription liability.

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The state also put into effect GASB Implementation Guide No. 2023-1, *Implementation Guidance Update-2023*.

The state of Texas implemented in the previous year:

- GASB Statement No. 87, *Leases*
- GASB Statement No. 93, *Replacement of Interbank Offered Rates*, paragraphs 11b, 13 and 14
- GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*
- GASB Statement No. 99, *Omnibus 2022*, with the exception of the requirements effective for fiscal 2023 listed above, and the requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, which are not yet effective for fiscal 2023.

## Financial Reporting Entity

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For financial reporting purposes, the state of Texas includes all agencies, boards, commissions, authorities, institutions of higher education and other organizations that compose its legal entity. The reporting entity also includes legally separate organizations for which the state is financially accountable and any other organizations that would cause the financial statements to be misleading if they were excluded. All activities considered part of the state are included. These activities provide a range of services in the areas of:

- General government
- Education
- Employee benefits
- Teacher retirement state contributions

- Health and human services
- Public safety and corrections
- Transportation
- Natural resources and recreation
- Regulatory services.

As the reporting entity for the state is in accordance with the criteria established by GASB, Note 19, *Component Units and Related Organizations*, provides a listing and brief summary of the component units and their relationship to the state of Texas. The government-wide financial statements present the balances and activities of the state of Texas (the primary government) and its component units.

The state's public school districts, junior colleges and community colleges are excluded from the state's financial reporting entity. These entities are legally separate and fiscally independent from the state. The state is not financially accountable for these entities and it does not make the state's financial statements misleading to exclude them.

## Financial Reporting Structure

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The basic financial statements include government-wide financial statements, fund financial statements and notes to the financial statements. The reporting model based on GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, focuses on the state as a whole in the government-wide financial statements and major individual funds in the fund financial statements.

## Government-wide Financial Statements

The government-wide financial statements (statement of net position and statement of activities) display information about the state as a whole - its financial position at the end of the fiscal year and the change in financial position resulting from the activities of the fiscal year, except for its fiduciary activities. These statements include separate columns for the governmental

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and business-type activities of the state (including its blended component units) and its discretely presented component units. These statements also report all current and noncurrent assets and liabilities, revenues, expenses and gains and losses of the state using an economic resources measurement focus and an accrual basis of accounting.

The statement of net position is presented in a net position format. The net position is displayed in three components:

- net investment in capital assets
- restricted (presented with major categories of restrictions)
- unrestricted.

This statement reports deferred outflows of resources and deferred inflows of resources in separate categories from assets and liabilities and distinguishes between restricted and unrestricted current and noncurrent assets.

The statement of activities reflects both the gross expense and net expense/revenue by function (public safety and corrections, transportation, etc.) The net expense/revenue is calculated by netting program expenses, including depreciation and amortization, against program revenues for each program. The net expense/revenue format identifies the extent to which each function draws from the general revenues of the state or is self-financing through fees and intergovernmental aid.

Program revenues are directly associated with a function of governmental or business-type activities. Internally-dedicated resources are reported as general revenues rather than program revenues.

Program revenues include charges for services, operating grants and contributions, and capital grants and contributions. Charges for services arise from charges to customers or applicants who purchase, use or directly benefit from the goods, services or privileges provided. Charges for services include special assessments and

payments made by parties outside of the state's citizenry if that money is restricted to a particular program.

Operating grants include operating-specific and discretionary (either operating or capital) grants while capital grants reflect capital-specific grants from other governments, organizations or individuals. Multipurpose grants that provide financing for more than one program are reported as program revenue if the amounts restricted to each program are specifically identifiable. Multipurpose grants that do not provide for specific identification of the programs and amounts are reported as general revenues.

Certain general government administrative overhead expenses are charged to the various functions of the state. These charges are paid from applicable funding sources and are reflected as direct expenses. Other expenses reported for each function are clearly identifiable to that particular function and are direct expenses. The amount of direct interest expense included in direct expenses in the statement of activities is \$515.4 million.

Fiduciary funds are presented in the fund financial statements by type (pension and other employee benefit trust, external investment trust, private-purpose trust and custodial funds). The assets of fiduciary funds are held for the benefit of others and cannot be used to finance activities or obligations of the government. Therefore, they are not incorporated into the government-wide financial statements.

### **Fund Financial Statements**

The fund financial statements are presented after the government-wide financial statements. They display information about major funds individually and in the aggregate for governmental and proprietary nonmajor funds. In governmental and fiduciary funds, assets and liabilities are presented in order of relative liquidity. In proprietary funds, assets and liabilities are presented in a classified format that distinguishes between all current and noncurrent assets and liabilities. Current assets in

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the classified format are those considered available for appropriation and expenditure. Examples of expendable financial resources include cash, various receivables and short-term investments not restricted for specific purposes. All other assets are considered noncurrent. Current liabilities are obligations to be paid within the next fiscal year. Examples include payables and the current portion of long-term liabilities.

The governmental funds in the fund financial statements are presented on a current financial resources measurement focus and modified accrual basis of accounting. This presentation is deemed most appropriate to demonstrate compliance with legal and covenant requirements, the source and use of financial resources and how the state's actual results of activities conform to the budget. A reconciliation between the governmental fund financial statements and the governmental activities column of the government-wide financial statements is presented since a different measurement focus and basis of accounting is used. The reconciliation explains the adjustments required to convert the fund-based financial statements to the reporting entity-based financial statements.

The state uses funds to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. State transactions are recorded in the fund types described below.

### **Governmental Fund Types**

Governmental funds focus on the sources and uses of funds. Included in the governmental fund financial statements are general, special revenue, debt service, capital projects and permanent funds. The general fund is the principal operating fund used to account for most of the state's general activities. It accounts for all

financial resources except those accounted for in other funds. Special revenue funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. Debt service funds are used to account for and report financial resources that are restricted, committed or assigned to expenditure for principal and interest payments. Capital projects funds are used to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations or other governments. Permanent funds are used to report resources legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the state's programs.

The state's major governmental funds are listed below.

The **General Fund** is the primary operating fund for the state and includes transactions for general government, education, employee benefits, teacher retirement state contributions, health and human services, public safety and corrections, transportation, natural resources and recreation, and regulatory services.

The **State Highway Fund**, a special revenue fund, receives funds allocated by law for public road construction, maintenance, monitoring and law enforcement of the state's highway system.

The **Permanent School Fund** is a permanent investment fund consisting of land and proceeds from the sale of land that establishes a perpetual provision for the support of the public schools of Texas. The General Land Office transfers the land endowment income to the Texas Permanent School Fund Corporation (Texas PSF), a discretely presented component unit of the state of Texas, as a contribution to endowments. On Sept. 1, 2022, Texas

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PSF started business operations as a separate, special purpose governmental corporation; thereby transferring the investment activities from the governmental permanent fund to a discretely presented component unit. The remaining balances and activities reported in the Permanent School Fund opinion unit in the governmental funds statements represents activities and operations for land, mineral and royalty interests and real property holdings managed by the Texas General Land Office in support of the Permanent School Fund.

### **Proprietary Fund Types**

Proprietary funds focus on determining operating income, changes in financial position and cash flows. Proprietary funds are reported using economic resources measurement focus and full accrual basis of accounting. GAAP similar to those used by private-sector businesses are applied in accounting for these funds. Included in proprietary fund financial statements are enterprise funds and an internal service fund.

Enterprise funds are used to report any activity for which a fee is charged to external users for goods or services. Activities must be reported as enterprise funds if any one of the following criteria is met:

- The activity is financed with debt secured solely by a pledge of the net revenues from fees and charges of the activity.
- Laws or regulations require the activity's costs of providing services, including capital costs (such as depreciation, amortization or debt service), to be recovered with fees and charges.
- The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs.

Internal service funds are used to report any activity that provides goods or services, on a cost reimbursement basis, to other funds, departments or agencies of the reporting entity or other governments. The Employees Life, Accident and Health Insurance Benefits Fund

accounts for the services provided to state of Texas agencies and institutions of higher education that participate in the Texas Employees Group Benefits Program.

The major enterprise funds for the state are listed below.

The **Colleges and Universities** include:

- University of Texas System
- Texas A&M University System
- Texas Tech University System
- University of Houston System
- Texas State University System
- University of North Texas System
- Texas Woman's University System
- Texas Southern University
- Texas State Technical College
- Stephen F. Austin State University
  - SFA will become an institution within the University of Texas System on Sept. 1, 2023, and the SFA Board of Regents will be dissolved.

These institutions of higher education are represented as a single column in the proprietary fund financial statements and individually in the schedules of colleges and universities in the other supplementary information section of this report.

The **Unemployment Trust Fund** contains the activity of the state related to the administration of state and federally financed unemployment benefits.

The **Lottery Fund** receives fees from external users and uses the fees to operate the state lottery, finance debt and make investments to meet future installment obligations to prize winners.

The **Texas Water Development Board Funds** are the total of the eight funds listed below:

- Rural Water Assistance Fund - provides financial assistance to rural political subdivisions for water projects.

- Agricultural Water Conservation Fund - holds bond proceeds and activity of loans for agricultural water conservation projects.
- Texas Water Development Fund II - holds proceeds from the sale of bonds for the self-supporting general obligation bonds. Reports loans, grants and costs to administer the Development Fund and State Participation programs.
- Texas Water Development Fund II Clearance Fund - holds balances during the year that are to be transferred to the interest and sinking fund to pay debt service.
- Texas Water Development Fund II Interest and Sinking Fund - receives transfers from the program fund and clearance fund for payment of debt service on outstanding bonds.
- Local Funds - local funds held outside the treasury for purposes of the following programs:
  - State Water Implementation Revenue Fund
  - Clean Water State Revolving Fund
  - Drinking Water State Revolving Fund

### **Fiduciary Fund Types**

Fiduciary funds account for assets held in either a trustee capacity or in a custodial capacity for individuals, private organizations, other governmental units or other funds meeting the criteria established by GASB Statement No. 84, *Fiduciary Activities*. When assets are held under the terms of a formal trust agreement, either a pension and other employee benefit trust fund, external investment trust fund or a private-purpose trust fund is used.

Pension and other employee benefit trust funds report resources held in trust for the members and beneficiaries of defined benefit pension or other employee benefit plans.

External investment trust funds report the external portions of investment pools held in trust reported by the sponsoring government.

Private-purpose trust funds report all other trust arrangements whose principal and interest benefit individuals, private organizations or other governments.

These trusts include:

- Opioid settlement money
- Tobacco settlement money
- Catastrophic insurance loss relief
- Educational savings plan
- Other private-purpose trust funds.

Custodial funds report all other assets, not held in trust, the state holds on behalf of others in a purely custodial capacity. These funds include:

- Educational Custodial Fund
- Economic Development Custodial Fund
- Nontrusted External Investment Pool Custodial Fund
- Other custodial funds.

### **Component Units**

All component units of the state of Texas are reported as nonmajor component units, except for Texas Permanent School Fund Corporation and Teacher Retirement System of Texas. The combining statement of net position - component units and the combining statement of activities - component units are discretely presented.

Texas Permanent School Fund Corporation (Texas PSF) is a discretely presented component unit of the state of Texas. On Sept. 1, 2022, Texas PSF started business operations as a separate, special purpose governmental corporation. Texas PSF obtains its operating income from net increase/(decrease) in fair value, dividend and interest income related to investments. Land endowment income transferred to Texas PSF from the General Land Office is considered contributions to endowments. The Permanent School Fund uses a total return-based formula to distribute funds to the Available School Fund on a monthly basis.

Teacher Retirement System of Texas (TRS) is a separate legal entity and considered a discrete compo-

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ment unit of the state of Texas. TRS-ActiveCare is a self-funded health benefits program that covers active employees currently employed by public education employers that participate in the program, along with the employees' eligible dependents. TRS-ActiveCare is funded by state, employer and active employee contributions and receives no appropriations from the state for administrative expenses. TRS-ActiveCare is reported as a discrete component unit fund type, whereas TRS pension trust fund and employee benefit trust fund are reported as fiduciary fund types.

Additional information about blended and discretely presented component units can be found in Note 19, *Component Units and Related Organizations*. More detailed information of the individual component units is available from the component units' separately issued financial statements.

### **Basis of Accounting, Measurement Focus and Financial Statement Presentation**

Government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Under the economic resources measurement focus, all economic resources and obligations of the reporting entity, both current and noncurrent, are reported. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which partially amended GASB Statement No. 33.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus.

Governmental funds use the flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, generally only current assets and current liabilities are included on the statement of net position. Operating statements of these funds present increases (such as revenues and other financing sources) and decreases (such as expenditures and other financing uses) in current financial resources.

Under the modified accrual basis of accounting, revenues are recognized in the period in which they become both measurable and available to finance operations of the fiscal year or liquidate liabilities existing at fiscal year-end. The state of Texas considers all major revenues (such as operating grants and contributions and taxes) reported in the governmental funds to be available if the revenues are due at fiscal year-end and collected within 60 days thereafter.

In the governmental fund financial statements, revenues that are earned but not expected to be collected within 60 days are not available to liquidate the liabilities of the current period and are reported as deferred inflows of resources. Unearned revenue is recorded when cash or other assets are received prior to being earned.

Under the accrual basis of accounting, as used in the government-wide financial statements, proprietary fund financial statements and fiduciary fund financial statements, unearned revenue is recorded when cash or other assets are collected in advance before the revenue recognition criteria are met. Revenues are recognized when earned and expenses are recognized at the time liabilities are incurred. Amounts paid to acquire capital assets are capitalized as assets rather than reported as expenditures as they would be under the modified accrual basis of accounting used in the governmental fund financial statements. Proceeds of long-term debt are recorded as liabilities rather than other financing sources under the modified accrual basis. Amounts paid to reduce long-term



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indebtedness of the state are reported as reductions of the related liabilities rather than expenditures.

Proprietary funds distinguish operating from non-operating items. Operating revenues and expenses result from providing services or producing and delivering goods in connection with the proprietary funds' principal ongoing operations. Operating expenses for enterprise and internal service funds include the cost of sales and services, administrative expenses and capital asset depreciation and amortization. Revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

### **Budgetary Information**

The budgetary comparison schedule and the notes to the budgetary comparison schedule are in the required supplementary information other than management's discussion and analysis (MD&A) section. The budgetary comparison schedule presents the original budget, the final budget and the actual activity of the major governmental funds. Reconciliations for the general fund and the state highway fund budgetary basis to the GAAP basis are presented as required supplementary information with explanations of the reconciling items. Budgetary information for nonmajor governmental funds is presented as other supplementary information. The governmental funds with legally adopted annual budgets are the general fund, the state highway fund and the other nonmajor special revenue funds listed in other supplementary information.

### **Cash and Cash Equivalents**

For reporting purposes, cash and cash equivalents includes cash on hand, cash in transit, cash in local banks, cash in the federal and state treasuries and cash equivalents. Cash in local banks is primarily held by enterprise funds, discrete component units and employee benefit trust funds. Cash balances of most state funds are pooled and invested by the Treasury Operations

Division of the Comptroller's office. Interest earned is deposited in the general revenue fund and specified funds designated by law.

The statement of cash flows for proprietary funds presents the change in cash and cash equivalents during the fiscal year. Cash equivalents are defined as short-term, highly-liquid investments that are both readily convertible to known amounts of cash and so near maturity they present insignificant risk of changes in value due to changes in interest rates. Investments with an original maturity of three months or less and used for cash management rather than investing activities are considered cash equivalents. Restricted securities held as collateral for securities lending are not included as cash equivalents on the statement of cash flows.

### **Investments**

Fair value is 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. Investments are reported at fair value in the statement of net position or other statements of net financial position with exceptions. Texas local government investment pool (TexPool) and Texas local government investment pool prime (TexPool Prime) meet the criteria for a qualifying external investment pool under GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. Certain money market investments may be reported at amortized cost provided the investment has a remaining maturity of one year or less at date of purchase. All investment income, including changes in the fair value of investments, is recognized as revenue in the operating statement or statement of activities.

### **Receivables and Payables**

The major receivables for governmental activities are federal revenue, other intergovernmental and taxes receivable. The major receivables for business-type activities are federal receivables, patient receivables and

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tuition receivables. Receivables represent amounts due to the state as of Aug. 31, 2023, from private persons or organizations. Amounts expected to be collected within the next fiscal year are classified as current and amounts expected to be collected beyond the next fiscal year are classified as noncurrent. All receivables are recorded net of allowances for uncollectible accounts.

Taxes receivable represent amounts earned in fiscal 2023 that will be collected sometime in the future. In the government-wide financial statements, a corresponding amount is recorded as revenue. In the governmental fund financial statements, the portion considered available is recorded as revenue; the remainder is recorded as unearned revenue. Taxes receivable are estimated based on collection experience. Tax refunds payable represent amounts owed to taxpayers for overpayments or amended tax returns. See Note 23, *Taxes Receivable and Tax Refunds Payable*, for more details.

Other receivables in the general fund consist primarily of program receivables for health care, supplemental nutrition assistance program and temporary assistance for needy families. Also included are Medicare receivables for programs like Uncompensated Care (UC), Disproportionate Share Hospital (DSH) and Delivery System Reform Incentive Payment (DSRIP). Other receivables in the colleges and universities fund consist primarily of receivables from investments, external parties and other companies. Other receivables in proprietary funds other than the colleges and universities fund consist of receivables related to unemployment benefits. Activities between funds that represent lending/borrowing arrangements outstanding at fiscal year-end are interfund loans. All other outstanding balances between funds are reported as due from/due to other funds. Any residual balances between governmental and business-type activities are reported in the government-wide financial statements as internal balances.

Noncurrent interfund receivables in the general fund, as shown in Note 12, *Interfund Activity and Trans-*

*actions*, are reported as nonspendable fund balance.

Noncurrent interfund receivables in other governmental funds are reported as committed, restricted or assigned fund balance.

Investment trade receivables are reported for sales of investments pending settlement. Investment trade payables are purchases of investments pending settlement.

### ***Inventories and Prepaid Items***

Inventories include both merchandise inventories on hand for sale and consumable inventories. Inventories are valued at cost generally utilizing the last-in, first-out method.

The consumption method of accounting is used to account for inventories and prepaid items that appear in both governmental and proprietary fund types. The costs of inventories are expensed when they are consumed. Prepaid items reflect payments for costs applicable to future accounting periods and are recorded in both government-wide financial statements and fund financial statements.

### ***Restricted Assets***

Restricted assets include monies or other resources restricted by legal or contractual requirements. These assets include certain proceeds of enterprise fund general obligation and revenue bonds, as well as certain revenues, set aside for statutory or contractual requirements.

### ***Capital Assets***

Capital assets are reported in proprietary funds, fiduciary funds and on the government-wide financial statements. The capitalization threshold and the estimated useful life of the assets vary depending upon the asset type. Note 2, *Capital Assets*, includes a table identifying the capitalization threshold and the estimated useful life by asset type. It also provides information on the state's depreciation/amortization policy and other detailed information.

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At the commencement of the lease term, a lessee will recognize a lease liability and an intangible right-to-use lease asset, which is a capital asset. At the commencement of the subscription term, a SBITA subscriber will recognize a subscription liability and an intangible right-to-use subscription asset, which is also a capital asset. GASB Statement No. 87, *Leases*, and GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, provide for the reporting of “Intangible Right to Use (IRTU) Assets”. IRTU assets are reported in Note 2, *Capital Assets*, and additional details in Note 8, *Leases and SBITAs*.

The state has adopted the depreciation method for reporting its highway system. The Texas Department of Transportation, the state agency responsible for construction and maintenance of the state’s road and highway systems, adopted the composite approach for reporting infrastructure and bridges. The composite approach is a method for calculating depreciation of a group of similar and dissimilar assets of the same class (all the roads and bridges of the state) using the same depreciation rate. The composite depreciation rate for fiscal 2023 is 2.5 percent based on a 40-year weighted average life expectancy of the assets in service.

### **Long-Term Liabilities**

Reporting long-term liabilities in the statement of net position requires two components - the amount due within one year (current) and the amount due in more than one year (noncurrent).

General long-term liabilities consist of claims and judgments, lease obligations, SBITA obligations, employees’ compensable leave, availability payment arrangements and other noncurrent liabilities. General long-term liabilities are not reported as liabilities in governmental funds but are reported in the governmental activities column in the government-wide statement of net position. The state reports rebatable arbitrage in claims and judgments. General long-term debt is not limited to liabilities arising

from debt issuances, but may also include noncurrent liabilities on lease-purchase agreements and other commitments that are not current liabilities.

In the government-wide financial statements and proprietary fund financial statements, bond premiums and discounts are currently amortized over the life of the bonds using the straight-line method. State agencies also have the option of using bonds outstanding or the effective interest method. Bonds payable are reported net of the applicable bond accretion, premium or discount. Gain or loss on refunding is reported as deferred inflows of resources or deferred outflows of resources, respectively, and amortized over a shorter final maturity of the refunded or the refunding bonds. Issuance costs are expensed in the fiscal year in which they were incurred.

In the governmental fund financial statements, bond premiums, discounts and bond issuance costs are recognized during the current fiscal year. The face amount of the debt issued and the related premiums are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

### **Employees’ Compensable Leave Balances**

Annual leave, commonly referred to as vacation leave, and other compensated absences with similar characteristics are accrued as a liability as the benefits are earned by the employee. Benefits are earned when the employee’s right to receive compensation is attributable to services already rendered and it is probable the employer will compensate the employee for the benefits through paid time off or some other means, such as cash payments at termination or retirement. Employees accrue vacation time at a rate of eight to 21 hours per month depending on years of employment. The maximum number of hours that can be carried forward to the next fiscal year ranges from 180 hours to 532 hours based on years of service.

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Under the federal Fair Labor Standards Act and state laws for nonexempt and nonemergency employees, overtime can be accumulated in lieu of immediate payment as compensatory leave (at one-and-one-half hours for each overtime hour worked) to a maximum of 240 hours. All overtime exceeding 240 hours must be paid with the next regular payroll. At termination or death, all overtime balances must be paid in full. For emergency personnel (firefighters, law enforcement, prison officers, etc.), overtime can be accumulated to a maximum of 480 hours.

Unused overtime is included in the calculation of current and noncurrent liabilities because each employee may be paid for the overtime or use it as compensatory time.

Compensatory leave is allowed for exempt employees not eligible for overtime pay. This leave is accumulated on an hour-for-hour basis and must be taken within one year from the date earned or it lapses. There is no death or termination benefit for compensatory leave and it is nontransferable. Compensatory leave is reported as a current liability.

Sick leave is accrued at a rate of eight hours per month with no limit on the amount that can be carried forward to the next fiscal year. Accumulated sick leave is not paid at employee termination, although an employee's estate may be paid for one-half of the accumulated sick leave to a maximum of 336 hours. In 2009, the 81st Texas Legislature session passed House Bill 2559, which does not allow employees hired on or after Sept. 1, 2009, to apply unused sick or annual leave as service credit to meet retirement eligibility. State employees hired before Sept. 1, 2009, are entitled to service credit in the retirement system for unused sick or annual leave on the last day of employment. The maximum amount of the state's contingent obligation for sick leave was not determined. The probability of a material impact on state operations in any given fiscal year is considered remote.

### **Lease Obligations**

A lease liability is measured at the present value of payments, based on a contract, to be made during the lease term. The state, as a lessee, will reduce the lease liability as payments are made and recognize an outflow of resources for interest on the liability. The lease liability is split into current and noncurrent portions. Note 8, *Leases and SBITAs*, provides details for lease obligations.

### **SBITA Obligations**

A subscription liability is measured at the present value of payments, based on a contract, to be made during the subscription term. The state, as a subscriber, will reduce the subscription liability as payments are made and recognize an outflow of resources for interest on the liability. The subscription liability is split into current and noncurrent portions. Note 8, *Leases and SBITAs*, provides details for subscription obligations.

### **Conduit Debt Obligations**

Conduit debt issued by the state in the form of bonds is for the express purpose of providing capital financing for a specific third party that is not part of the state's financial reporting entity. The bonds are secured by the property financed and are payable solely from payments received from the third party on the underlying loans. GASB Statement No. 91, *Conduit Debt Obligations*, superseded GASB Interpretation No. 2, *Disclosure of Conduit Debt Obligations*. An issuer will not recognize a conduit debt obligation as a liability. Disclosures for conduit bonds will include a general description of the issuer's conduit debt obligations, types of commitments and the aggregate outstanding principal amount of all conduit obligations that share the same type of commitments at the end of the reporting period. Note 6, *Bonded Indebtedness*, provides details on conduit debt obligations.

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## **Deferred Outflows of Resources and Deferred Inflows of Resources**

Deferred outflows of resources and deferred inflows of resources are defined in GASB Concepts Statement No. 4, *Elements of Financial Statements*, as the consumption and acquisition of net assets by the government that are applicable to future periods.

Note 27, *Deferred Outflows of Resources and Deferred Inflows of Resources*, provides more details.

## **Net Position and Fund Balances**

The state reports restricted net position when constraints placed on resources are either:

- externally imposed by creditors (such as debt covenants), grantors, contributors, laws or regulations of other governments; or
- imposed by law through constitutional provisions or enabling legislation.

Enabling legislation authorizes the government to assess, levy, charge or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources can only be used for the specific purposes stipulated in the legislation. The *Texas Constitution* mandates that if oil and natural gas production tax revenues exceed the net amount received in fiscal 1987, an amount of at least one-half of 75 percent of the excess must be transferred to the state's Economic Stabilization Fund (rainy day fund) from the general revenue fund. In addition to the oil and gas transfers, one half of any unencumbered balance in the general fund at the close of each biennium must be transferred to the Economic Stabilization Fund. The *Texas Constitution, Article 7*, describing the Permanent School Fund (PSF), details how it may be spent and also explicitly restricts the legislature from appropriating any part of it for any other purpose. Investment in capital assets, net of related debt, is reported as a component of net position. Due to the PSF being constitutionally described as permanent, the remainder of the net posi-

tion is classified as restricted, which is further classified as expendable and nonexpendable. The expendable portion is permitted to be spent by constitutional parameters. The nonexpendable portion is comprised of the remainder of net position, which is to be maintained in perpetuity.

Restricted net position is designated as either expendable or nonexpendable. Expendable restricted resources are those that may be expended for either a stated purpose or for a general purpose subject to externally imposed stipulations, such as the state's expendable endowment funds. Nonexpendable restricted resources are those required to be retained in perpetuity. Restricted resources include the state's permanent endowment funds subject to externally imposed restrictions governing their use. For more information on restricted net position, see the MD&A section and the statement of net position.

Net investment in capital assets consists of capital assets - including restricted capital assets - net of accumulated depreciation/amortization and reduced by the outstanding balances of bonds, mortgages, notes or other debt attributable to the acquisition, construction or improvement of such assets. Significant unspent related debt proceeds are not included in the calculation of net investment in capital assets. The unspent portion of the debt is included in the restricted for capital projects category of net position.

Fund balances for governmental funds are classified as nonspendable, restricted, committed, assigned or unassigned. Nonspendable fund balances include amounts that cannot be spent because they are either not in a spendable form or they are legally or contractually required to be maintained intact. Fund balances are reported as restricted when constraints placed upon the use of resources are either:

- externally imposed by creditors (such as debt covenants), grantors, contributors, laws or regulations of other governments; or
- imposed by law through constitutional provisions or enabling legislation.

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Committed fund balances are amounts that can only be used for specific purposes pursuant to constraints imposed through legislation passed into law by formal action of the Texas Legislature, the state's highest level of decision-making authority. These committed amounts cannot be used for any other purpose unless the Texas Legislature removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. Fund balances are reported as assigned when the state intends for resources to be used for specific purposes, yet the constraints do not meet the requirements to be reported as restricted or committed. Intent is expressed by either the Texas Legislature, agency governing board or the agency head/official to which the governing body has delegated the authority to assign amounts to be used for specific purposes. Unassigned fund balances represent amounts that have not been restricted, committed or assigned to specific purposes. The Texas Legislature, agency governing board or the agency head/official to which the governing body has delegated the authority to assign amounts shall determine the procedures and policies for determining assigned fund balances.

The general fund is the only fund that can report a deficit unassigned fund balance. Note 13, *Classification of Fund Balances/Net Position*, presents disaggregated fund balances.

When both restricted and unrestricted resources are available for use, it is the state's policy to use restricted resources first and then unrestricted resources as they are needed. When only unrestricted resources are available for use, it is the state's policy to use committed resources first, then assigned resources, and lastly, unassigned resources.

### **Interfund Activity and Transactions - Government-wide Financial Statements**

Interfund activities are presented on the fund financial statements but are not carried forward to the

government-wide financial statements. The interfund activities on the government-wide financial statements are consolidated to present only the activities between governmental activities and business-type activities. Interfund services provided and used are allocated to various functions within the primary government. Interfund activity with fiduciary funds is reclassified and reported as external activity.

Interfund payables and receivables are also presented on the fund financial statements but are not carried forward to the statement of net position except for amounts due between governmental and business-type activities. These amounts are reported as internal balances on the statement of net position. Interfund activities between the primary government and component units with a different fiscal year-end are limited and immaterial.

Interfund transactions with discretely presented component units are reclassified and reported as external activity. Note 12, *Interfund Activity and Transactions*, provides details.

### **Risk Financing**

The state maintains a combination of commercial insurance and self-insurance programs. The state is self-insured for workers' compensation and unemployment compensation claims. The liabilities are funded on a pay-as-you-go basis. The group insurance programs are provided through a combination of insurance contracts, self-funded health plans and health maintenance organization contracts.

Liabilities are reported when it is probable that a loss has been incurred at the date of the financial statements and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims incurred but not reported. See Note 17, *Risk Management*, for additional information.

# Note 2

## Capital Assets

Capital assets of governmental funds, which include land, infrastructure, buildings, equipment and intangible assets, are recorded as expenditures at the time of purchase and capitalized in the governmental activities column of the government-wide statement of net position. Capital assets such as library books, leasehold improvements and livestock are included in the Other Capital Assets type. Capital assets of other funds and component units are capitalized in the fund in which they are utilized. Capital assets are assets with a cost above a set minimum capitalization threshold that when acquired have an estimated useful life of more than one year. The state of Texas implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)* for fiscal year 2023. Generally, a SBITA is a contract that conveys control of the right to use another party's IT software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction. At the commencement of the subscription term, a subscription liability is recognized and an intangible right-to-use asset (subscription asset) is placed into service. Subscription assets are initially measured as the sum of the initial subscription liability amount, payments made to the SBITA vendor before commencement of the subscription term, and capitalizable implementation costs, less any incentives received from the SBITA vendor at or before the commencement of the subscription term. Other intangible right-to-use (RTU) assets have a value of the initial measurement of the lease liability plus lease payments made at or before the commencement of the lease term, less any incentives received from the lessor at or before the commencement of the lease term plus initial indirect costs that are ancillary charges to place the lease asset in service. More information can be found in Note 8 - *Leases and*

*Subscription-Based Information Technology Arrangements.*

The capitalization thresholds and estimated useful lives of the state's various categories of capital assets as of Aug. 31, 2023, are presented in table 2A.

### Capitalization of Assets

**Table 2A**

August 31, 2023

Capital Asset Type	Capitalization Threshold	Estimated Useful Life
<b>Non-Depreciable and Non-Amortizable Assets</b>		
Land and Land Improvements	\$ 0	Not applicable
Infrastructure	0	Not applicable
Construction in Progress	0	Not applicable
Land Use Rights – Permanent	0	Not applicable
Other Capital Assets	0	Not applicable
<b>Depreciable Assets</b>		
Buildings and Building Improvements	100,000	5-30 years
Infrastructure	500,000	10-50 years
Facilities and Other Improvements	100,000	10-60 years
Furniture and Equipment	5,000	3-15 years
Vehicles, Boats and Aircraft	5,000	5-40 years
Other Capital Assets	Various	3-22 years
<b>Intangible Capital Assets - Amortizable</b>		
Internally Generated		
Computer Software	1,000,000	3-10 years
Other Computer Software	100,000	3-10 years
Land Use Rights – Term	100,000	10-60 years
Other Intangible Capital Assets	100,000	3-15 years

Table 2B presents the composition of the state's capital and intangible RTU assets, adjustments, reclassifications, additions and deletions during fiscal 2023. The adjustments column includes assets not previously reported, accounting errors, the transition balances of intangible RTU subscription assets as a result of GASB Statement No. 96 implementation and other changes. The reclassifications column includes amounts for transfers of capital assets between agencies and reclassifies amounts for completed construction projects previously reported as construction in progress. The additions column includes current year purchases, new intangible RTU leases and subscription assets, depreciation and amortization. The deletions column includes assets removed and

intangible RTU leases and subscription assets removed due to early termination during the current fiscal year.

All capital assets are capitalized at cost or estimated historical cost if actual historical cost is not available.

Donated assets are reported at the acquisition value. Most land improvements (infrastructure), including curbs, sidewalks, fences, bridges and lighting systems, are capitalized.

## Capital Asset Activity

**Table 2B: Primary Government - Governmental Activities**

August 31, 2023 (Amounts in Thousands)

Capital Asset Type	Balance 9/1/22	Adjustments	Reclassifications	Additions	Deletions	Balance 8/31/23
<b>Non-Depreciable and Non-Amortizable Assets</b>						
Land and Land Improvements	\$ 18,522,819	\$ (228,304)	\$ (20)	\$ 1,127,914	\$ (6,759)	\$ 19,415,650
Infrastructure	283					283
Construction in Progress	25,190,689	(682,493)	(8,091,268)	8,986,280		25,403,208
Land Use Rights – Permanent	90,870	125		6,286	(250)	97,031
Other Capital Assets	73,186		20	70		73,276
Total Non-Depreciable and Non-Amortizable Assets	<u>43,877,847</u>	<u>(910,672)</u>	<u>(8,091,268)</u>	<u>10,120,550</u>	<u>(7,009)</u>	<u>44,989,448</u>
<b>Depreciable Assets</b>						
Buildings and Building Improvements	7,179,583	584,766	385,590	8,538	(8,066)	8,150,411
Infrastructure	121,743,877	(1,358,039)	7,659,626	724,998	(9,227)	128,761,235
Facilities and Other Improvements	287,537	1,859	8,457	754		298,607
Furniture and Equipment	1,374,765	16,988	7,652	99,734	(123,851)	1,375,288
Vehicles, Boats and Aircraft	1,636,932	4,948		169,815	(51,577)	1,760,118
Other Capital Assets	160,856	(21)		3,166	(9,390)	154,611
Total Depreciable Assets at Historical Cost	<u>132,383,550</u>	<u>(749,499)</u>	<u>8,061,325</u>	<u>1,007,005</u>	<u>(202,111)</u>	<u>140,500,270</u>
Less Accumulated Depreciation for:						
Buildings and Building Improvements	(5,176,603)	(32,719)		(218,361)	7,470	(5,420,213)
Infrastructure	(29,064,411)	50,000		(2,526,147)	1,228	(31,539,330)
Facilities and Other Improvements	(209,104)	(326)		(6,561)		(215,991)
Furniture and Equipment	(1,095,906)	(2,392)	(57)	(78,395)	110,346	(1,066,404)
Vehicles, Boats and Aircraft	(1,066,421)	(2,509)	(33)	(113,132)	45,666	(1,136,429)
Other Capital Assets	(113,645)	(483)		(6,588)	8,891	(111,825)
Total Accumulated Depreciation	<u>(36,726,090)</u>	<u>11,571</u>	<u>(90)</u>	<u>(2,949,184)</u>	<u>173,601</u>	<u>(39,490,192)</u>
Depreciable Assets, Net	<u>95,657,460</u>	<u>(737,928)</u>	<u>8,061,235</u>	<u>(1,942,179)</u>	<u>(28,510)</u>	<u>101,010,078</u>
<b>Intangible Capital Assets – Amortizable</b>						
Computer Software	765,679	3,005	29,216	5,456	(67,573)	735,783
Land Use Rights – Term	348					348
Intangible Capital Assets – Term	79,673					79,673
Total Intangible Assets at Historical Cost	<u>845,700</u>	<u>3,005</u>	<u>29,216</u>	<u>5,456</u>	<u>(67,573)</u>	<u>815,804</u>
Less Accumulated Amortization for:						
Computer Software	(562,867)	(365)		(56,608)	64,931	(554,909)
Land Use Rights – Term	(126)			(116)		(242)
Intangible Capital Assets – Term	(75,335)			(2,942)		(78,277)
Total Accumulated Amortization	<u>(638,328)</u>	<u>(365)</u>	<u>0</u>	<u>(59,666)</u>	<u>64,931</u>	<u>(633,428)</u>
Amortizable Assets, Net	<u>207,372</u>	<u>2,640</u>	<u>29,216</u>	<u>(54,210)</u>	<u>(2,642)</u>	<u>182,376</u>
<b>Intangible Right-to-Use (RTU) Assets - Amortizable</b>						
Land and Land Improvements	3,579			2,209	(1,125)	4,663
Buildings and Building Improvements	966,925	(2,768)		124,273	(5,550)	1,082,880
Furniture and Equipment	16,763	172		6,474	(796)	22,613
Subscription-Based Information Technology Arrangements (Subscription Assets)		19,296		286,531	(977)	304,850
Total Amortizable Intangible RTU Assets	<u>987,267</u>	<u>16,700</u>	<u>0</u>	<u>419,487</u>	<u>(8,448)</u>	<u>1,415,006</u>
Less Accumulated Amortization for:						
Land and Land Improvements	(1,259)			(1,183)	1,125	(1,317)
Buildings and Building Improvements	(187,415)	952		(180,905)	5,059	(362,309)
Furniture and Equipment	(3,968)	(13)		(5,577)	729	(8,829)
Subscription Assets		(102)		(75,569)	977	(74,694)
Total Accumulated Amortization Intangible RTU Assets	<u>(192,642)</u>	<u>837</u>	<u>0</u>	<u>(263,234)</u>	<u>7,890</u>	<u>(447,149)</u>
Amortizable Intangible RTU Assets, Net	<u>794,625</u>	<u>17,537</u>	<u>0</u>	<u>156,253</u>	<u>(558)</u>	<u>967,857</u>
Governmental Activities Capital Assets, Net	<u>\$ 140,537,304</u>	<u>\$ (1,628,423)</u>	<u>\$ (817)</u>	<u>\$ 8,280,414</u>	<u>\$ (38,719)</u>	<u>\$ 147,149,759</u>

Continued on the following page



## Capital Asset Activity (continued)

Table 2B: Primary Government - Business Type Activities

August 31, 2023 (Amounts in Thousands)

Capital Asset Type	Balance 9/1/22	Adjustments	Reclassifications	Additions	Deletions	Balance 8/31/23
<b>Non-Depreciable and Non-Amortizable Assets</b>						
Land and Land Improvements	\$ 2,586,241	\$ 51	\$ 10,211	\$ 64,186	\$ (9,732)	\$ 2,650,957
Infrastructure						
Construction in Progress	3,283,297	(4,228)	(1,748,085)	2,173,088	(2,962)	3,701,110
Land Use Rights – Permanent	22,918					22,918
Other Capital Assets	1,044,518		96	52,443	(754)	1,096,303
Other Intangible Capital Assets - Permanent	21,265					21,265
Total Non-Depreciable and Non-Amortizable Assets	<u>6,958,239</u>	<u>(4,177)</u>	<u>(1,737,778)</u>	<u>2,289,717</u>	<u>(13,448)</u>	<u>7,492,553</u>
<b>Depreciable Assets</b>						
Buildings and Building Improvements	45,506,181	(3,123)	1,268,751	514,196	(211,884)	47,074,121
Infrastructure	4,890,464		236,267	1,144	(2,630)	5,125,245
Facilities and Other Improvements	3,592,956		62,514	15,987	(2,790)	3,668,667
Furniture and Equipment	7,969,230	76	49,153	651,795	(287,842)	8,382,412
Vehicles, Boats and Aircraft	368,127	487	468	34,429	(11,730)	391,781
Other Capital Assets	2,061,146		102,417	67,033	(41,263)	2,189,333
Total Depreciable Assets at Historical Cost	<u>64,388,104</u>	<u>(2,560)</u>	<u>1,719,570</u>	<u>1,284,584</u>	<u>(558,139)</u>	<u>66,831,559</u>
Less Accumulated Depreciation for:						
Buildings and Building Improvements	(23,356,500)	(5)	(647)	(1,735,706)	189,268	(24,903,590)
Infrastructure	(1,746,487)			(149,276)	2,609	(1,893,154)
Facilities and Other Improvements	(1,675,063)			(142,087)	2,448	(1,814,702)
Furniture and Equipment	(5,841,524)	350	36	(605,280)	246,802	(6,199,616)
Vehicles, Boats and Aircraft	(278,477)	(380)		(25,139)	10,972	(293,024)
Other Capital Assets	(1,400,926)			(98,133)	34,842	(1,464,217)
Total Accumulated Depreciation	<u>(34,298,977)</u>	<u>(35)</u>	<u>(611)</u>	<u>(2,755,621)</u>	<u>486,941</u>	<u>(36,568,303)</u>
Depreciable Assets, Net	<u>30,089,127</u>	<u>(2,595)</u>	<u>1,718,959</u>	<u>(1,471,037)</u>	<u>(71,198)</u>	<u>30,263,256</u>
<b>Intangible Capital Assets – Amortizable</b>						
Computer Software	1,727,722	(216)	19,604	19,656	(47,028)	1,719,738
Land Use Rights – Term	255					255
Intangible Capital Assets – Term	700					700
Total Intangible Assets at Historical Cost	<u>1,728,677</u>	<u>(216)</u>	<u>19,604</u>	<u>19,656</u>	<u>(47,028)</u>	<u>1,720,693</u>
Less Accumulated Amortization for:						
Computer Software	(1,483,679)	216		(113,183)	38,176	(1,558,470)
Land Use Rights – Term	(255)					(255)
Intangible Capital Assets – Term	(420)			(140)		(560)
Total Accumulated Amortization	<u>(1,484,354)</u>	<u>216</u>	<u>0</u>	<u>(113,323)</u>	<u>38,176</u>	<u>(1,559,285)</u>
Amortizable Assets, Net	<u>244,323</u>	<u>0</u>	<u>19,604</u>	<u>(93,667)</u>	<u>(8,852)</u>	<u>161,408</u>
<b>Intangible Right-to-Use (RTU) Assets - Amortizable</b>						
Land and Land Improvements	89,901	742		1,495	(158)	91,980
Buildings and Building Improvements	1,242,039	435		196,800	(31,252)	1,408,022
Infrastructure	1,715			409		2,124
Furniture and Equipment	84,406	8		50,233	(23,095)	111,552
Vehicles				265		265
Subscription Assets		187,987		394,000	(17,073)	564,914
Total Amortizable Intangible RTU Assets	<u>1,418,061</u>	<u>189,172</u>	<u>0</u>	<u>643,202</u>	<u>(71,578)</u>	<u>2,178,857</u>
Less Accumulated Amortization for:						
Land and Land Improvements	(3,251,000)	(284)		(1,820)	140,000	(5,215)
Buildings and Building Improvements	(204,263,000)	56		(130,486)	25,081	(309,612)
Infrastructure	(394,000)			(258)		(652)
Furniture and Equipment	(39,179,000)	15		(33,913)	22,751	(50,326)
Vehicles				(26)		(26)
Subscription Assets		(47,548)		(150,667)	15,065	(183,150)
Total Accumulated Amortization Intangible RTU Assets	<u>(247,087)</u>	<u>(47,761)</u>	<u>0</u>	<u>(317,170)</u>	<u>63,037</u>	<u>(548,981)</u>
Amortizable Intangible RTU Assets, Net	<u>1,170,974</u>	<u>141,411</u>	<u>0</u>	<u>326,032</u>	<u>(8,541)</u>	<u>1,629,876</u>
Business Activities Capital Assets, Net	<u>\$ 38,462,663</u>	<u>\$ 134,639</u>	<u>\$ 785</u>	<u>\$ 1,051,045</u>	<u>\$ (102,039)</u>	<u>\$ 39,547,093</u>

Concluded on the following page

## Capital Asset Activity (concluded)

Table 2B: Component Units

August 31, 2023 (Amounts in Thousands)

Capital Asset Type	Balance 9/1/22	Adjustments	Reclassifications	Additions	Deletions	Balance 8/31/23
<b>Non-Depreciable and Non-Amortizable Assets</b>						
Land and Land Improvements	\$ 4,564	\$	\$	\$ 2,013	\$ (1,709)	\$ 4,868
Construction in Progress	830			3,232	(2,051)	2,011
Total Non-Depreciable and Non-Amortizable Assets	<u>5,394</u>	<u>0</u>	<u>0</u>	<u>5,245</u>	<u>(3,760)</u>	<u>6,879</u>
<b>Depreciable Assets</b>						
Buildings and Building Improvements	26,124			6,532		32,656
Facilities and Other Improvements	414			14		428
Furniture and Equipment	44,872			2,029	(1,168)	45,733
Vehicles, Boats and Aircraft	9,434			2,852	(2,207)	10,079
Other Capital Assets	2,123			1,994	(1,858)	2,259
Total Depreciable Assets at Historical Cost	<u>82,967</u>	<u>0</u>	<u>0</u>	<u>13,421</u>	<u>(5,233)</u>	<u>91,155</u>
Less Accumulated Depreciation for:						
Buildings and Building Improvements	(7,887)			(616)		(8,503)
Facilities and Other Improvements	(413)			(1)		(414)
Furniture and Equipment	(25,938)			(3,422)	922	(28,438)
Vehicles, Boats and Aircraft	(4,988)			(1,658)	1,513	(5,133)
Other Capital Assets	(1,876)			(233)	1,858	(251)
Total Accumulated Depreciation	<u>(41,102)</u>	<u>0</u>	<u>0</u>	<u>(5,930)</u>	<u>4,293</u>	<u>(42,739)</u>
Depreciable Assets, Net	<u>41,865</u>	<u>0</u>	<u>0</u>	<u>7,491</u>	<u>(940)</u>	<u>48,416</u>
<b>Intangible Capital Assets – Amortizable</b>						
Computer Software	13,777			2,051	(13)	15,815
Total Intangible Assets at Historical Cost	<u>13,777</u>	<u>0</u>	<u>0</u>	<u>2,051</u>	<u>(13)</u>	<u>15,815</u>
Less Accumulated Amortization for:						
Computer Software	(7,612)			(1,814)	12	(9,414)
Total Accumulated Amortization	<u>(7,612)</u>	<u>0</u>	<u>0</u>	<u>(1,814)</u>	<u>12</u>	<u>(9,414)</u>
Amortizable Assets, Net	<u>6,165</u>	<u>0</u>	<u>0</u>	<u>237</u>	<u>(1)</u>	<u>6,401</u>
<b>Intangible Right-to-Use (RTU) Assets - Amortizable</b>						
Buildings and Building Improvements	1,802	1,958		14,861		18,621
Furniture and Equipment				6		6
Subscription Assets				7,226		7,226
Total Amortizable Intangible RTU Assets	<u>1,802</u>	<u>1,958</u>	<u>0</u>	<u>22,093</u>	<u>0</u>	<u>25,853</u>
Less Accumulated Amortization for:						
Buildings and Building Improvements	(1,309)	(904)		(1,937)		(4,150)
Furniture and Equipment				(1)		(26)
Subscription Assets				(2,521)		(183,150)
Total Accumulated Amortization Intangible RTU Assets	<u>(1,309)</u>	<u>(904)</u>	<u>0</u>	<u>(4,459)</u>	<u>0</u>	<u>(6,672)</u>
Amortizable Intangible RTU Assets, Net	<u>493</u>	<u>1,054</u>	<u>0</u>	<u>17,634</u>	<u>0</u>	<u>19,181</u>
Component Units Capital Assets, Net	<u>\$ 53,917</u>	<u>\$ 1,054</u>	<u>\$ 0</u>	<u>\$ 30,607</u>	<u>\$ (4,701)</u>	<u>\$ 80,877</u>

Table 2C discloses depreciation and amortization by governmental and business-type activities during fiscal 2023. Depreciation or amortization is reported on all exhaustible assets. Inexhaustible assets, such as works of art and historical treasures are not depreciated. Professional, academic and research library books and materials are considered exhaustible assets and are depreciated. Intangible assets with determinable useful

lives and intangible RTU assets are amortized. Assets are depreciated or amortized over their estimated useful life using the straight-line method. Intangible RTU assets are amortized over the shorter of the lease or subscription term or the useful life of the underlying asset. The state's highway infrastructure is reported using the depreciation approach.

## Capital Asset Depreciation and Amortization Expense

**Table 2C: Primary Government**  
For the Fiscal Year Ended August 31, 2023  
(Amounts in Thousands)

Services	Governmental Activities	Business-Type Activities
General Government	\$ 128,090	\$ 4,076
Education	11,843	3,066,615
Employee Benefits	1	
Health and Human Services	187,472	
Public Safety and Corrections	194,189	559
Transportation	2,680,186	107,877
Natural Resources and Recreation	60,821	6,329
Regulatory Services	9,482	
Lottery		658
Total Depreciation and Amortization Expense	<u>\$3,272,084</u>	<u>\$3,186,114</u>

The state's capitalization policy regarding works of art and historical treasures states that capitalization is encouraged, but not required for works of art and historical treasures that meet certain conditions. Works of art and historical treasures not required to be capitalized are those that are:

- Held for public exhibition, education or research in furtherance of public service rather than for financial gain,
- Protected, kept unencumbered, cared for and preserved; and/or
- Subject to an organizational policy that requires the proceeds from sales of collection items to be used to acquire other items for the collection.

Assets of this nature include the historical archives of the Texas General Land Office. This vast collection includes more than 36.8 million documents and approximately 43 thousand maps dating back to 1561.

Following the guidelines set in GASB Statement No. 42, *Accounting and Financial Reporting for the Impairment of Capital Assets and for Insurance Recoveries*, a capital asset is considered impaired when its service utility has declined significantly and unexpectedly. The state reports no impairments for the fiscal year.

## Note 3

### Deposits, Investments and Repurchase Agreements

#### Authority for Investments

All monies in funds established in the Texas Comptroller of Public Accounts (Comptroller) Treasury Operations Division (Treasury) by the *Texas Constitution* or by an act of the Texas Legislature are pooled for investment purposes. State statutes authorize the Treasury to invest state funds in fully collateralized time deposits, direct security repurchase agreements, reverse repurchase agreements, obligations of the United States and its agencies and instrumentalities, bankers' acceptances, commercial paper, contracts written by the Comptroller's office, which are commonly known as covered call options, and other investments specified in statute.

The Treasury obtains direct access to the services of the Federal Reserve System through the Texas Treasury Safekeeping Trust Company (Trust Company). The Federal Reserve Bank requires that the Trust Company maintain a positive cash balance in the account during and at the end of the day. The Trust Company met those requirements throughout fiscal 2023. The Trust Company safe-keeps U.S. Government securities in book-entry form for the major investment funds, safe-keeps collateral pledged to secure deposits of the Treasury in financial institutions, and acts as trustee for other public bodies to hold and manage funds on their behalf.

Certain state agencies, component units, public employee retirement systems and institutions of higher education are authorized to invest funds not deposited with the Treasury. As of Aug. 31, 2023, the Teacher Retirement System of Texas (TRS), the permanent school fund (PSF), the Employees Retirement System of Texas (ERS) and the University of Texas System (UT System) reported more than 88.1 percent of the total investment fair value; this does not include the invest-

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ments held by the Comptroller's office Treasury Pool, TexPool and TexPool Prime. TRS, PSF, ERS, the UT System and the Texas Prepaid Higher Education Tuition Board (TPHETB) make investments following the prudent investor rule. Authorized investments include equities, fixed income obligations, cash equivalents and other investments.

### **Collateralization**

State law requires all treasury funds deposited in financial institutions above the amounts insured by the Federal Deposit Insurance Corporation be fully collateralized by pledging, to the Treasury, securities valued at market excluding accrued interest. Generally, the list of eligible securities includes all U.S. Treasury obligations, most federal agency obligations, and securities issued by state agencies and political subdivisions within the state. All securities pledged to the Treasury must be held either by the Comptroller, a Federal Reserve Bank, a Federal Home Loan Bank, the Texas Treasury Safekeeping Trust Company, a state depository bank that has been designated as a custodian by the Comptroller, or by a financial institution authorized to exercise fiduciary powers that has been designated as a custodian by the Comptroller. During fiscal 2023, no depository holding state funds failed.

State agencies and institutions of higher education with deposits of public funds not managed by the Treasury are required to secure deposits through collateral pledged by depository banks and savings and loan institutions. Eligible collateral securities are prescribed by state law; however, retirement systems and PSF are exempt by statute from this requirement.

### **External Investment Pool**

The activities of the Texas local government investment pool (TexPool) and the Texas local government investment pool prime (TexPool Prime) are reported

as an external investment trust fund. Separate audited financial statements may be obtained by contacting:

Texas Treasury Safekeeping Trust Company  
208 E. 10th St., 4th floor  
Austin, Texas 78701

### **Deposits**

As of Aug. 31, 2023, the carrying amounts of deposits for governmental and business-type activities, fiduciary funds and discretely presented component units were \$1.1 billion, \$190.7 million and \$427.4 million, respectively. These amounts consist of all cash in local banks and a portion of short-term investments. These amounts are included in the combined statement of net position as part of the cash and cash equivalents and investment related line items. As of Aug. 31, 2023, the total bank balances for governmental and business-type activities, fiduciary funds and discretely presented component units were \$1.2 billion, \$164.1 million and \$310.7 million, respectively.

***Custodial Credit Risk:*** Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, deposits or collateral securities in the possession of an outside party will not be recovered. There is no formal deposit policy for managing custodial credit risk. The state's securities lending programs are subject to custodial credit risk. This type of risk is inherent to the securities lending programs. The bank balances exposed to custodial credit risk as of Aug. 31, 2023, is presented in table 3A.

## Bank Balances Exposed to Custodial Credit Risk

Table 3A

August 31, 2023 (Amounts in Thousands)

Fund Type	Uninsured and Uncollateralized	Uninsured and Collateralized <sup>1</sup>
<b>GOVERNMENTAL ACTIVITIES</b>		
Other Nonmajor Funds	\$ 579	\$
Total Custodial Credit Risk - Governmental Activities	<u>579</u>	<u>0</u>
<b>BUSINESS-TYPE ACTIVITIES</b>		
College and Universities	6,086	59,898
Total Custodial Credit Risk - Business-Type Activities	<u>6,086</u>	<u>59,898</u>
Total Custodial Credit Risk - Government and Business-Type Activities	<u>\$ 6,665</u>	<u>\$ 59,898</u>
<b>FIDUCIARY FUNDS</b>	<u>\$ 92,517</u>	<u>\$ 0</u>
<b>COMPONENT UNITS</b>	<u>\$ 562,386</u>	<u>\$ 0</u>

<sup>1</sup> Securities held by the pledging financial institution

**Foreign Currency Risk:** Foreign currency risk for bank balances is the risk that changes in exchange rates will adversely affect the deposit. There is no formal deposit policy for managing foreign currency risk. Foreign currency deposits are intended for settlement of pending international investment trades. The bank balances exposed to foreign currency risk as of Aug. 31, 2023, is presented in table 3B.

## Bank Balances Exposed to Foreign Currency Risk

Table 3B

August 31, 2023 (Amounts in Thousands)

Foreign Currency	Governmental and Business-Type Activities	Fiduciary Funds	Discrete Component Units
Australian Dollar	\$	\$ 21,398	\$ 214
Brazilian Real		7,780	128
British Pound	61	4,426	1,431
Canadian Dollar	3,413	(8,072)	4,498
Chilean Peso		11	
Chinese Yuan (Offshore)		11,452	
Chinese Yuan Renminbi		(4,479)	729
Czech Koruna		3,844	
Danish Krone		1,533	
Egyptian Pound		1,464	
Euro		74,467	652
Hong Kong Dollar		6	11,257
Hungarian Forint		4	
Indian Rupee		1,930	
Indonesian Rupiah	83	25	
Israeli New Shekel		1,030	
Japanese Yen		10,588	2
Kuwaiti Dinar		40	
Malaysian Ringgit		33	4
Mexican Peso	771	(35,293)	2
New Zealand Dollar		9	
Nigerian Naira		2	
Norwegian Krone		842	9
Philippine Peso		7	315
Polish Zloty		331	164
Qatari Rial	805	11	372
Russian Ruble		9,627	
Saudi Riyal		19,214	
Singapore Dollar		1,081	74
South African Rand		1,941	
South Korean Won	563	36,300	231
Swedish Krona		2,292	152
Swiss Franc	51	1,312	147
Taiwan Dollar		5,541	1,291
Thai Baht		1,014	
Turkish Lira		7	
United Arab Emirates Dirham		10	
Total Foreign Currency Risk	<u>\$ 5,747</u>	<u>\$ 171,728</u>	<u>\$ 21,672</u>

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## Investments

The state's investments are recorded at fair value and have been categorized based upon a fair value hierarchy in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*.

In accordance with GASB Statement No. 72, valuation techniques used for assets and liabilities accounted for at fair value are generally categorized into three types:

- a. 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 may be in ranges with a different multiple for each comparable. The selection of where within the range the appropriate multiple falls requires judgment to consider both quantitative and qualitative factors specific to the measurement. Matrix pricing is a mathematical technique used to value certain securities without relying exclusively on quoted prices for those securities by comparing them to benchmark or comparable securities.
- b. Income approach valuation techniques convert future amounts, such as cash flows or earnings, to a single present 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.
- c. Cost approach valuation techniques are based upon the amount that, at present, would be required to replace the service capacity of an asset or its current replacement cost. From the perspective of a market participant (seller), the

price that would be received for the asset is determined based on the cost to a market participant (buyer) to acquire or construct a substitute asset of comparable utility.

GASB Statement No. 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 Statement No. 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 Statement No. 72 are described below.

Level 1 Inputs - Unadjusted, quoted prices in active markets that are accessible at the measurement date for identical 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 - Inputs are unobservable inputs and should be used only if relevant Level 1 and Level 2 inputs are not available. The state may use their own data or assumptions to develop unobservable inputs.

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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.

The state has some investments that are not subject to GASB Statement No. 72. Investments not measured at fair value include money market investments and participating interest-earning investment contracts that have a remaining maturity at the time of purchase of one year or less. These investments are reported at amortized cost.

U.S. treasury securities, equity securities, fixed income money market and bond mutual funds classified in Level 1 are valued using prices quoted in active markets for those securities.

Debt and debt derivative instrument securities classified in Level 2 are valued using either a bid evaluation or a matrix pricing technique. Bid evaluations may include market quotations, yields, maturities, call features and ratings. Matrix pricing is used to value securities based on the securities relationship to benchmark quoted prices. Index linked debt securities are valued by multiplying the external market price feed by the applicable day's index ratio. Level 2 debt securities also have non-proprietary information from multiple independent sources that were readily available to market participants who are known to be actively involved in the market. Equity and equity derivative instrument securities classified in Level 2 are securities whose values are derived daily from associated traded securities.

Level 3 debt securities use proprietary information or single source pricing. Value of equity securities classified in Level 3 is based on last trade data that is 30 days or more before the fiscal year-end or not qualified

to be reported in Level 1, Level 2 or at net asset value (NAV). Real assets classified in Level 3 are real estate investments generally valued using the income approach by internal manager reviews or independent external appraisers, except for the lands with interest in oil and gas described below.

The fair value of the state PSF and permanent university fund (PUF) lands' interest in oil and gas is based on a third party reserve study of proved reserves. The present value of the royalty cash flows is calculated by applying a 10 percent discount rate to future expected production volumes of oil and gas based on the price of oil and gas on Aug. 31, 2023. A percentage of probable and possible reserves of oil and gas are included in the fair value estimate. The PSF and PUF lands' surface interests are reported at the price per acre from the American Society of Farm Managers and Rural Appraisers. The PSF and PUF lands are categorized as Level 3 in the fair value hierarchy. The remaining minerals, the trust minerals, because of size, distribution, and limited production histories are valued at three times the previous 12 months revenue. This measure has been used historically to determine the selling price of these types of properties by willing parties. Other types of real estate holdings are reported by one of the following methods of valuation: the latest available appraised amount as determined by an independent state certified or other licensed appraiser or tax assessments used for real estate investments with values that are not significant or by any other generally accepted industry standard. The fair values of investments as of Aug. 31, 2023 are presented in tables 3C, 3D and 3E.

## Investments Fair Values

**Table 3C: Governmental and Business-Type Activities**

August 31, 2023 (Amounts in Thousands)

Investment Type	Fair Value Hierarchy			Total
	Level 1	Level 2	Level 3	
<b>INVESTMENTS AT FAIR VALUE</b>				
U.S. Treasury Securities	\$ 4,743,873	\$ 43,127,805	\$	\$ 47,871,678
U.S. Treasury Strips	147,929			147,929
U.S. Treasury TIPS	1,502,070			1,502,070
U.S. Government Agency Obligations	1,476,268	10,268,011		11,744,279
Corporate Obligations	288,799	3,099,443	24,809	3,413,051
Corporate Asset and Mortgage Backed Securities	1,346	5,420,969		5,422,315
Equity	5,924,002	10,699	510	5,935,211
International Obligations (Govt and Corp)	1,121	3,980,824	17,922	3,999,867
International Equity	4,535,549	12,275		4,547,824
International Other Commingled Funds	753,866	3,553	243,723	1,001,142
Repurchase Agreement	43,617	708,395		752,012
Mutual Funds - Domestic/International	6,749,329	6,299		6,755,628
Fixed Income Money Market and Bond Mutual Fund	12,878,094	472,283		13,350,377
Other Commingled Funds	10,975,291	216,670	19,843	11,211,804
Commercial Paper	347,343	10,021,343		10,368,686
Invested Collateral		704,551		704,551
Real Estate	11,441	1,014	18,051,073	18,063,528
Derivatives - Domestic/International	6,359	189,929		196,288
Alternative Investments - Domestic/International	74,325	422,679	749,515	1,246,519
Miscellaneous	344,777	58,611	83,162	486,550
Total Investments at Fair Value	<u>50,805,399</u>	<u>78,725,353</u>	<u>19,190,557</u>	<u>148,721,309</u>
<b>INVESTMENTS AT NAV</b>				
Equity				1,121,763
International Equity				184,539
International Other Commingled Funds				10,442,501
Mutual Funds - Domestic/International				222,118
Fixed Income Money Market and Bond Mutual Fund				284,146
Other Commingled Funds				510,016
Real Estate				278,572
Invested Collateral				41,784
Alternative Investments - Domestic/International				43,399,065
Miscellaneous				1,168,328
Total Investments at NAV				<u>57,652,832</u>
<b>INVESTMENTS AT AMORTIZED COSTS OR NOT SUBJECT TO GASB STATEMENT NO. 72</b>				
U.S. Government Agency Obligations				49,025
Repurchase Agreement				8,897,007
Fixed Income Money Market and Bond Mutual Fund				1,810,632
Other Commingled Funds				374,757
Miscellaneous				31,375
Total Investments at Amortized Costs or not subject to GASB Statement No. 72				<u>11,162,796</u>
Total of Investments - Governmental and Business-Type Activities				<u>\$ 217,536,937</u>



## Investments Fair Values

**Table 3D: Fiduciary Funds**

August 31, 2023 (Amounts in Thousands)

Investment Type	Fair Value Hierarchy			Total
	Level 1	Level 2	Level 3	
<b>INVESTMENTS AT FAIR VALUE</b>				
U.S. Treasury Securities	\$ 28,483,878	\$ 6,690,297	\$	\$ 35,174,175
U.S. Treasury Strips		9,467		9,467
U.S. Treasury Tips	6,047	2,128,160		2,134,207
U.S. Government Agency Obligations		11,862,316		11,862,316
Corporate Obligations		1,985,510	497	1,986,007
Corporate Asset and Mortgage Backed Securities	3,841	426,665		430,506
Equity	24,096,628	10,768	78	24,107,474
International Obligations (Govt and Corp)		1,959,698	384	1,960,082
International Equity	31,901,708	329	2,013	31,904,050
International Other Commingled Funds	10,417		5,616	16,033
Repurchase Agreement	7,114	13,770,034		13,777,148
Mutual Funds - Domestic/International	3,336,407			3,336,407
Fixed Income Money Market and Bond Mutual Fund	874,761	3,310		878,071
Other Commingled Funds	528,417	351	482	529,250
Commercial Paper		10,768,854		10,768,854
Invested Collateral		5,507,610	170,724	5,678,334
Real Estate	802,171	5,735	40	807,946
Derivatives - Domestic/International	161,168	89,018		250,186
Alternative Investments - Domestic/International	61	3,195	1,247,328	1,250,584
Miscellaneous	654,710	412	64	655,186
Total Investments at Fair Value	<u>90,867,328</u>	<u>55,221,729</u>	<u>1,427,226</u>	<u>147,516,283</u>
<b>INVESTMENTS AT NAV</b>				
Equity				2,552
International Other Commingled Funds				10,498,473
Mutual Funds - Domestic/International				294,473
Other Commingled Funds				14,214,359
Invested Collateral				405,753
Real Estate				29,325,085
Alternative Investments - Domestic/International				89,479,825
Miscellaneous				2,745,820
Total Investments at NAV				<u>146,966,340</u>
<b>INVESTMENTS AT AMORTIZED COSTS OR NOT SUBJECT TO GASB STATEMENT NO. 72</b>				
U.S. Treasury Securities				31,954
Repurchase Agreement				1,477,106
Fixed Income Money Market and Bond Mutual Fund				998,899
Other Commingled Funds				220,859
Miscellaneous				14,534
Total Investments at Amortized Costs or not subject to GASB Statement No. 72				<u>2,743,352</u>
Total of Investments - Fiduciary Funds				<u>\$ 297,225,975</u>

## Investments Fair Values

**Table 3E: Discrete Component Units**

August 31, 2023 (Amounts in Thousands)

Investment Type	Fair Value Hierarchy			Total
	Level 1	Level 2	Level 3	
<b>INVESTMENTS AT FAIR VALUE</b>				
U.S. Treasury Securities	\$ 4,100,695	\$ 292,981	\$	\$ 4,393,676
U.S. Treasury TIPS	745,209			745,209
U.S. Government Agency Obligations	132,431	1,445,891		1,578,322
Corporate Obligations		2,458,942		2,458,942
Corporate Asset and Mortgage Backed Securities	74,162	378,427		452,589
Equity	10,878,810	665		10,879,475
International Obligations (Govt and Corp)	12,076	94,838		106,914
International Equity	6,970,476			6,970,476
Mutual Funds - Domestic/International	302,386			302,386
Fixed Income Money Market and Bond Mutual Fund	203,733	36,325		240,058
Other Commingled Funds	472,838	4,226	61	477,125
Commercial Paper		64,823		64,823
Invested Collatera		3,893,671		3,893,671
Real Estate			18,768	18,768
Derivatives - Domestic/International		2,907		2,907
Alternative Investments - Domestic/International	12,829	38,495	5,460	56,784
Miscellaneous		65,254	6	65,260
Total Investments at Fair Value	<u>23,905,645</u>	<u>8,777,445</u>	<u>24,295</u>	<u>32,707,385</u>
<b>INVESTMENTS AT NAV</b>				
Equity				30,757
International Other Commingled Funds				18,380
Fixed Income Money Market and Bond Mutual Fund				284,919
Real Estate				6,565,968
Alternative Investments - Domestic/International				18,206,874
Miscellaneous				57,800
Total Investments at NAV				<u>25,164,698</u>
<b>INVESTMENTS AT AMORTIZED COSTS OR NOT SUBJECT TO GASB STATEMENT NO. 72</b>				
U.S. Government Agency Obligations				2,743
Repurchase Agreement				50,520
Miscellaneous				3,721
Total Investments at Amortized Costs or not subject to GASB Statement No. 72				<u>56,984</u>
Total of Investments - Discrete Components				<u>\$ 57,929,067</u>

The state utilizes the NAV per share as a method for determining fair value for certain investments in equity, repurchase agreements, commingled funds, mutual funds, real estate, fixed income money market and externally managed investment. These investments calculate the NAV consistent with the Financial Accounting Standards Board's (FASB) measurement principles for investment companies and the state does not intend to sell all or portion of the investment for an amount that is different from the NAV. These invest-

ments are exempt from classification within the fair value hierarchy.

TRS, PSF, ERS and the UT System account for 95.0 percent of the value reported at NAV. For more detailed information about the redemption frequency, redemption notice period, related unfunded commitments, redemption restrictions and the significant investment strategies of these agencies pertaining to their investments reported at NAV, please refer to the individual financial statements of the agency by contacting:

Employees Retirement System of Texas  
P.O. Box 13207  
Austin, Texas 78711

Teacher Retirement System of Texas  
1000 Red River St.  
Austin, Texas 78701

Texas Permanent School Fund  
400 W. 15th St.  
Austin, Texas 78701

The University of Texas System  
210 W. 7th St.  
Austin, Texas 78701

The investments reported at NAV per share as of Aug. 31, 2023, including unfunded commitments, is presented in table 3F.

Securities are owned by the overall fund and each investor owns a pro rata share of the fund. The U.S. Securities and Exchange Commission (SEC) does not regulate commingled funds.

**Energy, Natural Resources and Infrastructure:**

Energy, natural resources and infrastructure funds are also referred to as real assets. Real assets are physical assets that have value due to their substance and properties. Real assets include precious metals, commodities, agricultural land, machinery and oil.

**Fixed Income:** Fixed income investments generally pay a return on a fixed schedule, though the amount of the payments can vary. These investments include private fixed income funds and bonds issues by countries in emerging markets.

**Hedge Funds:** Hedge funds may be broadly defined as pooled funds that are not registered with the SEC, are typically available only to institutional investors or individuals with a high net worth and use advanced

trading strategies such as leverage, derivative instruments, short selling and arbitrage.

**Mutual Funds:**

Similar to commingled funds, the funds of multiple investors are pooled by the external manager. The investors own shares of the fund but do not own the individual securities. The public, as well

as institutional investors can invest in mutual funds. In contrast with commingled funds, mutual funds are regulated by the SEC.

**Private Equity:** Private equity funds are privately managed investment pools, typically organized as limited partnerships. They are managed by the fund's

<b>Investments Reported at Net Asset Value (NAV)</b>				
<b>Table 3F</b>				
August 31, 2023 (Amounts in Thousands)				
<b>Investment Type</b>	<b>Fair Value</b>	<b>Redemption Frequency</b>	<b>Redemption Notice Period</b>	<b>Unfunded Commitment</b>
Alternative	\$ 10,120,343	Daily - Annually	1 day - 180 days	\$ 4,745,689
Commingled Funds	36,975,840	Daily - 3yr	1 day - 120 days	52,866
Energy, Natural Resources, Infrastructure	19,718,966	Daily	3 days	10,075,630
Fixed Income	2,186,705	Daily	1 day - 90 days	599,455
Hedge Funds	42,769,441	Daily - 3yr	1 day - 1.75yrs	1,983,011
Mutual Funds	884,944	Daily - Monthly	1 day - 60 days	
Private Equity	72,732,446	Monthly - 5yr	45 days - 1yr	32,119,876
Real Estate	40,084,161	Daily - 5yr	2 days - 1yr	19,126,625
Risk Parity	4,309,751	N/A	N/A	
U.S. Government Obligations	1,273	Monthly	3 days	
<b>Total Investments at Net Asset Value</b>	<b>\$229,783,870</b>			<b>\$68,703,152</b>

**Alternative:** These investments are externally managed and invested in multiple types of assets and securities, which may include hedge funds, private equity and the other types described in the following paragraphs.

**Commingled Funds:** An external manager pools and invests the funds of several institutional investors.

general partners who typically make long-term investments in private companies and who may take a controlling interest with the aim of increasing the value of these companies, often by helping to manage the companies. Private equity fund strategies include venture capital investments and leveraged buyouts among others.

**Real Estate:** Includes real estate held for investment directly or through investment vehicles such as private investment funds, which are limited partnerships that invest in real estate. Such investments are designed to produce high current income and/or capital gains through appreciation in the underlying real estate.

**Risk Parity:** Risk parity is a portfolio allocation strategy based on targeting risk levels across the various components of an investment portfolio. The risk parity approach to asset allocation allows investors to target specific levels of risk and to divide that risk equally across the entire investment portfolio in order to achieve optimal portfolio diversification for each individual investor. Risk parity strategies are in contrast to traditional allocation methods that are based on holding a certain percentage of investment classes, such as 60 percent stocks and 40 percent bonds, within one's investment portfolio.

**U.S. Government Obligations:** U.S. Government obligations are made in an index fund which invests in securities issued by the U.S. Treasury and U.S. Government agencies.

TRS, PSF, ERS, the UT System and VLB participate in individual securities lending programs. Cash collateral received by the lending agent on behalf of each entity is invested in a non-commingled pool exclusively for the benefit of the individual entity. Additional information about securities lending activity is disclosed in the Securities Lending section of this note. The investment type balances for the invested securities lending collateral as of Aug. 31, 2023, is presented in table 3G.

<b>Invested Securities Lending Collateral Fair Value</b>				
<b>Table 3G: Governmental and Business-Type Activities</b>				
August 31, 2023 (Amounts in Thousands)				
<b>Investments at Fair Value</b>	<b>Fair Value Hierarchy</b>			<b>Total</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
Corporate Obligations	\$	\$ 11,099	\$	\$ 11,099
Repurchase Agreement		437,159		437,159
Commercial Paper		145,864		145,864
Miscellaneous		110,429		110,429
<b>Total Investments at Fair Value</b>	<b>\$ 0</b>	<b>\$ 704,551</b>	<b>\$ 0</b>	<b>\$ 704,551</b>
<b>Investments At NAV</b>				
Repurchase Agreement				\$ 41,784
<b>Total Invested Securities Lending Collateral - Governmental and Business-Type Activities</b>				<b>\$ 746,335</b>
Corporate Obligations	\$	\$ 47,039	\$	\$ 47,039
Corporate Asset and Mortgage Backed Securities		316,019		316,019
Repurchase Agreement		2,199,745		2,199,745
Commercial Paper		2,944,807	25,000	2,969,807
Miscellaneous			145,724	145,724
<b>Total Investments at Fair Value</b>	<b>\$ 0</b>	<b>\$ 5,507,610</b>	<b>\$ 170,724</b>	<b>\$ 5,678,334</b>
<b>Investments At NAV</b>				
Repurchase Agreement				\$ 405,753
<b>Total Invested Securities Lending Collateral - Fiduciary Funds</b>				<b>\$ 6,084,087</b>
Corporate Obligations	\$	\$ 163,244	\$	\$ 163,244
Corporate Asset and Mortgage Backed Securities		361,391		361,391
Repurchase Agreement		935		935
Commercial Paper		884,513		884,513
Miscellaneous		2,483,588		2,483,588
<b>Total Investments at Fair Value</b>	<b>\$ 0</b>	<b>\$ 3,893,671</b>	<b>\$ 0</b>	<b>\$ 3,893,671</b>

**Custodial Credit Risk:** Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the value of its investments or collateral securities in the possession of an outside party will not be recovered. There is no formal investment policy for managing custodial credit risk. Consistent with the securities lending program, underlying securities on loans are subject to custodial credit risk.

The investments exposed to custodial credit risk as of Aug. 31, 2023, is presented in table 3H.

**Foreign Currency Risk:** Foreign currency risk for investments is the risk that changes in exchange rates will adversely affect the investment. TRS, PSF, ERS and the UT System are exposed to investment foreign currency risk. TRS, PSF and ERS do not have an investment policy for managing foreign currency risk. The UT System's investment policy has no limitation on investments in non-U.S. denominated bonds or common stocks.

The investments exposed to foreign currency risk as of Aug. 31, 2023, is presented in table 3I.

<b>Investments Exposed to Custodial Credit Risk</b>		
<b>Table 3H</b>		
August 31, 2023 (Amounts in Thousands)		
	<b>Fair Value that is Uninsured and Unregistered:</b>	
	<b>Securities Held by Counterparty</b>	<b>Securities Held by Counterparty's Trust Department or Agent<sup>1</sup></b>
<b>BUSINESS-TYPE ACTIVITIES</b>		
Texas Tech System		
Equity	\$ 11,446	\$
Subtotal Custodial Credit Risk - Business-Type Activities	<u>11,446</u>	<u>0</u>
<b>FIDUCIARY</b>		
Teacher Retirement System		
Equity		390,041
International Equity		475,034
Subtotal Custodial Credit Risk - Fiduciary	<u>0</u>	<u>865,075</u>
<b>DISCRETE COMPONENT UNITS</b>		
Permanent School Fund		
Corporate Obligations		163,244
Corporate Asset and Mortgage Backed Securities		361,391
Repurchase Agreement		935
Commercial Paper		884,512
Miscellaneous		2,483,588
Subtotal Custodial Credit Risk - Discrete Component Units	<u>0</u>	<u>3,893,670</u>
Total Custodial Credit Risk	<u>\$ 11,446</u>	<u>\$ 4,758,745</u>

<sup>1</sup> Securities not held in the state's name.

## Investments Exposed to Foreign Currency Risk

**Table 31**

August 31, 2023 (Amounts in Thousands)

Foreign Currency	Governmental and Business-Type Activities				Fiduciary Funds				Discrete Component Units	
	International		Other		International		Other		International Equity	Other Investments
	International Obligations	International Equity	Commingled Funds	Other Investments	International Obligations	International Equity	Commingled Funds	Other Investments		
Australian Dollar	\$ 12,508	\$ 22,399	\$ 1,013	\$ 51,277	\$ 211,669	\$ 957,346	\$ 322	\$ 110,503	\$ 311,339	\$ 82,740
Brazilian Real	56,741	224,403	15,625			585,596			104,714	
British Pound	64,691	298,092	(11,738)	252,814	662,705	2,770,922	2,379	796,086	669,724	444,857
Canadian Dollar	13,438	28,830	(4,214)	171,723	4,507	1,752,248	415		530,094	67,533
Chilean Peso		204				32,216			8,595	
Chinese Yuan (Offshore)						191				
Chinese Yuan Renminbi	956	165,100	2,978			296,894			92,195	
Colombian Peso	66,460					4,187			1,850	
Czech Koruna		556	(15)			11,687			3,745	
Danish Krone	15,563	57,083	81			560,001	415		140,303	
Egyptian Pound		1,325	226			6,075				
Euro	62,713	565,561	22,932	1,091,787	457,878	5,933,576	903,447	5,802,727	1,524,332	1,131,944
Hong Kong Dollar		191,131	(527)			1,284,091	29		545,125	
Hungarian Forint		1,036				17,162			4,995	
Indian Rupee		97,974	132			1,994,327	414			
Indonesian Rupiah	8,822	36,021	78		65	383,647			42,488	
Israeli New Shekel	2,041	2,000	3			85,557			18,464	
Japanese Yen	257,954	509,250	(4,246)	41,780		4,155,945	662		1,022,466	
Kuwaiti Dinar						49,226				
Malaysian Ringgit	32,830	12,736	173			70,149			28,311	
Mexican Peso	158,044	13,265	(115)		176	619,879			53,739	
New Zealand Dollar	18,133	2,064	(868)			21,231			10,659	
Norwegian Krone	8,015	24,686	1			116,530			28,792	
Peruvian Nuevo Sol						5				
Philippine Peso		2,027				35,508			12,325	
Polish Zloty	1,903	6,581	4			103,707			20,107	
Qatari Rial		1,972				78,078			18,455	
Russian Ruble	4,397								2	
Saudi Riyal		776				523,492			78,930	
Singapore Dollar	10,377	15,437	175			232,356			55,092	
South African Rand	47,624	17,360	2,626			349,356			63,523	
South Korean Won	25,399	274,189	4,236			1,586,941		28	239,259	
Swedish Krona		29,328	12	56,803		333,995	421		131,407	
Swiss Franc		143,192	(269)			1,213,312	311		443,608	
Taiwan Dollar		375,905	1,381			1,757,513	91		283,832	
Thai Baht		17,443	(6)			255,554			41,099	
Turkish Lira		7,356	31			61,803			10,259	
United Arab Emirates Dirham		6,887				154,069			27,293	
<b>Total Foreign Currency Risk</b>	<b>\$ 868,609</b>	<b>\$ 3,152,169</b>	<b>\$ 29,709</b>	<b>\$ 1,666,184</b>	<b>\$ 1,337,000</b>	<b>\$ 28,394,372</b>	<b>\$ 908,906</b>	<b>\$ 6,709,344</b>	<b>\$ 6,567,121</b>	<b>\$ 1,727,074</b>

**Credit Risk:** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit risk ratings are assigned by a nationally recognized statistical rating organization (NRSRO).

TRS' investment policy states that for over-the-counter derivative instruments, the minimum credit rating, based on a NRSRO, must be at least A- or better at the inception of the contract. The net fair value of all over-the-counter derivative instruments positions, less collateral posted, may not exceed \$500 million and all over-the-counter derivative instruments positions without collateral may not exceed 5 percent of the total fair value of the fund. Repurchase agreements may not exceed 5 percent of the fair value of the total investment portfolio. A securities lending agent must be an organization rated A or better by a NRSRO.

PSF's investment policy requires investments to adhere to specific Standard & Poor's rating guidelines. Fixed income securities must be rated at least BBB and short-term money market instruments must be rated at least A-1.

ERS' general investment policy requires that non-cash interest paying securities in the high yield bond portfolios not exceed 15 percent of the fair value of the portfolio.

The UT System's investment policy has no requirements or limitations for investment ratings.

The credit quality distribution for securities with credit risk exposure as of Aug. 31, 2023, is presented in table 3J.

## Investments Exposed to Credit Risk<sup>1</sup>

**Table 3J: Governmental and Business-Type Activities**

August 31, 2023 (Amounts in Thousands)

Credit Rating	U.S. Government Agency	Corporate Obligations	Corporate Asset/Mortgage Backed	International Obligations	Repurchase Agreements	Fixed Income/Bond Mutual Fund	Commercial Paper	Other Investments	Totals
AAA	\$ 745,840	\$ 68,279	\$ 4,006,631	\$ 2,057,334	\$ 239,852	\$	\$	\$ 1,057,189	\$ 8,175,125
AA	9,082,029	2,041,073	36,648	83,502	7,418,782			7,902	18,669,936
A	7,469	399,746	16,152	93,960				3,570	520,897
BBB	3,509	397,447	11,578	397,094					809,628
BB	503	239,045	3,858	142,334				1,019	386,759
B	419	146,546	3,524	51,696					202,185
CCC		21,989	3,701	6,404					32,094
CC			2,092						2,092
C		1,426							1,426
D				1,222					1,222
AAAf						14,478,242			14,478,242
AAA Am						2,791,165			2,791,165
Aaf						218,313			218,313
Af						41,579			41,579
BBBf						68,028			68,028
BBf						44,415			44,415
Bf						60,929			60,929
CCcf						12,501			12,501
A-1							10,932,165		10,932,165
A-2							71,643		71,643
A-3							2,608		2,608
Not Rated	252,088	96,437	1,338,135	525,575	492,480	10,996,344	1,442	683,741	14,386,242
<b>Total Credit Risk</b>	<b>\$ 10,091,857</b>	<b>\$ 3,411,988</b>	<b>\$ 5,422,319</b>	<b>\$ 3,359,121</b>	<b>\$ 8,151,114</b>	<b>\$ 28,711,516</b>	<b>\$ 11,007,858</b>	<b>\$ 1,753,421</b>	<b>\$ 71,909,194</b>

<sup>1</sup> Credit risk exposure for investments may be less than their fair values due to classification differences. The total fair value of investments is appropriately greater than the credit risk exposure. Invested collateral reported in fair value is reported by investment type for credit risk.

Concluded on the following page

## Investments Exposed to Credit Risk<sup>1</sup> (concluded)

Table 3J: Fiduciary Funds and Discrete Component Units

August 31, 2023 (Amounts in Thousands)

Credit Rating	U.S. Government Agency	Corporate Obligations	Corporate Asset/Mortgage Backed	International Obligations	Repurchase Agreements	Fixed Income/Bond Mutual Fund	Commercial Paper	Other Investments	Totals
<b>FIDUCIARY FUNDS</b>									
AAA	\$ 3,931,676	\$ 3,237	\$ 306,586	\$ 388,568	\$ 908,264	\$	\$	\$ 425,589	\$ 5,963,920
AA	742,710	155,219	748	777,946	568,842			63	2,245,528
A	10,391,553	21,509	4,963	755	13,770,034			1,926,035	26,114,849
BBB	46	48,419	7,302	177,328					233,095
BB	13	908,598	39	218,214				5,734	1,132,598
B	2	633,922	3,751	198,544					836,219
CCC		124,402	15	30,588					155,005
CC			9						9
C		8,068							8,068
D				6,911					6,911
AAAf						619,117			619,117
AAA m						43,968			43,968
Af						26,842			26,842
BBBf						31,990			31,990
BBf						9,953			9,953
Bf						13,914			13,914
CCCf						5,526			5,526
AAf						146,083			146,083
A-1							10,837,794		10,837,794
A-2							5,597		5,597
Not Rated	4,579	82,636	107,093	111,017		35,692		800,342	1,141,359
Total Credit Risk	\$ 15,070,579	\$ 1,986,010	\$ 430,506	\$ 1,909,871	\$ 15,247,140	\$ 933,085	\$ 10,843,391	\$ 3,157,763	\$ 49,578,345
<b>DISCRETE COMPONENT UNITS</b>									
AAA	\$ 34,432	\$ 5,362	\$ 546,289	\$ 13,412	\$	\$	\$	\$ 12,322	\$ 611,817
AA	6,383,667	147,975	89,904	17,137	49,658			253,322	6,941,663
A	3,276	572,203	94,995	7,297				2,707,750	3,385,521
BBB		782,057	74,896	33,213					890,166
BB		417,813		17,097					434,910
B		567,302		2,299					569,601
CCC		129,251							129,251
CC		895							895
D		2,443							2,443
AAAf						448,469			448,469
Af						26,329			26,329
A-1							523,634		523,634
A-2							489		489
Not Rated	14,953	8,961	7,897		943	36,061	33	23,329	92,177
Total Credit Risk	\$ 6,436,328	\$ 2,634,262	\$ 813,981	\$ 90,455	\$ 50,601	\$ 510,859	\$ 524,156	\$ 2,996,723	\$ 14,057,365

<sup>1</sup> Credit risk exposure for investments may be less than their fair values due to classification differences.

The total fair value of investments is appropriately greater than the credit risk exposure. Invested collateral reported in fair value is reported by investment type for credit risk.



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**Concentration of Credit Risk:** Concentration of credit risk is the risk of loss attributed to the magnitude of the investment in a single issuer. The UT System's investment policy states that no more than 5 percent of its cumulative fair value of fixed income securities may be invested in a single issuer. PSF's policy precludes exceeding 2.5 percent, ERS employs a limit of 3 percent, TRS sets the limit at 5 percent. The Comptroller's office limits the amount the Treasury Pool may invest in a single issuer in certain asset classes, tailored to the asset class and issuer's rating. As of Aug. 31, 2023, governmental and business-type activities did not hold more than 5 percent of investments in any one issuer.

**Interest Rate Risk:** Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. TRS and PSF use the effective weighted duration method to identify and manage interest rate risk. ERS and the UT System use the modified duration method.

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 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. It incorporates the effect of embedded options for corporate bonds and changes in prepayments for mortgage backed securities. Modified duration estimates the sensitivity of the fund's investments to changes in interest rates.

The investment policy of PSF mandates the average duration of the fixed income portfolio to be consistent with the Bloomberg's Aggregate Bond Index's dura-

tion and the duration of the real return portfolio to be consistent with the Bloomberg's Capital U.S. Treasury Inflation Protected Securities (TIPS) Index. As of Aug. 31, 2023, the Bloomberg's Aggregate Bond Index duration was 6.2 years, the Bloomberg's TIPS Index was 5.2 years, the Bloomberg's Capital U.S. Long Treasury Total Return Index was 15.6 years, the Bloomberg U.S. Corporate High Yield 2% Issuer Capped Index was 3.4 years and the JPM GBI-EM Global Diversified Index was 5 years. The maximum maturity for invested securities lending collateral is 397 days except for bank time deposits, which is 60 days; bankers' acceptances, which is 45 days, reverse repurchase agreements, which is 180 days and floating rate securities, which is three years. 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. TRS, ERS and the UT System do not have a formal investment policy for managing interest rate risk.

PSF's investments by investment type, fair value and the effective weighted duration rate as of Aug. 31, 2023, is presented in table 3K.

## Investments Exposed to Interest Rate Risk

**Table 3K: Permanent School Fund**

August 31, 2023 (Amounts in Thousands)

Investment Type	Market Value	Effective Weighted Duration Rate
<b>Fixed Income Portfolio</b>		
Asset Backed Securities	\$ 52,620	1.22
Collateralized Loan Obligations	109,258	0.09
Commercial Mortgage Backed Securities	55,080	8.76
Corporate Obligations	1,260,227	6.55
Non Agency Mortgage Backed Securities	127,023	8.38
Non U.S. Government Agency Obligations	16,568	2.37
Non-U.S. Sovereign Government Debt	60,003	6.94
U.S. Government Agency Commercial Mortgage Backed Securities	3,276	1.25
U.S. Government Agency Mortgage Backed Securities	1,343,039	6.87
U.S. Government Agency Obligations	137,890	5.70
U.S. Taxable Municipal Bonds	58,167	6.60
U.S. Treasury Securities	<u>2,328,643</u>	6.59
Total Fixed Income Portfolio	<u>\$ 5,551,794</u>	6.50
<b>Real Return - U.S. Treasury TIPS Portfolio</b>		
U.S. Treasury Securities	\$ 162,786	7.45
U.S. Treasury TIPS	<u>745,209</u>	5.65
Total Real Return - U.S. Treasury TIPS Portfolio	<u>\$ 907,995</u>	5.97
<b>Real Return - Commodities Collateral Portfolio</b>		
U.S. Treasury Securities	<u>\$ 654,818</u>	0.06
<b>U.S. Treasuries</b>		
U.S. Treasury Securities	<u>\$ 927,517</u>	15.69
<b>High Yield Bonds Portfolio</b>		
Chisos 1	\$ 583,621	3.63
Chisos 2	<u>607,645</u>	3.48
	<u>\$ 1,191,266</u>	3.56
Emerging Market Debt Portfolio	<u>\$ 872,954</u>	5.73

Information about PSF's interest rate risks and maturities associated with its invested securities lending collateral by investment type as of Aug. 31, 2023, is presented in table 3L.

## Invested Securities Lending Collateral Exposed to Interest Rate Risk

**Table 3L: Permanent School Fund**

August 31, 2023 (Amounts in Thousands)

Investment Type	Fair Value	Investment Maturities	
		Less Than One Year	Greater Than One Year
Asset Backed Floating Rate Notes	\$ 361,391	\$ 66,211	\$ 295,180
Certificates of Deposit	2,483,588	2,444,533	39,055
Repurchase Agreements	935	935	
Corporate Obligations	163,244	122,548	40,696
Commercial Paper	<u>884,512</u>	<u>884,512</u>	
Total Interest Rate Risk	<u>\$ 3,893,670</u>	<u>\$ 3,518,739</u>	<u>\$ 374,931</u>

TRS' investments by investment type, fair value and the effective weighted duration rate as of Aug. 31, 2023, is presented in table 3M.

## Investments Exposed to Interest Rate Risk

**Table 3M: Teacher Retirement System of Texas**

August 31, 2023 (Amounts in Thousands)

TRS Investment Type	Fair Value	Effective Weighted Duration Rate
U.S. Government Obligations	\$ 23,965,097	16.10
U.S. Government STRIPS and TIPS	2,136,802	6.84
Corporate Obligations	9,929	3.30
International Government Obligations	<u>1,332,243</u>	9.90
Total Interest Rate Risk	<u>\$ 27,444,071</u>	15.07

ERS' investments by investment type, fair value and the modified duration rate as of Aug. 31, 2023, is presented in table 3N.

<b>Investments Exposed to Interest Rate Risk</b>		
<b>Table 3N: Employees Retirement System of Texas</b>		
August 31, 2023 (Amounts in Thousands)		
<b>Investment Type</b>	<b>Fair Value</b>	<b>Modified Duration Rate</b>
<b>FIDUCIARY FUNDS</b>		
U.S. Treasury Securities	\$ 3,108,771	3.33
U.S. Government Agency Obligations	813,335	5.68
Corporate Obligations	1,788,167	4.21
Corporate Asset and Mortgage Backed Securities	18,590	2.52
International Obligations	411,180	3.52
Real Estate Investment Trust (REITs)	5,735	1.42
<b>Total Interest Rate Risk - Fiduciary Funds</b>	<b>\$ 6,145,778</b>	<b>3.91</b>
<b>PROPRIETARY FUNDS</b>		
U.S. Treasury Securities	\$ 1,262,131	3.33
U.S. Government Agency Obligations	330,206	5.68
Corporate Obligations	316,071	4.21
Corporate Asset and Mortgage Backed Securities	3,864	2.41
International Obligations	72,679	3.52
Real Estate Investment Trust (REITs)	1,014	1.42
<b>Total Interest Rate Risk - Proprietary Funds</b>	<b>\$ 1,985,965</b>	<b>3.87</b>

The UT System's investments by investment type, fair value and the modified duration rate as of Aug. 31, 2023, is presented in table 3O.

<b>Investments Exposed to Interest Rate Risk</b>		
<b>Table 3O: University of Texas System</b>		
August 31, 2023 (Amounts in Thousands)		
<b>Investment Type - Investments in Securities</b>	<b>Fair Value</b>	<b>Modified Duration Rate</b>
<b>U.S. Government Guaranteed:</b>		
U.S. Treasury Bills	\$ 23,567	0.10
U.S. Treasury Bonds and Notes	2,413,384	13.57
U.S. Treasury Inflation Protected	1,504,143	6.62
U.S. Agency Asset Backed	9,249	5.54
<b>Total U.S. Government Guaranteed</b>	<b>3,950,343</b>	<b>10.82</b>
<b>U.S. Government Non-Guaranteed:</b>		
U.S. Agency	5,697	10.27
U.S. Agency Asset Backed	345,501	6.36
<b>Total U.S. Government Non-Guaranteed</b>	<b>351,198</b>	<b>6.42</b>
<b>Total U.S. Government</b>	<b>4,301,541</b>	<b>10.47</b>
<b>Corporate Obligations:</b>		
Domestic	264,036	3.17
Foreign	188,058	2.85
<b>Total Corporate Obligations</b>	<b>452,094</b>	<b>3.04</b>
<b>Debt Securities:</b>		
Foreign Government and Provincial Obligations	806,355	13.14
Other Debt Securities	1,109	1.52
<b>Total Debt Securities</b>	<b>5,561,099</b>	<b>9.15</b>
<b>Other Investments:</b>		
Other Investment Funds – Debt	144,858	1.52
Fixed Income Money Market Funds	3,482,583	0.43
Investment Funds - Other	39,536	0.00
<b>Total Interest Rate Risk</b>	<b>\$ 9,228,076</b>	<b>5.69</b>

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### **Investments with Fair Values Highly Sensitive to Interest Rate Changes**

In accordance with the applicable investment policies, TRS, PSF, ERS and the UT System may invest in asset backed and mortgage backed obligations. Mortgage backed obligations are subject to early principal payment in a period of declining interest rates. The resultant reduction in expected cash flows will affect the fair value of these securities. Asset backed obligations are backed by home equity loans, auto loans, equipment loans and credit card receivables. Prepayments by the obligee of the underlying assets in periods of declining interest rates could reduce or eliminate the stream of income that would have been received. As of Aug. 31, 2023, the fair value of investments in asset and mortgage backed obligations highly sensitive to interest rate changes for TRS, PSF, ERS and the UT System was \$2.2 billion.

### **Reverse Repurchase Agreements**

Investments in reverse repurchase agreements by the Treasury and the Trust Company are permitted by statute. A reverse repurchase agreement consists of a sale of securities with a simultaneous agreement to repurchase them in the future at the same price plus a contract rate of interest. Sale proceeds are invested in securities or repurchase agreements that mature at or almost at the same time as the reverse repurchase agreement. Proceeds from the matured securities are used to liquidate the agreement resulting in a matched position. With a matched position, there is minimal market risk because the seller-borrower will hold the securities to maturity and liquidate them at face value. In the event of default on a reverse repurchase agreement, the Treasury would potentially suffer a loss. The loss occurs if the cash received does not exceed the fair value of the securities underlying the reverse repurchase agreements. The amount of the loss would equal the difference between the fair value plus accrued interest of the underlying

securities and the agreement price plus accrued interest. To minimize the risk of default, all securities backing reverse repurchase agreements are held by the Federal Reserve Bank in the state's name.

As of Aug. 31, 2023, the Treasury's aggregate amount of reverse repurchase agreement obligations was \$3.1 million, including accrued interest. The aggregate fair value of the securities underlying those agreements, including accrued interest, was \$3.1 million. There was no credit exposure during fiscal 2023.

### **Securities Lending**

TRS, PSF, ERS, UT System and the Veterans Land Board (VLB) participate in securities lending programs as authorized by state statute. TRS, PSF, ERS and the UT System established their own separately managed securities lending programs. VLB participates in collateral investment pools that commingle the cash collateral of several entities. Under these programs, the governmental entities transfer securities to an independent broker or dealer in exchange for collateral in the form of cash, governmental securities or bank letters of credit. In addition, PSF may receive collateral in the form of other assets that it specifically agrees to with its lending agent. TRS, ERS, the UT System and VLB receive collateral equal to 102 percent of the value of domestic securities lent and 105 percent for international securities. PSF receives collateral in an amount of 102 percent of the fair value plus accrued income for domestic corporate securities and 105 percent of the fair value plus accrued income for foreign securities. However, the required percentage is 102 percent for foreign securities denominated and payable in U.S. dollars. There is a simultaneous agreement to return the collateral for the same securities in the future.

The custodians of the securities are the security lending agents. The securities lending contracts do not allow the governmental entities to pledge or sell collateral securities unless the borrower defaults. The lending

agents are required to indemnify TRS, PSF, ERS, UT System and VLB if the borrowers fail to return the securities.

TRS, PSF, ERS, UT System and VLB loans are terminable at will. There were no significant violations of legal or contractual provisions, no borrower or lending agent default losses and no recoveries of prior period losses during the year.

Differences between the fair value of the invested cash collateral and the cash collateral liability are recorded as part of the net increase/(decrease) in fair value of investments. There is no credit risk exposure to the lender when the fair value of the security on loan is less than the cash collateral liability. The overall securities lending activity as of Aug. 31, 2023, is presented in table 3P.

Those investment strategies are utilized to manage and reduce the risk of the overall investment portfolio. Investment derivative instrument levels and types are monitored to ensure that portfolio derivative instruments are consistent with the intended purpose and at the appropriate level.

All investment derivative instruments are reported at fair value on the statement of net position and the statement of fiduciary net position. The changes in the fair value of investment derivative instruments are reported as investment revenue in the operating statements. As of Aug. 31, 2023, TRS, PSF, the UT System, Texas A&M University System (A&M System), Texas Tech University System (TTU System) and VLB held investment derivative instruments (swaps, options, futures and forwards). See Note 7 for other agencies that held derivatives instrument in Table 7A.

Forward foreign currency exchange contracts are used for the purchase or sale of a specific foreign currency at a fixed quantity and price on a future date as a hedge against either specific transactions or portfolio positions. The contracts are in the currency native to the security transactions for settlement date and are marked-to-market daily with the

<b>Securities Lending Activity Summary</b>					
<b>Table 3P</b>					
August 31, 2023 (Amounts in Thousands)					
<b>Entity</b>	<b>Fair Value of Securities on Loan</b>	<b>Non-Cash Collateral<sup>1</sup></b>	<b>Cash Collateral Liability (Obligation/ Securities Lending)</b>	<b>Fair Value of Invested Cash Collateral (Securities Lending Collateral)</b>	<b>Net Increase/ (Decrease) In Fair Value</b>
TRS	\$ 8,276,718	\$ 880,057	\$ 5,688,479	\$ 5,675,099	\$ (13,380)
ERS	436,450		446,396	447,537	1,141
PSF	3,927,087	70,425	3,891,795	3,893,671	1,876
UT System <sup>1,2</sup>	1,046,774	390,680	707,786	707,786	
<b>Total Securities Lending</b>	<b>\$ 13,687,029</b>	<b>\$ 1,341,162</b>	<b>\$ 10,734,456</b>	<b>\$ 10,724,093</b>	<b>\$ (10,363)</b>

<sup>1</sup> 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.

<sup>2</sup> UT did not experience any net change in fair value because the cash collateral pools they participated in were maintained at amortized cost as of Aug. 31, 2023.

### Investment Derivative Instruments

Derivative instruments are financial instruments (securities or contracts) whose value is linked to or derived from changes in interest rates, currency rates and stock and commodity prices. These securities or contracts serve as components of the investment strategies of certain state agencies, public employee retirement systems and institutions of higher education.

change in fair value recorded as an unrealized gain or loss. Realized gain or loss is recorded at the closing of the contract. Risks associated with such contracts include the potential inability of the counterparties to meet the terms of their contracts and unanticipated movements in currency exchange rates.

Futures contracts are standardized exchange-traded contracts to purchase or sell a specific financial

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instrument at a predetermined price and date. Futures contracts are used to facilitate various trading strategies, primarily as a tool to hedge against the increase or decrease of market exposure to various asset classes. Upon entering into a futures contract, an initial margin deposit is pledged to the broker equal to a percentage of the contract amount. Contracts are marked-to-market, settled in cash with the broker and recorded as an unrealized gain or loss daily. The daily gain or loss difference is referred to as the daily variation margin. Realized gain or loss is recorded at the closing of the contract. Holders of futures contracts look to the exchange for performance under the contract and not to the entity holding the offsetting futures. Accordingly, the amount of risk posed by the nonperformance of counterparties to futures contracts is minimal. Risks due to movements in the value of the futures contracts and the inability to close out futures contracts due to a non-liquid secondary market remain.

Options are used to alter market (systematic) exposure without trading the underlying cash market securities and to hedge and control risks so the actual risk/return profile is more closely aligned with the target risk/return profile. Option contracts provide the option purchaser with the right, but not the obligation, to buy or sell the underlying security at a set price during a period or a specified date. The option writer is obligated to buy or sell the underlying security if the option purchaser chooses to exercise the option. With written options, market risk arises from an unfavorable change in the price of the derivative instrument, security or currency underlying the written option.

Swaps represent contracts that obligate two counterparties to exchange a series of cash flows at specified intervals. The ultimate gain or loss depends upon the price or rate at which the underlying financial instrument of the swap is valued at the settlement date. Swaps are used to manage risk and enhance returns. As of Aug. 31, 2023, swap investments were interest rate, credit

default, commodity, equity and total return swaps. See Note 7 for other swap investments in Table 7B.

VLB invested in a pay-variable, receive-variable interest rate swap agreement that is reported as investment derivative instruments because they are ineffective hedges.

UT System invested in pay-variable, receive-fixed rate agreements that are reported as investment derivative instrument because they are ineffective hedges.

**Foreign Currency Risk:** TRS, the UT System and the A&M System have exposure to investment foreign currency risk in swaps, options, futures and forwards investment derivative instruments. Investment derivative instruments exposed to foreign currency risk as of Aug. 31, 2023, is presented in table 3Q.

## Investment Derivative Instruments Exposed to Foreign Currency Risk

Table 3Q

August 31, 2023 (Amounts in Thousands)

Foreign Currency	Governmental and Business-Type Activities				Fiduciary Funds			
	Swaps	Options	Futures	Forwards	Swaps	Options	Futures	Forwards
Argentine Peso								
Australian Dollar	\$ 63	\$	\$ (165)	\$ (324)	\$ (193)	\$	\$ (2,612)	\$ 4,991
Brazilian Real		(332)	197	314	3,997	10	(434)	74
British Pound	(6,662)	(3)	533	678	784		10,093	13,258
Canadian Dollar	(4,144)		(40)	111		14	4,603	(488)
Chilean Peso				246				33
Chinese Yuan (Offshore)								(164)
Chinese Yuan Renminbi	(1,555)			601	2,118			(38)
Colombian Peso				407				1
Czech Koruna	(35)			(98)				(68)
Danish Krone				257				
Euro	(1,702)	(413)	(4,877)	2,488	9,652		(9,543)	32,587
Hong Kong Dollar				2	(3,139)		4,466	1
Hungarian Forint				17				(3)
Indian Rupee	22			(82)				124
Indonesian Rupiah				16				42
Israeli New Shekel				476				(1)
Japanese Yen	110		88	(17,213)			7,201	548
Malaysian Ringgit	67			19				
Mexican Peso	(124)			(302)	(3,465)			1,433
New Zealand Dollar	(1,005)			411				1,771
Norwegian Krone				(682)				(1,130)
Philippine Peso				(25)				(67)
Polish Zloty				(22)				86
Romanian Leu				(6)				(14)
Singapore Dollar	(6)			252			1,144	(69)
South African Rand				(116)			(1,492)	(28)
South Korean Won	(484)			(340)			(9,900)	193
Swedish Krona	(103)			(170)		56	49	(1,502)
Swiss Franc	(341)			90				1,084
Taiwan Dollar				481				20
Thai Baht	(6)			281				184
Turkish Lira								1
Total Foreign Currency Risk	<u>\$ (15,905)</u>	<u>\$ (748)</u>	<u>\$ (4,264)</u>	<u>\$ (12,233)</u>	<u>\$ 9,754</u>	<u>\$ 80</u>	<u>\$ 3,575</u>	<u>\$ 52,859</u>

**Credit Risk:** TRS and the UT System instituted policies to mitigate counterparty credit risk for investment derivative instruments by having master netting agreements and collateral posting arrangements. TRS and the UT System negotiated thresholds or limits for each counterparty above which collateral must be posted.

TRS' investment policy limits the net market value of all over-the-counter derivative instrument positions,

less collateral posted, to an amount not exceeding \$500 million for any individual counterparty.

UT requires collateral to be posted on a daily basis by the counterparty to cover exposure to a counterparty above the limits set in place by the master netting agreement. Collateral posted by counterparties is held by the UT System in one of its accounts at their custodian bank.

The aggregate fair value of investment derivative instruments in asset positions as of Aug. 31, 2023, was \$305 million. The investment derivative instruments were executed with counterparties that had a credit rating of no less than A using the Standard & Poor's rating scale. This represents the maximum amount of loss that would have been recognized as of Aug. 31, 2023, if all counterparties failed to perform as contracted. This maximum exposure is reduced by \$394.6 million of collateral held and by \$194.6 million in liabilities included in netting arrangements with those counterparties, resulting in a negative \$284.2 million net exposure of investment derivative instruments to credit risk.

**Interest Rate Risk:** TRS, the UT System and VLB are exposed to interest rate risk on swap transactions. Investments in pay-variable, receive-variable interest rate swaps ranged from payment of 100 to 131.3 percent of the Securities Industry and Financial Markets Association (SIFMA) index. Investments in pay-variable, receive-fixed interest rate swaps ranged from payment of various foreign currency rates (Euro Interbank Offered Rate (EURIBOR), Stockholm Interbank Offered Rate, Bank Bill Swap Rate or Canadian Dollar Offered Rate) and receipt of 0 to 7 percent. Investments in pay-fixed, receive-variable interest rate swaps ranged from receipt of various foreign currency rates (EURIBOR, Mexican Interbank Rate, Johannesburg Interbank Agreed Rate or Canadian Dollar Offered Rate) and payment of 0 to 12 percent. The investment maturities for the state's swap contracts exposed to interest rate risk as of Aug. 31, 2023, is presented in table 3R.

## Investment Funds

Investment funds include hedge fund pools, private investment pools, public market funds and other alternative investments managed by external investment managers. Risks associated with these investments include investment manager risk, liquidity risk, market risk and leverage risk. Investment manager risk is substantially dependent upon key investment managers; therefore, the loss of those individuals may adversely impact the return on investment. Also, some investment funds are not subject to regulatory controls. Liquidity may be limited due to imposed lock-up periods, with penalties to redeem units or restricting redemption of shares until a certain period of time has elapsed. Investment funds may employ sophisticated investment strategies using leverage, which could result in the loss of invested capital. As of Aug. 31, 2023, the fair value of various investment funds was \$153.6 billion.

## Note 4

### Short-Term Debt

The Texas Workforce Commission (TWC) received temporary transfers (loans) for \$317.2 million from the Texas Comptroller of Public Accounts to avoid interest liabilities related to the Cash Management Improvement Act. The loans were repaid in full during fiscal 2023.

The Texas Department of Housing and Community Affairs (TDHCA) executed an Advances and Security Agreement with the Federal Home Loan Bank of Dallas (FHLB). The maximum aggregate principal

amount available for advances under the agreement was \$250 million. As of Aug. 31, 2023, \$162.5 million was available for use in the line of credit and the balance outstanding was \$87.5 million. The TDHCA pledges mortgage loans, plus

### Investment Derivative Instruments Exposed to Interest Rate Risk

Table 3R

August 31, 2023 (Amounts in Thousands)

Investment Type	Fair Value	Investment Maturities (in years)				
		Less Than 1	1-5	6-10	11-15	More than 15
Interest Rate Swaps	\$9,977	\$5,647,690	\$5,293,541	\$(4,993,915)	\$(6,948,828)	\$1,011,489



additional amounts deposited in an escrow account, as collateral for the advances. Terms specified in the debt agreements related to default events include:

- Default in the payment of principal or interest of the advances when such payments become due and payable,
- Failure of the TDHCA to perform any promise or obligation or satisfy any condition or liability,
- Evidence coming to the attention of the FHLB that any representation, statement or warranty made or furnished by the FHLB in connection with any advance, any specification of qualifying collateral or any certification of fair value that was false in any material respect,
- Issuance of any tax, levy, seizure, attachment, garnishment, levy of execution or other legal process with respect to the collateral,
- Suspension of payment made by the TDHCA to any creditor or any event that results in the acceleration of any of its indebtedness,
- The appointment of a conservator or receiver for the TDHCA under federal bankruptcy laws,
- The sale by the TDHCA of all or material part of its assets,
- The cessation of the TDHCA to be a type of institution that is eligible to become a borrower of FHLB,
- The merger or consolidation or other combination by the TDHCA with any other non-eligible entity and
- FHLB reasonably and in good faith determines that a material adverse change has occurred in the financial condition of the TDHCA and FHLB

deems itself insecure even though the TDHCA is not otherwise in default.

The Texas Tech University System issued commercial paper notes for \$53.4 million to serve as an interim financing source for long-term construction projects in advance of issuing authorized bonds. As of Aug. 31, 2023, \$55.4 million remained outstanding.

The University of North Texas System issued commercial paper notes for \$66.8 million to finance costs of eligible projects and to refinance, renew or refund commercial paper notes, prior encumbered obligations and parity debt including interest. As of Aug. 31, 2023, \$27.3 million matured and \$60 million remained outstanding.

The Texas State University System issued commercial paper notes for \$736.3 million to finance various construction projects. As of Aug. 31, 2023, \$667.2 million matured and \$159.4 million remained outstanding.

The University of Houston System issued no additional commercial paper notes in fiscal 2023 to finance various capital projects. As of Aug. 31, 2023, \$6.3 million matured and \$28.4 million remained outstanding.

The University of Texas System issued commercial paper notes for \$1.3 billion to provide interim financing for capital improvements and to finance capital equipment purchases. As of Aug. 31, 2023, \$710.8 million matured and \$2.3 billion remained outstanding.

Short-term debt activity as of Aug. 31, 2023, is presented in table 4A.

### Short-Term Debt

**Table 4A**

August 31, 2023 (Amounts in Thousands)

Short-Term Debt Type	Beginning Balance 9/1/2022	Issued	Redeemed	Ending Balance 8/31/2023
Commercial Paper	\$ 2,010,235	\$ 2,119,620	\$ 1,485,670	\$ 2,644,185
Other Advances (Loans) - Direct Borrowings	60,181	4,304,568	4,277,239	87,510
General Revenue Advances		317,197	317,197	
<b>Total Short-Term Debt</b>	<u>\$ 2,070,416</u>	<u>\$ 6,741,385</u>	<u>\$ 6,080,106</u>	<u>\$ 2,731,695</u>

# Note 5

## Long-Term Liabilities

Long-term liabilities activity for the fiscal year ended Aug. 31, 2023, is presented in table 5A.

### Long-Term Liabilities Activity

Table 5A

August 31, 2023 (Amounts in Thousands)

Fund Type	Balance 9/1/22	Restatements /Adjustments <sup>1</sup>	Additions <sup>2</sup>	Reductions	Balance 8/31/23	Amounts Due Within One Year	Amounts Due Thereafter
<b>GOVERNMENTAL ACTIVITIES</b>							
Claims and Judgments	\$ 82,616	\$ 1	\$ 437,646	\$ 51,031	\$ 469,232	\$ 286,482	\$ 182,750
RTU Lease Obligations	799,003	(2,152)	133,705	184,451	746,105	173,016	573,089
RTU Subscription Obligations <sup>3</sup>		15,764	285,622	77,450	223,936	85,076	138,860
Employees' Compensable Leave	1,002,294	(1,264)	1,765,222	1,613,424	1,152,828	792,282	360,546
Notes and Loans Payable	765,988	(23,452)	373,700	472,918	643,318	111,616	531,702
Notes and Loans –							
Direct Borrowings/Placements	323,296				323,296		323,296
General Obligation Bonds Payable	13,955,727	(82,958)	591,810	679,225	13,785,354	743,561	13,041,793
General Obligation Bonds Payable –							
Direct Placements	280,956	(1,986)			278,970	1,986	276,984
Revenue Bonds Payable	4,300,470	(32,052)		319,290	3,949,128	358,645	3,590,483
Asset Retirement Obligation	2,198	(1)	81		2,278		2,278
Pollution Remediation Obligation	240,691	(1)	97,493	96,408	241,775	40,889	200,886
Total Governmental Activities	<u>\$ 21,753,239</u>	<u>\$ (128,101)</u>	<u>\$ 3,685,279</u>	<u>\$ 3,494,197</u>	<u>\$ 21,816,220</u>	<u>\$ 2,593,553</u>	<u>\$ 19,222,667</u>
<b>BUSINESS-TYPE ACTIVITIES</b>							
Claims and Judgments	\$ 245,185	\$	\$ 1,859,297	\$ 1,843,985	\$ 260,497	\$ 204,725	\$ 55,772
RTU Lease Obligations	1,207,402	(622)	261,221	182,848	1,285,153	358,839	926,314
RTU Subscription Obligations <sup>3</sup>		245,903	235,981	136,683	345,201	137,734	207,467
Employees' Compensable Leave	1,166,200	(751)	604,814	528,740	1,241,523	597,954	643,569
Notes and Loans Payable	1,474,340	(10,530)	117,000	1,457,795	123,015	4,158	118,857
Notes and Loans Payable –							
Direct Borrowings/Placements	526,403	(393,144)	639,448	9,127	763,580	6,748	756,832
General Obligation Bonds Payable	3,884,198	(4,161)	556,510	337,855	4,098,692	280,458	3,818,234
General Obligation Bonds Payable –							
Direct Placements	58,050			15,460	42,590	15,100	27,490
Revenue Bonds Payable	37,388,646	(586,188)	4,564,806	1,838,585	39,531,679	2,684,815	36,846,864
Revenue Bonds Payable –							
Direct Borrowings/Placements	691,150	(300,036)		97,550	293,564	14,070	279,494
Asset Retirement Obligation	35,202		853	429	35,626		35,626
Pollution Remediation Obligation	1,530				1,530		1,530
Liabilities Payable From							
Restricted Assets	1,914,067	(1)	134,810	420,814	1,628,062	451,193	1,176,869
Total Business-Type Activities	<u>\$ 48,592,373</u>	<u>\$ (1,046,530)</u>	<u>\$ 8,974,740</u>	<u>\$ 6,869,871</u>	<u>\$ 49,650,712</u>	<u>\$ 4,755,794</u>	<u>\$ 44,894,918</u>
<b>COMPONENT UNITS</b>							
RTU Lease Obligations	\$ 503	\$ 10	\$ 15,475	\$ 1,433	\$ 14,555	\$ 1,585	\$ 12,970
RTU Subscription Obligations <sup>3</sup>			7,225	2,177	5,048	2,633	2,415
Employees' Compensable Leave	3,557	(1)	4,885	2,677	5,764	4,401	1,363
Notes and Loans Payable	2,337			267	2,070	751	1,319
Notes and Loans Payable –							
Direct Borrowings/Placements	177,000			177,000			
Revenue Bonds Payable	18,785	2,801	60,000	2,060	79,526	375	79,151
Liabilities Payable From Restricted Assets	204		80		284	30	254
Total Component Units	<u>\$ 202,386</u>	<u>\$ 2,810</u>	<u>\$ 87,665</u>	<u>\$ 185,614</u>	<u>\$ 107,247</u>	<u>\$ 9,775</u>	<u>\$ 97,472</u>

<sup>1</sup> Includes current year amortization for premiums and discounts.

<sup>2</sup> Includes current year amortization of accretion of \$64.5 million for business-type activities.

<sup>3</sup> RTU Subscription Obligations have no beginning balances because of the implementation of GASB Statement No. 96, Subscription-Based Information Technology Arrangements.

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## Notes and Loans Payable and Notes and Loans Payable - Direct Borrowings/Placements

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Notes and loans payable consist of amounts used to purchase capital equipment. Other uses include the acquisition, construction and renovation of other capital assets, including the interim financing of higher education projects; software/database acquisition and development; refinancing of existing debt; and the funding of agency specific missions such as economic development projects and pest eradication programs.

The Texas Department of Transportation (TxDOT) as part of its governmental activities entered into pass-through toll agreements with local entities as a means of financing state highway capital improvements and maintenance. As of Aug. 31, 2023, there were 24 active pass-through financing agreements. In fiscal 2023, TxDOT did not recognize any additions in long-term liability for pass-through tolls payable related to highway projects constructed under pass-through financing agreements. The obligation to make future reimbursement payments is recognized as pass-through tolls payable as the underlying highway project is constructed. The outstanding balance as of Aug. 31, 2023 was \$415.1 million. See Note 15, *Commitments and Contingencies*, for additional information.

TxDOT is party to a financial assistance arrangement with Fort Bend County (County) related to the expansion of Farm to Market Road 1093. The terms of this agreement are such that in return for County funding the costs of the project up-front, TxDOT will reimburse County \$4 million per year for 10 years following substantial completion of Westpark Tollway Phase I and opening of the roadway to traffic. Construction on Westpark Tollway Phase I was completed in November 2018. The obligation to make future reimbursements is recognized as contracts payable. The outstanding balance as of Aug. 31, 2023 was \$20 million.

In the event that development of the project is terminated by the County prior to opening of the project for revenue operations, TxDOT shall disburse to the County any undistributed amounts of the financial assistance needed to pay or reimburse costs incurred by the County prior to such termination; provided that such disbursement shall not exceed the aggregate amount of project construction costs incurred prior to such termination.

As of Aug. 31, 2023, two notes and loans payable - direct borrowings agreements are outstanding for TxDOT. The outstanding balance related to governmental activities is \$621.9 million. US Department of Transportation (USDOT) agreed to lend TxDOT up to \$285 million to pay a portion of the eligible project costs related to the initial phase of the IH-35E project. The outstanding direct loan of \$323.3 million contains various provisions resulting from certain events of default. In the case of a payment default, interest is charged on the overdue balance at the default rate (an additional 2 percent) until the payment default is cured (overdue balance repaid). In the case of project abandonment, the default rate is charged until the debt is paid in full. In the case of certain bankruptcy related event defaults, the balance becomes secured by a first priority security interest in the trust estate.

In fiscal 2021 Texas Public Finance Authority (TPFA) issued revenue bonds for the benefit of TxDOT - Austin Campus Consolidation Project with principal amount of \$325.7 million. The direct borrowings loan agreement obligates TxDOT to make rent payments to TPFA in amounts sufficient to pay, among other things, the debt service for the TPFA Series 2021 bonds. The Texas Legislature has appropriated funds from the State Highway Fund for TxDOT to make payments during fiscal 2023.

The outstanding direct loan of \$298.6 million contains the following acceleration clause: upon the occurrence of and during the continuation of any event of

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default arising from the failure to make a required payment, TPFA may take any one or more of the following remedial actions:

- Declare all of the remaining unpaid principal portions of the payments due and payable to the extent the Texas Legislature has appropriated such funds
- Enter and take possession of all or any portion of the project without terminating the agreement and sublease all or part of the project for the account of TxDOT
- Terminate the agreement, enter and take possession of all or any portion of the project and, at TPFA's discretion, sell equipment acquired as part of the project or lease all or any portion of the project.

The notes and loans payable - direct borrowings agreement for business-type activity represents a secured loan made to the Grand Parkway Transportation Corporation (GPTC) by the USDOT, which agreed to lend GPTC up to \$605.3 million to pay a portion of the eligible project costs. As of Aug. 31, 2023, GPTC has drawn down \$605.3 million under the secured loan agreement for the purpose of providing funds to refund the GPTC 2018 bond anticipation notes. The outstanding balance of the loan is \$614.4 million. In accordance with the loan agreement, the payments of principal and interest can be postponed under certain circumstances and such postponed payments increase the principal amount of the loan.

Other agencies with notes and loans payable are Department of Information resources (DIR) and Department of Public Safety (DPS). DIR has a balance of \$2.8 million in notes payable from agreements for Voice Over Internet Protocol (VoIP) phones used in DIR's Capitol Complex Telephone System. As of Aug. 31, 2023, DPS has notes and loans payable of \$3.5 million.

Several state universities have entered into long-term financing contracts for the purchase of certain capital assets. Such contracts are classified as notes and loans payable - direct borrowings for accounting purposes and are recorded at the present value of the future minimum payments. These financing contracts are secured by the underlying assets. These universities include Stephen F. Austin State University (SFA), the University of Texas System (UT System), the Texas A&M University System (A&M System), Texas State Technical College (TSTC), the Texas Tech University System (TTU System) and University of Houston System (UH System).

Stephen F. Austin State University's (SFA) notes and loans payable - direct borrowings/direct placements related to business-type activities as of Aug. 31, 2023 totaled \$6.4 million. The notes payable consists of amounts used to finance energy conservation projects and modernization of SFA's sports-related scoreboards and video displays. In the event of default, the following remedies are available:

- By written notice to SFA, all payments, including future payments, become due.
- The equipment may be repossessed, with SFA remaining liable for any difference between those payments required and any proceeds from the sale or leasing/subleasing of the equipment.
- Lessor may terminate the escrow agreement relating to such lease and apply any proceeds in the escrow fund thereunder to the rental payments due.
- Lessor may take whatever action at law or in equity may appear necessary or desirable to enforce its rights under such lease or the escrow agreement relating thereto or as a secured party in any or all of the equipment subject to such lease or with respect to the related escrow fund.
- The lessor may take one or any combination of the remedies listed above.

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The UT System uses direct borrowings to finance the purchase of buildings, furniture and equipment, collectable assets. Direct borrowing obligations are due in annual installments through 2046, with an outstanding balance of \$16.4 million as of Aug. 31, 2023.

The Texas A&M University System (A&M System) notes and loans payable consists of amounts used to make permanent improvements at various institutions within the system, to refund and retire the board's Permanent University Fund commercial paper notes, to provide interim financing for capital improvements and acquisition of equipment and land, to pay interest on the notes, to refund outstanding notes as they mature and to pay the costs of issuing the notes. The outstanding balance as of Aug. 31, 2023 was \$123 million.

In the event of default or failure to make required note payments, the A&M System will be required to perform all conditions or obligations described in the note agreement. The A&M System is responsible for all reasonable expenses related to the enforcement.

The A&M System has various leases for the purchase of capital assets where the A&M System takes ownership at the end of the lease. These capital leases were converted to direct financing agreements with the implementation of GASB statement No. 87, *Leases*, and reported as notes and loans - direct borrowings. The outstanding balance as of Aug. 31, 2023 was \$54.8 million.

The outstanding notes from direct borrowings for equipment and facilities contain provisions where, in the event of default, all remaining payments may be declared immediately due or the lessor may repossess the assets or, in the case of software, render the asset unusable or the lessor may proceed with court action to enforce performance. The financing arrangements for capital improvements contain provisions that, in the event of default, the lessor has the right to take one or any combination of several options. These options include demand immediate payment for all remaining payments, retake possession of the leased asset, or

require the A&M System to return the leased asset at the system's expense.

Texas State Technical College has various leases for the purchase of capital assets where TSTC takes ownership at the end of the lease. These capital leases were converted to direct financing agreements with the implementation of GASB statement No. 87, *Leases*, and reported as notes and loans - direct borrowings. The outstanding balance as of Aug. 31, 2023 was \$21.3 million.

As of Aug. 31, 2023, Red Raider Facilities Foundation (RRFF), a blended component unit of the Texas Tech University System (TTU System), entered into long-term financing contracts for the purchase of capital assets. These contracts are classified as note and loans payable - direct borrowings. Included in these direct borrowings loans are a tax-exempt construction loan with \$159 million and a taxable construction loan with \$28.9 million undrawn balance remaining. The outstanding balance of the two loans is \$36.9 million. RRFF has pledged all rights, title and interest in its project gift and money market bank accounts as collateral for the taxable loan. These financing arrangements for capital improvements contain provision that in the event of default the lender has the right to take one or any of the following actions:

- Shall not be required to make advances,
- May declare loans immediately due and payable and
- Shall be entitled to recover reasonable expenses incurred to enforce any of its rights or remedies.

With the implementation of GASB Statement No. 87, *Leases*, in fiscal 2022 the University of Houston System (UH System) recorded the balance of capital leases as notes and loans payable-direct placements with a balance of \$3.4 million as of Aug. 31, 2023. This direct placement financing agreement with the City of Pearland, Texas is for the use and benefit U of H-Clear Lake. The contract contains provisions in case of default, UH System will be liable for:

- Damages equal to the total of the cost of recovering the contracted premises
- Cost of removing and storing personal property
- Unpaid amount earned at the time of contract termination plus interest
- Present value (discounted at 8 percent per annum) of the balance due for the remainder of the contract term less the present value of the fair market rental value plus the cost to prepare the premises for occupancy and
- Any other sum owed under the contract.

The Texas Department of Housing and Community Affairs (TDHCA) has one notes and loans payable - direct borrowings in the amount of \$10 million as of Aug. 31, 2023 related to business-type activities. TDHCA's notes and loans payable - direct borrowings is a subordinate lien obligation to provide funding for down payment assistance in connection with Texas Homeownership Programs. The TDHCA Series 2016 Issuer Note has a loan agreement with Woodforest National Bank secured by the RMRB Indenture. It contains the following events of default:

- A default in payment of any interest upon the loan when such interest becomes due and payable.
- A default in payment of principal of the loan when such principal becomes due and payable.
- A default in the asset test if the amount calculated pursuant to such test equals an amount less than 102 percent, plus the current outstanding amount of the loan.

The occurrence of any event of default would trigger remedies ranging from demand of immediate payment to the acceleration of the loan causing it to be immediately due and payable.

During fiscal 2023, TDHCA implemented GASB Statement No. 91, *Conduit Debt Obligations* by eliminating debt related to the Multifamily Bond Program where TDHCA is only a conduit issuer. The notes and

loans payable balance at Sept.1, 2022, was reduced by \$392.9 million to \$10 million with the elimination of Multifamily Notes outstanding.

Texas Public Finance Authority (TPFA) revenue commercial paper notes, Series 2019A&B were issued to finance the Master Lease Purchase Program (MLPP), as well as other revenue construction projects as authorized by the Legislature. \$78.8 million of Series 2019A&B was outstanding as of Aug. 31, 2023.

TPFA's Cancer Prevention and Research Institute of Texas (CPRIT) Series A and Series B General Obligation (GO) commercial paper notes were issued to fund the \$3 billion in GO debt authorized by the 80th Legislature to finance cancer research grants (*Texas Constitution*, Article III, Sec. 67). The constitutional amendment was approved by voters on November 6, 2007. As of Aug. 31, 2023 no CPRIT Series A Commercial Paper Notes were outstanding.

TPFA's Revenue Commercial Paper Notes, Series 2016 A (Taxable) and Series 2016B (Tax-Exempt) were issued to finance a \$767.7 million capital construction appropriation made to the Texas Facilities Commission (TFC) by the 84th Texas Legislature. As of Aug. 31, 2023, \$93 million of Series 2016A and \$30 million of Series 2016B Commercial Paper Notes were outstanding.

Events of default are defined in each TPFA's liquidity agreements with the Texas Comptroller of Public Accounts. Pursuant to contracts, the Comptroller's office is entitled to issue a notice of No Issuance in the event of a default. The liquidity agreements along with applicable amendments are publicly available on TPFA's website: [https://www.tpfa.texas.gov/variable\\_rate.aspx](https://www.tpfa.texas.gov/variable_rate.aspx).

Texas State Affordable Housing Corporation (TSAHC) is a special purpose government entity and a discreetly presented component unit of the state of Texas. TSAHC notes and loans payable consist of 3 unsecured notes and 3 notes secured by mortgage backed securities and notes receivable. The outstanding balance as of Aug. 31, 2023 was \$2.1 million.

The events of default for these notes consist of failure of borrower to pay interest or principal when dues and failure to use proceeds as stated. Termination events and subjective acceleration clauses include insolvency and material adverse change in borrower's financial condition, respectively.

Debt service requirements for notes and loans payable and notes and loans payable from direct borrowings and direct placements in long-term liabilities as of Aug. 31, 2023, are presented in tables 5B, 5C and 5D.

## Notes and Loans Payable - Debt Service Requirements

**Table 5B: Governmental Activities**

August 31, 2023 (Amounts in Thousands)

Year	Principal	Interest	Total	Direct Borrowings		
				Principal	Interest	Total
2024	\$ 111,616	\$ 10,890	\$ 122,506	\$	\$ 8,353	\$ 8,353
2025	88,016	10,792	98,808		8,330	8,330
2026	82,408	10,412	92,820		8,341	8,341
2027	65,564	10,015	75,579	823	8,341	9,164
2028	57,104	9,616	66,720	2,705	8,331	11,036
2029-2033	115,054	41,436	156,490	35,693	39,769	75,462
2034-2038	55,576	28,076	83,652	69,865	33,467	103,332
2039-2043	67,980	10,968	78,948	100,309	22,151	122,460
2044-2048				60,044	11,674	71,718
2049-2053				53,857	3,518	57,375
Subtotal	<u>643,318</u>	<u>132,205</u>	<u>775,523</u>	<u>323,296</u>	<u>152,275</u>	<u>475,571</u>
Unamortized Accretion						
Total Debt Service Requirements	<u>\$ 643,318</u>	<u>\$ 132,205</u>	<u>\$ 775,523</u>	<u>\$ 323,296</u>	<u>\$ 152,275</u>	<u>\$ 475,571</u>

## Notes and Loans Payable - Debt Service Requirements

**Table 5C: Business-Type Activities**

August 31, 2023 (Amounts in Thousands)

Year	Principal	Interest	Total	Direct Borrowings/Direct Placements		
				Principal	Interest	Total
2024	\$ 4,158	\$ 4,847	\$ 9,005	\$ 6,748	\$ 5,731	\$ 12,479
2025	4,320	4,683	9,003	44,711	5,096	49,807
2026	4,490	4,513	9,003	6,416	3,433	9,849
2027	4,667	4,336	9,003	16,905	16,132	33,037
2028	4,852	4,152	9,004	6,986	15,068	22,054
2029-2033	27,282	17,737	45,019	46,852	71,011	117,863
2034-2038	33,096	11,922	45,018	82,259	61,946	144,205
2039-2043	40,150	4,868	45,018	113,173	51,657	164,830
2044-2048				206,737	36,283	243,020
2049-2053				263,204	12,922	276,126
Subtotal	<u>123,015</u>	<u>57,058</u>	<u>180,073</u>	<u>793,991</u>	<u>279,279</u>	<u>1,073,270</u>
Unamortized Accretion				(30,411)		(30,411)
Total Debt Service Requirements	<u>\$ 123,015</u>	<u>\$ 57,058</u>	<u>\$ 180,073</u>	<u>\$ 763,580</u>	<u>\$ 279,279</u>	<u>\$ 1,042,859</u>

## Notes and Loans Payable - Debt Service Requirements

**Table 5D: Discrete Component Units**  
August 31, 2023 (Amounts in Thousands)

Year	Principal	Interest	Total	Direct Borrowings/Direct Placements		
				Principal	Interest	Total
2024	\$ 751	\$ 40	\$ 791	\$	\$	\$
2025	526	26	552			
2026	276	17	293			
2027	517	3	520			
Total Debt Service Requirements	<u>\$ 2,070</u>	<u>\$ 86</u>	<u>\$ 2,156</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

### Liabilities Payable from Restricted Assets

Long-term liabilities associated with the acquisition of restricted assets or long-term liabilities that will be liquidated with restricted assets are classified as liabilities payable from restricted assets.

Texas Prepaid Higher Education Tuition Board recognized a liability for future benefits payable to the participants in the state's two prepaid tuition plans, the *Texas Guaranteed Tuition Plan*, established in 1995, and the *Texas Tuition Promise Fund*, established in 2007. These funds have a liability balance of \$331.6 million and \$873.6 million respectively.

Texas Lottery Commission sponsors certain lottery games which provide prize winners the ability to receive winnings over time. Maturity of these prizes range from 1 to 29 years. The Long-Term Prizes Payable fund balance represents future installments due to winners. These prizes are paid weekly, monthly, quarterly and annually. An expense and liability for business-type activities are recorded as the tickets are sold. The outstanding balance as of Aug. 31, 2023 was \$389.3 million.

The Texas A&M University System has liabilities payable from restricted assets in the amount of \$33.6 million, as of Aug. 31, 2023. The balance represents payables from bond proceeds.

### General Obligation and Revenue Bonds

General obligation bonds and revenue bonds are described in detail in Note 6, *Bonded Indebtedness*.

### Lease Obligations

The state of Texas implemented GASB Statement No. 87, *Leases*, in fiscal 2022 which established a single model for lease accounting based on the principal that leases are financings of the right to use an underlying asset. These underlying assets are presented in Note 2, *Capital Assets*. Under GASB Statement No. 87, a lessee is required to recognize a right-to-use (RTU) lease obligation and an intangible RTU lease asset. The RTU lease obligations are presented in Table 5A. For more information on leases, see Note 8, *Leases and Subscription-Based Information Technology Arrangements*.

### Subscription Obligations

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, implemented in fiscal 2023, established IT subscription accounting based on the principal that subscriptions are financings of the right to use an underlying IT asset. These underlying assets are presented in Note 2, *Capital Assets*. Under GASB Statement No. 96, a subscriber is required to recognize a right-to-use (RTU) subscription obligation and an intangible RTU subscription asset. The RTU subscription obligations are presented in Table 5A. For more information on leases, see Note 8, *Leases and Subscription-Based Information Technology Arrangements*.

### Claims and Judgements

Claims and judgments are payments on behalf of the state, its agencies and employees for various legal



proceedings, self-insurance and workers' compensation claims. Tort claims are covered under the *Texas Tort Claims Act*. Numerous miscellaneous claims are covered under the *Miscellaneous Claims Act* for legal liabilities against the state for which no appropriation otherwise exists. Individual claims above \$50 thousand or numerous separate claims from the same individual or entity that in total exceed \$50 thousand must be approved by the Texas Legislature before being paid. Claims are paid from governmental funds. Workers' compensation claims are usually paid from the same funding source(s) from which the employees' salary or wage compensation was paid. For more information, see Note 17, *Risk Management*.

Texas Department of Transportation (TxDOT) records liabilities for material claims and judgments when the claims are considered probable and estimable. During fiscal 2023, TxDOT experienced contractor claims for reimbursement of additional expenses incurred for the performance of construction contract requirements. TxDOT

recorded a liability of \$400 million which is related to the US 181 Harbor Bridge Replacement Project.

### Employees' Compensable Leave

Employees' compensable leave is the state's liability for all unused vacation and unpaid overtime accrued by employees, payable as severance pay under specified conditions. This obligation is paid only at the time of termination, usually from the same funding source(s) from which the employees' salary or wage compensation was paid.

### Pledged Future Revenues

Pledged revenues are those specific revenues that are formally committed to directly secure revenue bonds payable, revenue bonds payable - direct placements, general obligation bonds payable, general obligation bonds payable - direct placements, notes and loans payable, and notes and loans payable - direct borrowings/direct placements. Pledge future revenues for the fiscal year ended Aug. 31, 2023, is presented in Table 5E.

<b>Pledged Future Revenue</b>					
<b>Table 5E</b>					
August 31, 2023 (Amounts in Thousands)					
Description of Debt Issue	Future Pledged Revenue*	Current Year Pledged Revenue	Current Year Principal and Interest Paid	Term of Commitment Fiscal Year Ended	Percentage of Revenue Pledged
<b>GOVERNMENTAL ACTIVITIES</b>					
General Obligation Bonds Payable and					
General Obligation Bonds Payable - Direct Placement	\$ 11,739,450	\$ 862,607	\$ 709,422	2044	100%
Revenue Bonds Payable and					
Revenue Bonds Payable – Direct Placements	3,865,200	9,118,735	488,963	2052	100%
Notes and Loans Payable and					
Notes and Loans Payable – Direct Borrowings/Placements	1,176,435	41,479	38,077	2052	100%
Total Governmental Activities	<u>\$ 16,781,085</u>	<u>\$ 10,022,821</u>	<u>\$ 1,236,462</u>		
<b>BUSINESS-TYPE ACTIVITIES</b>					
Revenue Bonds Payable and					
Revenue Bonds Payable – Direct Placements	<u>\$ 60,178,938</u>	<u>\$ 27,065,852</u>	<u>\$ 2,676,110</u>	2058	99.7%
Total Business-Type Activities	<u>\$ 60,178,938</u>	<u>\$ 27,065,852</u>	<u>\$ 2,676,110</u>		
<b>COMPONENT UNITS</b>					
Revenue Bonds Payable and					
Revenue Bonds Payable – Direct Placements	<u>\$ 142,596</u>	<u>\$ 7,950</u>	<u>\$ 2,791</u>	2058	100%
Total Component Units	<u>\$ 142,596</u>	<u>\$ 7,950</u>	<u>\$ 2,791</u>		

\* Required for future principal and interest on existing debt.

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## Pollution Remediation Obligations

Pollution remediation obligations are recognized in the financial statements for existing pollution sites after the occurrence of one or more of the following events:

- The pollution creates an imminent endangerment to public health or the environment.
- The state is in violation of a pollution prevention-related permit or license.
- The state is named as a potentially responsible party by a regulator.
- The state is named in a lawsuit that compels it to participate in remediation.
- The state has commenced or legally obligated itself to begin cleanup activities.

Under current applicable GAAP standards, estimated expected recoveries from insurance policies and other responsible parties that are not yet realizable in the financial statements reduce the measurement of the pollution remediation obligation liability. A realized or realizable recovery involves the acknowledgment or recognition by the third party of its responsibility. Realized or realizable recoveries are recognized as assets.

**Federal Regulatory Cleanup Requirements:** Pollution remediation obligations are associated with projects initiated under federal regulatory requirements. Applicable federal laws and regulations include the *Comprehensive Environmental Response, Compensation and Liability Act* (also known as Superfund), the National Emissions Standards for Hazardous Air Pollutants and United States Environmental Protection Agency (EPA) Class V Wells regulations.

The Superfund obligation estimates are based on budgeted projections to cover necessary activities for the upcoming fiscal year, along with estimated costs for future years and phases, plus direct salaries and benefits. For sites without available budget projections, estimated costs were provided for the Superfund phases of investigation and cleanup, based on staff experience with similar sites.

Federal reimbursements are expected to offset a portion of these expected costs. The potential for changes due to price increases or reductions, technology or applicable laws or regulations was incorporated into these estimates.

**State Regulatory Cleanup Requirements:** Other pollution remediation obligations are associated with cleanups required under state of Texas law. The Texas Commission on Environmental Quality (TCEQ) operates as a regulatory agency to ensure cleanups are conducted within applicable state laws and regulations contained in the *Texas Administrative Code*, Title 30; *Texas Water Code*; *Texas Health and Safety Code*; *Texas Occupations Code*; and *Texas Natural Resources Code*.

**Major Remediation Activity:** TCEQ oversees the cleanup of leaking petroleum storage tanks (LPST). Cleanup costs are paid by the owners' environmental liability insurance or other financial assurance mechanisms or from their own funds. If the responsible party is unknown, unwilling or financially unable to do the work, state and federal funds are used to pay for the corrective actions. Revenue is generated from a fee on the delivery of petroleum products removed from bulk storage facilities. State statutes allow cost recovery from the current owner or any previous responsible owner, however, to date this has not been necessary.

TCEQ calculates expected outlays related to this pollution remediation by establishing the average cost of cleanup and multiplying that cost by the number of active sites, plus direct salaries and benefits for the duration of the cleanup. This methodology is based upon historical experience in estimating these cleanups. At Aug. 31, 2023, there were 246 active state lead sites, with a total estimated pollution remediation obligation of \$60 million.

The TCEQ Superfund Section (Section) includes the State Superfund, Federal Superfund, Superfund Site Discovery and Assessment (SSDAP) and the Preliminary Assessment/Site Inspection (PA/SI) Programs.

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On behalf of TCEQ, the Section identifies, ranks and addresses sites contaminated with hazardous substances, which no parties are willing to address through a permit, corrective action, voluntary cleanup or enforcement program. These sites are identified through referral from internal and external groups such as TCEQ Enforcement, TCEQ Regional Offices, TCEQ Water Supply Division, public complaints and the EPA.

Site estimates may change drastically from one year to another as the investigations progress and a better understanding of site conditions is obtained. The estimate of liabilities is limited to sites that have been, or are, being assessed and ranked for the Superfund program. Cost recovery activities during fiscal 2023 resulted in collections of \$542.6 thousand.

At the end of fiscal 2023, Texas had 72 sites with pollution remediation obligations and federal Superfund programs had zero sites that required an immediate response or removal action. The current total Superfund liability, as of Aug. 31, 2023, is \$117 million.

TCEQ is responsible for collecting fees for a remediation fund designed to help pay for the cleanup of contaminated dry cleaner sites. The fees are generated from the annual registration of facilities and drop stations, as well as from the sale of perchloroethylene and other dry cleaning solvents. TCEQ receives applications for remediation, and then ranks and prioritizes them for corrective action. Legislation in 2007 established requirements for property owners and preceding property owners who wish to claim benefits from the remediation fund, and authorized a lien against property owners and preceding property owners who fail to pay registration fees due during corrective action. No additional cost recovery is allowed by statute.

The pollution remediation obligation is measured by the national average cleanup cost, as calculated by the State Coalition for Remediation of Drycleaners. Direct salary and benefit costs are added to the national average and the total cost is multiplied by the number

of active sites. At Aug. 31, 2023, there were 238 active sites, with a total estimated pollution remediation obligation of \$54 million.

The Railroad Commission of Texas (RRC) currently has three areas of remediation: abandoned oil and gas wells, oil and gas sites and mines. Under *Texas Natural Resource Code*, Section 89.043, the RRC may plug abandoned wells if the wells have not been properly plugged or need replugging and the responsible party cannot be found or is not financially able to plug the well, or if the wells will cause or are likely to cause a serious threat of pollution or injury to the public health. The RRC has 1 active well plugging project as of Aug. 31, 2023, with an estimated cost of \$159 thousand.

Under *Texas Natural Resource Code*, Section 91.113, the RRC may clean up abandoned oil and gas sites that are causing or are likely to cause the pollution of surface or subsurface water. The RRC has 13 active site remediation projects as of Aug. 31, 2023, with an estimated cost of \$884.8 thousand. Funding for these programs comes from regulatory and permit fees paid by the oil and gas industry.

Under *Texas Surface Coal Mining and Reclamation Act*, the RRC administers funds from the US Department of the Interior for the Abandoned Mine Land Reclamation Program. The RRC currently has three projects as of Aug. 31, 2023, with an estimated cost of \$445.6 thousand.

The RRC enters into contracts with third parties for abandoned site remediation and abandoned well plugging. These contracts are used to estimate the amount of the plugging and pollution remediation obligation.

TxDOT is responsible for the cleanup and remediation of several polluted sites. Regulatory requirements established by federal and state law obligate TxDOT to perform these pollution remediation activities. Historical cost averages were used to calculate the estimated pollution remediation obligation liabilities. The areas of remediation include compliance with asbestos regula-

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tions, lead based paint regulations, *Federal Safe Drinking Water Act*, state LPST cleanup requirements, Occupational Safety and Health Administration Health and Safety Plan requirements and waste disposal regulations at an estimated cost of \$8.2 million for fiscal 2023.

The Texas Tech University System (TTU System) owns a 5,855-acre parcel of land in Carson County, Texas. The land was purchased from the United States federal government, acting by and through the General Services Administrator, in 1949 to operate an experimental research farm on a portion of the land. TTU System is a responsible party for pollution remediation activities on this land. The estimated liability is based on an analysis from ARS Aleut Remediation, LLC and factored down by 50 percent for cost reduction measures that would result in cost savings. This amount is subject to cost volatility until such time remediation activities are complete. The land will be considered for remediation if the land is sold, transferred or otherwise utilized in a manner necessitating pollution remediation. The current liability, as of Aug. 31, 2023, is \$1.5 million.

Texas Department of Public Safety (DPS) is responsible for the maintenance of DPS state owned underground storage tanks and is currently managing eight sites. DPS has conducted mold and lead remediation at the North Lamar and Florence shooting ranges. Other responsibilities include the cleanup and preventative measures for the protection of Waller Creek, asbestos abatement in state owned offices and managing chemical spill sites. As of Aug. 31, 2023, the current liability is \$269.5 thousand.

Other agencies have pollution remediation obligations. Health and Human Services Commission (HHSC) has estimated remediation activities for Denton State Supported Living Center and Terrell State Hospital to be \$597.1 million. The Texas Department of Criminal Justice (TDCJ) is responsible for removal of asbestos when TDCJ buildings require renovation

or repairs. There is \$178.6 thousand in liability as of Aug. 31, 2023. Texas Parks and Wildlife Department (TPWD) is responsible for the cleanup and remediation of multiple polluted site, including twenty active sites. TPWD has recognized \$160.4 thousand in pollution remediation obligations related to asbestos pollution.

### **Asset Retirement Obligations**

GASB Statement No. 83, *Certain Asset Retirement Obligations*, defines an asset retirement obligation (ARO) as a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets recognize a liability based on the GASB guidance.

As of Aug. 31, 2023, the University of North Texas System (UNT System) held two radioactive material licenses. The estimated remaining useful life of the associated tangible capital assets is 214 and 130 months, respectively. Licensing of radioactive materials is regulated by the state of Texas (*Texas Administrative Code* Title 25 Health Services, Part 289 Radiation Control, Subpart 252 Licensing of Radioactive Materials). The UNT System estimated the obligation amount using best-estimate current value based on settlement amount and recorded the initial measurement as deferred outflows of resources and a noncurrent liability. The UNT System will assess the ARO account balances annually for any significant changes in current value and make all necessary adjustments. ARO balances are reduced annually by the amount of actual expenditures to retire the asset. In accordance with the *Texas Administrative Code* Title 25, Part 1, Chapter 289, Subchapter D, Rule 289.201(c), the UNT System is exempted from posting the financial instruments specifically based upon being a state funded academic facility actively working to reduce the amount of radioactive material authorized on its licenses. The ARO balance as of Aug. 31, 2023 was \$2.9 million.

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The A&M System has two nuclear reactors which were placed in service in 1957 and 1965. The U.S. Nuclear Regulatory Commission (NRC) requires a decommissioning plan for the retirement of these assets. The estimated liability for the decommissioning plan is \$9.7 million. The estimate was calculated using NRC publications NUREG/CR-1756 and NUREG-1307 Rev. 15, adjusted using the consumer price index inflation calculator. A 25 percent contingency is also included in the estimate. The A&M System also has four radioactive material licenses authorizing the possession and use of radioactive materials. The A&M System is financially accountable for any decommissioning or decontamination costs as required by the Texas Department of State Health Services (*Texas Administrative Code*, Title 25, Part 1, Chapter 289, Subchapter F, Rule 289.252), and the U.S. Nuclear Regulatory Commission (10 CFR 30.35). The estimated liability related to these licenses is \$2.7 million. The total ARO as of Aug. 31, 2023 was \$12.4 million.

The UT System liability related to clean-up and decommissioning of items using radiation such as

broadscope licenses, cyclotrons and nuclear reactors is reported as an ARO. The liability is measured using best estimates of expected outlays for clean-up and decommissioning costs. The *Texas Administrative Code*, Title 25, Part 1, Chapter 289, Subchapter F, Rule 289.252(gg)(6)(D) allows state licensees to provide financial assurances as necessary and no assets have been restricted for payment of the liability. The estimated remaining useful life of the associated tangible capital assets ranges from 0 to 41 months. The total ARO as of Aug. 31, 2023 was \$20.3 million.

Texas Health and Human Services Commission's (HHSC) ARO is related to a sewage treatment plant in Mexia, Texas. The ARO was calculated using a weighted average methodology and is adjusted for inflation based on the US Bureau of Labor Statistics. Based on an initial regional assessment, HHSC did not receive enough information to reasonably estimate a weighted average for lab equipment, such as x-ray equipment. The ARO balance as of Aug. 31, 2023 was \$2.3 million.

# Note 6

## Bonded Indebtedness

### Description of Bond Issues

The state of Texas had 348 bond issues outstanding as of Aug. 31, 2023. Scheduled debt service payments from the general revenue fund for fiscal 2023 totaled \$699.7 million.

Information on bond issuances by type of activity as of Aug. 31, 2023, is presented in table 6A.

<b>Information on Bond Issuances</b>							
<b>Table 6A</b>							
August 31, 2023							
Description of Issue	Bond Issues Outstanding		Range of Interest Rates		Maturities		First Call Date
	Number	Amount Issued (in Thousands)	Lowest	Highest	First Year	Last Year	
<b>GOVERNMENTAL ACTIVITIES</b>							
General Obligation Bonds	60	\$ 17,849,130	0.21	6.00	2014	2046	08/01/2022
General Obligation Bonds – Direct Placements	1	254,105	5.00	5.00	2031	2036	10/01/2025
Revenue Bonds	13	5,921,435	0.22	5.25	2010	2041	04/01/2018
Total Governmental Activities	<u>74</u>	<u>24,024,670</u>					
<b>BUSINESS-TYPE ACTIVITIES</b>							
General Obligation Bonds	58	5,862,420	0.60	5.00	2003	2054	03/22/2001
General Obligation Bonds – Direct Placements	3	253,710	var	var	2014	2027	04/01/2014
Revenue Bonds	203	46,506,450	0.12	6.10	1999	2057	03/01/2006
Revenue Bonds – Direct Borrowings/Placements	6	358,880	2.01	2.53	2015	2042	10/15/2030
Total Business-Type Activities	<u>270</u>	<u>52,981,460</u>					
<b>COMPONENT UNITS</b>							
Revenue Bonds	4	259,340	1.65	5.50	2011	2053	12/01/2011
Total Component Units	<u>4</u>	<u>259,340</u>					
Total Bond Issues Outstanding	<u>348</u>	<u>\$ 77,265,470</u>					

## Changes in Bonds Payable

Table 6B

August 31, 2023 (Amounts in Thousands)

Description of Issue	Balance 9/1/22	Adjustments <sup>1</sup>	Bonds Issued <sup>2</sup>	Bonds Matured or Retired	Bonds Refunded	Balance 8/31/23	Due Within One Year
<b>GOVERNMENTAL ACTIVITIES</b>							
General Obligation Bonds	\$ 13,955,727	\$ (82,958)	\$ 591,810	\$ 679,225	\$	\$ 13,785,354	\$ 743,561
General Obligation Bonds – Direct Placements	280,956	(1,986)				278,970	1,986
Revenue Bonds	4,300,470	(32,052)		319,290		3,949,128	358,645
Total Governmental Activities	<u>18,537,153</u>	<u>(116,996)</u>	<u>591,810</u>	<u>998,515</u>	<u>0</u>	<u>18,013,452</u>	<u>1,104,192</u>
<b>BUSINESS-TYPE ACTIVITIES</b>							
General Obligation Bonds	3,884,198	(4,161)	556,510	261,435	76,420	4,098,692	280,458
General Obligation Bonds – Direct Placements	58,050			15,460		42,590	15,100
Revenue Bonds	37,388,647	(583,189)	4,564,806	1,203,848	634,737	39,531,679	2,684,815
Revenue Bonds – Direct Borrowings/Placements	691,149	(300,035)		13,775	83,775	293,564	14,070
Total Business-Type Activities	<u>42,022,044</u>	<u>(887,385)</u>	<u>5,121,316</u>	<u>1,494,518</u>	<u>794,932</u>	<u>43,966,525</u>	<u>2,994,443</u>
<b>COMPONENT UNITS</b>							
Revenue Bonds	18,785	2,801	60,000	2,060		79,526	375
Total Component Units	<u>18,785</u>	<u>2,801</u>	<u>60,000</u>	<u>2,060</u>	<u>0</u>	<u>79,526</u>	<u>375</u>
Total Changes in Bonds Payable	<u>\$ 60,577,982</u>	<u>\$ (1,001,580)</u>	<u>\$ 5,773,126</u>	<u>\$ 2,495,093</u>	<u>\$ 794,932</u>	<u>\$ 62,059,503</u>	<u>\$ 4,099,010</u>

<sup>1</sup> Includes current year amortization of premiums and discounts.

<sup>2</sup> Includes current year amortization of accretion.

## Debt Service Requirements

**Table 6C: Governmental Activities**

August 31, 2023 (Amounts in Thousands)

Year	Principal	Interest	Total	Direct Placements		
				Principal	Interest	Total
<b>General Obligation Bonds</b>						
2024	\$ 650,480	\$ 517,199	\$ 1,167,679	\$	\$ 12,705	\$ 12,705
2025	671,445	495,932	1,167,377		12,705	12,705
2026	684,150	465,489	1,149,639		12,705	12,705
2027	600,075	442,488	1,042,563		12,705	12,705
2028	694,080	412,696	1,106,776		12,705	12,705
2029-2033	3,445,565	1,651,837	5,097,402	53,000	60,938	113,938
2034-2038	3,477,345	964,343	4,441,688	201,106	28,274	229,380
2039-2043	2,253,855	284,791	2,538,646			
2044-2048	539,370	25,097	564,467			
Subtotal	<u>13,016,365</u>	<u>5,259,872</u>	<u>18,276,237<sup>1</sup></u>	<u>254,106<sup>1</sup></u>	<u>152,737</u>	<u>406,843</u>
Premium	771,214		771,214	24,864		24,864
Discount	<u>(2,225)</u>		<u>(2,225)</u>			
Total	<u>\$ 13,785,354</u>	<u>\$ 5,259,872</u>	<u>\$ 19,045,226</u>	<u>\$ 278,970</u>	<u>\$ 152,737</u>	<u>\$ 431,707</u>
<b>Revenue Bonds</b>						
2024	\$ 331,865	\$ 158,753	\$ 490,618	\$	\$	\$
2025	346,175	142,379	488,554			
2026	361,445	126,751	488,196			
2027	374,445	114,179	488,624			
2028	385,200	98,851	484,051			
2029-2033	1,461,176	235,264	1,696,440			
2034-2038	421,250	39,424	460,674			
2039-2043	<u>124,810</u>	<u>4,680</u>	<u>129,490</u>			
Subtotal	<u>3,806,366</u>	<u>920,281</u>	<u>4,726,647</u>	<u>0</u>	<u>0</u>	<u>0</u>
Premium	<u>142,762</u>		<u>142,762</u>			
Total	<u>\$ 3,949,128</u>	<u>\$ 920,281</u>	<u>\$ 4,869,409</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

<sup>1</sup> Includes accretion adjustments on deep discount bonds.



## Debt Service Requirements

**Table 6D: Business-Type Activities**

August 31, 2023 (Amounts in Thousands)

Year	Principal	Interest	Total	Direct Placements		
				Principal	Interest	Total
<b>General Obligation Bonds</b>						
2024	\$ 275,095	\$ 111,274	\$ 386,369	\$ 15,100	\$ 2,196	\$ 17,296
2025	297,180	104,342	401,522	15,770	1,238	17,008
2026	302,115	95,581	397,696	5,340	626	5,966
2027	286,560	86,873	373,433	4,560	314	4,874
2028	267,330	78,698	346,028	1,820	59	1,879
2029-2033	1,029,445	295,913	1,325,358			
2034-2038	753,955	172,160	926,115			
2039-2043	551,590	78,655	630,245			
2044-2048	210,690	18,529	229,219			
2049-2053	47,715	3,351	51,066			
2054-2058	3,155	79	3,234			
Subtotal	<u>4,024,830<sup>1</sup></u>	<u>1,045,455</u>	<u>5,070,285</u>	<u>42,590<sup>1</sup></u>	<u>4,433</u>	<u>47,023</u>
Premium	<u>73,862</u>		<u>73,862</u>			
Total	<u>\$ 4,098,692</u>	<u>\$ 1,045,455</u>	<u>\$ 5,144,147</u>	<u>\$ 42,590</u>	<u>\$ 4,433</u>	<u>\$ 47,023</u>
<b>Revenue Bonds</b>						
2024	\$ 2,468,500	\$ 1,468,311	\$ 3,936,811	\$ 14,070	\$ 12,428	\$ 26,498
2025	1,265,765	1,438,499	2,704,264	14,365	11,600	25,965
2026	1,326,265	1,384,944	2,711,209	14,675	11,277	25,952
2027	1,244,475	1,329,333	2,573,808	8,675	10,991	19,666
2028	1,224,445	1,278,015	2,502,460	6,975	10,786	17,761
2029-2033	6,795,779	5,579,790	12,375,569	9,805	52,342	62,147
2034-2038	6,468,100	4,117,763	10,585,863		51,975	51,975
2039-2043	6,129,487	2,777,720	8,907,207	225,000	39,255	264,255
2044-2048	6,074,165	1,577,798	7,651,963			
2049-2053	4,063,270	458,868	4,522,138			
2054-2058	299,440	29,643	329,083			
Subtotal	<u>37,359,691</u>	<u>21,440,684</u>	<u>58,800,375</u>	<u>293,565</u>	<u>200,654</u>	<u>494,219</u>
Accretion	(435,856)		(435,856)			
Premium	2,608,009		2,608,009			
Discount	<u>(166)</u>		<u>(166)</u>			
Total	<u>\$ 39,531,678</u>	<u>\$ 21,440,684</u>	<u>\$ 60,972,362</u>	<u>\$ 293,565</u>	<u>\$ 200,654</u>	<u>\$ 494,219</u>

<sup>1</sup> Includes accretion adjustments on deep discount bonds.

## Debt Service Requirements

**Table 6E: Component Units**

August 31, 2023 (Amounts in Thousands)

Year	Principal	Interest	Total
<b>Revenue Bonds</b>			
2024	\$ 375	\$ 3,389	\$ 3,764
2025	1,310	3,345	4,655
2026	1,380	3,297	4,677
2027	1,425	3,246	4,671
2028	1,515	3,193	4,708
2029-2033	8,250	15,091	23,341
2034-2038	10,765	13,351	24,116
2039-2043	13,630	10,796	24,426
2044-2048	16,510	7,467	23,977
2049-2053	18,855	3,190	22,045
2054-2058	2,156	59	2,215
Subtotal	<u>76,171</u>	<u>66,424</u>	<u>142,595</u>
Premium	<u>3,355</u>		<u>3,355</u>
Total	<u>\$ 79,526</u>	<u>\$ 66,424</u>	<u>\$ 145,950</u>

See Note 16 for debt issued subsequent to Aug. 31, 2023.

### General Obligation Bonds and General Obligation Bonds - Direct Placements - General Comments

The *Texas Constitution* authorizes the state to issue several types of general obligation bonds and general obligation bonds - direct placements. Each issue of general obligation bonds and general obligation bonds - direct placements is designed to be self-supporting from a primary revenue source related to the program being financed, except for the general obligation bonds of the Texas Public Finance Authority (TPFA), the Texas Water Development Board (TWDB), the Constitutional Appropriation Bonds (CABs) and the Texas Transportation Commission Highway Improvement Bonds.

The purpose and primary pledged revenue sources of each type of general obligation bond and general obligation bond - direct placement are summarized below.

The Texas Higher Education Coordinating Board issues bonds for educational loans to eligible Texas col-

lege students. Payments received on the loan contracts are applied to debt service on the bonds.

The Texas Parks and Wildlife Department (TPWD) issues bonds to finance the acquisition and development of state park sites. Park entrance fees, sporting goods sales tax revenue and investment earnings are applied to debt service on the bonds.

TPFA issues bonds to finance the acquisition, construction or renovation of buildings for the use of state agencies and institutions of higher education and to fund cancer research. The TPFA is also authorized to issue bonds to assist local government economic development projects and the Texas Military Value Revolving Loan Fund (TMVRLF). The bonds are payable from state appropriations.

TWDB issues bonds to provide financial assistance to political subdivisions for water conservation and development, water quality enhancement projects and flood control projects. Debt service payments are funded by principal and interest received on loans to political subdivisions, repayments of purchased water storage contracts, earnings on temporary investments and general revenues.

The Veterans Land Board (VLB) issues bonds to provide funds to loan to eligible Texas veterans for the purchase of land, housing or home improvements. Principal and interest payments on loans, plus investment earnings, are the primary source of repayment for bonds.

The Texas Department of Transportation (TxDOT), prior to Jan. 1, 2015, through the Texas mobility fund, issued general obligation bonds and general obligation bonds - direct placements to pay or reimburse the state highway fund for the payment of part of the costs of constructing, reconstructing, acquiring and expanding state highways. In addition, the bond proceeds provided funds for participation by the state in the payment of part of the costs of constructing and providing certain publicly owned toll roads and

other public transportation projects. After Jan. 1, 2015, TxDOT may only issue debt to refund existing debt in certain circumstances. Sources of pledged revenue for the Texas mobility fund include the United We Stand license plate fees, investment income, motor vehicle inspection fees, driver record information fees, driver license fees and certificate of title fees. Debt service for highway improvement bonds is provided by the state's general revenue.

CABs are issued in support of the construction programs of institutions of higher education not benefiting from the permanent university fund (PUF), which is dedicated to the University of Texas System (UT System) and Texas A&M University System (A&M System). Debt service payments on bonds issued are limited to the \$196.9 million in general revenue funds available for debt service each year.

The Economic Development and Tourism Office (EDTO), a division within the Office of the Governor, issues general obligation bonds to provide financial assistance to export businesses, promote domestic business development, provide loans to finance the commercialization of new and improved products and processes, and provide loans to defense-related communities for economic development projects. Debt service payments are funded from revenues of the EDTO, primarily from the repayment of loans and the disposition of debt instruments.

### General Obligation Bonds - Authorized But Unissued

The *Texas Constitution* limits the amount of bonds that can be issued in any of the general obligation categories. The amounts of general obligation bonds, other than CABs, authorized but unissued, as of Aug. 31, 2023, is presented in table 6F.

## General Obligation Bonds – Authorized But Unissued

Table 6F

August 31, 2023 (Amounts in Thousands)

Bond Type	Authorized But Unissued
<b>SELF-SUPPORTING</b>	
Texas Agricultural Finance Authority Bonds	\$ 230,000
Farm and Ranch Loan Bonds	300,000
Veterans Land and Housing Bonds	772,650
Texas Water Development Bonds	5,804,405
College Student Loan Bonds	792,420
Texas Military Value Revolving Loan Fund	200,405
Texas Mobility Bonds	3,565,920
Total Self-Supporting	<u>11,665,800</u>
<b>NOT SELF-SUPPORTING</b>	
Agricultural Water Conservation Bonds	164,840
Texas Public Finance Authority Bonds	3,194,827
Water Development Bonds - Economically Distressed Areas Program	105,579
Water Development Bonds - State Participation	200,000
Total Not-Self Supporting	<u>3,665,246</u>
Total General Obligation Bonds	<u>\$15,331,046</u>

### Revenue Bonds and Revenue Bonds - Direct Borrowings/Placements - General Comments

Each series of revenue bonds and revenue bonds - direct borrowings/placements is backed by the pledged revenue sources and restricted funds specified in the bond resolution. The purpose and primary pledged revenue sources of each type of revenue bond are summarized below. For more information on pledged revenues, also see Note 5, *Long-Term Liabilities*.

#### Self-Supporting

The VLB issues bonds to assist in the construction of skilled nursing care facilities for veterans and to make land and home mortgage loans to veterans. The bonds are limited and special revenue obligations payable solely from the income, revenues, receipts and collateral pledged under the related trust indentures.

The Texas Department of Housing and Community Affairs (TDHCA) issues bonds to assist in financing the

purchase of homes or the construction of rental housing for families with very low to moderate incomes and persons with special needs. Loan payments provide the revenues for debt service payments. The TDHCA also issued taxable bonds for investment in collateralized mortgage obligations of federal agencies, to finance mortgage loans and to carry out financial assistance programs.

TWDB issues bonds for the state water pollution control revolving fund. The proceeds are used to provide financial assistance to political subdivisions for water quality enhancement purposes. Principal and interest repayments from political subdivision loans are pledged for debt service requirements of the bonds.

The UT System and the A&M System issue PUF bonds to build, equip or buy buildings or other permanent improvements. The *Texas Constitution* limits the UT System's and the A&M System's PUF debt to an amount not to exceed 20 percent and 10 percent, respectively, of the cost value of PUF assets, excluding real estate. Revenue from investments of the PUF is pledged to secure the payment of principal and interest. The cost value of PUF assets as of Aug. 31, 2023, excluding real estate, was \$29.3 billion. A comparison between the legal debt limits and the actual bonds outstanding at that date is presented in table 6G.

bonds - direct borrowings/placements issued by each institution's governing board are secured by the pledged revenue of the respective institutions and are not an obligation of the state of Texas.

TxDOT issues revenue bonds and revenue bonds - direct placements to finance state highway improvement projects. Pledged revenues include all revenues deposited to the credit of the state highway fund, including dedicated registration fees, dedicated taxes, dedicated federal revenues, amounts collected or received pursuant to other state highway fund revenue laws and any interest or earnings from the investment of these funds.

The Texas Transportation Commission issued bonds to pay a portion of the costs of planning, designing, engineering, developing and constructing the initial phase of the Central Texas Turnpike System located in the city of Austin's Travis and Williamson counties. The bond obligations are payable from and secured solely by a first and second lien as applicable and pledge of the trust estate.

### Not Self-Supporting

The following revenue bonds are supported by pledged lease or rental revenue derived from contracts with other state agencies, which in turn comes from legislative appropriations.

The Texas Military Department (TMD), previously named the Adjutant General's Department, assumed the Texas Military Facilities Commission's (TMFC) responsibilities on Sept. 1, 2007. The TMFC's title to facilities, rental and other income pledged to the bonds was transferred to the TPFA. Title will pass to TMD upon final discharge of all bond obligations. Bonds are issued for the construction, expansion and renovation of armories. The bonds are payable from certain pledged revenues, primarily rentals from the TMD. As of Aug. 31, 2023, the bond obligations were still outstanding.

<b>Permanent University Fund Bonds</b>			
<b>Table 6G: Business-Type Activities</b>			
August 31, 2023 (Amounts in Thousands)			
<b>University System</b>	<b>Legal Debt Limits</b>	<b>Actual Bonds Payable</b>	<b>Authorized But Unissued</b>
University of Texas System	\$ 5,850,886	\$ 2,614,470	\$ 3,236,416
Texas A&M University System	2,925,443	1,523,285	1,402,158
<b>Total Bonds</b>	<b>\$ 8,776,329</b>	<b>\$ 4,137,755</b>	<b>\$ 4,638,574</b>

Miscellaneous college, university revenue bonds and university revenue bonds - direct borrowings/placements are issued to provide funds to acquire, construct, improve, enlarge and equip property, buildings, structures or facilities. The revenue bonds and revenue

TPFA issues bonds to finance the acquisition of real property and to construct, equip or renovate buildings for the use of state agencies and institutions of higher education. The bonds are payable from specified pledged revenues, collected primarily from occupant-agency rentals.

TPWD issues bonds for infrastructure repairs and construction. The bonds are payable from rent payments, funded by state appropriations, made by the TPWD to the TPFA.

### Build America Bonds (BABs)

The *American Recovery and Reinvestment Act* (ARRA) of 2009 was implemented in Feb. 2009. As part of this federal legislation, a new bond program called BABs was created. Authority to issue BABs expired on Dec. 31, 2010.

Texas Transportation Commission (TTC) and the UT System had \$3.3 billion and \$1.13 billion of direct payment BABs outstanding respectively, as of Aug. 31, 2023.

Under the *Budget Control Act* of 2011, across-the-board sequestration took effect on March 1, 2013. This resulted in the 35 percent federal subsidy for BABs interest payments being reduced by the applicable federal sequestration reduction rate.

### Variable Rate Bonds

Five state agencies had a total of 54 variable rate bond issues with outstanding balances as of Aug. 31, 2023. Most of the issues' interest rates reset every seven days. The remaining issues' interest rates reset daily or monthly. The potential vola-

tility for related debt service increases with these interest rate reset provisions.

### Demand Bonds

The VLB, TDHCA, TxDOT and the UT System had outstanding demand bonds as of Aug. 31, 2023.

A bond holder may tender any of these bonds for repurchase prior to maturity, usually every seven days. Any bonds so tendered will be purchased either by the proceeds of the remarketing of such bonds or, if not successfully remarketed, from amounts drawn under a letter of credit, liquidity agreement or standby purchase agreement of the respective agency until such time as the remarketing is finalized. There were no purchased bonds held by liquidity providers under the terms of the various agreements as of Aug. 31, 2023. Details are presented in tables 6H and 6I.

## Demand Bonds

**Table 6H**  
August 31, 2023

Description of Bond Issue	Number of Demand Bond Issues	Number of Standby Purchase Agreements <sup>1</sup>	Number of Others <sup>2</sup>	Principal Balance Outstanding (Amounts In Thousands)
<b>GOVERNMENTAL ACTIVITIES</b>				
General Obligation Bonds				
Texas Department of Transportation	1	—	1	\$ 150,000
Total General Obligation Bonds	1	0	1	150,000
Revenue Bonds				
Texas Department of Transportation	1	1	—	300,000
Total Revenue Bonds	1	1	0	300,000
Total Governmental Activities	2	1	1	\$ 450,000
<b>BUSINESS-TYPE ACTIVITIES</b>				
General Obligation Bonds				
Veterans Land Board	37	36	1	\$ 2,861,035
Total General Obligation Bonds	37	36	1	2,861,035
Revenue Bonds				
University of Texas System	4	—	4	1,226,475
Texas Department of Housing and Community Affairs	2	—	2	12,700
Total Revenue Bonds	6	0	6	1,239,175
Total Business-Type Activities	43	36	7	\$ 4,100,210

<sup>1</sup> See Demand Bonds - Standby Purchase Agreements table 6I.

<sup>2</sup> In the event redeemed bonds are not remarketed, internal funds of the agency are available for redemption.

## Demand Bond – Standby Purchase Agreements

**Table 6I**  
August 31, 2023

Counterparties	Number of Secured Bond Issue Agreements	Annual Liquidity Fee	Agreement Termination Date
Federal Home Loan Bank of Dallas	1	0.20%	12/18/24
Federal Home Loan Bank of Dallas	1	0.20%	01/09/25
Federal Home Loan Bank of Dallas	1	0.20%	01/13/26
Federal Home Loan Bank of Dallas	2	0.20%	11/01/27
Federal Home Loan Bank of Dallas	1	0.20%	06/27/28
JPMorgan Chase Bank, NA	1	0.35%	04/10/24
State Street Bank and Trust Company	7	0.32%	11/11/26
State Street Bank and Trust Company	2	0.35%	07/24/28
State Street Bank and Trust Company	7	0.35%	09/22/28
State Street Bank and Trust Company	6	0.35%	11/13/28
State Street Bank and Trust Company	1	0.35%	04/19/30
State Street Bank and Trust Company	2	0.36%	11/14/25
State Street Public Lending Corporation	1	0.35%	07/24/28
Sumitomo Mitsui Banking Corp	1	0.30%	01/15/27
Sumitomo Mitsui Banking Corp	1	0.30%	06/28/27
Sumitomo Mitsui Banking Corp	1	0.2 - 2.3%	10/01/26
T.D. Bank, NA	1	0.22%	12/18/24
Total Secured Bond Issue Agreements	<u>37</u>		

Takeout agreements are used by TxDOT to provide an alternative debt instrument to replace any repurchased bonds that were not remarketed within the prescribed time constraints. The estimated impact of such an event as of Aug. 31, 2023, is presented in table 6J.

## Demand Bonds – Takeout Agreement Provisions

**Table 6J: Governmental Activities**  
August 31, 2023

Description of Bond Issue	Estimated Debt Service <sup>1</sup> (Amounts in Thousands)	Rate	Basis
Revenue Bonds			
Texas Department of Transportation			
State Highway Fund Revenue			
Bonds Series 2014-B	\$ 404,797	9.50%	Base Rate +2%

<sup>1</sup> Replacement debt is subject to semi-annual payments over three years starting the first day of the sixth month of that period.

## Early Extinguishment of Debt

Early debt extinguishments for the fiscal year ended 2023, is presented in table 6K. The source of funds used for the extinguishments included loan repayments and other available funds.

## Early Extinguished Debt Issues

**Table 6K**  
August 31, 2023 (Amounts in Thousands)

Description of Bond	Early Extinguished Debt Issues
<b>BUSINESS-TYPE ACTIVITIES</b>	
General Obligation Bonds	
Texas Water Development Board	\$ 11,550
General Land Office	<u>26,630</u>
Total General Obligation Bonds	<u>38,180</u>
Revenue Bonds	
Texas Department of Housing and Community Affairs	<u>100,467</u>
Total Revenue Bonds	<u>100,467</u>
Total Bonds	<u>\$ 138,647</u>

## Refunding

Bonds refunded to lower interest rates or to restructure debt service requirements for cash management purposes for the fiscal year ended 2023, are presented in table 6L.

## Refunding Issues

Table 6L

August 31, 2023 (Amounts in Thousands)

Description of Refunding Issue	Types of Refunding	Par Value of Refunding Issue	Par Value Refunded	Cash Flow Difference Increase (Decrease)	Economic Gain (Loss)
<b>BUSINESS-TYPE ACTIVITIES</b>					
General Obligation Bonds					
Texas Water Development Board	Current Refunding	\$ 35,750	\$ 38,240	\$ 1,780	\$ 1,448
Revenue Bonds					
Texas Department of Transportation	Current Refunding	263,225	298,030	35,690	3,471
University of Texas System	Current Refunding	222,090	240,340	42,115	28,307
Total Business-Type Activities		<u>521,065</u>	<u>576,610</u>	<u>79,585</u>	<u>33,226</u>
Total Refunding Issues		<u>\$ 521,065</u>	<u>\$ 576,610</u>	<u>\$ 79,585</u>	<u>\$ 33,226</u>

## Defeased Bonds

Texas defeases various bond issues by placing funds in irrevocable trusts with external financial institutions to provide for all future debt service payments on the old bonds. The amounts of defeased bonds, at par, that remain outstanding for all bond issuers as of Aug. 31, 2023, is presented in table 6M. Also included are various bond issues defeased by placing funds in irrevocable trusts in the Texas Treasury Safekeeping Trust Company (Trust Company). Funds placed in the Trust Company to defease \$224.4 million in bonds are included in the state's financial statements in an custodial fund. The trust account assets and the liability for all other defeased bonds are not included in the state's financial statements. GASB Statement No. 86, *Certain Debt Extinguishment Issues*, establishes standards of accounting and financial reporting for in-substance defeasance transactions in which cash and other monetary assets acquired with only existing resources are placed in an irrevocable trust for the purpose of extinguishing debt. Cash defeasance undertaken for cost considerations as of Aug. 31, 2023, is presented in table 6N.

## Defeased Bonds Outstanding

Table 6M

August 31, 2023 (Amounts in Thousands)

Description of Bond	Defeased Bonds Outstanding
<b>GOVERNMENTAL ACTIVITIES</b>	
General Obligation Bonds	
Texas Public Finance Authority	\$ 224,405
Texas Water Development Board	6,380
Texas Department of Transportation	1,827,575
Revenue Bonds	
Texas Department of Transportation	358,625
Total Governmental Activities	<u>2,416,985</u>
<b>BUSINESS-TYPE ACTIVITIES</b>	
General Obligation Bonds	
Texas Water Development Board	62,635
Revenue Bonds	
Texas Department of Transportation	1,519,772
Texas State University System	30,105
Revenue Bonds – Direct Placements	
Texas Department of Transportation	83,775
Total Business-Type Activities	<u>1,696,287</u>
Total Defeased Bonds Outstanding	<u>\$ 4,113,272</u>

## Cash Defeasance

Table 6N

August 31, 2023

Description of Cash Defeasance	Number of Cash Defeasance	(Amounts in Thousands)		
		Cash Defeasance	Placed with Escrow Agent	Cash Flows Required to Service Defeased Debt
<b>BUSINESS-TYPE ACTIVITIES</b>				
Revenue Bonds				
University of Texas System	1	\$ 81,967	\$ 79,675	\$ 79,675
Total Cash Defeasance	1	\$ 81,967	\$ 79,675	\$ 79,675

### Conduit Debt

GASB Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations and clarity associated with commitments extended by issuers, arrangements associated with conduit debt obligations and related note disclosures.

The Texas State Affordable Housing Corporation (TSAHC), a discrete component unit of the state, is authorized to issue statewide 501(c)(3) tax-exempt multifamily mortgage revenue bonds under *Texas Government Code*, Section 2306.555. The 501(c)(3) tax-exempt multifamily mortgage revenue bond program provides long-term variable-rate or fixed-rate financing to nonprofit borrowers/developers of new or existing multifamily rental properties in order to generate and/or preserve affordable rental housing. TSAHC may finance single developments or pools of properties located throughout the state of Texas. Borrowers must agree to set aside a prescribed percentage of a property's units for rent to persons and families of low income. TSAHC finances properties under the program primarily through the sale of tax-exempt multifamily housing revenue bonds.

The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. TSAHC, the state and any political subdivision thereof are not obligated in any manner for repayment of the bonds. Accordingly, the

bonds are not reported as liabilities in the accompanying statements.

As of Aug. 31, 2023, there were 28 series of multifamily housing revenue bonds outstanding with an aggregate \$465.4 million principal amount payable.

The Texas Private Activity Bond Surface Transportation Corporation (TxPABST), a blended component unit of the state, issued seven series of bonds in the aggregate amount of \$3.6 billion that remains outstanding as of Aug. 31, 2023. The proceeds were loaned to LBJ Infrastructure Group LLC, NTE Mobility Partners LLC, NTE Mobility Partners Segments 3 LLC and Blueridge Transportation Group, LLC to finance the development and expansion of public transportation projects. Debt service is funded from loan and interest repayments from the borrowers. The bonds do not constitute a debt or pledge of the faith and credit of TxPABST, TxDOT or the state of Texas. Remaining bond authority has expired.

In accordance to GASB Statement No. 91, the Texas Department of Housing and Community Affairs (TDHCA) eliminated debt related to the Multifamily Bond Program where the Department is only a conduit issuer. As of Aug. 31, 2023, the bonds issues outstanding and notes outstanding are primarily issued to provide funding to nonprofit and for-profit developers of multifamily properties to construct or rehabilitate rental housing and are secured by these assets and their respective revenue. These bonds and notes are limited obligations of the Department and are payable solely from the payments received from the assets and guarantors, which secure the bonds and notes.

### Interest Rate Swaps

Effective interest rate swap agreements are considered hedging derivatives. The aggregate debt service requirements and associated net swap payments are



detailed in this note. See Note 7, *Derivative Instruments*, for additional information.

### Estimated Debt Service of Swap Payments

The debt service requirements of the state's variable-rate, fixed-rate bonds and associated net swap payments were estimated using rates as of Aug. 31, 2023 and are presented in tables 6O, 6P and 6Q.

### Pay-Fixed, Receive-Variable Interest Rate Swaps: Estimated Debt Service Requirements of Variable-Rate Debt Outstanding and Net Swap Payments

Table 6O

August 31, 2023 (Amounts in Thousands)

Year	Variable-Rate Bonds		Interest Rate Swaps, Net	Total
	Principal	Interest		
2024	\$ 277,390	\$ 192,036	\$ (70,263)	\$ 399,163
2025	306,010	184,977	(66,561)	424,426
2026	295,205	171,721	(62,618)	404,308
2027	291,030	158,826	(58,747)	391,109
2028	274,045	146,379	(55,067)	365,357
2029 - 2033	1,166,705	571,475	(227,663)	1,510,517
2034 - 2038	915,905	359,603	(166,740)	1,108,768
2039 - 2043	336,735	211,390	(123,347)	424,778
2044 - 2048	383,305	120,224	(75,254)	428,275
2049 - 2053	297,715	19,489	(11,583)	305,621
2054 - 2058	3,155	120	(36)	3,239
Total	<u>\$ 4,547,200</u>	<u>\$ 2,136,240</u>	<u>\$ (917,879)</u>	<u>\$ 5,765,561</u>

### Pay-Variable, Receive-Variable Interest Rate Swaps: Estimated Debt Service Requirements of Variable-Rate Debt Outstanding and Net Swap Payments

Table 6P

August 31, 2023 (Amounts in Thousands)

Year	Variable-Rate Bonds		Interest Rate Swaps, Net	Total
	Principal	Interest		
2024	\$ 1,735	\$ 1,088	\$ (618)	\$ 2,205
2025	1,845	986	(560)	2,271
2026	1,955	878	(499)	2,334
2027	2,080	763	(434)	2,409
2028	2,210	641	(364)	2,487
2029 - 2033	10,155	1,036	(589)	10,602
Total	<u>\$ 19,980</u>	<u>\$ 5,392</u>	<u>\$ (3,064)</u>	<u>\$ 22,308</u>

### Pay-Variable, Receive-Fixed Interest Rate Swaps: Estimated Debt Service Requirements of Fixed-Rate Debt Outstanding and Net Swap Payments

Table 6Q

August 31, 2023 (Amounts in Thousands)

Year	Fixed-Rate Bonds		Interest Rate Swaps, Net	Total
	Principal	Interest		
2024	\$	\$ 6,409	\$ 851	\$ 7,260
2025		6,409	1,038	7,447
2026		6,409	1,038	7,447
2027		6,409	1,038	7,447
2028		6,409	1,038	7,447
2029 - 2033	128,180	28,919	4,685	161,784
Total	<u>\$ 128,180</u>	<u>\$ 60,964</u>	<u>\$ 9,688</u>	<u>\$ 198,832</u>

The tables were prepared assuming current interest rates and swap index relationships remain the same for their terms. As rates and index relationships vary in the future, so will the resulting actual interest payments and net swap payments.

# Note 7

## Derivative Instruments

Derivative instruments are financial instruments (securities or contracts) whose value is linked to or derived from changes in interest rates, currency rates and stock and commodity prices. These securities or contracts serve as components of the investment strategies of certain state agencies, public employee retirement systems and institutions of higher education. Those investment strategies are utilized to manage and reduce the risk of the overall investment portfolio. Investment derivative levels and types are monitored to ensure that portfolio derivatives are consistent with the intended purpose and at the appropriate level.

Hedging derivative instruments are entered into to reduce the overall cost of borrowing long-term capital and protect against the risk of rising interest rates. The hedging derivative instruments primarily consist of interest rate swap agreements entered into in connection with long-term bonds. The derivative instrument contracts enable the state to issue bonds at a cost less than what the state would have paid to issue conventional fixed rate debt.

Investment derivative instruments are entered into with the intention of managing transaction risk, reducing interest cost, or reducing currency exchange risk in purchasing, selling or holding investments. Ineffective hedges are also reported as investment derivative instruments.

### Summary of Derivative Instrument Activity

The fair value of effective hedging derivative instruments is recorded as derivative instrument assets (positive fair value) and derivative instrument liabilities (negative fair value). The cumulative change in fair value of effective hedging derivative instruments is reported as deferred outflows of resources and deferred inflows of resources. The type of derivative instruments held by

entity as of Aug. 31, 2023, is presented in table 7A. The state's cumulative derivative instrument activity as of Aug. 31, 2023, is presented in table 7B. The notional amounts are presented in U.S. dollar equivalents.

### Derivative Instruments by Entity and Type

Table 7A

August 31, 2023

#### Type/Entity of Derivative Instruments

##### Hedging Derivative Instruments

Texas Department of Housing and Community Affairs (TDHCA)

##### Investment Derivative Instruments

Comptroller - Fiscal (CPA)

Comptroller Treasury - Fiscal (TREAS)

Employees Retirement System of Texas (ERS)

Office of Consumer Credit Commission (OCCC)

Teacher Retirement System of Texas (TRS)

Texas Department of Agriculture (TDA)

Texas Historical Commission (THC)

Texas Permanent School Fund Corporation (Texas PSF)<sup>1</sup>

Texas Tech University System (TTU System)

##### Hedging and Investment Derivative Instruments

University of Texas System (UT System)

Veterans Land Board (VLB)

<sup>1</sup> The Texas PSF is a discretely presented component unit of the state of Texas.

## Summary of Derivative Instrument Activity

Table 7B

August 31, 2023 (Amounts in Thousands)

Derivative Instrument Type	Change in Fair Value	Fair Value	Notional Amount
<b>GOVERNMENTAL ACTIVITIES</b>			
<i>Investment Derivative Instruments</i>			
Total Return Swaps	\$ (1,197)	\$ 1,088	\$ 324,133
<b>BUSINESS-TYPE ACTIVITIES</b>			
<i>Cash Flow Hedges</i>			
Pay-Fixed Receive-Variable Interest Rate Swaps	\$ 166,955	\$ 231,128	\$ 4,547,200
Pay-Variable Receive-Fixed Interest Rate Swaps	541	541	128,180
<i>Investment Derivative Instruments</i>			
Pay-Fixed Receive-Variable Interest Rate Swaps	\$ (15,366)	\$ (23,579)	\$ 2,111,456
Pay-Variable Receive-Fixed Interest Rate Swaps	8,720	12,156	262,911
Basis Swaps	339	99	19,980
Commodity Swaps	(2,654)	(2,654)	196,808
Credit Default Swaps	4,181	4,403	343,364
Currency Swaps	177	42	12,847
Equity Swaps	(21,397)	(21,397)	1,420,861
Fixed Income Swaps	612	612	135,305
Foreign Currency Forward	(12,161)	(12,161)	3,330,741
Futures	(580)	(580)	6,048,443
Options	(9,915)	26,262	3,134,209
Volatility Swaps	536	561	20,912
Total Return Swaps	48,431	25,808	566,978
<i>Investment Derivative Instrument Assets</i>			
Pay-Fixed Receive-Variable Interest Rate Swaps	\$ 13,607	\$ 41,277	\$ 804,760
<i>Investment Derivative Instrument Liabilities</i>			
Pay-Fixed Receive-Variable Interest Rate Swaps	\$ 974	\$	\$
<b>FIDUCIARY ACTIVITIES</b>			
<i>Investment Derivative Instruments</i>			
Pay-Fixed Receive-Variable Interest Rate Swaps	\$ (65)	\$ (97)	\$ 8,039
Pay-Variable Receive-Fixed Interest Rate Swaps	32	44	953
Commodity Swaps	(10)	(10)	769
Credit Default Swaps	46,551	4,180	655,319
Currency Swaps	1		48
Equity Swaps	(88)	(88)	5,398
Fixed Income Swaps	2	2	502
Foreign Currency Forward	(73)	(73)	12,631
Forwards Contracts	(98,726)	52,859	4,452,430
Futures	(119,137)	153,722	16,311,108
Options	89,182	(10,684)	(9,516)
Volatility Swaps	2	2	78
Interest Rate Swaps	5,585	2,650	471,212
Rights	(33)	80	594
Total Return Swaps	477,824	39,679	6,666,682
Warrants	(12,690)	7,430	908
<b>DISCRETE COMPONENT UNITS</b>			
<i>Investment Derivative Instruments</i>			
Futures	\$ (77,278)	\$	\$ 938,843
Options	162	162	9,540
Total Return Swaps	5,152	2,745	60,318

## Fair Value Measurement

Derivative instruments are recorded at fair value. The fair values of the interest rate swaps were determined using a combination of methods.

The University of Texas System (UT System) has calculated the fair value of the interest rate swaps using a forecast of expected discounted future net cash flows. The UT System continued to use the zero-coupon method in determining the fair values of their effective interest rate swaps, but also considered the nonperformance risk of the parties, as required by GASB Statement No. 72, *Fair Value Measurement and Application*. All of the UT System's interest rate swaps are classified in Level 2 of the fair value hierarchy. Other swaps are fair valued by using independent broker quotes or using models with primarily externally verifiable model inputs and are also classified as Level 2.

The Veterans Land Board's (VLB) fair value measurements of its swap transactions were calculated by an independent third-party swap advisory consultant using the income approach, as described in GASB Statement No. 72. Using observable inputs from interest rate markets and credit default swap prices, the fair value measurements are determined based upon the present value of future implied cash flows. Since the inputs to these

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fair value measurements are observable from market data sources, they constitute Level 2 measurements, as described in GASB Statement No. 72.

Several of VLB's effective interest rate swaps contain a provision for the state to be "knocked out" of the swaps by the respective counterparties upon the breach of certain predetermined barriers. In each of these cases, VLB was paid an up-front option premium by the respective counterparties. For swaps with knock-out provisions, the knock-out is mandatory and is periodic in nature, with the knock-out period corresponding only to the period during which the respective barrier is breached. The knock-out provisions are an integral part of the associated swaps and the fair values of the swaps include the effects of the knock-outs.

Texas Department of Housing and Community Affairs (TDHCA) adopted the income approach from GASB Statement No. 72 in the fair value measurement of their derivative instruments. Using observable inputs of interest rate markets and municipal bond yields, the fair value measurement is based on the present value of future implied cash flows reflective of nonperformance risk. All TDHCA's derivative instruments are classified in Level 2 of the fair value hierarchy.

## Hedging Derivative Instruments

The state entered into interest rate swap agreements with various counterparties, all of which are highly rated financial institutions, to manage various risks associated with the state's debt programs. The state's interest rate swaps are contractual agreements entered into between the state and a counterparty under which each party agrees to exchange periodic fixed or variable payments, based upon a stated notional amount, over the stated life of the agreement. The net differential paid or received is recognized over the life of the agreement as an adjustment to interest expense. Interest rate swaps determined to be hedging derivative instruments are designated as cash flow hedges. In fiscal 2023 all, except

two, cash flow hedges were pay-fixed interest rate swaps. The combination of these swaps and variable-rate bonds creates synthetic fixed-rate debt. The use of synthetic fixed-rate debt has historically lowered the state's borrowing costs, as compared to the borrowing costs associated with the issuance of traditional fixed-rate bonds.

The VLB is a party to one pay-variable, receive-variable rate bond issue. The swap is a One Month Fallback SOFR-to-SIFMA basis swap, and effectively converts the variable rate on the associated taxable variable-rate bond issue from a One Month Fallback SOFR (Secured Overnight Financing Rate), taxable, based rate to a SIFMA (Securities Industry and Financial Markets Association), tax-exempt, based rate. This swap is expected to generate an effective lower borrowing cost over the life of the swap.

The UT System is a party to one pay-variable, receive-fixed rate bond issue. The interest rate on the variable rate bonds is a tax-exempt interest rate based on the System's credit rating(s). The variable receipt on the interest rate swap is based on either a tax-exempt index (SIFMA) or a taxable index (SOFR).

## Significant Terms and Credit Ratings

The significant terms and credit ratings of the state's hedging derivative instruments as of Aug. 31, 2023, are presented in table 7C. The variable rates are quoted in terms of a percentage of the Fallback Secured Overnight Financing Rate (SOFR) or Securities Industry and Financial Markets Association (SIFMA) municipal swap or United States Federal Funds (USDF) index rates as noted. Standard & Poor's and Moody's Investors Service credit ratings are disclosed for each swap.

## Hedging Interest Rate Swaps: Significant Terms and Credit Ratings

Table 7C

August 31, 2023 (Amounts in Thousands)

Associated Bond Issue	Notional Amount	Effective Date	Maturity Date	Term
<b>VETERANS LAND BOARD – PAY-FIXED, RECEIVE-VARIABLE INTEREST RATE SWAPS</b>				
Vet Hsg Fund II Bds Ser 2001A-2	\$ 15,225	03/22/2001	12/01/2029	Pay 4.259%; receive 68% of USD-Fallback-SOFR-1M
Vet Hsg Fund II Bds Ser 2001C-2	21,245	12/18/2001	12/01/2033	Pay 4.365%; receive 68% of USD-Fallback-SOFR-1M
Vet Land Bds Ser 2002	9,745	02/21/2002	12/01/2032	Pay 4.14%; receive 68% of USD-Fallback-SOFR-1M
Vet Hsg Fund II Bds Ser 2002A-2	22,040	07/10/2002	06/01/2033	Pay 3.8725%; receive 68% of USD-Fallback-SOFR-1M
Vet Hsg Fund II Bds Ser 2003A	13,480	03/04/2003	06/01/2034	Pay 3.304%; receive 68% of USD-Fallback-SOFR-1M
Vet Hsg Fund II Bds Ser 2003B	14,460	10/22/2003	06/01/2034	Pay 3.403%; receive 64.5% of USD-Fallback-SOFR-1M
Vet Hsg Fund II Bds Ser 2004B	16,495	09/15/2004	12/01/2034	Pay 3.68%; receive 68% of USD-Fallback-SOFR-1M
Vet Hsg Fund II Bds Ser 2005A	16,270	02/24/2005	06/01/2035	Pay 3.279%; receive 68% of USD-Fallback-SOFR-1M
Vet Hsg Fund II Bds Ser 2006A	19,525	06/01/2006	12/01/2036	Pay 3.517%; receive 68% of USD-Fallback-SOFR-1M
Vet Hsg Fund II Bds Ser 2006D	20,325	09/20/2006	12/01/2036	Pay 3.689%; receive 68% of USD-Fallback-SOFR-1M
Vet Hsg Fund II Bds Ser 2007A	21,085	02/22/2007	06/01/2037	Pay 3.645%; receive 68% of USD-Fallback-SOFR-1M
Vet Hsg Fund II Bds Ser 2007B	21,440	06/26/2007	06/01/2038	Pay 3.712%; receive 68% of USD-Fallback-SOFR-1M
Vet Hsg Fund II Bds Ser 2008A	22,320	03/26/2008	12/01/2038	Pay 3.189%; receive 68% of USD-Fallback-SOFR-1M
Vet Hsg Fund II Bds Ser 2008B	23,405	09/11/2008	12/01/2038	Pay 3.225%; receive 68% of USD-Fallback-SOFR-1M
Vet Bds Ser 2010C	40,970	08/20/2010	12/01/2040	Pay 2.3095%; receive 68% of USD-Fallback-SOFR-3M
Vet Bds Ser 2011A	40,345	03/09/2011	06/01/2041	Pay 2.675%; receive 68% of USD-SOFR-Compound + 0.1779%
Vet Bds Ser 2011B	41,200	08/25/2011	12/01/2041	Pay 2.367%; receive 68% of USD-SOFR-Compound + 0.1779%
Vet Bds Ser 2011C	41,965	12/15/2011	06/01/2042	Pay 1.917%; receive 68% of USD-Fallback-SOFR-3M
Vet Bds Ser 2012A	41,280	05/23/2012	12/01/2042	Pay 1.692%; receive 68% of USD-Fallback-SOFR-3M
Vet Bds Ser 2012B	53,390	11/01/2012	12/01/2042	Pay 1.447%; receive 68% of USD-Fallback-SOFR-3M
Vet Bds Ser 2013A	60,005	03/20/2013	06/01/2043	Pay 1.7%; receive 68% of USD-Fallback-SOFR-3M
Vet Bds Ser 2013B	89,655	08/22/2013	12/01/2043	Pay 2.145%; receive 68% of USD-Fallback-SOFR-1M
Vet Hsg Fund II Tax Ref Bds Ser 2013C	14,505	12/01/2006	12/01/2026	Pay 5.461%; receive 100% of USD-Fallback-SOFR-1M
Vet Hsg Fund II Tax Ref Bds Ser 2013C	24,360	12/01/2007	06/01/2029	Pay 4.658%; receive 100% of USD-Fallback-SOFR-1M
Vet Hsg Fund II Tax Ref Bds Ser 2013C	36,745	12/01/2009	06/01/2031	Pay 5.4525%; receive 100% of USD-Fallback-SOFR-6M
Vet Bds Ser 2014A	93,260	03/03/2014	06/01/2044	Pay 2.179%; receive 68% of USD-Fallback-SOFR-1M
Vet Hsg Fund I Tax Ref Bds Ser 2014B-1	4,215	06/01/2004	12/01/2024	Pay 5.45%; receive 100% of USD-Fallback-SOFR-6M
Vet Hsg Fund I Tax Ref Bds Ser 2014B-1	1,600	12/01/2005	12/01/2023	Pay 4.929%; receive 100% of USD-Fallback-SOFR-1M
Vet Hsg Fund I/II Tax Ref Bds Ser 2014B-1 & C-2	6,735	12/01/2005	06/01/2026	Pay 5.145%; receive 100% of USD-Fallback-SOFR-1M
Vet Land Tax Ref Bds Ser 2014B-3	7,290	12/01/2005	12/01/2026	Pay 6.517%; receive 100% of USD-Fallback-SOFR-6M
Vet Hsg Fund I Tax Ref Bds Ser 2014C-1	14,985	08/01/2012	12/01/2033	Pay 3.76%; receive 68% of USD-Fallback-SOFR-1M

<sup>1</sup> PUF stands for permanent university fund and RFS stands for revenue financing system.

*Continued on the following page*

## Hedging Interest Rate Swaps: Significant Terms and Credit Ratings (continued)

Table 7C

August 31, 2023 (Amounts in Thousands)

Associated Bond Issue	Knock-Out Barrier	Up Front Premium Received	Counterparty Credit Ratings
<b>VETERANS LAND BOARD – PAY-FIXED, RECEIVE-VARIABLE INTEREST RATE SWAPS</b>			
Vet Hsg Fund II Bds Ser 2001A-2	N/A	\$	A / A2
Vet Hsg Fund II Bds Ser 2001C-2	N/A		AA- / Aa2
Vet Land Bds Ser 2002	N/A		A- / A1
Vet Hsg Fund II Bds Ser 2002A-2	N/A		A+ / Aa2
Vet Hsg Fund II Bds Ser 2003A	N/A		A+ / Aa2
Vet Hsg Fund II Bds Ser 2003B	N/A		AA- / Aa2
Vet Hsg Fund II Bds Ser 2004B	N/A		A+ / Aa2
Vet Hsg Fund II Bds Ser 2005A	N/A		AA- / Aa2
Vet Hsg Fund II Bds Ser 2006A	N/A		A+ / Aa1
Vet Hsg Fund II Bds Ser 2006D	N/A		A+ / Aa3
Vet Hsg Fund II Bds Ser 2007A	N/A		AA- / Aa2
Vet Hsg Fund II Bds Ser 2007B	N/A		A+ / Aa2
Vet Hsg Fund II Bds Ser 2008A	N/A		A+ / Aa1
Vet Hsg Fund II Bds Ser 2008B	N/A		AA- / Aa2
Vet Bds Ser 2010C	N/A		A- / A1
Vet Bds Ser 2011A	N/A		AA- / Aa2
Vet Bds Ser 2011B	N/A		AA- / Aa2
Vet Bds Ser 2011C	N/A		AA- / Aa2
Vet Bds Ser 2012A	N/A		AA- / Aa2
Vet Bds Ser 2012B	N/A		AA- / Aa2
Vet Bds Ser 2013A	N/A		AA- / Aa2
Vet Bds Ser 2013B	N/A		AA- / Aa2
Vet Hsg Fund II Tax Ref Bds Ser 2013C	USD-Fallback-SOFR-1M $\geq$ 7.00%; USD-Fallback-SOFR-6M $>$ 4.00% and SIFMA/Fallback SOFR Ratio $>$ 74%	2,652 1,018	A+ / Aa2
Vet Hsg Fund II Tax Ref Bds Ser 2013C	USD-Fallback-SOFR-1M $\geq$ 7.00%; SIFMA/5Y ISDA CMS $>$ 71%	935 1,020	A+ / Aa2
Vet Hsg Fund II Tax Ref Bds Ser 2013C	USD-Fallback-SOFR-6M $\geq$ 7.00%	2,740	A+ / Aa2
Vet Bds Ser 2014A	N/A		A+ / Aa2
Vet Hsg Fund I Tax Ref Bds Ser 2014B-1	USD-Fallback-SOFR-6M $\geq$ 7.00%	1,442	A+ / Aa2
Vet Hsg Fund I Tax Ref Bds Ser 2014B-1	USD-Fallback-SOFR-1M $\geq$ 7.00%; USD-Fallback-SOFR-6M $>$ 4.00% and SIFMA/Fallback SOFR Ratio $>$ 74%	484 267	A+ / Aa2
Vet Hsg Fund I/II Tax Ref Bds Ser 2014B-1 & C-2	USD-Fallback-SOFR-1M $\geq$ 7.00%; USD-Fallback-SOFR-6M $>$ 4.00% and SIFMA/Fallback SOFR Ratio $>$ 74%	1,367 567	A+ / Aa2
Vet Land Tax Ref Bds Ser 2014B-3	USD-Fallback-SOFR-6M $\geq$ 7.00%	1,542	A+ / Aa2
Vet Hsg Fund I Tax Ref Bds Ser 2014C-1	USD-Fallback-SOFR-1M $\geq$ 7.00%	579	A+ / Aa1

<sup>1</sup> PUF stands for permanent university fund and RFS stands for revenue financing system.

Continued on the following page

## Hedging Interest Rate Swaps: Significant Terms and Credit Ratings (continued)

Table 7C

August 31, 2023 (Amounts in Thousands)

Associated Bond Issue	Notional Amount	Effective Date	Maturity Date	Term
<b>VETERANS LAND BOARD – PAY-FIXED, RECEIVE-VARIABLE INTEREST RATE SWAPS</b>				
Vet Hsg Fund II Tax Ref Bds Ser 2014C-2	\$ 13,555	06/01/2006	12/01/2026	Pay 5.83%; receive 100% of USD-Fallback-SOFR-1M
Vet Hsg Fund II Tax Ref Bds Ser 2014C-2	7,830	06/01/2006	12/01/2027	Pay 5.79%; receive 100% of USD-Fallback-SOFR-6M
Vet Hsg Fund II Tax Ref Bds Ser 2014C-1 & C-2	39,755	06/01/2010	12/01/2031	Pay 5.401%; receive 100% of USD-Fallback-SOFR-1M
Vet Hsg Fund II Tax Ref Bds Ser 2014C-1 & C-2	12,710	12/01/2010	06/01/2032	Pay 2.79%; receive 100% of USD-Fallback-SOFR-1M
Vet Land Tax Ref Bds Ser 2014C-3	10,645	06/01/2006	12/01/2027	Pay 6.54%; receive 100% of USD-Fallback-SOFR-6M
Vet Land Tax Ref Bds Ser 2014C-3	8,890	12/01/2010	12/01/2030	Pay 5.209%; receive 100% of USD-Fallback-SOFR-1M
Vet Land Tax Ref Bds Ser 2014C-4	1,290	12/01/2003	12/01/2023	Pay 5.123%; receive 100% of USD-Fallback-SOFR-1M
Vet Land Tax Ref Bds Ser 2014C-4	3,825	12/01/2004	12/01/2024	Pay 5.455%; receive 100% of USD-Fallback-SOFR-6M
Vet Land Tax Ref Bds Ser 2014C-4	7,215	06/01/2006	12/01/2026	Pay 4.61%; receive 100% of USD-Fallback-SOFR-6M
Vet Land Tax Ref Bds Ser 2014C-4	14,200	12/01/2006	12/01/2027	Pay 6.513%; receive 100% of USD-Fallback-SOFR-1M
Vet Bds Ser 2014D	63,285	09/10/2014	06/01/2045	Pay 1.9395%; receive 68% USD-SOFR-Compound + 0.07785%
Vet Bds Ser 2015A	80,525	02/11/2015	06/01/2045	Pay 1.51%; receive 68% USD-SOFR-Compound + 0.07785%
Vet Bds Ser 2015B	85,320	07/22/2015	06/01/2046	Pay 1.771%; receive 68% of USD-Fallback-SOFR-1M
Vet Bds Ser 2016	135,305	12/01/2016	12/01/2046	Pay 1.564%; receive 68% of USD-Fallback-SOFR-1M
Vet Bonds Series 2017	149,470	08/01/2017	12/01/2047	Pay 1.175%; receive 68% of USD-Fallback-SOFR-1M + 0.085%
Vet Bonds Series 2018	178,290	04/01/2019	12/01/2049	Pay 2.0745%; receive 72% of USD-SOFR-Compound + 0.08240%
Vet Bonds Series 2019	194,250	12/01/2019	06/01/2050	Pay 1.851%; receive 65% of USD Fed Funds + 0.24%
Vet Bonds Series 2020	207,755	09/01/2020	12/01/2050	Pay 1.0847%; receive 65% of USD Fed Funds + 0.24%
Vet Bonds Series 2021	226,255	12/01/2021	12/01/2051	Pay 0.649%; receive 66.5% of USD Fed Funds + 0.18%
Vet Bonds Series 2022	248,090	12/01/2023	06/01/2053	Pay 2.0143%; receive 65% of USD Fed Funds + 0.24%
Vet Bonds Series 2023	250,000	05/23/2023	06/01/2054	Pay 2.6450%; receive 65% of USD-SOFR + 0.24%
Vet Bonds Taxable Series 2023A	250,000	09/01/2023	12/01/2054	Pay 3.6130%; receive 100% of USD-SOFR
<b>VETERANS LAND BOARD – PAY-VARIABLE, RECEIVE-VARIABLE INTEREST RATE SWAPS</b>				
Vet Land Tax Ref Bds Ser 2014C-3	19,980	08/05/2002	12/01/2032	Pay 131.25% of SIFMA; receive 100% of 1M Fallback SOFR
<b>TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS – PAY-FIXED, RECEIVE-VARIABLE INTEREST RATE SWAPS</b>				
2005A Single Family	7,485	08/01/2005	09/01/2036	Pay 4.01%; The lesser of (the greater of 65% of 1M Fallback SOFR and 56% of 1M Fallback SOFR + 0.45%) and 1M Fallback SOFR; currently 65% of 1M Fallback SOFR
2007A Single Family	5,215	06/05/2007	09/01/2038	Pay 4.013%; The lesser of (the greater of 65% of 1M Fallback SOFR and 56% of 1M Fallback SOFR + 0.45%) and 1M Fallback SOFR; currently 65% of 1M Fallback SOFR
<b>UNIVERSITY OF TEXAS SYSTEM – PAY-FIXED, RECEIVE-VARIABLE INTEREST RATE SWAPS<sup>1</sup></b>				
RFS Bonds 2007B	141,760	12/20/2007	08/01/2034	Pay 3.805%; receive SIFMA
RFS Bonds 2007B	141,760	12/20/2007	08/01/2034	Pay 3.805%; receive SIFMA
PUF Bonds 2008A	162,453	11/03/2008	07/01/2038	Pay 3.696%; receive SIFMA
PUF Bonds 2008A	162,453	11/03/2008	07/01/2038	Pay 3.6575%; receive SIFMA
RFS Bonds 2008B	94,830	03/18/2008	08/01/2036	Pay 3.900%; receive SIFMA
RFS Bonds 2008B	94,830	03/18/2008	08/01/2036	Pay 3.900%; receive SIFMA
RFS Bonds 2008B	178,390	03/18/2008	08/01/2039	Pay 3.614%; receive SIFMA
RFS Bonds 2016G	250,000	12/01/2016	08/01/2045	Pay 2.000%; receive 100% of \$1M SOFR
RFS Taxable Commercial Paper	250,000	11/01/2020	08/01/2049	Pay 1.576%; receive 100% of \$1M SOFR
<b>UNIVERSITY OF TEXAS SYSTEM – PAY-VARIABLE, RECEIVE-FIXED INTEREST RATE SWAPS<sup>1</sup></b>				
PUF Bonds 2023A	128,180	09/01/2023	07/01/2023	Pay SIFMA; Receive 3.250%

<sup>1</sup> PUF stands for permanent university fund and RFS stands for revenue financing system.

Concluded on the following page

## Hedging Interest Rate Swaps: Significant Terms and Credit Ratings (concluded)

Table 7C

August 31, 2023 (Amounts in Thousands)

Associated Bond Issue	Knock-Out Barrier	Up Front Premium Received	Counterparty Credit Ratings
<b>VETERANS LAND BOARD – PAY-FIXED, RECEIVE-VARIABLE INTEREST RATE SWAPS</b>			
Vet Hsg Fund II Tax Ref Bds Ser 2014C-2	USD-Fallback-SOFR-1M $\geq$ 7.00%	\$ 1,992	A+ / Aa2
Vet Hsg Fund II Tax Ref Bds Ser 2014C-2	USD-Fallback-SOFR-6M $\geq$ 7.00%	1,493	A+ / Aa2
Vet Hsg Fund II Tax Ref Bds Ser 2014C-1 & C-2	USD-Fallback-SOFR-1M $\geq$ 7.00%	2,355	A+ / Aa2
	USD-Fallback-SOFR-6M $>$ 4.00% and SIFMA/Fallback SOFR Ratio $>$ 74%	1,427	
Vet Hsg Fund II Tax Ref Bds Ser 2014C-1 & C-2	N/A		AA- / Aa2
Vet Land Tax Ref Bds Ser 2014C-3	USD-Fallback-SOFR-6M $\geq$ 7.00%	1,931	A+ / Aa2
Vet Land Tax Ref Bds Ser 2014C-3	USD-Fallback-SOFR-1M $\geq$ 7.00%	466	A+ / Aa2
	USD-Fallback-SOFR-6M $>$ 4.00% and SIFMA/Fallback SOFR Ratio $>$ 74%	208	
Vet Land Tax Ref Bds Ser 2014C-4	USD-Fallback-SOFR-1M $\geq$ 7.00%	1,896	A+ / Aa2
Vet Land Tax Ref Bds Ser 2014C-4	USD-Fallback-SOFR-6M $\geq$ 7.00%	2,075	A- / A1
Vet Land Tax Ref Bds Ser 2014C-4	USD-Fallback-SOFR-6M $\geq$ 7.00%	886	AA- / Aa2
Vet Land Tax Ref Bds Ser 2014C-4	USD-Fallback-SOFR-1M $\geq$ 7.00%	2,725	A+ / Aa2
Vet Bds Ser 2014D	N/A		AA- / Aa2
Vet Bds Ser 2015A	N/A		AA- / Aa2
Vet Bds Ser 2015B	N/A		A+ / Aa2
Vet Bds Ser 2016	N/A		A+ / Aa2
Vet Bonds Series 2017	N/A		A+ / Aa3
Vet Bonds Series 2018	N/A		AA- / Aa2
Vet Bonds Series 2019	N/A		A+ / Aa3
Vet Bonds Series 2020	N/A		A+ / Aa3
Vet Bonds Series 2021	N/A		A+ / A1
Vet Bonds Series 2022	N/A		AA- / Aa2
Vet Bonds Series 2023	N/A		AA- / Aa2
Vet Bonds Taxable Series 2023A	N/A		AA- / Aa2
<b>VETERANS LAND BOARD – PAY-VARIABLE, RECEIVE-VARIABLE INTEREST RATE SWAPS</b>			
Vet Land Tax Ref Bds Ser 2014C-3	N/A		A- / A1
<b>TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS – PAY-FIXED, RECEIVE-VARIABLE INTEREST RATE SWAPS</b>			
2005A Single Family	N/A		A+ / Aa2
2007A Single Family	N/A		A+ / Aa2
<b>UNIVERSITY OF TEXAS SYSTEM – PAY-FIXED, RECEIVE-VARIABLE INTEREST RATE SWAPS<sup>1</sup></b>			
RFS Bonds 2007B	N/A		A+ / Aa2
RFS Bonds 2007B	N/A		A+ / Aa2
PUF Bonds 2008A	N/A		A+ / Aa2
PUF Bonds 2008A	N/A		A+ / Aa3
RFS Bonds 2008B	N/A		A+ / Aa2
RFS Bonds 2008B	N/A		A- / A1
RFS Bonds 2008B	N/A		A+ / Aa2
RFS Bonds 2016G	N/A		A+ / Aa3
RFS Taxable Commercial Paper	N/A		A+ / Aa3
<b>UNIVERSITY OF TEXAS SYSTEM – PAY-VARIABLE, RECEIVE-FIXED INTEREST RATE SWAPS<sup>1</sup></b>			
PUF Bonds 2023A	N/A		A+ / Aa2

<sup>1</sup> PUF stands for permanent university fund and RFS stands for revenue financing system.



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## Risks

**Credit Risk:** The state is exposed to credit risk if the counterparty to an interest rate swap fails to meet the terms and obligations of its contracts. The state mitigates the credit risk associated with its swaps by entering into transactions with a diversified group of highly-rated counterparties. The interest rate swap agreements also contain varying collateral agreements and insurance policies with the counterparties. Posted collateral may be held either by the state itself or by a quality third party custodian. Swap contracts with a negative fair value do not necessarily expose the state to credit risk. As of Aug. 31, 2023, the state was not exposed to credit risk because the swaps recorded in the positive fair value position were offset by other swaps with negative fair values.

**Interest Rate Risk:** On the pay-fixed, receive-variable interest rate swaps, as SOFR, SIFMA, or USDF rates municipal swap index decrease, the state's net payment on the swap increases. For the related hedged variable-rate debt, as SOFR, SIFMA, or USDF rates municipal swap index decreases, the state's interest payments on the bonds decrease. The value of interest rate swap agreements with a longer weighted average maturity tend to be more sensitive to changing interest rates, and therefore, more volatile than those with shorter maturities. On the pay-variable, receive variable or pay-variable, receive-fixed interest rate swaps, SOFR and SIFMA may not change in the same proportions. This will cause the swap to be a less effective hedge.

**Basis Risk:** The state is exposed to basis risk to the extent that the interest payments on its variable-rate bonds do not match the variable-rate payments received on the associated swaps. The state mitigates this risk by matching the notional amount and amortization schedule of each swap to the principal amount and amortization schedule of each associated variable-rate bond issue and by selecting an index for the variable-rate leg of each swap that is reasonably expected to closely match

the interest rate resets on the associated variable-rate bonds over the life of each bond issue. Additionally, tax-exempt interest rates can change without a corresponding change in taxable interest rates due to factors affecting the tax-exempt market that do not have a similar effect on the taxable market. On the pay-variable, receive-variable swaps and the pay-variable, receive-fixed swaps the state will be exposed to basis risk should SOFR and SIFMA rates converge. The swap agreements provide options for early termination.

**Termination Risk:** Termination risk is the risk that the swap may be terminated prior to its scheduled maturity date as a result of certain specified events.

The state or the counterparties may terminate any of the swaps if the other party fails to perform under the terms of the respective swap agreements. If any of the swaps are terminated, the associated variable-rate bonds would no longer have a synthetic fixed-rate and the state would be subject to interest rate risk to the extent that the variable-rate bonds were not hedged with another swap or with variable-rate assets. At termination, if the fair value of the swap is negative, the state would owe the counterparty a termination payment equal to the swap's negative fair value; however, if the fair value of the swap is positive, the counterparty would owe the state a termination payment equal to the swap's positive fair value.

Several swap agreements include optional early termination provisions granting the state the right, but not an obligation, to terminate the interest rate swaps at par without a termination payment after an effective date or after the breach of certain counterparty credit ratings.

**Rollover Risk:** Rollover risk is the risk caused by a mismatch between the amortization of a derivative instrument contract and the underlying hedged bonds. The maturity dates of the state's effective interest rate swaps were designed to extend to the maturity dates of the underlying bonds.

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**Market-access Risk:** Each swap associated with underlying variable-rate debt subject to tender at the option of the bondholder is subject to market-access risk. In the event the state is unable to remarket its variable-rate bonds, the state may choose to refund the variable-rate bonds with fixed-rate bonds and optionally terminate the related interest rate swap agreements. If an early termination event occurs, the state could be required to pay or to receive a substantial termination payment.

**LIBOR Discontinuation Risk:** On July 27, 2017, the Financial Conduct Authority (FCA) announced that it will no longer persuade or compel banks to submit rates for the calculation of LIBOR rates after 2021. On March 5, 2021, the FCA confirmed that all LIBOR (London Interbank Offered Rate) settings will either cease to be provided by any administrator or no longer be representative immediately after December 31, 2021, for 1-week and 2-month USD LIBOR settings; and immediately after June 30, 2023, in the case of the remaining USD LIBOR settings.

Some of the state's swaps use a LIBOR-based rate as a reference rate for determining payments to be received or payments to be made thereunder. Upon the USD LIBOR discontinuation on June 30, 2023, the LIBOR-based payments in the swaps converted to the respective Fallback Rates established under the ISDA (International Swaps and Derivatives Association) Protocol. The Fallback Rates are based on Secured Overnight Financing Rate (SOFR) plus predetermined spreads. The Fallback Rate and SOFR differ from the discontinued LIBOR rate and such transition may have an impact on the swaps' economics.

### **Swap Payments and Associated Debt**

Aggregate debt service requirements of the state's variable-rate debt and net receipts/payments on associated hedging derivative instruments are disclosed in Note 6, *Bonded Indebtedness*.

### **Contingent Features**

Some of the state's derivative instruments include provisions that require the posting of collateral in the event that the contracting agency's credit rating falls below a specified level as issued by Standard & Poor's and Moody's Investor Service. If the contracting agency fails to post eligible collateral, the derivative instrument may be terminated by the counterparty. Note 15, *Commitments and Contingencies*, discloses detail about derivative instruments with contingent features.

### **Investment Derivative Instruments**

Investment derivative instruments expose the state to certain investment related risks. Note 3, *Deposits, Investments and Repurchase Agreements*, discloses detail about the state's investment derivative instruments.

## **Note 8**

### **Leases and Subscription-Based Information Technology Arrangements**

#### **Leases**

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GASB Statement No. 87, *Leases*, established a single model for lease accounting based on the principal that leases are financings of the right to use an underlying asset. This single model eliminated the distinction between operating and capital leases. Under GASB Statement No. 87, a lessee is required to recognize a right-to-use lease obligation and an intangible right-to-use (RTU) lease asset. A lessor is required to recognize a lease receivable and a deferred inflow of resources. The intangible RTU asset is amortized over the shorter of the lease term or the asset's life and the lease liability is reduced by payments of principal and interest. A lessor records receipts from the lessees as a reduction of the receivable and interest revenue, while the deferred inflow of resources is amortized over the life of the lease. The underlying asset is also depreciated over its

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useful life. Leases should be recognized and measured using the facts and circumstances that exist at the beginning of the earliest period presented.

Limited exceptions to the single approach guidance are provided for short-term leases, defined as lasting a maximum of twelve months at inception, including any options to extend, financed purchases, leases of assets that are investments and certain regulated leases. GASB Statement No. 87 does not apply to the following:

- Leases of intangible assets, including rights to explore for or to exploit natural resources such as oil, gas, minerals and similar nonregenerative resources; licensing contracts for items such as motion picture films, video recordings, plays, manuscripts, patents and copyrights; and licensing contracts for computer software,
- Leases of biological assets, including timber, living plants and living animals,
- Leases of inventory,
- Contracts that meet the definitions set forth in GASB Statement No. 94, Public-Private and Public-Private Partnerships (PPP) and Availability Payment Arrangements (APA), for PPP, APA and service concession arrangements,
- Leases in which the underlying asset is financed with outstanding conduit debt, unless both the underlying asset and conduit debt are reported by the lessor or
- Supply contracts, such as power purchase agreements.

The Texas Comptroller of Public Accounts (Comptroller's office) has established a materiality threshold of \$100 thousand for leases capitalization. The lease liability was measured based upon the stated interest rate, when available, or the incremental borrowing rate, determined to be the quarterly average of Treasury Constant Maturities as reported by the Federal Reserve.

### **State as Lessee**

The state of Texas has entered into agreements to lease (as lessee) certain buildings and building improvements, land and other improvements, infrastructure and equipment. Although lease terms vary, most leases are subject to biennial appropriation from the Texas Legislature to continue the lease obligation. The agreements to lease qualify as other than short-term leases; therefore, they have been recorded at the present value of the future minimum lease payments. The value of the RTU assets and their accumulated amortization may be found in Note 2, *Capital Assets*.

As of Aug. 31, 2023, the net RTU assets and corresponding lease liabilities associated with future lease payments reported on the statement of net position totaled \$2 billion each. For fiscal year 2023, the total cash payments for RTU lease obligations were \$375.4 million. The principal and interest expenses for the next five years and beyond are presented in Table 8A.

## Right to Use (RTU) Lease Obligations

Table 8A

August 31, 2023 (Amounts in Thousands)

Year	Minimum Future RTU Lease Payments		
	Principal	Interest	Total
<b>PRIMARY GOVERNMENT</b>			
<b>Governmental</b>			
2024	\$ 173,016	\$ 10,861	\$ 183,877
2025	153,598	9,261	162,859
2026	132,115	7,185	139,300
2027	105,722	5,313	111,035
2028	88,707	6,392	95,099
2029 - 2033	72,526	5,122	77,648
2034 - 2038	10,841	1,929	12,770
2039 - 2043	3,163	1,204	4,367
2044 - 2048	3,536	709	4,245
2049 - 2053	2,881	161	3,042
Total Payments	<u>\$ 746,105</u>	<u>\$ 48,137</u>	<u>\$ 794,242</u>
CY Variable Payments	3,272		
<b>Business Type</b>			
2024	\$ 358,839	\$ 18,380	\$ 377,219
2025	121,321	16,104	137,425
2026	107,966	14,727	122,693
2027	94,893	13,529	108,422
2028	81,863	11,288	93,151
2029 - 2033	254,438	39,796	294,234
2034 - 2038	135,725	22,402	158,127
2039 - 2043	54,808	12,190	66,998
2044 - 2048	16,274	9,110	25,384
2049 - 2053	5,905	8,072	13,977
2054 and beyond	53,121	61,701	114,822
Total Payments	<u>\$ 1,285,153</u>	<u>\$ 227,299</u>	<u>\$ 1,512,452</u>
CY Variable Payments	10,302		
<b>Component Units</b>			
2024	\$ 1,585	\$ 488	\$ 2,073
2025	1,464	421	1,885
2026	1,426	376	1,802
2027	1,223	333	1,556
2028	1,274	291	1,565
2029 - 2033	7,583	758	8,341
Total Payments	<u>\$ 14,555</u>	<u>\$ 2,667</u>	<u>\$ 17,222</u>
<b>Fiduciary Funds</b>			
2024	\$ 925	\$ 54	\$ 979
2025	879	36	915
2026	720	20	740
2027	372	10	382
2028	233	4	237
2029 - 2033	192	1	193
Total Payments	<u>\$ 3,321</u>	<u>\$ 125</u>	<u>\$ 3,446</u>

Some of the state's long-term leases are classified as finance-type leases if the contract transfers ownership of the underlying asset to the lessee by the end of the contract and does not contain a termination option. See Note 5, Long-Term Liabilities, for disclosures relating to finance-type leases.

Seven agencies account for 90.6 percent of the lease liability for the primary government. These are the University of Texas System, Texas Health and Human Services Commission, the Texas A&M University System, Texas Department of Criminal Justice, Texas Department of Public Safety, Office of the Attorney General and Texas Tech University System.

The University of Texas System (UT System) entered various leases for land, buildings, equipment, vehicles and infrastructure. The agreements have terms that will expire in various years through 2118. In fiscal 2023, UT System had total lease obligations of \$1 billion and accounted for 49.5 percent of the lease liability for the primary government.

Texas Health and Human Services Commission (HHSC) is part of multiple real estate leases which they share with Texas Department of Family and Protective Services (DFPS), Texas Department of State Health Service (DSHS) and Texas Workforce Commission (TWC). The agreements have terms that will expire in various years through 2037. All amounts of rent paid or due under lease obligations are prorated and paid from the cost pool fund consisting of contributions from all the participating agencies, according to the occupancy of each agency. In fiscal 2023, the prorated allocations are \$34 million for DFPS, \$5.6 million for DSHS and \$173 thousand for TWC. In fiscal 2023, HHSC had total lease obligations of \$362.6 million and accounted for 17.7 percent of the primary government's lease liability.

The Texas A&M University System (A&M System) has executed lease contracts for land, buildings, equipment, vehicles and others. These arrangements range in

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terms up to 2048. For fiscal 2023, the total lease obligations were \$196 million and accounted for 9.6 percent of the primary government's lease liability.

Texas Department of Criminal Justice (TDCJ) entered various leases for buildings and equipment. These agreements range in terms up to 2038. In fiscal 2023, the total lease obligations were \$99.8 million for governmental activities and \$1.8 million for business-type activities. TDCJ accounted for 5 percent of the primary government's lease liability.

Texas Department of Public Safety (DPS) has executed lease contracts for building space. These agreements range in terms up to 2053. In fiscal 2023, the total lease obligations were \$82.4 million and accounted for 4 percent of the primary government's lease liability.

Office of the Attorney General (OAG) entered various leases for buildings and equipment. These agreements range in terms up to 2032. In fiscal 2023, the total lease obligations were \$51 million and accounted for 2.5 percent of the primary government's lease liability.

The Texas Tech University System (TTU System) entered various leases for buildings, land and equipment. These agreements range in terms up to 2043. In fiscal 2023, the total lease obligations were \$46.1 million and accounted for 2.3 percent of the primary government's lease liability.

Some agencies had variable lease payments. These agencies were the UT System, Texas State Technical College, Texas Department of Transportation, TWC, and the OAG.

Variable payments based upon the use of the underlying asset are not included in the lease liability because they are not fixed in substance; therefore, these payments are not included in the RTU assets or lease liabilities. These variable lease payments are derived from a percentage of sales or use of the lease assets. The UT System recognized \$7.8 million as expenses from these variable payments for the year ended Aug. 31, 2023.

These payments accounted for 57.7 percent of the primary government's variable payments.

Texas State Technical College had variable payments in the amount of \$2.5 million or 18.1 percent of the primary government's variable payments.

Texas Department of Transportation (TxDOT) had variable payments in the amount of \$1.8 million or 13.5 percent of the primary government's variable payments.

Texas Workforce Commission had variable payments in the amount of \$949 thousand or 7 percent of the primary government's variable payments.

OAG had variable payments in the amount of \$497 thousand or 3.7 percent of the primary government's variable payments.

Some agencies had subleases or leases which had not commenced. These agencies were UT System, the A&M System, the TTU System and Texas Department of Motor Vehicles (TxDMV).

The UT System subleases certain portions of various RTU building assets to third parties. Since UT System is both a lessee and a lessor in these sublease arrangements, the lessor transactions are included with the lessor disclosures, separately from the lessee transactions related to the original leases which are included in the lessee disclosures (Table 8A). There were no residual value guarantees as part of the sublease agreements.

The UT System entered into additional leases that have not yet commenced as of Aug. 31, 2023. These leases are for building space with terms that range from 2024 to 2034 with a future commitment of \$21.7 million.

The A&M System subleases certain portions of RTU buildings to third parties. The net value of the subleases RTU buildings is \$6.9 million. These sublease arrangements result in lease receivables of \$1.6 million.

The A&M System has entered into two additional building leases which have not yet commenced as of

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Aug. 31, 2023. These future leases have a total RTU asset value of \$2.3 million.

The TTU System has two lease commitments for which the term had not commenced as of Aug. 31, 2023 for office and academic classroom space in Irving, TX and office space for the TTU Small Business Development Center. Both leases have a commencement date of Sept. 1, 2023, with terms that extend through 2030. The total future commitment is \$3.2 million.

The TxDMV entered additional leases that have not yet commenced as of Aug. 31, 2023, including leases for equipment. The terms range is 2024–2028 with a future commitment of \$496 thousand.

The TTU System has a lease-leaseback arrangement with a community public television station. KCOS leases office space and broadcasting facilities from El Paso Community College (ECC). As a requirement of the lease, TTU System leases back to ECC exclusive rights to broadcast on a certain sub channel and access on the premises to do so at no cost to ECC for the duration of the lease term. The lease was terminated Aug. 31, 2023.

The Teachers' Retirement System of Texas (TRS) entered into a sale-leaseback transaction on its Red River headquarters. The leaseback term is for two years with an additional one-year renewal option. The sale-leaseback transaction involves the sale of an underlying asset by the owner and a lease of the property back to the seller (original owner). According to GASB Statement No. 87, a transaction qualifies for sale-leaseback accounting only if it includes a sale. It also contains specific provisions for when a sale-leaseback has off-market terms. The substance of sale-leaseback transactions with off-market terms is different from similar transactions with market terms and the benefits of recognizing the substance of the transaction outweigh concerns about the possible cost and complexity of identifying and calculating the difference between market and off-market terms. The TRS lease agreement included off-market terms stating that TRS shall not pay base rent during

the lease period, but it shall cover its proportionate share of real estate taxes and operating expenses. TRS estimated the fair market value for rent at \$28 per square foot, referring to the appraisal conducted before the sale. The sales transaction resulted in a gain of \$101.6 million being amortized over the two year leaseback period. In fiscal 2023, \$46.6 million of the gain was recognized. The economic substance of the lease part of the transaction was based on a total of 198,972 square feet resulting in a RTU asset of \$11.1 million.

### **State as Lessor**

As a lessor, the state recognized a lease receivable and a deferred inflow of resources at the commencement of the lease term, with certain exceptions for leases of assets held for investment, certain regulated leases, short-term leases and leases that transfer ownership of the underlying asset. The asset underlying the lease was not derecognized. The lease receivable was measured at the present value of the lease payments expected to be received during the lease term. Interest revenue was recognized on the lease receivable and an inflow of resources was recognized in a systematic and rational manner over the term of the lease.

The state has entered into agreements to lease (as lessor) certain buildings and other capital assets to outside parties. The agreements to lease terms will expire in various years through 2054 and beyond. In fiscal 2023, the state's total lease income was \$40.9 million and total variable lease income was \$6.5 million. Five universities and university systems account for 97.3 percent of these lease receivables. They are UT System (46.1 percent), A&M System (41.9 percent), TTU System (3.8 percent) UNT System (3.6 percent) and Texas State Technical College (2 percent).

The UT system has entered into agreements to lease (as lessor) certain buildings and other capital assets to outside parties. The agreements have lease terms that will expire in various years through 2043. In fiscal

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2023, the total RTU lease income was \$25.7 million, including interest revenue, and total lease receivables are \$229 million.

The UT System also entered into some leases which call for payments that are partially or completely variable; therefore, they were not included in lease receivables or deferred inflow of resources. These variable lease payments are derived from a percentage of sales or use of the leased asset. The UT System recognized a total of \$3.4 million as revenue from these variable payments for the year ended Aug. 31, 2023.

The A&M System has entered into agreements to lease (as lessor) certain buildings and land to third parties. The agreements to lease have terms that will expire in various years through 2054 and beyond. Total lease receivables are \$208.2 million. In fiscal 2023, the total lease income was \$7.6 million.

The A&M System also had five leases which call for payments that are completely variable and were not included in lease receivables or deferred inflows of resources. These variable payments were derived from a percentage of sales, facility or classroom usage or the amount of net cash flow. Total revenue recognized due to variable payments was \$3.3 million for the year ended Aug. 31, 2023.

The TTU System has entered into agreements to lease (as lessor) certain buildings, office space, equipment and land to third parties. The agreements to lease have terms that will expire in various years through 2054 and beyond. Total lease receivables are \$18.7 million. In fiscal 2023, the total lease income was \$806 thousand. The TTU System also has lease income from agreements for cell phone towers and antennas affixed to component universities' property.

The UNT System has entered into agreements to lease (as lessor) certain buildings and other capital assets to third parties. The agreements to lease have terms that will expire in various years through 2039. Total lease

receivables are \$17.7 million. In fiscal 2023, the total lease income was \$4.6 million.

Texas State Technical College (TSTC) has entered into agreements to lease (as lessor) certain buildings and land to third parties. The agreements to lease have terms that will expire in various years through 2048. Total lease receivables are \$9.3 million. In fiscal 2023, the total lease income was \$1.1 million.

### **Regulated Leases**

Certain regulated leases are subject to external laws, regulations or legal rulings and meet the following requirements:

- Lease rates cannot exceed a reasonable amount, with reasonableness being subject to determination by an external regulator,
- Lease rates should be similar for lessees that are similarly situated and
- The lessor cannot deny potential lessees the right to enter leases if facilities are available, provided that the lessee's use of the facilities complies with generally applicable use restrictions.

For certain lease agreements related to airport gates and aprons, specific terms are regulated by the Federal Aviation Administration (FAA). The A&M System entered into various lease agreements to grant the right to use these airport gates and aprons to third parties in accordance with the provisions set by the FAA. This is the only regulated lease for the state.

The lease revenue related to these regulated agreements amounted to \$322 thousand for the year ended Aug. 31, 2023. This amount includes exclusive and joint use of the terminal building space. Currently there is a holdover provision in place that allows tenancy to continue month-to-month until a new contract is established, or the tenant may terminate with 30 days written notice.

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## Subscription-Based Information Technology Arrangements

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, effective in fiscal 2023, improves financial reporting by establishing a definition for SBITAs and providing uniform guidance for accounting and financial reporting for contracts that meet this definition. The standards for SBITAs are based on the standards established in GASB Statement No. 87, *Leases*. IT arrangements will fall under one of four groups: Software as a Service (SaaS), Platform as a Service (PaaS), Infrastructure as a Service (IaaS) and Data Warehouse as a Service (DaaS).

A subscriber will recognize an intangible right-to-use (RTU) subscription asset and a corresponding subscription liability when the underlying IT software is placed in service. A subscriber amortizes the subscription asset as an outflow of resources over the subscription term. Subscriptions should be recognized and measured using the facts and circumstances that exist at the beginning of the earliest period presented.

GASB Statement No. 96 does not apply to the following:

- Contracts for the right to use IT software and tangible capital assets meeting the definition of a lease under GASB Statement No. 87,
- Contracts that meet the definition of a public-private and public-public partnership in GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*,
- Agencies or universities that provide the right to use their IT software to other entities through a SBITA contract,
- Perpetual licensing arrangements or contracts with bilateral termination clauses,
- Contracts that provide professional services with no software subscription,

- Short-term SBITAs which have a maximum possible contract term of 12 months. This includes any options to extend, regardless of their probability of being exercised.

Activities associated with a SBITA, other than making subscription payments, should be grouped into three stages as their costs are accounted for differently.

- Preliminary Stage, includes evaluating alternatives, determining needed technology, selecting a SBITA vendor, as well as other activities. Outlays in this stage are expensed as incurred.
- Initial Implementation Stage, includes all ancillary charges necessary to place the subscription asset into service. These activities are capitalized as an addition to the subscription asset.
- Operation and Additional Implementation Stage, includes all subsequent implementation activities, maintenance and other ongoing operations related to the SBITA. Unless they meet specific capitalization criteria, these activities are expensed as incurred.

Subscribers are allowed to capitalize outlays from the second and third stages incurred prior to the implementation of GASB Statement No. 96. Training costs are expensed no matter when they occur.

The Texas Comptroller of Public Accounts (Comptroller's Office) has established a materiality threshold for the present value of future subscription payments of \$500 thousand for SBITA capitalization. The subscription liability was measured based upon the stated interest rate, when available, or the incremental borrowing rate, determined to be the quarterly average of Treasury Constant Maturities as reported by the Federal Reserve.

### State as Subscriber

The state of Texas has entered into subscription arrangements for many different types of software. Although subscription terms vary, most subscriptions are subject to biennial appropriation from the Texas Leg-



islature to continue the subscription obligation. These subscription contracts have been recorded at the present value of the future minimum subscription payments. The value of the RTU assets and their accumulated amortization may be found in Note 2, *Capital Assets*.

As of Aug. 31, 2023, the net RTU assets and corresponding subscription obligations associated with future subscription payments reported on the statement of net position total \$638.3 million and \$596 million respectively. For fiscal 2023, the total cash payments for SBITA contracts were \$401.8 million, which includes \$16.6 million in variable payments. The principal and interest expenses for the next five years and beyond are presented in Table 8B.

Ten agencies account for 88.6 percent of the SBITA liability for the state of Texas. These are Texas Department of Transportation (TxDOT), the University of Texas System (UT System), Office of Court Administration, Texas Health and Human Services Commission (HHSC), the Texas A&M University System (A&M System), the Texas Tech University System (TTU System), Texas Workforce Commission (TWC), Texas Department of Motor Vehicles, Employees' Retirement System of Texas, and the University of North Texas System (UNT System).

TxDOT entered into numerous and varied IT subscriptions with agreements having terms that extend through 2026. In fiscal 2023, TxDOT had SBITA obligations of \$42.7 million for governmental activities and \$108.9 million for business type activities, totaling \$151.6 million. TxDOT accounted for 25.4 percent of the SBITA liability for the state of Texas.

The UT System entered into numerous and varied IT subscriptions with agreements having terms that extend through 2033. In fiscal 2023, the System had SBITA obligations of \$138.5 million and accounted for 23.2 percent of the SBITA liability for the state of Texas. The UT System has entered into additional SBITA contracts that have not yet commenced as of

## Subscription-Based Information Technology Arrangement Obligations (SBITAs)

**Table 8B**

August 31, 2023 (Amounts in Thousands)

Year	Minimum Future SBITA Payments		
	Principal	Interest	Total
<b>PRIMARY GOVERNMENT</b>			
<b>Governmental</b>			
2024	\$ 85,076	\$ 9,218	\$ 94,294
2025	65,474	5,499	70,973
2026	43,874	2,435	46,309
2027	25,392	665	26,057
2028	4,120	124	4,244
Total Payments	<u>\$ 223,936</u>	<u>\$ 17,941</u>	<u>\$ 241,877</u>
CY Variable Payments	2,058		
<b>Business Type</b>			
2024	\$ 137,734	\$ 7,259	\$ 144,993
2025	107,382	4,679	112,061
2026	68,224	2,094	70,318
2027	21,514	950	22,464
2028	7,433	549	7,982
2029 - 2033	2,914	90	3,004
Total Payments	<u>\$ 345,201</u>	<u>\$ 15,621</u>	<u>\$ 360,822</u>
CY Variable Payments	4,754		
<b>Component Units</b>			
2024	\$ 2,633	\$ 108	\$ 2,741
2025	2,415	39	2,454
2026			
2027			
2028			
Total Payments	<u>\$ 5,048</u>	<u>\$ 147</u>	<u>\$ 5,195</u>
CY Variable Payments	196		
<b>Fiduciary Funds</b>			
2024	\$ 11,052	\$ 632	\$ 11,684
2025	7,651	298	7,949
2026	2,959	93	3,052
2027	188	6	194
2028			
Total Payments	<u>\$ 21,850</u>	<u>\$ 1,029</u>	<u>\$ 22,879</u>
CY Variable Payments	9,613		

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Aug. 31, 2023, with both fixed and variable payments required. Terms range from 2024 to 2028 with a future commitment of \$8.4 million.

The Office of Court Administration (OCA) entered into numerous and varied IT subscriptions with agreements having terms that extend through 2027. In fiscal 2023, OCA had SBITA obligations of \$83.6 million and accounted for 14 percent of the SBITA liability for the state of Texas.

HHSC entered into numerous and varied IT subscriptions with agreements having terms that extend through 2032. In fiscal 2023, HHSC had SBITA obligations of \$38.6 million and accounted for 6.5 percent of the SBITA liability for the state of Texas.

The A&M System entered into numerous and varied IT subscriptions with agreements having terms that extend through 2028. In fiscal 2023, the A&M System had SBITA obligations of \$37.7 million and accounted for 6.3 percent of the SBITA liability for the state of Texas.

The TTU System entered into numerous and varied IT subscriptions with agreements having terms that extend through 2028. In fiscal 2023, the TTU System had SBITA obligations of \$18.3 million and accounted for 3.1 percent of the SBITA liability for the state of Texas. The TTU System has entered into an additional SBITA contract that has not yet commenced as of Aug. 31, 2023. This agreement between Angelo State University and iBridge Group for Blackboard Learn has terms that extend through 2027 and a total future commitment of \$998,424.

TWC entered into numerous and varied IT subscriptions with agreements having terms that extend through 2028. In fiscal 2023, TWC had SBITA obligations of \$18.1 million and accounts for 3 percent of the SBITA liability for the state of Texas.

Texas Department of Motor Vehicles (DMV) entered into numerous and varied IT subscriptions with agreements having terms that extend through 2027. In

fiscal 2023, the DMV had SBITA obligations of \$14.5 million and accounted for 2.4 percent of the SBITA liability for the state of Texas. The DMV had entered into additional SBITA contracts that have not yet commenced as of Aug. 31, 2023, with both fixed and variable payments required. Terms range from 2024 to 2027 with a future commitment of \$15.3 million.

The Employees' Retirement System of Texas (ERS) entered into numerous and varied IT subscriptions with agreements having terms that extend through 2027. In fiscal 2023, ERS had SBITA obligations of \$13.8 million and accounts for 2.3 percent of the SBITA liability for the state of Texas.

The UNT System entered into numerous and varied IT subscriptions with agreements having terms that extend through 2028. In fiscal 2023, the UNT System had SBITA obligations of \$13.4 million and accounted for 2.3 percent of the SBITA liability for the state of Texas. The UNT System had committed to an additional SBITA contract that have not yet commenced as of Aug. 31, 2023. This software is estimated to go-live in March, 2024. The future commitments total \$2.4 million.

Additionally, the Office of the Attorney General (OAG) entered into additional subscription agreements that have not commenced as of Aug. 31, 2023. The terms range up to 2025 with a future commitment of \$3.5 million.

Eight agencies had significant variable payments in fiscal 2023. Teachers' Retirement System of Texas had variable payments of \$9.6 million accounting for 61.6 percent of the payments made by the state of Texas. The TTU System had variable payments of \$1.8 million accounting for 12 percent of the total payments. TWC had variable payments of \$1.6 million accounting for 10.6 percent of the total payments. The final 15.8 percent consists of variable payments by the UT System, Texas State Technical College, the OAG, Texas Permanent School Fund Corporation and State Office of Risk Management.

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# Note 9

## Retirement Plans

### Defined Benefit Pension Plans

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The state of Texas has three retirement systems in its financial reporting entity - Employees Retirement System of Texas (ERS), Teacher Retirement System of Texas (TRS) and Texas Emergency Services Retirement System (TESRS). These three retirement systems administer the following six defined benefit pension plans:

- ERS - the Employees Retirement System of Texas Plan (ERS Plan), the Law Enforcement and Custodial Officer Supplemental Retirement Plan (LECOS Plan), the Judicial Retirement System of Texas Plan One (JRS1 Plan) and Judicial Retirement System of Texas Plan Two (JRS2 Plan);
- TRS - the Teacher Retirement System of Texas Plan (TRS Plan); and
- TESRS - the Texas Emergency Services Retirement System Plan (TESRS Plan).

ERS, LECOS, JRS2, TRS and TESRS Plans are administered through trust; JRS1 Plan is operated on a pay-as-you-go basis.

Additionally, the University of Texas M. D. Anderson Cancer Center has two single-employer nonqualified noncontributory defined benefit pension plans that are not administered through trust. Due to changes in *Internal Revenue Code (IRC)* section 457, these plans are reported in this note.

### **Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the fiscal year ended Aug. 31, 2023, the state recognized pension expense of \$707.7 million. Of this amount, negative \$1.9 billion was incurred as an employer and \$2.6 billion as a non-employer contribut-

ing entity. The reported deferred outflows of resources and deferred inflows of resources related to pensions are identified in Note 27, *Deferred Outflows of Resources and Deferred Inflows of Resources*.

### **Employees Retirement System of Texas (ERS)**

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The board of trustees of ERS is the administrator of the ERS, LECOS, JRS1 and JRS2 Plans that provide a standard monthly benefit in a life annuity at retirement and death and disability benefits for members. Each of these four plans is considered a single employer defined benefit plan under GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The benefit and contribution provisions of the ERS Plans are authorized by state law (*Texas Government Code (TGC)*, Title 8, Subtitle B for the ERS and LECOS Plans; *TGC*, Title 8, Subtitles D and E for the JRS1 and JRS2 Plans, respectively) and may be amended by the Texas Legislature.

### **Employees Retirement System of Texas Plan (ERS Plan)**

In addition to the state of Texas, the ERS Plan includes employers that are component units of the state. ERS and the Texas Treasury Safekeeping Trust Company, which are blended component units, and the State Bar of Texas, which is a discrete component unit, are also employers of the ERS Plan. Pension activity for the ERS Plan is reported in governmental activities in the state's basic financial statements. Additionally, due to immateriality, separate disclosure for the State Bar of Texas is not presented.

The ERS Plan covers members in employee and elected classes. Employee class includes employees and appointed officers of the agencies of the state of Texas except those who are included in the coverage of TRS, JRS1 and JRS2 Plans. Elected class includes elected state officials not included in the coverage of the JRS1

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and JRS2 Plans, members of the Texas Legislature and district and criminal district attorneys.

The monthly benefit may vary by membership class.

The monthly standard annuity of the employee class is determined by a statutory percentage of 2.3 percent of a member's average monthly compensation multiplied by number of years of service credit. The average monthly compensation of the employee class may vary depending on the hire date. For members hired on or before Aug. 31, 2009, the average monthly compensation is the average of the highest 36 months of compensation. For members hired on or after Sept. 1, 2009 and before Sept. 1, 2013, the average monthly compensation is the average of the highest 48 months of compensation. For members hired on or after Sept. 1, 2013, the average monthly compensation is the average of the highest 60 months of compensation.

The monthly standard annuity of the elected class equals the statutory percentage of 2.3 percent of the current state salary of a district judge multiplied by the number of years of service credit. Retirement benefits are automatically adjusted as state judicial salaries change.

The plan provisions detailed above are for members hired prior to Sept. 1, 2022. ERS issues a stand-alone audited Annual Comprehensive Financial Report (ACFR). ERS's ACFR, information on vesting, tier requirements and other financial data may be obtained at the agency's website: [www.ers.texas.gov/about-ers/reports-and-studies](http://www.ers.texas.gov/about-ers/reports-and-studies).

### **Law Enforcement and Custodial Officer Supplemental Retirement Plan (LECOS Plan)**

The LECOS Plan provides a supplemental retirement benefit to some employees in the ERS employee class.

The LECOS Plan covers custodial officers who are certified in accordance with the statutory require-

ments as having a normal job assignment that requires frequent or infrequent regularly planned contact with inmates managed by hiring institutions. The plan also covers law enforcement officers who have been commissioned by the Commission on Law Enforcement Officer Standards and Education. The monthly benefit amount payable to LECOS Plan members is equal to the excess of total benefit over the regular benefit payable to the same members under the ERS Plan.

Total monthly standard annuity of the LECOS Plan members equals the statutory percentage of 2.3 percent from the ERS Plan plus an additional 0.5 percent from the LECOS Plan of the average monthly compensation multiplied by number of years of service credit. The average monthly compensation of the LECOS Plan members may vary depending on the hire date. For members hired on or before Aug. 31, 2009, the average monthly compensation is the average of the highest 36 months of compensation. For members hired on or after Sept. 1, 2009 and before Sept. 1, 2013, the average monthly compensation is the average of the highest 48 months of compensation. For members hired on or after Sept. 1, 2013, the average monthly compensation is the average of the highest 60 months of compensation. Information on vesting and tier requirements may be obtained from ERS's ACFR.

### **Judicial Retirement System of Texas Plan Two (JRS2 Plan)**

The JRS2 Plan covers judges, justices and commissioners of the Supreme Court, the Court of Criminal Appeals, the Court of Appeals, District Courts and certain commissioners to a court who first became members after Aug. 31, 1985.

The average monthly compensation of the JRS2 Plan varies depending on the retirement date. The monthly benefit for members of the JRS2 Plan retiring prior to Sept. 1, 2019 is equal to 50 percent of the salary for the position from which the member retired and

is increased by 10 percent of final compensation if in office within one year of benefit commencement. Members retiring on or after Sept. 1, 2019 receive a monthly benefit between 40 percent to 47.7 percent (depending on age) of the salary for the position from which the member retired. An additional 10 percent is paid when a member retires within one year of benefit commencement. Information on vesting and tier requirements may be obtained from ERS's ACFR.

The membership data for the ERS, LECOS and JRS2 Plans as of the measurement date of Aug. 31, 2022 is presented in table 9A.

<b>Membership Data</b>			
<b>Table 9A: Employees Retirement System of Texas</b>			
As of Measurement Date of August 31, 2022			
<b>Type of Member</b>	<b>ERS Plan</b>	<b>LECOS Plan</b>	<b>JRS2 Plan</b>
Retirees and Beneficiaries			
Currently Receiving Benefits	122,720	15,923	536
Terminated Employees Entitled to Benefits But Not Yet Receiving Them	155,148	32,371	192
Current Employees			
Vested and Non-Vested	133,751	31,075	583
<b>Total Members</b>	<b>411,619</b>	<b>79,369</b>	<b>1,311</b>

The contribution rates for the state and the members are based on a percentage of the monthly gross compensation for each member. The contribution requirements for the ERS, LECOS and JRS2 Plans for the measurement period of fiscal 2022 are presented in table 9B.

<b>Required Contribution Rates</b>			
<b>Table 9B: Employees Retirement System of Texas</b>			
As of Measurement Date of August 31, 2022			
<b>Plan</b>	<b>Employee Class</b>	<b>Elected Class</b>	
		<b>Legislator</b>	<b>Other</b>
<b>Employer</b>			
ERS	10%	10%	10%
LECOS <sup>1</sup>	1.32% <sup>2</sup>	N/A	N/A
JRS2	15.663%	N/A	N/A
<b>Members</b>			
ERS	9.5%	9.5%	9.5%
LECOS <sup>1</sup>	0.5%	N/A	N/A
JRS2	9.5%	N/A	N/A

<sup>1</sup> Amount contributed is supplemental to amount contributed for the employee class of the ERS Plan.

<sup>2</sup> The 1.32% consists of 0.5% of member payroll and a portion of court costs collected under Local Government Code, Section 133.102. The contribution from the court costs equals approximately .82% of payroll.

The state's contributions recognized by the ERS, LECOS and JRS2 Plans during the fiscal 2022 measurement period were \$1.3 billion, \$21.4 million and \$14.4 million, respectively.

The total pension liability is determined by an annual actuarial valuation. The methods and assumptions applied, except discount rate, in the actuarial valuation were based on an experience study covering the five-year period from Sept. 1, 2014 through Aug. 31, 2019. Table 9C presents the actuarial methods and assumptions used to measure the total pension liability for the ERS, LECOS and JRS2 Plans as of the Aug. 31, 2022 measurement date.

## Actuarial Methods and Assumptions

**Table 9C: Employees Retirement System of Texas**

As of Measurement Date of August 31, 2022

Description	ERS Plan	LECOS Plan	JRS2 Plan
Actuarial Valuation Date	Aug. 31, 2022	Aug. 31, 2022	Aug. 31, 2022
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization Method	Level Percent of Payroll, plus Level Dollar Legacy Payment	Level Percent of Payroll, Open	Level Percent of Payroll, Open
Actuarial Assumptions:			
Discount Rate	7.00%	4.45%	5.77%
Investment Rate of Return	7.00%	7.00%	7.00%
Inflation	2.30%	2.30%	2.30%
Salary Increase	0% to 8.80%	3.75% to 8.75%	2.30% plus follows state judicial tiered salary schedule per Texas Government Code 659.012
Cost-of-living Adjustments	None - Employee <sup>1</sup> 2.30% - Elected compounded annually on Sept. 1	None	None
Mortality	The mortality rates for service retirees and beneficiaries are based on the 2020 State Retirees of Texas Mortality Tables with generational mortality improvements projected from the year 2020, which is based on the most recent Ultimate MP scale as published by Retirement Plans Experience Committee of the Society of Actuaries. Rates for male law enforcement and custodial officers are set forward one year.		

<sup>1</sup> Per TGC 814.604, the actuarial accrued liability includes a one-time permanent monthly annuity increase for a limited group of retirees in January 2025, when the funding period requirement is assumed to be met.

Table 9D presents the single blended rate applied to measure the total pension liability, the long-term expected rate of return on pension plan investments, the 20-year municipal bond rate and the year when the fiduciary net positions are projected to be depleted for the ERS, LECOS and JRS2 Plans.

### Assumptions for Single Discount Rate

**Table 9D: Employees Retirement System of Texas**

As of Measurement Date of August 31, 2022

Type of Rate	ERS Plan	LECOS Plan	JRS2 Plan
Single Discount Rate	7.00%	4.45%	5.77%
Investment Rate of Return	7.00%	7.00%	7.00%
Municipal Bond Rate <sup>1</sup>	3.91%	3.91%	3.91%
Year Fiduciary Net Position Depleted	N/A <sup>2</sup>	2038	2046

<sup>1</sup> The source of the municipal bond rate is Fidelity Index's "20-Year Municipal GO AA Index" rate for Fixed Income Market Data/Yield Curve/Data municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds.

<sup>2</sup> The current contribution structure is expected to eliminate the unfunded actuarial accrued liability (UAAL) in 32 years based on current benefit provisions and actuarial assumptions. Therefore, the municipal bond rate and depletion year do not apply to the ERS Plan.

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The fiduciary net position for the LECOS and JRS2 Plans is projected to be depleted in fiscal years 2038 and 2046, respectively. As a result, the long-term expected investment rate of return was applied to projected benefit payments through fiscal year 2037 for the LECOS Plan and fiscal year 2045 for the JRS2 Plan. The municipal bond rate was applied to all remaining projected benefit payments after fiscal year 2037 for the LECOS Plan and after fiscal year 2045 for the JRS2 Plan.

Senate Bill (SB) 321, enacted during the 87th Legislative Session, changed the funding structure of the ERS Plan from a fixed contribution rate structure to an actuarially determined structure by introducing a new level dollar contribution structure called legacy payments, beginning in fiscal year 2022. These amounts are calculated for each biennium to fully amortize the unfunded actuarial accrued liability (UAAL) before the end of fiscal 2054 and are in addition to the member and state percentage of payroll contributions. As a result, the municipal bond rate and depletion year do not apply to the ERS Plan.

The projections of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels and remain a level percentage of payroll. The projected cash flows from the employer are based on contributions for the most recent five-year period as of the measurement date, adjusted on consideration of subsequent events. The actuarially determined legacy payment amount for fiscal year 2022 and 2023 is \$510 million each year for the ERS Plan. Projected employer contributions are based on fiscal year 2022 funding levels. There were no changes made to the state contribution levels in the 87th Legislative Session. This contribution level is not considered sound funding for the LECOS and JRS2 Plans as of the Aug. 31, 2022 valuation date.

Assumptions reflected as of the measurement date of Aug. 31, 2022 were last updated at the May 2020 Board meeting. These include a long-term rate of return assumption of 7 percent after considering the long-term expected return from the building block method; an analysis of long-term expected return performed by the Board investment consultant; and analyses and recommendations of the Board pension actuary. There have been no changes to the benefit provisions of the ERS, LECOS or JRS2 plans since the prior measurement date for employees hired before Sept. 1, 2022, except for some amendments to the calculation of total disability benefits in the ERS Plan.

The long-term expected rate of return on plan investments was developed using a building-block method with assumptions including asset class of investment portfolio, target allocation, real rate of return on investments, and inflation factor. Under this method, best estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocations and best estimates of rates of return for each major asset class for the ERS, LECOS and JRS2 Plans' investment portfolio are presented in table 9E.

## Target Allocations

**Table 9E: Employees Retirement System of Texas**

As of Measurement Date of August 31, 2022

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return <sup>1</sup>	Long-Term Expected Portfolio Real Rate of Return <sup>2</sup>
Global Equity	37.00%	8.10%	2.15%
Private Equity	13.00%	11.20%	1.16%
Global Credit	13.00%	5.80%	0.39%
Special Situations	1.00%	7.80%	0.17%
Real Estate Investment Trust	3.00%	7.60%	0.16%
Private Real Asset			
Infrastructure/Land	7.00%	7.20%	0.34%
Private Real Estate	9.00%	5.70%	0.31%
Fixed Income-Rates	11.00%	1.90%	-0.04%
Absolute Returns	5.00%	5.80%	0.18%
Cash	1.00%	1.80%	-0.03%
Totals	<u>100.00%</u>		<u>4.79%</u>

<sup>1</sup> The real rate of return for each asset class is geometric, whereas the overall real rate of return is arithmetic.

<sup>2</sup> The expected nominal rate of return of 7.09% is derived by adding expected inflation rate of 2.3% to the long-term expected rate of return of 4.79%.

Sensitivity analysis was performed on the impact of changes in the discount rate on the state's net pension liability. The results of the analysis for the ERS, LECOS and JRS2 Plans are presented in table 9F.

## Sensitivity of Net Pension Liability (NPL) to Changes in Discount Rate

**Table 9F: Employees Retirement System of Texas**

As of Measurement Date of August 31, 2022

(Amounts in Thousands)

Plan Type	1% Decrease	Current Discount Rate	1% Increase
<b>ERS Plan:</b>			
Discount Rate	6.00%	7.00%	8.00%
NPL	\$ 19,386,261	\$ 13,876,394	\$ 9,293,605
<b>LECOS Plan:</b>			
Discount Rate	3.45%	4.45%	5.45%
NPL	\$ 1,745,059	\$ 1,360,330	\$ 1,052,818
<b>JRS2 Plan:</b>			
Discount Rate	4.77%	5.77%	6.77%
NPL	\$ 229,224	\$ 153,787	\$ 89,349

The pension plan's fiduciary net position is determined using economic resources measurement focus and accrual basis of accounting, which is the same basis used by ERS. Benefits and refunds of contributions are recognized when due and payable in accordance with the terms of the plan. Investments of the pension trust fund are reported at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. More detailed information on the plan's investment valuation, investment policy, assets and fiduciary net position may be obtained from ERS's fiscal 2022 ACFR.

The state's total pension liability is based on an actuarial valuation performed as of Aug. 31, 2022. For fiscal 2023 reporting, the measurement date of the state's net pension liability is Aug. 31, 2022. The schedule of changes in the state's net pension liability for the fiscal year ended Aug. 31, 2023 is presented in table 9G.



## Schedule of Changes in Net Pension Liability

Table 9G: Employees Retirement System of Texas

As of Measurement Date of August 31, 2022 (Amounts in Thousands)

Schedule of Changes	ERS Plan	LECOS Plan	JRS2 Plan
<b>Total Pension Liability</b>			
Service Cost	\$ 985,244	\$ 93,712	\$ 31,450
Interest on the Total Pension Liability	3,027,806	80,910	38,248
Difference Between Expected and Actual			
Experience of the Total Pension Liability	509,628	65,927	(4,769)
Assumption Changes <sup>1</sup>		(739,123)	(36,200)
Benefit Payments and Refunds	(2,843,879)	(97,196)	(37,108)
<b>Net Change in Total Pension Liability</b>	<u>1,678,799</u>	<u>(595,770)</u>	<u>(8,379)</u>
<b>Total Pension Liability – Beginning</b>	<u>44,183,687</u>	<u>2,998,396</u>	<u>728,608</u>
<b>Total Pension Liability – Ending</b>	<u>\$ 45,862,486</u>	<u>\$ 2,402,626</u>	<u>\$ 720,229</u>
<b>Plan Fiduciary Net Position</b>			
Contributions – Employer	\$ 1,259,883	\$ 21,428	\$ 14,385
Contributions – Member	721,520	8,729	8,576
Pension Plan Net Investment Income	(728,036)	(5,026)	(4,269)
Benefit Payments and Refunds	(2,843,879)	(97,196)	(37,108)
Pension Plan Administrative Expense	(31,640)	(1,680)	(322)
<b>Net Change in Plan Fiduciary Net Position</b>	<u>(1,622,152)</u>	<u>(73,745)</u>	<u>(18,738)</u>
<b>Plan Fiduciary Net Position – Beginning</b>	<u>33,608,244</u>	<u>1,116,041</u>	<u>585,180</u>
<b>Plan Fiduciary Net Position – Ending</b>	<u>\$ 31,986,092</u>	<u>\$ 1,042,296</u>	<u>\$ 566,442</u>
<b>Net Pension Liability – Beginning</b>	<u>10,575,443</u>	<u>1,882,355</u>	<u>143,428</u>
<b>Net Pension Liability – Ending</b>	<u>\$ 13,876,394</u>	<u>\$ 1,360,330</u>	<u>\$ 153,787</u>

<sup>1</sup> The change in the total pension liability due to the change in the single discount rate is included as an assumption change.

For the fiscal year ended Aug. 31, 2023, the state recognized pension expense of negative \$3.4 billion, \$670 thousand and \$20.1 million, respectively, for the ERS, LECOS and JRS2 Plans. Negative pension expense for the ERS Plan is due primarily to the recognition of deferred inflows resulting from changes

in assumptions as the ERS Plan has changed from a contribution rate structure to an actuarially determined structure. At Aug. 31, 2023, the state reported deferred outflows of resources and deferred inflows of resources related to pension from the sources for these plans in table 9H.

## Deferred Outflows of Resources and Deferred Inflows of Resources

Table 9H: Employees Retirement System of Texas

August 31, 2023 (Amounts in Thousands)

Deferral Type	ERS Plan		LECOS Plan		JRS2 Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 394,770	\$ 284,671	\$ 47,461	\$ 22,277	\$	\$ 6,840
Changes of Assumptions	630,962	8,688,948	155,002	532,086	23,021	65,115
Net Difference Between Projected and Actual						
Investment Return		233,839		24,750		11,068
Contributions Subsequent to the Measurement Date	<u>2,205,097</u>		<u>24,800</u>		<u>14,686</u>	
<b>Total</b>	<u>\$ 3,230,829</u>	<u>\$ 9,207,458</u>	<u>\$ 227,263</u>	<u>\$ 579,113</u>	<u>\$ 37,707</u>	<u>\$ 83,023</u>

The \$2.2 billion, \$24.8 million and \$14.7 million reported as deferred outflows of resources resulting from contributions subsequent to the measurement date for the ERS, LECOS and JRS2 Plans, respectively, will be recognized as a reduction in the net pension liability for the fiscal year ending Aug. 31, 2024. The amount for the ERS Plan includes a legacy payment of \$494 million and a one-time additional funding of \$900 million.

Table 9I presents amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions that will be recognized in pension expense in the following years for the ERS, LECOS and JRS2 Plans.

<b>Amortization Impact of Deferred Outflows of Resources and Deferred Inflows of Resources on Pension Expense<sup>1</sup></b>			
<b>Table 9I: Employees Retirement System of Texas</b>			
For the Fiscal Year Ended August 31, 2023 (Amounts in Thousands)			
<b>Year</b>	<b>ERS Plan</b>	<b>LECOS Plan</b>	<b>JRS2 Plan</b>
2024	\$(6,544,864)	\$(92,614)	\$(18,676)
2025	(1,864,703)	(175,104)	(34,305)
2026	(382,021)	(125,081)	(15,967)
2027	609,864	16,149	8,945
2028			
Thereafter			

<sup>1</sup> Negative amounts indicate decrease in pension expense; positive amounts indicate increase in pension expense.

During the measurement period of fiscal 2023, ERS's calculated single discount rate remained 7 percent, and increased from 4.45 percent to 7 percent and from 5.77 percent to 7 percent for the LECOS and JRS2 Plans, respectively. For fiscal 2024, the net pension liability will increase for the ERS Plan by an estimated \$66.3 million, and will decrease for the LECOS and JRS2 Plans by an estimated \$601.3 million and \$67.7 million, respectively, due to changes detailed below.

Across the board salary increases approved by the 88th Legislative Session increased the ERS Plan's

UAAL; however, SB 30 provided additional one-time funding for the ERS Plan of \$900 million toward the accrued actuarial liability (reflected in the amount of contributions subsequent to measurement date). Additionally, employees hired after Aug. 31, 2022 are now enrolled in a defined benefit retirement structure known as a cash balance benefit in the ERS Plan or LECOS Plan, designed to mitigate the risk of significant future liabilities. Features of the new benefit include:

- lower employee contribution rate (6% of pay),
- five-year vesting period,
- state match equal to 150 percent of the account balance at retirement,
- a lifetime annuity in retirement, based on the balance in the employee's account at retirement (including the state match) accrued over their lifetime,
- guaranteed earnings of at least 4 percent annually,
- up to 3 percent per year more in gain-share, when the ERS Trust Fund has investment earnings (or "gain") of more than 4 percent over a five-year average and
- the possibility of annuity increases in retirement when the gain-sharing benefit is achieved.

The 88th Legislature also approved House Bill 1, known as the *General Appropriations Act*, which increased state contributions for the LECOS Plan and the JRS2 Plan to 1.75% and 19.25%, respectively, starting in fiscal 2024. Additional payments of \$772 million and \$99 million for the LECOS Plan and the JRS2 Plan, respectively, were made in September 2023 to pay off the unfunded liability. Both plans are considered to be fully funded upon receipt of these one-time funds. Additionally, SB 1245 created a new cash balance benefit plan in the JRS2 Plan for judges that are sworn into office on or after Sept. 1, 2024 to further mitigate the risk of significant future liabilities.

## Judicial Retirement System of Texas Plan One (JRS1 Plan)

The JRS1 Plan is a single-employer defined benefit pension plan that is not administered through trust.

The JRS1 Plan covers the same kind of membership as the JRS2 Plan except JRS1 Plan members began membership prior to Sept. 1, 1985.

As a result of new judicial officers participating in the JRS2 Plan, the JRS1 Plan membership continues to decrease. Table 9J presents the membership for the JRS1 Plan as of Aug. 31, 2022.

<b>Membership Data</b>	
<b>Table 9J: Judicial Retirement System of Texas Plan One</b>	
As of Measurement Date of August 31, 2022	
<b>Membership</b>	<b>JRS1 Plan</b>
Retirees and Beneficiaries Currently Receiving Benefits	264
Current Employees Vested and Non-Vested	<u>2</u>
Total Members	<u>266</u>

Members are required to contribute a percentage of their monthly gross compensation to the general revenue fund, and the state is obligated to make appropriations from the general revenue fund in an amount sufficient to pay benefits on a pay-as-you-go basis. The contribution requirements are statutorily established similar to the other ERS Plans.

The total pension liability is determined by an annual actuarial valuation. The methods and assumptions applied in the actuarial valuations were based on a May 2020 experience study covering the five-year period from Sept. 1, 2014 through Aug. 31, 2019. The discount rate increased from 1.95 percent as of Aug. 31, 2021 to 3.91 percent as of Aug. 31, 2022. There were no other changes in assumptions. Table 9K presents the actuarial methods and assumptions used to measure the total pension liability for the JRS1 Plan as of the Aug. 31, 2022 measurement date. There have been no changes to the benefit provisions of the JRS1 Plan since the prior measurement date.

## Actuarial Methods and Assumptions

**Table 9K: Judicial Retirement System of Texas Plan One**  
For the Fiscal Year Ended August 31, 2023

<b>Description</b>	<b>Actuarial Method/Assumption</b>
Actuarial Valuation Date	Aug. 31, 2022
Actuarial Cost Method	Entry Age Normal
<b>Actuarial Assumptions:</b>	
Discount Rate <sup>1</sup>	3.91%
Inflation	2.30%
Salary Increase	2.30%
<b>Mortality:</b>	
Active Members	Pub-2010 General Employees Active Member Mortality table. Generational mortality improvements in accordance with the Ultimate MP scales are projected from the year 2010.
Service Retirees, Beneficiaries and Inactive Members	2020 State Retirees of Texas mortality table. Generational mortality improvements in accordance with the ultimate rates from the scales published through 2019 by Retirement Plans Experience Committee of the Society of Actuaries (Ultimate MP) and projected from the year 2020.
Cost-of-living Adjustments	2.30% compounded annually on Sept. 1

<sup>1</sup> The source of the municipal bond rate is the rate for Fixed Income Market Data/Yield Curve/Data Municipal bonds with 20 years to maturity that include only federally tax exempt municipal bonds as reported in Fidelity Index's 20-Year Municipal GO AA Index.

Sensitivity analysis was performed on the impact of changes in the discount rate on the state's total pension liability. The results of the analysis for the JRS1 Plan are presented in table 9L.

## Sensitivity of Total Pension Liability to Changes in Discount Rate

**Table 9L: Judicial Retirement System of Texas Plan One**  
August 31, 2023 (Amounts in Thousands)

<b>Activity</b>	<b>1% Decrease</b>	<b>Current Discount Rate</b>	<b>1% Increase</b>
Discount Rate	2.91%	3.91%	4.91%
Total Pension Liability	\$ 189,273	\$ 175,128	\$ 162,756

The state's total pension liability is based on an actuarial valuation performed as of Aug. 31, 2022.

For fiscal 2023 reporting, the measurement date of the state’s total pension liability is Aug. 31, 2022. The schedule of changes in the state’s total pension liability for the fiscal year ended Aug. 31, 2023 is presented in table 9M.

## Schedule of Changes in Total Pension Liability<sup>1</sup>

**Table 9M: Judicial Retirement System of Texas Plan One**  
As of Measurement Date of August 31, 2022 (Amounts in Thousands)

Schedule of Changes	Total Pension Liability
Service Cost	\$ 154
Interest on the Total Pension Liability	4,084
Difference Between Expected and Actual Experience of the Total Pension Liability	149
Assumption Changes <sup>2</sup>	(29,717)
Benefit Payments and Refunds	(17,768)
<b>Net Change in Total Pension Liability</b>	<b>(43,098)</b>
<b>Total Pension Liability – Beginning</b>	<b>218,226</b>
<b>Total Pension Liability – Ending</b>	<b>\$ 175,128</b>

<sup>1</sup> There are no assets accumulated in a trust that meets the criteria in Paragraph 4 of GASB Statement No. 73 to pay related benefits.

<sup>2</sup> The change in the total pension liability due to the change in the single discount rate is included as an assumption change.

For the fiscal year ended Aug. 31, 2023, the state recognized pension expense of negative \$25.3 million for the JRS1 Plan, chiefly due to the change in the single discount rate. Since the expected remaining service lives is one year, at Aug. 31, 2023, the state did not report deferred outflows of resources and deferred inflows of resources related to pensions for:

- Differences between expected and actual experience and
- Changes of assumptions.

The \$16.9 million reported as deferred outflows of resources resulting from transactions subsequent to the measurement date for the JRS1 Plan will be recognized as a reduction in the total pension liability for the fiscal year ending Aug. 31, 2024.

## Teacher Retirement System of Texas (TRS)

### Teacher Retirement System of Texas Plan (TRS Plan)

TRS is the administrator of the TRS Plan, a cost-sharing, multiple-employer defined benefit pension plan with a special funding situation.

The employers of the TRS Plan include the state of Texas, TRS, the state’s public schools, education service centers, charter schools, junior and community colleges. All employees of public, state-supported education institutions in Texas who are employed for one-half or more of the standard workload and not exempted from membership under *Texas Government Code*, Title 8, Section 822.002 are covered by the system. Employees of TRS and state of Texas colleges, universities and medical schools are members of the TRS Plan.

The TRS Plan provides retirement, disability annuities and death and survivor benefits. The benefit and contribution provisions of the TRS Plan are authorized by state law and may be amended by the Texas Legislature. The pension benefit formulas are based on members’ average annual compensation and years of service credit. The standard annuity is 2.3 percent of the average of the five highest annual salaries multiplied by years of service credit. For grandfathered members who were hired on or before Aug. 31, 2005, and meet certain criteria, the standard annuity is based on the average of the three highest annual salaries. The plan does not provide automatic cost-of-living adjustments.

TRS issued a stand-alone audited Annual Comprehensive Financial Report (ACFR). The TRS ACFR may be obtained from their website at [www.trs.texas.gov](http://www.trs.texas.gov) and searching for financial reports.

The state is both an employer and a nonemployer contributing entity under the TRS Plan. The state makes contributions to the plan for its employees as well as the employees of the Texas public school districts. During the measurement period of 2022 for fiscal

2023 reporting, the amount of the state's contributions recognized by the plan was \$833.8 million for the state as an employer and \$2.2 billion for the state as a nonemployer contributing entity. Similar to the ERS, LECOS and JRS2 Plans, the contribution rates are based on a percentage of the monthly gross compensation for each member. The contribution requirements for the state and the members in the measurement period of fiscal 2022 are presented in table 9N.

<b>Required Contribution Rates</b>	
<b>Table 9N: Teacher Retirement System of Texas Plan</b>	
For the Fiscal Year Ended August 31, 2023	
<b>Contributor</b>	<b>Rate</b>
Employer	7.75%
Nonemployer Contributing Entity (State)	7.75%
Employees	8.00%

The actuarial valuation was performed as of Aug. 31, 2021. Update procedures were used to roll forward the total pension liability to Aug. 31, 2022. Table 9O presents the actuarial methods and assumptions used to measure the total pension liability for the TRS Plan as of the Aug. 31, 2022 measurement date.

The actuarial assumptions and methods have been modified. These new assumptions were adopted in conjunction with an actuarial experience study for the four-year period ending Aug. 31, 2021 and adopted in July, 2022. The primary assumption change was the lowering of the single discount rate from 7.25 percent to 7 percent. The mortality rates were based on tables identified in table 9O. There have been no changes to the benefit provisions of the plan since the prior measurement date.

## Actuarial Methods and Assumptions

**Table 9O: Teacher Retirement System of Texas Plan**  
For the Fiscal Year Ended August 31, 2023

<b>Description</b>	<b>Actuarial Method/Assumption</b>
Actuarial Valuation Date	Aug. 31, 2021, rolled forward to Aug. 31, 2022
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Fair Value
<b>Actuarial Assumptions:</b>	
Discount Rate	7.00%
Long-term Expected Return	7.00%
Municipal Bond Rate	3.91% <sup>1</sup>
Inflation	2.30 %
Salary Increase	2.95% to 8.95% including inflation
Last year ending Aug. 31 in projection period (100 years)	2121
<b>Mortality:</b>	
Active	PUB(2010) Mortality Tables for Teachers, below median, with full generational mortality.
Post-Retirement	2021 TRS Healthy Pensioner Mortality Tables
Ad Hoc Post-Employment Benefit Changes	None

<sup>1</sup> The source of the municipal bond rate is the Fixed Income Market Data/Yield Curve/Data Municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's 20-Year Municipal GO AA Index.

The discount rate used to measure the total pension liability for the TRS Plan was 7 percent as of the end of the measurement year, a decrease from the 7.25 percent used as of the beginning of the measurement year. The single discount rate was based on the expected rate of return on pension plan investments of 7 percent and a municipal bond rate of 3.91 percent. The projection of cash flows used to determine this single discount rate assumed that contributions from active members, employers and nonemployer contributing entity make their contributions at the statutorily required rates. It is assumed that future employer and state contributions will be 8.5 percent of payroll in fiscal year 2020 gradually increasing to 9.55 percent over the next several years. This includes all employer and state contributions for active and rehired retirees. Based on these assumptions, the pension plan's fiduciary net position and future contributions were sufficient to finance the

future benefit payments of current plan members. As a result, the long-term expected rate of return on pension plan investments was applied to all projected benefit payments to determine the total pension liability.

The long-term expected rate of return on plan investments was developed using a building-block method with assumptions including asset class of investment portfolio, target allocation, real rate of return on investments and inflation factor. Under this method, best estimate ranges of expected future real rates of

return (net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocations and best estimates of geometric real rates of return for each major asset class for the TRS Plan's investment portfolio are presented in table 9P.

<b>Target Allocations</b>			
<b>Table 9P: Teacher Retirement System of Texas Plan</b>			
August 31, 2023			
<b>Asset Class</b>	<b>Target Allocation<sup>2</sup></b>	<b>Long-Term Expected Geometric Real Rate of Return<sup>3</sup></b>	<b>Expected Contribution to Long Term Portfolio Returns</b>
<b>Global Equity</b>			
USA	18.00%	4.60%	1.12%
Non-US Developed	13.00%	4.90%	0.90%
Emerging Markets	9.00%	5.40%	0.75%
Private Equity	14.00%	7.70%	1.55%
<b>Stable Value</b>			
Government Bonds	16.00%	1.00%	0.21%
Absolute Return <sup>1</sup>	0.00%	3.70%	0.00%
Stable Value Hedge Funds	5.00%	3.40%	0.18%
<b>Real Return</b>			
Real Estate	15.00%	4.10%	0.94%
Energy, Natural Resources and Infrastructure	6.00%	5.10%	0.36%
Commodities	0.00%	3.60%	0.00%
<b>Risk Parity</b>			
Risk Parity	8.00%	4.60%	0.43%
<b>Asset Allocation Leverage</b>			
Cash	2.00%	3.00%	0.01%
Asset Allocation Leverage	(6.00)%	3.60%	(0.05)%
Inflation Expectation			2.70%
Volatility Drag <sup>4</sup>			(0.91)%
<b>Total</b>	<u>100.00%</u>		<u>8.19%</u>

<sup>1</sup> Absolute Return includes Credit Sensitive Investments.  
<sup>2</sup> Target allocations are based on the fiscal year 2022 policy model.  
<sup>3</sup> Capital market assumptions come from Aon Hewitt as of Aug. 31, 2022.  
<sup>4</sup> The volatility drag results from the conversion between arithmetic and geometric mean returns.

Sensitivity analysis was performed on the impact of changes in the discount rate on the state's net pension liability. The results of the analysis are presented in table 9Q.

investment policy, assets and fiduciary net position, may be obtained from TRS' fiscal 2022 ACFR.

At Aug. 31, 2023, the state reported a liability of \$10.6 billion for its proportionate share of the collective net pension liability as an employer and a liability of \$27.4 billion for its proportionate share of the collective net pension liability as a nonemployer contributing entity. The collective net pension liability was measured as of Aug. 31, 2022, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of Aug. 31, 2021, rolled forward to Aug. 31, 2022. The state's proportion increased from 16.66 percent at Aug. 31, 2021, to 17.87 percent at Aug. 31, 2022,

<b>Sensitivity of Net Pension Liability to Changes in Discount Rate</b>			
<b>Table 9Q: Teacher Retirement System of Texas Plan</b>			
August 31, 2023 (Amounts in Thousands)			
<b>State as:</b>	<b>1% Decrease</b>	<b>Current Discount Rate</b>	<b>1% Increase</b>
<b>Employer</b>			
Discount Rate	6.00%	7.00%	8.00%
NPL	\$ 16,501,951	\$ 10,607,952	\$ 5,830,589
<b>Nonemployer Contributing Entity</b>			
Discount Rate	6.00%	7.00%	8.00%
NPL	\$ 42,620,760	\$ 27,397,910	\$ 15,059,076

The TRS Plan's fiduciary net position is determined using economic resources measurement focus and accrual basis of accounting, which is the same basis used by TRS. Benefits and refunds of contributions are recognized when due and payable in accordance with the terms of the TRS Plan. Investments are reported at fair value. Fair value is a market-based measurement, not an entity-specific measurement. It is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. Measurement, recognition, or disclosure of an asset or liability depends on the aggregation or disaggregation of the unit of account of the asset or liability. TRS utilizes one or more of the following valuation techniques in order to measure fair value: the market approach, the cost approach and the income approach. More detailed information on the TRS Plan's

and decreased from 50.16 percent to 46.15 percent for its role as an employer and nonemployer contributing entity, respectively. The state's proportions of the collective net pension liability were based on its contributions to the pension plan relative to the contributions of all the employers and nonemployer contributing entity to the plan for the period Sept. 1, 2021 through Aug. 31, 2022.

The state recognized pension expense for its employees' pension and grant expense for the pension of Texas public school district and junior college employees. For the fiscal year ended Aug. 31, 2023, the state recognized pension expense of \$1.4 billion and grant expense of \$2.6 billion for the TRS Plan. At Aug. 31, 2023, the state reported deferred outflows of resources and deferred inflows of resources related to pensions from the sources for the TRS Plan in table 9R.

## Deferred Outflows of Resources and Deferred Inflows of Resources

Table 9R: Teacher Retirement System of Texas Plan

August 31, 2023 (Amounts in Thousands)

Deferral Type	State as Employer		State as Nonemployer Contributing Entity	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 153,814	\$ 231,273	\$ 397,267	\$ 597,326
Changes of assumptions	1,976,607	492,626	5,105,122	1,272,339
Net difference between projected and actual investment return	1,048,032		2,706,826	
Change in proportion and contribution difference	1,201,829	728,141	328,375	2,028,732
Contributions subsequent to the measurement date	962,143		2,279,409	
<b>Total</b>	<b>\$ 5,342,425</b>	<b>\$ 1,452,040</b>	<b>\$ 10,816,999</b>	<b>\$ 3,898,397</b>

The \$962.1 million and \$2.3 billion reported as deferred outflows of resources resulting from contributions subsequent to the measurement date for the state as an employer and nonemployer contributing entity, respectively, will be recognized as a reduction in the net pension liability for the fiscal year ending Aug. 31, 2024.

Table 9S presents amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions that will be recognized in pension expense and grant expense in the following years for the TRS Plan.

## Amortization Impact of Deferred Outflows of Resources and Deferred Inflows of Resources on Pension/Grant Expense

Table 9S: Teacher Retirement System of Texas Plan

August 31, 2023 (Amounts in Thousands)

Year Ended	State as Employer	State as Nonemployer Contributing Entity
Aug. 31:	(Pension Expense <sup>1</sup> )	(Grant Expense <sup>1</sup> )
2024	\$ 825,894	\$ 1,265,082
2025	464,453	491,106
2026	140,760	(67,892)
2027	1,272,850	2,770,833
2028	224,286	180,065
Thereafter		

<sup>1</sup> Negative amounts indicate decrease in pension/grant expense; positive amounts indicate increase in pension/grant expense.

During the measurement period of fiscal 2023, the actuarial assumptions used in the determination of the total pension liability were based on the assumptions used in the actuarial valuation as of Aug. 31, 2022. Although actuarial assumptions have remained the same, the TRS Plan's net pension liability is expected to increase by \$9.3 billion for fiscal 2024, due primarily to an increase in the TRS Plan's total pension liability. The state's proportionate share is estimated to increase \$1.7 billion and \$4.3 billion for its role as an employer and nonemployer contributing entity, respectively.

The Texas 2023 Legislature passed a one-time stipend to certain eligible retirees. The stipend was paid to retirees beginning in September 2023. Appropriated funds paid for this one-time stipend so that net pension liability will be unaffected. Additionally, a cost of living adjustment was approved during November 2023 that will be paid in January 2024 and therefore will not be reflected in net pension liability for fiscal 2024.

## Texas Emergency Services Retirement System (TESRS)

### Texas Emergency Services Retirement System Plan (TESRS Plan)

TESRS is an agency of the state of Texas and the administrator of the TESRS Plan, a cost-sharing multi-



ple-employer defined benefit pension plan with a special funding situation.

The TESRS Plan provides pension benefits for emergency services personnel who serve without significant monetary remuneration through participating fire or emergency services departments within the state. The TESRS Plan provides pension benefits to members with vested service and their beneficiaries as well as death and disability benefits to active volunteer fire fighters and first responders. The benefit and contribution provisions of the TESRS Plan are set by the TESRS board authorized by state law (*Texas Government Code*, Title 8, Subtitle H) and may be amended by the board. Members are 50 percent vested after the tenth year of service, with the vesting percent increasing 10 percent for each of the next five years of service. For a vested member, the monthly pension benefit equals the member’s vested percent multiplied by six times the average monthly contribution of the governing body (of the participating department) over the member’s years of qualified service. For years of service in excess of 15 years, the monthly benefit is increased at the rate of 6.2 percent compounded annually. There is no provision for automatic post-retirement benefit changes.

Contribution provisions are composed of two parts: Part One contributions and Part Two contributions. Part One contributions are determined by the TESRS board of trustees and Part Two contributions are actuarially determined.

**Part One contributions:** The governing bodies of each participating department are required to make contributions for each month a member performs emergency services for the department. The contributions from the governing bodies are at a minimum rate of \$36 per member and there is no limit to the maximum rate. Individuals who are members of the TESRS Plan are not required, nor allowed, to make contributions. The state is required to contribute an amount necessary to make the system actuarially sound each year, which may not exceed

one-third of the total contributions made by participating governing bodies in a particular year.

**Part Two contributions:** In case the expected future annual contributions from the state are not enough with the Part One contributions to provide an adequate contribution arrangement as determined by the most recent actuarial valuation, an actuarially determined contribution not to exceed 15 percent of the Part One contributions is to be actuarially adjusted every two years based on the most recent actuarial valuation. Based on the actuarial valuation as of Aug. 31, 2022, the Part Two contributions are not required for an adequate contribution arrangement.

The state of Texas is not an employer of the members under the TESRS Plan. However, the state makes contributions directly to the TESRS Plan for members of the participating fire or emergency services departments in the state. During the measurement period of 2022 for fiscal 2023 reporting, the amount of the state’s contributions recognized by the TESRS Plan was \$1.3 million.

The total pension liability is determined by an actuarial valuation as of Aug. 31, 2022. Table 9T presents the actuarial methods and assumptions used to measure the total pension liability for the TESRS Plan as of the Aug. 31, 2022 measurement date.

### Actuarial Methods and Assumptions

**Table 9T: Texas Emergency Services Retirement System Plan**  
As of August 31, 2023

Description	Actuarial Method/Assumption
Actuarial Valuation Date	Aug. 31, 2022
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level dollar
Actuarial Assumptions:	
Discount Rate	7.5%
Investment Rate of Return	7.5%
Inflation	3.0%
Salary Increase	N/A
Mortality	PubS-2010 (public safety) below-median income mortality tables for employees and for retirees, projected for mortality improvement generationally using projection scale MP-2019
Ad Hoc Post-Retirement Benefit Changes	None

The actuarial assumptions used in the valuation were primarily based on the result of an actuarial experience study from 2020 as indicated by Rudd and Wisdom, Inc., TESRS' actuary. There has been one change in the entry age actuarial cost method since the prior measurement date. The span over which each of the normal cost components is spread was adjusted to go from entry age to last assumed age for each benefit. Previously, the span was to the last assumed age for each benefit. This change only affected the termination and disability benefit allocations; and while the normal cost increased somewhat, the actuarial accrued liability decreased by a small amount. There have been no changes in assumptions or to the benefit provisions since the prior measurement date.

The discount rate of 7.5 percent was applied to measure the total pension liability. There has been no change in the discount rate since the prior measurement date. No projection of cash flows was used to determine the discount rate because the Aug. 31, 2022 actuarial valuation showed that expected contributions would pay the normal cost and amortize the unfunded actuarial accrued liability in 30 years using the level dollar amortization method. Because of the 30-year amortization period with the amortization method, TESRS Plan's fiduciary net position is expected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on the TESRS Plan investments was applied to all periods of projected benefit payments without incorporating the municipal bond rate.

The long-term expected net real rate of return on the TESRS Plan investments was developed using a building-block method with assumptions including asset class of investment portfolio, target allocation, real rate of return on investments and inflation factor. Under this method, expected future real rates of return (net of investment expense and inflation) are developed for each major asset class. These rates are combined

to produce the long-term expected rate of return by weighting the expected future net real rates of return by the target asset allocation percentage and by adding expected inflation. In addition, the final 7.5 percent assumption was selected by rounding down.

The target allocations and long-term expected arithmetic net real rates of return for each major asset class for the TESRS Plan's investment portfolio are presented in table 9U.

## Target Allocations

**Table 9U: Texas Emergency Services Retirement System Plan**  
August 31, 2023

Asset Class	Target Allocations	Long-Term Expected Net Real Rate of Return <sup>1</sup>
<b>Equities:</b>		
Large Cap Domestic	20%	5.83%
Small/Mid Cap Domestic	10%	5.94%
Developed International	15%	6.17%
Emerging Markets	5%	7.36%
Global Infrastructure	5%	6.61%
Real Estate	10%	4.48%
Multi Asset Income	5%	3.86%
Fixed Income	30%	1.95%
Total Allocations	<u>100%</u>	
Weighted Average		4.61%

<sup>1</sup> The above components are weighted to arrive at an average of 4.61%, which is added to the expected inflation of 3%. The final rate of 7.5% assumption was selected by rounding down.

Sensitivity analysis was performed on the impact of changes in the discount rate on the state's net pension liability. The results of the analysis are presented in table 9V.

## Sensitivity of Net Pension Liability to Changes in Discount Rate

**Table 9V: Texas Emergency Services Retirement System Plan**  
August 31, 2023 (Amounts in Thousands)

Activity	1% Decrease	Current Discount Rate	1% Increase
Discount Rate	6.50%	7.50%	8.50%
Net Pension Liability	\$ 16,708	\$ 10,651	\$ 5,745

The TESRS Plan's fiduciary net position is determined using economic resources measurement focus and accrual basis of accounting, which is the same basis used by TESRS. Contributions are recognized immediately upon billing, reflecting actual participation in the member fire department during the prior six months. Benefits are recognized when due and payable in accordance with the terms of the plan. Investments of the TESRS Plan are reported at fair value in accordance with GASB Statement No. 72, *Fair Value*. The fair value of investments is based on market prices provided by the fund custodian. For investments where no readily ascertainable fair value exists, management, in consultation with their investment advisors, determines the fair values for the individual investments. More detailed information on the TESRS Plan's investment policy, assets and fiduciary net position may be obtained from the fiscal 2022 audited Annual Financial Report at the website [www.tesrs.org/financial-information](http://www.tesrs.org/financial-information).

At Aug. 31, 2023, the state reported a liability of \$10.7 million for its proportionate share of the collective net pension liability as a nonemployer contributing entity. The collective net pension liability was measured as of Aug. 31, 2022, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of Aug. 31, 2022. The state's proportion as a nonemployer contributing entity decreased from 27.69 percent at Aug. 31, 2021 to 25.96 percent at Aug. 31, 2022. The state's proportion of the collective net pension liability was based on a fiscal 2022 schedule of contributions consisting of Part One contributions by the contributing fire and/or emergency services department members and the appropriated maximum state contributions as defined in the *Texas Emergency Services Retirement System Act*.

The state recognized grant expense as a nonemployer contributing entity for the pension of the volunteer emergency services personnel in the state. Amounts recognized in pension expense represent changes between

current and prior measurement dates. For the fiscal year ended Aug. 31, 2023, the state recognized grant expense of \$1.9 million for the TESRS Plan. At Aug. 31, 2023, the state reported deferred outflows and inflows of resources related to the emergency services personnel's pension from the following TESRS Plan sources in table 9W.

### Deferred Outflows of Resources and Deferred Inflows of Resources

**Table 9W: Texas Emergency Services Retirement System Plan**  
August 31, 2023 (Amounts in Thousands)

Deferral Type	State as Nonemployer Contributing Entity	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 405	\$
Change of Assumptions		54
Net Difference Between Projected and Actual Investment Return	3,928	
Change in Proportion and Contribution Difference		369
Contributions Subsequent to the Measurement Date	1,263	
Total TESRS Plan	<u>\$ 5,596</u>	<u>\$ 423</u>

The \$1.3 million reported as deferred outflows of resources resulting from contributions subsequent to the measurement date for the state as a nonemployer contributing entity will be recognized as a reduction in the net pension liability for the fiscal year ending Aug. 31, 2024.

Table 9X presents amounts reported as deferred outflows of resources and deferred inflows of resources that will be recognized as grant expense in the following years for the TESRS Plan.

## Amortization Impact of Deferred Outflows of Resources and Deferred Inflows of Resources in Grant Expense

Table 9X: Texas Emergency Services Retirement System Plan  
August 31, 2023 (Amounts in Thousands)

Year Ended Aug. 31:	State as Nonemployer Contributing Entity (Grant Expense <sup>1</sup> )
2024	\$ 988
2025	644
2026	800
2027	1,478
2028	
Thereafter	

<sup>1</sup> Positive amounts indicate increase in grant expense.

## Physicians Referral Service (PRS) Supplemental Retirement Plan (SRP) Retirement Benefit Plan (RBP)

The University of Texas M. D. Anderson Cancer Center (M. D. Anderson), a component university of the University of Texas System (UT System), offers two *Internal Revenue Code (IRC)* section 457(f) plans in accordance with *Texas Government Code (TGC)*, Title 6, Subtitle A, Subchapter D that are determined to be pension plans under GASB Statement No. 97 *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. The Physicians Referral Service Supplemental Retirement Plan (SRP) and the Retirement Benefit Plan (RBP) are single-employer nonqualified noncontributory defined benefit pension plans that are not administered through trust. The plan administrator is the PRS Executive Council and the Retirement Board acts as the advisory to the council. The President of M. D. Anderson is the chair of the PRS Executive Council and has the ultimate decision authority.

The assets of the SRP/RBP Plans of approximately \$622 million at Aug. 31, 2023 are measured at fair value and presented as restricted investments in the UT Systems' statement of net position. The plan assets are

not held in trust and the plan assets remain subject to the claims of the general creditors of M. D. Anderson.

Pension expense for fiscal year 2023 is \$56.4 million.

Eligible employees of M. D. Anderson prior to July 1, 1986 may participate in the SRP. Eligible employees include physicians with a license to practice medicine in the state of Texas, other individuals with certain advanced degrees and individuals elected to membership by the Executive Council of PRS as an administrative staff officer. No new members have been admitted to the SRP since May 31, 1989 as the SRP is closed to new entrants. In general, participants are fully vested in the SRP after five years of credited service. Former participants not in active service on Jan. 1, 1985, require ten years of credited service as required by previous plan provisions. An active member receives full retirement benefits based on the SRP payment formula at age 65, age 60 with 20 years of credited service, or age 55 with 25 years of credited service. A vested member who becomes inactive for any reason other than death or retirement is entitled to an earned retirement allowance. This is a deferred allowance with benefit payments beginning at the former participant's normal retirement age. Participants in the SRP are not taxed on the employer's contributions made until benefits are paid since the SRP is grandfathered under the provisions of *IRC* section 457.

On Sept. 1, 1990, PRS established the RBP. Eligible employees may participate in the RBP upon the later of their employment date or Sept. 1, 1990. Employees who were eligible for the SRP because of their employment date had a one-time option to become members of the RBP and forego membership in the SRP. The amount of a participant's benefit is equal to each participant's account balance, as outlined in the RBP provisions. In general, a participant's account balance is equal to a stated percentage of annual compensation for each year of service plus a provision for annual interest credits. The earnings credit percentage is equal to the Moody's Average Corporate Bond yield

determined as of the first day of such plan year. Participants are taxed on the employer's contributions made when the contributions become vested. Participants become vested in their account balances after five years of service. Any vested member who becomes inactive for any reason other than death or retirement and has not attained the age of 55 will have his or her account maintained under RBP until retirement and earn half the interest credits of active participants. Upon vesting, participants are subject to federal income and Social Security taxes on the amount of deferred compensation. M. D. Anderson pays the taxes to, or on behalf of, participants. These amounts are reflected as a liability on M. D. Anderson's financial statements.

The membership data for the SRP/RBP Plans as of the measurement date of Sept. 1, 2022 is presented in table 9Y.

<b>Membership Data</b>	
<b>Table 9Y: SRP/RBP Plans</b>	
As of Measurement Date of September 1, 2022	
<b>Type of Member</b>	<b>SRP/RBP</b>
Inactive Employees Receiving Benefit Payments	511
Inactive Employees Entitled to But Not Yet Receiving Benefit Payments	278
Active Employees	<u>1,590</u>
Total Members	<u><u>2,379</u></u>

The total pension liability for the SRP/RBP Plans is determined by an annual actuarial valuation. Some key demographic assumptions, such as termination and retirement, are based upon a review of the PRS participant experience. This experience study is documented in the assumption rationale as last being conducted in 2021. Table 9Z below presents the actuarial methods and assumptions used to measure the total pension liability as of the Sept. 1, 2022 measurement date.

<b>Actuarial Methods and Assumptions</b>	
<b>Table 9Z: SRP/RBP Plans</b>	
As of August 31, 2023	
<b>Description</b>	<b>Actuarial Method/Assumption</b>
Actuarial Valuation Date	September 1, 2022
Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	Average Remaining Service Life
Asset Valuation Method	NA - Unfunded Plan
<b>Actuarial Assumptions:</b>	
Discount Rate <sup>1</sup>	3.59 %
Inflation	NA
Rate of Compensation Increase	4.00 %
Ad Hoc Post-Retirement Benefit Changes	None
Mortality	The mortality table is based on the final report of PRI-2012 Mortality Tables and MP-2021 mortality improvement scale as published by the Society of Actuaries (SOA) Retirement Plans Experience Committee (RPEC). This table and projection scale represents the most recent available data as of the valuation date.

<sup>1</sup> The discount rate was determined using the 20-year yields on the Bond Buyer 20-Bond GO Index as of Aug. 31 2022.

The discount rate of 3.59 percent was applied to measure the total pension liability. The discount rate increased from 2.14 percent as of Sept. 1, 2021 to 3.59 percent as of Sept. 1, 2022. The mortality table was updated from RP-2014 with modified projection scale using MP-2014 to Pri-2012 with projection scale MP-2021. The cash balance crediting rate was updated to use the actual rate in the first year following the valuation date. There have been no changes to the benefit provisions of the SRP/RBP Plan since the prior measurement date. Sensitivity analysis was performed on the impact of changes in the discount rate on M. D. Anderson's total pension liability. The results of the analysis for the SRP/RBP Plans are presented in table 9AA.

## Sensitivity of Total Pension Liability to Changes in Discount Rate

Table 9AA: SRP/RBP Plans

August 31, 2023 (Amounts in Thousands)

Activity	1% Decrease	Current Discount Rate	1% Increase
Discount Rate	2.59%	3.59%	4.59%
Total Pension Liability	\$ 1,001,974	\$ 918,839	\$ 846,111

At Aug. 31, 2023, M. D. Anderson reported a total pension liability of \$919 million for the SRP/RBP Plans. The schedule of changes in the state's total pension liability for the fiscal year ended Aug. 31, 2023 is presented in table 9AB.

## Schedule of Changes in Total Pension Liability<sup>1</sup>

Table 9AB: SRP/RBP Plans

As of Measurement Date of September 1, 2022  
(Amounts in Thousands)

Schedule of Changes	Total Pension Liability
Service Cost	\$ 40,514
Interest on the Total Pension Liability	22,719
Difference Between Expected and Actual Experience	(6,620)
Changes of Assumptions <sup>2</sup>	(133,970)
Benefit Payments and Refunds	(49,856)
<b>Net Change in Total Pension Liability</b>	<b>(127,213)</b>
<b>Total Pension Liability – Beginning</b>	<b>1,046,052</b>
<b>Total Pension Liability – Ending</b>	<b>\$ 918,839</b>

<sup>1</sup> There are no assets accumulated in a trust that meets the criteria in Paragraph 4 of GASB Statement No. 73 to pay related benefits.

<sup>2</sup> The change in the total pension liability due to the change in the single discount rate is included as an assumption change.

The \$49.3 million reported as deferred outflows of resources resulting from benefit payments subsequent to measurement date will be recognized as a reduction in the total pension liability for the fiscal year ending Aug. 31, 2024. At Aug. 31, 2023, the state reported deferred outflows of resources and deferred inflows of resources related to the SRP/RBP Plans in table 9AC.

## Deferred Outflows of Resources and Deferred Inflows of Resources

Table 9AC:SRP/RBP Plans

August 31, 2023 (Amounts in Thousands)

Deferral Type	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	\$ 50,706	\$ 117,983
Difference Between Expected and Actual Experience		5,830
Benefit Payments Subsequent to Measurement Date	49,322	
Administrative Costs Subsequent to Measurement Date	847	
<b>Total</b>	<b>\$ 100,875</b>	<b>\$ 123,813</b>

Table 9AD presents amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions that will be recognized in pension expense in the following years for the SRP/RBP Plans.

## Amortization Impact of Deferred Outflows of Resources and Deferred Inflows of Resources on Pension Expense

Table 9AD:SRP/RBP Plans

August 31, 2023 (Amounts in Thousands)

Year Ended Aug. 31:	Increase (Decrease) of Pension Expense
2024	\$(7,731)
2025	(7,731)
2026	(7,731)
2027	(7,731)
2028	(7,731)
Thereafter	(34,453)

## Defined Contribution Pension Plan Optional Retirement Program (ORP)

The state's contributions to the ORP are authorized by *Texas Government Code*, Chapter 830. Full-time faculty and certain other employees in public higher education are eligible to elect ORP in lieu of the TRS

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Plan before the 91st day after becoming eligible. It is a one-time irrevocable choice between two distinct plans. ORP is administered by each employer. The Texas Higher Education Coordinating Board (THECB) develops policies, practices and procedures to provide greater uniformity in the administration of ORP.

ORP is a defined contribution retirement plan in which each participant selects from a variety of investments offered by several insurance and investment companies through annuity contracts or mutual fund investments. These types of investments are authorized by Internal Revenue Code, Section 403(b). With the purchase of these individual contracts, the state has effectively transferred the obligation for the payment of benefits to the companies. Participants vest in ORP after one year of participation.

The contributory percentages of participant salaries provided by each participant and the state were 6.65 percent and 6.6 percent, respectively, for fiscal 2023. Institutions and agencies authorized under state law to provide ORP to their employees may supplement the state contribution at a rate of up to 1.9 percent of payroll.

Individual accounts are maintained at the insurance and investment companies selected by each ORP participant. Separate financial statements for ORP are not prepared because the state retains no assets in a trust or equivalent arrangement, no liability for plan performance and has very limited administrative involvement.

The employers of ORP are institutions of higher education, one educational state agency and some two-year college institutions that are not part of the state reporting entity. State entity participation in ORP for fiscal 2023 resulted in participant contributions of \$317.9 million and employer contributions of \$375.8 million.

As of Aug. 31, 2023, ORP had 35,612 participants. The total participant contributions were \$341.3 million and total employer contributions were \$406.2 million. Additional information for ORP is included in the fiscal 2023 *ORP Participation Report Summary*, published

annually by the THECB. The report is available on the THECB's website at [www.highered.texas.gov](http://www.highered.texas.gov).

## Note 10

### Deferred Compensation

The state of Texas offers the Employees Retirement System (ERS) TexaSaver 401(k) / 457(b) Program to all state employees. The TexaSaver Program is a deferred compensation plan and is an other employee benefit. Per *Texas Government Code (TGC)* Chapter 609.502, the board of trustees of ERS establishes the rules for any deferred compensation plan. The state of Texas does not contribute to either plan in the TexaSaver Program. These plans are established in accordance with *Internal Revenue Code (IRC)*, Section 457(b) and *IRC*, Section 401(k). All costs of administering and funding these programs are the responsibility of plan participants. The assets of the two plans remain the property of the contributing employees and are not presented in the accompanying financial statements. The state makes no contributions to either plan, the assets do not belong to the state and the state has no liability related to the plans.

*IRC* Section 457(f) plans are also offered by some universities. These plans allow only the employer to make contributions to the plan and contain certain conditions that must be met before distributions from the plan can be made. GASB Statement No. 97 - *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans* requires that *IRC* Section 457 plans be classified as either a pension plan or as an other employee benefit plan.

The University of Texas System (UT System) offers two deferred compensation plans. The UTSaver Deferred Compensation 457(b) Plan was created in accordance with *IRC*, Section 457(b), where all UT System employees are eligible to participate and do not

participate in the plan offered by the state of Texas, per *TGC* Chapter 609.702. All investments, amounts, property and rights held under the deferred compensation trust fund are held for the exclusive benefit of participants and beneficiaries at the fair value of the plan account for each participant. The UT System has no liability under the plan. The UTSaver Executive Deferred Compensation 457(f) Plan is also offered and is in accordance with *IRC* Section 457(f). This plan provides financial incentives in the recruitment of highly qualified candidates for employment and to retain existing employees. It does not provide retirement income nor postemployment benefits.

The Texas A&M University System (A&M System) participates in the ERS TexaSaver 401(k)/ 457(b) Program and additionally offers the Texas A&M University System 457(f) Deferred Compensation Plan. All A&M System employees are eligible to participate in the ERS TexaSaver plan. Participation in the *IRC* 457(f) plan is subject to the approval of the A&M System board of regents, the chancellor or any chancellor-designated member chief executive officer. This allows the A&M System to defer income for eligible participants without regard to the amount deferred or an adverse impact on other retirement plans in which the participant is enrolled. Distributions are made during employment as additional compensation. Should a participant in the *IRC* 457(f) plan leave before the distribution date, the deferred amounts are forfeit.

## Note 11

### Postemployment Benefits Other Than Pensions

The state of Texas has two retirement systems and two university systems in its financial reporting entity that administer the state's Other Postemployment Benefit (OPEB) plans in addition to providing pension benefits:

- Employees Retirement System of Texas (ERS),
- Teacher Retirement System of Texas (TRS),
- Texas A&M University System (A&M System), and
- the University of Texas System (UT System).

These two retirement systems and two university systems administer the following four defined benefit OPEB plans:

- ERS—the State Retiree Health Plan (SRHP);
- TRS—the Texas Public School Retired Employees Group Insurance Program (TRS-Care);
- A&M System—the A&M System Retiree Group Insurance Program (A&M Plan); and
- UT System—the UT System Employee Group Insurance Program (UT Plan).

SRHP and TRS-Care are administered through trust, while the A&M Plan and UT Plan are not; and all OPEB plans are operated on a pay-as-you-go basis. These benefits are authorized by statute and contributions are established by the General Appropriations Act.

### **OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the fiscal year ended Aug. 31, 2023, the state recognized OPEB expense of negative \$2.4 billion. Of this amount, negative \$605.1 million was incurred as an employer and negative \$1.8 billion as a nonemployer contributing entity. The reported deferred outflows of resources and deferred inflows of resources related to OPEB are identified in Note 27.

### **Employees Retirement System of Texas**

The state of Texas contributes to SRHP, a cost-sharing, multiple-employer defined benefit OPEB plan with a special funding situation. ERS's board of trustees administers SRHP.



ERS issued a stand-alone audited Annual Comprehensive Financial Report (ACFR). The ERS ACFR may be obtained from their website at [www.ers.texas.gov](http://www.ers.texas.gov) and searching for reports and studies.

### Plan Description

SRHP provides postemployment health care, life and dental insurance coverage for participants on a pay-as-you-go basis as authorized by *Texas Insurance Code*, Chapter 1551. The benefit and contribution provisions of the SRHP are authorized by state law and may be amended by the Texas Legislature. Retirees must meet certain age and service requirements and have at least 10 years of service at retirement to participate in the SRHP. Surviving spouses and dependents of retirees are also covered by SRHP. SRHP does not provide automatic cost-of-living adjustments.

Contributors to SRHP include active and retired members, employers, and the state of Texas as the only nonemployer contributing entity. Employers include state of Texas agencies, universities, junior and community colleges, and other entities specified by the Texas Legislature with the state of Texas being the principal participating employer.

### Funding Policy

The state is both an employer and a nonemployer contributing entity in SRHP. The state makes contributions to the SRHP for its employees as well as part of the premiums for the junior and community colleges. Retirees pay any premium over and above the employer contribution. The employer does not contribute toward dental or optional life insurance. Surviving spouses and their dependents do not receive any employer contributions. During the measurement period of 2022, for fiscal 2023 reporting, the amount of the state contributions recognized by the SRHP was \$627.6 million for the state as employer and \$47.3 million for the state as a nonemployer contributing entity. The contribution

requirements for the employers of SRHP during the measurement period are presented in table 11A.

## Required Contribution Rates – Retiree Health and Basic Life Premium

**Table 11A: State Retiree Health Plan**  
For the Fiscal Year Ended August 31, 2023

Level of Coverage	Employer Monthly Premium Rates
Retiree Only	\$ 625
Retiree and Spouse	1,340
Retiree and Children	1,104
Retiree and Family	1,819

### Measurement Date

ERS has elected to use a measurement date that is twelve months in advance of the fiscal year, with a measurement date of Aug. 31, 2022 for fiscal year ended Aug. 31, 2023.

### Actuarial Methods and Assumptions

The total OPEB liability (TOL) is determined by an annual actuarial valuation. Table 11B presents the actuarial methods and assumptions used to measure the TOL for the SRHP as of the measurement date.

The many actuarial assumptions used in the valuation were primarily based on the result of actuarial experience studies performed by the ERS and TRS retirement plan actuaries for the period Sept. 1, 2014 to Aug. 31, 2019 for state agency members and for the period Sept. 1, 2010 to Aug. 31, 2017 for higher education members. The mortality rates were based on the tables identified in table 11B.

## Actuarial Methods and Assumptions

**Table 11B: State Retiree Health Plan**

For the Fiscal Year Ended August 31, 2023

Description	Actuarial Method/Assumption
Actuarial Valuation Date	Aug. 31, 2022
Actuarial Cost Method	Entry Age
Amortization Method	Level Percent of Payroll, Open
Remaining Amortization Period	30 Years
Asset Valuation Method	Not applicable
<b>Actuarial Assumptions:</b>	
Inflation	2.30%
Discount Rate	3.59% <sup>1</sup>
Salary Increase	2.30% to 8.95% , includes inflation
<b>Annual Healthcare Trend Rates:</b>	
HealthSelect	5.60% for fiscal 2024, 5.30% for fiscal 2025, 5.00% for fiscal 2026, 4.75% for fiscal 2027, 4.60% for fiscal 2028, decreasing 10 basis points per year to an ultimate rate of 4.30% for fiscal 2031 and later years
HealthSelect Medicare Advantage	66.67% for fiscal 2024, 24.00% for fiscal 2025, 5.00% for fiscal 2026, 4.75% for fiscal 2027, 4.60% for fiscal 2028, decreasing 10 basis points per year to an ultimate rate of 4.30% for fiscal 2031 and later years
Pharmacy	10.00% for fiscal 2024 and fiscal 2025, decreasing 100 basis points per year to 5.00% for fiscal 2030 and 4.30% for fiscal 2031 and later years
Ad Hoc Post-Employment Benefit Changes	None
<b>Mortality:</b>	
State Agency Members:	
Service Retirees, Survivors and other Inactive Members	2020 State Retirees of Texas Mortality table with a 1 year set forward for male CPO/CO members and Ultimate MP Projection Scale projected from the year 2020
Disability Retirees	2020 State Retirees of Texas Mortality table set forward three years for males and females. Generational mortality improvements in accordance with the Ultimate MP-2019 Projection Scale are projected from the year 2020. Minimum rates of 3.0% and 2.5% apply at all ages for males and females, respectively
Active Members	Pub-2010 General Employees Active Member Mortality table for non-CPO/CO members and Pub-2010 Public Safety Active Member Mortality table for CPO/CO members with Ultimate MP-2019 Projection Scale from the year 2010
Higher Education Members:	
Service Retirees, Survivors and other Inactive Members	Tables based on TRS experience with Ultimate MP-2021 Projection Scale from the year 2021
Disability Retirees	Tables based on TRS experience with Ultimate MP Projection Scale from the year 2018 using a 3-year set forward and minimum mortality rates of four per 100 male members and two per 100 female members
Active Members	Sex Distinct Pub-2010 Amount-Weighted Below-Median Income Teacher Mortality with a 2-year set forward for males with Ultimate MP Projection Scale from the year 2010

<sup>1</sup> The source of the municipal bond rate is the Bond Buyer Index of General Obligation Bonds with 20 years to maturity and mixed credit quality. The bonds' average credit quality is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Corp.'s AA.

The following assumptions and other inputs have been adopted since the prior valuation to reflect plan experience and trends as expected by ERS and the actuaries attesting to the results of the valuation:

- a. assumed Per Capita Health Benefit Costs and assumed Health Benefit Cost and Retiree Contribution trends have been updated to reflect recent experience and its effects on short-term expectations,
- b. the Patient-Centered Outcomes Research Institute fee payable under the Affordable Care Act has been updated to reflect the most recent information,
- c. percentage of current retirees and their spouses not yet eligible to participate in the HealthSelect Medicare Advantage Plan and future retirees and their spouses who will elect to participate in the plan at the earliest date at which coverage can commence,
- d. proportion of future retirees assumed to cover dependent children,
- e. the proportion of future retirees assumed to elect health coverage at retirement and proportion of future retirees expected to receive the Opt-Out Credit at retirement,
- f. the discount rate assumption was changed from 2.14 percent to 3.59 percent to utilize the updated yield or index rate for 20-year, tax-exempt general obligation municipal bonds rated AA/Aa (or equivalent) or higher in effect on the measurement date.

The only benefit revisions adopted since the prior valuation is an increase in the out-of-pocket maximum for both HealthSelect and Consumer Directed HealthSelect for those HealthSelect retirees and dependents for whom Medicare is not primary. These minor ben-

efit changes are reflected in the following fiscal 2023 Assumed Per Capita Health Benefit Costs.

Other future actuarial methods may differ significantly from the current measurement period due to such factors as the following: plan experience, changes in economic or demographic assumptions, methodology used and changes in plan provisions or applicable laws.

The discount rate used to measure the TOL for SRHP is the municipal bond rate of 3.59 percent as of the end of the measurement year; as of the beginning of the measurement year, the discount rate was 2.14 percent. Projected cash flows into SRHP are equal to projected benefit payments out of the plan. As the plan operates on a pay-as-you-go basis and is not intended to accumulate assets, there is no long-term expected rate of return.

Sensitivity analysis was performed on the impact of changes in the discount rate on the state's net OPEB liability (NOL). The results of the analysis are presented in table 11C.

<b>Sensitivity of Net OPEB Liability to Changes in Discount Rate</b>			
<b>Table 11C: State Retiree Health Plan</b>			
For the Fiscal Year Ended August 31, 2023 (Amounts in Thousands)			
<b>Activity</b>	<b>1% Decrease</b>	<b>Current Discount Rate</b>	<b>1% Increase</b>
Discount Rate	2.59 %	3.59 %	4.59 %
State as Employer	\$ 28,302,606	\$ 24,266,958	\$ 21,039,410
State as Nonemployer Contributing Entity	\$ 2,134,993	\$ 1,830,565	\$ 1,587,097

Sensitivity analysis was performed on the impact of changes in the healthcare cost trend rates on the state's NOL. The result of the analysis are presented in table 11D.

## Sensitivity of Net OPEB Liability to Changes in Healthcare Cost Trend Rates

**Table 11D: State Retiree Health Plan**

For the Fiscal Year Ended August 31, 2023

(Amounts in Thousands)

Activity	1% Decrease	Current Rate	1% Increase
State as Employer	\$ 20,781,315	\$ 24,266,958	\$ 28,717,184
State as Nonemployer Contributing Entity	\$ 1,567,628	\$ 1,830,565	\$ 2,166,266

### Net OPEB Liability, Deferrals and OPEB Expense

The OPEB plan's fiduciary net position is determined using economic resources measurement focus and accrual basis of accounting, which is the same basis used by ERS. Benefits and refunds of contributions are recognized when due and payable in accordance with the terms of the plan.

At Aug. 31, 2023, the state reported a liability of \$24.3 billion for its proportionate share of the collective NOL as an employer, which was comprised of a current portion of \$927.1 million and a noncurrent portion of \$23.3 billion, and a liability of \$1.8 billion for its proportionate share of the collective NOL as a nonemployer contributing entity, which was comprised of a current portion of \$69.9 million and a noncurrent portion of \$1.8 billion. The collective NOL was measured as of Aug. 31, 2022, and the TOL used to calculate the NOL was determined by an actuarial valuation as of that date. The state's proportion decreased from 85.32 percent at Aug. 31, 2021, to 85.19 percent at Aug. 31, 2022, and increased from

6.13 percent to 6.43 percent for its role as employer and nonemployer contributing entity, respectively. The state's proportions of the collective NOL was based on its contributions to the OPEB plan relative to the contributions of all the employers and nonemployer contributing entity to the SRHP for the period Sept. 1, 2021 through Aug. 31, 2022.

The state recognized OPEB expense for its employees' OPEB and grant expense for the OPEB of the junior and community college employees. For the fiscal year ended Aug. 31, 2023, the state recognized OPEB expense of negative \$1.2 billion and grant expense of \$51.2 million for SRHP. At Aug. 31, 2023, the state reported deferred outflows of resources and deferred inflows of resources related to OPEB from the sources in table 11E.

The \$660.9 million and \$54.2 million reported as deferred outflows of resources resulting from contributions subsequent to the measurement date for the state as employer and nonemployer contributing entity respectively will be recognized as a reduction in the NOL for the fiscal year ending Aug. 31, 2024.

## Deferred Outflows of Resources and Deferred Inflows of Resources

**Table 11E: State Retiree Health Plan**

August 31, 2023 (Amounts in Thousands)

Deferral Type	State as Employer		State as Non-Employer Contributing Entity	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$	\$ 765,652	\$	\$ 57,757
Changes of Assumptions or Other Inputs	1,425,781	7,501,146	107,553	565,845
Net Difference Between Projected and Actual Investment Return	4,186		316	
Changes in Proportion and Difference Between Employer Contributions and Proportionate Share	441,134	791,885	171,455	35,281
Contributions Subsequent to the Measurement Date	660,852		54,188	
Total	<u>\$ 2,531,953</u>	<u>\$ 9,058,683</u>	<u>\$ 333,512</u>	<u>\$ 658,883</u>

Table 11F presents amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB that will be recognized in OPEB expense and grant expense in the following years for SRHP.

### Amortization Impact of Deferred Outflows of Resources and Deferred Inflows of Resources on OPEB/Grant Expense

**Table 11F: State Retiree Health Plan**  
For the Fiscal Year Ended August 31, 2023  
(Amounts in Thousands)

Year	State as Employer (OPEB Expense) <sup>1</sup>	State as Nonemployer Contributing Entity (Grant Expense) <sup>1</sup>
2024	\$ (2,122,377)	\$ (64,371)
2025	(1,541,829)	(100,008)
2026	(1,474,143)	(94,525)
2027	(1,298,981)	(75,611)
2028	(750,253)	(45,043)
Thereafter		

<sup>1</sup> Negative amounts indicate decrease in OPEB/grant expense.

During the measurement period of fiscal 2023, the following SRHP changes were updated by ERS. ERS increased the discount rate from 3.59 percent to 3.81 percent, changed assumed per capita health benefit costs and retiree contribution trends, changed the percentage of current retirees and their spouses not yet eligible for participation in SRHP, changed the proportion of future retirees assumed to cover dependent children in SRHP, changed the percentage of future retirees assumed to elect health coverage at retirement and changed the proportion of future retirees expected to receive the Opt-Out credit at retirement. This is expected to decrease SRHP's NOL by \$1.8 billion for fiscal year 2024 of which the state's proportionate share is estimated to decrease \$1.5 billion and \$113.7 million for its role as employer and non-employer contributing entity, respectively.

## Teacher Retirement System of Texas

The state of Texas contributes to TRS-Care, a cost-sharing, multiple-employer defined benefit OPEB plan with a special funding situation. TRS's board of trustees (Board) administers TRS-Care.

TRS issued a stand-alone audited Annual Comprehensive Financial Report (ACFR). The TRS ACFR may be obtained from their website at [www.trs.texas.gov](http://www.trs.texas.gov) and searching for financial reports.

### Plan Description

TRS-Care provides basic and optional group insurance coverage for participants on a pay-as-you-go basis as authorized by *Texas Insurance Code*, Chapter 1575. Basic coverage includes participation in a major medical group health insurance plan with deductibles based upon enrollment in Part A or Part B of Medicare or non-Medicare participants may pay premiums to participate in one of the two standard insurance plans with more comprehensive benefits. The benefit provisions of TRS-Care are authorized by state law and may be amended by the Board. The Board may adopt rules, plans, procedures and orders reasonably necessary to administer the program, including minimum benefits and financing standards. Retirees must meet certain age and service requirements, have at least 10 years of service at retirement and be a member of the TRS Pension System in order to participate in the TRS-Care plan. The TRS-Care plan does not provide automatic cost-of-living adjustments.

Contributors to TRS-Care include active and retired members, employers, and the state of Texas as the only nonemployer contributing entity. Employers include public schools, educational districts, regional education service centers and open-enrollment charter schools whose employees are members of TRS.

The *General Appropriations Act* passed by the 86th Legislative Session included funding to maintain TRS-Care premiums at their current level through Aug. 31, 2021. The 86th Legislative Session also passed Senate

Bill 1682 requiring TRS to establish a contingency reserve in the TRS-Care plan’s fund equal to 60 days of expenditures. As of the measurement date of Aug. 31, 2022, this amount is estimated at \$300 million.

**Funding Policy**

The state is a nonemployer contributing entity in TRS-Care per *Texas Insurance Code*, Chapter 1575. There is no continuing obligation to provide benefits beyond each fiscal year. TRS-Care is currently funded on a pay-as-you-go basis and is subject to change based on available funding. Funding is provided by retiree premiums, state contributions, active members and participating employers based on active member compensation. The Board does not have the authority to set or amend contribution rates. The *Texas Insurance Code*, Chapter 1575, Sections 202-204 establishes the contribution rates, while the *General Appropriations Act* from each legislative session establishes the actual public school contribution rate. Employers are also required to pay a surcharge of \$535 per month when employing a retiree of TRS. During the measurement period of 2022, for fiscal 2023 reporting, the amount of the state contributions recognized by the TRS-Care plan was \$534.3 million. The contribution requirements for the employers of TRS-Care during the measurement period are presented in table 11G.

A supplemental appropriation was authorized by Senate Bill 8 passed by the 87th Legislature, Third Called Session, provided \$83 million to TRS-Care from the federal American Rescue Plan Act to help defray COVID-19 related health care costs during fiscal 2022.

**Measurement Date**

TRS has elected to use a measurement date that is twelve months in advance of the fiscal year, with a measurement date of Aug. 31, 2022 for fiscal year ended Aug. 31, 2023.

**Actuarial Methods and Assumptions**

The actuarial valuation was performed as of Aug. 31, 2021. Update procedures were used to roll forward the total OPEB liability (TOL) to Aug. 31, 2022. Table 11H presents the actuarial methods and assumptions used to measure the TOL for the TRS-Care plan as of the measurement date.

The many actuarial assumptions used in the valuation were primarily based on the results of actuarial experience studies performed by the TRS retirement plan actuary for the three year period ended Aug. 31, 2017 and adopted in July 2018. The mortality rates were based on tables identified in table 11H.

**Required Contribution Rates – Retiree Healthcare**  
**Table 11G: TRS-Care**  
 For the Fiscal Year Ended August 31, 2023  
 (Amounts in Thousands)

Contributor	Contribution	
	Rate	Amount
Active Employee	0.65%	\$ 263,328
Nonemployer Contributing Entity (State)	1.25%	451,341
Participating Employer	0.75%	303,839
Federal/Private Funding <sup>1</sup>	1.25%	55,047
<b>Total</b>		<b>\$ 1,073,555</b>

<sup>1</sup> Contributions paid from federal funds and private grants are remitted by the employer and paid at the state rate.

## Actuarial Methods and Assumptions

**Table 11H: TRS-Care**

For the Fiscal Year Ended August 31, 2023

### Description

Actuarial Valuation Date	Aug. 31, 2021, rolled forward to Aug. 31, 2022
Actuarial Cost Method	Individual Entry Age Normal
<b>Actuarial Assumptions:</b>	
Inflation	2.30 %
Discount Rate	3.91% <sup>1</sup>
Aging Factors	Based on plan specific experience
Expenses	Third party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims cost
Salary Increase	3.05% to 9.05% (includes inflation)
Healthcare Cost and Trend Rate	Initial medical trend rates of 8.25% for Medicare retirees and 7.25% for non-Medicare retirees. Initial prescription drug trend rate of 8.25% for all retirees. Initial trend rates decrease to an ultimate trend rate of 4.25% over a period of 13 years.
Election Rates	Normal Retirement Participation: 62% participation prior to age 65 and 25% participation after age 65. 30% of pre-65 retirees are assumed to discontinue coverage at age 65.
Ad Hoc Post-Employment Benefit Changes	None
Demographic	The rates of mortality, retirement, termination and disability incidence are identical to the assumptions used to value the pension liabilities of TRS. These assumptions were developed in the experience study performed by TRS for the period ending Aug. 31, 2017.
<b>Mortality:</b>	
Post-Retirement	Tables based on the 2018 TRS of Texas Healthy Pensioner Mortality Tables, with projection on a fully generational basis using the ultimate improvement rates from mortality projection scale MP-2018
Active Members	Sex Distinct RP-2014 Employee Mortality multiplied by 90%, with projection on a fully generational basis using the ultimate improvement rates from mortality projection scale MP-2018

<sup>1</sup> The source of the municipal bond rate is the fixed income municipal bonds with 20 years to maturity that include only federal tax-exempt municipal bonds as reported in Fidelity Index's 20-Year Municipal GO AA Index as of Aug. 31, 2022.

The following assumptions and other inputs have been adopted since the prior valuations to reflect future plan experience as expected by the actuaries attesting to the results of the valuation:

- a. The discount rate changed from 1.95 percent as of Aug. 31, 2021 to 3.91 percent as of Aug. 31, 2022. (Lower participation rates and updates to

the health care trend rate assumptions were also factors that decreased TOL.)

Other future actuarial methods may differ significantly from the current measurement period due to the following factors: plan experience, changes in economic or demographic assumptions, methodology used and changes in plan provisions or applicable laws.

There were no changes in benefit terms since the prior measurement date.

The discount rate used to measure the TOL for TRS-Care is the municipal bond rate of 3.91 percent as of the end of the measurement year; as of the beginning of the measurement year, the discount rate was 1.95 percent. Projected cash flows into and out of the TRS-Care plan are equal to projected benefit payments out of the TRS-Care plan assumed that members, employers, and nonemployer contributing entities make their contributions at the statutorily required rates. As the TRS-Care plan operates on a pay-as-you-go basis and is not intended to accumulate assets, there is no long-term expected rate of return.

Sensitivity analysis was performed on the impact of changes in the discount rate on the net OPEB liability (NOL). The result of the analysis is presented in table 11I for the state's proportionate share.

<b>Sensitivity of Net OPEB Liability to Changes in Discount Rate</b>			
<b>Table 11I: TRS-Care</b>			
For the Fiscal Year Ended August 31, 2023 (Amounts in Thousands)			
<b>Activity</b>	<b>1% Decrease</b>	<b>Current Discount Rate</b>	<b>1% Increase</b>
Discount Rate	2.91%	3.91%	4.91%
Balance	\$ 15,513,917	\$ 13,157,654	\$ 11,248,778

Sensitivity analysis was performed on the impact of changes in the healthcare cost trend rates on the NOL. The result of the analysis is presented in table 11J for the state's proportionate share.

<b>Sensitivity of Net OPEB Liability to Changes in Healthcare Cost Trend Rates</b>			
<b>Table 11J: TRS-Care</b>			
For the Fiscal Year Ended August 31, 2023 (Amounts in Thousands)			
<b>Activity</b>	<b>1% Decrease</b>	<b>Current Rate</b>	<b>1% Increase</b>
Balance	\$ 10,841,966	\$ 13,157,654	\$ 16,159,645

**Net OPEB Liability, Deferrals and OPEB Expense**

The TRS-Care plan's fiduciary net position is determined using the economic measurement focus and accrual basis of accounting, which is the same basis used by TRS. Benefits and refunds of contributions are recognized when due and payable in accordance with the basis of the plan.

At Aug. 31, 2023, the state reported a liability of \$13.2 billion for its proportionate share of the collective NOL as nonemployer contributing entity, with a non-current portion of \$13.2 billion. The collective NOL was measured as of Aug. 31, 2022 and the TOL used to calculate the collective NOL was determined by an actuarial valuation as of that date. The state's proportion decreased from 57.26 percent at Aug. 31, 2021, to 54.95 percent at Aug. 31, 2022. The state's proportion of the collective NOL was based on its contributions to the OPEB plan relative to the contributions of all employers and nonemployer contributing entity to the TRS-Care for the period Sept. 1, 2021 through Aug. 31, 2022.

For the fiscal year ended Aug. 31, 2023, the state recognized grant expense of negative \$1.9 billion and reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources in table 11K for its portion as nonemployer contributing entity to TRS-Care.



## Deferred Outflows of Resources and Deferred Inflows of Resources

**Table 11K: TRS-Care**

August 31, 2023 (Amounts in Thousands)

Deferral Type	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 731,519	\$ 10,961,507
Changes of Assumptions or Other Inputs	2,004,171	9,141,155
Net Difference Between Projected and Actual Investment Return	39,193	
Changes in Proportion and Difference Between Employer Contributions and Proportionate Share	115,367	1,666,668
Contributions Subsequent to the Measurement Date	495,642	
Total	<u>\$ 3,385,892</u>	<u>\$ 21,769,330</u>

The \$495.6 million reported as deferred outflows of resources for the TRS-Care plan resulted from contributions subsequent to the measurement date, which will be recognized as a reduction in the NOL for the fiscal year ending Aug. 31, 2024.

Table 11L presents amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB that will be recognized in grant expense in the following years for the TRS-Care plan.

## Amortization Impact of Deferred Outflows of Resources and Deferred Inflows of Resources on Grant Expense

**Table 11L: TRS-Care**

For the Fiscal Year Ended August 31, 2023  
(Amounts in Thousands)

Year	Grand Expense <sup>1</sup>
2024	\$ (3,449,105)
2025	(3,448,962)
2026	(2,890,986)
2027	(2,135,590)
2028	(2,303,309)
Thereafter	(4,651,129)

<sup>1</sup> Negative amounts indicate decrease in grant expense.

During the measurement period of fiscal 2023, the following TRS-Care plan changes were updated by TRS. TRS increased the discount rate from 3.91 percent to 4.13 percent, lowered the participation rates and updated the health care trend rate assumption. This is expected to decrease TRS-Care's NOL by \$1.8 billion for fiscal year 2024 of which the state's proportionate share is estimated to decrease \$992.3 million for its role as nonemployer contributing entity.

## A&M System and UT System

The state of Texas contributes to two single-employer defined benefit retiree health care and life insurance benefit plans: the A&M Plan and the UT Plan. The A&M System is the administrator of the A&M Plan and the UT System is the administrator of the UT Plan.

The A&M System and the UT System each issue a publicly available financial report that includes financial statements and required supplementary information. Those reports may be obtained by writing to the systems at the following addresses:

A&M System  
301 Tarrow Street  
College Station, Texas 77840-7896

UT System  
Controller's Office  
210 West 7th Street  
Austin, Texas 78701

## Plan Descriptions

Each plan provides certain health care and life insurance benefits on a pay-as-you-go basis as authorized by *Texas Insurance Code*, Chapter 1601. The benefit and contribution provisions of each plan are authorized by state law and may be amended by the Texas Legislature. Retirees must meet certain age and

service requirements and have at least 10 years of service at retirement to participate in the plan. Substantially all of the employees of the A&M System and the UT System may become eligible for benefits as long as they reach normal retirement age while working for the state. Surviving spouses and dependents of retirees are also covered by the plans. The plans does not provide automatic cost-of-living adjustments and there are no assets accumulated in a trust that meets the criteria in GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, paragraph 4. As of the measurement date in table 11M, the following employees were covered by the benefit terms.

<b>Employees Covered by Benefit Terms</b>		
<b>Table 11M: A&amp;M System and UT System</b>		
For the Fiscal Year Ended August 31, 2023		
<b>Type of Member</b>	<b>A&amp;M Plan</b>	<b>UT Plan</b>
Measurement Date	Sept. 1, 2021	Dec. 31, 2021
Inactive Employees or Beneficiaries		
Currently Receiving Benefit Payments	11,156	31,104
Inactive Employees Entitled to But Not Yet Receiving Benefit Payments	3,389	15,091
Active Members	<u>24,029</u>	<u>104,546</u>
Total	<u>38,574</u>	<u>150,741</u>

### Funding Policy

The state contributes to the cost of each participant's insurance coverage as required by *Texas Insurance Code*, Chapter 1551, Section 310 and 311. The funds are appropriated under the *General Appropriations Act Higher Education Employees Group Insurance Contributions*. During the measurement period of 2022, for fiscal 2023 reporting, the amount of state employer benefit payments recognized by the A&M Plan was \$81.8 million and the UT Plan was \$249 million. The contribution rates are determined annually by each system based on the recommendations of their Office of Risk Manage-

ment and Benefits Administration, Office of Employee Benefits and consulting actuary. Contributions rates are determined based on the benefit and administrative costs that are expected to be incurred, the funds appropriated for the plans and the funding policy established by the Texas Legislature which is revised as necessary to match expected costs with available revenue. The employer does not contribute toward dental, optional life insurance, optional dependent life insurance, vision, AD&D or long term care. The monthly contribution requirements are presented in table 11N.

### Required Contribution Rates – Retiree Healthcare and Life Insurance Premium

**Table 11N: A&M System and UT System**  
For the Fiscal Year Ended August 31, 2023

<b>Level of Coverage</b>	<b>A&amp;M Plan</b>	<b>UT Plan</b>
Retiree Only	\$ 815	\$ 675
Retiree and Spouse	1,377	1,029
Retiree and Children	1,206	902
Retiree and Family	1,606	1,258

### Measurement Date

The A&M System has elected to use a measurement date that is twelve months in advance of the fiscal year, with a measurement date of Sept. 1, 2022 for fiscal year ended Aug. 31, 2023.

The UT System has elected to use a measurement date that is eight months in advance of the fiscal year, with a measurement date of Dec. 31, 2022 for fiscal year ended Aug. 31, 2023.

### Actuarial Methods and Assumptions

The total OPEB liability (TOL) for both plans is determined by a biennial actuarial valuation. Table 11O presents the actuarial methods and assumptions used to measure the TOL as of the measurement dates for the A&M and UT Plans.

## Actuarial Methods and Assumptions

**Table 110 - A&M System and UT System**

For the Fiscal Year Ended August 31, 2023

Description	A&M Plan	UT Plan
Actuarial Valuation Date	Sept. 1, 2021, rolled forward to Sept. 1, 2022	Dec. 31, 2021, rolled forward to Dec. 31, 2022
<b>Actuarial Assumptions:</b>		
Inflation	2.30 %	2.30 %
Salary Increase	3.05% to 9.05% (includes inflation)	3.05% to 9.05% (includes inflation)
Discount Rate	3.64% <sup>1</sup>	3.72% <sup>1</sup>
<b>Healthcare Cost and Trend Rate:</b>		
Medical	5.50% for fiscal 2024, 5.25% for fiscal 2025, 5.00% for fiscal 2026, 4.75% for fiscal 2027, 4.60% for fiscal 2028, 4.50% for fiscal 2029, 4.40% for fiscal 2030 and 4.30% for fiscal 2031 and later years	UT Select: 5.50% for fiscal 2024, 5.25% for fiscal 2025, 5.00% for fiscal 2026, 4.75% for fiscal 2027, 4.60% for fiscal 2028, 4.50% for fiscal 2029, 4.40% for fiscal 2030 and 4.30% for fiscal 2031 and later years UT Care: 0.00% for fiscal 2024, 3.00% for fiscal 2025, 5.00% for fiscal 2026, 4.75% for fiscal 2027, 4.60% for fiscal 2028, 4.50% for fiscal 2029, 4.40% for fiscal 2030 and 4.30% for fiscal 2031 and later years
Pharmacy	10.00% for fiscal 2024, 9.50% for fiscal 2025, 9.00% for fiscal 2026, 8.00% for fiscal 2027, 7.00% for fiscal 2028, 6.00% for fiscal 2029, 5.00% for fiscal 2030 and 4.30% for fiscal 2031 and later years	10.00% for fiscal 2024, 9.50% for fiscal 2025, 9.00% for fiscal 2026, 8.00% for fiscal 2027, 7.00% for fiscal 2028, 6.00% for fiscal 2029, 5.00% for fiscal 2030 and 4.30% for fiscal 2031 and later years
<b>Mortality:</b>		
Service Retirees, Survivors and Other Inactive Members	Tables based on TRS experience with Ultimate MP Projection Scale from the year 2018	Tables based on TRS experience with Ultimate MP Projection Scale from the year 2018
Disabled Retirees	Tables based on TRS experience with Ultimate MP Projection Scale from the year 2018 using a 3-year set forward and minimum mortality rates of four per 100 male members and two per 100 female members	Tables based on TRS experience with Ultimate MP Projection Scale from the year 2018 using a 3-year set forward and minimum mortality rates of four per 100 male members and two per 100 female members
Active Members	Sex Distinct RP-2014 Employee Mortality multiplied by 90% with Ultimate MP Projection Scale from the year 2014	Sex Distinct RP-2014 Employee Mortality multiplied by 90% with Ultimate MP Projection Scale from the year 2014
Ad Hoc Post-Employment Benefit Changes	None	None

<sup>1</sup> The source of the municipal bond rate is the Bond Buyer Index of General Obligation Bonds with 20 years to maturity and mixed credit quality. The bonds' average credit quality is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Corp.'s AA.

The many actuarial assumptions used in the valuations were primarily based on the result of actuarial experience studies performed by the TRS retirement plan actuary as of Aug. 31, 2017 for higher education members. The mortality rates were based on the tables identified in table 110.

The following assumptions and other inputs have been adopted since the prior valuation to reflect future plan experience as expected by the actuaries attesting to the results of the valuation:

- a. the discount rate has changed for the A&M and UT Plans,

- b. the assumed per capita health benefit costs and health benefit cost trends to reflect increases in retiree cost sharing in UT Select and the implementation of UT Care effective Jan. 1, 2023 for the UT Plan and
- c. the expenses directly related to the payment of the UT Plan's health benefits.

The discount rate that was used to measure the TOL for each plan is the municipal bond rate of 3.64 percent for the A&M Plan and 3.72 percent for the UT Plan, as of the end of the measurement year; as of the

beginning of the measurement year, the discount rate was 2.14 percent and 2.06 percent, respectively.

There were no changes in benefit terms since the prior measurement date for the A&M Plan; however, there were changes in benefit terms since the prior measurement date for the UT Plan. These changes include increases in retiree cost sharing for retirees for whom Medicare is not primary and an increase in the employer funded life insurance coverage for retirees who do not opt out of the UT Plan's health benefit coverage upon retirement.

Sensitivity analysis was performed on the impact of changes in the discount rate on the state's TOL. The results of the analysis are presented in table 11P for the A&M and UT Plans.

<b>Sensitivity of Total OPEB Liability to Changes in Discount Rate</b>			
<b>Table 11P: A&amp;M System and UT System</b>			
For the Fiscal Year Ended August 31, 2023 (Amounts in Thousands)			
<b>University System Plan</b>	<b>1% Decrease</b>	<b>Current Discount Rate</b>	<b>1% Increase</b>
A&M Plan:			
Discount Rate	2.64 %	3.64 %	4.64 %
Balance	\$ 4,645,450	\$ 3,919,177	\$ 3,346,616
UT Plan:			
Discount Rate	2.72 %	3.72 %	4.72 %
Balance	\$ 11,541,848	\$ 9,768,107	\$ 8,365,128

Sensitivity analysis was performed on the impact of changes in the healthcare cost trend rates on the state's TOL. The results of the analysis are presented in table 11Q for the A&M and UT Plans.

### **Sensitivity of Total OPEB Liability to Changes in Healthcare Cost Trend Rates**

**Table 11Q: A&M System and UT System**

For the Fiscal Year Ended August 31, 2023

(Amounts in Thousands)

<b>University System Plan</b>	<b>1% Decrease</b>	<b>Current Rate</b>	<b>1% Increase</b>
A&M Plan	\$ 3,268,985	\$ 3,919,177	\$ 4,774,326
UT Plan	\$ 8,155,993	\$ 9,768,107	\$ 11,890,417

### **Total OPEB Liability, Deferrals, and OPEB Expense**

At Aug. 31, 2023, the state reported a liability of \$3.9 billion for the A&M Plan and \$9.8 billion for the UT Plan. The A&M Plan's TOL is comprised of a current portion of \$106.4 million and a noncurrent portion of \$3.8 billion, and the UT Plan's TOL is comprised of a current portion of \$251.6 million and a noncurrent portion of \$9.5 billion. The collective TOL was measured as of the measurement date for each respective plan. The schedule of changes in the state's TOL for the measurement dates Sept. 1, 2022 and Dec. 31, 2022 are presented in table 11R for the A&M and UT Plans, respectively.

### **Schedule of Changes in Total OPEB Liability**

**Table 11R - A&M System and UT System**

For the Fiscal Year Ended August 31, 2023

(Amounts in Thousands)

<b>Schedule of Changes</b>	<b>A&amp;M Plan</b>	<b>UT Plan</b>
Measurement Date	Sept. 1, 2022	Dec. 31, 2022
Total OPEB Liability		
Service Cost	\$ 234,264	\$ 1,059,373
Interest on the Total OPEB Liability	107,639	388,732
Changes of Benefit Terms		(63,735)
Changes of Assumptions or Other		
Inputs	(1,177,391)	(9,302,804)
Benefit Payments (Employer)	(81,792)	(249,004)
Net Change in Total OPEB Liability	(917,280)	(8,167,438)
Total OPEB Liability – Beginning	4,836,457	17,935,545
Total OPEB Liability – Ending	<u>\$ 3,919,177</u>	<u>\$ 9,768,107</u>

For the fiscal year ended Aug. 31, 2023, the state recognized OPEB expense of \$193 million for the A&M Plan and \$434.2 million for the UT Plan, respectively. At Aug. 31, 2023, the state reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources in table 11S for each plan.

The \$89 million reported as deferred outflows of resources for the A&M Plan and \$153.9 million for the UT Plan resulted from transactions subsequent to the measurement date, which will be recognized as a reduction in the TOL for the fiscal year ending Aug. 31, 2024.

Table 11T presents amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB that will be recognized in OPEB expense in the following years for each plan.

During the measurement period of fiscal 2023, the following A&M Plan change was updated by the A&M System. Beginning in fiscal 2024, for retirees for whom Medicare is primary, medical benefits will be provided through a fully insured Medicare Advantage Plan. This is expected to decrease the A&M Plan's TOL to \$2.5 billion for fiscal 2024, using the current discount rate of 3.64 percent.

During the measurement period of fiscal 2023, the following UT Plan change was updated by the UT System. Senate Bill 1055 passed by the 88th Legislature, Regular Session, added Stephen F. Austin State University (SFA) into the UT System. As a result, eligible employees of SFA will become members under the UT Plan. This is expected to increase the UT Plan's TOL to \$9.9 billion for fiscal year 2024, using the current discount rate of 3.72 percent.

## Deferred Outflows of Resources and Deferred Inflows of Resources<sup>1</sup>

**Table 11S: A&M System and UT System**  
August 31, 2023 (Amounts in Thousands)

Deferral Type	A&M Plan		UT Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$	\$ 295,644	\$ 150,349	\$ 98,952
Changes of Assumptions or Other Inputs	729,507	1,163,247	3,000,879	9,304,903
Transactions Subsequent to the Measurement Date	89,002		153,938	
Total	<u>\$ 818,509</u>	<u>\$ 1,458,891</u>	<u>\$ 3,305,166</u>	<u>\$ 9,403,855</u>

<sup>1</sup> Both plans are a single-employer defined benefit OPEB plan. Due to statute requiring appropriations for funding the plans, the state reports a proportionate share in governmental activities and business-type activities. The change in proportion and contributions are recorded and amortized to expense as in a cost-sharing plan. However, since the amounts net for each plan between deferred outflows of resources and expense for this type of deferral, the amounts are not included in the above schedule.

## Amortization Impact of Deferred Outflows of Resources and Deferred Inflows of Resources on OPEB Expense<sup>1</sup>

**Table 11T: A&M System and UT System**  
For the Fiscal Year Ended August 31, 2023  
(Amounts in Thousands)

Year	A&M Plan	UT Plan
2024	\$ (162,644)	\$ (953,958)
2025	(55,956)	(891,999)
2026	(56,834)	(754,705)
2027	(110,707)	(688,145)
2028	(163,642)	(583,554)
Thereafter	(179,602)	(2,380,265)

<sup>1</sup> Negative amounts indicate an decrease in OPEB expense.

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# Note 12

## Interfund Activity and Transactions

Interfund activity refers to financial interactions between funds and/or blended component units and is restricted to internal events. Interfund transactions refer to financial interactions with legally separate entities, i.e., discrete component units and other governments, and are restricted to external events.

### Reciprocal Interfund Activity

Interfund loans are reciprocal interfund activity with a requirement for repayment. These loans are reported as interfund receivables/payables and are classified as either current or noncurrent.

Interfund services are sales and purchases of goods and services for a price approximating their external exchange value. This activity is reported as revenues in seller funds and expenditures or expenses in purchaser funds. Unpaid amounts are reported as receivables and payables.

### Nonreciprocal Interfund Activity

Interfund transfers are nonreciprocal interfund activity. This activity refers to flows of assets without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing sources or uses. In proprietary funds, transfers are reported after nonoperating revenues and expenses. The majority of transfers are legally authorized by statute or bond covenant to move amounts from one fund to another. Amounts not transferred at fiscal year-end are accrued as due from/due to. Activity occurring within the same fund is eliminated. Additional eliminations are made and transfers in and out are netted and presented in the government-wide statement of activities as transfers-internal activities.

Certain reclassifications and eliminations are made between the fund financial statements and the govern-

ment-wide financial statements. Resource flows between the primary government and its discretely presented component units are reported as revenues and expenses, as if they were external transactions, on the fund financial statements and the government-wide financial statements. Transfers between the governmental or business-type activities and fiduciary funds are reported as transfers on the fund financial statements and are reclassified to revenues and expenses, as if they were external transactions, on the government-wide financial statements.

Due from/due to amounts between the primary government and the discretely presented component units are reported separately from due from/due to amounts between funds in the fund financial statements and the government-wide financial statements. Due from/due to amounts between governmental or business-type activities and fiduciary funds are reported as due from/due to amounts between funds in the fund financial statements and are reclassified to receivables from fiduciary funds/payables to fiduciary funds, as if they were external transactions, on the government-wide financial statements.

Interfund reimbursements are repayments from funds responsible for payment of expenditures or expenses to the funds that actually made the payment. These reimbursements are reported in the appropriate expenditure/expense category in the fund responsible for the payment.

For the state of Texas, routine transfers are those transfers from unrestricted revenue collected in the general revenue fund to finance various programs accounted for in other funds in accordance with the General Appropriations Act, which is the primary budget document for the state of Texas. Other transfers are legally authorized by statute to move resources from one fund to another. There is a \$1.6 billion receivable for the Texas A&M University System from the University

of Texas System from permanent university funds. The earnings will be used for bond payments.

Significant transfers include a \$2.8 billion transfer from the property tax relief fund and a \$2.2 billion transfer from the lottery fund to the foundation school fund for educational programs. There is \$3.1 billion due from amount for the state highway fund from the Texas Comptroller of Public Accounts' office related to a November 2014 amendment to Article III, Section

49-g of the Texas Constitution. Under the amendment, a portion of the funds collected and deposited in the general revenue fund are transferred equally to the economic stabilization fund and the state highway fund. The funds were transferred to the state highway fund in November 2023.

The detail of interfund activity and transactions by fund type and category as of Aug. 31, 2023, are presented in tables 12A-E.

<b>Interfund Receivables/Payables</b>						
<b>Table 12A</b>						
August 31, 2023 (Amounts in Thousands)						
Fund Type	Current		Noncurrent		Total	
	Interfund Receivables	Interfund Payables	Interfund Receivables	Interfund Payables	Interfund Receivables	Interfund Payables
<b>GOVERNMENTAL FUNDS</b>						
General Fund	\$ 1,491	\$ 189	\$ 3,746	\$	\$ 5,237	\$ 189
Nonmajor Governmental Funds						
Total Governmental Funds	<u>1,491</u>	<u>189</u>	<u>3,746</u>	<u>0</u>	<u>5,237</u>	<u>189</u>
<b>PROPRIETARY FUNDS</b>						
Colleges and Universities	65,118	66,639	1,502,418	1,506,164	1,567,536	1,572,803
Nonmajor Enterprise Funds	219				219	
Total Proprietary Funds	<u>65,337</u>	<u>66,639</u>	<u>1,502,418</u>	<u>1,506,164</u>	<u>1,567,755</u>	<u>1,572,803</u>
Total Interfund Receivables/Payables	<u>\$ 66,828</u>	<u>\$ 66,828</u>	<u>\$ 1,506,164</u>	<u>\$ 1,506,164</u>	<u>\$ 1,572,992</u>	<u>\$ 1,572,992</u>

## Due From/Due To

Table 12B

August 31, 2023 (Amounts in Thousands)

Fund Type	Due From			Due To		
	Other Funds	Primary Government	Component Unit	Other Funds	Primary Government	Component Unit
<b>GOVERNMENTAL FUNDS</b>						
General Fund	\$ 1,207,610	\$	\$	\$ 7,268,529	\$	\$
State Highway Fund	3,348,672			36,666		
Permanent School Fund	53		1,016	24		
Nonmajor Governmental Funds	1,047,484			231,534		
Total Governmental Funds	<u>5,603,819</u>	<u>0</u>	<u>1,016</u>	<u>7,536,753</u>	<u>0</u>	<u>0</u>
<b>PROPRIETARY FUNDS</b>						
Colleges and Universities	2,452,218			551,978		
Unemployment Trust Fund	7,485					
Lottery Fund				86,378		
Water Development Board Funds				3,903		
Nonmajor Enterprise Funds	123,141			33,736		
Internal Service Fund	6,150			25,820		
Total Proprietary Funds	<u>2,588,994</u>	<u>0</u>	<u>0</u>	<u>701,815</u>	<u>0</u>	<u>0</u>
<b>FIDUCIARY FUNDS</b>						
Pension and Other Employee Benefit Trust Funds	138,117			92,362		
Total Fiduciary Funds	<u>138,117</u>	<u>0</u>	<u>0</u>	<u>92,362</u>	<u>0</u>	<u>0</u>
<b>DISCRETELY PRESENTED COMPONENT UNITS</b>						
Total Due From/Due To	<u>\$ 8,330,930</u>	<u>\$ 0</u>	<u>\$ 1,016</u>	<u>\$ 8,330,930</u>	<u>\$ 1,016</u>	<u>\$ 0</u>

## Transfers In/Transfers Out

Table 12C

For the Fiscal Year Ended August 31, 2023  
(Amounts in Thousands)

Fund Type	Transfers In Other Funds	Transfers Out Other Funds
<b>GOVERNMENTAL FUNDS</b>		
General Fund	\$ 8,643,198	\$ 15,727,874
State Highway Fund	3,436,540	681,386
Permanent School Fund		123,644
Nonmajor Governmental Funds	2,621,770	5,059,293
Total Governmental Funds	<u>14,701,508</u>	<u>21,592,197</u>
<b>PROPRIETARY FUNDS</b>		
Colleges and Universities	10,200,906	1,417,409
Unemployment Trust Fund	758,691	758,691
Lottery Fund		2,161,541
Water Development Funds	99,816	13,461
Nonmajor Enterprise Funds	272,244	91,246
Total Proprietary Funds	<u>11,331,657</u>	<u>4,442,348</u>
<b>FIDUCIARY FUNDS</b>		
Pension and Other Employee Benefit Trust Funds	155,544	154,264
Custodial Funds	100	
Total Fiduciary Funds	<u>155,644</u>	<u>154,264</u>
Total Transfers In/Transfers Out	<u>\$ 26,188,809</u>	<u>\$ 26,188,809</u>

## Internal Balances per the Government-wide Financial Statements

Table 12D

August 31, 2023 (Amounts in Thousands)

Internal Balances	Governmental Activities	Business-Type Activities	Total
Noncurrent Assets	\$ 3,746	\$ (3,746)	\$ 0
Current Liabilities	\$ 1,905,638	\$ (1,905,638)	\$ 0

## Transfers – Internal Activities per the Government-wide Financial Statements

Table 12E

For the Fiscal Year Ended August 31, 2023  
(Amounts in Thousands)

Fund Category	Other Funds
Governmental Activities	\$ (6,891,397)
Business-Type Activities	\$ 6,891,397



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# Note 13

## Classification of Fund Balances/Net Position

A summary of the governmental fund balances by fund type and specific purpose as of Aug. 31, 2023, is presented in table 13A.

The classifications of nonspendable, restricted, committed, assigned and unassigned are the fund balance classifications according to GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. With the exception of nonspendable fund balances, fund balances are presented based on each fund's specific purpose. For the general fund, special revenue funds, capital projects funds and nonmajor permanent funds, the specific purpose of the fund is determined by the Texas Legislature. The revenues received to fund the programs within the fund and the applicable expenditures allowed from the fund are derived through statute. The fund may support multiple programs within multiple agencies. The remaining unspent fund balances are determined to be restricted, committed, assigned or unassigned at fiscal year-end. Unassigned fund balances are then reported by the governmental function assigned to the agency.

Of the \$49.8 billion governmental funds total unassigned fund balance, \$17.5 billion is for the economic stabilization fund (ESF). The ESF was authorized by the *Texas Constitution*, Article III, Section 49g. This authorized a transfer to the ESF within 90 days after the end of the fiscal year. In November of each year, a transfer is made from the general revenue fund equal to 75 percent of the excess of the prior fiscal year net collections for oil and natural gas production taxes over 1987 collections. The transfer amount of each production tax is calculated separately and must be in excess of the 1987 threshold. An amendment to the *Texas Constitution*, passed in November 2014, amended the transfer to include the state highway fund. As of fiscal

2015, the ESF receives at least one-half of the 75 percent transferred with the remainder transferred to the state highway fund.

The ESF also receives a transfer from the general revenue fund, by the 90th day of each biennium, for one-half of any unencumbered positive balance remaining in the general revenue fund on the last day of the preceding biennium. The Texas Legislature may appropriate within the constitutional guidelines by a three-fifths vote of the members present in each house, amounts in the ESF that do not exceed the amount of any unanticipated deficit in a current biennium or anticipated revenue decline during the next biennium. The Texas Legislature may also appropriate any amount from the ESF for any purpose only if approved by at least two-thirds of the members present in each house.

The corpus of the permanent school fund (PSF) is classified as nonspendable, and the balance of the PSF is classified as restricted based on provisions in the *Texas Constitution* which limits the use of the PSF to the support of public free schools. The *Texas Constitution*, Article 7 describes the fund as permanent, specifically describes how the PSF may be spent and explicitly restricts the Texas Legislature from appropriating any part of the PSF to any other purpose. The *Texas Constitution* allows the PSF to be spent on:

- Transfers to the available school fund in accordance with constitutional requirements.
- Expenses of managing the PSF land and investments.
- Guaranteed bond payments in the event of default.

Accordingly, the portion of the fund balance that is spendable is classified as restricted based on constitutional provisions that limit the use of the PSF to these purposes. The remainder of the fund balance is classified as nonspendable, in alignment with the PSF's permanent nature as described in the *Texas Constitution*.

Restrictions of net position are listed on the face of the government-wide and proprietary statements of net position. Per GASB Statement No. 54, balances reported as restricted in the fund financial statements

plus the nonspendable permanent fund corpus balances are reported as restricted in the statement of net position. All other fund financial balances are reported as unrestricted in the statement of net position.

## Governmental Fund Balances – Nonspendable, Restricted, Committed, Assigned and Unassigned

**Table 13A**

August 31, 2023 (Amounts in Thousands)

Governmental Fund	General Fund	State Highway Fund	Permanent School Fund	Other Funds	TOTAL
Nonspendable for:					
Inventory	\$ 260,796	\$ 151,099	\$	\$ 3,680	\$ 415,575
Long-term Receivables	629,865				629,865
Permanent Principal	20,000		6,435,059	966,565	7,421,624
Prepaid Items	7,538		1	34	7,573
<b>Total Nonspendable</b>	<b>918,199</b>	<b>151,099</b>	<b>6,435,060</b>	<b>970,279</b>	<b>8,474,637</b>
Restricted for:					
Capital Purposes	209,823			815,549	1,025,372
Debt Service				195,668	195,668
Economic and Consumer Affairs	531,816			4,694	536,510
Education – Public Schools	376,289		58,373	1,352,459	1,787,121
Education – Loan Programs				1,392,262	1,392,262
Environment and Natural Resources - Other	152,263			3,731	155,994
Environment and Natural Resources - Water Programs	422			4,049,675	4,050,097
General Government <sup>1</sup>	180,647			79,717	260,364
Parks and Recreation	416,381			2,125	418,506
Public Health and Welfare – Federal Programs	61,606				61,606
Public Health and Welfare – Public Programs	1,614,655			129,115	1,743,770
Public Safety and Criminal Justice	128,492			15,037	143,529
Public Safety and Criminal Justice – Law Enforcement	18,414			12,971	31,385
Regulatory Agencies				20,529	20,529
Transportation – Construction		6,818,630			6,818,630
Transportation – Licensing and Regulation		118,592			118,592
Transportation – Maintenance		575,553			575,553
Transportation – Other	9,451	3,537,489		483,701	4,030,641
<b>Total Restricted</b>	<b>3,700,259</b>	<b>11,050,264</b>	<b>58,373</b>	<b>8,557,233</b>	<b>23,366,129</b>

*Concluded on the following page*

<sup>1</sup> General government is tasked with the collection of revenues that benefit the state overall and has expenditures that are not restricted to carry out specific programs or purposes. Included in the classification are the fund balances of state agencies that are semi-independent and do not receive appropriations for operating purposes.

## Governmental Fund Balances – Nonspendable, Restricted, Committed, Assigned and Unassigned (concluded)

**Table 13A**

August 31, 2023 (Amounts in Thousands)

Governmental Fund	General Fund	State Highway Fund	Permanent School Fund	Other Funds	TOTAL
Committed to:					
Capital Purposes	\$ 22,414	\$	\$	\$	\$ 22,414
Economic and Consumer Affairs	1,215,413				1,215,413
Education – Public Schools	4,530,796			15,803	4,546,599
Education – Loan Programs	250,892				250,892
Environment and Natural Resources - Other	3,150,802				3,150,802
Environment and Natural Resources Water Programs	86,592				86,592
General Government <sup>1</sup>	510,091			4,405	514,496
Parks and Recreation	141,703				141,703
Public Health and Welfare – Federal Programs	254				254
Public Health and Welfare – Public Programs	446,006				446,006
Public Safety and Criminal Justice	156,204				156,204
Public Safety and Criminal Justice – Corrections	29,642			57,615	87,257
Public Safety and Criminal Justice – Law Enforcement	15,118				15,118
Transportation – Other	9,593			145,708	155,301
<b>Total Committed</b>	<u>10,565,520</u>	<u>0</u>	<u>0</u>	<u>223,531</u>	<u>10,789,051</u>
Assigned to:					
Economic and Consumer Affairs	391				391
Education	482				482
Environment and Natural Resources - Other	2,670				2,670
General Government <sup>1</sup>	14				14
Public Safety and Criminal Justice – Corrections	1,843				1,843
Public Health and Welfare	123				123
Transportation – Other	124				124
Regulatory Agencies	100				100
<b>Total Assigned</b>	<u>5,747</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5,747</u>
Unassigned:					
Education	(21,516,526)				(21,516,526)
Environment and Natural Resources	(325,150)				(325,150)
General Government <sup>1</sup>	72,345,891			(11,368)	72,334,523
General Government - ESF	17,480,076				17,480,076
Public Health and Welfare	(9,569,118)				(9,569,118)
Public Safety and Criminal Justice – Corrections	(8,849,784)				(8,849,784)
Regulatory Agencies	233,341				233,341
Transportation	(9,496)			(54)	(9,550)
<b>Total Unassigned</b>	<u>49,789,234</u>	<u>0</u>	<u>0</u>	<u>(11,422)</u>	<u>49,777,812</u>
<b>Total Fund Balances – Governmental Funds</b>	<u>\$ 64,978,959</u>	<u>\$ 11,201,363</u>	<u>\$ 6,493,433</u>	<u>\$ 9,739,621</u>	<u>\$ 92,413,376</u>

<sup>1</sup> General government is tasked with the collection of revenues that benefit the state overall and has expenditures that are not restricted to carry out specific programs or purposes. Included in the classification are the fund balances of state agencies that are semi-independent and do not receive appropriations for operating purposes.

# Note 14

## Restatement of Beginning Balances

During fiscal 2023, certain accounting changes and adjustments were made that required the restatement of

fund balances or net position. The beginning balances and all related restatements for the components of the state's financial reporting entity as of Aug. 31, 2023, are presented in table 14A and discussed on the following pages.

<b>Restatements to Net Position/Fund Balances</b>					
<b>Table 14A</b>					
For the Fiscal Year Ended August 31, 2023 (Amounts in Thousands)					
<b>Fund Type</b>	<b>Sept. 1, 2022, As Previously Reported</b>	<b>Change in Accounting Principle</b>	<b>Change in Reporting Entity</b>	<b>Correction of Prior Year Errors</b>	<b>Sept. 1, 2022, As Restated</b>
<b>GOVERNMENT-WIDE ACTIVITIES:</b>					
<b>PRIMARY GOVERNMENT:</b>					
Governmental Activities	\$ 113,388,645	\$ 2,733,988	\$ (42,265,087)	\$ (195,648)	\$ 73,661,898
Business-Type Activities	91,996,247	(3,222,250)		(6,752)	88,767,245
Total Primary Government	<u>\$ 205,384,892</u>	<u>\$ (488,262)</u>	<u>\$ (42,265,087)</u>	<u>\$ (202,400)</u>	<u>\$ 162,429,143</u>
Discrete Component Units	\$ 1,685,651	\$	\$ 42,265,076	\$ 3,416	\$ 43,954,143
<b>FUND FINANCIAL STATEMENTS:</b>					
<b>GOVERNMENTAL FUNDS</b>					
Major Governmental Funds:					
General Fund	\$ 45,131,534	\$	\$	\$ (102,377)	\$ 45,029,157
State Highway Fund	12,552,386	(2,555,281)			9,997,105
Permanent School Fund	56,810,663		(42,265,087)		14,545,576
Nonmajor Governmental Funds:					
Special Revenue Funds	5,850,674			11,129	5,861,803
Debt Service Funds	560,321				560,321
Capital Project Funds	658,695				658,695
Permanent Funds	1,806,096				1,806,096
Total Governmental Funds	<u>\$ 123,370,369</u>	<u>\$ (2,555,281)</u>	<u>\$ (42,265,087)</u>	<u>\$ (91,248)</u>	<u>\$ 78,458,753</u>
<b>PROPRIETARY FUNDS</b>					
Major Enterprise Funds:					
Colleges and Universities	\$ 83,163,835	\$ 3,511	\$	\$ (14,918)	\$ 83,152,428
Unemployment Trust Fund	2,209,171				2,209,171
Lottery Fund	(20,805)				(20,805)
Water Development Funds	5,344,126				5,344,126
Nonmajor Enterprise Funds	1,299,919	(3,225,761)		8,166	(1,917,676)
Total Proprietary Funds	<u>\$ 91,996,246</u>	<u>\$ (3,222,250)</u>	<u>\$ 0</u>	<u>\$ (6,752)</u>	<u>\$ 88,767,244</u>
Internal Service Fund	\$ 3,129,542	\$	\$	\$ 1	\$ 3,129,543
<b>FIDUCIARY FUNDS</b>					
Pension and Other Employee					
Benefit Trust Funds	\$ 221,307,819	\$ 762	\$	\$ 9,485	\$ 221,318,066
External Investment Trust Funds	32,353,280				32,353,280
Private-Purpose Trust Funds	4,420,107				4,420,107
Custodial Funds	4,440,342			(499,938)	3,940,404
Total Fiduciary Funds	<u>\$ 262,521,548</u>	<u>\$ 762</u>	<u>\$ 0</u>	<u>\$ (490,453)</u>	<u>\$ 262,031,857</u>
Total Reporting Entity <sup>1</sup>	<u>\$ 469,592,091</u>	<u>\$ (487,500)</u>	<u>\$ (11)</u>	<u>\$ (689,437)</u>	<u>\$ 468,415,143</u>

<sup>1</sup> Reporting entity includes primary government, discrete component units and fiduciary funds.

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Restatements are grouped in table 14A by the following types of activity:

### **Changes in the Reporting Entity**

Texas Permanent School Fund Corporation (Texas PSF) is a discretely presented component unit of the state of Texas. On Sept. 1, 2022, Texas PSF started business operations as a legally separate, special purpose governmental corporation. Restatements were necessary to establish Texas PSF as a business enterprise. An increase in net position of \$42.3 billion resulted from transfers of beginning asset and liability balances from the Texas Education Agency to Texas PSF; thereby, transferring the investment activities of the Permanent School Fund from the governmental permanent fund to the discretely presented component unit.

### **Changes in Accounting Principles**

Three new GASB statements were implemented in fiscal 2023. These were GASB Statement No. 91, *Conduit Debt Obligations*, GASB Statement No. 94, *Public-Private and Public-Public Partnerships (PPP) and Availability Payment Arrangements (APA)* and GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*.

A \$546.8 thousand restatement increase is to record the effect of the implementation of GASB Statement No. 91 which allows the conduit debt issuer to assume no responsibility for debt service payments beyond the resources provided by the third-party obligor. This restatement was the result of conduit debt obligations being removed from the statement of net position of the issuer in Other Nonmajor Enterprise funds.

A \$492 million restatement decrease is to record the effect of the implementation of GASB Statement No. 94 which expanded the reporting requirements for all types of government contracts with operators to provide public services. Adjustments were made to the State Highway Fund for a decrease of \$2.6 billion, \$965.5

thousand increase to Colleges and University funds and \$3.2 billion decrease to Other Nonmajor Enterprise funds. A \$2.8 billion increase is recorded, as part of the change in governmental activities, consisting of a \$1.5 billion decrease in capital assets with a corresponding increase of \$6.3 billion to long-term liabilities and \$487.6 million increase in deferred revenue.

A \$3.9 million increase is to record the effect of the implementation of GASB Statement No. 96. The objective of this statement relates to capturing the long-term obligations which result from IT subscription contracts and the corresponding intangible right-to-use subscription assets. College and University funds account for \$2.5 million of the increase, Pension and Other Employee Benefit Trust funds increased by \$761.6 thousand and capital assets increased by \$636.9 thousand.

### **Correction of Prior Year Errors**

**Government-wide activities:** Governmental activities include a restatement decrease of \$195.6 million consisting of \$102.4 million decrease in the General Fund, \$11.1 million increase in Special Revenue funds and \$104.4 million decrease in governmental activities and a minor change in Internal Service Fund. The restatement to governmental activities consists of \$114.8 million decrease in construction in progress, \$10.3 million increase in capital asset valuation, with the remaining \$15.6 thousand decrease in long-term liabilities.

**Fund Financial Statements-Governmental:** The restatements for governmental funds related to the \$102.4 million decrease in the General Fund primarily include an increase of \$1.1 million in general revenue, a decrease of \$103.5 million primarily from decrease adjustments in due to and due from other agencies, federal receivables and prepaid expenses.

Special Revenue funds had a decrease of \$4.2 million primarily consisting of a restatement for a lump sum retiree payout.

**Fund Financial Statements-Proprietary:** The restatement of proprietary funds is a decrease of \$6.8 million consisting of a decrease of \$14.9 million in College and University funds and an increase of \$8.2 million in Other Nonmajor Enterprise funds. The restatement to College and University funds consists of a decrease of \$3.5 million in construction in progress, \$5.5 million decrease in general revenue, \$6.7 million decrease in audit adjustments and other expenses and \$773.3 thousand increase in capital asset valuation. The restatement to Other Nonmajor Enterprise funds consists of \$8 million increase in merchandise inventory

and the remaining \$141.9 thousand is an increase to investment balances.

**Fund Financial Statements-Fiduciary:** The restatement of fiduciary funds is a decrease of \$490.5 million consisting of \$9.5 million increase in Pension and Other Employee Benefit Trust funds from long-term liabilities and a decrease in interest receivables and \$500 million decrease in Custodial funds from an over-payment in the refund of revenue.

The restatements to Change in Net Position as of Aug. 31, 2023, are presented in table 14B.

<b>Restatements to Change in Net Position</b>							
<b>Table 14B</b>							
For the Fiscal Year Ended August 31, 2023 (Amounts in Thousands)							
<b>Fund Type</b>	<b>Sept. 1, 2021 Net Position, As Restated</b>	<b>Change in Net Position Aug. 31, 2022 As Previously Reported</b>	<b>Change in Accounting Principle</b>	<b>Change in Reporting Entity</b>	<b>Correction of Prior Year Errors</b>	<b>Change in Net Position Aug. 31, 2022 as Restated</b>	<b>Net Position Sept. 1, 2022 as Restated</b>
<b>GOVERNMENT-WIDE ACTIVITIES:</b>							
<b>PRIMARY GOVERNMENT:</b>							
Governmental Activities	\$ 73,257,606	\$ 40,131,039	\$ 2,733,988	\$ (42,265,087)	\$ (195,648)	\$ 404,292	\$ 73,661,898
Business-Type Activities	85,276,337	6,719,910	(3,222,250)		(6,752)	3,490,908	88,767,245
Total Primary Government	<u>\$ 158,533,943</u>	<u>\$ 46,850,949</u>	<u>\$ (488,262)</u>	<u>\$ (42,265,087)</u>	<u>\$ (202,400)</u>	<u>\$ 3,895,200</u>	<u>\$ 162,429,143</u>
Discrete Component Units	\$ 992,324	\$ 693,327	\$	\$ 42,265,076	\$ 3,416	\$ 42,961,819	\$ 43,954,143

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# Note 15

## Commitments and Contingencies

### Commitments

#### Outstanding Loan Commitments

The state makes loan commitments to political subdivisions for financing purposes. These loan commitments are provided from remaining current bond proceeds, future bond proceeds and federal drawdowns. The Texas Water Development Board has loan commitments of \$3.2 billion as of Aug. 31, 2023. The Texas Department of Transportation (TxDOT) has equity loan commitments of \$8.7 billion. The \$8.7 billion is used by the Grand Parkway Transportation Corporation to pay for certain costs related to development, construction, operation, maintenance and financing of projects in Harris County and possible extensions or expansions of the Grand Parkway in the Houston area.

#### Investment Funds

As of Aug. 31, 2023, state agencies, public employee retirement systems and institutions of higher education have entered into capital commitments with investment managers for future funding of investment funds. Investment funds include hedge fund pools, private investment pools, public market funds and other alternative investments managed by external investment managers. As of Aug. 31, 2023, the remaining commitment was \$68.7 billion.

#### Construction and Other Commitments

As of Aug. 31, 2023, TxDOT had contractual commitments of approximately \$22.1 billion for construction and comprehensive developments. These are not recognized liabilities because the terms of the contracts or agreements were not met and benefits were not received as of the end of the fiscal year.

Additionally, TxDOT is party to several pass-through toll agreements with local entities. Under these

agreements, the local entities will finance, design and construct certain roadway projects and may maintain them for a specified period of time. Upon completion of the projects, TxDOT will make payments (i.e., pass-through toll payments) to the entities based on traffic utilization of the roadways and other payment requirements governed by the agreements. Motorists traveling these roadways will not be required to pay a toll. Estimated payments under the agreements are included as notes payable as each project is completed. Liabilities for uncompleted agreements are not recognized. As of Aug. 31, 2023, there is no unrealized payable for pass-through toll agreement. In addition, TxDOT has equity grant commitments of \$105.9 million to various local toll project entities.

The University of North Texas System implemented approximately \$394.2 million in capital commitments for construction and renovation of various facilities in numerous stages of development.

The Texas Parks and Wildlife Department had contractual commitments of approximately \$172 million for facilities and other improvements, building replacements, building maintenance and repairs, infrastructure and infrastructure maintenance and repairs.

The University of Texas System continues to implement its \$8.6 billion capital improvement program, planned for fiscal 2024 through fiscal 2029, to upgrade facilities. Contracts have been entered into for the construction and renovation of various facilities. These projects are in various stages of completion.

### Contingencies

#### Protested Tax Payments

As of Aug. 31, 2023, pending litigation filed by taxpayers seeking refunds of state taxes totaled \$214.3 million. The protested taxes include sales, franchise, insurance and other taxes, as well as statutory interest imposed by *Texas Tax Code*, Section 112.060(a). Although the outcome of these cases cannot presently

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be determined, adverse rulings in some of them could result in significant additional refund liabilities.

### **Unpaid Claims and Lawsuits**

A variety of cases that may affect the state were filed as of Aug. 31, 2023. These claims totaled \$280.6 million and include a number of lawsuits and claims significant to individual state agencies. Although the outcome of these cases cannot be determined, adverse rulings could result in additional liabilities. Additionally, TxDOT filed cases exercising eminent domain for \$515.9 million.

### **Federal Assistance**

The state receives federal financial assistance subject to review or audit by federal grantor agencies. Entitlement to this assistance is generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of assistance for allowable purposes. Any disallowance as a result of the audits may become a liability of the state but is considered immaterial to its overall financial condition.

The Office of the Attorney General and the Texas Health and Human Services Commission's Office of Inspector General investigate allegations of overpayments to Medicaid providers. Until investigations are completed, the total amount of overpayments to providers is potentially subject to recovery (amounts associated with the open case list) and may represent a corresponding potential liability for the federal share of these payments - about 55 to 60 percent of that total.

An actual liability is realized only after a completed investigation substantiates an overpayment and the provider is notified of the results and given an opportunity to submit rebuttal or claims for offsets. The percent of total dollars on the open case list that are ultimately confirmed as overpayments cannot be reliably predicted. The state estimates the amounts that may become pay-

able to the federal government will be immaterial to its overall financial condition.

The funds for the Lost Wages Assistance Program came from the Federal Emergency Management Agency. A small percentage of the unemployment benefits were to individuals who may not have been entitled to receive them whether by error or by fraudulent activities. As of Aug. 31, 2023, this amount is estimated at \$4.2 million. It is uncertain if this amount will eventually be remitted to the Federal Emergency Management Agency.

### **Guaranteed Debt**

In 1983, Texas voters approved a constitutional amendment authorizing the guarantee of the permanent school fund (PSF). Approval by the state of Texas attorney general is required for each bond issuance and on approval by the Texas commissioner of education, bonds properly issued by a school district are fully guaranteed by the PSF. In 2011, legislation was enacted further authorizing the use of PSF to guarantee revenue bonds issued by or for the benefit of certain open-enrollment charter schools designated as charter districts by the commissioner of education. As of Aug. 31, 2023, PSF has a defined guarantee capacity of up to \$153.7 billion in school district bonds. In the event of default by a school district or charter district, the PSF will transfer to the paying agent/registrant an amount necessary to pay the maturing or matured principal and/or interest to bondholders. As of Aug. 31, 2023, \$111.6 billion debt in outstanding bond issues was guaranteed by the PSF for 857 school districts and \$4.1 billion for 32 charter districts within the state. Under statute, payments by the PSF on such guarantees are recoverable from the state of Texas. These dollar amounts represent the principal amount and do not reflect any subsequent accretions in value for compound interest bonds (zero coupon securities), nor do they include interest on current interest bonds or variable rate notes. These



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amounts also exclude bonds that were refunded and released from the bond guarantee program. From the inception of the program through Aug. 31, 2023, none of the school districts or charter districts with PSF guaranteed debt have defaulted on the debt.

### **Arbitrage**

Rebatable arbitrage is defined by *Internal Revenue Code*, Section 148, as earnings on investments purchased with the gross proceeds of a bond issue in excess of the amount that would have been earned if the investments were invested at a yield equal to the yield on the bond issue. The rebatable arbitrage must be paid to the federal government. State agencies and institutions of higher education responsible for investments from bond proceeds carefully monitor their investments to restrict earnings to a yield less than the bond issue and, therefore, limit any state arbitrage liability. The state estimates that the rebatable arbitrage liability, if any, will be immaterial to the overall financial condition.

### **Bond Yield Reduction**

Pursuant *Internal Revenue Code*, Section 143(g) (2), pertaining to the effective rate of mortgage interest on home loans originated with proceeds of tax-exempt qualified veterans' mortgage bonds cannot exceed the yield on the applicable bond issue by more than 1.125 percent. To the extent that such limitation is exceeded, the Veterans' Land Board may pay a yield reduction payment to the federal government. As of Aug. 31, 2023 there is an accumulated yield reduction liability of \$21.1 million with respect to tax-exempt bonds issued by the Veterans' Land Board.

### **Derivative Commitments**

All of the Texas Department of Housing and Community Affairs' (TDHCA) hedging derivative instruments include provisions that require posting collateral

in the event its credit rating falls below a specified level as issued by Moody's Investor Service and Standard & Poor's. If TDHCA fails to post eligible collateral, the derivative instrument may be terminated by the counterparty. As of Aug. 31, 2023, the aggregate fair value of all derivative instruments with collateral provisions was negative \$171.1 thousand. If the posting requirements had been triggered, TDHCA would have been required to post eligible collateral equal to the aggregate fair value of the derivative instruments. Since the posting requirements were not triggered, TDHCA posted no collateral as of Aug. 31, 2023.

The Teacher Retirement System of Texas (TRS) derivative investments include provisions that require TRS to post collateral in the event that the fair value surpasses a specified contractual threshold. As of Aug. 31, 2023, the aggregate fair value of all derivative instruments with these provisions was \$90.5 million, and \$260.8 million was posted as collateral. TRS has not triggered any events that would require the posting of additional collateral to its counterparties.

As of Aug. 31, 2023, the Texas General Land Office (GLO) had outstanding natural gas commitments/open positions with third parties valued at negative \$12.7 million. Power contracts are priced off 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 is responsible for hedging these transactions and GLO simply has a credit risk related to these future cash flows.

# Note 16

## Subsequent Events

### Primary Government

#### **Bonds and Commercial Paper Issued/Refunded and Other Debt Financing**

State agencies and institutions of higher education issued \$1.6 billion in new bonds and \$1 billion in commercial paper since Aug. 31, 2023, as presented in table

16A. There were \$564.3 million in refunding bonds issued during this time period. This routine activity finances state facilities, housing assistance programs, educational loans and refunds outstanding debt.

<b>Bonds and Commercial Paper Issued/Refunded Subsequent to August 31, 2023</b>			
<b>Table 16A</b>			
(Amounts in Thousands)			
<b>Description</b>	<b>Amount</b>	<b>Issuance Date</b>	<b>Purpose</b>
<b>TEXAS AFFORDABLE HOUSING CORPORATION</b>			
Texas State Affordable Housing Corporation Multifamily Housing Revenue Bonds (Eden Court Apartments Project)	\$ 14,726	09/01/23	Multifamily housing revenue bonds
Texas State Affordable Housing Corporation Multifamily Housing Revenue Bonds (Norman Commons)	\$ 31,500	12/01/23	Multifamily housing revenue bonds
<b>DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS</b>			
Residential Mortgage Revenue Bonds, Series 2023BC	\$ 250,000	09/27/23	Bonds are being issued for the primary purpose of providing funds for the purchase of mortgage-backed securities guaranteed as timely payments of principle and interest by Government National Mortgage Association ("Ginnie Mae")
Single Family Mortgage Revenue Bonds, Series 2023CD	\$ 250,000	12/20/23	Bonds are being issued for the primary purpose of providing funds for the purchase of mortgage-backed securities guaranteed as timely payments of principle and interest by Government National Mortgage Association ("Ginnie Mae")
<b>TEXAS PUBLIC FINANCE AUTHORITY</b>			
Revenue Commercial Paper Notes (TFC), Taxable Series 2016A	\$ 1,200	09/12/23	Fund various projects of Texas Facilities Commission
General Obligation Commercial Paper Notes, Taxable Series A, Cancer Prevention and Research Institute of Texas (CPRIT)	\$ 92,800	10/03/23	Fund CPRIT grant awards
Revenue Commercial Paper Notes, Series 2019A	\$ 30,000	10/19/23	Fund various projects for Texas Health and Human Services Commission
General Obligation and Refunding Bonds, Taxable Series 2023A	\$ 298,400	11/15/23	Refund outstanding GO CP Notes CPRIT A (Taxable) and fund grants made by CPRIT for cancer research and prevention, and pay for the operation of CPRIT during FY2024
Revenue Commercial Paper , Series 2019A	\$ 5,000	01/10/24	Fund HHSC deferred repair and rehabilitation projects at state hospitals and state supported living centers
Revenue Commercial Paper , Series 2019A	\$ 30,000	02/01/24	Fund HHSC deferred repair and rehabilitation projects at state hospitals and state supported living centers

*Concluded on the following page*

## Bonds and Commercial Paper Issued/Refunded Subsequent to August 31, 2023 (concluded)

Table 16A

(Amounts in Thousands)

Description	Amount	Issuance Date	Purpose
<b>TEXAS WATER DEVELOPMENT BOARD</b>			
State Water Implementation Revenue Fund for Texas (SWIRFT) Revenue Bonds, Series 2023A	\$ 1,007,490	10/12/23	To provide financial assistance for projects in the State Water Plan through the purchase of or entering into political subdivision obligations and to pay the costs of issuance of the bonds. As a part of the closing on the bonds, \$98.8 million was transferred from the State Water Implementation Fund for Texas to SWIRFT.
State Water Implementation Revenue Fund for Texas (SWIRFT) Revenue Bonds, Series 2023B	\$ 5,080	10/12/23	To provide financial assistance for projects in the State Water Plan through the purchase of or entering into political subdivision obligations and to pay the costs of issuance of the bonds.
<b>TEXAS DEPARTMENT OF TRANSPORTATION</b>			
Texas Private Activity Bond Surface Transportation Corporation Senior Lien Revenue Refunding Bonds, Series 2020B	\$ 265,900	11/20/23	To refund outstanding conduit debt issued to finance the North Tarrant Express Segment 3 Managed Lanes Project
<b>TEXAS TECH UNIVERSITY SYSTEM</b>			
Revenue Financing System Commercial Paper Notes, Tax-Exempt, Series A	\$ 10,000	09/27/23	Acquire new proceeds for construction of TTU Academic Sciences Building.
Revenue Financing System Commercial Paper Notes, Taxable Series A	\$ 3,300	09/27/23	Acquire new proceeds for construction of TTU Athletics Rip Griffin Park Renovation
Revenue Financing System Commercial Paper Notes, Tax-Exempt Series A	\$ 20,000	12/05/23	Acquire new proceeds for construction of TTU Academic Sciences Building
Revenue Financing System Commercial Paper Notes, Taxable Series A	\$ 4,500	12/05/23	Acquire new proceeds for construction of TTU Academic Sciences Building, Museum East Wing Expansion, and Talkington CVPA Phase II
Revenue Financing System Commercial Paper Notes, Tax-Exempt Series A	\$ 2,700	01/08/24	Acquire new proceeds for construction of TTU National Ranching Heritage Center
<b>TEXAS STATE UNIVERSITY SYSTEM</b>			
Commercial Paper Notes, Tax-Exempt	\$ 10,500	10/03/23	To finance capital projects.
Commercial Paper Notes, Tax-Exempt	\$ 15,226	12/06/23	To finance capital projects.
Commercial Paper Notes, Tax-Exempt	\$ 400	01/24/24	To finance capital projects.
<b>TEXAS A&amp;M UNIVERSITY SYSTEM</b>			
Revenue Financing System Commercial Paper Notes	\$ 35,000	09/05/23	To provide interim financing for construction projects.
Revenue Financing System Taxable Commercial Paper Notes	\$ 40,000	09/05/23	To provide interim financing for construction projects.
Revenue Financing System Commercial Paper Notes	\$ 45,000	10/26/23	To provide interim financing for construction projects.
Revenue Financing System Taxable Commercial Paper Notes	\$ 55,000	10/26/23	To provide interim financing for construction projects.
Permanent University Fund Taxable Commercial Paper Notes	\$ 85,000	01/19/24	To provide interim financing for construction projects.
<b>UNIVERSITY OF TEXAS SYSTEM</b>			
Revenue Financing System (RFS) Commercial Paper Notes, Series B	\$ 41,000	09/20/23	To finance a variety of capital projects and equipment purchases.
Revenue Financing System (RFS) Commercial Paper Notes, Series B	\$ 50,000	11/01/23	To finance a variety of capital projects and equipment purchases.
RFS Taxable Commercial Paper Notes, Series B	\$ 250,000	11/28/23	To finance a variety of capital projects and equipment purchases.
Permanent University Fund Tax-Exempt Commercial Paper Notes, Series A	\$ 200,000	12/05/23	To finance a variety of capital projects and equipment purchases.
Total Bond and Commercial Paper Issued/Refunded	<u>\$ 3,149,722</u>		

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## Other Subsequent Events

At the Oct. 19, 2023 board meeting, the Veteran's Land Board (VLB) updated its investment policy statement changing the investment officer from the chief investment officer to the director of bond funds management. Additionally, the VLB Board changed the interest rates on land loans from 6.95 percent to 7.25 percent effective for loans applied for on or after October 23, 2023.

During November 2023, in accordance with Section 204.123(a) of the *Labor Code*, \$28.4 million was transferred from the Employment Training Investment Act (ETIA) Holding Fund to the Skills Development Program since the amount in the Unemployment Trust Fund Account was above the statutorily defined floor as computed under Section 201.061, calculated as one percent of total taxable wages for the four calendar quarters ending June 30, 2023.

During the 88th Regular Legislative Session, House Bill 1, the *General Appropriation Act*, included a one-time appropriation payment of \$588.5 million for Teacher Retirement System to keep the average premium rate increase in TRS-ActiveCare below 10 percent. This payment will be paid in late October 2023. Senate Bill 10 also passed to provide two types of benefit enhancements to eligible annuitants in the amount of \$1.6 billion. The stipends, regardless of annuity amount, were paid in September 2023 as follows:

- A one-time \$7,500 stipend to eligible annuitants who are 75 years of age and older
- A one-time \$2,400 stipend to eligible annuitants ages 70 to 74.

House Joint Resolution 2 was approved by Texas voters in the Nov. 7, 2023 constitutional amendments election to provide cost of living adjustments (COLA) to be paid in January 2024 based on retirement dates of eligible retirees. The cost of living adjustments will be paid in the following manner:

- 2% COLA for eligible retirees who retired between Sept. 1, 2013 through Aug. 31, 2020
- 4% COLA for eligible retirees who retired between Sept. 1, 2001 through Aug. 31, 2013
- 6% COLA for eligible retirees who retired on or before Aug. 31, 2001.

The 88th Texas Legislature appropriated one-time payments of \$772 million to the Law Enforcement and Custodial Officer Supplemental Retirement Plan (LECOS) and \$99 million to Judicial Retirement System of Texas Plan Two (JRS II) to pay-off the unfunded accrued actuarial liability. These payments were received in September 2023 and will be reflected in Employees Retirement System of Texas (ERS's) financial statements for the year ending Aug. 31, 2024.

The 88th Texas Legislature passed Senate Bill 28 and Senate Joint Resolution 75 providing for the creation of the Texas Water Fund. In addition, Senate Bill 30 authorized a one-time, \$1 billion supplemental appropriation of general revenue to the Texas Water Fund, contingent on enactment of SB 28 and approval of SRJ 75 by voters. On November 7, 2023, the voters of Texas approved the supporting Texas Constitutional amendment authorizing the creation of the Texas Water Fund and the \$1 billion appropriation.

On Nov. 17, 2023, Moody's Investors Service upgraded Grand Parkway Transportation Corporation's (GPTC) \$1.6 billion first tier toll revenue bond and note rating to A1 from A2 and maintained a stable outlook. The upgrade of GPTC's first tier revenue bonds to A1 reflects strong revenue collection that has exceeded both GPTC's and Moody's prior forecasts and the successful completion of segments H and I of the Grand Parkway toll road.

On Sept. 1, 2023, the Stephen F. Austin State University was reestablished in statute as a member of the University of Texas System (UT System) pursuant to legislation enacted by the 88th Texas Legislature. Prior to that date, SFA was an independent public university

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within the state of Texas. As of this date, SFA's Board of Regents was dissolved and the university became subject to the authority of the UT System Board of Regents and eligible to participate in the Permanent University Fund Bond program provided by Section 18, Article VII, *Texas Constitution*, to the same extent as similar institutions of the UT System. At its August 2023 meeting, the UT System Board of Regents approved an operating budget for SFA of \$249 million for fiscal 2023-2024. In September and November 2023, the UT System Board of Regents issued and repaid a combined \$8.2 million of UT System Revenue Financing System Taxable Commercial Paper Notes, Series B related to SFA's Forestry, Agriculture and Interdisciplinary Project. SFA has engaged an architect to assist in the design and development stage of the project. In September 2023, Moody's Investor Services upgraded the revenue bond ratings for SFA from Aa1 to A1 with a stable ratings outlook. This upgrade reflects the university's new status as a member of the UT System. In August 2023, Fitch Ratings affirmed its A+ bond rating on various Revenue Financing System (RFS) bonds previously issued by the SFA Board of Regents with a stable ratings outlook. Although SFA is part of the UT System as of Sept. 1, the previously issued SFA bonds are secured only by the university's legally available revenues and fund balances rather than by those of the entire UT System.

On Dec. 18, 2023, The University of Texas at Austin and The University of Texas MD Anderson Cancer Center received approval to implement the Definition Phase of The University of Texas at Austin - MD Anderson Joint Medical Center project. Approval of this request will allow the expenditure of up to \$145 million to complete the Definition Phase.

On Nov. 7, 2023, Texas citizens voted in favor of a constitutional amendment to create the Texas University Fund (TUF), a permanent endowment to support academic teaching institutions in Texas in achieving national prominence as major research universities. Texas Tech

University System (TTU System) will receive the highest level of funding offered by TUF, an estimated \$44 million per year, with the first funds expected in early 2024. Eligible institutions, including TTU System, are entitled to include a portion of the TUF corpus when reporting institutional endowment funds. TTU System estimates their portion of the TUF corpus to be approximately \$975 million, providing a significant positive effect on the university's endowment.

University of North Texas System (UNT System) will also participate in Texas University Fund, a permanent endowment that will generate more than \$22 million per year for UNT System to fund vital research, elevate national rankings, and create more career-ready graduates to help drive the Texas economy.

On Nov. 7, 2023, Texas voters approved Proposition 14, Creation of the Centennial Parks Conservation Fund. The proposition amends the state constitution to create the Centennial Parks Conservation Fund as a trust fund outside of the state treasury. The fund consists of money:

- Appropriated, credited or transferred by the legislature
- Gifts, grants and donations received by the Parks and Wildlife Department
- Investment earnings.

Money in the fund is to be used to create and improve state parks. The Texas Legislature also passed Senate Bill 1648, the implementing legislation, during the 2023 regular legislative session. SB 1648 amended the *Parks and Wildlife Code* to authorize the Parks and Wildlife Department (TPWD) to administer the proposed fund. SB 1648 authorized the TPWD to request a disbursement from the fund to acquire property in Texas to create and improve state parks. The bill prohibits money in the fund to be used for department salaries, employee benefits, costs associated with employee benefits or the administration of the department, or the maintenance and operation of state parks. It will take effect on Jan. 1, 2024.

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# Note 17

## Risk Management

The state of Texas is exposed to various risks of loss related to property, general and employer liability, net income and personnel. The state of Texas and its employees are covered by numerous immunities and defenses that limit some of these risks of loss, particularly in liability actions brought against the state or its employees. Remaining exposures are managed by self-insurance arrangements, contractual risk transfers, the purchase of commercial insurance or a combination of these risk financing techniques.

Estimates of liabilities for incurred but not reported claims are actuarially determined based on estimates of the ultimate cost of settling claims, using past experience adjusted for current trends and any other factors that would modify past experience. Claims liabilities include specific, incremental claims adjustment expenditures/expenses. In addition, estimated recoveries on unsettled claims, such as salvage and subrogation, are evaluated in terms of their estimated realizable value and deducted from the liability for unpaid claims. Unallocated claim adjustment expenditures/expenses are not included in the liability for claims and judgments.

There were no significant reductions in insurance coverage in the past year. Also, in the past three years, settlements have not exceeded insurance coverage.

## Property and Liability

The *Texas Labor Code*, Chapter 412, states that the State Office of Risk Management (SORM) shall operate as a full-service risk and insurance manager for state agencies and shall administer programs to reduce property and liability losses, including workers' compensation losses.

SORM administers the statewide workers' compensation program. The state does not carry commercial insurance for workers' compensation, but instead uses

the general revenue fund to account for its risk financing activities. Certain agencies are exempt from the SORM program or elect to purchase additional insurance coverage outside of the program. The University of Texas System (UT System), Texas A&M University System (A&M System) and Texas Department of Transportation administer separate self-insured workers' compensation programs.

Where applicable, certain agencies purchased fire and extended insurance coverage for buildings financed through the issuance of bonds. Other risks are addressed through a combination of interim financing and commercial coverage for fire and all other perils, as well as coverage for medical malpractice, torts, named windstorms, floods and other potential liabilities.

## Health, Life and Dental

Insurance coverage is provided to active state employees and their dependents by one of three health plan administrators. All state employees not covered by insurance plans provided by the UT System and the A&M System are included in the Texas Employees Group Benefits Program (GBP) administered by the Employees Retirement System of Texas. Public school employees and their dependents are covered by the Texas School Employees Uniform Group Benefits Program (TRS-ActiveCare) administered by the Teacher Retirement System of Texas. Risk of loss is retained with self-insured plans or transferred to the insurance carrier with health maintenance organization (HMO) plans.

## Texas Employees Group Benefits Program

Claims for health, life, vision, accidental death and dismemberment (AD&D), disability and dental insurance coverages are established under the GBP. These coverages are provided through a combination of insurance contracts, a self-funded health plan, a self-funded dental indemnity plan, HMO contracts and dental HMO contracts.

## UT System & A&M System

The UT System and the A&M System provide health insurance, dental insurance, vision insurance, life insurance, AD&D, long-term disability, short-term disability, long-term care and flexible-spending account coverages to all benefits-eligible employees. These insurance benefits are provided through both self-funded and fully insured arrangements.

## Teacher Retirement System

TRS-ActiveCare is a health benefits program that offers options ranging from catastrophic coverage with reduced premiums to a comprehensive plan at higher premiums. TRS-ActiveCare covers members currently employed by public educational employers that participate in the plan.

TRS-ActiveCare offers employees of participating entities the option of three preferred provider organization plans and also offers employees of certain areas the option of choosing coverage under an HMO plan. In fiscal 2023, 1,241 entities participated in the program. The risk associated with TRS-ActiveCare is retained by the plan's participants, and no risk is transferred to the plan administrator, employers or the state.

## Changes in Claims Liability Balances

The changes in claims liability reported in various balance sheet/statement of net position liability accounts during fiscal 2022 and fiscal 2023, are presented in table 17A. Claims and judgment amounts presented in Note 5 are also included in table 17A.

Of the fiscal 2023 claims liability ending balance, \$729.7 million relates to long-term claims liabilities, which are reported in Note 5 and \$836.6 million relates to the state's health, life and dental insurance programs and the remainder to miscellaneous claims and judgments, all of which are reported as accounts payable.

# Note 18

## Contested Taxes

The state may assess a tax liability against one or multiple taxpayers. Taxpayers may petition for a redetermination hearing before an administrative law judge if they wish to contest a tax liability assessed by the state. If the request for a redetermination hearing is received by a specified date, the taxpayer is not obligated to pay the tax liability until 20 days after a final decision is made by the Texas Comptroller of Public Accounts (Comptroller's office) in a redetermination hearing and served on the taxpayer. As of Aug. 31, 2023, there was an estimated \$480.4 million of assessments filed that are currently in the redetermination hearing process. Collectability of these assessments is dependent upon the Comptroller's office decision in the redetermination hearing. These assessments are not recognized as tax revenue until after a Comptroller's office decision becomes final. Therefore, contested taxes are not included in the receivables reported in the financial statements.

### Changes in Claims Liability Balances

Table 17A

August 31, 2023 (Amounts in Thousands)

Year	Beginning Balance	Increases	Decreases	Ending Balance
2022	\$ 1,135,029	\$ 6,466,542	\$ 6,421,895	\$ 1,179,676
2023	\$ 1,179,676	\$ 7,116,589	\$ 6,729,135	\$ 1,567,130

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# Note 19

## Component Units and Related Organizations

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. Component units can also be other organizations for which the nature and significance of their relationship with a primary government is such that exclusion would cause the reporting entity's financial statements to be misleading. In addition, component units can be organizations that raise and hold economic resources for the direct benefit of a government unit. Because of the closeness of their relationships with the primary government, some component units are blended as though they are part of the primary government. Other component units are discretely presented. Two of the discrete component units for the state of Texas are presented as major component units on the combined statements. The remaining nonmajor discrete component units are presented for informational purposes of interested parties in the combining statements. The component units are reported for the fiscal year ended Aug. 31, 2023 unless indicated otherwise.

### Blended Component Units

The state is financially accountable for the following legally separate entities. These component units are reported as if they are part of the primary government because they provide substantially all of their services directly to the state, or the component units' debts are expected to be repaid entirely or almost entirely with the resources of the state. The component units' financial data is blended in the appropriate funds within the financial statements.

**Texas Private Activity Bond Surface Transportation Corporation** (TxPABST) is a legally separate entity that acts on behalf of the Texas Department of

Transportation (TxDOT) in the promotion and development of transportation facilities by issuing private activity bonds for projects developed under comprehensive development agreements (CDA) entered into by TxDOT. Bonds issued by TxPABST are not legal obligations of the state and are payable solely from payments received by or on behalf of a CDA developer. TxPABST is blended rather than discretely presented because the Texas Transportation Commission (TTC) appoints the voting majority of TxPABST's governing board, and has the ability to remove appointed board members at will. TxPABST does not have any financial activity, as its sole purpose is to issue debt on behalf of TxDOT. TxPABST does not issue separate financial statements. Information about TxPABST may be obtained by contacting TxPABST at 125 East 11th St., Austin, Texas 78701.

**Grand Parkway Transportation Corporation** (GPTC) is a legally separate entity that acts on behalf of TxDOT in the promotion and development of the Grand Parkway project by issuing bonds and entering into CDAs with developers for the design and construction of several segments of the Grand Parkway project. TTC appoints the members of GPTC's governing board, all of whom must be TxDOT employees. GPTC is blended rather than discretely presented because all members of the board are appointed by TTC and they have the ability to remove appointed board members at will. The financial activity of GPTC is reported in the financial statements of TxDOT. Information about GPTC may be obtained by contacting GPTC at 125 East 11th St., Austin, Texas 78701.

**Employees Retirement System of Texas** (ERS) is a legally separate entity established by the Texas Legislature to administer benefits for officers and employees of the state. ERS is governed by a six-member board of trustees. The six-member board is composed of three elected members and three members who are appointed respectively by the governor, the speaker of the Texas



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House of Representatives, and the chief justice of the Supreme Court of Texas. ERS is blended rather than discretely presented because the state of Texas has the ability to impose its will upon ERS through its legislative and budget approval powers. Separate financial statements may be obtained by contacting ERS at P.O. Box 13207, Austin, Texas 78711.

**Texas Treasury Safekeeping Trust Company**

(Trust Company) is a legally separate entity established by the Texas Legislature. The Texas Comptroller of Public Accounts (Comptroller's office) is the single shareholder of the Trust Company and is charged with managing the Trust Company. The Trust Company is blended rather than discretely presented because the Comptroller's office is the single shareholder of the Trust Company and their activities benefit the state. The Trust Company is authorized to manage, disburse, transfer, safe-keep and invest funds and securities provided by statute or belonging to state and local entities and gives the Comptroller's office direct access to services provided by the Federal Reserve System. Separate financial statements may be obtained by contacting the Trust Company at 208 E. 10th St., 4th Floor, Austin, Texas 78701.

**Alamo Trust, Inc.** (ATI), (formerly known as Alamo Complex Management), is a legally separate entity, established to operate exclusively for the benefit of the Texas General Land Office (GLO). ATI is blended rather than discretely presented because GLO appoints a majority of ATI, has the ability to remove board members at will, has the ability to modify or approve the budget of ATI, has the ability to modify or approve the rates of ATI affecting the revenue of ATI, has the ability to veto, overrule or modify the decisions of ATI's governing body, has the ability to appoint, hire, reassign or dismiss those persons responsible for ATI's day-to-day operations and its ability to unilaterally abolish ATI by ordering ATI to cease operations. ATI is reported for the fiscal year ended June 30, 2023. Infor-

mation about ATI may be obtained by contacting GLO at 1700 N. Congress Ave., Austin, Texas 78701.

**Windham School District** (WSD) is a legally separate entity that provides education to offenders within the Texas Department of Criminal Justice. The Texas Board of Criminal Justice serves as the board of trustees for WSD. WSD is blended rather than discretely presented because the primary government is able to impose its will on WSD through its ability to modify or approve the budget of WSD. WSD's entire debt is covered by the state of Texas through appropriations, and the state is liable for any and all outstanding debt. WSD does not issue separate financial statements. Information about WSD may be obtained by contacting the Texas Department of Criminal Justice at P.O. Box 13034, Austin, Texas 78711.

**Friends of the Texas Historical Commission**

(Friends) is a legally separate entity whose sole purpose is to support the activities of the Texas Historical Commission (THC). Friends is reported as a component unit due to it being closely related to the primary government. Friends is blended rather than discretely presented because the primary government can appoint and remove board members at will. THC provides office space and administrative services that include staff support to Friends. In addition, the staff of Friends participates in programs sponsored by THC. Separate financial statements may be obtained by contacting Friends at P.O. Box 13497, Austin, Texas 78711.

**Texas Tech Foundation Inc.** (TTFI) is a legally separate entity established to financially support and serve the fundraising needs of Texas Tech University System (TTU System). TTFI is blended rather than discretely presented because TTFI operates exclusively for the benefit of TTU System and component institutions and there is a fiscal dependency and financial benefit relationship between TTFI and TTU System. The board of regents has the ability to impose its will on TTFI through its ability to veto, override, or modify

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the decisions of TTFI and its ability to modify or approve the budget of TTFI. Separate financial statements may be obtained by contacting the TTFI Office of Institutional Advancement, located at 1508 Knoxville Ave., Suite 315, Lubbock, Texas 79409.

**Red Raider Facilities Foundation, Inc. (RRFFI)** is a legally separate nonprofit corporation established exclusively for charitable and educational purposes to benefit Texas Tech University (TTU). It was formed to support and promote, and otherwise hold, invest, construct and administer property, and make expenditures for the benefit of athletic activities and endeavors of TTU. The RRFFI board of directors are appointed one each by the TTU president, the TTU system chancellor and the Texas Tech board of regents chairman. Although RRFFI is legally separate from TTU, financial transactions have been blended into the financial statements of TTU rather than discretely presented because RRFFI operates exclusively for the benefit of TTU. Audited financial statements may be obtained by mail request to 801 Cherry St., Suite 500, Fort Worth, Texas 76102.

**Texas Tech Physician Associates (TTPA)** is a legally separate entity established for the sole purpose of, and is operated exclusively for, the benefit of the Texas Tech University Health Science Center (TTUHSC) and TTUHSC at El Paso. TTPA is blended rather than discretely presented because the nine-member governing board is appointed by TTUHSC, controls all financial and operational transactions of TTPA, and has the ability to remove board members at will. Separate financial statements may be obtained by contacting TTPA at Provider Payor Relations, 3601 4th St., Lubbock, Texas 79430.

**The Angelo State University Foundation (ASUF)** is a legally separate nonprofit organization created exclusively to provide financial assistance to Angelo State University (ASU) primarily from gifts and earnings on endowed funds. There is no appointment of

board members. The TTU System chancellor, ASU president, ASU faculty senate president and ASU chief financial officer are non-voting ex-officio members on the board of directors. ASUF is blended rather than discretely presented because they operate exclusively for the benefit of ASU. ASUF is closely related to ASU. Failure to include the financial information of ASUF would result in misleading financial statements. Separate financial statements may be obtained by contacting ASUF at 2601 W. Ave. N, San Angelo, Texas 76909.

**Texas State University Research Foundation (TSURF)** is a legally separate entity established to support the mission of Texas State University System (TSU System) and its objectives of promoting higher education, conducting research, providing public service and assisting in economic development in Texas. The key business officers of TSU System compose the entirety of TSURF's officers and directors. TSURF is blended rather than discretely presented because TSU System is able to impose its will on TSURF through its ability to modify or approve the budget of TSURF, its ability to modify or approve the rates or fees affecting revenues of TSURF and its ability to appoint, hire, reassign or dismiss those persons responsible for the day-to-day operations of TSURF. TSURF is reported for the fiscal year ended Feb. 28, 2023. Separate financial statements may be obtained by contacting Texas State University, Director of Accounting, General Accounting Office at 601 University Drive, JCK 589, San Marcos, Texas 78666-4684.

**Harold M. Freeman Educational Foundation (Freeman Foundation)** is a legally separate entity formed through a trust to make the use of the Freeman Ranch available exclusively to TSU System. The Freeman Ranch is used and operated solely for farm, ranch and game management, education and research purposes in connection with the educational activities of TSU System. There is no formal governing board for the Freeman Foundation. TSU System acts as an active co-

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trustee to operate the ranch. Frost Bank operates as an inactive trustee to ensure the provisions of the trust are followed. The Freeman Foundation is blended rather than discretely presented because they operate exclusively for TSU System. Separate financial statements are not issued by the Freeman Foundation. Information about the Freeman Foundation may be obtained by contacting Texas State University, Director of Accounting, General Accounting Office at 601 University Drive, JCK 589, San Marcos, Texas 78666-4684.

**Texas A&M Research Foundation** (Research Foundation) is included as a blended component unit in the combined financial statements of the Texas A&M University System (A&M System). This determination is based on the close relationship and joint agreements in effect between the Research Foundation and A&M System in regard to research grant/contract administration. Complete financial statements of the Research Foundation may be obtained by contacting their administrative offices at 400 Harvey Mitchell Parkway South, Suite 300, College Station, Texas 77845.

**U.T. Southwestern Health Systems, Inc.** (SHSI) is a legally separate entity established to support the University of Texas Southwestern Medical Center (UTSWMC). SHSI is blended rather than discretely presented because UTSWMC appoints the three-member governing board of SHSI, has the ability to remove appointed board members at will, its ability to modify or approve the budget of SHSI and its ability to modify or approve rates or fees affecting revenues of SHSI. Separate financial statements may be obtained by contacting SHSI at 5323 Harry Hines Blvd., Dallas, Texas 75390.

**U.T. Southwestern Moncrief Cancer Center** (SW Moncrief) is a legally separate entity established to support UTSWMC. SW Moncrief is blended rather than discretely presented because the president of UTSWMC appoints its four-member governing board, has the ability to impose its will on SW Moncrief through its abil-

ity to remove appointed board members at will, its ability to modify or approve the budget of SW Moncrief and its ability to modify or approve rates or fees affecting revenues of SW Moncrief. Separate financial statements may be obtained by contacting SW Moncrief at 400 West Magnolia Ave., Fort Worth, Texas 76104.

**Moncrief Cancer Foundation** (Moncrief) is a legally separate entity established to support the UTSWMC. Moncrief is blended rather than discretely presented because the president of UTSWMC appoints the six-member governing board, has the ability to impose its will on Moncrief through its ability to remove appointed board members at will, its ability to modify or approve the budget of Moncrief and its ability to modify or approve rates or fees affecting revenues of Moncrief. Separate financial statements may be obtained by contacting Moncrief at 5323 Harry Hines Blvd., Dallas, Texas 75390.

**UTMB Healthcare Systems, Inc.** (Healthcare Systems) is a legally separate entity established to support the University of Texas Medical Branch at Galveston (UTMB). Healthcare Systems is blended rather than discretely presented because its eight-member governing board is appointed by UTMB, has the ability to impose its will on Healthcare Systems through its ability to remove appointed board members, its ability to modify the budget of Healthcare Systems, its ability to appoint, hire, reassign or dismiss those responsible for Healthcare Systems' day-to-day operations and its ability to unilaterally abolish Healthcare Systems. Separate financial statements may be obtained by contacting Healthcare Systems at 301 University Blvd., Galveston, Texas 77555.

**University Medical Branch Student Book Store and Hospitality Shop, Inc.** (Book Store) is a legally separate entity established to operate the book store for UTMB. Book Store is blended rather than discretely presented because its five-member governing board is appointed by UTMB, has the ability to impose its will

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through its ability to remove appointed board members at will and its ability to appoint, hire, reassign or dismiss those responsible for the Book Store's day-to-day operations. Separate financial statements may be obtained by contacting the Book Store at 301 University Blvd., Galveston, Texas 77555.

**Medical Branch Innovations, Inc.** (MBII) is blended rather than discretely presented because it operates exclusively in support of the education, clinical, and research missions of UTMB. Its three-member board is appointed by UTMB. Separate financial statements may be obtained by contacting MBII at 301 University Blvd., Galveston, Texas 77555.

**University of Texas Physicians** (UT Physicians) is a legally separate entity established to provide management services for the physician practice plan at the University of Texas Health Science Center at Houston (UTHSCH). UT Physicians is blended rather than discretely presented because UTHSCH appoints its nine-member governing board, has the ability to impose its will on UT Physicians through its ability to modify or approve the budget of UT Physicians, its ability to modify or approve rates or fees affecting revenues of UT Physicians and its ability to appoint, hire, reassign or dismiss those responsible for UT Physicians' day-to-day operations. Separate financial statements may be obtained by contacting UT Physicians at 7000 Fannin St., Suite 860, Houston, Texas 77030.

**University Physicians Group** (UPG) is a legally separate entity established to provide health care education and research activity services to the University of Texas Health Science Center at San Antonio (UTHSCSA). UPG is blended rather than discretely presented because UTHSCSA appoints its five-member governing board consisting of the dean of the School of Medicine and four members elected by the physician practice plan board at UTHSCSA, has the ability to remove board members at will, the ability to modify or approve the budget of UPG, the ability to veto, overrule or modify

the decisions of UPG's board, the ability to appoint, hire, reassign or dismiss those responsible for UPG's day-to-day operations and the ability to unilaterally abolish UPG. Separate financial statements may be obtained by contacting UPG at 8431 Fredericksburg Road, Suite 500, San Antonio, Texas 78229.

**UT Health San Antonio Regional Physicians Network** (Corporation) is a legally separate entity established to provide, manage, coordinate and promote accountability for the quality, patient safety, cost and overall patient support for University of Texas Health Science Center at San Antonio. The Corporation is blended rather than discretely presented because it provides primarily all of its services for UTHSCA. The Corporation is governed by a seven-member board. The dean of the school of medicine serves as chair of the board of directors. Separate financial statements may be obtained by contacting the Corporation at 8431 Fredericksburg Road, Suite 503, San Antonio, Texas 78229.

**M.D. Anderson Physicians Network** (MDAPN) is a legally separate entity established to support the University of Texas M.D. Anderson Cancer Center (Cancer Center). MDAPN is blended rather than discretely presented because the president of the Cancer Center appoints the nine-member board and has the ability to remove appointed board members at will. Separate financial statements may be obtained by contacting MDAPN at 1515 Holcomb Blvd., Unit 1670, Houston, Texas 77030-4009.

**M.D. Anderson Services Corporation** (MDASC) is a legally separate entity established to support the Cancer Center. MDASC is blended rather than discretely presented because the president of the Cancer Center appoints the seven-member board of directors and the president may remove appointed board members at will. Separate financial statements may be obtained by contacting MDASC at 1515 Holcomb Blvd., Unit 1670, Houston, Texas 77030-4009.

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**East Texas Quality Care Network (ETQCN)** is a legally separate entity established to provide agency nursing services to the University of Texas Health Science Center at Tyler (UTHSCT). ETQCN is blended rather than discretely presented because its four-member governing board is appointed by UTHSCT, has the ability to remove board members at will, the ability to modify or approve the budget of ETQCN, the ability to modify or approve rates or fees affecting revenues of ETQCN, the ability to veto, overrule or modify the decisions of ETQCN's board, the ability to appoint, hire, reassign or dismiss those responsible for ETQCN's day-to-day operations and the ability to unilaterally abolish ETQCN. Separate financial statements may be obtained by contacting ETQCN at 11937 US Highway 271, Tyler, Texas 75708-3154.

**University of Texas/Texas A&M Investment Management Co. (UTIMCO)** is a legally separate entity established to provide investment management services to University of Texas System (UT System) and Texas A&M University System (A&M System). UTIMCO is blended rather than discretely presented because it provides investment management services entirely or almost entirely for UT System. Its nine-member board consists of at least three members of UT System board of regents, four members appointed by UT System board of regents (one of whom may be the chancellor of UT) and two members appointed by A&M System board of regents. At least three members appointed by UT System board of regents and at least one member appointed by A&M System board of regents must have substantial background and expertise in investments. Separate financial statements may be obtained by contacting UTIMCO at 210 West 7th St., Suite 1700, Austin, Texas 78701.

**University of Texas Communication Foundation (UTCF)** is a legally separate entity established to support the UT-Austin College of Communication. UTCF is blended rather than discretely presented because its

three-member governing board is appointed by UT-Austin and UT-Austin has the ability to impose its will on UTCF through its ability to remove appointed board members at will, its ability to modify or approve the UTCF's budget, its ability to veto, overrule or modify the decisions of UTCF and unilaterally abolish UTCF. Separate financial statements may be obtained by contacting UT-Austin at P.O. Box 7322, Austin, Texas 78713.

**The University of Texas at Austin - Mexico Institute, A.C. (Mexico Institute)** is a legally separate entity established to advance collaborative cross-disciplinary academic and scientific research partnerships in science, technology, engineering and mathematics and scholarly and cultural studies between UT-Austin and Mexico's academic institutions, the public and private sector stakeholders. Mexico Institute is blended rather than discretely presented because its four-member board is appointed by UT-Austin. Mexico Institute is reported for the fiscal year ended Dec. 31, 2022. Separate financial statements may be obtained by contacting UT-Austin Director of Institutional Relations - Mexico, Jorge Rene Pinon, at 2275 Speedway, Austin, Texas 78712.

**The Crow Museum of Asian Art - Foundation (CMAA Foundation)** is established to support the Crow Museum of Art. Its five-member governing board is appointed by University of Texas Dallas (UT-Dallas). CMAA Foundation is blended rather than discretely presented because CMAA Foundation is organized as a not-for-profit corporation and UT-Dallas is the sole corporate member. CMAA Foundation is reported for the fiscal year ended Dec. 31, 2022. In fiscal year 2021, substantially all assets and operations of CMAA Foundation transferred to UT-Dallas in accordance with a unanimous consent letter executed by the board of directors. Assets distributed to UT-Dallas will be managed in accordance with the memorandum of understanding associated with the 2018 donation of the Crow Museum of Asian Art. CMAA Foundation will

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continue its corporate existence as deemed advisable by the board of directors. Separate financial statements may be obtained by contacting CMAA Foundation at 2010 Flora St., Dallas, Texas 75201.

**The Office of Community-Based Care Transition** (TOCBCT) is a legally separate entity established to support and improve the expansion of Community-Based Care. TOCBCT is blended rather than discretely presented because its total debt outstanding including leases, is expected to be repaid with the resources of Texas Department of Family and Protective Services (DFPS). TOCBCT will be abolished on the date that community-based care is implemented in the last department region in the state. TOCBCT does not issue separate financial statements. Information about TOCBCT may be obtained by contacting DFPS at 4900 N. Lamar, Austin, Texas 78751.

### **Discretely Presented Component Units**

The state is financially accountable for the following legally separate entities (component units); however, the component units do not provide services entirely or almost entirely to the state nor are the component units' debts expected to be repaid entirely or almost entirely with the resources of the state. The component units' financial data is discretely presented in the component unit column of the state's government-wide financial statements. Based on an analysis performed at year-end, two of the discretely presented component units warrant separate presentation; nevertheless, all of the following component units are presented as omission would result in misleading financial statements.

**Texas Permanent School Fund Corporation** (Texas PSF) is a legally separate entity established by the Texas Legislature to govern all PSF investment functions formerly managed by the Texas Education Agency and the General Land Office. Texas PSF serves the public by making a distribution each year to pay a portion of educational costs in each school district within the

state, and by providing a guarantee for bonds issues by participating local school districts, as well as for bonds of qualified participating charter schools. Texas PSF is governed by a nine-member board of directors, composition is as follows: five elected members of the State Board of Education, the elected land commissioner, one member appointed by the School Land Board and two members appointed by the governor. Separate financial statements may be obtained at the following URL: <https://texaspsf.org/reports/>.

**Teacher Retirement System of Texas** (TRS) is a legally separate entity established by the Texas Legislature to administer retirement and disability annuities to employees and beneficiaries of public school systems and institutions of higher education. TRS is governed by a nine-member board of trustees, three of whom are direct appointments of the governor. The remaining trustees are appointed by the governor from lists prepared by various constituent groups. TRS is subject to the budget approval powers of the Texas Legislature, and therefore is fiscally dependent on the state of Texas. The active employees insurance program and 403(b) administrative program are reported in the component unit column of the government-wide financial statements; whereas the employee benefit trust fund and retired employees insurance are reported in the pension and other employee benefit trust funds financial statements. TRS has a blended component unit, Teacher Retirement Investment Company of Texas Ltd. (TRICOT). It is a private company limited by shares in the United Kingdom that began operating in Nov. 2015. TRICOT was formed for the purpose of opening a London investment office to increase investment opportunities for the TRS portfolio. TRICOT serves the pension trust fund. Separate financial statements may be obtained by contacting TRS at 1000 Red River St., Austin, Texas 78701.

**State Bar of Texas** (State Bar) is a public corporation and an administrative agency of the judicial branch

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of government. The purpose of State Bar is to ensure that public responsibilities of the legal profession are effectively discharged. The annual budget for State Bar must be reviewed and approved by the Supreme Court, thus making State Bar fiscally dependent on the state of Texas. State Bar is reported for the fiscal year ended May 31, 2023. Separate financial statements may be obtained by contacting State Bar at 1414 Colorado St., Austin, Texas 78701.

**Texas State Affordable Housing Corporation** (TSAHC) was incorporated under the Texas Nonprofit Corporation Act and is legally separate from the state. Its purpose is to serve the housing needs of low-income Texans, professional educators, firefighters and police officers who are first-time home buyers and are not afforded housing finance options through conventional lending channels. TSAHC provides single and multi-family loans to low and moderate income Texans. Prior to any bonds being issued by TSAHC, the issuance must be reviewed by the Bond Review Board, which is composed of the governor, lieutenant governor, speaker of the House of Representatives and the Comptroller. Separate financial statements may be obtained by contacting TSAHC at 2200 East Martin Luther King Jr. Blvd., Austin, Texas 78702.

**OneStar National Service Commission** and **OneStar Foundation, Inc.** (OneStar) are legally separate nonprofit corporations that administer the AmeriCorps\*Texas program. They serve as the state's liaison to and oversee Texas' participation in OneStar programs for the Corporation for National and Community Service (a federal agency), as well as prepare a comprehensive three-year national service plan for the state. The governor appoints all members of OneStar's boards. The governor can also remove any board member at will. OneStar performs all administrative duties of the OneStar National Service Commission, as well as provides technical assistance, education, information and other support to the volunteer community.

OneStar is reported for the fiscal year ended Dec. 31, 2022. Separate financial statements may be obtained by contacting OneStar at 9011 Mountain Ridge Drive, Suite 100, Austin, Texas 78759.

**Texas Low-Level Radioactive Waste Disposal Compact Commission** (Commission) is a legally separate organization established to promote the health, safety and welfare of the citizens and environment of the states participating in the Texas Low-Level Radioactive Waste Disposal Compact (Compact), known as party states. There are currently two party states, Texas and Vermont, with Texas serving as the host party state. The mission of the Commission is to:

- Limit the number of radioactive waste disposal facilities;
- Effectively, efficiently and economically manage low-level radioactive waste; and
- Encourage the reduction of the generation thereof.

Since Texas serves as the host party state for Compact, it is entitled to six voting members, whereas the other party state is only entitled to one voting member. The governor appoints the six members of the Commission serving on behalf of Texas. As host party state, Texas has the authority to establish the disposal fees assessed at the facility for disposal of low-level radioactive waste generated in the party states. The Texas Legislature, with the approval of the governor, also has the authority to revise the portion of Compact pertaining to the volume of waste the host party state will dispose of without the consent of the nonhost party state. Separate financial statements may be obtained by contacting the Commission at 919 Congress Ave., Suite 830, Austin, Texas 78701.

**Texas Prepaid Tuition Scholarship Foundation** (TPTSF) is a legally separate entity created to provide prepaid tuition scholarships to students meeting economic or academic requirements. TPTSF is a direct-support organization of the Texas Guaranteed Tuition

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Plan and is authorized by the *Texas Education Code*. TPTSF is governed by a board composed of the Comptroller, a member appointed by the governor with the advice and consent of the Senate and three members appointed jointly by the Comptroller and the member who is appointed by the governor. The Comptroller serves as the executive director of the board and assigns and supervises employees responsible for the day-to-day operations of TPTSF. TPTSF does not issue separate financial statements. Information may be obtained by contacting the Texas Comptroller of Public Accounts, Texas Guaranteed Tuition Plan at 111 E. 17th St., Austin, Texas 78774.

**Texas Match the Promise Foundation (TMPF)** is a legally separate entity established to implement the Texas Save and Match Program, which helps families save for college by offering competitive matching scholarships and tuition grants to Texas students who participate in the Texas Tuition Promise Fund. The Comptroller appoints TMPF's governing board and can remove appointed board members at will. The Comptroller also assigns and supervises employees responsible for the day-to-day operations of TMPF. TMPF does not issue separate financial statements. Information may be obtained by contacting the Texas Comptroller of Public Accounts, Texas Guaranteed Tuition Plan at 111 E. 17th St., Austin, Texas 78774.

**Texas Windstorm Insurance Association** (Association) is a legally separate organization established to provide an adequate market for windstorm and hail insurance in the seacoast territory of Texas and serves as an insurer of last resort. The commissioner of the Texas Department of Insurance (TDI) appoints the nine-member board of directors, and the board is responsible and accountable to the commissioner. The state of Texas has the ability to impose its will on the Association through TDI commissioner approval of rates and maximum liability limits for windstorm and hail insurance policies issued by the Association. The Association is

reported for the fiscal year ended Dec. 31, 2022. Separate financial statements may be obtained by contacting the Association at 4801 Southwest Parkway, Bldg. 1, Suite 200, Austin, Texas 78735.

**Surplus Lines Stamping Office of Texas** (Stamping Office) is a legally separate nonprofit organization created by the Texas Legislature to assist TDI in the regulation of surplus lines insurance. TDI's commissioner appoints all nine members of the board of directors. The Stamping Office performs its functions under a plan of operation approved by order of TDI. The Stamping Office assesses each surplus lines insurance agent a stamping fee for the administrative funding of the Stamping Office. The state of Texas has the ability to impose its will upon the Stamping Office through the approval of the assessment rate that funds its operations. The Stamping Office is reported for the fiscal year ended Dec. 31, 2022. Separate financial statements may be obtained by contacting the Stamping Office at 1601 E. Pflugerville Parkway, Suite 3301, Pflugerville, Texas 78660.

**Texas FAIR Plan Association (TFPA)** is a legally separate entity established to administer the Fair Access to Insurance Requirements Plan, which delivers property insurance to Texas residents in underserved areas. The 11-member governing board is appointed by TDI's commissioner. The commissioner may remove appointed board members at will. TFPA is reported for the fiscal year ended Dec. 31, 2022. Separate financial statements may be obtained by contacting TFPA at 4801 Southwest Parkway, Bldg. 1, Suite 200, Austin, Texas 78735.

**Texas Boll Weevil Eradication Foundation, Inc. (TBWEF)** is a legally separate entity that establishes and implements a boll weevil eradication program for Texas. It is governed by 21 board members. The Texas Department of Agriculture's (TDA) commissioner appoints five of the board members. Although TDA must approve TBWEF's budget, assessment fees



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and debt, a financial benefit or financial burden does not exist between TBWEF and the primary government. Therefore, the primary government is not financially accountable for the TBWEF. However, based on TBWEF's financial relationship with TDA, omitting TBWEF would result in incomplete financial statements. TBWEF is reported for the fiscal year ended Dec. 31, 2022. Separate financial statements may be obtained by contacting TDA at P.O. Box 12847, Austin, Texas 78711-2847.

**Texas Agricultural Finance Authority (TAFA)** is a legally separate entity that provides financial assistance for the expansion, development and diversification of agricultural businesses, and primarily benefits the citizens of Texas. TAFA is governed by a board of directors composed of the commissioner of agriculture, the director of the Institute for International Agribusiness Studies at Prairie View A&M University and nine members appointed by the commissioner of agriculture. The commissioner of TDA administers TAFA with the assistance of the board of directors. If there are insufficient funds to pay TAFA's bond obligations, the primary government is obligated to transfer money from the state treasury to TAFA in an amount sufficient to pay those obligations. Separate financial statements may be obtained by contacting TDA at P.O. Box 12847, Austin, Texas 78711-2847.

**Texas Water Resources Finance Authority (Authority)** is a legally separate entity created by the Texas Legislature as a governmental entity and body politic and corporate for the purpose of increasing the availability of financing for water-related projects, and primarily benefits the citizens of Texas. A board of directors, composed of the three members of the Texas Water Development Board (TWDB), governs the Authority. The members of TWDB are appointed by the governor. TWDB, through a sales and servicing agreement, wholly manages the Authority's operations. Separate financial statements may be obtained by

contacting TWDB at P.O. Box 13231, Austin, Texas 78711-3231.

**Texas Appraiser Licensing and Certification Board (TALCB)** is a legally separate entity statutorily created as an independent subdivision of the Texas Real Estate Commission (TREC) to serve the real estate community in Texas. The governor appoints the members of the governing board. TREC provides administrative support to TALCB, but has no authority to approve or modify its budget or to set its fees. Although TREC is not financially accountable for TALCB, to exclude it would result in the presentation of incomplete financial statements. Separate financial statements may be obtained by contacting TREC at P.O. Box 12188, Austin, Texas 78711-2188.

**Texas Disaster Relief Fund (TDRF)** is a 501(c)(3) corporation established to help the Office of the Governor (Office) provide disaster relief. TDRF benefits the citizens of Texas by assisting the Office in responding to the needs of the citizens before, during and after a disaster in Texas. TDRF is reported for the fiscal year ended Dec. 31, 2022. Separate financial statements may be obtained by contacting the Office at P.O. Box 12428, Austin, Texas 78711.

**Texas Health Services Authority (THSA)** is a legally separate entity created for the improvement of the Texas health care system. THSA promotes and coordinates the electronic exchange of health information throughout the state to ensure information is available to health care providers and to improve patient safety and quality of care. The board of directors consists of 14 members appointed by the governor, with the advice and consent of the Senate. The governor may order the dissolution of THSA at any time he declares that the purpose of THSA has been fulfilled or that THSA is inoperative or abandoned. THSA is reported for the fiscal year ended Sept. 30, 2022. Separate financial statements may be obtained by contacting THSA at 901 South Mopac Expressway, Bldg. 1, Suite 300, Austin, Texas 78746.

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**Beacon State Fund (BSF)** is a 501(c)(3) organization established to support the goals of the Governor's Commission for Women (GCW) in promoting issues affecting the women of Texas. BSF benefits the citizens of Texas by increasing public awareness of issues affecting the women of Texas through distributing of information, holding media campaign events and supporting community outreach programs, which are consistent with the goals of GCW. The board is elected annually by the current board of directors at its annual meeting. The Office provides reasonable use of its office facilities and personnel. BSF is reported for the fiscal year ended Dec. 31, 2022. Separate financial statements may be obtained by contacting the Office at P.O. Box 12428, Austin, Texas 78711.

**State Agency Council (SAC)** is a 501(c)(3) organization established to support the goals of GCW. SAC benefits the citizens of Texas by honoring women who have made significant contributions to Texas through their work in state government, providing opportunities for professional development to its state agency representatives and supporting community outreach programs consistent with the goals of GCW. The director of GCW appoints the board and has operational influence on the activities of SAC. Separate financial statements may be obtained by contacting GCW at P.O. Box 12428, Austin, Texas 78711.

**Texas Governor's Mansion Administration (TGMA)** is a nonprofit organization established to support the financial administration of catering, facility and other expenses associated with the use of the official residence of the governor of Texas for events and operations. While legally separate from the Office, TGMA is closely related to and administratively supported by the Office. TGMA is reported for the fiscal year ended Dec. 31, 2022. Separate financial statements may be obtained by contacting the Office at P.O. Box 12428, Austin, Texas 78711.

**Robert G. Carr and Nona K. Carr Scholarship Foundation (Carr Foundation)** is a legally separate entity established for the sole purpose of providing scholarships to students of ASU, a campus within TTU System. The nine-member Carr Foundation board of trustees is comprised of all members of the TTU System board of regents, who have the ability to appoint, hire, reassign or dismiss those persons responsible for the day-to-day operations of the Carr Foundation. Separate financial statements may be obtained by contacting the Carr Foundation at P.O. Box 11007C, ASU Station, San Angelo, Texas 76909.

**University of North Texas Foundation (UNTF)** is a legally separate entity established to raise funding for scholarships for students of the University of North Texas System (UNT System), as well as provide funding for the benefit of UNT System. The majority of endowments supporting UNT System scholarships and other university programs are owned by UNTF. Therefore, UNTF is closely related to the UNT System, and failure to include its financial activities would lead to incomplete financial statements. Separate financial statements may be obtained by contacting UNTF at 1155 Union Circle #311250, Denton, Texas 76203-5017.

**University of North Texas Health Science Center Foundation (UNTHSCF)** is a legally separate entity established to raise funding for scholarships for students of the University of North Texas Health Science Center (UNTHSC), as well as provide funding for the benefit of UNTHSC. The majority of endowments supporting UNTHSC scholarships and other university programs are owned by UNTHSCF. Therefore, UNTHSCF is closely related to UNTHSC, and failure to include its financial activities would lead to incomplete financial statements. Separate financial statements may be obtained by contacting UNTHSCF at 3500 Camp Bowie Blvd., Fort Worth, Texas 76107-2699.

**Texas State University Development Foundation (Development Foundation)** is a legally separate

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entity formed to support the educational, scientific and research mission of Texas State University (TSU). Development Foundation raises and manages endowment funds designated for scholarships and other support of TSU. The 47-member board of trustees is comprised of a cross-section of alumni and notable leaders who assist in the development and support of TSU. Development Foundation is reported for the fiscal year ended June 30, 2023. Separate financial statements may be obtained at the following URL: <http://www.ua.txstate.edu/about/development-foundation/Financials/Accountability.html>.

**Emmett and Miriam McCoy College of Business Development Foundation** (McCoy Foundation) is a legally separate entity dedicated exclusively to the support of the McCoy College of Business Administration at TSU. The McCoy Foundation's 10-member board of directors manages its investments and determines McCoy's annual funding to support chairs, professorships, undergraduate scholarships and graduate fellowships, as well as the development of faculty, programs and students. Board composition includes the university president, dean of McCoy College and two employees of the College of Business Administration. Separate financial statements may be obtained at the following URL: <https://www.mccoycollegefoundation.org/>.

**Texas Governor's Mansion Greenhouse Project** (TGMGP) is a 501(c)(3) corporation established to raise and distribute funds for the construction and maintenance of a greenhouse on the grounds of the historic Texas Governor's Mansion, which will be open to members of the general public during specialized grounds tours and certain educational tours. While legally separate from the Office of the Governor (Office), TGMGP is closely related to and administratively supported by the Office. TGMGP is reported for the fiscal year ended Dec. 31, 2022. Separate financial statements may be obtained by contacting the Office at P.O. Box 12428, Austin, Texas 78711.

**Texas Tech Research Park, Inc.** (TTRP) is a Texas nonprofit corporation operated exclusively for charitable, educational, and scientific purposes. TTRP was formed to provide support for and promote, sponsor, assist and carry out the educational, scientific, and related activities and objectives of the Texas Tech University System (TTUS) and will support and enhance scientific research and collaborative innovation opportunities for TTUS and the surrounding region. The nine-member board of directors are appointed two each by the Texas Tech University president and Texas Tech University Health Science Center president, one appointment by the TTUS chancellor and the remaining four director roles are elected by existing TTRP board of directors. No board members may be employees of TTUS and appointing persons have the right to revoke and remove the director role he/she appoints at any time. Separate financial statements may be obtained by mail request to 3911 4th St., Box 43005, Lubbock, Texas 79415.

### **Related Organizations**

Related organizations are legally separate, fiscally independent entities for which the state appoints a voting majority of the board, but the state is not financially accountable for the entity.

**Texas Economic Development Corporation** (TxEDC) operates as a nonprofit corporation to assist, promote, develop and advance economic development in the state of Texas. TxEDC is no longer reported as a component unit, but is included because a majority of the board is appointed by the Office, but the Office is not financially accountable for TxEDC.

**Texas Mutual Insurance Company** (Texas Mutual) operates as a domestic mutual insurance company providing workers' compensation insurance in the state of Texas and also serves as the insurer of last resort. The commissioner of insurance regulates Texas Mutual to the same extent as a private mutual insurance company. The governor, with the advice and consent of the Sen-

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ate, appoints five of the nine members of Texas Mutual's board of directors.

**Texas Title Insurance Guaranty Association** (TTIGA) is a legally separate nonprofit organization created for the purpose of providing funds for the protection of holders of covered claims as defined in the *Texas Insurance Code*. This applies to all title insurance written by title insurance companies authorized to do business in Texas. The nine-member board of directors is appointed by TDI's commissioner.

**Texas Life and Health Insurance Guaranty Association** (TLHIGA) is a legally separate entity created to protect persons against failure in the performance of contractual obligations under life, accident and health insurance policies and annuity contracts due to the impairment or insolvency of the member insurer that issued the policies or contracts. TDI's commissioner appoints TLHIGA's nine-member board of directors.

**Charter School Finance Corporation** is a nonprofit organization with the sole purpose of issuing revenue bonds for authorized open-enrollment charter schools for the acquisition, construction, repair or renovation of education facilities at those schools. The Texas Public Finance Authority appoints the board of directors in consultation with the commissioner of the Texas Education Agency and subject to the governor's approval.

**Texas State University System Foundation, Inc.** (TSUSF) is a nonprofit corporation organized for the purpose of providing financial support for the universities and colleges within the TSU System. TSUSF provides funds for student scholarships and faculty awards and assists the chancellor in performing their duties. TSUSF's seven-member board of directors is appointed by the chairman of the TSU System board of regents.

**Operation Game Thief Committee** is a nonprofit corporation established to administer the Operation Game Thief Program (The Program). The Program facilitates the apprehension and prosecution of persons who violate Texas laws intended to protect the state's

natural or cultural resources and the public safety of persons using those natural or cultural resources. The Program also pays rewards and death benefits authorized by Texas statute. The Texas Parks and Wildlife Department's executive director appoints the 11 members of the committee.

**Parks and Wildlife Foundation of Texas, Inc.** (Foundation) is a legally separate nonprofit organization established to manage and conserve the natural and cultural resources of Texas and to provide hunting, fishing and outdoor recreation opportunities for the use and enjoyment of present and future generations. The Foundation provides private support to the Texas Parks and Wildlife Department (TPWD), but TPWD is not financially accountable for the Foundation, nor is the Foundation fiscally dependent on TPWD. The Foundation is governed by a group of trustees, the majority of whom are appointed by the chairman of TPWD.

**The Texas Higher Education Foundation** (THEF) is a Texas nonprofit organization that is organized to support the Texas Higher Education Coordinating Board (THECB) program initiatives. THEF is a legally separate, fiscally independent entity for which THECB appoints a voting majority of the board, but THECB is not financially accountable for, nor can THECB impose its will on THEF. There is no financial benefit or burden relationship between THECB and THEF, therefore, THEF has been classified as a related organization.

**River Authorities** are political subdivisions created by Texas statute. The *Texas Constitution*, Article XVI, Section 59, authorizes the Texas Legislature to create districts that conserve and develop natural resources of the state. The conservation and development of the state's natural resources includes:

- The control, storing, preservation and distribution for irrigation, power and all other useful purposes of storm waters.
- Flood waters and the waters of rivers and streams.

- The reclamation and irrigation of arid, semiarid and other lands needing irrigation.
- The reclamation of drainage of overflowed lands and other lands needing drainage.
- The conservation and development of forests, water and hydro-electric power.
- The navigation of inland and coastal waters.
- The preservation and conservation of all such natural resources of the state.

The state of Texas appoints the voting majority for the following 16 river/water authorities:

- Angelina and Neches River Authority
- Brazos River Authority
- Guadalupe-Blanco River Authority
- Lavaca-Navidad River Authority
- Lower Colorado River Authority
- Lower Neches Valley River Authority
- Nueces River Authority
- Red River Authority
- Sabine River Authority
- San Antonio River Authority
- San Jacinto River Authority
- Sulphur River Basin Authority
- Trinity River Authority
- Upper Colorado River Authority
- Upper Guadalupe River Authority
- Upper Neches River Municipal Water Authority

## Note 20

### Deficit Fund Balances/Net Position of Individual Nonmajor Funds

#### Proprietary Funds

The **Grand Parkway Transportation Corporation** (GPTC), a blended component unit of the Texas Department of Transportation, reported a deficit of \$3.7 billion. The deficit is primarily due to the removal of service concession arrangements (SCAs) intangible assets of \$3.2 billion from the Business-Type-Activities

statement of net position of TxDOT, when the Governmental Accounting Standards Board (GASB) statement 94 was implemented in fiscal 2023. The largest expense in fiscal 2023 included \$186.4 million of interest. Interest was capitalized as intangible assets prior to substantial completion of the five segments of the System in March 2016. Starting April 2016, interest was reported as expense.

The **Texas Tech Research Park, Inc.** (TTRP) is a discretely presented component unit of the Texas Tech University System. TTRP reported a deficit balance of \$138 thousand for fund 4172. The deficit is a result of accounts payable exceeding cash at the end of fiscal 2023.

## Note 21

### Texas Lawsuits

#### Tobacco Settlement

The state of Texas settled a lawsuit against certain tobacco manufacturers in 1998. The settlement included monetary and injunctive relief. The settling tobacco manufacturers agreed to remit annual payments to the state. Estimates made at the time of the agreement projected that these payments could total \$15.3 billion over the first 25 years of the agreement. The court-ordered annual payment amounts are subject to adjustments based on the tobacco companies' domestic cigarette sales, the agreed inflation adjustment and any other court-ordered factors. A revenue accrual of \$268.7 million is based on the payments received in December 2023. Tobacco settlement revenues were \$530 million in fiscal 2022 and \$490.9 million in fiscal 2023. As of fiscal 2023, cumulative actual tobacco settlement revenues were \$13.1 billion.

During fiscal 2023, the state of Texas and certain tobacco manufacturers filed a lawsuit and countersuit seeking court enforcement of the Texas settlement agreement. The lawsuit concerns the authority for the

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tobacco manufacturers to unilaterally alter a material term in the Base Year Net Operating Profit used to calculate the manufacturer's annual payments during the period 2019 to present. Although the outcome of this case cannot presently be determined, favorable ruling is estimated to result in significant additional income, totaling \$125-150 million.

## Opioid Settlement

During fiscal 2021, the state of Texas and its political subdivisions participated in obtaining final settlement agreements and judgments against multiple companies to resolve legal claims related to the companies' role in the opioid crisis. Texas' allocation, less attorney fees, is estimated to be \$1.6 billion over an 18 year period based on the settlement agreements negotiated through fiscal 2023. Funding is dependent on the number of subdivisions or local governments that join the settlement agreements and the specific payment schedules in a settlement agreement. The funding must be used to support any of a wide variety of strategies to fight the opioid crisis. Separate provisions exist to compensate attorneys who have pursued opioid litigation on behalf of states and local governments. Future opioid litigation may result in additional settlement agreements or judgments, or suspension and reduction of payments, and each agreement or judgment may have unique terms governing payment timing and duration. Opioid settlement revenues received in fiscal 2023 were \$270.2 million, and the cumulative total of opioid settlement revenues as of fiscal 2023 were \$441.5 million. The attorney fees received by the Office of the Attorney General in fiscal 2023 were \$18.6 million, and the cumulative total of attorney fees as of 2023 were \$32.5 million.

The Texas Opioid Abatement Fund Council (council) was created by Senate Bill 1827 of the 87th Legislature, Regular Session to ensure that money recovered through the joint efforts of the state and its political

subdivisions through statewide opioid settlement agreements and judgments are allocated fairly and spent to remediate the opioid crisis using efficient, cost-effective methods. The council is administratively attached to the Texas Comptroller of Public Accounts (Comptroller's office), which provides the staff and facilities as necessary to assist the council in performing its duties, maintain copies of settlement agreements online and submit annual report of expenditures made by the council to the Legislature. The legislation also created the Opioid Abatement Account (account) as a dedicated account in the General Revenue Fund that is administered by the Comptroller's office and the Opioid Abatement Trust Fund (fund) as a trust fund outside of the state treasury that is administered by the Texas Treasury Safekeeping Trust Company. Of the money received by the state under a statewide opioid settlement agreement, or resulting from an action by the state against an opioid manufacturer, distributor or any other person in the opioid industry, 15 percent is deposited into the account and 85 percent is deposited into the fund. Requirements related to the allowable uses and distributions of the account and fund, along with the composition and duties of the council, are defined in Subchapter R, as added by the bill, in Chapter 403 of the *Texas Government Code*.

## Note 22

### Donor-Restricted Endowments

The state of Texas has donor-restricted endowments with net appreciation of \$5.4 billion on investments available for authorization for expenditure by the governing board. Details for the amounts of the net appreciation on investments and how they are reported as of Aug. 31, 2023, are presented in table 22A.

## Donor-Restricted Endowments

Table 22A

August 31, 2023 (Amounts in Thousands)

Donor-Restricted Endowments	Amount of Net Appreciation	Reported in Net Position
True Endowments	\$5,371,457	Expendable
Term Endowments	62,915	Expendable
Total Endowments	<u>\$5,434,372</u>	

True endowments require the principal to be maintained inviolate and in perpetuity. Term endowments allow the principal to be expended after the passage of a stated period of time and all conditions of the endowment are met. Expendable funds are those funds that may be expended for either a stated purpose or for a general purpose as per the endowment gift terms. Non-expendable funds are those required to be retained in perpetuity.

The majority of the state's endowments are the results of donations made to institutions of higher education. The *Uniform Prudent Management of Institutional Funds Act, Texas Property Code*, Chapter 163, provides general guidelines on how endowments should be maintained. An institution may appropriate for expenditures or accumulate as much as the institution determines prudent for the uses, benefits, purposes and duration of the endowment. Each institution sets the amounts and/or percentage of net appreciation on endowment investments that are authorized for expenditure in its spending plan.

Net appreciation on related investment balances for the University of North Texas Foundation and University of North Texas Health Science Center Foundation, discrete component units of the University of North Texas System, have a combined ending net appreciation balance of \$26.8 million. These amounts are not included in table 22A.

## Note 23

### Taxes Receivable and Tax Refunds Payable

Details by tax type for taxes receivable and tax refunds payable, reported on the statement of net position - governmental funds as of Aug. 31, 2023, are presented in tables 23A and 23B.

#### Taxes Receivable by Tax Type

Table 23A

August 31, 2023 (Amounts in Thousands)

Tax Type	Taxes Receivable
Sales and Use Tax	\$ 3,363,104
Motor Vehicle and Manufactured Housing	110,684
Motor Fuels	11,027
Oil and Natural Gas Production	1,220,832
Franchise	496,246
Insurance Occupation	420,195
Cigarette and Tobacco	17,161
Other	319,812
Total Taxes Receivable <sup>1</sup>	<u>\$ 5,959,061</u>
Liquidity Characteristics:	
Current Taxes Receivable	\$ 5,847,839
Noncurrent Taxes Receivable	111,222
Total Taxes Receivable	<u>\$ 5,959,061</u>
<sup>1</sup> Total Taxes Receivable General Fund	
Current Taxes Receivable:	\$ 5,959,061
State Highway Fund	248,981
Nonmajor Governmental Funds	83,211
Noncurrent Taxes Receivable:	
State Highway Fund	41
Nonmajor Governmental Funds	14
Total Taxes Receivable - Statement of Net Position - Governmental Funds	<u>\$ 6,291,308</u>

#### Tax Refunds Payable by Tax Type

Table 23B

August 31, 2023 (Amounts in Thousands)

Tax Type	Tax Refunds Payable
Oil and Natural Gas Production	\$ 374,059
Franchise	785,130
Total Tax Refunds Payable	<u>\$ 1,159,189</u>

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Texas franchise tax receivables represent balances due as of Aug. 31, 2023, for business-type activity that occurred in calendar year 2022. The franchise tax payments were due May 15, 2023 and taxpayers were allowed to extend the filing date to November 2023.

Franchise taxes are considered earned when the business-type activity occurs. Franchise tax applies to certain for-profit entities doing business or chartered in Texas and is based on the total revenue, that is, income reported to the Internal Revenue Service with various deductions, limitations and exceptions. There are no required quarterly estimated payments under this tax. Annual franchise tax reports and tax payments are due May 15 unless it falls on a weekend or holiday, then the next business day. Generally the tax earned during the first eight months of calendar year 2023 is not due until May 2024. As a result, the taxes receivable and related revenue that are earned in this eight month period are not measurable and are not accrued at fiscal year-end.

## Note 24

### Termination Benefits

#### Health Care Related Termination Benefits

Health care continuation under the Consolidated Omnibus Budget Reconciliation Act (COBRA) is available for eligible former employees and their dependents following both voluntary and involuntary terminations; however, coverage is limited to the benefits in place at the time when employment is terminated. COBRA members are allowed to remain in their eligible insurance program for 18 months (29 months if disabled). Health Maintenance Organization (HMO) participants are eligible for an additional six months, for a maximum of 24 months. Covered dependents are eligible to remain in the program until 36 months, even if the former employee does not continue coverage. COBRA plan administrators for the state include the Employees

Retirement System of Texas, the University of Texas System and the Texas A&M University System.

For self-insured and fully-insured plans, the insurance carrier performs the billing and collections process for COBRA participants. If the plan is self-insured, the insurance carrier then forwards the premium to the plan administrators, net of a 2 percent administrative fee, which is intended to cover costs related to the billing and collection functions. The plan administrators are responsible for any claims or administrative costs associated with COBRA participants that exceed these payments. For fiscal 2023, the cost to the state was approximately \$29.4 million for 3,383 COBRA participants.

For the fully-insured health maintenance organization health insurance plans, the insurance carrier retains all premiums and is liable for all claims and expenses. Premium and expense information is not available for these plans.

### Non-Health Care Related Termination Benefits

Generally, state employees are not awarded severance pay. Institutions of higher education and agencies with specific statutory authority may offer voluntary or involuntary termination payments for separation. Agencies may offer career counseling and outplacement services.

## Note 25

### Segment Information

#### Primary Government

A segment is a separately identifiable activity reported as or within enterprise funds for which revenue bonds or other revenue-backed debt instruments are outstanding and for which related expenses, gains, losses, assets and liabilities can be identified. To qualify as a segment, an activity must also be subject to an external requirement to separately account for this rev-



enue stream. Segment disclosure is not required for an activity whose only outstanding debt is conduit debt or if an individual fund is both a segment and reported as a major fund. Therefore, the following programs have met the requirements for disclosure as a segment.

These programs were funded by the issuance of revenue bonds, which require revenues, expenses, gains, losses, assets and liabilities to be separately accounted for:

- The **Single Family Bond Program** was created to originate below-market rate loans for eligible low and moderate-income residents who are purchasing a residence and
- The **Residential Mortgage Revenue Bond Program (RMRB)** was created to purchase single-family loans, while proceeds from the remaining RMRB bond issues are used to purchase pass-through certificates created through the origination of single-family loans.

The condensed statement of net position for each program as of Aug. 31, 2023, is presented in table 25A. The condensed statement of revenues, expenses and changes in net position for each program for the fiscal year ended Aug. 31, 2023, is presented in table 25B. The condensed statement of cash flows for each program for the fiscal year ended Aug. 31, 2023, is presented in table 25C.

## Condensed Statement of Net Position

Table 25A

August 31, 2023 (Amounts in Thousands)

	Single Family Bond Program Funds	Residential Mortgage Revenue Bond Funds
<b>ASSETS</b>		
Current Restricted Assets	\$ 336,807	\$ 80,554
Noncurrent Restricted Assets	<u>1,175,896</u>	<u>881,037</u>
Total Assets	<u>1,512,703</u>	<u>961,591</u>
Deferred Outflows of Resources	<u>171</u>	<u>0</u>
<b>LIABILITIES</b>		
Current Liabilities	39,748	21,106
Noncurrent Liabilities	<u>1,315,596</u>	<u>835,970</u>
Total Liabilities	<u>1,355,344</u>	<u>857,076</u>
<b>NET POSITION</b>		
Restricted	<u>157,530</u>	<u>104,515</u>
Total Net Position	<u>\$ 157,530</u>	<u>\$ 104,515</u>

## Condensed Statement of Revenues, Expenses and Changes in Net Position

Table 25B

For the Fiscal Year Ended August 31, 2023 (Amounts in Thousands)

	Single Family Bond Program Funds	Residential Mortgage Revenue Bond Funds
<b>OPERATING REVENUES (EXPENSES)</b>		
Interest and Investment Income	\$ 47,444	\$ 31,741
Net Decrease in Fair Value	(38,895)	(26,533)
Other Operating Revenues	19,386	26,126
Operating Expenses	<u>(61,776)</u>	<u>(50,835)</u>
Operating Loss	<u>(33,841)</u>	<u>(19,501)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Transfer In (Out)	<u>(112)</u>	<u>(2,466)</u>
Changes in Net Position	<u>(33,953)</u>	<u>(21,967)</u>
Net Position, September 1, 2022	<u>191,483</u>	<u>126,482</u>
Net Position, August 31, 2023	<u>\$ 157,530</u>	<u>\$ 104,515</u>

## Condensed Statement of Cash Flows

Table 25C

For the Fiscal Year Ended August 31, 2023 (Amounts in Thousands)

	Single Family Bond Program Funds	Residential Mortgage Revenue Bond Funds
<b>NET CASH PROVIDED (USED) BY:</b>		
Operating Activities	\$ (16,311)	\$ (13,176)
Non capital Financing Activities	353,350	338,178
Investing Activities	<u>(185,776)</u>	<u>(296,893)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		
	<u>151,263</u>	<u>28,109</u>
Cash and Cash Equivalents, September 1, 2022	<u>172,155</u>	<u>49,179</u>
Cash and Cash Equivalents, August 31, 2023	<u>\$ 323,418</u>	<u>\$ 77,288</u>

## Note 26

### Public-Private and Public-Public Partnerships

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, supersedes GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, thus expanding the reporting requirements for all types of government contracts with operators which provide public services. GASB Statement No. 94 provides a definition for Public-Private and Public-Public Partnerships (PPP), giving uniform guidance for state agencies to report assets and deferred inflow of resources related to PPPs on a consistent basis and provides disclosure requirements. A PPP is an arrangement in which the government (the transferor) contracts with a governmental or non-governmental operator to provide a public service by conveying control of the right to operate or use a nonfinancial asset of the government, such as infrastructure or other capital assets (the underlying PPP asset) for a period of time in an exchange or exchange-like transaction.

GASB Statement No. 94 kept the definition of a service concession arrangement (SCA) intact. It simply expanded the scope of contracts requiring disclosures. An SCA is defined as a PPP which has all of the following characteristics:

- The governmental transferor conveys to the operator the right and related obligation to provide public services through the use and operation of an underlying PPP asset in exchange for significant consideration, such as up-front payments, installment payments, a new facility or improvements to an existing facility.
- The operator collects and is compensated by fees from third parties, excluding custodial relationships.
- The transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services and the prices or rates that can be charged for the services.
- The transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

There are three scenarios under which a contract is recognized as a PPP:

1. An underlying PPP asset is an existing asset of the transferor at the commencement of the PPP term. The operator could make improvements to the asset in order to be considered a PPP.
2. An underlying PPP asset is a new asset purchased or constructed by the operator and the PPP meets the definition of an SCA.
3. An underlying PPP asset is a new asset purchased or constructed by the operator and the PPP does not meet the definition of an SCA.

If the underlying PPP asset is an existing asset, the government (transferor) will continue to recognize the asset. The transferor will also recognize a receivable for installment payments, if any, and a deferred inflow of

resources. If the underlying asset is a new asset purchased or constructed by the operator and the PPP meets the definition of an SCA, the transferor will recognize an asset when it is placed into service, a receivable for any installment payments and a deferred inflow of resources. If the underlying asset is a new asset purchased or constructed by the operator and the PPP does not meet the definition of an SCA, the transferor will recognize a receivable for the underlying PPP asset, a receivable for any installment payments and a deferred inflow of resources. For all PPPs, the receivable for installment payments is determined by the discount rate specified in the contract. If this rate is not explicit or an implicit interest rate determined from the contract, the government may

use their incremental borrowing rate that corresponds to the contract term. The state's incremental borrowing rate is based on the quarterly average of Treasury Constant Maturities as reported by the Federal Reserve. The PPP asset receivable is based on the operator's estimated carrying value of the underlying PPP asset as of the expected date of the transfer in ownership.

As of Aug. 31, 2023, the receivables for installment payments and deferred inflow of resources reported on the statement of net position totaled \$87.1 million and \$11.4 billion respectively. The balance for receivables for PPP assets is \$2.1 billion. A general description of each PPP, including status, term and duration, as of Aug. 31, 2023, is presented in table 26A.

<b>Public-Private and Public-Public Partnerships</b>				
<b>Table 26A</b>				
August 31, 2023				
<b>Arrangement Name</b>	<b>Construction Status</b>	<b>PPP Term</b>	<b>FY PPP Dates</b>	
			<b>Begin</b>	<b>End</b>
<b>GOVERNMENTAL ACTIVITIES</b>				
<b>Texas Department of Transportation</b>				
IH 10 "Katy Managed Lanes"	Complete	42 years	2009	2050 <sup>1</sup>
SH 130 Segments 5 and 6	Complete	51 years	2013	2063
SH 121 "Sam Rayburn Tollway"	Complete	45 years	2012	2056
North Tarrant Exp Seg 1 and 2-West	Complete	47 years	2015	2061
North Tarrant Exp Seg 3A, 3B and 3C	Complete	44 years	2018	2061
LBJ/IH-635 Managed Lanes	Complete	47 years	2016	2062
SH 288 - Brazoria County	Complete	29 years	2021	2049 <sup>1</sup>
SH 288 - Harris County	Complete	48 years	2021	2068 <sup>1</sup>
<b>Texas Parks and Wildlife</b>				
Garner State Park	N/A	15 years	2011	2026

*Concluded on the following page*

<sup>1</sup> Estimated. PPP period extends until Harris County/Brazoria County is fully reimbursed for cost of construction and debt service.

## Public-Private and Public-Public Partnerships (concluded)

Table 26A

August 31, 2023

Arrangement Name	Construction Status	PPP Term	FY PPP Dates	
			Begin	End
<b>BUSINESS-TYPE ACTIVITIES</b>				
<b>Stephen F. Austin State University</b>				
Dining Facility	Under Construction	7 years	2021	2028
<b>Texas Women's University</b>				
Student Housing Facility	Complete	40 years	2018	2058
<b>Texas Tech University System</b>				
TTU Athletics Facilities Concessions and Catering	N/A	19 years	2010	2029
TTU Campus Bookstore and Café	Complete	3 years	2021	2024
Texas Tech Club	Complete	5 years	2022	2027
Angelo State University Campus Bookstore	Existing Asset	15 years	2013	2028
Angelo State University Food Service Agreement	Existing Asset	15 years	2015	2030
<b>University of North Texas System</b>				
UNT Campus Bookstore	Existing Asset	12 years	2013	2025
<b>Texas State University System</b>				
Seahawk Landing Apartments	Complete	30 Years	2016	2046
<b>University of Houston System</b>				
Dining Services	Complete	15 years	2017	2032
College Apartments	Complete	46 years	1989	2035
U of H Bookstore	Complete	5 years	2019	2024
<b>Texas A&amp;M University System</b>				
Higher Education Center (McAllen)	Complete	20 years	2017	2037
Park West Apartments	Complete	32 years	2015	2047
White Creek (Housing)	Complete	32 years	2014	2046
U Center at Northgate	Complete	40 years	2013	2053
Engineering Research Lab	Complete	20 years	2014	2034
Clayton W. Williams Jr. Alumni Center	Complete	50 years	1983	2033
Prairie View Student Housing Phase IX	Complete	32 years	2019	2051
<b>University of Texas System</b>				
UT Arlington Dining Services	Complete	10 years	2021	2031
UT Arlington College Apartments	Complete	35 years	1994	2029
UT Arlington Bookstore	Complete	25 years	1999	2024
UT Austin Arena	Complete	35 years	2022	2057
UT Dallas Dining Services	Complete	16 years	2019	2035
UT Rio Grande Valley Medical Office Building	Complete	21 years	2009	2030
UT Rio Grande Valley School Building (Harlingen CISD)	Complete	35 years	2021	2056
UT Rio Grande Valley Dining Services	Complete	12 years	2011	2023
UT San Antonio Bookstore	Under Construction	15 years	2023	2038
UT San Antonio Dining Services	Complete	15 years	2020	2035

<sup>1</sup> Estimated. PPP period extends until Harris County/Brazoria County is fully reimbursed for cost of construction and debt service.

As of Aug. 31, 2023, Texas Department of Transportation (TxDOT) has entered into eight agreements that meet the definition of a PPP, which are presented in table 26A. In the year in which a PPP project opens to traffic, TxDOT records the capital assets at their acquisition value with a corresponding entry to deferred inflow of resources. The deferred inflow of resources balance is then reduced and revenue is recognized in a systematic

manner over the term of the arrangement, beginning when the infrastructure asset is placed into operation. In some cases, TxDOT is obligated to make contributions of public funds to the PPP project during the construction phase for portions of the design, construction or right-of-way costs. These outlays of TxDOT funds are recorded as additions to construction in progress as they are incurred. TxDOT retains ownership of the projects

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at the end of the PPP term, as well as ongoing operations and maintenance. TxDOT had balances for receivables for PPP assets of \$2 billion, along with deferred inflow of resources of \$10.8 billion, as of Aug. 31, 2023. The nature and extent of the rights retained by TxDOT as the transferor apply to all of the PPP contracts. After the PPP term, the underlying PPP assets will be returned to TxDOT. Rights granted to the operators during the PPP terms are to develop, finance and construct the projects, as well as manage, operate and maintain the underlying PPP assets during the operational phase.

The *Texas Parks and Wildlife Code*, section 13.015(b), authorizes the Texas Parks and Wildlife Department (TPWD) to both operate and enter into a contract to operate concessions in state parks, on causeways and beach drives. The State Park Concession Program was created to meet customer expectations by offering ancillary products and services to help enhance the experience while visiting state parks. As of Aug. 31, 2023, TPWD has entered into one long-term concession agreement that qualifies as a PPP in the operation of Garner State Park resulting in deferred inflow of resources in the amount of \$516 thousand. TPWD retains the rights to determine, modify or approve which services the operator provides, as well as to set prices and rates to be charged for these services. The operator has the rights to provide these services using TPWD land and facilities. TPWD does not own all of the state parks, including their land, buildings and facilities, as such these assets are excluded from GASB Statement No. 94.

Several universities and university systems have entered into contracts that qualify as PPPs. These include University of Texas System (UT System), Texas A&M University System (A&M System), University of Houston System (U of H System), Stephen F. Austin State University (SFA), Texas Tech University System (TTU System), Texas State University System (TSU System), Texas Women's University (TWU) and University of North Texas System (UNT System).

The UT System has entered into ten PPP arrangements including the operation of student housing, operation of sports and recreational arenas and general improvements made to dining facilities across five campuses. The nature and extent of rights retained by UT System as transferor under these PPP arrangements include, but are not limited to, maintaining residual interest of the utility of the assets used and setting prices and hours of operations. Rights granted to the operators may include the ability to make improvements to the space with written permission from UT System. As of Aug. 31, 2023, ownership of some of the underlying PPP assets has not been transferred to UT System; therefore, receivables for PPP assets of \$6 million have been recognized. Receivables for installment payments of \$33.7 million and deferred inflow of resources of \$393.8 million were also recognized. Variable payments were derived from a revenue or profit-sharing arrangement, usage of the underlying PPP asset or changes in an index or rate. The UT System received \$7.9 million in these variable revenues in fiscal 2023.

The A&M System has identified seven qualifying PPP arrangements. These PPP initiatives include student housing, academic or office buildings, hotels and bookstores. As of Aug. 31, 2023, the ownership of some of the underlying PPP assets has not been transferred to A&M System; therefore, receivables for PPP assets were recognized of \$26.1 million. Deferred inflow of resources of \$24.9 million were also recognized. Variable payments were derived from a revenue or profit-sharing arrangement, usage of the underlying asset or changes in an index or rate. The A&M System received \$1.1 million in these variable revenues in fiscal 2023. There is no receivable for installment payments because of the variable revenue structures. As the transferor, the A&M System maintains the residual interest in the newly developed assets or improvements undertaken by the operator within the PPP arrangement. The rights granted to the operator involve the operator's ability

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to utilize the premises as outlined in the contractual agreement. Additionally, the operator may have the authority to initiate the construction of new assets or make improvements to existing assets, subject to explicit permission granted by the A&M System.

U of H System has entered into three PPP agreements. A receivable for installment payments was recognized of \$43.2 million and deferred inflow of resources of \$42.7 million, as well as \$289 thousand in variable payments, as of Aug. 31, 2023. These variable payments are as a result of underlying payments derived from a profit-sharing arrangement, usage of the underlying PPP asset or changes in an index or rate. The nature and extent of rights retained by U of H System include, but are not limited to, maintaining residual interest of the utility of the assets and setting prices and hours of operations. Rights granted to the operators may include the ability to make improvements to the space with written permission from U of H System.

SFA entered in a PPP agreement for the management of the on-campus dining services. The university maintained final approval over prices, operating terms and payment schedules. Part of the contract includes guaranteed commissions, cash donations and investments in infrastructure including contributions to the new dining facility. As of Aug. 31, 2023, SFA has balances for deferred inflow of resources of \$6.4 million and a receivable for installment payments of \$7.4 million. The nature and extent of rights retained by SFA as transferor under these PPP arrangements include, but are not limited to, maintaining residual interest of the utility of the assets used and setting prices and hours of operations. Rights granted to the operators may include the ability to make improvements to the space with written permission from SFA.

TTU System has entered into five PPP contracts for use of existing underlying PPP assets. Improvements were made to the underlying assets of the TTU Campus Bookstore and Cafe and the Texas Tech Club. In addition,

new assets were purchased for the Texas Tech Club resulting in a receivable for PPP assets of \$458 thousand. As of Aug. 31, 2023, TTU system recognized deferred inflow of resources of \$5.4 million and receivables for installment payments of \$2.8 million. \$3.5 million were received for variable and other payments not included in the receivable for installment payments in fiscal 2023. The nature and extent of rights retained by TTU System include, but are not limited to, maintaining residual interest of the utility of the assets and setting prices and hours of operations. Rights granted to the operators may include the ability to make improvements to the space with written permission from TTU System.

TSU System entered into a PPP arrangement for the design, construction and operation of campus apartments. As of Aug. 31, 2023, ownership of the campus apartment building has not been transferred to TSU System; therefore, receivables for PPP assets of \$1.3 million and a corresponding \$1.3 million for deferred inflow of resources have been recognized. Additionally, TSU System entered into a ground lease for the PPP term for the operator to build on some of the university system's land. The nature and extent of rights retained by TSU System under the PPP contract include, but are not limited to, the entitlement of residual interest in the service utility of the PPP asset at the end of the arrangement. Rights granted to the operator include the ability to utilize the underlying PPP asset to provide services to certain tenants, as well as to set and collect rental rates and payments with input from TSU System. The operator is entitled to retain rent generated from the apartments.

Texas Women's University (TWU) entered into a contract for the construction, furnishing and operating of a student housing facility. This includes site development and various amenities and improvements on behalf of TWU. As of Aug. 31, 2023, ownership of the PPP asset has not been transferred to TWU; therefore, receivables for PPP assets of \$59.8 million and a corresponding \$59.8 million for deferred inflow

of resources have been recognized. The operator must return the underlying PPP asset in its original condition at the end of the PPP term. Additionally, TWU entered into a ground lease for the PPP term for the operator to build on some of the university's land. As debt was issued to finance the construction of the housing facility, the operator must make deposits with a trustee to cover the debt service payments. Rental rates are set by the operator and are used to meet the requirements of the debt service schedule. The operator retains income from all rents, charges and other income from the student housing facility and remits the balance to TWU after debt service and expenses are paid. In fiscal 2023, these variable payments were \$1.6 million. The nature and extent of rights retained by TWU under the PPP contract include, but are not limited to, the entitlement of residual interest in the service utility of the PPP asset at the end of the arrangement.

UNT System entered into a contract for the operation of a full-service bookstore on the main campus.

This PPP agreement grants the right to operate in the UNT Student Union. Contract payments are based on a percentage of gross sales with an annual guaranteed minimum sales of \$1.1 million. These sales are considered variable until the completion of the first year of the contract. The UNT System received \$137.5 thousand in these variable revenues in fiscal 2023. At the conclusion of this agreement, UNT System will retain the rights to the UNT Student Union space. As of Aug. 31, 2023, a deferred inflow of resources of \$319 thousand was recognized. The nature and extent of the rights retained by UNT System, as the transferor under the PPP arrangement include, but are not limited to, maintaining residual interest of the utility of the assets used, setting prices and hours of operations and purchasing inventory. Rights granted to the operator may include the ability to make improvements to the space with written permission from the UNT System.

As of Aug. 31, 2023, the PPP-related amounts reported are presented in table 26B.

## Public-Private and Public-Public Partnerships – Amounts Recognized in Financial Statements

**Table 26B**

August 31, 2023 (Amounts in Thousands)

Arrangement Name	Receivables for PPP Assets <sup>1</sup>	Receivables for Installment Payments	Deferred Inflows of Resources <sup>2</sup>	Variable and Other Payments <sup>3</sup>
<b>GOVERNMENTAL ACTIVITIES</b>				
<b>Texas Department of Transportation</b>				
IH 10 "Katy Managed Lanes"	\$ 250,000	\$	\$ 160,714	\$
SH 130 Segments 5 and 6			1,194,149	
SH 121 "Sam Rayburn Tollway"	1,631,340		3,540,859	
North Tarrant Exp Seg 1 and 2-West			1,385,424	
North Tarrant Exp Seg 3A, 3B and 3C			1,854,184	
LBJ/IH-635 Managed Lanes			1,713,439	
SH 288 - Brazoria County	79,427		71,210	
SH 288 - Harris County			911,363	
TxDOT Total	<u>1,960,767</u>	<u>0</u>	<u>10,831,342</u>	<u>0</u>
<b>Texas Parks and Wildlife</b>				
Garner State Park			516	
TPWD Total	<u>0</u>	<u>0</u>	<u>516</u>	<u>0</u>
Governmental Activities Total	<u>1,960,767</u>	<u>0</u>	<u>10,831,858</u>	<u>0</u>

*Concluded on the following page*

<sup>1</sup> Underlying PPP assets are recognized at the carrying value when title is transferred.

<sup>2</sup> The deferred inflow of resources balance that is related to up-front payments received is recorded in the fiscal year it is received.

<sup>3</sup> Payments not included in the measurement of the receivable for installment payments.

## Public-Private and Public-Public Partnerships – Amounts Recognized in Financial Statements (concluded)

Table 26B

August 31, 2023 (Amounts in Thousands)

Arrangement Name	Receivables for PPP Assets <sup>1</sup>	Receivables for Installment Payments	Deferred Inflows of Resources <sup>2</sup>	Variable and Other Payments <sup>3</sup>
<b>BUSINESS-TYPE ACTIVITIES</b>				
<b>Stephen F. Austin State University</b>				
Dining Facility		7,376	6,446	
SFA Total	0	7,376	6,446	0
<b>Texas Women's University</b>				
Student Housing Facility	59,781		59,781	1,591
TWU Total	59,781	0	59,781	1,591
<b>Texas Tech University System</b>				
TTU Athletics Facilities Concessions and Catering				2,253
TTU Campus Bookstore and Café			449	774
Texas Tech Club	458		2,626	466
Angelo State University Campus Bookstore		832	826	
Angelo State University Food Service Agreement		1,943	1,534	
TTU System Total	458	2,775	5,435	3,493
<b>University of North Texas System</b>				
UNT Campus Bookstore			319	138
UNT System Total	0	0	319	138
<b>Texas State University System</b>				
Seahawk Landing Apartments	1,339		1,339	
TSU System Total	1,339	0	1,339	0
<b>University of Houston System</b>				
Dining Services, College Apartment and U of H Bookstore		43,245	42,743	289
U of H System Total	0	43,245	42,743	289
<b>Texas A&amp;M University System</b>				
Higher Education Center (McAllen)	500		465	
Park West Apartments	14,745		14,154	
White Creek (Housing)	4,629		4,428	
U Center at Northgate	1,783		1,726	
Engineering Research Lab	1,638		1,508	
Clayton W. Williams Jr. Alumni Center	1,358		1,267	
Prairie View Student Housing Phase IX	1,439		1,388	
A&M System Total	26,092	0	24,936	1,119
<b>University of Texas System</b>				
UT Arlington, UT Austin, UT Dallas, UT Rio Grande Valley and UT San Antonio	5,959	33,700	393,783	7,895
UT System Total	5,959	33,700	393,783	7,895
Business-Type Activities Total	93,629	87,096	534,782	14,525
Grand Total	\$ 2,054,396	\$ 87,096	\$ 11,366,640	\$ 14,525

<sup>1</sup> Underlying PPP assets are recognized at the carrying value when title is transferred.

<sup>2</sup> The deferred inflow of resources balance that is related to up-front payments received is recorded in the fiscal year it is received.

<sup>3</sup> Payments not included in the measurement of the receivable for installment payments.



# Note 27

## Deferred Outflows of Resources and Deferred Inflows of Resources

In fiscal 2023, the state reported deferred outflows of resources and deferred inflows of resources in connection with its hedging derivative instruments, Public-Private and Public-Public Partnerships (PPPs), bond refunding, pensions, other postemployment benefits other than pensions, government acquisitions, irrevocable split-interest agreements, direct borrowings/place-ments obligations, unclaimed properties, asset retire-ment obligations, lease income and various types of revenues earned but not available at the fiscal year-end.

The balances of deferred outflows of resources and deferred inflows of resources for governmental activities, business-type activities and governmental funds as of Aug. 31, 2023, are presented in table 27A.

## Deferred Outflows of Resources and Deferred Inflows of Resources

Table 27A

August 31, 2023 (Amounts in Thousands)

Fund Type	Deferred Outflows of Resources	Deferred Inflows of Resources
<b>GOVERNMENT-WIDE FINANCIAL STATEMENTS</b>		
<i>Governmental Activities</i>		
Bond/Debt Refunding	\$ 156,823	\$ 30,048
Public-Private and Public-Public Partnerships (PPPs) (Note 26)		10,831,858
Pensions (Note 9) <sup>2</sup>	16,123,706	14,295,897
OPEB (Note 11) <sup>3</sup>	6,589,324	33,372,936
Asset Retirement Obligation	1,093	
Unclaimed Properties		757,584
Lease Income (Note 8)		3,899
Total Governmental Activities	<u>\$ 22,870,946</u>	<u>\$ 59,292,222</u>
<i>Business-Type Activities</i>		
Bond/Debt Refunding	\$ 265,507	\$ 47,307
Public-Private and Public-Public Partnerships (PPPs) (Note 26)		534,782
Derivative Instruments (Note 7) <sup>1</sup>	59,760	291,429
Pensions (Note 9)	3,654,865	1,048,370
OPEB (Note 11) <sup>3</sup>	4,576,917	9,767,732
Split Interest Agreements		66,417
Direct Placements	242	
Government Acquisitions	12,921	
Asset Retirement Obligation	3,635	
Lease Income (Note 8)		483,370
Total Business-Type Activities	<u>\$ 8,573,847</u>	<u>\$ 12,239,407</u>
<b>FUND FINANCIAL STATEMENTS</b>		
<i>Governmental Funds</i>		
Revenue Earned But Not Available	\$	\$ 1,695,614
Public-Private and Public-Public Partnerships (PPPs) (Note 26)		2,481,070
Unclaimed Properties		757,584
Lease Income		3,899
Total Governmental Funds	<u>\$ 0</u>	<u>\$ 4,938,167</u>

<sup>1</sup> The \$59,760 and \$291,429 fair values for cash flow hedges are reported as a hedging derivative instrument liability and a hedging derivative instrument asset, respectively.

<sup>2</sup> The deferred outflows of resources related to governmental activities pension includes \$16.9 million in transactions subsequent to measurement date for the JRS1 plan. For more details, see Note 9 text.

<sup>3</sup> The deferred outflows of resources and deferred inflows of resources related to OPEB includes \$29.3 million and \$761.9 million for governmental activities and \$761.9 million and \$29.1 million for business-type activities, respectively, for the proportionate change between governmental and business-type activities in relation to the A&M and UT plans. For more details, see Note 11 text and table 11S.

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Deferred outflows of resources in business-type activities of \$59.8 million related to hedging derivative instruments in a liability position. The hedging derivative instrument liability of \$59.8 million and the hedging derivative instrument asset of \$291.4 million are disclosed in Note 7.

Deferred outflows of resources in business-type activities of \$12.9 million represent the unamortized balance of the excess consideration over the net position acquired in the acquisition of various university assets.

Deferred inflows of resources in governmental activities of \$10.8 billion were related to eight different Public-Private and Public-Public Partnerships (PPPs) arrangements entered into by the Texas Department of Transportation (TxDOT) with non-state entities. Several universities also reported \$534.8 million deferred inflows of resources related to Public-Private and Public-Public Partnerships (PPPs) in business-type activities. This amount reflects the unamortized balance of upfront PPPs payments received and capital improvements acquired from these entities. Details of the state's PPPs are disclosed in Note 26.

Deferred outflows of resources of \$156.8 million in governmental activities were related to losses TxDOT and Texas Public Finance Authority incurred on bond refunding transactions. TxDOT and several universities also had bond refunding transactions in fiscal 2023 in business-type activities for \$265.5 million in deferred outflows of resources related to losses.

Deferred inflows of resources in governmental activities of \$30.0 million were related to gains TxDOT and the Texas Higher Education Coordinating Board incurred on bond refunding transactions. Several universities and TxDOT also reported \$47.3 million deferred inflows of resources related to bond refunding gains in business-type activities.

Deferred inflows of resources of \$4.9 billion in governmental funds included \$1.7 billion related to various types of revenues earned but not available within 60

days of fiscal year-end, \$2.5 billion related to TxDOT PPPs and lease income, and \$757.6 million related to unclaimed properties.

The state reported \$16.1 billion of deferred outflows of resources and \$14.3 billion of deferred inflows of resources related to pensions in governmental activities. The state also reported \$3.7 billion of deferred outflows of resources and \$1.0 billion of deferred inflows of resources related to pensions in business-type activities. Details of the state's pensions are disclosed in Note 9.

The state reported \$6.6 billion of deferred outflows of resources and \$33.4 billion of deferred inflows of resources related to OPEB in governmental activities. The state also reported \$4.6 billion of deferred outflows of resources and \$9.8 billion of deferred inflows of resources related to OPEB in business-type activities. Details of the state's OPEB are disclosed in Note 11.

The state reported \$242 thousand of deferred outflows of resources related to direct placement obligations and \$66.4 million of deferred inflows of resources related to split-interest agreements in business-type activities.

In fiscal 2023, the state reported \$1.1 million of deferred outflows of resources related to asset retirement obligations in governmental activities and \$3.6 million of deferred outflows of resources related to asset retirement obligations in business-type activities. In accordance with GASB Statement No. 84, *Fiduciary Activities*, the state reported \$757.6 million in governmental activities in deferred inflows of resources related to special revenue unclaimed property fund.

The state reported \$3.9 million of deferred inflows of resources related to lease income in governmental activities. The state also reported \$483 million of deferred inflows of resources related to lease income in business-type activities. Note 8 provides details on the type of lease agreements entered into by the state as a lessor.

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## Note 28

### Nonexchange Financial Guarantees

The state of Texas has two active programs that extend nonexchange financial guarantees to other entities.

Article VII, Section 5 of the *Texas Constitution* and *Texas Education Code*, Title 2, Subtitle I, Chapter 45 provides for the guarantee of school district bonds by the permanent school fund (PSF). The PSF is also authorized for use to guarantee revenue bonds issued for certain open-enrollment charter schools designated by the commissioner of education. In the event of default by a school district or charter school district, funds may be withheld from state money payable to the district or school in an amount necessary for payment of principal and/or interest. Guarantees extend through maturity dates of the bonds. As of Aug. 31, 2023, no school districts or charter school districts have ever defaulted on their guaranteed bond indebtedness and the total principal debt guaranteed by the PSF on bond issues is approximately \$115.7 billion.

The Texas Credit Enhancement Program was established to provide a guarantee fund for issuing tax exempt revenue bonds to provide financing for the acquisition, construction, repair or renovation of Texas charter school facilities within federal program guidelines. A consortium consisting of the Texas Public Finance Authority Charter School Finance Corporation (CSFC), the Texas Charter Schools Association and the Texas Education Agency was awarded a federal grant to create the guarantee fund. The CSFC is a nonprofit corporation in which the directors are appointed by the Texas Public Finance Authority (TPFA) in consultation with the commissioner of education and subject to the approval of the governor pursuant to Section 53.351 of *Texas Education Code*. TPFA provides administrative and staff support for CSFC. Reimbursement periods commence on the date of a guarantee payment and end

12 months following such payment. Borrowers will reimburse CSFC within the guarantee period by making level monthly principal repayments for each guaranty period during the reimbursement period. Guarantees extend through maturity dates of the bonds. As of Aug. 31, 2023, no charter schools have ever defaulted thereafter on their guaranteed bond indebtedness and \$12.2 million of available grant funds have been committed.

## Note 29

### Tax Abatements

The state of Texas provides tax abatements under the following programs: Agricultural or Timber programs, Research and Development Tax Credit Programs, Texas Enterprise Zone Programs, Texas Data Center Sales Tax Exemption Program and Certified Rehabilitation of Certified Historic Structures Program. All abatement amounts are based on estimates.

Information related to these programs for the fiscal year ended 2023, is presented in tables 29A-D.

## Tax Abatement Programs

**Table 29A**

For the Fiscal Year Ended August 31, 2023 (Amounts in Thousands)

Description	Agricultural and Timber Programs			
	Agricultural Machinery and Equipment	Agricultural Products (not covered by blanket exemptions)	Timber Products	Farm/ Timber Use - Motor Vehicle
Purpose of Program:	Provides exemptions or refunds of state sales and use tax paid for anyone producing agricultural or timber products for sale in the regular course of business.			
Tax being abated:	Sales and Use Tax	Sales and Use Tax	Sales and Use Tax	Motor Vehicle Sales and Use Tax
Authority granting abatement:	<i>Texas Tax Code Section 151.316</i>	<i>Texas Tax Code Section 151.316</i>	<i>Texas Tax Code Section 151.3162</i>	<i>Texas Tax Code Section 152.091</i>
Criteria to be eligible:	<ul style="list-style-type: none"> <li>•Valid Texas Agricultural and Timber Exemption Registration Number</li> <li>•Valid Texas Agricultural Sales and Use Tax Exemption Certificate</li> <li>•Purchaser must be a commercial farmer or rancher engaged in producing agricultural products for sale or entities commonly hired to help with commercial production of agricultural products such as field hands, custom harvesters, crop dusters and veterinarians who make farm and ranch calls.</li> <li>•Timber includes seedlings of trees grown for commercial timber and machinery and equipment used in the processing, packing, or marketing of timber products by an original producer if it is from a location operated by the original producer and at least 50 percent of the value of the timber products are from that location.</li> </ul>			
How taxes are reduced/amount of abatement is determined:	Purchase of qualified items are not subject to the state's sales and use tax of 6.25 percent			
Provision for recapture:	N/A	N/A	N/A	N/A
Additional commitment by the state other than to reduce taxes:	No other commitments are made		No other commitments are made	
Amount of Taxes Abated:	<u>\$ 117,100</u>	<u>\$ 414,200</u>	<u>\$ 32,903</u>	<u>\$ 39,735</u>

## Tax Abatement Programs

**Table 29B**

For the Fiscal Year Ended August 31, 2023 (Amounts in Thousands)

Description	Research and Development Tax Credit Program	
	Exemptions	Credits
Purpose of Program:	Provides a sales and use tax exemption or a franchise tax credit; but not both to encourage economic development in Texas, election is not permanent and can be changed.	
Tax being abated:	Sales and Use Tax	Franchise Tax
Authority granting abatement:	<i>Texas Tax Code</i> Section 151.3182 Expires Dec. 31, 2026	<i>Texas Tax Code</i> Section 171.654
Criteria to be eligible:	Must be for purchase, lease, rental, storage or use of depreciable tangible personal property directly used in qualified research expenditures.	
How taxes are reduced/amount of abatement is determined:	Purchase of qualified items are not subject to the state's sales and use tax of 6.25 percent	<ul style="list-style-type: none"> <li>•Generally equal to 5 percent of the difference between the qualified research expenses in the reporting year and 50 percent of the average qualified research expense in the three preceding tax periods.</li> <li>•Unused credits can be carried forward.</li> </ul>
Provision for recapture:	Whenever the Texas Comptroller of Public Accounts or the registrant cancels or otherwise terminates the registration number, the registrant will be required to pay the tax, penalty and interest due from the date of purchase on all ineligible tax-free purchases.	N/A
Additional commitment by the state other than to reduce taxes:	No other commitments are made	No other commitments are made
Amount of Taxes Abated:	<u>\$ 258,800</u>	<u>\$ 384,584</u>

## Tax Abatement Programs

**Table 29C**

For the Fiscal Year Ended August 31, 2023 (Amounts in Thousands)

Description	Texas Enterprise Zone Programs	
	Refunds	Refunds
Purpose of Program:	Allows local communities to partner with the state to encourage job creation and capital investment in economically distressed areas, local communities can nominate a new or expanding business as an enterprise project.	
Tax being abated:	Sales and Use Tax	Hotel Occupancy Tax
Authority granting abatement:	<i>Texas Tax Code</i> Section 151.429	<i>Texas Tax Code</i> Section 151.429
Criteria to be eligible:	<ul style="list-style-type: none"> <li>•Nominated projects that are approved are eligible to apply for state sales and use tax refunds on qualified expenditures.</li> <li>•The nominating community files the application on behalf of the companies receiving the refunds.</li> </ul>	A hotel proposed to be constructed by a municipality or a nonprofit municipally sponsored local government corporation created under the <i>Texas Transportation Corporation Act</i> , Chapter 431, <i>Transportation Code</i> , that is within 1,000 feet of a convention center owned by a municipality having a population of 1,500,000 or more, including shops, parking facilities and any other facilities ancillary to the hotel, <i>Texas Government Code Section 2303.003</i> .
How taxes are reduced/amount of abatement is determined:	<ul style="list-style-type: none"> <li>•Level and amount depend on the capital investment and jobs created at the qualified business site.</li> <li>•Abatements last from one to five years, in addition to a 90-day window prior to the application date.</li> <li>•Employment and capital investment commitments must be incurred and met within this time frame.</li> <li>•Rebates range from: \$25,000 for a project investing \$40,000 in capital and creating 10 jobs to \$3.75 million for a project investing \$250 million in capital and creating 500 or more jobs.</li> </ul>	Qualified hotel projects within approved enterprise zones can receive refunds of state sales and use taxes paid or collected and all hotel occupancy taxes collected by the hotel during the first ten years after the project is open for initial occupancy.
Provision for recapture:	<ul style="list-style-type: none"> <li>•Rebate is conditioned on project maintaining at least the same level of employment of qualified employees as existed at the time it qualified for the refund for a period of three years from that date.</li> <li>•If the Texas Comptroller of Public Accounts (Comptroller's office) certifies that the level of employment has not been maintained, the Comptroller's office shall assess that portion of the refund made attributable to any such decrease in employment, including penalty and interest from the date of the refund.</li> </ul>	N/A
Additional commitment by the state other than to reduce taxes:	No other commitments are made	No other commitments are made
Amount of Taxes Abated:	<u>\$ 12,361</u>	<u>\$ 15,509</u>

## Tax Abatement Programs

**Table 29D**

For the Fiscal Year Ended August 31, 2023 (Amounts in Thousands)

Description	Other Programs	
	Texas Data Center Program Exemption	Certified Rehabilitation of Certified Historic Structures Credit
Purpose of Program:	Provides a sales and use tax exemption on certain goods and services necessary and essential to the operation of single-operator data centers.	Earns a franchise tax credit for expenses incurred for the rehabilitation of a certified historic structure in which the entity has an ownership interest.
Tax being abated:	Sales and Use Tax	Franchise Tax
Authority granting abatement:	<i>Texas Tax Code</i> Sections 151.359 and 151.3595	<i>Texas Tax Code</i> Section 171.904-171.909
Criteria to be eligible:	<ul style="list-style-type: none"> <li>•Data center must be single-occupant</li> <li>•Obtain exemption through application</li> <li>•Required to create at least 20 qualifying jobs</li> <li>•Make capital investment of at least \$200 million over a five year period beginning on the date the data center is certified by the Comptroller's office as a qualifying data center.</li> </ul>	<ul style="list-style-type: none"> <li>•Acquire certificate of eligibility from the Texas Historical Commission.</li> <li>•Rehabilitation/certified costs exceed \$5,000 in the year the structure is placed in service.</li> </ul>
How taxes are reduced/amount of abatement is determined:	Qualified items are not subject to the state's sales and use tax of 6.25 percent at the time of purchase or as a refund.	<ul style="list-style-type: none"> <li>•Amount is limited to 25 percent of the total eligible cost and expenses incurred.</li> <li>•May not exceed the amount of franchise tax due.</li> <li>•May carry credit forward no more than five years.</li> <li>•An entity that has established eligibility may assign or sell credits to another entity.</li> </ul>
Provision for recapture:	Each entity or person that has their registration number revoked is liable for the state sales and use tax, including penalty and interest from the date of purchase on all tax-free purchases made under the qualified data center exemption.	N/A
Additional commitment by the state other than to reduce taxes:	No other commitments are made	No other commitments are made
Amount of Taxes Abated:	<u>\$ 290,971</u>	<u>\$ 22,873</u>





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SECTION TWO (CONTINUED)

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REQUIRED SUPPLEMENTARY  
INFORMATION OTHER  
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## STATE OF TEXAS

## Budgetary Comparison Schedule: General Fund

For the Fiscal Year Ended August 31, 2023 (Amounts in Thousands)

	Budgetary Amounts		Actual Amounts	Final to Actual Variance
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 67,570,434	\$ 67,570,434	\$ 71,030,409	\$ 3,459,975
Federal	68,734,969	91,689,448	74,070,967	(17,618,481)
Licenses, Fees and Permits	2,787,190	2,892,990	3,417,437	524,447
Sales of Goods and Services	5,425,096	5,830,332	5,250,000	(580,332)
Interest and Other Investment Income	262,406	266,316	2,005,469	1,739,153
Land Income	9,328	10,017	14,646	4,629
Settlement of Claims	572,238	572,704	602,846	30,142
Other Revenues	8,065,629	8,218,856	10,441,470	2,222,614
Total Revenues	<u>153,427,290</u>	<u>177,051,097</u>	<u>166,833,244</u>	<u>(10,217,853)</u>
<b>EXPENDITURES</b>				
General Government	8,298,146	13,540,389	5,599,641	7,940,748
Education	30,181,922	32,520,648	35,937,288	(3,416,640)
Employee Benefits	3,736,450	1,418,283	19,318	1,398,965
Teacher Retirement State Contributions	3,155,003	3,155,003	3,047,455	107,548
Health and Human Services	53,274,186	75,560,644	83,509,465	(7,948,821)
Public Safety and Corrections	5,907,804	8,445,784	8,560,495	(114,711)
Transportation	216,918	394,861	280,008	114,853
Natural Resources and Recreation	2,996,771	3,655,292	3,987,211	(331,919)
Regulatory Services	348,014	477,904	445,237	32,667
Total Expenditures	<u>108,115,214</u>	<u>139,168,808</u>	<u>141,386,118</u>	<u>(2,217,310)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>45,312,076</u>	<u>37,882,289</u>	<u>25,447,126</u>	<u>(12,435,163)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Available Beginning Balances	66,223,262	54,017,120	48,504,037	(5,513,083)
Sale of Capital Assets	11,236	12,054	12,664	610
Insurance Recoveries	16,000	16,065	6,598	(9,467)
Transfer In	2,629,830	2,233,999	5,398,251	3,164,252
Transfer Out	(9,386,282)	(10,130,547)	(12,480,613)	(2,350,066)
Total Other Financing Sources (Uses)	<u>59,494,046</u>	<u>46,148,691</u>	<u>41,440,937</u>	<u>(4,707,754)</u>
Excess of Revenues and Other Financing, Sources Over Expenditures and Other Financing Uses	<u>\$104,806,122</u>	<u>\$ 84,030,980</u>	<u>\$ 66,888,063</u>	<u>\$ (17,142,917)</u>

STATE OF TEXAS

## Budgetary Comparison Schedule: Major Special Revenue Fund – State Highway Fund

For the Fiscal Year Ended August 31, 2023 (Amounts in Thousands)

	Budgetary Amounts		Actual Amounts	Final to Actual Variance
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 5,707,988	\$ 5,707,988	\$ 5,988,500	\$ 280,512
Federal	5,229,894	5,229,894	4,057,655	(1,172,239)
Licenses, Fees and Permits	1,859,136	1,859,149	1,971,463	112,314
Sales of Goods and Services	25,408	29,908	(11,296)	(41,204)
Interest and Other Investment Income	18,218	18,218	393,041	374,823
Land Income	20,226	20,226	29,616	9,390
Settlement of Claims	28,641	28,641	49,020	20,379
Other Revenues	296	296	41,592	41,296
Total Revenues	<u>12,889,807</u>	<u>12,894,320</u>	<u>12,519,591</u>	<u>(374,729)</u>
<b>EXPENDITURES</b>				
General Government	17,000	17,120	17,551	(431)
Employee Benefits	164,462	52,020		52,020
Transportation	13,802,084	16,623,128	13,844,570	2,778,558
Total Expenditures	<u>13,983,546</u>	<u>16,692,268</u>	<u>13,862,121</u>	<u>2,830,147</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>(1,093,739)</u>	<u>(3,797,948)</u>	<u>(1,342,530)</u>	<u>2,455,418</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Available Beginning Balances	5,602,500	4,465,880	11,051,573	6,585,693
Sale of Capital Assets	9,562	9,562	15,463	5,901
Transfer In	3,583,881	3,583,881	3,436,540	(147,341)
Transfer Out			(681,386)	(681,386)
Total Other Financing Sources (Uses)	<u>9,195,943</u>	<u>8,059,323</u>	<u>13,822,190</u>	<u>5,762,867</u>
Excess of Revenues and Other Financing, Sources Over Expenditures and Other Financing Uses				
	<u>\$ 8,102,204</u>	<u>\$ 4,261,375</u>	<u>\$ 12,479,660</u>	<u>\$ 8,218,285</u>

## Note to Budgetary Comparison Schedule

The budgetary comparison schedule presents comparisons of the legally adopted budget with actual data on a budgetary basis. Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles (GAAP), a reconciliation of these differences is presented in table RSI-1.

activity for these programs is excluded from the budgetary comparison schedule.

**Entity Differences:** Budgets are not established for sources from RTU leases/subsidiary assets. These financing sources are not included in the budgetary comparison schedule.

The beginning cash balances are included as other financing sources in the budgetary comparison schedule. The beginning fund balances are not included as financing sources on the GAAP financial statements.

Reconciliation of Budgetary Basis to GAAP Basis		
Table RSI-1		
August 31, 2023 (Amounts in Thousands)		
	General Fund	State Highway Fund
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses – Actual	\$ 66,888,063	\$ 12,479,660
Basis of Accounting Differences:		
Receivables and Unearned Revenues	(709,142)	145,887
Payables	1,863,613	(304,715)
Perspective Differences:		
Beginning Cash Balances Reported as Other Financing Sources	(48,504,037)	(11,051,573)
Revenues and Other Financing Sources Not Budgeted	902,319	49,379
Expenditures and Other Financing Uses Not Budgeted	(491,013)	(114,380)
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses – GAAP Basis	<u>\$ 19,949,803</u>	<u>\$ 1,204,258</u>

## Excess of Actual Expenditures over Final Budget

**General fund** - The \$3.4 billion variance in education is primarily attributable to new federal pandemic funding to reimburse expenses in fiscal year 2022. The \$7.9 billion variance in health and human services was the result of increased expenditures made from the excess of federal revenues received over estimates by agencies in this particular function. The \$114.7 million difference in public safety and

The major reconciling items between the budgetary comparison schedule actual and the GAAP financial statements are:

**Basis of Accounting Differences:** Revenues and expenditures are reported on the cash basis of accounting in the budgetary comparison schedule but are reported on the modified accrual basis on the GAAP financial statements. Therefore, unearned revenues, receivables and payables are included as reconciling items.

**Perspective Differences:** Certain revenues and expenditures, including debt service and the disproportionate share portion of the Federal Medical Assistance program are not budgeted by the Texas Legislature. The

corrections and the \$331.9 million difference in natural resources and recreation are largely due to prior year appropriations being expended in the current fiscal year.

**Major Special Revenue Fund – State Highway Fund** - The \$431 thousand variance in general government was the result of prior year appropriation balances spent in this fiscal year.

## Basis of Budgeting

The state's budget is prepared on a cash basis. The *Texas Constitution* limits appropriations from the state treasury to two years. The Legislative Budget Board (LBB) is required by statute to adopt an estimated rate of growth for the next biennium and calculate a limit

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on the amount of state tax revenue, not dedicated by the *Texas Constitution* that is available for spending in the next biennium. If the Texas Legislature, by adoption of a resolution approved by a record vote of a majority of the members of each house, finds that an emergency exists and identifies the nature of the emergency, the Texas Legislature may provide appropriations in excess of the adopted limit. The Governor's Budget Office and LBB initiate the process by submitting budget requests to the Texas Legislature. At final passage of the *General Appropriations Act* by the Texas Legislature, it is sent to the Texas Comptroller of Public Accounts (Comptroller) for certification. If the Comptroller certifies that appropriated amounts are within the amounts estimated to be available in the affected funds, the bill is sent to the governor. If not certified, the Texas Legislature may pass the bill with a four-fifths majority vote. The governor has the option of vetoing the total bill or specific items of appropriations, but does not have the authority to reduce an item of appropriation. Upon approval by the governor, the bill becomes law and is the budget authority for state agencies to spend state funds. The Comptroller is responsible for controlling, accounting and reporting expenditures in accordance with the expenditure budgets.

### Legal Level of Budgetary Control

The *Texas Constitution* requires the Comptroller to submit a *Biennial Revenue Estimate* to the Texas Legislature prior to each regular session. This document contains an itemized estimate of beginning cash balances, anticipated revenues based on laws then in effect

and estimated expenditures from prior appropriations. The *Texas Constitution* also requires the Comptroller to submit supplementary revenue estimates at any special session of the Texas Legislature and at other necessary times to show probable changes.

The level of legal control for the budget is established at the strategy (line item) level by agency. For example, Highway Patrol and Vehicle Inspection Program are two of the strategies for the Texas Department of Public Safety. The legal level of budgetary control is defined as the level at which the governing body must approve any over-expenditure of appropriations or transfers of appropriated amounts. Agencies are authorized limited transfer authority between strategies, not to exceed 20 percent, by the *General Appropriations Act*. Transfers and expenditures are monitored against the original budget by the Comptroller's office to ensure the agency's authorized budget is not exceeded.

The level of legal control for all agencies is documented in the *Appropriation Summary Report*, which is available by request from the Comptroller's office. This separate document includes budget and actual data by appropriation line item for each state agency. State agencies cannot exceed approved appropriations. In certain emergency situations, the governor may authorize additional appropriations from deficiency and emergency appropriation reserves. Unexpended appropriations generally lapse 60 days after the fiscal year unless they are encumbered during the 60-day lapse period. Other appropriations referred to as reappropriated unexpended balances represent the continuation of a prior year's balances for completion of a program.

## Schedules of Changes in Net Pension Liability and Related Ratios

For each of the fiscal years presented, the measurement date for the information on the schedules of changes in net pension liability and related ratios was the prior fiscal year-end.

The schedules of changes in net pension liability and related ratios for the state's Employees Retirement System of Texas Plan (ERS Plan), Law Enforcement and Custodial Officer Supplemental Retirement Plan (LECOS Plan) and Judicial Retirement System of Texas Plan Two (JRS2 Plan) are presented in tables RSI-2, RSI-3 and RSI-4, respectively.

### Schedule of Changes in Net Pension Liability and Related Ratios<sup>3</sup>

Table RSI-2: Employees Retirement System of Texas Plan

For the Fiscal Year Ended August 31, 2023 (Amounts in Thousands)

	2023	2022	2021	2020	2019
<b>Total Pension Liability</b>					
Service Cost	\$ 985,244	\$ 2,146,247	\$ 1,827,864	\$ 1,346,986	\$ 1,445,557
Interest on the Total Pension Liability	3,027,806	2,376,688	2,516,723	2,694,084	2,559,723
Benefit Changes					
Difference between Expected and Actual Experience of the Total Pension Liability	509,628	(747,551)	510,657	(578,195)	91,881
Assumption Changes <sup>1</sup>		(22,817,318)	6,366,987	8,469,458	(1,982,914)
Benefit Payments and Refunds	(2,843,879)	(2,711,256)	(2,621,737)	(2,540,262)	(2,406,362)
<b>Net Change in Total Pension Liability</b>	<u>1,678,799</u>	<u>(21,753,190)</u>	<u>8,600,494</u>	<u>9,392,071</u>	<u>(292,115)</u>
<b>Total Pension Liability – Beginning</b>	<u>44,183,687</u>	<u>65,936,877</u>	<u>57,336,383</u>	<u>47,944,312</u>	<u>48,236,427</u>
<b>Total Pension Liability – Ending</b>	<u>\$ 45,862,486</u>	<u>\$ 44,183,687</u>	<u>\$ 65,936,877</u>	<u>\$ 57,336,383</u>	<u>\$ 47,944,312</u>
<b>Plan Fiduciary Net Position</b>					
Contributions – Employer	\$ 1,259,883	\$ 739,573	\$ 735,856	\$ 712,648	\$ 697,189
Contributions – Member	721,520	718,357	713,985	694,789	683,933
Pension Plan Net Investment Income	(728,036)	6,937,215	1,791,061	758,467	2,430,297
Benefit Payments and Refunds	(2,843,879)	(2,711,256)	(2,621,737)	(2,540,262)	(2,406,362)
Pension Plan Administrative Expense	(31,640)	(21,852)	(24,182)	(27,752)	(23,550)
<b>Net Change in Plan Fiduciary Net Position</b>	<u>(1,622,152)</u>	<u>5,662,037</u>	<u>594,983</u>	<u>(402,110)</u>	<u>1,381,507</u>
<b>Plan Fiduciary Net Position – Beginning</b>	<u>33,608,244</u>	<u>27,946,207</u>	<u>27,351,224</u>	<u>27,753,334</u>	<u>26,371,827</u>
<b>Plan Fiduciary Net Position – Ending</b>	<u>\$ 31,986,092</u>	<u>\$ 33,608,244</u>	<u>\$ 27,946,207</u>	<u>\$ 27,351,224</u>	<u>\$ 27,753,334</u>
<b>Net Pension Liability – Beginning</b>	<u>\$ 10,575,443</u>	<u>\$ 37,990,670</u>	<u>\$ 29,985,159</u>	<u>\$ 20,190,978</u>	<u>\$ 21,864,600</u>
<b>Net Pension Liability – Ending</b>	<u>\$ 13,876,394</u>	<u>\$ 10,575,443</u>	<u>\$ 37,990,670</u>	<u>\$ 29,985,159</u>	<u>\$ 20,190,978</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	69.74%	76.06%	42.38%	47.70%	57.89%
Covered Payroll <sup>2</sup>	\$ 7,205,608	\$ 7,188,368	\$ 7,158,435	\$ 6,947,625	\$ 6,811,926
Net Pension Liability as a Percentage of Covered Payroll	192.58%	147.12%	530.71%	431.59%	296.41%

#### Notes to Schedule:

<sup>1</sup> The change in the total pension liability is due to the change in the single discount rate and included as an assumption change. Assumption changes for fiscal 2017 include the impact of new assumption changes adopted by the Board effective Aug. 31, 2017. Assumption changes for fiscal 2020 include the impact of new assumption changes adopted by the Board effective Aug. 31, 2020. Assumption changes for fiscal 2022 include changes due to moving from a fixed contribution rate structure to an actuarially determined structure.

<sup>2</sup> The covered payroll is the payroll on which contributions to pension plan are based for the measurement period.

<sup>3</sup> This schedule is intended to present 10 years of information. Currently only nine years of information are available. Information for future years will be added when it becomes available.

Concluded on the Following Page

## Schedule of Changes in Net Pension Liability and Related Ratios<sup>3</sup> (concluded)

Table RSI-2: Employees Retirement System of Texas Plan

For the Fiscal Year Ended August 31, 2023 (Amounts in Thousands)

	2018	2017	2016	2015
<b>Total Pension Liability</b>				
Service Cost	\$ 1,457,263	\$ 1,146,791	\$ 1,231,203	\$ 1,139,451
Interest on the Total Pension Liability	2,510,128	2,522,625	2,373,850	2,324,180
Benefit Changes			(87,835)	
Difference between Expected and Actual Experience of the Total Pension Liability	115,632	133,557	(284,751)	(252,967)
Assumption Changes <sup>1</sup>	2,219,672	5,301,965	(3,429,167)	1,199,067
Benefit Payments and Refunds	(2,288,825)	(2,147,307)	(2,049,291)	(1,963,481)
<b>Net Change in Total Pension Liability</b>	<b>4,013,870</b>	<b>6,957,631</b>	<b>(2,245,991)</b>	<b>2,446,250</b>
<b>Total Pension Liability – Beginning</b>	<b>44,222,557</b>	<b>37,264,926</b>	<b>39,510,917</b>	<b>37,064,667</b>
<b>Total Pension Liability – Ending</b>	<b>\$ 48,236,427</b>	<b>\$ 44,222,557</b>	<b>\$ 37,264,926</b>	<b>\$ 39,510,917</b>
<b>Plan Fiduciary Net Position</b>				
Contributions – Employer	\$ 700,078	\$ 686,763	\$ 500,395	\$ 482,239
Contributions – Member	685,461	674,678	462,160	430,595
Pension Plan Net Investment Income	2,832,628	1,273,413	56,941	3,252,417
Benefit Payments and Refunds	(2,288,825)	(2,147,307)	(2,049,291)	(1,963,481)
Pension Plan Administrative Expense	(23,095)	(20,449)	(21,840)	(20,195)
<b>Net Change in Plan Fiduciary Net Position</b>	<b>1,906,247</b>	<b>467,098</b>	<b>(1,051,635)</b>	<b>2,181,575</b>
<b>Plan Fiduciary Net Position – Beginning</b>	<b>24,465,580</b>	<b>23,998,482</b>	<b>25,050,117</b>	<b>22,868,542</b>
<b>Plan Fiduciary Net Position – Ending</b>	<b>\$ 26,371,827</b>	<b>\$ 24,465,580</b>	<b>\$ 23,998,482</b>	<b>\$ 25,050,117</b>
<b>Net Pension Liability – Beginning</b>	<b>\$ 19,756,977</b>	<b>\$ 13,266,444</b>	<b>\$ 14,460,800</b>	<b>\$ 14,196,125</b>
<b>Net Pension Liability – Ending</b>	<b>\$ 21,864,600</b>	<b>\$ 19,756,977</b>	<b>\$ 13,266,444</b>	<b>\$ 14,460,800</b>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	54.67%	55.32%	64.40%	63.40%
Covered Payroll <sup>2</sup>	\$ 6,859,707	\$ 6,742,143	\$ 6,150,195	\$ 5,955,461
Net Pension Liability as a Percentage of Covered Payroll	318.74%	293.04%	215.71%	242.82%

### Notes to Schedule:

<sup>1</sup> The change in the total pension liability is due to the change in the single discount rate and included as an assumption change.

Assumption changes for fiscal 2017 include the impact of new assumption changes adopted by the Board effective Aug. 31, 2017.

Assumption changes for fiscal 2020 include the impact of new assumption changes adopted by the Board effective Aug. 31, 2020.

Assumption changes for fiscal 2022 include changes due to moving from a fixed contribution rate structure to an actuarially determined structure.

<sup>2</sup> The covered payroll is the payroll on which contributions to pension plan are based for the measurement period.

<sup>3</sup> This schedule is intended to present 10 years of information. Currently only nine years of information are available.

Information for future years will be added when it becomes available.

## Schedule of Changes in Net Pension Liability and Related Ratios<sup>3</sup>

**Table RSI-3: Law Enforcement and Custodial Officer Supplemental Retirement Plan**

For the Fiscal Year Ended August 31, 2023 (Amounts in Thousands)

	2023	2022	2021	2020	2019
<b>Total Pension Liability</b>					
Service Cost	\$ 93,712	\$ 91,246	\$ 96,690	\$ 71,926	\$ 79,309
Interest on the Total Pension Liability	80,910	82,146	86,012	96,086	91,171
Difference between Expected and Actual Experience of the Total Pension Liability	65,927	(27,962)	(1,841)	(54,148)	(21,651)
Assumption Changes <sup>1</sup>	(739,123)	82,179	158,946	427,818	(87,015)
Benefit Payments and Refunds	(97,196)	(91,669)	(86,706)	(82,250)	(75,633)
<b>Net Change in Total Pension Liability</b>	<u>(595,770)</u>	<u>135,940</u>	<u>253,101</u>	<u>459,432</u>	<u>(13,819)</u>
<b>Total Pension Liability – Beginning</b>	<u>2,998,396</u>	<u>2,862,456</u>	<u>2,609,355</u>	<u>2,149,923</u>	<u>2,163,742</u>
<b>Total Pension Liability – Ending</b>	<u>\$ 2,402,626</u>	<u>\$ 2,998,396</u>	<u>\$ 2,862,456</u>	<u>\$ 2,609,355</u>	<u>\$ 2,149,923</u>
<b>Plan Fiduciary Net Position</b>					
Contributions – Employer	\$ 21,428	\$ 20,294	\$ 22,293	\$ 25,864	\$ 26,110
Contributions – Member	8,729	9,078	8,950	9,098	9,275
Pension Plan Net Investment Income	(5,026)	232,795	61,098	26,250	84,937
Benefit Payments and Refunds	(97,196)	(91,669)	(86,706)	(82,250)	(75,633)
Pension Plan Administrative Expense	(1,680)	(1,781)	(1,933)	(2,167)	(1,851)
<b>Net Change in Plan Fiduciary Net Position</b>	<u>(73,745)</u>	<u>168,717</u>	<u>3,702</u>	<u>(23,205)</u>	<u>42,838</u>
<b>Plan Fiduciary Net Position – Beginning</b>	<u>1,116,041</u>	<u>947,324</u>	<u>943,622</u>	<u>966,827</u>	<u>923,989</u>
<b>Plan Fiduciary Net Position – Ending</b>	<u>\$ 1,042,296</u>	<u>\$ 1,116,041</u>	<u>\$ 947,324</u>	<u>\$ 943,622</u>	<u>\$ 966,827</u>
<b>Net Pension Liability – Beginning</b>	<u>\$ 1,882,355</u>	<u>\$ 1,915,132</u>	<u>\$ 1,665,733</u>	<u>\$ 1,183,096</u>	<u>\$ 1,239,753</u>
<b>Net Pension Liability – Ending</b>	<u>\$ 1,360,330</u>	<u>\$ 1,882,355</u>	<u>\$ 1,915,132</u>	<u>\$ 1,665,733</u>	<u>\$ 1,183,096</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	43.38%	37.22%	33.09%	36.16%	44.97%
Covered Payroll <sup>2</sup>	\$ 1,581,950	\$ 1,586,537	\$ 1,662,147	\$ 1,682,633	\$ 1,689,590
Net Pension Liability as a Percentage of Covered Payroll	85.99%	118.65%	115.22%	99.00%	70.02%

### Notes to Schedule:

<sup>1</sup> The change in the total pension liability is due to the change in the single discount rate and included as an assumption change. Assumption changes for fiscal 2017 include the impact of new assumption changes adopted by the Board effective Aug. 31, 2017. Assumption changes for fiscal 2020 include the impact of new assumption changes adopted by the Board effective Aug. 31, 2020.

<sup>2</sup> The covered payroll is the payroll on which contributions to pension plan are based for the measurement period.

<sup>3</sup> This schedule is intended to present 10 years of information. Currently only nine years of information are available. Information for future years will be added when it becomes available.

*Concluded on the Following Page*



## Schedule of Changes in Net Pension Liability and Related Ratios<sup>3</sup> (concluded)

**Table RSI-3: Law Enforcement and Custodial Officer Supplemental Retirement Plan**  
For the Fiscal Year Ended August 31, 2023 (Amounts in Thousands)

	2018	2017	2016	2015
<b>Total Pension Liability</b>				
Service Cost	\$ 99,390	\$ 71,429	\$ 57,459	\$ 54,528
Interest on the Total Pension Liability	82,236	88,410	87,222	88,025
Difference between Expected and Actual Experience of the Total Pension Liability	(17,532)	(21,657)	(9,640)	(76,585)
Assumption Changes <sup>1</sup>	(144,398)	375,371	148,114	68,228
Benefit Payments and Refunds	(69,756)	(64,540)	(61,344)	(57,147)
<b>Net Change in Total Pension Liability</b>	<u>(50,060)</u>	<u>449,013</u>	<u>221,811</u>	<u>77,049</u>
<b>Total Pension Liability – Beginning</b>	<u>2,213,802</u>	<u>1,764,789</u>	<u>1,542,978</u>	<u>1,465,929</u>
<b>Total Pension Liability – Ending</b>	<u>\$ 2,163,742</u>	<u>\$ 2,213,802</u>	<u>\$ 1,764,789</u>	<u>\$ 1,542,978</u>
<b>Plan Fiduciary Net Position</b>				
Contributions – Employer	\$ 26,583	\$ 27,497	\$ 26,728	\$ 27,758
Contributions – Member	9,583	9,539	8,376	8,180
Pension Plan Net Investment Income	99,341	44,831	1,918	111,741
Benefit Payments and Refunds	(69,756)	(64,540)	(61,344)	(57,147)
Pension Plan Administrative Expense	(1,811)	(1,421)	(1,412)	(1,324)
<b>Net Change in Plan Fiduciary Net Position</b>	<u>63,940</u>	<u>15,906</u>	<u>(25,734)</u>	<u>89,208</u>
<b>Plan Fiduciary Net Position – Beginning</b>	<u>860,049</u>	<u>844,143</u>	<u>869,877</u>	<u>780,669</u>
<b>Plan Fiduciary Net Position – Ending</b>	<u>\$ 923,989</u>	<u>\$ 860,049</u>	<u>\$ 844,143</u>	<u>\$ 869,877</u>
<b>Net Pension Liability – Beginning</b>	<u>\$ 1,353,753</u>	<u>\$ 920,646</u>	<u>\$ 673,101</u>	<u>\$ 685,260</u>
<b>Net Pension Liability – Ending</b>	<u>\$ 1,239,753</u>	<u>\$ 1,353,753</u>	<u>\$ 920,646</u>	<u>\$ 673,101</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	42.70%	38.85%	47.83%	56.38%
Covered Payroll <sup>2</sup>	\$ 1,746,349	\$ 1,725,880	\$ 1,506,028	\$ 1,496,013
Net Pension Liability as a Percentage of Covered Payroll	70.99%	78.44%	61.13%	44.99%

### Notes to Schedule:

<sup>1</sup> The change in the total pension liability is due to the change in the single discount rate and included as an assumption change. Assumption changes for fiscal 2017 include the impact of new assumption changes adopted by the Board effective Aug. 31, 2017. Assumption changes for fiscal 2020 include the impact of new assumption changes adopted by the Board effective Aug. 31, 2020.

<sup>2</sup> The covered payroll is the payroll on which contributions to pension plan are based for the measurement period.

<sup>3</sup> This schedule is intended to present 10 years of information. Currently only nine years of information are available. Information for future years will be added when it becomes available.

## Schedule of Changes in Net Pension Liability and Related Ratios<sup>3</sup>

**Table RSI-4: Judicial Retirement System of Texas Plan Two**

For the Fiscal Year Ended August 31, 2023 (Amounts in Thousands)

	2023	2022	2021	2020	2019
<b>Total Pension Liability</b>					
Service Cost	\$ 31,450	\$ 37,434	\$ 28,965	\$ 16,415	\$ 16,056
Interest on the Total Pension Liability	38,248	32,800	35,247	36,104	34,440
Benefit Changes				(1,019)	
Difference between Expected and Actual Experience of the Total Pension Liability	(4,769)	(1,793)	(12,695)	26,592	(1,463)
Assumption Changes <sup>1</sup>	(36,200)	(86,361)	113,895	111,656	
Benefit Payments and Refunds	(37,108)	(35,142)	(32,041)	(29,220)	(24,866)
<b>Net Change in Total Pension Liability</b>	<u>(8,379)</u>	<u>(53,062)</u>	<u>133,371</u>	<u>160,528</u>	<u>24,167</u>
<b>Total Pension Liability – Beginning</b>	<u>728,608</u>	<u>781,670</u>	<u>648,299</u>	<u>487,771</u>	<u>463,604</u>
<b>Total Pension Liability – Ending</b>	<u>\$ 720,229</u>	<u>\$ 728,608</u>	<u>\$ 781,670</u>	<u>\$ 648,299</u>	<u>\$ 487,771</u>
<b>Plan Fiduciary Net Position</b>					
Contributions – Employer	\$ 14,385	\$ 14,322	\$ 14,186	\$ 13,100	\$ 12,560
Contributions – Member	8,576	8,759	8,634	6,463	5,940
Pension Plan Net Investment Income	(4,269)	120,145	30,632	12,832	39,192
Benefit Payments and Refunds	(37,108)	(35,142)	(32,041)	(29,220)	(24,866)
Pension Plan Administrative Expense	(322)	(235)	(273)	(363)	(296)
<b>Net Change in Plan Fiduciary Net Position</b>	<u>(18,738)</u>	<u>107,849</u>	<u>21,138</u>	<u>2,812</u>	<u>32,530</u>
<b>Plan Fiduciary Net Position – Beginning</b>	<u>585,180</u>	<u>477,331</u>	<u>456,193</u>	<u>453,381</u>	<u>420,851</u>
<b>Plan Fiduciary Net Position – Ending</b>	<u>\$ 566,442</u>	<u>\$ 585,180</u>	<u>\$ 477,331</u>	<u>\$ 456,193</u>	<u>\$ 453,381</u>
<b>Net Pension Liability – Beginning</b>	<u>\$ 143,428</u>	<u>\$ 304,339</u>	<u>\$ 192,106</u>	<u>\$ 34,390</u>	<u>\$ 42,753</u>
<b>Net Pension Liability – Ending</b>	<u>\$ 153,787</u>	<u>\$ 143,428</u>	<u>\$ 304,339</u>	<u>\$ 192,106</u>	<u>\$ 34,390</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	78.65%	80.31%	61.07%	70.37%	92.95%
Covered Payroll <sup>2</sup>	\$ 90,028	\$ 89,583	\$ 88,579	\$ 79,711	\$ 78,772
Net Pension Liability as a Percentage of Covered Payroll	170.82%	160.11%	343.58%	241.00%	43.66%

### Notes to Schedule:

<sup>1</sup> The change in the total pension liability is due to the change in the single discount rate and included as an assumption change. Assumption changes for fiscal 2017 include the impact of new assumption changes adopted by the Board effective Aug. 31, 2017. Assumption changes for fiscal 2020 include the impact of new assumption changes adopted by the Board effective Aug. 31, 2020.

<sup>2</sup> The covered payroll is the payroll on which contributions to pension plan are based for the measurement period.

<sup>3</sup> This schedule is intended to present 10 years of information. Currently only nine years of information are available. Information for future years will be added when it becomes available.

*Concluded on the Following Page*

## Schedule of Changes in Net Pension Liability and Related Ratios<sup>3</sup> (concluded)

**Table RSI-4: Judicial Retirement System of Texas Plan Two**

For the Fiscal Year Ended August 31, 2023 (Amounts in Thousands)

	2018	2017	2016	2015
<b>Total Pension Liability</b>				
Service Cost	\$ 20,420	\$ 19,429	\$ 16,244	\$ 17,805
Interest on the Total Pension Liability	31,671	30,980	30,786	28,004
Benefit Changes				
Difference between Expected and Actual Experience of the Total Pension Liability	5,091	(5,833)	(10,067)	(640)
Assumption Changes <sup>1</sup>	(56,699)	23,396	35,653	(25,924)
Benefit Payments and Refunds	(23,361)	(21,154)	(19,238)	(16,420)
<b>Net Change in Total Pension Liability</b>	<u>(22,878)</u>	<u>46,818</u>	<u>53,378</u>	<u>2,825</u>
<b>Total Pension Liability – Beginning</b>	<u>486,482</u>	<u>439,664</u>	<u>386,286</u>	<u>383,461</u>
<b>Total Pension Liability – Ending</b>	<u>\$ 463,604</u>	<u>\$ 486,482</u>	<u>\$ 439,664</u>	<u>\$ 386,286</u>
<b>Plan Fiduciary Net Position</b>				
Contributions – Employer	\$ 12,495	\$ 12,374	\$ 12,457	\$ 12,211
Contributions – Member	6,017	5,754	5,465	5,195
Pension Plan Net Investment Income	44,875	19,862	820	46,186
Benefit Payments and Refunds	(23,361)	(21,155)	(19,238)	(16,420)
Pension Plan Administrative Expense	(295)	(225)	(284)	(267)
<b>Net Change in Plan Fiduciary Net Position</b>	<u>39,731</u>	<u>16,610</u>	<u>(780)</u>	<u>46,905</u>
<b>Plan Fiduciary Net Position – Beginning</b>	<u>381,120</u>	<u>364,510</u>	<u>365,290</u>	<u>318,385</u>
<b>Plan Fiduciary Net Position – Ending</b>	<u>\$ 420,851</u>	<u>\$ 381,120</u>	<u>\$ 364,510</u>	<u>\$ 365,290</u>
<b>Net Pension Liability – Beginning</b>	<u>\$ 105,362</u>	<u>\$ 75,154</u>	<u>\$ 20,996</u>	<u>\$ 65,076</u>
<b>Net Pension Liability – Ending</b>	<u>\$ 42,753</u>	<u>\$ 105,362</u>	<u>\$ 75,154</u>	<u>\$ 20,996</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	90.78%	78.34%	82.91%	94.56%
Covered Payroll <sup>2</sup>	\$ 78,190	\$ 78,261	\$ 77,501	\$ 77,441
Net Pension Liability as a Percentage of Covered Payroll	54.68%	134.63%	96.97%	27.11%

### Notes to Schedule:

<sup>1</sup> The change in the total pension liability is due to the change in the single discount rate and included as an assumption change. Assumption changes for fiscal 2017 include the impact of new assumption changes adopted by the Board effective Aug. 31, 2017. Assumption changes for fiscal 2020 include the impact of new assumption changes adopted by the Board effective Aug. 31, 2020.

<sup>2</sup> The covered payroll is the payroll on which contributions to pension plan are based for the measurement period.

<sup>3</sup> This schedule is intended to present 10 years of information. Currently only nine years of information are available. Information for future years will be added when it becomes available.

## Schedules of Changes in Total Pension Liability and Related Ratios

The measurement date for the information on the schedule of changes in total pension liability and related ratios was the prior fiscal year-end.

The schedules of changes in total pension liability and related ratios for the state's Judicial Retirement System Plan One (JRS1 Plan) and Physician's Referral Service Supplemental Retirement Plan and Retirement Benefit Plan (SRP/RBP) are presented in tables RSI-5 and RSI-6, respectively.

### Schedule of Changes in Total Pension Liability and Related Ratios<sup>3,4</sup>

Table RSI-5: Judicial Retirement System of Texas Plan One

For the Fiscal Year Ended August 31, 2023 (Amounts in Thousands)

	2023	2022	2021	2020	2019	2018	2017
<b>Total Pension Liability</b>							
Service Cost	\$ 154	\$ 307	\$ 222	\$ 319	\$ 411	\$ 378	\$ 357
Interest on the Total Pension Liability	4,084	5,142	6,186	9,032	9,071	8,977	11,265
Difference between Expected and Actual Experience of the Total Pension Liability	149	(5,425)	(3,862)	(15,327)	(1,643)	(718)	5,488
Assumption Changes <sup>2</sup>	(29,717)	7,040	2,195	17,173	(5,968)	(35,858)	26,760
Benefit Payments and Refunds	(17,768)	(18,712)	(19,941)	(21,479)	(23,057)	(24,281)	(25,536)
<b>Net Change in Total Pension Liability</b>	<b>(43,098)</b>	<b>(11,648)</b>	<b>(15,200)</b>	<b>(10,282)</b>	<b>(21,186)</b>	<b>(51,502)</b>	<b>18,334</b>
<b>Total Pension Liability – Beginning</b>	<b>218,226</b>	<b>229,874</b>	<b>245,074</b>	<b>255,356</b>	<b>276,542</b>	<b>328,044</b>	<b>309,710</b>
<b>Total Pension Liability – Ending</b>	<b>\$ 175,128</b>	<b>\$ 218,226</b>	<b>\$ 229,874</b>	<b>\$ 245,074</b>	<b>\$ 255,356</b>	<b>\$ 276,542</b>	<b>\$ 328,044</b>
Covered Payroll <sup>1</sup>	\$ 0	\$ 140	\$ 180	\$ 335	\$ 449	\$ 591	\$ 577
Total Pension Liability as a Percentage of Covered Payroll	N/A	155,875.62%	127,884.19%	73,179.28%	56,868.89%	46,820.01%	56,891.02%

#### Notes to Schedule:

<sup>1</sup> There are currently no contributing members. Historical covered employee payroll is the actual annual payroll for the fiscal year as reported by ERS.

<sup>2</sup> The change in the total pension liability is due to the change in the single discount rate and included as an assumption change. Assumption changes for fiscal 2017 include the impact of new assumption changes adopted by the Board effective Aug. 31, 2017. Assumption changes for fiscal 2020 include the impact of new assumption changes adopted by the Board effective Aug. 31, 2020.

<sup>3</sup> There are no assets accumulated in a trust that meets the criteria in Paragraph 4 of GASB Statement No. 73 to pay related benefits.

<sup>4</sup> This schedule is intended to present 10 years of information. Currently only seven years of information are available. Information for future years will be added when it becomes available.

## Schedule of Changes in Total Pension Liability and Related Ratios<sup>3,4</sup>

### Table RSI-6: Physicians Referral Service Supplemental Retirement Plan and Retirement Benefit Plan

For the Fiscal Year Ended August 31, 2023 (Amounts in Thousands)

	2023	2022	2021
<b>Total Pension Liability</b>			
Service Cost	\$ 40,514	\$ 37,989	\$ 32,368
Interest on the Total Pension Liability	22,719	22,899	28,255
Difference between Expected and Actual			
Experience of the Total Pension Liability	(6,620)		
Assumption Changes <sup>2</sup>	(133,970)	5,813	71,350
Benefit Payments and Refunds	(49,856)	(47,006)	(49,249)
<b>Net Change in Total Pension Liability</b>	(127,213)	19,695	82,724
<b>Total Pension Liability – Beginning</b>	1,046,052	1,026,357	943,633
<b>Total Pension Liability – Ending</b>	<u>\$ 918,839</u>	<u>\$ 1,046,052</u>	<u>\$ 1,026,357</u>
Covered Payroll <sup>1</sup>	\$ 575,070	\$ 549,501	\$ 520,631
Total Pension Liability as a Percentage of Covered Payroll	159.78%	190.36%	197.14%

#### Notes to Schedule:

<sup>1</sup> The covered payroll is based on the participants' base salary for the fiscal year.

<sup>2</sup> Included Changes in Assumptions or Other Inputs: Assumptions changes reflect the changes in the discount rate each period. The following are the discount rates used in each period:

Fiscal 2023 - 3.59%

Fiscal 2022 - 2.14%

Fiscal 2021 - 2.20%

<sup>3</sup> There are no assets accumulated in a trust that meets the criteria in Paragraph 4 of GASB Statement No. 73 to pay related benefits.

<sup>4</sup> This schedule is intended to present 10 years of information. Currently only three years of information are available. Information for future years will be added when it becomes available.

## Schedules of Proportionate Share of Net Pension Liability

For each of the fiscal years presented, the measurement date for the information on the schedules of proportionate share of net pension liability was the prior fiscal year-end.

The schedules of proportionate share of the net pension liability for the state's Teacher Retirement System of Texas Plan (TRS Plan) for the state as an employer and as a nonemployer contributing entity are presented in tables RSI-7 and RSI-8, respectively.

### Schedule of Proportionate Share of Net Pension Liability<sup>2</sup>

**Table RSI-7: Teacher Retirement System of Texas Plan - State as Employer**

For the Fiscal Year Ended August 31, 2023 (Amounts in Thousands)

	2023 <sup>1</sup>	2022	2021	2020	2019	2018	2017	2016	2015
State's proportion of the net pension liability	17.87%	16.66%	16.76%	17.65%	16.42%	15.55%	14.86%	14.11%	16.97%
State's proportionate share of the net pension liability	\$ 10,607,952	\$ 4,241,505	\$ 8,974,942	\$ 9,176,758	\$ 9,035,830	\$ 4,974,134	\$ 5,615,188	\$ 4,989,195	\$ 4,534,735
State's covered payroll	\$ 9,411,284	\$ 8,306,727	\$ 8,132,532	\$ 7,984,972	\$ 7,165,045	\$ 6,551,021	\$ 6,054,185	\$ 5,426,660	\$ 6,221,452
State's proportionate share of the net pension liability as a percentage of its covered payroll	112.72%	51.08%	110.36%	114.93%	126.11%	75.93%	92.75%	91.94%	72.89%
Plan fiduciary net position as a percentage of the total pension liability	75.62%	88.79%	75.54%	75.24%	73.74%	82.17%	78.00%	78.43%	83.25%

**Notes to Schedule:**

<sup>1</sup> The state's proportionate share of the net pension liability for the state as an employer consists of \$2,986,032 reported in governmental activity and \$7,621,920 reported in business-type activity.

<sup>2</sup> This schedule is intended to present 10 years of information. Currently only nine years of information are available. Information for future years will be added when it becomes available.

### Schedule of Proportionate Share of Net Pension Liability<sup>1</sup>

**Table RSI-8: Teacher Retirement System of Texas Plan - State as Nonemployer Contributing Entity**

For the Fiscal Year Ended August 31, 2023 (Amounts in Thousands)

	2023	2022	2021	2020	2019	2018	2017	2016	2015
State's proportion of the net pension liability	46.15%	50.16%	51.09%	49.65%	50.96%	51.82%	52.74%	53.75%	60.37%
State's proportionate share of the net pension liability	\$ 27,397,910	\$ 12,773,904	\$ 27,362,962	\$ 25,811,347	\$ 28,051,905	\$ 16,568,177	\$ 19,929,042	\$ 18,998,983	\$ 16,129,760
Plan fiduciary net position as a percentage of the total pension liability	75.62%	88.79%	75.54%	75.24%	73.74%	82.17%	78.00%	78.43%	83.25%

<sup>1</sup> This schedule is intended to present 10 years of information. Currently only nine years of information are available. Information for future years will be added when it becomes available.

The schedule of proportionate share of the net pension liability for the Texas Emergency Services Retirement System Plan (TESRS Plan) for the state as a nonemployer contributing entity is presented in table RSI-9.

## Schedule of Proportionate Share of Net Pension Liability<sup>1</sup>

**Table RSI-9: Texas Emergency Services Retirement System Plan - State as Nonemployer Contributing Entity**

For the Fiscal Year Ended August 31, 2023 (Amounts in Thousands)

	2023	2022	2021	2020	2019	2018	2017	2016	2015
State's proportion of the net pension liability	25.96%	27.69%	28.51%	29.66%	27.75%	32.75%	34.57%	34.66%	33.79%
State's proportionate share of the net pension liability	\$ 10,651	\$ 2,966	\$ 7,188	\$ 8,408	\$ 6,009	\$ 7,860	\$ 10,070	\$ 9,252	\$ 6,140
Plan fiduciary net position as a percentage of the total pension liability	75.20%	93.10%	83.20%	80.20%	84.30%	81.40%	76.30%	76.90%	83.50%

<sup>1</sup> This schedule is intended to present 10 years of information. Currently only nine years of information are available. Information for future years will be added when it becomes available.

## Schedules of Employer Contributions Related to Pension

The information on the schedules of employer contributions was determined as of the end of the fiscal years presented.

The schedules of employer contributions comparing the actuarially determined contributions and the contributions recognized by the pension plan in relation to the actuarially determined contributions for the state's ERS, LECOS and JRS2 Plans are presented in tables RSI-10, RSI-11 and RSI-12, respectively.

### Schedule of Employer Contributions

**Table RSI-10: Employees Retirement System of Texas Plan**

For the Fiscal Year Ended August 31, 2023 (Amounts in Thousands)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contributions <sup>1</sup>	\$ 1,305,086	\$ 1,259,883	\$ 1,148,701	\$ 985,001	\$ 946,266	\$ 933,915	\$ 713,528	\$ 679,806	\$ 737,111	\$ 727,892
Contributions in relation to the actuarially determined contributions	2,205,086	1,259,883	739,573	735,856	712,648	697,189	700,078	686,763	500,395	482,239
Contribution deficiency (excess)	(900,000)	0	409,128	249,145	233,618	236,726	13,450	(6,957)	236,716	245,653
Covered payroll <sup>3</sup>	7,856,401	7,205,608	7,188,368	7,158,435	6,947,625	6,811,926	6,859,707	6,742,143	6,150,195	5,955,461
Contributions as a percentage of covered payroll <sup>2</sup>	28.07%	17.48%	10.29%	10.28%	10.26%	10.23%	10.21%	10.19%	8.14%	8.10%

#### Notes to Schedule of Contributions

**Valuation Date** Actuarially determined contribution rates are calculated as of Aug. 31 of the fiscal year. Provisions of the Legacy Payment structure adopted during the 2021 legislative session were first reflected in disclosures for the 2022 fiscal year.

#### Methods and Assumptions Used to Determine Contribution Rates

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, plus Level Dollar Legacy Payment, Closed
Remaining Amortization Period	31 Years
Asset Valuation Method	Marked to market as of Aug. 31, 2017. Future gains and losses each recognized over closed five-year period, with allowance of direct offsetting of deferrals by subsequent gains or losses.
Inflation	2.30%
Salary Increases	0.0% to 8.8%
Investment Rate of Return	7.00%
Retirement Age	Experience-based table of rates that are specific to the class of employee. Updated for the 2020 valuation pursuant to an experience study of the five-year period from Sept. 1, 2014 through Aug. 31, 2019.
Mortality	2020 State Retirees of Texas mortality table. Generational mortality improvements in accordance with the ultimate rates from the scale most recently published by Retirement Plans Experience Committee of the Society of Actuaries (Scale U-MP) and projected from the year 2020. Rates for male LECO members are set forward one year.

#### Other Information:

<sup>1</sup> Actuarially determined contributions are adjusted for actual payroll and administrative expenses.

<sup>2</sup> Members and employers contribute based on statutorily fixed rates.

<sup>3</sup> The covered payroll is the payroll on which contributions to pension plan are based for the fiscal year being reported.



## Schedule of Employer Contributions

**Table RSI-11: Law Enforcement and Custodial Officer Supplemental Retirement Plan**

For the Fiscal Year Ended August 31, 2023 (Amounts in Thousands)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contributions <sup>1</sup>	\$ 67,838	\$ 62,803	\$ 59,019	\$ 56,679	\$ 54,854	\$ 53,560	\$ 45,332	\$ 43,167	\$ 38,131	\$ 40,205
Contributions in relation to the actuarially determined contributions	24,800	21,428	20,294	22,294	25,864	26,110	26,583	27,497	26,728	27,758
Contribution deficiency	43,038	41,375	38,725	34,385	28,990	27,450	18,749	15,670	11,403	12,447
Covered payroll <sup>3</sup>	1,704,482	1,581,950	1,586,537	1,662,147	1,682,633	1,689,590	1,746,349	1,725,880	1,506,028	1,496,013
Contributions as a percentage of covered payroll <sup>2</sup>	1.46%	1.35%	1.28%	1.34%	1.54%	1.55%	1.52%	1.59%	1.77%	1.86%

### Notes to Schedule of Contributions

**Valuation Date** Actuarially determined contribution rates are calculated as of Aug. 31 of the fiscal year.

#### Methods and Assumptions Used to Determine Contribution Rates

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Open
Remaining Amortization Period	31 years
Asset Valuation Method	Marked to market as of Aug. 31, 2017. Future gains and losses each recognized over closed five-year period, with allowance of direct offsetting of deferrals by subsequent gains or losses.
Inflation	2.30%
Salary Increases	3.75% to 8.75%
Investment Rate of Return	7.00%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2020 valuation pursuant to an experience study of the five-year period from Sept. 1, 2014 through Aug. 31, 2019.
Mortality	2020 State Retirees of Texas mortality table. Generational mortality improvements in accordance with the ultimate rates from the scale most recently published by Retirement Plans Experience Committee of the Society of Actuaries (Scale U-MP) and projected from the year 2020. Rates for male LECO members are set forward one year.

#### Other Information:

<sup>1</sup> Actuarially determined contributions are adjusted for actual payroll and administrative expenses.

<sup>2</sup> Members and employers contribute based on statutorily fixed rates.

<sup>3</sup> The covered payroll is the payroll on which contributions to pension plan are based for the fiscal year being reported.

## Schedule of Employer Contributions

### Table RSI-12: Judicial Retirement System of Texas Plan Two

For the Fiscal Year Ended August 31, 2023 (Amounts in Thousands)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contributions <sup>1</sup>	\$ 21,395	\$ 21,346	\$ 21,383	\$ 16,343	\$ 13,057	\$ 12,934	\$ 12,444	\$ 12,896	\$ 13,107	\$ 13,449
Contributions in relation to the actuarially determined contributions	14,686	14,385	14,322	14,186	13,100	12,560	12,494	12,374	12,457	12,211
Contribution deficiency (excess)	6,709	6,961	7,061	2,157	(43)	374	(50)	522	650	1,238
Covered payroll <sup>3</sup>	91,665	90,028	89,583	88,579	79,711	78,772	78,190	78,261	77,501	77,441
Contributions as a percentage of covered payroll <sup>2</sup>	16.02%	15.98%	15.99%	16.02%	16.43%	15.94%	15.98%	15.81%	16.07%	15.77%

### Notes to Schedule of Contributions

**Valuation Date** Actuarially determined contribution rates are calculated as of Aug. 31 of the fiscal year.

#### Methods and Assumptions Used to Determine Contribution Rates

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Open
Remaining Amortization Period	31 years
Asset Valuation Method	Marked to market as of Aug. 31, 2017. Future gains and losses each recognized over closed five-year period, with allowance of direct offsetting of deferrals by subsequent gains or losses.
Inflation	2.30%
Salary Increases	2.30% plus follows state judicial tiered salary schedule as prescribed in Section 659.012
Investment Rate of Return	7.00%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2020 valuation pursuant to an experience study of the five-year period from Sept. 1, 2014 through Aug. 31, 2019.
Mortality	2020 State Retirees of Texas mortality table. Generational mortality improvements in accordance with the ultimate rates from the scale most recently published by Retirement Plans Experience Committee of the Society of Actuaries (Scale U-MP) and projected from the year 2020.

#### Other Information:

<sup>1</sup> Actuarially determined contributions are adjusted for actual payroll and administrative expenses.

<sup>2</sup> Members and employers contribute based on statutorily fixed rates.

<sup>3</sup> The covered payroll is the payroll on which contributions to pension plan are based for the fiscal year being reported.

The schedules of employer contributions comparing the statutorily required contributions and the contributions recognized by the pension plan in relation to the statutorily required contributions for the state's TRS Plan for the state as an employer and as a nonemployer contributing entity are presented in tables RSI-13 and RSI-14, respectively.

## Schedule of Employer Contributions

**Table RSI-13: Teacher Retirement System of Texas Plan - State as Employer**

For the Fiscal Year Ended August 31, 2023 (Amounts in Thousands)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Statutorily required contributions	\$ 962,143	\$ 832,399	\$ 703,233	\$ 683,487	\$ 612,078	\$ 516,850	\$ 495,500	\$ 466,216	\$ 417,698	\$ 430,321
Contributions in relation to the statutorily required contributions	962,143	832,399	703,233	683,487	612,078	516,850	495,500	466,216	417,698	430,321
Contribution deficiency (excess)	0	0	0	0	0	0	0	0	0	0
Covered payroll	10,034,210	8,774,868	8,355,310	8,567,320	7,425,351	6,789,858	6,257,506	5,750,539	5,408,293	6,221,452
Contributions as a percentage of covered payroll	9.59%	9.49%	8.42%	7.98%	8.24%	7.61%	7.92%	8.11%	7.72%	6.92%

## Schedule of Employer Contributions

**Table RSI-14: Teacher Retirement System of Texas Plan - State as Nonemployer Contributing Entity**

For the Fiscal Year Ended August 31, 2023 (Amounts in Thousands)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Statutorily required contributions	\$ 2,279,409	\$ 2,153,483	\$ 2,140,553	\$ 2,107,999	\$ 1,737,853	\$ 1,715,785	\$ 1,697,963	\$ 1,675,631	\$ 1,591,483	\$ 1,530,624
Contributions in relation to the statutorily required contributions	2,279,409	2,153,483	2,140,553	2,107,999	1,737,853	1,715,785	1,697,963	1,675,631	1,591,483	1,530,624
Contribution deficiency (excess)	0	0	0	0	0	0	0	0	0	0

The schedule of contributions comparing the statutorily required contributions and the contributions recognized by the pension plan in relation to the statutorily required contributions for TESRS plan for the state as a nonemployer contributing entity is presented in table RSI-15.

## Schedule of Employer Contributions

**Table RSI-15: Texas Emergency Services Retirement System Plan - State as Nonemployer Contributing Entity**

For the Fiscal Year Ended August 31, 2023 (Amounts in Thousands)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Statutorily required contributions	\$ 1,263	\$ 1,263	\$ 1,329	\$ 1,329	\$ 1,329	\$ 1,329	\$ 1,584	\$ 1,584	\$ 1,637	\$ 1,530
Contributions in relation to the statutorily required contributions <sup>1</sup>	1,263	1,263	1,329	1,329	1,329	1,329	1,584	1,584	1,637	1,530
Contribution deficiency (excess)	0	0	0	0	0	0	0	0	0	0

**Notes to Schedule:**

<sup>1</sup> Texas Emergency Services Retirement System was appropriated \$1,263 in the fiscal years 2022 and 2023.

## Schedules of Proportionate Share of Net OPEB Liability

For each of the fiscal years presented, the measurement date for the information on the schedules of proportionate share of net OPEB liability was the prior fiscal year-end.

The schedule of proportionate share of the net OPEB liability for the state's Employees Retirement System of Texas State Retiree Health Plan (SRHP) for the state as an employer and as a nonemployer contributing entity is presented in table RSI-16.

## Schedule of Proportionate Share of Net OPEB Liability<sup>1</sup>

### Table RSI-16: State Retiree Health Plan

For the Fiscal Year Ended August 31, 2023 (Amounts in Thousands)

	2023 <sup>7</sup>	2022 <sup>6</sup>	2021 <sup>5</sup>	2020 <sup>4</sup>	2019 <sup>3</sup>	2018 <sup>2</sup>
State as employer proportion of the net OPEB liability	85.19%	85.32%	85.34%	85.41%	85.44%	89.45%
<b>Proportionate Shares of the Net OPEB Liability</b>						
State as employer	\$ 24,266,958	\$ 30,608,879	\$ 28,199,026	\$ 29,518,613	\$ 25,323,500	\$ 30,477,926
State as nonemployer contributing entity	1,830,565	2,197,472	2,023,621	2,183,063	1,821,019	1,637,246
Total net OPEB liability recognized by the state	<u>\$ 26,097,523</u>	<u>\$ 32,806,351</u>	<u>\$ 30,222,647</u>	<u>\$ 31,701,676</u>	<u>\$ 27,144,519</u>	<u>\$ 32,115,172</u>
State's covered-employee payroll	\$ 10,847,719	\$ 10,738,672	\$ 10,799,504	\$ 10,522,049	\$ 10,293,511	\$ 10,506,048
State's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	223.71%	285.03%	261.11%	280.54%	246.01%	290.10%
Plan fiduciary net position as a percentage of the total OPEB liability	0.57%	0.38%	0.32%	0.17%	1.30%	2.00%

#### Notes to Schedule:

<sup>1</sup> This schedule is intended to present 10 years of information. Currently only six years of information are available. Information for future years will be added when it becomes available.

<sup>2</sup> Changes in assumptions for measurement year ended Aug. 31, 2017 include (a) demographic assumptions (including rates of retirement, disability, termination, and mortality, assumed salary increases and assumed age difference for future retirees and their spouses for select classes of State Agency members), (b) assumed aggregate payroll increases and rate of general inflation, (c) discount rate increased from 2.84% to 3.51%, (d) percentage of current retirees and their spouses not yet eligible to participate in the HealthSelect Medicare Advantage Plan and future retirees and their spouses who will elect to participate in the plan at the earliest date at which coverage can commence, (e) proportion of future retirees covering dependent children, (f) percentage of members assumed to be married and electing coverage for their spouse, and (g) assumptions for Expenses, Assumed Per Capita Health Benefit Costs and Health Benefit Cost Retiree Contribution, and Expense trends.

<sup>3</sup> Changes in assumptions for measurement year ended Aug. 31, 2018 include (a) demographic assumptions (including rates of retirement, disability, termination, and mortality, and assumed salary increases) for Higher Education members, (b) discount rate increased from 3.51% to 3.96%, (c) percentage of current retirees and their spouses not yet eligible to participate in the HealthSelect Medicare Advantage Plan and future retirees and their spouses who will elect to participate in the plan at the earliest date at which coverage can commence, (d) percentage of members assumed to be married and electing coverage for their spouse, and (e) assumptions for Expenses, Assumed Per Capita Health Benefit Costs and Health Benefit Cost Retiree Contribution, and Expense trends.

<sup>4</sup> Changes in assumptions for measurement year ended Aug. 31, 2019 include (a) discount rate decreased from 3.96% to 2.97%, (b) percentage of current retirees and their spouses not yet eligible to participate in the HealthSelect Medicare Advantage Plan and future retirees and their spouses who will elect to participate in the plan at the earliest date at which coverage can commence, (c) percentage of male members assumed to be married and electing coverage for their spouse, (d) percentage of future retirees and future retiree spouses assumed to use tobacco, and (e) assumptions for Assumed Per Capita Health Benefit Costs and Health Benefit Cost and Retiree Contribution trends.

<sup>5</sup> Changes in assumptions for measurement year ended Aug. 31, 2020 include (a) demographic assumptions (including rates of retirement, termination and mortality and assumed salary increases for select classes of State Agency members), (b) assumed aggregate payroll increases and rate of general inflation, (c) discount rate decreased from 2.97% to 2.20%, (d) percentage of current retirees and their spouses not yet eligible to participate in the HealthSelect Medicare Advantage Plan and future retirees and their spouses who will elect to participate in the plan at the earliest date at which coverage can commence, (e) percentage of female members assumed to be married and electing coverage for their spouse, (f) proportion of future retirees assumed to cover dependent children, (g) assumed PCORI fees and (h) assumptions for Assumed Per Capita Health Benefit Costs and Health Benefit Cost and Retiree Contribution trends.

<sup>6</sup> Changes in assumptions for measurement year ended Aug. 31, 2021 include (a) discount rate decreased from 2.20% to 2.14%, (b) percentage of current retirees and their spouses not yet eligible to participate in the HealthSelect Medicare Advantage Plan and future retirees and their spouses who will elect to participate in the plan at the earliest date at which coverage can commence, (c) percentage of members assumed to be married and electing coverage for their spouse, (d) proportion of future retirees assumed to elect health coverage at retirement and proportion of future retirees expected to receive the Opt-Out Credit at retirement, (e) the percentage of Higher Education vested terminated members assumed to have terminated less than one year before the valuation date, (f) the annual rate of increase in the Patient-Centered Outcomes Research Institute fee payable under the Affordable Care Act and (g) assumptions for Assumed Per Capita Health Benefit Costs and Health Benefit Cost and Retiree Contribution trends. In addition, the assumption for expenses directly related to the payment of GBP HealthSelect medical benefits has been updated to reflect recent contract revisions.

<sup>7</sup> Changes in assumptions and other inputs for measurement year ended Aug. 31, 2022 include (a) discount rate increased from 2.14% to 3.59%, (b) percentage of current retirees and their spouses not yet eligible to participate in the HealthSelect Medicare Advantage Plan and future retirees and their spouses who will elect to participate in the plan at the earliest date at which coverage can commence, (c) proportion of future retirees assumed to elect health coverage at retirement and proportion of future retirees expected to receive the Opt-Out Credit at retirement, (d) demographic assumptions (including rates of retirement, disability, termination, and mortality, and assumed salary increases) for Higher Education members, (e) proportion of future retirees assumed to cover dependent children, (f) the Patient-Centered Outcomes Research Institute fee payable under the Affordable Care Act and (g) assumptions for Assumed Per Capita Health Benefit Costs and Health Benefit Cost and Retiree Contribution trends.

The schedule of proportionate share of the net OPEB liability for the state's Teacher Retirement System of Texas Public School Retired Employees Group Insurance Program (TRS-Care) for the state as a nonemployer contributing entity is presented in table RSI-17.

## Schedule of Proportionate Share of Net OPEB Liability<sup>3</sup>

**Table RSI-17: TRS-Care Plan - State as Nonemployer Contributing Entity**

For the Fiscal Year Ended August 31, 2023 (Amounts in Thousands)

	2023	2022	2021	2020	2019	2018
State's proportion of the net OPEB liability	54.95%	57.26%	57.33%	57.05%	57.43%	58.44%
State's proportionate share of the net OPEB liability <sup>1,2</sup>	\$ 13,157,654	\$ 22,088,083	\$ 21,795,060	\$ 26,983,897	\$ 28,673,029	\$ 25,413,891
Plan fiduciary net position as a percentage of the total OPEB liability	11.52%	6.18%	4.99%	2.66%	1.57%	0.91%

### Notes to Schedule:

<sup>1</sup> Changes of assumptions include:

- 2022 change in assumption assumed a discount rate change from 1.95% as of Aug. 31, 2021 to 3.91% as of Aug. 31, 2022, lower participation rates, and updates to the healthcare trend rate assumption.
- 2021 change in assumption assumed a discount rate change from 2.33% as of Aug. 31, 2020 to 1.95% as of Aug. 31, 2021,
- 2020 change in assumption assumed a discount rate change from 2.63% as of Aug. 31, 2019 to 2.33% as of Aug. 31, 2020, lowering the participation rate assumption for employees who retire after the age of 65, and lowering the ultimate health care trend assumption to reflect the repeal of the excise (Cadillac) tax on high-cost employer health plans.
- 2019 change in assumption assumed a discount rate change from 3.69% as of Aug. 31, 2018 to 2.63% as of Aug. 31, 2019, lower participation rates, and updates to the health care trend assumptions as of Aug. 31, 2019.
- 2018 change in assumption assumed an updated health care trend assumption, revised demographic and economic assumptions based on the TRS experience study and a discount rate change from 3.42% as of Aug. 31, 2017 to 3.69% as of Aug. 31, 2018.
- 2017 change in assumption assumed a discount rate change from 2.98% as of Aug. 31, 2016 to 3.42% as of Aug. 31, 2017, and assumed Medicare Part D reimbursements will continue (removing the phase out assumption).

<sup>2</sup> Changes of benefit terms - effective Jan. 1, 2018, only one health plan option is offered and all retirees are required to contribute monthly premiums for coverage.

<sup>3</sup> This schedule is intended to present 10 years of information. Currently only six years of information are available. Information for future years will be added when it becomes available.

## Schedule of Changes in Total OPEB Liability and Related Ratios

The measurement date for the information on the schedule of changes in total OPEB liability and related ratios is presented in each of the following tables for both plans.

The schedule of changes in total OPEB liability and related ratios for the state's Texas A&M University System Retiree Group Insurance Program (A&M Plan) and University of Texas System Employee Group Insurance Program (UT Plan) are presented in tables RSI-18 and RSI-19, respectively.

### Schedule of Changes in Total OPEB Liability and Related Ratios<sup>1,4</sup>

Table RSI-18: Texas A&M University System Plan

For the Fiscal Year Ended August 31, 2023 (Amounts in Thousands)

	2023	2022	2021	2020	2019	2018
<b>Measurement Date</b>	Sept. 1, 2022	Sept. 1, 2021	Sept. 1, 2020	Sept. 1, 2019	Sept. 1, 2018	Sept. 1, 2017
<b>Total OPEB Liability</b>						
Service Cost	\$ 234,264	\$ 193,377	\$ 149,149	\$ 127,112	\$ 173,615	\$ 248,902
Interest on the Total OPEB Liability	107,639	101,058	115,360	137,392	163,593	159,723
Changes of benefit terms					(1,050,344)	
Difference between Expected and Actual Experience in the measurement of the Total OPEB Liability		(373,018)		(111,380)		(95,295)
Changes of assumptions or other inputs <sup>3</sup>	(1,177,391)	552,762	473,101	309,034	(361,071)	(1,128,792)
Benefit Payments (employer) <sup>2</sup>	(81,792)	(75,817)	(69,061)	(70,025)	(71,054)	(73,981)
<b>Net Change in Total OPEB Liability</b>	<u>(917,280)</u>	<u>398,362</u>	<u>668,549</u>	<u>392,133</u>	<u>(1,145,261)</u>	<u>(889,443)</u>
<b>Total OPEB Liability – Beginning</b>	<u>4,836,457</u>	<u>4,438,095</u>	<u>3,769,546</u>	<u>3,377,413</u>	<u>4,522,674</u>	<u>5,412,117</u>
<b>Total OPEB Liability – Ending</b>	<u>\$ 3,919,177</u>	<u>\$ 4,836,457</u>	<u>\$ 4,438,095</u>	<u>\$ 3,769,546</u>	<u>\$ 3,377,413</u>	<u>\$ 4,522,674</u>
Covered-Employee Payroll	\$ 1,790,848	\$ 1,738,640	\$ 1,833,341	\$ 1,770,957	\$ 1,619,640	\$ 1,607,611
Total OPEB Liability as a Percentage of Covered-Employee Payroll	218.84%	278.17%	242.08%	212.85%	208.53%	281.33%

#### Notes to Schedule:

<sup>1</sup> There are no assets accumulated in a trust that meets the criteria in Paragraph 4 of GASB Statement No. 75 to pay related benefits.

<sup>2</sup> Included Changes in benefit terms: Adopted in Jan. 2018 and effective Jan. 1, 2019, prescription drug coverage for all Medicare-primary participants is provided through a self-funded Employer Group Waiver Plan with Commercial Wrap (EGWP plus Wrap).

<sup>3</sup> Included Changes in Assumptions or Other Inputs: Changes of assumptions and other inputs reflect the changes in the discount rate each period.

The following are the discount rates used in each period:

- Fiscal 2023 - 3.64%
- Fiscal 2022 - 2.14%
- Fiscal 2021 - 2.20%
- Fiscal 2020 - 2.97%
- Fiscal 2019 - 3.96%
- Fiscal 2018 - 3.51%
- Fiscal 2017 - 2.84%

In fiscal 2018, amounts reflect a 1-percentage-point decrease in the assumed rate of general inflation and adjustments to assumptions for expenses, assumed per capita health benefit costs and assumed trend for health benefit costs, retiree contributions and expenses. In fiscal 2019, the Assumed Per Capital Health Benefit Costs were updated to reflected the changes in benefit terms due to the implementation of EGWP plus Wrap. In fiscal 2020, amounts reflect updated assumed rates of retirement, disability, termination and mortality, assumed inflation and salary increases, assumed expenses, assumed per capita health benefit costs and assumed trend for health benefit costs, retiree contributions and expenses. In fiscal 2022, amounts reflect updated assumed rates of participation by eligible terminated employees as a result of A&M System being their last state employer, adjustments to assumptions for expenses, assumed per capita health benefit costs and assumed trend for health benefit costs and retiree contributions.

<sup>4</sup> This schedule is intended to present 10 years of information. Currently only six years of information are available. Information for future years will be added when it becomes available.

## Schedule of Changes in Total OPEB Liability and Related Ratios<sup>1,4</sup>

Table RSI-19: University of Texas System Plan

For the Fiscal Year Ended August 31, 2023 (Amounts in Thousands)

	2023	2022	2021 <sup>3</sup>	2020	2019	2018
Measurement Date	Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2017
<b>Total OPEB Liability</b>						
Service Cost	\$ 1,059,373	\$ 864,121	\$ 700,647	\$ 593,495	\$ 692,255	\$ 737,751
Interest on the Total OPEB Liability	388,732	325,444	350,396	556,673	498,239	552,440
Changes of benefit terms	(63,735)					
Difference between Expected and Actual Experience in the measurement of the Total OPEB Liability		196,327		(112,255)		(177,101)
Changes of assumptions or other inputs <sup>2</sup>	(9,302,804)	2,173,265	1,552,998	601,825	(1,805,442)	(1,012,995)
Benefit Payments (employer)	(249,004)	(221,214)	(187,994)	(191,309)	(193,743)	(177,742)
<b>Net Change in Total OPEB Liability</b>	<b>(8,167,438)</b>	<b>3,337,943</b>	<b>2,416,047</b>	<b>1,448,429</b>	<b>(808,691)</b>	<b>(77,647)</b>
<b>Total OPEB Liability – Beginning</b>	<b>17,935,545</b>	<b>14,597,602</b>	<b>12,181,555</b>	<b>13,079,604</b>	<b>13,888,295</b>	<b>13,965,942</b>
<b>Total OPEB Liability – Ending</b>	<b>\$ 9,768,107</b>	<b>\$ 17,935,545</b>	<b>\$ 14,597,602</b>	<b>\$ 14,528,033</b>	<b>\$ 13,079,604</b>	<b>\$ 13,888,295</b>
Covered-Employee Payroll	\$ 9,812,400	\$ 9,457,442	\$ 6,791,262	\$ 6,425,556	\$ 6,062,198	\$ 5,820,998
Total OPEB Liability as a Percentage of Covered-Employee Payroll	99.55%	189.64%	214.95%	226.10%	215.76%	238.59%

### Notes to Schedule:

<sup>1</sup> There are no assets accumulated in a trust that meets the criteria in Paragraph 4 of GASB Statement No. 75 to pay related benefits.

<sup>2</sup> Included Changes in Assumptions or Other Inputs: Changes of assumptions and other inputs reflect the changes in the discount rate each period.

The following are the discount rates used in each period:

Fiscal 2023 - 3.72%

Fiscal 2022 - 2.06%

Fiscal 2021 - 2.12%

Fiscal 2020 - 2.74%

Fiscal 2019 - 4.10%

Fiscal 2018 - 3.44%

Fiscal 2017 - 3.78%

In fiscal 2018, amounts reflect a 1-percentage-point decrease in the assumed rate of general inflation and adjustments to assumptions for expenses, assumed per capita health benefit costs and assumed trend for health benefit costs, retiree contributions and expenses. In fiscal 2020, amounts reflect updated assumed rates of retirement, disability, termination and mortality, and assumed inflation and salary increases, adjustments to assumptions for expenses, percentage of future retirees assumed to be married and electing coverage for their spouse, proportion of future retirees covering dependent children, percentage of future retirees and future retiree spouses assumed to use tobacco, percentage of future Service Retirees assumed to elect health coverage at retirement and remain covered until death, assumed per capita health benefit costs and assumed trend for health benefit costs and retiree contributions. In fiscal 2022, amounts reflect adjustments to assumptions for expenses, assumed per capita health benefit costs and assumed trend for health benefit costs and retiree contributions. In fiscal 2023, amounts reflect adjustments to assumptions for expenses, assumed per capita health benefit costs and assumed trend for health benefit costs.

<sup>3</sup> The Total OPEB Liability (TOL) was revised to reflect changes resulting from data corrections and a related modification to the last state employer assumption for terminated employees eligible for OPEB. The impact of this revision on the TOL was reflected in the fiscal 2020 total OPEB expense.

<sup>4</sup> This schedule is intended to present 10 years of information. Currently only six years of information are available. Information for future years will be added when it becomes available.



## Schedules of Employer Contributions Related to OPEB

The information on the schedules of employer contributions was determined as of the end of the fiscal years presented.

The schedule of employer contributions comparing the statutorily required contributions and the contributions recognized by the OPEB plan in relation to the statutorily required contributions for the SRHP plan for the state as an employer is presented in table RSI-20.

### Schedule of Employer Contributions<sup>1</sup>

**Table RSI-20: State Retiree Health Plan - State as Employer**

For the Fiscal Year Ended August 31, 2023 (Amounts in Thousands)

	2023	2022	2021	2020	2019	2018	2017
Statutorily required contributions	\$ 660,852	\$ 577,892	\$ 631,381	\$ 614,312	\$ 330,295	\$ 288,822	\$ 837,982
Contributions in relation to the statutorily required contributions	660,852	577,892	631,381	614,312	330,295	288,822	837,982
Contribution deficiency (excess)	0	0	0	0	0	0	0
Covered-employer payroll	11,726,006	10,864,723	10,740,744	10,808,345	10,526,653	10,776,055	10,506,048
Contributions as a percentage of covered-employee payroll	5.64%	5.32%	5.88%	5.68%	3.14%	2.68%	7.98%

<sup>1</sup> This schedule is intended to present 10 years of information. Currently only seven years of information are available. Information for future years will be added when it becomes available.

The schedule of employer contributions comparing the state as a nonemployer contributing entity's proportionate share of the net OPEB liability and contributions recognized in the SRHP plan is presented in table RSI-21.

### Schedule of Employer Contributions<sup>1</sup>

**Table RSI-21: State Retiree Health Plan - State as Nonemployer Contributing Entity**

For the Fiscal Year Ended August 31, 2023 (Amounts in Thousands)

	2023	2022	2021	2020	2019	2018
State's proportionate share of the net OPEB liability	\$ 1,830,565	\$ 2,197,472	\$ 2,023,621	\$ 2,183,063	\$ 1,821,019	\$ 1,637,246
Contributions recognized by the OPEB plan during the fiscal year	\$ 54,188	\$ 45,128	\$ 49,362	\$ 48,140	\$ 19,884	\$ 45,016

<sup>1</sup> This schedule is intended to present 10 years of information. Currently only six years of information are available. Information for future years will be added when it becomes available.

The schedule of contributions comparing the statutorily required contributions and the contributions recognized by the OPEB plan in relation to the statutorily required contributions for TRS-Care plan for the state as a nonemployer contributing entity is presented in table RSI-22.

## Schedule of Employer Contributions<sup>1</sup>

**Table RSI-22: TRS-Care Plan - State as Nonemployer Contributing Entity**

For the Fiscal Year Ended August 31, 2023 (Amounts in Thousands)

	2023	2022	2021	2020	2019	2018	2017
Statutorily required contributions	\$ 495,642	\$ 451,341	\$ 452,858	\$ 666,526	\$ 478,578	\$ 790,189	\$ 319,320
Contributions in relation to the statutorily required contributions	495,642	451,341	452,858	666,526	478,578	790,189	319,320
Contribution deficiency (excess)	0	0	0	0	0	0	0

<sup>1</sup> This schedule is intended to present 10 years of information. Currently only seven years of information are available. Information for future years will be added when it becomes available.

## Significant Factors Affecting the Comparability of Amounts Reported

### Pension Plans

The state implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*, in fiscal 2015. The state implemented GASB Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*, in fiscal 2017. Paragraph 7 of GASB Statement No. 82 is not applicable to the state. All pension schedules related to ERS, LECOS, JRS2, TRS and TESRS plans present information in accordance with the GASB Statement No. 68 and 82 standards. The state implemented GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, in fiscal 2017. The pension schedule for JRS1 plan presents information in

accordance with GASB Statement No. 73. The state implemented GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, in fiscal 2022. Pension schedules related to the SRP/RBP plan present information in accordance with GASB Statement No. 73 and 97 standards.

More detailed information on each pension plans' actuarial methods, assumptions and benefits may be obtained from Note 9.

### OPEB Plans

The state implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in fiscal 2018.

More detailed information on each OPEB plan's actuarial methods, assumptions and benefits may be obtained from Note 11.

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SECTION TWO (CONTINUED)

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OTHER SUPPLEMENTARY  
INFORMATION COMBINING  
FINANCIAL STATEMENTS  
AND SCHEDULES



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SECTION TWO (CONTINUED)

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GOVERNMENTAL FUNDS



## Combining Balance Sheet: Nonmajor Governmental Funds

August 31, 2023 (Amounts in Thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Funds
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 2,644,822	\$ 454,008	\$ 752,593	\$ 67,761	\$ 3,919,184
Short-Term Investments	250,847			195,051	445,898
Receivables:					
Accounts	11,585	485	27,326		39,396
Taxes	83,225				83,225
Federal	2,462	4			2,466
Other Intergovernmental			225,786		225,786
Investment Trades	173			2,763	2,936
Interest and Dividends	18,069	1,733		905	20,707
From Other Funds	85,983	1,559	959,851	91	1,047,484
Investments	2,385,006			1,505,008	3,890,014
Loans and Contracts	400,514				400,514
Inventories	3,677		3		3,680
Prepaid Items	34				34
Other Assets	68,763				68,763
Restricted:					
Cash and Cash Equivalents	731				731
Loans and Contracts	1,228,519				1,228,519
Other Restricted Assets	109,658				109,658
<b>Total Assets</b>	<b>\$ 7,294,068</b>	<b>\$ 457,789</b>	<b>\$ 1,965,559</b>	<b>\$ 1,771,579</b>	<b>\$ 11,488,995</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
Liabilities:					
Payables:					
Accounts	\$ 15,853	\$	\$ 44,208	\$ 1,312	\$ 61,373
Payroll	6,702		193		6,895
Investment Trades	11			750	761
To Other Funds	9,262		221,202	1,070	231,534
Other Liabilities	117		4,353	1,688	6,158
Unearned Revenue	297		684,768		685,065
<b>Total Liabilities</b>	<b>32,242</b>	<b>0</b>	<b>954,724</b>	<b>4,820</b>	<b>991,786</b>
Deferred Inflows of Resources					
Deferred Inflows of Resources	757,584	4			757,588
<b>Total Deferred Inflows of Resources</b>	<b>757,584</b>	<b>4</b>	<b>0</b>	<b>0</b>	<b>757,588</b>
Fund Balances:					
Nonspendable	3,711		3	966,565	970,279
Restricted	6,428,097	457,785	871,197	800,154	8,557,233
Committed	83,842		139,689		223,531
Unassigned	(11,408)		(54)	40	(11,422)
<b>Total Fund Balances</b>	<b>6,504,242</b>	<b>457,785</b>	<b>1,010,835</b>	<b>1,766,759</b>	<b>9,739,621</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 7,294,068</b>	<b>\$ 457,789</b>	<b>\$ 1,965,559</b>	<b>\$ 1,771,579</b>	<b>\$ 11,488,995</b>

## Combining Statement of Revenues, Expenditures and Changes in Fund Balances: Nonmajor Governmental Funds

For the Fiscal Year Ended August 31, 2023 (Amounts in Thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Funds
<b>REVENUES</b>					
Taxes	\$ 5,335,302	\$	\$	\$	\$ 5,335,302
Federal	1,576	58,712			60,288
Licenses, Fees and Permits	458,228	287,354	96,661		842,243
Sales of Goods and Services	767		522,375		523,142
Interest and Other Investment Income	222,431	40,795	10,460	9,802	283,488
Land Income	5,903			41	5,944
Settlement of Claims	286				286
Other Revenues	2,151,688	2	5,545	9,896	2,167,131
Total Revenues	<u>8,176,181</u>	<u>386,863</u>	<u>635,041</u>	<u>19,739</u>	<u>9,217,824</u>
<b>EXPENDITURES</b>					
Current:					
General Government	349,980	570	125,934	3,912	480,396
Education	3,197,690				3,197,690
Employee Benefits	35,144				35,144
Health and Human Services	6		4,059	934	4,999
Public Safety and Corrections	64,587		4,160		68,747
Transportation	165,949		137,972		303,921
Natural Resources and Recreation	68,226		577	563	69,366
Regulatory Services	26,840				26,840
Capital Outlay	23,516		292,577		316,093
Debt Service:					
Principal	51,350	976,420			1,027,770
Interest	44	722,202			722,246
Other Financing Fees	1,349	1,161	295		2,805
Total Expenditures	<u>3,984,681</u>	<u>1,700,353</u>	<u>565,574</u>	<u>5,409</u>	<u>6,256,017</u>
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	<u>4,191,500</u>	<u>(1,313,490)</u>	<u>69,467</u>	<u>14,330</u>	<u>2,961,807</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Bonds and Notes Issued	233,848		90,000		323,848
Bonds Issued for Refunding			350,000		350,000
Premiums on Bonds Issued	7,962				7,962
Payment to Escrow for Refunding		(335)	(349,665)		(350,000)
Increase in Obligation for RTU Leases/SBITAs	19,798				19,798
Sale of Capital Assets	3				3
Insurance Recoveries	7				7
Distributions from Permanent Fund Principal				(23,196)	(23,196)
Transfer In	933,070	1,246,697	429,013	12,990	2,621,770
Transfer Out	(4,743,749)	(35,408)	(236,675)	(43,461)	(5,059,293)
Total Other Financing Sources (Uses)	<u>(3,549,061)</u>	<u>1,210,954</u>	<u>282,673</u>	<u>(53,667)</u>	<u>(2,109,101)</u>
Net Change in Fund Balances	<u>642,439</u>	<u>(102,536)</u>	<u>352,140</u>	<u>(39,337)</u>	<u>852,706</u>
Fund Balances, September 1, 2022	5,850,674	560,321	658,695	1,806,096	8,875,786
Restatements (Note 14)	11,129				11,129
Fund Balances, September 1, 2022, as Restated	<u>5,861,803</u>	<u>560,321</u>	<u>658,695</u>	<u>1,806,096</u>	<u>8,886,915</u>
Fund Balances, August 31, 2023	<u>\$ 6,504,242</u>	<u>\$ 457,785</u>	<u>\$1,010,835</u>	<u>\$ 1,766,759</u>	<u>\$ 9,739,621</u>



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## NONMAJOR SPECIAL REVENUE FUNDS

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The **Property Tax Relief Fund** is outside the general revenue fund. The proceeds of the fund are from allocations of the computation of motor vehicle sales tax, collection of all tobacco products tax increases and calculated amounts from franchise taxes. The fund was established with the intent of reducing school district property taxes.

The **Texas Motor Vehicles Fund** receives revenues from motor vehicle registrations, title certificates, special vehicle permits, specialty license plates and other transportation-related permits. The funds are used for operations, administration and enforcement.

The **Water Development Funds** receive proceeds from the sale of Texas Water Development bonds for

the purpose of aiding and making funds available to various political subdivisions for projects and other authorized purposes. The funds also receive gifts or grants for the purpose of assisting economically distressed areas. Monies in the funds are invested.

The **Judicial Fund** receives revenues from judicial fees, penalty fees and court filing fees to support the judicial branch of the state, including child support, court management and basic legal services for the indigent.

The **Available School Fund** receives distributions from the permanent school fund based on total return of investment assets, allocations of motor fuel taxes and appropriations made by the Texas Legislature. The fund is to be used for the support of public schools.

## STATE OF TEXAS

## Combining Balance Sheet: Nonmajor Special Revenue Funds

August 31, 2023 (Amounts in Thousands)

	Property Tax Relief Fund	Texas Motor Vehicles Fund	Water Development Funds	Judicial Fund	Available School Fund	Other Nonmajor Special Revenue Funds <sup>1</sup>	Totals
<b>ASSETS</b>							
Cash and Cash Equivalents	\$	\$ 205,299	\$ 309,016	\$ 20,731	\$ 56,358	\$ 2,053,418	\$ 2,644,822
Short-Term Investments			183,890			66,957	250,847
Receivables:							
Accounts		10,816				769	11,585
Taxes					83,225		83,225
Federal		198				2,264	2,462
Investment Trades						173	173
Interest and Dividends	149		1,907		1,180	14,833	18,069
From Other Funds		205			80,448	5,330	85,983
Investments			1,511,842			873,164	2,385,006
Loans and Contracts			139,610			260,904	400,514
Inventories		3,378				299	3,677
Prepaid Items						34	34
Other Assets						68,763	68,763
Restricted:							
Cash and Cash Equivalents						731	731
Loans and Contracts						1,228,519	1,228,519
Other Restricted Assets						109,658	109,658
Total Assets	<u>\$ 149</u>	<u>\$ 219,896</u>	<u>\$ 2,146,265</u>	<u>\$ 20,731</u>	<u>\$ 221,211</u>	<u>\$ 4,685,816</u>	<u>\$ 7,294,068</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>							
Liabilities:							
Payables:							
Accounts	\$	\$ 8,069	\$ 1,407	\$ 235	\$	\$ 6,142	\$ 15,853
Payroll		5,435		7		1,260	6,702
Investment Trades						11	11
To Other Funds			256			9,006	9,262
Other Liabilities						117	117
Unearned Revenue		674			96	(473)	297
Total Liabilities	<u>0</u>	<u>14,178</u>	<u>1,663</u>	<u>242</u>	<u>96</u>	<u>16,063</u>	<u>32,242</u>
Deferred Inflows of Resources							
Deferred Inflows of Resources						757,584	757,584
Total Deferred Inflows of Resources	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>757,584</u>	<u>757,584</u>
Fund Balances:							
Nonspendable		3,378				333	3,711
Restricted	149	202,340	2,144,602		221,115	3,859,891	6,428,097
Committed				20,731		63,111	83,842
Unassigned				(242)		(11,166)	(11,408)
Total Fund Balances	<u>149</u>	<u>205,718</u>	<u>2,144,602</u>	<u>20,489</u>	<u>221,115</u>	<u>3,912,169</u>	<u>6,504,242</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 149</u>	<u>\$ 219,896</u>	<u>\$ 2,146,265</u>	<u>\$ 20,731</u>	<u>\$ 221,211</u>	<u>\$ 4,685,816</u>	<u>\$ 7,294,068</u>

<sup>1</sup> The other nonmajor special revenue funds column includes blended component units and the special revenue funds of the Employees Retirement System of Texas, Texas Water Development Board and the student loan fund. These funds do not meet the materiality threshold for separate column presentation.

## STATE OF TEXAS

## Combining Statement of Revenues, Expenditures and Changes in Fund Balances: Nonmajor Special Revenue Funds

For the Fiscal Year Ended August 31, 2023 (Amounts in Thousands)

	Property Tax Relief Fund	Texas Motor Vehicles Fund	Water Development Funds	Judicial Fund	Available School Fund	Other Nonmajor Special Revenue Funds <sup>1</sup>	Totals
<b>REVENUES</b>							
Taxes	\$ 4,384,248	\$	\$	\$	\$ 951,054	\$	\$ 5,335,302
Federal		675				901	1,576
Licenses, Fees and Permits		182,690		92,279		183,259	458,228
Sales of Goods and Services		246	272			249	767
Interest and Other Investment Income	9,774	6,940	77,960		8,304	119,453	222,431
Land Income						5,903	5,903
Settlement of Claims						286	286
Other Revenues		219			2,075,709	75,760	2,151,688
Total Revenues	<u>4,394,022</u>	<u>190,770</u>	<u>78,232</u>	<u>92,279</u>	<u>3,035,067</u>	<u>385,811</u>	<u>8,176,181</u>
<b>EXPENDITURES</b>							
Current:							
General Government				118,250		231,730	349,980
Education					3,132,408	65,282	3,197,690
Employee Benefits						35,144	35,144
Health and Human Services						6	6
Public Safety and Corrections						64,587	64,587
Transportation		165,949					165,949
Natural Resources and Recreation			7,323			60,903	68,226
Regulatory Services						26,840	26,840
Capital Outlay		20,285				3,231	23,516
Debt Service:							
Principal		6,056	2			45,292	51,350
Interest						44	44
Other Financing Fees						1,349	1,349
Total Expenditures	<u>0</u>	<u>192,290</u>	<u>7,325</u>	<u>118,250</u>	<u>3,132,408</u>	<u>534,408</u>	<u>3,984,681</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>4,394,022</u>	<u>(1,520)</u>	<u>70,907</u>	<u>(25,971)</u>	<u>(97,341)</u>	<u>(148,597)</u>	<u>4,191,500</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Bonds and Notes Issued			100,333			133,515	233,848
Premiums on Bonds Issued						7,962	7,962
Increase in Obligation for RTU Leases/SBITAs		19,798					19,798
Sale of Capital Assets						3	3
Insurance Recoveries						7	7
Transfer In			4,082	2,500	115,000	811,488	933,070
Transfer Out	(4,394,022)		(123,900)		(3,316)	(222,511)	(4,743,749)
Total Other Financing Sources (Uses)	<u>(4,394,022)</u>	<u>19,798</u>	<u>(19,485)</u>	<u>2,500</u>	<u>111,684</u>	<u>730,464</u>	<u>(3,549,061)</u>
Net Change in Fund Balances	<u>0</u>	<u>18,278</u>	<u>51,422</u>	<u>(23,471)</u>	<u>14,343</u>	<u>581,867</u>	<u>642,439</u>
Fund Balances, September 1, 2022	149	187,440	2,093,180	43,960	206,772	3,319,173	5,850,674
Restatements (Note 14)						11,129	11,129
Fund Balances, September 1, 2022, as Restated	<u>149</u>	<u>187,440</u>	<u>2,093,180</u>	<u>43,960</u>	<u>206,772</u>	<u>3,330,302</u>	<u>5,861,803</u>
Fund Balances, August 31, 2023	<u>\$ 149</u>	<u>\$ 205,718</u>	<u>\$ 2,144,602</u>	<u>\$ 20,489</u>	<u>\$ 221,115</u>	<u>\$ 3,912,169</u>	<u>\$ 6,504,242</u>

<sup>1</sup> The other nonmajor special revenue funds column includes blended component units and the special revenue funds of the Employees Retirement System of Texas and the student loan fund. These funds do not meet the materiality threshold for separate column presentation.

STATE OF TEXAS

## Budgetary Comparison Schedule: Nonmajor Special Revenue Funds

For the Fiscal Year Ended August 31, 2023 (Amounts in Thousands)

	Property Tax Relief Fund				Texas Motor Vehicles Fund			
	Budgetary Amounts		Actual Amounts	Final to Actual Variance	Budgetary Amounts		Actual Amounts	Final to Actual Variance
	Original	Final			Original	Final		
<b>REVENUES</b>								
Taxes	\$ 3,808,354	\$ 3,808,354	\$ 4,384,248	\$ 575,894	\$	\$	\$	\$
Federal					744	744	477	(267)
Licenses, Fees and Permits					167,071	172,581	182,686	10,105
Sales of Goods and Services					245	373	(242)	(615)
Interest and Other Investment Income	2,866	2,866	9,774	6,908	672	672	6,940	6,268
Other Revenues						2	219	217
Total Revenues	<u>3,811,220</u>	<u>3,811,220</u>	<u>4,394,022</u>	<u>582,802</u>	<u>168,732</u>	<u>174,372</u>	<u>190,080</u>	<u>15,708</u>
<b>EXPENDITURES</b>								
General Government								
Education								
Employee Benefits					7,179	4,831		4,831
Health and Human Services								
Public Safety and Corrections								
Transportation					137,892	167,209	187,793	(20,585)
Natural Resources and Recreation								
Regulatory Services								
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>145,071</u>	<u>172,040</u>	<u>187,793</u>	<u>(15,754)</u>
Excess (Deficiency) of Revenues								
Over (Under) Expenditures	<u>3,811,220</u>	<u>3,811,220</u>	<u>4,394,022</u>	<u>582,802</u>	<u>23,661</u>	<u>2,332</u>	<u>2,287</u>	<u>(45)</u>
<b>OTHER FINANCING SOURCES (USES)</b>								
Available Beginning Balances			(999,999)	(999,999)	163,157	143,091	186,817	43,726
Sale of Capital Assets								
Insurance Recoveries								
Transfer In								
Transfer Out	(3,811,220)	(3,811,220)	(4,394,021)	(582,801)				
Total Other Financing Sources (Uses)	<u>(3,811,220)</u>	<u>(3,811,220)</u>	<u>(5,394,020)</u>	<u>(1,582,800)</u>	<u>163,157</u>	<u>143,091</u>	<u>186,817</u>	<u>43,726</u>
Excess (Deficiency) of Revenues and								
Other Financing Sources Over (Under)								
Expenditures and Other Financing Uses	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (999,998)</u>	<u>\$ (999,998)</u>	<u>\$ 186,818</u>	<u>\$ 145,423</u>	<u>\$ 189,104</u>	<u>\$ 43,681</u>

Continued on the following page

STATE OF TEXAS

## Budgetary Comparison Schedule: Nonmajor Special Revenue Funds (continued)

For the Fiscal Year Ended August 31, 2023 (Amounts in Thousands)

	Water Development Fund				Judicial Fund			
	Budgetary Amounts		Actual Amounts	Final to Actual Variance	Budgetary Amounts		Actual Amounts	Final to Actual Variance
	Original	Final			Original	Final		
<b>REVENUES</b>								
Taxes	\$	\$	\$	\$	\$	\$	\$	\$
Federal								
Licenses, Fees and Permits					77,292	77,292	92,279	14,987
Sales of Goods and Services	240	240	272	32				
Interest and Other Investment Income	12,187	12,187	77,164	64,977				
Other Revenues								
Total Revenues	<u>12,427</u>	<u>12,427</u>	<u>77,436</u>	<u>65,009</u>	<u>77,292</u>	<u>77,292</u>	<u>92,279</u>	<u>14,987</u>
<b>EXPENDITURES</b>								
General Government					69,339	92,843	123,630	(30,787)
Education								
Employee Benefits	18	3		3	1,133	1,133		1,133
Health and Human Services								
Public Safety and Corrections								
Transportation								
Natural Resources and Recreation	2,755	186,229	6,661	179,568				
Regulatory Services								
Total Expenditures	<u>2,773</u>	<u>186,232</u>	<u>6,661</u>	<u>179,571</u>	<u>70,472</u>	<u>93,976</u>	<u>123,630</u>	<u>(29,654)</u>
Excess (Deficiency) of Revenues								
Over (Under) Expenditures	<u>9,654</u>	<u>(173,805)</u>	<u>70,775</u>	<u>244,580</u>	<u>6,820</u>	<u>(16,684)</u>	<u>(31,351)</u>	<u>(14,667)</u>
<b>OTHER FINANCING SOURCES (USES)</b>								
Available Beginning Balances	385,057	284,741	317,863	33,122	15,993	3,774	49,581	45,807
Sale of Capital Assets								
Insurance Recoveries								
Transfer In			4,082	4,082			2,500	2,500
Transfer Out			(123,900)	(123,900)				
Total Other Financing Sources (Uses)	<u>385,057</u>	<u>284,741</u>	<u>198,045</u>	<u>(86,696)</u>	<u>15,993</u>	<u>3,774</u>	<u>52,081</u>	<u>48,307</u>
Excess (Deficiency) of Revenues and								
Other Financing Sources Over (Under)								
Expenditures and Other Financing Uses	<u>\$ 394,711</u>	<u>\$ 110,936</u>	<u>\$ 268,820</u>	<u>\$ 157,884</u>	<u>\$ 22,813</u>	<u>\$ (12,910)</u>	<u>\$ 20,730</u>	<u>\$ 33,640</u>

Concluded on the following page

STATE OF TEXAS

## Budgetary Comparison Schedule: Nonmajor Special Revenue Funds (concluded)

For the Fiscal Year Ended August 31, 2023 (Amounts in Thousands)

	Available School Fund				Other Nonmajor Special Revenue Fund			
	Budgetary Amounts		Actual Amounts	Final to Actual Variance	Budgetary Amounts		Actual Amounts	Final to Actual Variance
	Original	Final			Original	Final		
<b>REVENUES</b>								
Taxes	\$ 911,854	\$ 911,854	\$ 944,648	\$ 32,794	\$	\$	\$	\$
Federal					3,215	3,215	2,050	(1,165)
Licenses, Fees and Permits					12,513	12,521	14,100	1,579
Sales of Goods and Services							2	2
Interest and Other Investment Income	3,890	3,890	7,534	3,644	4,519	4,519	35,448	30,929
Other Revenues			2,075,804	2,075,804	8	220	4,235	4,015
<b>Total Revenues</b>	<b>915,744</b>	<b>915,744</b>	<b>3,027,986</b>	<b>2,112,242</b>	<b>20,255</b>	<b>20,475</b>	<b>55,835</b>	<b>35,360</b>
<b>EXPENDITURES</b>								
General Government					348,856	30,686	7,584	23,102
Education	3,124,100	3,124,100	3,132,408	(8,308)	17,290	19,617	14,278	5,339
Employee Benefits					715,744	6,015	35,067	(29,052)
Health and Human Services					16,994	16,994	(824)	17,818
Public Safety and Corrections							(1,527)	1,527
Transportation								
Natural Resources and Recreation					681,638	691,215	55,076	636,139
Regulatory Services					25	237	(512)	749
<b>Total Expenditures</b>	<b>3,124,100</b>	<b>3,124,100</b>	<b>3,132,408</b>	<b>(8,308)</b>	<b>1,780,547</b>	<b>764,764</b>	<b>109,142</b>	<b>655,622</b>
Excess (Deficiency) of Revenues								
Over (Under) Expenditures	(2,208,356)	(2,208,356)	(104,422)	2,103,934	(1,760,292)	(744,289)	(53,307)	690,982
<b>OTHER FINANCING SOURCES (USES)</b>								
Available Beginning Balances	457,575	457,575	48,357	(409,218)	628,295	1,654,118	1,800,827	146,709
Sale of Capital Assets							3	3
Insurance Recoveries							7	7
Transfer In	2,190,000	2,190,000	115,000	(2,075,000)			811,488	811,488
Transfer Out			(3,316)	(3,316)			(222,511)	(222,511)
<b>Total Other Financing Sources (Uses)</b>	<b>2,647,575</b>	<b>2,647,575</b>	<b>160,041</b>	<b>(2,487,534)</b>	<b>628,295</b>	<b>1,654,118</b>	<b>2,389,814</b>	<b>735,696</b>
Excess (Deficiency) of Revenues and								
Other Financing Sources Over (Under)								
Expenditures and Other Financing Uses	\$ 439,219	\$ 439,219	\$ 55,619	\$ (383,600)	\$ (1,131,997)	\$ 909,829	\$ 2,336,507	\$ 1,426,678

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## NONMAJOR DEBT SERVICE FUNDS

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The **Texas College Student Loan Bonds Interest and Sinking Fund** receives deposits from the Texas opportunity plan fund for payment of current interest and principal and establishment of a reserve.

The **Texas Department of Transportation Texas Mobility Fund** receives proceeds from the sale of general obligation bonds and the revenues dictated by statute to provide for the debt service requirements of those bonds. The bond proceeds provide a method of financing for the construction, reconstruction, acquisition and expansion of state highway projects. The proceeds remain in the fund until transferred to the state highway fund.

The **Texas Public Finance Authority G.O. Bond Funds** receive proceeds and accrued interest from the sale of general obligation bonds and provide the debt service requirements for those bonds.

The **Texas Public Finance Authority Commercial Paper Funds** receive deposits of any accrued interest on the sale of notes and pledged revenues necessary to make debt service payments.

The **Texas Department of Transportation State Highway Debt Service Fund** receives proceeds and accrued interest from the sale of revenue bonds and provides the debt service requirements for those bonds.

## STATE OF TEXAS

## Combining Balance Sheet: Nonmajor Debt Service Funds

August 31, 2023 (Amounts in Thousands)

	Texas College Student Loan Bonds Interest and Sinking Fund	Texas Department of Transportation Texas Mobility Fund	Texas Public Finance Authority G.O. Bond Funds	Texas Public Finance Authority Commercial Paper Funds	Texas Department of Transportation State Highway Debt Service Fund	Other Nonmajor Debt Service Funds	Totals
<b>ASSETS</b>							
Cash and Cash Equivalents	\$ 130,040	\$ 281,362	\$ 393	\$ 3,078	\$ 39,055	\$ 80	\$ 454,008
Receivables:							
Accounts	485						485
Federal		4					4
Interest and Dividends From Other Funds	1,733				1,559		1,733
							1,559
Total Assets	<u>\$ 132,258</u>	<u>\$ 281,366</u>	<u>\$ 393</u>	<u>\$ 3,078</u>	<u>\$ 40,614</u>	<u>\$ 80</u>	<u>\$ 457,789</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>							
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Deferred Inflows of Resources	\$	\$ 4	\$	\$	\$	\$	\$ 4
Total Deferred Inflows of Resources	<u>0</u>	<u>4</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4</u>
Fund Balances:							
Restricted	<u>132,258</u>	<u>281,362</u>	<u>393</u>	<u>3,078</u>	<u>40,614</u>	<u>80</u>	<u>457,785</u>
Total Fund Balances	<u>132,258</u>	<u>281,362</u>	<u>393</u>	<u>3,078</u>	<u>40,614</u>	<u>80</u>	<u>457,785</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 132,258</u>	<u>\$ 281,366</u>	<u>\$ 393</u>	<u>\$ 3,078</u>	<u>\$ 40,614</u>	<u>\$ 80</u>	<u>\$ 457,789</u>



## STATE OF TEXAS

## Combining Statement of Revenues, Expenditures and Changes in Fund Balances: Nonmajor Debt Service Funds

For the Fiscal Year Ended August 31, 2023 (Amounts in Thousands)

	Texas College Student Loan Bonds Interest and Sinking Fund	Texas Department of Transportation Texas Mobility Fund	Texas Public Finance Authority G.O. Bond Funds	Texas Public Finance Authority Commercial Paper Funds	Texas Department of Transportation State Highway Debt Service Fund	Other Nonmajor Debt Service Funds	Totals
<b>REVENUES</b>							
Federal	\$ 33	\$ 21,882	\$	\$	\$ 36,797	\$	\$ 58,712
Licenses, Fees and Permits		287,354					287,354
Interest and Other Investment Income	14,827	5,970	117	125	19,645	111	40,795
Other Revenues		2					2
<b>Total Revenues</b>	<b>14,860</b>	<b>315,208</b>	<b>117</b>	<b>125</b>	<b>56,442</b>	<b>111</b>	<b>386,863</b>
<b>EXPENDITURES</b>							
Current:							
General Government			89	481			570
Debt Service:							
Principal	64,730	155,720	187,775	22,905	410,855	134,435	976,420
Interest	55,920	234,804	73,550	12,731	289,239	55,958	722,202
Other Financing Fees				1,161			1,161
<b>Total Expenditures</b>	<b>120,650</b>	<b>390,524</b>	<b>261,414</b>	<b>37,278</b>	<b>700,094</b>	<b>190,393</b>	<b>1,700,353</b>
Excess (Deficiency) of Revenues							
Over (Under) Expenditures	(105,790)	(75,316)	(261,297)	(37,153)	(643,652)	(190,282)	(1,313,490)
<b>OTHER FINANCING SOURCES (USES)</b>							
Payment to Escrow for Refunding				(335)			(335)
Transfer In	147,899	94,742	263,191	36,988	513,611	190,266	1,246,697
Transfer Out	(33,000)		(1,864)	(500)		(44)	(35,408)
<b>Total Other Financing Sources (Uses)</b>	<b>114,899</b>	<b>94,742</b>	<b>261,327</b>	<b>36,153</b>	<b>513,611</b>	<b>190,222</b>	<b>1,210,954</b>
<b>Net Change in Fund Balances</b>	<b>9,109</b>	<b>19,426</b>	<b>30</b>	<b>(1,000)</b>	<b>(130,041)</b>	<b>(60)</b>	<b>(102,536)</b>
Fund Balances, September 1, 2022	123,149	261,936	363	4,078	170,655	140	560,321
Fund Balances, August 31, 2023	<u>\$ 132,258</u>	<u>\$ 281,362</u>	<u>\$ 393</u>	<u>\$ 3,078</u>	<u>\$ 40,614</u>	<u>\$ 80</u>	<u>\$ 457,785</u>



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## NONMAJOR CAPITAL PROJECTS FUNDS

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The **Texas Public Finance Authority Administration Project Funds** utilize long-term financing for various state construction, repair or renovation projects. Funds are also used to refinance purchases of equipment by various state agencies.

The **Texas Parks and Wildlife Department Project Funds** are used for the acquisition and development of state park sites. Revenues from park entrance fees are used for the repayments of long-term debt incurred.

The **Texas Facilities Commission Project Funds** are used to administer the state's major and minor building construction programs.

The **Texas Juvenile Justice Department Project Funds** are used to pay for minor construction and repairs of the former Texas Youth Commission buildings and facilities.

The **Texas Health Agencies Project Funds** are used to pay for the cost of construction, repair and remodeling for certain mental health facilities and other health related projects.

The **Texas Department of Public Safety Project Funds** are used to finance construction of new Department of Public Safety buildings and crime lab facilities in various state locations.

The **Texas Department of Transportation Project Funds** are used for public road and highway development, construction and improvement projects. The funds are also used to establish, acquire, operate, maintain and dispose of airports and air navigation facilities.

The **Texas Historical Commission Project Funds** are used to provide financial assistance to counties for the repair and renovation of courthouses.

The **Texas Mobility Capital Project Funds** are used to provide a method of financing construction, reconstruction, acquisition and expansion of state highways and other transportation projects.

STATE OF TEXAS

## Combining Balance Sheet: Nonmajor Capital Projects Funds

August 31, 2023 (Amounts in Thousands)

	Texas Public Finance Authority Administration Project Funds	Texas Parks and Wildlife Department Project Funds	Texas Facilities Commission Project Funds	Texas Health Agencies Project Funds	Texas Department of Public Safety Project Funds
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 51,268	\$ 1,766	\$ 53,328	\$ 383	\$ 12,939
Receivables:					
Accounts			27,326		
Other Intergovernmental					
From Other Funds	102,025	50	827,785	20,318	
Inventories	3				
Total Assets	<u>\$ 153,296</u>	<u>\$ 1,816</u>	<u>\$ 908,439</u>	<u>\$ 20,701</u>	<u>\$ 12,939</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Payables:					
Accounts	\$ 3,520	\$	\$ 1,095	\$	\$
Payroll	125		68		
To Other Funds	102,025	50	117,976		
Other Liabilities	2		4,351		
Unearned Revenue					
Total Liabilities	<u>105,672</u>	<u>50</u>	<u>123,490</u>	<u>0</u>	<u>0</u>
Fund Balances:					
Nonspendable	3				
Restricted	47,621	1,766	784,949	20,701	12,939
Committed					
Unassigned					
Total Fund Balances	<u>47,624</u>	<u>1,766</u>	<u>784,949</u>	<u>20,701</u>	<u>12,939</u>
Total Liabilities and Fund Balances	<u>\$ 153,296</u>	<u>\$ 1,816</u>	<u>\$ 908,439</u>	<u>\$ 20,701</u>	<u>\$ 12,939</u>

Concluded on the following page

STATE OF TEXAS

## Combining Balance Sheet: Nonmajor Capital Projects Funds (concluded)

August 31, 2023 (Amounts in Thousands)

	Texas Department of Transportation Project Funds	Texas Historical Commission Project Funds	Texas Mobility Capital Project Funds	Other Nonmajor Capital Projects Funds	Totals
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 458,263	\$ 259	\$ 171,425	\$ 2,962	\$ 752,593
Receivables:					
Accounts					27,326
Other Intergovernmental	225,786				225,786
From Other Funds	9,415			258	959,851
Inventories					3
Total Assets	<u>\$ 693,464</u>	<u>\$ 259</u>	<u>\$ 171,425</u>	<u>\$ 3,220</u>	<u>\$ 1,965,559</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Payables:					
Accounts	\$ 8,696	\$	\$ 30,843	\$ 54	\$ 44,208
Payroll					193
To Other Funds			893	258	221,202
Other Liabilities					4,353
Unearned Revenue	684,768				684,768
Total Liabilities	<u>693,464</u>	<u>0</u>	<u>31,736</u>	<u>312</u>	<u>954,724</u>
Fund Balances:					
Nonspendable					3
Restricted		259		2,962	871,197
Committed			139,689		139,689
Unassigned				(54)	(54)
Total Fund Balances	<u>0</u>	<u>259</u>	<u>139,689</u>	<u>2,908</u>	<u>1,010,835</u>
Total Liabilities and Fund Balances	<u>\$ 693,464</u>	<u>\$ 259</u>	<u>\$ 171,425</u>	<u>\$ 3,220</u>	<u>\$ 1,965,559</u>

## Combining Statement of Revenues, Expenditures and Changes in Fund Balances: Nonmajor Capital Projects Funds

For the Fiscal Year Ended August 31, 2023 (Amounts in Thousands)

	Texas Public Finance Authority Administration Project Funds	Texas Parks and Wildlife Department Project Funds	Texas Facilities Commission Project Funds	Texas Health Agencies Project Funds	Texas Department of Public Safety Project Funds
<b>REVENUES</b>					
Licenses, Fees and Permits	\$	\$	\$	\$	\$
Sales of Goods and Services			299,624		
Interest and Other Investment Income	1,105	82	1,772	13	472
Other Revenues	619	49	4,619		
Total Revenues	<u>1,724</u>	<u>131</u>	<u>306,015</u>	<u>13</u>	<u>472</u>
<b>EXPENDITURES</b>					
Current:					
General Government	1,475	50	124,143		
Health and Human Services	4,035			24	
Public Safety and Corrections			4,127		33
Transportation					
Natural Resources and Recreation		577			
Capital Outlay	57,641	415	184,186	2,381	629
Debt Service:					
Other Financing Fees					
Total Expenditures	<u>63,151</u>	<u>1,042</u>	<u>312,456</u>	<u>2,405</u>	<u>662</u>
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	<u>(61,427)</u>	<u>(911)</u>	<u>(6,441)</u>	<u>(2,392)</u>	<u>(190)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Bonds and Notes Issued	90,000				
Bonds Issued for Refunding	350,000				
Payment to Escrow for Refunding	(349,665)				
Transfer In	1,303		396,244		
Transfer Out	(16)		(182)		
Total Other Financing Sources (Uses)	<u>91,622</u>	<u>0</u>	<u>396,062</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	<u>30,195</u>	<u>(911)</u>	<u>389,621</u>	<u>(2,392)</u>	<u>(190)</u>
Fund Balances, September 1, 2022	<u>17,429</u>	<u>2,677</u>	<u>395,328</u>	<u>23,093</u>	<u>13,129</u>
Fund Balances, August 31, 2023	<u>\$ 47,624</u>	<u>\$ 1,766</u>	<u>\$ 784,949</u>	<u>\$ 20,701</u>	<u>\$ 12,939</u>

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## Combining Statement of Revenues, Expenditures and Changes in Fund Balances: Nonmajor Capital Projects Funds (concluded)

For the Fiscal Year Ended August 31, 2023 (Amounts in Thousands)

	Texas Department of Transportation Project Funds	Texas Historical Commission Project Funds	Texas Mobility Capital Project Funds	Other Nonmajor Capital Projects Funds	Totals
<b>REVENUES</b>					
Licenses, Fees and Permits	\$	\$	\$ 96,661	\$	\$ 96,661
Sales of Goods and Services	222,751				522,375
Interest and Other Investment Income		10	6,792	214	10,460
Other Revenues				258	5,545
Total Revenues	<u>222,751</u>	<u>10</u>	<u>103,453</u>	<u>472</u>	<u>635,041</u>
<b>EXPENDITURES</b>					
Current:					
General Government		8		258	125,934
Health and Human Services					4,059
Public Safety and Corrections					4,160
Transportation			137,972		137,972
Natural Resources and Recreation					577
Capital Outlay		26	42,870	4,429	292,577
Debt Service:					
Other Financing Fees			295		295
Total Expenditures	<u>0</u>	<u>34</u>	<u>181,137</u>	<u>4,687</u>	<u>565,574</u>
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	<u>222,751</u>	<u>(24)</u>	<u>(77,684)</u>	<u>(4,215)</u>	<u>69,467</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Bonds and Notes Issued					90,000
Bonds Issued for Refunding					350,000
Payment to Escrow for Refunding					(349,665)
Transfer In			31,466		429,013
Transfer Out	(222,751)		(13,726)		(236,675)
Total Other Financing Sources (Uses)	<u>(222,751)</u>	<u>0</u>	<u>17,740</u>	<u>0</u>	<u>282,673</u>
Net Change in Fund Balances	<u>0</u>	<u>(24)</u>	<u>(59,944)</u>	<u>(4,215)</u>	<u>352,140</u>
Fund Balances, September 1, 2022	<u>0</u>	<u>283</u>	<u>199,633</u>	<u>7,123</u>	<u>658,695</u>
Fund Balances, August 31, 2023	<u>\$ 0</u>	<u>\$ 259</u>	<u>\$ 139,689</u>	<u>\$ 2,908</u>	<u>\$ 1,010,835</u>





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## NONMAJOR PERMANENT FUNDS

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The **Permanent Health Fund** for Higher Education was established by the Texas Legislature from a portion of the money received in the settlement of *The State of Texas v. The American Tobacco Co., et.al.* The corpus of the account was designated by the Texas Legislature to be preserved. Distributions of earnings on the account are to be transferred to other accounts and used for health care costs, tobacco education and enforcement.

The **National Research University Fund** was established by the Texas Legislature to provide a dedicated, independent and equitable source of funding to enable emerging research universities to achieve national prominence as major research universities. The fund consists of appropriations and transfers under the *Texas Constitution* and amounts provided by law, gifts, grants

and interest. The Texas Constitution required that balances in the permanent higher education fund be transferred to the national research university fund on Jan. 1, 2010. Funds are allocated to eligible universities based on an equitable formula.

The **Permanent Fund Supporting Military and Veterans Exemptions** (Perm Fund Supporting MIL/VET Exempt) was established by the Texas Legislature to receive gifts, grants and investment returns for distributions to higher education institutions to offset the cost of the exemptions to certain veterans and/or dependents. Distributions are determined by the Legislative Budget Board based on each institution's respective share of the aggregate cost to all institutions of the exemptions. The Texas Treasury Safekeeping Trust Company determines the amount available for distribution from the fund.

STATE OF TEXAS

## Combining Balance Sheet: Nonmajor Permanent Funds

August 31, 2023 (Amounts in Thousands)

	Permanent Health Fund for Higher Education	National Research University Fund	Perm Fund Supporting MIL/VET Exempt	Other Nonmajor Permanent Funds	Totals
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 6,053	\$ 60,347	\$ 455	\$ 906	\$ 67,761
Short-Term Investments	11,338	102,961	40,165	40,587	195,051
Receivables:					
Investment Trades	138	1,345	496	784	2,763
Interest and Dividends	50	497	181	177	905
From Other Funds		91			91
Investments	81,326	770,227	280,604	372,851	1,505,008
Total Assets	<u>\$ 98,905</u>	<u>\$ 935,468</u>	<u>\$ 321,901</u>	<u>\$ 415,305</u>	<u>\$ 1,771,579</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Payables:					
Accounts	\$ 167	\$ 875	\$ 105	\$ 165	\$ 1,312
Investment Trades			217	533	750
To Other Funds		927	143		1,070
Other Liabilities	94	914	337	343	1,688
Total Liabilities	<u>261</u>	<u>2,716</u>	<u>802</u>	<u>1,041</u>	<u>4,820</u>
Fund Balances:					
Nonspendable	92,975	873,219		371	966,565
Restricted	5,669	59,533	321,099	413,853	800,154
Unassigned				40	40
Total Fund Balances	<u>98,644</u>	<u>932,752</u>	<u>321,099</u>	<u>414,264</u>	<u>1,766,759</u>
Total Liabilities and Fund Balances	<u>\$ 98,905</u>	<u>\$ 935,468</u>	<u>\$ 321,901</u>	<u>\$ 415,305</u>	<u>\$ 1,771,579</u>

## Combining Statement of Revenues, Expenditures and Changes in Fund Balances: Nonmajor Permanent Funds

For the Fiscal Year Ended August 31, 2023 (Amounts in Thousands)

	Permanent Health Fund for Higher Education	National Research University Fund	Perm Fund Supporting MIL/VET Exempt	Other Nonmajor Permanent Funds	Totals
<b>REVENUES</b>					
Interest and Other Investment Income	\$ 1,955	\$ 7,694	\$ 4,974	\$ (4,821)	\$ 9,802
Land Income				41	41
Other Revenues			9,896		9,896
Total Revenues	<u>1,955</u>	<u>7,694</u>	<u>14,870</u>	<u>(4,779)</u>	<u>19,739</u>
<b>EXPENDITURES</b>					
Current:					
General Government	181	1,725	1,179	827	3,912
Health and Human Services	934				934
Natural Resources and Recreation	301			262	563
Total Expenditures	<u>1,416</u>	<u>1,725</u>	<u>1,179</u>	<u>1,089</u>	<u>5,409</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>539</u>	<u>5,969</u>	<u>13,691</u>	<u>(5,868)</u>	<u>14,330</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Distributions from Permanent Fund Principal			(9,896)	(13,300)	(23,196)
Transfer In		12,831	159		12,990
Transfer Out		(34,131)	(9,289)	(41)	(43,461)
Total Other Financing Sources (Uses)	<u>0</u>	<u>(21,300)</u>	<u>(19,026)</u>	<u>(13,341)</u>	<u>(53,667)</u>
Net Change in Fund Balances	<u>539</u>	<u>(15,331)</u>	<u>(5,335)</u>	<u>(19,209)</u>	<u>(39,337)</u>
Fund Balances, September 1, 2022	98,105	948,083	326,434	433,474	1,806,096
Fund Balances, September 1, 2022, as Restated	<u>98,105</u>	<u>948,083</u>	<u>326,434</u>	<u>433,474</u>	<u>1,806,096</u>
Fund Balances, August 31, 2023	<u>\$ 98,644</u>	<u>\$ 932,752</u>	<u>\$ 321,099</u>	<u>\$ 414,265</u>	<u>\$ 1,766,759</u>



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SECTION TWO (CONTINUED)

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ENTERPRISE FUNDS



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## NONMAJOR ENTERPRISE FUNDS

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The **Texas Department of Housing and Community Affairs** issues bonds to assist in financing the purchase of homes or the construction of rental housing for families with low to moderate incomes. Loan payments and rentals provide the revenue for debt service payments.

The **Texas Transportation Commission** receives proceeds from the sale of bonds used to finance a portion of the costs of planning, designing, engineering, developing and constructing the initial phase of the Central Texas Turnpike System.

The **Veterans Land Board Loan Program Funds** receive proceeds from the sale of bonds used to administer, originate and service loans from land, housing and home improvement for those qualifying veterans.

The **Texas Department of Criminal Justice Institutional Division** accounts for the proceeds of the institutional division's commissary operations and other miscellaneous revenue.

The **Texas Prepaid Tuition Plans** include the Texas Guaranteed Tuition Plan, which is closed to new enrollment, and the Texas Tuition Promise Fund. The Texas Tuition Promise Fund allows families to prepay tuition and school-wide required fees at Texas public colleges and universities.

The **Grand Parkway Transportation Corporation**, a blended component unit of the Texas Department of Transportation, is authorized to assist and act on behalf of the agency in the development, financing, design, construction, reconstruction, expansion, operation and/or maintenance of the Grand Parkway toll project.

STATE OF TEXAS

## Combining Statement of Net Position: Nonmajor Enterprise Funds

August 31, 2023 (Amounts in Thousands)

	Texas Department of Housing and Community Affairs	Texas Transportation Commission	Veterans Land Board Loan Program Funds	Texas Department of Criminal Justice Institutional Division
<b>ASSETS</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 72,012	\$ 117,111	\$	\$
Receivables:				
Accounts	508	26,054	12,563	2,269
Federal			16,224	
Interest and Dividends	6,824	287	7,353	
Interfund	57			
From Other Funds		24,169	1,163	88,123
Other Receivables	1,251			
Loans and Contracts	2,516		8	
Inventories	24	267		21,061
Prepaid Items			1	
Other Current Assets	9,896			
Restricted:				
Cash and Cash Equivalents	412,826	443,590	1,243,044	
Short-Term Investments	13			
Loans and Contracts	99,964		71,178	
Total Current Assets	<u>605,891</u>	<u>611,478</u>	<u>1,351,534</u>	<u>111,453</u>
Noncurrent Assets:				
Investments		27,188	99	
Derivative Instruments:				
Hedging			160,649	
Assets Held in Trust				
Loans and Contracts	37,304			
Restricted:				
Receivables				
Investments	1,720,474	18,173	2,000	
Loans and Contracts	342,363		2,621,149	
Capital Assets:				
Non-Depreciable or Non-Amortizable		736,753	32,469	283
Depreciable or Amortizable, Net	31	1,858,175	75,815	2,092
Other Noncurrent Assets	21			
Total Noncurrent Assets	<u>2,100,193</u>	<u>2,640,289</u>	<u>2,892,181</u>	<u>2,375</u>
Total Assets	<u>2,706,084</u>	<u>3,251,767</u>	<u>4,243,715</u>	<u>113,828</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred Outflows of Resources	171	27,202	20,200	
Total Deferred Outflows of Resources	<u>171</u>	<u>27,202</u>	<u>20,200</u>	<u>0</u>

Continued on the following page



## STATE OF TEXAS

## Combining Statement of Net Position: Nonmajor Enterprise Funds (continued)

August 31, 2023 (Amounts in Thousands)

	Texas Prepaid Tuition Plans	Grand Parkway Transportation Corporation	Other Nonmajor Enterprise Funds	Totals
<b>ASSETS</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 339,702	\$ 259,985	\$ 293,077	\$ 1,081,887
Receivables:				
Accounts		32,040	2,815	76,249
Federal				16,224
Interest and Dividends	1,420	459	248	16,591
Interfund			162	219
From Other Funds		8,366	1,320	123,141
Other Receivables	59		4,762	6,072
Loans and Contracts	5,764		411	8,699
Inventories		138	1,112	22,602
Prepaid Items			1,339	1,340
Other Current Assets				9,896
Restricted:				
Cash and Cash Equivalents		621,410	36,281	2,757,151
Short-Term Investments			619	632
Loans and Contracts				171,142
Total Current Assets	<u>346,945</u>	<u>922,398</u>	<u>342,146</u>	<u>4,291,845</u>
Noncurrent Assets:				
Investments		197,296		224,583
Derivative Instruments:				
Hedging				160,649
Assets Held in Trust			4,281	4,281
Loans and Contracts			547	37,851
Restricted:				
Receivables	23,187			23,187
Investments	1,142,556		21,118	2,904,321
Loans and Contracts				2,963,512
Capital Assets:				
Non-Depreciable or Non-Amortizable			108,990	878,495
Depreciable or Amortizable, Net			356,295	2,292,408
Other Noncurrent Assets				21
Total Noncurrent Assets	<u>1,165,743</u>	<u>197,296</u>	<u>491,231</u>	<u>9,489,308</u>
Total Assets	<u>1,512,688</u>	<u>1,119,694</u>	<u>833,377</u>	<u>13,781,153</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred Outflows of Resources		159,779		207,352
Total Deferred Outflows of Resources	<u>0</u>	<u>159,779</u>	<u>0</u>	<u>207,352</u>

Continued on the following page

STATE OF TEXAS

## Combining Statement of Net Position: Nonmajor Enterprise Funds (continued)

August 31, 2023 (Amounts in Thousands)

	Texas Department of Housing and Community Affairs	Texas Transportation Commission	Veterans Land Board Loan Program Funds	Texas Department of Criminal Justice Institutional Division
<b>LIABILITIES</b>				
Current Liabilities:				
Payables:				
Accounts	\$ 1,461	\$ 13,195	\$ 28,546	\$ 7,360
Payroll	265			1,789
Interest	26,713	4,154	12	
To Other Funds	1	20,045	2,175	983
From Restricted Assets				
Bonds:				
General Obligation			250,465	
Revenue	33,238	74,743		
Short-Term Debt	87,510			
Right to Use Leases				348
Right to Use Subscriptions		41,495		
Employees' Compensable Leave	1,552			1,651
Other Current Liabilities	1,000			
Unearned Revenue	8,177	16,604	1,983	
Total Current Liabilities	<u>159,917</u>	<u>170,236</u>	<u>283,181</u>	<u>12,131</u>
Noncurrent Liabilities:				
Payables:				
Notes and Loans	10,000			
From Restricted Assets				
Bonds:				
General Obligation			2,976,885	
Revenue	2,141,395	2,800,264		
Right to Use Leases				1,406
Right to Use Subscriptions		67,418		
Derivative Instruments:				
Hedging	171		20,200	
Assets Held for Others				
Employees' Compensable Leave	920			11
Total Noncurrent Liabilities	<u>2,152,486</u>	<u>2,867,682</u>	<u>2,997,085</u>	<u>1,417</u>
Total Liabilities	<u>2,312,403</u>	<u>3,037,918</u>	<u>3,280,266</u>	<u>13,548</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred Inflows of Resources		23,675	160,649	
Total Deferred Inflows of Resources	<u>0</u>	<u>23,675</u>	<u>160,649</u>	<u>0</u>
<b>NET POSITION</b>				
Net Investment in Capital Assets	46	413,619	108,284	2,374
Restricted for:				
Debt Service	349,465	175,418		
Capital Projects				
Veterans Land Board Housing Programs			757,508	
Funds Held as Permanent Investments:				
Nonexpendable				
Other Restricted Net Position		90,561		
Unrestricted	44,341	(462,222)	(42,792)	97,906
Total Net Position	<u>\$ 393,852</u>	<u>\$ 217,376</u>	<u>\$ 823,000</u>	<u>\$ 100,280</u>

*Concluded on the following page*

## STATE OF TEXAS

## Combining Statement of Net Position: Nonmajor Enterprise Funds (concluded)

August 31, 2023 (Amounts in Thousands)

	Texas Prepaid Tuition Plans	Grand Parkway Transportation Corporation	Other Nonmajor Enterprise Funds	Totals
<b>LIABILITIES</b>				
Current Liabilities:				
Payables:				
Accounts	\$ 672	\$ 51,988	\$ 9,229	\$ 112,451
Payroll			5,061	7,115
Interest		55,552	831	87,262
To Other Funds		9,959	573	33,736
From Restricted Assets	245,324			245,324
Bonds:				
General Obligation				250,465
Revenue		27,657	315	135,953
Short-Term Debt				87,510
Right to Use Leases				348
Right to Use Subscriptions			3,940	45,435
Employees' Compensable Leave	109		1,070	4,382
Other Current Liabilities		238	1	1,239
Unearned Revenue	2,481	7,818	359	37,422
Total Current Liabilities	<u>248,586</u>	<u>153,212</u>	<u>21,379</u>	<u>1,048,642</u>
Noncurrent Liabilities:				
Payables:				
Notes and Loans		614,390		624,390
From Restricted Assets	959,846			959,846
Bonds:				
General Obligation				2,976,885
Revenue		4,238,383	281,245	9,461,287
Right to Use Leases				1,406
Right to Use Subscriptions			4,192	71,610
Derivative Instruments:				
Hedging				20,371
Assets Held for Others			4,281	4,281
Employees' Compensable Leave	101		742	1,774
Total Noncurrent Liabilities	<u>959,947</u>	<u>4,852,773</u>	<u>290,460</u>	<u>14,121,850</u>
Total Liabilities	<u>1,208,533</u>	<u>5,005,985</u>	<u>311,839</u>	<u>15,170,492</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred Inflows of Resources		16,247		200,571
Total Deferred Inflows of Resources	<u>0</u>	<u>16,247</u>	<u>0</u>	<u>200,571</u>
<b>NET POSITION</b>				
Net Investment in Capital Assets			262,045	786,368
Restricted for:				
Debt Service		99,586		624,469
Capital Projects			3,153	3,153
Veterans Land Board Housing Programs			8,902	766,410
Funds Held as Permanent Investments:				
Nonexpendable			227	227
Other Restricted Net Position		148,744	13,719	253,024
Unrestricted	304,155	(3,991,089)	233,492	(3,816,209)
Total Net Position	<u>\$ 304,155</u>	<u>\$ (3,742,759)</u>	<u>\$ 521,538</u>	<u>\$ (1,382,558)</u>

## Combining Statement of Revenues, Expenses and Changes in Net Position: Nonmajor Enterprise Funds

For the Fiscal Year Ended August 31, 2023 (Amounts in Thousands)

	Texas Department of Housing and Community Affairs	Texas Transportation Commission	Veterans Land Board Loan Program Funds	Texas Department of Criminal Justice Institutional Division
<b>OPERATING REVENUES</b>				
Auxiliary Enterprises – Pledged	\$	\$	\$	\$ 128,052
Other Sales of Goods and Services			5,286	
Other Sales of Goods and Services – Pledged		359,134	23,074	
Discounts and Allowances		(42,326)		
Interest and Investment Income	17,539		92,833	
Federal Revenue			103,360	
Other Revenues	70,807	28,368	688	1,288
Total Operating Revenues	<u>88,346</u>	<u>345,176</u>	<u>225,241</u>	<u>129,340</u>
<b>OPERATING EXPENSES</b>				
Cost of Goods Sold				93,145
Salaries and Wages	12,055	2,542		15,199
Payroll Related Costs	5,394			5,230
Professional Fees and Services	1,750	22,454	104,932	
Materials and Supplies	150	1,330	3,872	1,526
Travel	255	2	129	131
Communication and Utilities	175	843	26	15
Repairs and Maintenance	708	25,517	1,397	522
Rentals and Leases	51	833		586
Printing and Reproduction	7		1	145
Employee/Participant Benefit Payments				
Depreciation and Amortization	29	100,296	6,308	559
Bad Debt	2,603			6
Interest	63,505	4	103,760	
Other Operating Expenses	49,760	80,395	10,832	242
Total Operating Expenses	<u>136,442</u>	<u>234,216</u>	<u>231,257</u>	<u>117,306</u>
Operating Income (Loss)	<u>(48,096)</u>	<u>110,960</u>	<u>(6,016)</u>	<u>12,034</u>

*Continued on the following page*

## Combining Statement of Revenues, Expenses and Changes in Net Position: Nonmajor Enterprise Funds (continued)

For the Fiscal Year Ended August 31, 2023 (Amounts in Thousands)

	Texas Prepaid Tuition Plans	Grand Parkway Transportation Corporation	Other Nonmajor Enterprise Funds	Totals
<b>OPERATING REVENUES</b>				
Auxiliary Enterprises – Pledged	\$	\$	\$	\$ 128,052
Other Sales of Goods and Services	21,900		11,429	38,615
Other Sales of Goods and Services – Pledged		345,862	23,551	751,621
Discounts and Allowances		(21,995)	(1,689)	(66,010)
Interest and Investment Income			91	110,463
Federal Revenue				103,360
Other Revenues	1,230		36,245	138,626
Total Operating Revenues	<u>23,130</u>	<u>323,867</u>	<u>69,627</u>	<u>1,204,727</u>
<b>OPERATING EXPENSES</b>				
Cost of Goods Sold			2,242	95,387
Salaries and Wages	1,220	3,854	17,585	52,455
Payroll Related Costs	316		4,323	15,263
Professional Fees and Services	6,348	7,104	13,189	155,777
Materials and Supplies	36	609	1,273	8,796
Travel	8	2	138	665
Communication and Utilities	19	310	928	2,316
Repairs and Maintenance	39	14,697	2,097	44,977
Rentals and Leases	18	3	1,003	2,494
Printing and Reproduction	16		86	255
Employee/Participant Benefit Payments	(2,065)			(2,065)
Depreciation and Amortization			11,650	118,842
Bad Debt				2,609
Interest				167,269
Other Operating Expenses	28,921	63,656	4,219	238,025
Total Operating Expenses	<u>34,876</u>	<u>90,235</u>	<u>58,733</u>	<u>903,065</u>
Operating Income (Loss)	<u>(11,746)</u>	<u>233,632</u>	<u>10,894</u>	<u>301,662</u>

*Continued on the following page*

## Combining Statement of Revenues, Expenses and Changes in Net Position: Nonmajor Enterprise Funds (continued)

For the Fiscal Year Ended August 31, 2023 (Amounts in Thousands)

	Texas Department of Housing and Community Affairs	Texas Transportation Commission	Veterans Land Board Loan Program Funds	Texas Department of Criminal Justice Institutional Division
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Federal	\$	\$	\$ 12,941	\$
Gifts			26	
Land Income		7,847		
Interest and Investment Income		24,432	74,390	
Settlement of Claims				1
Depreciation and Amortization		11,405		
Other Nonoperating Revenues				
Investing Activities				
Borrower Rebates and Agent Fees			40	
Gain (Loss) on Sale of Capital Assets				1
Claims and Judgments				
Interest		(134,828)		(25)
Other Nonoperating Expenses		(76)		
Total Nonoperating Revenues (Expenses)	<u>0</u>	<u>(91,220)</u>	<u>87,397</u>	<u>(23)</u>
Income (Loss) Before Capital Contributions, Endowments and Transfers	<u>(48,096)</u>	<u>19,740</u>	<u>81,381</u>	<u>12,011</u>
<b>CAPITAL CONTRIBUTIONS, ENDOWMENTS AND TRANSFERS</b>				
Capital Contributions – Other		61		
Transfer In	2,028	11,626	1,017	5,063
Transfer Out			(35,278)	(5,584)
Total Capital Contributions, Endowments and Transfers	<u>2,028</u>	<u>11,687</u>	<u>(34,261)</u>	<u>(521)</u>
Change in Net Position	<u>(46,068)</u>	<u>31,427</u>	<u>47,120</u>	<u>11,490</u>
Net Position, September 1, 2022	439,373	185,949	775,728	80,775
Restatements (Note 14)	547		152	8,015
Net Position, September 1, 2022, as Restated	<u>439,920</u>	<u>185,949</u>	<u>775,880</u>	<u>88,790</u>
Net Position, August 31, 2023	<u>\$ 393,852</u>	<u>\$ 217,376</u>	<u>\$ 823,000</u>	<u>\$ 100,280</u>

*Concluded on the following page*

## Combining Statement of Revenues, Expenses and Changes in Net Position: Nonmajor Enterprise Funds (concluded)

For the Fiscal Year Ended August 31, 2023 (Amounts in Thousands)

	Texas Prepaid Tuition Plans	Grand Parkway Transportation Corporation	Other Nonmajor Enterprise Funds	Totals
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Federal	\$	\$	\$ 81	\$ 13,022
Gifts			134,927	134,953
Land Income		604		8,451
Interest and Investment Income	97,297	39,589	6,670	242,378
Settlement of Claims		1		2
Depreciation and Amortization		13,868	315	25,588
Other Nonoperating Revenues			13	13
Investing Activities	(625)			(625)
Borrower Rebates and Agent Fees				40
Gain (Loss) on Sale of Capital Assets				1
Claims and Judgments		(35,876)		(35,876)
Interest		(186,371)	(13,375)	(334,599)
Other Nonoperating Expenses		(1,598)		(1,674)
Total Nonoperating Revenues (Expenses)	<u>96,672</u>	<u>(169,783)</u>	<u>128,631</u>	<u>51,674</u>
Income (Loss) Before Capital Contributions, Endowments and Transfers	<u>84,926</u>	<u>63,849</u>	<u>139,525</u>	<u>353,336</u>
<b>CAPITAL CONTRIBUTIONS, ENDOWMENTS AND TRANSFERS</b>				
Capital Contributions – Other			723	784
Transfer In	243,806		8,704	272,244
Transfer Out		(46,226)	(4,158)	(91,246)
Total Capital Contributions, Endowments and Transfers	<u>243,806</u>	<u>(46,226)</u>	<u>5,269</u>	<u>181,782</u>
Change in Net Position	<u>328,732</u>	<u>17,623</u>	<u>144,794</u>	<u>535,118</u>
Net Position, September 1, 2022	(24,577)	(534,074)	376,745	1,299,919
Restatements (Note 14)		(3,226,308)	(1)	(3,217,595)
Net Position, September 1, 2022, as Restated	<u>(24,577)</u>	<u>(3,760,382)</u>	<u>376,744</u>	<u>(1,917,676)</u>
Net Position, August 31, 2023	<u>\$ 304,155</u>	<u>\$ (3,742,759)</u>	<u>\$ 521,538</u>	<u>\$ (1,382,558)</u>

## Combining Statement of Cash Flows: Nonmajor Enterprise Funds

For the Fiscal Year Ended August 31, 2023 (Amounts in Thousands)

	Texas Department of Housing and Community Affairs	Texas Transportation Commission	Veterans Land Board Loan Program Funds	Texas Department of Criminal Justice Institutional Division
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Proceeds from Customers	\$	\$ 340,443	\$ 15,590	\$ 127,460
Proceeds from Research Grants and Contracts				
Proceeds from Gifts			27	
Proceeds from Loan Programs	1,288,179		350,672	
Proceeds from Other Operating Revenues	71,527		115,012	1,288
Payments to Suppliers for Goods and Services	(57,920)	(158,148)	(107,124)	(109,052)
Payments to Employees	(17,073)			(20,337)
Payments for Loans Provided	(1,336,510)		(889,284)	
Payments for Other Operating Expenses			(142)	(3,168)
Net Cash Provided (Used) by Operating Activities	<u>(51,797)</u>	<u>182,295</u>	<u>(515,249)</u>	<u>(3,809)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Proceeds from Debt Issuance	5,166,995		500,000	
Proceeds from Transfers from Other Funds	2,028		19,367	5,063
Proceeds from Other Noncapital Financing Activities			65,535	
Payments of Principal on Debt Issuance	(4,381,975)		(266,437)	
Payments of Interest	(55,975)		(103,953)	
Payments of Other Costs on Debt Issuance	(8,831)			
Payments for Transfers to Other Funds			(59,849)	(10,768)
Payments for Other Noncapital Financing Uses				
Net Cash Provided (Used) by Noncapital Financing Activities	<u>722,242</u>	<u>0</u>	<u>154,663</u>	<u>(5,705)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Proceeds from Sale of Capital Assets			236	
Proceeds from Federal Grants and Contracts			12,908	
Proceeds from Other Capital and Related Financing Activities		8,153		
Payments for Additions to Capital Assets	(14)	(11,550)	(17,737)	(6)
Payments of Principal on Debt Issuance		(64,069)		
Payments for Right to Use Leases				(443)
Payments of Interest on Debt Issuance		(99,055)		
Payments for Interfund Receivables		(76)		
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(14)</u>	<u>(166,597)</u>	<u>(4,593)</u>	<u>(449)</u>

*Continued on the following page*



## Combining Statement of Cash Flows: Nonmajor Enterprise Funds (continued)

For the Fiscal Year Ended August 31, 2023 (Amounts in Thousands)

	Texas Prepaid Tuition Plans	Grand Parkway Transportation Corporation	Other Nonmajor Enterprise Funds	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Proceeds from Customers	\$ 24,005	\$ 352,880	\$ 33,548	\$ 893,926
Proceeds from Research Grants and Contracts			981	981
Proceeds from Gifts				27
Proceeds from Loan Programs				1,638,851
Proceeds from Other Operating Revenues	1,530		39,596	228,953
Payments to Suppliers for Goods and Services	(6,557)	(84,712)	(7,694)	(531,207)
Payments to Employees	(1,636)		(20,706)	(59,752)
Payments for Loans Provided				(2,225,794)
Payments for Other Operating Expenses	(185,345)		(10,789)	(199,444)
Net Cash Provided (Used) by Operating Activities	<u>(168,003)</u>	<u>268,168</u>	<u>34,936</u>	<u>(253,459)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Proceeds from Debt Issuance		1,154		5,668,149
Proceeds from Transfers from Other Funds	243,806		3,939	274,203
Proceeds from Other Noncapital Financing Activities		604	889	67,028
Payments of Principal on Debt Issuance		(18,780)		(4,667,192)
Payments of Interest		(168,257)		(328,185)
Payments of Other Costs on Debt Issuance		(18,512)		(27,343)
Payments for Transfers to Other Funds		(56,016)		(126,633)
Payments for Other Noncapital Financing Uses		(114)		(114)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>243,806</u>	<u>(259,921)</u>	<u>4,828</u>	<u>859,913</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Proceeds from Sale of Capital Assets				236
Proceeds from Federal Grants and Contracts			134,488	147,396
Proceeds from Other Capital and Related Financing Activities			67	8,220
Payments for Additions to Capital Assets			(3,179)	(32,486)
Payments of Principal on Debt Issuance				(64,069)
Payments for Right to Use Leases			(3,915)	(4,358)
Payments of Interest on Debt Issuance			(7,799)	(106,854)
Payments for Interfund Receivables				(76)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>0</u>	<u>0</u>	<u>119,662</u>	<u>(51,991)</u>

*Continued on the following page*

## Combining Statement of Cash Flows: Nonmajor Enterprise Funds (continued)

For the Fiscal Year Ended August 31, 2023 (Amounts in Thousands)

	Texas Department of Housing and Community Affairs	Texas Transportation Commission	Veterans Land Board Loan Program Funds	Texas Department of Criminal Justice Institutional Division
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Proceeds from Sale of Investments	\$ 109,821	\$ 40,000	\$ 12,144	\$ 33,425
Proceeds from Interest and Investment Income	81,163	22,999	12,312	477
Proceeds from Principal Payments on Loans				
Payments to Acquire Investments	(675,394)			(31,954)
Net Cash Provided (Used) by Investing Activities	<u>(484,410)</u>	<u>62,999</u>	<u>24,456</u>	<u>1,948</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>186,021</u>	<u>78,697</u>	<u>(340,723)</u>	<u>(8,015)</u>
Cash and Cash Equivalents, September 1, 2022	492,297	482,004	1,583,767	
Restatements	(193,480)			8,015
Cash and Cash Equivalents, September 1, 2022, as Restated	<u>298,817</u>	<u>482,004</u>	<u>1,583,767</u>	<u>8,015</u>
Cash and Cash Equivalents, August 31, 2023	<u>\$ 484,838</u>	<u>\$ 560,701</u>	<u>\$ 1,243,044</u>	<u>\$ 0</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>				
Operating Income (Loss)	\$ (48,096)	\$ 110,960	\$ (6,016)	\$ 12,034
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation and Amortization	29	100,296	6,308	559
Bad Debt Expense	2,603			6
Operating Income (Loss) and Cash Flow				
Categories Classification Differences	42,460	(732)	105,423	
Changes in Assets and Liabilities:				
(Increase) Decrease in Receivables	(3,131)	(6,092)	(10,567)	(594)
(Increase) Decrease in Due From Other Funds		2,534		2
(Increase) Decrease in Inventories		207		(14,226)
(Increase) in Loans and Contracts	(48,727)		(627,516)	
(Increase) Decrease in Other Assets	(9,867)		198	
(Increase) in Prepaid Expenses			(1)	
Increase (Decrease) in Payables	12,089	(29,747)	15,391	(2,153)
Increase in Due to Other Funds		4,869		472
Increase (Decrease) in Unearned Revenue	291			
(Decrease) in Employees Compensable Leave				91
Decrease in Benefits Payable				
Increase in Other Liabilities	552		1,531	
Total Adjustments	<u>(3,701)</u>	<u>71,335</u>	<u>(509,233)</u>	<u>(15,843)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (51,797)</u>	<u>\$ 182,295</u>	<u>\$ (515,249)</u>	<u>\$ (3,809)</u>
<b>NONCASH TRANSACTIONS</b>				
Net Change in Fair Value of Investments	\$ (66,275)	\$ 1,373	\$ 450	\$
Other	\$	\$ (11,736)	\$	\$
Borrowing Under Lease Purchase	\$	\$	\$	\$ 348

Concluded on the following page

## Combining Statement of Cash Flows: Nonmajor Enterprise Funds (concluded)

For the Fiscal Year Ended August 31, 2023 (Amounts in Thousands)

	Texas Prepaid Tuition Plans	Grand Parkway Transportation Corporation	Other Nonmajor Enterprise Funds	Totals
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Proceeds from Sale of Investments	\$ 165,847	\$ 111,000	\$ 12,700	\$ 484,937
Proceeds from Interest and Investment Income	53,263	35,996	7,142	213,352
Proceeds from Principal Payments on Loans			104	104
Payments to Acquire Investments	(186,295)	(69,615)	(7,556)	(970,814)
Net Cash Provided (Used) by Investing Activities	<u>32,815</u>	<u>77,381</u>	<u>12,390</u>	<u>(272,421)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>108,618</u>	<u>85,628</u>	<u>171,816</u>	<u>282,042</u>
Cash and Cash Equivalents, September 1, 2022	231,084	795,767	157,543	3,742,462
Restatements			(1)	(185,466)
Cash and Cash Equivalents, September 1, 2022, as Restated	<u>231,084</u>	<u>795,767</u>	<u>157,542</u>	<u>3,556,996</u>
Cash and Cash Equivalents, August 31, 2023	<u>\$ 339,702</u>	<u>\$ 881,395</u>	<u>\$ 329,358</u>	<u>\$ 3,839,038</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>				
Operating Income (Loss)	\$ (11,746)	\$ 233,632	\$ 10,894	\$ 301,662
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation and Amortization			11,650	118,842
Bad Debt Expense				2,609
Operating Income (Loss) and Cash Flow Categories Classification Differences			1,088	148,239
Changes in Assets and Liabilities:				
(Increase) Decrease in Receivables	77,443	29,317	3,475	89,851
(Increase) Decrease in Due From Other Funds		(304)	(315)	1,917
(Increase) Decrease in Inventories		85	223	(13,711)
(Increase) in Loans and Contracts				(676,243)
(Increase) Decrease in Other Assets			(888)	(10,557)
(Increase) in Prepaid Expenses			(50)	(51)
Increase (Decrease) in Payables	(233,900)	2,006	8,189	(228,125)
Increase in Due to Other Funds		3,432	160	8,933
Increase (Decrease) in Unearned Revenue			(7)	284
(Decrease) in Employees Compensable Leave	25		30	146
Decrease in Benefits Payable	(125)			(125)
Increase in Other Liabilities	300		487	2,870
Total Adjustments	<u>(156,257)</u>	<u>34,536</u>	<u>24,042</u>	<u>(555,121)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (168,003)</u>	<u>\$ 268,168</u>	<u>\$ 34,936</u>	<u>\$ (253,459)</u>
<b>NONCASH TRANSACTIONS</b>				
Net Change in Fair Value of Investments	\$ 42,990	\$ 2,129	\$ (74)	\$ (19,407)
Other	\$	\$ (64,360)	\$ (4,294)	\$ (80,390)
Borrowing Under Lease Purchase	\$	\$	\$	\$ 348



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## COLLEGES AND UNIVERSITIES – MAJOR ENTERPRISE FUND

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There are six university systems and four independent universities in Texas' primary government presented in a single-column as a major fund on the basic financial statements. Schedules were prepared to report the breakdown of the following universities:

**University of Texas System**  
**Texas A&M University System**  
**Texas Tech University System**  
**University of Houston System**  
**Texas State University System**  
**University of North Texas System**  
**Texas Woman's University**  
**Stephen F. Austin State University**  
**Texas Southern University**  
**Texas State Technical College**

## Schedule of Net Position: Colleges and Universities – Major Enterprise Fund

August 31, 2023 (Amounts in Thousands)

	University of Texas System	Texas A&M University System	Texas Tech University System	University of Houston System	Texas State University System	University of North Texas System
<b>ASSETS</b>						
Current Assets:						
Cash and Cash Equivalents	\$ 5,473,784	\$ 2,136,900	\$ 267,028	\$ 1,070,751	\$ 548,416	\$ 293,425
Short-Term Investments			16,212	154,110		5,030
Receivables:						
Accounts	1,866,457	283,205	112,224	83,591	154,228	117,233
Federal	665,842	247,572	25,970	71,012	45,576	36,277
Leases	13,959	5,550	1,158	1,409	208	3,735
Public/Private Partnership Installment	3,238		1,319	4,111		
Other Intergovernmental	298,836	5,829			1,482	1,849
Gifts and Pledges	181,085	34,861	40,735	114,308	2,095	1,520
Investment Trades	703,502	4,405				
Interest and Dividends	101,156	22,172	2,770	221	1,989	3,852
Interfund		65,118				
From Other Funds	776,649	799,614	292,773	129,555	208,794	151,721
Other Receivables	883,400	3,884	4,830	41,186	10,385	12,087
Securities Lending Collateral	704,551					
Loans and Contracts	41,343	17,271	820	29,790	26,566	5,464
Inventories	238,891	25,263	5,633	1,704	1,908	3,008
Prepaid Items			109,023	49,502	79,261	71,580
Other Current Assets	516,704	197,377	1,257		21,598	128
Restricted:						
Cash and Cash Equivalents	973,964	234,607	27,965	(93,620)	77,751	34,783
Short-Term Investments			577		12,528	
Total Current Assets	<u>13,443,361</u>	<u>4,083,628</u>	<u>910,294</u>	<u>1,657,630</u>	<u>1,192,785</u>	<u>741,692</u>
Noncurrent Assets:						
Receivables:						
Leases	215,033	202,660	17,546	7,361	2,607	13,953
Public/Private Partnership Asset	5,959	26,092	458		1,399	
Public/Private Partnership Installment	30,462		1,455	39,134		
Interfund		1,502,418				
Gifts and Pledges	377,070	272,492	118,203		9,044	4,160
Investments	17,104,573	4,693,472	1,737,438	1,688,659	546,740	498,547
Derivative Instruments:						
Hedging	130,780					
Assets Held in Trust						
Loans and Contracts		362			90	1,602
Prepaid Items		11,568				
Restricted:						
Cash and Cash Equivalents	76,866		336,863		18,305	
Short-Term Investments						
Receivables				34,277	392	
Investments	61,363,454	1,233,617	1,488,244		250,069	104,354
Loans and Contracts	29,511	6,319	876	532		
Capital Assets:						
Non-Depreciable or Non-Amortizable	3,550,983	1,625,587	351,608	276,566	425,810	214,196
Depreciable or Amortizable, Net	15,990,044	5,967,764	1,868,845	1,907,324	1,815,940	1,223,739
Other Noncurrent Assets	680,805	974	120			
Total Noncurrent Assets	<u>99,555,540</u>	<u>15,543,325</u>	<u>5,921,656</u>	<u>3,953,853</u>	<u>3,070,396</u>	<u>2,060,551</u>
Total Assets	<u>112,998,901</u>	<u>19,626,953</u>	<u>6,831,950</u>	<u>5,611,483</u>	<u>4,263,181</u>	<u>2,802,243</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred Outflows of Resources	<u>6,088,895</u>	<u>1,131,213</u>	<u>292,510</u>	<u>246,995</u>	<u>235,291</u>	<u>223,549</u>
Total Deferred Outflows of Resources	<u>6,088,895</u>	<u>1,131,213</u>	<u>292,510</u>	<u>246,995</u>	<u>235,291</u>	<u>223,549</u>

Continued on the following page

## Schedule of Net Position: Colleges and Universities – Major Enterprise Fund (continued)

August 31, 2023 (Amounts in Thousands)

	Texas Woman's University	Stephen F. Austin State University	Texas Southern University	Texas State Technical College	Totals
<b>ASSETS</b>					
Current Assets:					
Cash and Cash Equivalents	\$ 17,787	\$ 36,958	\$ 176,066	\$ 12,733	\$10,033,848
Short-Term Investments	205,858			26,873	408,083
Receivables:					
Accounts	23,577	17,987	26,337	9,288	2,694,127
Federal	39,838	2,310	32,229	21,088	1,187,714
Leases				1,002	27,021
Public/Private Partnership Installment		1,520			10,188
Other Intergovernmental		768			308,764
Gifts and Pledges		1,032			375,636
Investment Trades					707,907
Interest and Dividends		31		10	132,201
Interfund					65,118
From Other Funds	28,866	6,666	43,142	14,438	2,452,218
Other Receivables	8,512		982		965,266
Securities Lending Collateral					704,551
Loans and Contracts	2,023	629			123,906
Inventories	1,297	1,011	3,354	1,493	283,562
Prepaid Items	1,342	16,438	6,924		334,070
Other Current Assets			75,923		812,987
Restricted:					
Cash and Cash Equivalents	8,343	26,722	4,809	1,203	1,296,527
Short-Term Investments	176,340	39,414	4,208	79,036	312,103
Total Current Assets	<u>513,783</u>	<u>151,486</u>	<u>373,974</u>	<u>167,164</u>	<u>23,235,797</u>
Noncurrent Assets:					
Receivables:					
Leases				8,737	467,897
Public/Private Partnership Asset	59,781				93,689
Public/Private Partnership Installment		5,857			76,908
Interfund					1,502,418
Gifts and Pledges					780,969
Investments		96,272			26,365,701
Derivative Instruments:					
Hedging					130,780
Assets Held in Trust					362
Loans and Contracts					13,260
Prepaid Items			1,706		1,706
Restricted:					
Cash and Cash Equivalents				296	432,330
Short-Term Investments				301	301
Receivables					34,669
Investments	209,964	15,892	85,585	225,936	64,977,115
Loans and Contracts			521		37,759
Capital Assets:					
Non-Depreciable or Non-Amortizable	40,828	16,202	43,136	69,142	6,614,058
Depreciable or Amortizable, Net	266,131	230,718	260,374	227,793	29,758,672
Other Noncurrent Assets					681,899
Total Noncurrent Assets	<u>576,704</u>	<u>364,941</u>	<u>391,322</u>	<u>532,205</u>	<u>131,970,493</u>
Total Assets	<u>1,090,487</u>	<u>516,427</u>	<u>765,296</u>	<u>699,369</u>	<u>155,206,290</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred Outflows of Resources	<u>37,284</u>	<u>45,839</u>	<u>32,767</u>	<u>32,152</u>	<u>8,366,495</u>
Total Deferred Outflows of Resources	<u>37,284</u>	<u>45,839</u>	<u>32,767</u>	<u>32,152</u>	<u>8,366,495</u>

Continued on the following page

**Schedule of Net Position:****Colleges and Universities – Major Enterprise Fund (continued)**

August 31, 2023 (Amounts in Thousands)

	University of Texas System	Texas A&M University System	Texas Tech University System	University of Houston System	Texas State University System	University of North Texas System
<b>LIABILITIES</b>						
Current Liabilities:						
Payables:						
Accounts	\$ 1,674,283	\$ 521,482	\$ 70,139	\$ 40,580	\$ 98,024	\$ 59,120
Payroll	937,064	199,137	115,940	82,491	45,826	55,422
Federal	38,700			1,589	10,054	
Other Intergovernmental	1,183					
Investment Trades	1,645,273	11,715				
Interest				175	14,629	12,713
Notes and Loans	1,262	7,609		571		
Interfund	65,216	1,423				
To Other Funds	258,869	340,655	(54,205)	2,027	1,379	989
From Restricted Assets		24,442				
Bonds:						
General Obligation						
Revenue	1,671,518	282,666	77,099	91,378	74,873	53,714
Short-Term Debt	2,341,061		55,355	28,411	159,358	60,000
Obligations:						
Securities Lending	704,551					
Right to Use Leases	329,093	17,627	6,887	1,384	957	1,766
Right to Use Subscriptions	54,370	15,934	8,833	2,624	1,768	5,786
Funds Held for Others			12,950	36,913	5,712	4,311
Claims and Judgments	199,965	1,312	1,088	1,956		404
Employees' Compensable Leave	523,252	16,315	9,346	16,936	15,723	5,150
OPEB	208,396	63,085	30,551	21,056	21,776	16,994
Other Current Liabilities	220,434	55,643	8,237	3,289	3,559	6,463
Unearned Revenue	2,202,203	889,858	321,818	320,137	489,232	328,081
Total Current Liabilities	<u>13,076,693</u>	<u>2,448,903</u>	<u>664,038</u>	<u>651,517</u>	<u>942,870</u>	<u>610,913</u>
Noncurrent Liabilities:						
Payables:						
Notes and Loans	15,093	170,180	36,869	2,858		
Interfund	1,502,754	3,410				
From Restricted Assets		9,166				
Bonds:						
General Obligation						
Revenue	8,164,840	4,578,623	997,542	1,779,240	917,461	740,919
Obligations:						
Pollution Remediation			1,530			
Asset Retirement	20,268	12,427				2,931
Right to Use Leases	688,149	178,388	39,261	7,616	3,495	5,150
Right to Use Subscriptions	84,118	21,727	9,463	4,181	1,633	7,652
Derivative Instruments:						
Investment	144,154					
Hedging	39,389					
Assets Held for Others	145,578	362				
Claims and Judgments	37,936	12,252	4,766			818
Employees' Compensable Leave	393,281	110,884	62,106	16,794	15,652	24,010
Pension	6,557,980	771,328	363,554	289,545	240,249	193,514
OPEB	7,881,338	2,260,577	769,135	530,085	548,229	427,829
Other Noncurrent Liabilities	398,778	23,054	7,235		263	1,788
Total Noncurrent Liabilities	<u>26,073,656</u>	<u>8,152,378</u>	<u>2,291,461</u>	<u>2,630,319</u>	<u>1,726,982</u>	<u>1,404,611</u>
Total Liabilities	<u>39,150,349</u>	<u>10,601,281</u>	<u>2,955,499</u>	<u>3,281,836</u>	<u>2,669,852</u>	<u>2,015,524</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred Inflows of Resources	9,273,707	1,217,279	403,632	366,165	302,941	216,232
Total Deferred Inflows of Resources	<u>9,273,707</u>	<u>1,217,279</u>	<u>403,632</u>	<u>366,165</u>	<u>302,941</u>	<u>216,232</u>
<b>NET POSITION</b>						
Net Investment in Capital Assets	6,617,782	2,358,671	1,300,013	844,953	1,080,548	590,710
Restricted for:						
Education	2,543,440	660,248	502,183	390,732	83,799	82,146
Debt Service	94,624			4,069	42,083	
Capital Projects	97,572	576,421	114,424	18,780	49,894	
Funds Held as Permanent Investments:						
Nonexpendable						
Nonexpendable	37,341,619	467,520	927,485	694,538	170,553	67,504
Expendable	17,978,168	400,218	202,115	92,913	94,456	44,147
Unrestricted	5,990,535	4,476,528	719,109	164,492	4,346	9,529
Total Net Position	<u>\$70,663,740</u>	<u>\$ 8,939,606</u>	<u>\$ 3,765,329</u>	<u>\$ 2,210,477</u>	<u>\$ 1,525,679</u>	<u>\$ 794,036</u>

Concluded on the following page



## Schedule of Net Position: Colleges and Universities – Major Enterprise Fund (concluded)

August 31, 2023 (Amounts in Thousands)

	Texas Woman's University	Stephen F. Austin State University	Texas Southern University	Texas State Technical College	Totals
<b>LIABILITIES</b>					
Current Liabilities:					
Payables:					
Accounts	\$ 7,628	\$ 9,715	\$ 39,350	\$ 8,164	\$ 2,528,485
Payroll	7,820	11,108	(5,706)	10,380	1,459,482
Federal	2,301			875	53,519
Other Intergovernmental	3,623		(1,030)		3,776
Investment Trades					1,656,988
Interest		2,967	5,265	2,386	38,135
Notes and Loans		849		615	10,906
Interfund					66,639
To Other Funds	1,536	555	152	21	551,978
From Restricted Assets					24,442
Bonds:					
General Obligation				3,057	3,057
Revenue	19,358	16,097	8,832	13,585	2,309,120
Short-Term Debt					2,644,185
Obligations:					
Securities Lending					704,551
Right to Use Leases		29	68	228	358,039
Right to Use Subscriptions		1,048		1,935	92,298
Funds Held for Others	4,673	6,292		818	71,669
Claims and Judgments					204,725
Employees' Compensable Leave	2,861	969		1,115	591,667
OPEB	3,740	4,896	2,683	2,130	375,307
Other Current Liabilities	14,437	2,866	27,278	1,123	343,329
Unearned Revenue	67,927	68,218	62,217	28,880	4,778,571
Total Current Liabilities	<u>135,904</u>	<u>125,609</u>	<u>139,109</u>	<u>75,312</u>	<u>18,870,868</u>
Noncurrent Liabilities:					
Payables:					
Notes and Loans		5,585		20,714	251,299
Interfund					1,506,164
From Restricted Assets					9,166
Bonds:					
General Obligation				6,102	6,102
Revenue	253,227	173,431	137,872	373,509	18,116,664
Obligations:					
Pollution Remediation					1,530
Asset Retirement					35,626
Right to Use Leases			537	1,147	923,743
Right to Use Subscriptions		1,176		5,907	135,857
Derivative Instruments:					
Investment					144,154
Hedging					39,389
Assets Held for Others					145,940
Claims and Judgments					55,772
Employees' Compensable Leave	2,175	3,769	5,073	6,242	639,986
Pension	40,906	42,493	28,283	12,907	8,540,759
OPEB	94,145	123,268	67,553	53,627	12,755,786
Other Noncurrent Liabilities					431,118
Total Noncurrent Liabilities	<u>390,453</u>	<u>349,722</u>	<u>239,318</u>	<u>480,155</u>	<u>43,739,055</u>
Total Liabilities	<u>526,357</u>	<u>475,331</u>	<u>378,427</u>	<u>555,467</u>	<u>62,609,923</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred Inflows of Resources	107,026	70,543	43,844	37,468	12,038,837
Total Deferred Inflows of Resources	<u>107,026</u>	<u>70,543</u>	<u>43,844</u>	<u>37,468</u>	<u>12,038,837</u>
<b>NET POSITION</b>					
Net Investment in Capital Assets	34,567	77,095	173,588	159,257	13,237,184
Restricted for:					
Education	57,041	26,133	138,836	2,240	4,486,798
Debt Service			130		140,906
Capital Projects	240,474	8,943	6,896	5,962	1,119,366
Funds Held as Permanent Investments:					
Nonexpendable	17,035	6,360	82,917	597	39,776,128
Expendable		4,017			18,816,034
Unrestricted	145,271	(106,156)	(26,575)	(29,470)	11,347,609
Total Net Position	<u>\$ 494,388</u>	<u>\$ 16,392</u>	<u>\$ 375,792</u>	<u>\$ 138,586</u>	<u>\$88,924,025</u>

## Schedule of Revenues, Expenses and Changes in Net Position: Colleges and Universities – Major Enterprise Fund

For the Fiscal Year Ended August 31, 2023 (Amounts in Thousands)

	University of Texas System	Texas A&M University System	Texas Tech University System	University of Houston System	Texas State University System	University of North Texas System
<b>OPERATING REVENUES</b>						
Hospital Revenue – Pledged	\$24,251,240	\$	\$	\$	\$	\$
Discounts and Allowances	(14,613,105)					
Tuition Revenue		91,626	13,702			
Tuition Revenue – Pledged	3,082,943	1,764,728	737,050	792,634	861,648	651,567
Discounts and Allowances	(920,673)	(502,074)	(197,465)	(201,401)	(253,765)	(141,809)
Professional Fees	9,752,138	137	571,876			
Professional Fees – Pledged		894	637			30,307
Discounts and Allowances	(7,174,634)		(253,689)			(16,764)
Auxiliary Enterprises						
Auxiliary Enterprises – Pledged	744,886	445,349	212,137	126,858	183,559	91,772
Discounts and Allowances	(21,639)	(54,790)	(10,230)	(17,586)	(12,411)	(194)
Other Sales of Goods and Services		2,597	15,732			239
Other Sales of Goods and Services – Pledged	669,184	378,852	17,483	40,716	21,092	67,200
Discounts and Allowances	(363)	(8,930)				
Interest and Investment Income		677				
Interest and Investment Income – Pledged						
Federal Revenue	2,211,645	702,554	96,584	109,675	72,101	127,172
State Grant Revenue		6,869	2,041	8,258	8,403	3,533
Other Operating Grant Revenue	637,826	301,071	290,987		10,987	9,055
Other Operating Grant Revenue – Pledged	1,689,601	17,867	2,721	38,571	1,889	2,361
Other Revenues	17,056	25,057	85,047			63
Other Revenues – Pledged	591,025	71,955		40,711	11,290	1,937
Total Operating Revenues	<u>20,917,130</u>	<u>3,244,439</u>	<u>1,584,613</u>	<u>938,436</u>	<u>904,793</u>	<u>826,439</u>
<b>OPERATING EXPENSES</b>						
Cost of Goods Sold	126,628	6,578	14,898	1,704	305	12,220
Salaries and Wages	12,284,690	2,318,371	1,219,097	757,828	675,206	567,132
Payroll Related Costs	3,613,764	775,356	409,495	270,274	275,831	203,563
Professional Fees and Services	797,695	681,292	129,502	129,392	102,680	123,479
Materials and Supplies	3,805,768	328,738	107,818	41,825	153,704	70,460
Travel	180,801	95,953	42,085	17,323	26,017	16,404
Communication and Utilities	388,489	159,241	66,756	47,102	50,277	24,000
Repairs and Maintenance	544,230	205,135	70,986	16,285	24,226	34,740
Rentals and Leases	103,753	213,659	20,021	25,953	6,116	10,762
Printing and Reproduction	34,682	13,469	5,222	3,713	4,469	5,669
Scholarships	609,333	321,193	98,309	128,306	156,463	140,404
Claims and Judgments	414,094	29,683	1,244	808	1,133	597
Net Change in Asset Retirement Obligation	328					124
Depreciation and Amortization	1,827,498	558,093	187,488	146,231	149,443	111,093
Bad Debt	(1,078)	375	1,442		2,208	
Interest		181	41	122	160	
Other Operating Expenses	1,902,640	1,583,062	220,500	106,619	48,422	35,680
Total Operating Expenses	<u>26,633,315</u>	<u>7,290,379</u>	<u>2,594,904</u>	<u>1,693,485</u>	<u>1,676,660</u>	<u>1,356,327</u>
Operating Loss	<u>(5,716,185)</u>	<u>(4,045,940)</u>	<u>(1,010,291)</u>	<u>(755,049)</u>	<u>(771,867)</u>	<u>(529,888)</u>

*Continued on the following page*

## STATE OF TEXAS

## Schedule of Revenues, Expenses and Changes in Net Position: Colleges and Universities – Major Enterprise Fund (continued)

For the Fiscal Year Ended August 31, 2023 (Amounts in Thousands)

	Texas Woman's University	Stephen F. Austin State University	Texas Southern University	Texas State Technical College	Totals
<b>OPERATING REVENUES</b>					
Hospital Revenue – Pledged	\$	\$	\$	\$	\$ 24,251,240
Discounts and Allowances					(14,613,105)
Tuition Revenue		3,778		9,576	118,682
Tuition Revenue – Pledged	140,182	107,982	93,469	49,104	8,281,307
Discounts and Allowances	(51,459)	(37,995)	(35,201)	(29,233)	(2,371,075)
Professional Fees					10,324,151
Professional Fees – Pledged					31,838
Discounts and Allowances					(7,445,087)
Auxiliary Enterprises		2,511		1,419	3,930
Auxiliary Enterprises – Pledged	30,494	35,829	19,301	8,070	1,898,255
Discounts and Allowances	(8,596)	(9,774)		(3,930)	(139,150)
Other Sales of Goods and Services		846			19,414
Other Sales of Goods and Services – Pledged		4,691	50	6,062	1,205,330
Discounts and Allowances					(9,293)
Interest and Investment Income				4	681
Interest and Investment Income – Pledged				1,883	1,883
Federal Revenue	5,125	1,892	22,671	1,949	3,351,368
State Grant Revenue	498				29,602
Other Operating Grant Revenue	631			2,952	1,253,509
Other Operating Grant Revenue – Pledged		2,669			1,755,679
Other Revenues	4,399	19,812	158,591	3	310,028
Other Revenues – Pledged		235	10,473		727,626
Total Operating Revenues	<u>121,274</u>	<u>132,476</u>	<u>269,354</u>	<u>47,859</u>	<u>28,986,813</u>
<b>OPERATING EXPENSES</b>					
Cost of Goods Sold	9	11,086		2,019	175,447
Salaries and Wages	116,104	101,713	85,751	110,146	18,236,038
Payroll Related Costs	47,078	54,063	27,754	41,764	5,718,942
Professional Fees and Services	15,955	2,644	20,716	2,818	2,006,173
Materials and Supplies	18,040	19,038	13,423	15,325	4,574,139
Travel	2,979	3,496	2,660	1,822	389,540
Communication and Utilities	8,977	9,624	8,803	6,302	769,571
Repairs and Maintenance	5,227	6,451	43,302	5,756	956,338
Rentals and Leases	743	2,607	2,298	3,306	389,218
Printing and Reproduction	749	396	452	183	69,004
Scholarships	11,030	20,628	28,898	20,587	1,535,151
Claims and Judgments					447,559
Net Change in Asset Retirement Obligation					452
Depreciation and Amortization	23,385	19,723	21,918	22,110	3,066,982
Bad Debt	579	367	80	(2)	3,971
Interest		19	2	1	526
Other Operating Expenses	16,551	16,484	68,922	8,553	4,007,433
Total Operating Expenses	<u>267,406</u>	<u>268,339</u>	<u>324,979</u>	<u>240,690</u>	<u>42,346,484</u>
Operating Loss	<u>(146,132)</u>	<u>(135,863)</u>	<u>(55,625)</u>	<u>(192,831)</u>	<u>(13,359,671)</u>

Continued on the following page

## STATE OF TEXAS

## Schedule of Revenues, Expenses and Changes in Net Position: Colleges and Universities – Major Enterprise Fund (continued)

For the Fiscal Year Ended August 31, 2023 (Amounts in Thousands)

	University of Texas System	Texas A&M University System	Texas Tech University System	University of Houston System	Texas State University System	University of North Texas System
<b>NONOPERATING REVENUES (EXPENSES)</b>						
Federal	\$ 546,898	\$ 1,547,723	\$ 93,554	\$ 146,235	\$ 170,085	\$ 87,251
Gifts	564,743	328,468	89,252		49,258	21,604
Gifts – Pledged	44,095	61,240	1,263	51,378	2,499	
Interest and Investment Income	4,344,940	501,340	143,042		66,309	38,091
Interest and Investment Income – Pledged	1,138,373	57,494	51,127	119,393	8,140	20,784
Settlement of Claims					378	
Other Nonoperating Revenues	42,217	99,624	3,747	31	42,671	5,770
Other Nonoperating Revenues – Pledged	142,732	15,962	12,190	27,882	3,776	30,223
Investing Activities	(259,940)	(22,358)			(31)	
Borrower Rebates and Agent Fees	(1,852)	(2,454)				
Gain (Loss) on Sale of Capital Assets	11,829	2,715	(2,213)		(3,351)	(2,387)
Claims and Judgments		(812)				
Interest	(379,417)	(188,746)	(28,805)	(67,377)	(36,145)	(29,017)
Other Nonoperating Expenses	(17,206)	(124,758)	(7,126)	(32,410)	(2,676)	(1,503)
Total Nonoperating Revenues (Expenses)	<u>6,177,412</u>	<u>2,275,438</u>	<u>356,031</u>	<u>245,132</u>	<u>300,913</u>	<u>170,816</u>
Income (Loss) Before Capital Contributions, Endowments and Transfers	<u>461,227</u>	<u>(1,770,502)</u>	<u>(654,260)</u>	<u>(509,917)</u>	<u>(470,954)</u>	<u>(359,072)</u>
<b>CAPITAL CONTRIBUTIONS, ENDOWMENTS AND TRANSFERS</b>						
Capital Contributions – Federal	4,440					
Capital Contributions – Other	165,198	11,553	70,234	(7)	10	11,262
Contributions to Permanent and Term Endowments	255,404	12,110	25,304	21,360	7,950	3,129
Transfer In	3,806,461	3,680,507	799,203	557,365	556,362	406,503
Transfer Out	(694,281)	(710,829)	(2,080)	(5,212)	(1,564)	(2,595)
Total Capital Contributions, Endowments and Transfers	<u>3,537,222</u>	<u>2,993,341</u>	<u>892,661</u>	<u>573,506</u>	<u>562,758</u>	<u>418,299</u>
Change in Net Position	<u>3,998,449</u>	<u>1,222,839</u>	<u>238,401</u>	<u>63,589</u>	<u>91,804</u>	<u>59,227</u>
Net Position, September 1, 2022	66,665,291	7,716,767	3,524,090	2,146,706	1,433,254	737,436
Restatements (Note 14)			2,838	182	621	(2,627)
Net Position, September 1, 2022, as Restated	<u>66,665,291</u>	<u>7,716,767</u>	<u>3,526,928</u>	<u>2,146,888</u>	<u>1,433,875</u>	<u>734,809</u>
Net Position, August 31, 2023	<u>\$ 70,663,740</u>	<u>\$ 8,939,606</u>	<u>\$ 3,765,329</u>	<u>\$ 2,210,477</u>	<u>\$ 1,525,679</u>	<u>\$ 794,036</u>

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## STATE OF TEXAS

## Schedule of Revenues, Expenses and Changes in Net Position: Colleges and Universities – Major Enterprise Fund (concluded)

For the Fiscal Year Ended August 31, 2023 (Amounts in Thousands)

	Texas Woman's University	Stephen F. Austin State University	Texas Southern University	Texas State Technical College	Totals
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Federal	\$ 30,454	\$ 20,666	\$ 79,303	\$ 36,399	\$ 2,758,568
Gifts	4,020	9,359		370	1,067,074
Gifts – Pledged		265	274	1,155	162,169
Interest and Investment Income	851	7,219	269	384	5,102,445
Interest and Investment Income – Pledged	31,770	2,228	11,448	10,158	1,450,915
Settlement of Claims		274		1,564	2,216
Other Nonoperating Revenues	9,264	4,951	4	20,261	228,540
Other Nonoperating Revenues – Pledged		(14)			232,751
Investing Activities		(330)	(335)		(282,994)
Borrower Rebates and Agent Fees					(4,306)
Gain (Loss) on Sale of Capital Assets	(12)	(439)		255	6,397
Claims and Judgments	(92)	(1)			(905)
Interest	(10,005)	(8,356)	(7,465)	(16,017)	(771,350)
Other Nonoperating Expenses				(7,715)	(193,394)
Total Nonoperating Revenues (Expenses)	<u>66,250</u>	<u>35,822</u>	<u>83,498</u>	<u>46,814</u>	<u>9,758,126</u>
Income (Loss) Before Capital Contributions, Endowments and Transfers	<u>(79,882)</u>	<u>(100,041)</u>	<u>27,873</u>	<u>(146,017)</u>	<u>(3,601,545)</u>
<b>CAPITAL CONTRIBUTIONS, ENDOWMENTS AND TRANSFERS</b>					
Capital Contributions – Federal					4,440
Capital Contributions – Other		195		644	259,089
Contributions to Permanent and Term Endowments		12	847		326,116
Transfer In	103,527	74,382	79,690	136,906	10,200,906
Transfer Out	(126)	(6)	(674)	(42)	(1,417,409)
Total Capital Contributions, Endowments and Transfers	<u>103,401</u>	<u>74,583</u>	<u>79,863</u>	<u>137,508</u>	<u>9,373,142</u>
Change in Net Position	<u>23,519</u>	<u>(25,458)</u>	<u>107,736</u>	<u>(8,509)</u>	<u>5,771,597</u>
Net Position, September 1, 2022	471,483	41,177	280,507	147,124	83,163,835
Restatements (Note 14)	(614)	673	(12,451)	(29)	(11,407)
Net Position, September 1, 2022, as Restated	<u>470,869</u>	<u>41,850</u>	<u>268,056</u>	<u>147,095</u>	<u>83,152,428</u>
Net Position, August 31, 2023	<u>\$ 494,388</u>	<u>\$ 16,392</u>	<u>\$ 375,792</u>	<u>\$ 138,586</u>	<u>\$ 88,924,025</u>

## Schedule of Cash Flows: Colleges and Universities – Major Enterprise Fund

For the Fiscal Year Ended August 31, 2023 (Amounts in Thousands)

	University of Texas System	Texas A&M University System	Texas Tech University System	University of Houston System	Texas State University System	University of North Texas System
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Proceeds from Customers	\$ 12,166,306	\$ 444,939	\$ 440,808	\$ 39,470	\$ 12,230	\$ 80,343
Proceeds from Tuition and Fees	2,186,522	1,359,430	554,118	598,384	588,963	523,707
Proceeds from Research Grants and Contracts	4,557,629	976,229	381,370	149,552	78,162	131,776
Proceeds from Loan Programs	84,197	615,010	249,285	156,276	2,154	1,055
Proceeds from Auxiliaries	1,086,757	386,913	205,686	107,627	173,631	91,578
Proceeds from Other Operating Revenues	1,215,246	108,794	217,755	40,711	20,206	6,494
Payments to Suppliers for Goods and Services	(8,897,253)	(2,731,123)	(390,802)	(322,126)	(404,098)	(317,427)
Payments to Employees	(15,230,172)	(2,908,243)	(1,456,961)	(898,579)	(816,822)	(670,464)
Payments for Loans Provided	(74,703)	(623,389)	(249,568)	(157,994)	(3,128)	(26)
Payments for Other Operating Expenses		(780,038)	(669,171)	(229,201)	(159,354)	(184,675)
Net Cash Used by Operating Activities	<u>(2,905,471)</u>	<u>(3,151,478)</u>	<u>(717,480)</u>	<u>(515,880)</u>	<u>(508,056)</u>	<u>(337,639)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Proceeds from Gifts	723,224	399,808	93,671	68,670	47,849	21,604
Proceeds from Endowments	234,256	12,110		21,359	6,327	3,129
Proceeds from Transfers from Other Funds	3,897,617	2,289,200	709,160	608,637	541,986	400,903
Proceeds from Loan Programs						
Proceeds from Grant Receipts	757,207	2,409,132	144,948	147,545	165,234	87,251
Proceeds from Other Noncapital Financing Activities	279,804	120,929	24,774		46,694	35,968
Payments for Transfers to Other Funds	(1,228,447)	(708,724)	(4,368)	(37,615)	(6,633)	(2,499)
Payments for Grant Disbursements						
Payments for Other Noncapital Financing Uses	(513,082)	(119,793)	(11,709)		(2,131)	(1,139)
Net Cash Provided by Noncapital Financing Activities	<u>4,150,579</u>	<u>4,402,662</u>	<u>956,476</u>	<u>808,596</u>	<u>799,326</u>	<u>545,217</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Proceeds from Sale of Capital Assets	53,986	5,924	230		117	205
Proceeds from Debt Issuance	2,490,241	633,625	362,222		736,291	66,771
Proceeds from State Grants and Contracts						
Proceeds from Gifts			64,336			
Proceeds from Other Capital and Related Financing Activities		11,756	27	6,814	1,418	
Proceeds from Capital Contributions	64,397	7			10	1,166
Payments for Additions to Capital Assets	(1,685,940)	(709,784)	(241,785)	(130,553)	(205,309)	(101,333)
Payments of Principal on Debt Issuance	(1,972,718)	(712,982)	(127,529)	(77,210)	(734,802)	(71,268)
Payments for Right to Use Leases	(93,703)	(15,719)	(20,432)	(1,909)	(2,123)	(10,356)
Payments of Interest on Debt Issuance	(469,705)	(183,023)	(28,716)	(67,377)	(43,443)	(34,224)
Payments of Other Costs on Debt Issuance	(5,929)	(3,607)	(3,400)	(14,803)		(164)
Payments for Interfund Receivables		(11,612)				
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(1,619,371)</u>	<u>(985,415)</u>	<u>4,953</u>	<u>(285,038)</u>	<u>(247,841)</u>	<u>(149,203)</u>

Continued on the following page

## Schedule of Cash Flows: Colleges and Universities – Major Enterprise Fund (continued)

For the Fiscal Year Ended August 31, 2023 (Amounts in Thousands)

	Texas Woman's University	Stephen F. Austin State University	Texas Southern University	Texas State Technical College	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Proceeds from Customers	\$	\$	\$	\$ 6,191	\$ 13,190,287
Proceeds from Tuition and Fees	90,179	65,742	51,148	33,082	6,051,275
Proceeds from Research Grants and Contracts	8,476	3,679	30,771	6,889	6,324,533
Proceeds from Loan Programs		3,578			1,111,555
Proceeds from Auxiliaries	21,898	34,127	19,301	5,595	2,133,113
Proceeds from Other Operating Revenues	5,236	5,837	15,374		1,635,653
Payments to Suppliers for Goods and Services	(85,940)	(65,223)	(69,143)	(57,161)	(13,340,296)
Payments to Employees	(140,172)	(113,704)	(105,565)	(126,894)	(22,467,576)
Payments for Loans Provided					(1,108,808)
Payments for Other Operating Expenses	(64)	(20,458)	(14,014)	(22,192)	(2,079,167)
Net Cash Used by Operating Activities	<u>(100,387)</u>	<u>(86,422)</u>	<u>(72,128)</u>	<u>(154,490)</u>	<u>(8,549,431)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Proceeds from Gifts	4,020	9,624	1,121		1,369,591
Proceeds from Endowments					277,181
Proceeds from Transfers from Other Funds	103,527	75,023	95,758	145,951	8,867,762
Proceeds from Loan Programs	54,251				54,251
Proceeds from Grant Receipts		20,666	68,707	36,399	3,837,089
Proceeds from Other Noncapital Financing Activities	9,166	5,215		20,261	542,811
Payments for Transfers to Other Funds	(126)	(248)	(5,148)	(42)	(1,993,850)
Payments for Grant Disbursements	(23,797)				(23,797)
Payments for Other Noncapital Financing Uses		(446)		(4,743)	(653,043)
Net Cash Provided by Noncapital Financing Activities	<u>147,041</u>	<u>109,834</u>	<u>160,438</u>	<u>197,826</u>	<u>12,277,995</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Proceeds from Sale of Capital Assets				44	60,506
Proceeds from Debt Issuance	100,844			312,860	4,702,854
Proceeds from State Grants and Contracts				1,155	1,155
Proceeds from Gifts					64,336
Proceeds from Other Capital and Related Financing Activities		2,690	79,936	1,587	104,228
Proceeds from Capital Contributions					65,580
Payments for Additions to Capital Assets	(33,072)	(28,918)	(68,065)	(48,053)	(3,252,812)
Payments of Principal on Debt Issuance	(18,185)	(15,476)		(22,268)	(3,752,438)
Payments for Right to Use Leases				(2,101)	(146,343)
Payments of Interest on Debt Issuance	(11,977)	(8,540)	(3,253)	(15,718)	(865,976)
Payments of Other Costs on Debt Issuance	(766)	(311)		(2,972)	(31,952)
Payments for Interfund Receivables					(11,612)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>36,844</u>	<u>(50,555)</u>	<u>8,618</u>	<u>224,534</u>	<u>(3,062,474)</u>

*Continued on the following page*

## Schedule of Cash Flows: Colleges and Universities – Major Enterprise Fund (continued)

For the Fiscal Year Ended August 31, 2023 (Amounts in Thousands)

	University of Texas System	Texas A&M University System	Texas Tech University System	University of Houston System	Texas State University System	University of North Texas System
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Proceeds from Sale of Investments	\$ 51,076,536	\$ 2,070,604	\$ 56,463	\$ 1,853,925	\$ 92,685	\$ 736,001
Proceeds from Interest and Investment Income	2,820,205	198,840	141,326	77,151	44,027	23,544
Payments to Acquire Investments	(52,506,640)	(2,206,033)	(224,962)	(1,846,718)	(191,967)	(805,180)
Net Cash Provided (Used) by Investing Activities	1,390,101	63,411	(27,173)	84,358	(55,255)	(45,635)
Net Increase (Decrease) in Cash and Cash Equivalents	1,015,838	329,180	216,776	92,036	(11,826)	12,740
Cash and Cash Equivalents, September 1, 2022	5,508,776	2,042,327	415,310	884,463	656,298	315,468
Restatements			(230)	632		
Cash and Cash Equivalents, September 1, 2022, as Restated	5,508,776	2,042,327	415,080	885,095	656,298	315,468
Cash and Cash Equivalents, August 31, 2023	\$ 6,524,614	\$ 2,371,507	\$ 631,856	\$ 977,131	\$ 644,472	\$ 328,208
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>						
Operating Loss	\$ (5,716,185)	\$ (4,045,940)	\$ (1,010,291)	\$ (755,049)	\$ (771,867)	\$ (529,888)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:						
Depreciation and Amortization	1,827,498	558,093	187,488	146,231	149,443	111,093
Bad Debt Expense	519,889	4,923	922		2,208	
Pension Expense	795,558	94,505	42,920	28,011	24,238	21,129
OPEB Expense	462,609	171,049	104,348	88,840	91,529	74,917
Operating Loss and Cash Flow Categories Classification Differences				(1,718)		95
Changes in Assets and Liabilities:						
(Increase) Decrease in Receivables	(973,735)	(58,997)	(8,591)	(52,496)	(22,766)	(546)
(Increase) Decrease in Due From Other Funds		(20,629)	(5,452)		(181)	
(Increase) Decrease in Inventories	(9,301)	3,152	974	(120)	272	56
(Increase) Decrease in Notes Receivable			703		(2,461)	
(Increase) Decrease in Loans and Contracts	9,499	(7,113)			(265)	1,029
(Increase) Decrease in Other Assets	(17,875)	511	(56)	(1,242)	42	(13)
(Increase) in Deferred Outflows of Resources - Pensions	(983,743)	(101,962)	(54,454)	(20,414)	(21,203)	(23,396)
Decrease in Deferred Outflows of Resources - OPEB	387,359	69,594	168,015	136,497	140,467	77,436
(Increase) Decrease in Prepaid Expenses		(23,882)	(5,381)	(3,041)	(9,398)	(12,245)
Increase (Decrease) in Payables	355,734	65,409	5,684	(8,067)	22,394	10,534
Increase (Decrease) in Deposits		(193)			(80)	
Increase (Decrease) in Due To Other Funds		172,321	(1,333)		(812)	
Increase (Decrease) in Unearned Revenue	213,150	38,027	9,248	9,611	32,734	7,956
Increase (Decrease) in Employees' Compensable Leave	61,108	7,766	2,943	773	1,620	(148)
Increase in Benefits Payable			1,206	10,779	1,833	
Increase in Liabilities to Employees for Defined Benefit Pensions	2,415,658	331,443	164,091	106,180	105,550	83,882
(Decrease) in Liabilities to Employees for Defined Benefit OPEB	(7,068,469)	(547,611)	(324,492)	(250,655)	(232,721)	(154,483)
Increase (Decrease) in Other Liabilities	(12,503)	(110,256)	642	8,872	(1,223)	(59)
(Decrease) in Deferred Inflows of Resources - Pensions	(2,000,163)	(299,828)	(142,372)	(111,444)	(105,603)	(77,667)
Increase in Deferred Inflows of Resources - OPEB	6,485,154	425,249	147,152	111,474	88,194	72,555
Increase (Decrease) in Asset Retirement Obligations	328					124
Increase (Decrease) in Deferred Inflows Leases	(1,603)	97,955		(1,645)		
Increase (Decrease) in Deferred Inflows - Public-Private/ Public-Public Partnerships	344,562	24,936	(1,394)	42,743		
Total Adjustments	2,810,714	894,462	292,811	239,169	263,811	192,249
Net Cash Used by Operating Activities	\$ (2,905,471)	\$ (3,151,478)	\$ (717,480)	\$ (515,880)	\$ (508,056)	\$ (337,639)
<b>NONCASH TRANSACTIONS</b>						
Donation of Capital Assets	\$ 41,182	\$ 11,546	\$ 5,718	\$	\$ 460	\$ 9,621
Net Change in Fair Value of Investments	\$ 479,219	\$ 351,450	\$ 103,283	\$ 43,192	\$ 47,938	\$ 33,701
Other	\$ 380,504	\$ 24,608	\$ 1,868	\$	\$ 547	\$ 12,308
Borrowing Under Lease Purchase	\$ 308,285	\$ 95,052	\$	\$	\$ 295	\$ 20,494

Concluded on the following page



## Schedule of Cash Flows: Colleges and Universities – Major Enterprise Fund (concluded)

For the Fiscal Year Ended August 31, 2023 (Amounts in Thousands)

	Texas Woman's University	Stephen F. Austin State University	Texas Southern University	Texas State Technical College	Totals
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Proceeds from Sale of Investments	\$	\$ 25,149	\$ 28,283	\$ 51,558	\$ 55,991,204
Proceeds from Interest and Investment Income	18,915	5,805	6,100	12,963	3,348,876
Payments to Acquire Investments	(102,128)		(29,976)	(342,278)	(58,255,882)
Net Cash Provided (Used) by Investing Activities	(83,213)	30,954	4,407	(277,757)	1,084,198
Net Increase (Decrease) in Cash and Cash Equivalents	285	3,811	101,335	(9,887)	1,750,288
Cash and Cash Equivalents, September 1, 2022	25,845	59,869	79,540	24,119	10,012,015
Restatements					402
Cash and Cash Equivalents, September 1, 2022, as Restated	25,845	59,869	79,540	24,119	10,012,417
Cash and Cash Equivalents, August 31, 2023	\$ 26,130	\$ 63,680	\$ 180,875	\$ 14,232	\$ 11,762,705
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>					
Operating Loss	\$ (146,132)	\$ (135,863)	\$ (55,625)	\$ (192,831)	\$ (13,359,671)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:					
Depreciation and Amortization	23,385	19,723	21,918	22,110	3,066,982
Bad Debt Expense	579	367	80		528,968
Pension Expense	4,509	2,824	2,077	643	1,016,414
OPEB Expense	15,973	16,670	14,436	10,883	1,051,254
Operating Loss and Cash Flow Categories Classification Differences			33,944	(1,516)	30,805
Changes in Assets and Liabilities:					
(Increase) Decrease in Receivables	4,075	(2,506)	(9,150)	1,647	(1,123,065)
(Increase) Decrease in Due From Other Funds	72	(177)	(5,918)	(208)	(32,493)
(Increase) Decrease in Inventories	220	(26)	82	(231)	(4,922)
(Increase) Decrease in Notes Receivable					(1,758)
(Increase) Decrease in Loans and Contracts	(64)	3,578			6,664
(Increase) Decrease in Other Assets			357		(18,276)
(Increase) in Deferred Outflows of Resources - Pensions	(5,491)	(3,246)	(399)	(2,148)	(1,216,456)
Decrease in Deferred Outflows of Resources - OPEB	26,000	26,621	20,655	14,528	1,067,172
(Increase) Decrease in Prepaid Expenses	(150)	752	2,654		(50,691)
Increase (Decrease) in Payables	(677)	1,343	13,176	2,636	468,166
Increase (Decrease) in Deposits		163		241	131
Increase (Decrease) in Due To Other Funds	603	(45)	(986)	(952)	168,796
Increase (Decrease) in Unearned Revenue	544	365	(70)	4,109	315,674
Increase (Decrease) in Employees' Compensable Leave	263	602	(295)	90	74,722
Increase in Benefits Payable		226			14,044
Increase in Liabilities to Employees for Defined Benefit Pensions	18,205	19,011	7,525	6,808	3,258,353
(Decrease) in Liabilities to Employees for Defined Benefit OPEB	(43,063)	(51,499)	(35,011)	(22,739)	(8,730,743)
Increase (Decrease) in Other Liabilities	716	11,978	(86,452)	213	(188,072)
(Decrease) in Deferred Inflows of Resources - Pensions	(16,392)	(19,137)	(9,372)	(5,907)	(2,787,885)
Increase in Deferred Inflows of Resources - OPEB	16,438	23,188	14,357	8,134	7,391,895
Increase (Decrease) in Asset Retirement Obligations			(111)		341
Increase (Decrease) in Deferred Inflows Leases					94,707
Increase (Decrease) in Deferred Inflows - Public-Private/ Public-Public Partnerships		(1,334)			409,513
Total Adjustments	45,745	49,441	(16,503)	38,341	4,810,240
Net Cash Used by Operating Activities	\$ (100,387)	\$ (86,422)	\$ (72,128)	\$ (154,490)	\$ (8,549,431)
<b>NONCASH TRANSACTIONS</b>					
Donation of Capital Assets	\$	\$	\$	\$	\$ 68,527
Net Change in Fair Value of Investments	\$ 13,709	\$ (610)	\$ 5,013	\$	\$ 1,076,895
Other	\$ (2,744)	\$	\$	\$	\$ 417,091
Borrowing Under Lease Purchase	\$	\$	\$	\$ 1,293	\$ 425,419



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SECTION TWO (CONTINUED)

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# FIDUCIARY FUNDS

(AND SIMILAR COMPONENT UNITS)



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## PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS

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The **Teacher Retirement System Trust Account** is for the accumulation of resources for pension benefit payments for qualified employees of public education in Texas.

The **State Employees Retirement System (S.E.R.S.) Trust Account** is for the accumulation of resources for pension benefit payments to qualified state employees or beneficiaries.

The **Law Enforcement and Custodial Officer Supplement Retirement Fund** provides supplemental retirement and death benefits for members of the Employees Retirement System of Texas who completed 20 or more years of service or became occupationally disabled or died while serving as commissioned law enforcement officers of a state agency.

The **Judicial Retirement System - Plan Two Trust Fund** accounts for receipt of monies for retirement and death benefits for certain state-paid judges and judicial officers.

The **Texas Emergency Services Retirement System Fund** accounts for the accumulation of resources for pension, death and disability benefits for eligible fire and emergency services personnel who serve without monetary reward.

The **Retired School Employees Group Insurance Trust** receives contributions and other funds authorized to be deposited in the fund to pay insurance premiums, to reimburse for claims paid by a non-state entity and

to pay administrative expenses. The Teacher Retirement System of Texas, as trustee, administers the fund for public school retirees and their dependents. The public school entities are not considered part of the reporting entity for the state of Texas.

The **State Retiree Health Plan Trust** accounts for the receipt of monies for postemployment health care, life and dental insurance benefits provided under the Group Benefits Program. The Employees Retirement System of Texas, as trustee, administers the fund for retired employees of the state and other non-state entities as specified by the Texas Legislature.

The **Deferred Compensation Trust Fund** receives employee deferrals in accordance with Internal Revenue Code 457, appropriations by the state for the administration of the deferred compensation plan, trust income, and fees. The state of Texas is the only employer participating in the plan.

The **State Employee Cafeteria Plan Trust Fund** receives salary reduction payments and makes disbursements for benefits included in a cafeteria plan, other than Employees Uniform Group Insurance Program coverages. The fund also receives appropriations by the state for the administration of the cafeteria plan.

The **TexaSaver Administrative Trust Fund** receives deferrals, purchases qualified investments and pays expenses associated with administration of the deferred compensation plan.

## Combining Statement of Fiduciary Net Position: Pension and Other Employee Benefit Trust Funds

August 31, 2023 (Amounts in Thousands)

	Teacher Retirement System Trust Account	S.E.R.S. Trust Account	Law Enforcement and Custodial Officer Supplement Retirement Fund	Judicial Retirement System - Two Trust Fund	Texas Emergency Services Retirement System Fund	Retired School Employees Group Insurance Trust
<b>ASSETS</b>						
Cash and Cash Equivalents	\$ 481,391	\$ 76,580	\$ 2,789	\$ 1,651	\$ 779	\$ 3,661,962
Receivables:						
Accounts	567,868	140,895	5,079	1,970	1,822	375,138
Taxes	3,200					
Federal						
Investment Trades	2,836,619	67,227	2,079	1,133		
Interest and Dividends	403,955	104,597	3,240	1,734	244	14,919
From Other Funds	30,467	86,574	219	(36)		21,128
Investments:						
U.S. Government	27,482,831	3,740,049	114,002	68,055	16,984	
Corporate Equity	18,162,569	5,564,208	171,445	96,611	64,899	
Corporate Obligations	9,929	1,726,895	54,211	25,651	9,340	
Foreign Securities	28,948,333	4,448,544	137,288	76,294	14,407	
Externally Managed	103,361,824	15,674,450	482,918	272,347		
Other Investments	25,330,916	2,431,748	74,726	42,348	19,052	
Securities Lending Collateral	5,675,099	387,101	11,927	6,726		
Prepaid Items	256	178				
Other Assets	89					
Properties, at Cost, Net of Accumulated Depreciation or Amortization	190,742	84,023				7,600
Total Assets	<u>213,486,088</u>	<u>34,533,069</u>	<u>1,059,923</u>	<u>594,484</u>	<u>127,527</u>	<u>4,080,747</u>
<b>LIABILITIES</b>						
Payables:						
Accounts	78,924	24,576	672	489	135	187,052
Payroll	22,800	2				2,490
Investment Trades	3,399,034	40,463	1,247	703	7	
Interest		226				
Annuities	317,818					
To Other Funds	64,026	5,343	5,154	972		
Obligations:						
Securities Lending	5,786,409	386,102	11,896	6,709		
Reverse Repurchase Agreements	16,475,946					
Right to Use Leases	1,481	1,840				
Right to Use Subscriptions	8,079	13,771				
Funds Held for Others	(47)	1				
Employees' Compensable Leave	17,664	5,311				1,440
Other Liabilities	200					
Unearned Revenue		110	252	61		
Total Liabilities	<u>26,172,334</u>	<u>477,745</u>	<u>19,221</u>	<u>8,934</u>	<u>142</u>	<u>190,982</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred Inflows of Resources (Note 27)	55,030					
Total Deferred Inflows of Resources	<u>55,030</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>NET POSITION</b>						
Restricted for:						
Pensions	187,258,724	34,055,324	1,040,702	585,550	127,385	
OPEB <sup>1</sup>						3,889,765
Held in Trust for Individuals, Organizations and Other Governments						
Total Net Position	<u>\$ 187,258,724</u>	<u>\$ 34,055,324</u>	<u>\$ 1,040,702</u>	<u>\$ 585,550</u>	<u>\$ 127,385</u>	<u>\$ 3,889,765</u>

<sup>1</sup> Other Post Employment Benefits (OPEB)

Concluded on the following page

## Combining Statement of Fiduciary Net Position: Pension and Other Employee Benefit Trust Funds (concluded)

August 31, 2023 (Amounts in Thousands)

	State Retiree Health Plan Trust	Deferred Compensation Trust Fund	State Employee Cafeteria Plan Trust Fund	TexaSaver Administrative Trust Fund	Totals
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 54,439	\$ 3,966	\$ 2,866	\$ 3,839	\$ 4,290,262
Receivables:					
Accounts	24,465	31	4,540	45	1,121,853
Taxes					3,200
Federal	203,897				203,897
Investment Trades					2,907,058
Interest and Dividends	616	15	139	14	529,473
From Other Funds	104	(25)	(48)	(266)	138,117
Investments:					
U.S. Government					31,421,921
Corporate Equity					24,059,732
Corporate Obligations					1,826,026
Foreign Securities					33,624,866
Externally Managed					119,791,539
Other Investments	41,712		27,896		27,968,398
Securities Lending Collateral					6,080,853
Prepaid Items					434
Other Assets					89
Properties, at Cost, Net of Accumulated Depreciation or Amortization					282,365
Total Assets	<u>325,233</u>	<u>3,987</u>	<u>35,393</u>	<u>3,632</u>	<u>254,250,083</u>
<b>LIABILITIES</b>					
Payables:					
Accounts	139,640	18	52	239	431,797
Payroll					25,292
Investment Trades					3,441,454
Interest					226
Annuities					317,818
To Other Funds	15,613	180	392	682	92,362
Obligations:					
Securities Lending					6,191,116
Reverse Repurchase Agreements					16,475,946
Right to Use Leases					3,321
Right to Use Subscriptions					21,850
Funds Held for Others					(46)
Employees' Compensable Leave					24,415
Other Liabilities					200
Unearned Revenue					423
Total Liabilities	<u>155,253</u>	<u>198</u>	<u>444</u>	<u>921</u>	<u>27,026,174</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred Inflows of Resources (Note 27)					55,030
Total Deferred Inflows of Resources	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>55,030</u>
<b>NET POSITION</b>					
Restricted for:					
Pensions					223,067,685
OPEB <sup>1</sup>	169,980				4,059,745
Held in Trust for Individuals, Organizations and Other Governments		3,789	34,949	2,711	41,449
Total Net Position	<u>\$ 169,980</u>	<u>\$ 3,789</u>	<u>\$ 34,949</u>	<u>\$ 2,711</u>	<u>\$ 227,168,879</u>

<sup>1</sup> Other Post Employment Benefits (OPEB)

## STATE OF TEXAS

## Combining Statement of Changes in Fiduciary Net Position: Pension and Other Employee Benefit Trust Funds

For the Fiscal Year Ended August 31, 2023 (Amounts in Thousands)

	Teacher Retirement System Trust Account	S.E.R.S. Trust Account	Law Enforcement and Custodial Officer Supplement Retirement Fund	Judicial Retirement System - Two Trust Fund	Texas Emergency Services Retirement System Fund	Retired School Employees Group Insurance Trust
<b>ADDITIONS</b>						
Contributions:						
Member	\$ 4,521,097	\$ 758,060	\$ 10,902	\$ 8,830	\$ 3,736	\$ 277,468
State	2,551,749	2,205,097	24,800	14,686		495,642
Federal						188,173
Other Contributions	2,617,585					971,972
Total Contributions	<u>9,690,431</u>	<u>2,963,157</u>	<u>35,702</u>	<u>23,516</u>	<u>3,736</u>	<u>1,933,255</u>
Investment Income:						
From Investing Activities:						
Net Increase in Fair Value of Investments Interest, Dividend and Other	1,181,187	1,323,091	41,340	22,953	4,097	
Investment Income	<u>6,525,398</u>	<u>773,046</u>	<u>24,624</u>	<u>13,643</u>	<u>3,228</u>	<u>129,948</u>
Total Investing Income	7,706,585	2,096,137	65,964	36,596	7,325	129,948
Less Investing Activities Expense	<u>843,963</u>	<u>30,615</u>	<u>1,357</u>	<u>604</u>		
Net Income from Investing Activities	<u>6,862,622</u>	<u>2,065,522</u>	<u>64,607</u>	<u>35,992</u>	<u>7,325</u>	<u>129,948</u>
From Securities Lending Activities:						
Securities Lending Income	324,996	4,615	146	81		
Less Securities Lending Expense:						
Borrower Rebates <sup>1</sup>	301,655	1,740	55	31		
Management Fees		259	8	5		
Net Income from Securities Lending	<u>23,341</u>	<u>2,616</u>	<u>83</u>	<u>45</u>	<u>0</u>	<u>0</u>
Total Net Investment Income	<u>6,885,963</u>	<u>2,068,138</u>	<u>64,690</u>	<u>36,037</u>	<u>7,325</u>	<u>129,948</u>
Other Additions:						
Settlement of Claims		437	14	8		
Transfer In	32,321	121,932			1,291	
Other Revenue	953	1,004	12	4	15	40,306
Total Other Additions	<u>33,274</u>	<u>123,373</u>	<u>26</u>	<u>12</u>	<u>1,306</u>	<u>40,306</u>
Total Additions	<u>16,609,668</u>	<u>5,154,668</u>	<u>100,418</u>	<u>59,565</u>	<u>12,367</u>	<u>2,103,509</u>
<b>DEDUCTIONS</b>						
Benefits	12,744,916	2,859,868	96,112	39,903	8,531	1,308,797
Refunds of Contributions	707,817	139,435	3,419	311		
Gain (Loss) on Sale of Capital Assets	(46,564)	(5)				
Administrative Expenses	80,112	35,057	2,411	237	794	17,848
Depreciation and Amortization	9,524	10,505				2,606
Interest Expense		487			1	
Transfer Out	121,932	32,332				
Other Deductions	<u>6,492</u>	<u>12,024</u>	<u>70</u>	<u>6</u>	<u>1</u>	<u>2,430</u>
Total Deductions	<u>13,624,229</u>	<u>3,089,703</u>	<u>102,012</u>	<u>40,457</u>	<u>9,327</u>	<u>1,331,681</u>
<b>INCREASE (DECREASE) IN NET POSITION</b>	<u>2,985,439</u>	<u>2,064,965</u>	<u>(1,594)</u>	<u>19,108</u>	<u>3,040</u>	<u>771,828</u>
Net Position, September 1, 2022	184,272,523	31,980,329	1,042,296	566,442	124,345	3,117,937
Restatements	762	10,030				
Net Position, September 1, 2022, as Restated	<u>184,273,285</u>	<u>31,990,359</u>	<u>1,042,296</u>	<u>566,442</u>	<u>124,345</u>	<u>3,117,937</u>
Net Position, August 31, 2023	<u>\$ 187,258,724</u>	<u>\$ 34,055,324</u>	<u>\$ 1,040,702</u>	<u>\$ 585,550</u>	<u>\$ 127,385</u>	<u>\$ 3,889,765</u>

<sup>1</sup> The pension funds of the Employees Retirement System of Texas received rebates from borrowers in excess of payments made to borrowers due to increased demand in the securities lending market.

Concluded on the following page



STATE OF TEXAS

## Combining Statement of Changes in Fiduciary Net Position: Pension and Other Employee Benefit Trust Funds (concluded)

For the Fiscal Year Ended August 31, 2023 (Amounts in Thousands)

	State Retiree Health Plan Trust	Deferred Compensation Trust Fund	State Employee Cafeteria Plan Trust Fund	TexaSaver Administrative Trust Fund	Totals
<b>ADDITIONS</b>					
Contributions:					
Member	\$	\$	\$ 56,556	\$	\$ 5,636,649
State	801,019				6,092,993
Federal	123,528				311,701
Other Contributions			11,617		3,601,174
Total Contributions	<u>924,547</u>	<u>0</u>	<u>68,173</u>	<u>0</u>	<u>15,642,517</u>
Investment Income:					
From Investing Activities:					
Net Increase in Fair Value of Investments					2,572,668
Interest, Dividend and Other					
Investment Income	<u>6,464</u>	<u>148</u>	<u>1,134</u>	<u>138</u>	<u>7,477,771</u>
Total Investing Income	<u>6,464</u>	<u>148</u>	<u>1,134</u>	<u>138</u>	<u>10,050,439</u>
Less Investing Activities Expense		<u>9</u>	<u>22</u>	<u>71</u>	<u>876,641</u>
Net Income from Investing Activities	<u>6,464</u>	<u>139</u>	<u>1,112</u>	<u>67</u>	<u>9,173,798</u>
From Securities Lending Activities:					
Securities Lending Income					329,838
Less Securities Lending Expense:					
Borrower Rebates <sup>1</sup>					303,481
Management Fees					272
Net Income from Securities Lending	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>26,085</u>
Total Net Investment Income	<u>6,464</u>	<u>139</u>	<u>1,112</u>	<u>67</u>	<u>9,199,883</u>
Other Additions:					
Settlement of Claims					459
Transfer In					155,544
Other Revenue		126	193	124	42,737
Total Other Additions	<u>0</u>	<u>126</u>	<u>193</u>	<u>124</u>	<u>198,740</u>
Total Additions	<u>931,011</u>	<u>265</u>	<u>69,478</u>	<u>191</u>	<u>25,041,140</u>
<b>DEDUCTIONS</b>					
Benefits	915,692		67,463		18,041,282
Refunds of Contributions					850,982
Gain (Loss) on Sale of Capital Assets					(46,569)
Administrative Expenses	6,724	101	258	526	144,068
Depreciation and Amortization					22,635
Interest Expense					488
Transfer Out					154,264
Other Deductions	<u>1,189</u>	<u>3</u>	<u>909</u>	<u>53</u>	<u>23,183</u>
Total Deductions	<u>923,605</u>	<u>104</u>	<u>68,630</u>	<u>579</u>	<u>19,190,327</u>
<b>INCREASE (DECREASE) IN NET POSITION</b>	<u>7,406</u>	<u>161</u>	<u>848</u>	<u>(388)</u>	<u>5,850,813</u>
Net Position, September 1, 2022	163,119	3,628	34,101	3,099	221,307,819
Restatements	(545)				10,247
Net Position, September 1, 2022, as Restated	<u>162,574</u>	<u>3,628</u>	<u>34,101</u>	<u>3,099</u>	<u>221,318,066</u>
Net Position, August 31, 2023	<u>\$ 169,980</u>	<u>\$ 3,789</u>	<u>\$ 34,949</u>	<u>\$ 2,711</u>	<u>\$ 227,168,872</u>

<sup>1</sup> The pension funds of the Employees Retirement System of Texas received rebates from borrowers in excess of payments made to borrowers due to increased demand in the securities lending market.



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## PRIVATE-PURPOSE TRUST FUNDS

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The **Tobacco Settlement Permanent Trust (Political Subdivisions)** holds the portion of the money received in the settlement of the State of Texas v. The American Tobacco Co., et. al., designated for the exclusive benefit of other political subdivisions. Other political subdivisions include cities, counties and/or local hospital districts that are responsible for indigent health care. The fund is administered by the Treasury Operations Division of the Texas Comptroller of Public Accounts.

Due to GASB 84 implementation the Texas Insurance Companies Assets Account -Reserve and Custodial Fund and the Inmate Trust and Employee Service Option Fund were transferred to other fund types.

The **Catastrophe Reserve Trust Fund** is a state fund created to provide relief to insurance companies within the state in the event of certain catastrophic losses. Certain property insurers authorized to transact property insurance in Texas make payments to the fund.

The **Texas College Savings Plans** receive money contributed by account holders, money acquired from private sources and income from investment of deposits. The plans may be used only to pay costs of program administration and operations, make payments to state, private or independent institutions of higher education and make refunds to account holders.

STATE OF TEXAS

## Combining Statement of Fiduciary Net Position: Private-Purpose Trust Funds

August 31, 2023 (Amounts in Thousands)

	Tobacco Settlement Permanent Trust (Political Subdivisions)	Opioid Abatement Trust Fund	Catastrophe Reserve Trust Fund	Texas College Savings Plans	Other Private- Purpose Trust Funds	Totals
<b>ASSETS</b>						
Cash and Cash Equivalents	\$	\$ 266,039	\$ 275,979	\$ 1,534	\$ 31,349	\$ 574,901
Receivables:						
Federal					2,909	2,909
Investment Trades	4,943					4,943
Interest and Dividends	1,864		40	816	31	2,751
Other Receivables				736	2	738
Investments:						
Corporate Equity	40,289				4,316	44,605
Corporate Obligations					5,584	5,584
Foreign Securities					3,210	3,210
Other Investments	3,161,651			975,543		4,137,194
Loans and Contracts				1,046		1,046
Restricted:						
Cash and Cash Equivalents					14	14
Properties, at Cost, Net of Accumulated Depreciation or Amortization					418	418
Total Assets	<u>3,208,747</u>	<u>266,039</u>	<u>276,019</u>	<u>979,675</u>	<u>47,833</u>	<u>4,778,313</u>
<b>LIABILITIES</b>						
Payables:						
Accounts	3,213	193		327	4,579	8,312
Interest	3,355					3,355
From Restricted Assets				1,265		1,265
Employees' Compensable Leave					9	9
Other Liabilities				1,510		1,510
Unearned Revenue				993	807	1,800
Total Liabilities	<u>6,568</u>	<u>193</u>	<u>0</u>	<u>4,095</u>	<u>5,395</u>	<u>16,251</u>
<b>NET POSITION</b>						
Held in Trust for Individuals, Organizations and Other Governments	<u>3,202,179</u>	<u>265,846</u>	<u>276,019</u>	<u>975,580</u>	<u>42,438</u>	<u>4,762,062</u>
Total Net Position	<u>\$3,202,179</u>	<u>\$ 265,846</u>	<u>\$ 276,019</u>	<u>\$ 975,580</u>	<u>\$ 42,438</u>	<u>\$4,762,062</u>

STATE OF TEXAS

## Combining Statement of Changes in Fiduciary Net Position: Private-Purpose Trust Funds

For the Fiscal Year Ended August 31, 2023 (Amounts in Thousands)

	Tobacco Settlement Permanent Trust (Political Subdivisions)	Opioid Abatement Trust Fund	Catastrophe Reserve Trust Fund	Texas College Savings Plans	Other Private- Purpose Trust Funds	Totals
<b>ADDITIONS</b>						
Contributions:						
Federal	\$	\$	\$	\$	\$ 11,284	\$ 11,284
Other Contributions				354,962	11,111	366,073
Total Contributions	0	0	0	354,962	22,395	377,357
Investment Income:						
From Investing Activities:						
Net Increase in Fair Value of Investments	61,393			34,035	540	95,968
Interest, Dividend and Other Investment						
Income	19,823	8,692	10,070	30,276	1,292	70,153
Total Investing Income	81,216	8,692	10,070	64,311	1,832	166,121
Less Investing Activities Expense				3,450	22	3,472
Net Income from Investing Activities	81,216	8,692	10,070	60,861	1,810	162,649
Total Net Investment Income	81,216	8,692	10,070	60,861	1,810	162,649
Other Additions:						
Settlement of Claims		235,871				235,871
Other Revenue			79,942	418	533	80,893
Total Other Additions	0	235,871	79,942	418	533	316,764
Total Additions	81,216	244,563	90,012	416,241	24,738	856,770
<b>DEDUCTIONS</b>						
Benefits				351,790	5,101	356,891
Intergovernmental Payments	85,196				13,395	98,591
Settlement of Claims		52,088				52,088
Administrative Expenses	6,244			403	180	6,827
Depreciation and Amortization					39	39
Other Deductions			44	50	285	379
Total Deductions	91,440	52,088	44	352,243	19,000	514,815
<b>INCREASE (DECREASE) IN NET POSITION</b>	(10,224)	192,475	89,968	63,998	5,738	341,955
Net Position, September 1, 2022	3,212,403	73,371	186,051	911,582	36,700	4,420,107
Net Position, September 1, 2022, as Restated	3,212,403	73,371	186,051	911,582	36,700	4,420,107
Net Position, August 31, 2023	\$ 3,202,179	\$ 265,846	\$ 276,019	\$ 975,580	\$ 42,438	\$ 4,762,062



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## CUSTODIAL FUNDS

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The **Educational Custodial Fund** is used to hold funds for various education related activity held in a custodial capacity.

The **Economic Development Custodial Fund** is used to hold various state and local taxes collected by the Texas Comptroller of Public Accounts held in a custodial capacity.

The **External Investment Pool Custodial Fund** is used to hold investment operating and bond activity held in a custodial capacity.





STATE OF TEXAS

## Combining Statement of Fiduciary Net Position: Custodial Funds

August 31, 2023 (Amounts in Thousands)

	Educational Custodial Fund	Economic Development Custodial Fund	Other Custodial Funds	Totals
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 36,472	\$ 1,638,128	\$ 808,553	\$ 2,483,153
Receivables:				
Accounts	90		4,976	5,066
Gifts and Pledges	46,596			46,596
Investment Trades	92			92
Interest and Dividends	340		41	381
Other Receivables	7,098		201	7,299
Investments:				
U.S. Government			44,045	44,045
Other Investments	2,614			2,614
Other Assets	20		1,058,614	1,058,634
Restricted:				
Cash and Cash Equivalents	31,885			31,885
Investments	153,117			153,117
Total Assets	<u>278,324</u>	<u>1,638,128</u>	<u>1,916,430</u>	<u>3,832,882</u>
<b>LIABILITIES</b>				
Payables:				
Accounts	2,443		5,623	8,066
Investment Trades	229			229
Interest			53	53
Other Liabilities	5,300		141,059	146,359
Unearned Revenue	701		(32,581)	(31,880)
Total Liabilities	<u>8,673</u>	<u>0</u>	<u>114,154</u>	<u>122,827</u>
<b>NET POSITION</b>				
Other Purposes	<u>269,651</u>	<u>1,638,128</u>	<u>1,802,276</u>	<u>3,710,055</u>
Total Net Position	<u>\$ 269,651</u>	<u>\$ 1,638,128</u>	<u>\$ 1,802,276</u>	<u>\$ 3,710,055</u>

STATE OF TEXAS

## Combining Statement of Changes in Fiduciary Net Position: Custodial Funds

For the Fiscal Year Ended August 31, 2023 (Amounts in Thousands)

	Educational Custodial Fund	Economic Development Custodial Fund	Other Custodial Funds	Totals
<b>ADDITIONS</b>				
Contributions:				
Member	\$ 984	\$	\$	\$ 984
Federal	462			462
Other Contributions	60,508			60,508
Total Contributions	<u>61,954</u>	<u>0</u>	<u>0</u>	<u>61,954</u>
Investment Income:				
From Investing Activities:				
Net Increase in Fair Value of Investments	7,713			7,713
Interest, Dividend and Other Investment Income	3,128	4,600	20,955	28,683
Total Investing Income	10,841	4,600	20,955	36,396
Less Investing Activities Expense	975		(11,598)	(10,623)
Net Income from Investing Activities	<u>9,866</u>	<u>4,600</u>	<u>32,553</u>	<u>47,019</u>
Total Net Investment Income	<u>9,866</u>	<u>4,600</u>	<u>32,553</u>	<u>47,019</u>
Other Additions:				
Settlement of Claims			3,598	3,598
Transfer In			100	100
Other Revenue	39,759	13,446,566	488,934	13,975,259
Total Other Additions	<u>39,759</u>	<u>13,446,566</u>	<u>492,632</u>	<u>13,978,957</u>
Total Additions	<u>111,579</u>	<u>13,451,166</u>	<u>525,185</u>	<u>14,087,930</u>
<b>DEDUCTIONS</b>				
Benefits			404	404
Refunds of Contributions	315			315
Settlement of Claims			82,470	82,470
Administrative Expenses	575		9,494	10,069
Interest Expense	2	4,382	36	4,420
Other Deductions	91,554	13,353,768	245,403	13,690,725
Total Deductions	<u>92,446</u>	<u>13,358,150</u>	<u>337,807</u>	<u>13,788,403</u>
<b>INCREASE (DECREASE) IN NET POSITION</b>	<u>19,133</u>	<u>93,016</u>	<u>187,378</u>	<u>299,527</u>
Net Position, September 1, 2022	250,518	2,045,050	1,614,898	3,910,466
Restatements		(499,938)		(499,938)
Net Position, September 1, 2022, as Restated	<u>250,518</u>	<u>1,545,112</u>	<u>1,614,898</u>	<u>3,410,528</u>
Net Position, August 31, 2023	<u>\$ 269,651</u>	<u>\$ 1,638,128</u>	<u>\$ 1,802,276</u>	<u>\$ 3,710,055</u>

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SECTION TWO (CONCLUDED)

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# DISCRETELY PRESENTED COMPONENT UNITS



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## DISCRETELY PRESENTED COMPONENT UNITS

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A statement of net position and a statement of activities were prepared to report the breakdown of the following discretely presented component units:

**State Bar of Texas**  
**Texas State Affordable Housing Corporation**  
**OneStar National Service Commission and OneStar Foundation, Inc.**  
**Texas Low-Level Radioactive Waste Disposal Compact Commission**  
**Texas Prepaid Tuition Scholarship Foundation**  
**Texas Match the Promise Foundation**  
**Texas Windstorm Insurance Association**  
**Surplus Lines Stamping Office of Texas**  
**Texas FAIR Plan Association**  
**Texas Boll Weevil Eradication Foundation, Inc.**  
**Texas Agricultural Finance Authority**  
**Texas Water Resources Finance Authority**  
**Texas Appraiser Licensing and Certification Board**  
**Texas Disaster Relief Fund**  
**Texas Health Services Authority**  
**Beacon State Fund**  
**State Agency Council**  
**Texas Governor's Mansion Administration**  
**Robert G. Carr and Nona K. Carr Scholarship Foundation**  
**University of North Texas Foundation**  
**University of North Texas Health Science Center Foundation**  
**Texas State University Development Foundation**  
**Emmett and Miriam McCoy College of Business Development Foundation**  
**Texas Governor's Mansion Greenhouse Project**  
**Texas Tech Research Park, Inc.**

## STATE OF TEXAS

## Combining Statement of Net Position: Component Units

August 31, 2023 (Amounts in Thousands)<sup>1</sup>

	State Bar of Texas	Texas State Affordable Housing Corporation	OneStar National Service Commission and OneStar Foundation, Inc.	Texas Low-Level Radioactive Waste Disposal Compact Commission	Texas Prepaid Tuition Scholarship Foundation	Texas Match the Promise Foundation	Texas Windstorm Insurance Association
<b>ASSETS</b>							
Current Assets:							
Cash and Cash Equivalents	\$ 60,180	\$ 12,449	\$ 798	\$ 47	\$ 30	\$ 85	\$ 483,870
Short-Term Investments	15,815	23,141					
Receivables:							
Accounts	4,793	1,608					
Federal			4,249				
Leases		151					
Other Intergovernmental							
Gifts and Pledges			15				
Interest and Dividends		245					
Other Receivables							
Loans and Contracts							
Inventories	387						
Prepaid Items	948	279					11,194
Other Current Assets	1,001		82	2	47	1,855	29,677
Restricted:							
Cash and Cash Equivalents		7,741	716				
Loans and Contracts		101,213	200				
Total Current Assets	<u>83,124</u>	<u>146,827</u>	<u>6,060</u>	<u>49</u>	<u>77</u>	<u>1,940</u>	<u>524,741</u>
Noncurrent Assets:							
Receivables:							
Leases		116					
Gifts and Pledges							
Investments		17,344					
Loans and Contracts							
Prepaid Items							
Restricted:							
Cash and Cash Equivalents							
Investments		74,162					
Loans and Contracts		176,926	200				
Capital Assets:							
Non-Depreciable or Non-Amortizable	2,333	3,454					
Depreciable or Amortizable, Net	10,287	21,771					23,766
Other Noncurrent Assets		80					
Total Noncurrent Assets	<u>12,620</u>	<u>293,853</u>	<u>200</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>23,766</u>
Total Assets	<u>95,744</u>	<u>440,680</u>	<u>6,260</u>	<u>49</u>	<u>77</u>	<u>1,940</u>	<u>548,507</u>

Continued on the following page

STATE OF TEXAS

## Combining Statement of Net Position: Component Units (continued)

August 31, 2023 (Amounts in Thousands)<sup>1</sup>

	Surplus Lines Stamping Office of Texas	Texas FAIR Plan Association	Texas Boll Weevil Eradication Foundation Inc.	Texas Agricultural Finance Authority	Texas Water Resources Finance Authority	Texas Appraiser Licensing and Certification Board	Texas Disaster Relief Fund
<b>ASSETS</b>							
Current Assets:							
Cash and Cash Equivalents	\$ 1,715	\$ 50,619	\$ 73,340	\$ 17,922	\$	\$ 1,025	\$ 1,236
Short-Term Investments	14,001				6		
Receivables:							
Accounts	823	6,781	37				
Federal							
Leases							
Other Intergovernmental			3,204				
Gifts and Pledges							
Interest and Dividends		58		84			3
Other Receivables							
Loans and Contracts				170			
Inventories			8,127			5	
Prepaid Items	108	56	1,497				1
Other Current Assets	106	3,460		3			
Restricted:							
Cash and Cash Equivalents			23,878				
Loans and Contracts							
Total Current Assets	<u>16,753</u>	<u>60,974</u>	<u>110,083</u>	<u>18,179</u>	<u>6</u>	<u>1,030</u>	<u>1,240</u>
Noncurrent Assets:							
Receivables:							
Leases							
Gifts and Pledges							
Investments	13,851					2,743	
Loans and Contracts				822			
Prepaid Items			498				
Restricted:							
Cash and Cash Equivalents							
Investments			850				
Loans and Contracts							
Capital Assets:							
Non-Depreciable or Non-Amortizable	532						
Depreciable or Amortizable, Net	7,667		5,652				
Other Noncurrent Assets	37						
Total Noncurrent Assets	<u>22,087</u>	<u>0</u>	<u>7,000</u>	<u>822</u>	<u>0</u>	<u>2,743</u>	<u>0</u>
Total Assets	<u>38,840</u>	<u>60,974</u>	<u>117,083</u>	<u>19,001</u>	<u>6</u>	<u>3,773</u>	<u>1,240</u>

Continued on the following page

STATE OF TEXAS

**Combining Statement of Net Position:  
Component Units (continued)**

August 31, 2023 (Amounts in Thousands)<sup>1</sup>

	Texas Health Services Authority	Beacon State Fund	State Agency Council	Texas Governor's Mansion Administration	Robert G. Carr and Nona K. Carr Scholarship Foundation	University of North Texas Foundation	University of North Texas Health Science Center Foundation
<b>ASSETS</b>							
Current Assets:							
Cash and Cash Equivalents	\$ 2,296	\$ 174	\$ 28	\$ 7	\$	\$ 19,266	\$ 2,562
Short-Term Investments						20,669	867
Receivables:							
Accounts		25		1	500		
Federal Leases							
Other Intergovernmental Gifts and Pledges							
Interest and Dividends							
Other Receivables	464					5,796	82
Loans and Contracts							
Inventories						3	
Prepaid Items						7	69
Other Current Assets	25						
Restricted:							
Cash and Cash Equivalents					129		
Loans and Contracts							
Total Current Assets	<u>2,785</u>	<u>199</u>	<u>28</u>	<u>8</u>	<u>629</u>	<u>45,741</u>	<u>3,580</u>
Noncurrent Assets:							
Receivables:							
Leases							
Gifts and Pledges						6,371	657
Investments							
Loans and Contracts							
Prepaid Items							
Restricted:							
Cash and Cash Equivalents					6		
Investments					171,909	272,486	132,453
Loans and Contracts							
Capital Assets:							
Non-Depreciable or Non-Amortizable							
Depreciable or Amortizable, Net							
Other Noncurrent Assets							
Total Noncurrent Assets	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>171,915</u>	<u>278,857</u>	<u>133,110</u>
Total Assets	<u>2,785</u>	<u>199</u>	<u>28</u>	<u>8</u>	<u>172,544</u>	<u>324,598</u>	<u>136,690</u>

Continued on the following page



## STATE OF TEXAS

## Combining Statement of Net Position: Component Units (continued)

August 31, 2023 (Amounts in Thousands)<sup>1</sup>

	Texas State University Development Foundation	Emmett and Miriam McCoy College of Business Development Foundation	Texas Governor's Mansion Greenhouse Project	Texas Tech Research Park, Inc.	Totals
<b>ASSETS</b>					
Current Assets:					
Cash and Cash Equivalents	\$ 1,718	\$ 1,883	\$ 257	\$ 14	\$ 731,521
Short-Term Investments					74,499
Receivables:					
Accounts			1		14,569
Federal					4,249
Leases					151
Other Intergovernmental					3,204
Gifts and Pledges					15
Interest and Dividends					390
Other Receivables					6,342
Loans and Contracts					170
Inventories					8,522
Prepaid Items					14,159
Other Current Assets					36,258
Restricted:					
Cash and Cash Equivalents					32,464
Loans and Contracts					101,413
Total Current Assets	<u>1,718</u>	<u>1,883</u>	<u>258</u>	<u>14</u>	<u>1,027,926</u>
Noncurrent Assets:					
Receivables:					
Leases					116
Gifts and Pledges	1,652				8,680
Investments	113,235	63,852			211,025
Loans and Contracts					822
Prepaid Items					498
Restricted:					
Cash and Cash Equivalents					6
Investments					651,860
Loans and Contracts					177,126
Capital Assets:					
Non-Depreciable or Non-Amortizable			560		6,879
Depreciable or Amortizable, Net					69,143
Other Noncurrent Assets					117
Total Noncurrent Assets	<u>114,887</u>	<u>63,852</u>	<u>560</u>	<u>0</u>	<u>1,126,272</u>
Total Assets	<u>116,605</u>	<u>65,735</u>	<u>818</u>	<u>14</u>	<u>2,154,198</u>

*Continued on the following page*

STATE OF TEXAS

## Combining Statement of Net Position: Component Units (continued)

August 31, 2023 (Amounts in Thousands)<sup>1</sup>

	State Bar of Texas	Texas State Affordable Housing Corporation	OneStar National Service Commission and OneStar Foundation, Inc.	Texas Low-Level Radioactive Waste Disposal Compact Commission	Texas Prepaid Tuition Scholarship Foundation	Texas Match the Promise Foundation	Texas Windstorm Insurance Association
<b>LIABILITIES</b>							
Current Liabilities:							
Payables:							
Accounts Payroll	\$ 7,756	\$ 633	\$ 4,170	\$ 28	\$	\$	\$ 33,331
Interest		1,746					
Notes and Loans		751					
From Restricted Assets							
Bonds:							
Revenue		375					
Obligations:							
Right to Use Leases	644						571
Funds Held for Others							
Employees' Compensable Leave	1,205						
Other Current Liabilities	977	394			47	761	165,840
Unearned Revenue	15,979	1,120	305				280,545
Total Current Liabilities	<u>26,561</u>	<u>5,019</u>	<u>4,475</u>	<u>28</u>	<u>47</u>	<u>761</u>	<u>480,287</u>
Noncurrent Liabilities:							
Payables:							
Notes and Loans		1,319					
From Restricted Assets							
Bonds:							
Revenue		79,151					
Obligations:							
Right to Use Leases	3,872						7,886
Employees' Compensable Leave	1,110						
Other Noncurrent Liabilities							
Total Noncurrent Liabilities	<u>4,982</u>	<u>80,470</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>7,886</u>
Total Liabilities	<u>31,543</u>	<u>85,489</u>	<u>4,475</u>	<u>28</u>	<u>47</u>	<u>761</u>	<u>488,173</u>
<b>NET POSITION</b>							
Net Investment in Capital Assets	8,104	5,675					23,071
Restricted for:							
Education							
Funds Held as Permanent Investments:							
Nonexpendable							
Expendable							
Other Restricted Net Position		3,203	448				
Unrestricted	56,097	346,313	1,337	21	30	1,179	37,263
Total Net Position	<u>\$ 64,201</u>	<u>\$ 355,191</u>	<u>\$ 1,785</u>	<u>\$ 21</u>	<u>\$ 30</u>	<u>\$ 1,179</u>	<u>\$ 60,334</u>

Continued on the following page

STATE OF TEXAS

## Combining Statement of Net Position: Component Units (continued)

August 31, 2023 (Amounts in Thousands)<sup>1</sup>

	Surplus Lines Stamping Office of Texas	Texas FAIR Plan Association	Texas Boll Weevil Eradication Foundation Inc.	Texas Agricultural Finance Authority	Texas Water Resources Finance Authority	Texas Appraiser Licensing and Certification Board	Texas Disaster Relief Fund
<b>LIABILITIES</b>							
Current Liabilities:							
Payables:							
Accounts	\$ 211	\$ 14,325	\$ 131	\$ 36	\$	\$ 35	\$
Payroll	116		411	32		157	
Interest	3						
Notes and Loans							
From Restricted Assets							
Bonds:							
Revenue							
Obligations:							
Right to Use Leases	142		75				
Funds Held for Others							
Employees' Compensable Leave	115		816	26		87	
Other Current Liabilities		21,505		(69)			
Unearned Revenue		22,672					
Total Current Liabilities	<u>587</u>	<u>58,502</u>	<u>1,433</u>	<u>25</u>	<u>0</u>	<u>279</u>	<u>0</u>
Noncurrent Liabilities:							
Payables:							
Notes and Loans							
From Restricted Assets							
Bonds:							
Revenue							
Obligations:							
Right to Use Leases	1,032		180				
Employees' Compensable Leave				15		111	
Other Noncurrent Liabilities			850				
Total Noncurrent Liabilities	<u>1,032</u>	<u>0</u>	<u>1,030</u>	<u>15</u>	<u>0</u>	<u>111</u>	<u>0</u>
Total Liabilities	<u>1,619</u>	<u>58,502</u>	<u>2,463</u>	<u>40</u>	<u>0</u>	<u>390</u>	<u>0</u>
<b>NET POSITION</b>							
Net Investment in Capital Assets	7,028		4,788				
Restricted for:							
Education							
Funds Held as Permanent Investments:							
Nonexpendable							
Expendable							
Other Restricted Net Position			23,585			3,399	
Unrestricted	30,193	2,472	86,247	18,961	6	(16)	1,240
Total Net Position	<u>\$ 37,221</u>	<u>\$ 2,472</u>	<u>\$ 114,620</u>	<u>\$ 18,961</u>	<u>\$ 6</u>	<u>\$ 3,383</u>	<u>\$ 1,240</u>

Continued on the following page

STATE OF TEXAS

**Combining Statement of Net Position:  
Component Units (continued)**

August 31, 2023 (Amounts in Thousands)<sup>1</sup>

	Texas Health Services Authority	Beacon State Fund	State Agency Council	Texas Governor's Mansion Administration	Robert G. Carr and Nona K. Carr Scholarship Foundation	University of North Texas Foundation	University of North Texas Health Science Center Foundation
<b>LIABILITIES</b>							
Current Liabilities:							
Payables:							
Accounts	\$ 172	\$ 21	\$	\$ 3	\$ 4	\$ 232	\$ 184
Payroll					14		
Interest							
Notes and Loans							
From Restricted Assets							
Bonds:							
Revenue							
Obligations:							
Right to Use Leases							
Funds Held for Others						81,519	105,528
Employees' Compensable Leave							
Other Current Liabilities						3,164	
Unearned Revenue	46						
Total Current Liabilities	<u>218</u>	<u>21</u>	<u>0</u>	<u>3</u>	<u>18</u>	<u>84,915</u>	<u>105,712</u>
Noncurrent Liabilities:							
Payables:							
Notes and Loans							
From Restricted Assets							
Bonds:							
Revenue							
Obligations:							
Right to Use Leases							
Employees' Compensable Leave					23		
Other Noncurrent Liabilities							
Total Noncurrent Liabilities	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>23</u>	<u>0</u>	<u>0</u>
Total Liabilities	<u>218</u>	<u>21</u>	<u>0</u>	<u>3</u>	<u>41</u>	<u>84,915</u>	<u>105,712</u>
<b>NET POSITION</b>							
Net Investment in Capital Assets							
Restricted for:							
Education					88		
Funds Held as Permanent Investments:							
Nonexpendable					172,415	231,273	28,129
Expendable							
Other Restricted Net Position							
Unrestricted	2,567	178	28	5		8,410	2,849
Total Net Position	<u>\$ 2,567</u>	<u>\$ 178</u>	<u>\$ 28</u>	<u>\$ 5</u>	<u>\$ 172,503</u>	<u>\$ 239,683</u>	<u>\$ 30,978</u>

Concluded on the following page

STATE OF TEXAS

## Combining Statement of Net Position: Component Units (concluded)

August 31, 2023 (Amounts in Thousands)<sup>1</sup>

	Texas State University Development Foundation	Emmett and Miriam McCoy College of Business Development Foundation	Texas Governor's Mansion Greenhouse Project	Texas Tech Research Park, Inc.	Totals
<b>LIABILITIES</b>					
Current Liabilities:					
Payables:					
Accounts	\$ 1,453	\$	\$	\$ 152	\$ 62,877
Payroll					730
Interest					1,749
Notes and Loans					751
From Restricted Assets	30				30
Bonds:					
Revenue					375
Obligations:					
Right to Use Leases					1,432
Funds Held for Others					187,047
Employees' Compensable Leave					2,249
Other Current Liabilities	1,131				193,750
Unearned Revenue					320,667
Total Current Liabilities	<u>2,614</u>	<u>0</u>	<u>0</u>	<u>152</u>	<u>771,657</u>
Noncurrent Liabilities:					
Payables:					
Notes and Loans					1,319
From Restricted Assets	254				254
Bonds:					
Revenue					79,151
Obligations:					
Right to Use Leases					12,970
Employees' Compensable Leave					1,259
Other Noncurrent Liabilities					850
Total Noncurrent Liabilities	<u>254</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>95,803</u>
Total Liabilities	<u>2,868</u>	<u>0</u>	<u>0</u>	<u>152</u>	<u>867,460</u>
<b>NET POSITION</b>					
Net Investment in Capital Assets					48,666
Restricted for:					
Education					
Funds Held as Permanent Investments:					88
Nonexpendable	77,065	47,573			556,455
Expendable	35,379	18,162			53,541
Other Restricted Net Position					30,635
Unrestricted	1,293		818	(138)	597,353
Total Net Position	<u>\$ 113,737</u>	<u>\$ 65,735</u>	<u>\$ 818</u>	<u>\$ (138)</u>	<u>\$ 1,286,738</u>

## STATE OF TEXAS

## Combining Statement of Activities: Component Units

For the Fiscal Year Ended August 31, 2023 (Amounts in Thousands)<sup>1</sup>

	State Bar of Texas	Texas State Affordable Housing Corporation	OneStar National Service Commission and OneStar Foundation, Inc.	Texas Low-Level Radioactive Waste Disposal Compact Commission	Texas Prepaid Tuition Scholarship Foundation	Texas Match the Promise Foundation	Texas Windstorm Insurance Association
<b>EXPENSES</b>							
Cost of Goods Sold	\$ 563	\$	\$	\$	\$	\$	\$
Salaries and Wages	20,165	4,556	2,053				23,854
Payroll Related Costs	7,788		573				3,640
Professional Fees and Services	4,562	452	8,274	337			
Materials and Supplies	730		77	1			
Travel	8,345	111	55	30			
Communication and Utilities	770		3	4			
Repairs and Maintenance	919						
Rentals and Leases	1,026	154	233	44			1,079
Printing and Reproduction	1,388		18				
Public Assistance Payments			20,472				
Claims and Judgments	890						
Depreciation and Amortization	1,465	23,804					2,719
Bad Debt							
Direct Interest	48						18,277
Interest		2,158					(26)
Other Financing Fees							77,245
Other Expenses	7,282	3,683	714	55		57	128,891
Total Expenses	<u>55,941</u>	<u>34,918</u>	<u>32,472</u>	<u>471</u>	<u>0</u>	<u>57</u>	<u>255,679</u>
<b>PROGRAM REVENUES</b>							
Charges for Services	51,538	83,151	501				311,395
Operating Grants and Contributions	2,788	3,092	31,406			97	4,372
Total Program Revenues	<u>54,326</u>	<u>86,243</u>	<u>31,907</u>	<u>0</u>	<u>0</u>	<u>97</u>	<u>315,767</u>
Net Program Revenues (Expenses)	<u>(1,615)</u>	<u>51,325</u>	<u>(565)</u>	<u>(471)</u>	<u>0</u>	<u>40</u>	<u>60,088</u>
<b>GENERAL REVENUES</b>							
Unrestricted Investment Earnings					1	3	
Gain (Loss) on Sale of Capital Assets							
Other General Revenues	6,046	292		443		100	
Contributions to Permanent and Term Endowments							
Total General Revenues	<u>6,046</u>	<u>292</u>	<u>0</u>	<u>443</u>	<u>1</u>	<u>103</u>	<u>0</u>
Change in Net Position	<u>4,431</u>	<u>51,617</u>	<u>(565)</u>	<u>(28)</u>	<u>1</u>	<u>143</u>	<u>60,088</u>
Net Position, September 1, 2022	59,770	303,574	2,350	49	29	1,036	246
Restatements							
Net Position, September 1, 2022, as Restated	<u>59,770</u>	<u>303,574</u>	<u>2,350</u>	<u>49</u>	<u>29</u>	<u>1,036</u>	<u>246</u>
Net Position, August 31, 2023	<u>\$ 64,201</u>	<u>\$ 355,191</u>	<u>\$ 1,785</u>	<u>\$ 21</u>	<u>\$ 30</u>	<u>\$ 1,179</u>	<u>\$ 60,334</u>

<sup>1</sup> Amounts reported for the fiscal year ended Aug. 31, 2023, unless otherwise indicated in Note 19.

Continued on the following page

## STATE OF TEXAS

## Combining Statement of Activities: Component Units (continued)

For the Fiscal Year Ended August 31, 2023 (Amounts in Thousands)<sup>1</sup>

	Surplus Lines Stamping Office of Texas	Texas FAIR Plan Association	Texas Boll Weevil Eradication Foundation Inc.	Texas Agricultural Finance Authority	Texas Water Resources Finance Authority	Texas Appraiser Licensing and Certification Board	Texas Disaster Relief Fund
<b>EXPENSES</b>							
Cost of Goods Sold	\$	\$	\$	\$	\$	\$	\$
Salaries and Wages	3,253	6,101	12,037	395		1,476	
Payroll Related Costs	870	4,163		147		450	
Professional Fees and Services	600		2,963	17		235	
Materials and Supplies	37		4,805	8		18	
Travel	35		156	5		42	
Communication and Utilities	31		326			37	
Repairs and Maintenance	270		497				
Rentals and Leases	279	540	349			21	
Printing and Reproduction	2						
Public Assistance Payments Claims and Judgments				246	3,522		
Depreciation and Amortization	2,033		1,936				
Bad Debt			3				
Direct Interest							
Interest	3		8				
Other Financing Fees		(157)					
Other Expenses	113	35,471	3,150	84	2	74	
Total Expenses	<u>7,526</u>	<u>46,118</u>	<u>26,230</u>	<u>902</u>	<u>3,524</u>	<u>2,353</u>	<u>0</u>
<b>PROGRAM REVENUES</b>							
Charges for Services	8,830	45,620	11,732	602		2,247	
Operating Grants and Contributions	(957)	215	11,859		143	95	3
Total Program Revenues	<u>7,873</u>	<u>45,835</u>	<u>23,591</u>	<u>602</u>	<u>143</u>	<u>2,342</u>	<u>3</u>
Net Program Revenues (Expenses)	<u>347</u>	<u>(283)</u>	<u>(2,639)</u>	<u>(300)</u>	<u>(3,381)</u>	<u>(11)</u>	<u>3</u>
<b>GENERAL REVENUES</b>							
Unrestricted Investment Earnings			1,172	709		50	15
Gain (Loss) on Sale of Capital Assets			1,143				
Other General Revenues			2,297				
Contributions to Permanent and Term Endowments							
Total General Revenues	<u>0</u>	<u>0</u>	<u>4,612</u>	<u>709</u>	<u>0</u>	<u>50</u>	<u>15</u>
Change in Net Position	<u>347</u>	<u>(283)</u>	<u>1,973</u>	<u>409</u>	<u>(3,381)</u>	<u>39</u>	<u>18</u>
Net Position, September 1, 2022	36,874	2,755	112,647	18,552	3,387	3,344	1,222
Restatements							
Net Position, September 1, 2022, as Restated	<u>36,874</u>	<u>2,755</u>	<u>112,647</u>	<u>18,552</u>	<u>3,387</u>	<u>3,344</u>	<u>1,222</u>
Net Position, August 31, 2023	<u>\$ 37,221</u>	<u>\$ 2,472</u>	<u>\$ 114,620</u>	<u>\$ 18,961</u>	<u>\$ 6</u>	<u>\$ 3,383</u>	<u>\$ 1,240</u>

<sup>1</sup> Amounts reported for the fiscal year ended Aug. 31, 2023, unless otherwise indicated in Note 19.

Continued on the following page

## STATE OF TEXAS

## Combining Statement of Activities: Component Units (continued)

For the Fiscal Year Ended August 31, 2023 (Amounts in Thousands)<sup>1</sup>

	Texas Health Services Authority	Beacon State Fund	State Agency Council	Texas Governor's Mansion Administration	Robert G. Carr and Nona K. Carr Scholarship Foundation	University of North Texas Foundation	University of North Texas Health Science Center Foundation
<b>EXPENSES</b>							
Cost of Goods Sold	\$	\$	\$	\$	\$	\$	\$
Salaries and Wages	686				175	1,414	
Payroll Related Costs					56		
Professional Fees and Services	2,556	6			29	4,574	562
Materials and Supplies		54	1	16	53		
Travel	3				1	18	
Communication and Utilities	20	17			1		
Repairs and Maintenance							
Rentals and Leases	27	6	23				
Printing and Reproduction		3	1				
Public Assistance Payments						3,653	2,628
Claims and Judgments							
Depreciation and Amortization							
Bad Debt							38
Direct Interest							
Interest							
Other Financing Fees					11,732		
Other Expenses	66	69	4	16	16	5,109	470
Total Expenses	<u>3,358</u>	<u>155</u>	<u>29</u>	<u>32</u>	<u>12,063</u>	<u>14,768</u>	<u>3,698</u>
<b>PROGRAM REVENUES</b>							
Charges for Services	371			30		2,751	230
Operating Grants and Contributions	<u>1,823</u>	<u>140</u>	<u>31</u>	<u>2</u>	<u>13,283</u>	<u>25,522</u>	<u>6,481</u>
Total Program Revenues	<u>2,194</u>	<u>140</u>	<u>31</u>	<u>32</u>	<u>13,283</u>	<u>28,273</u>	<u>6,711</u>
Net Program Revenues (Expenses)	<u>(1,164)</u>	<u>(15)</u>	<u>2</u>	<u>0</u>	<u>1,220</u>	<u>13,505</u>	<u>3,013</u>
<b>GENERAL REVENUES</b>							
Unrestricted Investment Earnings							(224)
Gain (Loss) on Sale of Capital Assets							
Other General Revenues							
Contributions to Permanent and Term Endowments							
Total General Revenues	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(224)</u>
Change in Net Position	<u>(1,164)</u>	<u>(15)</u>	<u>2</u>	<u>0</u>	<u>1,220</u>	<u>13,505</u>	<u>2,789</u>
Net Position, September 1, 2022	3,731	193	26	5	171,283	226,178	24,773
Restatements							3,416
Net Position, September 1, 2022, as Restated	<u>3,731</u>	<u>193</u>	<u>26</u>	<u>5</u>	<u>171,283</u>	<u>226,178</u>	<u>28,189</u>
Net Position, August 31, 2023	<u>\$ 2,567</u>	<u>\$ 178</u>	<u>\$ 28</u>	<u>\$ 5</u>	<u>\$ 172,503</u>	<u>\$ 239,683</u>	<u>\$ 30,978</u>

<sup>1</sup> Amounts reported for the fiscal year ended Aug. 31, 2023, unless otherwise indicated in Note 19.

Concluded on the following page



## STATE OF TEXAS

## Combining Statement of Activities: Component Units (concluded)

For the Fiscal Year Ended August 31, 2023 (Amounts in Thousands)<sup>1</sup>

	Texas State University Development Foundation	Emmett and Miriam McCoy College of Business Development Foundation	Texas Governor's Mansion Greenhouse Project	Texas Tech Research Park, Inc.	Totals
<b>EXPENSES</b>					
Cost of Goods Sold	\$	\$	\$	\$	\$ 563
Salaries and Wages		185			76,350
Payroll Related Costs					17,687
Professional Fees and Services	1,285	151		36	26,639
Materials and Supplies	16	2	2		5,820
Travel		14			8,815
Communication and Utilities					1,209
Repairs and Maintenance					1,686
Rentals and Leases					3,781
Printing and Reproduction					1,412
Public Assistance Payments	4,635	1,511			36,667
Claims and Judgments					890
Depreciation and Amortization					31,957
Bad Debt					41
Direct Interest					18,325
Interest					2,143
Other Financing Fees					88,820
Other Expenses	21	25	1		185,373
Total Expenses	<u>5,957</u>	<u>1,888</u>	<u>3</u>	<u>36</u>	<u>508,178</u>
<b>PROGRAM REVENUES</b>					
Charges for Services					518,998
Operating Grants and Contributions	13,379	5,191	766		119,731
Total Program Revenues	<u>13,379</u>	<u>5,191</u>	<u>766</u>	<u>0</u>	<u>638,729</u>
Net Program Revenues (Expenses)	<u>7,422</u>	<u>3,303</u>	<u>763</u>	<u>(36)</u>	<u>130,551</u>
<b>GENERAL REVENUES</b>					
Unrestricted Investment Earnings					1,726
Gain (Loss) on Sale of Capital Assets					1,143
Other General Revenues					9,178
Contributions to Permanent and Term Endowments	1,432	1,187			2,619
Total General Revenues	<u>1,432</u>	<u>1,187</u>	<u>0</u>	<u>0</u>	<u>14,666</u>
Change in Net Position	<u>8,854</u>	<u>4,490</u>	<u>763</u>	<u>(36)</u>	<u>145,217</u>
Net Position, September 1, 2022	104,883	61,245	55	(102)	1,138,105
Restatements					3,416
Net Position, September 1, 2022, as Restated	<u>104,883</u>	<u>61,245</u>	<u>55</u>	<u>(102)</u>	<u>1,141,521</u>
Net Position, August 31, 2023	<u>\$ 113,737</u>	<u>\$ 65,735</u>	<u>\$ 818</u>	<u>\$ (138)</u>	<u>\$ 1,286,738</u>

<sup>1</sup> Amounts reported for the fiscal year ended Aug. 31, 2023, unless otherwise indicated in Note 19.



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SECTION THREE

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STATISTICAL SECTION



# STATISTICAL SECTION

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This section presents detailed information as a context for understanding what the information in the financial statements, note disclosures, required supplementary information and other supplementary information says about the state’s overall financial health.

Contents	Pages
<b>Financial Trends Information</b> . . . . .	351 – 357
These schedules contain trend information intended to help the reader understand how the state’s financial position has changed over time.	
<b>Revenue Capacity Information</b> . . . . .	358 – 360
These schedules contain information intended to help the reader assess the state’s most significant revenue source, state tax collections.	
<b>Debt Capacity Information</b> . . . . .	361 – 366
These schedules present information intended to assist users in understanding and assessing the state’s current levels of outstanding debt and the ability to issue additional debt.	
<b>Demographic and Economic Information</b> . . . . .	367 – 369
These schedules provide demographic and economic indicators intended to help the reader understand the socioeconomic environment within which the state’s financial activities take place.	
<b>Operating Information</b> . . . . .	370 – 374
These schedules provide contextual information about the state’s operations and resources intended to assist readers in using financial statement information to understand and assess the state’s economic condition.	

Sources: Unless otherwise noted, the information in these schedules is derived from the Texas Annual Comprehensive Financial Report databases for the relevant years.



## STATE OF TEXAS

**Statistical Section: Financial Trends Information**  
**Net Position by Component**
**Last Ten Fiscal Years**

(Amounts in Millions)

	2014	2015	2016	2017	2018
<b>GOVERNMENTAL ACTIVITIES</b>					
Net Investment in Capital Assets	\$ 68,739	\$ 70,898	\$ 72,248	\$ 76,926	\$ 80,747
Restricted	41,660	42,675	46,941	50,168	56,896
Unrestricted	9,006	(19,286)	(20,445)	(25,170)	(104,639)
Total Governmental Activities Net Position	119,405	94,287	98,744	101,924	33,004
<b>BUSINESS-TYPE ACTIVITIES</b>					
Net Investment in Capital Assets	11,055	11,572	11,847	11,756	12,706
Restricted	40,021	33,218	42,741	47,295	53,187
Unrestricted	5,101	8,631	6,059	6,711	642
Total Business-Type Activities Net Position	56,177	53,421	60,647	65,762	66,535
<b>PRIMARY GOVERNMENT</b>					
Net Investment in Capital Assets	79,794	82,470	84,095	88,682	93,453
Restricted	81,681	75,893	89,682	97,463	110,083
Unrestricted	14,107	(10,655)	(14,386)	(18,459)	(103,997)
Total Primary Government Net Position	\$ 175,582	\$ 147,708	\$ 159,391	\$ 167,686	\$ 99,539
<b>2019</b>					
<b>GOVERNMENTAL ACTIVITIES</b>					
Net Investment in Capital Assets	\$ 80,633	\$ 93,692	\$ 103,334	\$ 110,801	\$ 120,941
Restricted	63,002	65,318	77,148	80,533	32,352
Unrestricted	(97,411)	(108,438)	(107,730)	(77,945)	(47,267)
Total Governmental Activities Net Position	46,224	50,572	72,752	113,389	106,026
<b>BUSINESS-TYPE ACTIVITIES</b>					
Net Investment in Capital Assets	13,571	13,648	13,828	13,655	14,025
Restricted	53,629	53,738	67,575	70,465	73,868
Unrestricted	1,657	(853)	2,269	7,876	7,522
Total Business-Type Activities Net Position	68,857	66,533	83,672	91,996	95,415
<b>PRIMARY GOVERNMENT</b>					
Net Investment in Capital Assets	94,204	107,340	117,162	124,456	134,966
Restricted	116,631	119,056	144,723	150,998	106,220
Unrestricted	(95,754)	(109,291)	(105,461)	(70,069)	(39,745)
Total Primary Government Net Position	\$ 115,081	\$ 117,105	\$ 156,424	\$ 205,385	\$ 201,441

Source: 2014 – 2023 state of Texas financial statements

## STATE OF TEXAS

## Statistical Section: Financial Trends Information

### Changes in Net Position

#### Last Ten Fiscal Years

(Amounts in Thousands)

	2014	2015	2016	2017	2018
<b>GOVERNMENTAL ACTIVITIES</b>					
Expenses					
General Government	\$ 2,967,443	\$ 3,672,395	\$ 2,583,707	\$ 5,213,330	\$ (2,598,195)
Education	27,138,847	28,057,482	28,775,870	28,400,268	28,653,616
Employee Benefits	399,454	7,064	40,546	1,695	
Teacher Retirement State Contributions	2,700,533	2,735,913	2,080,935	2,148,958	2,629,099
Health and Human Services	48,015,340	51,792,158	55,584,169	55,499,408	57,710,097
Public Safety and Corrections	5,542,840	5,779,455	6,214,653	6,354,517	6,473,778
Transportation	5,223,720	5,088,956	5,837,122	6,143,369	6,262,684
Natural Resources and Recreation	1,944,520	2,167,711	2,013,773	2,163,813	2,180,408
Regulatory Services	792,267	488,780	737,203	420,273	398,150
Interest on General Long-Term Debt	750,946	814,564	159,953	167,115	155,172
Total Expenses	<u>95,475,910</u>	<u>100,604,478</u>	<u>104,027,931</u>	<u>106,512,746</u>	<u>101,864,809</u>
Program Revenues					
Charges for Services					
General Government	1,142,351	1,235,102	1,214,866	1,327,396	1,299,108
Education	801,358	710,897	640,800	1,084,465	1,105,345
Employee Benefits	70	71	71	70	70
Health and Human Services	2,894,301	3,793,377	4,885,841	4,029,864	4,691,698
Public Safety and Corrections	338,239	323,419	328,660	338,672	328,643
Transportation	2,492,591	2,472,458	2,678,980	2,920,669	3,191,175
Natural Resources and Recreation	716,696	680,476	671,388	719,546	703,925
Regulatory Services	657,008	662,538	546,396	575,609	585,528
Operating Grants and Contributions	46,903,926	43,731,463	49,361,737	50,747,993	52,302,464
Capital Grants and Contributions	96,802	71,237	47,373	51,202	64,179
Total Program Revenues	<u>56,043,342</u>	<u>53,681,038</u>	<u>60,376,112</u>	<u>61,795,486</u>	<u>64,272,135</u>
Net Program Revenues (Expenses):					
Governmental Activities	<u>(39,432,568)</u>	<u>(46,923,440)</u>	<u>(43,651,819)</u>	<u>(44,717,260)</u>	<u>(37,592,674)</u>
General Revenues:					
Taxes:					
Sales and Use	27,372,895	29,072,568	27,964,415	29,041,682	32,241,950
Oil and Natural Gas Production	4,645,756	3,987,325	3,638,527	3,423,345	4,983,417
Motor Vehicle and Manufactured Housing	4,213,273	4,541,039	4,525,239	4,572,207	4,971,002
Franchise	5,884,749	4,808,823	2,031,051	3,309,915	3,747,511
Motor Fuels	3,327,707	3,495,904	3,468,212	3,643,017	3,628,686
Insurance Occupation	1,967,613	2,056,729	2,241,153	2,359,979	2,526,827
Cigarette and Tobacco	1,348,923	1,522,941	1,390,796	1,522,924	1,319,424
Other Taxes	2,155,450	2,287,678	2,275,042	2,314,745	2,543,954
Unrestricted Investment Earnings	300,423	153,315	282,494	481,261	724,302
Settlement of Claims	574,082	590,685	670,386	537,444	560,556
Gain (Loss) on Sale of Capital Assets	1,865	50,749	54,797	1,249	2,178
Gain (Loss) on Other Financial Activity	6,708	22,266	(59,904)	(3,279)	
Other General Revenues	1,755,856	2,171,101	2,259,154	2,721,599	2,917,718
Capital Contributions (Distributions)	(152,616)	713	56,450	84,619	93,354
Contributions to Permanent and Term Endowments					
Distributions from Permanent Fund Principal					(11,010)
Transfers - Internal Activities	(4,130,757)	(4,189,320)	(4,777,546)	(5,345,718)	(5,043,006)
Total General Revenues, Contributions, Extraordinary Items and Transfers	<u>49,271,927</u>	<u>50,572,516</u>	<u>46,020,266</u>	<u>48,664,989</u>	<u>55,206,863</u>
Change in Net Position: Governmental Activities	<u>9,839,359</u>	<u>3,649,076</u>	<u>2,368,447</u>	<u>3,947,729</u>	<u>17,614,189</u>

Source: 2014 – 2023 state of Texas financial statements

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**Statistical Section: Financial Trends Information**  
**Changes in Net Position (continued)**  
**Last Ten Fiscal Years**

(Amounts in Thousands)

	2019	2020	2021	2022	2023
<b>GOVERNMENTAL ACTIVITIES</b>					
Expenses					
General Government	\$ 5,371,436	\$ 9,948,097	\$ 9,399,446	\$ (2,612,809)	\$ (3,499,619)
Education	29,599,638	31,793,760	33,975,101	41,640,966	38,266,365
Employee Benefits					
Teacher Retirement State Contributions	2,991,655	2,949,854	2,766,221	4,266,932	3,047,455
Health and Human Services	56,958,226	63,859,992	77,473,428	87,732,567	83,779,885
Public Safety and Corrections	6,479,379	6,304,563	6,250,456	7,682,429	8,609,501
Transportation	6,484,481	7,126,211	6,488,617	7,731,490	8,843,755
Natural Resources and Recreation	2,311,393	2,781,955	3,727,228	3,572,620	5,000,709
Regulatory Services	427,790	458,795	488,535	506,166	557,714
Interest on General Long-Term Debt	164,480	177,588	148,969	147,235	186,242
Total Expenses	<u>110,788,478</u>	<u>125,400,815</u>	<u>140,718,001</u>	<u>150,667,596</u>	<u>144,792,007</u>
Program Revenues					
Charges for Services					
General Government	1,443,433	1,416,922	1,653,507	1,645,948	1,915,381
Education	1,181,424	905,635	1,313,186	2,230,745	1,672,890
Employee Benefits					
Health and Human Services	4,544,376	5,193,922	4,754,039	6,599,795	6,299,207
Public Safety and Corrections	301,923	198,676	198,470	207,524	224,935
Transportation	3,159,690	2,976,759	3,101,244	3,108,815	3,222,638
Natural Resources and Recreation	676,790	641,888	685,407	850,305	843,738
Regulatory Services	589,380	620,118	646,789	705,972	689,101
Operating Grants and Contributions	52,316,910	60,708,011	84,402,547	98,895,680	82,074,497
Capital Grants and Contributions	120,099	42,946	58,687	62,953	126,370
Total Program Revenues	<u>64,334,025</u>	<u>72,704,877</u>	<u>96,813,876</u>	<u>114,307,737</u>	<u>97,068,757</u>
Net Program Revenues (Expenses):					
Governmental Activities	<u>(46,454,453)</u>	<u>(52,695,938)</u>	<u>(43,904,125)</u>	<u>(36,659,859)</u>	<u>(47,723,250)</u>
General Revenues:					
Taxes:					
Sales and Use	34,013,595	34,619,223	35,637,046	44,342,160	46,931,926
Oil and Natural Gas Production	5,565,378	3,928,170	5,253,763	11,525,864	8,993,122
Motor Vehicle and Manufactured Housing	5,028,763	4,732,137	5,818,216	6,441,219	6,863,270
Franchise	4,233,528	4,463,412	4,478,917	5,668,415	6,768,758
Motor Fuels	3,763,178	3,195,268	3,898,839	3,791,079	3,861,939
Insurance Occupation	2,591,631	2,796,878	2,687,322	3,165,238	4,144,429
Cigarette and Tobacco	1,405,669	1,306,008	1,397,311	1,209,789	1,211,005
Other Taxes	2,720,710	2,220,585	2,367,626	3,399,978	3,704,995
Unrestricted Investment Earnings	1,174,955	1,030,582	1,065,761	(177,703)	2,769,371
Settlement of Claims	656,055	657,400	797,352	643,729	632,711
Gain (Loss) on Sale of Capital Assets	8,030	20,800	28,662	5,983	5,565
Gain (Loss) on Other Financial Activity	(1,348)	(1,675)	(12,894)	(5,436)	908
Other General Revenues	3,543,038	3,573,380	4,274,476	6,197,723	9,666,209
Capital Contributions (Distributions)	767	2,630	55	2,473	508
Contributions to Permanent and Term Endowments					(8,553,136)
Distributions from Permanent Fund Principal	(9,616)	(11,801)	(11,914)	(15,457)	(23,197)
Transfers - Internal Activities	(5,367,035)	(6,316,901)	(1,542,142)	(9,708,156)	(6,891,397)
Total General Revenues, Contributions, Extraordinary Items and Transfers	<u>59,327,298</u>	<u>56,216,096</u>	<u>66,138,396</u>	<u>76,490,898</u>	<u>80,086,986</u>
Change in Net Position: Governmental Activities	<u>12,872,845</u>	<u>3,520,158</u>	<u>22,234,271</u>	<u>40,131,039</u>	<u>32,363,736</u>

Source: 2014 – 2023 state of Texas financial statements

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## STATE OF TEXAS

**Statistical Section: Financial Trends Information**  
**Changes in Net Position (continued)**  
**Last Ten Fiscal Years**

(Amounts in Thousands)

	2014	2015	2016	2017	2018
<b>BUSINESS-TYPE ACTIVITIES</b>					
Expenses					
General Government	\$ 122,356	\$ 113,069	\$ 121,463	\$ 139,018	\$ 151,158
Education	24,896,493	26,443,474	28,555,418	29,952,017	30,864,744
Employee Benefits					
Teacher Retirement State Contributions			1,584	1,584	1,329
Health and Human Services	2,759,024	2,585,461	3,145,846	2,684,798	2,243,354
Public Safety and Corrections	95,749	98,032	99,414	99,239	102,806
Transportation	248,827	251,897	352,735	451,780	491,228
Natural Resources and Recreation	315,963	279,335	392,417	356,284	417,762
Lottery	3,164,120	3,296,218	3,665,907	3,749,583	4,181,178
Total Expenses	<u>31,602,532</u>	<u>33,067,486</u>	<u>36,334,784</u>	<u>37,434,303</u>	<u>38,453,559</u>
Program Revenues					
Charges for Services					
General Government	59,977	64,388	59,849	75,580	110,236
Education	13,212,424	14,431,570	15,118,887	15,884,278	16,782,768
Health and Human Services	2,532,273	2,496,371	2,369,689	2,688,423	2,410,782
Public Safety and Corrections	107,544	112,255	111,739	113,459	119,520
Transportation	155,019	193,794	256,137	359,149	396,694
Natural Resources and Recreation	48,705	47,562	41,758	40,644	42,696
Lottery	4,385,331	4,530,468	5,068,213	5,078,175	5,627,640
Operating Grants and Contributions	13,120,148	7,327,924	9,883,197	12,315,252	15,301,199
Capital Grants and Contributions	522,211	131,714	68,313	180,782	289,553
Total Program Revenues	<u>34,143,632</u>	<u>29,336,046</u>	<u>32,977,782</u>	<u>36,735,742</u>	<u>41,081,088</u>
Net Program Revenues (Expenses):					
Business-Type Activities	<u>2,541,100</u>	<u>(3,731,440)</u>	<u>(3,357,002)</u>	<u>(698,561)</u>	<u>2,627,529</u>
General Revenues:					
Unrestricted Investment Earnings	165,597	67,089	142,738	86,447	79,105
Settlement of Claims	2,403	306	848	1,213	16,368
Gain (Loss) on Sale of Capital Assets	11,469	40,440	1,044	26	1,706
Gain (Loss) on Other Financial Activity					
Other General Revenues	195,964	186,006	175,050	177,799	169,986
Capital Contributions (Distributions)		3,817	5,854	5,593	41,343
Contributions to Permanent and Term Endowments	238,951	182,754	217,683	209,404	255,688
Special Items					
Extraordinary Items					
Transfers - Internal Activities	4,130,757	4,189,320	4,777,546	5,345,718	5,043,006
Total General Revenues, Contributions, Extraordinary Items and Transfers	<u>4,745,141</u>	<u>4,669,732</u>	<u>5,320,763</u>	<u>5,826,200</u>	<u>5,607,202</u>
Change in Net Position: Business Type Activities	<u>7,286,241</u>	<u>938,292</u>	<u>1,963,761</u>	<u>5,127,639</u>	<u>8,234,731</u>
Change in Net Position: Primary Government	<u>\$ 17,125,600</u>	<u>\$ 4,587,368</u>	<u>\$ 4,332,208</u>	<u>\$ 9,075,368</u>	<u>\$ 25,848,920</u>

Source: 2014 – 2023 state of Texas financial statements

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## STATE OF TEXAS

**Statistical Section: Financial Trends Information**  
**Changes in Net Position (concluded)**  
**Last Ten Fiscal Years**

(Amounts in Thousands)

	2019	2020	2021	2022	2023
<b>BUSINESS-TYPE ACTIVITIES</b>					
Expenses					
General Government	\$ 179,604	\$ 186,293	\$ 215,119	\$ 297,264	\$ 284,849
Education	32,919,256	36,807,305	40,353,505	40,335,100	43,635,059
Employee Benefits					
Teacher Retirement State Contributions					
Health and Human Services	2,072,611	30,138,406	26,084,927	1,993,906	2,383,827
Public Safety and Corrections	109,443	106,944	114,972	132,361	117,332
Transportation	559,047	593,048	607,473	710,006	678,327
Natural Resources and Recreation	538,560	534,504	551,445	539,464	651,703
Lottery	4,621,619	5,022,653	6,119,219	6,187,899	6,435,017
Total Expenses	<u>41,000,140</u>	<u>73,389,153</u>	<u>74,046,660</u>	<u>50,196,000</u>	<u>54,186,114</u>
Program Revenues					
Charges for Services					
General Government	121,877	34,865	23,213	46,406	46,375
Education	17,879,346	17,747,230	18,882,552	21,021,477	22,421,332
Health and Human Services	2,293,686	1,989,916	2,035,190	2,506,756	1,999,512
Public Safety and Corrections	124,251	118,243	128,837	139,409	129,341
Transportation	454,697	403,000	377,117	519,231	699,357
Natural Resources and Recreation	41,379	53,064	34,810	36,953	38,679
Lottery	6,252,347	6,704,767	8,107,877	8,297,288	8,725,994
Operating Grants and Contributions	9,842,091	36,746,088	58,405,771	13,748,930	18,547,535
Capital Grants and Contributions	331,469	154,756	143,359	272,484	263,497
Total Program Revenues	<u>37,341,143</u>	<u>63,951,929</u>	<u>88,138,726</u>	<u>46,588,934</u>	<u>52,871,621</u>
Net Program Revenues (Expenses):					
Business-Type Activities	<u>(3,658,997)</u>	<u>(9,437,224)</u>	<u>14,092,066</u>	<u>(3,607,066)</u>	<u>(1,314,492)</u>
General Revenues:					
Unrestricted Investment Earnings	156,819	178,862	195,884	(148,182)	223,262
Settlement of Claims	2,066	4,118	3,085	2,425	2,218
Gain (Loss) on Sale of Capital Assets	3	140	549	18,442	6,680
Gain (Loss) on Other Financial Activity					(162)
Other General Revenues	145,227	386,140	804,660	360,334	512,958
Capital Contributions (Distributions)	61,561	21,015	43,489	95,804	
Contributions to Permanent and Term Endowments	276,276	207,888	380,675	410,448	326,116
Special Items		698			
Extraordinary Items			86,141		
Transfers - Internal Activities	5,367,035	6,316,901	1,542,142	9,708,156	6,891,397
Total General Revenues, Contributions, Extraordinary Items and Transfers	<u>6,008,987</u>	<u>7,115,762</u>	<u>3,056,625</u>	<u>10,447,427</u>	<u>7,962,469</u>
Change in Net Position: Business Type Activities	<u>2,349,990</u>	<u>(2,321,462)</u>	<u>17,148,691</u>	<u>6,840,361</u>	<u>6,647,977</u>
Change in Net Position: Primary Government	<u>\$ 15,222,835</u>	<u>\$ 1,198,696</u>	<u>\$ 39,382,962</u>	<u>\$ 46,971,400</u>	<u>\$ 39,011,713</u>

Source: 2014 – 2023 state of Texas financial statements

## STATE OF TEXAS

**Statistical Section: Financial Trends Information**  
**Fund Balances: Governmental Funds**  
**Last Ten Fiscal Years**

(Amounts in Millions)

	2014	2015	2016	2017	2018
<b>GENERAL FUND</b>					
Nonspendable	\$ 596	\$ 843	\$ 728	\$ 698	\$ 725
Restricted	1,091	900	1,547	1,166	1,899
Committed	5,138	4,765	4,602	4,545	5,235
Assigned	70	23	115	51	41
Unassigned	10,864	11,351	7,680	5,558	5,288
Total General Fund	<u>\$ 17,759</u>	<u>\$ 17,882</u>	<u>\$ 14,672</u>	<u>\$ 12,018</u>	<u>\$ 13,188</u>

**ALL OTHER GOVERNMENTAL FUNDS**

Nonspendable	\$ 13,837	\$ 14,483	\$ 16,692	\$ 41,099	\$ 43,835
Restricted	28,344	30,314	31,584	11,654	12,975
Committed	2,552	1,961	1,276	1,036	841
Assigned	726	40	574	880	1,324
Unassigned	(555)			(9)	
Total All Other Governmental Funds	<u>\$ 44,904</u>	<u>\$ 46,798</u>	<u>\$ 50,126</u>	<u>\$ 54,660</u>	<u>\$ 58,975</u>

	2019	2020	2021	2022	2023
<b>GENERAL FUND</b>					
Nonspendable	\$ 712	\$ 751	\$ 847	\$ 725	\$ 918
Restricted	1,372	1,753	2,140	2,909	3,700
Committed	5,154	7,257	7,786	7,380	10,566
Assigned	51	11	12	41	6
Unassigned	8,990	7,039	13,951	34,077	49,789
Total General Fund	<u>\$ 16,279</u>	<u>\$ 16,811</u>	<u>\$ 24,736</u>	<u>\$ 45,132</u>	<u>\$ 64,979</u>

**ALL OTHER GOVERNMENTAL FUNDS**

Nonspendable	\$ 46,334	\$ 46,482	\$ 54,921	\$ 56,213	\$ 7,585
Restricted	15,126	16,744	19,255	20,335	19,637
Committed	1,016	617	872	929	224
Assigned	1,123	2	303	923	
Unassigned			(70)	(162)	(11)
Total All Other Governmental Funds	<u>\$ 63,599</u>	<u>\$ 63,845</u>	<u>\$ 75,281</u>	<u>\$ 78,238</u>	<u>\$ 27,435</u>

Source: 2014 – 2023 state of Texas financial statements

## Statistical Section: Financial Trends Information

### Changes in Fund Balances: Governmental Funds

#### Last Ten Fiscal Years<sup>1</sup>

(Amounts in Millions)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>REVENUES</b>										
Taxes	\$ 51,413	\$ 51,096	\$ 47,971	\$ 50,194	\$ 56,102	\$ 59,336	\$ 56,567	\$ 62,082	\$ 78,986	\$ 82,001
Federal	39,776	41,869	44,284	43,669	46,306	46,829	56,223	72,299	93,852	78,936
Licenses, Fees and Permits	5,251	5,308	5,266	5,523	5,654	5,817	5,515	5,750	6,064	6,325
Sales of Goods and Services	4,999	(574)	2,405	4,901	3,780	3,866	5,294	5,064	6,764	6,639
Interest and Other Investment Income	752	638	555	973	1,026	1,120	2,221	10,846	1,447	2,740
Land Income	577	590	685	540	546	693	830	1,216	2,130	1,641
Settlement of Claims	2,911	3,748	4,840	4,172	4,920	4,709	652	771	666	652
Other Revenues	4,182	4,676	5,253	5,364	5,789	6,044	6,178	7,332	9,740	12,694
<b>Total Revenues</b>	<b>109,861</b>	<b>107,351</b>	<b>111,259</b>	<b>115,336</b>	<b>124,123</b>	<b>128,414</b>	<b>133,480</b>	<b>165,360</b>	<b>199,649</b>	<b>191,628</b>
<b>EXPENDITURES</b>										
General Government	2,875	2,873	2,869	3,171	3,366	3,604	3,711	4,853	5,890	6,126
Education	27,148	27,937	28,671	28,392	28,657	29,689	31,729	33,843	41,508	39,182
Employee Benefits	18	14	47	26	27	20	46	44	59	54
Teacher Retirement State Contributions	1,957	2,736	2,081	2,149	2,629	2,992	2,950	2,768	4,267	3,047
Health and Human Services	47,947	51,741	55,544	55,466	57,994	57,209	63,981	77,551	87,626	83,624
Public Safety and Corrections	4,891	5,595	6,038	6,202	6,628	6,599	6,284	6,220	7,520	8,464
Transportation	1,068	3,581	3,643	3,741	3,831	4,074	4,422	3,802	4,897	5,335
Natural Resources and Recreation	4,897	2,186	2,124	2,138	2,169	2,241	2,863	3,833	3,651	4,022
Regulatory Services	791	486	736	420	427	451	466	481	490	552
Capital Outlay	5,529	5,447	6,371	7,053	6,819	7,862	9,575	10,214	10,120	10,773
Principal	836	757	746	769	869	954	1,030	1,147	1,223	1,381
Interest	769	757	792	844	883	865	870	731	746	723
Other Financing Fees	16	18	12	14	2	6	17	22	18	6
<b>Total Expenditures</b>	<b>98,742</b>	<b>104,128</b>	<b>109,674</b>	<b>110,385</b>	<b>114,301</b>	<b>116,566</b>	<b>127,944</b>	<b>145,509</b>	<b>168,015</b>	<b>163,289</b>
<b>Excess (Deficiency) of Revenues</b>										
Over (Under) Expenditures	11,119	3,223	1,585	4,951	9,822	11,848	5,536	19,851	31,636	28,338
<b>OTHER FINANCING SOURCES (USES)</b>										
Bonds and Notes Issued	953	2,578	1,089	1,914	451	662	507	992	506	622
Bonds Issued for Refunding	2,432	1,943	1,693	1,292	25	652	3,567	272	686	350
Premiums (Discounts) on Bonds Issued	408	642	359	406	16	91	256	54	58	8
Payment to Escrow for Refunding	(2,671)	(2,284)	(1,825)	(1,461)	(25)	(737)	(3,767)	(296)	(705)	(350)
Increase in Obligation for Capital Leases	15		1			1				
Increase in Obligation for RTU Lease/SBITAs									960	419
Sale of Capital Assets	41	79	73	23	15	20	36	50	16	28
Service Concession Arrangement			25			1				
Gain (Loss) on Other Financial Activity	7	22	(59)	(3)						7
Insurance Recoveries	9	22	3	10	17	11	23	4	4	
Capital Contributions			55	84			1		2	(23)
Contributions to Permanent and Term Endowments										(8,553)
Distributions from Permanent Fund Principal					(11)	(10)	(12)	(12)	(15)	
Transfer In (Note 12)	9,192	9,709	7,587	6,372	10,397	9,886	11,443	17,270	18,178	11,546
Transfer Out (Note 12)	(13,321)	(13,941)	(12,365)	(11,705)	(15,431)	(15,060)	(17,732)	(18,769)	(27,893)	(18,437)
<b>Total Other Financing Sources (Uses)</b>	<b>(2,935)</b>	<b>(1,230)</b>	<b>(3,364)</b>	<b>(3,068)</b>	<b>(4,546)</b>	<b>(4,483)</b>	<b>(5,678)</b>	<b>(435)</b>	<b>(8,204)</b>	<b>(14,383)</b>
<b>Net Change in Fund Balances</b>	<b>\$ 8,184</b>	<b>\$ 1,993</b>	<b>\$ (1,779)</b>	<b>\$ 1,883</b>	<b>\$ 5,276</b>	<b>\$ 7,365</b>	<b>\$ (142)</b>	<b>\$ 19,416</b>	<b>\$ 23,433</b>	<b>\$ 13,955</b>
<b>DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES</b>										
	1.7%	1.5%	1.5%	1.6%	1.6%	1.7%	1.6%	1.4%	1.2%	1.4%

<sup>1</sup>This table comprises the following funds: general, special revenue, debt service, capital projects and permanent.

Source: 2014 – 2023 state of Texas financial statements

## Statistical Section: Revenue Capacity Information

### Taxable Sales by Industry

For the Calendar Years 2013 through 2022<sup>1</sup>

(Amounts in Millions)

NAICS <sup>2</sup> Industry	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Agriculture, Forestry, Fishing, Hunting	\$ 182	\$ 212	\$ 224	\$ 227	\$ 246	\$ 263	\$ 274	\$ 305	\$ 416	\$ 450
Mining, Quarrying, Oil & Gas Extraction	28,079	32,312	22,124	13,844	19,460	27,029	26,955	15,081	16,521	25,384
Utilities	9,978	11,385	11,121	10,663	10,985	11,745	12,172	11,638	14,331	16,872
Construction	16,728	18,535	19,877	20,352	20,944	23,064	25,362	22,246	24,812	31,163
Manufacturing	33,768	37,149	36,175	34,703	39,100	44,194	46,343	41,990	50,040	60,024
Wholesale Trade	31,730	35,503	33,536	33,785	37,862	43,032	44,576	40,908	51,585	64,590
Retail Trade	161,779	170,661	175,959	178,251	183,898	193,683	205,143	216,967	273,796	294,535
Transportation, Warehousing	3,799	3,634	3,938	3,880	4,567	5,146	6,654	4,063	4,170	5,357
Information	38,434	41,452	43,056	43,948	45,694	48,720	50,865	43,448	42,407	45,890
Finance, Insurance	2,829	3,157	4,326	4,326	4,620	4,242	4,353	4,106	5,015	5,165
Real Estate, Rental, Leasing	11,554	12,770	12,257	11,584	13,346	15,682	16,330	13,684	15,607	18,368
Professional, Scientific, Technical Services	10,229	11,398	11,785	12,204	13,108	13,786	15,299	14,342	18,331	21,786
Management of Companies, Enterprises	513	757	972	1,066	1,090	1,258	1,668	695	809	843
Administration, Support, Waste Mgmt, Remediation Services	11,419	12,360	13,051	13,659	14,617	15,477	16,497	15,842	18,533	20,762
Educational Services	502	517	541	567	599	645	724	567	705	861
Health Care, Social Assistance	1,040	1,094	1,192	1,255	1,275	1,366	1,477	1,340	1,583	1,621
Arts, Entertainment, Recreation	4,511	4,881	5,184	5,355	5,638	6,023	6,304	3,855	6,296	8,080
Accommodation, Food Services	42,634	45,949	49,240	51,302	53,274	56,466	59,815	48,103	67,127	75,624
Other Services (Except Public Administration)	9,643	10,351	10,543	10,516	11,016	11,495	12,172	9,919	12,861	15,411
Public Administration	2,330	1,965	2,043	1,959	1,951	2,126	2,239	2,070	2,284	2,581
Nonclassifiable	5	5	3	2	2	3	3	3	2	2
Other	160	171	734	208	421	882	1,661	599	322	1,125
<b>Total Taxable Sales</b>	<b>\$ 421,846</b>	<b>\$ 456,218</b>	<b>\$ 457,881</b>	<b>\$ 453,656</b>	<b>\$ 483,713</b>	<b>\$ 526,327</b>	<b>\$ 556,887</b>	<b>\$ 511,771</b>	<b>\$ 627,553</b>	<b>\$ 716,494</b>
<b>Direct Sales Tax Rate</b>	<b>6.25%</b>	<b>6.25%</b>	<b>6.25%</b>	<b>6.25%</b>	<b>6.25%</b>	<b>6.25%</b>	<b>6.25%</b>	<b>6.25%</b>	<b>6.25%</b>	<b>6.25%</b>

<sup>1</sup> Fiscal 2023 data is not available until mid-year of the following fiscal year. Prior years subject to revisions due to length of verification process and amended returns.

<sup>2</sup> North American Industry Classification System

Note: The amount of sales tax revenue should not be calculated from the table as there are numerous adjustments, allocations and refunds to arrive at actual taxable revenue.

Source: Texas Comptroller of Public Accounts, "Quarterly Sales Tax Reports"

STATE OF TEXAS

**Statistical Section: Revenue Capacity Information**

**State Tax Collections**

**Last Ten Fiscal Years**

(Amounts in Millions, Except Per Capita State Tax Collections and Percentage Data)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Tax Collections <sup>1</sup>	\$ 51,413	\$ 51,096	\$ 47,971	\$ 50,194	\$ 55,963	\$ 59,322	\$ 57,262	\$ 61,539	\$ 79,544	\$ 82,479
Percentage Tax Collection Change From Prior Year	7.4%	(0.6)%	(6.1)%	4.6%	11.5%	6.0%	(3.5)%	7.5%	29.3%	3.7%
Resident Population	27.0	27.5	27.9	28.2	28.6	28.9	29.3	29.6	30.1	30.6
Percentage Population Change From Prior Year	1.8%	1.8%	1.5%	1.3%	1.2%	1.2%	1.2%	1.2%	1.6%	1.7%
State Tax Collections Per Capita	\$ 1,904	\$ 1,858	\$ 1,719	\$ 1,780	\$ 1,957	\$ 2,053	\$ 1,954	\$ 2,079	\$ 2,643	\$ 2,695

<sup>1</sup> This table comprises the following funds: general, special revenue, debt service and capital projects. Prior years are subject to revisions.

Source: Tax collection figures are from the 2014–2023 state of Texas financial statements. Resident population figures are from the U.S. Department of Commerce, Bureau of Census and Bureau of Economic Analysis and were revised from prior years due to changes in methodology, inflation factors, price indicators and revisions to interim census figures.

**Total Retail Sales**

**Last Ten Years<sup>1</sup>**

(Amounts in Millions)

Year	Retail Sales	Percent Change
2014	\$ 522,842	7.4%
2015	523,058	0.0%
2016	533,696	2.0%
2017	533,994	0.1%
2018	570,604	6.9%
2019	599,848	5.1%
2020	603,334	0.6%
2021 <sup>2</sup>	176,645	27.7%
2022	185,443	5.0%
2023	186,607	0.6%

<sup>1</sup> Reported amounts for retail sales may be revised each year as more complete information is received.

<sup>2</sup> Beginning in 2021 change is calculated over the first quarter of the prior year. Prior to 2021 change was calculated over first two quarters of prior fiscal year.

Source: Texas Comptroller of Public Accounts

## Statistical Section: Revenue Capacity Information

### Texas Gross State Product by Industry

#### Last Ten Years<sup>1</sup>

(Amounts in Millions, Except Percentage Data)

NAICS <sup>2</sup> Industry	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Agriculture, Forestry and Fishing										
	\$ 10,028	\$ 11,924	\$ 9,005	\$ 9,977	\$ 9,426	\$ 8,275	\$ 8,047	\$ 12,057	\$ 11,217	\$ 11,692
Percent Change	(7.1)%	18.9%	(24.5)%	10.8%	(5.5)%	(12.2)%	(2.8)%	49.8%	(7.0)%	4.2%
Mining and Natural Resources										
	200,716	119,518	97,041	123,763	152,549	145,139	87,983	161,923	235,643	206,613
Percent Change	7.7%	(40.5)%	(18.8)%	27.5%	23.3%	(4.9)%	(39.4)%	84.0%	45.5%	(12.3)%
Construction										
	78,025	83,224	86,681	88,774	90,542	97,631	97,280	101,495	110,223	119,777
Percent Change	15.5%	6.7%	4.2%	2.4%	2.0%	7.8%	(0.4)%	4.3%	8.6%	8.7%
Manufacturing										
	193,942	203,285	189,519	206,399	233,773	212,507	184,458	221,364	268,988	292,103
Percent Change	(13.7)%	4.8%	(6.8)%	8.9%	13.3%	(9.1)%	(13.2)%	20.0%	21.5%	8.6%
Trade, Transportation and Utilities										
	300,392	315,616	317,247	324,631	342,386	359,099	359,237	409,915	467,964	495,918
Percent Change	9.0%	5.1%	0.5%	2.3%	5.5%	4.9%	0.0%	14.1%	14.2%	6.0%
Information										
	53,842	59,532	60,994	64,074	67,905	73,692	75,730	85,103	94,384	101,383
Percent Change	(1.0)%	10.6%	2.5%	5.0%	6.0%	8.5%	2.8%	12.4%	10.9%	7.4%
Financial Activities										
	226,965	237,767	256,860	268,950	291,766	309,257	344,481	385,300	430,804	475,786
Percent Change	7.5%	4.8%	8.0%	4.7%	8.5%	6.0%	11.4%	11.8%	11.8%	10.4%
Professional and Business Services										
	170,909	179,412	182,906	195,041	210,094	227,000	220,040	252,048	286,515	313,650
Percent Change	8.4%	5.0%	1.9%	6.6%	7.7%	8.0%	(3.1)%	14.5%	13.7%	9.5%
Educational and Health Services										
	99,520	106,359	112,742	116,891	121,656	128,389	126,109	138,034	149,295	165,781
Percent Change	3.9%	6.9%	6.0%	3.7%	4.1%	5.5%	(1.8)%	9.5%	8.2%	11.0%
Leisure and Hospitality Services										
	51,123	56,615	59,384	60,784	62,166	66,437	53,205	67,406	79,004	88,370
Percent Change	12.1%	10.7%	4.9%	2.4%	2.3%	6.9%	(19.9)%	26.7%	17.2%	11.9%
Other Private Services										
	32,725	33,722	34,091	34,831	36,806	39,132	36,879	40,134	45,693	50,362
Percent Change	13.0%	3.0%	1.1%	2.2%	5.7%	6.3%	(5.8)%	8.8%	13.8%	10.2%
Government, including Schools										
	162,745	170,282	176,644	182,654	188,958	193,551	205,148	212,711	222,406	236,919
Percent Change	4.0%	4.6%	3.7%	3.4%	3.5%	2.4%	6.0%	3.7%	4.6%	6.5%
TOTAL										
	\$ 1,580,932	\$ 1,577,256	\$ 1,583,114	\$ 1,676,769	\$ 1,808,027	\$ 1,860,109	\$ 1,798,597	\$ 2,087,490	\$ 2,402,136	\$ 2,558,354
Percent Change	4.3%	(0.2)%	0.4%	5.9%	7.8%	2.9%	(3.3)%	16.1%	15.1%	6.5%
TOTAL (In 2017 Chained Dollars)										
	\$ 1,543,778	\$ 1,622,956	\$ 1,637,508	\$ 1,676,619	\$ 1,746,543	\$ 1,802,913	\$ 1,772,186	\$ 1,873,473	\$ 1,924,007	\$ 2,026,237
Percent Change	3.1%	5.1%	0.9%	2.4%	4.2%	3.2%	(1.7)%	5.7%	2.7%	5.3%

<sup>1</sup> The U.S. Bureau of Economic Analysis periodically revises its personal income and gross product data for states. These revisions include data changes for previous years as new and more complete information becomes available.

<sup>2</sup> North American Industry Classification System

<sup>3</sup> Data for 2023 includes estimates.

Source: U.S. Bureau of Economic Analysis, IHS Markit, and Texas Comptroller of Public Accounts



## STATE OF TEXAS

**Statistical Section: Debt Capacity Information**  
**Legal Debt Margin Information**  
**Last Ten Fiscal Years**

(Amounts in Thousands, Except Percentage Data)

	2014	2015	2016	2017	2018
Debt Service Limit <sup>1</sup>	\$ 2,254,734	\$2,373,010	\$2,465,908	\$2,537,134	\$2,659,565
Total Net Debt Service Applicable to Limit	<u>1,222,025</u>	<u>1,256,462</u>	<u>1,171,046</u>	<u>1,192,336</u>	<u>1,175,171</u>
Legal Debt Service Margin	<u>\$ 1,032,709</u>	<u>\$1,116,548</u>	<u>\$1,294,862</u>	<u>\$1,344,798</u>	<u>\$1,484,394</u>
Total Net Debt Service Applicable to Limit as a Percentage of Debt Service Limit	54.2%	52.9%	47.5%	47.0%	44.2%

	2019	2020	2021	2022	2023
Debt Service Limit <sup>1</sup>	\$ 2,734,127	\$2,766,461	\$2,787,423	\$3,109,939	\$3,478,836
Total Net Debt Service Applicable to Limit	<u>1,130,601</u>	<u>1,476,204</u>	<u>1,440,150</u>	<u>1,401,923</u>	<u>1,358,078</u>
Legal Debt Service Margin	<u>\$ 1,603,526</u>	<u>\$1,290,257</u>	<u>\$1,347,273</u>	<u>\$1,708,016</u>	<u>\$2,120,758</u>
Total Net Debt Service Applicable to Limit as a Percentage of Debt Service Limit	41.4%	53.4%	51.7%	45.1%	39.0%

**Legal Debt Service Margin Calculation for Fiscal 2023**

Unrestricted General Revenue fiscal 2021	\$57,987,192
Unrestricted General Revenue fiscal 2022	74,443,694
Unrestricted General Revenue fiscal 2023	76,299,244
Debt Service Limit <sup>1</sup>	3,478,836
Debt Service Applicable to Limit:	
Debt Service on Outstanding Debt Payable from	
General Revenue (GR)	689,571
Plus: Estimated Debt Service on Authorized but Unissued Debt Payable From GR	<u>668,507</u>
Total Net Debt Service Applicable to Limit	1,358,078
Legal Debt Service Margin	<u>\$ 2,120,758</u>

<sup>1</sup> Debt service limit – Under state law, the maximum annual debt service in any fiscal year on state debt payable from the general revenue fund may not exceed 5 percent of an amount equal to the average of the unrestricted general revenue fund revenues for the three preceding fiscal years.

Source: Texas Bond Review Board

## STATE OF TEXAS

## Statistical Section: Debt Capacity Information

### Ratio of Outstanding Debt by Type

#### Last Ten Fiscal Years

(Amounts in Millions, Except Percentage Data and Per Capita)

Description of Issue	2014	2015	2016	2017	2018
<b>GOVERNMENTAL ACTIVITIES</b>					
Notes and Loans Payable	\$ 1,295	\$ 1,548	\$ 1,423	\$ 1,372	\$ 1,607
Notes and Loans Payable - Direct Borrowings					
General Obligation Bonds Payable	12,052	14,177	15,060	15,884	15,416
General Obligation Bonds Payable - Direct Placements					
Revenue Bonds Payable	4,662	4,490	4,290	4,777	4,496
Revenue Bonds Payable - Direct Placements					
Capital Lease Obligations	34	30	27	23	19
RTU Lease Obligations <sup>2</sup>					
RTU Subscriptions <sup>2</sup>					
Total Governmental Activities	<u>\$ 18,043</u>	<u>\$ 20,245</u>	<u>\$ 20,800</u>	<u>\$ 22,056</u>	<u>\$ 21,538</u>
<b>BUSINESS-TYPE ACTIVITIES</b>					
Notes and Loans Payable	2,140	1,243	2,195	2,324	2,204
Notes and Loans Payable - Direct Borrowings/Placements					
General Obligation Bonds Payable	3,765	3,955	4,330	4,363	4,410
General Obligation Bonds Payable - Direct Placements					
Revenue Bonds Payable	20,404	21,466	23,411	26,020	29,967
Revenue Bonds Payable - Direct Borrowings/Placements					
Capital Lease Obligations	17	61	70	73	113
Capital Leases - Direct Borrowings/Placements					
RTU Lease Obligations <sup>2</sup>					
RTU Subscriptions <sup>2</sup>					
Availability Payment Arrangements <sup>2</sup>					
Total Business-Type Activities	<u>\$ 26,326</u>	<u>\$ 26,725</u>	<u>\$ 30,006</u>	<u>\$ 32,780</u>	<u>\$ 36,694</u>
Total Primary Government	<u>\$ 44,369</u>	<u>\$ 46,970</u>	<u>\$ 50,806</u>	<u>\$ 54,836</u>	<u>\$ 58,232</u>
Percentage of Personal Income	3.5%	3.6%	3.9%	4.0%	3.9%
Per Capita <sup>1</sup>	\$ 1,645	\$ 1,711	\$ 1,822	\$ 1,942	\$ 2,038

<sup>1</sup> Prior years numbers are subject to revisions. Calculation based on resident population figures from U.S. Bureau of the Census and Texas Comptroller of Public Accounts.

<sup>2</sup> Right to Use Obligations beginning in FY 22 due to the implementation of GASB *Statement 87 - Leases*. = APA beginning in FY 2023 due to implementation of GASB *Statement 94 - Public-Private and Public-Public Partnerships and Availability Payment Arrangements*.

Source: 2014 – 2023 state of Texas financial statements

*Concluded on the following page*

## STATE OF TEXAS

**Statistical Section: Debt Capacity Information**  
**Ratio of Outstanding Debt by Type (concluded)**  
**Last Ten Fiscal Years**

(Amounts in Millions, Except Percentage Data and Per Capita)

Description of Issue	2019	2020	2021	2022	2023
<b>GOVERNMENTAL ACTIVITIES</b>					
Notes and Loans Payable	\$ 1,019	\$ 970	\$ 958	\$ 766	\$ 643
Notes and Loans Payable - Direct Borrowings	302	314	322	323	323
General Obligation Bonds Payable	14,976	14,733	14,058	13,956	13,785
General Obligation Bonds Payable - Direct Placements	287	285	283	281	279
Revenue Bonds Payable	4,356	4,078	4,499	4,300	3,949
Revenue Bonds Payable - Direct Placements	150	150	150		
Capital Lease Obligations	16	12	8		
RTU Lease Obligations <sup>2</sup>				799	746
RTU Subscriptions <sup>2</sup>					224
Total Governmental Activities	<u>\$21,106</u>	<u>\$20,542</u>	<u>\$20,278</u>	<u>\$20,425</u>	<u>\$19,949</u>
<b>BUSINESS-TYPE ACTIVITIES</b>					
Notes and Loans Payable	1,020	832	841	1,474	123
Notes and Loans Payable - Direct Borrowings/Placements	1,048	274	325	526	764
General Obligation Bonds Payable	3,978	3,925	3,899	3,884	4,099
General Obligation Bonds Payable - Direct Placements	139	107	81	58	43
Revenue Bonds Payable	32,348	35,979	36,470	37,388	39,532
Revenue Bonds Payable - Direct Borrowings/Placements	512	465	431	691	294
Capital Lease Obligations	163	173	179		
Capital Leases - Direct Borrowings/Placements	100	90	119		
RTU Lease Obligations <sup>2</sup>				1,207	1,285
RTU Subscriptions <sup>2</sup>					345
Availability Payment Arrangements <sup>2</sup>					
Total Business-Type Activities	<u>\$39,308</u>	<u>\$41,845</u>	<u>\$42,345</u>	<u>\$45,228</u>	<u>\$46,485</u>
Total Primary Government	<u>\$60,414</u>	<u>\$62,387</u>	<u>\$62,623</u>	<u>\$65,653</u>	<u>\$66,434</u>
Percentage of Personal Income	3.9%	3.8%	3.5%	3.5%	3.3%
Per Capita <sup>1</sup>	\$ 2,089	\$ 2,131	\$ 2,114	\$ 2,186	\$ 2,171

<sup>1</sup> Prior years numbers are subject to revisions. Calculation based on resident population figures from U.S. Bureau of the Census and Texas Comptroller of Public Accounts.

<sup>2</sup> Right to Use Obligations beginning in FY 22 due to the implementation of GASB *Statement 87 - Leases*. = APA beginning in FY 2023 due to implementation of GASB *Statement 94 - Public-Private and Public-Public Partnerships and Availability Payment Arrangements*.

Source: 2014 – 2023 state of Texas financial statements

STATE OF TEXAS

**Statistical Section: Debt Capacity Information**  
**Ratios of General Bonded Debt Outstanding**  
**Last Ten Fiscal Years<sup>1</sup>**

(Amounts in Millions, Except Percentage Data and General Bonded Debt Per Capita)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Bonded Debt (General Obligation Bonds Payable Only)	\$ 15,817	\$ 18,132	\$ 19,390	\$ 20,247	\$ 19,826	\$ 19,380	\$ 19,050	\$ 18,321	\$ 18,179	\$ 18,206
Percentage Bonded Debt Change From Prior Year	0.4%	14.6%	6.9%	4.4%	(2.1)%	(2.2)%	(1.7)%	(3.8)%	(0.8)%	(0.1)%
Tax Collections	\$ 51,413	\$ 51,096	\$ 47,971	\$ 50,194	\$ 55,963	\$ 59,322	\$ 57,262	\$ 61,539	\$ 79,544	\$ 82,479
Percentage Bonded Debt to Tax Collections	30.8%	35.5%	40.4%	40.3%	35.4%	32.7%	33.3%	29.8%	22.9%	22.1%
Resident Population	27.0	27.5	27.9	28.2	28.6	28.9	29.3	29.6	30.1	30.6
General Bonded Debt Per Capita	\$ 586	\$ 660	\$ 695	\$ 717	\$ 694	\$ 670	\$ 651	\$ 619	\$ 604	\$ 595

<sup>1</sup> Historical data may reflect a variety of changes in methodology, inflation factors, price indicators and revisions to interim census figures made by the U.S. Bureau of Economic Analysis.

Source: Bonded debt and tax collection amounts are from the 2014 – 2023 state of Texas financial statements. Resident population figures are from the U.S. Department of Commerce, Bureau of Census and Bureau of Economic Analysis.

## STATE OF TEXAS

## Statistical Section: Debt Capacity Information

### Pledged Revenue Bond Coverage

#### Last Ten Fiscal Years

(Amounts in Thousands, Except Ratio Data)

	2014	2015	2016	2017	2018
<b>GOVERNMENTAL ACTIVITIES</b>					
Pledged Revenue Bond Amount	\$ 7,497,602	\$ 7,538,774	\$ 8,300,451	\$ 8,485,616	\$ 8,918,589
Operating Expenditures	7,353,756	7,849,850	8,703,430	9,676,211	9,766,522
Net Available Revenue	\$ 143,846	\$ (311,076)	\$ (402,979)	\$ (1,190,595)	\$ (847,933)
Debt Service:					
Principal	\$ 174,925	\$ 162,130	\$ 164,585	\$ 166,300	\$ 302,475
Interest	196,102	202,315	179,164	197,704	496,637
Total Debt Service	\$ 371,027	\$ 364,445	\$ 343,749	\$ 364,004	\$ 799,112
Coverage Ratio	0.4	(0.9)	(1.2)	(3.3)	(1.1)
<b>BUSINESS-TYPE ACTIVITIES</b>					
Pledged Revenue Bond Amount	\$16,052,498	\$17,008,284	\$17,241,074	\$18,159,904	\$19,767,409
Operating Expenditures	12,203,713	13,180,793	15,240,489	15,306,246	15,734,887
Net Available Revenue	\$ 3,848,785	\$ 3,827,491	\$ 2,000,585	\$ 2,853,658	\$ 4,032,522
Debt Service:					
Principal	\$ 773,920	\$ 837,544	\$ 1,038,866	\$ 859,514	\$ 904,361
Interest	843,685	877,431	919,464	1,008,241	1,098,441
Total Debt Service	\$ 1,617,605	\$ 1,714,975	\$ 1,958,330	\$ 1,867,755	\$ 2,002,802
Coverage Ratio	2.4	2.2	1.0	1.5	2.0
<b>COMPONENT UNITS<sup>1</sup></b>					
Pledged Revenue Bond Amount	\$ 145,536	\$ 67,252	\$ 82,195	\$ 34,095	\$ 16,921
Operating Expenditures					
Net Available Revenue	\$ 145,536	\$ 67,252	\$ 82,195	\$ 34,095	\$ 16,921
Debt Service:					
Principal	\$ 43,186	\$ 34,956	\$ 31,718	\$ 30,274	\$ 14,390
Interest	9,463	6,041	3,915	2,430	1,301
Total Debt Service	\$ 52,649	\$ 40,997	\$ 35,633	\$ 32,704	\$ 15,691
Coverage Ratio	2.8	1.6	2.3	1.0	1.1
Total Combined Coverage Ratio	2.0	1.7	0.7	0.7	1.1

<sup>1</sup> This bond data includes operating revenues, interest earned on investments, other pledged revenues and other sources. Operating expenditures include capital outlay expenditures.

Source: 2014 – 2023 state of Texas financial statements and bond reporting system.

*Concluded on the following page*

## STATE OF TEXAS

**Statistical Section: Debt Capacity Information**  
**Pledged Revenue Bond Coverage (concluded)**  
**Last Ten Fiscal Years**

(Amounts in Thousands, Except Ratio Data)

	2019	2020	2021	2022	2023
<b>GOVERNMENTAL ACTIVITIES</b>					
Pledged Revenue Bond Amount	\$ 9,475,723	\$ 9,397,252	\$ 9,951,790	\$ 9,226,560	\$ 9,662,404
Operating Expenditures	10,606,135	13,100,406	12,661,084	12,605,785	14,850,828
Net Available Revenue	<u>\$ (1,130,412)</u>	<u>\$ (3,703,154)</u>	<u>\$ (2,709,294)</u>	<u>\$ (3,379,225)</u>	<u>\$ (5,188,424)</u>
Debt Service:					
Principal	\$ 316,345	\$ 251,550	\$ 261,121	\$ 309,290	\$ 813,815
Interest	486,388	197,640	180,451	177,130	562,887
Total Debt Service	<u>\$ 802,733</u>	<u>\$ 449,190</u>	<u>\$ 441,572</u>	<u>\$ 486,420</u>	<u>\$ 1,376,702</u>
Coverage Ratio	(1.4)	(8.2)	(6.1)	(6.9)	(3.8)
<b>BUSINESS-TYPE ACTIVITIES</b>					
Pledged Revenue Bond Amount	\$21,331,158	\$22,023,510	\$23,157,417	\$24,594,965	\$26,910,411
Operating Expenditures	16,776,755	17,674,156	19,138,820	20,843,974	22,631,396
Net Available Revenue	<u>\$ 4,554,403</u>	<u>\$ 4,349,354</u>	<u>\$ 4,018,597</u>	<u>\$ 3,750,991</u>	<u>\$ 4,279,015</u>
Debt Service:					
Principal	\$ 953,570	\$ 1,021,012	\$ 1,120,842	\$ 1,194,288	\$ 2,360,448
Interest	1,232,567	1,278,656	1,365,183	1,402,487	1,574,829
Total Debt Service	<u>\$ 2,186,137</u>	<u>\$ 2,299,668</u>	<u>\$ 2,486,025</u>	<u>\$ 2,596,775</u>	<u>\$ 3,935,277</u>
Coverage Ratio	2.1	1.9	1.6	1.4	1.1
<b>COMPONENT UNITS<sup>1</sup></b>					
Pledged Revenue Bond Amount	\$ 34,110	\$ 16,122	\$ 41,515	\$ 25,783	\$ 7,950
Operating Expenditures					
Net Available Revenue	<u>\$ 34,110</u>	<u>\$ 16,122</u>	<u>\$ 41,515</u>	<u>\$ 25,783</u>	<u>\$ 7,950</u>
Debt Service:					
Principal	\$ 5,670	\$ 7,615	\$ 19,760	\$ 19,665	\$ 2,060
Interest	997	2,052	2,096	1,175	731
Total Debt Service	<u>\$ 6,667</u>	<u>\$ 9,667</u>	<u>\$ 21,856</u>	<u>\$ 20,840</u>	<u>\$ 2,791</u>
Coverage Ratio	5.1	1.7	1.9	1.2	2.8
Total Combined Coverage Ratio	1.2	0.2	0.5	0.1	(0.2)

<sup>1</sup> This bond data includes operating revenues, interest earned on investments, other pledged revenues and other sources. Operating expenditures include capital outlay expenditures.

Source: 2014 – 2023 state of Texas financial statements and bond reporting system.

**Statistical Section: Demographic and Economic Information**  
**Texas Nonfarm Employment Detail: Number of Jobs**  
**Calendar Years 2014 – 2023<sup>1</sup>**

<b>Employment by Industry<sup>2</sup></b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
<b>GOODS-PRODUCING</b>					
Natural Resources and Mining	311,125	272,567	213,367	222,000	246,258
Construction	651,808	683,650	700,433	712,317	739,950
Manufacturing:					
Durables	591,008	579,292	542,608	542,783	565,425
Nondurables	297,042	300,467	304,850	310,375	316,900
Total, Goods-Producing	<u>1,850,983</u>	<u>1,835,976</u>	<u>1,761,258</u>	<u>1,787,475</u>	<u>1,868,533</u>
<b>SERVICE-PROVIDING</b>					
Trade, Transportation, and Utilities:					
Wholesale Trade	554,758	565,583	561,308	569,408	587,158
Retail Trade	1,252,575	1,293,033	1,318,125	1,321,992	1,323,300
Transportation and Warehousing	434,913	459,521	473,155	492,700	511,007
Utilities	48,679	49,187	49,553	50,291	51,385
Information	202,217	201,067	203,033	203,892	205,733
Financial Activities:					
Finance and Insurance	503,958	517,742	531,567	546,858	556,983
Real Estate and Rental and Leasing	196,567	201,167	204,800	214,133	221,975
Professional and Business Services:					
Professional, Scientific and Technical	685,042	716,467	733,375	750,117	783,517
Management, Administrative and Support	879,317	900,933	917,158	937,792	965,133
Educational and Health Services:					
Educational Services, Private	180,375	188,325	195,250	202,167	208,292
Health Care and Social Assistance	1,341,225	1,388,592	1,430,008	1,464,375	1,490,750
Leisure and Hospitality	1,188,325	1,241,983	1,289,900	1,319,950	1,356,908
Other Services	413,333	420,217	423,867	427,258	436,083
Government:					
Federal Civilian	193,250	194,320	197,730	199,820	201,230
State	400,400	401,000	409,200	414,400	417,500
Local	<u>1,271,000</u>	<u>1,293,400</u>	<u>1,318,200</u>	<u>1,329,800</u>	<u>1,337,600</u>
Total, Service-Providing	<u>9,745,934</u>	<u>10,032,537</u>	<u>10,256,229</u>	<u>10,444,953</u>	<u>10,654,554</u>
Total Nonfarm Employment	<u>11,596,917</u>	<u>11,868,513</u>	<u>12,017,487</u>	<u>12,232,428</u>	<u>12,523,087</u>

<sup>1</sup> Data in the table are annual averages. Prior years are subject to annual benchmark revisions.

<sup>2</sup> Data for current FY includes estimates for the final month.

Note: Due to confidentiality issues, the names of the ten largest revenue payers are not available.

This table provides alternative information regarding the source of the state's major tax revenue.

Source: Texas Workforce Commission and IHS Markit

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**Statistical Section: Demographic and Economic Information**  
**Texas Nonfarm Employment Detail: Number of Jobs (concluded)**  
**Calendar Years 2014 – 2023<sup>1</sup>**

<b>Employment by Industry<sup>2</sup></b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023<sup>2</sup></b>
<b>GOODS-PRODUCING</b>					
Natural Resources and Mining	248,967	191,725	180,508	200,658	220,110
Construction	774,592	737,258	737,308	779,742	807,279
Manufacturing:					
Durables	583,917	552,392	552,850	587,525	612,562
Nondurables	323,750	317,633	323,642	339,700	347,926
Total, Goods-Producing	<u>1,931,226</u>	<u>1,799,008</u>	<u>1,794,308</u>	<u>1,907,625</u>	<u>1,987,877</u>
<b>SERVICE-PROVIDING</b>					
Trade, Transportation, and Utilities:					
Wholesale Trade	600,275	580,058	592,925	637,950	668,958
Retail Trade	1,314,883	1,273,208	1,333,225	1,379,075	1,401,088
Transportation and Warehousing	534,370	553,281	584,181	640,214	653,248
Utilities	52,072	51,911	53,278	56,478	58,573
Information	210,517	199,975	208,333	229,933	240,632
Financial Activities:					
Finance and Insurance	573,275	584,900	607,808	635,742	658,814
Real Estate and Rental and Leasing	229,117	219,133	225,617	243,942	257,069
Professional and Business Services:					
Professional, Scientific and Technical	824,867	831,950	895,983	992,992	1,052,188
Management, Administrative and Support	980,858	937,450	1,009,817	1,080,450	1,081,904
Educational and Health Services:					
Educational Services, Private	216,275	208,408	219,983	236,667	241,450
Health Care and Social Assistance	1,525,758	1,491,417	1,517,117	1,566,208	1,652,505
Leisure and Hospitality	1,396,158	1,179,208	1,296,750	1,410,842	1,467,475
Other Services	446,167	398,183	418,492	447,892	473,043
Government:					
Federal Civilian	204,070	214,520	212,090	212,900	220,100
State	424,700	426,900	422,600	423,800	435,455
Local	1,348,600	1,324,600	1,328,600	1,358,900	1,396,272
Total, Service-Providing	<u>10,881,962</u>	<u>10,475,102</u>	<u>10,926,799</u>	<u>11,553,985</u>	<u>11,958,774</u>
Total Nonfarm Employment	<u>12,813,188</u>	<u>12,274,110</u>	<u>12,721,107</u>	<u>13,461,610</u>	<u>13,946,651</u>

<sup>1</sup> Data in the table are annual averages. Prior years are subject to annual benchmark revisions.

<sup>2</sup> Data for current FY includes estimates for the final month.

Note: Due to confidentiality issues, the names of the ten largest revenue payers are not available.

This table provides alternative information regarding the source of the state's major tax revenue.

Source: Texas Workforce Commission and IHS Markit



## Statistical Section: Demographic and Economic Information

### Texas and U.S. Selected Statistics

#### Last Ten Calendar Years<sup>1</sup>

Year <sup>2</sup>	Population (in Thousands)				Total Personal Income (in Millions)				Per Capita Income			
	Percent		Percent		Percent		Percent		Percent		Percent	
	Texas	Change	U.S.	Change	Texas	Change	U.S.	Change	Texas	Change	U.S.	Change
2014	26,978	1.8%	319,597	0.7%	\$1,257,640	6.1%	\$14,784,074	4.2%	\$46,618	4.3%	\$46,258	3.4%
2015	27,458	1.8%	322,036	0.8%	1,281,170	1.9%	15,473,741	4.7%	46,659	0.1%	48,050	3.9%
2016	27,882	1.5%	324,500	0.8%	1,276,331	(0.4)%	15,887,650	2.7%	45,777	(1.9)%	48,960	1.9%
2017	28,242	1.3%	326,747	0.7%	1,367,826	7.2%	16,662,756	4.9%	48,433	5.8%	50,996	4.2%
2018	28,570	1.2%	328,736	0.6%	1,463,790	7.0%	17,528,193	5.2%	51,235	5.8%	53,320	4.6%
2019	28,919	1.2%	330,548	0.6%	1,536,597	5.0%	18,356,248	4.7%	53,134	3.7%	55,533	4.2%
2020	29,264	1.2%	331,868	0.4%	1,611,228	4.9%	19,629,022	6.9%	55,058	3.6%	59,147	6.5%
2021	29,610	1.2%	332,469	0.2%	1,789,719	11.1%	21,407,662	9.1%	60,443	9.8%	64,390	8.9%
2022	30,092	1.6%	333,801	0.4%	1,879,420	5.0%	21,840,767	2.0%	62,455	3.3%	65,431	1.6%
2023	30,599	1.7%	335,501	0.5%	2,001,525	6.5%	22,981,665	5.2%	65,411	4.7%	68,500	4.7%

<sup>1</sup> Prior years are subject to revisions.

<sup>2</sup> Numbers for current fiscal year include some estimates for the latter part of the year.

## Texas and U.S. Employment and Unemployment Rates

### Last Ten Calendar Years<sup>1</sup>

(Thousands of Jobs and Percent)

Year <sup>2</sup>	Nonfarm Employment				Unemployment Percentage Rate	
	Texas	Percent Change	U.S.	Percent Change	Texas	U.S.
2014	11,597	3.1%	138,939	1.9%	5.2%	6.2%
2015	11,870	2.4%	141,824	2.1%	4.5%	5.3%
2016	12,018	1.2%	144,335	1.8%	4.6%	4.9%
2017	12,232	1.8%	146,607	1.6%	4.3%	4.4%
2018	12,523	2.4%	148,908	1.6%	3.9%	3.9%
2019	12,814	2.3%	150,904	1.3%	3.5%	3.7%
2020	12,276	(4.2)%	142,186	(5.8)%	7.7%	8.1%
2021	12,723	3.6%	146,285	2.9%	5.6%	5.3%
2022	13,459	5.8%	152,575	4.3%	3.9%	3.6%
2023	13,946	3.6%	156,182	2.4%	4.1%	4.0%

<sup>1</sup> Prior years numbers are subject to benchmark revisions.

<sup>2</sup> Texas numbers for current fiscal year include an estimate for the final month of the year.

Source: Texas Workforce Commission, Texas Comptroller of Public Accounts, IHS Markit, and U.S. Bureau of Labor Statistics.

## STATE OF TEXAS

**Statistical Section: Operating Information**  
**Full-Time Equivalent Employees by Function**  
**Last Ten Fiscal Years**

Function	2014	2015 <sup>1</sup>	2016	2017	2018
General Government	12,786	9,366	9,515	9,616	9,637
Education	165,199	54,356	54,357	52,599	50,623
Employee Benefits	342	170,640	176,526	179,978	181,970
Teacher Retirement State Contributions	584	1,719	1,754	1,747	1,747
Health and Human Services	57,659	50,134	51,552	51,952	49,463
Public Safety and Corrections	49,996	8,180	8,180	8,073	8,059
Transportation	12,456	15,881	16,072	17,321	17,512
Natural Resources and Recreation	8,070	3,469	3,490	3,491	3,412
Regulatory Services	3,867	2,218	1,973	2,238	1,947
Total FTEs <sup>2</sup>	<u>310,959</u>	<u>315,963</u>	<u>323,419</u>	<u>327,015</u>	<u>324,370</u>

Percentage Change                      0.7%                      1.6%                      2.4%                      1.1%                      (0.8)%

Function	2019	2020	2021	2022	2023 <sup>2</sup>
General Government	9,584	9,713	9,519	9,317	9,454
Health and Human Services	51,517	52,152	51,390	48,282	49,792
Education	184,696	189,731	189,103	193,962	203,982
Judiciary	1,747	1,783	1,790	1,797	1,815
Public Safety and Criminal Justice	49,159	47,883	45,878	42,237	43,090
Natural Resources	8,201	8,293	8,519	8,462	8,728
Business and Economic Development	17,884	18,144	19,134	18,781	19,049
Regulatory	3,418	3,455	3,505	3,437	3,461
The Legislature	2,190	1,918	2,071	1,845	1,933
Total FTEs	<u>328,396</u>	<u>333,072</u>	<u>330,909</u>	<u>328,120</u>	<u>341,304</u>

Percentage Change                      1.2%                      1.4%                      (0.6)%                      (0.8)%                      4.0%

<sup>1</sup> Functions were updated in 2015 to match SAO functions by Article Number.

<sup>2</sup> Unaudited data reported by agencies. Audited numbers to be reported by SAO later in the current fiscal year.

Source: Texas State Auditor's Office (SAO)

**Statistical Section: Operating Information**  
**Capital Asset Statistics by Function**  
**Last Ten Fiscal Years<sup>1</sup>**

Function	2014	2015	2016	2017	2018
<b>GENERAL GOVERNMENT</b>					
Number of Texas Facilities Commission Owned Facilities	210	210	204	204	198
State Real Property Inventory in Acres	1,559,615	1,210,769	1,212,174	1,218,978	1,218,407
<b>EDUCATION</b>					
Number of School Districts	1,238	1,225	1,225	1,216	1,217
Number of Students	5,135,880	5,215,282	5,284,252	5,359,127	5,399,682
Number of Higher Education Institutions	148	147	147	148	148
<b>HEALTH AND HUMAN SERVICES</b>					
Number of State Mental Health Facilities	38	38	38	39	39
Number of State Hospitals	12	12	12	12	10
<b>PUBLIC SAFETY AND CORRECTIONS</b>					
Number of State Prisons:					
Texas Department of Criminal Justice only	109	109	109	104	104
Number of Available Beds (Capacity)	156,756	155,634	155,534	152,364	152,327
Number of Authorized Vehicular State Patrol Units	1,804	1,828	2,084	2,220	2,345
<b>TRANSPORTATION</b>					
Centerline Miles of Highways <sup>2</sup> (Calendar years)	80,423	80,423	80,483	80,444	80,455
Number of Bridges <sup>4</sup>	34,892	35,753	36,008	36,173	36,149
<b>NATURAL RESOURCES AND RECREATION</b>					
Number of State Parks Managed	95	95	95	95	95
Number of Park Acreage	630,597	636,213	637,491	637,950	642,212

<sup>1</sup> Prior years are subject to revisions.

<sup>2</sup> Highway miles = includes mainlanes and frontage lanes combined and open to traffic traveled in one direction under the jurisdiction of the Texas Department of Transportation (TxDot) only. TxDot transitioned to a new roadway inventory system (GRID) in 2015, due to this there were no mileage changes between 2014 and 2015.

<sup>3</sup> Mileage for 2023 is not available until June, 2024.

<sup>4</sup> Number of bridges are the bridges owned and/or maintained by the state. TxDOT also inspects off-system bridges (county and city-owned) and contributes state resources towards off-system bridges under special circumstances. Off-system bridges are not included in the number of bridges total.

Source: Various state agencies and official state agency websites.

*Concluded on the following page*

**Statistical Section: Operating Information**  
**Capital Asset Statistics by Function (concluded)**  
**Last Ten Fiscal Years<sup>1</sup>**

Function	2019	2020	2021	2022	2023
<b>GENERAL GOVERNMENT</b>					
Number of Texas Facilities Commission Owned Facilities	197	197	195	198	192
State Real Property Inventory in Acres	1,218,407	1,246,347	1,246,352	1,246,341	1,246,326
<b>EDUCATION</b>					
Number of School Districts	1,217	1,215	1,221	1,222	1,210
Number of Students	5,431,910	5,493,940	5,371,586	5,427,370	5,518,432
Number of Higher Education Institutions	148	148	148	148	148
<b>HEALTH AND HUMAN SERVICES</b>					
Number of State Mental Health Facilities	39	39	39	39	39
Number of State Hospitals	10	10	10	10	11
<b>PUBLIC SAFETY AND CORRECTIONS</b>					
Number of State Prisons:					
Texas Department of Criminal Justice only	104	104	98	97	98
Number of Available Beds (Capacity)	151,200	150,618	137,146	133,087	136,666
Number of Authorized Vehicular State Patrol Units	2,447	2,818	2,826	2,892	2,995
<b>TRANSPORTATION</b>					
Centerline Miles of Highways <sup>2</sup> (Calendar years)	80,606	80,720	80,905	80,997	N/A <sup>3</sup>
Number of Bridges <sup>4</sup>	36,283	36,318	36,597	36,649	36,869
<b>NATURAL RESOURCES AND RECREATION</b>					
Number of State Parks Managed	95	88	88	89	88
Number of Park Acreage	644,681	639,503	638,592	640,273	639,216

<sup>1</sup> Prior years are subject to revisions.

<sup>2</sup> Highway miles = includes mainlanes and frontage lanes combined and open to traffic traveled in one direction under the jurisdiction of the Texas Department of Transportation (TxDot) only. TxDot transitioned to a new roadway inventory system (GRID) in 2015, due to this there were no mileage changes between 2014 and 2015.

<sup>3</sup> Mileage for 2023 is not available until June, 2024.

<sup>4</sup> Number of bridges are the bridges owned and/or maintained by the state. TxDOT also inspects off-system bridges (county and city-owned) and contributes state resources towards off-system bridges under special circumstances. Off-system bridges are not included in the number of bridges total.

Source: Various state agencies and official state agency websites.

## Statistical Section: Operating Information

### Operating Indicators by Function

#### Last Ten Fiscal Years

Function	2014	2015	2016	2017	2018
<b>GENERAL GOVERNMENT / REGULATORY SERVICES</b>					
Number of Tax Returns Processed	5,026,391	5,212,002	5,349,832	5,448,247	5,688,522
Number of Licenses Issued <sup>1</sup>	1,231,389	1,279,615	1,347,258	1,558,076	1,583,460
<b>EDUCATION</b>					
Average Daily School Attendance (ADA)	4,780,813	4,854,882	4,924,589	5,020,999	5,004,998
Percent of Students Passing STAAR Test	77%	77%	75%	75%	77%
Texas Higher Education Enrollments	1,465,870	1,489,525	1,522,542	1,532,500	1,571,721
Higher Education Degrees Awarded	271,155	287,616	303,894	316,930	326,679
<b>HEALTH AND HUMAN SERVICES</b>					
Number of Medicaid Clients Served <sup>2</sup>	3,746,124	4,056,702	4,060,564	4,067,380	4,021,686
Number of TANF Clients Served <sup>2</sup>	80,803	70,095	62,846	61,115	55,853
Number of Immunizations <sup>3</sup>	15,883,882	16,253,233	16,022,679	15,855,405	15,629,850
<b>PUBLIC SAFETY AND CORRECTIONS</b>					
Number of New Prison Population	71,325	69,066	67,492	65,278	65,710
Number of Prison Population Released	70,521	70,311	67,603	65,739	65,114
Average Daily Prison Population	150,620	149,159	147,510	146,424	145,543
Authorized Number of Troopers Patrolling Texas Highways <sup>7</sup>	1,804	1,828	2,084	2,220	2,221
<b>TRANSPORTATION</b>					
Number of Construction Project Preliminary Engineering Plans Completed	769	907	773	796	849
Number of Lane Miles Receiving Roadway Surface Improvements:					
By Contract	17,054	18,299	30,605	21,663	21,947
Via State Sources	7,939	8,005	7,268	8,245	7,038
Number of Vehicles Registered <sup>4</sup>	23,886,263	23,751,503	24,053,612	24,527,939	24,880,151
<b>NATURAL RESOURCES AND RECREATION</b>					
Number of State Parks Visits (in Millions) <sup>5</sup>	4.6	4.5	5.0	5.5	5.0
Number of Parks and Wildlife Licenses Issued <sup>6</sup>	3,028,100	3,093,641	3,186,072	3,900,976	3,766,075

<sup>1</sup> Current year numbers are estimated. Numbers from prior years may change due to updated numbers.

<sup>2</sup> Data is based on enrollment. Medicaid average monthly caseload is based on data through November 2023. TANF average monthly caseload is based on data through October 2023. Data through FY22 is final. FY23 data will not be finalized until April 2024; therefore data is subject to change.

<sup>3</sup> Includes Texas Vaccines for Children (TVFC) and Adult Safety Net (ASN) antigens only.

<sup>4</sup> The Number of Registered Vehicles is a "snap shot" in time, the number is reflective of the moment the underlying data is run and reported as the number is constantly updating.

<sup>5</sup> Includes number of paid visits only.

<sup>6</sup> Includes commercial and recreational licenses, stamps, tags and permits. Does not include items such as hunting lease license sales, collector's stamp sales, hunt drawing sales and other similar items sold through the Point-of-Sale System

<sup>7</sup> Authorized Number of Troopers Patrolling Texas Highways reflect personnel within the THP division

Other Sources: Various state agencies, state agency reports and official state agency websites. Prior years are subject to revisions.

*Concluded on the following page*

**Statistical Section: Operating Information**  
**Operating Indicators by Function (concluded)**  
**Last Ten Fiscal Years**

Function	2019	2020	2021	2022	2023
<b>GENERAL GOVERNMENT / REGULATORY SERVICES</b>					
Number of Tax Returns Processed	5,899,311	6,134,154	6,527,763	7,030,490	7,660,857
Number of Licenses Issued <sup>1</sup>	1,269,132	1,246,048	1,388,513	1,436,468	1,466,212
<b>EDUCATION</b>					
Average Daily School Attendance (ADA)	5,019,837	4,905,360	4,993,333	4,969,073	4,981,160,646
Percent of Students Passing STAAR Test	78%	78%	67%	74%	76%
Texas Higher Education Enrollments	1,560,748	1,496,552	1,490,079	1,494,662	1,532,470
Higher Education Degrees Awarded	337,537	338,483	345,614	339,289	345,882
<b>HEALTH AND HUMAN SERVICES</b>					
Number of Medicaid Clients Served <sup>2</sup>	3,915,011	3,984,967	4,682,819	5,311,376	5,726,771
Number of TANF Clients Served <sup>2</sup>	48,448	45,329	36,795	20,475	17,278
Number of Immunizations <sup>3</sup>	15,865,977	13,377,141	14,982,063	16,143,864	15,423,399
<b>PUBLIC SAFETY AND CORRECTIONS</b>					
Number of New Prison Population	62,621	37,286	42,418	48,309	53,853
Number of Prison Population Released	64,445	57,669	44,889	43,289	45,048
Average Daily Prison Population	144,328	136,056	119,153	118,771	126,019
Authorized Number of Troopers Patrolling Texas Highways <sup>7</sup>	2,528	2,788	2,896	2,892	2,936
<b>TRANSPORTATION</b>					
Number of Construction Project Preliminary Engineering Plans Completed	925	784	782	774	980
Number of Lane Miles Receiving Roadway Surface Improvements:					
By Contract	21,317	17,808	20,775	18,849	22,099
Via State Sources	6,587	6,412	5,891	6,022	5,198
Number of Vehicles Registered <sup>4</sup>	25,112,157	24,030,604	25,236,442	25,640,919	25,904,676
<b>NATURAL RESOURCES AND RECREATION</b>					
Number of State Parks Visits (in Millions) <sup>5</sup>	5.3	5.2	6.8	6.4	5.9
Number of Parks and Wildlife Licenses Issued <sup>6</sup>	3,912,616	4,465,054	4,348,394	3,749,517	3,381,143

<sup>1</sup> Current year numbers are estimated. Numbers from prior years may change due to updated numbers.

<sup>2</sup> Data is based on enrollment. Medicaid average monthly caseload is based on data through November 2023. TANF average monthly caseload is based on data through October 2023. Data through FY22 is final. FY23 data will not be finalized until April 2024; therefore data is subject to change.

<sup>3</sup> Includes Texas Vaccines for Children (TVFC) and Adult Safety Net (ASN) antigens only.

<sup>4</sup> The Number of Registered Vehicles is a "snap shot" in time, the number is reflective of the moment the underlying data is run and reported as the number is constantly updating.

<sup>5</sup> Includes number of paid visits only.

<sup>6</sup> Includes commercial and recreational licenses, stamps, tags and permits. Does not include items such as hunting lease license sales, collector's stamp sales, hunt drawing sales and other similar items sold through the Point-of-Sale System

<sup>7</sup> Authorized Number of Troopers Patrolling Texas Highways reflect personnel within the THP division

Other Sources: Various state agencies, state agency reports and official state agency websites. Prior years are subject to revisions.





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