
SECTION TWO (CONTINUED)

MANAGEMENT'S
DISCUSSION
AND ANALYSIS

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

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

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
ASSETS						
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>
DEFERRED OUTFLOWS OF RESOURCES	<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>
LIABILITIES						
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>
DEFERRED INFLOWS OF RESOURCES	<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>
NET POSITION						
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

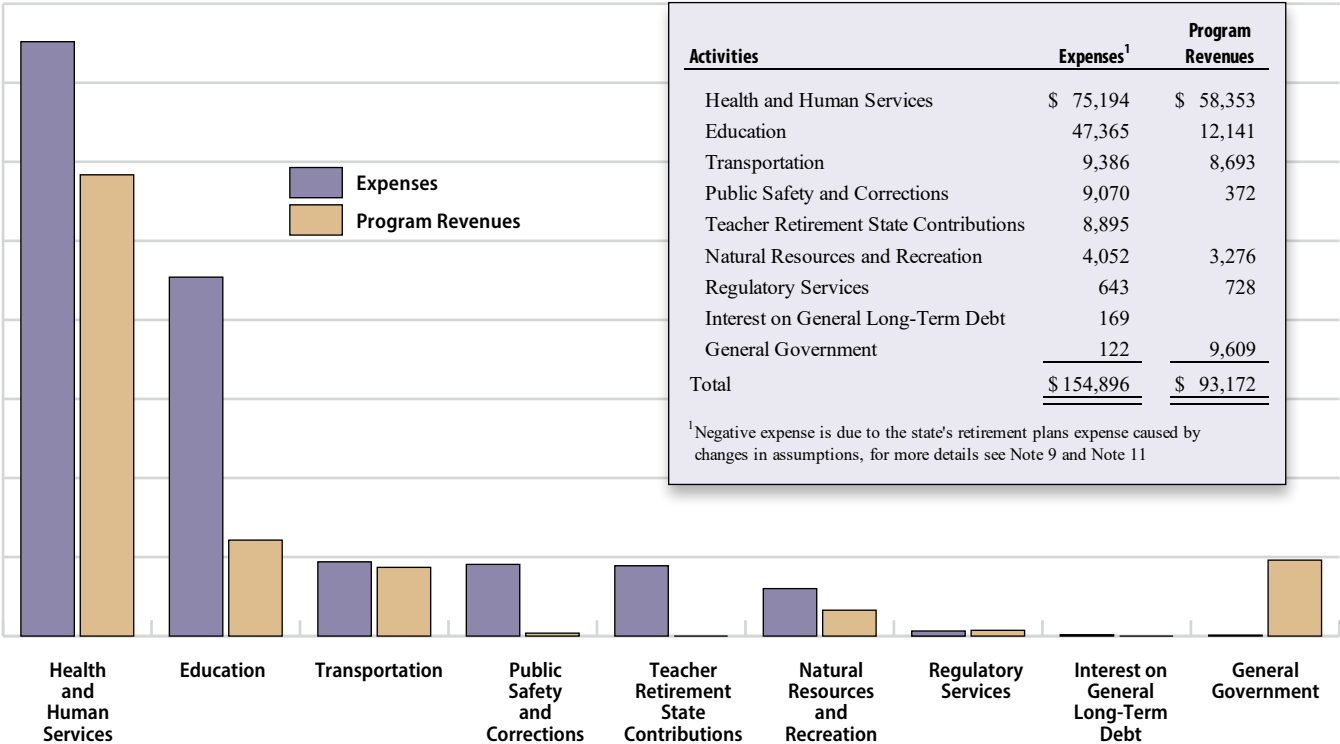
Table MDA-2

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
REVENUES						
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
EXPENSES						
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

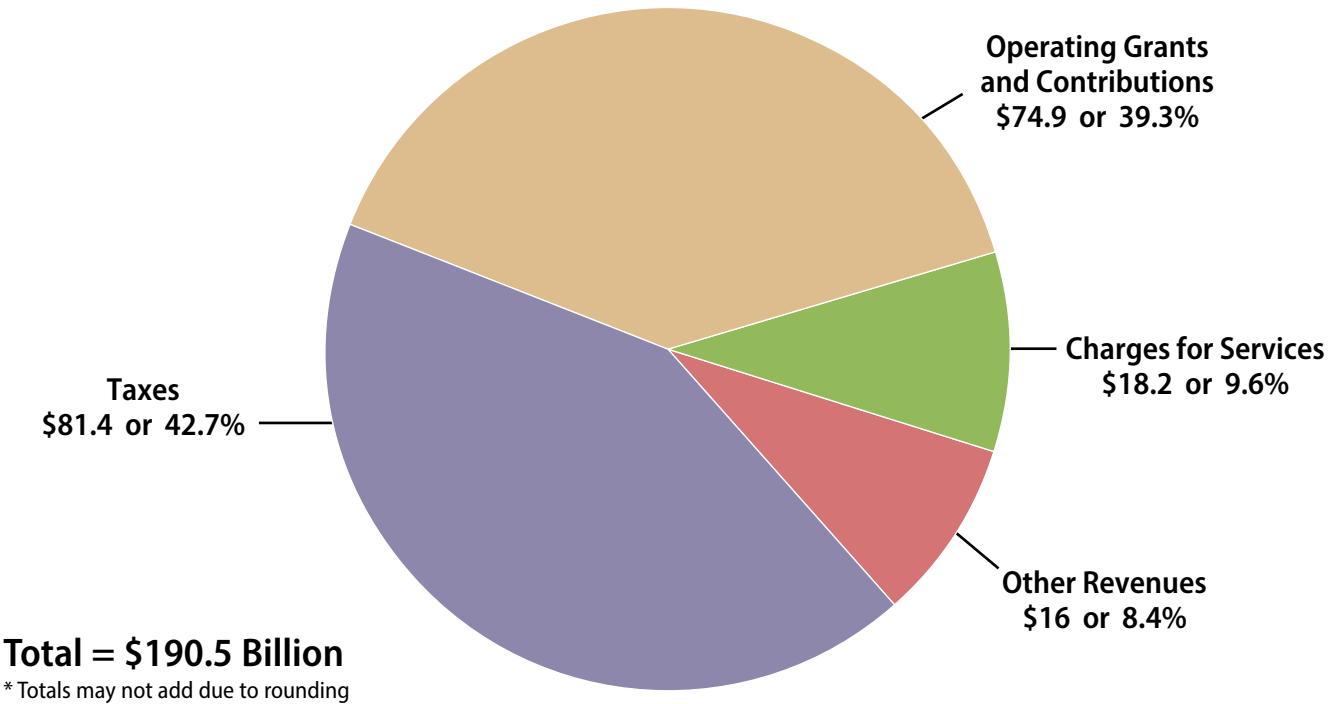
Expenses and Program Revenues: Governmental Activities

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



Revenue by Source: Governmental Activities

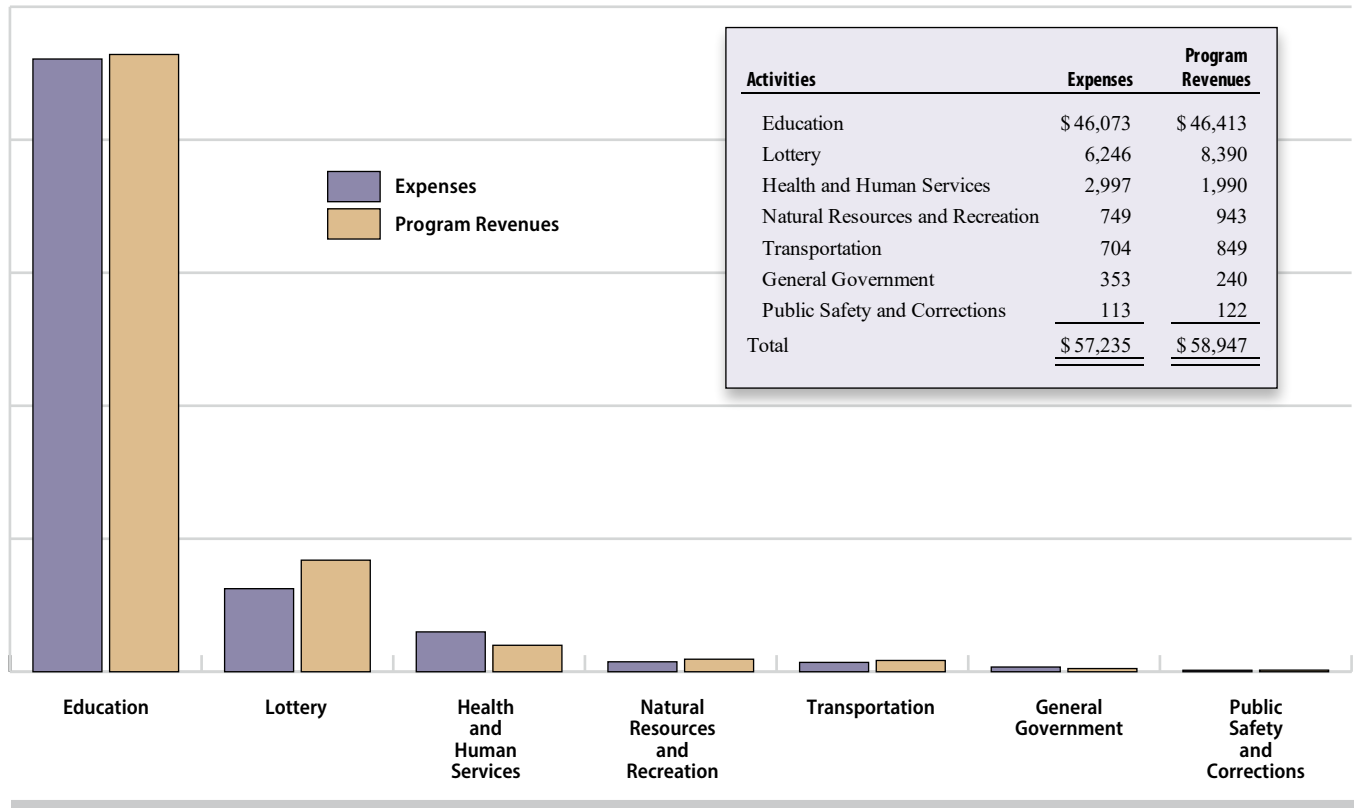
Graph MDA-4
For the Fiscal Year Ended August 31, 2024 (In Billions)*



Expenses and Program Revenues: Business-Type Activities

Graph MDA-5

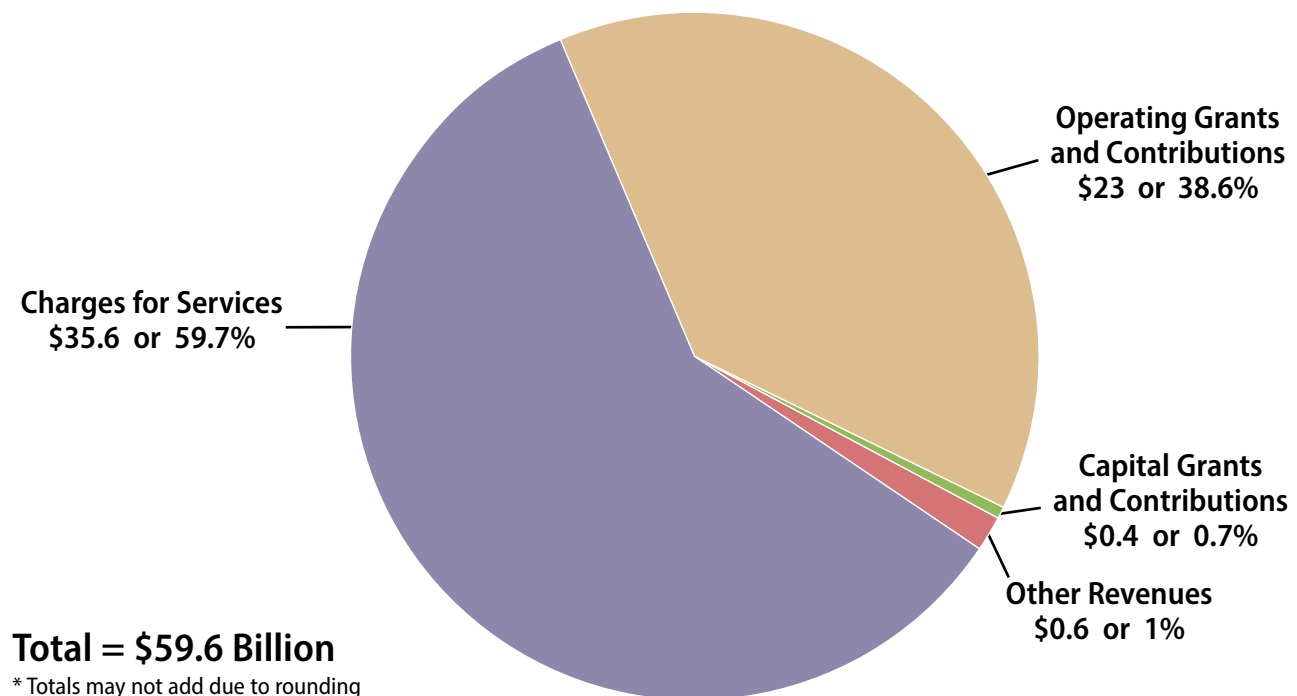
For the Fiscal Year Ended August 31, 2024 (In Millions)



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>

Financial Analysis of the State's Funds

Governmental Funds

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

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

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>

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.

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.

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.