PRELIMINARY OFFICIAL STATEMENT

NEW ISSUE — BOOK-ENTRY ONLY

Ratings: Fitch: "AAA"
Moody's: "Aaa"
Standard & Poor's: "AAA"
See "RATINGS" herein.

In the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, assuming compliance with certain covenants and based on certain representations, interest on the Bonds is excludable from gross income for federal income tax purposes under the statutes, regulations, published rulings and court decisions existing on the date of such opinion, subject to the matters described under "TAX MATTERS" herein, including the alternative minimum tax on corporations.

$550,000,000*
BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM
Revenue Financing System Bonds, Series 2024A

Dated: May 15, 2024
Interest Accrual: Date of Delivery

Due: August 15, as shown on inside front cover

The Bonds are special obligations of the Board of Regents (the "Board") of The University of Texas System (the "University System"), payable from and secured by a lien on the "Pledged Revenues" (as defined herein) of the University System's Revenue Financing System on a parity with the Board's outstanding "Parity Debt" (as defined herein). The Bonds are issued pursuant to a Master Resolution of the Board that established the Revenue Financing System, pursuant to the Supplemental Resolution of the Board that provides for the issuance of the Bonds and an award certificate to be executed pursuant to such resolution (collectively, the "Resolution"). **THE BOARD HAS NO TAXING POWER, AND NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF TEXAS OR ANY AGENCY OR POLITICAL SUBDIVISION THEREOF IS PLEDGED AS SECURITY FOR THE BONDS. THE OWNERS OF THE BONDS SHALL NEVER HAVE THE RIGHT TO DEMAND PAYMENT OF THE BONDS FROM ANY SOURCE OTHER THAN PLEDGED REVENUES. See "SECURITY FOR THE BONDS."**

Proceeds from the sale of the Bonds will be used for the purpose of (i) refunding a portion of the Board's Revenue Financing System Commercial Paper Notes, Series A, (ii) refunding certain long-term Parity Debt for savings, and (iii) paying the costs of issuance of the Bonds. See "PLAN OF FINANCE."

Interest on the Bonds will accrue from the initial Date of Delivery (as defined herein) to the initial purchasers (the "Underwriters") and will be payable on February 15 and August 15 of each year, commencing August 15, 2024, until stated maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

MATURITY SCHEDULE
(See Page ii)

The Bonds are subject to redemption prior to maturity as described herein. See "DESCRIPTION OF THE BONDS — Redemption" herein.

The Bonds are issuable only as fully-registered bonds and, when issued, will be initially registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York ("DTC"), which initially will act as securities depository for all of the Bonds pursuant to a book-entry-only system described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or any integral multiple thereof. Beneficial owners of the Bonds will not receive physical delivery of Bond certificates except as described herein. For so long as Cede & Co., as nominee of DTC, is the exclusive registered owner of the Bonds, principal of and interest on the Bonds will be payable by the Paying Agent/Registrar, initially U.S. Bank Trust Company, National Association, Dallas, Texas, to DTC on each applicable payment date. DTC will be responsible for distributing the amounts so paid to the beneficial owners of the Bonds. See "DESCRIPTION OF THE BONDS — Book-Entry-Only System."

The Bonds are offered for delivery when, as and if issued and received by the Underwriters and subject to the approving opinion of the Attorney General of the State of Texas and of McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel and Disclosure Counsel (see "APPENDIX E — FORM OF BOND COUNSEL OPINION"). Certain legal matters will be passed upon for the Underwriters by their co-counsel, Orrick, Herrington & Sutcliffe LLP, Austin, Texas and Kassahn & Ortiz, P.C., San Antonio, Texas. It is expected that the Bonds will be tendered for delivery to the Underwriters through DTC on or about May 21, 2024 (the "Date of Delivery").

J.P. MORGAN **MORGAN STANLEY**

ACADEMY SECURITIES **FHN FINANCIAL CAPITAL MARKETS** **HILLTOPSECURITIES**

LOOP CAPITAL MARKETS **RAYMOND JAMES** **STIFEL**

April 4, 2024

* Preliminary, subject to change.

MATURITY SCHEDULE

$550,000,000[1]
BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM
Revenue Financing System Bonds, Series 2024A

Due August 15[1]	Maturing Amount ($)	Interest Rate (%)	Price/Yield (%)	CUSIP Numbers[2]

(Interest accrues on the Bonds from the Date of Delivery)

(1) Preliminary, subject to change. The Bonds are subject to redemption prior to stated maturity. See "DESCRIPTION OF THE BONDS – Redemption" herein.

(2) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services provided by CUSIP Global Services. CUSIP numbers are included herein solely for the convenience of the purchasers of the Bonds. The CUSIP number for a specific maturity is subject to being changed after the initial issuance of obligations due to various subsequent actions including, but not limited to, a refunding in whole or in part, procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of obligations. Neither the Board nor the Underwriters shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM

SYSTEM ADMINISTRATION

James B. Milliken, Chancellor
Dr. Archie L. Holmes Jr., Executive Vice Chancellor for Academic Affairs
Jonathan Pruitt, Executive Vice Chancellor for Business Affairs
Dr. John M. Zerwas, Executive Vice Chancellor for Health Affairs
Dan Sharphorn, Vice Chancellor and General Counsel
Dr. Randa S. Safady, Vice Chancellor for External Affairs
Julia Rathgeber, Vice Chancellor and Chief Government Relations Officer
Dr. David L. Lakey, Vice Chancellor for Health Affairs and Chief Medical Officer
Terry A. Hull, Associate Vice Chancellor for Finance and Treasurer

CHIEF ADMINISTRATIVE OFFICERS OF UNIVERSITY SYSTEM INSTITUTIONS

Dr. Jennifer Evans-Cowley, President, The University of Texas at Arlington
Dr. Jay Hartzell, President, The University of Texas at Austin
Dr. Richard Benson, President, The University of Texas at Dallas
Dr. Heather Wilson, President, The University of Texas at El Paso
Dr. Sandra Woodley, President, The University of Texas Permian Basin
Dr. Guy Bailey, President, The University of Texas Rio Grande Valley
Dr. Taylor Eighmy, President, The University of Texas at San Antonio
Kirk A. Calhoun, M.D., President, The University of Texas at Tyler[3]
Neal Weaver, Ph.D., President, Stephen F. Austin State University
Daniel K. Podolsky, M.D., President, The University of Texas Southwestern Medical Center at Dallas
Jochen Reiser, MD, PhD, President, The University of Texas Medical Branch at Galveston
Giuseppe N. Colasurdo, M.D., President, The University of Texas Health Science Center at Houston
Robert A. Hromas, MD, FACP, Acting President, The University of Texas Health Science Center at San Antonio[4]
Peter W.T. Pisters, M.D., President, The University of Texas M.D. Anderson Cancer Center at Houston

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(1) Student Regent. State law does not allow a Student Regent to vote on any matter before the Board.
(2) The expiration date of the term in lieu of an appointed successor is the last day of the first regular session of the State Legislature after the expiration of such term.
(3) Dr. Calhoun has announced his intention to retire effective May 31, 2024. On March 18, 2024, the Board named Julie V. Philley, M.D., as sole finalist to become the next president of the University of Texas at Tyler.
(4) The Chancellor named Dr. Hromas Acting President on February 16, 2024.

SALE AND DISTRIBUTION OF THE BONDS

Use of Official Statement

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission ("Rule 15c2-12"), as amended, and in effect on the date of this Preliminary Official Statement, this document constitutes a Preliminary Official Statement of the Board with respect to the Bonds that has been deemed "final" by the Board as of its date except for the omission of no more than the information permitted by Rule 15c2-12.

No dealer, broker, salesman or other person has been authorized by the Board 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 Board. 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. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement, nor any sale made hereunder, shall, under any circumstances, create any implication that there has been no change in the affairs of the Board since the date hereof. This Official Statement is submitted in connection with the sale of securities referred to herein and in no instance may this Official Statement be reproduced or used for any other purpose.

Certain information set forth in this Official Statement has been furnished by the Board and other sources that are believed to be reliable, but such information is not to be construed as a representation by the Underwriters. CUSIP numbers have been assigned to this issue by CUSIP Global Services for the convenience of the owners of the Bonds. Neither the Board nor the Underwriters shall be responsible for the selection or the correctness of the CUSIP numbers.

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.

NEITHER THE BOARD NOR THE UNDERWRITERS MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY, NEW YORK, NEW YORK ("DTC") OR ITS BOOK-ENTRY-ONLY SYSTEM, AS SUCH INFORMATION WAS FURNISHED BY DTC.

Securities Laws

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED.

NEITHER THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THE BONDS OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

No registration statement relating to the Bonds has been filed with the United States Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon an exemption 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 Board assumes no responsibility for the registration or qualification for sale or other disposition of the Bonds under the securities laws of any jurisdiction 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 Board, that are not purely historical are forward-looking statements, including statements regarding the Board'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 Board on the date hereof, and the Board assumes no obligation to update any such forward-looking statements.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement pursuant to their respective responsibilities to investors under the federal securities laws, but the Underwriters do not guarantee the accuracy or completeness of such information.

TABLE OF CONTENTS

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OFFICIAL STATEMENT

relating to

\$550,000,000*
BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM
Revenue Financing System Bonds, Series 2024A

INTRODUCTION

This Official Statement, which includes the cover page, the Schedule, and the Appendices hereto, provides certain information regarding the issuance by the Board of Regents (the "Board") of The University of Texas System of its Revenue Financing System Bonds, Series 2024A (the "Bonds"), in the aggregate principal amount set forth above. Unless otherwise defined herein, capitalized terms used in this Official Statement have the meanings assigned to such terms in "APPENDIX B — GLOSSARY OF TERMS."

The University of Texas System (the "University System") currently consists of The University of Texas at Austin, The University of Texas M.D. Anderson Cancer Center at Houston and the twelve other state-supported institutions included in the University System by operation of Texas law. Enrollment for the University System for the 2023 Fall Semester was 256,783 students. The University of Texas System Revenue Financing System (the "Revenue Financing System") was established by the Master Resolution of the Board for the purpose of providing a system-wide financing structure for revenue-supported indebtedness of University System institutions included as members of the Revenue Financing System ("Members" or "Members of the Revenue Financing System"). See "APPENDIX C — SUMMARY OF THE MASTER RESOLUTION." All of the institutions currently constituting the University System have been included as Members of the Revenue Financing System. See "DESCRIPTION OF THE REVENUE FINANCING SYSTEM" and "APPENDIX A — THE UNIVERSITY OF TEXAS SYSTEM - GENERAL DESCRIPTION." See "APPENDIX A — THE UNIVERSITY OF TEXAS SYSTEM - GENERAL DESCRIPTION - Addition of Stephen F. Austin State University" for a discussion of Stephen F. Austin State University ("SFA") joining the University System and becoming a Member of the Revenue Financing System effective September 1, 2023. Pursuant to the Master Resolution, the Board has, with certain exceptions, combined all revenues, funds and balances attributable to any Member of the Revenue Financing System that may lawfully be pledged to secure the payment of revenue-supported debt obligations and pledged those sources as Pledged Revenues to secure payment of all revenue-supported debt obligations of the Board incurred as Parity Debt under the Master Resolution. The Board has covenanted that it will not incur any additional debt secured by Pledged Revenues unless such debt constitutes Parity Debt or is junior and subordinate to Parity Debt. The Board intends to issue most of its revenue-supported debt obligations that benefit Members of the Revenue Financing System as Parity Debt under the Master Resolution.

The Bonds are being issued in accordance with the general laws of the State of Texas (the "State"), including particularly Chapter 55, Texas Education Code, as amended, and Chapters 1207 and 1371, Texas Government Code, as amended. The Bonds are issued as Parity Debt pursuant to the Master Resolution, pursuant to a Thirty-Eighth Supplemental Resolution to the Master Resolution (also referred to and more particularly described herein as the "Supplemental Resolution") adopted by the Board on August 24, 2023 and an award certificate to be executed pursuant to the Supplemental Resolution (collectively, the "Resolution"). As of the date of this Official Statement, long-term Parity Debt in the principal amount of \$6,559,535,000 was outstanding. Each issue of long-term Parity Debt was issued pursuant to previous supplements to the Master Resolution. In addition, the Board has previously authorized tax-exempt and taxable commercial paper programs pursuant to which Parity Debt in the form of commercial paper notes may be issued, from time to time, under the Master Resolution; provided, that the aggregate principal amount of tax-exempt commercial paper notes (the "Tax-Exempt Commercial Paper Notes") and taxable commercial paper notes (the "Taxable Commercial Paper Notes" and, together with the Tax-Exempt Commercial Paper Notes, the "Commercial Paper Notes") at any time outstanding is currently limited by the Board's authorization to \$1.75 billion. As of the date of this Official Statement, \$1,475,201,000 in aggregate principal amount of Tax-Exempt Commercial Paper Notes and \$274,799,000 in aggregate principal amount of Taxable Commercial Paper Notes were outstanding. As described in "PLAN OF FINANCE," a portion of the outstanding Tax-Exempt Commercial Paper Notes will be refunded with a portion of the proceeds of the Bonds. See "DESCRIPTION OF THE REVENUE FINANCING SYSTEM — Outstanding Parity Debt" and "ANNUAL CASH BASIS DEBT SERVICE REQUIREMENTS ON PARITY DEBT."

This Official Statement contains summaries and descriptions of the Plan of Finance, the Bonds, the Revenue Financing System, the Board, the University System, the Master Resolution and the Supplemental Resolution, among other things. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to complete copies of such documents, which may be obtained from the Office of Finance of The University of Texas System, 210 W. 7th Street, Austin, Texas 78701.

Additionally, the University System currently maintains an investor website at www.UTbonds.com. The information contained on (or accessed through) such website is not incorporated by reference, either expressly or by implication, into this Official Statement, nor are any materials on such website. Any such information speaks strictly as of its date and there can be no assurance that such information will be updated in the future. The University System has undertaken no obligation to update information on its investor relations website and disclaims any responsibility to do so in the future. Such website does not purport

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* Preliminary, subject to change.

to include all financial information with respect to the University System that may be of interest to investors. The University System disclaims any responsibility as to the accuracy or completeness of any material contained on other internet sites accessed through such website.

This Official Statement speaks only as to its date, and the information contained herein is subject to change. Copies of the final Official Statement will be submitted to the Municipal Securities Rulemaking Board and will be available through its Electronic Municipal Market Access system. See "CONTINUING DISCLOSURE OF INFORMATION" for information regarding the Electronic Municipal Market Access system and for a description of the Board's undertaking to provide certain information on a continuing basis.

PLAN OF FINANCE

Plan of Finance

The Bonds are being issued for the purpose of (i) refunding a portion of the Board's Revenue Financing System Commercial Paper Notes, Series A in an aggregate principal amount of $294,653,000* (the "Refunded Notes"), (ii) refunding certain long-term Parity Debt for savings as set forth in Schedule I hereto (the "Refunded Bonds" and, together with the Refunded Notes, the "Refunded Obligations"), and (iii) paying the costs of issuance of the Bonds. See "DESCRIPTION OF THE REVENUE FINANCING SYSTEM – Outstanding Parity Debt." Additionally, the Board may also include certain of its Taxable Commercial Paper Notes in the Refunded Notes if in its judgement it is economically advantageous to do so at the time of pricing of the Bonds.

Refunded Obligations

The Refunded Obligations, and interest due thereon, are to be paid on the respective redemption dates or maturity dates thereof, as applicable, from funds to be deposited with U.S. Bank Trust Company, National Association, Dallas, Texas, as escrow agent (the "Escrow Agent"), pursuant to an escrow agreement (the "Escrow Agreement") between the Board and the Escrow Agent. The Refunded Bonds will be paid on the redemption date therefor set forth in Schedule I hereto. The Refunded Notes will be paid on the respective maturity dates thereof.

The Resolution provides that, from a portion of the proceeds of the sale of the Bonds there shall be deposited with the Escrow Agent the amount necessary to accomplish the discharge and final payment of the Refunded Obligations on their respective redemption dates or maturity dates, as applicable. Such funds will be held by the Escrow Agent in a special escrow account (the "Escrow Fund") and used to purchase (i) direct non-callable obligations of the United States, including obligations that are unconditionally guaranteed by the United States, and/or (ii) non-callable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of the purchase thereof are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent (collectively, the "Defeasance Securities"). Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of the principal and interest on the Refunded Obligations.

Causey Demgen & Moore P.C., a nationally-recognized accounting firm, will verify at the time of delivery of the Bonds to the Underwriters the mathematical accuracy of the schedules that demonstrate that the Defeasance 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 respective redemption dates or maturity dates, as applicable. Such maturing principal of and interest on the Defeasance Securities will not be available to pay the Bonds. Such verification report will be based on information and assumptions supplied by the Board and the Underwriters, and such verifications, information and assumptions will be relied upon by Bond Counsel in rendering its opinions described herein. See "VERIFICATION OF MATHEMATICAL COMPUTATIONS."

By the deposit of the Defeasance Securities and cash, if necessary, with the Escrow Agent pursuant to the Escrow Agreement, the Board will have effected the defeasance of the Refunded Obligations 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 Defeasance Securities and cash held for such purpose by the Escrow Agent and that the Refunded Obligations will be defeased and are not to be included in or considered to be indebtedness of the Board for any other purpose. The Board will have no further responsibility with respect to the amount 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 Defeasance Securities.

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* Preliminary, subject to change.

SOURCES AND APPLICATIONS OF FUNDS

The proceeds from the sale of the Bonds, together with other available funds of the Board, if any, will be applied as follows:

Sources of Funds	
Par Amount of Bonds	$
Net Premium/(Discount)	
Total Sources of Funds	$
Applications of Funds	
Refunded Notes Deposit	$
Refunded Bonds Deposit	
Costs of Issuance[1]	
Total Applications of Funds	$

[1] Includes Underwriters' discount and expenses, miscellaneous costs, and rounding amount. See "UNDERWRITING" herein.

DESCRIPTION OF THE BONDS

General

The Bonds will be dated May 15, 2024 and will bear interest from their Date of Delivery at the rates and will mature on the dates and in the amounts, set forth on page ii to this Official Statement. Interest on the Bonds will be calculated on the basis of a 360-day year composed of twelve 30-day months. Interest on the Bonds is payable on February 15 and August 15 of each year, commencing August 15, 2024. Principal of and interest on the Bonds are payable by the Paying Agent/Registrar for the Bonds, initially U.S. Bank Trust Company, National Association, Dallas, Texas. The record date for the interest payable on any interest payment date is the last day of the month immediately preceding such interest payment date.

The Bonds are initially issuable in book-entry-only form. Initially, Cede & Co., as nominee of DTC (hereinafter defined), will be the registered owner and references herein to the Bondholders, holders, holders of the Bonds or registered owners of the Bonds shall mean Cede & Co., and not the beneficial owners of the Bonds. See "DESCRIPTION OF THE BONDS — Book-Entry-Only System." Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or any integral multiple thereof.

In the event that the date for payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, legal holiday or day on which banking institutions located in New York, New York or in the city where the Principal Office for Payment of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not a Saturday, Sunday, legal holiday or day on which banking institutions are so 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 payment was due.

If any Bond is not presented for payment when the principal price therefor becomes due, or any check representing payment of interest on the Bonds is not presented for payment, and if money sufficient to pay such Bond or such interest, as applicable, has been deposited under the Resolution, all liability of the Board to the owner thereof for the payment of such Bonds or such interest, as applicable, will be completely discharged, and thereupon it shall be the duty of the Paying Agent/Registrar to hold such money, without liability for interest thereupon, for the benefit of the owner of the applicable Bond, who will thereafter be restricted exclusively to such money for any claim on his part under the Resolution with respect to such principal and/or interest. Money not claimed within three years will, upon request of the Board, be repaid to the Board.

Redemption*

Optional Redemption. On August 15, 2034, or on any date thereafter, the Bonds scheduled to mature on August 15, 2035, and thereafter may be redeemed prior to their scheduled maturities, at the option of the Board, with funds derived from any available and lawful source, as a whole, or in part, and, if in part, the particular Bonds, or portion thereof, to be redeemed shall be selected and designated by the Board (provided that a portion of a Bond may be redeemed only in an integral multiple of $5,000), at a redemption price equal to 100% of the principal amount plus accrued interest to the date of redemption, without premium; provided, that during any period in which ownership of the Bonds to be redeemed is determined by a book-entry at a securities depository for such Bonds, if fewer than all of such Bonds of the same maturity and bearing the same interest rate are to be redeemed, the particular Bonds of such maturity and bearing such interest rate shall be selected in accordance with the arrangements between the Board and the securities depository. See "DESCRIPTION OF THE BONDS — Book-Entry-Only System."

Notice of Redemption. Not less than 30 days prior to the date fixed for redemption, notice of redemption will be sent by the Paying Agent/Registrar by United States mail, first-class, postage prepaid, to each registered owner of a Bond, to be redeemed

* Preliminary, subject to change.

in whole or in part at the address of each such owner appearing on the registration books of the Paying Agent/Registrar on the 45th day prior to such redemption date, and to each registered securities depository and to any national information service that disseminates redemption notices. Failure to receive such notice, or any defect therein, will not affect the proceedings for redemption of any Bond. In addition, in the event of a redemption caused by an advance refunding of Bonds, the Paying Agent/Registrar shall send a second notice of redemption to the registered owner of the Bonds to be redeemed at least 30 days but not more than 90 days prior to the actual redemption date. The Paying Agent/Registrar shall also send a notice of prepayment or redemption to the registered owner of any Bond who has not sent their Bonds in for redemption 60 days after the redemption date.

All redemption notices shall contain a description of the Bonds to be redeemed including the complete name of the Bonds, the dated date of the Bonds, the interest rate, the maturity date, the CUSIP number and amount of each maturity called for redemption, mailing date for the notice, the date of redemption, the redemption price, the name of the Paying Agent/Registrar and the address at which the Bonds may be redeemed or paid, along with any other applicable contact information of the Paying Agent/Registrar.

If at the time of mailing of notice of any optional redemption in connection with a refunding of the Bonds, the Board shall not have deposited with the Paying Agent/Registrar moneys sufficient to redeem all of the Bonds called for redemption, such notice may state that it is conditional in that it is subject to the deposit of the proceeds of refunding bonds with the Paying Agent/Registrar not later than the redemption date, and such notice shall be of no effect unless such moneys are so deposited.

Additional Defeasance Provisions

The Resolution provides that the Bonds shall be treated as Defeased Debt (see "APPENDIX C — SUMMARY OF THE MASTER RESOLUTION — Defeasance of Parity Debt") when, among other things, there shall have been irrevocably deposited with an eligible bank or trust company noncallable Government Obligations (defined below) which mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money to provide for the payment of all principal and interest with respect to such Bonds to the due date or dates thereof, and thereafter the Board will have no further responsibility with respect to amounts available to such bank or trust company for the payment of such defeased bonds, including any insufficiency therein caused by the failure of such bank or trust company to receive payment when due on the Government Obligations.

The term "Government Obligations" means (i) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (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 of the purchase thereof are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the issuer adopts or approves the proceedings authorizing the financial arrangements are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, and (iv) any other then authorized securities or obligations under applicable State law in existence at the time of such defeasance that may be used to defease obligations such as the Bonds.

There is no assurance that the ratings for U.S. Treasury securities or any other Government Obligations that may be used to defease Bonds as described in this section will be maintained at any particular rating category. Further, there is no assurance that current Texas law will not be amended in a manner that expands the list of permissible defeasance securities (such list consisting of those securities identified in clauses (i) through (iii) above), or revises any rating requirement thereon, that may be used to defease the Bonds, and the System has reserved the right to utilize any additional securities for such purpose in the event the aforementioned list is expanded.

Because the Resolution provides that securities or obligations that may be authorized under future State law may also be used to defease Bonds, registered owners are deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law.

To the extent that Bonds are treated as Defeased Debt as described above, any determination not to redeem Defeased Debt that is made in conjunction with the payment arrangements specified above shall not be irrevocable, provided that: (1) in the proceedings providing for such defeasance, the Board expressly reserves the right to call the Defeased Debt for redemption; (2) the Board gives notice of the reservation of that right to the owners of the Defeased Debt immediately following the defeasance; (3) the Board directs that notice of the reservation be included in any redemption notices that it authorizes; and (4) at or prior to the time of the redemption, the Board satisfies the conditions described in the paragraph above as though the defeasance was to occur at the time of the exercise of the option to redeem the Defeased Debt, after taking the redemption into account in determining the sufficiency of the provisions made for the payment of the Defeased Debt.

The Paying Agent/Registrar

In the Supplemental Resolution, the Board reserves the right to replace the Paying Agent/Registrar for the Bonds. The Board covenants to maintain and provide a Paying Agent/Registrar for the Bonds at all times while such Bonds are outstanding, and any successor Paying Agent/Registrar for the Bonds shall be a competent and legally qualified bank, trust company, financial institution or other agency. In the event that the entity at any time acting as Paying Agent/Registrar should resign or otherwise cease to act as such, the Board covenants promptly to appoint a competent and legally qualified bank, trust company, financial institution or other agency to act as Paying Agent/Registrar, as applicable. Upon any change in the Paying Agent/Registrar for the

Bonds, the Board agrees promptly to cause a written notice thereof to be sent to each registered owner of the Bonds by United States mail, first-class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar, as applicable.

Book-Entry-Only System

This section describes how ownership of the Bonds is to be transferred and how the principal of and interest on the Bonds are to be paid to and credited by DTC while the Bonds are registered in the name of Cede & Co., its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The Board and the Underwriters believe the source of such information to be reliable but take no responsibility for the accuracy or completeness thereof.

The Board cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (2) DTC 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 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 are on file with DTC.

General. The Depository Trust Company ("DTC"), New York, New York, will act 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 the Bonds, in the aggregate principal amount of each 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. 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 for 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 an S&P Global Ratings 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 Bonds ("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 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 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 effect 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 shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Board 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).

Principal, interest and redemption 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 Board or the Paying Agent/Registrar, on such payable date in accordance with their respective holdings shown on DTC's records. Payments by Direct and Indirect 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 Direct and Indirect Participants and not of DTC nor its nominee, the Paying Agent/Registrar, or the Board, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Board 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 Board or the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The Board may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Board believes to be reliable, but the Board and the Underwriters take no responsibility for the accuracy thereof.

Effect of Termination of Book-Entry-Only System. In the event that the book-entry-only system is discontinued by DTC or the Board, the following provisions will be applicable to the Bonds: Bonds may be exchanged for an equal aggregate principal amount of Bonds in authorized denominations and of the same maturity upon surrender thereof at the Principal Office for Payment of the Paying Agent/Registrar. The transfer of any Bond may be registered on the books maintained by the Paying Agent/Registrar for such purpose only upon the surrender of such Bond to the Paying Agent/Registrar with a duly executed assignment in form satisfactory to the Paying Agent/Registrar. For every exchange or transfer of registration of Bonds, the Paying Agent/Registrar and the Board may make a charge sufficient to reimburse them for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer. The Board shall pay the fee, if any, charged by the Paying Agent/Registrar for the transfer or exchange. The Paying Agent/Registrar will not be required to transfer or exchange any Bond after its selection for redemption. The Board and the Paying Agent/Registrar may treat the person in whose name a Bond is registered as the absolute owner thereof for all purposes, whether such Bond is overdue or not, including for the purpose of receiving payment of, or on account of, the principal of, and interest on, such Bond.

Supplemental Resolution

The issuance, sale and delivery of the Bonds are authorized by the Supplemental Resolution and an award certificate to be executed pursuant to the Supplemental Resolution. The Supplemental Resolution also contains the written determination by the Board, as required by the Master Resolution as a condition to the issuance of Parity Debt, that it will have sufficient funds to meet the financial obligations of the University System, including sufficient Pledged Revenues to satisfy the annual debt service requirements of the Revenue Financing System and to meet all financial obligations of the Board relating to the Revenue Financing System and that the Members on whose behalf the Bonds are issued possess the financial capacity to satisfy their Direct Obligations after taking the Bonds into account.

The Supplemental Resolution permits amendment, without the consent of the Bondholders, for the same purposes for which amendment may be made to the Master Resolution without the consent of the owners of outstanding Parity Debt. See "APPENDIX C — SUMMARY OF THE MASTER RESOLUTION — Amendments of Master Resolution." The Supplemental Resolution also permits amendment, with the consent of the owners of 51% in aggregate principal amount of the outstanding Bonds, other than amendments which: change the maturity of the outstanding Bonds; reduce the rate of interest borne by the outstanding Bonds; reduce the amount of principal payable on the outstanding Bonds; modify the payment of principal of or interest on the outstanding Bonds, or impose any conditions with respect to such payment; affect the rights of the owners of less than all Bonds then outstanding; or change the minimum percentage of outstanding principal amount of Bonds necessary for consent to an amendment.

SECURITY FOR THE BONDS

The Bonds are Parity Debt under the Master Resolution and constitute special obligations of the Board payable from and secured by a lien on and pledge of Pledged Revenues of the Revenue Financing System. The Master Resolution provides that the obligation of the Board to pay or cause to be paid the amounts payable under the Master Resolution and any Supplement thereto is absolute, irrevocable, complete and unconditional, and the amount, manner and time of payment shall not be modified in any way regardless of any contingency. THE BOARD HAS NO TAXING POWER, AND NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF TEXAS OR ANY AGENCY OR POLITICAL SUBDIVISION THEREOF IS

PLEDGED AS SECURITY FOR THE BONDS. THE OWNERS OF THE BONDS SHALL NEVER HAVE THE RIGHT TO DEMAND PAYMENT OF THE BONDS FROM ANY SOURCE OTHER THAN PLEDGED REVENUES. See “APPENDIX C — SUMMARY OF THE MASTER RESOLUTION.”

Any owner of any of the Bonds or Parity Debt may, in the event of default in connection with any covenant contained in the Master Resolution or in any Supplement, or default in the payment of Parity Debt, or of any interest due thereon, or other costs and expenses related thereto, require the Board, 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, but without limitation, the use and filing of mandamus proceedings in any court of competent jurisdiction against the Board, its officials and employees, or any appropriate official of the State. The Resolution does not establish other remedies or specifically enumerate the events of default with respect to the Bonds. The Resolution does not provide for a trustee to enforce the covenants and obligations of the Board. In no event will registered owners of the Bonds have the right to have the maturity of the Bonds accelerated as a remedy. The enforcement of the remedy of mandamus may be difficult and time consuming. No assurance can be given that a mandamus or other legal action to enforce a default under the Resolution would be successful.

Under current State law, the Board is prohibited from waiving sovereign immunity from suit or liability with respect to the Bonds, and the owners thereof are prevented by operation of the Board’s sovereign immunity from bringing a suit against the Board in a court of law to adjudicate a claim to enforce the Bonds or for damages for breach of the Bonds. However, State courts have held that mandamus proceedings against a governmental unit, such as the Board, as discussed in the preceding paragraph, are not prohibited by sovereign immunity.

Chapter 1208, as amended, Texas Government Code, applies to the issuance of the Bonds and the pledge of the Pledged Revenues, and such pledge is therefore, valid, effective and perfected. Should Texas law be amended while the Bonds are outstanding and unpaid, the result of such amendment being that the pledge of the Pledged Revenues is to be subject to the filing requirements of Chapter 9, Texas Business and Commerce Code, in order to preserve to the registered owners of the Bonds a security interest in such pledge, the Board agrees to take such measures as it determines are reasonable and necessary to enable a filing of a security interest in said pledge to occur.

THE BONDS DO NOT CONSTITUTE GENERAL OBLIGATIONS OF THE BOARD, THE UNIVERSITY SYSTEM, OR ANY PARTS THEREOF, OR THE STATE, OR ANY POLITICAL SUBDIVISION OF THE STATE. THE BOARD HAS NO TAXING POWER, AND NEITHER THE CREDIT NOR THE TAXING POWER OF THE STATE OR ANY AGENCY OR POLITICAL SUBDIVISION THEREOF IS PLEDGED AS SECURITY FOR THE BONDS.

DESCRIPTION OF THE REVENUE FINANCING SYSTEM

Establishment

On February 14, 1991, the Board adopted the First Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System. The Board amended such resolution on October 8, 1993 and on August 14, 1997. The Board adopted the Master Resolution for the purpose of assembling the University System’s revenue-supported debt capacity into a single financing program in order to provide a cost-effective debt program to institutions of the University System and to maximize the financing options available to the Board. The Master Resolution provides for the establishment of the Revenue Financing System and permits the Board to make additions to or deletions from the membership of the Revenue Financing System subject to the satisfaction of certain conditions specified therein. All of the institutions currently constituting the University System have been included as Members of the Revenue Financing System. See “APPENDIX C — SUMMARY OF THE MASTER RESOLUTION — Changes in Membership of the Revenue Financing System.” See “APPENDIX A — THE UNIVERSITY OF TEXAS SYSTEM - GENERAL DESCRIPTION - Addition of Stephen F. Austin State University” for a discussion of Stephen F. Austin State University joining the University System and becoming a Member of the Revenue Financing System effective September 1, 2023.

Administration

Under Board regulations, administration of the Revenue Financing System is the shared responsibility of the Office of Business Affairs and each Member of the Revenue Financing System. The guiding principle underlying the administration of the Revenue Financing System is that allocations of Parity Debt proceeds for capital improvements at a Member shall be contingent upon a Board determination that the Member can prudently satisfy its proportionate share of the outstanding Parity Debt attributable to such Member with such Member’s financial resources. All capital improvement projects proposed to be funded in part or in whole with Parity Debt must receive a recommendation for allocation of Parity Debt from the Office of Business Affairs prior to being approved by the Board for inclusion in the capital improvements program. Such recommendations are given upon the completion of a financial evaluation concluding that such Member can prudently satisfy its Direct Obligation.

In establishing the annual budget of each Member of the Revenue Financing System, the Board includes as the Annual Obligation of the Member the amount necessary to provide for the satisfaction by the Member of its proportionate share of debt service due by the Board in such budget year on outstanding Parity Debt, plus the amount budgeted by the Board for such fiscal year to allow the Member to retire its obligation for any intra-system advances made to it to satisfy part or all of a previous Annual Direct Obligation payment.

Pledged Revenues

Under the Master Resolution, the Board has, with certain exceptions, combined all of the revenues, funds and balances attributable to Members of the Revenue Financing System and lawfully available to secure revenue-supported indebtedness into a system-wide pledge to secure the payment of Parity Debt from time to time issued under the Master Resolution.

The University System has calculated that Pledged Revenues (excluding unrestricted net assets and certain restricted assets available to pay debt service related to particular projects) for the fiscal year ended August 31, 2023 totaled approximately $15.9 billion. Pledged Revenues do not include: (a) the interest of the University System in the Available University Fund; (b) funds held in the Permanent Health Fund and amounts distributed to any Member from the Permanent Health Fund; (c) amounts appropriated to any Member from the Higher Education Assistance Fund; (d) except to the extent so appropriated, general revenue funds appropriated to the University System by the State; and (e) Practice Plan Funds of any Member, including the income therefrom and any fund balances related thereto not included in Pledged Practice Plan Funds. See generally "APPENDIX A — THE UNIVERSITY OF TEXAS SYSTEM — FINANCIAL MANAGEMENT."

Pledged Revenues not utilized to pay debt service on Parity Debt are available to pay other costs of operating the University System. Continued operation of the University System at current levels is dependent upon general revenue appropriations. See "APPENDIX A — THE UNIVERSITY OF TEXAS SYSTEM — FINANCIAL MANAGEMENT — State Appropriations."

The Board has covenanted in the Master Resolution that in each fiscal year it will use its reasonable efforts to collect revenues sufficient to meet all financial obligations of the Board relating to the Revenue Financing System including all deposits or payments due on or with respect to outstanding Parity Debt for such fiscal year. The Board has also covenanted in the Master Resolution that it will not incur any debt secured by Pledged Revenues unless such debt constitutes Parity Debt or is junior and subordinate to Parity Debt. The Board intends to issue most of its revenue-supported debt obligations that benefit Members of the Revenue Financing System as Parity Debt under the Master Resolution.

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Outstanding Parity Debt[1]

As of the date of this Official Statement, the following Parity Debt was outstanding:

Revenue Financing System Bonds[2]:

Series 2007B	$283,520,000
Series 2008B	368,050,000
Series 2010B	38,295,000
Series 2010C	515,660,000
Series 2010D	359,700,000
Series 2014A	214,430,000
Series 2014B	182,010,000
Series 2016A	255,825,000
Series 2016B	91,040,000
Series 2016C	37,620,000
Series 2016D	96,265,000
Series 2016E	105,940,000
Series 2016F	276,500,000
Series 2016G	250,000,000
Series 2016H	129,765,000
Series 2016I	35,860,000
Series 2016J	185,370,000
Series 2017A	350,815,000
Series 2017B	237,085,000
Series 2017C	181,060,000
Series 2019A	320,435,000
Series 2019B	318,715,000
Series 2020A	347,580,000
Series 2020B	300,805,000
Series 2020C	101,065,000
Series 2021A	381,865,000
Series 2022A	256,345,000
Series 2023A	337,915,000
	$6,559,535,000

Revenue Financing System Commercial Paper Notes[3]:

Series A[4]	$1,475,201,000
Taxable Series B[4]	274,799,000
Series C[5]	-
Total	$8,309,535,000

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(1) Excludes prior obligations issued by Stephen F. Austin State University that constitute Prior Encumbered Obligations under the Master Resolution. See "APPENDIX A — THE UNIVERSITY OF TEXAS SYSTEM - GENERAL DESCRIPTION - Addition of Stephen F. Austin State University."

(2) Includes $305,095,000 (preliminary, subject to change) in principal amount of long-term Parity Debt expected to be refunded and defeased in connection with the issuance of the Bonds. Preliminary, subject to change. See "PLAN OF FINANCE – Refunded Obligations."

(3) Revenue Financing System Commercial Paper Notes are shown as of the date of this Official Statement. $294,653,000 (preliminary, subject to change) in principal amount of the Board's Revenue Financing System Commercial Paper Notes, Series A (included in the above amount) will be refunded and defeased in connection with the issuance of the Bonds. Preliminary, subject to change. See "PLAN OF FINANCE – Refunded Obligations."

(4) The Board has authorized its Revenue Financing System Commercial Paper Notes, Series A and Revenue Financing System Taxable Commercial Paper Notes, Series B to be outstanding in the combined aggregate principal amount at any time not to exceed $1,750,000,000. The Board may issue such commercial paper notes up to the maximum amount of $1,750,000,000 at any time.

(5) At its meeting on February 22, 2024, the Board approved a new commercial paper note program for its Revenue Financing System Commercial Paper Notes, Series C that may be outstanding in the combined aggregate principal amount at any time not to exceed $500,000,000, provided that no notes may be issued under such program until the approval of the Attorney General of the State of Texas is obtained and such approval has not yet been obtained.

Outstanding Prior Encumbered Obligations of SFA[(1)]

As of the date of this Official Statement, the following Prior Encumbered Obligations of SFA were outstanding:

Revenue Financing System Bonds:	
Series 2013	$ 1,765,000
Series 2015	10,340,000
Series 2016	38,205,000
Series 2019A	88,795,000
Series 2019B	12,380,000
Series 2020	13,365,000
	$ 164,850,000
Equipment Lease Purchase Dated Dec. 4, 2014	6,433,520
Total	$ 171,283,520

(1) See "APPENDIX A — THE UNIVERSITY OF TEXAS SYSTEM - GENERAL DESCRIPTION - Addition of Stephen F. Austin State University."

Anticipated Financings

The needs of the University System for capital funds through the issuance of Parity Debt are on-going. On a quarterly basis, the Board revises the capital improvement program of the University System, which provides for the use over a six-year period of the proceeds of Parity Debt. See "APPENDIX A — THE UNIVERSITY OF TEXAS SYSTEM — FINANCIAL MANAGEMENT — Capital Improvements Planning and Authorization." Following the delivery of the Bonds, the Board currently anticipates no additional issuances of long-term Parity Debt in fiscal year 2024 under the Supplemental Resolution. However, under the terms of the Supplemental Resolution, a U.T. System Representative has the authority to price up to $975 million in aggregate principal amount of long-term Parity Debt in one or more series, including the Bonds, through August 23, 2024, and the University System continuously monitors the market for favorable conditions for future financings. Additional Parity Debt may also be issued through the commercial paper note program. The Board may also issue additional Parity Debt to refund Outstanding Parity Debt for savings and to refund short-term Commercial Paper Notes with long-term Parity Debt.

In addition, the Board has the ability to enter into additional derivative transactions that constitute Parity Debt obligations under the Board's existing ISDA Master Agreements. See "THE SWAP AGREEMENTS."

BAB Subsidy Payments

Pursuant to the American Recovery and Reinvestment Act of 2009, signed into law on February 17, 2009 (the "Recovery Act"), the Board currently has two series of outstanding long-term Parity Debt obligations that were issued as taxable "Build America Bonds" (the "Parity Debt BABs") where the Board elected to receive subsidy payments from the United States Treasury equal to 35% of the amount of each interest payment on the Parity Debt BABs ("BAB Subsidy Payments"). The Board's receipt of BAB Subsidy Payments is subject to certain requirements, including the filing of a form with the Internal Revenue Service prior to each interest payment date of the Parity Debt BABs. In the event the Board fails to make such filings on a timely basis or otherwise fails to comply with such requirements, the Board's receipt of such BAB Subsidy Payments could be delayed, reduced or eliminated. The Board's right to receive BAB Subsidy Payments is also subject to offset against certain amounts that may, for unrelated reasons, be determined to be owed by the Board to an agency of the United States of America. Such BAB Subsidy Payments do not constitute a full faith and credit guarantee of the United States Government, but are required to be paid by the United States Treasury under the Recovery Act, except as described below.

Pursuant to the requirements of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended by the Bipartisan Budget Act of 2013, certain automatic reductions in federal spending (the "Sequester Cuts") took effect as of March 1, 2013 and currently extend through federal fiscal year 2030. The Sequester Cuts include a reduction to BAB Subsidy Payments to be made by the federal government to issuers of "direct-pay" tax credit bonds, such as Build America Bonds. The current sequestration reduction rate is 5.7% for BAB Subsidy Payments processed on or after October 1, 2020 through the federal fiscal year ending September 30, 2030. The sequestration reduction rate for BAB Subsidy Payments will be applied unless and until a law is enacted that cancels or otherwise affects the sequester, at which time the sequestration reduction rate is subject to change.

The Board received approximately $0.88 million less in BAB Subsidy Payments than it otherwise expected to receive during federal fiscal year 2023 as a result of the Sequester Cuts. The Board expects to receive approximately $0.85 million less in BAB Subsidy Payments than it otherwise expected to receive during federal fiscal year 2024 related to its Parity Debt BABs outstanding after the issuance of the Bonds. The Board is obligated to make payments of principal and interest on its Parity Debt BABs without regard to the receipt of any BAB Subsidy Payments. At this time, the Board makes no representations as to the length of time that the Sequester Cuts will remain in effect or as to the amount of any reductions in the federal subsidy that would otherwise be payable to the Board in the future. BAB Subsidy Payments received by the Board constitute "Pledged Revenues" for purposes of the Resolution and may be used for any lawful purpose of the Board, including but not limited to, the payment of the Board's obligations with respect to Parity Debt.

The Board has covenanted in the supplemental resolutions authorizing the Parity Debt BABs that it will use its best efforts to take all actions necessary to ensure the future collection of BAB Subsidy Payments to be received with respect to such Parity Debt BABs to the extent that the Board determines that it is in the best interests of the Board to do so. Any failure by the Board to collect BAB Subsidy Payments does not constitute an event of default under the Resolution.

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ANNUAL CASH BASIS DEBT SERVICE REQUIREMENTS ON PARITY DEBT

The following schedule shows the combined cash basis debt service requirements on all long-term Parity Debt outstanding following the issuance of the Bonds.

		The Bonds		
Fiscal Year Ending 8/31	Annual Debt Service on Outstanding Parity Debt[(1)(2)]	Principal	Interest	Total Annual Debt Service on Parity Debt
2024	$593,396,501			
2025	573,921,366			
2026	580,304,292			
2027	482,264,956			
2028	437,564,052			
2029	413,354,577			
2030	507,440,537			
2031	454,882,116			
2032	424,361,252			
2033	429,385,325			
2034	395,397,287			
2035	292,251,861			
2036	314,892,894			
2037	254,737,563			
2038	244,030,769			
2039	208,547,205			
2040	217,799,118			
2041	195,737,811			
2042	165,684,337			
2043	258,598,000			
2044	331,777,455			
2045	425,722,855			
2046	368,794,677			
2047	602,143,219			
2048	308,046,884			
2049	308,012,158			
2050	152,964,500			
2051	187,464,500			
2052	87,389,500			

(1) Includes debt service on all outstanding long-term Parity Debt as of the Date of Delivery of the Bonds, including the Refunded Bonds. Does not include debt service on the Bonds or on the currently outstanding Commercial Paper Notes. See “INTRODUCTION,” “PLAN OF FINANCE” and “DESCRIPTION OF THE REVENUE FINANCING SYSTEM — Outstanding Parity Debt.” Also does not take into account BAB Subsidy Payments anticipated to be received by the Board from the United States Treasury. See “DESCRIPTION OF THE REVENUE FINANCING SYSTEM — BAB Subsidy Payments.” Expected annual debt service requirements on the Board’s Revenue Financing System Refunding Bonds, Series 2007B are computed using a base rate of 3.805% obtained as a result of the 2007B Swap Agreements (as defined under “THE SWAP AGREEMENTS” herein). Expected annual debt service requirements on $189,660,000 in principal amount of the Board’s Revenue Financing System Bonds, Series 2008B (the “Series 2008B Bonds”) are computed using a base rate of 3.900%, and expected annual debt service requirements on the remaining $178,390,000 in principal amount of the Series 2008B Bonds are computed using a base rate of 3.614%, each obtained as a result of the 2008B Swap Agreements (as defined under “THE SWAP AGREEMENTS” herein). Expected annual debt service requirements on the Board’s Revenue Financing System Bonds, Taxable Series 2016G are computed using a base rate of 2.000% obtained as a result of the 2016G Swap Agreement (as defined under “THE SWAP AGREEMENTS” herein). Excludes any amounts to be paid or received by the Board under the 2008B Basis Swap Agreements (as defined under “THE SWAP AGREEMENTS” herein). See “THE SWAP AGREEMENTS” for more information.

(2) Fiscal Year 2024 Annual Debt Service includes February 2024 interest payments already made.

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THE SWAP AGREEMENTS

General

The following is a discussion of all currently effective interest rate swap agreements of the Board that are payable from Pledged Revenues. Such discussion does not include any previously terminated or expired interest rate swap agreements.

In connection with the Board's Revenue Financing System Refunding Bonds, Series 2007B (the "Series 2007B Bonds") the Board entered into two interest rate swap agreements (the "2007B Swap Agreements") which became effective on December 20, 2007, with JPMorgan Chase Bank, N.A. and Wells Fargo Bank, N.A. (as successor to UBS AG) (together, the "2007B Swap Providers"). Pursuant to the terms of the 2007B Swap Agreements, the Board has agreed to pay to the 2007B Swap Providers interest on an aggregate notional amount stated therein, which corresponds to the aggregate principal amount of the Series 2007B Bonds, at a fixed rate of 3.805% per annum. The Board's obligation to make such payments began on February 1, 2008, and such payments are payable each August 1 and February 1 thereafter until August 1, 2034. In consideration of receiving such payments from the Board, the 2007B Swap Providers have agreed to pay to the Board interest on the applicable notional amount at a variable rate equal to the SIFMA Municipal Swap Index on the first business day of each month through the term of the agreements. The current notional amount of each respective 2007B Swap Agreement is $141,760,000, half of the outstanding aggregate principal amount of the Series 2007B Bonds.

In connection with the Board's Revenue Financing System Bonds, Series 2008B (the "Series 2008B Bonds"), in March 2007, the Board entered into two forward-starting interest rate swap agreements (the "2008B Initial Swap Agreements") with JPMorgan Chase Bank, N.A. and Morgan Stanley Capital Services, Inc. (together, the "Initial 2008B Swap Providers"). In February 2008, the Board entered into another forward-starting interest rate swap agreement (the "2008B Additional Swap Agreement", and, together with the 2008B Initial Swap Agreements, the "2008B Swap Agreements") with JPMorgan Chase Bank, N.A. (together with the Initial 2008B Swap Providers, the "2008B Swap Providers"). The aggregate notional amount of 2008B Swap Agreements corresponds to the aggregate principal amount of the Series 2008B Bonds. The Board's obligation to make payments under such agreements began on August 1, 2008. Pursuant to the terms of the 2008B Initial Swap Agreements, the Board has agreed to pay interest on a current notional amount of $189,660,000 at a fixed rate of 3.900% per annum on August 1 and February 1 of each year until August 1, 2036. Pursuant to the 2008B Additional Swap Agreement, the Board has agreed to pay interest on a current notional amount of $178,390,000 at a fixed rate of 3.614% per annum on August 1 and February 1 of each year until August 1, 2039. In consideration of receiving the payments from the Board, the 2008B Swap Providers have agreed to pay to the Board a variable rate equal to the SIFMA Municipal Swap Index on the first business day of each month through the term of the agreements.

In 2008, the Board also entered into three additional basis interest rate swap agreements with respect to portions of the 2008B Bonds (collectively, the "2008B Basis Swap Agreements") with Royal Bank of Canada ("2008B Basis Swap Provider"). Pursuant to the terms of the 2008B Basis Swap Agreements, the Board has agreed to pay interest to the 2008B Basis Swap Provider on notional amounts currently aggregating $299,505,000 at a variable rate equal to the SIFMA Municipal Swap Index. The Board's obligation to make payments under the 2008B Basis Swap Agreements began on November 1, 2009. With respect to a current notional amount of $90,270,000, the 2008B Basis Swap Provider has agreed to pay interest to the Board on such notional amount at a variable rate equal to 102.5% of the London Interbank Offered Rate, and all payments with respect to such notional amount are due quarterly through August 1, 2039. With respect to a current notional amount of $92,045,000, the 2008B Basis Swap Provider has agreed to pay interest to the Board on such notional amount at a variable rate equal to 96% of the London Interbank Offered Rate, and all payments with respect to such notional amount are due quarterly through August 1, 2030. With respect to a current notional amount of $117,190,000, the 2008B Basis Swap Provider has agreed to pay interest to the Board on such notional amount at a variable rate equal to 103% of the London Interbank Offered Rate, and all payments with respect to such notional amount are due quarterly through August 1, 2035.

In connection with the issuance of the Board's Revenue Financing System Bonds, Taxable Series 2016G, (the "Series 2016G Bonds"), in June of 2016 the Board entered into a forward-fixed rate swap agreement (the "2016G Swap Agreement") with Citibank, N.A. (the "2016G Swap Provider"). Pursuant to the terms of the 2016G Swap Agreement, the Board agreed to pay to the 2016G Swap Provider interest on an aggregate notional amount stated therein, which corresponds to the aggregate principal amount of the Board's Series 2016G Bonds. The Board's obligation to make payments under the 2016G Swap Agreement began on December 1, 2016. Pursuant to the terms of the 2016G Swap Agreement, the Board has agreed to pay interest on the current notional amount of $250,000,000 at a fixed rate of 2.000% per annum on February 1 and August 1 of each year, until August 1, 2045. In consideration of receiving the payments from the Board, the 2016G Swap Provider has agreed to pay to the Board a variable rate equal to 100% of the London Interbank Offered Rate on the first day of each month through the term of the agreement.

The 2007B Swap Agreements, the 2008B Swap Agreements, the 2008B Basis Swap Agreements, and the 2016G Swap Agreement are collectively referred to herein as the "Swap Agreements."

For all Swap Agreements described above that utilize the London Interbank Offered Rate, the Board and the applicable counterparties have adhered to the fallback protocol established by the International Swaps and Derivatives Association.

Board Obligations Under Swap Agreements

The Board's obligations under the Swap Agreements constitute Parity Debt, except that any termination amount payable by the Board will be payable from and secured by a lien on Pledged Revenues that is subordinate to the lien securing the payment of Parity Debt. The arrangements made in respect of the Swap Agreements do not alter the Board's obligations to pay the principal of and interest on the applicable series of Parity Debt from the Pledged Revenues and other amounts pledged therefor.

If either party to a Swap Agreement commits an event of default, suffers a reduction in credit worthiness, or merges with a materially weaker entity, or in certain other circumstances, such Swap Agreement may be terminated at the option of the other party. Accordingly, no assurance can be given that the Swap Agreements will continue in existence until the maturity of the applicable bonds. If a Swap Agreement is terminated under certain market conditions, the Board may owe a termination payment or may receive a termination payment. Such termination payment generally would be based on the market value of the Swap Agreement on the date of termination; such termination payment could be substantial. In addition, a partial termination of a Swap Agreement could occur to the extent any applicable bonds are redeemed pursuant to the Board exercising its right to effect an optional redemption of such bonds. If such optional redemption were to occur, termination payments related to the portion of the Swap Agreement to be terminated will be owed by either the Board or the applicable Swap Provider, depending on then existing market conditions. The obligation of the Board to pay a termination payment could result in the Board issuing Parity Debt to enable the Board to make such a termination payment. See "APPENDIX D — AUDITED CONSOLIDATED PRIMARY FINANCIAL STATEMENTS OF THE UNIVERSITY OF TEXAS SYSTEM FOR THE FISCAL YEAR ENDED AUGUST 31, 2023 — Note 13."

Additional Derivative Transactions

Additionally, the Board has the authority under State law to enter into additional derivative transactions with respect to currently outstanding Parity Debt or Parity Debt that is anticipated to be issued in the future, and under such transactions the Board may incur additional obligations which constitute Parity Debt, similar to the Swap Agreements, including with respect to the Bonds at or subsequent to their Date of Delivery. The Board has entered into ISDA Master Agreements with multiple counterparties, including those noted above, pursuant to which the Board has the ability to enter into additional derivative transactions. The Board has adopted a resolution which authorizes certain representatives of the University System to enter into such additional derivative transactions under certain conditions and to execute additional ISDA Master Agreements with other counterparties through August 31, 2024. The Board has the legal authority to adopt additional resolutions which provide similar authorization in the future and has historically adopted similar resolutions each August that are effective until the end of the following August. The Board also has the authority under such resolution to novate existing Swap Agreements from an existing counterparty to a new counterparty if such novation is in the Board's best interest. From time to time, the Board may novate an existing Swap Agreement to improve the terms of such agreement, to move such agreement to a more highly rated counterparty or for other reasons deemed to be in the Board's best interest by an authorized representative of the University System.

THE BOARD'S LIQUIDITY OBLIGATIONS

The Board provides self-liquidity for its short-term indebtedness and its long-term indebtedness which is subject to tender for purchase. To manage this self-liquidity obligation, the Board has adopted a resolution (the "Board's Liquidity Resolution") and entered into a Security Purchase Agreement (the "Security Purchase Agreement") with The University of Texas Investment Management Company ("UTIMCO"). See generally "APPENDIX A — THE UNIVERSITY OF TEXAS SYSTEM — FINANCIAL MANAGEMENT — Investment Funds."

Pursuant to the Security Purchase Agreement, UTIMCO has agreed that it will, on the terms and conditions and subject to the limitations set forth therein, purchase such indebtedness as investments for certain funds of the Board managed by UTIMCO. A failure of UTIMCO to purchase bonds or notes under such circumstances or to provide funds to the Board for such purposes will not relieve the Board of its obligation, to the owners of such bonds or notes. The Security Purchase Agreement provides liquidity support for (i) the Board's Permanent University Fund Commercial Paper Notes authorized to be outstanding in the aggregate principal amount not to exceed $1,250,000,000, (ii) the Board's Permanent University Fund Bonds, Series 2008A outstanding in the aggregate principal amount of $324,905,000, (iii) the Board's Revenue Financing System Commercial Paper Notes, Series A and Revenue Financing System Taxable Commercial Paper Notes, Series B authorized to be outstanding in the combined aggregate principal amount not to exceed $1,750,000,000, (iv) the Board's Revenue Financing System Commercial Paper Notes, Series C authorized to be outstanding in the combined aggregate principal amount not to exceed $500,000,000, (v) the Board's Revenue Financing System Refunding Bonds, Series 2007B outstanding in the aggregate principal amount of $283,520,000, (vi) the Board's Revenue Financing System Bonds, Series 2008B outstanding in the aggregate principal amount of $368,050,000, and (vii) the Board's Revenue Financing System Bonds, Taxable Series 2016G outstanding in the aggregate principal amount of $250,000,000. As of the date of this Official Statement, there were $799,000,000 of Permanent University Fund Commercial Paper Notes outstanding, $1,475,201,000 of Revenue Financing System Commercial Paper Notes, Series A outstanding and $274,799,000 of Revenue Financing System Taxable Commercial Paper Notes, Series B outstanding.

The Board may provide additional self-liquidity for additional obligations to be issued in the future, including through future amendments to the Security Purchase Agreement.

In addition, UTIMCO has entered into Note Purchase Agreements with the Board of Regents of the Texas A&M University System (the "A&M System") under which UTIMCO has agreed to purchase up to $125 million in principal amount of notes of the A&M System as investments for the Permanent University Fund, in the event such notes are unable to be remarketed or refunded, as applicable. As of March 31, 2024, there were no such notes outstanding.

CYBERSECURITY

Cybersecurity programs throughout the University System are governed by State statutes and rules, University System policies, and institution level standards. Each institution has its own Information Security Officer ("ISO") who leads a security oversight program that is separate from the traditional information technology organization. Security programs encompass internal and third-party risk assessments, regulatory compliance, monitoring and incident response. The University System contracts with UT Austin to provide system-wide intrusion detection and vulnerability scanning services on a 24x365 basis. The University System's Office of Information Security conducts assessments and exercises at the institutions, often using third parties, to strengthen their programs. Institution ISOs collaborate with each other regularly, and the University System maintains contracts with outside breach counsel, incident response and forensic firms, breach notification and call monitoring firms that can be used by any University System institution.

The Cyber Liability Program, incepted September 15, 2015, provides coverage for claims arising from lapses caused by cyber attacks. More detail is available in the Audited Financial Statements under the "Risk Management and Related Insurance" footnote. The University of Texas System's financial statements for the fiscal year ended August 31, 2023 is attached to this Official Statement as "APPENDIX D — AUDITED CONSOLIDATED PRIMARY FINANCIAL STATEMENTS OF THE UNIVERSITY OF TEXAS SYSTEM FOR THE FISCAL YEAR ENDED AUGUST 31, 2023"

IMPACT OF COVID-19 PANDEMIC

Since early 2020, the COVID-19 pandemic significantly impacted many aspects of public life, including travel, commerce and financial markets globally. The University System participated in a coordinated response to COVID-19 conditions with local public health agencies and the Texas Department of Health and offered classes online and through hybrid modalities with limited campus activities due to social distancing practices to varying degrees through the various phases of the pandemic. The World Health Organization in May 2023 has now declared an end to the global public health emergency, and the University System currently expects that the material impacts of COVID-19 are now in the past. The University System's financial and operating information for fiscal years 2020 through 2023 set forth in this Official Statement and on the Municipal Securities Rulemaking Board's internet website, www.emma.msrb.org, reflect the impact of COVID-19 on the University System.

A future resurgence of COVID-19 or the emergence of a new pandemic or similar disease outbreak in the future could adversely impact (i) the University System's financial condition and operations, including the ability of the University System to conduct its operations and/or the cost of its operations, (ii) financial markets and consequently the returns on and value of the University System's investments and (iii) the secondary market for and value of the Bonds. While the University System intends to continue to monitor the status of COVID-19 as well as any other health emergencies that may arise in the future, the University System cannot provide any assurances as to the future impacts that may result from such events.

ABSENCE OF LITIGATION

Neither the Board nor the University System is a party to any litigation, investigation, inquiry or proceeding (whether or not purportedly on behalf of the Board) pending or threatened, in any court, governmental agency, public board or body or before any arbitrator or any governmental body which, if decided adversely to such parties, would have a material adverse effect on the Pledged Revenues or on the business, properties or assets or the condition, financial or otherwise, of the University System, and no litigation of any nature has been filed or threatened which seeks to restrain or enjoin the establishment of the Revenue Financing System, the issuance or delivery of the Bonds or the collection or application of Pledged Revenues to pay the principal of and interest on the Bonds, or in any manner questioning the validity of the Bonds.

CONTINUING DISCLOSURE OF INFORMATION

Continuing Disclosure Undertaking of the Board

In the Resolution, the Board has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The Board has agreed that, so long as the Board is an "obligated person" under the Rule (hereinafter defined), it will provide certain updated financial information and operating data about the University System annually, and timely notice of certain specified events, to the Municipal Securities Rulemaking Board (the "MSRB"). Such information will be available to the public at no charge using the MSRB's Electronic Municipal Market Access system via the MSRB's internet website, www.emma.msrb.org.

Annual Reports. The Board is to provide certain updated financial information and operating data to the MSRB annually. The information to be updated by the Board includes all quantitative financial information and operating data with respect to the University System of the general type included herein under the captions "DESCRIPTION OF THE REVENUE FINANCING SYSTEM," "ANNUAL CASH BASIS DEBT SERVICE REQUIREMENTS ON PARITY DEBT," "APPENDIX A — THE UNIVERSITY OF TEXAS SYSTEM — GENERAL DESCRIPTION — Enrollment" and "—Faculty and Employees" and "— FINANCIAL MANAGEMENT" and "APPENDIX D — AUDITED CONSOLIDATED PRIMARY FINANCIAL STATEMENTS OF THE UNIVERSITY OF TEXAS SYSTEM FOR THE FISCAL YEAR ENDED AUGUST 31, 2023" and all such financial information and operating data incorporated herein by reference, including the audited financial statements for the Permanent University Fund, the General Endowment Fund, the Permanent Health Fund, the Intermediate Term Fund, and the Long Term Fund. See "APPENDIX A — THE UNIVERSITY OF TEXAS SYSTEM — FINANCIAL MANAGEMENT —

Incorporation by Reference of Other Documents" and "—Investment Funds." The Board is to update and provide this information within six months after the end of each of its fiscal years. The Board may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by United States Securities and Exchange Commission ("SEC") Rule 15c2-12 (the "Rule").

The updated information will also include audited financial statements of the University System, if the Board commissions an audit and it is completed by the time required. If audited financial statements of the University System are not available by the required time, the Board will provide audited financial statements when and if they become available and will provide unaudited financial statements for the applicable fiscal year within 12 months after fiscal year end, unless audited financial statements are sooner provided. Any such financial statements are to be prepared in accordance with accounting principles generally accepted in the United States of America. *Although the Board obtained an outside audit of the Consolidated Primary Financial Statements of the University System for the fiscal year ended August 31, 2023 and has commissioned an outside audit of such financial statements for the fiscal year ending August 31, 2024, the Board is not legally or contractually required to obtain such an audit in any future fiscal year.* See "APPENDIX A — THE UNIVERSITY OF TEXAS SYSTEM — FINANCIAL MANAGEMENT — Financial Statements."

In addition, as stated above, the annual audited financial statements for fiscal years ended August 31, 2023 and 2022 for the Permanent University Fund, the General Endowment Fund, the Permanent Health Fund, the Intermediate Term Fund and the Long Term Fund have been filed with the MSRB and are incorporated by reference herein. See "APPENDIX A — THE UNIVERSITY OF TEXAS SYSTEM — FINANCIAL MANAGEMENT — Incorporation by Reference of Other Documents." The Board has not requested Deloitte & Touche LLP to reissue their auditors' reports on such financial statements, and Deloitte & Touche has not undertaken any procedures on such financial statements since the date of such reports, and has not performed any procedures on any other financial information of the University System, including any of the information contained in this Official Statement.

The Board's current fiscal year end is August 31. Annually, not later than November 20 of each year, the unaudited Consolidated Primary Financial Statements of the University System dated as of August 31, prepared from the books of the University System, must be delivered to the Governor and the State Comptroller of Public Accounts. If the Board changes its fiscal year, it is required to notify the MSRB of the change.

If audited financial statements of the University System are not prepared for any fiscal year and audited financial statements are prepared with respect to the State for such fiscal year, the Board shall provide, or cause to be provided, the audited financial statements of the State for the applicable fiscal year to the MSRB within six months after the end of said fiscal year or as soon thereafter as such audited financial statements become available from the State Auditor. Any such audited financial statements of the State so provided shall be prepared in accordance with generally accepted accounting principles for state governments, as such principles may be changed from time to time to comply with State law. See "APPENDIX A — THE UNIVERSITY OF TEXAS SYSTEM — FINANCIAL MANAGEMENT —Financial Statements."

Notice of Certain Events. The Board will also provide to the MSRB notices of certain events on a timely basis no later than 10 business days after the event. The Board will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) 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; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the Board; (13) the consummation of a merger, consolidation, or acquisition involving the Board or the sale of all or substantially all of the assets of the Board, other than in the ordinary course of business, the entry into of 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; (14) appointment of a successor or additional trustee or the change of name of the trustee, if material; (15) incurrence of a financial obligation of the Board (as defined by the Rule, which includes certain debt, debt-like, and debt-related obligations), if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of any such financial obligation of the Board, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of any such financial obligation of the Board, any of which reflect financial difficulties. Neither the Bonds nor the Resolution make any provision for a trustee, debt service reserves, credit enhancement, or liquidity enhancement.

For these purposes, (a) any event described in clause (12) in the preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Board in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Board, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers 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 Board, and (b) the Board intends the words used in clauses (15) and (16) in the preceding paragraph and the definition of financial obligation in this section to have the meanings ascribed to them in SEC Release No. 34-83885, dated August 20, 2018.

In addition, the Board will provide timely notice with the MSRB of any failure by the Board to provide financial information or operating data in accordance with its agreement described above under “Annual Reports” by the time required.

Availability of Information

The Board has agreed to provide the foregoing updated information only to the MSRB. All documents provided by the Board to the MSRB described above under “Annual Reports” and “Notice of Certain Events” will be in an electronic format and accompanied by identifying information as prescribed by the MSRB.

The address of the MSRB is 1900 Duke Street Suite 600, Alexandria, VA 22314, and its telephone number is (703) 797-6600.

Limitations and Amendments

The Board has agreed to update information and to provide notices of certain events only as described above. The Board has not agreed to provide other information that may be relevant or material to a complete presentation of the University System’s financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The Board 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 Board 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 its agreement, although holders of Bonds may seek a writ of mandamus to compel the Board to comply with its agreement.

The Board may amend its continuing disclosure agreement from time to time 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 Board if (1) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment as well as such changed circumstances, and (2) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any person unaffiliated with the Board (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the registered and beneficial owners of the Bonds.

The Board may also amend or repeal the provisions of its continuing disclosure agreement 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, and the Board also may amend the provisions of its continuing disclosure agreement in its discretion in any other manner or circumstance, but in either case only if and to the extent that the provisions of this sentence would not have prevented an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds, giving effect to (i) such provisions as so amended and (ii) any amendments or interpretations of the Rule.

If the Board so amends its continuing disclosure agreement as described in this section, it has agreed to 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 financial information and operating data so provided.

Compliance with Prior Undertakings

During the past five years, the Board has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule.

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Bonds are subject to approval of legality by the Attorney General of the State and of certain legal matters by McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel and Disclosure Counsel to the Board. Attached hereto as APPENDIX E is the form of opinion that Bond Counsel will render in connection with the issuance of the Bonds. Bond Counsel has reviewed the information under the captions “INTRODUCTION,” “PLAN OF FINANCE,” “DESCRIPTION OF THE BONDS” (except for the information under “Book-Entry-Only System” as to which no opinion is expressed), “SECURITY FOR THE BONDS,” “DESCRIPTION OF THE REVENUE FINANCING SYSTEM,” “THE SWAP AGREEMENTS,” “CONTINUING DISCLOSURE OF INFORMATION” (except for the information under the subheading “Compliance with Prior Undertakings” as to which no opinion is expressed), “LEGAL MATTERS,” “TAX MATTERS,” “LEGAL INVESTMENTS IN TEXAS,” “REGISTRATION AND QUALIFICATION OF BONDS FOR SALE,” “APPENDIX B — GLOSSARY OF TERMS,” and “APPENDIX C — SUMMARY OF THE MASTER RESOLUTION,” in this Official Statement and such firm is of the opinion that the information relating to the Bonds and the Resolution contained under such captions is a fair and accurate summary of the information purported to be shown and that the information and descriptions contained under such captions relating to the provisions of applicable state and federal laws are correct as to matters of law. The legal opinions will accompany the Bonds deposited with DTC or will be printed on the Bonds in the event of the discontinuance of the Book-Entry-Only System. The payment of legal fees to Bond Counsel in connection with the issuance of the Bonds is contingent on the sale and delivery of the Bonds. Certain legal matters will be passed upon for the Underwriters by their co-counsel, Orrick, Herrington & Sutcliffe LLP, Austin, Texas and Kassahn & Ortiz, P.C., San Antonio, Texas. In connection with the issuance of the Bonds, Bond Counsel has been engaged by, and only represents, the University System.

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 expression of professional judgment, 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.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

The mathematical accuracy of certain computations included in the schedules provided by the Board relating to the computation of forecasted receipts of principal and interest on the Defeasance Securities held in the Escrow Fund for the Refunded Bonds and the Refunded Notes and the forecasted payments of principal, premium, if any, and interest to pay the Refunded Bonds and the Refunded Notes were verified by Causey Demgen & Moore P.C., certified public accountants. Such computations were based solely on assumptions and information supplied by the Board and the Underwriters. Causey Demgen & Moore P.C. has restricted its procedures to verifying the mathematical accuracy of certain computations and has not made any study or evaluation of the assumptions and information on which the computations are based and, accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions, or the achievability of the forecasted outcome. Such verification will be relied upon by Bond Counsel in rendering its opinions with respect to the exclusion from gross income of interest on the Bonds for federal income tax purposes and with respect to defeasance of the Refunded Bonds and the Refunded Notes. See "TAX MATTERS."

TAX MATTERS

Opinion

On the date of initial delivery of the Bonds, McCall, Parkhurst & Horton L.L.P., Bond Counsel to the Board, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the owners thereof and (2) the Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds. See "APPENDIX E — FORM OF BOND COUNSEL OPINION."

In rendering its opinion, Bond Counsel will rely upon (a) the Board's federal tax certificate and the verification report prepared by Causey Demgen & Moore P.C. and (b) covenants of the Board with respect to arbitrage, the application of the proceeds to be received from the issuance and sale of the Bonds and the Refunded Obligations and certain other matters. Failure of the Board to comply with these representations or covenants could cause the interest on the Bonds to become includable in gross income retroactively to the date of issuance of the Bonds.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The opinion of Bond Counsel is conditioned on compliance by the Board with the covenants and requirements described in the preceding paragraph, and Bond Counsel has not been retained to monitor compliance with these requirements subsequent to the issuance of the Bonds.

Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel's opinion is not a guarantee of a result. Existing Law is subject to change by Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that Existing Law or the interpretation thereof will not be changed in a manner that would adversely affect the tax treatment of the purchase, ownership or disposition of the Bonds.

A ruling was not sought from the Internal Revenue Service by the Board with respect to the Bonds or the facilities financed or refinanced with proceeds of the Bonds or the Refunded Obligations. No assurances can be given as to whether or not the Internal Revenue Service will commence an audit of the Bonds, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an audit is commenced, under current procedures the Internal Revenue Service is likely to treat the Board as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

Federal Income Tax Accounting Treatment of Original Issue Discount

The initial public offering price to be paid for one or more maturities of the Bonds may be less than the principal amount thereof or one or more periods for the payment of interest on the Bonds may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Bonds"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the Bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, any owner who has purchased such Original Issue Discount Bond in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see “Collateral Federal Income Tax Consequences” below.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income.

Under Existing Law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner’s basis for such Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Original Issue Discount Bond.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Bonds should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of the treatment of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Bonds.

Collateral Federal Income Tax Consequences

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on Existing Law which is subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with Subchapter C earnings and profits, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health insurance premium assistance credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

Interest on the Bonds may be includable in certain corporation's “adjusted financial statement income” determined under section 56A of the Code to calculate the alternative minimum tax imposed by section 55 of the Code.

Under section 6012 of the Code, owners of tax-exempt obligations, such as the Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Bonds, if such obligation was acquired at a “market discount” and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to “market discount bonds” to the extent such gain does not exceed the accrued market discount of such Bonds; although for this purpose, a de minimis amount of market discount is ignored. A “market discount bond” is one which is acquired by the owner at a purchase price which is less than the stated redemption price at maturity or, in the case of an obligation issued at an original issue discount, the “revised issue price” (i.e., the issue price plus accrued original issue discount). The “accrued market discount” is the amount which bears the same ratio to the market discount as the number of days during which the owner holds the obligation bears to the number of days between the acquisition date and the final maturity date.

State, Local and Foreign Taxes

Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the Bonds under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

Information Reporting and Backup Withholding

Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Bonds will be sent to each registered holder and to the Internal Revenue Service. Payments of interest and principal may be subject to backup withholding under section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner's social security number or other taxpayer identification number ("TIN"), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient's federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances, and in respect of foreign investors, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

Future and Proposed Legislation

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under Federal or state law and could affect the market price or marketability of the Bonds. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

LEGAL INVESTMENTS IN TEXAS

Pursuant to Chapter 1201, Texas Government Code, the Bonds are legal and authorized investments for banks, savings banks, trust companies, building and loan associations, savings and loan associations, insurance companies, fiduciaries and trustees, and for the sinking funds of cities, towns, villages, school districts and other political subdivisions or public agencies of the State. The Bonds are eligible to secure deposits of public funds of the State, its agencies and political subdivisions, and are legal security for those deposits to the extent of their market value. The Texas Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended (the "Investment Act") provides that any "local government" and "state agency" (as those terms are defined in the Investment Act) may invest in the Bonds, provided the Bonds have received a rating of not less than "A" from a nationally recognized investment rating firm. No investigation has been made of other laws, regulations or investment criteria which might limit the ability of such institutions or entities to invest in the Bonds, or which might limit the suitability of the Bonds to secure the funds of such entities. No review by the Board has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

The sale of the Bonds has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2), and the Bonds have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been qualified under the securities acts of any jurisdiction. The Board assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for 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 provisions.

RATINGS

Fitch Ratings, Inc., Moody's Investors Service, Inc., and S&P Global Ratings have assigned ratings of "AAA," "Aaa" and "AAA" to the Bonds, respectively. An explanation of the significance of each such rating may be obtained from the company furnishing the rating. The ratings will reflect only the views of such organizations at the time such ratings are given, and the Board 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 such rating companies, if in the judgment of such rating companies, circumstances so warrant. Any such downward revision or withdrawal of any of the ratings 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.

UNDERWRITING

The Underwriters of the Bonds have agreed, subject to certain customary conditions, to purchase the Bonds at a price equal to the principal amount of the Bonds, plus a net premium of $___________, and less an underwriting discount of $________. The purchase obligations of the Underwriters are subject to certain conditions precedent, and the Underwriters will be obligated to purchase all of the Bonds of their respective maturities if any of such Bonds are purchased.

The Underwriters have provided the following paragraphs for inclusion in this Official Statement, and the Board takes no responsibility for the accuracy thereof.

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, if applicable to this transaction, each of CS&Co. and LPL will 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.

Morgan Stanley, the parent company of Morgan Stanley & Co. LLC, an underwriter of the Bonds, has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Bonds.

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 and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage 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 Board and to persons and entities with relationships with the Board, 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, 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 Board (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the Board. 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.

OTHER MATTERS

The financial data and other information contained herein have been obtained from the Board's records, primary financial statements and other sources that are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes and documents contained in this Official Statement are made subject to all of the provisions of such statutes and documents. The summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

The statements contained in this Official Statement, and in other information provided by the Board, that are not purely historical are forward-looking statements, including statements regarding the Board'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 Board on the date hereof, and the Board assumes no obligation to update any such forward-looking statements. Historical financial information in this Official Statement does not represent a guarantee of future results.

References to web site 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 web sites and the information or links contained therein are not incorporated into, and are not part of, this final official statement for purposes of, and as that term is defined in, the Rule.

The Resolution authorizing the issuance of the Bonds approved the form and content of this Official Statement, and any addenda, supplement or amendment hereto, and authorized its further use in the reoffering of the Bonds by the Underwriters.

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

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Associate Vice Chancellor for Finance
The University of Texas System

SCHEDULE I – REFUNDED BONDS*

Board of Regents of The University of Texas System
Revenue Financing System Bonds, Series 2014A

Original Issue Date	Original Maturity Date (Aug. 15)	Interest Rate (%)	Principal Amount Being Refunded	Date of Redemption	Redemption Price
5/1/2014	2025	5.00	$5,895,000	8/15/2024	100%
5/1/2014	2026	5.00	5,215,000	8/15/2024	100%
5/1/2014	2027	5.00	8,005,000	8/15/2024	100%
5/1/2014	2028	5.00	720,000	8/15/2024	100%
5/1/2014	2029	5.00	8,685,000	8/15/2024	100%
5/1/2014	2030	5.00	9,110,000	8/15/2024	100%
5/1/2014	2031	5.00	9,570,000	8/15/2024	100%
5/1/2014	2032	5.00	10,050,000	8/15/2024	100%
5/1/2014	2033	5.00	10,550,000	8/15/2024	100%
5/1/2014	2034	5.00	11,165,000	8/15/2024	100%
5/1/2014	2035	4.00	11,720,000	8/15/2024	100%
5/1/2014	2036	4.00	12,190,000	8/15/2024	100%
5/1/2014	2037	5.00	10,170,000	8/15/2024	100%
5/1/2014	2038	5.00	10,670,000	8/15/2024	100%
***	***	***	***	***	***
5/1/2014	2042	4.00	47,580,000	8/15/2024	100%
***	***	***	***	***	***
5/1/2014	2044	5.00	26,840,000	8/15/2024	100%

Board of Regents of The University of Texas System
Revenue Financing System Refunding Bonds, Series 2014B

Original Issue Date	Original Maturity Date (Aug. 15)	Interest Rate (%)	Principal Amount Being Refunded	Date of Redemption	Redemption Price
11/24/2014	2027	5.00	$ 23,000,000	8/15/2024	100%
11/24/2014	2028	5.00	18,190,000	8/15/2024	100%
11/24/2014	2029	5.00	14,590,000	8/15/2024	100%
11/24/2014	2030	5.00	14,665,000	8/15/2024	100%
11/24/2014	2031	5.00	15,415,000	8/15/2024	100%
***	***	***	***	***	***
11/24/2014	2036	4.00	13,135,000	8/15/2024	100%
11/24/2014	2037	4.00	7,965,000	8/15/2024	100%

* Preliminary, subject to change.

APPENDIX A

THE UNIVERSITY OF TEXAS SYSTEM

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THE UNIVERSITY OF TEXAS SYSTEM

GENERAL DESCRIPTION

Background and History

The University of Texas System (the "University System") was established pursuant to the Texas Constitution of 1876. In 1881, Austin was designated the site of the main academic campus and Galveston as the location of the medical branch. The University of Texas at Austin first opened in 1883, and eight years later, John Sealy Hospital in Galveston (now a part of the University System's Medical Branch at Galveston) established a program for university-trained medical professionals.

In addition to the original academic campus located in Austin, the University System now includes eight additional academic institutions in Arlington, Dallas, El Paso, Nacogdoches, Permian Basin, Rio Grande Valley, San Antonio, and Tyler. As discussed below, Stephen F. Austin State University in Nacogdoches, Texas became part of the University System on September 1, 2023. Health institutions for medical education and research have expanded beyond the original Galveston medical campus to include M. D. Anderson Cancer Center, Southwestern Medical Center, and Health Science Centers at Houston, San Antonio and Tyler.

On December 9, 2019, the Board approved the administrative realignment between The University of Texas Health Science Center at Tyler ("Health Science Center at U. T. Tyler") and The University of Texas at Tyler ("U. T. Tyler"). On January 4, 2021, the Health Science Center at U. T. Tyler became an administrative unit within U. T. Tyler creating a single, integrated university with a single President. Under the plan approved by the Southern Association of Colleges and Schools, Health Science Center at U.T. Tyler retains its status as a health-related institution but has administratively become an instructional unit of U.T. Tyler. No legislative action has been taken or is expected abolishing Health Science Center at U. T. Tyler, and this Official Statement includes a separate discussion of Health Science Center at U. T. Tyler.

Many of the University System programs in science, engineering, liberal arts and humanities rank among the very best in the country. Library facilities on The University of Texas at Austin campus, long considered among the finest libraries in the world are available to other institutions within the University System through a sophisticated statewide computerized telecommunications network.

Addition of Stephen F. Austin State University

Senate Bill 1055 ("SB 1055"), enacted by the 88th Texas Legislature, Regular Session and effective as of May 10, 2023, provided for the transfer of Stephen F. Austin State University in Nacogdoches, Texas to the University System. SB 1055 created "Stephen F. Austin State University, a member of The University of Texas System" ("SFA") as a new university within the University System with Permanent University Fund eligibility and abolished the prior SFA institution on September 1, 2023 (the "Transfer Date"). Pursuant to SB 1055, on the Transfer Date the Board was automatically substituted for the Board of Regents of the prior SFA institution in all of its contracts and other obligations. Additionally, all admitted or enrolled students of the existing SFA institution were automatically entitled to admission at SFA on such date. The Board has added SFA as a Member of the Revenue Financing System under the terms of the Master Resolution, and the Board is now authorized to issue Parity Debt on behalf of SFA.

As provided in SB 1055, the Board became the successor to the obligations of the prior SFA institution on the Transfer Date, and the outstanding secured obligations thereof now constitute Prior Encumbered Obligations in accordance with Section 2(b) of the Master Resolution. See "DESCRIPTION OF THE REVENUE FINANCING SYSTEM — Outstanding Prior Encumbered Obligations of SFA." The Revenue Funds attributable to SFA automatically became part of Pledged Revenues on the Transfer Date subject only to the superior lien thereon securing the Prior Encumbered Obligations. More information about SFA, including its operations, finances and obligations, can be found on EMMA under the CUSIP prefix 858620.

Governance

The Board is the governing body of the University System, and its members are officers of the State, appointed by the Governor with the advice and consent of the State Senate. The nine regents constituting the Board serve without pay and are appointed to staggered six-year terms. Additionally, under State law the Governor also appoints one student regent with the right to attend and participate in meetings of the Board to a one-year term, but the student regent may not vote on any matter before the Board.

The University System is subject to specific powers of the Texas Higher Education Coordinating Board (the "Coordinating Board") related to statewide planning and efficient use of resources. The Coordinating Board reviews and approves the degree and certificate programs offered by the State's institutions of higher education and reviews the academic courses offered by such institutions. The Coordinating Board also prescribes state standards for facilities related to cost, efficiency, space need, and space use, and reviews construction and major rehabilitation projects for compliance with those standards.

Administration

The University System is managed through administrative officers in the System Administration Office, including the Chancellor, the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, the Executive Vice Chancellor for Health Affairs and Vice Chancellors for Governmental Relations, Health Affairs, Legal Affairs, and External Relations, Communications and Advancement Services. The chief administrative officers at all of the institutions within the University System report to the Chancellor. The Executive Vice Chancellor for Business Affairs and the chief business officers at each institution meet regularly to consider topics of mutual concern.

At each institution, a president serves as the chief administrative officer. The president prepares biennial budgets for submission to the State Legislature, capital expenditure budgets, reports and requests to the Coordinating Board and conducts the ongoing affairs of his or her institution.

The principal administrative officers of the University System, along with the officer of the University System responsible for finance, are listed below. All such officers reside in Austin, the headquarters for the University System.

James B. Milliken, Chancellor
Archie L. Holmes Jr., Ph.D., Executive Vice Chancellor for Academic Affairs
Jonathan C. Pruitt, Executive Vice Chancellor for Business Affairs
John M. Zerwas, M.D., Executive Vice Chancellor for Health Affairs

Following is summary biographical information relating to each of the administrative officers identified above:

James B. Milliken was named Chancellor of the University System on August 27, 2018. Prior to being named Chancellor, Milliken most recently served as chancellor of The City University of New York (CUNY) from 2014 until 2018, overseeing the largest urban university system in the country, consisting of 24 campuses and more than 270,000 degree-seeking students. Prior to his time at CUNY, Milliken served as president of the University of Nebraska (NU) four-campus system from 2004 until 2014. Prior to his time at NU, Milliken served from 1998 until 2004 as senior vice president at the 16-campus University of North Carolina system, where he led strategic and economic development, federal and state relations, and university advancement. Chancellor Milliken earned a bachelor's degree from the University of Nebraska and a law degree from New York University.

Archie L. Holmes Jr., Ph.D. was named Executive Vice Chancellor for Academic Affairs of the University System effective October 2020. Before joining the University System, Dr. Holmes served as vice provost for academic affairs at the University of Virginia. Since 2007, Dr. Holmes served as a professor in the Department of Electrical and Computer Engineering at the University of Virginia. Prior to being named vice provost for academic affairs in 2016, he served as vice provost for educational innovation and interdisciplinary studies and associate provost. Dr. Holmes received his bachelor's and PhD degrees, both in electrical engineering, from The University of Texas at Austin and the University of California at Santa Barbara, respectively.

Jonathan C. Pruitt was named Executive Vice Chancellor for Business Affairs of the University System effective March 1, 2022. Before joining the University System, Mr. Pruitt held various roles at the University of North Carolina System from 2006 to 2017 and had been serving as Chief Operating Officer of the University of North Carolina System since August 2020. From 2018 to 2020, Mr. Pruitt served as Vice Chancellor for Finance and Operations at the University of North Carolina at Chapel Hill. Mr. Pruitt earned a bachelor of arts degree from Centre College in 1999 and a Master of Public Administration from the University of Kentucky in 2011.

John M. Zerwas, M.D. joined the University System as Executive Vice Chancellor for Health Affairs in October 2019. Before coming to the University System, Dr. Zerwas served for seven legislative terms in the Texas House of Representatives. Dr. Zerwas served eleven years on the House Appropriations Committee, three as Chairman, and six as Chairman of the Appropriations Subcommittee on Health and Human Services. A physician for more than 30 years, Dr. Zerwas is past president of the American Society of Anesthesiologists. Dr. Zerwas cofounded a Houston area group practice in 1996 which became part of US Anesthesia Partners in 2012. He remained active in the practice and operations of the practice until joining the University System. From 2003 to 2008, Dr. Zerwas served as Chief Medical Officer of the Memorial Hermann Hospital System, and as Chief Physician Integration Officer until 2009. After graduating from the University of Houston, Dr. Zerwas earned his Doctorate in Medicine at Baylor College of Medicine in 1980.

University System Institutions

A summary description of the University System's institutions, which include nine general academic institutions and six Health Institutions, each of which is a Member of the Revenue Financing System, follows:

General Academic Institutions

Stephen F. Austin State University ('SFA") was created by the 36th Texas Legislature in 1921 as a college for teacher training. In 1969, SFA became a regional state university. As discussed above in "Addition of Stephen F. Austin State University," SFA became a University System institution on September 1, 2023. SFA is located in Nacogdoches, Texas and currently enrolls nearly 11,000 students. The main campus includes over 400 acres. In addition, SFA maintains a university farm of 699 acres, an experimental forest in southwestern Nacogdoches County and a forestry field station on Lake Sam Rayburn. SFA currently offers approximately 80 undergraduate programs, 46 master's programs and four doctoral programs across six colleges (Business, Education, Fine Arts, Forestry and Agriculture, Liberal and Applied Arts and Sciences and Mathematics).

The University of Texas at Arlington ("U.T. Arlington"), with approximately 41,000 for-credit students and almost 20,000 non-credit students, offers 83 baccalaureate, 73 master's and 26 doctoral degrees within nine colleges and schools including Architecture, Planning and Public Affairs, Business, Engineering, Education, Nursing and Health Innovation, Honors, Liberal Arts, Science, and Social Work.

The University of Texas at Austin ("U.T. Austin") is one of the largest public universities in the United States and is the largest institution of the University System. Founded in 1883, the university has grown to a 431-acre main campus with 18 colleges and schools, about 21,000 faculty and staff, and nearly 53,000 undergraduate and graduate students. U.T. Austin offers 227 undergraduate and 221 graduate degree programs (including doctoral) in virtually every field. The University of Texas at Austin is a major comprehensive research university with a broad mission of undergraduate education, graduate education, research and public service.

The University of Texas at Dallas ("U.T. Dallas"), with nearly 31,000 students, offers 148 academic programs within seven academic units including Arts, Humanities and Technology; Behavioral and Brain Sciences; Economic, Political and Policy Sciences; Natural Sciences and Mathematics; Interdisciplinary Studies; the Naveen Jindal School of Management; and the Erik Jonsson School of Engineering and Computer Science.

The University of Texas at El Paso ("UTEP") enrolls more than 24,300 students, a majority of whom are Hispanic. About half of UTEP undergraduate students report that their parents have not earned a college degree. UTEP's research expenditures totaled $145.7 million in FY 2023, and the University's tuition and fees are in the lowest 20% among R1 universities.

The University of Texas Permian Basin ("U.T. Permian Basin"), with more than 5,000 students, offers 35 bachelor's, and 19 master's degrees within five academic units including Arts and Sciences, Business, Engineering, Education and Health Sciences and Human Performance. Located in Odessa and Midland, Texas, most of U.T. Permian Basin's students come from the West Texas region.

The University of Texas Rio Grande Valley ("U.T. Rio Grande Valley") was created by the Texas Legislature in 2013. U.T. Rio Grande Valley enrolled its first class in Fall 2015 and currently serves almost 32,000 students through fourteen academic units, including the School of Medicine (opened Fall 2016), the School of Podiatric Medicine (opened Fall 2022), Health Professions, Nursing, Social Work, Sciences, Liberal Arts, Fine Arts, Engineering and Computer Science, Business and Entrepreneurship, Education and P-16 Integration, Honors College, Graduate College and University College. U.T. Rio Grande Valley has campuses in Brownsville, Harlingen, and Edinburg.

The University of Texas at San Antonio ("U.T. San Antonio") is a Tier One research university and a Hispanic Serving Institution specializing in cyber, health, fundamental futures, and social-economic transformation. With more than 34,000 students, it is the largest university in the San Antonio metropolitan region. U.T. San Antonio advances knowledge through research and discovery, teaching and learning, community engagement and public service. The university embraces multicultural traditions and serves as a center for intellectual and creative resources as well as a catalyst for socioeconomic development and the commercialization of intellectual property—for Texas, the nation and the world.

The University of Texas at Tyler ("U.T. Tyler"), with more than 9,400 students, offers 41 baccalaureate, 39 master's and seven doctoral and professional degrees within eight academic units including The College of Arts and Sciences, The Soules College of Business, The College of Education and Psychology, The College of Engineering, The School of Nursing, The Ben and Maytee Fisch College of Pharmacy, The School of Health Professions, and The School of Medicine, in collaboration with The Health Science Center at U.T. Tyler. Centrally located between Dallas and Shreveport, Louisiana, U. T. Tyler has locations in Tyler, Longview, Palestine, and Houston. Effective January 4, 2021, The University of Texas at Tyler aligned under common administrative leadership with The University of Texas Health Science Center at Tyler.

Health Institutions

The University of Texas Southwestern Medical Center ("U.T. Southwestern"), founded in 1943, is one of the premier academic medical centers in the nation, integrating pioneering biomedical research with exceptional clinical care and education. With an operating budget of $4.9 billion, U.T. Southwestern has more than 3,500 faculty members. The institution's faculty has received six Nobel Prizes and includes 25 members of the National Academy of Sciences, 21 members of the National Academy of Medicine, and 13 Howard Hughes Medical Institute Investigators. Faculty members are responsible for groundbreaking medical advances and are committed to translating science-driven research quickly to new clinical treatments. The Harold C. Simmons Comprehensive Cancer Center, the only NCI-designated Comprehensive Cancer Center in North Texas, is a multidisciplinary program at U.T. Southwestern responsible for the cancer care and cancer research conducted at the institution. U.T. Southwestern physicians provide medical care in 80 specialties to more than 120,000 hospitalized patients and oversee approximately 5 million outpatient visits a year. U.T. Southwestern physicians care for patients in the U.T. Southwestern University Hospital and Clinics, including William P. Clements Jr. University Hospital, and at Parkland Health, Children's Health, Scottish Rite for Children, VA North Texas Health Care System, and Southwestern Health Resources, a clinically integrated regional health network with Texas

Health Resources. U.T. Southwestern programs are offered in Dallas, Southern Dallas (Redbird), Fort Worth, the Park Cities, Irving/Las Colinas, Coppell, Frisco, Richardson/Plano, El Paso, Lubbock, and Tyler, and internationally in Peru, India, Israel, and France. Four degree-granting institutions – U.T. Southwestern Medical School, U.T. Southwestern Graduate School of Biomedical Sciences, U.T. Southwestern School of Health Professions, and U.T. Southwestern Peter O'Donnell Jr. School of Public Health – train nearly 4,000 medical, graduate, and health professions students, residents, and postdoctoral fellows each year. Ongoing support from federal agencies such as the National Institutes of Health, along with foundations, individuals, and corporations, provide more than $715 million per year to fund more than 6,050 research projects.

The University of Texas Medical Branch at Galveston ("UTMB") is a member of the Texas Medical Center. UTMB trains over 3,800 students enrolled in five schools and four advanced study institutes, including the School of Medicine, the School of Nursing, the School of Public and Population Health, the School of Health Professions, the Graduate School of Biomedical Sciences, the Institute for Human Infections and Immunity, the Institute for Bioethics & Health Humanities, the Institute for Translational Sciences, and the Sealy Institute for Vaccine Sciences. UTMB also trains over 600 medical residents each year along with providing continuing education programs for practitioners, post-docs, and research fellows. UTMB's 1,012 faculty members oversee approximately $144 million per year in research projects. Additionally, UTMB's faculty, physicians and medical residents treated 40,458 hospitalized patients and completed over 1.5 million outpatient encounters during fiscal year 2022. UTMB's patient care facilities include 108 clinics and hospitals on four campuses with a combined bed capacity of 1,036.

The University of Texas Health Science Center at Houston ("Health Science Center at Houston") trains approximately 5,000 students enrolled in six professional schools, including Medicine, Dentistry, Nursing, Public Health, Biomedical Sciences, and Biomedical Informatics. The Health Science Center at Houston's faculty of approximately 2,400 oversees approximately $350.4 million per year in research projects. Additionally, the Health Science Center at Houston's 2,500+ physicians and medical and dental residents treat more than 2.3 million patients annually, at more than 130 outpatient and inpatient sites. The Health Science Center at Houston also operates the UT-Harris County Psychiatric Center and the John S. Dunn Behavioral Sciences Center, the only public psychiatric hospitals in the Houston region, where in-patient admissions approach 10,000 annually. Its primary hospital partner, Memorial Hermann Healthcare System (MHHS) is the inpatient market share leader in the greater Houston area. The MHHS flagship hospital, Memorial Hermann – Texas Medical Center, is predominantly staffed by the Health Science Center at Houston's faculty and serves as the primary training site for its medical students and residents.

The University of Texas Health Science Center at San Antonio ("Health Science Center at San Antonio") trains approximately 4,200 students and over 1,100 residents and post-graduate trainees in five schools, including Medicine, Dentistry, Nursing, the School of Health Professions, and the Graduate School of Biomedical Sciences. The Health Science Center at San Antonio's faculty of over 2,400 oversees nearly $425 million per year in research and sponsored projects. Additionally, Health Science Center at San Antonio's faculty and medical residents treat nearly 600,000 hospitalized patients and nearly 1.8 million outpatients annually within the University Hospital System, the South Texas Veterans Health Care System, the University Health Care Center Downtown, and many other military and civilian hospitals and healthcare institutions, providing significant levels of uncompensated health care to uninsured and underinsured populations of San Antonio and throughout South Texas. The Health Science Center at San Antonio provides professional health education to local and rotational students at the University of Texas Education and Research Center at Laredo, where it also conducts prevailing health disparity research and provides critical patient care services to underserved communities. The Health Science Center at San Antonio has acquired an international reputation in Longevity and Aging Studies; oversees a children's and National Cancer Institute designated adult cancer center in partnership with MD Anderson, which conducts clinical research trials, fosters drug development and provides patient care; provides compassionate and comprehensive clinical care in Alzheimer's and Neurodegenerative Diseases as the most comprehensive institute in Texas for these diseases and the only National Institute on Aging designated Alzheimer's Disease Research Center (ADRC) in Texas, grounded in innovative medical research and proven best practices to serve comprehensive brain needs; and, is the leading economic generator in San Antonio's biosciences and health care industry. Most recently, the Health Science Center at San Antonio opened a sixth school, a School of Public Health, which will begin admitting students in the Fall of 2024, will open a new 144-bed, 12 operating room multi-specialty research hospital in December 2024, and has broken ground on two new research facilities focused on neurodegenerative diseases, developing therapeutics and preserving brain health, cancer, infectious and other prevalent diseases in this region of the State of Texas.

The University of Texas MD Anderson Cancer Center in Houston ("MD Anderson") is one of the world's most respected cancer centers, and is devoted to patient care, research, prevention and educating the next generation of oncologists and oncology nurses and specialists. In Fiscal Year 2023, the institution devoted over $1.2 billion to research, and more than 179,000 patients were served in MD Anderson's Houston-area locations – including more than 1.6 million outpatient visits, nearly 21,000 surgeries, more than 14 million pathology/laboratory medicine procedures and more than 637,000 diagnostic imaging procedures. MD Anderson awards Bachelor of Science degrees in 10 allied health disciplines and two master's programs through its School of Health Professions. It offers Master of Science and Ph.D. degree programs, as well as an M.D./Ph.D. dual degree to students at The University of Texas MD Anderson Cancer Center UTHealth Houston Graduate School of Biomedical Sciences, which is operated in partnership with The University of Texas Health Science Center at Houston. In addition to MD Anderson's main campus in the Texas Medical Center, the institution has a research campus near Austin in Bastrop County. MD Anderson also is one of the founding members of TMC3, a 30-acre collaborative research campus currently under construction in Houston's Texas Medical Center. Through MD Anderson Cancer Network®, the institution has six partners: Banner MD Anderson Cancer Center (Greater Phoenix, Arizona); MD Anderson Cancer Center at Cooper (Camden, New Jersey); Baptist MD Anderson Cancer Center (Jacksonville, Florida); UT Health San Antonio MD Anderson Cancer Center (San Antonio, Texas); Community Health Network MD Anderson Cancer Center (Indianapolis, Indiana); and Ochsner MD Anderson (New Orleans, Louisiana). MD Anderson also has partner affiliates in Colorado and Pennsylvania, one international affiliation (MD Anderson Cancer Center Madrid España), as well as global oncology collaborations to advance its mission to end cancer worldwide.

The University of Texas Health Science Center at Tyler ("Health Science Center at U. T. Tyler") operates as an administrative unit of U. T. Tyler and is the State's referral hospital for pulmonary diseases, with 149 combined staffed and contracted beds. The Health Science Center at U. T. Tyler has 198 board-certified physicians who see over 280,000 outpatient visits in 28 clinics and nearly 2,500 hospitalized patients. Additionally, 26 principal scientists are involved with nationally-sponsored research at the Health Science Center at U. T. Tyler at The Center for Biomedical Research. The Health Science Center at U. T. Tyler, the only academic medical center in East Texas, is home to sixteen residency and fellowship programs. In addition, the Health Science Center at U. T. Tyler is home to the Center for Pulmonary and Infectious Disease Control, a major initiative to lead the State's battle against infectious diseases of the lungs, including drug-resistant tuberculosis. Effective March 1, 2018, The University of Texas Health Science Center at Tyler formed a joint venture, called UT Health East Texas, with Ardent Health Partners, LLC and acquired substantially all of the assets and operations of the East Texas Medical Center (ETMC) Regional Healthcare System including nine hospitals, 52 clinics and other related ancillary operations of ETMC. The University of Texas Health Science Center at Tyler also signed an agreement effective March 1, 2018 for Ardent Health Partners, LLC to manage the clinical operations of the Health Science Center at U. T. Tyler's hospital, now known as UT Health North Campus Tyler.

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Enrollment

The Fall 2019-2023 headcount enrollments at the teaching institutions of the University System are:

	2019	2020	2021	2022	2023
U.T. Arlington	42,863	42,733	41,515	40,942	41,376
U.T. Austin	50,894	50,282	51,786	52,189	52,883
U.T. Dallas	29,543	28,669	29,696	31,570	30,885
UTEP	25,144	24,867	24,003	23,880	24,351
U.T. Permian Basin	5,283	5,530	5,043	5,250	5,283
U.T. Rio Grande Valley	28,909	32,220	31,718	31,317	31,577
U.T. San Antonio	32,389	34,402	34,177	33,557	34,864
Stephen F. Austin[(1)]					10,781
U.T. Tyler	9,130	9,408	9,218	8,968	9,442
U.T. Southwestern Medical Center at Dallas	2,299	2,299	2,308	2,351	2,501
U.T. Medical Branch at Galveston	3,314	3,398	3,377	3,291	3,214
U.T. Health Science Center at Houston	5,317	5,611	5,758	5,320	5,044
U.T. Health Science Center at San Antonio	3,383	3,439	3,463	3,491	3,616
U.T. Austin Dell Medical School	196	194	197	195	199
U.T. Rio Grande Valley-Medical School	204	221	222	242	287
U.T. M.D. Anderson	376	358	358	364	355
U.T. Health Science Center at Tyler[(2)]	68	88	113	96	125
Total	239,312	243,719	242,952	243,023	256,783

(1) As discussed above in "Addition of Stephen F. Austin State University," SFA became a University System institution on September 1, 2023.

(2) U.T. Health Science Center at Tyler now operates as an administrative unit of U.T. Tyler. See "-Background and History" above.

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The following are the headcount and full-time equivalent enrollment figures for undergraduate and graduate and professional students at all of the teaching institutions of the University System during the previous five Fall semesters:

Enrollment By Classification*

Fall Term	Undergraduate	Graduate and Professional	Total	Total Full-Time Equivalent
2023	192,583	63,930	256,783	203,973
2022	179,980	64,063	243,023	192,816
2021	179,335	63,617	242,952	191,026
2020	181,429	62,290	243,719	194,210
2019	177,541	61,771	239,312	190,308

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* Full-time equivalent (FTE) data is produced annually by the Coordinating Board.

The following are the historical undergraduate admissions figures for the teaching institutions* of the University System for the Fall 2019-2023 semesters:

	2019	%	2020	%	2021	%	2022	%	2023	%
Freshman:										
Applications	123,180	100.0	135,557	100.0	144,913	100.0	152,961	100.0	181,605	100.0
Acceptances	74,577	60.5	89,236	65.8	94,970	65.5	102,239	66.8	116,261	64.0
Matriculants	30,268	40.6	30,737	34.4	32,000	33.7	33,620	32.9	38,215	32.9
Transfers:										
Applications	37,670	100.0	38,701	100.0	38,728	100.0	36,655	100.0	37,380	100.0
Acceptances	29,660	78.7	29,097	75.2	27,972	72.2	27,834	75.9	27,586	73.8
Matriculants	17,502	59.0	17,198	59.1	16,363	58.5	15,561	55.9	16,155	58.6

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* Reflects only general academic institutions.

The following table sets forth, by percentage, a breakdown of the University System's enrollment by residency classification for the Fall 2019-2023 semesters. Totals may not sum due to rounding:

	2019	2020	2021	2022	2023
In-State Students	87.4%	89.0%	88.0%	86.5%	87.1%
Out-of-State Students	4.6%	6.4%	4.7%	4.6%	4.4%
Foreign Students	8.0%	4.6%	7.3%	8.9%	8.5%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

Faculty and Employees

The number of faculty and employees employed by the University System as of Fall 2023 are set forth in the following table:

	Faculty and Employees*
General Academic Institutions:	
Faculty	12,179
All Other Employees (excludes student employees)	30,482
Subtotal	42,661
Health Institutions:	
Faculty	10,335
All Other Employees (excludes student employees)	69,996
Subtotal	80,331
University System Administration:	453
Total	123,445

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* Estimated. Excludes student employees.

A wide range of honors, awards and grants evidences the quality of the faculty in the University System, including six Nobel Prize Laureates; two Shaw Laureates; two Abel Prize recipients; two Japan Prize recipients; two Turing Award recipients; one Dan David Prize recipient; one Pulitzer Prize recipient; 53 Members of the National Academy of Sciences; 58 Members of the National Academy of Engineering; 42 Members of the National Academy of Medicine; 64 Members of the National Academy of Inventors; 64 members of the American Academy of Arts and Sciences; 28 Members of the American Law Institute; and 87 members of the National Academy of Nursing. University System faculty members have received such prestigious awards as the Field Medal in mathematics, Presidential Young Investigator Awards, and numerous fellowships from organizations such as the McArthur, Guggenheim, Mellon, Rockefeller, Ford, Sid Richardson, Welch and Meadows Foundations.

FINANCIAL MANAGEMENT

Financial management of the University System is the responsibility of the Executive Vice Chancellor for Business Affairs. The Office of Business Affairs, which includes the Office of Finance, has debt administration responsibility, as well as offices that coordinate the operational activities of the University System, including budget matters. Reporting to the Executive Vice Chancellor for Business Affairs, the Associate Vice Chancellor in the Office of Budget and Planning of the University System prepares for the Board an annual operating budget for the University System, and the Associate Vice Chancellor and Controller prepares monthly financial reports and the annual Consolidated Primary Financial Statements of the University System.

Financial Statements

Not later than November 20 of each year, the unaudited Consolidated Primary Financial Statements of the University System dated as of August 31, prepared from the books of the University System, must be delivered to the Governor, the Comptroller of Public Accounts of the State (the "Comptroller"), the Legislative Reference Library, the State Auditor and the Legislative Budget Board. Each year, the State Auditor must certify the financial statements of the State as a whole, inclusive of the University System.

The Board commissioned Deloitte & Touche LLP to audit the Consolidated Financial Statements of the business type-activities and the fiduciary activities of the University System as of and for the fiscal years ended August 31, 2023 and 2022, and the related notes to the consolidated financial statements, which collectively comprise the University System's basic financial statements. The audited Consolidated Basic Financial Statements of the University System for the fiscal year ended August 31, 2023 and 2022, have been filed with the Municipal Securities Rulemaking Board (the "MSRB") on its Electronic Municipal Market Access ("EMMA") system via the MSRB's internet website, https://emma.msrb.org. Deloitte & Touche LLP, the Board's independent auditor, has not been engaged to review, comment on, or approve, and is not associated with, this Official Statement. The report of Deloitte & Touche LLP relating to The University of Texas System's financial statements for the fiscal year ended August 31, 2023 is attached to this Official Statement as "APPENDIX D — AUDITED CONSOLIDATED PRIMARY FINANCIAL STATEMENTS OF THE UNIVERSITY OF TEXAS SYSTEM FOR THE FISCAL YEAR ENDED AUGUST 31, 2023", however, Deloitte & Touche LLP has not performed any procedures on such financial statements since the date of such report, and has not performed any procedures on any other financial information of the University System, including without limitation any of the information contained in this Official Statement, and has not been engaged to consent to the incorporation of its report, or otherwise be associated with this Official Statement. The Board has not requested Deloitte & Touche LLP to perform any activities as described in Sec. 8(b) of SAS 133 – Auditor Involvement with Exempt Securities related to this Official Statement.

At its meeting on May 5, 2022, the Board approved engaging an external auditor to provide independent financial auditing services for the University System for fiscal years ending August 31, 2022 and August 31, 2023. Deloitte & Touche LLP was selected, and the Board approved a contract with Deloitte & Touche LLP effective August 1, 2022 through July 31, 2024. The Board is expected to consider engaging an external auditor for fiscal years ending August 31, 2024 and August 31, 2025 at its upcoming meeting on May 8-9, 2024. The use of an external auditor for each fiscal year is subject to approval by the Texas State Auditor's Office. No assurances can be given as to whether the Board will commission an audit for any subsequent fiscal year. The Board is not legally or contractually required to commission such an independent external audit in any fiscal year.

The proprietary fund financial records of the University System, reported as a business-type activity in the State of Texas' Comprehensive Annual Financial Report, and the custodial fund financial records of the University System, reported as fiduciary funds in the State of Texas' Comprehensive Annual Financial Report, reflect compliance with applicable State statutes and Governmental Accounting Standards Board ("GASB") pronouncements. The significant accounting policies followed by the University System in maintaining accounts and in the preparation of the consolidated financial statements are in accordance with the Texas Comptroller of Public Accounts' Annual Financial Reporting Requirements.

The Consolidated Primary Financial Statements of the University System have been prepared on the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. The Consolidated Primary Financial Statements of the University System have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the GASB.

Additionally, the State Auditor performs annual audits of the State's general purpose financial statements in accordance with generally accepted auditing standards, and such audits are on file with the MSRB on EMMA via the MSRB's internet website, https://emma.msrb.org.

Incorporation by Reference of Other Documents

The annual audited financial statements for fiscal years ended August 31, 2023 and 2022 for the Permanent University Fund, the General Endowment Fund, the Permanent Health Fund, the Intermediate Term Fund and the Long Term Fund have been filed with the MSRB on EMMA and are also incorporated by reference herein. Deloitte & Touche LLP has not performed any procedures on such financial statements since the date of such report, and has not performed any procedures on any other financial information of the Permanent University Fund, the General Endowment Fund, the Permanent Health Fund, the Intermediate Term Fund or the Long Term Fund, including without limitation any of the information contained in this Official Statement, and has not been engaged to consent to the incorporation of its report, or otherwise be associated with this Official Statement. The Board has not requested Deloitte & Touche LLP to perform any activities as described in Sec. 8(b) of SAS 133 – Auditor Involvement with Exempt Securities related to this Official Statement.

When reference is made in this Official Statement to a document that is incorporated by reference, copies of such documents may be obtained from (i) EMMA via the MSRB's internet website, https://emma.msrb.org or (ii) the University System free of charge at the following location: Office of Finance of The University of Texas System, 210 W. 7th Street, Austin, Texas 78701, Attention: Associate Vice Chancellor for Finance, Telephone: (512) 499-4494.

The address of the MSRB is 1900 Duke Street Suite 600, Alexandria, VA 22314, and its telephone number is (703) 797-6600.

The following table reflects the condensed balance sheets of the University System at August 31 of the most recent five fiscal years.

Condensed Statement of Net Position
(In Thousands)

Assets and Deferred Outflows:	Audited 2019	Audited 2020	Audited 2021	Audited 2022*	Audited 2023
Current Assets	$8,669,156	$8,760,312	$10,538,302	$11,471,718	$13,443,363
Noncurrent Investments	54,209,544	58,531,455	74,707,940	74,289,467	78,544,892
Other Noncurrent Assets	644,708	847,300	1,153,559	1,858,139	1,469,620
Capital Assets, net	17,540,625	17,812,969	18,569,149	19,063,558	19,541,102
Total Assets	$81,064,033	$85,952,036	$104,968,950	$106,682,882	$112,998,977
Total Deferred Outflows	3,376,021	3,543,414	4,644,148	5,546,068	6,088,895
Total Assets and Deferred Outflows	$84,440,054	$89,495,450	$109,613,098	$112,228,950	$119,087,872
Liabilities and Deferred Inflows:					
Current Liabilities	$10,116,056	$10,280,823	$10,897,386	$11,153,485	$13,149,226
Noncurrent Liabilities	25,704,141	27,487,696	29,013,764	29,572,305	26,001,124
Total Liabilities	$35,820,197	$37,768,519	$39,911,150	$40,725,790	$39,150,350
Total Deferred Inflows	2,761,592	3,063,204	2,829,509	4,814,068	9,273,707
Total Liabilities and Deferred Inflows	$38,581,789	$40,831,723	$42,740,659	$45,539,858	$48,424,057
Net Position:					
Net Investment in Capital Assets	$6,741,036	$6,606,751	$6,383,539	$6,570,971	$6,963,672
Restricted, Nonexpendable	26,986,429	27,761,435	31,083,187	36,029,324	38,161,619
Restricted, Expendable	14,861,691	16,084,898	26,068,542	21,145,744	21,353,034
Unrestricted	-2,730,891	-1,789,357	3,337,171	2,943,053	4,185,490
Total Net Position	$45,858,265	$48,663,727	$66,872,439	$66,689,092	$70,663,815

* Restated

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The table below presents the Consolidated Statements of Revenues, Expenses and Changes in Net Assets of the University System for the fiscal years ended August 31 of the most recent five fiscal years.

Consolidated Statement of Revenues, Expenses and Changes in Net Position (In Thousands)

	Audited FY2019	Audited FY2020	Audited FY2021	Audited FY2022*	Audited FY2023
Operating Revenues:					
Net Student Tuition and Fees	$1,811,146	$1,941,709	$2,006,867	$2,124,296	$2,162,270
Federal Sponsored Programs	1,492,760	1,643,664	1,796,764	1,963,237	2,210,122
Federal Sponsored Programs Pass-through from Other State Agencies	63,269	74,216	96,935	150,091	174,078
State Sponsored Programs Pass-Through from Other State Agencies	347,491	370,539	360,919	373,991	403,278
Local Sponsored Programs	842,736	893,295	977,805	1,049,762	1,176,568
Private Sponsored Programs	749,105	908,540	1,047,972	1,174,796	1,150,859
Net Sales and Services of Educational Activities	554,222	499,984	524,836	590,120	668,821
Net Sales and Services of Hospitals	7,017,184	6,989,202	7,849,949	8,737,119	9,638,135
Net Professional Fees	2,026,681	1,924,834	2,204,184	2,354,663	2,577,504
Net Auxiliary Enterprises	689,466	538,639	377,815	645,956	723,247
Other Operating Revenues	449,607	574,902	580,025	689,783	606,940
Total Operating Revenues	16,043,667	16,359,524	17,824,071	19,853,814	21,491,822
Operating Expenses:					
Instruction	4,465,390	4,733,675	4,913,943	5,199,820	5,638,164
Research	2,653,356	2,855,593	2,965,954	3,194,184	3,640,739
Public Service	385,242	363,768	380,792	429,349	511,504
Hospitals and Clinics	6,880,364	7,441,518	7,977,241	8,744,935	9,676,907
Academic Support	1,062,730	1,174,280	1,126,611	1,255,690	1,414,240
Student Services	299,634	290,316	302,401	298,348	306,674
Institutional Support	943,875	815,605	1,059,801	1,276,183	1,279,734
Operations and Maintenance of Plant	928,790	934,046	892,345	1,017,727	1,070,710
Scholarships and Fellowships	410,442	508,118	703,351	655,962	535,517
Auxiliary Expenses	719,279	652,496	598,103	719,059	818,920
Depreciation and Amortization	1,536,019	1,571,810	1,750,277	1,786,126	1,827,434
Total Operating Expenses	20,285,121	21,341,225	22,670,819	24,577,383	26,720,543
Operating Loss	-4,241,454	-4,981,701	-4,846,748	-4,723,569	-5,228,721
Nonoperating Revenues (Expenses):					
State Appropriations	2,283,166	2,429,315	2,194,329	2,529,940	3,052,789
Federal Nonexchange Sponsored Programs	405,928	708,308	1,019,403	913,813	546,898
Federal Nonexchange Pass-Through	-	-	188,236	6,750	18,930
State Nonexchange Pass-Through	1,630	4,278	5,226	2,934	12,912
Local Nonexchange Sponsored Programs	35,002	35,002	35,000	35,000	43,000
Gift Contributions for Operations	436,650	603,794	618,613	634,248	684,013
Net Investment Income	4,240,602	3,996,406	8,807,409	5,619,327	4,744,155
Net Increase (Decrease) in Fair Value of Investments	-2,521,877	680,436	8,905,686	-5,017,196	479,219
Interest Expenses on Capital Asset Financings	-334,790	-334,776	-331,948	-338,181	-379,417
Gain/(Loss) on Sale of Capital Assets	-36,715	-31,048	-23,486	-14,277	11,829
Other Nonoperating Revenues	79,920	49,000	50,676	77,401	146,686
Other Nonoperating Expenses	-20,039	-17,683	-52,220	-26,268	-19,057
Net Nonoperating Revenues (Expenses)	4,569,477	8,123,032	21,416,924	4,423,491	9,341,957
Income/(Loss) Before Other Revenues, Expenses, Gains/(Losses) and Transfers	328,023	3,141,331	16,570,176	-300,078	4,113,236
Gifts and Sponsored Programs for Capital Acquisitions	292,782	127,792	118,098	265,384	91,953
Additions to Permanent Endowments	224,282	153,853	237,889	297,646	255,404
Transfers to/from Other State Agencies	-378,874	-615,410	-272,483	-439,264	-491,344
Legislative Appropriations Lapsed	-86	-2,104	-92	-7,035	5,474
Change in Net Position	466,127	2,805,462	16,653,588	-183,347	3,974,723
Net Position, Beginning of Year	45,390,788	45,858,265	48,663,727	66,872,439	66,689,092
Restatements	1,350	-	1,555,124	-	-
Net Position, Beginning of Year (as Restated)	45,392,138	45,858,265	50,218,851	66,872,439	66,689,092
Net Position, End of Year	45,858,265	48,663,727	66,872,439	66,689,092	70,663,815

* Restated

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Funding for the University System

Funding for the University System is derived from operating and non-operating revenues. For a discussion of the funding sources for the Fiscal Year ended August 31, 2023, see the audited Consolidated Primary Financial Statements of the University System filed with the MSRB on EMMA via the MSRB's internet website, https://emma.msrb.org. The amounts and the sources of such funding vary from year to year, and there is no guarantee that the source or amounts of such funding will remain the same in future years. Following are brief discussions of certain funding sources.

State Appropriations

The operations of the University System are dependent upon the continued support of the State through appropriations of general revenues, and levels of continued State support of the University System are dependent on the results of biennial legislative sessions. Based on the operating budget for the University System for the fiscal year ending August 31, 2024, State appropriations comprise approximately 10.2% of University System revenues. The State Legislature adopted a budget for the State for the 2024-25 biennium beginning September 1, 2023, which appropriated approximately $3.0 billion for the University System from the general revenue for each year of the fiscal 2024-2025 biennium. These budget and appropriation amounts include certain employee benefits costs paid directly by the State.

The University System has no assurance that the State Legislature will continue to appropriate to it the general revenue funds of the State at the same levels as in previous years. Future levels of State support are dependent upon the ability and willingness of the State Legislature to make appropriations to the University System taking into consideration the availability of financial resources and other potential uses of such resources.

Tuition and Fees

Each University System institution granting degrees charges tuition and fees as authorized by the State Legislature and the Board pursuant to Chapters 54 and 55 of the Education Code. Tuition charges are composed of "State Mandated Tuition" and "Board Designated Tuition" as further described below.

State Mandated Tuition. Section 54.051, Texas Education Code requires (i) undergraduate tuition applicable to state residents to be charged at $50 per semester credit hour; and (ii) tuition of a nonresident student at a general academic teaching institution or medical and dental unit to be an amount per semester credit hour equal to the average of the nonresident undergraduate tuition charged to a resident of the State at a public state university in each of the five most populous states other than the State (the amount of which would be computed by the Coordinating Board for each academic year). For the 2023-24 academic year, the Coordinating Board has computed $470 per semester credit hour for nonresident undergraduate tuition. The tuition rates described above are referred to in this document as "State Mandated tuition."

Board Designated Tuition. In 2003, the Texas Legislature approved and the Governor signed into law House Bill 3015, which provided for the deregulation of a portion of tuition that a governing board of an institution of higher education, such as the Board, has the authority to charge under Section 54.0513 of the Texas Education Code. Prior to the amendment to Section 54.0513, Texas Education Code, the amount of tuition that a board of regents could independently charge students was capped at the levels described above with respect to State Mandated tuition. Effective with the tuition that was charged for the Fall 2003 semester, a governing board may charge any student an amount (referred to in this document as "Board Designated tuition") that it considers necessary for the effective operation of the institution. The legislation also provides authority to the governing board to set a different tuition rate for each program and course level offered by the institution. This authority offers more opportunity for the Board to develop a tuition schedule that assists in meeting the strategic objectives of each Member in terms of access, affordability, effective use of campus resources, and improvement of graduation rates. The Board must authorize any changes in Board Designated tuition only after they have been thoroughly evaluated by the Chancellor of the University System and the administration of each Member. In connection with the authorization of Board Designated tuition, building use fees, historically included in Pledged General Fees under the Master Resolution, were rededicated as Board Designated tuition. This rededication does not impact the pledge of Revenue Funds for the payment and security of Parity Debt.

Both the State Mandated tuition and the Board Designated tuition are included in Revenue Funds and are pledged for the benefit of Parity Debt.

No less than 15% of the Board Designated tuition charged in excess of $46 per semester hour is required to be set aside to provide financial assistance to resident undergraduate students, consistent with the provisions of Subchapter B, Chapter 56, Texas Education Code.

The University System has no assurance that the State Legislature will not place future limits on the Board's ability to charge Board Designated tuition in an amount that it considers necessary for the effective operation of its institutions. However, Section 55.16 of the Texas Education Code specifically allows the Board to levy and collect any necessary fees, tuition, rentals, rates, or other charges necessary to provide funds sufficient for the payment of outstanding Parity Debt.

Traditionally, the Board has considered undergraduate and graduate tuition and fee plans for the academic institutions in the University System for two year periods. The Board did not approve any tuition or mandatory fee increases for the 2022-2023 academic year. On August 24, 2023, the Board mandated that all tuition and mandatory fees for resident undergraduates be maintained through the 2023-2024 and 2024-2025 academic years. The Board did authorize tuition and non-academic mandatory fee increases for non-resident and graduate students for the 2023-2024 and 2024-2025 academic years up to the 2022 Higher Education Price Index increase of 5.2%. On August 24, 2023, the Board also approved five-year tuition and fee plans for the health-related institutions covering the five-year period for fiscal years 2025 through 2029. This was the third time that the Board approved five-year plans for tuition and fees to align with the strategic planning, development, and growth at the health-related institutions. Tuition and fee plans are developed in a collaborative process that includes the appointment of a tuition advisory committee at each institution, open forums, surveys and input from student organizations, individual students, academic deans, and student and faculty governance. Primary issues addressed in proposals include the impact on students, especially on affordability, and issues of greatest funding priority for institutions.

Additionally, as required by Section 54.017 of the Texas Education Code, each academic institution has now established a fixed rate tuition plan, also referred to as a guaranteed tuition plan, for undergraduate students for four years as an option for each academic campus. Participation in such guaranteed tuition plans is optional at all of the University System's academic institutions except for U.T. Dallas and U.T. Rio Grande Valley which have mandatory guaranteed tuition plans.

The Board may set rates for graduate tuition at different levels for different institutions. State Mandated tuition for a resident student enrolled in a program leading to an M.D. or D.O. degree is $6,550 per academic year. State Mandated tuition for a nonresident student enrolled in a program leading to an M.D. or D.O. degree is an amount per year equal to three times the rate that a resident student enrolled in a program leading to an M.D. or D.O. degree would pay during the corresponding academic year. In addition, various other programs, including programs leading to a D.V.M. degree, have specific annual rates for resident students and maximum rates that may be charged to nonresident students.

The Board is authorized by Chapter 55 of the Texas Education Code to set the Pledged General Tuition and any other necessary fees, rentals, rates, or other revenue funds of the Board at the level necessary, without limit, to enable the Board to meet its obligations with respect to the payment of debt service on the Parity Debt.

Set forth below is a table prepared by the University System showing average total academic cost, which represents the total of statutory tuition, Board-authorized designated tuition, mandatory fees, and average college and course fees for the average undergraduate student enrolled in 15 semester credit hours and does not include average differential tuition weighted by program enrollment, for each teaching institution in the University System, excluding the health institutions, for resident undergraduates enrolled in 15 semester credit hours for the Fall 2023 semester.

Average Total Academic Cost for Resident Undergraduates
Enrolled for 15 Semester Credit Hours[(1)]
Fall 2023

U.T. Arlington	$6,104
U.T. Austin	5,429
U.T. Dallas	7,321
UTEP	4,474
U.T. Permian Basin	5,452
U.T. Rio Grande Valley	4,930
U.T. San Antonio	5,698
Stephen F. Austin	5,300
U.T. Tyler	4,970

(1) Excludes health institutions.

The University System is committed to providing programs and financial support that attract and enable the success of outstanding graduate and undergraduate students from all backgrounds. In July 2019, the Board voted unanimously to establish a $160 million endowment from a distribution of the State's Permanent University Fund ("PUF") that will generate money for financial assistance beginning in fall 2020. The new endowment will be used to expand The University of Texas at Austin's Texas Advance Commitment program for in-state undergraduate students to completely cover tuition and fees for students from families that earn up to $65,000 a year who have financial need and provide some assured tuition support to students from families with incomes of up to $125,000 who have financial need.

Similarly, the Board announced in February 2022 the creation of a $300 million endowment to help undergraduate students at the other academic University System institutions pay for college. The "Promise Plus" program will provide tuition assistance to eligible students at seven University System institutions: U.T. Arlington, U.T. Dallas, UTEP, U.T. Permian Basin, U.T. Rio Grande Valley, U.T. San Antonio, and U.T. Tyler.

Based on the Texas Higher Education Coordinating Board's financial aid database, the percentage of fall undergraduate students receiving a Pell grant during the academic year 2022-2023 was 42.8% for The University of Texas at San Antonio, 59.9% for The University of Texas at El Paso, and 63.7% for The University of Texas Rio Grande Valley. Based on the U.S. Department of Education College Scorecard, the percentage of first-generation students during academic years 2015-2016 and 2016-2017 was 43.8% for The University of Texas at Arlington, 46.2% for The University of Texas Permian Basin, and 52.6% for The University of Texas Rio Grande Valley. In the academic year 2022-2023, of the 112,433 full time undergraduates enrolled at the University

System's academic institutions in both the fall and spring semesters, 33,198 (29.5%), came from families with an adjusted gross income that is in the bottom 20% of Texas household income.

Clinical Enterprise

The following table presents unaudited clinical enterprise revenue derived from physician practice plans and hospitals owned by the University System during the past five fiscal years:

University System
Clinical Enterprise Revenue[1]
(In Millions)

University System Hospitals[1]	2019	2020	2021	2022	2023
Net patient revenue	$ 6,254.5	$ 6,123.9	$ 6,948.0	$ 7,784.3	$ 8,532.6
Correctional managed care	636.3	713.5	745.4	778.1	893.5
Other	103.2	133.5	147.9	177.6	310.0
Total	$ 6,994.0	$ 6,970.9	$ 7,841.3	$ 8,740.0	$ 9,736.1
University System Physician Practice Plans[2]					
Net patient revenue	$ 1,989.3	$ 1,878.5	$ 2,141.0	$ 2,290.5	$ 2,547.2
Affiliated hospital contracts	951.4	1,081.2	1,251.0	1,365.6	1,626.5
Other	168.4	255.7	231.6	339.0	253.6
Total	$ 3,109.1	$ 3,215.5	$ 3,623.6	$ 3,995.1	$ 4,427.4

(1) Excludes revenues from hospitals operated but not owned by the University System.
(2) Practice Plan Funds are not included in Pledged Revenues unless and to the extent they are specifically pledged pursuant to an amendment to the Master Resolution. Pledged Revenues do not currently include any Practice Plan Funds.

The following table presents unaudited utilization statistics for hospitals owned by the University System during the past five fiscal years:

University System Hospital Operating Statistics

	2019	2020	2021	2022	2023
Staffed beds	2,181	2,382	2,283	2,191	2,290
Average daily census[1]	1,529	1,460	1,658	1,791	1,830
Admissions	95,532	90,037	98,984	102,905	104,994
Patient days	557,960	534,399	605,351	653,618	668,032
Average length of stay[2]	5.84	5.94	6.12	6.35	6.36
Outpatient visits[3]	3,556,766	3,174,097	3,650,009	3,914,416	4,085,216

(1) Average daily census calculated by dividing Patient days by 365 days per year.
(2) Average length of stay calculated by dividing Patient days by Admissions.
(3) Outpatient services provided by the University System include clinic visits, primary care network, home health and hospice, and emergency visits.

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Federally-Sponsored Research Expenditures

Federal agencies continue to provide the largest portion of funding for the University System's research and training projects. The Department of Health and Human Services is typically the single largest sponsor. The University System received approximately 45% of its total research funding from federal sources in Fiscal Year 2022 and Fiscal Year 2023. The following table sets forth the amounts of research expenditures sponsored by federal agencies during Fiscal Year 2023.

Federally-Sponsored Research Expenditures
(In Thousands)

	FY 2023
Federal Sources	
Department of Health and Human Services	$ 1,232,725
Department of Defense	304,865
National Science Foundation	182,445
Department of Energy	77,679
National Aeronautics and Space Administration	31,480
Department of Education	30,047
Other Federal Agencies	53,569
Total Federal Sources	$ 1,912,810

Private Sector Campaigns

Comprehensive fund-raising efforts at the University System are directed toward support of annual programs to address facilities expansion and renovation and establishment of endowments for instruction, research and patient care activities.

For the year ended August 31, 2023, the University System received $684.0 million in gift contributions for operations and $347.4 million in gifts and grants for capital acquisitions and additions to permanent endowments. For more information relating to gift contributions, capital gifts and additions to permanent endowments, see "APPENDIX D — AUDITED CONSOLIDATED PRIMARY FINANCIAL STATEMENTS OF THE UNIVERSITY OF TEXAS SYSTEM FOR THE FISCAL YEAR ENDED AUGUST 31, 2023."

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Investment Funds

The Board is responsible for the investment of various operating and endowment funds held outside of the State Treasury. In order to enhance the process by which the various funds' investments are governed and managed, the Board on February 8, 1996, contracted with The University of Texas/Texas A&M Investment Management Company ("UTIMCO") to invest funds under its fiduciary control. UTIMCO is the first investment management corporation formed by a public university system. UTIMCO (a) recommends investment policy for the funds to the Board, (b) recommends the neutral policy allocation and ranges, expected return and risk, and performance objectives by asset class, subject to Board approval and (c) monitors each fund's performance against its objectives. UTIMCO must invest the funds' assets in conformity with the Board's investment policy. Set forth below is the market value for each of the below-listed funds managed by the Board as of the end of the most recent five fiscal years.

Market Value of UTIMCO Assets Under Management
(In Millions)

	Operating Funds				
Fiscal Year Ending August 31	Short Term Fund[1]	Debt Proceeds Fund[2]	Intermediate Term Fund[3]	Endowment Funds[4]	Total Assets Under Management
2019	2,585.5	244.4	9,206.9	35,646.3	47,683.1
2020	2,387.5	79.8	9,210.9	40,386.9	52,065.1
2021	3,356.3	144.3	10,199.6	53,834.1	67,534.3
2022	3,924.3	94.3	8,674.8	52,556.6	65,250.0
2023	4,881.0	782.8	8,670.7	55,800.2	70,134.7

(1) The Short Term Fund ("STF") is the designation given to the money market mutual funds which the Board has approved as investment vehicles for operating funds and other short term monies with an investment horizon less than one year. The STF currently consists of investments in the Dreyfus Institutional Preferred Money Market Fund and the Dreyfus Institutional Preferred Government Money Market Fund.
(2) The Debt Proceeds Fund provides for the pooled investment for debt proceeds with primary objectives to provide for safety of principal and adequate liquidity but with higher expected returns compared to the STF.
(3) The Intermediate Term Fund ("ITF") serves as a pooled investment vehicle for operating funds and other intermediate term funds with an investment horizon significantly longer than that of the STF.
(4) Endowment Funds are permanent funds generally invested with the primary objective of preserving the purchasing power of endowment assets and annual distributions by earning an average annual real return over rolling ten-year periods or longer at least equal to a target distribution rate, as determined by the Board from time to time, plus the annual expected expense. The Permanent University Fund is classified as an Endowment Fund.

Pursuant to its by-laws and consistent with State law, UTIMCO is governed by a nine-member board of directors (the "UTIMCO Board"), consisting of (i) seven members appointed by the Board, of whom at least three must be members of the Board, three must have substantial background and expertise in investments, and one must be a qualified individual as determined by the Board, which may include the Chancellor of the University System, and (ii) two members appointed by the Board of Regents of the A&M System, at least one of whom must have substantial background and expertise in investments.

UTIMCO hires unaffiliated investment managers from time to time in order to provide assets under management with increased diversity through their unique style and approach to investing, as well as to improve return and risk characteristics. As of February 29, 2024, approximately 4.8% of the endowments (primarily fixed income, ETFs, futures contracts and other derivatives) was managed internally by UTIMCO with the remaining approximately 95.2% managed externally by unaffiliated investment managers.

UTIMCO reviews the Board's Investment Policy Statements for the Endowment Funds and ITF and other related investment policies on a periodic basis. These reviews may result in UTIMCO proposing to the Board a material change in the asset allocation ranges, investment type ranges, liquidity, and benchmarks for the Endowment Funds and ITF. On August 24, 2023, the Board approved amendments to the investment policies for the Permanent University Fund, General Endowment Fund (GEF), Permanent Health Fund (PHF), and Long Term Fund (LTF), which took effect September 1, 2023. For the Endowment Funds, the amendments generally resulted in slight increases to the target allocation for private equity, directional hedge funds, long treasuries, cash, stable value hedge funds, natural resources and real estate offset by slight decreases to the target allocations for public equities, inflation linked bonds and infrastructure.

As of February 29, 2024, the market value of the Board's operating funds was approximately $14.8 billion (unaudited), and the market value of the Board's Endowment Funds was approximately $59.1 billion (unaudited).

As of February 29, 2024, approximately 71.4% of the Intermediate Term Fund (or, approximately $6.4 billion) and approximately 49.4% of the Endowment Funds (or, approximately $29.1 billion) was invested in "liquid" investments within the meaning of the Board's liquidity policy. To be considered liquid, an investment must be capable of being converted to cash within a period of one day to less than 120 days in an orderly market at a discount of 10% or less. For a discussion of investment results for fiscal year 2023, see "APPENDIX D — AUDITED CONSOLIDATED PRIMARY FINANCIAL STATEMENTS OF THE UNIVERSITY OF TEXAS SYSTEM FOR THE FISCAL YEAR ENDED AUGUST 31, 2023."

Amendment of Investment Policies and Procedures. The Board has the right to amend its policies and procedures relating to the management of investments, at its discretion and at any time, subject to applicable State law. Further, pursuant to the Board's Investment Policies, UTIMCO may recommend the establishment of new neutral allocations and ranges for each asset class of the Permanent University Fund and the General Endowment Fund, at its discretion and at any time, subject to the approval of the Board and the broad policy guidelines established by the Board and described above.

Operating Funds. Operating funds managed by the Board include the Short Term Fund ("STF"), the Intermediate Term Fund ("ITF") and the Debt Proceeds Fund.

Short Term Fund. The STF is the designation given by the University System administration to the money market mutual fund approved by the Board as an investment for University System funds. The institutions of the University System and System Administration utilize the STF as an investment option when overnight liquidity is the primary investment objective.

Intermediate Term Fund. The ITF employs an asset allocation with an investment horizon significantly longer than that of the STF and includes such asset classes as domestic equities, global non-domestic equities, absolute return hedge funds, directional hedge funds, commodities, REITs, TIPS, and traditional fixed income. Approximately 80% of the operating funds and other short and intermediate term funds of the University System, exclusive of bond proceeds, are invested in the ITF with the remainder invested in the STF.

Debt Proceeds Funds. Debt proceeds are invested to provide for safety of principal and adequate liquidity but with higher expected returns compared to the STF. Debt Proceeds Fund investments include money market mutual funds approved by the Board as an investment for University System funds and investments in United States government obligations, including obligations of an agency or instrumentality of the United States.

Endowment Funds. Endowment Funds managed by the Board include the Permanent University Fund, the Permanent Health Fund, the Long Term Fund and the Separately Invested Funds. The Board has established the General Endowment Fund as a pooled fund for the collective investment of the Long Term Fund and the Permanent Health Fund.

Permanent University Fund. The Permanent University Fund is a state endowment contributing to the support of eligible institutions of the University System and The Texas A&M University System (the "A&M System"). The Permanent University Fund was established in the Texas Constitution of 1876 through the appropriation of land grants previously given to The University of Texas plus one million acres. Additional land grants to the Permanent University Fund were completed in 1883 with the contribution of another one million acres. As of the date hereof, the Permanent University Fund contains 2,109,190 acres located in 24 counties primarily in West Texas.

Article VII, Section 18 of the Texas Constitution (the "Constitutional Provision") provides for distributions to the Available University Fund from the "total return" on all Permanent University Fund investment assets, including current income as well as capital gains (realized and unrealized), in the amounts determined by the Board, subject to the limitations set forth in the Constitutional Provision. Distributions to the Available University Fund are then allocated two-thirds to the Board and one-third to the Board of Regents of the A&M System. The Constitutional Provision requires an appropriation from the first money distributed to each board of an annual sum sufficient to pay debt service due on bonds and notes issued by such board and payable from the Available University Fund. (The remainder of each board's annual distributions are appropriated to such board for university purposes prescribed by the Constitutional Provision.)

Unless otherwise determined by the Board, Board's rules currently provide for an annual distribution from the Permanent University Fund that increases the prior year's distribution amount by the sum of the average inflation rate for the previous twelve quarters plus 2.65%. However, if such inflationary increase results in a distribution rate below 3.5% of the trailing 20-quarter average of the net asset value of the Permanent University Fund for the quarter ending February of each year, the distribution is increased to 3.5%. If such inflationary increase results in a distribution rate exceeding 6.0% of the trailing 20-quarter average of the net asset value of the Permanent University Fund for the quarter ending February of each year, the distribution increase is capped at 6.0%.

Permanent Health Fund. The Board established the Permanent Health Fund in 1999 as an internal fund for the pooled investment of state endowment funds for health-related institutions of higher education, created with proceeds from the state tobacco litigation. Included within the Permanent Health Fund is the Permanent Health Fund for Higher Education established by the State Legislature in 1999 as a permanent endowment to benefit a number of medical institutions in the State, six of which are institutions of the University System. The Permanent Health Fund for Higher Education was funded on August 30, 1999, in the amount of $350 million. Also included within the Permanent Health Fund are separate permanent endowments also created by the State Legislature in 1999 to benefit eight institutions of the University System (collectively, the "UT Health Funds"). The UT Health Funds were also funded on August 30, 1999, in the amount of $470 million.

Long Term Fund. The Board established the Long Term Fund as a pooled fund for the investment of private endowments and other long-term funds supporting various programs at the thirteen institutions comprising the University System. The Long Term Fund is structured as a mutual fund in which each endowment or account purchases units at the Long Term Fund's market value per unit. The Long Term Fund was established in 1948 and provides for diversification of security holdings and enhancement of investment management. It encompasses the investment of approximately 99% of the University System's non-state endowment.

Separately Invested Funds. The Board is also responsible for managing separately invested funds consisting of privately raised endowments and charitable trusts where the nature of the underlying asset or donor restrictions preclude investment in the Long Term Fund.

The Permanent University Fund and the General Endowment Fund are pooled for efficient investment purposes. The Board's investment policy statements provide that the primary investment objective of the Permanent University Fund and the General Endowment Fund shall be to maximize investment returns within the risk parameters specified in the investment policy statements without regard to the distribution rate. Investment returns are expressed net of all investment-related expenses. Investments must be prudently diversified, and within the approved downside volatility bounds, as defined in the investment policy statements, and measured at least monthly by UTIMCO's risk model. Liquidity of the Permanent University Fund and the General Endowment Fund will be governed by the Liquidity Policy, overseen by the Risk Committee of the UTIMCO Board.

Return targets, asset class allocations, and downside volatility targets are subject to adjustment from time to time by the Board. Pursuant to its contract with the Board, UTIMCO is required to review the current investment policies for each fund at least annually. After UTIMCO completes its review, any recommended changes are forwarded to University System staff for review and appropriate action.

For more investment information, see "APPENDIX D — AUDITED CONSOLIDATED PRIMARY FINANCIAL STATEMENTS OF THE UNIVERSITY OF TEXAS SYSTEM FOR THE FISCAL YEAR ENDED AUGUST 31, 2023." A copy of the Board's current investment policy statements may be obtained from the Office of Finance of The University of Texas System, 210 W. 7th Street, Austin, Texas 78701.

Management of Funds Held in the State Treasury

The Texas Education Code requires that the University System deposit into the State Treasury all funds except those derived from auxiliary enterprises and non-instructional services, agency, designated, and restricted funds, endowment and other gift funds, student loan funds, and funds for the payment of overhead expenses of conducting research. All such funds held in the State Treasury, including the Available University Fund and certain cash balances of the Permanent University Fund, are administered by the State Comptroller of Public Accounts. The State Comptroller of Public Accounts invests money in the State Treasury in authorized investments consistent with applicable law. The State Comptroller of Public Accounts pools funds within the State Treasury for investment purposes and allocates investment earnings on pooled funds proportionately among the various State agencies whose funds are so pooled. As of August 31, 2023, the amount of University System funds held by the State Treasury was $1.3 billion.

Capital Improvements Planning and Authorization

Planning and authorization of University System capital improvements is governed by a six-year capital improvements program ("CIP") approved by the Board and administered by System Administration. The CIP approves in principle the expenditure of funds from all sources for capital projects at all University System institutions for construction, repair and rehabilitation, equipment and library materials. The Board revises the CIP quarterly, most recently February 22, 2024, to apply to fiscal year 2024 through fiscal year 2029 and reflects major construction projects with a total project cost of $8.8 billion. Of this total, $3.8 billion or 44% has been or is expected to be funded with Parity Debt.

In addition to the construction projects in the CIP discussed above, the Board authorized the expenditure of up to $1.626 billion to fund U.T. Southwestern's share of the construction costs of a new pediatric campus in Dallas to be jointly owned and operated by U.T. Southwestern and Children's Health System of Texas. $976 million of such amount is expected to be funded with Parity Debt to be issued in fiscal years 2024 through 2028.

Following the delivery of the Bonds, the Board anticipates no issuances of additional long-term Parity Debt in fiscal year 2024 under the Supplemental Resolution.

Permanent University Fund Bonds

In addition to Parity Debt under the Revenue Financing System, the Board is authorized to issue Permanent University Fund bonds and notes. Article VII, Section 18 of the Texas Constitution authorizes the Board to issue bonds and notes, payable from all or part of its interest in the Available University Fund in an aggregate amount not exceeding, at the time of issuance, 20% of the cost value of Permanent University Fund assets, excluding real estate. Proceeds may be used for the purpose of (i) acquiring land with or without permanent improvements, (ii) constructing and equipping buildings or other permanent improvements, (iii) making major repairs and rehabilitations and other permanent improvements, (iv) acquiring capital equipment, library books and library materials, and (v) refunding bonds or notes issued under said section or prior law, at or for System Administration and the institutions of the University System. Proceeds may not be used to finance permanent improvements of auxiliary enterprises, intercollegiate athletics or student housing.

As of February 29, 2024, the Board's constitutionally authorized Permanent University Fund bond capacity was $6.1 billion. As of February 29, 2024, the aggregate principal amount of Permanent University Fund bonds and notes outstanding totaled $3.7 billion.

Insurance

The University System has eight funded self-insurance and/or high retention plans providing coverage in the following areas: employee health and dental; workers' compensation; unemployment compensation; medical professional liability; property protection; directors and officers/employment practices liability; construction contractor insurance, and auto/property & liability. For details on each insurance plan, see "APPENDIX D — AUDITED CONSOLIDATED PRIMARY FINANCIAL STATEMENTS OF THE UNIVERSITY OF TEXAS SYSTEM FOR THE FISCAL YEAR ENDED AUGUST 31, 2023."

Retirement Plans and OPEB Liabilities

University System employees participate in the various retirement plans or programs. In addition to providing pension benefits, the State provides certain health and life insurance benefits for retired employees (OPEB), in accordance with State statutes. Employees become eligible for the health and life insurance benefits as a retired employee if they meet certain age and service requirements as defined by the State. Similar benefits are provided for active employees through the same self-funded plan. For details on retirement plans and OPEB liabilities see "APPENDIX D - AUDITED CONSOLIDATED PRIMARY FINANCIAL STATEMENTS OF THE UNIVERSITY OF TEXAS SYSTEM FOR THE FISCAL YEAR ENDED AUGUST 31, 2023."

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APPENDIX B

GLOSSARY OF TERMS

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GLOSSARY OF TERMS

As used in this Official Statement, the following terms and expressions have the meanings set forth below:

Annual Direct Obligation means the amount budgeted each fiscal year by the Board with respect to each Member of the Revenue Financing System to satisfy the Member's proportion of debt service (calculated based on the Member's Direct Obligation) due by the Board in such fiscal year on outstanding Parity Debt.

Annual Obligation means, with respect to each Member of the Revenue Financing System and for each fiscal year, the Member's Annual Direct Obligation plus the amount budgeted by the Board for such fiscal year to allow the Member to retire its obligation for any intra-system advances made to it to satisfy part or all of a previous Annual Direct Obligation payment.

Board means the Board of Regents of The University of Texas System.

Credit Agreement means, collectively, a loan agreement, revolving credit agreement, agreement establishing a line of credit, letter of credit, reimbursement agreement, insurance contract, commitments to purchase Parity Debt, purchase or sale agreements, interest rate swap agreements, or commitments or other contracts or agreements authorized, recognized and approved by the Board as a Credit Agreement in connection with the authorization, issuance, security, or payment of Parity Debt and on a parity therewith.

Direct Obligation means the proportionate share of outstanding Parity Debt attributable to and the responsibility of each respective Revenue Financing System Member of the Revenue Financing System.

Health Institutions means U.T. Southwestern, UTMB (Galveston), Health Science Center at Houston, Health Science Center at San Antonio, M.D. Anderson, Health Science Center at U. T. Tyler, and any other health institutions which become part of the University System and are hereafter made a Member of the Revenue Financing System.

Master Resolution means the Amended and Restated Master Resolution of the Board adopted on February 14, 1991 establishing the Revenue Financing System, as amended by the Board on October 8, 1993, and August 14, 1997.

Member means each of the institutions currently constituting the University System, and such institutions hereafter designated by the Board to be Members of the Revenue Financing System.

Parity Debt means all indebtedness of the Board that may be issued or assumed in accordance with the terms of the Master Resolution and a Supplement, secured by a pledge of the Pledged Revenues subject only to the liens securing Prior Encumbered Obligations.

Paying Agent/Registrar means the entity designated in accordance with the Resolution as the Paying Agent/Registrar for the Bonds, initially U.S. Bank Trust Company, National Association, Dallas, Texas.

Pledged General Fee means the gross collections of a student use fee to be fixed, charged, and collected pursuant to Section 55.16, Texas Education Code, as it existed prior to the effective date of S.B. 1907, from the students (excepting, with respect to each series or issue of Parity Debt issued prior to such date, any student in a category which, at the time of the adoption of the Supplement relating to such Parity Debt, was exempt by law from paying fees) regularly enrolled at the institutions and branches thereof now or hereafter constituting a Member of the Revenue Financing System, respectively, for the general use and availability of the such institutions or branches thereof, respectively, in the manner and amounts, at the times, and to the extent provided in the Master Resolution, and including, subject to the provisions of the Prior Encumbered Obligations, the Prior Encumbered General Fee.

Pledged General Tuition means all of the aggregate amount of student tuition charges now or hereafter required or authorized by law to be imposed on students enrolled at each and every institution, branch, and school, now or hereafter constituting a Member of the Revenue Financing System, but specifically excluding and excepting, with respect to each series or issue of Parity Debt, any student in a category which, at the time of the adoption of the Supplement relating to such Parity Debt (1) was exempt by law from paying such tuition, (2) the amount of tuition scholarships provided for by law at the time of the adoption of each Supplement, and (3) the Prior Encumbered Tuition Fees; and it is provided by law and hereby represented and covenanted that the aggregate amount of student tuition charges which are now required or authorized by law to be imposed, and which are pledged to the payment of the Parity Debt, shall never be reduced or abrogated while such obligations are outstanding; it being further covenanted that the aggregate amount of student tuition charges now required or authorized by law to be imposed on students enrolled at each and every institution, branch, and school operated by or under the jurisdiction of the Board are set forth in the Texas Education Code, as amended, to which Code reference is hereby made for all purposes.

Pledged Practice Plan Funds means that portion of the Practice Plan Funds of a Health Institution now or hereafter constituting a Member of the Revenue Financing System which has been pledged to the payment of Parity Debt by the Board by the adoption of an amendment to the Master Resolution; provided, however, that any such pledge may be limited in amount and in any manner, extent or duration as provided in such amendment. Pledged Revenues do not currently include any Practice Plan Funds. See “APPENDIX A — THE UNIVERSITY OF TEXAS SYSTEM — FINANCIAL MANAGEMENT —Clinical Enterprise.”

Pledged Revenues means, subject to the provisions of the Prior Encumbered Obligations, the Revenue Funds, including all of the funds and balances now or hereafter lawfully available to the Board and derived from or attributable to any Member of the Revenue Financing System which are lawfully available to the Board for payments on Parity Debt; provided, however, that the following shall not be included in Pledged Revenues unless and to the extent set forth in a Supplement: (a) the interest of the University System in the Available University Fund (see “APPENDIX A — THE UNIVERSITY OF TEXAS SYSTEM — FINANCIAL MANAGEMENT — Investment Funds — Endowment Funds”); (b) funds held in the Permanent Health Fund and amounts distributed to any Member from the Permanent Health Fund (see “APPENDIX A ─ THE UNIVERSITY OF TEXAS — FINANCIAL MANAGEMENT — Investment Funds — Endowment Funds — Permanent Health Fund”); (c) amounts appropriated, if any, to any Member from the Higher Education Assistance Fund; (d) except to the extent so appropriated, general revenue funds appropriated to the Board by the State (see “APPENDIX A — THE UNIVERSITY OF TEXAS SYSTEM — FINANCIAL MANAGEMENT — State Appropriations”); and (e) Practice Plan Funds of any Member, including the income therefrom and any fund balances related thereto not included in Pledged Practice Plan Funds Fund (see “APPENDIX A — THE UNIVERSITY OF TEXAS — FINANCIAL MANAGEMENT — Clinical Enterprise”).

Pledged Tuition Fee means, as authorized by Section 55.17, Texas Education Code, as it existed prior to the effective date of S.B. 1907, the following specified amounts out of the tuition charges now or hereafter required or permitted by law to be imposed on each tuition paying student enrolled at each and every institution or branch thereof now or hereafter constituting a Member of the Revenue Financing System (excepting the Health Institutions), and including, subject to the provisions of the Prior Encumbered Obligations, the Prior Encumbered Tuition Fees, respectively:

$5.00 from each enrolled student for each regular semester, and
$2.50 from each enrolled student for each summer term of each summer session.

Practice Plan means any agreement entered into by and between a Health Institution Member and faculty appointees of that Member that: (a) assigns to the Member patient fees collected for professional services rendered by the appointee and (b) regulates the collection and expenditure of such patient fees. Practice Plan also includes such agreements existing between an institution which becomes a Member after the date of the adoption of the Master Resolution and such institution’s faculty.

Practice Plan Funds means the Practice Plan income and fund balances of a Health Institution Member.

Principal Office means the business address designated to the Board as a principal office Paying Agent/Registrar.

Principal Office for Payment means the principal office of the Paying Agent/Registrar for payment of bonds, initially the office of the Paying Agent/Registrar in Austin, Texas.

Prior Encumbered General Fee means the Pledged General Fee securing Prior Encumbered Obligations and that portion of the student use fee charged and collected at an institution which becomes a Member of the Revenue Financing System after the date of adoption of the Master Resolution and which are pledged to the payment of bonds or other obligations outstanding on the date such institution becomes a Member of the Revenue Financing System.

Prior Encumbered General Tuition means the Pledged General Tuition securing Prior Encumbered Obligations and the tuition charges in the maximum amount permitted in the definition of Pledged General Tuition charged and collected at an institution which becomes a Member of the Revenue Financing System after the date of adoption of the Master Resolution and which are pledged to the payment of bonds or other obligations outstanding on the date such institution becomes a Member of the Revenue Financing System.

Prior Encumbered Obligations means those bonds or other obligations of an institution outstanding on the date it becomes a Member of the Revenue Financing System and which are secured by a lien on and pledge of the Prior Encumbered General Fee, the Prior Encumbered Revenues, the Prior Encumbered Tuition Fee, the Prior Encumbered General Tuition, and/or the Prior Encumbered Practice Plan Funds charged and collected at such institution and all existing obligations of the Board secured by a lien on a portion of the Pledged Revenues which is superior to the lien established by this Resolution on behalf of Parity Debt.

Prior Encumbered Practice Plan Funds means the Pledged Practice Plan Funds which are pledged to the payment of bonds or other obligations of an institution which becomes a Member of the Revenue Financing System after the date of adoption of the Master Resolution.

Prior Encumbered Revenues means the revenues pledged to the payment of Prior Encumbered Obligations and the revenues of any revenue producing system or facility of an institution which hereafter becomes a Member of the Revenue Financing System and which are pledged to the payment of bonds or other obligations outstanding on the date such institution becomes a Member of the Revenue Financing System.

Prior Encumbered Tuition Fee means the Pledged Tuition Fee securing Prior Encumbered Obligations and that portion of the tuition charges in the maximum amount permitted in the definition of Pledged Tuition Fee charged and collected at an institution which becomes a Member of the Revenue Financing System after the date of adoption of the Master Resolution and which are pledged to the payment of bonds or other obligations outstanding on the date such institution becomes a Member of the Revenue Financing System.

Resolution means, collectively, the Master Resolution, the Supplemental Resolution and the award certificate executed pursuant to the Supplemental Resolution.

Revenue Funds means the "revenue funds" of the Board (as defined in Section 55.01 of the Texas Education Code to mean the revenues, incomes, receipts, rentals, rates, charges, fees, grants, and tuition levied or collected from any public or private source by an institution of higher education, including interest or other income from those funds) derived by the Board from the operations of each of the Members, including specifically the Pledged General Tuition and, to the extent and subject to the provisions of the Master Resolution, the Pledged General Fee and the Pledged Tuition Fee. Revenue Funds does not include, with respect to each series or issue of Parity Debt, any tuition, rentals, rates, fees, or other charges attributable to any student in a category which, at the time of the adoption of the Supplement relating to such Parity Debt, is exempt by law from paying such tuition, rentals, rates, fees, or other charges.

S.B. 1907 means Senate Bill 1907 passed by the State Legislature in the Seventy-fifth Regular Legislative Session.

State means the State of Texas.

Supplement means a resolution adopted by the Board pursuant to the Master Resolution authorizing the issuance of Parity Debt.

Supplemental Resolution means the Thirty-Eighth Supplemental Resolution to the Master Resolution adopted by the Board on August 24, 2023, providing for the issuance of the Bonds, including the terms and provisions set forth in a resolution adopted by the Board on August 23, 2007, containing certain standard terms and procedures applicable to Supplements which have been specifically incorporated into such Thirty-Eighth Supplemental Resolution.

U.T. System Representative means one or more of the following officers or employees of the University System, to-wit: the Chancellor, the Executive Vice Chancellor for Business Affairs, the Associate Vice Chancellor for Finance, the Assistant Vice Chancellor for Finance, or such other officer or employee of the University System authorized by the Board to act as a U.T. System Representative.

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APPENDIX C

SUMMARY OF THE MASTER RESOLUTION

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SUMMARY OF THE MASTER RESOLUTION

Establishment of the Revenue Financing System

The Board has established the Revenue Financing System for the purpose of providing a system-wide financing structure for revenue-supported indebtedness of institutions of the University System included as Members of the Revenue Financing System. The Master Resolution establishes a master plan under which revenue-supported indebtedness of the Revenue Financing System can be incurred. Each issue or series of Parity Debt is to be provided for under a Supplement consistent with the provisions of the Master Resolution.

Security and Pledge; Membership in the Revenue Financing System

Subject to the provisions of resolutions authorizing Prior Encumbered Obligations, Parity Debt issued under the Master Resolution is payable from and secured by a lien on all Pledged Revenues. The Board has assigned and pledged the Pledged Revenues to the payment of the principal of and interest on Parity Debt and to the establishment and maintenance of any funds that may be created under the Master Resolution or a Supplement to secure the repayment of Parity Debt. The Board may additionally secure Parity Debt with one or more Credit Agreements.

All of the institutions currently constituting the University System have been included under the Master Resolution as Members of the Revenue Financing System. If an additional institution hereafter becomes a component of the University System, the Board may include the new component as a Member of the Revenue Financing System. In that event, the lien on and pledge of Pledged Revenues established pursuant to the Master Resolution and effective when such institution becomes a Member of the Revenue Financing System will apply to the revenues, funds and balances of such Member that constitute Pledged Revenues; provided, that, if at the time a new Member is admitted, it has outstanding debt obligations secured by any of such sources, such obligations will constitute Prior Encumbered Obligations of the Board secured by a lien on the portion of the Pledged Revenues providing such security which is superior to the lien established by the Master Resolution on behalf of Parity Debt. The Board has reserved the right to refund Prior Encumbered Obligations with the proceeds of refunding bonds issued as Prior Encumbered Obligations secured by the same sources as the sources securing the refunded Prior Encumbered Obligations. Otherwise, while any Parity Debt is outstanding, the Board has agreed not to issue additional obligations on a parity with any Prior Encumbered Obligations.

Rate Covenant

The Board has covenanted in the Master Resolution that in each fiscal year it will establish, charge and use its reasonable efforts to collect at each Member the Pledged Revenues, which, if collected, would be sufficient to meet all financial obligations of the Board relating to the Revenue Financing System, including all deposits or payments due on or with respect to outstanding Parity Debt for such fiscal year.

Annual and Direct Obligation of Members

The Master Resolution provides that each Member of the Revenue Financing System is responsible for its Direct Obligation. The Board covenants in the Master Resolution that in establishing the annual budget for each Member of the Revenue Financing System, it will provide for the satisfaction by each Member of its Annual Obligation. Each Member's Direct Obligation and Annual Obligation shall be evidenced by a financing agreement between the Board and each Member.

Pledged Revenues

Pledged General Fee Subject to the provisions of the resolutions authorizing Prior Encumbered Obligations and to the other provisions of the Master Resolution and any Supplement, the Board covenants and agrees at all times to fix, levy, charge, and collect at each Member which has students the Pledged General Fee from each student (excepting, with respect to each series or issue of Parity Debt, any student in a category which, at the time of the adoption of the Supplement relating to such Parity Debt, was exempt by law from paying fees) enrolled at each Member, respectively, at each regular fall and spring semester and at each term of each summer session, for the use and availability of such institution or branch thereof, respectively, in such amounts, without any limitation whatsoever, as will be at least sufficient at all times, together with other legally available funds, including other Pledged Revenues, to provide the money, to make or pay the principal of, interest on, and other payments or deposits with respect to the Parity Debt Outstanding on August 1, 1997, when and as required. The Pledged General Fee shall be adjusted, if and when permitted or required by this Resolution or any Supplement, to provide Pledged Revenues sufficient to make when due all payments and deposits in connection with such Outstanding Parity Debt. The Board may fix, levy, charge, and collect the Pledged General Fee in any manner it may determine within its discretion, and in different amounts from students enrolled in different Members, respectively, and in addition it may totally suspend the collection of the Pledged General Fee from the students enrolled in any Member, so long as total Pledged Revenues are sufficient, together with other legally available funds, to meet all financial obligations of the Board relating to the Revenue Financing System including all payments and deposits in connection with such outstanding Parity Debt. All changes in the Pledged General Fee shall be made by a resolution of the Board, but such procedure shall not constitute or be regarded as an amendment of the Master Resolution or any Supplement, but merely the carrying out of the provisions and requirements thereof. Notwithstanding the foregoing, it is recognized that certain Members do not and will not enroll students, and, therefore, the Board will not levy or collect the Pledged General Fee at such Member. Notwithstanding the foregoing provisions, so long as there is no default or anticipated default in the payment of the outstanding Parity Debt referenced above, the Board does not intend to and will not assess and collect the Pledged General Fee.

Pledged General Tuition and Other Pledged Revenues Subject to the provisions of the resolutions authorizing Prior Encumbered Obligations and to the other provisions of the Master Resolution and any Supplement, the Board covenants and agrees at all times to fix, levy, charge, and collect at each Member which has students the Pledged General Tuition and other Pledged Revenues from each student enrolled at each Member, respectively, at each regular fall and spring semester and at each term of each summer session, for the use and availability of such institution or branch thereof, respectively, in such amounts, without any limitation whatsoever, as will be at least sufficient at all times, together with other legally available funds, including other Pledged Revenues, to provide the money to make or pay the principal of, interest on, and other payments or deposits with respect to the Parity Debt then outstanding when and as required. The Pledged General Tuition and the other rentals, rates, fees, and charges included in Pledged Revenues shall be adjusted, if and when permitted or required by the Master Resolution or any Supplement, to provide Pledged Revenues sufficient to make when due all payments and deposits in connection with the Parity Debt then outstanding. The Board may fix, levy, charge, and collect the Pledged Revenues in any manner it may determine within its discretion, and in different amounts from students enrolled in different Members, respectively, and in addition it may totally suspend the collection of any item included in Pledged Revenues from the students enrolled in any Member, so long as total Pledged Revenues are sufficient, together with other legally available funds, to meet all financial obligations of the Board relating to the Revenue Financing System including all payments and deposits in connection with the Parity Debt then outstanding. All changes in the Pledged General Tuition shall be made by a resolution of the Board, but such procedure shall not constitute or be regarded as an amendment of the Master Resolution or any Supplement, but merely the carrying out of the provisions and requirements thereof. Notwithstanding the foregoing, it is recognized that certain Members do not and will not enroll students, and, therefore, the Board will not levy or collect the Pledged General Tuition at such Member.

Annual Obligation If, in the judgment of the Board, any Member has been or will be unable to satisfy its Annual Obligation, the Board shall fix, levy, charge, and collect rentals, rates, fees, and charges for goods and services furnished by such Member and, with respect to each Member with enrolled students, the Pledged General Tuition, and, if necessary as discussed above, the Pledged General Fee, effective at the next succeeding regular semester or semesters or summer term or terms, in amounts sufficient, without limit (subject to the provisions discussed below), together with other legally available funds, including other Pledged Revenues attributable to such Member, to enable it to make its Annual Obligation payments.

Anticipated Deficit If the Board determines, for any reason whatsoever, (i) that there are not anticipated to be sufficient legally available funds, including Pledged Revenues, to meet all financial obligations of the Board relating to the Revenue Financing System, including the deposits and payments due on or with respect to the Parity Debt outstanding at that time as the same mature or come due, or (ii) that any Member will be unable to pay its Annual Direct Obligation in full, then the Board shall fix, levy, charge, and collect the Pledged General Tuition, and, if necessary as discussed above, the Pledged General Fee, at each Member with enrolled students, effective at the next succeeding regular semester or semesters or summer term or terms, in such amounts, without any limitation whatsoever (other than as provided below), as will be at least sufficient to provide, together with other legally available funds, including other Pledged Revenues, the money for making when due all financial obligations of the Board relating to the Revenue Financing System including all payments and deposits due on or with respect to outstanding Parity Debt when and as required by the Master Resolution or any Supplement.

Economic Effect of Adjustments Any adjustments in the rate or manner of charging for any rentals, rates, fees, tuition, or other charges included in Pledged Revenues, including the Pledged General Tuition and the Pledged General Fee, if any, at any of the Members pursuant to the provisions described above will be based upon a certificate and recommendation of a U.T. System Representative, delivered to the Board, as to the rates and anticipated collection of the Pledged Revenues at the various Members (after taking into account the anticipated effect the proposed adjustments in such rentals, rates, fees, tuition, or other charges would have on enrollment and the receipt of Pledged Revenues and other funds at each Member) which will be anticipated to result in (i) Pledged Revenues attributable to each Member being sufficient (to the extent possible) to satisfy the Annual Obligation of such Member and (ii) Pledged Revenues being sufficient, together with other legally available funds, to meet all financial obligations of the Board relating to the Revenue Financing System including all deposits and payments due on or in connection with outstanding Parity Debt when and as required by the Master Resolution and any Supplement.

Under the Master Resolution, the Board has excepted from the Pledged General Tuition, with respect to any particular series or issue of Parity Debt, collections from any student permitted by the Texas Education Code to be exempted (currently, any student for whom payment would cause an undue economic hardship, as long as the total number of students exempted does not exceed 5% of the total enrollment at any Member) as of the date on which the issue of Parity Debt is authorized.

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General Covenants

In the Master Resolution, the Board has covenanted that it will (a) make available to the Paying Agent or other paying agent, on or before each payment date, money sufficient to pay the principal of and the premium, if any, and interest on all Parity Debt as it becomes due and payable and the fees and expenses related to the Parity Debt, including the fees and expenses of the paying agent and any registrar, trustee, remarketing agent, tender agent or credit provider; (b) faithfully perform all covenants and undertakings under the Master Resolution and each Supplement; (c) cause all Parity Debt to be called for redemption and redeemed prior to maturity, to the extent required under the provisions of the Master Resolution or any Supplement; (d) maintain all real and tangible property of the Revenue Financing System in good condition, repair and working order and not impair or permit any impairment of the Revenue Financing System; (e) not incur additional debt secured by the Pledged Revenues, except as Parity Debt permitted under the Master Resolution or as debt that is junior and subordinate in all respects to the liens, pledges and covenants of the Master Resolution and any Supplement; (f) invest and secure money in all funds and accounts established under the Master Resolution and any Supplement as prescribed by law and the policies of the Board; (g) keep proper books of record and account relating to all dealings, activities and transactions of the Board; (h) permit any owner or owners of at least 25% of the principal amount of the then outstanding and unpaid principal amount of Parity Debt to inspect the records and accounts of the Board relating to the University System; and (i) provide for the satisfaction by each Member of its Annual Obligation. In addition, the Board has warranted that it lawfully owns and has title to or lawfully possesses the lands, buildings and facilities constituting the University System, that it will defend the title to all properties that become a part of the Revenue Financing System and that it is lawfully qualified to pledge the Pledged Revenues in the manner prescribed in the Master Resolution and has exercised such right.

Additional Parity Debt: Non-Recourse Debt and Subordinated Debt

In the Master Resolution, the Board reserves the right to issue or incur additional Parity Debt for any purpose authorized by law. The Board may incur, assume, guarantee or otherwise become liable in respect of additional Parity Debt if the Board determines that it will have sufficient funds to meet the financial obligations of the University System, including sufficient Pledged Revenues to satisfy the annual debt service requirements of the Revenue Financing System and to meet all financial obligations of the Board relating to the Revenue Financing System.

In addition, the Board covenants not to issue or incur Parity Debt unless (i) it determines that the Member or Members for whom Parity Debt is being issued or incurred possess the financial capacity to satisfy their respective Direct Obligations after taking into account the then proposed additional Parity Debt, and (ii) a U.T. System Representative delivers to the Board a certificate stating that, to the best of his or her knowledge, the Board is in compliance with all covenants contained in the Master Resolution and any Supplement authorizing outstanding Parity Debt, and is not in default in the performance and observance of any of the terms, provisions and conditions thereof.

The Board has reserved the right to issue, without limit, debt secured by a lien other than a lien on Pledged Revenues and debt which expressly provides that all payments thereon shall be subordinated to the timely payment of all Parity Debt.

Waiver of Covenants

The Board may omit in any particular instance to comply with any covenant or condition set forth above as a general covenant or with its rate covenant (see “Rate Covenant” in this APPENDIX C), its covenants relating to issuance of Parity Debt (see “Additional Parity Debt: Non-Recourse Debt and Subordinated Debt” in this APPENDIX C), its covenants governing disposition of Member assets (see “Disposition of Member Assets” in this APPENDIX C) or its covenants relating to admission and release of Members (see “Changes in Membership of the Revenue Financing System” in this APPENDIX C) if the holders of at least 51% of all Parity Debt outstanding shall waive such compliance.

Disposition of Member Assets

In the Master Resolution, the Board has reserved the rights to convey, sell or otherwise dispose of any properties of the Board attributable to a Member of the Revenue Financing System, provided that:

(i) such disposition shall occur in the ordinary course of business of the Member of the Revenue Financing System responsible for such properties; or

(ii) the Board determines that after the disposition, the Board shall have sufficient funds during each fiscal year to meet the financial obligations of the University System, including sufficient Pledged Revenues to satisfy the annual debt service requirements of the Revenue Financing System and to meet all other financial obligations of the Board relating to the Revenue Financing System.

Changes in Membership of the Revenue Financing System

The Master Resolution recognizes that the State may combine or divide Member institutions and provides that so long as the combined or divided institutions continue to be governed by the Board such action shall not violate the Master Resolution or require any amendment thereof. The Master Resolution also provides that a Member institution or portion thereof may be closed and abandoned by law or otherwise removed from the Revenue Financing System (thus deleting the revenues, income, funds and balances attributable to such Member or portion thereof from Pledged Revenues) without violating the Master Resolution upon satisfaction of the following requirements:

(i) the Board specifically finds (based upon a certificate signed by a U.T. System Representative) that after the release of the Member or portion thereof, the Board will have sufficient funds during each fiscal year in which Parity Debt shall thereafter be outstanding to meet the financial obligations of the University System, including sufficient Pledged Revenues to satisfy the annual debt service requirements of the Revenue Financing System and to meet all financial obligations of the Board relating to the Revenue Financing System; and

(ii) the Board shall have received an opinion of legal counsel acceptable to the Board stating that such release will not affect the status for federal income tax purposes of interest on any outstanding Parity Debt and that all conditions precedent provided in the Master Resolution or any Supplement relating to such release have been complied with; and

(iii) (a) if the Member or portion thereof to be released is to remain under the governance and control of the Board, the Board must either (1) provide from lawfully available funds, including Pledged Revenues attributable to the withdrawing Member, for the payment or discharge of that Member's Direct Obligation; or (2) pledge to the payment of Parity Debt, additional resources not then pledged in an amount sufficient to satisfy the withdrawing Member's Direct Obligation; or

(b) if the Member or portion thereof to be released is no longer to be under the governance and control of the Board, the Board must receive a binding obligation of the new governing body of the withdrawing institution or portion thereof, obligating the new governing body to make payments to the Board at the times and in the amounts equal to the withdrawing Member's Annual Obligation or to pay or discharge that Member's Direct Obligation, or, in the case of a portion of a Member being withdrawn, the portion of the Member's Annual Obligation or Direct Obligation, as the case may be, attributable to the withdrawing portion of the Member.

Special Obligations: Absolute Obligation to Pay Parity Debt

The Master Resolution provides that all Parity Debt and the interest thereon shall constitute special obligations of the Board payable from the Pledged Revenues, and the owners thereof shall never have the right to demand payment out of funds raised or to be raised by taxation, or from any source other than specified in the Master Resolution or any Supplement. The obligation of the Board to pay or cause to be paid the amounts payable under the Master Resolution and each Supplement out of the Pledged Revenues shall be absolute, irrevocable, complete, and unconditional, and the amount, manner and time of payment of such amounts shall not be decreased, abated, rebated, setoff, reduced, abrogated, waived, diminished, or otherwise modified in any manner or to any extent whatsoever.

Remedies

Any owner of Parity Debt in the event of default in connection with any covenant contained in the Master Resolution or in any Supplement, or default in the payment of Parity Debt, or of any interest due thereon, or other costs and expenses related thereto, may require the Board, 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, but without limitation, the use and filing of mandamus proceedings in any court of competent jurisdiction against the Board, its officials and employees, or any appropriate official of the State.

Defeasance of Parity Debt

Any Parity Debt and the interest thereon shall be deemed to be paid, retired, and no longer outstanding (a "Defeased Debt") within the meaning of the Master Resolution, except that the Board must provide for the services of the Paying Agent or other paying agent, when the payment of all principal and interest payable with respect to such Parity Debt to the due date or dates thereof (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 provision for the giving of same having been made) or (ii) shall have been provided for on or before such due date by irrevocably depositing with or making available to the paying agent for such Parity Debt for such payment (1) lawful money of the United States of America sufficient to make such payment, (2) noncallable Government Obligations (as defined below) which mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money to provide for such payment, or (3) any combination of (1) and (2) above, and when proper arrangements have been made by the Board with each such paying agent for the payment of its services until after all Defeased Debt shall have become due and payable. At such time as Parity Debt shall be deemed to be Defeased Debt, such Parity Debt and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the Pledged Revenues, and such principal and interest shall be payable solely from such money or Government Obligations, and shall not be regarded as outstanding for any purposes other than payment, transfer, and exchange. Any money deposited with or made available to a paying agent as described in this paragraph may, at the written direction of the Board, also be invested in Government Obligations maturing in the amounts and times as described above, and all income from such Government Obligations received by the paying agent for an issue of Parity Debt which is not required for the payment of the Parity Debt and interest thereon, with respect to which such money has been so deposited, is to be turned over to the Board, or deposited as directed in writing by the Board. As used in this paragraph, the term "Government Obligations" means direct obligations of the United States of America, including obligations the principal of and interest on which are unconditionally guaranteed by the United States of America, which may be United States Treasury obligations such as its State and Local Government series, which may be in book-entry form. For a description of additional defeasance provisions contained in the Supplemental Resolution see "DESCRIPTION OF THE BONDS — Additional Defeasance Provisions."

Amendments of Master Resolution

Amendments Without Consent. The Master Resolution and the rights and obligations of the Board and of the owners of the outstanding Parity Debt may be modified or amended at any time without notice to or the consent of any owner of the outstanding Parity Debt, solely for any one or more of the following purposes:

(i) to add to the covenants and agreements of the Board contained in the Master Resolution, other covenants and agreements thereafter to be observed, or to surrender any right or power reserved to or conferred upon the Board in the Master Resolution; or

(ii) to cure any ambiguity or inconsistency, or to cure or correct any defective provisions contained in the Master Resolution, upon receipt by the Board of an approving opinion of bond counsel, that the same is needed for such purpose and will more clearly express the intent of the Master Resolution; or

(iii) to supplement the security for the outstanding Parity Debt, including, but not limited to, amending the definition of Pledged Revenues to add a portion or all of the Practice Plan Funds attributable to any Member (one or more) to Pledged Revenues; provided, however, any amendment to the definition of Pledged Revenues which results in the pledge of Practice Plan Funds may limit the amount of such pledge and the manner, extent and duration of such additional pledge all as set forth in such amendment; or

(iv) to make such other changes in the provisions of the Master Resolution as the Board may deem necessary or desirable and which shall not, in the judgment of the Board, materially adversely affect the interests of the owners of outstanding Parity Debt; or

(v) to make any changes or amendments requested by any bond rating agency then rating or requested to rate Parity Debt, as a condition to the issuance or maintenance of a rating, which changes or amendments do not, in the judgment of the Board, materially adversely affect the interests of the owners of the outstanding Parity Debt.

Amendments With Consent. Subject to the other provisions of the Master Resolution, the owners of outstanding Parity Debt aggregating 51% in Outstanding Principal Amount shall have the right from time to time to approve any other amendment to the Master Resolution which may be deemed necessary or desirable by the Board; provided, however, that nothing contained in the Master Resolution shall permit or be construed to permit, without the approval of the owners of all of the outstanding Parity Debt, the amendment of the terms and conditions in the Master Resolution so as to:

(i) grant to the owners of any outstanding Parity Debt a priority over the owners of any other outstanding Parity Debt; or

(ii) materially adversely affect the rights of the owners of less than all Parity Debt then outstanding; or

(iii) change the minimum percentage of owners of the Outstanding Principal Amount of Parity Debt necessary for consent to such amendment.

For purposes of determining whether the requisite owners of outstanding Parity Debt have approved a proposed amendment, "Outstanding Principal Amount" means, with respect to all Parity Debt or to a series of Parity Debt, the outstanding and unpaid principal amount of such Parity Debt paying interest on a current basis and the outstanding and unpaid principal and compounded interest on such Parity Debt paying accrued, accreted or compounded interest only at maturity as of any record date established by the Registrar in connection with a proposed amendment or supplement to the Master Resolution.

Notice. If at any time the Board should desire to amend the Master Resolution with the consent of the owners of Parity Debt, the Board is required to 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, once during each calendar week for at least two successive calendar weeks. Such notice is required to briefly set forth the nature of the proposed amendment and shall state that a copy thereof is on file at the principal office of each registrar for the Parity Debt for inspection by all owners of Parity Debt. Such publication is not required, however, if the Board gives or causes to be given such notice in writing, by certified mail, to each owner of Parity Debt.

Amendments of Supplements. Each Supplement may contain provisions governing the ability of the Board to amend such Supplement; provided, however, that no amendment may be made to any Supplement for the purpose of granting to the owners of outstanding Parity Debt under such Supplement a priority over the owners of any other outstanding Parity Debt.

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APPENDIX D

AUDITED CONSOLIDATED PRIMARY FINANCIAL STATEMENTS OF THE UNIVERSITY OF TEXAS SYSTEM FOR THE FISCAL YEAR ENDED AUGUST 31, 2023

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THE UNIVERSITY OF TEXAS SYSTEM

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022 AND INDEPENDENT AUDITOR'S REPORT

The University of Texas at Arlington ♦ The University of Texas at Austin ♦ The University of Texas at Dallas ♦ The University of Texas at El Paso ♦ The University of Texas Permian Basin ♦ The University of Texas Rio Grande Valley ♦ The University of Texas at San Antonio ♦ The University of Texas at Tyler ♦ The University of Texas Southwestern Medical Center ♦ The University of Texas Medical Branch at Galveston ♦ The University of Texas Health Science Center at Houston ♦ The University of Texas Health Science Center at San Antonio ♦ The University of Texas M. D. Anderson Cancer Center ♦ The University of Texas System Administration

THE UNIVERSITY OF TEXAS SYSTEM

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THE UNIVERSITY OF TEXAS SYSTEM
BOARD OF REGENTS
As of August 31, 2023

Officers

Kevin P. Eltife, Chairman
Janiece Longoria, Vice Chairman
James C. “Rad” Weaver, Vice Chairman
Francie A. Frederick, General Counsel to the Board of Regents

Members

*Terms scheduled to expire February 1, 2025**

Christina Melton Crain	Dallas
Jodie Lee Jiles	Houston
Kelcy L. Warren	Dallas

*Terms scheduled to expire February 1, 2027**

Kevin P. Eltife	Tyler
Nolan Perez	Houston
Stuart W. Stedman	Houston

*Terms scheduled to expire February 1, 2029**

Janiece Longoria	Houston
James C. “Rad” Weaver	San Antonio
Robert P. Gauntt	Austin

*Term scheduled to expire May 31, 2024**

John Michael Austin (Student Regent)	San Antonio

* Each Regent’s term expires when a successor has been appointed, qualified, and taken the oath of office. The Student Regent serves a one-year term.

THE UNIVERSITY OF TEXAS SYSTEM
EXECUTIVE ADMINISTRATIVE OFFICIALS

As of August 31, 2023

James B. Milliken, Chancellor

Jonathan C. Pruitt, Executive Vice Chancellor for Business Affairs

Archie L. Holmes, Jr., Executive Vice Chancellor for Academic Affairs

John M. Zerwas, Executive Vice Chancellor for Health Affairs

David L. Lakey, Vice Chancellor for Health Affairs and Chief Medical Officer

Stacey Napier, Vice Chancellor for Governmental Relations

Randa S. Safady, Vice Chancellor for External Relations, Communications, and Advancement Services

Daniel H. Sharphorn, Vice Chancellor and General Counsel

Rich Hall, President, Chief Executive Officer, and Chief Investment Officer–UTIMCO

Deloitte & Touche LLP
500 West Second Street
Suite 1600
Austin, TX 78701-4671
USA

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Fax:+1 512 708 1035
www.deloitte.com

INDEPENDENT AUDITOR'S REPORT

To the Members of the Audit, Compliance, and
Risk Management Committee of the
University of Texas System Board of Regents:

Report on the Audits of the Consolidated Financial Statements

Opinions

We have audited the consolidated financial statements of the business-type activities and fiduciary activities of The University of Texas System (the System), as of and for the years ended August 31, 2023 and 2022, and the related notes to the consolidated financial statements, which collectively comprise the System's consolidated financial statements as listed in the table of contents.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the business-type activities and fiduciary activities of the System as of August 31, 2023 and 2022, and the respective changes in financial position, and where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of Matters

As discussed in Note 1, the consolidated financial statements of the System are intended to present the financial position, the changes in net position, and, where applicable, cash flows of only that portion of the State of Texas that is attributable to the transactions of the System. They do not purport to, and do not, present fairly the financial position of the State of Texas as of August 31, 2023 and 2022, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

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

Auditor's Responsibilities for the Audits of the Consolidated Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the Schedule of the System's Proportionate Share of Changes in Employer Total OPEB Liability and Related Ratios, the Schedule of the System's Proportionate Share of Total OPEB Liability, the Schedule of the System's Proportionate Share of the Net Pension Liability for the Teacher Retirement System Pension Plan, the Schedule of the System's Contributions for the Teacher Retirement System Pension Plan, and the Schedule of M. D. Anderson's PRS SRP/RBP Pension Liability be presented to supplement the consolidated financial statements. Such information is the responsibility of management and, although not a part of the consolidated financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the consolidated financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the consolidated financial statements, and other knowledge we obtained during our audit of the consolidated 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2023 on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the System's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.

Deloitte & Touche LLP

December 13, 2023

THE UNIVERSITY OF TEXAS SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended August 31, 2023

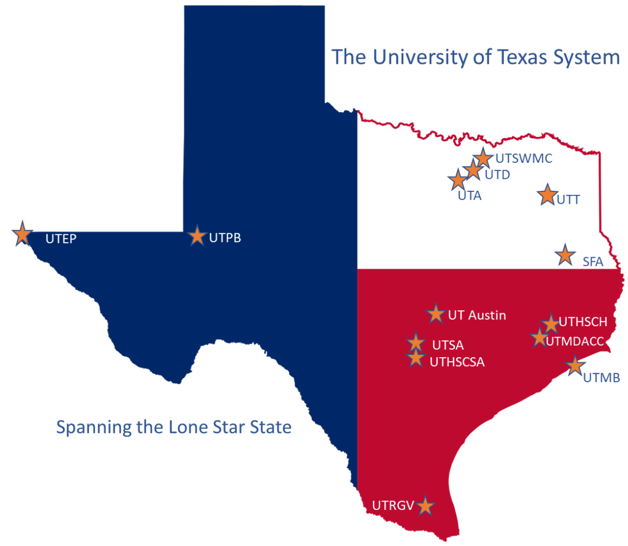
INTRODUCTION

The University of Texas System (the System) was established by the *Texas Constitution of 187*6. In 1881, Austin was designated the site of the main academic campus and Galveston as the location of the medical branch. The University of Texas at Austin opened in 1883, and eight years later, the John Sealy Hospital in Galveston established a program for university-trained medical professionals. In addition to the original academic campus of The University of Texas at Austin, the System now includes seven additional academic institutions:

- The University of Texas at Arlington
- The University of Texas at Dallas
- The University of Texas at El Paso
- The University of Texas Permian Basin
- The University of Texas Rio Grande Valley
- The University of Texas at San Antonio
- Stephen F. Austin State University (9/1/23)
- The University of Texas at Tyler

Health institutions for medical education and research have expanded beyond The University of Texas Medical Branch at Galveston to include:

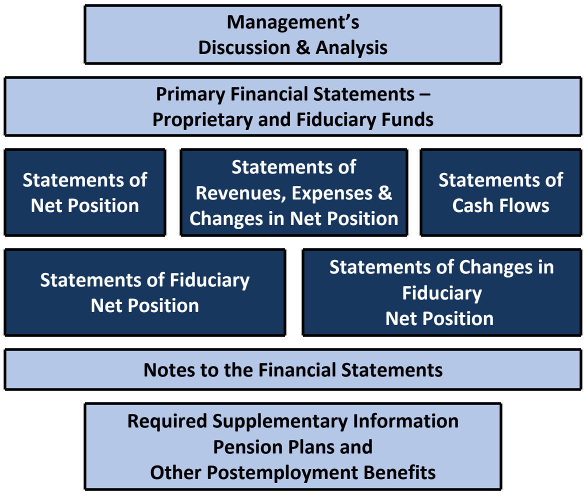
- The University of Texas M. D. Anderson Cancer Center
- The University of Texas Southwestern Medical Center
- The University of Texas Health Science Center at Houston
- The University of Texas Health Science Center at San Antonio



The System's thirteen institutions are, collectively, one of the nation's largest educational enterprises. They provide instruction and learning opportunities to approximately 255,000 undergraduate, graduate, and professional school students from a wide range of social, ethnic, cultural, and economic backgrounds. The System is governed by a nine-member Board of Regents appointed by the Governor of Texas and confirmed by the Texas Senate. In addition, the Governor appoints a Student Regent for a one-year term.

OVERVIEW OF THE FINANCIAL STATEMENTS AND FINANCIAL ANALYSIS

The objective of Management's Discussion and Analysis (MD&A) is to provide an overview of the financial position and activities of the System for the year ended August 31, 2023, with selected comparative information for the years ended August 31, 2022 and 2021. The complete set of financial statements includes:



The System's financial statements were prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). The System's financial records are reported as a business-type activity in the State of Texas' Annual Comprehensive Financial Report and the System's custodial fund financial records are reported as fiduciary funds in the State of Texas' Annual Comprehensive Financial Report. For purposes of the MD&A, references to the System in the discussion of financial results relate to the System's business-type activity.

FINANCIAL HIGHLIGHTS

The System continues to maintain and protect its strong financial condition, with net position of $70.7 billion as of August 31, 2023. Revenues totaled $31.4 billion and expenses totaled $27.1 billion in 2023. Net patient care revenues and sponsored program revenues were the largest contributors to the revenues of the System in 2023. Net investment income and the change in fair value of investments often drive the year to year fluctuation in System revenues, as those values vary from year to year based on market conditions and other factors. Compensation and benefits, including the Teacher Retirement System of Texas pension and other postemployment benefits (OPEB) continue to be the largest expense of the System. The System is committed to recruiting and retaining outstanding faculty and staff, and the compensation package is one way to successfully compete with peer institutions and nonacademic employers.

The Statement of Net Position

The statement of net position presents the assets, deferred outflows, liabilities, deferred inflows, and net position of the System as of the end of the year. This is a point in time financial presentation of the financial status as of August 31, 2023, with comparative information for the previous years. Net position is the residual value of the System's assets and deferred outflows of resources, after liabilities and deferred inflows of resources are deducted. Changes in net position are one indicator of the improvement or decline of the System's financial strength. A summarized comparison of the System's statement of net position as of August 31, 2023, 2022 and 2021 follows:

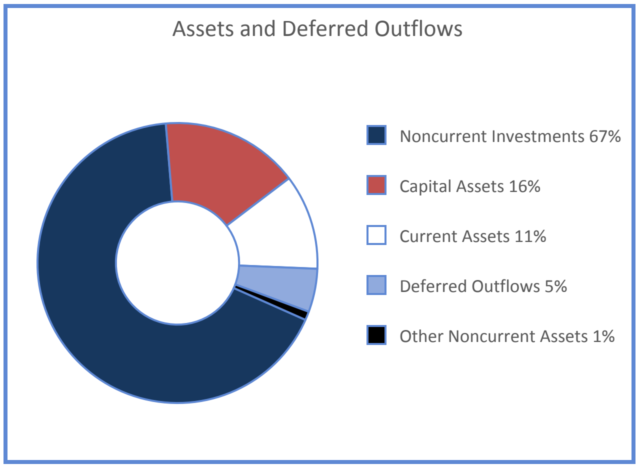
Condensed Statements of Net Position

($ in millions)

	2023	2022	2021
Assets			
Current assets	$ 13,443.4	11,471.7	10,538.3
Noncurrent investments	78,468.0	74,289.5	74,707.9
Capital/intangible assets, net	19,541.1	19,063.6	18,569.2
Other noncurrent assets	1,546.5	1,858.0	1,153.5
Total assets	112,999.0	106,682.8	104,968.9
Total deferred outflows	6,088.9	5,546.1	4,644.2
Total assets and deferred outflows	$ 119,087.9	112,228.9	109,613.1
Liabilities			
Current liabilities	$ 13,149.2	11,153.4	10,897.4
Noncurrent liabilities	26,001.1	29,572.3	29,013.8
Total liabilities	39,150.3	40,725.7	39,911.2
Total deferred inflows	9,273.7	4,814.1	2,829.5
Total liabilities and deferred inflows	$ 48,424.0	45,539.8	42,740.7
Net Position			
Net investment in capital assets	$ 6,963.7	6,571.0	6,383.5
Restricted	59,514.7	57,175.1	57,151.7
Unrestricted	4,185.5	2,943.2	3,337.2
Net position	$ 70,663.9	66,689.3	66,872.4

Assets and Deferred Outflows

The chart below depicts the makeup of the System's assets and deferred outflows as of August 31, 2023.



Assets and deferred outflows increased $6.9 billion, or 6.1%, to $119.1 billion in 2023 primarily due to increases in current assets and deferred outflows.

Current Assets

Current assets are comprised of assets that are available or can be made readily available to meet the cost of operations or to pay current liabilities including cash, temporary investments and receivables. These assets increased $1,971.7 million in 2023 largely due to increases in cash and equivalents and balances in State appropriations, offset by a decrease in securities lending collateral.

Cash and cash equivalents increased due to increased collections on patient charges and tuition and fees as the population began to revert to pre-pandemic levels along with higher liquidity levels being maintained due to the fluctuating market. Securities lending collateral decreased due to less securities on loan at the end of 2023 compared to 2022. The balance in securities lending collateral, which is exactly offset by the balance in securities lending obligations in current liabilities, fluctuates from year to year as the System manages security lending transactions to maximize earnings.

Noncurrent Investments

Noncurrent investments are comprised of permanent endowments, funds functioning as endowments, annuity and life income funds, and other investments including investment derivative instruments. These assets increased $4,178.5 million in 2023 largely due to investment and mineral income earned and increases in the fair value of Permanent University Fund (PUF) lands. These increases were partially offset by net decreases in the fair value of investments.

The Permanent University Fund (PUF), which includes the fair value of the PUF investment fund and the fair value of PUF lands, increased $1.5 billion in 2023 primarily due to significant investment income partially offset by net decreases in fair value of investments. The increases in the PUF investments in 2023 can be broken down as follows: (1) $1.8 billion PUF lands mineral income earned that was added to the endowment in accordance with requirements of the *Texas Constitution*; (2) $2.3 billion decrease in the fair value of the PUF lands due to an increase in the forecasted price of oil and gas; (3) $1.4 billion investment income earned in the PUF investment fund. These increases were partially offset by a $123 million increase in the fair value of the PUF investments.

Capital and Intangible Assets

A critical factor in sustaining the quality of the System's academic and research programs and residential life is the development and maintenance of its capital assets. Capital additions totaled $2.4 billion in 2023, of which $1.1 billion consisted of new projects under construction. Capital additions were comprised of replacement, renovation, and new construction of academic, research and healthcare facilities, as well as significant investments in equipment and software. The table below depicts the System's capital improvement program for the next six years.

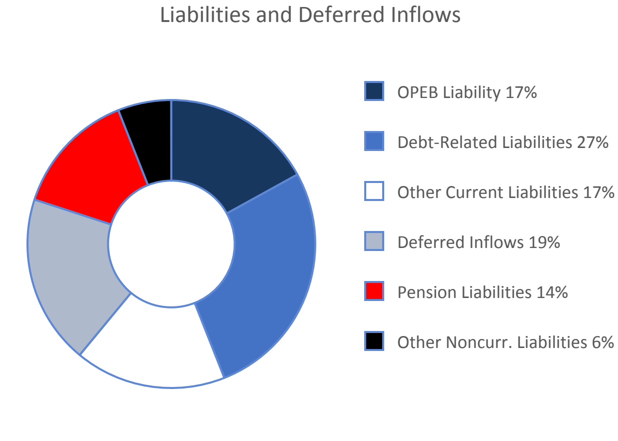
Capital Improvement Program 2024 - 2029		
Institution:		***($ in billions)***
UT Arlington	$	0.4
UT Austin		1.5
UT Dallas		0.5
UT El Paso		0.2
UT Permian Basin		0.1
UT Rio Grande Valley		0.2
UT San Antonio		0.2
UT Tyler		0.1
Stephen F. Austin State University		0.1
UT Southwestern Medical Center		0.4
UTMB Galveston		0.3
UTHSC Houston		0.3
UTHSC San Antonio		0.8
UT HSC-Tyler		0.3
UT MD Anderson Cancer Center		3.1
Total	$	8.6

Deferred Outflows

Total deferred outflows increased $542.8 million in 2023 primarily due to difference between projected and actual investment earnings and changes in assumptions related to TRS.

Liabilities and Deferred Inflows

The chart below depicts the makeup of the System's liabilities and deferred inflows as of August 31, 2023.



Liabilities and deferred inflows increased $2.9 billion, or 6.3%, to $48.4 billion in 2023 primarily due to increases in the pension liabilities and deferred inflows of resources and partially offset by decreases in the OPEB liability.

Debt-Related Liabilities

Debt-related liabilities consist of both the current and noncurrent portions of short-term debt, or commercial paper, as well as leases, notes, loans, and bonds payable. The $626.6 million increase in debt-related liabilities in 2023 was primarily driven by an increase in leases, notes and loans partially offset by a decrease in bonds payable and commercial paper. Bonds payable relate to the financing of the System's capital needs. Commercial paper notes are issued periodically to provide interim financing for capital improvements and to finance the acquisition of capital equipment. The System typically refunds a portion of these outstanding notes through the issuance of long-term debt to provide permanent financing for projects. The table below depicts the change in the System's debt-related liabilities over the past three years:

Current & Noncurrent Debt

	2023	2022	2021
		($ in millions)	
Bonds Payable	$ 9,836.4	9,408.6	9,686.8
Commercial Paper	2,341.1	1,788.8	1,891.1
Leases, Notes & Loans	1,172.1	1,525.6	925.0
Total Debt-Related Liabilities	$ 13,349.6	12,723.0	12,502.9

OPEB Liabilities

The State provides certain health and life insurance benefits for retired employees which are guaranteed in accordance with State statutes. Other postemployment benefits are provided to the System's retirees under the U. T. System Employee Group Insurance Program. The Employee Group Insurance Program is a single-employer defined benefit OPEB plan; however, because State statute requires funding for the plan from State appropriations, the State's governmental fund reports a proportionate share of the OPEB liability. The System reported a total OPEB liability of $8.1 billion in 2023 compared to $14.7 billion in 2022. $6.6 billion of the decrease in 2023 was related to benefit changes (and resulting actuarial assumption changes made) to the OPEB Plan that reduced the Total OPEB Liability (TOL) quite significantly. In addition, the discount rate required by GASB 75 increased from the prior year which also reduced the TOL. In combination, these two factors reduced the total OPEB Plan's TOL by approximately 50%. This TOL reduction also had large impacts on the OPEB Expense and Deferred Inflows and Outflows.

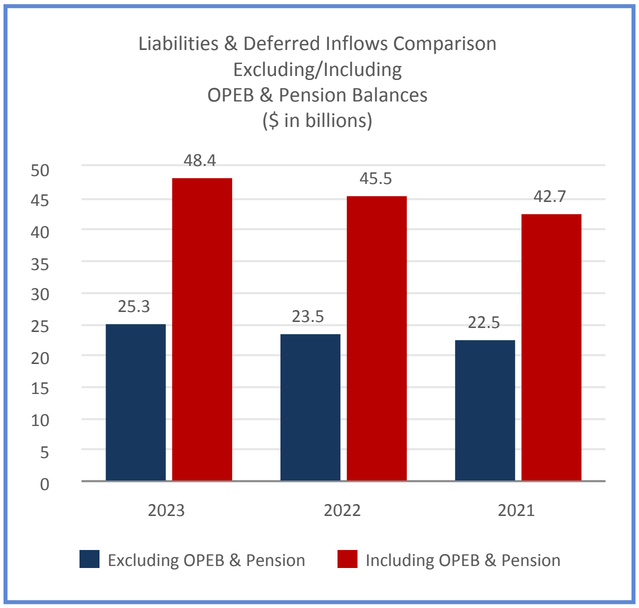
Pension Liabilities

The System participates in a cost-sharing multiple-employer defined benefit pension plan with a special funding arrangement administered by the Teacher Retirement System of Texas (TRS). The System receives a proportional share of the net pension liability, pension-related deferred outflows and pension-related deferred inflows, and pension expense from the Texas Comptroller of Public Accounts. The System's proportion of the State's collective net pension liability was based on its contributions to the pension plan relative to the contributions of all the employers to the plan. The System reported a net pension liability of $5.6 billion in 2023 compared to $2.3 billion in 2022. The change is driven by a decrease in the discount rate and investment earnings below projections. The University of Texas M. D. Anderson Cancer Center has established, primarily for the physicians of its Physicians Referral Service, the Physicians Referral Service SRP/RBP Plans. The System reported a total pension liability of $0.9 billion in 2023 compared to $1.0 billion in 2022 related to the SRP/RBP Plans.

Deferred Inflows

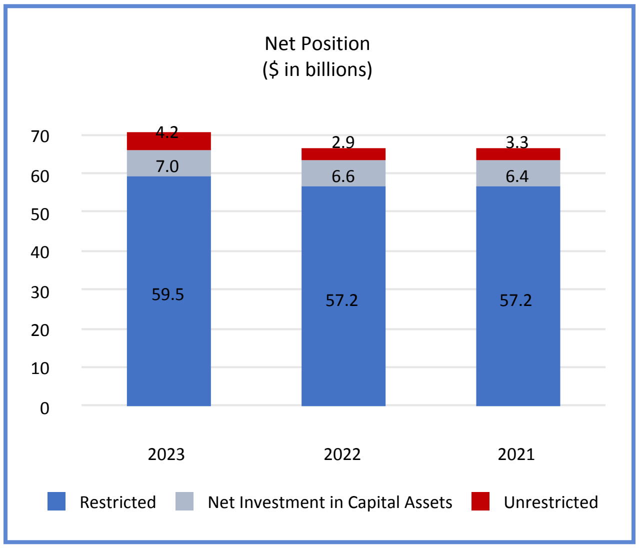
Total deferred inflows increased $4.5 billion in 2023 primarily driven by changes to OPEB deferred inflows. OPEB deferred inflows increased $6.5 billion in 2023 due to benefit changes (and resulting actuarial assumption changes made) to the OPEB Plan.

The following chart compares the liabilities and deferred inflows with or without OPEB and pension to illustrate these items' significant impact on the System's total liabilities and deferred inflows.



Net Position

Net position increased $4.0 billion in 2023 compared to a $0.2 billion decrease in 2022. The significant increase in net position was primarily due to the increase in investment income. In 2023, there was an increase in fair value of investment of $0.5 billion compared to a decrease of $5.0 billion in 2022, a year over year increase of $5.5 billion. The PUF accounted for $1.5 billion of this year over year increase. The three-year trend of the classifications of net position is depicted here:



Net Investment in Capital Assets

Net investment in capital assets represents the System's capital and intangible assets, net of accumulated depreciation and amortization and outstanding debt obligations attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position

Restricted net position primarily includes the System's permanent endowment funds subject to externally imposed restrictions governing their use. They include:

- Permanent University Fund (PUF) - supports both the System and TAMUS,
- Permanent Health Fund endowments (PHF) - established in 1999 from tobacco-related litigation funds which support programs that benefit medical research, health education or treatment at health-related institutions, and
- Donor restricted endowments - income generated is used to fund various endeavors in accordance with the donors' restrictions.

Restricted net position also includes current purpose gifts and grants. System's restricted net position was $59.5 billion in 2023 compared to $57.2 billion in 2022.

Unrestricted Net Position

System's unrestricted net position was $4.2 billion in 2023 as compared to $2.9 billion in 2022. The increase in unrestricted net position between 2022 and 2023 was primarily due to long term funds, investments, general designated and practice plan funds, and improvement in income/loss before other revenue, expenses, gains(losses), and transfers.

2022 Highlights – Statement of Net Position

The System's assets and deferred outflows increased $2.6 billion to $112.2 billion in 2022 primarily due to increases in deferred outflows and current assets. Liabilities and deferred inflows increased $2.8 billion to $45.5 billion in 2022 primarily due to an increase in the OPEB liability and the related deferred inflows mainly due to changes in assumptions and other inputs.

Restatements

The restatement in fiscal year 2021 resulted from OPEB error corrections and the implementation of *GASB Statements No. 87, Leases*, and *No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. Fiscal year 2022 was restated as a result of the implementation of *GASB Statements No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, and *No. 96, Subscription-Based Information Technology Arrangements*. The implementation of these new accounting standards had no affect on opening net position for fiscal year 2022. See Note 1 for further information on the impacts of these standards. Fiscal year 2021 information has not been restated to reflect the effects of *GASB Statements No. 94 and 96*.

The Statement of Revenues, Expenses and Changes in Net Position

The statement of revenues, expenses and changes in net position details the changes in total net position. The following table summarizes the System's revenues, expenses and changes in net position for the years ended August 31, 2023, 2022 and 2021:

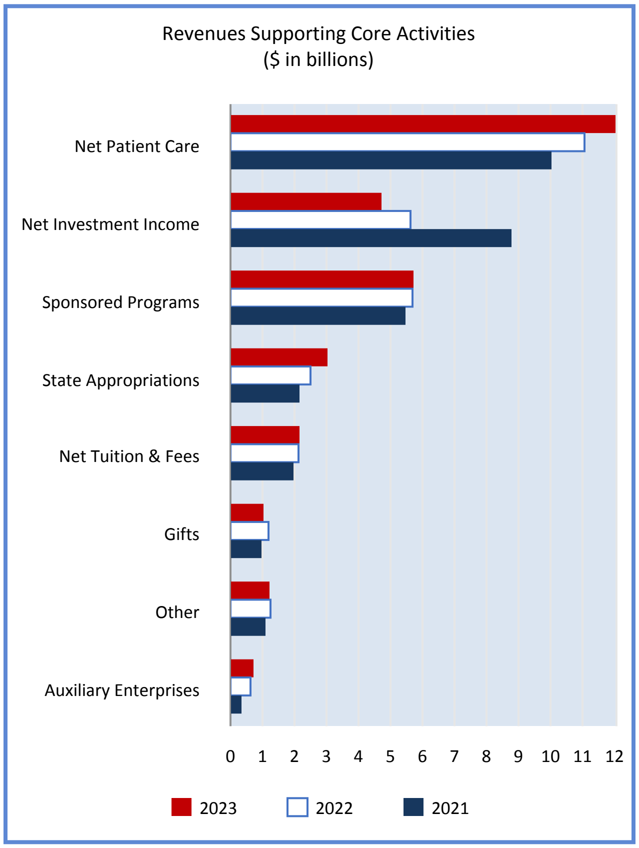
Condensed Statements of Revenues, Expenses and Changes in Net Position
($ in millions)

	2023	2022	2021
Operating revenues:			
Net student tuition and fees	$ 2,162.3	2,124.3	2,006.9
Sponsored programs	5,114.9	4,711.9	4,280.4
Net sales and services of hospitals	9,638.1	8,737.1	7,849.9
Net professional fees	2,577.5	2,354.7	2,204.2
Net auxiliary enterprises	723.2	646.0	377.8
Other	1,275.8	1,279.9	1,104.9
Total operating revenues	21,491.8	19,853.9	17,824.1
Total operating expenses	(26,720.6)	(24,577.4)	(22,670.8)
Operating income (loss)	(5,228.8)	(4,723.5)	(4,846.7)
Nonoperating revenues (expenses):			
State appropriations	3,052.8	2,529.9	2,194.3
Nonexchange sponsored programs	621.7	958.5	1,247.9
Gift contributions for operations	684.0	634.2	618.6
Net investment income excluding the change in fair value of investments	4,744.2	5,619.3	8,807.4
Net increase (decrease) in fair value of investments	479.2	(5,017.2)	8,905.7
Interest expense on capital asset financings	(379.4)	(338.2)	(332.0)
Net other nonoperating revenues (expenses)	139.5	36.9	(25.0)
Income (loss) before other changes in net position	4,113.2	(300.1)	16,570.2
Capital gifts and grants and additions to endowments	347.4	563.1	356.0
Net transfers to other State agencies	(485.9)	(446.3)	(272.6)
Change in net position	3,974.7	(183.3)	16,653.6
Net position, beginning of the year	66,689.1	66,872.4	48,663.7
Restatement	—	—	1,555.1
Net position, beginning of the year (as restated)	66,689.1	66,872.4	50,218.8
Net position, end of the year	$ 70,663.8	66,689.1	66,872.4

Revenues Supporting Core Activities

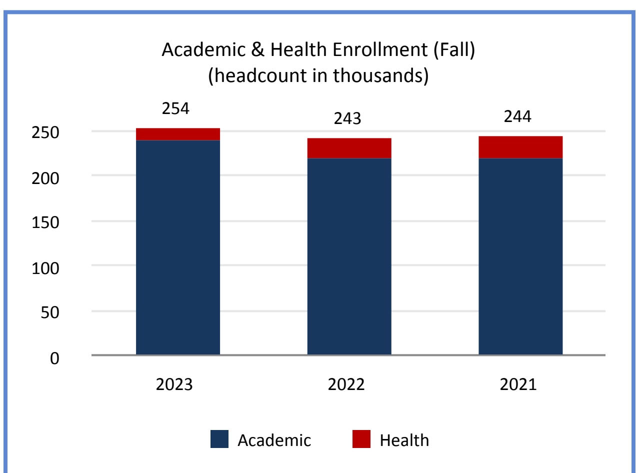
Revenues to support the System's core activities, including those classified as nonoperating revenues, were $30.9 billion, $30.2 billion, and $31.0 billion in 2023, 2022, and 2021, respectively. These diverse sources of revenues increased by $783.0 million in 2023 primarily due to increases in net investment income.

The chart below shows a three-year comparison of the components of revenues that support the core activities of the System:



Net Student Tuition and Fees

Student tuition and fees, net of scholarship allowances, are a primary source of funding for the System's academic programs. Scholarship allowances, or financial aid, are the differences between the stated charge for tuition and fees and the amount that is paid by the student and third parties on behalf of the student. Tuition and fees are generated from students enrolled primarily in the System's academic institutions as illustrated in the chart below:



The System's academic institutions enroll 35.9% of the State's public college students, and the System's health-related institutions enroll 54.2% of the students attending the State's public health institutions.

Sponsored Programs

Sponsored program revenues are primarily generated from governmental and private sources related to research programs that typically provide for the recovery of direct and indirect costs. Sponsored programs include student financial aid and contracts with affiliated hospitals for clinical activities. Sponsored programs revenues were $5.7 billion, $5.7 billion, and $5.5 billion in 2023, 2022, and 2021, respectively.

Net Patient Care Revenues

Net patient care revenues, which consist of net sales and services of hospitals and net professional fees, are principally generated within the System's hospitals and physicians' practice plans under contractual arrangements with governmental payors and private insurers. These revenues are reported net of contractual allowances, bad debt expense, and unreimbursed charges for financially or medically indigent patients. Net patient care revenues were $12.2 billion, $11.1 billion, and $10.1 billion in 2023, 2022, and 2021, respectively. Net patient care revenues increased $1.1 billion, or 10.1%, in 2023, primarily because of increased patient volumes.

Net Auxiliary Enterprises

Net auxiliary enterprise revenues were earned from a host of activities such as athletics, housing and food services, bookstores, parking, student health, and other activities. Net auxiliary enterprises were $723.2 million, $646.0 million, and $377.8 million in 2023, 2022, and 2021, respectively. Net auxiliary enterprise revenues increased $77.2 million or 12.0% in 2023 due to normalization of auxiliary activities post COVID-19.

State Appropriations

State appropriations, in conjunction with student tuition and fees, are core components that support the instructional mission of the System. State appropriations were $3.1 billion, $2.5 billion, and $2.2 billion in 2023, 2022, and 2021, respectively. The increase of $0.6 billion was primarily due to $440 million given to UT Austin in Senate Bill 30 (2023-2024, 88th Legislature) for forward-looking technology research and establishing and operating a research and development fabrication facility.

Net Investment Income Excluding the Change in Fair Value of Investments

The System carefully navigates the investment environment and works diligently to manage its financial resources. Net investment income, excluding the change in fair value of investments, was $4.7 billion, $5.6 billion, and $8.8 billion in 2023, 2022, and 2021, respectively. Net investment income includes realized gains of $1.9 billion in 2023 and $2.7 billion in 2022. Net investment income, excluding the change in the fair value of investments, decreased $0.9 billion from 2022 to 2023, primarily due to decreases in net realized gains and investment income in the PUF.

Net Increase (Decrease) in Fair Value of Investments

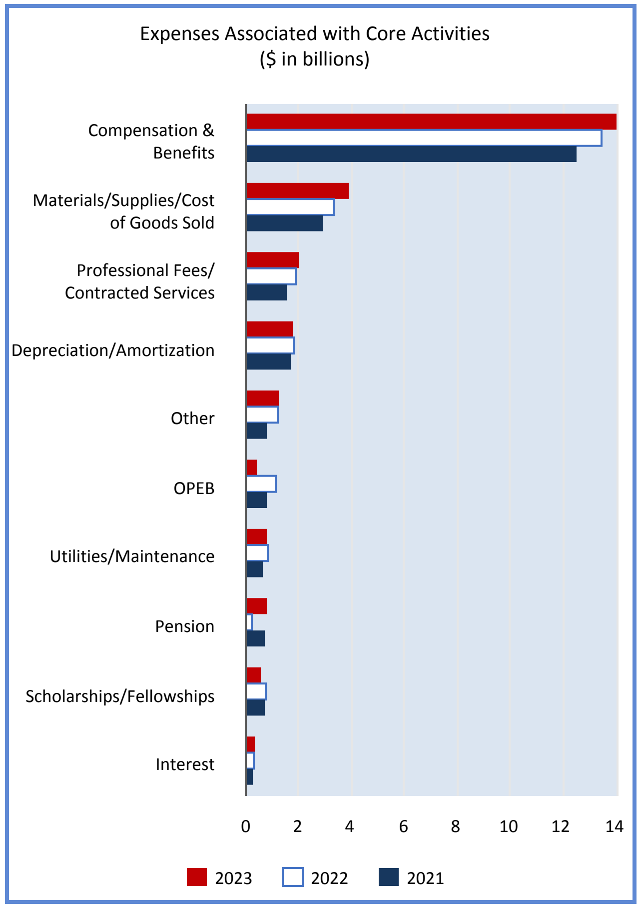
Net increase (decrease) in fair value of investments reported an increase of $0.5 billion in 2023, a decrease of $5.0 billion in 2022, and an increase of $8.9 billion in 2021. In 2023, there was an increase from 2022 of $5.5 billion primarily due to favorable market conditions.

Gifts

The System receives gift contributions for operations as well as nonoperating gifts and grants of capital and gifts that are held in perpetuity which are added to the System's endowment holdings. In 2023, gifts for operations totaled $684.0 million, an increase of $49.8 million or 7.9% over 2022. Capital gifts and grants and additions to permanent endowments totaled $347.4 million for 2023, a decrease of $215.7 million over 2022 primarily due to decreased gifts for capital acquisitions in 2023. The System continues its fundraising efforts to address facilities expansion and renovation, and the establishment of endowments for instruction, research, and patient care activities.

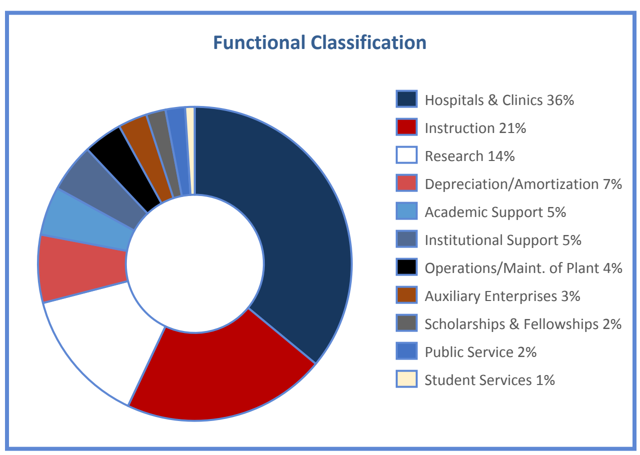
Expenses Supporting Core Activities

Expenses associated with the System's core activities, including interest expense classified as nonoperating, were $27.1 billion, $24.9 billion, and $23.0 billion in 2023, 2022, and 2021, respectively. The changes, by category, for the three years are depicted below:



Operating expenses increased by $2.1 billion in 2023 and increased by $1.9 billion in 2022 primarily due to the growing cost of providing support for the institution's primary missions of instruction, research, public service, patient care, and student support activities. Additionally, operating expenses in 2023 include $0.5 billion of OPEB expense and $795.6 million of pension expense. Nonoperating expenses include interest expense which increased slightly to $379.4 million in 2023.

The following charts illustrate the makeup of operating expenses by functional classification for the year ended August 31, 2023:



Income (Loss) Before Other Changes in Net Position

Income (Loss) before other changes in net position is the sum of the operating loss plus nonoperating revenues (expenses). It is an indication of recurring revenues and expenses for the System and does not take into account capital and endowment-related additions, discussed above, or transfers. The income (loss) before other changes in net position totaled $4.1 billion in 2023, an increase of $4.4 billion over 2022. This increase was largely a result of the increase in net investment income discussed above.

Net Transfers to Other State Agencies

Net transfers to other State agencies totaled $485.9 million in 2023, an increase of $39.6 million over 2022. These transfers primarily include $485.9 million and $446.3 million for 2023 and 2022, respectively, for the AUF distribution to TAMUS for its one-third share of distributions from the PUF endowment and PUF land surface income, in accordance with the *Texas Constitution*. In addition to the transfers of the current year earnings, the net change in PUF debt outstanding at TAMUS is reflected as a transfer to other State agencies. In 2022, the PUF debt at TAMUS increased $68.2 million, whereas in 2023 the debt increased $86.4 million contributing to the increase in net transfers to other State agencies in 2023.

2022 Highlights – Statement of Revenues, Expenses and Changes in Net Position

System's change in net position was a decrease of $0.2 billion in 2022 compared to an increase of $16.7 billion in 2021. The significant decrease in change in net position in 2022 was due to the fluctuating value of the fair value of investments. In 2022 there was a decrease in fair value of investments of $5.0 billion compared to an increase of $8.9 billion in 2021, a year over year decrease of $13.9 billion. The PUF accounted for $5.6 billion of this decrease in 2022.

The Statement of Cash Flows

The Statement of Cash Flows provides information about the System's financial results by reporting the major sources and uses of cash and cash equivalents during the fiscal year. Ending cash and cash equivalents were $6.5 billion, $5.5 billion, and $4.9 billion in 2023, 2022, and 2021, respectively. A summarized three-year comparison of the System's changes in cash and cash equivalents follows:

Condensed Statements of Cash Flows

($ in millions)

	2023	2022	2021
Net cash provided by (used for):			
Operating activities	$ (2,392.4)	(2,357.8)	(2,316.4)
Noncapital financing activities	3,637.6	3,750.6	3,882.8
Capital and related financing activities	(1,619.4)	(2,160.5)	(1,634.2)
Investing activities	1,390.0	1,355.5	992.0
Net increase (decrease) in cash and cash equivalents	1,015.8	587.8	924.2
Beginning cash and cash equivalents	5,508.8	4,921.0	3,996.8
Ending cash and cash equivalents	$ 6,524.6	5,508.8	4,921.0

In 2023, cash and cash equivalents increased $1,015.8 million.

Cash increases during 2023 were primarily due to (1) $3.6 billion provided by noncapital financing activities, which includes cash inflows related to state appropriations and nonexchange sponsored programs, offset by transfers to other agencies and (2) $1.4 billion of cash provided by investing activities, which includes cash inflows for interest and investment income.

Cash decreases during 2023 were primarily due to (1) $2.4 billion used by operating activities, which includes cash payments to employees and suppliers, partially offset by collection of cash related to tuition and fees, patient charges, and sponsored program activities and (2) $1.6 billion used by capital and related financing activities primarily for the purchase of capital assets and the net activity associated with issuing and retiring capital related debt.

ECONOMIC OUTLOOK

The mission of the System is to leverage scientific and academic insights and innovation, education and training and the delivery of clinical health care for the common good, in Texas and around the world. It is a mission that depends upon the System's ability to attract and support students from backgrounds with various goals and talents; to recruit and retain a broadly skilled and respected faculty of various viewpoints and expertise; to employ and appropriately recognize dedicated administrators and staff members; to build and maintain physical environments and facilities that enhance and complement these other goals; and to encourage ongoing public and private sector support of higher education, creating a virtuous cycle of investment and return for all of Texas.

In carrying out this mission, the System has a vast, deep and positive impact on society through the generation of a thoughtful, skilled and engaged citizenry and the dissemination of knowledge, ideas and inventions that influence public policy and society's shared economic success.

The System is one of the largest and most comprehensive institutions of higher education in the country, as well as one of the largest employers in Texas. The System's operating budget provides a wide range of services for Texans. Budgeted revenues of the System include both operating and nonoperating revenues. Budgeted revenues for 2024 increased 11.3% to $29.1 billion. The largest area of growth is net sales and services of hospitals and clinics. Budgeted expenses for 2024 increased 11.5% to $28.1 billion. The most significant area of growth is personnel costs which includes the cost of the benefits provided to its employees and retirees. The State provides certain health and life insurance benefits for retired employees in accordance with State statutes. In addition to OPEB, the System also receives a proportional share of the State's net pension liability, which is also guaranteed in State statute. These significant costs will continue to be a challenge to both the System and the state of Texas as a whole. The System continues to sustain the highest credit ratings of Fitch Ratings (AAA), Moody's Investors Service (Aaa) and Standard & Poor's Global Ratings (AAA). The System's ongoing efforts toward revenue diversification and cost containment will enable the System to achieve its goals and realize its mission.

Public support for this mission, and the resulting economic health of the System, is vital to our continued success. The U. T. System greatly appreciates the support of the Texas Legislature, which made historic investments in funding for public institutions and affordability during the 88th Regular Session, which will result in more than over $1 billion in new funding for System institutions in the 2024-2025 biennium. Legislative support for an affordability plan developed by the state's public university systems prior to the session resulted in $700 million included in the appropriations act that will allow UT institutions to keep tuition flat for the next two years.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED

AUGUST 31, 2023 AND 2022

THE UNIVERSITY OF TEXAS SYSTEM
CONSOLIDATED STATEMENTS OF NET POSITION — BUSINESS-TYPE ACTIVITIES
AUGUST 31, 2023 AND 2022

	2023	2022
ASSETS AND DEFERRED OUTFLOWS		
CURRENT ASSETS		
Cash and cash equivalents	$ 5,473,784,479	4,551,818,565
Restricted cash and cash equivalents	973,964,277	857,752,653
Balance in State appropriations	664,215,443	141,809,722
Accounts receivable, net:		
Federal (net of allowances of $3,957,160 and $3,910,665, respectively)	665,841,688	665,076,836
Other intergovernmental (net of allowances of $4,100,301 and $3,541,020, respectively)	298,835,897	274,813,104
Student (net of allowances of $55,300,637 and $52,792,914, respectively)	379,514,971	376,161,655
Patient and healthcare (net of allowances of $695,773,699 and $439,178,955, respectively)	1,486,945,600	1,369,175,589
Interest and dividends	101,155,887	81,983,222
Contributions (net of allowances of $4,097,475 and $1,820,620, respectively)	181,084,910	173,286,539
Investment trades	703,501,548	345,148,156
Other (net of allowances of $15,168,682 and $16,594,440, respectively)	883,400,303	751,444,363
Lease receivable	13,959,036	18,637,142
P3 receivable	3,237,578	4,202,465
Due from other agencies	112,433,174	131,237,557
Inventories	238,891,148	229,590,521
Restricted loans and contracts (net of allowances of $23,081,990 and $21,797,065, respectively)	41,343,207	41,067,421
Securities lending collateral	704,550,572	988,091,640
Other current assets	516,703,972	470,420,594
Total current assets	13,443,363,690	11,471,717,744
NONCURRENT ASSETS		
Cash and cash equivalents (noncurrent restricted)	76,865,502	99,203,976
Restricted investments	61,363,454,138	58,114,854,780
Deposit with brokers for derivative contracts	292,613,399	141,074,033
Restricted loans and contracts (net of allowances of $13,004,090 and $20,048,387, respectively)	29,510,591	34,259,142
Contributions receivable (net of allowances of $3,014,444 and $2,682,258, respectively)	377,070,059	433,198,505
Unrestricted investments	17,104,572,735	16,174,609,398
Hedging derivative asset	130,779,738	125,007,462
Lease receivable	215,032,962	230,438,676
P3 receivable	36,421,649	380,129,263
Other noncurrent assets	388,191,302	414,831,068
Gross capital/intangible assets	41,388,735,830	39,520,152,343
Less accumulated depreciation/amortization	(21,847,634,137)	(20,456,594,152)
Net capital assets	19,541,101,693	19,063,558,191
Total noncurrent assets	99,555,613,768	95,211,164,494
TOTAL ASSETS	112,998,977,458	106,682,882,238
Deferred outflows of resources	6,088,895,030	5,546,067,549
TOTAL ASSETS AND DEFERRED OUTFLOWS	$ 119,087,872,488	112,228,949,787

See accompanying notes to consolidated financial statements

(Continued)

	2023	2022
LIABILITIES AND DEFERRED INFLOWS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 1,714,244,380	1,639,769,344
Salaries payable	937,064,048	850,799,344
Investment trades payable	1,645,273,366	736,872,733
Incurred but not reported self-insurance claims	199,965,066	187,951,915
Total other postemployment benefits liability	208,395,911	243,697,144
Pension liabilities	72,533,114	—
Securities lending obligations	704,550,572	988,091,640
Due to other State agencies	258,790,763	153,619,664
Statewide interfund payable	65,215,901	58,042,824
Unearned revenue	2,202,202,631	1,982,271,942
Employees' compensable leave	523,251,766	445,635,293
Short-term debt	2,341,061,000	1,788,750,000
Notes, loans, and leases payable	384,724,163	173,827,855
Bonds payable	1,671,517,223	1,699,296,681
Other current liabilities	220,436,207	204,858,805
Total current liabilities	13,149,226,111	11,153,485,184
NONCURRENT LIABILITIES		
Incurred but not reported self-insurance claims	37,936,609	33,767,326
Employees' compensable leave	393,281,192	409,789,419
Assets held for others	145,578,487	135,662,470
Liability to beneficiaries	13,491,033	13,079,769
Total other postemployment benefits liability	7,881,338,444	14,451,897,162
Pension liabilities	6,485,446,939	3,346,763,840
Notes, loans and leases payable	787,359,337	1,351,805,344
Bonds payable	8,164,839,316	7,709,342,982
Statewide interfund payable	1,502,731,182	1,423,609,953
Hedging derivative liability	39,388,655	87,510,811
Payable to brokers for collateral held	204,889,560	223,503,673
Investment derivatives - liability positions	144,154,033	183,196,878
Asset retirement obligation	20,268,251	19,508,940
Other noncurrent liabilities	180,421,005	182,866,512
Total noncurrent liabilities	26,001,124,043	29,572,305,079
TOTAL LIABILITIES	39,150,350,154	40,725,790,263
Deferred inflows of resources	9,273,707,418	4,814,067,890
TOTAL LIABILITIES AND DEFERRED INFLOWS	$ 48,424,057,572	45,539,858,153
NET POSITION		
Net investment in capital assets	$ 6,963,671,907	6,570,970,880
Restricted:		
Nonexpendable	38,161,618,752	36,029,323,644
Expendable	21,353,034,539	21,145,744,390
Total restricted	59,514,653,291	57,175,068,034
Unrestricted	4,185,489,718	2,943,052,720
TOTAL NET POSITION	$ 70,663,814,916	66,689,091,634

See accompanying notes to consolidated financial statements (Concluded)

THE UNIVERSITY OF TEXAS SYSTEM
CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION — BUSINESS-TYPE ACTIVITIES
YEARS ENDED AUGUST 31, 2023 AND 2022

	2023	2022
OPERATING REVENUES		
Net student tuition and fees (net of discounts and allowances of $920,673,147 and $871,777,535, respectively)	$ 2,162,269,633	2,124,295,749
Sponsored programs	5,114,905,185	4,711,876,833
Net sales and services of educational activities (net of discounts and allowances of $363,083 and $77,302, respectively)	668,820,587	590,119,778
Net sales and services of hospitals (net of discounts and allowances of $14,613,104,666 and $12,876,923,014, respectively)	9,638,135,140	8,737,119,023
Net professional fees (net of discounts and allowances of $7,174,634,375 and $6,598,098,913, respectively)	2,577,503,943	2,354,663,591
Net auxiliary enterprises (net of discounts and allowances of $21,638,531 and $20,123,708, respectively)	723,247,145	645,955,901
Other	606,940,322	689,783,082
Total operating revenues	21,491,821,955	19,853,813,957
OPERATING EXPENSES		
Instruction	5,638,164,384	5,199,819,819
Research	3,640,738,442	3,194,183,886
Public service	511,503,631	429,348,663
Hospitals and clinics	9,676,906,898	8,744,934,586
Academic support	1,414,239,637	1,255,690,025
Student services	306,673,392	298,348,467
Institutional support	1,279,734,313	1,276,182,991
Operations and maintenance of plant	1,070,710,379	1,017,726,879
Scholarships and fellowships	535,517,010	655,962,518
Auxiliary enterprises	818,920,278	719,059,025
Depreciation and amortization	1,827,434,267	1,786,126,507
Total operating expenses	26,720,542,631	24,577,383,366
Operating loss	(5,228,720,676)	(4,723,569,409)
NONOPERATING REVENUES (EXPENSES)		
State appropriations	3,052,789,252	2,529,939,818
Nonexchange sponsored programs	621,739,519	958,497,034
Gift contributions for operations	684,013,267	634,248,452
Net investment income	5,223,373,475	602,130,522
Interest expense on capital asset financings	(379,417,070)	(338,180,900)
Gain (loss) on sale of capital assets	11,829,051	(14,276,880)
Other	127,629,171	51,133,270
Net nonoperating revenues	9,341,956,665	4,423,491,316
Income (loss) before other changes in net position	4,113,235,989	(300,078,093)
OTHER CHANGES IN NET POSITION		
Capital gifts and grants	91,953,165	265,383,743
Additions to permanent endowments	255,404,287	297,645,918
Net transfers to other State agencies	(491,344,254)	(439,263,990)
Legislative appropriations lapsed	5,474,096	(7,034,920)
Change in net position	3,974,723,283	(183,347,342)
NET POSITION		
Net position, beginning of year	66,689,091,633	66,872,438,976
Restatement	—	—
Net position, beginning of year (as restated)	66,689,091,633	66,872,438,976
Net position, end of year	$ 70,663,814,916	66,689,091,634

See accompanying notes to consolidated financial statements

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Proceeds from tuition and fees	$ 2,186,521,845	2,104,420,809
Proceeds from patients and customers	12,166,305,616	10,917,142,878
Proceeds from sponsored programs	5,135,503,295	4,718,184,684
Proceeds from auxiliaries	1,086,757,122	638,529,604
Proceeds from other revenues	1,214,105,473	1,242,747,015
Payments to suppliers	(8,867,196,287)	(8,153,067,866)
Payments to employees	(15,323,924,275)	(13,835,044,914)
Payments for loans provided	(74,703,244)	(66,946,084)
Proceeds from loan programs	84,196,551	76,275,350
Net cash used for operating activities	(2,392,433,904)	(2,357,758,524)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Proceeds from State appropriations	2,535,857,628	2,533,285,114
Proceeds from operating gifts	723,224,391	606,108,141
Proceeds from private gifts for endowment purposes	234,256,142	252,687,057
Proceeds from other noncapital financing activities	279,803,519	623,920,373
Receipts for transfers from other agencies	864,245,229	737,380,761
Payments for transfers to other agencies	(1,243,892,349)	(1,436,193,978)
Payments for other uses	(513,081,650)	(478,789,861)
Proceeds from nonexchange sponsored programs	757,207,336	912,221,027
Net cash provided by noncapital financing activities	3,637,620,246	3,750,618,634
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from issuance of capital debt	2,490,240,538	1,168,139,785
Payments of other costs on debt issuance	(5,928,851)	(2,818,969)
Proceeds from capital appropriations, grants and gifts	64,318,637	135,289,571
Proceeds from sale of capital assets	53,986,387	10,309,988
Payments for additions to capital assets	(1,685,940,404)	(1,843,867,656)
Payments of principal on capital related debt and other long-term obligations	(2,066,421,131)	(1,216,650,988)
Payments of interest on capital related debt and other long-term obligations	(469,704,889)	(410,898,328)
Net cash used for capital and related financing activities	(1,619,449,713)	(2,160,496,597)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	51,076,535,789	40,952,830,872
Proceeds from interest and investment income	2,820,206,156	3,109,959,169
Payments to acquire investments	(52,506,639,510)	(42,707,356,676)
Net cash provided by investing activities	1,390,102,435	1,355,433,365
Net increase in cash and cash equivalents	1,015,839,064	587,796,878
Cash and cash equivalents, beginning of year	5,508,775,194	4,920,978,316
Cash and cash equivalents, end of year	$ 6,524,614,258	5,508,775,194

See accompanying notes to consolidated financial statements

(Continued)

	2023	2022
Reconciliation of operating loss to net cash provided by (used for) operating activities:		
Operating loss	$ (5,228,720,676)	(4,723,569,409)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:		
Depreciation and amortization expense	1,827,434,267	1,786,126,507
Bad debt expense	519,888,573	510,724,894
Other postemployment benefits obligation expense	462,609,141	1,150,530,177
Pension expense	795,557,940	196,300,549
Changes in assets and liabilities:		
Accounts receivable	(973,734,899)	(786,540,416)
Lessor-related balances	(1,602,714)	(2,610,002)
P3 Related Balances	344,561,998.47	9,561,867
Inventories	(9,300,627)	(24,278,731)
Loans and contracts	9,499,354	9,341,378
Other current and noncurrent assets	(17,874,611)	(102,644,463)
Deferred outflows-other postemployment benefits	387,358,832	(1,469,676,692)
Deferred outflows-pension related	(983,743,005)	353,819,451
Accounts payable	355,733,608	215,096,547
Unearned revenue	213,149,901	69,030,025
Employees' compensable leave	61,108,247	35,614,998
Other postemployment benefits obligation	(7,068,469,092)	1,613,646,315
Pension related obligations	2,415,658,273	(2,681,321,506)
Asset retirement obligations	328,392	1,438,430
Deferred inflows-other postemployment benefits	6,485,154,252	(347,967,009)
Deferred inflows-pension related	(2,000,162,951)	1,832,923,932
Other current and noncurrent liabilities	13,131,894	(3,305,364)
Total adjustments	2,836,286,773	2,365,810,887
Net cash used for operating activities	$ (2,392,433,903)	(2,357,758,522)
Noncash transactions:		
Net increase (decrease) in fair value of investments	$ 479,219,230	(5,017,196,360)
Donated capital assets	41,182,030	78,065,085
Capital assets acquired/adjusted under lease purchases or direct borrowings	308,284,799	272,745,940
Miscellaneous noncash transactions	32,851,542	11,183,512
Capital Assets received from P3 arrangement	347,652,000	—

See accompanying notes to consolidated financial statements (Concluded)

THE UNIVERSITY OF TEXAS SYSTEM
CONSOLIDATED STATEMENTS OF FIDUCIARY NET POSITION
AUGUST 31, 2023 AND 2022

	2023			2022		
	Custodial Funds			Custodial Funds		
	External Investment Pool Fund	Custodial Funds, Other	Total Fiduciary Activities	External Investment Pool Fund	Custodial Funds, Other	Total Fiduciary Activities
ASSETS						
Cash and cash equivalents	$ —	1,928,948	1,928,948	—	1,888,492	1,888,492
Accounts receivable, net:						
Interest and dividends	220,472	—	220,472	217,355	—	217,355
Investment trades	2,964,301	—	2,964,301	1,505,074	—	1,505,074
Other	528,881	4,735	533,616	1,757,072	4,735	1,761,807
Total accounts receivable, net	3,713,654	4,735	3,718,389	3,479,501	4,735	3,484,236
Investments at fair value:						
Investment derivatives - asset positions	496,874	—	496,874	719,630	—	719,630
Other investments	293,885,919	—	293,885,919	285,878,283	—	285,878,283
Total investments	294,382,793	—	294,382,793	286,597,913	—	286,597,913
Securities lending collateral	3,234,769	—	3,234,769	4,333,856	—	4,333,856
Deposit with brokers for derivative contracts	1,156,668	—	1,156,668	622,586	—	622,586
Other assets	121,334	—	121,334	3,314	—	3,314
Total assets	302,609,218	1,933,683	304,542,901	295,037,170	1,893,227	296,930,397
LIABILITIES						
Accounts payable and accrued liabilities	295,079	46,705	341,784	312,171	23,031	335,202
Investment trades payables	6,859,987	—	6,859,987	2,987,464	—	2,987,464
Securities lending obligations	3,234,769	—	3,234,769	4,333,855	—	4,333,855
Investment derivatives - liability positions	576,154	—	576,154	726,153	—	726,153
Payable to brokers for collateral held	129,286	—	129,286	417,944	—	417,944
Total liabilities	11,095,275	46,705	11,141,980	8,777,587	23,031	8,800,618
NET POSITION						
Restricted for:						
Pool participants	291,513,943	—	291,513,943	286,259,583	—	286,259,583
Individuals, organizations, and other governments	—	1,886,978	1,886,978	—	1,870,196	1,870,196
TOTAL NET POSITION	$ 291,513,943	1,886,978	293,400,921	286,259,583	1,870,196	288,129,779

See accompanying notes to consolidated financial statements

THE UNIVERSITY OF TEXAS SYSTEM
CONSOLIDATED STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
YEARS ENDED AUGUST 31, 2023 AND 2022

	2023			2022		
	Custodial Funds			Custodial Funds		
	External Investment Pool Fund	Custodial Funds, Other	Total Fiduciary Activities	External Investment Pool Fund	Custodial Funds, Other	Total Fiduciary Activities
ADDITIONS						
Contributions:						
Contributions from student organizations	$ —	302,097	302,097	—	55,903	55,903
Contributions from foundations or associations	5,480,078	681,873	6,161,951	2,827,924	633,813	3,461,737
Contributions faculty/staff organizations	—	—	—	—	—	—
Contributions from participants	—	—	—	—	10,340	10,340
Other contributions	—	85,651	85,651	—	66,266	66,266
Total contributions	5,480,078	1,069,621	6,549,699	2,827,924	766,322	3,594,246
Investment earnings:						
Interest, dividends, and other	6,209,747	—	6,209,747	4,353,736	—	4,353,736
Realized gain (loss) on sale of investments	400,316	—	400,316	1,074,039	—	1,074,039
Net increase (decrease) in fair value of investments	(1,409,739)	—	(1,409,739)	(33,768,703)	—	(33,768,703)
Total investment earnings	5,200,324	—	5,200,324	(28,340,928)	—	(28,340,928)
Miscellaneous	—	131,995	131,995	—	138,294	138,294
Total additions	10,680,402	1,201,616	11,882,018	(25,513,004)	904,616	(24,608,388)
DEDUCTIONS						
Payments to student organizations	—	248,345	248,345	—	37,880	37,880
Payments to foundations or associations	5,426,043	62,795	5,488,838	4,542,672	119,466	4,662,138
Payments to faculty/staff organizations	—	1,432	1,432	—	605	605
Payments to participants	—	2,008	2,008	—	81,744	81,744
Other expenses	—	870,253	870,253	—	565,799	565,799
Total deductions	5,426,043	1,184,833	6,610,876	4,542,672	805,494	5,348,166
Net increase (decrease) in fiduciary net position	5,254,359	16,783	5,271,142	(30,055,676)	99,122	(29,956,554)
Beginning net position	286,259,584	1,870,196	288,129,779	316,315,259	1,771,074	318,086,333
Ending net position	$ 291,513,943	1,886,979	293,400,921	286,259,583	1,870,196	288,129,779

See accompanying notes to consolidated financial statements

1. The Financial Reporting Entity

The financial records of The University of Texas System (the System) reflect compliance with applicable State statutes and Governmental Accounting Standards Board (GASB) pronouncements. The System's financial records are reported as a business-type activity in the State of Texas' Annual Comprehensive Financial Report and the System's custodial fund financial records are reported as fiduciary funds in the State of Texas' Annual Comprehensive Financial Report. The significant accounting policies followed by the System in maintaining accounts and in the preparation of the consolidated financial statements are in accordance with the Texas Comptroller of Public Accounts' Annual Financial Reporting Requirements and with generally accepted accounting principles in the United States of America (GAAP).

The consolidated financial statements include The University of Texas System Administration and all institutions of the System. Amounts due between and among institutions, amounts held for institutions by The University of Texas System Administration and other duplications in reporting are eliminated in consolidating the financial statements.

The System is composed of thirteen institutions of higher education, as well as the System administrative offices. The thirteen institutions are as follows: The University of Texas at Arlington, The University of Texas at Austin, The University of Texas at Dallas, The University of Texas at El Paso, The University of Texas Permian Basin, The University of Texas Rio Grande Valley, The University of Texas at San Antonio, The University of Texas at Tyler (which includes two state agencies – The University of Texas at Tyler and The University of Texas Health Science Center at Tyler), The University of Texas Southwestern Medical Center, The University of Texas Medical Branch at Galveston, The University of Texas Health Science Center at Houston, The University of Texas Health Science Center at San Antonio, and The University of Texas M. D. Anderson Cancer Center. The System is governed by a ten-member Board of Regents (including one non-voting student member) appointed by the Governor.

BLENDED COMPONENT UNITS

The following component units are included in the consolidated financial statements because the System appoints a voting majority of the component units' boards and the System is able to impose its will on the component units. Blended component unit financial information is available upon request.

U. T. Southwestern Health Systems is governed by a three-member board appointed by the president of U. T. Southwestern Medical Center. U. T. Southwestern Health Systems provides support of health care services and grants to conduct research and provide educational programs to accomplish the mission of U. T. Southwestern Medical Center. The corporation is blended rather than discretely presented because it is organized as a not-for-profit corporation and U. T. Southwestern Medical Center is the sole corporate member. The corporation's fiscal year end is August 31. Separate financial statements may be obtained by contacting U. T. Southwestern Health Systems, 5323 Harry Hines Boulevard, Dallas, Texas 75390.

U. T. Southwestern Moncrief Cancer Center is governed by a four-member board appointed by the president of U. T. Southwestern Medical Center. U. T. Southwestern Moncrief Cancer Center provides resources for cancer prevention, early detection and support services to cancer patients and their families within Tarrant County and surrounding areas. The corporation is blended rather than discretely presented because it is organized as a not-for-profit corporation and U. T. Southwestern Medical Center is the sole corporate member. The corporation's fiscal year end is August 31. Separate financial statements may be obtained by contacting U. T. Southwestern Moncrief Cancer Center, 400 West Magnolia Avenue, Fort Worth, Texas 76104.

Moncrief Cancer Foundation is governed by a six-member board appointed by the president of U. T. Southwestern Medical Center. Moncrief Cancer Foundation supports comprehensive, multidisciplinary cancer treatment programs in Tarrant County and surrounding areas. The foundation is blended rather than discretely presented because it is organized as a not-for-profit foundation and U. T. Southwestern Medical Center is the sole corporate member. The foundation's fiscal year end is August 31. Separate financial statements may be obtained by contacting Moncrief Cancer Foundation, 5323 Harry Hines Blvd., Dallas, Texas 75390.

UTMB HealthCare Systems, Inc. is governed by an eight-member board appointed by U. T. Medical Branch - Galveston. UTMB HealthCare Systems, Inc. provides temporary staffing and leased property, and manages the Medicare Select insurance product in selected markets for U. T. Medical Branch - Galveston. The corporation is blended rather than discretely presented because it is organized as a not-for-profit corporation and U. T. Medical Branch – Galveston is the sole corporate member. The corporation's fiscal year end is August 31. Separate financial statements may be obtained by contacting UTMB HealthCare Systems, Inc., 301 University Boulevard, Galveston, Texas 77555.

The University Medical Branch Student Book Store, Inc. is governed by a five-member board appointed by U. T. Medical Branch - Galveston. The corporation is blended rather than discretely presented because it operates the book store for U. T. Medical Branch - Galveston and provides services entirely or almost entirely to U. T. Medical Branch - Galveston. The corporation's fiscal year end is August 31. Separate financial statements may be obtained by contacting The University Medical Branch Student Book Store, Inc., 301 University Boulevard, Galveston, Texas 77555.

Medical Branch Innovations, Inc. is governed by a three-member board appointed by U. T. Medical Branch – Galveston. The corporation is blended rather than discretely presented because it is organized as a not-for-profit corporation and U. T. Medical Branch – Galveston is the sole corporate member. The corporation's fiscal year end is August 31. Separate financial statements may be obtained by contacting Medical Branch Innovations, Inc., 301 University Boulevard, Galveston, Texas 77555.

U. T. Physicians is governed by a nine-member board appointed by its sole corporate member. The corporation is blended rather than discretely presented because it is organized as a not-for-profit corporation and Giuseppe N. Colasurdo, as President of U. T. Health Science Center - Houston, is the sole corporate member. The corporation's fiscal year end is August 31. Separate financial statements may be obtained by contacting U. T. Physicians, 7000 Fannin Street, Suite 860, Houston, Texas 77030.

University Physicians Group is governed by a five-member board. The Dean of the School of Medicine is the Chairman of the Board, and four board members are members of and elected by the physician practice plan board. The corporation is blended rather than discretely presented because it is organized as a not-for-profit corporation and U. T. Health Science Center - San Antonio is the sole corporate member. The corporation's fiscal year end is August 31. Separate financial statements may be obtained by contacting University Physicians Group, 8431 Fredericksburg Road, Suite 500, San Antonio, Texas 78229.

U. T. Health San Antonio Regional Physician Network is governed by a seven-member board. The Dean of the School of Medicine is the Chair of the Board of Directors. The corporation owns, operates, and manages an Accountable Care Organization in accordance with the requirements of the Medicare Shared Savings Program, as set forth in section 1899 of the Social Security Act and related regulations. The corporation is blended rather than discretely presented because it is organized as a not-for-profit corporation and U. T. Health Science Center - San Antonio is the sole corporate member. The corporation's fiscal year end is August 31. Separate financial statements may be obtained by contacting U. T. Health San Antonio Regional Physician Network, 8431 Fredericksburg Road, Suite 503, San Antonio, Texas 78229.

M. D. Anderson Physician's Network is governed by a nine-member board appointed by the president of M. D. Anderson. M. D. Anderson Physicians Network transfers programs representative of M. D. Anderson to the broad community. The corporation is blended rather than discretely presented because it is organized as a not-for-profit corporation and M. D. Anderson is the sole corporate member. The corporation's fiscal year end is August 31. Separate financial statements may be obtained by contacting M. D. Anderson Physician's Network, 1515 Holcomb Blvd., Unit 1670, Houston, TX 77030-4009.

M. D. Anderson Services Corporation is governed by a seven-member board appointed by the president of M. D. Anderson. M. D. Anderson Services Corporation serves as an instrument of M. D. Anderson in its efforts to achieve its mission beyond the M. D. Anderson main campus. The corporation is blended rather than discretely presented because it is organized as a not-for-profit corporation and M. D. Anderson is the sole corporate member. The corporation's fiscal year end is August 31. Separate financial statements may be obtained by contacting M. D. Anderson Services Corporation, 1515 Holcomb Blvd., Unit 1670, Houston, TX 77030-4009.

East Texas Quality Care Network, Inc. is governed by a four-member board appointed by U. T. Health Science Center - Tyler. The corporation is blended rather than discretely presented because it is organized as a not-for-profit corporation and U. T. Health Science Center - Tyler is the sole corporate member. The corporation's fiscal year end is August 31. Separate financial statements may be obtained by contacting East Texas Quality Care Network, Inc., 11937 US Highway 271, Tyler, Texas 75708-3154.

The University of Texas/Texas A&M Investment Management Company (UTIMCO) is governed by a nine-member board consisting of at least three members of the U. T. System Board of Regents, four members appointed by the U. T. System Board of Regents (one of whom may be the Chancellor of the System), and two members appointed by the Texas A&M System Board of Regents. At least three members appointed by the U. T. System Board of Regents and at least one member appointed by the Texas A&M System Board of Regents must have substantial background and expertise in investments. The corporation is blended rather than discretely presented because it provides investment management services entirely or almost entirely to the System. The corporation's fiscal year end is August 31. Separate financial statements may be obtained by contacting The University of Texas/Texas A&M Investment Management Company (UTIMCO), 210 West 7th Street, Suite 1700, Austin, Texas 78701.

The University of Texas Communication Foundation is governed by a three-member board appointed by U. T. Austin. The University of Texas Communication Foundation provides services to the U. T. Austin College of Communication to facilitate the participation by students, faculty and others in professional communication projects. The foundation is blended rather than discretely presented because it provides services entirely to U. T. Austin. The foundation's fiscal year end is August 31. Separate financial statements may be obtained by contacting The University of Texas Communication Foundation, U. T. Austin, P. O. Box 7322, Austin, Texas 78713.

The University of Texas at Austin – Mexico Institute, A.C., Centro de Ciencias de la Complejidad (Edificio C3), Planta Baja, Unidad Internacional de Sedes Universitarias, Circuito Cultural c/n, Zona Cultural, Ciudad Universitaria, Ciudad de México, México, CP. 04510, is governed by a four-member board appointed by U. T. Austin. The University of Texas at Austin – Mexico Institute, A.C. advances collaborative cross-disciplinary academic and scientific research partnerships in science, technology, engineering, and mathematics, and scholarly and cultural studies between The University of Texas at Austin and Mexico's academic institutions. The institute is blended rather than discretely presented because it is organized as a not-for-profit corporation and U. T. Austin is the sole corporate member. The Mexico Institute's fiscal year end is December 31. Separate financial statements may be obtained by contacting The University of Texas at Austin J. Pinon, Director of Institutional Relations – Mexico, 2275 Speedway, Austin, TX, 78712.

The Crow Museum of Asian Art - Foundation is governed by a board of five directors appointed by U. T. Dallas. The foundation is blended rather than discretely presented because it is organized as a not-for-profit corporation and U. T. Dallas is the sole corporate member. The foundation's fiscal year end is December 31. In fiscal year 2021, substantially all assets and operations of the foundation transferred to U. T. Dallas in accordance with a unanimous consent letter executed by the board of directors. Assets distributed to U. T. Dallas will be managed in accordance with the memorandum of understanding associated with the 2018 donation of the Crow Museum of Asian Art. The foundation will continue its corporate existence as deemed advisable by the board of directors.

Condensed financial statement information related to the System's blended component units for the year ended August 31, 2023 is as follows:

As of August 31, 2023	UT Southwestern Health Systems	UT Southwestern Moncrief Cancer Center	Moncrief Cancer Foundation	UTMB HealthCare Systems, Inc.	The University Medical Branch Student Book Store, Inc.
Condensed Statement of Net Position					
Current Assets	$ 2,357,970	5,407,990	828,935	22,752,805	740,195
Noncurrent Assets	7,442,775	31,620,298	91,552,701	21,644,699	1,641,209
Total Assets	9,800,745	37,028,288	92,381,636	44,397,504	2,381,404
Current Liabilities	—	9,064,197	1,462,473	4,683,999	70,981
Noncurrent Liabilities	—	—	—	255,322	—
Total Liabilities	—	9,064,197	1,462,473	4,939,321	70,981
Net Investment in Capital Assets	—	24,793,977	—	1,338,896	—
Restricted Nonexpendable	—	1,704,801	—	—	—
Restricted Expendable	—	—	90,919,163	—	—
Unrestricted	9,800,745	1,465,313	—	38,119,287	2,310,423
Total Net Position	$ 9,800,745	27,964,091	90,919,163	39,458,183	2,310,423
Condensed Statement of Revenues, Expenses and Changes in Net Position					
Operating Revenues	$ 45,661	8,778,368	25	99,546,414	972,066
Operating Expenses	(24,004)	(13,182,645)	(509,680)	(92,152,575)	(906,564)
Operating Income (Loss)	21,657	(4,404,277)	(509,655)	7,393,839	65,502
Nonoperating Revenues (Expenses)	2,406,197	3,556,408	6,145,765	1,234,555	71,502
Income (Loss) Before Other Changes in Net Position	2,427,854	(847,869)	5,636,110	8,628,394	137,004
Other Changes in Net Position	(2,743,000)	1,115,690	(3,384,310)	—	—
Change in Net Position	(315,146)	267,821	2,251,800	8,628,394	137,004
Net Position - August 31, 2022	—	—	88,667,363	30,829,789	2,173,419
Net Position - August 31, 2023	$ (315,146)	267,821	90,919,163	39,458,183	2,310,423
Condensed Statement of Cash Flows					
Net Cash provided by (used for):					
Operating Activities	$ (167,404)	1,311,183	3,492,178	2,161,864	53,097
Noncapital Financing Activities	—	—	(19,000,000)	—	—
Capital and Related Financing	—	—	—	—	—
Investing Activities	45,661	(324,326)	11,827,561	(583,369)	5,945
Net Increase (Decrease) in Cash and Cash Equivalents	(121,743)	986,857	(3,680,261)	1,578,495	59,042
Cash and Cash Equivalents - August 31, 2022	—	—	4,410,506	9,946,116	270,649
Cash and Cash Equivalents - August 31, 2023	$ (121,743)	986,857	730,245	11,524,611	329,691

(Continued)

As of August 31, 2023	Medical Branch Innovations, Inc.	U. T. Physicians	University Physicians Group	U. T. Health San Antonio Regional Physician Network	M. D. Anderson Physician's Network
Condensed Statement of Net Position					
Current Assets	$ 1,363,303	117,093,675	—	—	89,554,248
Noncurrent Assets	4,587,569	249,895,512	1,935,622	—	219,554,928
Total Assets	5,950,872	366,989,187	1,935,622	—	309,109,176
Current Liabilities	532,068	85,811,908	—	—	8,500,361
Noncurrent Liabilities	7,409,137	200,009,007	—	—	—
Total Liabilities	7,941,205	285,820,915	—	—	8,500,361
Net Investment in Capital Assets	—	39,741,361	—	—	704,035
Restricted Nonexpendable	—	—	—	—	—
Restricted Expendable	—	—	—	—	—
Unrestricted	(1,990,333)	41,426,912	1,935,622	—	299,904,780
Total Net Position	$ (1,990,333)	81,168,273	1,935,622	—	300,608,815
Condensed Statement of Revenues, Expenses and Changes in Net Position					
Operating Revenues	$ 560,952	119,303,470	—	—	45,852,423
Operating Expenses	(1,026,670)	(122,643,132)	—	(1,537,778)	(17,905,689)
Operating Income (Loss)	(465,718)	(3,339,662)	—	(1,537,778)	27,946,734
Nonoperating Revenues (Expenses)	221,418	5,255,345	—	—	11,995,439
Income (Loss) Before Other Changes in Net Position	(244,300)	1,915,683	—	(1,537,778)	39,942,173
Other Changes in Net Position	—	—	—	1,537,778	—
Change in Net Position	(244,300)	1,915,683	—	—	39,942,173
Net Position - August 31, 2022	(1,746,033)	79,252,590	1,935,622	—	260,666,642
Net Position - August 31, 2023	$ (1,990,333)	81,168,273	1,935,622	—	300,608,815
Condensed Statement of Cash Flows					
Net Cash provided by (used for):					
Operating Activities	$ (251,504)	7,069,906	—	—	26,419,670
Noncapital Financing Activities	—	—	—	—	—
Capital and Related Financing	—	(16,821,357)	—	—	(208,191)
Investing Activities	40,572	28,451,833	—	—	(4,315,529)
Net Increase (Decrease) in Cash and Cash Equivalents	(210,932)	18,700,382	—	—	21,895,950
Cash and Cash Equivalents - August 31, 2022	1,382,440	88,035,192	—	—	62,450,374
Cash and Cash Equivalents - August 31, 2023	$ 1,171,508	106,735,574	—	—	84,346,324

(Continued)

As of August 31, 2023	M. D. Anderson Services Corporation	East Texas Quality Care Network, Inc.	UTIMCO	The University of Texas Communication Foundation
Condensed Statement of Net Position				
Current Assets	$ 84,750,530	197,289	43,750,144	2,042
Noncurrent Assets	809,177,475	—	4,720,620	177,911
Total Assets	893,928,005	197,289	48,470,764	179,953
Current Liabilities	107,457,087	(230,090)	22,148,608	121,528
Noncurrent Liabilities	56,453,369	—	4,244,466	39,052
Total Liabilities	163,910,456	(230,090)	26,393,074	160,580
Net Investment in Capital Assets	24,679	—	224,226	—
Restricted Nonexpendable	50,000,000	—	—	—
Restricted Expendable	638,085,173	—	—	—
Unrestricted	41,907,697	427,379	21,853,464	19,373
Total Net Position	$ 730,017,549	427,379	22,077,690	19,373
Condensed Statement of Revenues, Expenses and Changes in Net Position				
Operating Revenues	$ 1,722,666	19,437	67,943,364	—
Operating Expenses	(1,465,614)	(26,068)	(60,906,770)	—
Operating Income (Loss)	257,052	(6,631)	7,036,594	—
Nonoperating Revenues (Expenses)	37,117,793	—	1,750,535	—
Income (Loss) Before Other Changes in Net Position	37,374,845	(6,631)	8,787,129	—
Other Changes in Net Position	—	—	—	—
Change in Net Position	37,374,845	(6,631)	8,787,129	—
Net Position - August 31, 2022	—	434,010	13,290,561	19,373
Net Position - August 31, 2023	$ 37,374,845	427,379	22,077,690	19,373
Condensed Statement of Cash Flows				
Net Cash provided by (used for):				
Operating Activities	$ 924,919	(200,973)	6,847,008	—
Noncapital Financing Activities	(28,051,423)	—	—	—
Capital and Related Financing	(4,633)	—	(1,357,280)	—
Investing Activities	30,926,795	—	2,141,957	—
Net Increase (Decrease) in Cash and Cash Equivalents	3,795,658	(200,973)	7,631,685	—
Cash and Cash Equivalents - August 31, 2022	—	472,913	34,166,841	2,042
Cash and Cash Equivalents - August 31, 2023	$ 3,795,658	271,940	41,798,526	2,042

(Concluded)

As of August 31, 2023	The University of Texas at Austin - Mexico Institute A.C.	The Crow Museum of Asian Art - Foundation	Combined Blended Component Unit Total
Condensed Statement of Net Position			
Current Assets	$ 20,070	45,872	368,865,068
Noncurrent Assets	—	—	1,443,951,319
Total Assets	20,070	45,872	1,812,816,387
Current Liabilities	—	—	239,623,120
Noncurrent Liabilities	—	—	268,410,353
Total Liabilities	—	—	508,033,473
Net Investment in Capital Assets	—	—	66,827,174
Restricted Nonexpendable	—	—	51,704,801
Restricted Expendable	—	—	729,004,336
Unrestricted	20,070	45,872	457,246,604
Total Net Position	$ 20,070	45,872	1,304,782,915
Condensed Statement of Revenues, Expenses and Changes in Net Position			
Operating Revenues	$ 150,468	—	344,895,314
Operating Expenses	(177,599)	(1,453)	(312,466,241)
Operating Income (Loss)	(27,131)	(1,453)	32,429,073
Nonoperating Revenues (Expenses)	—	—	69,754,957
Income (Loss) Before Other Changes in Net Position	(27,131)	(1,453)	102,184,030
Other Changes in Net Position	—	—	(3,473,842)
Change in Net Position	(27,131)	(1,453)	98,710,188
Net Position - August 31, 2022	47,201	47,325	475,617,862
Net Position - August 31, 2023	$ 20,070	45,872	574,328,050
Condensed Statement of Cash Flows			
Net Cash provided by (used for):			
Operating Activities	$ 35,812	(1,453)	47,694,303
Noncapital Financing Activities	—	—	(47,051,423)
Capital and Related Financing	—	—	(18,391,461)
Investing Activities	—	—	68,217,100
Net Increase (Decrease) in Cash and Cash Equivalents	35,812	(1,453)	50,468,519
Cash and Cash Equivalents - August 31, 2022	47,201	47,325	201,231,599
Cash and Cash Equivalents - August 31, 2023	$ 83,013	45,872	251,700,118

Condensed financial statement information related to the System's blended component units for the year ended August 31, 2022, with some financial statement information restated for GASB Statement No. 96, is as follows:

As of August 31, 2022	Southwestern Health Systems	Southwestern Moncrief Cancer Center	Moncrief Cancer Foundation	UTMB HealthCare Systems, Inc.	The University Medical Branch Student Book Store, Inc.
Condensed Statement of Net Position					
Current Assets	$ 10,115,891	4,567,576	4,492,583	13,185,168	650,423
Noncurrent Assets	—	33,308,379	105,752,943	20,974,634	1,573,544
Total Assets	10,115,891	37,875,955	110,245,526	34,159,802	2,223,967
Current Liabilities	—	10,179,685	21,578,163	3,231,312	50,548
Noncurrent Liabilities	—	—	—	98,701	—
Total Liabilities	—	10,179,685	21,578,163	3,330,013	50,548
Net Investment in Capital Assets	—	25,862,195	—	1,429,800	—
Restricted Nonexpendable	—	1,633,095	—	—	—
Restricted Expendable	—	—	88,667,363	—	—
Unrestricted	10,115,891	200,980	—	29,399,989	2,173,419
Total Net Position	$ 10,115,891	27,696,270	88,667,363	30,829,789	2,173,419
Condensed Statement of Revenues, Expenses and Changes in Net Position					
Operating Revenues	$ 2,841	6,736,381	429	92,717,894	827,124
Operating Expenses	(38,636)	(12,104,484)	(505,157)	(88,463,416)	(773,467)
Operating Income (Loss)	(35,795)	(5,368,103)	(504,728)	4,254,478	53,657
Nonoperating Revenues (Expenses)	2,128,039	3,467,418	(10,825,651)	(822,099)	(132,959)
Income (Loss) Before Other Changes in Net Position	2,092,244	(1,900,685)	(11,330,379)	3,432,379	(79,302)
Other Changes in Net Position	(2,800,000)	(593,368)	(3,593,368)	—	—
Change in Net Position	(707,756)	(2,494,053)	(14,923,747)	3,432,379	(79,302)
Net Position - August 31, 2021	10,823,647	30,190,323	103,591,110	27,397,410	2,252,721
Net Position - August 31, 2022	$ 10,115,891	27,696,270	88,667,363	30,829,789	2,173,419
Condensed Statement of Cash Flows					
Net Cash provided by (used for):					
Operating Activities	$ 295,853	(500,683)	4,126,209	2,455,709	(14,935)
Noncapital Financing Activities	—	—	—	—	—
Capital and Related Financing	—	—	—	—	—
Investing Activities	(323,009)	90,909	(859,369)	(601,134)	(3,851)
Net Increase (Decrease) in Cash and Cash Equivalents	(27,156)	(409,774)	3,266,840	1,854,575	(18,786)
Cash and Cash Equivalents - August 31, 2021	2,504,694	1,252,481	1,143,666	8,091,541	289,435
Cash and Cash Equivalents - August 31, 2022	$ 2,477,538	842,707	4,410,506	9,946,116	270,649

(Continued)

As of August 31, 2022		Medical Branch Innovations, Inc.	U. T. Physicians	University Physicians Group	U. T. Health San Antonio Regional Physician Network	M. D. Anderson Physician's Network
Condensed Statement of Net Position						
Current Assets	$	1,592,834	104,156,809	—	210	66,937,719
Noncurrent Assets		4,406,724	281,848,529	1,935,622	—	203,182,481
Total Assets		5,999,558	386,005,338	1,935,622	210	270,120,200
Current Liabilities		546,454	87,287,265	—	210	9,453,558
Noncurrent Liabilities		7,199,137	219,465,483	—	—	—
Total Liabilities		7,745,591	306,752,748	—	210	9,453,558
Net Investment in Capital Assets		—	31,865,541	—	—	642,556
Restricted Nonexpendable		—	—	—	—	—
Restricted Expendable		—	—	—	—	—
Unrestricted		(1,746,033)	47,387,049	1,935,622	—	260,024,086
Total Net Position	$	(1,746,033)	79,252,590	1,935,622	—	260,666,642
Condensed Statement of Revenues, Expenses and Changes in Net Position						
Operating Revenues	$	946,447	199,985,715	—	—	54,079,887
Operating Expenses		(1,641,058)	(179,951,056)	—	(1,757,801)	(23,663,421)
Operating Income (Loss)		(694,611)	20,034,659	—	(1,757,801)	30,416,466
Nonoperating Revenues (Expenses)		(351,259)	(8,292,622)	—	—	(16,777,997)
Income (Loss) Before Other Changes in Net Position		(1,045,870)	11,742,037	—	(1,757,801)	13,638,469
Other Changes in Net Position		—	—	—	1,757,801	—
Change in Net Position		(1,045,870)	11,742,037	—	—	13,638,469
Net Position - August 31, 2021		(700,163)	67,510,553	1,935,622	—	247,028,173
Net Position - August 31, 2022	$	(1,746,033)	79,252,590	1,935,622	—	260,666,642
Condensed Statement of Cash Flows						
Net Cash provided by (used for):						
Operating Activities	$	(471,618)	37,495,780	—	—	20,349,914
Noncapital Financing Activities		—	—	—	—	—
Capital and Related Financing		—	(18,613,254)	—	—	(172,642)
Investing Activities		4,380	599,936	—	—	(14,386,024)
Net Increase (Decrease) in Cash and Cash Equivalents		(467,238)	19,482,462	—	—	5,791,248
Cash and Cash Equivalents - August 31, 2021		1,849,678	68,552,730	—	—	56,659,126
Cash and Cash Equivalents - August 31, 2022	$	1,382,440	88,035,192	—	—	62,450,374

(Continued)

As of August 31, 2022	M. D. Anderson Services Corp	East Texas Quality Care Network, Inc.	UTIMCO	The University of Texas Communication Foundation
Condensed Statement of Net Position				
Current Assets	$ 80,211,672	448,728	35,450,191	2,042
Noncurrent Assets	803,523,651	—	4,593,078	177,911
Total Assets	883,735,323	448,728	40,043,269	179,953
Current Liabilities	100,258,091	14,718	20,144,469	121,528
Noncurrent Liabilities	90,834,528	—	6,608,239	39,052
Total Liabilities	191,092,619	14,718	26,752,708	160,580
Net Investment in Capital Assets	20,387	—	203,428	—
Restricted Nonexpendable	50,000,000	—		—
Restricted Expendable	603,195,087	—		—
Unrestricted	39,427,230	434,010	13,087,133	19,373
Total Net Position	$ 692,642,704	434,010	13,290,561	19,373
Condensed Statement of Revenues, Expenses and Changes in Net Position				
Operating Revenues	$ 1,365,571	37,469	60,648,574	2,000
Operating Expenses	(746,921)	(17,411)	(58,283,634)	(801)
Operating Income (Loss)	618,650	20,058	2,364,940	1,199
Nonoperating Revenues (Expenses)	(51,910,767)	—	198,951	—
Income (Loss) Before Other Changes in Net Position	(51,292,117)	20,058	2,563,891	1,199
Other Changes in Net Position	—	—	(6,000,000)	—
Change in Net Position	(51,292,117)	20,058	(3,436,109)	1,199
Net Position - August 31, 2021	743,934,821	413,952	16,726,670	18,174
Net Position - August 31, 2022	$ 692,642,704	434,010	13,290,561	19,373
Condensed Statement of Cash Flows				
Net Cash provided by (used for):				
Operating Activities	$ (2,041,805)	69,344	4,506,494	1,831
Noncapital Financing Activities	(34,753,876)	—	(6,000,000)	—
Capital and Related Financing	—	—	(919,306)	—
Investing Activities	37,758,714	—	203,209	—
Net Increase (Decrease) in Cash and Cash Equivalents	963,033	69,344	(2,209,603)	1,831
Cash and Cash Equivalents - August 31, 2021	78,663,646	403,569	36,376,444	211
Cash and Cash Equivalents - August 31, 2022	$ 79,626,679	472,913	34,166,841	2,042

(Concluded)

As of August 31, 2022	Centro Global de Innovacion y Emprendimiento A.C.	The University of Texas at Austin - Mexico Institute A.C.	The Crow Museum of Asian Art - Foundation	Combined Blended Component Unit Total
Condensed Statement of Net Position				
Current Assets	$ —	47,201	47,325	321,906,372
Noncurrent Assets	—	—	—	1,461,277,496
Total Assets	—	47,201	47,325	1,783,183,868
Current Liabilities	—	—	—	252,866,001
Noncurrent Liabilities	—	—	—	324,245,140
Total Liabilities	—	—	—	577,111,141
Net Investment in Capital Assets	—	—	—	60,023,907
Restricted Nonexpendable	—	—	—	51,633,095
Restricted Expendable	—	—	—	691,862,450
Unrestricted	—	47,201	47,325	402,553,275
Total Net Position	$ —	47,201	47,325	1,206,072,727
Condensed Statement of Revenues, Expenses and Changes in Net Position				
Operating Revenues	$ —	67,492	—	417,417,824
Operating Expenses	(41,430)	(29,065)	(81,923)	(368,099,681)
Operating Income (Loss)	(41,430)	38,427	(81,923)	49,318,143
Nonoperating Revenues (Expenses)	—	—	(634)	(83,319,580)
Income (Loss) Before Other Changes in Net Position	(41,430)	38,427	(82,557)	(34,001,437)
Other Changes in Net Position	—	—	85,000	(11,143,935)
Change in Net Position	(41,430)	38,427	2,443	(45,145,372)
Net Position - August 31, 2021	41,430	8,774	44,882	1,251,218,099
Net Position - August 31, 2022	$ —	47,201	47,325	1,206,072,727
Condensed Statement of Cash Flows				
Net Cash provided by (used for):				
Operating Activities	$ —	38,427	(663,715)	65,646,805
Noncapital Financing Activities	—	—	85,000	(40,668,876)
Capital and Related Financing	—	—	580,527	(19,124,675)
Investing Activities	—	—	64	22,483,825
Net Increase (Decrease) in Cash and Cash Equivalents	—	38,427	1,876	28,337,079
Cash and Cash Equivalents - August 31, 2021	—	8,774	45,449	255,841,444
Cash and Cash Equivalents - August 31, 2022	$ —	47,201	47,325	284,178,523

ASSETS HELD BY AFFILIATED ORGANIZATIONS

GASB authoritative guidance provides criteria for determining whether certain organizations should be reported as component units based on the nature and significance of their relationship to the System. This guidance states that a legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met:

1. The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents.
2. The primary government is entitled to or has the ability to otherwise access a majority of the economic resources received or held by the separate organization.
3. The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

The System has defined significance as 5% of System’s net position. As of August 31, 2023, none of the System’s potential component units individually meet the 5% of System’s net position criteria for inclusion in the System’s financial statements. Based upon the most recent available information, the combined net position of these potential component units reported by the organizations total $3,967,673,833 at August 31, 2023 and $3,379,730,061 at August 31, 2022.

2. Related Parties

Through the normal course of operations, the System both receives funds from and provides funds to other State agencies in support of sponsored research programs. Funds received and provided during the year ended August 31, 2023, related to pass-through grants were $609,197,382 and $14,032,008, respectively. Funds received and provided during the year ended August 31, 2022, related to pass-through grants were $533,765,956 and $20,760,320, respectively.

Other related-party transactions identified in the financial statements include Due From/To Other State Agencies, State Appropriations, Capital Appropriations and Transfers From/To Other State Agencies.

3. Joint Ventures

The University of Texas Southwestern Medical Center (UTSW) and Texas Health Resources (THR) are participating members of Southwestern Health Resources (SWHR) entities, including SWHR, SWHR Clinically Integrated Network (CIN), and SWHR Joint Operating Company (JOC). This integrated regional health network offers key advantages for patients in North Texas including a broad, integrated continuum of physician-driven care utilizing UTSW’s network of faculty and community-based physicians, THR’s employed physicians, and independent physicians affiliated with both organizations; and an integrated hospital network consisting of UTSW’s two university hospitals and THR’s wholly-controlled and joint-ventured community hospitals. UTSW’s equity interest in SWHR, SWHR CIN, and SWHR JOC at August 31, 2023 and 2022 was $861,990 and $61,751,430, respectively, or approximately 50%.

UTSW is a participating member of Texas Health Hospital Frisco (THHF). THHF is a joint venture entered into by UTSW and THR on August 27, 2018 whose purpose is to provide superior medical care to the residents of Collin County and other surrounding areas. UTSW’s equity interest in THHF at August 31, 2023 and 2022 was $126,720,765 and $117,814,831, respectively, or 50%.

UTSW is a participating member of Pediatric Health Management Services. Pediatric Health Management Services is a non-profit corporate entity that was formed by UTSW and Children’s Health System of Texas on October 1, 2019 for the purpose of developing a joint pediatric enterprise. UTSW’s equity interest in Pediatric Health Management Services at August 31, 2023 and 2022 was $27,281,015 and $4,389,470, respectively, or 50%. UTSW is committed to providing funding of up to $75,000,000 per a development agreement dated May 11, 2022.

U. T. Southwestern Health Systems (UTSHS), a blended component unit of UTSW, is a participating member of U. T. Southwestern DVA Healthcare, LLP (DVA). DVA is a joint venture between UTSHS and DaVita Inc. to provide care for dialysis patients in the Dallas-Fort Worth area. UTSHS's equity interest in DVA at August 31, 2023 and 2022 was $6,234,205 and $6,614,563, respectively, or 49%. Separate financial statements for DaVita may be obtained at DaVita Inc., 601 Hawaii Street, El Segundo, California 90245.

UTSHS is a participating member of Crowder Dialysis, LLC (Crowder). Crowder is a joint venture between UTSHS, Crowder, and Renal Treatment Centers-Southeast, LP, formed for the purpose of developing, establishing, owning or leasing, and operating one or more licensed outpatient dialysis and renal care service centers and for the purpose of doing such other things as are necessary, convenient, desirable or incidental to the foregoing, and for such other purposes as may be agreed upon from time to time. UTSHS's equity interest in Crowder at August 31, 2023 and 2022 was $1,208,570 and $1,017,704, respectively or 49%. Separate financial statements for Crowder may be obtained at c/o DaVita Inc., 2000 16th Street, Denver, Colorado, 80202.

U. T. Health Science Center - Houston’s blended component unit, U. T. Physicians, is a participating member of Physician’s Dialysis of Houston. Physician’s Dialysis of Houston is a joint venture entered into by U. T. Physicians and DaVita, Inc. U. T. Physicians’ equity interest in Physician’s Dialysis of Houston at August 31, 2023 and 2022 was $562,976 and $713,564, respectively, or 35.6%. Separate financial statements for Physician’s Dialysis of Houston may be obtained at Physician’s Dialysis of Houston, Attention: D. Gieser, JV Accounting, 32275 32nd Ave South, Federal Way, Washington 98001.

U. T. Health Science Center - Houston’s blended component unit, U. T. Physicians, is a participating member of TMC Holding Company, L.L.C. (TMC Holding). TMC Holding is a Limited Liability Corporation entered into by U. T. Physicians, Baylor College of Medicine and Memorial Hermann/USP Surgery Centers III, L.L.P. U. T. Physicians’ equity interest in TMC Holding at August 31, 2023 and 2022 was $181,656 and $180,271, respectively, or 18.1%. Separate financial statements for TMC Holding may be obtained by contacting S. Rossmann, 750 Town and Country Boulevard, Suite 920, Houston, Texas 77024.

U. T. Health Science Center - Houston’s blended component unit, U. T. Physicians, is a participating member of Bluesky MOB, L.L.P. Bluesky MOB, L.L.P. is a Limited Liability Partnership of which U. T. Physicians purchased an 18.7% interest in for $380,755 on August 1, 2012. U. T. Physicians’ equity interest in Bluesky MOB, LLP at August 31, 2023 and 2022 was $380,755, or 18.7%. Separate financial statements for Bluesky MOB, L.L.P. may be obtained at Moore, Reichl, & Baker, P.C., c/o C. Presley, CPA, 11200 Westheimer Suite 410, Houston, Texas, 77042.

U. T. Health Science Center - Houston and M. D. Anderson are participating members of the Texas Medical Center Central Heating and Cooling Services Cooperative Association (TECO). TECO was incorporated on October 2, 1975, for the purpose of operating a central heating and cooling services facility on a cooperative basis solely for the benefit of eligible institutions. On June 1, 2003, TECO transferred substantially all of its assets and operation to TECO Corporation, and TECO Corporation assumed the liabilities and obligations of TECO. TECO still renders services to member and non-member patrons at cost. Savings or margins are refunded to the member and non-member patrons on a patronage basis in the form of cash or equity by TECO. In fiscal year 2016, U. T. Health Science Center – Houston purchased the Jessie Jones Library and obtained additional patronage equity in TECO in the amount of $301,800 via the Houston Academy of Medicine’s shares of TECO equity. In fiscal year 2022, U. T. Health Science Center – Houston obtained additional patronage equity in TECO in the amount of $153,252 related to the School of Biomedical Informatics addition via the Houston Academy of Medicine’s shares of TECO equity. U. T. Health Science Center - Houston’s equity interest in TECO at August 31, 2023 and 2022 was $20,790,009 and $19,857,229, respectively, or 10.1% and 10.2%, respectively. M. D. Anderson’s equity interest in TECO at August 31, 2023 and 2022 was $68,223,067 and $65,034,537, respectively, or 33.5% and 33.9%, respectively. Separate financial statements for TECO may be obtained at Thermal Energy Corporation, 1615 Braeswood Boulevard, Houston, Texas 77030.

M. D. Anderson is a participating member of the Texas Medical Center Hospital Laundry Cooperative Association (the Association). The Association was established on April 30, 1971, for the purpose of acquiring, owning, and operating a laundry system on a cooperative basis solely for the benefit of members of the Association. Net earnings of the Association may be refunded to the members on a patronage basis or retained by the Association as equity allocated to the members. M. D. Anderson’s equity interest in the Association at August 31, 2023 and 2022 was $6,433,549 and $6,519,135, respectively, or 40%. Separate financial statements for the Association may be obtained at 9424 Fannin Street, Building C, Houston, Texas 77045.

M. D. Anderson is a participating member of P.E.T. Net Houston, LLC (PETNet). PETNet is a joint venture entered into by M. D. Anderson and P.E.T. Pharmaceuticals, Inc. to lease and operate a facility located on M. D. Anderson’s campus to produce positron radiopharmaceuticals and isotopes. Construction of the facility commenced in 2003. M. D. Anderson’s equity interest in PETNet at August 31, 2023 and 2022 was $5,202,367 and $4,766,112, respectively, or 49%. Separate financial statements for PETNet may be obtained at Siemens Medical Solutions USA, Inc., 51 Valley Stream Parkway, Malvern, Pennsylvania 19355.

M. D. Anderson, National Resilience, Inc. a Delaware corporation (Resilience), and Resilience Texas, LLC, a Delaware limited liability company entered into a new joint venture on October 21, 2021 to form Cell Therapy Manufacturing Center (CTMC). The entity was formed for the purpose of engaging in a strategic manufacturing relationship for gene and cell therapy cGMP manufacturing at the Resilience Texas, LLC facility for all phases of clinical development and for commercial supply. M. D. Anderson's participation in such strategic manufacturing relationship for gene and cell therapy cGMP manufacturing will support and advance its mission by facilitating and funding the development and commercialization of new products and technologies for the diagnosis, teaching, study, prevention, and treatment of cancer. The Board of Regents of the University of Texas System, on behalf of M. D. Anderson's engagement in the joint venture, support the public mission of and serve public purposes appropriate to the function of M. D. Anderson. As of August 31, 2023 and 2022, M. D. Anderson's equity interest in CTMC was $20,516,472 and $23,739,656, respectively, or 50%. Separate financial statements for Resilience Texas, LLC dba CTMC may be obtained at 2130 W Holcombe Blvd. Houston TX, 77030.

On March 1, 2018, U. T. Health Science Center – Tyler (UTHSC – Tyler) entered into a joint venture with AHS East Texas Health System, LLC, to form East Texas Health System, LLC, a Texas Limited Liability Company. The resulting health system, known as U. T. Health East Texas, is designed to expand medical education, research and community health in Northeast Texas. U. T. Health Science Center – Tyler's hospital and physician clinic operations are participants in the ten-hospital system, designed to advance the achievement of UTHSC – Tyler's mission through financial and clinical alignment and integration and to improve the delivery of cost effective, quality health care services in the Northeast Texas region. UTHSC – Tyler's equity interest in U. T. Health East Texas at August 31, 2023 and 2022 was $24,681,700 and $18,709,700, respectively, or approximately 30%.

In March 2016, U. T. Austin entered into a joint venture with Ascension Seton and Central Health to form Capital City Innovation (CCI), a nonprofit organization. CCI was created to provide a vision, focused strategic direction, advocacy for, and synergistic coordination of expertise, culture, uses and development to support the creation, growth and sustainability of an Innovation Zone in Austin, Texas. U. T. Austin's equity interest in CCI at August 31, 2023 and 2022 was $350,000, or 23.7%.

4. Summary of Significant Accounting Policies

BASIS OF ACCOUNTING

The proprietary financial statements of the System have been prepared using the economic resources measurement focus and the accrual basis of accounting and reports as a business type activity, as defined by GASB. Business type activities (enterprise funds) are those that are financed in whole or in part by fees charged to external parties for goods or services. The System's fiduciary funds account for assets held in a custodial capacity and are accounted for on the accrual basis of accounting in accordance with GASB Statement No. 84, *Fiduciary Activities*. All financial statements of the System have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the GASB.

GASB STATEMENTS IMPLEMENTED IN FISCAL YEAR 2022

The requirements of GASB Statement No. 87, *Leases*, were effective in 2022. This statement established a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. Limited exceptions to the single approach guidance are provided for short-term leases, defined as lasting a maximum of twelve months at inception, including any options to extend, financed purchases, leases of assets that are investments and certain regulated leases. The application of the statement had an effect on the System's net position and change in net position.

Other than the portion of this statement implemented in 2020, the requirements of the remainder of GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans,* were effective in 2022. The requirements of this statement implemented in 2022 related to the accounting and financial reporting for Section 457 plans. The application of the statement had an effect on the System's net position and change in net position.

Other than the portions of this statement implemented in 2021, the requirements of the remainder of GASB Statement No. 93, *Replacement of Interbank Offered Rates*, were effective beginning 2022 or later depending on when LIBOR is no longer available. This statement preserves consistency and comparability of reporting hedging derivative instruments and leases after agreements are amended to replace LIBOR. The application of this portion of the statement had no effect on the System's net position or changes in net position.

The requirements of GASB Statement No. 98, *The Annual Comprehensive Financial Report*, were effective in 2022, establishes the term annual comprehensive financial report and its acronym ACFR. The implementation of Statement 98 has no effect on the System.

For GASB Statement No. 99, *Omnibus 2022*, the following portions of the statement were effective in 2022: the requirements related to extension of the use of LIBOR, accounting for the Supplemental Nutrition Assistance Program (SNAP) distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63. The application of these portions of the statement had no effect on the System's net position or changes in net position.

GASB STATEMENTS IMPLEMENTED IN FISCAL YEAR 2023

GASB Statement No. 91, *Conduit Debt Obligations*, effective 2023, provides a single method of reporting conduit debt obligations. The application of the statement had no effect on the System's net position or changes in net position.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships (PPPs) and Availability Payment Arrangements*, effective 2023, improves financial reporting by addressing issues related to public-private and public-public partnership arrangements and provides guidance for availability payment arrangements. Changes adopted to conform to the provisions of this Statement were applied retroactively by restating the financial statements for the earliest period presented, August 31, 2022, and related disclosures in Notes 20, 21, and 23.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*, is effective 2023. This Statement defines a SBITA; establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and requires note disclosures regarding a SBITA. Changes adopted to conform to the provisions of this Statement were applied retroactively by restating the financial statements for the earliest period presented, August 31, 2022, and related disclosures in Notes 1, 9, 11, 12, 20, and 21.

Other than the portion of this statement implemented in 2022, the remainder of GASB Statement No. 99, *Omnibus 2022*, is effective in 2023 and 2024. The requirements related to leases, PPPs, and SBITAs are effective 2023. The application of this portion of the statement had no effect on the System's net position or changes in net position.

The effect of the implementation of GASB Statement No. 94 and 96 on the System's financial statements for the year ended August 31, 2022 was as follows:

	As Reported in Fiscal Year 2022	GASB Statement No. 94 Restatement	GASB Statement No. 96 Restatement	Restated Fiscal Year 2022
Assets and Deferred Outflows				
Total Current Assets	$ 11,474,182,132	4,202,465	(6,666,853)	11,471,717,744
Total Noncurrent Assets	94,709,746,366	387,175,087	114,243,041	95,211,164,494
Total Assets	106,183,928,498	391,377,552	107,576,188	106,682,882,238
Total Deferred Outflows of Resources	5,546,067,549	—	—	5,546,067,549
Total Assets and Deferred Outflows	$ 111,729,996,047	391,377,552	107,576,188	112,228,949,787
Liabilities and Deferred Inflows				
Total Current Liabilities	$ 11,120,163,187	(8,353,452)	41,675,449	11,153,485,184
Total Noncurrent Liabilities	29,519,166,256	—	53,138,823	29,572,305,079
Total Liabilities	40,639,329,443	(8,353,452)	94,814,272	40,725,790,263
Total Deferred Inflows of Resources	4,420,174,296	393,893,594	—	4,814,067,890
Total Liabilities and Deferred Inflows	$ 45,059,503,739	385,540,142	94,814,272	45,539,858,153
Net Position				
Net Investment in Capital Assets	$ 6,543,836,872	7,045,825	20,088,183	6,570,970,880
Restricted:				
Nonexpendable	36,029,323,644	—	—	36,029,323,644
Expendable	21,146,284,170	—	(539,780)	21,145,744,390
Unrestricted	2,951,047,622	(1,208,415)	(6,786,487)	2,943,052,720
Total Net Position	$ 66,670,492,308	5,837,410	12,761,916	66,689,091,634

	As Reported in Fiscal Year 2022	GASB Statement No. 94 Restatement	GASB Statement No. 96 Restatement	Restated Fiscal Year 2022
Total Operating Revenues	$ 19,847,504,034	6,309,923	—	19,853,813,957
Total Operating Expenses	24,589,880,632	647,452	(13,144,718)	24,577,383,366
Operating Income (Loss)	(4,742,376,598)	5,662,471	13,144,718	(4,723,569,409)
Net Nonoperating Revenues (Expenses)	4,423,699,179	174,938	(382,801)	4,423,491,316
Income (Loss) Before Other Changes	(318,677,419)	5,837,409	12,761,917	(300,078,093)
Other Changes	116,730,751	—	—	116,730,751
Change in Net Position	(201,946,668)	5,837,409	12,761,917	(183,347,342)
Beginning Net Position	66,872,438,976	—	—	66,872,438,976
Ending Net Position	$ 66,670,492,308	5,837,409	12,761,917	66,689,091,634

	As Reported in Fiscal Year 2022	GASB Statement No. 94 Restatement	GASB Statement No. 96 Restatement	Restated Fiscal Year 2022
Cash Flows from Operating Activities	$ (2,426,019,082)	7,518,338	60,742,220	(2,357,758,524)
Cash Flows from Noncapital Financing Activities	3,750,618,633	—	1	3,750,618,634
Cash Flows from Capital and Related Financing Activities	(2,092,061,101)	(7,693,276)	(60,742,220)	(2,160,496,597)
Cash Flows from Investing Activities	1,355,258,428	174,938	(1)	1,355,433,365
Net Increase (Decrease) in Cash	587,796,878	—	—	587,796,878
Beginning Cash and Cash Equivalents	4,920,978,316	—	—	4,920,978,316
Ending Cash and Cash Equivalents	$ 5,508,775,194	—	—	5,508,775,194

CASH AND CASH EQUIVALENTS

Short-term, highly liquid investments with maturities of three months or less when purchased are generally considered cash and cash equivalents. It is the System's policy to exclude items that meet this definition if they are part of an investment pool, which has an investment horizon of one year or greater. Therefore, highly liquid investments that are part of the Permanent University Fund (PUF), General Endowment Fund (GEF) and Intermediate Term Fund (ITF) are not considered cash and cash equivalents. Additionally, endowments invested in money market accounts are also excluded from Cash and Cash Equivalents as the intent is to invest these funds for more than one year. Cash held in the State treasury for the PUF, the Permanent Health Fund (PHF) and the Available University Fund (AUF) are considered cash and cash equivalents. Other highly liquid investments of these major funds which are held in pooled funds and invested with custodians are not considered cash and cash equivalents according to the investment policies of the System. Restricted cash and cash equivalents include cash held in the State treasury for the PUF and PHF and restricted sources of funds used for construction of capital assets as well as funds held for debt service. The System holds bond proceeds in restricted investments to be disbursed to the institutions to support capital projects on a cost reimbursable basis.

BALANCE IN STATE APPROPRIATIONS

This item represents the balance of General Revenue funds at August 31 as calculated in the Texas State Comptroller's General Revenue Reconciliation.

DERIVATIVE FINANCIAL INSTRUMENTS

Derivative instruments are recorded at fair value. The fair value of derivative instruments is recorded as either an investment, an investment derivative liability, a hedging derivative asset or a hedging derivative liability on the statement of net position. The valuation of investment derivative instruments is discussed in the Investments disclosure below. The System has calculated the fair value of the interest rate swaps using a forecast of expected discounted future net cash flows and considered the nonperformance risk of the parties.

The System has entered into interest rate swap agreements with various counterparties, all of which are highly rated financial institutions, to manage various risks associated with the System's debt programs. Each of the System's interest rate swaps is a contractual agreement entered into between the System and a counterparty under which each party agrees to exchange periodic fixed or variable payments, based upon a stated notional amount, over the stated life of the agreement. The net differential paid or received is recognized over the life of the agreement as an adjustment to interest expense.

Interest rate swaps determined to be hedging derivative instruments are designated as cash flow hedges. Hedging derivative instrument assets and hedging derivative instrument liabilities are recorded on the System's statement of net position. Under hedge accounting, for derivative instruments that are determined to be effective, changes in the fair value of hedging derivative instruments are considered to be deferred inflows (for hedging derivative instruments with positive fair values) or deferred outflows (for hedging derivative instruments with negative fair values).

Changes in the fair value of derivative instruments that are not effective are recorded as investment income in the statement of revenues, expenses and changes in net position.

INVESTMENTS

The majority of the investments of the System, except for PUF lands, are managed by UTIMCO, a private investment corporation that provides services to the System and its related foundations. All investments are reported as noncurrent as these funds have an investment horizon extending beyond one year. Restricted investments include investments restricted by legal or contractual requirements, including those related to donors and constitutional restrictions.

The audited financial statements of the funds managed by UTIMCO may be found on UTIMCO's website and inquiries may be directed to UTIMCO.

Investments are reported at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between two market participants at the measurement date.

The System is authorized to invest funds, as provided in Section 51.0031 of the *Texas Education Code* and the Constitution of the State of Texas, under prudent investor investment standards. Such investments include various fixed income and equity type securities, hedge funds, public market funds, and private investments. The investments of the System are governed by various investment policies approved by the U. T. System Board of Regents.

CONTRIBUTIONS RECEIVABLE

Current and noncurrent contributions receivable are amounts pledged to the System by donors, net of allowances. Multi-year gift pledges greater than $10,000 must be reported at the discounted present value. At the beginning of each fiscal year, the System re-establishes the scale of discount rates applicable for present valuing new multi-year gift pledges that are received during the new fiscal year. The scale of discount rates is based upon U.S. Treasury Notes and Bonds asked yields as listed in the Wall Street Journal on the first day of the fiscal year. Existing gift pledges are not recalculated since these pledges were previously calculated at historical discount rates.

INVENTORIES

Inventories, consisting primarily of supplies and merchandise for resale, are valued at cost, typically based on the specific identification, weighted average or first-in, first-out methods, which are not in excess of net realizable value.

RESTRICTED ASSETS

Restricted assets include funds restricted by legal or contractual requirements, including those related to sponsored programs, donors, constitutional restrictions, bond covenants, and loan agreements.

LOANS AND CONTRACTS

Current and noncurrent loans and contracts are receivables, net of allowances, related to student loans.

SECURITIES LENDING COLLATERAL AND OBLIGATIONS

The collateral secured for securities lent are reported as an asset on the statement of net position. The obligations for securities lent are reported as a liability on the statement of net position that directly offsets the cash collateral received from brokers or dealers in exchange for securities loaned. The costs of securities lending transactions are reported as part of investment income in the statement of revenues, expenses and changes in net position. See Note 6 for details regarding the securities lending program.

LEASE RECEIVABLES

Lease receivables are recorded by the System at the present value of lease payments expected to be received under all leases other than short term leases, regulated leases, or leases of assets that are classified as investments. Lease receivables are subsequently reduced over the life of the lease as cash is received in the applicable reporting period. Short term leases, those with a maximum period of 12 months, are recognized as collected.

P3 RECEIVABLE

The System recognizes a receivable for payments to be received from the operator under public-private and public-public partnerships (PPPs or P3s). The receivable for PPP installment payments is initially measured at the present value of PPP installment payments expected to be received over the term reduced by any provision for estimated uncollectible amounts. Present value of PPP installment payments are discounted based on a borrowing rate determined by the System.

For P3 arrangements that do not meet the criteria to be a service concession arrangement, the System recognizes a receivable for underlying PPP assets when a new asset has been purchased or constructed by an operator and the System is to receive the asset during or at the end of the PPP term. The receivable for the underlying PPP asset is measured at the operator's estimated carrying value of the underling PPP asset as of the expected date of the transfer in ownership from the operator to the System.

CAPITAL AND INTANGIBLE ASSETS

Capital assets are recorded at cost at the date of acquisition or acquisition value at the date of donation in the case of gifts. The System follows the State's capitalization policy with a cost equal to or greater than $5,000 for equipment items, $100,000 for buildings, building improvements and improvements other than buildings, and $500,000 for infrastructure items, and an estimated useful life of greater than one year. Purchases of library books are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense is incurred. Outlays for construction in progress are capitalized as incurred. The thresholds for software are $100,000 for purchased software and $1,000,000 for internally developed software including Enterprise Resource Planning replacements. The System capitalizes but does not depreciate works of art and historical treasures that are held for exhibition, education, research and public service. These collections are protected and preserved.

Right-of-Use (ROU) intangible assets are recognized at the contract's commencement date and represent the System's right to use an underlying asset for the contract term. ROU assets are measured at the initial value of the liability plus any payments made at or before commencement and initial direct costs.

Depreciation and amortization for most capital and intangible assets is computed using the straight-line method over the estimated useful lives of the assets, generally two to fifteen years for equipment items, five years for software, six years for Enterprise Resource Planning replacements, fifteen years for library books, ten to fifty years for buildings and their components and fifteen to forty years for infrastructure elements. Amortization for ROU intangible assets is computed using the straight-line method over the shorter of the contract term or estimated useful lives of the assets; but if the underlying contract contains a purchase option determined to be reasonably certain of being exercised, the ROU intangible asset is amortized over the estimated useful life of the asset.

OTHER ASSETS

Other current assets are primarily made up of prepaid expenses, while other noncurrent assets are primarily made up of equity interests in joint ventures that do not meet the definition of an investment and beneficial interests in irrevocable split-interest agreements in which a third-party is the intermediary.

DEFERRED OUTFLOWS

Deferred outflows consist of the fair value of hedging derivative instruments in a liability position, unamortized losses on refunding of debt, unamortized interest rate lock termination payments, certain changes in the pension and OPEB liabilities, unamortized portions of asset retirement obligation, and excess consideration paid in a government acquisition. Changes in fair value for effective hedges that are achieved with derivative instruments are to be reported as deferred inflows and deferred outflows in the statement of net position. For debt refundings, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and reported as deferred outflows or deferred inflows. The gain or loss is amortized, using the straight-line method, over the remaining life of the old debt or the life of the new debt, whichever is shorter, in the statement of revenues, expenses and changes in net position as a component of interest expense. When a Treasury Lock is used to hedge interest rate exposure on bonds, the lock termination payment is recorded as a deferred outflow and is amortized, using the straight-line method, over the remaining life of the related debt in the statement of revenues, expenses and changes in net position as a component of interest expense. Changes in the pension liabilities not included in pension expense are required to be reported as deferred outflows of resources or deferred inflows of resources related to pensions, and employer contributions subsequent to the measurement date of the pension liabilities are also required to be reported as deferred outflows of resources. Similarly, changes in the total OPEB liability not included in OPEB expense are required to be reported as deferred outflows of resources or deferred inflows of resources related to OPEB, and employer contributions subsequent to the measurement date of the total OPEB liability are also required to be reported as deferred outflows of resources. For asset retirement obligations, deferred outflows are recognized for anticipated clean-up and decommissioning costs, amortized over the life of the related assets. Deferred outflows are also recognized for excess consideration paid in a government acquisition, amortized over the estimated service life.

UNEARNED REVENUE

Unearned revenue represents revenues such as tuition recorded in August for the fall semester and payments received in advance for sponsored programs.

ASSETS HELD FOR OTHERS

Assets held for others is the liability offsetting the assets held for the University of Texas System Governmental Retirement Arrangement excess benefit plan managed by the System discussed in Note 18.

LIABILITY TO BENEFICIARIES

The System holds numerous irrevocable charitable remainder trusts and a pooled income fund. Together, these assets are reflected in the accompanying consolidated financial statements within restricted investments.

The charitable remainder trusts designate the U. T. System Board of Regents as both trustee and remainder beneficiary. The System is required to pay to the donors (or other donor-designated income beneficiaries) either a fixed amount or the lesser of a fixed percentage of the fair value of the trusts' assets or the trusts' income during the beneficiaries' lives. Trust assets are measured at acquisition value when received and at fair value thereafter. A corresponding liability to beneficiaries is measured at the present value of expected future cash flows to be paid to the beneficiaries based upon the applicable federal rate on the gift date. Upon death of the income beneficiaries, substantially all of the principal balance passes to the System to be used in accordance with the donors' restrictions.

The pooled income fund was formed with contributions from several donors. The contributed assets are invested and managed by UTIMCO. Donors (or designated beneficiaries) periodically receive, during their lives, a share of the income earned on the fund proportionate to the value of their contributions to the fund. Upon death of the income beneficiaries, substantially all of the principal balance passes to the System to be used in accordance with the donors' restrictions. Contribution revenue is measured at the acquisition value of the assets received, discounted for a term equal to the life expectancies of the beneficiaries.

TOTAL OPEB LIABILITY

OPEB are provided to the System's retirees under the U. T. System Employee Group Insurance Program (EGIP). The EGIP is a single-employer defined benefit OPEB plan. The System and member contribution rates are determined annually by the System based on the recommendations of the Office of Employee Benefits staff and consulting actuary. The contribution rates are determined based on the benefit and administrative costs expected to be incurred and (i) the funds appropriated and (ii) the funding policy established by the Texas Legislature in connection with benefits provided through the EGIP. The System revises benefits when necessary to match expected benefit and administrative costs with available revenue. The plan is operated on a pay-as-you-go basis. The OPEB plan described herein is not administered through a trust.

PENSION LIABILITIES

Net Pension Liability

The System participates in a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the Teacher Retirement System of Texas (TRS). TRS is primarily funded through State and employee contributions. The System receives a proportional share of the net pension liability, pension-related deferred outflows and pension-related deferred inflows from the Texas Comptroller of Public Accounts.

Total Pension Liability

M. D. Anderson Cancer Center participates in a single-employer defined benefit deferred compensation pension plan primarily for physicians, the Physicians Referral Service Supplemental Retirement Plan and Retirement Benefit Plan (SRP/RBP Plan). The SRP/RBP Plan is a nonqualified plan described by Section 457(f) of the Internal Revenue Code of 1986 (IRC), as amended. The SRP/RBP Plan is funded through contributions from M. D. Anderson Cancer Center and is administered through a trust that is not protected from the creditors of M. D. Anderson Cancer Center. The SRP/RBP Plan assets are measured at fair value and presented as restricted investments in the System's statement of net position. The total pension liability and related deferred outflows of resources and deferred inflows of resources are measured and reported in accordance with GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.*

NOTES, LOANS, AND LEASES PAYABLE

Lease Liability

Lease liabilities, included as part of notes, loans, and leases payable on the statement of net position, represent the System's obligation to make lease payments arising from leases other than short term leases. Lease liabilities are recognized at the lease commencement date based on the present value of future lease payments over the remaining lease term. Short term leases, those with a maximum period of 12 months, are expensed as incurred.

Subscription Liability

Subscription liabilities, included as part of notes, loans, and leases payable on the statement of net position, represent the System's obligation to make payments to the vendor, measured at the present value of subscription payments over the remaining term. Subscription liabilities are recognized at the SBITA commencement date based upon the present value of future subscription payments over the remaining SBITA term. Short term subscription liabilities, those with a maximum period of 12 months (or less), are expensed as incurred.

ASSET RETIREMENT OBLIGATION

The liability related to clean-up and decommissioning of items using radiation such as broadscope licenses, cyclotrons, and nuclear reactors is reported as asset retirement obligation. The liability is measured using best estimates of expected outlays for clean-up and decommissioning costs.

DEFERRED INFLOWS

Deferred inflows consist of the fair value of hedging derivative instruments in an asset position, unamortized gains on refunding of debt, certain changes in the pension and total OPEB liabilities, beneficial interests in irrevocable split-interest agreements, future period revenues from leases, and future period revenues from PPPs. Changes in fair value for effective hedges that are achieved with derivative instruments are to be reported as deferred inflows and deferred outflows in the statement of net position. For debt refundings, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and reported as deferred outflows or deferred inflows. The gain or loss is amortized, using the straight-line method, over the remaining life of the old debt or the life of the new debt, whichever is shorter, in the statement of revenues, expenses and changes in net position as a component of interest expense. Changes in the pension liabilities not included in pension expense are required to be reported as deferred outflows of resources or deferred inflows of resources related to pensions. Similarly, changes in the total OPEB liability not included in OPEB expense are required to be reported as deferred outflows of resources or deferred inflows of resources related to OPEB. For irrevocable split-interest agreements in which U. T. System has an unconditional beneficial interest, the fair value of the gift beneficial interest is deferred and reported as deferred inflows until the resources become applicable to the reporting period. Future period revenues from leases where the System is the lessor are recorded as deferred inflows and amortized using the straight-line method over the lease term. Future period revenues from PPPs where the System is the transferor are recorded as deferred inflows and are amortized using the straight-line method over the PPP term.

NET POSITION – Enterprise Funds
The System has classified resources into the following three net position categories:

Net Investment in Capital Assets
Capital assets, net of accumulated depreciation and outstanding principal balances of debt and other liabilities and deferred inflows of resources attributable to the acquisition, construction or improvement of those assets.

Restricted:
Nonexpendable
Net position subject to externally imposed stipulations that require the amounts be maintained in perpetuity by the System. Such assets include the System's permanent endowment funds.

Expendable
Net position whose use by the System is subject to externally imposed stipulations that can be fulfilled by actions of the System pursuant to those stipulations or that expire with the passage of time.

Unrestricted
Net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for special purposes by action of management or the U. T. System Board of Regents. Substantially all unrestricted net position is designated for academic programs, patient care, research programs and initiatives, and capital programs (see Note 21 for details on unrestricted net position).

When an expense is incurred that can be paid using either restricted or unrestricted resources, the System addresses each situation on a case-by-case basis prior to determining the resources to be used to satisfy the obligation. Generally, the System's policy is to first apply the expense towards restricted resources and then towards unrestricted resources.

NET POSITION – Fiduciary Funds
The System fiduciary funds classify resources into the following two net position categories:

Restricted for Pool Participants
Net position related to custodial funds-external investment pool

Restricted for Individuals, Organizations, and Other Governments
Net position related to custodial funds-other

REVENUES AND EXPENSES

Operating revenues include activities such as student tuition and fees; net sales and services of hospitals; net professional fees; net sales and services of auxiliary enterprises; the exchange basis federal, state and local grants and contracts. Operating expenses include salaries and wages, payroll related costs, materials and supplies, depreciation, other contracted services, pension expense, postemployment benefits, and scholarships and fellowships. In addition, all changes to incurred but not reported liabilities related to insurance programs are reflected as operating.

Nonoperating revenues include activities such as gifts and contributions, insurance recoveries received in years subsequent to the associated loss, State appropriations, investment income, the nonexchange basis federal and state grants and contracts, and other revenue sources that are defined as nonoperating revenues by GASB. The System's institutions are the named beneficiaries in certain lawsuits, wills, trusts, and insurance policies. The System does not recognize these potential refunds, gifts and contributions until realized. Nonoperating expenses include activities such as interest expense on capital asset financings, and other expenses that are defined as nonoperating expenses by GASB.

SCHOLARSHIP ALLOWANCES AND STUDENT AID

Financial aid to students is reported in the financial statements as prescribed by the National Association of College and University Business Officers (NACUBO). Certain aid (student loans, funds provided to students as awarded by third parties and Federal Direct Lending) is accounted for as third-party payments (credited to the student's account as if the student made the payment). All other aid is reflected in the financial statements as operating expense or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition. Under the alternative method, these amounts are computed on an entity-wide basis by allocating cash payments to students, excluding payments for services, on the ratio of total aid to the aid not considered to be third party aid.

STATEWIDE INTERFUND TRANSFERS AND INTERFUND PAYABLES

In accordance with the provisions set forth in Article 7, Section 18 of the *Texas Constitution*, the System transfers one-third of the annual earnings of the PUF investments and lands to the Texas A&M University System (TAMUS). In addition to the transfer of the current year earnings in 2023 and 2022 of $450,227,364 and $418,847,698, respectively, the System recorded a liability of $1,567,537,241 and $1,481,155,516 at August 31, 2023 and 2022, respectively, for future amounts due to TAMUS from the PUF to cover principal on outstanding PUF bonds and notes issued by TAMUS. This liability is reported as current and noncurrent statewide interfund payable on the statement of net position. Additional details related to the operations of the PUF can be found in Note 8. Also included in statewide interfund payables as of August 31, 2023 and 2022 is $409,842 and $497,261, respectively, related to the revolving loan programs administered by the Texas State Comptroller's Office.

UNCOMPENSATED CARE AND CHARITY CARE

The System's health-related institutions and medical schools provide uncompensated care to patients who meet certain criteria. Uncompensated care includes the unreimbursed costs for the uninsured and the underinsured as well as the unreimbursed costs from government-sponsored health programs. To calculate uncompensated care, charges are converted to costs which are offset by appropriate patient specific and lump sum funding. Hospital charges are converted to cost by the application of the Medicare cost to charge ratio, as calculated in the most recent Medicare cost report. Since a standard cost report does not exist for physician charges, a proxy cost to charge ratio was developed through a process involving all Texas public academic medical centers and the State Auditor's Office. Uncompensated care costs amounted to $1,428,236,852 and $1,179,418,717 for 2023 and 2022, respectively.

GASB requires health-related institutions to report the cost of providing "charity care." The American Institute of Certified Public Accountants (AICPA) defines charity care as care for which hospitals never expected to be reimbursed. Charity care occurs when a patient applies to the hospital for financial assistance and the hospital waives all or part of its charges in accordance with the hospital's established financial assistance policy. The cost of charity care is calculated using the uncompensated care calculation methodology discussed above. Charity care costs amounted to $169,371,268 and $180,340,866 for 2023 and 2022, respectively.

NET PATIENT SERVICE REVENUE

The System's health-related institutions and medical schools have agreements with third-party payors that provide for payments to these institutions at amounts different from their established rates. A summary of the payment arrangements with major third-party payors follows:

Medicare
U. T. Southwestern Medical Center's, U. T. Medical Branch - Galveston's and U. T. Health Science Center - Tyler's inpatient acute care services and outpatient services rendered to Medicare program beneficiaries are reimbursed under a prospective reimbursement methodology. Also, additional reimbursement is received for graduate medical education, disproportionate share, bad debts and other reimbursable costs, as defined, under a variety of payment methodologies.

M. D. Anderson's inpatient acute care services rendered to Medicare program beneficiaries are paid based on a cost reimbursement methodology that is limited by a facility-specific amount per discharge. The final reimbursement also includes a calculation of an incentive or relief payment determined through a comparison of the facility's current year cost to the facility-specific cost per discharge. Certain outpatient services and defined capital and medical education costs related to Medicare beneficiaries are paid based on a cost reimbursement methodology. Effective August 1, 2000, the Medicare program implemented a prospective payment system for outpatient services. However, as M. D. Anderson is designated as a cancer hospital, the Medicare program provides for a "hold-harmless" payment that is equal to the difference between the prospectively determined amounts and the current year adjusted cost (i.e., the current year adjusted cost is determined through application of a payment to cost ratio, which is derived from a previous Medicare cost report to the current year actual cost). M. D. Anderson is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports and audits thereof by the Medicare fiscal intermediary.

The physician practices at other institutions – U. T. Health Science Center - Houston, U. T. Health Science Center – San Antonio, U. T. Austin Dell Medical School, and U. T. Rio Grande Valley – are reimbursed by Medicare according to the Medicare Physician Fee Schedule and/or various Medicare Alternative Payment Models.

Medicaid
The System's health-related institutions' hospitals are reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the System's health-related institutions and audits thereof by the Medicaid fiscal intermediary. Inpatient services rendered to Medicaid program beneficiaries are reimbursed based on a TEFRA (Tax Equity and Fiscal Responsibility Act) methodology. Certain outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology.

The System's health-related institutions have also entered into payment agreements with certain commercial, Medicaid and Medicare payors which offer benefit plans for health maintenance organizations, and preferred provider organizations. The basis for payment to the System's health-related institutions under these agreements includes prospectively determined rates for inpatient and outpatient services. The System's health-related institutions recognized bad debt expense of $520,966,225 and $512,303,847 in 2023 and 2022, respectively.

USE OF ESTIMATES
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

5. Disaggregation of Other Receivable Balances

Net other receivables at August 31, 2023 and 2022 for the System are detailed by type as follows:

	2023	2022
Receivables Related to Investments	$ 317,279,526	396,060,459
Receivables Related to Gifts, Grants and Sponsored Programs	193,971,324	79,735,806
Receivables Related to External Parties/Other Companies	264,284,754	173,132,614
Receivables Related to Auxiliary Enterprises	38,842,943	36,379,065
Receivables Related to Payroll	3,551,258	9,616,780
Receivables Related to Patents	235,000	825,632
Receivables Related to Travel	1,260,967	1,352,490
Receivables Related to Loan Funds and Financial Aid	7,182,358	4,456,317
Receivables Related to Other Various Activities	56,792,173	49,885,200
Total	$ 883,400,303	751,444,363

In addition, net other receivables at August 31, 2023 and 2022 for the System's fiduciary funds were $533,616 and $1,761,807, respectively.

6. Deposits, Investments and Repurchase Agreements

DEPOSITS OF CASH IN BANK

As of August 31, 2023 and 2022, the carrying amount of the System's deposits was $66,237,194 and $103,098,355, respectively, as presented below:

	2023	2022
Cash and Cash Equivalents per Statement of Cash Flows and Statement of Net Position	$ 6,524,614,258	5,508,775,194
Less: Cash in State Treasury	1,381,704,404	1,268,126,557
Repurchase Agreement – Texas Treasury Safekeeping Trust Co.	10,321,917	2,550,637
Other Cash Equivalent Investments	5,040,478,597	4,057,590,726
Other	25,872,146	77,408,919
Deposits of Cash in Bank	$ 66,237,194	103,098,355

In addition, cash and cash equivalents at August 31, 2023 and 2022 for the System's fiduciary funds were $1,928,948 and $1,888,492, respectively.

As of August 31, 2023 and 2022, the total bank balances held by System were $112,139,814 and $168,423,931, respectively.

DEPOSIT RISKS

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the System will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The System maintains depository relationships with various banking institutions. The System's policy is that all deposits are governed by a bank depository agreement between the System and the respective banking institution. State law requires that the System's deposits, to the extent such deposits exceed the maximum insured limit under deposit insurance provided by the Federal Deposit Insurance Corporation, shall at all times be collateralized with government securities.

As of August 31, 2023, U. T. Health Science Center at Tyler's blended component unit, East Texas Quality Care Network (ETQCN), held deposits that were exposed to custodial credit risk. ETQCN has no policies regarding these deposits. As of August 31, 2023, the bank balances exposed to custodial risk as uninsured and uncollateralized deposits were $112,723. As of August 31, 2022, there were no System bank balances exposed to custodial risk as uninsured and uncollateralized deposits.

INVESTMENTS

Investments are reported at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between two market participants at the measurement date. GAAP provides a hierarchy that prioritizes the inputs of fair value measurements based on the extent to which inputs to valuation techniques are observable in the marketplace. The hierarchy assigns a higher priority to observable inputs that reflect verifiable information obtained from independent sources, and a lower priority to unobservable inputs that would reflect management's assumptions about how market participants would value an asset or liability based on the best information available. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs.

The three levels of the hierarchy of inputs used to measure fair value are as follows:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities that are available at the measurement date.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – Unobservable inputs.

The System's investments with readily available fair values are primarily valued on the basis of market valuations provided by independent pricing services.

Debt securities held by System include U.S. government and agency obligations, corporate obligations, corporate asset and mortgage-backed securities, and international obligations. U.S. government obligations valued based on unadjusted prices in active markets are categorized as Level 1. Debt securities, including corporate obligations and governmental and international obligations are valued based upon prices supplied by Intercontinental Exchange Data Services and other major fixed income pricing services, external broker quotes and internal pricing matrices. Debt securities valued based on multiple quotations or models utilizing observable market inputs are categorized as Level 2; otherwise, they would be categorized as Level 3.

Fixed income money market and bond mutual funds consist primarily of money market investments, foreign currencies and other overnight funds. Investments in publicly listed money market funds are categorized as Level 1.

Mutual funds include a large portion of the holdings for the University of Texas System Governmental Retirement Arrangement (UTGRA), discussed in Note 18. A majority of the underlying investments in UTGRA are valued based on the closing price on the primary exchange on which they are traded and are classified as Level 1. The remaining holdings are classified as Levels 2 and 3.

Equity securities, including common and preferred stocks, fair values are based on the closing price on the primary exchange on which they are traded (if a closing price is not available, the average of the last reported bid and ask price is used). When these securities are actively traded, and valuation adjustments are not applied, they are categorized as Level 1. In the event that a stock is not actively traded or a closing price is unavailable on a national or international securities exchange, the last available price per the exchange would be used, and the security would be categorized as Level 2.

Other commingled funds at fair value include fixed income and U.S. equity funds. International other commingled funds at fair value include non-U.S. developed equity, emerging markets, real estate and natural resources. Fair values are based on the closing price on the primary exchange on which the security is traded (if a closing price is not available, the average of the last reported bid and ask price is used). Investments valued as such are classified as Level 1.

Real estate and other investments include real estate, commodities and the asset positions of investment derivative instruments. The fair value of the PUF land's interest in oil and gas is based on a third party reserve study of proved, probable, and possible reserves. The present value of the royalty cash flows is calculated by applying a 10% discount rate to future expected production volumes of oil and gas based on the price of oil and gas on August 31. The PUF lands' surface interests are reported at the price per acre from the American Society of Farm Managers and Rural Appraisers. The PUF lands are categorized as Level 3 in the fair value hierarchy. The remaining minerals, the trust minerals, because of size, distribution, and limited production histories are generally valued at three times the previous 12 months' revenue. As a rule of thumb, this measure has been used historically to determine the selling price of these types of properties by willing parties. Other real estate holdings are reported by one of the following methods of valuation: the latest available appraised amount as determined by an independent State certified or other licensed appraiser, tax assessments use for real estate investments with values that are not significant or by any other generally accepted industry standard. All other real estate is categorized as Level 3 in the fair value hierarchy, with a small amount valued using net asset value.

All derivative instrument investments are categorized as Level 2 in the fair value hierarchy, except for some of the purchased options which are categorized as Level 1. The fair values of the interest rate swaps on U. T. System's debt are calculated using a forecast of expected discounted future net cash flows. Other swaps are fair valued by using independent broker quotes or using models with primarily externally verifiable model inputs. Foreign exchange contracts are fair valued at closing market prices on the valuation date.

Alternative investments include private equity securities and limited partnerships, or private investment funds. Equity securities related to non-public equity investments are valued using a variety of methods, including information from recent rounds of financing, the Guideline Public Company method, the Discounted Cash Flow method, the Common Stock Equivalent method and the Option-Pricing method. The fair value of private investment funds, which consist of non-regulated investment funds and various other investment vehicles, are estimated by management using the investment's capital account balance at the closest available reporting date, as communicated by the investment manager, adjusted for contributions and withdrawals subsequent to the latest available reporting date as well as consideration of any other information, which has been provided by the investment manager or other sources. These investments are classified as Level 3.

Miscellaneous investments primarily include municipal bonds, valued on multiple quotations or models utilizing observable market inputs, and are categorized as Level 2. Investments with fair values based on the closing price on the primary exchange on which they are traded are categorized as Level 1.

GAAP permits management to fair value certain investments that do not have a readily determinable fair value using the investment's net asset value per share or the System's ownership interest in partners' capital as a practical expedient. Investments valued in this manner are not classified in the fair value hierarchy.

The following tables reflect fair value measurements of investments as of August 31, 2023 and 2022, respectively, as categorized by level of the fair value hierarchy, and include both the System's enterprise and fiduciary funds:

		Fair Value Measurement Using		
Type of Security	**Fair Value as of August 31, 2023**	**Quoted Prices in Active markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Investments by Fair Value Level:				
Debt Securities:				
U.S. Government Treasury Securities	$ 2,436,951,905	2,436,951,905	—	—
U.S. Government Treasury TIPS	1,504,143,392	1,504,143,392	—	—
U.S. Government Agency Obligations	360,446,554	—	360,446,554	—
Corporate Obligations	84,962,471	—	84,773,003	189,468
Corporate Asset and Mortgage-Backed Securities	179,073,878	—	179,073,878	—
International Obligations (Government and Corporate)	994,413,357	—	994,413,357	—
Fixed Income Money Market and Bond Mutual Funds	3,333,716,533	2,859,416,533	474,300,000	—
Mutual Funds	493,569,031	489,270,259	4,298,772	—
Equity Securities:				
Equity	3,231,574,441	3,231,064,436	—	510,005
International Equity	3,527,663,911	3,527,659,191	4,720	—
Other Commingled Funds:				
Fixed Income	144,858,334	144,858,334	—	—
U.S. Equity	11,268,172	11,268,172	—	—
International Other Commingled Funds:				
Non-U.S. Developed Equity	312,346,898	312,346,898	—	—
Emerging Markets	36,732,048	36,732,048	—	—
Real Estate and Other:				
PUF Lands	11,111,083,413	—	—	11,111,083,413
Other Real Estate	679,958,750	—	—	679,958,750
Investment Derivative Instruments – Asset Positions	168,650,144	6,272,064	162,378,080	—
Alternative Investments:				
Private Investments	522,841,473	—	—	522,841,473
Miscellaneous	2,812,649	1,704,801	1,107,823	25
Total Investments by Fair Value Level	29,137,067,354	14,561,688,033	2,260,796,187	12,314,583,134

Type of Security	Fair Value as of August 31, 2023	Fair Value Measurement Using: Quoted Prices in Active markets for Identical Assets (Level 1)	Fair Value Measurement Using: Significant Other Observable Inputs (Level 2)	Fair Value Measurement Using: Significant Unobservable Inputs (Level 3)
Investment Funds Fair Valued Using Net Asset Value:				
Real Estate	35,386,543			
Hedge Funds	15,352,264,565			
International Other Commingled Funds	10,261,298,622			
Other Investment Funds	39,536,000			
Private Investments	23,787,531,978			
Total Investment Funds Fair Valued Using Net Asset Value	49,476,017,708			
Investments Held in Cash (Not at Fair Value)	148,866,412			
Other Investments (Not at Fair Value)	458,192			
Total Investments	$ 78,762,409,666			
Securities Lending Collateral Investment Pool (See Securities Lending Section)	$ 707,785,341	—	707,785,341	—
Investments Classified as Cash Equivalents:				
Repurchase Agreement – Texas Treasury Safekeeping Trust Co. (Not at Fair Value)	$ 10,321,917			
Fixed Income Money Market Funds	5,040,371,989	5,040,371,989	—	—
Time Deposits (Not at Fair Value)	106,608			
Total Investments Classified as Cash Equivalents	$ 5,050,800,514			
Deposit with Brokers for Derivative Contracts, Net (Related to Investments):				
U.S. Government Direct Obligations	$ 97,445,283	97,445,283	—	—
Held in Cash (Not at Fair Value)	152,345,938			
Total Deposit with Brokers for Derivative Contracts, Net (Related to Investments)	$ 249,791,221			

Type of Security	Fair Value as of August 31, 2022	Fair Value Measurement Using: Quoted Prices in Active markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level:				
Debt Securities:				
U.S. Government Treasury Securities	$ 1,931,621,893	1,931,621,893	—	—
U.S. Government Treasury TIPS	1,605,784,871	1,605,784,871	—	—
U.S. Government Agency Obligations	303,582,859	—	303,582,859	—
Corporate Obligations	491,136,083	—	490,891,694	244,389
Corporate Asset and Mortgage-Backed Securities	271,497,076	—	271,497,076	—
International Obligations (Government and Corporate)	1,996,994,605	262,798	1,996,731,807	—
Fixed Income Money Market and Bond Mutual Funds	3,179,692,034	3,179,692,034	—	—
Mutual Funds	468,652,537	464,616,496	4,036,041	—
Equity Securities:				
Equity	2,191,245,912	2,188,076,555	3,169,357	—
International Equity	2,657,725,884	2,656,823,904	901,980	—
Other Commingled Funds:				
Fixed Income	139,391,702	139,391,702	—	—
U.S. Equity	410,596,173	410,596,173	—	—
International Other Commingled Funds:				
Non-U.S. Developed Equity	97,615,120	97,615,120	—	—
Emerging Markets	5,400,010	5,400,010	—	—
Real Estate and Other:				
PUF Lands	11,113,844,125	—	—	11,113,844,125
Other Real Estate	713,210,749	—	—	713,210,749
Investment Derivative Instruments – Asset Positions	214,034,766	31,253,451	182,781,315	—
Alternative Investments:				
Private Investments	618,601,269	—	—	618,601,269
Reverse Repurchase Agreements	257,900,000	—	257,900,000	—
Miscellaneous	13,463,684	1,790,182	11,673,477	25
Total Investments by Fair Value Level	28,681,991,352	12,712,925,189	3,523,165,606	12,445,900,557

Type of Security	Fair Value as of August 31, 2022	Fair Value Measurement Using: Quoted Prices in Active markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investment Funds Fair Valued Using Net Asset Value:				
Real Estate	39,712,834			
Hedge Funds	13,409,062,571			
Other Commingled Funds	3,855,692,308			
International Other Commingled Funds	6,197,034,824			
Private Investments	22,216,888,849			
Total Investment Funds Fair Valued Using Net Asset Value	45,718,391,386			
Investments Held in Cash (Not at Fair Value)	175,224,507			
Other Investments (Not at Fair Value)	454,846			
Total Investments	$ 74,576,062,091			
Securities Lending Collateral Investment Pool (See Securities Lending Section)	$ 992,425,496	–	992,425,496	–
Investments Classified as Cash Equivalents:				
Repurchase Agreement – Texas Treasury Safekeeping Trust Co. (Not at Fair Value)	$ 2,550,637			
Fixed Income Money Market Funds	4,057,481,665	4,057,481,665	–	–
Time Deposits (Not at Fair Value)	109,061			
Total Investments Classified as Cash Equivalents	$ 4,060,141,363			
Deposit with Brokers for Derivative Contracts, Net (Related to Investments):				
U.S. Government Direct Obligations	$ 40,498,619	40,498,619	–	–
Held in Cash (Not at Fair Value)	(8,923,617)			
Total Deposit with Brokers for Derivative Contracts, Net (Related to Investments)	$ 31,575,002			

The following tables display the breakout of total investments, securities lending collateral, total investments classified as cash equivalents, and total deposit with brokers for derivative contracts, net between enterprise and fiduciary funds as of August 31, 2023 and 2022:

	August 31, 2023		
	Enterprise Funds	**Fiduciary Funds**	**Total**
Total Investments	$ 78,468,026,873	294,382,793	78,762,409,666
Securities Lending Collateral	704,550,572	3,234,769	707,785,341
Total Investments Classified as Cash Equivalents	5,050,800,514	—	5,050,800,514
Total Deposit with Brokers for Derivative Contracts, Net (Related to Investments)	248,763,839	1,027,382	249,791,221

	August 31, 2022		
	Enterprise Funds	**Fiduciary Funds**	**Total**
Total Investments	$ 74,289,464,178	286,597,913	74,576,062,091
Securities Lending Collateral	988,091,640	4,333,856	992,425,496
Total Investments Classified as Cash Equivalents	4,060,141,363	—	4,060,141,363
Total Deposit with Brokers for Derivative Contracts, Net (Related to Investments)	31,370,360	204,642	31,575,002

Investment funds fair valued at net asset value per share or based on the System's ownership interest in partner's capital include externally managed funds, limited partnerships, and corporate structures which are generally unrated and may be unregulated. The composition of investment funds that are fair valued using Net Asset Value (NAV) at August 31, 2023 and 2022 is summarized in the tables below as they are included within the asset mix of the System. Tables and disclosures that follow include both the System's enterprise and fiduciary funds.

	Fair Value as of August 31, 2023	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Investment Funds Fair Valued Using Net Asset Value				
Real Estate				
Redeemable Within One Year	$ 35,386,543	—	Quarterly	60 days
Hedge Funds				
Redeemable Within One Year	7,601,346,011		Monthly to Annually	5 - 100 Days
Redeemable Beyond One Year	5,502,664,331		Monthly to Annually	5 - 100 Days
Nonredeemable	2,248,254,223		Not Applicable	Not Applicable
Total Hedge Funds	15,352,264,565	1,104,178,390		
Global Developed Equity				
Redeemable Within One Year	7,558,868,335		Daily to Annually	5 - 105 Days
Redeemable Beyond One Year	344,488,423		Monthly to Annually	45 - 105 Days
Nonredeemable	1,419,197		Not Applicable	Not Applicable
Total Global Developed Equity	7,904,775,955	28,565,144		
Emerging Markets				
Redeemable Within One Year	2,132,504,776		Daily to Semi-Annually	1 - 120 Days
Redeemable Beyond One Year	221,242,975		Annually	60 Days
Nonredeemable	2,774,916		Not Applicable	Not Applicable
Total Emerging Markets	2,356,522,667	24,300,992		
Total International Other Commingled Funds	10,261,298,622	52,866,136		
Other				
Redeemable Within One Year	9,884,000		Quarterly	90 Days
Redeemable Beyond One Year	29,652,000		Quarterly	90 Days
Total Other	39,536,000	—		
Limited Partnerships (Private Investments)				
Redeemable Within One Year	36,286,284		Quarterly	90 days
Nonredeemable	23,751,245,694		Not Applicable	Not Applicable
Total Limited Partnerships (Private Investments)	23,787,531,978	13,696,032,465		
Total Investment Funds Fair Valued Using NAV	$ 49,476,017,708	14,853,076,991		

	Fair Value as of August 31, 2022	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Investment Funds Fair Valued Using Net Asset Value				
Real Estate				
Redeemable Within One Year	$ 39,712,834	—	Quarterly	60 days
Hedge Funds				
Redeemable Within One Year	7,044,667,460		Monthly to Annually	5 – 100 Days
Redeemable Beyond One Year	4,403,595,679		Quarterly to Annually	30 – 120 Days
Nonredeemable	1,960,799,432		Not Applicable	Not Applicable
Total Hedge Funds	13,409,062,571	1,337,329,761		
Other Commingled Funds:				
Fixed Income				
Redeemable Within One Year	9,257,744	—	Daily	1 Day
U.S. Equity				
Redeemable Within One Year	3,009,736,171		Daily to Annually	5 – 105 Days
Redeemable Beyond One Year	836,698,393		Annually	90 – 105 Days
Total U.S. Equity	3,846,434,564	28,565,144		
Total Other Commingled Funds	3,855,692,308	28,565,144		
International Other Commingled Funds:				
Non-U.S. Developed Equity				
Redeemable Within One Year	1,280,929,121		Daily to Quarterly	5 – 30 Days
Total Non-U.S. Developed Equity	1,280,929,121	—		
Global Developed Equity				
Redeemable Within One Year	1,990,892,912		Daily to Quarterly	5 – 60 Days
Redeemable Beyond One Year	488,417,076		Monthly	45 – 60 Days
Nonredeemable	1,912,293			
Total Global Developed Equity	2,481,222,281	—		
Emerging Markets				
Redeemable Within One Year	2,231,469,056		Daily to Semi-Annually	1 – 90 Days
Redeemable Beyond One Year	159,559,845		Monthly to Annually	60 Days
Nonredeemable	43,854,521		Not Applicable	Not Applicable
Total Emerging Markets	2,434,883,422	48,300,992		
Total International Other Commingled Funds	6,197,034,824	48,300,992		
Limited Partnerships (Private Investments)				
Redeemable Within One Year	32,594,029		Quarterly	90 days
Nonredeemable	22,184,294,820		Not Applicable	Not Applicable
Total Limited Partnerships (Private Investments)	22,216,888,849	12,137,786,657		
Total Investment Funds Fair Valued Using NAV	$ 45,718,391,386	13,551,982,554		

The System invests in hedge fund pools which are invested in private funds with external investment managers who invest in equity and fixed income securities of both domestic and international issuers. These investment managers may invest in both long and short securities and may utilize leverage in their portfolios. The funds invested may be subject to a lock-up restriction of typically one to three years before the investment may be withdrawn from the manager without significant penalty. The amounts shown as nonredeemable are considered illiquid in that they typically become liquid over multi-year periods when and if the fund managers distribute proceeds realized from the underlying fund investments and the timing cannot be estimated. There are certain risks associated with these private funds, some of which include investment manager risk, market risk and liquidity risk, as well as the risk of utilizing leverage in the portfolios. The hedge fund pools have committed $1,104,178,390 and $1,337,329,761 of future funding to various hedge fund investments as of August 31, 2023 and 2022, respectively. Hedge funds are fair valued by management based on net asset value information provided by the investment manager, as well as other relevant factors.

Public market funds are invested in exchange traded funds, index funds and private placements with external investment managers who invest in equity and fixed income securities of both domestic and international issuers. These funds are characterized as public market funds based on individual risk/return characteristics and their relationship to the overall asset mix of the funds. Some of these investment managers may invest in both long and short securities and may utilize modest leverage in their portfolios. The amounts shown as nonredeemable are considered illiquid in that they typically become liquid over multi-year periods when and if the fund managers distribute proceeds realized from the underlying fund investments and the timing cannot be estimated. Certain of these investments are held through limited liability companies of which UTIMCO is the sole managing member. There are certain risks associated with these investments, some of which are investment manager risk, market risk and liquidity risk, as well as the risk of utilizing leverage in the portfolios. As of August 31, 2023 and 2022, future fundings in the amount of $52,866,136 and $76,866,136, respectively, have been committed to certain public market funds. The fair value of private investment funds, are estimated using the investment's capital account balance at the closest available reporting date, as communicated by the investment manager, adjusted for contributions and withdrawals subsequent to the latest available reporting date as well as consideration of any other information, which has been provided by the investment manager or other sources.

The System invests in private investments through private investment pools which are invested in limited partnerships with external investment managers or general partners who invest primarily in private equity securities. These investments, domestic and international, are illiquid and typically become liquid over multi-year periods when and if the fund managers distribute proceeds realized from underlying fund investments. It is estimated that the underlying assets of the private investments will be liquidated over seven to ten years. There are certain risks associated with these investments, some of which are liquidity risk, market risk, event risk and investment manager risk. Certain of these investments are held through LLCs, of which UTIMCO is the sole managing member. The System had committed $13,696,032,465 and $12,137,786,657 of future funding to various private investments as of August 31, 2023 and 2022, respectively.

Hedge funds, private investments and public market funds include investments in private placement vehicles that are subject to risk, which could result in the loss of invested capital. The risks include the following:

- *Key personnel risk* – The success of certain funds is substantially dependent upon key investment managers and the loss of those individuals may adversely impact the fund's performance.
- *Liquidity risk* – Many of the System's investment funds may impose lock-up periods, which would cause the System to incur penalties to redeem its units or prevent the System from redeeming its shares until a certain period of time has elapsed.
- *Limited transparency* – As private placement investment vehicles, these funds may not disclose the holdings of their portfolios.
- *Investment strategy risk* – These funds often employ sophisticated investment strategies and may use leverage, which could result in the loss of invested capital.

Investments in hedge funds, private investments and public market funds are also subject to the investment risks discussed below. Fixed income investments held by these funds would also be subject to credit risk and interest rate risk; moreover, they may invest in securities whose fair values would be sensitive to changes in interest rates.

The fair values of these various investment funds, excluding the publicly traded funds, as of August 31, 2023 and 2022 were $49,476,017,708 and $45,718,391,386, respectively.

INVESTMENT RISKS

(A) *Credit Risk* - Article VII, Section 11b of the *Texas Constitution* authorizes the U. T. System Board of Regents, subject to procedures and restrictions it establishes, to invest System funds in any kind of investment and in amounts it considers appropriate, provided that it adheres to the prudent investor standard. This standard provides that the U. T. System Board of Regents, in making investments, may acquire, exchange, sell, supervise, manage or retain, through procedures and subject to restrictions it establishes and in amounts it considers appropriate, any kind of investment that prudent investors, exercising reasonable care, skill and caution, would acquire or retain in light of the purposes, terms, distribution requirements and other circumstances of the fund then prevailing, taking into consideration the investment of all of the assets of the fund rather than a single investment.

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization (NRSRO). The System's investment policy does not provide specific requirements and limitations regarding investment ratings. Per GASB authoritative guidance, unless there is information to the contrary, obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality. The following tables present each applicable investment type, in both the System's enterprise and fiduciary funds, grouped by rating as of August 31, 2023 and 2022:

	August 31, 2023					
	MOODY'S		STANDARD & POOR'S		FITCH	
Investment Type	**Fair Value**	**Rating**	**Fair Value**	**Rating**	**Fair Value**	**Rating**
Investments and Investments Classified as Cash Equivalents:						
U.S. Government Direct Obligations	$ 3,941,095,297	Aaa	3,941,095,297	AA	20,786,394	AAA
					3,920,308,903	AA
U.S. Government Agency Obligations	121,797,653	Aaa	121,797,653	AA	116,101,127	AAA
	238,648,901	NR	238,648,901	NR	5,696,526	AA
					238,648,901	NR
Corporate Obligations	3,822,491	Aaa	6,251,301	AAA	1,830,531	AAA
	11,906,833	Aa	9,465,159	AA	13,267,312	AA
	49,468,351	A	45,437,203	A	20,132,141	A
	15,155,718	Baa	21,725,444	BBB	17,387,076	BBB
	1,033,433	Ba	186,188	BB	32,345,411	NR
	3,575,645	NR	1,897,176	NR	—	
Corporate Asset and Mortgage-Backed Securities	64,423,502	Aaa	45,359,687	AAA	44,451,829	AAA
	9,223,914	Aa	8,057,321	AA	6,807,854	AA
	6,059,886	A	6,184,987	A	3,274,080	A
	690,890	Baa	1,879,090	BBB	45,052	BBB
	98,424	Ba	2,503,173	BB	969,195	BB
	2,010,443	B	2,185,446	B	246,615	CC
	3,111,453	Caa	3,475,641	CCC	122,432,014	NR
	1,451,477	Ca	2,101,425	CC	847,239	C
	1,018,128	C	107,327,108	NR	—	
	90,985,761	NR	—		—	

	August 31, 2023					
	MOODY'S		STANDARD & POOR'S		FITCH	
Investment Type	**Fair Value**	**Rating**	**Fair Value**	**Rating**	**Fair Value**	**Rating**
International Obligations (Government and Corporate)	91,691,591	Aaa	79,888,872	AAA	72,092,502	AAA
	32,341,625	Aa	13,320,303	AA	65,498,986	AA
	88,577,589	A	51,470,304	A	99,672,322	A
	271,869,678	Baa	284,720,072	BBB	170,782,439	BBB
	66,308,365	Ba	75,372,756	BB	172,839,594	BB
	10,290,216	B	489,641,050	NR	10,290,217	B
	433,334,293	NR	—		403,194,497	NR
					42,800	C
Investment Funds, Other	39,536,000	NR	39,536,000	NR	39,536,000	NR
Fixed Income Money Market and Mutual Funds	7,524,768,779	Aaa	7,524,768,779	AAA	510,740,517	AAA
	998,186,155	NR	998,186,155	NR	8,012,214,417	NR
Repurchase Agreement – Texas Treasury Safekeeping Trust Co.	10,321,917	NR	10,321,917	AA	10,321,917	NR
Miscellaneous	709,272	Aaa	398,551	A	398,551	A
	398,551	A	145,674,214	NR	145,674,214	NR
	144,964,942	NR	—		—	
Total Investments and Investments Classified as Cash Equivalents	$ 14,278,877,173		14,278,877,173		14,278,877,173	
Deposit with Brokers for Derivative Contracts, Net (Related to Investments):						
U.S. Government Direct Obligations	$ 97,445,283	Aaa	97,445,283	AA	97,445,283	AA
Cash	152,345,938	NR	152,345,938	NR	152,345,938	NR
Total Deposit with Brokers for Derivative Contracts, Net (Related to Investments)	$ 249,791,221		249,791,221		249,791,221	

	August 31, 2022					
	MOODY'S		STANDARD & POOR'S		FITCH	
Investment Type	**Fair Value**	**Rating**	**Fair Value**	**Rating**	**Fair Value**	**Rating**
Investments and Investments Classified as Cash Equivalents:						
U.S. Government Direct Obligations	$ 3,537,406,764	Aaa	3,537,406,764	AA	3,537,406,764	AAA
U.S. Government Agency Obligations	271,112,784	Aaa	227,071,626	AA	271,045,253	AAA
	32,470,075	NR	76,511,233	NR	32,537,606	NR
Corporate Obligations	24,899,759	Aaa	13,941,120	AAA	8,933,294	AAA
	28,853,656	Aa	41,904,793	AA	55,635,856	AA
	226,559,906	A	210,266,438	A	124,843,947	A
	182,706,375	Baa	203,980,906	BBB	122,236,692	BBB
	9,459,931	Ba	5,492,236	BB	1,165,838	BB
	675,500	Caa	675,500	CCC	1,298,785	F
	1,298,785	P	14,875,090	NR	177,021,671	NR
	16,682,171	NR	—		—	
Corporate Asset and Mortgage-Backed Securities	105,152,126	Aaa	53,087,218	AAA	71,187,096	AAA
	11,027,595	Aa	11,905,286	AA	7,264,829	AA
	8,936,084	A	14,061,715	A	4,471,440	A
	3,723,817	Baa	3,542,485	BBB	74,045	BBB
	113,514	Ba	2,277,671	BB	283,719	BB
	4,049,142	B	4,144,918	B	784,070	B
	2,549,832	Caa	6,888,904	CCC	252,630	CC
	1,705,650	Ca	1,422,982	CC	187,179,247	NR
	1,045,207	C	1,045,207	D	—	
	2,762,120	P	173,120,690	NR	—	
	130,431,989	NR	—		—	
International Obligations (Government and Corporate)	247,415,837	Aaa	193,945,192	AAA	198,815,664	AAA
	148,485,329	Aa	69,329,486	AA	267,095,316	AA
	215,998,429	A	117,884,272	A	151,048,750	A
	320,502,479	Baa	295,944,287	BBB	254,713,810	BBB
	95,299,916	Ba	110,269,574	BB	178,150,843	BB
	6,267,733	B	7,363,722	B	1,660,658	B
	963,024,882	NR	1,202,258,072	NR	945,509,564	NR
Fixed Income Money Market and Mutual Funds	6,181,210,223	Aaa	6,181,210,223	AAA	84,928,687	AAA
	1,231,187,983	NR	1,231,187,983	NR	7,327,469,519	NR
Repurchase Agreement – Texas Treasury Safekeeping Trust Co.	2,550,637	NR	2,550,637	AA	2,550,637	NR
Reverse Repurchase Agreements	257,900,000	NR	257,900,000	NR	257,900,000	NR
Miscellaneous	765,485	Aaa	3,271,590	AAA	3,271,590	AAA
	7,270,205	Aa	3,998,615	AA	3,998,615	AA
	3,490,079	A	1,914,201	A	3,622,628	BBB
	148,906,215	NR	1,708,428	BBB	149,539,151	NR
	—		149,539,150	NR	—	
Total Investments and Investments Classified as Cash Equivalents	$ 14,433,898,214		14,433,898,214		14,433,898,214	

	August 31, 2022						
	MOODY'S		STANDARD & POOR'S		FITCH		
Investment Type	**Fair Value**		**Rating**	**Fair Value**	**Rating**	**Fair Value**	**Rating**
Deposit with Brokers for Derivative Contracts, Net (Related to Investments):							
U.S. Government Direct Obligations	$	40,498,619	Aaa	40,498,619	AA	40,498,619	AAA
Cash		(8,923,617)	NR	(8,923,617)	NR	(8,923,617)	NR
Total Deposit with Brokers for Derivative Contracts, Net (Related to Investments)	$	31,575,002		31,575,002		31,575,002	

(B) *Concentrations of Credit Risk* – The System's investment policy statements for funds managed by UTIMCO contain the limitation that no more than 5% of the fair value of fixed income securities may be invested in corporate or municipal bonds of a single issuer. As of August 31, 2023 and 2022, these funds did not hold any direct investments in any one issuer of corporate or municipal bonds that were 5% or more of the fair value of the fund's fixed income investments.

(C) *Custodial Credit Risk* – The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the System will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Texas State Statutes and the System's investment policy statements do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments. As of August 31, 2023 and 2022, the System did not have any investments that are exposed to custodial credit risk.

(D) *Interest Rate Risk* – Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. Interest rate risk inherent in the System's investments is measured by monitoring the modified duration of the overall investment portfolio. Modified duration estimates the sensitivity of the System's investments to changes in interest rates. The System has no specific policy statement limitations with respect to its overall modified duration. The following table summarizes the System's modified duration in years by investment type, in both the System's enterprise and fiduciary funds, as of August 31, 2023 and 2022:

	August 31, 2023		August 31, 2022	
Investment Type	**Fair Value**	**Modified Duration**	**Fair Value**	**Modified Duration**
Investments:				
U.S. Government Guaranteed:				
U.S. Treasury Bills	$ 23,567,463	0.10	9,499,386	0.18
U.S. Treasury Bonds and Notes	2,413,384,442	13.57	1,922,122,507	11.26
U.S. Treasury Inflation Protected	1,504,143,392	6.62	1,605,784,871	7.10
U.S. Agency Asset Backed	9,248,776	5.54	675,736	0.65
Total U.S. Government Guaranteed	3,950,344,073	10.82	3,538,082,500	9.34
U.S. Government Non-Guaranteed:				
U.S. Agency	5,696,526	10.27	55,789,746	7.03
U.S. Agency Asset Backed	345,501,252	6.36	247,117,377	7.34
Total U.S. Government Non-Guaranteed	351,197,778	6.42	302,907,123	7.28
Total U.S. Government	4,301,541,851	10.47	3,840,989,623	9.17
Corporate Obligations:				
Domestic	264,036,349	3.17	762,633,159	5.43
Foreign	188,058,260	2.85	392,473,405	2.89
Total Corporate Obligations	452,094,609	3.04	1,155,106,564	4.57
Foreign Government and Provincial Obligations	806,355,097	13.14	1,604,521,200	6.47
Other Debt Securities	1,107,823	1.52	11,673,477	6.15
Total Debt Securities	5,561,099,380	9.15	6,612,290,864	7.71
Other Investment Funds - Debt	144,858,334	1.52	148,649,446	1.65
Fixed Income Money Market and Mutual Funds	3,482,582,945	0.43	3,354,916,541	0.33
Investment Funds, Other	39,536,000	—	—	—
Reverse Repurchase Agreements	—	—	257,900,000	—
Total Investments	$ 9,228,076,659	5.69	10,373,756,851	5.04
Investments Classified as Cash Equivalents:				
Repurchase Agreement - Texas Treasury Safekeeping Trust Co.	$ 10,321,917	—	2,550,637	—
Fixed Income Money Market Funds	5,040,371,989	0.08	4,057,481,665	0.08
Time Deposits	106,608	—	109,061	—
Total Investments Classified as Cash Equivalents	$ 5,050,800,514	0.08	4,060,141,363	0.08
Deposit with Brokers for Derivative Contracts, Net (Related to Investments):				
U.S. Government Guaranteed:				
U.S. Government Direct Obligations	$ 97,445,283	0.14	40,498,619	0.70
Total U.S. Government Guaranteed	97,445,283	0.14	40,498,619	0.70
Cash	152,345,938	—	(8,923,617)	—
Total Deposit with Brokers for Derivative Contracts, Net (Related to Investments)	$ 249,791,221	—	31,575,002	—

(E) *Investments with Fair Values That Are Highly Sensitive to Interest Rate Changes* – The System may invest in various mortgage-backed securities, such as collateralized mortgage-backed obligations. The System also may invest in investments that have floating rates with periodic coupon changes in market rates, zero coupon bonds and stripped treasury and agency securities created from coupon securities. No percentage of holdings limitations are specified in the investment policy statements regarding these types of securities. As of August 31, 2023 and 2022, the System's investments included the following investments that are highly sensitive to interest rate changes:

- Collateralized mortgage obligations which are subject to early payment in a period of declining interest rates. The resultant reduction in expected total cash flows will affect the fair value of these securities. As of August 31, 2023 and 2022, these securities amounted to $127,461,330 and $215,310,881, respectively.
- Mortgage-backed securities which are subject to early payment in a period of declining interest rates. The resultant reduction in expected total cash flows will affect the fair value of these securities. As of August 31, 2023 and 2022, these securities amounted to $354,133,590 and $246,767,929, respectively.
- Asset backed securities which are backed by home equity loans, auto loans, equipment loans and credit card receivables. Prepayments by the obligees of the underlying assets in periods of decreasing interest rates could reduce or eliminate the stream of income that would have been received. As of August 31, 2023 and 2022, these securities amounted to $98,922,914 and $151,335,548, respectively.

(F) *Foreign Currency Risk* – Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of the System's non-U.S. dollar investments. There are no limitations on investments in non-U.S. denominated bonds or common stocks in relation to the System's total fixed income and developed country equity exposures in the System's investment policy statements.

Classification between domestic common stock and foreign common stock is based on the country of domicile of the issuer, not the currency in which the security is traded. The following tables summarize the System's exposure to non-U.S. dollar investments by asset type as of August 31, 2023 and 2022.

Investment Type	August 31	
	2023	2022
Foreign Common Stock:		
Australian Dollar	$ 22,399,245	8,919,847
Brazilian Real	176,988,105	171,242,058
Canadian Dollar	25,560,870	37,837,825
Chilean Peso	203,998	522,978
Chinese Yuan Renminbi	165,100,251	158,839,837
Czech Koruna	555,918	62,772
Danish Krone	57,083,420	37,354,459
Egyptian Pound	1,325,151	795,405
Euro	431,191,573	293,054,538
Hong Kong Dollar	176,325,268	94,987,990
Hungarian Forint	1,036,377	909,339
Indian Rupee	97,974,096	48,997,000
Indonesian Rupiah	36,021,046	28,932,563
Israeli Shekel	—	960,416
Japanese Yen	449,415,790	271,293,050
Malaysian Ringgit	12,735,993	6,076,615
Mexican Peso	13,264,746	4,355,446
New Zealand Dollar	2,064,088	365,088
Norwegian Krone	24,686,023	14,497,334
Peruvian Sol	—	122,644
Philippine Peso	2,026,883	605,527
Polish Zloty	6,580,784	6,834,035
Qatari Riyal	1,972,469	2,441,098
Singapore Dollar	10,039,655	2,800,626
South African Rand	17,359,855	6,466,703
Russian Ruble	153	—
Saudi Arabian Riyal	775,852	—
South Korean Won	214,674,700	180,751,018
Swedish Krona	27,210,452	15,939,698
Swiss Franc	113,792,044	58,586,940
Taiwan Dollar	375,832,170	296,750,500
Thai Baht	17,442,624	18,210,711
Turkish Lira	7,356,306	2,829,371
UK Pound	266,806,251	217,788,844
United Arab Emirates Dirham	6,887,062	2,374,589
Total Foreign Common Stock	2,762,689,218	1,992,506,864
Other - Equity Securities:		
Brazilian Real	11,084	—
Indian Rupee	—	17,862
Swiss Franc	72,543	48,949
Taiwan Dollar	32	—
Total Other - Equity Securities	83,659	66,811
Foreign Preferred Stocks:		
Brazilian Real	37,988,325	60,253,202
Euro	922,045	2,914,496
South African Rand	—	88,712
South Korean Won	46,857,220	30,357,556
Total Foreign Preferred Stock	85,767,590	93,613,966

Investment Type	August 31 2023	2022
Foreign Government and Provincial Obligations:		
Australian Dollar	10,440,330	66,866,614
Brazilian Real	56,284,769	71,776,218
Canadian Dollar	12,854,952	55,243,455
Chinese Yuan Renminbi	956,176	65,027,579
Colombian Peso	66,459,824	70,876,372
Czech Koruna	—	7,467,463
Euro	38,035,704	218,728,544
Hungarian Forint	—	6,260,428
Indonesian Rupiah	4,950,494	25,600,177
Israeli Shekel	2,041,384	27,827,846
Japanese Yen	257,953,828	397,540,256
Malaysian Ringgit	32,829,644	27,857,376
Mexican Peso	147,447,577	177,684,021
New Zealand Dollar	18,133,414	10,959,332
Norwegian Krone	8,014,771	36,043,586
Peruvian Sol	—	10,976,262
Polish Zloty	1,902,946	31,255,775
Romanian Leu	—	7,435,732
Russian Ruble	4,396,565	9,425,722
Singapore Dollar	10,377,427	48,061,324
South African Rand	47,623,809	58,361,423
South Korean Won	25,398,675	102,939,378
UK Pound	28,524,998	43,596,927
Total Foreign Government and Provincial Obligations	774,627,287	1,577,811,810
Corporate Obligations:		
Australian Dollar	2,067,378	2,283,640
Brazilian Real	455,792	556,635
Canadian Dollar	—	23,909,858
Danish Krone	15,563,303	24,924,994
Euro	24,623,207	45,239,839
Indian Rupee	—	791
UK Pound	36,166,002	78,132,657
Total Corporate Obligations	78,875,682	175,048,414
Purchased Options:		
Brazilian Real	284,124	171,296
Euro	433,477	722,700
Total Purchased Options	717,601	893,996
Investment Funds-Emerging Markets:		
Brazilian Real	1,172,760	6,356,312
Private Investments:		
Australian Dollar	51,277,328	108,206,247
Canadian Dollar	171,723,226	197,445,816
Euro	1,056,615,290	789,502,646
Japanese Yen	41,780,446	29,582,375
Swedish Krona	56,802,563	52,544,344
UK Pound	246,318,795	212,702,494
Total Private Investments	1,624,517,648	1,389,983,922

Investment Type	August 31 2023	2022
Cash and Cash Equivalents:		
Australian Dollar	1,115,317	986,612
Brazilian Real	14,302,680	7,218,450
Canadian Dollar	(29,542)	864,701
Chilean Peso	263	16,704
Chinese Yuan Renminbi	4,532,387	5,240,418
Colombian Peso	—	379,570
Czech Koruna	20,405	30,430
Danish Krone	80,543	110,435
Egyptian Pound	226,138	1,052
Euro	29,490,167	35,522,404
Hong Kong Dollar	(526,957)	1,620,370
Hungarian Forint	—	3
Indian Rupee	109,194	394,376
Indonesian Rupiah	77,682	1,322,065
Israeli Shekel	2,700	18,927
Japanese Yen	(4,443,921)	13,778,639
Malaysian Ringgit	106,569	880,555
Mexican Peso	9,094	32,754
New Zealand Dollar	136,465	201,616
Norwegian Krone	641	192,018
Philippine Peso	—	4,394
Polish Zloty	3,528	5,852
Qatari Riyal	—	7,595
Romanian Leu	72	378
Russian Ruble	—	21
Singapore Dollar	181,559	544,500
South African Rand	2,625,981	2,902,878
South Korean Won	4,720,787	7,150,973
Swedish Krona	115,920	84,666
Swiss Franc	71,720	1,400,810
Taiwan Dollar	1,380,985	1,538,120
Thai Baht	919	1,718
Turkish Lira	31,209	126
UK Pound	(5,607,501)	5,108,592
United Arab Emirates Dirham	—	10,452
Total Cash and Cash Equivalents	48,735,004	87,573,174
Written Options:		
Brazilian Real	(331,526)	(236,134)
Euro	(413,319)	(1,025,269)
UK Pound	(2,820)	(37,279)
Total Written Options	(747,665)	(1,298,682)

Investment Type	August 31 2023	2022
Swaps:		
Australian Dollar	62,927	1,814,610
Canadian Dollar	(4,144,298)	(5,362,487)
Chinese Yuan Renminbi	(1,554,193)	252,938
Czech Koruna	(35,489)	(116,140)
Euro	(1,702,327)	(40,128,900)
Indian Rupee	22,477	182,950
Japanese Yen	110,068	(143,140)
Malaysian Ringgit	66,700	455,029
Mexican Peso	(123,892)	(260,670)
New Zealand Dollar	(1,004,302)	(874,653)
Singapore Dollar	(6,140)	(146,350)
South African Rand	—	18,601
South Korean Won	(484,362)	(1,283,489)
Swedish Krona	(103,476)	(195,500)
Swiss Franc	(340,939)	(4,033,028)
Thai Baht	(6,446)	316,418
UK Pound	(6,661,297)	(11,524,408)
Total Swaps	(15,904,989)	(61,028,219)
Futures:		
Australian Dollar	(165,027)	53,515
Brazilian Real	196,688	(3,646)
Canadian Dollar	(39,972)	314,828
Euro	(4,876,376)	3,091,601
Japanese Yen	87,550	(82,169)
UK Pound	533,183	1,097,276
Total Futures	(4,263,954)	4,471,405
Total	$ 5,356,269,841	5,265,999,773

(G) *Counterparty (Credit) Risk* – The derivative instruments utilized by the System contain varying degrees of off-statement of net position risk whereby changes in the fair values of securities underlying the financial instruments may exceed the amounts recognized in the statement of net position. The System manages these risks on an aggregate basis along with the risks associated with its other investments as part of its overall risk management process.

The System had gross counterparty exposure as of August 31, 2023 for options, swaps, and foreign currency exchange contracts as shown in the following table:

	Notional		Fair Value		
	Assets	**Liabilities**	**Assets**	**Liabilities**	**Counterparty Rating**
Options	$ 563,624,974	504,689,870	11,650,756	10,409,175	AA
Options	949,997,520	750,898,225	31,680,509	9,145,897	A
Swaps	648,523,660	935,113,558	13,612,907	28,374,404	AA
Swaps	12,625,099	230,833,970	2,977,376	13,259,353	A
Foreign Currency Exchange Contracts	894,864,740	634,768,783	14,231,057	9,769,338	AA
Foreign Currency Exchange Contracts	918,907,713	894,830,705	16,187,024	32,882,146	A
	$ 3,988,543,706	3,951,135,111	90,339,629	103,840,313	

The System had gross counterparty exposure as of August 31, 2022 for options, swaps, and foreign currency exchange contracts as shown in the following table:

	Notional		Fair Value		
	Assets	**Liabilities**	**Assets**	**Liabilities**	**Counterparty Rating**
Options	$ —	12,770,485	—	721,200	AA
Options	100,685,235	106,675,029	31,168,803	7,528,770	AA–
Options	—	108,365,139	—	264,324	A
Swaps	236,637,131	836,665,174	5,887,664	21,651,679	AA
Swaps	—	517,568	—	120,181	AA–
Swaps	78,180,673	91,409,515	3,209,527	18,775,670	A
Foreign Currency Exchange Contracts	1,324,012,062	612,662,155	30,122,108	11,211,574	AA
Foreign Currency Exchange Contracts	1,643,592,387	1,002,993,980	63,605,962	23,825,272	A
	$ 3,383,107,488	2,772,059,045	133,994,064	84,098,670	

As of August 31, 2023 and 2022, the System also had investments in futures contracts, options on futures contracts and exchange-cleared swaps. Futures contracts, options on futures contracts and exchange-cleared swaps expose the System to minimal counterparty credit risk since they are exchange traded and the exchange's clearinghouse, as counterparty to all exchange traded futures, guarantees the futures against default, and therefore, they are not presented in the previous tables.

Counterparty risk for swaps, options and foreign currency exchange contracts which are traded over-the-counter is mitigated by having master netting arrangements between the System and its counterparties, and by the posting of collateral on a daily basis by the counterparty to the System to cover the System's exposure to a counterparty above the limits set in place in each master netting agreement. Collateral posted by counterparties is held by the System in one of its accounts at the System's custodian bank. As of August 31, 2023 and 2022, the System held $43,978,845 and $110,121,616, respectively, as collateral related to derivative instruments other than futures, and had on deposit with brokers $239,341,773 and $118,302,873, respectively, as collateral related to derivative instruments other than futures.

SECURITIES LENDING

In accordance with the prudent investor investment standards, the System participates in a securities lending program. The System began the program, under a contract with the System's lending agent, on September 1, 1995. The lending agent is authorized to lend any securities held by the System's custodian except those securities, which the policy guidelines prohibit lending. At August 31, 2023 and 2022, there were a total of $1,046,773,903 and $1,075,164,462, respectively, of securities out on loan to brokers/dealers. A combination of cash and qualified non-cash securities are held as collateral against the outstanding securities on loan. The value of cash collateral held for these securities consisted of $707,785,341 at August 31, 2023 and $992,425,496 at August 31, 2022. These amounts are recorded as assets, with an offsetting liability to return the collateral on the consolidated statement of net position. The qualified non-cash securities received as collateral for securities lending activities are not recorded as assets because these securities remain under the control of the transferor, except in the event of default.

In security lending transactions, the System transfers its securities to brokers/dealers for collateral, which may be cash, securities issued or guaranteed by the United States government or its agencies, and irrevocable bank letters of credit, and simultaneously agrees to return the collateral for the same securities in the future.

Cash received as collateral for securities lending activities is invested and reinvested in a non-commingled pool exclusively for the benefit of the System. The pool is managed in accordance with investment guidelines established in the securities lending contract between the System and its securities lending agent. The maturities of the investments in the pool do not necessarily match the term of the loans, rather the pool is managed to maintain a maximum dollar weighted average maturity of 60 days and an overnight liquidity of 20%. The System was collateralized 106% on August 31, 2023 and 103% on August 31, 2022 for securities on loan collateralized by cash. The System's collateral pool investments, rating by NRSRO and weighted average maturity in days as of August 31, 2023 and 2022, are shown in the following table and include both the System's enterprise and fiduciary funds:

	August 31, 2023			August 31, 2022		
Description	**Fair Value**	**Rating**	**Weighted Average**	**Fair Value**	**Rating**	**Weighted Average**
Repurchase Agreements	$ 440,394,170	Not Rated	1	$ 552,776,500	Not Rated	1
Commercial Paper	145,864,142	A	19	172,603,891	A	13
Corporate Obligations	11,099,158	AA		10,000,000	A	
Corporate Obligations	—			21,400,000	P	
Corporate Obligations	—			5,975,000	Not Rated	
Total Corporate Obligations	11,099,158		1	37,375,000		1
International Obligations	—			128,974,420	AA	
International Obligations	—			92,949,998	A	
International Obligations	—			24,975,000	P	
International Obligations	—			8,475,000	Not Rated	
Total International Obligations	—		—	255,374,418		1
Certificate of Deposit	33,053,827	AA		—		
Certificate of Deposit	79,726,982	A		—		
Total Certificate of Deposit	112,780,809		1	—		—
Other Receivables/Payables	(2,352,938)	Not Rated	—	(25,704,313)	Not Rated	—
Total Collateral Pool Investment	$ 707,785,341		5	$ 992,425,496		3

Collateral pool investments are uninsured and are held by the securities lending agent, in its name, on behalf of the System, except for the investments in repurchase agreements, which are held in the securities lending agent's name by a third party custodian not affiliated with the System or the borrower of the associated loaned securities. Therefore, the collateral pool is not exposed to custodial credit risk, because the pool investments are not held by counterparties to the lending transactions or a counterparties' trust department or agent. All collateral pool investments are categorized as Level 2 in the fair value hierarchy and are valued based upon prices supplied by major fixed income pricing services, external broker quotes and internal pricing matrices.

Lending income is earned if the returns on those investments exceed the "rebate" paid to borrowers of the securities. The income is then shared with the lending agent based on a contractually negotiated rate split. If the investment of the cash collateral does not provide a return exceeding the rebate or if the investment incurs a loss of principal, part of the payment to the borrower would come from the System's resources and the lending agent based on the rate split.

Loans that are collateralized with securities generate income when the borrower pays a loan premium or fee for the securities loan. This income is split with the same ratio as the earnings for cash collateral. The collateral pledged to the System by the borrower is custodied by the lending agent or through a third-party arrangement. These securities held as collateral are not available to the System for selling or pledging unless the borrower is in default of the loan. The System held collateral equal to 103% and 104% of the securities on loan that were collateralized by non-cash securities as of August 31, 2023 and August 31, 2022, respectively.

The collateral received must have a fair value of 102% of the loaned securities of United States issuers. If the fair value of the collateral held in connection with loans of securities of United States issuers is less than 100% at the close of trading on any business day, the borrower is required to deliver additional collateral by the close of the next business day to equal 102% of the fair value.

For non-U.S. issuers, except those foreign securities that are denominated and payable in U.S. Dollars, the collateral should remain at 105% of the fair value of the loaned securities at the close of any business day. If it falls below 105%, the borrower must deliver additional collateral by the close of the following business day. The System was collateralized 121% for international loans on August 31, 2023 and 107% for international loans on August 31, 2022.

In the event of default, where the borrower is unable to return the securities loaned, the System has authorized the lending agent to seize the collateral held. The collateral is then used to replace the borrowed securities where possible. Due to some market conditions, it is possible that the original securities cannot be replaced. If the collateral is insufficient to replace the securities, the lending agent has indemnified the System from any loss due to borrower default.

At August 31, 2023 and 2022, the System had no credit risk exposure to borrowers because the amounts the System owed to borrowers exceeded the amounts the borrowers owed the System.

There were no significant violations of legal or contractual provisions, no borrower or lending agent default losses and no recoveries of prior period losses during the years ended August 31, 2023 and 2022.

DERIVATIVE FINANCIAL INSTRUMENTS

Derivative instrument securities are financial instruments whose value is derived, in whole or in part, from the value of any one or more underlying securities or assets, or index of securities or assets, such as stocks, bonds, commodities or currencies. Derivative instruments cover a broad range of financial instruments, such as forwards, futures, options and swaps.

(A) *Futures Contracts* – Futures contracts are used to facilitate various trading strategies, primarily as a tool to increase or decrease market exposure to various asset classes. The fair value of the asset positions is included in investments, and the fair value of the liability positions is included in investment derivatives-liability positions on the consolidated statement of net position. Futures contracts are marked to market daily; that is, they are valued at the close of business each day and a gain or loss is recorded between the value of the contracts that day and on the previous day. The daily gain or loss difference is referred to as the daily variation margin, which is settled in cash with the broker each morning for the amount of the previous day's mark to market. The amount that is settled in cash with the broker each morning is the fair value of the futures contracts.

The changes in fair value of open futures contracts were increases of $66,634,619 and $30,951,309 for the years ending August 31, 2023 and 2022, respectively, which are included in investment income on the consolidated statements of revenues, expenses and changes in net position. The System had $54,428,293 and $23,393,745 on deposit with brokers for collateral as margin for the futures contracts as of August 31, 2023 and 2022, respectively. Short futures may be used by internal managers and a limited number of external managers of the System to hedge the System's interest rate or currency risk associated with security positions. The System executes such contracts either on major exchanges or with major international financial institutions and minimizes market and credit risk associated with these contracts through the managers' various trading and credit monitoring techniques.

The following discloses the type, notional value, and fair value of futures contracts at August 31, 2023:

	Notional Value at August 31, 2023		Fair Value at August 31, 2023	
	Long	**Short**	**Assets**	**Liabilities**
Domestic Fixed Income	$ 1,960,018,260	669,942,895	10,470,648	1,377,350
International Fixed Income	389,465,242	2,107,176,210	1,402,561	5,435,135
Domestic Equity	785,925,143	59,049,980	411,442	5,834,373
International Equity	101,386,918	6,831,265	14,605	245,985
Totals	$ 3,236,795,563	2,843,000,350	12,299,256	12,892,843

The following discloses the type, notional value, and fair value of futures contracts at August 31, 2022:

	Notional Value at August 31, 2022		Fair Value at August 31, 2022	
	Long	**Short**	**Assets**	**Liabilities**
Domestic Fixed Income	$ 996,142,017	567,543,379	338,238	4,376,631
International Fixed Income	144,484,504	1,434,032,603	3,749,183	506,446
Domestic Equity	438,308,290	93,983,335	927,766	2,360,557
International Equity	125,030,161	117,229,432	1,396,062	167,394
Totals	$ 1,703,964,972	2,212,788,749	6,411,249	7,411,028

(B) *Foreign Currency Exchange Contracts* – The System enters into forward foreign currency exchange contracts to hedge against foreign currency exchange rate risks on its non-U.S. dollar denominated investment securities and to facilitate trading strategies primarily as a tool to increase or decrease market exposure to various foreign currencies. When entering into a forward currency contract, the System agrees to receive or deliver a fixed quantity of foreign currency for an agreed-upon price on an agreed future date. These contracts are valued daily and the System's net equity therein, representing unrealized gain or loss on the contracts, as measured by the difference between the forward foreign exchange rates at the dates of entry into the contracts and the forward rates at the reporting date, is included in investments for the asset positions and investment derivatives-liability positions for the liability positions. These instruments involve market and/or credit risk in excess of the amount recognized in the consolidated statement of net position. Risks arise from the possible inability of counterparties to meet the terms of their contracts and from movement in currency and securities values and interest rates.

The following tables summarize, by currency, the contractual amounts of the System's foreign exchange contracts at August 31, 2023 and 2022. Foreign currency amounts are translated at exchange rates as of August 31, 2023 and 2022. The "Net Buy" amounts represent the U.S. dollar equivalent of net commitments to purchase foreign currencies and the "Net Sell" amounts represent the U.S. dollar equivalent of net commitments to sell foreign currencies.

	August 31, 2023			
Currency	**Net Buy**	**Net Sell**	**Unrealized Gains on Foreign Exchange Contracts**	**Unrealized Losses on Foreign Exchange Contracts**
Australian Dollar	$ 37,929,306	—	782,898	1,106,428
Brazilian Real	—	8,820,026	1,180,049	866,327
Canadian Dollar	31,485,963	16,558,590	1,055,626	944,165
Chilean Peso	29,086	2,095,333	294,083	48,458
Chinese Yuan Renminbi	—	58,784,892	1,362,505	761,551
Colombian Peso	—	49,042,260	668,664	261,639
Czech Koruna	10,339,975	2,700,973	30,140	128,613
Danish Krone	—	14,287,333	272,339	15,426
Egyptian Pound	—	25,566	—	71
Euro	—	133,896,097	2,896,084	409,425
Hong Kong Dollar	20,985	294,860	2,080	—
Hungarian Forint	1,810,773	411,639	26,189	9,501
Indian Rupee	36,224,956	—	76,038	157,652
Indonesian Rupiah	2,326,485	4,726,823	84,205	68,236
Israeli Shekel	8,394	4,084,785	639,516	163,418
Japanese Yen	—	84,865,281	13,246,925	30,459,621
Malaysian Ringgit	—	963,395	19,162	18
Mexican Peso	—	113,541,296	650,594	952,722
New Zealand Dollar	—	23,167,835	1,058,835	647,859
Norwegian Krone	42,533,045	—	524,119	1,206,178
Peruvian Sol	—	1,292,628	39,793	40,126
Philippines Peso	—	2,102,527	39,716	65,401
Polish Zloty	—	10,205,150	39,274	61,393
Romanian Leu	—	2,085,209	6,803	12,628
Singapore Dollar	—	19,287,238	727,792	475,355
South African Rand	—	28,429,615	66,127	181,848
South Korean Won	—	13,859,902	1,043,199	1,383,073
Swedish Krona	30,187,864	—	97,550	266,773
Swiss Franc	—	7,733,804	234,899	144,208
Taiwan Dollar	—	10,411,267	495,798	15,104
Thailand Baht	4,585,546	2,268,510	834,073	552,978
Turkish Lira	50,526	—	46,133	46,141
UK Pound	—	106,401,148	1,876,873	1,199,148
TOTAL	$ 197,532,904	722,343,982	30,418,081	42,651,484

The change in fair value of open foreign currency exchange contracts for the year ending August 31, 2023 was a decrease in the amount of $12,233,403, which is included in investment income on the consolidated statement of revenues, expenses and changes in net position.

	August 31, 2022			
Currency	Net Buy	Net Sell	Unrealized Gains on Foreign Exchange Contracts	Unrealized Losses on Foreign Exchange Contracts
Australian Dollar	$ —	76,772,827	4,803,639	1,596,715
Brazilian Real	—	44,100,394	250,192	3,594,191
Canadian Dollar	—	72,184,915	2,735,736	1,487,851
Chilean Peso	36,864,134	—	1,831,663	1,196,214
Chinese Yuan Renminbi	—	140,892,054	3,849,575	538,508
Colombian Peso	—	47,948,939	981,115	658,265
Czech Koruna	—	10,113,863	366,222	23,431
Danish Krone	—	29,179,467	466,426	79,286
Euro	—	366,754,925	8,401,002	1,692,254
Hong Kong Dollar	—	90,832	—	4
Hungarian Forint	12,710,377	—	371,616	1,018,828
Indian Rupee	1,584,941	—	19,602	25,906
Indonesian Rupiah	—	24,307,525	215,755	263,614
Israeli Shekel	—	47,355,441	1,038,273	1,086,616
Japanese Yen	—	381,562,235	42,297,736	11,145,655
Malaysian Ringgit	—	1,296,083	1,719,747	324,033
Mexican Peso	—	145,081,145	288,684	1,193,766
New Zealand Dollar	—	31,159,156	3,700,031	1,143,293
Norwegian Krone	—	6,143,957	442,278	608,504
Peruvian Sol	—	16,547,670	245,857	640,175
Philippines Peso	—	7,826,606	83,129	—
Polish Zloty	—	21,925,190	508,661	289,013
Romanian Leu	—	6,284,586	238,573	—
Singapore Dollar	—	45,750,172	250,935	63,288
South African Rand	—	55,457,382	2,472,525	459,802
South Korean Won	—	95,022,898	4,569,263	209,706
Swedish Krona	70,878,755	—	512,327	2,188,764
Swiss Franc	—	16,186,904	1,031,975	746,930
Taiwan Dollar	—	1,304,335	45,741	36,163
Thailand Baht	—	12,202,745	1,976,121	910,514
Turkish Lira	—	3,624,760	—	21,790
UK Pound	—	150,490,891	8,013,671	1,793,767
TOTAL	$ 122,038,207	1,857,567,897	93,728,070	35,036,846

The change in fair value of open foreign currency exchange contracts for the year ending August 31, 2022 was an increase in the amount of $58,691,224, which is included in investment income on the consolidated statement of revenues, expenses and changes in net position

(C) *Written Options* – Written options are used to alter the market (systematic) exposure without trading the underlying cash market securities, and to hedge and control risks, so that the actual risk/return profile is more closely aligned with the target risk/return profile. The fair value is included on the consolidated statement of net position in investment derivatives-liability positions. The following discloses the fair values of the outstanding written call options contracts as of August 31, 2023 and 2022:

	Fair Value at August 31, 2023	
Type	**Assets**	**Liabilities**
Equity	—	8,846,918
Interest Rate Swap	33,335	65,458
Other	—	15,963
	$ 33,335	8,928,339

The change in fair value of open call options for the year ending August 31, 2023, was an increase in the amount of $417,783, which is included in investment income on the consolidated statement of revenues, expenses and changes in net position.

	Fair Value at August 31, 2022	
Type	**Assets**	**Liabilities**
Currency	$ —	56
Equity	149	7,571,904
Interest Rate Swap	34,518	151,178
Other	75	15,559
	$ 34,742	7,738,697

The change in fair value of open call options for the year ending August 31, 2022, was an increase in the amount of $15,866,628, which is included in investment income on the consolidated statement of revenues, expenses and changes in net position.

The following discloses the fair values of the outstanding written put options contracts as of August 31, 2023 and 2022:

	Fair Value at August 31, 2023	
Type	**Assets**	**Liabilities**
Equity	—	10,623,079
Interest Rate Swap	—	1,454,366
Other	—	53,012
	$ —	12,130,457

The change in fair value of open put options for the year ending August 31, 2023, was an increase in the amount of $2,022,266, which is included in investment income on the consolidated statement of revenues, expenses and changes in net position.

	Fair Value at August 31, 2022	
Type	**Assets**	**Liabilities**
Currency	$ —	6,806
Equity	—	197,706
Interest Rate Swap	—	6,296,157
Other	—	37,804
	$ —	6,538,473

The change in fair value of open put options for the year ending August 31, 2022, was a decrease in the amount of $5,199,202, which is included in investment income on the consolidated statement of revenues, expenses and changes in net position.

(D) *Swaps* – Swaps are used to adjust interest rate and yield curve exposures. The fair value of the asset positions is included in investments, and the fair value of the liability positions is included in investment derivatives-liability positions on the consolidated statement of net position. The following discloses the notional amount (presented in US dollar equivalents) and the fair values of the outstanding swap contracts as of August 31, 2023:

		Fair Value at August 31, 2023	
Type	**USD Notional Value**	**Assets**	**Liabilities**
Interest Rate (Pay-Fixed Receive-Variable)	$ 2,119,495,052	16,929,671	40,606,022
Interest Rate (Pay-Variable Receive-Fixed)	263,864,073	12,222,985	23,075
Commodity	197,576,514	—	2,664,416
Credit Default	344,614,079	4,895,863	476,602
Currency	12,895,400	1,284,453	1,242,567
Equity	1,426,259,205	14,395,971	35,881,009
Fixed Income	135,806,676	760,969	147,284
Volatility	20,989,665	575,694	12,261
Total	$ 4,521,500,664	51,065,606	81,053,236

The change in fair value of open swap positions for the year ending August 31, 2023, was a decrease in the amount of $25,303,709, which is included in investment income on the consolidated statement of revenues, expenses and changes in net position.

The following discloses the notional amount (presented in US dollar equivalents) and the fair values of the outstanding swap contracts as of August 31, 2022:

Type	USD Notional Value	Fair Value at August 31, 2022 Assets	Fair Value at August 31, 2022 Liabilities
Interest Rate (Pay-Fixed Receive-Variable)	$ 1,619,776,728	9,376,149	93,188,565
Interest Rate (Pay-Variable Receive-Fixed)	1,115,286,562	38,599,479	—
Commodity	71,259,311	—	152,024
Credit Default	189,099,349	2,486,471	470,216
Currency	30,478,920	1,817,226	2,044,696
Equity	991,170,297	5,779,299	34,293,071
Fixed Income	6,451,743	639,269	6,625
Inflation	8,959,720	—	1,874,916
Volatility	141,588,641	1,456,581	1,639,564
Total	$ 4,174,071,271	60,154,474	133,669,677

The change in fair value of open swap positions for the year ending August 31, 2022, was a decrease in the amount of $73,297,468, which is included in investment income on the consolidated statement of revenues, expenses and changes in net position.

7. Derivative Instruments

Derivative instruments are financial instruments the value of which is derived, in whole or part, from the value of any one or more underlying assets or index of asset values. Derivative instruments include forwards, futures, options and swaps. Hedging derivative instrument contracts are entered into for the purpose of reducing the overall cost of borrowing long-term capital and to protect the System against the risk of rising interest rates. The hedging derivative instruments primarily consist of interest rate swap agreements entered into in connection with long-term bonds. The derivative instrument contracts enable the System to issue bonds at a cost less than what the System would have paid to issue conventional fixed-rate debt. Investment derivative instruments are entered into with the intention of managing transaction or currency exchange risk in purchasing, selling or holding investments. Ineffective hedges are also reported as investment derivative instruments.

All derivative instruments are categorized as Level 2 in the fair value hierarchy, except for futures contracts and some of the purchased options which are categorized as Level 1. The fair values of the interest rate swaps are calculated using a forecast of expected discounted future net cash flows. Other swaps are fair valued by using independent broker quotes or using models with primarily externally verifiable model inputs. Futures contracts and foreign exchange contracts are fair valued at closing market prices on the valuation date. The following disclosures summarize the System’s derivative instrument activity, in both the System’s enterprise and fiduciary funds, as reported in the consolidated financial statements.

	Change in Fair Value (FV) August 31, 2022 to August 31, 2023		Fair Value at August 31, 2023		
	Classification	Amount	Classification	Amount	Notional Amount
Interest Rate Swaps					
Fair Value Hedging Derivative Instrument Assets Pay-Variable Receive-Fixed	Def Inflows	$ 540,818	Hedging Derivative Instrument Asset	$ 540,818	128,180,000
Cash Flow Hedging Derivative Instrument Assets Pay-Fixed Receive-Variable	Def Inflows	5,231,458	Hedging Derivative Instrument Asset	130,238,920	500,000,000
Cash Flow Hedging Derivative Instrument Liabilities Pay-Fixed Receive-Variable	Def Outflows	48,122,156	Hedging Derivative Instrument Liab	(39,388,655)	976,475,000
Investment Derivative Instrument Assets Basis Swaps	Net Incr. (Decr.) in FV of Invest	13,606,748	Investments	41,277,103	804,760,000
Investment Derivative Instrument Liabilities Basis Swaps	Net Incr. (Decr.) in FV of Invest	974,081	Invest Deriv Instrument – Liab Positions	—	—
Investment Derivative Instruments					
Investment Derivative Instrument Assets:					
Swaps:					
Pay-Fixed Receive-Variable		16,388,033		16,929,671	722,909,240
Pay-Variable Receive-Fixed		8,774,567		12,222,985	256,456,211
Commodity		—		—	—
Credit Default		4,673,046		4,895,863	317,514,079
Currency		(52,319)		1,284,453	6,217,440
Equity		14,395,971		14,395,971	526,687,054
Fixed Income		760,969		760,969	91,850,000
Inflation		—		—	—
Volatility		550,160		575,694	14,142,557
Total Swaps	Net Incr. (Decr.) in FV of Invest	45,490,427	Investments	51,065,606	1,935,776,581
Futures	Net Incr. (Decr.) in FV of Invest	12,299,256	Other Accounts Receivable	12,299,256	3,236,795,563
Unrealized Gains on Foreign Forwards	Net Incr. (Decr.) in FV of Invest	30,418,081	Investments	30,418,081	1,813,772,453
Purchased Options	Net Incr. (Decr.) in FV of Invest	(13,932,374)	Investments	45,889,354	1,606,156,470
Investment Derivative Instrument Liabilities:					
Swaps:					
Pay-Fixed Receive-Variable		(31,819,186)		(40,606,022)	1,396,585,812
Pay-Variable Receive-Fixed		(23,075)		(23,075)	7,407,862
Commodity		(2,664,416)		(2,664,416)	197,576,514
Credit Default		(476,602)		(476,602)	27,100,000
Currency		229,697		(1,242,567)	6,677,960
Equity		(35,881,009)		(35,881,009)	899,572,151
Fixed Income		(147,284)		(147,284)	43,956,676
Inflation		—		—	—
Volatility		(12,261)		(12,261)	6,847,108
Total Swaps	Net Incr. (Decr.) in FV of Invest	(70,794,136)	Invest Deriv – Liab Positions	(81,053,236)	2,585,724,083
Futures	Net Incr. (Decr.) in FV of Invest	(12,892,843)	Current Accounts Payable	(12,892,843)	2,843,000,350
Unrealized Losses on Foreign Forwards	Net Incr. (Decr.) in FV of Invest	(42,651,484)	Invest Deriv – Liab Positions	(42,651,484)	1,529,599,488
Options Written	Net Incr. (Decr.) in FV of Invest	2,440,049	Invest Deriv – Liab Positions	(21,025,461)	1,451,390,932

	Change in Fair Value (FV) August 31, 2021 to August 31, 2022		Fair Value at August 31, 2022		
	Classification	Amount	Classification	Amount	Notional Amount
Interest Rate Swaps					
Fair Value Hedging Derivative Instrument Assets Pay-Variable Receive-Fixed	Def Inflows	$ —	Hedging Derivative Instrument Asset	$ —	—
Cash Flow Hedging Derivative Instrument Assets Pay-Fixed Receive-Variable	Def Inflows	107,491,753	Hedging Derivative Instrument Asset	125,007,462	740,340,000
Cash Flow Hedging Derivative Instrument Liabilities Pay-Fixed Receive-Variable	Def Outflows	205,849,951	Hedging Derivative Instrument Liab	(87,510,811)	1,024,660,000
Investment Derivative Instrument Assets Basis Swaps	Net Incr. (Decr.) in FV of Invest	9,460,411	Investments	27,670,355	631,590,000
Investment Derivative Instrument Liabilities Basis Swaps	Net Incr. (Decr.) in FV of Invest	(442,173)	Invest Deriv Instrument – Liab Positions	(974,081)	206,010,000
Investment Derivative Instruments					
Investment Derivative Instrument Assets:					
Swaps:					
Pay-Fixed Receive-Variable		8,897,765		9,376,149	413,469,720
Pay-Variable Receive-Fixed		37,943,540		38,599,479	1,115,286,562
Commodity		—		—	—
Credit Default		1,716,803		2,486,471	146,040,517
Currency		(179,654)		1,817,226	9,254,925
Equity		5,779,299		5,779,299	206,681,360
Fixed Income		639,269		639,269	211,743
Inflation		—		—	—
Volatility		1,456,581		1,456,581	63,070,029
Total Swaps	Net Incr. (Decr.) in FV of Invest	56,253,603	Investments	60,154,474	1,954,014,856
Futures	Net Incr. (Decr.) in FV of Invest	6,411,249	Other Accounts Receivable	6,411,249	1,703,964,972
Unrealized Gains on Foreign Forwards	Net Incr. (Decr.) in FV of Invest	93,728,070	Investments	93,728,070	2,967,604,449
Purchased Options	Net Incr. (Decr.) in FV of Invest	9,436,135	Investments	32,481,867	111,480,027
Investment Derivative Instrument Liabilities:					
Swaps:					
Pay-Fixed Receive-Variable		(91,786,346)		(93,188,565)	1,206,307,008
Pay-Variable Receive-Fixed		—		—	—
Commodity		(152,024)		(152,024)	71,259,311
Credit Default		(236,369)		(470,216)	43,058,832
Currency		16,847		(2,044,696)	21,223,995
Equity		(34,293,071)		(34,293,071)	784,488,937
Fixed Income		(6,625)		(6,625)	6,240,000
Inflation		(1,453,919)		(1,874,916)	8,959,720
Volatility		(1,639,564)		(1,639,564)	78,518,612
Total Swaps	Net Incr. (Decr.) in FV of Invest	(129,551,071)	Invest Deriv – Liab Positions	(133,669,677)	2,220,056,415
Futures	Net Incr. (Decr.) in FV of Invest	(7,411,028)	Current Accounts Payable	(7,411,028)	2,212,788,749
Unrealized Losses on Foreign Forwards	Net Incr. (Decr.) in FV of Invest	(35,036,846)	Invest Deriv – Liab Positions	(35,036,846)	1,615,656,135
Options Written	Net Incr. (Decr.) in FV of Invest	10,667,426	Invest Deriv – Liab Positions	(14,242,427)	797,770,648

Fiduciary fund investment derivative instrument assets of $496,874 and $719,630 as of August 31, 2023 and 2022, respectively, are included in the numbers in the tables above. Fiduciary fund investment derivative instrument liabilities of $576,154 and $726,153 as of August 31, 2023 and 2022, respectively, are included in the numbers in the tables above.

See Note 13 for more information on Cash Flow Hedges – Interest Rate Swaps and Note 6 for more information on Investment Derivative Instruments.

8. Endowments

Investments include $59,937,190,064 and $57,204,588,630 of endowment funds as of August 31, 2023 and 2022, respectively. The net position classifications on the statement of net position related to endowment funds as of August 31, 2023 and 2022 are as follows:

Net Position Classification of Endowments	**2023**	**2022**
Restricted, Nonexpendable	$ 38,161,618,752	36,029,323,644
Restricted, Expendable:		
Net Appreciation on True Endowments	17,487,270,676	17,343,207,979
Funds Functioning as Endowments	1,031,549,265	983,968,501
Book Value of Term Endowments	42,599,504	43,040,932
Net Appreciation on Term Endowments	55,979,709	58,063,077
Unrestricted:		
Funds Functioning as Endowments	1,342,467,476	1,319,166,760
Total	$ 58,121,485,382	55,776,770,893

In the table above, amounts reported as “Net Appreciation” represent net appreciation on investments of donor or constitutionally restricted endowments that are available for authorization for expenditure by the U. T. System Board of Regents. For donor restricted endowments, pursuant to the Uniform Prudent Management of Institutional Funds Act, as adopted by Texas, the U. T. System Board of Regents may distribute net appreciation, realized and unrealized, in the fair value of the assets of endowment holdings over the historic dollar value of the gifts, to the extent prudent. The System’s policy is to retain all undistributed net realized and unrealized appreciation within the endowment funds. The System’s endowment distribution policy is further discussed below.

ENDOWMENTS AND SIMILAR FUNDS – STATE

These endowments are comprised of the PUF and the PHF. The PUF was established for the benefit of the System and the Texas A&M University System. The University of Texas System administers the PHF and the distributions from the PHF benefit the System’s health-related institutions, as well as for the Texas A&M University Health Science Center, the University of North Texas Health Science Center at Fort Worth, the Texas Tech University Health Science Center and Baylor College of Medicine.

The PUF was established by Article 7, Section 11 of the *Texas Constitution of 1876* through the appropriation of land grants. Amendments to the Constitution, approved by voters in 1999, were related to the investment of the PUF and the distributions from the PUF to the AUF. The Constitution, as amended, is summarized as follows: (i) The U. T. System Board of Regents is held to a “prudent investor” rather than a “prudent person” standard; (ii) distributions to the AUF are made from the total return on all PUF investment assets; (iii) the U. T. System Board of Regents determines the amount of distributions to the AUF, which may not exceed an amount equal to 7% of the average net fair value of investment assets, except as necessary to pay debt service on PUF bonds and notes; (iv) the U. T. System Board of Regents determines the amount of distributions to the AUF in a manner intended to provide the AUF with a stable and predictable stream of annual distributions and to maintain, over time, the purchasing power of PUF investments and annual distributions to the AUF; and (v) the expenses of managing PUF land and investments are paid by the PUF.

The U. T. System Board of Regents manages certain permanent funds for health-related institutions of higher education as more fully described in Chapter 63 of the *Texas Education Code*. Certain funds created by this statute were transferred to the U. T. System Board of Regents on August 30, 1999, to be managed and invested in the same manner as the U. T. System Board of Regents manages and invests other endowment funds. The PHF as defined in the statute is classified as Endowment and Similar Funds – State. These endowments provide support for programs that benefit medical research, health education or treatment at health-related institutions. The U. T. System Board of Regents determines the amount of distributions to support the programs on an annual basis.

The annual payout of the PHF is determined by the U. T. System Board of Regents. The annual payout is typically adjusted by the average consumer price index of the previous twelve quarters provided that the distribution rate remains within a range of 3.5% to 5.5% of the PHF's net position; however, the U. T. System Board of Regents may approve distribution amount above, within, or below this range.

The General Endowment Fund (GEF), created March 1, 2001, is a pooled fund established for the collective investment of long-term funds under the control and management of the U. T. System Board of Regents. The GEF is organized as a pooled investment and has two participants, the PHF and the LTF. The PHF and LTF initially purchased units of the GEF on March 1, 2001, in exchange for the contribution of their investment assets. The GEF provides for greater diversification of investments than would be possible if each account were managed separately. The annual payout of the LTF is also determined by the U. T. System Board of Regents. The annual payout is typically adjusted by the average consumer price index of the previous twelve quarters provided that the distribution rate remains within a range of 3.5% to 5.5% of the LTF's net position; however, the U. T. System Board of Regents may approve distribution amount above, within, or below this range.

ENDOWMENT AND SIMILAR FUNDS - OTHER THAN STATE

The funds are subject to restrictions of endowment and trust instruments, requiring that the principal be maintained and that only the income be utilized. Funds may include Permanent Endowments, Term Endowments and Funds Functioning as Endowments. Funds Functioning as Endowments consist of amounts that have been internally dedicated by the System for long-term investment purposes. Funds with external donor restrictions are classified as Funds Functioning as Endowments – Restricted. If no external restriction exists, the funds are classified as Funds Functioning as Endowments – Unrestricted. Endowment holdings may be invested in the LTF, or may be separately invested based upon the following three factors: (i) there are investment restrictions incorporated into the trust or endowment document; (ii) the inability to sell the gifted investment asset; or (iii) they are holdings being migrated upon liquidation into the LTF. Distributions are based upon the actual income received from the separately invested holdings.

AVAILABLE UNIVERSITY FUND

The AUF consists of distributions made to it from the total return on the PUF investment assets and surface income from PUF lands. All surface income from the PUF lands (i.e., grazing leases and land easements) is deposited to the AUF. The AUF must be used first to pay debt service on the PUF bonds and notes. After debt service requirements are met, the AUF may be appropriated for the support and maintenance of U. T. Austin and U. T. System Administration.

9. Capital Assets

A summary of changes in the capital assets for the year ended August 31, 2023, is presented below.

	Balance September 1, 2022	Reclassifications Completed CIP	Reclassifications Interagency Transfers - In
Nondepreciable Assets:			
Land and Land Improvements	$ 1,129,134,066	8,657,278	—
Construction in Progress (CIP)	1,232,888,101	(776,807,967)	—
Nondepreciable Collections	802,829,247	28,503	—
Nonamortizable Intangible Assets	24,596,943	—	1,030,343
Total Nondepreciable/Nonamortizable Assets	3,189,448,357	(768,122,186)	1,030,343
Depreciable Assets:			
Buildings and Building Improvements	24,988,624,631	566,492,061	—
Infrastructure	807,835,306	24,832,556	—
Facilities and Other Improvements	1,310,148,423	33,059,512	(1,030,343)
Furniture and Equipment	5,429,492,054	28,635,968	207,790
Vehicles, Boats and Aircraft	103,080,654	447,354	—
Other Depreciable Assets (including Library Books)	1,059,610,677	95,159,830	—
Total Depreciable Assets at Historical Cost	33,698,791,745	748,627,281	(822,553)
Less Accumulated Depreciation for:			
Buildings and Building Improvements	(13,264,799,249)	—	—
Infrastructure	(347,520,031)	—	—
Facilities and Other Improvements	(693,130,290)	—	—
Furniture and Equipment	(3,955,699,950)	—	(112,471)
Vehicles, Boats and Aircraft	(78,308,318)	—	—
Other Depreciable Assets (including Library Books)	(692,919,278)	—	—
Total Accumulated Depreciation	(19,032,377,116)	—	(112,471)
Depreciable Assets, Net	14,666,414,629	748,627,281	(935,024)
Amortizable Intangible Assets:			
Computer Software	1,339,031,443	19,494,905	—
Other Intangibles	700,000	—	—
Right-of-Use Land	85,536,270	—	—
Right-of-Use Building	975,543,614	—	—
Right-of-Use Equipment	74,871,279	—	—
Right-of-Use Infrastructure	1,715,358	—	—
Right-of-Use SBITA	154,514,277	—	—
Total Amortizable Intangible Assets	2,631,912,241	19,494,905	—
Less Accumulated Amortization for:			
Computer Software	(1,176,856,529)	—	—
Other Intangibles	(420,000)	—	—
Right-of-Use Land	(3,049,899)	—	—
Right-of-Use Building	(166,471,128)	—	—
Right-of-Use Equipment	(36,754,637)	—	—
Right-of-Use Infrastructure	(393,608)	—	—
Right-of-Use SBITA	(40,271,235)	—	—
Total Accumulated Amortization	(1,424,217,036)	—	—
Intangible Capital Assets, Net	1,207,695,205	19,494,905	—
Capital Assets, Net	$ 19,063,558,191	—	95,319

	Reclassifications Interagency Transfers - Out	Additions	Deletions	Balance August 31, 2023
Nondepreciable Assets:				
Land and Land Improvements	$ —	10,109,040	(5,365,421)	1,142,534,963
Construction in Progress (CIP)	—	1,079,194,432	(1,097,663)	1,534,176,903
Nondepreciable Collections	—	47,470,869	(579,474)	849,749,145
Nonamortizable Intangible Assets	(1,030,343)	—	—	24,596,943
Total Nondepreciable/Nonamortizable Assets	(1,030,343)	1,136,774,341	(7,042,558)	3,551,057,954
Depreciable Assets:				
Buildings and Building Improvements	—	384,870,166	(184,395,994)	25,755,590,864
Infrastructure	—	1,172	(2,608,517)	830,060,517
Facilities and Other Improvements	1,030,343	8,864,820	(1,963,503)	1,350,109,252
Furniture and Equipment	(163,355)	449,610,443	(202,646,303)	5,705,136,597
Vehicles, Boats and Aircraft	—	8,953,211	(3,753,574)	108,727,645
Other Depreciable Assets (including Library Books)	—	30,154,007	(14,686,168)	1,170,238,346
Total Depreciable Assets at Historical Cost	866,988	882,453,819	(410,054,059)	34,919,863,221
Less Accumulated Depreciation for:				
Buildings and Building Improvements	(162,545)	(952,359,783)	170,376,022	(14,046,945,555)
Infrastructure	—	(32,244,320)	2,608,517	(377,155,834)
Facilities and Other Improvements	—	(60,879,563)	1,963,503	(752,046,350)
Furniture and Equipment	113,355	(428,415,222)	178,187,023	(4,205,927,265)
Vehicles, Boats and Aircraft	—	(7,312,033)	3,604,376	(82,015,975)
Other Depreciable Assets (including Library Books)	—	(58,684,464)	14,353,490	(737,250,252)
Total Accumulated Depreciation	(49,190)	(1,539,895,385)	371,092,931	(20,201,341,231)
Depreciable Assets, Net	817,798	(657,441,566)	(38,961,128)	14,718,521,990
Amortizable Intangible Assets:				
Computer Software	—	17,982,519	(8,166,591)	1,368,342,276
Other Intangibles	—	—	—	700,000
Right-of-Use Land	—	1,146,933	(157,630)	86,525,573
Right-of-Use Building	—	141,133,694	(26,175,514)	1,090,501,794
Right-of-Use Equipment	—	48,999,194	(22,834,821)	101,035,652
Right-of-Use Vehicle	—	265,361	—	265,361
Right-of-Use Infrastructure	—	408,672	—	2,124,030
Right-of-Use SBITA	—	130,070,877	(16,265,185)	268,319,969
Total Amortizable Intangible Assets	—	340,007,250	(73,599,741)	2,917,814,655
Less Accumulated Amortization for:				
Computer Software	—	(85,768,332)	8,154,463	(1,254,470,398)
Other Intangibles	—	(140,000)	—	(560,000)
Right-of-Use Land	—	(1,592,963)	139,422	(4,503,440)
Right-of-Use Building	—	(95,071,633)	20,055,062	(241,487,699)
Right-of-Use Equipment	—	(31,375,580)	22,490,673	(45,639,544)
Right-of-Use Vehicle	—	(26,240)	—	(26,240)
Right-of-Use Infrastructure	—	(258,001)	—	(651,609)
Right-of-Use SBITA	—	(72,939,580)	14,256,839	(98,953,976)
Total Accumulated Amortization	—	(287,172,329)	65,096,459	(1,646,292,906)
Intangible Capital Assets, Net	—	52,834,921	(8,503,282)	1,271,521,749
Capital Assets, Net	$ (212,545)	532,167,696	(54,506,968)	19,541,101,693

A summary of changes in the capital assets for the year ended August 31, 2022, is presented below and includes adjustments made for GASB Statement No. 94 and 96. See Note 4 for further details on the restatements.

	Balance September 1, 2021	Reclassifications Completed CIP	Reclassifications Interagency Transfers - In
Nondepreciable Assets:			
Land and Land Improvements	$ 997,515,696	2,950	—
Construction in Progress (CIP)	1,497,415,939	(1,291,484,206)	—
Nondepreciable Collections	714,510,491	1,638,459	—
Nonamortizable Intangible Assets	24,597,868	—	—
Total Nondepreciable/Nonamortizable Assets	3,234,039,994	(1,289,842,797)	—
Depreciable Assets:			
Buildings and Building Improvements	23,662,335,586	1,134,461,371	—
Infrastructure	767,127,817	40,689,365	—
Facilities and Other Improvements	1,297,961,682	32,275,996	—
Furniture and Equipment	5,134,069,554	15,373,578	904,703
Vehicles, Boats and Aircraft	101,129,516	106,132	—
Other Depreciable Assets (including Library Books)	992,355,249	39,987,457	—
Total Depreciable Assets at Historical Cost	31,954,979,404	1,262,893,899	904,703
Less Accumulated Depreciation for:			
Buildings and Building Improvements	(12,324,633,166)	—	—
Infrastructure	(316,790,369)	—	—
Facilities and Other Improvements	(664,223,150)	—	—
Furniture and Equipment	(3,661,348,777)	—	(836,648)
Vehicles, Boats and Aircraft	(74,133,435)	—	—
Other Depreciable Assets (including Library Books)	(663,498,728)	—	—
Total Accumulated Depreciation	(17,704,627,625)	—	(836,648)
Depreciable Assets, Net	14,250,351,779	1,262,893,899	68,055
Amortizable Intangible Assets:			
Computer Software	1,312,700,009	26,948,898	—
Other Intangibles	700,000	—	—
Right-of-Use Land	85,396,848	—	—
Right-of-Use Building	821,065,758	—	—
Right-of-Use Equipment	71,834,784	—	—
Right-of-Use Infrastructure	1,486,381	—	—
Right-of-Use SBITA	94,828,058	—	—
Total Amortizable Intangible Assets	2,388,011,838	26,948,898	—
Less Accumulated Amortization for:			
Computer Software	(1,097,273,683)	—	—
Other Intangibles	(280,000)	—	—
Right-of-Use Land	(1,471,723)	—	—
Right-of-Use Building	(82,028,020)	—	—
Right-of-Use Equipment	(27,155,598)	—	—
Right-of-Use Infrastructure	(191,791)	—	—
Right-of-Use SBITA	—	—	—
Total Accumulated Amortization	(1,208,400,815)	—	—
Intangible Capital Assets, Net	1,179,611,023	26,948,898	—
Capital Assets, Net	$ 18,664,002,796	—	68,055

	Reclassifications Interagency Transfers - Out	Additions	Deletions	Balance August 31, 2022
Nondepreciable Assets:				
Land and Land Improvements	$ —	131,615,420	—	1,129,134,066
Construction in Progress (CIP)	—	1,028,347,223	(1,390,855)	1,232,888,101
Nondepreciable Collections	—	86,770,009	(89,712)	802,829,247
Nonamortizable Intangible Assets	—	—	(925)	24,596,943
Total Nondepreciable/Nonamortizable Assets	—	1,246,732,652	(1,481,492)	3,189,448,357
Depreciable Assets:				
Buildings and Building Improvements	—	205,931,207	(14,103,533)	24,988,624,631
Infrastructure	—	18,124	—	807,835,306
Facilities and Other Improvements	—	11,327,801	(31,417,056)	1,310,148,423
Furniture and Equipment	(554,150)	433,977,331	(154,278,962)	5,429,492,054
Vehicles, Boats and Aircraft	—	5,417,529	(3,572,523)	103,080,654
Other Depreciable Assets (including Library Books)	—	42,455,955	(15,187,984)	1,059,610,677
Total Depreciable Assets at Historical Cost	(554,150)	699,127,947	(218,560,058)	33,698,791,745
Less Accumulated Depreciation for:				
Buildings and Building Improvements	—	(951,283,893)	11,117,810	(13,264,799,249)
Infrastructure	—	(30,729,662)	—	(347,520,031)
Facilities and Other Improvements	—	(60,195,006)	31,287,866	(693,130,290)
Furniture and Equipment	424,532	(426,885,955)	132,946,898	(3,955,699,950)
Vehicles, Boats and Aircraft	—	(7,591,366)	3,416,483	(78,308,318)
Other Depreciable Assets (including Library Books)	—	(44,605,784)	15,185,234	(692,919,278)
Total Accumulated Depreciation	424,532	(1,521,291,666)	193,954,291	(19,032,377,116)
Depreciable Assets, Net	(129,618)	(822,163,719)	(24,605,767)	14,666,414,629
Amortizable Intangible Assets:				
Computer Software	—	18,144,588	(18,762,052)	1,339,031,443
Other Intangibles	—	—	—	700,000
Right-of-Use Land	—	139,422	—	85,536,270
Right-of-Use Building	—	172,272,301	(17,794,445)	975,543,614
Right-of-Use Equipment	—	24,120,847	(21,084,352)	74,871,279
Right-of-Use Infrastructure	—	228,977	—	1,715,358
Right-of-Use SBITA	—	59,686,219	—	154,514,277
Total Amortizable Intangible Assets	—	274,592,354	(57,640,849)	2,631,912,241
Less Accumulated Amortization for:				
Computer Software	—	(98,156,336)	18,573,490	(1,176,856,529)
Other Intangibles	—	(140,000)	—	(420,000)
Right-of-Use Land	—	(1,578,176)	—	(3,049,899)
Right-of-Use Building	—	(97,567,410)	13,124,302	(166,471,128)
Right-of-Use Equipment	—	(26,552,738)	16,953,699	(36,754,637)
Right-of-Use Infrastructure	—	(201,817)	—	(393,608)
Right-of-Use SBITA	—	(40,271,235)	—	(40,271,235)
Total Accumulated Amortization	—	(264,467,712)	48,651,491	(1,424,217,036)
Intangible Capital Assets, Net	—	10,124,642	(8,989,358)	1,207,695,205
Capital Assets, Net	$ (129,618)	434,693,575	(35,076,617)	19,063,558,191

GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and Insurance Recoveries*, requires the disclosure of impairment losses and associated insurance recoveries.

The System reported no impairment of capital assets for the years ended August 31, 2023 and 2022. In February 2021, U. T. System institutions experienced significant property damage and business income losses as a result of *Winter Storm Uri*, which resulted in insurance recoveries totaling $24.2 million for the year ended August 31, 2022 and $24.4 million for the year ended August 31, 2023.

GASB Statement No. 83, *Certain Asset Retirement Obligations*, requires the disclosure of asset retirement obligations resulting from *Texas Administrative Code*, Title 25, Part 1, Chapter 289. Subchapter F, Rule 289.252, Licensing of Radioactive Material. The liabilities were measured using best estimates of current values of outlays expected. The *Texas Administrative Code*, Title 25, Part 1, Chapter 289. Subchapter F, Rule 289.252 (gg)(6)(D) exempts State licenses from providing financial assurances and no assets have been restricted for payment of the liability.

The Asset Retirement Obligation as of August 31, 2023 is presented below (remaining life of the corresponding Deferred Outflows in months):

Asset Retirement Obligation	**Amount**	**Life**
Broadscope	$ 9,285,751	0 - 41 months
Cyclotron	2,060,663	0 months
Gamma Knife	2,981,819	0 - 31 months
Proton Therapy	1,289,963	0 months
Gamma Pod	334,753	12 months
Irradiator	51,097	0 months
Nuclear Engineering Teaching Lab	4,264,205	27 months
Total	$ 20,268,251	

The Asset Retirement Obligation as of August 31, 2022 is presented below:

Asset Retirement Obligation	**Amount**	**Life**
Broadscope	$ 9,285,751	0 - 53 months
Cyclotron	2,060,663	0 months
Gamma Knife	2,346,043	0 - 43 months
Proton Therapy	1,289,963	0 months
Gamma Pod	334,753	24 months
Irradiator	51,097	0 months
Nuclear Engineering Teaching Lab	4,140,670	39 months
Total	$ 19,508,940	

10. Short-Term Debt

The System had RFS Commercial Paper Notes and PUF Commercial Paper Notes outstanding at August 31, 2023 and 2022. The notes are issued to provide interim financing for capital improvements and to finance equipment purchases. While the interest is payable on these notes in periodic installments not to exceed 270 days, they are generally intended to be refinanced with long-term debt. Short-term debt activity for the year ended August 31, 2023, is summarized below:

	Balance September 1, 2022	Additions	Reductions	Balance August 31, 2023
Commercial Paper Notes:				
Permanent University Fund CP Notes	$ 832,300,000	350,000,000	176,000,000	1,006,300,000
Revenue Financing System CP Notes	956,450,000	913,151,000	534,840,000	1,334,761,000
Total Commercial Paper Notes	$ 1,788,750,000	1,263,151,000	710,840,000	2,341,061,000

Short-term debt activity for the year ended August 31, 2022, is summarized below:

	Balance September 1, 2021	Additions	Reductions[1]	Balance August 31, 2022
Commercial Paper Notes:				
Permanent University Fund CP Notes	$ 1,095,000,000	280,000,000	542,700,000	832,300,000
Revenue Financing System CP Notes	796,053,000	603,388,000	442,991,000	956,450,000
Total Commercial Paper Notes	$ 1,891,053,000	883,388,000	985,691,000	1,788,750,000

[1] Reductions of short-term debt include $417,700,000 of PUF commercial paper notes reclassified to long-term notes and loans payable on the statement of net position as a result of refunding commercial paper notes subsequent to August 31, 2022 through the issuance of long-term bonds.

General information related to the commercial paper notes at August 31, 2023, is summarized as follows:

- Note or Loan Payable issue name: Permanent University Fund Commercial Paper Notes, Series A and Taxable Commercial Paper Notes, Series B

  Purpose: To provide interim financing for capital improvements and to finance capital equipment purchases

  Authorized Amount: Aggregate principal amount not to exceed $1.25 billion

  Source of revenue for debt service: Available University Fund

  Terms: Interest payable in periodic installments not to exceed 270 days at interest rates established by the System's commercial paper dealers

- Note or Loan Payable issue name: Revenue Financing System (RFS) Commercial Paper Notes, Series A and Taxable Commercial Paper Notes, Series B

  Purpose: To provide interim financing for capital improvements and to finance capital equipment purchases

  Authorized Amount: Aggregate principal amount not to exceed $1.75 billion

  Source of revenue for debt service: All pledged revenues, subject to the provisions of the Prior Encumbered Obligations, collectively: (a) the pledged tuition fee; (b) the pledged General Fee; and (c) any or all of the revenues, funds, and balances lawfully available to the U. T. System Board of Regents and derived from and attributable to any Member of the Revenue Financing System, which are lawfully available to the U. T. System Board of Regents for payments on parity debt.

  Terms: Interest payable in periodic installments not to exceed 270 days at interest rates established by the System's commercial paper dealers

11. Leases and SBITAs

LEASES WHERE THE SYSTEM IS THE LESSEE

The System entered into various leases for land, building, equipment, vehicle, and infrastructure. Of these leases, some agreements call for payments that are partially or completely variable and therefore were not included in ROU assets or lease liabilities. These variable lease payments are derived from a percentage of sales, use of the leased asset, or changes in indexes or rates. The System recognized a total of $7,828,402 and $3,406,107 as expenses from these variable payments for the years ended August 31, 2023 and 2022, respectively.

See Note 9 for a summary of changes in the ROU assets, displayed by the nature of underlying assets, for the years ended August 31, 2023 and 2022. See Note 12 for the lease liability activity for the years ended August 31, 2023 and 2022.

The principal and interest expense for the next five years and beyond are projected below for lease obligations:

Fiscal Year	Principal	Interest	Total
2024	$ 329,093,142	14,422,949	343,516,091
2025	94,210,414	12,168,149	106,378,563
2026	84,532,791	10,694,151	95,226,942
2027	76,678,870	9,296,457	85,975,327
2028	64,784,167	8,039,702	72,823,869
2029 – 2033	187,368,000	27,844,335	215,212,335
2034 – 2038	86,292,416	15,862,134	102,154,550
2039 – 2043	28,831,342	10,447,990	39,279,332
2044 – 2048	7,512,531	8,601,750	16,114,281
2049 – 2053	5,809,506	7,919,570	13,729,076
2054 – 2058	2,961,045	7,380,583	10,341,628
2059 – 2063	2,319,663	7,051,302	9,370,965
2064 – 2068	1,328,166	6,793,407	8,121,573
2069 – 2073	2,427,380	6,539,494	8,966,874
2074 – 2078	3,260,659	6,110,306	9,370,965
2079 – 2083	2,414,915	5,706,659	8,121,574
2084 – 2088	3,682,456	5,284,417	8,966,873
2089 – 2093	4,710,136	4,660,829	9,370,965
2094 – 2098	4,088,903	4,032,671	8,121,574
2099 – 2103	5,615,731	3,351,143	8,966,874
2104 – 2108	6,942,857	2,428,107	9,370,964
2109 – 2113	6,667,453	1,454,120	8,121,573
2114 – 2118	5,709,931	400,419	6,110,350
Total Requirements	$ 1,017,242,474	186,490,644	1,203,733,118

FUTURE LEASES

The System entered into additional leases that have not yet commenced as of August 31, 2023, including leases for building, with both fixed and variable payments required. Terms range from 2024 to 2034 with a total future commitment of $21,741,448.

SUBLEASES

The System subleases certain portions of various Right-of-Use building assets to third parties. Since the System is both a lessee and a lessor in these sublease arrangements, the System’s lessor transactions are included within lessor disclosures, separately from the System’s lessee transactions related to the original leases which are included within the lessee disclosures.

LEASES WHERE THE SYSTEM IS THE LESSOR

For the years ended August 31, 2023 and 2022, the System earned a total of $20,013,844 and $26,833,195 in lease revenue and $5,684,402 and $5,344,277 in lease interest revenue, respectively, from arrangements meeting the definition of a lease.

The System entered into some leases which call for payments that are partially or completely variable and therefore were not included in lease receivables or deferred inflows of resources. These variable lease payments are derived from a percentage of sales, use of the leased asset, or changes in indexes or rates. The System recognized a total of $3,387,753 and $2,293,757 as revenue from these variable payments for the years ended August 31, 2023 and 2022, respectively.

SBITAs

The System entered into various SBITAs that convey the System control of the right to use vendor-provided software, alone or in combination with an underlying tangible IT capital asset. Of these SBITAs, some agreements call for payments that are partially or completely variable and therefore were not included in ROU subscription assets or subscription liabilities. These variable payments are derived from a number of licenses that change from time to time, use of the IT asset, or changes in index rates. The System recognized a total of $992,551 and $709,544 as expenses from these variable payments for the years ended August 31, 2023, and 2022, respectively.

The principal and interest expense for the next five years and beyond are projected below for subscription obligations:

	SBITA Maturity Schedule		
Fiscal Year	**Principal**	**Interest**	**Total**
2024	$ 54,369,896	2,311,472	56,681,368
2025	$ 36,395,202	1,669,007	38,064,209
2026	$ 25,037,141	998,097	26,035,238
2027	$ 15,388,834	512,006	15,900,840
2028	$ 4,729,768	179,784	4,909,552
2029-2033	$ 2,567,232	74,067	2,641,298
Total Requirements	$ 138,488,073	5,744,433	144,232,506

FUTURE SBITAS

The System has entered into additional SBITAs that have not yet commenced as of August 31, 2023, with both fixed and variable payments required. Terms range from 2024 to 2028 with a total future commitment of $8,368,398.

12. Summary of Long-Term Liabilities

Long-term liability activity for the year ended August 31, 2023, is summarized as follows:

	Balance September 1, 2022	Additions	Reductions	Balance August 31, 2023	Amounts due within one year
Bonds Payable:					
Permanent University Fund	$ 2,248,090,000	748,185,000	381,805,000	2,614,470,000	399,390,000
Revenue Financing System	6,544,540,000	337,915,000	322,920,000	6,559,535,000	1,176,745,000
Subtotal Bonds Payable – Par	8,792,630,000	1,086,100,000	704,725,000	9,174,005,000	1,576,135,000
Unamortized Net Premiums	616,009,663	144,429,189	98,087,313	662,351,539	95,382,223
Total Bonds Payable	9,408,639,663	1,230,529,189	802,812,313	9,836,356,539	1,671,517,223
Notes, Loans and Leases Payable:					
Notes and Loans Payable	436,700,000	—	436,700,000	—	—
Notes from Direct Borrowings	31,720,463	(13,473,267)	1,894,242	16,352,954	1,261,125
Lease Obligations	963,057,878	191,953,855	137,769,259	1,017,242,474	329,093,142
SBITA Liability	94,154,858	130,070,877	85,737,662	138,488,073	54,369,896
Total Notes, Loans and Leases Payable	1,525,633,198	308,551,465	662,101,163	1,172,083,500	384,724,163
Total OPEB Liability	14,695,594,306	1,357,523,674	7,963,383,625	8,089,734,355	208,395,911
Net Pension Liability	2,300,711,499	3,338,429,170	—	5,639,140,669	—
Total Pension Liability	1,046,052,341	63,233,057	190,446,014	918,839,384	72,533,114
Hedging Derivative Liability	87,510,811	—	48,122,156	39,388,655	—
Employee Compensable Leave	855,424,712	544,226,620	483,118,374	916,532,958	523,251,766
Incurred But Not Reported Self-Insurance Claims	221,719,241	1,857,021,751	1,840,839,317	237,901,675	199,965,066
Asset Retirement Obligation	19,508,940	759,311	—	20,268,251	—
Total	$ 30,160,794,711	8,700,274,237	11,990,822,962	26,870,245,986	3,060,387,243

Long-term liability activity for the year ended August 31, 2022, as restated for GASB Statement No. 96 is summarized as follows:

	Balance September 1, 2021	Additions	Reductions	Balance August 31, 2022	Amounts due within one year
Bonds Payable:					
Permanent University Fund	$ 2,307,025,000	—	58,935,000	2,248,090,000	386,695,000
Revenue Financing System	6,702,085,000	256,395,000	413,940,000	6,544,540,000	1,224,490,000
Subtotal Bonds Payable – Par	9,009,110,000	256,395,000	472,875,000	8,792,630,000	1,611,185,000
Unamortized Net Premiums	677,676,799	30,320,873	91,988,009	616,009,663	88,111,681
Total Bonds Payable	9,686,786,799	286,715,873	564,863,009	9,408,639,663	1,699,296,681
Notes, Loans and Leases Payable:					
Notes and Loans Payable	19,000,000	417,700,000 [1]	—	436,700,000	19,000,000
Notes from Direct Borrowings	17,678,505	16,519,598	2,477,640	31,720,463	6,443,614
Lease Obligations	888,343,155	196,761,546	122,046,823	963,057,878	107,368,206
SBITA Liability	94,815,658	59,698,619	60,359,419	94,154,858	41,016,036
Total Notes, Loans and Leases Payable [2]	1,019,837,318	690,679,763	184,883,883	1,525,633,198	173,827,855
Total OPEB Liability	11,931,417,814	2,945,429,208	181,252,716	14,695,594,306	243,697,144
Net Pension Liability	4,805,427,562	—	2,504,716,063	2,300,711,499	—
Total Pension Liability	1,026,357,235	66,700,741	47,005,635	1,046,052,341	—
Hedging Derivative Liability	293,360,762	—	205,849,951	87,510,811	—
Employee Compensable Leave	819,809,713	460,625,101	425,010,102	855,424,712	445,635,293
Incurred But Not Reported Self-Insurance Claims	177,110,866	1,753,641,214	1,709,032,839	221,719,241	187,951,915
Asset Retirement Obligation	18,178,517	1,330,423	—	19,508,940	—
Total [1,2]	$ 29,778,286,586	6,205,122,323	5,822,614,198	30,160,794,711	2,750,408,888

[1] Additions of Notes and Loans Payable include $417,700,000 of commercial paper notes reclassified from short-term debt to long-term notes and loans payable on the statement of net position as a result of refunding commercial paper notes subsequent to August 31, 2022 through the issuance of long-term bonds. See note 10 related to short-term debt and note 24 for details on the subsequent events.
[2] Includes retroactive restatements related to GASB Statement No. 96. See Note 4 for further details.

PROJECTED BOND DEBT SERVICE REQUIREMENTS

The principal and interest expense for the next five years and beyond are projected below for bonds issued and outstanding:

Fiscal Year	Principal	Interest	Total
2024	$ 1,576,135,000	351,905,496	1,928,040,496
2025	341,695,000	333,658,298	675,353,298
2026	373,915,000	316,794,406	690,709,406
2027	287,145,000	298,384,320	585,529,320
2028	256,505,000	284,253,913	540,758,913
2029 – 2033	1,693,215,000	1,207,518,020	2,900,733,020
2034 – 2038	1,065,404,000	827,593,054	1,892,997,054
2039 – 2043	964,256,000	601,168,323	1,565,424,323
2044 – 2048	1,901,600,000	354,101,248	2,255,701,248
2049 – 2053	714,135,000	50,820,658	764,955,658
Total Requirements	$ 9,174,005,000	4,626,197,736	13,800,202,736

The System's variable rate demand bonds mature at various dates through August 1, 2045. Outstanding principal balances on variable rate demand bonds may be classified as non-current liabilities if the issuer has entered into a "take-out agreement" to convert bonds "put" but not resold into some other form of long-term obligation. In the absence of such an agreement, the total outstanding principal balances for these bonds are required to be classified as current liabilities. Although it is the System's intent to repay its variable rate demand bonds in accordance with the maturities set forth in the bond offering circulars, the System does not have "take-out" agreements in place. Accordingly, the System has classified the total outstanding principal balances on its variable rate demand bonds as current liabilities. The obligations totaled $1,226,475,000 and $1,274,660,000 at August 31, 2023 and 2022, respectively.

PLEDGED FUTURE REVENUES

The following table provides the pledged future revenue information for the System's bonds:

		2023	2022
Pledged Revenue Required for Future Principal and Interest on Existing Bonds	$	13,800,202,736	13,331,009,655
Term of Commitment Year Ending 8/31		2052	2052
Percentage of Specific Revenues Pledged		100%	100%
Current Year Pledged Revenue	$	16,843,156,924	14,994,269,165
Current Year Principal and Interest Paid	$	767,185,761	768,817,572

DIRECT BORROWINGS

Certain direct borrowings to finance the purchase of property are capitalized at the present value of future minimum direct borrowing payments. The original capitalized cost of all such property financed with direct borrowings as of August 31, 2023 and 2022 is as follows:

Assets - Direct Borrowings	2023	2022
Furniture and Equipment	$ 4,837,000	25,099,067
Less: Accumulated Depreciation	(3,176,762)	(1,331,329)
Buildings	13,581,387	13,581,387
Less: Accumulated Depreciation	(1,439,819)	(775,287)
Nondepreciable Collections	1,420,997	407,712
Total	$ 15,222,803	36,981,550

Direct borrowing obligations are due in annual installments through 2046. The following is a schedule of the future minimum payments for direct borrowings at August 31, 2023.

Fiscal Year	Principal	Interest	Total
2024	$ 1,261,125	680,583	1,941,708
2025	734,490	657,531	1,392,021
2026	643,479	631,806	1,275,285
2027	889,939	605,061	1,495,000
2028	670,775	579,225	1,250,000
2029 – 2033	2,464,647	2,535,352	4,999,999
2034 – 2038	3,108,314	1,891,685	4,999,999
2039 – 2043	3,920,082	1,079,918	5,000,000
2044 – 2048	2,660,103	173,231	2,833,334
Total Minimum Payments	$ 16,352,954	8,834,392	25,187,346

POLLUTION REMEDIATION OBLIGATION

The University of Texas System Administration purchased contaminated land with plans to remediate. The estimated outlays for the pollution remediation are $3,500,000 using the expected cash flow technique. These pollution remediation outlays qualify for capitalization and $3,161,511 and $3,148,595 were capitalized through August 31, 2023 and 2022 respectively. The purchase price of $213,584,352 and total expected outlays did not exceed the fair market value of the uncontaminated property of $232,290,000, and as such, no pollution remediation liability was established.

EMPLOYEES' COMPENSABLE LEAVE

Employees' compensable leave is the System's liability for accrued compensable absences. This obligation is usually paid from the same funding source(s) as the employee's salary or wage compensation.

13. Bonded Indebtedness

At August 31, 2023 and 2022, the System had outstanding bonds payable of $9,174,005,000 and $8,792,630,000, respectively. Permanent University Fund bonds are secured by and payable from the System's interest in the Available University Fund, which consists of distributions from the investment income of the Permanent University Fund. Revenue Financing System debt is secured by and payable from Pledged Revenues as defined in the Master Resolution establishing the Revenue Financing System. Pledged Revenues consist of all lawfully available revenues, funds and balances, with certain exceptions, pledged to secure revenue-supported indebtedness issued under the Master Resolution.

Bonded Indebtedness	Interest Rates	Maturity Dates	Outstanding Principal
Permanent University Fund	2.00% - 5.262%	2024-2052	$ 2,614,470,000
Revenue Financing System	2.00% - 5.375%	2024-2052	6,559,535,000

As of August 31, 2023, the following amounts were authorized, but unissued: Permanent University Fund bonds up to a maximum aggregate amount of $975 million and Revenue Financing System bonds up to a maximum aggregate amount of $975 million, each authorized to be issued on or before August 23, 2024. All bonds issued by the System are defined as revenue bonds. Segment information requirements are not applicable, due to the bond indentures' lack of specifically identifiable activities and external party imposed separate accounting requirements. General information related to bonds outstanding as of August 31, 2023, is summarized in the following table.

Bond Series	Purpose	Issue Date	Amount Issued
Permanent University Fund:			
Refunding Bonds, Series 2006B	To refund $85,545,000 principal amount of Permanent University Fund Bonds, Series 2002B, maturing on July 1 in the years 2020 through 2022, both inclusive; to refund $172,985,000 principal amount of Permanent University Fund Bonds, Series 2004B, maturing on July 1 in the years 2023, 2026 and 2028 through 2030, both inclusive; to refund $51,905,000 principal amount of Permanent University Fund Bonds, Series 2005B, maturing on July 1 in the year 2035, and pay the cost of issuance	January 24, 2007	$ 284,065,000
Taxable Bonds, Series 2009A	To refund $250,000,000 principal amount of Permanent University Fund Taxable Commercial Paper Notes, Series B and pay the cost of issuance	September 17, 2009	250,000,000
Bonds, Series 2014B	To refund $17,240,000 principal amount of Permanent University Fund Bonds, Series 2004A, maturing on July 1 in the years 2015 and 2016; and to refund $223,535,000 principal amount of Permanent University Fund Bonds, Series 2004B, maturing on July 1 in the years 2024, 2025, 2027 and 2033, and pay the cost of issuance	April 2, 2014	221,580,000
Refunding Bonds, Series 2015A	To refund $50,390,000 principal amount of Permanent University Fund Refunding Bonds, Series 2005A, maturing on July 1 in the years 2016 through 2019, both inclusive; to refund $72,720,000 principal amount of Permanent University Fund Bonds, Series 2005B, maturing on July 1 in the years 2018, 2019, 2034 and 2035; and to refund $87,485,000 principal amount of Permanent University Fund Bonds, Series 2006C, maturing on July 1 in the years 2017 through 2035, both inclusive, and pay the cost of issuance	April 2, 2015	197,970,000
Bonds, Series 2015B	To refund $252,500,000 principal amount of Permanent University Fund Taxable Commercial Paper Notes, Series B and pay the cost of issuance	August 25, 2015	220,565,000
Bonds, Taxable Series 2015C	To refund $125,500,000 principal amount of Permanent University Fund Taxable Commercial Paper Notes, Series B and pay the cost of issuance	December 9, 2015	126,020,000
Bonds, Series 2016A	To refund $137,000,000 principal amount of Permanent University Fund Taxable Commercial Paper Notes, Series B and pay the cost of issuance	January 5, 2016	117,270,000
Bonds, Series 2016B	To refund $319,000,000 principal amount of Permanent University Fund Commercial Paper Notes, Series A and pay the cost of issuance	September 1, 2016	272,350,000

Bond Series	Purpose	Issue Date	Amount Issued
Bonds, Taxable Series 2017A	To refund $81,000,000 principal amount of Permanent University Fund Commercial Paper Notes, Series A, and to refund $220,000,000 principal amount of Permanent University Fund Taxable Commercial Paper Notes, Series B and pay the cost of issuance	November 14, 2017	302,640,000
Bonds, Series 2022A	To refund $417,700,000 principal amount of Permanent University Fund Commercial Paper Notes, Series A and pay the cost of issuance	October 13, 2022	372,915,000
Bonds, Series 2023A	To refund $240,340,000 of Permanent University Fund Bonds, Series 2014A, to refund $176,000,000 of Permanent University Fund Commercial Paper Notes, Series A, and pay the cost of issuance	April 4, 2023	375,270,000
Revenue Financing System:			
Refunding Bonds, Series 2010B	To refund $393,690,000 principal amount of portions of Revenue Financing System Bonds, 2006B, 2006D and 2006F and pay the cost of issuance	April 14, 2010	385,380,000
Taxable Bonds, Series 2010C	To provide new money of $600,741,596 and pay the cost of issuance	September 23, 2010	604,310,000
Taxable Bonds, Series 2010D	To refund $349,415,000 principal amount of Revenue Financing System Commercial Paper Notes, Series A, provide new money of $163,441,000 and pay the cost of issuance	June 30, 2010	516,245,000
Bonds, Series 2014A	To refund $179,411,000 principal amount of Revenue Financing System Commercial Paper Notes, Series A, provide new money of $103,148,328 and pay the cost of issuance	May 1, 2014	259,135,000
Refunding Bonds, Series 2014B	To refund $261,840,000 principal amount of portions of Revenue Financing System Bonds, 2006B, 2006D and 2006F, and pay the cost of issuance	November 24, 2014	250,700,000
Bonds, Taxable Series 2016A	To refund $48,494,000 principal amount of Revenue Financing System Commercial Paper Notes, Series A, to refund $107,630,000 principal amount of Revenue Financing System Taxable Commercial Paper Notes, Series B, provide new money of $98,745,350 and pay the cost of issuance	January 14, 2016	255,825,000
Bonds, Series 2016B	To refund $105,478,000 principal amount of Revenue Financing System Commercial Paper Notes, Series A, provide new money of $118,490,125 and pay the cost of issuance	January 22, 2016	206,040,000
Refunding Bonds, Series 2016C	To refund $87,145,000 principal amount of Revenue Financing System Bonds, Series 2008A, provide new money of $64,800,000 and pay the cost of issuance	May 10, 2016	133,240,000
Bonds, Series 2016D	To provide new money of $260,000,000 and pay the cost of issuance	July 1, 2016	213,180,000
Bonds, Series 2016E	To provide new money of $245,000,000 and pay the cost of issuance	August 22, 2016	196,215,000
Bonds, Series 2016F	To refund $465,019,000 principal amount of Revenue Financing System Commercial Paper Notes, Series A, and pay the cost of issuance	September 1, 2016	376,030,000
Refunding Bonds, Series 2016H	To refund $266,640,000 principal amount of portions of Revenue Financing System Bonds, 2006D and 2006F, and pay the cost of issuance	November 17, 2016	233,350,000

Bond Series	Purpose	Issue Date	Amount Issued
Refunding Bonds, Series 2016I	To refund $202,010,000 principal amount of portions of Revenue Financing System Bonds, 2006E and 2010A, and pay the cost of issuance	November 30, 2016	184,725,000
Bonds, Series 2016J	To provide new money of $352,832,000 and pay the cost of issuance	January 4, 2017	306,925,000
Bonds, Taxable Series 2017A	To refund $349,000,000 principal amount of Revenue Financing System Taxable Commercial Paper Notes, Series B, and pay the cost of issuance	September 14, 2017	350,815,000
Bonds, Series 2017B	To refund $87,455,000 principal amount of Revenue Financing System Commercial Paper Notes, Series A, to refund $191,664,000 principal amount of Revenue Financing System Taxable Commercial Paper Notes, Series B, and pay the cost of issuance	October 24, 2017	265,490,000
Refunding Bonds, Series 2017C	To refund $265,855,000 principal amount of portions of Revenue Financing System Bonds, 2009D, 2012A and 2012B, and pay the cost of issuance	December 7, 2017	258,465,000
Refunding Bonds, Series 2019A	To refund $386,785,000 principal amount of portions of Revenue Financing System Bonds, 2009B and 2014B, and pay the cost of issuance	June 13, 2019	320,435,000
Bonds, Series 2019B	To refund $449,478,000 principal amount of Revenue Financing System Commercial Paper Notes, Series A, and pay the cost of issuance	July 18, 2019	318,715,000
Bonds, Series 2020A	To refund $381,590,000 principal amount of Revenue Financing System Commercial Paper Notes, Series A, to refund $99,530,000 of Revenue Financing System Bonds, Series 2016F and pay the cost of issuance	April 14, 2020	347,580,000
Bonds, Taxable Series 2020B	To refund $159,500,000 principal amount of Revenue Financing System Commercial Paper Notes, Series A, to refund $139,412,000 principal amount of Revenue Financing System Taxable Commercial Paper Notes, Series B and pay the cost of issuance	May 29, 2020	300,805,000
Bonds, Series 2020C	To refund $98,800,000 principal amount of Revenue Financing System Commercial Paper Notes, Series A, to refund $28,405,000 of Revenue Financing System Bonds, Series 2017B and pay the cost of issuance	June 16, 2020	101,065,000
Bonds, Series 2021A	To refund $300,000,000 principal amount of Revenue Financing System Commercial Paper Notes, Series A, to refund $115,000,000 of Revenue Financing System Bonds, Series 2016B and pay the cost of issuance	May 19, 2021	381,865,000
Bonds, Series 2022A	To refund $194,911,000 principal amount of Revenue Financing System Commercial Paper Notes, Series A, to refund $11,920,000 of Revenue Financing System Bonds, Series 2012A, to refund $76,855,000 of Revenue Financing System Bonds, Series 2012B and pay the cost of issuance	May 18, 2022	256,395,000
Bonds, Series 2023A	To refund $389,340,000 principal amount of Revenue Financing System Commercial Paper Notes, Series A, and pay the cost of issuance	June 21, 2023	337,915,000

DEMAND BONDS

Revenue Financing System Refunding Bonds, Series 2007B, Revenue Financing System Bonds, Series 2008B, Revenue Financing System Bonds, Taxable Series 2016G, and Permanent University Fund Bonds, Series 2008A are variable rate demand bonds with an option to tender on seven days' notice. The System has entered into corresponding interest rate swap agreements to convert the System's interest rate exposure to a fixed rate. The Revenue Financing System Refunding Bonds, Series 2007B and the corresponding swap agreements extend to August 1, 2034. The Revenue Financing System Bonds, Series 2008B and the corresponding swap agreements extend to August 1, 2039. The Revenue Financing System Bonds, Taxable Series 2016G and the corresponding swap agreements extend to August 1, 2045. The Permanent University Fund Bonds, Series 2008A and the corresponding swap agreements extend to July 1, 2038. The Board of Regents is obligated to pay the purchase price of demand bonds tendered for purchase and not remarketed by using lawfully available funds. General information related to these demand bonds is summarized in the following table:

Bond Series	Purpose	Issue Date	Amount Issued
Permanent University Fund:			
Bonds, Series 2008A	To refund $400,000,000 of Permanent University Fund Flexible Notes, Series A and pay costs of issuance	October 30, 2008	$ 400,905,000
Revenue Financing System:			
Refunding Bonds, Series 2007B	To refund $169,015,000 of Revenue Financing System Bonds, Series 2003B and $149,860,000 of Revenue Financing System Bonds, Series 2004D, and pay costs of issuance	December 20, 2007	345,460,000
Bonds, Series 2008B	To refund $461,922,000 of Revenue Financing System Commercial Paper Notes, Series A and $34,715,000 of Revenue Financing System Bonds, Series 1998B, provide $182,590,000 of new money to finance the costs of campus improvements, and pay costs of issuance	March 18, 2008	685,485,000
Bonds, Taxable Series 2016G	To refund $250,000,000 principal amount of Revenue Financing System Commercial Paper Notes, Series A, and pay the cost of issuance	September 15, 2016	250,000,000

BUILD AMERICA BONDS

The American Recovery and Reinvestment Act of 2009 authorized the issuance of Build America Bonds (BABs), whereby certain issuers are authorized to issue taxable bonds and receive from the federal government a subsidy equal to 35% of the interest payments on Direct Payment BABs reduced by the applicable federal sequestration reduction rate. The System did not issue any BABs during 2023 or 2022. The System had $1,125,360,000 and $1,157,030,000 of BABs outstanding at August 31, 2023 and 2022, respectively.

EARLY EXTINGUISHMENTS IN FISCAL YEAR 2023

On September 20, 2022, $79,675,000 principal amount of Permanent University Fund Bonds, Series 2014B, were legally defeased using available funds.

- The defeasance involved using available funds to purchase $81,967,061 of eligible defeasance securities.
- The defeased bonds are considered fully defeased and the liability for these obligations has been removed from the consolidated statement of net position.
- An accounting loss of $973,238 resulted from the transaction as the reacquisition price of $81,967,061 exceeded the net carrying amount of $79,675,000 par value and $ 1,318,823 unamortized original issue premium.
- As a result of this defeasance, the System reduced its future debt service payments by $106,229,750 from closing through July 1, 2032.

Permanent University Fund Bonds, Series 2022A were issued on October 13, 2022, to current refund $417,700,000 principal amount of Permanent University Fund Commercial Paper Notes, Series A and to pay the costs of issuance related thereof.

- Net proceeds related to the issuance were $418,184,091, which represents the principal amount of the 2023A Bonds of $372,915,000, plus an original issue premium of $46,291,287, less an underwriting discount of $1,022,196. The net proceeds were used to pay costs of issuance of $316,140, to purchase $417,867,442 of eligible defeasance securities and to deposit $510 with the escrow agent for the refunded notes.
- The refunded notes are considered fully defeased and the liability for these obligations has been removed from the consolidated statement of net position.
- An accounting loss of $167,442 resulted from the transaction as the reacquisition price of $417,867,442 exceeded the net carrying amount of $417,700,000 par value.

Permanent University Fund Bonds, Series 2023A were issued on April 4, 2023, to current refund $176,000,000 principal amount of Permanent University Fund Commercial Paper Notes, Series A, to current refund $240,340,000 principal of Permanent University Fund Bonds, Series 2014A, and to pay the costs of issuance related thereof.

- Net proceeds related to the issuance were $420,077,523, which represents the principal amount of the 2023A Bonds of $375,270,000, plus an original issue premium of $45,958,372, less an underwriting discount of $1,150,849. The net proceeds were used to pay costs of issuance of $297,242, to purchase $419,779,650 of eligible defeasance securities and to deposit $631 with the escrow agent for the refunded bonds and notes.
- The refunded bonds and notes are considered fully defeased and the liability for these obligations has been removed from the consolidated statement of net position.
- An accounting loss of $3,066,122 resulted from the transaction as the reacquisition price of $419,779,650 exceeded the net carrying amount of $416,340,000 par value and $373,528 unamortized original issue premium.
- As a result of this refunding, the System reduced its future debt service payments by $42,115,329 from closing through July 1, 2041, and an economic gain from the transaction resulted in a net present value savings of $28,306,665 between the old and new debt service payments.

Revenue Financing System Bonds, Series 2023A were issued on June 21, 2023, to current refund $389,340,000 amount of Revenue Financing System Commercial Paper Notes, Series A and to pay the costs of issuance related thereof.

- Net proceeds related to the issuance were $389,159,546, which represents the principal amount of the 2023A Bonds of $337,915,000, plus an original issue premium of $52,179,529, less an underwriting discount of $934,984. The net proceeds were used to pay costs of issuance of $365,988, to purchase $388,793,557 of eligible defeasance securities.
- The refunded notes are considered fully defeased and the liability for these obligations has been removed from the consolidated statement of net position.
- An accounting gain of $546,443 resulted from the transaction as the reacquisition price of $388,793,557 was below the net carrying amount of $389,340,000 par value.

EARLY EXTINGUISHMENTS IN FISCAL YEAR 2022

Revenue Financing System Bonds, Series 2022A were issued on May 18, 2022 to current refund $194,911,000 principal amount of Revenue Financing System Commercial Paper Notes, Series A, to current refund $11,920,000 principal of RFS Bonds, Series 2012A, to current refund $76,855,000 principal amount of Revenue Financing System Bonds, Series 2012B, and to pay the costs of issuance related thereof.

- Net proceeds related to the issuance were $285,877,754, which represents the principal amount of the 2022A Bonds of $256,395,000, plus an original issue premium of $30,320,873, less an underwriting discount of $838,119. The net proceeds along with $163,904 of System funds were used to pay costs of issuance of $297,528, to purchase $78,695,781 of eligible defeasance securities and to deposit $1 with the escrow agent for the refunded bonds, and to deposit $207,048,348 with the escrow agent for the refunded notes.
- The refunded bonds and notes are considered fully defeased and the liability for these obligations has been removed from the consolidated statement of net position.
- An accounting loss of $1,566,031 resulted from the transaction as the reacquisition price of $285,744,130 exceeded the net carrying amount of $283,686,000 par value and $492,099 unamortized original issue premium.
- As a result of this refunding, the System reduced its future debt service payments by $24,940,493 from closing through August 15, 2043, and an economic gain from the transaction resulted in a net present value savings of $18,824,826 between the old and new debt service payments.

DERIVATIVE INSTRUMENTS – HEDGING DERIVATIVE INSTRUMENT INTEREST RATE SWAPS

All interest rate swaps are valued using the fair value hierarchy of level 2. The System has calculated the fair value of the interest rate swaps using a forecast of expected discounted future net cash flows and considered the nonperformance risk of the parties. The following table outlines the terms of the System's hedging derivative instrument interest rate swap agreements in effect at August 31, 2023:

Interest Rate Swaps-by Type	Hedgeable Item	Current Notional	Effective Date	Maturity Date	Terms*	Embedded Options?	Cash Paid or Received	Counterparty Credit Rating (Moody's/ S&P)	Weighted Average Maturity As of 08/31/23
Pay Fixed; Receive Variable	PUF Bonds 2008A	$ 162,452,500	11/3/2008	7/1/2038	Pay 3.696%; receive SIFMA	No	No	Aa2/A+	11.5 yrs
	PUF Bonds 2008A	162,452,500	11/3/2008	7/1/2038	Pay 3.6575%; receive SIFMA	No	No	Aa3/A+	11.5 yrs
	RFS Bonds 2007B	141,760,000	12/20/2007	8/1/2034	Pay 3.805%; receive SIFMA	No	No	Aa2/A+	6.0 yrs
	RFS Bonds 2007B	141,760,000	12/20/2007	8/1/2034	Pay 3.805%; receive SIFMA	No	No	Aa2/A+	6.0 yrs
	RFS Bonds 2008B	94,830,000	3/18/2008	8/1/2036	Pay 3.900%; receive SIFMA	No	No	Aa2/A+	8.5 yrs
	RFS Bonds 2008B	94,830,000	3/18/2008	8/1/2036	Pay 3.900%; receive SIFMA	No	No	A1/A-	8.5 yrs
	RFS Bonds 2008B	178,390,000	3/18/2008	8/1/2039	Pay 3.614%; receive SIFMA	No	No	Aa2/A+	8.2 yrs
	RFS Bonds 2016G	250,000,000	12/1/2016	8/1/2045	Pay 2.000%; receive 100% of 100% of	No	No	Aa3/A+	21.9 yrs
	RFS Taxable Commercial Paper	250,000,000	11/1/2020	8/1/2049	Pay 1.576%; receive 100% of 100% of	No	No	Aa3/A+	25.9 yrs
Pay Variable; Receive Fixed	PUF Bonds 2023A	128,180,000	9/1/2023	7/1/2033	Pay SIFMA; receive 3.250%	No	No	Aa2/A+	9.3 yrs
TOTAL		**$1,604,655,000**							

*Secured Overnight Financing Rate (SOFR)
Securities Industry and Financial Markets Association (SIFMA)
USD-Federal Funds-H.15 (Fed Funds)

The following table outlines the terms of the System's hedging derivative instrument interest rate swap agreements in effect at August 31, 2022:

Interest Rate Swaps-by Type	Hedgeable Item	Current Notional	Effective Date	Maturity Date	Terms*	Embedded Options?	Cash Paid or Received	Counterparty Credit Rating (Moody's/ S&P)	Weighted Average Maturity As of 08/31/2022
Pay Fixed; Receive Variable	PUF Bonds 2008A	$ 166,042,500	11/3/2008	7/1/2038	Pay 3.696%; receive SIFMA	No	No	Aa2/A+	12.2 yrs
	PUF Bonds 2008A	166,042,500	11/3/2008	7/1/2038	Pay 3.6575%; receive SIFMA	No	No	Aa3/A+	12.2 yrs
	PUF Bonds 2014A	240,340,000	6/30/2023	7/1/2041	Pay 0.720%; receive 80% of Fed Funds	No	No	Aa3/A+	18.3 yrs
	RFS Bonds 2007B	151,552,500	12/20/2007	8/1/2034	Pay 3.805%; receive SIFMA	No	No	Aa2/A+	6.6 yrs
	RFS Bonds 2007B	151,552,500	12/20/2007	8/1/2034	Pay 3.805%; receive SIFMA	No	No	Aa2/A+	6.6 yrs
	RFS Bonds 2008B	99,205,000	3/18/2008	8/1/2036	Pay 3.900%; receive SIFMA	No	No	Aa2/A+	9.1 yrs
	RFS Bonds 2008B	99,205,000	3/18/2008	8/1/2036	Pay 3.900%; receive SIFMA	No	No	A1/A-	9.1 yrs
	RFS Bonds 2008B	191,060,000	3/18/2008	8/1/2039	Pay 3.614%; receive SIFMA	No	No	Aa2/A+	8.7 yrs
	RFS Bonds 2016G	250,000,000	12/1/2016	8/1/2045	Pay 2.000%; receive 100% of 1M LIBOR	No	No	Aa3/A+	22.9 yrs
	RFS Taxable Commercial Paper	250,000,000	11/1/2020	8/1/2049	Pay 1.576%; receive 100% of 1M LIBOR	No	No	Aa3/A+	26.9 yrs
TOTAL		**$1,765,000,000**							

*London Interbank Offer Rate (LIBOR)
Securities Industry and Financial Markets Association (SIFMA)
USD-Federal Funds-H.15 (Fed Funds)

The following is the fair value of the derivative instrument agreements related to debt in effect at August 31, 2023 based on the zero-coupon method and the classification of change in fair value from the previous fiscal year:

Derivative Instruments by Type	Hedgeable Item	Current Notional	Accrued Interest (through 08/31/2023)	Fair Value as of 08/31/2023	Fair Value as of 08/31/2022	Change in Fair Value 08/31/2022 - 08/31/2023	Change in Fair Value Recorded as
Hedging Derivative Assets	PUF Bonds 2014A	$ —	—	—	44,006,224	(44,006,224)	Def Inflow
	PUF Bonds 2023A	128,180,000	—	540,818	—	540,818	Def Inflow
	RFS Bonds 2016G	250,000,000	(735,444)	57,075,740	32,631,844	24,443,896	Def Inflow
	RFS Taxable CP	250,000,000	(823,778)	73,163,180	48,369,394	24,793,786	Def Inflow
		628,180,000	(1,559,222)	130,779,738	125,007,462	5,772,276	
Hedging Derivative Liabilities	PUF Bonds 2008A	162,452,500	469,578	(7,713,532)	(17,120,521)	9,406,989	Def Outflow
	PUF Bonds 2008A	162,452,500	459,502	(7,169,550)	(16,511,329)	9,341,779	Def Outflow
	RFS Bonds 2007B	141,760,000	15,129	(4,905,722)	(10,823,257)	5,917,535	Def Outflow
	RFS Bonds 2007B	141,760,000	15,129	(4,545,722)	(10,823,257)	6,277,535	Def Outflow
	RFS Bonds 2008B	94,830,000	17,628	(4,820,866)	(9,461,705)	4,640,839	Def Outflow
	RFS Bonds 2008B	94,830,000	17,628	(4,820,866)	(9,461,705)	4,640,839	Def Outflow
	RFS Bonds 2008B	178,390,000	(9,355)	(5,412,397)	(13,309,037)	7,896,640	Def Outflow
		976,475,000	985,239	(39,388,655)	(87,510,811)	48,122,156	
Investment Derivatives-Asset Positions	PUF Bonds 2006B	180,350,000	(129,249)	1,199,420	—	1,199,420	Incr./Decr. in Fair Value of Inv
	PUF Bonds 2008A	162,452,500	(490,739)	8,123,820	4,697,372	3,426,448	Incr./Decr. in Fair Value of Inv
	PUF Bonds 2008A	162,452,500	(582,388)	11,138,314	8,215,211	2,923,103	Incr./Decr. in Fair Value of Inv
	RFS Bonds 2008B	90,270,000	(151,298)	7,977,272	5,528,660	2,448,612	Incr./Decr. in Fair Value of Inv
	RFS Bonds 2008B	92,045,000	(126,604)	3,846,609	2,716,535	1,130,074	Incr./Decr. in Fair Value of Inv
	RFS Bonds 2008B	117,190,000	(199,127)	8,991,668	6,512,577	2,479,091	Incr./Decr. in Fair Value of Inv
		804,760,000	(1,679,405)	41,277,103	27,670,355	13,606,748	
Investment Derivatives-Liability Positions	PUF Bonds 2006B	—	—	—	(974,081)	974,081	Incr./Decr. in Fair Value of Inv
		—	—	—	(974,081)	974,081	
TOTAL		**$ 2,409,415,000**	**(2,253,388)**	**132,668,186**	**64,192,925**	**68,475,261**	

The following is the fair value of the derivative instrument agreements related to debt in effect at August 31, 2022 based on the zero-coupon method and the classification of change in fair value from the previous fiscal year:

Derivative Instruments by Type	Hedgeable Item	Current Notional	Accrued Interest (through 08/31/2022)	Fair Value as of 08/31/2022	Fair Value as of 08/31/2021	Change in Fair Value 08/31/2021 - 08/31/2022	Change in Fair Value Recorded as
Hedging Derivative Assets	PUF Bonds 2014A	$ 240,340,000	—	44,006,224	17,515,709	26,490,515	Def Inflow
	RFS Bonds 2016G	250,000,000	(92,215)	32,631,844	—	32,631,844	Def Inflow
	RFS Taxable CP	250,000,000	(180,549)	48,369,394	—	48,369,394	Def Inflow
		740,340,000	(272,764)	125,007,462	17,515,709	107,491,753	
Hedging Derivative Liabilities	PUF Bonds 2008A	166,042,500	782,720	(17,120,521)	(50,525,255)	33,404,734	Def Outflow
	PUF Bonds 2008A	166,042,500	772,065	(16,511,329)	(49,765,271)	33,253,942	Def Outflow
	RFS Bonds 2007B	151,552,500	261,399	(10,823,257)	(32,529,951)	21,706,694	Def Outflow
	RFS Bonds 2007B	151,552,500	261,399	(10,823,257)	(32,529,951)	21,706,694	Def Outflow
	RFS Bonds 2008B	99,205,000	178,963	(9,461,705)	(26,641,589)	17,179,884	Def Outflow
	RFS Bonds 2008B	99,205,000	178,963	(9,461,705)	(26,641,589)	17,179,884	Def Outflow
	RFS Bonds 2008B	191,060,000	299,131	(13,309,037)	(44,294,009)	30,984,972	Def Outflow
	RFS Bonds 2016G	—	—	—	(24,977,781)	24,977,781	Def Outflow
	RFS Taxable CP	—	—	—	(5,455,366)	5,455,366	Def Outflow
		1,024,660,000	2,734,640	(87,510,811)	(293,360,762)	205,849,951	
Investment Derivatives-Asset Positions	PUF Bonds 2008A	166,042,500	(152,361)	4,697,372	3,230,931	1,466,441	Incr./Decr. in Fair Value of Inv
	PUF Bonds 2008A	166,042,500	103,345	8,215,211	5,179,802	3,035,409	Incr./Decr. in Fair Value of Inv
	RFS Bonds 2008B	90,270,000	(99,158)	5,528,660	3,862,789	1,665,871	Incr./Decr. in Fair Value of Inv
	RFS Bonds 2008B	92,045,000	(86,256)	2,716,535	1,672,858	1,043,677	Incr./Decr. in Fair Value of Inv
	RFS Bonds 2008B	117,190,000	(130,183)	6,512,577	4,263,564	2,249,013	Incr./Decr. in Fair Value of Inv
		631,590,000	(364,613)	27,670,355	18,209,944	9,460,411	
Investment Derivatives-Liability Positions	PUF Bonds 2006B	206,010,000	(46,130)	(974,081)	(531,908)	(442,173)	Incr./Decr. in Fair Value of Inv
		206,010,000	(46,130)	(974,081)	(531,908)	(442,173)	
TOTAL		**$ 2,602,600,000**	**2,051,133**	**64,192,925**	**(258,167,017)**	**322,359,942**	

Derivative Instrument Objectives

Derivative Instruments by Type	Hedgeable Item	Current Notional	Objective	Effective at 08/31/2023	Evaluation for Effectiveness
Hedging Derivative Instruments	PUF Bonds 2008A	$ 162,452,500	Hedge changes in cash flows on Series 2008A bonds	Yes	Consistent Critical Terms
	PUF Bonds 2008A	162,452,500	Hedge changes in cash flows on Series 2008A bonds	Yes	Consistent Critical Terms
	PUF Bonds 2023A	128,180,000	Hedge changes in fair value of Series 2023A bonds	Yes	Consistent Critical Terms
	RFS Bonds 2007B	141,760,000	Hedge changes in cash flows on Series 2007B bonds	Yes	Consistent Critical Terms
	RFS Bonds 2007B	141,760,000	Hedge changes in cash flows on Series 2007B bonds	Yes	Consistent Critical Terms
	RFS Bonds 2008B	94,830,000	Hedge changes in cash flows on Series 2008B bonds	Yes	Consistent Critical Terms
	RFS Bonds 2008B	94,830,000	Hedge changes in cash flows on Series 2008B bonds	Yes	Consistent Critical Terms
	RFS Bonds 2008B	178,390,000	Hedge changes in cash flows on Series 2008B bonds	Yes	Consistent Critical Terms
	RFS Bonds 2016G	250,000,000	Hedge changes in cash flows on Series 2016G bonds	Yes	Consistent Critical Terms
	RFS Taxable CP	250,000,000	Hedge interest rate risk on RFS taxable commercial paper	Yes	Other Quantitative Method
Investment Derivative Instruments	PUF Bonds 2006B	180,350,000	Manage changes in cash flows on Series 2006B bonds	N/A	N/A
	PUF Bonds 2008A	162,452,500	Manage changes in cash flows on Series 2008A bonds	N/A	N/A
	PUF Bonds 2008A	162,452,500	Manage changes in cash flows on Series 2008A bonds	N/A	N/A
	RFS Bonds 2008B	90,270,000	Manage changes in cash flows on Series 2008B bonds	N/A	N/A
	RFS Bonds 2008B	92,045,000	Manage changes in cash flows on Series 2008B bonds	N/A	N/A
	RFS Bonds 2008B	117,190,000	Manage changes in cash flows on Series 2008B bonds	N/A	N/A
TOTAL		**$ 2,409,415,000**			

Derivative Instrument Objectives

Derivative Instruments by Type	Hedgeable Item	Current Notional	Objective	Effective at 08/31/2022	Evaluation for Effectiveness
Hedging Derivative Instruments	PUF Bonds 2008A	$ 166,042,500	Hedge changes in cash flows on Series 2008A bonds	Yes	Consistent Critical Terms
	PUF Bonds 2008A	166,042,500	Hedge changes in cash flows on Series 2008A bonds	Yes	Consistent Critical Terms
	PUF Bonds 2014A	240,340,000	Hedge changes in cash flows on Series 2014A bonds	Yes	Consistent Critical Terms
	RFS Bonds 2007B	151,552,500	Hedge changes in cash flows on Series 2007B bonds	Yes	Consistent Critical Terms
	RFS Bonds 2007B	151,552,500	Hedge changes in cash flows on Series 2007B bonds	Yes	Consistent Critical Terms
	RFS Bonds 2008B	99,205,000	Hedge changes in cash flows on Series 2008B bonds	Yes	Consistent Critical Terms
	RFS Bonds 2008B	99,205,000	Hedge changes in cash flows on Series 2008B bonds	Yes	Consistent Critical Terms
	RFS Bonds 2008B	191,060,000	Hedge changes in cash flows on Series 2008B bonds	Yes	Consistent Critical Terms
	RFS Bonds 2016G	250,000,000	Hedge changes in cash flows on Series 2016G bonds	Yes	Consistent Critical Terms
	RFS Taxable CP	250,000,000	Hedge interest rate risk on RFS taxable commercial paper	Yes	Other Quantitative Method
Investment Derivative Instruments	PUF Bonds 2006B	206,010,000	Manage changes in cash flows on Series 2006B bonds	N/A	N/A
	PUF Bonds 2008A	166,042,500	Manage changes in cash flows on Series 2008A bonds	N/A	N/A
	PUF Bonds 2008A	166,042,500	Manage changes in cash flows on Series 2008A bonds	N/A	N/A
	RFS Bonds 2008B	90,270,000	Manage changes in cash flows on Series 2008B bonds	N/A	N/A
	RFS Bonds 2008B	92,045,000	Manage changes in cash flows on Series 2008B bonds	N/A	N/A
	RFS Bonds 2008B	117,190,000	Manage changes in cash flows on Series 2008B bonds	N/A	N/A
TOTAL		**$ 2,602,600,000**			

The fair value of interest rate swaps reported as investment derivative instruments-asset positions of $41,277,103 and $27,670,355 as of August 31, 2023 and 2022, respectively, is included on the consolidated statement of net position as noncurrent unrestricted investments and in the summary of investments in Note 6. The fair value of interest rate swaps reported as investment derivative instruments-liability positions of $0 and $974,081 as of August 31, 2023 and 2022 is included on the consolidated statement of net position as investment derivative instruments-liability positions. The change in fair value of interest rate swaps reported as investment derivative instruments are included in investment income on the consolidated statement of revenues, expenses and changes in net position. For the years ending August 31, 2023 and 2022, the change in fair value of interest rate swaps reported as investment derivative instruments was an increase in the amount of $14,580,829 and an increase in the amount of $9,018,238, respectively.

Hedging Derivative Instrument and Investment Derivative Instrument Risks

Credit Risk: The System is exposed to credit risk if the counterparty to an interest rate swap fails to meet the terms and obligations of its contracts. Contracts with a positive fair value expose the System to credit risk. The System faces a maximum possible loss equivalent to the amount of the swap contract's fair value, less any collateral held by the System provided by the counterparty. Contracts with a negative fair value do not expose the System to credit risk. All of the counterparties associated with swap contracts with the System are creditworthy financial institutions. Additionally, each of the System's swap counterparties has agreed to provide collateral to the System to the extent the positive value before considering nonperformance risk of the parties exceeds certain threshold amounts. Should a counterparty fail to meet its contractual agreements, or if the System's credit rating falls below investment grade (Baa2 by Moody's or BBB by S&P), the System could be required to pay or receive a substantial termination payment. As of August 31, 2023, the System's credit ratings were Aaa by Moody's and AAA by S&P. The System does not have to post collateral due to changes in fair value of its swap agreements unless the System does not have a credit rating or the System commits a specified event of default and the event of default is continuing. As of August 31, 2023, the maximum loss due to credit risk was $33,844,819. It is the System's policy to require counterparty collateral posting provisions in its non-exchange-traded derivative instruments. These terms require collateralization of the aggregate value of derivative instruments in asset positions, net of the effect of applicable threshold amounts based on each counterparty's credit rating. Although collateral posted can be in the form of cash, U.S. Treasury or U.S. agency securities held directly by the System or by a third-party custodian approved by the System, collateral posted is currently only in the form of cash held directly by the System. The System has not entered into master netting arrangements.

Bankruptcy Risk: The System is exposed to bankruptcy risk of its swap counterparties. The amount of any termination the System would receive, if a termination payment is owed, would be subject to the swap counterparty's ability to make the required payment. Upon the swap counterparty's bankruptcy, the System's obligation to make payments, the timing of termination, and the valuation of the swap upon termination may be affected by relevant bankruptcy law.

Interest Rate Risk: Interest rate risk involves the risk that the value of the System's interest rate swaps will fluctuate because of changes in interest rates. The value of interest rate swap agreements with a longer weighted average maturity tend to be more sensitive to changing interest rates, and therefore, more volatile than those with shorter maturities.

Basis Risk: The System is exposed to basis risk when the variable rate received under an interest rate swap does not match the variable rate paid on hedged bonds. The interest rate on the System's variable rate bonds is a tax-exempt interest rate based on the System's credit ratings. The variable receipt on the System's interest rate swaps is based on either a tax-exempt index (SIFMA) or a taxable index (SOFR). Tax-exempt interest rates can change without a corresponding change in taxable interest rates due to factors affecting the tax-exempt market that do not have a similar effect on the taxable market.

Index Risk: The System is exposed to risk that the method of establishing SOFR, the Thomson Municipal Market Data (MMD) or the SIFMA index could change over time. A change in SOFR, MMD or the SIFMA index may affect the rate that the System pays or receives on certain interest rate swaps.

Liquidity Risk: The System is exposed to risk that, under certain market conditions, the System may be unable to terminate, assign or novate an interest rate swap. The System may not amend, assign or novate a swap without the swap counterparty's consent. There can be no assurance that another party will be willing to accept an assignment or novation of the System's interest rate swap.

Termination Risk: Termination risk is the risk that the swap may be terminated prior to its scheduled maturity date as a result of certain specified events. None of the System's interest rate swaps are subject to automatic early termination. The System is subject to termination risk if the System's credit rating falls below investment grade (Baa2 by Moody's or BBB by S&P), or if the System commits a specified event of default or other specified event of termination. The System has the right to optionally terminate any of its swaps at any time. At termination, if the fair value of the swap is negative, the System would be liable to pay a termination payment to the appropriate counterparty in the amount of the swap's fair value. If the fair value of the swap is positive at termination, the counterparty would owe a termination payment to the System in the amount of the swap's fair value.

Amortization Risk: Amortization risk is the risk caused by a mismatch between the amortization of a derivative instrument contract and the underlying hedged bonds. The System is not exposed to amortization risk by exactly matching the notional amounts and amortization schedules of its swap contracts with the principal amounts and amortization schedules of the associated hedged bonds.

Market Access Risk: Each swap associated with underlying variable rate debt that is subject to tender at the option of the bondholder is subject to market access risk. In the event the System is unable to remarket its variable rate bonds, the System may choose to refund the variable rate bonds with fixed-rate bonds and optionally terminate the related interest rate swap agreements. Should an early termination event occur, the System could be required to pay or to receive a substantial termination payment. As of August 31, 2023, the System had market access risk associated with $1,226,475,000 aggregate notional amount of pay-fixed, receive-variable interest rate swaps used to hedge interest rate risk on variable rate bonds subject to tender. As of August 31, 2023, the System's variable rate bonds carried the highest short-term ratings from Moody's and S&P of VMIG1 and A-1+, respectively.

Hedging Derivative Instrument Swap Scheduled Payments

The following tables reflect the scheduled payments on the hedging derivative instrument swap agreements which differ from the presentation in the projected bond debt service requirements table for the related demand bonds and commercial paper. The debt service requirements reflect the entire outstanding balance of the demand bonds in 2024 because the bonds are supported by internal liquidity.

As of August 31, 2023

	Associated Variable Rate Bonds and Commercial Paper		Pay-Fixed Receive-Variable Interest Rate	
Fiscal Year	**Principal[1]**	**Interest[2]**	**Swaps[3]**	**Total**
2024	$ 49,785,000	65,762,900	(21,249,650)	94,298,250
2025	57,325,000	63,808,391	(21,097,382)	100,036,009
2026	50,360,000	61,551,687	(20,925,219)	90,986,468
2027	59,605,000	59,578,166	(20,770,135)	98,413,031
2028	61,850,000	57,233,825	(20,590,758)	98,493,067
2029 - 2033	313,440,000	250,124,954	(100,289,349)	463,275,605
2034 - 2038	374,870,000	189,141,800	(95,829,430)	468,182,370
2039 - 2043	9,240,000	135,359,600	(90,953,210)	53,646,390
2044 - 2048	250,000,000	95,127,500	(65,228,400)	279,899,100
2049 - 2053	250,000,000	13,710,500	(9,621,200)	254,089,300

1 Reflects scheduled principal and interest payments of Revenue Financing System Refunding Bonds, Series 2007B, Revenue Financing System Bonds, Series 2008B, Revenue Financing System Bonds, Taxable Series 2016G, and Permanent University Fund Bonds, Series 2008A to be optionally or mandatorily redeemed in the fiscal years reflected. Also includes $250 million of projected principal in August 2049 of Revenue Financing System Commercial Paper.

2 Annual debt service requirements are computed using the System's interest rates in effect on August 31, 2023, on its Series 2008A Bonds, Series 2007B Bonds, Series 2008B, Series 2016G Bonds, and taxable commercial paper.

3 Reflects net payments on pay-fixed, receive-variable interest rate swaps based on static interest rate environment as of August 31, 2023, and applied on the respective notional amounts of the swaps through their respective termination dates.

As of August 31, 2023

	Associated Fixed Rate Bonds[1]		Receive-Fixed Pay-Variable Interest Rate	
Fiscal Year	**Principal**	**Interest**	**Swaps[2]**	**Total**
2024	$ —	6,409,000	850,996	7,259,996
2025	—	6,409,000	1,038,258	7,447,258
2026	—	6,409,000	1,038,258	7,447,258
2027	—	6,409,000	1,038,258	7,447,258
2028	—	6,409,000	1,038,258	7,447,258
2029 - 2033	128,180,000	28,918,750	4,684,838	161,783,588

[1]Reflects scheduled principal and interest payments of Permanent University Fund Bonds, Series 2023A maturing in the fiscal years reflected.

[2]Reflects net payments on receive-fixed, pay-variable interest rate swaps based on static interest rate environment as of August 31, 2023, and applied on the respective notional amounts of the swaps through their respective termination dates.

As of August 31, 2022

Fiscal Year	Associated Variable Rate Bonds and Commercial Paper Principal[1]	Interest[2]	Pay-Fixed Receive-Variable Interest Rate Swaps[3]	Total
2023	$ 48,185,000	27,428,430	17,447,007	93,060,437
2024	49,785,000	26,673,896	16,443,353	92,902,249
2025	57,325,000	25,894,157	15,405,760	98,624,917
2026	50,360,000	24,993,281	14,207,854	89,561,135
2027	59,605,000	24,206,295	13,159,334	96,970,629
2028 - 2032	307,955,000	106,816,027	46,863,944	461,634,971
2033 - 2037	339,775,000	82,917,837	15,355,796	438,048,633
2038 - 2042	111,670,000	57,494,992	(16,738,574)	152,426,418
2043 - 2047	250,000,000	43,961,250	(16,368,600)	277,592,650
2048 - 2052	250,000,000	10,639,500	(4,887,150)	255,752,350

[1] Reflects scheduled principal and interest payments of Revenue Financing System Refunding Bonds, Series 2007B, Revenue Financing System Bonds, Series 2008B, Revenue Financing System Bonds, Taxable Series 2016G, and Permanent University Fund Bonds, Series 2008A to be optionally or mandatorily redeemed in the fiscal years reflected. Also includes $250 million of projected principal in August 2049 of Revenue Financing System Commercial Paper.
[2] Annual debt service requirements are computed using the System's interest rates in effect on August 31, 2022 on its Series 2008A Bonds, Series 2007B Bonds, Series 2008B, Series 2016G Bonds, and taxable commercial paper.
[3] Reflects net payments on pay-fixed, receive-variable interest rate swaps based on static interest rate environment as of August 31, 2022 and applied on the respective notional amounts of the swaps through their respective termination dates.

14. Stewardship, Compliance and Accountability

The System had no significant violations of bond or note covenants. Per State law, the System cannot spend amounts in excess of appropriations granted by the Texas Legislature. There are no deficits reported in net position.

15. Risk Management and Related Insurance

The System has eight funded self-insurance/high retention plans providing coverage in the following areas: employee health and dental, unemployment compensation, workers' compensation, professional medical liability, property protection, directors and officers/employment practices and cyber liability, construction contractor insurance, and automobile, property and liability.

EMPLOYEE AND RETIREE INSURANCE BENEFITS

The U. T. System Employee Benefits program provides health insurance, dental insurance, vision insurance, life insurance, accidental death and dismemberment (AD&D), long-term disability, short-term disability, and flexible spending account coverage to all benefits-eligible employees and retirees of the System and its thirteen institutions. These insurance benefits are provided through both self-funded and fully-insured arrangements. A portion of the System's cost of providing group health and basic life insurance coverage is paid by the State as specified in the General Appropriations Act. The System's Office of Employee Benefits (OEB) is responsible for the overall administration of the insurance plans. The System's OEB program was established by Chapter 1601 of the *Texas Insurance Code* and complies with State laws and statues pertinent to employee benefits for the System.

UNEMPLOYMENT COMPENSATION INSURANCE

The General Appropriations Act requires the System to reimburse the Texas Workforce Commission (TWC) for 50% of the unemployment benefits paid to qualified former employees paid from general revenue funds and 100% of the unemployment benefits paid from local funds.

WORKERS' COMPENSATION INSURANCE

The Workers' Compensation Insurance (WCI) program provides coverage to all employees of the System and its institutions. Under the oversight of the System's Office of Risk Management (ORM), the System self-insures and administers the systemwide program through the use of a third-party administrator. The coverage provides income and medical benefits to all employees who have sustained compensable job-related injuries or occupational diseases. The program's statutory authority is embodied in Chapter 503 of the *Texas Labor Code.*

PROFESSIONAL MEDICAL LIABILITY BENEFIT PLAN

The coverage provided under the Professional Medical Liability Benefit Plan (the "Plan") is on an occurrence basis; thus, a participant is covered by the Plan for claims and lawsuits relating to events that occurred while enrolled in the Plan, including those filed after the participant has left the System's employment or training. The Plan covers all the System staff physicians, dentists, residents, fellows, and medical and dental students who have been enrolled. Effective July 1, 2020, healthcare professional staff members and faculty who are licensed, certified, or registered to provide patient care have Plan coverage. The limits of liability of the Plan include an annual policy aggregate of $30 million, an annual aggregate of $1.5 million for each staff physician, resident, fellow and healthcare professional ($500,000 per claim), and a $75,000 annual aggregate for each medical and dental student ($25,000 per claim). Additional coverage is available outside of Texas and for approved international activities. Liability is limited to $2 million per claim, regardless of the number of claimants or plan participants involved in an incident.

The limits of liability are prescribed by law as $100,000 per health care liability claim per physician determined to be a public servant. U. T. institutions are covered under the Plan for actions that could have been brought against an individual plan participant. The liability of a U. T. institution is limited by law to $250,000 per person injured and $500,000 per occurrence for bodily injury or death.

COMPREHENSIVE PROPERTY PROTECTION PROGRAM

The Comprehensive Property Protection Plan (CPPP) uses a combination of interim financing and commercial insurance to provide Fire and All Other Perils (Fire and AOP) and Named Windstorm and Flood (Wind and Flood) coverage. All coverage is subject to the terms, exclusions, limits and conditions of the Insurance Policies. The Fire and AOP program provides a $1.3 billion per occurrence limit for most perils, with sub-limits that do apply. The System participates in a quota share of the following layers of commercial insurance coverage: thirteen percent (13%) of the $25 million layer excess of $25 million, twelve percent (12%) of the $25 million layer excess of $50 million, nine percent (9%) of the $25 million layer excess of $75 million, and five percent (5%) of the $50 million layer excess of $100 million. Deductibles for Fire and AOP are $10 million per occurrence with a $20 million annual aggregate limit; institutions have a $500,000 per occurrence deductible. The commercial insurance coverage for Named Windstorm and resulting perils provides a $250 million per occurrence limit with the System participating in a quota share of the following layers of commercial insurance coverage: thirteen percent (13%) of the $25 million layer excess of $25 million, twelve percent (12%) of the $25 million layer excess of $50 million, nine percent (9%) of the $25 million layer excess of $75 million, and five percent (5%) of the $50 million layer excess of $100 million. M. D. Anderson purchases a dedicated $100 million policy excess of the $250 million per occurrence Named Windstorm CPPP limit. Deductibles for Wind and Flood are $100 million per occurrence for U. T. Medical Branch - Galveston (locations in Galveston only), $50 million per occurrence for U. T. Health Science Center - Houston (locations in Texas Medical Center only) and M. D. Anderson (locations in Texas Medical Center Only), 5% of affected values in other Tier 1 counties subject to a $10 million minimum, and AOP deductibles for all other locations. Tier 1 counties include counties along the Texas coast plus parts of Harris County.

Primary insurance policies are purchased on certain flood and wind exposed properties to partially offset the large deductibles. These policies provide underlying limits (up to $4.4 million per building/contents for wind and $1 million maximum building/contents for flood) and are purchased through the Texas Windstorm Insurance Association (TWIA) for facilities in Tier 1 seacoast territories and the National Flood Insurance Program (NFIP) for properties located in higher risk flood zones. U. T. Medical Branch - Galveston purchases a $50 million Named Windstorm buydown policy to reduce the $100 million Wind and Flood deductible for locations in Galveston only. M. D. Anderson purchases a $25 million Named Windstorm Multi Year Single Limit (MYSL) buydown policy to reduce the $50 million Wind and Flood deductible; they have a 25% share of the $25 million to $50 million layer. The interim financing component of the program participates in losses resulting from physical damage that exceeds the coverage available under these primary policies and the institution's deductible. The interim financing for the Wind and Flood program is funded by annual contributions made by each institution in addition to the payment of insurance premiums.

DIRECTORS AND OFFICERS/EMPLOYMENT PRACTICES LIABILITY PLAN AND CYBER LIABILITY PROGRAM

The Directors and Officers Liability (D&O) and Employment Practices Liability (EPL) Plan (the "Plan") provides coverage for claims arising from actual or alleged wrongful acts performed by the Plan beneficiaries and for EPL claims, such as wrongful termination, failure to promote, and wrongful discipline.

Coverage applies to individual board members, employees, faculty, and other covered individuals, as well as to each of the institutions and U. T. System Administration. The limit of liability is a $15 million annual aggregate (Coverages A, B and C combined), with an additional $5 million self-insured annual aggregate excess limit for Coverages A and B. Self-insured retentions for the Plan are subject to a $5 million annual aggregate. Coverage A applies to non-indemnifiable claims made against individuals and it has no deductible. Coverage B applies to a U. T. institution that is required to indemnify a covered individual with deductibles of $100,000 per individual and $300,000 per occurrence. Coverage C applies to a U. T. institution with a $300,000 deductible. In the event a loss involves any or all of Coverages A, B, and C, then only the single largest deductible amount will apply.

The Cyber Liability Program provides coverage for claims arising from the following causes of loss: media liability, network security liability, privacy liability, regulatory liability, loss of digital assets, network asset protection, and Payment Card Industry Data Security Standard (PCI-DSS). Each claim is subject to a $10 million self-insured retention; institutions have a $500,000 per occurrence deductible.

ROLLING OWNER CONTROLLED INSURANCE PROGRAM

The Rolling Owner Controlled Insurance Program (ROCIP) was established for the centralized purchase of construction contractor insurance on various capital improvement projects. This program provides workers' compensation, employers' liability and general liability insurance coverage for all contractors enrolled on projects participating in the program. Each coverage carries a $250,000 per occurrence deductible with a maximum $375,000 per occurrence clash deductible, if more than one coverage is triggered by the same occurrence. Deductibles are paid through the program's self-insurance fund. The self-insurance fund also pays portions of Builder's Risk deductibles.

AUTOMOBILE, PROPERTY & LIABILITY PLAN

The Automobile, Property & Liability Plan provides automobile liability and physical damage coverage for owned, leased, hired, and non-owned (excess liability only) vehicles, along with general liability coverage for certain scheduled exposures. All auto liability and general liability coverages are subject to a self-insured retention of $100,000 with a corridor endorsement for an additional layer of up to $50,000 per occurrence with an aggregate limit of $200,000 applicable to losses over $100,000 subject to a $996,000 annual aggregate stop loss for the fiscal year 2023 policy term. Physical Damage claims are subject to a $25,000 deductible per occurrence. Institution deductibles are $2,500 per occurrence for liability, $1,000 per vehicle for physical damage, and $5,000 per vehicle for physical damage for vehicles valued over $100,000.

INCURRED BUT NOT REPORTED SELF-INSURANCE CLAIMS

Insurance claims that were Incurred But Not Reported (IBNR) were actuarially determined for the employee's health and dental, workers' compensation, professional medical liability, directors and officers/employment practices liability and cyber liability program, rolling owner controlled, and automobile, property and liability self-insurance plans. IBNR figures for the workers' compensation, professional medical liability, directors and officers/employment practices liability and cyber liability program, rolling owner controlled, and automobile, property and liability self-insurance plans include liabilities for unpaid reported claims and are reported on an undiscounted basis. The IBNR liability for the property protection self-insurance plan is not actuarially determined but estimated based on unpaid reported claims. Since an annual accrual is recorded for the third quarter TWC billing, no IBNR liability is recorded for Unemployment Compensation Insurance. No settlements exceeded insurance coverage in the past three fiscal years.

Since the responsibility for processing all claims for self-funded employee health and dental benefits has been fully delegated to third parties, the IBNR claims liability for those benefits does not include a provision for unallocated loss adjustment expenses (ULAE). However, it does include a provision of 5% of the projected incurred but unpaid claims for the administrative expenses associated with processing those claims. The IBNR claims liability for the workers' compensation, professional medical liability, directors and officers/employment practices liability and cyber liability program, rolling owner controlled, and automobile, property and liability self-insurance plans includes a related accrual for allocated loss adjustment expenses (ALAE), which are the claim-specific defense and settlement costs associated with the ultimate settlement of those claims. They do not include a provision for ULAE, which are general administrative expenses associated with claims settlement, but are not specifically attributable to individual claims.

Changes in the System's claims liabilities for the various self-insurance plans during fiscal years 2023 and 2022 were as follows:

Fiscal Year 2023 Plan		IBNR Liability 09/01/2022	Current Year Claims and Changes in Estimates	Claims Payments	IBNR Liability 08/31/2023
Employee Health and Dental	$	179,000,000	1,826,588,154	(1,816,488,154)	189,100,000
Workers' Compensation		4,145,000	4,551,855	(4,093,855)	4,603,000
Professional Medical Liability		20,450,642	4,897,466	(3,620,866)	21,727,242
Property Protection – Fire & AOP		7,596,212	15,837,827	(12,629,406)	10,804,633
Property Protection – Wind & Flood		—	—	—	—
Directors and Officers/EPL/Cyber		5,753,058	4,122,788	(2,118,471)	7,757,375
ROCIP		4,280,367	46,279	(1,091,215)	3,235,431
Automobile, Property & Liability		493,962	977,382	(797,350)	673,994
TOTAL	$	221,719,241	1,857,021,751	(1,840,839,317)	237,901,675

Fiscal Year 2022 Plan		IBNR Liability 09/01/2021	Current Year Claims and Changes in Estimates	Claims Payments	IBNR Liability 08/31/2022
Employee Health and Dental	$	134,300,000	1,750,116,117	(1,705,416,117)	179,000,000
Workers' Compensation		3,486,000	4,973,970	(4,314,970)	4,145,000
Professional Medical Liability		20,973,497	3,766,215	(4,289,070)	20,450,642
Property Protection – Fire & AOP		10,047,571	(9,113,950)	6,662,591	7,596,212
Property Protection – Wind & Flood		—	—	—	—
Directors and Officers/EPL/Cyber		3,340,089	2,612,969	(200,000)	5,753,058
ROCIP		4,442,581	700,545	(862,759)	4,280,367
Automobile, Property & Liability		521,128	585,348	(612,514)	493,962
TOTAL	$	177,110,866	1,753,641,214	(1,709,032,839)	221,719,241

16. Postemployment Health Care and Life Insurance Benefits

<u>HEALTH AND LIFE INSURANCE BENEFITS FOR RETIRED EMPLOYEES</u>

In addition to providing pension benefits, the State provides certain health (medical and pharmacy) and life insurance benefits for retired employees (OPEB), in accordance with State statutes. Many employees may become eligible for the health and life insurance benefits as a retired employee if they meet certain age and service requirements as defined by the State. Similar benefits for active employees are provided through the same self-funded plan. Prior to and during fiscal year 2022 and continuing through December 31, 2022, all retiree medical benefits were provided through UT Select, System's self-funded health plan. Effective January 1, 2023, medical benefits for retirees for whom Medicare is primary (Medicare-primary retirees) and retiree dependents for whom Medicare is primary (Medicare-primary dependents) are provided through UT Care, a fully insured Medicare Advantage plan provided by Blue Cross Blue Shield of Texas. Medical benefits for retirees and retiree dependents for whom Medicare is not primary continue to be provided through UT Select. Pharmacy benefits for all retirees regardless of Medicare status have been and continue to be provided through UT Select. For the years ended August 31, 2023 and 2022, the employer and retiree monthly contribution rates for full-time retired employee are shown in the following table. The retiree contributes any premium charged over and above the employer contributions. Note contribution rates for fiscal year 2023 are the same for UT Select and UT Care.

	2023		2022	
Level of Coverage	**Employer**	**Retiree**	**Employer**	**Retiree**
Retiree Only	$ 675.16	—	628.06	—
Retiree/Spouse	1,029.06	290.70	957.26	270.42
Retiree/Children	901.60	304.04	838.70	282.82
Retiree/Family	1,257.62	572.46	1,169.88	532.52

Retiree contributions as of January 1, 2023 under UT Care Medicare Advantage are $316.87 for the spouse, if retiree is deceased, $316.87 for dependent children, and $633.74 for spouse plus children, if retiree is deceased.

PLAN DESCRIPTION AND FUNDING POLICY

OPEB are provided to the System's retirees under the UT System Employee Group Insurance Program (EGIP). The EGIP is a single-employer defined benefit OPEB plan; however, due to the State statute requiring appropriations for funding the plan, the State is reporting a proportionate share. Chapter 1551 of the *Texas Insurance Code*, Sections 310 and 311, require that the State contribute to the cost of each participant's insurance coverage. The funds are appropriated under the General Appropriations Act Higher Education Employees Group Insurance (HEGI) Contributions. The State's proportion was 17.18% and 18.06% of the collective OPEB-related liabilities, deferred outflows and inflows and expense based on HEGI contributions by the State to total contributions as of August 31, 2023 and 2022. The System's proportion as of August 31, 2023 and 2022 was 82.82% and 81.94%. At August 31, 2023 and 2022, the amount of the total OPEB liability related to the System reported by the State was $1,678,372,322 and $3,239,950,544, respectively. The amount reported by the State is related to the premium sharing contributions, which are recognized as State appropriation general revenue on the System's financial statements in the fiscal year that the State contributed the amounts for OPEB on the System's behalf.

The System and member contribution rates are determined annually by the System based on the recommendations of the OEB staff and consulting actuary. The contribution rates are determined based on the benefit and administrative costs expected to be incurred and (i) the funds appropriated and (ii) the funding policy established by the Texas Legislature in connection with benefits provided through the EGIP. The System revises benefits when necessary to match expected benefit and administrative costs with available revenue. The plan is operated on a pay-as-you-go basis and no assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

EMPLOYEES COVERED BY BENEFIT TERMS

The benefits provided are discussed in Note 15. The authority under which the obligations of the plan members and the System are established and may be amended is Chapter 1601, *Texas Insurance Code*. At the respective measurement dates, the following employees were covered by the benefit terms:

		Measurement Dates
		December 31, 2022 & December 31, 2021
a.	Inactive Employees or Beneficiaries Currently Receiving Benefit Payments	31,104
b.	Inactive Employees Entitled to but not yet Receiving Benefit Payments	15,091
c.	Active Employees	104,546
d.	Total	150,741

TOTAL OPEB LIABILITY

The System has elected to use a measurement date that is eight months in advance of the fiscal year end. The System's proportionate share of the total OPEB liability of $8,089,734,355, current portion of $208,395,911 and a noncurrent portion of $7,881,338,444, reported for the fiscal year ended August 31, 2023 was measured as of December 31, 2022 and was determined by an actuarial valuation as of December 31, 2021 and rolled forward twelve months to December 31, 2022. The System's proportionate share of the total OPEB liability of $14,695,594,306, current portion of $243,697,144 and a noncurrent portion of $14,451,897,162, reported for the fiscal year ended August 31, 2022 was measured as of December 31, 2021, and was determined by an actuarial valuation as of the same date.

ACTUARIAL ASSUMPTIONS AND OTHER INPUTS

The total OPEB liability as of December 31, 2022 was determined by an actuarial valuation as of December 31, 2021 and rolled forward twelve months to December 31, 2022. The following actuarial assumptions applied to all periods included in the measurement, unless otherwise specified:

Summary of Actuarial Methods and Assumptions – OPEB

Inflation	2.30%
Salary Increases	3.05% to 9.05% (includes inflation)
Discount Rate	3.72% for December 31, 2022; 2.06% for December 31, 2021;
Healthcare cost Trend Rates:	
Medical	UT Select: 5.50% for CY24, 5.25% for CY25, 5.00% for CY26, 4.75% for CY27, 4.60% for CY28, 4.50% for CY29, 4.40% for CY30 and 4.30% for CY31 and later years UT Care: 0.00% for CY24, 3.00% for CY25, 5.00% for CY26, 4.75% for CY27, 4.60% for CY28, 4.50% for CY29, 4.40% for CY30 and 4.30% for CY31 and later years
Pharmacy	10.00% for CY24, 9.50% for CY25, 9.00% for CY26, 8.00% for CY27, 7.00% for CY28, 6.00% for CY29, 5.00% for CY30 and 4.30% for CY31 and later years
Retiree contributions and opt-out credit trend rates	7.50% [1]for CY23, 6.90% for CY24, 6.60% for CY25, 6.25% for CY26, 5.80% for CY27, 5.35% for CY28, 4.95% for CY29, 4.60% for CY30 and 4.30% for CY31 and later years
Mortality:	a. Service Retirees, Survivors and other Inactive Members: Tables based on TRS experience with Ultimate MP Projection Scale from the year 2018. b. Disability Retirees: Tables based on TRS experience with Ultimate MP Projection Scale from the year 2018 using a 3-year set forward and minimum mortality rates of four per 100 male members and two per 100 female members. c. Active Members: Sex Distinct RP-2014 Employee Mortality multiplied by 90% with Ultimate MP Projection Scale from the year 2014.
Discount Rate:	a. For fiscal year ended August 31, 2023: The discount rate used to measure the total OPEB liability as of December 31, 2022 was 3.72%. The discount rate used to determine the total OPEB liability as of December 31, 2021 was 2.06%. b. For fiscal year ended August 31, 2022: The discount rate used to measure the total OPEB liability as of December 31, 2021 was 2.06%. The discount rate used to measure the total OPEB liability as of December 31, 2020 was 2.12%. c. Municipal Bond Rate: 3.72% as of December 31, 2022 and 2.06% as of December 31, 2021; the source of the municipal bond rate is the Bond Buyer Index of general obligation bonds with 20 years to maturity and mixed credit quality. In describing their index, the Bond Buyer notes that the bonds' average credit quality is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Corp.'s AA.

[1]For FY23, actual retiree contributions are equal to FY22 retiree contributions increased by 7.50% for all coverage levels except as indicated in the following sentence. Retiree contributions as of 1/1/2023 under UT Care Medicare Advantage are $316.87 for "Spouse, if Retiree is deceased", $316.87 for "Dependent Children" and $633.74 for "Spouse plus Children, if Retiree is deceased".

Last State Employer Assumption:

Members who terminate employment are assumed to participate in the EGIP (i.e., as a result of UT System being their last State employer), provided all other eligibility requirements are satisfied, according to the following schedule:

Age at Termination Rate	Participation
<20	20%
20-24	20%
25-34	20%
35-44	40%
45-54	40%
≥55	40%

Many of the actuarial assumptions used in this valuation were based on the results of an actuarial experience study performed by the TRS retirement plan actuary as of August 31, 2017.

The following assumptions or other inputs were changed since the previous measurement date:

i. **Economic Assumptions**

- Assumed Per Capita Health Benefit Costs and Health Benefit Cost trends have been updated since the previous valuation to reflect increases in retiree cost sharing in UT Select and the implementation of UT Care effective January 1, 2023.
- The expenses directly related to the payment of EGIP health benefits have been updated since the previous valuation.
- The Patient-Centered Outcome Research Institute (PCORI) fees payable under the Affordable Care Act (ACA) have been updated since the previous valuation.

ii. **Other Inputs**

The discount rate was changed as a result of requirements by GASB Statement No. 75 to utilize the yield or index rate as of the measurement date for 20-year, tax-exempt general obligation municipal bonds rated AA/Aa (or equivalent) or higher.

As of the measurement date of December 31, 2022, the benefit terms have changed to reflect: i) increases in retiree cost sharing for retirees for whom Medicare is not primary and ii) an increase in the employer funded life insurance coverage for retirees who do not opt out of EGIP health coverage upon retirement. Accordingly, the benefit terms used in this valuation have changed since the prior valuation.

Sensitivity of the System's Proportionate Share of the Total OPEB Liability to Changes in the Discount Rate

	1% Decrease (2.72)%	FY23 Discount Rate (3.72)%	1% Increase (4.72)%
Total OPEB Liability	$ 9,558,708,298	$ 8,089,734,355	$ 6,927,817,838

	1% Decrease (1.06)%	FY22 Discount Rate (2.06)%	1% Increase (3.06)%
Total OPEB Liability	$ 17,933,558,969	$ 14,695,594,306	$ 12,207,045,887

Sensitivity of the System's Proportionate Share of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

	1% Decrease[1]	FY23 Healthcare Cost Trend Rates[1]	1% Increase[1]
Total OPEB Liability	$ 6,754,616,645	$ 8,089,734,355	$ 9,847,385,898

	1% Decrease[2]	FY22 Healthcare Cost Trend Rates[2]	1% Increase[2]
Total OPEB Liability	$ 11,924,338,193	$ 14,695,594,306	$ 18,456,093,101

[1] Healthcare Cost Trend Rates used for fiscal year 2023 are shown below:

	Medical - UT Select			Medical - UT Care		
Calendar Year	1% Decrease	Healthcare Cost Trend Rates	1% Increase	1% Decrease	Healthcare Cost Trend Rates	1% Increase
2024	4.50%	5.50%	6.50%	(1.00)%	—%	1.00%
2025	4.25%	5.25%	6.25%	2.00%	3.00%	4.00%
2026	4.00%	5.00%	6.00%	4.00%	5.00%	6.00%
2027	3.75%	4.75%	5.75%	3.75%	4.75%	5.75%
2028	3.60%	4.60%	5.60%	3.60%	4.60%	5.60%
2029	3.50%	4.50%	5.50%	3.50%	4.50%	5.50%
2030	3.40%	4.40%	5.40%	3.40%	4.40%	5.40%
2031 and beyond	3.30%	4.30%	5.30%	3.30%	4.30%	5.30%

	Pharmacy		
Calendar Year	1% Decrease	Healthcare Cost Trend Rates	1% Increase
2024	9.00%	10.00%	11.00%
2025	8.50%	9.50%	10.50%
2026	8.00%	9.00%	10.00%
2027	7.00%	8.00%	9.00%
2028	6.00%	7.00%	8.00%
2029	5.00%	6.00%	7.00%
2030	4.00%	5.00%	6.00%
2031 and beyond	3.30%	4.30%	5.30%

[2] Healthcare Cost Trend Rates used for fiscal year 2022 are shown below:

	Medical			Pharmacy		
Calendar Year	**1% Decrease**	**Healthcare Cost Trend Rates**	**1% Increase**	**1% Decrease**	**Healthcare Cost Trend Rates**	**1% Increase**
2023	5.00%	6.00%	7.00%	9.50%	10.50%	11.50%
2024	4.50%	5.50%	6.50%	9.00%	10.00%	11.00%
2025	4.25%	5.25%	6.25%	8.50%	9.50%	10.50%
2026	4.00%	5.00%	6.00%	8.00%	9.00%	10.00%
2027	3.75%	4.75%	5.75%	7.00%	8.00%	9.00%
2028	3.60%	4.60%	5.60%	6.00%	7.00%	8.00%
2029	3.50%	4.50%	5.50%	5.00%	6.00%	7.00%
2030	3.40%	4.40%	5.40%	4.00%	5.00%	6.00%
2031 and beyond	3.30%	4.30%	5.30%	3.30%	4.30%	5.30%

CHANGES IN THE SYSTEM'S PROPORTIONATE SHARE OF THE TOTAL OPEB LIABILITY

	Increase (Decrease) in Total OPEB Liability	
	For Measurement Year from 12/31/2021 - 12/31/2022	**For Measurement Year from 12/31/2020 - 12/31/2021**
Balance at Beginning of Measurement Year	$ 14,695,594,306	11,931,417,814
Changes for the Year:		
Service Cost	877,350,009	708,022,293
Interest	321,938,242	266,654,173
Benefit Terms	(52,783,790)	—
Differences Between Expected and Actual Experience	—	160,861,824
Changes of Assumptions or Other Inputs	(7,704,380,357)	1,780,677,623
Benefit Payments (Employer)	(206,219,478)	(181,252,716)
Net Changes	(6,764,095,374)	2,734,963,197
Changes in Proportionate Share	158,235,423	29,213,295
Balance at End of Measurement Year	$ 8,089,734,355	14,695,594,306

The System recognized OPEB expense of $462,609,141 for the fiscal year ended August 31, 2023 and $1,150,530,177 for the fiscal year ended August 31, 2022.

The changes in the total OPEB liability, including both the System's and the State's portion, are shown in the table below.

	Increase (Decrease) in Total OPEB Liability	
	For Measurement Year from 12/31/2021 - 12/31/2022	For Measurement Year from 12/31/2020 - 12/31/2021
Balance at Beginning of Measurement Year	$ 17,935,544,850	14,597,601,922
Changes for the Year:		
Service Cost	1,059,373,288	864,120,588
Interest	388,730,575	325,443,652
Benefit Terms	(63,734,811)	—
Differences Between Expected and Actual Experience	—	196,327,171
Changes of Assumptions or Other Inputs	(9,302,803,516)	2,173,265,178
Benefit Payments (Employer)	(249,003,709)	(221,213,661)
Net Changes	(8,167,438,173)	3,337,942,928
Changes in Proportionate Share	—	—
Balance at End of Measurement Year	$ 9,768,106,677	17,935,544,850

At each fiscal year-end, the System reported deferred outflows of resources and deferred inflows of resources related to OPEB from the sources listed in the table below.

	As of August 31, 2023		As of August 31, 2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ 124,515,711	81,950,260	142,025,545	110,741,721
Changes of Assumptions or Other Inputs	2,485,262,865	7,706,119,307	2,871,138,715	1,184,874,462
Change in Proportion and Contribution Difference	529,653,958	12,919,463	500,240,792	20,218,595
Contributions Subsequent to the Measurement Date	127,487,908	—	140,874,223	—
Total	$ 3,266,920,442	7,800,989,030	3,654,279,275	1,315,834,778

Amounts reported as Deferred Outflows/(Inflows) of Resources will be recognized in OPEB expense as follows:

For the Fiscal Year ended August 31, 2023:

Fiscal Year Ended August 31		Amount
2024	$	(687,018,165)
2025		(642,018,293)
2026		(528,481,088)
2027		(484,628,521)
2028		(425,741,144)
Thereafter		(1,893,669,285)
Total	$	(4,661,556,496)

CHANGES IN THE TOTAL OPEB LIABILITY BETWEEN THE MEASUREMENT DATE AND AUGUST 31, 2023

The following change was made to the OPEB plan between the December 31, 2022 measurement date of the Total OPEB Liability and the Employer's fiscal year 2023 reporting date of August 31, 2023:

- Texas Senate Bill 1055, which was signed by the Governor on May 10, 2023, added Stephen F. Austin State University into the University of Texas System. As a result, eligible employees of Stephen F. Austin State University will become members under this OPEB plan effective September 1, 2023.

The System estimates that the above change would increase the Total OPEB Liability, including both the System's and the State's portion, to $9.9 billion as of December 31, 2022, using the current discount rate of 3.72%.

17. Pension Plans

TEACHER RETIREMENT SYSTEM (TRS)

The State of Texas has joint contributory retirement plans for substantially all its employees. One of the primary plans in which the System participates is a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the Teacher Retirement System of Texas. TRS is primarily funded through State and employee contributions. Depending upon the source of funding for a participant's salary, the System may be required to make contributions in lieu of the State.

All System personnel employed in a position on a half time or greater basis for at least four and one half months or more are eligible for membership in the TRS retirement plan. However, students employed in positions that require student status as a condition of employment do not participate. Members with at least five years of service have a vested right to unreduced retirement benefits at age 65 or provided they have a combination of age plus years of service totaling 80 or more. However, members who began TRS participation on or after September 1, 2007 must be age 60 to retire with unreduced benefits and members who are not vested in TRS on August 31, 2014 must be age 62 to retire with unreduced benefits under the second option. Members are fully vested after five years of service and are entitled to any reduced benefits for which the eligibility requirements have been met prior to meeting the eligibility requirements for unreduced benefits.

The TRS Plan provides retirement, disability annuities and death and survivor benefits. The benefit and contribution provisions of the TRS Plan are authorized by state law and may be amended by the Legislature. The pension benefit formulas are based on members' average annual compensation and years of service credit. The standard annuity is 2.3% of the average of the five highest annual salaries multiplied by years of service credit. For grandfathered members who were hired on or before August 31, 2005 and meet certain criteria, the standard annuity is based on the average of the three highest annual salaries. The plan does not provide automatic cost of living adjustments.

TRS contribution rates for both employers and employees are not actuarially determined but are legally established by the State Legislature. Contributions by employees were 8.0% of gross earnings for 2023, and 8.0% of gross earnings for 2022. Depending upon the source of funding for the employee's compensation, the State or the System contributes a percentage of participant salaries totaling 8.0% of annual compensation for 2023, and 7.75% of annual compensation for 2022. The System's actual contributions excluding the State match to TRS for the years ended August 31, 2023, 2022 and 2021 were $514,850,265, $439,933,274, and $381,611,428, respectively.

The total pension liability is determined by an annual actuarial valuation. The tables below present the actuarial methods and assumptions used to measure the total pension liability as of the August 31, 2022 and August 31, 2021 measurement dates.

Summary of Actuarial Methods and Assumptions – TRS Plan

Actuarial Valuation Date	Aug 31, 2021 rolled forward to Aug 31, 2022
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Discount Rate	7.00 %
Long-term Expected Rate of Return	7.00 %
Municipal Bond Rate as of August 2022*	3.91 %
Inflation	2.30 %
Salary Increase	2.95% to 8.95% including inflation
Payroll Growth Rate	2.90 %
Mortality:	
Active	Based on the PUB(2010), Amount-Weighted, Below-Median Income, Teacher, Male and Female tables, with a 2-year set forward for males. The rates are projected on a fully generational basis by the long-term rates of scale UMP 2021 to account for future mortality improvements.
Post-Retirement	The 2021 TRS of Texas Healthy Pensioner Mortality Tables. The rates are projected on a fully generational basis by Scale UMP 2021, but with immediate convergence, to account for future mortality improvements. For disabled retirees, a three-year set forward of these tables are used, with minimum mortality rates of 0.0200 for females and 0.0400 for males, respectively.
Ad Hoc Post-Employment Benefit Changes	None

Summary of Actuarial Methods and Assumptions – TRS Plan

Actuarial Valuation Date	Aug 31, 2020 rolled forward to Aug 31, 2021
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Discount Rate	7.25 %
Long-term Expected Rate of Return	7.25 %
Municipal Bond Rate as of August 2021*	1.95 %
Inflation	2.30 %
Salary Increase	3.05% to 9.05% including inflation
Payroll Growth Rate	3.00 %
Mortality:	
Active	90% of the RP 2014 Employee Mortality Tables for males and females with full generational mortality
Post-Retirement	2018 TRS Healthy Pensioner Mortality Tables with full generation projection using Scale U-MP
Ad Hoc Post-Employment Benefit Changes	None

Notes:

*Source for the municipal bond rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index."

The actuarial assumptions used in the determination of the total pension liability as of the August 31, 2022 measurement date were updated from the assumptions used in the actuarial valuation as of August 31, 2021. The actuarial assumptions used in the August 31, 2022 valuation were primarily based on the result of an actuarial experience study for the period ending August 31, 2021 and adopted on July 15, 2022. There have been no changes to the benefit provisions of the plan since the prior measurement date.

The following assumptions or other inputs were changed since the previous measurement date:

i. **Economic Assumptions**
   - The discount rate and long-term expected rate of return were updated based on the current capital market assumptions from Aon (TRS' investment consultant) and the System's target asset allocation.
   - The salary increase and payroll growth rates were updated to reflect a 0.10% decrease in the general wage inflation assumption.

ii. **Demographic Assumptions**
   - Pre- and post-retirement mortality tables were updated based on observations during the five-year period ending August 31, 2019.
   - The termination and disability tables were updated to combine male and female experience patterns.
   - The retirement tables were updated to reflect small decreases to the retirement probabilities.

The discount rate of 7.00% was applied to measure the total pension liability. The discount rate was based on the expected rate of return on pension plan investments of 7.00%. The projected cash flows into and out of the pension plan assumed that active members, employers, and non-employer contributing entity make their contributions at the statutorily required rates. It is assumed that future employer and State contributions will be 8.50% of payroll for the measurement period ending August 31, 2020, gradually increasing to 9.55% over the next several years. This includes a factor for all employer and State contributions for active and rehired retirees. Based on these assumptions, the pension plan's fiduciary net position and future contributions were sufficient to finance the benefit payments of current plan members. As a result, the long-term expected rate of return on pension plan investments was applied to all projected benefit payments to determine the total pension liability.

The long-term expected rate of return on plan investments was developed using a building-block method, in which best estimate ranges of expected future real rates of return (net of pension plan 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 geometric real rates of return for each major asset class for the plan's investment portfolio as of the August 31, 2022, measurement date are presented below:

Asset Class*	Target Allocation**	Long-Term Expected Geometric Real Rate of Return***
Global Equity		
U.S.	18.0 %	4.6 %
Non-U.S. Developed	13.0 %	4.9 %
Emerging Markets	9.0 %	5.4 %
Private Equity	14.0 %	7.7 %
Stable Value		
U.S. Treasury	16.0 %	1.0 %
Absolute Return	—	3.7 %
Stable Value Hedge Funds	5.0 %	3.4 %
Real Return		
Real Assets	15.0 %	4.1 %
Energy, Natural Resources, and Infrastructure	6.0 %	5.1 %
Commodities	—	3.6 %
Risk Parity		
Risk Parity	8.0 %	4.6 %
Asset Allocation Leverage Cash	2.0 %	3.0 %
Asset Allocation Leverage	(6.0)%	3.6 %
Total	100.0 %	

Notes:

*Absolute Return includes Credit Sensitive Investments.
**Target allocations are based on fiscal year 2022 policy model.
***Capital Market assumptions come from Aon Hewitt (as of 08/31/2022).

The target allocation and best estimates of geometric real rates of return for each major asset class for the plan's investment portfolio as of the August 31, 2021, measurement date are presented below:

Asset Class	Target Allocation*	Long-Term Expected Geometric Real Rate of Return**
Global Equity		
U.S.	18.0 %	3.6 %
Non-U.S. Developed	13.0 %	4.4 %
Emerging Markets	9.0 %	4.6 %
Private Equity	14.0 %	6.3 %
Stable Value		
U.S. Treasury	16.0 %	(0.2)%
Absolute Return	—	1.1 %
Stable Value Hedge Funds	5.0 %	2.2 %
Real Return		
Real Assets	15.0 %	4.5 %
Energy, Natural Resources, and Infrastructure	6.0 %	4.7 %
Commodities	—	1.7 %
Risk Parity		
Risk Parity	8.0 %	2.8 %
Asset Allocation Leverage Cash	2.0 %	(0.7)%
Asset Allocation Leverage	(6.0)%	(0.5)%
Total	100.0 %	

Notes:

*Target allocations are based on fiscal year 2021 policy model.
**Capital Market assumptions come from Aon Hewitt (as of 08/31/2021).

Sensitivity analysis was performed on the impact of changes in the discount rate on the System's proportionate share of the net pension liability. The result of the analysis is presented in the table below:

Sensitivity of System's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate FY23

1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
$8,772,364,757	$5,639,140,669	$3,099,515,475

Sensitivity of System's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate FY22

1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
$5,027,419,794	$2,300,711,499	$88,523,417

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 TRS. Benefits and refunds of contributions are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value. Fair value is a market-based measurement, not an entity-specific measurement. TRS utilizes one or more of the following valuation techniques in order to measure fair value: the market approach, the cost approach, and the income approach. More detailed information on the plan's investment policy, assets, and fiduciary net position, may be obtained from TRS' fiscal 2022 Annual Comprehensive Financial Report. Further information regarding actuarial assumptions and conclusions, together with audited financial statements are included in the TRS' annual financial report, which may be obtained from the TRS website.

As of August 31, 2023 and 2022, respectively, the System reported a liability of $5,639,140,669 and $2,300,711,499 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of August 31, 2022 and 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2021 and 2020, respectively, and rolled forward to the measurement date. The System's proportion as of the August 31, 2022 and 2021 measurements dates was 9.4987114% and 9.0342804%, respectively. The System's proportion of the collective net pension liability was based on its contributions to the pension plan relative to the contributions of all the employers and non-employer contributing entity to the plan for the periods September 1, 2021 through August 31, 2022 and September 1, 2020 through August 31, 2021. At August 31, 2023 and 2022, respectively, the amount of the net pension liability related to the System reported by the State was $2,209,241,002 and $729,928,272. The amount reported by the State is related to the on-behalf contributions, which are recognized as State appropriation general revenue on the System's financial statements in the fiscal year that the State contributed the amounts to TRS on the System's behalf.

For the years ending August 31, 2023 and 2022, the System recognized pension expense of $739,191,094 and $125,990,889, respectively. At August 31, 2023 and 2022, the System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2023		2022	
	Deferred Outflows of Resources	**Deferred Inflows of Resources**	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Difference Between Expected and Actual Experience	$ 81,767,085	122,943,946	3,850,171	161,971,911
Changes of Assumptions	1,050,755,436	261,877,598	813,256,571	354,510,118
Net Diff Between Projected and Actual Investment Return	557,129,061	—	—	1,929,116,735
Change in Proportion and Contribution Difference	450,681,969	178,847,679	404,726,884	242,046,563
Contributions Subsequent to the Measurement Date	514,850,265	—	439,933,274	—
Total	$ 2,655,183,816	563,669,223	1,661,766,900	2,687,645,327

The $514,850,265 and $439,933,274 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 years ending August 31, 2024 and 2023, respectively.

Amounts reported as deferred outflows and inflows of resources related to pensions as of August 31, 2023 will be recognized in pension expense in the following years:

Fiscal Year	Increase (Reduction) of Pension Expense
2024	$ 427,721,381
2025	246,997,078
2026	102,650,629
2027	687,111,814
2028	112,183,426
Total	$ 1,576,664,328

OPTIONAL RETIREMENT PROGRAM (ORP)

The State has also established an optional defined contribution retirement program for institutions of higher education. Participation in the ORP is in lieu of participation in the TRS. ORP is available to certain eligible employees who hold faculty positions and other professional positions including but limited to director-level and above, librarians and coaches. The ORP provides for the purchase of annuity contracts and mutual funds. Participants are vested in the employer contributions after one year and one day of service. Depending upon the source of funding for the employee's compensation, the System may be required to make the employer contributions in lieu of the State. Since these are individual annuity contracts, the State and the System have no additional or unfunded liability for this program. The employee and employer contribution rates are established by the State Legislature each biennium. The State provides an option for a local supplement on top of the state base rate. Each institution within the System can decide to adopt and fund a local supplement each year to provide each ORP employee the maximum employer rate. The chancellor then approves the employer rates each fiscal year. The contributions made by participants (6.65% of annual compensation) and the System (6.6% State base rate plus any local supplement for a maximum of 8.5%) for the fiscal years ended August 31, 2023, 2022 and 2021, respectively, are provided in the following table.

	2023	2022	2021
Participant Contributions	$ 206,452,660	194,384,449	183,972,473
System Contributions	264,003,722	248,522,747	235,157,931
Total	$ 470,456,382	442,907,196	419,130,404

EMPLOYEES RETIREMENT SYSTEM (ERS)

Certain employees at U. T. Medical Branch - Galveston participate in the Employees Retirement System of Texas. The Board of Trustees of the Employees Retirement System of Texas is the administrator of the ERS, which is considered to be a single employer defined benefit pension plan. ERS covers the eligible System employees who are not covered by the TRS or the ORP. Benefits vest after five years of credited service. Employees may retire at age 60 with five years of service or any combination of age plus years of service that equals 80.

The ERS plan provides a standard monthly benefit in a life annuity at retirement as well as death and disability benefits for members. Additional payment options are available. The benefit and contribution provisions are authorized by State law and may be amended by the Texas Legislature. Contribution requirements are not actuarially determined. The ERS contribution requirement, calculated using entry age normal actuarial cost method, is established through State statute.

The funding policy requires monthly contributions by both the State and employees. For the year beginning September 1, 2015, the required contributions for the State and the employee are each 9.5% of pay. For Law Enforcement and Custodial Officers Supplemental Retirement Fund eligible employees, the State and the employee contribution is an additional 0.50% of pay, respectively.

The Texas State Comptroller's Office has decided not to allocate ERS pension to proprietary funds due to immateriality, as a result, there is no ERS pension net pension liability reported in the System's financial statements. Additional information can be obtained from the separately issued ERS Annual Comprehensive Financial Report which can be obtained from the Employees Retirement System of Texas, 200 East 18th Street, Austin, Texas 78701 or found on the ERS website.

PHYSICIANS REFERRAL SERVICE (PRS) SUPPLEMENTAL RETIREMENT PLAN (SRP)/RETIREMENT BENEFIT PLAN (RBP)

M. D. Anderson has established, primarily for the physicians of its Physicians Referral Service, the Physicians Referral Service SRP/RBP Plans (the SRP/RBP Plans). The SRP/RBP Plans are nonqualified plans described by Section 457(f) of the Internal Revenue Code of 1986 (IRC), as amended. The assets of the SRP/RBP Plans of approximately $622 million and $585 million at August 31, 2023 and 2022, respectively, are measured at fair value and presented as restricted investments in the System's statement of net position. SRP/RBP deferred compensation plan assets remain subject to the claims of the general creditors of M. D. Anderson.

PRS offers eligible employees participation in one of two nonqualified retirement plans based on date of employment. The assets in the SRP/RBP trust can be used to pay the benefits of either plan's participants. The PRS Executive Council and Retirement Board members have the authority to administer the Plans under the terms that are established and may approve amendments to the Plans. The PRS Bylaws establish the PRS Retirement Board and Executive Council. Per the PRS Bylaws, one of the standing committees for the Physicians Referral Service Faculty Practice Plan (Plan) is the PRS Retirement Board. A chair is appointed, and elections are held every two years for committee membership. There are both voting members and non-voting ex-officio members. The PRS Retirement Board is advisory to the PRS Executive Council which is chaired by the President. The PRS Executive Council also has committee membership elections every three years and includes voting and ex-officio members. The President is the head of the Plan and has the ultimate decision authority.

Employees Covered by Benefit Terms

At the respective measurement dates, the following employees of M. D. Anderson were covered by the benefit terms:

		Measurement Date September 1, 2022	**Measurement Date September 1, 2021**
a.	Inactive Employees or Beneficiaries Receiving Benefit Payments	511	508
b.	Inactive Employees Entitled to but not yet Receiving Benefit Payments	278	279
c.	Active Employees	1,590	1,597
d.	Total	2,379	2,384

SRP of the Anderson Hospital

Eligible employees of M. D. Anderson prior to July 1, 1986 may participate in the SRP, a single-employer nonqualified noncontributory defined benefit pension plan. Eligible employees include physicians with a license to practice medicine in the state of Texas; any individual with a Ph.D. rank of assistant or higher; D.D.S. with the rank of clinical instructor or higher; D.V.M. degree or equivalent having attained the rank of assistant or higher; and individuals elected to membership by the Executive Council of PRS as an administrative staff officer. No new members have been admitted to the SRP since May 31, 1989 as the SRP is closed to new entrants. In general, participants are fully vested in the SRP after five years of credited service. Former participants not in active service on January 1, 1985, require ten years of credited service as required by previous plan provisions. An active member receives full retirement benefits based on the SRP payment formula at age 65, age 60 with 20 years of credited service, or age 55 with 25 years of credited service. A vested member who becomes inactive for any reason other than death or retirement is entitled to an earned retirement allowance. This is a deferred allowance with benefit payments beginning at the former participant's normal retirement age. Participants in the SRP are not taxed on the employer's contributions made until benefits are paid since the SRP is grandfathered under the provisions of Section 457 of the Internal Revenue Code.

PRS RBP

On September 1, 1990, PRS established the RBP, a single-employer nonqualified noncontributory defined benefit plan. Eligible employees may participate in the RBP upon the later of their employment date or September 1, 1990. Employees who were eligible for the SRP because of their employment date had a one-time option to become members of the RBP and forego membership in the SRP.

The amount of a participant's benefit is equal to each participant's account balance, as outlined in the RBP provisions. In general, a participant's account balance is equal to a stated percentage of annual compensation for each year of service plus a provision for annual interest credits. The earnings credit percentage is equal to the Moody's Average Corporate Bond yield determined as of the first day of such plan year.

Participants are taxed on the employer's contributions made when the contributions become vested. Participants become vested in their account balances after five years of service. Any vested member who becomes inactive for any reason other than death or retirement and has not attained the age of 55 will have his or her account maintained under RBP until retirement and earn half the interest credits of active participants.

Federal income and Social Security taxes resulting from annual benefits earned in the RBP are reimbursed by the Plans to the Employer, who pays the taxes to, or on behalf of, participants at the time participants vest in their contributions and are reflected as a liability in the trust's financial statements.

Total Pension Liability for SRP/RBP Plans

The total pension liability for the SRP/RBP Plans is determined by an annual actuarial valuation. The tables below present the actuarial methods and assumptions used to measure the total pension liability as of the September 1, 2022 and 2021 measurement dates.

Summary of Actuarial Methods and Assumptions

Actuarial Valuation Date	September 1, 2022
Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	Average Remaining Service Life
Asset Valuation Method	N/A – Unfunded Plan
Actuarial Assumptions:	
Discount Rate*	3.59%
Rate of Compensation Increase	4.00%
Mortality:	The mortality table is based upon the final report of PRI-2012 Mortality Tables and MP-2021 mortality improvement scale as published by the Society of Actuaries' (SOA's) Retirement Plans Experience Committee (RPEC). This table and projection scale represent the most recent available data as of the valuation date. The other key demographic assumptions, such as Termination and Retirement, are based upon a review of the PRS participant experience. This experience study is documented in the Assumption Rationale as last being conducted in 2021.

Summary of Actuarial Methods and Assumptions

Actuarial Valuation Date	September 1, 2021
Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	Average Remaining Service Life
Asset Valuation Method	N/A – Unfunded Plan
Actuarial Assumptions:	
Discount Rate*	2.14%
Rate of Compensation Increase	4.00%
Mortality:	The mortality table is based upon the final report of RP-2014 Mortality Tables and MP-2014 mortality improvement scale as published by the Society of Actuaries' (SOA's) Retirement Plans Experience Committee (RPEC), with adjustments that align with the SOA's subsequent release of updates to mortality improvement scales. The other key demographic assumptions, such as Termination and Retirement, are based upon a review of the PRS participant experience. This experience study is documented in the Assumption Rationale as last being conducted in 2021.

Notes:

* The discount rates used in these valuations were determined using the 20-year yields on the Bond Buyer 20-Bond GO Index as of August 31, prior to the measurement date.

The total pension liability for the fiscal year ending August 31, 2023 was measured as of September 1, 2022 based on an actuarial valuation as of that date The total pension liability for the fiscal year ended August 31, 2022 was measured as of September 1, 2021 based on actuarial valuation as of that date.

- Benefit accruals during each period were estimated by calculating the accruals as a percentage of payroll for September 1, 2022 and then applying that percentage to the expected payroll for measurement dates September 1, 2021.

The deferred outflows (inflows) included in the expense each year for assumption changes reflect the impact of the changes in discount rates noted above.

The deferred outflows (inflows) included in the expense each year do not include any difference in actual and expected demographic experience which will be measured in future years.

The valuation does not include any assets since the assets are not in a trust that is protected from creditors and thus, the plan is considered unfunded under GASB 73.

Sensitivity analysis was performed on the impact of changes in the discount rate on M. D. Anderson's total pension liability. The result of the analysis is presented in the table below:

Sensitivity of Total Pension Liability to Changes in the Discount Rate FY23

1% Decrease	Current Discount Rate	1% Increase
2.59%	**3.59%**	**4.59%**
$1,001,974,232	$918,839,384	$846,111,334

Sensitivity of Total Pension Liability to Changes in the Discount Rate FY22

1% Decrease	Current Discount Rate	1% Increase
1.14%	2.14%	3.14%
$1,150,980,528	$1,046,052,341	$955,425,484

At August 31, 2023 and 2022, M. D. Anderson reported a total pension liability of $918,839,384 and $1,046,052,341 respectively, for the SRP/RBP Plans.

	Increase (Decrease) in Total Pension Liability	
	For Measurement Year from 09/01/2021 to 08/31/2022	For Measurement Year from 09/01/2020 to 08/31/2021
Balance at Beginning of Measurement Year	$ 1,046,052,341	1,026,357,235
Changes for the Year:		
Service Cost	40,513,997	37,988,952
Interest	22,719,060	22,898,554
Changes of Assumptions or Other Inputs	(140,590,003)	5,813,235
Benefit Payments (Employer)	(49,856,011)	(47,005,635)
Net Changes	(127,212,957)	19,695,106
Balance at End of Measurement Year	$ 918,839,384	1,046,052,341

For the years ended August 31, 2023 and 2022, M. D. Anderson recognized pension expense of $56,366,846 and $70,309,660, respectively. At August 31, 2023 and 2022, M. D. Anderson reported deferred outflows of resources and deferred inflows of resources related to the PRS RBP and SRP from the following sources:

	As of August 31, 2023		As of August 31, 2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	$ 50,706,142	123,813,153	58,641,508	—
Benefit Payments Subsequent to the Measurement Date	49,321,919		51,531,435	—
Administrative Costs Subsequent to the Measurement Date	847,079		376,107	—
Total	$ 100,875,140	123,813,153	110,549,050	—

The $49,321,919 and $51,531,435 reported as deferred outflows and inflows of resources resulting from benefit payments subsequent to the measurement date will be recognized as a reduction in the total pension liability for the years ending August 31, 2024 and 2023, respectively. Other amounts reported as deferred outflows and inflows of resources related to the SRP/RBP Plans as of August 31, 2023 will be recognized in pension expense in the following years:

Fiscal Year Ended August 31	Increase (Reduction) of Pension Expense
2024	$ (6,883,724)
2025	(7,370,803)
2026	(7,370,803)
2027	(7,370,803)
2028	(7,370,803)
Thereafter	(35,892,996)
Total	$ (72,259,932)

18. Deferred Compensation

DEFERRED COMPENSATION-457(b)

The System employees may elect to defer a portion of their earnings for income tax and investment purposes pursuant to authority granted in the *Texas Government Code*, Sec. 609.001. The System offers its own deferred compensation plan, created in accordance with Internal Revenue Code Section 457(b). All System employees are eligible to participate in the System's plan and cannot participate in the plan offered by the state of Texas. All investments, amounts, property, and rights held under the Deferred Compensation Trust Fund are held for the exclusive benefit of participants and beneficiaries at the fair market value of the plan account for each participant in the accounts established by the participants with the System's retirement providers. The System has no liability under the plan.

TAX-SHELTERED ANNUITY-403(b)

The System also administers the UTSaver Tax-Sheltered Annuity Program (TSA), created in accordance with IRC Section 403(b). All employees are eligible to participate. The UTSaver TSA is a private plan, and the deductions, purchased investments and earnings attributed to each employee's 403(b) plan are held by vendors chosen by the employee. The vendors may be insurance companies, banks or approved non-bank trustees such as mutual fund companies. The assets of this plan do not belong to the System or the State. Therefore, neither the System nor the State has a liability related to this plan.

THE UNIVERSITY OF TEXAS SYSTEM GOVERNMENTAL RETIREMENT ARRANGEMENT (UTGRA)

The University of Texas System Governmental Retirement Arrangement (UTGRA) is an excess benefit plan established by the System, via Section 415(m) of the Internal Revenue Code, to provide certain participants in the ORP that portion of their benefits that would otherwise be payable under the ORP except for the $66,000 limit on contributions imposed by Section 415 of the Internal Revenue Code (IRC) for calendar year 2023 ($61,000 for calendar year 2022). As of August 31, 2023 and 2022, there were 557 and 577 plan members, respectively. Persons employed by the System prior to September 1, 1996, whose compensation exceeds the limit set by IRC Section 401(a)(17) and whose ORP contribution is limited by the $66,000 cap under IRC Section 415(c) for calendar year 2023 ($61,000 for calendar year 2022), defer 6.65% of their excess compensation while the System contributes between 6.58% and 8.5% depending upon the institution and the date of employment. The System contributed $3,240,602 for the year ended August 31, 2023 and $3,449,994 for the year ended August 31, 2022. The participants contributed $2,535,294 for the year ended August 31, 2023 and $2,699,113 for the year ended August 31, 2022. Plan provisions are established and may be amended at any time by the U. T. System Board of Regents.

Plan assets are recorded at fair value and are invested in contracts and accounts in a similar manner to the ORP. Participants are immediately vested in the plan, both for the employee deferrals and the employer contributions. However, deferrals, contributions, purchased investments and earnings attributable to the plan are the property of the System and subject only to the claims of the System's general creditors. Participant's rights under the plan are equal to those of the general creditors of the System in an amount equal to the fair value of the participant's account balance. The System has no liability under the UTGRA that would exceed the aggregate value of the investments, and it is unlikely that any of UTGRA's assets will be used to satisfy the claims of general creditors in the future.

19. Commitments and Contingent Liabilities

On August 31, 2023, various lawsuits and claims involving the System were pending. After conferring with legal counsel concerning pending litigation and claims, the System's management believes that the outcome of pending litigation should not have a material adverse effect on the financial statements of the System.

The System continues to implement its $8.6 billion capital improvement program, planned for fiscal years 2024 through 2029, to upgrade facilities. Contracts have been entered into for the construction and renovation of various facilities. These projects are in various stages of completion.

The System receives grants and other forms of reimbursement from various federal and state agencies. These activities are subject to audit by agents of the funding authority, the purpose of which is to ensure compliance with conditions precedent to providing such funds. The System believes that the liability, if any, for reimbursement which may arise as the result of audits, would not be material.

Based on the credit support annex agreements with all counterparties, the System does not have to post any collateral for any hedging derivative instruments.

Laws and regulations governing the Medicare and Medicaid programs and certain other third-party programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates of third-party settlements will change by a material amount in the near term. The System's intent is to be in compliance with all applicable laws and regulations, and it is not aware of any significant pending or threatened investigations involving allegations of potential wrongdoing. Compliance with such laws and regulations can be subject to future review and interpretation. Changes in the Medicare and Medicaid programs and a reduction of funding could have an adverse effect on the System.

20. Matrix of Operating Expenses Reported by Function

For the year ended August 31, 2023, the following table represents operating expenses for both natural and functional classifications for the System:

Operating Expenses		**Instruction**	**Research**	**Public Service**	**Hospitals and Clinics**
Cost of Goods Sold	$	141,719	85,108	3,285,723	75,873,856
Salaries and Wages		4,016,295,153	1,780,307,068	203,341,038	4,193,135,966
Payroll Related Costs		793,121,825	403,219,268	48,653,417	1,000,751,038
Membership Dues		13,038,011	3,156,394	454,341	10,068,866
Registration Fees/Meetings/Conferences		21,080,514	14,267,151	5,579,445	6,218,179
Professional Fees and Services		59,116,049	145,227,619	52,624,859	334,040,910
Other Contracted Services		56,394,388	360,859,280	68,879,355	378,733,465
Fees and Other Charges		11,872,694	60,441,800	3,991,238	20,799,736
Travel		33,133,679	49,556,214	5,191,360	19,411,495
Materials and Supplies		114,615,766	404,899,340	64,053,717	2,875,337,502
Utilities		864,529	1,167,607	297,178	17,011,686
Communications		6,444,719	3,817,216	2,606,282	25,673,470
Repairs and Maintenance		26,573,302	27,630,113	6,009,387	187,785,007
Rentals and Leases		12,593,387	7,518,172	2,694,305	36,414,124
Printing and Reproduction		5,319,453	6,460,395	3,430,379	4,925,616
Royalty Payments		62,672	5,294,223	112	1,821,530
Bad Debt Expense		—	—	—	—
Impairment of Capital Assets		—	—	—	—
Asset Retirement Expense		—	—	—	—
Insurance Costs/Premiums		7,230,723	874,879	261,230	37,123,138
Claims and Losses		—	—	—	—
OPEB Expense		153,206,338	67,023,617	7,117,672	154,982,096
Pension Expense		244,804,416	107,095,292	11,373,143	304,008,699
Scholarships and Fellowships		15,389,008	56,209,636	2,952,078	74,025
Depreciation and Amortization		—	—	—	—
Federal Sponsored Pass-through to State Agencies		1,836,499	6,134,030	3,096,702	—
State Sponsored Pass-through to State Agencies		—	1,001,374	71,355	—
Other Operating Expenses		45,029,540	128,492,646	15,539,315	(7,283,506)
Total Operating Expenses	$	5,638,164,384	3,640,738,442	511,503,631	9,676,906,898

Operating Expenses	Academic Support	Student Services	Institutional Support	Operations and Maintenance of Plant
Cost of Goods Sold	$ 523,933	14,684	1,863,854	525
Salaries and Wages	740,298,664	140,158,074	616,503,573	303,005,404
Payroll Related Costs	191,781,437	35,602,472	(5,431,355)	83,987,956
Membership Dues	4,508,021	601,023	5,217,361	652,759
Registration Fees/Meetings/Conferences	13,168,057	2,347,165	4,806,693	826,867
Professional Fees and Services	42,711,633	10,212,986	95,779,280	31,823,174
Other Contracted Services	80,721,060	42,800,543	79,162,615	71,036,454
Fees and Other Charges	3,974,810	2,624,322	1,620,703	(117,908)
Travel	17,236,429	6,237,426	7,243,502	1,201,166
Materials and Supplies	119,350,861	21,587,549	56,363,895	96,066,246
Utilities	256,558	29,476	13,764,167	244,198,909
Communications	5,162,804	1,452,798	15,271,994	3,096,239
Repairs and Maintenance	22,946,511	3,704,998	52,711,467	172,063,654
Rentals and Leases	6,756,907	3,336,625	9,674,250	13,332,047
Printing and Reproduction	4,033,722	2,929,524	4,418,578	170,364
Royalty Payments	58,361,886	784	141,534	1,688
Bad Debt Expense	—	(1,077,652)	—	—
Impairment of Capital Assets	—	—	—	—
Asset Retirement Expense	—	—	—	328,392
Insurance Costs/Premiums	128,529	340,673	14,621,276	6,238,142
Claims and Losses	—	—	218,137,957	—
OPEB Expense	28,452,395	5,470,210	24,110,626	11,355,923
Pension Expense	45,463,341	8,740,706	38,525,741	18,145,334
Scholarships and Fellowships	5,542,340	5,608,915	1,373,712	75
Depreciation and Amortization	—	—	—	—
Federal Sponsored Pass-through to State Agencies	—	16,304	25,933	—
State Sponsored Pass-through to State Agencies	—	—	2,326,065	—
Other Operating Expenses	22,859,739	13,933,787	21,500,892	13,296,969
Total Operating Expenses	$ 1,414,239,637	306,673,392	1,279,734,313	1,070,710,379

Operating Expenses	Scholarships and Fellowships	Auxiliary Enterprises	Depreciation and Amortization	Total Expenses
Cost of Goods Sold	$ (110,899)	44,949,789	—	126,628,292
Salaries and Wages	19,934,736	271,709,859	—	12,284,689,535
Payroll Related Costs	2,122,696	60,555,625	—	2,614,364,379
Membership Dues	42,451	3,713,554	—	41,452,781
Registration Fees/Meetings/Conferences	501,514	4,979,464	—	73,775,049
Professional Fees and Services	846,944	25,311,408	—	797,694,862
Other Contracted Services	614,956	120,534,354	—	1,259,736,470
Fees and Other Charges	1,161,383	7,649,105	—	114,017,883
Travel	969,970	40,619,556	—	180,800,797
Materials and Supplies	1,291,701	52,265,403	—	3,805,831,980
Utilities	(17,960)	39,188,647	—	316,760,797
Communications	11,792	8,190,426	—	71,727,740
Repairs and Maintenance	80,816	44,724,822	—	544,230,077
Rentals and Leases	333,735	11,099,063	—	103,752,615
Printing and Reproduction	74,378	2,919,783	—	34,682,192
Royalty Payments	—	87,750	—	65,772,179
Bad Debt Expense	—	—	—	(1,077,652)
Impairment of Capital Assets	—	—	—	—
Asset Retirement Expense	—	—	—	328,392
Insurance Costs/Premiums	13,858	3,133,428	—	69,965,876
Claims and Losses	—	—	—	218,137,957
OPEB Expense	792,632	10,097,632	—	462,609,141
Pension Expense	1,266,526	16,134,743	—	795,557,941
Scholarships and Fellowships	502,714,531	19,468,900	—	609,333,220
Depreciation and Amortization	—	—	1,827,434,267	1,827,434,267
Federal Sponsored Pass-through to State Agencies	(22,465)	—	—	11,087,003
State Sponsored Pass-through to State Agencies	(453,788)	—	—	2,945,006
Other Operating Expenses	3,347,503	31,586,967	—	288,303,852
Total Operating Expenses	$ 535,517,010	818,920,278	1,827,434,267	26,720,542,631

For the year ended August 31, 2022, the following table represents operating expenses for both natural and functional classifications for the System, with some expenses restated for GASB Statement No. 94 and 96. See Note 4 for further details on the restatements:

Operating Expenses	**Instruction**	**Research**	**Public Service**	**Hospitals and Clinics**
Cost of Goods Sold	$ 799,837	12,128	2,194,377	48,003,377
Salaries and Wages	3,691,024,775	1,614,723,226	171,477,922	3,733,806,074
Payroll Related Costs	708,833,299	368,942,811	41,451,040	878,059,737
Membership Dues	12,650,721	3,221,002	322,854	9,275,833
Registration Fees/Meetings/Conferences	16,451,823	8,995,993	3,048,853	4,627,887
Professional Fees and Services	48,454,878	124,266,618	33,052,668	339,759,927
Other Contracted Services	59,346,409	320,552,302	69,164,901	389,394,653
Fees and Other Charges	12,192,030	17,184,984	4,263,336	21,823,975
Travel	18,167,180	25,094,058	2,813,703	9,417,650
Materials and Supplies	100,507,271	271,530,001	48,607,804	2,528,682,323
Utilities	655,296	1,286,279	263,294	12,450,950
Communications	15,982,440	4,206,668	2,284,946	24,817,697
Repairs and Maintenance	12,167,996	30,535,054	7,871,256	170,621,084
Rentals and Leases	8,561,040	6,359,447	1,845,334	43,785,800
Printing and Reproduction	4,632,863	5,644,205	2,062,141	4,869,986
Royalty Payments	43,478	3,413,318	63	1,424,650
Bad Debt Expense	—	—	—	—
Impairment of Capital Assets	—	—	—	—
Asset Retirement Expense	—	—	—	—
Insurance Costs/Premiums	8,016,293	546,824	248,447	29,665,956
Claims and Losses	—	—	—	—
OPEB Expense	384,324,944	173,262,164	18,200,920	373,456,821
Pension Expense	42,086,199	18,973,387	1,993,125	111,205,725
Scholarships and Fellowships	15,051,259	55,161,354	2,456,992	116,775
Depreciation and Amortization	—	—	—	—
Federal Sponsored Pass-through to State Agencies	1,095,522	6,518,317	2,051,803	—
State Sponsored Pass-through to State Agencies	60,000	550,657	172,541	—
Other Operating Expenses	38,714,266	133,203,089	13,500,343	9,667,706
Total Operating Expenses	$ 5,199,819,819	3,194,183,886	429,348,663	8,744,934,586

Operating Expenses	Academic Support	Student Services	Institutional Support	Operations and Maintenance of Plant
Cost of Goods Sold	$ 207,588	(13,868)	1,010,887	109
Salaries and Wages	685,470,954	131,787,505	580,869,695	273,585,248
Payroll Related Costs	181,526,258	32,583,901	(29,869,940)	77,299,306
Membership Dues	4,148,496	679,751	4,732,307	465,202
Registration Fees/Meetings/Conferences	8,141,991	1,630,175	3,515,636	515,176
Professional Fees and Services	33,686,428	8,645,630	67,410,403	33,689,072
Other Contracted Services	64,716,612	50,158,244	85,084,998	64,457,922
Fees and Other Charges	3,767,387	2,919,461	66,422,269	1,276,606
Travel	8,724,588	3,839,936	3,608,209	711,775
Materials and Supplies	96,866,459	21,244,278	38,969,194	93,566,903
Utilities	132,674	24,484	7,044,753	241,632,850
Communications	4,573,454	1,344,746	17,411,955	3,221,613
Repairs and Maintenance	14,631,824	4,088,657	57,665,411	162,247,982
Rentals and Leases	5,684,758	2,558,787	8,205,331	12,804,268
Printing and Reproduction	3,213,615	2,529,002	5,142,494	226,150
Royalty Payments	26,543,084	432	215,762	1,376
Bad Debt Expense	—	(1,578,953)	—	—
Impairment of Capital Assets	—	—	—	—
Asset Retirement Expense	—	—	—	1,438,430
Insurance Costs/Premiums	222,324	1,533,186	1,049,252	8,021,835
Claims and Losses	—	—	273,083,485	—
OPEB Expense	70,917,916	14,198,745	59,355,305	28,294,717
Pension Expense	7,765,995	1,554,859	6,499,810	3,098,464
Scholarships and Fellowships	5,484,432	6,413,143	2,863,808	5,000
Depreciation and Amortization	—	—	—	—
Federal Sponsored Pass-through to State Agencies	—	—	—	—
State Sponsored Pass-through to State Agencies	8,769,094	—	919,316	—
Other Operating Expenses	20,494,094	12,206,366	14,972,651	11,166,875
Total Operating Expenses	$ 1,255,690,025	298,348,467	1,276,182,991	1,017,726,879

Operating Expenses	Scholarships and Fellowships	Auxiliary Enterprises	Depreciation and Amortization	Total Expenses
Cost of Goods Sold	$ (55,384)	32,121,848	—	84,280,899
Salaries and Wages	19,095,970	243,270,674	—	11,145,112,043
Payroll Related Costs	1,973,833	55,906,892	—	2,316,707,137
Membership Dues	38,927	3,154,562	—	38,689,655
Registration Fees/Meetings/Conferences	226,666	4,253,846	—	51,408,046
Professional Fees and Services	866,472	15,139,222	—	704,971,318
Other Contracted Services	497,711	104,703,947	—	1,208,077,699
Fees and Other Charges	1,033,959	7,363,581	—	138,247,588
Travel	628,399	34,004,003	—	107,009,501
Materials and Supplies	1,790,699	44,338,339	—	3,246,103,271
Utilities	(7,489)	38,051,641	—	301,534,732
Communications	22,888	8,221,664	—	82,088,071
Repairs and Maintenance	269,811	33,502,363	—	493,601,438
Rentals and Leases	96,240	10,137,622	—	100,038,627
Printing and Reproduction	70,453	2,374,799	—	30,765,708
Royalty Payments	2,500	37,634	—	31,682,297
Bad Debt Expense	—	—	—	(1,578,953)
Impairment of Capital Assets	—	—	—	—
Asset Retirement Expense	—	—	—	1,438,430
Insurance Costs/Premiums	4,979	3,851,094	—	53,160,190
Claims and Losses	—	—	—	273,083,485
OPEB Expense	2,152,325	26,366,320	—	1,150,530,177
Pension Expense	235,694	2,887,291	—	196,300,549
Scholarships and Fellowships	619,887,185	20,187,294	—	727,627,242
Depreciation and Amortization	—	—	1,786,126,507	1,786,126,507
Federal Sponsored Pass-through to State Agencies	37,071	—	—	9,702,713
State Sponsored Pass-through to State Agencies	586,000	—	—	11,057,608
Other Operating Expenses	6,507,609	29,184,389	—	289,617,388
Total Operating Expenses	$ 655,962,518	719,059,025	1,786,126,507	24,577,383,366

21. Net Position

The System's net position at August 31, 2023 and 2022 was comprised of the following:

	2023	Restated 2022*
Net Investment in Capital Assets	$ 6,963,671,907	6,570,970,880
Restricted:		
Nonexpendable	38,161,618,752	36,029,323,644
Expendable	21,353,034,539	21,145,744,390
Total Restricted	59,514,653,291	57,175,068,034
Unrestricted Net Position:		
Unrestricted:		
Reserved:		
Encumbrances	1,813,523,746	1,545,150,178
State Appropriations to be Lapsed	—	—
Accounts Receivable (Less Unearned Revenue Portion)	2,105,381,601	1,832,236,035
Inventories	238,891,148	229,590,521
Self-insurance Plans	329,128,558	509,247,085
Other Specific Purposes:		
Advanced Research Program / Advanced Technology Program / TDT	—	—
Notes Receivable	244	37,610
Deposits	486,519	1,057,339
Prepaid Expenses	186,603,530	162,828,969
Deferred Charges	102,650	50,043
Imprest Funds	822,207	891,305
Travel Advances	11,574,819	7,943,025
Unreserved:		
Allocated:		
Funds Functioning as Endowment-unrestricted	1,342,467,476	1,319,166,760
Provision for Operating Budgets	78,536,877	52,904,471
Capital Projects	5,419,127,496	5,034,070,157
Debt Service	207,339,660	177,355,885
Start-up/Matching	171,806,915	118,090,400
Utilities Reserve	9,866,192	10,767,469
Research Enhancement and Support	733,147,013	683,630,370
Market Adjustments	115,009,663	96,278,063
Student Fees	247,591,086	253,016,442
Texas Tomorrow Fund Shortfall	2,079,144	2,606,196
Instructional Program Support	1,938,485,335	1,306,105,922
Dean, Chair and Faculty Recruitment Packages	3,621,921	6,629,387
Self-supporting Enterprises	339,040,388	232,208,368
Potential Lawsuits	—	—
Patient Care Support	3,071,423,581	2,869,014,517
Practice Plan Minimum Operating Reserve of 90 Days	372,233,253	377,616,544
Uncompensated Patient Care	—	—
Unallocated	(14,552,801,304)	(13,885,440,341)
Total Unrestricted	4,185,489,718	2,943,052,720
Total Net Position	$ 70,663,814,916	66,689,091,634

*August 31, 2022 net investment in capital assets, restricted, and unrestricted net position was restated as a result of implementing GASB Statement No. 94 and 96. See Note 4 for further details.

As of August 31, 2023 and 2022, restricted nonexpendable net position includes $30,601,703,562 and $28,824,603,058, respectively, of the Permanent University Fund corpus, and $820,000,000 for both years of the Permanent Health Fund corpus. As of August 31, 2023 and 2022, restricted expendable net position includes $12,257,112,433 and $12,086,454,920, respectively, of the Permanent University Fund appreciation, and $639,231,070 and $630,484,275, respectively, of the Permanent Health Fund appreciation.

Unrestricted net position, detailed in the table above, is not subject to externally imposed stipulations. Unrestricted net position may be designated for special purposes by actions of the Texas Legislature, internal management, and the U. T. System Board of Regents, or may otherwise be limited by contractual agreements with outside parties. Substantially all unrestricted net position is designated for academic programs, patient care, research programs and initiatives, and capital programs.

The System's fiduciary fund net position at August 31, 2023 and 2022 was comprised of the following:

	2023	2022
Restricted for:		
Pooled Participants	$ 291,513,943	286,259,583
Individuals, Organizations, and Other Governments	1,886,978	1,870,196
Total Fiduciary Fund Net Position	$ 293,400,921	288,129,779

22. Termination Benefits

U. T. System Administration contracted with NextJob to provide outplacement services to employees of the System who implemented a reduction in force. U. T. System Administration incurred expenses of $94,365 for 272 terminated employees of the System as of August 31, 2023, and $56,050 for 174 terminated employees of the System as of August 31, 2022. While U. T. System Administration contracted with NextJob, the U. T. institutions may incur travel expenses for NextJob if they request NextJob to come to their campus or if the institution requests services that fall outside of the standard service in the contract.

In 2023, UT San Antonio had three employees who received a lump-sum payment of $125,000, $145,000, and $48,264, respectively, upon separation from the University. In 2023, UT San Antonio offered a Phased Faculty Retirement program, a type of Voluntary Incentive Retirement Program, to eligible tenured faculty. Phased retirement refers to reduced appointments in teaching services to assist an individual in preparing for full retirement. A post-retirement contract is entered into for up to one academic year. Ten tenured faculty participated in the program and received a lump-sum payout totaling $719,416.

In 2021, U. T. Austin Intercollegiate Athletics terminated 10 employees entitled to buyout clauses. The total buyout payments of $20,759,265 span from January 1, 2021 to December 31, 2023. As of August 31, 2023, $19,350,931 in buyout payments have been made. Additionally, in 2022, U. T. Austin Intercollegiate Athletics terminated 1 employee entitled to a buyout clause. As of August 31, 2023, the total buyout payment of $573,125 spanning from January 1, 2022 to February 31, 2023 has been paid.

Healthcare continuation under the Consolidated Omnibus Budget Reconciliation Act (COBRA) is provided for both voluntary and involuntary terminations. COBRA participants are eligible to continue group benefits for 18 to 36 months, depending upon the circumstances leading to loss of coverage. COBRA benefits for the self-insured plans offered by the System for the years ended August 31, 2023 and 2022 are provided below:

	2023	2022
Total Number of Participants[1]	2,062	2,886
Premium Revenue[2]	$ 5,634,482	5,900,342
2% Administrative Fee Revenue[3]	(113,475)	(118,934)
Net COBRA Premium	5,521,007	5,781,408
Less Claims Paid	(13,524,041)	(13,990,913)
Cost to System	$ (8,003,034)	(8,209,505)

[1] The participants above are for the self-insured program.

[2] The premium revenue in FY 2023 and FY 2022 include $97,967 and $496,490, respectively, of Federal COBRA subsidy funding recognized by the System under ARP for the medical, dental and vision insurance plans offered.

[3] The 2% administrative fee is retained by U. T. COBRA in OEB for administering the COBRA benefit and is paid by the participant.

23. Deferred Outflows of Resources and Deferred Inflows of Resources

As of August 31, 2023 and 2022, the System reported deferred outflows of resources and deferred inflows of resources in connection with its hedging derivative instruments, unamortized (losses)/gains on refunding debt, the OPEB plan, the TRS and SRP/RBP pension plans, unamortized interest rate lock termination payments, asset retirement obligations, beneficial interests in irrevocable split-interest agreements, acquisitions, lease revenues, and P3 related balances as presented in the table below:

	2023		Restated 2022*	
	Deferred Outflows	Deferred Inflows	Deferred Outflows	Deferred Inflows
Hedging Derivative Instruments	$ 39,388,655	130,779,738	87,510,811	125,007,462
Unamortized Loss/Gain on Refunding Debt	4,543,043	2,363,765	9,724,176	3,104,870
OPEB-Related	3,266,920,443	7,800,989,030	3,654,279,275	1,315,834,778
Pension Related	2,756,058,955	687,482,376	1,772,315,950	2,687,645,327
Unamortized Interest Rate Lock Termination	7,452,384	—	7,769,755	—
Asset Retirement Obligation	1,611,014	—	1,180,094	—
Split-Interest Agreements	—	35,379,352	—	43,965,260
Acquisition Related	12,920,536	—	13,287,488	—
Lease Revenue Related	—	222,930,065	—	244,616,599
P3 Related Balances*	—	393,783,092	—	393,893,594
Total	$ 6,088,895,030	9,273,707,418	5,546,067,549	4,814,067,890

Deferred outflows of resources of $39,388,655 and $87,510,811 as of August 31, 2023 and 2022, respectively, were related to hedging derivative instruments in a liability position. Deferred inflows of resources of $130,779,738 and $125,007,462 as of August 31, 2023 and 2022, respectively, were related to hedging derivative instruments in an asset position. The hedging derivative instrument asset and liability are disclosed in Note 7.

Deferred outflows of resources of $4,543,043 and $9,724,176 as of August 31, 2023 and 2022, respectively, were related to the unamortized losses on refunding debt. Deferred inflows of resources of $2,363,765 and $3,104,870 as of August 31, 2023 and 2022, respectively, were related to the unamortized gains on refunding debt. For debt refundings, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and reported as deferred outflows or deferred inflows.

Deferred outflows of resources of $3,266,920,443 and $3,654,279,275 and deferred inflows of resources of $7,800,989,030 and $1,315,834,778 as of August 31, 2023 and 2022, respectively, were related to the OPEB plan. August 31, 2022 deferred outflows and inflows of resources were restated as a result of correction of OPEB errors. See Note 4 and 16 for additional information.

Deferred outflows of resources of $2,655,183,815 and $1,661,766,899 and deferred inflows of resources of $563,669,223 and $2,687,645,327 as of August 31, 2023 and 2022, respectively, were related to the TRS pension plan. Deferred outflows of resources of $100,875,140 and $110,549,051 as of August 31, 2023 and 2022, respectively, were related to the SRP/RBP pension plans. These deferred outflows related to the SRP/RBP pension plans are new due to implementing GASB Statement No. 97 in 2022. August 31, 2022 balances were retroactively restated as a result of implementing this statement. See Note 4 and Note 17 for additional information.

Deferred outflows of resources of $7,452,384 and $7,769,755 as of August 31, 2023 and 2022, respectively, were related to unamortized interest rate lock termination payments.

Deferred outflows of resources of $1,611,014 and $1,180,094 as of August 31, 2023 and 2022, respectively, were related to asset retirement obligations.

Deferred outflows of resources of $12,920,536 and $13,287,488 as of August 31, 2023 and 2022, respectively, were related to unamortized excess consideration paid as a result of an asset purchase agreement with PTC- Houston Management, LP in fiscal year 2019.

Deferred inflows of resources of $35,379,352 and $43,965,260 as of August 31, 2023 and 2022, respectively, were related to the System's unconditional beneficial interests in irrevocable split-interest agreements.

Deferred inflows of resources of $222,930,065 and $244,616,599 as of August 31, 2023 and 2022, respectively, were related to future period revenues from leases in which the System is the lessor other than short term leases, regulated leases, and leases of assets classified as investments.

Deferred inflows of resources of $393,783,092 and $393,893,594 as of August 31, 2023 and 2022, respectively, were related to P3 Related Balances in which the System is the transferor.

24. Public-Private and Public-Public Partnerships

The System has entered into various PPPs under which the System meets the definition of the transferor, in which the operator has been contracted to provide public services for, but not limited to the operation of student housing, operation of sports/recreational arenas, and general improvements made to dining facilities on behalf of the System. The nature and extent of rights retained by the System as transferor under the PPP arrangements include, but are not limited to, maintaining residual interest of the utility of the assets used in P3 agreements and setting prices and hours of operations. Rights granted to operators in these agreements may include the ability to make improvements to the space with written permission from the System.

Totals of $33,699,879 and $30,720,628 were recognized as the Receivable for PPP Installment Payments for the years ended August 31, 2023 and 2022, respectively. Of the total receivable, $3,237,578 and $4,202,465 were recognized as the current portion of the receivable for PPP installment payments for the years ended August 31, 2023 and 2022, respectively. Present value of PPP installment payments are discounted based on a borrowing rate determined by the System and ranged from 0.106% to 3.809%.

Variable payments are a result of the underlying PPP measured not in a fixed rate, but rather variable due to underlying payments derived from a revenue and/or profit-sharing arrangements, usage of the underlying PPP asset, or changes in an index or rate. A total of $7,895,137 and $1,288,391 was recognized as revenue from these variable payments for the years ended August 31, 2023, and 2022, respectively.

For capital assets under P3 agreements, a total of $365,461,001 and $15,039,785 were recognized for the years ended August 31, 2023, and 2022 respectively.

Receivables for the Underlying PPP Assets purchased or constructed and placed into service by the operator were $5,959,348 and $353,611,099 for the years ended August 31, 2023, and 2022, respectively. Ownership of the underlying asset of the PPP has not yet been transferred to the System for assets carried by the System as PPP asset receivables.

Deferred Inflow of Resources corresponding to the P3 Receivables, P3 Assets to be Transferred, and P3 capital assets were $393,783,092 and $393,893,594 for the years ended August 31, 2023 and 2022, respectively.

A general description of the PPP arrangements, including the status of projects during the construction period and terms is presented in the table below:

Institution	Partner	Description	Construction Status	Term of Concession	Contract Begin	Contract End
UT Arlington	Chartwells	Dining Services	Complete	10 years	2021	2031
UT Arlington	Centennial Apartments	College Apartments	Complete	35 years	1994	2029
UT Arlington	Follett	Bookstore	Complete	25 years	1999	2024
UT Austin	Moody Center	Arena	Complete	35 years	2022	2057
UT Dallas	Chartwells	Dining Services	Complete	16 Years	2019	2035
UT Rio Grande Valley	Boyer	Medical Office Building	Complete	21 Years	2009	2030
UT Rio Grande Valley	Harlingen CISD	School Building	Complete	35 Years	2021	2056
UT Rio Grande Valley	Sodexo	Dining Services	Complete	12 Years	2011	2023
UT San Antonio	Follett	Bookstore	Under Construction	15 years	2023	2038
UT San Antonio	Aramark	Dining Services	Complete	15 Years	2020	2035

25. Subsequent Events

On September 1, 2023, Stephen F. Austin State University (SFASU) became an institution within the System pursuant to legislation enacted by the 88th Texas Legislature. Prior to that date, SFASU was an independent public university within the State of Texas and was separately included in the Annual Comprehensive Financial Report of the State.

On September 20, 2023, the U. T. System Board of Regents issued $41,000,000 in RFS Taxable Commercial Paper Notes, Series B to finance a variety of capital projects at various U. T. System institutions. On September 21, 2023, the U. T. System Board of Regents retired $56,897,000 of RFS Taxable Commercial Paper Notes, Series B. Subsequent to this issuance and retirement, the System had $568,101,000 of RFS Taxable Commercial Paper Notes, Series B outstanding.

From October 2, 2023, through October 6, 2023, the U. T. System Board of Regents retired $71,000,000 of outstanding PUF Taxable Commercial Paper Notes, Series B. Subsequent to these retirements, the System had $190,000,000 of PUF Taxable Commercial Paper Notes, Series B outstanding.

On November 1, 2023, the U. T. System Board of Regents issued $50,000,000 in RFS Taxable Commercial Paper Notes, Series B to finance a variety of capital projects at various U. T. System institutions. On November 2, 2023, the U. T. System Board of Regents retired $75,000,000 of outstanding RFS Taxable Commercial Paper Notes, Series B. Subsequent to this issuance and retirement, the System had $543,101,000 of RFS Taxable Commercial Paper Notes, Series B outstanding.

On November 28, 2023, the U. T. System Board of Regents issued $250,000,000 in RFS Tax-Exempt Commercial Paper Notes, Series A to finance a variety of capital projects and equipment purchases at various U. T. System institutions. Subsequent to this issuance, the System had $1,000,763,000 of RFS Tax-Exempt Commercial Paper Notes, Series A outstanding.

On December 5, 2023, the U. T. System Board of Regents issued $200,000,000 in PUF Tax-Exempt Commercial Paper Notes, Series A to finance a variety of capital projects and equipment purchases at various U. T. System institutions. Subsequent to this issuance, the System had $945,300,000 of PUF Tax-Exempt Commercial Paper Notes, Series A outstanding.

26. Upcoming Accounting Pronouncements

Other than the portion of this statement implemented in 2022 and 2023, the remainder of GASB Statement No. 99, *Omnibus 2022*, is effective in 2024. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective 2024. The System is evaluating the effect that the remainder of Statement 99 will have on its financial statements.

GASB Statement No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62*, effective 2024, enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The System is evaluating the effect that Statement 100 will have on its financial statements.

GASB Statement No. 101, *Compensated Absences*, effective 2025, updates the recognition and measurement guidance for compensated absences by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The System is evaluating the effect that Statement 101 will have on its financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

THE UNIVERSITY OF TEXAS SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE SYSTEM'S PROPORTIONATE SHARE OF CHANGES

IN THE EMPLOYER TOTAL OPEB LIABILITY AND RELATED RATIOS

December 31, 2022

	2022	2021	2020	2019	2018	2017	2016
Total OPEB Liability							
Service Cost	$ 877,350,009	708,022,293	572,677,209	471,785,731	548,093,347	569,296,804	584,209,916
Interest	321,938,242	266,654,173	286,398,460	442,516,885	394,480,742	426,298,831	384,344,675
Changes of Benefit Terms	(52,783,790)	—	—	—	—	—	—
Differences Between Expected and Actual Experience	—	160,861,824	—	(89,235,022)	—	(136,662,956)	—
Changes of Assumptions or Other Inputs	(7,704,380,357)	1,780,677,623	1,269,349,798	478,407,758	(1,429,460,396)	(781,692,644)	(299,449,010)
Benefit Payments (Employer)	(206,219,478)	(181,252,716)	(153,657,997)	(152,076,995)	(153,396,451)	(137,157,472)	(147,648,350)
Net Change in Total OPEB Liability	(6,764,095,374)	2,734,963,197	1,974,767,470	1,151,398,357	(640,282,758)	(59,917,437)	521,457,231
Total OPEB Liability – Beginning	14,695,594,306	11,931,417,814	9,683,463,315 *	10,355,785,546	10,717,111,345	10,777,028,782	10,255,571,551
Changes in Proportionate Share	158,235,423	29,213,295	273,187,029	41,561,977	278,956,959	—	—
Total OPEB Liability – Ending	$ 8,089,734,355	14,695,594,306	11,931,417,814	11,548,745,880	10,355,785,546	10,717,111,345	10,777,028,782

* In FY 2022, the Beginning Total OPEB Liability for the measurement year ended December 31, 2020 was restated to correct demographic data errors and assumptions related to assumed rates of participation by eligible terminated employees. Measurement years prior to December 31, 2020 have not been restated for the correction of the error.

Notes to Schedule:
This schedule is intended to present ten years of information. Only seven years of information is presented due to GASB Statement No. 75 being implemented in fiscal year 2018. Additional years will be displayed as they become available.

Information is presented using measurement date which precedes the fiscal year end by eight months.
No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.
Changes in benefit terms
From 2021 to 2022, the following are reflected as changes in benefit terms:
-Increases in retiree cost sharing for retirees for whom Medicare is not primary
-An increase in the employer funded life insurance coverage for retirees who do not opt out of EGIP health coverage upon retirement
Changes in assumptions or other inputs:
From 2021 to 2022, the following are reflected as changes in assumptions or other inputs:
-Assumed expenses, assumed per capita health benefit costs and assumed health benefit cost trends have been updated to reflect increases in retiree cost sharing in UT Select and the implementation of UT Care, a fully insured Medicare Advantage Plan for retirees for whom Medicare is primary, effective January 1, 2023. This decreased the Total OPEB Liability by approximately $4.4 billion.
Changes in the discount rate (see table below). This decreased the Total OPEB Liability by approximately $4.9 billion.
From 2020 to 2021, the following are reflected as changes in assumptions or other inputs:
-Adjustments to assumptions for expenses, assumed per capita health benefit costs and assumed trend for health benefit costs and retiree contributions.
The following are the discount rates used in each period:

2022	3.72%
2021	2.06%
2020	2.12%
2019	2.74%
2018	4.10%
2017	3.44%
2016	3.78%

Schedule of the System's Proportionate Share of the Total OPEB Liability as of the December 31 Measurement Date

	2022	2021	2020	2019	2018	2017	2016
System's Proportion of the Total OPEB Liability	82.8178338 %	81.9355890 %	81.7354650 %	79.4928364 %	79.1750747 %	77.1664987 %	77.1664987 %
System's Proportionate Share of the Total OPEB Liability	$ 8,089,734,355	14,695,594,306	11,931,417,814	11,548,745,880	10,355,785,546	10,717,111,345	10,777,028,782
State's Proportionate Share of the Total OPEB Liability Related to System	1,678,372,322	3,239,950,544	2,666,184,108	2,979,287,588	2,723,817,586	3,171,184,120	3,188,913,639
Total OPEB Liability Related to System	$ 9,768,106,677	17,935,544,850	14,597,601,922	14,528,033,468	13,079,603,132	13,888,295,465	13,965,942,421
System's Covered Payroll	$ 9,812,399,798	9,457,441,724	6,791,262,006	6,425,556,183	6,062,198,170	5,820,998,450	5,987,051,307
System's Proportionate Share of the Total OPEB Liability as a Percentage of its Covered Payroll	82.44 %	155.39 %	175.69 %	179.73 %	170.83 %	184.11 %	180.01 %
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %

Only seven years of information is presented due to GASB Statement 75 being implemented in fiscal year 2018. Additional years will be displayed as they become available.

THE UNIVERSITY OF TEXAS SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION

TEACHER RETIREMENT SYSTEM PENSION PLAN

August 31, 2023

Schedule of the System's Proportionate Share of the Net Pension Liability as of the August 31 Measurement Date

	2022	2021	2020	2019	2018	2017	2016	2015	2014
System's Proportion of the Net Pension Liability	9.4987114 %	9.0342804 %	8.9723873 %	8.6902629 %	8.9377185 %	8.2879633 %	8.2932305 %	7.7646311 %	8.6199871 %
System's Proportionate Share of the Net Pension Liability	$ 5,639,140,669	2,300,711,499	4,805,427,562	4,517,470,315	4,919,537,167	2,650,044,162	3,133,888,495	2,744,693,745	2,302,987,541
State's Proportionate Share of the Net Pension Liability Related to System	2,209,241,002	729,928,272	1,587,993,294	1,898,921,776	1,355,571,593	894,941,498	893,178,321	786,436,009	892,687,939
Total Net Pension Liability Related to System	$ 7,848,381,671	3,030,639,771	6,393,420,856	6,416,392,091	6,275,108,760	3,544,985,660	4,027,066,816	3,531,129,754	3,195,675,480
System's Covered Payroll	$ 6,783,241,812	6,196,286,308	5,942,147,682	5,435,527,295	5,106,576,133	4,891,473,913	4,635,793,582	4,472,632,860	4,018,776,650
System's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	83.13 %	37.13 %	80.87 %	83.11 %	96.34 %	54.18 %	67.60 %	61.37 %	57.31 %
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.62 %	88.79 %	75.54 %	75.24 %	73.74 %	82.17 %	78.00 %	78.43 %	83.25 %

Schedule of the System's Contributions as of August 31

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily Required Contributions	$ 601,660,709	525,701,240	464,721,473	445,661,076	369,615,856	347,247,177	332,620,226	315,233,963	304,139,034
Contributions in Relation to the Statutorily Required Contributions	$ 514,850,265	439,933,274	381,611,428	366,510,043	302,294,698	282,808,370	262,734,718	262,370,366	244,723,301
Contribution Deficiency (Excess)	$ 86,810,444	85,767,966	83,110,045	79,151,033	67,321,158	64,438,807	69,885,508	52,863,597	59,415,733
System's Covered Payroll	$ 7,592,051,434	6,783,241,812	6,196,286,308	5,942,147,682	5,435,527,295	5,106,576,133	4,891,473,913	4,635,793,582	4,472,632,860
Contributions as a Percentage of Covered Payroll	6.78 %	6.49 %	6.16 %	6.17 %	5.56 %	5.54 %	5.37 %	5.66 %	5.47 %

Contributions by the State of Texas on behalf of the System substantially resolve the contribution deficiency.

Only nine years of information is presented due to GASB Statement 68 being implemented in fiscal year 2015. Additional years will be displayed as they become available.

THE UNIVERSITY OF TEXAS SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF M. D. ANDERSON’S PRS SRP/RBP PENSION LIABILITY
AS OF THE SEPTEMBER 1 MEASUREMENT DATE

	2022	2021	2020	2019
1. Total Pension Liability				
Service Cost	$ 40,513,997	37,988,952	32,367,864	
Interest	22,719,060	22,898,554	28,255,880	
Changes of Assumptions or Other Inputs	(140,590,003)	5,813,235	71,349,543	
Benefit Payments (Employer)	(49,856,011)	(47,005,635)	(49,249,256)	
Net Change in Total Pension Liability	(127,212,957)	19,695,106	82,724,031	
Total Pension Liability - Beginning	1,046,052,341	1,026,357,235	943,633,204	
Total Pension Liability - Ending	$ 918,839,384	1,046,052,341	1,026,357,235	943,633,204
2. Covered-Employee Payroll	$ 575,070,266	549,500,639	520,630,549	506,351,431
3. Total Pension Liability as a Percentage of Covered-Employee Payroll	159.78%	190.36%	197.14%	186.36%

Only four years of information is presented due to GASB Statement No. 97 being implemented in fiscal year 2022. Additional years will be displayed as they become available. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 68 to pay related benefits.

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APPENDIX E

FORM OF BOND COUNSEL OPINION

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Proposed Form of Opinion of Bond Counsel

An opinion in substantially the following form will be delivered by McCall, Parkhurst & Horton L.L.P., Bond Counsel, upon the delivery of the Bonds, assuming no material changes in facts or law.

BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM
REVENUE FINANCING SYSTEM BONDS,
SERIES 2024A
DATED MAY 15, 2024
IN THE PRINCIPAL AMOUNT OF $____________

AS BOND COUNSEL for the Board of Regents of The University of Texas System (the "Board"), we have examined the legality and validity of the issue of bonds described above (the "Bonds"), which bear interest from the date and mature on the dates specified on the face of the Bonds, and being subject to redemption, all in accordance with the Thirty-Eighth Supplemental Resolution to the Master Resolution authorizing the issuance of such Bonds and an award certificate executed pursuant to such resolution (the "Bond Resolution"). Terms used herein and not otherwise defined shall have the meaning given in the Bond Resolution and the Master Resolution establishing The University of Texas System Revenue Financing System, as amended (collectively, with the Bond Resolution the "Resolution").

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas, a transcript of certified proceedings of the Board, and other pertinent instruments relating to the authorization, issuance, and delivery of the Bonds; and we have examined various certificates and documents executed by officers and officials of the Board upon which certificates and documents we rely as to certain matters stated below. We have also examined one of the executed Bonds which we found to be in due form.

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Bonds have been duly authorized, issued, and delivered, all in accordance with law; and that, except as may be limited by laws, applicable to the Board relating to bankruptcy, reorganization, and other similar matters affecting creditors' rights, or by sovereign immunity or general principles of equity which permit the exercise of judicial discretion, the covenants and provisions in the Resolution constitute valid and legally binding obligations of the Board, and the Bonds constitute valid and legally binding special obligations of the Board secured by and payable from, together with the Board's other outstanding Parity Debt, a lien on and pledge of the Pledged Revenues, subject only to the provisions of Prior Encumbered Obligations.

THE BOARD has reserved the right, subject to the restrictions stated in the Resolution to amend the Resolution. The Board also has reserved the right, subject to the restrictions stated in the Resolution, to issue additional Parity Debt which also may be secured by and payable from a lien on and pledge of the Pledged Revenues on parity with the lien securing the Bonds.

THE REGISTERED OWNERS of the Bonds shall never have the right to demand payment of the principal thereof or interest thereon out of any funds raised or to be raised by taxation, or from any source whatsoever other than specified in the Resolution.

IT IS FURTHER OUR OPINION, except as discussed below, that the interest on the Bonds is excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion. We are further of the opinion that the Bonds are not "specified private activity bonds" and that, accordingly, interest on the Bonds will not be included as an individual alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). In expressing the aforementioned opinions, we have relied on the verification report prepared by Causey Demgen & Moore P.C. and on certain representations, the accuracy of which we have not independently verified, and assume compliance with certain covenants regarding the use and investment of the proceeds of the Bonds and the use of the property financed or refinanced therewith. We call your attention to the fact that if such representations are determined to be inaccurate or if the Board fails to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Bonds, including the amount, accrual or receipt of interest on, the Bonds. Owners of the Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning 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 (the "Service"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Board as the taxpayer. We observe that the Board has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

WE CALL YOUR ATTENTION TO THE FACT that the interest on tax-exempt obligations, such as the Bonds, may be includable in a corporation's adjusted financial statement income for purposes of determining the alternative minimum tax imposed on certain corporations by section 55 of the Code.

WE EXPRESS NO OPINION as to any insurance policies issued with respect to the payments due for the principal of and interest on the Bonds, nor as to any such insurance policies issued in the future.

WE HAVE ACTED AS BOND COUNSEL to the Board in connection with the issuance of the Bonds, and, in that capacity, we have been engaged by the Board 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, and with respect to the exclusion from gross income of the interest on the Bonds for federal income tax purposes. We have not been requested to investigate or verify, and have not independently investigated or verified, any records, data, or other material relating to the financial condition or capabilities of the Board, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Bonds and have relied solely on certificates executed by officials of the Board as to the current outstanding indebtedness of the Board and the sufficiency of the Pledged Revenues of the Board. Our role in connection with the Board's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

THE FOREGOING OPINIONS represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result.

Respectfully,

SEAL OF THE UNIVERSITY OF TEXAS

DISCIPLINA PRAESIDIUM CIVITATIS