

OFFICIAL STATEMENT DATED JUNE 9, 2020

NEW ISSUE – Book-Entry-Only

RATINGS: S&P: “AAA”

Moody’s: “Aaa”

See “RATINGS”

Interest on the Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986.



TEXAS TRANSPORTATION COMMISSION

\$341,425,000

STATE HIGHWAY FUND

FIRST TIER REVENUE REFUNDING BONDS,
TAXABLE SERIES 2020

Dated: Date of Initial Delivery

Due: As shown on page i

The Texas Transportation Commission State Highway Fund First Tier Revenue Refunding Bonds, Taxable Series 2020 (the “Bonds”) are special and limited obligations of the Texas Transportation Commission (the “Commission”), the governing body of the Texas Department of Transportation (the “Department”), an agency of the State of Texas (the “State”). The Bonds are being issued pursuant to the authority granted to the Commission by Article III, Section 49-n of the State Constitution; Section 222.003, Texas Transportation Code (the “Act”); Chapters 1207 and 1371, Texas Government Code, as amended; a Second Amended and Restated Master Resolution dated as of April 23, 2010 (the “Master Resolution”); a Ninth Supplemental Resolution (the “Ninth Supplemental Resolution”) adopted by minute order of the Commission on July 25, 2019 and an Award Certificate of the Department Representative executed on the date of sale of the Bonds (the “Award Certificate” and, together with the Master Resolution and the Ninth Supplemental Resolution, the “Resolution”). The Master Resolution establishes a financing program (the “Program”) to provide funds for any lawful purpose and to provide a financing structure to facilitate the Commission’s exercise of the power and authority conferred by the Act through the issuance, execution and delivery of obligations payable from the State Highway Fund (the “Fund”). The Bonds are being issued as “First Tier Senior Obligations” under the Resolution. The Bonds are being issued (i) to refund the Refunded Obligations (defined herein) to achieve debt service savings, and (ii) to pay the costs of issuing the Bonds, as more fully described herein.

The Bonds, together with the outstanding First Tier Senior Obligations and any additional First Tier Senior Obligations hereafter issued, will be secured by and payable from a first lien on the Pledged Revenues (defined herein) consisting primarily of certain funds deposited to the credit of the Fund. In the Master Resolution, the Commission has reserved the right to establish additional levels of lien seniority and payment priority (each, a “Tier”) for Senior Obligations (defined herein) to be issued in the future. Pursuant to Article III, Section 49-n of the State Constitution, revenue on deposit in the Fund is appropriated in an amount necessary to pay the principal of and interest on the Bonds and all other outstanding Senior Obligations that mature or become due during any fiscal year and to pay any cost related to the Bonds and all other outstanding Senior Obligations. This appropriation of revenue may not be modified to impair the payment of the Bonds and any other outstanding Senior Obligations unless provisions have been made for a full discharge of the Bonds and all other outstanding Senior Obligations. **See “GENERAL INFORMATION REGARDING THE BONDS – Source of Payment for Bonds.” NEITHER THE STATE, NOR ANY AGENCY, POLITICAL CORPORATION, OR POLITICAL SUBDIVISION OF THE STATE IS OBLIGATED TO PAY THE PRINCIPAL OF OR INTEREST ON THE BONDS, OTHER THAN AS PROVIDED IN THE RESOLUTION. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE, ANY AGENCY, POLITICAL CORPORATION, OR POLITICAL SUBDIVISION OF THE STATE IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE BONDS.**

The Bonds are initially issuable only to Cede & Co., the nominee of The Depository Trust Company, New York, New York (“DTC”), pursuant to the book-entry-only system described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof within a maturity. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of and interest on the Bonds will be payable by the paying agent/registrar (the “Paying Agent/Registrar”), initially U.S. Bank National Association, Dallas, Texas, to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent remittance to the owners of the beneficial interests in the Bonds. See “APPENDIX E – DTC BOOK-ENTRY-ONLY SYSTEM AND GLOBAL CLEARANCE PROCEDURES.”

This cover page contains information for quick reference only. It is not a summary of the Bonds. Potential investors must read this entire Official Statement to obtain information essential to making an informed investment decision. Investment in the Bonds is subject to certain investment considerations. See “INVESTMENT CONSIDERATIONS.”

See Page i for Maturity Schedule and Additional Information with Respect to the Bonds

The Bonds are offered for delivery when, as, and if issued and accepted by the Underwriters named below, and subject to the approval of the Attorney General of the State and the approval of certain legal matters by Orrick, Herrington & Sutcliffe LLP, Austin, Texas, Bond Counsel. Certain legal matters will be passed upon for the Commission by General Counsel to the Commission and by Bracewell LLP, Austin, Texas, Disclosure Counsel to the Commission. Certain legal matters will be passed upon for the Underwriters by their co-counsel, Norton Rose Fulbright US LLP, Austin, Texas, and Kintop Smith, PLLC, Dallas, Texas. It is expected that the Bonds will be delivered on or about July 1, 2020 (the “Date of Initial Delivery”) through the facilities of DTC.

Piper Sandler & Co.

Blaylock Van, LLC

Frost Bank

Siebert Williams Shank & Co. LLC

J.P. Morgan

Stifel

MATURITY SCHEDULE

\$341,425,000

TEXAS TRANSPORTATION COMMISSION

STATE HIGHWAY FUND FIRST TIER REVENUE REFUNDING BONDS, TAXABLE SERIES 2020

<u>Maturity (October 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Initial Yield</u>	<u>Initial Price</u>	<u>CUSIP⁽¹⁾</u>	<u>ISIN⁽¹⁾</u>
2030	\$ 13,650,000	4.000%	1.727%	121.266	88283LKU9	US88283LKU97
2033	327,775,000	4.000%	1.877% ⁽²⁾	123.988 ⁽²⁾	88283LKV7	US88283LKV70

Interest. The Bonds will bear interest at the respective rates shown above, as applicable, calculated on the basis of a 360-day year composed of twelve months comprised of 30 days each. The Bonds will mature in the respective principal amounts and on the respective dates shown above. The Bonds will bear interest from the Date of Initial Delivery and such interest will be payable semiannually on each April 1 and October 1, commencing October 1, 2020. See “THE BONDS.”

Redemption. The Bonds are subject to redemption prior to their stated maturity, in whole or in part, at the option of the Commission at the Make-Whole Redemption Price (as defined herein), on any date. The Bonds maturing on October 1, 2033 are further subject to mandatory sinking fund redemption prior to their stated maturity as described herein. See “THE BONDS – Redemption Provisions.”

⁽¹⁾ CUSIP is a registered trademark of the American Bankers Association. CUSIP and ISIN data herein is provided by CUSIP Global Services, which is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Global Services. The CUSIP and/or ISIN number for a specific maturity is subject to being changed after the execution and delivery of the Bonds as a result of various subsequent actions, including but not limited to, a refunding in whole or in part of such maturity, or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of the Bonds. None of the Department, the Commission, the Financial Advisor or the Underwriters shall be responsible for the selection or the correctness of the CUSIP and ISIN numbers shown herein.

⁽²⁾ The Initial Yield and the Initial Price shown for the Bonds maturing on October 1, 2033 have been calculated using an average life of 12.76 years. See “THE BONDS – Redemption Provisions – Mandatory Sinking Fund Redemption.”

TEXAS TRANSPORTATION COMMISSION

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
J. Bruce Bugg, Jr.	Chairman	February 1, 2021
Alvin New	Commissioner	February 1, 2021
Laura Ryan	Commissioner	February 1, 2023
Victor Vandergriff ⁽¹⁾	Commissioner	February 1, 2019
Robert C. Vaughn	Commissioner	February 1, 2025

TEXAS DEPARTMENT OF TRANSPORTATION-SELECTED PERSONNEL

<u>Name</u>	<u>Position</u>	<u>Total Years of Service with the Department</u>
James M. Bass	Executive Director	35 years
Marc D. Williams, P.E.	Deputy Executive Director	8 years
Brian D. Ragland, CPA	Chief Financial Officer	14 years
Benjamin H. Asher	Director, Project Finance, Debt and Strategic Contracts Division	8 years
Stephen Stewart, CPA	Director, Financial Management Division	8 years
Jeff Graham	General Counsel	8 years

CONSULTANTS AND ADVISORS

Bond CounselOrrick, Herrington & Sutcliffe LLP
 Disclosure Counsel.....Bracewell LLP
 Financial Advisor Estrada Hinojosa & Company, Inc.
 Paying Agent/Registrar U.S. Bank National Association

For additional information regarding the Commission or the Department, please contact either:

Mr. Brian D. Ragland, CPA
 Chief Financial Officer
 Texas Department of Transportation
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 Austin, Texas 78701-2483
 (512) 305-9512

Mr. Paul Jack
 Senior Managing Director
 Estrada Hinojosa & Company, Inc.
 3103 Bee Caves Road, Suite 133
 Austin, Texas 78746
 (512) 605-2444

⁽¹⁾ Mr. Vandergriff resigned as Commissioner on February 9, 2018. Pursuant to State law, Mr. Vandergriff continues to perform the duties of Commissioner until the earlier of (i) the date such Commissioner's successor shall be duly appointed and qualified or (ii) the last day of the first regular session of the State Legislature that begins after the expiration of such Commissioner's term (which date is May 31, 2021).

SALE AND DISTRIBUTION OF THE BONDS

Use of Official Statement

No dealer, broker, salesman or other person has been authorized by the Commission or the underwriters set forth on the cover page hereof (collectively, the “Underwriters”) to give any information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representation must not be relied upon as having been authorized by the Commission or the Underwriters. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale.

Certain information set forth in this Official Statement has been furnished by the Commission, and other sources which are believed to be reliable by the Commission, but such information is not to be construed as a representation by the Underwriters. Additionally, this Official Statement contains, in part, estimates and matters of opinion that are not intended as statements of fact, and no representation or warranty is made as to the correctness of such estimates and matters of opinion or that they will be realized.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

THIS OFFICIAL STATEMENT IS INTENDED TO REFLECT FACTS AND CIRCUMSTANCES ON THE DATE OF THIS OFFICIAL STATEMENT OR ON SUCH OTHER DATE OR AT SUCH OTHER TIME AS IDENTIFIED HEREIN. NO ASSURANCE CAN BE GIVEN THAT SUCH INFORMATION MAY NOT BE MISLEADING AT A LATER DATE. CONSEQUENTLY, RELIANCE ON THIS OFFICIAL STATEMENT AT TIMES SUBSEQUENT TO THE ISSUANCE OF THE BONDS DESCRIBED HEREIN SHOULD NOT BE MADE ON THE ASSUMPTION THAT ANY SUCH FACTS OR CIRCUMSTANCES ARE UNCHANGED.

NONE OF THE COMMISSION, THE DEPARTMENT OR THE COMMISSION’S FINANCIAL ADVISOR MAKE ANY REPRESENTATION AS TO THE ACCURACY, ADEQUACY OR COMPLETENESS OF THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT UNDER THE CAPTION “INFORMATION CONCERNING OFFERING RESTRICTIONS IN CERTAIN JURISDICTIONS OUTSIDE THE UNITED STATES” OR IN “APPENDIX E – DTC BOOK-ENTRY-ONLY SYSTEM AND GLOBAL CLEARANCE PROCEDURES.”

Certain terms and provisions of the Resolution and other documentation relating to the Bonds are contained in this Official Statement. In making an investment decision, investors must rely on their own examination of the Resolution and the terms of the offering, including the merits and risks involved.

THE CONTENTS OF THIS OFFICIAL STATEMENT ARE NOT TO BE CONSTRUED AS LEGAL, BUSINESS OR TAX ADVICE, AND PROSPECTIVE INVESTORS SHOULD CONSULT THEIR OWN ATTORNEYS AND BUSINESS AND TAX ADVISORS.

Marketability

THE PRICE AND OTHER TERMS RESPECTING THE OFFERING AND SALE OF THE BONDS MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS AFTER SUCH BONDS ARE RELEASED FOR SALE AND SUCH BONDS MAY BE OFFERED AND SOLD AT PRICES OTHER THAN THE INITIAL OFFERING PRICES, INCLUDING SALES TO DEALERS WHO MAY SELL SUCH BONDS INTO INVESTMENT ACCOUNTS. IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Securities Laws

NEITHER THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION (THE “SEC”) NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED THE BONDS OR PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

No registration statement relating to the Bonds has been filed with the SEC under the Securities Act of 1933, in reliance upon an exemption provided thereunder, nor have the Bonds been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein. The Bonds have not been registered or qualified under the securities laws of any other jurisdiction (domestic or foreign).

The Commission assumes no responsibility for registration or qualification for sale or other disposition of the Bonds under the securities laws of any jurisdiction (domestic or foreign) in which the Bonds may be offered, sold or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions.

The statements contained in this Official Statement, and in other information provided by the Commission, that are not purely historical, are forward-looking statements, including statements regarding the Commission’s expectations, hopes, intentions or strategies regarding the future. All forward-looking statements included in this Official Statement are based on information available to the Commission on the date hereof, and the Commission assumes no obligation to update any such forward-looking statements. See “INVESTMENT CONSIDERATIONS – Forward-Looking Statements.”

References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader’s convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and as that term is defined in, Rule 15c2-12 of the SEC.

INFORMATION CONCERNING OFFERING RESTRICTIONS IN CERTAIN JURISDICTIONS OUTSIDE THE UNITED STATES

REFERENCES HEREIN TO THE “ISSUER” MEAN THE COMMISSION, AND REFERENCES TO “BONDS” OR “SECURITIES” MEAN THE BONDS OFFERED HEREBY.

MINIMUM UNIT SALES

THE BONDS WILL TRADE AND SETTLE ON A UNIT BASIS (ONE UNIT EQUALING ONE BOND OF \$5,000 PRINCIPAL AMOUNT). FOR ANY SALES MADE OUTSIDE THE UNITED STATES, THE MINIMUM PURCHASE AND TRADING AMOUNT IS 30 UNITS (BEING 30 BONDS IN AN AGGREGATE PRINCIPAL AMOUNT OF \$150,000).

NOTICE TO PROSPECTIVE INVESTORS IN THE EUROPEAN ECONOMIC AREA (“EEA”) OR THE UNITED KINGDOM

THE BONDS ARE NOT INTENDED TO BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO AND SHOULD NOT BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO ANY RETAIL INVESTOR IN THE EEA OR THE UNITED KINGDOM. FOR THESE PURPOSES, A “RETAIL INVESTOR” MEANS A PERSON WHO IS ONE (OR MORE) OF: (I) A RETAIL CLIENT AS DEFINED IN POINT (11) OF ARTICLE 4(1) OF DIRECTIVE 2014/65/EU (AS AMENDED, “MIFID II”); (II) A CUSTOMER WITHIN THE MEANING OF DIRECTIVE (EU) 2016/97 (THE “INSURANCE DISTRIBUTION DIRECTIVE”), WHERE THAT CUSTOMER WOULD NOT QUALIFY AS A PROFESSIONAL CLIENT AS DEFINED IN POINT (10) OF ARTICLE 4(1) OF MIFID II; OR (III) NOT A QUALIFIED INVESTOR AS DEFINED IN REGULATION (EU) 2017/1129 (THE “PROSPECTUS REGULATION”). CONSEQUENTLY, NO KEY INFORMATION DOCUMENT REQUIRED BY REGULATION (EU) NO. 1286/2014 (AS AMENDED, THE “PRIIPS REGULATION”) FOR OFFERING OR SELLING THE BONDS OR OTHERWISE MAKING THEM AVAILABLE TO RETAIL INVESTORS IN THE EEA OR IN THE UNITED KINGDOM HAS BEEN PREPARED AND THEREFORE OFFERING OR SELLING THE BONDS OR OTHERWISE MAKING THEM AVAILABLE TO ANY RETAIL INVESTOR IN THE EEA OR IN THE UNITED KINGDOM MAY BE UNLAWFUL UNDER THE PRIIPS REGULATION.

THIS OFFICIAL STATEMENT HAS BEEN PREPARED ON THE BASIS THAT ALL OFFERS OF THE BONDS TO ANY PERSON THAT IS LOCATED WITHIN A MEMBER STATE OF THE EEA OR THE UNITED KINGDOM WILL BE MADE PURSUANT TO AN EXEMPTION UNDER ARTICLE 1(4) OF THE PROSPECTUS REGULATION FROM THE REQUIREMENT TO PRODUCE A PROSPECTUS FOR OFFERS OF THE BONDS. ACCORDINGLY, ANY PERSON MAKING OR INTENDING TO MAKE ANY OFFER IN THE EEA OR THE UNITED KINGDOM OF THE BONDS SHOULD ONLY DO SO IN CIRCUMSTANCES IN WHICH NO OBLIGATION ARISES FOR THE ISSUER OR ANY OF THE UNDERWRITERS TO PROVIDE A PROSPECTUS FOR SUCH OFFER. NEITHER THE ISSUER NOR THE UNDERWRITERS HAVE AUTHORIZED, NOR DO THEY AUTHORIZE, THE MAKING OF ANY OFFER OF BONDS THROUGH ANY FINANCIAL INTERMEDIARY, OTHER THAN OFFERS MADE BY THE UNDERWRITERS, WHICH CONSTITUTE THE FINAL PLACEMENT OF THE BONDS CONTEMPLATED IN THIS OFFICIAL STATEMENT.

THE OFFER OF ANY BONDS WHICH IS THE SUBJECT OF THE OFFERING CONTEMPLATED BY THIS OFFICIAL STATEMENT IS NOT BEING MADE AND WILL NOT BE MADE TO THE PUBLIC IN THE EEA OR THE UNITED KINGDOM, OTHER THAN: (A) TO ANY LEGAL ENTITY WHICH IS A “QUALIFIED INVESTOR” AS SUCH TERM IS DEFINED IN THE PROSPECTUS REGULATION; (B) TO FEWER THAN 150 NATURAL OR LEGAL PERSONS (OTHER THAN “QUALIFIED INVESTORS” AS SUCH TERM IS DEFINED IN THE PROSPECTUS REGULATION), SUBJECT TO OBTAINING THE PRIOR CONSENT OF THE RELEVANT UNDERWRITER OR THE ISSUER FOR ANY SUCH OFFER; OR (C) IN ANY OTHER CIRCUMSTANCES FALLING WITHIN ARTICLE 1(4) OF THE PROSPECTUS REGULATION; PROVIDED THAT NO SUCH OFFER OF THE BONDS SHALL REQUIRE THE ISSUER OR ANY UNDERWRITER TO PUBLISH A PROSPECTUS PURSUANT TO ARTICLE 3 OF THE PROSPECTUS REGULATION OR A SUPPLEMENT TO A PROSPECTUS PURSUANT TO ARTICLE 23 OF THE PROSPECTUS REGULATION.

FOR THE PURPOSES OF THIS PROVISION, THE EXPRESSION AN “OFFER OF SECURITIES TO THE PUBLIC” IN RELATION TO THE BONDS IN ANY MEMBER STATE OF THE EEA OR THE UNITED KINGDOM MEANS THE COMMUNICATION IN ANY FORM AND BY ANY MEANS OF SUFFICIENT INFORMATION ON THE TERMS OF THE OFFER AND THE BONDS TO BE OFFERED SO AS TO ENABLE AN INVESTOR TO DECIDE TO PURCHASE THE BONDS OR SUBSCRIBE FOR THE BONDS.

EACH SUBSCRIBER FOR OR PURCHASER OF THE BONDS IN THE OFFERING LOCATED WITHIN A MEMBER STATE OF THE EEA OR THE UNITED KINGDOM WILL BE DEEMED TO HAVE REPRESENTED, ACKNOWLEDGED AND AGREED THAT IT IS A “QUALIFIED INVESTOR” AS DEFINED IN THE PROSPECTUS REGULATION. THE ISSUER AND EACH UNDERWRITER AND OTHERS WILL RELY ON THE TRUTH AND ACCURACY OF THE FOREGOING REPRESENTATION, ACKNOWLEDGEMENT AND AGREEMENT.

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED KINGDOM

THIS OFFICIAL STATEMENT HAS NOT BEEN APPROVED FOR THE PURPOSES OF SECTION 21 OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (“FSMA”) AND DOES NOT CONSTITUTE AN OFFER TO THE PUBLIC IN ACCORDANCE WITH THE PROVISIONS OF SECTION 85 OF THE FSMA. THIS OFFICIAL STATEMENT IS FOR DISTRIBUTION ONLY TO, AND IS DIRECTED SOLELY AT, PERSONS WHO (I) ARE OUTSIDE THE UNITED KINGDOM, (II) ARE INVESTMENT PROFESSIONALS, AS SUCH TERM IS DEFINED IN ARTICLE 19(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005, AS AMENDED (THE “FINANCIAL PROMOTION ORDER”), (III) ARE PERSONS FALLING WITHIN ARTICLE 49(2)(A) TO (D) OF THE FINANCIAL PROMOTION ORDER, OR (IV) ARE PERSONS TO WHOM AN INVITATION OR INDUCEMENT TO ENGAGE IN INVESTMENT ACTIVITY (WITHIN THE MEANING OF SECTION 21 OF THE FSMA) IN CONNECTION WITH THE ISSUE OR SALE OF ANY SECURITIES MAY OTHERWISE BE LAWFULLY COMMUNICATED OR CAUSED TO BE COMMUNICATED (ALL SUCH PERSONS TOGETHER BEING REFERRED TO AS “RELEVANT PERSONS”). THIS OFFICIAL STATEMENT IS DIRECTED ONLY AT RELEVANT PERSONS AND MUST NOT BE ACTED ON OR RELIED ON BY PERSONS WHO ARE NOT RELEVANT PERSONS. ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS OFFICIAL STATEMENT RELATES IS AVAILABLE ONLY TO RELEVANT PERSONS AND WILL BE ENGAGED IN ONLY WITH RELEVANT PERSONS. ANY PERSON WHO IS NOT A RELEVANT PERSON SHOULD NOT ACT OR RELY ON THIS OFFICIAL STATEMENT OR ANY OF ITS CONTENTS.

NOTICE TO INVESTORS IN SWITZERLAND

THIS OFFICIAL STATEMENT IS NOT INTENDED TO CONSTITUTE AN OFFER OR SOLICITATION TO PURCHASE OR INVEST IN THE BONDS. THE BONDS MAY NOT BE PUBLICLY OFFERED, DIRECTLY OR INDIRECTLY, IN SWITZERLAND WITHIN THE MEANING OF THE SWISS FINANCIAL SERVICES ACT (“FINSA”) AND NO APPLICATION HAS OR WILL BE MADE TO ADMIT THE BONDS TO TRADING ON ANY TRADING VENUE (EXCHANGE OR MULTILATERAL TRADING FACILITY) IN SWITZERLAND. NEITHER THIS OFFICIAL STATEMENT NOR ANY OTHER OFFERING OR MARKETING MATERIAL RELATING TO THE BONDS CONSTITUTES A PROSPECTUS PURSUANT TO THE FINSA, AND NEITHER THIS OFFICIAL STATEMENT NOR ANY OTHER OFFERING OR MARKETING MATERIAL RELATING TO THE BONDS MAY BE PUBLICLY DISTRIBUTED OR OTHERWISE MADE PUBLICLY AVAILABLE IN SWITZERLAND.

THE BONDS DO NOT CONSTITUTE COLLECTIVE INVESTMENTS WITHIN THE MEANING OF THE SWISS FEDERAL ACT ON COLLECTIVE INVESTMENT SCHEMES (“CISA”). ACCORDINGLY, HOLDERS OF THE BONDS DO NOT BENEFIT FROM PROTECTION UNDER THE CISA OR FROM THE SUPERVISION OF THE SWISS FINANCIAL MARKET SUPERVISORY AUTHORITY. INVESTORS ARE EXPOSED TO THE DEFAULT RISK OF THE ISSUER.

NOTICE TO PROSPECTIVE INVESTORS IN HONG KONG

THE CONTENTS OF THIS OFFICIAL STATEMENT HAVE NOT BEEN REVIEWED BY ANY REGULATORY AUTHORITY IN HONG KONG. YOU ARE ADVISED TO EXERCISE CAUTION IN RELATION TO THE OFFER OF THE BONDS. IF YOU ARE IN ANY DOUBT ABOUT ANY OF THE CONTENTS OF THIS OFFICIAL STATEMENT, YOU SHOULD OBTAIN INDEPENDENT PROFESSIONAL ADVICE.

THIS OFFICIAL STATEMENT HAS NOT BEEN, AND WILL NOT BE, REGISTERED AS A PROSPECTUS (AS DEFINED IN THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE (CHAPTER 32 OF THE LAWS OF HONG KONG)) IN HONG KONG (THE “C(WUMP)O”) NOR HAS IT BEEN APPROVED BY THE SECURITIES AND FUTURES COMMISSION OF HONG KONG PURSUANT TO THE SECURITIES AND FUTURES ORDINANCE (CHAPTER 571 OF THE LAWS OF HONG KONG) (THE “SFO”). ACCORDINGLY, THE BONDS MAY NOT BE OFFERED OR SOLD IN HONG KONG BY MEANS OF THIS OFFICIAL STATEMENT OR ANY OTHER DOCUMENT, AND THIS OFFICIAL STATEMENT MUST NOT BE ISSUED, CIRCULATED OR DISTRIBUTED IN HONG KONG, OTHER THAN (A) TO ‘PROFESSIONAL INVESTORS’ AS DEFINED IN THE SFO AND ANY RULES MADE UNDER THE SFO; OR (B) IN OTHER CIRCUMSTANCES WHICH DO NOT RESULT IN THIS OFFICIAL STATEMENT OR ANY OTHER DOCUMENT BEING A “PROSPECTUS” AS DEFINED IN THE C(WUMP)O OR WHICH DO NOT CONSTITUTE AN OFFER TO

THE PUBLIC WITHIN THE MEANING OF THE C(WUMP)O. IN ADDITION, NO PERSON MAY ISSUE OR HAVE IN ITS POSSESSION FOR THE PURPOSES OF ISSUE, WHETHER IN HONG KONG OR ELSEWHERE, ANY ADVERTISEMENT, INVITATION OR DOCUMENT RELATING TO THE BONDS, WHICH IS DIRECTED AT, OR THE CONTENTS OF WHICH ARE LIKELY TO BE ACCESSED OR READ BY, THE PUBLIC OF HONG KONG (EXCEPT IF PERMITTED TO DO SO UNDER THE SECURITIES LAWS OF HONG KONG) OTHER THAN WITH RESPECT TO THE BONDS WHICH ARE OR ARE INTENDED TO BE DISPOSED OF ONLY (A) TO PERSONS OUTSIDE HONG KONG, OR (B) TO ‘PROFESSIONAL INVESTORS’ AS DEFINED IN THE SFO AND ANY RULES MADE UNDER THE SFO.

NOTICE TO PROSPECTIVE INVESTORS IN JAPAN

THE BONDS HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE FINANCIAL INSTRUMENTS AND EXCHANGE ACT OF JAPAN (ACT NO. 25 OF 1948, AS AMENDED, THE “FIEA”). NEITHER THE BONDS NOR ANY INTEREST THEREIN MAY BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, IN JAPAN OR TO, OR FOR THE BENEFIT OF, ANY RESIDENT OF JAPAN (AS DEFINED UNDER ITEM 5, PARAGRAPH 1, ARTICLE 6 OF THE FOREIGN EXCHANGE AND FOREIGN TRADE ACT (ACT NO. 228 OF 1949, AS AMENDED)), OR TO OTHERS FOR RE-OFFERING OR RESALE, DIRECTLY OR INDIRECTLY, IN JAPAN OR TO, OR FOR THE BENEFIT OF, ANY RESIDENT OF JAPAN, EXCEPT PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF, AND OTHERWISE IN COMPLIANCE WITH, THE FIEA AND ANY OTHER APPLICABLE LAWS, REGULATIONS AND MINISTERIAL GUIDELINES OF JAPAN.

THE PRIMARY OFFERING OF THE BONDS AND THE SOLICITATION OF AN OFFER FOR ACQUISITION THEREOF HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER PARAGRAPH 1, ARTICLE 4 OF THE FIEA. AS IT IS A PRIMARY OFFERING, IN JAPAN, THE BONDS MAY ONLY BE OFFERED, SOLD, RESOLD OR OTHERWISE TRANSFERRED, DIRECTLY OR INDIRECTLY TO, OR FOR THE BENEFIT OF CERTAIN QUALIFIED INSTITUTIONAL INVESTORS AS DEFINED IN THE FIEA (“QIIS”) IN RELIANCE ON THE QIIS-ONLY PRIVATE PLACEMENT EXEMPTION AS SET FORTH IN ITEM 2(I), PARAGRAPH 3, ARTICLE 2 OF THE FIEA. A QII WHO PURCHASED OR OTHERWISE OBTAINED THE BONDS CANNOT RESELL OR OTHERWISE TRANSFER THE BONDS IN JAPAN TO ANY PERSON EXCEPT ANOTHER QII.

NOTICE TO PROSPECTIVE INVESTORS IN TAIWAN

THE OFFER OF THE BONDS HAS NOT BEEN AND WILL NOT BE REGISTERED OR FILED WITH, OR APPROVED BY, THE FINANCIAL SUPERVISORY COMMISSION OF TAIWAN AND/OR OTHER REGULATORY AUTHORITY OF TAIWAN PURSUANT TO RELEVANT SECURITIES LAWS AND REGULATIONS, AND THE BONDS MAY NOT BE OFFERED, ISSUED OR SOLD IN TAIWAN THROUGH A PUBLIC OFFERING OR IN CIRCUMSTANCES WHICH CONSTITUTE AN OFFER WITHIN THE MEANING OF THE SECURITIES AND EXCHANGE ACT OF TAIWAN THAT REQUIRES THE REGISTRATION OR FILING WITH OR APPROVAL OF THE FINANCIAL SUPERVISORY COMMISSION OF TAIWAN. THE BONDS MAY BE MADE AVAILABLE OUTSIDE TAIWAN FOR PURCHASE BY INVESTORS RESIDING IN TAIWAN (EITHER DIRECTLY OR THROUGH PROPERLY LICENSED TAIWAN INTERMEDIARIES), BUT MAY NOT BE OFFERED OR SOLD IN TAIWAN EXCEPT TO QUALIFIED INVESTORS VIA A TAIWAN LICENSED INTERMEDIARY. ANY SUBSCRIPTIONS OF BONDS SHALL ONLY BECOME EFFECTIVE UPON ACCEPTANCE BY THE ISSUER OR THE RELEVANT DEALER OUTSIDE TAIWAN AND SHALL BE DEEMED A CONTRACT ENTERED INTO IN THE JURISDICTION OF INCORPORATION OF THE ISSUER OR RELEVANT DEALER, AS THE CASE MAY BE, UNLESS OTHERWISE SPECIFIED IN THE SUBSCRIPTION DOCUMENTS RELATING TO THE BONDS SIGNED BY THE INVESTORS.

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OFFICIAL STATEMENT
RELATING TO
TEXAS TRANSPORTATION COMMISSION
\$341,425,000
STATE HIGHWAY FUND
FIRST TIER REVENUE REFUNDING BONDS,
TAXABLE SERIES 2020

INTRODUCTION

The purpose of this Official Statement (which includes the Schedule and Appendices hereto) is to furnish information concerning the offering of the “Texas Transportation Commission State Highway Fund First Tier Revenue Refunding Bonds, Taxable Series 2020” (the “Bonds”), which are being issued by the Texas Transportation Commission (the “Commission”), the governing body of the Texas Department of Transportation (the “Department”), an agency of the State of Texas (the “State”), in the principal amount set forth above. The Bonds are being issued pursuant to the authority granted to the Commission by Article III, Section 49-n of the State Constitution; Section 222.003, Texas Transportation Code (the “Act”); Chapter 1207, Texas Government Code; Chapter 1371, Texas Government Code; the “Second Amended and Restated Master Resolution Establishing a Financing Program for Bonds, Other Public Securities and Credit Agreements Secured by and Payable from Revenue Deposited to the Credit of the State Highway Fund” dated as of April 23, 2010 (the “Master Resolution”), as supplemented by the Ninth Supplemental Resolution to the Master Resolution adopted by minute order of the Commission on July 25, 2019 (the “Ninth Supplemental Resolution”); and an Award Certificate of the Department Representative executed on the date of sale of the Bonds (the “Award Certificate” and, together with the Master Resolution and the Ninth Supplemental Resolution, the “Resolution”). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Resolution, as set forth in “APPENDIX A – DEFINITIONS AND EXCERPTED PROVISIONS OF THE RESOLUTION,” except as otherwise indicated herein.

On September 13, 2003, the voters of the State approved an amendment to the State Constitution, Article III, Section 49-n, as added by Acts 2003, 78th Texas Legislature, House Joint Resolution Number 28, Section 1 (“Section 49-n”), which permits the Texas Legislature (the “State Legislature”) to authorize the Commission to issue bonds and other public securities to fund State highway improvement projects payable from revenues deposited to the credit of the State Highway Fund (the “Fund” or the “State Highway Fund”) held in the State Treasury.

Pursuant to the Act, the State Legislature has authorized the Commission to issue bonds and other public securities to finance (i) State highway improvement projects, (ii) reserve and contingency funds for such bonds and other public securities and (iii) the costs of issuing such bonds or securities and entering into credit agreements related to such bonds and securities. The Act provides that bonds (including the Bonds) and public securities issued, and credit agreements entered into, are secured by a pledge of and payable from revenues deposited to the credit of the Fund and amounts needed for payments due on such bonds, public securities, and credit agreements are appropriated from the Fund by Section 49-n for that purpose. Section 49-n further provides that the dedication or appropriation of revenue to the credit of the Fund may not be modified so as to impair any outstanding bonds or other public securities secured by a pledge of revenues in the Fund unless provisions have been made for a full discharge of such bonds or securities. See “INVESTMENT CONSIDERATIONS – Potential Legislative Changes to Pledged Revenues.” An amendment to the Act in 2007 increased the authority of the Commission to issue up to \$6 billion aggregate principal amount of bonds and other public securities (increased from the previous \$3 billion maximum), provided the Commission may not issue more than \$1.5 billion aggregate principal amount of bonds and other public securities in any year (increased from \$1 billion annual maximum). Section 49-n, however, does not restrict the authority of the State Legislature to modify or remove the limitations on the issuance of bonds and other public securities contained in the Act.

Revenues deposited to the credit of the Fund include certain constitutionally dedicated revenues and certain non-dedicated revenues. Article VIII, Section 7-a of the State Constitution (“Section 7-a”) dedicates (i) 75% of the net revenues generated from the State motor fuels tax (net of enforcement, administrative and refund charges), (ii) the State tax on motor lubricants and (iii) the net revenues generated from State motor vehicle registration fees (net of collection charges and the portion of such fees that is reserved for counties within the State) to the acquisition of rights-of-way; construction, maintenance, and policing of public roadways; and for the administration of laws pertaining to the supervision of traffic and safety on such public roads. Also, pursuant to Article VIII, Section 7-b (“Section 7-b”) of the State Constitution, all revenues

received from the federal government as reimbursement for State expenditures of funds that are themselves dedicated for acquiring rights-of-way and constructing, maintaining and policing public roadways are constitutionally dedicated and may be used only for those purposes. Revenues dedicated for the purposes provided by Section 7-a and Section 7-b are deposited to the credit of the Fund and, by virtue of such deposit, are pledged to the payment of the Bonds and all other outstanding Senior Obligations. Certain non-dedicated revenues are also deposited to the credit of the Fund, though the State Legislature could seek to re-direct such revenues for other purposes, subject to Section 49-n described above. See “GENERAL INFORMATION REGARDING THE BONDS – Source of Payment for Bonds,” “THE STATE HIGHWAY FUND – General” and “– Sources of Revenue in the Fund” and “INVESTMENT CONSIDERATIONS.”

Pursuant to the Master Resolution, the Commission has established a financing program (the “Program”) to facilitate the Commission’s exercise of the powers and authority conferred by the Act through the issuance, execution and delivery of Senior Obligations. In accordance with the Program, the Resolution provides for and authorizes the issuance of the Bonds as First Tier Senior Obligations, and the Commission has pledged and granted a first lien on the Pledged Revenues as security for the payment of First Tier Senior Obligations, including the Bonds. See “GENERAL INFORMATION REGARDING THE BONDS – Source of Payment for Bonds” and “– Flow of Funds.” See “GENERAL INFORMATION REGARDING THE BONDS – Outstanding and Additional Senior Obligations and Tiers of Senior Obligations” for a description of the presently outstanding Previously Issued First Tier Senior Obligations (defined herein). In the Resolution, the Commission has reserved the right to issue or otherwise incur additional First Tier Senior Obligations on parity with the Bonds. In addition, the Commission has reserved the right to establish additional Tiers for Senior Obligations to be secured by a lien on the Pledged Revenues that are junior and subordinate to the lien securing payment of First Tier Senior Obligations. To date, the Commission has not established additional Tiers for Senior Obligations. The Master Resolution also reserves and recognizes the right of the Commission to issue and otherwise incur Subordinate Obligations payable from or secured by the State Highway Fund Revenues, subject to the prior lien and security interest on the Fund securing payment of First Tier Senior Obligations (including the Bonds) and any other Senior Obligations.

The Commission has previously issued eleven series of Senior Obligations as First Tier Senior Obligations. The Bonds are being issued pursuant to the Ninth Supplemental Resolution, which authorizes the issuance of refunding bonds in one or more series. As of June 1, 2020, First Tier Senior Obligations in the aggregate principal amount of \$3,740,225,000 were outstanding. Upon the issuance of the Bonds and the application of the proceeds thereof on the Date of Initial Delivery, First Tier Senior Obligations in the aggregate principal amount of \$3,723,025,000 will be outstanding. No authorized amount remains under the Act for new money purposes, unless the Act is amended by the State Legislature to modify or remove such limitation. The Ninth Supplemental Resolution authorizes the issuance of refunding bonds (such as the Bonds) in one or more series for the purpose of refunding Previously Issued First Tier Senior Obligations in the event that certain savings criteria are satisfied or to refund currently outstanding variable rate Senior Obligations. The Bonds constitute the first series of obligations delivered under authority of the Ninth Supplemental Resolution. See “GENERAL INFORMATION REGARDING THE BONDS – Outstanding and Additional Senior Obligations and Tiers of Senior Obligations” and “– Issuance of Subordinate Obligations,” “THE STATE HIGHWAY FUND – Uses of the Fund – Capital Projects and Proposed Debt Financings” and “APPENDIX A – DEFINITIONS AND EXCERPTED PROVISIONS OF THE RESOLUTION.”

Pursuant to the Act and the Resolution, the Commission may enter into “Credit Agreements” that are secured by a pledge of and payable from certain revenues deposited to the credit of the Fund. The Commission has previously entered into Credit Agreements with respect to the outstanding Series 2014-B1 Bonds and Series 2014-B2 Bonds (as each such term is hereinafter defined), which bonds constitute First Tier Senior Obligations. See “GENERAL INFORMATION REGARDING THE BONDS – Credit Agreements.”

This Official Statement includes descriptions of the Bonds, the Fund, the Commission, the Department, the State and certain other matters, along with summaries and excerpts of portions of the Resolution and a summary of the Funds Management Agreement. The excerpts and summaries of documents contained herein do not purport to be complete or verbatim and are qualified in their entirety by reference to the respective documents. Copies of the Resolution and the Funds Management Agreement are available for inspection at the offices of the Department, DeWitt C. Greer State Office Building, 125 East 11th Street, Austin, Texas 78701. Reference is made to the section herein captioned “DESCRIPTION OF THE TRANSACTION DOCUMENTS” and “APPENDIX A – DEFINITIONS AND EXCERPTED PROVISIONS OF THE RESOLUTION” for the definitions of certain terms used herein.

This Official Statement speaks only as of its date or such other dates indicated herein, and the information contained herein is subject to change. A copy of this Official Statement and the Escrow Agreement (as defined herein) will be submitted to the Municipal Securities Rulemaking Board (the “MSRB”) through its Electronic Municipal Market Access (“EMMA”)

system. See “CONTINUING DISCLOSURE OF INFORMATION” for a description of the Commission’s undertaking to provide certain information on a continuing basis.

Investment in the Bonds involves certain risks, some of which are described throughout this Official Statement. See “INVESTMENT CONSIDERATIONS” for a description of certain investment considerations that should also be considered in evaluating an investment in the Bonds.

PLAN OF FINANCE

General

The proceeds of the Bonds will be used to (i) refund the Previously Issued First Tier Senior Obligations identified on Schedule I hereto (collectively, the “Refunded Obligations”) to achieve debt service savings, and (ii) pay the costs of issuing the Bonds. See “SOURCES AND USES OF FUNDS.” See “Schedule I – Refunded Obligations” for the details of the specific series and maturities of Refunded Obligations to be refunded with a portion of the proceeds of the Bonds and their redemption date and redemption price. The refunding of any of the Refunded Obligations is contingent upon the sale and delivery of the Bonds.

Refunded Obligations

The Refunded Obligations, and interest due thereon, are to be paid on the scheduled interest payment and redemption dates of each such obligation, from funds to be deposited with U.S. Bank National Association, as escrow agent (the “Escrow Agent”), pursuant to an escrow agreement between the Commission and the Escrow Agent (the “Escrow Agreement”), to be effective as of the Date of Initial Delivery of the Bonds.

The Resolution provides that from the proceeds of the sale of the Bonds, together with amounts contributed to the refunding of the Refunded Obligations by the Commission, there shall be deposited with the Escrow Agent the amounts necessary to accomplish the discharge and final payment of the Refunded Obligations. Such funds will be held by the Escrow Agent in a special escrow account (the “Escrow Fund”) and used to purchase a portfolio of securities authorized by Section 1207.062, Texas Government Code, and the resolutions authorizing the issuance of the Refunded Obligations, which may include direct non-callable obligations of the United States of America and non-callable obligations of an agency or instrumentality of the United States of America rated as to investment quality by a nationally recognized investment rating firm no less than “AAA” or its equivalent and guaranteed or insured by the agency or instrumentality (collectively, the “Escrow Securities”). Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of principal of and interest on the Refunded Obligations. The Escrow Fund will not be available to pay principal of or interest on the Bonds.

Simultaneously with the issuance of the Bonds, the Commission will give irrevocable instructions to provide notice, if any, to the owners of the Refunded Obligations that the Refunded Obligations will be redeemed prior to their stated maturity and that funds will be available to redeem the Refunded Obligations on their redemption date from money held in the Escrow Fund, and the Commission will have no further responsibility with respect to amounts available in the Escrow Fund for the payment of the Refunded Obligations from time to time, including any insufficiency therein caused by the failure to receive payment when due on the Escrow Securities.

AMTEC Corp. (the “Verification Agent”) will verify at the time of delivery of the Bonds to the Underwriters the mathematical accuracy of the schedules that demonstrate that the Escrow Securities will mature and pay interest in such amounts which, together with uninvested funds, if any, in the Escrow Fund, will be sufficient to pay, when due, the principal of and interest on the Refunded Obligations on their scheduled redemption date. Such verification report will be based on information and assumptions supplied by the Commission and the Financial Advisor to the Commission and such verifications, information and assumptions will be relied upon by Bond Counsel in rendering its opinion described herein. See “VERIFICATION OF MATHEMATICAL ACCURACY.”

By the deposit of the Escrow Securities and cash with the Escrow Agent pursuant to the Escrow Agreement, the Commission will have affected the defeasance of the Refunded Obligations pursuant to the terms of the resolutions authorizing their issuance and in accordance with applicable law. It is the opinion of Bond Counsel that, as a result of such defeasance, the Refunded Obligations will no longer be payable from Pledged Revenues, but will be payable solely from the principal of and interest on the Escrow Securities and cash held for such purpose by the Escrow Agent, and the Refunded Obligations, as defeased obligations, are not to be included in or considered to be indebtedness of the Commission for any other purpose.

Bond Review Board Approval

With certain exceptions, bonds issued by State agencies and institutions, including bonds issued by the Commission, must be formally approved by the Texas Bond Review Board (the “Bond Review Board”) prior to their issuance, unless certain exemption criteria set forth in the Bond Review Board’s rules are satisfied. The Bond Review Board is composed of the Governor of the State (the “Governor”), the Lieutenant Governor, the Speaker of the House of Representatives, and the Comptroller. The Governor is the Chairman of the Bond Review Board. Each member of the Bond Review Board may, and frequently does, act through a designee. By letter dated April 30, 2020, the Bond Review Board provided written notification to the Commission that the issuance of the Bonds meets the exemption criteria set forth in the Bond Review Board’s rules and that the Bond Review Board decided not to exercise its option to require the Commission to follow the formal approval process pursuant to the Bond Review Board’s rules.

SOURCES AND USES OF FUNDS

The proceeds from the sale of the Bonds, together with other lawfully available funds of the Commission, are estimated to be applied as follows:

Sources:		
	Principal Amount	\$ 341,425,000.00
	Original Issue Premium	81,529,476.00
	Commission Contribution for Refunded Obligations	<u>2,657,726.37</u>
	Total	\$ <u><u>425,612,202.37</u></u>
Uses:		
	Deposit to Escrow Fund	\$ 423,826,988.08
	Underwriters’ Discount	1,372,544.04
	Costs of Issuance ⁽¹⁾	<u>412,670.25</u>
	Total	\$ <u><u>425,612,202.37</u></u>

⁽¹⁾ Includes fees associated with bond counsel, disclosure counsel, rating agencies and other costs associated with issuing the Bonds.

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TABLE 1 - DEBT SERVICE REQUIREMENTS AND PROJECTED COVERAGE

Fiscal Year	Outstanding First Tier Senior Obligations ⁽¹⁾	The Bonds			BAB Subsidy Payments ⁽²⁾	Total Debt Service (before BAB Subsidy)	Total Debt Service (net of BAB Subsidy)	Fiscal Year 2019 Pledged Revenues ⁽³⁾	Aggregate Debt Service Coverage (before BAB Subsidy)	Aggregate Debt Service Coverage (net of BAB Subsidy)
		Principal	Interest	Total						
2021	\$410,309,052	-	\$10,242,750	\$10,242,750	\$(25,434,405)	\$420,551,802	\$395,117,397	\$8,944,012,000	21.27	22.64
2022	409,632,022	-	13,657,000	13,657,000	(25,434,405)	423,289,022	397,854,616	8,944,012,000	21.13	22.48
2023	408,965,197	-	13,657,000	13,657,000	(25,434,405)	422,622,197	397,187,791	8,944,012,000	21.16	22.52
2024	407,816,836	-	13,657,000	13,657,000	(24,267,028)	421,473,836	397,206,808	8,944,012,000	21.22	22.52
2025	407,461,114	-	13,657,000	13,657,000	(23,060,570)	421,118,114	398,057,544	8,944,012,000	21.24	22.47
2026	407,286,934	-	13,657,000	13,657,000	(21,814,203)	420,943,934	399,129,732	8,944,012,000	21.25	22.41
2027	406,958,229	-	13,657,000	13,657,000	(20,533,474)	420,615,229	400,081,755	8,944,012,000	21.26	22.36
2028	403,279,227	-	13,657,000	13,657,000	(17,058,006)	416,936,227	399,878,221	8,944,012,000	21.45	22.37
2029	397,592,045	-	13,657,000	13,657,000	(11,714,131)	411,249,045	399,534,914	8,944,012,000	21.75	22.39
2030	391,468,421	-	13,657,000	13,657,000	(6,142,387)	405,125,421	398,983,034	8,944,012,000	22.08	22.42
2031	180,307,731	\$13,650,000	13,384,000	27,034,000	-	207,341,731	207,341,731	8,944,012,000	43.14	43.14
2032	167,136,129	-	13,111,000	13,111,000	-	180,247,129	180,247,129	8,944,012,000	49.62	49.62
2033	-	160,610,000	9,898,800	170,508,800	-	170,508,800	170,508,800	8,944,012,000	52.45	52.45
2034	-	167,165,000	3,343,300	170,508,300	-	170,508,300	170,508,300	8,944,012,000	52.45	52.45
Total	\$4,398,212,938	\$341,425,000	\$172,892,850	\$514,317,850	\$(200,893,015)	\$4,912,530,788	\$4,711,637,774			

⁽¹⁾ Reflects gross debt service on all Outstanding First Tier Senior Obligations, excluding the Refunded Obligations. For purposes of illustration, (i) the variable rate of interest on the Series 2014-B1 Bonds, the Series 2014-B2 Bonds, and the Series 2016-B Bonds (following the initial Multiannual Rate Period therefor), being a portion of the Outstanding First Tier Senior Obligations, is assumed at 3.5%, which is inclusive of remarketing and liquidity fees, as applicable, and (ii) the principal of all Outstanding First Tier Senior Obligations is assumed to be paid on the scheduled dates of mandatory sinking fund redemption, if any, and the stated maturity date thereof. The Series 2014-B2 Bonds and the Series 2016-B Bonds are subject to mandatory tender for purchase prior to the stated maturity thereof and are not benefited by any third-party liquidity support. For a description of the Commission's obligations with respect to the payment of the purchase price of the Series 2014-B2 Bonds and the Series 2016-B Bonds upon the mandatory tender thereof, see "GENERAL INFORMATION REGARDING THE BONDS – Outstanding and Additional Senior Obligations and Tiers of Senior Obligation – Outstanding Senior Obligations."

⁽²⁾ The Build America Bonds ("BAB") Subsidy Payments shown above relate to the Series 2010 Bonds and reflect a reduction due to Sequester Cuts. The BAB Subsidy Payment in respect of the April 1, 2020 debt service payment was reduced by approximately \$797,359. A 5.9% reduction in BAB Subsidy Payments has been announced by the federal government for the federal fiscal year ending September 30, 2020 and, in Table 1 above, is assumed to apply to the BAB Subsidy Payments beginning with the October 1, 2020 payment and continuing through the federal fiscal year ending September 30, 2029 (October 1, 2029 payment). See "THE STATE HIGHWAY FUND – Sequestration Effects on the State Highway Fund" herein.

⁽³⁾ Pledged Revenues presented on a modified accrual basis. BAB subsidy payments are not included in Pledged Revenues. See "GENERAL INFORMATION REGARDING THE BONDS – Source of Payment for Bonds" and "THE STATE HIGHWAY FUND – General." The amount of Pledged Revenues for Fiscal Year 2019 is being used in this table for informational purposes only and may not be indicative of future performance or results. See "INVESTMENT CONSIDERATIONS – Impact of COVID-19" and "– Forward-Looking Statements."

Totals may not add due to rounding.

THE BONDS

General Description

The Bonds will be issued in book-entry form pursuant to the book-entry-only system described below. Beneficial owners of the Bonds will not receive physical delivery of bond certificates. The Bonds will be issued in fully registered form and purchases of Bonds are required to be in the denomination of \$5,000 or any integral multiple thereof. The Bonds will be prepared as one fully registered bond certificate for each maturity and will be initially registered in the name of and delivered only to Cede & Co., as nominee for the DTC, pursuant to the book-entry-only system described herein. No physical delivery of the Bonds will be made to the owners thereof. DTC will act as securities depository for the Bonds. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see “APPENDIX E – DTC BOOK-ENTRY-ONLY SYSTEM AND GLOBAL CLEARANCE PROCEDURES”). The Bonds will bear interest at the respective rates shown on page i of this Official Statement, as applicable, calculated on the basis of a 360-day year composed of twelve months of 30 days each. The Bonds will mature in the respective principal amounts and on the respective dates shown on page i of this Official Statement. The Bonds will bear interest from the Date of Initial Delivery, and such interest will be payable semiannually on each April 1 and October 1 (each an “Interest Payment Date”), commencing October 1, 2020.

The record date (“Record Date”) for determining the person to whom interest is payable on any Interest Payment Date means the close of business on the fifteenth day of the calendar month immediately preceding such Interest Payment Date.

In the event of a non-payment of interest on the Bonds on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a “Special Record Date”) will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the Commission. Notice of the Special Record Date and of the scheduled payment date of the past due interest (“Special Payment Date,” which must be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first-class postage prepaid, to the address of each Owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day immediately preceding the date of mailing of such notice.

Redemption Provisions

Optional Redemption at Make-Whole Redemption Price. The Bonds are subject to redemption, in whole or in part, at the option of the Commission at the “Make-Whole Redemption Price” (as defined below), on any date. The Commission will retain an independent certified public accountant or an independent municipal advisor to determine the Make-Whole Redemption Price and perform all actions and make all calculations required to determine the Make-Whole Redemption Price. The Paying Agent/Registrar may conclusively rely on such independent certified public accountant’s or independent municipal advisor’s calculations in connection with, and its determination of, the Make-Whole Redemption Price, and neither the Commission nor the Paying Agent/Registrar will have any liability for such reliance. The determination of the Make-Whole Redemption Price by such independent certified public accountant or independent municipal advisor will be conclusive and binding on the Commission, the Department, the Paying Agent/Registrar and the holders of the Bonds absent manifest error.

The “Make-Whole Redemption Price” means the greater of (1) 100% of the principal amount of the Bonds to be redeemed or (2) the sum of the present value of the remaining scheduled payments of principal of and interest to the maturity date of such Bonds to be redeemed, not including any portion of those payments of interest thereon accrued and unpaid as of the date on which the Bonds are to be redeemed, discounted to the date on which the Bonds are to be redeemed on a semiannual basis, assuming a 360-day year consisting of twelve 30-day months, at the “Treasury Rate” (as defined below) plus 15 basis points, plus, in each case, accrued and unpaid interest on the Bonds to be redeemed on the date of redemption.

“Treasury Rate” means, with respect to any redemption date for a particular Bond, the yield to maturity as of such redemption date of the United States Treasury securities with a constant maturity (as compiled and published in the Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two Business Days, but not more than 45 calendar days, prior to the redemption date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to the maturity date of the Bond to be redeemed.

Mandatory Sinking Fund Redemption. The Bonds maturing on October 1, 2033 (the “Term Bonds”) are subject to mandatory sinking fund redemption by the Commission prior to their stated maturity at a redemption price of par, plus accrued interest to the date fixed for redemption, on October 1 of the years and in the principal amounts indicated below:

Term Bond Maturing October 1, 2033

Mandatory Sinking Fund	
<u>Redemption Date</u>	<u>Amount</u>
October 1, 2032	\$160,610,000
October 1, 2033 [†]	167,165,000

[†]Stated maturity

Subject to the redemption of Term Bonds on a pro rata pass-through distribution of principal basis in accordance with DTC procedures summarized under “– Selection of Bonds for Redemption” below, the principal amount of Term Bonds required to be redeemed pursuant to the operation of such mandatory sinking fund redemption provisions shall be reduced, at the option of the Commission, by the principal amount of any Term Bonds of such stated maturity which, at least 50 days prior to the mandatory redemption date (1) shall have been defeased or acquired by the Commission and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the Commission with money in the applicable debt service fund at a price not exceeding the principal amount of such Term Bonds plus accrued interest to the date of acquisition thereof, or (3) shall have been redeemed pursuant to the optional redemption provisions set forth herein and not previously credited against a mandatory sinking fund redemption requirement.

Notice of Redemption

Unless waived by any Owner of the Bonds to be redeemed, the Paying Agent/Registrar shall give notice of redemption or of defeasance of Bonds by mail, first-class postage prepaid at least thirty (30) days prior to a redemption date and within thirty (30) days after a defeasance date to each Owner and to each registered securities depository. In addition, in the event of a redemption caused by an advance refunding of the Bonds, the Paying Agent/Registrar shall send a second notice of redemption to the persons specified in the immediately preceding sentence at least thirty (30) days but not more than ninety (90) days prior to the actual redemption date. Any notice sent to a registered securities depository shall be sent so that they are received at least two (2) days prior to the general mailing or publication date of such notice. The Paying Agent/Registrar shall also send a notice of prepayment or redemption to the Owner of any Bond who has not sent such Bonds in for redemption sixty (60) days after the redemption date therefor.

Each notice of redemption or defeasance shall contain a description of the Bonds to be redeemed or defeased including the complete name of the Bonds, the date of issue, the interest rate, the maturity date, the CUSIP number, the certificate numbers, the amounts called of each certificate, the publication or mailing date for the notice, the date of redemption or defeasance, the redemption price, if any, the name of the Paying Agent/Registrar, and the address at which the Bonds may be redeemed or paid, including a contact person and telephone number.

All redemption payments made by the Paying Agent/Registrar to the Owners of the Bonds shall include a CUSIP number relating to each amount paid to such Owner.

The failure of any Owner of the Bonds to receive notice given as provided above, or any defect therein, shall not affect the validity of any proceedings for the redemption of any Bonds. Any notice mailed as provided above shall be conclusively presumed to have been duly given and shall become effective upon mailing, whether or not any Owner receives such notice.

So long as DTC is effecting book-entry transfers of the Bonds, the Paying Agent/Registrar shall provide the notices specified above only to DTC. It is expected that DTC shall, in turn, notify its participants and that the participants, in turn, will notify or cause to be notified the beneficial owners. Any failure on the part of DTC or a participant, or failure on the part of a nominee of a beneficial owner of a Bond to notify the beneficial owner of the Bond so affected, shall not affect the validity of the redemption of such Bonds. See “GENERAL INFORMATION REGARDING THE BONDS – Redemption Through DTC.”

Selection of Bonds for Redemption

If less than all of the Bonds are to be redeemed, the Commission may select the maturities of Bonds to be redeemed. If the Bonds are registered in book-entry-only form and so long as DTC or a successor securities depository is the sole registered owner of such the Bonds, if less than all of the Bonds of any maturity are to be redeemed, the portions thereof to be redeemed shall be allocated on a pro rata pass-through distribution of principal basis in accordance with DTC procedures, provided that, so long as the Bonds are held in book-entry form, the selection for redemption of such Bonds shall be made in accordance with the operational arrangements of DTC then in effect, and, if the DTC operational arrangements do not allow for redemption on a pro rata pass-through distribution of principal basis, the Bonds will be selected for redemption, in accordance with DTC procedures, by lot or such other method then required by DTC; provided that any such redemption must be performed such that all Bonds remaining outstanding will be in authorized denominations. However, neither the Commission nor the Underwriters can provide any assurance that DTC, DTC's direct and indirect participants or any other intermediary will allocate the redemption of the Bonds on such basis. If the Bonds are no longer registered in book-entry-only form, each owner will receive an amount of Bonds, as applicable, equal to the original face amount then beneficially held by that owner, registered in such owner's name. Thereafter, in connection with the redemption of less than all of the Bonds of any maturity, the portion of each maturity to be redeemed will be selected by the Paying Agent/Registrar on a pro-rata basis, based on the portion of the original face amount of any such Bonds to be redeemed.

If a Bond (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Bond (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

GENERAL INFORMATION REGARDING THE BONDS

Payment of the Bonds

Principal of and interest on the Bonds will be payable in any currency of the United States that, on the respective dates of payment thereof, is legal tender for the payment of public and private debts. The principal of all Bonds will be payable at the designated office of the Paying Agent/Registrar, and payment of the interest on each Bond will be made on each Interest Payment Date to the Owner thereof whose name appears in the security register at the close of business on the respective Record Date, by (i) check or draft mailed to such Owner at his address as it appears on such security register or (ii) such other method, acceptable to the Paying Agent/Registrar, requested in writing by, and at the risk and expense of, the Owner; provided, however, that so long as Cede & Co. (or other DTC nominee) is the registered owner of the Bonds, all payments will be made as described under "APPENDIX E – DTC BOOK-ENTRY-ONLY SYSTEM AND GLOBAL CLEARANCE PROCEDURES."

In the event that any date for payment of the principal, or interest on the Bonds is a Saturday, Sunday, legal holiday, or day on which banking institutions in the city where the designated office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment will be the next succeeding day that is not a Saturday, Sunday, legal holiday or day on which such banking institutions are authorized to close. Payment on such later date will not increase the amount of interest due and will have the same force and effect as if made on the original date that payment was due.

Source of Payment for Bonds

Pursuant to the Resolution, the Commission has pledged and granted a first lien on the Pledged Revenues as security for the payment of First Tier Senior Obligations, including the Bonds. "Pledged Revenues" means all State Highway Fund Revenues deposited to the credit of the Fund, together with any additional monies as may in the future be authorized by law to be pledged as security for Senior Obligations (and that are so pledged pursuant to a supplemental resolution). "State Highway Fund Revenues" means all revenues deposited in, or appropriated or dedicated by law for deposit into, the State treasury to the credit of the Fund, including (i) Dedicated Registration Fees, (ii) Dedicated Taxes, (iii) Dedicated Federal Revenues, (iv) amounts collected or received pursuant to other State Highway Fund Revenue Laws, and (v) any interest or earnings from the investment of Dedicated Registration Fees, Dedicated Taxes and Dedicated Federal Revenues. "Dedicated Registration Fees" means revenues derived from the motor vehicle registration fees dedicated by Section 7-a for the purpose of acquiring rights-of-way; constructing, maintaining, and policing public roadways; and for the administration of such laws as may be prescribed by the State Legislature pertaining to the supervision of traffic and safety on such roads (the "Authorized Purposes"). "Dedicated Taxes" means revenues derived from taxes on motor fuels and lubricants dedicated by Section 7-a

for Authorized Purposes. “Dedicated Federal Revenues” means all revenues received from the federal government as reimbursement of State expenditures pursuant to Section 7-a made for Authorized Purposes and dedicated by Section 7-b to the acquisition of rights-of-way and the construction, maintenance, and policing of public roadways. See “THE STATE HIGHWAY FUND.”

State Highway Fund Revenues pledged to secure payment of Senior Obligations do not include moneys and investments deposited in, or appropriated or dedicated by law for deposit into, the following funds: (i) the State Infrastructure Bank Account or any Proceeds Fund, Interest and Sinking Fund, Reserve Fund or Rebate Fund and (ii) any special fund, subfund, account or subaccount in the Fund created for the purpose of receiving, holding and administering Restricted Revenues. See “THE STATE HIGHWAY FUND – General” and “– Sources of Revenue in the Fund.”

For a description of amounts deposited to the State Highway Fund pursuant to Proposition 1 and Proposition 7 (as each such term is hereinafter defined), see “THE STATE HIGHWAY FUND – General.” Amounts deposited to the State Highway Fund from Proposition 1 and Proposition 7 are not pledged to secure, or available to make payments on, Senior Obligations, including the Bonds.

The Act provides that bonds (including the Bonds) and public securities issued, and credit agreements entered into pursuant to the Act, are secured by a pledge of and payable from revenues deposited to the credit of the Fund, and amounts needed for payments due on bonds, public securities, and credit agreements are appropriated by Section 49-n for that purpose. Section 49-n further provides that the dedication or appropriation of revenue to the credit of the Fund may not be modified so as to impair any outstanding bonds or other public securities secured by a pledge of revenues in the Fund unless provisions have been made for a full discharge of such bonds or other public securities. See “INVESTMENT CONSIDERATIONS – Potential Legislative Changes to Pledged Revenues.” In the Resolution, the Commission has pledged and granted a first lien on the Pledged Revenues as security for the payment of First Tier Senior Obligations, including the Bonds.

Flow of Funds

Consistent with the pledge of Pledged Revenues on a prior lien basis to secure Senior Obligations, including the Bonds, in accordance with their respective terms, Pledged Revenues will be applied for the following uses and in the order of priority shown below:

- (i) First: to the payment of all Costs incurred as First Tier Senior Obligations as, when and to the extent provided by each First Tier Senior Obligation and the related Supplemental Resolution; and
- (ii) Second: to the payment of the amounts required to be deposited and credited to each reserve, contingency or other similar fund or account created and established in accordance with the provisions of any Supplemental Resolution relating to First Tier Senior Obligations and to the payment of other Costs related to First Tier Senior Obligations, as, when, and to the extent provided in the related Supplemental Resolution; provided, that such payments will be allocated among the then Outstanding issues or series of First Tier Senior Obligations and made on a pro rata basis (with such proration to be determined on the basis that the Outstanding principal amount of each particular issue or series of First Tier Senior Obligations bears to the aggregate Outstanding principal amount of all issues or series of First Tier Senior Obligations for which payments are to be made in accordance with this clause (ii)); and
- (iii) Third: to the payment of (A) all Costs incurred as Senior Obligations other than First Tier Senior Obligations, on a priority basis consistent with their respective Tiers as, when, and to the extent provided by each such Senior Obligation and the related Supplemental Resolution, and (B) all deposits into each reserve, contingency or other similar fund or account created and established for the benefit of Senior Obligations on a priority basis consistent with their respective Tiers and in accordance with the provisions of the Supplemental Resolution relating to such Senior Obligation; and
- (iv) Fourth: to the payment of all Costs incurred as Subordinate Obligations (together with any related funding obligations) as, when and to the extent provided by each Subordinate Obligation and any order, resolution, contract or other agreement related thereto; and
- (v) Fifth: to (A) the payment of expenditures for public roadways in accordance with the State Constitution and federal law or (B) to the extent not required to be used for public roadways by the State Constitution or federal law, to the payment of any lawful expenditure for any lawful purpose.

In recognition that (i) expenditures from the Fund may be made for the foregoing uses on various dates throughout each Fiscal Year, (ii) Senior Obligations have a first lien on and prior claim to the Pledged Revenues and (iii) during each Fiscal Year, Costs incurred as Subordinate Obligations may become due and payable, and payments for lawful expenditures may be made, before the date or dates that Costs incurred as Senior Obligations have become due and payable, the Commission has covenanted that no Pledged Revenues will be used to pay Costs incurred as Subordinate Obligations or for other lawful expenditures during any Fiscal Year to the extent that such payment is reasonably expected to result in the inability of the Commission to pay any Cost of a Senior Obligation coming due during such Fiscal Year.

If at any time, the full amounts required by the Master Resolution or any Supplemental Resolution are not transferred at the times required to any fund or account maintained pursuant to the Master Resolution or any Supplemental Resolution for the benefit of the Owners of the Senior Obligations, amounts equivalent to such deficiency will be transferred to such fund or account, in order of priority based on the respective Tiers of the affected Senior Obligations, from the first available Pledged Revenues not allocated to Senior Obligations of a prior Tier (in addition to the amounts otherwise required to be transferred to such funds and accounts pursuant to the Master Resolution during any succeeding period), and no Pledged Revenues will be transferred to any fund or account established or maintained for the benefit of any Subordinate Obligation, nor shall any Pledged Revenues be used for any other purpose, until such deficiency has been restored.

The Master Resolution defines “Cost” to mean any financial commitment or agreement to pay money incurred or arising in connection with or related to an Obligation, including commitments or agreements (i) to pay or reimburse principal, premium or interest in respect of a public security or other obligation, (ii) to pay amounts owed in connection with or related to Credit Agreements (including scheduled payments, termination payments and other commitments to pay money arising under or pursuant to a swap or other derivative or hedging agreement) or to reimburse payments of others in connection therewith or related thereto and (iii) to pay or reimburse any fees or expenses of a Fiscal Agent or other agent retained in connection with or related to any Obligation.

Capitalized terms used in this paragraph and not otherwise defined have the meanings given to such terms in “GENERAL INFORMATION REGARDING THE BONDS – Outstanding and Additional Senior Obligations and Tiers of Senior Obligations – *Outstanding Senior Obligations*.” The Series 2014-B1 Liquidity Facility and the Series 2014-B1 Reimbursement Agreement relating to the Series 2014-B1 Bonds and the Series 2014-B2 Covenant Agreement relating to the Series 2014-B2 Bonds each constitute a Credit Agreement pursuant to the Act and the Master Resolution. See “GENERAL INFORMATION REGARDING THE BONDS – Credit Agreements.” The Commission’s payment obligations to the Liquidity Provider under the Series 2014-B1 Reimbursement Agreement and certain payment obligations of the Commission to BANA under the Series 2014-B2 Covenant Agreement constitute “Costs” pursuant to the Master Resolution and are First Tier Senior Obligations. Further, the Series 2014-B2 Bonds and the Series 2016-B Bonds are subject to mandatory tender for purchase prior to the stated maturity thereof and are not benefitted by any third-party liquidity support. The purchase price of the Series 2014-B2 Bonds payable on certain mandatory tender dates therefor and the purchase price of the Series 2016-B Bonds payable on the initial mandatory tender date therefor constitute “Costs” pursuant to the Master Resolution and are First Tier Senior Obligations. See “GENERAL INFORMATION REGARDING THE BONDS – Outstanding and Additional Senior Obligations and Tiers of Senior Obligations.” The purchase price of the Series 2014-B1 Bonds payable on any purchase date does not constitute a “Cost” pursuant to the Master Resolution.

Transfer, Exchange and Registration

The Paying Agent/Registrar will obtain, record, and maintain in the security register the name and address of each Owner, and any Bond may, in accordance with its terms and the terms of the Resolution, be transferred or exchanged for new Bonds of Authorized Denominations upon the security register by the Owner, in person or by his duly authorized agent, upon surrender of such Bond to the Paying Agent/Registrar for cancellation, accompanied by a written instrument of transfer or request for exchange duly executed by the Owner or by his duly authorized agent, in form satisfactory to the Paying Agent/Registrar.

Upon surrender for transfer of a Bond at the designated office of the Paying Agent/Registrar, there will be registered and delivered in the name of the designated transferee or transferees, one or more new Bonds, executed on behalf of, and furnished by, the Commission, of Authorized Denominations and having the same maturity and of a like aggregate principal amount as the Bond or Bonds surrendered for transfer.

At the option of the Owner, the Bonds may be exchanged for other Bonds of Authorized Denominations and having the same maturity, bearing the same rate of interest, and of like aggregate principal amount as the Bonds surrendered for exchange, upon surrender of the Bonds to be exchanged at the designated office of the Paying Agent/Registrar. Whenever

any Bonds are surrendered for exchange, new Bonds will be registered and delivered, executed on behalf of, and furnished by, the Commission to the Owner requesting the exchange.

All Bonds issued upon any transfer or exchange of Bonds will be delivered at the designated office of the Paying Agent/Registrar or sent by United States Mail, first-class, postage prepaid to the Owners or the designee thereof, and, upon the registration and delivery thereof, the same will be the valid obligations of the Commission, evidencing the same debt, and entitled to the same benefits under the Resolution as the Bonds surrendered in such transfer or exchange.

All transfers or exchanges of Bonds pursuant to the Resolution will be made without expense or service charge to the Owner, except as otherwise provided in the Resolution, and except that the Paying Agent/Registrar will require payment by the Owner requesting such transfer or exchange of any tax or other governmental charges required to be paid with respect to such transfer or exchange.

Bonds canceled by reason of an exchange or transfer are defined as “Predecessor Bonds,” evidencing all or a portion, as the case may be, of the same debt evidenced by the new Bond or Bonds registered and delivered in the exchange or transfer. Additionally, the term “Predecessor Bonds” includes any mutilated Bond that is surrendered to the Paying Agent/Registrar or any Bond for which satisfactory evidence of the loss of which has been received by the Commission and the Paying Agent/Registrar and, in either case, in lieu of which a Bond has or Bonds have been registered and delivered pursuant to the Resolution.

See “APPENDIX E – DTC BOOK-ENTRY-ONLY SYSTEM AND GLOBAL CLEARANCE PROCEDURES” for a description of the system to be utilized initially in regard to the ownership and transferability of the Bonds.

Redemption Through DTC

The Paying Agent/Registrar and the Commission, so long as the book-entry-only system is used for the Bonds, will send any notice of redemption, notice of proposed amendment to the Resolution, or other notices with respect to the Bonds only to DTC. Any failure by DTC to advise any Direct Participant (defined in “APPENDIX E – DTC BOOK-ENTRY-ONLY SYSTEM AND GLOBAL CLEARANCE PROCEDURES”), or of any Direct Participant or Indirect Participant (defined in “APPENDIX E – DTC BOOK-ENTRY-ONLY SYSTEM AND GLOBAL CLEARANCE PROCEDURES”) to notify the beneficial owner, will not affect the validity of the redemption of the Bonds called for redemption or any other action premised on any such notice. Redemption of portions of the Bonds by the Commission will reduce the outstanding principal amount of such Bonds held by DTC. In such event, DTC may implement, through its book-entry-only system, a redemption of such Bonds held for the account of Direct Participants in accordance with its rules or other agreements with Direct Participants and then Direct Participants and Indirect Participants may implement a redemption of such Bonds from the Beneficial Owners (defined in “APPENDIX E – DTC BOOK-ENTRY-ONLY SYSTEM AND GLOBAL CLEARANCE PROCEDURES”). Any such selection of such Bonds to be redeemed will not be governed by the Resolution and will not be conducted by the Commission or the Paying Agent/Registrar. Neither the Commission nor the Paying Agent/Registrar will have any responsibility to Direct Participants, Indirect Participants, or the persons for whom Direct Participants act as nominees, with respect to the payments on the Bonds or the providing of notice to Direct Participants, Indirect Participants, or Beneficial Owners of the selection of portions of the Bonds for redemption. See “APPENDIX E – DTC BOOK-ENTRY-ONLY SYSTEM AND GLOBAL CLEARANCE PROCEDURES.”

Conditional Redemption

With respect to any optional redemption of the Bonds, unless certain prerequisites to such redemption required by the Master Resolution or the Ninth Supplemental Resolution have been met and moneys sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed shall have been received by the Paying Agent prior to the giving of such notice of redemption, such notice shall state that said redemption may, at the option of the Commission, be conditional upon the satisfaction of such prerequisites and receipt of such moneys by the Paying Agent/Registrar on or prior to the date fixed for such redemption, or upon any prerequisite set forth in such notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption and sufficient moneys are not received, such notice shall be of no further force and effect, the Commission shall not redeem such Bonds and the Paying Agent/Registrar shall give notice, in the manner in which the notice of redemption was given, to the effect that the Bonds have not been redeemed.

Purchase in Lieu of Redemption

Notwithstanding anything in the Ninth Supplemental Resolution to the contrary, all or a portion of the Bonds to be redeemed as specified in the notice of redemption may be purchased by the Paying Agent/Registrar at the direction of a Department Representative on the date which would be the redemption date if such Bonds were redeemed rather than purchased in lieu thereof at a purchase price equal to the redemption price which would have been applicable to such Bonds on the redemption date for the account of and at the direction of a Department Representative who shall give the Paying Agent/Registrar notice at least forty-five (45) days prior to the scheduled redemption date for the Bonds accompanied by a Favorable Opinion of Bond Counsel. In the event the Paying Agent/Registrar is so directed to purchase Bonds in lieu of optional redemption, no notice to the Owners of the Bonds to be so purchased (other than the notice of redemption otherwise required under the Ninth Supplemental Resolution) shall be required, and the Paying Agent/Registrar shall be authorized to apply to such purchase the funds which would have been used to pay the redemption price for such Bonds if such had been redeemed rather than purchased. Each Bond so purchased shall not be canceled or discharged and shall be registered in the name of the Commission and such purchase is not intended to extinguish or merge such debt. The Bonds to be purchased pursuant to the foregoing provisions which are not delivered to the Paying Agent/Registrar on the purchase date shall be deemed to have been so purchased and not optionally redeemed on the purchase date and shall cease to accrue interest as to the former Owner on the purchase date.

Retention of Rights to Redemption

To the extent that the Commission has defeased any Outstanding Bonds pursuant to the provisions of the Ninth Supplemental Resolution (the “Defeased Debt”) to their stated maturity, the Commission retains the right under State law to later call that Defeased Debt for redemption in accordance with the provisions of the Ninth Supplemental Resolution and the Award Certificate relating to the Defeased Debt. The Commission may call such Defeased Debt for redemption upon complying with the provisions of State law and upon the satisfaction of certain provisions of the Ninth Supplemental Resolution with respect to such Defeased Debt as though it was being defeased at the time of the exercise of the option to redeem the Defeased Debt, and the effect of the redemption is taken into account in determining the sufficiency of the provisions made for the payment of the Defeased Debt.

Notices Through DTC

The Paying Agent/Registrar and the Commission, so long as the book-entry-only system is used for the Bonds, will send any notice of proposed amendment to the Resolution, or other notices with respect to the Bonds, only to DTC. Any failure by DTC to advise any Direct Participant (defined in “APPENDIX E – DTC BOOK-ENTRY-ONLY SYSTEM AND GLOBAL CLEARANCE PROCEDURES”), or of any Direct Participant or Indirect Participant (defined in “APPENDIX E – DTC BOOK-ENTRY-ONLY SYSTEM AND GLOBAL CLEARANCE PROCEDURES”) to notify the beneficial owner, will not affect the action premised on any such notice. See “APPENDIX E – DTC BOOK-ENTRY-ONLY SYSTEM AND GLOBAL CLEARANCE PROCEDURES.”

Outstanding and Additional Senior Obligations and Tiers of Senior Obligations

Outstanding Senior Obligations. The Commission has previously issued eleven series of Senior Obligations as First Tier Senior Obligations, which are outstanding in the aggregate principal amount of \$3,740,225,000 (the “Previously Issued First Tier Senior Obligations”) as of the date of this Official Statement. As described in “PLAN OF FINANCE – Refunded Obligations,” a portion of the proceeds of the Bonds, together with certain other funds of the Commission, will be used to refund the Refunded Obligations, which constitute a portion of the outstanding Previously Issued First Tier Senior Obligations.

The State Highway Fund First Tier Revenue Bonds, Series 2014-B1 (Variable Rate Bonds) (the “Series 2014-B1 Bonds”), bearing CUSIP No. 88283LKR6, currently bear interest in a weekly rate mode, constitute First Tier Senior Obligations and are currently outstanding in the aggregate principal amount of \$150,000,000. A standby letter of credit (the “Series 2014-B1 Liquidity Facility”) issued by Sumitomo Mitsui Banking Corporation, acting through its New York Branch (the “Liquidity Provider”), pursuant to the terms of a Reimbursement Agreement dated as of April 1, 2017 (the “Series 2014-B1 Reimbursement Agreement”), between the Commission and the Liquidity Provider, provides liquidity support for the Series 2014-B1 Bonds while bearing interest in a weekly rate mode. The Series 2014-B1 Liquidity Facility and the Series 2014-B1 Reimbursement Agreement each constitute a Credit Agreement pursuant to the Act and the Master Resolution. See “GENERAL INFORMATION REGARDING THE BONDS – Credit Agreements.” The Commission’s payment obligations to the Liquidity Provider under the Series 2014-B1 Reimbursement Agreement constitute Costs under the Master Resolution

and are First Tier Senior Obligations. The Commission is not obligated to pay the purchase price of Series 2014-B1 Bonds that are tendered for purchase but not remarketed. Additional information regarding the Series 2014-B1 Bonds may be obtained by viewing the Remarketing Memorandum dated as of March 24, 2017, relating to the Series 2014-B1 Bonds (the “Series 2014-B1 Remarketing Memorandum”). The Series 2014-B1 Remarketing Memorandum is currently on file with the Municipal Securities Rulemaking Board (the “MSRB”) and may be accessed using the MSRB’s Electronic Municipal Market Access system website, www.emma.msrb.org, and the CUSIP number for the Series 2014-B1 Bonds.

The State Highway Fund First Tier Revenue Bonds, Series 2014-B2 (LIBOR Index Floating Rate Bonds) (the “Series 2014-B2 Bonds”), bearing CUSIP No. 88283LKT2, currently bear interest in an index floating rate mode, constitute First Tier Senior Obligations and are currently outstanding in the aggregate principal amount of \$150,000,000. Bank of America, N.A. (“BANA”) purchased the Series 2014-B2 Bonds pursuant to the terms of a Bond Purchase and Continuing Covenant Agreement dated as of March 24, 2017, as amended (the “Series 2014-B2 Covenant Agreement”), between the Commission and BANA. The Series 2014-B2 Covenant Agreement constitutes a Credit Agreement pursuant to the Act and the Master Resolution. See “GENERAL INFORMATION REGARDING THE BONDS – Credit Agreements.” The Series 2014-B2 Bonds bear interest at a variable rate for an index floating rate period that expires on March 31, 2022, are scheduled to mature on April 1, 2032, are subject to mandatory tender for purchase prior to their stated maturity, and are not benefitted by any third-party liquidity support. Following the expiration of such index floating rate period, the Series 2014-B2 Bonds are subject to mandatory tender for purchase on April 1, 2022 (the “Expiration Mandatory Tender Date”). Provided that no event of default has occurred and is then continuing under the Series 2014-B2 Covenant Agreement, the purchase price of the Series 2014-B2 Bonds payable on the Expiration Mandatory Tender Date may be payable, at the option of the Commission, from remarketing proceeds, Pledged Revenues, or any combination thereof. The Commission is obligated to redeem any Series 2014-B2 Bonds that are not remarketed on the Expiration Mandatory Tender Date on or before the first anniversary of the Expiration Mandatory Tender Date. The Series 2014-B2 Bonds are also subject to mandatory tender for purchase upon the occurrence of an event of default under the Series 2014-B2 Covenant Agreement. The purchase price of the Series 2014-B2 Bonds payable on a mandatory tender date in connection with an event of default under the Series 2014-B2 Covenant Agreement constitutes a Cost pursuant to the Master Resolution and is payable from remarketing proceeds, Pledged Revenues or any combination thereof. The Series 2014-B2 Covenant Agreement contains additional covenants and agreements of the Commission, which are for the sole benefit of the holders of the Series 2014-B2 Bonds and may be modified or amended at any time with the consent of, or may be waived in whole or in part by, the holders of the Series 2014-B2 Bonds, and may not be relied upon or enforced in any way by the holders of the Bonds or any other First Tier Senior Obligations. Additional information regarding the Series 2014-B2 Bonds may be obtained by viewing the Series 2014-B2 Covenant Agreement and the Award Certificate of Department Representative dated as of March 24, 2017, as amended, relating to the Series 2014-B2 Bonds (the “Series 2014-B2 Award Certificate”). The Series 2014-B2 Award Certificate and the Series 2014-B2 Covenant Agreement are currently on file with the MSRB and may be accessed using the MSRB’s Electronic Municipal Market Access system website, www.emma.msrb.org, and the CUSIP number for the Series 2014-B2 Bonds.

The State Highway Fund First Tier Revenue Refunding Put Bonds, Series 2016-B (the “Series 2016-B Bonds”), bearing CUSIP No. 88283LJZ0, currently bear interest in an initial multiannual rate period, constitute First Tier Senior Obligations and are currently outstanding in the aggregate principal amount of \$89,370,000. Following the expiration of such initial multiannual rate period, the Series 2016-B Bonds are subject to mandatory tender for purchase on October 1, 2021. The Commission has not entered into any Credit Agreement with respect to the Series 2016-B Bonds, and the Series 2016-B Bonds are not benefitted by any third-party liquidity support. The purchase price of the Series 2016-B Bonds payable on such mandatory tender date constitutes a “Cost” pursuant to the Master Resolution and is payable from remarketing proceeds, Pledged Revenues or any combination thereof. See “GENERAL INFORMATION REGARDING THE BONDS – Flow of Funds.” Accordingly, in the event that any Series 2016-B Bonds tendered on the initial mandatory tender date (being October 1, 2021) are not remarketed to new purchasers on such date, the Commission is obligated to pay the purchase price of any such Series 2016-B Bonds on such date from Pledged Revenues. If the Commission fails to pay the purchase price of all tendered Series 2016-B Bonds on the initial mandatory tender date, whether due to a deficiency in remarketing proceeds, a deficiency in Pledged Revenues, or for any other reason, then (i) none of the Series 2016-B Bonds or any portion thereof shall be purchased on such date, (ii) all Series 2016-Bonds will remain Outstanding and will continue to bear interest at their initial interest rate, and (iii) the owners of the Series 2016-B Bonds may pursue remedies afforded by State law as described herein to compel the Commission and the Department to remedy such nonpayment of the purchase price of the Series 2016-B Bonds due on the initial mandatory tender date. See “GENERAL INFORMATION REGARDING THE BONDS – Bondowners’ Remedies.” Additional information regarding the Series 2016-B Bonds may be obtained by viewing the Official Statement dated as of October 6, 2016, relating to the Series 2016-B Bonds (the “Series 2016-B Official Statement”). The Series 2016-B Official Statement is currently on file with the MSRB and may be accessed using the

MSRB's Electronic Municipal Market Access system website, www.emma.msrb.org, and the CUSIP number for the Series 2016-B Bonds.

Additional Senior Obligations and Tiers of Senior Obligations. In the Master Resolution, the Commission has reserved the right to issue or otherwise incur additional Senior Obligations for any purpose authorized by law, including the refunding of Senior Obligations, Subordinate Obligations, or other obligations of the Commission, pursuant to the provisions of the Master Resolution and any Supplemental Resolution. The Commission has covenanted and agreed to comply with all constitutional and statutory requirements of State law and, to the extent applicable, federal law governing the issuance of Senior Obligations.

The Commission has also reserved the right to establish multiple Tiers with respect to Senior Obligations; provided that no Outstanding Senior Obligation may be subordinate to or made inferior to any other Senior Obligation unless such distinction is implemented through strict compliance with the provisions of the Master Resolution and any applicable Supplemental Resolution relating to any Outstanding Senior Obligation. Until such time as any distinction among Tiers of Senior Obligations is implemented in accordance with the terms of the Master Resolution, all Senior Obligations will be deemed and treated as First Tier Senior Obligations. To date, the Commission has not established additional Tiers for Senior Obligations.

Subject to the applicable provisions of the Master Resolution, the Commission may from time to time issue, incur, assume, guarantee, or otherwise become liable in respect of Senior Obligations in accordance with the Master Resolution and a Supplemental Resolution providing for the issuance, execution and/or delivery of such Senior Obligations. Senior Obligations may be further secured by or made payable from any other source of payment lawfully available for such purpose.

Prior to the issuance, execution or delivery of any Senior Obligation under the Master Resolution, the Commission will provide:

- (i) A certified copy of the minute order or other official action of the Commission (A) approving a Supplemental Resolution establishing or providing the terms and provisions of such Senior Obligations, and (B) authorizing the issuance, execution and/or delivery of the Senior Obligations;
- (ii) An opinion or opinions of Bond Counsel to the effect that (A) issuance, execution and/or delivery of the Senior Obligations is permitted under the Master Resolution and any Supplemental Resolutions that authorized the issuance, execution and/or delivery of any then Outstanding Senior Obligations and (B) the Supplemental Resolution relating to such Senior Obligations has been duly authorized and such Senior Obligations when issued, executed and/or delivered will constitute valid, binding and enforceable limited obligations of the Commission, subject to bankruptcy, equitable principles and other standard legal opinion exceptions;
- (iii) An Officer's Certificate to the effect that (A) the Commission is not in default under the Master Resolution or any Supplemental Resolution or, upon the issuance of such Senior Obligations, any existing default will be cured and (B) following the issuance of such Senior Obligations, the maximum Annual Debt Service Requirements with respect to all then Outstanding Senior Obligations will not exceed the Maximum Allowable Debt Service (defined below) in the current or any future year; and
- (iv) Such further documents, moneys and securities as are required by the provisions of the Supplemental Resolution providing for the issuance, execution and/or delivery of such Senior Obligations.

"Maximum Allowable Debt Service" means: (a) with respect to First Tier Senior Obligations, an amount that is equal to twenty-five percent (25%) of the State Highway Fund Revenues in (i) the immediately preceding Fiscal Year or (ii) any period of twelve (12) consecutive months that begins no more than eighteen (18) months before the date on which Senior Obligations are to be issued or effective, as determined by a Designated Financial Officer; and (b) with respect to other Tiers, such amount as shall be established by the Commission at the time Senior Obligations of such Tier are initially issued or otherwise incurred.

In determining the amount of State Highway Fund Revenues during any twelve (12) month period, such amount may be adjusted to reflect any increase in State Highway Fund Revenues that a Designated Financial Officer certifies is expected to result from any adjustment to the amounts dedicated or appropriated to the Fund which is placed into effect following the commencement of such period as if such adjustment had been in effect for the entire twelve (12) month period.

In making any determination under the Master Resolution regarding the principal amount of Obligations being issued and incurred or then Outstanding, Credit Agreements will be deemed to have no principal amount to the extent that such agreement relates to an Obligation that has already been considered in making such determination. See “– Credit Agreements” below.

In connection with the issuance of Senior Obligations to refund Outstanding Senior Obligations of the same or higher Tier, the Commission may provide, in lieu of the certification required by clause (iii)(B) above, an Officer’s Certificate to the effect that, following the issuance of such Senior Obligations, the Annual Debt Service Requirements will not exceed one hundred ten percent (110%) of the Annual Debt Service Requirements in effect prior to the issuance of such Senior Obligations; provided, however, that such certification does not need to address the Annual Debt Service Requirements for Fiscal Years in which no Senior Obligations (other than the Senior Obligations then being issued) will be Outstanding. See “APPENDIX A – DEFINITIONS AND EXCERPTED PROVISIONS OF THE RESOLUTION.”

In addition to the Maximum Allowable Debt Service requirement set forth in the Resolution, the Act currently provides that Obligations may not have a principal amount or terms that, at the time such Obligations are entered into, are expected by the Commission to cause annual expenditures with respect to all outstanding Obligations to exceed 10 percent of the amount deposited to the credit of the Fund in the immediately preceding year. The State Legislature may amend the Act to modify or eliminate such requirement at any time; however, the terms of the Resolution (including the definition of Maximum Allowable Debt Service) may only be modified in accordance with the provisions of the Resolution. See “APPENDIX A – DEFINITIONS AND EXCERPTED PROVISIONS OF THE RESOLUTION.”

Credit Agreements

To the extent permitted by law, the Commission may authorize the execution and delivery of one or more Credit Agreements upon (i) delivery of an Officer’s Certificate to the effect that the Credit Agreement is in the best interest of the Commission and (ii) compliance with the requirements described under the subcaption “Outstanding and Additional Senior Obligations and Tiers of Senior Obligations” above, if the Credit Agreement is to constitute a Senior Obligation in whole or in part (as specified in the Credit Agreement).

A Credit Agreement and the Costs thereof may constitute, in whole or in part, a (i) Senior Obligation of the same or lower Tier as the Tier of the Senior Obligation to which such agreement relates payable from and secured by a pledge of the Pledged Revenues on parity with other Senior Obligations of such Tier or (ii) Subordinate Obligation payable from or secured by a pledge of State Highway Fund Revenues (or any portion thereof) subordinate to the Senior Obligations.

The Series 2014-B1 Liquidity Facility, the Series 2014-B1 Reimbursement Agreement and the Series 2014-B2 Covenant Agreement each constitute a Credit Agreement pursuant to the Act and the Master Resolution. The Commission’s payment obligations to the Liquidity Provider under the 2014-B1 Reimbursement Agreement and certain payment obligations of the Commission to BANA under the Series 2014-B2 Covenant Agreement constitute “Costs” under the Master Resolution and are First Tier Senior Obligations under the Master Resolution secured by Pledged Revenues on parity with the Previously Issued First Tier Senior Obligations, the Bonds and any additional First Tier Senior Obligations hereafter issued or incurred. See “GENERAL INFORMATION REGARDING THE BONDS – Flow of Funds,” “– Outstanding and Additional Senior Obligations and Tiers of Senior Obligations – *Outstanding Senior Obligations*.” The Commission is not obligated to pay the purchase price of Series 2014-B1 Bonds that are tendered for purchase but not remarketed.

Application of Certain BAB Subsidy Payments

Pursuant to the American Recovery and Reinvestment Act of 2009, signed into law on February 17, 2009 (the “Recovery Act”), the Commission issued its “Texas Transportation Commission State Highway Fund First Tier Revenue Bonds, Taxable Series 2010 (Build America Bonds – Direct Payment)” (the “Series 2010 Bonds”) as taxable “Build America Bonds” and elected to receive a subsidy payment from the United States Treasury (the “U.S. Treasury”) equal to 35% of the amount of each interest payment on the Series 2010 Bonds (the “BAB Subsidy Payments”).

Subject to any required State appropriation, the Commission has covenanted to deposit all collections of BAB Subsidy Payments into a subaccount of the First Tier Senior Obligation Debt Service Fund (the “Bonds Subaccount”). Funds in the Bonds Subaccount will be used solely for the purpose of paying principal of and interest on the Series 2010 Bonds and such funds will not be used to pay debt service on other First Tier Senior Obligations, other Senior Obligations or any Subordinate Obligations. The BAB Subsidy Payments have been appropriated to the Department for the State Highway Fund

for the 2019-2020 biennium, and the Department expects to receive future appropriations of the BAB Subsidy Payments in connection with annual debt service payments for the Series 2010 Bonds.

The receipt of the BAB Subsidy Payments by the Commission is subject to certain requirements, including the filing of a form with the Internal Revenue Service prior to each interest payment date. If the Commission fails to file a necessary form with the Internal Revenue Service in a timely manner, the Commission may not receive a BAB Subsidy Payment. BAB Subsidy Payments are also subject to offset against certain amounts that may, for reasons unrelated to the Series 2010 Bonds, be owed by the State to an agency of the United States. In addition, the Commission can give no assurances regarding future changes in legislation or United States Treasury regulations or the netting of other liabilities of the State against BAB Subsidy Payments which may affect the timing or amount of the BAB Subsidy Payments. Accordingly, there is no assurance that the anticipated BAB Subsidy Payments will be received as anticipated. See “THE STATE HIGHWAY FUND – Sequestration Effects on the State Highway Fund.”

THE BAB SUBSIDY PAYMENTS ARE NOT FULL FAITH AND CREDIT OBLIGATIONS OF THE UNITED STATES OF AMERICA AND DO NOT CONSTITUTE PLEDGED REVENUES UNDER THE RESOLUTION.

Issuance of Subordinate Obligations

The State Constitution (Article III, Section 49-m) and Section 201.115 of the Texas Transportation Code (“Section 201.115”) authorize the Commission to borrow money from any source to carry out the functions of the Department. A loan incurred pursuant to Section 201.115 may be in the form of an agreement, a note, a contract, or another form, as determined by the Commission. The term of a loan may not exceed two years, and the amount of a loan, combined with any other loans issued and outstanding pursuant to Section 201.115, may not exceed an amount that is two times the average monthly revenue deposited to the Fund for the 12 months preceding the month in which the loan is made. A loan incurred pursuant to Section 201.115 is payable from legislative appropriation of amounts on deposit in the Fund for that purpose. As of the date of this Official Statement, the Department has no outstanding loan balances pursuant to Section 201.115.

Additionally, the Texas Transportation Code (Sections 201.961, et seq.) authorizes the Commission to issue highway tax and revenue anticipation notes (“HTRANs”) if the Commission anticipates a temporary cash flow shortfall in the Fund during any Fiscal Year. HTRANs are subject to the approval of the Cash Management Committee (consisting of the Governor, the Lieutenant Governor, the Speaker of the House (a non-voting member) and the Comptroller), which also approves cash flow borrowings for the State. HTRANs must mature during the fiscal biennium in which they are issued, and HTRAN proceeds must be placed in a special fund in the State Treasury and transferred as necessary to the Fund to pay authorized expenditures. HTRANs and related credit agreements are payable from amounts on deposit in the Fund. To date, the Commission has not issued, and does not expect to issue, any HTRANs.

The obligation of the Department to pay debt service on any obligations incurred pursuant to Section 201.115 (or Section 201.961, et seq., relating to HTRANs) is (i) subordinate to the pledge of Fund revenues securing Senior Obligations and (ii) prior to the pecuniary obligations of the Commission and the Department in respect of other Fund obligations described below under “THE STATE HIGHWAY FUND – Other Fund Obligations and Commitments.”

The Commission may also issue or otherwise incur additional Subordinate Obligations for any lawful purpose in such amounts (without limitation), on such dates and having such terms as the Commission may determine. No holder of any Subordinate Obligation, or party to a transaction relating to any Subordinate Obligation, will be entitled to claim any right or benefit under the Master Resolution by virtue of the ownership of or interest in such Subordinate Obligation except after provision has been made for the payment of all Senior Obligations in the manner set forth in the Master Resolution. The Master Resolution does not limit the right of the Commission and the Department to issue or otherwise incur Subordinate Obligations in such number of tiers and levels of payment priority as may be determined by the Commission and the Department.

Bondowners’ Remedies

In the event of a default in the payment of any Cost of any Senior Obligation (including the Bonds) or a default in the performance of any duty or covenant provided by law or in the Master Resolution, the owners of the Bonds may pursue all legal remedies afforded by State law to compel the Commission and the Department to remedy such default and to prevent further default or defaults. Without in any way limiting the generality of the foregoing, it is expressly provided in the Resolution that any owner of the Bonds may (at law or in equity), by suit, action, mandamus, or other proceedings, enforce

and compel performance of all duties required to be performed by the Commission and the Department under the Master Resolution.

The Master Resolution does not establish other remedies or specifically enumerate events of default with respect to any Obligations, including the Bonds. The Master Resolution does not provide for a trustee to enforce the covenants and obligations of the Commission and the Department. In no event will owners of the Bonds have the right to have the maturity of the Bonds accelerated as a remedy in the event of a payment default by the Commission. The enforcement of the remedy of mandamus may be difficult, time consuming or unavailable. No assurance can be given that a mandamus or other legal action to enforce a default under the Master Resolution would be successful.

The statutory authority to enter into a contract (such as a bond) has been consistently construed by Texas state courts to be a legislative waiver of immunity from liability for breach of the contract; however, a State agency would need specific constitutional or legislative authority to waive immunity from suit. Under current State law, the Commission and the Department are immune from suits for money damages and are prohibited from waiving their sovereign immunity from suit, including with respect to the Bonds. Consequently, the owners of the Bonds are prevented from bringing such a suit against the Commission or the Department for damages for breach of the Commission's obligations under the Resolution. While owners of Bonds may bring a mandamus action against the Commission and other Department officials to compel them to perform their official duties, such an action may be barred if there is a legitimate dispute regarding Commission or Department obligations, and courts have equitable discretion in issuing mandamus orders. The remedy of mandamus is controlled by equitable principles and so rests with the discretion of the court, but may not be arbitrarily refused; provided, however, Texas case law suggests that a mandamus action to enforce a non-legislatively mandated contract may be unavailable. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Bonds are qualified with respect to the customary rights of political subdivisions and governmental agencies relative to their creditors. See "APPENDIX D – FORM OF OPINION OF BOND COUNSEL."

BOOK-ENTRY-ONLY SYSTEM

In reading this Official Statement it should be understood that while the Bonds are in the book-entry-only system, references in other sections of this Official Statement to registered owners should be read to include the person for which the Direct Participant or Indirect Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the book-entry-only system, and (ii) except as described above, notices that are to be given to registered owners under the Resolution will be given only to DTC. See "APPENDIX E – DTC BOOK-ENTRY-ONLY SYSTEM AND GLOBAL CLEARANCE PROCEDURES."

DESCRIPTION OF THE TRANSACTION DOCUMENTS

The Resolution

The Bonds are being issued pursuant to a Second Amended and Restated Master Resolution adopted by minute order of the Commission; the Ninth Supplemental Resolution adopted by minute order of the Commission on July 25, 2019; and an Award Certificate of the Department Representative executed pursuant to the Ninth Supplemental Resolution. No authorized amount remains under the Act for new money purposes, unless the Act is amended by the State Legislature to modify or remove such limitation. The Ninth Supplemental Resolution authorizes the issuance of refunding bonds in one or more series for the purpose of refunding Previously Issued First Tier Senior Obligations in order to achieve debt service savings, provide long-term fixed rate or other variable rate financing for such outstanding First Tier Senior Obligations, or any combination thereof. See "PLAN OF FINANCE." The Bonds constitute the first series of obligations delivered under authority of the Ninth Supplemental Resolution. Excerpts of certain selected provisions from the Master Resolution and the Ninth Supplemental Resolution are contained in "APPENDIX A – DEFINITIONS AND EXCERPTED PROVISIONS OF THE RESOLUTION." The excerpted provisions in APPENDIX A do not purport to be comprehensive or definitive and are qualified in their entirety by reference to the Resolution. Copies of the Master Resolution and the Ninth Supplemental Resolution are available for examination at the offices of the Department.

The Funds Management Agreement

The Commission and the Comptroller will enter into a Funds Management Agreement with respect to the Bonds. The following is a summary of certain provisions of the Funds Management Agreement providing for the administration of the proceeds of the Bonds and the availability of funds for the payment thereof. This summary does not purport to be

comprehensive or definitive and is qualified in its entirety by reference to the Funds Management Agreement. Copies of the Funds Management Agreement are available for examination at the offices of the Department.

General Administration of the State Highway Fund. The Comptroller maintains and will administer the Fund in accordance with the Resolution, the Act, and other applicable State and federal law.

Administration of State Highway Fund; Payment Provisions. The Comptroller will deposit, or cause to be deposited, all State Highway Fund Revenues in the Fund in a timely manner. With respect to Senior Obligations, on or before each Payment Date, the Commission will cause a voucher to be drawn on the Fund and will transfer, or cause there to be transferred, immediately available money to each Fiscal Agent that is serving as a paying agent for Senior Obligations or any other Fiscal Agent or Secured Owner that is entitled to payment directly from the Comptroller, as applicable (each, a “Payee”), in an amount sufficient for the payment of such Senior Obligations and otherwise in accordance with any instructions of such Payee. See “GENERAL INFORMATION REGARDING THE BONDS – Payment of the Bonds.”

If on any date the Comptroller and the Commission determine that (i) State Highway Fund Revenues are required to be transmitted to any Payee and (ii) the Fund does not contain sufficient State Highway Fund Revenues for such purpose, the Commission shall direct the Comptroller to transfer State Highway Fund Revenues in accordance with Section 49-n and the Act to each Payee as such revenues are deposited in the Fund and the Commission shall refrain from directing any further withdrawals or disbursements from the Fund until amounts equivalent to such deficiency have been received in the Fund and transferred to each Payee so that each such deficiency has been fully restored and all costs owed with respect to such deficiency have been paid in full, to the extent such costs are then due. Such transfer(s) will be made to each Payee in the order of priority based on the respective Tiers of the affected Senior Obligations, as and when sufficient State Highway Fund Revenues are available for such purpose, as provided in the Master Resolution and Section 49-n.

Investment of the State Highway Fund by Comptroller. Money held by the Comptroller in the Fund will be invested (and reinvested) by the Comptroller in Permitted Investments selected by the Comptroller. See “APPENDIX F – INVESTMENT AUTHORITY AND INVESTMENT PRACTICES FOR THE FUND.” Uninvested money (if any) in the Fund will be secured in the manner and to the extent required by law. The investments of money in the Fund will be made under conditions that will timely provide money sufficient to meet the Commission’s obligations. Except as otherwise required by the Resolution and the Funds Management Agreement, the proceeds received from the disposition of any investment acquired with money from the Fund, and any income received from any such investment, will be deposited into the Fund.

The Comptroller will maintain (or cause to be maintained) detailed records accurately reflecting all investment transactions and all activity in the Fund, which records are subject to State audit. With respect to each purchase (except any direct purchase from the United States government) or sale of an investment, the Comptroller has represented and warranted that the price for which the investment will be purchased or sold will be the “fair market value” determined in accordance with U.S. Treasury regulation 1.148-5(d)(6) (or any successor regulation) and that the Comptroller will maintain records that adequately support such determination.

Investment Profits or Losses. Any profits or losses from investment of any money held by the Comptroller in the Fund will be credited or charged on a pro rata basis among the Fund and other sources of money from which such investment was made. The Comptroller will not be held liable for any losses resulting from investments made in accordance with the Funds Management Agreement.

THE STATE HIGHWAY FUND

General

The Fund is the general source for a substantial portion of funding for the State highway system, the Department and the administration of State laws relating to traffic and safety on public roads. The Fund receives revenue from a variety of sources, including, without limitation, certain federal transportation program funds received from the United States Department of Transportation (“USDOT”), State motor fuels tax funds, State motor vehicle registration funds and State motor lubricants tax funds.

Pursuant to Section 7-a, (i) 75% of the net revenues generated from the State motor fuels tax (net of enforcement, administrative and refund charges), (ii) the State tax on motor lubricants and (iii) the net revenues generated from the State motor vehicle registration fees (net of collection charges and the portion of such fees that is reserved for counties within the

State) are dedicated for acquiring rights-of-way; constructing, maintaining, and policing public roadways; and for the administration of laws pertaining to the supervision of traffic and safety on such roads. Also, pursuant to Section 7-b, all revenues received from the federal government as reimbursement for State expenditures of funds that are themselves dedicated for acquiring rights-of-way and constructing, maintaining and policing public roadways are constitutionally dedicated and may be used only for those purposes.

The Fund is the general operating fund of the Department through which, generally, all revenues dedicated or appropriated to the purposes of the Department are deposited and all of the Department's administration, maintenance and operating expenses are paid. In prior years, certain expenses of the Texas Mobility Fund were processed through the Fund, whereby the Texas Mobility Fund transferred amounts for such expenses to the Fund prior to such expenses being paid (except in situations where the Texas Mobility Fund was reimbursing the Fund for expenses incurred by the Fund). Beginning in Fiscal Year 2013, these expenditures are reported as capital outlays from the Texas Mobility Fund instead of transfers to the Fund. The Department's ongoing "pay as you go" construction program is also paid from the Fund. Such expenses include payroll, repairs and maintenance, costs of materials and supplies, professional fees or commitments, utilities, rent and lease payments and intergovernmental payments. To accomplish all of these purposes, money in the Fund is appropriated by the State Legislature to the Department and certain other agencies of the State.

Except as described herein, and with the exception of certain restricted funds held in special accounts or subaccounts in the Fund (collectively "Restricted Revenues"), amounts deposited into the Fund are pledged to secure payment of Senior Obligations (as defined in the Resolution) and such amounts may also be used to pay debt service on and other costs associated with certain subordinate obligations issued or incurred by the Commission or the Department. See "– Uses of the Fund" below.

Restricted Revenues include amounts held in the State Infrastructure Bank account established as an account in the State Highway Fund pursuant to Subchapter D of Chapter 222, Transportation Code, which had a balance of approximately \$356 million as of August 31, 2019, and amounts held in special accounts or subaccounts established pursuant to Section 228.012, Transportation Code, for payments received by the Department under comprehensive development agreements ("CDA's"), surplus revenues of certain toll projects or systems, and payments received under former Section 228.011(g)(2) and (i)(2) of the Transportation Code (which was repealed by legislation enacted in 2011) for the right to develop, finance, construct and operate toll projects. The Department has created subaccounts in the Fund in accordance with Section 228.012, Transportation Code, and certain of those subaccounts have the following balances as of August 31, 2019: (i) under the State Highway 130 CDA for segments 5 and 6 totaling approximately \$34 million, (ii) from the North Texas Tollway Authority for the right to develop, finance, design, construct, operate, and maintain the State Highway 121 toll project totaling approximately \$623 million and the State Highway 161 toll project (also known as the Chisholm Trail Parkway project) totaling approximately \$44 million, (iii) under the State Highway 288 CDA totaling approximately \$12 million, and (iv) under the North Tarrant Express CDA totaling approximately \$10 million, pending distribution of such funds from time to time for their designated purposes.

Restricted Revenues must be used for certain limited purposes and are not available to pay debt service on Senior Obligations, including the Bonds.

The Commission's current policy is designed to accelerate the development and construction of public highways by using available funds to deliver such projects as quickly as possible. A recognized result of this policy is that the balance of the Fund, at each fiscal year-end, may be a nominal or negative amount, as the Commission utilizes available funds for development and construction of projects. The Commission and the Department have the authority to issue certain obligations for cash flow management purposes, to meet the Fund's obligations. See "THE STATE HIGHWAY FUND – Other Fund Obligations and Commitments."

In November 2014, State voters approved an amendment to the State Constitution ("Proposition 1") transferring a portion of certain oil and natural gas production tax revenues to the Fund. As a result of Proposition 1, approximately \$440 million, \$734 million and \$1.38 billion of oil and natural gas production tax revenues were transferred to the Fund for Fiscal Years 2017, 2018 and 2019, respectively. Amounts deposited in the Fund pursuant to Proposition 1 may only be used for constructing, maintaining and acquiring rights-of-way for public roadways other than toll roads. In recognition of the more restrictive limitations on the permitted uses of amounts transferred to the Fund pursuant to Proposition 1 (relative to the permitted purposes for which Senior Obligations may be and have been issued), the Department created a special account in the Fund (which account constitutes an Excluded Fund under the Master Resolution) to segregate such amounts from State Highway Fund Revenues, and such amounts are not pledged to secure, or available to make payments on, Senior Obligations, including the Bonds.

In November 2015, State voters approved an amendment to the State Constitution (“Proposition 7”), which added Section 7-c to Article VIII thereof (“Section 7-c”). Section 7-c directs the Comptroller of Public Accounts of the State (the “Comptroller”) to deposit to the credit of the Fund, for each State Fiscal Year specified therein, net revenues in the amounts specified therein derived from (i) the imposition of State sales and use tax on the sale, storage, use or other consumption in the State of taxable items under Chapter 151 of the Texas Tax Code (or its successor), and (ii) the tax authorized by Chapter 152 of the Texas Tax Code (or its successor) and imposed on the sale, use, or rental of a motor vehicle. As a result of Proposition 7, approximately \$939 million and \$4.06 billion were transferred to the Fund for Fiscal Years 2018 and 2019, respectively. Amounts deposited in the Fund pursuant to Proposition 7 may only be used for constructing, maintaining or acquiring rights-of-way for public roadways other than toll roads or for repaying principal and interest on general obligation bonds issued pursuant to Article III, Section 49-p of the State Constitution. In recognition of the more restrictive limitations on the permitted uses of amounts transferred to the Fund pursuant to Proposition 7 (relative to the permitted purposes for which Senior Obligations may be and have been issued), the Department created a special account in the Fund (which account constitutes an Excluded Fund under the Master Resolution) to segregate such amounts from State Highway Fund Revenues, and such amounts are not pledged to secure, or available to make payments on, Senior Obligations, including the Bonds. See “GENERAL INFORMATION REGARDING THE BONDS – Sources of Payment for Bonds.”

Unless extended by the State Legislature, the transfers to the Fund pursuant to Proposition 1 and Proposition 7 are scheduled to expire in certain future years. Further, transfers made pursuant to Proposition 1 are subject to the Economic Stabilization Fund achieving a certain threshold balance, and transfers made pursuant to Proposition 7 are subject to the applicable revenue streams exceeding certain threshold amounts, in each case, which are subject to amendment by the State Legislature. Accordingly, no assurances can be provided regarding the amount of any future transfers to the Fund pursuant to Proposition 1 and Proposition 7.

Previously, certain money in the Fund was appropriated to the Department of Public Safety (“DPS”) to police the State highway system and to administer State laws relating to traffic and safety on public roads. House Bill 20 (“HB 20”), which was approved during the 84th regular legislative session and became effective June 3, 2015, ended such diversions to the DPS from the Fund. See “THE STATE OF HIGHWAY FUND – Uses of the Fund – *Capital Projects and Proposed Debt Financings*.”

The historical financial information and operating data set forth in this “THE STATE HIGHWAY FUND” caption and in other parts of this Official Statement for the dates as of and for the periods that occurred before the COVID-19 pandemic and the measures instituted to control such pandemic may not be indicative of future results or performance due to these and other factors. For a description of the impact of the COVID-19 pandemic on the Fund and information regarding the amount of Pledged Revenues deposited to the credit of the Fund for a portion of Fiscal Year 2020, see “INVESTMENT CONSIDERATIONS – Impact of COVID-19.”

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Table 2
Statement of Revenues, Expenditures and Changes in Fund Balances – State Highway Fund⁽¹⁾
For Fiscal Years Ended August 31
(in thousands)

	2015	2016	2017	2018	2019
REVENUES:					
Taxes ⁽²⁾	\$ 2,582,837	\$ 3,760,033	\$ 3,115,426	\$ 5,976,202	\$ 6,686,486
Federal Revenues ⁽³⁾	3,145,008	3,934,662	3,781,394	3,844,009	4,204,305
Federal Pass Through Revenues ⁽⁴⁾	-	404	469	13,008	3,520
Licenses, Fees and Permits	25,648	37,670	61,170	68,570	98,011
Interest & Investment Income	19,067	32,799	48,604	63,012	131,112
Net Increase (Decrease) Fair Value	-	-	-	-	33
Land Income	15,590	12,104	13,222	23,128	29,567
Settlement of Claims	21,995	47,519	28,215	21,133	41,902
Sales of Goods and Services ⁽⁵⁾	28,548	2,031	70,136	133,048	88,313
Other Revenues	8,381	17,191	9,830	3,516	4,990
TOTAL REVENUES⁽⁶⁾	\$ 5,847,074	\$ 7,844,413	\$ 7,128,466	\$ 10,145,626	\$ 11,288,239
EXPENDITURES:					
Salaries and Wages	\$ 637,722	\$ 665,900	\$ 653,730	\$ 707,459	\$ 713,218
Payroll Related Costs	277,049	312,209	323,321	331,723	338,366
Professional Fees and Services	692,008	605,127	914,581	915,999	1,174,262
Federal Pass-Through Expenditures	24,017	10,345	13,246	10,954	12,185
State Grant Pass-Through Expenditures	-	-	144	100	96
Travel	7,888	8,756	8,911	11,386	11,117
Materials and Supplies	277,082	387,339	381,223	389,874	368,175
Communications and Utilities	46,031	46,474	45,419	46,437	41,880
Repairs and Maintenance	686,169	816,035	673,689	655,599	697,622
Rentals and Leases	26,508	27,527	25,181	32,151	32,518
Printing and Reproduction	3,643	3,742	3,837	3,503	3,622
Claims and Judgments	4,618	7,667	4,187	20,276	3,142
Intergovernmental Payments	384,868	313,582	180,081	249,014	191,569
Public Assistance Payments ⁽⁷⁾	31,994	14,481	34,773	73,319	68,430
Other Expenditures ⁽⁸⁾	169,975	190,104	289,116	225,609	288,592
Total Transportation Expenditures	\$ 3,269,571	\$ 3,409,288	\$ 3,551,439	\$ 3,673,402	\$ 3,944,795
Capital Outlay ⁽⁹⁾	4,496,619	5,141,724	6,010,985	5,660,605	6,642,649
Debt Service:					
Principal on State Bonds ⁽¹⁰⁾	-	-	-	127,920	-
Principal on Pass-Through Tolls	111,696	120,651	109,081	110,843	158,066
Interest on State Bonds ⁽¹⁰⁾	-	-	-	192,519	-
Other Financing Fees	3,205	1,388	4,267	1,035	952
TOTAL EXPENDITURES	\$ 7,881,092	\$ 8,673,051	\$ 9,675,772	\$ 9,766,324	\$ 10,746,462
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	\$ (2,034,018)	\$ (828,638)	\$ (2,547,306)	\$ 379,302	\$ 541,777
OTHER FINANCING SOURCES (USES):					
Transfers In ⁽¹¹⁾	\$ 3,355,963	\$ 1,657,739	\$ 1,748,978	\$ 1,953,358	\$ 1,915,228
Transfers Out ⁽¹¹⁾	(944,641)	(450,544)	(519,381)	(571,190)	(981,952)
Long-Term Debt Issued	-	-	886,210	-	-
Bonds Issued for Refunding	781,080	-	89,370	-	-
Premiums on Bonds Issued	133,433	-	112,255	-	-
Payments to Escrow for Refunding	(910,971)	-	(100,000)	-	-
Sale of Capital Assets	70,255	66,334	8,715	5,454	10,122
Upfront Payment – Service Concession Amendment	-	25,479	392	-	510
TOTAL OTHER FINANCING SOURCES (USES)	\$ 2,485,138	\$ 1,299,008	\$ 2,226,539	\$ 1,387,622	\$ 943,908
NET CHANGE IN FUND BALANCES	\$ 451,120	\$ 470,370	\$ (320,767)	\$ 1,766,924	\$ 1,485,685
BEGINNING FUND BALANCES	3,093,910	3,545,030	4,015,400	3,694,633	5,461,557
ENDING FUND BALANCES	\$ 3,545,030	\$ 4,015,400	\$ 3,694,633	\$ 5,461,557	\$ 6,947,242

The footnotes to Table 2 are shown on the following page.

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Footnotes to Table 2 - Statement of Revenues, Expenditures and Changes in Fund Balances – State Highway Fund

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- (1) Totals may include rounding differences. The table above reflects Fund Accounts, Proposition 1, and Proposition 7 as reported in the “Combining Statement of Revenues, Expenditures and Changes in Fund Balances – State Highway Fund” in the Department’s audited financial statements for each such Fiscal Year. See “THE COMMISSION AND THE DEPARTMENT – State Audits.”
- (2) In 2016, Taxes increased largely due to the inclusion of Proposition 1 deposits as tax revenue instead of the previous treatment as Transfers In (see also note 11 below). The decrease in Taxes from Fiscal Year 2016 to Fiscal Year 2017 was primarily due to the much lower deposit of \$439.5 million in Proposition 1 funds compared to \$1.1 billion Proposition 1 funds deposited in Fiscal Year 2016. The increase in Taxes from 2017 to 2018 was due to the receipt and accrual of \$2.5 billion in Proposition 7 funds received during Fiscal Year 2018. The increase in Taxes from 2018 to 2019 was largely due to an increase in Proposition 1 funds earned. Receipts from Proposition 1 and Proposition 7 are not pledged to secure or available to pay debt service on Senior Obligations, including the Bonds. For a description of Proposition 1 and Proposition 7, see “THE STATE HIGHWAY FUND – General.”
- (3) Federal Revenues fluctuate from year to year due to the amount of expenditures for major construction projects that are eligible for federal reimbursement and the timing of when such costs are incurred and when reimbursements are received. See “THE STATE HIGHWAY FUND – Sources of Revenue in the Fund – Federal Funds.”
- (4) The Federal Pass-Through Revenues increase in Fiscal Year 2018 was primarily attributable to Hurricane Harvey FEMA revenue.
- (5) The Sale of Goods and Services increases in Fiscal Years 2017 and 2018 were due to increased construction expenditures using contributions received by the Department from local governments.
- (6) Total Revenues, as reported in Table 2, is different from Pledged Revenues as defined by the Master Resolution for Senior Obligations. See “GENERAL INFORMATION REGARDING THE BONDS – Source of Payment for Bonds.”
- (7) Public Assistance Payments increased in Fiscal Year 2018 as more grants were paid to community service programs.
- (8) Other contracted services and right-of-way costs increased in Fiscal Year 2017 due to more construction activities supported by additional funding from First Tier Senior Obligations and Proposition 1 funds.
- (9) The increase in Capital Outlay in Fiscal Year 2019 was primarily due to additional funds available from Proposition 1 and Proposition 7 deposits.
- (10) In Fiscal Year 2018, Principal on State Bonds and Interest on State Bonds related to Highway Improvement General Obligation Bonds were paid from new Proposition 7 funding. In previous years, these payments were made from the State’s General Revenue Fund.
- (11) The Fund is considered a shared fund and is appropriated for use by multiple state agencies. The Department is considered the controlling agency for the Fund and reports the total cash balance in the Fund at fiscal year-end. The Department reports interagency transfers with other agencies that collect and deposit to or expend out of the Fund. Transfers In primarily reflects motor vehicle registration and certificate of title fees transferred from the TxDMV. In 2015, Transfers In also included \$1.7 billion of Proposition 1 funding transferred from the Comptroller. Proposition 1 funding was treated for accounting purposes as Taxes beginning in 2016. See also footnote 2 above. Prior to Fiscal Year 2016, the Transfers Out related to DPS for its cash expenditures out of the Fund. Due to a legislative change, the diversion of monies from the Fund to DPS ended in 2015. See “THE STATE HIGHWAY FUND – General.” Transfers Out for Fiscal Year 2016 through Fiscal Year 2019 mainly reflects transfers to the First Tier Senior Obligation Debt Service Fund to pay debt service on First Tier Senior Obligations and in 2019, transfers were also made to the Proposition 12 debt service fund (relating to the Commission’s Highway Improvement General Obligation Bonds).”

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Sources of Revenue in the Fund

The following Table 3 displays the amount of total State Highway Fund Revenues, which are derived from each of the following sources for the last five Fiscal Years: State motor fuels tax, State motor vehicle registration fees, other State revenue sources, and reimbursements from federal funds. Such sources are affected by a number of economic, demographic and environmental factors, including population growth in the State. See “INVESTMENT CONSIDERATIONS – External Conditions Affecting Pledged Revenues” and “GENERAL INFORMATION REGARDING THE STATE OF TEXAS.” Revenues in the following tables are presented on the modified accrual basis of accounting, unless otherwise indicated, and exclude Restricted Revenues.

**Table 3 - State Highway Fund Revenues By Source
For Fiscal Years Ended August 31
(in millions)**

	2015	2016	2017	2018	2019
State Motor Fuels Tax	\$2,538.3	\$2,580.9	\$2,631.0	\$2,697.3	\$2,759.2
State Motor Vehicle Registration Fees	1,386.2	1,426.5	1,442.8	1,501.1	1,584.7
Other State Revenue Sources ⁽¹⁾	340.9	323.5	594.3	362.9	392.3
Subtotal, excluding Federal Reimbursements	4,265.4	4,330.9	4,668.1	4,561.3	4,736.2
Reimbursements from Federal Funds ⁽²⁾	3,161.5	3,935.9	3,781.9	3,845.3	4,207.8
Total Fund Revenues	\$7,426.9	\$8,266.8	\$8,450.0	\$8,406.6	\$8,944.0

⁽¹⁾ Excludes Proposition 1 funding, Proposition 7 funding, loan repayments received by the State Infrastructure Bank and amounts credited to the Fund from the Texas Mobility Fund for payment to contractors. For administrative purposes, expenses of the Texas Mobility Fund are paid through the Fund and reimbursed from the Texas Mobility Fund. Other State Revenue Sources include numerous separate and miscellaneous revenue sources that fluctuate from year to year and in the aggregate may increase or decrease significantly from one year to the next. For a description of such Other State Revenue Sources and a description of Proposition 1 and Proposition 7 receipts, see “THE STATE HIGHWAY FUND – General” and “– Sources of Revenue in the Fund – Other State Revenue Sources.”

⁽²⁾ Reimbursements from Federal Funds fluctuate from year to year due to the amount of expenditures for major construction projects that are eligible for federal reimbursement and the timing of when such costs are incurred and when reimbursements are received. See “THE STATE HIGHWAY FUND – Sources of Revenue in the Fund – Federal Funds.” Excludes funds received for projects financed through the American Recovery and Reinvestment Act (ARRA) for Fiscal Years 2015 through 2017.

The following Table 4 displays the amount of each source of State Highway Fund Revenues as a percentage of total State Highway Fund Revenues (excluding reimbursements from federal funds) for the last five Fiscal Years.

**Table 4 - State Highway Fund Revenues as a Percentage of Total Fund Revenues (Excluding Federal Funds)
For Fiscal Years Ended August 31**

	2015	2016	2017	2018	2019
State Motor Fuels Tax	59.5%	59.6%	56.4%	59.1%	58.3%
State Motor Vehicle Registration Fees	32.5%	32.9%	30.9%	32.9%	33.5%
Other State Revenue Sources	8.0%	7.5%	12.7%	8.0%	8.3%

The following Table 5 displays the amount of each source of State Highway Fund Revenues as a percentage of total State Highway Fund Revenues (including reimbursements from federal funds) for the last five Fiscal Years.

**Table 5 - State Highway Fund Revenues as a Percentage of Total Fund Revenues (Including Federal Funds)
For Fiscal Years Ended August 31**

	2015	2016	2017	2018	2019
State Motor Fuels Tax	34.2%	31.2%	31.1%	32.1%	30.9%
State Motor Vehicle Registration Fees	18.7%	17.3%	17.1%	17.9%	17.7%
Other State Revenue Sources	4.6%	3.9%	7.0%	4.3%	4.4%
Reimbursements from Federal Funds	42.5%	47.6%	44.8%	45.7%	47.0%

State Motor Fuels Tax. The State currently levies a motor fuels tax of \$0.20 per gallon on gasoline and diesel fuel, and \$0.15 per gallon equivalent on liquefied natural gas and compressed natural gas. Sales of motor fuels for the exclusive use of the federal government or a public school district in the State are exempt, and sales of liquefied gas for the exclusive

use of the federal government, local county government or a public school district in the State are exempt. The Comptroller retains 1% of the gross receipts for administration and enforcement, and after providing for refunds or non-highway use collections, distributes the remainder as hereinafter described. Pursuant to Section 7-a, 25% of the net revenues generated from the State motor fuels tax (net of enforcement, administrative and refund charges) are deposited to the credit of the "Available School Fund" in support of the State's primary and secondary schools, and 50% of such revenues are deposited to the credit of the Fund. The remaining 25% is deposited to the county and road district highway fund, which is administered by the Comptroller, until a maximum of \$7.3 million annually has been deposited, after which the remaining amount is deposited to the Fund. See Tables 3, 4 and 5 above for information regarding the amount of State motor fuels tax credited to the Fund for the last five Fiscal Years.

The State motor fuels tax on gasoline and diesel fuel is imposed (i) upon the removal of fuel from a storage and distribution facility through a rack mechanism to a transport vehicle, railcar or other transfer means outside the bulk transfer/terminal system (no tax is imposed on qualified bulk transfers); (ii) upon the importation of fuel into the State for delivery in the State, other than by qualified bulk transfer; (iii) upon the removal of fuel from the bulk transfer/terminal system; (iv) upon fuel brought into the State in fuel supply tanks of an interstate trucker; and (v) upon the fuel used in the blending of fuel not in the bulk transfer/terminal system. The tax is due to the Comptroller on or before the 25th day of the month following a calendar month (except the tax from interstate truckers which is due after each calendar quarter). Licensed distributors and importers of the motor fuels tax on gasoline and diesel fuel that remit the tax in a timely manner may retain 1.75% of the tax. Suppliers that remit the tax on gasoline and diesel fuel may retain 2% of the tax. Licensed dealers and interstate truckers that remit the tax on liquefied natural gas and compressed natural gas in a timely manner may retain 1% and 0.5% of the tax, respectively. Certain taxpayers that remit the tax in a timely manner are entitled to retain 1.75% of the tax they pay to cover administrative expenses.

The State motor fuels tax on liquefied gas is imposed upon the user of the vehicle using such fuel and is collected by a licensed dealer at the time of delivery into a motor vehicle's fuel supply tank.

The State motor fuels tax on compressed natural gas and liquefied natural gas is imposed (i) on the dealer upon the sale of sale of compressed natural gas or liquefied natural gas that is delivered into the fuel supply tank of a motor vehicle in connection with a sale of the compressed natural gas or liquefied natural gas and (ii) on a fleet user or other dealer upon the delivery of compressed natural gas or liquefied natural gas into the fuel supply tank of a motor vehicle by a fleet user or other dealer not in connection with a sale of the compressed natural gas or liquefied natural gas.

Total motor fuel consumption has increased at an average annual rate of approximately 2.4% over the past five Fiscal Years, with gasoline consumption increasing at an average annual rate of approximately 2.1% and diesel consumption increasing at an average annual rate of approximately 3.5% during such period. The following Table 6 shows the amount of the taxable gasoline and diesel fuel consumption in the State for the last five Fiscal Years.

Table 6 - Taxable Gasoline and Diesel Fuel Consumption in Texas
(in millions of gallons)

<u>Fiscal Year</u>	<u>Gasoline</u>	<u>Diesel</u>
2015	13,720.6	5,209.9
2016	14,190.2	5,132.5
2017	14,337.6	5,539.2
2018	14,588.7	5,797.5
2019	14,886.6	5,965.6

State Motor Vehicle Registration Fees. The State currently charges motor vehicle registration fees under a number of statutory provisions. The Texas Department of Motor Vehicles (the "TxDMV") shares motor vehicle registration responsibilities with county governments that assist with this function. Revenues from vehicle registrations are shared between the Fund and the counties. See Tables 3, 4 and 5 above for information regarding the amount of State motor vehicle registration fees credited to the Fund for the last five Fiscal Years.

Effective September 1, 2011, the base vehicle registration fee for cars and light trucks was changed to \$50.75 per vehicle, regardless of the age or weight of the vehicle. For trucks other than light trucks, higher fees apply based on weight.

Every owner of a motor vehicle, unless otherwise exempted, is required to register such vehicle each year the vehicle is used or is to be used on the public roads of the State. Registration fees are collected by the tax assessor-collector of the

county in which the owner of a vehicle resides. The collecting county annually retains 100% of such registration fees collected up to an amount equal to: (i) \$60,000 plus (ii) \$350 for each mile of county road maintained by such county, not to exceed 500 miles. After such amount is retained by the county, the collecting county then shall retain an additional amount equal to 50% of State vehicle registration fees collected until the amount retained for the calendar year equals \$125,000 and the remaining 50% (i.e., \$125,000) shall be deposited to the credit of the Fund. After this second amount of \$125,000 is retained by the collecting county, 100% of State vehicle registration fees are to be remitted to the credit of the Fund. Counties are also authorized to impose an additional road and bridge fee, not to exceed \$10 for most counties, for registering a vehicle in the county, and retain the revenue from said fee. In 2013, the 83rd State Legislature passed House Bill 2202 (“HB 2202”), which authorized the TxDMV to collect a processing and handling fee to cover the expenses of collecting registration fees. The TxDMV adopted rules establishing the new processing and handling fee effective January 1, 2017. Pursuant to HB 2202, such fee replaced \$1.90 of each registration fee that was previously retained by county tax assessor-collectors pursuant to Chapter 520 of the Texas Transportation Code. As a result, \$1.90 of each registration fee is instead deposited to the credit of the Fund, which began in January 2017 when the new processing and handling fee became effective.

The following Table 7 shows the number of vehicles registered in the State for the last five Fiscal Years, which has increased at an average annual rate of 1.4% over the last five Fiscal Years.

Table 7 - Vehicles Registered in Texas
(in millions)

<u>Fiscal Year</u>	<u>Number of Vehicles</u>
2015	23.8
2016	24.1
2017	24.6
2018	24.9
2019	25.1

In 2013, the 83rd State Legislature passed House Bill 2305 (amending Chapter 548 of the Texas Transportation Code), which replaced the former dual certification system of separate motor vehicle inspection and registration decals with a single, combined certification system, known as the “single sticker rule.” Beginning March 1, 2015, vehicles are no longer issued a separate inspection decal, and a single registration decal for each motor vehicle will signify that the vehicle has passed the required inspection and is registered in the State. Drivers who cannot pass an inspection cannot obtain a registration decal under the single sticker rule.

Other State Revenue Sources. The State also generates or receives funds from a variety of sources that are credited to the Fund. Such sources of funds include, without limitation, sales taxes on motor lubricants, funds from local governments that are participating in State highway projects, interest earnings on the dedicated funds deposited to the credit of the Fund, oversize and overweight trailer permit fees, revenues from Texas Highways magazine, and other reimbursements received by the Department. With the exception of the sales tax on motor lubricants and interest earnings on dedicated funds, these other revenue sources are not dedicated or committed by constitutional provision to the Fund. See “INVESTMENT CONSIDERATIONS – Potential Legislative Changes to Pledged Revenues.” See Tables 3, 4 and 5 above for information regarding the amount of funds generated from these sources and credited to the Fund for the last five Fiscal Years.

For a description of amounts deposited to the State Highway Fund from Proposition 1 and Proposition 7, see “THE STATE HIGHWAY FUND – General.” Amounts deposited to the State Highway Fund from Proposition 1 and Proposition 7 are not pledged to secure, or available to make payments on, Senior Obligations, including the Bonds. See “GENERAL INFORMATION REGARDING THE BONDS – Sources of Payment for Bonds.”

Federal Funds. Federal transportation funds are made available to the State by the federal government. The Federal-Aid Highway Program (“FAHP”) is an “umbrella” term that encompasses most of the federal programs providing highway funds to the states. The Federal Highway Administration (“FHWA”) is the federal agency within the USDOT responsible for administering the FAHP. The FAHP is financed from the transportation user-related revenues deposited in the Federal Highway Trust Fund (“HTF”). Federal government funding for infrastructure projects is usually accomplished through federal highway authorization legislation, which establishes funding over a multi-year period.

The current federal highway authorization legislation, the “Fixing America’s Surface Transportation Act” (the “FAST Act”), became law on December 4, 2015 and reauthorizes the FAHP through September 30, 2020. Prior to the enactment of the FAST Act, the last multi-year authorization of the FAHP was the “Moving Ahead for Progress in the 21st

Century Act” (“MAP-21”), which provided funding through September 30, 2014. MAP-21 replaced the “Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users” (“SAFETEA-LU”), which expired in 2009, but was reauthorized through passage of temporary short-term extensions until June 30, 2012. In periods between multi-year authorizations, Congress has consistently used short-term authorizations to fund the FAHP.

Prior federal highway authorization and appropriation legislation has included rescissions of unused contract authority, including reductions to funding under SAFETEA-LU and multiple appropriation bills in each of the years 2006 through 2011. MAP-21 did not include a rescission. The FAST Act put in place a \$7.5 billion rescission of unused contract authority at the end of the authorized period of 2020; however, in November 2019, Congress repealed the FAST Act rescission as part of the “Further Continuing Appropriations Act, 2020, and Further Health Extenders Act of 2019.” In addition, the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, required certain automatic reductions in federal spending that impacted MAP-21 funding. See “– Sequestration Effects on the State Highway Fund” below. For additional information regarding the FAST Act and the funding of the Federal-Aid Highway Program, see “APPENDIX C – INFORMATION CONCERNING THE FUNDING OF FEDERAL-AID HIGHWAYS.”

State law currently provides that federal funds appropriated for public road construction in the State may only be spent by and under the supervision of the Department. Such funds are deposited to the credit of the Fund as reimbursements. See Tables 3 and 5 above for information regarding the amount of federal reimbursement funds credited to the Fund for the last five Fiscal Years.

The Equity Bonus Program in SAFETEA-LU was removed from MAP-21. In its place, MAP-21 made an adjustment to part of the apportionment formula (which was carried forward through the FAST Act), such that no state receives less than a 95% share of the state’s attributed share of highway user tax revenue contributed to the Highway Account of the HTF. Due to recent federal general revenue transfers to the HTF, almost every state is now receiving more funds than were deposited into the HTF. Texas is the only state still below the 100% threshold of funds received. Funds from the HTF support a variety of federal transportation programs that, for purposes of this discussion, are grouped into three broad categories: (i) funds distributed proportionally to states through a dedicated formula program (“Guaranteed Highway Programs”); (ii) discretionary funds (“Discretionary Programs”) and (iii) Transit Programs. See “APPENDIX C – INFORMATION CONCERNING THE FUNDING OF FEDERAL-AID HIGHWAYS.”

The allocation of funds using a formula provided in law is called apportionment. Most federal-aid funds are formula allocated to states through apportionment. Each federal fiscal year (“FFY”), the FHWA has responsibility for apportioning authorized funding for the various highway programs among the states according to formulas established in the authorizing statute, currently the FAST Act. When there are no formulas in law, the non-formula allocation (discretionary) of funds may be made at any time during the FFY. In most cases, non-formula allocated funds are divided among states with qualifying projects applying general administrative criteria provided in the law. The annual apportionments to the Department under SAFETEA-LU, MAP-21, extensions of MAP-21 and the FAST Act were \$3.3 billion, \$3.57 billion, \$3.81 billion, \$3.83 billion and \$3.79 billion in FFY 2015 through 2019, respectively. The FAST Act contains a \$7.5 billion rescission at the end of the authorization period in 2020; however, in November 2019, Congress repealed the FAST Act rescission as part of the “Further Continuing Appropriations Act, 2020, and Further Health Extenders Act of 2019.” It is possible for additional rescissions to be added to the one included in the FAST Act via the appropriations process. See “APPENDIX C – INFORMATION CONCERNING THE FUNDING OF FEDERAL-AID HIGHWAYS – Federal Aid Funding Procedures – Apportionment, Allocations and Rescissions.”

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The following Table 8 provides a history of the apportionments and allocations, as applicable, to the Department for certain federal highway funding programs in the State for the last five FFYs. The data for the following table was obtained from the USDOT. Such table includes federal funds apportioned and allocated for the State's Guaranteed Highway Programs, Transit Programs and Discretionary/Allocated Highway Programs, but excludes the State's Aviation and Ferry Boat Programs. The amounts shown for Transit Programs reflect funds that are administered by or flow through the Department and awarded to sub-recipients; funds given directly to sub-recipients in the State are excluded.

Table 8 - Federal Transportation Funds Apportioned and Allocated to the Department
(in millions)

<u>Federal Fiscal Year</u>	<u>Guaranteed Highway Programs</u>	<u>Discretionary/ Allocated Highway Programs</u>	<u>Transit Programs</u>	<u>Total</u>
2015	\$3,342.5	\$10.2	\$64.4	\$3,417.1
2016	3,511.8	19.5	65.6	3,596.9
2017	3,828.4	9.9	66.9	3,905.2
2018	3,850.9	9.5	71.4	3,931.8
2019	3,812.7	2.9	67.6	3,883.2

Obligation authority is the commitment (or promise) of the federal government to pay, through reimbursement to a state, the federal share of an approved project's eligible costs, which may include debt service on obligations issued to finance a project. This process is important to the states because it allows states to award contracts with assurance that the federal government will reimburse its share of incurred costs. Once an obligation is made, the federal government is to reimburse the states when bills or payments become due. However, Congress places a restriction or "ceiling" on the amount of federal assistance that may be obligated (promised) in an individual year. This is a statutory budgetary control that does not affect the apportionment or allocation of funds. Rather, it controls the rate at which these funds can be used.

FHWA distributes obligation authority to states proportionately based on each state's share of apportioned and allocated revenues. During the FFY, states submit requests to FHWA to obligate funds, representing the federal share of specific projects. As a state obligates funds, its balance of obligation authority is reduced. A state's obligation authority (unlike its apportionments and allocations of authorized funding) must be used before the end of the FFY for which it is made available; if not, it will be distributed to other states to ensure that the total limitation nationwide will be used. Although a ceiling on obligations restricts how much funding may be used in a FFY, the state has flexibility within the overall limitation to mix and match the type of program funds it obligates, based on its individual needs, as long as it does not exceed the ceiling in total.

The following Table 9 provides a history of the obligation authority to the Department for Guaranteed Federal Highway Programs in the State for the last five FFYs. The data for the following table was obtained from the USDOT. The following table excludes obligation authority limitation for the State's Aviation and Ferry Boat Programs.

Table 9 - Federal Transportation Obligation Authority for Department Guaranteed Highway Programs
(in millions)

<u>FFY</u>	<u>Amount⁽¹⁾</u>
2015	\$3,333.8
2016	3,408.4
2017	3,820.1
2018	3,758.5
2019	3,916.6

⁽¹⁾ The overall obligation authority limitation received for the Guaranteed Highway Program has historically been less than the apportionment for such Program.

The amounts shown in Table 8 above represent federal funds that have been "apportioned" or "allocated" to the State pursuant to federal legislation. Amounts shown in Table 9 above represent federal funds that have been "obligated" to the State by the FHWA pursuant to federal legislation, but do not represent funds actually credited to the Department for any given period. For federal reimbursements credited to the Department during the last five Fiscal Years, see Table 3 above.

Uses of the Fund

General. Funds that are required to be used for public roadways by State or federal law and that are deposited to the credit of the Fund, may be used only (i) to improve the State Highway System or (ii) to mitigate adverse environmental effects that result directly from the construction or maintenance of a state highway by the Department. Money in the Fund that is not so restricted may be used for any functions performed by the Department, including expenses relating to the Department's "pay as you go" construction program, payroll, repairs and maintenance expenses, costs of materials and supplies, professional fees or commitments, utilities, rents and lease payments and intergovernmental payments. Debt service on Fund revenue bonds and other obligations and financial commitments are also paid from the Fund. To accomplish these purposes, money in the Fund is appropriated by the State Legislature to the Department and certain other State agencies. See "THE STATE HIGHWAY FUND – General."

The following Table 10 sets out the appropriation of funds by the State Legislature to the Department for the five most recent State biennia, including the current State biennium and the approximate percentage of total appropriations from the Fund represented by such appropriations.

Table 10 - Appropriations to Department from the State Highway Fund
(dollar amounts shown in millions)

<u>State Biennium</u>	<u>Amount Appropriated⁽¹⁾</u>	<u>Percentage of Total State Highway Fund Appropriations</u>
2012-13	\$12,060.3	87.97%
2014-15 ⁽²⁾	16,491.4	92.86
2016-17 ⁽³⁾	17,208.3	100.00
2018-19 ⁽³⁾	19,933.5	100.00
2019-20	21,277.5	100.00

⁽¹⁾ Amounts include appropriations made to other State agencies (e.g., the Employees Retirement System of Texas) for the benefit of the Department. Minor revisions reflect final adjustments to the State's General Appropriations Act.

⁽²⁾ The Department received an increase in Fund appropriations in State Biennium 2014-2015 mainly due to increased federal funds, and higher registration fee revenue.

⁽³⁾ Previously, certain money in the Fund was appropriated to DPS to police the State highway system and to administer State laws relating to traffic and safety on public roads. House Bill 20, which was approved during the 84th regular legislative session and became effective June 3, 2015, ended such diversions to the DPS from the Fund. See "THE STATE HIGHWAY FUND – General."

Budget Process. The Department operates under a two-year budget cycle. In preparing its Legislative Appropriations Request ("LAR"), the Department relies upon its cash flow forecast for the Fund, which delineates current and future obligations of the Department and forecasts the monthly revenue, expenditure, lowest daily balance, and ending balance for the Fund. From the forecast, the amount of expenditures (appropriations) that can be handled by the Fund can be determined. After accounting for existing obligations, the Commission then allocates the projected available resources among the competing needs identified by the various Department offices, including obligations under pass-through toll agreements and toll equity agreements. Once these funding priorities have been determined, the data is entered into the Department's LAR and submitted to the State Legislature for consideration in enacting the State appropriations bill. Once the appropriations bill takes effect, it is implemented as the State budget for the next two-year biennium, taking effect on the next September 1. Though it is not codified and does not otherwise appear in Vernon's Texas Statutes, the budget is law and State agencies are bound by it. The Legislative Budget Board and the State Auditor's Office are responsible for monitoring compliance.

Capital Projects. As required by various State and federal laws, the funding priorities of the Commission are outlined in various transportation plans approved by the Commission and various metropolitan planning organizations ("MPOs") within the State. The statewide transportation plan ("Statewide Transportation Plan") is a long-range plan outlining the transportation goals of the Commission over a 25-year period. From such plan, the Commission develops the Unified Transportation Program ("UTP") that covers transportation projects over a period of 10 years. The UTP contains "Construct" transportation projects to be constructed over the next four years and for which funding is firm and "Develop" transportation projects to be developed over the following six years and for which full funding is yet to be authorized. At the same time, the 25 MPOs each approve a four-year Transportation Improvement Program ("TIPs"). The TIPs approved by MPOs are used to create the Statewide Transportation Improvement Program ("STIP") for projects to be constructed by the Commission over

the next four year period as part of the “Construct” UTP projects. All projects funded by the Department and reimbursed by the FHWA must be included in the STIP.

During the 84th regular legislative session the State Legislature passed HB 20, which requires the Commission, by rule, to implement a performance-based planning and programming process dedicated to providing State executive and legislative branches with indicators that quantify and qualify progress toward attaining all Department goals and objectives established by the State Legislature. HB 20 requires the Commission, by rule, to develop and implement performance metrics and performance measures as part of the review of strategic planning in the Statewide Transportation Plan, rural transportation plans and the UTP. The Commission must also, by rule, implement performance metrics and performance measures as part of the evaluation of decision-making on projects selected for funding in the UTP, the STIP and for project delivery for projects in the Department’s letting schedule.

Additionally, HB 20 requires each MPO or, for an area that is not within the boundaries of an MPO, the Department district that serves the area to develop a 10-year transportation plan for the use of the funding allocated to such area plan under the UTP, as well as develop project recommendation criteria.

Table 11 - Projected Construction Contract Awards by the Department
(in millions)⁽¹⁾

<u>Fiscal Year</u>	<u>Amount</u>
2020	\$2,845.14
2021	2,520.19
2022	2,697.25
2023	2,859.83
2024	2,924.89

⁽¹⁾ As of March 2, 2020. Excludes construction contract awards to be funded from Previously Issued First Tier Senior Obligations, additional Senior Obligations, State general obligation debt, Texas Mobility Fund obligations, Proposition 1, Proposition 7 and surplus toll revenue deposits.

Capital Financing Process. The Commission has the ability to finance its continuing construction program through a number of methods. The Commission may issue bonds or other public securities during the next twelve months as Additional Senior Obligations for refunding purposes. See “GENERAL INFORMATION REGARDING THE BONDS – Outstanding and Additional Senior Obligations and Tiers of Senior Obligations.” The Commission may also issue State general obligation debt to refinance a portion of the Commission’s capital program. In addition, the Commission may also enter into certain agreements and commitments, including pass-through toll agreements, toll equity agreements and multi-year construction contracts and agreements, to finance, assist in the financing, or outright develop and construct, highway projects. See “GENERAL INFORMATION REGARDING THE BONDS – Issuance of Subordinate Obligations” and “– Other Fund Obligations and Commitments” below.

Other Fund Obligations and Commitments

In addition to Senior Obligations and Subordinate Obligations (see “GENERAL INFORMATION REGARDING THE BONDS – Outstanding and Additional Senior Obligations and Tiers of Senior Obligations” and “– Issuance of Subordinate Obligations”), the Department has the ability to issue and incur additional bonds, credit agreements and short-term obligations (including commercial paper notes, direct lending obligations or tax and revenue anticipation notes). The Department may also enter into toll equity loan agreements, pass-through toll agreement obligations, CDAs and other obligations that are payable from the Fund, all of which constitute Subordinate Obligations. Some of these long-term obligations and commitments are described below.

Neither the Commission nor the Department has adopted any policy limiting the ability to enter into toll equity or other agreements payable from the Fund.

Central Texas Turnpike System

The Commission has a toll equity commitment with the Central Texas Turnpike System (the “CTTS”), subject to the appropriation of available funds, to pay operation and maintenance expenses, current capital expenditures and certain unusual or extraordinary maintenance costs as determined by the Commission (“CTTS Reserve Maintenance”), all of which constitute Subordinate Obligations to the extent the CTTS toll revenues are not sufficient to pay such expenses. However,

the Commission does not currently anticipate making unreimbursed payments pursuant to such commitment for any CTTS operation and maintenance expenses or CTTS Reserve Maintenance from the Fund.

SH 249 System

The Commission has covenanted in connection with the State Highway 249 System, which currently consists of an approximately 15-mile tolled highway segment currently being constructed as a northerly extension of the existing State Highway 249 and known as Segment 1 (“SH 249”), subject to the appropriation of available funds, (i) to pay the costs necessary to complete SH 249 if the initial obligations (the “Initial SH 249 Obligations”) issued in the aggregate principal amount of \$249,251,954.40 and other funds made available are not sufficient, (ii) while the Initial SH 249 Obligations remain outstanding, to pay operating and maintenance expenses of SH 249 to the extent of any deficiency in revenues to pay such costs, and (iii) while the Initial SH 249 Obligations remain outstanding, to maintain the required balance in the major maintenance account established for SH 249 to the extent such balance is insufficient to pay the required expenditures. To the extent SH 249 toll revenues are not sufficient to pay such costs and expenses, the SH 249 commitments of the Commission described in clauses (i), (ii) and (iii) of the immediately preceding sentence may be funded from any legally available source, but are currently expected to be funded from the Fund, and if so paid from the Fund, will constitute Subordinate Obligations. The Commission does not currently anticipate having to pay any costs to complete SH 249, which is currently under construction, or having to make any deposits to the major maintenance account; however, the Commission will be obligated to pay the initial operating and maintenance expenses of SH 249, commencing upon completion of SH 249 and ending at such time that a reserve fund has achieved a certain balance (to be funded from the net toll revenues of SH 249). The Commission’s funding obligation with respect to such initial operating and maintenance expenses is expected to commence in Fiscal Year 2021 and end in Fiscal Year 2025, at a total estimated cost of approximately \$10.8 million for such period, which is subject to change.

Austin Campus Consolidation Project

The Commission has authorized the Department to request and obtain financing from the Texas Public Finance Authority (“TPFA”) for the purpose of constructing and equipping the Austin Campus Consolidation Project (the “Campus Project”) on land owned or to be owned by the Department in Austin, Texas for such purpose. The Campus Project is anticipated to include the construction of multiple buildings and structures to support the relocation of over 2,000 Department employees and contractors. TPFA is authorized to issue revenue bonds or other obligations on behalf of the Department in an amount not to exceed \$326 million for the purpose of constructing and equipping the Campus Project. The State Legislature has appropriated \$4.2 million in Fiscal Year 2020 and \$19.6 million in Fiscal Year 2021 from the State Highway Fund to be used by the Department to make lease payments to TPFA for debt service payments on the revenue bonds or other obligations issued by TPFA to construct the Campus Project. No assurances can be provided that TPFA will issue any such obligations for the Campus Project or that the Campus Project will eventually be constructed.

I-35 Capital Express Project

On February 27, 2020, the Commission announced plans to fund the I-35 Capital Express Project, which will consist of improvements to approximately 27.4 miles of Interstate Highway 35 stretching from SH 45 North to SH 45 Southeast at a total estimated cost of approximately \$7.5 billion. Of such amount, approximately \$4.3 billion may be funded from Proposition 1 and Proposition 7 funds and certain other funds available in the State Highway Fund; however, the sources of funding for the project are subject to change and are subject to further actions and approvals of the Commission and other governmental entities. Further, no assurances can be provided that the project will eventually be constructed.

Toll Equity Obligations

The Department is authorized to spend money from any available source, including the Fund, for the construction, maintenance, and operation of toll facilities. Under Texas Transportation Code, Section 222.103, as amended (“Section 222.103”), and pursuant to the terms and conditions established by the Commission, the Department may participate in the acquisition, construction, maintenance, or operation of a toll facility with a public or private entity authorized by State law to construct or maintain a toll facility. Prior to its amendment by Senate Bill 312 (“SB 312”), which was signed into law by the Governor on June 9, 2017, Section 222.103 required the Commission to recoup any money spent by the Department for the cost of a toll facility owned by a private entity, but provided the Commission with the option of requiring repayment of any money spent by the Department for the cost of a publicly owned toll facility. Thus, moneys provided by the Department under Section 222.103 (prior to its amendment by SB 312) may have been in the form of loans (to either public or private entities) or grants (to public entities only). SB 312 amended Section 222.103 and added Texas Transportation Code, Section

372.002 to provide that any contributions provided by the Department on or after September 1, 2017 as participation in the cost of a toll project must be repaid; provided, however, toll project entities (including regional tollway authorities, regional mobility authorities and certain counties) are not required to repay funds contributed by the Department for a toll project from a subaccount created under Transportation Code, Section 228.012, or if a toll project entity commenced the environmental review process for the project on or before January 1, 2014.

Transportation Code Section 222.103 limits the amount of money that the Department may grant each Fiscal Year to no more than the amount that, together with amounts granted for the preceding four Fiscal Years, results in an average annual expenditure of \$2 billion. Toll equity loans under Section 222.103 are not included in the calculation of the limitation. The Commission anticipates entering into additional toll equity agreements in the future, and it is currently anticipated that all toll equity obligations will be funded from the Fund. All toll equity obligations are subject to the appropriation of lawfully available funds to make such payments; and such payments are subordinate to (i) Senior Obligations, which have a prior lien on and pledge of the revenues deposited into the State Highway Fund, (ii) obligations issued or incurred pursuant to Section 201.115, Texas Transportation Code, and (iii) HTRANS.

As of August 31, 2019, the Commission had outstanding toll equity grant commitments and toll equity loan commitments payable from the Fund totaling approximately \$173.4 million and \$9.4 billion, respectively. The outstanding amount for toll equity loan commitments relates solely to the Amended and Restated Toll Equity Loan Agreement dated as of May 16, 2018 (the “TELA”), between the Grand Parkway Transportation Corporation (the “Corporation”) and the Department. As of the date of this Official Statement, the Department has no outstanding toll equity loan commitments other than the TELA with the Corporation. As described above, the Department may enter into additional toll equity loan agreements in the future, and neither the Commission nor the Department have adopted any policy limiting the ability to enter into toll equity or other agreements payable from the Fund.

The TELA with the Corporation, which was originally approved by the Commission on September 27, 2012 (and was amended and restated in 2018) authorizes an original maximum aggregate principal loan amount of approximately \$9.6 billion (with an outstanding commitment of approximately \$9.4 billion as of August 31, 2019), payable as advances made from time to time on the terms and conditions set forth in the TELA. Pursuant to the terms of the TELA, the Department has committed to provide funds to the Corporation to pay for certain costs relating to the development, construction, operation, maintenance and financing of certain segments (or portions thereof) of the Grand Parkway System, and a negotiated maximum amount each year (referred to therein as the “Maximum Available Annual Amount”) should revenues of the Grand Parkway System and certain fund balances under the Corporation’s Trust Agreement be insufficient to cover debt service on the Corporation’s outstanding bonds and certain operating and maintenance expenses of the Grand Parkway System, subject to the provisions of the TELA.

The total outstanding commitment under the TELA is reduced on each September 1 by the Maximum Available Annual Amount for the prior Fiscal Year. Further, if the principal amount of advances under the TELA made in a given Fiscal Year is less than the Maximum Available Annual Amount for such Fiscal Year (or if no advances have been made in such Fiscal Year), the difference will not be carried forward and may not be applied to increase the amount available to be advanced in any future Fiscal Year. Under the current terms of the TELA, the Maximum Available Annual Amount in any given Fiscal Year ranges between a minimum of approximately \$118,668,000 for Fiscal Year 2020 and a maximum of approximately \$557,253,000 for Fiscal Year 2052. The undisbursed amount of the total commitment under the TELA will be available for advances to the Corporation until the earlier of (i) the final maturity date of the Corporation’s outstanding bonds that benefit from the TELA, including any bonds issued to redeem or defease such bonds, and (ii) the date of the defeasance or refunding in whole of such debt, the effect of which is to terminate the TELA. The final maturity date of the Corporation’s outstanding bonds benefitted by the TELA is currently scheduled to occur during Fiscal Year 2053.

Debt service on the Corporation’s outstanding bonds that benefit from the TELA has been structured so that in each year through final maturity total debt service plus certain estimated operating expenses do not exceed the Maximum Available Annual Amount for that year, as further provided in the TELA. Notwithstanding the foregoing, there are no assurances that the Maximum Available Annual Amount of the TELA will be sufficient to cover all operating expenses that are supported by the TELA and actually incurred in any particular year. The TELA may be amended in accordance with its terms and the terms of the Corporation’s Trust Agreement. As of the date of this Official Statement, no drawdowns of funding have been requested by the Corporation under the TELA.

The disbursements by the Department pursuant to any toll equity loan agreement (including the TELA) will be subject to appropriation by the State Legislature and such payments are subordinate to (i) Senior Obligations, which have a prior lien on revenues deposited into the Fund, (ii) obligations issued or incurred pursuant to Section 201.115, Texas

Transportation Code, and (iii) HTRANS. The Department's payments of amounts due under the TELA are pari passu with the Department's obligations in respect of pass-through toll agreements, other toll equity loan agreements (if any), payments made for delivery of CDA projects and other obligations of the Fund.

Pursuant to current State law, the Department is obligated: (i) to develop and publish on the Department's internet website a forecast of all funds the Department expects to receive, including funds from the State and the federal government, and use that forecast to guide planning for the UTP, and (ii) not later than September 1 of each year, to prepare and publish on the Department's internet website a cash flow forecast for a period of 20 years. The Department also periodically prepares and publishes on its internet website other cash flow forecasts covering various periods of time, which include an estimate of State Highway Fund revenues and expenditures to be received and incurred, respectively, by the Department. Such forecasts of State Highway Fund revenues and expenditures that have been prepared by the Department are referred to herein collectively as the "SHF Forecasts." Information from the SHF Forecasts is contained in certain offering documents relating to bonds and other obligations of the Commission, the Corporation and other entities (which offering documents have been filed with the MSRB pursuant to its EMMA system), specifically, in a table entitled "Analysis of Impact of Toll Equity Obligations on the State Highway Fund." **None of the SHF Forecasts or any such offering documents or tables in which information from the SHF Forecasts has been included is incorporated into or made part of this Official Statement.** The SHF Forecasts were prepared prior to, and therefore do not include any impact from, the COVID-19 pandemic and the measures instituted to control the pandemic. See "INVESTMENT CONSIDERATIONS – Impact of COVID-19."

Pass-Through Financing Agreements

Section 222.104 of the Texas Transportation Code, as amended ("Section 222.104"), provides for the payment of a "Pass-Through Toll," a per vehicle fee or per vehicle mile fee determined by the number of vehicles using a highway, for specific purposes. First, pursuant to Section 222.104 and subject to Commission rules, the Department may enter into an agreement with a public or private entity that provides for the payment of Pass-Through Tolls ("Pass-Through Financing") to reimburse a public or private entity for expenditures made by the public or private entity for the design, development, construction, maintenance or operation of a toll or non-toll facility on the State highway system. Second, the Department may enter into an agreement with a private entity that provides for the payment of Pass-Through Tolls by the private entity to the Department as reimbursement for the Department expenditures for the design, development, construction, maintenance or operation of a toll or non-toll facility on the State highway system. The Department may use any available funds, including money on deposit within the State Highway Fund, for the purpose of making a Pass-Through Toll payment. It is currently anticipated that all Pass-Through Toll commitments will be paid from the State Highway Fund. As of August 31, 2019, the Department had approximately 29 active Pass-Through Financings with terms ranging from four to 20 years and total pass-through reimbursements owed of approximately \$1.0 billion with aggregate annual reimbursements of no greater than \$170 million.

The Department's pecuniary obligations under Pass-Through Financings do not provide for the payment of, or obligate the Department to pay, amounts sufficient to pay debt service on bonds or other public securities secured by such payments and, such payments are subordinate to (i) Senior Obligations, which have a prior lien on State Highway Fund revenues, (ii) obligations issued or incurred pursuant to Section 201.115, Texas Transportation Code, and (iii) HTRANS. The amount of payments owed by the Department under Pass-Through Financings will be determined by the terms and conditions of the relevant agreement, without regard to the actual debt service payable in respect of any bonds issued by the governmental entity receiving the payments. The Department's obligation to pay amounts owed under the terms of Pass-Through Financings are currently payable from the State Highway Fund and are subject to appropriation by the State Legislature of sufficient funds to discharge the obligations of the Department.

Sequestration Effects on the State Highway Fund

Pursuant to the requirements of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended by the Bipartisan Budget Act of 2013 (the "Budget Act"), certain automatic, annual reductions in federal spending (the "Sequester Cuts") took effect as of March 1, 2013. The Sequester Cuts affected the subsidy payments to be made by the federal government to issuers of "direct-pay" tax credit bonds, such as BABs, including the Series 2010 Bonds. As a result of the Sequester Cuts, the BAB Subsidy Payments received by the Commission in Fiscal Years 2014 through 2019 for the Series 2010 Bonds were reduced in amounts ranging between \$1,729,864 and \$2,148,815. The BAB Subsidy Payment in respect of the October 1, 2019 debt service payment and the April 1, 2020 debt service payment on the Series 2010 Bonds was reduced by approximately \$837,903 and \$797,359, respectively. A 5.9% reduction in BAB Subsidy Payments has been announced by the federal government for the federal fiscal year ending September 30, 2020, and will apply to the BAB Subsidy Payments to be received by the Commission in respect of the October 1, 2020 debt service payment on the Series

2010 Bonds. If the Sequester Cuts continue, the Commission will be required to expend additional Pledged Revenues or other sources of funds in order to pay debt service on the Series 2010 Bonds resulting from a reduction in BAB Subsidy Payments.

As a result of the Sequester Cuts for Fiscal Year 2019, the Department also experienced a reduction of approximately \$3.6 million in funding from the National Highway Performance Program, which is administered by the FHWA for highway projects that are located on the National Highway System. In addition, emergency relief funds authorized from the Highway Trust Fund for certain disaster events are also subject to the Sequester Cuts. The Sequester Cuts were originally set to expire in 2021. However, on August 2, 2019, the Budget Act was amended by Congress to, among other things, extend the planned Sequester Cuts to September 30, 2029. The debt service projections contained in Table 1 in this Official Statement reflect actual and anticipated reductions in BAB Subsidy Payments. There can be no assurances as to whether the Sequester Cuts will remain in effect and cause a reduction in receipts of federal funds or BAB Subsidy Payments for any future year. See “TABLE 1 – DEBT SERVICE COVERAGE REQUIREMENTS AND PROJECTED COVERAGE.”

THE COMMISSION AND THE DEPARTMENT

The Commission

The Commission is the policy-making body governing the Department and is composed of five commissioners appointed by the Governor with the advice and consent of the Texas Senate. Commissioners serve staggered six-year terms. One member is designated by the Governor as the Chair and serves as the presiding officer of the Commission. A person is not eligible to be a member of the Commission if the person or the person’s spouse is employed by or manages a business that is regulated by or receives funds from the Department; directly or indirectly owns or controls more than a 10% interest in a business that is regulated by or receives funds from the Department; uses or receives a substantial amount of goods, services, or funds from the Department; or is registered, certified, or licensed by the Department.

The State Legislature created the “State Highway Commission” on April 4, 1917, for the purpose of adopting and implementing a comprehensive system of State highways and promoting the construction of a State highway system by cooperation with counties or independently by the State Highway Commission. In 1975, the State Legislature changed the name of the State Highway Commission to the “State Highway and Public Transportation Commission.” In 1991, the State Legislature changed the name again to the “Texas Transportation Commission,” as it remains today.

The current members of the Commission are listed below. Their terms end on the dates specified on page ii of this Official Statement.

J. Bruce Bugg, Jr., Chairman

Mr. Bugg was appointed to the Commission by Governor Abbott on February 13, 2015. Mr. Bugg is chairman and trustee of The Tobin Endowment, a private charitable foundation, in San Antonio, Texas and chairman and co-founder of the Bexar County Performing Arts Center Foundation, owner of the \$205 million Tobin Center for the Performing Arts in San Antonio. Mr. Bugg currently serves as a member of the board of directors of the San Antonio Chamber of Commerce, the board of trustees of the Texas Biomedical Research Institute and board of trustees of St. Mary’s Hall, a private school in San Antonio, Texas, and chairman of the Endowment Investment Committee and a member of the board of directors of The Santa Fe Opera in Santa Fe, New Mexico. He is former chairman of the board of Governors of Cancer Therapy & Research Center, former officer and trustee of the Texas Research and Technology Foundation, and a trustee emeritus of the board of Trustees of the McNay Art Museum. Mr. Bugg is also chairman, president and chief executive officer of Southwest Bancshares, Inc., a Texas bank holding company for The Bank of San Antonio, and chairman of The Bank of San Antonio; and chairman, president and chief executive officer of Texas Hill Country Bancshares, Inc., a Texas bank holding company for Texas Hill Country Bank. In addition, Mr. Bugg also serves as chairman of San Antonio Capital & Trust Co., L.L.C. and chairman and chief executive officer of Argyle Investment Co., L.L.C., a private investment firm. Mr. Bugg was appointed to serve as chairman and president of the Texas Economic Development Corporation and a senior advisor to Governor Perry on the State of Texas’ economic development strategies and initiatives from 2012 to May, 2014. Prior to this appointment, Mr. Bugg was appointed to serve as the Governor’s appointee on the board of directors of Humanities Texas in Austin, Texas. Mr. Bugg is a member of the State Bar of Texas and holds Juris Doctorate and Bachelor of Business Administration degrees from Southern Methodist University.

Alvin New, Commissioner

Mr. New was appointed to the Commission by Governor Abbott on February 20, 2018. Mr. New is a business investor, rancher and former Mayor of the City of San Angelo, Texas. He is a life-long resident of West Texas and was born in Brownfield, Texas. Mr. New has lived mostly in or near San Angelo since 1981. Mr. New spent most of his career with Town & Country Food Stores. He started as a clerk while getting his business administration degree from Angelo State University. Mr. New worked his way up to chief executive officer and part owner. He and his partners sold their stake in the convenience store chain about a decade ago. Mr. New currently serves as a member of the Texas Tech University Foundation Board and the Goodfellow Air Force Base Advisory Council. Mr. New earned his bachelor's degree in business administration in management from Angelo State University.

Laura Ryan, Commissioner

Ms. Ryan was initially appointed to the Commission by Governor Abbott in July of 2016 and was reappointed to the Commission by Governor Abbott in March of 2017. Ms. Ryan is vice president of market representation and dealer development for Gulf States Toyota, Inc. She previously served as a member of the TxDMV Board and was also designated by the Governor as chair of the TxDMV Board. During her tenure as chair of the TxDMV Board, Ms. Ryan initiated many processes to make the TxDMV more innovative, customer-oriented, and efficient. Ms. Ryan has held various executive level positions during her twenty-plus years in the automotive industry, including both manufacture and retail operations. Ms. Ryan is involved with her community through several volunteer and charity organizations such as Boys and Girls Country, Operation Interdependence, and National Charity League. Ms. Ryan attended Penn State University and has been engaged in the following continuous executive education programs: Gallup Organization Strengths Training, University of Texas Future Leaders, and Columbia University - Finance.

Victor Vandergriff, Commissioner⁽¹⁾

Mr. Vandergriff was appointed to the Commission by Governor Perry in March of 2013. Mr. Vandergriff is an attorney and private businessman specializing in business development and legislative issues. From 2009 to 2013, Mr. Vandergriff served as the chairman of the TxDMV Board. He was also a board member for the North Texas Tollway Authority from 2007 to 2013 and served as chairman from 2010 to 2011. He formerly served as Vice President of V.T., Inc. and Automotive Investment Group, the largest private retail automotive group in the United States. He was involved as an owner, dealer and executive manager in the automobile industry for more than 25 years. Mr. Vandergriff and his family have owned and operated automobile dealerships for more than 80 years in the Dallas-Fort Worth region. Mr. Vandergriff attended The University of Southern California, where he received a degree from the School of Public Administration in Public Affairs. He received his law degree from Southern Methodist University in Dallas.

Robert C. Vaughn, Commissioner

Mr. Vaughn was appointed to the Commission by Governor Abbott on August 12, 2019. Mr. Vaughn is the owner of Vaughn Capital Partners LLC and Vaughn Petroleum Ltd. He has served as chair of the TexNet Technical Advisory Committee. He is a member of the University of Texas System Chancellor's Council Executive Committee and the University of Texas at Austin McDonald Observatory and Department of Astronomy Board of Visitors. He is a life member of the University of Texas at Austin Development Board and serves on the Longhorn Foundation Advisory Council. Mr. Vaughn serves on a variety of nonprofit boards, including the Culver Educational Foundation and Perot Museum of Nature and Science, and as a trustee for The First Tee. He holds a Bachelor of Business Administration from the University of Texas at Austin.

The Department

The Department is a public authority and body politic and corporate created in 1917 as the "Texas Highway Department" by an act of the State Legislature to administer federal funds for highway construction and maintenance. In 1975, the State Legislature merged the Texas Highway Department with the "Texas Mass Transportation Commission" to form the "State Department of Highways and Public Transportation," and in 1991, the State Legislature combined the State Department of Highways and Public Transportation, the Department of Aviation, and the Texas Motor Vehicle Commission

⁽¹⁾ Mr. Vandergriff resigned as Commissioner on February 9, 2018. Pursuant to State law, Mr. Vandergriff continues to perform the duties of Commissioner until the earlier of (i) the date such Commissioner's successor shall be duly appointed and qualified or (ii) the last day of the first regular session of the State Legislature that begins after the expiration of such Commissioner's term (which date is May 31, 2021).

to create the Department. In 2009, the State Legislature created the Department of Motor Vehicles as a separate State agency, and moved vehicle title and registration; motor carrier registration and enforcement; licensing of motor vehicle dealers, manufacturers, distributors, and other similar entities; and auto theft reduction efforts from the Department to the Department of Motor Vehicles.

The mission of the Department is “Connecting You With Texas.” The Department’s core goals and objectives are: to implement effective planning and forecasting processes that deliver the right projects on time and on budget; to focus on the customer because people are at the center of everything the Department does; to foster stewardship by ensuring efficient use of State resources; to optimize system performance by developing and operating an integrated transportation system that provides reliable and accessible mobility and enables economic growth; to preserve its assets by delivering preventative maintenance for the Department’s system and capital assets to protect its investments; to champion a culture of safety; and to value its employees by respecting and caring for their well-being and development.

The Department is headquartered in Austin, Texas, with 34 divisions and 25 district offices located throughout the State. Each district is responsible for the planning, design, construction, operation and maintenance of its area’s transportation systems. The Department is managed by an Executive Director, subject to and under the direction of the Commission. The Executive Director and other key Department personnel are listed below.

James M. Bass, Executive Director

Effective January 1, 2016, James M. Bass was appointed Executive Director by the Commission on December 17, 2015. Under the direction of the Commission, Mr. Bass manages, directs and implements Department policies, programs and operating strategies. Mr. Bass also represents the Department before the State Legislature and other entities. Prior to his appointment as Executive Director, Mr. Bass served as the Department’s Chief Financial Officer. Mr. Bass began his career with the Department in 1985 in the Fort Worth District where he maintained records and audited field measurements. He also worked part-time as an engineering aide for the Austin District while earning his bachelor’s degree in accounting from The University of Texas at Austin. After graduation in 1991, Mr. Bass served as an accounting clerk in the Department’s financial planning operations division (the “Finance Division”). In 1997, Mr. Bass became a manager in the Budget and Forecasting Branch, and in that position was responsible for preparation of the Department’s Legislative Appropriations Request and Operating Budget, and working with the Texas Legislative Budget Board, State Auditor’s Office, and the Comptroller of Public Accounts of the State. He also worked on the Department’s Cash Forecasting System for the State Highway Fund. Mr. Bass was named Finance Division Director in 1999 and his title was changed to Chief Financial Officer in 2005. Mr. Bass also served as Interim Executive Director of the Department from January 17, 2014 to April 23, 2014.

Marc D. Williams, P.E., Deputy Executive Director

As Deputy Executive Director, Mr. Williams is responsible for assisting the Executive Director in all phases of directing, managing, and implementing the Department’s policies, programs, and operating strategies. He assists in oversight of the management and operation of all transportation systems for which the agency is responsible to ensure that systems are adequate, safe, and constructed and maintained for the traveling public in the most cost-effective manner. Mr. Williams started with the Department in February 2012 as the Director of Planning within the Department’s Planning and Projects Office. His career experience in transportation planning and program efforts includes public and private-sector organizations involving state, county and local jurisdictions. Mr. Williams has served in leadership positions with two state departments of transportation as well as worked with national private-sector transportation engineering organizations. His professional assignments have included directing statewide transportation planning and programming efforts as well as managing project specific highway and multimodal transportation plans and programs. Mr. Williams has worked extensively with public and agency outreach, transportation plans of various modes, regional and corridor-level plans and programs, environmental planning and approval, economics and finance, project design and development, along with work in the areas of construction management, operations and maintenance. Mr. Williams received both a Master’s degree in Civil Engineering and a Bachelor’s degree in Civil Engineering from Texas A&M University.

Brian D. Ragland, CPA, Chief Financial Officer

Mr. Ragland was selected as the Department’s Chief Financial Officer on March 11, 2016. Mr. Ragland has financial oversight responsibility for the Department including the Department’s Financial Management Division; Project Finance, Debt and Strategic Contracts Division; and Toll Operations Division. Mr. Ragland began his career with The University of Texas System Administration as an accountant/auditor in their Oil and Gas department and then became the Financial Manager of their Employee Group Insurance section where he served until 1996. He then became Chief Financial Officer

for the State Preservation Board where he oversaw all financial, human resources, enterprise, and information resource functions of that agency. Mr. Ragland began his career with the Department as the Director of the Department's Claims Management Section of the Financial Management Division in 2003. He left the Department in 2005 to pursue an opportunity as Senior Vice President and Chief Financial Officer of Walden Affordable Group, LLC, an affordable housing management firm but returned to the Department in 2008 as the Director of the Financial Management Division. Mr. Ragland served as an elected trustee of the Employees Retirement System of Texas from September 1, 2011 until August 31, 2017. Mr. Ragland received a bachelor's degree in Accounting from The University of Texas at Austin in 1990 and a Masters of Business Administration degree from Southwest Texas State University in 1999. He is a licensed Certified Public Accountant and a member of the American Institute of CPAs (AICPA), the Texas State Agency Business Administrators Association (TSABAA) and the State Agency Coordinating Council (SACC).

Benjamin H. Asher, Director, Project Finance, Debt and Strategic Contracts Division

As director of the Project Finance, Debt and Strategic Contracts Division, Mr. Asher is responsible for the management of the Department's project financing, debt management and strategic contracts programs. This includes the management of the Department's various debt and financial assistance programs, including TIFIA loan activity, the State Infrastructure Bank, toll equity, and pass-through financings, as well as several aspects of the Department's alternative delivery programs, including procurement and contract processes. Mr. Asher and his team partner with the Department districts and State and local entities to finance and deliver major transportation projects throughout the State. Prior to joining the Department in June 2012, Mr. Asher worked for Public Resources Advisory Group, an independent financial advisory firm, most recently as a partner and senior managing director in New York. Previously, Mr. Asher worked in investment banking on a broad range of financings. Mr. Asher received his Bachelor of Arts in history from Columbia University and an M.B.A. in finance from Columbia University Graduate School of Business.

Stephen Stewart, CPA, Director, Financial Management Division

As the Department's Director of the Financial Management Division, Mr. Stewart is responsible for the management and control of budget, revenue, disbursements, and accounting for the Department as well as letting management of all transportation projects. Mr. Stewart has over 16 years of state governmental experience and has been involved with many key initiatives since he began with the Department in March of 2012. Mr. Stewart has held previous roles as Manager of Financial Reporting and Director of Accounting positions within the Financial Management Division. Within each of those roles, he has worked to collaborate with other districts, divisions, and other State agencies to produce required audited financial statements and statutory reports needed for the Department as well as assisting with the implementation of the PeopleSoft Financial Supply Chain Management (FSCM) system. Prior to joining the Department, Mr. Stewart worked for the Comptroller of Public Accounts of the State of Texas assisting in the production of the State's Comprehensive Annual Financial Report where he gained insight and experience working with various agencies across the State. Aside from governmental accounting, Mr. Stewart has also gained business and management experience from owning his own CPA firm which focused on bookkeeping and tax services. Prior to his accounting experiences, Mr. Stewart worked at Texas State University in the information technology division as a network administrator and systems programmer where he was responsible for administration of Active Directory domains consisting of over 70,000 users and various SAP, e-mail, and database servers. Mr. Stewart received a Bachelor's degree in Computer Science from Southwest Texas State University in 2003 and a Master's degree in Accounting from Texas State University in 2007. He is a licensed Certified Public Accountant and a member of the American Institute of CPAs (AICPA).

Jeff Graham, General Counsel

Mr. Graham assumed the position of General Counsel on July 16, 2012. Under his direction, the General Counsel Division renders legal advice to the Commission and the Department. He also drafts Department rules, reviews legislation, and serves as counsel at Commission meetings. Previously, Mr. Graham served as Division Chief for the Financial and Taxation Litigation Division, under Texas Attorney General Greg Abbott. Prior to that, he served as the Division Chief for the Financial Litigation Division of the Office of Attorney General. In 2011, the Taxation Division and the Texas Workforce Commission Section were added to the Financial Litigation Division, resulting in the combined Financial and Taxation Litigation Division. In 2012, the Charitable Trust Section was also added to his portfolio. Jeff began his career at the Office of the Attorney General in 1997, and has lived in Austin since 1986. He is a graduate of Washington University School of Law in St. Louis, Missouri and The University of Texas at Austin.

Sunset Review

The Texas Sunset Act (Chapter 325, Texas Government Code) (the “Sunset Act”) provides that virtually all agencies of the State, including the Department, are subject to periodic review by the State Legislature, and that each agency subject to sunset review will be abolished unless the State Legislature specifically determines to continue its existence. The Department will be subject to its next sunset review in 2029. Pursuant to the Sunset Act, the State Legislature specifically recognizes the State’s continuing obligation to pay bonded indebtedness and all other obligations incurred by the Department. Accordingly, in the event that a sunset review results in the Department being abolished, the Governor would be required by law to designate an appropriate state agency that would continue to carry out all covenants contained in the Department’s bonded indebtedness (and in all other obligations) and the performance of all other obligations to complete the construction of projects or the performance of other obligations of the Department, including lease, contract and other written obligations. The designated State agency would provide payment from the sources of payment of the Department’s bonded indebtedness in accordance with the terms thereof and would provide payment from the sources of payment of all other obligations in accordance with their terms, until the principal of and interest on such bonded indebtedness are paid in full and all other obligations, including lease, contract and other written obligations, are performed and paid in full.

State Audits

General. The State Auditor’s Office (“SAO”) is the independent auditor for Texas state government. The SAO operates with oversight from the Legislative Audit Committee, a six-member permanent standing committee of the State Legislature, jointly chaired by the Lieutenant Governor and the Speaker of the House of Representatives.

The SAO is authorized, by Chapter 321, Texas Government Code, to perform financial audits, compliance audits, investigations and other special audits of any entity receiving State funds, including State agencies and higher education institutions. Audits are performed in accordance with generally accepted government auditing standards, which include standards issued by the American Institute of Certified Public Accountants, Governmental Accounting Standards Board, United States General Accounting Office or other professionally recognized entities that prescribe auditing standards.

Department Financial Statements. The Department’s comprehensive annual financial report for the fiscal year ending August 31, 2019 was audited by Crowe LLP and is attached to this Official Statement as APPENDIX B. Crowe LLP has not been engaged to perform, and has not performed, any procedures on such financial statements since the date of its report included thereon. Crowe LLP also has not performed any procedures relating to this Official Statement. The Department is currently not required to commission an annual audit of its financial statements, however, the Department could elect or be required to have audited financial reports prepared in the future. Under current State law, the State Auditor’s Office has the first right to perform audits requested by the Department and if it declines, the Department can select an external auditor. No assurances can be given as to whether any such financial reports of the Department will be audited in the future.

Retirement Benefits of the Department

Retirement Plan. The Department participates in joint contributory retirement plans of the State (collectively the “Plan”) administered by the Employees Retirement System of Texas (“ERS”), which is operated by the State and which covers State employees and elected officials, law enforcement and custodial officers, and judges. As of August 31, 2019, ERS had 141,865 active contributing members, 15,425 inactive vested members, 110,510 inactive non-vested members and 115,155 annuitants. The Department currently employs over 12,000 employees and, for Fiscal Year 2020, approximately \$59 million has been budgeted from the Fund to ERS for retirement benefits for certain Department employees. The Department makes monthly payments to ERS for virtually all of its employees. ERS does not account for each State Agency separately.

On an actuarial basis as of August 31, 2019, which is the date of the most recent actuarial valuation, the Plan’s actuarial accrued liability was \$39,801,358,678. As of such date, the Plan had an actuarial value of assets of \$28,060,120,223, leaving an unfunded actuarial accrued liability of \$11,741,238,455 (the Plan’s “unfunded actuarial liability”). Accordingly, ERS’s funded ratio as of August 31, 2019 was 70.5%, meaning that the ERS could pay, as of such date, 70.5% of the retirement benefits its members have earned based on the service they have already earned and actuarial projections about when they will retire and how long they will live in retirement. As of August 31, 2019, the market value of ERS assets (i.e., net assets of ERS available for benefits) was \$708,896,066 less than the actuarial value.

Contributions to ERS are made by both the State and covered employees. The State Constitution mandates a State contribution rate of not less than 6% or more than 10% of payroll for the ERS; member contributions may not be less than 6% of payroll. The State Legislature, however, may appropriate additional funds as are actuarially determined to be needed to fund benefits authorized by law. For the fiscal year beginning September 1, 2019, the State Legislature set the State's contribution rate to ERS at 9.5% of payroll. The member contribution rate to ERS from fiscal year 2017 to 2019 is 9.5%.

The ERS is prohibited by statute from implementing any benefit improvements that increase the actuarial cost of the ERS Plan if the period required to amortize the unfunded actuarial liability of the Plan exceeds 31 years. Pursuant to the actuarial valuation of the Plan dated as of August 31, 2019, the total contribution rate for the current Fiscal Year exceeds the normal cost by 5.74% of payroll, which, on both an actuarial and market value of assets basis, is not expected to be sufficient to amortize the unfunded liability over a finite period of time. Based on current expectations and assumptions, ERS is expected to remain solvent until the year 2075, after which the funding would revert to a pay-as-you-go status. When and if ERS reverts to a pay-as-you-go status, the required State legislative appropriation for ERS is currently expected to quadruple (i.e., increase by 4 times), and remain at that level, in order to ensure all retirees continue to receive their promised benefit.

During the 83rd regular legislative session, the State Legislature passed Senate Bill 1459 ("SB 1459") which was signed into law on June 14, 2013 and contained a number of changes intended to improve the Plan's financial position to ensure the future soundness of the Plan. SB 1459 increased the member contribution rate for all state employees, increased the years of service required to receive full coverage of the premium charged for the Texas Employees Group Benefits Program ("GBP" and further described below) for certain members, and requires all state agencies whose employees are members of ERS to make monthly contributions to the Plan equal to 0.5% of their payroll. For State employees or retirees who were hired after August 31, 2013, SB 1459 modified the retirement annuity calculation to lessen Plan costs and increased the minimum retirement age necessary to receive the maximum annuity.

During the 84th regular legislative session, the State Legislature passed House Bill 9 ("HB 9"), which was signed into law on June 9, 2015 and became effective September 1, 2015. HB 9 requires each department or agency of the State to deduct from each ERS member who is not a member of the State Legislature a contribution of 9.5% of the compensation for service rendered after August 31, 2015, and before September 1, 2017. For service rendered by an ERS member who is not a member of the State Legislature on or after September 1, 2017, the contribution rate is the lesser of: (1) 9.5% of such member's annual compensation; or (2) a percentage of the member's annual compensation equal to 9.5% reduced by 1/10 of 1% for each 1/10 of 1% that the State contribution rate for the fiscal year to which the service relates is less than the State contribution rate established for the 2017 fiscal year. Effective September 1, 2015, the contribution rate is 9.5% of the compensation if the ERS member is a member of the State Legislature.

Other Post-Employment Benefits. The Department provides other post-employment benefits through the GBP administered by the ERS (the "OPEB Plan"), which is operated by the State and which covers State employees, elected officials, law enforcement and custodial officers, and judges. The GBP provides self-funded group health (medical and prescription drug) benefits for eligible retirees. An eligible retiree who has retired from full-time employment does not contribute toward the cost of coverage for himself/herself, but he/she pays a portion of the cost if he/she covers an eligible spouse or dependent child. An eligible retiree who has retired from part-time employment contributes toward the cost of coverage for himself/herself, as well as paying a portion of the cost if he/she covers an eligible spouse or dependent child. The GBP also provides life insurance benefits to eligible retirees via a minimum premium funding arrangement.

As of August 31, 2019, the ERS OPEB Plan had 233,887 active members, 12,144 deferred vested members and 127,044 retirees and nominees. The Department currently employs over 12,000 employees and, for fiscal year 2019, approximately \$267 million has been budgeted from the Fund to GBP for insurance benefits for certain Department employees. The Department makes monthly payments to GBP for virtually all of its employees. GBP does not account for each State Agency separately.

On an actuarial basis as of August 31, 2019, the ERS OPEB Plan's unfunded actuarial accrued liability is approximately \$37,747.3 million. OPEBs are paid for as on a pay-as-you go basis and are subject to appropriation by the State Legislature.

Gubernatorial Budget Reduction Request

On May 20, 2020, Governor Greg Abbott, Lieutenant Governor Dan Patrick and Speaker of the House Dennis Bonnen issued a joint request (the "Request Letter") to all state agencies and higher education institutions and certain judicial agencies of the State (individually, a "State Agency" and, collectively, the "State Agencies"), requesting that each State

Agency submit a plan (“Savings Plan”) to the Legislative Budget Board by June 15, 2020, identifying savings that will reduce its general and general revenue related appropriations by five percent for the 2020-21 biennium. The Request Letter exempts, among other things, certain State programs and services and funding for debt service requirements and bond authorizations. Appropriations from the Fund are not general revenue appropriations and therefore this budgetary request does not apply directly to the Fund. The Department intends to prepare and submit its Savings Plan by the stated deadline in the Request Letter. With respect to the Department, the five percent requested reduction of its general and general revenue related appropriations equals approximately \$978,828 for the 2020-2021 biennium and does not impact appropriations from the Fund. Accordingly, the Department does not expect the Savings Plan and any budget reductions related thereto to adversely affect the Department’s operations or financial condition for the 2020-2021 biennium.

The Request Letter also requests State Agencies to engage in prudent fiscal management efforts and pursue cost saving strategies for the current biennium that will not affect the State’s response to COVID-19, such as foregoing any capital expenditures that can be deferred, any avoidable travel expenditures, any administrative expenses that are not mission crucial and keeping unfilled any open positions that are not essential to the COVID-19 response. The Request Letter also provides that in the coming weeks, the Legislative Budget Board and the Office of the Governor will issue instructions for the Legislative Appropriations Request that each State Agency will submit for the 2022-2023 biennium, and that while the exact final instructions are still being determined, every State Agency should prepare to submit reduced budget requests as well as strategies to achieve further savings, and that when the State revenue picture becomes clearer in the coming months, it may become necessary to make additional budget adjustments.

INVESTMENT CONSIDERATIONS

The Commission’s ability to pay principal of and interest on the Bonds depends upon numerous factors, many of which are not subject to the control of the Commission or the Department. Described below are certain factors that could materially adversely affect the ability of the Commission to pay debt service on the Bonds. This description does not purport to be either comprehensive or definitive. The order in which factors are presented is not intended to reflect either the likelihood that a particular event will occur or the relative significance of such an event. Moreover, there may be other factors or considerations associated with an investment in the Bonds in addition to those set forth herein.

Impact of COVID-19

The World Health Organization has declared a pandemic following the outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus (the “Pandemic”) which is currently affecting many parts of the world, including the United States and the State. On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States in connection with COVID-19. On March 13, 2020, the President of the United States declared the Pandemic a national emergency, and on that same day the Governor declared COVID-19 an imminent threat of disaster for all counties in the State, which disaster declaration was subsequently renewed by the Governor, most recently on June 3, 2020.

Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting State business or any order or rule of a state agency that would in any way prevent, hinder, or delay necessary action in coping with a disaster and issuing executive orders that have the force and effect of law. The Governor has issued a number of executive orders relating to COVID-19 preparedness and mitigation, such as minimizing social gatherings and in-person contact, and more recently, permitting the phased reopening of certain businesses and services in certain parts of the State, subject to future restrictions in the Governor’s discretion. Executive Order GA-26, which was issued on June 3, 2020 and remains in effect until amended, rescinded or superseded by the Governor, among other things, removed occupancy restrictions for certain designated businesses and increased occupancy limits to 50 percent for most other businesses in Texas, provided that many restaurants will be able to operate at up to 75 percent of occupancy beginning on June 12. Additionally, businesses otherwise subject to a 50 percent occupancy limit and located in a county meeting certain Department of State Health Services criteria will be able to operate at up to 75 percent of occupancy beginning on June 12. Many Texas local governments, including the most populous cities and counties within the State, have also issued shelter-in-place or stay-at-home orders, which are subject to certain exceptions for essential businesses, governmental services and critical infrastructure. Many of the federal, state and local actions and policies related to the Pandemic are focused on limiting instances where the public can congregate or interact with each other, which has adversely impacted commercial and economic activity within the State. Additional information regarding these events in the State is accessible on the website of the Governor at <https://gov.texas.gov/> and in the quarterly Bond Appendix, as supplemented, as prepared by the Comptroller. For information regarding how to access the quarterly Bond Appendix prepared by the Comptroller, see “GENERAL INFORMATION REGARDING THE STATE OF TEXAS.” Neither the

information on (or accessed through) such website of the Governor nor the Bond Appendix is incorporated by reference, either expressly or by implication, into this Official Statement.

The Pandemic has adversely affected travel, commerce and financial markets globally and has adversely impacted economic output worldwide and in the State. These effects have reduced, and are expected to slow the growth of, certain revenues deposited into or transferred to the Fund (which include Pledged Revenues and transfers to the Fund pursuant to Proposition 1 and Proposition 7), and may increase certain expenses of the Department payable from the Fund, to an extent that cannot currently be predicted, and could be material. Accordingly, the historical financial information and operating data set forth in this Official Statement for the dates as of and for the periods that occurred before the Pandemic and the measures instituted to control the Pandemic may not be indicative of future results or performance due to these and other factors.

The financial information presented in the following paragraphs regarding certain Pledged Revenues for Fiscal Years 2019 and 2020 (i) represents unaudited information that has not been prepared or reviewed by the State Auditor's Office or the Department's independent auditor and is subject to change, and (ii) includes information prepared on a cash basis, which is a different basis of accounting than the accounting bases that are utilized for the Department's comprehensive annual financial report for the Fiscal Year ended August 31, 2019 (the "2019 CAFR"). See "APPENDIX B – COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE TEXAS DEPARTMENT OF TRANSPORTATION FOR FISCAL YEAR ENDED AUGUST 31, 2019."

For the seven month period beginning September 1, 2019 and ending March 31, 2020, the total amount of Pledged Revenues deposited to the credit of the Fund, on a modified accrual basis, was approximately \$5.4 billion, which represents approximately 60% of the total amount of Pledged Revenues reported in the 2019 CAFR for the entire Fiscal Year 2019. The following paragraphs provide certain additional information regarding the amount of Pledged Revenues deposited to the credit of the Fund for a portion of Fiscal Year 2020.

State Motor Fuels Tax. The total amount of State motor fuels taxes (net of enforcement, administrative and refund charges) that constitute Pledged Revenues deposited to the credit of the Fund on a cash basis (the "MFT Deposit"), for the period beginning September 1, 2019 and ending through the date of the June 2020 deposit of such taxes, was approximately \$2.2 billion, which represents an approximate 2.7% decrease in the total MFT Deposit for the same period in Fiscal Year 2019.

State motor fuels taxes are typically deposited to the credit of the Fund by the Comptroller once per month. The MFT Deposit for the month of May 2020 was approximately 3.2% less than the MFT Deposit for the prior month (April 2020) and approximately 12.1% less than the MFT Deposit for the same month in the prior Fiscal Year (May 2019). The MFT Deposit for the month of June 2020 was approximately 22.3% less than the MFT Deposit for the prior month (May 2020) and approximately 30.3% less than the MFT Deposit for the same month in the prior Fiscal Year (June 2019). The MFT Deposit for the month of June 2020 primarily represents State motor fuels taxes generated in April 2020. The amount of State motor fuels taxes to be deposited to the credit of the Fund in future months may be negatively impacted by the Pandemic, the measures instituted to control the Pandemic and other factors, but it is not possible to predict the amount or duration of such impact, which could be material. See "THE STATE HIGHWAY FUND – Sources of Revenue in the Fund – State Motor Fuels Tax."

State Motor Vehicle Registration Fees. The total amount of State motor vehicle registration fees (net of collection charges and the portion of such fees that is reserved for counties within the State) that constitute Pledged Revenues deposited to the credit of the Fund on a cash basis (the "VRF Deposit"), for the nine month period beginning September 1, 2019 and ending May 30, 2020, was approximately \$1.05 billion, which represents an approximate 7.4% decrease in the VRF Deposit for the same period in Fiscal Year 2019. The VRF Deposit for the month of April 2020 was approximately 6.8% more than the VRF Deposit for the prior month (March 2020) and approximately 18.7% less than the VRF Deposit for the same month in the prior Fiscal Year (April 2019). The VRF Deposit for the month of May 2020 was approximately 45.6% less than the VRF Deposit for the prior month (April 2020) and approximately 49.0% less than the VRF Deposit for the same month in the prior Fiscal Year (May 2019). Motor vehicle registration fees are received by the Comptroller and deposited to the credit of the Fund on a daily basis. The amount of motor vehicle registration fees that are deposited to the credit of the Fund may vary significantly from month to month for various reasons, such as due to delays in receipt of such fees by the Comptroller from the various collection points, and reductions experienced in the early months of a calendar year due to the reservation of a portion of such fees by counties within the State up to their statutory ceiling.

Beginning on March 16, 2020, the Governor granted a temporary waiver to obtain, among other things, initial vehicle registration and renewal of vehicle registration, for the purpose of preventing customers from having to physically visit a county tax assessor-collector office to obtain these services. This temporary waiver applies to vehicle owners in all Texas counties and is in effect until 60 days after the TxDMV notifies the public that normal vehicle registration and related services have resumed. As of the date of this Official Statement, the TxDMV has not yet notified the public that normal services have resumed. Customers may continue to renew their registration online and the TxDMV continues to fulfill online vehicle registration sticker requests and process all other online services. Some county tax offices have reopened, while others remain closed to the public but continue to process certain transactions, and beginning on May 26, 2020, certain regional service centers of the TxDMV reopened by appointment only. The net revenues generated from the State motor vehicle registration fees (net of collection charges and the portion of such fees that is reserved for counties within the State) constitute a portion of Pledged Revenues. The implementation and continuation of the temporary waiver described above is expected to defer the collection of such portion of Pledged Revenues to later months and may reduce the total amount of such portion of Pledged Revenues that are deposited to the credit of the Fund for the Fiscal Year ending August 31, 2020. See “THE STATE HIGHWAY FUND – Sources of Revenue in the Fund – State Motor Vehicle Registration Fees.”

Other State Revenue Sources. The total amount of other State revenue sources that constitute Pledged Revenues (as described in “THE STATE HIGHWAY FUND – Sources of Revenue in the Fund – Other State Revenue Sources”) deposited to the credit of the Fund for the seven month period beginning September 1, 2019 and ending March 31, 2020, on a modified accrual basis, was approximately \$193 million, which represents approximately 49.2% of the total amount of such other State revenue sources deposited to the credit of the Fund for the entire Fiscal Year 2019. Other State revenue sources include numerous separate and miscellaneous revenue sources that fluctuate from month to month (and from year to year) and in the aggregate, and may increase or decrease significantly from one month to the next (and from year to year). See “THE STATE HIGHWAY FUND – Sources of Revenue in the Fund – Other State Revenue Sources.”

Reimbursements from Federal Funds. The total amount of reimbursements from federal funds that constitute Pledged Revenues deposited to the credit of the Fund for the seven month period beginning September 1, 2019 and ending March 31, 2020, on a modified accrual basis, was approximately \$3.1 billion, which represents approximately 73.7% of the total amount of such reimbursements deposited to the credit of the Fund for the entire Fiscal Year 2019. Reimbursements from federal funds fluctuate from month to month (and from year to year) due to the amount of expenditures for major construction projects that are eligible for federal reimbursement and the timing of when such costs are incurred and when reimbursements are received. See “THE STATE HIGHWAY FUND – Sources of Revenue in the Fund – Federal Funds.”

The full impact of the Pandemic and the scope of any adverse impact on the Fund, revenues of the Fund (which include Pledged Revenues and transfers to the Fund pursuant to Proposition 1 and Proposition 7) and the Department cannot be fully determined at this time. Neither the Commission nor the Department can predict (i) the duration or extent of the Pandemic or the measures instituted to control the Pandemic; (ii) what effect any COVID-19 or any other outbreak/pandemic-related restrictions or warnings may have on demand for the products, services or activities that generate revenues of the Fund, or (iii) whether and to what extent the Pandemic may disrupt the State, national or global economy, or whether any such disruptions may materially adversely impact the Fund, revenues of the Fund or the Department. See “INVESTMENT CONSIDERATIONS – External Conditions Affecting Pledged Revenues.”

Notwithstanding the foregoing, the Commission and the Department currently anticipate that the Pandemic and the related responsive measures will not impair the Commission’s ability to pay debt service on First Tier Senior Obligations (including the Bonds) or to comply with the other terms thereof. See “INVESTMENT CONSIDERATIONS – Forward-Looking Statements.” First Tier Senior Obligations, including the Bonds, are secured by and payable from a first lien on the Pledged Revenues. See “GENERAL INFORMATION REGARDING THE BONDS – Source of Payment for Bonds.” Further, the Commission is obligated pursuant to the terms of the Master Resolution to transfer Pledged Revenues for deposit into the First Tier Senior Obligation Debt Service Fund in equal Monthly Installment Amounts in advance of the scheduled payments of principal of and interest on First Tier Senior Obligations. See “APPENDIX A – DEFINITIONS AND EXCERPTED PROVISIONS OF THE RESOLUTION – Excerpted Provisions of the Master Resolution.”

Limited Obligations and Remedies

The Bonds are special and limited obligations of the Commission, payable from and secured by a lien on, pledge of and security interest in the Pledged Revenues on an equal and ratable basis with the previously issued and outstanding First Tier Senior Obligations and any additional First Tier Senior Obligations issued in the future in accordance with the provisions of the Resolution. None of the State, the Commission, the Department or any other agency or political subdivision of the State is obligated to pay the principal of, premium, if any, or interest on the Bonds except from the Pledged Revenues and

certain funds created under the Resolution. Neither the faith and credit nor the taxing power of the State or any political subdivision thereof is pledged to the payment of the principal of, premium, if any, or interest on the Bonds. The Commission and the Department have no taxing power. See “GENERAL INFORMATION REGARDING THE BONDS – Source of Payment for Bonds” and “APPENDIX A – DEFINITIONS AND EXCERPTED PROVISIONS OF THE RESOLUTION” for a further discussion of limitations as to the source for payment of the Bonds.

Under current State law, the Commission and the Department are immune from suits for money damages and are prohibited from waiving their sovereign immunity from suit, including with respect to the Bonds. Consequently the owners of the Bonds are prevented from bringing such a suit against the Commission or the Department for damages for breach of the Commission’s obligations under the Resolution. The remedies available to owners of the Bonds upon an event of default include all legal remedies afforded under State law, including the seeking of specific performance or a writ of mandamus or other suit, action or proceeding compelling and requiring the Commission and its officers to observe and perform any covenant, condition or obligation prescribed in the Resolution. **NO ACCELERATION REMEDY IS AVAILABLE TO THE OWNERS OF THE BONDS UPON AN EVENT OF DEFAULT UNDER THE RESOLUTION.** The remedies are in many respects dependent upon regulatory and judicial actions that are often subject to discretion and delay. The remedy of mandamus is controlled by equitable principles and so rests with the discretion of the court, but may not be arbitrarily refused; provided, however, Texas case law suggests that a mandamus action to enforce a non-legislatively mandated contract may be unavailable. See “GENERAL INFORMATION REGARDING THE BONDS – Bondowners’ Remedies.”

External Conditions Affecting Pledged Revenues

A significant portion of the Pledged Revenues is dependent on a number of economic, demographic and environmental factors. A significant portion of such Pledged Revenues is comprised of revenues from federal and State motor fuel taxes and State motor vehicle registration fees, which may fluctuate based on, among other things, the condition of the State and national economies, population growth, income and employment levels, levels of tourism, weather conditions, environmental regulation (including adverse impacts resulting from designation of large population centers within the State as non-attainment areas that do not meet federal Clean Air Act standards), State and local regulation (including regulations impacting eligibility for motor vehicle registration), fuel prices, road conditions, the availability of alternate modes of transportation and the development of alternative fuel vehicles and more fuel efficient vehicles. There can be no assurance that downturns in any of the numerous factors affecting these revenues will not materially adversely affect the future level of Pledged Revenues. See “GENERAL INFORMATION REGARDING THE STATE OF TEXAS” for reference to certain economic and demographic information that relates to some of these factors.

Factors Affecting Federal Transportation Program Funds

The federal transportation program funds to be deposited into the Fund have historically been authorized under multiple-year authorizing legislation. The FAST Act became law on December 4, 2015. The FAST Act represents the first long-term, comprehensive surface transportation proposal since SAFETEA-LU, which was replaced by MAP-21, portions of which were most recently extended by the “Highway and Transportation Funding Act of 2015.” The FAST Act also reauthorizes the collection of federal gasoline excise taxes and other taxes generating revenues to the HTF through the FFY ending September 30, 2020.

The FAST Act contains certain provisions designed to provide continuity in the flow of federal transportation program funds to the states, including the State. There can be no assurances that such measures will be continued under any future federal reauthorization or that, if continued, such measures will be sufficient to ensure that federal transportation program funds will be available as needed if in the future Congress amends existing laws or fails to reauthorize expired transportation legislation, or if future legislation or federal administrative action reduces the amount of federal transportation program funds available to the Commission. The annual apportionments to the Department under SAFETEA-LU, MAP-21, extensions of MAP-21 and the FAST Act were \$3.3 billion, \$3.57 billion, \$3.81 billion, \$3.83 billion and \$3.79 billion in FFY 2015 through 2019, respectively. The FAST Act contains a \$7.5 billion rescission at the end of the authorization period in 2020; however, in November 2019, Congress repealed the FAST Act rescission as part of the “Further Continuing Appropriations Act, 2020, and Further Health Extenders Act of 2019.” It is possible for additional rescissions to be added to the one included in the FAST Act via the appropriations process. See “APPENDIX C – INFORMATION CONCERNING THE FUNDING OF FEDERAL-AID HIGHWAYS – Rescissions.”

There can be no assurances that there will not be future federal rescission of funds, delay or proration of federal reimbursements to the Department or other changes in law, regulation, policy or the availability of revenues at the federal level which may materially adversely affect the future availability of federal transportation program funds. See “THE STATE

HIGHWAY FUND – Sources of Revenue in the Fund – Federal Funds” and “APPENDIX C – INFORMATION CONCERNING THE FUNDING OF FEDERAL-AID HIGHWAYS.”

Potential Legislative Changes to Pledged Revenues

Although Section 49-n provides that the dedication or appropriation of revenue to the credit of the Fund may not be modified so as to impair any outstanding bonds (including the Bonds) or other public securities secured by a pledge of revenues in the Fund unless provisions have been made for a full discharge of such securities, the extent to which this provision proscribes the authority of the State Legislature to alter or otherwise redirect revenues currently deposited into the Fund is unclear. In any case, Section 49-n prevents the State Legislature from altering or otherwise redirecting those revenues currently deposited into the Fund pursuant to constitutional provision in a manner that would prevent the payment of debt service on the Bonds and any additional Senior Obligations.

There can be no assurances that the State Legislature will not attempt to delay the deposit and recognition of all or a portion of revenues to the credit of the Fund for some period of time. For instance, in the 1998-1999 biennium, the State Legislature, for State budget balancing purposes, delayed until Fiscal Year 2000 the deposit and recognition of two months (i.e., \$336.8 million) of State motor fuels tax revenues that normally would have been deposited in the Fund and recognized in Fiscal Year 1999. Although this action of the State Legislature occurred prior to the adoption of Section 49-n, when no Senior Obligations were outstanding, such revenues were ultimately deposited into the Fund. The Commission has been granted the authority to issue certain obligations for cash flow management purposes which could be utilized to mitigate the effect of any similar future action. See “GENERAL INFORMATION REGARDING THE BONDS – Issuance of Subordinate Obligations.” Also, see “THE STATE HIGHWAY FUND – Sources of Revenue in the Fund – Other State Revenue Sources.”

Appropriations from the Fund

Section 7-a provides that the revenues dedicated by such provision to the Fund shall be used, in part, for the policing of public roadways and for the administration of such laws pertaining to the supervision of traffic and safety on such roads. Pursuant to such authority, the State Legislature may appropriate monies from the Fund to fund certain costs of DPS, the state police of the State. For Fiscal Years 2014 and 2015, \$499 million and \$388 million, respectively, was appropriated from the Fund to DPS. Pursuant to HB 20, money in the Fund is no longer appropriated to the DPS to police the State highways and administer State laws relating to traffic and safety on public roads. See “THE STATE HIGHWAY FUND – General.” While the Bonds have a first lien and security interest on the Fund, under certain circumstances, State law may be interpreted to allow the State to impair the obligation of contracts in a valid exercise of the State’s inherent police powers. Assuming the application of such law, there can be no assurances given as to the enforceability of any lien or security interest on the Fund created by the State Constitution, statute or the Resolution in favor of the Bonds which might impair or impede any future appropriation from the Fund for DPS.

The State Legislature has directed certain non-Dedicated Revenue sources from the Fund to pay a portion of the costs of the Texas Emissions Reduction Plan, beginning in Fiscal Year 2009. Currently, the required payments from the Fund to the Texas Emissions Reduction Plan are not set to expire until the last day of the fiscal biennium during which the State reaches “national ambient air quality” attainment and the Texas Commission on Environmental Quality publishes in the Texas Register the required notice with respect to such attainment. Annual payments from the Fund to the Texas Emissions Reduction Plan ranged from approximately \$74.2 million in Fiscal Year 2010 to approximately \$145.7 million in Fiscal Year 2019. For Fiscal Years 2020 through 2024, the Department estimates the annual payment from the Fund to the Texas Emissions Reduction Plan to be approximately \$150.8 million in Fiscal Year 2020 and increasing to approximately \$156.98 million in Fiscal Year 2024. There can be no assurances that the State Legislature will not increase or extend such funding requirements or otherwise appropriate monies from the non-Dedicated Revenue portion of the Fund to other purposes.

Cybersecurity Incident and Risks

The Department, like many other large public and private entities, relies on a complex technology environment to conduct its operations and faces multiple cybersecurity threats, including, but not limited to, hacking, phishing, viruses, malware and other attacks on its computing and other digital networks and systems (collectively, “Systems Technology”). As the agency responsible for maintaining critical transportation infrastructure within the State, and the recipient of certain personal information of individuals utilizing Texas toll roads, the Department may be the target of cybersecurity incidents that could result in adverse consequences to the Department and its Systems Technology, requiring a response action to

mitigate the consequences. Cybersecurity incidents could result from unintentional events or from deliberate attacks by unauthorized entities or individuals attempting to gain access to the Department's Systems Technology for the purposes of misappropriating assets or information or causing operational disruption and damage.

On May 14, 2020, the Department experienced a ransomware event that impacted the Department's Systems Technology; however, such incident did not adversely impact the Department's ability to pay debt service on, or to satisfy its other obligations relating to, First Tier Senior Obligations. Upon the occurrence of the event, the incident was immediately reported to the Department's Cybersecurity Operations Center and the Department activated its incident response plan. The Department, along with its third-party incident response partners, quickly contained the incident, instituted remediation and recovery efforts and applied additional security measures. The Department also notified and solicited the assistance of law enforcement, including local authorities and the U.S. Federal Bureau of Investigation, to assist with the matter and the investigation. The investigation by the Department and law enforcement agencies into the ransomware event is ongoing. The Department does not currently anticipate that this event will have a material adverse effect on Pledged Revenues or the Fund or the operations of the Department.

The Department, with the assistance of its cyber security vendor partners, is currently preparing additional safeguards and will provide additional training to Department employees as soon as possible. The Department will also be reviewing its internal accounting controls and information technology systems to establish strategies, procedures, and protocols to mitigate and minimize future risk and exposure to cybersecurity incidents. No assurances can be given by the Commission or the Department that such measures will ensure against future cybersecurity threats and attacks, and any breach could damage the Department's Systems Technology and cause material disruption to the Department's finances or operations. The costs of remedying any such damage or protecting against future attacks could be substantial. Furthermore, cybersecurity breaches could expose the Department to material litigation and other legal risks, which could cause the Department to incur material costs payable from the Fund.

Additional Obligations

In addition to the outstanding Previously Issued First Tier Senior Obligations, the Bonds and related Credit Agreements, the Resolution permits the issuance of additional Senior Obligations and Subordinate Obligations secured by or payable from the Pledged Revenues. The Commission also has a number of other non-debt Subordinate Obligations which are payable from the Fund, including certain toll equity agreements, pass-through toll agreements and other obligations. The Commission expects to issue and enter into additional Senior Obligations and Subordinate Obligations in the future. See "GENERAL INFORMATION REGARDING THE BONDS – Outstanding and Additional Senior Obligations and Tiers of Senior Obligations," "– Credit Agreements," "– Issuance of Subordinate Obligations," "THE STATE HIGHWAY FUND – General" and "– Uses of the Fund."

Forward-Looking Statements

The statements contained in this Official Statement, including the Schedule and Appendices hereto, that are not purely historical, are forward-looking statements, including statements regarding the Commission's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the Commission or the Department on the date hereof, and neither the Commission nor the Department assume any obligation to update any such forward-looking statements except as may be required in its continuing disclosure agreement. The Commission's and the Fund's actual results could differ materially from those discussed in such forward-looking statements.

The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherent subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial, and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions of future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the Commission. Any of such assumptions could be inaccurate and, therefore, there can be no assurances that the forward-looking statements included in this Official Statement will prove to be accurate.

GENERAL INFORMATION REGARDING THE STATE OF TEXAS

The Comptroller prepares a quarterly appendix (the “Bond Appendix”) which sets forth certain information regarding the State including its government, finances, economic profile, and other matters for use by State entities when issuing debt. The most current Bond Appendix is dated May 2020, as supplemented, and may be obtained either by (i) using the MSRB’s EMMA website, www.emma.msrb.org, using the Advanced Search function and entering the term “State of Texas Comptroller” in the Issuer Name field within the Security Information search filter or (ii) from the Comptroller’s website at <https://www.comptroller.texas.gov/programs/systems/treasury-ops/index.php>, until the Comptroller files a later version of, or supplement to, such Bond Appendix. No representation is made that such information contains all material factors relating to the State or that any specific information in the Bond Appendix should be accorded any particular significance.

THE BOND APPENDIX IS NOT INCORPORATED BY REFERENCE INTO OR MADE A PART OF THIS OFFICIAL STATEMENT. NEITHER THE STATE NOR ANY AGENCY, POLITICAL CORPORATION, OR POLITICAL SUBDIVISION OF THE STATE IS OBLIGATED TO PAY THE PRINCIPAL OF OR INTEREST ON THE BONDS, OTHER THAN AS PROVIDED IN THE RESOLUTION. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE BONDS.

RATINGS

The Bonds and the Previously Issued First Tier Senior Obligations are rated “AAA” and “Aaa” by S&P Global Ratings and Moody’s Investors Service, Inc., respectively. An explanation of the significance of the ratings may be obtained from each respective rating agency. The ratings reflect only the respective views of such organizations at the time the ratings were given, and the Commission makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by either or both of such rating companies at any time if, in the judgment of either or both of such companies, circumstances so warrant. Any such downward revision or withdrawal of a rating may have an adverse effect on the market price of the Bonds. A securities rating is not a recommendation to buy, sell, or hold securities and may be subject to revision or withdrawal at any time.

TAX MATTERS

Interest on the Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”). Orrick, Herrington & Sutcliffe LLP expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the amount, accrual, or receipt of interest on, the Bonds.

The following discussion summarizes certain U.S. federal tax considerations generally applicable to holders of the Bonds that acquire their Bonds in the initial offering. The discussion below is based upon laws, regulations, rulings, and decisions in effect and available on the date hereof, all of which are subject to change, possibly with retroactive effect. Prospective investors should note that no rulings have been or are expected to be sought from the U.S. Internal Revenue Service (the “IRS”) with respect to any of the U.S. federal tax consequences discussed below, and no assurance can be given that the IRS will not take contrary positions. Further, the following discussion does not deal with U.S. tax consequences applicable to any given investor, nor does it address the U.S. tax considerations applicable to all categories of investors, some of which may be subject to special taxing rules (regardless of whether or not such investors constitute U.S. Holders), such as certain U.S. expatriates, banks, REITs, RICs, insurance companies, tax-exempt organizations, dealers or traders in securities or currencies, partnerships, S corporations, estates and trusts, investors that hold their Bonds as part of a hedge, straddle or an integrated or conversion transaction, or investors whose “functional currency” is not the U.S. dollar. Furthermore, it does not address (i) alternative minimum tax consequences, (ii) the net investment income tax imposed under Section 1411 of the Code, or (iii) the indirect effects on persons who hold equity interests in a holder. This summary also does not consider the taxation of the Bonds under state, local or non-U.S. tax laws. In addition, this summary generally is limited to U.S. tax considerations applicable to investors that acquire their Bonds pursuant to this offering for the issue price that is applicable to such Bonds (i.e., the price at which a substantial amount of the Bonds are sold to the public) and who will hold their Bonds as “capital assets” within the meaning of Section 1221 of the Code.

As used herein, “U.S. Holder” means a beneficial owner of a Bond that for U.S. federal income tax purposes is an individual citizen or resident of the United States, a corporation or other entity taxable as a corporation created or organized in or under the laws of the United States or any state thereof (including the District of Columbia), an estate the income of

which is subject to U.S. federal income taxation regardless of its source or a trust where a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons (as defined in the Code) have the Commission to control all substantial decisions of the trust (or a trust that has made a valid election under U.S. Treasury Regulations to be treated as a domestic trust). As used herein, “Non-U.S. Holder” generally means a beneficial owner of a Bond (other than a partnership) that is not a U.S. Holder. If a partnership holds Bonds, the tax treatment of such partnership or a partner in such partnership generally will depend upon the status of the partner and upon the activities of the partnership. Partnerships holding Bonds, and partners in such partnerships, should consult their own tax advisors regarding the tax consequences of an investment in the Bonds (including their status as U.S. Holders or Non-U.S. Holders).

Notwithstanding the rules described below, it should be noted that certain taxpayers that are required to prepare certified financial statements or file financial statements with certain regulatory or governmental agencies may be required to recognize income, gain and loss with respect to the Bonds at the time that such income, gain or loss is recognized on such financial statements instead of under the rules described below (in the case of original issue discount, such requirements are only effective for tax years beginning after December 31, 2018).

Prospective investors should consult their own tax advisors in determining the U.S. federal, state, local or non-U.S. tax consequences to them from the purchase, ownership and disposition of the Bonds in light of their particular circumstances.

U.S. Holders

Interest. Interest on the Bonds generally will be taxable to a U.S. Holder as ordinary interest income at the time such amounts are accrued or received, in accordance with the U.S. Holder’s method of accounting for U.S. federal income tax purposes.

To the extent that the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds) by more than a de minimis amount, the difference may constitute original issue discount (“OID”). U.S. Holders of Bonds will be required to include OID in income for U.S. federal income tax purposes as it accrues, in accordance with a constant yield method based on a compounding of interest (which may be before the receipt of cash payments attributable to such income). Under this method, U.S. Holders generally will be required to include in income increasingly greater amounts of OID in successive accrual periods.

Bonds purchased for an amount in excess of the principal amount payable at maturity (or, in some cases, at their earlier call date) will be treated as issued at a premium. A U.S. Holder of a Bond issued at a premium may make an election, applicable to all debt securities purchased at a premium by such U.S. Holder, to amortize such premium, using a constant yield method over the term of such Bond.

Sale or Other Taxable Disposition of the Bonds. Unless a nonrecognition provision of the Code applies, the sale, exchange, redemption, retirement (including pursuant to an offer by the Commission) or other disposition of a Bond will be a taxable event for U.S. federal income tax purposes. In such event, in general, a U.S. Holder of a Bond will recognize gain or loss equal to the difference between (i) the amount of cash plus the fair market value of property received (except to the extent attributable to accrued but unpaid interest on the Bond, which will be taxed in the manner described above) and (ii) the U.S. Holder’s adjusted U.S. federal income tax basis in the Bond (generally, the purchase price paid by the U.S. Holder for the Bond, decreased by any amortized premium, and increased by the amount of any OID previously included in income by such U.S. Holder with respect to such Bond. Any such gain or loss generally will be capital gain or loss. In the case of a non-corporate U.S. Holder of the Bonds, the maximum marginal U.S. federal income tax rate applicable to any such gain will be lower than the maximum marginal U.S. federal income tax rate applicable to ordinary income if such U.S. holder’s holding period for the Bonds exceeds one year. The deductibility of capital losses is subject to limitations.

Defeasance of the Bonds. If the Commission defeases any Bond, the Bond may be deemed to be retired for U.S. federal income tax purposes as a result of the defeasance. In that event, in general, a holder will recognize taxable gain or loss equal to the difference between (i) the amount realized from the deemed sale, exchange or retirement (less any accrued qualified stated interest which will be taxable as such) and (ii) the holder’s adjusted tax basis in the Bond.

Information Reporting and Backup Withholding. Payments on the Bonds generally will be subject to U.S. information reporting and possibly to “backup withholding.” Under Section 3406 of the Code and applicable U.S. Treasury Regulations issued thereunder, a non-corporate U.S. Holder of the Bonds may be subject to backup withholding at the current rate of 24% with respect to “reportable payments,” which include interest paid on the Bonds and the gross proceeds of a sale,

exchange, redemption, retirement or other disposition of the Bonds. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a U.S. taxpayer identification number (“TIN”) to the payor in the manner required, (ii) the IRS notifies the payor that the TIN furnished by the payee is incorrect, (iii) there has been a “notified payee underreporting” described in Section 3406(c) of the Code or (iv) the payee fails to certify under penalty of perjury that the payee is not subject to withholding under Section 3406(a)(1)(C) of the Code. Amounts withheld under the backup withholding rules may be refunded or credited against the U.S. Holder’s federal income tax liability, if any, provided that the required information is timely furnished to the IRS. Certain U.S. holders (including among others, corporations and certain tax-exempt organizations) are not subject to backup withholding. A holder’s failure to comply with the backup withholding rules may result in the imposition of penalties by the IRS.

Non-U.S. Holders

Interest. Subject to the discussions below under the headings “Information Reporting and Backup Withholding” and “Foreign Account Tax Compliance Act,” payments of principal of, and interest on, any Bond to a Non-U.S. Holder, other than (1) a controlled foreign corporation, a such term is defined in the Code, which is related to the Commission through stock ownership and (2) a bank which acquires such Bond in consideration of an extension of credit made pursuant to a loan agreement entered into in the ordinary course of business, will not be subject to any U.S. federal withholding tax provided that the beneficial owner of the Bond provides a certification completed in compliance with applicable statutory and regulatory requirements, which requirements are discussed below under the heading “Information Reporting and Backup Withholding,” or an exemption is otherwise established.

Disposition of the Bonds. Subject to the discussions below under the headings “Information Reporting and Backup Withholding” and “FATCA,” any gain realized by a Non-U.S. Holder upon the sale, exchange, redemption, retirement (including pursuant to an offer by the Commission or a deemed retirement due to defeasance of the Bond) or other disposition of a Bond generally will not be subject to U.S. federal income tax, unless (i) such gain is effectively connected with the conduct by such Non-U.S. Holder of a trade or business within the United States; or (ii) in the case of any gain realized by an individual Non-U.S. Holder, such holder is present in the United States for 183 days or more in the taxable year of such sale, exchange, redemption, retirement (including pursuant to an offer by the Commission) or other disposition and certain other conditions are met.

U.S. Federal Estate Tax. A Bond that is held by an individual who at the time of death is not a citizen or resident of the United States will not be subject to U.S. federal estate tax as a result of such individual’s death, provided that, at the time of such individual’s death, payments of interest with respect to such Bond would not have been effectively connected with the conduct by such individual of a trade or business within the United States.

Information Reporting and Backup Withholding. Subject to the discussion below under the heading “FATCA,” under current U.S. Treasury Regulations, payments of principal and interest on any Bonds to a holder that is not a United States person will not be subject to any backup withholding tax requirements if the beneficial owner of the Bond or a financial institution holding the Bond on behalf of the beneficial owner in the ordinary course of its trade or business provides an appropriate certification to the payor and the payor does not have actual knowledge that the certification is false. If a beneficial owner provides the certification, the certification must give the name and address of such owner, state that such owner is not a United States person, or, in the case of an individual, that such owner is neither a citizen nor a resident of the United States, and the owner must sign the certificate under penalties of perjury. The current backup withholding tax rate is 24%.

Foreign Account Tax Compliance Act (“FATCA”)—U.S. Holders and Non-U.S. Holders

Sections 1471 through 1474 of the Code impose a 30% withholding tax on certain types of payments made to foreign financial institutions, unless the foreign financial institution enters into an agreement with the U.S. Treasury to, among other things, undertake to identify accounts held by certain U.S. persons or U.S.-owned entities, annually report certain information about such accounts, and withhold 30% on payments to account holders whose actions prevent it from complying with these and other reporting requirements, or unless the foreign financial institution is otherwise exempt from those requirements. In addition, FATCA imposes a 30% withholding tax on the same types of payments to a non-financial foreign entity unless the entity certifies that it does not have any substantial U.S. owners or the entity furnishes identifying information regarding each substantial U.S. owner. Under current guidance, failure to comply with the additional certification, information reporting and other specified requirements imposed under FATCA could result in the 30% withholding tax being imposed on payments of interest on the Bonds. In general, withholding under FATCA currently applies to payments of U.S. source interest (including OID) and, under current guidance, will apply to certain “passthru” payments no earlier than the date that is two

years after publication of final U.S. Treasury Regulations defining the term “foreign passthru payments.” Prospective investors should consult their own tax advisors regarding FATCA and its effect on them.

The foregoing summary is included herein for general information only and does not discuss all aspects of U.S. federal taxation that may be relevant to a particular holder of Bonds in light of the holder’s particular circumstances and income tax situation. Prospective investors are urged to consult their own tax advisors as to any tax consequences to them from the purchase, ownership and disposition of Bonds, including the application and effect of state, local, non-U.S., and other tax laws.

THE BONDS AS LEGAL INVESTMENTS IN TEXAS

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Bonds are negotiable instruments, investment securities governed by Chapter 8, Texas Business & Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for State banks, savings banks, trust companies with at least \$1 million of capital, and savings and loan associations. The Bonds are eligible to secure deposits of any public funds of the State, its agencies and political subdivisions, and are legal security for those deposits to the extent of their market value. For political subdivisions in Texas which have adopted investment policies and guidelines in accordance with the Public Funds Investment Act (Chapter 2256, Texas Government Code), the Bonds may have to be assigned a rating of at least “A” or its equivalent as to the investment quality by a national rating agency before the Bonds are eligible investments for sinking funds or other public funds of such political subdivisions.

No representation is made that the Bonds will be acceptable to public entities to secure their deposits or acceptable to such institutions for investment purposes. The Commission has made no investigation of other laws, rules, regulations, or investment criteria which might apply to any such persons or entities or which might otherwise limit the suitability of the Bonds for any of the foregoing purposes or limit the authority of such persons or entities to purchase or invest in the Bonds for such purposes. The Commission has not made any review of laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

LITIGATION

There is no litigation, proceeding, inquiry, or investigation pending by or before any court or other governmental authority or entity of which the Commission or the Department has notice and, to the knowledge of the Commission and the Department after due and reasonable inquiry, there is no such litigation, proceeding, inquiry, or investigation otherwise pending or threatened against or affecting the State or any of its agencies or instrumentalities that (i) affects the existence of the Department or the Commission or the right of the present members of the Commission and officers of the Department to hold their offices, (ii) affects the validity or enforceability of the provisions pursuant to which the Bonds are being issued, and (iii) would have a material adverse effect upon (A) the power of the Commission to issue the Bonds, or (B) the Fund.

CONTINUING DISCLOSURE OF INFORMATION

Continuing Disclosure Undertaking of the Commission

General. In the Ninth Supplemental Resolution, the Commission has made the following agreement for the benefit of the Owners and Beneficial Owners of the Bonds. The Commission is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the Commission will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the MSRB. The information will be available to investors by the MSRB through its EMMA system, free of charge at www.emma.msrb.org.

Annual Reports. The Commission will provide certain updated financial information and operating data to the MSRB on an annual basis. The information to be updated includes Tables 1 through 10 contained in this Official Statement and the unaudited financial statements of the Department. The Commission will update and provide this information within six months after the end of each Fiscal Year ending in and after 2020.

The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB’s Internet Web site or filed with the Securities and Exchange Commission (the “SEC”), as permitted by SEC Rule 15c2-12 (the “Rule”). The updated

information will include audited financial statements of the Department, if the Commission commissions an audit and it is completed by the required time. However, the Commission's continuing disclosure agreement should not be construed as a commitment by the Commission to commission any audit of the Department's financial statements. If audited financial statements are not available by the required time, the Commission will provide unaudited financial statements by the date required. In the event that the Commission does elect to commission an audit of the Department's financial statements, the Commission shall provide such audited financial statements for the applicable Fiscal Year to the MSRB, when and if such audit report on such financial statements becomes available. Any such financial statements will be prepared in accordance with generally accepted accounting principles for governmental entities or such other accounting principles as the Commission may be required to employ from time to time pursuant to State law or regulation.

The Commission's current Fiscal Year end is August 31. It must provide updated information within six months thereof unless the Commission changes its Fiscal Year. If the Commission changes its Fiscal Year, it will notify the MSRB of the change (and of the date of the new Fiscal Year end) prior to the next date by which the Commission otherwise would be required to provide financial information and operating data pursuant to its continuing disclosure agreement.

Certain Event Notices. The Commission will also notify the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of ten business days after the occurrence of the event, of any of the following events with respect to the Bonds: (i) principal and interest payment delinquencies; (ii) non-payment related defaults, if material; (iii) unscheduled draws on debt service reserves reflecting financial difficulties; (iv) unscheduled draws on credit enhancements reflecting financial difficulties; (v) substitution of credit or liquidity providers, or their failure to perform; (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (vii) modifications to rights of holders of the Bonds, if material; (viii) Bond calls, if material, and tender offers; (ix) defeasances; (x) release, substitution, or sale of property securing repayment of the Bonds, if material; (xi) rating changes; (xii) bankruptcy, insolvency, receivership, or similar events of the Commission or the Department; (xiii) the consummation of a merger, consolidation, or acquisition involving the Commission or the Department or the sale of all or substantially all of the assets of the Commission or the Department, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material; (xv) incurrence of a Financial Obligation of the Commission or the Department, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Commission or the Department, any of which affect holders of the Bonds, if material; and (xvi) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Commission or the Department, any of which reflect financial difficulties. In addition, the Commission will provide timely notice of any failure by the Commission to provide information, data, or financial statements in accordance with its agreement described above under “– Continuing Disclosure Undertaking of the Commission – Annual Reports.”

As used in clause (xii) above, the phrase “bankruptcy, insolvency, receivership or similar event” means the appointment of a receiver, fiscal agent or similar officer for the Commission or the Department in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court of governmental authority has assumed jurisdiction over substantially all of the assets or business of the Commission or the Department, or if jurisdiction has been assumed by leaving the Commission and officials or officers of the Department in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Commission or the Department. As used in clauses (xv) and (xvi) above, the term “Financial Obligation” is defined in the Ninth Supplemental Resolution. See “APPENDIX A – DEFINITIONS AND EXCERPTED PROVISIONS OF THE RESOLUTION.” The Ninth Supplemental Resolution further provides that the Commission and the Department intend the words used in such clauses (xv) and (xvi) in the immediately preceding paragraph, and in the definition of Financial Obligation, to have the meanings ascribed to them in SEC Release No. 34-83885 dated August 20, 2018.

All documents provided to the MSRB pursuant to this “– Continuing Disclosure Undertaking of the Commission” caption shall be accompanied by identifying information as prescribed by the Rule.

Availability of Information

The Commission has agreed to provide the foregoing financial and operating information only as described above. The Commission will be required to file the foregoing continuing disclosure information using the MSRB's EMMA system.

Investors will be able to access continuing disclosure information filed with the MSRB free of charge at www.emma.msrb.org.

Limitations and Amendments

The Commission has agreed to update information and to provide notices of certain specified events only as described above. The Commission has not agreed to provide other information that may be relevant or material to a complete presentation of the Commission's financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The Commission makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The Commission disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to such agreement, although holders of Bonds may seek a writ of mandamus to compel the Commission to comply with its agreements.

The Commission may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Commission if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent or any person unaffiliated with the Commission (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of the Bonds. If the Commission so amends its agreement, the Commission must include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of information and data provided. The Commission may also amend or repeal the provisions of this continuing disclosure requirement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling the Bonds in the primary offering of the Bonds.

Compliance with Prior Undertakings of the Commission

The Commission has previously entered into certain continuing disclosure agreements pursuant to the requirements of the Rule, related to bonds or other obligations issued directly by the Commission that are secured by or payable from various sources of funds. In addition, the Department has previously entered into certain continuing disclosure agreements (which are referred to herein collectively as the "PT/TE Undertakings") pursuant to the requirements of the Rule, related to bonds or other obligations issued by other entities, the payment of which is supported in whole or in part by payments made by the Department to such other entities pursuant to the terms of certain pass-through toll agreements or toll equity loan agreements, as applicable, entered into between such other entities and the Department. During the previous five years, the Department has not fully complied with certain PT/TE Undertakings as described below (which information below is presented irrespective of materiality).

Pursuant to the terms of certain of the PT/TE Undertakings, after the sale by the Department of bonds or other obligations that are secured in whole or in part by the State Highway Fund, the Department is obligated to notify the MSRB, in a timely manner, of any final official statement in connection with the offering and sale of such bonds or other obligations. Certain of the PT/TE Undertakings obligate the Department to file only such final official statements with the MSRB, and certain of the PT/TE Undertakings obligate the Department to file both these final official statements and notice of such official statements with the MSRB. In addition, certain of the PT/TE Undertakings obligate the Department to provide identifying information as prescribed by the MSRB with respect to these filings, and certain of the PT/TE Undertakings do not obligate the Department to provide such identifying information. The Department previously interpreted the foregoing filing obligations under the PT/TE Undertakings as appropriately satisfied upon the timely filing of any such final official statements with the MSRB by the underwriters with respect to the bonds or other obligations that were offered and sold pursuant to such official statements. During the previous five years, the Commission has issued multiple series of bonds that are secured by and payable from certain revenues deposited to the credit of the State Highway Fund (collectively, the "SHF Bonds") and which were offered and sold pursuant to separate, final official statements. The Department did not file these final official statements, or separate notices of such official statements, with identifying information as required by certain of the PT/TE Undertakings. The final official statements relating to the SHF Bonds were, however, accessible on EMMA (through the filing thereof by the underwriters with respect to the SHF Bonds), and information regarding the issuance of the SHF Bonds was provided to investors through the Department's subsequent filings of annual financial information and operating data as required by the PT/TE Undertakings, though not made, in some instances, in a timely manner in respect of

the date the SHF Bonds were offered and sold. The Department subsequently made a filing on EMMA in satisfaction of the foregoing filing obligations under the PT/TE Undertakings and has filed a related failure to file notice on EMMA with respect to the bonds for which TxDOT is obligated to provide such notice pursuant to the terms of the respective PT/TE Undertakings.

The Department's annual filings of financial information and operating data for Fiscal Year 2015, as required by the PT/TE Undertakings, were accessible to investors through the annual filings made by the Department for that year with respect to the SHF Bonds, and to certain investors by accessing the financial disclosures tab under the homepage link for the respective issuers on EMMA. In addition, the final official statements provided to certain investors contained information (such as the six-digit CUSIP prefix) for how investors may access the annual filings made by the Department with respect to the SHF Bonds. However, the Department's annual filings of financial information and operating data for Fiscal Year 2015, as required by the PT/TE Undertakings, did not reference the nine-digit CUSIP number for certain bonds and, accordingly, such filings were not accessible through the continuing disclosure tab for those bonds on EMMA. In addition, the Department's annual filing of financial information and operating data for Fiscal Year 2016 was not filed in a timely manner for certain bonds as required by the PT/TE Undertakings. The Department subsequently linked such annual filings for Fiscal Year 2015 on EMMA to the nine-digit CUSIP numbers of the bonds for which such annual filings were not made and has filed a failure to file notice on EMMA related to the foregoing matters.

The PT/TE Undertakings obligate the Department to provide its financial statements on an annual basis. The Department filed its audited financial statements for Fiscal Year 2016 on EMMA in a timely manner with respect to the SHF Bonds. The Department intended to incorporate by reference the previously filed Fiscal Year 2016 audited financial statements in its annual filing for Fiscal Year 2016 (the "Department 2016 Annual Filing"), which contains updated annual financial information and operating data required by the PT/TE Undertakings. The Department 2016 Annual Filing stated that the Department's audited financial statements for Fiscal Year 2016 were previously filed with the MSRB on December 30, 2016 with respect to the outstanding SHF Bonds, and that such financial statements may be accessed using the MSRB's EMMA system at www.emma.msrb.org. The Department 2016 Annual Filing also provided the six-digit CUSIP prefix for the SHF Bonds, for which the Department's financial statements had been previously filed on EMMA in a timely manner as described above. Further, the final official statements provided to certain investors contained information (such as the six-digit CUSIP prefix) for how investors may access the annual filings made by the Department with respect to the SHF Bonds. Although the Department 2016 Annual Filing did not contain a hyperlink or web address specific to the location of the Department's audited financial statements for such period on the MSRB's EMMA system, the Department does not believe that the failure to provide such hyperlink or web address constitutes a failure to comply with the PT/TE Undertakings, due to the facts and circumstances described above. The Department subsequently submitted a filing on EMMA that provides a hyperlink to the specific location of the Department's audited financial statements for Fiscal Year 2016 on the MSRB's EMMA system.

UNDERWRITING

Piper Sandler & Co., as representative of the Underwriters, has agreed, subject to certain conditions, to purchase the Bonds from the Commission. The purchase price of the Bonds is \$421,581,931.96 (which represents the par amount of the Bonds, plus an original issue premium of \$81,529,476.00 and less an underwriting discount of \$1,372,544.04). The Underwriters will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds to be offered to the public may be offered and sold to certain dealers (including the Underwriters and other dealers depositing Bonds into investment trusts) at prices lower than the public offering prices of the Bonds and such public offering prices may be changed, from time to time, by the Underwriters.

The Underwriters have provided the following paragraphs for inclusion in this Official Statement, and neither the Commission nor the Department take any responsibility for the accuracy thereof.

Certain of the Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage, asset management and other financial and non-financial activities and services. Certain of the Underwriters and their respective affiliates have provided, and may in the future provide, a variety of these services to the Commission and to persons and entities with relationships with the Commission, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities and provide financial instruments (which may include bank loans, credit support or interest rate swaps). The Underwriters and their

respective affiliates may engage in transactions including, but not limited to, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the Commission (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the Commission. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

J.P. Morgan Securities LLC (“JPMS”), one of the Underwriters of the Bonds, has entered into negotiated dealer agreements (each, a “Dealer Agreement”) with each of Charles Schwab & Co., Inc. (“CS&Co.”) and LPL Financial LLC (“LPL”) for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement, each of CS&Co. and LPL may purchase Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that such firm sells.

VERIFICATION OF MATHEMATICAL ACCURACY

AMTEC Corp. (the “Verification Agent”) will verify from the information provided to them by the Financial Advisor, the mathematical accuracy as of the date of the Date of Initial Delivery of the Bonds of the computations contained in the provided schedules to determine that the anticipated receipts from the securities and cash deposits listed in the Financial Advisor’s schedules, to be held in escrow, will be sufficient to pay, when due, the principal of and interest on the Refunded Obligations. The Verification Agent will express no opinion on the assumptions provided to them.

FINANCIAL ADVISOR

Estrada Hinojosa & Company, Inc. is serving as the Financial Advisor to the Commission (the “Financial Advisor”) in connection with the issuance of the Bonds. The Financial Advisor’s fee for services rendered with respect to the sale of the Bonds is not contingent upon the issuance and delivery of the Bonds. The Financial Advisor has not verified and does not assume any responsibility for the information, covenants, and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending, or future actions taken by any legislative or judicial bodies.

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

No registration statement relating to the Bonds has been filed with the SEC under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein, nor have the Bonds been registered or qualified under the securities laws of any other jurisdiction. The Commission assumes no responsibility for registration or qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be offered, sold, or otherwise transferred. It is the obligation of the purchaser to register or qualify sale of the Bonds under the securities laws of any jurisdiction which so requires. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds will not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions.

LEGAL MATTERS

Legal matters incident to the authorization, issuance, and sale of the Bonds by the Commission are subject to the unqualified approving opinion of the Attorney General of the State and the approval of certain legal matters by Orrick, Herrington & Sutcliffe LLP, Austin, Texas, Bond Counsel. The compensation paid to Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent on the delivery of the Bonds. Bond Counsel’s approving opinion will be rendered in substantially the form attached to this Official Statement as “APPENDIX D – FORM OF OPINION OF BOND COUNSEL.”

The Commission will furnish to the Underwriters a complete transcript of proceedings incident to the authorization and issuance of the Bonds, including the approving opinion of the Attorney General of the State of Texas to the effect that the Bonds are valid and legally binding obligations of the Commission and, based upon examination of such transcript of proceedings, the approving legal opinions to like effect of Orrick, Herrington & Sutcliffe LLP, as Bond Counsel. Bond Counsel was not requested to participate, and did not take part, in the preparation of this Official Statement, and such firm

has not assumed any responsibility with respect hereto or undertaken independently to verify any of the information contained herein, except that in its capacity as Bond Counsel, such firm has reviewed the information in this Official Statement under the captions and subcaptions “INTRODUCTION,” “PLAN OF FINANCE,” “THE BONDS,” “GENERAL INFORMATION REGARDING THE BONDS” (except for the information contained under the subcaption “Bondowners’ Remedies”), “DESCRIPTION OF THE TRANSACTION DOCUMENTS,” “TAX MATTERS,” “THE BONDS AS LEGAL INVESTMENTS IN TEXAS,” “CONTINUING DISCLOSURE OF INFORMATION” (but excluding “– Compliance with Prior Undertakings”), “REGISTRATION AND QUALIFICATION OF BONDS FOR SALE,” “LEGAL MATTERS,” “APPENDIX A – DEFINITIONS AND EXCERPTED PROVISIONS OF THE RESOLUTION,” and “APPENDIX F – INVESTMENT AUTHORITY AND INVESTMENT PRACTICES FOR THE FUND” to verify that the information relating to the Bonds, the Resolution, and the Funds Management Agreement contained under such captions and subcaptions in all respects accurately and fairly reflects the provisions thereof and, insofar as such information relates to matters of law, is true and accurate. In connection with the transactions described herein, Bond Counsel and Bracewell LLP, Austin, Texas, Disclosure Counsel to the Commission, represent only the Commission. The legal opinion of Bond Counsel in the form set forth in “APPENDIX D – FORM OF OPINION OF BOND COUNSEL” will accompany the Bonds deposited with DTC.

Certain legal matters will be passed upon for the Commission by Bracewell LLP, Disclosure Counsel to the Commission, whose legal fees are contingent on the delivery of the Bonds. Certain legal matters will be passed upon for the Underwriters by their co-counsel, Norton Rose Fulbright US LLP, Austin, Texas, and Kintop Smith, PLLC, Dallas, Texas, whose legal fees are also contingent on the delivery of the Bonds.

Bond Counsel and Disclosure Counsel each represent the Commission from time to time on matters not related to the Bonds.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the transaction opined upon or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

MISCELLANEOUS

References in this Official Statement to particular laws do not purport to be a complete statement or to describe all of the provisions thereof and in each case are qualified by reference to the entire law, a copy of which will be furnished by the Commission on request.

Pursuant to the Ninth Supplemental Resolution, the Department Representative has approved this Official Statement and authorized its further use in the reoffering of the Bonds by the Underwriters.

TEXAS TRANSPORTATION COMMISSION

By: /s/ Brian D. Ragland

Chief Financial Officer

Texas Department of Transportation

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SCHEDULE I – REFUNDED OBLIGATIONS⁽¹⁾

**Texas Transportation Commission
State Highway Fund First Tier Revenue and Refunding Bonds, Series 2014-A**

<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Principal Amount</u>	<u>Redemption Date</u>	<u>Redemption Price</u>
April 1, 2031	5.00%	\$ 20,460,000	April 1, 2024	100%
April 1, 2033	5.00%	164,960,000	April 1, 2024	100%
April 1, 2034	5.00%	173,205,000	April 1, 2024	100%

⁽¹⁾ The refunding of any of the Refunded Obligations is contingent upon the sale and delivery of the Bonds. See “PLAN OF FINANCE – Refunded Obligations.”

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APPENDIX A

DEFINITIONS AND EXCERPTED PROVISIONS OF THE RESOLUTION

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APPENDIX A

DEFINITIONS AND EXCERPTED PROVISIONS OF THE RESOLUTION

The following are excerpts of certain provisions of the Master Resolution, as amended, and the Ninth Supplemental Resolution. Such excerpts do not purport to be complete or verbatim and reference should be made to the Master Resolution and the Ninth Supplemental Resolution, respectively, for the entirety thereof. Copies of the Master Resolution and the Ninth Supplemental Resolution are available upon request to the Commission.

The following capitalized terms appearing in this Official Statement have the meanings set forth below, unless the context otherwise requires. A reference to any of these terms in the singular number includes the plural and vice versa.

Excerpted Definitions from the Master Resolution and the Ninth Supplemental Resolution

“Additional Security” means any credit enhancement for specified Senior Obligations and any funds received or obligations payable to the Commission, other than Pledged Revenues, which the Commission chooses to include as security for specified Senior Obligations pursuant to a Supplemental Resolution, as provided in Section 308.

“Annual Debt Service Requirements” means, for any Fiscal Year, (i) the principal of, premium, if any, and interest on all Senior Obligations coming due at Maturity or Stated Maturity (or that could come due on demand of the owner thereof or be payable in respect of any required purchase of such Senior Obligation by the Commission or the Department, other than by acceleration or other demand conditioned upon default, non-performance or untimely performance by the Commission or the Department) and (ii) all other payments required to be made by the Commission under each Senior Obligation (net of any credits or deductions as provided in (7) below) in such Fiscal Year (other than payments that result from or are conditioned upon unscheduled termination, default, non-performance or untimely performance by the Commission or the Department), and, for such purposes, any one or more of the following rules shall apply at the election of the Commission (which may be exercised by an Authorized Representative or Designated Financial Officer); provided, however, that this definition shall never be applied in a manner which results in Annual Debt Service Requirements for any Fiscal Year being an amount that is less than the aggregate amount actually required to be paid in such Fiscal Year with respect to Outstanding Senior Obligations:

(1) Committed Take Out. If the Commission has entered into (a) a Credit Agreement constituting a Senior Obligation and constituting a binding commitment within normal commercial practice, from any bank, savings and loan association, insurance company, or similar institution to discharge any of its Long-Term Obligations at their Stated Maturity (or, if due on demand, at any date on which demand may be made) or to purchase any of its Long-Term Obligations at any date on which such debt is subject to required purchase, all pursuant to arrangements whereby the Commission’s obligation to repay the amounts advanced for such discharge or purchase constitutes a Long-Term Obligation or (b) a bond purchase contract or similar agreement constituting a binding commitment within normal commercial practice to deliver any Obligation to an underwriter or other purchaser of investment securities or municipal debt for the purpose of discharging any Outstanding Senior Obligation, then the portion of the Long-Term Obligation committed to be discharged or purchased shall be excluded from such calculation and the principal of and interest on the Long-Term Obligation incurred or to be incurred for such discharge or purchase that would be due in the Fiscal Year for which the calculation is being made, if incurred at the Stated Maturity, purchase date or date of discharge of the Long-Term Obligation to be discharged or purchased, shall be added to such calculation, and the remaining provisions of this definition shall be applied to such added Long-Term Obligation;

(2) Balloon Obligation. If the principal, including the accretion of interest resulting from original issue discount or compounding of interest (collectively, “Principal”), of any series or issue of Long-Term Obligations due (or payable in respect of any required purchase of such Long-Term Obligations by the Commission) in any Fiscal Year either is equal to at least twenty-five percent (25%) of the total principal of such Long-Term Obligation or exceeds by more than fifty percent (50%) the greatest amount of Principal of such series or issue of Long-Term Obligations due in any preceding or succeeding Fiscal Year (such Principal due in such Fiscal Year for such series or issue of Long-Term Obligation being referred to herein as “Balloon Obligation”), the amount of principal of such Balloon Obligation taken into account during any Fiscal Year shall be equal to the debt service calculated using the principal of such Balloon Obligation amortized over the Term of Issue on a level debt service basis at an assumed interest rate equal to the rate borne by such Balloon Obligation on the date of calculation;

(3) Funded Sinking Fund. In the case of a Balloon Obligation (as defined in clause (2) above), if an Authorized Representative or Designated Financial Officer shall deliver to the Commission an Officer’s Certificate providing for the

retirement of (and the instrument creating such Balloon Obligation shall permit the retirement of), or for the accumulation of a sinking fund for (and the instrument creating such Balloon Obligation shall permit the accumulation of a sinking fund for), such Balloon Obligation according to a fixed schedule stated in such Officer's Certificate ending on or before the Fiscal Year in which such principal (and premium, if any) is due, then the principal of (and, in the case of retirement, or to the extent provided for by the sinking fund accumulation, the premium, if any, and interest and other payments due on) such Balloon Obligation shall be computed as if the same were due in accordance with such schedule; provided, that this clause (3) shall apply only to a Balloon Obligation for which the installments previously scheduled have been paid or deposited to the sinking fund established with respect to such obligation on or before the times required by such schedule; and, provided further, that this clause (3) shall not apply where the Commission has elected to apply the rule set forth in clause (2) above;

(4) Prepaid Obligation. Principal of, premium, if any, and interest on Senior Obligations, or portions thereof, shall not be included in the computation of the Annual Debt Service Requirements for any Fiscal Year for which such principal, premium, if any, or interest are payable from funds on deposit or set aside in trust for the payment thereof at the time of such calculations (including, without limitation, capitalized interest and accrued interest so deposited or set aside in trust) with a financial institution acting as fiduciary with respect to the payment of such Senior Obligation;

(5) Variable Rate. As to any Senior Obligation that bears interest at a variable interest rate which cannot be ascertained at the time of calculation of the Annual Debt Service Requirements, at the election of the Commission, the interest rate for such Senior Obligation shall be determined to be one of the following: (i) an interest rate equal to the average rate borne by such Senior Obligation (or by comparable debt in the event that such Senior Obligation has not been outstanding during the preceding twenty-four (24) months) for any twenty-four (24) month period ending within thirty (30) days prior to the date of calculation, (ii) if the Senior Obligation bears interest at tax-exempt rates, an interest rate equal to the twenty-four (24) month average of the Bond Market Association Bond Index (as most recently published in The Bond Buyer), unless such index is no longer published in The Bond Buyer, in which case the index to be used in its place shall be that index which the Commission (acting through an Authorized Representative or Designated Financial Officer) determines most clearly replicates such index as set forth in an Officer's Certificate, (iii) if the Senior Obligation bears interest at taxable rates, an interest rate equal to the rate of the thirty (30) day London Interbank Offered Rate, or (iv) that interest rate which, in the judgment of a Designated Financial Officer, based, to the extent possible, upon an accepted market index which corresponds with the provisions of the subject Senior Obligation, is the average rate anticipated to be in effect with respect to such Senior Obligation;

(6) Short-Term Obligations. Notwithstanding anything in the foregoing to the contrary, with respect to any Senior Obligation issued as a Short-Term Obligation, the debt service on such Senior Obligation shall be calculated assuming that such Senior Obligation will be refunded and refinanced to mature over a 20-year period with level debt service requirements and bearing interest at then current market rates; provided, however, that if in the judgment of a Designated Financial Officer, as set forth in an Officer's Certificate, the result of the foregoing calculation is inconsistent with the reasonable expectations of the Commission, the interest on such Senior Obligation shall be calculated in the manner provided in clause (5) of this definition and the maturity schedule shall be calculated in the manner provided in clause (2) of this definition; and

(7) Credit Agreements. If the Commission has entered into a Credit Agreement in connection with an issue of Senior Obligations, non-contingent payments due under any such Credit Agreement from either the Commission (other than payments for fees and expenses that are not deemed to be Senior Obligations) or the provider of the Credit Agreement shall be included in such calculation, except to the extent that such payments are already taken into account under clauses (1) through (6) above. Non-contingent payments due under any Senior Obligation that are otherwise included under clauses (1) through (6) above shall be excluded from such calculation to the extent that such payments are to be replaced by non-contingent payments under a Credit Agreement (from either the Commission or the provider of the Credit Agreement). Together with the certificate delivered pursuant to Section 402(a), a Designated Financial Officer shall provide a written statement concerning (i) the determination whether such non-contingent payments under a Credit Agreement are already taken into account under clauses (1) through (6) or whether payments under clauses (1) through (6) are to be replaced by non-contingent payments under a Credit Agreement and (ii) the basis for such determination, together with any schedules or formulas deemed necessary or appropriate to support such explanation and to demonstrate the extent to which such non-contingent payments under the Credit Agreement will be taken into account under clauses (1) through (6) and/or the extent to which payments under clauses (1) through (6) will be replaced by non-contingent payments under a Credit Agreement.

"Authorized Denominations" has the meaning given such term in the Award Certificate for each series or installment of Bonds or, in connection with a conversion, in a certificate of the Department Representative.

“Authorized Representative” means the Executive Director of the Department and each Deputy Executive Director of the Department, or such other individuals so designated by the Commission to perform the duties of an Authorized Representative under this Resolution.

“Award Certificate” means a certificate of a Department Representative executed and delivered pursuant to Section 302(b) hereof in connection with the issuance or conversion of a series or installment of Bonds or in connection with the execution and delivery of a Credit Agreement.

“Beneficial Owner,” “Beneficial owner” or “beneficial owner” means any Person who acquires a beneficial ownership interest in a Bond held by DTC. In determining the Beneficial Owner of any Bond, the Commission may rely conclusively upon representations made and written information given to the Commission by DTC or a DTC Participant with respect to any Bond held by DTC in which a beneficial interest is claimed.

“Bonds” means a series or installment of bonds issued pursuant to and governed by this Supplemental Resolution, as described in Article III hereof in accordance with an Award Certificate.

“Business Day” means any day other than a Saturday or a Sunday or a day on which banking institutions are required or authorized by law or executive order to remain closed in the State or the City of New York or in the city in which the designated office of the Tender Agent or the Securities Depository is located, and with respect to Bonds outstanding in any Mode except the Index Floating Rate Mode, the Multiannual Mode or the Fixed Rate Mode, a day on which the payment office of the Liquidity Provider or the Credit Provider for draws under the Liquidity Agreement or the Credit Facility, as applicable, or the primary office of the Remarketing Agent is located, are required or authorized by law to remain closed, or the New York Stock Exchange is closed.

“Chapter 162” means Chapter 162, Texas Tax Code, as amended, or any successor or supplemental statutory provision relating to the subject matter thereof.

“Chapter 222” means Chapter 222, Texas Transportation Code, as amended, or any successor or supplemental statutory provision relating to the subject matter thereof.

“Chapter 502” means Chapter 502, Texas Transportation Code, as amended, or any successor or supplemental statutory provision relating to the subject matter thereof.

“Chapter 1371” means Chapter 1371, Texas Government Code, as amended, or any successor or supplemental statutory provision relating to the subject matter thereof.

“Commission” means the Texas Transportation Commission and its successors and assigns.

“Comptroller” means the Comptroller of Public Accounts of the State.

“Constitutional Provision” means Article III, Section 49-n of the Texas Constitution, relating to the issuance of bonds and other public securities payable from revenue deposited to the credit of the State Highway Fund.

“Cost” means, any financial commitment or agreement to pay money incurred or arising in connection with or related to an Obligation, including commitments or agreements (i) to pay or reimburse principal, premium or interest in respect of a public security or other obligation, (ii) to pay amounts owed in connection with or related to Credit Agreements (including scheduled payments, termination payments and other commitments to pay money arising under or pursuant to a swap or other derivative or hedging agreement) or to reimburse payments of others in connection therewith or related thereto, and (iii) to pay or reimburse any fees or expenses of a Fiscal Agent or other agent retained in connection with or related to any Obligation. For the avoidance of doubt, all Annual Debt Service Requirements constitute “Costs.”

“Credit Agreement” means, collectively, a loan agreement, revolving credit agreement, agreement establishing a line of credit, letter of credit, reimbursement agreement, insurance contract, commitment to purchase an Obligation, purchase or sale agreement, interest rate swap, cap and/or floor agreement or commitment, or other contract or agreement authorized, recognized, and approved by the Commission as a Credit Agreement in connection with the authorization, issuance, sale, resale, security, exchange, payment, purchase, remarketing, or redemption of an Obligation, the interest on an Obligation, or both. The use of such definition is not intended to preclude the Commission or the Department from providing the credit or liquidity support with respect to Senior Obligations directly rather than through a financial or insurance institution.

“Current Interest Bonds” means the Bonds paying current interest and maturing in each of the years and in the aggregate principal amounts set forth in an Award Certificate.

“Dedicated Federal Revenues” means all revenues received from the federal government as reimbursement of State expenditures of funds that are themselves dedicated pursuant to Section 7-a.

“Dedicated Registration Fees” means revenues derived from the motor vehicle registration fees dedicated by Section 7-a for the sole purpose of acquiring rights-of-way, constructing, maintaining, and policing public roadways, and for the administration of such laws as may be prescribed by the State Legislature pertaining to the supervision of traffic and safety on such roads, which are deposited into the State Highway Fund pursuant to Chapter 502 or other applicable law.

“Dedicated Revenues” means, collectively, Dedicated Federal Revenues, Dedicated Registration Fees and Dedicated Taxes, together with any interest or earnings derived from the investment of such revenues.

“Dedicated Taxes” means revenues derived from taxes on motor fuels and lubricants dedicated by Section 7-a for the sole purpose of acquiring rights-of-way, constructing, maintaining, and policing public roadways, and for the administration of such laws as may be prescribed by the State Legislature pertaining to the supervision of traffic and safety on such roads, which are deposited into the State Highway Fund pursuant to Subchapter F of Chapter 162 or other applicable law.

“Defeasance Securities” means (i) Federal Securities or (ii) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the Commission adopts or approves proceedings authorizing the issuance of Refunding Bonds or otherwise provides for the funding of an escrow to effect the defeasance of Bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent.

“Defeased Obligation” means any Obligation and the interest thereon deemed to be paid, retired, and no longer Outstanding pursuant to the provisions of the applicable Supplemental Resolution (or, in the case of Obligations other than Senior Obligations, the applicable resolution or order authorizing such Obligation); and thus, no longer secured by, payable from, or entitled to the benefits of the Pledged Revenues (or, in the case of Obligations other than Senior Obligations, no longer secured by, payable from, or entitled to the benefits of the State Highway Fund Revenues).

“Department” means the Texas Department of Transportation or its successors.

“Department Representative” means an Authorized Representative or a Designated Financial Officer.

“Designated Financial Officer” means the Chief Financial Officer; the Director, Project Finance, Debt and Strategic Contracts Division; the Deputy Director, Project Finance, Debt and Strategic Contracts Division; the Director, Financial Management Division; or such other officer or employee of the Department so designated by the Commission to perform the duties of Designated Financial Officer under this Supplemental Resolution.

“Enabling Act” means Section 222.003, Texas Transportation Code, as amended, or any successor or supplemental statutory provision relating to the subject matter thereof.

“Excluded Amounts” means moneys and investments deposited in, or appropriated or dedicated by law for deposit into, any Excluded Fund, and such amounts, once deposited to any Excluded Fund, shall no longer constitute Pledged Revenues or be considered State Highway Fund Revenues but shall be held and administered solely in the manner provided by the law or the order or resolution providing for or authorizing the creation of such Excluded Fund.

“Excluded Funds” means (i) the State Infrastructure Bank Account and each Proceeds Fund, Interest and Sinking Fund, Reserve Fund and Rebate Fund and (ii) any special fund, subfund, account or subaccount in the State Highway Fund created for the purpose of receiving, holding and administering Restricted Revenues.

“Favorable Opinion of Bond Counsel” means, with respect to any action the occurrence of which requires such an opinion, an unqualified opinion of Bond Counsel to the effect that such action is permitted under the laws of the State of Texas, including the Acts, the Master Resolution and this Supplemental Resolution and, in the case of Tax-Exempt Bonds, that such action will not impair the exclusion of interest on such Bonds from gross income for purposes of federal income taxation (subject to the inclusion of any exceptions contained in the opinion delivered upon original issuance of the Bonds).

“Federal Securities” means direct, non-callable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America (including STRIPS of United States Treasury securities held in the Federal Reserve’s book-entry system which are direct obligations of the United States of America).

“Financial Obligation” means a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of a debt obligation or any such derivative instrument; provided that “financial obligation” shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

“First Tier Senior Obligation” means any Senior Obligation incurred pursuant to the Master Resolution, designated as a First Tier Senior Obligation pursuant to a Supplemental Resolution, and secured by a first lien on and pledge of the Pledged Revenues on a parity with all other First Tier Senior Obligations.

“First Tier Senior Obligation Debt Service Fund” means the special fund or account established for First Tier Senior Obligations pursuant to Section 302 of the Master Resolution.

“Fiscal Agent” means any fiscal agent, issuing agent, paying agent, remarketing agent, auction agent, market agent, broker-dealer, trustee, custodian or other similar agent or financial institution appointed pursuant to a Supplemental Resolution (and may include the Comptroller) serving in one or more of such or similar capacities in accordance with such Supplemental Resolution.

“Fiscal Year” means the fiscal year of the Department, currently the period commencing on the first day of September and ending on the last day of August of the following year.

“Highest Lawful Rate” means the maximum net effective interest rate permitted by law to be paid on obligations issued or incurred by the Commission in the exercise of its borrowing powers (prescribed by Chapter 1204, Texas Government Code, as amended, or any successor provisions).

“Installment Factor” means, with respect to each scheduled annual payment of principal or interest on First Tier Senior Obligations, the number twelve (12), and, with respect to each scheduled semi-annual payment of principal or interest on First Tier Senior Obligations, the number six (6).

“Interest and Sinking Fund” means any special fund, account or subaccount in the State Highway Fund created for the purpose of receiving, holding and administering amounts for the payment of Costs of any Obligation.

“Interest Payment Date” means, except as may be otherwise provided in the Award Certificate, the following dates upon which interest is payable on the Variable Rate Bonds (i) when used with respect to any particular Bond accruing interest at a Flexible Rate, the day after the last day of each Interest Rate Period applicable thereto (provided that Interest Payment Dates shall not be more frequent than once every five Business Days); (ii) when used with respect to Bonds accruing interest at Daily, Weekly, Monthly or Index Floating Rates, the first Business Day of each calendar month following a month in which interest at such rate has accrued; (iii) when used with respect to Bonds accruing interest at a Quarterly Rate, the first day of the immediately succeeding January, April, July, or October after Conversion to the Quarterly Rate, and thereafter April 1, July 1, October 1, and January 1; (iv) when used with respect to Bonds accruing interest at a Semiannual, Multiannual, or Fixed Rate, the first day of the immediately succeeding July or January after the Conversion to a Semiannual, Multiannual, or Fixed Rate and thereafter January 1 and July 1; and (v) the Maturity Date; provided, however, that if the Bonds are initially issued in a Semiannual Mode, a Multiannual Mode, or a Fixed Rate Mode, the initial Interest Payment Date, if any, may be set forth in the Award Certificate.

“Long-Term Obligation” means all Senior Obligations created, assumed, or guaranteed by the Commission that mature by their terms (in the absence of the exercise of any earlier right of demand), or are renewable at the option of the Commission to a date, more than one (1) year after the original creation, assumption, or guarantee of such Senior Obligation by the Commission.

“Maturity” means, when used with respect to any Obligation, the date on which the principal of such Obligation or any installment thereof becomes due and payable as therein provided, whether at the Stated Maturity thereof, by call for redemption, or otherwise.

“Maturity Date” means the final maturity date(s) of each series or installment of the Bonds which shall be established pursuant to Section 302(b) hereof.

“Maximum Allowable Debt Service” means: (a) with respect to First Tier Senior Obligations, an amount that is equal to twenty-five percent (25%) of the State Highway Fund Revenues deposited in the State Highway Fund pursuant to the State Highway Fund Revenue Laws in (i) the immediately preceding Fiscal Year or (ii) any period of twelve (12) consecutive months that begins no more than eighteen (18) months before the date on which Senior Obligations are to be issued or effective, as determined by a Designated Financial Officer; and (b) with respect to other Tiers, such amount as shall be established by the Commission at the time Senior Obligations of such Tier are initially issued or otherwise incurred.

In determining the amount of State Highway Fund Revenues deposited during any twelve (12) month period, such amount may be adjusted to reflect any increase in State Highway Fund Revenues that a Designated Financial Officer certifies is expected to result from any adjustment to the amounts dedicated or appropriated to the State Highway Fund which is placed into effect following the commencement of such period as if such adjustment had been in effect for the entire twelve (12) month period.

“Monthly Installment Amount” means, with respect to each scheduled payment of principal or interest on any First Tier Senior Obligation, an amount that is equal to the quotient of (a) the total amount due for payment on any Principal Payment Date or Interest Payment Date divided by (b) the Installment Factor.

“Obligation” means any indebtedness, commitment or other agreement of the Commission or the Department payable (in whole or in part, in which event “Obligation” refers only to the applicable part) from State Highway Fund Revenues, including without limitation any obligation of the Department or the Commission under any bond, note, lease, or Credit Agreement. For the purpose of determining the “Obligations” of the Commission, only outstanding Obligations shall be included.

“Officer’s Certificate” means a certificate signed by an Authorized Representative or a Designated Financial Officer, as applicable.

“Outstanding” or *“outstanding”* means, in connection with Senior Obligations, all Senior Obligations that have been executed and delivered under this Master Resolution, and, in connection with other Obligations, all such Obligations that have been duly executed and delivered under the order or resolution authorizing their execution and delivery, except:

- (a) Obligations theretofore canceled or delivered to a Fiscal Agent for cancellation;
- (b) Obligations that are deemed to be Defeased Obligations;
- (c) Obligations upon transfer of or in exchange for and in lieu of which other Obligations have been executed and delivered pursuant to this Master Resolution or any Supplemental Resolution; and
- (d) Obligations under which the obligations of the Commission have been released, discharged or extinguished in accordance with the terms thereof.

In determining whether the Secured Owners (or owners, as applicable) of a requisite aggregate principal amount of Obligations have concurred in any request, demand, authorization, direction, notice, consent or waiver under the provisions hereof, Obligations that are held by or on behalf of the Commission (unless, with respect to Senior Obligations, all of the Outstanding Senior Obligations are then owned by the Commission) shall be disregarded for the purpose of any such determination.

“Owner” or *“Registered Owner”* means the registered owners of the Bonds as shown on the Security Register and to the extent set forth in a Credit Agreement relating to the Bonds, the party contracting with the Commission under a Credit Agreement.

“Paying Agent/Registrar” means the agent selected and appointed for purposes of paying the principal of, premium, if any, and interest on Bonds and keeping and maintaining books and records relating to the registration, transfer, exchange, and payment of the Bonds and interest thereon, and any successor to such agent.

“Payment Date” means, with respect to each Senior Obligation, the earlier of (a) the date on which the payment of a Cost is due and payable in connection with such Senior Obligation or (b) the date on which money is required to be transferred to or deposited in any fund or account established to secure or provide for the payment of Costs of such Senior Obligation, as provided by the terms thereof and the related Supplemental Resolution; provided, however, that for any First

Tier Senior Obligation in respect of which Monthly Installment Amounts are deposited into the First Tier Senior Obligation Debt Service Fund, the Payment Date for such First Tier Senior Obligation shall be the business day next preceding the date that such payment is due. Notwithstanding the foregoing, as long as any Series 2006 Bonds, Series 2006-A Bonds, Series 2006-B Bonds, Series 2007 or Series 2008 Bonds remain outstanding, (i) the Payment Date for each Principal Payment Date and Interest Payment Date in respect of First Tier Senior Obligations shall be a date that is no later than the third (3rd) Business Day next preceding such Principal Payment Date or Interest Payment Date, as the case may be and (ii) the final deposit of a Monthly Installment Amount into the First Tier Senior Obligation Debt Service Fund next preceding each Principal Payment Date or Interest Payment Date for First Tier Senior Obligations shall occur on or before such Payment Date.

“Permitted Investments” means any security or obligation or combination thereof permitted under State law, including Section 404.024, Texas Government Code, as amended.

“Person” means an individual, public body, corporation, partnership, association, joint stock company, trust and any unincorporated organization.

“Pledged Revenues” means State Highway Fund Revenues deposited to the credit of the State Highway Fund and such additional moneys as may in the future be authorized by law to be pledged as security, and are so pledged pursuant to a Supplemental Resolution, as security for Senior Obligations.

“Principal Payment Date” means any date upon which the principal amount of Bonds is due hereunder at Maturity or on any Redemption Date.

“Proceeds Fund” means any special fund, account or subaccount in the State Highway Fund created for the purpose of receiving, holding and administering the proceeds of Obligations, including any bond proceeds fund and any fund, account or subaccount created pursuant to an order or resolution of the Commission providing for the issuance of a series, issue or installment of Subordinate Obligations.

“Rebate Fund” means any special fund, account or subaccount in the State Highway Fund created for the purpose of receiving, holding and administering amounts for payment to the government of the United States in respect of “arbitrage rebate” under Section 148(a) of the Code.

“Record Date” means, with respect to each interest payment date of a Current Interest Bond, the date as determined in the respective Award Certificate and with respect to the Variable Rate Bonds (i) with respect to each Bond in the Flexible, Daily, Weekly, Monthly or Index Floating Rate Mode, the close of business on the day next preceding an Interest Payment Date (whether or not a Business Day); and (ii) with respect to Bonds in the Quarterly, Semiannual, Multiannual, or Fixed Rate Mode, the 15th day of the calendar month immediately preceding any Interest Payment Date, regardless of whether such day is a Business Day or, in the case of an Interest Payment Date which shall not be at least 15 days after the first day of a Quarterly, Semiannual, Multiannual, or Fixed Rate Period, the first day of such Quarterly, Semiannual, Multiannual, or Fixed Rate Period.

“Refundable Senior Obligations” means the following Outstanding Senior Obligations, together with any reimbursement or other obligations arising under any Credit Agreements related thereto, or any portion thereof:

- (i) Texas Transportation Commission State Highway Fund First Tier Revenue Bonds, Series 2008;
- (ii) Texas Transportation Commission State Highway Fund First Tier Revenue Bonds, Taxable Series 2010 (Build America Bonds - Direct Payment);
- (iii) Texas Transportation Commission State Highway Fund First Tier Revenue and Refunding Bonds, Series 2014-A;
- (iv) Texas Transportation Commission State Highway Fund First Tier Revenue Bonds, Series 2014-B1 (Variable Rate Bonds);
- (v) Texas Transportation Commission State Highway Fund First Tier Revenue Bonds, Series 2014-B2 (LIBOR Index Floating Rate Bonds);
- (vi) Texas Transportation Commission State Highway Fund First Tier Revenue Refunding Bonds, Series 2015;
- (vii) Texas Transportation Commission State Highway Fund First Tier Revenue Bonds, Series 2016-A; and
- (viii) Texas Transportation Commission State Highway Fund First Tier Revenue Refunding Put Bonds, Series 2016-B.

“Reserve Fund” means any special reserve or contingency fund, account or subaccount in the State Highway Fund created for the purpose of paying or securing any particular series, issue or installment of Obligations or any specific group of series, issues or installments of Obligations.

“Restricted Revenues” means revenues that are restricted as to use by (i) the laws of the State or federal law or (ii) contract or agreement controlling the receipt, disposition or payment of such revenues; provided, however, that Dedicated Revenues shall not constitute Restricted Revenues.

“Safety Project” means a project that reduces accidents or corrects or improves hazardous locations, as determined in accordance with 43 TAC § 15.174, or such other rule as the Commission may prescribe from time to time pursuant to the Enabling Act.

“Section 7-a” means Article VIII, Section 7-a of the Texas Constitution.

“Section 7-b” means Article VIII, Section 7-b of the Texas Constitution.

“Secured Owner” means each Person who is the holder of a bond, note or other public security or other obligation or evidence of indebtedness that is a Senior Obligation or who is a counterparty to a Credit Agreement or other contract or agreement that is, in whole or in part, a Senior Obligation.

“Senior Obligation Debt Service Fund” means the fund or funds created by Section 302 to secure payment of Senior Obligations.

“Senior Obligations” means all Obligations (or the applicable portion thereof, as the case may be), to the extent the same are issued or otherwise incurred as Senior Obligations pursuant to this Master Resolution (including First Tier Senior Obligations and Senior Obligations that are junior to First Tier Senior Obligations) and includes all obligations of the Commission owed to Secured Owners of Senior Obligations.

“Series 2006 Bonds” means the Texas Transportation Commission State Highway Fund First Tier Revenue Bonds, Series 2006, authorized by the First Supplemental Resolution.

“Series 2006-A Bonds” means the Texas Transportation Commission State Highway Fund First Tier Revenue Bonds, Series 2006-A, authorized by the Second Supplemental Resolution.

“Series 2006-B Bonds” means the Texas Transportation Commission State Highway Fund First Tier Revenue Bonds, Series 2006-B (Variable Rate Bonds), authorized by the Third Supplemental Resolution.

“Series 2007 Bonds” means the Texas Transportation Commission State Highway Fund First Tier Revenue Bonds, Series 2007, authorized by the Fourth Supplemental Resolution.

“Series 2008 Bonds” means the Texas Transportation Commission State Highway Fund First Tier Revenue Bonds, Series 2008, authorized by the Fourth Supplemental Resolution.

“Series 2010 Bonds” means the Texas Transportation Commission Highway Fund First Tier Revenue Bonds, Taxable Series 2010 (Build America Bonds – Direct Payment).

“Series 2014-A Bonds” means the Texas Transportation Commission State Highway Fund First Tier Revenue and Refunding Bonds, Series 2014-A.

“Series 2014-B Bonds” means the Texas Transportation Commission State Highway Fund First Tier Revenue Bonds, Series 2014-B (SIFMA Index Floating Rate Bonds).

“Series 2015 Bonds” means the Texas Transportation Commission State Highway Fund First Tier Revenue Refunding Bonds, Series 2015.

“Short-Term Obligation” means all Obligations that mature in less than 365 days. In the event a bank or other Person has extended a line of credit or the Commission has undertaken a commercial paper or similar program, only amounts actually borrowed under such line of credit or program and repayable in less than 365 days shall be considered Short-Term

Obligations and the full amount of such commitment or program shall not be treated as Short-Term Obligations to the extent that such facility remains available but undrawn.

“*State*” means the State of Texas.

“*State Highway Fund*” means the fund created and maintained in the treasury of the State and held by the Comptroller for the collection, administration and safekeeping of all revenues dedicated to the uses set forth in Section 7-a and Section 7-b, and any other amounts dedicated or appropriated for deposit in the State treasury to the credit of such fund.

“*State Highway Fund Revenue Laws*” means the laws of the State (including Section 7-a and Section 7-b) providing for the use and collection of fees, taxes and other revenues that are dedicated or appropriated for deposit in the State treasury to the credit of the State Highway Fund, as in effect on the date of adoption of this Master Resolution.

“*State Highway Fund Revenues*” means all revenues (other than Excluded Amounts) deposited in, or appropriated or dedicated by law for deposit into, the State treasury to the credit of the State Highway Fund, including (a) Dedicated Revenues and (b) amounts collected or received pursuant to other State Highway Fund Revenue Laws.

“*State Highway System*” means the system of highways referred to in the Texas Transportation Code as the State Highway System.

“*State Infrastructure Bank Account*” means the account in the State Highway Fund established and administered pursuant to Subchapter D of Chapter 222, Texas Transportation Code.

“*State Legislature*” means the legislative department of the government of the State.

“*Stated Maturity*” when used with respect to any Senior Obligation or any installment of interest thereon means any date specified in the instrument evidencing or authorizing such Senior Obligation or such installment of interest as a fixed date on which the principal of such Senior Obligation or any installment thereof or the fixed date on which such installment of interest is due and payable.

“*Subordinate Obligations*” means all Obligations of any kind or class, including bonds, notes, bond anticipation notes, commercial paper, and other public securities, and credit agreements, contracts or other Obligations that are (i) payable from or secured by amounts credited to or held in the State Highway Fund and (ii) not issued or otherwise incurred as Senior Obligations pursuant to this Master Resolution.

“*Supplemental Resolution*” means any resolution (i) approved by (or pursuant to authority conferred by) the Commission (together with any supplements or amendments thereto), now or hereafter duly authorized and entered into in accordance with the provisions of Article IV hereof, approving one or more Senior Obligations, (ii) approved pursuant to Section 307 of this Master Resolution, or (iii) approved pursuant to Article VI of this Master Resolution.

“*Term of Issue*” means with respect to any Balloon Obligation a period of time equal to the greater of (i) the period of time commencing on the date of issuance of such Balloon Obligation and ending on the final maturity date of such Balloon Obligation or the maximum maturity date in the case of commercial paper or (ii) twenty (20) years.

“*Tier*” means a distinction in the level of lien seniority and payment priority applicable to any Senior Obligation (or the applicable portion thereof, as the case may be), which may be implemented (i) through specific provision in a Supplemental Resolution relating to one or more Senior Obligations issued or otherwise incurred pursuant to such Supplemental Resolution, (ii) through the amendment of this Master Resolution pursuant to Article VI hereof or (iii), to the extent permitted by this Master Resolution, in such other manner as shall be determined by the Commission.

“*U.S. Government Securities Business Day*” means any day, except for a Saturday, a Sunday, or a day on which the Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities.

“*United States*” means United States of America.

“Variable Rate Refundable Senior Obligations” means any series or installment of Refundable Senior Obligations bearing interest at a variable rate, together with any reimbursement or other obligations arising under any Credit Agreement related thereto, or any portion thereof.

Excerpted Provisions of the Master Resolution

Section 201. Establishment of Financing Program. Pursuant to authority conferred by and in accordance with the provisions of the Constitution and laws of the State, particularly the Constitutional Provision, the Enabling Act and Chapter 1371, the Commission hereby establishes a financing program (referred to herein as the “Financing Program”) to provide funds for any lawful purpose in accordance with the Constitutional Provision and the Enabling Act and to provide a financing structure to facilitate the Commission’s exercise of the powers and authority conferred by the Enabling Act and any other applicable laws through the issuance, execution or delivery of Obligations by the Commission. Obligations issued, executed or delivered by the Commission pursuant to (and secured by the lien established by) this Master Resolution are referred to herein as “Senior Obligations”. Obligations that are not issued, executed or incurred by the Commission pursuant to (or secured by the lien established by) this Master Resolution are generally referred to herein as “Subordinate Obligations.” Prior to the adoption of this Master Resolution and the issuance of the Series 2006 Bonds, no Senior Obligations have been issued, executed or delivered.

Each Senior Obligation (or series or installment of Senior Obligations) shall be issued, executed or delivered pursuant to the terms and conditions contained in a Supplemental Resolution; and each Senior Obligation shall be designated or identified by the Commission or an Authorized Representative in a manner that identifies or describes such Obligation as a Senior Obligation issued, executed or delivered pursuant to this Master Resolution.

Each Supplemental Resolution shall provide for the authorization, terms and any other matters related to the Senior Obligations authorized by such Supplemental Resolution. A Supplemental Resolution may provide for different or additional terms for the Senior Obligations of each series or installment.

Except as provided by (i) the Enabling Act (or such other law as may be enacted hereafter to increase, amend or otherwise alter the limitations and authority currently set forth in the Enabling Act) and (ii) this Master Resolution, no limitation is imposed as to the principal amount, purpose, payment terms or other terms of Senior Obligations that may be issued, executed or delivered under the provisions of this Master Resolution; provided, however, that Senior Obligations shall only be issued, executed or delivered for the purposes authorized by the Constitutional Provision. In addition, the Commission reserves (for itself and for the Department) the right to issue, execute and deliver Subordinate Obligations at such times and in such amounts as and to the extent authorized by law, including any amendments thereto enacted after the adoption of this Master Resolution.

Section 202. State Highway Fund Revenues Pledged to Secure Senior Obligations.

(a) As provided by the Enabling Act, Senior Obligations shall be limited obligations of the Commission, payable in accordance with their respective terms from a prior lien on, pledge of and security interest in the Pledged Revenues. The Senior Obligations shall constitute a valid claim of the respective Secured Owners thereof against the Pledged Revenues, which are hereby pledged to secure the payment of all Costs incurred as Senior Obligations, and which shall be utilized for no other purpose, except to the extent expressly authorized by this Master Resolution.

(b) Chapter 1208, Texas Government Code, applies to the issuance, execution and delivery of the Senior Obligations and the pledge of, lien on and security interest in the Pledged Revenues granted by the Commission under this Master Resolution, and such pledge of, lien on and security interest in the Pledged Revenues is therefore valid, effective, and perfected. If Texas law is amended at any time while the Senior Obligations are outstanding and unpaid such that the pledge of, lien on and security interest in the Pledged Revenues granted by the Commission under this Master Resolution is to be subject to the filing requirements of Chapter 9, Business & Commerce Code, then in order to preserve to the Secured Owners the perfection of the pledge of, lien on and security interest in the Pledged Revenues, the Commission agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Chapter 9, Texas Business & Commerce Code, to perfect such pledge of, lien on and security interest in the Pledged Revenues.

Section 203. Tiers of Senior Obligations to be Ratably Secured.

(a) The Commission reserves the right to establish multiple Tiers with respect to Senior Obligations; provided, however, that no Outstanding Senior Obligation shall be subrogated or made inferior to any other Senior Obligation unless such distinction is implemented through strict compliance with the provisions of this Master Resolution and the applicable Supplemental Resolution(s) relating to such Outstanding Senior Obligation. Until such time as any distinction among Tiers of Senior Obligations is implemented in accordance with the terms of this Master Resolution, all Senior Obligations shall be deemed and treated as First Tier Senior Obligations. The Commission may designate a portion of a Senior Obligation as being of one Tier and another portion of such obligation as being of a different Tier.

(b) Senior Obligations of each Tier issued or otherwise incurred hereunder are, and are to be, to the extent provided in this Master Resolution and the related Supplemental Resolution therefor, equally and ratably secured by the security pledged under this Master Resolution without preference, priority or distinction on account of the series or installment, or the actual time or times of the issuance, execution, authentication, delivery or maturity of the Senior Obligations of such Tier so that all Senior Obligations of the same Tier at any time Outstanding hereunder shall have the same right, lien and preference under and by virtue of this Master Resolution and shall be equally and ratably secured hereby with like effect as if they were of the same series, issue or installment and they had all been executed, authenticated and delivered simultaneously on the date hereof, whether the same, or any of them, shall actually be disposed of at such date, or whether they, or any of them, shall be disposed of at some future date. No series, issue or installment of Senior Obligations shall have any right, lien or claim to the security of or payment from any Credit Agreement unless such Credit Agreement is provided to secure or pay such Senior Obligations.

Section 204. State Highway Fund Revenues Used to Pay Subordinate Obligations.

(a) In addition to Senior Obligations, the Commission reserves the right to issue or otherwise incur Subordinate Obligations payable from and, if permitted by law, secured by a lien on and pledge of State Highway Fund Revenues (or any portion thereof), subject to the provisions of this Master Resolution and after provision has been made for the payment of all Senior Obligations in the manner set forth in this Master Resolution.

(b) Prior to the establishment of the Financing Program pursuant to this Master Resolution certain obligations and commitments to pay money or provide funds, which may be payable or paid from State Highway Fund Revenues, have been incurred by the Commission and the Department. In addition, in recognition that (i) the State Highway Fund has been established by the Legislature, and is maintained and administered, as the general source for payment of a substantial portion of the State's transportation needs (together with numerous other governmental purposes and programs administered by the State) and (ii) the Legislature, the Commission, the Department and certain other agencies of the State have in the past and may in the future look to and utilize the State Highway Fund as a source of funds for the payment of other obligations, commitments and indebtedness incurred or to be incurred (on a subordinate basis and after provision is made for payment of all Senior Obligations hereunder), the Commission hereby acknowledges the right and authority of the Legislature, and reserves for itself and the Department the right and authority, to utilize the State Highway Fund as a source of payment for such other obligations, commitments and indebtedness; provided, however, that payment of any amount owed, and the performance of any obligation incurred, pursuant to any such other obligation, commitment or indebtedness shall be subordinate and inferior to the payment of all Costs incurred as, and the performance of all obligations with respect to, Senior Obligations. Such subordinate obligations, commitments and indebtedness shall be deemed to constitute Subordinate Obligations for purposes of this Master Resolution.

Section 205. Combined Sources of Payment or Security. In addition to Pledged Revenues, Senior Obligations may be further payable from or secured by any other source of payment lawfully available for such purpose.

Section 206. No Pledge of Full Faith and Credit or Taxing Power. Senior Obligations shall not constitute general obligations of the Commission, the Department or the State and (unless authorized or permitted by other authority) under no circumstances shall Senior Obligations be payable from, nor shall the Secured Owners have any rightful claim to, any income, revenues, funds or assets of the Commission, the Department or the State other than those pledged hereunder as security for the payment of the Senior Obligations. Neither the full faith and credit nor the taxing power of the State is pledged to the payment of any Cost related to Senior Obligations.

Section 301. State Highway Fund.

(a) Confirmation and Maintenance of State Highway Fund. The Commission hereby confirms the prior creation by the State Legislature of the State Highway Fund, which is maintained within the State treasury and held by the Comptroller for the collection, administration and safekeeping of all revenues dedicated to the uses set forth in Section 7-a and Section 7-b, and any other amounts dedicated or appropriated for deposit in the State treasury to the credit of the State Highway Fund. In recognition of the fact that the Constitutional Provision and the Enabling Act provide for and authorize the Commission to issue and incur Senior Obligations secured by and payable from revenue deposited to the credit of State Highway Fund, the Commission covenants and agrees that, so long as any Senior Obligation shall remain Outstanding hereunder, (i) except as otherwise provided by subsection (b), it shall collect and deposit, or cause to be collected and deposited, in the State treasury all State Highway Fund Revenues, which deposits shall be made to the credit of the State Highway Fund at such times and in such amounts as provided by the State Highway Fund Revenue Laws and (ii) the State Highway Fund shall be maintained and administered as provided in this Master Resolution in order to provide the source of payment and security for Senior Obligations.

(b) Constitutional Appropriation of State Highway Fund Revenues. Pursuant to the Constitutional Provision, in each Fiscal Year in which amounts become due in respect of the Senior Obligations, there shall be appropriated from State Highway Fund Revenues an amount that is sufficient to pay all Costs related to Senior Obligations that become due during such Fiscal Year.

As provided by the Constitutional Provision and Section 502 of this Master Resolution, any dedication or appropriation of revenue to the credit of the State Highway Fund may not be modified so as to impair any Outstanding Senior Obligation unless provision has been made for a full discharge of such Senior Obligation in accordance with this Master Resolution. In accordance with such provision, all State Highway Fund Revenues will be deposited to the credit of the State Highway Fund; and, during each Fiscal Year in which any Senior Obligation remains Outstanding, State Highway Fund Revenues shall be appropriated for transfer and transferred in such amounts and at such times as provided herein.

(c) Application of Pledged Revenues. Consistent with the pledge of Pledged Revenues on a prior lien basis to secure the Senior Obligations in accordance with their respective terms, Pledged Revenues shall be applied for the following uses and in the order of priority shown:

- (i) First: to the payment of all Costs incurred as First Tier Senior Obligations as, when and to the extent provided by each First Tier Senior Obligation and the related Supplemental Resolution; provided, however, that transfers in respect of scheduled annual or semi-annual payments of principal and interest on First Tier Senior Obligations for deposit into the First Tier Senior Obligation Debt Service Fund shall be made in equal Monthly Installment Amounts and such transfers shall commence in the month that will permit the final Monthly Installment Amount in respect of any Principal Payment Date or Interest Payment Date to occur in the month in which such payment is due; and
- (ii) Second: to the payment of the amounts required to be deposited and credited to each reserve, contingency or other similar fund or account created and established in accordance with the provisions of any Supplemental Resolution relating to First Tier Senior Obligations and to the payment of other Costs related to First Tier Senior Obligations, as, when and to the extent provided in the related Supplemental Resolution; provided, that such payments shall be allocated among the then Outstanding issues or series of First Tier Senior Obligations and made on a pro rata basis (with such proration to be determined on the basis that the Outstanding principal amount of each particular issue or series of First Tier Senior Obligations bears to the aggregate Outstanding principal amount of all issues or series of First Tier Senior Obligations for which payments are to be made in accordance with this clause (ii)); and
- (iii) Third: to the payment of (A) all Costs incurred as Senior Obligations other than First Tier Senior Obligations, on a priority basis consistent with their respective Tiers as, when and to the extent provided by each such Senior Obligation and the related Supplemental Resolution and (B) all deposits into each reserve, contingency or other similar fund or account created and established for the benefit of Senior Obligations on a priority basis consistent with their respective Tiers and in accordance with the provisions of the Supplemental Resolution relating to such Senior Obligation; and

- (iv) Fourth: to the payment of all Costs incurred as Subordinate Obligations (together with any related funding obligations) as, when and to the extent provided by each Subordinate Obligation and any order, resolution, contract or other agreement related thereto; and
- (v) Fifth: to (A) the payment of expenditures for public roadways in accordance with the State Constitution and federal law or (B) to the extent not required to be used for public roadways by the State Constitution or federal law, the payment of any lawful expenditure for any lawful purpose.

In recognition that (i) expenditures from the State Highway Fund may be made for the foregoing uses on various dates throughout each Fiscal Year, (ii) Senior Obligations have a first lien on and prior claim to the Pledged Revenues, and (iii) during each Fiscal Year, Costs incurred as Subordinate Obligations may become due and payable, and payments for lawful expenditures may be made, before the date or dates that Costs incurred as Senior Obligations have become due and payable, the Commission covenants that no Pledged Revenues shall be used to pay Costs incurred as Subordinate Obligations or for other lawful expenditures during any Fiscal Year to the extent that such payment is reasonably expected to result in the inability of the Commission to pay any Cost of a Senior Obligation coming due during such Fiscal Year.

If at any time there shall not be transferred to any fund or account maintained pursuant to this Master Resolution or any Supplemental Resolution for the benefit of the Secured Owners of the Senior Obligations the full amounts required herein (at the time specified herein and in each Supplemental Resolution), amounts equivalent to such deficiency shall be transferred thereto, in order of priority based on the respective Tiers of the affected Senior Obligations, from the first available Pledged Revenues not allocated to Senior Obligations of a prior Tier (in addition to the amounts otherwise required to be transferred to such funds and accounts pursuant to this Master Resolution during any succeeding period), and no Pledged Revenues shall be transferred to any fund or account established or maintained for the benefit of any Subordinate Obligation, nor shall any Pledged Revenues be used for any other purpose, until such deficiency has been restored.

Section 302. Senior Obligation Debt Service Fund; Payment of Senior Obligations. For Senior Obligations of each Tier, a separate Senior Obligation Debt Service Fund shall be created, held and administered by a Fiscal Agent (or, at the direction of a Designated Chief Financial Officer, separate accounts may be created within a single Senior Obligation Debt Service Fund for Senior Obligations of each Tier secured thereby). A Designated Financial Officer may also direct that separate accounts be created in each Senior Obligation Debt Service Fund as are deemed necessary or appropriate, including, but not limited to, separate accounts for the payment of principal and interest on Senior Obligations and accounts into which payments under or drawings on Credit Agreements are to be deposited and from which principal (including the redemption price) of and interest on the Senior Obligations related to or secured by such Credit Agreement are to be paid.

As and to the extent provided in the Supplemental Resolution authorizing any Senior Obligation, payments under Credit Agreements shall be paid into the Senior Obligation Debt Service Fund (or the account thereof) related to the applicable Senior Obligations to which such Credit Agreement relates and, from such fund or account, there shall be paid payments to the parties other than the Commission under such Credit Agreement.

Unless otherwise directed by a Designated Financial Officer, each Senior Obligation Debt Service Fund shall be created and held as a fund outside of the State treasury.

On or before each Payment Date, the Commission shall direct the Comptroller to withdraw from the State Highway Fund and deposit (or transfer to a Fiscal Agent for deposit) into the Senior Obligation Debt Service Fund for the applicable Senior Obligations the amounts required to be deposited or paid pursuant to the applicable Supplemental Resolution related to such Senior Obligations. In the alternative, and to the extent provided by any Senior Obligation and the related Supplemental Resolution, the Commission may direct the Comptroller to withdraw amounts from the State Highway Fund to pay any Cost related to a Senior Obligation directly to the Secured Owner who is entitled to such payment.

The moneys in each Senior Obligation Debt Service Fund and any accounts therein shall be held in trust for the benefit of the Senior Obligations of the Tier secured thereby, to the extent the foregoing are payable from such fund and accounts therein; and, to such extent and pending application thereof, such moneys shall be subject to a lien and charge in favor of the Secured Owners of the Senior Obligations of the Tier secured thereby until paid out or transferred to the Secured Owners, as hereinafter provided. From time to time, there shall be withdrawn from each Senior Obligation Debt Service Fund sufficient money to pay the Costs of Senior Obligations of the Tier or Tiers secured thereby as the same shall become due, except to the extent such Costs are payable from a fund or account other than the Senior Obligation Debt Service Fund for such Tier or Tiers, as provided in any Supplemental Resolution.

If, at the time a Fiscal Agent is required to make a withdrawal from a Senior Obligation Debt Service Fund, the moneys therein shall not be sufficient for such purpose, such Fiscal Agent shall notify the Department and the Comptroller of such deficiency, and the Comptroller shall transfer Pledged Revenues to such Senior Obligation Debt Service Fund in the amount required to cure such deficiency.

Section 305. Investment of Funds; Transfer of Investment Income.

(a) State Highway Fund. Pledged Revenues in the State Highway Fund shall be invested in accordance with applicable State law, including Chapter 404, Texas Government Code, as amended.

(b) Money in Other Funds. Moneys in any fund or account established by this Master Resolution may be invested in Permitted Investments, provided that all such deposits and investments shall be made in such manner that the money required to be expended from any such fund or account will be available at the proper time or times. Such investments shall be sold promptly when necessary to prevent any default in connection with the Senior Obligations.

All investments shall be made by the Fiscal Agent (or other custodian of such fund or account) upon the request of a Designated Financial Officer, which request shall be made or confirmed in writing by a Designated Financial Officer specifying the fund or account from which moneys are to be invested and designating the specific Permitted Investments to be acquired. Such investment instructions may take the form of standing investment directions.

The interest or income received on an investment shall remain in the fund or account to which the investment is credited, except to the extent otherwise provided in the applicable Supplemental Resolution or as otherwise directed by a Designated Financial Officer.

The Fiscal Agent having custody of any fund or account hereunder shall withdraw, redeem or sell all or a portion of any investment upon receipt of the written direction from a Designated Financial Officer or upon a determination that moneys in such fund or account are to be applied or paid pursuant to the provisions of this Master Resolution or any Supplemental Resolution, and the proceeds thereof shall be deposited in the appropriate fund or account. A Fiscal Agent shall not be liable or responsible for any depreciation in the value of Permitted Investments.

Section 306. Security for Uninvested Funds. So long as any Senior Obligation remains Outstanding, all uninvested moneys on deposit in, or credited to, any fund or account established by this Master Resolution shall be secured by the pledge of security as provided by law for funds of the State and its agencies.

Section 307. Moneys Held in Trust. All moneys deposited with a Fiscal Agent for the purpose of paying any Cost of a Senior Obligation hereby secured, either at the Stated Maturity thereof or upon call for redemption, shall be held in trust for the respective Secured Owners of such Senior Obligations. However, any moneys which shall be so held by a Fiscal Agent, and which shall remain unclaimed by the Secured Owners of such Senior Obligations for the period of three (3) years after the date on which the Cost of such Senior Obligations shall have become due and payable, shall, subject to the provisions of Title 6, Texas Property Code, be paid to the Commission or the Department upon its written request or to such officer, board or body as may then be entitled by law to receive the same; thereafter, the Secured Owners of such Senior Obligations shall look only to the Commission or the Department or to such officer, board or body, as the case may be, for payment and then only to the extent of the amounts so received without any interest thereon, and such Fiscal Agent shall have no responsibility with respect to such moneys.

Section 308. Additional Security; Additional Funds and Accounts.

(a) Except as otherwise provided or permitted herein, the Pledged Revenues securing the Senior Obligations of any Tier shall be shared on a parity with other Senior Obligations of such Tier on an equal and ratable basis. The Commission may, however, in its discretion, provide Additional Security (but shall have no obligation to provide such additional security or credit enhancement) to other Senior Obligations (even of the same Tier), except that no Additional Security shall be provided unless there shall have been first delivered an opinion of Bond Counsel to the effect that the exclusion from gross income of interest on any Senior Obligations for federal income tax purposes will not be adversely affected thereby.

(b) In lieu of or in addition to Additional Security, the Commission may, in its discretion, create and provide for the funding and administration of one or more reserve, contingency or other similar funds or accounts to provide additional security for any one or more series, issues or installments of Senior Obligations, except that no such fund or account shall be

created unless there shall have been first delivered an opinion of Bond Counsel to the effect that the exclusion from gross income of interest on any Senior Obligations for federal income tax purposes will not be adversely affected thereby.

The Commission also reserves the right and a Designated Financial Officer is authorized to (i) establish such additional funds and accounts pursuant to a Supplemental Resolution as are deemed necessary or appropriate to administer this Master Resolution or to provide for the payment of Costs related to Senior Obligations and (ii) establish additional funds or accounts for the purpose of holding the proceeds of Senior Obligations, holding funds obtained from any other source or to accomplish any other lawful purpose of the Commission or the Department and for such other purposes as the Commission or a Designated Financial Officer may determine from time to time.

Section 401. Issuance of Senior Obligations.

(a) The Commission reserves and shall have the right and power to issue or otherwise incur Senior Obligations for any purpose authorized by law, including the refunding of Senior Obligations, Subordinate Obligations, or other obligations of the Commission, pursuant to the provisions of this Master Resolution and Supplemental Resolutions to be hereafter authorized. The Commission hereby covenants and agrees to comply with all constitutional and statutory requirements of State law and, to the extent applicable, federal law governing the issuance of Senior Obligations.

Subject to the applicable provisions hereof, the Commission may from time to time issue, incur, assume, guarantee, or otherwise become liable in respect of Senior Obligations in accordance with this Article and a Supplemental Resolution providing for the issuance, execution and/or delivery of such Senior Obligations. Senior Obligations may be further secured by or made payable from any other source of payment lawfully available for such purpose.

Prior to the issuance, execution or delivery of any Senior Obligation hereunder, the Commission shall provide:

- (i) A certified copy of the minute order or other official action of the Commission (A) approving a Supplemental Resolution establishing or providing the terms and provisions of such Senior Obligations, and (B) authorizing the issuance, execution and/or delivery of the Senior Obligations;
- (ii) An opinion or opinions of Bond Counsel to the effect that (A) issuance, execution and/or delivery of the Senior Obligations is permitted under this Master Resolution and any Supplemental Resolutions that authorized the issuance, execution and/or delivery of any then Outstanding Senior Obligations and (B) the Supplemental Resolution relating to such Senior Obligations has been duly authorized and such Senior Obligations when issued, executed and/or delivered will constitute valid, binding and enforceable limited obligations of the Commission, subject to bankruptcy, equitable principles and other standard legal opinion exceptions;
- (iii) An Officer's Certificate to the effect that (A) the Commission is not in default under this Master Resolution or any Supplemental Resolution or, upon the issuance of such Senior Obligations, any existing default will be cured and (B) following the issuance of such Senior Obligations, the maximum Annual Debt Service Requirements with respect to all then Outstanding Senior Obligations will not exceed the Maximum Allowable Debt Service in the current or any future year; and
- (iv) Such further documents, moneys and securities as are required by the provisions of the Supplemental Resolution providing for the issuance, execution and/or delivery of such Senior Obligations.

(b) In making any determination hereunder regarding the principal amount of Obligations being issued and incurred or then Outstanding, Credit Agreements shall be deemed to have no principal amount to the extent that such Credit Agreement relates to an Obligation that has already been considered in making such determination. The effect of Credit Agreements on debt service shall be as provided in the definition of Annual Debt Service Requirements in Exhibit A hereto.

(c) In connection with the issuance of Senior Obligations to refund Outstanding Senior Obligations of the same or higher Tier, the Commission may provide, in lieu of the certification required by clause (iii)(B) of subsection (a), an Officer's Certificate to the effect that, following the issuance of such Senior Obligations, the Annual Debt Service Requirements will not exceed one hundred ten percent (110%) of the Annual Debt Service Requirements in effect prior to the issuance of such Senior Obligations; provided, however, that such certification need not address the Annual Debt Service

Requirements for Fiscal Years in which no Senior Obligations (other than the Senior Obligations then being issued) will be Outstanding.

Section 402. Credit Agreements.

(a) To the extent permitted by law, the Commission may authorize the execution and delivery of one or more Credit Agreements upon (i) delivery of an Officer's Certificate to the effect that the Credit Agreement is in the best interest of the Commission and (ii) compliance with the requirements of Section 401, if the Credit Agreement is to constitute a Senior Obligation in whole or in part (as specified in the Credit Agreement).

(b) A Credit Agreement and the Costs thereof may, pursuant to its terms, constitute, in whole or in part, (i) a Senior Obligation of the same or lower Tier as the Tier of the Senior Obligation to which such Credit Agreement relates payable from and secured by a pledge of the Pledged Revenues on parity with other Senior Obligations of such Tier or (ii) a Subordinate Obligation payable from or secured by a pledge of State Highway Fund Revenues (or any portion thereof) subordinate to the Senior Obligations.

Section 403. Issuance of Subordinate Obligations.

(a) The Commission reserves the right to issue or otherwise incur, for any lawful purpose, Subordinate Obligations in such amounts (without limitation), on such dates and having such terms as the Commission may determine.

(b) No holder of any Subordinate Obligation, or party to a transaction relating to any Subordinate Obligation, shall have or be entitled to claim any right or benefit under this Master Resolution by virtue of the ownership of or interest in such Subordinate Obligation.

Nothing in this Master Resolution shall be construed to limit or interfere with the right and authority of the Commission and the Department to issue or otherwise incur Subordinate Obligations in such number of tiers and levels of payment priority as shall be determined by the Commission and the Department.

Section 501. Payment of Senior Obligations. The Commission covenants that it will promptly pay the Costs related to every Senior Obligation issued, executed or delivered under the provisions of this Master Resolution at the places, on the dates and in the manner provided herein and in said Senior Obligations. Except as otherwise provided in this Master Resolution, such Costs are payable solely from Pledged Revenues, which Pledged Revenues are hereby pledged to the payment thereof in the manner and to the extent provided herein. Unless otherwise provided in a Supplemental Resolution therefor, neither the general credit of the Commission or the Department nor the general credit nor the taxing power of the State or any political subdivision, agency or instrumentality thereof is pledged for the payment of the Costs of Senior Obligations.

Section 502. No Modification of Dedication or Appropriation. While any Senior Obligation remains Outstanding, the Commission will protect (or take steps within its authority to protect) the dedication and appropriation of State Highway Fund Revenues to the credit of the State Highway Fund (including the dedication of Dedicated Revenues), and the Commission will enforce (or take steps within its authority to enforce) the Constitutional Provision to prevent any modification of such dedication and appropriation which might impair any Outstanding Senior Obligation.

Section 503. Performance. The Commission will faithfully perform at all times (a) any and all covenants, undertakings, stipulations, and provisions contained in this Master Resolution and in each Supplemental Resolution, and in each and every Senior Obligation or evidence thereof and (b) each and every duty imposed upon the Commission or the Department by law with respect to the State Highway Fund and the Senior Obligations; and the Commission will exercise its best efforts to cause the Comptroller to perform each and every duty imposed upon the Comptroller by law with respect to the State Highway Fund and the Senior Obligations.

Section 504. Determination of Authorized Representative and Designated Financial Officer. For all purposes of this Master Resolution, the judgment of an Authorized Representative or Designated Financial Officer, as applicable, shall be deemed final in the determination of which Obligations are currently outstanding and payable from or secured by a lien on any Pledged Revenues and in the determination of the Annual Debt Service Requirements and the principal amount and the other terms and expectations of the Commission regarding annual expenditures with respect to Senior Obligations.

Section 505. Lawful Authority. The Commission is lawfully qualified to pledge the Pledged Revenues herein pledged in the manner prescribed herein, and has lawfully exercised such right.

Section 506. Preservation of Lien. Subject to the conditions set forth in this Master Resolution, the Commission will (i) not do or suffer any act or thing to be done whereby the pledge of the Pledged Revenues might or could be impaired and (ii) take all actions to the extent necessary to ensure that no other agency of the State does or suffers any act or thing to be done whereby the pledge of the Pledged Revenues might or could be impaired.

Section 507. No Additional Encumbrance. The Commission shall not incur additional Obligations secured by or payable from the Pledged Revenues in any manner, except as permitted by this Master Resolution, unless such Obligation is made junior and subordinate in all respects to the liens, pledges, covenants, and agreements of this Master Resolution and any Supplemental Resolution. Any Obligation incurred by the Commission without satisfying the conditions for the issuance of Senior Obligations, as set forth in this Master Resolution, is hereby declared to be a Subordinate Obligation, junior and subordinate in all respects to the liens, pledges, covenants, and agreements of this Master Resolution and any Supplemental Resolution whether or not such status is noted.

Section 510. Secured Owners' Rights and Remedies. This Master Resolution shall constitute a contract between the Commission and the Secured Owners from time to time and this Master Resolution shall be and remain irrevocable until all Outstanding Senior Obligations shall be fully paid or discharged or provision therefor shall have been made as provided herein. In the event of a default in the payment of any Cost of any Senior Obligation or a default in the performance of any duty or covenant provided by law or in this Master Resolution, the Secured Owners may pursue all legal remedies afforded by the Constitution and laws of the State to compel the Commission and the Department to remedy such default and to prevent further default or defaults. Without in any way limiting the generality of the foregoing, it is expressly provided that any Secured Owner may (at law or in equity), by suit, action, mandamus, or other proceedings, enforce and compel performance of all duties required to be performed by the Commission and the Department under this Master Resolution.

Section 511. Waiver of Certain Covenants. The Commission may omit in any particular instance to comply with any covenant or condition set forth in this Master Resolution or any Supplemental Resolution if before or after the time for such compliance the Secured Owners of the same percentage of Outstanding Senior Obligations, the consent of which would be required to amend the applicable provisions to permit such noncompliance, shall either waive such compliance in the particular instance or generally waive compliance with such covenant or condition, but no such waiver shall extend to or affect such covenant or condition except to the extent so expressly waived and, until such waiver shall become effective, the obligations of the Commission and the Department and the duties of the Commission and the Department in respect of any such covenant or condition shall remain in full force and effect. For the purpose of this Section, the rights and identity of the Secured Owners (and those who may consent on their behalf) shall be determined in accordance with Section 603 of this Master Resolution.

Section 601. Amendments and Supplements without Secured Owners' Consent. The Commission may from time to time and at any time amend or supplement this Master Resolution, without the consent of or notice to any Secured Owner, to effect any one or more of the following:

(a) to cure any ambiguity, defect or omission or correct or supplement any provision herein or in any Supplemental Resolution, upon receipt by the Commission of an approving opinion of Bond Counsel to the effect that such amendment or supplement is needed for such purpose, and will more clearly express the intent of this Master Resolution or such Supplemental Resolution;

(b) to grant to or confer upon the Secured Owners any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Secured Owners which are not contrary to or inconsistent with this Master Resolution as then in effect or to subject to the pledge and lien of this Master Resolution additional revenues, properties or collateral;

(c) to add to the covenants and agreements of the Commission in this Master Resolution other covenants and agreements thereafter to be observed by the Commission or to surrender any right or power herein reserved to or conferred upon the Commission by this Master Resolution;

(d) to modify, alter, supplement or amend this Master Resolution in such manner as shall permit the qualification of this Master Resolution, if required, under the Trust Indenture Act of 1939, the Securities Act of 1933 or any similar federal statute hereafter in effect;

(e) to modify any of the provisions of this Master Resolution in any respect whatever, provided that such modification shall be, and be expressed to be, effective only after all Senior Obligations outstanding at the date of the adoption of such modification shall cease to be outstanding;

(f) to make such other changes or amendments as the Commission may deem necessary or desirable and which shall not, in the judgment of the Commission, materially adversely affect the interests of the Secured Owners, including any change or amendment to establish Tiers; provided, however, that, except to the extent provided in the applicable Supplemental Resolution pursuant to which a then Outstanding Senior Obligation has been issued, no then Outstanding Senior Obligation shall be subrogated or made inferior to any Senior Obligation that is issued in reliance on and as a result of such change or amendment; or

(g) to authorize the issuance, execution or delivery of Senior Obligations in accordance with the terms of this Master Resolution.

Section 602. Amendments and Supplements Requiring Secured Owners' Consent. The Commission, at any time and from time to time, may amend or supplement this Master Resolution for the purpose of making any modification or amendment to this Master Resolution, but only with the written consent (given as provided in Section 603) of the Secured Owners of at least a majority in aggregate principal amount of the Senior Obligations Outstanding at the time such consent is given or such amendment takes effect. In case less than all of the Senior Obligations then Outstanding are affected by the modification or amendment, only the written consent of the Secured Owners of a majority in aggregate principal amount of the Senior Obligations so affected and Outstanding at the time such consent is given or such amendment takes effect shall be required. If such modification or amendment will, by its terms, not take effect so long as any Senior Obligations so affected remain Outstanding, the consent of the Secured Owners of such Senior Obligations shall not be required and such Senior Obligations shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Senior Obligations under this Section.

Notwithstanding the foregoing, no modification, amendment or supplement hereof shall permit any of the following, without the consent of each Secured Owner whose rights are affected thereby:

(a) a change in the terms of Stated Maturity or redemption of any Senior Obligation or of any installment of interest thereon;

(b) a reduction in the principal amount of or redemption premium on any Senior Obligation or in the rate of interest thereon or a change in the coin or currency in which such Senior Obligation is payable;

(c) the granting of a preference or priority of any Senior Obligations over any other Senior Obligations, except to the extent permitted herein;

(d) a reduction in the aggregate principal amount of Senior Obligations of which the consent of the Secured Owners is required to effect any such modification or amendment; or

(e) a change in the provisions of this Section.

Notwithstanding the foregoing, the Secured Owner of any Senior Obligation may extend the time for payment of the principal of or interest on such Senior Obligation; provided, however, that upon the occurrence of an event of default, funds available hereunder for the payment of the principal of and interest on such Senior Obligations shall not be applied to any payment so extended until all principal and interest payments which have not been extended have first been paid in full. Notice of any amendment or supplement executed pursuant to this Section shall be given to the affected Secured Owners promptly following the approval thereof.

Section 603. Consents of Secured Owners. If at any time the Commission shall desire to supplement or amend this Master Resolution pursuant to Section 602, the Commission or the Department shall cause notice of the proposed supplement or amendment to be (i) published in a financial newspaper or journal of general circulation in the City of New York, New York (including, but not limited to, The Bond Buyer or The Wall Street Journal) or in the State (including, but

not limited to, The Texas Bond Reporter) or (ii) disseminated by electronic means customarily used to convey notices of redemption, once during each calendar week for at least two (2) successive calendar weeks. Such notice shall briefly set forth the nature of the proposed supplement or amendment and shall state that a copy thereof is on file at the principal office of at least one Fiscal Agent for each Senior Obligation affected thereby for inspection by Secured Owners affected thereby. In lieu of publication of such notice (or the dissemination thereof by electronic means), the Commission or the Department may give or cause to be given such notice in writing, by certified mail, to each Secured Owner. A copy of such notice shall be provided in writing to each rating agency maintaining a rating on any Senior Obligation.

Such Supplemental Resolution shall not be effective unless and until there shall have been filed with the Commission and any Fiscal Agent identified in the notice provided by the Commission or the Department, the written consents of Secured Owners of the percentage of Senior Obligations specified in Section 602. Any such consent shall be binding upon the Secured Owner giving such consent and upon any subsequent Secured Owner of such Senior Obligations and of any Senior Obligations issued in exchange therefor or in lieu thereof (whether or not such subsequent Secured Owner has notice thereof), unless such consent is revoked in writing by the Secured Owner giving such consent or a subsequent Secured Owner of such Senior Obligation by filing such revocation in accordance with Section 604.

Notwithstanding anything else herein, the Commission may determine in each Supplemental Resolution the treatment and identity of who may act as a Secured Owner and other matters relating to such Senior Obligation, including designating any Bond Insurer or the provider under a Credit Agreement as the sole Secured Owner of such Senior Obligation. If a Supplemental Resolution is to become effective under Section 602 on the same date as the date of issuance of additional Senior Obligations, the consents of the underwriters or purchasers of such additional Senior Obligations shall be counted for purposes of Section 602 and this Section.

With respect to any amendment or supplement undertaken pursuant to Section 602, whenever at any time the Commission shall receive an instrument or instruments executed by all of the Secured Owners or the Secured Owners of a majority in principal amount of the Outstanding Senior Obligations, which instrument or instruments shall refer to the proposed amendment or supplement described in such notice and which specifically consent to and approve such amendment or supplement in substantially the form described in the notice of amendment, the Commission may adopt the amendatory or supplemental resolution in substantially the same form.

Section 604. Consent Irrevocable. Any consent given by any Secured Owner pursuant to the provisions of this Article shall be irrevocable for a period of six (6) months from the date of such consent. Such consent may be revoked at any time after the applicable period of time that a consent is irrevocable by the Secured Owner, by filing notice thereof with the Commission and any Fiscal Agent identified in the notice provided by the Commission or the Department, but such revocation shall not be effective if the owners of the requisite amount of the Outstanding Senior Obligations, prior to the attempted revocation, consented to and approved the amendment. Notwithstanding the foregoing, any consent given by a Secured Owner at the time of and in connection with the initial sale or incurrence of an issue or series of Senior Obligations by the Commission shall be irrevocable.

Section 605. Exclusion of Certain Senior Obligations for the Purpose of Consent. Senior Obligations that are to be disregarded under the definition of "Outstanding" shall not be deemed Outstanding for the purpose of consent or other action or any calculation of Outstanding Senior Obligations provided for in this Article. At the time of any consent or other action taken under this Article or elsewhere in this Master Resolution, the Commission shall furnish a certificate of a Designated Financial Officer, upon which any party may rely, describing all Senior Obligations so to be excluded.

Section 607. Amendment of Supplemental Resolutions. Each Supplemental Resolution may contain additional provisions governing the ability of the Commission to amend and supplement such Supplemental Resolution; provided, however, that no amendment may be made to any Supplemental Resolution for the purpose of granting to the Secured Owners of Outstanding Senior Obligations under such Supplemental Resolution a priority over the owners of any other Outstanding Senior Obligations, except as permitted by the terms governing such Outstanding Senior Obligations.

Section 608. Effect of Supplemental Resolutions. Upon the execution and delivery of any Supplemental Resolution under this Article, this Master Resolution shall be modified in accordance therewith, and such Supplemental Resolution shall form a part of this Master Resolution for all purposes; and every Secured Owner of any Senior Obligation theretofore or thereafter executed and delivered hereunder shall be bound thereby to the extent provided in such Supplemental Resolution.

Section 701. Successorship of Commission. In the event of the dissolution of the Commission, all of the covenants, stipulations, obligations, rights and agreements contained in this Master Resolution by or on behalf of, or for the benefit of, the Commission shall bind or inure to the benefit of the successor or successors of the Commission from time to time and any officer, board, commission, authority, agency or instrumentality to whom or to which any power or duty affecting such covenants, stipulations, obligations and agreements shall be transferred by or in accordance with law. The word "Commission" as used in this Master Resolution shall include such successor or successors.

Section 703. Defeasance. The Commission may defease the provisions of this Master Resolution (and discharge its obligation to the Secured Owners of any or all of the Senior Obligations to pay the principal of, premium, if any, and interest thereon) in the manner provided in the Supplemental Resolution authorizing the issuance, execution and delivery of such Senior Obligations.

Excerpted Provisions of the Ninth Supplemental Resolution

Section 201. Issuance of First Tier Senior Obligations.

(b) Bonds Are First Tier Senior Obligations. The Bonds are First Tier Senior Obligations under the Master Resolution.

Section 202. Supplemental Resolution to Constitute a Contract; Equal Security. In consideration of the acceptance of the Bonds, including Purchased Bonds, by those who shall hold the same from time to time, this Supplemental Resolution shall be deemed to be and shall constitute a contract between the Commission and the Owners from time to time of the Bonds, and the pledge made in this Supplemental Resolution by the Commission and the covenants and agreements set forth in this Supplemental Resolution to be performed by the Commission shall be for the equal and proportionate benefit, security, and protection of all Owners from time to time of the Bonds, without preference, priority, or distinction as to security or otherwise of any of the Bonds authorized hereunder over any of the other Bonds by reason of time of issuance, sale, or maturity thereof or otherwise for any cause whatsoever, except as expressly provided in or permitted by this Supplemental Resolution and the Master Resolution.

Section 301. Amount, Purpose and Designation of the Bonds.

(a) Authorized. Pursuant to the Master Resolution and the Acts, Senior Obligations are hereby authorized to be issued, from time to time, in one or more series or installments (the "Refunding Bonds") pursuant to this Supplemental Resolution in the maximum aggregate principal amount of not to exceed \$2,306,780,000 for the following purposes: (i) to refund Refunded Obligations; and (ii) to pay the cost or expense of the issuance of Bonds and refunding Refunded Obligations; provided, however, that (excluding any Variable Rate Refundable Senior Obligations) the refunding must produce (1) positive gross debt service savings, net of any Commission contribution to the refunding, and (2) net present value debt service savings on the Annual Debt Service Requirements of the Refunded Obligations of not less than three percent (3%) of the principal amount of the Refunded Obligations, as shown by a table of calculations attached to the Award Certificate for the Refunding Bonds.

In addition, without regard to a determination that such refunding will produce positive gross or present value savings, Refunding Bonds may be issued to provide long-term fixed rate financing for Variable Rate Refundable Senior Obligations (or any portion thereof), to provide alternative variable rate financing for Variable Rate Refundable Senior Obligations (or any portion thereof), or for any combination of the purposes described in this subsection. The Commission has determined that the issuance of Refunding Bonds for the purposes contemplated by this paragraph is in the best interests of the Commission and the State and, because the actual debt service on variable rate obligations cannot be determined prior to final maturity, the refunding of any Variable Rate Refundable Senior Obligations will be effected in a manner that makes it impractical to make the determination required by Section 1207.008(a)(2), Texas Government Code, as amended.

Section 302. Date, Denominations, Numbers, Maturities and Terms of Bonds.

(e) Rights of Bond Insurer(s). As long as a Bond Insurer is not in default on the related bond insurance policy for any series or installment of Bonds, the Award Certificate may provide that the Bond Insurer shall be deemed to be the sole Owner of such Bonds insured by it for all purposes of this Supplemental Resolution or the Master Resolution.

Section 305. Redemption. Bonds may be subject to redemption prior to their scheduled maturity at such times and with such provisions as provided in an Award Certificate and, with respect to Variable Rate Bonds, as provided in Exhibit D. To the extent of any conflict between any provision of the Award Certificate and the provisions of Exhibit D (including provisions for redemption), the provisions of the Award Certificate shall prevail with respect to Variable Rate Bonds.

Section 308. Purchase in Lieu of Redemption. Notwithstanding anything in this Supplemental Resolution to the contrary, if and to the extent that the Bonds are subject to optional redemption, all or a portion of the Bonds to be redeemed as specified in the notice of redemption, may be purchased by the Paying Agent/Registrar at the direction of a Department Representative on the date which would be the redemption date if such Bonds were redeemed rather than purchased in lieu thereof at a purchase price equal to the redemption price which would have been applicable to such Bonds on the redemption date for the account of and at the direction of a Department Representative who shall give the Paying Agent/Registrar notice at least forty-five (45) days prior to the scheduled redemption date for the Bonds accompanied by a Favorable Opinion of Bond Counsel. In the event the Paying Agent/Registrar is so directed to purchase Bonds in lieu of optional redemption, no notice to the Owners of the Bonds to be so purchased (other than the notice of redemption otherwise required hereunder) shall be required, and the Paying Agent/Registrar shall be authorized to apply to such purchase the funds which would have been used to pay the redemption price for such Bonds if such Bonds had been redeemed rather than purchased. Each Bond so purchased shall not be canceled or discharged and shall be registered in the name of the Commission and such purchase is not intended to extinguish or merge such debt. The Bonds to be purchased under this Section 308 which are not delivered to the Paying Agent/Registrar on the purchase date shall be deemed to have been so purchased and not optionally redeemed on the purchase date and shall cease to accrue interest as to the former Owner on the purchase date.

Section 401. Disposition of Proceeds. The net proceeds of each series or installment of Bonds shall be applied, at the direction of a Department Representative, for the following purposes:

(a) to the payment of any underwriting discount and any Credit Agreement fees, either by retention and/or wire transfer directly to such parties; and

(b) for deposit (together with other lawfully available funds) into such fund(s) or account(s) as shall be directed in the Award Certificate for such Bonds.

Section 402. Payments. On or before each Payment Date for the Bonds while any such Bonds are outstanding and unpaid, commencing on the Payment Date next preceding the first Interest Payment Date for the Bonds, as provided in the Award Certificate, the Commission shall make available from the Pledged Revenues to the Paying Agent/Registrar, money sufficient to pay such interest on and such principal of the Bonds, including Purchased Bonds, as will accrue or mature, or be subject to mandatory redemption prior to maturity, on each Principal Payment Date and Interest Payment Date. The Paying Agent/Registrar shall cancel all paid Bonds and shall furnish the Commission with an appropriate certificate of cancellation.

Section 601. Amendments or Modifications Without Consent of Owners of Bonds. Subject to the provisions of the Master Resolution, this Supplemental Resolution and the rights and obligations of the Commission and of the Owners of the Outstanding Bonds, including Purchased Bonds, may be modified or amended at any time without notice to or the consent of any Owner of Bonds or any other Senior Obligation, solely for any one or more of the following purposes:

(a) To add to the covenants and agreements of the Commission contained in this Supplemental Resolution, other covenants and agreements thereafter to be observed, or to surrender any right or power reserved to or conferred upon the Commission in this Supplemental Resolution;

(b) To cure any ambiguity or inconsistency, or to cure or correct any defective provisions contained in this Supplemental Resolution, upon receipt by the Commission of an Opinion of Counsel, that the same is needed for such purpose, and will more clearly express the intent of this Supplemental Resolution;

(c) To supplement the security for the Bonds;

(d) To make such other changes in the provisions hereof, as the Commission may deem necessary or desirable and which shall not, in the judgment of the Commission, materially adversely affect the interests of the Owners of the Outstanding Bonds;

(e) To make any changes or amendments requested by the State Attorney General's Office or the State Bond Review Board as a condition to the approval of the Bonds, which changes or amendments do not, in the judgment of the Commission, materially adversely affect the interests of the Owners of the Outstanding Bonds;

(f) To make any changes or amendments requested by any bond rating agency then rating or requested to rate the Bonds, as a condition to the issuance or maintenance of a rating, which changes or amendments do not, in the judgment of the Commission, materially adversely affect the interests of the Owners of the Outstanding Bonds; or

(g) To make any changes or amendments that take effect after a mandatory tender of Variable Rate Bonds if there is delivered to the Commission a Favorable Opinion of Bond Counsel.

Section 602. Amendments or Modifications With Consent of Owners of Bonds.

(a) Amendments. Subject to the other provisions of this Supplemental Resolution and the Master Resolution, the Owners of Outstanding Bonds aggregating a majority in Outstanding Principal Amount shall have the right from time to time to approve any amendment, other than amendments described in Section 601 hereof, to this Supplemental Resolution that may be deemed necessary or desirable by the Commission, provided, however, that nothing herein contained shall permit or be construed to permit, without the approval of the Owners of all of the Outstanding Bonds, the amendment of the terms and conditions in this Supplemental Resolution or in the Bonds so as to:

(i) Make any change in the maturity of the Outstanding Bonds;

(ii) Reduce the rate of interest borne by Outstanding Bonds;

(iii) Reduce the amount of the principal payable on Outstanding Bonds;

(iv) Modify the terms of payment of principal of or interest on the Outstanding Bonds, or impose any conditions with respect to such payment;

(v) Affect the rights of the Owners of less than all Bonds then Outstanding; or

(vi) Change the minimum percentage of the Outstanding Principal Amount of Bonds necessary for consent to such amendment.

(b) Notice. If at any time the Commission shall desire to amend this Supplemental Resolution pursuant to Subsection (a), the Commission shall cause notice of the proposed amendment to be published in a financial newspaper or journal of general circulation in the City of New York, New York (including, but not limited to, The Bond Buyer or The Wall Street Journal) or in the State (including, but not limited to, The Texas Bond Reporter), once during each calendar week for at least two successive calendar weeks or disseminated by electronic means customarily used to convey notices of redemption. Such notice shall briefly set forth the nature of the proposed amendment and shall state that a copy thereof is on file at the principal office of the Paying Agent/Registrar for inspection by all Owners of Bonds. Such publication is not required, however, if the Commission gives or causes to be given such notice in writing to each Owner of Bonds. A copy of such notice shall be provided in writing to each national rating agency maintaining a rating on the Bonds.

(c) Receipt of Consents. Whenever at any time the Commission shall receive an instrument or instruments executed by all of the Owners or the Owners of Outstanding Bonds aggregating a majority in Outstanding Principal Amount, as appropriate, which instrument or instruments shall refer to the proposed amendment described in said notice and which

consent to and approve such amendment in substantially the form of the copy thereof on file as aforesaid, the Commission may adopt the amendatory resolution in substantially the same form.

(d) Consent Irrevocable. Any consent given by any Owner pursuant to the provisions of this Section shall be irrevocable for a period of six (6) months from the date of the first publication or other service of the notice provided for in this Section, and shall be conclusive and binding upon all future Owners of the same Bond during such period. Such consent may be revoked at any time after six (6) months from the date of the first publication of such notice by the Owner who gave such consent, or by a successor in title, by filing notice thereof with the Paying Agent/Registrar and the Commission, but such revocation shall not be effective if the Owners of Outstanding Bonds aggregating a majority in Outstanding Principal Amount prior to the attempted revocation consented to and approved the amendment. Notwithstanding the foregoing, any consent given at the time of and in connection with the initial purchase of Bonds shall be irrevocable.

(e) Ownership. For the purpose of this Section, the ownership and other matters relating to all Bonds registered as to ownership shall be determined from the Security Register kept by the Paying Agent/Registrar therefor. The Paying Agent/Registrar may conclusively assume that such ownership continues until written notice to the contrary is served upon the Paying Agent/Registrar.

Section 603. Consent of Owners. Any consent required by Section 602 shall be deemed given:

(a) By all Owners of Outstanding Bonds if a Credit Agreement (which guarantees the timely payment of principal and interest on such Bonds) is in effect, the provider of such Credit Agreement is not in default thereunder, and the provider of such Credit Agreement has given its written consent to the amendments;

(b) By all Owners of Outstanding Bonds if the Bonds are remarketed following a mandatory tender of all Bonds and the substance of such amendment has been disclosed to the market in connection with such remarketing;

(c) By any Owner upon receipt of such Owner's written consent (signed by such Owner or his duly authorized attorney) in a form that is substantially similar to concurrent written consents provided by other Owners. Proof of the execution of any such consent or of the writing appointing any such attorney and of the ownership of Bonds, if made in the following manner, shall be sufficient for any of the purposes of this Supplemental Resolution, and shall be conclusive in favor of the Commission with regard to any action taken, suffered or omitted to be taken by the Commission under such instrument, namely:

- (i) the fact and date of the execution by any person of any such writing may be proved by the certificate of any officer in any jurisdiction who by law has power to take acknowledgments within such jurisdiction that the person signing such writing acknowledged before him the execution thereof, or by affidavit of any witness to such execution; and
- (ii) the fact of the ownership by any person of any Bond and the date of the ownership of same may be proved by a certificate executed by an appropriate officer of the Paying Agent/Registrar, stating that at the date thereof such Bond was registered in the name of such party in the Security Register.

In lieu of the foregoing the Commission may accept such other proofs of the foregoing as it shall deem appropriate.

Consents obtained pursuant to this subsection (c) shall be valid only if given following (i) the publication of notice pursuant to Section 602(b) or (ii) the mailing of notice by or on behalf of the Commission requesting such consent and setting forth the substance of the amendment of this Supplemental Resolution in respect of which such consent is sought and stating that copies thereof are available at the offices of the Department for inspection. Such notice shall be mailed by certified mail to each Owner of the Bonds affected at the address shown on the Security Register.

Section 604. Effect of Amendments. Upon the adoption by the Commission of any resolution to amend this Supplemental Resolution pursuant to the provisions of this Article, this Supplemental Resolution shall be deemed to be amended in accordance with the amendatory order or resolution, and the respective rights, duties, and obligations of the Commission and all the Owners of Outstanding Bonds shall thereafter be determined, exercised, and enforced under the Master Resolution and this Supplemental Resolution, as amended.

Section 702. Defeasance of Bonds.

(a) Deemed Paid. Except as otherwise provided in the Award Certificate therefor, the principal of and/or the interest and redemption premium, if any, on any Bonds (and the Maturity Amount of Capital Appreciation Bonds) shall be deemed to be a Defeased Obligation within the meaning of the Master Resolution, except to the extent provided in subsections (c) and (e) of this Section, when payment of the principal of such Bonds, plus interest thereon to the due date or dates (whether such due date or dates be by reason of maturity, upon redemption, or otherwise) either (i) shall have been made or caused to be made in accordance with the terms thereof (including the giving of any required notice of redemption or the establishment of irrevocable provisions for the giving of such notice) or (ii) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent/Registrar for such Bonds or an eligible trust company or commercial bank for such payment (1) lawful money of the United States of America sufficient to make such payment, (2) Defeasance Securities, certified by an independent public accounting firm of national reputation to mature as to principal and interest in such amounts and at such times as will ensure the availability, without reinvestment, of sufficient money to provide for such payment and when proper arrangements have been made by the Commission with the Paying Agent/Registrar for such Bonds or an eligible trust company or commercial bank for the payment of its services until all Defeased Obligations shall have become due and payable or (3) any combination of (1) and (2). At such time as Bonds shall be deemed to be a Defeased Obligation hereunder, as aforesaid, such Bonds and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of the Pledged Revenues as provided in the Master Resolution and this Supplemental Resolution, and such principal and interest shall be payable solely from such money or Defeasance Securities.

(b) Investments. The deposit under clause (ii) of subsection (a) of this Section shall be deemed a payment of Bonds as aforesaid when proper notice of redemption of such Bonds shall have been given or upon the establishment of irrevocable provisions for the giving of such notice, in accordance with the Master Resolution and this Supplemental Resolution. Any money so deposited with the Paying Agent/Registrar for such Bonds or an eligible trust company or commercial bank as provided in this Section may at the discretion of the Commission also be invested in Defeasance Securities, maturing in the amounts and at the times as hereinbefore set forth, and all income from all Defeasance Securities in possession of the Paying Agent/Registrar for such Bonds or an eligible trust company or commercial bank pursuant to this Section which is not required for the payment of such Bonds and premium, if any, and interest thereon with respect to which such money has been so deposited, shall be remitted to the Commission.

(c) Continuing Duty of Paying Agent/Registrar. Notwithstanding any provision of any other Section of this Supplemental Resolution which may be contrary to the provisions of this Section, all money or Defeasance Securities set aside and held in trust pursuant to the provisions of this Section for the payment of principal of Bonds and premium, if any, and interest thereon, shall be applied to and used solely for the payment of the particular Bonds and premium, if any, and interest thereon, with respect to which such money or Defeasance Securities have been so set aside in trust. Until all Defeased Obligations shall have become due and payable, the Paying Agent/Registrar for such Defeased Obligations shall perform the services of Paying Agent/Registrar for such Defeased Obligations the same as if they had not been defeased, and the Commission shall make proper arrangements to provide and pay for such services as required by this Supplemental Resolution.

(d) Amendment of this Section. Notwithstanding anything elsewhere in this Supplemental Resolution, if money or Defeasance Securities have been deposited or set aside with the Paying Agent/Registrar for such Bonds or an eligible trust company or commercial bank pursuant to this Section for the payment of Bonds and such Bonds shall not have in fact been actually paid in full, no amendment of the provisions of this Section shall be made without the consent of the registered owner of each Bonds affected thereby.

(e) Retention of Rights. Notwithstanding the provisions of subsection (a) of this Section, to the extent that, upon the defeasance of any Defeased Obligations to be paid at its maturity, the Commission retains the right under State law to later call such Defeased Obligations for redemption in accordance with the provisions of this Supplemental Resolution and the Award Certificate relating to the Defeased Obligations, the Commission may call such Defeased Obligations for redemption upon complying with the provisions of State law and upon the satisfaction of the provisions of subsection (a) of this Section with respect to such Defeased Obligations as though they were being defeased at the time of the exercise of the option to redeem the Defeased Obligations and the effect of the redemption is taken into account in determining the sufficiency of the provisions made for the payment of the Defeased Obligations.

Section 710. Credit Agreements. Pursuant to authority conferred by Chapter 1371, the Commission may enter into one or more Credit Agreements in connection with the Bonds (whether prior to or concurrently with the issuance of

Bonds, or thereafter). In connection with the issuance of Variable Rate Bonds, the Department Representative, acting for and on behalf of the Commission, is authorized to execute and deliver one or more Credit Agreements pursuant to Exhibit D.

The Costs of Credit Agreements shall be paid out of Pledged Revenues, and the Commission's obligation to pay such Costs may constitute First Tier Senior Obligations under the Master Resolution, except to the extent that the Credit Agreement provides that an obligation of the Commission thereunder shall be payable from and secured by a lien on Pledged Revenues subordinate to the lien securing the payment of the First Tier Senior Obligations. The obligations of the Commission under any such Credit Agreement that are subordinate to the lien securing the payment of First Tier Senior Obligations may, pursuant to the terms thereof, constitute, in whole or in part (i) Senior Obligations (other than First Tier Senior Obligations) or (ii) Subordinate Obligations, as provided by the Master Resolution.

Section 716. Remedies. All rights available to the Owners under the Constitution and laws of the State, by suit for mandamus or otherwise, to compel the performance of their official duties by the Commission, the Department and their officers and employees, and by other officers of the State to the end that the principal of and interest on the Bonds may be paid promptly, are hereby recognized and reserved to and for the Owners.

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APPENDIX B

**COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE TEXAS DEPARTMENT OF
TRANSPORTATION FOR FISCAL YEAR ENDED AUGUST 31, 2019**

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TEXAS DEPARTMENT OF TRANSPORTATION

Comprehensive Annual Financial Report
For The Fiscal Year Ended August 31, 2019
(With Independent Auditor's Report)



Texas Department of Transportation
Comprehensive Annual Financial Report
(With Independent Auditor's Report)
For the Fiscal Year Ended August 31, 2019

Prepared by:
Financial Management Division of the Texas Department of Transportation

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**Texas Department of Transportation
Comprehensive Annual Financial Report
For the Fiscal Year Ended August 31, 2019**

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Section One

Introductory Section

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125 EAST 11TH STREET, AUSTIN, TEXAS 78701-2483 | 512.463.8588 | WWW.TXDOT.GOV

December 17, 2019

To: The Citizens of Texas
The Honorable Greg Abbott, Governor
The Honorable Glenn Hegar, Texas Comptroller
Mr. John McGeady, Assistant Director, Legislative Budget Board
Ms. Lisa Collier, CPA, First Assistant State Auditor

I am pleased to submit the audited comprehensive annual financial report of the Texas Department of Transportation (TxDOT) for the fiscal year ended Aug. 31, 2019 in compliance with Texas Government Code Annotated, Section 2101.11, the requirements established by the Texas Comptroller of Public Accounts and the Texas Transportation Code, Chapter 201, Section 2041. The financial data of TxDOT is included in the audited State of Texas Comprehensive Annual Financial Report (CAFR) as part of the primary government.

An external audit firm, Crowe LLP, performed an independent audit, in accordance with generally accepted auditing standards, of TxDOT's basic financial statements for the year ended Aug. 31, 2019. The audit opinion is presented in this report preceding the financial statements. This report was prepared by the accounting staff in the Financial Management Division of TxDOT. TxDOT'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.

TxDOT Management is responsible for the accuracy of the data in this report as well as for the completeness and fairness of presentation. Consequently, management assumes full responsibility for the completeness and fairness of all the information presented in the financial statements. To the best of my knowledge and belief, the financial statements are accurate in all material respects, are reported in a manner that presents fairly the financial position and results of TxDOT's operations and provide disclosures that enable the reader to understand TxDOT's financial condition.

The Management's Discussion and Analysis (MD&A) provides a narrative introduction, overview and analysis of the financial activities of TxDOT. We encourage readers to consider the information in this letter of transmittal in conjunction with the MD&A.

Profile of the Government

TxDOT is an agency of the state of Texas. Headquartered in Austin, TxDOT is organized by districts and divisions.

TxDOT is led by an executive director and is governed by the five-member Texas Transportation Commission. All members of the Commission are appointed by the governor. The Commission is authorized to issue general obligation and revenue bonds per statutory and constitutional provisions.

TxDOT has the statutory responsibility to coordinate planning, development, and operation of the state's highway system and other transit services. The mission of TxDOT is: "Connecting You with Texas".

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TxDOT's goals are to deliver the right projects; focus on the customer; foster stewardship; optimize system performance; preserve our assets; promote safety; and, value our employees. TxDOT values people, accountability, trust and honesty. This report reflects the operation of TxDOT and its blended component units.

Budgetary Controls

Budgetary control is established at the appropriation level set forth by the General Appropriations Act (GAA). The GAA becomes law after passage by the Legislature, certification by the Texas Comptroller of Public Accounts that the amounts appropriated are within the estimated collections, and upon the signing of the bill by the governor. After the GAA becomes law, the appropriated budgets are entered in the Uniform Statewide Accounting System (USAS) and TxDOT's internal PeopleSoft financial system. The budgetary control ensures compliance with any legislative initiatives and/or restrictions contained in the GAA. State budgets are requested and appropriated on a biennial cycle.

State Economy

The services provided by TxDOT directly impact the state's economy. Over the long-term, the Texas economy benefits in many more ways from TxDOT's transportation network enhancements, including the positive impacts on business costs and productivity, labor market access, attractiveness to new business, residents and tourists and property values. Investments in highway maintenance and construction serve as an immediate boost to the economy through the employment of workers and the production of construction materials.

Long-Term Financial Planning

According to the state demographer, Texas population is expected to grow to approximately 47 million people by 2050. Population growth brings more congestion to urban areas, increases the stress on roads and bridges and places greater demand on rural highways to support freight movement and travel connections between farms, ranches, homes, jobs and markets.

The 10-year Unified Transportation Program (UTP), approved by the Texas Transportation Commission, was developed with extensive public input. It targets congestion in the state's most-populated areas and includes projects to better connect the major interstates in rural areas with local roads and highways. Also, in outside urban areas, the program calls for enhancing and completing interstate highways, and addressing the continuing needs within the energy sector and along hurricane evacuation routes.

Major revenue sources of the programs are as follows:

1. Approximately 33.5 percent of TxDOT's revenue comes from federal funds. TxDOT receives federal funds through the Moving Ahead for Progress in the 21st Century Act (MAP-21) which funded surface transportation projects for federal fiscal years 2013 through 2019. Congress has subsequently passed several extensions of this legislation. The Fixing America's Surface Transportation (FAST) Act (Pub. L. No. 114-94), signed into law on Dec. 4, 2015, is the first federal law in over a decade to provide long-term funding certainty for surface transportation infrastructure planning and investment.
2. Constitutionally authorized bond issuances may provide additional funding for transportation projects across the state.

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3. **Motor Fuels Tax** - The motor fuels tax includes two major types, gasoline and diesel fuel. It also includes other liquefied gases. Texas' tax rates on gasoline and diesel have remained stable at 20 cents per gallon since 1991. The federal fuel tax rates have also been stable since 1993. The federal gasoline tax rate is 18.4 cents per gallon and the diesel tax 24.4 cents per gallon. Three-quarters of the state's motor fuels tax revenue is allocated to the State Highway Fund (SHF). In Texas and many other states, motor fuels tax collections have begun to fall behind in their ability to meet the ever-rising cost of the transportation projects they support. In Texas, voters have recently approved measures to supplement road funding by drawing revenues from oil and gas production taxes, the general sales tax and the sales tax on motor vehicles and rentals as explained in Proposition 1 and Proposition 7 below.
4. **Proposition 1** - Funds are derived from a portion of oil and gas production taxes that voters approved in fiscal 2014. Pursuant to Section 49-g (c), Article III, Texas Constitution, the funds may be used for "constructing, maintaining, and acquiring rights-of-way for public roadways other than toll roads." Proposition 1 funds are annually received by TxDOT in November. TxDOT received \$1.4 billion in November 2018 (fiscal 2019) and \$1.7 billion in November 2019 (fiscal 2020).

The expiration date of Proposition 1 fund transfers to the State Highway Fund was extended from Dec. 31, 2024, to Dec. 31, 2034, according to Senate Bill (SB) 69 and SB 962 from the 86th Legislature in 2019. Significant changes were made in these bills to the determination of the Economic Stabilization Fund minimum balance, which triggers the transfer of Proposition 1 funds to the State Highway Fund.

5. **Proposition 7** - On Nov. 3, 2015, Texas voters approved the ballot measure known as Proposition 7 (Prop 7) that dedicates a portion of the revenue from the state sales and use tax and motor vehicle sales and rental tax to the SHF. Proposition 7 funds are deposited into the SHF pursuant to Section 7-c, Article VIII, Texas Constitution.

Under the amendment there are two parts of Prop 7.

- Beginning in fiscal 2018, if the state sales tax revenue exceeds \$28 billion in a fiscal year, the next \$2.5 billion will be directed to the SHF. This general sales tax provision expires at the end of fiscal 2032. TxDOT received \$53.9 million for the Proposition 7 fund in Jul. 2019 and \$2.4 billion in August 2019 for a total of \$2.5 billion.
- Beginning in fiscal 2020, if the state motor vehicle sales and rental tax revenue exceeds \$5.0 billion in a fiscal year, 35 percent of the amount above \$5.0 billion will be directed to the SHF. This motor vehicle sales and rental taxes tax provision expires at the end of fiscal 2029, unless future legislatures vote to extend them. The Texas Comptroller of Public Accounts projects that the threshold will be met for the first time in fiscal 2020 and that \$35 million will be transferred to the SHF from motor vehicle sales tax collections in the 2020-21 biennium.

Major Initiatives

1. Funding Key Priorities - UTP

The Texas Transportation Commission approved TxDOT's Unified Transportation Program (UTP) for 2020 that includes more than \$77 billion dedicated to improving safety, addressing congestion and connectivity, and preserving roadways for Texas drivers. The document covers a 10-year period and commits \$28 billion to address congestion in the state's most populated and congested cities.

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2. Road to Zero

Safety on our state's transportation infrastructure is job no. 1 at TxDOT. Despite the department's efforts to build and maintain the safest roads and educate Texans on safe driving behaviors, traffic fatalities continue to occur. For nearly the past two decades, at least one person has died on our roadways every day, and in 2018, more than 3,600 people died in traffic crashes. To emphasize the department's commitment that one traffic fatality is too many, the Transportation Commission has set a goal of zero crash fatalities by 2050, with a starting goal of cutting fatalities in half by 2035. TxDOT has allocated an additional \$600 million over the next two fiscal years toward roadway safety improvements. TxDOT will continue investing in the best engineering practices to make roads safer, address safety education, and assist in enforcement and safety awareness programs like Talk. Text. Crash and Click It or Ticket.

3. Texas Clear Lanes

The Texas Transportation Commission continues to address traffic congestion in our state through its Texas Clear Lanes (TCL) effort which targets congested corridors in Austin, Dallas, Fort Worth, Houston and San Antonio, the state's most populated regions. Led by Commission Chairman J. Bruce Bugg, Jr., TCL was created in response to a directive by Gov. Greg Abbott to the Commission to identify and address the state's most congested chokepoints. In the department's 10-year transportation improvement plan called the Unified Transportation Program, \$28 billion has been allocated to address the state's most critical congestion needs.

4. Innovation and Cost-Efficiency Suggestions Program

The department created the program, with the goal of realizing millions in savings and efficiencies. The program allows employees and the public to submit cost-saving suggestions. Thus far, more than 300 suggestions have been received. They have included larger-scale initiatives that reduce the time and costs associated with utility relocation during project construction, to more smaller efforts that reduce in-house printing costs. Other cost-saving and efficiency submissions are under consideration for future implementation. Suggestions are posted each quarter on the external TxDOT website for public voting and then consideration for implementation.

5. Austin Campus Consolidation

The consolidation of five Austin TxDOT campuses is set to begin as the department moves, together in a workplace that fosters collaboration and efficiency. The new campus is expected to bring workforce together in 2022 and will sit on 49 acres at East Stassney Lane and Burleson Road in Southeast Austin. A key design element includes workspaces that promote job efficiency and focus on employee overall wellbeing.

Acknowledgements

The preparation of the report requires the efforts of individuals throughout TxDOT, including the dedicated efforts of the management and staff of the TxDOT Financial Reports Section and Financial Management Division. I sincerely appreciate the efforts of all these individuals who continue to help make TxDOT a leader in quality financial reporting.

Sincerely,

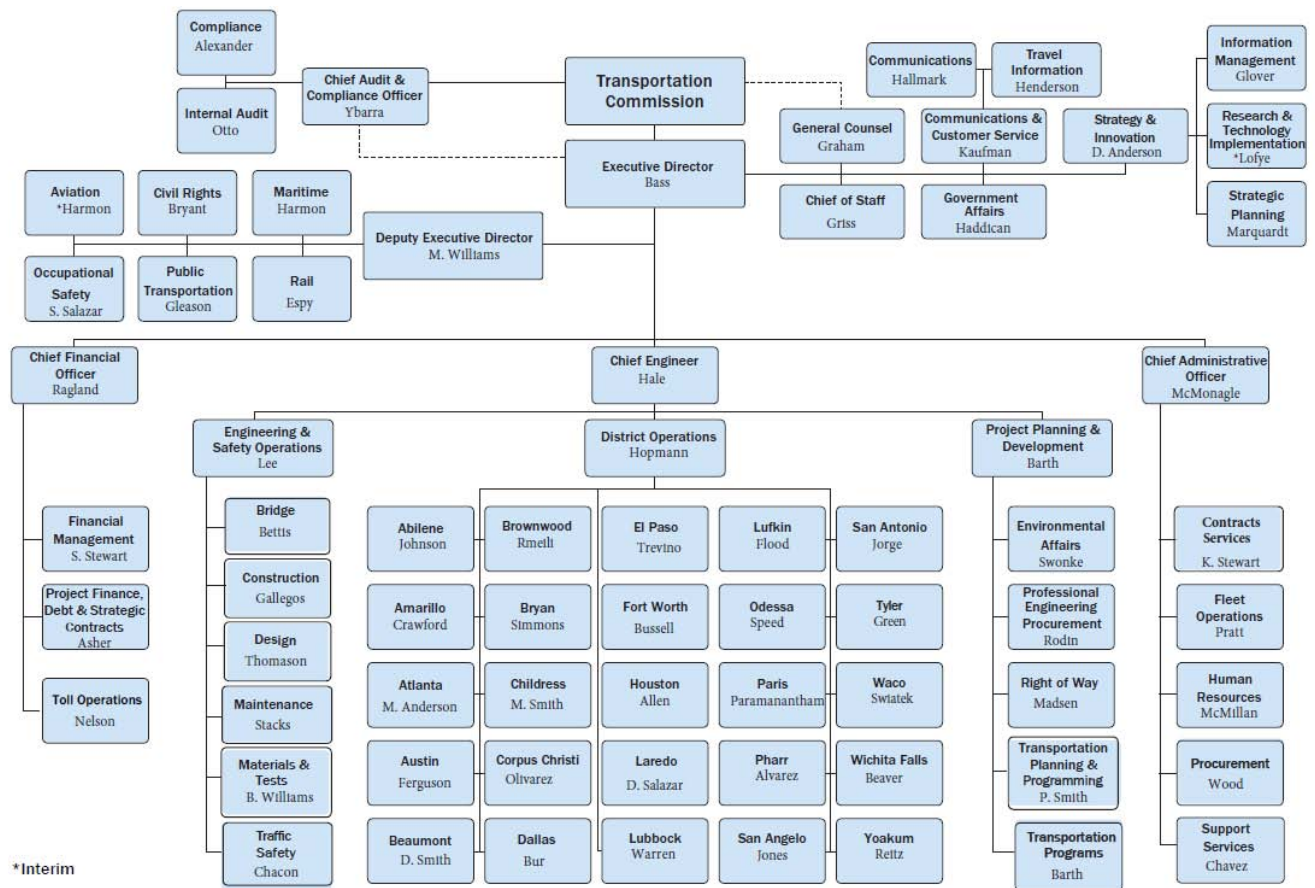


OUR VALUES: People • Accountability • Trust • Honesty
OUR MISSION: Connecting You With Texas

An Equal Opportunity Employer

Texas Department of Transportation

Organization Chart as of August 31, 2019



**Commission and Key Personnel
as of August 31, 2019**

TEXAS TRANSPORTATION COMMISSION

J. BRUCE BUGG, JRChairman
San Antonio

W. ALVIN NEWCommissioner
San Angelo

LAURA RYANCommissioner
Houston

VICTOR VANDERGRIFF*Commissioner
Arlington

ROBERT C. VAUGHNCommissioner
Dallas

TEXAS DEPARTMENT OF TRANSPORTATION

JAMES M. BASS Executive Director

MARC D. WILLIAMS Deputy Executive Director

MARY A. GRISSChief of Staff

BRIAN D. RAGLAND Chief Financial Officer

BENITO YBARRA Chief Audit and Compliance Officer

WILLIAM L. HALE Chief Engineer

RICHARD C. MCMONAGLE Chief Administrative Officer

ROBERT S. KAUFMAN Director of Communications and Customer Service

JEFFREY M. GRAHAMGeneral Counsel

GERARD J. HADDICAN IIDirector of Government Affairs

DARRAN T. ANDERSON Director of Strategy and Innovation

*Resigned

Section Two

Financial Section

INDEPENDENT AUDITOR'S REPORT

*Members of the Texas Transportation Commission
State of Texas*

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Texas Department of Transportation (TxDOT), an agency of the State of Texas (State), as of and for the year ended August 31, 2019, and the related notes to the financial statements, which collectively comprise TxDOT's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of TxDOT, as of August 31, 2019, 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.

Emphasis of Matter

As discussed in Note 1, the financial statements of TxDOT are intended to present the financial position, the changes in financial position and, where applicable, cash flows of only that portion of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the State that is attributable to the transactions of TxDOT. They do not purport to, and do not, present fairly the financial position of the State as of August 31, 2019, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis, Budgetary Comparison Schedule, Schedules of Net Pension Liability and Schedules of Net OPEB Liability* on pages 12-20, 97-99, 100-101 and 102-103, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the TxDOT's basic financial statements. The combining financial statements, the statistical section, the bond schedules and the other information, such as the introductory section, Schedule 1A, 1B and Schedule 3 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining financial statements and the supplementary bond schedules, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 auditing standards generally accepted in the United States of America. In our opinion, the combining financial statements, and supplementary bond schedules, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section, the statistical section, Schedule 1A, 1B and Schedule 3 have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2019 on our consideration of the TxDOT'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 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 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 TxDOT's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Crowe LLP". The signature is stylized, with the "C" being large and looping, and the "LLP" being written in a more straightforward, slightly slanted font.

Crowe LLP

Dallas, Texas
December 17, 2019

Section Two (Continued)

Management's Discussion and Analysis
(Unaudited)

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Texas Department of Transportation (TxDOT) annual financial statements presents our discussion and analysis of TxDOT's financial performance during the fiscal year ended Aug. 31, 2019. Use this section in conjunction with the TxDOT's basic financial statements.

Overview of Financial Statements

The financial section of this comprehensive annual financial report consists of four parts: (1) management's discussion and analysis (MD&A), (2) basic financial statements and related notes, (3) required supplementary information other than MD&A, and (4) other supplementary information presenting combining statements. The report also includes TxDOT's schedule of expenditures of federal awards, bond schedules and matrix of expenditures reported by function for governmental funds.

TxDOT's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) applied to governmental units. The basic financial statements include government-wide financial statements, fund financial statements and notes to financial statements that provide more detailed information to supplement the basic financial statements.

Reporting on TxDOT as a Whole

The government-wide financial statements are designed to present an overall picture of the financial position of TxDOT. 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 TxDOT's current financial resources with capital assets and long-term obligations. This statement includes all of TxDOT's assets and liabilities. Net position is the difference between TxDOT's total assets, and deferred outflows of resources, total liabilities and deferred inflows of resources. Net position represents one measure of TxDOT's financial health.

The statement of activities focuses on both the gross and net cost of various activities (governmental and business-type); these costs are paid by general taxes 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 statement of net position and the statement of activities divide TxDOT's activities into two types.

- *Governmental Activities:* TxDOT's basic services are reported here including the activity of all the governmental funds.
- *Business-Type Activities:* The financial activity associated with the Central Texas Turnpike System (CTTS) and Grand Parkway Transportation Corporation (GPTC) as major funds, and SH 249 System as a non-major fund, is reported here.

Reporting on TxDOT's Most Significant Funds

Fund financial statements present financial information with a focus on the most significant funds. Use these statements to find more detailed information about TxDOT's most significant activities. A fund is a separate accounting entity with a self-balancing set of accounts. TxDOT uses funds to keep track of sources of funding and spending related to specific activities.

Governmental Funds

A majority of TxDOT's activities are reported in governmental funds. Reporting of these funds focuses on how money flows into and out of the funds, and amounts remaining at 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 statements provide a detailed short-term view of TxDOT's general governmental operations and the basic services it provides. This information should be helpful to determine whether there are more or less resources available for TxDOT's programs. The reconciliation following the fund financial statements explains the differences between the government's activities, reported in the government-wide statement of net position and government-wide statement of activities, and the governmental funds. The State Highway Fund, Texas Mobility Fund, Proposition 12 Highway Improvement Fund and Local Government Political Subdivision Road/Airport Fund are reported as major funds.

Proprietary Funds

When TxDOT 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 CTTS, GPTC and SH 249 System funds are TxDOT's only proprietary funds.

Reporting on TxDOT's Fiduciary Responsibilities

All fiduciary activities are reported in separate statements of fiduciary net position and schedule of changes in agency fund assets and liabilities. The activities are reported separately from other financial activities because TxDOT cannot use these assets to finance operations and is holding these funds in a purely custodial capacity.

Financial Analysis of TxDOT as a Whole

Net Position

Assets – TxDOT's total assets increased by \$7.9 billion during the current fiscal year to \$133.5 billion. The majority of increase in assets other than capital assets was due to the receipt of \$2.5 billion Proposition 7 funding. Capital assets increased by \$5.7 billion during the current fiscal year. Construction in progress and infrastructure accounted for most of these additions. See the capital assets section of this management's discussion and analysis for more information on the accounting treatment of capital assets.

Liabilities – TxDOT's total liabilities decreased by \$1.6 billion during the current fiscal year to \$30.8 billion. The majority of this change is due to decrease in the recognition of TxDOT's share of the state's other post-employment (OPEB) obligation, from \$3.8 billion in fiscal 2018 to \$2.2 billion in fiscal 2019.

Deferred Inflow – TxDOT's total deferred inflow of resources increased by \$986 million during the current fiscal year to \$13.5 billion. The increase is due to an increase of \$1.1 billion of other postemployment benefits, from \$840.1 million in fiscal 2018 to \$1.9 billion in fiscal 2019, net of other activity.

Net Position – Approximately \$86.1 billion of the total net position is reported as Net Investment in Capital Assets. Although reported net of related debt and deferred inflow of resources, capital assets themselves cannot be used to liquidate liabilities.

Statement of Net Position						
August 31, 2019 and 2018 (Amounts in Thousands)						
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
ASSETS						
Assets Other Than Capital Assets	\$ 12,506,494	\$ 10,478,628	\$ 5,575,360	\$ 5,364,398	\$ 18,081,854	\$ 15,843,026
Capital Assets	112,543,002	107,193,998	2,901,817	2,596,517	115,444,819	109,790,515
Total Assets	125,049,496	117,672,626	8,477,177	7,960,915	133,526,673	125,633,541
DEFERRED OUTFLOW OF RESOURCES	605,772	678,255	26,264	28,183	632,036	706,438
LIABILITIES						
Current Liabilities	3,351,694	2,922,623	206,570	167,203	3,558,264	3,089,826
Non-current Liabilities	19,348,118	21,692,210	7,907,703	7,612,159	27,255,821	29,304,369
Total Liabilities	22,699,812	24,614,833	8,114,273	7,779,362	30,814,085	32,394,195
DEFERRED INFLOW OF RESOURCES	13,465,489	12,479,450	0	0	13,465,489	12,479,450
NET POSITION						
Net Investment in Capital Assets	85,380,634	79,965,817	769,538	557,881	86,150,172	80,523,698
Restricted	7,963,736	5,551,531	379,069	343,966	8,342,805	5,895,497
Unrestricted	(3,854,403)	(4,260,750)	(759,439)	(692,111)	(4,613,842)	(4,952,861)
Total Net Position	\$ 89,489,967	\$ 81,256,598	\$ 389,168	\$ 209,736	\$ 89,879,135	\$ 81,466,334

Changes in Net Position

Increases and decreases in the net position measures whether TxDOT's financial position is improving or deteriorating over time.

TxDOT earned program revenues of \$6.3 billion and general revenues of \$7.2 billion, for total revenues of \$13.5 billion. The expenses of TxDOT were \$6.6 billion. As a result of revenues exceeding expenses, the total net position increased to \$89.9 billion in fiscal 2019 from \$81.5 billion in fiscal 2018. Revenues and expenses of TxDOT's governmental and business-type activities are detailed below.

Governmental Activities

The net position of governmental activities increased by \$8.2 billion, or 10.1 percent, from fiscal 2018. The total revenues of \$13.0 billion were primarily due to the receipt and accrual of additional tax revenues related to Proposition 1 and Proposition 7 funding.

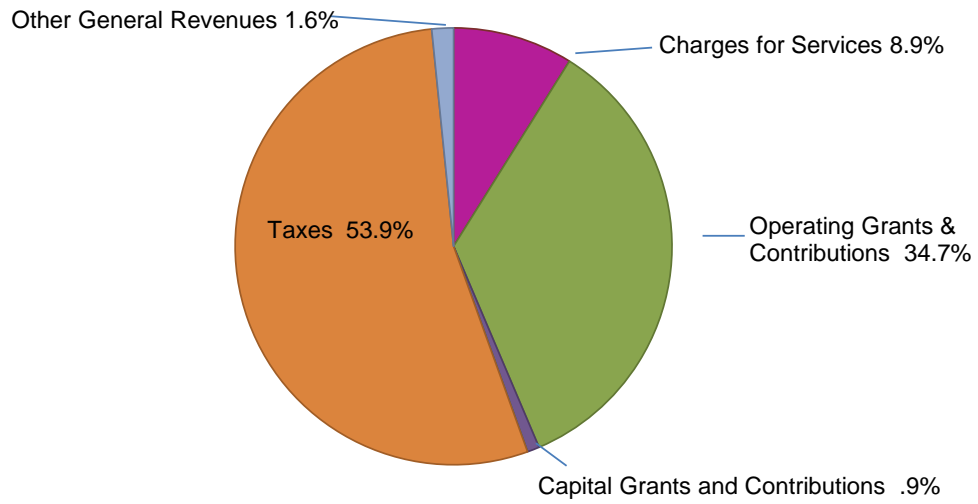
Business-Type Activities

In fiscal 2019 the net position of business-type activities increased by a total of \$179.4 million, or 85.6 percent from fiscal 2018. The change in net position increased by \$219.7 million, 545.6 percent increase over fiscal 2018. Total revenues increased \$118.3 million or 27.8 percent, from \$425.0 million in fiscal 2018 to \$543.3 million in fiscal 2019. The increase of revenue was due to an increase in toll revenue (net of allowance) and interest and investment income. Total expense increased by \$67.8 million or 13.8 percent, from \$491.2 million in fiscal 2018 to \$559.0 million in fiscal 2019. The increase of expense was due to implementation of GASB 89. In addition, a new non-major fund, SH 249 System, was added to the business-type activities. SH 249 System received a capital contribution of \$11.9 million from a local entity and capital assets transfer of \$191.0 million from Governmental Activities.

Changes in Net Position						
For the Fiscal Years Ended August 31, 2019 and 2018 (Amounts in Thousands)						
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
REVENUES						
Program Revenues:						
Charges for Services	\$ 1,147,833	\$ 1,277,188	\$ 454,697	\$ 396,693	\$ 1,602,530	\$ 1,673,881
Operating Grants and Contributions	4,483,569	3,972,285	76,727	23,169	4,560,296	3,995,454
Capital Grants and Contributions	117,128	61,896	11,879		129,007	61,896
Total Program Revenues	5,748,530	5,311,369	543,303	419,862	6,291,833	5,731,231
General Revenues:						
Appropriations	(454)	999			(454)	999
Taxes	6,970,591	6,589,363			6,970,591	6,589,363
Unrestricted Investment Earnings	165,860	98,852			165,860	98,852
Settlement of Claims	41,902	21,133		5,166	41,902	26,299
Gain on Sale of Capital Assets	2,264				2,264	
Other General Revenues	3,766	3,385			3,766	3,385
Total General Revenues	7,183,929	6,713,732	0	5,166	7,183,929	6,718,898
Total Revenues	12,932,459	12,025,101	543,303	425,028	13,475,762	12,450,129
EXPENSES						
Transportation	6,048,406	6,475,125	559,047	491,228	6,607,453	6,966,353
Total Expenses	6,048,406	6,475,125	559,047	491,228	6,607,453	6,966,353
Excess (Deficiency) Before Special Items and Transfers	6,884,053	5,549,976	(15,744)	(66,200)	6,868,309	5,483,776
Transfers - Internal Activities	(195,176)	(25,933)	195,176	25,933		
Transfers-Other State Agencies	1,544,492	1,496,193			1,544,492	1,496,193
Change in Net Position	8,233,369	7,020,236	179,432	(40,267)	8,412,801	6,979,969
Net Position, September 1, 2018	81,256,598	78,671,553	209,736	250,003	81,466,334	78,921,556
Restatements		(4,435,191)				(4,435,191)
Net Position, September 1, 2018, as Restated	81,256,598	74,236,362	209,736	250,003	81,466,334	74,486,365
Net Position, August 31, 2019	\$ 89,489,967	\$ 81,256,598	\$ 389,168	\$ 209,736	\$ 89,879,135	\$ 81,466,334

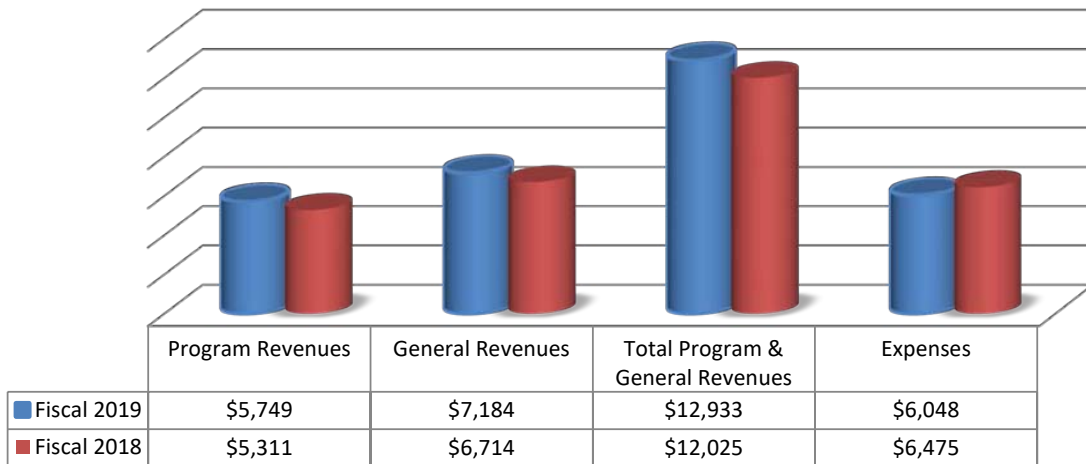
Revenues by Source: Governmental Activities

For the Fiscal Year Ended August 31, 2019



Expenses and Revenues: Governmental Activities

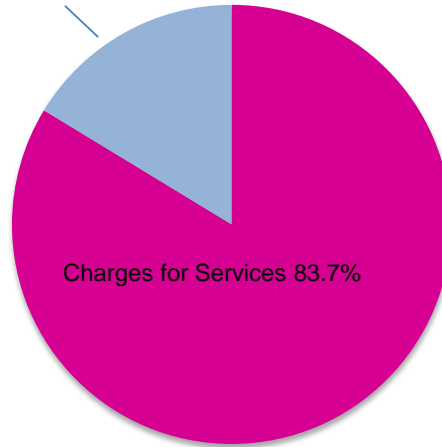
For the Fiscal Years August 31, 2019 and 2018 (in Million)



Revenues by Source: Business-Type Activities

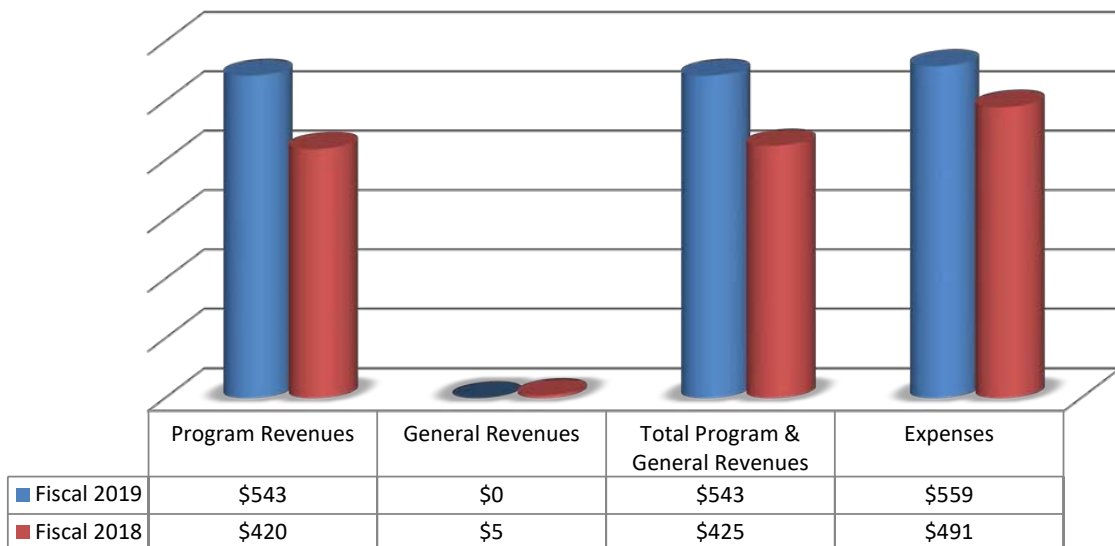
For the Fiscal Year Ended August 31, 2019

Other General Revenues 16.3%



Expenses and Revenues: Business Activities

For the Fiscal Years August 31, 2019 and 2018 (in Million)



Financial Analysis of TxDOT's Funds

Governmental Funds

The focus of TxDOT's governmental funds financial statements is to provide information on how money flows into and out of the funds, and amounts remaining at year-end for future spending. All major governmental funds are discretely presented on these financial statements, while the nonmajor governmental funds are combined into a single column. Combining statements for the nonmajor governmental funds are presented under Other Supplementary Information.

TxDOT's governmental funds reported a combined ending fund balance of \$8.2 billion on Aug. 31, 2019; this amount is mainly restricted for capital projects. Expenditures exceeded revenues by \$444.2 million. Not all expenditure activity is supported by revenues. Some project expenditures are funded by bond proceeds.

State Highway Fund

The State Highway Fund is TxDOT's main operating fund. Overall, the fund balance for the State Highway Fund on Aug. 31, 2019, was \$7.5 billion, an increase of \$1.5 billion, or 25.2 percent, from \$6.0 billion on Aug. 31, 2018. Total revenues increased by \$1.1 billion, or 11.3 percent, from \$10.2 billion in fiscal 2018 to \$11.3 billion in fiscal 2019. The significant revenue sources of \$10.9 billion included \$4.2 billion of taxes and \$6.7 billion of federal revenue. Due to an increase in capital outlay expenditures of \$1.0 billion, total expenditures increased by \$1.0 billion, to \$10.8 billion in fiscal 2019 compared to \$9.8 billion in fiscal 2018. Net change in fund balance was 1.5 billion in fiscal 2019, a decrease of 278.1 million from Fiscal 2018. The decrease in net change in fund balance was due to a decrease in other financing sources from \$1.4 billion to \$944.0 million, or decrease of 32.0 percent, from fiscal 2018.

Texas Mobility Fund

The Texas Mobility Fund operates as a revolving fund to provide a method of financing construction, reconstruction, acquisition and expansion of state highways and other transportation projects. The fund balance for the Texas Mobility Fund on Aug. 31, 2019, was \$410.6 million, a decrease of \$135.1 million, or 24.8 percent, from \$545.7 million on Aug. 31, 2018. Net change in fund balance was a negative \$135.1 million in fiscal 2019, an increase of \$229.6 million from fiscal 2018. The decrease of capital outlay of \$236.8 million, or 47.7 percent, from \$496.8 million in fiscal 2018, to \$260.0 million in fiscal 2019, accounts for the majority of the increase in net change in fund balance in fiscal 2019. A total of \$496.6 million of revenues were collected for the fund. The major revenue source was from licenses, fees, and permits, which accounted for \$464.3 million or 93.5 percent of total revenue.

Proposition 12 Highway Improvement Project Fund

The Proposition 12 Highway Improvement Project Fund receives the proceeds of general obligation bonds issued for highway improvement projects. The fund balance was \$15.5 million on Aug. 31, 2019, a decrease of \$382.9 million from Aug. 31, 2018. There was a negative net change in fund balance of \$382.9 million in fiscal 2019, a \$106.6 million decrease from fiscal 2018. Interest and investment income was the only revenue source collected for this fund. During fiscal 2019, Proposition 12 had \$389.7 million in capital outlay, an increase of \$103.6 million from fiscal 2018, which contributed to the decrease of net change in fund balance from fiscal 2018 to fiscal 2019.

Local Government Political Subdivision Road/Airport Account

The Local Government Political Subdivision Road/Airport holds contributions from counties/political subdivisions for expenditure by the commission in development/construction of public roads and airports within such counties or political subdivisions. The only revenue source for this fund was from the sales of good and services of \$226.6 million in fiscal 2019. Because all fiscal 2019's revenues were transferred out to reimburse the State Highway Fund, the fund balance was zero on Aug. 31, 2019.

Proprietary Funds

Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. TxDOT has two major proprietary funds, Central Texas Turnpike System and Grand Parkway Transportation Corporation and one non-major proprietary fund, SH 249 System Fund. Overview of the financial information of these funds is presented below.

Central Texas Turnpike System

The net position of CTTS was \$393.1 million as of Aug.31, 2019, an increase of \$39.9 million from fiscal 2018. CTTS's operating revenues increased by \$32.0 million or 14.5 percent over fiscal 2018 due to increases in toll transactions. The total operating expense for CTTS in fiscal 2019 was \$109.8 million, compared to \$111.2 million in fiscal 2018. Depreciation and amortization was \$54.5 million, 49.6 percent of total operating expenses. Total nonoperating expenses exceeded nonoperating revenues by \$107.9 million, compared to \$113.1 million in fiscal 2018. Interest expense of \$141.4 million was the largest nonoperating item.

Grand Parkway Transpiration Corporation

GPTC reported a deficit net position balance of \$202.0 million in fiscal 2019, a decrease in net position of \$58.5 million over fiscal 2018. GPTC's operating revenues in fiscal 2019 increased by \$26.0 million, or 14.8 percent over fiscal 2018. The increase was due to an increase in traffic. Total operating expenses for fiscal 2019 were \$107.9 million, an increase of 7.2 percent over fiscal 2018. The largest operating expense was amortization of \$64.2 million, which comprised 59.5 percent of total operating expenses. Total

nonoperating expenses exceeded nonoperating revenues by \$151.9 million. The largest non-operating item was interest expense of \$218.1 million.

Nonmajor Fund: SH 249 System

In fiscal 2019, SH 249 System Fund was added to the proprietary funds as a nonmajor fund. Because SH 249 System was still under construction on of Aug. 31, 2019, there was no operating revenue to report in the fund. The total change in net position of \$198.1 million is mainly composed of capital contributions of \$11.9 million received from a local entity, \$191.0 million transfer of capital assets from Governmental Activities State Highway Fund, and net nonoperating expenses of \$4.8 million.

Budget Highlights

Variance for the State Highway Fund

The differences from original and final revenue budgets are due to 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 \$772.1 million.

There was a negative \$2.5 billion variance between the actual and final budget revenues. Taxes and Federal revenues of negative \$2.4 billion accounted for the majority of the variance.

The actual expenditures related to transportation was less than the final budget by \$3.6 billion.

The budgetary comparison schedule in the Required Supplementary Information section presents comparisons of the legally adopted budget with actual data on a budgetary basis.

Capital Assets and Debt Administration

Capital Assets

TxDOT's capital assets comprise of roads, bridges, buildings, land, equipment and intangible capital assets. As of Aug. 31, 2019, TxDOT had \$115.4 billion in net capital assets, a \$5.7 billion or 5.2 percent increase over fiscal 2018. The increase was primarily due to the addition of \$6.4 billion of construction in progress, net of depreciation and amortization expense of 2.0 billion in fiscal 2019. The total accumulated depreciation and amortization for TxDOT as of Aug. 31, 2019 was \$23.8 billion.

Capital Assets - Net of Depreciation and Amortization						
August 31, 2019 and 2018 (Amounts in Thousands)						
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Land and Land Improvements	\$ 14,623,524	\$ 13,712,660	\$ 720,704	\$ 668,798	\$ 15,344,228	\$ 14,381,458
Infrastructure - Depreciable	78,585,908	74,896,804	1,843,509	1,895,815	80,429,417	76,792,619
Construction in Progress	18,546,004	17,885,102	314,618	8,557	18,860,622	17,893,659
Buildings and Building Improvements	256,509	258,988	3,520	3,881	260,029	262,869
Furniture and Equipment	63,993	63,348			63,993	63,348
Vehicles, Boats and Aircraft	378,701	328,181			378,701	328,181
Other Capital Assets	5,643	6,367			5,643	6,367
Land Use Rights - Permanent	65,027	25,440	19,466	19,466	84,493	44,906
Land Use Rights - Term	675	1,000			675	1,000
Computer Software	17,018	16,108			17,018	16,108
Total Capital Assets	<u>\$ 112,543,002</u>	<u>\$ 107,193,998</u>	<u>\$ 2,901,817</u>	<u>\$ 2,596,517</u>	<u>\$ 115,444,819</u>	<u>\$ 109,790,515</u>

TxDOT uses the composite approach for reporting the state's infrastructure and bridges. The composite approach is a method for calculating depreciation of a grouping of dissimilar assets of the same class (all the roads and bridges of the state) using the same depreciation rate. The composite depreciation rate for 2019 is 2.5 percent based on a 40-year weighted average life expectancy of the assets in service.

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 \$17.8 billion. These commitments extend beyond the end of the fiscal year and represent future costs to TxDOT. Note 2 provides detail about TxDOT's capital assets activity and Note 15 details TxDOT's significant commitments related to future capital expenditures.

Debt Administration

The Commission, on behalf of TxDOT, has issued both general obligation bonds and revenue bonds. Each series of revenue bonds is backed by pledged revenues and restricted assets specified in the bond resolutions. Note 5 discloses details on TxDOT's long-term liabilities and Note 6 provides detail information on TxDOT's bonded indebtedness.

Outstanding Bonded Debt				
As of August 31, 2019 (Amount in Thousands)				
	Governmental Activities		Business-Type Activities	
	2019	2018	2019	2018
General Obligation Bonds Payable	\$ 10,683,412	\$ 10,971,358	\$	\$
Revenue Bonds Payable	4,201,760	4,470,180	6,386,749	6,106,955
Total Bonds Payable	<u>\$ 14,885,172</u>	<u>\$ 15,441,538</u>	<u>\$ 6,386,749</u>	<u>\$ 6,106,955</u>

Bond Credit Ratings

Long-Term Credit Ratings as of August 31, 2019			
	Fitch	Moody's	Standard & Poor's
Governmental Activities			
General Obligation Bonds	AAA	Aaa	AAA
Revenue Bonds	n/a	Aaa	AAA
Business-Type Activities			
Revenue Bonds			
CTTS 2002-A, 2012-A, 2015-A,B	A	A3	A-
CTTS 2015-C	BBB+	Baa1	BBB+
GPTC 2013-A	A+	n/a	BBB
GPTC 2013-B,E, 2018-A,B	AA	n/a	AA+
GPTC 2016	NR	n/a	AA+
SH 249 2019-A,B	n/a	Baa3	n/a

Short-term ratings are usually reliant upon the supporting liquidity facility and its strength. The following variable rate demand bonds carried short-term credit ratings as of Aug. 31, 2019.

Short-Term Credit Ratings as of August 31, 2019			
Governmental Activities	Fitch	Moody's	Standard & Poor's
General Obligation Bonds:			
TMF Series 2006-B Variable Rate Interest Bonds	F1+	VMIG 1	n/a
Revenue Bonds:			
SHF Series 2014-B1 Variable Rate Interest Bonds	n/a	VMIG 1	A-1

An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the respective views of such organizations and the Commission makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by any or all of such rating companies, if in the judgment of any or all companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the bonds.

Economic Condition

The current economic environment presents government entities, including state transportation departments, with challenges.

Consumer sentiment indices have shown an increase in consumer confidence. The unemployment rate in Texas continues to be lower than the previous year. Even though these economic indicators show an improved economy, a certain amount of uncertainty exists as to the sustainability of the growth from the primary state revenue sources for transportation.

The bidding environment for fiscal year 2018 was favorable and continued to be so in fiscal 2019. During the previous five fiscal years, 2015-2019, 4,140 highway and bridge construction projects estimated at \$26.5 billion were let or awarded for \$26.2 billion. In addition, TxDOT awarded two design build contracts totaling \$2.0 billion in fiscal 2019.

Contacting TxDOT's Financial Management

This financial report is designed to provide a general overview of the TxDOT's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the TxDOT Financial Management Division at the following address:

Texas Department of Transportation
Financial Management Division – Accounting Section
125 East 11th Street
Austin, Texas 78701-2483

Section Two (Continued)

Basic Financial Statements

Texas Department of Transportation
Statement of Net Position
August 31, 2019 (Amounts in Thousands)

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 8,217,228	\$ 466,139	\$ 8,683,367
Short-Term Investments	17,275	179,437	196,712
Restricted:			
Cash and Cash Equivalents	7,668	785,905	793,573
Short-Term Investments	4,971	976,232	981,203
Legislative Appropriations	2,039		2,039
Due from Other Agencies (Note 11)	1,905,452		1,905,452
Receivable:			
Taxes	246,938		246,938
Federal	987,853		987,853
Interest and Dividends	9,478	6,386	15,864
Accounts Receivable	56,015	51,250	107,265
Other Intergovernmental	144,523		144,523
Loans and Contracts	13,550		13,550
Consumable Inventory	138,937	1,877	140,814
Total Current Assets	<u>11,751,927</u>	<u>2,467,226</u>	<u>14,219,153</u>
Noncurrent Assets:			
Restricted:			
Investments	2,497	479,514	482,011
Loans and Contracts	752,070		752,070
Investments		74,684	74,684
Intangible Assets (Note 20)		2,553,936	2,553,936
Capital Assets:			
Non-Depreciable Capital Assets (Note 2)	33,234,555	1,054,788	34,289,343
Depreciable Capital Assets, Net (Note 2)	<u>79,308,447</u>	<u>1,847,029</u>	<u>81,155,476</u>
Total Noncurrent Assets	<u>113,297,569</u>	<u>6,009,951</u>	<u>119,307,520</u>
Total Assets	<u>125,049,496</u>	<u>8,477,177</u>	<u>133,526,673</u>
DEFERRED OUTFLOWS OF RESOURCES			
Loss on Bond Refunding (Note 21)	147,099	26,264	173,363
Pensions (Note 8, 21)	240,808		240,808
Other Postemployment Benefits (Note 10, 21)	<u>217,865</u>		<u>217,865</u>
Total Deferred Outflows of Resources	<u>605,772</u>	<u>26,264</u>	<u>632,036</u>

Continued on the following page

Texas Department of Transportation (concluded)
Statement of Net Position
August 31, 2019 (Amounts in Thousands)

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Current Liabilities:			
Payables:			
Accounts	1,631,281	73,141	1,704,422
Payroll	82,199		82,199
Interest	270,055	73,423	343,478
Contract Retainage	6,601	2,089	8,690
Internal Balances (Note 11)	(3,965)	3,965	0
Due to Other Agencies (Note 11)	2,407		2,407
Unearned Revenues	487,063		487,063
Employees' Compensable Leave (Note 5)	74,652		74,652
Notes and Loans Payable (Note 5)	187,125	10,532	197,657
General Obligation Bonds Payable (Note 5)	298,968		298,968
Revenue Bonds Payable (Note 5)	275,200	43,420	318,620
Pollution Remediation Obligation (Note 5)	8,198		8,198
Net OPEB Liability (Note 10)	31,910		31,910
Total Current Liabilities	3,351,694	206,570	3,558,264
Noncurrent Liabilities:			
Employees' Compensable Leave (Note 5)	24,894		24,894
Notes and Loans Payable (Note 5)	932,329	1,564,374	2,496,703
General Obligation Bonds Payable (Note 5)	10,384,444		10,384,444
Revenue Bonds Payable (Note 5)	3,926,560	6,343,329	10,269,889
Net Pension Liability (Note 8)	1,942,485		1,942,485
Net OPEB Liability (Note 10)	2,137,406		2,137,406
Total Noncurrent Liabilities	19,348,118	7,907,703	27,255,821
Total Liabilities	22,699,812	8,114,273	30,814,085
DEFERRED INFLOWS OF RESOURCES			
Service Concession Arrangements (Note 20, 21)	11,332,722		11,332,722
Gain on Bond Refunding (Note 21)	3,160		3,160
Pensions (Note 8, 21)	165,901		165,901
Other Postemployment Benefits (Note 10, 21)	1,963,706		1,963,706
Total Deferred Inflows of Resources	13,465,489	0	13,465,489
NET POSITION			
Net Investment in Capital Assets	85,380,634	769,538	86,150,172
Restricted for:			
Capital Projects	7,659,850	6,477	7,666,327
Debt Service	297,070	157,289	454,359
Operations and Maintenance	6,816	215,303	222,119
Unrestricted	(3,854,403)	(759,439)	(4,613,842)
Total Net Position	\$ 89,489,967	\$ 389,168	\$ 89,879,135

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

Texas Department of Transportation

Statement of Activities

For the Fiscal Year Ended August 31, 2019 (Amounts in Thousands)

Functions	Expenses	PROGRAM REVENUES		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Transportation	\$ 6,048,406	\$ 1,147,833	\$ 4,483,569	\$ 117,128
Total Governmental Activities	<u>6,048,406</u>	<u>1,147,833</u>	<u>4,483,569</u>	<u>117,128</u>
Business-Type Activities:				
Transportation	559,047	454,697	76,727	11,879
Total Business-Type Activities	<u>559,047</u>	<u>454,697</u>	<u>76,727</u>	<u>11,879</u>
Total Primary Government	<u>\$ 6,607,453</u>	<u>\$ 1,602,530</u>	<u>\$ 4,560,296</u>	<u>\$ 129,007</u>

General Revenues:

Original Appropriation
 Additional Appropriation
 Lapsed Appropriation
 Motor Fuel Tax
 Lubricant Sales Tax
 Oil and Natural Gas Production Tax
 Unrestricted Investment Earnings
 Settlement of Claims
 Gain (Loss) on Sale of Capital Assets
 Other Revenues
 Transfers – Internal Activities (Note 11)
 Transfers – Other State Agencies
 Total General Revenues and Transfers
 Changes in Net Position

Net Position, September 1, 2018

Net Position, August 31, 2019

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

Continued on the following page

Texas Department of Transportation *(Concluded)*

Statement of Activities

For the Fiscal Year Ended August 31, 2019 (Amounts in Thousands)

NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
\$ (299,876)	\$	\$ (299,876)
<u>(299,876)</u>	<u>0</u>	<u>(299,876)</u>
	(15,744)	(15,744)
<u>0</u>	<u>(15,744)</u>	<u>(15,744)</u>
<u>(299,876)</u>	<u>(15,744)</u>	<u>(315,620)</u>
1,208		1,208
267		267
(1,929)		(1,929)
2,762,070		2,762,070
2,543,200		2,543,200
1,665,321		1,665,321
165,860		165,860
41,902		41,902
2,264		2,264
3,766		3,766
(195,176)	195,176	0
<u>1,544,492</u>		<u>1,544,492</u>
<u>8,533,245</u>	<u>195,176</u>	<u>8,728,421</u>
<u>8,233,369</u>	<u>179,432</u>	<u>8,412,801</u>
81,256,598	209,736	81,466,334
\$ <u><u>89,489,967</u></u>	\$ <u><u>389,168</u></u>	\$ <u><u>89,879,135</u></u>

Texas Department of Transportation
Balance Sheet - Governmental Funds
August 31, 2019 (Amounts in Thousands)

	State Highway Fund	Texas Mobility Fund	Proposition 12 Highway Improvement Project Fund	Local Government Political Subdivision Road/Airport Account	Nonmajor Funds	Total
ASSETS						
Cash and Cash Equivalents:						
Cash on Hand	\$ 134	\$	\$	\$	\$	134
Cash in Bank	3,895					3,895
Cash in State Treasury	6,883,549	464,344	26,492	465,432	354,537	8,194,354
Cash Equivalents	18,845					18,845
Short-Term Investments	17,275					17,275
Legislative Appropriations					2,039	2,039
Receivables:						
Taxes	246,938					246,938
Federal	983,072				4,781	987,853
Other Intergovernmental	144,523					144,523
Interest and Dividends	9,478					9,478
Accounts Receivable	56,015					56,015
Due from Other Funds (Note 11)	9,423			831		10,254
Due from Other Agencies (Note 11)	1,905,336				116	1,905,452
Consumable Inventories	138,937					138,937
Loans and Contracts (Note 1)	765,597				23	765,620
Restricted:						
Cash Equivalents	7,668					7,668
Short-Term Investments	4,971					4,971
Investments	2,497					2,497
Total Assets	<u>\$ 11,198,153</u>	<u>\$ 464,344</u>	<u>\$ 26,492</u>	<u>\$ 466,263</u>	<u>\$ 361,496</u>	<u>\$ 12,516,748</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Liabilities:						
Payables:						
Accounts	1,568,290	51,875	11,000		116	1,631,281
Payroll	82,090				109	82,199
Contract Retainage	6,601					6,601
Due to Other Funds (Note 11)	212				6,078	6,290
Due to Other Agencies (Note 11)	2,407					2,407
Unearned Revenues	16,862	1,825		466,263	2,113	487,063
Total Liabilities	<u>1,676,462</u>	<u>53,700</u>	<u>11,000</u>	<u>466,263</u>	<u>8,416</u>	<u>2,215,841</u>
Deferred Inflows of Resources:						
Unavailable Revenue (Note 21)	2,058,157				4,880	2,063,037
Total Deferred Inflows of Resources	<u>2,058,157</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4,880</u>	<u>2,063,037</u>
Fund Balances (Deficits):						
Nonspendable (Note 13)	138,937					138,937
Restricted (Note 13)	5,485,004	218,588	15,492		335,307	6,054,391
Committed (Note 13)	720,346	192,056			10,940	923,342
Assigned (Note 13)	1,119,247				109	1,119,356
Unassigned (Note 13)					1,844	1,844
Total Fund Balances	<u>7,463,534</u>	<u>410,644</u>	<u>15,492</u>	<u>0</u>	<u>348,200</u>	<u>8,237,870</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 11,198,153</u>	<u>\$ 464,344</u>	<u>\$ 26,492</u>	<u>\$ 466,263</u>	<u>\$ 361,496</u>	<u>\$ 12,516,748</u>

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

Texas Department of Transportation
Reconciliation of the Governmental Funds Balance Sheet to
the Statement of Net Position

August 31, 2019 (Amounts in Thousands)

Total Fund Balance - Governmental Funds **\$ 8,237,870**

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	33,234,555	
Capital Assets - Depreciable or Amortizable, Net	79,308,447	112,543,002

Deferred inflows of resources were reported in the funds related to revenues that were not available soon enough after year-end to pay current year's expenditures (Note 21). 2,063,038

Deferred inflows of resources were reported in the Statement of Net Position to reflect the unamortized up-front payments received and capital improvements under Service Concession Arrangements, gain on bond refundings, and impact of pension and other postemployment benefit adjustments (Note 21). (13,465,489)

Deferred outflows of resources were reported in the Statement of Net Position to reflect the loss on bond refundings and impact of pension and other postemployment benefits. (Note 21) 605,772

Long-term liabilities applicable to TxDOT'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, 8, 10)

Employees' Compensable Leave	(99,546)	
Notes and Loans Payable**	(1,119,454)	
General Obligation Bonds Payable	(10,683,412)	
Revenue Bonds Payable	(4,201,760)	
Pollution Remediation Obligations	(8,198)	
Net Pension Liability	(1,942,485)	
Net OPEB Liabilities	(2,169,316)	(20,224,171) *

* Current portion \$876,053 and noncurrent portion \$19,348,118

**Pass-Through Tolls Payable \$786,453 Contracts Payable \$31,055 and TIFIA Loan Payable \$301,946

Interest payable applicable to TxDOT's governmental activities is not due and payable in the current period and accordingly is not reported in the funds. These liabilities, however, are included in the Statement of Net Position.

(270,055)

Net Position of Governmental Activities **\$ 89,489,967**

Texas Department of Transportation
Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
For the Fiscal Year Ended August 31, 2019 (Amounts in Thousands)

	State Highway Fund	Texas Mobility Fund	Proposition 12 Highway Improvement Project Fund	Local Government Political Subdivision Road/Airport Account	Nonmajor Funds	Total
REVENUES						
Legislative Appropriations:						
Original Appropriations	\$	\$	\$	\$	\$ 1,208	\$ 1,208
Additional Appropriations					267	267
Taxes	6,686,486					6,686,486
Federal Revenues	4,204,305	21,851			32,103	4,258,259
Federal Pass-Through Revenues (Note 11)	3,520					3,520
Licenses, Fees and Permits	98,011	464,281			38	562,330
Interest & Investment Income	145,466	10,480	7,051		2,888	165,885
Net Increase (Decrease) Fair Value	33					33
Land Income	29,567					29,567
Settlement of Claims	41,902					41,902
Sales of Goods and Services	88,313			226,617	451	315,381
Other Revenues	4,990	25				5,015
Total Revenues	<u>11,302,593</u>	<u>496,637</u>	<u>7,051</u>	<u>226,617</u>	<u>36,955</u>	<u>12,069,853</u>
EXPENDITURES						
Transportation	3,944,795	3,195			5,870	3,953,860
Capital Outlay	6,642,649	259,955	389,735		148	7,292,487
Debt Service:						
Principal on State Bonds		81,635			354,875	436,510
Principal on Pass-Through Tolls	158,066					158,066
Interest on State Bonds		286,060			385,079	671,139
Other Financing Fees	952	854	230			2,036
Total Expenditures	<u>10,746,462</u>	<u>631,699</u>	<u>389,965</u>	<u>0</u>	<u>745,972</u>	<u>12,514,098</u>
Excess (Deficiency) of Revenues						
Over (Under) Expenditures	<u>556,131</u>	<u>(135,062)</u>	<u>(382,914)</u>	<u>226,617</u>	<u>(709,017)</u>	<u>(444,245)</u>
OTHER FINANCING SOURCES (USES)						
Transfers In (Note 11)	1,915,228				835,200	2,750,428
Transfers Out (Note 11)	(981,952)			(226,617)		(1,208,569)
Sale of Capital Assets	10,122				1,609	11,731
Upfront Payment - Service Concession Arrangement	510					510
Appropriations Lapsed					(1,929)	(1,929)
Total Other Financing Sources (Uses)	<u>943,908</u>	<u>0</u>	<u>0</u>	<u>(226,617)</u>	<u>834,880</u>	<u>1,552,171</u>
Net Change in Fund Balances	<u>1,500,039</u>	<u>(135,062)</u>	<u>(382,914)</u>	<u>0</u>	<u>125,863</u>	<u>1,107,926</u>
Fund Balances, September 1, 2018	<u>5,963,495</u>	<u>545,706</u>	<u>398,406</u>	<u>0</u>	<u>222,337</u>	<u>7,129,944</u>
Fund Balances, August 31, 2019	<u>\$ 7,463,534</u>	<u>\$ 410,644</u>	<u>\$ 15,492</u>	<u>\$ 0</u>	<u>\$ 348,200</u>	<u>\$ 8,237,870</u>

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

Texas Department of Transportation
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, 2019 (Amounts in Thousands)

Net Change in Fund Balances **\$ 1,107,926**

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	\$ 7,292,487	
Depreciation and Amortization Expense (Note 2)	(1,928,839)	
		5,363,648

The effect of various miscellaneous transactions involving capital assets is an increase to net position.

Donations of Capital Assets	117,128	
Gain on Sale of Capital Assets	2,264	
Sale of Capital Assets	(11,731)	
Interagency Transfers of Capital Assets	(192,544)	
		(84,883)

Revenues that do not provide current financial resources are not reported in the governmental funds, but are reported in the Statement of Activities.

Concession Revenues	287,920	
OPEB-Related Grant Revenue	104	
Federal Revenue	220,377	
Local Revenue	(47,364)	
Oil & Natural Gas Production Tax Revenue	281,206	
Motor Fuel Tax Revenue	2,899	
		745,142

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.

Repayment of Bond and Note Principal	594,576	
Net Change in Pollution Remediation Obligation	(1,558)	
Upfront Payments Received Under Service Concession Arrangements	(510)	
Net Change in Employees' Compensable Leave	1,938	
		594,446

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.

Interest and Amortization Expense	108,421	
Financing Fees	(2,039)	
Payroll Related Costs	400,708	
		507,090

Change in Net Position of Governmental Activities	\$	8,233,369
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Texas Department of Transportation
Statement of Net Position - Proprietary Funds
August 31, 2019 (Amounts in Thousands)

	Business-Type Activities - Enterprise Funds			
	Central Texas Turnpike System	Grand Parkway Transportation Corporation	Nonmajor Fund SH 249 System	Totals
ASSETS				
Current Assets:				
Cash and Cash Equivalents:				
Cash and Cash Equivalents	\$ 335,010	\$ 125,969	\$ 5,160	\$ 466,139
Short-Term Investments	45,454	133,983		179,437
Restricted:				
Cash and Cash Equivalents	53,221	684,986	47,698	785,905
Short-Term Investments	108,222	784,054	83,956	976,232
Receivables:				
Accounts Receivable	32,814	18,436		51,250
Interest and Dividends	905	5,196	285	6,386
Due from Other Funds (Note 11)	212			212
Consumable Inventory	1,507	370		1,877
Total Current Assets	<u>577,345</u>	<u>1,752,994</u>	<u>137,099</u>	<u>2,467,438</u>
Noncurrent Assets:				
Investments	39,785	29,921	4,978	74,684
Restricted:				
Investments	149,709	299,051	30,754	479,514
Receivables:				
Intangible Assets (Note 20)		2,553,936		2,553,936
Capital Assets:				
Non-Depreciable Capital Assets (Note 2)	754,148		300,640	1,054,788
Depreciable Capital Assets, Net (Note 2)	1,845,724		1,305	1,847,029
Total Noncurrent Assets	<u>2,789,366</u>	<u>2,882,908</u>	<u>337,677</u>	<u>6,009,951</u>
Total Assets	<u>3,366,711</u>	<u>4,635,902</u>	<u>474,776</u>	<u>8,477,389</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Outflows of Resources				
Loss on Bond Refunding (Note 21)	26,264			26,264
Total Deferred Outflows of Resources	<u>26,264</u>	<u>0</u>	<u>0</u>	<u>26,264</u>

Continued on following page

Texas Department of Transportation
Statement of Net Position - Proprietary Funds (Concluded)
August 31, 2019 (Amounts in Thousands)

	Business-Type Activities - Enterprise Funds			
	Central Texas Turnpike System	Grand Parkway Transportation Corporation	Nonmajor Fund SH 249 System	Totals
LIABILITIES				
Current Liabilities:				
Payables:				
Accounts	19,641	40,404	13,096	73,141
Interest	4,460	68,313	650	73,423
Contract Retainage		2,089		2,089
Due to Other Funds (Note 11)	1,984	2,184	9	4,177
Notes and Loans Payable (Notes 5)		10,532		10,532
Revenue Bonds Payable (Notes 5, 6)	38,882	4,223	315	43,420
Total Current Liabilities	<u>64,967</u>	<u>127,745</u>	<u>14,070</u>	<u>206,782</u>
Noncurrent Liabilities:				
Notes and Loans Payable (Note 5)		1,564,374		1,564,374
Revenue Bonds Payable (Notes 5, 6)	2,934,886	3,145,819	262,624	6,343,329
Total Noncurrent Liabilities	<u>2,934,886</u>	<u>4,710,193</u>	<u>262,624</u>	<u>7,907,703</u>
Total Liabilities	<u>2,999,853</u>	<u>4,837,938</u>	<u>276,694</u>	<u>8,114,485</u>
NET POSITION				
Net Investment in Capital Assets	579,689		189,849	769,538
Restricted for:				
Capital Projects			6,477	6,477
Debt Service	128,820	22,984	5,485	157,289
Operations and Maintenance	153,959	61,344		215,303
Unrestricted	(469,346)	(286,364)	(3,729)	(759,439)
Total Net Position	<u>\$ 393,122</u>	<u>\$ (202,036)</u>	<u>\$ 198,082</u>	<u>\$ 389,168</u>

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

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Texas Department of Transportation
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds

For the Fiscal Year Ended August 31, 2019 (Amounts in Thousands)

	Business-Type Activities - Enterprise Funds			
	Central Texas Turnpike System	Grand Parkway Transportation Corporation	Nonmajor Fund SH 249 System	Totals
OPERATING REVENUES				
Toll Revenue - Pledged	\$ 228,172	\$ 203,656	\$	\$ 431,828
Discounts and Allowances	(7,482)	(2,448)		(9,930)
Fee Revenue - Pledged	32,760	5		32,765
Other Sales Goods & Services	21			21
Total Operating Revenues	<u>253,471</u>	<u>201,213</u>	<u>0</u>	<u>454,684</u>
OPERATING EXPENSES				
Salaries	1,485	1,778		3,263
Professional Fees and Services	10,571	2,169		12,740
Travel	7	7		14
Materials and Supplies	1,611	352		1,963
Communication and Utilities	709	196		905
Repairs and Maintenance	7,817	11,204		19,021
Rentals and Leases	3	2		5
Contracted Services	24,421	14,197		38,618
Advertising	2,011	129		2,140
Depreciation and Amortization	54,485	64,167	8	118,660
Other Operating Expenses	6,693	13,675		20,368
Total Operating Expenses	<u>109,813</u>	<u>107,876</u>	<u>8</u>	<u>217,697</u>
Operating Income (Loss)	<u>143,658</u>	<u>93,337</u>	<u>(8)</u>	<u>236,987</u>
NONOPERATING REVENUES (EXPENSES)				
Lease Revenue	13			13
Interest and Investment Income	21,434	48,881	2,427	72,742
Net Increase (Decrease) in Fair Value of Investments	(87)	3,758	314	3,985
Amortization	12,167	14,755	315	27,237
Interest Expense	(141,403)	(218,077)	(6,301)	(365,781)
Bond Issuance Expenses		(1,112)	(1,576)	(2,688)
Other Financing Fees	(42)	(76)		(118)
Total Nonoperating (Expenses)	<u>(107,918)</u>	<u>(151,871)</u>	<u>(4,821)</u>	<u>(264,610)</u>
Income (Loss) before Transfers	<u>35,740</u>	<u>(58,534)</u>	<u>(4,829)</u>	<u>(27,623)</u>
CAPITAL CONTRIBUTIONS AND TRANSFERS				
Capital Contributions			11,879	11,879
Transfers In	4,144		191,032	195,176
Total Capital Contributions and Transfers	<u>4,144</u>	<u>0</u>	<u>202,911</u>	<u>207,055</u>
Change in Net Position	<u>39,884</u>	<u>(58,534)</u>	<u>198,082</u>	<u>179,432</u>
Net Position, September 1, 2018	<u>353,238</u>	<u>(143,502)</u>		<u>209,736</u>
Net Position, August 31, 2019	<u>\$ 393,122</u>	<u>\$ (202,036)</u>	<u>\$ 198,082</u>	<u>\$ 389,168</u>

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

Texas Department of Transportation

Statement of Cash Flows - Proprietary Funds

For the Fiscal Year Ended August 31, 2019 (Amounts in Thousands)

	Business-Type Activities - Enterprise Funds			
	Central Texas Turnpike System	Grand Parkway Transportation Corporation	Nonmajor Fund SH 249 System	Totals
Cash Flows from Operating Activities				
Proceeds from Customers	\$ 237,970	\$ 198,918	\$	\$ 436,888
Payments to Suppliers for Goods and Services	(50,426)	(42,512)		(92,938)
Net Cash Provided by Operating Activities	<u>187,544</u>	<u>156,406</u>	<u>0</u>	<u>343,950</u>
Cash Flows from Non-Capital Financing Activities				
Payments for Debt Interest		(151,792)		(151,792)
Payments for Costs of Debt Issuance		(1,119)		(1,119)
Payments for Financing Fees		(115)		(115)
Payments for Intangible Assets		(244,474)		(244,474)
Net Cash (Used) by Non-Capital Financing Activities	<u>0</u>	<u>(397,500)</u>	<u>0</u>	<u>(397,500)</u>
Cash Flows from Capital and Related Financing Activities				
Proceeds from Lease Revenue	13			13
Proceeds received from Local Entity			11,879	11,879
Proceeds from Issuing Bonds			260,960	260,960
Payments for Purchase of Capital Assets	(47,622)		(97,826)	(145,448)
Payments for Principal on Debt	(20,365)			(20,365)
Payments of Interest on Debt	(107,051)		(3,358)	(110,409)
Payments of Costs of Debt Issuance			(1,568)	(1,568)
Payments for Interfund Services Used for Other Financing Fees	(254)			(254)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(175,279)</u>	<u>0</u>	<u>170,087</u>	<u>(5,192)</u>
Cash Flows from Investing Activities				
Proceeds from Interest and Investment Income	17,494	34,380	1,720	53,594
Proceeds from Sales and Maturities of Investments	382,832	1,356,800	14,155	1,753,787
Payments to Acquire Investments	(345,885)	(1,728,233)	(132,892)	(2,207,010)
Payments for Accrued Interest on Purchase of Investment		(2,536)	(211)	(2,747)
Net Cash Provided (Used) by Investing Activities	<u>54,441</u>	<u>(339,589)</u>	<u>(117,228)</u>	<u>(402,376)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>66,706</u>	<u>(580,683)</u>	<u>52,859</u>	<u>(461,118)</u>
Cash and Cash Equivalents - September 1, 2018	<u>321,525</u>	<u>1,391,638</u>		<u>1,713,163</u>
Cash and Cash Equivalents – August 31, 2019	<u>\$ 388,231</u>	<u>\$ 810,955</u>	<u>\$ 52,859</u>	<u>\$ 1,252,045</u>

Continued on the following page

Texas Department of Transportation

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

For the Fiscal Year Ended August 31, 2019 (Amounts in Thousands)

Business-Type Activities - Enterprise Funds				
	Central Texas Turnpike System	Grand Parkway Transportation Corporation	Nonmajor Fund SH 249 System	Totals
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:				
Operating Income	\$ 143,658	\$ 93,337	\$ (8)	\$ 236,987
Depreciation and Amortization	54,485	64,167	8	118,660
Other non-cash operating costs	2,614			2,614
(Increase) in Receivables	(15,501)	(2,294)		(17,795)
(Increase) in Inventories	(176)	(140)		(316)
Increase in Payables	3,991	3,512		7,503
(Decrease) in Due to Other Funds	(1,527)	(2,176)		(3,703)
Total Adjustments	43,886	63,069	8	106,963
Net Cash Provided by Operating Activities	<u>\$ 187,544</u>	<u>\$ 156,406</u>	<u>\$ 0</u>	<u>\$ 343,950</u>
Non-Cash Transactions				
Transfer in of Capital Assets from Other Fund	\$ 1,530	\$	\$ 190,317	\$ 191,847
Net Change in Fair Market Value of Investments	\$ (87)	\$ 3,758	\$ 314	\$ 3,985
Amortization of Investment Premium/Discount	\$ 3,853	\$ 13,746	\$ 636	\$ 18,235
Change in Accrued Capital Asset Purchases	\$ 8,687	\$ 32,035	\$ 13,812	\$ 54,534

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

Texas Department of Transportation
Statement of Fiduciary Net Position
August 31, 2019 (Amounts in Thousands)

	<u>AGENCY FUNDS</u>
ASSETS	
Cash and Cash Equivalents:	
Cash on Hand	\$ 39
Cash in Bank	680
Cash in State Treasury	323
Cash Equivalents	35,354
Short-Term Investments	<u>26,922</u>
Total Assets	<u>\$ 63,318</u>
LIABILITIES	
Funds Held for Others	<u>63,318</u>
Total Liabilities	<u>\$ 63,318</u>

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

Texas Department of Transportation
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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The accompanying financial statements reflect the financial position of the Texas Department of Transportation (TxDOT). TxDOT is an agency of the state of Texas and is charged with developing and maintaining a statewide multimodal transportation network and other transportation related duties. The Texas Transportation Commission (the Commission), the governing body of TxDOT, has the authority to commit TxDOT to various legal agreements.

The financial activities of TxDOT, which consist of both governmental and proprietary activities, are reported under the transportation function in the state of Texas' Comprehensive Annual Financial Report (CAFR).

The Commission is authorized by Transportation Code Chapter 431 to create Texas transportation corporations to perform functions normally undertaken by TxDOT. As of fiscal 2019, two transportation corporations, the Texas Private Activity Bond Surface Transportation Corporation (TxPABST) and the Grand Parkway Transportation Corporation (GPTC), are reported as blended component units because TxDOT exercises sufficient authority over the assets, operations and management of such entities to warrant their inclusion. Even though Texas transportation corporations are a part of the TxDOT reporting entity, the state is not liable for debts of these corporations, nor entitled to the assets of these corporations.

Basis of Presentation

The accompanying financial statements were prepared in conformance with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). Financial reporting for TxDOT is based on all GASB pronouncements. The data in this report is combined and consolidated by the Texas Comptroller's Office with similar data from other state agencies and universities in the preparation of the state of Texas Comprehensive Annual Financial Report (CAFR).

GASB Statements Effective for Fiscal 2019

In fiscal 2019 TxDOT adopted the following new GASB pronouncements:

- *GASB Statement No. 83, Certain Asset Retirement Obligations.* This statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). The statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. The legal obligations to perform future asset retirement activities is recorded when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred is based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities.
- *GASB Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements.* This statement is to improve the information that is disclosed in notes to government financial statement related to debt, including direct borrowings and direct placements. It defines debt for note disclosure purposes as a liability that arises from a contractual obligation to pay cash to settle an amount that is fixed at the date the contractual obligation is established. The statement requires additional information related to debt, including unused lines of credit, assets pledged as collateral for the debt, and terms specified in debt agreements related to significant default events and significant termination events with finance-related consequences, and significant subjective acceleration clauses.
- *GASB Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period.* This statement is effective for reporting periods beginning after December 15, 2019, or fiscal 2021. TxDOT decided to early implement the statements in fiscal 2019. The statement supersedes GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, paragraphs 5-22. For financial statements prepared using the economic resources measurement focus, the statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-

type activity or enterprise fund. This statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

Financial Reporting Structure

The basic financial statements include government-wide financial statements and fund 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 TxDOT 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 TxDOT as a whole and the change in aggregate financial position resulting from the activities of the fiscal period for all non-fiduciary activities. These statements include separate columns for the governmental and business-type activities of TxDOT (including its blended component units). In the statement of net position, both the governmental and business-type activities columns are presented on a consolidated basis by column and are reflected on an accrual basis, economic measurement focus which incorporates noncurrent investments, capital assets and long-term debt and obligations.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function, and 3) grants and contributions that are restricted to meeting the capital-specific requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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 funds. In governmental and fiduciary funds, assets 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 liabilities are obligations to be paid within the next fiscal year.

The major governmental funds in the fund financial statements are presented on a current financial resources measurement focus and the modified accrual basis of accounting. This presentation is deemed most appropriate to demonstrate compliance with legal and covenant requirements, the source and use of financial resources and how TxDOT’s actual experience conforms to the budget. Since the governmental fund financial statements are presented using a different measurement focus and basis of accounting than the government-wide financial statements governmental activities column, a reconciliation is presented. The reconciliation explains the adjustments required to convert the fund based financial statements to the government-wide financial statements’ governmental activities column.

TxDOT uses funds to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts.

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 and capital projects funds. The general fund is used to account for the departmental operations funded by legislative appropriations, but is not considered the main operating fund for TxDOT. Special revenue funds account for specific revenue sources that are restricted or committed for specific purposes other than debt service or capital projects. Debt service funds are used to account for financial resources that are restricted, committed or assigned to expenditure for principal and interest. Capital projects funds are used to account for financial resources that are restricted, committed or assigned to expenditure for capital outlays.

TxDOT reports the following four major governmental funds:

State Highway Fund

The state highway fund (SHF) is TxDOT's main operating fund. TxDOT reports the following accounts/sub-funds, which are consolidated into the state highway fund for GAAP reporting purposes. The state highway fund is reported as a special revenue fund.

- State Highway Fund Accounts – These funds contain the activity related to public road construction, maintenance and monitoring of the state's highway system. The significant ongoing revenue sources are federal revenues, motor fuels taxes, and other oil and gas taxes which are constitutionally restricted and dedicated to the highway fund.
- Proposition 1 Fund – This fund is used to record, track and report the receipt and disbursement of the Proposition 1 allocation of oil and gas production tax to SHF.
- Proposition 7 Fund – This fund is used to record, track and report the receipt and disbursement of the Proposition 7 allocation of state sales and use tax and motor vehicle sales and rental tax to SHF.
- State Infrastructure Bank – This fund operates as a revolving loan program that makes loans to public and private entities to encourage the development of transportation projects and facilities.

Texas Mobility Fund

This fund operates as a revolving fund to provide a method of financing construction, reconstruction, acquisition and expansion of state highways and other transportation projects. The principal ongoing revenue source of the fund is fees committed by the Legislature under the authority of the Texas Constitution, Article III, Section 49-k. Other inflows to the fund include bond proceeds. The Mobility Fund is reported as a debt service fund type and a capital projects fund type.

Proposition 12/Highway Improvement Project Fund

This fund receives the proceeds of general obligation bonds issued for highway improvement projects under the provisions of the Texas Constitution, Article III, Section 49-p. The fund reports the construction activity supported by such funding. The fund is reported as a capital project fund.

Local Government Political Subdivision Road/Airport Fund

This fund holds contributions from counties/political subdivisions for expenditure by the Commission in development/construction of public roads and airports within such counties or political subdivisions. The fund is reported as a capital project fund.

Additionally, TxDOT reports the following non-major governmental funds:

General Fund:

TxDOT reports the following funds, which are consolidated into the general fund for GAAP reporting purposes, but are not considered the main operating fund for TxDOT.

- General Revenue Fund – This fund is used to account for all financial resources of the state except those required to be accounted for in another fund.
- Traffic Safety-Crash Records Information Systems – This fund is used to account for expenditures pertaining to the crash records information system.
- Colonias Project Fund – This fund provides financial assistance to counties for roadway projects serving border colonias. Funding is provided from the sale of bonds or commercial paper, which are issued and reported by the Texas Public Finance Authority.

- Suspense Fund – This fund is used to temporarily hold and account for receipts until the correct disposition of items is determined.

Special Revenue Fund:

- Transportation Infrastructure Fund– This fund was established to make grants to counties for transportation infrastructure projects located in areas of the state affected by increased oil and gas production. The sources of the fund include federal funds, matching state funds, funds appropriated by the legislature, gifts, grants, fees, and investment earnings.

Debt Service Fund:

- Proposition 14/State Highway Fund Debt Service– This fund receives transfers in from the state highway fund for debt service on state highway fund revenue bonds.
- Proposition 12/Highway Improvement Project Fund Debt Service - This fund receives transfers in from the Proposition 7 Fund for debt service on Texas highway improvement general obligation bonds.

Proprietary Fund Type

Proprietary funds focus on determining operating income, changes in financial position and cash flows. Generally accepted accounting principles similar to those used by private sector businesses are applied in accounting for these funds. Enterprise funds may be used to report any activity for which a fee is charged to external users for goods or services. TxDOT reports the following major proprietary funds:

Central Texas Turnpike System Fund

These funds report the activity and debt associated with the Central Texas Turnpike System toll roads.

Grand Parkway Transportation Corporation

These funds report the activity and debt associated with the development of Segments D (Harris County), E, F-1, F-2, G, H and I of the Grand Parkway toll road construction as reported by the Grand Parkway Transportation Corporation.

Additionally, TxDOT reports the following nonmajor proprietary fund:

Texas State Highway 249 System Fund

This fund, a non-major proprietary fund, reports the activity and debt associated with the development of the Texas SH 249 System. The project is about 15 miles of new controlled access tollway from Farm to Market (FM) 1774 in Pinehurst, Montgomery County to FM 1774 in Todd Mission, Grimes County.

Fiduciary Fund Types

Fiduciary funds account for assets held in either a trustee capacity or as an agent for other outside individuals or entities. Agency funds report assets that TxDOT holds on behalf of others in a purely custodial capacity.

Agency Funds have no equity, assets equal liabilities and do not include revenues or expenditures. The agency funds reported by TxDOT during fiscal 2019 included the unappropriated general revenue fund, child support deductions suspense account, toll revenue custodial account and the direct deposit correction accounts.

Component Units

The Texas Private Activity Bond Surface Transportation Corporation is reported as a nonmajor component unit. The Grand Parkway Transportation Corporation is a component unit reported as a major proprietary fund. All component units are presented in TxDOT's financial statements as blended component units. See Note 18 for more details.

Basis of Accounting

Government-wide financial statements are prepared 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 in the government-wide financial statements. 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. Non-exchange transactions, in which TxDOT gives (or receives) value without directly receiving (or giving) equal value in exchange, include intergovernmental grants. Revenue for grants and similar items are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been met.

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 focus and the modified accrual basis of accounting. Under the modified accrual basis, revenues are recognized when they become both measurable and available. For this purpose, revenues are considered to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures are generally recognized when the related fund liability is incurred. However, principal and interest on bonds is recorded only when due and compensated absences and claims and judgments are recorded when they are expected to be liquidated with expendable available financial resources. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt are reported as other financing sources.

Proprietary funds are accounted for on the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recognized at the time liabilities are incurred. A proprietary fund distinguishes operating from non-operating items. Operating revenues and expenses result from providing services or producing and delivering goods in connection with the proprietary fund's principal ongoing operations. Operating expenses for an enterprise fund include cost of sales and services, administrative expenses and depreciation on capital assets.

Although agency funds use the accrual basis of accounting, they do not have a measurement focus because they do not recognize revenues and expenses.

Shared Fund Presentation

The financial statement presentation for the state highway fund and general fund represent only the portion of shared funds that can be directly attributed to the operations of TxDOT. Financial statements for total fund operations of shared state funds are presented in the state of Texas Comprehensive Annual Financial Report (CAFR).

In presenting these financial statements, certain unique accounts are used for the presentation of shared funds. The following accounts are used in these financial statements to present TxDOT's portion of shared funds.

Legislative Appropriations

This "asset" account represents TxDOT's remaining legislative appropriation authority at fiscal year-end.

Original/Additional Appropriations

Amount reported as revenue that is the total appropriation authority given to TxDOT for the current fiscal year.

Appropriations Lapsed

Unencumbered appropriations balances that have been lapsed during the fiscal year.

Budgetary Information

TxDOT's budget is prepared on a performance-based concept and is represented by biennial appropriations enacted by the Legislature and signed by the governor. The governmental funds with legally adopted budgets are the general fund, the state highway fund and nonmajor special revenue funds.

Assets, Deferred Outflows, Liabilities, Deferred Inflows and Fund Balances/Net Position

Cash and Cash Equivalents

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 a decrease 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.

Investments

Amounts invested associated with TxDOT and Grand Parkway Transportation Corporation. See Note 3 for more details.

Inventories and Prepaid Items

Inventory items are reported at a weighted average cost. The inventory consists of supplies and roadway materials on hand for future use. The consumption method of accounting is used to account for inventories and prepaid items. The costs of these items are expensed when the items are consumed.

Receivables

The major receivables for TxDOT are federal, taxes and other intergovernmental. Receivables represent amounts due to TxDOT at fiscal year-end, for revenues earned in the current fiscal year that will be collected in the future. Amounts expected to be collected in 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 uncollectable accounts.

Loans and Contracts

Loans and contracts represent claims for which formal instruments of credit are issued as evidence of debt, such as a promissory note. The credit instrument normally requires the debtor to pay interest and extends for time periods of 30 days or longer. TxDOT provides state and local financing tools to assist local governments with transportation projects. See Note 4 for more details.

Restricted Assets

Restricted assets include monies or other resources restricted by legal or contractual requirements. These assets include proceeds from revenue bonds, as well as certain revenues set aside for statutory or contractual requirements.

Deferred Inflows of Resources and Deferred Outflows of Resources

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. These revenues are reported as deferred inflows of resources.

Deferred inflows of resources are an acquisition of net assets by TxDOT that is applicable to a future reporting period. Deferred inflows have a negative effect on net position, similar to liabilities. TxDOT reports deferred inflows of resources as the offset account

to assets received under a service concession arrangement in financial statements prepared using the economic resources measurement focus. See Note 21 for additional information.

Deferred outflows of resources are defined as a consumption of net assets by the government that is applicable to a future reporting period. Deferred outflows of resources increase net position, similar to assets.

For current refundings and advance refundings resulting in defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred inflow of resources or deferred outflow of resources. The deferred inflows and deferred outflows of resources are amortized and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter.

TxDOT also reports deferred inflows of resources and deferred outflows of resources related to the recognition of TxDOT's share of the state's Net Pension Liability and Net OPEB Liability. Reported deferred outflows of resources include plan contributions made subsequent to the Aug. 31, 2018 measurement date, and the unamortized balance resulting from changes in assumptions used to calculate net pension liability. TxDOT reports deferred inflows of resources for the unamortized balance resulting from other changes to the components used to calculate net pension liability. See Note 21 for additional information.

Intangible Assets

Our blended component unit, GPTC, is operating under two service concession arrangements (SCA) with TxDOT. As a governmental operator, GPTC records an intangible asset for its cost of design and construction. Amortization of the intangible asset begins upon the completion of construction and the opening to traffic. See Note 20 for more information about GPTC's SCA with TxDOT.

Capital Assets

Capital assets, which include land, infrastructure, furniture, equipment and intangible capital assets, are capitalized and reported in the financial statements using the accrual basis of accounting. Capital assets are recorded as expenditures at the time of purchase in the governmental funds.

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. Land, permanent land-use rights, and construction in progress do not have a capitalization threshold and are not depreciated. The capitalization thresholds and useful lives of TxDOT's depreciable capital assets are as follows:

Capitalization Thresholds by Class of Asset		
Classification	Capitalization Threshold	Estimated Useful Life
Buildings and Building Improvements	\$ 100,000	5-30 years
Infrastructure	\$ 500,000	10-50 years
Furniture and Equipment	\$ 5,000	3-15 years
Vehicles, Boats and Aircraft	\$ 5,000	5-40 years
Internally Generated Computer Software	\$ 1,000,000	3-10 years
Other Computer Software	\$ 100,000	3-10 years
Land Use Rights – Term/Temporary	\$ 100,000	2-10 years

All capital assets acquired or constructed by TxDOT are capitalized at cost or estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at acquisition value at the date of donation. A facility constructed or improved under a qualifying service concession arrangement is reported as a capital asset at acquisition value when it is placed in operation. Costs of normal maintenance and repairs that do not add value to the asset or materially extend the asset's useful life are not capitalized.

TxDOT uses the depreciation approach for reporting both highways and highway bridges of the infrastructure assets. Under the depreciation approach, infrastructure assets are depreciated over a 40-year life, and certain preservation costs are capitalized. The capitalization threshold of \$500,000 is used for both highway bridges and roadways.

TxDOT also holds three years of costs in construction in progress at all times. At the fourth year, the first year is moved to depreciable infrastructure. The three-year assumption is based on a 2.7 year contract life when using the weighted dollar analysis of project costs and completion dates over the ten year history.

Unearned Revenue

Unearned revenue is reported when cash or other assets are received prior to being earned.

Service Concession Arrangements (SCA) Up-front Payments

TxDOT may receive up-front payments related to the SCA's on the development of highways and future toll-road operations. Under each of these agreements the toll road reverts back to the state at the end of the term or upon certain reimbursement conditions. In the governmental fund financial statements, TxDOT reports up-front payments as other financing sources in the year received. In the government-wide statements, the up-front payments are recorded as deferred inflows of resources. Revenue is recognized on a straight-line basis over the term of the agreement, beginning when the roadway is placed into operation.

Long-Term Liabilities

In the government-wide financial statements and proprietary funds financial statements, long-term debt and other long-term obligations are reported as long-term liabilities in the applicable governmental activities or business-type activities statement of net position. Long-term liabilities include net pension liability, net OPEB liability, employees' compensable leave, general obligation bonds payable, revenue bonds payable, notes payable, pollution remediation obligations, and asset retirement obligation.

Bonds payable are reported net of the applicable bond premium or discount. Bond premiums and discounts are amortized over the life of the bonds using the bonds outstanding method, which is materially consistent with the effective interest method. Issuance costs are reported as an expense in the period incurred.

In the governmental fund financial statements, bond premiums, discounts and bond issuance costs are recognized during the current period. The face amount of the debt is 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.

Generally speaking, long-term obligations to be paid within one year of the financial statements date are reported as current liabilities and are considered short-term obligations. In certain circumstances, however, amounts scheduled to mature during the ensuing fiscal year are instead reported as noncurrent long-term liabilities. This provision applies when TxDOT or GPTC intends to refinance or refund a debt instrument on a long-term basis and either issues a long-term obligation or enters into a financing agreement after the date of the financial statements but before the financial statements are issued.

A state employee is entitled to be paid for all unused vacation time accrued, in the event of the employee's resignation, dismissal or separation from state employment, provided the employee has had continuous employment with the state for six months. Expenditures for accumulated annual leave balances are recognized in the period paid or taken in the governmental fund financial statements. See Note 5 for more information.

Fund Balance/Net Position

In the government-wide and proprietary statements, the net position is the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. The net position is displayed in three components. The potential categories of net position include:

- *Net Investment in Capital Assets*— capital assets, net of accumulated depreciation and reduced by the outstanding balances of

bonds, notes or other borrowings that are attributed to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included.

- *Restricted* – restricted assets reduced by liabilities and deferred inflows or resources related to those assets. When both restricted and unrestricted resources are available for use, generally it is TxDOT's policy to use restricted resources first, then unrestricted resources when they are needed.
- *Unrestricted* – amounts not required to be reported in the other components of net position.

Fund balances for governmental funds are displayed in five components. The potential categories of fund balance include:

- *Nonspendable fund balance* – amounts not available to be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact. The primary component of nonspendable fund balance is the balance in consumable inventories.
- *Restricted fund balance* – resources that have constraints placed on their use through external parties or by law through constitutional provisions.
- *Committed fund balance* – can be used only for specific purposes pursuant to constraints imposed by a formal action of the Legislature, the state's highest level of decision making authority.
- *Assigned fund balance* – amounts constrained by the Commission's intent to be used for specific purposes, but are neither restricted nor committed.
- *Unassigned fund balance* – residual classification for the general fund. The classification represents fund balance that was not assigned to other funds and was not restricted, committed or assigned to specific purposes within the general fund.

When only unrestricted resources are available for use, it is TxDOT's policy to use committed resources first, then assigned resources and lastly unassigned resources.

A positive unassigned fund balance can only exist within the general fund. Deficit fund balances in a fund are reported as unassigned fund balance.

Revenue Sources

TxDOT's principal revenue sources are federal and tax revenue. As the state's transportation agency, TxDOT receives reimbursements from the Federal Highway Administration (FHWA) for certain costs incurred for engineering, construction, right-of-way acquisition, research activities and general administrative costs. Federal reimbursement is based on a percentage of the costs expended from state funds on approved projects. The percentage of reimbursement for allowable costs varies from 50 to 100 percent. TxDOT receives these reimbursements based on the state's apportionment from the Federal Highway Trust Fund on a federal fiscal year basis.

TxDOT receives federal funding from other federal agencies for specific transportation related projects. See Schedule 1-A for more information on federal receipts and expenditures.

TxDOT reports its constitutionally dedicated share of taxes on motor fuels sold in Texas as tax revenues. Generally, this constitutionally dedicated share is 75 percent of net collections, after reductions for collection expenses and refunds. In general, 20 cents per gallon is collected on gasoline and diesel sold for highway use. Liquefied gas sold for highway use is generally taxed at 15 cents per gallon and is required to be prepaid. TxDOT also receives and reports the state sales tax from the sale of lubricants, which is deposited to the state highway fund.

On Nov. 4, 2014, Texas voters approved Proposition 1, authorizing a constitutional amendment for transportation funding. Under the amendment, a portion of oil and gas tax revenues that typically go into the Economic Stabilization Fund will be deposited to the State Highway Fund to assist in the completion of transportation construction, maintenance, and rehabilitation projects, not to include toll roads.

On Nov. 3, 2015, Texas voters approved Proposition 7 that dedicates a portion of the revenue from the state sales and use tax and motor vehicle sales and rental tax to the State Highway Fund to provide funding for non-tolled roads and the reduction of transportation-related debt.

Major sources of pledged revenue for the Texas Mobility Fund include driver license fees, motor vehicle inspection fees, certificate of title fees and driver record information fees.

Operating revenues of CTTS consist of tolls, net of allowance for doubtful accounts and fee revenue.

Operating revenues of GPTC consist of toll revenue for open segments D, E, F-1, F-2, and G, net of allowance for doubtful accounts, and fee revenue earned by GPTC.

Interfund Activity and Transactions

Interfund activity refers to financial interaction between funds (including blended component units) and is related to internal events. Interfund transactions refer to interactions with other state agencies.

Interfund receivables and payables are eliminated from 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. See Note 11 for more details.

NOTE 2 – CAPITAL ASSETS

The tables on the following pages present the composition of TxDOT's capital assets, adjustments, reclassifications, additions and deletions during fiscal 2019. The reclassifications column presents completed construction projects and transfers of capital assets between agencies and between the governmental and business-type activities of TxDOT. The additions column includes current year purchases, depreciation and amortization. The deletions column represents assets removed during the current fiscal year via sale or disposition.

Depreciation and amortization expense was charged to the transportation function in the accompanying Statement of Activities.

Capital Asset Activity					
For the Fiscal Year Ended August 31, 2019 (Amounts in Thousands)					
	Balance 9/1/2018	Reclass- ifications	Additions	Deletions	Balance 8/31/2019
GOVERNMENTAL ACTIVITIES					
Non-Depreciable & Non-Amortizable Assets					
Land and Land Improvements	\$ 13,712,660	\$ (46,138)	\$ 958,608	\$ (1,606)	\$ 14,623,524
Construction in Progress	17,885,101	(5,587,508)	6,248,411		18,546,004
Land Use Rights - Permanent	25,442		39,616	(31)	65,027
Total Non-Depreciable & Non-Amortizable Assets	<u>31,623,203</u>	<u>(5,633,646)</u>	<u>7,246,635</u>	<u>(1,637)</u>	<u>33,234,555</u>
Depreciable Assets					
Buildings and Building Improvements	553,461	16,445			569,906
Infrastructure	95,371,658	5,403,221	136,697	(3,151)	100,908,425
Furniture and Equipment	206,022	160	13,625	(7,128)	212,679
Vehicles and Aircraft	792,201	15,475	79,717	(12,267)	875,126
Other Capital Assets	15,011			(8)	15,003
Total Depreciable Assets	<u>96,938,353</u>	<u>5,435,301</u>	<u>230,039</u>	<u>(22,554)</u>	<u>102,581,139</u>
Less Accumulated Depreciation for:					
Buildings and Building Improvements	(294,472)		(18,925)		(313,397)
Infrastructure	(20,474,856)	(112)	(1,847,701)	152	(22,322,517)
Furniture and Equipment	(142,672)	(157)	(12,316)	6,459	(148,686)
Vehicles and Aircraft	(464,022)		(42,519)	10,116	(496,425)
Other Capital Assets	(8,644)		(722)	6	(9,360)
Total Accumulated Depreciation	<u>(21,384,666)</u>	<u>(269)</u>	<u>(1,922,183)</u>	<u>16,733</u>	<u>(23,290,385)</u>
Depreciable Assets, Net	<u>75,553,687</u>	<u>5,435,032</u>	<u>(1,692,144)</u>	<u>(5,821)</u>	<u>79,290,754</u>
Intangible Capital Assets - Amortizable					
Land Use Rights - Term	15,880		445		16,325
Computer Software	74,280	(1,537)	2,735	(21)	75,457
Total Amortizable Assets	<u>90,160</u>	<u>(1,537)</u>	<u>3,180</u>	<u>(21)</u>	<u>91,782</u>
Less Accumulated Amortization for:					
Land Use Rights - Term	(14,880)		(770)		(15,650)
Computer Software	(58,172)	5,599	(5,886)	20	(58,439)
Total Accumulated Amortization	<u>(73,052)</u>	<u>5,599</u>	<u>(6,656)</u>	<u>20</u>	<u>(74,089)</u>
Amortizable Assets, Net	<u>17,108</u>	<u>4,062</u>	<u>(3,476)</u>	<u>(1)</u>	<u>17,693</u>
Governmental Activities Capital Assets, Net	<u>\$ 107,193,998</u>	<u>\$ (194,552)</u>	<u>\$ 5,551,015</u>	<u>\$ (7,459)</u>	<u>\$ 112,543,002</u>

Capital Asset Activity (Concluded)**For the Fiscal Year Ended August 31, 2019** (Amounts in Thousands)

	Balance 9/1/2018	Reclass- ifications	Additions	Deletions	Balance 8/31/2019
BUSINESS-TYPE ACTIVITIES					
Non-Depreciable & Non-Amortizable Assets					
Land and Land Improvements	\$ 668,801	\$ 46,136	\$ 5,767	\$	\$ 720,704
Construction in Progress	8,555	144,600	161,463		314,618
Land Use Rights - Permanent	19,466				19,466
Total Non-Depreciable & Non-Amortizable Assets	<u>696,822</u>	<u>190,736</u>	<u>167,230</u>	<u>0</u>	<u>1,054,788</u>
Depreciable Assets					
Buildings and Building Improvements	8,360				8,360
Infrastructure	<u>2,283,765</u>	<u>1,825</u>			<u>2,285,590</u>
Total Depreciable Assets	<u>2,292,125</u>	<u>1,825</u>	<u>0</u>	<u>0</u>	<u>2,293,950</u>
Less Accumulated Depreciation for:					
Buildings and Building Improvements	(4,480)		(360)		(4,840)
Infrastructure	<u>(387,950)</u>		<u>(54,131)</u>		<u>(442,081)</u>
Total Accumulated Depreciation	<u>(392,430)</u>	<u>0</u>	<u>(54,491)</u>	<u>0</u>	<u>(446,921)</u>
Depreciable Assets, Net	<u>1,899,695</u>	<u>1,825</u>	<u>(54,491)</u>	<u>0</u>	<u>1,847,029</u>
Business-Type Activities Capital Assets, Net	<u>\$ 2,596,517</u>	<u>\$ 192,561</u>	<u>\$ 112,739</u>	<u>\$ 0</u>	<u>\$ 2,901,817</u>

NOTE 3 – DEPOSITS, INVESTMENTS & REPURCHASE AGREEMENTS

TxDOT and Grand Parkway Transportation Corporation (GPTC) are authorized by statute to make investments following the “prudent person rule.” TxDOT and GPTC have complied, in all material respects, with statutory authorization, bond documents, constraints and TxDOT policies during the period.

Deposits

The following amounts consist of all cash and cash equivalents in local banks. These amounts are included on the combined statement of net position as part of the “cash and cash equivalents” accounts.

Cash In Bank – Carrying Amount	
August 31, 2019 (Amounts in Thousands)	
<u>Governmental Activities</u>	
Cash in Bank – Depository Accounts	\$ <u>3,895</u>
<u>Fiduciary Funds</u>	
Fiduciary Fund Current Assets Cash in Bank – Depository Accounts	\$ <u>680</u>

Custodial Credit Risk – Deposits

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. All of TxDOT’s deposits are protected by insurance provided by the Federal Deposit Insurance Corporation (FDIC).

Regular depository accounts are insured by the FDIC up to \$250 thousand per depositor, per insured bank. As of Aug. 31, 2019, the sweep account is subjected to the same \$250 thousand coverage provided to a regular depository account.

The Frost refund account held additional collateral beyond the standard FDIC threshold of \$250 thousand in a federal reserve account with other related State and agency accounts. The total collateral inclusive of the \$250 thousand coverage was representative of greater than 250% for those combined related account balance.

Treasury Pool

TxDOT’s governmental fund cash is established in the state Treasury, and is pooled with other state funds and invested under the direction of the Comptroller of Public Accounts Treasury Operations Division (Treasury). Governmental fund deposits in the state treasury totaled \$8.2 billion at Aug. 31, 2019. Deposits in the state treasury for business-type activities totaled \$9 thousand as of Aug. 31, 2019.

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 2019. The Comptroller has delegated investment authority to the Trust Company and utilizes the Trust Company to manage and invest funds in the Treasury Pool.

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; banker’s acceptances; commercial paper; and contracts written by the Comptroller, which are commonly known as covered call options. Funds held in the treasury pool have not been categorized as to credit risk because TxDOT does not own individual securities. Details on the nature of these deposits and investments are available within the state of Texas Comprehensive Annual Financial Report.

Investments

TxDOT and GPTC hold investments that are measured at fair value on a recurring basis. Because investing is not a core part of TxDOT’s mission, the disclosures related to these investments only need to be disaggregated by major type.

TxDOT and GPTC categorize fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The three-tiered fair value hierarchy is as follows.

- Level 1 – Quoted prices for identical investments in an active market
- Level 2 – Significant other observable inputs other than quoted market prices
- Level 3 – Significant unobservable inputs

As of Aug. 31, 2019, the measurements of TxDOT's investments are summarized below:

Investment Valuation			
August 31, 2019 (Amounts in Thousands)			
Investment Type	Fair Value Hierarchy Level 1	Other Measurement Method	Total
Governmental Activities			
Money Market Mutual Funds	\$	\$ 19,534	\$ 19,534
U.S. Treasuries	2,497	15,246	17,743
U.S. Government Agency Obligations		13,979	13,979
Total Governmental Activities	<u>\$ 2,497</u>	<u>\$ 48,759</u>	<u>\$ 51,256</u>
Business Type Activities			
Money Market Mutual Funds	\$	\$ 1,773	\$ 1,773
U.S. Treasuries	439,199	805,788	1,244,987
U.S. Government Agency Obligations		449,522	449,522
Government Investment Pools		996,721	996,721
Repurchase Agreements		268,899	268,899
Total Business-Type Activities	<u>\$ 439,199</u>	<u>\$ 2,522,703</u>	<u>\$ 2,961,902</u>
Fiduciary Funds			
Money Market Mutual Funds	\$	\$ 35,354	\$ 35,354
U.S. Treasuries		12,937	12,937
U.S. Government Agency Obligations		13,985	13,985
Total Fiduciary Funds	<u>\$ 0</u>	<u>\$ 62,276</u>	<u>\$ 62,276</u>

Government securities and government sponsored entity investments of \$441.7 million with maturities of one year or more are valued at quoted market prices (Level 1 input).

As of Aug. 31, 2019, TxDOT and GPTC also have the following two types of investments which are excluded from measurement at fair value according to GASB 72.

- TxDOT and GPTC had investments in money market funds, overnight repurchase agreement pool (REPO), government securities, government sponsored entities and government investment pools of \$2.5 billion with maturities less than one year valued at amortized cost.
- TxDOT entered into a repurchase agreement of \$115.0 million in August 2002 with U.S. Government and Agency securities. Collateral for the repurchase agreement is held by the Bank of New York Mellon Trust Company (the trustee bank) with the underlying securities being the property of the Citigroup Global Markets Inc. (the direct counterparty), held in trust for TxDOT. TxDOT can direct the trustee bank to designate repurchase dates on any business day on or before the final repurchase date in August 2022. The agreement is measured at cost.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, TxDOT will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. TxDOT and GPTC investment policies state that all securities purchased shall be conducted on a delivery-versus-payment (DVP) basis, and shall be protected through the use of a third-party custodian/safekeeping agent, which may be a Trustee.

As of Aug. 31, 2019, TxDOT's long term repurchase agreement is collateralized with U.S. Government and agency securities. Collateral for the repurchase agreement is held by the Bank of New York Mellon Trust Company with the underlying securities being the property of the Citigroup Global Markets Inc., (the direct counterparty), held in trust for TxDOT. Citigroup Global Markets Inc. is rated A1, A+ and A+ as of Aug. 31, 2019 by Moody's, Standard and Poor's (S & P) and Fitch Ratings respectively.

Credit Risk

Direct credit risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. TxDOT and GPTC investment policies prohibit TxDOT and GPTC from entering into long-term investment agreements or other non-DVP investment transactions with a final maturity or termination date of longer than six months with any financial institution that initially has a long-term rating category of less than “A” and that does not have at least one long-term rating of at least “AA” by a nationally recognized statistical rating organizations (NRSRO). All investments made by TxDOT and GPTC have been through the list of qualified financial institutions approved by TxDOT and GPTC.

TxDOT’s policy does not limit the amount of investment in obligations of the United States or its agencies. The long term repurchase agreement is a guaranteed investment contract (GIC) with Citigroup Global Markets Inc. as the counterparty. Citigroup Global Markets Inc. has collateralized the GIC with U.S. Government and agency securities. As of Aug. 31, 2019, TxDOT’s and GPTC’s investments had the following ratings:

Investment Credit Ratings				
August 31, 2019 (Amounts in Thousands)				
Investment Type	Valuation	Moody's	Standard & Poor's	Fitch
Governmental Activities				
Money Market Mutual Funds				
Fidelity Government Money Market Fund	\$ 19,534	AAA-mf	AAAm	NR
Government Sponsored Entities				
Federal Home Loan Bank	7,000	Aaa	AA+	NR
Federal Home Loan Bank Discount Note	6,979	P-1	A-1+	NR
Government Securities				
U.S. Treasury Notes	8,807	Aaa	AA+	AAA
U.S. Treasury Bills	8,936	NR	A-1+	F1+
Total Governmental Activities	<u>\$ 51,256</u>			
Business-Type Activities				
Money Market Mutual Funds				
Fidelity Government Money Market Fund	\$ 7	AAA-mf	AAAm	NR
JPMorgan US Government Fund	842	Aaa-mf	AAAm	AAAmmf
Morgan Stanley Government Fund	914	Aaa-mf	AAAm	AAAmmf
Goldman Sachs Financial Square Government Fund	10	Aaa-mf	AAAm	NR
Government Sponsored Entities				
Federal Farm Credit Banks	60,485	P-1	A-1+	F1+
Federal Home Loan Bank	15,000	Aaa	AA+	NR
Federal Home Loan Bank Discount Note	319,619	P-1	A-1+	NR
Federal Home Loan Mortgage Corporation	54,418	P-1	A-1+	F1+
Government Securities:				
U.S. Treasury Notes	987,754	Aaa	AA+	AAA
U.S. Treasury Bills	257,234	NR	A-1+	F1+
Government Investment Pools:				
Lone Star	22,941	NR	AAAm	NR
TexPool	896,500	NR	AAAm	NR
TexPool Prime	77,279	NR	AAAm	NR
Repurchase Agreement:				
Long term (Citigroup GIC)	114,999	A1	A+	A+
Repo (TTSTC)	153,900	NR	AAAf	NR
Total Business-Type Activities	<u>\$ 2,961,902</u>			
Fiduciary Fund				
Money Market Mutual Funds				
BlackRock Federal Funds	\$ 35,354	AAA-mf	AAAm	NR
Government Sponsored Entities				
Federal Home Loan Bank Discount Note	13,985	P-1	A-1+	NR
Government Securities				
U.S. Treasury Notes	9,772	Aaa	AA+	AAA
U.S. Treasury Bills	3,165	NR	A-1+	F1+
Total Fiduciary Funds	<u>\$ 62,276</u>			
NR= Not Rated				

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. Assets held in the particular funds shall be diversified to minimize the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer or a specific class of securities. As of Aug. 31, 2019, the following investments exceeded five percent of the total portfolio: Federal Home Loan Bank, Federal Home Loan Bank Discount Note, U.S. Treasuries and TexPool.

TxDOT and GPTC both address diversification in TxDOT's investment policy. Diversification strategies shall be determined and revised periodically by the investment officer for all funds.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. TxDOT and GPTC have addressed interest rate risk in its various accounts by matching as closely as possible anticipated cash flows with income and return of principal on investments. In general, all securities held by TxDOT and GPTC are anticipated to be held to maturity, thereby avoiding interest rate risk due to an early redemption. Investment maturities are noted in the investment fair value table.

NOTE 4 – LOANS RECEIVABLE

TxDOT makes loans to various local governments and regional mobility authorities. The State Infrastructure Bank (SIB) operates as a revolving loan fund, where the account balance grows through the monthly interest earned and repaid principal and interest payments. SIB financial assistance can be provided to any public or private entity authorized to construct, maintain or finance an eligible transportation project.

TxDOT also makes project loans through project development agreements. In these cases, TxDOT funds the construction costs of a regional mobility authority owned project up front and gets repayment over an established loan term. The loan receivable is recorded as TxDOT incurs eligible expenditures on the project.

The loan receivable balances as of Aug. 31, 2019 are as follows.

Loans and Contracts		
August 31, 2019 (Amounts in Thousands)		
Fund	Loans Receivable	Due Within One Year
General Fund	\$ 23	\$ 23
Highway Fund - Toll Equity Loans	60,049	
Highway Fund - Project Loans	429,669	1,502
Highway Fund - NTTA	117,187	7,206
Highway Fund - State Infrastructure Bank	158,692	4,819
Governmental Funds Total	<u>\$ 765,620</u>	<u>\$ 13,550</u>

NOTE 5 – LONG-TERM LIABILITIES

Long-Term Liabilities

Long-term liabilities for fiscal 2019 are presented in the table below:

Long-Term Liabilities Activity							
For the Fiscal Year Ended August 31, 2019 (Amounts in Thousands)							
Primary Government	Beginning Balance 9/01/2018	Adjustments*	Reductions	Additions**	Ending Balance 8/31/2019	Amounts Due Within One Year	Amounts Due Thereafter
Governmental Activities							
Compensable Leave	\$ 101,484	\$	\$ (114,344)	\$ 112,406	\$ 99,546	\$ 74,652	\$ 24,894
General Obligation Bonds	10,971,358	(363,849)	(211,010)		10,396,499	296,982	10,099,517
General Obligation Bonds - Direct Placements		286,913			286,913	1,986	284,927
Revenue Bonds	4,470,180	(192,920)	(225,500)		4,051,760	275,200	3,776,560
Revenue Bonds - Direct Placements		150,000			150,000		150,000
Pollution Remediation Obligations	6,640		(10,640)	12,198	8,198	8,198	
Pass Through Tolls Payable	939,088	(7,336)	(158,066)	12,767	786,453	183,125	603,328
Notes and Loans - Direct Borrowings	294,304			7,642	301,946		301,946
Contracts Payable	22,658			8,397	31,055	4,000	27,055
Governmental Activities - Long-Term Liabilities	\$ 16,805,712	\$ (127,192)	\$ (719,560)	\$ 153,410	\$ 16,112,370	\$ 844,143	\$ 15,268,227
Business-Type Activities							
Revenue Bonds Payable	\$ 6,106,955	\$ (88,771)	\$ (20,365)	\$ 305,155	\$ 6,302,974	\$ 43,420	\$ 6,259,554
Revenue Bonds - Direct Placements		83,775			83,775		83,775
Notes and Loans Payable	1,552,491	(905,034)			647,457	10,532	636,925
Notes and Loans - Direct Borrowings		894,502		32,947	927,449		927,449
Business-Type Activities - Long-Term Liabilities	\$ 7,659,446	\$ (15,528)	\$ (20,365)	\$ 338,102	\$ 7,961,655	\$ 53,952	\$ 7,907,703
* Includes reclassification related to implementation of GASB 88 and current year amortization of premiums and discounts.							
**Includes current year amortization of accretion.							

For long-term liabilities other than debt related to governmental activities, the State Highway Fund typically is used to liquidate liabilities in prior years.

Employees' Compensable Leave

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 TxDOT employees. Employees accrue vacation time at a rate of eight to 21 hours per month depending on years of state employment. The maximum number of hours that may be carried forward to the next fiscal year ranges from 180 hours to 532 hours based on years of state service.

Overtime, under the Fair Labor Standards Act and state laws, can be accumulated in lieu of immediate payment as compensatory leave (at one-and-one-half hours for each overtime hour worked) for nonexempt, nonemergency employees to a maximum of 240 hours. All overtime exceeding 240 hours must be paid with the next regular payroll. At termination or death, all overtime balances must be paid in full. Unpaid overtime is included in the calculation of current portion on long-term liabilities for each employee because it may be used like compensatory time or be paid.

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 date earned or it lapses. There is no death or termination benefit for compensatory leave. Compensatory leave is reported as a current liability. No liability is recorded for non-vesting accumulating rights to receive sick leave benefits.

Notes and Loans Payable

As of Aug. 31, 2019, three notes and loans agreements are outstanding. The outstanding direct loan related to governmental activities of \$301.9 million contains various provisions resulting from certain events of default with various remedies. In particular, in the case of a payment default, interest is charged on the overdue balance of the note at the default rate (an additional 2%) until the payment default is cured (overdue balance repaid). In the case of project abandonment, the default rate is charged until the note is paid in full. In the case of certain bankruptcy related event defaults, the note becomes secured by a first priority security interest in the trust estate. The outstanding direct loan related to business-type activities of \$927.4 million contains the following default provisions. Of note, in the case of (i) a payment default, interest is charged on the overdue balance of the note at the default rate (an additional 2%) until the overdue balance is repaid, (ii) a development default (which occurs upon failure of the borrower to prosecute the work related to the applicable project or to complete the applicable project in accordance with the financial plan), interest is charged at the default rate until such development default is cured, and (iii) a default due to project abandonment, the default rate is charged until the note is paid in full. Additionally, in the case of certain bankruptcy related event defaults, the note becomes secured by a first priority security interest in the trust estate. The purpose and the source for repayment of debt service for the notes and loans payable are summarized below.

TIFIA

The Commission entered into a secured loan agreement with the United States Department of Transportation (USDOT) through the Transportation Infrastructure Finance and Innovation Act of 1998 (TIFIA). USDOT agreed to lend the Commission up to \$285.0 million to pay a portion of the eligible project costs related to the initial phase of the IH-35E project. As of Aug. 31, 2019, the note's debt service requirements are as follows.

IH-35E TIFIA Direct Borrowing Loan			
Debt Service Requirements			
(Amounts in Thousands)			
	Governmental Activities		
Year	Principal	Interest*	Total
2020	\$	\$	\$
2021			
2022		4,136	4,136
2023		8,341	8,341
2024		8,353	8,353
2025-2029	7,724	41,582	49,306
2030-2034	42,379	38,859	81,238
2035-2039	78,186	31,665	109,851
2040-2044	92,511	19,564	112,075
2045-2049	61,593	10,125	71,718
2050-2052	40,902	2,128	43,030
Total	\$ 323,295	\$ 164,753	\$ 488,048
Unamortized Accretion	(21,349)		(21,349)
Total Requirements	\$ 301,946	\$ 164,753	\$ 466,699
*Fixed interest rate at 2.58 percent			

The second TIFIA loan payable represents a secured loan made to the Grand Parkway Transportation Corporation by the USDOT under the TIFIA. USDOT agreed to lend GPTC up to \$840.6 million to pay a portion of the eligible project costs. As of Aug. 31, 2019, the GPTC has drawn down \$840.6 million under the secured loan agreement for the purpose of providing funds to refund the GPTC Series 2014-A bond anticipation notes and the GPTC Series 2014-C toll revenue bonds. In accordance with the TIFIA 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. As of Aug. 31, 2019, the note's debt service requirements are as follows.

GPTC TIFIA Direct Borrowing Loan Debt Service Requirements (Amounts in Thousands)			
Business-Type Activities			
Year	Principal	Interest*	Total
2020	\$	\$	\$
2021		34,528	34,528
2022		34,575	34,575
2023		34,575	34,575
2024		34,622	34,622
2025-2029	4,845	172,621	177,466
2030-2034	18,728	170,685	189,413
2035-2039	41,811	165,815	207,626
2040-2044	166,195	150,537	316,732
2045-2049	480,630	97,439	578,069
2050-2051	235,050	8,751	243,801
Total	\$ 947,259	\$ 904,148	\$ 1,851,407
Unamortized Accretion	(19,810)		(19,810)
Total Requirements	\$ 927,449	\$ 904,148	\$ 1,831,597

*Fixed interest rate at 3.65 percent.

GPTC closed a \$605.3 million TIFIA loan for Grand Parkway Segments H&I on Feb. 1, 2019. The H&I TIFIA loan is anticipated to be drawn in 2022 to refund GPTC's 2018 Bond Anticipation Notes (BANs), therefore, the closing of the loan does not increase the outstanding loan amount of GPTC.

Bond Anticipation Notes (BANs)

The Grand Parkway Transportation Corporation issued a bond anticipation note for the purpose of providing funds to pay the costs of extending, expanding and improving the Grand Parkway System. Proceeds from the note will also be used to pay costs of issuance. As of Aug. 31, 2019, the note's debt service requirements are as follows.

BANs – Debt Service Requirements (Amounts in Thousands)			
Business-Type Activities			
Year	Principal	Interest*	Total
2020	\$	\$	\$
2021		30,267	30,267
2022		30,267	30,267
2023	605,330	25,222	630,552
Total	\$ 605,330	\$ 116,023	\$ 721,353
Unamortized Premium	42,127		42,127
Total Requirements	\$ 647,457	\$ 116,023	\$ 763,480

* Fixed interest rate at 5.00 percent.

Pledged Future Revenues

Pledged revenues are those specific revenues that are formally committed to directly secure the payment of debt service. The table that follows provides information on pledged revenue and pledged future revenue of the self-supporting general obligation bonds, revenue bonds, TIFIA loans and BANs.

Pledged Future Revenue						
(Amounts in Thousands)						
	Governmental Activities		Business-Type Activities			
	Texas Mobility Fund	State Highway Fund	Central Texas Turnpike System	Grand Parkway Transportation Corporation	SH 249 System	
Pledged Revenue Required for Future Principal and Interest on Existing Debt	\$ 9,920,825	\$ 5,859,390	\$ 5,039,500	\$ 9,912,888	\$ 745,926	
Term of Commitment Ending	10/1/2044	5/1/2052	8/15/2042	4/1/2053	8/1/2057	
Percentage of Revenue Pledged	100%	100%	96.59%	91.49%	72.79%	
Current Year Pledged Revenue	\$ 496,636	\$ 8,973,143 *	\$ 265,546	\$ 228,822	\$ 1,767	
Current Year Principal and Interest Paid	\$ 367,695	\$ 423,655	\$ 127,416	\$ 151,792	\$ 3,358	

* Includes pledged revenue of other state agencies using the state highway fund.

Pass-Through Tolls Payable

The balance recorded as pass-through tolls payable relates to the Commission's obligations under executed pass-through financing agreements. As of Aug. 31, 2019, there were 39 active pass-through financing agreements finalized and executed by the Commission. Under these agreements, an outside party (usually a local government) pays for all or a portion of a highway project. In return, TxDOT contractually agrees to make reimbursements after the improvement is open for traffic. Reimbursements are subject to minimum and maximum annual thresholds and are variable within those thresholds based on the volume of traffic on the project roadway. The agreements covering multiple projects generally contain a provision allowing for reimbursements to begin as each project is open for traffic.

The obligation to make future reimbursement payments is recognized as pass-through tolls payable as the underlying highway project is constructed. Accruals of payables continue until the liability amount reaches the total TxDOT reimbursement obligation specified in the agreement. If the cost of the completed underlying highway project is less than the total TxDOT reimbursement obligation, TxDOT will accrue the additional obligation amount upon that project's completion and acceptance. The estimated debt service requirements related to pass-through toll contracts executed as of Aug. 31, 2019 are as follows. The timing of actual payments may differ substantially from this estimate, but the total amount paid is linked to contractually established levels. The estimates are updated monthly to account for these variations.

Pass-Through Tolls Payable - Debt Service Requirements		
(Amounts in Thousands)		
Governmental Activities		
Year	Principal*	
2020	\$	183,125
2021		142,835
2022		126,694
2023		102,831
2024		79,235
2025-2029		193,392
2030-2031		9,580
Total **	\$	837,692
Unrealized Payable		(51,239)
Total Requirements	\$	786,453

* There is no interest component to the pass-through toll reimbursements.

** This projection assumes the Commission's maximum potential obligation.

Contracts Payable

TxDOT is party to a financial assistance arrangement with Fort Bend County related to the expansion of Farm to Market Road 1093. The terms of this agreement are such that in return for Fort Bend County funding the costs of the project up-front, TxDOT will reimburse Fort Bend 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 2017. The obligation to make future reimbursements is recognized as contracts payable. The estimated debt service requirements related to this arrangement are as follows.

Contracts Payable – Debt Service Requirements		
(Amounts in Thousands)		
Governmental Activities		
Year		Principal*
2020	\$	4,000
2021		4,000
2022		4,000
2023		4,000
2024		4,000
2025-2029		20,000
Total *	\$	40,000
Unrealized Payable		(8,945)
Total Requirements	\$	31,055
*There is no interest component to this contract payable.		

Pollution Remediation Obligations

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 table below details the various compliance requirements under which TxDOT is incurring pollution remediation costs and is recording a pollution remediation liability.

Pollution Remediation Obligations - Disaggregation of Total Liability		
As of August 31, 2019 (Amounts in Thousands)		
Governmental Activities		
Comply with Federal and State asbestos requirements	\$	5,243
Comply with Federal and State OSHA requirements for lead based paint		1,060
Comply with Federal Safe Drinking Water Act requirements		855
Comply with state Leaking Petroleum Storage Tank (LPST) cleanup requirements		632
Comply with OSHA Health and Safety Plan (HASP) requirements		353
Comply with state cleanup requirements (non-LPST sources)		55
Total	\$	8,198

Federal reimbursements are expected to offset a portion of these estimated costs. When realizable, the federal reimbursements are recognized as federal revenue. The potential for changes due to price increases or reductions, technology or applicable laws or regulations was incorporated into these estimates.

Claims and Judgments

TxDOT's involvement in claims and judgments is discussed in detail in Note 15. Management's opinion is that the probable outcome of claims and judgments against TxDOT will not materially affect the financial position of TxDOT; therefore, no liability amount has been accrued.

NOTE 6 – BONDED INDEBTEDNESS

As discussed more fully in the sections that follow, the Commission and TxDOT's blended component units are authorized through various statutory and constitutional provisions to issue general obligation and revenue bonds as well as private activity bonds.

As of Aug. 31, 2019, the Commission had 30 bond issues outstanding. The Texas Private Activity Bond Surface Transportation Corporation (TxPABST), a blended component unit of TxDOT, had five conduit debt bond issues outstanding as of Aug. 31, 2019. The Grand Parkway Transportation Corporation (GPTC), another blended component unit of TxDOT, had six revenue bond issuances outstanding as of Aug. 31, 2019. The debt service payments associated with debt issued by TxPABST and GPTC are not the responsibility of the state of Texas, however due to the relationship between TxDOT and these entities, their disclosures and, as appropriate, financial balances associated with the outstanding bonds are included in this report.

Miscellaneous Bond Information (Amounts in Thousands)							
Description of Issue	Bonds Issued to Date	Date Issued	Range of Interest Rates	Maturities		First Call Date	
				First Year	Last Year		
GOVERNMENTAL ACTIVITIES							
General Obligation Bonds							
Texas Mobility Fund							
Series 2006-B Variable Rate Bonds	\$ 150,000	12/13/2006	variable		2036	2036	**
Series 2009-A Taxable Fixed Rate Bonds	1,208,495	08/26/2009	5.37%	5.52%	2029	2039	**
Series 2014 Fixed Rate Refunding Bonds	973,775	07/02/2014	4.00%	5.00%	2016	2034	04/01/2024
Series 2014-A Fixed Rate and Refunding Bonds	1,580,160	12/18/2014	4.00%	5.00%	2017	2044	10/01/2024
Series 2014-B SIFMA Bonds	250,000	12/18/2014	variable		2041	2041	10/01/2021
Series 2015-A Fixed Rate Refunding Bonds	911,360	09/30/2015	3.20%	5.00%	2018	2036	10/01/2025
Series 2015-B Fixed Rate Refunding Bonds	254,105	10/07/2015	5.00%	5.00%	2031	2036	10/01/2025
Series 2017-A Fixed Rate Refunding Bonds	296,020	02/01/2017	5.00%	5.00%	2030	2034	10/01/2027
Series 2017-B Fixed Rate Refunding Bonds	474,135	02/01/2017	5.00%	5.00%	2029	2036	10/01/2027
Texas Highway Improvement							
Series 2010-A Taxable Fixed Rate Bonds	815,420	09/29/2010	3.20%	4.68%	2019	2040	**
Series 2012-A Fixed Rate Bonds	818,635	12/18/2012	5.00%	5.00%	2019	2042	04/01/2022
Series 2012-B Taxable Fixed Rate Bonds	99,570	12/18/2012	0.30%	1.50%	2014	2019	n/a
Series 2014 Fixed Rate Bonds	1,260,000	10/15/2014	2.00%	5.00%	2015	2044	04/01/2024
Series 2016 Fixed Rate Bonds	615,000	05/04/2016	5.00%	5.00%	2017	2046	04/01/2026
Series 2016-A Fixed Rate Bonds	588,755	11/02/2016	4.00%	5.00%	2018	2046	04/01/2026
Revenue Bonds							
State Highway Fund							
Series 2008 Fixed Rate Bonds	162,995	08/19/2008	3.50%	5.25%	2010	2028	04/01/2018
Series 2010 Taxable Fixed Rate Bonds	1,500,000	08/05/2010	5.03%	5.18%	2026	2030	**
Series 2014-A Fixed Rate and Refunding Bonds	1,157,795	04/02/2014	4.75%	5.00%	2017	2034	04/01/2024
Series 2014-B1 Variable Rate Bonds	150,000	04/03/2017	variable		2032	2032	**
Series 2014-B2 LIBOR Bonds	150,000	04/03/2017	variable		2032	2032	**
Series 2015 Fixed Rate Refunding Bonds	781,080	07/22/2015	3.00%	5.00%	2017	2026	n/a
Series 2016-A Fixed Rate Bonds	601,210	10/26/2016	3.00%	5.00%	2017	2030	10/01/2026
Series 2016-B Hard Put Refunding Bonds	89,370	10/26/2016	4.00%	4.00%	2025	2026	10/01/2021
Governmental Activities Total	\$ 14,887,880						
** Bonds are subject to redemption prior to their respective maturities at the option of the Commission.							

Miscellaneous Bond Information (Concluded)								
(Amounts in Thousands)								
Description of Issue	Bonds Issued to Date	Date Issued	Range of Interest Rates		Maturities		First Call Date	
					First Year	Last Year		
BUSINESS-TYPE ACTIVITIES								
Revenue Bonds								
Central Texas Turnpike System								
First Tier Revenue Bonds Series 2002-A								
Non-Callable Capital Appreciation Bonds***	\$	680,837	08/29/2002	4.47%	5.75%	2012	2030	n/a
Callable Capital Appreciation Bonds*		325,494	08/29/2002	6.00%	6.10%	2025	2038	08/15/2012
First Tier Revenue Refunding Bonds, Series 2012-A		585,330	11/27/2012	4.00%	5.00%	2038	2041	08/15/2022
First Tier Revenue Refunding Put Bonds, Series 2015-A		225,000	02/04/2015	5.00%	5.00%	2041	2042	04/01/2020
First Tier Revenue Refunding Bonds, Series 2015-B		198,025	02/04/2015	5.00%	5.00%	2032	2037	08/15/2024
First Tier Revenue Refunding Bonds, Series 2015-B		112,875	02/04/2015	4.36%	4.38%	2036	2037	08/15/2024
Capital Appreciation Bonds								
Second Tier Revenue Refunding Bonds, Series 2015-C		1,157,320	02/04/2015	5.00%	5.00%	2022	2042	08/15/2024
Grand Parkway Transportation Corporation								
First Tier Revenue Bonds, Series 2013-A		200,000	08/01/2013	5.13%	5.50%	2031	2053	10/01/2023
Subordinate Tier Toll Revenue Bonds, Series 2013-B								
Convertible Capital Appreciation Bonds***		389,276	08/01/2013	4.95%	5.85%	2029	2048	10/01/2028
Current Interest Bonds		1,137,935	08/01/2013	5.00%	5.25%	2048	2053	10/01/2023
Subordinate Tier Toll Revenue Bonds, Series 2013-E		361,810	08/01/2013	5.18%	5.18%	2036	2042	**
Subordinate Tier Toll Revenue Bonds, Series 2016		83,775	12/07/2016	2.20%	2.20%	2023	2023	n/a
Subordinate Tier Toll Revenue Bonds, Series 2018-A		712,100	05/30/2018	5.00%	5.00%	2030	2048	04/01/2028
Subordinate Tier Toll Revenue Bonds, Series 2018-B		166,525	05/30/2018	5.00%	5.00%	2049	2052	10/01/2023
SH249 System								
First Tier Toll Revenue Bonds, Series 2019A								
Current Interest Bonds		144,085	02/26/2019	5.00%	5.00%	2053	2057	02/01/2029
Capital Appreciation Bonds***		94,665	02/26/2019	3.39%	5.10%	2028	2053	02/01/2029
First Tier Toll Revenue Bonds, Taxable Series 2019B		12,795	02/26/2019	4.55%	4.70%	2030	2033	02/01/2029
Business-Type Activities Total		<u>6,587,847</u>						
Total	\$	<u>21,475,727</u>						
*These bonds are not outstanding as of 08/31/2019.								
** Bonds are subject to redemption prior to their respective maturities at the option of the Commission.								
*** Bonds issued to date include interest accreted to principal.								

Changes in Bonds Payable							
For the Fiscal Year Ended August 31, 2019 (Amounts in Thousands)							
Description	Bonds Outstanding 8/31/2018	Adjustments*	Bonds Issued**	Bonds Matured or Retired	Bonds Refunded or Extinguished	Bonds Outstanding 8/31/2019	Due Within One Year
Governmental Activities:							
General Obligation Bonds	\$ 10,971,358	\$ (363,849)	\$	\$ (211,010)	\$	\$ 10,396,499	\$ 296,982
General Obligation Bonds - Direct Placements		286,913				286,913	1,986
Revenue Bonds	4,470,180	(192,920)		(225,500)		4,051,760	275,200
Revenue Bonds - Direct Placements		150,000				150,000	
Total Governmental Activities	<u>15,441,538</u>	<u>(119,856)</u>		<u>(436,510)</u>		<u>14,885,172</u>	<u>574,168</u>
Business-Type Activities:							
Revenue Bonds	6,106,955	(88,771)	305,155	(20,365)		6,302,974	43,420
Revenue Bonds - Direct Placements		83,775				83,775	
Total Business-Type Activities	<u>6,106,955</u>	<u>(4,996)</u>	<u>305,155</u>	<u>(20,365)</u>		<u>6,386,749</u>	<u>43,420</u>
Total	<u>\$ 21,548,493</u>	<u>\$ (124,852)</u>	<u>\$ 305,155</u>	<u>\$ (456,875)</u>	<u>\$ 0</u>	<u>\$ 21,271,921</u>	<u>\$ 617,588</u>
*Includes reclassification relating to implementation of GASB 88 and current year amortization of premiums and discounts.							
** Includes current year amortization of accretion.							

General Obligation Bonds – General Comments

The Texas Constitution authorizes the Commission to issue general obligation bonds backed by the full faith and credit of the state. As of Aug. 31, 2019, two general obligation bond programs are active. All general obligation bond issuances must be approved by the Texas Bond Review Board prior to issuance. The purpose and the sources for the repayment of debt service for each program are summarized as follows.

Texas Mobility Fund General Obligation Bond Program

Texas Constitution, Article III, Section 49-k and Transportation Code, Chapter 201, Subchapter M authorize the Commission to issue general obligation bonds payable from a pledge of and lien on all or part of the money in the Mobility Fund. The Mobility Fund bonds are designed to be self-supporting, but the full faith and credit of the state is pledged in the event the revenue and money dedicated to the Mobility Fund is insufficient to pay debt service on the bonds. As of Aug. 31, 2019, major sources of pledged revenue to the Mobility Fund include driver license fees, motor vehicle inspection fees, certificate of title fees and driver record information fees.

The issuance of Mobility Fund bonds is subject to debt service coverage requirements. Prior to a Mobility Fund debt issuance, the Texas Comptroller of Public Accounts must certify that there will be sufficient future resources on deposit in the Mobility Fund to ensure 110 percent coverage of debt service requirements during the period that the debt will be outstanding. Subject to the debt service coverage requirement, the Mobility Fund constitutional provision does not limit the amount of obligations that may be issued under the program. The Mobility Fund program is currently established in the aggregate principal amount of \$7.5 billion outstanding at any one time. House Bill 122, which was enacted during the regular session of the 84th Legislature and became effective on June 10, 2015, amends the authority to provide that no additional program obligations may be issued or incurred after Jan. 1, 2015, except for obligations issued to refund outstanding obligations to provide savings or to renew or replace credit agreements relating to outstanding variable rate obligations. Additionally, HB 122 provides that money in the Mobility Fund, in excess of amounts required by the proceedings authorizing obligations and credit agreements to be retained on deposit, may not be used for toll roads.

Bond proceeds are to be used to refunding existing bonds and related credit agreements, creating reserves for payment of bonds and related credit agreements, paying bond issuance costs and paying interest on the bonds and related credit agreements.

In an event of default in connection with any covenant or in any supplement, or default in the payment of annual debt service requirements due in connection with any parity debt, or other costs and expenses related thereto, any owner of parity debt (which includes all Mobility Fund bondholders) may require the Commission, the Department, its officials and employees, and any appropriate official of the State, to carry out, respect, or enforce the covenants and obligations of the Master Resolution or any Supplement, by all legal and equitable means, including specifically the use and filing of mandamus proceedings in any court of competent jurisdiction in Travis County, Texas against the Commission, the Department, its officials and employees, or any appropriate official of the State.

The Series 2015-B outstanding balance of \$286.9 million is from direct placements.

Texas Highway Improvement General Obligation Bond Program (Proposition 12)

Texas Constitution, Article III, Section 49-p and Transportation Code, Section 222.004, authorizes the Commission to issue general obligation bonds of the state of Texas for the costs of highway improvement projects including construction, reconstruction, design, the acquisition of right-of-way, the costs of administering the highway improvement projects and the costs of issuing the bonds. These bonds are not self-supporting and are considered a general obligation of the state of Texas. As of Aug. 31, 2019, the Commission has issued \$5.0 billion under the Texas highway improvement general obligation bond program.

In an event of default in connection with (i) failure to make payment of the principal of or interest on any of the bonds or credit agreements when due and payable or (ii) the performance or observance of any other covenant, agreement or obligation of the Commission or the State, which materially adversely affects the rights of the bond owners, any owner of bonds or credit agreements may require the Commission, the Department, its officials and employees, and any appropriate official of the State, to carry out, respect, or enforce the covenants and obligations of the Master Resolution or any Supplement, by all legal and equitable means, including specifically the use and filing of mandamus proceedings in any court of competent jurisdiction in Travis County, Texas against the Commission, the Department, its officials and employees, or any appropriate official of the State. The State has not waived sovereign immunity with respect to the enforcement of the obligations of the Commission and the State relating to any series of bonds or credit agreements.

Debt Service Requirements – Governmental Activities							
General Obligation Bonds (Amounts in Thousands)				General Obligation Bonds Direct Placements (Amounts in Thousands)			
Year	Principal	Interest	Total	Year	Principal	Interest	Total
2020	\$ 223,915	\$ 449,374	\$ 673,289	2020	\$	\$ 12,705	\$ 12,705
2021	237,925	438,323	676,248	2021		12,705	12,705
2022	252,760	426,562	679,322	2022		12,705	12,705
2023	268,485	413,997	682,482	2023		12,705	12,705
2024	285,150	400,575	685,725	2024		12,705	12,705
2025-2029	1,710,860	1,769,529	3,480,389	2025-2029		63,526	63,526
2030-2034	2,125,035	1,305,666	3,430,701	2030-2034	63,450	58,027	121,477
2035-2039	2,723,755	778,485	3,502,240	2035-2039	190,655	18,480	209,135
2040-2044	1,359,630	213,493	1,573,123				
2045-2049	248,576	9,515	258,091				
	9,436,091	6,205,519	15,641,610		254,105	203,558	457,663
Premium	960,408		960,408	Premium	32,808		32,808
Total	\$ 10,396,499	\$ 6,205,519	\$ 16,602,018	Total	\$ 286,913	\$ 203,558	\$ 490,471

Revenue Bonds – General Comments

The Texas Constitution and Transportation Code authorize the Commission to issue revenue bonds backed by pledged revenue sources and restricted funds. The active revenue bond programs of TxDOT and the Grand Parkway Transportation Corporation are summarized as follows.

State Highway Fund Revenue Bond Program (Proposition 14)

Texas Constitution, Article III, Section 49-n and Transportation Code, Section 222.003 authorizes the Commission to issue revenue bonds to finance highway improvement projects. The bonds are payable from pledged revenues deposited to the credit of the state highway fund, including dedicated taxes, dedicated federal revenues and amounts collected or received pursuant to other state highway fund revenue laws and any interest or earning from the investment of these funds. As of Aug. 31, 2019, the Commission has issued \$6.0 billion under the state highway fund revenue bond program.

In an event of default, the purchaser may take the following actions:

- (i) Direct the tender agent and the Commission, as applicable, to cause a mandatory tender of the bonds or take such other remedial action as is provided for in the Resolution;
- (ii) Exercise any and all remedies as it may have under the related documents and as otherwise available at law and equity;
- (iii) Take whatever action at law or in equity may appear necessary or desirable to collect the amounts due and payable by the Commission under the Related Documents (including all outstanding debt service on the 2014-B2 bonds) or to enforce performance or observance of any obligation, agreement or covenant of the Commission under the Related Documents.

In general, in the event of a default in the payment of debt service due in connection with any State Highway Fund bonds or any other costs and expenses relating thereto, or a default by the Commission in the performance of any duty or covenant provided in law or in the Resolution, any owner of State Highway Fund bonds may require the Commission or the Department or its officials and employees to carry out, respect, or enforce the Commission's covenants and obligations relating to the State Highway Fund bonds by all legal and equitable means, including specifically the use and filing of mandamus proceedings in State court.

The series 2014-B2 outstanding balance of \$150 million is from direct placements.

Total debt service requirements for State Highway Fund revenue bonds are presented as follows.

Debt Service Requirements – Governmental Activities							
Revenue Bonds (Amounts in Thousands)				Revenue Bonds - Direct Placements (Amounts in Thousands)			
Year	Principal	Interest	Total	Year	Principal	Interest	Total
2020	\$ 236,580	\$ 183,176	\$ 419,756	2020	\$	\$ 3,660	\$ 3,660
2021	248,615	171,155	419,770	2021		3,650	3,650
2022	260,480	159,281	419,761	2022		3,650	3,650
2023	271,155	148,609	419,764	2023		3,650	3,650
2024	283,420	135,178	418,598	2024		3,660	3,660
2025-2029	1,624,520	447,711	2,072,231	2025-2029		18,260	18,260
2030-2034	902,035	103,613	1,005,648	2030-2034	150,000	9,284	159,284
	3,826,805	1,348,723	5,175,528				
Premium	224,955		224,955				
Total	\$ 4,051,760	\$ 1,348,723	\$ 5,400,483	Total	\$ 150,000	\$ 45,814	\$ 195,814

Central Texas Turnpike System Revenue Bond Program

Transportation Code, Chapter 228 Subchapter C authorizes the Commission to issue revenue bonds to pay a portion of the costs of planning, designing, engineering, developing and constructing the Central Texas Turnpike System (CTTS) located in the greater Austin metropolitan area in Travis and Williamson counties. The bonds are payable from and secured solely by a first and second lien on, as applicable, and pledge of the trust estate. The trust estate consists of all project revenues and investment earnings. Neither the state, the Commission, TxDOT, nor any other agency or political subdivision of the state, is obligated to pay the debt service on the CTTS revenue bonds.

In an event of default under the terms of the Indenture of Trust dated as of July 15, 2002, the Trustee may take the following actions and upon the written request of the owners of not less than 20 percent in principal amount of outstanding obligations shall proceed to:

- (i) Protect and enforce its rights and the rights of the owners under the state law and the Indenture by such suits, actions or special proceedings in equity or at law, or by proceedings in the office of any board or officer having jurisdiction, either for mandamus or the specific performance of any covenant or agreement contained in the Indenture or in aid or execution of any power granted by the Indenture or for the enforcement of any proper legal or equitable remedy, as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights.
- (ii) In the enforcement of any remedy under the Indenture the Trustee shall be entitled to sue for, enforce payment of and receive any and all amounts then or during any event of default becoming, and at any time remaining, due from the Commission.

Grand Parkway System Toll Revenue Bond Program

Transportation Code, Chapter 431 authorizes the creation of the Grand Parkway Transportation Corporation, a public, non-profit Texas corporation created by the Commission to act on behalf of the Commission to finance, build and operate certain segments of State Highway 99 (the "Grand Parkway Project") in the greater Houston area. In March 2012, the Commission adopted a resolution creating the Grand Parkway Transportation Corporation (GPTC). GPTC is authorized to assist and act on behalf of the Commission in the development, financing, design, construction, reconstruction, expansion, operation and/or maintenance of the Grand Parkway toll project. The bond obligations are payable from tolls and other revenues of the GPTC held by the trustee. Neither the state, the Commission, nor any other agency or political subdivision of the state is obligated to pay the debt service on the GPTC bonds.

In an event of default, and upon the written request of the owners of not less than 20 percent in principal amount of outstanding obligations, the Trustee shall proceed to:

- (i) Protect its rights and the rights of the owners under Chapter 431, Transportation Code and under the Trust Agreement, the Toll Rate Agreement or certain sections of the Project Agreement by such suits, actions or special proceedings in equity or at law, or by proceedings in the office of any board or officer having jurisdiction, either for mandamus or the specific performance of any covenant or agreement contained in the Trust Agreement or in aid or execution of any power granted in the Trust Agreement for the enforcement of any proper legal or equitable remedy, as the Trustee, being advised by counsel, deems most effectual to protect and enforce such rights. Acceleration of principal or of interest on the obligations upon the occurrence of an event of default is not a remedy available under the Trust Agreement.

- (ii) In the enforcement of any remedy under the Trust Agreement the Trustee shall be entitled to sue for, enforce payment of and receive any and all amounts then or during any default becoming, and at any time remaining, due from the Corporation and to enforce judgment or decree against the Corporation but solely as provided in the Trust Agreement.

GPTC series 2016 bonds are direct placements. The outstanding par value is \$83.8 million.

SH249 System Revenue Bond Program

Transportation Code, Chapter 228 authorizes the Commission to issue toll revenue bonds to finance the cost of construction, improvement, extension, or expansion of a toll project or system in the State. In February 2019, the Commission issued \$249.3 million in toll revenue bonds (2019 SH 249 Bonds) to finance the cost of an approximately 15-mile tolled highway (Segment 1) to serve as a northerly extension of the existing State Highway 249 (SH 249) and to be located between FM 1774 in Pinehurst, Texas (Montgomery County) and FM 1774 near Todd Mission, Texas (Grimes County). The 2019 SH 249 Bonds constitute special, limited obligations of the Commission secured by and payable solely from a first lien on, pledge of, and security interest in the trust estate (Trust Estate) for the 2019 SH 249 Bonds and are payable prior to the payment of operating and maintenance expenses on Segment 1. The Trust Estate consists primarily of toll revenues to be generated by the operation of Segment 1. None of the Commission, TxDOT, or any other agency or political subdivision of the State is obligated to pay debt service on the 2019 SH 249 Bonds except the Commission solely from the Trust Estate and certain funds created under the master trust agreement (Master Trust Agreement) for the 2019 SH 249 Bonds. The Commission has currently designated Segment 1 as comprising the entire SH 249 System, and Segment 1 will be the first and initially the only segment of the SH 249 System. The Commission may choose to expand or enlarge the SH 249 System, but the Commission currently has no plans for such expansion or enlargement. Subject to the terms of the Master Trust Agreement, the Commission may issue additional bonds or other obligations at any time, secured by a lien on the Trust Estate that is on parity with, or subordinate to, the first lien on the Trust Estate securing payment of the 2019 SH 249 Bonds, in order to finance the expansion or enlargement of the SH 249 System.

In an event of default, the Trustee may proceed and upon the written request of the owners of not less than 20 percent in principal amount of outstanding obligations, shall proceed to:

- (iii) Protect and enforce its rights and the rights of the owners under State law and under the Master Trust Agreement by such suits, actions or special proceedings in equity or at law, or by proceedings in the office of any board or officer having jurisdiction, either for mandamus or the specific performance of any covenant or agreement in the Master Trust Agreement or in aid or execution of any power granted in the Master Trust Agreement or for the enforcement of any proper legal or equitable remedy, as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights. Acceleration of the principal of or interest on the obligations is not a remedy available under the Master Trust Agreement.
- (iv) In the enforcement of any remedy under the Master Trust Agreement the Trustee shall be entitled to sue for, enforce payment of and receive any and all amounts then or during any default becoming, and at any time remaining, due from the Corporation.

The summarized debt service requirements for the CTTS, GPTC and SH249 System is as follows.

Debt Service Requirements – Business-Type Activities (Amounts in Thousands)							
Revenue Bonds				Revenue Bonds Direct Placements			
Year	Principal	Interest	Total	Year	Principal	Interest	Total
2020	\$ 26,715	\$ 246,693	\$ 273,408	2020	\$	\$ 1,843	\$ 1,843
2021	36,480	246,693	283,173	2021		1,843	1,843
2022	45,350	246,693	292,043	2022		1,843	1,843
2023	54,315	246,583	300,898	2023		1,843	1,843
2024	63,380	260,193	323,573	2024	83,775	927	84,702
2025-2029	476,340	1,362,198	1,838,538				
2030-2034	822,610	1,297,390	2,120,000				
2035-2039	1,473,080	1,059,803	2,532,883				
2040-2044	1,318,230	700,067	2,018,297				
2045-2049	776,675	476,015	1,252,690				
2050-2054	1,488,220	207,827	1,696,047				
2055-2059	92,526	9,404	101,930				
	6,673,921	6,359,559	13,033,480				
Accretion	(686,010)		(686,010)				
Premium	331,544		331,544				
Discount	(16,481)		(16,481)				
Total	\$ 6,302,974	\$ 6,359,559	\$ 12,662,533	Total	\$ 83,775	\$ 8,299	\$ 92,074

Build America Bonds

The American Recovery and Reinvestment Act of 2009 granted municipal debt issuers access to a broader investor base in the taxable market by providing a federal interest rate subsidy payment to offset debt service costs through the Build America Bonds (BABs) program. Direct Payment BABs provide a federal reimbursement to TxDOT equal to 35 percent of the interest paid on the bonds.

As a result of budget sequestration, the federal government reduced subsidy payments for BABs by 6.2 percent effective Oct. 1, 2018 through Sept. 30, 2019 for BAB subsidy payments paid in federal fiscal year 2019. See the table below for details on the Commission's Direct Payment BABs outstanding at Aug. 31, 2019.

Direct Payment Build America Bonds (Amounts in Thousands)			
	Issue Date	Par Amount	Outstanding
Governmental Activities			
General Obligation Bonds			
Texas Mobility Fund Series 2009-A	8/26/2009	\$ 1,208,495	\$ 1,208,495
Texas Highway Improvement Bonds Series 2010-A	9/29/2010	815,420	787,700
Revenue Bonds			
State Highway Fund Series 2010	8/05/2010	1,500,000	1,500,000
Governmental Activities Total		\$ 3,523,915	\$ 3,496,195

Variable Rate Bonds

The Commission and GPTC have four variable rate bond issues outstanding at Aug. 31, 2019. The interest rates in effect as of Aug. 31, 2019 for the Texas Mobility Fund Series 2006-B, Texas Mobility Fund Series 2014-B, State Highway Fund Series 2014-B1 and State Highway Fund Series 2014-B2 used to calculate the debt service requirements were 1.36, 1.65, 1.40, and 2.40 percent,

respectively. These rates reset every seven days, except for the State Highway Fund Series 2014-B2 bonds which resets monthly.

Variable Rate Put Bonds

The Commission has two variable rate put bond issues outstanding, the Texas Mobility Fund Series 2014-B bonds and the State Highway Fund Series 2014-B2 bonds. The Texas Mobility Fund Series 2014-B bonds bear interest at the initial index floating rate determined weekly. The State Highway Fund Series 2014-B2 bonds bear interest at the index floating rate determined monthly. Both are subject to mandatory tender for purchase on the mandatory tender date as specified in each award certificate. Neither is subject to optional tender prior to the mandatory tender date.

The Commission has not provided any credit or liquidity facility for the payment of the purchase price of the bonds payable upon the mandatory tender date for either bond issue. For the Texas Mobility Fund Series 2014- B bonds, the Commission expects to either redeem or remarket the bonds. The obligation of the Commission to purchase the Texas Mobility Fund Series 2014-B bonds on the mandatory tender date is subject to the successful remarketing of such Texas Mobility Fund Series 2014-B bonds and a failed conversion and remarketing will not constitute an event of default. The Commission has no obligation to purchase Texas Mobility Fund Series 2014- B bonds except from remarketing proceeds. If the Texas Mobility Fund Series 2014- B bonds are not remarketed or refunded on the mandatory tender date, the bonds will bear interest at the stepped coupon rate of 8.0 percent per annum from the mandatory tender date until purchased or redeemed.

For the State Highway Fund Series 2014-B2 bonds, the Commission expects to either redeem or remarket the bonds. The obligation of the Commission to purchase the State Highway Fund Series 2014-B2 bonds on the mandatory tender date is subject to the successful remarketing of such State Highway Fund Series 2014-B2 bonds and a failed conversion and remarketing will not constitute an event of default. The Commission has no obligation to purchase the State Highway Fund Series 2014-B2 bonds except from remarketing proceeds. If the State Highway Fund Series 2014-B2 bonds are not remarketed or refunded on the mandatory tender date, the bonds will bear interest at 8.0 percent per annum from the mandatory tender date until purchased or redeemed.

Fixed Rate Put Bonds

The Commission has two fixed rate put bond issues outstanding, the State Highway Fund Series 2016-B bonds and the Central Texas Turnpike System Series 2015-A bonds. Both bonds were issued in a multiannual rate mode. Both are subject to mandatory tender for purchase on the initial mandatory tender date. Neither is subject to optional tender prior to the mandatory tender date.

The Commission has not provided any credit or liquidity facility for the payment of the purchase price of the bonds payable upon the mandatory tender date for either bond. For the State Highway Fund Series 2016-B bonds, the Commission is obligated to pay the purchase price of all tendered 2016-B bonds on the mandatory tender date from the remarketing proceeds, pledged revenues, or any combination thereof. Failure to do so constitutes an event of default.

For the Central Texas Turnpike System Series 2015-A bonds, the principal portion of the purchase price is expected to be obtained from the remarketing thereof. The obligation of the Commission to purchase the 2015-A bonds on the mandatory tender date is subject to the successful remarketing of such 2015-A bonds and a failed conversion and remarketing will not constitute an event of default. The Commission has no obligation to purchase the Central Texas Turnpike System Series 2015-A bonds except from remarketing proceeds. If the Series 2015-A bonds are not remarketed or refunded on the mandatory tender date, the bonds will bear interest at the stepped coupon rate of 8.0 percent per annum from the mandatory tender date until purchased or redeemed.

Put Bonds (Amounts in Thousands)					
Description of Issue	Mandatory Tender Date	Initial Rate	Initial Period Interest	Stepped Coupon Rate	Stepped Rate Period Interest¹
Governmental Activities General Obligation Bonds Texas Mobility Fund Series 2014-B	10/01/2021	SIFMA + 0.30%	Variable ²	8.00% per annum	\$ 20,000
Revenue Bonds State Highway Fund Series 2014-B2	04/01/2022	LIBOR * 77% + .68%	Variable ³	Base Rate + 1% per annum ⁵	\$ 12,000
Series 2016-B	10/01/2021	4.00% per annum ⁴	\$ 3,575	None ⁶	n/a
Business-Type Activities Central Texas Turnpike System: First Tier Revenue Put Bonds Series 2015-A	04/01/2020	5.00% per annum ⁴	\$ 11,250	8.00% per annum	\$ 18,000
¹ Assumes a full year of interest ² Index Floating Rate Mode/resets weekly ³ Index Floating Rate Mode/resets monthly ⁴ Multiannual Mode ⁵ Base Rate is 7.0% at Aug. 31, 2019 ⁶ The Commission is obligated to pay the purchase price of all tendered bonds on the Mandatory Tender Date.					

Demand Bonds

The Texas Mobility Fund Series 2006-B and the State Highway Fund Series 2014-B1 variable rate bonds are demand bonds. A bond holder may tender any of these bonds for repurchase prior to maturity at a price equal to principal plus accrued interest. 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 the standby bond purchase agreements. The following tables provide details for outstanding demand bonds and the related standby bond purchase agreements as of Aug. 31, 2019.

Demand Bonds – Standby Bond Purchase Agreement Provisions (Amounts in Thousands)				
Governmental Activities	Principal Balance Outstanding	Counterparties	Annual Liquidity Fee	Agreement Termination Date
General Obligation Bonds Texas Mobility Fund Series 2006-B	\$150,000	Texas Comptroller of Public Accounts	0.12%	8/31/2021
Revenue Bonds State Highway Fund Series 2014-B1	150,000	Sumitomo Mitsui Banking Corporation	0.3% - 3.0% *	4/01/2022
TOTAL	<u>\$300,000</u>			
* Dependent on credit ratings of the bonds.				

The Texas Mobility Fund Series 2006-B bonds are subject to a standby bond purchase liquidity agreement (agreement) with the Texas Comptroller of Public Accounts (Comptroller). The agreement provides terms to be negotiated and mutually agreed upon by TxDOT and the Comptroller upon need for the Comptroller to purchase bonds put but that the remarketing agent cannot resell timely to new investors. In that case, TxDOT would pay interest to the Comptroller based on the existing debt service schedule for the Series 2006-B bonds.

The agreement was made pursuant to powers granted to Comptroller under Texas Government Code Sec. 404.027. The agreement provides protection to prevent an unplanned draw on current financial resources of the Texas Mobility Fund. The agreement is subject to renewal on a biennial basis.

For fiscal 2019, the Trustee did not draw from the Comptroller related to the Series 2006-B demand bonds.

The standby bond purchase agreement for the State Highway Fund Series 2014-B1 contains takeout provisions, which provide an alternative debt instrument to replace any repurchased bonds that are not remarketed within the prescribed time constraints. Outstanding principal balances on variable rate demand bonds that have take-out provisions in place may be classified as non-current liabilities. The table shown below provides the estimated impact of such an event.

Demand Bonds – Takeout Provisions (Amounts in Thousands)				
Governmental Activities	Estimated Debt Service	Rate	Basis	Replacement Debt Terms
Revenue Bonds State Highway Fund Series 2014-B1	\$ 174,947	9.50%	Base Rate + 2%	Semi-annual payments over three years (or sooner under certain termination events) starting on the first day of the sixth month of that period.
Total	\$ <u>174,947</u>			

Defeased Bonds

The Commission defeased various bond issues by placing funds and securities in irrevocable trusts with external financial institutions to provide for all future debt service payments on the bonds through the earlier of the maturity date or the first call date. As of Aug. 31, 2019, the amounts of defeased bonds, at par, that remain outstanding are presented in the table below.

Defeased Bonds Outstanding (Amount in Thousands)	
Description	Par Value
Business-Type Activities Revenue Bonds Central Texas Turnpike System Capital Appreciation Bonds	\$ <u>52,062</u> *
Business-Type Activities Total	<u>52,062</u>
Total	\$ <u>52,062</u>

* Includes \$37,861 of accreted interest.

Conduit Debt Private Activity Bond Program

Transportation Code, Chapter 431 provides the authority for transportation corporations to issue bonds. The Texas Private Activity Bond Surface Transportation Corporation (TxPABST), a Texas public non-profit corporation blended component unit, has issued private activity bonds to finance costs related to the construction of the LBJ Interstate Highway 635 managed lanes, located in Dallas County, certain segments of the North Tarrant Express Facility in Tarrant County and the SH 288 toll lanes project in Harris County.

The proceeds from TxPABST bonds were loaned to LBJ Infrastructure Group LLC, NTE Mobility Partners LLC, NTE Mobility Partners Segments 3 LLC and Blueridge Transportation Group, LLC to finance costs related to the planning, development, design and construction of these transportation projects. These bonds are special limited obligations of TxPABST, payable solely from and secured by 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. As of Aug. 31, 2019, TxPABST private activity revenue bonds outstanding aggregated \$2.3 billion. The debt service schedule for the outstanding TxPABST conduit debt is disclosed below.

Conduit Debt Obligations - Miscellaneous Information (Amounts in Thousands)					
	NTE Mobility Partners LLC North Tarrant Express Managed Lanes Project Series 2009	LBJ Infrastructure Group LLC IH- 635 Managed Lanes Project Series 2010	NTE Mobility Partners Segments 3 LLC Segments 3A and 3B Facility Series 2013	Blueridge Transportation Group, LLC SH 288 Toll Lanes Project Series 2016	NTE Mobility Partners Segments 3 LLC Segments 3C Project Series 2019
Bonds Issued	\$ 400,000	\$ 615,000	\$ 274,030	\$ 272,635	\$ 653,865
Date Issued	12/17/2009	06/22/2010	09/19/2013	05/09/2016	08/08/2019
Range of Interest Rates	6.88% - 7.50%	7.00% - 7.50%	6.75% - 7.00%	5.00%	5.00%
Maturities (First Year - Last Year)	2031 - 2039	2032 - 2040	2038 - 2043	2036 - 2055	2047-2058
First Call Date	12/31/2019	06/30/2020	09/01/2023	12/31/2025	06/30/2029

Conduit Debt Obligations – Debt Service (Amounts in Thousands)			
TxPABST Bonds – Conduit Debt			
Year	Principal	Interest	Total
2020	\$	\$ 133,414	\$ 133,414
2021		136,774	136,774
2022		136,774	136,774
2023		136,774	136,774
2024		136,774	136,774
2025-2029		683,871	683,871
2030-2034	345,195	641,162	986,357
2035-2039	705,930	453,175	1,159,105
2040-2044	320,935	245,375	566,310
2045-2049	181,790	197,931	379,721
2050-2054	359,890	126,765	486,655
2055-2059	301,790	32,888	334,678
	2,215,530	3,061,677	5,277,207
Premium	122,677		122,677
Discount	(14,713)		(14,713)
Total	\$ 2,323,494	\$ 3,061,677	\$ 5,385,171

NOTE 7– LEASES

Operating Leases

To minimize long-term costs, and to ensure future availability of essential services, TxDOT, in routine transactions, enters into leases which extend beyond a single fiscal year. Rental expenditures for operating leases reported in the state highway fund was \$32.5 million in 2019.

The following table presents future minimum lease rental payments under non-cancelable operating leases having an initial term in excess of one year as of August 31, 2019.

Noncancelable Operating Lease Obligations (Amounts in Thousands)		
Fiscal Year	Total Operating Leases	
2020	\$	7,681
2021		5,535
2022		4,303
2023		1,943
2024		1,762
2025-2029		4,035
Total	\$	25,259

NOTE 8 – RETIREMENT PLAN

Employees of the Texas Department of Transportation (TxDOT) are under the coverage of the Employees Retirement System of Texas Plan (ERS Plan), which is considered a single employer defined benefit plan under GASB Statement 68.

The defined benefit provisions of the ERS Plan are authorized by state law and may be amended by the Legislature. 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 highest 60 months of compensation.

The monthly standard annuity of the elected class equals the statutory percentage of 2.3 percent of the current state salary of a district judge multiplied by the number of years of service credit. Retirement benefits are automatically adjusted as state judicial salaries change.

The ERS plan's membership as of the measurement date of Aug. 31, 2018 is presented in the table below:

Texas Department of Transportation's Membership	
Retirees and Beneficiaries Currently Receiving Benefits	14,348
Terminated Employees Entitled to Benefits But Not Yet Receiving Them	6,271
Current Employees - Vested and Non-Vested	12,409
Total Members	33,028

The contribution rates for the state and the members for the ERS plan for the measurement period of fiscal 2018 are presented as follows:

Required Contribution Rates							
Fiscal Year	Plan	Employer			Members		
		Employee Class	Elected Class – Legislators	Elected Class – Other	Employee Class	Elected Class – Legislators	Elected Class – Other
2014	ERS	8.00%	8.00%	8.00%	6.60%	8.00%	6.60%
2015	ERS	8.00%	8.00%	8.00%	6.90%	8.00%	6.90%
2016	ERS	10.00%	10.00%	10.00%	9.50%	9.50%	9.50%
2017	ERS	10.00%	10.00%	10.00%	9.50%	9.50%	9.50%
2018	ERS	10.00%	10.00%	10.00%	9.50%	9.50%	9.50%
2019	ERS	10.00%	10.00%	10.00%	9.50%	9.50%	9.50%

The amount of TxDOT's contributions recognized by the ERS plan during the fiscal 2018 measurement period was \$67.1 million. TxDOT must report its 9.62 percent proportionate share of the State of Texas contributions.

The total pension liability, net pension liability, and certain sensitivity information shown in this report are based on an actuarial valuation performed as of Aug. 31, 2018. The table below presents the actuarial methods and assumptions used to measure the total pension liability as of Aug. 31, 2018 the measurement date:

ERS Plan	
Actuarial Valuation Date	August 31, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Payroll, Open
Actuarial Assumptions:	
Discount Rate	5.69%
Investment Rate of Return	7.5%
Inflation	2.5%
Salary Increase	0% to 9.5%
Mortality	The mortality rates for active members and disability retirees are based on RP-2014 Active Member Mortality tables with generational mortality improvements projected from the year 2014, which is based on the most recent Ultimate MP scale. The mortality rates for service retirees and beneficiaries are based on the 2017 State Retirees of Texas Mortality tables with generational mortality improvements projected from the year 2017, which is based on the most recent Ultimate MP scale.
Cost-of-living Adjustments	None-Employee 2.75%-Elected

Changes in assumptions since the previous are described as follows:

- Discount Rate increased from 5.36% to 5.69%;
- Salary Increase changed from 2.5% to 9.3% in 2017 to 0% to 9.5% in 2018.

A single discount rate of 5.69 percent was applied to measure the total pension liability. The 5.69 percent discount rate incorporated a 7.5 percent long-term expected rate of return on pension plan investments and 3.69 percent 20-year municipal bond rate based on Fidelity Index's "20-Year Municipal GO AA Index". The long-term expected investment rate of return was applied to projected benefit payments through fiscal 2047 and the municipal bond rate was applied to all benefit payments thereafter.

The projections of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels and remain a level percentage of payroll. The projected cash flows from the employers are based on contributions for the most recent five-year period as of the measurement date, adjusted on consideration of subsequent events. The Legislature passed House Bill No. 9 in the 84th legislative session during fiscal 2015 to increase the member contribution rates for fiscal 2016 and 2017 and maintained the changes made by the 83rd legislative session in Senate Bill 1459, which established proportional decreases to the employee contribution if the state contribution was decreased. The passage of this bill is an indicator that the Legislature is committed to increase the funding levels for the pension funds. Projected employer contributions are based on fiscal year 2018 funding levels.

The long-term expected rate of return on plan investments was developed using a building-block method with assumptions including asset class of investment portfolio, target allocation, real rate of return on investments, and inflation factor. Under this method, best estimate ranges of expected future real rates of return (net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class for the plan's investment portfolio are presented as follows:

Asset Class	Target Allocation	Long-Term Expected Arithmetic Real Rate of Return
Global Equity	50%	3.91%
Global Credit	11%	0.57%
Opportunistic Credit	3%	0.20%
Intermediate Treasuries	11%	0.29%
Real Estate	12%	0.90%
Infrastructure	7%	0.49%
Hedge Funds	5%	0.31%
Cash	1%	0.02%
Total	100%	

Sensitivity analysis was performed on the impact of changes in the discount rate on the proportionate share of TxDOT's net pension liability. The result of the analysis is presented in the table below:

Sensitivity of TxDOT's Proportionate Share of Net Pension Liability to Changes Discount Rate (Amounts in Thousands)			
	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
ERS Plan Discount Rate	4.69%	5.69%	6.69%
Net Pension Liability	\$2,560,004	\$1,942,485	\$1,431,377

Amounts in this schedule are based on collective amounts for the state of Texas. TxDOT reports its proportionate share of the collective amounts.

The pension plan's fiduciary net position is determined using economic resources measurement focus and the accrual basis of accounting, which is the same basis used by the Employees Retirement System. 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. 31 and 67. The fair value of investments is based on published market prices and quotations from major investment brokers at available current exchange rates. However, corporate bonds in general are valued based on currently available yields of comparable securities by issuers with similar credit ratings. Employees Retirement System issues stand-alone audited Comprehensive Annual Financial Report (CAFR). More detailed information on the plan's investment valuation, investment policy, assets, and fiduciary net position may be obtained from ERS' fiscal 2018 CAFR:

Employees Retirement System of Texas
P. O. Box 13207
Austin, Texas 78711-3207

TxDOT's total pension liability is based on an actuarial valuation performed as of Aug. 31, 2018. For fiscal 2019 reporting, the measurement date of TxDOT's net pension liability is Aug. 31, 2018. The schedule of changes in TxDOT's net pension liability for the fiscal year ending Aug. 31, 2019 is presented below:

Schedule of Changes in Net Pension Liability (Amounts in Thousands)			
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 09/01/18	\$ 4,521,978	\$ 2,533,592	\$ 1,988,386
Changes for the year:			
Service Cost	139,071		139,071
Interest	246,260		246,260
Differences between Expected and Actual Experience	8,840		8,840
Assumption Changes	(190,768)		(190,768)
Benefit Payments and Refunds	(231,505)	(231,505)	0
Change in Proportional Percentage	115,111		115,111
Contributions-Employer		67,074	(67,074)
Contributions-Member		65,798	(65,798)
Net Investment Income		233,808	(233,808)
Administrative Expense		(2,265)	2,265
Net Changes	87,009	132,910	(45,901)
Balances at 08/31/19	\$ 4,608,987	\$ 2,666,502	\$ 1,942,485

The change of discount rate is the assumption change during the current measurement period. There have been no changes to benefit terms of the plan since the prior measurement date. TxDOT's proportion of the entire ERS plan was 9.62 percent in fiscal 2018; as compared to 9.09 percent in the prior measurement period.

For the fiscal year ending Aug. 31, 2019, TxDOT recognized pension expense of \$286.2 million. At Aug. 31, 2019, TxDOT reported deferred outflows of resources and deferred inflows of resources from the following sources:

Outstanding Deferred Outflows and Deferred Inflows at August 31, 2019			
(Amounts in Thousands)			
		Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between Expected and Actual Experience	\$	11,436	\$
Changes in assumptions		117,640	135,632
Net Difference between Projected and Actual Investment Return			30,269
Change in proportion and contribution		41,999	
Contributions Subsequent to the Measurement Date		69,733	
Total	\$	<u>240,808</u>	<u>\$ 165,901</u>

The \$69.7 million reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending Aug. 31, 2020.

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense in the following years:

Fiscal Year Ended August 31:			
(Amounts in Thousands)*			
2020	\$	85,173	
2021	\$	(25,925)	
2022	\$	(44,611)	
2023	\$	(9,462)	
2024	\$	0	
Thereafter	\$	0	
*Positive amounts indicate increase in pension expense; negative amounts indicate decrease in pension expense.			

NOTE 9 - DEFERRED COMPENSATION

The state of Texas offers two deferred compensation plans to all state employees. One was established in accordance with Internal Revenue Code, Section 457. The second was established in accordance with Internal Revenue Code, 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. TxDOT makes no contributions to either plan, the assets do not belong to TxDOT and TxDOT has no liability related to the plans.

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Retirees are provided with postemployment healthcare, life and dental insurance benefits through the State Retiree Health Plan (SRHP). The Employees Retirement System of Texas (ERS) is the administrator of SRHP, which is a cost sharing multiple-employer postemployment healthcare plan with a special funding situation. TxDOT reports its allocated proportional share of the SRHP in the TxDOT comprehensive annual financial report. This plan covers retired employees of the state, and other entities as specified by the State Legislature. The benefit and contribution provisions of the SRHP are authorized by state law and may be amended by the Legislature. Benefits are provided to retirees through the Texas Employees Group Benefits Program as authorized by Texas Insurance Code, Chapter 1551. Retirees must meet certain age and service requirements and have at least 10 years of service at retirement to participate in the plan.

Surviving spouses and dependents of retirees are also covered by SRHP. The plan does not provide automatic cost of living adjustments (COLAs).

TxDOT's ERS membership in SRHP as of the measurement date of Aug. 31, 2018 is presented in the table below:

TxDOT Retiree Health Plan Membership	
Active Members*	12,696
Inactive Members Currently Receiving Benefit Payments**	12,893
Inactive Members Entitled to But Not Yet Receiving Benefit Payments	853
Total Members	26,442
* Includes 357 retirees who receive the Opt-Out credit in lieu of health benefits.	
** Includes return-to-work retirees and employees who have not yet satisfied the waiting period.	

Contributions

During the measurement period of 2018 for fiscal 2019 reporting, the amount of TxDOT's contributions recognized by the OPEB plan was \$212.6 million, or 7.32 percent proportionate share of the state of Texas contributions. TxDOT does not contribute toward dental or optional life insurance. Surviving spouses and their dependents do not receive any employer contribution. The contribution requirements for the state and the members in the measurement period are presented in the table below:

Employer Contribution Rates			
Retiree Health and Basic Life Premium			
For the Fiscal Year Ended August 31, 2018			
ERS SRHP			
	Employer		Plan Member
Retiree Only	\$ 621.90	\$	0
Retiree & Spouse	\$ 1,334.54	\$	356.32
Retiree & Children	\$ 1,099.06	\$	238.58
Retiree & Family	\$ 1,811.70	\$	594.90

The total OPEB liability is determined by the contribution rates and an annual actuarial valuation. The table below presents the actuarial methods and assumptions used to measure the total OPEB liability as of the Aug. 31, 2018 measurement date.

Actuarial Methods and Assumptions - OPEB - State Retiree Health Plan (SRHP)	
Valuation Date	August 31, 2018
Actuarial Cost Method	Entry Age
Amortization Method	Level Percent of Pay, Open
Remaining Amortization Period	30 Years
Asset Valuation Method	Not applicable
Actuarial Assumptions:	
Discount Rate	3.96%
Inflation Rate	2.50%
Projected Annual Salary Increase	2.50% to 9.50%
Annual Healthcare Trend Rate	7.30% for FY2020, 7.40% for FY2021, 7.00% for FY2022, decreasing 0.50% per year to an ultimate rate of 4.50% for FY2027 and later years
Ad hoc Postemployment Benefit Changes	None
Mortality-State Agency Members	<p><u>Service Retirees, Survivors and Other Inactive Members:</u> 2017 State Retirees of Texas mortality table with 1 year set forward for male CPO/CO members and Ultimate MP Projection Scale projected from the year 2017</p> <p><u>Disabled Retirees:</u> RP-2014 Disabled Retiree Mortality with Ultimate MP Projection Scale projected from year 2014</p> <p><u>Active Members:</u> RP-2014 Active Member Mortality tables with Ultimate MP Projection Scale from the year 2014</p>

The many actuarial assumptions used in the valuation were primarily based on the result of actuarial experience studies performed by the ERS retirement plan actuaries for the period Sept. 1, 2011 to Aug. 31, 2016 for state agency members. The mortality rates were based on the tables identified in the table above titled *Actuarial Methods and Assumptions*.

The following assumptions and other inputs have been adopted since the prior valuation to reflect plan experience and trends as expected by ERS and the actuaries attesting to the results of the valuation:

- a. assumed expenses, assumed Per Capita Health Benefit Costs and assumed Health Benefit Cost, Retiree Contribution and expense trends have been updated to reflect recent experience and its effects on our short-term expectations;
- 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 future retirees assumed to be married and electing coverage for their spouse have been updated to reflect recent plan experience and expected trends; and
- d. discount rate assumption was increased from 3.51 percent to 3.96 percent, which was based upon the Bond Buyer Index of general obligation bonds with 20 years to maturity with an average credit quality that is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Corp.'s AA rating.

The discount rate used to measure the total OPEB liability was the municipal bond rate of 3.96 percent as of the end of the measurement year and 3.51 percent as of the beginning of the measurement year. Projected cash flows into the plan are equal to projected benefit payments out of the plan. Since 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. The investment rate of return used to calculate the projected earnings on OPEB investments was 3.51 percent.

Sensitivity analysis was performed on the impact of changes in the discount rate on the proportionate share of TxDOT's net OPEB liability. The result of the analysis is presented in the table below:

Sensitivity of TxDOT's Proportionate Share of Net OPEB Liability to Changes in Discount Rate (Amount in Thousands)			
	1% Decrease	Current Discount Rate	1% Increase
ERS Plan Discount Rate	2.96%	3.96%	4.96%
Net OPEB Liability	\$ 2,575,483	\$ 2,169,316	\$ 1,861,894

Sensitivity analysis was performed on the impact of changes in the healthcare cost trend rates on the proportionate share of TxDOT's net OPEB liability. The result of the analysis is presented in the table below:

Sensitivity of TxDOT's Proportionate Share of Net OPEB Liability to Changes in Healthcare Cost Trend Rates (Amount in Thousands)			
	1% Decrease (6.30% decreasing to 3.50%)	Current Healthcare Cost Trend Rates (7.30% decreasing to 4.50%)	1% Increase (8.30% decreasing to 5.50%)
Net OPEB Liability	\$ 1,837,131	\$ 2,169,316	\$ 2,597,837

The OPEB plan's fiduciary net position is determined using the economic resources measurement focus and the 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 Other Employee Benefit Trust Fund are reported at fair value in accordance with GASB Statement No. 72. The fair value of investments is based on published market prices and quotations from major investment brokers at available current exchange rates. However, corporate bonds in general are valued based on currently available yields of comparable securities by issuers with similar credit ratings. More detailed information of the plan's investment valuation, investment policy, assets, and fiduciary net position may be obtained from ERS's fiscal 2018 CAFR:

Employees Retirement System of Texas
P.O. Box 13207
Austin, Texas 78711-3207

At Aug. 31, 2019, TxDOT reported a liability of \$2.2 billion for its proportionate share of the collective net OPEB liability. The collective OPEB liability was measured as of Aug. 31, 2018, and the total OPEB liability used to calculate the net liability was determined by an actuarial valuation as of that date. TxDOT's proportional percentage at Aug. 31, 2018 was 7.32 percent. TxDOT's proportion of the collective net OPEB liability was based on its contributions to the OPEB plan relative to the contributions of all the employers and non-employer contributing entities to the plan for the period Sept. 1, 2017 through Aug. 31, 2018.

The schedule of changes in TxDOT's net OPEB liability for the fiscal year ending Aug. 31, 2019, is presented as follows:

Schedule of Changes in Net OPEB Liability (Amounts in Thousands)			
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at 09/01/18	\$ 3,878,705	\$ 79,151	\$ 3,799,554
Changes for the year:			
Service Cost	109,497		109,497
Interest	92,361		92,361
Differences between Expected and Actual Experience	(68,487)		(68,487)
Contributions-Employer		22,473	(22,473)
Contributions-Non-employer Contributing Entities		1,214	(1,214)
Contributions-Employee		14,868	(14,868)
Contributions-Federal Revenues for Medicare Part D RDS		104	(104)
Other (Federal Revenues and Other Additions)		5,587	(5,587)
Net Investment Income		798	(798)
Benefit Payments, including Refunds of Employee-Contributions	(48,508)	(48,508)	0
Benefit Payments financed by Employee- Contributions and Federal Revenues		(20,216)	20,216
Administrative Expense		(426)	426
Assumption Changes	(433,607)		(433,607)
Net Effect of the Change in TxDOT's Proportional Percentage	(1,305,600)		(1,305,600)
Net Changes	(1,654,344)	(24,106)	(1,630,238)
Balances at 08/31/19	<u>\$2,224,361</u>	<u>\$ 55,045</u>	<u>\$2,169,316</u>

For the year ending Aug. 31, 2019, TxDOT recognized a negative OPEB expense of \$293.9 million. The negative expense was due to a change in accounting policy for the measurement year ending Aug. 31, 2018 that resulted in TxDOT's proportional share of OPEB liability being reduced to from 11.15 percent to 7.32 percent from the measurement year ending Aug. 31, 2017 to Aug. 31, 2018. All contributions by employers and the State of Texas Non Employer Contributing Entity (NECE) to the Group Employees Life, Accident and Health Insurance and Benefits Fund Program (GBP) are available to pay claims of active and retired members. Employer and NECE contributions are based on a blended rate. Allocation of the OPEB liability and related accounts should be based on the total contributions that are available to pay current and future claims of the OPEB plan, as this best reflects the relationship between the contributions and the collective net OPEB liability. The employer's proportional share of OPEB contributions for the measurement year ending Aug. 31, 2018 includes both active and retiree contributions.

As of Aug. 31, 2019, TxDOT reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Outstanding Deferred Outflows and Deferred Inflows Related to OPEB at August 31, 2019		
(Amounts in Thousands)		
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between Expected and Actual Experience	\$	\$ 79,477
Changes of assumptions		760,188
Net Difference between Projected and Actual Investment Return	1,027	
Change in Proportion & Contribution Difference		1,124,041
Contributions Subsequent to the Measurement Date	216,838	
Total	<u>\$ 217,865</u>	<u>\$ 1,963,706</u>

The \$216.8 million reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net OPEB liability for the year ending Aug. 31, 2020.

Amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense in the following years:

Fiscal Year Ended August 31:		
(Amounts in Thousands)		
2020	\$	(494,562)
2021	\$	(494,562)
2022	\$	(494,562)
2023	\$	(425,197)
2024	\$	(53,796)
Thereafter	\$	0

NOTE 11 – 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 between TxDOT and another agency of the state of Texas.

Interfund services are sales and purchases of goods and services between funds 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.

Interfund transfers represent the flow of assets (cash or goods) without equivalent flow of assets in return or a requirement for repayment. In governmental funds, transfers are reported as other financing uses or sources. Transfers are reported in proprietary funds after nonoperating revenues and expenses in the statement of revenues, expenses and changes in fund net position.

As a general rule, the effect of interfund activity within TxDOT funds is eliminated from the government-wide financial statements, with exception of activities between governmental activities and business-type activities. Interfund activity with fiduciary funds is reclassified and reported as an external activity.

Interfund Activity

TxDOT's operations are primarily managed through the state highway fund. As such, several routine transfers are reported between the state highway fund and TxDOT's other major and nonmajor funds. The following tables detail the principal purposes of TxDOT's significant routine interfund transfers as well as provide a summary of interfund transfers by individual major funds, nonmajor funds in the aggregate and fiduciary funds.

Interfund Transfers In/Out by Purpose			
August 31, 2019 (Amounts in Thousands)			
Purpose	Interfund Transfer In (Fund)	Interfund Transfer Out (Fund)	Amount
Reimburse the state highway fund for costs incurred on projects funded by local government contributions.	State Highway Fund	County/Political Subdivision/ Local Government Road/Airport Trust Account	\$ 226,617
Provide funds to pay debt service principal and interest payments on outstanding Proposition 12/Highway Improvement General Obligation Bonds.	Proposition 12 Debt Service Fund	State Highway Fund	\$ 434,583
Provide funds to pay debt service principal and interest payments on outstanding Proposition 14/State Highway Fund Revenue Bonds.	Proposition 14 Debt Service Fund	State Highway Fund	\$ 399,095

Interfund Transfers In/Out		
August 31, 2019 (Amounts in Thousands)		
	Transfers In Other Funds	Transfers Out Other Funds
Governmental Funds		
Major Funds:		
State Highway Fund	\$ 226,617	\$ 836,292
Local Government Political Sub Account		226,617
Nonmajor Funds	<u>833,678</u>	<u> </u>
	<u>1,060,295</u>	<u>1,062,909</u>
Proprietary Funds		
Central Texas Turnpike System*	<u>2,614</u>	<u> </u>
	<u>2,614</u>	<u>0</u>
Total	\$ <u><u>1,062,909</u></u>	\$ <u><u>1,062,909</u></u>
*Capital asset transfers of \$1.5 million from Governmental Activities are reported in "Transfers - Internal Activities" table.		

Interfund reimbursements are repayments from funds responsible for payment of expenditures or expenses to the funds that actually made the payment. Reimbursements are not displayed in the financial statements.

Amounts not transferred at fiscal year-end are accrued as due to/due from other funds. Due to/due from amounts between governmental or business-type activities and fiduciary funds are reported as due to/due from 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 in the government-wide financial statements.

Due From/To		
August 31, 2019 (Amounts in Thousands)		
	Due From Other Funds	Due To Other Funds
Governmental Funds		
Major Funds:		
State Highway Fund	\$ 9,423	\$ 212
Local Government Political Sub Account	831	
Nonmajor Funds	<u>10,254</u>	<u>6,078</u>
		<u>6,290</u>
Proprietary Funds		
Major Funds:		
Central Texas Turnpike System	212	1,984
Grand Parkway Transportation Corp.		2,184
Nonmajor Funds - SH 249 System	<u>212</u>	<u>9</u>
		<u>4,177</u>
Total	\$ <u><u>10,466</u></u>	\$ <u><u>10,467</u></u>

Activity occurring within the same fund is eliminated. Certain reclassifications and eliminations are made between the fund financial statements and the government-wide financial statements. Transfers between the governmental or business-type activities and the 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. Additional eliminations are made and transfers in and out are netted and presented in the government-wide statement of activities as “transfers-internal activities”.

Transfers-Internal Activities per the Government-Wide Financial Statements	
August 31, 2019 (Amounts in Thousands)	
Fund Category	Other Funds*
Governmental Activities	\$ (195,176)
Business-Type Activities	\$ 195,176
*Amounts include capital asset transfers of \$192.6 million from Governmental Activities to Business-Type Activities.	

Internal Balances per the Government-Wide Financial Statements			
August 31, 2019 (Amounts in Thousands)			
	Governmental Activities	Business-Type Activities	Total
Current Liabilities:			
Internal Balances - Payables	\$ 3,965	\$ (3,965)	\$ 0

Interfund Transactions

The state highway fund is considered a shared fund and is appropriated for use by multiple State of Texas agencies. TxDOT is considered the controlling agency for the state highway fund and reports the total cash in state treasury balance for the fund at fiscal year-end. TxDOT reports interagency transfers in and out with the other agencies that collect and deposit to or expend out of the state highway fund.

The following tables detail the balances of transfers to/from and due to/from other state agencies and TxDOT. Approximately \$1.7 billion of the interagency transfers-in balance for the state highway fund is related to the net amount of cash collected by Texas Department of Motor Vehicles for certificate of title fees and motor vehicle registration fees. The transfer-in, received in fiscal 2019, resulted in an increase to the TxDOT highway fund cash in state treasury balance.

On Nov. 4, 2014, Texas voters approved the ballot measure that authorized a constitutional amendment for transportation funding. Under the amendment, half of the funds that would have previously gone into the Economic Stabilization Fund (ESF), are now deposited to the state highway fund. TxDOT recorded a due from in the state highway fund related to Proposition 1 ballot measure in the amount of \$1.7 billion in fiscal 2019. The Comptroller of Public Accounts transferred this amount to TxDOT in November 2019.

TxDOT also has interagency activity with federal funds. See Schedule 1A of this report for more details.

Transfers In/Out to Other State Agencies		
August 31, 2019 (Amounts in Thousands)		
	Transfers In Other Agencies	Transfers Out Other Agencies
Governmental Funds		
Major Funds:		
State Highway Fund	\$ 1,688,611	\$ 145,660
Nonmajor Funds	1,522	
Total	<u>\$ 1,690,133</u>	<u>\$ 145,660</u>

Due From/To Other State Agencies		
August 31, 2019 (Amounts in Thousands)		
	Due From Other Agencies	Due To Other Agencies
Governmental Funds		
Major Funds:		
State Highway Fund	\$ 1,905,336	\$ 2,407
Nonmajor Funds	116	
Total	<u>\$ 1,905,452</u>	<u>\$ 2,407</u>

Pass-Throughs To/From Other State Agencies		
August 31, 2019 (Amounts in Thousands)		
	State Highway Fund	
Federal Pass-throughs:		
Expenditures	\$	(12,185)
Revenue		3,520
Total		<u>(8,665)</u>
State Pass-throughs:		
Expenditures	\$	(96)
Total		<u>(96)</u>

NOTE 12 – CONTINUANCE SUBJECT TO REVIEW

TxDOT is currently subject to a continuance review. Under the Texas Sunset Act, TxDOT will be abolished effective Sept. 1, 2029, unless continued in existence by the 91st Legislature as provided by the Act. If abolished, TxDOT may continue until Sept. 1, 2030 to wind down its operations. In the event that TxDOT is abolished pursuant to the Texas Sunset Act or other law, Texas Government Code, Section 325.017(f), acknowledges that such action will not alter the obligation of the state to pay bonded indebtedness and all other obligations of the abolished agency.

NOTE 13 - CLASSIFICATION OF FUND BALANCE AND NET POSITION

The table below presents a summary of the Aug. 31, 2019 governmental fund balances by major and nonmajor governmental funds. With the exception of nonspendable fund balances, fund balance is presented based on specific purpose for which the funds are restricted, committed, assigned or unassigned.

Governmental Fund Balances – Disaggregation of Nonspendable, Restricted, Committed, Assigned and Unassigned Fund Balances				
August 31, 2019 (Amounts in Thousands)				
MAJOR FUNDS	State Highway Fund	Texas Mobility Fund	Prop.12 Highway Improv. Project	Total Major Funds
Nonspendable:				
Inventory	\$ 138,937	\$	\$	\$ 138,937
Restricted For:				
Capital Projects	5,485,004		15,492	5,500,496
Debt Service		218,588		218,588
Committed To:				
Transportation Infrastructure	720,346	192,056		912,402
Assigned To:				
Transportation	1,119,247			1,119,247
Total	<u>\$ 7,463,534</u>	<u>\$ 410,644</u>	<u>\$ 15,492</u>	<u>\$ 7,889,670</u>
NONMAJOR FUNDS	General Fund	Special Revenue Funds	Debt Service Funds	Total Nonmajor Funds
Restricted For:				
Debt Service	\$	\$	\$ 335,307	\$ 335,307
Committed To:				
Transportation Infrastructure		10,940		10,940
Assigned To:				
Transportation	109			109
Unassigned	1,844			1,844
Total	<u>\$ 1,953</u>	<u>\$ 10,940</u>	<u>\$ 335,307</u>	<u>\$ 348,200</u>

Restrictions of net position are listed on the face of the government-wide and proprietary statements of net position. Balances reported as restricted in the fund financial statements 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.

NOTE 14 - ADJUSTMENTS TO FUND BALANCES AND NET POSITION

Restatements to Fund Balances/ Net Position			
(Amounts in Thousands)			
	September 1, 2018, As Previously Reported	Restatements	September 1, 2018 As Restated
GOVERNMENTAL ACTIVITIES			
Major Funds:			
State Highway Fund	\$ 5,963,495	\$	\$ 5,963,495
Texas Mobility Fund	545,706		545,706
Proposition 12 Project Fund	398,406		398,406
Total Major Funds	<u>6,907,607</u>	<u>0</u>	<u>6,907,607</u>
Nonmajor Funds:			
General Fund Accounts	5,243		5,243
Special Revenue Funds	10,155		10,155
Debt Service Funds	206,939		206,939
Total Nonmajor Funds	<u>222,337</u>	<u>0</u>	<u>222,337</u>
Governmental Activities Adjustments			
Capital Assets	107,193,999		107,193,999
Long-Term Liabilities	(34,673,264)		(34,673,264)
Other Adjustments	1,605,919		1,605,919
Total Governmental Activities Adjustments	<u>74,126,654</u>	<u>0</u>	<u>74,126,654</u>
Total Governmental Activities	<u>81,256,598</u>	<u>0</u>	<u>81,256,598</u>
BUSINESS-TYPE ACTIVITIES			
Central Texas Turnpike System	353,238		353,238
Grand Parkway Transportation Corp.	(143,502)		(143,502)
Nonmajor Fund SH 249			
Total Business-Type Activities	<u>209,736</u>	<u>0</u>	<u>209,736</u>
Total Primary Government	<u>\$ 81,466,334</u>	<u>\$ 0</u>	<u>\$ 81,466,334</u>

NOTE 15 – COMMITMENTS AND CONTINGENCIES

Contingencies

Unpaid Claims and Lawsuits

The type and volume of activity for which TxDOT is responsible exposes it to a large number of claims and lawsuits. TxDOT has vigorously contested lawsuits brought against it and has usually prevailed or made settlements substantially less than the amounts originally sought.

TxDOT is exposed to claims by contractors. TxDOT will most likely settle these claims at substantially less than the amount originally sought. However, if a settlement between TxDOT's claims committee and the contractor cannot be reached, these claims will result in future litigation. As of Aug. 31, 2019, outstanding contractor claims pending at the TxDOT claims committee totaled \$77.9 million.

Settlements are paid by the Texas Comptroller of Public Accounts from the claims and refunds appropriation. The Attorney General's office indicates that the lawsuits listed below were pending as of Aug. 31, 2019. TxDOT management's opinion is that the probable outcome of these cases will not materially affect the financial position of TxDOT.

Type of Suit	Amounts in Controversy
Eminent Domain	Total claims with amounts indicated range from \$1 to \$8.5 million with a total of \$505.2 million.
Contract	Amounts claimed range from \$3 thousand to \$420 thousand. Total claims of amounts indicated is \$2.0 million.
Inverse Condemnation	Monetary amounts have not been specified in any of these cases.
Declaratory Judgment	Monetary amounts have not been specified in eighteen of the nineteen cases. Up to \$10.0 million has been claimed on a singular case.
Employment Law and Related Lawsuits	Monetary amounts have not been specified in any of these cases. Liability against TxDOT is limited to \$600 thousand; however, there is no limit on attorney fees and front pay.
Tort Claims	Statutory limits of liability on these cases are \$250 thousand per person or \$500 thousand per accident.

Arbitrage

Rebatable arbitrage defined by Internal Revenue Code (IRC), Section 148, is earnings on tax exempt bond proceeds in excess of the yield on the bond. The rebatable arbitrage must be repaid to the federal government. Pursuant to the applicable bond Indenture of Trust, a Rebate Fund will be established under the Indenture to which deposits will be made upon the determination by a verification agent that a rebate payment may be due. The amount of rebate due to the federal government is determined and payable during each five-year period and upon final payment of the tax-exempt bonds. IRC Section 148 also provides for certain rebate exceptions, including an exception if certain spend-out requirements of the bond proceeds are met. TxDOT estimates that rebatable arbitrage liability, if any, will be immaterial to the agency's overall financial condition.

Federal Reimbursements and Grants

TxDOT receives federal financial assistance for specific purposes that are subject to review or audit by the 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. Such audits could lead to requests for reimbursements to grantor agencies for expenditures disallowed under the terms of the grant. Based on prior experience, management believes such disallowance, if any, will be immaterial.

On Dec. 16, 2011, TxDOT and the Federal Highway Administration (FHWA) approved and executed a Memorandum of Understanding (MOU) for FHWA participation in TxDOT's pass-through funding (PTF) program. This MOU will apply to all pass-through finance (PTF) projects approved by TxDOT after Feb. 26, 2009 with some stipulations as detailed within the agreement. This agreement was done in order to facilitate maximum Federal reimbursement on TxDOT PTF projects. The MOU is not applicable to any PTF project agreements executed prior to Feb. 26, 2009. Federal reimbursement for these projects will be set up on an individual basis in separate agreements between TxDOT and FHWA and with compliance reviews being performed on each project.

Significant Commitments

Construction Related Contracts

As of Aug. 31, 2019, TxDOT had outstanding contractual commitments related to the award of construction contracts, terms of outstanding design-build contracts and terms requiring contribution of public funds to provide for a portion of construction costs related to service concession arrangements (SCAs). Of the amounts committed under these contracts, TxDOT expects to receive future reimbursements from the Federal Highway Administration (FHWA). In addition, the Grand Parkway Transportation Corporation (GPTC), our blended component unit, has outstanding construction commitments. Disclosure of these construction related commitments and potential FHWA reimbursement is displayed below.

Construction Related Contract Commitments		
August 31, 2019 (Amounts in Thousands)		
	Total Remaining Commitment	FHWA Reimbursements
Construction Contracts	\$ 12,691,280	\$ 7,802,494
Design-Build Projects	1,504,071	1,090,217
SCA Projects	1,883,032	1,449,356
GPTC Project	683,542	
Totals	\$ 16,761,925	\$ 10,342,067

Pass-Through Toll Agreements

Transportation Code, Section 222.104 authorizes TxDOT to enter into an agreement with a public or private entity that provides for the payment of pass-through tolls to the public or private entity as reimbursement for the design, development, financing, construction, maintenance, or operation of a toll or non-toll facility on the state highway system by the public or private entity. As of Aug. 31, 2019, there were 31 outstanding pass-through financing agreements.

TxDOT recognizes liabilities associated with pass-through toll projects as notes payable as the projects are being constructed. Notes payable amounts are determined by contractually negotiated agreements with pass-through toll partners. See Note 5 for details on the payables recognized related to pass-through toll repayment obligations.

The maximum total remaining repayment commitments for pass-through toll projects executed as of Aug. 31, 2019 was approximately \$837.7 million. Approximately \$915.3 million was repaid as of Aug. 31, 2019 since the inception of the pass-through toll agreements. The actual repayment obligation for each agreement is not determinable until total construction costs are known.

Toll Equity Grants and Loan Agreements

Transportation Code, Section 222.103 authorizes TxDOT to participate, by spending money from any available source, in the cost of acquisition, construction, maintenance or operation of a toll facility of a public or private entity. The Commission adopted administrative rules (toll equity rules) to prescribe conditions for the Commission's financing of such toll facilities. Under these guidelines the Commission has committed funds in the form of toll equity grants and toll equity loans. As of Aug. 31, 2019, the Commission has outstanding toll equity grant commitments and toll equity loan commitments totaling \$173.4 million and \$9.4 billion, respectively. 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 (TELA) with the GPTC. This agreement makes a loan available to be drawn on in the event revenues and certain reserves are insufficient to pay certain debt service or operations and maintenance costs of the toll systems of aforementioned entities.

The GPTC funds financed by TELA-supported debt are to be used to pay for certain costs relating to the development, construction, operation, maintenance and financing of Segments D (Harris County), E, F1, F2, G, H, and I and the predevelopment of possible extensions or expansions of the Grand Parkway. The maximum amount of money that can be paid by TxDOT to GPTC under the TELA is equal to the aggregate amount of costs that are authorized under Article 8, Section 7-a of the Texas Constitution and Section 222.103 of the Texas Transportation Code, i.e. the "Eligible Costs".

NOTE 16 – SUBSEQUENT EVENTS

The following debt has been issued since Aug. 31, 2019.

Description	Series	Actual Par Amount (Amount in Millions)	Actual Date of Issuance	Purpose
Texas Highway Improvement General Obligation Refunding Bonds	2019	\$ 789.6	12/11/2019	To refund outstanding bonds issued to finance highway improvement projects.
Texas Private Activity Bond Surface Transportation Corporation Senior Lien Revenue Refunding Bonds	2019A; 2019B	\$ 1,202.9	12/17/2019	To refund outstanding conduit debt issued to finance the North Tarrant Express Managed Lanes Project.

NOTE 17 – RISK MANAGEMENT

TxDOT is exposed to various risks of loss related to property, general and employer liability, net income, and personnel. TxDOT and its employees are covered by various immunities and defenses that limit some of these risks of loss, particularly in liability actions brought against TxDOT or its employees. Remaining exposures are managed by self-insurance arrangements.

Property and Liability

TxDOT administers a self-insured workers compensation program. Due to the nature of worker compensation claims, amounts are not reasonably estimable. Claims are paid as they become due. The activity related to claims and judgements for the year is recorded in the below table.

Claims and Judgments				
August 31, 2019 (Amounts in Thousands)				
	Beginning Balance	Increases	Decreases	Ending Balance
2019	\$ 0	3,142	(3,142)	\$ 0
2018	\$ 0	20,276	(20,276)	\$ 0

TxDOT self-insures the Central Texas Turnpike System, the Interstate Highway 35E Managed Lanes, and the SH 249 System. GPTC self-insures the Grand Parkway System. Each system or project is insured through funds on deposit within its Rate Stabilization Fund. Amounts on deposit in Rate Stabilization Funds for self-insurance has been certified as actuarially sound by AMI Risk Consultants, Inc for CTTS, IH 35E, and GPTC. An actuary will evaluate the self-insurance for the SH 249 system after substantial completion of the project. To date, neither TxDOT or GPTC have had to draw upon the Rate Stabilization Fund to settle any claims, and therefore settlements have not exceeded self-insurance coverage.

During the fiscal year, the Texas Transportation Commission maintained a Not-for-Profit Entity and Directors, Officers Liability Insurance Policy Including Employment Practices Claims Coverage in connection with the Central Texas Turnpike System. Grand Parkway Transportation Corporation also maintained Directors and Officers Liability insurance and certain public official's liability coverage for the Grand Parkway System.

Health, Life and Dental

Insurance coverage is provided to active state employees and their dependents by one of three health plan administrators. All TxDOT employees are included in the Texas Employees Group Benefits Program (GBP) administered by the Employees Retirement System of Texas (ERS).

Claims for health, life, 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 health maintenance organizations (DHMO) contracts.

Commitments

TxDOT incurs commitments related to outstanding construction contracts and comprehensive development agreements. Further detail of these commitments is provided in Note 15.

NOTE 18 - FINANCIAL REPORTING ENTITY

As required by Generally Accepted Accounting Principles, the financial statements present TxDOT, a state agency, and its component units. The component units discussed in this note are included in TxDOT's reporting entity because of the significance of their operational and financial relationships with TxDOT.

Blended Component Units

The Commission is authorized to create Transportation Corporations in Transportation Code, Chapter 431. The Commission approves the creation of transportation corporations, approves the articles of incorporation, appoints directors and approves by-laws. At any time, the Commission may terminate and dissolve a transportation corporation. In the event of dissolution or liquidation of a corporation, all assets shall be turned over to TxDOT.

As of Aug. 31, 2019, two transportation corporations are authorized by the Commission. In both instances TxDOT contains the voting majority, is able to impose its will upon the transportation corporations, and the services of both transportation corporations benefit TxDOT. Furthermore, the two transportation corporations are classified as blended component units.

The Texas Private Activity Bond Surface Transportation Corporation (TxPABST) acts on behalf of TxDOT in the promotion and development of transportation facilities, by issuing private activity bonds for projects developed under comprehensive development agreements (CDAs) entered into by TxDOT. Bonds issued by TxPABST are not legal obligations of the state of Texas and are payable solely from payments received or on behalf of a CDA developer. See Note 6 for additional details about the TxPABST private activity bond issuances as of Aug. 31, 2019. TxPABST does not publish financial statements. Further information can be obtained by writing:

Texas Private Activity Bond Surface Transportation Corporation
125 East 11th Street
Austin, Texas 78701

The Grand Parkway Transportation Corporation (GPTC) acts on behalf of TxDOT in the promotion and development of the Grand Parkway Project, by issuing bonds and entering into comprehensive development agreements with developers for the design and construction of several segments of the Grand Parkway project. Bonds issued by GPTC are not legal obligations of the state of Texas and are payable solely from revenues and other funds of the Grand Parkway System, which is comprised of Segments D in Harris County, E, F-1, F-2, G, H, I-1, and I-2. See Note 6 for additional details about the GPTC bond issuances as of Aug. 31, 2019. GPTC has a fiscal year end of Aug. 31, 2019, consistent with TxDOT. The financial activity of GPTC is reported as a Proprietary fund within the accompanying financial statements of TxDOT. Further information can be obtained by writing:

Grand Parkway Transportation Corporation
Financial Management Division
125 East 11th Street
Austin, Texas 78701

NOTE 19 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Changes in Accounting Principles

The implementation of GASB statements is addressed in Note 1.

Deficit Net Position

Grand Parkway Transportation Corporation (GPTC) at the end of fiscal 2019 had a \$202.0 million deficit balance of net position. The total expense exceeded the total revenue by \$58.5 million. The large expense in 2019 included \$64.1 million of amortization and \$218.1 million of interest.

Changes in Fund Type

The Texas Mobility Fund General Account was reclassified from a debt service fund to a capital projects fund during fiscal 2019. The beginning balance of the General Account is presented in the Texas Mobility Fund capital projects fund.

NOTE 20 – SERVICE CONCESSION ARRANGEMENTS

As of Aug. 31, 2019, TxDOT has entered into ten agreements that are classified as service concession arrangements (SCA) under the definition established by the Governmental Accounting Standards Board. An SCA is an arrangement between TxDOT and an operator in which all of the following criteria are met:

- TxDOT conveys to the operator the right and related obligation to provide public services through the use and operation of an infrastructure asset in exchange for significant consideration, such as up-front payments, a new infrastructure asset, or improvements to an existing infrastructure asset.
- The operator collects and is compensated by fees from third parties. In all of the active TxDOT SCAs these fees are in the form of tolls.
- TxDOT determines or has the ability to modify or approve what services the operator is required to provide, to whom the operator is required to provide the services and the rates that can be charged for the services.
- TxDOT is entitled to significant residual interest in the service utility of the infrastructure asset at the end of the arrangement.

SCA projects were entered to:

- Improve mobility by expanding existing road capacity and introducing managed toll lanes, traditional toll lanes and other strategies aimed at reducing traffic congestion.
- Enable TxDOT to deliver these projects faster than would be possible using traditional funding sources.
- Shift the majority of the financial risk to the operator.

TxDOT may enter into SCAs with both public and private operators. At the end of these arrangements, operations and maintenance of the projects will transfer to TxDOT. The state of Texas retains ownership rights and title to all assets associated with an SCA.

The structure of each SCA is different due to the unique financial aspects of each arrangement. In all cases, TxDOT receives a benefit due to the department's retention of ownership of the project at end of the concession term. The following table summarizes the status, term and duration of each currently active SCA.

Service Concession Arrangements				
As of August 31, 2019				
Arrangement Name	Construction Status	Term of Concession	Concession Begin	Concession End
IH 10 "Katy Managed Lanes"	Complete	46 years	2010	2055 *
SH 130 Segments 5 and 6	Complete	50 years	2012	2062
SH 121 Concession	Complete	50 years	2009	2059
North Tarrant Exp Seg 1 and 2-West	Complete	52 years	2009	2061
North Tarrant Exp Seg 3A and 3B	Complete	52 years	2009	2061
LBJ/IH-635 Managed Lanes	Complete	52 years	2009	2061
Grand Parkway Seg D, E, F1, F2, G	Complete	40 years	2013	2053 *
Grand Parkway Seg H - I	Under Construction	36 years	2018	2053 *
SH 288	Under Construction	52 years	2016	2068
North Tarrant Exp Seg 3C	Under Construction	42 years	2019	2061
* Estimated. Concession period extends until Harris County/GPTC is fully reimbursed for costs of construction and debt service.				

In the year in which an SCA project opens for traffic TxDOT records the capital assets acquired under the SCA at their acquisition value with a corresponding entry to deferred inflow of resources. The deferred inflow of resources balance will then be reduced and revenue will be recognized in a systematic manner over the term of the arrangement, beginning when the infrastructure asset is placed into operations. Up-front concession payments received are recorded as assets (cash in state treasury) with an offset to deferred inflow of resources on the government-wide financial statements. Revenue is recognized and the deferred inflow of resources is reduced in a systematic and rational manner over the term of the arrangement.

Service Concession Arrangements - Amounts Recognized in Financial Statements – Governmental Activities			
August 31, 2019 (Amounts in Thousands)			
Arrangement Name	Cash in State Treasury*	Capital Assets	Deferred Inflows of Resources**
IH 10 "Katy Managed Lanes"	\$	\$ 250,000	\$ 195,653
SH 130 Segments 5 and 6	26,786	1,442,386	1,315,945
SH 121 Concession	340,068	1,336,606	3,023,818
North Tarrant Exp Seg 1 and 2-West		2,397,407	1,535,199
North Tarrant Exp Seg 3A and 3B		1,723,983	1,161,159
LBJ/IH-635 Managed Lanes		2,677,107	1,893,801
Grand Parkway Seg D, E, F1, F2, G		2,463,378	2,181,668
SH 288	10,738	54,909	25,479
North Tarrant Exp Seg 3C		5,350	
Total	\$ <u>377,592</u>	\$ <u>12,351,126</u>	\$ <u>11,332,722</u>
* The balance of cash in state treasury is the amount of unspent up-front concession payments.			
** The deferred inflows of resources balance that relates to up-front payments received is recorded in governmental fund financials as other financing sources in the year received.			

In some cases, TxDOT is obligated to make contributions of public funds to the SCA project during the construction period for portions of the project's design, construction or right-of-way costs. Outlays of TxDOT funds related to SCA projects are recorded as additions to construction in progress as they are incurred. In addition, TxDOT has committed funds in the form of a toll equity loan to the Grand Parkway Transportation Corporation (GPTC). Refer to Note 15 for further detail on TxDOT commitments related to SCAs.

GPTC has recognized an intangible asset in the amount of \$2.6 billion for its costs of design, construction and right-of-way acquisition through Aug. 31, 2019. This amount is reported in the business-type activities.

NOTE 21 – DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

As of Aug. 31, 2019, TxDOT reported deferred outflows of resources and deferred inflows of resources in the Statement of Net Position as presented in the table below.

Deferred Outflows and Deferred Inflows of Resources		
Statement of Net Position		
As of August 31, 2019 (Amounts in Thousands)		
Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Governmental Activities		
Loss on Bond Refunding	\$ 147,099	\$
Gain on Bond Refunding		3,160
Pensions (Note 8)	240,808	165,901
Service Concession Arrangements (Note 20)		11,332,722
Other Postemployment Benefits (Note 10)	217,865	1,963,706
Total Governmental Activities	605,772	13,465,489
Business-Type Activities		
Loss on Bond Refunding	26,264	
Total Business-Type Activities	26,264	0
Total	\$ 632,036	\$ 13,465,489

Deferred outflows of resources in the amounts of \$147.1 million in governmental activities and \$26.3 million in business-type activities relate to losses on bond refunding transactions. The deferred inflow of \$3.2 million reported in governmental activities relates to a gain on a bond refunding transaction. These deferred outflows and inflows are amortized on a straight-line basis over the remaining life of the old debt, or the life of the new debt, whichever is shorter.

Deferred inflows of resources of \$11.3 billion reported in governmental activities relate to ten different service concession arrangements, to which TxDOT was a party, as of Aug. 31, 2019. The amount recorded in the financial statements represents the balance of unamortized upfront payments and capital improvements TxDOT received under the agreements.

TxDOT reported \$240.8 million in deferred outflows of resources and \$165.9 million in deferred inflows of resources in governmental activities for pension-related adjustments. The reported deferred outflows of resources include TxDOT's share of pension contributions made subsequent to the measurement date and the unamortized balance of changes in assumptions used to calculate net pension liability. The reported deferred inflows of resources are comprised of the unamortized balance of other changes in the components of net pension liability.

Deferred outflows of resources of \$217.9 million and deferred inflows of resources of \$2.0 billion reported in governmental activities relate to other postemployment benefits. The reported deferred outflows of resources include TxDOT's share of OPEB contributions made subsequent to the measurement date and the unamortized balance of the net difference between projected and actual return on plan investments used to calculate net OPEB liability. The reported deferred inflows of resources are comprised of the unamortized balances of differences between expected and actual experience on earnings on OPEB plan investments and changes in assumptions used to calculate net OPEB liability.

Deferred inflows of \$2.1 billion were reported on the governmental funds balance sheet as presented in the table as follows. These deferred inflows relate to unavailable revenues that were earned as of Aug. 31, 2019, but not available within 60 days of year end.

Deferred Inflows of Resources	
Balance Sheet-Governmental Funds	
As of August 31, 2019 (Amounts in Thousands)	
Description	Deferred Inflows of Resources
State Highway Fund	
Oil and Natural Gas Production Tax	\$ 1,665,321
Local Revenue	75,604
Federal Revenue	314,333
Motor Fuel Tax	2,899
Total State Highway Fund	2,058,157
Nonmajor Funds	
Federal Revenue	4,880
Total Nonmajor Fund	4,880
Total	2,063,037

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Section Two (continued)

Required Supplementary Information

Other Than MD&A

(Unaudited)

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Texas Department of Transportation
Budgetary Comparison Schedule - State Highway Fund
For the Fiscal Year Ended August 31, 2019 (Amount in Thousands)

	Budgetary Amounts		Actual Amounts Budgetary Basis	Final to Actual Variance
	Original	Final		
REVENUES				
Taxes	\$ 8,231,026	\$ 8,043,650	\$ 6,956,202	\$ (1,087,448)
Federal	5,127,564	5,323,135	3,975,806	(1,347,329)
Licenses, Fees and Permits	123,674	123,834	98,011	(25,823)
Interest and Investment Income	85,196	82,489	142,805	60,316
Land Income			29,567	29,567
Settlement of Claims			41,902	41,902
Sales of Goods and Services	45,347	46,000	61,608	15,608
Other	125,032	214,265	4,990	(209,275)
Total revenues	<u>13,737,839</u>	<u>13,833,373</u>	<u>11,310,891</u>	<u>(2,522,482)</u>
EXPENDITURES				
Transportation:	12,784,664	13,652,295	10,065,829	3,586,466
Total Expenditures	<u>12,784,664</u>	<u>13,652,295</u>	<u>10,065,829</u>	<u>3,586,466</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>953,175</u>	<u>181,078</u>	<u>1,245,062</u>	<u>1,063,984</u>
OTHER FINANCING SOURCES (USES)				
Transfers In			1,915,228	1,915,228
Transfers Out			(981,952)	(981,952)
Sale of Capital Assets			10,121	10,121
Upfront Payment - Serv. Conc. Agmt.			510	510
Available Beginning Balances	3,653,798	3,653,798	3,653,798	
Total Other Financing Sources (Uses)	<u>3,653,798</u>	<u>3,653,798</u>	<u>4,597,705</u>	<u>943,907</u>
Excess (Deficiency) of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>\$ 4,606,973</u>	<u>\$ 3,834,876</u>	<u>\$ 5,842,767</u>	<u>\$ 2,007,891</u>

NOTES TO THE 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 required and is presented below.

The major reconciling items between the budgetary comparison schedule and the GAAP financial statements are due to the following items.

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 of accounting on the GAAP fund financial statements. Therefore, deferred inflows, receivables and payables are included as reconciling items.

Perspective Differences

Certain revenues and expenditures, including debt service are not budgeted by the 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 and are not included as financing sources on the GAAP financial statements.

RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS	
August 31, 2019 (Amounts in Thousands)	
	State Highway Fund
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses - Actual Budgetary Basis	\$ 5,842,767
Basis of Accounting Differences:	
Receivables and Deferred Inflows	(8,297)
Payables	(521,615)
Perspective Differences:	
Beginning Cash Balances Reported as Other Financing Sources	(3,653,798)
Other Revenues Not Budgeted	
Other Expenditures Not Budgeted	(159,018)
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses - GAAP Basis	\$ 1,500,039

Basis of Budgeting

The state's budget is prepared on a cash basis. The Texas Constitution limits appropriation bills 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 Legislature, by adoption of a resolution approved by a record vote of a majority of the members of each house, finds that an emergency exists and identifies the nature of the emergency, the Legislature may provide appropriations in excess of the adopted limit.

The Governor's Budget Office and the LBB initiate the process of submitting budget requests to the Legislature. At final passage of the General Appropriations Act by the Legislature, it is sent to the Comptroller of Public Accounts for certification. If the Comptroller certifies that appropriated amounts are available in the affected funds, the bill is sent to the Governor. If not certified, the Legislature may pass the bill with a four-fifths majority vote. The Governor has the option of vetoing the total bill or specific line-item appropriations, but does not have the authority to reduce a line 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 expenditure budgets.

Legal Level of Budgetary Control

The Texas Constitution requires the Comptroller to submit a *Biennial Revenue Estimate* to the 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 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 "Right-of-Way Acquisition" and "Routine Maintenance" are two of the strategies for TxDOT. 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 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 a continuation of 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.

Schedule of Changes in Net Pension Liability (Amounts in Thousands)					
	2019	2018	2017	2016	2015
Total Pension Liability					
Service Cost	\$ 139,071	\$ 132,525	\$ 108,528	\$ 118,614	\$ 109,957
Interest	246,260	228,274	238,733	228,696	224,284
Benefit Changes				(8,462)	
Differences between Expected and Actual Experience	8,840	10,516	12,639	(27,433)	(24,411)
Assumption Changes	(190,768)	201,859	501,760	(330,365)	115,710
Benefit Payments and Refunds	(231,505)	(208,148)	(203,213)	(197,428)	(189,477)
Change in Proportional Percentage	115,111	(73,016)	(22,595)	(2,322)	
Net Change in Total Pension Liability	87,009	292,010	635,852	(218,700)	236,063
Total Pension Liability-Beginning	4,521,978	4,229,968	3,594,116	3,812,816	3,576,753
Total Pension Liability-Ending (a)	\$ 4,608,987	\$ 4,521,978	\$ 4,229,968	\$ 3,594,116	\$ 3,812,816
Plan Fiduciary Net Position					
Contributions-Employer	67,074	63,666	64,993	48,208	46,536
Contributions-Member	65,798	62,336	63,849	44,524	41,553
Net Investment Income	233,808	257,602	120,512	5,486	313,859
Benefit Payments and Refunds	(231,505)	(208,148)	(203,213)	(197,428)	(189,477)
Administrative Expense	(2,265)	(2,100)	(1,935)	(2,104)	(1,949)
Net Change in Plan Fiduciary Net Position	132,910	173,356	44,206	(101,314)	210,522
Plan Fiduciary Net Position-Beginning	2,533,592	2,360,236	2,316,030	2,417,344	2,206,822
Plan Fiduciary Net Position-Ending (b)	2,666,502	2,533,592	2,360,236	2,316,030	2,417,344
Net Pension Liability-Ending (a) - (b)	\$ 1,942,485	\$ 1,988,386	\$ 1,869,732	\$ 1,278,086	\$ 1,395,472
Plan Fiduciary Net Position as a percentage of Total Pension Liability	57.85%	56.03%	55.80%	64.44%	63.40%
Covered Payroll	\$655,345	\$623,828	\$638,053	\$592,508	\$574,704
Net Pension Liability as a percentage of covered payroll	296.41%	318.74%	293.04%	215.71%	242.82%
Notes to Schedule:					
1. The change in total pension liability is due to the change in the single discount rate included as an assumption change.					
2. The covered payroll is the actual annual payroll for the fiscal year as reported by ERS.					
3. This schedule is intended to present 10 years of information. Currently, only five years of information is available. Information- for future years will be added when it becomes available.					

Schedules of Employer Contributions - Pension

The information on the schedules of employer contributions was determined as of the end of the fiscal year presented.

Schedule of Employer Contributions					
(Amounts in Thousands)					
	2019	2018	2017	2016	2015
Actuarially determined contributions	\$ 92,592	\$ 89,848	\$ 67,526	\$ 65,492	\$ 71,131
Actual Contribution	69,733	67,073	66,253	66,163	48,288
Contribution deficiency (excess)	22,859	22,774	1,273	(670)	22,843
Covered payroll	679,824	655,345	649,179	649,536	593,496
Contribution as a percentage of covered payroll	10.26%	10.23%	10.21%	10.19%	8.14%
Notes to Schedule of Employer Contributions:					
Valuation Date:					
Actuarially determined contribution rates are calculated as of August 31. Members and employers contribute based on statutorily fixed rates.					
A new set of assumptions were adopted for the August 31, 2017 actuarial valuation and was first reflected for the ADEC determined for the fiscal year ending 2018.					
Methods and Assumptions Used to Determine Contribution Rates:					
Actuarial Cost Method	Entry Age Normal				
Amortization Method	Level Percentage of Payroll, Open				
Remaining Amortization Period	31 years				
Asset Valuation Method	Marked to market as of August 31, 2017. Future gains and losses each recognized over closed five-year period, with allowance of direct offsetting of deferrals by subsequent gains or losses.				
Inflation	2.5%				
Salary Increases	0% to 9.5%				
Investment Rate of Return	7.50%				
Retirement Age	Experience-based table of rates that are specific to the class of employee. Updated for the 2017 valuation pursuant to an experience study of the 5-year period from September 1, 2011 through August 31, 2016.				
Mortality	2017 State Retirees of Texas (SRT) mortality table. Generational mortality improvements in accordance with the ultimate rates from the scale most recently published by Retirement Plans Experience Committee of the Society of Actuaries ("Scale U-MP") and projected from the year 2017.				
Other Information:					
1. Actuarially determined contributions are adjusted for actual payroll and administrative expenses.					
2. Members and employers contribute based on statutorily fixed rates.					
3. The covered employee payroll is the actual annual payroll for the fiscal year as reported by ERS.					

Schedules of Changes in Net OPEB 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.

Schedule of Changes in Net OPEB Liability (Amounts in Thousands)		
	2019	2018
Total OPEB Liability		
Service Cost	\$ 109,497	\$ 256,922
Interest	92,361	136,668
Differences between Expected and Actual Experience	(68,487)	(55,942)
Assumption Changes	(433,607)	(973,369)
Benefit Payments, including Refunds of Employee- Contributions	(48,508)	(81,242)
Change in Proportional Percentage	(1,305,600)	
Net Change in Total OPEB Liability	(1,654,344)	(716,963)
Total OPEB Liability-Beginning	3,878,705	4,595,668
Total OPEB Liability-Ending (a)	\$ 2,224,361	\$ 3,878,705
Plan Fiduciary Net Position		
Contributions-Employer	\$ 22,473	\$ 99,328
Contributions-Non-employer Contributing Entities	1,214	5,140
Contributions-Employee	14,868	21,835
Contributions-Federal Revenues for Medicare Part D RDS	104	
Other (Federal Revenues and Other Additions)	5,587	8,009
Net Investment Income	798	504
Benefit Payments, including Refunds of Employee- Contributions	(48,508)	(81,242)
Benefit Payments financed by Employee- Contributions and Federal Revenues	(20,216)	(29,803)
Administrative Expense	(426)	(627)
Net Change in Plan Fiduciary Net Position	(24,106)	23,144
Plan Fiduciary Net Position-Beginning	79,151	56,007
Plan Fiduciary Net Position-Ending (b)	\$ 55,045	\$ 79,151
Net OPEB Liability-Ending (a) - (b)	\$ 2,169,316	\$ 3,799,554
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	1.27%	2.04%
Covered-Employee Payroll	\$ 881,785	\$ 1,309,744
Net OPEB Liability as a Percentage of Covered- Employee Payroll	246.01%	290.10%
Notes to Schedule:		
1. This schedule is intended to present 10 years of information. Currently, only two years of information are available. Information for future years will be added when it becomes available.		
2. Information is presented using an Aug. 31, 2018 measurement date.		
3. Benefit payments are net of member contributions and Federal Revenues.		

Schedule of Employer Contributions – OPEB

Schedule of Employer Contributions (Amounts in Thousands)

	2019	2018**
Actuarially determined contribution	\$ 196,639	\$ 170,736
Actual Contribution	216,838	212,627
Contribution deficiency (excess)	(20,199)	(41,891)
Covered-Employee Payroll	901,530	881,785
Contribution as a percentage of Covered-Employee Payroll	3.43%	2.70%

Notes to Schedule of Employer Contributions:

Methods and assumptions used to determine contribution rates:

Valuation Date	August 31, 2018
Actuarial Cost Method	Entry Age
Remaining Amortization Period	30 Years
Asset Valuation Method	Not applicable
Actuarial Assumptions:	
Discount Rate	3.96%*
Inflation	2.50%
Projected Annual Salary Increase	2.50% to 9.50%
Annual Healthcare Trend Rate	7.30% for FY 2020, 7.40% for FY 2021, 7.00% for FY 2022, decreasing 0.50% per year to an ultimate rate of 4.50% for FY 2027 and later years
Aggregate Payroll Growth	3.00%
Retirement Age	Experience-based tables of rates that are specific to the class of employee
Mortality-State Agency Members	Service Retirees, Survivors and Other Inactive Members: 2017 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 2017 Disabled Retirees: RP-2014 Disabled Retiree Mortality with Ultimate MP Projection Scale projected from the year 2014 Active Members: RP-2014 Active Member Mortality tables with Ultimate MP Projection Scale from the year 2014
Ad hoc Postemployment Benefit Changes	None

*The source of the municipal bond rate is the Bond Buyer Index of general obligations 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.

** Prior year 2018 numbers were revised to be consistent with the 2019 presentation. For 2018, the actuarially determined contribution and actual contribution should be based on the measurement year ended Aug. 31, 2018.

Other Information:

This schedule is intended to present 10 years of information. Currently, only two years of information is available. Information for future years will be added when it becomes available.

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Section Two (continued)

Other Supplementary Information

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State Highway Funds

Combining Financial Statements

TxDOT reports the following accounts/sub-funds, which are consolidated into the state highway fund for the financial statements.

State Highway Fund Accounts - These funds contain the activity related to public road construction, maintenance and monitoring of the state's highway system. The significant ongoing revenue sources are federal revenues and motor fuels taxes, which are constitutionally restricted and dedicated to the highway fund.

Appropriated Fund	GAAP Fund	USAS D23 Funds
0006	0006	0006 - State Highway Fund
0006	0006	0020 - Prop 14 Tax Exempt Bonds
0006	0006	0121 - SH121 Concession-Project Fund
0006	0006	0122 - SH121 Concession-Revolving Fund
0006	0006	0130 - SH130 Concession
0006	0006	0161 - SH161 Project Fund
0006	0006	0162 - SH161 Revolving Fund
0006	0006	0288 - SH 288 Concession-Project Fund
0006	0006	0512 - Escrow - PT Toll-Montgomery CO
0006	0006	0635 - LBJ Project Concession Refund
0006	0006	0820 - NTE Segments 1&2W Concession Fund
0006	0006	0823 - NTE Segment 3A&3B Concession Fund
0006	0006	1016 - Texas State Cemetery Committee
0006	0006	8006 - Depository Interest Default Fund
0006	0006	9000 - Deposit Default Fund
0006	0006	9001 - Returned Items Default Fund
0369*	0006	0369 - Federal American Recovery & Reinvestment Fund
0899	0006	0835 - I-35E Project Disbursing Account

Proposition 1 - This fund was created to record, track and report the receipt and disbursement of the Proposition 1 Fund.

Appropriated Fund	GAAP Fund	USAS D23 Funds
0006	0006	1006 - Proposition 1 Fund

Proposition 7 - This fund was created to record, track and report the receipt and disbursement of the Proposition 7 Fund.

Appropriated Fund	GAAP Fund	USAS D23 Funds
0006	0006	1007 - Proposition 7 Fund

State Infrastructure Bank Accounts – This fund operates as a revolving loan program that makes loans to public and private entities to encourage the development of transportation projects and facilities.

Appropriated Fund	GAAP Fund	USAS D23 Funds
0006	0006	0099 - State Infrastructure Bank

Texas Department of Transportation
Combining Balance Sheet - State Highway Fund
August 31, 2019 (Amounts in Thousands)

	State Highway Fund Accounts	Proposition 1	Proposition 7	State Infrastructure Bank	TOTAL
ASSETS					
Cash and Cash Equivalents:					
Cash on Hand	\$ 134	\$	\$	\$	\$ 134
Cash in Bank	3,895				3,895
Cash in State Treasury	1,299,400	1,247,907	3,980,460	355,782	6,883,549
Cash Equivalents	18,845				18,845
Short Term Investments	17,275				17,275
Receivables:					
Taxes	246,938				246,938
Federal	983,072				983,072
Other Intergovernmental	144,523				144,523
Interest and Dividends	7,375			2,103	9,478
Accounts Receivable	56,015				56,015
Due from Other Funds	9,423				9,423
Due from Other Agencies	240,015	1,665,321			1,905,336
Consumable Inventories	138,937				138,937
Loans and Contracts	606,905			158,692	765,597
Restricted:					
Cash Equivalents	7,668				7,668
Short Term Investments	4,971				4,971
Investments	2,497				2,497
Total Assets	<u>\$ 3,787,888</u>	<u>\$ 2,913,228</u>	<u>\$ 3,980,460</u>	<u>\$ 516,577</u>	<u>\$ 11,198,153</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Payables:					
Accounts	1,293,394	169,823	105,000	73	1,568,290
Payroll	82,090				82,090
Contract Retainage	6,601				6,601
Due to Other Funds				212	212
Due to Other Agencies	2,407				2,407
Unearned Revenues	<u>16,862</u>				<u>16,862</u>
Total Liabilities	<u>1,401,354</u>	<u>169,823</u>	<u>105,000</u>	<u>285</u>	<u>1,676,462</u>
Deferred Inflows of Resources:					
Unavailable Revenue	<u>392,836</u>	<u>1,665,321</u>			<u>2,058,157</u>
Total Deferred Inflows of Resources	<u>392,836</u>	<u>1,665,321</u>	<u>0</u>	<u>0</u>	<u>2,058,157</u>
Fund Balances:					
Nonspendable:					
Inventory	138,937				138,937
Restricted	15,168	1,078,084	3,875,460	516,292	5,485,004
Committed	720,346				720,346
Assigned	<u>1,119,247</u>				<u>1,119,247</u>
Total Fund Balances	<u>1,993,698</u>	<u>1,078,084</u>	<u>3,875,460</u>	<u>516,292</u>	<u>7,463,534</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 3,787,888</u>	<u>\$ 2,913,228</u>	<u>\$ 3,980,460</u>	<u>\$ 516,577</u>	<u>\$ 11,198,153</u>

Texas Department of Transportation
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances - State Highway Fund
For the Fiscal Year Ended, August 31, 2019 (Amounts in Thousands)

	State Highway Fund Accounts	Proposition 1	Proposition 7	State Infrastructure Bank	Total
REVENUES					
Legislative Appropriations:					
Taxes	\$ 2,802,371	\$ 1,384,115	\$ 2,500,000	\$	\$ 6,686,486
Federal Revenues	4,204,305				4,204,305
Federal Pass-Through Revenues	3,520				3,520
Licenses, Fees and Permits	98,011				98,011
Interest & Investment Income	48,394	37,495	45,223	14,354	145,466
Net Increase (Decrease) Fair Value	33				33
Land Income	29,567				29,567
Settlement of Claims	41,902				41,902
Sales of Goods and Services	88,313				88,313
Other Revenues	4,990				4,990
Total Revenues	<u>7,321,406</u>	<u>1,421,610</u>	<u>2,545,223</u>	<u>14,354</u>	<u>11,302,593</u>
EXPENDITURES					
Transportation	3,641,322	240,831	62,642		3,944,795
Capital Outlay	5,175,824	1,098,148	368,677		6,642,649
Debt Service:					
Principal on Pass-Through Tolls	158,066				158,066
Other Financing Fees	952				952
Total Expenditures	<u>8,976,164</u>	<u>1,338,979</u>	<u>431,319</u>	<u>0</u>	<u>10,746,462</u>
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	<u>(1,654,758)</u>	<u>82,631</u>	<u>2,113,904</u>	<u>14,354</u>	<u>556,131</u>
OTHER FINANCING SOURCES (USES)					
Transfers In	1,915,228				1,915,228
Transfers Out	(547,369)		(434,583)		(981,952)
Sale of Capital Assets	10,122				10,122
Upfront Payment - Service Concession Arrangement	510				510
Total Other Financing Sources (Uses)	<u>1,378,491</u>	<u>0</u>	<u>(434,583)</u>	<u>0</u>	<u>943,908</u>
Net Change in Fund Balances	<u>(276,267)</u>	<u>82,631</u>	<u>1,679,321</u>	<u>14,354</u>	<u>1,500,039</u>
Fund Balances, September 1, 2018	<u>2,269,965</u>	<u>995,453</u>	<u>2,196,139</u>	<u>501,938</u>	<u>5,963,495</u>
Fund Balances, August 31, 2019	<u>\$ 1,993,698</u>	<u>\$ 1,078,084</u>	<u>\$ 3,875,460</u>	<u>\$ 516,292</u>	<u>\$ 7,463,534</u>

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Texas Mobility Funds

Combining Financial Statements

TxDOT reports the following accounts/sub-funds, which are consolidated into the Texas Mobility Fund for the financial statements.

Debt Service Fund Accounts – These funds report the activity related the payment of debt service on outstanding mobility fund bonds.

Appropriated Fund	GAAP Fund	USAS D23 Funds
0365	0365	0367 - TMF-Interest & Sinking Account 0373 - TMF-Rebate Account

Capital Projects Fund Accounts – These funds report the activity related to the expenditure of the mobility fund bond proceeds on eligible transportation projects.

Appropriated Fund	GAAP Fund	USAS D23 Funds
0365	0365	0365 - TMF-General Account

Texas Department of Transportation
Combining Balance Sheet - Texas Mobility Fund
August 31, 2019 (Amounts in Thousands)

	Debt Service Fund	Capital Projects Fund	Total
ASSETS			
Cash and Cash Equivalents:			
Cash in State Treasury	\$ 220,413	\$ 243,931	\$ 464,344
Total Assets	<u>\$ 220,413</u>	<u>\$ 243,931</u>	<u>\$ 464,344</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Payables:			
Accounts		51,875	51,875
Unearned Revenues	1,825		1,825
Total Liabilities	<u>1,825</u>	<u>51,875</u>	<u>53,700</u>
Fund Balances:			
Restricted	218,588		218,588
Committed		192,056	192,056
Total Fund Balances	<u>218,588</u>	<u>192,056</u>	<u>410,644</u>
Total Liabilities and Fund Balances	<u>\$ 220,413</u>	<u>\$ 243,931</u>	<u>\$ 464,344</u>

Texas Department of Transportation
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances - Texas Mobility Fund

For the Fiscal Year Ended August 31, 2019 (Amounts in Thousands)

	Debt Service Fund	Capital Projects Fund	Total
REVENUES			
Federal Revenues	\$ 21,851	\$	\$ 21,851
Licenses, Fees and Permits	354,254	110,027	464,281
Interest and Investment Income	2,810	7,670	10,480
Other Revenues		25	25
Total Revenues	<u>378,915</u>	<u>117,722</u>	<u>496,637</u>
EXPENDITURES			
Transportation		3,195	3,195
Capital Outlay		259,955	259,955
Debt Service:			
Principal on State Bonds	81,635		81,635
Interest on State Bonds	286,060		286,060
Other Financing Fees		854	854
Total Expenditures	<u>367,695</u>	<u>264,004</u>	<u>631,699</u>
Excess (Deficiency) of Revenues			
Over (Under) Expenditures	<u>11,220</u>	<u>(146,282)</u>	<u>(135,062)</u>
Net Change in Fund Balances	<u>11,220</u>	<u>(146,282)</u>	<u>(135,062)</u>
Fund Balances, September 1, 2018*	<u>207,368</u>	<u>338,338</u>	<u>545,706</u>
Fund Balances, August 31, 2019	<u>\$ 218,588</u>	<u>\$ 192,056</u>	<u>\$ 410,644</u>

*The Texas Mobility Fund General Account was reclassified from the debt service fund to the capital Projects fund during fiscal 2019. The beginning balance of the General Account is presented in the capital projects fund.

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Nonmajor Governmental Funds**Combining Financial Statements**

TxDOT reports the following accounts/sub-funds, which are consolidated into the Nonmajor Governmental funds for the financial statements.

General Fund - The general fund accounts for all financial resources except those accounted for in other funds.

Appropriated Fund	GAAP Fund	USAS D23 Funds
0001	0001	0001 - General Revenue Fund
0036	0036	0036 - Traffic Safety Crash Records
0900	0900	0090 - Suspense Fund
0999	0001	0998 - Miscellaneous-Utility Fund (Non-Cash)
7604	7604	7604 - TPFA G.O. Commercial Paper Series 2002B Colonias Project Fund

Special Revenue Funds - These funds are used to report the proceeds of specific revenue sources that are restricted or committed for specified purposes other than debt service or capital project.

Appropriated Fund	GAAP Fund	USAS D23 Funds
0184	0184	0184 - Transportation Infrastructure Fund

Debt Service Funds - These funds are used to report financial resources that are restricted, committed or assigned to expenditure for principal and interest.

Appropriated Fund	GAAP Fund	USAS D23 Funds
0008	0008	0010 - State Highway Debt Service Fund
0008	0008	0022 - Proposition 12 Debt Service

Texas Department of Transportation
Combining Balance Sheet - Nonmajor Governmental Funds
August 31, 2019 (Amounts in Thousands)

	<u>General Fund</u>	<u>Special Revenue Fund*</u>	<u>Debt Service Fund</u>	<u>Total Nonmajor Funds</u>
ASSETS				
Cash and Cash Equivalents:				
Cash in State Treasury	\$ 6,078	\$ 10,940	\$ 337,519	\$ 354,537
Legislative Appropriations	2,039			2,039
Receivables:				
Federal			4,781	4,781
Due from Other Agencies	116			116
Loans and Contracts	23			23
Total Assets	<u>8,256</u>	<u>10,940</u>	<u>342,300</u>	<u>\$ 361,496</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Payables:				
Accounts	116			116
Payroll	109			109
Due to Other Funds	6,078			6,078
Unearned Revenues			2,113	2,113
Total Liabilities	<u>6,303</u>	<u>0</u>	<u>2,113</u>	<u>8,416</u>
Deferred Inflows of Resources:				
Unavailable Revenue			4,880	4,880
Total Deferred Inflows of Resources	<u>0</u>	<u>0</u>	<u>4,880</u>	<u>4,880</u>
Fund Balances:				
Restricted			335,307	335,307
Committed		10,940		10,940
Assigned	109			109
Unassigned	1,844			1,844
Total Fund Balances	<u>1,953</u>	<u>10,940</u>	<u>335,307</u>	<u>348,200</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 8,256</u>	<u>\$ 10,940</u>	<u>\$ 342,300</u>	<u>\$ 361,496</u>

Texas Department of Transportation
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances - Nonmajor Governmental Funds
For the Fiscal Year Ended, August 31, 2019 (Amounts in Thousands)

	<u>General Fund</u>	<u>Special Revenue Fund*</u>	<u>Debt Service Fund</u>	<u>Total Nonmajor Funds</u>
REVENUES				
Legislative Appropriations:				
Original Appropriations	\$ 1,208	\$	\$	\$ 1,208
Additional Appropriations	267			267
Federal Revenues			32,103	32,103
Licenses, Fees and Permits	38			38
Interest and Investment Income		347	2,541	2,888
Sales of Goods and Services	451			451
Total Revenues	<u>1,964</u>	<u>347</u>	<u>34,644</u>	<u>36,955</u>
EXPENDITURES				
Transportation	6,308	(438)		5,870
Capital Outlay	148			148
Debt Service:				
Principal on State Bonds			354,875	354,875
Interest on State Bonds			385,079	385,079
Total Expenditures	<u>6,456</u>	<u>(438)</u>	<u>739,954</u>	<u>745,972</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>(4,492)</u>	<u>785</u>	<u>(705,310)</u>	<u>(709,017)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	1,522		833,678	835,200
Sale of Capital Assets	1,609			1,609
Appropriations Lapsed	(1,929)			(1,929)
Total Other Financing Sources (Uses)	<u>1,202</u>	<u>0</u>	<u>833,678</u>	<u>834,880</u>
Net Change in Fund Balances	<u>(3,290)</u>	<u>785</u>	<u>128,368</u>	<u>125,863</u>
Fund Balances, September 1, 2018	<u>5,243</u>	<u>10,155</u>	<u>206,939</u>	<u>222,337</u>
Fund Balances, August 31, 2019	<u>\$ 1,953</u>	<u>\$ 10,940</u>	<u>\$ 335,307</u>	<u>\$ 348,200</u>

*No combining statements presented.

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Non Major General Funds**Combining Financial Statements**

TxDOT reports the following accounts/sub-funds, which are consolidated into the Nonmajor Governmental funds for the financial statements.

General Fund - The general fund accounts for all financial resources except those accounted for in other funds.

<u>Appropriated Fund</u>	<u>GAAP Fund</u>	<u>USAS D23 Funds</u>
0001	0001	0001 - General Revenue Fund
0999	0001	0998 - Mis-Utility Fund (Non-Cash)

Traffic Safety-Crash Records Information Systems

<u>Appropriated Fund</u>	<u>GAAP Fund</u>	<u>USAS D23 Funds</u>
0036	0036	0036 - Traffic Safety Crash Records

Colonias Projects Fund

<u>Appropriated Fund</u>	<u>GAAP Fund</u>	<u>USAS D23 Funds</u>
7604	7604	7604 - TPFA G.O. Commercial Paper Series 2002B Colonias Project Fund

Suspense Fund

<u>Appropriated Fund</u>	<u>GAAP Fund</u>	<u>USAS D23 Funds</u>
0900	0900	0090 - Suspense Fund

Texas Department of Transportation
Combining Balance Sheet - Nonmajor General Funds
August 31, 2019 (Amounts in Thousands)

	General Revenue Fund	Traffic Safety Crash Records	Colonias Projects Fund	Suspense Fund	Total
ASSETS					
Cash and Cash Equivalents:					
Cash in State Treasury	\$	\$	\$	\$ 6,078	\$ 6,078
Legislative Appropriations	2,039				2,039
Due from Other Agencies			116		116
Loans and Contracts	23				23
Total Assets	<u>\$ 2,062</u>	<u>\$ 0</u>	<u>\$ 116</u>	<u>\$ 6,078</u>	<u>\$ 8,256</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Payables:					
Accounts			116		116
Payroll	109				109
Due to Other Funds				6,078	6,078
Total Liabilities	<u>109</u>	<u>0</u>	<u>116</u>	<u>6,078</u>	<u>6,303</u>
Fund Balances:					
Assigned	109				109
Unassigned	1,844				1,844
Total Fund Balances	<u>1,953</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,953</u>
Total Liabilities and Fund Balances	<u>\$ 2,062</u>	<u>\$ 0</u>	<u>\$ 116</u>	<u>\$ 6,078</u>	<u>\$ 8,256</u>

Texas Department of Transportation
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances - Nonmajor General Funds
For the Fiscal Year Ended August 31, 2019 (Amounts in Thousands)

	General Revenue Fund	Traffic Safety Crash Records	Colonias Projects Fund	Suspense Fund	Total
REVENUES					
Legislative Appropriations:					
Original Appropriations	\$ 1,208	\$	\$	\$	\$ 1,208
Additional Appropriations	267				267
Licenses, Fees and Permits	38				38
Sales of Goods and Services	451				451
Total Revenues	<u>1,964</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,964</u>
EXPENDITURES					
Transportation	4,786	730	792		6,308
Capital Outlay	148				148
Total Expenditures	<u>4,934</u>	<u>730</u>	<u>792</u>	<u>0</u>	<u>6,456</u>
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	<u>(2,970)</u>	<u>(730)</u>	<u>(792)</u>	<u>0</u>	<u>(4,492)</u>
OTHER FINANCING SOURCES (USES)					
Transfers In		730	792		1,522
Sale of Capital Assets	1,609				1,609
Appropriations Lapsed	<u>(1,929)</u>				<u>(1,929)</u>
Total Other Financing Sources (Uses)	<u>(320)</u>	<u>730</u>	<u>792</u>	<u>0</u>	<u>1,202</u>
Net Change in Fund Balances	<u>(3,290)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(3,290)</u>
Fund Balances, September 1, 2018	<u>5,243</u>				<u>5,243</u>
Fund Balances, August 31, 2019	<u>\$ 1,953</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,953</u>

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Nonmajor Debt Service Funds
Combining Financial Statements

TxDOT reports the following accounts/sub-funds, which are consolidated into the Nonmajor Debt Service funds for the financial statements.

Proposition 14 Debt Service Fund		
Appropriated		
Fund	GAAP Fund	USAS D23 Funds
0008	0008	0010 - State Highway Debt Service Fund
Proposition 12 Debt Service Fund		
Appropriated		
Fund	GAAP Fund	USAS D23 Funds
0008	0008	0022 - Proposition 12 Debt Service Fund

Texas Department of Transportation
Combining Balance Sheet - Nonmajor Debt Service Funds
August 31, 2019 (Amounts in Thousands)

	Prop 14 Debt Service Fund	Prop 12 Debt Service Fund	Total Nonmajor Debt Service Funds
ASSETS			
Cash and Cash Equivalents:			
Cash in State Treasury	\$ 212,377	\$ 125,142	\$ 337,519
Receivables:			
Federal		4,781	4,781
Total Assets	<u>212,377</u>	<u>129,923</u>	<u>342,300</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Unearned Revenues	2,113		2,113
Total Liabilities	<u>2,113</u>	<u>0</u>	<u>2,113</u>
Deferred Inflows of Resources:			
Unavailable Revenue		4,880	4,880
Total Deferred Inflows of Resources	<u>0</u>	<u>4,880</u>	<u>4,880</u>
Fund Balances:			
Restricted	210,264	125,043	335,307
Total Fund Balances	<u>210,264</u>	<u>125,043</u>	<u>335,307</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 212,377</u>	<u>\$ 129,923</u>	<u>\$ 342,300</u>

Texas Department of Transportation
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances - Nonmajor Debt Service Funds
For the Fiscal Year Ended, August 31, 2019 (Amounts in Thousands)

	Prop 14 Debt Service Fund	Prop 12 Debt Service Fund	Total
REVENUES			
Federal Revenues	\$ 25,344	\$ 6,759	\$ 32,103
Interest and Investment Income	2,541		2,541
Total Revenues	<u>27,885</u>	<u>6,759</u>	<u>34,644</u>
EXPENDITURES			
Debt Service:			
Principal on State Bonds	225,500	129,375	354,875
Interest on State Bonds	198,155	186,924	385,079
Total Expenditures	<u>423,655</u>	<u>316,299</u>	<u>739,954</u>
Excess (Deficiency) of Revenues			
Over (Under) Expenditures	<u>(395,770)</u>	<u>(309,540)</u>	<u>(705,310)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	399,095	434,583	833,678
Total Other Financing Sources (Uses)	<u>399,095</u>	<u>434,583</u>	<u>833,678</u>
Net Change in Fund Balances	<u>3,325</u>	<u>125,043</u>	<u>128,368</u>
Fund Balances, September 1, 2018	<u>206,939</u>		<u>206,939</u>
Fund Balances, August 31, 2019	<u>\$ 210,264</u>	<u>\$ 125,043</u>	<u>\$ 335,307</u>

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Agency Funds

Combining Financial Statements

These funds are used to account for the assets held for distribution by the state as an agent for another entity for which the government has custodial responsibility and accounts for the flow of assets.

Agency Funds

Appropriated Fund	GAAP Fund	USAS D23 Funds
9995	9999	1997 - Toll Custodial Account
0001	1000	1001 - General Revenue Fund-Agency Funds
0980	0980	0980 - Direct Deposit Correction Fund
0980	0980	9014 - USPS-Direct Deposit Return
0942	0942	0942 - 401K Payroll
0900	0900	0900 - Suspense Fund
0900	0900	9015 - USPS-Overpayments To Employees
0900	0900	9016 - Warrant Hold Offset-Gc403.0551
0882	0882	0882 - City County MTA & SPD Sales Tax
0807	0807	8070 - Child Support Addenda Deductions

Texas Department of Transportation
Combining Statement of Changes in Assets and Liabilities - Agency Funds
For the Fiscal Year Ended August 31, 2019

	Balances September 1, 2018	Additions	Deductions	Balances August 31, 2019
UNAPPROPRIATED RECEIPTS				
<u>General Revenue Fund</u>				
Assets:				
Cash on Hand	\$ 0	\$ 4,620	\$ 4,620	\$ 0
Total Assets	\$ 0	\$ 4,620	\$ 4,620	\$ 0
Liabilities:				
Funds Held for Others	\$ 0	\$ 4,620	\$ 4,620	\$ 0
Total Liabilities	\$ 0	\$ 4,620	\$ 4,620	\$ 0
OTHER AGENCY FUNDS				
<u>Child Support Deducts Account</u>				
Assets:				
Cash in State Treasury	\$ 327	\$ 4,366	\$ 4,370	\$ 323
Total Assets	\$ 327	\$ 4,366	\$ 4,370	\$ 323
Liabilities:				
Funds Held for Others	\$ 327	\$ 4,366	\$ 4,370	\$ 323
Total Liabilities	\$ 327	\$ 4,366	\$ 4,370	\$ 323
<u>Direct Deposit Correction Account</u>				
Assets:				
Cash in State Treasury	\$ 119	\$ 16,581	\$ 16,700	\$ 0
Total Assets	\$ 119	\$ 16,581	\$ 16,700	\$ 0
Liabilities:				
Funds Held for Others	\$ 119	\$ 16,581	\$ 16,700	\$ 0
Total Liabilities	\$ 119	\$ 16,581	\$ 16,700	\$ 0
<u>Toll Revenue Custodial Account</u>				
Assets:				
Cash on Hand	12	39	12	39
Cash in Bank	987	2,211,241	2,211,548	680
Cash Equivalents	25,197	663,617	653,460	35,354
Short-Term Investments	21,839	60,902	55,819	26,922
Total Assets	\$ 48,035	\$ 2,935,799	\$ 2,920,839	\$ 62,995
Liabilities:				
Funds Held For Others	\$ 48,035	\$ 2,935,799	\$ 2,920,839	\$ 62,995
Total Liabilities	\$ 48,035	\$ 2,935,799	\$ 2,920,839	\$ 62,995
TOTALS - ALL AGENCY FUNDS				
Assets:				
Cash on Hand	\$ 12	\$ 4,659	\$ 4,632	\$ 39
Cash in Bank	987	2,211,241	2,211,548	680
Cash In State Treasury	446	20,947	21,070	323
Cash Equivalents	25,197	663,617	653,460	35,354
Short-Term Investments	21,839	60,902	55,819	26,922
Total Assets:	\$ 48,481	\$ 2,961,366	\$ 2,946,529	\$ 63,318
Liabilities:				
Funds Held for Others	\$ 48,481	\$ 2,961,366	\$ 2,946,529	\$ 63,318
Total Liabilities	\$ 48,481	\$ 2,961,366	\$ 2,946,529	\$ 63,318

Section Three

Statistical Section

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Texas Department of Transportation

Statistical Section

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 department's overall financial health.

Contents	Pages
Financial Trends Information	
These schedules contain trend information intended to help the reader understand how the department's financial position has changed over time.	
Net Position - Government-wide	133
Changes in Net Position - Government-wide	134
Fund Balances - Governmental Funds	135
Changes in Fund Balances - Governmental Funds	136
Revenue Capacity Information	
These schedules contain information intended to help the reader assess the department's most significant revenue sources – taxes and federal revenues.	
Revenue Collections - Taxes - State and TxDOT	137
Tax Rates	138
Federal Revenue and Percentage	139
Traffic and Toll Revenue - Toll Roads	140
Debt Capacity Information	
These schedules present information intended to assist users in understanding and assessing the department's current levels of outstanding debt and the ability to issue additional debt.	
Ratios of Outstanding Debt by Type	141
Ratios of General Bonded Debt Outstanding	142
Pledged Revenue Bond Coverage	143
Demographic and Economic Information	
These schedules provide demographic and economic indicators intended to help the reader understand the socio-economic environment within which the department's financial activities take place.	
Texas and U.S. Population, Total Personal Income and Per Capital Income	144
Texas and U.S. Employment and Unemployment Rates	145
Texas Nonfarm Employment Detail: Number of Jobs	146
Operating Information	
These schedules provide contextual information about the department's operations and resources intended to assist readers in using financial statement information to understand and assess the department's economic condition.	
Full-Time Equivalent Employees (FTE)	147
Capital Assets Indicators – Schedule of Assessed Conditions	148
Capital Assets Indicators – Schedule of State-Owned Centerline Miles	149
Capital Assets Indicators – Schedule of Rated Lane Miles Conditions	150

Sources: Unless otherwise noted, the information in these schedules is derived from the Texas Department of Transportation for the relevant years.

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Texas Department of Transportation
Statistical Section - Financial Trends Information
Net Position - Government-wide
Last Ten Fiscal Years
(Amounts in Millions)

	2010*	2011*	2012	2013	2014
GOVERNMENTAL ACTIVITIES					
Net Investment in Capital Assets	\$	\$	\$ 62,448	\$ 62,877	\$ 67,775
Restricted			975	774	292
Unrestricted			338	893	(1,139)
Total Governmental Activities Net Position	<u>0</u>	<u>0</u>	<u>63,761</u>	<u>64,544</u>	<u>66,928</u>
BUSINESS-TYPE ACTIVITIES					
Net Investment in Capital Assets			512	690	637
Restricted			7	35	65
Unrestricted			(92)	(176)	(246)
Total Business-Type Activities Net Position	<u>0</u>	<u>0</u>	<u>427</u>	<u>549</u>	<u>456</u>
PRIMARY GOVERNMENT					
Net Investment in Capital Assets			62,960	63,567	68,412
Restricted			982	809	357
Unrestricted			246	717	(1,385)
Total Primary Government Net Position	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 64,188</u>	<u>\$ 65,093</u>	<u>\$ 67,384</u>

	2015	2016	2017	2018	2019
GOVERNMENTAL ACTIVITIES					
Net Investment in Capital Assets	\$ 70,083	\$ 71,358	\$ 76,120	\$ 79,966	\$ 85,381
Restricted	394	3,438	2,666	5,552	7,964
Unrestricted	95	(212)	(114)	(4,261)	(3,855)
Total Governmental Activities Net Position	<u>70,572</u>	<u>74,584</u>	<u>78,672</u>	<u>81,257</u>	<u>89,490</u>
BUSINESS-TYPE ACTIVITIES					
Net Investment in Capital Assets	621	638	597	558	769
Restricted	115	161	272	344	379
Unrestricted	(327)	(475)	(619)	(692)	(759)
Total Business-Type Activities Net Position	<u>409</u>	<u>324</u>	<u>250</u>	<u>210</u>	<u>389</u>
PRIMARY GOVERNMENT					
Net Investment in Capital Assets	70,704	71,996	76,717	80,524	86,150
Restricted	509	3,599	2,938	5,896	8,343
Unrestricted	(232)	(687)	(733)	(4,953)	(4,614)
Total Primary Government Net Position	<u>\$ 70,981</u>	<u>\$ 74,908</u>	<u>\$ 78,922</u>	<u>\$ 81,467</u>	<u>\$ 89,879</u>

* Governmental and business-type activities information was not available in fiscal 2010-2011 TxDOT financial statements

Source: Fiscal 2012 - 2019 TxDOT financial statements

Texas Department of Transportation
Statistical Section - Financial Trends Information
Changes in Net Position - Government-wide
Last Ten Fiscal Years
(Amounts in Millions)

	2010*	2011*	2012	2013	2014	2015	2016	2017	2018	2019
GOVERNMENTAL ACTIVITIES:										
Expenses										
Transportation	\$	\$	\$ 4,907	\$ 5,829	\$ 5,688	\$ 5,710	\$ 5,686	\$ 6,135	\$ 6,475	\$ 6,048
Total Expenses	<u>0</u>	<u>0</u>	<u>4,907</u>	<u>5,829</u>	<u>5,688</u>	<u>5,710</u>	<u>5,686</u>	<u>6,135</u>	<u>6,475</u>	<u>6,048</u>
Program Revenues:										
Charges for Services			707	742	779	746	916	1,114	1,277	1,148
Operating Grants and Contributions			2,898	2,870	3,417	3,297	3,942	3,835	3,972	4,483
Capital Grants and Contributions			35	30	90	52	39	50	62	117
Total Program Revenues	<u>0</u>	<u>0</u>	<u>3,640</u>	<u>3,642</u>	<u>4,286</u>	<u>4,095</u>	<u>4,897</u>	<u>4,999</u>	<u>5,311</u>	<u>5,748</u>
Total Governmental Activities										
Net Program Expense	<u>0</u>	<u>0</u>	<u>(1,267)</u>	<u>(2,187)</u>	<u>(1,402)</u>	<u>(1,615)</u>	<u>(789)</u>	<u>(1,136)</u>	<u>(1,164)</u>	<u>(300)</u>
General Revenues:										
Appropriations			53	12	598	195	219	269	1	
Taxes			2,378	2,407	2,488	3,747	3,035	3,447	6,589	6,970
Unrestricted Investment Earnings			48	29	37	34	52	77	99	166
Settlement of Claims			23	12	17	22	48	28	21	42
Other General Revenues			2	2	23	9	17	9	4	4
Gain on Sale of Capital Assets			5	1		48	53			2
Capital Contributions					(153)					
Transfers - Internal Activities			(55)	(225)	(33)	(2)	(2)	(5)	(26)	(195)
Transfers - Other State Agencies			592	616	842	2,529	1,379	1,399	1,496	1,544
Total General Revenues, Contributions and Transfers	<u>0</u>	<u>0</u>	<u>3,046</u>	<u>2,854</u>	<u>3,819</u>	<u>6,582</u>	<u>4,801</u>	<u>5,224</u>	<u>8,184</u>	<u>8,533</u>
Changes in Net Position - Governmental Activities	\$ <u>0</u>	\$ <u>0</u>	\$ <u>1,779</u>	\$ <u>667</u>	\$ <u>2,417</u>	\$ <u>4,967</u>	\$ <u>4,012</u>	\$ <u>4,088</u>	\$ <u>7,020</u>	\$ <u>8,233</u>
BUSINESS-TYPE ACTIVITIES:										
Expenses										
Transportation	\$	\$	\$ 216	\$ 229	\$ 249	\$ 252	\$ 353	\$ 452	\$ 491	\$ 559
Total Expenses	<u>0</u>	<u>0</u>	<u>216</u>	<u>229</u>	<u>249</u>	<u>252</u>	<u>353</u>	<u>452</u>	<u>491</u>	<u>559</u>
Program Revenues:										
Charges for Services			86	119	155	194	256	359	397	455
Operating Grants and Contributions					7	2	2	14	23	77
Capital Grants and Contributions										12
Total Program Revenues	<u>0</u>	<u>0</u>	<u>86</u>	<u>119</u>	<u>162</u>	<u>196</u>	<u>258</u>	<u>373</u>	<u>420</u>	<u>544</u>
Total Business-Type Activities										
Net Program Expense	<u>0</u>	<u>0</u>	<u>(130)</u>	<u>(110)</u>	<u>(87)</u>	<u>(56)</u>	<u>(95)</u>	<u>(79)</u>	<u>(71)</u>	<u>(15)</u>
General Revenues:										
Appropriations										
Taxes										
Unrestricted Investment Earnings			6	6		5	8			
Settlement of Claims			1	1					5	
Capital Contributions						2				
Other General Revenues										
Transfers - Internal Activities			55	225	33	2	2	5	26	195
Transfers - Other State Agencies										
Total General Revenues, Contributions and Transfers	<u>0</u>	<u>0</u>	<u>62</u>	<u>232</u>	<u>33</u>	<u>9</u>	<u>10</u>	<u>5</u>	<u>31</u>	<u>195</u>
Changes in Net Position - Business-Type Activities	<u>0</u>	<u>0</u>	<u>(68)</u>	<u>122</u>	<u>(54)</u>	<u>(47)</u>	<u>(85)</u>	<u>(74)</u>	<u>(40)</u>	<u>180</u>
Changes in Net Position - Primary Government	\$ <u>0</u>	\$ <u>0</u>	\$ <u>1,711</u>	\$ <u>789</u>	\$ <u>2,363</u>	\$ <u>4,920</u>	\$ <u>3,927</u>	\$ <u>4,014</u>	\$ <u>6,980</u>	\$ <u>8,413</u>

* Governmental and business-type activities information was not available in fiscal 2010-2011 TxDOT financial statements

Source: Fiscal 2012 - 2019 TxDOT financial statements

Texas Department of Transportation
Statistical Section - Financial Trends Information
Fund Balances - Governmental Funds
Last Ten Fiscal Years
(Amounts in Millions)

	<u>2010</u>
STATE HIGHWAY FUND	
Reserved	\$ 524
Unreserved	701
Total State Highway Fund	<u>\$ 1,225</u>

TEXAS MOBILITY FUND	
Reserved	\$
Unreserved	1,359
Total Texas Mobility Fund	<u>\$ 1,359</u>

ALL OTHER GOVERNMENTAL FUNDS	
Reserved	\$ 1,086
Unreserved	26
Total All Other Governmental Funds	<u>\$ 1,112</u>

	<u>2011*</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
STATE HIGHWAY FUND									
Nonspendable	\$ 369	\$ 125	\$ 142	\$ 139	\$ 181	\$ 162	\$ 154	\$ 146	\$ 139
Restricted	841	914	533	855	2,388	2,622	2,227	3,710	5,485
Committed	178	202		1,843	1,411	1,140	927	788	720
Assigned				723	39	573	877	1,320	1,119
Unassigned	(735)	(511)	(688)						
Total State Highway Fund	<u>\$ 653</u>	<u>\$ 730</u>	<u>\$ (13)</u>	<u>\$ 3,560</u>	<u>\$ 4,019</u>	<u>\$ 4,497</u>	<u>\$ 4,185</u>	<u>\$ 5,964</u>	<u>\$ 7,463</u>

TEXAS MOBILITY FUND									
Restricted	\$ 1,280	\$ 1,109	\$ 1,197	\$ 373	\$ 1,191	\$ 1,081	\$ 910	\$ 546	\$ 219
Committed									192
Unassigned				(19)					
Total Texas Mobility Fund	<u>\$ 1,280</u>	<u>\$ 1,109</u>	<u>\$ 1,197</u>	<u>\$ 354</u>	<u>\$ 1,191</u>	<u>\$ 1,081</u>	<u>\$ 910</u>	<u>\$ 546</u>	<u>\$ 411</u>

ALL OTHER GOVERNMENTAL FUNDS									
Restricted	\$ 1,725	\$ 258	\$ 319	\$ 140	\$ 442	\$ 503	\$ 874	\$ 605	\$ 351
Committed				222	153	72	25	10	11
Assigned	2		2	2	1	6	5		
Unassigned	72	76	21	(486)	20		7	5	2
Total All Other Governmental Funds	<u>\$ 1,799</u>	<u>\$ 334</u>	<u>\$ 342</u>	<u>\$ (122)</u>	<u>\$ 616</u>	<u>\$ 581</u>	<u>\$ 911</u>	<u>\$ 620</u>	<u>\$ 364</u>

* Due to the changes in the fund structure initiated when GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions was implemented, information for fund balances is only available for the line items presented beginning in fiscal 2011.

Source: Fiscal 2010 - 2019 TxDOT financial statements

Texas Department of Transportation
Statistical Section - Financial Trends Information
Changes in Fund Balances - Governmental Funds
Last Ten Fiscal Years*
(Amounts in Millions)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
REVENUES										
Legislative Appropriations:										
Original Appropriations	\$ 46	\$ 82	\$ 116	\$ 12	\$ 610	\$ 196	\$ 219	\$ 273	\$ 1	\$ 1
Additional Appropriations	1	1	1	1	1	1	1	1	1	1
Taxes	40	2,313	2,366	2,419	2,488	2,583	3,760	3,115	5,976	6,686
Federal Revenues	2,668	3,032	2,886	2,874	3,419	3,230	3,993	3,840	3,891	4,258
Federal Pass-Through Revenues	22	8	6	1			1	1	13	4
Licenses, Fees and Permits	541	514	494	469	425	393	462	504	524	562
Interest & Investment Income	73	81	49	52	37	34	52	78	99	166
Land Income	7	7	10	16	14	16	12	13	23	30
Settlement of Claims	1		23	12	17	22	47	28	21	42
Sales of Goods and Services	204	214	190	216	226	171	135	280	441	315
Other Revenues	7	5	2	2	23	9	17	10	4	5
Total Revenues	<u>3,610</u>	<u>6,257</u>	<u>6,143</u>	<u>6,074</u>	<u>7,260</u>	<u>6,655</u>	<u>8,699</u>	<u>8,143</u>	<u>10,994</u>	<u>12,070</u>
EXPENDITURES										
Transportation	3,497	3,409	3,683	4,566	3,503	3,484	3,524	3,595	3,696	3,954
Capital Outlay	2,823	3,499	3,215	3,225	5,209	5,198	6,052	6,700	6,444	7,292
Debt Service:										
Principal on State Bonds	139	149	181	194	377	278	272			437
Principal on Pass-Through Tolls	1	34	58	105	105	112	121	314	412	158
Interest on State Bonds	409	560	528	537	590	567	613	109	111	671
Other Financing Fees	20	11	6	6	12	16	9	665	688	2
Total Expenditures	<u>6,889</u>	<u>7,662</u>	<u>7,671</u>	<u>8,633</u>	<u>9,796</u>	<u>9,655</u>	<u>10,591</u>	<u>11,394</u>	<u>11,352</u>	<u>12,514</u>
Excess (Deficiency) of Revenues										
Over (Under) Expenditures	<u>(3,279)</u>	<u>(1,405)</u>	<u>(1,528)</u>	<u>(2,559)</u>	<u>(2,536)</u>	<u>(3,000)</u>	<u>(1,892)</u>	<u>(3,251)</u>	<u>(358)</u>	<u>(444)</u>
OTHER FINANCING RESOURCES (USAS)										
Transfers In	3,646	1,648	2,024	1,865	2,315	3,746	2,006	2,250	2,509	2,750
Transfers Out	(1,208)	(1,221)	(1,487)	(1,245)	(1,476)	(1,219)	(627)	(851)	(1,035)	(1,209)
Long-Term Debt Issued**	2,731	1,000		1,104	645	2,160	615	1,475		
Insurance Recoveries	10	11								
Bond Issued for Refunding					1,787	1,711	1,165	859		
Premium/Discount on Bonds Issued					351	598	307	367		
Payment to Escrow on Refunding					(2,072)	(2,034)	(1,335)	(1,010)		
Sale of Capital Assets	8	5	13	6	18	73	68	12	9	12
Upfront Payment - Service Concession Arrangement							26			1
Appropriations Lapsed			(64)		(12)	(1)		(4)	(1)	(2)
Total Other Financing Sources (Uses)	<u>5,187</u>	<u>1,443</u>	<u>486</u>	<u>1,730</u>	<u>1,556</u>	<u>5,034</u>	<u>2,225</u>	<u>3,098</u>	<u>1,482</u>	<u>1,552</u>
Net Change in Fund Balances	1,908	38	(1,042)	(829)	(980)	2,034	333	(153)	1,124	1,108
Fund Balance, Beginning Fiscal Year	1,788	3,694	3,215	2,173	1,526	3,792	5,826	6,159	6,006	7,130
Restatements	-	-	-	182	3,246	-	-	-	-	-
Fund Balance, Ending Fiscal Year	<u>\$ 3,696</u>	<u>\$ 3,732</u>	<u>\$ 2,173</u>	<u>\$ 1,526</u>	<u>\$ 3,792</u>	<u>\$ 5,826</u>	<u>\$ 6,159</u>	<u>\$ 6,006</u>	<u>\$ 7,130</u>	<u>\$ 8,238</u>
Debt Service as a Percentage of Noncapital Expenditures	10.1%	14.3%	13.2%	11.9%	15.2%	15.2%	16.2%	9.0%	10.7%	15.9%

* This table comprises the following funds: general, special revenue, debt service, and capital projects.

** In fiscal 2010-2015, Long-Term Debt Issued was reported under Bond & Note Proceeds line.

Source: Fiscal 2010 - 2019 TxDOT financial statements

Texas Department of Transportation
Statistical Section - Revenue Capacity Information
Revenue Collections - Taxes - State and TxDOT
Last Ten Fiscal Years
(Amounts in Millions, Except Gallons)

Fiscal Year	Motor Fuels Tax*			Crude Oil Production Tax**			Natural Gas Production Tax **			Sales & Use Tax***		Total
	Gallons Sold	State Receipts	TxDOT Receipts	Gallons Produced	State Receipts	TxDOT Receipts	Gallons Produced	State Receipts	TxDOT Receipts	State Receipts	TxDOT Receipts	TxDOT Receipts
2010	15,352	\$ 3,042	\$ 2,227	1,544	\$ 3,887	\$	7,357	\$ 726	\$	\$ 19,630	\$ 40	\$ 2,267
2011	15,678	3,104	2,275	1,272	3,392		7,601	1,110		21,479	41	2,316
2012	15,985	3,169	2,311	1,048	2,107		7,738	1,535		24,191	42	2,353
2013	16,517	3,222	2,366	1,036	1,704		7,790	1,495		25,944	43	2,409
2014	17,020	3,316	2,422	1,080	2,877		7,715	1,900		27,386	43	2,465
2015	17,666	3,446	2,522	893	3,872	1,253	7,938	1,280	487	28,911	45	4,307
2016	18,047	3,514	2,581	703	2,990	879	7,593	579	255	28,246	45	3,760
2017	18,353	3,584	2,630	532	2,102	440	7,227	983		28,900	45	3,115
2018	18,895	3,675	2,694	400	1,472	591	7,993	1,431	144	31,937	982	4,410
2019	19,221	3,743	2,735	350	1,008	1,072	9,306	1,686	312	34,024	4,104	8,223

* Motor Fuels include the following:

Gasoline

Diesel Fuel

Liquefied Gas (repealed in 84th Legislative Session 2015)

Liquefied and Compressed Natural Gas (previously included in RO-3009)

** Under Proposition 1 (Prop 1), voters approved a portion of oil and gas production taxes to State Highway Fund (SHF) in fiscal 2014. The SHF started receiving Prop 1 funds in fiscal 2015.

For natural gas production tax fiscal 2017 didn't reach constitutional required level of \$599.78 million in the preceeding year.

*** On Nov.2, 2015 Texas voters approved Proposition 7 ballot measure that dedicates a portion of the revenue from the state sales and use tax and motor vehicle sales and rental tax to the state highway fund. TxDOT started receiving Prop 7 funds in fiscal 2018.

Source: State of Texas Comptroller of Public Accounts

Texas Department of Transportation
Statistical Section - Revenue Capacity Information
Tax Rates
Last Ten Fiscal Years

Fiscal Year	Motor Fuel Tax Rate*	Motor Fuel Tax Rate**	Crude Oil Production Tax Rate	Natural Gas Production Tax Rate	Sales and Use Tax Rate
2010	0.20%	0.15%	4.54%	7.50%	6.25%
2011	0.20%	0.15%	4.51%	7.50%	6.25%
2012	0.20%	0.15%	4.49%	7.50%	6.25%
2013	0.20%	0.15%	4.41%	7.50%	6.25%
2014	0.20%	0.15%	4.45%	7.50%	6.25%
2015	0.20%	0.15%	4.42%	7.50%	6.25%
2016	0.20%	0.15%	4.37%	7.50%	6.25%
2017	0.20%	0.15%	4.29%	7.50%	6.25%
2018	0.20%	0.15%	4.16%	7.50%	6.25%
2019	0.20%	0.15%	4.07%	7.50%	6.25%

* Tax rate for Gasoline and Diesel Fuel

** Tax rate for Liquified Gas and Liquified and Compressed Natural Gas

Source: State of Texas Comptroller of Public Accounts

Texas Department of Transportation
Statistical Section - Revenue Capacity Information
Federal Revenue and Percentage
Last Ten Fical Years

(Amounts in Millions)

Fiscal Year	Federal Revenue	Increase /Decrease	Percentage Change
2010*	\$ 2,668	\$ (113)	(4.1) %
2011	3,032	364	13.6 %
2012	2,887	(145)	(4.8) %
2013	2,874	(13)	(0.5) %
2014	3,419	545	19.0 %
2015	3,230	(189)	(5.5) %
2016	3,994	764	23.7 %
2017	3,840	(154)	(3.9) %
2018	3,891	51	1.3 %
2019	4,258	367	9.4 %

* The fiscal 2009 federal revenue of \$2,781 million was used to calculate the percenatge change.

Source: Fiscal 2010 - 2019 TxDOT financial statements

Texas Department of Transportation
Statistical Section - Revenue Capacity Information
Traffic and Toll Revenue - Toll Roads
Last Ten Fiscal Years

Fiscal Year	Annual Vehicle Transactions	Annual Toll Revenue, Net	Increase/Decrease	Toll Revenue Percentage Change	Toll Rate per Transaction
2010*	81,393,148	\$ 69,350,840	\$ 2,988,530	4.5%	\$ 0.85
2011	86,293,347	72,417,754	3,066,913	4.4%	0.84
2012	93,883,708	79,940,960	7,523,206	10.4%	0.85
2013	102,506,784	103,988,447	24,047,487	30.1%	1.01
2014	118,545,176	134,662,667	30,674,220	29.5%	1.14
2015	146,208,519	173,332,922	38,670,255	28.7%	1.19
2016	210,526,490	239,209,148	65,876,226	38.0%	1.14
2017	284,881,295	318,197,882	78,988,734	33.0%	1.12
2018	323,480,170	360,308,873	42,110,991	13.2%	1.11
2019	345,998,872	396,608,648	36,299,775	10.1%	1.15

* Fiscal 2009 had revenue only for CTTS in the amount of \$66,362,310, which is used to calculate the percentage change in fiscal 2010.

Note: The above numbers are for Central Texas Turnpike System and Grand Parkway Transportation Corporation.

Source: TxDOT's Toll Operations Division

Texas Department of Transportation
Statistical Section - Debt Capacity Information
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

(Amounts in Millions Except Percentage Data and Per Capita)

Fiscal Year	Government Activities			Business-Type Activities		Total Primary Government	Personal Income	Percentage of Personal Income	Population	Per Capita*
	General Obligation Bonds	Revenue Bonds	Notes and Loans	Revenue Bonds	Notes and Loans					
2010	\$ 6,246	\$ 4,291	\$ 247	\$ 1,538	\$ 1,007	\$ 13,329	\$ 966,900	1.4%	25,293	\$ 527
2011	7,193	4,175	1,061	1,578	1,033	15,040	1,058,034	1.4%	25,701	585
2012	7,113	4,055	1,128	1,617	1,058	14,971	1,133,801	1.3%	26,126	573
2013	8,121	3,928	1,186	4,545	1,083	18,863	1,160,362	1.6%	26,543	711
2014	7,868	4,538	1,210	3,875	1,877	19,368	1,250,850	1.5%	27,019	717
2015	10,188	4,396	1,183	5,133	758	21,658	1,282,380	1.7%	27,508	787
2016	10,795	4,223	1,094	5,166	746	22,024	1,287,687	1.7%	27,952	788
2017	11,247	4,733	1,308	5,089	863	23,240	1,340,568	1.7%	28,357	820
2018	10,971	4,470	1,256	6,107	1,552	24,356	1,409,544	1.7%	28,775	846
2019	10,683	4,202	1,119	6,387	1,575	23,966	1,456,900	1.6%	29,041	825

* 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.

Source: Fiscal 2010 - 2019 TxDOT financial statements

Texas Department of Transportation
Statistical Section - Debt Capacity Information
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years*

(Amounts in Millions Except Percentage Data and General Bonded Debt Per Capita)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Bonded Debt (General Obligation Bonds Only)	\$ 6,246	\$ 7,193	\$ 7,113	\$ 8,121	\$ 7,868	\$ 10,188	\$ 10,795	\$ 11,247	\$ 10,971	\$ 10,683
Percentage Bonded Debt Change From Prior Year	(0.7) %	15.2 %	(1.1) %	14.2 %	(3.1) %	29.5 %	6.0 %	4.2 %	(2.5) %	(2.6) %
Tax Collections**	\$ 35,868	\$ 39,632	\$ 44,171	\$ 47,857	\$ 51,413	\$ 51,096	\$ 47,971	\$ 50,194	\$ 55,963	\$ 59,785
Percentage Bonded Debt to Tax Collections	17.4%	18.1%	16.1%	17.0%	15.3%	19.9%	22.5%	22.4%	19.6%	17.9%
Resident Population	25.3	25.7	26.1	26.5	27.0	27.5	28.0	28.4	28.8	29.0
General Bonded Debt Per Capita	\$ 246.88	\$ 279.88	\$ 272.53	\$ 306.45	\$ 291.41	\$ 370.47	\$ 385.54	\$ 396.02	\$ 380.94	\$ 367.88

* 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.

** Fiscal 2019 Tax Collections is an estimate.

Source: Bonded debt and tax collection amounts are from the fiscal 2010 - 2019 TxDOT financial statements. Resident population figures are from the U.S. Department of Commerce, Bureau of Census and Bureau of Economic Analysis.

Texas Department of Transportation
Statistical Section - Debt Capacity Information
Pledged Revenue Bond Coverage
Last Ten Fiscal Years*
(Amounts in Millions Except Ratio Data)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
GOVERNMENTAL ACTIVITIES										
State Highway Fund Revenue Bonds										
Pledged Revenue Amount*	N/A	\$ 6,021	\$ 6,552	\$ 6,762	\$ 7,441	\$ 7,427	\$ 8,267	\$ 8,450	\$ 8,407	\$ 8,973
Operating Expenditures	\$ 5,102	5,730	6,308	6,584	7,242	7,791	8,553	9,563	9,334	10,587
Net Available Revenue*	N/A	\$ 291	\$ 244	\$ 178	\$ 199	\$ (364)	\$ (286)	\$ (1,113)	\$ (927)	\$ (1,614)
Debt Service -										
Principal	\$ 104	\$ 109	\$ 115	\$ 120	\$ 126	\$ 132	\$ 139	\$ 145	\$ 216	\$ 226
Interest	118	179	200	195	189	198	176	195	206	186
Total Debt Service	\$ 222	\$ 288	\$ 315	\$ 315	\$ 315	\$ 331	\$ 315	\$ 340	\$ 422	\$ 412
Coverage Ratio*	N/A	1.0	0.8	0.6	0.6	(1.1)	(0.9)	(3.3)	(2.2)	(3.9)
BUSINESS-TYPE ACTIVITIES										
Central Texas Turnpike System										
Pledged Revenue Amount**	N/A	N/A	\$ 93	\$ 125	\$ 150	\$ 169	\$ 179	\$ 208	\$ 224	\$ 266
Operating Expenditures	\$ 68	\$ 69	73	67	107	110	101	106	111	110
Net Available Revenue**	N/A	N/A	\$ 20	\$ 58	\$ 43	\$ 59	\$ 78	\$ 102	\$ 113	\$ 156
Debt Service -										
Principal	\$	\$	\$ 5	\$ 8	\$ 10	\$ 8	\$ 2	\$ 8	\$ 14	\$ 20
Interest	63	75	71	72	66	92	107	107	107	107
Total Debt Service	\$ 63	\$ 75	\$ 76	\$ 80	\$ 76	\$ 100	\$ 109	\$ 115	\$ 121	\$ 127
Coverage Ratio**	N/A	N/A	0.3	0.7	0.6	0.6	0.7	0.9	0.9	1.2
Grand Parkway Transportation Corporation										
Pledged Revenue Amount***	N/A	N/A	N/A	N/A	N/A	N/A	\$ 86	\$ 162	\$ 186	\$ 229
Operating Expenditures***	N/A	N/A	N/A	N/A	N/A	N/A	77	94	101	108
Net Available Revenue***	N/A	N/A	N/A	N/A	N/A	N/A	\$ 9	\$ 68	\$ 85	\$ 121
Debt Service -										
Principal***	N/A	N/A	N/A	N/A	N/A	N/A	\$	\$	\$	\$
Interest***	N/A	N/A	N/A	N/A	N/A	N/A	111	105	90	152
Total Debt Service***	N/A	N/A	N/A	N/A	N/A	N/A	\$ 111	\$ 105	\$ 90	\$ 152
Coverage Ratio***	N/A	N/A	N/A	N/A	N/A	N/A	0.1	0.6	0.9	0.8

* State Highway Fund pledged revenue is not published in fiscal 2010.

** Central Texas Turnpike System pledged revenue is not published in fiscal 2010 and 2011.

*** Grand Parkway Transportation Corporation published its first annual financial report in fiscal 2016.

Source: Fiscal 2010 - 2019 TxDOT financial statements

Texas Department of Transportation
Statistical Section - Demographic and Economic Information
Texas and U.S. Population, Total Personal Income and Per Capital Income
Last Ten Calendar Years*

Year	Population (Thousands)				Total Personal Income (Million)				Per Capita Income			
	Texas	Percent Changes	U.S.	Percent Changes	Texas	Percent Changes	U.S.	Percent Changes	Texas	Percent Changes	U.S.	Percent Changes
2010	25,191	1.8%	309,467	0.6%	\$ 945,659	2.2%	\$ 12,382,450	2.7%	\$ 37,540	0.3%	\$ 40,012	2.1%
2011	25,598	1.6%	311,760	0.7%	1,037,628	9.7%	13,157,358	6.3%	40,536	8.0%	42,203	5.5%
2012	26,032	1.7%	313,979	0.7%	1,111,334	7.1%	13,781,869	4.7%	42,691	5.3%	43,894	4.0%
2013	26,445	1.6%	316,147	0.7%	1,156,440	4.1%	14,190,212	3.0%	43,730	2.4%	44,885	2.3%
2014	26,918	1.8%	318,425	0.7%	1,227,543	6.1%	14,751,549	4.0%	45,603	4.3%	46,327	3.2%
2015	27,419	1.9%	320,741	0.7%	1,280,346	4.3%	15,577,862	5.6%	46,696	2.4%	48,568	4.8%
2016	27,877	1.7%	323,041	0.7%	1,282,518	0.2%	16,004,634	2.7%	46,006	(1.5)%	49,544	2.0%
2017	28,274	1.4%	325,158	0.7%	1,325,779	3.4%	16,656,656	4.1%	46,890	1.9%	51,226	3.4%
2018	28,655	1.3%	327,184	0.6%	1,391,754	5.0%	17,606,245	5.7%	48,569	3.6%	53,811	5.0%
2019**	29,041	1.3%	329,463	0.7%	1,456,900	4.7%	18,452,584	4.8%	50,167	3.3%	56,008	4.1%

*Prior years numbers are subject to revisions.

** Numbers for 2019 include some estimates for the latter part of the year.

Source: U.S. Bureau of Economic Analysis, US Bureau of the Census and Texas Comptroller of Public Accounts

Texas Department of Transportation
Statistical Section - Demographic and Economic Information
Texas and U.S. Employment and Unemployment Rates
Last Ten Calendar Years*

(Amounts in Thousands Except Unemployment Percentage Rate)

Year	Nonfarm Employment (Thousands)				Unemployment Percentage Rate	
	Texas	Percent Changes	U.S.	Percent Changes	Texas	U.S.
2010	10,375	(0.6)%	130,161	(0.9)%	8.2%	9.7%
2011	10,605	2.2%	131,442	1.0%	7.9%	9.2%
2012	10,915	2.9%	133,638	1.7%	7.0%	8.3%
2013	11,241	3.0%	135,779	1.6%	6.4%	7.6%
2014	11,593	3.1%	138,225	1.8%	5.4%	6.5%
2015	11,865	2.3%	141,142	2.1%	4.5%	5.5%
2016	12,014	1.3%	143,752	1.8%	4.6%	4.9%
2017	12,228	1.8%	146,070	1.6%	4.5%	4.5%
2018	12,504	2.3%	148,401	1.6%	3.9%	4.0%
2019**	12,776	2.2%	150,868	1.7%	3.6%	3.7%

*Prior years are subject to revisions.

**Numbers for 2019 include some estimates for the latter part of the year.

Source: Texas Workforce Commission, Texas Comptroller of Public Accounts and U.S. Bureau of Labor Statistics.

Texas Department of Transportation
Statistical Section - Demographic and Economic Information
Texas Nonfarm Employment Detail: Number of Jobs
Last Ten Calendar Years
(Amounts in Thousands)

Employment by Industry	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019**
GOODS-PRODUCING										
Natural Resources and Mining	206.4	237.4	270.8	289.0	311.2	272.5	213.3	222.0	246.2	259.5
Construction	564.4	564.0	584.6	613.5	651.9	683.9	700.4	712.2	738.5	770.4
Manufacturing										
Durables	524.0	550.1	576.8	582.0	590.2	578.4	541.8	542.0	564.3	584.5
Nondurables	293.2	291.6	293.5	293.9	297.5	301.0	305.4	310.9	316.6	319.2
Total, Good-Producing	<u>1,588.1</u>	<u>1,643.1</u>	<u>1,725.6</u>	<u>1,778.4</u>	<u>1,850.8</u>	<u>1,835.7</u>	<u>1,761.0</u>	<u>1,787.1</u>	<u>1,865.7</u>	<u>1,933.5</u>
SERVICE-PROVIDING										
Trade, Transportation, and Utilities										
Wholesale Trade	482.0	500.8	524.6	541.9	561.1	573.0	569.1	577.1	596.3	620.0
Retail Trade	1,136.0	1,159.5	1,185.9	1,221.2	1,257.9	1,298.7	1,324.5	1,328.2	1,330.4	1,326.0
Transportation and Warehousing	370.9	385.3	402.1	415.3	433.8	457.9	471.3	490.4	507.8	519.0
Utilities	48.2	48.5	48.4	48.8	49.0	49.5	49.9	50.7	51.9	52.3
Information	195.2	195.2	196.8	200.5	201.6	200.4	202.3	203.1	204.0	201.6
Financial Activities										
Finance and Insurance	454.5	466.8	481.9	496.2	503.9	517.8	531.6	547.0	555.2	572.4
Real Estate and Rental and Leasing	170.9	174.2	179.9	187.9	196.6	201.1	204.7	214.1	221.7	225.2
Professional and Business Services										
Professional, Scientific and Technical	571.1	592.6	626.5	651.6	684.7	716.1	732.8	749.5	782.1	822.4
Management, Administrative and Support	715.5	760.0	796.8	831.4	871.0	891.7	907.2	928.5	951.6	961.8
Educational and Health Services										
Educational Services, Private	155.8	161.4	166.6	173.9	180.4	188.4	195.2	201.9	208.5	214.7
Health Care and Social Assistance	1,225.2	1,252.5	1,280.4	1,312.2	1,341.2	1,388.6	1,430.2	1,464.5	1,488.4	1,523.0
Leisure and Hospitality	1,008.0	1,041.7	1,086.5	1,139.6	1,188.0	1,242.0	1,290.0	1,319.5	1,354.8	1,393.3
Other Services	363.3	370.4	385.7	400.1	413.0	419.8	423.5	426.8	433.3	446.3
Government										
Federal Civilian	209.6	201.4	199.2	197.1	193.3	194.3	197.7	199.9	201.4	203.7
State and Local	1,681.2	1,652.2	1,627.7	1,644.8	1,666.6	1,689.9	1,722.8	1,739.7	1,750.9	1,760.7
Total, Service-Providing	<u>8,787.2</u>	<u>8,962.2</u>	<u>9,189.0</u>	<u>9,462.5</u>	<u>9,741.8</u>	<u>10,029.1</u>	<u>10,252.6</u>	<u>10,440.8</u>	<u>10,638.4</u>	<u>10,842.3</u>
Total Nonfarm Employment	<u>10,375.3</u>	<u>10,605.3</u>	<u>10,914.6</u>	<u>11,240.9</u>	<u>11,592.6</u>	<u>11,864.8</u>	<u>12,013.6</u>	<u>12,227.9</u>	<u>12,504.1</u>	<u>12,775.8</u>

*Data in the table are annual averages. Prior years are subject to annual benchmark revisions.

**Numbers for 2019 include some estimates for the latter part of the year.

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, Labor Market Information (LMI) and Texas Comptroller of Public Accounts

Texas Department of Transportation
Statistical Section - Operating Information
Full-Time Equivalent Employees (FTE)
Last Ten Fiscal Years

	2010	2011	2012	2013	2014
FTE Cap*	<u>14,710</u>	<u>14,088</u>	<u>12,203</u>	<u>12,203</u>	<u>12,087</u>
FTE	12,222	11,819	11,558	11,614	11,647
Contractor	<u>38</u>	<u>143</u>	<u>205</u>	<u>108</u>	<u>68</u>
Total Usage	<u>12,260</u>	<u>11,962</u>	<u>11,763</u>	<u>11,722</u>	<u>11,715</u>
Over/Under	<u>(2,450)</u>	<u>(2,126)</u>	<u>(440)</u>	<u>(481)</u>	<u>(372)</u>
	2015	2016	2017	2018	2019
FTE Cap	<u>12,087</u>	<u>11,900</u>	<u>11,900</u>	<u>12,214</u>	<u>12,214</u>
FTE	11,574	11,795	11,369	11,597	11,886
Contractor	<u>72</u>	<u>77</u>	<u>36</u>	<u>20</u>	<u>19</u>
Total Usage	<u>11,646</u>	<u>11,872</u>	<u>11,405</u>	<u>11,617</u>	<u>11,905</u>
Over/Under	<u>(441)</u>	<u>(28)</u>	<u>(495)</u>	<u>(597)</u>	<u>(309)</u>

* Incorporates Article IX, §18.92, of this Act, due to the enactment of SB 1420, 82nd Legislature, Regular Session, relating to the transfer of powers, duties, functions, programs, and activities of the Department of Transportation relating to oversize and overweight vehicles of the Department of Motor Vehicles, resulting in the transfer of \$7,010,653 in fiscal 2012 and \$7,010,653 in fiscal 2013 in State Highway Funds and 116.0 FTEs in each fiscal year of the 2012-2013 biennium to the Department of Motor Vehicles from the Department of Transportation. Pursuant to SB 1420 and Article IX, §18.92, the functions of and appropriations to the Department of Transportation relating to oversize and overweight vehicles will be transferred to the Department of Motor Vehicles on or later than Jan. 1, 2012.

Notes:

1. Full-Time Equivalents (FTE) Cap was obtained from the General Appropriations Act (GAA) for each biennium.
2. Usage was determined based on Texas State Auditor's Office (SAO) reports.
3. Summer Hire FTEs are not included in usage totals.
4. Over/Under is the difference between total usage and FTE Cap.

Texas Department of Transportation
Statistical Section - Operating Information
Capital Assets Indicators
Schedule of Assessed Conditions
Last Ten Fiscal Years

	Assessed Conditions in Percentages				
	2010	2011	2012	2013	2014
Interstate Condition	83.6 %	83.0 %	82.0 %	80.3 %	77.8 %
Non-Interstate Condition	77.9 %	78.5 %	77.7 %	77.4 %	76.0 %
Central Texas Turnpike System	87.9 %	89.9 %	86.3 %	85.1 %	83.4 %
Grand Parkway Transportation Corporation	N/A	N/A	N/A	N/A	N/A
	2015	2016	2017	2018	2019
Interstate Condition	76.6 %	78.6 %	80.8 %	80.3 %	80.9 %
Non-Interstate Condition	75.3 %	77.5 %	77.8 %	77.8 %	79.6 %
Central Texas Turnpike System	79.0 %	76.9 %	81.9 %	79.7 %	84.9 %
Grand Parkway Transportation Corporation	N/A	N/A	N/A	N/A	N/A

Note: Texas Maintenance Assessment Program (TxMAP) doesn't assess GPTC separately. The information is for inspected on-system roadways.

Source: Assessed conditions provided by TxDOT's Maintenance Division

Texas Department of Transportation
Statistical Section - Operating Information
Capital Assets Indicators
Schedule of State-Owned Centerline Miles
Last Ten Calendar Years

	2010	2011	2012	2013	2014
Interstate highways	3,233	3,231	3,237	3,272	3,415
U.S.highways	12,110	12,105	12,100	12,062	11,900
State highways	16,293	16,336	16,364	16,411	16,396
Farm or Ranch to Market roads	40,966	40,939	40,935	40,933	40,931
Frontage roads	6,962	7,041	7,258	7,245	7,336
Park roads	339	340	339	345	345
Total Miles	<u>79,903</u>	<u>79,992</u>	<u>80,233</u>	<u>80,268</u>	<u>80,323</u>
	2015	2016	2017	2018	2019
Interstate highways	3,417	3,417	3,436	3,459	3,459
U.S.highways	11,905	11,905	11,887	11,851	11,852
State highways	16,390	16,390	16,426	16,390	16,380
Farm or Ranch to Market roads	40,910	40,910	40,910	40,849	40,846
Frontage roads	7,453	7,453	7,476	7,546	7,570
Park roads	348	348	348	349	349
Total Miles	<u>80,423</u>	<u>80,423</u>	<u>80,483</u>	<u>80,444</u>	<u>80,456</u>

Notes:

1. The information are for roadways under TxDOT's jurisdiction.
2. Total public roadway mileage was held constant from calendar year 2014 to 2015 due to the transition to a new roadway inventory database system (GRID). This transition continued in calendar year 2016, when mileage updates were limited to select on-system routes.
3. In calendar year 2017, the transition from the legacy system to GRID was completed. Mileage and traffic data were reported for the first time using GRID, and the routine work of roadway edits and additions was resumed.

Source: Centerline miles provided by TxDOT's Transportation Planning and Program Division

Texas Department of Transportation
Statistical Section - Operating Information
Capital Assets Indicators
Schedule of Rated Lane Miles Conditions
Last Ten Fiscal Years

	2010	2011	2012	2013	2014
Total Lane Miles	195,287	196,322	196,821	197,202	197,142
Rated Lane Miles	190,396	190,759	190,918	190,695	190,798
Good or Better Lane Miles	165,585	165,319	165,090	168,441	166,351
% Good or Better Lane Miles	87.0 %	86.7 %	86.5 %	88.3 %	87.2 %
% Change from Prior Year	2.9 %	(0.2) %	(0.1) %	2.0 %	(1.2) %
	2015	2016	2017	2018	2019
Total Lane Miles	197,757	197,549	197,295	197,438	197,558
Rated Lane Miles	191,049	192,990	196,438	196,120	195,287
Good or Better Lane Miles	166,055	168,521	169,522	172,442	171,804
% Good or Better Lane Miles	86.9 %	87.3 %	86.3 %	87.9 %	88.0 %
% Change from Prior Year	(0.2) %	1.5 %	0.6 %	1.7 %	(0.4) %

Note: Statewide Lane Mileage Conditions

Source: TxDOT's Transportation Planning and Program Division

Section Four

Other Information

Schedule 1A - Schedule of Expenditures of Federal Awards (Unaudited)

Schedule 1B - Schedule of State Grant Pass-Throughs from/to State Agencies (Unaudited)

Schedule 2 - Bond Schedules

Schedule 2A - Miscellaneous Bond Information

Schedule 2B - Changes in Bonded Indebtedness

Schedule 2C - Debt Service Requirements

Schedule 2D - Analysis of Funds Available for Debt Service

Schedule 2E - Defeased Outstanding Bonds

Schedule 3 - Matrix of Expenditures Reported by Function - Governmental Funds (Unaudited)

* All schedules are presented unrounded (in dollars and cents).

TEXAS DEPARTMENT OF TRANSPORTATION
SCHEDULE 1A-SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended August 31, 2019

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through From			Direct Program Amount
		Agency Number	State Entities	Other Entities	
		\$		\$	\$
<u><i>Federal Aviation Administration (FAA):</i></u>					
Direct Program:					
Airport Improvement Program	20.106				52,446,653.16
Pass-Through Funds to Other Entities:					
Airport Improvement Program	20.106				150,000.00
Total FAA:			0.00	0.00	52,596,653.16
<u><i>Federal Highway Administration (FHWA):</i></u>					
Direct Program:					
Highway Research and Development Program	20.200				319,793.55
Total FHWA:			0.00	0.00	319,793.55
<u><i>Federal Railroad Administration (FRA):</i></u>					
Direct Program:					
Capital Assistance to States - Intercity Passenger Rail Service	20.317				5,558.86
Total FRA:			0.00	0.00	5,558.86
<u><i>Federal Transit Administration (FTA):</i></u>					
Direct Program:					
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505				302,782.41
Formula Grants for Rural Areas and Tribal Transit Program	20.509				1,159,488.89
Rail Fixed Guideway Public Transportation System State Safety Oversight Formula Grant Program	20.528				702,269.07
Pass-Through Funds to Other Entities:					
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505				1,249,121.87
Formula Grants for Rural Areas and Tribal Transit Program	20.509				45,932,148.53
Total FTA:			0.00	0.00	49,345,810.77
<u><i>National Highway Traffic Safety Admin. (NHTSA):</i></u>					
Direct Program:					
NHTSA Discretionary Safety Grants	20.614				269,554.53
Total NHTSA:			0.00	0.00	269,554.53
<u><i>Office of the Secretary (OST) Administration Secretariat:</i></u>					
Direct Program:					
National Infrastructure Investments	20.933				(1.82)
Pass-Through Funds to Other Entities:					
National Infrastructure Investments	20.933				6,190,197.57
Total OST:			0.00	0.00	6,190,195.75
<u><i>General Services Administration (GSA):</i></u>					
Pass-Through Funds:					
Donation of Federal Surplus Personal Property-NonMonetary Pass-Through from Texas Facilities Commission	39.003	303	244,261.71		
Total GSA:			244,261.71	0.00	0.00
<u><i>Department of Homeland Security (DHS):</i></u>					
Pass-Through Funds:					
Disaster Grants - Public Assistance Pass-Through from Texas Department of Public Safety	97.036	405	3,519,860.46		
Total DHS:			3,519,860.46	0.00	0.00

Through From and Direct Program	Agency Number	Pass-Through To State Entities	Other Entities	Expenditures	Through To and Expenditures Amount
\$	\$	\$	\$	\$	\$
52,446,653.16				52,446,653.16	52,446,653.16
150,000.00			150,000.00		150,000.00
52,596,653.16		0.00	150,000.00	52,446,653.16	52,596,653.16
319,793.55				319,793.55	319,793.55
319,793.55		0.00	0.00	319,793.55	319,793.55
5,558.86				5,558.86	5,558.86
5,558.86		0.00	0.00	5,558.86	5,558.86
302,782.41				302,782.41	302,782.41
1,159,488.89				1,159,488.89	1,159,488.89
702,269.07				702,269.07	702,269.07
1,249,121.87			1,249,121.87		1,249,121.87
45,932,148.53			45,932,148.53		45,932,148.53
49,345,810.77		0.00	47,181,270.40	2,164,540.37	49,345,810.77
269,554.53				269,554.53	269,554.53
269,554.53		0.00	0.00	269,554.53	269,554.53
(1.82)				(1.82)	(1.82)
6,190,197.57			6,190,197.57		6,190,197.57
6,190,195.75		0.00	6,190,197.57	(1.82)	6,190,195.75
244,261.71				244,261.71	244,261.71
244,261.71		0.00	0.00	244,261.71	244,261.71
3,519,860.46				3,519,860.46	3,519,860.46
3,519,860.46		0.00	0.00	3,519,860.46	3,519,860.46

TEXAS DEPARTMENT OF TRANSPORTATION
SCHEDULE 1A-SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
Year Ended August 31, 2019

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through From			Direct Program Amount
		Agency Number	State Entities	Other Entities	
		\$		\$	\$
<i>Other Clusters</i>					
<i>Federal Transit Cluster:</i>					
<u><i>Federal Transit Administration (FTA):</i></u>					
Direct Program:					
Bus and Bus Facilities Formula Program	20.526				0.58
Pass-Through Funds to Other Entities:					
Bus and Bus Facilities Formula Program	20.526				4,469,267.83
Total FTA:			0.00	0.00	4,469,268.41
<i>Transit Services Programs Cluster:</i>					
<u><i>Federal Transit Administration (FTA):</i></u>					
Direct Program:					
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513				818,133.98
Job Access - Reverse Commute Program	20.516				(46,721.92)
New Freedom Program	20.521				(1.63)
Pass-Through to Other Entities:					
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513				6,791,862.56
Total FTA:			0.00	0.00	7,563,272.99
<i>Highway Planning and Construction Cluster:</i>					
<u><i>Federal Highway Administration (FHWA):</i></u>					
Direct Program:					
Highway Planning and Construction	20.205				3,834,312,160.31
Pass-Through Funds:					
Highway Planning and Construction					
Texas Southern University	20.205				247,722.81
University of Texas at El Paso	20.205				731,166.80
University of Texas at San Antonio	20.205				238,747.88
Pass-Through to Other Entities	20.205				206,142,211.22
Total FHWA:			0.00	0.00	4,041,672,009.02

Through From and Direct Program	Agency Number	Pass-Through To State Entities	Other Entities	Expenditures	Through To and Expenditures Amount
\$		\$	\$	\$	\$
0.58				0.58	0.58
4,469,267.83			4,469,267.83		4,469,267.83
4,469,268.41		0.00	4,469,267.83	0.58	4,469,268.41
818,133.98				818,133.98	818,133.98
(46,721.92)				(46,721.92)	(46,721.92)
(1.63)				(1.63)	(1.63)
6,791,862.56			6,791,862.56		6,791,862.56
7,563,272.99		0.00	6,791,862.56	771,410.43	7,563,272.99
3,834,312,160.31				3,834,312,160.31	3,834,312,160.31
247,722.81	717	247,722.81			247,722.81
731,166.80	724	731,166.80			731,166.80
238,747.88	743	238,747.88			238,747.88
206,142,211.22			206,142,211.22		206,142,211.22
4,041,672,009.02		1,217,637.49	206,142,211.22	3,834,312,160.31	4,041,672,009.02

TEXAS DEPARTMENT OF TRANSPORTATION
SCHEDULE 1A-SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Concluded)
Year Ended August 31, 2019

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through From			Direct Program Amount
		Agency Number	State Entities	Other Entities	
		\$		\$	\$
<i>Highway Safety Cluster:</i>					
<i>National Highway Traffic Safety Admin. (NHTSA):</i>					
Direct Program:					
State and Community Highway Safety	20.600				(321,272.18)
National Priority Safety Programs	20.616				9,768,049.82
Pass-Through Funds:					
State and Community Highway Safety					
Texas Department of Public Safety	20.600				562,007.08
Texas Alcoholic Beverage Commission	20.600				541,911.97
Texas Department of State Health Services	20.600				350,121.43
Texas A&M AgriLife Extension Service	20.600				1,354,000.25
University of Texas at Arlington	20.600				426,332.03
Texas A&M Engineering Extension Service	20.600				312,604.75
Texas A&M Transportation Institute	20.600				2,958,657.89
Texas Tech University	20.600				143,737.86
Texas State University	20.600				158,134.04
National Priority Safety Programs					
Texas Department of Public Safety	20.616				1,016,889.23
Texas Department of State Health Services	20.616				888,560.61
Texas A&M Transportation Institute	20.616				1,335,488.03
Sam Houston State University	20.616				919,220.35
Pass-Through to Other Entities					
State and Community Highway Safety	20.600				14,162,829.49
National Priority Safety Programs	20.616				7,295,648.33
Total NHTSA:		0.00	0.00	0.00	41,872,920.98
Total Other Clusters		0.00	0.00	0.00	4,095,577,471.40
TOTAL FEDERAL ASSISTANCE		\$ 3,764,122.17	\$ 0.00	\$ 0.00	\$ 4,204,305,038.02

Total Pass-Through From and Direct Program	Agency Number	Pass-Through To		Expenditures	Total Pass-Through To and Expenditures Amount
		State Entities	Other Entities		
\$	\$	\$	\$	\$	\$
(321,272.18)				(321,272.18)	(321,272.18)
9,768,049.82				9,768,049.82	9,768,049.82
562,007.08	405	562,007.08			562,007.08
541,911.97	458	541,911.97			541,911.97
350,121.43	537	350,121.43			350,121.43
1,354,000.25	555	1,354,000.25			1,354,000.25
426,332.03	714	426,332.03			426,332.03
312,604.75	716	312,604.75			312,604.75
2,958,657.89	727	2,958,657.89			2,958,657.89
143,737.86	733	143,737.86			143,737.86
158,134.04	754	158,134.04			158,134.04
1,016,889.23	405	1,016,889.23			1,016,889.23
888,560.61	537	888,560.61			888,560.61
1,335,488.03	727	1,335,488.03			1,335,488.03
919,220.35	753	919,220.35			919,220.35
14,162,829.49			14,162,829.49		14,162,829.49
7,295,648.33			7,295,648.33		7,295,648.33
41,872,920.98		10,967,665.52	21,458,477.82	9,446,777.64	41,872,920.98
4,095,577,471.40		12,185,303.01	238,861,819.43	3,844,530,348.96	4,095,577,471.40
\$ 4,208,069,160.19	\$	\$ 12,185,303.01	\$ 292,383,287.40	\$ 3,903,500,569.78	\$ 4,208,069,160.19

TEXAS DEPARTMENT OF TRANSPORTATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended August 31, 2019

Note 1 - Nonmonetary Assistance

The "Donation of Federal Surplus Personal Property" is presented at 22.47% of the federal acquisition cost of \$1,087,057.00. The surplus property is passed through from the Texas Facilities Commission. The federal grantor agency is the General Services Administration (GSA) and the federal CFDA number is 39.003. The estimated fair market value (FMV) for fiscal year 2019 is \$244,261.71. The difference of the value of the surplus property recorded on the federal schedule and Exhibit II (Federal Revenues and Federal Pass-Through Revenues) is a reconciling item under Note 2.

Note 2 - Reconciliation

Per Combined Statement of Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities - Governmental Funds:

Federal Revenues before Other Adjustments	\$4,258,259,073.42
Federal Pass-Through Revenues	3,519,860.46
Subtotal	<u>\$4,261,778,933.88</u>

Reconciling Items:

Federal Surplus Personal Property Donation (Non-Monetary)	244,261.71
Build America Bonds Federal Subsidy	<u>(53,954,035.40)</u>

Total Pass-Through and Expenditures per Federal Schedule	<u>\$4,208,069,160.19</u>
--	---------------------------

Note 7 - Federal Deferred Inflow

Federal Deferred Inflow September 1, 2018	\$98,836,783.37
Increase	215,496,267.86
Federal Deferred Inflow August 31, 2019	<u>\$314,333,051.23</u>

The federal deferred inflow ending balance of \$314,333,051.23 pertains to federal expenditures which were incurred and are reimbursable from the Federal Highway Administration, but the federal receivable is not collectable within 60 days after the end of the fiscal year. Federal CFDA number 20.205 applies to this \$314,333,051.23.

Note 8 - Disaster Grants - Public Assistance (CFDA 97.036)

After a Presidentially-Declared Disaster, FEMA provides a Public Assistance Grant to reimburse eligible costs associated with repair, replacement, or restoration of disaster-damaged facilities. The federal government reimburses in the form of cost-shared grants which requires state matching funds. In fiscal 2019, FEMA approved \$3,313,313.08 eligible expenditures that were incurred in a prior year are included in the fiscal 2019 Schedule.

Note 10 - 10% de Minimis Indirect Cost Rate

The Texas Department of Transportation did not elect to use the 10% de minimis indirect cost rate allowed under the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. The department does not currently bill any federal agency for indirect cost.

TEXAS DEPARTMENT OF TRANSPORTATION

**SCHEDULE 1B-SCHEDULE OF STATE GRANT PASS-THROUGHS
FROM/TO STATE AGENCIES**

Year Ended August 31, 2019

<u>Pass-Through To:</u>	<u>Grant ID</u>	<u>Amount</u>
Airport Routine Maintenance Texas A&M University System (Agency 710)	601.0029	\$50,000.00
Airport Routine Maintenance Texas State Technical College System (Agency 719)	601.0030	46,000.00
Total Pass-Through To Other Agencies		<u>\$ 96,000.00</u>

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Schedule 2 - Bond Schedules

TEXAS DEPARTMENT OF TRANSPORTATION
SCHEDULE 2A - MISCELLANEOUS BOND INFORMATION

For the Fiscal Year Ended August 31, 2019

Governmental Activities

	Bonds Issued to Date	Range of Interest Rates		Terms of Variable Interest Rates *	Scheduled Maturities		First Call Date
					First Year	Last Year	
General Obligation Bonds:							
Texas Mobility Fund (Self-Supporting)							
Series 2006-B Variable Rate Bonds	\$ 150,000,000.00	VAR	VAR	Weekly	2036	2036	**
Series 2009-A Taxable Fixed Rate Bonds	1,208,495,000.00	5.3670%	5.5170%		2029	2039	**
Series 2014 Fixed Rate Refunding Bonds	973,775,000.00	4.0000%	5.0000%		2016	2034	4/1/2024
Series 2014-A Fixed Rate Refunding Bonds	1,580,160,000.00	4.0000%	5.0000%		2017	2044	10/1/2024
Series 2014-B SIFMA Index Bonds	250,000,000.00	VAR	VAR	Weekly	2041	2041	10/1/2021
Series 2015-A Fixed Rate Refunding Bonds	911,360,000.00	3.2000%	5.0000%		2018	2036	10/1/2025
Series 2015-B Fixed Rate Refunding Bonds	254,105,000.00	5.0000%	5.0000%		2031	2036	10/1/2025
Series 2017-A Fixed Rate Refunding Bonds	296,020,000.00	5.0000%	5.0000%		2030	2034	10/1/2027
Series 2017-B Fixed Rate Refunding Bonds	474,135,000.00	5.0000%	5.0000%		2029	2036	10/1/2027
Total General Obligation Bonds (Self-Supporting)	<u>6,098,050,000.00</u>						
Texas Highway Improvement (Non-Self-Supporting)							
Series 2010-A Taxable Fixed Rate Bonds	815,420,000.00	3.2030%	4.6810%		2019	2040	**
Series 2012-A Fixed Rate Bonds	818,635,000.00	5.0000%	5.0000%		2019	2042	4/1/2022
Series 2012-B Taxable Fixed Rate Bonds*	99,570,000.00	0.3000%	1.5000%		2014	2019	n/a
Series 2014 Fixed Rate Bonds	1,260,000,000.00	2.0000%	5.0000%		2015	2044	4/1/2024
Series 2016 Fixed Rate Bonds	615,000,000.00	5.0000%	5.0000%		2017	2046	4/1/2026
Series 2016-A Fixed Rate Bonds	588,755,000.00	4.0000%	5.0000%		2018	2046	4/1/2026
Total General Obligation (Non-Self Supporting)	<u>4,197,380,000.00</u>						
Revenue Bonds:							
State Highway Fund (Self-Supporting)							
Series 2008 Fixed Rate Bonds	162,995,000.00	3.5000%	5.2500%		2010	2028	4/1/2018
Series 2010 Taxable Fixed Rate Bonds	1,500,000,000.00	5.0280%	5.1780%		2026	2030	**
Series 2014-A Refunding Fixed Rate Bonds	1,157,795,000.00	4.7500%	5.0000%		2017	2034	4/1/2024
Series 2014-B1 Variable Rate Bonds	150,000,000.00	VAR	VAR	Weekly	2032	2032	**
Series 2014-B2 LIBOR Bonds	150,000,000.00	VAR	VAR	Monthly	2032	2032	**
Series 2015 Revenue Refunding Bonds	781,080,000.00	3.0000%	5.0000%		2017	2026	n/a
Series 2016-A Fixed Rate Bonds	601,210,000.00	3.0000%	5.0000%		2017	2030	10/1/2026
Series 2016-B Variable Rate Bonds	89,370,000.00	4.0000%	4.0000%		2025	2026	10/1/2021
Total Revenue Bonds (Self-Supporting)	<u>4,592,450,000.00</u>						
Total Governmental Activities	<u>\$ 14,887,880,000.00</u>						

* These bonds are not outstanding as of 08/31/2019

** Bonds are subject to redemption prior to their respective maturities at the option of the Commission.

Continued on following page

TEXAS DEPARTMENT OF TRANSPORTATION
SCHEDULE 2A - MISCELLANEOUS BOND INFORMATION (Concluded)

For the Fiscal Year Ended August 31, 2019

Business-Type Activities

				Terms of Variable Interest Rates *	Scheduled Maturities First Year	Last Year	First Call Date
	Bonds Issued to Date		Range of Interest Rates				
Revenue Bonds:							
Central Texas Turnpike System (Self-Supporting)							
First Tier Revenue Bonds Series 2002-A							
Non-Callable Capital Appreciation Bonds***	\$ 680,837,195.80	4.4700%	5.7500%		2012	2030	n/a
Callable Capital Appreciation Bonds*	325,494,476.65	6.0000%	6.1000%		2025	2038	8/15/2012
First Tier Revenue Refunding Bonds Series 2012-A	585,330,000.00	4.0000%	5.0000%		2038	2041	8/15/2022
First Tier Revenue Refunding Put Bonds, Series 2015-A	225,000,000.00	5.0000%	5.0000%		2041	2042	4/1/2020
First Tier Revenue Refunding Bonds Series 2015-B							
Current Interest Bonds + Term Bond	198,025,000.00	5.0000%	5.0000%		2032	2037	8/15/2024
Capital Appreciation Bonds ***	112,874,773.33	4.3600%	4.3800%		2036	2037	8/15/2024
Second Tier Revenue Refunding Bonds, Series 2015-C	1,157,320,000.00	5.0000%	5.0000%		2022	2042	8/15/2024
Total Central Texas Turnpike System (Self-Supporting)	<u>3,284,881,445.78</u>						
Blended Component Unit-Grand Parkway Transportation Corporation****							
First Tier Toll Revenue Bonds, Series 2013-A	200,000,000.00	5.1250%	5.5000%		2031	2053	10/1/2023
Subordinate Tier Toll Revenue Bonds, Series 2013-B							
Convertible Capital Appreciation Bonds***	389,276,363.44	4.9500%	5.8500%		2029	2048	10/1/2028
Current Interest Bonds	1,137,935,000.00	5.0000%	5.2500%		2048	2053	10/1/2023
Subordinate Tier Toll Revenue Bonds, Series 2013-E	361,810,000.00	5.1840%	5.1840%		2036	2042	**
Subordinate Tier Toll Revenue Refunding Bonds, Series 2016	83,775,000.00	2.2000%	2.2000%		2023	2023	n/a
Subordinate Tier Toll Revenue Bonds, Series 2018-A	712,100,000.00	5.0000%	5.0000%		2030	2048	4/1/2028
Subordinate Tier Toll Revenue Put Bonds, Series 2018-B	166,525,000.00	5.0000%	5.0000%		2049	2052	10/1/2023
Total Blended Component Unit-Grand Parkway Transportation Corporation	<u>3,051,421,363.44</u>						
State Highway 249 System							
First Tier Toll Revenue Bonds, Series 2019A							
Current Interest Bonds	144,085,000.00	5.0000%	5.0000%		2053	2057	2/1/2029
Capital Appreciation Bonds***	94,665,113.38	3.3900%	5.1000%		2028	2053	2/1/2029
First Tier Toll Revenue Bonds, Taxable Series 2019B	12,795,000.00	4.5500%	4.7000%		2030	2033	2/1/2029
Total State Highway 249 System	<u>251,545,113.38</u>						
Total Business-Type Activities	<u>\$ 6,587,847,922.60</u>						

* These bonds are not outstanding as of 08/31/2019

** Bonds are subject to redemption prior to their respective maturities at the option of the Corporation.

***Bonds issued to date include interest accreted to principal.

****Grand Parkway Transportation Corporation bonds are not obligations of the State.

TEXAS DEPARTMENT OF TRANSPORTATION
SCHEDULE 2B - CHANGES IN BONDED INDEBTEDNESS
For the Fiscal Year Ended August 31, 2019

Governmental Activities

Description of Issue	Bonds Outstanding 9/1/2018	Bonds Issued	Bonds Matured or Retired	Bonds Refunded or Extinguished	Bonds Outstanding 8/31/2019
General Obligation Bonds:					
Texas Mobility Fund					
Series 2006-B	\$ 150,000,000.00	\$	\$	\$	\$ 150,000,000.00
Series 2009-A	1,208,495,000.00				1,208,495,000.00
Series 2014	925,140,000.00		33,185,000.00		891,955,000.00
Series 2014-A	1,555,510,000.00		30,155,000.00		1,525,355,000.00
Series 2014-B	250,000,000.00				250,000,000.00
Series 2015-A	911,360,000.00		18,295,000.00		893,065,000.00
Series 2015-B	254,105,000.00				254,105,000.00
Series 2017-A	296,020,000.00				296,020,000.00
Series 2017-B	474,135,000.00				474,135,000.00
Texas Highway Improvement					
Series 2010-A	815,420,000.00		27,720,000.00		787,700,000.00
Series 2012-A	818,635,000.00		10,915,000.00		807,720,000.00
Series 2012-B	7,935,000.00		7,935,000.00		
Series 2014	1,092,000,000.00		42,000,000.00		1,050,000,000.00
Series 2016	574,000,000.00		20,500,000.00		553,500,000.00
Series 2016-A	568,450,000.00		20,305,000.00		548,145,000.00
Total General Obligation Bonds	<u>9,901,205,000.00</u>	<u>0.00</u>	<u>211,010,000.00</u>	<u>0.00</u>	<u>9,690,195,000.00</u>
Revenue Bonds:					
State Highway Fund					
Series 2008	58,355,000.00		-		58,355,000.00
Series 2010	1,500,000,000.00				1,500,000,000.00
Series 2014-A	998,725,000.00		85,465,000.00		913,260,000.00
Series 2014-B1	150,000,000.00				150,000,000.00
Series 2014-B2	150,000,000.00				150,000,000.00
Series 2015	719,955,000.00		71,710,000.00		648,245,000.00
Series 2016-A	535,900,000.00		68,325,000.00		467,575,000.00
Series 2016-B	89,370,000.00				89,370,000.00
Total Revenue Bonds	<u>4,202,305,000.00</u>	<u>0.00</u>	<u>225,500,000.00</u>	<u>0.00</u>	<u>3,976,805,000.00</u>
Total Governmental Activities	<u>\$ 14,103,510,000.00</u>	<u>\$ 0.00</u>	<u>\$ 436,510,000.00</u>	<u>\$ 0.00</u>	<u>\$ 13,667,000,000.00</u>

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TEXAS DEPARTMENT OF TRANSPORTATION
SCHEDULE 2B - CHANGES IN BONDED INDEBTEDNESS (Continued)
For the Fiscal Year Ended August 31, 2019

Governmental Activities

Description of Issue	Unamortized Premium	Unamortized Discount	Adjustments	Net Bonds Outstanding 8/31/2019	Amounts Due Within One Year
General Obligation Bonds:					
Texas Mobility Fund					
Series 2006-B	\$	\$	\$	\$ 150,000,000.00	\$
Series 2009-A				1,208,495,000.00	420,000.00
Series 2014	91,670,772.91			983,625,772.91	47,092,805.98
Series 2014-A	193,519,143.82			1,718,874,143.82	48,778,933.11
Series 2014-B				250,000,000.00	
Series 2015-A	98,077,154.71			991,142,154.71	28,640,944.04
Series 2015-B	32,807,556.76			286,912,556.76	1,985,728.36
Series 2017-A	46,105,977.56			342,125,977.56	3,153,629.03
Series 2017-B	73,531,237.00			547,666,237.00	4,894,120.60
Texas Highway Improvement					
Series 2010-A				787,700,000.00	28,300,000.00
Series 2012-A	122,609,945.82			930,329,945.82	28,188,933.17
Series 2012-B					
Series 2014	143,109,241.95			1,193,109,241.95	53,008,403.23
Series 2016	101,382,280.35			654,882,280.35	27,741,591.45
Series 2016-A	90,402,680.27			638,547,680.27	26,762,675.11
Total General Obligation Bonds	<u>993,215,991.15</u>	<u>0.00</u>	<u>0.00</u>	<u>10,683,410,991.15</u>	<u>298,967,764.08</u>
Revenue Bonds:					
State Highway Fund					
Series 2008	2,288,073.94			60,643,073.94	322,167.13
Series 2010				1,500,000,000.00	
Series 2014-A	99,127,185.48			1,012,387,185.48	102,586,241.16
Series 2014-B1				150,000,000.00	
Series 2014-B2				150,000,000.00	
Series 2015	57,381,184.25			705,626,184.25	87,844,252.78
Series 2016-A	58,513,630.30			526,088,630.30	83,318,159.21
Series 2016-B	7,644,585.09			97,014,585.09	1,129,082.57
Total Revenue Bonds	<u>224,954,659.06</u>	<u>0.00</u>	<u>0.00</u>	<u>4,201,759,659.06</u>	<u>275,199,902.85</u>
Total Governmental Activities	<u>\$ 1,218,170,650.21</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 14,885,170,650.21</u>	<u>\$ 574,167,666.93</u>

Continued on the following page

TEXAS DEPARTMENT OF TRANSPORTATION
SCHEDULE 2B - CHANGES IN BONDED INDEBTEDNESS *(Continued)*
For the Fiscal Year Ended August 31, 2019

Business-Type Activities

Description of Issue	Bonds Outstanding 9/1/2018	Bonds Issued	Bonds Matured or Retired	Bonds Refunded or Extinguished	Bonds Outstanding 8/31/2019
Revenue Bonds:					
Central Texas Turnpike System					
First Tier Bonds Series 2002-A, Non- Callable CAB's	\$ 482,876,192.31	\$ 27,657,400.94 **	\$ 20,365,000.00	\$	\$ 490,168,593.25
First Tier Bonds Series 2012-A	585,330,000.00				585,330,000.00
First Tier Bonds Series 2015-A	225,000,000.00				225,000,000.00
First Tier Bonds Series 2015-B:					
Current Interest Bonds	198,025,000.00				198,025,000.00
Capital Appreciation Bonds	108,099,200.00	4,775,573.33 **			112,874,773.33
Second Tier Bonds Series 2015-C	1,157,320,000.00				1,157,320,000.00
Blended Component Unit-Grand Parkway Transportation Corp.*:					
First Tier Toll Revenue Bonds, Series 2013-A	200,000,000.00				200,000,000.00
Subordinate Tier Toll Revenue Bonds, Series 2013-B:					
Callable CAB	368,099,466.40	21,176,897.04 **			389,276,363.44
Current Interest Bonds	1,137,935,000.00				1,137,935,000.00
Subordinate Tier Toll Revenue Bonds, Series 2013-E	361,810,000.00				361,810,000.00
Subordinate Tier Toll Revenue Refunding Bonds, Series 2016	83,775,000.00				83,775,000.00
Subordinate Tier Toll Revenue Bonds, Series 2018-A	712,100,000.00				712,100,000.00
Subordinate Tier Toll Revenue Put Bonds, Series 2018-B	166,525,000.00				166,525,000.00
State Highway 249 System					
First Tier Toll Revenue Bonds Series 2019-A:					
Current Interest Bonds		144,085,000.00			144,085,000.00
Capital Appreciation Bonds		94,665,113.38			94,665,113.38
First Tier Toll Revenue Taxable Bonds Series 2019-B:		12,795,000.00			12,795,000.00
Total Business-Type Activities	\$ 5,786,894,858.71	\$ 305,154,984.69	\$ 20,365,000.00	\$ 0.00	\$ 6,071,684,843.40

*Grand Parkway Transportation Corporation debt issuances are not obligations of the State

**Due to annual principal accretion.

Continued on the following page

TEXAS DEPARTMENT OF TRANSPORTATION
SCHEDULE 2B - CHANGES IN BONDED INDEBTEDNESS (Concluded)
For the Fiscal Year Ended August 31, 2019

Business-Type Activities

Description of Issue	Unamortized Premium	Unamortized Discount	Adjustments	Net Bonds Outstanding 8/31/19	Amounts Due Within One Year
Revenue Bonds:					
Central Texas Turnpike System					
First Tier Bonds Series 2002-A, Non- Callable CAB's	\$	\$	\$	\$ 490,168,593.25	\$ 26,715,000.00
First Tier Bonds Series 2012-A	38,292,741.36			623,622,741.36	1,864,508.47
First Tier Bonds Series 2015-A	30,746,137.75			255,746,137.75	1,347,322.45
First Tier Bonds Series 2015-B:					
Current Interest Bonds	22,813,051.95			220,838,051.95	1,465,537.11
Capital Appreciation Bonds				112,874,773.33	
Second Tier Bonds Series 2015-C	113,197,955.00			1,270,517,955.00	7,489,215.68
Blended Component Unit-Grand Parkway Transportation Corp.*:					
First Tier Toll Revenue Bonds, Series 2013-A		(2,508,163.58)		197,491,836.42	(86,941.84)
Subordinate Tier Toll Revenue Bonds, Series 2013-B:					
Callable CAB				389,276,363.44	
Current Interest Bonds	5,523,276.61	(13,973,053.24)		1,129,485,223.37	(242,705.82)
Subordinate Tier Toll Revenue Bonds, Series 2013-E				361,810,000.00	
Subordinate Tier Toll Revenue Refunding Bonds, Series 2016				83,775,000.00	
Subordinate Tier Toll Revenue Bonds, Series 2018-A	90,191,624.46			802,291,624.46	3,956,112.92
Subordinate Tier Toll Revenue Put Bonds, Series 2018-B	19,387,341.35			185,912,341.35	596,741.70
State Highway 249 System					
First Tier Toll Revenue Bonds Series 2019-A:					
Current Interest Bonds	11,393,109.50			155,478,109.50	315,237.60
Capital Appreciation Bonds				94,665,113.38	
First Tier Toll Revenue Taxable Bonds Series 2019-B:				12,795,000.00	
Total Business-Type Activities	<u>\$ 331,545,237.98</u>	<u>\$ (16,481,216.82)</u>	<u>\$ 0.00</u>	<u>\$ 6,386,748,864.56</u>	<u>\$ 43,420,028.27</u>

*Grand Parkway Transportation Corporation debt issuances are not obligations of the State.

TEXAS DEPARTMENT OF TRANSPORTATION
SCHEDULE 2C - DEBT SERVICE REQUIREMENTS

For the Fiscal Year Ended August 31, 2019

Governmental Activities

Description of Issue	Year	Principal	Interest
TMF General Obligation Bonds			
Series 2006-B	2020	\$	\$ 2,041,863.01
	2021		2,038,136.96
	2022		2,039,999.96
	2023		2,039,999.96
	2024		2,041,863.01
	2025-2029		10,198,136.85
	2030-2034		10,199,999.85
	2035-2039	150,000,000.00	2,958,015.26
		<u>150,000,000.00</u>	<u>33,558,014.86</u>
Series 2009-A	2020	420,000.00	66,582,669.16
	2021	730,000.00	66,560,127.76
	2022	2,095,000.00	66,520,948.66
	2023	3,555,000.00	66,408,510.00
	2024	4,470,000.00	66,217,713.16
	2025-2029	48,730,000.00	325,633,815.34
	2030-2034	103,090,000.00	306,894,434.88
	2035-2039	1,045,405,000.00	247,329,316.82
		<u>1,208,495,000.00</u>	<u>1,212,147,535.78</u>
Series 2014	2020	36,875,000.00	42,042,225.00
	2021	40,950,000.00	40,096,600.00
	2022	44,240,000.00	37,966,850.00
	2023	47,710,000.00	35,668,100.00
	2024	51,445,000.00	33,189,225.00
	2025-2029	320,305,000.00	121,718,375.00
	2030-2034	291,165,000.00	43,556,550.00
	2035-2039	59,265,000.00	1,481,625.00
		<u>\$ 891,955,000.00</u>	<u>\$ 355,719,550.00</u>

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TEXAS DEPARTMENT OF TRANSPORTATION
SCHEDULE 2C - DEBT SERVICE REQUIREMENTS (Continued)
For the Fiscal Year Ended August 31, 2019

Description of Issue	Year	Principal	Interest
TMF General Obligation Bonds (continued)			
Series 2014-A	2020	\$ 35,990,000.00	\$ 72,914,050.00
	2021	42,205,000.00	70,959,175.00
	2022	48,770,000.00	68,684,800.00
	2023	55,750,000.00	66,071,800.00
	2024	63,115,000.00	63,100,175.00
	2025-2029	342,670,000.00	262,507,000.00
	2030-2034	225,310,000.00	194,879,775.00
	2035-2039	61,545,000.00	159,995,075.00
	2040-2044	483,025,000.00	107,877,625.00
	2045-2049	166,975,000.00	4,004,375.00
		<u>1,525,355,000.00</u>	<u>1,070,993,850.00</u>
Series 2014-B	2020		4,128,767.15
	2021		4,121,232.91
	2022		4,125,000.05
	2023		4,125,000.05
	2024		4,128,767.15
	2025-2029		20,621,233.07
	2030-2034		20,625,000.21
	2035-2039		20,625,000.21
	2040-2044	250,000,000.00	6,254,662.36
		<u>250,000,000.00</u>	<u>88,754,663.16</u>
Series 2015-A	2020	20,030,000.00	41,904,600.00
	2021	21,845,000.00	40,857,725.00
	2022	23,775,000.00	39,717,225.00
	2023	25,805,000.00	38,477,725.00
	2024	28,575,000.00	37,118,225.00
	2025-2029	279,225,000.00	156,386,875.00
	2030-2034	244,800,000.00	82,314,000.00
	2035-2039	249,010,000.00	22,870,150.00
		<u>\$ 893,065,000.00</u>	<u>\$ 459,646,525.00</u>

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TEXAS DEPARTMENT OF TRANSPORTATION
SCHEDULE 2C - DEBT SERVICE REQUIREMENTS (Continued)
For the Fiscal Year Ended August 31, 2019

Description of Issue	Year	Principal	Interest
TMF General Obligation Bonds (concluded)			
Series 2015-B	2020	\$	\$ 12,705,250.00
	2021		12,705,250.00
	2022		12,705,250.00
	2023		12,705,250.00
	2024		12,705,250.00
	2025-2029		63,526,250.00
	2030-2034	63,450,000.00	58,026,500.00
	2035-2039	190,655,000.00	18,480,375.00
		<u>254,105,000.00</u>	<u>203,559,375.00</u>
Series 2017-A	2020		14,801,000.00
	2021		14,801,000.00
	2022		14,801,000.00
	2023		14,801,000.00
	2024		14,801,000.00
	2025-2029		74,005,000.00
	2030-2034	220,030,000.00	59,080,000.00
	2035-2039	75,990,000.00	1,899,750.00
		<u>296,020,000.00</u>	<u>208,989,750.00</u>
Series 2017-B	2020		23,706,750.00
	2021		23,706,750.00
	2022		23,706,750.00
	2023		23,706,750.00
	2024		23,706,750.00
	2025-2029		118,533,750.00
	2030-2034	256,080,000.00	89,396,750.00
	2035-2039	218,055,000.00	17,862,125.00
		<u>\$ 474,135,000.00</u>	<u>\$ 344,326,375.00</u>

Continued on the following page

TEXAS DEPARTMENT OF TRANSPORTATION
SCHEDULE 2C - DEBT SERVICE REQUIREMENTS (Continued)
For the Fiscal Year Ended August 31, 2019

Description of Issue	Year	Principal	Interest
Texas Highway Improvement General Obligation Bonds			
Series 2010-A	2020	\$ 28,300,000.00	\$ 34,949,470.90
	2021	28,920,000.00	33,994,911.90
	2022	29,580,000.00	32,976,060.30
	2023	30,290,000.00	31,889,586.90
	2024	31,040,000.00	30,731,600.20
	2025-2029	168,420,000.00	133,333,339.82
	2030-2034	195,090,000.00	92,355,854.62
	2035-2039	226,530,000.00	44,040,252.32
	2040-2044	49,530,000.00	2,318,499.30
		<u>787,700,000.00</u>	<u>436,589,576.26</u>
Series 2012-A	2020	19,495,000.00	40,386,000.00
	2021	20,470,000.00	39,411,250.00
	2022	21,495,000.00	38,387,750.00
	2023	22,570,000.00	37,313,000.00
	2024	23,700,000.00	36,184,500.00
	2025-2029	137,490,000.00	161,919,000.00
	2030-2034	175,470,000.00	123,933,250.00
	2035-2039	223,955,000.00	75,453,750.00
	2040-2044	163,075,000.00	16,572,500.00
		<u>807,720,000.00</u>	<u>569,561,000.00</u>
Series 2014	2020	42,000,000.00	51,240,000.00
	2021	42,000,000.00	49,140,000.00
	2022	42,000,000.00	47,040,000.00
	2023	42,000,000.00	44,940,000.00
	2024	42,000,000.00	42,840,000.00
	2025-2029	210,000,000.00	182,700,000.00
	2030-2034	210,000,000.00	131,460,000.00
	2035-2039	210,000,000.00	84,000,000.00
	2040-2044	210,000,000.00	31,500,000.00
		<u>\$ 1,050,000,000.00</u>	<u>\$ 664,860,000.00</u>

Continued on the following page

TEXAS DEPARTMENT OF TRANSPORTATION
SCHEDULE 2C - DEBT SERVICE REQUIREMENTS (Continued)
For the Fiscal Year Ended August 31, 2019

Description of Issue	Year	Principal	Interest
Texas Highway Improvement General Obligation Bonds (concluded)			
Series 2016	2020	\$ 20,500,000.00	\$ 27,675,000.00
	2021	20,500,000.00	26,650,000.00
	2022	20,500,000.00	25,625,000.00
	2023	20,500,000.00	24,600,000.00
	2024	20,500,000.00	23,575,000.00
	2025-2029	102,500,000.00	102,500,000.00
	2030-2034	102,500,000.00	76,875,000.00
	2035-2039	102,500,000.00	51,250,000.00
	2040-2044	102,500,000.00	25,625,000.00
	2045-2049	41,000,000.00	3,075,000.00
		<u>553,500,000.00</u>	<u>387,450,000.00</u>
Series 2016-A	2020	20,305,000.00	27,001,250.00
	2021	20,305,000.00	25,986,000.00
	2022	20,305,000.00	24,970,750.00
	2023	20,305,000.00	23,955,500.00
	2024	20,305,000.00	22,940,250.00
	2025-2029	101,520,000.00	99,472,500.00
	2030-2034	101,500,000.00	74,095,000.00
	2035-2039	101,500,000.00	48,720,000.00
	2040-2044	101,500,000.00	23,345,000.00
	2045-2049	40,600,000.00	2,436,000.00
		<u>548,145,000.00</u>	<u>372,922,250.00</u>
Total General Obligation Bonds		\$ <u>9,690,195,000.00</u>	\$ <u>6,409,078,465.06</u>

Continued on the following page

TEXAS DEPARTMENT OF TRANSPORTATION
SCHEDULE 2C - DEBT SERVICE REQUIREMENTS (Continued)
For the Fiscal Year Ended August 31, 2019

Description of Issue	Year	Principal	Interest
SHF Revenue Bonds			
Series 2008	2020	\$	\$ 3,063,637.50
	2021		3,063,637.50
	2022		3,063,637.50
	2023		3,063,637.50
	2024	10,510,000.00	3,063,637.50
	2025-2029	47,845,000.00	6,440,175.00
		<u>58,355,000.00</u>	<u>21,758,362.50</u>
Series 2010	2020		77,226,067.50
	2021		77,226,067.50
	2022		77,226,067.50
	2023	70,495,000.00	77,226,067.50
	2024	72,855,000.00	73,681,578.90
	2025-2029	1,007,420,000.00	285,958,353.00
	2030-2034	349,230,000.00	18,083,129.40
		<u>1,500,000,000.00</u>	<u>686,627,331.30</u>
Series 2014-A	2020	89,730,000.00	45,663,000.00
	2021	94,230,000.00	41,176,500.00
	2022	98,935,000.00	36,465,000.00
	2023	103,885,000.00	31,518,250.00
	2024	109,070,000.00	26,324,000.00
	2025-2029	58,785,000.00	92,595,500.00
	2030-2034	358,625,000.00	78,339,250.00
		<u>913,260,000.00</u>	<u>352,081,500.00</u>
Series 2014-B1	2020		2,101,917.81
	2021		2,098,082.19
	2022		2,100,000.00
	2023		2,100,000.00
	2024		2,101,917.81
	2025-2029		10,498,082.19
	2030-2034	150,000,000.00	4,460,128.77
		<u>\$ 150,000,000.00</u>	<u>\$ 25,460,128.77</u>

Continued on the following page

TEXAS DEPARTMENT OF TRANSPORTATION
SCHEDULE 2C - DEBT SERVICE REQUIREMENTS (Continued)
For the Fiscal Year Ended August 31, 2019

Description of Issue	Year	Principal	Interest
SHF Revenue Bonds (concluded)			
Series 2014-B2	2020	\$	\$ 3,660,000.00
	2021		3,650,000.00
	2022		3,650,000.00
	2023		3,650,000.00
	2024		3,660,000.00
	2025-2029		18,260,000.00
	2030-2034	150,000,000.00	9,283,598.00
		<u>150,000,000.00</u>	<u>45,813,598.00</u>
Series 2015	2020	75,020,000.00	30,536,750.00
	2021	78,870,000.00	26,689,500.00
	2022	82,910,000.00	22,645,000.00
	2023	87,165,000.00	18,393,125.00
	2024	80,850,000.00	14,192,750.00
	2025-2029	243,430,000.00	16,363,000.00
		<u>648,245,000.00</u>	<u>128,820,125.00</u>
Series 2016-A	2020	71,830,000.00	21,010,300.00
	2021	75,515,000.00	17,326,675.00
	2022	78,635,000.00	13,759,275.00
	2023	9,610,000.00	11,839,500.00
	2024	10,135,000.00	11,345,875.00
	2025-2029	177,670,000.00	27,944,000.00
	2030-2034	44,180,000.00	2,730,250.00
		<u>467,575,000.00</u>	<u>105,955,875.00</u>
Series 2016-B	2020		3,574,800.00
	2021		3,574,800.00
	2022		4,021,650.00
	2023		4,468,500.00
	2024		4,468,500.00
	2025-2029	89,370,000.00	7,912,000.00
		<u>89,370,000.00</u>	<u>28,020,250.00</u>
TOTAL Revenue Bonds		<u>3,976,805,000.00</u>	<u>1,394,537,170.57</u>
TOTAL GOVERNMENTAL ACTIVITIES	\$	<u><u>13,667,000,000.00</u></u>	\$ <u><u>7,803,615,635.63</u></u>

Continued on the following page

TEXAS DEPARTMENT OF TRANSPORTATION
SCHEDULE 2C - DEBT SERVICE REQUIREMENTS (Continued)
For the Fiscal Year Ended August 31, 2019

BUSINESS-TYPE ACTIVITIES

Description of Issue	Year	Principal	Interest
CTTS Revenue Bonds			
Series 2002-A	2020	\$ 26,715,000.00	\$
	2021	36,480,000.00	
	2022	43,150,000.00	
	2023	48,940,000.00	
	2024	54,725,000.00	
	2025-2029	410,840,000.00	
	2030-2034	102,025,000.00	
		<u>722,875,000.00</u>	<u>0.00</u>
Series 2012-A	2020		28,034,150.00
	2021		28,034,150.00
	2022		28,034,150.00
	2023		28,034,150.00
	2024		28,034,150.00
	2025-2029		140,170,750.00
	2030-2034		140,170,750.00
	2035-2039	282,650,000.00	135,241,350.00
	2040-2044	302,680,000.00	21,898,750.00
		<u>585,330,000.00</u>	<u>577,652,350.00</u>
Series 2015-A	2020		11,250,000.00
	2021		11,250,000.00
	2022		11,250,000.00
	2023		11,250,000.00
	2024		11,250,000.00
	2025-2029		56,250,000.00
	2030-2034		56,250,000.00
	2035-2039		56,250,000.00
	2040-2044	225,000,000.00	31,727,000.00
		<u>\$ 225,000,000.00</u>	<u>\$ 256,727,000.00</u>

Continued on the following page

TEXAS DEPARTMENT OF TRANSPORTATION
SCHEDULE 2C - DEBT SERVICE REQUIREMENTS (Continued)
For the Fiscal Year Ended August 31, 2019

Description of Issue	Year	Principal	Interest
CTTS Revenue Bonds (concluded)			
Series 2015-B	2020	\$	\$ 9,901,250.00
	2021		9,901,250.00
	2022		9,901,250.00
	2023		9,901,250.00
	2024		9,901,250.00
	2025-2029		49,506,250.00
	2030-2034	40,000,000.00	45,506,250.00
	2035-2039	398,025,000.00	11,126,500.00
		<u>438,025,000.00</u>	<u>155,645,250.00</u>
Series 2015-C	2020		57,866,000.00
	2021		57,866,000.00
	2022	2,200,000.00	57,866,000.00
	2023	5,375,000.00	57,756,000.00
	2024	8,655,000.00	57,487,250.00
	2025-2029	64,135,000.00	279,275,000.00
	2030-2034	540,445,000.00	229,873,250.00
	2035-2039	333,000,000.00	102,254,500.00
	2040-2044	203,510,000.00	20,682,000.00
		<u>1,157,320,000.00</u>	<u>920,926,000.00</u>
Grand Parkway Transportation Corp.*			
Series 2013-A	2020		10,821,012.50
	2021		10,821,012.50
	2022		10,821,012.50
	2023		10,821,012.50
	2024		10,821,012.50
	2025-2029		54,105,062.50
	2030-2034	2,250,000.00	53,975,656.25
	2035-2039	13,900,000.00	52,046,093.76
	2040-2044	31,580,000.00	46,352,475.02
	2045-2049	57,265,000.00	34,680,662.50
	2050-2054	95,005,000.00	13,460,150.00
		<u>\$ 200,000,000.00</u>	<u>\$ 308,725,162.53</u>

Continued on the following page

TEXAS DEPARTMENT OF TRANSPORTATION
SCHEDULE 2C - DEBT SERVICE REQUIREMENTS (Continued)
For the Fiscal Year Ended August 31, 2019

Description of Issue	Year	Principal	Interest
Grand Parkway Transportation Corp.* (Continued)			
Series 2013-B	2020	\$	\$ 58,334,250.00
	2021		58,334,250.00
	2022		58,334,250.00
	2023		58,334,250.00
	2024		72,213,026.25
	2025-2029		430,459,012.50
	2030-2034	62,235,000.00	425,146,493.75
	2035-2039	95,930,000.00	395,586,903.75
	2040-2044		387,728,837.50
	2045-2049	374,200,000.00	333,178,375.00
	2050-2054	1,094,730,000.00	142,967,456.25
		<u>1,627,095,000.00</u>	<u>2,420,617,105.00</u>
Series 2013-E	2020		18,756,230.40
	2021		18,756,230.40
	2022		18,756,230.40
	2023		18,756,230.40
	2024		18,756,230.40
	2025-2029		93,781,152.00
	2030-2034		93,781,152.00
	2035-2039	122,865,000.00	86,384,232.00
	2040-2044	238,945,000.00	23,186,088.00
		<u>361,810,000.00</u>	<u>390,913,776.00</u>
Series 2016	2020		1,843,050.00
	2021		1,843,050.00
	2022		1,843,050.00
	2023		1,843,050.00
	2024	83,775,000.00	926,645.00
		<u>\$ 83,775,000.00</u>	<u>\$ 8,298,845.00</u>

Continued on the following page

TEXAS DEPARTMENT OF TRANSPORTATION
SCHEDULE 2C - DEBT SERVICE REQUIREMENTS (Continued)
For the Fiscal Year Ended August 31, 2019

Description of Issue	Year	Principal	Interest
Grand Parkway Transportation Corp. (concluded) *			
Series 2018-A	2020	\$	\$ 35,605,000.00
	2021		35,605,000.00
	2022		35,605,000.00
	2023		35,605,000.00
	2024		35,605,000.00
	2025-2029		178,025,000.00
	2030-2034	56,900,000.00	173,267,000.00
	2035-2039	179,165,000.00	143,261,375.00
	2040-2044	237,065,000.00	90,839,625.00
	2045-2049	238,970,000.00	30,503,750.00
		<u>712,100,000.00</u>	<u>793,921,750.00</u>
Series 2018-B	2020		8,326,250.00
	2021		8,326,250.00
	2022		8,326,250.00
	2023		8,326,250.00
	2024		8,326,250.00
	2025-2029		41,631,250.00
	2030-2034		41,631,250.00
	2035-2039		41,631,250.00
	2040-2044		41,631,250.00
	2045-2049		41,631,250.00
	2050-2054	166,525,000.00	16,558,125.00
		<u>\$ 166,525,000.00</u>	<u>\$ 266,345,625.00</u>

*Grand Parkway Transportation Corp. bonds is a blended component unit of TxDOT, these are not obligations of the state.

Continued on the following page

TEXAS DEPARTMENT OF TRANSPORTATION
SCHEDULE 2C - DEBT SERVICE REQUIREMENTS (Concluded)
For the Fiscal Year Ended August 31, 2019

Description of Issue	Year	Principal	Interest
State Highway 249 System			
Series 2019-A	2020	\$	\$ 7,204,250.00
	2021		7,204,250.00
	2022		7,204,250.00
	2023		7,204,250.00
	2024		7,204,250.00
	2025-2029	1,365,000.00	36,021,250.00
	2030-2034	5,960,000.00	36,021,250.00
	2035-2039	47,545,000.00	36,021,250.00
	2040-2044	79,450,000.00	36,021,250.00
	2045-2049	106,240,000.00	36,021,250.00
	2050-2054	131,960,000.00	34,840,750.00
	2055-2059	92,525,000.00	9,403,000.00
		<u>465,045,000.00</u>	<u>260,371,250.00</u>
Series 2019-B	2020		594,712.50
	2021		594,712.50
	2022		594,712.50
	2023		594,712.50
	2024		594,712.50
	2025-2029		2,973,562.50
	2030-2034	12,795,000.00	1,767,182.50
		<u>12,795,000.00</u>	<u>7,714,307.50</u>
TOTAL BUSINESS-TYPE ACTIVITIES		\$ <u>6,757,695,000.00</u>	\$ <u>6,367,858,421.03</u>

TEXAS DEPARTMENT OF TRANSPORTATION
SCHEDULE 2D - ANALYSIS OF FUNDS AVAILABLE FOR DEBT SERVICE
For the Fiscal Year Ended August 31, 2019

Governmental Activities				
Description of Issue	Application of Funds			
	Principal		Interest	
Texas Mobility General Obligation Bonds	\$	81,635,000.00	\$	286,060,191.41
	\$	81,635,000.00	\$	286,060,191.41
Pledged and Other Sources and Related Expenditures for FY 2019				
	Net Available for Debt Service		Debt Service	
	Total Pledged and Other Sources	Operating Expenses/ Expenditures and Capital Outlay	Principal	Interest
State Highway Fund Revenue Bonds	\$ 8,943,598,077.82	(A)	\$ 225,500,000.00	\$ 198,155,442.51
	\$ 8,943,598,077.82		\$ 225,500,000.00	\$ 198,155,442.51
(A) State Highway Fund expenditures associated with pledged sources were \$10,604,882,547.64.				
Business-Type and Blended Component Unit Activities				
Pledged and Other Sources and Related Expenditures for FY 2019				
	Net Available for Debt Service		Debt Service	
	Total Pledged and Other Sources	Operating Expenses/ Expenditures and Capital Outlay	Principal	Interest
Central Texas Turnpike System Series 2002-A, 2012-A, 2015-A, B, C	\$ 265,546,387.28	(B)	\$ 20,365,000.00	\$ 107,051,400.00
Grand Parkway Transportation Corporation Series 2013-A,B,E, 2016. 2018-A, B	228,822,029.02	(C)		126,485,949.26
State Highway 249 System Series 2019-A and 2019-B	1,766,665.49	(D)		3,357,886.68
	\$ 496,135,081.79		\$ 20,365,000.00	\$ 236,895,235.94
(B) Expenses associated with pledged sources were \$55,328,335.93.				
(C) Expenses associated with pledged sources were \$43,708,845.70.				
(D) Expenses associated with pledged sources were \$0				

TEXAS DEPARTMENT OF TRANSPORTATION
SCHEDULE 2E-DEFEASED BONDS OUTSTANDING

For the Fiscal Year Ended August 31, 2019

Description of Issue	Year Defeased	Par Value Outstanding
Business-Type Activities		
Central Texas Turnpike System Revenue Bonds		
Series 2002-A Capital Appreciation Bonds*	2015	\$ 52,062,147.13
Total Business-Type Activities		<u>52,062,147.13</u>
Total		<u>\$ 52,062,147.13</u>

* Includes \$31,508,290.53 of accreted interest.

Texas Department of Transportation

Schedule 3 - Matrix of Expenditures Reported by Function - Governmental Funds

For the Fiscal Year Ended August 31, 2019

	State Highway Fund	Texas Mobility Fund	Proposition 12 Highway Improvement Project Fund	Local Government Political Subdivision Road/Airport Account	Nonmajor Funds	Transportation Function Total
Salaries and Wages	\$ 713,218,169.32	\$ 0.00	\$ 0.00	\$ 0.00	\$ 1,001,902.96	\$ 714,220,072.28
Payroll Related Costs	338,366,079.54	0.00	0.00	0.00	287,332.94	338,653,412.48
Professional Fees and Services	1,174,262,137.36	0.00	0.00	0.00	829,819.11	1,175,091,956.47
Federal Pass-Through Expenditures	12,185,303.01	0.00	0.00	0.00	0.00	12,185,303.01
State Pass-Through Expenditures	96,000.00	0.00	0.00	0.00	0.00	96,000.00
Travel	11,117,082.56	0.00	0.00	0.00	62,284.88	11,179,367.44
Materials and Supplies	368,174,818.92	0.00	0.00	0.00	850,843.73	369,025,662.65
Communication and Utilities	41,880,045.15	0.00	0.00	0.00	2,238,238.39	44,118,283.54
Repairs and Maintenance	697,621,638.67	0.00	0.00	0.00	85,445.98	697,707,084.65
Rentals and Leases	32,518,156.00	0.00	0.00	0.00	57,757.74	32,575,913.74
Printing and Reproduction	3,622,220.50	0.00	0.00	0.00	0.00	3,622,220.50
Claims and Judgments	3,141,777.13	0.00	0.00	0.00	0.00	3,141,777.13
Intergovernmental Payments	191,569,252.06	3,194,592.87	0.00	0.00	353,768.49	195,117,613.42
Public Assistance Payments	68,429,612.77	0.00	0.00	0.00	0.00	68,429,612.77
Other Expenditures	288,592,108.82	0.00	0.00	0.00	100,980.95	288,693,089.77
Total Expenditures	\$ 3,944,794,401.81	\$ 3,194,592.87	\$ 0.00	\$ 0.00	\$ 5,868,375.17	\$ 3,953,857,369.85

The above schedule represents governmental fund expenditures of the transportation function in the object code detail.



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Produced by the **Texas Department of Transportation's Financial Management Division.**

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APPENDIX C

INFORMATION CONCERNING THE FUNDING OF FEDERAL-AID HIGHWAYS

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APPENDIX C

INFORMATION CONCERNING THE FUNDING OF FEDERAL-AID HIGHWAYS

The Federal-Aid Highway Program

The Federal-Aid Highway Program (“FAHP”) is an “umbrella” term that encompasses most of the federal programs providing highway funds to the states. The FAHP must be periodically reauthorized by Congress. Authorizing legislation for highways began with the Federal-Aid Road Act of 1916 and the Federal Highway Act of 1921. These acts provided the foundation for the FAHP as it exists today. Since that time, the FAHP has been continued or renewed through the passage of multi-year authorization acts and short-term extensions. The current federal highway authorization legislation, the “Fixing America’s Surface Transportation Act” (“FAST Act”) became law on December 4, 2015 and is authorized until September 30, 2020. The FAST Act replaced the “Moving Ahead for Progress in the 21st Century Act” (“MAP-21”) which expired September 2014 and had subsequent short term extensions until the passage of the FAST Act. MAP-21 replaced the “Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users” (“SAFETEA-LU”), which expired in September 30, 2009, but was reauthorized through passage of temporary short-term extensions until June 30, 2012.

The Federal Highway Administration (“FHWA”) is the federal agency within the U.S. Department of Transportation responsible for administering the FAHP. Title 23, United States Code, entitled “Highways,” includes most of the laws that govern the FAHP arranged systematically or codified. Generally, Title 23 embodies those substantive provisions of highway law that Congress considers to be continuing and which need not be reenacted each time the FAHP is reauthorized. Periodically, sections of Title 23 may be amended or repealed through surface transportation acts.

Although there are other programs administered through FAHP, the major funding for the FAHP is made available in five major categories largely consolidated through MAP-21 (and carried forward through the FAST Act): the National Highway Performance Program, the Surface Transportation Program, the Highway Safety Improvement Program, the Congestion Mitigation and Air Quality Program (“CMAQ”), and Metropolitan Planning (“MPO”). Although FHWA provides funding for eligible highway projects, federal-aid highways are under the administrative control of the state or local government responsible for their operation and maintenance.

The FAHP is financed from the transportation user-related revenues deposited in the Federal Highway Trust Fund (“HTF”). The primary source of revenues in the HTF is derived from the federal excise taxes on motor fuels, including certain alternative fuels. Other taxes include excise taxes on tires, trucks and trailers, and truck use taxes.

The FAHP is a reimbursement program. Once projects are approved by FHWA and funds are obligated, the federal government makes payments to the states for costs as they are incurred on projects, which may include debt service on obligations issued to finance a project. With few exceptions, the federal government does not pay for the entire cost of a federal-aid project. Federal reimbursements are typically to be matched with state and/or local funds. The maximum federal share is specified in the federal legislation authorizing the program. Under current law, most projects have an 80 percent federal share, while Highway Safety Improvement Program projects, as well as certain interstate highway construction projects, are funded with a 90 percent federal share.

Funding under the FAHP is provided to states through a multi-step funding cycle that includes: (i) multi-year or short-term authorization by Congress of the funding for various highway programs; (ii) apportionment and allocation of funds to the states each FFY according to statutory formulas or, for some funding categories, through administrative action; (iii) obligation of funds, which is the federal government’s legal commitment (or promise) to pay or reimburse states for the federal share of a project’s eligible costs; (iv) appropriations by Congress specifying the amount of funds available for the year to liquidate and meet its obligations; (v) program implementation which covers the programming and authorization phases; and (vi) reimbursement by the federal government of the eligible project costs. Each of these steps is described in more detail under “Federal-Aid Funding Procedures” below.

THE TERMS AND CONDITIONS OF PARTICIPATION IN THE FAHP AS DESCRIBED HEREIN ARE THOSE IN THE FAST ACT AND ARE SUBJECT TO CHANGE AT THE DISCRETION OF CONGRESS. THERE CAN BE NO ASSURANCE THAT THE LAWS AND REGULATIONS NOW GOVERNING THE FAHP WILL NOT BE CHANGED IN THE FUTURE IN A MANNER THAT MAY ADVERSELY AFFECT THE ABILITY OF THE DEPARTMENT TO RECEIVE FEDERAL-AID REVENUES.

The Federal Highway Trust Fund

The HTF provides the primary funding for the FAHP. Funded by a collection of federally-imposed motor vehicle user fees, primarily fuel taxes, the HTF is a fund established by law to hold dedicated highway-user revenues that are used for reimbursement of a state's cost of eligible transportation projects (which may include debt service on obligations issued to finance a federal-aid project), including highway projects. The HTF is composed of two accounts: the Highway Account, which funds highway and intermodal programs, and the Mass Transit Account. The Highway Account receives approximately 84% of gasoline tax revenues and 88% of diesel fuel revenues, with the remaining share of such revenues deposited in the Mass Transit Account. Federal fuel excise taxes are the largest revenue source for the HTF. The majority of these tax revenues, including 15.44 cents per gallon out of the current 18.4 cents per gallon gasoline tax and 21.44 cents per gallon out of the current 24.4 cents per gallon diesel tax, go to the Highway Account.

The imposition of the taxes that are dedicated to the HTF, as well as the authority to place the taxes in the HTF and to expend moneys from the HTF, all have expiration dates which must be extended periodically. The life of the HTF has been extended several times since its inception. The most recent multi-year legislation to extend the imposition of taxes was in 2015 by the FAST Act, described below. The HTF is required under current federal law to maintain a positive balance to ensure that prior commitments for distribution of federal revenues can be met.

At least since 2007, the nonpartisan Congressional Budget Office ("CBO") has, from time to time, reported or testified that if Congress adhered to the highway and safety spending levels which it had authorized, absent other measures, the Highway Account of the HTF would go into deficit within a year or two after such report or testimony was presented. The CBO has stated that since 2001, HTF receipts have consistently fallen below expenditures. During the 1980s and the first half of the 1990s, HTF balances held in the vicinity of \$10 billion. In 1998 the Transportation Equity Act for the 21st Century ("TEA-21"), described below, authorized spending that was sufficient to gradually draw down those balances. TEA-21 along with the subsequent passage in 2005 of SAFETEA-LU, described below, attributed to expenditures exceeding revenues since 2001. Because of looming shortfalls, Congress has enacted legislation from time to time authorizing transfers into the HTF from the Treasury's general fund, however, there can be no assurance that Congress will continue such practice or take other action that may delay or result in proration of federal reimbursements to the Department or other changes in law, regulation, policy or the availability of revenues at the federal level which may materially adversely affect the future availability of federal transportation program funds.

The following table shows annual HTF collections in the Highway Account for the FFYs 1999 through 2018 from the most current publication of the FHWA's Highway Statistics Series:

**Receipts into the Highway Account of the Federal Highway Trust Fund
(In Millions)**

<u>Federal</u> <u>Fiscal Year</u>	<u>Receipts⁽¹⁾</u>	<u>Federal</u> <u>Fiscal Year</u>	<u>Receipts⁽¹⁾</u>	<u>Federal</u> <u>Fiscal Year</u>	<u>Receipts⁽¹⁾</u>
1999	\$33,821	2007	\$35,668	2015	\$34,584
2000	30,347	2008	33,512	2016	35,294
2001	26,916	2009	30,126	2017	36,185
2002	32,603	2010	30,150	2018	36,463
2003	28,962	2011	31,960		
2004	29,785	2012	35,143		
2005	32,893	2013	31,816		
2006	33,279	2014	34,012		

⁽¹⁾ Excludes interest earned on balances.

Source: Status of the Federal Highway Trust Fund Fiscal Years 1957-2018, Table FE-210, Highway Statistics 2018, Office of Highway Policy Information (as updated through July 2019).

Reauthorization History

All federal programs must be authorized through enacted legislation that defines the programs and establishes maximum funding levels, and for most programs annual appropriations acts are necessary in order to create budget authority. Indeed, for most federal domestic discretionary programs, a lapsed authorization may have little or no effect on a program, so long as revenues are appropriated. For the FAHP, the consequences of lapsed authorization caused when Congress fails

to enact reauthorization legislation are somewhat different. While Congress may pass interim legislation, the existence of contract authority and a dedicated revenue stream means that the FHWA usually can continue to provide obligation authority, as defined below, by administrative action.

Since 1978, Congress has passed highway legislation as part of larger, more comprehensive, multi-year surface transportation acts. There is no guarantee, however, that reauthorization of the FAHP will occur on a multi-year basis. Prior to 1998, Congress reauthorized the FAHP pursuant to a number of multi-year authorizations.

Though recent federal surface transportation legislation has been authorized for four to six years at a time, there occasionally have been periods in which the previous authorizing legislation had expired and the future legislation had yet to be enacted. In such circumstances, Congress and/or the FHWA have found ways to avoid disruptions to state highway programs and, more importantly, have been able to maintain the flow of federal revenues to states in each instance. Four mechanisms in particular have kept revenues flowing:

- Short-Term Authorization: TEA-21 was enacted in 1998 and authorized programs over the six-year period from FFYs 1998 through 2003. TEA-21 expired September 30, 2003, and was the subject of many interim reauthorization extensions until the enactment of SAFETEA-LU in August 2005.
- Access to Unobligated Balances: The 1987 Surface Transportation and Uniform Relocation Assistance Act expired on September 30, 1991 and the Intermodal Surface Transportation Efficiency Act (“ISTEA”) was not enacted until December 18, 1991. The FHWA was able to act administratively to keep federal-aid funding flowing because states could use their unobligated balances to provide contract authority to use new obligation authority.
- Extension of SAFETEA-LU: SAFETEA-LU became law on August 10, 2005, and authorized programs over the four-year period from FFY 2006 through 2009. After the expiration of SAFETEA-LU in September 2009, Congress enacted 10 interim authorization measures until the enactment of MAP-21. SAFETEA-LU authorized a total of \$286.4 billion for federal surface transportation programs in FFY 2005 through FFY 2009.
- MAP-21: MAP-21 was signed into law by the President on July 6, 2012 and authorized a total of approximately \$118 billion for highways, highway safety and public transportation programs through FFY 2014. The federal-aid highway programs obligation limitations were set at the following levels: \$39.7 billion in FFY 2013 and \$40.3 billion in FFY 2014. After the expiration of MAP-21 but before enactment of the FAST Act, Congress used a series of five short-term authorizations to fund the FAHP from October 1, 2014 through December 4, 2015 which, in the aggregate, set federal-aid highway programs obligation limitations at \$3.63 billion for such period.
- FAST-Act: The FAST Act was signed into law by the President on December 4, 2015. The FAST Act authorizes \$226.3 billion in budget authority for Federal-aid highway programs over five years (FFY 2016 through FFY 2020). This includes \$225.2 billion in contract authority, starting at \$43.1 billion for FFY 2016 and growing about two percent each year to \$47.1 billion in FFY 2020. The FAST Act also authorizes another \$1.1 billion (over the five years) that is subject to appropriation.

Neither the FAST Act nor MAP-21 extended the practice (established in TEA-21 and continued in SAFETEA-LU) of establishing separate budget categories for highway and transit discretionary spending and establishing budgetary “firewalls” between highway and transit discretionary spending and all other domestic discretionary programs. A limitation on obligations and the process for distribution is included for each of the years in the FAST Act. Through the limitation on obligations, Congress controls the program, making it more responsive to prevailing budget and economic policy each year. MAP-21 contained provisions (which were carried forward through the FAST Act) which attempt to maintain funding levels for highway programs by providing a commitment to apportion at least 95% of the estimated tax payments attributable to highway users in a state paid into the HTF.

ALTHOUGH INTERIM AUTHORIZATION MEASURES HAVE BEEN ENACTED BY CONGRESS IN THE PAST, NO ASSURANCE CAN BE GIVEN THAT SUCH MEASURES WOULD OR COULD BE ENACTED IN THE FUTURE TO MAINTAIN THE FLOW OF FEDERAL-AID FUNDING UPON TERMINATION OF EITHER A SHORT-TERM OR MULTI-YEAR AUTHORIZATION PERIOD.

Federal Aid Funding Procedures

The FAHP continues to enable the construction of an extensive national transportation system through reimbursement of a large percentage of state expenditures for approved highway projects. The financial assurance provided by the FAHP is unusual among federal programs in that: (i) the FAHP is funded by dedicated revenues, from a user-tax source, deposited in a special trust fund, i.e., HTF; (ii) the contract authority of the FHWA is established by a multi-year authorization act rather than through annual appropriation acts; and (iii) contract authority is not subject to the annual appropriations process (as budget authority is in most other federal programs), although an appropriations act is required in order to liquidate and meet such obligations.

The following summarizes the major steps in funding the FAHP.

Authorization

The first and most important step in financing the FAHP is the development and enactment of authorizing legislation. The authorization act not only shapes and defines programs, but also sets upper limits (authorizations) on the funding for programs and includes provisions related to the operation of the HTF.

Once Congress has established authorizations, the next step involves how funds are made available to states. Typically, federal programs operate using appropriated budget authority which means that funds, although authorized, are not available until passage of an appropriations act. However, most programs within the FAHP do not require this two-step process. Through what is termed “contract authority” (a special type of budget authority), authorized amounts become available for obligation according to the provisions of the authorization act without further legislative action. For the FAHP, funds authorized for a FFY are available for distribution through apportionments or allocations. The use of contract authority gives the states advance notice of the level of federal funding at the time an authorization act is enacted, eliminating much of the uncertainty associated with the authorization-appropriation sequence.

The existence of dedicated revenues in the HTF and of multi-year contract authorizations are designed to provide a predictable and uninterrupted flow of reimbursements to the states. The risk of contract authority lapsing between authorizing acts is minimal, since sufficient unobligated balances generally exist that can be used by the states, with the approval of Congress, to cover gaps in funding between multi-year reauthorization acts. See “Reauthorization History” above.

Apportionment, Allocations and Rescissions

For most components of the FAHP, the authorization act sets the distribution of contract authority to be apportioned and/or allocated to the states. The authorized amount for a given FFY is distributed to the states through apportionments and allocations.

(a) Apportionments. The distribution of funds using a formula provided in law is called an apportionment. Most federal-aid funds are distributed to states through apportionments. Each FFY, the FHWA has responsibility for apportioning authorized funding for the various highway programs among the states according to formulas established in the authorizing statute. Under the FAST Act, in FFY 2016, the totals apportioned to a state for the National Highway Performance Program, Surface Transportation Program, Highway Safety Improvement Program, CMAQ, and MPO is according to the total apportioned to that state for 2012 under SAFETEA-LU based on factors including items such as lane miles, vehicle miles traveled, taxes paid into the HTF and diesel fuel usage. The total apportioned to a state for those programs mentioned above is based on the proportion of the total funds a state received in 2012 of the total funds received by all states adjusted so that no state receives less than 95 percent of the estimated tax payments attributable to highway users in the State paid into the HTF (other than the Mass Transit Account) in the most recent fiscal year for which data is available.

(b) Allocations. Some categories do not have a legislatively mandated distribution formula. When there are no formulas in law, the distributions of funds are termed “allocations” which may be made at any time during the FFY. In most cases, allocated funds are divided among states with qualifying projects applying general administrative criteria provided in the law.

Federal-aid highway apportionments are available to states for use for more than one year. Their availability does not terminate at the end of the FFY, as is the case with most other federal programs. In general, apportionments are available for three years plus the year that they are apportioned. Consequently, when new apportionments or allocations are made, the amounts are added to a state’s carryover apportionments from the previous year. Should a state fail to obligate a year’s

apportionment within the period of availability specified for a given program (usually a total of four years), the authority to obligate any remaining amount lapses.

(c) **Rescissions.** A federal rescission of funds reduces the amount of federal funds provided by an appropriations or authorization act that has already become law. Similar to an appropriation or authorization act, a rescission must be passed by both chambers of the Congress and signed into law by the President. In most instances, a rescission is used to provide funding for a new or emergency legislative priority without increasing federal spending government-wide or by a particular agency. Another common scenario is to accommodate for budget shortfalls caused by federal revenue predictions that are discovered to be too high after a spending bill is passed into law. Rescissions are generally targeted at unobligated apportionments. In FFY 2006, a rescission totaling \$1,999,999,000 nationwide was mandated by the Transportation, Treasury, HUD Appropriations Act of 2006 which was signed into law November 30, 2005. Texas's share of this amount was \$158,707,654. The Defense Appropriation Act of 2006, signed into law December 30, 2005, mandated a \$1,143,000,000 rescission nationwide. Texas's share was \$90,670,526. The third rescission for FFY 2006 was the Emergency Supplemental Appropriations Act of 2006, signed into law June 15, 2006, mandating an additional \$702,362,500 rescission nationwide, of which Texas's share was \$55,716,165. In FFY 2007, there were two transportation rescissions enacted. The 2007 Continuing Resolution, signed into law February 15, 2007, mandated a \$3,471,582,000 rescission nationwide and the US Troop Readiness, Veterans' Care, Katrina Recovery, and Iraq Accountability Appropriations Act, signed into law May 25, 2007, mandated an additional \$871,022,000 rescission nationwide. Of these, Texas's share was \$288,459,698 and \$72,374,710 respectively.

The Energy Independence Security Act of 2007 ("EISA"), signed into law on December 18, 2007, provided instructions as to how rescissions should be implemented in 2008 and 2009 and limited the programs subject to be rescinded to those apportioned under Chapter 1 of Title 23. In FFY 2008, the Consolidated Appropriations Act of 2008, signed into law on December 26, 2008, rescinded approximately \$3.15 billion from unobligated apportioned funds of which Texas's share was \$257,989,173. There were two rescissions in FFY 2009. The first was the result of a combination of acts including EISA, the Pension Protection Act of 2006, signed into law on August 17, 2006, and the SAFETEA-LU Technical Corrections Act of 2008, signed into law on June 6, 2008, and rescinded \$8,705,000,000 of unobligated balances nationwide on September 30, 2009; the impact on Texas was \$728,707,560. This rescission was subsequently restored by the Hiring Incentives to Restore Employment Act ("HIRE Act") in 2010. The second FFY 2009 rescission was the result of Division I, Title I of the Omnibus Appropriations Act, 2009, which was signed into law March 11, 2009, and mandated a second rescission of \$3.15 billion of unobligated federal-aid highway funds apportioned to states; the impact on Texas was \$272,403,085. In FFY 2010, Public Law 111-226, signed into law on August 10, 2010, rescinded \$2,200,000,000 from unobligated apportioned funds of which Texas's share was \$190,367,982. In FFY 2011, the Full-Year Continuing Appropriations Act, 2011, signed into law on April 15, 2011, rescinded \$2,500,000,000 from unobligated apportioned funds of which Texas's share was \$200,895,021.

The FAST Act contains a HTF contract authority rescission of \$7.5 billion on September 30, 2020; however, in November 2019, Congress repealed the FAST Act rescission as part of the "Further Continuing Appropriations Act, 2020, and Further Health Extenders Act of 2019." It is possible for additional rescissions to be added by Congress.

Obligation

Obligation is the commitment (or promise) of the federal government to pay, through reimbursement to a state, the federal share of an approved project's eligible costs, which may include debt service on obligations issued to finance a project. This process is important to the states because it allows states to award contracts with assurance that the federal government will reimburse its share of incurred costs. Once an obligation is made, the federal government is to reimburse the states when bills or payments become due. However, Congress places a restriction or "ceiling" on the amount of federal assistance that may be promised (obligated) during a specified time period. The obligation limitation is the amount of authorized funding that Congress allows states to obligate in an individual year. This is a statutory budgetary control that does not affect the apportionment or allocation of funds. Rather, it controls the rate at which these funds can be used.

Once Congress establishes an overall obligation limitation and after deducting amounts for certain exempt programs and various set-aside⁽¹⁾, FHWA distributes obligation authority ("OA") to states proportionately based on each state's share of apportioned and allocated revenues. The actual ratio of OA to apportionment and allocations may vary from state to state, since some federal-aid programs are exempt from the obligation limitation. During the FFY, states submit requests to FHWA to obligate funds, representing the federal share of specific projects. As a state obligates funds, its balance of OA is reduced.

⁽¹⁾ Like previous authorization bills, the FAST Act provides a separate authorization for the administration costs of FAHP, not as a takedown from the various apportionment programs.

A state's OA (unlike its apportionments and allocations of authorized funding) must be used before the end of the FFY for which it is made available; if not, it will be distributed to other states to ensure that the total limitation nationwide will be used. A state may receive additional OA through a redistribution process each year in August which reallocates OA from states or programs unable to fully obligate their share to other states that are able to obligate more than their initial share.

Although a ceiling on obligations restricts how much funding may be used in a FFY, a state has flexibility within the overall limitation to mix and match the type of program funds it obligates, based on its individual needs, as long as it does not exceed the ceiling in total.

Highway Program Implementation

In order to receive federal reimbursements for transportation projects, states are required to develop long-range transportation plans that are based on realistic projections of state and federal funding. Projects are not eligible for federal reimbursements unless they are either directly identified in a long-range plan or consistent with policies and objectives identified in long-range plans and are included in the three-year Statewide Transportation Improvement Program ("STIP") which lists all projects proposed for financing in that three-year period. The STIP requires FHWA approval.

States are required to follow federal fiscal management procedures as they implement projects that are included in the STIP. These fiscal management processes ensure that the process is managed efficiently from project authorization to actual payment of FHWA reimbursements to the state. Further, states are required to use a detailed accounting system to track project expenditures and reimbursements. In addition, a federal system tracks payments to states. States may request FHWA approval for eligible projects either through the traditional process or through the advance construction procedure as discussed below:

(a) Traditional Approach. Under the traditional highway funding approach, a state obligates the full federal share of the funding for a project at the beginning of the project, concurrent with project authorization. The first step in the fiscal management process begins when a state requests authorization to use federal funds on a project. The project sponsor submits plans, specifications and estimates ("PS&E's") for a project to the FHWA Division Office, and requests that the FHWA approve the use of federal funding for the appropriate federal share of the project. The project must be in the STIP and PS&Es must identify the category of federal funding that will be used.

FHWA evaluates the PS&Es to ensure that the project is eligible for federal funding and meets a variety of federal requirements. Provided that all requirements are satisfied, FHWA authorizes federal participation on the project, and obligates the federal share of project costs. By obligating the funds, the FHWA makes a commitment to reimburse the state for the federal share of eligible project costs. It sets aside the appropriate amount of the state's OA, and also sets aside an equivalent amount of apportionments by program. Accordingly, the state must have sufficient OA to cover the level of federal participation it is requesting.

Once authorization for a project has been obtained, the state advertises for the construction or acquisition of the project and receives bids. The state awards the contract to the lowest responsive bidder and submits a request to FHWA asking for any necessary adjustments to federal obligations to reflect the actual bid amount. If approved, the amounts agreed to are included in a project agreement which identifies the funds that will be encumbered by the state, and the amount that will be reimbursed by the federal government.

(b) Advance Construction Approach. In recent years, FHWA has implemented several new fiscal management techniques that provide states additional flexibility in managing their OA and cash flow. Advance construction ("AC") and partial conversion of advance construction are two key techniques that facilitate federal-aid project funding.

The AC approach for authorizing projects allows states to finance projects that are eligible for federal aid without obligating the full federal share of costs at the beginning of the project. This allows states to begin a project before accumulating all of the OA needed to cover the federal share of the project. Similar to the traditional approach, the state submits PS&E's to FHWA and requests project authorization. Under AC, however, FHWA is asked to authorize the project without obligating federal funds. The state will provide the up-front financing for the project and then at a later date "convert" the advance construction project to a regular federal-aid project and obligate the full federal share of the project costs, when sufficient OA is available. At the time of conversion, the state can be reimbursed for the federal share of costs incurred up to the point of conversion.

Partial conversion of AC is a form of advance construction in which the state converts, obligates, and receives reimbursement for only a portion of its funding of an AC project in a given year. This removes any requirement to wait until the full amount of OA for the project is available. The state can therefore obligate varying amounts for the project's eligible cost in each year, depending on how much of the state's OA is available. Using the technique to partially convert the federal share makes bond and note financing more viable and federal-aid funds available to support a greater number of projects. The National Highway System Act of 1995 provided additional flexibility in the use of advance construction by allowing partial conversion of advance construction as implemented through a Federal Register Notice dated July 19, 1995.

Sequestration

On March 18, 2019, the Office of Management and Budget ("OMB") issued a report (the "OMB 2019 Report") which was prepared consistent with the requirements of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended. The mandate from the Budget Control Act of 2011 (P. L. 112-25) requires, among other things, a 9.4 percent reduction for certain non-exempt defense discretionary programs, an 8.2 percent reduction for certain non-exempt nondefense discretionary programs and a 7.6 percent reduction for certain non-exempt nondefense mandatory programs, beginning in January 2013. The Bipartisan Budget Act of 2018 (PL 115-123) reduced some of the spending cuts required by sequestration for FFY 2019 and 2020. Under Title 23, revenues deposited into the HTF carry "mandatory budget authority" in the form of federal contract authority.

Federal contract authority exempts HTF revenues subject to obligation limitation from reduction. Therefore, the dedicated tax revenues deposited into the HTF are not subject to sequestration. As set forth in the OMB 2019 Report, OMB has calculated that federal contract authority not subject to obligation limitation is, however, subject to reduction at an annual rate of 5.9 percent for FFY 2020.

ALTHOUGH THESE MEASURES HAVE BEEN ENACTED BY CONGRESS AND/OR FHWA IN THE PAST, NO ASSURANCE CAN BE GIVEN THAT SUCH MEASURES WOULD OR COULD BE ENACTED IN THE FUTURE TO MAINTAIN THE FLOW OF FEDERAL-AID FUNDING UPON TERMINATION OF AN AUTHORIZATION PERIOD.

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APPENDIX D

FORM OF OPINION OF BOND COUNSEL

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WE HAVE ACTED AS BOND COUNSEL to the Texas Transportation Commission (the “Commission”), the governing body of the Texas Department of Transportation (the “Department”), in connection with an issue of bonds (the “Bonds”) described as follows:

TEXAS TRANSPORTATION COMMISSION STATE HIGHWAY FUND FIRST TIER REVENUE REFUNDING BONDS, TAXABLE SERIES 2020, dated July 1, 2020, in the aggregate principal amount of \$341,425,000, maturing on October 1 in each of the years 2030 and 2033. The Bonds are issuable in fully registered form only, in denominations of \$5,000 or integral multiples thereof, bearing interest, subject to redemption prior to maturity, and subject to transfer and exchange as set forth in the Bonds and in the Second Amended and Restated Master Resolution Establishing a Financing Program for Bonds, Other Public Securities and Credit Agreements Secured by and Payable from Revenue Deposited to the Credit of the State Highway Fund, dated as of April 23, 2010 (the “Master Resolution”), the Ninth Supplemental Resolution to the Master Resolution, adopted pursuant to Minute Order Number 115543 approved by the Commission on July 25, 2019 (the “Ninth Supplemental Resolution”), and the Award Certificate of Department Representative dated as of June 9, 2020 (the “Award Certificate” and, together with the Master Resolution and the Ninth Supplemental Resolution, the “Resolution”), authorizing the issuance of the Bonds.

WE HAVE ACTED as Bond Counsel for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas. In such capacity we have examined the Constitution and laws of the State of Texas and a transcript of certain certified proceedings pertaining to the issuance of the Bonds and the obligations that are being refunded (the “Refunded Obligations”) with a portion of the proceeds of the Bonds, as described in the Resolution. The transcript contains certified copies of certain proceedings of the Commission and U.S. Bank National Association, Dallas, Texas (the “Escrow Agent”); the report (the “Report”) of AMTEC Corp., Avon, Connecticut (the “Verification Agent”), which verifies the sufficiency of the deposits made with the Escrow Agent for the defeasance of the Refunded Obligations; certain certifications and representations and other material facts within the knowledge and control of the Commission and the Department, upon which we rely; and certain other customary documents and instruments authorizing and relating to the issuance of the Bonds. We have also examined executed Bond No. R-1.

WE HAVE NOT BEEN REQUESTED to examine, and have not investigated or verified, any original proceedings, records, data or other material, but have relied upon the transcript of certified proceedings. We have not assumed any responsibility with respect to the financial condition or capabilities of the Commission or the disclosure thereof in connection with the sale of the Bonds. Our role in connection with the Commission’s Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein. Capitalized terms used herein and not otherwise defined have the meaning assigned in the Resolution.

BASED ON SUCH EXAMINATION, it is our opinion as follows:

- (1) The transcript of certified proceedings evidences complete legal authority for the issuance of the Bonds in full compliance with the Constitution and laws of the State of Texas presently in effect; the issuance, execution and delivery of the Bonds is permitted under the Resolution; and the Bonds and the Resolution have been duly authorized, executed and delivered in accordance with law;
- (2) The covenants and agreements in the Resolution constitute valid and legally binding obligations of the Commission, and the Bonds constitute valid, binding and enforceable limited obligations of the Commission, except to the extent that the rights and remedies of the owners of the Bonds may be limited by laws heretofore or hereafter enacted relating to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the rights of creditors of political subdivisions and governmental agencies and the exercise of judicial discretion in appropriate cases;
- (3) The Bonds are First Tier Senior Obligations secured by and payable solely from a first lien on the Pledged Revenues described in the Resolution; and
- (4) The escrow agreement between the Commission and the Escrow Agent (the “Escrow Agreement”) has been duly executed and delivered and constitutes a binding and enforceable agreement in accordance with its terms; the establishment of the Escrow Fund pursuant to the Escrow Agreement and the deposit made therein constitute the making of firm banking and financial arrangements for the discharge and final payment of the Refunded Obligations;

in reliance upon the accuracy of the calculations contained in the Report, the Refunded Obligations, having been discharged and paid, are no longer outstanding and the lien on and pledge of Pledged Revenues as set forth in the resolutions authorizing their issuance will be appropriately and legally defeased; the holders of the Refunded Obligations may obtain payment of the principal of and interest on the Refunded Obligations only out of the funds provided therefor now held in escrow for that purpose by the Escrow Agent pursuant to the terms of the Escrow Agreement; and, therefore, the Refunded Obligations are deemed to be fully paid and no longer outstanding, except for the purpose of being paid from the funds provided therefor in such Escrow Agreement.

THE COMMISSION HAS RESERVED THE RIGHT in the Master Resolution, and the Master Resolution permits the Commission, to issue or incur from time to time other series and installments of First Tier Senior Obligations which are equally and ratably secured, on parity with the Bonds, by a first lien on and pledge of the Pledged Revenues. The Commission also has reserved the right to issue or incur additional Senior Obligations, and to establish additional Tiers for the payment thereof, which are secured by a pledge of and lien on the Pledged Revenues that is junior and subordinate to the lien of the Master Resolution with respect to First Tier Senior Obligations (including the Bonds). In addition, the Resolution recognizes and reserves to the Commission the right to issue or incur Subordinate Obligations which may be payable from or secured by a lien on State Highway Fund Revenues that is junior and subordinate to the lien of the Master Resolution with respect to First Tier Senior Obligations and Senior Obligations of any additional Tiers established hereafter.

INTEREST ON THE BONDS is not excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended. We express no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual, or receipt of interest on, the Bonds.

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

ORRICK, HERRINGTON & SUTCLIFFE LLP

APPENDIX E

DTC BOOK-ENTRY-ONLY SYSTEM AND GLOBAL CLEARANCE PROCEDURES

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APPENDIX E

DTC BOOK-ENTRY-ONLY SYSTEM AND GLOBAL CLEARANCE PROCEDURES

This Appendix describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by The Depository Trust Company (“DTC”), New York, New York, while the Bonds are registered in its nominee name.

The information in this Appendix concerning DTC, Euroclear Bank SA/NV as operator of the Euroclear System (“Euroclear”) and Clearstream Banking, S.A., Luxembourg (“Clearstream Banking”) (DTC, Euroclear and Clearstream Banking together, the “Clearing Systems”), and DTC’s book-entry-only system has been provided by DTC, Euroclear and Clearstream Banking for use in disclosure documents such as this Official Statement.

DTC will act as the initial securities depository for the Bonds. Euroclear and Clearstream Banking are participants of DTC and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders.

The information set forth below is subject to any change in or reinterpretation of the rules, regulations and procedures of the Clearing Systems currently in effect and the Commission and the Underwriters expressly disclaim any responsibility to update this Official Statement to reflect any such changes. The information herein concerning the Clearing Systems has been obtained from sources that the Commission believes to be reliable, but neither the Commission nor the Underwriters take any responsibility for the accuracy or completeness of the information set forth herein. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. The Commission and the Underwriters will not have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Bonds held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

The Commission and the Underwriters cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to participants of the Clearing Systems (“Participants”) (2) Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC or the other Clearing Systems will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants (hereinafter defined) are on file with DTC.

Clearing Systems

DTC Book-Entry-Only System

DTC will act initially as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company of DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others

such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction.

Transfers of beneficial ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their beneficial ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co., or such other DTC nominee, do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Paying Agent/Registrar and request that copies of notices be provided directly to them.

Redemption notices will be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed, unless other arrangements are made between the Paying Agent/Registrar and DTC.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Commission as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

All payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Commission or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar, or the Commission, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Commission or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Commission and the Paying Agent/Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

To the extent permitted by law, the Commission may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bonds will be printed and delivered to DTC.

In reading this Official Statement it should be understood that while the Bonds are in the book-entry-only system, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and its book-entry-only system, and (ii) except as described above, notices that are to be given to registered owners under the Bond documents will be given only to DTC.

Euroclear and Clearstream Banking

Euroclear and Clearstream Banking each hold securities for their customers and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Euroclear and Clearstream Banking provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream Banking also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream Banking have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream Banking customers are worldwide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream Banking is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system, either directly or indirectly.

Clearing and Settlement Procedures

General

Any Bonds sold in offshore transactions will be initially issued to investors through the book-entry facilities of DTC, for the account of its participants, including but not limited to Euroclear and Clearstream Banking. If the investors are participants in Clearstream Banking and Euroclear in Europe, or indirectly through organizations that are participants in the Clearing Systems, Clearstream Banking and Euroclear will hold omnibus positions on behalf of their participants through customers' securities accounts in Clearstream Banking's and Euroclear's names on the books of their respective depositories.

In all cases, the record holder of the Bonds will be DTC's nominee and not Euroclear or Clearstream Banking. The depositories, in turn, will hold positions in customers' securities accounts in the depositories' names on the books of DTC. Because of time zone differences, the securities account of a Clearstream Banking or Euroclear participant as a result of a transaction with a participant, other than a depository holding on behalf of Clearstream Banking or Euroclear, will be credited during the securities settlement processing day, which must be a business day for Clearstream Banking or Euroclear, as the case may be, immediately following the DTC settlement date. These credits or any transactions in the securities settled during the processing will be reported to the relevant Euroclear participant or Clearstream Banking participant on that business day. Cash received in Clearstream Banking or Euroclear as a result of sales of securities by or through a Clearstream Banking participant or Euroclear participant to a DTC Participant, other than the depository for Clearstream Banking or Euroclear, will be received with value on the DTC settlement date but will be available in the relevant Clearstream Banking or Euroclear cash account only as of the business day following settlement in DTC.

Transfers between participants will occur in accordance with DTC rules. Transfers between Clearstream Banking participants or Euroclear participants will occur in accordance with their respective rules and operating procedures. Cross-market transfers between persons holding directly or indirectly through DTC, on the one hand, and directly or indirectly through Clearstream Banking participants or Euroclear participants, on the other, will be effected in DTC in accordance with DTC rules on behalf of the relevant European international clearing system by the relevant depositories; however, cross-market transactions will require delivery of instructions to the relevant European international clearing system by the counterparty in the system in accordance with its rules and procedures and within its established deadlines in European time. The relevant European international clearing system will, if the transaction meets its settlement requirements, deliver

instructions to its depository to take action to effect final settlement on its behalf by delivering or receiving securities in DTC, and making or receiving payment in accordance with normal procedures for same day funds settlement applicable to DTC. Clearstream Banking participants or Euroclear participants may not deliver instructions directly to the depositories.

The Commission will not impose any fees in respect of holding the Bonds; however, holders of book-entry interests in the Bonds may incur fees normally payable in respect of the maintenance and operation of accounts in the Clearing Systems.

Initial Settlement

Interests in the Bonds will be in uncertified book-entry form. Purchasers electing to hold book-entry interests in the Bonds through Euroclear and Clearstream Banking accounts will follow the settlement procedures applicable thereto and applicable to DTC. Book-entry interests in the Bonds will be credited by DTC to Euroclear and Clearstream Banking participants' securities clearance accounts on the business day following the date of delivery of the Bonds against payment (value as on the date of delivery of the Bonds). DTC participants acting on behalf of purchasers electing to hold book-entry interests in the Bonds through DTC will follow the delivery practices applicable to securities eligible for DTC's Same Day Funds Settlement system. DTC participants' securities accounts will be credited with book-entry interests in the Bonds following confirmation of receipt of payment to the Commission on the date of delivery of the Bonds.

Secondary Market Trading

Secondary market trades in the Bonds will be settled by transfer of title to book-entry interests in the Clearing Systems. Title to such book-entry interests will pass by registration of the transfer within the records of Euroclear, Clearstream Banking or DTC, as the case may be, in accordance with their respective procedures. Book-entry interests in the Bonds may be transferred within Euroclear and within Clearstream Banking and between Euroclear and Clearstream Banking in accordance with procedures established for these purposes by Euroclear and Clearstream Banking. Book-entry interests in the Bonds may be transferred within DTC in accordance with procedures established for this purpose by DTC. Transfer of book-entry interests in the Bonds between Euroclear or Clearstream Banking and DTC will be effected in accordance with procedures established for this purpose by Euroclear, Clearstream Banking and DTC.

Special Timing Considerations

Investors should be aware that investors will only be able to make and receive deliveries, payments and other communications involving the Bonds through Euroclear or Clearstream Banking on days when those systems are open for business. In addition, because of time-zone differences, there may be complications with completing transactions involving Clearstream Banking and/or Euroclear on the same business day as in the United States. U.S. investors who wish to transfer their interests in the Bonds, or to receive or make a payment or delivery of Bonds, on a particular day, may find that the transactions will not be performed until the next business day in Luxembourg if Clearstream Banking is used, or Brussels if Euroclear is used.

Clearing Information

It is expected that that the Bonds will be accepted for clearance through the facilities of Euroclear and Clearstream Banking. The international securities identification number, common code and CUSIP number for the Bonds are set out on the inside cover page of this Official Statement.

None of Euroclear, Clearstream Banking or DTC is under any obligation to perform or continue to perform the procedures referred to above, and such procedures may be discontinued at any time.

None of the Commission, the Underwriters or any of their agents will have any responsibility for the performance by Euroclear, Clearstream Banking or DTC or their respective direct or indirect participants or account holders of their respective obligations under the rules and procedures governing their operations or the arrangements referred to above.

Limitations

For so long as the Bonds are registered in the name of DTC or its nominee, Cede & Co., the Commission and the Paying Agent/Registrar will recognize only DTC or its nominee, Cede & Co., as the registered owner of the Bonds for all purposes, including payments, notices and voting. So long as Cede & Co. is the registered owner of the Bonds, references in

this Official Statement to registered owners of the Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the Bonds.

Because DTC is treated as the owner of the Bonds for substantially all purposes under the Resolution, beneficial owners may have a restricted ability to influence in a timely fashion remedial action or the giving or withholding of requested consents or other directions. In addition, because the identity of beneficial owners is unknown to the Commission, the Paying Agent/Registrar and DTC, it may be difficult to transmit information of potential interest to beneficial owners in an effective and timely manner. Beneficial owners should make appropriate arrangements with their broker or dealer regarding distribution of information regarding the Bonds that may be transmitted by or through DTC.

Under the Resolution, payments made by the Paying Agent/Registrar to DTC or its nominee shall satisfy the obligations of the Commission under the Bonds to the extent of the payments so made.

Neither the Commission nor the Paying Agent/Registrar will have any responsibility or obligation with respect to:

- the accuracy of the records of DTC, its nominee or any Direct Participant or Indirect Participant with respect to any beneficial ownership interest in any Bonds;
- the delivery to any Direct Participant or Indirect Participant or any other person, other than a registered owner as shown in the bond register kept by the Paying Agent/Registrar, of any notice with respect to any Bonds including, without limitation, any notice of redemption with respect to any Bonds;
- the payment to any Direct Participant or Indirect Participant or any other person, other than a registered owner as shown in the bond register kept by the Paying Agent/Registrar, of any amount with respect to the principal of, premium, if any, or interest on, any Bond; or
- any consent given by DTC or its nominee as registered owner.

Prior to any discontinuation of the book-entry-only system hereinabove described, the Commission and the Paying Agent/Registrar may treat Cede & Co. (or such other nominee of DTC) as, and deem Cede & Co. (or such other nominee) to be, the absolute registered owner of the Bonds for all purposes whatsoever, including, without limitation:

- the payment of principal, premium, if any, and interest on the Bonds;
- giving notices of redemption and other matters with respect to the Bonds;
- registering transfers with respect to the Bonds; and
- the selection of Bonds for redemption.

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APPENDIX F

INVESTMENT AUTHORITY AND INVESTMENT PRACTICES FOR THE FUND

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APPENDIX F

INVESTMENT AUTHORITY AND INVESTMENT PRACTICES FOR THE FUND

Investment Authority. The Fund is held within the State treasury and is invested and collateralized by the Comptroller in accordance with State law. Under current law, the Comptroller may commingle money on deposit in the Fund with other money and funds held within the State treasury and invest such money in authorized investments (“Authorized Investments”) pursuant to Section 404.024 (et seq.) of the Texas Government Code, as amended. State law, the Comptroller’s Investment Policy and Authorized Investments are subject to change. Dedicated Revenues include interest earnings on Dedicated Taxes, Dedicated Federal Revenues and Dedicated Registration Fees, which remain within the Fund. Interest earnings on amounts collected or received pursuant to other State Highway Fund Revenue Laws are transferred to the State’s general revenue fund.

Pursuant to Section 404.024(a), money on deposit in the Fund may be placed by the Comptroller in time deposits with State depositories. For funds not deposited pursuant to Section 404.024(a), the Comptroller may make investments in the following obligations pursuant to Section 404.024(b): (i) direct security repurchase agreements; (ii) reverse security repurchase agreements; (iii) direct obligations of or obligations the principal and interest of which are guaranteed by the United States; (iv) direct obligations of or obligations guaranteed by agencies or instrumentalities of the United States government; (v) bankers’ acceptances that: (A) are eligible for purchase by the Federal Reserve System; (B) do not exceed 270 days to maturity; and (C) are issued by a bank whose other comparable short-term obligations are rated in the highest short-term rating category by a nationally recognized statistical rating organization; (vi) commercial paper that: (A) does not exceed 270 days to maturity; and (B) except as provided below, is issued by an entity whose other comparable short-term obligations are rated in the highest short-term rating category by a nationally recognized statistical rating organization; (vii) contracts written by the Comptroller in which the Comptroller grants the purchaser the right to purchase securities in the Comptroller’s marketable securities portfolio at a specified price over a specified period and for which the Comptroller is paid a fee and specifically prohibits naked-option or uncovered option trading; (viii) direct obligations of or obligations guaranteed by the Inter-American Development Bank, the International Bank for Reconstruction and Development (the World Bank), the African Development Bank, the Asian Development Bank, and the International Finance Corporation that have received the highest long-term rating categories for debt obligations by a nationally recognized statistical rating organization; (ix) bonds issued, assumed, or guaranteed by the State of Israel; (x) obligations of a state or an agency, county, city, or other political subdivision of a state; (xi) mutual funds secured by obligations that are described by subdivisions (i) through (vi) above or by obligations consistent with Rule 2a-7 (17 C.F.R. Section 270.2a-7), promulgated by the Securities and Exchange Commission, including pooled funds: (A) established by the Texas Treasury Safekeeping Trust Company; (B) operated like a mutual fund; and (C) with portfolios consisting only of dollar-denominated securities; (xii) foreign currency for the sole purpose of facilitating investment by state agencies that have the authority to invest in foreign securities; (xiii) asset-backed securities, as defined by the Securities and Exchange Commission in Rule 2a-7 (17 C.F.R. Section 270.2a-7), that are rated at least “A” or its equivalent by a nationally recognized statistical rating organization and that have a weighted-average maturity of five years or less; and (xiv) corporate debt obligations that are rated at least “A” or its equivalent by a nationally recognized statistical rating organization and mature in five years or less from the date on which the obligations were “acquired,” as defined by the Securities and Exchange Commission in Rule 2a-7 (17 C.F.R. Section 270.2a-7).

The Comptroller, pursuant to Section 404.024(c), may make investments in direct security repurchase agreements and reverse security repurchase agreements authorized under Section 404.024(b) with state or national banks doing business in this State or with primary dealers as approved by the Federal Reserve System. Notwithstanding any other law, the term of any reverse security repurchase agreement may not exceed 90 days after the date the reverse security repurchase agreement is delivered. Money received under the terms of a reverse security repurchase agreement may be used to acquire additional Authorized Investments, but the term of the Authorized Investments acquired must mature not later than the expiration date stated in the reverse security repurchase agreement.

The Comptroller, pursuant to Section 404.024(d), may contract with a depository for the payment of interest on time or demand deposits at a rate not to exceed a rate that is lawful under an act of Congress and rules and regulations of the board of governors of the Federal Reserve System, the board of directors of the Federal Deposit Insurance Corporation, the National Credit Union Administration Board, and the Federal Home Loan Banking Board.

The Comptroller, pursuant to Section 404.024(i) may purchase commercial paper with a rating lower than the highest short-term rating to provide liquidity for commercial paper issued by the Comptroller or a State agency.

Pursuant to Section 404.024(l) the Comptroller may lend securities under procedures established by the Comptroller; the procedures must be consistent with industry practice and must include a requirement to fully secure the loan with cash, obligations, or a combination of cash and obligations. In this paragraph, “obligation” means an item described by clauses (i) through (vi) of the second paragraph of this section. Notwithstanding any law to the contrary, cash may be reinvested in the items described by clauses (i) through (xiv) of the second paragraph of this section or in mutual funds, as defined by the SEC in Rule 2a-7 (17 C.F.R. Section 270.2a-7).

Under Section 404.024(e), State funds under the custody and control of the Comptroller available for appropriation by the Legislature may not be used to purchase any of the following types of investments: (i) obligations the payment of which represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (ii) obligations the payment of which represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest; (iii) collateralized mortgage obligations that have a stated final maturity date of greater than 10 years; and (iv) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index. The Comptroller by rule may also define other derivative investments outside of the investments described in Section 404.024(e).

Pursuant to Section 404.024(f), State funds under the custody and control of the Comptroller available for appropriation by the Legislature may not be used to purchase investments defined by rule adopted under Section 404.024(f) in an amount that at the time of purchase will cause the aggregate value of the investments to exceed five percent of the total investment of State funds subject to the custody and control of the Comptroller that is available for appropriation by the Legislature. Under Section 404.024(h), the Comptroller may not use State funds to invest in or purchase obligations of a private corporation or other private business entity doing business in Northern Ireland unless the corporation or other entity: (i) adheres to fair employment practices; and (ii) does not discriminate on the basis of race, color, religion, sex, national origin, or disability.

Pursuant to Section 404.024(g), to the extent practicable, the Comptroller shall give first consideration to banks that maintain main offices or branch offices in this State when investing in direct security repurchase agreements.

Under Section 404.024(j), if the Comptroller is required to invest funds other than as provided by Section 404.024 (et seq.), and if other law does not establish a conflicting standard governing such investment, the Comptroller shall invest funds under the restrictions and procedures for making the investments that persons of ordinary prudence, discretion, and intelligence, exercising the judgment and care under the prevailing circumstances, would follow in the management of their own affairs, not in regard to speculation but in regard to the permanent disposition of their funds, considering the probable income as well as the probable safety of their capital.

The Comptroller may contract with private professional investment managers to assist the Comptroller in investing funds under the care, custody, and control of the Comptroller pursuant to Section 404.024(k).

Investment Policies and Practices. The Comptroller’s principal investment and management objectives are as follows: (i) preservation of capital and protection of principal first, (ii) maintenance of sufficient liquidity to meet operating needs second, and (iii) maximization of return third. The Comptroller will preserve capital and protect principal by investing in a diversified pool of assets of high credit quality. Interest rate risk will be managed by maintaining a weighted-average maturity of no more than two years.

Whenever practicable, the Comptroller and the Texas Treasury Safekeeping Trust Company will award investment transactions on a competitive basis by soliciting at least two bids and then placing purchase and sale orders with brokers to achieve best execution. All transactions will be fully documented by the individual executing the trade and confirmed by a second investment staff member.

The Comptroller enters into only fully collateralized repurchase agreements. The Comptroller’s Master Repurchase Agreement governs all transactions. Repurchase agreement collateral is limited to those securities authorized for outright purchase by the Comptroller. All such collateral is held for safekeeping at the Federal Reserve Bank of Dallas, San Antonio Branch, in the name of the Comptroller or at an approved third party institution with which the Comptroller has executed a custodial undertaking agreement in connection with a master repurchase agreement. Collateral is monitored daily to ensure that margin requirements are maintained. Margin excesses or deficits will be corrected on a timely basis, generally no later than the next business day. Repurchase agreement transactions must be placed only with primary government securities dealers approved by the Federal Reserve System or state or national banks doing business in the State.

