
SECTION TWO (CONTINUED)

Management's Discussion and Analysis

Management’s Discussion and Analysis

The following is a discussion and analysis of the state of Texas’ financial performance for the fiscal year ended Aug. 31, 2021. Use this section in conjunction with the state’s basic financial statements. Comparative data is presented for this 2021 report.

Highlights

Government-wide

Net Position

The assets and deferred outflows of resources of the state of Texas exceeded its liabilities and deferred inflows of resources by \$156.4 billion as of Aug. 31, 2021, an increase of \$39.3 billion or 33.6 percent from fiscal 2020. The majority of the increase is primarily due to an increase of \$26 billion in restricted net position and \$9.8 billion in net investment in capital assets. The net position is comprised of \$117.2 billion in net investment in capital assets, \$144.7 billion in restricted and negative \$105.5 billion in unrestricted.

Fund Level

Governmental Funds

As of Aug. 31, 2021, the state’s governmental funds reported a combined ending fund balance of \$100 billion, an increase of \$19.4 billion from fiscal 2020, primarily due to increases in federal revenue related to COVID-19. The state reported a positive unassigned fund balance of \$13.9 billion in fiscal 2021.

Proprietary Funds

The proprietary funds reported a net position of \$83.7 billion as of Aug. 31, 2021, an increase of \$17.1 billion or 25.8 percent from fiscal 2020, primarily due to increases in interest and investment income and federal revenue.

Long-Term Debt

The state’s total bonds outstanding increased by \$148.5 million or 0.2 percent during fiscal 2021. This amount represents the net difference between net issuances, payments and refunding of outstanding bond debt. During fiscal 2021, the state issued bonds totaling \$3.3 billion. Detailed information regarding the government-wide, fund level and long-term debt activities is stated in the debt administration section of this management’s discussion and analysis (MD&A).

Overview of the Financial Statements

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

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

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

The report also includes statistical and economic data.

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

Reporting on the State as a Whole

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

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

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

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

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

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

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

Governmental Activities

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

Business-Type Activities

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

Component Units

Component units are legally separate organizations for which the state is either financially accountable or the nature and significance of their relationship with the state is such that exclusion would cause the state's financial statements to be misleading or incomplete. The state has 24 discretely presented component units. Financial information for these entities is presented separately in the supplemental statements and notes.

Reporting on the State's Most Significant Funds

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

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

Governmental Funds

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

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

Proprietary Funds

When the state charges customers for services it provides, these activities are generally reported in proprietary funds. Services provided to outside (non-governmental) customers are reported in enterprise funds, a component of proprietary funds, and are accounted for using the economic resources measurement focus and the accrual basis of accounting. These are the same

business-type activities reported in the government-wide financial statements, but are reported here to provide information at the fund level.

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

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

Reporting on the State's Fiduciary Responsibilities

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

Financial Analysis of the State as a Whole

Net Position

Total assets of the state were \$444.1 billion, an increase of \$63.7 billion or 16.8 percent from fiscal 2020. Total liabilities of the state were \$273.9 billion, an increase of \$23.7 billion or 9.5 percent from fiscal 2020. Cash and cash equivalents increased by \$19.9 billion in governmental activities and increased by \$2.8 billion in business-type activities from fiscal 2020. There was a \$1.2 billion decrease in federal receivables primarily due to COVID-19 related funding. There was a \$3.5 billion increase in short-term debt primarily related to paid state benefits. The state's bonded indebtedness was \$59.9 billion, which included new issuances of \$3.3 billion in state bonds to finance new construction, housing, water conservation and other projects. Approximately \$3 billion in bonded debt was retired or refunded. Net position was \$156.4 billion in fiscal 2021, an increase of \$39.3 billion or 33.6 percent. Of

the state's net position, \$117.2 billion was net investment in capital assets, while \$144.7 billion was restricted by the constitution or other legal requirements and was not available to finance day to day operations of the state. Unrestricted net position was negative \$105.5 billion. The majority of the net position increase is primarily due to an increase of \$26 billion in restricted net position and \$9.8 billion in net investment in capital assets.

Changes in Net Position

The state's net position for fiscal 2021 increased by \$39.3 billion. The state earned program revenues of \$185 billion and general revenues of \$68.7 billion, for total revenues of \$253.7 billion, an increase of \$53.9 billion or 27 percent from fiscal 2020. The major components of this increase were operating grants and contributions, which had an increase of \$45.4 billion, and tax revenues, with an increase of \$4.3 billion. Federal revenues increased by \$23.5 billion and interest and investment income increased by \$22.6 billion.

Statement of Net Position

Table MDA-1

August 31, 2021 and 2020 (Amounts in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
ASSETS						
Assets Other Than Capital Assets	\$ 139,224,543	\$ 105,451,724	\$ 135,956,812	\$ 114,969,314	\$ 275,181,355	\$ 220,421,038
Capital Assets	131,922,924	123,261,599	37,002,787	36,678,984	168,925,711	159,940,583
Total Assets	<u>271,147,467</u>	<u>228,713,323</u>	<u>172,959,599</u>	<u>151,648,298</u>	<u>444,107,066</u>	<u>380,361,621</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>27,877,636</u>	<u>27,619,099</u>	<u>8,591,338</u>	<u>7,945,787</u>	<u>36,468,974</u>	<u>35,564,886</u>
LIABILITIES						
Current Liabilities	37,745,704	22,815,011	23,390,329	21,667,576	61,136,033	44,482,587
Noncurrent Liabilities	142,736,700	139,455,997	70,076,665	66,311,781	212,813,365	205,767,778
Total Liabilities	<u>180,482,404</u>	<u>162,271,008</u>	<u>93,466,994</u>	<u>87,979,357</u>	<u>273,949,398</u>	<u>250,250,365</u>
DEFERRED INFLOWS OF RESOURCES	<u>45,789,982</u>	<u>43,489,481</u>	<u>4,412,035</u>	<u>5,081,490</u>	<u>50,202,017</u>	<u>48,570,971</u>
NET POSITION						
Net Investment in Capital Assets	103,334,319	93,692,079	13,828,372	13,648,465	117,162,691	107,340,544
Restricted	77,148,269	65,318,313	67,574,933	53,737,569	144,723,202	119,055,882
Unrestricted	<u>(107,729,871)</u>	<u>(108,438,459)</u>	<u>2,268,603</u>	<u>(852,796)</u>	<u>(105,461,268)</u>	<u>(109,291,255)</u>
Total Net Position	<u>\$ 72,752,717</u>	<u>\$ 50,571,933</u>	<u>\$ 83,671,908</u>	<u>\$ 66,533,238</u>	<u>\$ 156,424,625</u>	<u>\$ 117,105,171</u>

Changes in Net Position

Table MDA-2

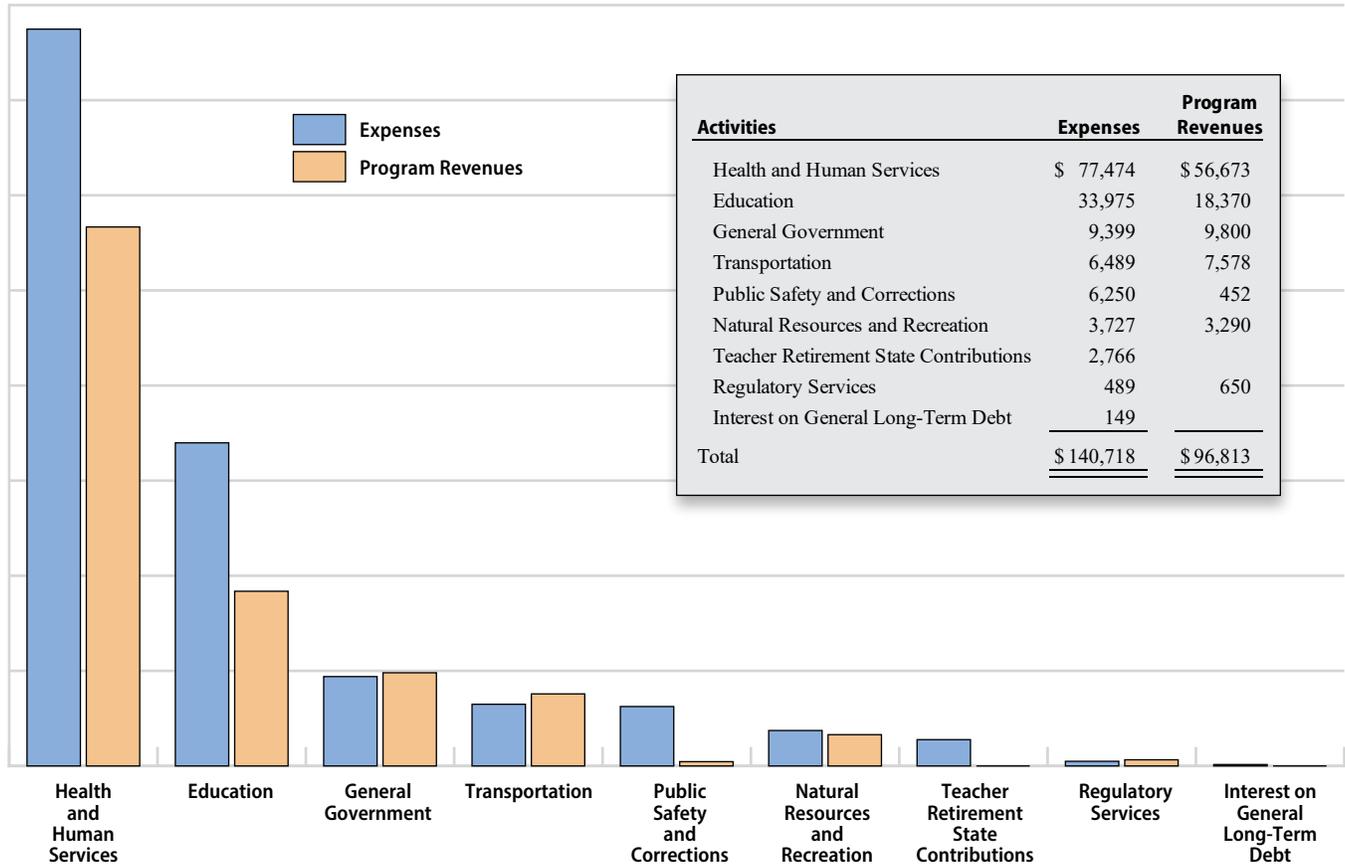
For the Fiscal Years Ended August 31, 2021 and 2020 (Amounts in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
REVENUES						
Program Revenues						
Charges for Services	\$ 12,352,642	\$ 11,953,920	\$ 29,589,596	\$ 27,051,085	\$ 41,942,238	\$ 39,005,005
Operating Grants and Contributions	84,402,547	60,708,011	58,405,771	36,746,088	142,808,318	97,454,099
Capital Grants and Contributions	58,687	42,946	143,359	154,756	202,046	197,702
Total Program Revenues	<u>96,813,876</u>	<u>72,704,877</u>	<u>88,138,726</u>	<u>63,951,929</u>	<u>184,952,602</u>	<u>136,656,806</u>
General Revenues						
Taxes	61,539,040	57,261,681			61,539,040	57,261,681
Unrestricted Investment Earnings	1,065,761	1,030,582	195,884	178,862	1,261,645	1,209,444
Settlement of Claims	797,352	657,400	3,085	4,118	800,437	661,518
Gain on Sale of Capital Assets	28,662	20,800	549	140	29,211	20,940
Loss on Other Financial Activity	(12,894)	(1,675)			(12,894)	(1,675)
Other General Revenues	4,274,476	3,573,380	804,660	386,140	5,079,136	3,959,520
Total General Revenues	<u>67,692,397</u>	<u>62,542,168</u>	<u>1,004,178</u>	<u>569,260</u>	<u>68,696,575</u>	<u>63,111,428</u>
Total Revenues	<u>164,506,273</u>	<u>135,247,045</u>	<u>89,142,904</u>	<u>64,521,189</u>	<u>253,649,177</u>	<u>199,768,234</u>
EXPENSES						
General Government	9,399,446	9,948,097	215,119	186,293	9,614,565	10,134,390
Education	33,975,101	31,793,760	40,353,505	36,807,305	74,328,606	68,601,065
Teacher Retirement State Contributions	2,766,221	2,949,854			2,766,221	2,949,854
Health and Human Services	77,473,428	63,859,992	26,084,927	30,138,406	103,558,355	93,998,398
Public Safety and Corrections	6,250,456	6,304,563	114,972	106,944	6,365,428	6,411,507
Transportation	6,488,617	7,126,211	607,473	593,048	7,096,090	7,719,259
Natural Resources and Recreation	3,727,228	2,781,955	551,445	534,504	4,278,673	3,316,459
Regulatory Services	488,535	458,795			488,535	458,795
Lottery			6,119,219	5,022,653	6,119,219	5,022,653
Interest on General Long-Term Debt	148,969	177,588			148,969	177,588
Total Expenses	<u>140,718,001</u>	<u>125,400,815</u>	<u>74,046,660</u>	<u>73,389,153</u>	<u>214,764,661</u>	<u>198,789,968</u>
Excess (Deficiency) Before Contributions, Special Items and Transfers						
	<u>23,788,272</u>	<u>9,846,230</u>	<u>15,096,244</u>	<u>(8,867,964)</u>	<u>38,884,516</u>	<u>978,266</u>
Capital Contributions	55	2,630	43,489	21,015	43,544	23,645
Contributions to Permanent and Term Endowments			380,675	207,888	380,675	207,888
Distributions from Permanent Fund Principal	(11,914)	(11,801)			(11,914)	(11,801)
Special Items				698		698
Extraordinary Items			86,141		86,141	
Transfers - Internal Activities	(1,542,142)	(6,316,901)	1,542,142	6,316,901		
Change in Net Position	<u>22,234,271</u>	<u>3,520,158</u>	<u>17,148,691</u>	<u>(2,321,462)</u>	<u>39,382,962</u>	<u>1,198,696</u>
Net Position, Beginning Balance	50,571,933	46,223,170	66,533,238	68,857,260	117,105,171	115,080,430
Restatements	(53,487)	828,605	(10,021)	(2,560)	(63,508)	826,045
Net Position, Beginning Balance, as Restated	<u>50,518,446</u>	<u>47,051,775</u>	<u>66,523,217</u>	<u>68,854,700</u>	<u>117,041,663</u>	<u>115,906,475</u>
Net Position, Ending Balance	<u>\$ 72,752,717</u>	<u>\$ 50,571,933</u>	<u>\$ 83,671,908</u>	<u>\$ 66,533,238</u>	<u>\$ 156,424,625</u>	<u>\$ 117,105,171</u>

Expenses and Program Revenues: Governmental Activities

Graph MDA-3

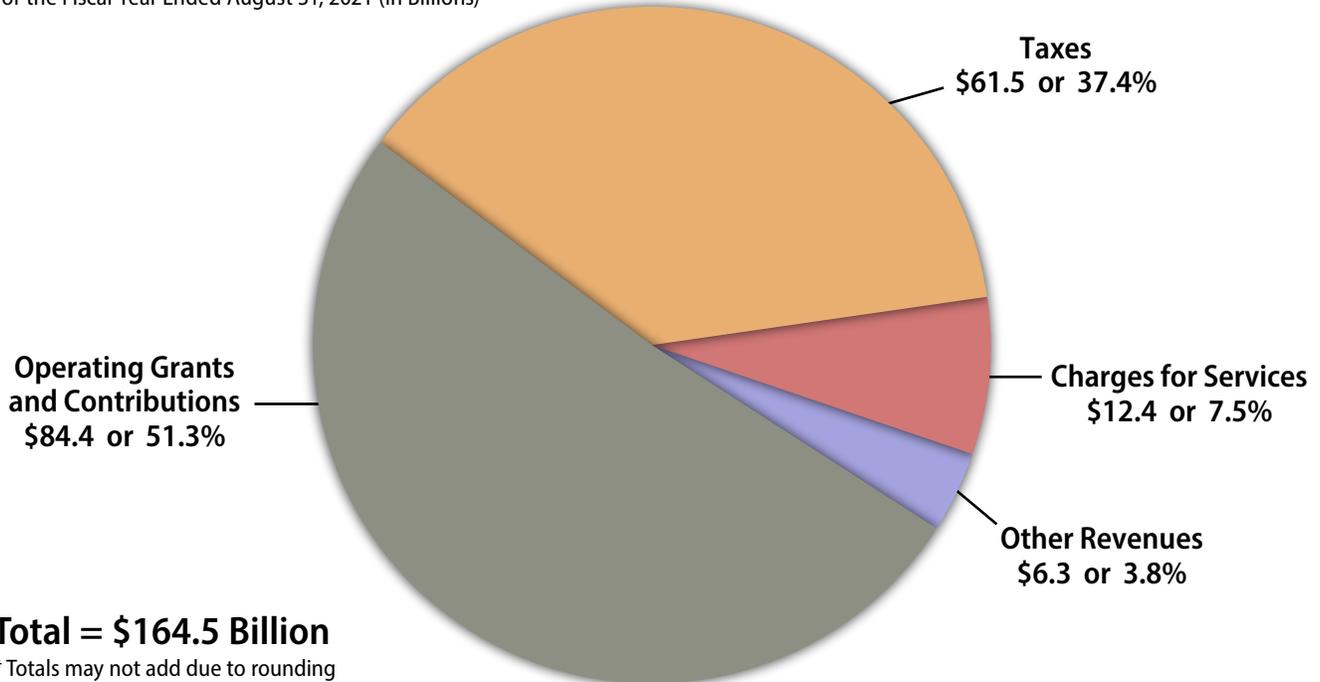
For the Fiscal Year Ended August 31, 2021 (In Millions)



Revenue by Source: Governmental Activities

Graph MDA-4

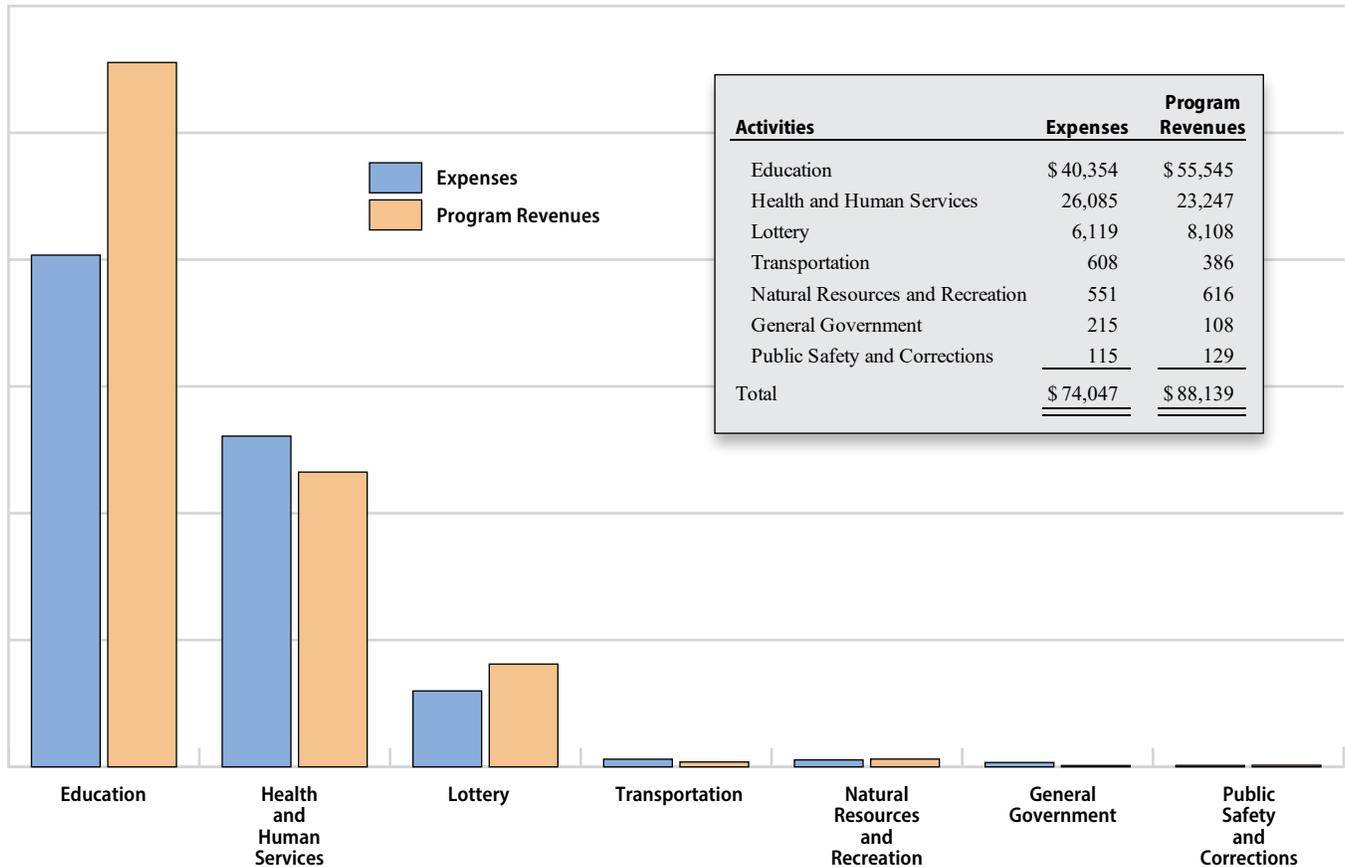
For the Fiscal Year Ended August 31, 2021 (In Billions)*



Expenses and Program Revenues: Business-Type Activities

Graph MDA-5

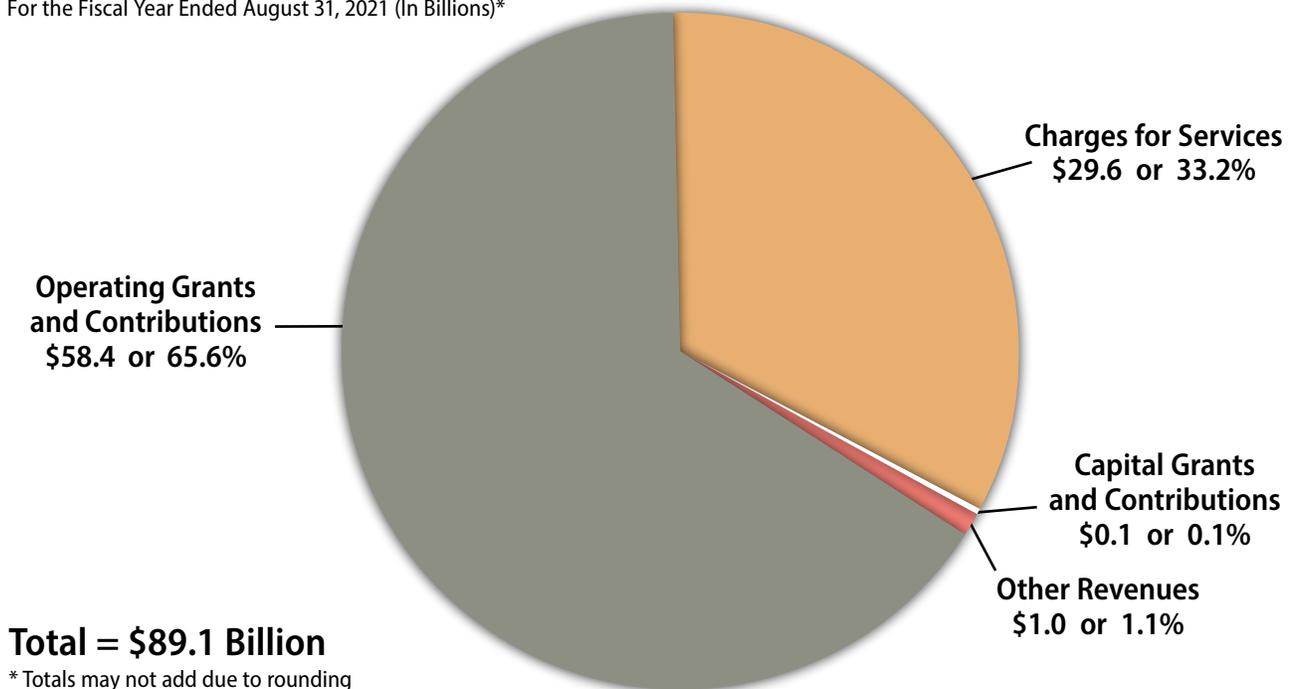
For the Fiscal Year Ended August 31, 2021 (In Millions)



Revenue by Source: Business-Type Activities

Graph MDA-6

For the Fiscal Year Ended August 31, 2021 (In Billions)*



The expenses of the state were \$214.8 billion, an increase of \$16 billion or positive 8 percent from fiscal 2020. The expense fluctuations in governmental activities are largely attributable to a \$13.6 billion increase in health and human services. In business-type activities, there was a \$4.1 billion decrease in health and human services and a \$3.5 billion increase in education services.

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

Governmental Activities

Governmental activities program revenue was \$96.8 billion, including charges for services of \$12.4 billion, operating grants and contributions of \$84.4 billion and capital grants and contributions of \$58.7 million. Total program revenues increased by \$24.1 billion for fiscal 2021. Taxes had an increase of \$4.3 billion from general revenue sources, with the largest increase attributed to oil and natural gas production. Governmental activities expenses were \$140.7 billion. All functions of governmental activities in the government-wide state-

ment of activities have a net cost, except the general government, transportation, and regulatory services which reported slight surpluses. The education function and the health and human services function account for 79.2 percent of governmental activities expenses and 82.9 percent of the net cost. The tax collections of the state provide the primary source of funding, which when added to program revenues, support the payment of governmental services.

Business-Type Activities

Business-type activities generated program revenue of \$88.1 billion, including charges for services of \$29.6 billion, operating grants and contributions of \$58.4 billion and capital grants and contributions of \$143.4 million. The total expenses for business-type activities were \$74 billion. The largest changes occurred in health and human services, with a \$4.1 billion decrease and in education with a \$3.5 billion increase for colleges and universities. There was an increase in net position in the government's business-type activities of \$17.1 billion from \$66.5 billion in fiscal 2020.

Net Cost (Income) of the State's Activities				
Table MDA-7				
For the Fiscal Year Ended August 31, 2021 (Amounts in Thousands)				
Services	Governmental Activities		Business-Type Activities	
	Total Cost	Net Cost (Income)	Total Cost	Net Cost (Income)
General Government	\$ 9,399,446	\$ (400,155)	\$ 215,119	\$ 107,278
Education	33,975,101	15,605,131	40,353,505	(15,190,972)
Teacher Retirement State Contributions	2,766,221	2,766,221		
Health and Human Services	77,473,428	20,800,090	26,084,927	2,838,184
Public Safety and Corrections	6,250,456	5,798,078	114,972	(13,865)
Transportation	6,488,617	(1,089,840)	607,473	220,992
Natural Resources and Recreation	3,727,228	436,717	551,445	(65,025)
Regulatory Services	488,535	(161,086)		
Lottery			6,119,219	(1,988,658)
Interest on General Long-Term Debt	148,969	148,969		
Total of Services Provided	\$ 140,718,001	\$ 43,904,125	\$ 74,046,660	\$ (14,092,066)

Financial Analysis of the State's Funds

Governmental Funds

As of Aug. 31, 2021, governmental funds reported fund balances of \$100 billion. The general fund reported a positive \$24.7 billion fund balance.

General Fund

The fund balance for the general fund as of Aug. 31, 2021, was \$24.7 billion, an increase of \$7.9 billion from fiscal 2020. The state constitution, state statute and federal rule or bond covenants constrain \$10.8 billion. The unassigned fund balance was \$14 billion, which includes \$11.6 billion in the economic stabilization fund, commonly called "the rainy day fund." Contributing to the fund balance were increases in spending for education and health and human services of \$1.3 billion and \$13.6 billion, respectively, primarily due to COVID-19 related expenses. There were increases in federal revenues of \$16.1 billion. Supplemental Federal Medical Assistance Percentages (FMAP) and Cares Act grants accounted for \$7.1 billion of this increase.

State Highway Fund

The fund balance for the state highway fund for fiscal 2021, was \$9.6 billion, an increase of \$808.8 million from \$8.8 billion from fiscal 2020. This increase was primarily attributable to an increase in tax revenue of \$729.3 million and \$83.6 million in licenses, fees and permits revenue. Cash and cash equivalents increased by \$731.1 million as the net change in fund balance increased by \$1.3 billion.

Permanent School Fund

The fund balance for the permanent school fund (PSF) as of Aug. 31, 2021, totaled \$55.6 billion, an increase of \$8.9 billion from fiscal 2020. This increase was primarily attributable to an increase in valuation of investments of \$9.4 billion. Value in the fund provided

\$1.7 billion in transfers to provide funding for public education. The PSF also supports the state's public school system through a bond guarantee program, where the PSF is pledged to guarantee bonds issued by Texas school districts, enhancing their credit rating. In fiscal 2021, a total of \$95.3 billion in school district bond issues were guaranteed at year-end.

Proprietary Funds

Proprietary funds reported net position of \$83.7 billion in fiscal 2021, an increase of \$17.1 billion from fiscal 2020. The state's public colleges and universities hold 98.4 percent of the reported net position in proprietary funds.

Colleges and Universities

Colleges and universities' net position for fiscal 2021, totaled \$82.3 billion, an increase of \$18.6 billion from fiscal 2020. Federal revenue and other revenues increased by \$8 billion and \$150.6 million, respectively, for fiscal 2021. Payroll related costs increased by \$262.4 million and professional fees and services increased by \$989.3 million for fiscal 2021. These revenues and expenses primarily contributed to the net income before capital contributions, endowments and transfers increase of \$20 billion from fiscal 2020. Change in net position was \$18.6 billion, an increase of \$15.1 billion from fiscal 2020. There was also \$979.2 million collected from land mineral income (such as oil royalties) deposited into the Permanent University Fund (PUF) for the benefit of the University of Texas and Texas A&M University Systems. The PUF's net position after distributions increased by \$7.6 billion from \$24.4 billion in fiscal 2020 to \$32 billion in fiscal 2021. This endowment fund contributes to the support of 15 institutions in the University of Texas System and 15 in the Texas A&M University System.

Unemployment Trust Fund

The unemployment trust fund reports activity related to the administration of statewide unemployment benefits in proprietary funds. The fund reported a net position of negative \$5.5 billion for fiscal 2021, an increase of \$1.8 billion from negative \$3.7 billion from the prior fiscal year. The effects of COVID-19 caused the unemployment rate to fluctuate during the fiscal year. By the end of fiscal 2021 the unemployment rate stood at 5.9 percent. Unemployment benefits paid for fiscal 2021 totaled \$26.1 billion, which represents a \$4.1 billion decrease or negative 13.4 percent compared to fiscal 2020. At fiscal year end, \$6.9 billion in short-term debt was attributed to the fund from the federal government under Title XII of the Social Security Act used for payment of state benefits.

Lottery Fund

The Texas Lottery Commission operates draw and scratch ticket lottery games to generate revenue for the state's foundation school fund. The lottery fund had a net position of \$14.4 million for fiscal 2021, a decrease of \$26 million from the prior fiscal year. There was a decrease in interest and investment income of \$28.5 million due to the change in the market value of investments. Transfers to state agencies totaled \$2 billion. The commission recorded its highest level of total sales since ticket sales began in 1992 with collections of \$8.1 billion.

Fiduciary Funds

Fiduciary funds reported \$277.9 billion in net position for fiscal 2021, an increase of \$43.6 billion from \$234.3 billion in fiscal 2020, an 18.6 percent increase.

Pension and Other Employee Benefit Trust Funds

Total net position for pension and other employee benefit trust funds was \$240.1 billion for fiscal 2021, an increase of \$42.9 billion from the \$197.1 billion

reported in fiscal 2020. The majority of plan assets are held as investments for the pension funds. In fiscal 2021, additions from all sources increased by \$34.9 billion, including a \$34.8 billion increase in total net investment income. Total deductions increased by \$838.5 million from \$16.5 billion in fiscal 2020. Although various economic and health uncertainties existed for much of the year, global financial markets rallied and continuously broke new records. The return on investments for the state's two largest pension systems, the Teacher Retirement System of Texas and the Employees Retirement System of Texas was 24.9 percent and 25.5 percent, respectively, compared to the previous year's returns of 7.2 percent and 6.9 percent.

External Investment Trust Fund

The Treasury Pool, managed by the Texas Treasury Safekeeping Trust Company (Trust Company) is the only external investment trust fund. The Trust Company administers and invests funds belonging to state and local entities as well as providing direct access to services of the Federal Reserve System. The Trust Company reported a total net position of \$29.6 billion in fiscal 2021, a decrease of \$265.3 million from fiscal 2020. The decrease in net position is primarily due to a decrease in interest, dividend and other investment income as well as a net decrease in participant investments.

Private-Purpose Trust Funds

Total net position for private-purpose trust funds was \$4.4 billion in fiscal 2021, an increase of \$745.6 million from fiscal 2020. Additions from all sources of \$1.1 billion exceeded total deductions of \$388.6 million primarily due to increase in fair value of investments. The net increase in net position of \$743.7 million is an increase of 334.1 percent from the net increase of \$171.3 million in fiscal 2020.

Custodial Funds

Total net position for custodial funds was \$3.9 billion for fiscal 2021, which includes \$552.4 million in nontrusted external investment pool custodial funds. The total net position increased by \$187.4 million from fiscal 2020 primarily due to increase in interest, dividend, and other investment income.

Budgetary Highlights

Variations for the General Fund

The differences from original and final revenue budgets are due to both economic and legislative reasons.

Budget mechanisms allow budget revisions for certain revenues when collections exceed the original budget. Accordingly, major revisions were made to both total revenues and expenditures for a net change of \$7.3 billion.

There was a negative \$27.8 billion variance between the actual and final budget revenues. The largest negative revenue variances occurred with federal, which reported a \$34.4 billion difference and with sales of goods and services, which reported a \$1.9 billion difference.

The largest negative expenditure variance is related to the health and human services function.

Capital Assets and Debt Administration

Capital Assets

For fiscal 2021, the state has \$168.9 billion in net capital assets. This total represents an increase of \$9 billion in total capital assets or 5.6 percent from fiscal 2020. Included in this amount are increases to infrastructure of \$6.7 billion and construction in progress of \$2.3 billion by the Texas Department of Transportation (TxDOT). Institutions of higher education also added \$2.4 billion to buildings and building improvements.

To ensure future availability of essential services and to finance capital improvements, TxDOT made commitments for construction contracts, comprehensive development agreements and pass-through toll agreements totaling an estimated \$26.2 billion. These commitments extend beyond fiscal year-end and represent future costs to the state.

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

Capital Assets – Net of Depreciation and Amortization

Table MDA-8

For the Fiscal Years Ended August 31, 2021 and 2020 (Amounts in Thousands)

Capital Asset Type	Governmental Activities		Business-Type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
Land and Land Improvements	\$ 17,372,642	\$ 16,188,572	\$ 2,420,861	\$ 2,377,315	\$ 19,793,503	\$ 18,565,887
Infrastructure	87,886,624	83,307,851	3,038,356	2,951,642	90,924,980	86,259,493
Construction in Progress	23,815,981	20,788,207	3,405,315	4,012,875	27,221,296	24,801,082
Land Use Rights – Permanent	88,981	69,514	22,919	22,917	111,900	92,431
Buildings and Building Improvements	1,629,513	1,737,214	22,006,045	21,320,550	23,635,558	23,057,764
Facilities and Other Improvements	75,213	73,715	1,973,197	1,899,604	2,048,410	1,973,319
Furniture and Equipment	255,747	261,762	2,113,812	2,123,184	2,369,559	2,384,946
Vehicles, Boats and Aircraft	589,267	626,830	93,104	97,245	682,371	724,075
Other Capital Assets	121,176	124,428	1,580,878	1,561,048	1,702,054	1,685,476
Intangible Capital Assets, Net	87,780	83,506	348,300	312,604	436,080	396,110
Total Capital Assets	\$ 131,922,924	\$ 123,261,599	\$ 37,002,787	\$ 36,678,984	\$ 168,925,711	\$ 159,940,583

Infrastructure Assets

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

Debt Administration

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

The state's general obligation bond issues were rated Aaa by Moody's Investors Service, AAA by Standard & Poor's, AAA by Fitch Ratings, and AAA by Kroll Bank Ratings Agency as of August 2021. During fiscal 2021, Texas' state agencies and institutions of higher education issued \$3.3 billion in state bonds to finance new construction, transportation, housing, water conserva-

tion and treatment and other projects. General obligation debt accounted for \$0.5 billion of state bonds issued in fiscal 2021. This debt, which can only be authorized by a constitutional amendment, carries the full faith and credit of the state. The remaining \$2.8 billion is due to new issuances of revenue bonds, which are serviced by the revenue flows of individual entity projects. Bonds retired during the fiscal year were composed of \$832.1 million in general obligation bonds and \$1.4 billion in revenue bonds. Also, \$293.9 million in general obligation bonds and \$521.9 million in revenue bonds were refunded. The total outstanding general obligation debt of the state after new issuances, retirements and refundings as of Aug. 31, 2021 was \$18.3 billion. This represents a decrease of \$729.6 million or 3.8 percent from fiscal 2020. An additional \$16.5 billion of general obligation bonds were authorized but are unissued. Total revenue bonds outstanding were \$41.5 billion, which is an increase of \$878 million or 2.2 percent from fiscal 2020. Note 5 discloses the details on the state's long-term liabilities and Note 6 provides detailed information on the state's bonded indebtedness.

Outstanding Bonded Debt

Table MDA-9

For the Fiscal Years Ended August 31, 2021 and 2020 (Amounts in Thousands)

Description of Issue	Governmental Activities		Business-Type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
General Obligation Bonds	\$ 14,057,687	\$ 14,733,189	\$ 3,899,210	\$ 3,925,489	\$ 17,956,897	\$ 18,658,678
General Obligation Bonds –						
Direct Placements	282,942	284,927	81,010	106,815	363,952	391,742
Revenue Bonds	4,498,868	4,077,876	36,469,882	35,978,573	40,968,750	40,056,449
Revenue Bonds - Direct Borrowings/ Placements	150,000	150,000	430,823	465,085	580,823	615,085
Total Bonds Payable	<u>\$ 18,989,497</u>	<u>\$ 19,245,992</u>	<u>\$ 40,880,925</u>	<u>\$ 40,475,962</u>	<u>\$ 59,870,422</u>	<u>\$ 59,721,954</u>

Economic Condition

The Texas economy added 698,700 nonfarm jobs from November 2020 to November 2021, an increase of 5.7 percent, to reach 12,998,200. Texas added more new jobs than any other state except California (821,800) over those 12 months. Private-sector employment rose by 6.6 percent while government employment (federal, state, and local) grew by 1.1 percent. The state's rate of job growth was the second highest among the 10 most populous states (after Florida) and the fifth highest among all states.

Contacting the State's Financial Management

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