



# ANNUAL

## COMPREHENSIVE FINANCIAL REPORT

STATE OF TEXAS  
FOR THE FISCAL YEAR ENDED AUGUST 31, 2024

GLENN HEGAR  
TEXAS COMPTROLLER OF PUBLIC ACCOUNTS





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The spreadsheets in this publication are available  
in accessible data form (Excel) and may be found online at

[comptroller.texas.gov/transparency/reports/comprehensive-annual-financial/](https://comptroller.texas.gov/transparency/reports/comprehensive-annual-financial/)

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# ACKNOWLEDGMENTS

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## Special Appreciation To:

All accounting and budget personnel of state agencies and institutions of higher education whose extra time and effort made this report possible.

The State Auditor's Office auditing staff



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SECTION ONE

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# INTRODUCTORY SECTION







February 28, 2025

To the Citizens of Texas, Governor Abbott  
and Members of the 89th Texas Legislature:

The state of Texas Annual Comprehensive Financial Report (ACFR) for the fiscal year ended Aug. 31, 2024, 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. Its 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, 2024, 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,

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transportation, natural resources and recreation, regulation, 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 expen-

ditures 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

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each biennium, from the general revenue fund for one-half of any unencumbered positive balance remaining in the general revenue fund on the last 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. The Legislature amended the statute, and the agency is now allowed to invest the ESF in prudent but higher-yield investments to maintain the fund's purchasing power, subject to requirements for at least 10 percent of the fund to be in liquid investments and for the fund to be invested to meet its cashflow requirements.

The balance in the fund on Aug. 31, 2024, was \$23.8 billion. The ESF is also discussed in Note 13.

## Economic Outlook

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 10 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 grew by an average 2.3 percent annually. For calendar year 2024 Texas real Gross Domestic Product (GDP) growth is estimated to have been 3.9 percent while that of the nation is estimated to have been 2.6 percent. Although a recession is not expected in calendar 2025, the growth rates for both Texas and the U.S. are projected to be below the 10-year average; 2.5 percent for Texas and 1.7 percent for the U.S.

After increases of 5 percent in 2022 and 6.1 percent in 2023, Texas personal income grew by an estimated 5.3 percent in 2024. It is expected to continue to grow by 5.8 percent in 2025.

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 eight Texas cities were among the nation's 15 most rapidly growing cities from July 2022 to July 2023, including four of the top five. Among the 15 U.S. cities with the highest absolute increases in population, seven were in Texas, including San Antonio at No. 1 and Fort Worth at No. 2. Texas' population is projected to grow by 376,600 in 2025, to reach 31 million.

As of November 2024, the Texas unemployment rate was 4.2 percent, up from 3.9 percent in November 2023. Over that period, the U.S. unemployment rate rose from 3.7 percent to 4.2 percent. The Texas unemployment rate is expected to average 4.2 percent in 2025, while the U.S. rate is expected to average 4.4 percent. Total Texas nonfarm employment rose by an estimated 2.1 percent in 2024 and is expected to increase by a further 1.4 percent in 2025.

## Texas Industry Performance

All but one of Texas' 11 major nonfarm industries experienced net job growth from November 2023 to November 2024. Employment in goods-producing industries increased by 2.8 percent, while employment in service-producing industries rose by 1.8 percent. Employment gains in the goods-producing industries (mining and logging, manufacturing and construction) were led by a 32,200 increase in construction employment. Among the service-providing industries, the largest increases were seen in the private education and health services (51,900) and the leisure and hospitality (41,300) industries.



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## Manufacturing

Texas manufacturing industry employment increased by 2.5 percent over 2023. Durable goods employment was up 19,300. The largest durable goods manufacturing sector, with 142,600 employees in November 2024, is fabricated metal manufacturing. That sector is closely associated with oil and natural gas exploration and production, and employment in the sector usually tracks employment in the mining industry. However, sector employment increased by 8,200, or 6.1 percent over 2023 even while mining employment fell. Nondurable-goods manufacturing employment grew by 5,100, or 1.5 percent, with the largest increase in the chemical manufacturing sector of 2,000, or 2.3 percent. Total manufacturing employment in November 2024 was 984,800.

The value of Texas exports in calendar year 2022 was a record \$485 billion, an increase of 29.4 percent from 2021. In 2023, however, the value of Texas exports fell by 8.4 percent, hurt by falling oil prices. Beginning in January, however, Texas exports began to increase again on a year-over-year basis. Through October of 2024, the value of Texas exports was up by 2.3 percent from the corresponding period of 2023. Texas remains the nation's leading exporting state, as it has been for more than a decade. Texas exports comprised 22 percent of total U.S. exports in 2023.

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## Construction

Total housing construction activity was down moderately over the year. Single-family building permits issued in the 12-month period ending October 2024, at 157,610, were up by 11.3 percent from the same period one year earlier. Building permits for multi-family units, however, were down by 30.3 percent. Total permits issued were down by 3.6 percent from the corresponding period in 2023.

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 increased by 2.5 percent over the year to \$333,000 from \$325,000. The inventory of existing homes for sale in November 2024 was 4.6 months, up from 3.7 in November 2023.

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## Mining

The mining industry was the only one of the 11 major industries to see an employment decline over the past 12 months. November 2024 industry employment was down by 1,100, or 0.5 percent from the November 2023 level. Oil and natural gas production, however, were both up over the year, by an estimated 0.4 percent (oil) and 6.1 percent (natural gas).

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## Awards and Acknowledgments

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### 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, 2023. 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 Certificate of Achievement for the last 34 years (fiscal years ended August 1990 through 2023). 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.

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## 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,

A handwritten signature in black ink, appearing to read "Glenn Hegar", written in a cursive style.

Glenn Hegar







## Elected State Officials

### Executive

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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

Dustin Burrows  
Speaker of the House of Representatives

### Judicial

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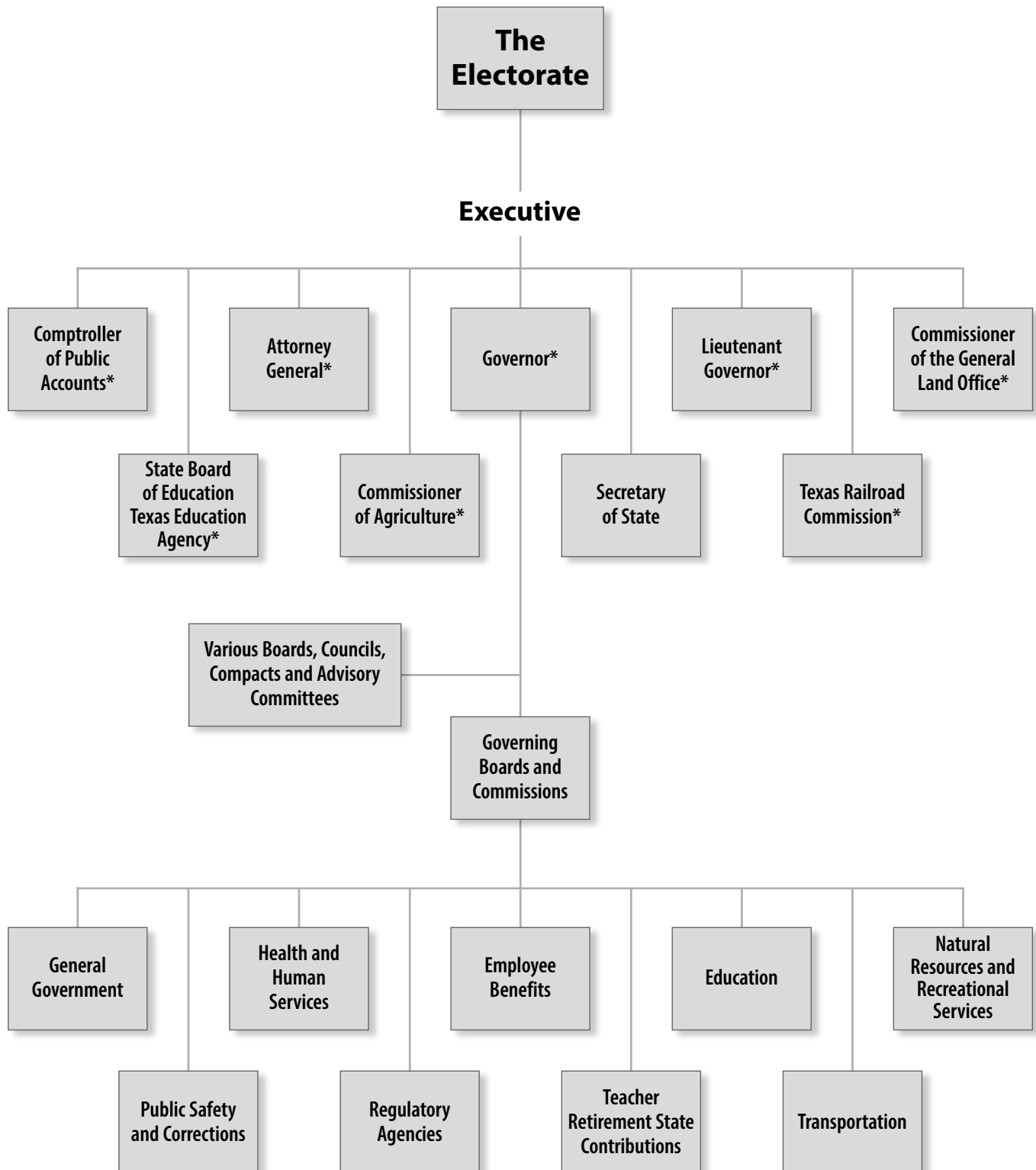
#### Supreme Court of Texas

Jimmy Blacklock, Chief Justice  
James P. Sullivan, Justice  
Debra Lehrmann, Justice  
John Phillip Devine, Justice  
Rebeca Aizpuru Huddle, Justice  
Jane Bland, Justice  
Jeffrey S. Boyd, Justice  
Brett Busby, Justice  
Evan A. Young, Justice

#### Court of Criminal Appeals

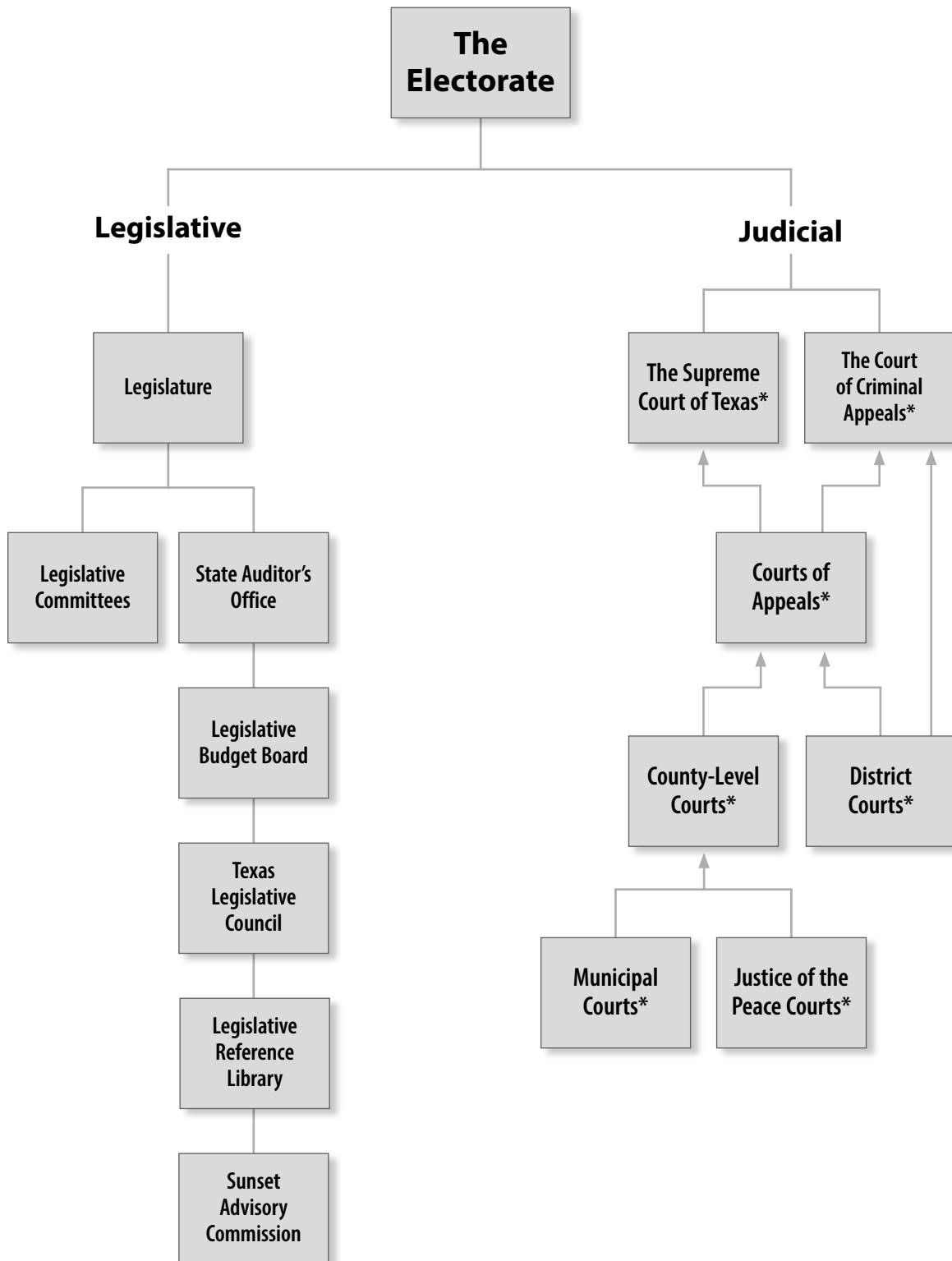
David J. Schenck, Presiding Judge  
Mary Lou Keel, Judge  
Bert Richardson, Judge  
Kevin Yeary, Judge  
Scott Walker, Judge  
Jesse F. McClure III, Judge  
Gina G. Parker, Judge  
Lee Finley, Judge  
David Newell, Judge

# 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, 2023

*Christopher P. Morill*

Executive Director/CEO

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SECTION TWO

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# FINANCIAL SECTION







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State Auditor

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## 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 Dustin Burrows, 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, 2024, 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, 2024, 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 59.0 percent of the assets of the governmental activities.
- The University of Texas System, a component of the State of Texas, which constitutes 72.9 percent of the assets of the Colleges and Universities, a major enterprise fund. The University of Texas System also constitutes 60.4 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 19.1 percent of the operating revenues of the business-type activities.

SAO Report No. 25-316

- The Employees Retirement System of Texas, a component of the State of Texas, which constitutes 14.2 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 100.0 percent of the assets of the External Investment Trust Fund, a major fiduciary fund. The Texas Treasury Safekeeping Trust Company also constitutes 12.6 percent of the assets of the fiduciary activities.
- The Permanent School Fund Corporation, a discretely presented component unit of the State of Texas that constitutes 94.5 percent of the assets of the component units.

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 Matter***

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

As discussed in Note 3, the consolidated financial statements include investments valued at approximately \$172.5 billion as of August 31, 2024, 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.

#### ***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.

---

***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*

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

February 21, 2025





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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, 2024. Use this section in conjunction with the state's basic financial statements. Comparative data is presented for this 2024 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 \$240.1 billion as of Aug. 31, 2024, an increase of \$38.7 billion or 19.2 percent from fiscal 2023. The majority of the increase is primarily due to an increase of \$12.6 billion in unrestricted net position and \$13.6 billion in net investment in capital assets. The net position is comprised of \$148.6 billion in net investment in capital assets, \$118.7 billion in restricted and negative \$27.2 billion in unrestricted.

### Fund Level

#### *Governmental Funds*

As of Aug. 31, 2024, the state's governmental funds reported a combined ending fund balance of \$98.2 billion, an increase of \$5.8 billion or 6.2 percent from fiscal 2023, primarily due to an increase in investments. The state reported a positive unassigned fund balance of \$46.9 billion in fiscal 2024.

#### *Proprietary Funds*

The proprietary funds reported a net position of \$105.2 billion as of Aug. 31, 2024, an increase of \$9.8 billion or 10.3 percent from fiscal 2023, primarily due to an increase in interest and investment income.

## Long-Term Debt

The state's total bonds outstanding increased by \$4.7 billion or 7.5 percent during fiscal 2024. This amount represents the net difference between net issuances, payments and refunding of outstanding bond debt. During fiscal 2024, the state issued bonds totaling \$11.7 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 28 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**

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**

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.

Governmental funds are accounted for using the modified accrual basis of accounting, which measures

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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

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

The state is the trustee or fiduciary for 10 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

Total assets of the state were \$483 billion, an increase of \$24.5 billion or 5.4 percent from fiscal 2023. Total liabilities of the state were \$213.6 billion, a decrease of \$3.3 billion or 1.5 percent from fiscal 2023. Cash and cash equivalents decreased by \$6.8 billion in governmental activities but increased by \$1.2 billion in business-type activities from fiscal 2023. Unrestricted noncurrent investments increased by \$11.3 billion. There was a \$1.7 billion decrease in federal receivables primarily due to a significant reduction of COVID-19 related funding. The state's bonded indebtedness was \$62.3 billion, which included new issuances of \$7.9 billion in state bonds to finance new construction, housing, water conservation and other projects. Approximately \$6.9 billion in bonded debt was retired or refunded. Net position was \$240.1 billion in fiscal 2024, an increase of \$38.7 billion or 19.2 percent. Of the state's net position, \$148.6 billion was net investment in capital assets, while \$118.7 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 \$27.2 billion, a 31.6 percent increase from fiscal 2023. The majority of the net position increase is primarily due to an increase of \$12.6 billion in unrestricted net position and \$13.6 billion in net investment in capital assets.



## Changes in Net Position

The state's net position for fiscal 2024 increased by \$38.7 billion. The state earned program revenues of \$152.1 billion and general revenues of \$98 billion, for total revenues of \$250.1 billion, an increase of \$3.8 billion or 1.6 percent from fiscal 2023. The major components of this increase were program revenue, which had an increase of \$2.2 billion and unrestricted investment revenue, which had an increase of \$2.5 billion. Federal revenues decreased by \$10.4 billion due to the closing out of COVID-19 public emergency federal programs. Tax revenue decreased by \$1.1 billion due to a decline in general inflation and a slower rate of overall econom-

ic growth. Interest and investment income increased by \$1.5 billion.

The expenses of the state were \$212.1 billion, an increase of \$13.2 billion, up 6.6 percent from fiscal 2023. The expense fluctuations in governmental activities were largely attributable to a \$8.1 billion increase in education and a \$5.8 billion increase in teacher retirement benefits. In business-type activities, there was a \$2.4 billion increase in education services and a \$612.8 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.

## Statement of Net Position

Table MDA-1

August 31, 2024 and 2023 (Amounts in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2024	2023	2024	2023	2024	2023
<b>ASSETS</b>						
Assets Other Than Capital Assets	\$ 125,894,183	\$ 126,418,585	\$ 155,973,545	\$ 145,339,666	\$ 281,867,728	\$ 271,758,251
Capital Assets	159,196,507	147,149,759	41,930,175	39,547,093	201,126,682	186,696,852
Total Assets	<u>285,090,690</u>	<u>273,568,344</u>	<u>197,903,720</u>	<u>184,886,759</u>	<u>482,994,410</u>	<u>458,455,103</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>21,250,251</u>	<u>22,870,946</u>	<u>8,437,361</u>	<u>8,573,847</u>	<u>29,687,612</u>	<u>31,444,793</u>
<b>LIABILITIES</b>						
Current Liabilities	20,897,920	27,001,963	18,317,938	18,829,261	39,215,858	45,831,224
Noncurrent Liabilities	102,922,336	104,119,469	71,441,960	66,976,716	174,364,296	171,096,185
Total Liabilities	<u>123,820,256</u>	<u>131,121,432</u>	<u>89,759,898</u>	<u>85,805,977</u>	<u>213,580,154</u>	<u>216,927,409</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>47,642,275</u>	<u>59,292,222</u>	<u>11,363,438</u>	<u>12,239,407</u>	<u>59,005,713</u>	<u>71,531,629</u>
<b>NET POSITION</b>						
Net Investment in Capital Assets	133,647,200	120,940,547	14,947,097	14,025,399	148,594,297	134,965,946
Restricted	40,915,963	32,351,977	77,761,234	73,868,236	118,677,197	106,220,213
Unrestricted	<u>(39,684,753)</u>	<u>(47,266,888)</u>	<u>12,509,414</u>	<u>7,521,587</u>	<u>(27,175,339)</u>	<u>(39,745,301)</u>
Total Net Position	<u>\$ 134,878,410</u>	<u>\$ 106,025,636</u>	<u>\$ 105,217,745</u>	<u>\$ 95,415,222</u>	<u>\$ 240,096,155</u>	<u>\$ 201,440,858</u>

## Changes in Net Position

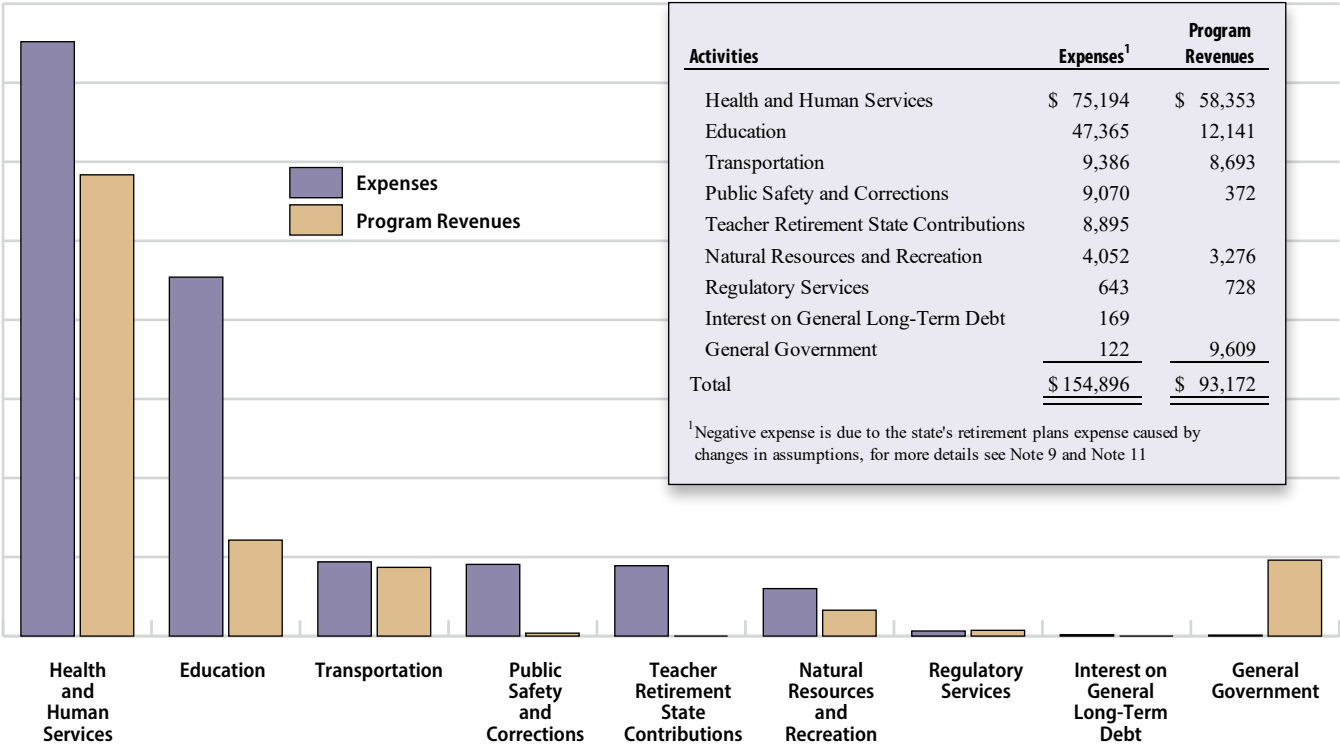
**Table MDA-2**

For the Fiscal Years Ended August 31, 2024 and 2023 (Amounts in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2024	2023	2024	2023	2024	2023
<b>REVENUES</b>						
Program Revenues						
Charges for Services	\$ 18,192,686	\$ 14,867,890	\$ 35,581,250	\$ 34,060,590	\$ 53,773,936	\$ 48,928,480
Operating Grants and Contributions	74,933,197	82,074,497	22,993,413	18,547,535	97,926,610	100,622,032
Capital Grants and Contributions	46,552	126,370	372,649	263,497	419,201	389,867
Total Program Revenues	93,172,435	97,068,757	58,947,312	52,871,622	152,119,747	149,940,379
General Revenues						
Taxes	81,362,408	82,479,444			81,362,408	82,479,444
Unrestricted Investment Earnings	5,158,033	2,769,371	358,600	223,262	5,516,633	2,992,633
Settlement of Claims	862,792	632,711	2,529	2,218	865,321	634,929
Gain (Loss) on Sale of Capital Assets	7,078	5,565	(57,758)	6,680	(50,680)	12,245
Gain (Loss) on Other Financial Activity	(2,859)	908	17	(162)	(2,842)	746
Other General Revenues	9,978,861	9,666,211	290,733	512,958	10,269,594	10,179,169
Total General Revenues	97,366,313	95,554,210	594,121	744,956	97,960,434	96,299,166
Total Revenues	190,538,748	192,622,967	59,541,433	53,616,578	250,080,181	246,239,545
<b>EXPENSES</b>						
General Government	121,697	(3,499,619)	353,651	284,849	475,348	(3,214,770)
Education	47,365,189	39,299,707	46,073,415	43,635,059	93,438,604	82,934,766
Teacher Retirement State Contributions	8,895,341	3,047,455			8,895,341	3,047,455
Health and Human Services	75,193,982	83,779,885	2,996,651	2,383,827	78,190,633	86,163,712
Public Safety and Corrections	9,069,756	8,609,501	112,822	117,332	9,182,578	8,726,833
Transportation	9,386,269	8,843,755	703,674	678,327	10,089,943	9,522,082
Natural Resources and Recreation	4,052,201	3,967,367	748,943	651,703	4,801,144	4,619,070
Regulatory Services	643,101	557,714			643,101	557,714
Lottery			6,245,908	6,435,017	6,245,908	6,435,017
Interest on General Long-Term Debt	168,883	186,242			168,883	186,242
Total Expenses	154,896,419	144,792,007	57,235,064	54,186,114	212,131,483	198,978,121
Excess (Deficiency) Before Contributions, Special Items and Transfers	35,642,329	47,830,960	2,306,369	(569,536)	37,948,698	47,261,424
Capital Contributions	2,071	508			2,071	508
Contributions to Permanent and Term Endowments		(8,553,136)	377,707	326,116	377,707	(8,227,020)
Distributions from Permanent Fund Principal	(24,113)	(23,197)			(24,113)	(23,197)
Transfers — Internal Activities	(7,110,603)	(6,891,397)	7,110,603	6,891,397		
Change in Net Position	28,509,684	32,363,738	9,794,679	6,647,977	38,304,363	39,011,715
Net Position, Beginning Balance	106,025,636	113,388,645	95,415,222	91,996,247	201,440,858	205,384,892
Restatement — Change in Accounting Principle (Note 14)	66	2,733,988	1,522	(3,222,250)	1,588	(488,262)
Restatement — Change To or Within Reporting Entity (Note 14)		(42,265,086)	72,797		72,797	(42,265,086)
Restatement — Error Correction (Note 14)	343,024	(195,649)	(66,475)	(6,752)	276,549	(202,401)
Net Position, Beginning Balance, as Restated	106,368,726	73,661,898	95,423,066	88,767,245	201,791,792	162,429,143
Net Position, Ending Balance	\$ 134,878,410	\$ 106,025,636	\$ 105,217,745	\$ 95,415,222	\$ 240,096,155	\$ 201,440,858

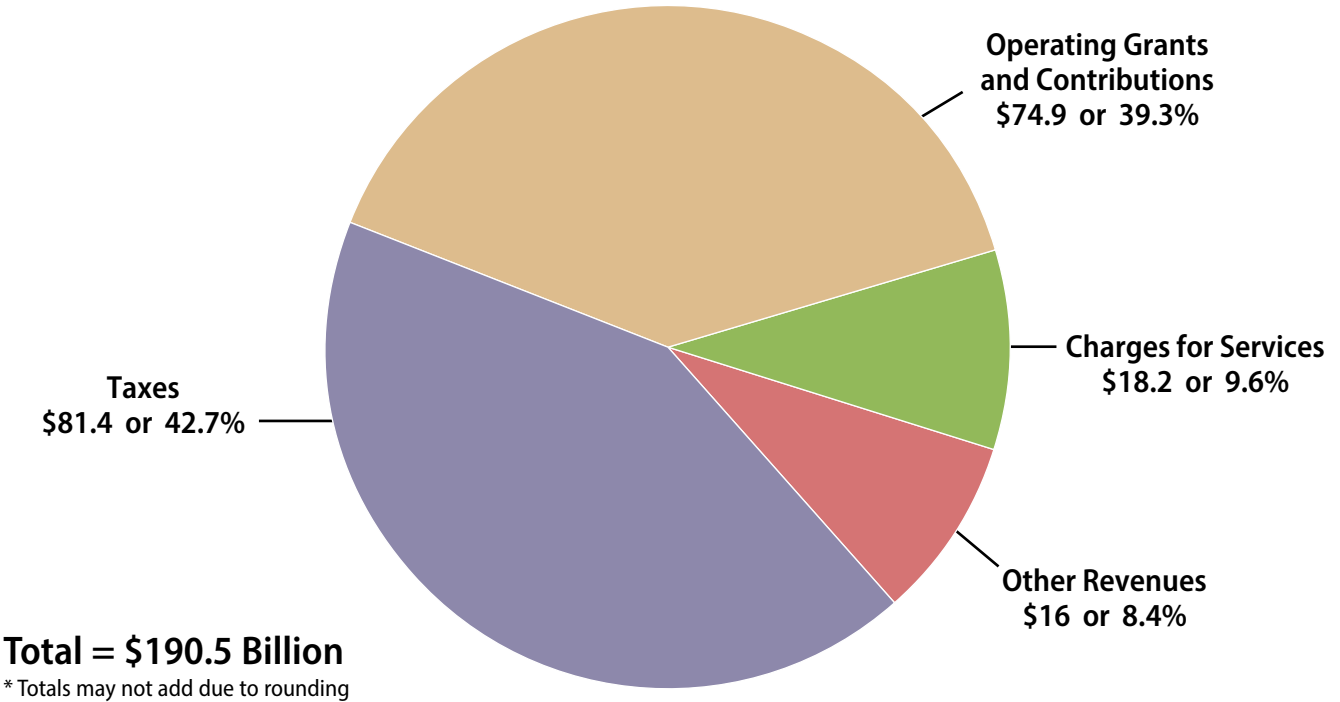
# Expenses and Program Revenues: Governmental Activities

Graph MDA-3  
For the Fiscal Year Ended August 31, 2024 (In Millions)



# Revenue by Source: Governmental Activities

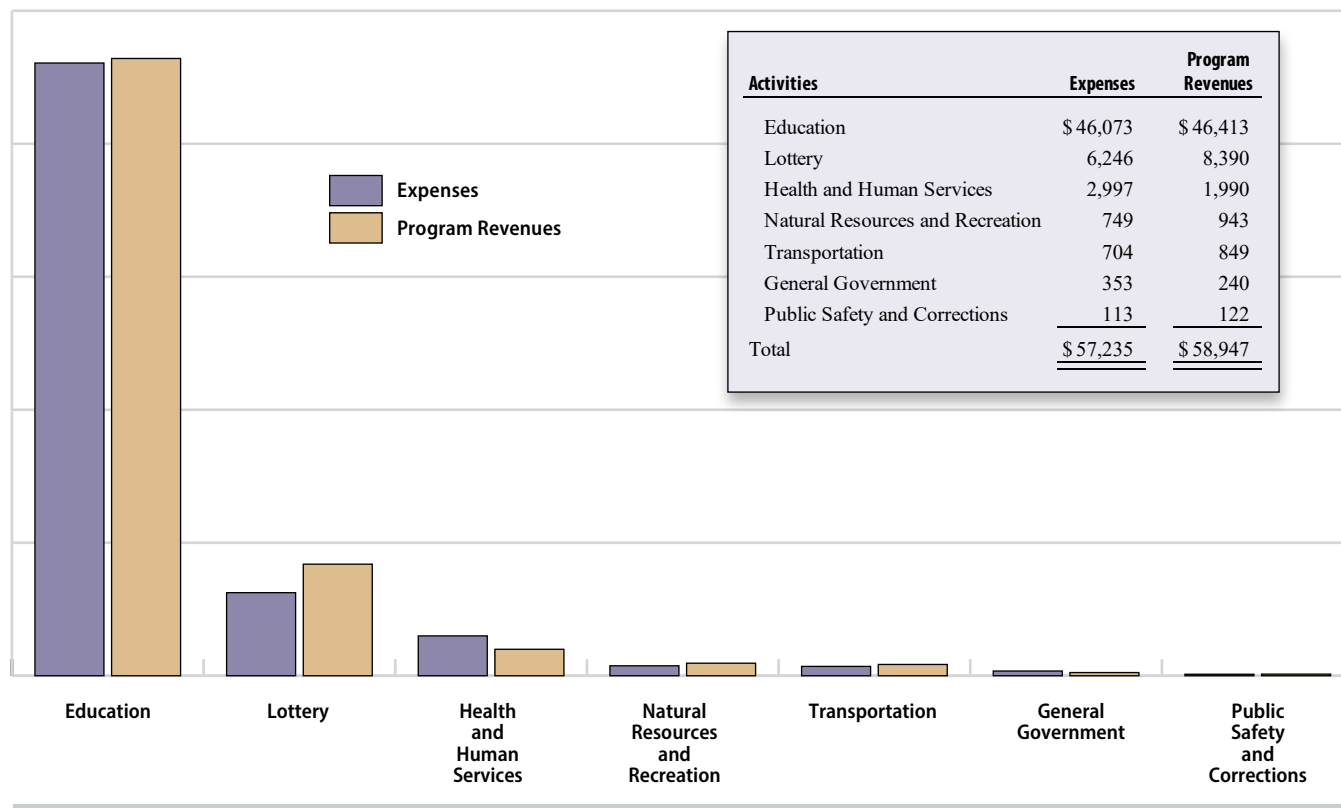
Graph MDA-4  
For the Fiscal Year Ended August 31, 2024 (In Billions)\*



## Expenses and Program Revenues: Business-Type Activities

Graph MDA-5

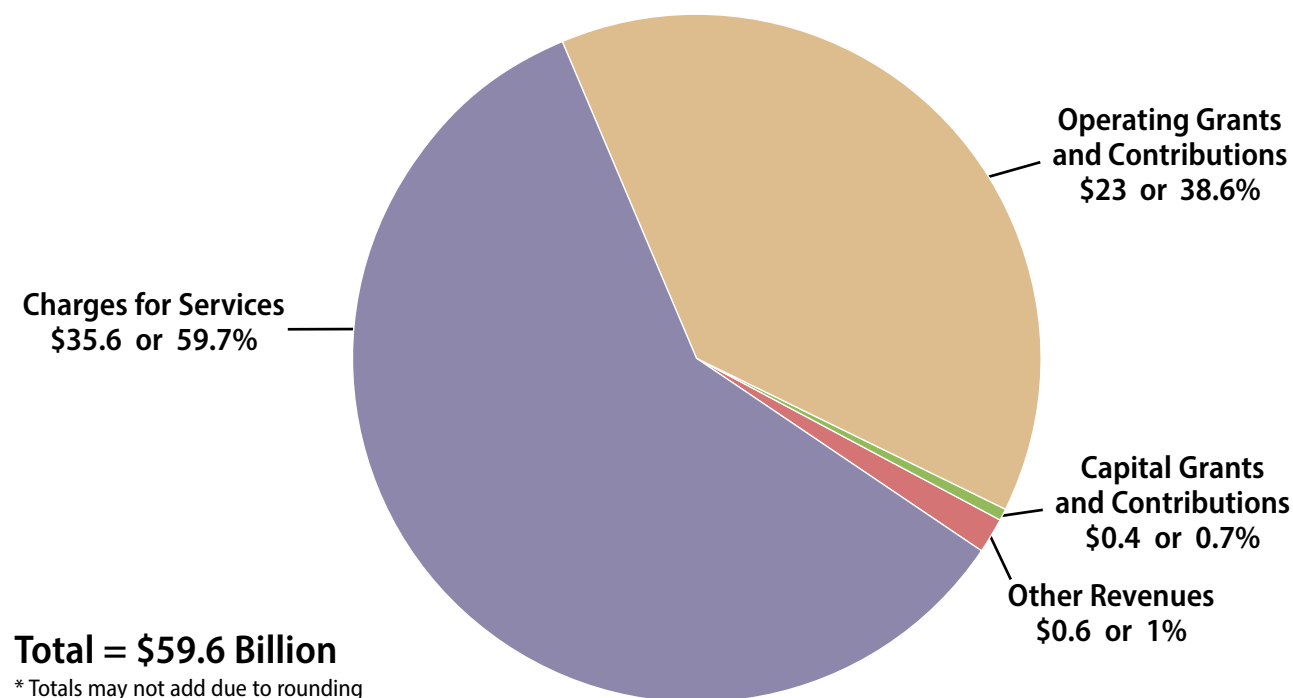
For the Fiscal Year Ended August 31, 2024 (In Millions)



## Revenue by Source: Business-Type Activities

Graph MDA-6

For the Fiscal Year Ended August 31, 2024 (In Billions)\*



## Governmental Activities

Governmental activities program revenue was \$93.2 billion, including charges for services of \$18.2 billion, operating grants and contributions of \$74.9 billion and capital grants and contributions of \$46.6 million. Total program revenues decreased by \$3.9 billion for fiscal 2024 primarily due to decreased federal revenues for COVID-19 related funding. Governmental activities expenses were \$154.9 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 79.1 percent of governmental activities expenses and 84.4 percent of the net cost. The tax collections of the state provide the primary source of fund-

ing, which when added to program revenues, support the payment of governmental services.

## Business-Type Activities

Business-type activities generated program revenue of \$58.9 billion, including charges for services of \$35.6 billion, operating grants and contributions of \$23 billion and capital grants and contributions of \$372.6 million. The total expenses for business-type activities were \$57.2 billion. The largest changes in expenses for business-type activities occurred in education, with a \$2.4 billion increase for colleges and universities and in health and human services, with a \$612.8 million increase. There was an increase in net position in the government's business-type activities of \$9.8 billion, up from \$95.4 billion in fiscal 2023.

### Net Cost (Income) of the State's Activities

Table MDA-7

For the Fiscal Year Ended August 31, 2024 (Amounts in Thousands)

Services	Governmental Activities		Business-Type Activities	
	Total Cost	Net Cost (Income)	Total Cost	Net Cost (Income)
General Government	\$ 121,697	\$ (9,487,304)	\$ 353,651	\$ 113,714
Education	47,365,189	35,223,901	46,073,415	(339,934)
Teacher Retirement State Contributions	8,895,341	8,895,341		
Health and Human Services	75,193,982	16,840,707	2,996,651	1,006,929
Public Safety and Corrections	9,069,756	8,698,136	112,822	(9,033)
Transportation	9,386,269	693,450	703,674	(145,801)
Natural Resources and Recreation	4,052,201	776,269	748,943	(193,823)
Regulatory Services	643,101	(85,399)		
Lottery			6,245,908	(2,144,300)
Interest on General Long-Term Debt	168,883	168,883		
Total of Services Provided	<u>\$ 154,896,419</u>	<u>\$ 61,723,984</u>	<u>\$ 57,235,064</u>	<u>\$ (1,712,248)</u>

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## Financial Analysis of the State's Funds

### Governmental Funds

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As of Aug. 31, 2024, governmental funds reported fund balances of \$98.2 billion. The general fund reported a positive \$61.1 billion fund balance, 62.3 percent of overall fund balance.

#### General Fund

The fund balance for the general fund as of Aug. 31, 2024, was \$61.1 billion, a decrease of \$3.9 billion from fiscal 2023. The state constitution, state statute and federal rule or bond covenants constrain \$14.2 billion. The unassigned fund balance was \$46.9 billion, which includes \$23.8 billion in the Economic Stabilization Fund, commonly called “the rainy day fund.” Contributing to the fund balance were increases in spending for education and teacher retirement state contributions of \$8.2 billion and \$5.8 billion, respectively. There were decreases in federal revenues of \$11.6 billion due to the close out of COVID-19 and public emergency funding. Investment earnings and settlement of claims increased 86.3 percent and 36.4 percent, respectively, due to increases in interest rates and settlement money received.

#### State Highway Fund

The fund balance for the State Highway Fund for fiscal 2024, was \$8.4 billion, a decrease of \$2.8 billion from \$11.2 billion in fiscal 2023. This decrease was primarily attributable to increases in capital outlay expense of \$3.4 billion and \$1.1 billion in transportation expense. The increases in capital outlay and transportation expenses were due to increased utilization of Proposition 1 and Proposition 7 revenues during fiscal 2024. Cash and cash equivalents balance decreased by \$2.3 billion as the net change in fund balance decreased by \$4 billion.

#### Permanent School Fund

The fund balance for the Permanent School Fund (PSF) in governmental funds as of Aug. 31, 2024, totaled \$5.4 billion, a decrease of \$1 billion from fiscal 2023. 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 \$80.8 million 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 a net position of \$105.2 billion in fiscal 2024, an increase of \$9.8 billion from fiscal 2023. The state's public colleges and universities hold 93.8 percent of the reported net position in proprietary funds.

#### Colleges and Universities

Colleges and universities' net position for fiscal 2024 totaled \$98.7 billion, an increase of \$9.7 billion from fiscal 2023. Federal revenue increased by \$398.2 million in fiscal 2024. Pledged revenues increased \$5.3 billion, an increase of 13.2 percent. Payroll related costs increased by \$545.8 million and professional fees and services increased by \$134.9 million for fiscal 2024. Salaries and wages increased by 9 percent to \$1.6 billion. These revenues and expenses primarily contributed to the net income before capital contributions, endowments and transfers increase of \$3.6 billion from fiscal 2023. Change in net position was \$9.7 billion, an increase of \$4 billion from fiscal 2023. There was also \$1.9 million, a 0.8 percent decrease from fiscal 2023, collected from land mineral income (such as oil royalties) deposited into the Permanent

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University Fund (PUF) for the benefit of the University of Texas and Texas A&M University Systems. The PUF's net position after distributions increased by \$3.5 billion from \$33 billion in fiscal 2023 to \$36.5 billion in fiscal 2024. 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 \$1.3 billion for fiscal 2024, a decrease of \$785.3 million from \$2.1 billion in fiscal 2023. During fiscal 2024, unemployment taxes collected decreased by \$71.9 million from \$2 billion in fiscal 2023, while federal contributions decreased by \$58.3 million. The unemployment rate averaged 4 percent during fiscal 2024. This was nearly identical to fiscal 2023. Unemployment benefits paid during fiscal 2024 totaled \$3 billion, which represents a \$612.8 million increase, or 25.7 percent more than in fiscal 2023. The increase in unemployment benefits paid was the result of an increase in the average weekly benefit in comparison with that paid during the prior fiscal year.

### ***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 net position of \$28.8 million for fiscal 2024, an increase of \$30.1 million from the prior fiscal year. There was an increase in interest and investment income of \$14.9 million due to the change in the fair value of investments. Transfers to state agencies totaled negative \$2 billion. The commission recorded \$8.4 billion in lottery collections in fiscal 2024.

### ***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 \$6.1 billion for fiscal 2024, an increase of \$289.9 million from fiscal 2023. An increase of \$711.7 million, or 6.6 percent, in overall bond liabilities occurred during fiscal 2024. The Water Development Board Funds is a discretely reported major fund in the proprietary fund financial statements.

### ***Fiduciary Funds***

Fiduciary funds reported \$307.9 billion in net position for fiscal 2024, an increase of \$31.7 billion from \$276.2 billion in fiscal 2023, an 11.5 percent increase.

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

Total net position for pension and other employee benefit trust funds was \$256 billion for fiscal 2024, an increase of \$28.8 billion from the \$227.2 billion reported in fiscal 2023. The majority of plan assets are held as investments for the pension funds. In fiscal 2024, additions from all sources increased by \$25.6 billion, including a \$19.4 billion increase in total net investment income. Total deductions increased by \$2.6 billion, up from \$19.2 billion in fiscal 2023. 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 12.8 percent and 12.5 percent, respectively, compared to the previous year's returns of 3.9 percent and 6.8 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 \$42 billion in fiscal 2024, an increase of \$2 billion from fiscal 2023. 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 \$5.6 billion in fiscal 2024, an increase of \$808 million from fiscal 2023. Additions from all sources of \$1.4 billion exceeded total deductions of \$566.7 million primarily due to increase in fair value of investments. The net increase in net position of \$466 million is an increase of 136.3 percent from the net position of \$342 million in fiscal 2023.

### Custodial Funds

Total net position for custodial funds was \$4.4 billion for fiscal 2024, which includes \$566.6 million in nonexternal investment pool custodial funds. The total net position increased by \$131.9 million from fiscal 2023 primarily due to increases in investment income and other revenue.

## Budgetary Highlights

### Variances 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 \$20.5 billion.

There was a negative \$5.7 billion variance between the actual and final budget revenues. Budgetary activity is reported for the year in which it is appropriated, but revenues may not be received until subsequent fiscal years. Delays in the receipt of federal funding led to increased budget authority in the current fiscal year. The largest negative revenue variance occurred with federal revenues, which reported a negative \$9.7 billion difference.

The largest expenditure variances occurred in the general government and health and human services, \$18.2 billion and \$4.2 billion respectively. The net change in these functions comprise 80.3 percent of the overall expenditure variance of \$27.8 billion.

## Capital Assets – Net of Depreciation and Amortization

Table MDA-8

For the Fiscal Years Ended August 31, 2024 and 2023 (Amounts in Thousands)

Capital Asset Type	Governmental Activities		Business-Type Activities		Total Primary Government	
	2024	2023	2024	2023	2024	2023
Land and Land Improvements	\$ 21,745,061	\$ 19,415,650	\$ 2,909,290	\$ 2,650,957	\$ 24,654,351	\$ 22,066,607
Infrastructure	102,521,564	97,222,188	3,222,716	3,232,091	105,744,280	100,454,279
Construction in Progress	29,797,524	25,403,208	5,314,572	3,701,110	35,112,096	29,104,318
Land Use Rights – Permanent	108,484	97,031	22,918	22,918	131,402	119,949
Buildings and Building Improvements	3,248,542	2,730,198	23,499,913	22,170,531	26,748,455	24,900,729
Facilities and Other Improvements	106,658	82,616	1,829,436	1,853,965	1,936,094	1,936,581
Furniture and Equipment	390,345	308,884	2,526,223	2,182,796	2,916,568	2,491,680
Vehicles, Boats and Aircraft	706,676	623,689	142,147	98,757	848,823	722,446
Subscription Assets	304,676		393,332		698,008	
Other Capital Assets	116,681	116,062	1,875,431	1,821,419	1,992,112	1,937,481
Intangible Capital Assets, Net	150,296	182,376	194,197	182,673	344,493	365,049
Total Capital Assets	<u>\$ 159,196,507</u>	<u>\$ 146,181,902</u>	<u>\$ 41,930,175</u>	<u>\$ 37,917,217</u>	<u>\$ 201,126,682</u>	<u>\$ 184,099,119</u>

# Capital Assets and Debt Administration

## Capital Assets

For fiscal 2024, the state has \$201.1 billion in net capital assets. This total represents an increase of \$17 billion in total capital assets or 9.2 percent from fiscal 2023. Included in this amount are increases to construction in progress of \$6 billion and infrastructure of \$5.3 billion primarily by the Texas Department of Transportation (TxDOT). Institutions of higher education also added \$1.6 billion to construction in progress.

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 \$12.6 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 2024. During fiscal 2024, Texas' state agencies and institutions of higher education issued \$11.7 billion in state bonds to finance new construction, transportation, housing,

Outstanding Bonded Debt						
Table MDA-9						
For the Fiscal Years Ended August 31, 2024 and 2023 (Amounts in Thousands)						
Description of Issue	Governmental Activities		Business-Type Activities		Total Primary Government	
	2024	2023	2024	2023	2024	2023
General Obligation Bonds	\$ 13,273,120	\$ 13,785,354	\$ 3,818,234	\$ 4,098,692	\$ 17,091,354	\$ 17,884,046
General Obligation Bonds –						
Direct Placements	276,984	278,970	27,490	42,590	304,474	321,560
Revenue Bonds	3,531,213	3,949,128	42,053,383	39,531,679	45,584,596	43,480,807
Revenue Bonds — Direct Borrowings/						
Placements			54,494	293,564	54,494	293,564
Total Bonds Payable	<u>\$ 17,081,317</u>	<u>\$ 18,013,452</u>	<u>\$ 45,953,601</u>	<u>\$ 43,966,525</u>	<u>\$ 63,034,918</u>	<u>\$ 61,979,977</u>

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water conservation and treatment and other projects. General obligation debt accounted for \$1.2 billion of state bonds issued in fiscal 2024. This debt, which can only be authorized by a constitutional amendment, carries the full faith and credit of the state. The remaining \$6.7 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 \$922 million in general obligation bonds and \$1.6 billion in revenue bonds. Also, \$1 billion in general obligation bonds and \$3.4 billion in revenue bonds were refunded. The total outstanding general obligation debt of the state after new issuances, retirements and refundings as of Aug. 31, 2024, was \$16.7 billion. This represents a decrease of \$733.5 million or 4.2 percent from fiscal 2023. An additional \$15.3 billion of general obligation bonds were authorized but are unissued. Total revenue bonds outstanding were \$45.6 billion, which is an increase of \$1.9 billion or 4.3 percent from fiscal 2023. Note 5 discloses the details on the state's long-term liabilities, and Note 6 provides detailed information on the state's bonded indebtedness.

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## Economic Condition

The Texas economy gained 274,300 nonfarm jobs from November 2023 to November 2024. This employment increase of 2 percent was the largest percentage increase among the 10 largest states, the ninth largest percentage increase among all states and the largest absolute gain among all states (California was second with an increase of 208,500). Private-sector employment grew by 2 percent, while government employment (federal, state and local) grew by 1.9 percent.

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## Contacting the State's Financial Management

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, 2024 (Amounts in Thousands)

	Primary Government		
	Governmental Activities	Business-Type Activities	Component Units
		Total	
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 70,787,351	\$ 14,052,199	\$ 84,839,550
Short-Term Investments	3,268,618	1,207,110	4,475,728
Receivables:			
Accounts	1,264,279	3,459,840	4,724,119
Taxes (Note 23)	5,330,536		5,330,536
Federal	4,321,687	1,314,097	5,635,784
Leases (Note 5,8)	658	22,255	22,913
Public/Private Partnership Installment (Note 26)		10,746	10,746
Other Intergovernmental	1,200,643	350,421	1,551,064
Gifts and Pledges	350	364,331	364,681
Investment Trades		1,124,227	1,124,227
Interest and Dividends	125,896	272,090	397,986
From Fiduciary Funds	12,174		12,174
Other Receivables	128,382	1,087,269	1,215,651
Securities Lending Collateral		953,630	953,630
Loans and Contracts	60,702	602,796	663,498
Inventories	414,718	382,096	796,814
Prepaid Items	19,431	418,506	437,937
Other Current Assets	199,966	863,632	1,063,598
Restricted:			
Cash and Cash Equivalents	207,016	5,900,727	6,107,743
Short-Term Investments		250,036	250,036
Loans and Contracts	124,470	138,920	263,390
Total Current Assets	87,466,877	32,774,928	120,241,805
Noncurrent Assets:			
Receivables:			
Taxes (Note 23)	139,632		139,632
Leases	1,014	452,576	453,590
Public/Private Partnership Asset (Note 26)	1,961,574	93,689	2,055,263
Public/Private Partnership Installment (Note 26)		76,345	76,345
Gifts and Pledges		797,871	797,871
Other Receivables	493,233	67,203	560,436
Internal Balances (Note 12)	12,326	(12,326)	
Investments	33,159,045	29,051,541	62,210,586
Derivative Instruments: (Note 3, 7, 15)			
Investment	7		7
Hedging		165,050	165,050
Assets Held in Trust		5,159	5,159
Loans and Contracts	873,185	15,089,345	15,962,530
Prepaid Items	15	1,706	1,721
Restricted:			
Cash and Cash Equivalents		358,968	358,968
Short-Term Investments		301	301
Receivables		85,215	85,215
Investments		72,644,844	72,644,844
Loans and Contracts	1,649,363	3,259,452	4,908,815
Other Restricted Assets	108,299	71	108,370
Capital Assets: (Note 2)			
Non-Depreciable or Non-Amortizable	51,722,425	9,364,531	61,086,956
Depreciable or Amortizable, Net	107,474,082	32,565,644	140,039,726
Other Noncurrent Assets	29,613	1,061,607	1,091,220
Total Noncurrent Assets	197,623,813	165,128,792	362,752,605
Total Assets	285,090,690	197,903,720	482,994,410
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Outflows of Resources (Note 27)	21,250,251	8,437,361	29,687,612
Total Deferred Outflows of Resources	21,250,251	8,437,361	29,687,612

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, 2024 (Amounts in Thousands)

	Primary Government			
	Governmental	Business-Type		Component
	Activities	Activities	Total	Units
LIABILITIES				
Current Liabilities:				
Payables:				
Accounts	\$ 8,270,405	\$ 3,178,167	\$ 11,448,572	\$ 435,257
Payroll	1,023,739	1,558,603	2,582,342	8,061
Tax Refunds (Note 23)	1,166,061		1,166,061	
Federal	24,810	96,123	120,933	
Other Intergovernmental	980,156	3,921	984,077	
Investment Trades	9,154	1,537,063	1,546,217	69,541
Interest	275,920	305,900	581,820	3,685
Annuities		3,560	3,560	
Notes and Loans (Note 5)	83,992	167,596	251,588	500
To Fiduciary Funds	107,767	61	107,828	
From Restricted Assets (Note 5)		448,520	448,520	32
Bonds:				
General Obligation (Note 5, 6)	748,478	317,824	1,066,302	
Revenue (Note 5, 6)	364,816	2,228,444	2,593,260	133,932
Internal Balances (Note 12)	2,393,772	(2,393,772)		
Short-Term Debt (Note 4)		2,441,744	2,441,744	
Obligations:				
Securities Lending		953,630	953,630	4,372,208
Reverse Repurchase Agreements	3,369		3,369	
Pollution Remediation (Note 5)	60,332	17	60,349	
Right to Use Leases (Note 5, 8)	172,712	140,836	313,548	1,728
Right to Use Subscriptions (Note 5, 8)	114,233	171,558	285,791	3,127
Funds Held for Others	257	73,330	73,587	213,981
Claims and Judgments (Note 5)	145,609	195,138	340,747	
Employees' Compensable Leave (Note 5)	830,788	670,005	1,500,793	3,023
OPEB (Note 11)	987,689	349,611	1,337,300	
Other Current Liabilities	451,877	327,433	779,310	260,601
Unearned Revenue	2,681,984	5,542,626	8,224,610	401,085
Total Current Liabilities	20,897,920	18,317,938	39,215,858	5,906,761
Noncurrent Liabilities:				
Payables:				
Notes and Loans (Note 5)	935,792	1,450,283	2,386,075	750
From Restricted Assets (Note 5)		1,015,357	1,015,357	244
Bonds:				
General Obligation (Note 5, 6)	12,801,626	3,527,900	16,329,526	
Revenue (Note 5, 6)	3,166,397	39,879,433	43,045,830	3,543,504
Obligations:				
Pollution Remediation (Note 5)	202,849	1,530	204,379	
Asset Retirement (Note 5)	2,335	35,324	37,659	
Right to Use Leases (Note 5, 8)	511,109	885,110	1,396,219	10,492
Right to Use Subscriptions (Note 5, 8)	174,559	183,590	358,149	1,025
Derivative Instruments: (Note 3, 7, 15)				
Investment		207,717	207,717	
Hedging		45,467	45,467	
Assets Held for Others		170,227	170,227	
Claims and Judgments (Note 5)	72,940	64,725	137,665	
Employees' Compensable Leave (Note 5)	354,478	655,357	1,009,835	2,867
Pension (Note 9)	48,991,740	10,231,586	59,223,326	
OPEB (Note 11)	35,592,462	12,785,525	48,377,987	
Other Noncurrent Liabilities	116,049	302,829	418,878	1,007
Total Noncurrent Liabilities	102,922,336	71,441,960	174,364,296	3,559,889
Total Liabilities	123,820,256	89,759,898	213,580,154	9,466,650

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, 2024 (Amounts in Thousands)

	Primary Government			
	Governmental	Business-Type		Component
	Activities	Activities	Total	Units
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows of Resources (Note 27)	\$ 47,642,275	\$ 11,363,438	\$ 59,005,713	\$
Total Deferred Inflows of Resources	47,642,275	11,363,438	59,005,713	0
NET POSITION				
Net Investment in Capital Assets	133,647,200	14,947,097	148,594,297	55,504
Restricted for:				
Education	2,671,296	4,689,759	7,361,055	95
Transportation	6,775,211		6,775,211	
Debt Service	304,387	593,265	897,652	80,198
Capital Projects	1,875,493	1,610,456	3,485,949	
Veterans Land Board Housing Programs		450,967	450,967	
Unemployment Trust Fund		1,317,725	1,317,725	
Funds Held as Permanent Investments:				
Nonexpendable	9,975,353	41,483,780	51,459,133	55,717,483
Expendable	863,926	21,278,480	22,142,406	2,284,516
Health Care Programs				688,477
Other Restricted Net Position	18,450,297	6,336,802	24,787,099	34,763
Unrestricted	(39,684,753)	12,509,414	(27,175,339)	(2,965,035)
Total Net Position	\$ 134,878,410	\$ 105,217,745	\$ 240,096,155	\$ 55,896,001

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

## STATE OF TEXAS

**Statement of Activities**

For the Fiscal Year Ended August 31, 2024 (Amounts in Thousands)

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
Governmental Activities:				
General Government	\$ 121,697	\$ 2,790,723	\$ 6,818,252	\$ 26
Education	47,365,189	1,725,129	10,416,159	
Teacher Retirement State Contributions	8,895,341			
Health and Human Services	75,193,982	8,557,271	49,795,633	371
Public Safety and Corrections	9,069,756	223,796	147,198	626
Transportation	9,386,269	3,295,224	5,353,017	44,578
Natural Resources and Recreation	4,052,201	875,155	2,399,826	951
Regulatory Services	643,101	725,388	3,112	
Interest on General Long-Term Debt	168,883			
Total Governmental Activities	154,896,419	18,192,686	74,933,197	46,552
Business-Type Activities:				
General Government	353,651	44,517	195,420	
Education	46,073,415	24,319,331	21,721,369	372,649
Health and Human Services	2,996,651	1,927,859	61,863	
Public Safety and Corrections	112,822	121,855		
Transportation	703,674	747,354	102,121	
Natural Resources and Recreation	748,943	30,126	912,640	
Lottery	6,245,908	8,390,208		
Total Business-Type Activities	57,235,064	35,581,250	22,993,413	372,649
Total Primary Government	212,131,483	53,773,936	97,926,610	419,201
COMPONENT UNITS				
Component Units	\$ 9,090,647	\$ 2,538,817	\$ 5,990,722	\$
Total Component Units	\$ 9,090,647	\$ 2,538,817	\$ 5,990,722	\$ 0

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, 2024 (Amounts in Thousands)

Functions/Programs	Net (Expense) Revenue and Changes in Net Position			Component Units
	Governmental Activities	Business-Type Activities	Total	
PRIMARY GOVERNMENT				
Governmental Activities:				
General Government	\$ 9,487,304	\$	\$ 9,487,304	\$
Education	(35,223,901)		(35,223,901)	
Teacher Retirement State Contributions	(8,895,341)		(8,895,341)	
Health and Human Services	(16,840,707)		(16,840,707)	
Public Safety and Corrections	(8,698,136)		(8,698,136)	
Transportation	(693,450)		(693,450)	
Natural Resources and Recreation	(776,269)		(776,269)	
Regulatory Services	85,399		85,399	
Interest on General Long-Term Debt	(168,883)		(168,883)	
Total Governmental Activities	(61,723,984)	0	(61,723,984)	0
Business-Type Activities:				
General Government		(113,714)	(113,714)	
Education		339,934	339,934	
Health and Human Services		(1,006,929)	(1,006,929)	
Public Safety and Corrections		9,033	9,033	
Transportation		145,801	145,801	
Natural Resources and Recreation		193,823	193,823	
Lottery		2,144,300	2,144,300	
Total Business-Type Activities	0	1,712,248	1,712,248	0
Total Primary Government	(61,723,984)	1,712,248	(60,011,736)	0
COMPONENT UNITS				
Component Units				(561,108)
Total Component Units	0	0	0	(561,108)
GENERAL REVENUES, CONTRIBUTIONS, EXTRAORDINARY ITEMS and TRANSFERS				
Taxes:				
Sales and Use	46,957,044		46,957,044	
Oil and Natural Gas Production	8,069,354		8,069,354	
Motor Vehicle and Manufactured Housing	6,843,530		6,843,530	
Franchise	6,743,117		6,743,117	
Motor Fuels	3,842,858		3,842,858	
Insurance Occupation	4,188,154		4,188,154	
Cigarette and Tobacco	1,076,574		1,076,574	
Other Taxes	3,641,777		3,641,777	
Unrestricted Investment Earnings	5,158,033	358,600	5,516,633	53,753
Settlement of Claims	862,792	2,529	865,321	396
Gain (Loss) on Sale of Capital Assets	7,078	(57,758)	(50,680)	1,504
Gain (Loss) on Other Financial Activity	(2,859)	17	(2,842)	
Other General Revenues	9,978,861	290,733	10,269,594	2,460,148
Capital Contributions	2,071		2,071	
Contributions to Permanent and Term Endowments		377,707	377,707	4,739
Distributions from Permanent Fund Principal (Note 12)	(24,113)		(24,113)	
Transfers - Internal Activities (Note 12)	(7,110,603)	7,110,603		
Total General Revenues, Contributions, Extraordinary Items and Transfers	90,233,668	8,082,431	98,316,099	2,520,540
Change in Net Position	28,509,684	9,794,679	38,304,363	1,959,432
Net Position, September 1, 2023	106,025,636	95,415,222	201,440,858	53,936,569
Restatement - Change in Accounting Principle (Note 14)	66	1,522	1,588	
Restatement - Change To or Within Reporting Entity (Note 14)		72,797	72,797	
Restatement - Error Correction (Note 14)	343,024	(66,475)	276,549	
Net Position, September 1, 2023, as Restated	106,368,726	95,423,066	201,791,792	53,936,569
Net Position, August 31, 2024	\$ 134,878,410	\$ 105,217,745	\$ 240,096,155	\$ 55,896,001

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

# Statement of Net Position: Governmental Funds

August 31, 2024 (Amounts in Thousands)

	General	State Highway Fund	Permanent School Fund	Nonmajor Funds	Totals
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 49,418,844	\$ 8,552,383	\$ 352	\$ 12,681,300	\$ 70,652,879
Short-Term Investments	376,492	20,121		809,810	1,206,423
Receivables:					
Accounts	444,442	256,898	232,227	20,101	953,668
Taxes (Note 23)	5,139,515	247,829		82,824	5,470,168
Federal	3,622,062	666,567		33,059	4,321,688
Leases		1,672			1,672
Other Intergovernmental	690,302	267,988		242,352	1,200,642
Gifts and Pledges				350	350
Interest and Dividends	73,592	3,238	1,775	37,073	115,678
Interfund (Note 12)	13,674				13,674
From Other Funds (Note 12)	487,874	3,043,132	153	1,296,862	4,828,021
Other Receivables	621,616				621,616
Investments	18,214,748	33,796	5,428,235	7,729,990	31,406,769
Loans and Contracts	160,489	235,438	19	537,941	933,887
Inventories	242,759	168,092		3,867	414,718
Prepaid Items	18,771		605	71	19,447
Other Assets	148,678			80,901	229,579
Restricted:					
Cash and Cash Equivalents	169,896	36,453		668	207,017
Loans and Contracts	557,604			1,216,228	1,773,832
Other Restricted Assets				108,299	108,299
Total Assets	<u>\$ 80,401,358</u>	<u>\$ 13,533,607</u>	<u>\$ 5,663,366</u>	<u>\$ 24,881,696</u>	<u>\$ 124,480,027</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
Liabilities:					
Payables:					
Accounts	\$ 5,263,415	\$ 2,241,373	\$ 7,616	\$ 60,494	\$ 7,572,898
Payroll	906,834	107,792	2,071	7,041	1,023,738
Tax Refunds (Note 23)	1,166,061				1,166,061
Federal	24,810				24,810
Other Intergovernmental	980,156				980,156
Investment Trades	7,750			1,405	9,155
Interest	18,713			1,300	20,013
Interfund (Note 12)	392				392
To Other Funds (Note 12)	7,254,301	37,349	40	22,932	7,314,622
Obligations:					
Reverse Repurchase Agreements	3,369				3,369
Other Liabilities	508,246	48,953		10,723	567,922
Unearned Revenue	2,119,722	3,393	205,290	727,002	3,055,407
Total Liabilities	<u>18,253,769</u>	<u>2,438,860</u>	<u>215,017</u>	<u>830,897</u>	<u>21,738,543</u>
Deferred Inflows of Resources					
Deferred Inflows of Resources (Note 27)	1,020,742	2,646,760		899,897	4,567,399
Total Deferred Inflows of Resources	<u>1,020,742</u>	<u>2,646,760</u>	<u>0</u>	<u>899,897</u>	<u>4,567,399</u>
Fund Balances: (Note 13)					
Nonspendable	951,060	168,092	5,419,769	4,539,522	11,078,443
Restricted	4,194,634	6,558,388	28,580	18,316,681	29,098,283
Committed	8,987,104	907,694		296,470	10,191,268
Assigned	97,345	813,813			911,158
Unassigned	46,896,704			(1,771)	46,894,933
Total Fund Balances	<u>61,126,847</u>	<u>8,447,987</u>	<u>5,448,349</u>	<u>23,150,902</u>	<u>98,174,085</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 80,401,358</u>	<u>\$ 13,533,607</u>	<u>\$ 5,663,366</u>	<u>\$ 24,881,696</u>	<u>\$ 124,480,027</u>

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, 2024 (Amounts in Thousands)

**Total Fund Balance – Governmental Funds** \$ 98,174,085

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	\$ 51,722,525	
Capital Assets – Depreciable or Amortizable, Net	<u>107,474,082</u>	
		159,196,507

Reversal of prior year unearned tax revenues recorded in governmental funds but not in the Statement of Net Position.		373,422
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Public/Private Partnership Asset Receivable		1,961,574
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Investment derivative instrument asset was reported in the Statement of Net Position to reflect the fair value of derivative instruments.		7
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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).		4,567,399
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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)		21,250,251
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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)		(47,642,275)
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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	(218,549)	
Right to Use Lease Obligations	(683,821)	
Right to Use Subscription Obligations	(288,792)	
Employees' Compensable Leave	(1,185,266)	
Notes and Loans Payable	(1,019,784)	
General Obligation Bonds Payable	(13,550,104)	
Revenue Bonds Payable	(3,531,213)	
Pollution Remediation Obligation	(263,181)	
Net Pension Liability	(48,836,070)	
Total Pension Liability	(155,670)	
Net OPEB Liability	(33,987,747)	
Total OPEB Liability	(2,592,404)	
Asset Retirement Obligation	<u>(2,335)</u>	
		(106,314,936) <sup>1</sup>

<sup>1</sup> current portion = \$3,508,649 and noncurrent portion = \$102,806,287

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.		(260,426)
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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.

<b>Net Position of Governmental Activities</b>		<u><u>\$ 134,878,410</u></u>
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## STATE OF TEXAS

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

For the Fiscal Year Ended August 31, 2024 (Amounts in Thousands)

	General	State Highway Fund	Permanent School Fund	Nonmajor Funds	Totals
<b>REVENUES</b>					
Taxes	\$ 70,368,911	\$ 5,978,850	\$	\$ 5,498,314	\$ 81,846,075
Federal	63,078,115	5,057,866		66,851	68,202,832
Licenses, Fees and Permits	3,684,543	2,083,687	2,958	874,074	6,645,262
Sales of Goods and Services	8,212,094	20,830	55,078	1,311,028	9,599,030
Interest and Other Investment Income	3,485,139	535,042	(835,853)	1,377,139	4,561,467
Land Income	17,009	30,070	1,608,182	5,849	1,661,110
Settlement of Claims	834,050	50,153		401	884,604
Other Revenues	11,736,701	19,915	3,854	5,312,181	17,072,651
Total Revenues	<u>161,416,562</u>	<u>13,776,413</u>	<u>834,219</u>	<u>14,445,837</u>	<u>190,473,031</u>
<b>EXPENDITURES</b>					
Current:					
General Government	9,342,624	9,514		445,519	9,797,657
Education	43,107,284		1,959,340	2,180,887	47,247,511
Employee Benefits	18,672			37,629	56,301
Teacher Retirement State Contributions	8,895,341				8,895,341
Health and Human Services	74,994,862			21,618	75,016,480
Public Safety and Corrections	8,833,505			75,775	8,909,280
Transportation	74,783	6,090,135		260,196	6,425,114
Natural Resources and Recreation	3,958,249			119,866	4,078,115
Regulatory Services	574,457			51,992	626,449
Capital Outlay	1,652,884	12,604,028	528	1,046,988	15,304,428
Debt Service:					
Principal	280,241	111,546	230	1,069,471	1,461,488
Interest	31	2,311		703,014	705,356
Other Financing Fees	7,717	5,693		1,967	15,377
Total Expenditures	<u>151,740,650</u>	<u>18,823,227</u>	<u>1,960,098</u>	<u>6,014,922</u>	<u>178,538,897</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>9,675,912</u>	<u>(5,046,814)</u>	<u>(1,125,879)</u>	<u>8,430,915</u>	<u>11,934,134</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Bonds and Notes Issued	335,668			206,985	542,653
Bonds Issued for Refunding				1,135,865	1,135,865
Premiums on Bonds Issued				148,483	148,483
Payment to Escrow for Refunding				(1,272,776)	(1,272,776)
Increase in Obligation for RTU Leases/SBITAs	251,885	33,691		10,451	296,027
Sale of Capital Assets	11,488	7,994	2	7	19,491
Insurance Recoveries	8,566			12	8,578
Distributions from Permanent Fund Principal (Note 12)				(24,113)	(24,113)
Transfer In (Note 12)	14,515,434	3,074,441	12	17,540,820	35,130,707
Transfer Out (Note 12)	(28,835,328)	(822,688)		(12,764,961)	(42,422,977)
Total Other Financing Sources (Uses)	<u>(13,712,287)</u>	<u>2,293,438</u>	<u>14</u>	<u>4,980,773</u>	<u>(6,438,062)</u>
Net Change in Fund Balances	<u>(4,036,375)</u>	<u>(2,753,376)</u>	<u>(1,125,865)</u>	<u>13,411,688</u>	<u>5,496,072</u>
Fund Balances, September 1, 2023	64,978,959	11,201,363	6,493,433	9,739,621	92,413,376
Restatement - Change in Accounting Principle (Note 14)	66				66
Restatement - Error Correction (Note 14)	184,197		80,781	(407)	264,571
Fund Balances, September 1, 2023, as Restated	<u>65,163,222</u>	<u>11,201,363</u>	<u>6,574,214</u>	<u>9,739,214</u>	<u>92,678,013</u>
Fund Balances, August 31, 2024	<u>\$ 61,126,847</u>	<u>\$ 8,447,987</u>	<u>\$ 5,448,349</u>	<u>\$ 23,150,902</u>	<u>\$ 98,174,085</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, 2024 (Amounts in Thousands)

**Net Change in Fund Balances** \$ 5,496,072

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	15,304,428	
Depreciation Expense (Note 2)	(3,088,936)	
Amortization Expense (Note 2)	<u>(375,209)</u>	
		11,840,283

The effect of various miscellaneous transactions involving capital assets (i.e., sales and trade-ins) is to decrease net position. (12,660)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. (3,003,831)

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. 141,214

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	(1,678,518)	
Premiums on Bond Proceeds	(148,483)	
Increase in Obligations Under Right to Use Leases/SBITAs	(296,027)	
Repayment of Bond and RTU Lease/SBITA Principal	<u>2,734,264</u>	
		611,236

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. 13,437,793

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)	(423)	
Decrease in Expenses	(182,088)	
Net Change in Transfers	<u>182,088</u>	
		<u>(423)</u>

**Change in Net Position of Governmental Activities** \$ 28,509,684



**Statement of Net Position: Proprietary Funds**

August 31, 2024 (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>ASSETS</b>							
Current Assets:							
Cash and Cash Equivalents	\$ 11,589,578	\$ 1,149	\$ 152,079	\$ 1,057,478	\$ 1,251,915	\$ 14,052,199	\$ 134,474
Short-Term Investments	487,209			719,901		1,207,110	2,062,194
Receivables:							
Accounts	3,084,813	231,083	59,361		84,583	3,459,840	310,611
Federal	1,276,877	16,747		4,695	15,778	1,314,097	
Leases	22,255					22,255	
Public/Private Partnership Installment (Note 26)	10,746					10,746	
Other Intergovernmental	350,421					350,421	
Gifts and Pledges	364,331					364,331	
Investment Trades	1,124,227					1,124,227	
Interest and Dividends	146,222	243		105,540	20,085	272,090	10,216
Interfund (Note 12)	65,849				321	66,170	
From Other Funds (Note 12)	2,845,979	5,525			123,588	2,975,092	11,505
Other Receivables	1,082,099				5,170	1,087,269	
Securities Lending Collateral	953,630					953,630	
Loans and Contracts	125,529			467,712	9,555	602,796	
Inventories	306,511		56,813		18,772	382,096	
Prepaid Items	366,543		50,304		1,659	418,506	
Other Current Assets	849,857				13,775	863,632	
Restricted:							
Cash and Cash Equivalents	1,868,507	1,721,916			2,310,304	5,900,727	
Short-Term Investments	200,490		48,910		636	250,036	
Loans and Contracts					138,920	138,920	
Total Current Assets	27,121,673	1,976,663	367,467	2,355,326	3,995,061	35,816,190	2,529,000
Noncurrent Assets:							
Receivables:							
Leases	452,576					452,576	
Public/Private Partnership Asset (Note 26)	93,689					93,689	
Public/Private Partnership Installment (Note 26)	76,345					76,345	
Interfund (Note 12)	1,495,390					1,495,390	
Gifts and Pledges	797,871					797,871	
Other Receivables		67,203				67,203	
Investments	28,592,269			238,977	220,295	29,051,541	1,752,274
Derivative Instruments: (Note 3, 7, 15)							
Hedging	58,870				106,180	165,050	
Assets Held in Trust	367				4,792	5,159	
Loans and Contracts	14,351			15,039,268	35,726	15,089,345	
Prepaid Items	1,706					1,706	
Restricted:							
Cash and Cash Equivalents	358,968					358,968	
Short-Term Investments	301					301	
Receivables	58,518				26,697	85,215	
Investments	68,455,228		171,775		4,017,841	72,644,844	
Loans and Contracts	34,507				3,224,945	3,259,452	
Other Restricted Assets					71	71	
Capital Assets: (Note 2)							
Non-Depreciable or Non-Amortizable	8,540,577				823,954	9,364,531	2,053
Depreciable or Amortizable, Net	30,321,283		3,028		2,241,333	32,565,644	3,321
Other Noncurrent Assets	1,061,587				20	1,061,607	
Total Noncurrent Assets	140,414,403	67,203	174,803	15,278,245	10,701,854	166,636,508	1,757,648
Total Assets	167,536,076	2,043,866	542,270	17,633,571	14,696,915	202,452,698	4,286,648
<b>DEFERRED OUTFLOWS OF RESOURCES</b>							
Deferred Outflows of Resources (Note 27)	8,248,180				189,181	8,437,361	
Total Deferred Outflows of Resources	8,248,180	0	0	0	189,181	8,437,361	0
<b>LIABILITIES</b>							
Current Liabilities:							
Payables:							
Accounts	2,936,781	94,905	45,732	74	100,675	3,178,167	697,510
Payroll	1,547,405		2,561		8,637	1,558,603	
Federal	61,432	34,691				96,123	
Other Intergovernmental	3,921					3,921	
Investment Trades	1,537,063					1,537,063	

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

Concluded on the following page

<sup>1</sup> Employees life, accident and health insurance benefits fund is the only internal service fund. Combining statements are not presented.

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

August 31, 2024 (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	\$ 34,517	\$	\$ 2	\$ 147,903	\$ 123,478	\$ 305,900	\$ 7
Annuities			3,560			3,560	
Notes and Loans (Note 5)	167,596					167,596	
Interfund (Note 12)	67,126					67,126	
To Other Funds (Note 12)	437,097		87,251	5,016	51,065	580,429	15,225
From Restricted Assets (Note 5)	45,050		185,105		218,365	448,520	
Bonds:							
General Obligation (Note 5, 6)	3,187			42,852	271,785	317,824	
Revenue (Note 5, 6)	1,803,606			285,167	139,671	2,228,444	
Short-Term Debt (Note 4)	2,389,446				52,298	2,441,744	
Obligations:							
Securities Lending	953,630					953,630	
Right to Use Leases (Note 5, 8)	140,076		305		455	140,836	
Right to Use Subscriptions (Note 5, 8)	117,823				53,735	171,558	347
Pollution Remediation (Note 5)	17					17	
Funds Held for Others	73,330					73,330	257
Claims and Judgments (Note 5)	195,138					195,138	
Employees' Compensable Leave (Note 5)	663,318		2,161		4,526	670,005	
OPEB (Note 11)	349,611					349,611	
Other Current Liabilities	318,819		7,360		1,253	327,432	
Unearned Revenue	4,910,398	596,545			35,682	5,542,625	
Total Current Liabilities	18,756,387	726,141	334,037	481,012	1,061,625	21,359,202	713,346
Noncurrent Liabilities:							
Payables:							
Notes and Loans (Note 5)	814,286				635,997	1,450,283	
Interfund (Note 12)	1,507,716					1,507,716	
From Restricted Assets (Note 5)	10,137		176,485		828,735	1,015,357	
Bonds:							
General Obligation (Note 5, 6)	2,915			819,885	2,705,100	3,527,900	
Revenue (Note 5, 6)	19,393,206			10,270,810	10,215,417	39,879,433	
Obligations:							
Pollution Remediation (Note 5)	1,530					1,530	
Asset Retirement (Note 5)	35,324					35,324	
Right to Use Leases (Note 5, 8)	882,517		951		1,642	885,110	
Right to Use Subscriptions (Note 5, 8)	152,425				31,165	183,590	500
Derivative Instruments: (Note 3, 7, 15)							
Investment	207,717					207,717	
Hedging	22,619				22,848	45,467	
Assets Held for Others	165,435				4,792	170,227	
Claims and Judgments (Note 5)	64,725					64,725	
Employees' Compensable Leave (Note 5)	651,536		1,954		1,867	655,357	
Pension (Note 9)	10,231,586					10,231,586	
OPEB (Note 11)	12,785,525					12,785,525	
Other Noncurrent Liabilities	302,827					302,827	
Total Noncurrent Liabilities	47,232,026	0	179,390	11,090,695	14,447,563	72,949,674	500
Total Liabilities	65,988,413	726,141	513,427	11,571,707	15,509,188	94,308,876	713,846
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Deferred Inflows of Resources (Note 27)	11,138,079				225,359	11,363,438	
Total Deferred Inflows of Resources	11,138,079	0	0	0	225,359	11,363,438	0
<b>NET POSITION</b>							
Net Investment in Capital Assets	14,167,979		1,772		777,346	14,947,097	
Restricted for:							
Education	4,689,759					4,689,759	
Debt Service	52,581				540,684	593,265	
Capital Projects	1,610,456					1,610,456	
Veterans Land Board Housing Programs					450,967	450,967	
Unemployment Trust Fund		1,317,725				1,317,725	
Funds Held as Permanent Investments:							
Nonexpendable	41,483,553				227	41,483,780	
Expendable	21,278,480					21,278,480	
Other Restricted Net Position			5,000	6,061,864	269,938	6,336,802	3,572,802
Unrestricted	15,374,956		22,071		(2,887,613)	12,509,414	
Total Net Position	\$98,657,764	\$ 1,317,725	\$ 28,843	\$ 6,061,864	\$ (848,451)	\$ 105,217,745	\$ 3,572,802

<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, 2024 (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>OPERATING REVENUES</b>						
Lottery Collections	\$	\$	\$ 8,390,208	\$	\$	\$ 8,390,208
Unemployment Taxes		1,927,358				1,927,358
Hospital Revenue – Pledged	27,723,622					27,723,622
Discounts and Allowances	(16,867,676)					(16,867,676)
Tuition Revenue	147,666					147,666
Tuition Revenue – Pledged	8,401,793					8,401,793
Discounts and Allowances	(2,602,783)					(2,602,783)
Professional Fees	10,897,207					10,897,207
Professional Fees – Pledged	30,387					30,387
Discounts and Allowances	(7,816,522)					(7,816,522)
Auxiliary Enterprises	1,490					1,490
Auxiliary Enterprises – Pledged	2,080,851				120,161	2,201,012
Discounts and Allowances	(152,657)					(152,657)
Other Sales of Goods and Services	27,755				11,970	39,725
Other Sales of Goods and Services – Pledged	1,289,698				777,209	2,066,907
Discounts and Allowances	(11,173)				(42,961)	(54,134)
Interest and Investment Income	760			455,095	306,613	762,468
Interest and Investment Income – Pledged	1,813			13,194		15,007
Federal Revenue	3,749,565	61,863			128,626	3,940,054
State Grant Revenue	27,504					27,504
Premium Revenue						
Other Operating Grant Revenue	1,306,704					1,306,704
Other Operating Grant Revenue – Pledged	2,037,802					2,037,802
Other Revenues	207,951	164,260	1,134	4,812	105,423	483,580
Other Revenues – Pledged	1,052,811					1,052,811
Total Operating Revenues	31,534,568	2,153,481	8,391,342	473,101	1,407,041	43,959,533
						2,808,856
<b>OPERATING EXPENSES</b>						
Cost of Goods Sold	181,805				85,715	267,520
Salaries and Wages	19,868,505		23,217	8,042	59,830	19,959,594
Payroll Related Costs	6,264,773		8,091	1,441	16,682	6,290,987
Professional Fees and Services	2,141,093		5,380	6,273	180,822	2,333,568
Materials and Supplies	5,024,026		1,407		13,252	5,038,685
Travel	424,114		327	73	742	425,256
Communication and Utilities	789,497		477	50	3,308	793,332
Repairs and Maintenance	991,275		426		87,933	1,079,634
Rentals and Leases	503,336		2,508	37	1,737	507,618
Printing and Reproduction	66,766		52,535		125	119,426
Scholarships	1,558,827					1,558,827
Lottery Fees and Other Costs			590,422			590,422
Lottery Prize Payments			5,655,486			5,655,486
Claims and Judgments	274,514					274,514
Employee/Participant Benefit Payments					(50,650)	(50,650)
Unemployment Benefit Payments		2,996,651				2,996,651
Net Change in Asset Retirement Obligation	(1,014)					(1,014)
Depreciation and Amortization	3,150,951		658		125,304	3,276,913
Bad Debt	6,368		652		2,553	9,573
Interest	1,403			391,443	234,956	627,802
Other Operating Expenses	3,480,435		18,246	456	260,191	3,759,328
Total Operating Expenses	44,726,674	2,996,651	6,359,832	407,815	1,022,500	55,513,472
						2,913,097
Operating Income (Loss)	(13,192,106)	(843,170)	2,031,510	65,286	384,541	(11,553,939)
						(104,241)

<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, 2024 (Amounts in Thousands)

	Business-Type Activities – Enterprise Funds						Governmental
	Colleges and Universities	Unemployment Trust Fund	Lottery Fund	Water Development Board Funds	Nonmajor Enterprise Funds	Totals	Activities – Internal Service Fund <sup>1</sup>
NONOPERATING REVENUES (EXPENSES)							
Federal	\$ 2,072,411	\$	\$	\$ 196,887	\$ 3,276	\$ 2,272,574	\$
Gifts	909,714				345	910,059	
Gifts – Pledged	179,052					179,052	
Land Income					1,837	1,837	
Interest and Investment Income	8,838,771	57,884	5,946		399,520	9,302,121	245,183
Interest and Investment Income – Pledged	2,397,943					2,397,943	
Loan Premium and Fees on Securities Lending							2,213
Settlement of Claims	2,513				16	2,529	
Depreciation and Amortization					34,008	34,008	
Other Nonoperating Revenues	107,195				10	107,205	
Other Nonoperating Revenues – Pledged	93,672					93,672	
Investing Activities	(321,136)				(679)	(321,815)	
Borrower Rebates and Agent Fees	(4,240)					(4,240)	(1,909)
Gain (Loss) on Sale of Capital Assets	(58,211)					(58,211)	
Claims and Judgments	(4,725)					(4,725)	
Interest	(843,426)		(20)		(329,019)	(1,172,465)	(32)
Other Nonoperating Expenses	(188,196)			(53,758)	(9,931)	(251,885)	
Total Nonoperating Revenues (Expenses)	13,181,337	57,884	5,926	143,129	99,383	13,487,659	245,455
Income (Loss) Before Capital Contributions, Endowments and Transfers	(10,769)	(785,286)	2,037,436	208,415	483,924	1,933,720	141,214
CAPITAL CONTRIBUTIONS, ENDOWMENTS AND TRANSFERS							
Capital Contributions – Federal	3,656					3,656	
Capital Contributions – Other	369,400				15	369,415	
Contributions to Permanent and Term Endowments	377,707					377,707	
Transfer In (Note 12)	9,873,846			99,378	137,815	10,111,039	
Transfer Out (Note 12)	(887,783)		(2,007,345)	(17,921)	(87,809)	(3,000,858)	
Total Capital Contributions, Endowments and Transfers	9,736,826	0	(2,007,345)	81,457	50,021	7,860,959	0
Change in Net Position	9,726,057	(785,286)	30,091	289,872	533,945	9,794,679	141,214
Net Position, September 1, 2023	88,924,025	2,103,011	(1,248)	5,771,992	(1,382,558)	95,415,222	3,431,565
Restatement - Change in Accounting Principle (Note 14)	1,522					1,522	
Restatement - Change To or Within Reporting Entity (Note 14)	72,797					72,797	
Restatement - Error Correction (Note 14)	(66,637)				162	(66,475)	23
Net Position, September 1, 2023, as Restated	88,931,707	2,103,011	(1,248)	5,771,992	(1,382,396)	95,423,066	3,431,588
Net Position, August 31, 2024	\$ 98,657,764	\$ 1,317,725	\$ 28,843	\$ 6,061,864	\$ (848,451)	\$ 105,217,745	\$ 3,572,802

<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, 2024 (Amounts in Thousands)

	Business-Type Activities-Enterprise Funds						Governmental Activities- Internal Service Fund¹
	Colleges and Universities	Unemployment Trust Fund	Lottery Fund	Water Development Board Funds	Nonmajor Enterprise Funds	Totals	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
Proceeds from Customers	\$ 14,367,308	\$ 1,894,238	\$ 8,368,870	\$	\$ 1,059,242	\$ 25,689,658	\$ 604,402
Proceeds from Tuition and Fees	5,990,957					5,990,957	
Proceeds from Research Grants and Contracts	6,914,459	20,632				6,935,091	
Proceeds from Gifts					42	42	
Proceeds from Loan Programs	1,134,991				1,873,254	3,008,245	
Proceeds from Auxiliaries	1,951,833					1,951,833	
Proceeds from Other Operating Revenues	1,731,479	152,608			103,827	1,987,914	2,538,406
Payments to Suppliers for Goods and Services	(14,075,193)		(702,215)	(1,432)	(557,149)	(15,335,989)	(37,402)
Payments to Employees	(24,809,751)		(30,857)	(8,462)	(68,886)	(24,917,956)	
Payments for Loans Provided	(1,130,715)				(1,989,212)	(3,119,927)	
Payments for Lottery Prizes			(5,641,804)			(5,641,804)	
Payments for Unemployment Benefits		(2,863,518)				(2,863,518)	
Payments for Other Operating Expenses	(1,900,642)				(242,021)	(2,142,663)	(3,170,429)
Net Cash Provided (Used) by Operating Activities	(9,825,274)	(796,040)	1,993,994	(9,894)	179,097	(8,458,117)	(65,023)
<b>CASH FLOWS FROM NONCAPITAL</b>							
<b>FINANCING ACTIVITIES</b>							
Proceeds from Debt Issuance				1,050,169	5,378,758	6,428,927	
Proceeds from Gifts	1,110,927					1,110,927	
Proceeds from Endowments	320,869					320,869	
Proceeds from Transfers from Other Funds	9,966,791	236,822		2,276,342	122,089	12,602,044	162
Proceeds from Interfund Payables				983		983	
Proceeds from Loan Programs	62,549					62,549	
Proceeds from Grant Receipts	2,466,936			196,095		2,663,031	
Proceeds from Other Noncapital Financing Activities	1,115,009				52,875	1,167,884	
Payments of Principal on Debt Issuance				(254,290)	(4,737,818)	(4,992,108)	
Payments of Interest				(460,657)	(377,058)	(837,715)	
Payments of Other Costs on Debt Issuance				(5,735)	(11,278)	(17,013)	
Payments for Transfers to Other Funds	(2,076,719)	(234,862)	(2,006,472)	(2,181,053)	(99,673)	(6,598,779)	
Payments for Grant Disbursements	(30,684)			(93,407)		(124,091)	
Payments for Interfund Receivables				(72,940)		(72,940)	
Payments for Other Noncapital Financing Uses	(1,159,897)		(44,604)		(62)	(1,204,563)	
Net Cash Provided (Used) by Noncapital Financing Activities	11,775,781	1,960	(2,051,076)	455,507	327,833	10,510,005	162
<b>CASH FLOWS FROM CAPITAL AND</b>							
<b>RELATED FINANCING ACTIVITIES</b>							
Proceeds from Sale of Capital Assets	9,975					9,975	
Proceeds from Debt Issuance	6,540,314				2,671	6,542,985	
Proceeds from State Grants and Contracts	1,140					1,140	
Proceeds from Federal Grants and Contracts					5,195	5,195	
Proceeds from Gifts	33,139					33,139	
Proceeds from Other Capital and Related Financing Activities	84,742				1,836	86,578	
Proceeds from Capital Contributions	180,940					180,940	
Proceeds from Interfund Payables	10,008					10,008	
Payments for Additions to Capital Assets	(5,111,081)		(121)		(17,596)	(5,128,798)	
Payments of Principal on Debt Issuance	(4,635,746)				(78,425)	(4,714,171)	
Payments for Right to Use Leases/Subscription-Based Information Technology Arrangements	(654,834)		(482)		(5,425)	(660,741)	
Payments of Interest on Debt Issuance	(882,692)				(106,162)	(988,854)	
Payments of Other Costs on Debt Issuance	(23,242)				(12,471)	(35,713)	
Payments for Interfund Receivables	(1,551)				(66)	(1,617)	
Net Cash (Used) by Capital and Related Financing Activities	(4,448,888)	0	(603)	0	(210,443)	(4,659,934)	0

<sup>1</sup> Employees life, accident and health insurance benefits fund is the only internal service fund. Combining statements are not presented.

Concluded on the following page

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

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

For the Fiscal Year Ended August 31, 2024 (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>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
Proceeds from Sale of Investments	\$ 68,711,574	\$	\$ 44,604	\$	\$ 468,213	\$ 69,224,391	\$ 14,463
Proceeds from Interest and Investment Income	3,786,680	78,800		545,091	331,300	4,741,871	7,751
Proceeds from Principal Payments on Loans				650,222	41	650,263	
Payments to Acquire Investments	(67,983,617)		(3,089)	(100,372)	(1,372,860)	(69,459,938)	
Payments for Nonprogram Loans Provided				(1,357,044)		(1,357,044)	
Net Cash Provided (Used) by Investing Activities	4,514,637	78,800	41,515	(262,103)	(573,306)	3,799,543	22,214
Net Increase (Decrease) in Cash and Cash Equivalents	2,016,256	(715,280)	(16,170)	183,510	(276,819)	1,191,497	(42,647)
Cash and Cash Equivalents, September 1, 2023	11,762,705	2,438,345	168,249	873,968	3,839,038	19,082,305	177,121
Restatements	38,092					38,092	
Cash and Cash Equivalents, September 1, 2023, as Restated	11,800,797	2,438,345	168,249	873,968	3,839,038	19,120,397	177,121
Cash and Cash Equivalents, August 31, 2024	\$ 13,817,053	\$ 1,723,065	\$ 152,079	\$ 1,057,478	\$ 3,562,219	\$ 20,311,894	\$ 134,474
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>							
Operating Income (Loss)	\$(13,192,106)	\$ (843,170)	\$ 2,031,510	\$ 65,286	\$ 384,541	\$(11,553,939)	\$ (104,241)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:							
Depreciation and Amortization	3,150,951		658		125,304	3,276,913	510
Bad Debt Expense	654,476		652		2,553	657,681	
Pension Expense	1,767,471					1,767,471	
OPEB Expense	295,734					295,734	
Operating Income (Loss) and Cash Flow Categories Classification Differences	(2,267)				34,984	32,717	
Changes in Assets and Liabilities:							
(Increase) Decrease in Receivables	(1,218,901)	114,881	(22,472)	58,189	(17,780)	(1,086,083)	45,834
(Increase) Decrease in Due From Other Funds	(1,090)			96,508	(7,863)	87,555	(5,356)
(Increase) Decrease in Inventories	(23,102)		(4,800)		3,816	(24,086)	
Decrease in Notes Receivable	2,322					2,322	
(Increase) Decrease in Loans and Contracts	3,533			(938,376)	(227,579)	(1,162,422)	
(Increase) in Other Assets	(280,207)				(4,712)	(284,919)	
(Increase) in Deferred Outflows of Resources - Pensions	(461,486)					(461,486)	
Decrease in Deferred Outflows of Resources - OPEB	554,991					554,991	
(Increase) in Prepaid Expenses	(29,528)		(18,941)		(320)	(48,789)	
Increase (Decrease) in Payables	185,845	5,349	7,387	590,209	(108,493)	680,297	50,881
Increase (Decrease) in Deposits	(6)			132,228		132,222	
Increase (Decrease) in Due To Other Funds	(59,970)			(13,938)	2,294	(71,614)	(10,594)
Increase (Decrease) in Unearned Revenues	112,532	(73,100)			(241)	39,191	
Increase in Employees' Compensable Leave	78,553				156	78,709	
(Decrease) in Benefits Payable	(35,418)					(35,418)	
Increase (Decrease) in Liabilities to Employees for Defined Benefit Pensions	(76,646)					(76,646)	
(Decrease) in Liabilities to Employees for Defined Benefit OPEB	(291,551)					(291,551)	
(Decrease) in Other Liabilities	(131,613)				(7,563)	(139,176)	(42,057)
(Decrease) in Deferred Inflows of Resources - Pensions	(301,701)					(301,701)	
(Decrease) in Deferred Inflows of Resources - OPEB	(526,556)					(526,556)	
(Decrease) in Asset Retirement Obligations	(1,014)					(1,014)	
(Decrease) in Deferred Inflows Leases	(10,950)					(10,950)	
Increase in Deferred Inflows - Public-Private/Public- Public Partnerships	12,430					12,430	
Total Adjustments	3,366,832	47,130	(37,516)	(75,180)	(205,444)	3,095,822	39,218
Net Cash Provided (Used) by Operating Activities	\$ (9,825,274)	\$ (796,040)	\$ 1,993,994	\$ (9,894)	\$ 179,097	\$ (8,458,117)	\$ (65,023)
<b>NONCASH TRANSACTIONS</b>							
Donation of Capital Assets	\$ 193,041	\$	\$	\$	\$	\$ 193,041	\$
Net Change in Fair Value of Investments	\$ 3,774,800	\$	\$ 5,946	\$ 14,041	\$ 198,435	\$ 3,993,222	\$ 67,576
Borrowing Under Lease Purchase	\$ 321,836	\$	\$	\$	\$ 455	\$ 322,291	\$
Defeasance of Long-Term Debt	\$	\$	\$	\$	\$ (1,924,902)	\$ (1,924,902)	\$
Proceeds of Bond Issuance	\$	\$	\$	\$	\$ 1,813,570	\$ 1,813,570	\$
Other	\$ 20,209	\$	\$ (20)	\$	\$ (13,760)	\$ 6,429	\$

<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, 2024 (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 Fund	Other Custodial Funds
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 5,199,395	\$ 2	\$ 1,066,903	\$ 9	\$ 2,791,934
Receivables:					
Accounts	1,240,034				7,651
Taxes	4,079				
Federal	155,911				
Gifts and Pledges					46,935
Investment Trades	8,160,377			4,884	275
Interest and Dividends	616,027	153,298	2,963	1,334	359
Interfund (Note 12)					
From Other Funds (Note 12)	149,956				3
Other Receivables			1,065	37	2,625
Investments:					
U.S. Government	36,698,691	21,539,971		227,090	31,600
Corporate Equity	27,264,839		373,584		
Corporate Obligations	2,269,553	10,116,791	8,392		
Repurchase Agreements		10,024,568			
Foreign Securities	39,843,446		4,790		
Externally Managed	128,169,822			7,343	
Other Investments	33,384,241	1,383,080	4,139,280	331,791	2,922
Securities Lending Collateral	5,667,393			4,318	
Loans and Contracts			1,360		
Prepaid Items	711				
Other Assets	89			2,247	1,045,594
Restricted:					
Cash and Cash Equivalents			14		40,794
Investments					182,732
Properties, at Cost, Net of Accumulated Depreciation or Amortization	473,930		379		
<b>Total Assets</b>	<b>289,298,494</b>	<b>43,217,710</b>	<b>5,598,730</b>	<b>579,053</b>	<b>4,153,424</b>
<b>LIABILITIES</b>					
Payables:					
Accounts	443,444	207,843	21,682	300	16,428
Payroll	15,403		47		
Investment Trades	6,621,516			6,632	314
Interest	163		1,107		81
Annuities	340,677				
To Other Funds (Note 12)	54,237		64		
From Restricted Assets			1,336		
Obligations:					
Securities Lending	5,737,651			4,318	
Reverse Repurchase Agreements	20,005,277				
Right to Use Leases (Note 5, 8)	2,405				
Right to Use Subscriptions (Note 5, 8)	19,125				
Derivative Instruments:					
Investment				929	
Funds Held for Others	(15)				1
Employees' Compensable Leave	26,595		85		
Other Liabilities	188	1,052,328	2,228	240	148,910
Unearned Revenue	453		2,122		182,878
<b>Total Liabilities</b>	<b>33,267,119</b>	<b>1,260,171</b>	<b>28,671</b>	<b>12,419</b>	<b>348,612</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred Inflows of Resources (Note 27)	32,053				
<b>Total Deferred Inflows of Resources</b>	<b>32,053</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>NET POSITION</b>					
Restricted for:					
Pensions	251,001,541				
OPEB <sup>1</sup>	4,956,178				
Held in Trust for Individuals, Organizations and Other Governments	41,603		5,833,403		
Pool Participants		41,957,539		566,634	
Other Purposes			(263,344)		3,804,812
<b>Total Net Position</b>	<b>\$ 255,999,322</b>	<b>\$ 41,957,539</b>	<b>\$ 5,570,059</b>	<b>\$ 566,634</b>	<b>\$ 3,804,812</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, 2024 (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 Fund	Other Custodial Funds
<b>ADDITIONS</b>					
Contributions:					
Member	\$ 6,131,912	\$	\$	\$ 13,627	\$ 955
State	11,462,682				
Federal	369,627		5,108		659
Other Contributions	3,911,673		394,482		68,029
Total Contributions	<u>21,875,894</u>	<u>0</u>	<u>399,590</u>	<u>13,627</u>	<u>69,643</u>
Investment Income:					
From Investing Activities:					
Net Increase in Fair Value of Investments	20,291,379		356,413	27,178	11,976
Interest, Dividend and Other Investment Income	9,495,393	2,547,864	118,932	6,962	77,378
Total Investing Income	<u>29,786,772</u>	<u>2,547,864</u>	<u>475,345</u>	<u>34,140</u>	<u>89,354</u>
Less Investing Activities Expense	1,243,291	20,552	3,841	90	14,524
Net Income from Investing Activities	<u>28,543,481</u>	<u>2,527,312</u>	<u>471,504</u>	<u>34,050</u>	<u>74,830</u>
From Securities Lending Activities:					
Securities Lending Income	414,776				
Less Securities Lending Expense:					
Borrower Rebates <sup>1</sup>	395,125				
Management Fees	1,994				
Net Income from Securities Lending	<u>17,657</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Net Investment Income	<u>28,561,138</u>	<u>2,527,312</u>	<u>471,504</u>	<u>34,050</u>	<u>74,830</u>
Capital Share and Individual Account Transactions:					
Net Increase in Participant Investments	<u>0</u>	<u>(555,911)</u>	<u>0</u>	<u>0</u>	<u>0</u>
Other Additions:					
Settlement of Claims	5,451		161,790		4,419
Transfer In (Note 12)	158,692		179,446		
Other Revenue	23,967		162,360		14,096,072
Total Other Additions	<u>188,110</u>	<u>0</u>	<u>503,596</u>	<u>0</u>	<u>14,100,491</u>
Total Additions	<u>50,625,142</u>	<u>1,971,401</u>	<u>1,374,690</u>	<u>47,677</u>	<u>14,244,964</u>
<b>DEDUCTIONS</b>					
Benefits	20,576,043		390,243		827
Refunds of Contributions	907,951			777	334
Intergovernmental Payments			94,114		
Settlement of Claims			74,932		138,419
Gain (Loss) on Sale of Capital Assets	(27,167)				
Administrative Expenses	140,998		6,861		9,475
Depreciation and Amortization	23,728		39		
Interest Expense	792				6,682
Transfer Out (Note 12)	155,985		64		
Other Deductions	16,305	1	440	9,802	13,994,725
Total Deductions	<u>21,794,635</u>	<u>1</u>	<u>566,693</u>	<u>10,579</u>	<u>14,150,462</u>
<b>INCREASE (DECREASE) IN NET POSITION</b>	<u>28,830,507</u>	<u>1,971,400</u>	<u>807,997</u>	<u>37,098</u>	<u>94,502</u>
Net Position, September 1, 2023	227,168,879	39,986,139	4,762,062	529,536	3,710,055
Restatement - Change To or Within Reporting Entity (Note 14)					255
Restatement - Error Correction (Note 14)	(64)				
Net Position, September 1, 2023, as Restated	<u>227,168,815</u>	<u>39,986,139</u>	<u>4,762,062</u>	<u>529,536</u>	<u>3,710,310</u>
Net Position, August 31, 2024	<u>\$ 255,999,322</u>	<u>\$ 41,957,539</u>	<u>\$ 5,570,059</u>	<u>\$ 566,634</u>	<u>\$ 3,804,812</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, 2024 (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	\$ 854,649	\$ 832,715	\$ 919,359	\$ 2,606,723
Short-Term Investments	190,402		138,584	328,986
Receivables:				
Accounts		170,221	17,065	187,286
Federal			3,756	3,756
Leases (Note 5,8)			116	116
Other Intergovernmental			5,668	5,668
Gifts and Pledges			15	15
Investment Trades	31,334			31,334
Interest and Dividends	180,746	3,825	674	185,245
Other Receivables	1		7,193	7,194
Securities Lending Collateral	4,375,373			4,375,373
Loans and Contracts			180	180
Inventories			5,614	5,614
Prepaid Items	729		11,888	12,617
Other Current Assets			53,065	53,065
Restricted:				
Cash and Cash Equivalents			37,473	37,473
Loans and Contracts			128,221	128,221
Total Current Assets	<u>5,633,234</u>	<u>1,006,761</u>	<u>1,328,871</u>	<u>7,968,866</u>
Noncurrent Assets:				
Receivables:				
Gifts and Pledges			8,945	8,945
Investments	56,146,384		235,570	56,381,954
Loans and Contracts			642	642
Prepaid Items			303	303
Restricted:				
Cash and Cash Equivalents			6	6
Investments			799,155	799,155
Loans and Contracts			119,967	119,967
Capital Assets: (Note 2)				
Non-Depreciable or Non-Amortizable	3,984		6,539	10,523
Depreciable or Amortizable, Net	2,485		69,760	72,245
Other Noncurrent Assets			45	45
Total Noncurrent Assets	<u>56,152,853</u>	<u>0</u>	<u>1,240,932</u>	<u>57,393,785</u>
Total Assets	<u>61,786,087</u>	<u>1,006,761</u>	<u>2,569,803</u>	<u>65,362,651</u>

*Concluded on the following page*

## STATE OF TEXAS

# Statement of Net Position: Component Units (concluded)

August 31, 2024 (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	\$ 7,684	\$ 317,741	\$ 109,832	\$ 435,257
Payroll	7,043	228	790	8,061
Investment Trades	69,541			69,541
Interest	2		3,683	3,685
Notes and Loans (Note 5)			500	500
From Restricted Assets (Note 5)			32	32
Bonds:				
Revenue (Note 5, 6)			133,932	133,932
Obligations:				
Securities Lending	4,372,208			4,372,208
Right to Use Leases (Note 5, 8)	305		1,423	1,728
Right to Use Subscriptions (Note 5, 8)	2,420		707	3,127
Funds Held for Others			213,981	213,981
Employees' Compensable Leave (Note 5)	986	189	1,848	3,023
Other Current Liabilities	374		260,227	260,601
Unearned Revenue			401,085	401,085
Total Current Liabilities	<u>4,460,563</u>	<u>318,158</u>	<u>1,128,040</u>	<u>5,906,761</u>
Noncurrent Liabilities:				
Payables:				
Notes and Loans (Note 5)			750	750
From Restricted Assets (Note 5)			244	244
Bonds:				
Revenue (Note 5, 6)			3,543,504	3,543,504
Obligations:				
Right to Use Leases (Note 5, 8)			10,492	10,492
Right to Use Subscriptions (Note 5, 8)			1,025	1,025
Employees' Compensable Leave (Note 5)	1,027	126	1,714	2,867
Other Noncurrent Liabilities			1,007	1,007
Total Noncurrent Liabilities	<u>1,027</u>	<u>126</u>	<u>3,558,736</u>	<u>3,559,889</u>
Total Liabilities	<u>4,461,590</u>	<u>318,284</u>	<u>4,686,776</u>	<u>9,466,650</u>
<b>NET POSITION</b>				
Net Investment in Capital Assets	6,469		49,035	55,504
Restricted for:				
Education			95	95
Debt Service			80,198	80,198
Funds Held as Permanent Investments:				
Nonexpendable	55,109,792		607,691	55,717,483
Expendable	2,208,236		76,280	2,284,516
Health Care Programs		688,477		688,477
Other Restricted Net Position			34,763	34,763
Unrestricted			(2,965,035)	(2,965,035)
Total Net Position	<u>\$ 57,324,497</u>	<u>\$ 688,477</u>	<u>\$ (2,116,973)</u>	<u>\$ 55,896,001</u>

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

## STATE OF TEXAS

# Statement of Activities: Component Units

For the Fiscal Year Ended August 31, 2024 (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	\$	\$	\$ 484	\$ 484
Salaries and Wages	30,542	2,450	76,860	109,852
Payroll Related Costs	4,266	279	16,803	21,348
Professional Fees and Services	7,191	299	33,763	41,253
Materials and Supplies	1,254	44	7,581	8,879
Travel	174	66	9,345	9,585
Communication and Utilities	1,827	60	1,136	3,023
Repairs and Maintenance	78	93	1,619	1,790
Rentals and Leases	147	2	2,729	2,878
Printing and Reproduction	5		1,460	1,465
Public Assistance Payments			36,927	36,927
Claims and Judgments			862	862
Employee/Participant Benefit Payments		2,351,491		2,351,491
Depreciation and Amortization	3,338		109,741	113,079
Bad Debt			77	77
Direct Interest			79,485	79,485
Interest	137		5,820	5,957
Other Financing Fees			184,007	184,007
Other Expenses	2,367,335	74,081	3,676,789	6,118,205
Total Expenses	2,416,294	2,428,865	4,245,488	9,090,647
<b>PROGRAM REVENUES</b>				
Charges for Services	374	1,913,789	624,654	2,538,817
Operating Grants and Contributions	5,511,005	282,997	196,720	5,990,722
Total Program Revenues	5,511,379	2,196,786	821,374	8,529,539
Net Program Revenues (Expenses)	3,095,085	(232,079)	(3,424,114)	(561,108)
<b>GENERAL REVENUES</b>				
Unrestricted Investment Earnings		48,201	5,552	53,753
Settlement of Claims	396			396
Gain (Loss) on Sale of Capital Assets			1,504	1,504
Other General Revenues	1,863,022	588,518	8,608	2,460,148
Contributions to Permanent and Term Endowments			4,739	4,739
Total General Revenues	1,863,418	636,719	20,403	2,520,540
Change in Net Position	4,958,503	404,640	(3,403,711)	1,959,432
Net Position, September 1, 2023	52,365,994	283,837	1,286,738	53,936,569
Net Position, September 1, 2023, as Restated	52,365,994	283,837	1,286,738	53,936,569
Net Position, August 31, 2024	\$ 57,324,497	\$ 688,477	\$ (2,116,973)	\$ 55,896,001

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



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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 2024.

GASB Statement No. 99, *Omnibus 2022*, has different implementation dates for each requirement or amendment. The full implementation was completed in fiscal 2024, with the following issues addressed or amended:

- Clarification and reporting of derivative instruments within the scope of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument.
- Establishing accounting and financial reporting requirements for exchange or exchange-like financial guarantees.
- Amending GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*.

Derivative instruments that are within the scope of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, but do not meet the definition of an investment derivative instrument or the definition of a hedging derivative instrument are considered *other derivative instruments*. For example, a derivative instrument that intends to be a hedge but does not meet the hedge effectiveness criteria is neither an investment derivative instrument nor a hedging derivative instrument.

Reporting requirements for other derivative instruments are as follows:

- Report changes in fair value of other derivative instruments on the resource flows statement separately from the investment revenue classification. The resource flows statement includes the Statement of Activities in government-wide financial statements, the Statement of Revenues, Expenses and Changes in Fund Net Position for proprietary funds and the Statement of Changes in Fiduciary Net Position for fiduciary activities.
- Distinguish information disclosed in notes to financial statements about other derivative instruments from information about hedging derivative instruments and investment derivative instruments.
- Disclose the fair values of derivative instruments that are reclassified from hedging derivative instruments to other derivative instruments.

If a termination of hedging accounting event occurs, the balance of the deferred outflow of resources or deferred inflow of resources is reported on the government-wide, proprietary or fiduciary resource flows statement separately from the investment revenue classification and is captioned *increase (decrease) upon hedge termination*. If the termination event is the occurrence of the hedged expected transaction that results in a financial instrument and the state is reexposed to the hedged risk, the balance of the deferred outflow of resources or the deferred inflow of resources is reported on the government-wide, proprietary or fiduciary resource flows statement separately from the investment revenue classification.

GASB Statement No. 99 establishes accounting and financial reporting requirements for exchange and exchange-like financial guarantees. An exchange or exchange-like financial guarantee is a guarantee of an obligation of a legally separate entity or individual (including a blended or discretely presented component

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unit) that requires the guarantor to indemnify a third-party obligation holder under special conditions, in an exchange or exchange-like transaction. GASB Statement No. 99 expands on the basis established by GASB Statement No. 70, as amended.

An exchange or exchange-like financial guarantee applies the provisions of GASB Statement No. 70 for the recognition of a liability and an expense or expenditure, except for the requirement to classify expenses or expenditures in the same manner as grants or financial assistance payments. Note disclosure for exchange or exchange-like financial guarantees will also apply provisions of GASB Statement No. 70. For exchange, exchange-like and nonexchange financial guarantees, notes will disclose the dates over which the cumulative amount was determined, if the cumulative amount disclosed as paid does not equal the total amounts actually paid on the guarantee because it was determined prospectively at transition.

GASB Statement No. 99 for financial guarantees does not apply to guarantees relating to special assessment debt within the scope of GASB Statement No. 6, *Accounting and Financial Reporting for Special Assessments*, financial guarantee contracts within the scope of GASB Statement No. 53 or guarantees relating to conduit debt obligations within the scope of GASB Statement No. 91, *Conduit Debt Obligations*.

GASB Statement No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62*, enhances accounting and financial reporting requirements for accounting changes and errors based on the accounting conceptual framework's qualitative characteristics of understandability, reliability, relevance, consistency and comparability. Accounting changes are defined as changes in accounting principles, changes in accounting estimates and changes to or within the financial reporting entity. An error results from mathematical mistakes, mistakes in the application of accounting principles, or oversight or misuse of facts that existed at the time the

financial statements were issued about conditions that existed as of the financial statement date.

A change in accounting principle includes a change from one generally accepted accounting principle to another generally accepted accounting principle or the implementation of a new authoritative pronouncement. The new principle will be preferable based on the accounting conceptual framework's qualitative characteristics and the reason is disclosed in the notes to the financial statements. For financial statements that present a single period, a change in accounting principle is reported retroactively by restating beginning net position, fund balance or fund net position, as applicable, for the cumulative effect, if any, of the change to the newly adopted accounting principle on prior periods. For comparative financial statements, a change in accounting principle is reported retroactively by restating the financial statements for all prior years presented. Each individual prior period presented is restated to reflect the period-specific effects of applying the newly adopted accounting principle.

Disclosure requirements for each change in accounting principle are as follows:

- The nature of the accounting principle change, including identification of the financial statement line items affected and the new pronouncement implemented.
- Except for the implementation of new pronouncements, the reason for the change in accounting principle, and why it is preferable to the principle used prior to the change.
- The effect on the beginning net position, fund balance or fund net position.
- If prior periods presented are not being restated because it is not practicable, disclose the reason why.

Accounting estimates are defined as amounts subject to measurement uncertainty being recognized or disclosed in the basic financial statements. There are two



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parts to calculating an accounting estimate: (1) inputs such as data and assumptions and (2) measurement methodologies. A change in accounting estimate occurs when inputs change due to new circumstances, new information or more experience; or the measurement methodology changes. For example, it changes to a preferable method or valuation technique to determine fair value, or as a result of a new GASB pronouncement.

Reporting changes in accounting estimate will be prospective by recognizing the change in the reporting period in which it occurs. This important distinction is consistent with current GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, guidance.

Disclosure requirements for each significant change in accounting estimate are as follows:

- The nature of the accounting estimate change, including the identification of the financial statement line items affected.
- If resulting from a change in measurement methodology, the reason for the change in methodology, and why it is preferable to the methodology used prior to the change unless it is required by a new GASB pronouncement.

GASB Statement No. 62 provided guidance for changes in the financial reporting entity resulting from changes in the organizations that composed the reporting entity. GASB Statement No. 100 expands the guidance to include changes resulting from:

- Change in a fund's presentation as major or nonmajor.
- Change in a component unit's presentation as blended or discretely presented.
- Addition or removal of a fund that results from the movement of continuing operations within the primary government, including its blended units.

Transactions or other events that could be classified as either a change in accounting principle or a

change to or within the financial reporting entity will be considered as a change to or within the financial reporting entity. A change to or within the financial reporting entity is reported by adjusting the current reporting period's beginning net position, fund balance or fund net position for the effect of the change as if it occurred as of the beginning of the reporting period. In the financial statement notes, disclosures will be made for the nature of and reason for each change to or within the financial reporting entity, except for changes in fund presentation that result only from meeting or not meeting quantitative thresholds for major funds. The effects on beginning net position, fund balance or fund net position should also be disclosed, as applicable.

Reporting error corrections will be retroactive by restating all prior periods presented. The cumulative effect of the error correction on periods prior to those presented will be reported as a restatement of beginning net position, fund balance or fund net position, as applicable, for the earliest period being presented. Each individual prior period presented will restate the reflection of the period-specific effects of correcting the error.

Disclosure requirements for each error correction are as follows:

- The nature of the error and its correction, including the periods being affected by the error and identification of the financial statement line items being affected by the error in prior periods. The identification of the line item and the disclosure of periods affected are an expansion to previous guidance.
- The effect of the error correction on the change in net position, fund balance or fund net position, as applicable, for the prior period.
- The effects on beginning net position, fund balance or fund net position, as applicable.

For more information on accounting changes and error corrections, please see Note 14, *Restatements*.

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The state of Texas implemented in the previous year:

- GASB Statement No. 91, *Conduit Debt Obligations*.
- GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* (PPP and APA).
- GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*.
- The sections of GASB Statement No. 99, *Omni-bus 2022*, pertaining to GASB Statement No. 87, *Leases*, GASB Statement No. 94 and GASB Statement No. 96.

## 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 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 \$454.1 million.

Fiduciary funds are presented in the fund financial statements by type (pension and other employee benefit trust, external investment trust, private-purpose trust, nontrusted external investment pool custodial fund and other 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 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

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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 acquisi-

tion 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 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.

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## 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 should 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.

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 fund reports 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 Abatement Trust Fund.
- Tobacco Settlement Permanent Trust.
- Catastrophic Reserve Trust Fund.
- Texas College Savings Plans.
- 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. The Nontrusted External Investment Pool Custodial Fund is used to hold investment operating and bond activity held in a custodial capacity. Custodial funds also include:

- Educational Custodial Fund.
- Economic Development 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 component 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,



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*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 opera-

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

Proprietary funds distinguish operating from nonoperating 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.

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## **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 taxes receivable, federal revenue and Public/Private Partnership asset receivables. The major receivables for business-type activities are federal receivables, patient receivables and investment trade receivables. Receivables represent amounts due to the state as of Aug. 31, 2024, 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 2024 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



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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. Health care receivables include Medicare receivables for programs like Uncompensated Care (UC), Disproportionate Share Hospital (DSH) Delivery System Reform Incentive Payment (DSRIP), and Medicaid receivables that include the transition from the National Heritage Insurance Company (NHIC) bulletin board system (BRS) to Texas Medicaid Healthcare Partnership (TMHP) electronic data interchange (EDI).

Other receivables in the colleges and universities fund consist primarily of receivables from investments and 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 Transactions*, 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.

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 subscription-based information technology arrangement (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

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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 2024 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.

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,

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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 liabil-

ity is split into current and noncurrent portions. Note 8, *Leases and Subscription-Based Information Technology Arrangements*, 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 Subscription-Based Information Technology Arrangements*, 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.

### **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 consump-

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tion 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 position 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.

Committed fund balances are amounts that can only be used for specific purposes pursuant to con-

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straints 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. Intangible right-to-use (RTU) lease 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. Intangible RTU assets also include subscription-based information technology arrangements (SBITA). 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. 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, 2024, are presented in Table 2A.

Capitalization of Assets		
Table 2A		
August 31, 2024		
Capital Asset Type	Capitalization Threshold	Estimated Useful Life
Non-Depreciable and Non-Amortizable Assets		
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
Depreciable Assets		
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
Intangible Capital Assets - Amortizable		
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 2024. The adjustments column includes assets not previously reported, accounting errors 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.



## Capital Asset Activity

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

August 31, 2024 (Amounts in Thousands)

Capital Asset Type	Balance 9/1/23	Adjustments	Reclassifications	Additions	Deletions	Balance 8/31/24
<b>Non-Depreciable and Non-Amortizable Assets</b>						
Land and Land Improvements	\$ 19,415,650	\$	\$ 2,143	\$ 2,326,312	\$ (1,268)	\$ 21,742,837
Infrastructure	283					283
Construction in Progress	25,403,208	83,086	(8,000,330)	12,311,560		29,797,524
Land Use Rights – Permanent	97,031			11,538	(85)	108,484
Other Capital Assets	73,276			26	(5)	73,297
Total Non-Depreciable and Non-Amortizable Assets	44,989,448	83,086	(7,998,187)	14,649,436	(1,358)	51,722,425
<b>Depreciable Assets</b>						
Buildings and Building Improvements	8,150,411	(598)	64,828	2,435	(3,341)	8,213,735
Infrastructure	128,761,235		7,867,296	88,542	(2,482)	136,714,591
Facilities and Other Improvements	298,607	(109)	26,373	6,278	(1,927)	329,222
Furniture and Equipment	1,375,288	1,292	6,589	142,614	(50,359)	1,475,424
Vehicles, Boats and Aircraft	1,760,118	557	101	219,977	(63,719)	1,917,034
Other Capital Assets	154,611	(20)		5,814	(1,138)	159,267
Total Depreciable Assets at Historical Cost	140,500,270	1,122	7,965,187	465,660	(122,966)	148,809,273
Less Accumulated Depreciation for:						
Buildings and Building Improvements	(5,420,213)	(27)	9,674	(205,054)	3,004	(5,612,616)
Infrastructure	(31,539,330)			(2,655,617)	1,637	(34,193,310)
Facilities and Other Improvements	(215,991)	63		(7,430)	794	(222,564)
Furniture and Equipment	(1,066,404)	(810)	249	(85,302)	47,329	(1,104,938)
Vehicles, Boats and Aircraft	(1,136,429)	(677)	(55)	(130,642)	57,445	(1,210,358)
Other Capital Assets	(111,825)	3		(4,891)	830	(115,883)
Total Accumulated Depreciation	(39,490,192)	(1,448)	9,868	(3,088,936)	111,039	(42,459,669)
Depreciable Assets, Net	101,010,078	(326)	7,975,055	(2,623,276)	(11,927)	106,349,604
<b>Intangible Capital Assets – Amortizable</b>						
Computer Software	735,783	(678)	22,709	4,038	(15,196)	746,656
Land Use Rights – Term	348					348
Intangible Capital Assets – Term	79,673					79,673
Total Intangible Assets at Historical Cost	815,804	(678)	22,709	4,038	(15,196)	826,677
Less Accumulated Amortization for:						
Computer Software	(554,909)	(321)		(56,217)	15,060	(596,387)
Land Use Rights – Term	(242)			(106)		(348)
Intangible Capital Assets – Term	(78,277)			(1,369)		(79,646)
Total Accumulated Amortization	(633,428)	(321)	0	(57,692)	15,060	(676,381)
Amortizable Assets, Net	182,376	(999)	22,709	(53,654)	(136)	150,296
<b>Intangible Right-to-Use (RTU) Assets - Amortizable</b>						
Land and Land Improvements	4,663				(924)	3,739
Buildings and Building Improvements	1,082,880	(5,740)		106,523	(19,599)	1,164,064
Furniture and Equipment	22,613	4,416		13,251	(2,323)	37,957
Subscription Assets	304,850	34,324		179,421	(12,378)	506,217
Total Amortizable Intangible RTU Assets	1,415,006	33,000	0	299,195	(35,224)	1,711,977
Less Accumulated Amortization for:						
Land and Land Improvements	(1,317)			(1,122)	924	(1,515)
Buildings and Building Improvements	(362,309)	305		(173,791)	19,154	(516,641)
Furniture and Equipment	(8,829)	(605)		(10,987)	2,323	(18,098)
Subscription Assets	(74,694)	(4,912)		(131,617)	9,682	(201,541)
Total Accumulated Amortization Intangible RTU Assets	(447,149)	(5,212)	0	(317,517)	32,083	(737,795)
Amortizable Intangible RTU Assets, Net	967,857	27,788	0	(18,322)	(3,141)	974,182
Governmental Activities Capital Assets, Net	\$ 147,149,759	\$ 109,549	\$ (423)	\$ 11,954,184	\$ (16,562)	\$ 159,196,507

*Continued on the following page*

## Capital Asset Activity (continued)

**Table 2B: Primary Government - Business Type Activities**

August 31, 2024 (Amounts in Thousands)

Capital Asset Type	Balance 9/1/23	Adjustments	Reclassifications	Additions	Deletions	Balance 8/31/24
<b>Non-Depreciable and Non-Amortizable Assets</b>						
Land and Land Improvements	\$ 2,650,957	\$ 29	\$ 1,347	\$ 169,180	\$ (1,469)	\$ 2,820,044
Infrastructure						
Construction in Progress	3,701,110	(2,898)	(2,056,954)	3,676,896	(3,582)	5,314,572
Land Use Rights – Permanent	22,918					22,918
Other Capital Assets	1,096,303	150	290	91,458	(2,468)	1,185,733
Other Intangible Capital Assets - Permanent	21,265					21,265
Total Non-Depreciable and Non-Amortizable Assets	7,492,553	(2,719)	(2,055,317)	3,937,534	(7,519)	9,364,532
<b>Depreciable Assets</b>						
Buildings and Building Improvements	47,074,121	462	1,661,367	684,307	(154,513)	49,265,744
Infrastructure	5,125,245		139,051	9,194	(2,548)	5,270,942
Facilities and Other Improvements	3,668,667		81,299	53,829	(26,073)	3,777,722
Furniture and Equipment	8,382,412	817	112,620	831,666	(427,529)	8,899,986
Vehicles, Boats and Aircraft	391,781	(5)	1,656	73,448	(14,812)	452,068
Other Capital Assets	2,189,333	(151)	10,616	58,710	(27,420)	2,231,088
Total Depreciable Assets at Historical Cost	66,831,559	1,123	2,006,609	1,711,154	(652,895)	69,897,550
Less Accumulated Depreciation for:						
Buildings and Building Improvements	(24,903,590)	(4)	(9,675)	(1,803,319)	127,325	(26,589,263)
Infrastructure	(1,893,154)			(157,406)	1,118	(2,049,442)
Facilities and Other Improvements	(1,814,702)			(143,525)	9,941	(1,948,286)
Furniture and Equipment	(6,199,616)	(495)	(248)	(612,687)	373,881	(6,439,165)
Vehicles, Boats and Aircraft	(293,024)	5	66	(30,808)	13,576	(310,185)
Other Capital Assets	(1,464,217)	2		(99,045)	21,870	(1,541,390)
Total Accumulated Depreciation	(36,568,303)	(492)	(9,857)	(2,846,790)	547,711	(38,877,731)
Depreciable Assets, Net	30,263,256	631	1,996,752	(1,135,636)	(105,184)	31,019,819
<b>Intangible Capital Assets – Amortizable</b>						
Computer Software	1,719,738		59,048	35,991	(19,796)	1,794,981
Land Use Rights – Term	255					255
Intangible Capital Assets – Term	700					700
Total Intangible Assets at Historical Cost	1,720,693	0	59,048	35,991	(19,796)	1,795,936
Less Accumulated Amortization for:						
Computer Software	(1,558,470)			(82,624)	19,045	(1,622,049)
Land Use Rights – Term	(255)					(255)
Intangible Capital Assets – Term	(560)			(140)		(700)
Total Accumulated Amortization	(1,559,285)	0	0	(82,764)	19,045	(1,623,004)
Amortizable Assets, Net	161,408	0	59,048	(46,773)	(751)	172,932
<b>Intangible Right-to-Use (RTU) Assets - Amortizable</b>						
Land and Land Improvements	91,980	(73)		5,031	(543)	96,395
Buildings and Building Improvements	1,408,022	(23)		132,413	(345,438)	1,194,974
Infrastructure	2,124					2,124
Furniture and Equipment	111,552			36,356	(21,880)	126,028
Vehicles	265			121		386
Subscription Assets	564,914	(297)		198,010	(31,704)	730,923
Total Amortizable Intangible RTU Assets	2,178,857	(393)	0	371,931	(399,565)	2,150,830
Less Accumulated Amortization for:						
Land and Land Improvements	(5,215)			(1,934)		(7,149)
Buildings and Building Improvements	(309,612)			(130,869)	68,939	(371,542)
Infrastructure	(652)			(256)		(908)
Furniture and Equipment	(50,326)			(31,933)	21,633	(60,626)
Vehicles	(26)			(96)		(122)
Subscription Assets	(183,150)	355		(181,904)	27,108	(337,591)
Total Accumulated Amortization Intangible RTU Assets	(548,981)	355	0	(346,992)	117,680	(777,938)
Amortizable Intangible RTU Assets, Net	1,629,876	(38)	0	24,939	(281,885)	1,372,892
Business Activities Capital Assets, Net	\$ 39,547,093	\$ (2,126)	\$ 483	\$ 2,780,064	\$ (395,339)	\$ 41,930,175

Concluded on the following page



## Capital Asset Activity (concluded)

**Table 2B: Primary Government - Business Type Activities**

August 31, 2024 (Amounts in Thousands)

Capital Asset Type	Balance 9/1/23	Adjustments	Reclassifications	Additions	Deletions	Balance 8/31/24
<b>Non-Depreciable and Non-Amortizable Assets</b>						
Land and Land Improvements	\$ 4,868	\$	\$	\$ 1,188	\$ (503)	\$ 5,553
Construction in Progress	2,011		(1,562)	5,054	(533)	4,970
Total Non-Depreciable and Non-Amortizable Assets	6,879	0	(1,562)	6,242	(1,036)	10,523
<b>Depreciable Assets</b>						
Buildings and Building Improvements	32,656		628	6,268	(275)	39,277
Facilities and Other Improvements	428					428
Furniture and Equipment	45,733		934	341	(1,017)	45,991
Vehicles, Boats and Aircraft	10,079			2,810	(2,620)	10,269
Other Capital Assets	2,259			5	(265)	1,999
Total Depreciable Assets at Historical Cost	91,155	0	1,562	9,424	(4,177)	97,964
Less Accumulated Depreciation for:						
Buildings and Building Improvements	(8,503)			(803)	51	(9,255)
Facilities and Other Improvements	(414)			(1)		(415)
Furniture and Equipment	(28,438)			(4,227)	1,008	(31,657)
Vehicles, Boats and Aircraft	(5,133)			(1,767)	2,292	(4,608)
Other Capital Assets	(251)			(202)	265	(188)
Total Accumulated Depreciation	(42,739)	0	0	(7,000)	3,616	(46,123)
Depreciable Assets, Net	48,416	0	1,562	2,424	(561)	51,841
<b>Intangible Capital Assets – Amortizable</b>						
Computer Software	15,815				(35)	15,780
Total Intangible Assets at Historical Cost	15,815	0	0	0	(35)	15,780
Less Accumulated Amortization for:						
Computer Software	(9,414)			(1,823)	35	(11,202)
Total Accumulated Amortization	(9,414)	0	0	(1,823)	35	(11,202)
Amortizable Assets, Net	6,401	0	0	(1,823)	0	4,578
<b>Intangible Right-to-Use (RTU) Assets - Amortizable</b>						
Buildings and Building Improvements	18,621	(742)		2,072	(1,427)	18,524
Furniture and Equipment	6					6
Subscription Assets	7,226			2,483		9,709
Total Amortizable Intangible RTU Assets	25,853	(742)	0	4,555	(1,427)	28,239
Less Accumulated Amortization for:						
Buildings and Building Improvements	(4,150)	(126)		(2,621)	206	(6,691)
Furniture and Equipment	(1)			(1)		(2)
Subscription Assets	(2,521)			(3,199)		(5,720)
Total Accumulated Amortization Intangible RTU Assets	(6,672)	(126)	0	(5,821)	206	(12,413)
Amortizable Intangible RTU Assets, Net	19,181	(868)	0	(1,266)	(1,221)	15,826
Component Units Capital Assets, Net	\$ 80,877	\$ (868)	\$	\$ 5,577	\$ (2,818)	\$ 82,768

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.

Table 2C discloses depreciation and amortization by governmental and business-type activities during fiscal 2024. 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 sub-

scription 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, 2024

(Amounts in Thousands)

Services	Governmental Activities	Business-Type Activities
General Government	\$ 126,328	\$ 4,137
Education	10,073	3,150,584
Employee Benefits	510	
Health and Human Services	204,380	
Public Safety and Corrections	217,437	575
Transportation	2,828,887	114,977
Natural Resources and Recreation	66,580	5,615
Regulatory Services	9,950	
Lottery		658
Total Depreciation and Amortization Expense	\$ 3,464,145	\$ 3,276,546

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.
- 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 37 million documents dating back to 1720 and approximately 44,000 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’s office) 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 2024. 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

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with the Treasury. As of Aug. 31, 2024, 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 86.7 percent of the total investment fair value; this does not include the investments 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's office, 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's office, or by a financial institution authorized to exercise fiduciary powers that has been designated as a custodian by the Comptroller's office. During fiscal 2024, 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, 2024, the carrying amounts of deposits for governmental and business-type activities, fiduciary funds and discretely presented component units were \$1.1 billion, \$215.6 million and \$303.3 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, 2024, the total bank balances for governmental and business-type activities, fiduciary funds and discretely presented component units were \$1.2 billion, \$211.7 million and \$289.0 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, 2024, is presented in Table 3A.

## Bank Balances Exposed to Custodial Credit Risk

Table 3A

August 31, 2024 (Amounts in Thousands)

Fund Type	Uninsured and Uncollateralized	Uninsured and Collateralized <sup>1</sup>
<b>GOVERNMENTAL ACTIVITIES</b>		
Other Nonmajor Funds	\$ 460	\$
Total Custodial Credit Risk - Governmental Activities	<u>460</u>	<u>0</u>
<b>BUSINESS-TYPE ACTIVITIES</b>		
College and Universities	4,219	171,983
Total Custodial Credit Risk - Business-Type Activities	<u>4,219</u>	<u>171,983</u>
Total Custodial Credit Risk - Government and Business-Type Activities	<u>\$ 4,679</u>	<u>\$ 171,983</u>
<b>FIDUCIARY FUNDS</b>	<u>\$ 80,428</u>	<u>\$ 0</u>
<b>COMPONENT UNITS</b>	<u>\$ 729,847</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, 2024, is presented in Table 3B.

## Bank Balances Exposed to Foreign Currency Risk

Table 3B

August 31, 2024 (Amounts in Thousands)

Foreign Currency	Governmental and Business-Type Activities	Fiduciary Funds	Discrete Component Units
Australian Dollar	\$	\$ 57,916	\$ 496
Brazilian Real	57	23,713	85
British Pound		4,022	
Canadian Dollar		(38,812)	26
Chilean Peso		383	
Chinese Yuan (Offshore)		21,689	
Chinese Yuan Renminbi		(21,181)	
Colombian Peso		(15,402)	
Czech Koruna		129	
Danish Krone		10,433	338
Egyptian Pound		(54)	
Euro	2,008	133,325	435
Hong Kong Dollar	752	11,219	3
Hungarian Forint		16	
Indian Rupee		12,329	
Indonesian Rupiah		17,463	
Israeli New Shekel		2,748	277
Japanese Yen		96,955	32
Kuwaiti Dinar		31	
Malaysian Ringgit		3,964	
Mexican Peso		784	1
New Zealand Dollar		(1,063)	2
Norwegian Krone		702	207
Peruvian Nuevo Sol		27	
Philippine Peso		676	
Polish Zloty		2,010	
Qatari Rial	440	237	
Saudi Riyal		17,435	
Singapore Dollar		13,213	319
South African Rand		(1,438)	
South Korean Won		33,378	
Swedish Krona		2,622	1,785
Swiss Franc	788	51,324	705
Taiwan Dollar		7,616	5
Thai Baht		5,097	
Turkish Lira		5	
United Arab Emirates Dirham		589	
Total Foreign Currency Risk	<u>\$ 4,045</u>	<u>\$ 454,100</u>	<u>\$ 4,716</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 its 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, 2024. 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. Because of size, distribution and limited production histories, the remaining minerals and trust minerals 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, 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, 2024, are presented in Tables 3C, 3D and 3E.

## Investments Fair Values

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

August 31, 2024 (Amounts in Thousands)

Investment Type	Fair Value Hierarchy			Total
	Level 1	Level 2	Level 3	
INVESTMENTS AT FAIR VALUE				
U.S. Treasury Securities	\$ 3,717,690	\$ 36,258,639	\$	\$ 39,976,329
U.S. Treasury Strips	140,783			140,783
U.S. Treasury TIPS	453,623			453,623
U.S. Government Agency Obligations	1,603,142	11,550,833		13,153,975
Corporate Obligations	335,943	2,393,794	52,443	2,782,180
Corporate Asset and Mortgage Backed Securities	1,514	6,090,569		6,092,083
Equity	7,909,696	334,576	425	8,244,697
International Obligations (Govt and Corp)	522	3,043,813	4,121	3,048,456
International Equity	4,327,043	3		4,327,046
International Other Commingled Funds	1,039,858		312,840	1,352,698
Repurchase Agreement	42,496	608,873		651,369
Mutual Funds - Domestic/International	3,708,645	4,301		3,712,946
Fixed Income Money Market and Bond Mutual Fund	16,663,558	37,654		16,701,212
Other Commingled Funds	15,446,489	70,773	20,946	15,538,208
Commercial Paper	394,615	16,252,078		16,646,693
Invested Collateral		953,630		953,630
Real Estate	5,428,270	399	11,226,495	16,655,164
Derivatives - Domestic/International	1,135	297,885		299,020
Alternative Investments - Domestic/International	51,605	789,543	611,936	1,453,084
Miscellaneous	1,927,133	75,533	80,355	2,083,021
Total Investments at Fair Value	63,193,760	78,762,896	12,309,561	154,266,217
INVESTMENTS AT NAV				
Equity				1,152,882
International Equity				232,327
International Other Commingled Funds				11,720,976
Mutual Funds - Domestic/International				161,947
Fixed Income Money Market and Bond Mutual Fund				2,367,612
Other Commingled Funds				294,871
Real Estate				260,226
Derivatives - Domestic/International				7
Alternative Investments - Domestic/International				49,661,508
Miscellaneous				1,403,836
Total Investments at NAV				67,256,192
INVESTMENTS AT AMORTIZED COSTS OR NOT SUBJECT TO GASB STATEMENT NO. 72				
U.S. Treasury Securities				17,155
U.S. Government Agency Obligations				9,966
Repurchase Agreement				7,834,958
Fixed Income Money Market and Bond Mutual Fund				196,442
Other Commingled Funds				187,612
Real Estate				9
Miscellaneous				43,653
Total Investments at Amortized Costs or not subject to GASB Statement No. 72				8,289,795
Total of Investments - Governmental and Business-Type Activities				\$ 229,812,204



## Investments Fair Values

**Table 3D: Fiduciary Funds**

August 31, 2024 (Amounts in Thousands)

Investment Type	Fair Value Hierarchy			Total
	Level 1	Level 2	Level 3	
INVESTMENTS AT FAIR VALUE				
U.S. Treasury Securities	\$ 32,814,082	\$ 14,052,952	\$	\$ 46,867,034
U.S. Treasury Strips		19,041		19,041
U.S. Treasury Tips	1,267	2,630,647		2,631,914
U.S. Government Agency Obligations		13,436,192		13,436,192
Corporate Obligations		2,411,968	1,217	2,413,185
Corporate Asset and Mortgage Backed Securities		654,855		654,855
Equity	27,282,523	8,135	303	27,290,961
International Obligations (Govt and Corp)		2,198,507	102	2,198,609
International Equity	37,804,556		81,033	37,885,589
International Other Commingled Funds	15,379		7,273	22,652
Repurchase Agreement	6,785	10,024,568		10,031,353
Mutual Funds - Domestic/International	2,202,570			2,202,570
Fixed Income Money Market and Bond Mutual Fund	776,054	13,564		789,618
Other Commingled Funds	617,423	324	527	618,274
Commercial Paper		11,738,275		11,738,275
Invested Collateral		2,016,921	3,260,545	5,277,466
Real Estate	979,884	6,910	39	986,833
Derivatives - Domestic/International	268,406	116,918		385,324
Alternative Investments - Domestic/International		4,171	1,261,390	1,265,561
Miscellaneous	712,070	4,202	863	717,135
Total Investments at Fair Value	103,480,999	59,338,150	4,613,292	167,432,441
INVESTMENTS AT NAV				
Equity				2,509
International Other Commingled Funds				13,183,504
Mutual Funds - Domestic/International				492,571
Fixed Income Money Market and Bond Mutual Fund				1,848,840
Other Commingled Funds				15,750,000
Invested Collateral				394,244
Real Estate				29,177,486
Alternative Investments - Domestic/International				98,027,210
Miscellaneous				2,583,694
Total Investments at NAV				161,460,058
INVESTMENTS AT AMORTIZED COSTS OR NOT SUBJECT TO GASB STATEMENT NO. 72				
U.S. Treasury Securities				31,600
Repurchase Agreement				1,721,755
Fixed Income Money Market and Bond Mutual Fund				72,422
Total Investments at Amortized Costs or not subject to GASB Statement No. 72				1,825,777
Total of Investments - Fiduciary Funds				\$ 330,718,276



## Investments Fair Values

**Table 3E: Discrete Component Units**

August 31, 2024 (Amounts in Thousands)

Investment Type	Fair Value Hierarchy			Total
	Level 1	Level 2	Level 3	
INVESTMENTS AT FAIR VALUE				
U.S. Treasury Securities	\$ 2,511,356	\$ 609,335	\$	\$ 3,120,691
U.S. Treasury TIPS	94,380			94,380
U.S. Government Agency Obligations	101,568	1,398,657		1,500,225
Corporate Obligations		5,940,107		5,940,107
Corporate Asset and Mortgage Backed Securities		2,196,705		2,196,705
Equity	11,418,878			11,418,878
International Obligations (Govt and Corp)		350,792		350,792
International Equity	4,097,361			4,097,361
International Other Commingled Funds	20,835			20,835
Mutual Funds - Domestic/International	283,180			283,180
Fixed Income Money Market and Bond Mutual Fund	933,547	31,605		965,152
Other Commingled Funds	407,114	3,928	1,703	412,745
Commercial Paper		378,629		378,629
Invested Collateral		4,375,373		4,375,373
Real Estate			17,498	17,498
Derivatives - Domestic/International		3,625		3,625
Alternative Investments - Domestic/International	6	482,229	9,012	491,247
Miscellaneous	5,548	23,209	142	28,899
Total Investments at Fair Value	19,873,773	15,794,194	28,355	35,696,322
INVESTMENTS AT NAV				
Equity				30,442
International Other Commingled Funds				24,671
Mutual Funds - Domestic/International				1,008
Fixed Income Money Market and Bond Mutual Fund				9,250
Real Estate				6,102,683
Alternative Investments - Domestic/International				21,615,596
Miscellaneous				664,970
Total Investments at NAV				28,448,620
INVESTMENTS AT AMORTIZED COSTS OR NOT SUBJECT TO GASB STATEMENT NO. 72				
Repurchase Agreement				106,228
Miscellaneous				2,920
Total Investments at Amortized Costs or not subject to GASB Statement No. 72				109,148
Total of Investments - Discrete Components				\$ 64,254,090

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 a portion of the investment for

an amount that is different from the NAV. These investments are exempt from classification within the fair value hierarchy.

TRS, PSF, ERS and the UT System account for 94.9 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  
1300 Red River St Suite 700  
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, 2024, including unfunded commitments, is presented in Table 3F.

Investments Reported at Net Asset Value (NAV)				
Table 3F				
August 31, 2024 (Amounts in Thousands)				
Investment Type	Fair Value	Redemption Frequency	Redemption Notice Period	Unfunded Commitment
Other Alternative Investments	\$ 16,925,361	Daily - Annually	2 days - 93 days	\$ 7,718,537
Commingled Funds	41,432,222	Daily - 3 yrs	1 day - 120 days	50,014
Energy, Natural Resources, Infrastructure	21,706,804	N/A	N/A	11,460,123
Fixed Income	1,490,911	N/A	90 days	773,530
Hedge Funds	49,603,561	Daily - 3 yrs	1 day - 1.75yrs	2,603,753
Mutual Funds	5,305,043	Daily	1 day - 1 day	
Private Equity	76,309,756	Monthly - 5yrs	2 days - 1yr	35,922,433
Real Estate	39,489,273	Daily - 5yrs	2 days - 1yr	17,689,544
Risk Parity	4,898,339	N/A	N/A	
U.S. Government Obligations	3,600	N/A	N/A	
Total Investments at Net Asset Value	<u>\$ 257,164,870</u>			<u>\$ 76,217,934</u>

**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. 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 issued 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 institu-

tional 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 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 and the UT System 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, 2024, is presented in Table 3G.

Invested Securities Lending Collateral Fair Value				
Table 3G: Governmental and Business-Type Activities				
August 31, 2024 (Amounts in Thousands)				
Investments at Fair Value	Fair Value Hierarchy			Total
	Level 1	Level 2	Level 3	
Governmental and Business Type Activities				
Repurchase Agreement	\$	\$ 423,569	\$	\$ 423,569
Commercial Paper		382,928		382,928
Miscellaneous		147,133		147,133
Total Investments at Fair Value	<u>\$ 0</u>	<u>\$ 953,630</u>	<u>\$ 0</u>	<u>\$ 953,630</u>
Fiduciary Funds				
Corporate Obligations	\$	\$ 96,022	\$	\$ 96,022
Corporate Asset and Mortgage Backed Securities		505,303	53,000	558,303
Repurchase Agreement		65,130	3,126,313	3,191,443
Commercial Paper		1,350,466	27,999	1,378,465
Miscellaneous			53,233	53,233
Total Investments at Fair Value	<u>\$ 0</u>	<u>\$ 2,016,921</u>	<u>\$ 3,260,545</u>	<u>\$ 5,277,466</u>
Investments At NAV				
Repurchase Agreement				\$ 394,244
Total Invested Securities Lending Collateral -				
Fiduciary Funds				<u>\$ 5,671,710</u>
Discrete Component Units				
Corporate Obligations	\$	\$ 82,184	\$	\$ 82,184
Corporate Asset and Mortgage Backed Securities		773,267		773,267
Repurchase Agreement		38,525		38,525
Commercial Paper		888,770		888,770
Miscellaneous		2,592,627		2,592,627
Total Investments at Fair Value	<u>\$ 0</u>	<u>\$ 4,375,373</u>	<u>\$ 0</u>	<u>\$ 4,375,373</u>

**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, 2024, 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, 2024, is presented in Table 3I.

<b>Investments Exposed to Custodial Credit Risk</b>		
<b>Table 3H</b>		
August 31, 2024 (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>GOVERNMENTAL ACTIVITIES</b>		
Texas Education Agency		
U.S. Treasury Securities	\$	\$ 36,352
U.S. Government Agency Obligations		25,101
Corporate Obligations		37,600
Corporate Asset and Mortgage Backed Securities		15,852
Miscellaneous		328
Subtotal Custodial Credit Risk - Governmental Activities	0	115,233
<b>BUSINESS-TYPE ACTIVITIES</b>		
Texas Tech System		
Equity	13,085	
Subtotal Custodial Credit Risk - Business-Type Activities	13,085	0
<b>FIDUCIARY</b>		
Teacher Retirement System		
Equity	259,114	
International Equity	444,465	
Subtotal Custodial Credit Risk - Fiduciary	703,579	0
<b>DISCRETE COMPONENT UNITS</b>		
Permanent School Fund		
Corporate Obligations		82,184
Corporate Asset and Mortgage Backed Securities		773,267
Repurchase Agreement		38,525
Commercial Paper		888,770
Miscellaneous		2,592,627
Subtotal Custodial Credit Risk - Discrete Component Units	0	4,375,373
Total Custodial Credit Risk	\$ 716,664	\$ 4,490,606

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

## Investments Exposed to Foreign Currency Risk

**Table 3I**

August 31, 2024 (Amounts in Thousands)

Foreign Currency	Governmental and Business-Type Activities				Fiduciary Funds				Discrete Component Units	
	International Obligations	International Equity	International Other		International Obligations	International Equity	International Other		International Equity	Other Investments
			Commingled Funds	Other Investments			Commingled Funds	Other Investments		
Australian Dollar	\$ 11,924	\$ 10,640	\$ (1,368)	\$ 69,970	\$ 235,962	\$ 1,142,858	\$ 430	\$ 112,612	\$ 310,888	\$ 118,927
Brazilian Real	36,321	127,232	13,704			550,910				
British Pound	36,137	332,971	7,247	362,798	795,932	3,248,562	3,035	1,013,240	494,712	565,927
Canadian Dollar	42,420	17,291	(4,603)	183,492	2,326	2,151,227	576		426,467	62,871
Chilean Peso		172	9			30,452				
Chinese Yuan (Offshore)		30,076	(689)							
Chinese Yuan Renminbi						203,794				
Colombian Peso	75,118		61			6,811				
Czech Koruna		246	12			13,907				
Danish Krone	2	81,086	3			742,683	490		175,429	
Egyptian Pound		66	5			6,685				
Euro	147,792	563,910	3,512	1,205,557	428,789	6,584,883	1,138,741	6,346,357	1,153,777	1,165,905
Hong Kong Dollar		172,835	(782)			1,219,306			47,396	
Hungarian Forint		1,673				23,834				
Indian Rupee	2,011	182,638	157			3,048,274	684			
Indonesian Rupiah	6,829	30,593	343			385,881				21,119
Israeli New Shekel	473		22			42,632			15,729	
Japanese Yen	244,888	157,261	(102,492)	36,087		4,756,367	929		888,086	
Kuwaiti Dinar						49,786				
Malaysian Ringgit	12,071	11,007	(63)			158,986				
Mexican Peso	95,121	23,176	13			336,027				
New Zealand Dollar	23,299	458	624			9,922			7,035	
Norwegian Krone	8,745	7,345	47			86,898			24,928	15,316
Peruvian Nuevo Sol		43				78				
Philippine Peso		1,998	17			35,086				
Polish Zloty		5,927	27			123,941				
Qatari Rial		4,204	7			84,014				
Russian Ruble	2,366								3	
Saudi Riyal		15,169	38			512,681				
Singapore Dollar	13,125	11,649	(817)			291,344			47,686	
South African Rand	33,875	18,192	59			424,468				11,643
South Korean Won	35,284	308,567	6,451			1,769,165				
Swedish Krona		20,759	(36)	17,004		351,579	610		114,255	
Swiss Franc		168,441	210			1,250,762	308		300,480	
Taiwan Dollar		478,355	2,322			2,484,630	175			
Thai Baht		8,860	(1,163)			203,940				
Turkish Lira		10,139	2			62,006				
United Arab Emirates Dirham		14,129	4			141,990				
Vietnamese Dong						2,699				
Total Foreign Currency Risk	\$ 827,801	\$ 2,817,108	\$ (77,117)	\$ 1,874,908	\$ 1,463,009	\$ 32,539,068	\$ 1,145,978	\$ 7,472,209	\$ 4,006,871	\$ 1,961,708

**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).

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

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, 2024, is presented in Table 3J.

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

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

August 31, 2024 (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	\$ 719,436	\$ 147,810	\$ 5,142,971	\$ 1,740,581	\$ 329,405	\$	\$	\$ 1,125,747	\$ 9,205,950
AA	9,490,985	1,621,540	23,592	43,581	6,206,852			29,122	17,415,672
A	20,121	349,862	13,607	260,355				4,318	648,263
BBB	5,955	344,368	5,754	385,978				2	742,057
BB	5,152	172,477	2,066	64,987				5	244,687
B		55,276	2,090	2,490					59,856
CCC		1,229	2,278						3,507
CC			153						153
AAAf						10,541,781			10,541,781
AAAam						3,638,882			3,638,882
Aaf						805,229			805,229
Af						242,342			242,342
BBBf						375,175			375,175
BBf						43,449			43,449
Bf						71,592			71,592
CCCf						6,329			6,329
A-1							15,523,917		15,523,917
A-2							53,250		53,250
Not Rated	6,517	20,908	900,453	550,483	645,759	13,272,886		2,419,503	17,816,509
Total Credit Risk	<u>\$ 10,248,166</u>	<u>\$ 2,713,470</u>	<u>\$ 6,092,964</u>	<u>\$ 3,048,455</u>	<u>\$ 7,182,016</u>	<u>\$ 28,997,665</u>	<u>\$ 15,577,167</u>	<u>\$ 3,578,697</u>	<u>\$ 77,438,600</u>

<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, 2024 (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	\$ 5,298	\$ 4,254	\$ 524,259	\$ 410,439	\$ 1,092,621	\$	\$	\$ 1,656,070	\$ 3,692,941
AA	4,604,247	160,974	307	843,116	629,135			57	6,237,836
A	11,291,773	17,973	5,098	13,986	10,024,568			40	21,353,438
BBB	33	40,136	2,937	186,813					229,919
BB	28	1,110,196	18	250,169				6,910	1,367,321
B		792,081	25,233	185,731					1,003,045
CCC		237,221	9	36,402					273,632
C				3,729					3,729
D				3,799					3,799
AAAf						390,663			390,663
AAAfm						50,803			50,803
Af						31,437			31,437
BBBf						33,358			33,358
BBf						11,812			11,812
Bf						17,955			17,955
CCCf						5,227			5,227
AAf						159,816			159,816
A-1							11,642,226		11,642,226
A-2							5,522		5,522
Not Rated	16,560	44,829	97,086	264,427		169,446		2,253	594,601
Total Credit Risk	<u>\$ 15,917,939</u>	<u>\$ 2,407,664</u>	<u>\$ 654,947</u>	<u>\$ 2,198,611</u>	<u>\$ 11,746,324</u>	<u>\$ 870,517</u>	<u>\$ 11,647,748</u>	<u>\$ 1,665,330</u>	<u>\$ 47,109,080</u>
<b>DISCRETE COMPONENT UNITS</b>									
AAA	\$ 522,977	\$ 5,294	\$ 1,992,074	\$ 71,199	\$ 670	\$	\$	\$ 189,076	\$ 2,781,290
AA	1,491,074	148,536	133,293	26,041	103,745			680,008	2,582,697
A		599,769	437,288	60,310				2,345,988	3,443,355
BBB	15,743	2,466,815	203,614	88,309				6,950	2,781,431
BB	34,503	1,322,235	19,545	76,494					1,452,777
B		1,091,476	5,149	28,438					1,125,063
CCC		345,592							345,592
CC		19,154							19,154
D		3,541							3,541
AAAf						168,816			168,816
Aaf						2,477			2,477
Af						1,888			1,888
BBBf						3,084			3,084
BBf						3,240			3,240
A-1							1,251,103		1,251,103
A-2							911		911
Not Rated	16,238	18,970	188,342		40,338	744,443		22,104	1,030,435
Total Credit Risk	<u>\$ 2,080,535</u>	<u>\$ 6,021,382</u>	<u>\$ 2,979,305</u>	<u>\$ 350,791</u>	<u>\$ 144,753</u>	<u>\$ 923,948</u>	<u>\$ 1,252,014</u>	<u>\$ 3,244,126</u>	<u>\$ 16,996,854</u>

<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. ERS employs a limit of 3 percent; TRS sets the limit at 5 percent. As of Aug. 31, 2024, 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 Texas PSF asset class investment guidelines set general parameters for asset class duration, which are benchmarked against the following indices: As of Aug. 31, 2024, the Bloomberg's Aggregate Bond Index duration was 6.1 years, the U.S Treasury: TIPS Index was 3.9 years, ICE BofA 3 Month Treasury Bill was 0.1

years, the Bloomberg U.S. Corporate High Yield 2% Issuer Capped Index was 2.9 years and the Credit Suisse Leveraged Loan Index was 0.1 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, 2024, is presented in Table 3K.



## Investments Exposed to Interest Rate Risk

**Table 3K: Permanent School Fund**

August 31, 2024 (Amounts in Thousands)

Investment Type	Market Value	Effective Weighted Duration Rate
<b>Bank Loans</b>		
Fixed Income Money Market and Bond Mutual Fund	\$ 716,876	0.27
Total Bank Loans	<u>\$ 716,876</u>	0.27
<b>Cash Portfolio</b>		
Asset Backed Securities	\$ 679,227	0.46
Collateralized Loan Obligations	127,479	0.14
Commercial Paper	76,873	0.37
Corporate Obligations	577,400	0.56
U. S. Government Agency Mortgage Backed Securities	5,508	0.73
U. S. Treasury Securities	<u>754,508</u>	0.11
Total Cash Portfolio	<u>\$ 2,220,995</u>	0.35
<b>Core Bonds</b>		
Asset Backed Securities	\$ 573,344	2.71
Collateralized Loan Obligations	165,872	0.12
Core Bond Index Fund Investments	431,614	5.67
Corporate Assets and Mortgage Backed Securities	401,573	3.30
Corporate Obligations	3,045,555	6.11
Non-Agency Mortgage Backed Securities	1,580	3.42
Non-U.S. Government Agency Obligations	1,670	5.01
Non-U.S. Sovereign Government Debt Obligations	318,406	6.73
U.S. Government Agency Commercial Mortgage Backed Securities	9,047	3.19
U. S. Government Agency Mortgage Backed Securities	1,178,983	4.88
U. S. Government Agency Obligations	70,103	3.64
U.S. Taxable Municipal Bonds	10,016	7.35
U. S. Treasury Securities	1,708,449	10.96
U.S. Treasury TIPS	<u>94,380</u>	13.66
Total Core Bonds	<u>\$ 8,010,592</u>	6.52
<b>High Yield</b>		
Commercial Paper	\$ 34,371	0.03
Corporate Obligations	<u>2,283,215</u>	3.00
Total High Yield	<u>\$ 2,317,586</u>	2.96
<b>Total Debt Investments Measured at Fair Value</b>		
	<u>\$ 13,266,049</u>	4.53

Information about PSF's interest rate risks and maturities associated with its invested securities lending collateral by investment type as of Aug. 31, 2024, is presented in Table 3L.

## Invested Securities Lending Collateral Exposed to Interest Rate Risk

**Table 3L: Permanent School Fund**

August 31, 2024 (Amounts in Thousands)

Investment Type	Fair Value	Investment Maturities	
		Less Than One Year	Greater Than One Year
Asset Backed Floating Rate Notes	\$ 773,267	\$ 398,393	\$ 374,874
Certificates of Deposit	2,055,727	2,055,727	
Repurchase Agreements	38,525	38,525	
Corporate Obligations	82,184	40,699	41,485
Commercial Paper	888,770	888,770	
Cash Time Deposits	<u>536,900</u>	<u>536,900</u>	
Total Interest Rate Risk	<u>\$ 4,375,373</u>	<u>\$ 3,959,014</u>	<u>\$ 416,359</u>

TRS' investments by investment type, fair value and the effective weighted duration rate as of Aug. 31, 2024, is presented in Table 3M.

## Investments Exposed to Interest Rate Risk

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

August 31, 2024 (Amounts in Thousands)

TRS Investment Type	Fair Value	Effective Weighted Duration Rate
U.S. Government Obligations	\$ 28,586,664	15.00
U.S. Government STRIPS and TIPS	2,649,687	6.95
Corporate Obligations	814	0.01
International Government Obligations	<u>1,460,684</u>	9.87
Total Interest Rate Risk	<u>\$ 32,697,849</u>	14.12

ERS' investments by investment type, fair value and the modified duration rate as of Aug. 31, 2024, is presented in Table 3N.

<b>Investments Exposed to Interest Rate Risk</b>		
<b>Table 3N: Employees Retirement System of Texas</b>		
August 31, 2024 (Amounts in Thousands)		
<b>Investment Type</b>	<b>Fair Value</b>	<b>Modified Duration Rate</b>
<b>FIDUCIARY FUNDS</b>		
U.S. Treasury Securities	\$ 2,269,085	3.43
U.S. Government Agency Obligations	1,239,803	5.29
Corporate Obligations	2,213,795	3.82
Corporate Asset and Mortgage Backed Securities	46,334	2.83
International Obligations	543,599	3.58
Real Estate Investment Trust (REITs)	6,910	0.51
Total Interest Rate Risk - Fiduciary Funds	<u>\$ 6,319,526</u>	3.94
<b>PROPRIETARY FUNDS</b>		
Exchanged Traded Funds (ETFs)	<u>\$ 1,752,274</u>	4.46
Total Interest Rate Risk - Proprietary Funds	<u>\$ 1,752,274</u>	4.46

The UT System's investments by investment type, fair value and the modified duration rate as of Aug. 31, 2024, is presented in Table 3O.

<b>Investments Exposed to Interest Rate Risk</b>		
<b>Table 3O: University of Texas System</b>		
August 31, 2024 (Amounts in Thousands)		
<b>Investment Type - Investments in Securities</b>	<b>Fair Value</b>	<b>Modified Duration Rate</b>
U.S. Government Guaranteed:		
U.S. Treasury Bills	\$ 4,614	0.10
U.S. Treasury Bonds and Notes	2,906,319	12.17
U.S. Treasury Inflation Protected	452,536	6.20
U.S. Agency Asset Backed	98,219	3.16
Total U.S. Government Guaranteed	<u>3,461,688</u>	11.12
U.S. Government Non-Guaranteed:		
U.S. Agency	6,141	9.60
U.S. Agency Asset Backed	358,199	4.32
Total U.S. Government Non-Guaranteed	<u>364,340</u>	4.41
Total U.S. Government	<u>3,826,028</u>	10.48
Corporate Obligations:		
Domestic	235,320	3.80
Foreign	222,779	3.59
Total Corporate Obligations	<u>458,099</u>	3.70
Debt Securities:		
Foreign Government and Provincial Obligations	827,888	5.72
Other Debt Securities	1,256	11.94
Total Debt Securities	<u>5,113,271</u>	9.10
Other Investments:		
Other Investment Funds – Debt	162,046	4.33
Fixed Income Money Market Funds	2,757,834	0.81
Investment Funds, Other	52,800	0.00
Total Investments	<u>\$ 8,085,951</u>	6.12

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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, 2024, 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 \$3.9 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, 2024, the Treasury's aggregate amount of reverse repurchase agreement obligations was \$3.4 million, including accrued interest. The aggregate fair value of the securities underlying those agreements, including accrued interest, was \$3.4 million. There was no credit exposure during fiscal 2024.

### ***Securities Lending***

TRS, PSF, ERS and UT System 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. 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 and the UT System 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 and the UT System if the borrowers fail to return the securities.

TRS and PSF 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, 2024, is presented in Table 3P.

ment 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, 2024, TRS, the UT System, Texas Tech University System (TTU System) and VLB held investment derivative instruments (swaps, options, futures and forwards). See Note 7, *Derivative Instruments*, for other agencies that held derivatives instru-

ment 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

## Securities Lending Activity Summary

Table 3P

August 31, 2024 (Amounts in Thousands)

Entity	Fair Value of Securities on Loan	Non-Cash Collateral <sup>1</sup>	Cash Collateral Liability (Obligation/ Securities Lending)	Fair Value of Invested Cash Collateral (Securities Lending Collateral)	Net Increase/ (Decrease) In Fair Value
TRS	\$ 7,625,328	\$ 711,204	\$ 5,282,904	\$ 5,276,749	\$ (6,155)
ERS	380,688		388,950	390,643	1,693
PSF	4,550,431	276,995	4,372,208	4,375,373	3,165
UT System <sup>2</sup>	1,107,434	175,105	957,948	957,948	
Total Securities Lending	<u>\$ 13,663,881</u>	<u>\$ 1,163,304</u>	<u>\$ 11,002,010</u>	<u>\$ 11,000,713</u>	<u>\$ (1,297)</u>

<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, 2024.

## 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. 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 derivatives instru-

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 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.

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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, 2024, swap investments were interest rate, credit default, commodity, equity and total return swaps. See Note 7, *Derivative Instruments*, 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 and the UT 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, 2024, is presented in Table 3Q.

## Investment Derivative Instruments Exposed to Foreign Currency Risk

Table 3Q

August 31, 2024 (Amounts in Thousands)

Foreign Currency	Governmental and Business-Type Activities				Fiduciary Funds			
	Swaps	Options	Futures	Forwards	Swaps	Options	Futures	Forwards
Australian Dollar	\$ 537	\$	\$ (148)	\$ 2,849	\$ (4,436)	\$	\$ 15,585	\$ 3,577
Brazilian Real				409			982	(1,149)
British Pound	1,265		(53)	(517)	3,448		6,242	(17,870)
Canadian Dollar	(1,225)		72	(133)			5,084	1,730
Chilean Peso				152				214
Chinese Yuan (Offshore)								105
Chinese Yuan Renminbi	(931)			292				10
Colombian Peso				1,261				39
Czech Koruna	(18)			(197)				(386)
Danish Krone				(30)				(3)
Euro	(2,411)	(409)	(135)	(2,168)	21,354		36,535	(19,050)
Hong Kong Dollar				(2)	4,326		990	(4)
Hungarian Forint				(69)				(173)
Indian Rupee	37			37				(1)
Indonesian Rupiah				10				36
Israeli New Shekel				(70)				
Japanese Yen	(100,323)		3,098	(6,070)			3,520	(2,718)
Malaysian Ringgit	(141)			(210)				(4)
Mexican Peso	(55)			5,605				131
New Zealand Dollar	196			(2,019)				(1,251)
Norwegian Krone				440				1,879
Peruvian Nuevo Sol				(2)				
Philippine Peso				(167)				(389)
Polish Zloty				152				5
Romanian Leu				(12)				(52)
Saudi Riyal						519		
Singapore Dollar	(1,252)			(571)			275	130
South African Rand				(940)			1,449	(72)
South Korean Won	(605)			(521)			1,276	(62)
Swedish Krona	(51)			714			4,821	2,135
Swiss Franc	(95)			(295)				(3,023)
Taiwan Dollar				(308)				(248)
Thai Baht	(1,385)			(519)				22
Turkish Lira				157				271
Total Foreign Currency Risk	<u>\$ (106,457)</u>	<u>\$ (409)</u>	<u>\$ 2,834</u>	<u>\$ (2,742)</u>	<u>\$ 24,692</u>	<u>\$ 519</u>	<u>\$ 76,759</u>	<u>\$ (36,171)</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, 2024, was \$439.6 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, 2024, if all counterparties failed to perform as contracted. This maximum exposure is reduced by \$607.7 million of collateral held and by \$251.5 million in liabilities included in netting arrangements with those counterparties, resulting in a negative \$419.6 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 percent 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 percent to 11 percent. The investment maturities for the state's swap contracts exposed to interest rate risk as of Aug. 31, 2024, is presented in Table 3R.

# Investment Derivative Instruments Exposed to Interest Rate Risk

**Table 3R**  
August 31, 2024 (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	(3,590,63)	\$3,468,869	\$13,590	\$(7,727,943)	\$3,129,052	\$(2,473,631)

## 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, 2024, the fair value of various investment funds was \$172.5 billion.

# Note 4

## Short-Term Debt

The Texas Workforce Commission (TWC) received temporary transfers (loans) for \$347.1 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 2024.

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 mil-



lion. As of Aug. 31, 2024, \$197.7 million was available for use in the line of credit and the balance outstanding was \$52.3 million. The TDHCA pledges mortgage loans, plus 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 finan-

cial 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 \$60 million to serve as an interim financing source for long-term construction projects in advance of issuing authorized bonds. As of Aug. 31, 2024, \$ 10.5 million matured and \$104.8 million remained outstanding.

The University of North Texas System issued commercial paper notes for \$49.9 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, 2024, \$25.9 million matured and \$84 million remained outstanding.

The Texas State University System issued commercial paper notes for \$900.8 million to finance various construction projects. As of Aug. 31, 2024, \$1 Billion matured and \$14.2 million remained outstanding.

The University of Houston System issued \$ 28.5 million commercial paper notes in fiscal 2024 to finance various capital projects. As of Aug. 31, 2024, \$2 million matured and \$54.9 million remained outstanding.

The University of Texas System issued commercial paper notes for \$1.7 billion to provide interim financing for capital improvements and to finance capital equipment purchases. As of Aug. 31, 2024, \$1.9 billion matured and \$2.1 billion remained outstanding.

Short-term debt activity as of Aug. 31, 2024, is presented in Table 4A.

## Short-Term Debt

**Table 4A**

August 31, 2024 (Amounts in Thousands)

Short-Term Debt Type	Beginning Balance 9/1/2023	Issued	Redeemed	Ending Balance 8/31/2024
Commercial Paper	\$ 2,644,185	\$ 2,763,054	\$ 3,017,793	\$ 2,389,446
Other Advances (Loans) -				
Direct Borrowings	87,510	4,206,044	4,241,255	52,299
General Revenue Advances		347,131	347,131	
Total Short-Term Debt	<u>\$ 2,731,695</u>	<u>\$ 7,316,229</u>	<u>\$ 7,606,179</u>	<u>\$ 2,441,745</u>



# Note 5

## Long-Term Liabilities

Long-term liabilities activity for the fiscal year ended Aug. 31, 2024, is presented in Table 5A.

### Long-Term Liabilities Activity

Table 5A

August 31, 2024 (Amounts in Thousands)

Fund Type	Balance 9/1/23	Restatements /Adjustments <sup>1</sup>	Additions <sup>2</sup>	Reductions	Balance 8/31/24	Amounts Due Within One Year	Amounts Due Thereafter
<b>GOVERNMENTAL ACTIVITIES</b>							
Claims and Judgments	\$ 469,232	\$	\$ 43,073	\$ 293,756	\$ 218,549	\$ 145,609	\$ 72,940
RTU Lease Obligations	746,105	(568)	120,972	182,688	683,821	172,712	511,109
RTU Subscription Obligations	223,936	28,469	178,575	142,188	288,792	114,233	174,559
Employees' Compensable Leave	1,152,828	(4,565)	1,818,427	1,781,424	1,185,266	830,788	354,478
Notes and Loans Payable	643,318		194,000	178,098	659,220	83,992	575,228
Notes and Loans –							
Direct Borrowings/Placements	323,296		37,268		360,564		360,564
General Obligation Bonds Payable	13,016,365		1,100,430	1,536,395	12,580,400	746,493	11,833,907
Unamortized Premium/Discount	768,989		148,483	224,752	692,720		692,720
General Obligation Bonds Payable –							
Direct Placements	278,970	(1,986)			276,984	1,985	274,999
Revenue Bonds Payable	3,949,128	(32,660)	346,820	732,075	3,531,213	364,816	3,166,397
Asset Retirement Obligation	2,278		57		2,335		2,335
Pollution Remediation Obligation	241,775	1	85,963	64,558	263,181	60,332	202,849
Total Governmental Activities	<u>\$ 21,816,220</u>	<u>\$ (11,309)</u>	<u>\$ 4,074,068</u>	<u>\$ 5,135,934</u>	<u>\$ 20,743,045</u>	<u>\$ 2,520,960</u>	<u>\$ 18,222,085</u>
<b>BUSINESS-TYPE ACTIVITIES</b>							
Claims and Judgments	\$ 260,497	\$	\$ 2,269,226	\$ 2,269,860	\$ 259,863	\$ 195,138	\$ 64,725
RTU Lease Obligations	1,285,153	53	173,646	432,906	1,025,946	140,836	885,110
RTU Subscription Obligations	345,201	(269)	196,425	186,208	355,149	171,559	183,590
Employees' Compensable Leave	1,241,523	4,017	679,109	599,287	1,325,362	670,005	655,357
Notes and Loans Payable	123,015		937,499	312,590	747,924	9,895	738,029
Notes and Loans Payable –							
Direct Borrowings/Placements	763,580		126,972	20,597	869,955	157,701	712,254
General Obligation Bonds Payable	4,098,692	(5,363)	135,000	410,095	3,818,234	302,054	3,516,180
General Obligation Bonds Payable –							
Direct Placements	42,590			15,100	27,490	15,770	11,720
Revenue Bonds Payable	39,531,679	180,137	6,349,771	4,008,204	42,053,383	2,214,079	39,839,304
Revenue Bonds Payable –							
Direct Borrowings/Placements	293,564			239,070	54,494	14,365	40,129
Asset Retirement Obligation	35,626		1,328	1,630	35,324		35,324
Pollution Remediation Obligation	1,530		17		1,547	17	1,530
Liabilities Payable From							
Restricted Assets	1,628,062		259,144	423,329	1,463,877	448,520	1,015,357
Total Business-Type Activities	<u>\$ 49,650,712</u>	<u>\$ 178,575</u>	<u>\$ 11,128,137</u>	<u>\$ 8,918,876</u>	<u>\$ 52,038,548</u>	<u>\$ 4,339,939</u>	<u>\$ 47,698,609</u>
<b>COMPONENT UNITS</b>							
RTU Lease Obligations	\$ 14,555	\$ (866)	\$ 2,074	\$ 3,543	\$ 12,220	\$ 1,728	\$ 10,492
RTU Subscription Obligations	5,048	1,235	1,249	3,380	4,152	3,127	1,025
Employees' Compensable Leave	5,764	49	3,222	3,145	5,890	3,023	2,867
Notes and Loans Payable	2,070		500	1,320	1,250	500	750
Revenue Bonds Payable	79,526	3,230	3,596,750	2,070	3,677,436	133,932	3,543,504
Liabilities Payable From Restricted Assets	284		32	40	276	32	244
Total Component Units	<u>\$ 107,247</u>	<u>\$ 3,648</u>	<u>\$ 3,603,827</u>	<u>\$ 13,498</u>	<u>\$ 3,701,224</u>	<u>\$ 142,342</u>	<u>\$ 3,558,882</u>

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

<sup>2</sup> Includes current year amortization of accretion of \$139.4 million for business-type activities.

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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, 2024, there were 21 active pass-through financing agreements. In fiscal 2024, 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, 2024, was \$344 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, 2024, was \$16 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, 2024, three notes and loans payable direct borrowings agreements are outstanding for TxDOT. The outstanding balance related to governmental activities is \$607.9 million. U.S. 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 outstanding direct loan of \$284.8 million, which includes an unamortized premium of \$204,800, contains the following acceleration clause: upon the occurrence of and during the continuation of any event of default arising from the failure to make a required

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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. On Nov. 15, 2022, GPTC requisitioned \$605.3 million pursuant to the 2021 TIFIA loan agreement. The outstanding balance of the loan is \$626 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 \$1.8 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, 2024, DPS has notes and loans payable - direct borrowings of \$37.3 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 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).

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 2034, with an outstanding balance of \$7.8 million as of Aug. 31, 2024. Additions of Notes and Loans Payable include \$467.5 million of commercial paper notes reclassified from short-term debt to long-term notes and loans payable on the statement of net position as a result of refunding commercial paper notes subsequent to Aug. 31, 2024 through the issuance of long-term bonds.

The 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, 2024, was \$280.4 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 are reported as notes and loans direct borrowings. The outstanding balance as of Aug. 31, 2024, was \$51.2 million.

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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 demanding immediate payment for all remaining payments, retaking possession of the leased asset, or requiring the A&M System to return the leased asset at the system's expense.

TSTC has various leases for the purchase of capital assets where TSTC takes ownership at the end of the lease. These are reported as notes and loans direct borrowings. The outstanding balance as of Aug. 31, 2024, was \$21.1 million.

As of Aug. 31, 2024, Red Raider Facilities Foundation (RRFF), a blended component unit of the 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 \$62.9 million and a taxable construction loan with \$11.3 million undrawn balance remaining. The outstanding balance of the two loans is \$150.8 million. RRFF has pledged all rights, title and interest in its project gift and money market bank accounts as collateral for the taxable loan. Additionally, an unused non-revolving line of credit of \$28.4 million is available for capital improvements, interest, and unused line fees. 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.

- Shall be entitled to recover reasonable expenses incurred to enforce any of its rights or remedies.

The UH System has various leases for the purchase of capital assets where UH System takes ownership at the end of lease. These are reported as notes and loans direct placements with an outstanding balance of \$2.9 million as of Aug. 31, 2024. 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.
- 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, 2024, 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.

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. As of Aug. 31, 2024 \$174.3 million of Series 2019A&B was 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, 2024, there is no remaining balance for Series 2016A and \$123.1 million of Series 2016B Commercial Paper Notes are outstanding.

Events of default are defined in each TPFA's liquidity agreements with the Texas Comptroller of Public Accounts. Pursuant to contracts, the Comptrol-

ler'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/variabletrate.aspx>.

Texas State Affordable Housing Corporation (TSAHC) is a special purpose government entity and a discretely presented component unit of the state of Texas. TSAHC notes and loans payable consist of three unsecured notes and three notes secured by mortgage backed securities and notes receivable. The outstanding balance as of Aug. 31, 2024, was \$1.3 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, 2024, are presented in Tables 5B, 5C and 5D.

## Notes and Loans Payable - Debt Service Requirements

**Table 5B: Governmental Activities**

August 31, 2024 (Amounts in Thousands)

Year	Principal	Interest	Total	Direct Borrowings		
				Principal	Interest	Total
2025	\$ 83,992	\$ 18,033	\$ 102,025	\$	\$ 8,330	\$ 8,330
2026	86,688	18,106	104,794	3,099	10,987	14,086
2027	76,015	17,509	93,524	4,141	10,767	14,908
2028	60,507	16,889	77,396	6,259	10,522	16,781
2029	52,188	16,238	68,426	8,002	10,177	18,179
2030-2034	116,659	70,063	186,722	65,869	44,091	109,960
2035-2039	84,924	47,212	132,136	78,186	31,665	109,851
2040-2044	98,247	17,368	115,615	92,511	19,564	112,075
2045-2049				61,593	10,125	71,718
2050-2054				40,904	2,128	43,032
Subtotal	<u>659,220</u>	<u>221,418</u>	<u>880,638</u>	<u>360,564</u>	<u>158,356</u>	<u>518,920</u>
Unamortized Accretion						
Total Debt Service Requirements	<u>\$ 659,220</u>	<u>\$ 221,418</u>	<u>\$ 880,638</u>	<u>\$ 360,564</u>	<u>\$ 158,356</u>	<u>\$ 518,920</u>

## Notes and Loans Payable - Debt Service Requirements

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

August 31, 2024 (Amounts in Thousands)

Year	Principal	Interest	Total	Direct Borrowings/Direct Placements		
				Principal	Interest	Total
2025	\$ 9,895	\$ 9,871	\$ 19,766	\$ 157,701	\$ 9,819	\$ 167,520
2026	10,243	9,523	19,766	6,688	3,329	10,017
2027	10,604	9,162	19,766	16,757	16,014	32,771
2028	10,977	8,789	19,766	6,835	14,954	21,789
2029	11,365	8,402	19,767	6,933	14,653	21,586
2030-2034	63,112	35,722	98,834	52,955	67,670	120,625
2035-2039	75,030	23,805	98,835	80,217	58,629	138,846
2040-2044	89,198	9,636	98,834	127,153	48,595	175,748
2045-2049				225,997	32,122	258,119
2050-2054				207,523	8,241	215,764
2055-2059						
2060-2064	467,500		467,500			
Subtotal	747,924	114,910	862,834	888,759	274,026	1,162,785
Unamortized Accretion				(18,804)		(18,804)
Total Debt Service Requirements	\$ 747,924	\$ 114,910	\$ 862,834	\$ 869,955	\$ 274,026	\$ 1,143,981

## Notes and Loans Payable - Debt Service Requirements

**Table 5D: Discrete Component Units**

August 31, 2024 (Amounts in Thousands)

Year	Principal	Interest	Total	Direct Borrowings/Direct Placements		
				Principal	Interest	Total
2025	\$ 500	\$ 10	\$ 510	\$	\$	\$
2026	250	11	261			
2027		10	10			
2028		10	10			
2029	500	9	509			
Total Debt Service Requirements	\$ 1,250	\$ 50	\$ 1,300	\$ 0	\$ 0	\$ 0

### 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 \$226.8 million and \$820.3 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. The outstanding balance as of Aug. 31, 2024, was \$361.6 million.

The Texas A&M University System has liabilities payable from restricted assets in the amount of \$55.2 million, as of Aug. 31, 2024. 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*.



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## **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 Judgments**

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 \$50,000 or numerous separate claims from the same individual or entity that in total exceed \$50,000 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 2024, TxDOT made \$250 million in payments for the claim related to the US 181 Harbor Bridge Replacement Project and recorded a \$150 million liability.

## **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. Pledged future revenues for the fiscal year ended Aug. 31, 2024, is presented in Table 5E.

## Pledged Future Revenue

Table 5E

August 31, 2024 (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	\$ 11,490,184	\$ 869,551	\$ 721,897	2044	100%
Revenue Bonds Payable and					
Revenue Bonds Payable – Direct Placements	4,164,700	10,070,682	488,555	2041	100%
Notes and Loans Payable and					
Notes and Loans Payable – Direct Borrowings/Placements	1,337,108	17,405	15,031	2052	100%
Total Governmental Activities	<u>\$ 16,991,992</u>	<u>\$ 10,957,638</u>	<u>\$ 1,225,483</u>		
<b>BUSINESS-TYPE ACTIVITIES</b>					
Revenue Bonds Payable and					
Revenue Bonds Payable – Direct Placements	<u>\$ 62,915,491</u>	<u>\$ 28,880,556</u>	<u>\$ 4,201,631</u>	2059	99.8%
Total Business-Type Activities	<u>\$ 62,915,491</u>	<u>\$ 28,880,556</u>	<u>\$ 4,201,631</u>		
<b>COMPONENT UNITS</b>					
Revenue Bonds Payable and					
Revenue Bonds Payable – Direct Placements	<u>\$ 292,356</u>	<u>\$ 16,010</u>	<u>\$ 5,675</u>	2059	100%
Total Component Units	<u>\$ 292,356</u>	<u>\$ 16,010</u>	<u>\$ 5,675</u>		

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

### 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.



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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. As of Aug. 31, 2024, there were 222 active state lead sites, with a total estimated pollution remediation obligation of \$62.5 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. 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 2024 resulted in collections of \$340,900.

At the end of fiscal 2024, Texas had 72 sites with pollution remediation obligations and federal Superfund programs had one site that required an immediate response or removal action. The current total Superfund liability, as of Aug. 31, 2024, is \$120.5 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.

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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. As of Aug. 31, 2024, there were 242 active sites, with a total estimated pollution remediation obligation of \$54.9 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 15 active well plugging projects as of Aug. 31, 2024, with an estimated cost of \$2.2 million.

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, 2024, with an estimated cost of \$596,000. 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, 2024, with an estimated cost of \$484,100.

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 regulations, 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 \$18.4 million for fiscal 2024.

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, 2024, 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, 2024, the current liability is \$334,400.

Other agencies have pollution remediation obligations. Health and Human Services Commission (HHSC) has estimated remediation activities for Denton State Supported Living Center (SSLC), San Angelo

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SSLC, Rio Grande SSLC, Terrell State Hospital and Kerrville State Hospital to be \$922,100. The Texas Department of Criminal Justice (TDCJ) is responsible for removal of asbestos when TDCJ buildings require renovation or repairs. There is \$212,300 in liability as of Aug. 31, 2024. Texas Parks and Wildlife Department (TPWD) is responsible for the cleanup and remediation of multiple polluted sites, including twenty active sites. TPWD has recognized \$154,300. in pollution remediation obligations related to asbestos pollution. The Texas Facilities Commission (TFC) pollution remediation activities were for asbestos and mold abatement and are reported as \$2 million.

### **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, 2024, 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 202 and 118 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, 2024, was \$3.0 million.

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 \$3.6 million. The total ARO as of Aug. 31, 2024, was \$13.3 million.

The UT System liability related to clean-up and decommissioning of items using radiation such as broad scope 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 months to 72 months. The total ARO as of Aug. 31, 2024, was \$19.0 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 U.S. 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, 2024, was \$2.3 million.

## Note 6

### Bonded Indebtedness

#### Description of Bond Issues

The state of Texas had 353 bond issues outstanding as of Aug. 31, 2024. Scheduled debt service payments from the general revenue fund for fiscal 2024 totaled \$699.5 million.

Information on bond issuances by type of activity as of Aug. 31, 2024, is presented in Table 6A.

#### Information on Bond Issuances

Table 6A

August 31, 2024

August 31, 2024

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	57	\$ 17,441,890	0.21	6.40	2015	2047	08/01/2023
General Obligation Bonds – Direct Placements	1	\$ 254,105	5.00	5.00	2031	2036	10/01/2025
Revenue Bonds	11	\$ 4,760,395	0.22	5.25	2010	2041	04/01/2018
Total Governmental Activities	69	22,456,390					
<b>BUSINESS-TYPE ACTIVITIES</b>							
General Obligation Bonds	58	\$ 5,959,630	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	211	\$ 49,226,653	0.12	6.25	1999	2058	03/01/2006
Revenue Bonds – Direct Borrowings/Placements	5	\$ 133,880	2.01	2.53	2015	2031	10/15/2030
Total Business-Type Activities	277	55,573,873					
<b>COMPONENT UNITS</b>							
Revenue Bonds	7	3,856,090	1.65	6.00	2011	2054	12/01/2011
Total Component Units	7	3,856,090					
Total Bond Issues Outstanding	353	\$ 81,886,353					

## Changes in Bonds Payable

Table 6B

August 31, 2024 (Amounts in Thousands)

Description of Issue	Balance 9/1/23	Adjustments <sup>1</sup>	Bonds Issued <sup>2</sup>	Bonds Matured or Retired	Bonds Refunded	Balance 8/31/24	Due Within One Year
<b>GOVERNMENTAL ACTIVITIES</b>							
General Obligation Bonds	\$ 13,016,365	\$	\$ 1,100,430	\$ 631,830	\$ 904,565	\$ 12,580,400	\$ 746,493
Unamortized Premium/Discount	768,989		148,483	224,752		692,720	
General Obligation Bonds – Direct Placements	278,970	(1,986)				276,984	1,985
Revenue Bonds	3,949,128	(32,660)	346,820	331,865	400,210	3,531,213	364,816
Total Governmental Activities	<u>18,013,452</u>	<u>(34,646)</u>	<u>1,595,733</u>	<u>1,188,447</u>	<u>1,304,775</u>	<u>17,081,317</u>	<u>1,113,294</u>
<b>BUSINESS-TYPE ACTIVITIES</b>							
General Obligation Bonds	4,098,692	(5,363)	135,000	275,095	135,000	3,818,234	302,054
General Obligation Bonds – Direct Placements	42,590			15,100		27,490	15,770
Revenue Bonds	39,531,679	180,137	6,349,771	1,268,330	2,739,874	42,053,383	2,214,079
Revenue Bonds – Direct Borrowings/Placements	293,564			14,070	225,000	54,494	14,365
Total Business-Type Activities	<u>43,966,525</u>	<u>174,774</u>	<u>6,484,771</u>	<u>1,572,595</u>	<u>3,099,874</u>	<u>45,953,601</u>	<u>2,546,268</u>
<b>COMPONENT UNITS</b>							
Revenue Bonds	79,526	3,230	3,596,750	2,070		3,677,436	133,932
Total Component Units	<u>79,526</u>	<u>3,230</u>	<u>3,596,750</u>	<u>2,070</u>	<u>0</u>	<u>3,677,436</u>	<u>133,932</u>
Total Changes in Bonds Payable	<u>\$ 62,059,503</u>	<u>\$ 143,358</u>	<u>\$ 11,677,254</u>	<u>\$ 2,763,112</u>	<u>\$ 4,404,649</u>	<u>\$ 66,712,354</u>	<u>\$ 3,793,494</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, 2024 (Amounts in Thousands)

Year	Principal	Interest	Total	Direct Placements		
				Principal	Interest	Total
General Obligation Bonds						
2025	\$ 659,355	\$ 514,446	\$ 1,173,801	\$	\$ 12,705	\$ 12,705
2026	672,270	484,019	1,156,289		12,705	12,705
2027	587,485	461,557	1,049,042		12,705	12,705
2028	695,855	432,347	1,128,202		12,705	12,705
2029	711,960	403,104	1,115,064		12,705	12,705
2030-2034	3,517,490	1,598,526	5,116,016	63,450	58,027	121,477
2035-2039	3,632,860	881,336	4,514,196	190,655	18,480	209,135
2040-2044	1,809,525	217,773	2,027,298			
2045-2049	293,600	11,323	304,923			
Subtotal	12,580,400 <sup>1</sup>	5,004,431	17,584,831	254,105 <sup>1</sup>	140,032	394,137
Premium	695,341		695,341	22,879		22,879
Discount	(2,621)		(2,621)			
Total	\$ 13,273,120	\$ 5,004,431	\$ 18,277,551	\$ 276,984	\$ 140,032	\$ 417,016
Revenue Bonds						
2025	\$ 344,900	\$ 140,297	\$ 485,197	\$	\$	\$
2026	361,445	124,200	485,645			
2027	374,445	111,627	486,072			
2028	385,200	96,296	481,496			
2029	397,255	77,646	474,901			
2030-2034	1,228,915	162,757	1,391,672			
2035-2039	256,450	28,866	285,316			
2040-2044	72,500	1,901	74,401			
Subtotal	3,421,110 <sup>1</sup>	743,590	4,164,700	0	0	0
Premium	110,103		110,103			
Total	\$ 3,531,213	\$ 743,590	\$ 4,274,803	\$ 0	\$ 0	\$ 0

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

## Debt Service Requirements

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

August 31, 2024 (Amounts in Thousands)

Year	Principal	Interest	Total	Direct Borrowings/Placements		
				Principal	Interest	Total
General Obligation Bonds						
2025	\$ 297,180	\$ 106,063	\$ 403,243	\$ 15,770	\$ 1,238	\$ 17,008
2026	302,115	98,006	400,121	5,340	626	5,966
2027	286,560	89,117	375,677	4,560	314	4,874
2028	267,330	80,718	348,048	1,820	59	1,879
2029	248,200	72,847	321,047			
2030-2034	991,770	275,067	1,266,837			
2035-2039	674,185	155,948	830,133			
2040-2044	493,200	63,621	556,821			
2045-2049	152,865	13,229	166,094			
2050-2054	36,010	2,261	38,271			
2055-2059	320	6	326			
Subtotal	3,749,735 <sup>1</sup>	956,883	4,706,618	27,490 <sup>1</sup>	2,237	29,727
Premium	68,499		68,499			
Total	\$ 3,818,234	\$ 956,883	\$ 4,775,117	\$ 27,490	\$ 2,237	\$ 29,727
Revenue Bonds						
2025	\$ 1,979,620	\$ 1,656,286	\$ 3,635,906	\$ 14,365	\$ 1,214	\$ 15,579
2026	1,442,010	1,598,918	3,040,928	14,675	882	15,557
2027	1,356,995	1,537,441	2,894,436	8,675	596	9,271
2028	1,345,620	1,480,364	2,825,984	6,975	381	7,356
2029	1,346,470	1,424,616	2,771,086	3,185	208	3,393
2030-2034	7,458,534	6,172,548	13,631,082	6,619	168	6,787
2035-2039	7,427,286	4,499,407	11,926,693			
2040-2044	6,511,877	2,924,659	9,436,536			
2045-2049	6,683,313	1,577,057	8,260,370			
2050-2054	3,770,230	403,188	4,173,418			
2055-2059	239,865	21,241	261,106			
Subtotal	39,561,820 <sup>1</sup>	23,295,725	62,857,545	54,494 <sup>1</sup>	3,449	57,943
Accretion	(296,416)		(296,416)			
Premium	2,787,979		2,787,979			
Total	\$ 42,053,383	\$ 23,295,725	\$ 65,349,108	\$ 54,494	\$ 3,449	\$ 57,943

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

## Debt Service Requirements

**Table 6E: Component Units**

August 31, 2024 (Amounts in Thousands)

Year	Principal	Interest	Total
<b>Revenue Bonds</b>			
2025	\$ 133,932	\$ 201,450	\$ 335,382
2026	164,898	179,163	344,061
2027	173,373	170,714	344,087
2028	182,322	161,794	344,116
2029	191,663	152,409	344,072
2030-2034	1,117,698	603,357	1,721,055
2035-2039	1,441,913	281,099	1,723,012
2040-2044	189,780	27,871	217,651
2045-2049	34,650	16,120	50,770
2050-2054	39,360	6,067	45,427
2055-2059	1,262	38	1,300
Subtotal	3,670,851	1,800,082	5,470,933
Premium	6,585		6,585
Total	\$ 3,677,436	\$ 1,800,082	\$ 5,477,518

See Note 16, *Subsequent Events*, for debt issued subsequent to Aug. 31, 2024.

### 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. 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, 2024, is presented in Table 6F.

## **General Obligation Bonds – Authorized But Unissued**

**Table 6F**

August 31, 2024 (Amounts in Thousands)

<b>Bond Type</b>	<b>Authorized But Unissued</b>
<b>SELF-SUPPORTING</b>	
Texas Agricultural Finance Authority Bonds	\$ 230,000
Farm and Ranch Loan Bonds	300,000
Veterans Land and Housing Bonds	1,023,115
Texas Water Development Bonds	5,813,837
College Student Loan Bonds	756,430
Texas Military Value Revolving Loan Fund	200,405
Texas Mobility Bonds	3,565,920
Total Self-Supporting	<u>11,889,707</u>
<b>NOT SELF-SUPPORTING</b>	
Agricultural Water Conservation Bonds	164,840
Texas Public Finance Authority Bonds	2,893,421
Water Development Bonds -	
Economically Distressed Areas Program	110,550
Water Development Bonds - State Participation	200,000
Total Not-Self Supporting	<u>3,368,811</u>
Total General Obligation Bonds	<u>\$ 15,258,518</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 by 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, 2024, excluding real estate, was \$31.2 billion. A comparison between the legal debt limits and the actual bonds outstanding at that date is presented in Table 6G.

<b>Permanent University Fund Bonds</b>			
<b>Table 6G: Business-Type Activities</b>			
August 31, 2024 (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	\$ 6,239,622	\$ 2,912,555	\$ 3,327,067
Texas A&M University System	3,119,811	1,464,535	1,655,276
Total Bonds	<u>\$ 9,359,433</u>	<u>\$ 4,377,090</u>	<u>\$ 4,982,343</u>

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

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.

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 February 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 \$3.19 billion and \$1.09 billion of direct payment BABs outstanding respectively, as of Aug. 31, 2024.

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 52 variable rate bond issues with outstanding balances as of Aug. 31, 2024. Most of the issues' interest rates reset every seven

days. The remaining issues' interest rates reset daily or monthly. The potential volatility 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, 2024.

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, 2024. Details are presented in Tables 6H and 6I.

<b>Demand Bonds</b>				
<b>Table 6H</b>				
August 31, 2024				
<b>Description of Bond Issue</b>	<b>Number of Demand Bond Issues</b>	<b>Number of Standby Purchase Agreements<sup>1</sup></b>	<b>Number of Others<sup>2</sup></b>	<b>Principal Balance Outstanding (Amounts In Thousands)</b>
<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	38	37	1	\$ 2,665,600
Total General Obligation Bonds	38	37	1	2,665,600
Revenue Bonds				
University of Texas System	2		2	596,045
Texas Department of Housing and Community Affairs	2		2	9,395
Total Revenue Bonds	4	0	4	605,440
Total Business-Type Activities	42	37	5	\$ 3,271,040

<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, 2024

Counterparties	Number of Secured Bond Issue Agreements	Annual Liquidity Fee	Agreement Termination Date
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
Federal Home Loan Bank of Dallas	1	0.20%	08/29/29
Federal Home Loan Bank of Dallas	1	0.20%	12/18/24
JPMorgan Chase Bank, NA	1	0.38%	04/09/29
State Street Bank and Trust Company	7	0.32%	11/11/26
State Street Bank and Trust Company	1	0.35%	04/19/30
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	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, N.A	1	0.22%	12/18/24
Total Secured Bond Issue Agreements	38		

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, 2024, is presented in Table 6J.

## Demand Bonds – Takeout Agreement Provisions

Table 6J: Governmental Activities

August 31, 2024

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 <sup>1</sup>	\$ 367,100	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 2024, 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, 2024 (Amounts in Thousands)

Description of Bond	Early Extinguished Debt Issues
<b>BUSINESS-TYPE ACTIVITIES</b>	
Revenue Bonds	
Texas Department of Housing and Community Affairs	\$ 65,572
Total Bonds	<u>\$ 65,572</u>

## Refunding

Bonds refunded to lower interest rates or to restructure debt service requirements for cash management purposes for the fiscal year ended 2024 are presented in Table 6L.

## Refunding Issues

**Table 6L**

August 31, 2024 (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>GOVERNMENTAL ACTIVITIES</b>					
General Obligation Bonds					
Texas Department of Transportation	Current Refunding	\$ 696,245	\$ 812,345	\$ 89,628	\$ 65,561
Revenue Bonds					
Texas Department of Transportation	Current Refunding	346,820	400,210	46,359	36,028
Total Governmental Activities		<u>1,043,065</u>	<u>1,212,555</u>	<u>135,987</u>	<u>101,589</u>
<b>BUSINESS-TYPE ACTIVITIES</b>					
General Obligation Bonds					
General Land Office	Current Refunding	135,000	135,000		
Revenue Bonds					
Texas State University System	Advanced Refunding	28,425	30,405	(2,633)	2,231
Texas Department of Transportation	Current Refunding	1,633,705	1,827,053	236,145	161,861
University of Texas System	Current Refunding	933,785	1,041,845	110,873	52,855
Total Business-Type Activities		<u>2,730,915</u>	<u>3,034,303</u>	<u>344,385</u>	<u>216,947</u>
Total Refunding Issues		<u>\$ 3,773,980</u>	<u>\$ 4,246,858</u>	<u>\$ 480,372</u>	<u>\$ 318,536</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, 2024, 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 a 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.

## Defeased Bonds Outstanding

**Table 6M**

August 31, 2024 (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	25,570
Texas Department of Transportation	690,760
Total Governmental Activities	<u>940,735</u>
<b>BUSINESS-TYPE ACTIVITIES</b>	
General Obligation Bonds	
General Land Office	135,000
Revenue Bonds	
Texas Department of Transportation	1,468,620
Texas State University System	30,405
Total Business-Type Activities	<u>1,634,025</u>
Total Defeased Bonds Outstanding	<u>\$ 2,574,760</u>

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## 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, 2024, there were 31 series of multifamily housing revenue bonds outstanding with an aggregate \$517.8 million principal amount payable.

The Texas Private Activity Bond Surface Transportation Corporation (TxPABST), a blended component unit of the state, issued eight series of bonds in the aggregate amount of \$3.6 billion that remains outstanding as of Aug. 31, 2024. 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 with 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, 2024, 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.

The Texas Natural Gas Securitization Finance Corporation (TNGSFC) Customer Rate Relief Bonds, Taxable Series 2023 for Winter Storm Uri were issued on March 23, 2023, in the amount of \$3.5 billion. TNGSFC is a discretely presented component unit of TPFA and has a fiscal year end of December 31. These bonds are issued by, and are obligations of, the TNGSFC only. The bonds are not an obligation of the state of Texas, TPFA, Texas Railroad Commission or the participating natural gas utilities. The bonds were issued under an indenture of trust and are limited and special revenue obligations of the TNGSFC, payable solely out of the revenues generated from the customer rate relief property created by a financing order and the other customer rate relief bond collateral.



## 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, 2024, and are presented in Tables 6N, 6O and 6P.

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

Table 6N

August 31, 2024 (Amounts in Thousands)

Year	Variable-Rate Bonds		Interest Rate Swaps, Net	Total
	Principal	Interest		
2025	\$ 271,520	\$ 118,284	\$ (51,154)	\$ 338,650
2026	268,550	108,730	(48,428)	328,852
2027	256,030	99,113	(44,812)	310,331
2028	237,730	90,121	(41,428)	286,423
2029	216,730	82,905	(38,271)	261,364
2030 - 2034	898,775	318,499	(151,452)	1,065,822
2035 - 2039	603,980	192,221	(103,630)	692,571
2040 - 2044	288,780	116,887	(69,641)	336,026
2045 - 2049	357,435	29,520	(16,269)	370,686
2049 - 2053	36,010	3,131	(1,223)	37,918
2054 - 2058	320	9	(3)	326
Total	<u>\$ 3,435,860</u>	<u>\$ 1,159,420</u>	<u>\$ (566,311)</u>	<u>\$ 4,028,969</u>

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

Table 6O

August 31, 2024 (Amounts in Thousands)

Year	Variable-Rate Bonds		Interest Rate Swaps, Net	Total
	Principal	Interest		
2025	\$ 1,845	\$ 1,033	\$ (101)	\$ 2,777
2026	1,955	920	(90)	2,785
2027	2,080	800	(78)	2,802
2028	2,210	672	(66)	2,816
2029	2,345	536	(53)	2,828
2030-2034	7,810	550	(54)	8,306
Total	<u>\$ 18,245</u>	<u>\$ 4,511</u>	<u>\$ (442)</u>	<u>\$ 22,314</u>

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

Table 6P

August 31, 2024 (Amounts in Thousands)

Year	Fixed-Rate Bonds		Interest Rate Swaps, Net	Total
	Principal	Interest		
2025	\$	\$ 6,409	\$ (423)	\$ 5,986
2026		6,409	(423)	5,986
2027		6,409	(423)	5,986
2028		6,409	(423)	5,986
2029		6,409	(423)	5,986
2030-2034	128,180	22,510	(1,486)	149,204
Total	<u>\$ 128,180</u>	<u>\$ 54,555</u>	<u>\$ (3,601)</u>	<u>\$ 179,134</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.

A derivative instrument that does not meet the definition of an investment derivative instrument or a hedging derivative instrument should be classified as an “other derivative instrument.”

### 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 each entity as of Aug. 31, 2024, is presented in Table 7A. The state’s cumulative derivative instrument activity as of Aug. 31, 2024, is presented in Table 7B. The notional amounts are presented in U.S. dollar equivalents.

Derivative Instruments by Type and Entity	
Table 7A August 31, 2024	
Type/Entity of Derivative Instruments	
<b>Hedging Derivative Instruments</b>	
Texas Department of Housing and Community Affairs (TDHCA)	
<b>Investment Derivative Instruments</b>	
Comptroller - Fiscal (CPA)	
Comptroller Treasury - Fiscal (TREAS)	
Employees Retirement System of Texas (ERS)	
Office of Consumer Credit Commission (OCCC)	
State Preservation Board (SPB)	
Texas Retirement System of Texas (TRS)	
Texas Department of Agriculture (TDA)	
Texas Historical Commission (THC)	
Texas Tech University System (TTU System)	
<b>Hedging and Investment Derivative Instruments</b>	
University of Texas System (UT System)	
Veterans Land Board (VLB)	



## Summary of Derivative Instrument Activity

Table 7B

August 31, 2024 (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	\$ 25,479	\$ 3,286	\$ 140,829
<b>BUSINESS-TYPE ACTIVITIES</b>			
<i>Cash Flow Hedges</i>			
Pay-Fixed Receive-Variable Interest Rate Swaps	\$ (116,025)	\$ 115,103	\$ 3,185,860
Pay-Variable Receive-Fixed Interest Rate Swaps	3,939	4,480	128,180
Total Cash Flow Hedges	\$ (112,086)	\$ 119,583	\$ 3,314,040
<i>Investment Derivative Instruments</i>			
Pay-Fixed Receive-Variable Interest Rate Swaps	\$ (6,171)	\$ (8,597)	\$ 2,684,565
Pay-Variable Receive-Fixed Interest Rate Swaps	(4,550)	1,857	180,549
Basis Swaps	200	136	18,245
Commodity Swaps	7,493	7,513	401,532
Credit Default Swaps	(26)	(738)	199,158
Currency Swaps	712	702	227,614
Equity Swaps	42,694	41,803	3,852,238
Fixed Income Swaps	(4,061)	(4,061)	147,014
Foreign Currency Forward	(4,099)	(2,731)	4,177,750
Futures	(2,283)		7,254,205
Options	(3,938)	(1,915)	341,495
Total Return Swaps	8,984	34,846	589,968
Total Investment Derivative Instruments	\$ 34,955	\$ 68,815	\$ 20,074,333
<i>Investment Derivative Instrument Assets</i>			
Pay-Fixed Receive-Variable Interest Rate Swaps	\$ (20,047)	\$ 21,230	\$ 479,855
Total Investment Derivative Instrument Assets	\$ (20,047)	\$ 21,230	\$ 479,855

Concluded on the following page

## Summary of Derivative Instrument Activity (concluded)

Table 7B

August 31, 2024 (Amounts in Thousands)

Derivative Instrument Type	Change in Fair Value	Fair Value	Notional Amount
<b>FIDUCIARY ACTIVITIES</b>			
<i>Investment Derivative Instruments</i>			
Pay-Fixed Receive-Variable Interest Rate Swaps	\$ (27)	\$ (38)	\$ 12,212
Pay-Variable Receive-Fixed Interest Rate Swaps	(21)	9	821
Commodity Swaps	34	34	1,833
Credit Default Swaps	24,430	28,640	700,699
Currency Swaps	7	7	1,035
Equity Swaps	196	192	17,573
Fixed Income Swaps	(18)	(18)	666
Foreign Currency Forward	(16)	(10)	18,183
Forwards Contracts	(38,636)	(36,171)	6,311,880
Futures	1,799,804	262,727	25,543,254
Options	127,031	(5,733)	(18,047)
Interest Rate Swaps	3,339		
Rights	1,316	519	123
Total Return Swaps	999,544	129,081	5,829,040
Warrants	(1,308)	5,158	751
Total Investment Derivative Instruments	<u>\$ 2,915,675</u>	<u>\$ 384,397</u>	<u>\$ 38,420,023</u>
<b>DISCRETE COMPONENT UNITS</b>			
<i>Investment Derivative Instruments</i>			
Options	\$ (159)	\$	\$
Total Return Swaps	935	3,625	64,159
Total Investment Derivative Instruments	<u>\$ 776</u>	<u>\$ 3,625</u>	<u>\$ 64,159</u>

### 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 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

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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 2024 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 interest rate swap. 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 interest rate swap. The interest rate on the variable rate bonds is a tax-exempt interest rate based on UT 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, 2024, 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 (USDFF) 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, 2024 (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	\$ 13,035	03/22/2001	12/01/2029	Pay 4.259%; receive 68% of USD-Fallback-SOFR-1M
Vet Hsg Fund II Bds Ser 2001C-2	20,460	12/18/2001	12/01/2033	Pay 4.365%; receive 68% of USD-Fallback-SOFR-1M
Vet Land Bds Ser 2002	8,955	02/21/2002	12/01/2032	Pay 4.14%; receive 68% of USD-Fallback-SOFR-1M
Vet Hsg Fund II Bds Ser 2002A-2	21,460	07/10/2002	06/01/2033	Pay 3.8725%; receive 68% of USD-Fallback-SOFR-1M
Vet Hsg Fund II Bds Ser 2003A	12,045	03/04/2003	06/01/2034	Pay 3.304%; receive 68% of USD-Fallback-SOFR-1M
Vet Hsg Fund II Bds Ser 2003B	12,955	10/22/2003	06/01/2034	Pay 3.403%; receive 64.5% of USD-Fallback-SOFR-1M
Vet Hsg Fund II Bds Ser 2004B	14,905	09/15/2004	12/01/2034	Pay 3.68%; receive 68% of USD-Fallback-SOFR-1M
Vet Hsg Fund II Bds Ser 2005A	14,730	02/24/2005	06/01/2035	Pay 3.279%; receive 68% of USD-Fallback-SOFR-1M
Vet Hsg Fund II Bds Ser 2006A	18,055	06/01/2006	12/01/2036	Pay 3.517%; receive 68% of USD-Fallback-SOFR-1M
Vet Hsg Fund II Bds Ser 2006D	18,770	09/20/2006	12/01/2036	Pay 3.689%; receive 68% of USD-Fallback-SOFR-1M
Vet Hsg Fund II Bds Ser 2007A	19,615	02/22/2007	06/01/2037	Pay 3.645%; receive 68% of USD-Fallback-SOFR-1M
Vet Hsg Fund II Bds Ser 2007B	19,805	06/26/2007	06/01/2038	Pay 3.712%; receive 68% of USD-Fallback-SOFR-1M
Vet Hsg Fund II Bds Ser 2008A	20,825	03/26/2008	12/01/2038	Pay 3.189%; receive 68% of USD-Fallback-SOFR-1M
Vet Hsg Fund II Bds Ser 2008B	21,905	09/11/2008	12/01/2038	Pay 3.225%; receive 68% of USD-Fallback-SOFR-1M
Vet Bds Ser 2010C	38,330	08/20/2010	12/01/2040	Pay 2.3095%; receive 68% of USD-Fallback-SOFR-3M
Vet Bds Ser 2011A	37,685	03/09/2011	06/01/2041	Pay 2.675%; receive 68% of USD-SOFR-Compound + 0.1779%
Vet Bds Ser 2011B	38,515	08/25/2011	12/01/2041	Pay 2.367%; receive 68% of USD-SOFR-Compound + 0.1779%
Vet Bds Ser 2011C	39,240	12/15/2011	06/01/2042	Pay 1.917%; receive 68% of USD-Fallback-SOFR-3M
Vet Bds Ser 2012A	38,470	05/23/2012	12/01/2042	Pay 1.692%; receive 68% of USD-Fallback-SOFR-3M
Vet Bds Ser 2012B	49,600	11/01/2012	12/01/2042	Pay 1.447%; receive 68% of USD-Fallback-SOFR-3M
Vet Bds Ser 2013A	56,495	03/20/2013	06/01/2043	Pay 1.7%; receive 68% of USD-Fallback-SOFR-3M
Vet Bds Ser 2013B	83,800	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	10,605	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	24,260	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	33,475	12/01/2009	06/01/2031	Pay 5.4525%; receive 100% of USD-Fallback-SOFR-6M
Vet Bds Ser 2014A	87,305	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	2,175	06/01/2004	12/01/2024	Pay 5.45%; receive 100% of USD-Fallback-SOFR-6M
Vet Hsg Fund I/II Tax Ref Bds Ser 2014B-1 & C-2	4,400	12/01/2005	06/01/2026	Pay 5.145%; receive 100% of USD-Fallback-SOFR-1M
Vet Land Tax Ref Bds Ser 2014B-3	5,440	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	14,110	08/01/2012	12/01/2033	Pay 3.76%; receive 68% of USD-Fallback-SOFR-1M
Vet Hsg Fund II Tax Ref Bds Ser 2014C-2	9,620	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	6,310	06/01/2006	12/01/2027	Pay 5.79%; receive 100% of USD-Fallback-SOFR-6M

<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, 2024 (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 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 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%; USD-Fallback-SOFR-6M $>$ 4.00% and SIFMA/Fallback SOFR Ratio $>$ 74%	1,442 267	A+ / Aa2 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 A+ / Aa2
Vet Land Tax Ref Bds Ser 2014B-3	USD-Fallback-SOFR-6M $\geq$ 7.00%	1,542	A+ / Aa1
Vet Hsg Fund I Tax Ref Bds Ser 2014C-1	USD-Fallback-SOFR-1M $\geq$ 7.00%	579	A+ / Aa2
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

<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, 2024 (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-1 & C-2	\$ 36,445	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	12,350	12/01/2010	06/01/2032	Pay 2.79%; receive 100% of USD-Fallback-SOFR-1M
Vet Land Tax Ref Bds Ser 2014C-3	8,555	06/01/2006	12/01/2027	Pay 6.54%; receive 100% of USD-Fallback-SOFR-6M
Vet Land Tax Ref Bds Ser 2014C-3	7,990	12/01/2010	12/01/2030	Pay 5.209%; receive 100% of USD-Fallback-SOFR-1M
Vet Land Tax Ref Bds Ser 2014C-4	1,315	12/01/2004	12/01/2024	Pay 5.455%; receive 100% of USD-Fallback-SOFR-6M
Vet Land Tax Ref Bds Ser 2014C-4	5,290	06/01/2006	12/01/2026	Pay 4.61%; receive 100% of USD-Fallback-SOFR-6M
Vet Land Tax Ref Bds Ser 2014C-4	11,440	12/01/2006	12/01/2027	Pay 6.513%; receive 100% of USD-Fallback-SOFR-1M
Vet Bds Ser 2014D	59,205	09/10/2014	06/01/2045	Pay 1.9395%; receive 68% USD-SOFR-Compound + 0.07785%
Vet Bds Ser 2015A	75,515	02/11/2015	06/01/2045	Pay 1.51%; receive 68% USD-SOFR-Compound + 0.07785%
Vet Bds Ser 2015B	80,160	07/22/2015	06/01/2046	Pay 1.771%; receive 68% of USD-Fallback-SOFR-1M
Vet Bds Ser 2016	121,220	12/01/2016	12/01/2046	Pay 1.564%; receive 68% of USD-Fallback-SOFR-1M
Vet Bds Ser 2017 & Tax Ref Bds Ser 2024A	133,945	08/01/2017	12/01/2047	Pay 1.175%; receive 68% of USD-Fallback-SOFR-1M + 0.085%
Vet Bds Ser 2018	160,740	04/01/2019	12/01/2049	Pay 2.0745%; receive 72% of USD-SOFR-Compound + 0.08240%
Vet Bds Ser 2019	175,365	12/01/2019	06/01/2050	Pay 1.851%; receive 65% of USD Fed Funds + 0.24%
Vet Bds Ser 2020	187,150	09/01/2020	12/01/2050	Pay 1.0847%; receive 65% of USD Fed Funds + 0.24%
Vet Bds Ser 2021 & Tax Ref Bds Ser 2024A	205,145	12/01/2021	12/01/2051	Pay 0.649%; receive 66.5% of USD Fed Funds + 0.18%
Vet Bds Ser 2022	235,440	06/01/2023	06/01/2053	Pay 2.0143%; receive 65% of USD Fed Funds + 0.24%
Vet Bds Ser 2023	247,575	05/23/2023	06/01/2054	Pay 2.6450%; receive 65% of USD-SOFR + 0.24%
Vet Bds Tax Series 2023A	248,220	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 Bds Ser 2014C-3	18,245	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	6,430	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	2,965	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 2008B	90,240	03/18/2008	08/01/2036	Pay 3.900%; receive SIFMA
RFS Bonds 2008B	90,240	03/18/2008	08/01/2036	Pay 3.900%; receive SIFMA
RFS Bonds 2008B	165,565	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 SOFR + 0.1145%
<b>UNIVERSITY OF TEXAS SYSTEM – PAY-VARIABLE, RECEIVE-FIXED INTEREST RATE SWAPS<sup>1</sup></b>				
PUF Bonds 2023A	128,180	09/01/2023	07/01/2033	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, 2024 (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-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-6M $\geq$ 7.00%	2,075	A-/A1
Vet Land Tax Ref Bds Ser 2014C-4	USD-Fallback-SOFR-6M $\geq$ 7.00%	886	A+ / 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 Bds Ser 2017 & Tax Ref Bds Ser 2024A	N/A		A+ / Aa3
Vet Bds Ser 2018	N/A		AA- / Aa2
Vet Bds Ser 2019	N/A		A+ / Aa3
Vet Bds Ser 2020	N/A		A+ / Aa3
Vet Bds Ser 2021 & Tax Ref Bds Ser 2024A	N/A		A+ / A1
Vet Bds Ser 2022	N/A		AA- / Aa2
Vet Bds Ser 2023	N/A		AA- / Aa2
Vet Bds Tax Series 2023A	N/A		AA- / Aa2
<b>VETERANS LAND BOARD – PAY-VARIABLE, RECEIVE-VARIABLE INTEREST RATE SWAPS</b>			
Vet Land Tax 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 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
<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. As of Aug. 31, 2024, the state recorded a positive overall fair value position from interest rate swaps.

**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.

**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 termi-

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nate 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.

### **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**

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 (RTU) lease obligation and an intangible right-to-use 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 payment principal. 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 income contract. The underlying asset is also depreciated over its 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-Public Partnerships (PPP) and Availability Payment Arrangements (APA)*, for PPPs, including service concession arrangements, and APAs.
- 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.

- Supply contracts, such as power purchase agreements.

The Texas Comptroller of Public Accounts (Comptroller's office) has established a materiality threshold of \$100,000 for lease obligation capitalization. The lease obligation 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, 2024, the net RTU assets and corresponding lease liabilities associated with future lease payments reported on the statement of net position totaled \$1.7 billion each. For fiscal year 2024, the total cash payments for RTU lease obligations were \$183.1 million for governmental activities, \$173.5 million for business-type-activities, \$301,500 for fiduciary activities and \$1 million for component units. 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, 2024 (Amounts in Thousands)

Year	Minimum Future RTU Lease Payments		
	Principal	Interest	Total
<b>PRIMARY GOVERNMENT</b>			
<b>Governmental</b>			
2025	\$ 172,712	\$ 15,382	\$ 188,094
2026	146,887	11,353	158,240
2027	122,616	7,921	130,537
2028	82,522	5,226	87,748
2029	55,773	3,267	59,040
2030-2034	96,690	4,600	101,290
2035-2039	6,585	175	6,760
2040-2044	36	2	38
Total Payments	<u>\$ 683,821</u>	<u>\$ 47,926</u>	<u>\$ 731,747</u>
CY Variable Payments	3,773		
<b>Business Type</b>			
2025	\$ 140,836	\$ 20,477	\$ 161,313
2026	122,399	18,263	140,662
2027	105,653	16,464	122,117
2028	89,572	13,778	103,350
2029	68,101	12,048	80,149
2030-2034	235,516	43,924	279,440
2035-2039	135,047	25,067	160,114
2040-2044	48,279	14,392	62,671
2045-2049	14,752	10,881	25,633
2050-2054	9,219	9,437	18,656
2055 and beyond	56,572	60,927	117,499
Total Payments	<u>\$ 1,025,946</u>	<u>\$ 245,658</u>	<u>\$ 1,271,604</u>
CY Variable Payments	9,815		
<b>Component Units</b>			
2025	\$ 1,728	\$ 406	\$ 2,134
2026	1,287	359	1,646
2027	1,055	319	1,374
2028	1,063	280	1,343
2029	1,094	241	1,335
2030-2034	5,993	510	6,503
Total Payments	<u>\$ 12,220</u>	<u>\$ 2,115</u>	<u>\$ 14,335</u>
<b>Fiduciary Funds</b>			
2025	\$ 888	\$ 36	\$ 924
2026	720	20	740
2027	372	10	382
2028	233	4	237
2029	192	1	193
Total Payments	<u>\$ 2,405</u>	<u>\$ 71</u>	<u>\$ 2,476</u>

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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.

Eight agencies account for 90.4 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, Texas Tech University System, Office of the Attorney General and Texas Department of Transportation.

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 2119. In fiscal 2024, UT System had total lease obligations of \$751.7 million and accounted for 43.6 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) and Texas Department of State Health Service (DSHS). The agreements have terms that will expire in various years through 2039. 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 2024, the prorated allocations are \$34.2 million for DFPS and \$6.9 million for DSHS. In fiscal 2024, HHSC had total lease obligations of \$334.6 million and accounted for 19.4 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

terms up to 2049. For fiscal 2024, the total lease obligations were \$189.3 million and accounted for 11 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 2034. In fiscal 2024, the total lease obligations were \$95.8 million for governmental activities and \$2.1 million for business-type activities. TDCJ accounted for 5.7 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 2039. In fiscal 2024, the total lease obligations were \$69 million and accounted for 4 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 2044. In fiscal 2024, the total lease obligations were \$44.5 million and accounted for 2.6 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 2024, the total lease obligations were \$40.9 million and accounted for 2.4 percent of the primary government's lease liability.

Texas Department of Transportation (TxDOT) has 33 active leases as of Aug. 31, 2024, which include six land, three building and 24 equipment leases. In fiscal 2024, the total lease obligations were \$31.7 million and accounted for 1.8 percent of the primary government's lease liability.

Some agencies had variable lease payments. These agencies were the UT System, OAG, TxDOT, and TTU System.

Variable payments based upon the use of the underlying asset are not included in the lease liability or RTU assets because they are not fixed in substance. These

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variable lease payments are derived from a percentage of sales or use of the lease assets. The UT System recognized \$9.5 million as expenses from these variable payments for the year ended Aug. 31, 2024. These payments accounted for 69.6 percent of the primary government's variable payments.

OAG had variable payments in the amount of \$2 million or 14.4 percent of the primary government's variable payments.

TxDOT had variable payments in the amount of \$1.8 million or 13.4 percent of the primary government's variable payments.

TTU System had variable payments in the amount of \$350,000 or 2.6 percent of the primary government's variable payments.

Some agencies had subleases or leases which had not commenced. These agencies are UT System, A&M System, TTU System and OAG.

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, 2024. These leases are for building space with terms that range from 2025 to 2035 with a future commitment of \$32.3 million.

The A&M System subleases certain portions of RTU buildings to third parties. The net value of the subleases RTU buildings is \$5.9 million. These sublease arrangements result in lease receivables of \$812,000.

The A&M System has entered into an additional building lease, which has not yet commenced as of Aug. 31, 2024. This future lease has a total RTU asset value of \$156,000.

The TTU System has two noncancellable lease commitments for which the term had not commenced as of Aug. 31, 2024. Both leases have a commencement date of Sept. 1, 2024, with terms that extend through 2028. The total future commitment is \$254,000.

OAG entered additional lease agreements that have not yet commenced as of Aug. 31, 2024. The terms range is 2025-2029 with a future commitment of \$4.3 million.

On Oct. 4, 2022, the Teacher Retirement System of Texas (TRS) entered into a sale-leaseback transaction on its Red River headquarters. The initial leaseback term was for two years with an additional one-year renewal option. Subsequently, an amended lease agreement extended the lease term through Dec. 31, 2024, with five additional renewal option periods with the final option ending on Nov. 30, 2025.

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 initial 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. Under the amended lease agreement, TRS was not required to pay its proportionate share of taxes and landlord expenses for the fourth quarter of calendar year 2024.

TRS estimated the fair market value for rent at \$28 per square foot, referring to the appraisal conducted

before the sale. The economic substance of the amended lease transaction was recognized by calculating the fair market value for rent based on total rentable square footage of 198,972, resulting in a right-to-use asset of \$15.3 million. Additionally, the sales transaction resulted in a gain of \$105.8 million being amortized over the amended leaseback period. In fiscal 2024, \$27.2 million of the gain was recognized as an inflow of resources and \$32.1 million remained as a deferred inflow of resources.

### 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 income 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 contract.

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 2055 and beyond. In fiscal 2024, the state's total lease income was \$37.8 million and total variable lease income was \$6.3 million. The principal and interest income for the next five years and beyond are presented in Table 8B.

## Right to Use (RTU) Lease Income

Table 8B

August 31, 2024 (Amounts in Thousands)

Year	PRIMARY GOVERNMENT						DISCRETELY PRESENTED COMPONENT UNITS		
	Governmental Activities			Business-Type Activities					
	Principal	Interest	Total Future Minimum Lease Income	Principal	Interest	Total Future Minimum Lease Income	Principal	Interest	Total Future Minimum Lease Income
2025	\$ 658	\$ 31	\$ 689	\$ 22,255	\$ 12,160	\$ 34,415	\$ 116	\$ 1	\$ 117
2026	239	21	260	19,536	11,818	31,354			
2027	74	12	86	16,697	11,487	28,184			
2028	76	10	86	14,678	11,188	25,866			
2029	79	9	88	12,909	10,920	23,829			
2030-2034	440	26	466	42,346	51,687	94,033			
2035-2039	106	1	107	34,450	46,995	81,445			
2040-2044				34,429	42,847	77,276			
2045-2049				40,873	38,102	78,975			
2050-2054				49,478	32,243	81,721			
2055 and Beyond				187,180	106,411	293,591			
Total Payments	<u>\$ 1,672</u>	<u>\$ 110</u>	<u>\$ 1,782</u>	<u>\$ 474,831</u>	<u>\$ 375,858</u>	<u>\$ 850,689</u>	<u>\$ 116</u>	<u>\$ 1</u>	<u>\$ 117</u>

<sup>1</sup> There is no governmental principal or interest income beyond 2039.

<sup>1</sup> There is no DCU principal or interest income beyond 2025.



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Four university systems account for 95.7 percent of the \$476.6 million in future lease receivables. They are UT System (47.4 percent), A&M System (42.8 percent), UNT System (3 percent) and TTU System (2.5 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 2055. In fiscal 2024, the total RTU lease income was \$22.3 million, including interest revenue, and total lease receivables are \$225.7 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 \$3.5 million as revenue from these variable payments for the year ended Aug. 31, 2024.

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 2055 and beyond. Total lease receivables are \$204.2 million. In fiscal 2024, the total lease income was \$7.8 million.

The lessor income includes a total of 34 leases. There is one lease related to medical and engineering technology which accounts for 41 percent of the total. This income is generated from the new EnMed program, which was founded in 2019 as a collaboration between Texas A&M's School of Engineering Medicine and the state's top-ranked Houston Methodist Hospital established to transform health care through the development and training of physicians, the creation of medical technologies, and translational research. This lease extends until the year 2080, with noteworthy payments concentrated in the latter part of the term.

The A&M System also had four 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 \$2.8 million for the year ended Aug. 31, 2024.

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 \$14.1 million. In fiscal 2024, the total lease income was \$3.9 million.

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 2055 and beyond. Total lease receivables are \$11.8 million. In fiscal 2024, the total lease income was \$1.2 million. The TTU System also has lease income from agreements for cell phone towers and antennas affixed to component universities' property.

### ***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.
- 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



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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 \$322,000 for the year ended Aug. 31, 2024. This amount includes exclusive and joint use of the terminal building space. Currently there is a hold-over 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.

## Subscription-Based Information Technology Arrangements

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, (SBITAs) 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 \$500,000 for SBITA capitalization. The subscription liability is 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 Legislature 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, 2024, the net RTU assets and corresponding subscription obligations associated with future subscription payments reported on the statement of net position total \$720 million and \$667.2 million respectively. For fiscal 2024, the total cash payments for SBITA contracts were \$317.5 million, which includes \$14.8 million in variable payments. The principal and interest expenses for the next five years and beyond are presented in Table 8C.

## Subscription-Based Information Technology Arrangement Obligations (SBITAs)

Table 8C

August 31, 2024 (Amounts in Thousands)

Year	Minimum Future SBITA Payments		
	Principal	Interest	Total
<b>PRIMARY GOVERNMENT</b>			
<b>Governmental</b>			
2025	\$ 114,233	\$ 7,807	\$ 122,040
2026	83,297	4,421	87,718
2027	58,579	1,972	60,551
2028	26,528	540	27,068
2029	5,355	50	5,405
2030-2034	800		800
Total Payments	<u>\$ 288,792</u>	<u>\$ 14,790</u>	<u>\$ 303,582</u>
CY Variable Payments	177		
<b>Business Type</b>			
2025	\$ 171,559	\$ 9,048	\$ 180,607
2026	109,165	4,389	113,554
2027	41,736	1,765	43,501
2028	23,030	760	23,790
2029	8,750	213	8,963
2030-2034	909	29	938
Total Payments	<u>\$ 355,149</u>	<u>\$ 16,204</u>	<u>\$ 371,353</u>
CY Variable Payments	4,088		
<b>Component Units</b>			
2025	\$ 3,127	\$ 103	\$ 3,230
2026	737	35	772
2027	288	5	293
2028			
2029			
Total Payments	<u>\$ 4,152</u>	<u>\$ 143</u>	<u>\$ 4,295</u>
CY Variable Payments	673		
<b>Fiduciary Funds</b>			
2025	\$ 10,528	\$ 549	\$ 11,077
2026	5,396	356	5,752
2027	2,171	112	2,283
2028	1,030	30	1,060
2029			
Total Payments	<u>\$ 19,125</u>	<u>\$ 1,047</u>	<u>\$ 20,172</u>
CY Variable Payments	9,881		

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Ten agencies account for 87.5 percent of the SBITA liability for the state of Texas. These are the UT System, TxDOT, HHSC, Office of Court Administration (OCA), DPS, A&M System, Texas Department of Motor Vehicles (DMV), TTU System, UNT System and Texas Workforce Commission (TWC).

The UT System entered into numerous and varied IT subscriptions with agreements having terms that extend through 2034. In fiscal 2024, the UT System had SBITA obligations of \$184.6 million and accounted for 27.7 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 Aug. 31, 2024, with both fixed and variable payments required. Terms range from 2025 to 2030 with a future commitment of \$12.9 million.

TxDOT in total has 30 SBITAs. They 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 (Dwaas). The terms of these agreements have a wide range and some of them are active until fiscal 2029. In fiscal 2024, TxDOT had SBITA obligations of \$37.6 million for governmental activities and \$80.8 million for business type activities, totaling \$118.4 million. TxDOT accounted for 17.7 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 2028. In fiscal 2024, HHSC had SBITA obligations of \$77.6 million and accounted for 11.6 percent of the SBITA liability for the state of Texas.

The OCA entered into numerous and varied IT subscriptions with agreements having terms that extend through 2027. In fiscal 2024, OCA had SBITA obligations of \$62.3 million and accounted for 9.3 percent of the SBITA liability for the state of Texas.

Texas DPS entered into numerous and varied IT subscriptions with agreements having terms that extend

through 2035. In fiscal 2024, DPS had SBITA obligations of \$48.1 million and accounted for 7.2 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 2024, the A&M System had SBITA obligations of \$27.7 million and accounted for 4.2 percent of the SBITA liability for the state of Texas.

Department of Motor Vehicles (DMV) entered into numerous and varied IT subscriptions with agreements having terms that extend through 2032. In fiscal 2024, the DMV had SBITA obligations of \$18 million and accounted for 2.7 percent of the SBITA liability for the state of Texas. The DMV has entered into additional SBITA contracts that have not yet commenced as of Aug. 31, 2024. Terms range from 2025 to 2028 with a future commitment of \$18.4 million.

The TTU System entered into numerous and varied IT subscriptions with agreements having terms that extend through 2034. In fiscal 2024, the TTU System had SBITA obligations of \$16.4 million and accounted for 2.5 percent of the SBITA liability for the state of Texas. The TTU System has five IT subscriptions for software as a service commitment for which the terms had not yet commenced as of Aug. 31, 2024. Three of these commitments will commence on Sept. 1, 2024, with two other commitments projected to commence in April 2025. These agreements range in terms up to year 2028 with a total future commitment of \$11.5 million.

The UNT System entered into numerous and varied IT subscriptions with agreements having terms that extend through 2030. In fiscal 2024, the UNT System had SBITA obligations of \$15.5 million and accounted for 2.3 percent of the SBITA liability for the state of Texas.

TWC entered into numerous and varied IT subscriptions with agreements having terms that extend through 2028. Subscription services included Work-

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in-Texas and Labor Exchange Hosting, Apprenticeship and LMI Modules, the Learning Management System (LMS), Adobe (ETLA) software, and Avaya subscription provided by ConvergeOne. In fiscal 2024, TWC had SBITA obligations of \$15 million and accounts for 2.2 percent of the SBITA liability for the state of Texas.

Six agencies had significant variable payments in fiscal 2024. TRS had variable payments of \$9.9 million accounting for 66.7 percent of the payments made by the state of Texas. The UT System had variable payments of \$2.3 million accounting for 15.2 percent of the total payments. The TTU System had variable payments of \$1.8 million accounting for 12.3 percent of the total payments. The final 5.7 percent consists of variable payments by Texas Permanent School Fund Corporation, State Office of Risk Management and TxDOT.

## 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)

- 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.

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. These plans are reported in this note in accordance with GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*.

#### ***Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

For the fiscal year ended Aug. 31, 2024, the state recognized pension expense of \$1.9 billion. Of this amount, negative \$2.7 billion was incurred as an employer and \$4.6 billion as a non-employer contributing 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,

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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. Separate disclosure for the State Bar of Texas is not presented due to immateriality.

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 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. For members hired on or after Sept. 1, 2022, the standard monthly annuity is equal to member account balance plus 150 percent state match multiplied by an annuity conversion factor.

For members hired prior to Sept. 1, 2022, 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. For members hired on or after Sept. 1, 2022, the non-legislative and district attorney standard annuity is equal to member account balance plus 150 percent state match multiplied by an annuity conversion factor. The legislative standard monthly annuity is equal to member notional account balance plus 150 percent state match multiplied by an annuity conversion factor.

ERS issues a stand-alone audited Annual Comprehensive Financial Report (ACFR). ERS' 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 requirements 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. For members hired on or after Sept. 1, 2022, the standard monthly annuity is equal to member account balance plus 300 percent state match multiplied by an annuity conversion factor. Information on vesting and tier requirements may be obtained from ERS' 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 is equal to 50 percent of the salary for the last position from which the member retired. An additional 10 percent is paid when a member retires within one year of leaving office or within one year of last assignment as a visiting judge. Information on vesting and tier requirements may be obtained from ERS' ACFR.

The membership data for the ERS, LECOS and JRS2 Plans as of the measurement date of Aug. 31, 2023 is presented in Table 9A.

### **Membership Data**

**Table 9A: Employees Retirement System of Texas**  
As of Measurement Date of August 31, 2023

Type of Member	ERS Plan	LECOS Plan	JRS2 Plan
Retirees and Beneficiaries			
Currently Receiving Benefits	124,504	16,368	579
Terminated Employees Entitled to Benefits But Not Yet Receiving Them	164,112	35,082	185
Current Employees			
Vested and Non-Vested	139,958	31,744	623
Total Members	<u>428,574</u>	<u>83,194</u>	<u>1,387</u>

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 2023 are presented in Table 9B.

### **Required Contribution Rates**

**Table 9B: Employees Retirement System of Texas**  
As of Measurement Date of August 31, 2023

Plan	Employee Class	Elected Class	
		Legislator	Other
<b>Employer</b>			
ERS	10%	10%	10%
LECOS <sup>1</sup>	1.46% <sup>2</sup>	N/A	N/A
JRS2	15.663%	N/A	N/A
<b>Members prior to Sept. 1, 2022</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
<b>Members on or after Sept. 1, 2022</b>			
ERS	6.0%	6.0%	6.0%
LECOS <sup>1</sup>	2.0%	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 1.46% 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 .96% of payroll.



## Actuarial Methods and Assumptions

**Table 9C: Employees Retirement System of Texas**

As of Measurement Date of August 31, 2023

Description	ERS Plan	LECOS Plan	JRS2 Plan
Actuarial Valuation Date	Aug. 31, 2023	Aug. 31, 2023	Aug. 31, 2023
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization Method	Level Percent of Payroll, Closed plus Level Dollar Legacy Payment	Level Percent of Payroll, Open	Level Percent of Payroll, Open
Actuarial Assumptions:			
Discount Rate	7.00%	7.00%	7.00%
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 <sup>1</sup>	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.

The state's contributions recognized by the ERS, LECOS and JRS2 Plans during the fiscal 2023 measurement period were \$2.2 billion, \$24.8 million and \$14.7 million, respectively. The amount for the ERS Plan includes a legacy payment of \$494 million and a one-time additional funding of \$900 million.

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, 2023 measurement date.

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, 2023

Type of Rate	ERS Plan	LECOS Plan	JRS2 Plan
Single Discount Rate	7.00%	7.00%	7.00%
Investment Rate of Return	7.00%	7.00%	7.00%
Municipal Bond Rate <sup>1</sup>	4.13%	4.13%	4.13%
Year Fiduciary Net Position Depleted	N/A <sup>2</sup>	N/A <sup>3</sup>	N/A <sup>3</sup>

<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 31 years based on current benefit provisions and actuarial assumptions. Therefore, the municipal bond rate and depletion year do not apply to the ERS Plan.

<sup>3</sup> One-time funding received in September 2023 is projected to eliminate the UAAL for the LECOS and JRS2 Plans.

The single discount rate used to measure the total pension liability was 7 percent as of the measurement date of Aug. 31, 2023 for all plans. For the ERS Plan, the single discount rate was unchanged from the prior measurement period. For the LECOS and JRS2 Plans,



the single discount rate was 4.45 percent and 5.77 percent respectively, in the prior measurement period. The single discount rate of 7 percent was based on an expected rate of return on pension plan investments of 7 percent and a municipal bond rate of 4.13 percent. The long-term expected rate of return of 7 percent was used as the single discount rate for the LECOS and JRS2 Plans for the first time due to one-time additional funding received from the state in September 2023 for \$772 million and \$99 million, respectively and applied to all periods of projected benefit payments to determine the total pension liability.

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, that began 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 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 years 2023, 2024 and 2025 remains \$510 million each year for the ERS Plan. Projected employer contributions are based on fiscal year 2023 funding levels.

Assumptions reflected as of the measurement date of Aug. 31, 2023 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 recom-

mendations 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.

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, 2023

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	35.00%	5.07%	1.78%
Private Equity	16.00%	7.61%	1.22%
Global Credit	12.00%	4.73%	0.57%
Special Situations	0.00%	4.39%	0.00%
Real Estate Investment Trust	3.00%	4.68%	0.14%
Private Real Asset			
Infrastructure/Land	5.00%	4.20%	0.21%
Private Real Estate	9.00%	3.37%	0.30%
Fixed Income-Rates	12.00%	2.05%	0.25%
Absolute Returns	6.00%	3.71%	0.22%
Cash	2.00%	0.39%	0.01%
Totals	<u>100.00%</u>		<u>4.70%</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 7.00% is derived by adding expected inflation rate of 2.30% to the long-term expected rate of return of 4.70%.

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, 2023

(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	\$ 19,760,620	\$ 13,942,721	\$ 9,109,813
<b>LECOS Plan:</b>			
Discount Rate	6.00%	7.00%	8.00%
NPL	\$ 990,806	\$ 759,009	\$ 568,050
<b>JRS2 Plan:</b>			
Discount Rate	6.00%	7.00%	8.00%
NPL	\$ 150,402	\$ 86,037	\$ 30,554

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' fiscal 2023 ACFR.

The state's total pension liability is based on an actuarial valuation performed as of Aug. 31, 2023. For fiscal 2024 reporting, the measurement date of the state's net pension liability is Aug. 31, 2023. The schedule of changes in the state's net pension liability for the fiscal year ended Aug. 31, 2024 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, 2023 (Amounts in Thousands)

Schedule of Changes	ERS Plan	LECOS Plan	JRS2 Plan
<b>Total Pension Liability</b>			
Service Cost	\$ 1,026,494	\$ 59,220	\$ 29,481
Interest on the Total Pension Liability	3,144,127	106,020	41,248
Difference Between Expected and Actual Experience of the Total Pension Liability	878,615	32,677	1,459
Assumption Changes <sup>1</sup>		(701,313)	(80,619)
Benefit Payments and Refunds	(2,919,271)	(99,519)	(40,210)
<b>Net Change in Total Pension Liability</b>	<u>2,129,965</u>	<u>(602,915)</u>	<u>(48,641)</u>
<b>Total Pension Liability – Beginning</b>	<u>45,862,486</u>	<u>2,402,626</u>	<u>720,229</u>
<b>Total Pension Liability – Ending</b>	<u>\$ 47,992,451</u>	<u>\$ 1,799,711</u>	<u>\$ 671,588</u>
<b>Plan Fiduciary Net Position</b>			
Contributions – Employer	\$ 1,305,085	\$ 24,800	\$ 14,686
Contributions – Member	758,060	10,902	8,830
Pension Plan Net Investment Income	2,062,075	64,704	36,047
Benefit Payments and Refunds	(2,919,271)	(99,519)	(40,210)
Pension Plan Administrative Expense	(42,311)	(2,481)	(244)
Additional One-Time State Funding	900,000		
<b>Net Change in Plan Fiduciary Net Position</b>	<u>2,063,638</u>	<u>(1,594)</u>	<u>19,109</u>
<b>Plan Fiduciary Net Position – Beginning</b>	<u>31,986,092</u>	<u>1,042,296</u>	<u>566,442</u>
<b>Plan Fiduciary Net Position – Ending</b>	<u>\$ 34,049,730</u>	<u>\$ 1,040,702</u>	<u>\$ 585,551</u>
<b>Net Pension Liability – Beginning</b>	<u>13,876,394</u>	<u>1,360,330</u>	<u>153,787</u>
<b>Net Pension Liability – Ending</b>	<u>\$ 13,942,721</u>	<u>\$ 759,009</u>	<u>\$ 86,037</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.

## Deferred Outflows of Resources and Deferred Inflows of Resources

**Table 9H: Employees Retirement System of Texas**

August 31, 2024 (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	\$ 758,467	\$ 53,231	\$ 51,768	\$ 6,918	\$ 1,037	\$ 2,481
Changes of Assumptions		1,624,763	36,477	813,842		88,779
Net Difference Between Projected and Actual						
Investment Return		21,163		12,790		4,976
Contributions Subsequent to the Measurement Date	1,421,938		814,753		117,370	
Total	<u>\$ 2,180,405</u>	<u>\$ 1,699,157</u>	<u>\$ 902,998</u>	<u>\$ 833,550</u>	<u>\$ 118,407</u>	<u>\$ 96,236</u>

For the fiscal year ended Aug. 31, 2024, the state recognized pension expense of negative \$5 billion, negative \$207.9 million and negative \$17.9 million, respectively, for the ERS, LECOS and JRS2 Plans. Negative pension expense is due primarily to the recognition of deferred inflows resulting from changes in assumptions. At Aug. 31, 2024, the state reported deferred outflows of resources and deferred inflows of resources related to pension from the sources for these plans in Table 9H.

The \$1.4 billion, \$814.8 million and \$117.4 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, 2025. These amounts include a legacy payment of \$519 million for the ERS Plan and one-time additional funding of \$772 million and \$99 million for the LECOS and JRS2 Plans, respectively. The one-time payments for the LECOS and JRS2 Plans are projected to pay off the unfunded liability of those plans.

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.

## Amortization Impact of Deferred Outflows of Resources and Deferred Inflows of Resources on Pension Expense<sup>1</sup>

**Table 9I: Employees Retirement System of Texas**

For the Fiscal Year Ended August 31, 2024 (Amounts in Thousands)

Year	ERS Plan	LECOS Plan	JRS2 Plan
2025	\$(1,536,753)	\$(376,533)	\$(56,581)
2026	(72,003)	(326,511)	(38,243)
2027	638,965	(43,449)	(977)
2028	29,101	1,187	602
2029			
Thereafter			

<sup>1</sup> Negative amounts indicate decrease in pension expense; positive amounts indicate increase in pension expense.

During the measurement period of fiscal 2024, the calculated single discount rate remained 7 percent for the ERS, LECOS and JRS2 Plans, respectively. For fiscal 2025, the net pension liability will decrease by an estimated \$1.7 billion, \$874.6 million and \$117.2 million for the ERS, LECOS and JRS2 Plans respectively, mainly due to the continued legacy payments and additional funding previously noted, as well as high investment returns.

Additionally, House Bill 1 approved by the 88th Legislature increased state contributions for the LECOS Plan and the JRS2 Plan to 1.75 percent and 19.25 percent, respectively, starting in fiscal 2024. 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.

In fiscal 2025, ERS will implement a permanent, one-time cost-of-living adjustment (COLA) for retirees who retired on or before Dec. 31, 2004, or their surviving beneficiaries in accordance with *TGC* 814.604. The COLA will be a monthly increase of 3 percent or \$100, whichever is less, and will apply to both regular service and LECO annuitants.

**Cash Balance Benefit**

Employees hired after Aug. 31, 2022 for the ERS and LECOS Plans are enrolled in a defined benefit retirement structure known as a cash balance benefit. Features of the cash balance benefit include:

- Employee contribution rate
  - 6 percent of pay - ERS Plan
  - 2 percent of pay - LECOS Plan
- State match
  - 150 percent of the account balance at retirement - ERS Plan
  - 300 percent of the account balance at retirement - LECOS Plan
- Five-year vesting period
- 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
- The possibility of annuity increases in retirement when the gain-sharing benefit is achieved

In fiscal 2025, members of the Cash Balance Benefit will receive a 2.74 percent gain-share. The gain-

sharing interest (GSIR) will be applied to Aug. 31, 2024 account balances in December 2024.

**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, 2023.

Membership Data	
Table 9J: Judicial Retirement System of Texas Plan One	
As of Measurement Date of August 31, 2023	
Membership	JRS1 Plan
Retirees and Beneficiaries Currently Receiving Benefits	246
Current Employees Vested and Non-Vested	2
Total Members	248

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 3.91 percent as of Aug. 31, 2022 to 4.13 percent as of Aug. 31, 2023. 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, 2023 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, 2024

Description	Actuarial Method/Assumption
Actuarial Valuation Date	Aug. 31, 2023
Actuarial Cost Method	Entry Age Normal
<b>Actuarial Assumptions:</b>	
Discount Rate <sup>1</sup>	4.13%
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, 2024 (Amounts in Thousands)

Activity	1% Decrease	Current Discount Rate	1% Increase
Discount Rate	3.13%	4.13%	5.13%
Total Pension Liability	\$ 167,688	\$ 155,670	\$ 145,104

The state's total pension liability is based on an actuarial valuation performed as of Aug. 31, 2023. For fiscal 2024 reporting, the measurement date of the state's total pension liability is Aug. 31, 2023. The schedule of changes in the state's total pension liability for the fiscal year ended Aug. 31, 2024 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, 2023 (Amounts in Thousands)

Schedule of Changes	Total Pension Liability
Service Cost	\$ 91
Interest on the Total Pension Liability	6,520
Difference Between Expected and Actual Experience of the Total Pension Liability	(6,682)
Assumption Changes <sup>2</sup>	(2,511)
Benefit Payments and Refunds	(16,876)
<b>Net Change in Total Pension Liability</b>	<b>(19,458)</b>
<b>Total Pension Liability – Beginning</b>	<b>175,128</b>
<b>Total Pension Liability – Ending</b>	<b>\$ 155,670</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, 2024, the state recognized pension expense of negative \$2.6 million for the JRS1 Plan, chiefly due to differences between expected and actual experience and the change in the single discount rate. Since the expected remaining service lives is one year, at Aug. 31, 2024, the state did not report deferred outflows of resources and deferred inflows of resources related to pensions for:

- Differences between expected and actual experience
- Changes of assumptions

The \$15.9 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, 2025.

# 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 2023 for fiscal

2024 reporting, the amount of the state’s contributions recognized by the plan was \$964 million for the state as an employer and \$2.3 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 2023 are presented in Table 9N.

### Required Contribution Rates

**Table 9N: Teacher Retirement System of Texas Plan**  
For the Fiscal Year Ended August 31, 2024

Contributor	Rate
Employer	8.00%
Nonemployer Contributing Entity (State)	8.00%
Employees	8.00%

The actuarial valuation was performed as of Aug. 31, 2022. Update procedures were used to roll forward the total pension liability to Aug. 31, 2023. Table 9O presents the actuarial methods and assumptions used to measure the total pension liability for the TRS Plan as of the Aug. 31, 2023 measurement date.



## Actuarial Methods and Assumptions

**Table 90: Teacher Retirement System of Texas Plan**

For the Fiscal Year Ended August 31, 2024

Description	Actuarial Method/Assumption
Actuarial Valuation Date	Aug. 31, 2022, rolled forward to Aug. 31, 2023
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	4.13% <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)	2122
<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 actuarial assumptions and methods used in the valuation were primarily based on an actuarial experience study for the four-year period ending Aug. 31, 2021 and adopted in July 2022. The mortality rates were based on tables identified in Table 90.

The 2023 Texas Legislature passed legislation that provided a one-time stipend to certain retired teachers. The stipend was paid to retirees beginning in September 2023. The Legislature appropriated funds to pay for this one-time stipend so there will be no impact on the net pension liability. A cost-of-living adjustment (COLA) to retirees was approved by voters during the November 2023 election and went into effect with the January 2024 annuity payment in fiscal 2024. The amount of the COLA varied depending on the annuitant's retirement date. The COLA was not provided for annuitants receiving an annuity amount fixed by statute. The Legislature appropriated \$3.4 billion for

COLAs. This appropriation is treated as a supplemental contribution and included in other additions; and as such, there was no impact on the net pension liability. Otherwise, there have been no changes to the benefit provisions of the plan since the prior measurement date.

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, the same as the discount rate 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 4.13 percent. The projection of cash flows used to determine this single discount rate assumed that contributions from active members, employers and non-employer contributing entity make their contributions at the statutorily required rates. It is assumed that future employer and state contributions will be 9.5 percent of payroll in fiscal year 2024, increasing to 9.56 percent in fiscal year 2025 and thereafter. 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 periods 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 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 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, 2024			
<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%	4.00%	1.00%
Non-US Developed	13.00%	4.50%	0.90%
Emerging Markets	9.00%	4.80%	0.70%
Private Equity	14.00%	7.00%	1.50%
<b>Stable Value</b>			
Government Bonds	16.00%	2.50%	0.50%
Absolute Return <sup>1</sup>	0.00%	3.60%	0.00%
Stable Value Hedge Funds	5.00%	4.10%	0.20%
<b>Real Return</b>			
Real Estate	15.00%	4.90%	1.10%
Energy, Natural Resources and Infrastructure	6.00%	4.80%	0.40%
Commodities	0.00%	4.40%	0.00%
<b>Risk Parity</b>			
Risk Parity	8.00%	4.50%	0.40%
<b>Asset Allocation Leverage</b>			
Cash	2.00%	3.70%	0.00%
Asset Allocation Leverage	(6.00)%	4.40%	(0.10)%
Inflation Expectation			2.30%
Volatility Drag <sup>4</sup>			(0.90)%
<b>Total</b>	<u>100.00%</u>		<u>8.00%</u>

<sup>1</sup> Absolute Return includes Credit Sensitive Investments.  
<sup>2</sup> Target Allocations are based on the fiscal year 2023 policy model.  
<sup>3</sup> Capital market assumptions come from Aon Hewitt as of June 30, 2023.  
<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.

<b>Sensitivity of Net Pension Liability to Changes in Discount Rate</b>			
<b>Table 9Q: Teacher Retirement System of Texas Plan</b>			
August 31, 2024 (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	\$ 19,258,678	\$ 12,881,582	\$ 7,579,023
<b>Nonemployer Contributing Entity</b>			
Discount Rate	6.00%	7.00%	8.00%
NPL	\$ 45,539,891	\$ 30,460,337	\$ 17,921,680

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 investment policy, assets and fiduciary net position, may be obtained from TRS' fiscal 2023 ACFR.

At Aug. 31, 2024, the state reported a liability of \$12.9 billion for its proportionate share of the collective net pension liability as an employer and a liability of \$30.5 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, 2023, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of Aug.

31, 2022, rolled forward to Aug. 31, 2023. The state's proportion increased from 17.87 percent at Aug. 31, 2022, to 18.75 percent at Aug. 31, 2023, and decreased from 46.15 percent to 44.34 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, 2022 through Aug. 31, 2023.

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, 2024, the state recognized pension expense of \$2.4 billion and grant expense of \$4.6 billion for the TRS Plan. At Aug. 31, 2024, 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.

The \$1.1 billion and \$2.5 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, 2025.

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, 2024 (Amounts in Thousands)

Year Ended Aug. 31:	State as Employer (Pension Expense <sup>1</sup> )	State as Nonemployer Contributing Entity (Grant Expense <sup>1</sup> )
2025	\$ 843,667	\$ 1,000,396
2026	507,721	466,399
2027	1,695,037	3,192,445
2028	594,733	707,243
2029	95,403	15,298
Thereafter		

<sup>1</sup> A negative amount indicates a decrease in pension/grant expense;  
a positive amount indicates an increase in pension/grant expense.

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

**Table 9R: Teacher Retirement System of Texas Plan**  
August 31, 2024 (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	\$ 458,975	\$ 155,982	\$ 1,085,312	\$ 368,841
Changes of assumptions	1,218,345	298,157	2,880,951	705,034
Net difference between projected and actual investment return	1,874,583		4,432,718	
Change in proportion and contribution difference	1,154,245	515,448	228,792	2,172,116
Contributions subsequent to the measurement date	1,104,774		2,483,581	
Total	<u>\$ 5,810,922</u>	<u>\$ 969,587</u>	<u>\$ 11,111,354</u>	<u>\$ 3,245,991</u>

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During the measurement period of fiscal 2024, 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, 2023. Although actuarial assumptions have remained the same, the TRS Plan's net pension liability is expected to decrease by \$7.6 billion for fiscal 2025, due primarily to investment income gains. The state's proportionate share is estimated to decrease \$1.4 billion and \$3.4 billion for its role as an employer and nonemployer contributing entity, respectively.

## Texas Emergency Services Retirement System (TESRS)

### Texas Emergency Services Retirement System Plan (TESRS Plan)

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TESRS is an agency of the state of Texas and the administrator of the TESRS Plan, a cost-sharing multiple-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 firefighters 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 2023 for fiscal 2024 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, rolled forward to Aug. 31, 2023. Table 9T presents the actuarial methods and assumptions used to measure the total pension liability for the TESRS Plan as of the Aug. 31, 2023 measurement date.

The actuarial assumptions used in the valuation were primarily based on the result of an actuarial experience study for the six-year period ending Aug. 31, 2018, and adopted in August 2020 as indicated by Rudd and Wisdom Inc., TESRS' actuary. There have been no changes in assumptions or to the benefit provisions since the prior measurement date.

<b>Actuarial Methods and Assumptions</b>	
<b>Table 9T: Texas Emergency Services Retirement System Plan</b>	
As of August 31, 2024	
<b>Description</b>	<b>Actuarial Method/Assumption</b>
Actuarial Valuation Date	Aug. 31, 2022, rolled forward to Aug. 31, 2023
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 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.

<b>Target Allocations</b>		
<b>Table 9U: Texas Emergency Services Retirement System Plan</b>		
August 31, 2024		
<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Net Real Rate of Return<sup>1</sup></b>
<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	100%	
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, 2024 (Amounts in Thousands)

Activity	1% Decrease	Current Discount Rate	1% Increase
Discount Rate	6.50%	7.50%	8.50%
Net Pension Liability	\$ 17,765	\$ 11,473	\$ 6,369

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 Measurement and Application*. 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 2023 audited Annual Financial Report at the website [www.tesrs.org/financial-information](http://www.tesrs.org/financial-information).

At Aug. 31, 2024, the state reported a liability of \$11.5 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, 2023, and the total pension liability used to calculate the collective net pension liability was deter-

mined by an actuarial valuation as of Aug. 31, 2022, rolled forward to Aug. 31, 2023. The state's proportion as a nonemployer contributing entity increased from 25.96 percent at Aug. 31, 2022 to 26.5 percent at Aug. 31, 2023. The state's proportion of the collective net pension liability was based on a fiscal 2023 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, 2024, the state recognized grant expense of \$2.5 million for the TESRS Plan. At Aug. 31, 2024, 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, 2024 (Amounts in Thousands)

Deferral Type	State as Nonemployer Contributing Entity	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 168	\$
Change of Assumptions		22
Net Difference Between Projected and Actual Investment Return	3,432	
Change in Proportion and Contribution Difference		77
Contributions Subsequent to the Measurement Date	1,293	
Total TESRS Plan	<u>\$ 4,893</u>	<u>\$ 99</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, 2025.

The Aug. 31, 2024 actuarial valuation received in December 2024 determined that, without appropriations from the state, the TESRS Plan has inadequate contributions, even if maximum Part Two contributions are established because the unfunded actuarial accrued liability will never be amortized but instead will increase every year. The primary reasons for this change in results since the prior Aug. 31, 2022 actuarial valuation were adverse investment experience and a change in the investment return assumption from 7.5% to 7.25% approved by TESRS' board.

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.

<b>Amortization Impact of Deferred Outflows of Resources and Deferred Inflows of Resources in Grant Expense</b>	
<b>Table 9X: Texas Emergency Services Retirement System Plan</b> August 31, 2024 (Amounts in Thousands)	
<b>Year Ended Aug. 31:</b>	<b>State as Nonemployer Contributing Entity (Grant Expense)<sup>1</sup></b>
2025	\$ 804
2026	953
2027	1,626
2028	117
2029	
Thereafter	

<sup>1</sup> A positive amount indicates an increase in grant expense; a negative amount indicates a decrease 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 \$731 million at Aug. 31, 2024 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 2024 is \$58 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

10 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 forgo 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, par-

ticipants. 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, 2023 is presented in Table 9Y.

<b>Membership Data</b>	
<b>Table 9Y: SRP/RBP Plans</b>	
As of Measurement Date of September 1, 2023	
<b>Type of Member</b>	<b>SRP/RBP</b>
Inactive Employees Receiving Benefit Payments	510
Inactive Employees Entitled to But Not Yet Receiving Benefit Payments	277
Active Employees	1,790
Total Members	<u>2,577</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, with annual consideration of whether any conditions have changed that would be expected to produce different results in the future. Table 9Z below presents the actuarial methods and assumptions used to measure the total pension liability as of the Sept. 1, 2023 measurement date.



## Actuarial Methods and Assumptions

**Table 9Z: SRP/RBP Plans**

As of August 31, 2024

Description	Actuarial Method/Assumption
Actuarial Valuation Date	September 1, 2023
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>	3.81 %
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 2023.

The discount rate of 3.81 percent was applied to measure the total pension liability. The discount rate increased from 3.59 percent as of Sept. 1, 2022 to 3.81 percent as of Sept. 1, 2023. Assumed compensation increases are based on actual compensation increases received by participants from Aug. 31, 2016 through Aug. 31, 2021. 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, 2024 (Amounts in Thousands)

Activity	1% Decrease	Current Discount Rate	1% Increase
Discount Rate	2.81%	3.81%	4.81%
Total Pension Liability	\$ 1,007,895	\$ 926,496	\$ 854,975

At Aug. 31, 2024, M. D. Anderson reported a total pension liability of \$926.5 million for the SRP/RBP Plans. The schedule of changes in the state's total pension liability for the fiscal year ended Aug. 31, 2024 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, 2023

(Amounts in Thousands)

Schedule of Changes	Total Pension Liability
Service Cost	\$ 32,649
Interest on the Total Pension Liability	33,273
Difference Between Expected and Actual Experience	8,059
Changes of Assumptions <sup>2</sup>	(17,002)
Benefit Payments and Refunds	(49,322)
<b>Net Change in Total Pension Liability</b>	<b>7,657</b>
<b>Total Pension Liability – Beginning</b>	<b>918,839</b>
<b>Total Pension Liability – Ending</b>	<b>\$ 926,496</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 \$46.1 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, 2025. At Aug. 31, 2024, 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, 2024 (Amounts in Thousands)

Deferral Type	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 7,151	\$ 5,040
Changes of Assumptions	41,660	117,082
Benefit Payments Subsequent to Measurement Date	46,096	
Administrative Costs Subsequent to Measurement Date	888	
Total	<u>\$ 95,795</u>	<u>\$ 122,122</u>

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, 2024 (Amounts in Thousands)

Year Ended Aug. 31:	SRP/RBP <sup>1</sup>
2025	\$(7,851)
2026	(8,739)
2027	(8,739)
2028	(8,739)
2029	(12,670)
Thereafter	(25,684)

<sup>1</sup> A positive amount indicates an increase in pension expense; a negative amount indicates a decrease in pension expense.

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 2024. 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 2024 resulted in participant contributions of \$346 million and employer contributions of \$389.2 million.

As of Aug. 31, 2024, ORP had 35,286 participants. The total participant contributions were \$359.4 million and total employer contributions were \$430.4 million. Additional information for ORP is included in the fiscal 2024 *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).

## 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 Plan before the 91st day after becoming eligible. It is

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# 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 compen-

sation 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).

- 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).
- 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, 2024, the state recognized OPEB expense of negative \$3.7 billion. Of this amount, negative \$1.1 billion was incurred as an employer and negative \$2.6 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, *Deferred Outflows of Resources and Deferred Inflows of Resources*.

## **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' board of trustees administers SRHP.

ERS issued a stand-alone audited Annual Comprehensive Financial Report (ACFR). The ERS ACFR may be obtained from its 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 2023, for fiscal 2024 reporting, the amount of the state contributions recognized by the SRHP was \$714.9 million for the state as employer and \$53.6 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, 2024

Level of Coverage	Employer Monthly Premium Rates
Retiree Only	\$ 625
Retiree and Spouse	1,341
Retiree and Children	1,104
Retiree and Family	1,820

### 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, 2023, for fiscal year ended Aug. 31, 2024.

## 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, 2024

Description	Actuarial Method/Assumption
Actuarial Valuation Date	Aug. 31, 2023
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	3.81% <sup>1</sup>
Salary Increase	2.30% to 8.95%, includes inflation
<b>Annual Healthcare Trend Rates:</b>	
HealthSelect	5.60% for fiscal 2025, 5.30% for fiscal 2026, 5.00% for fiscal 2027, 4.75% for fiscal 2028, 4.60% for fiscal 2029, decreasing 10 basis points per year to an ultimate rate of 4.30% for fiscal 2032 and later years
HealthSelect Medicare Advantage	16.40% for fiscal 2025, 8.40% for fiscal 2026, 5.00% for fiscal 2027, 4.75% for fiscal 2028, 4.60% for fiscal 2029, decreasing 10 basis points per year to an ultimate rate of 4.30% for fiscal 2032 and later years
Pharmacy	10.00% for fiscal 2025 and fiscal 2026, decreasing 100 basis points per year to 5.00% for fiscal 2031 and 4.30% for fiscal 2032 and later years
Ad Hoc Post-Employment Benefit Changes	None

*Concluded on the following page*

<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.

## Actuarial Methods and Assumptions (concluded)

**Table 11B: State Retiree Health Plan**

For the Fiscal Year Ended August 31, 2024

Description	Actuarial Method/Assumption
<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 2021 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:

- 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.
- The Patient-Centered Outcomes Research Institute fee payable under the Affordable Care Act and the rate of future increases in the fee have been updated to reflect the most recent plan experience and expected trends.
- 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.
- Proportion of future retirees assumed to cover dependent children.
- 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.
- The discount rate assumption was changed from 3.59 percent to 3.81 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.

Since the prior valuation was prepared for this plan, the 87th Legislature, Regular Session, passed Senate Bill (SB) 1055 adding Stephen F. Austin State University (SFA) into the University of Texas System. As a result, eligible employees of SFA ceased being members under SRHP effective Aug. 31, 2023. This elimination of liability attributed to members from SFA is reflected in the TOL as of Aug. 31, 2023. In addition, minor benefit revisions have been adopted since the prior valuation. These changes are provided for in the fiscal 2024 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 3.81 percent as of the end of the measurement year; as of the beginning of the measurement year, the discount rate was 3.59 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.

**Sensitivity of Net OPEB Liability to Changes in Discount Rate**

**Table 11C: State Retiree Health Plan**  
For the Fiscal Year Ended August 31, 2024  
(Amounts in Thousands)

Activity	1% Decrease	Current Discount Rate	1% Increase
Discount Rate	2.81 %	3.81 %	4.81 %
State as Employer	\$ 26,283,716	\$ 22,651,418	\$ 19,729,867
State as Nonemployer Contributing Entity	\$ 1,969,729	\$ 1,697,521	\$ 1,478,577

Sensitivity analysis was performed on the impact of changes in the health care 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 Health Care Cost Trend Rates**

**Table 11D: State Retiree Health Plan**  
For the Fiscal Year Ended August 31, 2024  
(Amounts in Thousands)

Activity	1% Decrease	Current Rate	1% Increase
State as Employer	\$ 19,483,368	\$ 22,651,418	\$ 26,674,858
State as Nonemployer Contributing Entity	\$ 1,460,104	\$ 1,697,521	\$ 1,999,042

**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.

As of Aug. 31, 2024, the state reported a liability of \$22.7 billion for its proportionate share of the collective NOL as an employer, which was comprised of a current portion of \$954.4 million and a noncurrent portion of \$21.7 billion, as well as a liability of \$1.7 billion for its proportionate share of the collective NOL as a nonemployer contributing entity, which was comprised of a



current portion of \$71.5 million and a noncurrent portion of \$1.6 billion. The collective NOL was measured as of Aug. 31, 2023, and the TOL used to calculate the NOL was determined by an actuarial valuation as of that date. The state's proportion decreased from 85.19 percent at Aug. 31, 2022, to 84.78 percent at Aug. 31, 2023, and decreased from 6.43 percent to 6.35 percent for its role as employer and nonemployer contributing entity, respectively. The state's proportions of the collective NOL were based on its contributions to the OPEB plan relative to the contributions of all the employers and the nonemployer contributing entity to the SRHP for the period Sept. 1, 2022, through Aug. 31, 2023.

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, 2024, the state recognized OPEB expense of negative \$922.6 million and grant expense of \$23.2 million for SRHP. At Aug. 31, 2024, the state reported deferred outflows of resources and deferred inflows of resources related to OPEB from the sources in Table 11E.

The \$659.4 million and \$53.6 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, 2025.

### 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, 2024  
(Amounts in Thousands)

Year	State as Employer (OPEB Expense) <sup>1</sup>	State as Nonemployer Contributing Entity (Grant Expense) <sup>1</sup>
2025	\$ (1,990,035)	\$ (137,071)
2026	(1,921,550)	(131,635)
2027	(1,747,003)	(112,860)
2028	(1,201,887)	(82,746)
2029	(204,927)	(17,246)
Thereafter		

<sup>1</sup> Negative amounts indicate decrease in OPEB/grant expense.

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

**Table 11E: State Retiree Health Plan**

August 31, 2024 (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	\$	\$ 599,142	\$	\$ 44,900
Changes of Assumptions or Other Inputs	755,627	7,074,340	56,627	530,158
Net Difference Between Projected and Actual Investment Return	1,830		137	
Changes in Proportion and Difference Between Employer Contributions and Proportionate Share	84,465	233,841	78,759	42,023
Contributions Subsequent to the Measurement Date	659,422		53,602	
Total	<u>\$ 1,501,344</u>	<u>\$ 7,907,323</u>	<u>\$ 189,125</u>	<u>\$ 617,081</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.

During the measurement period of fiscal 2024, the following SRHP changes were updated by ERS. ERS increased the discount rate from 3.81 percent to 3.87 percent, changed assumed per capita health benefit costs and retiree contribution trends, changed the percentage of cur-

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rent 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 proportion of future retirees assumed to elect health coverage at retirement, changed the proportion of future retirees expected to receive the Opt-Out credit at retirement, and updated the patient-centered outcomes research institute fee payable and rate of future increases in the fee. This is expected to increase SRHP's NOL by \$2.6 billion for fiscal year 2025; the state's proportionate share is estimated to increase \$2.2 billion and \$164.4 million for its role as employer and nonemployer 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' 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 its 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* (GAA) 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 SB 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, 2023, this amount is estimated at \$336 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 GAA 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 2023, for fiscal 2024 reporting, the amount of the state contributions recognized by the TRS-Care plan was \$495.6 million.

The contribution requirements for the employers of TRS-Care during the measurement period are presented in Table 11G.

Required Contribution Rates – Retiree Healthcare		
Table 11G: TRS-Care		
For the Fiscal Year Ended August 31, 2024 (Amounts in Thousands)		
Contributor	Contribution	
	Rate	Amount
Active Employee	0.65%	\$ 277,468
Nonemployer Contributing Entity (State)	1.25%	474,357
Participating Employer	0.75%	320,155
Federal/Private Funding <sup>1</sup>	1.25%	59,248
Total		<u>\$ 1,131,228</u>

<sup>1</sup> Contributions paid from federal funds and private grants are remitted by the employer and paid at the state rate.

A supplemental appropriation was received in 2023 for \$21.3 million provided by GAA, Article III, Teacher Retirement System, Rider 14 of the 87th Legislature, Regular Session. These amounts were re-appropriated from amounts received by the pension and TRS-Care

funds in excess of the state’s actual obligation and then transferred to TRS-Care.

### 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, 2023, for fiscal year ended Aug. 31, 2024.

### Actuarial Methods and Assumptions

The actuarial valuation was performed as of Aug. 31, 2022. Updated procedures were used to roll forward the total OPEB liability (TOL) to Aug. 31, 2023. 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 period ended Aug. 31, 2021. The mortality rates were based on tables identified in Table 11H.

Actuarial Methods and Assumptions	
Table 11H: TRS-Care	
For the Fiscal Year Ended August 31, 2024	
Description	Actuarial Method/Assumption
Actuarial Valuation Date	Aug. 31, 2022, rolled forward to Aug. 31, 2023
Actuarial Cost Method	Individual Entry Age Normal
<b>Actuarial Assumptions:</b>	
Inflation	2.30 %
Discount Rate	4.13% <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	2.95% to 8.95% (includes inflation)
Healthcare Cost and Trend Rate	Initial medical trend rates of 7.75% for Medicare retirees and 7.00% for non-Medicare retirees. Initial prescription drug trend rate of 7.75% for all retirees. Initial trend rates decrease to an ultimate trend rate of 4.25% over a period of 12 years.
<i>Concluded on the following page</i>	
<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, 2023.	

## Actuarial Methods and Assumptions (concluded)

**Table 11H: TRS-Care**

For the Fiscal Year Ended August 31, 2024

Description	Actuarial Method/Assumption
<b>Actuarial Assumptions (concluded):</b>	
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, 2021.
<b>Mortality:</b>	
Post-Retirement	Tables based on the 2021 TRS of Texas Healthy Pensioner Mortality Tables, with full generational projection using the ultimate rates of scale MP 2021
Active Members	Tables based on PUB(2010), Amount-Weighted, Below-Median Income, Teacher male and female tables (with a two-year set forward for males), with full generational mortality using the ultimate rates of scale MP 2021

<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, 2023.

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:

- The discount rate changed from 3.91 percent as of Aug. 31, 2022, to 4.13 percent as of Aug. 31, 2023.
- Revised demographic and economic assumptions based on the TRS experience study.

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 4.13 percent as of the end of the measurement year; as of the beginning of the measurement year, the discount rate was 3.91 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.

## Sensitivity of Net OPEB Liability to Changes in Discount Rate

**Table 11I: TRS-Care**

For the Fiscal Year Ended August 31, 2024

(Amounts in Thousands)

Activity	1% Decrease	Current Discount Rate	1% Increase
Discount Rate	3.13%	4.13%	5.13%
Balance	\$ 14,258,090	\$ 12,105,782	\$ 10,349,447

Sensitivity analysis was performed on the impact of changes in the health care cost trend rates on the NOL. The result of the analysis is presented in Table 11J for the state's proportionate share.

## Sensitivity of Net OPEB Liability to Changes in Health Care Cost Trend Rates

**Table 11J: TRS-Care**

For the Fiscal Year Ended August 31, 2024

(Amounts in Thousands)

Activity	1% Decrease	Current Rate	1% Increase
Balance	\$ 9,968,505	\$ 12,105,782	\$ 14,855,395

## 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, 2024, the state reported a liability of \$12.1 billion for its proportionate share of the collective NOL as nonemployer contributing entity, with a non-current portion of \$12.1 billion. The collective NOL was measured as of Aug. 31, 2023, 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 54.95 percent at Aug. 31, 2022, to 54.68 percent at Aug. 31, 2023. 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 the nonemployer contributing entity to the TRS-Care for the period Sept. 1, 2022, through Aug. 31, 2023.

For the fiscal year ended Aug. 31, 2024, the state recognized grant expense of negative \$2.6 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, 2024 (Amounts in Thousands)

Deferral Type	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 547,695	\$ 10,184,722
Changes of Assumptions or Other Inputs	1,652,351	7,412,691
Net Difference Between Projected and Actual Investment Return	5,230	
Changes in Proportion and Difference Between Employer Contributions and Proportionate Share	96,474	1,551,686
Contributions Subsequent to the Measurement Date	505,173	
Total	<u>\$ 2,806,923</u>	<u>\$ 19,149,099</u>

The \$505.2 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, 2025.

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, 2024  
(Amounts in Thousands)

Year	Grand Expense <sup>1</sup>
2025	\$ (3,616,857)
2026	(3,061,615)
2027	(2,309,920)
2028	(2,476,490)
2029	(2,112,991)
Thereafter	(3,269,475)

<sup>1</sup> Negative amounts indicate decrease in grant expense.

During the measurement period of fiscal 2024, the following TRS-Care plan changes were updated by TRS. TRS decreased the discount rate from 4.13 percent to 3.87 percent and the tables used to model the impact of aging on the underlying claims were revised. This is expected to increase TRS-Care's NOL by \$8.2 billion for fiscal year 2025 of which the state's proportionate share is estimated to increase \$4.5 billion 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 plans. 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 do 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.

## Employees Covered by Benefit Terms

**Table 11M: A&M System and UT System**  
For the Fiscal Year Ended August 31, 2024

Type of Member	A&M Plan	UT Plan
Measurement Date	Sept. 1, 2023	Dec. 31, 2023
Inactive Employees or Beneficiaries		
Currently Receiving Benefit Payments	11,496	33,812
Inactive Employees Entitled to But Not Yet Receiving Benefit Payments	3,629	16,814
Active Members	25,506	116,520
Total	40,631	167,146



**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 2023, for fiscal 2024 reporting, the amount of state employer benefit payments recognized by the A&M Plan was \$88.5 million and the UT Plan was \$222 million. The contribution rates are determined annually by each system based on the recommendations of their Office of Risk Management 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.

**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, 2023, for fiscal year ended Aug. 31, 2024.

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, 2023, for fiscal year ended Aug. 31, 2024.

**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.

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, 2021, for higher education members. The mortality rates were based on the tables identified in Table 11O.

Required Contribution Rates – Retiree Health Care and Life Insurance Premium		
Table 11N: A&M System and UT System		
For the Fiscal Year Ended August 31, 2024		
Level of Coverage	A&M Plan	UT Plan
Retiree Only	\$ 890	\$ 726
Retiree and Spouse	1,452	1,106
Retiree and Children	1,281	969
Retiree and Family	1,681	1,352



## Actuarial Methods and Assumptions

**Table 110 - A&M System and UT System**

For the Fiscal Year Ended August 31, 2024

Description	A&M Plan	UT Plan
Actuarial Valuation Date	Sept. 1, 2023	Dec. 31, 2023
<b>Actuarial Assumptions:</b>		
Inflation	2.30 %	2.30 %
Salary Increase	2.95% to 8.95% (includes inflation)	2.95% to 8.95% (includes inflation)
Discount Rate	3.81% <sup>1</sup>	3.26% <sup>1</sup>
<b>Health Care Cost and Trend Rate:</b>		
Medical	A&M Care/A&M Care 65+: 5.60% for fiscal 2025, 5.50% for fiscal 2026, 5.25% for fiscal 2027, 5.00% for fiscal 2028, 4.75% for fiscal 2029, 4.60% for fiscal 2030, 4.50% for fiscal 2031, 4.40% for fiscal 2032 and 4.30% for fiscal 2033 and later years 65 Plus Medicare Advantage: 0.00% for fiscal 2025, 0.00% for fiscal 2026, 5.25% for fiscal 2027, 5.00% for fiscal 2028, 4.75% for fiscal 2029, 4.60% for fiscal 2030, 4.50% for fiscal 2031, 4.40% for fiscal 2032 and 4.30% for fiscal 2033 and later years	UT Select: 5.60% for fiscal 2025, 5.50% for fiscal 2026, 5.25% for fiscal 2027, 5.00% for fiscal 2028, 4.75% for fiscal 2029, 4.60% for fiscal 2030, 4.50% for fiscal 2031, 4.40% for fiscal 2032 and 4.30% for fiscal 2033 and later years UT Care: 20.00% for fiscal 2025, 5.50% for fiscal 2026, 5.25% for fiscal 2027, 5.00% for fiscal 2028, 4.75% for fiscal 2029, 4.60% for fiscal 2030, 4.50% for fiscal 2031, 4.40% for fiscal 2032 and 4.30% for fiscal 2033 and later years
Pharmacy	11.00% for fiscal 2025, 10.00% for fiscal 2026, 9.50% for fiscal 2027, 9.00% for fiscal 2028, 8.00% for fiscal 2029, 7.00% for fiscal 2030, 6.00% for fiscal 2031, 5.00% for fiscal 2032 and 4.30% for fiscal 2033 and later years	11.00% for fiscal 2025, 10.00% for fiscal 2026, 9.50% for fiscal 2027, 9.00% for fiscal 2028, 8.00% for fiscal 2029, 7.00% for fiscal 2030, 6.00% for fiscal 2031, 5.00% for fiscal 2032 and 4.30% for fiscal 2033 and later years
<b>Mortality:</b>		
Service Retirees, Survivors and Other Inactive Members	Tables based on TRS experience with Ultimate MP-2021 Projection Scale from the year 2021	Tables based on TRS experience with Ultimate MP-2021 Projection Scale from the year 2021
Disabled Retirees	Tables based on TRS experience with Ultimate MP-2021 Projection Scale from the year 2021 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-2021 Projection Scale from the year 2021 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-2021 Projection Scale from the year 2010	Sex Distinct Pub-2010 Amount-Weighted Below-Median Income Teacher Mortality with a 2-year set forward for males with Ultimate MP-2021 Projection Scale from the year 2010
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 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:

- The discount rate has changed for the A&M and UT Plans.
- The assumed per capita health benefit costs and health benefit cost and retiree contribution trends has been updated to reflect recent health

plan experience and its effects on short-term expectations for the A&M and UT Plans.

- The implementation of 65 Plus Medicare Advantage effective Jan. 1, 2024, for the A&M Plan.
- The expenses directly related to the payment of the health benefits for the A&M and UT Plans.
- The patient-centered outcome research institute fees payable under the Affordable Care Act for the A&M and UT Plans.

- The mortality rates, termination rates, disability rates, retirement rates and salary increase assumptions have been updated to reflect assumptions adopted by the TRS Trustees for the A&M and UT Plans.
- The proportion of female members assumed to be married and electing coverage for their spouse for the UT Plan.
- The proportion of future retirees covering dependent children for the UT Plan.
- The percentage of eligible terminated employees who are assumed to participate in the UT Plan's health benefits as a result of UT System being their last state employer.
- The probability of current terminated members who have already attained their assumed commencement age commencing benefits for the UT Plan.

The discount rate that was used to measure the TOL for each plan is the municipal bond rate of 3.81 percent for the A&M Plan and 3.26 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 3.64 percent and 3.72 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. Since the prior valuation was prepared, the 87th Legislature, Regular Session, passed SB 1055 adding Stephen F. Austin State University (SFA) into the University of Texas System. As a result, eligible employees of SFA became members under the UT Plan effective Sept. 1, 2023.

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.

### Sensitivity of Total OPEB Liability to Changes in Discount Rate

**Table 11P: A&M System and UT System**

For the Fiscal Year Ended August 31, 2024

(Amounts in Thousands)

University System Plan	1% Decrease	Current Discount Rate	1% Increase
A&M Plan:			
Discount Rate	2.81 %	3.81 %	4.81 %
Balance	\$ 3,347,466	\$ 2,862,384	\$ 2,473,526
UT Plan:			
Discount Rate	2.26 %	3.26 %	4.26 %
Balance	\$ 12,336,267	\$ 10,398,183	\$ 8,863,371

Sensitivity analysis was performed on the impact of changes in the health care 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 Health Care Cost Trend Rates

**Table 11Q: A&M System and UT System**

For the Fiscal Year Ended August 31, 2024

(Amounts in Thousands)

University System Plan	1% Decrease	Current Rate	1% Increase
A&M Plan	\$ 2,440,217	\$ 2,862,384	\$ 3,407,322
UT Plan	\$ 8,699,646	\$ 10,398,183	\$ 12,635,159

### Total OPEB Liability, Deferrals and OPEB Expense

At Aug. 31, 2024, the state reported a liability of \$2.9 billion for the A&M Plan and \$10.4 billion for the UT Plan. The A&M Plan's TOL is comprised of a current portion of \$93.1 million and a noncurrent portion of \$2.8 billion, and the UT Plan's TOL is comprised of a current portion of \$218.3 million and a noncurrent portion of \$10.2 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, 2023, and Dec. 31, 2023, 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, 2024

(Amounts in Thousands)

Schedule of Changes	A&M Plan	UT Plan
Measurement Date	Sept. 1, 2023	Dec. 31, 2023
Total OPEB Liability		
Service Cost	\$ 153,685	\$ 448,443
Interest on the Total OPEB Liability	146,641	375,927
Changes of Benefit Terms		181,675
Difference Between Expected and Actual Experience	(15,814)	(207,984)
Changes of Assumptions or Other Inputs	(1,252,798)	53,985
Benefit Payments (Employer)	(88,507)	(221,970)
Net Change in Total OPEB Liability	(1,056,793)	630,076
Total OPEB Liability – Beginning	3,919,177	9,768,107
Total OPEB Liability – Ending	<u>\$ 2,862,384</u>	<u>\$ 10,398,183</u>

For the fiscal year ended Aug. 31, 2024, the state recognized OPEB expense of negative \$48.1 million for the A&M Plan and \$37.3 million for the UT Plan, respectively. At Aug. 31, 2024, 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.

## Deferred Outflows of Resources and Deferred Inflows of Resources<sup>1</sup>

**Table 11S: A&M System and UT System**

August 31, 2024 (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	\$	\$ 223,878	\$ 127,360	\$ 246,263
Changes of Assumptions or Other Inputs	514,151	1,939,339	2,545,250	7,860,898
Transactions Subsequent to the Measurement Date	85,736		140,555	
Total	<u>\$ 599,887</u>	<u>\$ 2,163,217</u>	<u>\$ 2,813,165</u>	<u>\$ 8,107,161</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.

The \$85.7 million reported as deferred outflows of resources for the A&M Plan and \$140.6 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, 2025.

## 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, 2024

(Amounts in Thousands)

Year	A&M Plan	UT Plan
2025	\$ (242,242)	\$ (910,117)
2026	(243,120)	(772,823)
2027	(296,994)	(706,263)
2028	(349,929)	(601,672)
2029	(352,585)	(662,227)
Thereafter	(164,196)	(1,781,450)

<sup>1</sup> Negative amounts indicate an decrease in OPEB expense.

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 2024, no changes occurred to the A&M and UT Plans expected to have a significant effect on the TOL for fiscal year 2025.

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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, e.g., 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 \$9 billion transfer from the property tax relief fund and a \$2 billion transfer from the lottery fund to the foundation school fund for educational programs. There is a \$2.2 billion transfer from the Permanent School Fund to the available school fund. There is \$2.7 billion in the 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 2024.

The detail of interfund activity and transactions by fund type and category as of Aug. 31, 2024, are presented in Tables 12A-E.

<b>Interfund Receivables/Payables</b>						
<b>Table 12A</b>						
August 31, 2024 (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	\$ 1,348	\$ 392	\$ 12,326	\$	\$ 13,674	\$ 392
Nonmajor Governmental Funds						
Total Governmental Funds	<u>1,348</u>	<u>392</u>	<u>12,326</u>	<u>0</u>	<u>13,674</u>	<u>392</u>
<b>PROPRIETARY FUNDS</b>						
Colleges and Universities	65,849	67,126	1,495,390	1,507,716	1,561,239	1,574,842
Nonmajor Enterprise Funds	321				321	
Total Proprietary Funds	<u>66,170</u>	<u>67,126</u>	<u>1,495,390</u>	<u>1,507,716</u>	<u>1,561,560</u>	<u>1,574,842</u>
Total Interfund Receivables/Payables	<u>\$ 67,518</u>	<u>\$ 67,518</u>	<u>\$1,507,716</u>	<u>\$1,507,716</u>	<u>\$1,575,234</u>	<u>\$1,575,234</u>

## Due From/Due To

Table 12B

August 31, 2024 (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	\$ 487,874	\$	\$	\$ 7,254,301	\$	\$
State Highway Fund	3,043,132			37,349		
Permanent School Fund	153			40		
Nonmajor Governmental Funds	1,296,862			22,932		
Total Governmental Funds	4,828,021	0	0	7,314,622	0	0
<b>PROPRIETARY FUNDS</b>						
Colleges and Universities	2,845,979			437,097		
Unemployment Trust Fund	5,525					
Lottery Fund				87,251		
Water Development Board Funds				5,016		
Nonmajor Enterprise Funds	123,588			51,065		
Internal Service Fund	11,505			15,225		
Total Proprietary Funds	2,986,597	0	0	595,654	0	0
<b>FIDUCIARY FUNDS</b>						
Pension and Other Employee Benefit Trust Funds	149,956			54,237		
Private-Purpose Trust Funds				64		
Custodial Funds	3					
Total Fiduciary Funds	149,959	0	0	54,301	0	0
<b>DISCRETELY PRESENTED COMPONENT UNITS</b>						
Total Due From/Due To	\$ 7,964,577	\$ 0	\$ 0	\$ 7,964,577	\$ 0	\$ 0

## Transfers In/Transfers Out

Table 12C

For the Fiscal Year Ended August 31, 2024  
(Amounts in Thousands)

Fund Type	Transfers In Other Funds	Transfers Out Other Funds
<b>GOVERNMENTAL FUNDS</b>		
General Fund	\$ 14,515,434	\$ 28,835,328
State Highway Fund	3,074,441	822,688
Permanent School Fund	12	
Nonmajor Governmental Funds	17,540,820	12,764,961
Total Governmental Funds	35,130,707	42,422,977
<b>PROPRIETARY FUNDS</b>		
Colleges and Universities	9,873,846	887,783
Lottery Fund		2,007,345
Water Development Funds	99,378	17,921
Nonmajor Enterprise Funds	137,815	87,809
Total Proprietary Funds	10,111,039	3,000,858
<b>FIDUCIARY FUNDS</b>		
Pension and Other Employee Benefit Trust Funds	158,692	155,985
Private-Purpose Trust Funds	179,446	64
Total Fiduciary Funds	338,138	156,049
Total Transfers In/Transfers Out	\$ 45,579,884	\$ 45,579,884

## Internal Balances per the Government-wide Financial Statements

Table 12D

August 31, 2024 (Amounts in Thousands)

Internal Balances	Governmental Activities	Business-Type Activities	Total
Noncurrent Assets	\$ 12,326	\$ (12,326)	\$ 0
Current Liabilities	\$ 2,393,772	\$ (2,393,772)	\$ 0

## Transfers – Internal Activities per the Government-wide Financial Statements

Table 12E

For the Fiscal Year Ended August 31, 2024  
(Amounts in Thousands)

Fund Category	Other Funds
Governmental Activities	\$ (7,110,603)
Business-Type Activities	\$ 7,110,603



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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, 2024, 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 \$46.9 billion governmental funds total unassigned fund balance, \$23.8 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 limit 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, 2024 (Amounts in Thousands)

Governmental Fund	General Fund	State Highway Fund	Permanent School Fund	Other Funds	TOTAL
Nonspendable for:					
Inventory	\$ 242,755	\$ 168,092	\$	\$ 3,867	\$ 414,714
Long-term Receivables	669,618				669,618
Permanent Principal	20,000		5,419,164	4,535,584	9,974,748
Prepaid Items	18,687		605	71	19,363
Total Nonspendable	<u>951,060</u>	<u>168,092</u>	<u>5,419,769</u>	<u>4,539,522</u>	<u>11,078,443</u>
Restricted for:					
Capital Purposes	251,069			1,228,258	1,479,327
Debt Service				233,387	233,387
Economic and Consumer Affairs	591,845			13,590	605,435
Education – Public Schools	852,568		28,580	1,361,448	2,242,596
Education – Loan Programs				1,390,799	1,390,799
Environment and Natural Resources - Other	155,737			3,885	159,622
Environment and Natural Resources - Water Programs	422			5,025,664	5,026,086
General Government <sup>1</sup>	227,289			1,873,138	2,100,427
Parks and Recreation	559,963			1,387,417	1,947,380
Public Health and Welfare – Federal Programs	9,905				9,905
Public Health and Welfare – Public Programs	1,399,041			129,059	1,528,100
Public Safety and Criminal Justice	126,145			13,777	139,922
Public Safety and Criminal Justice – Law Enforcement	20,650			12,937	33,587
Regulatory Agencies				5,137,860	5,137,860
Transportation – Construction		4,220,582			4,220,582
Transportation – Licensing and Regulation		125,152			125,152
Transportation – Maintenance		329,439			329,439
Transportation – Other		1,883,215		505,462	2,388,677
Total Restricted	<u>4,194,634</u>	<u>6,558,388</u>	<u>28,580</u>	<u>18,316,681</u>	<u>29,098,283</u>

*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, 2024 (Amounts in Thousands)

Governmental Fund	General Fund	State Highway Fund	Permanent School Fund	Other Funds	TOTAL
Committed to:					
Capital Purposes	\$ 46,120	\$	\$	\$	\$ 46,120
Economic and Consumer Affairs	1,330,307				1,330,307
Education – Public Schools	217,449			16,895	234,344
Education – Loan Programs	241,081				241,081
Environment and Natural Resources - Other	3,210,631				3,210,631
Environment and Natural Resources Water Programs	76,517				76,517
General Government <sup>1</sup>	2,501,819			6,009	2,507,828
Parks and Recreation	7,992				7,992
Public Health and Welfare – Federal Programs	62,275				62,275
Public Health and Welfare – Public Programs	460,879				460,879
Public Safety and Criminal Justice	190,489				190,489
Public Safety and Criminal Justice – Corrections	33,286			94,998	128,284
Public Safety and Criminal Justice – Law Enforcement	10,627				10,627
Transportation – Other	597,632	907,694		178,568	1,683,894
Total Committed	8,987,104	907,694	0	296,470	10,191,268
Assigned to:					
Economic and Consumer Affairs					
Education	486				486
Environment and Natural Resources - Other	12,969				12,969
General Government <sup>1</sup>	79,835				79,835
Public Safety and Criminal Justice – Corrections	146				146
Transportation – Other		813,813			813,813
Regulatory Agencies	3,909				3,909
Total Assigned	97,345	813,813	0	0	911,158
Unassigned:					
Education	(17,542,061)				(17,542,061)
Environment and Natural Resources	(1,380,736)				(1,380,736)
General Government <sup>1</sup>	59,200,157			(203)	59,199,954
General Government - ESF	23,797,390				23,797,390
Public Health and Welfare	(7,080,862)			(1,568)	(7,082,430)
Public Safety and Criminal Justice – Corrections	(10,024,770)				(10,024,770)
Regulatory Agencies	354,624				354,624
Transportation	(427,038)				(427,038)
Total Unassigned	46,896,704	0	0	(1,771)	46,894,933
Total Fund Balances – Governmental Funds	\$ 61,126,847	\$ 8,447,987	\$ 5,448,349	\$ 23,150,902	\$ 98,174,085

<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

GASB Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*, establishes accounting and financial reporting requirements for accounting changes and the correction of errors in previously issued financial statements. Accounting changes are:

- Changes in accounting principles.
- Changes in accounting estimates.
- Changes to or within the financial reporting entity.

A change in accounting principle is from one generally accepted accounting principle to another generally accepted accounting principle that is justified on the basis that the new principle is preferable. This could include the implementation of a new GASB pronouncement. A change in accounting estimates occurs when inputs, such as data, assumptions and measurement methodologies, change. GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance*

Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, provides guidance for changes to the financial reporting entity. GASB Statement No.100 expands that guidance to include changes within the financial reporting entity.

GASB Statement No.100 removes *prior period adjustments* from the generally accepted accounting lexicon and replaced it with *error corrections*. An error correction should be reported retroactively by restating the beginning net position, fund balance and fund net position of the cumulative effect of the error correction on prior periods. Each individual prior period presented should be restated to reflect the period-specific effects of correcting the error.

During fiscal 2024, certain accounting changes and error corrections were made that required the restatement of beginning net position, fund balance or fund net position. The beginning balances and all related restatements for the components of the state's financial reporting entity as of Aug. 31, 2024, are presented in Table 14A and discussed on the following pages.

Restatements are grouped in Table 14A by the following types of activity:

### Restatements to Net Position/Fund Balances

**Table 14A**

For the Fiscal Year Ended August 31, 2024 (Amounts in Thousands)

Fund Type	Sept. 1, 2023, As Previously Reported	Change in Accounting Principle	Change To or Within Reporting Entity	Error Correction	Sept. 1, 2023, As Restated
<b>GOVERNMENT-WIDE ACTIVITIES:</b>					
<b>PRIMARY GOVERNMENT:</b>					
Governmental Activities	\$ 106,025,636	\$ 66	\$	\$ 343,024	\$ 106,368,726
Business-Type Activities	95,415,222	1,522	72,797	(66,475)	95,423,066
Total Primary Government	<u>\$ 201,440,858</u>	<u>\$ 1,588</u>	<u>\$ 72,797</u>	<u>\$ 276,549</u>	<u>\$ 201,791,792</u>
Discrete Component Units	\$ 53,936,569	\$	\$	\$	\$ 53,936,569
<b>FUND FINANCIAL STATEMENTS:</b>					
<b>GOVERNMENTAL FUNDS</b>					
Major Governmental Funds:					
General Fund	\$ 64,978,959	\$ 66	\$	\$ 184,197	\$ 65,163,222
State Highway Fund	11,201,363				11,201,363
Permanent School Fund	6,493,433			80,781	6,574,214
Nonmajor Governmental Funds:					
Special Revenue Funds	6,504,242			(407)	6,503,835
Debt Service Funds	457,785				457,785
Capital Project Funds	1,010,835				1,010,835
Permanent Funds	1,766,759				1,766,759
Total Governmental Funds	<u>\$ 92,413,376</u>	<u>\$ 66</u>	<u>\$ 0</u>	<u>\$ 264,571</u>	<u>\$ 92,678,013</u>

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## Restatements to Net Position/Fund Balances (concluded)

**Table 14A**

For the Fiscal Year Ended August 31, 2024 (Amounts in Thousands)

Fund Type	Sept. 1, 2023, As Previously Reported	Change in Accounting Principle	Change To or Within Reporting Entity	Error Correction	Sept. 1, 2023, As Restated
<b>PROPRIETARY FUNDS</b>					
Major Enterprise Funds:					
Colleges and Universities	\$ 88,924,025	\$ 1,522	\$ 72,797	\$ (66,637)	\$ 88,931,707
Unemployment Trust Fund	2,103,011				2,103,011
Lottery Fund	(1,248)				(1,248)
Water Development Funds	5,771,992				5,771,992
Nonmajor Enterprise Funds	(1,382,558)			162	(1,382,396)
Total Proprietary Funds	<u>\$ 95,415,222</u>	<u>\$ 1,522</u>	<u>\$ 72,797</u>	<u>\$ (66,475)</u>	<u>\$ 95,423,066</u>
Internal Service Fund	\$ 3,431,565	\$ 0	\$ 0	\$ 23	\$ 3,431,588
<b>FIDUCIARY FUNDS</b>					
Pension and Other Employee					
Benefit Trust Funds	\$ 227,168,879	\$	\$	\$ (64)	\$ 227,168,815
External Investment Trust Funds	39,986,139				39,986,139
Private-Purpose Trust Funds	4,762,062				4,762,062
Nontrusted External Investment					
Pool Custodial Fund	529,536				529,536
Custodial Funds	3,710,055		255		3,710,310
Total Fiduciary Funds	<u>\$ 276,156,671</u>	<u>\$ 0</u>	<u>\$ 255</u>	<u>\$ (64)</u>	<u>\$ 276,156,862</u>
Total Reporting Entity <sup>1</sup>	<u>\$ 531,534,098</u>	<u>\$ 1,588</u>	<u>\$ 73,052</u>	<u>\$ 276,485</u>	<u>\$ 531,885,224</u>

<sup>1</sup> Reporting entity includes primary government, discrete component units and fiduciary funds.

### Changes to and within the Reporting Entity

Pursuant to enabling legislation, Stephen F. Austin State University (SFA), formerly an independent public institution, was authorized to join the University of Texas System (UT System). SFA became a component university within the UT System on Sept. 1, 2023. The 2033 Higher Education Development Foundation (HEDF) became a fiduciary blended component unit of the UT System effective Sept. 1, 2023. HEDF provides services exclusively for the benefit of UT Austin pertaining to the acquisition, management, development and administration of real property. Restatements are necessary to combine SFA and HEDF into the UT System's financial statements. An increase in net position in Colleges and Universities funds of \$17.4 million in the UT System from SFA and HEDF and \$255,000 in fiduciary funds resulted from transfers of beginning asset, liability and cash balances.

During fiscal 2024, a new memorandum of understanding was created between the Texas Tech University System (TTU System), Midwestern State University (MSU) and the Midwestern State University Foundation Inc. (MSUF). Congruently, the bylaws for MSUF were updated, modifying the reporting status of MSUF to a blended component unit. The interrelated services and benefits between MSU and MSUF, including gift contributions to university and administrative services to the foundation now meet the requirements for MSUF's inclusion as a blended component unit of the TTU System for fiscal 2024. An increase in net position of \$71.3 million resulted from transfers of beginning asset, liabilities and cash balances from MSUF to TTU System.

### Changes in Accounting Principle

In fiscal year 2024, Texas State Technical College (TSTC) adopted a change in accounting principle fol-

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lowing the implementation of a new accounting system, specifically regarding the recognition of scholarship expenses to better align with tuition revenue. This adjustment ensures that scholarship expenses are recognized in the same period as the related tuition revenue, providing a more accurate representation of TSTC's financial performance. Previously, scholarship expenses for the fall semesters were not aligned with the tuition revenue recognized in the same semester. The impact of \$1.5 million is reflected in several areas of the current year's financial statements, including Accounts Receivable, Federal Accounts Receivable, Scholarships and Fellowships, and Federal Non-Operating Revenue. This revised approach enhances the matching of revenue and expenses, thereby improving the consistency and transparency of TSTC's financial reporting.

### **Error Corrections**

**Government-wide activities:** Governmental activities include a restatement increase of \$343 million consisting of a \$184.2 million increase in the General Fund, an \$80.8 million increase in the Permanent School Fund, a \$407,000 decrease in Special Revenue funds and a \$78.5 million increase in governmental activities.

Error corrections pertaining to governmental activities consist of a \$108.7 million increase in net capital asset valuation and a \$30.3 million increase in long-term liabilities. The net capital asset valuation relates to corrections in capital assets minus accumulated depreciation and intangible right-to-use (RTU) capital assets minus accumulated amortization, which were either understated or overstated in the previous year. Intangible RTU assets and corresponding long-term liabilities corrections relate to RTU leases or subscriptions where contracts were not included that are in scope or from incorrectly implementing GASB Statement No. 87 or GASB Statement No. 96. Change in RTU assets also causes a \$23,000 increase in internal service funds.

**Fund Financial Statements-Governmental:** The restatements for governmental funds corrections in the General Fund total \$184.2 million. Federal grants receivable decrease by \$7.4 million after undergoing a large reconciliation project. Legislative appropriations increase by \$185.2 million after the general revenue reconciliation process. Prepaid items increase by \$7.3 million from a reconciliation of professional fees and construction expenses. Corrections to accounts payable, dormant funds and funds held for others account for the remaining \$787,000 decrease.

The restatements for governmental funds in the Permanent School Fund total an \$80.8 million increase from a correction to unearned revenue and unbilled accounts receivable. Special Revenue funds decrease by \$407,000 due to corrections to accounts payable.

**Fund Financial Statements-Proprietary:** The restatement of proprietary funds is a decrease of \$66.5 million consisting of a decrease of \$66.6 million in College and University funds and an increase of \$163,000 in Other Nonmajor Enterprise funds. Corrections to the net capital asset valuation, including RTU assets, accounted for a \$1.9 million decrease in College and University funds. The corresponding RTU obligation increased by \$347,000. These corrections come from incorrect implementation of GASB Statement No. 87, GASB Statement No. 94 or GASB Statement No. 96. A restatement of employee compensable leave and payroll liabilities corrections causes a decrease of \$10 million. Corrections to equity investments and foundation endowments causes a decrease of \$91.7 million. An increase in prepaid items consisting of federal student aid, tuition and scholarships is correcting a \$23.5 million understatement. Corrections totaling a \$13.1 million increase are from various accounts from audit adjustments. The increase of \$163,000 in Other Nonmajor Enterprise funds mainly comes from a correction to net capital asset evaluation for an understatement to furniture and equipment and construction in progress.

**Fund Financial Statements-Fiduciary:** The restatement of fiduciary funds is a decrease of \$64,000. This correction to Pension and Other Employee Benefit Trust funds comes from RTU subscription obligations.

The restatements to Change in Net Position as of Aug. 31, 2024, are presented in Table 14B.

## Restatements to Change in Net Position

**Table 14B**

For the Fiscal Year Ended August 31, 2024 (Amounts in Thousands)

Fund Type	Sept. 1, 2022 Net Position, As Restated	Change in Net Position Aug. 31, 2023 As Previously Reported	Change in Accounting Principle	Change To or Within Reporting Entity	Error Correction	Change in Net Position Aug. 31, 2023 as Restated	Net Position Sept. 1, 2023 as Restated
<b>GOVERNMENT-WIDE ACTIVITIES:</b>							
<b>PRIMARY GOVERNMENT:</b>							
Governmental Activities	\$ 73,661,898	\$ 32,363,738	\$ 66	\$	\$ 343,024	\$ 32,706,828	\$ 106,368,726
Business-Type Activities	88,767,245	6,647,977	1,522	72,797	(66,474)	6,655,822	95,423,067
Total Primary Government	<u>\$ 162,429,143</u>	<u>\$ 39,011,715</u>	<u>\$ 1,588</u>	<u>\$ 72,797</u>	<u>\$ 276,550</u>	<u>\$ 39,362,650</u>	<u>\$ 201,791,793</u>
Discrete Component Units	\$ 43,954,143	\$ 9,982,426	\$	\$	\$	\$ 9,982,426	\$ 53,936,569

# Note 15

## Commitments and Contingencies

### Commitments

A commitment is an agreement or pledge to do something in the future, to pledge something, the state or an instance of being obligated, or an act of committing to a charge or trust.

### Outstanding Loan Commitments

The state makes commitments to provide political subdivisions and nonprofit entities financing from the proceeds remaining from current or future bond issues, accumulated loan repayments, federal draw downs, appropriations or other lawful sources. The Texas Water Development Board (TWDB) has loan commitments of \$4.8 billion as of Aug. 31, 2024. The majority of these loan commitments provide financial assistance to be used to fund State Water Plan projects.

Texas Department of Transportation (TxDOT) participates in the cost of acquisition, construction,

maintenance or operation of a toll facility of a public or private entity. TxDOT has equity loan commitments of \$8.5 billion. Payments of these amounts are made subject to executed financial assistance agreements between TxDOT and the applicable public or private entity. The toll equity loan commitment is related to a toll equity loan agreement with the Grand Parkway Transportation Corporation (GPTC). This agreement makes loans available to be drawn on in the event revenues and certain reserves are insufficient to pay the corresponding debt service or operations and maintenance cost of the toll systems. The GPTC funds are to be used for costs related to the development, construction, operation, maintenance and financing of segments in Harris County and the possible extensions or expansions of the Grand Parkway.

### Investment Funds

As of Aug. 31, 2024, state agencies, public employee retirement systems and institutions of higher education have entered into capital commitments with

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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, 2024, the remaining commitment was \$76.2 billion. For more information, see Note 3, *Deposits, Investments and Repurchase Agreements*.

### **Construction and Other Commitments**

As of Aug. 31, 2024, TxDOT has outstanding contractual commitments of \$26 billion related to the award of construction contracts, terms of outstanding design-build contracts and terms requiring contribution of public funds to provide a portion of construction costs related to Public-Private and Public-Public Partnerships. Of the amounts committed under these contracts TxDOT expects to receive future reimbursements from the Federal Highway Administration of \$11.7 billion.

Additionally, TxDOT is authorized to enter into agreements with a public or private entity that provides for the payment of pass-through tolls as reimbursement for the design, development, financing, construction, maintenance or operation of a toll or non-toll facility on the state highway system. As of Aug. 31, 2024, there were 24 active pass-through financing agreements. TxDOT recognizes liabilities associated with pass-through toll projects as notes payable during construction. The amounts are determined by contractually negotiated agreements with pass-through partners. As of Aug. 31, 2024, the maximum total remaining repayment commitments for pass-through toll projects was approximately \$344 million. The actual repayment obligation for each agreement is not determined until total construction costs are known. In addition, TxDOT has equity grant commitments of \$62.6 million to various local toll project entities.

TWDB has grant commitments of \$588.9 million mainly used for clean water, drinking water, flood and infrastructure projects.

Texas State University System (TSU System) continuously constructs new facilities and upgrades existing facilities. As of Aug. 31, 2024, TSU System has \$1.5 billion in active construction projects in various stages of completion.

The University of North Texas System implemented approximately \$344.9 million in capital commitments for construction and renovation of various facilities in numerous stages of development.

The Texas Parks and Wildlife Department has contractual commitments of approximately \$172.7 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 \$10.6 billion capital improvement program, planned for fiscal 2025 through fiscal 2030, 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**

According to GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, a contingency is defined as an existing condition, situation or set of circumstances involving uncertainty as to a possible gain or loss to a government that will ultimately be resolved when one or more future events occur or fail to occur. Resolution of the uncertainty may contain the acquisition of an asset, the reduction of a liability, the loss or impairment of an asset or the incurrence of a liability.

### **Protested Tax Payments**

As of Aug. 31, 2024, pending litigation filed by taxpayers seeking refunds of state taxes totaled \$240.1 million. The protested taxes include sales, franchise, diesel fuels and other taxes, as well as statutory inter-



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est imposed by *Texas Tax Code*, Section 112.060(a). Although the outcome of these cases cannot presently 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, 2024. These claims totaled \$326.4 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 \$539.2 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 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 payable to the federal government will be immaterial to its overall financial condition.

Under the Lost Wage Assistance program (LWA), Texas Workforce Commission paid an additional \$300 per week in unemployment benefits between Aug. 1, 2020, and Sept. 5, 2020. The funds for the LWA came from the Federal Emergency Management Agency (FEMA). 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, 2024, this amount is estimated at \$4.2 million. It is uncertain if this amount will eventually be remitted to FEMA.

### ***Performance Pay Plan***

A Performance Pay Plan (Plan) was established by the Board of Teacher Retirement System of Texas (TRS) in September 2007, to remain competitive in its efforts to attract, retain and motivate high caliber investment division staff. The purpose of the Plan is to award performance pay for Investment Management Division employees based on specific criteria. In fiscal 2024, the Plan estimates the liability not to exceed \$54.5 million. Any potential awards are paid in the following years in which the Pension Trust Fund has a positive return, and employees must be employed by TRS on the designated dates in the Plan to receive payment. The Board of Trustees may cancel or modify the Plan at any time.

### ***Guaranteed Debt***

In 1983, Texas voters approved a constitutional amendment which provides for the guarantee of school district bonds by the Permanent School Fund (PSF). The Texas Permanent School Fund Corporation has responsibility for this guarantee. The Bond Guarantee Program is administered by the Commissioner of Education. Approval by the state of Texas Attorney General

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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, 2024, PSF has a defined guarantee capacity of up to \$164.7 billion in school district bonds.

As of Aug. 31, 2024, \$121 billion of debt in outstanding bond issues was guaranteed by the PSF for 867 school districts and \$4.8 billion for 32 charter districts within the state. These dollar amounts represent the principal amount and do not reflect any subsequent accretions in value for compound interest bonds (zero coupon bonds), nor do they include interest on current interest bonds or variable rate notes. These amounts also exclude bonds that were refunded and released from the Bond Guarantee Program.

In the event of default by a school district or charter district, the PSF will transfer to the paying agent/registrar an amount necessary to pay the maturing or matured principal and/or interest to bondholders. Under statute, payments by the PSF on such guarantees are recoverable from the state of Texas. The Commissioner of Education will instruct the Texas Comptroller of Public Accounts to withhold the amount paid, plus interest, from the first state money payable to the school district. From the inception of the program through Aug. 31, 2024, 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, the effective rate of mortgage interest 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, 2024, there is an accumulated yield reduction liability of \$28.8 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) derivative instruments include provisions that require posting collateral in the event the Single Family Trust Indenture 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, 2024, the aggregate fair value of all hedging derivative instruments with collateral provisions was negative \$327,000. 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, 2024.

TRS’ derivative instruments include contingent features that require TRS to post collateral in the event that the fair value surpasses a specified contractual threshold. As of Aug. 31, 2024, the aggregate fair value of all derivative instruments with these provisions was \$81.7 million, and \$234.9 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, 2024, the Texas General Land Office (GLO) had outstanding natural gas commitments/open positions with third parties valued at negative \$5.5 million. Power contracts are priced off the Electricity Reliability Council of Texas 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 \$1.8 billion in new bonds and \$1.8 billion in commercial paper since Aug. 31, 2024, as presented in Table 16A. There were \$2.1 billion in refunding bonds issued during this time period. This routine activity finances state facilities, housing assistance programs, educational loans and refunds outstanding debt.

#### Other Subsequent Events

On Oct. 1, 2024, the Veteran’s Land Board (VLB) redeemed \$12,830,000 of outstanding State of Texas Veterans’ Housing Assistance Program, Fund II Series 2004A Bonds.

### Bonds and Commercial Paper Issued/Refunded Subsequent to August 31, 2024

**Table 16A**  
(Amounts in Thousands)

Description	Amount	Issuance Date	Purpose
<b>TEXAS AFFORDABLE HOUSING CORPORATION</b>			
Texas State Affordable Housing Corporation Multifamily Housing Revenue Bonds (Burleson Studios), Series 2024	\$ 16,500	12/01/24	Multifamily housing revenue bonds
<b>DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS</b>			
Residential Mortgage Revenue Bonds, Series 2025A	\$ 175,000	02/12/25	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>			
General Obligation Commercial Paper Notes, Taxable Series A, Cancer Prevention and Research Institute of Texas (CPRIT)	\$ 86,000	09/24/24	Fund CPRIT grant awards
Revenue Refunding Bonds, Series 2024	\$ 102,900	10/30/24	Refund Revenue CP Notes Series 2016B (Tax-Exempt) Commercial Paper
Revenue Commercial Paper , Series 2019A	\$ 2,600	12/19/24	Fund HHSC deferred repair and rehabilitation projects at state hospitals and state supported living centers
General Obligation Commercial Paper Notes, Taxable Series A, Cancer Prevention and Research Institute of Texas (CPRIT)	\$ 69,500	12/30/24	Fund CPRIT grant awards
<b>TEXAS WATER DEVELOPMENT BOARD</b>			
State Water Implementation Revenue Fund for Texas (SWIRFT) Revenue Bonds, Series 2024A	\$ 1,205,795	10/10/24	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, \$149.3 million was transferred from the State Water Implementation Fund for Texas to SWIRFT.

*Concluded on the following page*

## Bonds and Commercial Paper Issued/Refunded Subsequent to August 31, 2024 (concluded)

Table 16A

(Amounts in Thousands)

Description	Amount	Issuance Date	Purpose
<b>TEXAS WATER DEVELOPMENT BOARD (concluded)</b>			
State Water Implementation Revenue Fund for Texas (SWIRFT) Revenue Bonds, Series 2024B	\$ 362,465	10/10/24	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>			
General Obligation Mobility Fund Refunding Bonds, Series 2024	\$ 840,300	10/01/24	To refund outstanding parity debt and to achieve debt service savings.
<b>TEXAS STATE TECHNICAL COLLEGE SYSTEM</b>			
Revenue Financing System Improvement Bonds	\$ 50,000	10/08/24	Fund various system improvements
<b>TEXAS TECH UNIVERSITY SYSTEM</b>			
Revenue Financing System Commercial Paper Notes, Taxable Series A	\$ 1,640	09/19/24	Acquire new proceeds for construction of TTU Academic Sciences Building
Revenue Financing System Commercial Paper Notes, Taxable Series A	\$ 3,653	10/11/24	Acquire new proceeds for construction of TTU Academic Sciences Building
Revenue Financing System Commercial Paper Notes, Taxable Series A	\$ 23,108	11/20/24	Roll current outstanding taxable commercial paper notes issued for Capital Building Projects at TTU and ASU
Revenue Financing System Commercial Paper Notes, Tax-Exempt Series A	\$ 68,083	11/20/24	Roll current outstanding taxable commercial paper notes issued for Capital Building Projects at TTU and ASU
Revenue Financing System Commercial Paper Notes, Taxable Series A	\$ 6,909	12/12/24	Acquire new proceeds for TTU Academic Sciences Building
Revenue Financing System Commercial Paper Notes, Tax-Exempt Series A	\$ 528	01/14/25	Acquire new proceeds for TTU Academic Sciences Building
<b>TEXAS STATE UNIVERSITY SYSTEM</b>			
Commercial Paper Notes, Tax-Exempt	\$ 21,258	11/13/24	To finance capital projects.
Commercial Paper Notes, Tax-Exempt	\$ 26,000	01/16/25	To finance capital projects.
<b>UNIVERSITY OF HOUSTON SYSTEM</b>			
Consolidated Revenue Refunding Bonds, Tax-exempt Series 2024A	\$ 52,570	09/01/24	To be used for the acquisition, purchase, construction, improvement, enlargement and equipping of property, buildings, structures, activities, services operations and other facilities, roads or related infrastructure
Consolidated Revenue Refunding Bonds, Taxable Series 2024B	\$ 214,610	09/01/24	To be used for the acquisition, purchase, construction, improvement, enlargement and equipping of property, buildings, structures, activities, services operations and other facilities, roads or related infrastructure
<b>TEXAS A&amp;M UNIVERSITY SYSTEM</b>			
Permanent University Fund Commercial Paper Notes	\$ 65,000	10/04/24	To provide interim financing for construction projects.
Revenue Financing System Commercial Paper Notes	\$ 55,000	01/16/25	To provide interim financing for construction projects.
Revenue Financing System Taxable Commercial Paper Notes	\$ 35,000	01/16/25	To provide interim financing for construction projects.
<b>UNIVERSITY OF TEXAS SYSTEM</b>			
Permanent University Fund Tax-Exempt Commercial Paper Notes, Series A	\$ 300,000	09/12/24	To finance a variety of capital projects and equipment purchases
Revenue Financing System (RFS) Bonds, Series 2024B	\$ 535,535	10/17/24	To refund a portion of the Board's Revenue Financing System Commercial Paper Notes, Series A and to finance the costs of campus improvements
Revenue Financing System (RFS) Tax-Exempt Commercial Paper Notes, Series A	\$ 467,500	10/21/24	To finance a variety of capital projects and equipment purchases
Revenue Financing System (RFS) Tax-Exempt Commercial Paper Notes, Series A	\$ 25,000	11/20/24	To finance a variety of capital projects and equipment purchases
Revenue Financing System (RFS) Commercial Paper Notes, Series C-1	\$ 100,000	01/28/25	To finance a variety of capital projects
Revenue Financing System (RFS) Refunding Bonds, Tax-Exempt Series 2025A	\$ 387,825	02/19/25	To refund the Board's Revenue Financing System Commercial Paper Notes, Series A
Revenue Financing System (RFS) Tax-Exempt Commercial Paper Notes, Series A	\$ 409,300	02/20/25	To finance a variety of capital projects
Total Bond and Commercial Paper Issued/Refunded	<u>\$ 5,709,579</u>		

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During September 2024, in accordance with Section 204.123(a) of the *Labor Code*, \$57 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, 2024.

The 88th Texas Legislature passed Senate Bill 1854 allowing Teacher Retirement System to offer optional dental and or vision care for TRS retirees and their dependents, surviving spouses and surviving dependent children. The enrollment window started on October 1, 2024 and lasted through December 7, 2024 with benefits taking effect on January 1, 2025.

On October 8, 2024, the Texas Transportation Commission terminated the SH 288 Comprehensive Development Agreement after a \$1.7 billion buyout payment was made to operator Blueridge Transportation Group. The buyout payment was disbursed by blended component unit Texas Transportation Finance Corporation (TTFC) after TTFC was issued a loan of \$1.7 billion from the State Highway Fund. The purpose of the buyout was to provide Texans with toll relief and more free lanes along SH 288. On October 31, 2024, the Texas Transportation Commission authorized the execution of a Tolling Service Agreement with the Harris County Toll Road Authority (HCTRA), under which HCTRA will provide toll transaction processing and customer account management services for certain toll roads owned or operated by TxDOT in the Austin and Houston regions, including the CTTS System. This agreement was entered into to enhance customer service and improve back-office operational efficiency. TxDOT anticipates the transition to HCTRA to be in multiple phases beginning by the end of calendar year 2024.

On October 1, 2024, the Cooper Institute joined Texas Tech University System's Health Sciences Center

as The Kenneth H. Cooper Institute. This partnership marks a significant milestone for the System and creates incredible opportunities to enhance research and impact public health. The Institute focuses on research and education to promote preventative medicine across all stages of life and will bring key health and fitness projects to TTUHSC, including the renowned Cooper Center Longitudinal Study, which links cardiorespiratory fitness to a number of factors, including heart disease, dementia, and health costs, etc. Additionally, the Institute strongly emphasizes creating health leaders for tomorrow through its youth initiatives such as the NFL Play 60 FitnessGram Project and Fitness Gram. The Kenneth H. Cooper Institute will provide upwards of \$22 million in philanthropic funding through existing and new gifts to the Texas Tech Foundation, Inc. for the direct benefit and continued operation of the Institute and its activities.

## 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

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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 2024, 1,240 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 2023 and fiscal 2024 are presented in Table 17A. Claims and judgment amounts presented in Note 5 are also included in Table 17A.

Changes in Claims Liability Balances				
Table 17A				
August 31, 2024 (Amounts in Thousands)				
Year	Beginning Balance	Increases	Decreases	Ending Balance
2023	\$ 1,179,676	\$ 7,116,589	\$ 6,729,135	\$ 1,567,130
2024	\$ 1,567,096	\$ 8,031,169	\$ 8,242,988	\$ 1,355,277

Of the fiscal 2024 claims liability ending balance, \$478.4 million relates to long-term claims liabilities, which are reported in Note 5, \$875.6 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, 2024, there was an estimated \$498.3 million of assessments filed that are currently in the redetermination hearing process. Collectability of these assessments is dependent upon the decision made by the Comptroller's office. 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.

## 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, 2024, unless indicated otherwise.

#### Blended Component Units

The state is financially accountable for the following legally separate entities. These component units are



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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 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 its 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

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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 has the ability to unilaterally abolish ATI by ordering ATI to cease operations. ATI is reported for the fiscal year ended June 30, 2024. Information 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 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, 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 legal 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 abil-

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ity 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. 29, 2024. 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-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 it operates 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, has the ability to modify or approve the budget of SHSI and has the ability to modify or approve rates or fees affecting revenues

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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 and has the ability to impose his/her will on SW Moncrief through the ability to remove appointed board members at will, the ability to modify or approve the budget of SW Moncrief and the 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 and has the ability to impose his/her will on Moncrief through the ability to remove appointed board members at will, the ability to modify or approve the budget of Moncrief and the 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, which, 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 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, which, has the ability to impose its will 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 and, 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 edu-

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cation 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; has the ability to modify or approve the budget of UPG; has the ability to veto, overrule or modify the decisions of UPG's board; has the ability to appoint, hire, reassign or dismiss those responsible for UPG's day-to-day operations; and has 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.

**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, which, 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; has 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



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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 its ability to 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, 2023. 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 Asian 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, 2023. 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 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.

**The Midwestern State University Foundation, Inc.** (MSUF) was founded for the purpose of receiving contributions by means of donations, gifts, and bequests and to expend such funds for the advancement of the literary, scientific, and other educational endeavors of Midwestern State University (MSU), a member of the TTU System. The MSUF Board of Directors are elected by current members. Although MSUF is legally separate from MSU, financial transactions have been blended into the financial statements of MSU rather than discretely presented because MSUF operates exclusively for the benefit of MSU.

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Audited financial statements may be obtained from Midwestern State University, 3410 Taft Blvd, Wichita Falls, TX 76308.

**The 2033 Higher Education Development Foundation** (HEDF) is a legally separate entity that provides services exclusively for the benefit of U. T. Austin in matters pertaining to the acquisition, management, development, and administration of real property. HEDF is governed by a five-member board appointed by U.T.Austin. HEDF is blended rather than discretely presented because U.T.Austin can remove board members at will and HEDF provides services exclusively to U.T.Austin. HEDF is reported for the fiscal year ended Dec. 31, 2023. Separate financial statements may be obtained by contacting The 2033 Higher Education Development Foundation, 2500 Bee Cave Road, Building Two, Suite 150, Austin, Texas 78746.

### ***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 issued 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 November, 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, 2024. 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, 2023. 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,
- 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, 2023. 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, 2023. 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, 2023. 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 and debt, a financial benefit or financial burden does not exist between TBWEF and the primary govern-

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ment. 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, 2023. Separate financial statements may be obtained by contacting TDA at P.O. Box 12847, Austin, Texas 78711-2847.

**Texas Agricultural Finance Authority (TAFE)** 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. TAFE 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 seven members appointed by the commissioner of agriculture. The commissioner of TDA administers TAFE with the assistance of the board of directors. If there are insufficient funds to pay TAFE's bond obligations, the primary government is obligated to transfer money from the state treasury to TAFE 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, 2023. 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 by declaring 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, 2023. Separate financial statements may be obtained by contacting THSA at 901 South Mopac Expressway, Bldg. 1, Suite 300, Austin, Texas 78746.

**Beacon State Fund (BSF)** is a 501(c)(3) organization established to support the goals of the Governor's

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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 distribution 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, 2023. 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, 2023. 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 entity formed to support the educational, scientific and research mission of Texas State University (TSU). Development

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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, 2024. Separate financial statements may be obtained at the following <https://www.ua.txst.edu/about/development-foundation/financial-activity/documents.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, 2023. 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.

**Texas Natural Gas Securitization Finance Corporation** (TNGSFC) is a legally separate nonprofit corporation created by Texas Public Finance Authority (TPFA) to provide for the issuance of customer rate relief bonds approved by the Railroad Commission of Texas (RRC) relating to Winter Storm Uri. TNGSFC benefits the citizens of Texas by providing rate relief to customers by extending the period during which the costs are recovered from customers and supports the financial strength and stability of gas utility companies. TNGSFC is governed by a three-member board appointed by TPFA. Customer rate relief bonds are the limited obligation of TNGSFC and are not a debt to the state of Texas, RRC, TPFA or participating natural gas utility operators. Although TPFA is not financially accountable for TNGSFC, to exclude it would result in the presentation of incomplete financial statements. TNGSFC is reported for the fiscal year ended Dec. 31, 2023. TNGSFC does not issues separate financial statements. Information may be obtained by contacting TPFA at P.O. Box 12906, Austin, Texas 78711-2906.



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## **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 Senate, 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 is 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

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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

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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 \$3.1 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 2024 included \$188.7 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 \$147,000 for fund 4172. The deficit is a result of accounts payable exceeding cash at the end of fiscal 2024.

The **Texas FAIR Plan Association** (FAIR) is a discretely presented component unit of the Texas Department of Insurance. FAIR reported a deficit balance of \$16.6 million for fund 4163. The deficit is primarily due to larger than normal storm losses in fiscal 2023.



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# Note 21

## Texas Lawsuits

### Tobacco Settlement

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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 \$246.9 million is based on the payments received in December 2024. Tobacco settlement revenues were \$490.9 million in fiscal 2023 and \$447.6 million in fiscal 2024. As of fiscal 2024, cumulative actual tobacco settlement revenues were \$13.5 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 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

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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. According to the Texas Attorney General, Texas' combined share is almost \$3 billion. These funds will be directed to several different governmental entities,

including a portion that will be allocated by the Texas Opioid Abatement Fund Council (Council). 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 2024 were \$208.8 million, and the cumulative total of opioid settlement revenues as of fiscal 2024 were \$650.3 million. The attorney fees received by the Office of the Attorney General in fiscal 2024 were \$11.8 million, and the cumulative total of attorney fees as of fiscal 2024 were \$44.3 million.

The Council was created by Senate Bill 1827 of the 87th Legislature, Regular Session to ensure that a portion of the 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*.

### Meta Settlement

During fiscal 2024, the state of Texas settled a lawsuit against Meta (formerly known as Facebook) to stop the company’s practice of capturing and using the personal biometric data of millions of Texans without the authorization required by law. The \$1.4 billion settlement will be paid to the state of Texas over five years. Meta settlement revenues received in fiscal 2024 were \$500 million. The attorney fees received by the Office of the Attorney General in fiscal 2024 were \$225 million.

## Note 22

### Donor-Restricted Endowments

The state of Texas has donor-restricted endowments with net appreciation of \$6.2 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, 2024, are presented in Table 22A.

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 \$54.0 million. These amounts are not included in Table 22A.

### Donor-Restricted Endowments

Table 22A

August 31, 2024 (Amounts in Thousands)

Donor-Restricted Endowments	Amount of Net Appreciation	Reported in Net Position
True Endowments	\$6,149,847	Expendable
Term Endowments	71,856	Expendable
Total Endowments	<u>\$6,221,703</u>	

## 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, 2024, are presented in Tables 23A and 23B.

## Taxes Receivable by Tax Type

**Table 23A**

August 31, 2024 (Amounts in Thousands)

<b>Tax Type</b>	<b>Taxes Receivable</b>
Sales and Use Tax	\$ 2,979,860
Motor Vehicle and Manufactured Housing	89,815
Motor Fuels	8,291
Oil and Natural Gas Production	866,216
Franchise	401,412
Insurance Occupation	450,713
Cigarette and Tobacco	23,922
Other	319,286
<b>Total Taxes Receivable<sup>1</sup></b>	<b>\$ 5,139,515</b>
Liquidity Characteristics:	
Current Taxes Receivable	\$ 4,999,883
Noncurrent Taxes Receivable	139,632
<b>Total Taxes Receivable</b>	<b>\$ 5,139,515</b>
<sup>1</sup> Total Taxes Receivable General Fund	\$ 5,139,515
Current Taxes Receivable:	
State Highway Fund	247,829
Nonmajor Governmental Funds	82,824
<b>Total Taxes Receivable – Statement of Net Position – Governmental Funds</b>	<b>\$ 5,470,168</b>

## Tax Refunds Payable by Tax Type

**Table 23B**

August 31, 2024 (Amounts in Thousands)

<b>Tax Type</b>	<b>Tax Refunds Payable</b>
Oil and Natural Gas Production	\$ 357,591
Franchise	808,470
<b>Total Tax Refunds Payable</b>	<b>\$ 1,166,061</b>

Texas franchise tax receivables represent balances due as of Aug. 31, 2024, for business-type activity that occurred in calendar year 2023. The franchise tax payments were due May 15, 2024 and taxpayers were allowed to extend the filing date to November 2024.

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 they are due on the next business day. Generally the tax earned during the first eight months of calendar year 2024 is not due until May 2025. 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 2024, the cost to the state was approximately \$26.8 million for 2,806 COBRA participants.

For the fully-insured HMO 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 revenue 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.
- 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, 2024, 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, 2024, is presented in Table 25B. The condensed statement of cash flows for each program for the fiscal year ended Aug. 31, 2024, is presented in Table 25C.

Condensed Statement of Net Position		
Table 25A		
August 31, 2024 (Amounts in Thousands)		
	Single Family Bond Program Funds	Residential Mortgage Revenue Bond Funds
<b>ASSETS</b>		
Current Restricted Assets	\$ 94,764	\$ 364,180
Noncurrent Restricted Assets	1,660,429	1,373,638
Total Assets	1,755,193	1,737,818
Deferred Outflows of Resources	327	0
<b>LIABILITIES</b>		
Current Liabilities	60,968	37,977
Noncurrent Liabilities	1,503,274	1,567,920
Total Liabilities	1,564,242	1,605,897
<b>NET POSITION</b>		
Restricted	191,278	131,921
Total Net Position	\$ 191,278	\$ 131,921

## Condensed Statement of Revenues, Expenses and Changes in Net Position

Table 25B

For the Fiscal Year Ended August 31, 2024 (Amounts in Thousands)

	Single Family Bond Program Funds	Residential Mortgage Revenue Bond Funds
<b>OPERATING REVENUES (EXPENSES)</b>		
Interest and Investment Income	\$ 71,025	\$ 60,700
Net Increase in Fair Value	29,229	23,290
Other Operating Revenues	10,906	29,362
Operating Expenses	(76,035)	(84,407)
Operating Income	<u>35,125</u>	<u>28,945</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Transfer In (Out)	(1,377)	(1,539)
Changes in Net Position	<u>33,748</u>	<u>27,406</u>
Net Position, Sept. 1, 2023	<u>157,530</u>	<u>104,515</u>
Net Position, Aug. 31, 2024	<u>\$ 191,278</u>	<u>\$ 131,921</u>

## Condensed Statement of Cash Flows

Table 25C

For the Fiscal Year Ended August 31, 2024 (Amounts in Thousands)

	Single Family Bond Program Funds	Residential Mortgage Revenue Bond Funds
<b>NET CASH PROVIDED (USED) BY:</b>		
Operating Activities	\$ (13,660)	\$ (17,598)
Non capital Financing Activities	146,823	689,566
Investing Activities	<u>(381,584)</u>	<u>(390,559)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>(248,421)</u>	<u>281,409</u>
Cash and Cash Equivalents, Sept. 1, 2023	<u>323,418</u>	<u>77,288</u>
Cash and Cash Equivalents, Aug. 31, 2024	<u>\$ 74,997</u>	<u>\$ 358,697</u>

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.

# 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*

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 con-

structed 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, 2024, the receivables for installment payments and deferred inflow of resources reported on the statement of net position totaled \$87.1 million and \$11.2 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, 2024, is presented in Table 26A.

Public-Private and Public-Public Partnerships				
Table 26A				
August 31, 2024				
Arrangement Name	Construction Status	PPP Term	FY PPP Dates	
			Begin	End
GOVERNMENTAL ACTIVITIES				
Texas Department of Transportation				
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	47 years	2012	2058
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>
Texas Parks and Wildlife				
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, 2024

Arrangement Name	Construction	PPP Term	FY PPP Dates	
	Status		Begin	End
BUSINESS-TYPE ACTIVITIES				
Texas Woman's University System				
Student Housing Facility	Complete	40 years	2018	2058
Texas Tech University System				
TTU Athletics Facilities Concessions and Catering	N/A	19 years	2010	2029
TTU Campus Bookstore and Café	Complete	4 years	2021	2025
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
University of North Texas System				
UNT Campus Bookstore	Existing Asset	15 years	2013	2028
Texas State University System				
Seahawk Landing Apartments	Complete	30 Years	2016	2046
University of Houston System				
Dining Services	Complete	15 years	2017	2032
College Apartments	Complete	46 years	1989	2035
U of H Bookstore	Complete	5 years	2019	2024
Texas A&M University System				
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
University of Texas System				
UT Arlington Dining Services	Complete	15 years	2016	2031
UT Arlington College Apartments	Complete	35 years	1994	2029
UT Arlington Bookstore	Complete	25 years	1999	2024
UT Austin Arena	Complete	35 years	2023	2058
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 Dining Services	Complete	10 years	2023	2033
UT Rio Grande Valley School Building (Edinburg CISD)	Complete	35 years	2024	2059
UT Rio Grande Valley School Building (Harlingen CISD)	Complete	35 years	2021	2056
UT Rio Grande Valley School Building (McAllen CISD)	Complete	35 years	2024	2059
UT San Antonio Bookstore	Complete	15 years	2023	2038
UT San Antonio Dining Services	Complete	15 years	2020	2035
SFA Dining Facility	Under Construction	7 years	2021	2028

<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, 2024, 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 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



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TxDOT funds are recorded as additions to construction in progress as they are incurred. TxDOT retains ownership of the projects 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 \$10.6 billion, as of Aug. 31, 2024. 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, 2024, 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 \$344,000. 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.

Seven university systems have entered into contracts that qualify as PPPs. These include the University of Texas System (UT System), Texas A&M University System (A&M System), University of Houston System (U of H System), Texas Tech University System (TTU System), Texas State University System (TSU System),

Texas Woman's University System (TWU System) and University of North Texas System (UNT System).

The UT System has entered into 13 PPP arrangements including the operation of student housing, operation of sports and recreational arenas and general improvements made to dining facilities across six 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, 2024, 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 \$46.2 million and deferred inflow of resources of \$425.1 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 \$2 million in these variable revenues in fiscal 2024.

The A&M System has identified seven qualifying PPP arrangements. These PPP initiatives include student housing and academic or office buildings. As of Aug. 31, 2024, the ownership of some of the underlying PPP assets has not been transferred to A&M System; therefore, receivables for PPP assets were recognized at \$26.1 million. Deferred inflow of resources of \$23.8 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 \$2.3 million in these variable revenues in fiscal 2024. 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

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operator within the PPP arrangement. The rights granted to the operator involve the operator's ability 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 at \$39.2 million and deferred inflow of resources at \$37.8 million, as well as \$1.4 million in variable payments, as of Aug. 31, 2024. 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.

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 \$458,000. As of Aug. 31, 2024, TTU system recognized deferred inflow of resources of \$4 million and receivables for installment payments of \$1.5 million. In fiscal 2024, \$3.8 million were received for variable and other payments not included in the receivable for installment payments. 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, 2024, ownership of the campus apartment building has not been transferred to TSU System; therefore, receivables for PPP assets of \$1.4 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.

TWU System entered into one 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 System. As of Aug. 31, 2024, ownership of the PPP asset has not been transferred to TWU System; 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 System 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 System after debt service

and expenses are paid. In fiscal 2024, these variable payments were \$1.7 million. The nature and extent of rights retained by TWU 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.

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 were considered variable until the completion of fiscal 2023, which was the first year of the contract. During fiscal 2024, the contract was extended three years triggering a remeasurement. In this remeasurement, the deferred inflow

of resources increased and an installment receivable was created to collect variable amounts earned based on the proportion of sales. As of Aug. 31, 2024, an installment receivable of \$299,000 and a deferred inflow of resources of \$597,000 were recognized. At the conclusion of this agreement, UNT System will retain the rights to the UNT Student Union space. 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, 2024, 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, 2024 (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	\$	\$ 154,762	\$
SH 130 Segments 5 and 6			1,164,296	
SH 121 "Sam Rayburn Tollway"	1,632,147		3,440,476	
North Tarrant Exp Seg 1 and 2-West			1,382,369	
North Tarrant Exp Seg 3A, 3B and 3C			1,822,782	
LBJ/IH-635 Managed Lanes			1,693,615	
SH 288 - Brazoria County	79,427		68,471	
SH 288 - Harris County			891,110	
TxDOT Total	1,961,574	0	10,617,881	0
<b>Texas Parks and Wildlife</b>				
Garner State Park			344	
TPWD Total	0	0	344	0
Governmental Activities Total	1,961,574	0	10,618,225	0

*Concluded on the following page*

<sup>1</sup>Underlying PPP assets are recognized at the operator's carrying value when title transfers.

<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, 2024 (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>Texas Woman's University System</b>				
Student Housing Facility	59,781		59,781	1,717
TWU Total	59,781	0	59,781	1,717
<b>Texas Tech University System</b>				
TTU Athletics Facilities Concessions and Catering				2,549
TTU Campus Bookstore and Café			143	787
Texas Tech Club	458		1,857	454
Angelo State University Campus Bookstore		659	652	
Angelo State University Food Service Agreement		796	1,307	
TTU System Total	458	1,455	3,959	3,790
<b>University of North Texas System</b>				
UNT Campus Bookstore		299	597	
UNT System Total	0	299	597	0
<b>Texas State University System</b>				
Seahawk Landing Apartments	1,399		1,280	
TSU System Total	1,399	0	1,280	0
<b>University of Houston System</b>				
Dining Services, College Apartment and U of H Bookstore		39,155	37,841	1,370
U of H System Total	0	39,155	37,841	1,370
<b>Texas A&amp;M University System</b>				
Higher Education Center (McAllen)	500		431	
Park West Apartments	14,745		13,562	
White Creek (Housing)	4,629		4,226	
U Center at Northgate	1,783		1,668	
Engineering Research Lab	1,638		1,379	
Clayton W. Williams Jr. Alumni Center	1,358		1,176	
Prairie View Student Housing Phase IX	1,439		1,338	
A&M System Total	26,092	0	23,780	2,277
<b>University of Texas System</b>				
UT Arlington Dining Services		14,897	16,087	
UT Arlington College Apartments			1,448	
UT Arlington Bookstore		266	266	
UT Austin Arena		9,062	335,856	
UT Dallas Dining Services			1,352	954
UT Rio Grande Valley Medical Office Building	5,959	1,087	4,978	
UT Rio Grande Valley Dining Services		9,702	13,365	
UT Rio Grande Valley School Building (Edinburg CISD)			14,999	
UT Rio Grande Valley School Building (Harlingen CISD)			7,661	
UT Rio Grande Valley School Building (McAllen CISD)			12,401	
UT San Antonio Bookstore		5,029	4,857	
UT San Antonio Dining Services			6,762	1,081
SFA Dining Facility		6,139	5,113	
UT System Total	5,959	46,182	425,145	2,035
Business-Type Activities Total	93,689	87,091	552,383	11,189
Grand Total	\$ 2,055,263	\$ 87,091	\$ 11,170,608	\$ 11,189

<sup>1</sup> Underlying PPP assets are recognized at the operator's carrying value when title transfers.

<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 2024, 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 (PPP), bond refunding, pensions, other postemployment benefits other than pensions, government acquisitions, irrevocable split-interest agreements, capital asset financed, unclaimed properties, asset retirement 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, 2024, are presented in Table 27A.

## Deferred Outflows of Resources and Deferred Inflows of Resources

Table 27A

August 31, 2024 (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	\$ 126,646	\$ 104,541
Capital Asset Financed	16,605	
Public-Private and Public-Public Partnerships (Note 26)		10,618,225
Pensions (Note 9) <sup>2</sup>	16,124,281	6,220,075
OPEB (Note 11) <sup>3</sup>	4,981,856	29,795,946
Asset Retirement Obligation	863	
Unclaimed Properties		899,897
Lease Income (Note 8)		3,591
Total Governmental Activities	<u>\$ 21,250,251</u>	<u>\$ 47,642,275</u>
<i>Business-Type Activities</i>		
Bond/Debt Refunding	\$ 237,614	\$ 127,517
Public-Private and Public-Public Partnerships (Note 26)		552,383
Derivative Instruments (Note 7) <sup>1</sup>	45,467	165,050
Pensions (Note 9)	4,116,352	746,668
OPEB (Note 11) <sup>3</sup>	4,021,926	9,241,174
Split Interest Agreements		72,205
Direct Placements		
Government Acquisitions	12,554	
Asset Retirement Obligation	3,448	
Lease Income (Note 8)		458,441
Total Business-Type Activities	<u>\$ 8,437,361</u>	<u>\$ 11,363,438</u>
<b>FUND FINANCIAL STATEMENTS</b>		
<i>Governmental Funds</i>		
Revenue Earned But Not Available	\$	\$ 1,253,175
Public-Private and Public-Public Partnerships (Note 26)		2,410,736
Unclaimed Properties		899,897
Lease Income		3,591
Total Governmental Funds	<u>\$ 0</u>	<u>\$ 4,567,399</u>

<sup>1</sup> The \$45,467 and \$165,050 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 \$15.9 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 \$14.4 million and \$1.1 billion for governmental activities and \$1.1 billion and \$14.3 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 \$45.5 million were related to hedging derivative instruments in a liability position. The hedging derivative instrument liability of \$45.5 million and the hedging derivative instrument asset of \$165.1 million are disclosed in Note 7, *Derivative Instruments*.

Deferred outflows of resources in business-type activities of \$12.6 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 \$10.6 billion were related to eight different PPP arrangements entered into by the Texas Department of Transportation (TxDOT) with non-state entities. Several universities also reported \$552.4 million deferred inflows of resources related to PPP in business-type activities. This amount reflects the unamortized balance of up-front PPPs payments received and capital improvements acquired from these entities. Details of the state's PPP are disclosed in Note 26, *Public-Private and Public-Public Partnerships*.

Deferred outflows of resources in governmental activities of \$16.6 million were related to partial delivery of a financed Capital Asset by the Department of Public Safety.

Deferred outflows of resources of \$126.6 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 2024 in business-type activities for \$237.6 million in deferred outflows of resources related to losses.

Deferred inflows of resources in governmental activities of \$104.5 million were related to gains TxDOT and the Texas Higher Education Coordinating Board incurred on bond refunding transactions. Several universities and TxDOT also reported \$127.5 million deferred inflows of resources related to bond refunding gains in business-type activities.

Deferred inflows of resources of \$4.6 billion in governmental funds included \$1.3 billion related to various types of revenues earned but not available within 60 days of fiscal year-end, \$2.4 billion related to TxDOT PPP and lease income, and \$899.9 million related to unclaimed properties.

The state reported \$16.1 billion of deferred outflows of resources and \$6.2 billion of deferred inflows of resources related to pensions in governmental activities. The state also reported \$4.1 billion of deferred outflows of resources and \$0.7 billion of deferred inflows of resources related to pensions in business-type activities. Details of the state's pensions are disclosed in Note 9, *Retirement Plans*.

The state reported \$5.0 billion of deferred outflows of resources and \$29.8 billion of deferred inflows of resources related to Other Postemployment Benefit (OPEB) plans in governmental activities. The state also reported \$4.0 billion of deferred outflows of resources and \$9.2 billion of deferred inflows of resources related to OPEB in business-type activities. Details of the state's OPEB are disclosed in Note 11, *Postemployment Benefits Other than Pensions*.

The state reported \$72.2 million of deferred inflows of resources related to split-interest agreements in business-type activities.

In fiscal 2024, the state reported \$0.9 million of deferred outflows of resources related to asset retirement obligations in governmental activities and \$3.4 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 \$899.9 million in governmental activities in deferred inflows of resources related to special revenue unclaimed property fund.

The state reported \$3.6 million of deferred inflows of resources related to lease income in governmental activities. The state also reported \$458 million of deferred inflows of resources related to lease income in



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business-type activities. Note 8, *Leases and Subscription-Based Information Technology Arrangements*, provides details on the type of lease agreements entered into by the state as a lessor.

## Note 28

### Financial Guarantees

Financial guarantees can be extended for the obligations of another government, a not-for-profit organization, a private entity or an individual with or without directly receiving equal or approximately equal value in exchange. As a part of this financial guarantee, the guarantor commits to indemnify the holder of the obligation if the entity or individual that issued the obligation does not fulfill its payment requirements. GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, which became effective in fiscal 2014, set the standard for guarantees on a nonexchange basis. GASB Statement No. 99, *Omnibus 2022*, which became effective in fiscal 2024, added exchange or exchange-like financial guarantees to the guidance under GASB Statement No. 70. The guarantor is required to recognize a liability and an expense or expenditure when qualitative and historical data indicate that it is more likely than not payments will be required to be made on behalf of the issuer.

The state of Texas has three active programs that extend 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), which is administered by the Texas Permanent School Fund Corporation. Under the Charter District Bond Guarantee Program, the PSF is also authorized for use to guarantee revenue bonds issued for certain open-enrollment charter schools designated by the Commissioner of

Education. Bonds properly issued by a charter district are fully guaranteed by the PSF. Texas Education Agency maintains the Charter District Bond Guarantee Reserve Fund, which indemnifies a charter district's debt holders. 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. No school districts or charter school districts have ever defaulted on their guaranteed bond indebtedness. No financial liability to the PSF has been recorded in fiscal 2024. As of Aug. 31, 2024, the capacity of the bond guarantee program is \$235.2 billion under federal law and \$164.7 billion under state law. The total principal debt guaranteed by the PSF on bonds issues is \$125.8 billion, of which \$121 billion is for 867 school districts and \$4.8 billion is for 32 charter districts.

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 the *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



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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, 2024, no charter schools have ever defaulted on their guaranteed bond indebtedness and \$12.2 million of available grant funds have been committed.

Texas Agricultural Finance Authority (TAFA) is a discretely presented component unit of Texas Department of Agriculture. TAFA's Agricultural Loan Guarantee Program is for agricultural equipment loans. The duration of the TAFA guarantee must not exceed the useful life of the asset or 10 years, whichever is less. The maximum amount guaranteed is based on a percentage of the loan amount. The lender can only request the percentage of outstanding principal balance once all other enforcement and collection efforts have been exhausted. As of Aug. 31, 2024, TAFA had \$3.3 million in outstanding loan guarantees related to agriculture producers or agriculture-related business loans with various commercial banking or Farm Credit System institutions. TAFA has not recognized any liability or payments as of Aug. 31, 2024.

## 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 2024, is presented in Tables 29A-D.

## Tax Abatement Programs

**Table 29A**

For the Fiscal Year Ended August 31, 2024 (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</i> Section 151.316	<i>Texas Tax Code</i> Section 151.316	<i>Texas Tax Code</i> Section 151.3162	<i>Texas Tax Code</i> Section 152.091
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>\$ 119,500</u>	<u>\$ 414,600</u>	<u>\$ 33,580</u>	<u>\$ 39,900</u>

## Tax Abatement Programs

**Table 29B**

For the Fiscal Year Ended August 31, 2024 (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>\$ 273,000</u>	<u>\$ 435,516</u>

## Tax Abatement Programs

**Table 29C**

For the Fiscal Year Ended August 31, 2024 (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>\$ 12,904</u>	<u>\$ 15,230</u>

## Tax Abatement Programs

**Table 29D**

For the Fiscal Year Ended August 31, 2024 (Amounts in Thousands)

Description	Other Programs	
	Texas Data Center Program	Certified Rehabilitation of
	Exemption	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>\$ 211,179</u>	<u>\$ 10,815</u>



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SECTION TWO (CONTINUED)

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REQUIRED SUPPLEMENTARY  
INFORMATION OTHER  
THAN MD&A



## STATE OF TEXAS

# Budgetary Comparison Schedule: General Fund

For the Fiscal Year Ended August 31, 2024 (Amounts in Thousands)

	Budgetary Amounts		Actual	Final
	Original	Final	Amounts	to Actual Variance
<b>REVENUES</b>				
Taxes	\$ 71,620,028	\$ 71,620,028	\$ 70,740,929	\$ (879,099)
Federal	56,428,755	67,624,427	57,968,966	(9,655,461)
Licenses, Fees and Permits	2,992,307	3,075,662	3,588,310	512,648
Sales of Goods and Services	6,370,035	7,150,711	7,337,019	186,308
Interest and Other Investment Income	949,475	954,703	3,451,414	2,496,711
Land Income	11,910	15,270	17,290	2,020
Settlement of Claims	517,913	518,587	834,050	315,463
Other Revenues	10,374,740	10,418,915	11,767,049	1,348,134
Total Revenues	<u>149,265,163</u>	<u>161,378,303</u>	<u>155,705,027</u>	<u>(5,673,276)</u>
<b>EXPENDITURES</b>				
General Government	20,432,961	27,344,272	9,182,227	18,162,045
Education	40,736,019	42,047,486	43,452,011	(1,404,525)
Employee Benefits	3,843,537	578,603	18,565	560,038
Teacher Retirement State Contributions	9,046,113	9,046,113	8,895,341	150,772
Health and Human Services	58,680,700	78,823,780	74,662,073	4,161,707
Public Safety and Corrections	6,070,600	12,448,361	9,482,805	2,965,556
Transportation	1,087,380	1,317,034	340,761	976,273
Natural Resources and Recreation	5,563,120	6,283,357	4,148,632	2,134,725
Regulatory Services	419,633	575,361	480,468	94,893
Total Expenditures	<u>145,880,063</u>	<u>178,464,367</u>	<u>150,662,883</u>	<u>27,801,484</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>3,385,100</u>	<u>(17,086,064)</u>	<u>5,042,144</u>	<u>22,128,208</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Available Beginning Balances	64,242,364	64,242,364	64,242,364	
Sale of Capital Assets	12,803	13,566	11,488	(2,078)
Insurance Recoveries	11,505	11,918	8,566	(3,352)
Transfer In	2,833,122	2,474,553	14,418,842	11,944,289
Transfer Out	(8,867,001)	(9,612,399)	(28,933,974)	(19,321,575)
Total Other Financing Sources (Uses)	<u>58,232,793</u>	<u>57,130,002</u>	<u>49,747,286</u>	<u>(7,382,716)</u>
Excess of Revenues and Other Financing, Sources Over Expenditures and Other Financing Uses	<u>\$ 61,617,893</u>	<u>\$ 40,043,938</u>	<u>\$ 54,789,430</u>	<u>\$ 14,745,492</u>

## STATE OF TEXAS

# Budgetary Comparison Schedule: Major Special Revenue Fund – State Highway Fund

For the Fiscal Year Ended August 31, 2024 (Amounts in Thousands)

	Budgetary Amounts		Actual	Final
	Original	Final	Amounts	to Actual Variance
<b>REVENUES</b>				
Taxes	\$ 6,046,660	\$ 6,046,660	\$ 5,980,002	\$ (66,658)
Federal	6,587,582	6,587,582	4,965,373	(1,622,209)
Licenses, Fees and Permits	1,903,491	1,903,507	2,083,687	180,180
Sales of Goods and Services	28,406	32,906	188,001	155,095
Interest and Other Investment Income	230,988	230,988	534,812	303,824
Land Income	23,069	23,069	30,070	7,001
Settlement of Claims	34,196	34,196	50,153	15,957
Other Revenues	2,946	2,946	(183,841)	(186,787)
Total Revenues	14,857,338	14,861,854	13,648,257	(1,213,597)
<b>EXPENDITURES</b>				
General Government	1,316	2,041	9,514	(7,473)
Employee Benefits	164,056	52,020		52,020
Transportation	21,063,937	23,090,321	18,298,704	4,791,617
Total Expenditures	21,229,309	23,144,382	18,308,218	4,836,164
Excess (Deficiency) of Revenues Over (Under) Expenditures	(6,371,971)	(8,282,528)	(4,659,961)	3,622,567
<b>OTHER FINANCING SOURCES (USES)</b>				
Available Beginning Balances	10,741,308	10,741,308	10,741,308	
Sale of Capital Assets	12,554	12,554	7,994	(4,560)
Transfer In	3,056,163	3,056,163	3,074,441	18,278
Transfer Out			(822,688)	(822,688)
Total Other Financing Sources (Uses)	13,810,025	13,810,025	13,001,055	(808,970)
Excess of Revenues and Other Financing, Sources Over Expenditures and Other Financing Uses	\$ 7,438,054	\$ 5,527,497	\$ 8,341,094	\$ 2,813,597

# 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.

Reconciliation of Budgetary Basis to GAAP Basis		
Table RSI-1		
August 31, 2024 (Amounts in Thousands)		
	General Fund	State Highway Fund
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses –Actual	\$ 54,789,430	\$ 8,341,094
Basis of Accounting Differences:		
Receivables and Unearned Revenues	3,564,361	128,156
Payables	1,378,228	(395,459)
Perspective Differences:		
Beginning Cash Balances Reported as Other Financing Sources	(64,242,364)	(10,741,308)
Revenues and Other Financing Sources Not Budgeted	881,249	33,691
Expenditures and Other Financing Uses Not Budgeted	(407,278)	(119,550)
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses – GAAP Basis	\$ (4,036,374)	\$ (2,753,376)

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 activity for these programs is excluded from 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.
- Entity Differences:** Budgets are not established for sources from RTU leases/subscription assets. These financing sources are not included in the budgetary comparison schedule.

## Excess of Actual Expenditures over Final Budget

**General fund** - The \$1.4 billion variance in education is primarily attributable to increased expenditures made from the excess of federal revenues received over estimates by agencies in this particular function.

**Major Special Revenue Fund – State Highway Fund** - The \$7.5 million 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 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

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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

**Table RSI-2: Employees Retirement System of Texas Plan**

For the Fiscal Year Ended August 31, 2024 (Amounts in Thousands)

	2024	2023	2022	2021	2020
<b>Total Pension Liability</b>					
Service Cost	\$ 1,026,494	\$ 985,244	\$ 2,146,247	\$ 1,827,864	\$ 1,346,986
Interest on the Total Pension Liability	3,144,127	3,027,806	2,376,688	2,516,723	2,694,084
Benefit Changes					
Difference between Expected and Actual Experience of the Total Pension Liability	878,615	509,628	(747,551)	510,657	(578,195)
Assumption Changes <sup>1</sup>			(22,817,318)	6,366,987	8,469,458
Benefit Payments and Refunds	(2,919,271)	(2,843,879)	(2,711,256)	(2,621,737)	(2,540,262)
<b>Net Change in Total Pension Liability</b>	<u>2,129,965</u>	<u>1,678,799</u>	<u>(21,753,190)</u>	<u>8,600,494</u>	<u>9,392,071</u>
<b>Total Pension Liability – Beginning</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>Total Pension Liability – Ending</b>	<u>\$ 47,992,451</u>	<u>\$ 45,862,486</u>	<u>\$ 44,183,687</u>	<u>\$ 65,936,877</u>	<u>\$ 57,336,383</u>
<b>Plan Fiduciary Net Position</b>					
Contributions – Employer	\$ 1,305,085	\$ 1,259,883	\$ 739,573	\$ 735,856	\$ 712,648
Contributions – Member	758,060	721,520	718,357	713,985	694,789
Pension Plan Net Investment Income	2,062,075	(728,036)	6,937,215	1,791,061	758,467
Benefit Payments and Refunds	(2,919,271)	(2,843,879)	(2,711,256)	(2,621,737)	(2,540,262)
Pension Plan Administrative Expense	(42,311)	(31,640)	(21,852)	(24,182)	(27,752)
	<u>900,000</u>				
<b>Net Change in Plan Fiduciary Net Position</b>	<u>2,063,638</u>	<u>(1,622,152)</u>	<u>5,662,037</u>	<u>594,983</u>	<u>(402,110)</u>
<b>Plan Fiduciary Net Position – Beginning</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>Plan Fiduciary Net Position – Ending</b>	<u>\$ 34,049,730</u>	<u>\$ 31,986,092</u>	<u>\$ 33,608,244</u>	<u>\$ 27,946,207</u>	<u>\$ 27,351,224</u>
<b>Net Pension Liability – Beginning</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>
<b>Net Pension Liability – Ending</b>	<u>\$ 13,942,721</u>	<u>\$ 13,876,394</u>	<u>\$ 10,575,443</u>	<u>\$ 37,990,670</u>	<u>\$ 29,985,159</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	70.95%	69.74%	76.06%	42.38%	47.70%
Covered Payroll <sup>2</sup>	\$ 7,856,401	\$ 7,205,608	\$ 7,188,368	\$ 7,158,435	\$ 6,947,625
Net Pension Liability as a Percentage of Covered Payroll	177.47%	192.58%	147.12%	530.71%	431.59%

**Notes to Schedule:**

<sup>1</sup> The change in the total pension liability is due to the change in the single discount rate is 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 actual annual payroll for the fiscal year as reported by ERS

*Concluded on the Following Page*

## Schedule of Changes in Net Pension Liability and Related Ratios (concluded)

**Table RSI-2: Employees Retirement System of Texas Plan**

For the Fiscal Year Ended August 31, 2024 (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 is 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 actual annual payroll for the fiscal year as reported by ERS

## Schedule of Changes in Net Pension Liability and Related Ratios

**Table RSI-3: Law Enforcement and Custodial Officer Supplemental Retirement Plan**

For the Fiscal Year Ended August 31, 2024 (Amounts in Thousands)

	2024	2023	2022	2021	2020
<b>Total Pension Liability</b>					
Service Cost	\$ 59,220	\$ 93,712	\$ 91,246	\$ 96,690	\$ 71,926
Interest on the Total Pension Liability	106,020	80,910	82,146	86,012	96,086
Difference between Expected and Actual Experience of the Total Pension Liability	32,677	65,927	(27,962)	(1,841)	(54,148)
Assumption Changes <sup>1</sup>	(701,313)	(739,123)	82,179	158,946	427,818
Benefit Payments and Refunds	(99,519)	(97,196)	(91,669)	(86,706)	(82,250)
<b>Net Change in Total Pension Liability</b>	<b>(602,915)</b>	<b>(595,770)</b>	<b>135,940</b>	<b>253,101</b>	<b>459,432</b>
<b>Total Pension Liability – Beginning</b>	<b>2,402,626</b>	<b>2,998,396</b>	<b>2,862,456</b>	<b>2,609,355</b>	<b>2,149,923</b>
<b>Total Pension Liability – Ending</b>	<b>\$ 1,799,711</b>	<b>\$ 2,402,626</b>	<b>\$ 2,998,396</b>	<b>\$ 2,862,456</b>	<b>\$ 2,609,355</b>
<b>Plan Fiduciary Net Position</b>					
Contributions – Employer	\$ 24,800	\$ 21,428	\$ 20,294	\$ 22,293	\$ 25,864
Contributions – Member	10,902	8,729	9,078	8,950	9,098
Pension Plan Net Investment Income	64,704	(5,026)	232,795	61,098	26,250
Benefit Payments and Refunds	(99,519)	(97,196)	(91,669)	(86,706)	(82,250)
Pension Plan Administrative Expense	(2,481)	(1,680)	(1,781)	(1,933)	(2,167)
<b>Net Change in Plan Fiduciary Net Position</b>	<b>(1,594)</b>	<b>(73,745)</b>	<b>168,717</b>	<b>3,702</b>	<b>(23,205)</b>
<b>Plan Fiduciary Net Position – Beginning</b>	<b>1,042,296</b>	<b>1,116,041</b>	<b>947,324</b>	<b>943,622</b>	<b>966,827</b>
<b>Plan Fiduciary Net Position – Ending</b>	<b>\$ 1,040,702</b>	<b>\$ 1,042,296</b>	<b>\$ 1,116,041</b>	<b>\$ 947,324</b>	<b>\$ 943,622</b>
<b>Net Pension Liability – Beginning</b>	<b>\$ 1,360,330</b>	<b>\$ 1,882,355</b>	<b>\$ 1,915,132</b>	<b>\$ 1,665,733</b>	<b>\$ 1,183,096</b>
<b>Net Pension Liability – Ending</b>	<b>\$ 759,009</b>	<b>\$ 1,360,330</b>	<b>\$ 1,882,355</b>	<b>\$ 1,915,132</b>	<b>\$ 1,665,733</b>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	57.83%	43.38%	37.22%	33.09%	36.16%
Covered Payroll <sup>2</sup>	\$ 1,704,482	\$ 1,581,950	\$ 1,586,537	\$ 1,662,147	\$ 1,682,633
Net Pension Liability as a Percentage of Covered Payroll	44.53%	85.99%	118.65%	115.22%	99.00%

### Notes to Schedule:

<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.

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 actual annual payroll for the fiscal year as reported by ERS.

*Concluded on the Following Page*



## Schedule of Changes in Net Pension Liability and Related Ratios (concluded)

**Table RSI-3: Law Enforcement and Custodial Officer Supplemental Retirement Plan**

For the Fiscal Year Ended August 31, 2024 (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 due to the change in the single discount rate is 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 actual annual payroll for the fiscal year as reported by ERS

## Schedule of Changes in Net Pension Liability and Related Ratios

**Table RSI-4: Judicial Retirement System of Texas Plan Two**

For the Fiscal Year Ended August 31, 2024 (Amounts in Thousands)

	2024	2023	2022	2021	2020
<b>Total Pension Liability</b>					
Service Cost	\$ 29,481	\$ 31,450	\$ 37,434	\$ 28,965	\$ 16,415
Interest on the Total Pension Liability	41,248	38,248	32,800	35,247	36,104
Benefit Changes					(1,019)
Difference between Expected and Actual Experience of the Total Pension Liability	1,459	(4,769)	(1,793)	(12,695)	26,592
Assumption Changes <sup>1</sup>	(80,619)	(36,200)	(86,361)	113,895	111,656
Benefit Payments and Refunds	(40,210)	(37,108)	(35,142)	(32,041)	(29,220)
<b>Net Change in Total Pension Liability</b>	<b>(48,641)</b>	<b>(8,379)</b>	<b>(53,062)</b>	<b>133,371</b>	<b>160,528</b>
<b>Total Pension Liability – Beginning</b>	<b>720,229</b>	<b>728,608</b>	<b>781,670</b>	<b>648,299</b>	<b>487,771</b>
<b>Total Pension Liability – Ending</b>	<b>\$ 671,588</b>	<b>\$ 720,229</b>	<b>\$ 728,608</b>	<b>\$ 781,670</b>	<b>\$ 648,299</b>
<b>Plan Fiduciary Net Position</b>					
Contributions – Employer	\$ 14,686	\$ 14,385	\$ 14,322	\$ 14,186	\$ 13,100
Contributions – Member	8,830	8,576	8,759	8,634	6,463
Pension Plan Net Investment Income	36,047	(4,269)	120,145	30,632	12,832
Benefit Payments and Refunds	(40,210)	(37,108)	(35,142)	(32,041)	(29,220)
Pension Plan Administrative Expense	(244)	(322)	(235)	(273)	(363)
<b>Net Change in Plan Fiduciary Net Position</b>	<b>19,109</b>	<b>(18,738)</b>	<b>107,849</b>	<b>21,138</b>	<b>2,812</b>
<b>Plan Fiduciary Net Position – Beginning</b>	<b>566,442</b>	<b>585,180</b>	<b>477,331</b>	<b>456,193</b>	<b>453,381</b>
<b>Plan Fiduciary Net Position – Ending</b>	<b>\$ 585,551</b>	<b>\$ 566,442</b>	<b>\$ 585,180</b>	<b>\$ 477,331</b>	<b>\$ 456,193</b>
<b>Net Pension Liability – Beginning</b>	<b>\$ 153,787</b>	<b>\$ 143,428</b>	<b>\$ 304,339</b>	<b>\$ 192,106</b>	<b>\$ 34,390</b>
<b>Net Pension Liability – Ending</b>	<b>\$ 86,037</b>	<b>\$ 153,787</b>	<b>\$ 304,339</b>	<b>\$ 304,339</b>	<b>\$ 192,106</b>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	87.19%	78.65%	0.00%	61.07%	70.37%
Covered Payroll <sup>2</sup>	\$ 91,665	\$ 90,028	\$ 89,583	\$ 88,579	\$ 79,711
Net Pension Liability as a Percentage of Covered Payroll	93.86%	170.82%	160.11%	343.58%	241.00%

### Notes to Schedule:

<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.

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 actual annual payroll for the fiscal year as reported by ERS.

*Concluded on the Following Page*

## Schedule of Changes in Net Pension Liability and Related Ratios (concluded)

**Table RSI-4: Judicial Retirement System of Texas Plan Two**

For the Fiscal Year Ended August 31, 2024 (Amounts in Thousands)

	2019	2018	2017	2016
<b>Total Pension Liability</b>				
Service Cost	\$ 16,056	\$ 20,420	\$ 19,429	\$ 16,244
Interest on the Total Pension Liability	34,440	31,671	30,980	30,786
Benefit Changes				
Difference between Expected and Actual Experience of the Total Pension Liability	(1,463)	5,091	(5,833)	(10,067)
Assumption Changes <sup>1</sup>		(56,699)	23,396	35,653
Benefit Payments and Refunds	(24,866)	(23,361)	(21,154)	(19,238)
<b>Net Change in Total Pension Liability</b>	<u>24,167</u>	<u>(22,878)</u>	<u>46,818</u>	<u>53,378</u>
<b>Total Pension Liability – Beginning</b>	<u>463,604</u>	<u>486,482</u>	<u>439,664</u>	<u>386,286</u>
<b>Total Pension Liability – Ending</b>	<u><u>\$ 487,771</u></u>	<u><u>\$ 463,604</u></u>	<u><u>\$ 486,482</u></u>	<u><u>\$ 439,664</u></u>
<b>Plan Fiduciary Net Position</b>				
Contributions – Employer	\$ 12,560	\$ 12,495	\$ 12,374	\$ 12,457
Contributions – Member	5,940	6,017	5,754	5,465
Pension Plan Net Investment Income	39,192	44,875	19,862	820
Benefit Payments and Refunds	(24,866)	(23,361)	(21,155)	(19,238)
Pension Plan Administrative Expense	(296)	(295)	(225)	(284)
<b>Net Change in Plan Fiduciary Net Position</b>	<u>32,530</u>	<u>39,731</u>	<u>16,610</u>	<u>(780)</u>
<b>Plan Fiduciary Net Position – Beginning</b>	<u>420,851</u>	<u>381,120</u>	<u>364,510</u>	<u>365,290</u>
<b>Plan Fiduciary Net Position – Ending</b>	<u><u>\$ 453,381</u></u>	<u><u>\$ 420,851</u></u>	<u><u>\$ 381,120</u></u>	<u><u>\$ 364,510</u></u>
<b>Net Pension Liability – Beginning</b>	<u>\$ 42,753</u>	<u>\$ 105,362</u>	<u>\$ 75,154</u>	<u>\$ 20,996</u>
<b>Net Pension Liability – Ending</b>	<u><u>\$ 34,390</u></u>	<u><u>\$ 42,753</u></u>	<u><u>\$ 105,362</u></u>	<u><u>\$ 75,154</u></u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	92.95%	90.78%	78.34%	82.91%
Covered Payroll <sup>2</sup>	\$ 78,772	\$ 78,190	\$ 78,261	\$ 77,501
Net Pension Liability as a Percentage of Covered Payroll	43.66%	54.68%	134.63%	96.97%

### Notes to Schedule:

<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.

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 actual annual payroll for the fiscal year as reported by ERS.

## 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, 2024 (Amounts in Thousands)

	2024	2023	2022	2021	2020	2019	2018	2017
<b>Total Pension Liability</b>								
Service Cost	\$ 91	\$ 154	\$ 307	\$ 222	\$ 319	\$ 411	\$ 378	\$ 357
Interest on the Total Pension Liability	6,520	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	(6,682)	149	(5,425)	(3,862)	(15,327)	(1,643)	(718)	5,488
Assumption Changes <sup>2</sup>	(2,511)	(29,717)	7,040	2,195	17,173	(5,968)	(35,858)	26,760
Benefit Payments and Refunds	(16,876)	(17,768)	(18,712)	(19,941)	(21,479)	(23,057)	(24,281)	(25,536)
<b>Net Change in Total Pension Liability</b>	<b>(19,458)</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>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>	<b>309,710</b>
<b>Total Pension Liability – Ending</b>	<b>\$ 155,670</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 Employee Payroll <sup>1</sup>	\$ 0	\$ 0	\$ 140	\$ 180	\$ 335	\$ 449	\$ 591	\$ 577
Total Pension Liability as a Percentage of Covered Employee Payroll	N/A	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 due to the change in the Single Discount Rate is 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 Eight 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, 2024 (Amounts in Thousands)

	2024	2023	2022	2021
<b>Total Pension Liability</b>				
Service Cost	\$ 32,649	\$ 40,514	\$ 37,989	\$ 32,368
Interest on the Total Pension Liability	33,273	22,719	22,899	28,255
Changes of Benefit Terms				
Difference between Expected and Actual Experience of the Total Pension Liability	8,059	(6,620)		
Assumption Changes <sup>2</sup>	(17,002)	(133,970)	5,813	71,350
Benefit Payments and Refunds	(49,322)	(49,856)	(47,006)	(49,249)
<b>Net Change in Total Pension Liability</b>	<u>7,657</u>	<u>(127,213)</u>	<u>19,695</u>	<u>82,724</u>
<b>Total Pension Liability – Beginning</b>	<u>918,839</u>	<u>1,046,052</u>	<u>1,026,357</u>	<u>943,633</u>
<b>Total Pension Liability – Ending</b>	<u>\$ 926,496</u>	<u>\$ 918,839</u>	<u>\$ 1,046,052</u>	<u>\$ 1,026,357</u>
Covered Employee Payroll <sup>1</sup>	\$ 661,357	\$ 575,070	\$ 549,501	\$ 520,631
Total Pension Liability as a Percentage of Covered Employee Payroll	140.09%	159.78%	190.36%	197.14%

### Notes to Schedule:

<sup>1</sup> The covered Employee payroll is based on the participants' base salary for the fiscal year.

<sup>2</sup> Included Changes in Assumptions or Other Inputs: Assumption changes reflect the changes in the discount rate each period. The following are the discount rates used in each period:

Fiscal 2024–3.81%

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 four 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

**Table RSI-7: Teacher Retirement System of Texas Plan - State as Employer**

For the Fiscal Year Ended August 31, 2024 (Amounts in Thousands)

	2024 <sup>1</sup>	2023	2022	2021	2020	2019	2018	2017	2016	2015
State's proportion of the net pension liability	18.75%	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	\$12,881,582	\$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	\$10,531,090	\$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	122.32%	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	73.15%	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 \$3,576,494 reported in governmental activity and \$9,305,088 reported in business-type activity.

### Schedule of Proportionate Share of Net Pension Liability

**Table RSI-8: Teacher Retirement System of Texas Plan - State as Nonemployer Contributing Entity**

For the Fiscal Year Ended August 31, 2024 (Amounts in Thousands)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
State's proportion of the net pension liability	44.34%	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	\$30,460,337	\$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	73.15%	75.62%	88.79%	75.54%	75.24%	73.74%	82.17%	78.00%	78.43%	83.25%

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

**Table RSI-9: Texas Emergency Services Retirement System Plan - State as Nonemployer Contributing Entity**

For the Fiscal Year Ended August 31, 2024 (Amounts in Thousands)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
State's proportion of the net pension liability	26.50%	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	\$11,473	\$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	74.60%	75.20%	93.10%	83.20%	80.20%	84.30%	81.40%	76.30%	76.90%	83.50%



## 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, 2024 (Amounts in Thousands)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially Determined Contributions <sup>1</sup>	\$ 1,421,938	\$ 1,305,086	\$ 1,259,883	\$ 1,148,701	\$ 985,001	\$ 946,266	\$ 933,915	\$ 713,528	\$ 679,806	\$ 737,111
Contributions in Relation to the										
Actuarially Determined Contributions	1,421,938	2,205,086	1,259,883	739,573	735,856	712,648	697,189	700,078	686,763	500,395
Contribution Deficiency (Excess)	0	(900,000)	0	409,128	249,145	233,618	236,726	13,450	(6,957)	236,716
Covered Payroll <sup>3</sup>	8,744,408	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
Contributions as a Percentage of Covered Payroll <sup>2</sup>	16.26%	28.07%	17.48%	10.29%	10.28%	10.26%	10.23%	10.21%	10.19%	8.14%

### Notes to Schedule of Contributions

**Valuation Date** August 31, 2024.

#### Methods and Assumptions Used to Determine Contribution Rates

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	30 Years
Asset Valuation Method	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	0.00% – 8.80%
Investment Rate of Return	7.00%
Last Experience Study	4-year period ending August 31, 2023
Mortality	2020 State Retirees of Texas (SRT) mortality table. Generational mortality improvements in accordance with the ultimate rates from the scales most recently published by the Retirement Plans Experience Committee of the Society of Actuaries ("Ultimate MP") and projected from the year 2020. Rates for male LECO members are set forward one year. Rates of judges are setback two years.

#### Other Information:

<sup>1</sup> Actuarially determined contributions are calculated as of Aug. 31 of the fiscal year. 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, 2024 (Amounts in Thousands)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially Determined Contributions <sup>1</sup>	\$ 42,753	\$ 67,838	\$ 62,803	\$ 59,019	\$ 56,679	\$ 54,854	\$ 53,560	\$ 45,332	\$ 43,167	\$ 38,131
Contributions in Relation to the										
Actuarially Determined Contributions	814,753	24,800	21,428	20,294	22,294	25,864	26,110	26,583	27,497	26,728
Contribution Deficiency (Excess)	(772,000)	43,038	41,375	38,725	34,385	28,990	27,450	18,749	15,670	11,403
Covered Payroll <sup>3</sup>	1,845,546	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
Contributions as a Percentage of										
Covered Payroll <sup>2</sup>	44.15%	1.46%	1.35%	1.28%	1.34%	1.54%	1.55%	1.52%	1.59%	1.77%

### Notes to Schedule of Contributions

**Valuation Date** August 31, 2024.

#### Methods and Assumptions Used to Determine Contribution Rates

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Open
Remaining Amortization Period	0 years
Asset Valuation Method	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%
Last Experience Study	4-year period ending August 31, 2023
Mortality	2020 State Retirees of Texas (SRT) mortality table. Generational mortality improvements in accordance with the ultimate rates from the scales most recently published by the Retirement Plans Experience Committee of the Society of Actuaries ("Ultimate MP") and projected from the year 2020. Rates for male LECO members are set forward one year. Rates of judges are setback two years.

#### Other Information:

<sup>1</sup> Actuarially determined contributions are calculated as of Aug. 31 of the fiscal year. 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, 2024 (Amounts in Thousands)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially Determined Contributions <sup>1</sup>	\$ 18,370	\$ 21,395	\$ 21,346	\$ 21,383	\$ 16,343	\$ 13,057	\$ 12,934	\$ 12,444	\$ 12,896	\$ 13,107
Contributions in Relation to the										
Actuarially Determined Contributions	117,370	14,686	14,385	14,322	14,186	13,100	12,560	12,494	12,374	12,457
Contribution Deficiency (Excess)	(99,000)	6,709	6,961	7,061	2,157	(43)	374	(50)	522	650
Covered Payroll <sup>3</sup>	94,801	91,665	90,028	89,583	88,579	79,711	78,772	78,190	78,261	77,501
Contributions as a Percentage of										
Covered Payroll <sup>2</sup>	123.81%	16.02%	15.98%	15.99%	16.02%	16.43%	15.94%	15.98%	15.81%	16.07%

### Notes to Schedule of Contributions

**Valuation Date** August 31, 2024.

#### Methods and Assumptions Used to Determine Contribution Rates

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Open
Remaining Amortization Period	6 years
Asset Valuation Method	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%
Last Experience Study	4-year period ending August 31, 2023
Mortality	2020 State Retirees of Texas (SRT) mortality table. Generational mortality improvements in accordance with the ultimate rates from the scales most recently published by the Retirement Plans Experience Committee of the Society of Actuaries ("Ultimate MP") and projected from the year 2020. Rates for male LECO members are set forward one year. Rates of judges are setback two years.

#### Other Information:

<sup>1</sup> Actuarially determined contributions are calculated as of Aug. 31 of the fiscal year. 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, 2024 (Amounts in Thousands)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily Required Contributions	\$ 1,104,774	\$ 962,143	\$ 832,399	\$ 703,233	\$ 683,487	\$ 612,078	\$ 516,850	\$ 495,500	\$ 466,216	\$ 417,698
Contributions in Relation to the Statutorily Required Contributions	1,104,774	962,143	832,399	703,233	683,487	612,078	516,850	495,500	466,216	417,698
Contribution Deficiency (Excess)	0	0	0	0	0	0	0	0	0	0
Covered Payroll	11,187,765	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
Contributions as a Percentage of Covered Payroll	9.87%	9.59%	9.49%	8.42%	7.98%	8.24%	7.61%	7.92%	8.11%	7.72%

## 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, 2024 (Amounts in Thousands)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily Required Contributions	\$ 2,483,581	\$ 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
Contributions in Relation to the Statutorily Required Contributions	2,483,581	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
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, 2024 (Amounts in Thousands)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily Required Contributions	\$ 1,293	\$ 1,263	\$ 1,263	\$ 1,329	\$ 1,329	\$ 1,329	\$ 1,329	\$ 1,584	\$ 1,584	\$ 1,637
Contributions in Relation to the Statutorily Required Contributions	1,293	1,263	1,263	1,329	1,329	1,329	1,329	1,584	1,584	1,637
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 \$1,293 in fiscal years 2024-2025

## 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, 2024 (Amounts in Thousands)

	2024 <sup>8</sup>	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	84.78%	85.19%	85.32%	85.34%	85.41%	85.44%	89.45%
<b>Proportionate Shares of the Net OPEB Liability</b>							
State as employer	\$ 22,651,418	\$ 24,266,958	\$ 30,608,879	\$ 28,199,026	\$ 29,518,613	\$ 25,323,500	\$ 30,477,926
State as nonemployer contributing entity	1,697,521	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>\$ 24,348,939</u>	<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	\$ 11,670,248	\$ 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	194.10%	223.71%	285.03%	261.11%	280.54%	246.01%	290.10%
Plan fiduciary net position as a percentage of the total OPEB liability	0.63%	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 seven 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 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.

<sup>8</sup> Changes in assumptions and other inputs for measurement year ended August 31, 2023 include (a) discount rate increased from 3.59% to 3.81%, (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) proportion of future retirees assumed to cover dependent children, (e) the Patient-Centered Outcomes Research Institute fee payable under the Affordable Care Act and the rate of future increases in the fee and (f) assumptions for Assumed Per Capita Health Benefit Costs and Health Benefit Cost and Retiree Contribution trends. Changes in benefit terms for measurement year ended August 31, 2023 represent the elimination of liability attributable to members from Stephen F. Austin State University

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, 2024 (Amounts in Thousands)

	2024	2023	2022	2021	2020	2019	2018
State's proportion of the net OPEB liability	54.68%	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>	\$ 12,105,782	\$ 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	14.94%	11.52%	6.18%	4.99%	2.66%	1.57%	0.91%

### Notes to Schedule:

<sup>1</sup> Assumptions presented below for each fiscal year are used for the next fiscal year. Changes of assumptions include:  
The effects of changes in the single discount rate each period. The single discount rate at the beginning of FYE 2017 was 2.98%.  
The following are the single discount rates used in each measurement period:

Fiscal 2023–4.13 %  
Fiscal 2022–3.91%  
Fiscal 2021–1.95%  
Fiscal 2020–2.33%  
Fiscal 2019–2.63%  
Fiscal 2018–3.69%  
Fiscal 2017–3.42%

2023 Changes of assumptions–Revised demographic and economic assumptions based on the TRS experience study.

2022 Changes of assumptions–Lower participation rates and updates to the health care trend assumptions.

2020 Changes of assumptions–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 Changes of assumptions–Lower participation rates and updates to the health care trend assumptions.

2018 Changes of assumptions–Updated health care trend assumption and revised demographic and economic assumptions based on the TRS experience study.

2017 Changes of assumptions–Assuming Medicare Part D reimbursements will continue (removed 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 seven 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, 2024 (Amounts in Thousands)

	2024	2023	2022	2021	2020	2019	2018
<b>Measurement Date</b>	Sept. 1, 2023	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	\$ 153,685	\$ 234,264	\$ 193,377	\$ 149,149	\$ 127,112	\$ 173,615	\$ 248,902
Interest on the Total OPEB Liability	146,641	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	(15,814)		(373,018)		(111,380)		(95,295)
Changes of assumptions or other inputs <sup>3</sup>	(1,252,798)	(1,177,391)	552,762	473,101	309,034	(361,071)	(1,128,792)
Benefit Payments (employer) <sup>2</sup>	(88,507)	(81,792)	(75,817)	(69,061)	(70,025)	(71,054)	(73,981)
Other Changes							
<b>Net Change in Total OPEB Liability</b>	<b>(1,056,793)</b>	<b>(917,280)</b>	<b>398,362</b>	<b>668,549</b>	<b>392,133</b>	<b>(1,145,261)</b>	<b>(889,443)</b>
<b>Total OPEB Liability – Beginning</b>	<b>3,919,177</b>	<b>4,836,457</b>	<b>4,438,095</b>	<b>3,769,546</b>	<b>3,377,413</b>	<b>4,522,674</b>	<b>5,412,117</b>
<b>Total OPEB Liability – Ending</b>	<b>\$ 2,862,384</b>	<b>\$ 3,919,177</b>	<b>\$ 4,836,457</b>	<b>\$ 4,438,095</b>	<b>\$ 3,769,546</b>	<b>\$ 3,377,413</b>	<b>\$ 4,522,674</b>
Covered-Employee Payroll	\$ 2,023,930	\$ 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	141.43%	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 2024–3.81%  
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. In fiscal 2024, amounts reflect updated assumed rates of retirement, disability, termination and mortality, assumed salary increases, assumed 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 seven 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, 2024 (Amounts in Thousands)

	2024	2023	2022	2021 <sup>3</sup>	2020	2019	2018
<b>Measurement Date</b>	Dec. 31, 2023	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	\$ 448,443	\$ 1,059,373	\$ 864,121	\$ 700,647	\$ 593,495	\$ 692,255	\$ 737,751
Interest on the Total OPEB Liability	375,927	388,732	325,444	350,396	556,673	498,239	552,440
Changes of benefit terms <sup>5</sup>	181,675	(63,735)					
Difference between Expected and Actual Experience in the measurement of the Total OPEB Liability	(207,984)		196,327		(112,255)		(177,101)
Changes of assumptions or other inputs <sup>2</sup>	53,985	(9,302,804)	2,173,265	1,552,998	601,825	(1,805,442)	(1,012,995)
Benefit Payments (employer)	(221,970)	(249,004)	(221,214)	(187,994)	(191,309)	(193,743)	(177,742)
Other Changes							
<b>Net Change in Total OPEB Liability</b>	<u>630,076</u>	<u>(8,167,438)</u>	<u>3,337,943</u>	<u>2,416,047</u>	<u>1,448,429</u>	<u>(808,691)</u>	<u>(77,647)</u>
<b>Total OPEB Liability – Beginning</b>	<u>9,768,107</u>	<u>17,935,545</u>	<u>14,597,602</u>	<u>12,181,555</u>	<u>13,079,604</u>	<u>13,888,295</u>	<u>13,965,942</u>
<b>Total OPEB Liability – Ending</b>	<u>\$ 10,398,183</u>	<u>\$ 9,768,107</u>	<u>\$ 17,935,545</u>	<u>\$ 14,597,602</u>	<u>\$ 14,528,033</u>	<u>\$ 13,079,604</u>	<u>\$ 13,888,295</u>
Covered-Employee Payroll	\$ 11,427,461	\$ 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	90.99%	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 2024–3.26%  
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. In fiscal 2024, amounts reflect updated assumed rates of retirement, disability, termination and mortality, and assumed salary increases, adjustments to assumptions for expenses, percentage of future female retirees assumed to be married and electing coverage for their spouse, proportion of future retirees covering dependent children, percentage of eligible terminated employees who are assumed to participate in the EGIP as a result of UT System being their last State employer, probability of commencing benefits for current terminated members who have already attained their assumed commencement age, assumed per capita health benefit costs and assumed trend for health benefit costs and retiree contributions.

<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 seven years of information are available. Information for future years will be added when it becomes available.

<sup>5</sup> Changes in benefit terms: For FY2024, reflects eligible employees of Stephen F. Austin State University becoming members of this OPEB plan effective September 1, 2023. For FY2023, reflects (a) increases in retiree cost sharing for retirees for whom Medicare is not primary and (b) an increase in the employer funded life insurance coverage for retirees who do not opt out of EGIP health coverage upon retirement.

## 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, 2024 (Amounts in Thousands)

	2024	2023	2022	2021	2020	2019	2018	2017
Statutorily required contributions	\$ 659,422	\$ 660,852	\$ 577,892	\$ 631,381	\$ 614,312	\$ 330,295	\$ 288,822	\$ 837,982
Contributions in relation to the statutorily required contributions	659,422	660,852	577,892	631,381	614,312	330,295	288,822	837,982
Contribution deficiency (excess)	0	0	0	0	0	0	0	0
Covered-employee payroll	13,019,376	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	5.06%	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 Eight 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, 2024 (Amounts in Thousands)

	2024	2023	2022	2021	2020	2019	2018
State's proportionate share of the net OPEB liability	\$ 1,697,521	\$ 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	\$ 53,602	\$ 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 seven 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, 2024 (Amounts in Thousands)

	2024	2023	2022	2021	2020	2019	2018	2017
Statutorily required contributions	\$ 505,173	\$ 495,642	\$ 451,341	\$ 452,858	\$ 666,526	\$ 478,578	\$ 790,189	\$ 319,320
Contributions in relation to the statutorily required contributions	505,173	495,642	451,341	452,858	666,526	478,578	790,189	319,320
Contribution deficiency (excess)	0	0	0	0	0	0	0	0

<sup>1</sup> This schedule is intended to present 10 years of information. Currently only eight 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 plan's actuarial methods, assumptions and benefits may be obtained from Note 9, *Retirement Plans*.

### 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, *Postemployment Benefits Other than Pensions*.

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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





## STATE OF TEXAS

# Combining Balance Sheet: Nonmajor Governmental Funds

August 31, 2024 (Amounts in Thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Funds
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 10,949,047	\$ 470,284	\$ 1,195,581	\$ 66,388	\$ 12,681,300
Short-Term Investments	239,862			569,948	809,810
Receivables:					
Accounts	12,285	257	7,559		20,101
Taxes	82,824				82,824
Federal	5,746	27,313			33,059
Other Intergovernmental			242,352		242,352
Gifts and Pledges	350				350
Interest and Dividends	29,980	1,867		5,226	37,073
From Other Funds	89,366		1,207,488	8	1,296,862
Investments	2,995,087			4,734,903	7,729,990
Loans and Contracts	537,941				537,941
Inventories	3,865		2		3,867
Prepaid Items	71				71
Other Assets	80,901				80,901
Restricted:					
Cash and Cash Equivalents	668				668
Loans and Contracts	1,216,228				1,216,228
Other Restricted Assets	108,299				108,299
Total Assets	<u>\$ 16,352,520</u>	<u>\$ 499,721</u>	<u>\$ 2,652,982</u>	<u>\$ 5,376,473</u>	<u>\$ 24,881,696</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
Liabilities:					
Payables:					
Accounts	\$ 28,132	\$	\$ 30,229	\$ 2,133	\$ 60,494
Payroll	6,959		82		7,041
Investment Trades	694			711	1,405
Interest	252			1,048	1,300
To Other Funds	11,356		9,925	1,651	22,932
Other Liabilities			10,723		10,723
Unearned Revenue	471		726,531		727,002
Total Liabilities	<u>47,864</u>	<u>0</u>	<u>777,490</u>	<u>5,543</u>	<u>830,897</u>
Deferred Inflows of Resources					
Deferred Inflows of Resources	899,897				899,897
Total Deferred Inflows of Resources	<u>899,897</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>899,897</u>
Fund Balances:					
Nonspendable	3,936		2	4,535,584	4,539,522
Restricted	15,276,848	499,721	1,704,812	835,300	18,316,681
Committed	124,223		172,247		296,470
Unassigned	(248)		(1,569)	46	(1,771)
Total Fund Balances	<u>15,404,759</u>	<u>499,721</u>	<u>1,875,492</u>	<u>5,370,930</u>	<u>23,150,902</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 16,352,520</u>	<u>\$ 499,721</u>	<u>\$ 2,652,982</u>	<u>\$ 5,376,473</u>	<u>\$ 24,881,696</u>

## STATE OF TEXAS

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

For the Fiscal Year Ended August 31, 2024 (Amounts in Thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Funds
<b>REVENUES</b>					
Taxes	\$ 5,498,314	\$	\$	\$	\$ 5,498,314
Federal	11,373	55,478			66,851
Licenses, Fees and Permits	486,563	291,347	96,164		874,074
Sales of Goods and Services	755		1,310,273		1,311,028
Interest and Other Investment Income	832,243	44,946	30,732	469,218	1,377,139
Land Income	5,816			33	5,849
Settlement of Claims	401				401
Other Revenues	2,235,635	926	62,470	3,013,150	5,312,181
Total Revenues	<u>9,071,100</u>	<u>392,697</u>	<u>1,499,639</u>	<u>3,482,401</u>	<u>14,445,837</u>
<b>EXPENDITURES</b>					
Current:					
General Government	320,844	443	111,816	12,416	445,519
Education	2,180,887				2,180,887
Employee Benefits	37,629				37,629
Health and Human Services	8		20,831	779	21,618
Public Safety and Corrections	75,320		455		75,775
Transportation	175,787		84,409		260,196
Natural Resources and Recreation	116,184		296	3,386	119,866
Regulatory Services	51,992				51,992
Capital Outlay	23,599		1,023,389		1,046,988
Debt Service:					
Principal	7,826	1,061,645			1,069,471
Interest	25	702,333	656		703,014
Other Financing Fees	630		1,337		1,967
Total Expenditures	<u>2,990,731</u>	<u>1,764,421</u>	<u>1,243,189</u>	<u>16,581</u>	<u>6,014,922</u>
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	<u>6,080,369</u>	<u>(1,371,724)</u>	<u>256,450</u>	<u>3,465,820</u>	<u>8,430,915</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Bonds and Notes Issued	105,785		101,200		206,985
Bonds Issued for Refunding		1,043,065	92,800		1,135,865
Premiums on Bonds Issued	6,174	142,309			148,483
Payment to Escrow for Refunding		(1,181,873)	(90,903)		(1,272,776)
Increase in Obligation for RTU Leases/SBITAs	10,451				10,451
Sale of Capital Assets	7				7
Insurance Recoveries	12				12
Distributions from Permanent Fund Principal				(24,113)	(24,113)
Transfer In	15,152,767	1,441,941	743,824	202,288	17,540,820
Transfer Out	<u>(12,454,641)</u>	<u>(31,782)</u>	<u>(238,714)</u>	<u>(39,824)</u>	<u>(12,764,961)</u>
Total Other Financing Sources (Uses)	<u>2,820,555</u>	<u>1,413,660</u>	<u>608,207</u>	<u>138,351</u>	<u>4,980,773</u>
Net Change in Fund Balances	<u>8,900,924</u>	<u>41,936</u>	<u>864,657</u>	<u>3,604,171</u>	<u>13,411,688</u>
Fund Balances, September 1, 2023	6,504,242	457,785	1,010,835	1,766,759	9,739,621
Restatement - Error Correction (Note 14)	<u>(407)</u>				<u>(407)</u>
Fund Balances, September 1, 2023, as Restated	<u>6,503,835</u>	<u>457,785</u>	<u>1,010,835</u>	<u>1,766,759</u>	<u>9,739,214</u>
Fund Balances, August 31, 2024	<u>\$ 15,404,759</u>	<u>\$ 499,721</u>	<u>\$ 1,875,492</u>	<u>\$ 5,370,930</u>	<u>\$ 23,150,902</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, 2024 (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	\$	\$ 208,905	\$ 1,154,283	\$ 65,669	\$ 19,475	\$ 9,500,715	\$ 10,949,047
Short-Term Investments			151,486			88,376	239,862
Receivables:							
Accounts		11,624				661	12,285
Taxes					82,824		82,824
Federal		165				5,581	5,746
Gifts and Pledges						350	350
Interest and Dividends	6,319		5,725		896	17,040	29,980
From Other Funds			321		80,603	8,442	89,366
Investments			1,644,110			1,350,977	2,995,087
Loans and Contracts			142,882			395,059	537,941
Inventories		3,592				273	3,865
Prepaid Items						71	71
Other Assets						80,901	80,901
Restricted:							
Cash and Cash Equivalents						668	668
Loans and Contracts						1,216,228	1,216,228
Other Restricted Assets						108,299	108,299
Total Assets	<u>\$ 6,319</u>	<u>\$ 224,286</u>	<u>\$ 3,098,807</u>	<u>\$ 65,669</u>	<u>\$ 183,798</u>	<u>\$ 12,773,641</u>	<u>\$ 16,352,520</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>							
Liabilities:							
Payables:							
Accounts	\$	\$ 6,763	\$ 1,218	\$ 5,690	\$	\$ 14,461	\$ 28,132
Payroll		5,869		8		1,082	6,959
Investment Trades						694	694
Interest						252	252
To Other Funds			375			10,981	11,356
Unearned Revenue		752				(281)	471
Total Liabilities	<u>0</u>	<u>13,384</u>	<u>1,593</u>	<u>5,698</u>	<u>0</u>	<u>27,189</u>	<u>47,864</u>
Deferred Inflows of Resources							
Deferred Inflows of Resources						899,897	899,897
Total Deferred Inflows of Resources	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>899,897</u>	<u>899,897</u>
Fund Balances:							
Nonspendable		3,592				344	3,936
Restricted	6,319	207,310	3,097,214		183,798	11,782,207	15,276,848
Committed				60,219		64,004	124,223
Unassigned				(248)			(248)
Total Fund Balances	<u>6,319</u>	<u>210,902</u>	<u>3,097,214</u>	<u>59,971</u>	<u>183,798</u>	<u>11,846,555</u>	<u>15,404,759</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 6,319</u>	<u>\$ 224,286</u>	<u>\$ 3,098,807</u>	<u>\$ 65,669</u>	<u>\$ 183,798</u>	<u>\$ 12,773,641</u>	<u>\$ 16,352,520</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

# Combining Statement of Revenues, Expenditures and Changes in Fund Balances: Nonmajor Special Revenue Funds

For the Fiscal Year Ended August 31, 2024 (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	\$ 4,558,524	\$	\$	\$	\$ 939,790	\$	\$ 5,498,314
Federal		883				10,490	11,373
Licenses, Fees and Permits		178,274		112,549		195,740	486,563
Sales of Goods and Services		294	79			382	755
Interest and Other Investment Income	141,796	10,072	195,858		14,034	470,483	832,243
Land Income						5,816	5,816
Settlement of Claims						401	401
Other Revenues		20			2,156,354	79,261	2,235,635
Total Revenues	<u>4,700,320</u>	<u>189,543</u>	<u>195,937</u>	<u>112,549</u>	<u>3,110,178</u>	<u>762,573</u>	<u>9,071,100</u>
<b>EXPENDITURES</b>							
Current:							
General Government				75,567		245,277	320,844
Education					2,108,964	71,923	2,180,887
Employee Benefits						37,629	37,629
Health and Human Services						8	8
Public Safety and Corrections						75,320	75,320
Transportation		175,787					175,787
Natural Resources and Recreation			51,084			65,100	116,184
Regulatory Services						51,992	51,992
Capital Outlay		11,415				12,184	23,599
Debt Service:							
Principal		7,608	6			212	7,826
Interest						25	25
Other Financing Fees						630	630
Total Expenditures	<u>0</u>	<u>194,810</u>	<u>51,090</u>	<u>75,567</u>	<u>2,108,964</u>	<u>560,300</u>	<u>2,990,731</u>
Excess (Deficiency) of Revenues							
Over (Under) Expenditures	<u>4,700,320</u>	<u>(5,267)</u>	<u>144,847</u>	<u>36,982</u>	<u>1,001,214</u>	<u>202,273</u>	<u>6,080,369</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Bonds and Notes Issued						105,785	105,785
Premiums on Bonds Issued						6,174	6,174
Increase in Obligation for RTU Leases/SBITAs		10,451					10,451
Sale of Capital Assets						7	7
Insurance Recoveries						12	12
Transfer In	6,147,400		1,010,086	2,500		7,992,781	15,152,767
Transfer Out	(10,841,550)		(202,321)		(1,038,531)	(372,239)	(12,454,641)
Total Other Financing Sources (Uses)	<u>(4,694,150)</u>	<u>10,451</u>	<u>807,765</u>	<u>2,500</u>	<u>(1,038,531)</u>	<u>7,732,520</u>	<u>2,820,555</u>
Net Change in Fund Balances	<u>6,170</u>	<u>5,184</u>	<u>952,612</u>	<u>39,482</u>	<u>(37,317)</u>	<u>7,934,793</u>	<u>8,900,924</u>
Fund Balances, September 1, 2023	149	205,718	2,144,602	20,489	221,115	3,912,169	6,504,242
Restatement - Error Correction (Note 14)						(407)	(407)
Fund Balances, September 1, 2023, as Restated	<u>149</u>	<u>205,718</u>	<u>2,144,602</u>	<u>20,489</u>	<u>221,115</u>	<u>3,911,762</u>	<u>6,503,835</u>
Fund Balances, August 31, 2024	<u>\$ 6,319</u>	<u>\$ 210,902</u>	<u>\$ 3,097,214</u>	<u>\$ 59,971</u>	<u>\$ 183,798</u>	<u>\$ 11,846,555</u>	<u>\$ 15,404,759</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, 2024 (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		
REVENUES								
Taxes	\$ 4,180,335	\$ 4,180,335	\$ 4,558,524	\$ 378,189	\$	\$	\$	\$
Federal					1,652	1,652	916	(736)
Licenses, Fees and Permits					180,316	185,868	178,352	(7,516)
Sales of Goods and Services					245	647	(514)	(1,161)
Interest and Other Investment Income	21,252	21,252	135,626	114,374	4,259	4,259	10,072	5,813
Other Revenues						3	20	17
Total Revenues	4,201,587	4,201,587	4,694,150	492,563	186,472	192,429	188,846	(3,583)
EXPENDITURES								
General Government								
Education								
Employee Benefits					2,247			
Health and Human Services								
Public Safety and Corrections								
Transportation					242,214	295,364	188,074	107,290
Natural Resources and Recreation								
Regulatory Services								
Total Expenditures	0	0	0	0	244,461	295,364	188,074	107,290
Excess (Deficiency) of Revenues								
Over (Under) Expenditures	4,201,587	4,201,587	4,694,150	492,563	(57,989)	(102,935)	772	103,707
OTHER FINANCING SOURCES (USES)								
Available Beginning Balances					205,655	205,655	205,655	
Sale of Capital Assets								
Insurance Recoveries								
Transfer In			6,147,400	6,147,400				
Transfer Out	(10,348,987)	(10,348,987)	(10,841,549)	(492,562)				
Total Other Financing Sources (Uses)	(10,348,987)	(10,348,987)	(4,694,149)	5,654,838	205,655	205,655	205,655	0
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under)								
Expenditures and Other Financing Uses	\$ (6,147,400)	\$ (6,147,400)	\$ 1	\$ 6,147,401	\$ 147,666	\$ 102,720	\$ 206,427	\$ 103,707

Continued on the following page



## STATE OF TEXAS

# Budgetary Comparison Schedule: Nonmajor Special Revenue Funds (continued)

For the Fiscal Year Ended August 31, 2024 (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		
REVENUES								
Taxes	\$	\$	\$	\$	\$	\$	\$	\$
Federal								
Licenses, Fees and Permits					81,065	81,065	112,549	31,484
Sales of Goods and Services	248	248	79	(169)				
Interest and Other Investment Income	33,187	33,187	192,040	158,853				
Other Revenues								
Total Revenues	33,435	33,435	192,119	158,684	81,065	81,065	112,549	31,484
EXPENDITURES								
General Government					74,218	82,986	70,111	12,875
Education								
Employee Benefits								
Health and Human Services								
Public Safety and Corrections								
Transportation								
Natural Resources and Recreation	1,748	140,360	51,273	89,087				
Regulatory Services								
Total Expenditures	1,748	140,360	51,273	89,087	74,218	82,986	70,111	12,875
Excess (Deficiency) of Revenues								
Over (Under) Expenditures	31,687	(106,925)	140,846	247,771	6,847	(1,921)	42,438	44,359
OTHER FINANCING SOURCES (USES)								
Available Beginning Balances	353,470	353,470	353,470		20,731	20,731	20,731	
Sale of Capital Assets								
Insurance Recoveries								
Transfer In			1,010,086	1,010,086			2,500	2,500
Transfer Out			(202,321)	(202,321)				
Total Other Financing Sources (Uses)	353,470	353,470	1,161,235	807,765	20,731	20,731	23,231	2,500
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under)								
Expenditures and Other Financing Uses	\$ 385,157	\$ 246,545	\$ 1,302,081	\$ 1,055,536	\$ 27,578	\$ 18,810	\$ 65,669	\$ 46,859

Concluded on the following page

## STATE OF TEXAS

# Budgetary Comparison Schedule: Nonmajor Special Revenue Funds (concluded)

For the Fiscal Year Ended August 31, 2024 (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		
REVENUES								
Taxes	\$ 951,917	\$ 951,917	\$ 940,191	\$ (11,726)	\$	\$	\$	\$
Federal					6,674	6,674	7,173	499
Licenses, Fees and Permits					14,690	14,691	14,806	115
Sales of Goods and Services							329	329
Interest and Other Investment Income	8,526	8,526	14,318	5,792	181,198	181,198	390,408	209,210
Other Revenues			2,156,258	2,156,258	20	177	6,012	5,835
Total Revenues	960,443	960,443	3,110,767	2,150,324	202,582	202,740	418,728	215,988
EXPENDITURES								
General Government					486,999	95,697	3,419	92,278
Education	2,097,247	2,097,247	2,108,964	(11,717)	22,769	25,569	24,129	1,440
Employee Benefits					762,621		37,465	(37,465)
Health and Human Services					14,570	14,570	(34)	14,604
Public Safety and Corrections							(1,970)	1,970
Transportation								
Natural Resources and Recreation					700,187	707,935	57,156	650,779
Regulatory Services					5,000,025	5,000,182	24,022	4,976,160
Total Expenditures	2,097,247	2,097,247	2,108,964	(11,717)	6,987,171	5,843,953	144,187	5,699,766
Excess (Deficiency) of Revenues								
Over (Under) Expenditures	(1,136,804)	(1,136,804)	1,001,803	2,138,607	(6,784,589)	(5,641,213)	274,541	5,915,754
OTHER FINANCING SOURCES (USES)								
Available Beginning Balances	56,358	56,358	56,358		2,165,206	2,165,206	2,165,206	
Sale of Capital Assets							7	7
Insurance Recoveries							12	12
Transfer In	2,156,000	2,156,000		(2,156,000)			7,992,781	7,992,781
Transfer Out			(1,038,531)	(1,038,531)			(372,239)	(372,239)
Total Other Financing Sources (Uses)	2,212,358	2,212,358	(982,173)	(3,194,531)	2,165,206	2,165,206	9,785,767	7,620,561
Excess (Deficiency) of Revenues and								
Other Financing Sources Over (Under)								
Expenditures and Other Financing Uses	\$ 1,075,554	\$ 1,075,554	\$ 19,630	\$ (1,055,924)	\$ (4,619,383)	\$ (3,476,007)	\$ 10,060,308	\$ 13,536,315

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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, 2024 (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	\$ 143,353	\$ 287,264	\$ 424	\$ 3,110	\$ 35,075	\$ 1,058	\$ 470,284
Receivables:							
Accounts	257						257
Federal		10,890			16,423		27,313
Interest and Dividends	1,867						1,867
Total Assets	<u>145,477</u>	<u>298,154</u>	<u>424</u>	<u>3,110</u>	<u>51,498</u>	<u>1,058</u>	<u>499,721</u>
<b>LIABILITIES AND FUND BALANCES</b>							
Fund Balances:							
Restricted	145,477	298,154	424	3,110	51,498	1,058	499,721
Total Fund Balances	<u>145,477</u>	<u>298,154</u>	<u>424</u>	<u>3,110</u>	<u>51,498</u>	<u>1,058</u>	<u>499,721</u>
Total Liabilities and Fund Balances	<u>\$ 145,477</u>	<u>\$ 298,154</u>	<u>\$ 424</u>	<u>\$ 3,110</u>	<u>\$ 51,498</u>	<u>\$ 1,058</u>	<u>\$ 499,721</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, 2024 (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	\$ 6	\$ 21,818	\$	\$	\$ 33,654	\$	\$ 55,478
Licenses, Fees and Permits		291,347					291,347
Interest and Other Investment Income	20,471	8,766	169	132	15,310	98	44,946
Other Revenues						926	926
Total Revenues	20,477	321,931	169	132	48,964	1,024	392,697
<b>EXPENDITURES</b>							
Current:							
General Government				443			443
Debt Service:							
Principal	69,795	170,590	199,550	4,530	425,170	192,010	1,061,645
Interest	58,592	228,614	82,982	4,499	270,341	57,305	702,333
Total Expenditures	128,387	399,204	282,532	9,472	695,511	249,315	1,764,421
Excess (Deficiency) of Revenues							
Over (Under) Expenditures	(107,910)	(77,273)	(282,363)	(9,340)	(646,547)	(248,291)	(1,371,724)
<b>OTHER FINANCING SOURCES (USES)</b>							
Bonds Issued for Refunding					1,043,065		1,043,065
Premiums on Bonds Issued					142,309		142,309
Payment to Escrow for Refunding				(1,897)	(1,179,976)		(1,181,873)
Transfer In	149,129	94,065	282,394	11,269	655,781	249,303	1,441,941
Transfer Out	(28,000)				(3,748)	(34)	(31,782)
Total Other Financing Sources (Uses)	121,129	94,065	282,394	9,372	657,431	249,269	1,413,660
Net Change in Fund Balances	13,219	16,792	31	32	10,884	978	41,936
Fund Balances, September 1, 2023	132,258	281,362	393	3,078	40,614	80	457,785
Fund Balances, August 31, 2024	\$ 145,477	\$ 298,154	\$ 424	\$ 3,110	\$ 51,498	\$ 1,058	\$ 499,721



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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 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, 2024 (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	\$ 43,586	\$ 1,218	\$ 452,251	\$ 402	\$ 12,922
Receivables:					
Accounts			7,559		
Other Intergovernmental					
From Other Funds			1,203,096	1,083	
Inventories	2				
Total Assets	<u>\$ 43,588</u>	<u>\$ 1,218</u>	<u>\$1,662,906</u>	<u>\$ 1,485</u>	<u>\$ 12,922</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Payables:					
Accounts	\$ 2,177	\$ 1	\$ 8,651	\$	\$
Payroll	63		19		
To Other Funds					
Other Liabilities			10,723		
Unearned Revenue					
Total Liabilities	<u>2,240</u>	<u>1</u>	<u>19,393</u>	<u>0</u>	<u>0</u>
Fund Balances:					
Nonspendable	2				
Restricted	42,915	1,217	1,643,513	1,485	12,922
Committed					
Unassigned	(1,569)				
Total Fund Balances	<u>41,348</u>	<u>1,217</u>	<u>1,643,513</u>	<u>1,485</u>	<u>12,922</u>
Total Liabilities and Fund Balances	<u>\$ 43,588</u>	<u>\$ 1,218</u>	<u>\$1,662,906</u>	<u>\$ 1,485</u>	<u>\$ 12,922</u>

Concluded on the following page

STATE OF TEXAS

## Combining Balance Sheet: Nonmajor Capital Projects Funds (concluded)

August 31, 2024 (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	\$ 485,968	\$ 254	\$ 196,474	\$ 2,506	\$1,195,581
Receivables:					
Accounts					7,559
Other Intergovernmental	242,352				242,352
From Other Funds	3,309				1,207,488
Inventories					2
Total Assets	<u>\$ 731,629</u>	<u>\$ 254</u>	<u>\$ 196,474</u>	<u>\$ 2,506</u>	<u>\$2,652,982</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Payables:					
Accounts	\$ 1,498	\$	\$ 17,902	\$	\$ 30,229
Payroll					82
To Other Funds	3,600		6,325		9,925
Other Liabilities					10,723
Unearned Revenue	726,531				726,531
Total Liabilities	<u>731,629</u>	<u>0</u>	<u>24,227</u>	<u>0</u>	<u>777,490</u>
Fund Balances:					
Nonspendable					2
Restricted		254		2,506	1,704,812
Committed			172,247		172,247
Unassigned					(1,569)
Total Fund Balances	<u>0</u>	<u>254</u>	<u>172,247</u>	<u>2,506</u>	<u>1,875,492</u>
Total Liabilities and Fund Balances	<u>\$ 731,629</u>	<u>\$ 254</u>	<u>\$ 196,474</u>	<u>\$ 2,506</u>	<u>\$2,652,982</u>

## STATE OF TEXAS

# Combining Statement of Revenues, Expenditures and Changes in Fund Balances: Nonmajor Capital Projects Funds

For the Fiscal Year Ended August 31, 2024 (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			1,120,823		
Interest and Other Investment Income	2,210	78	19,040	19	632
Other Revenues	54,766	991	86		663
Total Revenues	<u>56,976</u>	<u>1,069</u>	<u>1,139,949</u>	<u>19</u>	<u>1,295</u>
<b>EXPENDITURES</b>					
Current:					
General Government	56,581	992	47,613		662
Health and Human Services	1,702			19,129	
Public Safety and Corrections					455
Transportation					
Natural Resources and Recreation		296			
Capital Outlay	106,739	330	898,240	106	195
Debt Service:					
Interest	656				
Other Financing Fees	956				
Total Expenditures	<u>166,634</u>	<u>1,618</u>	<u>945,853</u>	<u>19,235</u>	<u>1,312</u>
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	<u>(109,658)</u>	<u>(549)</u>	<u>194,096</u>	<u>(19,216)</u>	<u>(17)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Bonds and Notes Issued	100,000		1,200		
Bonds Issued for Refunding	92,800				
Payment to Escrow for Refunding	(90,903)				
Transfer In	1,533		712,484		
Transfer Out	(48)		(49,216)		
Total Other Financing Sources (Uses)	<u>103,382</u>	<u>0</u>	<u>664,468</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	<u>(6,276)</u>	<u>(549)</u>	<u>858,564</u>	<u>(19,216)</u>	<u>(17)</u>
Fund Balances, September 1, 2023	<u>47,624</u>	<u>1,766</u>	<u>784,949</u>	<u>20,701</u>	<u>12,939</u>
Fund Balances, August 31, 2024	<u>\$ 41,348</u>	<u>\$ 1,217</u>	<u>\$1,643,513</u>	<u>\$ 1,485</u>	<u>\$ 12,922</u>

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## STATE OF TEXAS

# Combining Statement of Revenues, Expenditures and Changes in Fund Balances: Nonmajor Capital Projects Funds (concluded)

For the Fiscal Year Ended August 31, 2024 (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	\$	\$	\$ 96,164	\$	\$ 96,164
Sales of Goods and Services	189,450				1,310,273
Interest and Other Investment Income		13	8,609	131	30,732
Other Revenues			14	5,950	62,470
Total Revenues	<u>189,450</u>	<u>13</u>	<u>104,787</u>	<u>6,081</u>	<u>1,499,639</u>
<b>EXPENDITURES</b>					
Current:					
General Government		18		5,950	111,816
Health and Human Services					20,831
Public Safety and Corrections					455
Transportation			84,409		84,409
Natural Resources and Recreation					296
Capital Outlay			17,246	533	1,023,389
Debt Service:					
Interest					656
Other Financing Fees			381		1,337
Total Expenditures	<u>0</u>	<u>18</u>	<u>102,036</u>	<u>6,483</u>	<u>1,243,189</u>
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	<u>189,450</u>	<u>(5)</u>	<u>2,751</u>	<u>(402)</u>	<u>256,450</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Bonds and Notes Issued					101,200
Bonds Issued for Refunding					92,800
Payment to Escrow for Refunding					(90,903)
Transfer In			29,807		743,824
Transfer Out	(189,450)				(238,714)
Total Other Financing Sources (Uses)	<u>(189,450)</u>	<u>0</u>	<u>29,807</u>	<u>0</u>	<u>608,207</u>
Net Change in Fund Balances	<u>0</u>	<u>(5)</u>	<u>32,558</u>	<u>(402)</u>	<u>864,657</u>
Fund Balances, September 1, 2023	<u>0</u>	<u>259</u>	<u>139,689</u>	<u>2,908</u>	<u>1,010,835</u>
Fund Balances, August 31, 2024	<u>\$ 0</u>	<u>\$ 254</u>	<u>\$ 172,247</u>	<u>\$ 2,506</u>	<u>\$1,875,492</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 **Texas University Fund** (formerly known as 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, 2024 (Amounts in Thousands)

	Permanent Health Fund for Higher Education	Texas University Fund	Perm Fund Supporting MIL/VET Exempt	Other Nonmajor Permanent Funds	Totals
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 5,308	\$ 31,997	\$ 1,672	\$ 27,411	\$ 66,388
Short-Term Investments	8,015	498,913	26,492	36,528	569,948
Receivables:					
Interest and Dividends	35	4,790	127	274	5,226
From Other Funds		8			8
Investments	89,403	3,714,302	314,330	616,868	4,734,903
Total Assets	<u>\$ 102,761</u>	<u>\$ 4,250,010</u>	<u>\$ 342,621</u>	<u>\$ 681,081</u>	<u>\$ 5,376,473</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Payables:					
Accounts	\$ 489	\$ 1,536	\$	\$ 108	\$ 2,133
Investment Trades			111	600	711
Interest	29		352	667	1,048
To Other Funds		1,420	231		1,651
Total Liabilities	<u>518</u>	<u>2,956</u>	<u>694</u>	<u>1,375</u>	<u>5,543</u>
Fund Balances:					
Nonspendable	97,842	4,216,437		221,305	4,535,584
Restricted	4,401	30,617	341,927	458,355	835,300
Unassigned				46	46
Total Fund Balances	<u>102,243</u>	<u>4,247,054</u>	<u>341,927</u>	<u>679,706</u>	<u>5,370,930</u>
Total Liabilities and Fund Balances	<u>\$ 102,761</u>	<u>\$ 4,250,010</u>	<u>\$ 342,621</u>	<u>\$ 681,081</u>	<u>\$ 5,376,473</u>



## STATE OF TEXAS

# Combining Statement of Revenues, Expenditures and Changes in Fund Balances: Nonmajor Permanent Funds

For the Fiscal Year Ended August 31, 2024 (Amounts in Thousands)

	Permanent Health Fund for Higher Education	Texas University Fund	Perm Fund Supporting MIL/VET Exempt	Other Nonmajor Permanent Funds	Totals
<b>REVENUES</b>					
Interest and Other Investment Income	\$ 7,794	\$ 350,369	\$ 30,627	\$ 80,428	\$ 469,218
Land Income				33	33
Other Revenues	2,836	3,000,000	10,314		3,013,150
Total Revenues	10,630	3,350,369	40,941	80,461	3,482,401
<b>EXPENDITURES</b>					
Current:					
General Government	3,012	7,141	1,223	1,040	12,416
Health and Human Services	779				779
Natural Resources and Recreation	3,240			146	3,386
Total Expenditures	7,031	7,141	1,223	1,186	16,581
Excess of Revenues Over Expenditures	3,599	3,343,228	39,718	79,275	3,465,820
<b>OTHER FINANCING SOURCES (USES)</b>					
Distributions from Permanent Fund Principal			(10,313)	(13,800)	(24,113)
Transfer In		927	1,361	200,000	202,288
Transfer Out		(29,853)	(9,938)	(33)	(39,824)
Total Other Financing Sources (Uses)	0	(28,926)	(18,890)	186,167	138,351
Net Change in Fund Balances	3,599	3,314,302	20,828	265,442	3,604,171
Fund Balances, September 1, 2023	98,644	932,752	321,099	414,264	1,766,759
Fund Balances, September 1, 2023, as Restated	98,644	932,752	321,099	414,264	1,766,759
Fund Balances, August 31, 2024	\$ 102,243	\$4,247,054	\$ 341,927	\$ 679,706	\$ 5,370,930



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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, 2024 (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	\$ 82,433	\$ 126,640	\$	\$
Receivables:				
Accounts	585	25,533	14,985	5,063
Federal			15,778	
Interest and Dividends	11,037	1,043	5,861	
Interfund	311			
From Other Funds		31,681	10,450	69,256
Other Receivables	1,840			
Loans and Contracts	2,526			
Inventories	11	224		17,424
Prepaid Items			2	
Other Current Assets	13,775			
Restricted:				
Cash and Cash Equivalents	448,210	453,638	800,710	
Short-Term Investments	19			
Loans and Contracts	63,645		75,275	
Total Current Assets	<u>624,392</u>	<u>638,759</u>	<u>923,061</u>	<u>91,743</u>
Noncurrent Assets:				
Investments		28,607	136	
Derivative Instruments:				
Hedging			106,180	
Assets Held in Trust				
Loans and Contracts	35,662			
Restricted:				
Receivables				
Investments	2,672,571	54,084		
Loans and Contracts	366,968		2,857,977	
Other Restricted Assets			71	
Capital Assets:				
Non-Depreciable or Non-Amortizable	217	707,310	39,815	283
Depreciable or Amortizable, Net	279	1,781,733	70,564	2,315
Other Noncurrent Assets	20			
Total Noncurrent Assets	<u>3,075,717</u>	<u>2,571,734</u>	<u>3,074,743</u>	<u>2,598</u>
Total Assets	<u>3,700,109</u>	<u>3,210,493</u>	<u>3,997,804</u>	<u>94,341</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred Outflows of Resources	327	11,880	22,521	
Total Deferred Outflows of Resources	<u>327</u>	<u>11,880</u>	<u>22,521</u>	<u>0</u>

Continued on the following page

## STATE OF TEXAS

# Combining Statement of Net Position: Nonmajor Enterprise Funds (continued)

August 31, 2024 (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	\$ 244,144	\$ 377,061	\$ 421,637	\$ 1,251,915
Receivables:				
Accounts		35,284	3,133	84,583
Federal				15,778
Interest and Dividends	1,048	356	740	20,085
Interfund			10	321
From Other Funds		8,531	3,670	123,588
Other Receivables	61		3,269	5,170
Loans and Contracts	6,839		190	9,555
Inventories		113	1,000	18,772
Prepaid Items			1,657	1,659
Other Current Assets				13,775
Restricted:				
Cash and Cash Equivalents		561,006	46,740	2,310,304
Short-Term Investments			617	636
Loans and Contracts				138,920
Total Current Assets	<u>252,092</u>	<u>982,351</u>	<u>482,663</u>	<u>3,995,061</u>
Noncurrent Assets:				
Investments		191,552		220,295
Derivative Instruments:				
Hedging				106,180
Assets Held in Trust			4,792	4,792
Loans and Contracts			64	35,726
Restricted:				
Receivables	26,697			26,697
Investments	1,269,167		22,019	4,017,841
Loans and Contracts				3,224,945
Other Restricted Assets				71
Capital Assets:				
Non-Depreciable or Non-Amortizable			76,329	823,954
Depreciable or Amortizable, Net			386,442	2,241,333
Other Noncurrent Assets				20
Total Noncurrent Assets	<u>1,295,864</u>	<u>191,552</u>	<u>489,646</u>	<u>10,701,854</u>
Total Assets	<u>1,547,956</u>	<u>1,173,903</u>	<u>972,309</u>	<u>14,696,915</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred Outflows of Resources		154,453		189,181
Total Deferred Outflows of Resources	<u>0</u>	<u>154,453</u>	<u>0</u>	<u>189,181</u>

Continued on the following page



## STATE OF TEXAS

# Combining Statement of Net Position: Nonmajor Enterprise Funds (continued)

August 31, 2024 (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	\$ 1,257	\$ 35,681	\$ 30,751	\$ 7,630
Payroll	534			1,843
Interest	46,491	4,240	78	
To Other Funds		19,743	6,449	984
From Restricted Assets				
Bonds:				
General Obligation			271,785	
Revenue	51,198	76,806		
Short-Term Debt	52,298			
Obligations:				
Right to Use Leases				455
Right to Use Subscriptions		49,714		
Employees' Compensable Leave	1,445			1,802
Other Current Liabilities	1,253			
Unearned Revenue	7,924	16,569	93	
Total Current Liabilities	<u>162,400</u>	<u>202,753</u>	<u>309,156</u>	<u>12,714</u>
Noncurrent Liabilities:				
Payables:				
Notes and Loans	10,000			
From Restricted Assets				
Bonds:				
General Obligation			2,705,100	
Revenue	3,060,867	2,638,746		
Obligations:				
Right to Use Leases				1,642
Right to Use Subscriptions		31,092		
Derivative Instruments:				
Hedging	327		22,521	
Assets Held for Others				
Employees' Compensable Leave	968			8
Total Noncurrent Liabilities	<u>3,072,162</u>	<u>2,669,838</u>	<u>2,727,621</u>	<u>1,650</u>
Total Liabilities	<u>3,234,562</u>	<u>2,872,591</u>	<u>3,036,777</u>	<u>14,364</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred Inflows of Resources		103,706	106,180	
Total Deferred Inflows of Resources	<u>0</u>	<u>103,706</u>	<u>106,180</u>	<u>0</u>
<b>NET POSITION</b>				
Net Investment in Capital Assets	31	396,594	110,300	2,625
Restricted for:				
Debt Service	292,372	163,512		
Veterans Land Board Housing Programs			443,554	
Funds Held as Permanent Investments:				
Nonexpendable				
Other Restricted Net Position		115,291		
Unrestricted	173,471	(429,321)	323,514	77,352
Total Net Position	<u>\$ 465,874</u>	<u>\$ 246,076</u>	<u>\$ 877,368</u>	<u>\$ 79,977</u>

Concluded on the following page

## STATE OF TEXAS

# Combining Statement of Net Position: Nonmajor Enterprise Funds (concluded)

August 31, 2024 (Amounts in Thousands)

	Texas Prepaid Tuition Plans	Grand Parkway Transportation Corporation	Other Nonmajor Enterprise Funds	Totals
<b>LIABILITIES</b>				
Current Liabilities:				
Payables:				
Accounts	\$ 754	\$ 8,191	\$ 16,411	\$ 100,675
Payroll			6,260	8,637
Interest		71,927	742	123,478
To Other Funds		17,053	6,836	51,065
From Restricted Assets	218,365			218,365
Bonds:				
General Obligation				271,785
Revenue		11,352	315	139,671
Short-Term Debt				52,298
Obligations:				
Right to Use Leases				455
Right to Use Subscriptions			4,021	53,735
Employees' Compensable Leave	112		1,167	4,526
Other Current Liabilities				1,253
Unearned Revenue	2,812	7,784	500	35,682
Total Current Liabilities	222,043	116,307	36,252	1,061,625
Noncurrent Liabilities:				
Payables:				
Notes and Loans		625,997		635,997
From Restricted Assets	828,735			828,735
Bonds:				
General Obligation				2,705,100
Revenue		4,229,280	286,524	10,215,417
Obligations:				
Right to Use Leases				1,642
Right to Use Subscriptions			73	31,165
Derivative Instruments:				
Hedging				22,848
Assets Held for Others			4,792	4,792
Employees' Compensable Leave	99		792	1,867
Total Noncurrent Liabilities	828,834	4,855,277	292,181	14,447,563
Total Liabilities	1,050,877	4,971,584	328,433	15,509,188
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred Inflows of Resources		15,473		225,359
Total Deferred Inflows of Resources	0	15,473	0	225,359
<b>NET POSITION</b>				
Net Investment in Capital Assets			267,796	777,346
Restricted for:				
Debt Service		84,800		540,684
Veterans Land Board Housing Programs			7,413	450,967
Funds Held as Permanent Investments:				
Nonexpendable			227	227
Other Restricted Net Position		131,637	23,010	269,938
Unrestricted	497,079	(3,875,138)	345,430	(2,887,613)
Total Net Position	\$ 497,079	\$ (3,658,701)	\$ 643,876	\$ (848,451)

## STATE OF TEXAS

## Combining Statement of Revenues, Expenses and Changes in Net Position: Nonmajor Enterprise Funds

For the Fiscal Year Ended August 31, 2024 (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	\$	\$	\$	\$ 120,161
Other Sales of Goods and Services			6,194	
Other Sales of Goods and Services – Pledged		369,344	18,713	
Discounts and Allowances		(27,254)		
Interest and Investment Income	191,048		115,520	
Federal Revenue			128,626	
Other Revenues	64,449	29,980	3,875	(27,323)
Total Operating Revenues	<u>255,497</u>	<u>372,070</u>	<u>272,928</u>	<u>92,838</u>
<b>OPERATING EXPENSES</b>				
Cost of Goods Sold				83,561
Salaries and Wages	12,911	2,573		18,067
Payroll Related Costs	5,395			6,013
Professional Fees and Services	2,314	21,289	134,736	
Materials and Supplies	129	1,416	6,480	2,954
Travel	214	4	162	171
Communication and Utilities	186	1,559	31	19
Repairs and Maintenance	515	57,482	1,497	638
Rentals and Leases	52	2		592
Printing and Reproduction	5			35
Employee/Participant Benefit Payments				
Depreciation and Amortization	54	105,885	5,593	575
Bad Debt	2,550			3
Interest	109,301		125,652	
Other Operating Expenses	51,898	95,155	11,541	104
Total Operating Expenses	<u>185,524</u>	<u>285,365</u>	<u>285,692</u>	<u>112,732</u>
Operating Income (Loss)	<u>69,973</u>	<u>86,705</u>	<u>(12,764)</u>	<u>(19,894)</u>

*Continued on the following page*

## STATE OF TEXAS

# Combining Statement of Revenues, Expenses and Changes in Net Position: Nonmajor Enterprise Funds (continued)

For the Fiscal Year Ended August 31, 2024 (Amounts in Thousands)

	Texas Prepaid Tuition Plans	Grand Parkway Transportation Corporation	Other Nonmajor Enterprise Funds	Totals
<b>OPERATING REVENUES</b>				
Auxiliary Enterprises – Pledged	\$	\$	\$	\$ 120,161
Other Sales of Goods and Services	(6,089)		11,865	11,970
Other Sales of Goods and Services – Pledged		362,200	26,952	777,209
Discounts and Allowances		(14,490)	(1,217)	(42,961)
Interest and Investment Income			45	306,613
Federal Revenue				128,626
Other Revenues	1,414		33,028	105,423
Total Operating Revenues	(4,675)	347,710	70,673	1,407,041
<b>OPERATING EXPENSES</b>				
Cost of Goods Sold			2,154	85,715
Salaries and Wages	1,301	3,675	21,303	59,830
Payroll Related Costs	345		4,929	16,682
Professional Fees and Services	6,858	4,566	11,059	180,822
Materials and Supplies	38	691	1,544	13,252
Travel	15	4	172	742
Communication and Utilities	21	337	1,155	3,308
Repairs and Maintenance	43	21,817	5,941	87,933
Rentals and Leases	30	2	1,059	1,737
Printing and Reproduction	3		82	125
Employee/Participant Benefit Payments	(50,650)			(50,650)
Depreciation and Amortization			13,197	125,304
Bad Debt				2,553
Interest			3	234,956
Other Operating Expenses	25,865	67,462	8,166	260,191
Total Operating Expenses	(16,131)	98,554	70,764	1,022,500
Operating Income (Loss)	11,456	249,156	(91)	384,541

*Continued on the following page*

## STATE OF TEXAS

# Combining Statement of Revenues, Expenses and Changes in Net Position: Nonmajor Enterprise Funds (continued)

For the Fiscal Year Ended August 31, 2024 (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	\$	\$	\$ 3,276	\$
Gifts			42	
Land Income		1,837		
Interest and Investment Income		38,030	99,379	
Settlement of Claims		1	14	1
Depreciation and Amortization		25,121		
Other Nonoperating Revenues				
Investing Activities				
Interest		(126,654)		(90)
Other Nonoperating Expenses		(9,362)		
Total Nonoperating Revenues (Expenses)	<u>0</u>	<u>(71,027)</u>	<u>102,711</u>	<u>(89)</u>
Income (Loss) Before Capital Contributions, Endowments and Transfers	<u>69,973</u>	<u>15,678</u>	<u>89,947</u>	<u>(19,983)</u>
<b>CAPITAL CONTRIBUTIONS, ENDOWMENTS AND TRANSFERS</b>				
Capital Contributions – Other				
Transfer In	2,049	13,022	2,371	5,564
Transfer Out			(38,142)	(5,884)
Total Capital Contributions, Endowments and Transfers	<u>2,049</u>	<u>13,022</u>	<u>(35,771)</u>	<u>(320)</u>
Change in Net Position	<u>72,022</u>	<u>28,700</u>	<u>54,176</u>	<u>(20,303)</u>
Net Position, September 1, 2023	393,852	217,376	823,000	100,280
Restatement - Error Correction (Note 14)			192	
Net Position, September 1, 2023, as Restated	<u>393,852</u>	<u>217,376</u>	<u>823,192</u>	<u>100,280</u>
Net Position, August 31, 2024	<u>\$ 465,874</u>	<u>\$ 246,076</u>	<u>\$ 877,368</u>	<u>\$ 79,977</u>

Concluded on the following page

## STATE OF TEXAS

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

For the Fiscal Year Ended August 31, 2024 (Amounts in Thousands)

	Texas Prepaid Tuition Plans	Grand Parkway Transportation Corporation	Other Nonmajor Enterprise Funds	Totals
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Federal	\$	\$	\$	\$ 3,276
Gifts			303	345
Land Income				1,837
Interest and Investment Income	182,147	59,174	20,790	399,520
Settlement of Claims				16
Depreciation and Amortization		8,572	315	34,008
Other Nonoperating Revenues			10	10
Investing Activities	(679)			(679)
Interest		(188,747)	(13,528)	(329,019)
Other Nonoperating Expenses		(544)	(25)	(9,931)
Total Nonoperating Revenues (Expenses)	<u>181,468</u>	<u>(121,545)</u>	<u>7,865</u>	<u>99,383</u>
Income (Loss) Before Capital Contributions, Endowments and Transfers	<u>192,924</u>	<u>127,611</u>	<u>7,774</u>	<u>483,924</u>
<b>CAPITAL CONTRIBUTIONS, ENDOWMENTS AND TRANSFERS</b>				
Capital Contributions – Other			15	15
Transfer In			114,809	137,815
Transfer Out		(43,553)	(230)	(87,809)
Total Capital Contributions, Endowments and Transfers	<u>0</u>	<u>(43,553)</u>	<u>114,594</u>	<u>50,021</u>
Change in Net Position	<u>192,924</u>	<u>84,058</u>	<u>122,368</u>	<u>533,945</u>
Net Position, September 1, 2023	304,155	(3,742,759)	521,538	(1,382,558)
Restatement - Error Correction (Note 14)			(30)	162
Net Position, September 1, 2023, as Restated	<u>304,155</u>	<u>(3,742,759)</u>	<u>521,508</u>	<u>(1,382,396)</u>
Net Position, August 31, 2024	<u>\$ 497,079</u>	<u>\$ (3,658,701)</u>	<u>\$ 643,876</u>	<u>\$ (848,451)</u>

## STATE OF TEXAS

## Combining Statement of Cash Flows: Nonmajor Enterprise Funds

For the Fiscal Year Ended August 31, 2024 (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	\$	\$ 366,050	\$ 153,817	\$ 117,367
Proceeds from Gifts			42	
Proceeds from Loan Programs	1,501,981		371,273	
Proceeds from Other Operating Revenues	64,593		711	1,693
Payments to Suppliers for Goods and Services	(50,607)	(161,378)	(152,507)	(79,597)
Payments to Employees	(18,355)			(23,932)
Payments for Loans Provided	(1,490,534)		(498,678)	
Payments for Other Operating Expenses			(2,433)	(4,513)
Net Cash Provided (Used) by Operating Activities	<u>7,078</u>	<u>204,672</u>	<u>(127,775)</u>	<u>11,018</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Proceeds from Debt Issuance	5,243,758		135,000	
Proceeds from Transfers from Other Funds	2,049			6,551
Proceeds from Other Noncapital Financing Activities			52,132	
Payments of Principal on Debt Issuance	(4,333,268)		(385,465)	
Payments of Interest	(97,556)		(125,538)	
Payments of Other Costs on Debt Issuance	(10,138)			
Payments for Transfers to Other Funds			(33,866)	(18,079)
Payments for Other Noncapital Financing Uses				
Net Cash Provided (Used) by Noncapital Financing Activities	<u>804,845</u>	<u>0</u>	<u>(357,737)</u>	<u>(11,528)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Proceeds from Debt Issuance		2,671		
Proceeds from Federal Grants and Contracts			5,195	
Proceeds from Other Capital and Related Financing Activities		1,836		
Payments for Additions to Capital Assets	(520)		(12,908)	
Payments of Principal on Debt Issuance		(78,425)		
Payments for Right to Use Leases/Subscription-Based Information Technology Arrangements				(1,358)
Payments of Interest on Debt Issuance		(98,363)		
Payments of Other Costs on Debt Issuance		(12,471)		
Payments for Interfund Receivables		(42)		
Net Cash (Used) by Capital and Related Financing Activities	<u>(520)</u>	<u>(184,794)</u>	<u>(7,713)</u>	<u>(1,358)</u>

*Continued on the following page*



## STATE OF TEXAS

# Combining Statement of Cash Flows: Nonmajor Enterprise Funds (continued)

For the Fiscal Year Ended August 31, 2024 (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	\$ 40,756	\$ 344,268	\$ 36,984	\$ 1,059,242
Proceeds from Gifts				42
Proceeds from Loan Programs				1,873,254
Proceeds from Other Operating Revenues	1,743		35,087	103,827
Payments to Suppliers for Goods and Services	(7,054)	(95,970)	(10,036)	(557,149)
Payments to Employees	(1,647)		(24,952)	(68,886)
Payments for Loans Provided				(1,989,212)
Payments for Other Operating Expenses	(184,586)	(35,876)	(14,613)	(242,021)
Net Cash Provided (Used) by Operating Activities	<u>(150,788)</u>	<u>212,422</u>	<u>22,470</u>	<u>179,097</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Proceeds from Debt Issuance				5,378,758
Proceeds from Transfers from Other Funds			113,489	122,089
Proceeds from Other Noncapital Financing Activities			743	52,875
Payments of Principal on Debt Issuance		(19,085)		(4,737,818)
Payments of Interest		(153,964)		(377,058)
Payments of Other Costs on Debt Issuance		(1,140)		(11,278)
Payments for Transfers to Other Funds		(46,520)	(1,208)	(99,673)
Payments for Other Noncapital Financing Uses		(62)		(62)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>0</u>	<u>(220,771)</u>	<u>113,024</u>	<u>327,833</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Proceeds from Debt Issuance				2,671
Proceeds from Federal Grants and Contracts				5,195
Proceeds from Other Capital and Related Financing Activities				1,836
Payments for Additions to Capital Assets			(4,168)	(17,596)
Payments of Principal on Debt Issuance				(78,425)
Payments for Right to Use Leases/Subscription-Based Information Technology Arrangements			(4,067)	(5,425)
Payments of Interest on Debt Issuance			(7,799)	(106,162)
Payments of Other Costs on Debt Issuance				(12,471)
Payments for Interfund Receivables			(24)	(66)
Net Cash (Used) by Capital and Related Financing Activities	<u>0</u>	<u>0</u>	<u>(16,058)</u>	<u>(210,443)</u>

Continued on the following page

## STATE OF TEXAS

## Combining Statement of Cash Flows: Nonmajor Enterprise Funds (continued)

For the Fiscal Year Ended August 31, 2024 (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	\$ 110,340	\$	\$ 2,598	\$ 31,954
Proceeds from Interest and Investment Income	133,764	30,997	48,293	1,514
Proceeds from Principal Payments on Loans				
Payments to Acquire Investments	(1,009,702)	(31,298)		(31,600)
Net Cash Provided (Used) by Investing Activities	(765,598)	(301)	50,891	1,868
Net Increase (Decrease) in Cash and Cash Equivalents	45,805	19,577	(442,334)	0
Cash and Cash Equivalents, September 1, 2023	484,838	560,701	1,243,044	
Cash and Cash Equivalents, September 1, 2023, as Restated	484,838	560,701	1,243,044	0
Cash and Cash Equivalents, August 31, 2024	\$ 530,643	\$ 580,278	\$ 800,710	\$ 0
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>				
Operating Income (Loss)	\$ 69,973	\$ 86,705	\$ (12,764)	\$ (19,894)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation and Amortization	54	105,885	5,593	575
Bad Debt Expense	2,550			3
Operating Income (Loss) and Cash Flow Categories Classification Differences	(89,616)	(907)	125,546	
Changes in Assets and Liabilities:				
(Increase) Decrease in Receivables	(4,878)	523	(3,972)	(2,796)
(Increase) Decrease in Due From Other Funds		(7,547)		3
Decrease in Inventories		43		3,637
(Increase) Decrease in Loans and Contracts	13,346		(240,925)	
(Increase) in Other Assets	(4,133)		(579)	
(Increase) in Prepaid Expenses			(1)	
Increase (Decrease) in Payables	19,783	21,121	1,139	324
Increase (Decrease) in Due To Other Funds		(1,151)		2
Increase (Decrease) in Unearned Revenues	(254)			
Increase in Employees' Compensable Leave				148
Increase (Decrease) in Other Liabilities	253		(1,812)	29,016
Total Adjustments	(62,895)	117,967	(115,011)	30,912
Net Cash Provided (Used) by Operating Activities	\$ 7,078	\$ 204,672	\$ (127,775)	\$ 11,018
<b>NONCASH TRANSACTIONS</b>				
Net Change in Fair Value of Investments	\$ 52,725	\$ 2,473	\$ (144)	\$
Borrowing Under Lease Purchase	\$	\$	\$	\$ 455
Defeasance of Long-Term Debt	\$	\$(1,924,902)	\$	\$
Proceeds of Bond Issuance	\$	\$ 1,813,570	\$	\$
Other	\$	\$ 1,340	\$	\$

Concluded on the following page

## STATE OF TEXAS

## Combining Statement of Cash Flows: Nonmajor Enterprise Funds (concluded)

For the Fiscal Year Ended August 31, 2024 (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	\$ 205,519	\$ 104,800	\$ 13,002	\$ 468,213
Proceeds from Interest and Investment Income	49,395	47,932	19,405	331,300
Proceeds from Principal Payments on Loans			41	41
Payments to Acquire Investments	(199,684)	(87,711)	(12,865)	(1,372,860)
Net Cash Provided (Used) by Investing Activities	<u>55,230</u>	<u>65,021</u>	<u>19,583</u>	<u>(573,306)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(95,558)</u>	<u>56,672</u>	<u>139,019</u>	<u>(276,819)</u>
Cash and Cash Equivalents, September 1, 2023	<u>339,702</u>	<u>881,395</u>	<u>329,358</u>	<u>3,839,038</u>
Cash and Cash Equivalents, September 1, 2023, as Restated	<u>339,702</u>	<u>881,395</u>	<u>329,358</u>	<u>3,839,038</u>
Cash and Cash Equivalents, August 31, 2024	<u>\$ 244,144</u>	<u>\$ 938,067</u>	<u>\$ 468,377</u>	<u>\$ 3,562,219</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>				
Operating Income (Loss)	\$ 11,456	\$ 249,156	\$ (91)	\$ 384,541
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation and Amortization			13,197	125,304
Bad Debt Expense				2,553
Operating Income (Loss) and Cash Flow Categories Classification Differences			(39)	34,984
Changes in Assets and Liabilities:				
(Increase) Decrease in Receivables	(4,587)	(3,244)	1,174	(17,780)
(Increase) Decrease in Due From Other Funds		(199)	(120)	(7,863)
Decrease in Inventories		25	111	3,816
(Increase) Decrease in Loans and Contracts				(227,579)
(Increase) in Other Assets				(4,712)
(Increase) in Prepaid Expenses			(319)	(320)
Increase (Decrease) in Payables	(157,988)	(842)	7,970	(108,493)
Increase (Decrease) in Due To Other Funds		3,401	42	2,294
Increase (Decrease) in Unearned Revenues			13	(241)
Increase in Employees' Compensable Leave			8	156
Increase (Decrease) in Other Liabilities	331	(35,875)	524	(7,563)
Total Adjustments	<u>(162,244)</u>	<u>(36,734)</u>	<u>22,561</u>	<u>(205,444)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (150,788)</u>	<u>\$ 212,422</u>	<u>\$ 22,470</u>	<u>\$ 179,097</u>
<b>NONCASH TRANSACTIONS</b>				
Net Change in Fair Value of Investments	\$ 133,124	\$ 9,356	\$ 901	\$ 198,435
Borrowing Under Lease Purchase	\$	\$	\$	\$ 455
Defeasance of Long-Term Debt	\$	\$	\$	\$ (1,924,902)
Proceeds of Bond Issuance	\$	\$	\$	\$ 1,813,570
Other	\$	\$ (9,837)	\$ (5,263)	\$ (13,760)



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# COLLEGES AND UNIVERSITIES – MAJOR ENTERPRISE FUND

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There are seven university systems and two 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 System**
- Texas Southern University**
- Texas State Technical College**

# Schedule of Net Position: Colleges and Universities – Major Enterprise Fund

August 31, 2024 (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	\$ 6,568,388	\$ 2,256,475	\$ 268,150	\$ 1,248,924	\$ 727,159	\$ 299,801
Short-Term Investments			21,259	143,254	100,000	
Receivables:						
Accounts	2,166,313	296,796	132,322	129,352	185,105	107,600
Federal	786,515	263,022	26,212	24,234	41,815	36,703
Leases	11,306	4,650	953	1,550	164	2,838
Public/Private Partnership Installment	5,881		329	4,237		299
Other Intergovernmental	332,062	10,898			4,455	2,012
Gifts and Pledges	165,168	31,817	47,913	116,781	1,586	1,066
Investment Trades	1,113,157	11,070				
Interest and Dividends	113,349	19,268	4,089	3,716	1,216	4,564
Interfund		65,849				
From Other Funds	814,067	968,334	411,514	181,482	209,637	157,706
Other Receivables	1,022,852	11,460	7,935	1,796	14,269	7,223
Securities Lending Collateral	953,630					
Loans and Contracts	40,183	19,292	812	31,506	26,660	5,114
Inventories	258,252	29,706	5,035	1,744	1,959	3,027
Prepaid Items			142,076	49,207	92,348	74,636
Other Current Assets	617,506	205,650	1,279		25,339	83
Restricted:						
Cash and Cash Equivalents	1,046,528	578,485	36,750	(114,332)	271,839	38,107
Short-Term Investments			3,664		13,453	
Total Current Assets	<u>16,015,157</u>	<u>4,772,772</u>	<u>1,110,292</u>	<u>1,823,451</u>	<u>1,717,004</u>	<u>740,779</u>
Noncurrent Assets:						
Receivables:						
Leases	214,426	199,529	10,877	6,144	2,442	11,249
Public/Private Partnership Asset	5,959	26,092	458		1,399	
Public/Private Partnership Installment	40,301		1,126	34,918		
Interfund		1,495,390				
Gifts and Pledges	427,843	251,998	103,993		9,924	4,113
Investments	18,485,043	5,394,591	1,954,266	1,675,626	382,172	586,970
Derivative Instruments:						
Hedging	58,870					
Assets Held in Trust		367				
Loans and Contracts		12,844			75	1,432
Prepaid Items						
Restricted:						
Cash and Cash Equivalents	35,902		307,301		15,460	
Short-Term Investments						
Receivables				58,057	461	
Investments	64,573,558	1,292,971	1,708,082		287,639	115,123
Loans and Contracts	27,504	5,420	712	350		
Capital Assets:						
Non-Depreciable or Non-Amortizable	4,786,909	1,985,331	330,516	378,300	533,191	296,589
Depreciable or Amortizable, Net	16,463,385	5,944,689	2,087,176	1,843,944	2,036,230	1,197,002
Other Noncurrent Assets	1,060,417	1,052	118			
Total Noncurrent Assets	<u>106,180,117</u>	<u>16,610,274</u>	<u>6,504,625</u>	<u>3,997,339</u>	<u>3,268,993</u>	<u>2,212,478</u>
Total Assets	<u>122,195,274</u>	<u>21,383,046</u>	<u>7,614,917</u>	<u>5,820,790</u>	<u>4,985,997</u>	<u>2,953,257</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred Outflows of Resources	<u>6,220,638</u>	<u>1,293,206</u>	<u>202,953</u>	<u>149,768</u>	<u>149,600</u>	<u>161,395</u>
Total Deferred Outflows of Resources	<u>6,220,638</u>	<u>1,293,206</u>	<u>202,953</u>	<u>149,768</u>	<u>149,600</u>	<u>161,395</u>

Continued on the following page

# Schedule of Net Position:

## Colleges and Universities – Major Enterprise Fund (continued)

August 31, 2024 (Amounts in Thousands)

	Texas Woman's University System	Stephen F. Austin State University	Texas Southern University	Texas State Technical College	Totals
<b>ASSETS</b>					
Current Assets:					
Cash and Cash Equivalents	\$ 26,672	\$	\$ 182,624	\$ 11,385	\$11,589,578
Short-Term Investments	196,590			26,106	487,209
Receivables:					
Accounts	23,233		26,337	17,755	3,084,813
Federal	40,873		36,638	20,865	1,276,877
Leases				794	22,255
Public/Private Partnership Installment					10,746
Other Intergovernmental			994		350,421
Gifts and Pledges					364,331
Investment Trades					1,124,227
Interest and Dividends				20	146,222
Interfund					65,849
From Other Funds	31,354		55,749	16,136	2,845,979
Other Receivables	15,582		982		1,082,099
Securities Lending Collateral					953,630
Loans and Contracts	1,962				125,529
Inventories	1,437		3,272	2,079	306,511
Prepaid Items	2,232		6,044		366,543
Other Current Assets					849,857
Restricted:					
Cash and Cash Equivalents	8,401			2,729	1,868,507
Short-Term Investments	158,129			25,244	200,490
Total Current Assets	506,465	0	312,640	123,113	27,121,673
Noncurrent Assets:					
Receivables:					
Leases				7,909	452,576
Public/Private Partnership Asset	59,781				93,689
Public/Private Partnership Installment					76,345
Interfund					1,495,390
Gifts and Pledges					797,871
Investments			113,601		28,592,269
Derivative Instruments:					
Hedging					58,870
Assets Held in Trust					367
Loans and Contracts					14,351
Prepaid Items			1,706		1,706
Restricted:					
Cash and Cash Equivalents				305	358,968
Short-Term Investments				301	301
Receivables					58,518
Investments	239,968			237,887	68,455,228
Loans and Contracts			521		34,507
Capital Assets:					
Non-Depreciable or Non-Amortizable	82,630		30,515	116,596	8,540,577
Depreciable or Amortizable, Net	255,423		265,599	227,835	30,321,283
Other Noncurrent Assets					1,061,587
Total Noncurrent Assets	637,802	0	411,942	590,833	140,414,403
Total Assets	1,144,267	0	724,582	713,946	167,536,076
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred Outflows of Resources	23,222		18,030	29,368	8,248,180
Total Deferred Outflows of Resources	23,222	0	18,030	29,368	8,248,180

Continued on the following page

**Schedule of Net Position:****Colleges and Universities – Major Enterprise Fund (continued)**

August 31, 2024 (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	\$ 2,013,077	\$ 536,366	\$ 85,963	\$ 63,499	\$ 123,434	\$ 54,135
Payroll	999,665	219,051	119,367	82,153	50,095	61,360
Federal	58,026			87		
Other Intergovernmental	1,482					
Investment Trades	1,524,900	12,163				
Interest				305	18,965	12,076
Notes and Loans	1,802	13,399	150,816	570		
Interfund	67,126					
To Other Funds	143,980	278,880	4,464	3,498	1,866	2,412
From Restricted Assets		45,050				
Bonds:						
General Obligation						
Revenue	1,107,283	322,615	79,417	95,047	104,978	51,522
Short-Term Debt	2,131,500		104,814	54,916	14,248	83,968
Obligations:						
Securities Lending	953,630					
Pollution Remediation		17				
Right to Use Leases	108,453	18,700	6,936	1,744	2,190	1,785
Right to Use Subscriptions	74,274	18,414	7,521	4,920	3,796	6,892
Funds Held for Others			15,326	39,851	8,591	4,463
Claims and Judgments	189,052	3,395	1,040	1,260		391
Employees' Compensable Leave	591,396	16,894	9,069	17,707	17,165	4,734
OPEB	184,459	61,208	32,141	21,890	22,927	17,988
Other Current Liabilities	209,032	51,478	8,240	3,141	2,828	4,995
Unearned Revenue	2,243,210	1,005,163	341,854	322,682	511,523	314,843
Total Current Liabilities	12,602,347	2,602,793	966,968	713,270	882,606	621,564
Noncurrent Liabilities:						
Payables:						
Notes and Loans	473,585	318,281		2,289		
Interfund	1,495,612	12,104				
From Restricted Assets		10,137				
Bonds:						
General Obligation						
Revenue	9,217,173	4,724,219	918,125	1,684,193	1,437,906	689,397
Obligations:						
Pollution Remediation			1,530			
Asset Retirement	18,988	13,327				3,009
Right to Use Leases	643,285	170,640	37,587	20,870	4,936	3,534
Right to Use Subscriptions	110,297	9,320	8,832	4,702	6,002	8,562
Derivative Instruments:						
Investment	207,717					
Hedging	22,619					
Assets Held for Others	165,073	362				
Claims and Judgments	41,029	11,412	10,971			1,313
Employees' Compensable Leave	385,648	120,720	72,680	17,434	17,373	26,204
Pension	7,887,916	965,214	433,069	322,924	288,562	236,227
OPEB	8,601,249	1,821,247	730,680	497,655	521,215	408,940
Other Noncurrent Liabilities	277,482	23,118	190		266	1,771
Total Noncurrent Liabilities	29,547,673	8,200,101	2,213,664	2,550,067	2,276,260	1,378,957
Total Liabilities	42,150,020	10,802,894	3,180,632	3,263,337	3,158,866	2,000,521
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred Inflows of Resources	8,092,006	1,727,470	359,586	324,417	262,662	191,167
Total Deferred Inflows of Resources	8,092,006	1,727,470	359,586	324,417	262,662	191,167
<b>NET POSITION</b>						
Net Investment in Capital Assets	7,439,148	2,368,526	1,363,694	901,914	991,222	674,631
Restricted for:						
Education	2,815,885	528,034	589,485	386,364	87,138	92,125
Debt Service	52,157			294		
Capital Projects	159,319	841,838	111,304	11,673	265,108	
Funds Held as Permanent Investments:						
Nonexpendable	38,901,622	476,719	1,002,712	758,451	176,667	65,957
Expendable	20,243,860	465,239	279,432	104,749	127,835	56,759
Unrestricted	8,561,895	5,465,532	931,025	219,359	66,099	33,492
Total Net Position	\$78,173,886	\$10,145,888	\$ 4,277,652	\$ 2,382,804	\$ 1,714,069	\$ 922,964

*Concluded on the following page*



**Schedule of Net Position:****Colleges and Universities – Major Enterprise Fund (concluded)**

August 31, 2024 (Amounts in Thousands)

	Texas Woman's University System	Stephen F. Austin State University	Texas Southern University	Texas State Technical College	Totals
<b>LIABILITIES</b>					
Current Liabilities:					
Payables:					
Accounts	\$ 10,847	\$	\$ 34,227	\$ 15,233	\$ 2,936,781
Payroll	7,702		(3,883)	11,895	1,547,405
Federal	2,278			1,041	61,432
Other Intergovernmental	3,469		(1,030)		3,921
Investment Trades					1,537,063
Interest			946	2,225	34,517
Notes and Loans				1,009	167,596
Interfund					67,126
To Other Funds	1,731		262	4	437,097
From Restricted Assets					45,050
Bonds:					
General Obligation				3,187	3,187
Revenue	19,490		7,401	15,853	1,803,606
Short-Term Debt					2,389,446
Obligations:					
Securities Lending					953,630
Pollution Remediation					17
Right to Use Leases			68	200	140,076
Right to Use Subscriptions				2,006	117,823
Funds Held for Others	5,099				73,330
Claims and Judgments					195,138
Employees' Compensable Leave	3,156		2,079	1,118	663,318
OPEB	3,981		2,431	2,586	349,611
Other Current Liabilities	15,798		26,917	(3,610)	318,819
Unearned Revenue	69,280		63,361	38,482	4,910,398
Total Current Liabilities	142,831	0	132,779	91,229	18,756,387
Noncurrent Liabilities:					
Payables:					
Notes and Loans				20,131	814,286
Interfund					1,507,716
From Restricted Assets					10,137
Bonds:					
General Obligation				2,915	2,915
Revenue	233,737		130,799	357,657	19,393,206
Obligations:					
Pollution Remediation					1,530
Asset Retirement					35,324
Right to Use Leases			469	1,196	882,517
Right to Use Subscriptions				4,710	152,425
Derivative Instruments:					
Investment					207,717
Hedging					22,619
Assets Held for Others					165,435
Claims and Judgments					64,725
Employees' Compensable Leave	2,437		1,897	7,143	651,536
Pension	48,441		32,117	17,116	10,231,586
OPEB	90,494		55,259	58,786	12,785,525
Other Noncurrent Liabilities					302,827
Total Noncurrent Liabilities	375,109	0	220,541	469,654	47,232,026
Total Liabilities	517,940	0	353,320	560,883	65,988,413
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred Inflows of Resources	99,915		45,514	35,342	11,138,079
Total Deferred Inflows of Resources	99,915	0	45,514	35,342	11,138,079
<b>NET POSITION</b>					
Net Investment in Capital Assets	84,985		173,588	170,271	14,167,979
Restricted for:					
Education	50,825		138,836	1,067	4,689,759
Debt Service			130		52,581
Capital Projects	196,891		6,896	17,427	1,610,456
Funds Held as Permanent Investments:					
Nonexpendable	18,508		82,917		41,483,553
Expendable				606	21,278,480
Unrestricted	198,425		(58,589)	(42,282)	15,374,956
Total Net Position	\$ 549,634	\$ 0	\$ 343,778	\$ 147,089	\$98,657,764

## Schedule of Revenues, Expenses and Changes in Net Position: Colleges and Universities – Major Enterprise Fund

For the Fiscal Year Ended August 31, 2024 (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	\$ 27,723,622	\$	\$	\$	\$	\$
Discounts and Allowances	(16,867,676)					
Tuition Revenue		97,935	14,065			
Tuition Revenue – Pledged	3,239,061	1,826,113	757,510	805,193	903,526	670,203
Discounts and Allowances	(1,074,786)	(542,180)	(212,652)	(235,942)	(288,056)	(158,338)
Professional Fees	10,289,440	71	607,696			
Professional Fees – Pledged		959	355			29,073
Discounts and Allowances	(7,530,589)		(271,193)			(14,740)
Auxiliary Enterprises						
Auxiliary Enterprises – Pledged	870,007	486,072	220,319	148,338	219,855	93,796
Discounts and Allowances	(24,510)	(66,230)	(11,447)	(20,687)	(14,420)	(125)
Other Sales of Goods and Services		10,738	14,911			2,106
Other Sales of Goods and Services – Pledged	726,198	403,619	17,661	43,546	25,483	65,014
Discounts and Allowances	(20)	(11,153)				
Interest and Investment Income		752				
Interest and Investment Income – Pledged						
Federal Revenue	2,468,332	784,881	105,346	101,562	79,879	143,401
State Grant Revenue	1,113	6,686	2,493	6,245	6,747	3,316
Other Operating Grant Revenue	693,636	281,509	299,632		15,591	9,668
Other Operating Grant Revenue – Pledged	1,966,477	21,589	3,677	44,597		1,462
Other Revenues	30,853	30,524	88,525			186
Other Revenues – Pledged	915,178	114,793		11,514	9,991	1,335
Total Operating Revenues	<u>23,426,336</u>	<u>3,446,678</u>	<u>1,636,898</u>	<u>904,366</u>	<u>958,596</u>	<u>846,357</u>
<b>OPERATING EXPENSES</b>						
Cost of Goods Sold	142,428	5,260	16,228	3,079	158	12,787
Salaries and Wages	13,554,160	2,575,406	1,301,508	809,735	723,712	613,571
Payroll Related Costs	4,216,864	797,581	404,535	258,678	263,644	209,039
Professional Fees and Services	846,529	781,216	141,591	102,574	103,950	145,770
Materials and Supplies	4,213,804	367,786	113,575	58,650	162,804	68,360
Travel	198,888	107,308	45,043	20,460	29,225	17,758
Communication and Utilities	398,853	176,609	72,463	49,020	49,266	25,361
Repairs and Maintenance	551,623	248,624	71,292	40,943	30,226	28,666
Rentals and Leases	126,871	300,526	24,727	29,033	7,079	11,572
Printing and Reproduction	35,891	12,658	5,416	3,815	3,936	4,054
Scholarships	634,264	338,668	103,631	119,566	173,623	146,371
Claims and Judgments	272,087	42	716	780	316	545
Net Change in Asset Retirement Obligation	(1,142)					128
Depreciation and Amortization	1,873,384	586,408	192,411	156,302	156,695	118,960
Bad Debt	(4,314)	537	1,142		7,979	
Interest		232	66	570	533	
Other Operating Expenses	2,102,151	974,058	219,972	70,474	45,343	33,162
Total Operating Expenses	<u>29,162,341</u>	<u>7,272,919</u>	<u>2,714,316</u>	<u>1,723,679</u>	<u>1,758,489</u>	<u>1,436,104</u>
Operating Income (Loss)	<u>(5,736,005)</u>	<u>(3,826,241)</u>	<u>(1,077,418)</u>	<u>(819,313)</u>	<u>(799,893)</u>	<u>(589,747)</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, 2024 (Amounts in Thousands)

	Texas Woman's University System	Stephen F. Austin State University	Texas Southern University	Texas State Technical College	Totals
<b>OPERATING REVENUES</b>					
Hospital Revenue – Pledged	\$	\$	\$	\$	\$ 27,723,622
Discounts and Allowances					(16,867,676)
Tuition Revenue			23,524	12,142	147,666
Tuition Revenue – Pledged	142,669			57,518	8,401,793
Discounts and Allowances	(59,595)			(31,234)	(2,602,783)
Professional Fees					10,897,207
Professional Fees – Pledged					30,387
Discounts and Allowances					(7,816,522)
Auxiliary Enterprises				1,490	1,490
Auxiliary Enterprises – Pledged	32,572			9,892	2,080,851
Discounts and Allowances	(10,675)			(4,563)	(152,657)
Other Sales of Goods and Services					27,755
Other Sales of Goods and Services – Pledged				8,177	1,289,698
Discounts and Allowances					(11,173)
Interest and Investment Income				8	760
Interest and Investment Income – Pledged				1,813	1,813
Federal Revenue	5,859		54,694	5,611	3,749,565
State Grant Revenue	904				27,504
Other Operating Grant Revenue	2,619			4,049	1,306,704
Other Operating Grant Revenue – Pledged					2,037,802
Other Revenues	4,125		53,735	3	207,951
Other Revenues – Pledged					1,052,811
Total Operating Revenues	118,478	0	131,953	64,906	31,534,568
<b>OPERATING EXPENSES</b>					
Cost of Goods Sold	1			1,864	181,805
Salaries and Wages	121,025		46,521	122,867	19,868,505
Payroll Related Costs	43,175		25,253	46,004	6,264,773
Professional Fees and Services	13,325		1,721	4,417	2,141,093
Materials and Supplies	16,811		3,057	19,179	5,024,026
Travel	3,131			2,301	424,114
Communication and Utilities	10,494		853	6,578	789,497
Repairs and Maintenance	7,990		5,905	6,006	991,275
Rentals and Leases	1,308		(78)	2,298	503,336
Printing and Reproduction	704			292	66,766
Scholarships	13,214			29,490	1,558,827
Claims and Judgments				28	274,514
Net Change in Asset Retirement Obligation					(1,014)
Depreciation and Amortization	23,222		20,727	22,842	3,150,951
Bad Debt	967			57	6,368
Interest			2		1,403
Other Operating Expenses	14,419		9,330	11,526	3,480,435
Total Operating Expenses	269,786	0	113,291	275,749	44,726,674
Operating Income (Loss)	(151,308)	0	18,662	(210,843)	(13,192,106)

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, 2024 (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	\$ 592,845	\$ 872,571	\$ 92,653	\$ 167,714	\$ 177,283	\$ 101,005
Gifts	562,039	214,876	60,193		44,324	21,422
Gifts – Pledged	43,238	68,321	1,409	62,648	2,296	
Interest and Investment Income	7,537,982	754,913	355,999		79,373	93,483
Interest and Investment Income – Pledged	1,680,604	313,548	60,760	221,533	49,948	20,448
Settlement of Claims					2,510	
Other Nonoperating Revenues	54,872	45,452	5,731	30	1,175	154
Other Nonoperating Revenues – Pledged	104,063	1,586	18,785	21,511	885	1,536
Investing Activities	(294,637)	(26,454)			(45)	
Borrower Rebates and Agent Fees	(1,977)	(2,263)				
Gain (Loss) on Sale of Capital Assets	(44,168)	(11,263)	(3,674)		(761)	1,157
Claims and Judgments		(4,238)			(474)	
Interest	(438,603)	(197,250)	(40,857)	(62,537)	(41,276)	(29,121)
Other Nonoperating Expenses	(56,467)	(57,465)	(14,166)	(41,339)	(9,226)	(2,352)
Total Nonoperating Revenues (Expenses)	<u>9,739,791</u>	<u>1,972,334</u>	<u>536,833</u>	<u>369,560</u>	<u>306,012</u>	<u>207,732</u>
Income (Loss) Before Capital Contributions, Endowments and Transfers	<u>4,003,786</u>	<u>(1,853,907)</u>	<u>(540,585)</u>	<u>(449,753)</u>	<u>(493,881)</u>	<u>(382,015)</u>
<b>CAPITAL CONTRIBUTIONS, ENDOWMENTS AND TRANSFERS</b>						
Capital Contributions – Federal	3,656					
Capital Contributions – Other	263,727	29,933	39,403			35,993
Contributions to Permanent and Term Endowments	318,848	6,190	24,185	21,421	3,513	2,153
Transfer In	3,726,062	3,072,380	900,261	603,621	681,353	492,143
Transfer Out	(823,405)	(48,314)	(2,381)	(3,173)	(3,296)	(6,403)
Total Capital Contributions, Endowments and Transfers	<u>3,488,888</u>	<u>3,060,189</u>	<u>961,468</u>	<u>621,869</u>	<u>681,570</u>	<u>523,886</u>
Change in Net Position	<u>7,492,674</u>	<u>1,206,282</u>	<u>420,883</u>	<u>172,116</u>	<u>187,689</u>	<u>141,871</u>
Net Position, September 1, 2023	70,663,740	8,939,606	3,765,329	2,210,477	1,525,679	794,036
Restatement - Change in Accounting Principle (Note 14)						
Restatement - Change To or Within Reporting Entity (Note 14)	17,472		71,289			
Restatement - Error Correction (Note 14)			20,151	211	701	(12,943)
Net Position, September 1, 2023, as Restated	<u>70,681,212</u>	<u>8,939,606</u>	<u>3,856,769</u>	<u>2,210,688</u>	<u>1,526,380</u>	<u>781,093</u>
Net Position, August 31, 2024	<u>\$78,173,886</u>	<u>\$10,145,888</u>	<u>\$4,277,652</u>	<u>\$2,382,804</u>	<u>\$1,714,069</u>	<u>\$ 922,964</u>

Concluded on the following page

## 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, 2024 (Amounts in Thousands)

	Texas Woman's University System	Stephen F. Austin State University	Texas Southern University	Texas State Technical College	Totals
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Federal	\$ 31,917	\$	\$	\$ 36,423	\$ 2,072,411
Gifts	5,842			1,018	909,714
Gifts – Pledged				1,140	179,052
Interest and Investment Income	1,350		625	15,046	8,838,771
Interest and Investment Income – Pledged	50,886			216	2,397,943
Settlement of Claims				3	2,513
Other Nonoperating Revenues	820		139	(1,178)	107,195
Other Nonoperating Revenues – Pledged			(54,694)		93,672
Investing Activities					(321,136)
Borrower Rebates and Agent Fees					(4,240)
Gain (Loss) on Sale of Capital Assets				498	(58,211)
Claims and Judgments	(13)				(4,725)
Interest	(9,815)		(5,429)	(18,538)	(843,426)
Other Nonoperating Expenses				(7,181)	(188,196)
Total Nonoperating Revenues (Expenses)	80,987	0	(59,359)	27,447	13,181,337
Income (Loss) Before Capital Contributions, Endowments and Transfers	(70,321)	0	(40,697)	(183,396)	(10,769)
<b>CAPITAL CONTRIBUTIONS, ENDOWMENTS AND TRANSFERS</b>					
Capital Contributions – Federal					3,656
Capital Contributions – Other				344	369,400
Contributions to Permanent and Term Endowments			1,397		377,707
Transfer In	125,174		82,819	190,033	9,873,846
Transfer Out	(35)		(776)		(887,783)
Total Capital Contributions, Endowments and Transfers	125,139	0	83,440	190,377	9,736,826
Change in Net Position	54,818	0	42,743	6,981	9,726,057
Net Position, September 1, 2023	494,388	16,392	375,792	138,586	88,924,025
Restatement - Change in Accounting Principle (Note 14)				1,522	1,522
Restatement - Change To or Within Reporting Entity (Note 14)	428	(16,392)			72,797
Restatement - Error Correction (Note 14)			(74,757)		(66,637)
Net Position, September 1, 2023, as Restated	494,816	0	301,035	140,108	88,931,707
Net Position, August 31, 2024	\$ 549,634	\$ 0	\$ 343,778	\$ 147,089	\$ 98,657,764

## Schedule of Cash Flows: Colleges and Universities – Major Enterprise Fund

For the Fiscal Year Ended August 31, 2024 (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	\$ 13,412,191	\$ 364,147	\$ 453,268	\$ 42,856	\$ 6,092	\$ 81,083
Proceeds from Tuition and Fees	2,145,513	1,454,079	559,352	571,797	565,872	513,070
Proceeds from Research Grants and Contracts	4,914,541	1,127,852	411,729	155,321	105,658	154,841
Proceeds from Loan Programs	78,133	637,070	243,950	162,512	4,225	526
Proceeds from Auxiliaries	841,092	426,374	210,056	127,651	205,835	93,672
Proceeds from Other Operating Revenues	1,286,098	146,053	229,870	11,514	21,003	869
Payments to Suppliers for Goods and Services	(9,524,632)	(2,772,418)	(415,309)	(315,138)	(447,332)	(349,708)
Payments to Employees	(17,067,680)	(3,221,864)	(1,550,791)	(1,008,622)	(864,339)	(721,837)
Payments for Loans Provided	(70,523)	(641,523)	(243,344)	(164,046)	(11,273)	(6)
Payments for Other Operating Expenses	(7,943)	(597,562)	(708,003)	(192,370)	(167,683)	(181,924)
Net Cash (Used) by Operating Activities	(3,993,210)	(3,077,792)	(809,222)	(608,525)	(581,942)	(409,414)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Proceeds from Gifts	559,519	305,256	94,401	75,529	46,821	21,922
Proceeds from Endowments	288,849	6,190		21,421	2,256	2,153
Proceeds from Transfers from Other Funds	4,557,848	2,464,784	819,555	571,530	681,851	486,978
Proceeds from Loan Programs						
Proceeds from Grant Receipts	634,841	1,205,947	106,687	167,637	178,679	101,005
Proceeds from Other Noncapital Financing Activities	1,038,352	48,830	16,984		4,112	1,665
Payments for Transfers to Other Funds	(1,999,748)		(2,382)	(44,512)	(4,316)	(6,395)
Payments for Grant Disbursements					(27)	
Payments for Other Noncapital Financing Uses	(1,084,464)	(47,962)	(11,528)		(8,525)	(218)
Net Cash Provided by Noncapital Financing Activities	3,995,197	3,983,045	1,023,717	791,605	900,851	607,110
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Proceeds from Sale of Capital Assets	7,454	1,598	598		178	147
Proceeds from Debt Issuance	3,716,489	956,820	173,917		1,559,211	49,886
Proceeds from State Grants and Contracts						
Proceeds from Gifts			33,139			
Proceeds from Other Capital and Related Financing Activities		28,282	735	45,041	10,152	
Proceeds from Capital Contributions	180,321	619				
Proceeds from Interfund Payables		10,008				
Payments for Additions to Capital Assets	(2,913,511)	(920,151)	(338,524)	(194,452)	(482,373)	(128,303)
Payments of Principal on Debt Issuance	(2,516,770)	(613,866)	(83,432)	(81,925)	(1,147,549)	(73,588)
Payments for Right to Use Leases/Subscription-Based Information Technology Arrangements	(607,588)	(8,781)	(20,862)	(2,104)	(1,843)	(11,568)
Payments of Interest on Debt Issuance	(494,478)	(168,472)	(43,878)	(62,537)	(40,834)	(35,074)
Payments of Other Costs on Debt Issuance	(7,848)	(3,593)	(181)	(11,603)		(13)
Payments for Interfund Receivables		(1,551)				
Net Cash (Used) by Capital and Related Financing Activities	(2,635,931)	(719,087)	(278,488)	(307,580)	(103,058)	(198,513)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Proceeds from Sale of Investments	61,738,777	2,769,438	281,093	2,126,603	190,884	1,472,410
Proceeds from Interest and Investment Income	3,053,246	270,811	179,190	131,783	74,901	24,846
Payments to Acquire Investments	(61,134,717)	(2,762,962)	(419,310)	(1,976,611)	(111,650)	(1,482,118)
Net Cash Provided by Investing Activities	3,657,306	277,287	40,973	281,775	154,135	15,138
Net Increase (Decrease) in Cash and Cash Equivalents	1,023,362	463,453	(23,020)	157,275	369,986	14,321
Cash and Cash Equivalents, September 1, 2023	6,524,614	2,371,507	631,856	977,131	644,472	328,208
Restatements	102,842		3,365	186		(4,621)
Cash and Cash Equivalents, September 1, 2023, as Restated	6,627,456	2,371,507	635,221	977,317	644,472	323,587
Cash and Cash Equivalents, August 31, 2024	\$ 7,650,818	\$ 2,834,960	\$ 612,201	\$ 1,134,592	\$ 1,014,458	\$ 337,908

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## STATE OF TEXAS

## Schedule of Cash Flows: Colleges and Universities – Major Enterprise Fund (continued)

For the Fiscal Year Ended August 31, 2024 (Amounts in Thousands)

	Texas Woman's University System	Stephen F. Austin State University	Texas Southern University	Texas State Technical College	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Proceeds from Customers	\$	\$	\$	\$ 7,671	\$ 14,367,308
Proceeds from Tuition and Fees	84,222		60,209	36,843	5,990,957
Proceeds from Research Grants and Contracts	10,411		24,905	9,201	6,914,459
Proceeds from Loan Programs			8,575		1,134,991
Proceeds from Auxiliaries	21,897		19,643	5,613	1,951,833
Proceeds from Other Operating Revenues	9,902		26,170		1,731,479
Payments to Suppliers for Goods and Services	(86,354)		(102,502)	(61,800)	(14,075,193)
Payments to Employees	(144,000)		(92,260)	(138,358)	(24,809,751)
Payments for Loans Provided					(1,130,715)
Payments for Other Operating Expenses			(13,716)	(31,441)	(1,900,642)
Net Cash (Used) by Operating Activities	(103,922)	0	(68,976)	(172,271)	(9,825,274)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Proceeds from Gifts	5,842		1,637		1,110,927
Proceeds from Endowments					320,869
Proceeds from Transfers from Other Funds	125,174		70,055	189,016	9,966,791
Proceeds from Loan Programs	62,549				62,549
Proceeds from Grant Receipts			35,717	36,423	2,466,936
Proceeds from Other Noncapital Financing Activities	5,066				1,115,009
Payments for Transfers to Other Funds	(35)		(18,153)	(1,178)	(2,076,719)
Payments for Grant Disbursements	(30,657)				(30,684)
Payments for Other Noncapital Financing Uses				(7,200)	(1,159,897)
Net Cash Provided by Noncapital Financing Activities	167,939	0	89,256	217,061	11,775,781
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Proceeds from Sale of Capital Assets					9,975
Proceeds from Debt Issuance			83,972	19	6,540,314
Proceeds from State Grants and Contracts				1,140	1,140
Proceeds from Gifts					33,139
Proceeds from Other Capital and Related Financing Activities				532	84,742
Proceeds from Capital Contributions					180,940
Proceeds from Interfund Payables					10,008
Payments for Additions to Capital Assets	(53,093)		(12,666)	(68,008)	(5,111,081)
Payments of Principal on Debt Issuance	(16,750)		(85,596)	(16,270)	(4,635,746)
Payments for Right to Use Leases/Subscription-Based Information Technology Arrangements				(2,088)	(654,834)
Payments of Interest on Debt Issuance	(12,384)		(5,426)	(19,609)	(882,692)
Payments of Other Costs on Debt Issuance	(4)				(23,242)
Payments for Interfund Receivables					(1,551)
Net Cash (Used) by Capital and Related Financing Activities	(82,231)	0	(19,716)	(104,284)	(4,448,888)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Proceeds from Sale of Investments			55,952	76,417	68,711,574
Proceeds from Interest and Investment Income	27,455		8,019	16,429	3,786,680
Payments to Acquire Investments	(298)		(62,786)	(33,165)	(67,983,617)
Net Cash Provided by Investing Activities	27,157	0	1,185	59,681	4,514,637
Net Increase (Decrease) in Cash and Cash Equivalents	8,943	0	1,749	187	2,016,256
Cash and Cash Equivalents, September 1, 2023	26,130	63,680	180,875	14,232	11,762,705
Restatements		(63,680)			38,092
Cash and Cash Equivalents, September 1, 2023, as Restated	26,130	0	180,875	14,232	11,800,797
Cash and Cash Equivalents, August 31, 2024	\$ 35,073	\$ 0	\$ 182,624	\$ 14,419	\$ 13,817,053

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## Schedule of Cash Flows: Colleges and Universities – Major Enterprise Fund (continued)

For the Fiscal Year Ended August 31, 2024 (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>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH (USED) BY OPERATING ACTIVITIES</b>						
Operating Income (Loss)	\$ (5,736,005)	\$ (3,826,241)	\$ (1,077,418)	\$ (819,313)	\$ (799,893)	\$ (589,747)
Adjustments to Reconcile Operating Income (Loss) to Net Cash (Used) by Operating Activities:						
Depreciation and Amortization	1,873,384	586,408	192,411	156,302	156,695	118,960
Bad Debt Expense	634,213	9,612	903		7,979	
Pension Expense	1,363,962	176,509	74,858	48,579	47,762	41,297
OPEB Expense	13,522	68,337	52,800	44,179	45,817	46,497
Operating Income (Loss) and Cash Flow Categories Classification Differences				(1,534)		307
Changes in Assets and Liabilities:						
(Increase) Decrease in Receivables	(1,179,742)	20,859	(28,443)	6,589	(42,811)	8,909
(Increase) Decrease in Due From Other Funds		(738)	5,784		120	
(Increase) Decrease in Inventories	(18,351)	(4,442)	598	(40)	(52)	(19)
Decrease in Notes Receivable			939		1,383	
(Increase) Decrease in Loans and Contracts	7,615	(3,000)			(1,662)	520
(Increase) Decrease in Other Assets	(274,919)	(2,735)	112	1,798	(3,746)	44
(Increase) Decrease in Deferred Outflows of Resources -						
Pensions	(363,567)	(68,469)	(17,780)	9,351	(5,527)	(12,535)
(Increase) Decrease in Deferred Outflows of Resources - OPEB	257,551	(97,070)	107,142	87,876	90,809	74,228
(Increase) Decrease in Prepaid Expenses		(4,579)	(11,028)	295	(8,292)	(3,056)
Increase (Decrease) in Payables	165,604	(6,708)	1,626	21,119	12,051	840
Increase (Decrease) in Deposits		519				
Increase (Decrease) in Due To Other Funds		(61,506)	813		284	
Increase (Decrease) in Unearned Revenues	(19,945)	105,044	9,386	2,545	22,291	(12,040)
Increase (Decrease) in Employees' Compensable Leave	55,791	10,415	6,398	1,411	2,646	1,777
Increase (Decrease) in Benefits Payable			618	(38,608)	2,572	
Increase (Decrease) in Liabilities to Employees for Defined						
Benefit Pensions	(76,520)	17,377	(5,343)	(15,201)	551	1,416
Increase (Decrease) in Liabilities to Employees for Defined						
Benefit OPEB	554,287	(509,543)	(89,622)	(75,744)	(71,650)	(64,368)
Increase (Decrease) in Other Liabilities	(64,568)	2,040	6,687	3,618	2,666	(932)
(Decrease) in Deferred Inflows of Resources - Pensions	(204,466)	(32,622)	(11,973)	(20,708)	(18,665)	(7,026)
Increase (Decrease) in Deferred Inflows of Resources - OPEB	(996,507)	550,229	(27,176)	(14,928)	(23,270)	(14,614)
Increase (Decrease) in Asset Retirement Obligations	(1,142)					128
(Decrease) in Deferred Inflows Leases	(2,253)	(7,488)		(1,209)		
Increase (Decrease) in Deferred Inflows - Public-Private/ Public-Public Partnerships	18,846		(1,514)	(4,902)		
Total Adjustments	1,742,795	748,449	268,196	210,788	217,951	180,333
Net Cash (Used) by Operating Activities	<u>\$ (3,993,210)</u>	<u>\$ (3,077,792)</u>	<u>\$ (809,222)</u>	<u>\$ (608,525)</u>	<u>\$ (581,942)</u>	<u>\$ (409,414)</u>
<b>NONCASH TRANSACTIONS</b>						
Donation of Capital Assets	\$ 106,759	\$ 29,314	\$ 15,851	\$	\$ 5,115	\$ 36,002
Net Change in Fair Value of Investments	\$ 2,571,530	\$ 649,631	\$ 282,714	\$ 86,255	\$ 71,048	\$ 88,123
Borrowing Under Lease Purchase	\$ 275,878	\$ 21,981	\$	\$	\$ 11,719	\$ 11,803
Other	\$ (8,333)	\$ 20,452	\$ (7,261)	\$	\$ 3,952	\$ 13,967

Concluded on the following page



## Schedule of Cash Flows: Colleges and Universities – Major Enterprise Fund (concluded)

For the Fiscal Year Ended August 31, 2024 (Amounts in Thousands)

	Texas Woman's University System	Stephen F. Austin State University	Texas Southern University	Texas State Technical College	Totals
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH (USED) BY OPERATING ACTIVITIES</b>					
Operating Income (Loss)	\$ (151,308)	\$ 0	\$ 18,662	\$ (210,843)	\$ (13,192,106)
Adjustments to Reconcile Operating Income (Loss) to Net Cash (Used) by Operating Activities:					
Depreciation and Amortization	23,222		20,727	22,842	3,150,951
Bad Debt Expense	967		802		654,476
Pension Expense	7,875		4,282	2,347	1,767,471
OPEB Expense	7,699		6,423	10,460	295,734
Operating Income (Loss) and Cash Flow Categories Classification Differences			292	(1,332)	(2,267)
Changes in Assets and Liabilities:					
(Increase) Decrease in Receivables	6,379		(3,919)	(6,722)	(1,218,901)
(Increase) Decrease in Due From Other Funds	(74)		(5,501)	(681)	(1,090)
(Increase) Decrease in Inventories	(140)		(70)	(586)	(23,102)
Decrease in Notes Receivable					2,322
(Increase) Decrease in Loans and Contracts	60				3,533
(Increase) Decrease in Other Assets			(761)		(280,207)
(Increase) Decrease in Deferred Outflows of Resources - Pensions	(1,499)		546	(2,006)	(461,486)
(Increase) Decrease in Deferred Outflows of Resources - OPEB	15,526		14,296	4,633	554,991
(Increase) Decrease in Prepaid Expenses	(890)		(1,978)		(29,528)
Increase (Decrease) in Payables	2,923		(20,359)	8,749	185,845
Increase (Decrease) in Deposits				(525)	(6)
Increase (Decrease) in Due To Other Funds	195		244		(59,970)
Increase (Decrease) in Unearned Revenues	1,352		(274)	4,173	112,532
Increase (Decrease) in Employees' Compensable Leave	557		(1,346)	904	78,553
Increase (Decrease) in Benefits Payable					(35,418)
Increase (Decrease) in Liabilities to Employees for Defined Benefit Pensions	(340)		(448)	1,862	(76,646)
Increase (Decrease) in Liabilities to Employees for Defined Benefit OPEB	(11,103)		(18,966)	(4,842)	(291,551)
Increase (Decrease) in Other Liabilities	1,787		(83,298)	387	(131,613)
(Decrease) in Deferred Inflows of Resources - Pensions	(2,024)		(3,000)	(1,217)	(301,701)
Increase (Decrease) in Deferred Inflows of Resources - OPEB	(5,086)		4,670	126	(526,556)
Increase (Decrease) in Asset Retirement Obligations					(1,014)
(Decrease) in Deferred Inflows Leases					(10,950)
Increase (Decrease) in Deferred Inflows - Public-Private/ Public-Public Partnerships					12,430
Total Adjustments	47,386	0	(87,638)	38,572	3,366,832
Net Cash (Used) by Operating Activities	<u>\$ (103,922)</u>	<u>\$ 0</u>	<u>\$ (68,976)</u>	<u>\$ (172,271)</u>	<u>\$ (9,825,274)</u>
<b>NONCASH TRANSACTIONS</b>					
Donation of Capital Assets	\$	\$	\$	\$	\$ 193,041
Net Change in Fair Value of Investments	\$ 25,499	\$	\$	\$	\$ 3,774,800
Borrowing Under Lease Purchase	\$	\$	\$	\$ 455	\$ 321,836
Other	\$ (2,568)	\$	\$	\$	\$ 20,209



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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.

## STATE OF TEXAS

# Combining Statement of Fiduciary Net Position: Pension and Other Employee Benefit Trust Funds

August 31, 2024 (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	\$ 600,040	\$ 54,874	\$ 2,673	\$ 1,676	\$ 117	\$ 4,467,597
Receivables:						
Accounts	632,822	130,535	4,150	2,173	2,147	436,126
Taxes	4,079					
Federal						
Investment Trades	8,078,240	76,522	4,069	1,546		
Interest and Dividends	463,421	123,520	6,588	2,498	230	18,796
From Other Funds	65,772	47,820	1,673	611		30,982
Investments:						
U.S. Government	33,170,060	3,269,031	173,808	66,049	19,743	
Corporate Equity	19,771,108	6,905,284	367,140	139,518	81,789	
Corporate Obligations	814	2,105,632	111,952	42,543	8,612	
Foreign Securities	34,195,932	5,251,624	279,219	106,107	10,564	
Externally Managed	110,716,527	16,260,240	864,525	328,530		
Other Investments	29,681,296	3,342,554	177,606	67,516	15,384	
Securities Lending Collateral	5,276,749	363,964	19,329	7,351		
Prepaid Items	321	390				
Other Assets	89					
Properties, at Cost, Net of Accumulated Depreciation or Amortization	367,256	96,495	1,933	293		4,994
Total Assets	<u>243,024,526</u>	<u>38,028,485</u>	<u>2,014,665</u>	<u>766,411</u>	<u>138,586</u>	<u>4,958,495</u>
<b>LIABILITIES</b>						
Payables:						
Accounts	84,195	43,056	1,362	929	118	138,730
Payroll	13,971	2				1,430
Investment Trades	6,525,546	89,410	4,754	1,806		
Interest		150	7	3		
Annuities	340,677					
To Other Funds	12,564	27,997	2,511	467		
Obligations:						
Securities Lending	5,348,701	362,363	19,266	7,321		
Reverse Repurchase Agreements	20,005,277					
Right to Use Leases	1,195	1,210				
Right to Use Subscriptions	6,672	11,355	487	175		
Funds Held for Others	(16)	1				
Employees' Compensable Leave	19,216	5,690				1,689
Other Liabilities	188					
Unearned Revenue		121	271	61		
Total Liabilities	<u>32,358,186</u>	<u>541,355</u>	<u>28,658</u>	<u>10,762</u>	<u>118</u>	<u>141,849</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred Inflows of Resources (Note 27)	32,053					
Total Deferred Inflows of Resources	<u>32,053</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>NET POSITION</b>						
Restricted for:						
Pensions	210,634,287	37,487,130	1,986,007	755,649	138,468	
OPEB <sup>1</sup>						4,816,646
Held in Trust for Individuals, Organizations and Other Governments						
Total Net Position	<u>\$ 210,634,287</u>	<u>\$ 37,487,130</u>	<u>\$ 1,986,007</u>	<u>\$ 755,649</u>	<u>\$ 138,468</u>	<u>\$ 4,816,646</u>

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

Concluded on the following page

## STATE OF TEXAS

# Combining Statement of Fiduciary Net Position: Pension and Other Employee Benefit Trust Funds (concluded)

August 31, 2024 (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	\$ 63,755	\$ 4,069	\$ 1,986	\$ 2,608	\$ 5,199,395
Receivables:					
Accounts	28,080	45	3,874	82	1,240,034
Taxes					4,079
Federal	155,911				155,911
Investment Trades					8,160,377
Interest and Dividends	786	17	155	16	616,027
From Other Funds	3,244	(11)	28	(163)	149,956
Investments:					
U.S. Government					36,698,691
Corporate Equity					27,264,839
Corporate Obligations					2,269,553
Foreign Securities					39,843,446
Externally Managed					128,169,822
Other Investments	68,029		31,856		33,384,241
Securities Lending Collateral					5,667,393
Prepaid Items					711
Other Assets					89
Properties, at Cost, Net of Accumulated Depreciation or Amortization	2,959				473,930
Total Assets	<u>322,764</u>	<u>4,120</u>	<u>37,899</u>	<u>2,543</u>	<u>289,298,494</u>
<b>LIABILITIES</b>					
Payables:					
Accounts	171,786	2	3,180	86	443,444
Payroll					15,403
Investment Trades					6,621,516
Interest	3				163
Annuities					340,677
To Other Funds	11,007	(33)	(29)	(247)	54,237
Obligations:					
Securities Lending					5,737,651
Reverse Repurchase Agreements					20,005,277
Right to Use Leases					2,405
Right to Use Subscriptions	436				19,125
Funds Held for Others					(15)
Employees' Compensable Leave					26,595
Other Liabilities					188
Unearned Revenue					453
Total Liabilities	<u>183,232</u>	<u>(31)</u>	<u>3,151</u>	<u>(161)</u>	<u>33,267,119</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred Inflows of Resources (Note 27)					32,053
Total Deferred Inflows of Resources	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>32,053</u>
<b>NET POSITION</b>					
Restricted for:					
Pensions					251,001,541
OPEB <sup>1</sup>	139,532				4,956,178
Held in Trust for Individuals, Organizations and Other Governments		4,151	34,748	2,704	41,603
Total Net Position	<u>\$ 139,532</u>	<u>\$ 4,151</u>	<u>\$ 34,748</u>	<u>\$ 2,704</u>	<u>\$ 255,999,322</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, 2024 (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	\$ 4,948,905	\$ 805,558	\$ 15,022	\$ 8,992	\$ 4,172	\$ 290,205
State	7,801,573	1,421,938	814,753	117,370	1,293	521,491
Federal						221,928
Other Contributions	2,858,656					1,033,059
Total Contributions	<u>15,609,134</u>	<u>2,227,496</u>	<u>829,775</u>	<u>126,362</u>	<u>5,465</u>	<u>2,066,683</u>
Investment Income:						
From Investing Activities:						
Net Increase in Fair Value of Investments	16,625,752	3,406,636	177,844	69,049	12,098	
Interest, Dividend and Other						
Investment Income	<u>8,332,255</u>	<u>882,968</u>	<u>47,040</u>	<u>17,428</u>	<u>3,081</u>	<u>202,197</u>
Total Investing Income	24,958,007	4,289,604	224,884	86,477	15,179	202,197
Less Investing Activities Expense	<u>1,188,816</u>	<u>51,448</u>	<u>1,978</u>	<u>905</u>		
Net Income from Investing Activities	<u>23,769,191</u>	<u>4,238,156</u>	<u>222,906</u>	<u>85,572</u>	<u>15,179</u>	<u>202,197</u>
From Securities Lending Activities:						
Securities Lending Income	396,466	17,072	917	321		
Less Securities Lending Expense:						
Borrower Rebates <sup>1</sup>	379,149	14,896	797	283		
Management Fees	<u>1,731</u>	<u>246</u>	<u>13</u>	<u>4</u>		
Net Income from Securities Lending	<u>15,586</u>	<u>1,930</u>	<u>107</u>	<u>34</u>	<u>0</u>	<u>0</u>
Total Net Investment Income	<u>23,784,777</u>	<u>4,240,086</u>	<u>223,013</u>	<u>85,606</u>	<u>15,179</u>	<u>202,197</u>
Other Additions:						
Settlement of Claims	4,666	732	38	15		
Transfer In	33,312	125,380				
Other Revenue	<u>1,158</u>	<u>2,639</u>	<u>3</u>		<u>5</u>	<u>15,132</u>
Total Other Additions	<u>39,136</u>	<u>128,751</u>	<u>41</u>	<u>15</u>	<u>5</u>	<u>15,132</u>
Total Additions	<u>39,433,047</u>	<u>6,596,333</u>	<u>1,052,829</u>	<u>211,983</u>	<u>20,649</u>	<u>2,284,012</u>
<b>DEDUCTIONS</b>						
Benefits	15,118,755	2,926,194	100,298	41,178	8,855	1,333,785
Refunds of Contributions	744,484	159,564	3,619	284		
Loss (Gain) on Sale of Capital Assets	(27,157)	(10)				
Administrative Expenses	80,792	30,114	3,211	272	706	17,758
Depreciation and Amortization	9,868	10,683	277	115		2,606
Interest Expense	297	454	18	6		
Transfer Out	125,380	30,605				
Other Deductions	<u>5,065</u>	<u>6,873</u>	<u>86</u>	<u>18</u>	<u>5</u>	<u>2,982</u>
Total Deductions	<u>16,057,484</u>	<u>3,164,477</u>	<u>107,509</u>	<u>41,873</u>	<u>9,566</u>	<u>1,357,131</u>
<b>INCREASE (DECREASE) IN NET POSITION</b>	<u>23,375,563</u>	<u>3,431,856</u>	<u>945,320</u>	<u>170,110</u>	<u>11,083</u>	<u>926,881</u>
Net Position, September 1, 2023	187,258,724	34,055,324	1,040,702	585,550	127,385	3,889,765
Restatement - Error Correction (Note 14)		(50)	(15)	(11)		
Net Position, September 1, 2023, as Restated	<u>187,258,724</u>	<u>34,055,274</u>	<u>1,040,687</u>	<u>585,539</u>	<u>127,385</u>	<u>3,889,765</u>
Net Position, August 31, 2024	<u>\$ 210,634,287</u>	<u>\$ 37,487,130</u>	<u>\$ 1,986,007</u>	<u>\$ 755,649</u>	<u>\$ 138,468</u>	<u>\$ 4,816,646</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, 2024 (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	\$	\$	\$ 59,058	\$	\$ 6,131,912
State	800,582				11,462,682
Federal	147,699				369,627
Other Contributions			3,640		3,911,673
Total Contributions	<u>948,281</u>	<u>0</u>	<u>62,698</u>	<u>0</u>	<u>21,875,894</u>
Investment Income:					
From Investing Activities:					
Net Increase in Fair Value of Investments					20,291,379
Interest, Dividend and Other					
Investment Income	<u>8,507</u>	<u>203</u>	<u>1,524</u>	<u>190</u>	<u>9,495,393</u>
Total Investing Income	<u>8,507</u>	<u>203</u>	<u>1,524</u>	<u>190</u>	<u>29,786,772</u>
Less Investing Activities Expense		<u>34</u>	<u>17</u>	<u>93</u>	<u>1,243,291</u>
Net Income from Investing Activities	<u>8,507</u>	<u>169</u>	<u>1,507</u>	<u>97</u>	<u>28,543,481</u>
From Securities Lending Activities:					
Securities Lending Income					414,776
Less Securities Lending Expense:					
Borrower Rebates <sup>1</sup>					395,125
Management Fees					1,994
Net Income from Securities Lending	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>17,657</u>
Total Net Investment Income	<u>8,507</u>	<u>169</u>	<u>1,507</u>	<u>97</u>	<u>28,561,138</u>
Other Additions:					
Settlement of Claims					5,451
Transfer In					158,692
Other Revenue	<u>4,407</u>	<u>246</u>	<u>131</u>	<u>246</u>	<u>23,967</u>
Total Other Additions	<u>4,407</u>	<u>246</u>	<u>131</u>	<u>246</u>	<u>188,110</u>
Total Additions	<u>961,195</u>	<u>415</u>	<u>64,336</u>	<u>343</u>	<u>50,625,142</u>
<b>DEDUCTIONS</b>					
Benefits	983,572		63,406		20,576,043
Refunds of Contributions					907,951
Gain (Loss) on Sale of Capital Assets					(27,167)
Administrative Expenses	7,614	52	201	278	140,998
Depreciation and Amortization	179				23,728
Interest Expense	17				792
Transfer Out					155,985
Other Deductions	<u>273</u>	<u>1</u>	<u>930</u>	<u>72</u>	<u>16,305</u>
Total Deductions	<u>991,655</u>	<u>53</u>	<u>64,537</u>	<u>350</u>	<u>21,794,635</u>
<b>INCREASE (DECREASE) IN NET POSITION</b>	<u>(30,460)</u>	<u>362</u>	<u>(201)</u>	<u>(7)</u>	<u>28,830,507</u>
Net Position, September 1, 2023	169,980	3,789	34,949	2,711	227,168,879
Restatement - Error Correction (Note 14)	12				(64)
Net Position, September 1, 2023, as Restated	<u>169,992</u>	<u>3,789</u>	<u>34,949</u>	<u>2,711</u>	<u>227,168,815</u>
Net Position, August 31, 2024	<u>\$ 139,532</u>	<u>\$ 4,151</u>	<u>\$ 34,748</u>	<u>\$ 2,704</u>	<u>\$ 255,999,322</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.

The **Opioid Abatement Trust Fund** was created to receive, manage and disburse funds obtained under statewide opioid settlement agreements. Of the amounts received from these agreements, 15 percent is deposited to the general revenue fund and 85 percent is deposited to the Opioid Abatement Trust Fund held at the Texas

Treasury Safekeeping Trust Company. The funding must be used to support any of a wide variety of strategies to fight the opioid crisis.

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, 2024 (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	\$	\$ 410,728	\$ 456,743	\$ 2,079	\$ 197,353	\$ 1,066,903
Receivables:						
Interest and Dividends	1,192		67	989	715	2,963
Other Receivables				1,062	3	1,065
Investments:						
Corporate Equity	367,197				6,387	373,584
Corporate Obligations					8,392	8,392
Foreign Securities					4,790	4,790
Other Investments	3,018,846			1,120,434		4,139,280
Loans and Contracts				1,360		1,360
Restricted:						
Cash and Cash Equivalents					14	14
Properties, at Cost, Net of Accumulated Depreciation or Amortization					379	379
Total Assets	<u>3,387,235</u>	<u>410,728</u>	<u>456,810</u>	<u>1,125,924</u>	<u>218,033</u>	<u>5,598,730</u>
<b>LIABILITIES</b>						
Payables:						
Accounts	3,498	13,794		362	4,028	21,682
Payroll					47	47
Interest	1,107					1,107
To Other Funds					64	64
From Restricted Assets				1,336		1,336
Employees' Compensable Leave					85	85
Other Liabilities				2,228		2,228
Unearned Revenue				1,186	936	2,122
Total Liabilities	<u>4,605</u>	<u>13,794</u>	<u>0</u>	<u>5,112</u>	<u>5,160</u>	<u>28,671</u>
<b>NET POSITION</b>						
Held in Trust for Individuals,						
Organizations and Other Governments	3,382,630	660,278	456,810	1,120,812	212,873	5,833,403
Other Purposes		(263,344)				(263,344)
Total Net Position	<u>\$ 3,382,630</u>	<u>\$ 396,934</u>	<u>\$ 456,810</u>	<u>\$ 1,120,812</u>	<u>\$ 212,873</u>	<u>\$ 5,570,059</u>

## STATE OF TEXAS

# Combining Statement of Changes in Fiduciary Net Position: Private-Purpose Trust Funds

For the Fiscal Year Ended August 31, 2024 (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	\$	\$	\$	\$	\$ 5,108	\$ 5,108
Other Contributions				379,842	14,640	394,482
Total Contributions	0	0	0	379,842	19,748	399,590
Investment Income:						
From Investing Activities:						
Net Increase in Fair Value of Investments	231,872			122,552	1,989	356,413
Interest, Dividend and Other Investment						
Income	43,693	17,383	19,121	29,617	9,118	118,932
Total Investing Income	275,565	17,383	19,121	152,169	11,107	475,345
Less Investing Activities Expense				3,813	28	3,841
Net Income from Investing Activities	275,565	17,383	19,121	148,356	11,079	471,504
Total Net Investment Income	275,565	17,383	19,121	148,356	11,079	471,504
Other Additions:						
Settlement of Claims		161,790				161,790
Transfer In		26,847			152,599	179,446
Other Revenue			161,738	427	195	162,360
Total Other Additions	0	188,637	161,738	427	152,794	503,596
Total Additions	275,565	206,020	180,859	528,625	183,621	1,374,690
<b>DEDUCTIONS</b>						
Benefits				382,912	7,331	390,243
Intergovernmental Payments	89,006				5,108	94,114
Settlement of Claims		74,932				74,932
Administrative Expenses	6,108			427	326	6,861
Depreciation and Amortization					39	39
Transfer Out					64	64
Other Deductions			68	54	318	440
Total Deductions	95,114	74,932	68	383,393	13,186	566,693
<b>INCREASE (DECREASE) IN NET POSITION</b>	180,451	131,088	180,791	145,232	170,435	807,997
Net Position, September 1, 2023	3,202,179	265,846	276,019	975,580	42,438	4,762,062
Net Position, September 1, 2023, as Restated	3,202,179	265,846	276,019	975,580	42,438	4,762,062
Net Position, August 31, 2024	\$ 3,382,630	\$ 396,934	\$ 456,810	\$ 1,120,812	\$ 212,873	\$ 5,570,059



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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.





## STATE OF TEXAS

# Combining Statement of Fiduciary Net Position: Custodial Funds

August 31, 2024 (Amounts in Thousands)

	Educational Custodial Fund	Economic Development Custodial Fund	Other Custodial Funds	Totals
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 35,309	\$ 1,718,660	\$ 1,037,965	\$ 2,791,934
Receivables:				
Accounts	1,546		6,105	7,651
Gifts and Pledges	46,935			46,935
Investment Trades	275			275
Interest and Dividends	333		26	359
From Other Funds			3	3
Other Receivables	2,424		201	2,625
Investments:				
U.S. Government			31,600	31,600
Other Investments	2,922			2,922
Other Assets	286		1,045,308	1,045,594
Restricted:				
Cash and Cash Equivalents	40,794			40,794
Investments	182,732			182,732
Total Assets	<u>313,556</u>	<u>1,718,660</u>	<u>2,121,208</u>	<u>4,153,424</u>
<b>LIABILITIES</b>				
Payables:				
Accounts	6,683		9,745	16,428
Investment Trades	314			314
Interest			81	81
Funds Held for Others			1	1
Other Liabilities	5,591		143,319	148,910
Unearned Revenue	1,563		181,315	182,878
Total Liabilities	<u>14,151</u>	<u>0</u>	<u>334,461</u>	<u>348,612</u>
<b>NET POSITION</b>				
Other Purposes	299,405	1,718,660	1,786,747	3,804,812
Total Net Position	<u>\$ 299,405</u>	<u>\$ 1,718,660</u>	<u>\$ 1,786,747</u>	<u>\$ 3,804,812</u>

## STATE OF TEXAS

# Combining Statement of Changes in Fiduciary Net Position: Custodial Funds

For the Fiscal Year Ended August 31, 2024 (Amounts in Thousands)

	Educational Custodial Fund	Economic Development Custodial Fund	Other Custodial Funds	Totals
<b>ADDITIONS</b>				
Contributions:				
Member	\$ 955	\$	\$	\$ 955
Federal	659			659
Other Contributions	68,029			68,029
Total Contributions	69,643	0	0	69,643
Investment Income:				
From Investing Activities:				
Net Increase in Fair Value of Investments	11,976			11,976
Interest, Dividend and Other Investment Income	7,049	6,925	63,404	77,378
Total Investing Income	19,025	6,925	63,404	89,354
Less Investing Activities Expense	1,218		13,306	14,524
Net Income from Investing Activities	17,807	6,925	50,098	74,830
Total Net Investment Income	17,807	6,925	50,098	74,830
Other Additions:				
Settlement of Claims			4,419	4,419
Other Revenue	45,655	13,727,576	322,841	14,096,072
Total Other Additions	45,655	13,727,576	327,260	14,100,491
Total Additions	133,105	13,734,501	377,358	14,244,964
<b>DEDUCTIONS</b>				
Benefits			827	827
Refunds of Contributions	334			334
Settlement of Claims			138,419	138,419
Administrative Expenses	1,006		8,469	9,475
Interest Expense		6,630	52	6,682
Other Deductions	102,266	13,647,339	245,120	13,994,725
Total Deductions	103,606	13,653,969	392,887	14,150,462
<b>INCREASE (DECREASE) IN NET POSITION</b>	29,499	80,532	(15,529)	94,502
Net Position, September 1, 2023	269,651	1,638,128	1,802,276	3,710,055
Restatement - Change To or Within Reporting Entity (Note 14)	255			255
Net Position, September 1, 2023, as Restated	269,906	1,638,128	1,802,276	3,710,310
Net Position, August 31, 2024	\$ 299,405	\$ 1,718,660	\$ 1,786,747	\$ 3,804,812

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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.**  
**Texas Permanent School Fund Corporation**  
**Teacher Retirement System of Texas (TRS)**  
**Texas Natural Gas Securitization Finance Corporation**

## STATE OF TEXAS

# Combining Statement of Net Position: Component Units

August 31, 2024 (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	\$ 70,680	\$ 25,901	\$ 450	\$ 147	\$ 32	\$ 47	\$ 647,820
Short-Term Investments	11,075	7,895					
Receivables:							
Accounts	2,667	854					
Federal			3,756				
Leases		116					
Other Intergovernmental							
Gifts and Pledges			15				
Interest and Dividends		444					
Other Receivables							
Loans and Contracts							
Inventories	337						
Prepaid Items	607	189					9,191
Other Current Assets	797		44	2	47	2,098	49,506
Restricted:							
Cash and Cash Equivalents		11,857	730				
Loans and Contracts		128,021	200				
Total Current Assets	86,163	175,277	5,195	149	79	2,145	706,517
Noncurrent Assets:							
Receivables:							
Gifts and Pledges							
Investments		16,856					
Loans and Contracts							
Prepaid Items							
Restricted:							
Cash and Cash Equivalents							
Investments		147,721					
Loans and Contracts		119,767	200				
Capital Assets:							
Non-Depreciable or Non-Amortizable	2,400	4,139					
Depreciable or Amortizable, Net	10,299	27,135	171				19,664
Other Noncurrent Assets		59					84
Total Noncurrent Assets	12,699	315,677	371	0	0	0	19,748
Total Assets	98,862	490,954	5,566	149	79	2,145	726,265

Continued on the following page

## STATE OF TEXAS

# Combining Statement of Net Position: Component Units (continued)

August 31, 2024 (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	\$ 1,569	\$ 52,887	\$ 69,257	\$ 18,598	\$	\$ 1,966	\$ 1,285
Short-Term Investments	16,975						
Receivables:							
Accounts	1,097	11,771	248				
Federal							
Leases							
Other Intergovernmental			5,668				
Gifts and Pledges							
Interest and Dividends		138		86			6
Other Receivables							
Loans and Contracts				180			
Inventories			5,276			1	
Prepaid Items	284	785	635				
Other Current Assets		546		4			
Restricted:							
Cash and Cash Equivalents			24,749				
Loans and Contracts							
Total Current Assets	19,925	66,127	105,833	18,868	0	1,967	1,291
Noncurrent Assets:							
Receivables:							
Gifts and Pledges							
Investments	16,049					2,246	
Loans and Contracts				642			
Prepaid Items			303				
Restricted:							
Cash and Cash Equivalents							
Investments			1,008				
Loans and Contracts							
Capital Assets:							
Non-Depreciable or Non-Amortizable							
Depreciable or Amortizable, Net	5,774		6,128				
Other Noncurrent Assets	(98)						
Total Noncurrent Assets	21,725	0	7,439	642	0	2,246	0
Total Assets	41,650	66,127	113,272	19,510	0	4,213	1,291

Continued on the following page

## STATE OF TEXAS

# Combining Statement of Net Position: Component Units (continued)

August 31, 2024 (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	\$ 1,477	\$ 180	\$ 38	\$	\$	\$ 21,095	\$ 1,092
Short-Term Investments						20,114	2,327
Receivables:							
Accounts				8	419		
Federal							
Leases							
Other Intergovernmental							
Gifts and Pledges							
Interest and Dividends							
Other Receivables	470					6,584	139
Loans and Contracts							
Inventories							
Prepaid Items							197
Other Current Assets	21						
Restricted:							
Cash and Cash Equivalents					137		
Loans and Contracts							
Total Current Assets	<u>1,968</u>	<u>180</u>	<u>38</u>	<u>8</u>	<u>556</u>	<u>47,793</u>	<u>3,755</u>
Noncurrent Assets:							
Receivables:							
Gifts and Pledges						6,365	275
Investments							
Loans and Contracts							
Prepaid Items							
Restricted:							
Cash and Cash Equivalents					6		
Investments					180,290	315,975	154,161
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>180,296</u>	<u>322,340</u>	<u>154,436</u>
Total Assets	<u>1,968</u>	<u>180</u>	<u>38</u>	<u>8</u>	<u>180,852</u>	<u>370,133</u>	<u>158,191</u>

Continued on the following page



## STATE OF TEXAS

# Combining Statement of Net Position: Component Units (continued)

August 31, 2024 (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.	Texas Natural Gas Securitization Finance Corporation	Totals
<b>ASSETS</b>						
Current Assets:						
Cash and Cash Equivalents	\$ 2,403	\$ 2,229	\$ 201	\$ 5	\$	\$ 919,359
Short-Term Investments					80,198	138,584
Receivables:						
Accounts			1			17,065
Federal						3,756
Leases						116
Other Intergovernmental						5,668
Gifts and Pledges						15
Interest and Dividends						674
Other Receivables						7,193
Loans and Contracts						180
Inventories						5,614
Prepaid Items						11,888
Other Current Assets						53,065
Restricted:						
Cash and Cash Equivalents						37,473
Loans and Contracts						128,221
Total Current Assets	<u>2,403</u>	<u>2,229</u>	<u>202</u>	<u>5</u>	<u>80,198</u>	<u>1,328,871</u>
Noncurrent Assets:						
Receivables:						
Gifts and Pledges	2,305					8,945
Investments	125,199	75,220				235,570
Loans and Contracts						642
Prepaid Items						303
Restricted:						
Cash and Cash Equivalents						6
Investments						799,155
Loans and Contracts						119,967
Capital Assets:						
Non-Depreciable or Non-Amortizable						6,539
Depreciable or Amortizable, Net			589			69,760
Other Noncurrent Assets						45
Total Noncurrent Assets	<u>127,504</u>	<u>75,220</u>	<u>589</u>	<u>0</u>	<u>0</u>	<u>1,240,932</u>
Total Assets	<u>129,907</u>	<u>77,449</u>	<u>791</u>	<u>5</u>	<u>80,198</u>	<u>2,569,803</u>

Continued on the following page

## STATE OF TEXAS

# Combining Statement of Net Position: Component Units (continued)

August 31, 2024 (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	\$ 5,982	\$ 738	\$ 3,610	\$ 34	\$	\$	\$ 77,739
Payroll							
Interest		3,655					25
Notes and Loans		500					
From Restricted Assets							
Bonds:							
Revenue		1,305					
Obligations:							
Right to Use Leases	594		79				588
Right to Use Subscriptions	707						
Funds Held for Others							
Employees' Compensable Leave	854						
Other Current Liabilities	723	482			47	832	229,698
Unearned Revenue	15,973	842	333				346,624
Total Current Liabilities	<u>24,833</u>	<u>7,522</u>	<u>4,022</u>	<u>34</u>	<u>47</u>	<u>832</u>	<u>654,674</u>
Noncurrent Liabilities:							
Payables:							
Notes and Loans		750					
From Restricted Assets							
Bonds:							
Revenue		154,381					
Obligations:							
Right to Use Leases	1,996		92				7,298
Right to Use Subscriptions	1,025						
Employees' Compensable Leave	1,567						
Other Noncurrent Liabilities							
Total Noncurrent Liabilities	<u>4,588</u>	<u>155,131</u>	<u>92</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>7,298</u>
Total Liabilities	<u>29,421</u>	<u>162,653</u>	<u>4,114</u>	<u>34</u>	<u>47</u>	<u>832</u>	<u>661,972</u>
<b>NET POSITION</b>							
Net Investment in Capital Assets	8,377	5,587					19,748
Restricted for:							
Education							
Debt Service							
Funds Held as Permanent Investments:							
Nonexpendable							
Expendable							
Other Restricted Net Position		5,587	583				
Unrestricted	61,064	317,127	869	115	32	1,313	44,545
Total Net Position	<u>\$ 69,441</u>	<u>\$ 328,301</u>	<u>\$ 1,452</u>	<u>\$ 115</u>	<u>\$ 32</u>	<u>\$ 1,313</u>	<u>\$ 64,293</u>

<sup>1</sup> Amounts reported for the fiscal year ended Aug. 31, 2024, unless otherwise indicated in Note 19.

Continued on the following page

## STATE OF TEXAS

# Combining Statement of Net Position: Component Units (continued)

August 31, 2024 (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	\$ 94	\$ 21,033	\$ 69	\$ 8	\$	\$ 34	\$
Payroll	128		447	37		164	
Interest	3						
Notes and Loans							
From Restricted Assets							
Bonds:							
Revenue							
Obligations:							
Right to Use Leases	84		78				
Right to Use Subscriptions							
Funds Held for Others							
Employees' Compensable Leave	90		790	22		92	
Other Current Liabilities		24,352					
Unearned Revenue		37,298					
Total Current Liabilities	<u>399</u>	<u>82,683</u>	<u>1,384</u>	<u>67</u>	<u>0</u>	<u>290</u>	<u>0</u>
Noncurrent Liabilities:							
Payables:							
Notes and Loans							
From Restricted Assets							
Bonds:							
Revenue							
Obligations:							
Right to Use Leases	1,004		102				
Right to Use Subscriptions							
Employees' Compensable Leave				16		113	
Other Noncurrent Liabilities			1,007				
Total Noncurrent Liabilities	<u>1,004</u>	<u>0</u>	<u>1,109</u>	<u>16</u>	<u>0</u>	<u>113</u>	<u>0</u>
Total Liabilities	<u>1,403</u>	<u>82,683</u>	<u>2,493</u>	<u>83</u>	<u>0</u>	<u>403</u>	<u>0</u>
<b>NET POSITION</b>							
Net Investment in Capital Assets	9,375		5,948				
Restricted for:							
Education							
Debt Service							
Funds Held as Permanent Investments:							
Nonexpendable							
Expendable							
Other Restricted Net Position			24,749			3,844	
Unrestricted	<u>30,872</u>	<u>(16,556)</u>	<u>80,082</u>	<u>19,427</u>	<u></u>	<u>(34)</u>	<u>1,291</u>
Total Net Position	<u>\$ 40,247</u>	<u>\$ (16,556)</u>	<u>\$ 110,779</u>	<u>\$ 19,427</u>	<u>\$ 0</u>	<u>\$ 3,810</u>	<u>\$ 1,291</u>

<sup>1</sup> Amounts reported for the fiscal year ended Aug. 31, 2024, unless otherwise indicated in Note 19.

Continued on the following page

## STATE OF TEXAS

# Combining Statement of Net Position: Component Units (continued)

August 31, 2024 (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	\$ 1	\$	\$	\$ 4	\$ 9	\$ 154	\$ 168
Payroll					14		
Interest							
Notes and Loans							
From Restricted Assets							
Bonds:							
Revenue							
Obligations:							
Right to Use Leases							
Right to Use Subscriptions							
Funds Held for Others						91,179	122,802
Employees' Compensable Leave							
Other Current Liabilities						2,956	
Unearned Revenue							15
Total Current Liabilities	<u>1</u>	<u>0</u>	<u>0</u>	<u>4</u>	<u>23</u>	<u>94,289</u>	<u>122,985</u>
Noncurrent Liabilities:							
Payables:							
Notes and Loans							
From Restricted Assets							
Bonds:							
Revenue							
Obligations:							
Right to Use Leases							
Right to Use Subscriptions							
Employees' Compensable Leave					18		
Other Noncurrent Liabilities							
Total Noncurrent Liabilities	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>18</u>	<u>0</u>	<u>0</u>
Total Liabilities	<u>1</u>	<u>0</u>	<u>0</u>	<u>4</u>	<u>41</u>	<u>94,289</u>	<u>122,985</u>
<b>NET POSITION</b>							
Net Investment in Capital Assets							
Restricted for:							
Education					95		
Debt Service							
Funds Held as Permanent Investments:							
Nonexpendable					180,716	265,654	32,829
Expendable							
Other Restricted Net Position							
Unrestricted	1,967	180	38	4		10,190	2,377
Total Net Position	<u>\$ 1,967</u>	<u>\$ 180</u>	<u>\$ 38</u>	<u>\$ 4</u>	<u>\$ 180,811</u>	<u>\$ 275,844</u>	<u>\$ 35,206</u>

<sup>1</sup> Amounts reported for the fiscal year ended Aug. 31, 2024, unless otherwise indicated in Note 19.

Concluded on the following page

## STATE OF TEXAS

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

August 31, 2024 (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.	Texas Natural Gas Securitization Finance Corporation	Totals
<b>LIABILITIES</b>						
Current Liabilities:						
Payables:						
Accounts	\$ 3	\$	\$	\$ 152	\$	\$ 109,832
Payroll						790
Interest						3,683
Notes and Loans						500
From Restricted Assets	32					32
Bonds:						
Revenue					132,627	133,932
Obligations:						
Right to Use Leases						1,423
Right to Use Subscriptions						707
Funds Held for Others						213,981
Employees' Compensable Leave						1,848
Other Current Liabilities	1,137					260,227
Unearned Revenue						401,085
Total Current Liabilities	<u>1,172</u>	<u>0</u>	<u>0</u>	<u>152</u>	<u>132,627</u>	<u>1,128,040</u>
Noncurrent Liabilities:						
Payables:						
Notes and Loans						750
From Restricted Assets	244					244
Bonds:						
Revenue					3,389,123	3,543,504
Obligations:						
Right to Use Leases						10,492
Right to Use Subscriptions						1,025
Employees' Compensable Leave						1,714
Other Noncurrent Liabilities						1,007
Total Noncurrent Liabilities	<u>244</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,389,123</u>	<u>3,558,736</u>
Total Liabilities	<u>1,416</u>	<u>0</u>	<u>0</u>	<u>152</u>	<u>3,521,750</u>	<u>4,686,776</u>
<b>NET POSITION</b>						
Net Investment in Capital Assets						49,035
Restricted for:						
Education						95
Debt Service					80,198	80,198
Funds Held as Permanent Investments:						
Nonexpendable	78,586	49,906				607,691
Expendable	48,737	27,543				76,280
Other Restricted Net Position						34,763
Unrestricted	<u>1,168</u>		<u>791</u>	<u>(147)</u>	<u>(3,521,750)</u>	<u>(2,965,035)</u>
Total Net Position	<u>\$ 128,491</u>	<u>\$ 77,449</u>	<u>\$ 791</u>	<u>\$ (147)</u>	<u>\$ (3,441,552)</u>	<u>\$ (2,116,973)</u>

<sup>1</sup> Amounts reported for the fiscal year ended Aug. 31, 2024, unless otherwise indicated in Note 19.

## STATE OF TEXAS

# Combining Statement of Activities: Component Units

For the Fiscal Year Ended August 31, 2024 (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	\$ 484	\$	\$	\$	\$	\$	\$
Salaries and Wages	20,984	4,840	2,520				21,299
Payroll Related Costs	8,238		161				3,061
Professional Fees and Services	5,071	556	471	325			
Materials and Supplies	628		35	2			
Travel	8,782	139	105	22			
Communication and Utilities	724		1	4			
Repairs and Maintenance	763						
Rentals and Leases	870	199	48	24			603
Printing and Reproduction	1,416		28				
Public Assistance Payments			25,337				
Claims and Judgments	862						
Depreciation and Amortization	2,317	99,205	76				4,102
Bad Debt							
Direct Interest	124						
Interest		5,486					311
Other Financing Fees							158,332
Other Expenses	9,829	5,483	718	27		72	202,716
Total Expenses	61,092	115,908	29,500	404	0	72	390,424
<b>PROGRAM REVENUES</b>							
Charges for Services	52,748	76,900	524				371,366
Operating Grants and Contributions	7,026	11,459	28,643			101	23,017
Total Program Revenues	59,774	88,359	29,167	0	0	101	394,383
Net Program Revenues (Expenses)	(1,318)	(27,549)	(333)	(404)	0	29	3,959
<b>GENERAL REVENUES</b>							
Unrestricted Investment Earnings					2	5	
Gain (Loss) on Sale of Capital Assets							
Other General Revenues	6,558	659		498		100	
Contributions to Permanent and Term Endowments							
Total General Revenues	6,558	659	0	498	2	105	0
Change in Net Position	5,240	(26,890)	(333)	94	2	134	3,959
Net Position, September 1, 2023	64,201	355,191	1,785	21	30	1,179	60,334
Net Position, September 1, 2023, as Restated	64,201	355,191	1,785	21	30	1,179	60,334
Net Position, August 31, 2024	\$ 69,441	\$ 328,301	\$ 1,452	\$ 115	\$ 32	\$ 1,313	\$ 64,293

<sup>1</sup> Amounts reported for the fiscal year ended Aug. 31, 2024, 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, 2024 (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	3,576	7,190	12,325	430		1,540	
Payroll Related Costs	961	3,617		245		470	
Professional Fees and Services	1,582		4,417	41		38	
Materials and Supplies	48		6,505	11		7	
Travel	42		176	8		33	
Communication and Utilities	17		338			35	1
Repairs and Maintenance	274		582				
Rentals and Leases	95	515	316			20	
Printing and Reproduction	3						
Public Assistance Payments				208	6		
Claims and Judgments							
Depreciation and Amortization	1,944		2,057				
Bad Debt			66				
Direct Interest							
Interest	16		7				
Other Financing Fees	5	(108)					
Other Expenses	645	62,433	3,927	38		81	
Total Expenses	9,208	73,647	30,716	981	6	2,224	1
<b>PROGRAM REVENUES</b>							
Charges for Services	10,954	53,316	6,457	591		2,591	
Operating Grants and Contributions	1,280	1,303	14,008				
Total Program Revenues	12,234	54,619	20,465	591	0	2,591	0
Net Program Revenues (Expenses)	3,026	(19,028)	(10,251)	(390)	(6)	367	(1)
<b>GENERAL REVENUES</b>							
Unrestricted Investment Earnings			4,044	925		60	52
Gain (Loss) on Sale of Capital Assets			1,504				
Other General Revenues			862	(69)			
Contributions to Permanent and Term Endowments							
Total General Revenues	0	0	6,410	856	0	60	52
Change in Net Position	3,026	(19,028)	(3,841)	466	(6)	427	51
Net Position, September 1, 2023	37,221	2,472	114,620	18,961	6	3,383	1,240
Net Position, September 1, 2023, as Restated	37,221	2,472	114,620	18,961	6	3,383	1,240
Net Position, August 31, 2024	\$ 40,247	\$ (16,556)	\$ 110,779	\$ 19,427	\$ 0	\$ 3,810	\$ 1,291

<sup>1</sup> Amounts reported for the fiscal year ended Aug. 31, 2024, 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, 2024 (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	616				181	1,250	
Payroll Related Costs					50		
Professional Fees and Services	2,172	9			16	3,538	574
Materials and Supplies		110		38	80	26	
Travel	3			1	2	21	
Communication and Utilities	10	5			1		
Repairs and Maintenance							
Rentals and Leases	25		12	2			
Printing and Reproduction		9			4		
Public Assistance Payments						3,875	1,609
Claims and Judgments							
Depreciation and Amortization							
Bad Debt							11
Direct Interest							
Interest							
Other Financing Fees					12,254		
Other Expenses	80	14		25	5	5,628	141
Total Expenses	2,906	147	12	66	12,593	14,338	2,335
<b>PROGRAM REVENUES</b>							
Charges for Services	56			65		3,001	261
Operating Grants and Contributions	2,250	147	22		20,901	47,498	5,840
Total Program Revenues	2,306	147	22	65	20,901	50,499	6,101
Net Program Revenues (Expenses)	(600)	0	10	(1)	8,308	36,161	3,766
<b>GENERAL REVENUES</b>							
Unrestricted Investment Earnings		2					462
Gain (Loss) on Sale of Capital Assets							
Other General Revenues							
Contributions to Permanent and Term Endowments							
Total General Revenues	0	2	0	0	0	0	462
Change in Net Position	(600)	2	10	(1)	8,308	36,161	4,228
Net Position, September 1, 2023	2,567	178	28	5	172,503	239,683	30,978
Net Position, September 1, 2023, as Restated	2,567	178	28	5	172,503	239,683	30,978
Net Position, August 31, 2024	\$ 1,967	\$ 180	\$ 38	\$ 4	\$ 180,811	\$ 275,844	\$ 35,206

<sup>1</sup> Amounts reported for the fiscal year ended Aug. 31, 2024, 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, 2024 (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.	Texas Natural Gas Securitization Finance Corporation	Totals
<b>EXPENSES</b>						
Cost of Goods Sold	\$	\$	\$	\$	\$	\$ 484
Salaries and Wages		109				76,860
Payroll Related Costs						16,803
Professional Fees and Services	1,764	502	4	9	12,674	33,763
Materials and Supplies	15	3	73			7,581
Travel		11				9,345
Communication and Utilities						1,136
Repairs and Maintenance						1,619
Rentals and Leases						2,729
Printing and Reproduction						1,460
Public Assistance Payments	4,462	1,430				36,927
Claims and Judgments						862
Depreciation and Amortization			40			109,741
Bad Debt						77
Direct Interest					79,361	79,485
Interest						5,820
Other Financing Fees					13,524	184,007
Other Expenses	20	86	15		3,384,806	3,676,789
Total Expenses	6,261	2,141	132	9	3,490,365	4,245,488
<b>PROGRAM REVENUES</b>						
Charges for Services					45,824	624,654
Operating Grants and Contributions	17,746	12,385	105		2,989	196,720
Total Program Revenues	17,746	12,385	105	0	48,813	821,374
Net Program Revenues (Expenses)	11,485	10,244	(27)	(9)	\$ (3,441,552)	(3,424,114)
<b>GENERAL REVENUES</b>						
Unrestricted Investment Earnings						5,552
Gain (Loss) on Sale of Capital Assets						1,504
Other General Revenues						8,608
Contributions to Permanent and Term Endowments	3,269	1,470				4,739
Total General Revenues	3,269	1,470	0	0	0	20,403
Change in Net Position	14,754	11,714	(27)	(9)	(3,441,552)	(3,403,711)
Net Position, September 1, 2023	113,737	65,735	818	(138)		1,286,738
Net Position, September 1, 2023, as Restated	113,737	65,735	818	(138)	0	1,286,738
Net Position, August 31, 2024	\$ 128,491	\$ 77,449	\$ 791	\$ (147)	\$ (3,441,552)	\$ (2,116,973)

<sup>1</sup> Amounts reported for the fiscal year ended Aug. 31, 2024, unless otherwise indicated in Note 19.



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SECTION THREE

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# STATISTICAL SECTION



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STATE OF TEXAS

# 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> . . . . .	349 – 355
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> . . . . .	356 – 358
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> . . . . .	359 – 364
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> . . . . .	365 – 367
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> . . . . .	368 – 372
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)

	2015	2016	2017	2018	2019
<b>GOVERNMENTAL ACTIVITIES</b>					
Net Investment in Capital Assets	\$ 70,898	\$ 72,248	\$ 76,926	\$ 80,747	\$ 80,633
Restricted	42,675	46,941	50,168	56,896	63,002
Unrestricted	(19,286)	(20,445)	(25,170)	(104,639)	(97,411)
Total Governmental Activities Net Position	94,287	98,744	101,924	33,004	46,224
<b>BUSINESS-TYPE ACTIVITIES</b>					
Net Investment in Capital Assets	11,572	11,847	11,756	12,706	13,571
Restricted	33,218	42,741	47,295	53,187	53,629
Unrestricted	8,631	6,059	6,711	642	1,657
Total Business-Type Activities Net Position	53,421	60,647	65,762	66,535	68,857
<b>PRIMARY GOVERNMENT</b>					
Net Investment in Capital Assets	82,470	84,095	88,682	93,453	94,204
Restricted	75,893	89,682	97,463	110,083	116,631
Unrestricted	(10,655)	(14,386)	(18,459)	(103,997)	(95,754)
Total Primary Government Net Position	<u>\$ 147,708</u>	<u>\$ 159,391</u>	<u>\$ 167,686</u>	<u>\$ 99,539</u>	<u>\$ 115,081</u>
	2020	2021	2022	2023	2024
<b>GOVERNMENTAL ACTIVITIES</b>					
Net Investment in Capital Assets	\$ 93,692	\$ 103,334	\$ 110,801	\$ 120,941	\$ 133,663
Restricted	65,318	77,148	80,533	32,352	1,046
Unrestricted	(108,438)	(107,730)	(77,945)	(47,267)	169
Total Governmental Activities Net Position	50,572	72,752	113,389	106,026	134,878
<b>BUSINESS-TYPE ACTIVITIES</b>					
Net Investment in Capital Assets	13,648	13,828	13,655	14,025	14,947
Restricted	53,738	67,575	70,465	73,868	77,761
Unrestricted	(853)	2,269	7,876	7,522	12,945
Total Business-Type Activities Net Position	66,533	83,672	91,996	95,415	105,653
<b>PRIMARY GOVERNMENT</b>					
Net Investment in Capital Assets	107,340	117,162	124,456	134,966	148,610
Restricted	119,056	144,723	150,998	106,220	78,807
Unrestricted	(109,291)	(105,461)	(70,069)	(39,745)	13,114
Total Primary Government Net Position	<u>\$ 117,105</u>	<u>\$ 156,424</u>	<u>\$ 205,385</u>	<u>\$ 201,441</u>	<u>\$ 240,531</u>

Source: 2015 – 2024 state of Texas financial statements

**Statistical Section: Financial Trends Information****Changes in Net Position****Last Ten Fiscal Years**

(Amounts in Thousands)

	2015	2016	2017	2018	2019
<b>GOVERNMENTAL ACTIVITIES</b>					
Expenses					
General Government	\$ 3,672,395	\$ 2,583,707	\$ 5,213,330	\$ (2,598,195)	\$ 5,371,436
Education	28,057,482	28,775,870	28,400,268	28,653,616	29,599,638
Employee Benefits	7,064	40,546	1,695		
Teacher Retirement State Contributions	2,735,913	2,080,935	2,148,958	2,629,099	2,991,655
Health and Human Services	51,792,158	55,584,169	55,499,408	57,710,097	56,958,226
Public Safety and Corrections	5,779,455	6,214,653	6,354,517	6,473,778	6,479,379
Transportation	5,088,956	5,837,122	6,143,369	6,262,684	6,484,481
Natural Resources and Recreation	2,167,711	2,013,773	2,163,813	2,180,408	2,311,393
Regulatory Services	488,780	737,203	420,273	398,150	427,790
Interest on General Long-Term Debt	814,564	159,953	167,115	155,172	164,480
Total Expenses	<u>100,604,478</u>	<u>104,027,931</u>	<u>106,512,746</u>	<u>101,864,809</u>	<u>110,788,478</u>
Program Revenues					
Charges for Services					
General Government	1,235,102	1,214,866	1,327,396	1,299,108	1,443,433
Education	710,897	640,800	1,084,465	1,105,345	1,181,424
Employee Benefits	71	71	70	70	
Teacher Retirement State Contributions					
Health and Human Services	3,793,377	4,885,841	4,029,864	4,691,698	4,544,376
Public Safety and Corrections	323,419	328,660	338,672	328,643	301,923
Transportation	2,472,458	2,678,980	2,920,669	3,191,175	3,159,690
Natural Resources and Recreation	680,476	671,388	719,546	703,925	676,790
Regulatory Services	662,538	546,396	575,609	585,528	589,380
Operating Grants and Contributions	43,731,463	49,361,737	50,747,993	52,302,464	52,316,910
Capital Grants and Contributions	71,237	47,373	51,202	64,179	120,099
Total Program Revenues	<u>53,681,038</u>	<u>60,376,112</u>	<u>61,795,486</u>	<u>64,272,135</u>	<u>64,334,025</u>
Net Program Revenues (Expenses):					
Governmental Activities	<u>(46,923,440)</u>	<u>(43,651,819)</u>	<u>(44,717,260)</u>	<u>(37,592,674)</u>	<u>(46,454,453)</u>
General Revenues:					
Taxes:					
Sales and Use	29,072,568	27,964,415	29,041,682	32,241,950	34,013,595
Oil and Natural Gas Production	3,987,325	3,638,527	3,423,345	4,983,417	5,565,378
Motor Vehicle and Manufactured Housing	4,541,039	4,525,239	4,572,207	4,971,002	5,028,763
Franchise	4,808,823	2,031,051	3,309,915	3,747,511	4,233,528
Motor Fuels	3,495,904	3,468,212	3,643,017	3,628,686	3,763,178
Insurance Occupation	2,056,729	2,241,153	2,359,979	2,526,827	2,591,631
Cigarette and Tobacco	1,522,941	1,390,796	1,522,924	1,319,424	1,405,669
Other Taxes	2,287,678	2,275,042	2,314,745	2,543,954	2,720,710
Unrestricted Investment Earnings	153,315	282,494	481,261	724,302	1,174,955
Settlement of Claims	590,685	670,386	537,444	560,556	656,055
Gain (Loss) on Sale of Capital Assets	50,749	54,797	1,249	2,178	8,030
Gain (Loss) on Other Financial Activity	22,266	(59,904)	(3,279)		(1,348)
Other General Revenues	2,171,101	2,259,154	2,721,599	2,917,718	3,543,038
Capital Contributions (Distributions)	713	56,450	84,619	93,354	767
Contributions to Permanent and Term Endowments					
Distributions from Permanent Fund Principal				(11,010)	(9,616)
Special Items					
Extraordinary Items					
Transfers - Internal Activities	(4,189,320)	(4,777,546)	(5,345,718)	(5,043,006)	(5,367,035)
Total General Revenues, Contributions, Extraordinary Items and Transfers	<u>50,572,516</u>	<u>46,020,266</u>	<u>48,664,989</u>	<u>55,206,863</u>	<u>59,327,298</u>
Change in Net Position: Governmental Activities	<u>3,649,076</u>	<u>2,368,447</u>	<u>3,947,729</u>	<u>17,614,189</u>	<u>12,872,845</u>

Source: 2015 – 2024 state of Texas financial statements

Continued on the following page



**Statistical Section: Financial Trends Information****Changes in Net Position (continued)****Last Ten Fiscal Years**

(Amounts in Thousands)

	2020	2021	2022	2023	2024
<b>GOVERNMENTAL ACTIVITIES</b>					
Expenses					
General Government	\$ 9,948,097	\$ 9,399,446	\$ (2,612,809)	\$ (3,499,619)	\$ 121,697
Education	31,793,760	33,975,101	41,640,966	38,266,365	45,409,916
Employee Benefits					
Teacher Retirement State Contributions	2,949,854	2,766,221	4,266,932	3,047,455	8,895,341
Health and Human Services	63,859,992	77,473,428	87,732,567	83,779,885	75,193,982
Public Safety and Corrections	6,304,563	6,250,456	7,682,429	8,609,501	9,069,756
Transportation	7,126,211	6,488,617	7,731,490	8,843,755	9,386,269
Natural Resources and Recreation	2,781,955	3,727,228	3,572,620	5,000,709	6,007,474
Regulatory Services	458,795	488,535	506,166	557,714	643,101
Interest on General Long-Term Debt	177,588	148,969	147,235	186,242	168,883
Total Expenses	<u>125,400,815</u>	<u>140,718,001</u>	<u>150,667,596</u>	<u>144,792,007</u>	<u>154,896,419</u>
Program Revenues					
Charges for Services					
General Government	1,416,922	1,653,507	1,645,948	1,915,381	2,790,723
Education	905,635	1,313,186	2,230,745	1,672,890	1,725,129
Employee Benefits					
Teacher Retirement State Contributions					
Health and Human Services	5,193,922	4,754,039	6,599,795	6,299,207	8,557,271
Public Safety and Corrections	198,676	198,470	207,524	224,935	223,796
Transportation	2,976,759	3,101,244	3,108,815	3,222,638	3,295,225
Natural Resources and Recreation	641,888	685,407	850,305	843,738	875,155
Regulatory Services	620,118	646,789	705,972	689,101	725,388
Operating Grants and Contributions	60,708,011	84,402,547	98,895,680	82,074,497	74,933,197
Capital Grants and Contributions	42,946	58,687	62,953	126,370	46,552
Total Program Revenues	<u>72,704,877</u>	<u>96,813,876</u>	<u>114,307,737</u>	<u>97,068,757</u>	<u>93,172,436</u>
Net Program Revenues (Expenses):					
Governmental Activities	<u>(52,695,938)</u>	<u>(43,904,125)</u>	<u>(36,359,859)</u>	<u>(47,723,250)</u>	<u>(61,723,984)</u>
General Revenues:					
Taxes:					
Sales and Use	34,619,223	35,637,046	44,342,160	46,931,926	46,957,044
Oil and Natural Gas Production	3,928,170	5,253,763	11,525,864	8,993,122	8,069,354
Motor Vehicle and Manufactured Housing	4,732,137	5,818,216	6,441,219	6,863,270	6,843,530
Franchise	4,463,412	4,478,917	5,668,415	6,768,758	6,743,117
Motor Fuels	3,195,268	3,898,839	3,791,079	3,861,939	3,842,858
Insurance Occupation	2,796,878	2,687,322	3,165,238	4,144,429	4,188,154
Cigarette and Tobacco	1,306,008	1,397,311	1,209,789	1,211,005	1,076,574
Other Taxes	2,220,585	2,367,626	3,399,978	3,704,995	3,641,777
Unrestricted Investment Earnings	1,030,582	1,065,761	(177,703)	2,769,371	5,158,033
Settlement of Claims	657,400	797,352	643,729	632,711	862,792
Gain (Loss) on Sale of Capital Assets	20,800	28,662	5,983	5,565	7,078
Gain (Loss) on Other Financial Activity	(1,675)	(12,894)	(5,436)	908	(2,859)
Other General Revenues	3,573,380	4,274,476	6,197,723	9,666,209	9,978,858
Capital Contributions (Distributions)	2,630	55	2,473	508	2,071
Contributions to Permanent and Term Endowments				(8,553,136)	
Distributions from Permanent Fund Principal	(11,801)	(11,914)	(15,457)	(23,197)	(24,113)
Special Items					
Extraordinary Items					
Transfers - Internal Activities	(6,316,901)	(1,542,142)	(9,708,156)	(6,891,397)	(7,110,603)
Total General Revenues, Contributions, Extraordinary Items and Transfers	<u>56,216,096</u>	<u>66,138,396</u>	<u>76,486,898</u>	<u>80,086,986</u>	<u>90,233,665</u>
Change in Net Position: Governmental Activities	<u>3,520,158</u>	<u>22,234,271</u>	<u>40,127,039</u>	<u>32,363,736</u>	<u>28,509,681</u>

Source: 2015 – 2024 state of Texas financial statements

Continued on the following page

## STATE OF TEXAS

**Statistical Section: Financial Trends Information****Changes in Net Position (continued)****Last Ten Fiscal Years**

(Amounts in Thousands)

	2015	2016	2017	2018	2019
<b>BUSINESS-TYPE ACTIVITIES</b>					
Expenses					
General Government	\$ 113,069	\$ 121,463	\$ 139,018	\$ 151,158	\$ 179,604
Education	26,443,474	28,555,418	29,952,017	30,864,744	32,919,256
Teacher Retirement State Contributions		1,584	1,584	1,329	
Health and Human Services	2,585,461	3,145,846	2,684,798	2,243,354	2,072,611
Public Safety and Corrections	98,032	99,414	99,239	102,806	109,443
Transportation	251,897	352,735	451,780	491,228	559,047
Natural Resources and Recreation	279,335	392,417	356,284	417,762	538,560
Lottery	3,296,218	3,665,907	3,749,583	4,181,178	4,621,619
Total Expenses	<u>33,067,486</u>	<u>36,334,784</u>	<u>37,434,303</u>	<u>38,453,559</u>	<u>41,000,140</u>
Program Revenues					
Charges for Services					
General Government	64,388	59,849	75,580	110,236	121,877
Education	14,431,570	15,118,887	15,884,278	16,782,768	17,879,346
Teacher Retirement State Contributions					
Health and Human Services	2,496,371	2,369,689	2,688,423	2,410,782	2,293,686
Public Safety and Corrections	112,255	111,739	113,459	119,520	124,251
Transportation	193,794	256,137	359,149	396,694	454,697
Natural Resources and Recreation	47,562	41,758	40,644	42,696	41,379
Lottery	4,530,468	5,068,213	5,078,175	5,627,640	6,252,347
Operating Grants and Contributions	7,327,924	9,883,197	12,315,252	15,301,199	9,842,091
Capital Grants and Contributions	131,714	68,313	180,782	289,553	331,469
Total Program Revenues	<u>29,336,046</u>	<u>32,977,782</u>	<u>36,735,742</u>	<u>41,081,088</u>	<u>37,341,143</u>
Net Program Revenues (Expenses):					
Business-Type Activities	<u>(3,731,440)</u>	<u>(3,357,002)</u>	<u>(698,561)</u>	<u>2,627,529</u>	<u>(3,658,997)</u>
General Revenues:					
Unrestricted Investment Earnings	67,089	142,738	86,447	79,105	156,819
Settlement of Claims	306	848	1,213	16,368	2,066
Gain (Loss) on Sale of Capital Assets	40,440	1,044	26	1,706	3
Gain (Loss) on Other Financial Activity					
Other General Revenues	186,006	175,050	177,799	169,986	145,227
Capital Contributions (Distributions)	3,817	5,854	5,593	41,343	61,561
Contributions to Permanent and Term Endowments	182,754	217,683	209,404	255,688	276,276
Special Items					
Extraordinary Items					
Transfers - Internal Activities	4,189,320	4,777,546	5,345,718	5,043,006	5,367,035
Total General Revenues, Contributions, Extraordinary Items and Transfers	<u>4,669,732</u>	<u>5,320,763</u>	<u>5,826,200</u>	<u>5,607,202</u>	<u>6,008,987</u>
Change in Net Position: Business Type Activities	<u>938,292</u>	<u>1,963,761</u>	<u>5,127,639</u>	<u>8,234,731</u>	<u>2,349,990</u>
Change in Net Position: Primary Government	<u>\$ 4,587,368</u>	<u>\$ 4,332,208</u>	<u>\$ 9,075,368</u>	<u>\$ 25,848,920</u>	<u>\$ 15,222,835</u>

Source: 2015 – 2024 state of Texas financial statements

Concluded on the following page

## STATE OF TEXAS

**Statistical Section: Financial Trends Information****Changes in Net Position (concluded)****Last Ten Fiscal Years**

(Amounts in Thousands)

	2020	2021	2022	2023	2024
<b>BUSINESS-TYPE ACTIVITIES</b>					
Expenses					
General Government	\$ 186,293	\$ 215,119	\$ 297,264	\$ 284,849	\$ 353,651
Education	36,807,305	40,353,505	40,335,100	43,635,059	46,073,415
Teacher Retirement State Contributions					
Health and Human Services	30,138,406	26,084,927	1,993,906	2,383,827	2,996,651
Public Safety and Corrections	106,944	114,972	132,361	117,332	112,822
Transportation	593,048	607,473	710,006	678,327	703,674
Natural Resources and Recreation	534,504	551,445	539,464	651,703	748,943
Lottery	5,022,653	6,119,219	6,187,899	6,435,017	6,245,908
Total Expenses	<u>73,389,153</u>	<u>74,046,660</u>	<u>50,196,000</u>	<u>54,186,114</u>	<u>57,235,034</u>
Program Revenues					
Charges for Services					
General Government	34,865	23,213	46,406	46,375	44,517
Education	17,747,230	18,882,552	21,021,477	22,421,332	24,319,331
Teacher Retirement State Contributions					
Health and Human Services	1,989,916	2,035,190	2,506,756	1,999,512	1,927,859
Public Safety and Corrections	118,243	128,837	139,409	129,341	121,855
Transportation	403,000	377,117	519,231	699,357	747,354
Natural Resources and Recreation	53,064	34,810	36,953	38,679	30,126
Lottery	6,704,767	8,107,877	8,297,288	8,725,994	8,390,208
Operating Grants and Contributions	36,746,088	58,405,771	13,748,930	18,547,535	22,993,413
Capital Grants and Contributions	154,756	143,359	272,484	263,497	372,649
Total Program Revenues	<u>63,951,929</u>	<u>88,138,726</u>	<u>46,588,934</u>	<u>52,871,622</u>	<u>58,947,312</u>
Net Program Revenues (Expenses):					
Business-Type Activities	<u>(9,437,224)</u>	<u>14,092,066</u>	<u>(3,607,066)</u>	<u>(1,314,492)</u>	<u>1,712,248</u>
General Revenues:					
Unrestricted Investment Earnings	178,862	195,884	(148,182)	223,262	358,600
Settlement of Claims	4,118	3,085	2,425	2,218	2,528
Gain (Loss) on Sale of Capital Assets	140	549	18,442	6,680	(57,758)
Gain (Loss) on Other Financial Activity				(162)	17
Other General Revenues	386,140	804,660	360,334	512,958	290,733
Capital Contributions (Distributions)	21,015	43,489	95,804		
Contributions to Permanent and Term Endowments	207,888	380,675	410,448	326,116	377,707
Special Items	698				
Extraordinary Items		86,141			
Transfers - Internal Activities	6,316,901	1,542,142	9,708,156	6,891,397	7,110,603
Total General Revenues, Contributions, Extraordinary Items and Transfers	<u>7,115,762</u>	<u>3,056,625</u>	<u>10,447,427</u>	<u>7,962,469</u>	<u>8,082,430</u>
Change in Net Position: Business Type Activities	<u>(2,321,462)</u>	<u>17,148,691</u>	<u>6,840,361</u>	<u>6,647,977</u>	<u>9,794,678</u>
Change in Net Position: Primary Government	<u>\$ 1,198,696</u>	<u>\$ 39,382,962</u>	<u>\$ 46,971,400</u>	<u>\$ 39,011,713</u>	<u>\$ 38,304,359</u>

Source: 2015 – 2024 state of Texas financial statements

## STATE OF TEXAS

**Statistical Section: Financial Trends Information****Fund Balances: Governmental Funds****Last Ten Fiscal Years**

(Amounts in Millions)

	2015	2016	2017	2018	2019
<b>GENERAL FUND</b>					
Nonspendable	\$ 843	\$ 728	\$ 698	\$ 725	\$ 712
Restricted	900	1,547	1,166	1,899	1,372
Committed	4,765	4,602	4,545	5,235	5,154
Assigned	23	115	51	41	51
Unassigned	11,351	7,680	5,558	5,288	8,990
Total General Fund	<u>\$ 17,882</u>	<u>\$ 14,672</u>	<u>\$ 12,018</u>	<u>\$ 13,188</u>	<u>\$ 16,279</u>

**ALL OTHER GOVERNMENTAL FUNDS**

Nonspendable	\$ 14,483	\$ 16,692	\$ 41,099	\$ 43,835	\$ 46,334
Restricted	30,314	31,584	11,654	12,975	15,126
Committed	1,961	1,276	1,036	841	1,016
Assigned	40	574	880	1,324	1,123
Unassigned			(9)		
Total All Other Governmental Funds	<u>\$ 46,798</u>	<u>\$ 50,126</u>	<u>\$ 54,660</u>	<u>\$ 58,975</u>	<u>\$ 63,599</u>

	2020	2021	2022	2023	2024
<b>GENERAL FUND</b>					
Nonspendable	\$ 751	\$ 847	\$ 725	\$ 918	\$ 951
Restricted	1,753	2,140	2,909	3,700	4,195
Committed	7,257	7,786	7,380	10,566	8,987
Assigned	11	12	41	6	97
Unassigned	7,039	13,951	34,077	49,789	46,897
Total General Fund	<u>\$ 16,811</u>	<u>\$ 24,736</u>	<u>\$ 45,132</u>	<u>\$ 64,979</u>	<u>\$ 61,127</u>

**ALL OTHER GOVERNMENTAL FUNDS**

Nonspendable	\$ 46,482	\$ 54,921	\$ 56,213	\$ 7,585	\$ 10,127
Restricted	16,744	19,255	20,335	19,637	24,904
Committed	617	872	929	224	1,204
Assigned	2	303	923		814
Unassigned		(70)	(162)	(11)	(2)
Total All Other Governmental Funds	<u>\$ 63,845</u>	<u>\$ 75,281</u>	<u>\$ 78,238</u>	<u>\$ 27,435</u>	<u>\$ 37,048</u>

Source: 2015 – 2024 state of Texas financial statements

## STATE OF TEXAS

# Statistical Section: Financial Trends Information

## Changes in Fund Balances: Governmental Funds

### Last Ten Fiscal Years<sup>1</sup>

(Amounts in Millions)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<b>REVENUES</b>										
Taxes	\$ 51,096	\$ 47,971	\$ 50,194	\$ 56,102	\$ 59,336	\$ 56,567	\$ 62,082	\$ 78,986	\$ 82,001	\$ 81,846
Federal	41,869	44,284	43,669	46,306	46,829	56,223	72,299	93,852	78,936	68,203
Licenses, Fees and Permits	5,308	5,266	5,523	5,654	5,817	5,515	5,750	6,064	6,325	6,645
Sales of Goods and Services	(574)	2,405	4,901	3,780	3,866	5,294	5,064	6,764	6,639	9,599
Interest and Other Investment Income	638	555	973	1,026	1,120	2,221	10,846	1,569	2,740	4,561
Land Income	590	685	540	546	693	830	1,216	2,130	1,641	1,661
Settlement of Claims	3,748	4,840	4,172	4,920	4,709	652	771	666	652	885
Other Revenues	4,676	5,253	5,364	5,789	6,044	6,178	7,332	9,618	12,694	17,073
Total Revenues	107,351	111,259	115,336	124,123	128,414	133,480	165,360	199,649	191,628	190,473
<b>EXPENDITURES</b>										
General Government	2,873	2,869	3,171	3,366	3,604	3,711	4,853	5,890	6,126	9,798
Education	27,937	28,671	28,392	28,657	29,689	31,729	33,843	41,508	39,182	45,292
Employee Benefits	14	47	26	27	20	46	44	59	54	56
Teacher Retirement State Contributions	2,736	2,081	2,149	2,629	2,992	2,950	2,768	4,267	3,047	8,895
Health and Human Services	51,741	55,544	55,466	57,994	57,209	63,981	77,551	87,626	83,624	75,016
Public Safety and Corrections	5,595	6,038	6,202	6,628	6,599	6,284	6,220	7,520	8,464	8,909
Transportation	3,581	3,643	3,741	3,831	4,074	4,422	3,802	4,897	5,335	6,425
Natural Resources and Recreation	2,186	2,124	2,138	2,169	2,241	2,863	3,833	3,651	4,022	6,033
Regulatory Services	486	736	420	427	451	466	481	490	552	626
Capital Outlay	5,447	6,371	7,053	6,819	7,862	9,575	10,214	10,120	10,773	15,304
Debt Service:										
Principal	757	746	769	869	954	1,030	1,147	1,223	1,381	1,461
Interest	757	792	844	883	865	870	731	746	723	705
Other Financing Fees	18	12	14	2	6	17	22	18	6	19
Total Expenditures	104,128	109,674	110,385	114,301	116,566	127,944	145,509	168,015	163,289	178,539
Excess (Deficiency) of Revenues										
Over (Under) Expenditures	3,223	1,585	4,951	9,822	11,848	5,536	19,851	31,634	28,339	11,924
<b>OTHER FINANCING SOURCES (USES)</b>										
Bonds and Notes Issued	2,578	1,089	1,914	451	662	507	992	506	622	543
Bonds Issued for Refunding	1,943	1,693	1,292	25	652	3,567	272	686	350	1,136
Premiums (Discounts) on Bonds Issued	642	359	406	16	91	256	54	58	8	148
Payment to Escrow for Refunding	(2,284)	(1,825)	(1,461)	(25)	(737)	(3,767)	(296)	(705)	(350)	(1,273)
Increase in Obligation for Capital Leases		1			1					
Sale of Capital Assets	79	73	23	15	20	36	50	16	28	19
Service Concession Arrangement		25			1					
Gain (Loss) on Other Financial Activity	22	(59)	(3)						7	
Insurance Recoveries	22	3	10	17	11	23	4	4		9
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)		(24)
Transfer In (Note 12)	9,709	7,587	6,372	10,397	9,886	11,443	17,270	18,178	11,546	36,533
Transfer Out (Note 12)	(13,941)	(12,365)	(11,705)	(15,431)	(15,060)	(17,732)	(18,769)	(27,893)	(18,437)	(43,825)
Total Other Financing Sources (Uses)	(1,230)	(3,364)	(3,068)	(4,546)	(4,483)	(5,678)	(435)	(8,204)	(14,383)	(6,428)
<b>Net Change in Fund Balances</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>\$ 13,956</b>	<b>\$ 5,496</b>
<b>DEBT SERVICE AS A PERCENTAGE</b>										
<b>OF NONCAPITAL EXPENDITURES</b>	1.5%	1.5%	1.6%	1.6%	1.7%	1.6%	1.4%	1.2%	1.4%	1.3%

<sup>1</sup>This table comprises the following funds: general, special revenue, debt service, capital projects and permanent.

Source: 2015 – 2024 state of Texas financial statements

**Statistical Section: Revenue Capacity Information****Taxable Sales by Industry****For the Calendar Years 2014 through 2023<sup>1</sup>**

(Amounts in Millions)

NAICS <sup>2</sup> Industry	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Agriculture, Forestry, Fishing, Hunting	\$ 212	\$ 224	\$ 227	\$ 246	\$ 263	\$ 274	\$ 305	\$ 416	\$ 450	\$ 479
Mining, Quarrying, Oil & Gas Extraction	32,312	22,124	13,844	19,460	27,029	26,955	15,081	16,576	25,912	33,295
Utilities	11,385	11,121	10,663	10,985	11,745	12,172	11,638	14,324	16,887	18,104
Construction	18,535	19,877	20,352	20,944	23,064	25,362	22,246	24,764	30,665	32,622
Manufacturing	37,149	36,175	34,703	39,100	44,194	46,343	41,990	50,301	60,315	62,218
Wholesale Trade	35,503	33,536	33,785	37,862	43,032	44,576	40,908	51,442	64,427	63,769
Retail Trade	170,661	175,959	178,251	183,898	193,683	205,143	216,967	273,735	294,601	298,502
Transportation, Warehousing	3,634	3,938	3,880	4,567	5,146	6,654	4,063	4,144	5,449	6,591
Information	41,452	43,056	43,948	45,694	48,720	50,865	43,448	42,988	47,000	48,606
Finance, Insurance	3,157	4,326	4,326	4,620	4,242	4,353	4,106	5,015	5,178	5,717
Real Estate, Rental, Leasing	12,770	12,257	11,584	13,346	15,682	16,330	13,684	15,142	17,440	19,385
Professional, Scientific, Technical Services	11,398	11,785	12,204	13,108	13,786	15,299	14,342	18,188	21,372	22,949
Management of Companies, Enterprises	757	972	1,066	1,090	1,258	1,668	695	809	842	927
Administration, Support, Waste Mgmt,										
Remediation Services	12,360	13,051	13,659	14,617	15,477	16,497	15,842	18,541	20,748	22,234
Educational Services	517	541	567	599	645	724	567	705	891	1,005
Health Care, Social Assistance	1,094	1,192	1,255	1,275	1,366	1,477	1,340	1,583	1,621	1,674
Arts, Entertainment, Recreation	4,881	5,184	5,355	5,638	6,023	6,304	3,855	6,297	8,094	9,070
Accommodation, Food Services	45,949	49,240	51,302	53,274	56,466	59,815	48,103	67,131	75,648	81,788
Other Services (Except Public Administration)	10,351	10,543	10,516	11,016	11,495	12,172	9,919	12,924	15,699	16,956
Public Administration	1,965	2,043	1,959	1,951	2,126	2,239	2,070	2,284	2,581	2,827
Nonclassifiable	5	3	2	2	3	3	3	2	2	2
Other	171	734	208	421	882	1,661	599	241	736	1,976
Total Taxable Sales	<u>\$ 456,218</u>	<u>\$ 457,881</u>	<u>\$ 453,656</u>	<u>\$ 483,713</u>	<u>\$ 526,327</u>	<u>\$ 556,886</u>	<u>\$ 511,771</u>	<u>\$ 627,552</u>	<u>\$ 716,558</u>	<u>\$ 750,696</u>
Direct Sales Tax Rate	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%

<sup>1</sup> Fiscal 2024 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)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Tax Collections <sup>1</sup>	\$ 51,096	\$ 47,971	\$ 50,194	\$ 55,963	\$ 59,322	\$ 57,262	\$ 61,539	\$ 79,544	\$ 82,479	\$ 81,362
Percentage Tax Collection										
Change From Prior Year	(0.6)%	(6.1)%	4.6%	11.5%	6.0%	(3.5)%	7.5%	29.3%	3.7%	(1.4)%
Resident Population	27.3	27.8	28.1	28.5	28.8	29.1	29.5	29.9	30.2	30.6
Percentage Population Change										
From Prior Year	1.8%	1.5%	1.3%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%
State Tax Collections Per Capita	\$ 1,872	\$ 1,726	\$ 1,786	\$ 1,964	\$ 2,060	\$ 1,968	\$ 2,086	\$ 2,660	\$ 2,731	\$ 2,659

<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 2015–2024 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
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	186,945	0.8%
2024	190,366	1.8%

<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	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024 <sup>3</sup>
Agriculture, Forestry and Fishing										
	\$ 11,953	\$ 8,888	\$ 9,895	\$ 9,426	\$ 8,275	\$ 8,047	\$ 12,057	\$ 11,217	\$ 10,614	\$ 12,890
Percent Change	15.6%	(25.6)%	11.3%	(4.7)%	(12.2)%	(2.8)%	49.8%	(7.0)%	(5.4)%	21.4%
Mining and Natural Resources										
	122,983	97,023	122,487	152,549	145,139	87,983	161,923	235,643	203,691	199,217
Percent Change	(40.3)%	(21.1)%	26.2%	24.5%	(4.9)%	(39.4)%	84.0%	45.5%	(13.6)%	(2.2)%
Construction										
	81,284	85,474	88,478	90,542	97,631	97,280	101,495	110,223	121,727	133,467
Percent Change	7.7%	5.2%	3.5%	2.3%	7.8%	(0.4)%	4.3%	8.6%	10.4%	9.6%
Manufacturing										
	201,786	187,456	198,839	233,773	212,507	184,458	221,364	268,988	296,403	312,268
Percent Change	2.9%	(7.1)%	6.1%	17.6%	(9.1)%	(13.2)%	20.0%	21.5%	10.2%	5.4%
Trade, Transportation and Utilities										
	311,002	315,302	324,750	342,386	359,099	359,237	409,915	467,964	494,658	517,107
Percent Change	5.9%	1.4%	3.0%	5.4%	4.9%	0.0%	14.1%	14.2%	5.7%	4.5%
Information										
	59,755	60,915	65,223	67,905	73,692	75,730	85,103	94,384	102,676	110,991
Percent Change	10.6%	1.9%	7.1%	4.1%	8.5%	2.8%	12.4%	10.9%	8.8%	8.1%
Financial Activities										
	250,610	263,273	267,505	291,766	309,257	344,481	385,300	430,804	477,796	519,438
Percent Change	4.2%	5.1%	1.6%	9.1%	6.0%	11.4%	11.8%	11.8%	10.9%	8.7%
Professional and Business Services										
	180,692	182,434	194,839	210,094	227,000	220,040	252,048	286,515	314,107	331,306
Percent Change	5.3%	1.0%	6.8%	7.8%	8.0%	(3.1)%	14.5%	13.7%	9.6%	5.5%
Educational and Health Services										
	106,619	112,991	117,209	121,656	128,389	126,109	138,034	149,295	166,010	177,962
Percent Change	6.9%	6.0%	3.7%	3.8%	5.5%	(1.8)%	9.5%	8.2%	11.2%	7.2%
Leisure and Hospitality Services										
	56,625	59,275	60,684	62,166	66,437	53,205	67,406	79,004	88,609	93,378
Percent Change	10.9%	4.7%	2.4%	2.4%	6.9%	(19.9)%	26.7%	17.2%	12.2%	5.4%
Other Private Services										
	33,206	33,825	34,849	36,806	39,132	36,879	40,134	45,693	50,396	53,752
Percent Change	3.9%	1.9%	3.0%	5.6%	6.3%	(5.8)%	8.8%	13.8%	10.3%	6.7%
Government, including Schools										
	169,472	176,127	182,558	188,958	193,551	205,148	212,711	222,406	236,822	253,432
Percent Change	4.7%	3.9%	3.7%	3.5%	2.4%	6.0%	3.7%	4.6%	6.5%	7.0%
TOTAL										
	\$ 1,585,987	\$ 1,582,983	\$ 1,667,316	\$ 1,808,027	\$ 1,860,109	\$ 1,798,597	\$ 2,087,490	\$ 2,402,136	\$ 2,563,509	\$ 2,715,208
Percent Change	(0.4)%	(0.2)%	5.3%	8.4%	2.9%	(3.3)%	16.1%	15.1%	6.7%	5.9%
TOTAL (In 2017 Chained Dollars)										
	\$ 1,634,127	\$ 1,633,863	\$ 1,667,313	\$ 1,746,543	\$ 1,802,913	\$ 1,772,186	\$ 1,873,473	\$ 1,924,007	\$ 2,032,933	\$ 2,113,179
Percent Change	4.8%	0.0%	2.0%	4.8%	3.2%	(1.7)%	5.7%	2.7%	5.7%	3.9%

<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 2024 includes estimates.

Source: U.S. Bureau of Economic Analysis, S&P Global, 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)

	2015	2016	2017	2018	2019
Debt Service Limit <sup>1</sup>	\$ 2,373,010	\$2,465,908	\$ 2,537,134	\$2,659,565	\$2,734,127
Total Net Debt Service Applicable to Limit	<u>1,256,462</u>	<u>1,171,046</u>	<u>1,192,336</u>	<u>1,175,171</u>	<u>1,130,601</u>
Legal Debt Service Margin	<u>\$ 1,116,548</u>	<u>\$1,294,862</u>	<u>\$ 1,344,798</u>	<u>\$1,484,394</u>	<u>\$1,603,526</u>
Total Net Debt Service Applicable to Limit as a Percentage of Debt Service Limit	52.9%	47.5%	47.0%	44.2%	41.4%

	2020	2021	2022	2023	2024
Debt Service Limit <sup>1</sup>	\$ 2,766,461	\$2,787,423	\$ 3,109,939	\$3,478,836	\$3,831,419
Total Net Debt Service Applicable to Limit	<u>1,476,204</u>	<u>1,440,150</u>	<u>1,401,923</u>	<u>1,358,078</u>	<u>1,304,279</u>
Legal Debt Service Margin	<u>\$ 1,290,257</u>	<u>\$1,347,273</u>	<u>\$ 1,708,016</u>	<u>\$2,120,758</u>	<u>\$2,527,140</u>
Total Net Debt Service Applicable to Limit as a Percentage of Debt Service Limit	53.4%	51.7%	45.1%	39.0%	34.0%

**Legal Debt Service Margin Calculation for Fiscal 2024**

Unrestricted General Revenue fiscal 2022	\$74,443,694
Unrestricted General Revenue fiscal 2023	76,299,244
Unrestricted General Revenue fiscal 2024	79,142,216
Debt Service Limit <sup>1</sup>	3,831,419
Debt Service Applicable to Limit:	
Debt Service on Outstanding Debt Payable from General Revenue (GR)	707,161
Plus: Estimated Debt Service on Authorized but Unissued Debt Payable From GR	<u>597,118</u>
Total Net Debt Service Applicable to Limit	1,304,279
Legal Debt Service Margin	<u>\$ 2,527,140</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	2015	2016	2017	2018	2019
<b>GOVERNMENTAL ACTIVITIES</b>					
Notes and Loans Payable	\$ 1,548	\$ 1,423	\$ 1,372	\$ 1,607	\$ 1,019
Notes and Loans Payable - Direct Borrowings					302
General Obligation Bonds Payable	14,177	15,060	15,884	15,416	14,976
General Obligation Bonds Payable - Direct Placements					287
Revenue Bonds Payable	4,490	4,290	4,777	4,496	4,356
Revenue Bonds Payable - Direct Placements					150
Capital Lease Obligations	30	27	23	19	16
Capital Lease - Direct Borrowings/Placements					
RTU Lease Obligations <sup>2</sup>					
RTU Subscriptions <sup>2</sup>					
Availability Payment Arrangements <sup>2</sup>					
Total Governmental Activities	<u>\$ 20,245</u>	<u>\$ 20,800</u>	<u>\$ 22,056</u>	<u>\$ 21,538</u>	<u>\$ 21,106</u>
<b>BUSINESS-TYPE ACTIVITIES</b>					
Notes and Loans Payable	1,243	2,195	2,324	2,204	1,020
Notes and Loans Payable - Direct Borrowings/Placements					1,048
General Obligation Bonds Payable	3,955	4,330	4,363	4,410	3,978
General Obligation Bonds Payable - Direct Placements					139
Revenue Bonds Payable	21,466	23,411	26,020	29,967	32,348
Revenue Bonds Payable - Direct Borrowings/Placements					512
Capital Lease Obligations	61	70	73	113	163
Capital Leases - Direct Borrowings/Placements					100
RTU Lease Obligations <sup>2</sup>					
RTU Subscriptions <sup>2</sup>					
Availability Payment Arrangements <sup>2</sup>					
Total Business-Type Activities	<u>\$ 26,725</u>	<u>\$ 30,006</u>	<u>\$ 32,780</u>	<u>\$ 36,694</u>	<u>\$ 39,308</u>
Total Primary Government	<u>\$ 46,970</u>	<u>\$ 50,806</u>	<u>\$ 54,836</u>	<u>\$ 58,232</u>	<u>\$ 60,414</u>
Percentage of Personal Income	3.6%	3.9%	4.0%	3.9%	3.9%
Per Capita <sup>1</sup>	\$ 1,711	\$ 1,822	\$ 1,942	\$ 2,038	\$ 2,089

<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: 2015 – 2024 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	2020	2021	2022	2023	2024
<b>GOVERNMENTAL ACTIVITIES</b>					
Notes and Loans Payable	\$ 970	\$ 958	\$ 766	\$ 643	\$ 659
Notes and Loans Payable - Direct Borrowings	314	322	323	323	361
General Obligation Bonds Payable	14,733	14,058	13,956	13,785	13,273
General Obligation Bonds Payable - Direct Placements	285	283	281	279	277
Revenue Bonds Payable	4,078	4,499	4,300	3,949	3,531
Revenue Bonds Payable - Direct Placements	150	150			
Capital Lease Obligations	12	8			
Capital Lease - Direct Borrowings/Placements					
RTU Lease Obligations <sup>2</sup>			799	746	684
RTU Subscriptions <sup>2</sup>				224	289
Availability Payment Arrangements <sup>2</sup>					
Total Governmental Activities	<u>\$ 20,542</u>	<u>\$ 20,278</u>	<u>\$ 20,425</u>	<u>\$ 19,949</u>	<u>\$ 19,074</u>
<b>BUSINESS-TYPE ACTIVITIES</b>					
Notes and Loans Payable	832	841	1,474	123	748
Notes and Loans Payable - Direct Borrowings/Placements	274	325	526	764	870
General Obligation Bonds Payable	3,925	3,899	3,884	4,099	3,818
General Obligation Bonds Payable - Direct Placements	107	81	58	43	27
Revenue Bonds Payable	35,979	36,470	37,388	39,532	42,053
Revenue Bonds Payable - Direct Borrowings/Placements	465	431	691	294	54
Capital Lease Obligations	173	179			
Capital Leases - Direct Borrowings/Placements	90	119			
RTU Lease Obligations <sup>2</sup>			1,207	1,285	1,026
RTU Subscriptions <sup>2</sup>				345	355
Availability Payment Arrangements <sup>2</sup>					
Total Business-Type Activities	<u>\$ 41,845</u>	<u>\$ 42,345</u>	<u>\$ 45,228</u>	<u>\$ 46,485</u>	<u>\$ 48,951</u>
Total Primary Government	<u>\$ 62,387</u>	<u>\$ 62,623</u>	<u>\$ 65,653</u>	<u>\$ 66,434</u>	<u>\$ 68,025</u>
Percentage of Personal Income	3.8%	3.5%	3.5%	3.3%	3.2%
Per Capita <sup>1</sup>	\$ 2,131	\$ 2,114	\$ 2,182	\$ 2,171	\$ 2,222

<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: 2015 – 2024 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)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Bonded Debt (General Obligation Bonds Payable Only)	\$ 18,132	\$ 19,390	\$ 20,247	\$ 19,826	\$ 19,380	\$ 19,050	\$ 18,321	\$ 18,179	\$ 18,206	\$ 16,703
Percentage Bonded Debt Change From Prior Year	14.6%	6.9%	4.4%	(2.1)%	(2.2)%	(1.7)%	(3.8)%	(0.8)%	0.1%	(8.3)%
Tax Collections	\$ 51,096	\$ 47,971	\$ 50,194	\$ 55,963	\$ 59,322	\$ 57,262	\$ 61,539	\$ 79,544	\$ 82,479	\$ 81,362
Percentage Bonded Debt to Tax Collections	35.5%	40.4%	40.3%	35.4%	32.7%	33.3%	29.8%	22.9%	22.1%	20.5%
Resident Population	27.3	27.8	28.1	28.5	28.8	29.1	29.5	29.9	30.2	30.6
General Bonded Debt Per Capita	\$ 664	\$ 697	\$ 721	\$ 696	\$ 673	\$ 655	\$ 621	\$ 608	\$ 603	\$ 546

<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 2015 – 2024 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)

	2015	2016	2017	2018	2019
<b>GOVERNMENTAL ACTIVITIES</b>					
Pledged Revenue Bond Amount	\$ 7,538,774	\$ 8,300,451	\$ 8,485,616	\$ 8,918,589	\$ 9,475,723
Operating Expenditures	7,849,850	8,703,430	9,676,211	9,766,522	10,606,135
Net Available Revenue	\$ (311,076)	\$ (402,979)	\$ (1,190,595)	\$ (847,933)	\$ (1,130,412)
Debt Service:					
Principal	\$ 162,130	\$ 164,585	\$ 166,300	\$ 302,475	\$ 316,345
Interest	202,315	179,164	197,704	496,637	486,388
Total Debt Service	\$ 364,445	\$ 343,749	\$ 364,004	\$ 799,112	\$ 802,733
Coverage Ratio	(0.9)	(1.2)	(3.3)	(1.1)	(1.4)
<b>BUSINESS-TYPE ACTIVITIES</b>					
Pledged Revenue Bond Amount	\$17,008,284	\$17,241,074	\$18,159,904	\$19,767,409	\$21,331,158
Operating Expenditures	13,180,793	15,240,489	15,306,246	15,734,887	16,776,755
Net Available Revenue	\$ 3,827,491	\$ 2,000,585	\$ 2,853,658	\$ 4,032,522	\$ 4,554,403
Debt Service:					
Principal	\$ 837,544	\$ 1,038,866	\$ 859,514	\$ 904,361	\$ 953,570
Interest	877,431	919,464	1,008,241	1,098,441	1,232,567
Total Debt Service	\$ 1,714,975	\$ 1,958,330	\$ 1,867,755	\$ 2,002,802	\$ 2,186,137
Coverage Ratio	2.2	1.0	1.5	2.0	2.1
<b>COMPONENT UNITS<sup>1</sup></b>					
Pledged Revenue Bond Amount	\$ 67,252	\$ 82,195	\$ 34,095	\$ 16,921	\$ 34,110
Operating Expenditures					
Net Available Revenue	\$ 67,252	\$ 82,195	\$ 34,095	\$ 16,921	\$ 34,110
Debt Service:					
Principal	\$ 34,956	\$ 31,718	\$ 30,274	\$ 14,390	\$ 5,670
Interest	6,041	3,915	2,430	1,301	997
Total Debt Service	\$ 40,997	\$ 35,633	\$ 32,704	\$ 15,691	\$ 6,667
Coverage Ratio	1.6	2.3	1.0	1.1	5.1
Total Combined Coverage Ratio	1.7	0.7	0.7	1.1	1.2

<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: 2015 – 2024 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)

	2020	2021	2022	2023	2024
<b>GOVERNMENTAL ACTIVITIES</b>					
Pledged Revenue Bond Amount	\$ 9,397,252	\$ 9,951,790	\$ 9,225,560	\$ 9,662,404	\$10,831,014
Operating Expenditures	13,100,406	12,661,084	12,605,785	14,850,828	
Net Available Revenue	<u>\$ (3,703,154)</u>	<u>\$ (2,709,294)</u>	<u>\$ (3,380,225)</u>	<u>\$ (5,188,424)</u>	<u>\$10,831,014</u>
Debt Service:					
Principal	\$ 251,550	\$ 261,121	\$ 309,290	\$ 813,815	\$ 963,695
Interest	197,640	180,451	177,130	562,887	689,936
Total Debt Service	<u>\$ 449,190</u>	<u>\$ 441,572</u>	<u>\$ 486,420</u>	<u>\$ 1,376,702</u>	<u>\$ 1,653,631</u>
Coverage Ratio	(8.2)	(6.1)	(6.9)	(3.8)	6.5
<b>BUSINESS-TYPE ACTIVITIES</b>					
Pledged Revenue Bond Amount	\$22,023,510	\$23,157,417	\$24,594,965	\$26,910,411	\$30,211,682
Operating Expenditures	17,674,156	19,138,820	20,843,974	22,631,396	5,543,522
Net Available Revenue	<u>\$ 4,349,354</u>	<u>\$ 4,018,597</u>	<u>\$ 3,750,991</u>	<u>\$ 4,279,015</u>	<u>\$24,668,160</u>
Debt Service:					
Principal	\$ 1,021,012	\$ 1,120,842	\$ 1,194,288	\$ 2,360,448	\$ 1,572,595
Interest	1,278,656	1,365,183	1,402,487	1,574,829	1,743,496
Total Debt Service	<u>\$ 2,299,668</u>	<u>\$ 2,486,025</u>	<u>\$ 2,596,775</u>	<u>\$ 3,935,277</u>	<u>\$ 3,316,091</u>
Coverage Ratio	1.9	1.6	1.4	1.1	7.4
<b>COMPONENT UNITS<sup>1</sup></b>					
Pledged Revenue Bond Amount	\$ 16,122	\$ 41,515	\$ 25,783	\$ 7,950	\$ 3,570,562
Operating Expenditures					3,411,002
Net Available Revenue	<u>\$ 16,122</u>	<u>\$ 41,515</u>	<u>\$ 25,783</u>	<u>\$ 7,950</u>	<u>\$ 159,560</u>
Debt Service:					
Principal	\$ 7,615	\$ 19,760	\$ 19,665	\$ 2,060	\$ 2,070
Interest	2,052	2,096	1,175	731	81,403
Total Debt Service	<u>\$ 9,667</u>	<u>\$ 21,856</u>	<u>\$ 20,840</u>	<u>\$ 2,791</u>	<u>\$ 83,473</u>
Coverage Ratio	1.7	1.9	1.2	2.8	1.9
Total Combined Coverage Ratio	0.2	0.5	0.1	(0.2)	7.1

<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: 2015 – 2024 state of Texas financial statements and bond reporting system.

## STATE OF TEXAS

**Statistical Section: Demographic and Economic Information****Texas Nonfarm Employment Detail: Number of Jobs****Calendar Years 2015 – 2024<sup>1</sup>**

<b>Employment by Industry<sup>1</sup></b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
<b>GOODS-PRODUCING</b>					
Natural Resources and Mining	272,567	213,367	222,000	246,258	249,075
Construction	683,650	700,433	712,317	739,950	774,483
Manufacturing:					
Durables	579,292	542,608	542,783	565,425	583,975
Nondurables	300,467	304,850	310,375	316,900	323,792
Total, Goods-Producing	<u>1,835,976</u>	<u>1,761,258</u>	<u>1,787,475</u>	<u>1,868,533</u>	<u>1,931,325</u>
<b>SERVICE-PROVIDING</b>					
Trade, Transportation, and Utilities:					
Wholesale Trade	565,583	561,308	569,408	587,158	600,300
Retail Trade	1,293,033	1,318,125	1,321,992	1,323,300	1,315,017
Transportation and Warehousing	459,522	473,155	492,701	511,008	534,334
Utilities	49,187	49,553	50,291	51,384	52,066
Information	201,067	203,033	203,892	205,733	210,558
Financial Activities:					
Finance and Insurance	517,742	531,567	546,858	556,983	573,217
Real Estate and Rental and Leasing	201,167	204,800	214,133	221,975	229,217
Professional and Business Services:					
Professional, Scientific and Technical	716,467	733,375	750,117	783,517	824,867
Management, Administrative and Support	900,933	917,158	937,792	965,133	981,150
Educational and Health Services:					
Educational Services, Private	188,325	195,250	202,167	208,292	216,308
Health Care and Social Assistance	1,388,592	1,430,008	1,464,375	1,490,750	1,525,583
Leisure and Hospitality	1,241,983	1,289,900	1,319,950	1,356,908	1,396,858
Other Services	420,217	423,867	427,258	436,083	446,200
Government:					
Federal Civilian	194,300	197,800	199,900	201,300	204,100
State	401,000	409,200	414,400	417,500	424,700
Local	1,293,400	1,318,200	1,329,800	1,337,600	1,348,600
Total, Service-Providing	<u>10,032,518</u>	<u>10,256,299</u>	<u>10,445,034</u>	<u>10,654,624</u>	<u>10,883,075</u>
Total Nonfarm Employment	<u>11,868,494</u>	<u>12,017,557</u>	<u>12,232,509</u>	<u>12,523,157</u>	<u>12,814,400</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 S&amp;P Global

*Concluded on the following page*

## STATE OF TEXAS

**Statistical Section: Demographic and Economic Information****Texas Nonfarm Employment Detail: Number of Jobs (concluded)****Calendar Years 2015 – 2024<sup>1</sup>**

<b>Employment by Industry<sup>1</sup></b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024<sup>2</sup></b>
<b>GOODS-PRODUCING</b>					
Natural Resources and Mining	191,675	180,483	200,400	213,408	206,737
Construction	737,400	737,517	783,283	822,850	854,163
Manufacturing:					
Durables	552,233	552,692	588,092	610,200	626,006
Nondurables	317,642	323,625	338,983	345,733	347,348
Total, Goods-Producing	1,798,950	1,794,317	1,910,758	1,992,191	2,034,254
<b>SERVICE-PROVIDING</b>					
Trade, Transportation, and Utilities:					
Wholesale Trade	580,092	592,983	636,358	661,075	669,770
Retail Trade	1,273,575	1,333,158	1,377,742	1,398,383	1,402,258
Transportation and Warehousing	553,384	584,294	636,152	642,076	648,838
Utilities	51,916	53,281	56,490	61,391	63,847
Information	199,867	208,317	230,650	234,708	235,202
Financial Activities:					
Finance and Insurance	584,775	607,833	635,950	650,442	659,685
Real Estate and Rental and Leasing	219,083	225,492	244,442	254,025	259,330
Professional and Business Services:					
Professional, Scientific and Technical	831,667	896,033	994,808	1,036,408	1,056,827
Management, Administrative and Support	937,433	1,009,633	1,081,125	1,083,933	1,094,662
Educational and Health Services:					
Educational Services, Private	208,542	220,100	238,092	247,192	255,734
Health Care and Social Assistance	1,491,167	1,517,300	1,568,450	1,646,600	1,702,128
Leisure and Hospitality	1,178,467	1,296,542	1,410,533	1,482,708	1,523,252
Other Services	397,992	418,300	450,000	473,267	494,010
Government:					
Federal Civilian	214,500	212,100	211,300	214,500	220,700
State	426,900	422,600	423,000	437,700	450,459
Local	1,324,600	1,328,600	1,357,400	1,396,000	1,434,313
Total, Service-Providing	10,473,960	10,926,566	11,552,492	11,920,408	12,171,015
Total Nonfarm Employment	12,272,910	12,720,883	13,463,250	13,912,599	14,205,269

<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 S&amp;P Global



## 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			
	Texas	Percent Change	U.S.	Percent Change	Texas	Percent Change	U.S.	Percent Change	Texas	Percent Change	U.S.	Percent Change
2015	27,345	1.4%	322,036	0.8%	\$1,281,170	1.9%	\$15,473,741	4.7%	\$46,853	0.5%	\$48,050	3.9%
2016	27,767	1.5%	324,500	0.8%	1,276,331	(0.4)%	15,887,650	2.7%	45,966	(1.9)%	48,960	1.9%
2017	28,125	1.3%	326,747	0.7%	1,367,826	7.2%	16,662,756	4.9%	48,633	5.8%	50,996	4.2%
2018	28,452	1.2%	328,736	0.6%	1,463,790	7.0%	17,528,193	5.2%	51,447	5.8%	53,320	4.6%
2019	28,800	1.2%	330,551	0.6%	1,536,597	5.0%	18,363,160	4.8%	53,354	3.7%	55,553	4.2%
2020	29,146	1.2%	331,756	0.4%	1,611,228	4.9%	19,620,082	6.8%	55,282	3.6%	59,140	6.5%
2021	29,508	1.2%	332,540	0.2%	1,789,719	11.1%	21,419,498	9.2%	60,652	9.7%	64,412	8.9%
2022	29,875	1.2%	334,858	0.7%	1,879,420	5.0%	22,088,919	3.1%	62,910	3.7%	65,965	2.4%
2023	30,245	1.2%	338,375	1.1%	1,994,186	6.1%	23,402,535	5.9%	65,935	4.8%	69,162	4.8%
2024	30,618	1.2%	341,848	1.0%	2,099,394	5.3%	24,760,608	5.8%	68,566	4.0%	72,432	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.

Source: U.S. Bureau of Economic Analysis, U.S. Bureau of the Census, S&P Global, and Texas Comptroller of Public Accounts

## 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.
2015	11,868	2.3%	141,801	2.1%	4.5%	5.3%
2016	12,018	1.3%	144,332	1.8%	4.6%	4.9%
2017	12,233	1.8%	146,611	1.6%	4.4%	4.4%
2018	12,523	2.4%	148,897	1.6%	3.9%	3.9%
2019	12,814	2.3%	150,906	1.3%	3.5%	3.7%
2020	12,273	(4.2)%	142,165	(5.8)%	7.7%	8.1%
2021	12,721	3.7%	146,276	2.9%	5.6%	5.4%
2022	13,463	5.8%	152,531	4.3%	3.9%	3.6%
2023	13,913	3.3%	156,066	2.3%	4.0%	3.6%
2024	14,205	2.1%	158,630	1.6%	4.0%	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, S&P Global, 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	2015	2016	2017	2018	2019
General Government	9,366	9,515	9,616	9,637	9,584
Health and Human Services	54,356	54,357	52,599	50,623	51,517
Education	170,640	176,526	179,978	181,970	184,696
Judiciary	1,719	1,754	1,747	1,747	1,747
Public Safety and Criminal Justice	50,134	51,552	51,952	49,463	49,159
Natural Resources	8,180	8,180	8,073	8,059	8,201
Business and Economic Development	15,881	16,072	17,321	17,512	17,884
Regulatory	3,469	3,490	3,491	3,412	3,418
The Legislature	2,218	1,973	2,238	1,947	2,190
Total FTEs <sup>1</sup>	<u>315,963</u>	<u>323,419</u>	<u>327,015</u>	<u>324,370</u>	<u>328,396</u>
Percentage Change	1.6%	2.4%	1.1%	(0.8)%	1.2%

FUNCTION	2020	2021	2022	2023	2024 <sup>1</sup>
General Government	9,713	9,519	9,317	9,454	10,015
Health and Human Services	52,152	51,390	48,282	49,792	53,006
Education	189,731	189,103	193,962	203,982	214,813
Judiciary	1,783	1,790	1,797	1,815	1,853
Public Safety and Criminal Justice	47,883	45,878	42,237	43,090	44,458
Natural Resources	8,293	8,519	8,462	8,728	9,194
Business and Economic Development	18,144	19,134	18,781	19,049	19,532
Regulatory	3,455	3,505	3,437	3,461	3,617
The Legislature	1,918	2,071	1,845	1,933	1,990
Total FTEs	<u>333,072</u>	<u>330,909</u>	<u>328,120</u>	<u>341,304</u>	<u>358,478</u>
Percentage Change	1.4%	(0.6)%	(0.8)%	4.0%	5.0%

<sup>1</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	2015	2016	2017	2018	2019
<b>GENERAL GOVERNMENT</b>					
Number of Texas Facilities Commission Owned Facilities	210	204	204	198	197
State Real Property Inventory in Acres	1,210,769	1,212,174	1,218,978	1,218,407	1,218,407
<b>EDUCATION</b>					
Number of School Districts	1,225	1,225	1,216	1,217	1,217
Number of Students	5,215,282	5,284,252	5,359,127	5,399,682	5,431,910
Number of Higher Education Institutions	147	147	148	148	148
<b>HEALTH AND HUMAN SERVICES</b>					
Number of State Mental Health Facilities	38	38	39	39	39
Number of State Hospitals	12	12	12	10	10
<b>PUBLIC SAFETY AND CORRECTIONS</b>					
Number of State Prisons:					
Texas Department of Criminal Justice only	109	109	104	104	104
Number of Available Beds (Capacity)	155,634	155,534	152,364	152,327	151,200
Number of Authorized Vehicular State Patrol Units <sup>5</sup>	1,828	2,084	2,220	2,345	2,447
<b>TRANSPORTATION</b>					
Centerline Miles of Highways <sup>2</sup> (Calendar years)	80,423	80,483	80,444	80,455	80,606
Number of Bridges <sup>4</sup>	35,753	36,008	36,173	36,149	36,283
<b>NATURAL RESOURCES AND RECREATION</b>					
Number of State Parks Managed	95	95	95	95	95
Number of Park Acreage	636,213	637,491	637,950	642,212	644,681

<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.

<sup>3</sup> Mileage for 2024 is not available until June, 2025.

<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.

<sup>5</sup> Number of Authorized Vehicular State Patrol Unit reflects all marked black and white units within the agency by all divisions. It includes those vehicles currently not operational (wrecked/damaged).

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	2020	2021	2022	2023	2024
<b>GENERAL GOVERNMENT</b>					
Number of Texas Facilities Commission Owned Facilities	197	195	198	192	187
State Real Property Inventory in Acres	1,246,347	1,246,352	1,246,341	1,246,326	1,246,298
<b>EDUCATION</b>					
Number of School Districts	1,215	1,221	1,222	1,210	1,224
Number of Students	5,493,940	5,371,586	5,427,370	5,518,432	5,531,236
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	11	11
<b>PUBLIC SAFETY AND CORRECTIONS</b>					
Number of State Prisons:					
Texas Department of Criminal Justice only	104	98	97	98	99
Number of Available Beds (Capacity)	150,618	137,146	133,087	136,666	141,202
Number of Authorized Vehicular State Patrol Units <sup>5</sup>	2,818	2,826	2,892	2,995	3,081
<b>TRANSPORTATION</b>					
Centerline Miles of Highways <sup>2</sup> (Calendar years)	80,720	80,905	80,997	81,035	N/A <sup>3</sup>
Number of Bridges <sup>4</sup>	36,318	36,597	36,649	36,869	35,920
<b>NATURAL RESOURCES AND RECREATION</b>					
Number of State Parks Managed	88	88	89	88	88
Number of Park Acreage	639,503	638,592	640,273	639,216	644,314

<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.<sup>3</sup> Mileage for 2024 is not available until June, 2025.<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.<sup>5</sup> Number of Authorized Vehicular State Patrol Unit reflects all marked black and white units within the agency by all divisions. It includes those vehicles currently not operational (wrecked/damaged).

Source: Various state agencies and official state agency websites.

## STATE OF TEXAS

# Statistical Section: Operating Information

## Operating Indicators by Function

### Last Ten Fiscal Years

Function	2015	2016	2017	2018	2019
<b>GENERAL GOVERNMENT / REGULATORY SERVICES</b>					
Number of Tax Returns Processed	5,212,002	5,349,832	5,448,247	5,688,522	5,899,311
Number of Licenses Issued <sup>1</sup>	1,279,615	1,347,258	1,558,076	1,583,460	1,269,132
<b>EDUCATION</b>					
Average Daily School Attendance (ADA)	4,854,882	4,924,589	5,020,999	5,004,998	5,019,837
Percent of Students Passing STAAR Test	77%	75%	75%	77%	78%
Texas Higher Education Enrollments	1,489,525	1,522,542	1,532,500	1,571,721	1,560,748
Higher Education Degrees Awarded	287,616	303,894	316,930	326,679	337,537
<b>HEALTH AND HUMAN SERVICES</b>					
Number of Medicaid Clients Served <sup>2</sup>	4,056,702	4,060,564	4,067,380	4,021,686	3,915,011
Number of TANF Clients Served <sup>2</sup>	70,095	62,846	61,115	55,853	48,448
Number of Immunizations <sup>3</sup>	16,253,233	16,022,679	15,855,405	15,629,850	15,865,977
<b>PUBLIC SAFETY AND CORRECTIONS</b>					
Number of New Prison Population	69,066	67,492	65,278	65,710	62,621
Number of Prison Population Released	70,311	67,603	65,739	65,114	64,445
Average Daily Prison Population	149,159	147,510	146,424	145,543	144,328
Authorized Number of Troopers Patrolling Texas Highways <sup>7</sup>	1,828	2,084	2,220	2,221	2,528
<b>TRANSPORTATION</b>					
Number of Construction Project Preliminary Engineering					
Plans Completed	907	773	796	849	925
Number of Lane Miles Receiving Roadway					
Surface Improvements:					
By Contract	18,299	30,605	21,663	21,947	21,317
Via State Sources	8,005	7,268	8,245	7,038	6,587
Number of Vehicles Registered <sup>4</sup>	23,751,503	24,053,612	24,527,939	24,880,151	25,112,157
<b>NATURAL RESOURCES AND RECREATION</b>					
Number of State Parks Visits (in Millions) <sup>5</sup>	4.5	5.0	5.5	5.0	5.3
Number of Parks and Wildlife Licenses Issued <sup>6</sup>	3,093,641	3,186,072	3,900,976	3,766,075	3,912,616

<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 and State Fiscal. Medicaid average monthly caseload is based on data through November 2024. TANF average monthly caseload is based on data through October 2024. Data through FY23 is final. FY24 data will not be finalized until April 2025; therefore data is subject to change. Medicaid for Breast and Cervical Cancer are included in total Medicaid caseload.

<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 reported reflects a date/time certain as the number of registered vehicles 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.

<sup>8</sup> Data through FY 2023 is final. FY 2024 data is based on sectors where institutions have certified their reports and is subject to change.

Other Sources: Various state agencies, state agency reports and official state agency websites. Prior years are subject to revisions.

*Concluded on the following page*

## STATE OF TEXAS

# Statistical Section: Operating Information

## Operating Indicators by Function (concluded)

### Last Ten Fiscal Years

Function	2020	2021	2022	2023	2024
<b>GENERAL GOVERNMENT / REGULATORY SERVICES</b>					
Number of Tax Returns Processed	6,134,154	6,527,763	7,030,490	7,660,857	6,768,677
Number of Licenses Issued <sup>1</sup>	1,246,048	1,388,513	1,436,468	1,466,212	1,514,872
<b>EDUCATION</b>					
Average Daily School Attendance (ADA)	4,905,360	4,993,333	4,969,073	4,981,161	5,015,388
Percent of Students Passing STAAR Test	78%	67%	74%	76%	75%
Texas Higher Education Enrollments	1,496,552	1,491,407	1,496,012	1,531,224	1,584,679
Higher Education Degrees Awarded	338,483	345,617	339,623	345,745	355,122
<b>HEALTH AND HUMAN SERVICES</b>					
Number of Medicaid Clients Served <sup>2</sup>	3,984,967	4,682,819	5,311,376	5,727,639	4,345,637
Number of TANF Clients Served <sup>2</sup>	45,329	36,795	20,475	17,280	18,413
Number of Immunizations <sup>3</sup>	13,377,141	14,982,063	16,143,864	15,423,399	14,865,505
<b>PUBLIC SAFETY AND CORRECTIONS</b>					
Number of New Prison Population	37,286	42,418	48,309	53,853	52,390
Number of Prison Population Released	57,669	44,889	43,289	45,048	46,648
Average Daily Prison Population	136,056	119,153	118,771	126,019	132,523
Authorized Number of Troopers Patrolling Texas Highways <sup>7</sup>	2,788	2,896	2,892	2,936	2,854
<b>TRANSPORTATION</b>					
Number of Construction Project Preliminary Engineering					
Plans Completed	784	782	774	980	868
Number of Lane Miles Receiving Roadway					
Surface Improvements:					
By Contract	17,808	20,775	18,849	22,099	21,572
Via State Sources	6,412	5,891	6,022	5,198	6,761
Number of Vehicles Registered <sup>4</sup>	24,030,604	25,236,442	25,640,919	25,904,676	25,965,558
<b>NATURAL RESOURCES AND RECREATION</b>					
Number of State Parks Visits (in Millions) <sup>5</sup>	5.2	6.8	6.4	5.9	5.6
Number of Parks and Wildlife Licenses Issued <sup>6</sup>	4,465,054	4,348,394	3,749,517	3,381,143	3,306,573

<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 and State Fiscal. Medicaid average monthly caseload is based on data through November 2024. TANF average monthly caseload is based on data through October 2024. Data through FY23 is final. FY24 data will not be finalized until April 2025; therefore data is subject to change. Medicaid for Breast and Cervical Cancer are included in total Medicaid caseload.

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