PRELIMINARY OFFICIAL STATEMENT DATED JULY 8, 2026

NEW ISSUE – Book-Entry-Only | **RATING:** *Moody's: "Aaa"*
See "RATING" herein

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. Bond Counsel observes that interest on the Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. See "TAX MATTERS" herein.

TEXAS TRANSPORTATION COMMISSION

$342,100,000*
STATE HIGHWAY FUND
FIRST TIER REVENUE REFUNDING BONDS,
SERIES 2026

Dated: Date of Initial Delivery | **Due: As shown on page i**

The Texas Transportation Commission State Highway Fund First Tier Revenue Refunding Bonds, Series 2026 (the "Bonds") are special and limited obligations of the Texas Transportation Commission (the "Commission"), the governing body of the Texas Department of Transportation (the "Department"), an agency of the State of Texas (the "State"). The Bonds are being issued pursuant to the authority granted to the Commission by Article III, Section 49-n of the State Constitution; Section 222.003, Texas Transportation Code (the "Act"); Chapters 1207 and 1371, Texas Government Code, as amended; a Second Amended and Restated Master Resolution dated as of April 23, 2010 (the "Master Resolution"); an Eleventh Supplemental Resolution (the "Eleventh Supplemental Resolution") adopted by minute order of the Commission on May 21, 2026 and an Award Certificate of the Department Representative to be executed on the date of sale of the Bonds (the "Award Certificate" and, together with the Master Resolution and the Eleventh Supplemental Resolution, the "Resolution"). The Master Resolution establishes a financing program (the "Program") to provide funds for any lawful purpose and to provide a financing structure to facilitate the Commission's exercise of the power and authority conferred by the Act through the issuance, execution and delivery of obligations payable from the State Highway Fund (the "Fund"). The Bonds are being issued as "First Tier Senior Obligations" under the Resolution. The Bonds are being issued (i) to refund the Refunded Obligations (defined herein), and (ii) to pay the costs of issuing the Bonds, as more fully described herein.

The Bonds, together with the outstanding First Tier Senior Obligations and any additional First Tier Senior Obligations hereafter issued, will be secured by and payable from a first lien on the Pledged Revenues (defined herein) consisting primarily of certain funds deposited to the credit of the Fund. In the Master Resolution, the Commission has reserved the right to establish additional levels of lien seniority and payment priority (each, a "Tier") for Senior Obligations (defined herein) to be issued in the future. Pursuant to Article III, Section 49-n of the State Constitution, revenue on deposit in the Fund is appropriated in an amount necessary to pay the principal of and interest on the Bonds and all other outstanding Senior Obligations that mature or become due during any fiscal year and to pay any cost related to the Bonds and all other outstanding Senior Obligations. This appropriation of revenue may not be modified to impair the payment of the Bonds and any other outstanding Senior Obligations unless provisions have been made for a full discharge of the Bonds and all other outstanding Senior Obligations. See "GENERAL INFORMATION REGARDING THE BONDS – Source of Payment for Bonds."

NEITHER THE STATE, NOR ANY AGENCY, POLITICAL CORPORATION, OR POLITICAL SUBDIVISION OF THE STATE IS OBLIGATED TO PAY THE PRINCIPAL OF OR INTEREST ON THE BONDS, OTHER THAN AS PROVIDED IN THE RESOLUTION. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE, ANY AGENCY, POLITICAL CORPORATION, OR POLITICAL SUBDIVISION OF THE STATE IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE BONDS.

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

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

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

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The Bonds are offered for delivery when, as, and if issued and accepted by the underwriters of the Bonds named below (collectively, the "Underwriters"), and subject to the approval of the Attorney General of the State and the approval of certain legal matters by Orrick, Herrington & Sutcliffe LLP, Austin, Texas, Bond Counsel. Certain legal matters will be passed upon for the Commission by its General Counsel and by Bracewell LLP, Austin, Texas, Disclosure Counsel to the Commission. Certain legal matters will be passed upon for the Underwriters by their counsel, Winstead PC, Austin, Texas. It is expected that the Bonds will be delivered on or about August 5, 2026 (the "Date of Initial Delivery") through the facilities of DTC.

J.P. Morgan | **Raymond James**

Piper Sandler & Co. | **TD Financial Products** | **Texas Capital Securities**

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* Preliminary, subject to change.

MATURITY SCHEDULE*

$342,100,000*
TEXAS TRANSPORTATION COMMISSION
STATE HIGHWAY FUND FIRST TIER REVENUE REFUNDING BONDS, SERIES 2026

CUSIP Prefix 88283L[1]

Maturity (April 1)*	Principal Amount*	Interest Rate	Initial Yield	CUSIP Suffix[1]
2028	$ 10,555,000			
2029	10,905,000			
2030	11,240,000			
2031	157,290,000			
2032	152,110,000			

Interest. The Bonds will bear interest at the respective rates shown above, as applicable, calculated on the basis of a 360-day year composed of twelve months comprised of 30 days each. The Bonds will mature in the respective principal amounts and on the respective dates shown above. The Bonds will bear interest from the Date of Initial Delivery and such interest will be payable semiannually on each April 1 and October 1, commencing October 1, 2026. See "THE BONDS."

No Redemption. The Bonds are not subject to redemption prior to their stated maturity.

* Preliminary, subject to change.

(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, which is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Global Services. CUSIP numbers are included solely for the convenience of the owners of the Bonds. None of the Commission, the Department, the Municipal Advisor or the Underwriters shall be responsible for the selection or the correctness of the CUSIP numbers shown herein. The CUSIP numbers for the Bonds are subject to being changed after the initial issuance thereof as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of the Bonds or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of the Bonds.

TEXAS TRANSPORTATION COMMISSION

Name	Title	Term Expires
W. Alvin New	Acting Chair	February 1, 2027
Steven D. Alvis	Commissioner	February 1, 2029
Pat Gordon	Commissioner	February 1, 2027
Alejandro "Alex" G. Meade, III	Commissioner	February 1, 2031
Robert C. Vaughn	Commissioner	February 1, 2031

TEXAS DEPARTMENT OF TRANSPORTATION - SELECTED PERSONNEL

Name	Position	Total Years of Service with the Department
Marc D. Williams, P.E.	Executive Director	15 years
Brandye L. Hendrickson	Deputy Executive Director, Planning and Administration	5 years
Brian R. Barth, P.E.	Deputy Executive Director, Program Delivery	38 years
Stephen Stewart, CPA	Chief Financial Officer	14 years
Benjamin H. Asher	Director, Project Finance and Toll Operations Division	14 years
Amanda Landry, CPA	Director, Financial Management Division	13 years
Jeff Graham	General Counsel	14 years

CONSULTANTS AND ADVISORS

Bond Counsel .... Orrick, Herrington & Sutcliffe LLP
Disclosure Counsel .... Bracewell LLP
Municipal Advisor .... Estrada Hinojosa
Paying Agent/Registrar .... U.S. Bank Trust Company, National Association

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

Mr. Stephen Stewart, CPA
Chief Financial Officer
Texas Department of Transportation
125 E. 11th Street
Austin, Texas 78701-2483
(512) 305-9512

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

SALE AND DISTRIBUTION OF THE BONDS

For purposes of compliance with Rule 15c2-12 (the "Rule") of the United States Securities and Exchange Commission, this document constitutes an "official statement" of the Commission with respect to the Bonds that has been deemed "final" by the Commission as of its date, except for the omission of information as permitted by the Rule.

Use of Official Statement

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

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

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

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

NONE OF THE COMMISSION, THE DEPARTMENT, THE COMMISSION'S MUNICIPAL ADVISOR OR THE UNDERWRITERS MAKE ANY REPRESENTATION AS TO THE ACCURACY, ADEQUACY OR COMPLETENESS OF THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT IN "APPENDIX E – DTC BOOK-ENTRY-ONLY SYSTEM."

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

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

Marketability

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

Securities Laws

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

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

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

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

References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement.

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OFFICIAL STATEMENT

RELATING TO

TEXAS TRANSPORTATION COMMISSION

$342,100,000*
STATE HIGHWAY FUND
FIRST TIER REVENUE REFUNDING BONDS,
SERIES 2026

INTRODUCTION

The purpose of this Official Statement (which includes the Schedule and Appendices hereto) is to furnish information concerning the offering of the "Texas Transportation Commission State Highway Fund First Tier Revenue Refunding Bonds, Series 2026" (the "Bonds"), which are being issued by the Texas Transportation Commission (the "Commission"), the governing body of the Texas Department of Transportation (the "Department"), an agency of the State of Texas (the "State"), in the principal amount set forth above. The Bonds are being issued pursuant to the authority granted to the Commission by Article III, Section 49-n of the State Constitution; Section 222.003, Texas Transportation Code (the "Act"); Chapter 1207, Texas Government Code; Chapter 1371, Texas Government Code; the "Second Amended and Restated Master Resolution Establishing a Financing Program for Bonds, Other Public Securities and Credit Agreements Secured by and Payable from Revenue Deposited to the Credit of the State Highway Fund" dated as of April 23, 2010 (the "Master Resolution"), as supplemented by the Eleventh Supplemental Resolution to the Master Resolution adopted by minute order of the Commission on May 21, 2026 (the "Eleventh Supplemental Resolution"); and an Award Certificate of the Department Representative to be executed on the date of sale of the Bonds (the "Award Certificate" and, together with the Master Resolution and the Eleventh Supplemental Resolution, the "Resolution"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Resolution, as set forth in "APPENDIX A – DEFINITIONS AND EXCERPTED PROVISIONS OF THE RESOLUTION," except as otherwise indicated herein.

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

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

Revenues deposited to the credit of the Fund include certain constitutionally dedicated revenues and certain non-dedicated revenues. Article VIII, Section 7-a of the State Constitution ("Section 7-a") dedicates (i) 75% of the net revenues generated from the State motor fuels tax (net of enforcement, administrative and refund charges), (ii) the State tax on motor lubricants and (iii) the net revenues generated from State motor vehicle registration fees (net of collection charges and the portion of such fees that is reserved for counties within the State) to the acquisition of rights-of-way; construction,

* Preliminary, subject to change.

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

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

The Commission has previously issued and there are currently outstanding six series of Senior Obligations as First Tier Senior Obligations. The Bonds are being issued pursuant to the Eleventh Supplemental Resolution, which authorizes the issuance of refunding bonds in one or more series. As of the date of this Official Statement, First Tier Senior Obligations in the aggregate principal amount of $1,995,490,000 are outstanding. Upon the issuance of the Bonds and the application of the proceeds thereof on the Date of Initial Delivery (as defined on the front cover page hereof), First Tier Senior Obligations in the aggregate principal amount of $1,971,190,000* will be outstanding. No authorized amount remains under the Act for new money purposes, unless the Act is amended by the State Legislature to modify or remove such limitation. The Eleventh Supplemental Resolution authorizes the issuance of refunding bonds (such as the Bonds) in one or more series for the purpose of refunding Previously Issued First Tier Senior Obligations in the event that certain savings criteria are satisfied or to refund currently outstanding variable rate Senior Obligations. The Bonds constitute the first series of refunding bonds delivered under authority of the Eleventh Supplemental Resolution. Excerpts of certain selected provisions from the Master Resolution and the Eleventh Supplemental Resolution are contained in "APPENDIX A – DEFINITIONS AND EXCERPTED PROVISIONS OF THE RESOLUTION." The excerpted provisions in APPENDIX A do not purport to be comprehensive or definitive and are qualified in their entirety by reference to the Resolution. See also, "GENERAL INFORMATION REGARDING THE BONDS – Outstanding and Additional Senior Obligations and Tiers of Senior Obligations," "– Issuance of Subordinate Obligations," and "THE STATE HIGHWAY FUND – Uses of the Fund – Capital Financing Process."

Pursuant to the Act and the Resolution, the Commission may enter into "Credit Agreements" that are secured by a pledge of and payable from certain revenues deposited to the credit of the Fund. The Commission has previously entered into Credit Agreements with respect to the Series 2014-B Refunded Bonds (as such term is hereinafter defined), which will be refunded and redeemed in whole with a portion of the proceeds of the Bonds and other lawfully available funds of the Commission. See "PLAN OF FINANCE" and "GENERAL INFORMATION REGARDING THE BONDS – Credit Agreements."

This Official Statement includes descriptions of the Bonds, the Fund, the Commission, the Department, the State and certain other matters, along with summaries and excerpts of portions of the Resolution. The excerpts and summaries of documents contained herein do not purport to be complete or verbatim and are qualified in their entirety by reference to the

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* Preliminary, subject to change.

respective documents. Copies of the Resolution are available for inspection at the offices of the Department, DeWitt C. Greer State Office Building, 125 East 11th Street, Austin, Texas 78701.

This Official Statement speaks only as of its date or such other dates indicated herein, and the information contained herein is subject to change. A copy of this Official Statement will be submitted to the Municipal Securities Rulemaking Board (the "MSRB") through its Electronic Municipal Market Access ("EMMA") system. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the Commission's undertaking to provide certain information on a continuing basis.

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

PLAN OF FINANCE

General

The proceeds of the Bonds will be used to (i) refund all outstanding "Texas Transportation Commission State Highway Fund First Tier Revenue Bonds, Series 2014-B (Variable Rate Bonds)", which are identified on Schedule I hereto (the "Series 2014-B Refunded Bonds"), to obtain long-term financing, (ii) refund the "Texas Transportation Commission State Highway Fund First Tier Revenue Bonds, Series 2016-A" identified on Schedule I hereto (the "Series 2016-A Refunded Bonds") to achieve debt service savings, and (iii) pay the costs of issuing the Bonds. See "SOURCES AND USES OF FUNDS." The Series 2014-B Refunded Bonds and the Series 2016-A Refunded Bonds (collectively, the "Refunded Obligations") constitute a portion of the outstanding Previously Issued First Tier Senior Obligations. See "SCHEDULE I – REFUNDED OBLIGATIONS" for the details of the specific maturities of Refunded Obligations to be refunded with a portion of the proceeds of the Bonds and their respective redemption dates and redemption prices. The refunding of any of the Refunded Obligations is contingent upon the sale and delivery of the Bonds.

Refunded Obligations

The Series 2014-B Refunded Bonds. On the Date of Initial Delivery of the Bonds, the Series 2014-B Refunded Bonds will be redeemed by the Commission on such date by paying the principal amount thereof, plus accrued interest to the date of redemption, to the paying agent for the Series 2014-B Refunded Bonds (the "2014-B Paying Agent") using a portion of the proceeds of the Bonds and other lawfully available funds of the Commission. See "SOURCES AND USES OF FUNDS."

The Resolution provides that from the proceeds of the sale of the Bonds, together with other lawfully available funds of the Commission, if any, there shall be deposited with the 2014-B Paying Agent the amounts necessary to accomplish the discharge and final payment of the Series 2014-B Refunded Bonds. The amount so deposited with the 2014-B Paying Agent will be in the form of cash, will be held uninvested and will be in an amount sufficient to provide for the payment of the principal of and interest on the Series 2014-B Refunded Bonds due on the redemption date therefor, as evidenced by a certificate of sufficiency provided by Estrada Hinojosa, in its capacity as municipal advisor to the Commission.

By the deposit of uninvested cash with the 2014-B Paying Agent, the Commission will have effected the defeasance of the Series 2014-B Refunded Bonds pursuant to the terms of the resolution authorizing their issuance and in accordance with applicable law. It is the opinion of Bond Counsel that, as a result of such defeasance, the Series 2014-B Refunded Bonds will no longer be payable from Pledged Revenues, but will be payable solely from the cash held for such purpose by the 2014-B Paying Agent, and the Series 2014-B Refunded Bonds, as defeased obligations, are not to be included in or considered to be indebtedness of the Commission for any other purpose.

The Series 2016-A Refunded Bonds. The Series 2016-A Refunded Bonds, and the interest due thereon, are to be paid on the scheduled redemption date thereof from funds to be deposited with U.S. Bank Trust Company, National Association, as escrow agent (the "Escrow Agent"), pursuant to an escrow agreement between the Commission and the Escrow Agent (the "Escrow Agreement"), to be effective as of the Date of Initial Delivery of the Bonds.

The Resolution provides that from the proceeds of the sale of the Bonds, together with other lawfully available funds of the Commission, if any, there shall be deposited with the Escrow Agent the amounts necessary to accomplish the discharge and final payment of the Series 2016-A Refunded Bonds. Such funds will be held by the Escrow Agent in a special escrow account (the “Escrow Fund”) and used to purchase a portfolio of securities authorized by Section 1207.062, Texas Government Code, and the resolution authorizing the issuance of the Series 2016-A Refunded Bonds (collectively, the “Escrow Securities”). Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of principal of and interest on the Series 2016-A Refunded Bonds. The Escrow Fund will not be available to pay principal of or interest on the Bonds.

Simultaneously with the issuance of the Bonds, the Commission will give instructions to provide notice, if any, to the owners of the Series 2016-A Refunded Bonds that the Series 2016-A Refunded Bonds will be redeemed prior to their stated maturity and that funds will be available to redeem the Series 2016-A Refunded Bonds on their redemption date from money held in the Escrow Fund, and the Commission will have no further responsibility with respect to amounts available in the Escrow Fund for the payment of the Series 2016-A Refunded Bonds from time to time, including any insufficiency therein caused by the failure to receive payment when due on the Escrow Securities.

Robert Thomas CPA, LLC (the “Verification Agent”), will verify at the time of delivery of the Bonds to the Underwriters the mathematical accuracy of the schedules that demonstrate that the Escrow Securities will mature and pay interest in such amounts which, together with uninvested funds, if any, in the Escrow Fund, will be sufficient to pay, when due, the principal of and interest on the Series 2016-A Refunded Bonds on their scheduled redemption date. Such verification report will be based on information and assumptions supplied by the Commission and the Municipal Advisor to the Commission and such verifications, information and assumptions will be relied upon by Bond Counsel in rendering its opinion described herein. See “VERIFICATION OF MATHEMATICAL ACCURACY.”

By the deposit of the Escrow Securities and cash with the Escrow Agent pursuant to the Escrow Agreement, the Commission will have effected the defeasance of the Series 2016-A Refunded Bonds pursuant to the terms of the resolution authorizing their issuance and in accordance with applicable law. It is the opinion of Bond Counsel that, as a result of such defeasance, the Series 2016-A Refunded Bonds will no longer be payable from Pledged Revenues, but will be payable solely from the principal of and interest on the Escrow Securities and cash held for such purpose by the Escrow Agent, and the Series 2016-A Refunded Bonds, as defeased obligations, are not to be included in or considered to be indebtedness of the Commission for any other purpose.

Bond Review Board Approval

With certain exceptions, bonds issued by State agencies and institutions, including bonds issued by the Commission, must be formally approved by the Texas Bond Review Board (the “Bond Review Board”) prior to their issuance, unless certain exemption criteria set forth in the Bond Review Board’s rules are satisfied. The Bond Review Board is composed of the Governor of the State (the “Governor”), the Lieutenant Governor, the Speaker of the House of Representatives, and the Comptroller of Public Accounts of the State (the “Comptroller”). The Governor is the Chairman of the Bond Review Board. Each member of the Bond Review Board may, and frequently does, act through a designee. By letter dated June 26, 2026, the Bond Review Board provided written notification to the Commission that the issuance of the Bonds meets the exemption criteria set forth in the Bond Review Board’s rules and that the Bond Review Board decided not to exercise its option to require the Commission to follow the formal approval process pursuant to the Bond Review Board’s rules.

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SOURCES AND USES OF FUNDS

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

Sources:		
	Principal Amount	$
	Original Issue Premium	
	Commission Contribution for Refunded Obligations	
	Total	$
Uses:		
	Redemption of Series 2014-B Refunded Bonds[1]	$
	Escrow Fund Deposit for Series 2016-A Refunded Bonds	
	Underwriters' Discount	
	Costs of Issuance[2]	
	Total	$

(1) Includes estimated amount of interest due on the Series 2014-B Refunded Bonds and the amount of interest due on the Series 2016-A Refunded Bonds on their respective redemption dates.

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

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TABLE 1 - DEBT SERVICE REQUIREMENTS AND PROJECTED COVERAGE*

Fiscal Year	Outstanding First Tier Senior Obligations[(1)]	The Bonds			Total Debt Service	BAB Subsidy Payments[(2)]	Total Debt Service (net of BAB Subsidy)	Fiscal Year 2025 Pledged Revenues[(3)]	Aggregate Debt Service Coverage (before BAB Subsidy)	Aggregate Debt Service Coverage (net of BAB Subsidy)
		Principal	Interest	Total						
2026	$ 419,654,740	-	-	-	$ 419,654,740	$ (21,860,566)	$ 397,794,174	$ 10,695,105,000	25.49x	26.89x
2027	421,350,813	-	-	-	421,350,813	(20,577,116)	400,773,697	10,695,105,000	25.38x	26.69x
2028	417,662,022	-	-	-	417,662,022	(17,094,261)	400,567,761	10,695,105,000	25.61x	26.70x
2029	411,979,834	-	-	-	411,979,834	(11,739,028)	400,240,806	10,695,105,000	25.96x	26.72x
2030	405,861,004	-	-	-	405,861,004	(5,968,337)	399,892,667	10,695,105,000	26.35x	26.74x
2031	206,260,078	-	-	-	206,260,078	-	206,260,078	10,695,105,000	51.85x	51.85x
2032	179,722,867	-	-	-	179,722,867	-	179,722,867	10,695,105,000	59.51x	59.51x
2033	145,207,125	-	-	-	145,207,125	-	145,207,125	10,695,105,000	73.65x	73.65x
2034	145,206,625	-	-	-	145,206,625	-	145,206,625	10,695,105,000	73.65x	73.65x
Total	$ 2,752,905,108				$ 2,752,905,108	$ (77,239,308)	$ 2,675,665,800			

* Preliminary, subject to change.

(1) Reflects gross debt service on all Outstanding First Tier Senior Obligations, and, therefore, excludes debt service on the Bonds and includes debt service on the Refunded Obligations. For purposes of illustration, (i) the variable rate of interest on the Series 2014-B Refunded Bonds, being a portion of the Outstanding First Tier Senior Obligations, is assumed at 3.5%, which is inclusive of remarketing and liquidity fees, as applicable, and (ii) the principal of all Outstanding First Tier Senior Obligations is assumed to be paid on the scheduled dates of mandatory sinking fund redemption, if any, and the stated maturity date thereof. The Series 2014-B Refunded Bonds constitute a portion of the Refunded Obligations. See "PLAN OF FINANCE" and "GENERAL INFORMATION REGARDING THE BONDS – Outstanding and Additional Senior Obligations and Tiers of Senior Obligations – Outstanding Senior Obligations."

(2) The Build America Bonds ("BAB") Subsidy Payments shown above relate to the Series 2010 Bonds (as defined herein) and reflect a reduction due to Sequester Cuts. The BAB Subsidy Payment in respect of the April 1, 2026 debt service payment on the Series 2010 Bonds was reduced by approximately $660,685. A 5.7% reduction in BAB Subsidy Payments has been announced by the federal government for the federal fiscal year ending September 30, 2026 and, in Table 1 above, is assumed to apply to the BAB Subsidy Payments beginning with the October 1, 2026 payment and continuing through the federal fiscal year ending September 30, 2030 (October 1, 2030 payment). See "THE STATE HIGHWAY FUND – Sequestration Effects on the State Highway Fund" herein.

(3) Pledged Revenues presented on a modified accrual basis. BAB subsidy payments are not included in Pledged Revenues. See "GENERAL INFORMATION REGARDING THE BONDS – Source of Payment for Bonds" and "THE STATE HIGHWAY FUND – General." The amount of Pledged Revenues for Fiscal Year 2025 is being used in this table for informational purposes only and may not be indicative of future performance or results. See "INVESTMENT CONSIDERATIONS – Forward-Looking Statements."

Totals may not add due to rounding.

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THE BONDS

General Description

The Bonds will be issued in book-entry form pursuant to the book-entry-only system described below. Beneficial owners of the Bonds will not receive physical delivery of bond certificates. The Bonds will be issued in fully registered form and purchases of Bonds are required to be in the denomination of $5,000 or any integral multiple thereof. The Bonds will be prepared as one fully registered bond certificate for each maturity and will be initially registered in the name of and delivered only to Cede & Co., as nominee for the DTC, pursuant to the book-entry-only system described herein. No physical delivery of the Bonds will be made to the owners thereof. DTC will act as securities depository for the Bonds. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar, initially U.S. Bank Trust Company, National Association, to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see "APPENDIX E – DTC BOOK-ENTRY-ONLY SYSTEM"). The Bonds will bear interest at the respective rates shown on page i of this Official Statement, as applicable, calculated on the basis of a 360-day year composed of twelve months of 30 days each. The Bonds will mature in the respective principal amounts and on the respective dates shown on page i of this Official Statement. The Bonds will bear interest from the Date of Initial Delivery, and such interest will be payable semiannually on each April 1 and October 1 (each an "Interest Payment Date"), commencing October 1, 2026.

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

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

No Redemption

The Bonds are not subject to redemption prior to their stated maturity.

GENERAL INFORMATION REGARDING THE BONDS

Payment of the Bonds

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

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

Source of Payment for Bonds

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

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

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

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

Flow of Funds

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

(i) <u>First</u>: to the payment of all Costs (as defined below) incurred as First Tier Senior Obligations as, when and to the extent provided by each First Tier Senior Obligation and the related Supplemental Resolution; and

(ii) <u>Second</u>: to the payment of the amounts required to be deposited and credited to each reserve, contingency or other similar fund or account created and established in accordance with the provisions of any Supplemental Resolution relating to First Tier Senior Obligations and to the payment of other Costs related to First Tier Senior Obligations, as, when, and to the extent provided in the related Supplemental Resolution; provided, that such payments will be allocated among the then Outstanding issues or series of First Tier Senior Obligations and made on a pro rata basis (with such proration to be determined on the basis that the Outstanding principal amount of each particular issue or series of First Tier Senior Obligations bears to the aggregate Outstanding principal amount of all issues or series of First Tier Senior Obligations for which payments are to be made in accordance with this clause (ii)); and

(iii) Third: to the payment of (A) all Costs incurred as Senior Obligations other than First Tier Senior Obligations, on a priority basis consistent with their respective Tiers as, when, and to the extent provided by each such Senior Obligation and the related Supplemental Resolution, and (B) all deposits into each reserve, contingency or other similar fund or account created and established for the benefit of Senior Obligations on a priority basis consistent with their respective Tiers and in accordance with the provisions of the Supplemental Resolution relating to such Senior Obligation; and

(iv) Fourth: to the payment of all Costs incurred as Subordinate Obligations (together with any related funding obligations) as, when and to the extent provided by each Subordinate Obligation and any order, resolution, contract or other agreement related thereto; and

(v) Fifth: to (A) the payment of expenditures for public roadways in accordance with the State Constitution and federal law or (B) to the extent not required to be used for public roadways by the State Constitution or federal law, to the payment of any lawful expenditure for any lawful purpose.

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

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

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

Obligations of the Comptroller

General Administration of the State Highway Fund. The Comptroller maintains and will administer the Fund in accordance with the Resolution, the Act, and other applicable State and federal law. Section 222.003 of the Texas Transportation Code requires the Comptroller to withdraw from the Fund and forward, at the direction of the Commission, to another person the amounts as determined by the Commission to permit timely payment of: (1) the principal of and interest on the bonds and other public securities payable from the Fund (which includes the Bonds) that mature or become due; and (2) any cost related to such bonds and other public securities.

Investment of the State Highway Fund by Comptroller. Money held by the Comptroller in the Fund will be invested (and reinvested) by the Comptroller in Permitted Investments selected by the Comptroller. See "APPENDIX F – INVESTMENT AUTHORITY AND INVESTMENT PRACTICES FOR THE FUND." Uninvested money (if any) in the Fund will be secured in the manner and to the extent required by law. The investments of money in the Fund will be made under conditions that will timely provide money sufficient to meet the Commission's obligations. Except as otherwise required by the Resolution, the proceeds received from the disposition of any investment acquired with money from the Fund, and any income received from any such investment, will be deposited into the Fund. The Comptroller will maintain (or cause to be maintained) detailed records accurately reflecting all investment transactions and all activity in the Fund, which records are subject to State audit.

Transfer, Exchange and Registration

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

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

At the option of the Owner, the Bonds may be exchanged for other Bonds of Authorized Denominations and having the same maturity, bearing the same rate of interest, and of like aggregate principal amount as the Bonds surrendered for exchange, upon surrender of the Bonds to be exchanged at the designated office of the Paying Agent/Registrar. Whenever any Bonds are surrendered for exchange, new Bonds will be registered and delivered, executed on behalf of, and furnished by, the Commission to the Owner requesting the exchange.

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

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

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

See "APPENDIX E – DTC BOOK-ENTRY-ONLY SYSTEM" for a description of the system to be utilized initially in regard to the ownership and transferability of the Bonds.

Notices Through DTC

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

Outstanding and Additional Senior Obligations and Tiers of Senior Obligations

Outstanding Senior Obligations. The Commission has previously issued and there are currently outstanding six series of Senior Obligations that constitute First Tier Senior Obligations, which are outstanding in the aggregate principal amount of $1,995,490,000 (the "Previously Issued First Tier Senior Obligations") as of the date of this Official Statement. As described in "PLAN OF FINANCE – Refunded Obligations," a portion of the proceeds of the Bonds, together with certain other funds of the Commission, will be used to refund the Refunded Obligations, which constitute a portion of the outstanding Previously Issued First Tier Senior Obligations.

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

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

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

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

(i) A certified copy of the minute order or other official action of the Commission (A) approving a Supplemental Resolution establishing or providing the terms and provisions of such Senior Obligations, and (B) authorizing the issuance, execution and/or delivery of the Senior Obligations;

(ii) An opinion or opinions of Bond Counsel to the effect that (A) issuance, execution and/or delivery of the Senior Obligations is permitted under the Master Resolution and any Supplemental Resolutions that authorized the issuance, execution and/or delivery of any then Outstanding Senior Obligations and (B) the Supplemental Resolution relating to such Senior Obligations has been duly authorized and such Senior Obligations when issued, executed and/or delivered will constitute valid, binding and enforceable limited obligations of the Commission, subject to bankruptcy, equitable principles and other standard legal opinion exceptions;

(iii) An Officer's Certificate to the effect that (A) the Commission is not in default under the Master Resolution or any Supplemental Resolution or, upon the issuance of such Senior Obligations, any existing default will be cured and (B) following the issuance of such Senior Obligations, the maximum Annual Debt Service Requirements with respect to all then Outstanding Senior Obligations will not exceed the Maximum Allowable Debt Service (defined below) in the current or any future year; and

(iv) Such further documents, moneys and securities as are required by the provisions of the Supplemental Resolution providing for the issuance, execution and/or delivery of such Senior Obligations.

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

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

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

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

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

Credit Agreements

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

A Credit Agreement and the Costs thereof may constitute, in whole or in part, a (i) Senior Obligation of the same or lower Tier as the Tier of the Senior Obligation to which such agreement relates payable from and secured by a pledge of the Pledged Revenues on parity with other Senior Obligations of such Tier or (ii) Subordinate Obligation payable from or secured by a pledge of State Highway Fund Revenues (or any portion thereof) subordinate to the Senior Obligations. Upon the issuance of the Bonds and the application of the proceeds thereof to refund the Refunded Obligations on the Date of Initial Delivery, there will be no outstanding Credit Agreements.

Application of Certain BAB Subsidy Payments

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

Subject to any required State appropriation, the Commission has covenanted to deposit all collections of BAB Subsidy Payments into a subaccount of the First Tier Senior Obligation Debt Service Fund (the "Bonds Subaccount"). Funds in the Bonds Subaccount will be used solely for the purpose of paying principal of and interest on the Series 2010 Bonds and such funds will not be used to pay debt service on other First Tier Senior Obligations, other Senior Obligations or any Subordinate Obligations. The BAB Subsidy Payments have been appropriated to the Department for the State Highway Fund for the 2026-2027 biennium, and the Department expects to receive future appropriations of the BAB Subsidy Payments in connection with annual debt service payments for the Series 2010 Bonds.

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

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

Issuance of Subordinate Obligations

The State Constitution (Article III, Section 49-m) and Section 201.115 of the Texas Transportation Code ("Section 201.115") authorize the Commission to borrow money from any source to carry out the functions of the Department. A loan incurred pursuant to Section 201.115 may be in the form of an agreement, a note, a contract, or another form, as determined by the Commission. The term of a loan may not exceed two years, and the amount of a loan, combined with any other loans issued and outstanding pursuant to Section 201.115, may not exceed an amount that is two times the average monthly revenue deposited to the Fund for the 12 months preceding the month in which the loan is made. A loan incurred pursuant to Section 201.115 is payable from legislative appropriation of amounts on deposit in the Fund for that purpose. Any such loan or obligation incurred or authorized to be incurred pursuant to Section 201.115 is referred to herein as a "Section 201.115 Loan."

On November 13, 2025, the Commission adopted a minute order (the "SHF Order"), authorizing the Department to issue revolving notes constituting Section 201.115 Loans (the "SHF Notes") from time to time in an amount at any one time outstanding not to exceed the lesser of (i) two times the average monthly revenue deposited to the Fund for the 12 months preceding the month of the issuance, or (ii) \$3,000,000,000, and to execute and deliver, from time to time, one or more note resolutions and direct lending agreements in connection therewith.

Pursuant to the SHF Order, on December 30, 2025 the Department (i) executed and delivered a note resolution and entered into a note purchase agreement with RBC Municipal Capital LLC and RBC Capital Markets, LLC (together "RBCCM"), pursuant to which the Department may issue SHF Notes from time to time designated as its "State Highway Fund Revenue Revolving Notes, Series A" in an amount not to exceed \$500,000,000 at any one time outstanding, and (ii) executed and delivered a note resolution and entered into a note purchase agreement with Wells Fargo Municipal Capital Strategies, LLC and Wells Fargo Bank, National Association (together "Wells Fargo"), pursuant to which the Department may issue SHF Notes from time to time designated as its "State Highway Fund Revenue Revolving Notes, Series B" in an amount not to exceed \$600,000,000 at any one time outstanding. Each of RBCCM and Wells Fargo has agreed to purchase SHF Notes of the respective series from time to time pursuant to the terms of the respective note purchase agreement. The SHF Notes (together with the Department's pecuniary obligations arising under the note purchase agreements) are limited obligations of the Department payable from State Highway Fund Revenues (as defined in the Commission's note resolutions) appropriated by the State Legislature for such purpose, and constitute Subordinate Obligations. As of the date of this Official Statement, the Department has no outstanding SHF Notes.

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

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

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

Obligations in such number of tiers and levels of payment priority as may be determined by the Commission and the Department.

Bondowners' Remedies

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

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

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

BOOK-ENTRY-ONLY SYSTEM

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

THE STATE HIGHWAY FUND

General

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

Pursuant to Section 7-a, (i) 75% of the net revenues generated from the State motor fuels tax (net of enforcement, administrative and refund charges), (ii) the State tax on motor lubricants and (iii) the net revenues generated from the State motor vehicle registration fees (net of collection charges and the portion of such fees that is reserved for counties within the State) are dedicated for acquiring rights-of-way; constructing, maintaining, and policing public roadways; and for the administration of laws pertaining to the supervision of traffic and safety on such roads. Also, pursuant to Section 7-b, all revenues received from the federal government as reimbursement for State expenditures of funds that are themselves dedicated for acquiring rights-of-way and constructing, maintaining and policing public roadways are constitutionally dedicated and may be used only for those purposes.

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

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

Restricted Revenues include amounts held in the State Infrastructure Bank account established as an account in the State Highway Fund pursuant to Subchapter D of Chapter 222, Texas Transportation Code, which had a balance of approximately $252.3 million as of May 31, 2026, and amounts held in special accounts or subaccounts established pursuant to Section 228.012, Texas Transportation Code, for payments received by the Department under comprehensive development agreements (each, a "CDA" and, collectively, "CDAs"), surplus revenues of certain toll projects or systems, and payments received under former Section 228.0111(g)(2) and (i)(2) of the Texas Transportation Code (which was repealed by legislation enacted in 2011) for the right to develop, finance, construct and operate toll projects. The Department has created subaccounts in the Fund in accordance with Section 228.012, Texas Transportation Code, which had an aggregate balance as of May 31, 2026, of approximately $977.5 million.

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

The Commission's current policy is designed to accelerate the development and construction of public highways by using available funds to deliver such projects as quickly as possible. A recognized result of this policy is that the balance of the Fund, at each Fiscal Year-end, may be a nominal or negative amount, as the Commission utilizes available funds for development and construction of projects. The Department has prepared a cash forecast as of May 2026, which reflects that the Department currently projects, as of such date, spending down the balance of the Fund to a nominal cash balance (of approximately $1 billion) by the end of Fiscal Year 2026. The Commission and the Department have the authority to issue certain obligations for cash flow management purposes, to meet the Fund's obligations. See "THE STATE HIGHWAY FUND – Other Fund Obligations and Commitments."

In November 2014, State voters approved an amendment to the State Constitution ("Proposition 1") transferring a portion of certain oil and natural gas production tax revenues to the Fund. As a result of Proposition 1, approximately $1.13 billion, $1.46 billion, $3.64 billion, $3.06 billion and $2.74 billion of oil and natural gas production tax revenues were transferred to the Fund for Fiscal Years 2021 through 2025, respectively. Amounts deposited in the Fund pursuant to Proposition 1 may only be used for constructing, maintaining and acquiring rights-of-way for public roadways other than toll roads. In recognition of the more restrictive limitations on the permitted uses of amounts transferred to the Fund pursuant to Proposition 1 (relative to the permitted purposes for which Senior Obligations may be and have been issued), the Department created a special account in the Fund (which account constitutes an Excluded Fund under the Master Resolution) to segregate such amounts from State Highway Fund Revenues, and such amounts are not pledged to secure, or available to make payments on, Senior Obligations, including the Bonds.

In November 2015, State voters approved an amendment to the State Constitution ("Proposition 7"), which added Section 7-c to Article VIII thereof ("Section 7-c"). Section 7-c directs the Comptroller to deposit to the credit of the Fund, for each State Fiscal Year specified therein, net revenues in the amounts specified therein derived from (i) the imposition of State sales and use tax on the sale, storage, use or other consumption in the State of taxable items under Chapter 151 of the

Texas Tax Code (or its successor), and (ii) the tax authorized by Chapter 152 of the Texas Tax Code (or its successor) and imposed on the sale, use, or rental of a motor vehicle. As a result of Proposition 7, approximately $2.7 billion, $2.99 billion, $3.12 billion, $3.13 billion and $3.21 billion were transferred to the Fund for Fiscal Years 2021 through 2025, respectively. Amounts deposited in the Fund pursuant to Proposition 7 may only be used for constructing, maintaining or acquiring rights-of-way for public roadways other than toll roads or for repaying principal and interest on general obligation bonds issued pursuant to Article III, Section 49-p of the State Constitution (which include the Commission's Highway Improvement General Obligation Bonds). In recognition of the more restrictive limitations on the permitted uses of amounts transferred to the Fund pursuant to Proposition 7 (relative to the permitted purposes for which Senior Obligations may be and have been issued), the Department created a special account in the Fund (which account constitutes an Excluded Fund under the Master Resolution) to segregate such amounts from State Highway Fund Revenues, and such amounts are not pledged to secure, or available to make payments on, Senior Obligations, including the Bonds. See "GENERAL INFORMATION REGARDING THE BONDS – Source of Payment for Bonds."

Unless extended by the State Legislature, the transfers to the Fund pursuant to Proposition 1 and Proposition 7 are scheduled to expire in certain future years – the transfers pursuant to Proposition 1 are currently scheduled to expire after the final transfer of such funds is made in Fiscal Year 2043, and the transfers of sales and use tax revenues and motor vehicle tax revenues pursuant to Proposition 7 are currently scheduled to expire on August 31, 2042 and August 31, 2039, respectively, which expiration dates are subject to amendment by the State Legislature. Further, transfers made pursuant to Proposition 1 are subject to the Economic Stabilization Fund achieving a certain threshold balance, and transfers made pursuant to Proposition 7 are subject to the applicable revenue streams exceeding certain threshold amounts, in each case, which are subject to amendment by the State Legislature. Accordingly, no assurances can be provided regarding the amount of any future transfers to the Fund pursuant to Proposition 1 and Proposition 7.

Certain money in the Fund was previously appropriated to the Department of Public Safety ("DPS") to police the State highway system and to administer State laws relating to traffic and safety on public roads. House Bill 20 ("HB 20"), which was approved during the 84th regular legislative session and became effective June 3, 2015, ended such diversions to the DPS from the Fund. For additional information regarding HB 20, see "THE STATE HIGHWAY FUND – Uses of the Fund – Capital Projects." See also, "INVESTMENT CONSIDERATIONS – Potential Legislative Changes to Pledged Revenues."

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Table 2
Statement of Revenues, Expenditures and Changes in Fund Balances – State Highway Fund[1]

For Fiscal Years Ended August 31
(in thousands)

	2021	2022	2023	2024	2025
REVENUES:					
Taxes[2]	$ 6,743,656	$ 7,272,662	$ 9,645,281	$ 9,035,013	$ 8,877,112
Federal Revenues[3]	5,152,382	4,429,060	4,159,945	5,057,866	5,495,270
Federal Pass Through Revenues[4]	426	25,591	-	(1,711)	-
State Grant Pass-Through Revenues[5]	-	24,996	-	-	-
Licenses, Fees and Permits	79,537	118,019	212,409	266,697	375,328
Interest & Investment Income	77,661	52,917	375,359	510,754	270,145
Net Increase (Decrease) Fair Value	(94)	(3,223)	225	1,828	784
Land Income	20,505	30,446	29,616	30,070	28,413
Settlement of Claims	43,474	36,949	49,020	50,153	58,818
Sales of Goods and Services	62,327	15,177	45,964	20,830	22,303
Other Revenues	3,848	1,727	10,983	2,363	3,511
TOTAL REVENUES[6]	$ 12,183,722	$ 12,004,322	$ 14,528,802	$ 14,973,863	$ 15,131,684
EXPENDITURES:					
Salaries and Wages	$ 768,083	$ 775,209	$ 856,339	$ 950,603	$ 1,035,944
Payroll Related Costs	351,939	405,178	419,832	439,172	456,019
Professional Fees and Services	945,070	1,312,546	1,635,376	1,937,792	1,897,748
Federal Pass-Through Expenditures	10,190	13,269	12,405	11,768	13,795
State Grant Pass-Through Expenditures	102	98	160	254	200
Travel	1,187	5,466	8,652	11,045	12,565
Materials and Supplies	259,349	441,297	419,384	436,309	680,966
Communications and Utilities	55,649	61,157	65,743	70,219	76,251
Repairs and Maintenance[7]	620,280	913,535	890,172	1,134,167	893,492
Rentals and Leases	42,307	41,059	40,920	54,438	40,770
Printing and Reproduction	1,983	2,963	2,927	3,387	3,003
Claims and Judgments	4,419	5,581	4,571	256,015	71,801
Intergovernmental Payments	167,641	195,949	201,524	265,741	262,874
Public Assistance Payments	50,514	49,645	57,246	63,979	73,762
Other Expenditures	238,431	352,106	377,811	449,794	465,111
Total Transportation Expenditures	$ 3,517,145	$ 4,575,059	$ 4,993,064	$ 6,084,684	$ 5,984,298
Capital Outlay[8]	$ 9,015,388	$ 7,920,975	$ 9,168,786	$ 12,604,375	$ 13,412,547
Debt Service:					
Principal[9]	122,142	87,433	126,426	125,511	99,498
Interest[9]	2,862	7,605	7,669	8,989	8,159
Other Financing Fees	560	1,521	929	5,693	596
TOTAL EXPENDITURES	$ 12,658,097	$ 12,592,593	$ 14,296,874	$ 18,829,252	$ 19,505,098
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	$ (474,375)	$ (588,271)	$ 231,928	$ (3,855,389)	$ (4,373,414)
OTHER FINANCING SOURCES (USES):					
Transfers In[10]	$ 1,838,338	$ 2,050,680	$ 2,132,761	$ 2,134,735	$ 4,082,087
Transfers Out[10]	(808,695)	(721,739)	(665,738)	(797,411)	(762,972)
Increase in Obligations for Leases	-	16,002	49,379	33,691	39,520
Sale of Capital Assets	13,972	3,833	15,463	7,994	56,717
TOTAL OTHER FINANCING SOURCES (USES)	$ 1,043,615	$ 1,348,776	$ 1,531,865	$ 1,379,009	$ 3,415,352
Special Item – SH 288 Buyout[11]	-	-	-	-	(1,708,429)
NET CHANGE IN FUND BALANCES	$ 569,240	$ 760,505	$ 1,763,793	$ (2,476,380)	$ (2,666,491)
BEGINNING FUND BALANCES	7,025,330	7,500,049	8,257,458	7,465,971	4,989,590
RESTATEMENTS[12]	(94,521)	(3,096)	(2,555,280)	-	-
ENDING FUND BALANCES[13]	$ 7,500,049	$ 8,257,458	$ 7,465,971	$ 4,989,590	$ 2,323,099

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

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

(1) Totals may include rounding differences. The table above reflects State Highway Fund Accounts, Proposition 1, and Proposition 7 as reported in the Combining Statement/Schedule of Revenues, Expenditures and Changes in Fund Balances – State Highway Fund in the Department's audited financial statements for each such Fiscal Year. See "THE COMMISSION AND THE DEPARTMENT – State Audits."

(2) The fluctuations in Taxes for each Fiscal Year were largely due to the fluctuations in Proposition 1 and Proposition 7 funds earned. Receipts from Proposition 1 and Proposition 7 are not pledged to secure or available to pay debt service on Senior Obligations, including the Bonds. For a description of Proposition 1 and Proposition 7, see "THE STATE HIGHWAY FUND – General."

(3) Federal Revenues fluctuate from year to year due to the amount of expenditures for major construction projects that are eligible for federal reimbursement and the timing of when such costs are incurred and when reimbursements are received. See "THE STATE HIGHWAY FUND – Sources of Revenue in the Fund – Federal Funds."

(4) Federal Pass-Through Revenues were higher in Fiscal Year 2022 primarily due to Hurricane Harvey FEMA revenue.

(5) The State Grant Pass-Through Revenues in Fiscal Year 2022 were due to a border security grant.

(6) Total Revenues, as reported in Table 2, is different from Pledged Revenues as defined by the Master Resolution for Senior Obligations. See "GENERAL INFORMATION REGARDING THE BONDS – Source of Payment for Bonds."

(7) The fluctuations in Repairs and Maintenance for each Fiscal Year were primarily due to fluctuations in funds available from Proposition 1 and Proposition 7 deposits.

(8) The fluctuations in Capital Outlay for each Fiscal Year were primarily due to the fluctuations in funds available from Proposition 1 and Proposition 7 deposits.

(9) Includes amounts paid under Pass-Through Financings and rent payments in connection with the Texas Public Finance Authority Lease Revenue Bonds. See "THE STATE HIGHWAY FUND – Pass-Through Financing Agreements" and "– Austin Campus Consolidation Project." All of the debt service due on the Commission's Highway Improvement General Obligation Bonds ("HIGO Bonds") in Fiscal Years 2021 through 2025 was paid from Proposition 7 funding.

(10) The Fund is considered a shared fund and is appropriated for use by multiple state agencies. The Department is considered the controlling agency for the Fund and reports the total cash balance in the Fund at Fiscal Year-end. The Department reports interagency transfers with other agencies that collect and deposit to or expend out of the Fund. Transfers In for each Fiscal Year primarily reflects motor vehicle registration and certificate of title fees transferred from the TxDMV (as defined herein), and for Fiscal Year 2025 includes the accrued reimbursement for the loan made from the Fund to the Texas Transportation Finance Corporation to finance the termination compensation for the SH 288 managed lanes project. For additional information, see the Department's annual comprehensive financial report for Fiscal Year 2025, which is attached hereto as APPENDIX B. Transfers Out for each Fiscal Year mainly reflects transfers to the First Tier Senior Obligation Debt Service Fund to pay debt service on First Tier Senior Obligations, and in Fiscal Years 2021 through 2025, transfers were also made to the Proposition 12 debt service fund (relating to the Commission's HIGO Bonds).

(11) The Special Item in Fiscal Year 2025 represents a loan from the Fund to the Texas Transportation Finance Corporation to finance the termination compensation for the SH 288 managed lanes project. For additional information, see the Department's annual comprehensive financial report for Fiscal Year 2025, attached hereto as APPENDIX B.

(12) For an explanation of the Restatements, see the Department's annual comprehensive financial report for the applicable Fiscal Year.

(13) The lower ending Fund balance for Fiscal Year 2024 was primarily due to increases in repairs and maintenance and capital outlay expenditures from increased utilization of Proposition 1 and Proposition 7 funds. The Commission's current policy is designed to accelerate the development and construction of public highways by using available funds to deliver such projects as quickly as possible. As such, in the ordinary course of business, the balance of the Fund at each Fiscal Year-end may be a nominal or negative amount, as the Commission utilizes available funds for development and construction of projects. The lower ending Fund balance for Fiscal Year 2025 reflected that strategy as expenditures exceeded revenue collections. See, "THE STATE HIGHWAY FUND – General."

Sources of Revenue in the Fund

The following Table 3 displays the amount of total State Highway Fund Revenues, which are derived from each of the following sources for the last five Fiscal Years: State motor fuels tax, State motor vehicle registration fees, other State revenue sources, and reimbursements from federal funds. Such sources are affected by a number of economic, demographic and environmental factors, including population growth in the State. See "INVESTMENT CONSIDERATIONS – External Conditions Affecting Pledged Revenues" and "GENERAL INFORMATION REGARDING THE STATE OF TEXAS." Revenues in the following tables are presented on the modified accrual basis of accounting, unless otherwise indicated, and exclude Restricted Revenues. The table below reflects "Pledged Revenues" as reported in total within the notes of the Department's annual financial statements. Total amounts shown in the table below may not add due to rounding.

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

	2021	2022	2023	2024	2025
State Motor Fuels Tax	$ 2,835.9	$ 2,788.7	$ 2,845.9	$ 2,812.1	$ 2,884.7
State Motor Vehicle Registration Fees	1,591.7	1,590.4	1,643.1	1,701.3	1,796.1
Other State Revenue Sources(1)	307.7	292.1	354.5	385.8	524.0
Subtotal, excluding Federal Reimbursements	4,735.4	4,671.3	4,843.5	4,899.2	5,204.8
Reimbursements from Federal Funds(2)	5,152.8	4,454.7	4,159.9	5,056.2	5,490.3
Total Fund Revenues	$ 9,888.2	$ 9,125.9	$ 9,003.4	$ 9,955.4	$ 10,695.1

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

(2) Reimbursements from Federal Funds fluctuate from year to year due to the amount of expenditures for major construction projects that are eligible for federal reimbursement and the timing of when such costs are incurred and when reimbursements are received. See "THE STATE HIGHWAY FUND – Sources of Revenue in the Fund – Federal Funds."

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

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

	2021	2022	2023	2024	2025
State Motor Fuels Tax	59.9%	59.7%	58.8%	57.4%	55.4%
State Motor Vehicle Registration Fees	33.6%	34.0%	33.9%	34.7%	34.5%
Other State Revenue Sources	6.5%	6.3%	7.3%	7.9%	10.1%

The sum of the percentages shown for a particular Fiscal Year may not equal 100% due to rounding.

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

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

	2021	2022	2023	2024	2025
State Motor Fuels Tax	28.7%	30.6%	31.6%	28.2%	27.0%
State Motor Vehicle Registration Fees	16.1%	17.4%	18.2%	17.1%	16.8%
Other State Revenue Sources	3.1%	3.2%	3.9%	3.9%	4.9%
Reimbursements from Federal Funds	52.1%	48.8%	46.2%	50.8%	51.3%

The sum of the percentages shown for a particular Fiscal Year may not equal 100% due to rounding.

State Motor Fuels Tax. The State currently levies a motor fuels tax of $0.20 per gallon on gasoline and diesel fuel, and $0.15 per gallon equivalent on liquefied natural gas and compressed natural gas. Sales of motor fuels for the exclusive use of the federal government or a public school district in the State are exempt, and sales of liquefied natural gas for the exclusive use of the federal government, local county government or a public school district in the State are exempt. The Comptroller retains 1% of the gross receipts for administration and enforcement, and after providing for refunds or non-highway use collections, distributes the remainder as hereinafter described. Pursuant to Section 7-a, 25% of the net revenues generated from the State motor fuels tax (net of enforcement, administrative and refund charges) are deposited to the credit of the "Available School Fund" in support of the State's primary and secondary schools, and 50% of such revenues are deposited to the credit of the Fund. The remaining 25% is deposited to the county and road district highway fund, which is administered by the Comptroller, until a maximum of $7.3 million annually has been deposited, after which the remaining amount is deposited to the Fund. See Tables 3, 4 and 5 above for information regarding the amount of State motor fuels tax credited to the Fund for the last five Fiscal Years.

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

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

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

Total motor fuel consumption has had an average annual growth rate of approximately 2.8% over the past five Fiscal Years, with a gasoline consumption average annual growth rate of approximately 2.4% and a diesel consumption average annual growth rate of approximately 3.7% during such period. The following Table 6 shows the amount of the taxable gasoline and diesel fuel consumption in the State for the last five Fiscal Years.

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

Fiscal Year	Gasoline	Diesel
2021	13,989.2	5,891.0
2022	14,698.4	6,102.2
2023	14,921.0	6,211.2
2024	14,993.8	6,441.5
2025	15,049.5	6,331.2

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

The base vehicle registration fee for cars and light trucks is currently $50.75 per vehicle, regardless of the age or weight of the vehicle. For trucks other than light trucks, higher fees apply based on weight.

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

Senate Bill 505 ("SB 505"), which was passed by the 88th State Legislature and became effective on September 1, 2023, imposes additional fees for the registration and renewal of registration of certain electric vehicles and requires such fees to be deposited to the credit of the State Highway Fund. Subject to certain exceptions, SB 505 imposes a $400 fee for the registration of new electric vehicles and a $200 fee for the registration or renewal of registration of all other electric vehicles that are subject to SB 505.

The following Table 7 shows the number of vehicles registered in the State for the last five Fiscal Years, which has had an average annual growth rate of approximately 1.97% over the last five Fiscal Years.

Table 7 - Vehicles Registered in Texas
(in millions)

Fiscal Year	Number of Vehicles
2021	25.2
2022	25.6
2023	25.9
2024	26.0
2025	27.0

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

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

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

The current federal highway authorization legislation, the "Infrastructure Investment and Jobs Act" (the "IIJA"), became law on November 15, 2021 and reauthorized the FAHP through September 30, 2026. An extension of the FAHP beyond September 30, 2026 has not yet been enacted. Prior to the enactment of the IIJA, the last multi-year authorization of the FAHP was the "Fixing America's Surface Transportation Act" (the "FAST Act"), which became law on December 4, 2015 and, after giving effect to a subsequent one-year extension, provided funding through September 30, 2021. Prior to the enactment of the FAST Act, the "Moving Ahead for Progress in the 21st Century Act" ("MAP-21") provided multi-year authorization of the FAHP and provided funding through September 30, 2014. MAP-21 replaced the "Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users" ("SAFETEA-LU"), which expired in 2009, but was reauthorized through passage of temporary short-term extensions until June 30, 2012. In periods between multi-year authorizations, Congress has consistently used short-term authorizations to fund the FAHP.

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

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

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

The allocation of funds using a formula provided in law is called apportionment. Most federal-aid funds are formula allocated to states through apportionment. Each federal fiscal year ("FFY"), the FHWA has responsibility for apportioning authorized funding for the various highway programs among the states according to formulas established in the authorizing statute, currently the IIJA. When there are no formulas in law, the non-formula allocation (discretionary) of funds may be made at any time during the FFY. In most cases, non-formula allocated funds are divided among states with qualifying projects applying general administrative criteria provided in the law. The annual apportionments to the Department under the FAST Act were $3.57 billion, $3.81 billion, $3.83 billion, $3.79 billion, $4.03 billion and $4.27 billion in FFY 2016 through 2021, respectively. The FAST Act contained a $7.5 billion rescission at the end of the authorization period in 2020; however, in November 2019, Congress repealed the FAST Act rescission as part of the "Further Continuing Appropriations Act, 2020, and Further Health Extenders Act of 2019." The IIJA apportioned $5.17 billion, $5.27 billion, $5.38 billion, $5.48 billion and $5.59 billion to the Department in FFYs 2022 through 2026, respectively, from the highway trust fund formula programs. In addition, the Department was apportioned $115 million in bridge formula funding for each of the FFYs 2022 through 2026, and $60 million, $87 million, $87 million, $87 million and $87 million in FFYs 2022 through FFY 2026, respectively, from the general fund, which is a section of IIJA separate from the highway trust fund section. Although the IIJA does not contain any rescissions, it is possible for rescissions to be added by Congress in the future. See "APPENDIX C – INFORMATION CONCERNING THE FUNDING OF FEDERAL-AID HIGHWAYS – Federal Aid Funding Procedures – Apportionment, Allocations and Rescissions."

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

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

Federal Fiscal Year	Guaranteed Highway Programs	Discretionary/ Allocated Highway Programs[(1)]	Transit Programs[(2)]	Total
2021	$ 5,238.0	$ 13.7	$ 78.2	$ 5,329.9
2022	5,465.0	40.2	85.4	5,590.6
2023	5,271.2	63.0	89.3	5,423.5
2024	5,377.0	111.7	160.0	5,648.7
2025	5,381.3	1.0	-	5,382.3

(1) The increase in FFY 2022 was due to the Department receiving $12 million of emergency relief and $27.5 million from the Highway Infrastructure Program for Community Projects. Similarly, the increase in FFY 2024 was due to the Department obtaining $93 million from the Highway Infrastructure Program. The decrease in FFY 2025 was due to the absence of a standalone appropriations bill. Congress instead passed a continuing resolution providing funding at 2024 levels, not inclusive of 2025 earmark requests.

(2) The increase in FFY 2024 was due to additional funds received for congressionally directed funding transit projects. The decrease in FFY 2025 was due to the absence of a standalone appropriations bill. Congress instead passed a continuing resolution providing funding at 2024 levels, not inclusive of 2025 earmark requests.

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

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

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

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

FFY	Amount[1]
2021	$ 4,317.7
2022	5,202.2
2023	5,054.8
2024	5,781.0
2025	5,750.4

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

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

Uses of the Fund

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

The following Table 10 sets out the appropriation of funds by the State Legislature to the Department for the five most recent State biennia ending August 31 of each odd-numbered year, including the current State biennium and the approximate percentage of total appropriations from the Fund represented by such appropriations.

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

State Biennium	Amount Appropriated[1][2]	Percentage of Total State Highway Fund Appropriations
2018-19	$ 19,933.5	100.00%
2020-21	21,277.5	100.00
2022-23	19,664.4	100.00
2024-25	22,149.7	100.00
2026-27	23,439.1	100.00

(1) Amounts include appropriations made to other State agencies (e.g., the Employees Retirement System of Texas) for the benefit of the Department. Minor revisions reflect final adjustments to the State's General Appropriations Act.
(2) The level of Fund appropriations for each biennium fluctuates due to a number of factors, including the amount of any beginning balance of the Fund, the amount of Fund revenues that are anticipated to be received and the anticipated expenditures for major construction projects that will be eligible for federal reimbursement.

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

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

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

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

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

Fiscal Year	Amount
2026	$ 4,901.39
2027	4,885.32
2028	4,899.16
2029	4,827.04
2030	4,841.75

[1] As of May, 2026. Excludes construction contract awards to be funded from Previously Issued First Tier Senior Obligations, additional Senior Obligations, State general obligation debt, Texas Mobility Fund obligations, Proposition 1, Proposition 7 and surplus toll revenue deposits.

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

Other Fund Obligations and Commitments

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

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

Central Texas Turnpike System

In connection with the Central Texas Turnpike System (the "CTTS"), the Commission has covenanted to (i) pay operating expenses of the CTTS to the extent of any deficiency in the amount to be maintained therefor as required by the trust indenture securing CTTS obligations; (ii) pay all maintenance expenses of the CTTS when due, for which it may be reimbursed, and (iii) fund a reserve maintenance account established for the CTTS, all subject to funds appropriated by the State Legislature in a manner that would allow their use. This obligation of the Commission historically has been funded from the Fund; however, since Fiscal Year 2013, the revenues of the CTTS, together with certain other available funds, have been sufficient to pay all operating, maintenance and capital expenses of the CTTS.

SH 249 System

The Commission has covenanted in connection with the State Highway 249 System ("SH 249"), while the initial obligations issued to fund the costs of SH 249 remain outstanding and subject to the appropriation of available funds that would allow their use, (i) to pay the operating and maintenance expenses of SH 249 to the extent of any deficiency in revenues of SH 249 to pay such costs, and (ii) to maintain the required balance in the major maintenance account established for SH 249 and, to the extent such balance is insufficient to pay the required expenditures, to pay all such expenditures when due. The SH 249 commitments of the Commission may be funded from any legally available source, but historically have been funded from the Fund, which began when SH 249 reached substantial completion during Fiscal Year 2021. Since the beginning of Fiscal Year 2024, revenues of SH 249, together with certain other available funds, have been sufficient to pay all operating, maintenance and major maintenance expenses of SH 249. At its sole discretion, the Commission may continue to pay such expenses for a certain period of time even though revenues of SH 249 are sufficient to pay such expenses.

Austin Campus Consolidation Project

In March 2021, the Texas Public Finance Authority ("TPFA") issued its Lease Revenue Bonds (Texas Department of Transportation – Austin Campus Consolidation Project), Taxable Series 2021 (the "Lease Revenue Bonds") in the aggregate principal amount of $325,700,000 for the benefit of the Department, the proceeds of which were used for the purpose of constructing and equipping the Austin Campus Consolidation Project (the "Campus Project") in Austin, Texas. The Campus Project consists of multiple buildings and structures to support over 2,000 Department employees and contractors. The final Official Statement dated March 3, 2021 relating to the Lease Revenue Bonds is currently on file with the MSRB and may be accessed using the MSRB's EMMA system website at www.emma.msrb.org. The Lease Revenue Bonds are payable only from certain pledged security, which consists primarily of rent payments to be made by the Department pursuant to a lease agreement between TPFA and the Department, as lessee. The lease agreement obligates the Department to make rent payments to TPFA sufficient to pay, when due, the principal of, premium, if any, and interest on the Lease Revenue Bonds subject to the appropriation of funds by the State Legislature. Although the State Legislature's determination of the source (if any) of funds to be used by the Department to make rent payments is not restricted to any specific source of lawfully available funds, historically the State Legislature has appropriated funds from the Fund to pay debt service on the Lease Revenue Bonds beginning in Fiscal Year 2021. The State Legislature has appropriated funds from the State Highway Fund to pay such debt service in the amount of approximately $21.2 million in each of Fiscal Years 2026 and 2027.

I-35 Capital Express Project

The Commission has approved plans to fund a portion of the I-35 Capital Express Project, portions of which are currently under construction and are anticipated to consist of improvements to approximately 27.4 miles of Interstate Highway 35 stretching from SH 45 North to SH 45 Southeast at a total estimated construction cost of approximately $6.5 billion. A portion of such amount is anticipated to be funded from certain funds available in the Fund, which is subject to change.

Toll Equity Obligations

The Department is authorized to spend money from any available source, including the Fund, for the construction, maintenance, and operation of toll facilities. Under Texas Transportation Code, Section 222.103, as amended ("Section 222.103"), and pursuant to the terms and conditions established by the Commission, the Department may participate in the acquisition, construction, maintenance, or operation of a toll facility with a public or private entity authorized by State law to construct or maintain a toll facility. Prior to its amendment by Senate Bill 312 ("SB 312"), which was signed into law by the Governor on June 9, 2017, Section 222.103 required the Commission to recoup any money spent by the Department for the cost of a toll facility owned by a private entity, but provided the Commission with the option of requiring repayment of any money spent by the Department for the cost of a publicly owned toll facility. Thus, moneys provided by the Department under Section 222.103 (prior to its amendment by SB 312) may have been in the form of loans (to either public or private entities) or grants (to public entities only). SB 312 amended Section 222.103 and added Texas Transportation Code, Section 372.002 to provide that any contributions provided by the Department on or after September 1, 2017 as participation in the cost of a toll project must be repaid; provided, however, toll project entities (including regional tollway authorities, regional mobility authorities and certain counties) are not required to repay funds contributed by the Department for a toll project from a subaccount created under Transportation Code, Section 228.012, or if a toll project entity commenced the environmental review process for the project on or before January 1, 2014.

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

As of May 31, 2026, the Commission had outstanding toll equity grant commitments and toll equity loan commitments payable from the Fund totaling approximately $49.37 million and $12.758 billion, respectively. The outstanding amount for toll equity loan commitments relates to (i) the Amended and Restated Toll Equity Loan Agreement dated as of May 16, 2018, as amended (the "GPTC TELA"), between the Grand Parkway Transportation Corporation ("GPTC") and the Department, and (ii) the Toll Equity Loan Agreement dated as of October 7, 2025, between the Texas Transportation Finance Corporation ("TTFC") and the Department (the "TTFC TELA"). As described above, the Department may enter into additional toll equity loan agreements in the future, and neither the Commission nor the Department have adopted any policy limiting the ability to enter into toll equity or other agreements payable from the Fund.

Grand Parkway Toll Equity Loan Agreement. The GPTC TELA, which was originally approved by the Commission on September 27, 2012 (and was subsequently amended most recently in 2023) authorizes an original maximum aggregate principal loan amount of approximately $9.6 billion (with an outstanding commitment of approximately $8.325 billion as of the date of this Official Statement), payable as advances made from time to time on the terms and conditions set forth in the GPTC TELA. Pursuant to the terms of the GPTC TELA, the Department has committed to provide funds to GPTC to pay for certain costs relating to the development, construction, operation, maintenance and financing of certain segments (or portions thereof) of the Grand Parkway System, and a negotiated maximum available annual amount each year should revenues of the Grand Parkway System and certain fund balances under GPTC's trust agreement be insufficient to cover debt service on GPTC's outstanding bonds and certain operating and maintenance expenses of the Grand Parkway System, subject to the provisions of the GPTC TELA. GPTC has structured debt service for its outstanding bonds that are benefitted by the Grand Parkway Agreement so that in each year through the final maturity thereof, total debt service for such bonds plus certain estimated operating and maintenance expenses for each year do not exceed the maximum available annual amount for that year as further provided in the GPTC TELA.

The total outstanding commitment under the GPTC TELA is reduced on each September 1 by the maximum available annual amount for the prior Fiscal Year. Further, if the principal amount of advances under the GPTC TELA made in a given Fiscal Year is less than the Maximum Available Annual Amount for such Fiscal Year (or if no advances have been made in such Fiscal Year), the difference will not be carried forward and may not be applied to increase the amount available to be advanced in any future Fiscal Year, unless the GPTC TELA is amended in accordance with its terms and the terms of GPTC's trust agreement. Under the current terms of the GPTC TELA, the maximum available annual amount in any given Fiscal Year ranges between a minimum of approximately $190,118,000 for Fiscal Year 2027 and a maximum of approximately $553,286,000 for Fiscal Year 2052. The undisbursed amount of the total commitment under the GPTC TELA will be available for advances to GPTC until the earlier of (i) the final maturity date of GPTC's outstanding bonds that benefit from the GPTC TELA, including any bonds issued to redeem or defease such bonds, and (ii) the date of the defeasance or refunding in whole of such debt, the effect of which is to terminate the GPTC TELA. The final maturity date of GPTC's outstanding bonds benefitted by the GPTC TELA is currently scheduled to occur during Fiscal Year 2053. The GPTC TELA may be amended in accordance with its terms and the terms of GPTC's Trust Agreement. As of the date of this Official Statement, no drawdowns of funding have been requested by GPTC under the GPTC TELA.

Texas Transportation Finance Corporation Toll Equity Loan Agreement. The TTFC TELA authorizes an original maximum aggregate principal loan amount of $4.433 billion (with an outstanding commitment of approximately $4.433 billion as of the date of this Official Statement), payable as advances made from time to time on the terms and conditions set forth in the TTFC TELA. Pursuant to the terms of the TTFC TELA, the Department has committed to provide funds to TTFC to pay for certain costs relating to the development, construction, operation, maintenance and financing of the SH 288 System, and a negotiated maximum available annual amount each year should revenues and certain fund balances under the trust agreement securing TTFC obligations be insufficient to cover debt service on outstanding TTFC bonds and certain major maintenance expenses, subject to the provisions of the TTFC TELA. The maximum available annual amounts under the TTFC TELA for each year equal or exceed the total debt service for the TTFC bonds benefitted by the TTFC TELA.

The total outstanding commitment under the TTFC TELA is reduced on each September 1 by the maximum available annual amount for the prior Fiscal Year. Further, if the principal amount of advances under the TTFC TELA made in a given Fiscal Year is less than the maximum available annual amount for such Fiscal Year (or if no advances have been made in such Fiscal Year), the difference will not be carried forward and may not be applied to increase the amount available to be advanced in any future Fiscal Year, unless the TTFC TELA is amended in accordance with its terms and the terms of TTFC's trust agreement. Under the current terms of the TTFC TELA, the maximum available annual amount in any given Fiscal Year ranges between a minimum of approximately $88,151,000 for Fiscal Year 2027 and a maximum of approximately $169,588,000 for Fiscal Year 2056. The undisbursed amount of the total commitment under the TTFC TELA will be available for advances to TTFC until the earlier of (i) the final maturity date of TTFC's outstanding bonds that benefit from the TTFC TELA, including any bonds issued to redeem or defease such bonds, and (ii) the date of the defeasance or refunding in whole of such debt, the effect of which is to terminate the TTFC TELA. The final maturity date of TTFC's outstanding bonds benefitted by the TTFC TELA is currently scheduled to occur during Fiscal Year 2056. The TTFC TELA may be amended in accordance with its terms and the terms of TTFC's Trust Agreement. As of the date of this Official Statement, no drawdowns of funding have been requested by TTFC under the TTFC TELA.

Funding of Requests for Loan Advances under Toll Equity Loan Agreements. If a request were made for a loan advance under the GPTC TELA or the TTFC TELA, the Department expects to have sufficient advance notice to ensure funds are available to make such advances. The Department has budgetary flexibility to plan for expected draws in advance of such draw requests including deferring, reducing or eliminating construction lettings for projects throughout the State and deferring or reducing the amount of planned pass through financing commitments. Because the Department's budget does not provide appropriations for specific expenditures, the Department also has the flexibility to reprogram funds during each Fiscal Year in the biennium. As described above, the Department's annual obligations under the GPTC TELA and the TTFC TELA are limited, which provides greater certainty with respect to its ability to plan for future draws. Further, if reductions in project lettings or reprogramming of funds are insufficient to make advances requested under the GPTC TELA or the TTFC TELA, the Department currently has the authority to issue HTRANs and other short-term obligations such as Section 201.115 Loans. See "GENERAL INFORMATION REGARDING THE BONDS – Issuance of Subordinate Obligations."

The disbursements by the Department pursuant to any toll equity loan agreement (including the GPTC TELA and the TTFC TELA) will be subject to appropriation by the State Legislature and such payments are subordinate to (i) Senior Obligations, which have a prior lien on and pledge of revenues deposited into the Fund, (ii) Section 201.115 Loans, and (iii) HTRANs. The Department's payments of amounts due under the GPTC TELA and the TTFC TELA are pari passu with the Department's obligations with respect to pass-through toll agreements, other toll equity loan agreements (if any), payments made for delivery of CDA projects and other obligations of the Fund described in "THE STATE HIGHWAY FUND – Uses of the Fund."

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

Pass-Through Financing Agreements

Section 222.104 of the Texas Transportation Code, as amended ("Section 222.104"), provides for the payment of a "Pass-Through Toll," a per vehicle fee or per vehicle mile fee determined by the number of vehicles using a highway, for specific purposes. First, pursuant to Section 222.104 and subject to Commission rules, the Department may enter into an agreement with a public or private entity that provides for the payment of Pass-Through Tolls ("Pass-Through Financing") to reimburse a public or private entity for expenditures made by the public or private entity for the design, development, construction, maintenance or operation of a toll or non-toll facility on the State highway system. Second, the Department may enter into an agreement with a private entity that provides for the payment of Pass-Through Tolls by the private entity to the Department as reimbursement for the Department expenditures for the design, development, construction, maintenance or operation of a toll or non-toll facility on the State highway system. The Department may use any available funds, including money on deposit within the Fund, for the purpose of making a Pass-Through Toll payment. It is currently anticipated that all Pass-Through Toll commitments will be paid from the Fund. As of May 31, 2026, the Department had approximately 19 active Pass-Through Financings with original terms ranging from three months to 17 years and total pass-through reimbursements owed of approximately $247 million with aggregate annual reimbursements of no greater than $43.4 million.

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

Sequestration Effects on the State Highway Fund

Pursuant to the requirements of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended by the Bipartisan Budget Act of 2013 (the "Budget Act"), certain automatic, annual reductions in federal spending (the "Sequester Cuts") took effect as of March 1, 2013. The Sequester Cuts affected the subsidy payments to be made by the federal government to issuers of "direct-pay" tax credit bonds, such as BABs, including the Series 2010 Bonds. As a result of the Sequester Cuts, the BAB Subsidy Payments received by the Commission in Fiscal Years 2021 through 2025 for the Series 2010 Bonds were reduced in amounts ranging between $1,187,028 and $1,635,262. A 5.7% reduction in BAB Subsidy Payments has been announced by the federal government for the FFY ending September 30, 2026, and will apply to the BAB Subsidy Payments to be received by the Commission in respect of the October 1, 2026 debt service payment on the Series 2010 Bonds. If the Sequester Cuts continue, the Commission will be required to expend additional Pledged Revenues or other sources of funds in order to pay debt service on the Series 2010 Bonds resulting from a reduction in BAB Subsidy Payments.

As a result of the Sequester Cuts for Fiscal Year 2026, the Department also experienced a reduction of approximately $3.6 million in funding from the National Highway Performance Program, which is administered by the FHWA for highway projects that are located on the National Highway System. In addition, emergency relief funds authorized from the Highway

Trust Fund for certain disaster events are also subject to the Sequester Cuts. The Sequester Cuts were originally set to expire in 2021. However, on March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act amended the Budget Act by extending the planned Sequester Cuts to September 30, 2030. The debt service projections contained in Table 1 in this Official Statement reflect actual and anticipated reductions in BAB Subsidy Payments. There can be no assurances as to whether the Sequester Cuts will remain in effect and cause a reduction in receipts of federal funds or BAB Subsidy Payments for any future year. See "TABLE 1 – DEBT SERVICE COVERAGE REQUIREMENTS AND PROJECTED COVERAGE."

The federal Statutory Pay-As-You-Go Act of 2010 (the "PAYGO Act"), enacted on February 12, 2010, requires that all new direct spending and revenue legislation enacted into law during a congressional session, taken together, must not increase projected deficits. Under the PAYGO Act, if the Office of Management and Budget ("OMB") determines that new legislation creates a net increase in the deficit under the mandated scorecard system, OMB is required to order a sequestration of non-exempt direct spending programs sufficient to eliminate the overage. If such sequestration under the PAYGO Act were to go into effect, the Commission may not receive all or a portion of the BAB Subsidy Payments in respect of the Series 2010 Bonds. In addition, a portion of the funding from the National Highway Performance Program that the Department receives and certain emergency relief funds authorized from the Highway Trust Fund and available to the Department may also be reduced if such sequestration under the PAYGO Act were to go into effect. There can be no assurances as to whether any new direct spending and revenue legislation will be enacted and result in sequestration of the aforementioned payments or funds under the PAYGO Act.

The Department did not experience any reduction in federal funds received during Fiscal Year 2025 due to sequestration under the PAYGO Act. The total amount of federal funds that were available to the Department during Fiscal Year 2025 and subject to potential reduction from Sequester Cuts under the Budget Act or sequestration under the PAYGO Act (which was comprised of the BAB Subsidy Payments in respect of the Series 2010 Bonds, funding from the National Highway Performance Program and certain emergency relief funds authorized from the Highway Trust Fund), before giving effect to the Sequester Cuts under the Budget Act for such period, was approximately $64 million, which is less than 1.0% of the total State Highway Fund revenues for Fiscal Year 2025 shown in Table 1 in this Official Statement. See "INVESTMENT CONSIDERATIONS – Factors Affecting Federal Transportation Program Funds."

THE COMMISSION AND THE DEPARTMENT

The Commission

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

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

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

W. Alvin New, Acting Chair

Mr. New was appointed to the Commission by Governor Abbott on February 20, 2018 and was reappointed to the Commission by Governor Abbott on April 8, 2021. Mr. New is a business investor, rancher and former Mayor of the City of San Angelo, Texas. He is a life-long resident of West Texas and was born in Brownfield, Texas. Mr. New has lived mostly in or near San Angelo since 1981. Mr. New spent most of his career with Town & Country Food Stores. He started as a clerk while getting his business administration degree from Angelo State University. Mr. New worked his way up to chief executive officer and part owner. He and his partners sold their stake in the convenience store chain about a decade ago. Mr. New currently serves as a member of the Texas Tech University Foundation Board and the Goodfellow Air Force Base

Advisory Council. Mr. New earned his bachelor's degree in business administration in management from Angelo State University.

Steven D. Alvis, Commissioner

Mr. Alvis was appointed to the Commission by Governor Abbott on March 21, 2023. Mr. Alvis is the co-founder and managing partner of NewQuest Properties. He started Quest Properties in 1985 and has used his real estate experience to develop retail centers throughout Texas and southwest states. Today, NewQuest Properties currently represents more than 75 national, regional and local tenants, having developed over 15 million square feet with a portfolio in excess of $2 billion. NewQuest Properties is the largest privately held shopping center developer in Texas. He is currently a member of the YPO Gold Houston Chapter (Young President's Organization), the Chief Executives Organization, and the International Council of Shopping Centers. Mr. Alvis served on the Texas Lieutenant Governor's Transportation Advisory Board, and in 2017, the Texas Lieutenant Governor appointed him to the Texas Facilities Commission. In December 2020, Governor Greg Abbott appointed Mr. Alvis to the position of Chairman of the Texas Facilities Commission. Additionally, Mr. Alvis is an active owner and developer of The Clubs at Houston Oaks. Mr. Alvis received his bachelor's degree from Texas A&M University.

Pat Gordon, Commissioner

Mr. Gordon was appointed to the Commission by Governor Abbott on February 12, 2026. Mr. Gordon is an attorney and shareholder at Gordon Davis Johnson & Shane P.C. in El Paso. His practice focuses on business law, including domestic and international tax law, mergers and acquisitions, corporate law, and cross-border transactions, particularly those involving Mexico. Mr. Gordon previously served on the Board of Regents of the Texas Tech University System from 2021 through 2026 and represented the State as a Commissioner on the Rio Grande Compact Commission for more than 15 years, from 2006 through 2021. Mr. Gordon also served on the governing board of the Texas Department of Housing and Community Affairs from 2003 through 2006. He currently serves on the Board of Directors of El Paso Children's Hospital, where he is a former chairman, and is a member of the Young Presidents' Organization. Mr. Gordon earned a Bachelor of Business Administration in Finance from Texas A&M University, a master's in business administration from Texas Tech University, and a J.D. from Texas Tech University School of Law. He is also a certified public accountant and a licensed Texas real estate broker. He is a frequent author and speaker on tax and business law topics and has been recognized for more than 15 years in The Best Lawyers in America in Corporate Law and Tax Law, and as a Super Lawyer in Tax Law by Thomson Reuters.

Alejandro "Alex" G. Meade, III, Commissioner

Mr. Meade was appointed to the Commission by Governor Abbott on March 21, 2023 and was reappointed to the Commission by Governor Abbott on March 27, 2025. Mr. Meade serves as the executive vice president for Texas Regional Bank, where he manages their public policy strategy and economic development division. Mr. Meade is a Brownsville native, who previously served as the city manager of Pharr, Texas, where he managed a $200 million budget and almost 700 employees. He also served as the chief executive officer of the Mission Economic Development Corporation where he led projects with significant job creation and capital investments in excess of $400 million. Mr. Meade is an alumnus of the Texas Lyceum and former board of regent for Texas State Technical College System, and a former member of the Texas Economic Development Corporation Board of Directors. He is certified as an Economic Development Finance Professional and is a Certified Public Manager. Mr. Meade earned his bachelor's degree in economics from St. Edward's University, a master's in business administration from The University of Texas at Brownsville, and a master's in public administration from The University of Texas Pan American.

Robert C. Vaughn, Commissioner

Mr. Vaughn was appointed to the Commission by Governor Abbott on August 12, 2019 and was reappointed to the Commission by Governor Abbott on March 27, 2025. Mr. Vaughn is the owner of Vaughn Capital Partners LLC. He has served as chair of the TexNet Technical Advisory Committee. He serves on the Dorchester Minerals, LP (NASDAQ: DMLP) Board of Managers. He is a member of the University of Texas System Chancellor's Council Executive Committee and the University of Texas at Austin McDonald Observatory and Department of Astronomy Board of Visitors. He is a life member of the University of Texas at Austin Development Board and serves on the Longhorn Foundation Advisory Council. Mr. Vaughn serves on a variety of nonprofit boards, including the Culver Educational Foundation, Perot Museum of Nature and Science, and as a trustee for The First Tee. He holds a Bachelor of Business Administration from The University of Texas at Austin.

The Department

The Department is a public authority and body politic and corporate created in 1917 as the "Texas Highway Department" by an act of the State Legislature to administer federal funds for highway construction and maintenance. In 1975, the State Legislature merged the Texas Highway Department with the "Texas Mass Transportation Commission" to form the "State Department of Highways and Public Transportation," and in 1991, the State Legislature combined the State Department of Highways and Public Transportation, the Department of Aviation, and the Texas Motor Vehicle Commission to create the Department. In 2009, the State Legislature created the Department of Motor Vehicles as a separate State agency, and moved vehicle title and registration; motor carrier registration and enforcement; licensing of motor vehicle dealers, manufacturers, distributors, and other similar entities; and auto theft reduction efforts from the Department to the Department of Motor Vehicles.

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

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

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

Effective June 1, 2021, Marc D. Williams, P.E. was appointed Executive Director by the Commission on May 26, 2021. Under the direction of the Commission, Mr. Williams manages, directs and implements Department policies, programs and operating strategies. Mr. Williams also represents the Department before the State Legislature and other entities. Prior to his appointment as Executive Director, Mr. Williams served as the Department's Deputy Executive Director from February 2015 to May 2021. Mr. Williams started with the Department in February 2012 as the Director of Planning within the Department's Planning and Projects Office. His career experience in transportation planning and program efforts includes public and private-sector organizations involving state, county and local jurisdictions. Mr. Williams has served in leadership positions with two state departments of transportation as well as worked with national private-sector transportation engineering organizations. His professional assignments have included directing statewide transportation planning and programming efforts as well as managing project specific highway and multimodal transportation plans and programs. Mr. Williams has worked extensively with public and agency outreach, transportation plans of various modes, regional and corridor-level plans and programs, environmental planning and approval, economics and finance, project design and development, along with work in the areas of construction management, operations and maintenance. Mr. Williams received both a Master's degree in Civil Engineering and a Bachelor's degree in Civil Engineering from Texas A&M University.

Brandye L. Hendrickson, Deputy Executive Director, Planning and Administration

As Deputy Executive Director, Planning and Administration, Ms. Hendrickson is responsible for assisting the Executive Director with immediate oversight of the planning and administration functions of the agency, in addition to government relations, communications, strategy and innovation, and modal programs. Prior to her appointment as Deputy Executive Director in July of 2021, Ms. Hendrickson served much of her career in various roles within the Indiana Department of Transportation, including leading the agency as Commissioner in a CEO capacity from 2015-2017. She successfully championed efforts to streamline and improve the delivery of transportation projects, fostered collaboration and promoted innovation. As Deputy Director of the American Association of State Highway and Transportation Officials ("AASHTO"), Ms. Hendrickson most recently worked on critical legislative initiatives benefiting state departments of transportation and led the development of AASHTO's Strategic Plan and increased focus for the organization's diversity, equity and inclusion initiatives. From 2017-2019, Ms. Hendrickson served as Acting Administrator of FHWA. At FHWA, Ms. Hendrickson led development of policy and programs around the administration's safety, infrastructure, innovation and accountability goals. Ms. Hendrickson has served on multiple transportation boards and is a recognized leader for her contributions to the transportation industry. She is a graduate of Indiana University.

Brian R. Barth, P.E., Deputy Executive Director, Program Delivery

As Deputy Executive Director, Program Delivery, Mr. Barth is responsible for assisting the Executive Director in program delivery overseeing all roads, bridges and maintenance throughout the entire State to ensure transportation projects are delivered efficiently and effectively. Prior to his appointment as Deputy Executive Director, Mr. Barth served as the Department's Director of Project Planning and Development, where he oversaw the Department's Transportation Planning and Programming, Right of Way, Environmental Affairs, Professional Engineering Procurement and Transportation Programs divisions. Mr. Barth began his career at the Department in 1988 as an engineering assistant in the Dallas District office. In 2003, Mr. Barth was appointed as the Dallas District's director of transportation planning and development. From 2009 to 2013, Mr. Barth served as the Fort Worth District's deputy district engineer, providing joint oversight and development of the DFW Connector, North Tarrant Express, I-35W, I-30, and Chisholm Trail Parkway. Mr. Barth was appointed as Fort Worth district engineer in November 2013, and served on the Regional Transportation Council of the North Central Texas Council of Governments working to solve Metroplex-area transportation issues. Under Mr. Barth's direction as district engineer, he also oversaw over $1 billion in construction work each year in addition to major projects on I-35W, SH 360 South and the I-30/SH 360 Interchange. Mr. Barth received a Bachelor's degree in civil engineering from The University of Texas at Austin.

Stephen Stewart, CPA, Chief Financial Officer

Effective April 7, 2021, Mr. Stewart was appointed as the Department's Chief Financial Officer. Mr. Stewart has financial oversight responsibility for the Department including the Department's Financial Management Division; Project Finance, Debt and Strategic Contracts Division; and Toll Operations Division. Mr. Stewart has over 20 years of state governmental experience and has been involved with many key initiatives since he began with the Department in March of 2012. Mr. Stewart has held previous roles as Director, Financial Management Division and Manager of Financial Reporting and Director of Accounting positions within the Financial Management Division. Prior to joining the Department, Mr. Stewart worked for the Comptroller of Public Accounts of the State of Texas assisting in the production of the State's Annual Comprehensive Financial Report where he gained insight and experience working with various agencies across the State. Aside from governmental accounting, Mr. Stewart has also gained business and management experience from owning his own CPA firm which focused on bookkeeping and tax services. Prior to his accounting experiences, Mr. Stewart worked at Texas State University in the information technology division as a network administrator and systems programmer where he was responsible for administration of Active Directory, e-mail, database, and other enterprise systems. Mr. Stewart received a Bachelor's degree in Computer Science from Southwest Texas State University and a Master's degree in Accounting from Texas State University. He is a licensed Certified Public Accountant and a member of the American Institute of CPAs.

Benjamin H. Asher, Director, Project Finance and Toll Operations Division

As director of the Project Finance and Toll Operations Division, Mr. Asher is responsible for the Department's various debt programs, financial assistance programs, and investments, as well as the operation of the Department owned toll roads. Additionally, Mr. Asher and his team support the Alternative Delivery Division on the Department's alternative delivery program focusing on financial and commercial aspects, including the Department's comprehensive development agreements which include public private partnerships. The debt programs include revenue and general obligation bonds. Mr. Asher provides oversight of the Department's involvement in transportation corporations, such as the Texas Transportation Finance Corporation, the Grand Parkway Transportation Corporation and the Texas Private Activity Bond Surface Transportation Corporation, along with the Department's commitments regarding the Transportation Infrastructure Finance and Innovation Act. Mr. Asher also oversees the Department's financial assistance programs including State Highway Fund loans, the pass through financing program and the State Infrastructure Bank. He also manages the Department's investment funds, policies, and strategies. Mr. Asher manages toll operations for the Department toll roads including budgeting, reporting, toll system design and integration, oversight, reporting and interoperability coordination. Mr. Asher received his Bachelor of Arts in history from Columbia University and an M.B.A. in finance from Columbia University Graduate School of Business.

Amanda Landry, CPA, Director, Financial Management Division

Effective June 1, 2021, Amanda Landry was appointed as the Director of the Financial Management Division for the Department. As the Department's Director of the Financial Management Division, Ms. Landry is responsible for the management and control of budget, revenue, disbursements, and accounting for the Department as well as letting management of all transportation projects. Ms. Landry has over 14 years of State experience. Prior to this position, Ms. Landry held the Chief Financial Officer position at the Texas Water Development Board and the Manager of Financial Reporting position at the Department. Ms. Landry began her State career with the Office of the Comptroller of Public Accounts of the State of Texas in the Financial Reporting section where she worked with various agencies across the State gaining insights into various agencies. She is a Certified Public Accountant and graduate of The University of Texas at Austin with bachelor's and master's degrees in Accounting.

Jeff Graham, General Counsel

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

Sunset Review

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

State Audits

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

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

Department Financial Statements. The Department's annual comprehensive financial report for the Fiscal Year ended August 31, 2025 was audited by CliftonLarsonAllen LLP and is attached to this Official Statement as APPENDIX B. CliftonLarsonAllen LLP has not been engaged to perform, and has not performed, any procedures on such financial statements since the date of its report included thereon. CliftonLarsonAllen LLP also has not performed any procedures relating to this Official Statement. The Department is currently not required to commission an annual audit of its financial statements, however, the Department could elect or be required to have audited financial reports prepared in the future. Under current State law, the State Auditor's Office has the first right to perform audits requested by the Department and if it declines, the Department can select an external auditor. No assurances can be given as to whether any such financial reports of the Department will be audited in the future.

Retirement Benefits of the Department

Retirement Plan. The Department participates in joint contributory retirement plans of the State (collectively the "Plan") administered by the Employees Retirement System of Texas ("ERS"), which is operated by the State and which covers State employees and elected officials, law enforcement and custodial officers, and judges. As of August 31, 2025, ERS had 146,783 active contributing members, 13,807 inactive vested members, 159,620 inactive non-vested members and 127,195 annuitants. As of August 31, 2025, the Department employed approximately 13,100 employees and, for Fiscal Year 2026, approximately $88 million has been budgeted to be paid from the Fund to ERS for retirement benefits for certain Department employees. The Department makes monthly payments to ERS for virtually all of its employees. ERS does not account for each State Agency separately. For the 2026-2027 State biennium, the State Legislature has appropriated additional funds to ERS from various State revenue sources, including an additional $104.04 million from the Fund, for the purpose of amortizing the Plan's unfunded actuarial liabilities as required by SB 321 (as defined and described below).

On an actuarial basis as of August 31, 2025, which is the date of the most recent actuarial valuation, the Plan's actuarial accrued liability was $51,630,190,096. As of such date, the Plan had an actuarial value of assets of $38,425,639,560, leaving an unfunded actuarial accrued liability of $13,204,550,536 (the Plan's "unfunded actuarial liability"). Accordingly, ERS's funded ratio as of August 31, 2025 was 74%, meaning that the ERS could pay, as of such date, 74% of the retirement benefits its members have earned based on the service they have already earned and actuarial projections about when they will retire and how long they will live in retirement. As of August 31, 2025, the market value of ERS assets (i.e., net assets of ERS available for benefits) was $1,693,743,149 more than the actuarial value.

Contributions to ERS are made by both the State and covered employees. The State Constitution mandates a State contribution rate of not less than 6% or more than 10% of payroll for the ERS; member contributions may not be less than 6% of payroll. The State Legislature, however, may appropriate additional funds as are actuarially determined to be needed to fund benefits authorized by law. For the Fiscal Year beginning September 1, 2025, the State Legislature set the State's contribution rate to ERS at 9.5% of payroll, plus an additional state agency contribution at the rate of 0.5% of base payroll. Member contributions are 9.5% of compensation for all members hired before September 1, 2022, and 6.0% of compensation for all members hired on or after September 1, 2022. The ERS is prohibited by statute from implementing any benefit improvements that increase the actuarial cost of the ERS Plan if the period required to amortize the unfunded actuarial liability of the Plan exceeds 31 years.

Pursuant to the actuarial valuation of the Plan dated as of August 31, 2025, the total contribution rate for the 2025 Fiscal Year exceeds the normal cost by 5.73% of payroll. As of August 31, 2025, the period required to amortize the unfunded actuarial liability of the Plan was estimated at 29 years (not later than the Fiscal Year ending August 31, 2054, as required by SB 321).

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

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

During the 87th regular legislative session, the State Legislature passed Senate Bill 321 ("SB 321"), which requires the State to make an additional actuarially determined payment each Fiscal Year, beginning September 1, 2021, in the amount necessary to amortize the Plan's unfunded actuarial liabilities by not later than the Fiscal Year ending August 31, 2054, without raising employer or employee contribution rates. In addition, SB 321 creates a different defined benefit structure known as a cash balance benefit, for new State employees who are hired or take office after September 1, 2022. This new benefit structure includes (i) a lower employee contribution rate (at 6% of pay); (ii) a five-year vesting period; (iii) a State match equal to 150% of the account balance at retirement; (iv) a lifetime annuity at retirement, based on the balance of the employee's account at retirement, including the State match portion; (v) guaranteed earnings of at least 4% annually; and (vi) the possibility of gain-share and annuity increases when the Plan achieves a prescribed level of investment earnings.

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

As of August 31, 2025, the ERS OPEB Plan had 240,860 active members, 16,683 deferred vested members and 143,292 retirees and nominees. For Fiscal Year 2026, approximately $247 million has been budgeted to be paid from the Fund to GBP for insurance benefits for certain Department employees. The Department makes monthly payments to GBP for virtually all of its employees. GBP does not account for each State Agency separately.

On an actuarial basis as of August 31, 2025, the ERS OPEB Plan's unfunded actuarial accrued liability was approximately $25,574.6 million. OPEBs are paid for on a pay-as-you go basis and are subject to appropriation by the State Legislature.

INVESTMENT CONSIDERATIONS

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

Limited Obligations and Remedies

The Bonds are special and limited obligations of the Commission, payable from and secured by a lien on, pledge of and security interest in the Pledged Revenues on an equal and ratable basis with the previously issued and outstanding First Tier Senior Obligations and any additional First Tier Senior Obligations issued in the future in accordance with the provisions of the Resolution. None of the State, the Commission, the Department or any other agency or political subdivision of the State is obligated to pay the principal of, premium, if any, or interest on the Bonds except from the Pledged Revenues and certain funds created under the Resolution. **NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS. THE COMMISSION AND THE DEPARTMENT HAVE NO TAXING POWER.** See "GENERAL INFORMATION REGARDING THE BONDS – Source of Payment for Bonds" and "APPENDIX A – DEFINITIONS AND EXCERPTED PROVISIONS OF THE RESOLUTION" for a further discussion of limitations as to the source for payment of the Bonds.

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

External Conditions Affecting Pledged Revenues

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

In addition, the COVID-19 pandemic imposed a number of external factors that negatively impacted Pledged Revenues. For example, in March of 2020, the Governor granted a temporary waiver to obtain, among other things, initial vehicle registration and renewal of vehicle registration, which were in effect until April 14, 2021 and applied to vehicle owners in all Texas counties. During this time customers were able to continue to renew their registration online. Beginning on May 26, 2020, certain regional service centers of the TxDMV began a phased reopening of all offices by appointment only. The implementation and continuation of these temporary waivers and office closures, and other measures instituted to control the pandemic, reduced or delayed the collection of certain revenues deposited into or transferred to the Fund (which include Pledged Revenues and transfers to the Fund pursuant to Proposition 1 and Proposition 7).

Factors Affecting Federal Transportation Program Funds

The federal transportation program funds to be deposited into the Fund have historically been authorized under multiple-year authorizing legislation. The IIJA became law on November 15, 2021. The IIJA represents the first multi-year authorization of the FAHP since the FAST Act. The IIJA also reauthorizes the collection of federal gasoline excise taxes and other taxes generating revenues to the HTF through the FFY ending September 30, 2028. As described in "THE STATE HIGHWAY FUND – Sources of Revenue in the Fund – Federal Funds," an extension of the FAHP beyond September 30, 2026 has not yet been enacted.

The IIJA contains certain provisions designed to provide continuity in the flow of federal transportation program funds to the states, including Texas. There can be no assurances that such measures will be continued under any future federal reauthorization or that, if continued, such measures will be sufficient to ensure that federal transportation program funds will be available as needed if in the future Congress amends existing laws or fails to reauthorize expired transportation legislation, or if future legislation or federal administrative action reduces the amount of federal transportation program funds available to the Commission. The annual apportionments to the Department under the FAST Act were $3.57 billion, $3.81 billion, $3.83 billion, $3.79 billion, $4.03 billion and $4.27 billion in FFYs 2016 through 2021, respectively. The IIJA apportioned $5.17 billion, $5.27 billion, $5.38 billion, $5.48 billion and $5.59 billion to the Department in FFYs 2022 through 2026, respectively, from the highway trust fund formula programs. In addition, as described in "THE STATE HIGHWAY FUND – Sources of Revenue in the Fund – Federal Funds," for FFYs 2022 through 2026, the Department was apportioned certain additional funding from the general fund, which is from a section of IIJA that is separate from the highway trust fund section. The FAST Act contained a $7.5 billion rescission at the end of the authorization period in 2020; however, in November 2019, Congress repealed the FAST Act rescission as part of the "Further Continuing Appropriations Act, 2020, and Further Health Extenders Act of 2019." Although the IIJA does not contain any rescissions, it is possible for rescissions to be added by Congress in the future. See "APPENDIX C – INFORMATION CONCERNING THE FUNDING OF FEDERAL-AID HIGHWAYS – Rescissions."

There can be no assurances that federal funding will be extended beyond the expiration of the IIJA or that there will not be a future federal rescission of funds, delay or proration of federal reimbursements to the Department or other changes in law, regulation, policy or the availability of revenues at the federal level which may materially adversely affect the future availability of federal transportation program funds. See "THE STATE HIGHWAY FUND – Sources of Revenue in the Fund – Federal Funds" and "APPENDIX C – INFORMATION CONCERNING THE FUNDING OF FEDERAL-AID HIGHWAYS."

Potential Legislative Changes to Pledged Revenues

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

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

Appropriations from the Fund

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

The State Legislature has directed certain non-Dedicated Revenue sources be transferred from the State Highway Fund to other State funds to be used for other purposes. Beginning in Fiscal Year 2010 and continuing through Fiscal Year 2021, the Department made annual payments from certain non-Dedicated Revenue sources from the State Highway Fund to the Texas Emissions Reduction Plan Fund ("TERP Fund") in amounts ranging from approximately $74.2 million in Fiscal Year 2010 to approximately $150.4 million in Fiscal Year 2021. House Bill 4472 ("HB 4472"), enacted during the regular session of the 87th Legislature and effective on September 1, 2021, redirects the TERP Fund transfers to the Texas Mobility Fund. Amounts ranging from approximately $115.0 million in Fiscal Year 2022 to approximately $128.4 million in Fiscal Year 2025 were transferred from certain non-Dedicated Revenue sources from the State Highway Fund to the Texas Mobility Fund. HB 4472 provides that such transfers will expire on the last day of the fiscal biennium in which the State reaches national ambient air quality attainment, as classified by the Environmental Protection Agency. There can be no assurances that the State Legislature will not increase or extend such funding requirements or otherwise appropriate moneys from the non-Dedicated Revenue portion of the State Highway Fund to other purposes.

Cybersecurity Risks

The Department, like many other large public and private entities, relies on complex technology, and, accordingly, the Department and its computing and other digital networks and systems (collectively, "Systems Technology") face potential cybersecurity threats, requiring a response action to mitigate the consequences. Cybersecurity incidents could result from unintentional events or from deliberate attacks by unauthorized entities or individuals attempting to gain access to the Department's Systems Technology for the purposes of misappropriating assets or information or causing operational disruption and damage.

The Department, with the assistance of its cybersecurity vendor partners, has prepared safeguards and has established strategies, procedures, and protocols designed to mitigate and minimize risk and exposure to cybersecurity incidents. No assurances can be given by the Commission or the Department that such measures will prevent or mitigate against future cybersecurity threats and attacks, and any breach could damage the Department's Systems Technology and cause material disruption to the Department's finances or operations. The costs of remedying any such damage or protecting against future attacks could be substantial. Furthermore, cybersecurity breaches could expose the Department to material litigation and other legal risks, which could cause the Department to incur additional material costs.

Additional Obligations

In addition to the outstanding Previously Issued First Tier Senior Obligations, the Bonds and related Credit Agreements, the Resolution permits the issuance of additional Senior Obligations and Subordinate Obligations secured by or payable from the Pledged Revenues. The Commission also has a number of other non-debt Subordinate Obligations which are payable from the Fund, including certain toll equity agreements, pass-through toll agreements and other obligations. The Commission expects to issue and enter into additional Senior Obligations and Subordinate Obligations in the future. No authorized amount remains under the Act for new money purposes, unless the Act is amended by the State Legislature to modify or remove such limitation. See "INTRODUCTION – Authorization and Security," "GENERAL INFORMATION REGARDING THE BONDS – Outstanding and Additional Senior Obligations and Tiers of Senior Obligations," "– Credit Agreements," "– Issuance of Subordinate Obligations," "THE STATE HIGHWAY FUND – General" and "– Uses of the Fund."

Forward-Looking Statements

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

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

GENERAL INFORMATION REGARDING THE STATE OF TEXAS

The Comptroller prepares a quarterly appendix (the "Bond Appendix") which sets forth certain information regarding the State including its government, finances, economic profile, and other matters for use by State entities when issuing debt. The most current Bond Appendix is dated May 2026, which may be amended or supplemented, and may be obtained either by (i) using the MSRB's EMMA website, www.emma.msrb.org, using the Advanced Search function and entering the term "State of Texas Comptroller" in the Issuer Name field within the Security Information search filter or (ii) from the Comptroller's website at https://www.comptroller.texas.gov/programs/systems/treasury-ops/index.php, until the Comptroller files a later version of, or supplement to, such Bond Appendix. No representation is made that such information contains all material factors relating to the State or that any specific information in the Bond Appendix should be accorded any particular significance.

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

NOR THE TAXING POWER OF THE STATE IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE BONDS.

RATING

The Bonds have been assigned a rating of "Aaa" by Moody's Investors Service, Inc. ("Moody's"). An explanation of the significance of such rating may be obtained from Moody's. The rating reflects only the views of Moody's at the time the rating was given, and the Commission makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by Moody's at any time if, in the judgment of Moody's, circumstances so warrant. Any such downward revision or withdrawal of a rating may have an adverse effect on the market price of the Bonds. A securities rating is not a recommendation to buy, sell, or hold securities and may be subject to revision or withdrawal at any time.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. Bond Counsel observes that interest on the Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. A complete copy of the proposed form of opinion of Bond Counsel is set forth in APPENDIX D hereto.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Beneficial Owners of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of obligations, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The Commission has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future federal or state legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislature proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Commission or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Commission has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Commission or the Beneficial Owners regarding the tax-exempt status of the Bonds in the event of an audit examination by the IRS. Under current procedures, Beneficial Owners would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Commission legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Bonds, and may cause the Commission or the Beneficial Owners to incur significant expense.

Payments on the Bonds generally will be subject to U.S. information reporting and possibly to "backup withholding." Under Section 3406 of the Code and applicable U.S. Treasury Regulations issued thereunder, a non-corporate Beneficial Owner of Bonds may be subject to backup withholding with respect to "reportable payments," which include interest paid on the Bonds and the gross proceeds of a sale, exchange, redemption, retirement or other disposition of the Bonds. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a U.S. taxpayer identification number ("TIN") to the payor in the manner required, (ii) the IRS notifies the payor that the TIN furnished by the payee is incorrect, (iii) there has been a "notified payee underreporting" described in Section 3406(c) of the Code or (iv) the payee fails to certify under penalty of perjury that the payee is not subject to withholding under Section 3406(a)(1)(C) of the Code. Amounts withheld under the backup withholding rules may be refunded or credited against a Beneficial Owner's federal income tax liability, if any, provided that the required information is timely furnished to the IRS. Certain Beneficial Owners (including among others, corporations and certain tax-exempt organizations) are not subject to backup withholding. The failure to comply with the backup withholding rules may result in the imposition of penalties by the IRS.

THE BONDS AS LEGAL INVESTMENTS IN TEXAS

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

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

LITIGATION

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

CONTINUING DISCLOSURE OF INFORMATION

Continuing Disclosure Undertaking of the Commission

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

Annual Reports. The Commission will provide certain updated financial information and operating data to the MSRB on an annual basis. The information to be updated includes Tables 1 through 10 contained in this Official Statement and the unaudited financial statements of the Department. The Commission will update and provide this information within six months after the end of each Fiscal Year ending in and after 2026.

The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's Internet Web site or filed with the Securities and Exchange Commission (the "SEC"), as permitted by SEC Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements of the Department, if the Commission commissions an audit and it is completed by the required time. However, the Commission does not intend (and its continuing disclosure agreement should not be construed as a commitment by the Commission) to commission any audit of the Department's financial statements. If the audited financial statements are not available by the required time, the Commission will provide unaudited financial statements by the date required. In the event that the Commission does elect to commission an audit of the Department's financial statements, the Commission shall provide such audited financial statements for the applicable Fiscal Year to the MSRB, when and if such audit report on such financial statements becomes available. Any such financial statements will be prepared in accordance with generally accepted accounting principles for governmental entities or such other accounting principles as the Commission may be required to employ from time to time pursuant to State law or regulation.

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

Certain Event Notices. The Commission will also notify the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of ten business days after the occurrence of the event, of any of the following events with respect to the Bonds: (i) principal and interest payment delinquencies; (ii) non-payment related defaults, if material; (iii) unscheduled draws on debt service reserves reflecting financial difficulties; (iv) unscheduled draws on credit enhancements reflecting financial difficulties; (v) substitution of credit or liquidity providers, or their failure to perform; (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (vii) modifications to rights of holders of the Bonds, if material; (viii)

Bond calls, if material, and tender offers; (ix) defeasances; (x) release, substitution, or sale of property securing repayment of the Bonds, if material; (xi) rating changes; (xii) bankruptcy, insolvency, receivership, or similar events of the Commission or the Department; (xiii) the consummation of a merger, consolidation, or acquisition involving the Commission or the Department or the sale of all or substantially all of the assets of the Commission or the Department, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material; (xv) incurrence of a Financial Obligation of the Commission or the Department, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Commission or the Department, any of which affect holders of the Bonds, if material; and (xvi) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Commission or the Department, any of which reflect financial difficulties. In addition, the Commission will provide timely notice of any failure by the Commission to provide information, data, or financial statements in accordance with its agreement described above under "– Continuing Disclosure Undertaking of the Commission – Annual Reports."

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

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

Availability of Information

The Commission has agreed to provide the foregoing financial and operating information only as described above. The Commission will be required to file the foregoing continuing disclosure information using the MSRB's EMMA system. Investors will be able to access continuing disclosure information filed with the MSRB free of charge at www.emma.msrb.org.

Limitations and Amendments

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

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

UNDERWRITING

J.P. Morgan Securities LLC, as representative of the Underwriters, has agreed, subject to certain conditions, to purchase the Bonds from the Commission. The purchase price of the Bonds is $_____________ (which represents the par amount of the Bonds, plus an original issue premium of $_____________ and less an underwriting discount of $_____________). The Underwriters will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds to be offered to the public may be offered and sold to certain dealers (including the Underwriters and other dealers depositing Bonds into investment trusts) at prices lower than the public offering prices of the Bonds and such public offering prices may be changed, from time to time, by the Underwriters.

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

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

In the ordinary course of their various business activities, the Underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities and provide financial instruments (which may include bank loans, credit support or interest rate swaps). The Underwriters and their respective affiliates may engage in transactions including, but not limited to, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the Commission (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the Commission.

The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

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

TD Financial Products LLC, one of the Underwriters of the Bonds, has entered into a negotiated dealer agreement (the "TD Dealer Agreement") with Revere Securities LLC ("Revere") for the retail distribution of certain securities offerings, including the Bonds at the original issue prices. Pursuant to the TD Dealer Agreement, Revere may purchase Bonds from TD Financial Products LLC at the original issue prices less a negotiated portion of the selling concession applicable to any of the Bonds Revere sells.

VERIFICATION OF MATHEMATICAL ACCURACY

The Verification Agent will verify from the information provided to them by the Commission's Municipal Advisor, the mathematical accuracy as of the date of the Date of Initial Delivery of the Bonds of the computations contained in the provided schedules to determine that the anticipated receipts from the securities and cash deposits listed in the Municipal Advisor's schedules, to be held in escrow, will be sufficient to pay, when due, the principal of and interest on the Series 2016-A Refunded Bonds. The Verification Agent will express no opinion on the assumptions provided to them.

MUNICIPAL ADVISOR

Effective August 2, 2024, Texas Bankshares, Inc., the registered bank holding company for Texas Regional Bank (collectively, "TRB"), completed its acquisition of Dallas-based investment banking group Estrada Hinojosa & Company, Inc. ("Estrada Hinojosa"). Estrada Hinojosa operates under TRB Capital Markets, LLC, a wholly owned subsidiary of TRB, using the assumed name of "Estrada Hinojosa."

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

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

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

LEGAL MATTERS

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

The Commission will furnish to the Underwriters a complete transcript of proceedings incident to the authorization and issuance of the Bonds, including the approving opinion of the Attorney General of the State of Texas to the effect that the Bonds are valid and legally binding obligations of the Commission and, based upon examination of such transcript of proceedings, the approving legal opinion to like effect of Orrick, Herrington & Sutcliffe LLP, as Bond Counsel. Bond Counsel was not requested to participate, and did not take part, in the preparation of this Official Statement, and such firm has not assumed any responsibility with respect hereto or undertaken independently to verify any of the information contained herein, except that in its capacity as Bond Counsel, such firm has reviewed the information in this Official Statement under the captions and subcaptions "INTRODUCTION," "PLAN OF FINANCE," "THE BONDS," "GENERAL INFORMATION REGARDING THE BONDS" (except for the information contained under the subcaption "Bondowners' Remedies"), "TAX MATTERS," "THE BONDS AS LEGAL INVESTMENTS IN TEXAS," "CONTINUING DISCLOSURE OF INFORMATION," "REGISTRATION AND QUALIFICATION OF BONDS FOR SALE," "LEGAL MATTERS," "APPENDIX A – DEFINITIONS AND EXCERPTED PROVISIONS OF THE RESOLUTION," and "APPENDIX F – INVESTMENT AUTHORITY AND INVESTMENT PRACTICES FOR THE FUND" to verify that the information relating to the Bonds and the Resolution contained under such captions and subcaptions in all respects accurately and fairly reflects the provisions thereof and, insofar as such information relates to matters of law, is true and accurate. In connection with the transactions described herein, Bond Counsel and Bracewell LLP, Austin, Texas, Disclosure Counsel to the Commission, represent only the Commission.

Certain legal matters will be passed upon for the Commission by Bracewell LLP, Disclosure Counsel to the Commission, whose legal fees are contingent on the delivery of the Bonds, and by the General Counsel to the Commission. Certain legal matters will be passed upon for the Underwriters by their counsel, Winstead PC, Austin, Texas, whose legal fees are also contingent on the delivery of the Bonds.

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

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the 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.

MISCELLANEOUS

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

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

TEXAS TRANSPORTATION COMMISSION

By: ______________________________

Chief Financial Officer
Texas Department of Transportation

SCHEDULE I – REFUNDED OBLIGATIONS[1]

Texas Transportation Commission
State Highway Fund First Tier Revenue Bonds, Series 2014-B (Variable Rate Bonds)

Maturity Date	Interest Rate	Principal Amount	Redemption Date	Redemption Price
April 1, 2032	variable	$300,000,000	August 5, 2026	100%

Texas Transportation Commission
State Highway Fund First Tier Revenue Bonds, Series 2016-A

Maturity Date	Interest Rate	Principal Amount	Redemption Date	Redemption Price
October 1, 2027	5.00%	$ 10,920,000	October 1, 2026	100%
October 1, 2028	5.00%	11,300,000	October 1, 2026	100%
October 1, 2029	5.00%	11,665,000	October 1, 2026	100%
October 1, 2030	5.00%	32,515,000	October 1, 2026	100%

(1) Preliminary, subject to change. The refunding of any of the Refunded Obligations is contingent upon the sale and delivery of the Bonds. The maturities and amounts of such obligations, if any, to be refunded will depend on market conditions when the Bonds are sold and could differ materially from the information shown. See "PLAN OF FINANCE – Refunded Obligations."

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APPENDIX A

DEFINITIONS AND EXCERPTED PROVISIONS OF THE RESOLUTION

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APPENDIX A

DEFINITIONS AND EXCERPTED PROVISIONS OF THE RESOLUTION

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

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

Excerpted Definitions from the Master Resolution and the Eleventh Supplemental Resolution

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"*Commission*" means the Texas Transportation Commission and its successors and assigns.

"*Comptroller*" means the Comptroller of Public Accounts of the State.

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

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

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

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

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

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

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

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

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

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

"*Department*" means the Texas Department of Transportation or its successors.

"*Department Representative*" means an Authorized Representative or a Designated Financial Officer.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"*Officer's Certificate*" means a certificate signed by an Authorized Representative or a Designated Financial Officer, as applicable.

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

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

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

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

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

"*Payment Date*" means, with respect to each Senior Obligation, the earlier of (a) the date on which the payment of a Cost is due and payable in connection with such Senior Obligation or (b) the date on which money is required to be transferred to or deposited in any fund or account established to secure or provide for the payment of Costs of such Senior Obligation, as provided by the terms thereof and the related Supplemental Resolution; provided, however, that for any First Tier Senior Obligation in respect of which Monthly Installment Amounts are deposited into the First Tier Senior Obligation Debt Service Fund, the Payment Date for such First Tier Senior Obligation shall be the business day next preceding the date that such payment is due. Notwithstanding the foregoing, as long as any Series 2006 Bonds, Series 2006-A Bonds, Series 2006-B Bonds, Series 2007 or Series 2008 Bonds remain outstanding, (i) the Payment Date for each Principal Payment Date and Interest Payment Date in respect of First Tier Senior Obligations shall be a date that is no later than the third (3rd) Business Day next preceding such Principal Payment Date or Interest Payment Date, as the case may be and (ii) the final deposit of a Monthly Installment Amount into the First Tier Senior Obligation Debt Service Fund next preceding each Principal Payment Date or Interest Payment Date for First Tier Senior Obligations shall occur on or before such Payment Date.

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

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

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

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

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

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

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

"*Refundable Senior Obligations*" means any previously issued Senior Obligations, together with any reimbursement or other obligations arising under any Credit Agreements related thereto, or any portion thereof.

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

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

"*Section 7-a*" means Article VIII, Section 7-a of the Texas Constitution.

"*Section 7-b*" means Article VIII, Section 7-b of the Texas Constitution.

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

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

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

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

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

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

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

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

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

"*Short-Term Obligation*" means all Obligations that mature in less than 365 days. In the event a bank or other Person has extended a line of credit or the Commission has undertaken a commercial paper or similar program, only amounts actually borrowed under such line of credit or program and repayable in less than 365 days shall be considered Short-Term Obligations and the full amount of such commitment or program shall not be treated as Short-Term Obligations to the extent that such facility remains available but undrawn.

"*State*" means the State of Texas.

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

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

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

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

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

"*State Legislature*" means the legislative department of the government of the State.

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

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

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

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

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

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

"*United States*" means United States of America.

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

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Excerpted Provisions of the Master Resolution

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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Section 301. State Highway Fund.

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

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

As provided by the Constitutional Provision and Section 502 of this Master Resolution, any dedication or appropriation of revenue to the credit of the State Highway Fund may not be modified so as to impair any Outstanding Senior Obligation unless provision has been made for a full discharge of such Senior Obligation in accordance with this Master

Resolution. In accordance with such provision, all State Highway Fund Revenues will be deposited to the credit of the State Highway Fund; and, during each Fiscal Year in which any Senior Obligation remains Outstanding, State Highway Fund Revenues shall be appropriated for transfer and transferred in such amounts and at such times as provided herein.

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

(i) First: to the payment of all Costs incurred as First Tier Senior Obligations as, when and to the extent provided by each First Tier Senior Obligation and the related Supplemental Resolution; provided, however, that transfers in respect of scheduled annual or semi-annual payments of principal and interest on First Tier Senior Obligations for deposit into the First Tier Senior Obligation Debt Service Fund shall be made in equal Monthly Installment Amounts and such transfers shall commence in the month that will permit the final Monthly Installment Amount in respect of any Principal Payment Date or Interest Payment Date to occur in the month in which such payment is due; and

(ii) Second: to the payment of the amounts required to be deposited and credited to each reserve, contingency or other similar fund or account created and established in accordance with the provisions of any Supplemental Resolution relating to First Tier Senior Obligations and to the payment of other Costs related to First Tier Senior Obligations, as, when and to the extent provided in the related Supplemental Resolution; provided, that such payments shall be allocated among the then Outstanding issues or series of First Tier Senior Obligations and made on a pro rata basis (with such proration to be determined on the basis that the Outstanding principal amount of each particular issue or series of First Tier Senior Obligations bears to the aggregate Outstanding principal amount of all issues or series of First Tier Senior Obligations for which payments are to be made in accordance with this clause (ii)); and

(iii) Third: to the payment of (A) all Costs incurred as Senior Obligations other than First Tier Senior Obligations, on a priority basis consistent with their respective Tiers as, when and to the extent provided by each such Senior Obligation and the related Supplemental Resolution and (B) all deposits into each reserve, contingency or other similar fund or account created and established for the benefit of Senior Obligations on a priority basis consistent with their respective Tiers and in accordance with the provisions of the Supplemental Resolution relating to such Senior Obligation; and

(iv) Fourth: to the payment of all Costs incurred as Subordinate Obligations (together with any related funding obligations) as, when and to the extent provided by each Subordinate Obligation and any order, resolution, contract or other agreement related thereto; and

(v) Fifth: to (A) the payment of expenditures for public roadways in accordance with the State Constitution and federal law or (B) to the extent not required to be used for public roadways by the State Constitution or federal law, the payment of any lawful expenditure for any lawful purpose.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Section 308. Additional Security; Additional Funds and Accounts.

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

(b) In lieu of or in addition to Additional Security, the Commission may, in its discretion, create and provide for the funding and administration of one or more reserve, contingency or other similar funds or accounts to provide additional security for any one or more series, issues or installments of Senior Obligations, except that no such fund or account shall be created unless there shall have been first delivered an opinion of Bond Counsel to the effect that the exclusion from gross income of interest on any Senior Obligations for federal income tax purposes will not be adversely affected thereby.

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

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Section 401. Issuance of Senior Obligations.

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

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

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

(i) A certified copy of the minute order or other official action of the Commission (A) approving a Supplemental Resolution establishing or providing the terms and provisions of such Senior Obligations, and (B) authorizing the issuance, execution and/or delivery of the Senior Obligations;

(ii) An opinion or opinions of Bond Counsel to the effect that (A) issuance, execution and/or delivery of the Senior Obligations is permitted under this Master Resolution and any Supplemental Resolutions that authorized the issuance, execution and/or delivery of any then Outstanding Senior Obligations and (B) the Supplemental Resolution relating to such Senior Obligations has been duly authorized and such Senior Obligations when issued, executed and/or delivered will constitute valid, binding and enforceable limited obligations of the Commission, subject to bankruptcy, equitable principles and other standard legal opinion exceptions;

(iii) An Officer's Certificate to the effect that (A) the Commission is not in default under this Master Resolution or any Supplemental Resolution or, upon the issuance of such Senior Obligations, any existing default will be cured and (B) following the issuance of such Senior Obligations, the maximum Annual Debt Service Requirements with respect to all then Outstanding Senior Obligations will not exceed the Maximum Allowable Debt Service in the current or any future year; and

(iv) Such further documents, moneys and securities as are required by the provisions of the Supplemental Resolution providing for the issuance, execution and/or delivery of such Senior Obligations.

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

(c) In connection with the issuance of Senior Obligations to refund Outstanding Senior Obligations of the same or higher Tier, the Commission may provide, in lieu of the certification required by clause (iii)(B) of subsection (a), an Officer's Certificate to the effect that, following the issuance of such Senior Obligations, the Annual Debt Service Requirements will not exceed one hundred ten percent (110%) of the Annual Debt Service Requirements in effect prior to the issuance of such Senior Obligations; provided, however, that such certification need not address the Annual Debt Service Requirements for Fiscal Years in which no Senior Obligations (other than the Senior Obligations then being issued) will be Outstanding.

Section 402. Credit Agreements.

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

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

Section 403. Issuance of Subordinate Obligations.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Section 603. Consents of Secured Owners. If at any time the Commission shall desire to supplement or amend this Master Resolution pursuant to Section 602, the Commission or the Department shall cause notice of the proposed supplement or amendment to be (i) published in a financial newspaper or journal of general circulation in the City of New York, New York (including, but not limited to, The Bond Buyer or The Wall Street Journal) or in the State (including, but not limited to, The Texas Bond Reporter) or (ii) disseminated by electronic means customarily used to convey notices of redemption, once during each calendar week for at least two (2) successive calendar weeks. Such notice shall briefly set forth the nature of the proposed supplement or amendment and shall state that a copy thereof is on file at the principal office of at least one Fiscal Agent for each Senior Obligation affected thereby for inspection by Secured Owners affected thereby. In lieu of publication of such notice (or the dissemination thereof by electronic means), the Commission or the Department may give or cause to be given such notice in writing, by certified mail, to each Secured Owner. A copy of such notice shall be provided in writing to each rating agency maintaining a rating on any Senior Obligation.

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

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

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

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

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

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

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

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

****

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

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Excerpted Provisions of the Eleventh Supplemental Resolution

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Section 201. Issuance of First Tier Senior Obligations.

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

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

****

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

(a) Bonds Authorized. Pursuant to the Master Resolution and the Acts, Senior Obligations are hereby authorized to be issued, from time to time, in one or more series or installments (the "Refunding Bonds") pursuant to this Supplemental Resolution in the maximum aggregate principal amount of not to exceed $1,700,000,000 for the following purposes: (i) to refund Refunded Obligations…; and (ii) to pay the cost or expense of the issuance of Bonds and refunding Refunded Obligations; provided, however, that (excluding any Variable Rate Refundable Senior Obligations) the refunding must produce positive gross debt service savings, in the aggregate, net of any Commission contribution to the refunding, as shown by a table of calculations approved by the Department Representative and attached to the Award Certificate for the Refunding Bonds.

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

****

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

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

****

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

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

(b) for deposit (together with other lawfully available funds) into such fund(s) or account(s) as shall be directed in the Award Certificate for such Bonds. In furtherance of the authority conferred by this Supplemental Resolution, a Department Representative may direct that lawfully available funds in the State Highway Fund be applied, deposited and invested to effect the defeasance and redemption of Refunded Obligations.

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

Section 403. Rebate Fund. A Rebate Fund shall be established by the Commission within the State Highway Fund pursuant to the requirements of section 148(f) of the Code and the tax covenants of the Commission contained in Section 501 of this Supplemental Resolution for the benefit of the United States of America and the Commission, as their interests may appear pursuant to this Supplemental Resolution. Such amounts shall be deposited therein and withdrawn therefrom as are necessary to comply with the provisions of Section 501.

****

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

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

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

(c) To supplement the security for the Bonds;

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

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

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

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

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

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

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

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

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

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

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

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

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

(c) Receipt of Consents. Whenever at any time the Commission shall receive an instrument or instruments executed by all of the Owners or the Owners of Outstanding Bonds aggregating a majority in Outstanding Principal Amount, as appropriate, which instrument or instruments shall refer to the proposed amendment described in said notice and which consent to and approve such amendment in substantially the form of the copy thereof on file as aforesaid, the Commission may adopt the amendatory resolution in substantially the same form.

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

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

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

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

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

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

(i) the fact and date of the execution by any person of any such writing may be proved by the certificate of any officer in any jurisdiction who by law has power to take acknowledgments within such jurisdiction that the person signing such writing acknowledged before him the execution thereof, or by affidavit of any witness to such execution; and

(ii) the fact of the ownership by any person of any Bond and the date of the ownership of same may be proved by a certificate executed by an appropriate officer of the Paying Agent/Registrar, stating that at the date thereof such Bond was registered in the name of such party in the Security Register.

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

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

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

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Section 702. Defeasance of Bonds.

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

(b) Investments. The deposit under clause (ii) of subsection (a) of this Section shall be deemed a payment of Bonds as aforesaid when proper notice of redemption of such Bonds shall have been given or upon the establishment of irrevocable provisions for the giving of such notice, in accordance with the Master Resolution and this Supplemental Resolution. Any money so deposited with the Paying Agent/Registrar for such Bonds or an eligible trust company or commercial bank as provided in this Section may at the discretion of the Commission also be invested in Defeasance Securities, maturing in the amounts and at the times as hereinbefore set forth, and all income from all Defeasance Securities in possession of the Paying Agent/Registrar for such Bonds or an eligible trust company or commercial bank pursuant to this

Section which is not required for the payment of such Bonds and premium, if any, and interest thereon with respect to which such money has been so deposited, shall be remitted to the Commission.

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

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

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

****

Section 706. Payment or Performance on Holidays.

If the date for payment of the principal of, premium, if any, or interest on the Bonds, or for the performance of any other action, is not a Business Day, then the date for such payment or performance of such action shall be the next succeeding Business Day and payment or performance on such day shall have the same force and effect as if made on the nominal date of payment (without accrual of additional interest) or performance. Payment or performance on such later date will have the same force and effect as if made on the original date payment or performance was due.

****

Section 710. Credit Agreements. Pursuant to authority conferred by Chapter 1371, the Commission may enter into one or more Credit Agreements in connection with the Bonds (whether prior to or concurrently with the issuance of Bonds, or thereafter). In connection with the issuance of Variable Rate Bonds, the Department Representative, acting for and on behalf of the Commission, is authorized to execute and deliver one or more Credit Agreements pursuant to Exhibit D. To the extent required by law, the Department Representative shall obtain the approval of the Texas Attorney General in connection with the execution of a Credit Agreement.

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

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Section 717. Remedies. All rights available to the Owners under the Constitution and laws of the State, by suit for mandamus or otherwise, to compel the performance of their official duties by the Commission, the Department and their officers and employees, and by other officers of the State to the end that the principal of and interest on the Bonds may be paid promptly, are hereby recognized and reserved to and for the Owners.

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APPENDIX B

ANNUAL COMPREHENSIVE FINANCIAL REPORT OF THE TEXAS DEPARTMENT OF TRANSPORTATION FOR FISCAL YEAR ENDED AUGUST 31, 2025

TEXAS DEPARTMENT OF TRANSPORTATION

An Agency of the State of Texas

Annual Comprehensive Financial Report

For the Fiscal Year Ended August 31, 2025

(With Independent Auditor's Report)

Texas Department of Transportation


Connecting
You with TEXAS

Texas Department of Transportation

An Agency of the State of Texas

Annual Comprehensive Financial Report
(With Independent Auditor's Report)

For the Fiscal Year Ended August 31, 2025

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

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Other Sections:
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Accounts Payable, Employee Payments & Accounts Receivable

Special Appreciation To:
All Districts and Divisions contributed to this report. In particular, we recognize Contract Services, Human Resources, Information Technology, Internal Audit, Project Finance and Toll Operations, Right of Way, and Support Services, along with many others whose extra time and effort made this possible.

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Texas Department of Transportation
Annual Comprehensive Financial Report
For the Fiscal Year Ended August 31, 2025

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INTRODUCTORY SECTION

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125 E 11th St | Austin, Texas 78701
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December 12, 2025

To: The Citizens of Texas
The Honorable Greg Abbott, Governor
The Honorable Kelly Hancock, Acting Texas Comptroller
Mr. Jerry McGinty, Director, Legislative Budget Board
Ms. Lisa Collier, CPA, State Auditor

I am pleased to submit the audited annual comprehensive financial report of the Texas Department of Transportation (TxDOT) for the fiscal year ended Aug. 31, 2025, in compliance with Texas Government Code Annotated, Section 2101.11, the requirements established by the Texas Comptroller of Public Accounts and the Texas Transportation Code, Chapter 201, Section 2041. The financial data of TxDOT is included in the audited State of Texas Annual Comprehensive Financial Report (ACFR) as part of the primary government.

An external audit firm, CliftonLarsonAllen, LLP (CLA), performed an independent audit, in accordance with generally accepted auditing standards in the United States of America (GAAS), of TxDOT's basic financial statements for the year ended Aug. 31, 2025. The audit opinion is presented in this report preceding the financial statements. This report was prepared by the accounting staff in the Financial Management Division of TxDOT. TxDOT's internal accounting controls provide reasonable assurance regarding the safeguarding of assets against loss from unauthorized use or disposal and the reliability of financial records for preparing financial statements. The concept of reasonable assurance recognizes that the cost of a control should not exceed the resulting benefit.

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

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

Profile of the Government

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

TxDOT is led by an executive director and governed by the five-member Texas Transportation Commission. All members of the Commission are appointed by the governor. Currently serving the Commission is Acting Chairman W. Alvin New and Commissioners Robert C. Vaughn, Alejandro G. Meade III and Steven D. Alvis. The Commission is authorized to issue general obligation and revenue bonds per statutory and constitutional provisions.

TxDOT has the statutory responsibility to coordinate planning, development, and operation of the state's highway system, as well as managing grant funding for public transit, aviation, maritime operations, traffic safety, and other services. TxDOT's mission is "Connecting You with Texas."

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

Budgetary Controls

Budgetary control is established at the appropriation level set forth by the General Appropriations Act (GAA) on a biennial basis. The GAA becomes law after passage by the Legislature, certification by the Texas Comptroller of Public Accounts that the amounts appropriated are within the estimated collections, and upon the signing of the bill by the governor. The budget authority is supported by actual and/or estimated revenue collections certified by the Texas Comptroller. The revenue is all-inclusive, which will account for the State Highway Fund and all other funds sources. There are provisions in the GAA that allow TxDOT to increase budget authority, with or without LBB/Governor approval, if actual revenue collections exceed estimated amounts presented in TxDOT's bill pattern. After the GAA becomes law, the appropriated budgets are entered in the Uniform Statewide Accounting System (USAS) and TxDOT's internal PeopleSoft financial system. The budgetary control ensures compliance with any legislative initiatives and/or restrictions contained in the GAA. State budgets are requested and appropriated on a biennial cycle for all governmental funds reported by TxDOT.

State Economy

Texas has advantages such as relatively low living costs, an attractive business climate, a central Sunbelt location, and a balanced mix of industries that have enabled its economy to grow faster than the nation for many years. The services provided by TxDOT directly impact the state's economy. Over the long-term, the Texas economy benefits in many more ways from TxDOT's transportation network enhancements, including the positive impacts on business costs and productivity, labor market access, attractiveness to new business, residents and tourists, and property values. Investments in highway maintenance and construction serve as an immediate boost to the economy through the employment of workers and the production of construction materials.

Long-Term Financial Planning

The population of Texas was approximately 29 million as of the 2020 census. According to the state demographer, Texas population is expected to grow to approximately 35 million people by 2030. Population growth brings more congestion to urban areas, increases the stress on roads and bridges, and places greater demand on rural highways to support freight movement and travel connections between farms, ranches, homes, jobs, and markets.

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

Current Financial Conditions

Summary of Key Funding Sources

Senate Bill (SB) 1, the General Appropriations Act (GAA), provides the state budget for fiscal years (FY) 2026-2027. It was passed by the Texas Legislature in May 2025 and appropriates $338.02 billion to the state from all funding sources, a $16.68 billion (five percent) increase from the FY 2024-2025 General Appropriations Act.

Impact on TxDOT

Direct appropriations for the Texas Department of Transportation's (TxDOT) FY 2026-2027 budget total $39.92 billion. TxDOT's FY 2026-2027 total appropriations represent an approximately $2.61 billion increase compared to the FY 2024-2025 General Appropriations Act.

SB 1 appropriates more than $35.36 billion, or 89 percent, of TxDOT's total budget to highway improvement project development and delivery as well as contracted and routine public roadway maintenance.

Major revenue sources of the programs are as follows:

Federal Funds - Approximately 30 percent of TxDOT's revenue comes from federal funds. TxDOT receives the largest share of federal funds from reimbursements for projects that are either already constructed or under construction. The federal gasoline tax rate is 18.4 cents per gallon and the diesel tax is 24.4 cents per gallon. Federal fuel tax rates have remained the same since 1993, and these rates have not kept up with increased federal spending. For this reason, Congress has regularly contributed general fund dollars to supplement transportation funding to the states.

Motor Fuels Tax and Vehicle Registration Fees - State motor vehicle fuels tax revenue and vehicle registration fees make up approximately 30 percent of traditional, constitutionally dedicated State Highway Fund dollars. State motor fuels taxes include taxes on gasoline, diesel fuel, motor fuel lubricants, and liquefied and compressed natural gas. Texas' tax rates on gasoline and diesel have remained at 20 cents per gallon since 1991. Three-quarters of the state's motor fuels tax revenue is allocated to the State Highway Fund, and the remaining quarter goes to the state's Available School Fund. In Texas and many other states, motor fuels tax collections have begun to fall short of their ability to meet the ever-rising cost of the transportation projects they support. In Texas, voters have subsequently approved measures to supplement road funding by drawing revenues from oil and gas production taxes, general state sales tax, and sales tax on motor vehicles and rentals as explained in the Proposition 1 and Proposition 7 summaries below.

Proposition 1 Funds – These funds are derived from a portion of oil and gas production taxes that voters approved in fiscal year 2014. Pursuant to Section 49-g (c), Article III, Texas Constitution, the funds may be used for "constructing, maintaining, and acquiring rights-of-way for public roadways other than toll roads." Proposition 1 funds are received annually by TxDOT, and the deposit in 2025 totaled $2.74 billion. As originally approved by the voters in 2014, Proposition 1 funds were set to expire after the FY 2035 (November 2034) transfer. The 88th Legislature (Regular Session, 2023) extended the expiration of Proposition 1 fund transfers to the State Highway Fund to December 31, 2042. As of September 1, 2025, TxDOT has received $19.1 billion from Proposition 1 deposits. The Texas Comptroller of Public Accounts (Comptroller) projected a deposit of $2.45 billion for FY 2026 from taxes collected in FY 2025.

Proposition 7 Funds - On Nov. 3, 2015, Texas voters approved the ballot measure known as Proposition 7 that dedicates a portion of the revenue from the state sales and use tax and motor vehicle sales and rental tax to the State Highway Fund. Proposition 7 funds are deposited into the State Highway Fund pursuant to Section 7-c, Article VIII, Texas Constitution. Under the amendment there are two components of Proposition 7.

1. The first involves a portion of the state sales and use tax. Once state sales tax collections exceed $28.0 billion in a fiscal year, the next $2.5 billion is deposited into the State Highway Fund. TxDOT received a total of $2.5 billion in 2025.

2. The second component occurs when the state motor vehicle sales and rental tax revenue exceeds $5.0 billion in a fiscal year. When that happens, 35 percent of the total amount above $5.0 billion is deposited into the State Highway Fund. In August 2025, TxDOT received $714 million.

The 88th Legislature, Regular Session, 2023, extended the expiration dates for both components of Proposition 7 – sales and use tax and motor vehicle sales and rental tax revenues – for ten years beyond their original expiration dates. Accordingly, the state's sales and use tax transfers into the State Highway Fund were extended through August 31, 2042, while the motor vehicle sales and rental tax portion was extended through August 31, 2039.

Of the $7.4 billion in Proposition 7 funds appropriated in the FY 2026-2027 General Appropriations Act, the budget dedicates approximately $502.76 million to pay debt service on Proposition 12 General Obligation Highway Improvement Bonds. TxDOT will distribute the remaining $6.9 billion to the development, delivery, and maintenance of non-tolled public roadway projects. Based on TxDOT's 2026-2026 Certification Revenue Estimate, TxDOT anticipates receiving the full $2.5 billion in state sales and use tax revenues in FY 2026, dedicated under the Texas Constitution contingent upon revenue collection levels. TxDOT also expects to receive $614 million in state motor vehicle sales tax revenues in 2026.

Texas Mobility Fund - The Texas Mobility Fund was authorized by voters in 2001 to advance transportation projects, and the legislature identified revenues to be dedicated to the fund in 2003. The bond proceeds may be used to fund the construction, reconstruction, acquisition, and expansion of state highways and to provide a portion of the costs of constructing public transportation projects. A restriction on Texas Mobility Fund Bond issuance was temporarily lifted for new issuance (87th Legislature, Regular Session, 2021). The bond issuance restriction will resume Jan. 1, 2027. Until then, TxDOT has authority to issue up to $3.6 billion in Texas Mobility Fund Bonds if the capacity allows for the full issuance. The Texas Mobility Fund is a single appropriated fund, but for GAAP reporting purposes, it is presented as two major funds: a debt service fund type and a capital project fund type.

Debt Savings Efforts

TxDOT has leveraged reduced borrowing rates and federal incentives to deliver large-scale projects at a faster rate. TxDOT retains several obligation tools designed to pay back debt service. TxDOT works diligently to create savings opportunities by periodically refinancing the agency's debt when interest rates are favorable. In October 2024, TxDOT refinanced approximately $840 million in existing Texas Mobility Fund bonds. In the fiscal year 2025, the department generated a total savings of $74 million (or approximately $55 million in savings on a present value basis), which would have been paid from fiscal years 2026 to 2045.

Multimodal Funding

TxDOT retains limited authorized funding for transportation project services such as public transit, aviation, maritime, rail, and other projects. Senate Bill 1 appropriates approximately $860 million for multimodal transportation projects and services, including public transit, aviation, maritime, and rail. SB 1 also appropriates approximately $80 million in general revenue funding for various specified roadway, pedestrian, rail, and aviation projects. SB 1 directs the appropriation of $106.8 million appropriated in HB 500, the supplemental budget, for Aviation Services to provide funding to various projects across the state. HB 500 appropriates an additional $400 million in general revenue to fund local pedestrian and roadway rail grade separation grants, capital budget items, and other transportation projects.

Both budgets provide just over $900 million for the capital budget needs of TxDOT, including funds for the construction and repair of TxDOT buildings and facilities, as well as critical information technology (IT) needs. SB 1 also appropriates $3.77 million in general revenue for public transit grant funding to adjust for 2020 U.S. Census outcomes and maintain per capita program funding at 2010 levels.

Infrastructure Investment and Jobs Act (IIJA)

The $1.2 trillion infrastructure bill was signed into law on November 15, 2021, to improve the country's roads, bridges, pipes, ports, and broadband internet connections. Based on formula funding, the entire state of Texas expects to receive $35 billion: $27.8 billion of which would go toward federal highway programs in Texas; $3.3 billion to public transportation in both in rural and urban areas ($450 million of the $3.3 billion passes through TxDOT); $537 million for bridge rehabilitation and replacement; $408 million to expand the state's electric vehicle charging network; $173 million for general aviation airports; and $35.48 million for the construction of ferry boats and terminals. Only a portion of this funding represents additional funding for Texas. The IIJA will provide TxDOT with federal funding through FY 2026.

Major Initiatives

- Road to Zero - Road to Zero Safety on our state's transportation infrastructure is TxDOT's number one priority. Despite the department's efforts to build and maintain the safest roads and educate Texans on safe driving behaviors, traffic fatalities continue to occur. For more than two decades, at least one person has died on our roadways every day. To emphasize the department's commitment that one traffic fatality is too many, the Transportation Commission has set a goal of zero crash fatalities by 2050, with a starting goal of cutting fatalities in half by 2035. TxDOT will continue investing in the best engineering practices to make roads safer, address safety education and assist in enforcement and safety awareness programs like Talk. Text. Crash and Click It or Ticket.

- Funding Key Priorities in the UTP - The Texas Transportation Commission approved TxDOT's 2025 Unified Transportation Program (UTP) that includes more than $100 billion dedicated to improving safety, addressing congestion and connectivity, and preserving roadways for Texas drivers. The document covers a 10-year period and is a living document that is updated annually.

- "Connecting you with Texas" - TxDOT's mission statement, "Connecting you with Texas," reflects the agency's purpose. The work TxDOT does -- including the Texas Transportation Commission's efforts to address traffic congestion in our state through its Texas Clear Lanes (TCL)– aligns with this mission. TCL targets congested corridors in Austin, Dallas, Fort Worth, Houston and San Antonio, the state's most populated regions. TCL was created in response to a directive by Gov. Greg Abbott to the Commission to identify and address the state's most congested chokepoints.

- Drive like a Texan - Drive like a Texan: Kind. Courteous. Safe. is TxDOT's newest traffic safety initiative. Led by the Communications Division, Drive like a Texan is intended to become the creative platform that provides the messaging foundation for all of TxDOT's traffic safety campaigns. Drive like a Texan is designed to reduce the number of fatalities on Texas roads by inspiring drivers to embrace the pride, camaraderie, and responsibility of being a Texan on the road.

- Texas Clear Lanes - The Texas Transportation Commission continues to address traffic congestion in our state through its Texas Clear Lanes (TCL) effort which targets congested corridors in Austin, Dallas, Fort Worth, Houston, and San Antonio, the state's most populated regions. Led by former Commission Chairman J. Bruce Bugg, Jr., TCL was created in response to a directive by Gov. Greg Abbott to the Commission to identify and address the state's most congested chokepoints. Since 2015, this congestion relief program has $84 billion of non-tolled projects that are completed, under construction, or planned.

- Transportation Safety Campaign - Texas averaged 11.4 fatalities per day due to transportation accidents in 2024. With support from executive leadership and funding from the Traffic Safety Division, the Communications Division is developing a new statewide marketing and outreach campaign to unify and amplify TxDOT's traffic safety initiatives. The goal is to inspire a shared responsibility to drive safely as a Texan. Our vision is to support TxDOT's work in reducing the number of roadway deaths and injuries in the state, year over year.

Certificate of Achievement

Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Texas Department of Transportation for its annual comprehensive financial report for the year ended August 31, 2024. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting. To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current annual comprehensive financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

Popular Annual Financial Report

Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to the Texas Department of Transportation for its Popular Annual Financial Report for the fiscal year August 31, 2024. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports. To receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation, understandability, and reader appeal. We believe our current report continues to conform to the Popular Annual Financial Reporting requirements, and we are submitting it to GFOA to determine its eligibility for another Award.

Acknowledgments

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

Sincerely,

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Marc D. Williams, P.E. Executive Director	Stephen Stewart, CPA Chief Financial Officer

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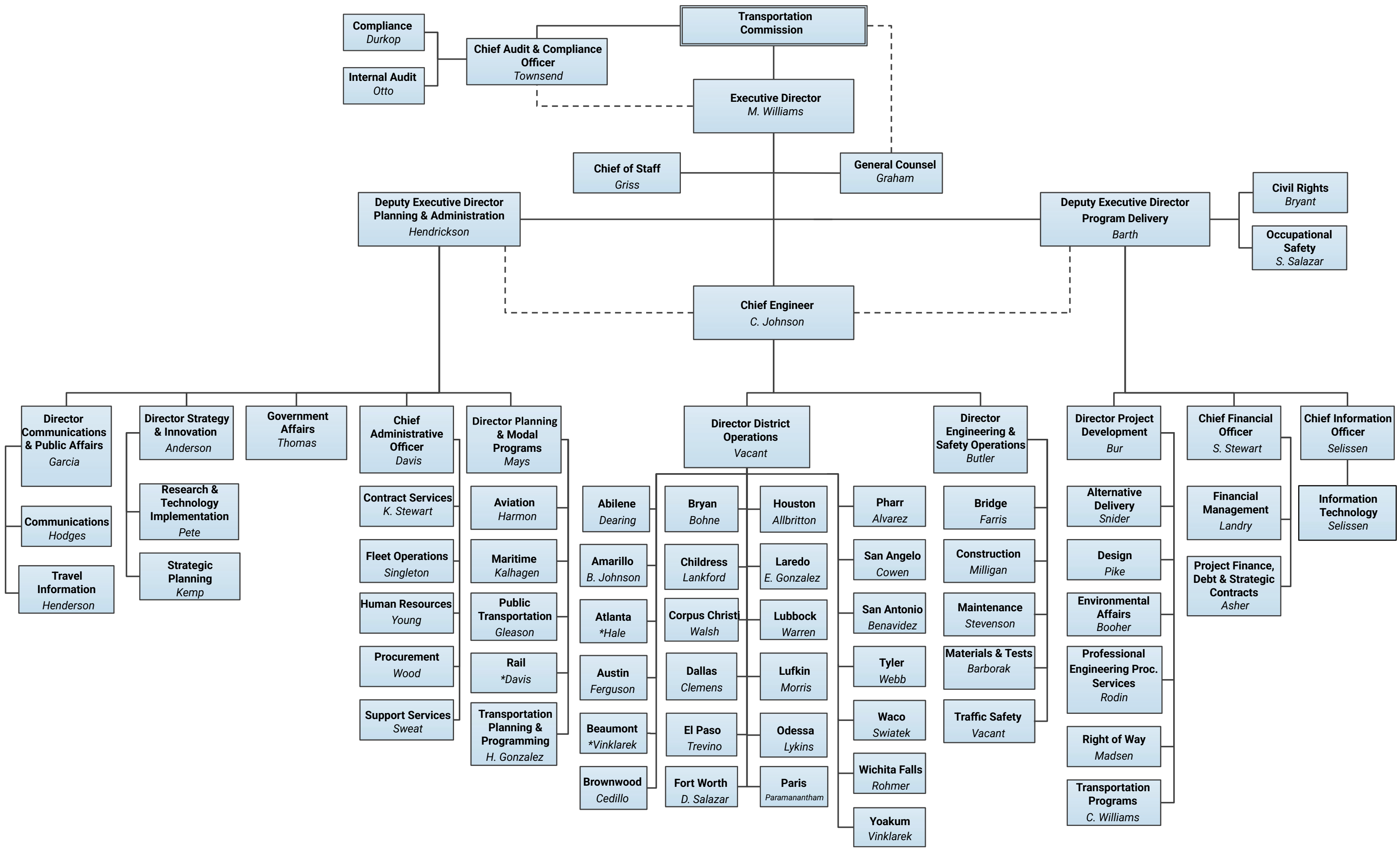
Texas Department of Transportation
Organization Chart as of August 31, 2025



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TEXAS DEPARTMENT OF TRANSPORTATION
TEXAS TRANSPORTATION COMMISSION
as of August 31, 2025

W. Alvin New
Commissioner
San Angelo

Robert C. Vaughn
Commissioner
Dallas

Alejandro "Alex" G. Meade III
Commissioner
Mission

Steven D. Alvis
Commissioner
Houston

TEXAS DEPARTMENT OF TRANSPORTATION
TxDOT ADMINISTRATION
as of August 31, 2025

The following is a list of administrators who oversee the Texas Department of Transportation. All TxDOT districts, divisions and offices report to a member of the administration, headquartered in Austin.

Marc Williams
Executive Director

Brandye Hendrickson
Deputy Executive Director for Planning and Administration

Brian Barth
Deputy Executive Director for Program Delivery

Jeffery Davis
Chief Administrative Officer

Parsons Townsend
Chief Audit and Compliance Officer

Stephen Stewart
Chief Financial Officer

Anh Selissen
Chief Information Officer

Mary Anne Griss
Chief of Staff

Alejandro Garcia
Director of Communications and Public Affairs

Carl Johnson
Chief Engineer

Jessica Butler
Director of Engineering and Safety Operations

Trent Thomas
Director of Government Affairs

Caroline Mays
Director of Planning and Modal Programs

Mohamed "Mo" Bur
Director of Project Development

Darran Anderson
Director Strategy and Innovation

Jeff Graham
General Counsel

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Texas Department of Transportation

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

August 31, 2024

Christopher P. Morrill

Executive Director/CEO

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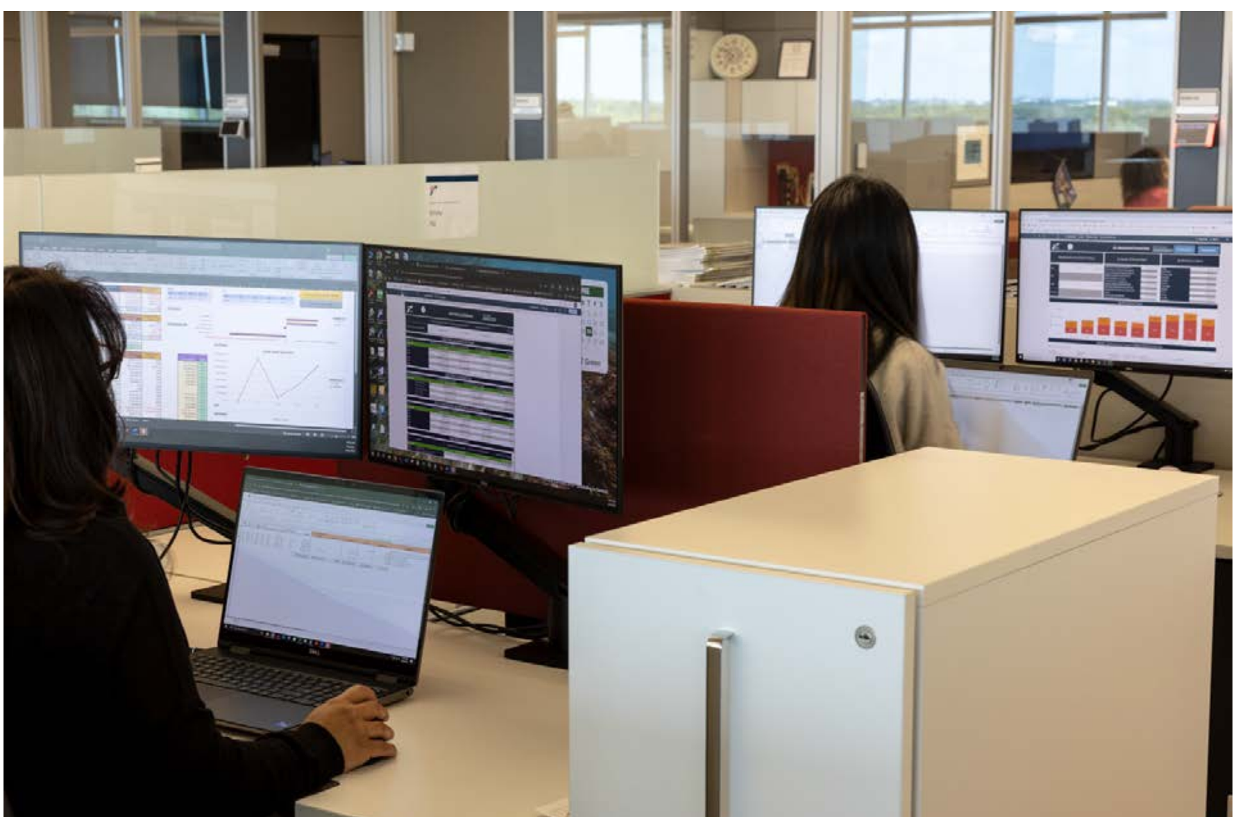
SECTION TWO

FINANCIAL SECTION



CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT

Members of the Texas Transportation Commission
State of Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Texas Department of Transportation (TxDOT), an agency of the State of Texas (State), as of and for the year ended August 31, 2025, and the related notes to the financial statements, which collectively comprise TxDOT's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of TxDOT, as of August 31, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of Matter – Financial Position of the State of Texas

As discussed in Note 1, the financial statements of TxDOT are intended to present the financial position, and the changes in financial position, and, where applicable, cash flows of only that portion of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the State of Texas that is attributable to the transactions of TxDOT. They do not purport to, and do not, present fairly the financial position of the State, as of August 31, 2025, and the changes in its financial position, or, where applicable, its cash flows for the year 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.

Emphasis of Matter – Adoption of GASB 101

As discussed in Note 14 to the financial statements, the TxDOT adopted Governmental Accounting Standards Board Statement No. 101, *Compensated Absences*, effective for the fiscal year ended August 31, 2025. This adoption resulted in changes to the recognition and measurement of liabilities for compensated absences and a restatement of beginning net position. Our opinions are not modified with respect to this matter.

Emphasis of Matter – Accounting Change Reported Under GASB 100

As discussed in Note 14 to the financial statements, the TxDOT recorded an accounting change during the fiscal year ended August 31, 2025, which was reported in accordance with Governmental Accounting Standards Board Statement No. 100, *Accounting Changes and Error Corrections*. This change resulted in a restatement of beginning fund balance for the Texas Mobility Fund. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 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 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 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 TxDOT'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 financial statements.

Members of the Texas Transportation Commission
State of Texas

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 the *Management's Discussion and Analysis, Budgetary Comparison Schedule, Schedules of Net Pension Liability* and *Net OPEB Liability* be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise TxDOT's basic financial statements. The combining financial statements, schedules and budget comparison by strategy are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the combining financial statements, schedules and budget comparison by strategy are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section, statistical section, Schedules 1A and 1B, Schedule 2, and Schedule 3 but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Members of the Texas Transportation Commission
State of Texas

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2025, on our consideration of TxDOT's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 TxDOT'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 TxDOT's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

San Antonio, Texas
December 12, 2025

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SECTION TWO (CONTINUED)

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Texas Department of Transportation's (TxDOT's) annual financial statements presents our discussion and analysis of TxDOT's financial performance during the fiscal year ended Aug. 31, 2025. Readers should use this section in conjunction with TxDOT's basic financial statements to further enhance their understanding of TxDOT's financial performance.

Financial Highlights

- The government-wide financial statements and Statement of Net Position shows assets and deferred outflows totaling $180.3 billion, an increase of $6.2 billion from fiscal year 2024, while liabilities and deferred inflows equaled $36.9 billion, a decrease of $2.6 billion. The increase in assets and deferred outflows was primarily due to the increase in capital assets in amount of $10.6 billion, which was partly offset with a decrease in cash and cash equivalents in amount of $4.6 billion. The decrease in liabilities and deferred inflows was primarily due to the decrease general obligation bonds payable in the amount of $485.0 million, the decrease in revenue bonds payable in the amount of $373.4 million, and the decrease in public-private and public-public partnerships deferred inflows in the amount of $973.1 million during fiscal 2025. The largest revenue source earned in 2025 was from taxes with a total of $8.7 billion. This was followed by operating grants and contributions with $5.8 billion.

- TxDOT ended fiscal year 2025 with a combined fund balance for its governmental funds of $4.1 billion, a decrease of $2.4 billion or 36.9 percent, from fiscal year 2024. The fund balance decreased by $2.6 billion in the State Highway Fund primarily due to the $1.7 billion PPP Buyout Expenditure and a $731.6 million increase in capital outlay expenditures in fiscal 2025 compared to fiscal 2024. Fund balance increased by $83.1 million in the Texas Mobility Fund Capital Projects Fund, decreased by $14.3 million in the Texas Mobility Fund Debt Service Fund, and increased by $166.0 million in Nonmajor Funds. Total revenues in the governmental funds for fiscal 2025 were $16.3 billion, which were $89.7 million or 0.6 percent greater than the prior year amount of $16.2 billion primarily due to the increase in federal revenues collected. Total expenditures in governmental funds for fiscal year 2025 were $21.0 billion, which increased by $680.2 million or 3.3 percent from the fiscal year 2024 amount of $20.3 billion primarily due to the increase in capital outlay, from the increased utilization of Proposition 1 and 7 funds during fiscal 2025.

- TxDOT ended fiscal year 2025 with a combined deficit net position balance for its proprietary funds of $4.8 billion, a decrease of $1.7 billion or 53.1 percent from fiscal year 2024. The net position balance increased by $33.0 million in the Central Texas Turnpike System, increased by $88.9 million in the Grand Parkway Transportation Corporation, increased by $4.9 million in the SH 249 System and decreased by $1.8 billion in the SH 288 System.

- Total operating revenues in the proprietary funds for fiscal 2025 were $760.4 million, which were $14.9 million or 2.0 percent higher than the fiscal year 2024 amount of $745.5 million primarily due to a decrease in discounts and allowances. Total operating expenses in proprietary funds for fiscal year 2025 were $339.0 million, which decreased by $60.0 million or 15.0 percent from the fiscal year 2024 amount of $399.0 million primarily due to the decrease in other operating expenses.

- TxDOT received a total of $3.2 billion in Proposition 7 funds. During fiscal 2025, $2.5 billion was received for state sales and use taxes. In Aug. 2025, the department also received $714.1 million of additional Proposition 7 funds for the state motor vehicle sales and rental tax revenue.

- TxDOT received a total of $2.7 billion in Proposition 1 funds for oil and natural gas production taxes during fiscal 2025. The funding will be used by the state highway fund to assist in the completion of transportation construction, maintenance and rehabilitation projects, not to include toll roads.

- On Oct. 8, 2024, TxDOT completed the termination of the SH288 Comprehensive Development Agreement (CDA). To finance the termination, TxDOT provided a loan to the Texas Transportation Finance Corporation (TTFC) in the amount of the termination compensation, $1.7 Billion, using existing State Highway Funds. This loan was repaid through toll revenue bonds issued by TTFC in early October 2025. By transferring this project to state control, TxDOT anticipates that future toll revenues will be able to be reduced and will escalate at a slower pace than allowed under the CDA.

Overview of Financial Statements

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

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

Entity-wide Financial Statements

The entity-wide financial statements are designed to present an overall picture of the financial position of TxDOT. These statements consist of the statement of net position and the statement of activities, which are prepared using the economic resources measurement focus and the accrual basis of accounting. This means that all the current year's revenues and expenses are included regardless of when cash is received or paid, producing a view of financial position similar to that presented by most private sector companies.

The statement of net position combines and consolidates TxDOT's current financial resources with capital assets and long-term obligations. This statement includes all of TxDOT's assets and liabilities. Net position is the difference between TxDOT's total assets, and deferred outflows of resources, total liabilities and deferred inflows of resources. Net position represents one measure of TxDOT's financial health.

The statement of activities focuses on both the gross and net cost of various activities (governmental and business-type); these costs are paid by general taxes and other revenues. This statement summarizes the cost of providing (or the subsidy provided by) specific government services and includes all current year revenues and expenses.

The statement of net position and the statement of activities divide TxDOT's activities into two types.

- Governmental Activities: TxDOT's basic services are reported here including the activity of all the governmental funds.
- Business-Type Activities: The financial activity associated with the Central Texas Turnpike System (CTTS), Grand Parkway Transportation Corporation (GPTC), State Highway 249 (SH 249) System, and State Highway 288 (SH 288) System is reported here.

Fund Financial Statements

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

Governmental Funds

A majority of TxDOT's activities are reported in governmental funds. Reporting of these funds focuses on how money flows into and out of the funds, and amounts remaining at year-end for future spending. Governmental funds are accounted for using the modified accrual basis of accounting, which measures cash and other assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of TxDOT's general governmental operations and the basic services it provides. This information should be helpful to determine whether there are more or less resources available for TxDOT's programs. The reconciliation following the fund financial statements explains the differences between the government's activities, reported in the entity-wide statement of net position and entity-wide statement of activities, and the governmental funds. The State Highway Fund, the Texas Mobility Fund Debt Service Fund and Texas Mobility Fund Capital Projects Fund are reported as major funds.

Proprietary Funds

When TxDOT charges customers for services it provides, these activities are generally reported in proprietary funds. Services provided to outside (non-governmental) customers are reported in enterprise funds, a component of proprietary funds, and are accounted for using the economic resources measurement focus and the accrual basis of accounting. These are the same business-type activities reported in the entity-wide financial statements but are reported here to provide information at the fund level. The CTTS, GPTC, SH 249 System, and SH 288 System are TxDOT's only proprietary funds.

Notes to the Financial Statements

The notes provide additional information that is essential for a full understanding of data provided in the entity–wide and fund financial statements. The notes to the financial statements can be found immediately following the proprietary fund financial statements.

Additional Information

The Required Supplementary Information (RSI) section immediately follows the basic financial statements and related notes section of this report. Following the RSI are other statements and schedules, including the combining statements for nonmajor governmental funds.

Financial Analysis of TxDOT as a Whole

Net Position

Assets – TxDOT's total assets increased by $6.3 billion during the current fiscal year to $179.2 billion. Capital assets increased by $10.6 billion during the current fiscal year. Construction in progress and land and land improvements accounted for most of these additions. See capital assets section of this management's discussion and analysis for more information on the accounting treatment of capital assets.

Deferred Outflow – TxDOT's total deferred outflow of resources decreased by $55.2 million from fiscal 2024. The change was due to decrease in loss on bond refunding in amount of $93.2 million, increase in other postemployment benefits in amount of $26.2 million, increase in pensions in amount of $11.8 million.

Liabilities – TxDOT's total liabilities decreased by $1.2 billion during the current fiscal year to $26.0 billion. Noncurrent liabilities accounted for 82.3 percent of total liabilities.

Deferred Inflow – TxDOT's total deferred inflow of resources decreased by $1.4 billion during the current fiscal year to $10.9 billion.

Net Position – TxDOT's overall net position increased by 6.5 percent or $8.8 billion from the prior fiscal year. The three components of net position are:

- Net Investment in Capital Assets: The most significant portion of net position (99.6 percent or $142.7 billion) is net investment in capital assets. Capital assets are long-lived in nature and cannot be used to liquidate liabilities. TxDOT's net investment in capital assets is reported net of related debt.

- Restricted Net Position: This portion of net position (3.7 percent or $5.3 billion) is restricted, representing funds that are limited to construction activities, payment of debt, or specific programs by law.

- Unrestricted Net Position: The remaining portion of net position is unrestricted, representing resources not required to be reported in the other two components of net position. TxDOT had a deficit unrestricted net position balance of $4.7 billion in fiscal 2025.

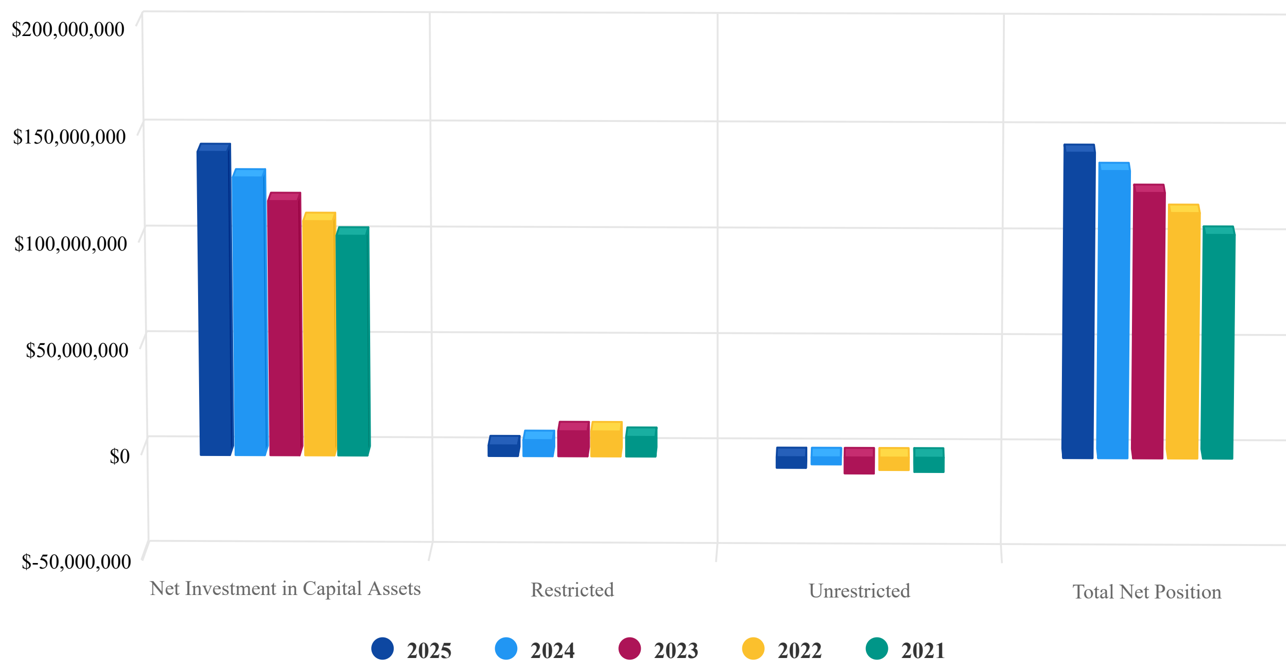
A two-year representation of TxDOT's net position balances is presented as follows.

Statement of Net Position

August 31, 2025 and 2024 (Amounts in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2025	2024	2025	2024	2025	2024
ASSETS						
Assets Other Than Capital Assets	$ 12,891,112	$ 17,336,456	$ 2,094,158	$ 1,952,997	$ 14,985,270	$ 19,289,453
Capital Assets	161,448,497	150,708,191	2,786,050	2,930,058	164,234,547	153,638,249
Total Assets	174,339,609	168,044,647	4,880,208	4,883,055	179,219,817	172,927,702
DEFERRED OUTFLOWS OF RESOURCES	876,879	925,298	159,568	166,333	1,036,447	1,091,631
LIABILITIES						
Current Liabilities	2,549,438	4,489,225	2,052,271	279,826	4,601,709	4,769,051
Non-current Liabilities	13,729,897	14,673,463	7,717,036	7,811,639	21,446,933	22,485,102
Total Liabilities	16,279,335	19,162,688	9,769,307	8,091,465	26,048,642	27,254,153
DEFERRED INFLOWS OF RESOURCES	10,787,639	12,132,069	111,544	119,179	10,899,183	12,251,248
NET POSITION						
Net Investment in Capital Assets	142,094,546	129,858,662	619,197	644,377	142,713,743	130,503,039
Restricted	4,671,562	6,906,943	652,961	511,352	5,324,523	7,418,295
Unrestricted	1,383,406	909,583	(6,113,234)	(4,316,985)	(4,729,828)	(3,407,402)
Total Net Position	$ 148,149,514	$ 137,675,188	$ (4,841,076)	$ (3,161,256)	$ 143,308,438	$ 134,513,932

TxDOT Total Net Position (Amounts in Thousands)



Changes in Net Position

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

TxDOT earned program revenues of $7.8 billion and general revenues of $9.4 billion, for total revenues of $17.2 billion. The expenses of TxDOT were $9.6 billion. The total net position increased to $143.3 billion in fiscal year 2025 from $134.5 billion in fiscal year 2024 due to revenues exceeding expenses. Revenues and expenses of TxDOT's governmental and business-type activities are detailed below.

Governmental Activities

The change in net position of governmental activities was $10.5 billion compared to $10.0 billion in fiscal 2024. $14.4 billion of operating grants and contributions and taxes contributed to 87.9 percent of total revenues of $16.4 billion. Total revenues increased by $186.0 million which was caused mainly by increase in operating grants and contributions in amount of $365.7 million. Total expenses increased by $650.6 million from $8.3 billion in fiscal 2024 to $9.0 billion in fiscal 2025. This was due to an increase in transportation expenses. Additionally, net position was also affected by a Special Item, a PPP Buyout Expenditure in the amount of $842.3 million.

Business-Type Activities

In fiscal 2025, the net position of business-type activities decreased by a total of $1.7 billion or 53.1 percent from a deficit balance of $3.2 billion to a deficit balance of $4.8 billion.

Total revenues increased by $2.6 million or 0.3 percent from $849.5 million in fiscal 2024 to $852.1 million in fiscal 2025. This was primarily due to decrease in discounts and allowances from the transition from TxDOT to Harris County Toll Road Authority (HCTRA), who began providing all customer service, customer account maintenance, transponder supply, toll collection, clearinghouse, back office, toll enforcement, and interoperability functions and services for all toll systems. Total expenses decreased by $62.8 million or 8.9 percent from $703.7 million in fiscal 2024 to $640.9 million in fiscal 2025 due to the improved stabilization of the back-office system and reduced reliance on interim technology providers.

Changes in Net Position

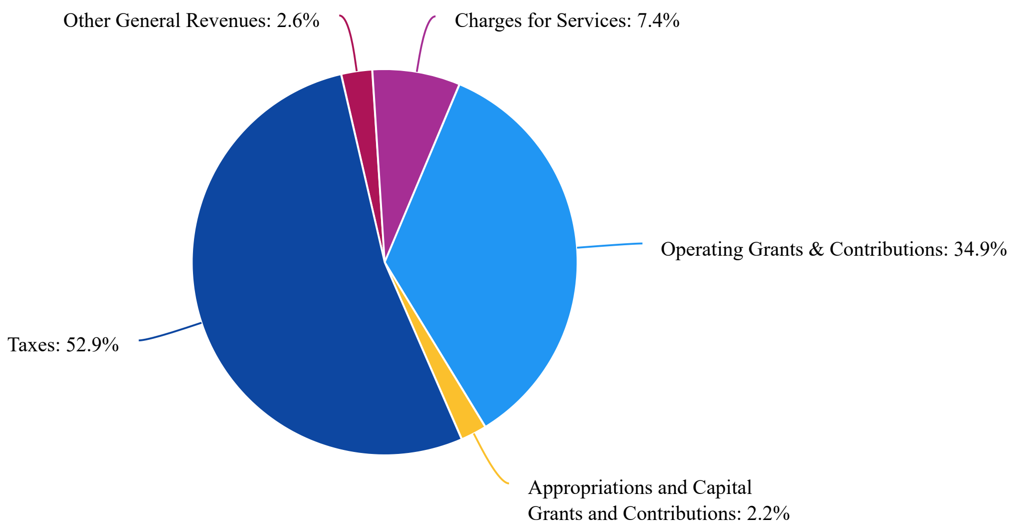
For the Fiscal Years Ended August 31, 2025 and 2024 (Amounts in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2025	2024	2025	2024	2025	2024
REVENUES						
Program Revenues:						
Charges for Services	$ 1,203,546	$ 1,169,103	$ 761,353	$ 747,353	$ 1,964,899	$ 1,916,456
Operating Grants and Contributions	5,716,203	5,350,536	90,752	102,121	5,806,955	5,452,657
Capital Grants and Contributions	35,672	44,578			35,672	44,578
Total Program Revenues	6,955,421	6,564,217	852,105	849,474	7,807,526	7,413,691
General Revenues:						
Appropriations	323,316	274,365			323,316	274,365
Taxes	8,662,480	8,718,369			8,662,480	8,718,369
Unrestricted Investment Earnings	321,243	566,552			321,243	566,552
Settlement of Claims	58,818	50,153			58,818	50,153
Gain on Sale of Capital Assets	40,457	4,091			40,457	4,091
Gain on Other Financial Activity	909	46			909	46
Other General Revenues	3,535	2,381			3,535	2,381
Total General Revenues	9,410,758	9,615,957	0	0	9,410,758	9,615,957
Total Revenues	16,366,179	16,180,174	852,105	849,474	17,218,284	17,029,648
EXPENSES						
Transportation	8,988,838	8,338,204	640,904	703,677	9,629,742	9,041,881
Total Expenses	8,988,838	8,338,204	640,904	703,677	9,629,742	9,041,881
Excess (Deficiency) Before Special Items and Transfers	7,377,341	7,841,970	211,201	145,797	7,588,542	7,987,767
Special Item - PPP Loss	(842,674)				(842,674)	
Transfers - Internal Activities	1,891,020	30,739	(1,891,020)	(30,739)		
Transfers - Other State Agencies	2,037,234	2,097,839			2,037,234	2,097,839
Change in Net Position	10,462,921	9,970,548	(1,679,819)	115,058	8,783,102	10,085,606
Net Position, Beginning Balance	137,675,188	127,704,640	(3,161,256)	(3,276,314)	134,513,932	124,428,326
Change in Accounting Principle*	11,405				11,405	
Net Position, Beginning Balance, as Restated	137,686,593	127,704,640	(3,161,256)	(3,276,314)	134,525,337	124,428,326
Net Position, Ending Balance	$ 148,149,514	$ 137,675,188	$ (4,841,075)	$ (3,161,256)	$ 143,308,439	$ 134,513,932

*Change in Accounting Principle due to GASB 101 transition in 2025.

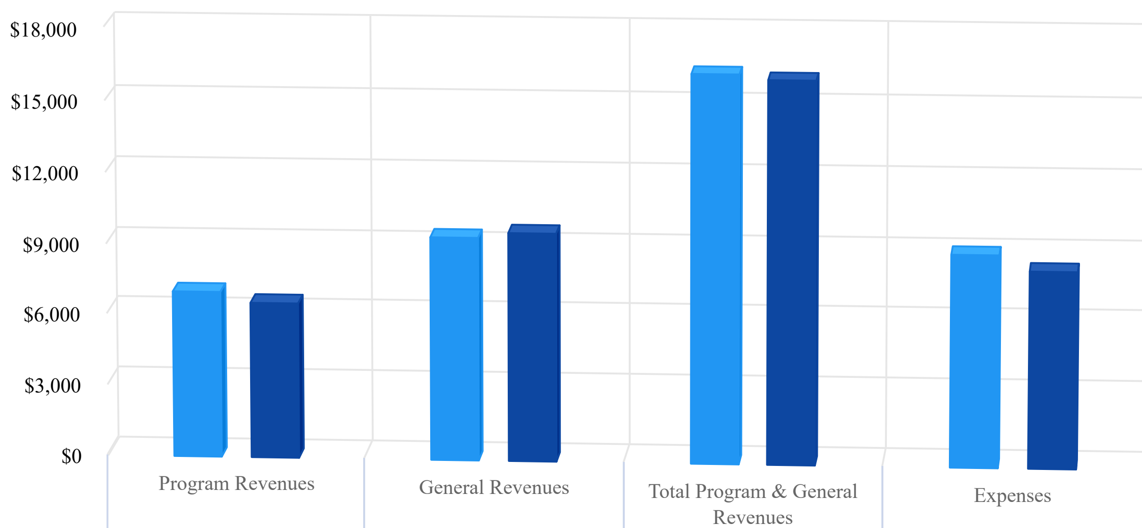
Revenues by Source: Governmental Activities

For the Fiscal Year August 31, 2025



Expenses and Revenues: Governmental Activities

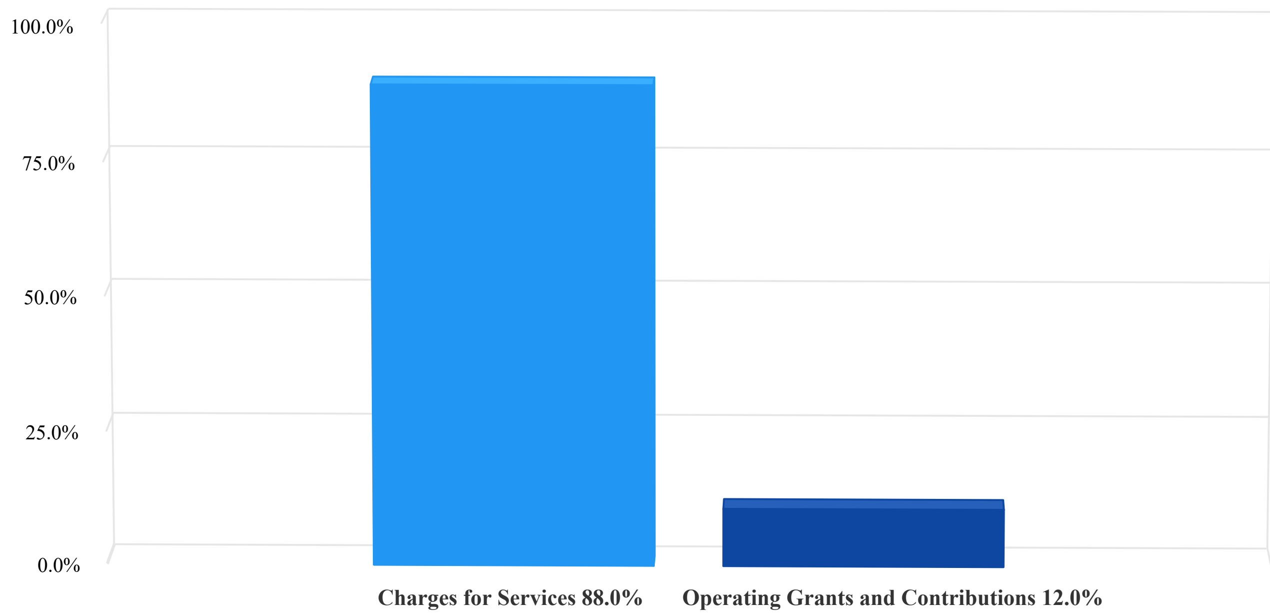
For the Fiscal Years August 31, 2025 and 2024 (In Millions)



	Program Revenues	General Revenues	Total Program & General Revenues	Expenses
Fiscal Year 2025	**$6,955**	**$9,411**	**$16,366**	**$8,989**
Fiscal Year 2024	**$6,564**	**$9,616**	**$16,180**	**$8,338**

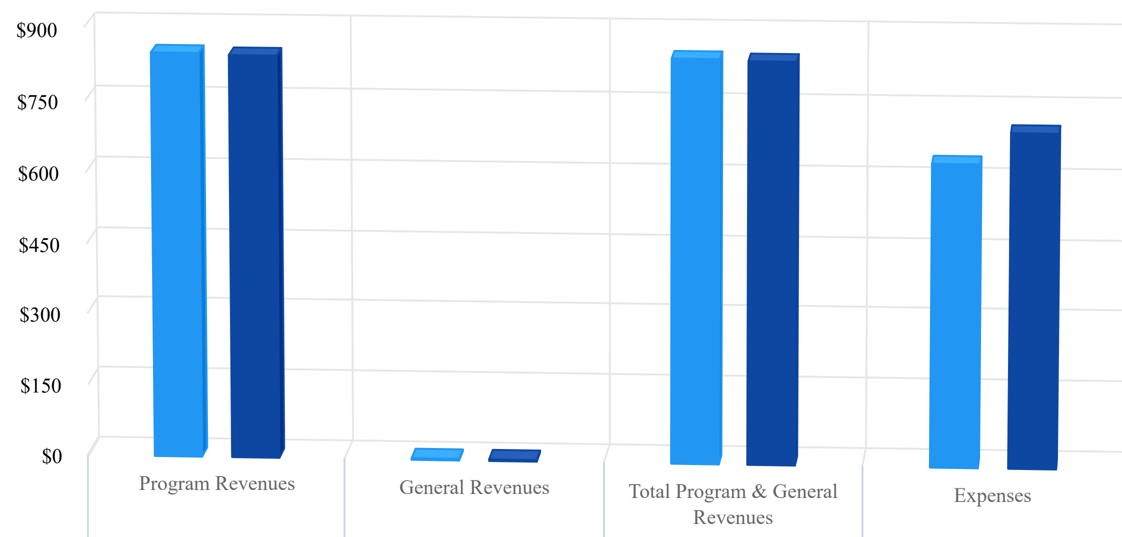
Revenues by Source: Business-Type Activities

For the Fiscal Year August 31, 2025



Expenses and Revenues: Business-Type Activities

For the Fiscal Years August 31, 2025 and 2024 (In Millions)



	Program Revenues	General Revenues	Total Program & General Revenues	Expenses
Fiscal Year 2025	**$852**	**$0**	**$852**	**$641**
Fiscal Year 2024	**$849**	**$0**	**$849**	**$704**

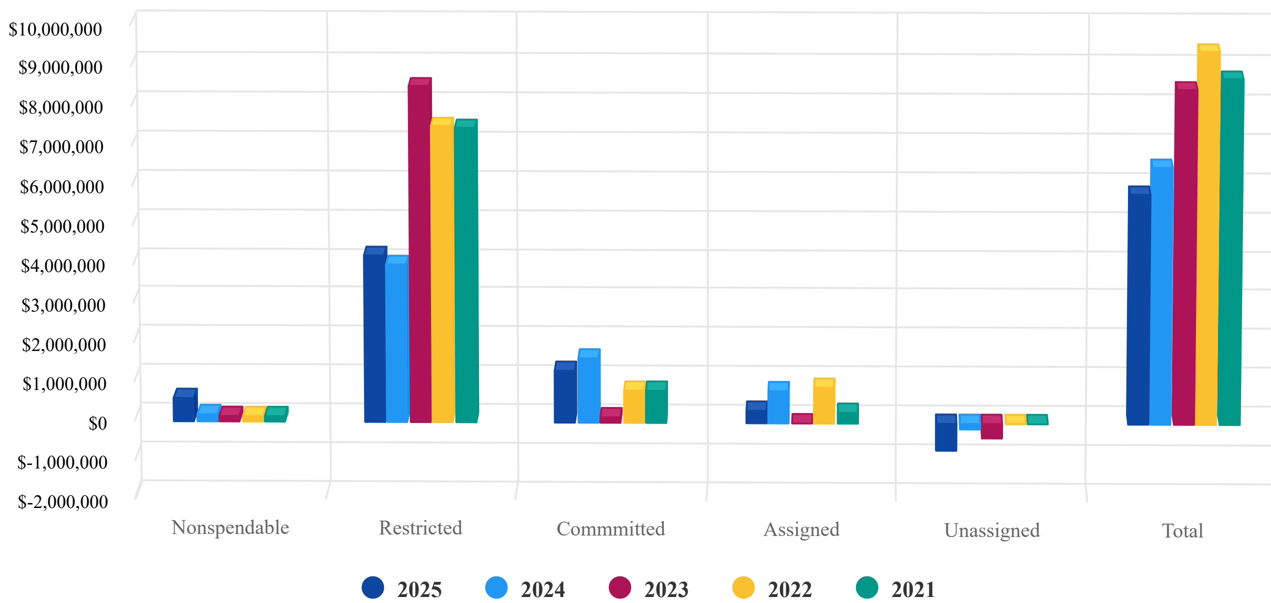
Financial Analysis of TxDOT's Funds

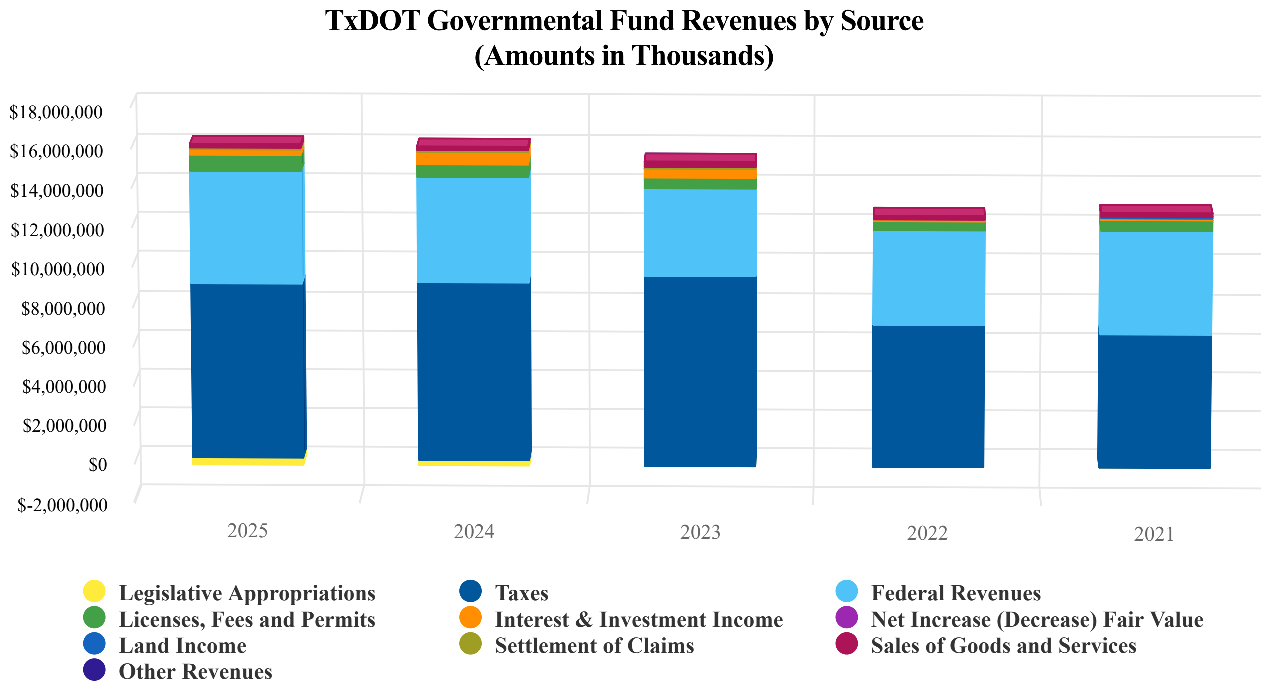
Governmental Funds

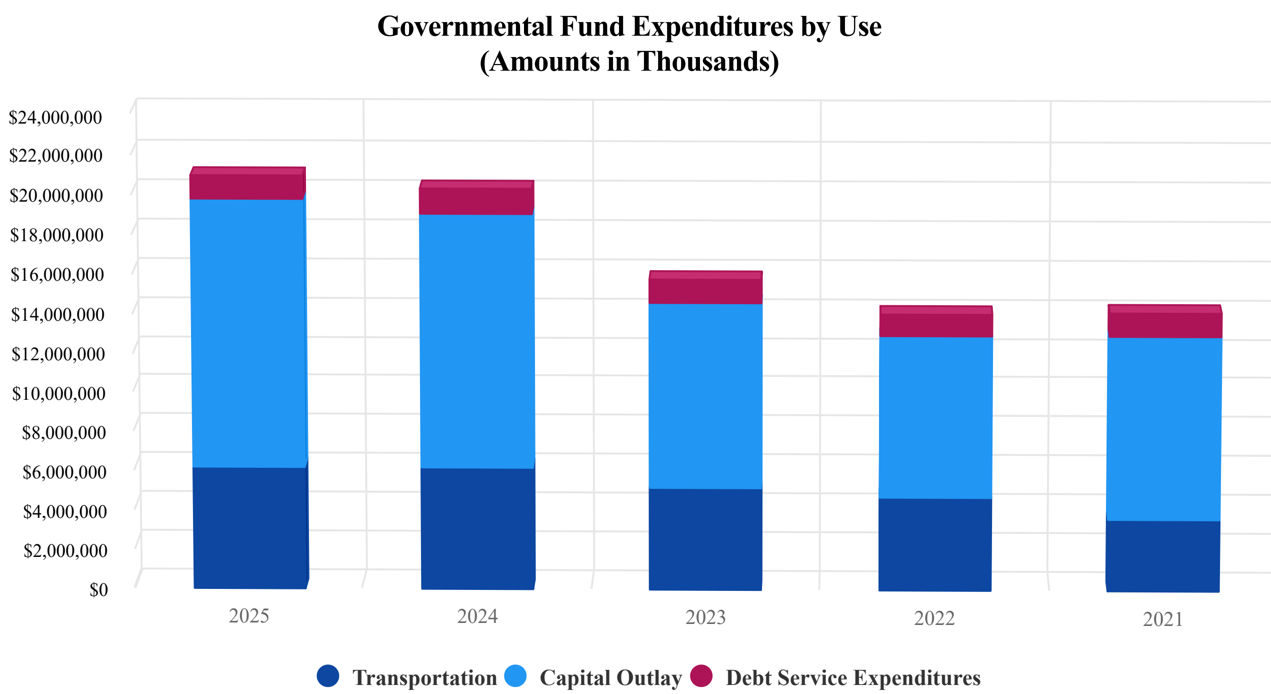
The focus of TxDOT's governmental funds financial statements is to provide information on how money flows into and out of the funds, and amounts remaining at year-end for future spending. All major governmental funds are discretely presented on these financial statements, while the nonmajor governmental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

TxDOT's governmental funds reported a combined ending fund balance of $4.1 billion on Aug. 31, 2025, most of which is allocated to restricted capital projects. Expenditures exceeded revenues by $4.7 billion. Some project expenditures are funded by revenues collected in prior years rather than current year revenues.

TxDOT Governmental Fund Balances, All Funds
(Amounts in Thousands)







State Highway Fund

The State Highway Fund is TxDOT's main operating fund. Overall, the fund balance for the State Highway Fund on Aug. 31, 2025, was $2.9 billion. Total revenues increased by $157.0 million, or 1.0 percent, to $15.2 billion in fiscal 2025. 94.8 percent of the total revenue included $8.9 billion of taxes and $5.5 billion of federal revenue. $13.4 billion capital outlay expenditures contributed to 68.8 percent of overall SHF's expenditures in fiscal 2025. Changes in fund balance was $2.6 billion in fiscal 2025, a decrease of $190.9 million from fiscal 2024, which was due to increase in revenues in amount of $157.0 million, increase in expenditures in amount of $675.8 million, increase in other financing sources in amount of $2.0 billion. The changes were: revenue increase of $157.0 million, primarily due to increased oil and natural gas tax and motor vehicle sales and use tax collections during fiscal 2025. In addition, transportation expenditures increased by $103.7 million and capital outlay increased by $810.8 million due to increased utilization of Proposition 1 and 7 revenues during fiscal 2025. Additionally, a Special Item - PPP Buyout Expenditure of $1.7 billion was recognized in 2025 which also largely contributed to the $2.6 billion change in fund balance.

Texas Mobility Fund

The Texas Mobility Fund operates as a revolving fund to provide a method of financing construction, reconstruction, acquisition and expansion of state highways and other transportation projects. During fiscal 2025, the fund is presented as one debt service fund type to two distinct major funds: a capital projects fund and a debt service fund. This presentation is due to an anticipated increase in capital outlay activity in the fund after the receipt of $1.1 billion in new money bond proceeds in early fiscal 2026.

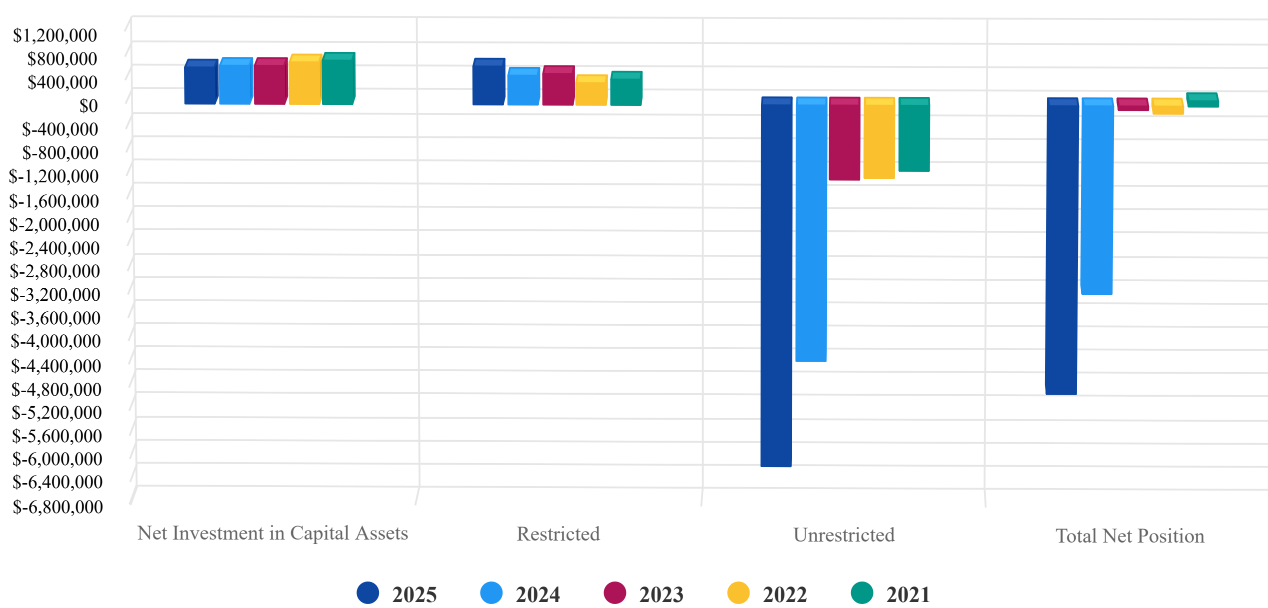
The fund balance for the Texas Mobility Fund Capital Projects Fund on Aug. 31, 2025 was $255.4 million, an increase of $83.1 million or 48.3 percent, from $172.3 million in fiscal 2024. Net change in fund balance was $83.1 million in fiscal 2025, an increase of $50.6 million from fiscal 2024. The change was caused by an increase in revenues of $41.0 million, increase in expenditures of $1.2 million, increase in other financing sources of $10.8 million. A total of $145.8 million of revenues were deposited to the credit of the capital projects fund. The major revenue source was $135.1 million of license, fee and permit revenue, which was 92.0 percent of total fund's revenue. Transportation expenditures of $94.5 million comprised 91.5 percent of the total expenditures of Texas Mobility Fund - Capital Projects Fund. Transportation expenditures consist of $75.8 million of intergovernmental payments and $18.7 million of public assistance payments.

The fund balance for the Texas Mobility Fund Debt Service Fund on Aug. 31, 2025 was $283.9 million, a decrease of $14.3 million or 4.8 percent, from $298.2 million in fiscal 2024. Net change in fund balance was $14.3 million in fiscal 2025, a decrease of $31.1 million from fiscal 2024. The change was caused by a decrease in revenues of $19.2 million, increase in expenditures of $9.8 million, and a decrease in other financing uses of $2.1 million.A total of $302.8 million of revenues were deposited to the credit of the debt service fund. The major revenue source was $273.8 million of license, fee and permit revenue, which was 90.4 percent of total fund's revenue. Refunding bonds in a par amount of $840.3 million and premium of $91.5 million were issued with $927.6 million sent to an escrow account to achieve debt service savings.

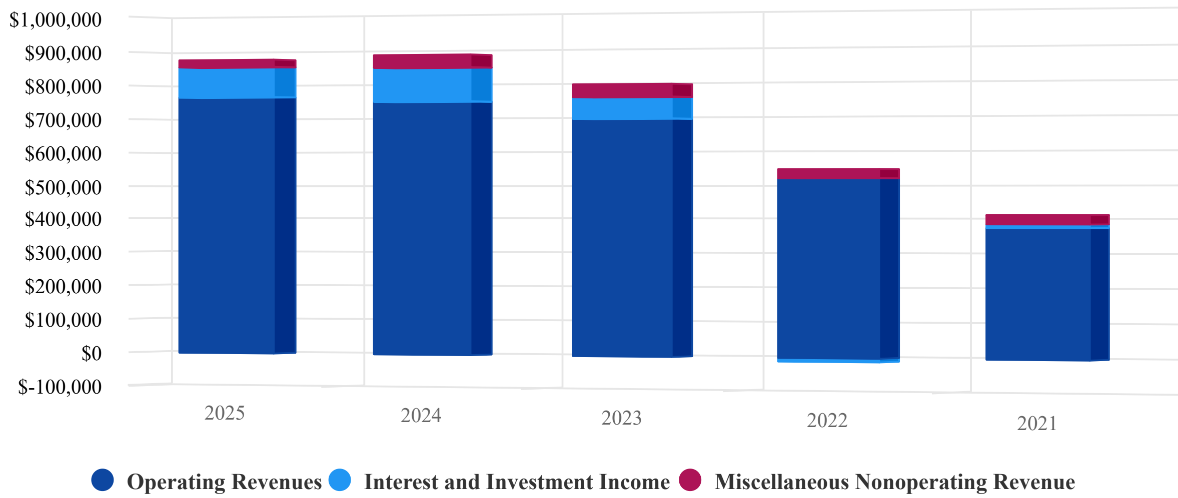
Proprietary Funds

Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. TxDOT has four major proprietary funds, Central Texas Turnpike System, Grand Parkway Transportation Corporation, State Highway 288 System and State Highway 249 System. An overview of the financial information of these funds is presented below.

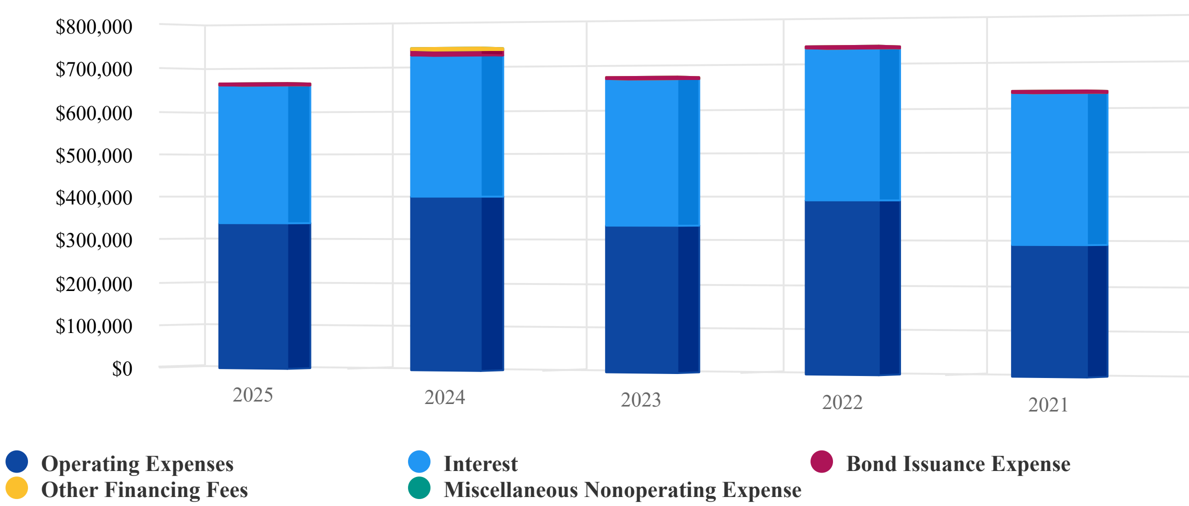
TxDOT Proprietary Fund Net Position, All Funds
(Amounts in Thousands)



TxDOT Proprietary Fund Revenues by Source
(Amounts in Thousands)



Proprietary Fund Expenses
(Amounts in Thousands)



Central Texas Turnpike System

The net position of CTTS was $279.1 million as of Aug. 31, 2025, an increase of $33.0 million from fiscal 2024. CTTS' operating revenues decreased by $34.4 million or 9.3 percent over fiscal 2024 and its operating expenses also decreased by $40.5 million or 14.2 percent primarily due to the replacement of the previous back-office system to HCTRA. Depreciation and amortization expense, together with interest expenses totaled $196.7 million, which was 53.3 percent, of the total expense of CTTS.

Grand Parkway Transportation Corporation

GPTC reported a deficit net position of $3.6 billion in fiscal 2025, an increase in net position of $88.9 million over fiscal 2024. GPTC's operating revenues in fiscal 2025 increased by $45.6 million, or 13.1 percent over fiscal 2024. The increase was due to increase in toll revenue - pledged due to increase in toll transactions. In fiscal 2025, GPTC's total expenses were $267.1 million, which decreased by $12.1 million or 4.3 percent, over fiscal 2024. The largest expense in fiscal 2025 was $189.0 million of interest expense.

State Highway 249 System

The net position of State Highway 249 System was $256.3 million as of Aug. 31, 2025, an increase of 2.0 percent over fiscal 2024. During fiscal 2025, SH 249 System generated $29.4 million in toll revenue, net of allowance for doubtful accounts. The total increase in net position of $4.9 million was caused by operating revenues in amount of $29.4 million, operating expenses in amount of $16.1 million, nonoperating expenses in amount of $8.5 million, capital contributions and transfers to fund in amount of $66.0 thousand.

State Highway 288 System

The SH 288 system fund was created in fiscal 2025 and reports the activity and debt associated with the SH 288 System. The System consists of four tolled lanes in the center of SH 288, from US 59/I-69 in Harris County to the Harris County/Brazoria County line at Clear Creek. The SH 288 system reported a deficit net position of $1.8 billion in fiscal 2025. This deficit reflects the combined outstanding principal and accrued, unpaid interest on the TxDOT SHF Note - an interfund loan received from the State Highway Fund to finance the buyout of the SH288 managed lanes. During fiscal 2025, SH 288 System did not generate any toll revenue or expenses. The $1.8 billion reduction in net position resulted from the accrued reimbursement to the State Highway Fund for the SH288 managed lanes buyout. The cash transfer is scheduled for early fiscal year 2026, following the issuance of bonds to finance the buyout.

Budget Highlights

Variances for the State Highway Fund

The differences between the original and final revenue budgets are due to economic and legislative reasons. Budget mechanisms allow budget revisions for certain revenues when collections exceed the original budget. Accordingly, major revisions were made to both total revenues and expenditures for a net change of $11.8 billion. There was a $34.2 million positive variance between the actual and final budget revenues. The $180.2 million interest and investment income, $167.5 million licenses, fees and permits variance between actual and final budget accounted for the majority of the revenue variance. The actual expenditures related to transportation were less than the final budget by $8.3 billion which represents expenditures expected to be paid in future fiscal years. Construction strategies can be charged for up to four additional fiscal years and non-construction strategies can be charged for up to two additional fiscal years after the original appropriation year.

The budgetary comparison schedule in the Required Supplementary Information section and the Budget Schedule by Strategy in the Other Supplementary Information section presents comparisons of the legally adopted budget with actual data on a budgetary basis.

Capital Assets and Debt Administration

Capital Assets

TxDOT's capital assets are comprised of roads, bridges, buildings, land, equipment, and intangible capital assets. As of Aug. 31, 2025, TxDOT had $164.2 billion in net capital assets, a $10.6 billion or 6.9 percent increase over fiscal 2024. The increase was due to an increase in construction in progress of $4.7 billion, infrastructure - depreciable of $4.3 billion, land and land improvements of $1.6 billion in fiscal 2025. The total accumulated depreciation and amortization for TxDOT as of Aug. 31, 2025 was $39.3 billion.

Capital Assets - Net of Depreciation and Amortization

August 31, 2025 and 2024 (Amounts in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2025	2024	2025	2024	2025	2024
Land and Land Improvements	$ 22,673,282	$ 21,109,952	$ 725,847	$ 725,847	$ 23,399,129	$ 21,835,799
Infrastructure - Depreciable	106,813,101	102,410,543	2,026,557	2,082,657	108,839,658	104,493,200
Construction in Progress	30,534,638	25,854,152	12,540	23,699	30,547,178	25,877,851
Buildings and Building Improvements	680,877	623,978	1,354	1,715	682,231	625,693
Furniture and Equipment	89,830	77,282			89,830	77,282
Vehicles, Boats and Aircraft	394,238	378,313			394,238	378,313
Other Capital Assets	1,751	1,989			1,751	1,989
Land Use Rights - Permanent	90,752	90,258	19,466	19,466	110,218	109,724
Land Use Rights - Term	6,092				6,092	
Computer Software	98,117	79,855		14,894	98,117	94,749
Buildings and Building Improvements (RTU)	27	18,269			27	18,269
Land Use Rights - Permanent (RTU)	1,051	1,857			1,051	1,857
Furniture and Equipment (RTU)	7,576	12,778			7,576	12,778
Subscriptions (RTU)	57,165	48,965	286	61,780	57,451	$ 110,745
Total Capital Assets	$ 161,448,497	$ 150,708,191	$ 2,786,050	$ 2,930,058	$ 164,234,547	$ 153,638,249

TxDOT uses the composite approach for reporting the state's infrastructure and bridges. The composite approach is a method for calculating depreciation of a grouping of dissimilar assets of the same class (all the roads and bridges of the state) using the same depreciation rate. The composite depreciation rate for 2025 is 2.5 percent based on a 40-year weighted average life expectancy of the assets in service.

To ensure future availability of essential services and to finance capital improvements, TxDOT made commitments for construction contracts, comprehensive development agreements and pass-through toll agreements totaling an estimated $24.4 billion. These commitments extend beyond the end of the fiscal year and represent future costs to TxDOT. Note 2 provides detail about TxDOT's capital assets activity and Note 15 details TxDOT's significant commitments related to future capital expenditures.

Debt Administration

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

Outstanding Bonded Debt

As of August 31, 2025 (Amount in Thousands)

	Governmental Activities		Business-Type Activities	
	2025	**2024**	**2025**	**2024**
General Obligation Bonds Payable	$ 8,403,874	$ 8,888,898	$	$
Revenue Bonds Payable	2,369,672	2,684,555	7,184,530	7,243,023
Total Bonds Payable	$ 10,773,546	$ 11,573,453	$ 7,184,530	$ 7,243,023

Bond Credit Ratings

The outstanding bonds of the Commission and GPTC were rated by the major nationally recognized statistical rating organizations. As of Aug. 31,2025, the bonds carried the following ratings

Long-Term Credit Ratings as of August 31, 2025

Governmental Activities	Fitch	Moody's	Standard & Poor's	Kroll
General Obligation Bonds				
TMF 2009-A, 2014, 2014-A, 2015-A, 2017-A,B	AAA	Aaa	AAA	AAA
TMF 2014-B	AAA	Aaa	AAA	n/a
TMF 2015-B	n/a	Aaa	AAA	AAA
TMF 2020	AAA	Aaa	n/a	AAA
TMF 2024	n/a	Aaa	AAA	n/a
HIGO 2010-A, 2016, 2016-A, 2019	AAA	Aaa	AAA	AAA
HIGO 2020	AAA	Aaa	n/a	AAA
HIGO 2024	n/a	Aaa	AAA	AAA
Revenue Bonds				
SHF 2008, 2010, 2015, 2016-A,B, 2024	n/a	Aaa	AAA	n/a
Business-Type Activities				
Revenue Bonds				
CTTS 2002-A, 2020-A,C, CTTS 2024-A,B	A+	A2	A	n/a
CTTS 2024-C	A-	A3	A-	n/a
GPTC 2013-B,E, 2018-A	AA	n/a	AA+	n/a
GPTC 2020-A,C	A+	A1	n/a	n/a
GPTC 2020-B	AA	Aa1	n/a	n/a
GPTC 2023	AA	Aa1	n/a	n/a
SH 249 2019-A,B	n/a	A3	n/a	n/a

Short-term ratings are usually reliant upon the supporting liquidity facility and its strength. The following variable rate demand bonds carried short-term credit ratings as of Aug. 31, 2025.

Short-Term Credit Ratings as of August 31, 2025

Governmental Activities	Fitch	Moody's	Standard & Poor's	Kroll
General Obligation Bonds				
TMF Series 2006-B Variable Rate Interest Bonds	F1+	VMIG 1	n/a	n/a
Revenue Bonds				
SHF Series 2014-B Variable Rate Interest Bonds	n/a	VMIG 1	A-1	n/a

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

Economic Condition

The current economic landscape continues to pose challenges for government agencies, including state departments of transportation (DOTs), as population growth and vehicle miles traveled persistently outstrip available transportation funding. As of August 2025, the inflation rate stood at 2.9 percent. Despite these pressures, the Texas economy maintained its upward trajectory throughout 2025. While the unemployment rate held steady, job growth gained momentum. Over the five fiscal years from 2021 to 2025, a total of 4,067 highway and bridge construction projects—valued at an estimated $46.1 billion—were let or awarded, with actual awards totaling $45.6 billion.

Contacting TxDOT's Financial Management

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

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

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SECTION TWO (CONTINUED)

BASIC FINANCIAL STATEMENTS

Texas Department of Transportation
Statement of Net Position
August 31, 2025 (Amounts in Thousands)

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	$ 5,302,178	$ 716,072	$ 6,018,250
Short-Term Investments	9,936	152,022	161,958
Restricted:			
Cash and Cash Equivalents	57,255	1,147,896	1,205,151
Short-Term Investments		19,834	19,834
Legislative Appropriations	611,642		611,642
Due from Other Agencies (Note 11)	2,801,365		2,801,365
Receivable:			
Taxes	266,831		266,831
Federal	526,599		526,599
Interest and Dividends	5,073	629	5,702
Accounts Receivable	143,258	23,710	166,968
Other Intergovernmental	257,621		257,621
Leases (Note 7)	488		488
Loans and Contracts (Note 4)	11,788		11,788
Consumable Inventory	179,566		179,566
Prepaid Items	3		3
Total Current Assets	10,173,603	2,060,163	12,233,766
Noncurrent Assets:			
Restricted:			
Investments		24,269	24,269
Loans and Contracts (Note 4)	705,001		705,001
Investments	14,644	9,726	24,370
Receivable:			
Taxes	40		40
Other Intergovernmental	34,051		34,051
Leases (Note 7)	952		952
Public-Private or Public-Public Partnership Asset (Note 20)	1,962,821		1,962,821
Capital Assets:			
Non-Depreciable or Non-Amortizable (Note 2)	53,298,672	757,853	54,056,525
Depreciable or Amortizable, Net (Note 2)	108,149,825	2,028,197	110,178,022
Total Noncurrent Assets	164,166,006	2,820,045	166,986,051
Total Assets	174,339,609	4,880,208	179,219,817
DEFERRED OUTFLOWS OF RESOURCES			
Loss on Bond Refunding (Note 21)	27,052	159,568	186,620
Pensions (Note 8, 21)	145,995		145,995
Other Postemployment Benefits (Note 10, 21)	703,832		703,832
Total Deferred Outflows of Resources	876,879	159,568	1,036,447

Continued on the following page

Texas Department of Transportation Concluded
Statement of Net Position

August 31, 2025 (Amounts in Thousands)

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Current Liabilities:			
Payables:			
Accounts	2,404,303	41,671	2,445,974
Payroll	115,459		115,459
Interest	185,519	76,718	262,237
Contract Retainage	65,484		65,484
Deposits	17,212		17,212
Internal Balances (Note 11)	(1,822,475)	1,822,475	0
Due to Other Agencies (Note 11)	3,608		3,608
Unearned Revenues	459,720		459,720
Compensated Absences (Note 5)	101,867		101,867
Claims and Judgments (Note 5, 17)	78,000		78,000
Notes and Loans Payable (Note 5)	75,781		75,781
General Obligation Bonds Payable (Note 5)	385,767		385,767
Revenue Bonds Payable (Note 5)	327,066	105,313	432,379
Pollution Remediation Obligation (Note 5)	22,266		22,266
Net OPEB Liability (Note 10)	101,140		101,140
Right-to-Use Lease Obligations (Note 5, 7)	4,091		4,091
Right-to-Use Subscription Obligations (Note 5, 7)	24,630	6,094	30,724
Total Current Liabilities	2,549,438	2,052,271	4,601,709
Noncurrent Liabilities:			
Compensated Absences (Note 5)	32,351		32,351
Claims and Judgments (Note 5, 17)	5,000		5,000
Notes and Loans Payable (Note 5)	826,597	637,819	1,464,416
General Obligation Bonds Payable (Note 5)	8,018,107		8,018,107
Revenue Bonds Payable (Note 5)	2,042,606	7,079,217	9,121,823
Net Pension Liability (Note 8)	736,045		736,045
Net OPEB Liability (Note 10)	2,046,005		2,046,005
Right-to-Use Lease Obligations (Note 5, 7)	3,923		3,923
Right-to-Use Subscription Obligations (Note 5, 7)	19,263		19,263
Total Noncurrent Liabilities	13,729,897	7,717,036	21,446,933
Total Liabilities	16,279,335	9,769,307	26,048,642
DEFERRED INFLOWS OF RESOURCES			
Public-Private and Public-Public Partnerships (Note 20, 21)	9,644,750		9,644,750
Gain on Bond Refunding (Note 21)	64,521	111,544	176,065
Pensions (Note 8, 21)	146,261		146,261
Other Postemployment Benefits (Note 10, 21)	463,342		463,342
Leases (Note 7, 21)	2,965		2,965
Time-Restricted Appropriations (Note 21)	465,800		465,800
Total Deferred Inflows of Resources	10,787,639	111,544	10,899,183
NET POSITION			
Net Investment in Capital Assets	142,094,546	619,197	142,713,743
Restricted for:			
Transportation - Construction	4,479,695	164,287	4,643,982
Transportation - Operations and Maintenance	37,742	213,127	250,869
Debt Service	154,125	275,547	429,672
Unrestricted	1,383,406	(6,113,233)	(4,729,827)
Total Net Position	$ 148,149,514	$ (4,841,075)	$ 143,308,439

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

Texas Department of Transportation
Statement of Activities
For the Fiscal Year Ended August 31, 2025
(Amounts in Thousands)

		PROGRAM REVENUES		
Functions	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
Primary Government				
Governmental Activties:				
Transportation	$ 8,988,838	$ 1,203,546	$ 5,716,203	$ 35,672
Total Governmental Activities	8,988,838	1,203,546	5,716,203	35,672
Business-Type Activities:				
Transportation	640,904	761,353	90,752	
Total Business-Type Activities	640,904	761,353	90,752	0
Total Primary Government	$ 9,629,742	$ 1,964,899	$ 5,806,955	$ 35,672

General Revenues:
Legislative Appropriations
Motor Fuel Tax
Lubricant Sales Tax
Oil and Natural Gas Production Tax
Motor Vehicle & Mfg Housing
Unrestricted Investment Earnings
Settlement of Claims
Gain on Sale of Capital Assets
Gain on Other Financial Activity
Other Revenues
Special item-PPP Loss
Transfers – Internal Activities (Note 11)
Transfers – Other State Agencies
Total General Revenues, Special Items, and Transfers
Changes in Net Position

Net Position, September 1, 2024
Restatements (Note 14)
Net Position, September 1, 2024, As Restated
Net Position, August 31, 2025

Continued on the following page

Texas Department of Transportation (Concluded)
Statement of Activities
For the Fiscal Year Ended August 31, 2025
(Amounts in Thousands)

NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
Governmental Activities	Business-Type Activties	Total
$ (2,033,417)	$	$ (2,033,417)
(2,033,417)	0	(2,033,417)
	211,201	211,201
0	211,201	211,201
(2,033,417)	211,201	(1,822,216)
323,316		323,316
2,884,674		2,884,674
2,539,500		2,539,500
2,524,239		2,524,239
714,067		714,067
321,243		321,243
58,818		58,818
40,457		40,457
909		909
3,535		3,535
(842,674)		(842,674)
1,891,020	(1,891,020)	0
2,037,234		2,037,234
12,496,338	(1,891,020)	10,605,318
10,462,921	(1,679,819)	8,783,102
137,675,188	(3,161,256)	134,513,932
11,405		11,405
137,686,593	(3,161,256)	134,525,337
$ 148,149,514	$ (4,841,075)	$ 143,308,439

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

Texas Department of Transportation
Balance Sheet - Governmental Funds
August 31, 2025 (Amounts in Thousands)

	State Highway Fund	Texas Mobility Fund - Debt Service	Texas Mobility Fund - Capital Projects	Nonmajor Funds	Total
ASSETS					
Cash and Cash Equivalents:					
Cash on Hand	$ 30	$	$	$ 1	31
Cash in Bank	5,870				5,870
Cash in State Treasury	3,954,664	273,061	270,460	611,878	5,110,063
Cash Equivalents	186,214				186,214
Short-Term Investments	9,936				9,936
Legislative Appropriations				611,642	611,642
Receivables:					
Taxes	266,871				266,871
Federal	485,483	10,834		30,282	526,599
Other Intergovernmental	291,672				291,672
Interest and Dividends	5,073				5,073
Accounts Receivable	143,258				143,258
Leases (Note 7)	1,440				1,440
Due from Other Funds (Note 11)	1,877,596			3,519	1,881,115
Due from Other Agencies (Note 11)	2,800,285			1,080	2,801,365
Consumable Inventories	179,566				179,566
Prepaid Items	3				3
Investments (Note 3)	14,644				14,644
Loans and Contracts (Note 4)	316,789			400,000	716,789
Restricted:					
Cash Equivalents	57,255				57,255
Total Assets	$ 10,596,649	$ 283,895	$ 270,460	$ 1,658,402	$ 12,809,406

Continued on the following page

Balance Sheet - Governmental Funds

August 31, 2025 (Amounts in Thousands)

	State Highway Fund	Texas Mobility Fund - Debt Service	Texas Mobility Fund - Capital Projects	Nonmajor Funds	Total
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Payables:					
Accounts	2,337,312		11,955	55,036	2,404,303
Payroll	115,142			318	115,460
Contract Retainage	65,484				65,484
Deposits	17,212				17,212
Due to Other Funds (Note 11)	38,746		3,128	16,766	58,640
Due to Other Agencies (Note 11)	3,608				3,608
Unearned Revenues	7,771			451,949	459,720
Total Liabilities	2,585,275	0	15,083	524,069	3,124,427
Deferred Inflows of Resources:					
Unavailable Revenue (Note 21)	2,768,047			4,554	2,772,601
Leases (Note 7)	2,965				2,965
Public-Private or Public-Public Partnerships (Note 20)	2,317,577				2,317,577
Time-Restricted Appropriations (Note 21)				465,800	465,800
Total Deferred Inflows of Resources	5,088,589	0	0	470,354	5,558,943
Fund Balances:					
Nonspendable (Note 13)	179,569			400,000	579,569
Restricted (Note 13)	2,246,524	283,895		37,315	2,567,734
Committed (Note 13)	986,830		255,377	85,376	1,327,583
Assigned (Note 13)	317,487			2,177	319,664
Unassigned (Note 13)	(807,625)			139,111	(668,514)
Total Fund Balances	2,922,785	283,895	255,377	663,979	4,126,036
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 10,596,649	$ 283,895	$ 270,460	$ 1,658,402	$ 12,809,406

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

Texas Department of Transportation
Reconciliation of the Governmental Funds Balance Sheet to
the Statement of Net Position
August 31, 2025 (Amounts in Thousands)

Total Fund Balance - Governmental Funds		$	4,126,036
Amounts reported for governmental activities in the Statement of Net Position are different because:			
Capital Assets to be received at the conclusion of Public-Private or Public-Public Agreements are included in the Statement of Net Position			1,962,821
Capital assets less accumulated depreciation and amortization are included in the Statement of Net Position (Note 2).			
Capital Assets - Non-Depreciable or Non-Amortizable	53,298,672		
Capital Assets - Depreciable or Amortizable, Net	108,149,825		
			161,448,497
Deferred inflows of resources were reported in the funds related to revenues that were not available soon enough after year-end to pay current year's expenditures (Note 21).			2,772,600
Deferred inflows of resources were reported in the Statement of Net Position to reflect the unamortized capital improvements under Public-Private or Public-Public Parnerships, gain on bond refundings, and the impact of pension and other postemployment benefit adjustments (Note 21).			(8,001,295)
Deferred outflows of resources were reported in the Statement of Net Position to reflect the loss on bond refundings and the impact of pension and other postemployment benefit adjustments (Note 21).			876,879
Long-term liabilities applicable to TxDOT's governmental activities are not due and payable in the current period and accordingly are not reported in the funds. These liabilities, however, are included in the Statement of Net Position. (Note 5, 7, 8, 10)			
Compensated Absences	(134,218)		
Claims and Judgments	(83,000)		
Notes and Loans Payable**	(902,378)		
General Obligation Bonds Payable	(8,403,874)		
Revenue Bonds Payable	(2,369,672)		
Pollution Remediation Obligations	(22,266)		
Net Pension Liability	(736,045)		
Right-to-Use Lease Obligations	(8,014)		
Right-to-Use Subscription Obligations	(43,893)		
Net OPEB Liabilities	(2,147,145)		
			(14,850,505)*
* Current portion $1,120,609 and noncurrent portion $13,729,896			
**Pass-Through Tolls Payable $296,515, Contracts Payable $12,000 TIFIA Loan Payable $323,296, TPFA Note Payable $270,568			
Interest payable applicable to TxDOT's governmental activities is not due and payable in the current period and accordingly is not reported in the funds. These liabilities, however, are included in the Statement of Net Position.			(185,519)
Net Position of Governmental Activities		$	148,149,514

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

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Texas Department of Transportation
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds

For the Fiscal Year Ended August 31, 2025 (Amounts in Thousands)

	State Highway Fund	Texas Mobility Fund	Texas Mobility Fund - Debt Service	Texas Mobility Fund - Capital Projects	Nonmajor Funds	Total
REVENUES						
Legislative Appropriations	$	$	$	$	$ 323,316	$ 323,316
Taxes	8,877,112					8,877,112
Federal Revenues	5,495,270		21,720		184,824	5,701,814
Federal Pass-Through Revenues					9,125	9,125
Licenses, Fees and Permits	375,328		273,772	135,142	269	784,511
Interest & Investment Income	292,222		7,289	10,590	12,537	322,638
Net Increase Fair Value	784					784
Land Income	28,413					28,413
Settlement of Claims	58,818					58,818
Sales of Goods and Services	22,303				148,222	170,525
Other Revenues	3,511			24		3,535
Total Revenues	15,153,761	0	302,781	145,756	678,293	16,280,591
EXPENDITURES						
Current:						
Transportation	5,984,298			94,456	123,874	6,202,628
Capital Outlay	13,412,547			4,422	183,611	13,600,580
Debt Service:						
Principal	99,498		186,380		435,480	721,358
Interest	8,159		222,611		249,288	480,058
Other Financing Fees	596			4,335		4,931
Total Expenditures	19,505,098	0	408,991	103,213	992,253	21,009,555
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,351,337)	0	(106,210)	42,543	(313,960)	(4,728,964)
OTHER FINANCING SOURCES (USES)						
Transfers In (Note 11)	4,082,087		87,792	42,428	626,022	4,838,329
Transfers Out (Note 11)	(762,972)			(1,841)	(147,651)	(912,464)
Bonds Issued for Refunding			840,260			840,260
Premium/Discount on Bonds Issued			91,530			91,530
Payment to Escrow for Refunding			(927,631)			(927,631)
Increase in Obligations for Leases & Subscriptions	39,520					39,520
Sale of Capital Assets	56,717				1,583	58,300
Total Other Financing Sources (Uses)	3,415,352	0	91,951	40,587	479,954	4,027,844
SPECIAL ITEMS						
Special Item - PPP Buyout Expenditure	1,708,429					1,708,429
Net Change in Fund Balances	(2,644,414)	0	(14,259)	83,130	165,994	(2,409,549)
Fund Balances, September 1, 2024	5,567,199	470,401			497,985	6,535,585
Restatements (Note 14)	0	(470,401)	298,154	172,247	0	0
Fund Balances, September 1, 2024 as Restated	5,567,199	0	298,154	172,247	497,985	6,535,585
Fund Balances, August 31, 2025	$ 2,922,785	$ 0	$ 283,895	$ 255,377	$ 663,979	$ 4,126,036

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

Texas Department of Transportation
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities

For the Fiscal Year Ended August 31, 2025 (Amounts in Thousands)

Net Change in Fund Balances		$ (2,409,549)
Governmental funds report capital outlays as expenditures. In the Statement of Activities, however, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The amount by which capital outlay exceeds depreciation in the current period is:		
Capital Outlay	13,600,580	
Depreciation and Amortization Expense (Note 2)	(3,050,572)	
		10,550,008
The effect of various miscellaneous transactions involving capital assets and leases is an increase to net position.		
Donations of Capital Assets	35,672	
Gain on Sale of Capital Assets	40,457	
Gain on Early Termination of Lease	909	
Sale of Capital Assets	(58,300)	
Increase in Obligations for Leases	(137)	
Increase in Obligations for Subscriptions	(39,383)	
Interagency Transfers of Capital Assets	2,391	
		(18,391)
Revenues that do not provide current financial resources are not reported in the governmental funds, but are reported in the Statement of Activities.		
Concession Revenues	208,102	
OPEB-Related Grant Revenue	124	
Federal Revenue	2,955	
Local Revenue	11,995	
Oil & Natural Gas Production Tax Revenue	(215,565)	
Motor Fuels Tax Revenue	934	
		8,545
Repayment of long-term debt consumes current financial resources and is an expenditure in the governmental funds, but reduces long-term liabilities in the Statement of Net Position.		
Bonds Issued for Refunding	(840,260)	
Premiums on Bonds Issued	(91,530)	
Payment to Escrow for Refunding	927,631	
Repayment of Bond and Note Principal	687,626	
Payment of Debt Service Principal For Right-to-Use Leases & Subscriptions	33,732	
Net Change in Pollution Remediation Obligation	(3,831)	
Net Change in Compensated Absences	(11,278)	
Claims and Judgements	67,000	
		769,090
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Interest and Amortization Expense	141,208	
Payroll Related Costs	556,255	
		697,463
A portion of the special item was reported in the governmental fund as an expenditure. In the Statement of Net Position, that portion was applied as a reduction to the deferred inflow recorded for the outstanding PPP agreement		
Special item-PPP Loss	865,755	
		865,755
Change in Net Position of Governmental Activities		$ 10,462,921

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

Texas Department of Transportation
Statement of Net Position - Proprietary Funds
August 31, 2025 (Amounts in Thousands)

	Business-Type Activities - Enterprise Funds				
	Central Texas Turnpike System	Grand Parkway Transportation Corporation	SH 249 System	SH 288 System	Totals
ASSETS					
Current Assets:					
Cash and Cash Equivalents:					
Cash and Cash Equivalents	$ 54,306	$ 610,498	$ 51,268	$	$ 716,072
Short-Term Investments	19,834	132,188			152,022
Restricted:					
Cash and Cash Equivalents	585,856	510,285	51,755		1,147,896
Short-Term Investments	19,834				19,834
Accounts Receivable	15,252	7,809	649		23,710
Interest and Dividends	260	261	108		629
Due from Other Funds (Note 11)	14,153	6,974	504		21,631
Total Current Assets	709,495	1,268,015	104,284	0	2,081,794
Noncurrent Assets:					
Restricted:					
Investments	9,708		14,561		24,269
Investments		9,726			9,726
Non-Depreciable or Non-Amortizable (Note 2)	699,484		58,369		757,853
Depreciable or Amortizable, Net (Note 2)	1,655,232		372,965		2,028,197
Total Noncurrent Assets	2,364,424	9,726	445,895	0	2,820,045
Total Assets	3,073,919	1,277,741	550,179	0	4,901,839
DEFERRED OUTFLOWS OF RESOURCES					
Deferred Outflows of Resources					
Loss on Bond Refunding (Note 21)	10,441	149,127			159,568
Total Deferred Outflows of Resources	10,441	149,127	0	0	159,568

Continued on the following page

Texas Department of Transportation
Statement of Net Position - Proprietary Funds
August 31, 2025 (Amounts in Thousands)

	Business-Type Activities - Enterprise Funds				
	Central Texas Turnpike System	Grand Parkway Transportation Corporation	SH 249 System	SH 288 System	Totals
LIABILITIES					
Current Liabilities:					
Payables:					
Accounts	23,602	17,622	447		41,671
Interest	4,160	71,908	650		76,718
Due to Other Funds (Note 11)	11,680	25,299	419	1,806,708	1,844,106
Revenue Bonds Payable (Notes 5, 6)	93,601	11,397	315		105,313
Subscription Obligations (Notes 5, 7)	6,094				6,094
Total Current Liabilities	139,137	126,226	1,831	1,806,708	2,073,902
Noncurrent Liabilities:					
Notes and Loans Payable (Notes 5)		637,819			637,819
Revenue Bonds Payable (Notes 5, 6)	2,569,258	4,217,883	292,076		7,079,217
Total Noncurrent Liabilities	2,569,258	4,855,702	292,076	0	7,717,036
Total Liabilities	2,708,395	4,981,928	293,907	1,806,708	9,790,938
DEFERRED INFLOWS OF RESOURCES					
Deferred Inflows of Resources					
Gain on Bond Refunding (Note 21)	96,845	14,699			111,544
Total Deferred Inflows of Resources	96,845	14,699	0	0	111,544
NET POSITION					
Net Investment in Capital Assets	388,856		230,341		619,197
Restricted for:					
Transportation - Construction	150,836		13,451		164,287
Transportation - Operations and Maintenance	81,758	112,162	19,207		213,127
Debt Service	171,989	103,558			275,547
Unrestricted	(514,319)	(3,785,479)	(6,728)	(1,806,708)	(6,113,234)
Total Net Position	$ 279,120	$ (3,569,759)	$ 256,271	$ (1,806,708)	$ (4,841,076)

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

Texas Department of Transportation
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds
For the Fiscal Year Ended August 31, 2025 (Amounts in Thousands)

	Business-Type Activities - Enterprise Funds				
	Central Texas Turnpike System	Grand Parkway Transportation Corporation	SH 249 System	SH 288 System	Totals
OPERATING REVENUES					
Toll Revenue - Pledged	$ 311,477	$ 393,320	$ 29,410	$	$ 734,207
Fee Revenue - Pledged	16,684				16,684
Other Sales Goods & Services-Pledged	9,475				9,475
Total Operating Revenues	337,636	393,320	29,410	0	760,366
OPERATING EXPENSES					
Salaries	2,727	4,025	323		7,075
Professional Fees and Services	43,768	30,359	2,372		76,499
Travel	2	2			4
Materials and Supplies	934	479	26		1,439
Communication and Utilities	1,685	320			2,005
Repairs and Maintenance	65,139	18,974	1,529		85,642
Rentals and Leases	2	8			10
Contracted Services	43,551	6,644	347		50,542
Advertising	305	103	5		413
Depreciation and Amortization	77,829		10,010		87,839
Other Operating Expenses	8,891	17,167	1,439		27,497
Total Operating Expenses	244,833	78,081	16,051	0	338,965
Operating Income	92,803	315,239	13,359	0	421,401
NONOPERATING REVENUES (EXPENSES)					
Lease Revenue	987				987
Interest and Investment Income	31,158	47,643	4,317		83,118
Net Increase in Fair Value of Investments	1,685	5,412	537		7,634
Amortization	16,396	8,573	315		25,284
Interest Expense	(118,853)	(188,957)	(13,667)		(321,477)
(Loss) on Sale of Capital Asset	(5,319)				(5,319)
Other Financing Fees	(35)	(68)	(25)		(128)
Other Nonoperating Expenses	(263)	(36)			(299)
Total Nonoperating Revenues (Expenses)	(74,244)	(127,433)	(8,523)	0	(210,200)
Income before Capital Contributions and Transfers	18,559	187,806	4,836	0	211,201
CAPITAL CONTRIBUTIONS AND TRANSFERS					
Capital Contributions			328		328
Transfers In (Note 11)	14,486				14,486
Transfers Out (Note 11)		(98,864)	(262)	(1,806,708)	(1,905,834)
Total Capital Contributions and Transfers	14,486	(98,864)	66	(1,806,708)	(1,891,020)
Change in Net Position	33,045	88,942	4,902	(1,806,708)	(1,679,819)
Net Position, September 1, 2024	246,075	(3,658,701)	251,370		(3,161,256)
Net Position, August 31, 2025	$ 279,120	$ (3,569,759)	$ 256,272	$ (1,806,708)	$ (4,841,075)

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

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Texas Department of Transportation
Statement of Cash Flows - Proprietary Funds
For the Fiscal Year Ended August 31, 2025 (Amounts in Thousands)

	Business-Type Activities - Enterprise Funds				
	Central Texas Turnpike System	Grand Parkway Transportation Corporation	SH 249 System	SH 288 System	Totals
Cash Flows from Operating Activities					
Proceeds from Customers	$ 349,791	$ 414,569	$ 30,934	$	$ 795,294
Payments to Suppliers for Goods and Services	(188,138)	(80,308)	(5,259)		(273,705)
Net Cash Provided by Operating Activities	161,653	334,261	25,675	0	521,589
Cash Flows from Non-Capital Financing Activities					
Payments for Principal on Debt and Other Liabilities		(2,780)			(2,780)
Payments for Interest on Debt and Other Liabilities		(172,602)			(172,602)
Payments for Financing Fees		(68)			(68)
Payments for Transfers to Other Funds		(78,848)	(261)	(1,731,731)	(1,810,840)
Net Cash (Used) by Non-Capital Financing Activities	0	(254,298)	(261)	(1,731,731)	(1,986,290)
Cash Flows from Capital and Related Financing Activities					
Proceeds from Land Revenue	987				987
Proceeds after Refunding from Escrow Account	841				841
Proceeds from Interfund Payables				1,731,731	1,731,731
Payments for Principal on Debt	(60,410)				(60,410)
Payments for SBITA	(9,895)				(9,895)
Payments for Interest on Debt and Other Liabilities	(99,934)		(7,799)		(107,733)
Payments for Other Financing Fees	(35)		(25)		(60)
Net Cash Provided (Used) by Capital and Related Financing Activities	(168,446)	0	(7,824)	1,731,731	1,555,461
Cash Flows from Investing Activities					
Proceeds from Interest and Investment Income	31,940	47,739	4,311		83,990
Proceeds from Sales and Maturities of Investments	35,000	55,050	7,996		98,046
Payments for Arbitrage Rebate	(263)	(36)			(299)
Net Cash Provided by Investing Activities	66,677	102,753	12,307	0	181,737
Net Increase in Cash and Cash Equivalents	59,884	182,716	29,897	0	272,497
Cash and Cash Equivalents - September 1, 2024	580,278	938,067	73,126	0	1,591,471
Cash and Cash Equivalents - August 31, 2025	$ 640,162	$ 1,120,783	$ 103,023	$ 0	$ 1,863,968

Reconciliation of Cash and Cash Equivalents per Statement of Cash Flows to Statement of Net Position:					
Unrestricted	$ 54,306	$ 610,498	$ 51,268	$	$ 716,072
Restricted	585,856	510,285	51,755		1,147,896
	$ 640,162	$ 1,120,783	$ 103,023	$ 0	$ 1,863,968

Concluded on the following page

Texas Department of Transportation
Statement of Cash Flows - Proprietary Funds
For the Fiscal Year Ended August 31, 2025 (Amounts in Thousands)

	Business-Type Activities - Enterprise Funds				
	Central Texas Turnpike System	Grand Parkway Transportation Corporation	SH 249 System	SH 288 System	Totals
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:					
Operating Income	$ 92,803	$ 315,239	$ 13,359	$	$ 421,401
Depreciation and Amortizaton	77,829		10,010		87,839
Other Non-Cash Operating Costs	(300)				(300)
Decrease in Receivables	10,280	27,476	1,954		39,710
Decrease in Inventories	224	112	5		341
Increase (Decrease) in Payables	(12,080)	3,301	202		(8,577)
Increase (Decrease) in Due to Other Funds	(8,063)	(5,640)	208		(13,495)
(Increase) Decrease in Due from Other Funds	960	(6,227)	(63)		(5,330)
Total Adjustments	68,850	19,022	12,316	0	100,188
Net Cash Provided (Used) by Operating Activities	$ 161,653	$ 334,261	$ 25,675	$ 0	$ 521,589
Non-Cash Transactions					
Net Change in Fair Market Value of Investments	$ 1,685	$ 5,412	$ 537	$	$ 7,634
Accretion on Bonds Payable/Interfund Payable	$ (24,112)	$ (11,821)	$ (5,868)	$ (74,977)	$ (116,778)
Amortization on Bonds Payable	$ 16,396	$ 8,573	$ 315	$	$ 25,284
Amortization of Deferred Inflow/Outflow	$ 6,261	$ (4,552)	$	$	$ 1,709
Capital Contribution	$	$	$ 328	$	$ 328

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

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Texas Department of Transportation
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

The Commission is authorized by Transportation Code Chapter 431 to create Texas transportation corporations to perform functions normally undertaken by TxDOT. As of fiscal 2025, three transportation corporations, the Texas Private Activity Bond Surface Transportation Corporation (TxPABST), the Texas Transportation Finance Corporation (TTFC), and the Grand Parkway Transportation Corporation (GPTC), are reported as blended component units because TxDOT exercises sufficient authority over the assets, operations and management of such entities to warrant their inclusion. Even though Texas transportation corporations are a part of the TxDOT reporting entity, the state is not liable for debts of these corporations, nor entitled to the assets of these corporations.

Basis of Presentation

The accompanying financial statements were prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). Financial reporting for TxDOT is based on all GASB pronouncements. The data in this report is combined and consolidated by the Texas Comptroller's Office with similar data from other state agencies and universities in the preparation of the state of Texas Annual Comprehensive Financial Report (ACFR).

GASB Pronouncements and Implementation Guides Effective for Fiscal 2025

In fiscal 2025 TxDOT adopted the following new GASB pronouncements:

GASB Statement No. 101, Compensated Absences. This Statement requires governments to recognize a liability for compensated absences when (1) leave has been earned but not used, and (2) leave has been used but not yet paid. A liability for unused leave must be recognized if the leave is attributable to past service, accumulates, and is more likely than not to be used or paid. Leave expected to convert to defined benefit postemployment benefits is excluded. This Statement requires that a liability for certain types of compensated absences—including parental leave, military leave, and jury duty leave—not be recognized until the leave commences. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used. Liabilities for unused leave are measured using the employee's pay rate as of the financial statement date. Used but unpaid leave is measured at the expected settlement amount. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities. Under the current financial resources measurement focus, expenditures should be recognized to the extent the liability will be liquidated with available resources. Disclosure requirements have been simplified to allow reporting of net changes in the liability, and governments are no longer required to disclose which funds typically liquidate the liability.

GASB Statement No. 102, Certain Risk Disclosures. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. If a government determines that those criteria for disclosure have been met for a concentration or constraint, it should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of the circumstances disclosed and the government's vulnerability to the risk of a substantial impact. The disclosure should include descriptions of the following:

- The concentration or constraint
- Each event associated with the concentration or constraint that could cause a substantial impact if the event had occurred or had begun to occur prior to the issuance of the financial statements
- Actions taken by the government prior to the issuance of the financial statements to mitigate the risk.

Implementation Guide 2025-1, Implementation Guidance Update – 2025. Question 4.16 – Financial Reporting Model Improvements.

Financial Reporting Structure

The basic financial statements include entity-wide financial statements and fund financial statements. The reporting model based on *GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* focuses on TxDOT as a whole in the government-wide financial statements and major individual funds in the fund financial statements.

Entity-wide Financial Statements

The entity-wide financial statements (statement of net position and statement of activities) display information about TxDOT as a whole and the change in aggregate financial position resulting from the activities of the fiscal period. These statements include separate columns for the governmental and business-type activities of TxDOT (including its blended component units). In the statement of net position, both the governmental and business-type activities columns are presented on a consolidated basis by column and are reflected on an accrual basis, economic measurement focus which incorporates noncurrent investments, capital assets and long-term debt and obligations.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function, and 3) grants and contributions that are restricted to meeting the capital-specific requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

The fund financial statements are presented after the entity-wide financial statements. They display information about major funds individually and in the aggregate for governmental and proprietary funds. In governmental funds, assets are presented in order of relative liquidity. In proprietary funds, assets and liabilities are presented in a classified format that distinguishes between all current and noncurrent assets and liabilities. Current liabilities are obligations to be paid within the next fiscal year.

The major governmental funds in the fund financial statements are presented on a current financial resources measurement focus and the modified accrual basis of accounting. This presentation is deemed most appropriate to demonstrate compliance with legal and covenant requirements, the source and use of financial resources and how TxDOT's actual experience conforms to the budget. Since the governmental fund financial statements are presented using a different measurement focus and basis of accounting than the entity-wide financial statements governmental activities column, a reconciliation is presented. The reconciliation explains the adjustments required to convert the fund based financial statements to the entity-wide financial statements' governmental activities column.

TxDOT uses funds to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts.

Governmental Fund Types

Governmental funds focus on the sources and uses of funds. Included in the governmental fund financial statements are general, special revenue, debt service and capital projects funds. The general fund is used to account for the departmental operations funded by legislative appropriations, but is not considered the main operating fund for TxDOT. Special revenue funds account for specific revenue sources that are restricted or committed for specific purposes other than debt service or capital projects. Debt service funds are used to account for financial resources that are restricted, committed or assigned to expenditure for principal and interest. Capital projects funds are used to account for financial resources that are restricted, committed or assigned to expenditure for capital outlays.

TxDOT reports the following three major governmental funds:

State Highway Fund:

The State Highway Fund (SHF) is TxDOT's main operating fund. TxDOT reports the following accounts/sub-funds, which are consolidated into the state highway fund for GAAP reporting purposes. The state highway fund is reported as a special revenue fund.

- State Highway Fund Accounts - These funds contain the activity related to public road construction, maintenance and monitoring of the state's highway system. The significant ongoing revenue sources are federal revenues, motor fuels taxes, and other oil and gas taxes which are constitutionally restricted and dedicated to the highway fund.

- Proposition 1 Fund - This fund is used to record, track and report the receipt and disbursement of the Proposition 1 allocation of oil and gas production tax to SHF.

- Proposition 7 Fund - This fund is used to record, track and report the receipt and disbursement of the Proposition 7 allocation of state sales and use tax and motor vehicle sales and rental tax to SHF.

- State Infrastructure Bank - This fund operates as a revolving loan program that makes loans to public and private entities to encourage the development of transportation projects and facilities.

Texas Mobility Funds

The Texas Mobility Fund is a single appropriated fund, but for GAAP reporting purposes, it is presented as two major funds: a debt service fund type and a capital projects fund type. This appropriated fund operates as a revolving fund to provide a method of financing construction, reconstruction, acquisition and expansion of state highways and other transportation projects. The principal ongoing revenue source of the appropriated fund is fees committed by the Legislature under the authority of the Texas Constitution, Article III, Section 49-k. Other inflows to the appropriated fund include bond proceeds. The following accounts comprise the Mobility Fund debt service fund type and capital projects fund type:

Debt Service Fund:

- Mobility Fund Interest and Sinking Account (0367) – monies in this account are used to pay amounts due on or with respect to Parity Debt, including the principal, premium, if any, and interest on Parity Debt as they become due and payable. This account is required as long as Parity Debt is outstanding.

- Mobility Fund Rebate Account (0373) – the fifth Supplemental Resolution established the rebate account. Money on deposit in the rebate account, if any, is paid to the federal government in compliance with arbitrage earnings requirements. Money in the rebate account, if any, does not constitute security.

Capital Projects Fund:

- Mobility Fund General Account (0365) – monies in this account may be used for any lawful purpose for which the Mobility Fund may be used. The General Account is primarily used to fund construction projects throughout the state.

Additionally, TxDOT reports the following non-major governmental funds:

General Fund:

TxDOT reports the following funds, which are consolidated into the general fund for GAAP reporting purposes, but are not considered the main operating fund for TxDOT.

- General Revenue Fund - This fund is used to account for all financial resources of the state except those required to be accounted for in another fund.

- GR Account - Ship Channel Improvement Revolving Account - This account in general revenue is used to finance ship channel projects for navigation districts. This account consists of gifts, grants, donations, appropriations, bond proceeds, loan repayments and interest. May be appropriated only to the Texas Transportation Commission.

- GR Account - Port Access Account - This account in general revenue is used to finance construction and improvement of maritime port facilities, port security, environmental protection projects, and economic development. The account consists of gifts, grants, and donations, amounts appropriated by the legislature, and money received from the federal government.

- Traffic Safety - Crash Records Information Systems - This fund is used to account for expenditures pertaining to the crash records information system.

- Colonias Project Fund - This fund provides financial assistance to counties for roadway projects serving border colonias. Funding is provided from the sale of bonds or commercial paper, which are issued and reported by the Texas Public Finance Authority.

- Suspense Fund - This fund is used to temporarily hold and account for receipts until the correct disposition of items is determined.

- Child Support Deductions Fund - This Fund is used to temporarily hold and account for employee salaries that are withheld due to outstanding child support debts.

- Coronavirus Relief Fund - This fund is established outside the General Revenue Fund to receive Texas' share of federal money appropriated under various federal legislation related to the coronavirus pandemic.

Special Revenue Fund:

- Transportation Infrastructure Fund - This fund was established to make grants to counties for transportation infrastructure projects located in areas of the state affected by increased oil and gas production. The sources of the fund include federal funds, matching state funds, funds appropriated by the legislature, gifts, grants, fees, and investment earnings.

Debt Service Fund:

- Proposition 14/State Highway Fund Debt Service - This fund receives transfers in from the state highway fund for debt service on state highway fund revenue bonds.

- Proposition 12/Highway Improvement Project Fund Debt Service - This fund receives transfers in from the Proposition 7 Fund for debt service on Texas highway improvement general obligation bonds.

Capital Projects Fund:

- Local Government Political Subdivision Road/Airport Fund - This fund holds contributions from counties/political subdivisions for expenditure by the Commission in development/construction of public roads and airports within such counties or political subdivisions.

- Austin Campus Consolidation Project Fund - This fund receives the proceeds of the revenue bond issued by the Texas Public Financing Authority to finance the construction of the Austin TxDOT campuses. The fund reports the construction activity supported by the project. The fund is reported as a capital project fund.

Proprietary Fund Type

Proprietary funds focus on determining operating income, changes in financial position and cash flows. Generally accepted accounting principles similar to those used by private sector businesses are applied in accounting for these funds. Enterprise funds may be used to report any activity for which a fee is charged to external users for goods or services. TxDOT reports the following major proprietary funds:

Central Texas Turnpike System Fund:

These funds report the activity and debt associated with the Central Texas Turnpike System toll roads.

Grand Parkway Transportation Corporation:

These funds report the activity and debt associated with the development of Segments D (Harris County), E, F-1, F-2, G, H, I-1, I-2, and B-1 of the Grand Parkway toll road construction as reported by the Grand Parkway Transportation Corporation.

State Highway 249 System Fund:

The fund reports the activity and debt associated with the development of the Texas SH 249 System. The System consists of 15 miles of new controlled access tollway from Farm to Market (FM) 1774 in Pinehurst, Montgomery County to FM 1774 in Todd Mission, Grimes County. TxDOT voluntarily reports the State Highway 249 System Fund as major to meet requirements laid out in the Master Trust Agreement associated with the debt of the system.

State Highway 288 System Fund:

The fund reports the activity and debt associated with the SH 288 System. The System consists of four tolled lanes in the center of SH 288, from US 59/I-69 in Harris County to the Harris County/Brazoria County line at Clear Creek. The 10.3-mile project provides relief for those traveling between downtown Houston and Brazoria County, including connections to US 59/I-69, the Texas Medical Center, I-610 and Beltway (BW) 8 (Sam Houston Tollway).

Component Units

The Texas Private Activity Bond Surface Transportation Corporation is reported as a nonmajor component unit. The Grand Parkway Transportation Corporation is a component unit reported as a major proprietary fund. The activity for component unit Texas Transportation Finance Corporation is reported in the major proprietary fund State Highway 288 System Fund.

All component units are presented in TxDOT's financial statements as blended component units. See Note 18 for more details.

Basis of Accounting

Entity-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Under the economic resources measurement focus, all economic resources and obligations of the reporting entity, both current and noncurrent, are reported in the entity-wide financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Non-exchange transactions, in which TxDOT gives (or receives) value without directly receiving (or giving) equal value in exchange, include intergovernmental grants. Revenue for grants and similar items are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been met.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental funds use the flow of current financial resources focus, and the modified accrual basis of accounting. Under the modified accrual basis, revenues are recognized when they become both measurable and available. For this purpose, revenues are considered to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures are generally recognized when the related fund liability is incurred. However, principal and interest on bonds are recorded only when due and compensated absences and claims and judgments are recorded when they are expected to be liquidated with expendable available financial resources. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt are reported as other financing sources.

Proprietary funds are accounted for on the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recognized at the time liabilities are incurred. A proprietary fund distinguishes operating from non-operating items. Operating revenues and expenses result from providing services or producing and delivering goods in connection with the proprietary fund's principal ongoing operations. Operating expenses for an enterprise fund include cost of sales and services, administrative expenses and depreciation on capital assets.

Shared Fund Presentation

The financial statement presentation for the state highway fund and general fund represent only the portion of shared funds that can be directly attributed to the operations of TxDOT. Financial statements for total fund operations of shared state funds are presented in the state of Texas Annual Comprehensive Financial Report (ACFR).

In presenting these financial statements, certain unique accounts are used for the presentation of shared funds. The following accounts are used in these financial statements to present TxDOT's portion of shared funds.

Legislative Appropriations

This "asset" account represents TxDOT's remaining legislative appropriation authority at fiscal year-end.

Appropriations Revenue

Amount reported as revenue is the total appropriation authority given to TxDOT for the current fiscal year less the unencumbered appropriations balances that have been lapsed during the fiscal year.

Budgetary Information

TxDOT's budget is prepared on a performance-based concept and is represented by biennial appropriations enacted by the Legislature and signed by the governor. The governmental fund with legally adopted budgets is the State Highway Fund.

Assets, Deferred Outflows, Deferred Inflows, Liabilities and Fund Balances/Net Position

Cash and Cash Equivalents

For reporting purposes, cash and cash equivalents include cash on hand, cash in transit, cash in local banks, cash in the treasuries, money market funds, state and local government investment pools, and cash equivalents. The statement of cash flows presents the change in cash and cash equivalents during the fiscal year. Cash equivalents are defined as short-term, highly-liquid investments that are both readily convertible to known amounts of cash and so near maturity they present insignificant risk of a decrease in value due to changes in interest rates. Investments with an original maturity of three months or less and used for cash management rather than investing activities are considered cash equivalents.

Investments

Short-term investments are investments with a maturity greater than 90 days but less than one year at the time of purchase. Short-term investments are recorded on an amortized cost basis. Long-term investments are investments with a maturity of one year or more at the time of purchase. Long-term investments are recorded at fair value based upon quoted market prices as of the fiscal year end. Long-Term investments with a maturity date within one year of the financial statement date are reported as short-term investments. All investment income, including changes in the fair value of investments, is recognized as nonoperating revenue in the Statement of Revenues, Expenses and Change in Net Position.

Invested amounts associated with TxDOT and Grand Parkway Transportation Corporation. See Note 3 for more details.

Inventories and Prepaid Items

Inventory items are reported at a weighted average cost. Inventory consists of supplies and roadway materials on hand for future use. The consumption method of accounting is used to account for inventories and prepaid items. The costs of these items are expensed when the items are consumed.

Receivables

The major receivables for TxDOT are federal, taxes and other intergovernmental. Receivables represent amounts due to TxDOT at fiscal year-end, for revenues earned in the current fiscal year that will be collected in the future. Amounts expected to be collected in the next fiscal year are classified as current, and amounts expected to be collected beyond the next fiscal year are classified as noncurrent. All receivables are recorded net of allowances for uncollectible accounts.

Lease Receivables

Under the GASB Statement 87, a lessor is required to recognize a lease receivable at the commencement of the lease term. The lease receivable should be measured at the present value of lease payments expected to be received during the lease term. A lessor should recognize interest revenue on the lease receivable. In subsequent financial reporting periods, the lessor should calculate the amortization of the discount on the lease receivable and report that amount as an inflow of resources or interest revenue for the period. Any payments received should be allocated first to the accrued interest receivable and then to the lease receivable.

PPP Asset Receivable

The GASB Statement 94 requires a receivable be recorded by the transferor for the underlying PPP asset on the operator's estimated carrying value of the underlying PPP asset as of the expected date of the transfer in ownership from the operator.

Loans and Contracts

Loans and contracts represent claims for which formal instruments of credit are issued as evidence of debt, such as a promissory note. The credit instrument normally requires the debtor to pay interest and extends for time periods of 30 days or longer. TxDOT provides state and local financing tools to assist local governments with transportation projects. See Note 4 for more details.

Restricted Assets

Restricted assets include monies or other resources restricted by legal or contractual requirements. These assets include proceeds from revenue bonds, as well as certain revenues set aside for statutory or contractual requirements.

Deferred Inflows of Resources and Deferred Outflows of Resources

In the governmental fund financial statements, revenues that are earned but not expected to be collected within 60 days are not available to liquidate the liabilities of the current period. These revenues are reported as deferred inflows of resources.

Deferred inflows of resources are an acquisition of net assets by TxDOT that is applicable to a future reporting period. Deferred inflows have a negative effect on net position, similar to liabilities. TxDOT reports deferred inflows of resources as the offset account to assets received under a service concession arrangement in financial statements prepared using the economic resources measurement focus. See Note 21 for additional information.

Deferred outflows of resources are defined as a consumption of net assets by the government that is applicable to a future reporting period. Deferred outflows of resources increase net position, similar to assets.

For current refundings and advance refundings resulting in defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred inflow of resources or deferred outflow of resources. The deferred inflows and deferred outflows of resources are amortized and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter.

TxDOT also reports deferred inflows of resources and deferred outflows of resources related to the recognition of TxDOT's share of the state's Net Pension Liability and Net OPEB Liability. Reported deferred outflows of resources include plan contributions made subsequent to the Aug. 31, 2024 measurement date, and the unamortized balance resulting from changes in assumptions used to calculate net pension liability. TxDOT reports deferred inflows of resources for the unamortized balance resulting from other changes to the components used to calculate net pension liability.

With the implementation of the GASB Statement 87, a lessor is required to recognize a deferred inflow of resources. The deferred inflow of resources should be measured at the value of the lease receivable plus any payments received at or before the commencement of the lease term that relate to future periods. A lessor should recognize an inflow of resource or revenue from the deferred inflows of resources in a systematic and rational manner over the term of the lease. The deferred inflow of resources generally should be adjusted by the same amount as any change resulting from the remeasurement of the lease receivable. See Note 21 for additional information.

Under GASB Statement 94, in financial statements prepared using the current financial resources measurement focus, a transferor should recognize a receivable for installment payments and a corresponding deferred inflow of resources at the initial value of the receivable for installment payments, plus any payments received at or before the commencement of the PPP term, (for example, an up-front payment associated with a PPP.) A transferor subsequently should recognize the deferred inflow of resources as inflows of resources (for example, revenue), in a systematic and rational manner over the PPP term.

Capital Assets

Capital assets, which include land, infrastructure, furniture, equipment and intangible capital assets, are capitalized and reported in the financial statements using the accrual basis of accounting. Capital assets are recorded as expenditures at the time of purchase in the governmental funds.

Capital assets are assets with a cost above a set minimum capitalization threshold that, when acquired, have an estimated useful life of more than one year. Land, permanent land-use rights, and construction in progress do not have a capitalization threshold and are not depreciated. The capitalization thresholds and useful lives of TxDOT's depreciable capital assets are as follows:

Capitalization Thresholds by Class of Asset

Classification		Capitalization Threshold	Estimated Useful Life
Buildings and Building Improvements	$	100,000	5-30 years
Infrastructure	$	500,000	10-50 years
Furniture and Equipment	$	10,000	3-15 years
Vehicles, Boats and Aircraft	$	10,000	5-40 years
Internally Generated Computer Software	$	1,000,000	3-10 years
Other Computer Software	$	100,000	3-10 years
Land Use Rights – Term/Temporary	$	100,000	2-10 years
Intangible Right-to-Use Lease Assets	$	100,000	>1 year
Intangible Right-to-Use SBITA Assets	$	500,000	>1 year

All capital assets acquired or constructed by TxDOT are capitalized at cost or estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at acquisition value at the date of donation. A facility constructed or improved under a qualifying service concession arrangement is reported as a capital asset at acquisition value when it is placed in operation. Costs of normal maintenance and repairs that do not add value to the asset or materially extend the asset's useful life are not capitalized.

TxDOT uses the depreciation approach for reporting both highways and highway bridges of the infrastructure assets. Under the depreciation approach, infrastructure assets are depreciated over a 40-year life, and certain preservation costs are capitalized. The capitalization threshold of $500,000 is used for both highway bridges and roadways.

TxDOT also holds three years of costs in construction in progress at all times. In the fourth year, the first year is moved to depreciable infrastructure. The three-year assumption is based on a 3-year contract life when using the weighted dollar analysis of project costs and completion dates over the ten year history.

Intangible Right-to-Use Lease Assets

The GASB Statement 87 requires a lessee recognize an intangible right-to-use lease asset at the commencement of the lease term unless the lease is a short-term lease or it transfers ownership of the underlying asset. The lease asset should be measured at the amount of the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. A lease asset should be amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset. The amortization of the lease asset should be reported as an outflow of resource, i.e., amortization expense.

Intangible Right-to-Use Subscription Assets

According to GASB Statement 96, the Intangible Right-to-Use (RTU) subscription asset is measured at the amount of the initial measurement of the subscription liability, plus any payments made to the SBITA vendor before the commencement of the subscription term plus any payments made in the implementation stage at or before the commencement of the subscription term. A RTU subscription asset should be amortized in a systematic and rational manner over the shorter of the subscription term or the useful life of the underlying asset. The amortization of the RTU subscription asset should be reported as an outflow of resources over the subscription term.

Unearned Revenue

Unearned revenue is reported when cash or other assets are received prior to being earned.

Service Concession Arrangements (SCA) Up-front Payments

Some Public-Private Partnerships (PPPs) are classified as Service Concession Arrangements (SCAs) if they meet specific criteria. TxDOT may receive up-front payments related to SCAs for the development of highways and future toll-road operations. Under these agreements, the toll road reverts back to the state at the end of the term or under certain reimbursement conditions.

Up-front payments are reported as deferred inflows of resources in both the governmental fund financial statements and the entity-wide statements, ensuring consistent recognition in alignment with GASB 94 requirements.

Long-Term Liabilities

In the entity-wide financial statements and proprietary funds financial statements, long-term debt and other long-term obligations are reported as long-term liabilities in the applicable governmental activities or business-type activities statement of net position. Long-term liabilities include net pension liability, net OPEB liability, employees' compensable leave, general obligation bonds payable, revenue bonds payable, notes payable, pollution remediation obligations, and asset retirement obligation.

Bonds payable are reported net of the applicable bond premium or discount. Bond premiums and discounts are amortized over the life of the bonds using the bonds outstanding method, which is materially consistent with the effective interest method. Issuance costs are reported as an expense in the period incurred.

In the governmental fund financial statements, bond premiums, discounts and bond issuance costs are recognized during the current period. The face amount of the debt is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received are reported as debt service expenditures.

Long-term obligations to be paid within one year of the financial statements date are reported as current liabilities and are considered short-term obligations. In certain circumstances, however, amounts scheduled to mature during the ensuing fiscal year are instead reported as noncurrent long-term liabilities. This provision applies when TxDOT or GPTC intends to refinance or refund a debt instrument on a long-term basis and either issues a long-term obligation or enters into a financing agreement after the date of the financial statements but before the financial statements are issued.

A state employee is entitled to be paid for all unused vacation time accrued, in the event of the employee's resignation, dismissal or separation from state employment, provided the employee has had continuous employment with the state for six months. Expenditures for accumulated annual leave balances are recognized in the period paid or taken in the governmental fund financial statements.

*Right-to-Use Lease Obligation*s

Under the GASB Statement 87, a lessee should recognize a lease liability at the commencement of the lease term unless the lease is a short-term lease or it transfers ownership of the underlying asset. The lease liability should be measured at the present value of payments expected to be made during the lease term less any lease incentives. A lessee should reduce the lease liability as payments are made and recognize an outflow of resource or expense for interest on the liability. See Note 5 for more information.

Right-to-Use Subscription Obligations

According to the GASB Statement 96, subscription obligations are recognized at the commencement of the SBITA term when the subscription asset is placed into service. The subscription liability is initially measured at the present value of subscription payments expected to be made during the subscription term. See Note 5 for more information.

Fund Balance/Net Position

In the entity-wide and proprietary statements, the net position is the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. The net position is displayed in three components. The potential categories of net position include:

- Net Investment in Capital Assets – capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, notes or other borrowings that are attributed to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included. As of Aug. 31, 2025, the balance of the deferred inflow of resources from capital assets under PPP arrangements was $6.0 billion. The deferred inflow had a significant impact on the net investment in capital assets, which was reduced by the deferral amount.

- Restricted – restricted assets reduced by liabilities and deferred inflows, or resources related to those assets. When both restricted and unrestricted resources are available for use, generally it is TxDOT's policy to use restricted resources first, then unrestricted resources when they are needed.

- Unrestricted – amounts not required to be reported in the other components of net position.

Fund balances for governmental funds are displayed in five components. The potential categories of fund balance include:

- Nonspendable fund balance – amounts not available to be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact. The primary component of nonspendable fund balance is the balance in consumable inventories.

- Restricted fund balance – resources that have constraints placed on their use through external parties or by law through constitutional provisions.

- Committed fund balance – can be used only for specific purposes pursuant to constraints imposed by a formal action of the Legislature, the state's highest level of decision-making authority. These committed amounts cannot be used for any other purpose unless the Texas Legislature removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

- Assigned fund balance – amounts constrained by the Commission's intent to be used for specific purposes but are neither restricted nor committed.

- Unassigned fund balance – residual classification for the general fund. The classification represents fund balance that was not assigned to other funds and was not restricted, committed or assigned to specific purposes within the general fund.

When only unrestricted resources are available for use, it is TxDOT's policy to use committed resources first, then assigned resources and lastly unassigned resources.

A positive unassigned fund balance can only exist within the general fund. Deficit fund balances in a fund are reported as unassigned fund balance.

Revenue Sources

TxDOT's principal revenue sources are federal and tax revenue. As the state's transportation agency, TxDOT receives reimbursements from the Federal Highway Administration (FHWA) for certain costs incurred for engineering, construction, right-of-way acquisition, research activities and general administrative costs. Federal reimbursement is based on a percentage of the costs expended from state funds on approved projects. The percentage of reimbursement for allowable costs varies from 50 to 100 percent. TxDOT receives these reimbursements based on the state's apportionment from the Federal Highway Trust Fund on a federal fiscal year basis.

TxDOT receives federal funding from other federal agencies for specific transportation related projects. See Schedule 1-A for more information on federal receipts and expenditures.

TxDOT reports its constitutionally dedicated share of taxes on motor fuels sold in Texas as tax revenues. Generally, this constitutionally dedicated share is 75 percent of net collections, after reductions for collection expenses and refunds. In general, 20 cents per gallon is collected on gasoline and diesel sold for highway use. Liquefied gas sold for highway use is generally taxed at 15 cents per gallon and is required to be prepaid. TxDOT also receives and reports the state sales tax from the sale of lubricants, which is deposited to the state highway fund.

On Nov. 4, 2014, Texas voters approved Proposition 1, authorizing a constitutional amendment for transportation funding. Under the amendment, a portion of oil and gas tax revenues that typically go into the Economic Stabilization Fund will be deposited to the State Highway Fund to assist in the completion of transportation construction, maintenance, and rehabilitation projects, not to include toll roads.

On Nov. 3, 2015, Texas voters approved Proposition 7 that dedicates a portion of the revenue from the state sales and use tax and motor vehicle sales and rental tax to the State Highway Fund to provide funding for non-tolled roads and the reduction of transportation-related debt.

Major sources of pledged revenue for the Texas Mobility Fund include driver license fees, motor vehicle inspection fees, certificate of title fees and driver record information fees.

CTTS operating revenues for fiscal 2025 is mainly comprised of $311.5 million in toll revenue. This represents $272.3 million in gross toll revenue, plus a decrease in allowance for doubtful accounts of $39.2 million . CTTS also earned toll fees of $16.7 million and other sales revenue of $9.5 million.

GPTC operating revenues for fiscal 2025 consist of $393.3 million in toll revenue earned by open Segments D, E, F-1, F-2, G, H, I-1, I-2 and B-1. This represents $379.9 million in gross toll revenue, plus a decrease in allowance for doubtful accounts of $13.5 million.

Interfund Activity and Transactions

Interfund activity refers to financial interaction between funds (including blended component units) and is related to internal events. Interfund transactions refer to interactions with other state agencies.

Interfund receivables and payables are eliminated from the statement of net position except for amounts due between governmental and business-type activities. These amounts are reported as internal balances on the statement of net position. See Note 11 for more details.

Capital Contributions

Capital contributions represent the capital asset contribution made from the State Highway Fund to CTTS and the SH 249 System. The capital contribution made from a governmental fund to a proprietary fund should be reported as capital contribution, instead of transfers, on the proprietary fund financial statements. No transfers should be reported on the governmental fund financial statements. On the entity-wide statement of activities, it is reported as transfers between the governmental and business-type activities.

NOTE 2 – CAPITAL ASSETS

The tables on the following pages present the composition of TxDOT's capital assets and intangible right to use assets, adjustments, reclassifications, additions and deletions during fiscal 2025. The adjustments and reclassifications column presents completed construction projects, transfers of capital assets between agencies and between the governmental and business-type activities of TxDOT. The additions column includes current year purchases, new right-to-use leases and SBITAs, depreciation and amortization. The deletions column represents assets removed during the current fiscal year via sale, impairment, or disposition. This column also includes right-to-use leases and SBITAs removed during the year due to early termination.

Depreciation and amortization expenses were charged to the transportation function in the accompanying Statement of Activities.

Capital Asset Activity

For the Fiscal Year Ended August 31, 2025 (Amounts in Thousands)

	Beginning Balance 9/1/24	Adjustments & Reclassifications	Additions	Deletions	Ending Balance 8/31/25
GOVERNMENTAL ACTIVITIES					
Land and Land Improvements	$ 21,109,952	$ 1	$ 1,564,981	$ (1,652)	$ 22,673,282
Construction in Progress	25,854,152	(7,196,245)	11,876,731		30,534,638
Land Use Rights - Permanent	90,258		646	(152)	90,752
Total Non-Depreciable & Non-Amortizable Assets	47,054,362	(7,196,244)	13,442,358	(1,804)	53,298,672
Depreciable Assets					
Building and Building Improvements	1,044,629	93,618		(3,088)	1,135,159
Infrastructure	136,430,938	7,045,116	229,549	(6,968)	143,698,635
Furniture and Equipment	255,152	(406)	31,847	(9,825)	276,768
Vehicles and Aircraft	1,054,795	(798)	78,320	(16,834)	1,115,483
Other Capital Assets	4,299				4,299
Total Depreciable Assets	138,789,813	7,137,530	339,716	(36,715)	146,230,344
Less Accumulated Depreciation for:					
Building and Building Improvements	(420,651)	2,734	(37,374)	1,009	(454,282)
Infrastructure	(34,020,395)		(2,865,155)	16	(36,885,534)
Furniture and Equipment	(177,870)	278	(18,812)	9,466	(186,938)
Vehicles and Aircraft	(676,482)	474	(59,063)	13,826	(721,245)
Other Capital Assets	(2,310)		(238)		(2,548)
Total Accumulated Depreciation	(35,297,708)	3,486	(2,980,642)	24,317	(38,250,547)
Depreciable Assets, Net	103,492,105	7,141,016	(2,640,926)	(12,398)	107,979,797
Intangible Capital Assets - Amortizable					
Land Use Rights - Term	348		6,143		6,491
Computer Software	180,483	54,200		(823)	233,860
Total Amortizable Assets	180,831	54,200	6,143	(823)	240,351
Less Accumulated Amortization for:					
Land Use Rights - Term	(348)		(51)		(399)
Computer Software	(100,628)		(35,717)	602	(135,743)
Total Accumulated Amortization	(100,976)	0	(35,768)	602	(136,142)
Amortizable Assets, Net	79,855	54,200	(29,625)	(221)	104,209
Intangible Right to Use (RTU) Assets - Amortizable					
Building and Building Improvements	22,448		16	(22,311)	153
Land and Land Improvements	3,204				3,204
Furniture and Equipment	20,797		137	(107)	20,827
Subscriptions	72,946		40,687	(14,738)	98,895
Total Amortizable RTU Assets	119,395	0	40,840	(37,156)	123,079
Less Accumulated Amortization for:					
Building and Building Improvements	(4,179)		(502)	4,555	(126)
Land and Land Improvements	(1,347)		(806)		(2,153)
Furniture and Equipment	(8,019)		(5,339)	107	(13,251)
Subscriptions	(23,981)		(27,515)	9,766	(41,730)
Total Accumulated Amortization - RTU Assets	(37,526)	0	(34,162)	14,428	(57,260)
Amortizable Intangible RTU Assets, Net	81,869	0	6,678	(22,728)	65,819
Governmental Activities Capital Assets, Net	$ 150,708,191	$ (1,028)	$ 10,778,485	$ (37,151)	$ 161,448,497

Capital Asset Activity (Concluded)

For the Fiscal Year Ended August 31, 2025 (Amounts in Thousands)

	Beginning Balance 9/1/24	Adjustments & Reclassifications	Additions	Deletions	Ending Balance 8/31/25
BUSINESS-TYPE ACTIVITIES					
Non-Depreciable & Non-Amortizable Assets					
Land and Land Improvements	$ 725,847	$	$	$	$ 725,847
Construction in Progress	23,699	(11,159)			12,540
Land Use Rights - Permanent	19,466				19,466
Total Non-Depreciable & Non-Amortizable Assets	769,012	(11,159)	0	0	757,853
Depreciable Assets					
Building and Building Improvements	8,360				8,360
Infrastructure	2,820,938	11,488			2,832,426
Total Depreciable Assets	2,829,298	11,488	0	0	2,840,786
Less Accumulated Depreciation for:					
Building and Building Improvements	(6,645)		(361)		(7,006)
Infrastructure	(738,281)		(67,588)		(805,869)
Total Accumulated Depreciation	(744,926)	0	(67,949)	0	(812,875)
Depreciable Assets, Net	2,084,372	11,488	(67,949)	0	2,027,911
Intangible Capital Assets - Amortizable					
Computer Software	51,063			(51,063)	0
Total Amortizable Assets	51,063	0	0	(51,063)	0
Less Accumulated Amortization for:					
Computer Software	(36,169)		(9,574)	45,743	0
Total Accumulated Amortization	(36,169)	0	(9,574)	45,743	0
Amortizable Assets, Net	14,894	0	(9,574)	(5,320)	0
Intangible Right to Use (RTU) Assets - Amortizable					
Subscriptions	129,176			(51,178)	77,998
Total Amortizable RTU Assets	129,176	0	0	(51,178)	77,998
Less Accumulated Amortization for:					
Subscriptions	(67,396)		(10,316)		(77,712)
Total Accumulated Amortization - RTU Assets	(67,396)	0	(10,316)	0	(77,712)
Amortizable Intangible RTU Assets, Net	61,780	0	(10,316)	(51,178)	286
Business-Type Activities Capital Assets, Net	$ 2,930,058	$ 329	$ (87,839)	$ (56,498)	$ 2,786,050

NOTE 3 – DEPOSITS, INVESTMENTS & REPURCHASE AGREEMENTS

TxDOT and Grand Parkway Transportation Corporation (GPTC) are authorized by statute to make investments following the "prudent person rule." TxDOT and GPTC have complied, in all material respects, with statutory authorization, bond documents, constraints and TxDOT policies during the period.

Deposits

The following amounts consist of all cash in local banks. These amounts are included on the combined statement of net position as part of the "cash and cash equivalents related line items" accounts.

Cash In Bank – Carrying Amount
August 31, 2025 (Amounts in Thousands)

Governmental Activities	
Governmental Funds Current Assets Cash In Bank - Depository Accounts	$ 5,870

Custodial Credit Risk – Deposits

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, deposits or collateral securities in the possession of an outside party will not be recovered. All TxDOT's deposits are protected by insurance provided by the Federal Deposit Insurance Corporation (FDIC).

Regular depository accounts are insured by the FDIC up to $250 thousand per depositor, per insured bank. As of Aug. 31, 2025, the sweep account is subjected to the same $250 thousand coverage provided to a regular depository account.

Treasury Pool

All monies in funds established in the Texas Comptroller of Public Accounts (Comptroller) Treasury Operations Division (Treasury) are pooled with other state funds and invested under the direction of the Comptroller of Public Accounts Treasury Operations Division (Treasury). Governmental fund deposits in the state treasury totaled $5.1 billion at Aug. 31, 2025 .

The Treasury obtains direct access to the services of the Federal Reserve System through the Texas Treasury Safekeeping Trust Company (Trust Company). The Federal Reserve Bank requires that the Trust Company maintain a positive cash balance in the account during and at the end of the day. The Trust Company met those requirements throughout fiscal 2025. The Comptroller has delegated investment authority to the Trust Company and utilizes the Trust Company to manage and invest funds in the Treasury Pool.

State statutes authorize the Treasury to invest state funds in fully collateralized time deposits; direct security repurchase agreements; reverse repurchase agreements; obligations of the United States and its agencies and instrumentalities; banker's acceptances; commercial paper; and contracts written by the Comptroller, which are commonly known as covered call options. Funds held in the treasury pool have not been categorized as credit risk because TxDOT does not own individual securities. Details on the nature of these deposits and investments are available within the state of Texas Annual Comprehensive Financial Report.

Investments

TxDOT, and GPTC hold investments that are measured at fair value on a recurring basis. Because investing is not a core part of TxDOT's mission, the disclosures related to these investments only need to be disaggregated by major type.

TxDOT, and GPTC categorize fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The three-tiered fair value hierarchy is as follows.

- Level 1 – Quoted prices for identical investments in an active market
- Level 2 – Significant other observable inputs other than quoted market prices
- Level 3 – Significant unobservable inputs

As of Aug. 31, 2025, the measurements of TxDOT's investments are summarized below:

Investment Valuation
August 31, 2025 (Amounts in Thousands)

Investment Type	Fair Value Hierarchy Level 1	Other Measurement Method	Total
Governmental Activities			
Money Market Mutual Funds	$	$ 105,300	$ 105,300
U.S. Government Agency Obligations	24,580		24,580
Government Investment Pools		138,169	138,169
Total Governmental Activities	$ 24,580	$ 243,469	$ 268,049
Business-Type Activities			
Money Market Mutual Funds	$	$ 971	$ 971
U.S. Treasury Securities		7,000	7,000
U.S. Government Agency Obligations	205,852		205,852
Government Investment Pools		1,643,749	1,643,749
Repurchase Agreements		212,248	212,248
Total Business-Type Activities	$ 205,852	$ 1,863,968	$ 2,069,820

Government sponsored entity investments of $230.4 million with maturities of one year or more, are measured from the purchase date to maturity date. These investments are valued at quoted market prices (Level 1 input).

As of Aug. 31, 2025, TxDOT and GPTC also have the following type of investments which are excluded from measurement at fair value according to GASB 72.

- TxDOT and GPTC had investments in money market funds, U.S. Treasury Securities, government agency obligations, and government investment pools of $2.1 billion with maturities less than one year and measured from purchase date to maturity date. These investments are valued at amortized cost.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, TxDOT will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. TxDOT and GPTC investment policies state that all securities purchased shall be conducted on a delivery-versus-payment (DVP) basis and shall be protected through the use of a third-party custodian/safekeeping agent, which may be a Trustee.

Credit Risk

Direct credit risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. TxDOT and GPTC investment policies prohibit TxDOT and GPTC from entering into long-term investment agreements or other non-DVP investment transactions with a final maturity or termination date of longer than six months with any financial institution that initially has a long-term rating category of less than "A" and that does not have at least one long-term rating of at least "AA" by a nationally recognized statistical rating organization (NRSRO). All investments made by TxDOT and GPTC have been through the list of qualified financial institutions approved by TxDOT and GPTC.

As of Aug. 31, 2025, TxDOT's and GPTC's investments had the following ratings:

Investment Credit Ratings
August 31, 2025 (Amounts in Thousands)

Investment Type	Valuation	Moody's	Standard & Poor's	Fitch
Governmental Activities				
Money Market Mutual Funds				
BlackRock Federal Fund	$ 155	Aaa-mf	AAAm	AAAmmf
Morgan Stanley Instl Liquidity Government Funds	105,145	Aaa-mf	AAAm	AAAmmf
Government Sponsored Entities				
Federal Home Loan Banks	19,609	Aa1	AA+	NR
Federal National Mortgage Association	4,971	Aa1	AA+	AA+
Government Investment Pools				
LOGIC	138,169	NR	AAAm	NR
Total Governmental Activities	$ 268,049			
Business-Type Activities				
Money Market Mutual Funds				
JPMorgan US Government Fund	$ 885	Aaa-mf	AAAm	AAAmmf
Goldman Sachs Financial Square Government Fund	86	Aaa-mf	AAAm	NR
Government Sponsored Entities				
Federal Farm Credit Banks	19,417	Aa1	AA+	AA+
Federal Home Loan Banks	97,180	Aa1	AA+	NR
Federal Home Loan Mortgage Corporation	89,255	Aa1	AA+	AA+
Government Investment Pools				
TexPool Prime	1,643,749	NR	AAAm	NR
Repurchase Agreement				
Repo (TTSTC)	212,248	NR	AAAf	NR
U.S. Treasury Securities				
U.S. Treasury State and Local Government Series	7,000	Aa1	AA+	AA+
Total Business-Type Activities	$ 2,069,820			

NR= Not Rated

Concentration of Credit Risk

- Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. Assets held in each portfolio shall be diversified to minimize the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer or a specific class of securities. As of Aug. 31, 2025, the following investments exceeded five percent of total holdings: Federal Home Loan Bank investments under governmental activities and Repurchase Agreements under business-type activities.

TxDOT and GPTC both address diversification in TxDOT's investment policy. Diversification strategies shall be determined and revised periodically by the investment officer for all funds.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. TxDOT and GPTC have addressed interest rate risk in its various accounts by matching as closely as possible anticipated cash flows with income and return of principal on investments. In general, all securities held by TxDOT and GPTC are anticipated to be held to maturity, thereby avoiding interest rate risk due to an early redemption.

As of Aug. 31, 2025, TxDOT's and GPTC's investments exposure to interest rate risk is summarized in the table below:

Investment Exposed to Interest Rate Risk

August 31, 2025 (Amounts in Thousands)

		Investment Maturities	
Investment Type	**Fair Value**	**Less Than One Year**	**Greater Than One Year**
Governmental Activities			
Government Sponsored Entities	$ 24,580	$ 9,936	$ 14,644
Government Investment Pools	138,169	138,169	
Money Market Mutual Funds	105,300	105,300	
Total Governmental Activities	$ 268,049	$ 253,405	$ 14,644
Business-Type Activities			
Government Sponsored Entities	$ 205,852	$ 171,857	$ 33,995
Government Investment Pools	1,643,749	1,643,749	
Money Market Mutual Funds	971	971	
Repurchase Agreement	212,248	212,248	
US Treasury Securities	7,000	7,000	
Total Business-Type Activities	$ 2,069,820	$ 2,035,825	$ 33,995

NOTE 4 – LOANS RECEIVABLE

TxDOT makes loans to various local governments and regional mobility authorities. The State Infrastructure Bank (SIB) operates as a revolving loan fund, where the account balance grows through the monthly interest earned and repaid principal and interest payments. SIB financial assistance can be provided to any public or private entity authorized to construct, maintain or finance an eligible transportation project.

TxDOT also makes project loans through project development agreements. In these cases, TxDOT funds the construction costs of a regional mobility authority owned project up front and gets repayment over an established loan term. The loan receivable is recorded as TxDOT incurs eligible expenditures on the project.

Texas Senate Bill 1939 passage facilitated the transfer of the Ship Channel Improvement Revolving Fund (SCIRF) and its unencumbered balance of $400.0 million into the State Highway Fund. SCIRF will enhance the funding capabilities of entities responsible for the local share of qualified project costs.

The loan receivable balances as of Aug. 31, 2025 are as follows:

Loans and Contracts

August 31, 2025 (Amounts in Thousands)

Fund	Loans Receivable	Due Within One Year
State Highway Fund		
Highway Fund - Toll Equity and Project Loans	$ 59,442	$ 2,534
Highway Fund - State Infrastructure Bank	257,347	9,254
Total State Highway Fund	316,789	11,788
Nonmajor Funds		
Ship Channel Improvement Revolving Fund	400,000	0
Total Nonmajor funds	400,000	0
Governmental Funds Total	$ 716,789	$ 11,788

NOTE 5 – LONG-TERM LIABILITIES

Long-term liabilities for fiscal 2025 are presented in the table below:

Long-Term Liabilities Activity (Amounts in Thousands)

For the Fiscal Year Ended August 31, 2025

Primary Government	Beginning Balance 9/01/2024	Adjustments & Reclassifications*	Reductions	Additions**	Ending Balance 8/31/2025	Amounts Due Within One Year	Amounts Due Thereafter
Governmental Activities							
Compensable Leave	$ 134,345	$ (1,904)	$ (141,172)	$ 142,949	$ 134,218	$ 101,867	$ 32,351
Claims and Judgments	150,000		(67,000)		83,000	78,000	5,000
General Obligation Bonds	8,611,914	(21,658)	(1,301,640)	840,260	8,128,876	383,781	7,745,095
General Obligation Bonds - Direct Placements	276,984	(1,986)			274,998	1,986	273,012
Revenue Bonds	2,684,555	(17,808)	(297,075)		2,369,672	327,066	2,042,606
Pollution Remediation Obligations	18,435		(17,185)	21,016	22,266	22,266	
Pass Through Tolls Payable	344,035		(47,521)		296,514	57,291	239,223
Notes and Loans - Direct Borrowings	608,130	(21)	(14,245)		593,864	14,490	579,374
Contracts Payable	16,000		(4,000)		12,000	4,000	8,000
Right-to-Use Lease Obligations	31,677		(23,800)	137	8,014	4,091	3,923
Right-to-Use Subscription Obligations	37,597		(33,087)	39,383	43,893	24,630	19,263
Governmental Activities - Long-Term Liabilities	$ 12,913,672	$ (43,377)	$ (1,946,725)	$ 1,043,745	$ 11,967,315	$ 1,019,468	$ 10,947,847
Business -Type Activities							
Revenue Bonds Payable	$ 7,243,023	$ (25,283)	$ (63,190)	$ 29,980	$ 7,184,530	$ 105,313	$ 7,079,217
Notes and Loans - Direct Borrowings	625,997			11,822	637,819		637,819
Right-to-Use Subscription Obligations	80,806	(51,179)	(23,533)		6,094	6,094	
Business-Type Activities - Long-Term Liabilities	$ 7,949,826	$ (76,462)	$ (86,723)	$ 41,802	$ 7,828,443	$ 111,407	$ 7,717,036

*Includes current-year issuance premiums and amortization of premiums and discounts and GASB Statement No. 101 implementation. Please see note 14 for more information.
**Includes current-year amortization of accretion.

For long-term liabilities other than debt related to governmental activities, the State Highway Fund typically is used to liquidate liabilities in prior years.

Compensated Absences

Annual leave, commonly referred to as vacation leave, is accrued as a liability as it is earned by TxDOT employees. Employees accrue vacation time at a rate of 8 to 21 hours per month depending on years of state employment. The maximum number of hours that may be carried forward to the next fiscal year ranges from 180 hours to 532 hours based on years of state service.

Overtime, under the Fair Labor Standards Act and state laws, can be accumulated in lieu of immediate payment as compensatory leave (at one-and-one-half hours for each overtime hour worked) for nonexempt, nonemergency employees to a maximum of 240 hours. All overtime exceeding 240 hours must be paid with the next regular payroll. At termination or death, all overtime balances must be paid in full.

Compensatory leave is allowed for exempt employees not eligible for overtime pay. This leave is accumulated on an hour-for-hour basis and must be taken within one year from date earned or it lapses. There is no death or termination benefit for compensatory leave. Compensatory leave is reported as a current liability.

Sick leave accrual begins on the first day of employment and ends on the last day worked. Sick leave must be accrued before it may be used and employees who are on leave the first day of the month may not use that month's accrual until they return to duty. Full-time employees accrue eight hours of sick leave per month, with part-time employees accruing a proportional amount based on their work schedule. Upon termination of employment, employees are not eligible for payment of any unused sick leave.

Claims and Judgments

Claims and judgments are payable by TxDOT for various legal proceedings and claims. In general, TxDOT records liabilities for material claims and judgments when they are considered probable and estimable. During fiscal 2025, TxDOT made $67.0 million in payments for the claim related to the US 181 Harbor Bridge Replacement Project.

Notes and Loans Payable

As of Aug. 31, 2025, three notes and loans agreements are outstanding. The TIFIA I-35E and TPFA direct borrowing loans are governmental activities, and the TIFIA 2021 direct borrowing is a business-type activity.

TIFIA I-35E

The Commission entered into a secured loan agreement with the United States Department of Transportation (USDOT) through the Transportation Infrastructure Finance and Innovation Act of 1998 (TIFIA). USDOT agreed to lend the Commission up to $285.0 million to pay a portion of the eligible project costs related to the initial phase of the I-35E project. The outstanding direct loan of $323.3 million contains various provisions resulting from certain events of default with various remedies. In particular, in the case of a payment default, interest is charged on the overdue balance of the note at the default rate (an additional 2 percent) until the payment default is cured (overdue balance repaid). In the case of project abandonment, the default rate is charged until the note is paid in full. In the case of certain bankruptcy related event defaults, the note becomes secured by a first priority security interest in the trust estate.

TPFA

The Commission entered into an agreement with the Texas Public Finance Authority (TPFA) on Mar. 11, 2021. TPFA issued Taxable Series 2021 Lease Revenue Bonds for the Texas Department of Transportation – Austin Campus Consolidation Project. The bonds have an aggregate principal amount of $325.7 million for the purpose of financing certain costs of the Campus Consolidation Project. The agreement obligates the Commission to make rent payments to TPFA in amounts sufficient to pay, among other things, the principal of, premium and interest on the TPFA 2021 bonds. Although the agreement does not prescribe the source for the Commission's payments to be made thereunder, the Texas Legislature has appropriated monies from the State Highway Fund to be used by the Commission to make payments to TPFA under the agreement for TPFA's debt service payments due on their Series 2021 bonds during fiscal year 2025. The bond will be paid in full in 16 years, or fiscal year 2041.

The outstanding direct loan of $284.8 million, which includes an unamortized premium of $204.8 thousand, contains the following acceleration clause; (a) upon the occurrence of and during the continuation of any event of default arising from the failure to make a required payment, upon the occurrence of and during the continuation of an event of non-appropriation, or upon 30 days prior to the expiration of the commitment of any provider of liquidity or credit enhancement for any parity debt which such parity debt is outstanding, TPFA may take any one or more of the following remedial actions: (i) declare all of the remaining unpaid principal portion of the payments due under this agreement to be immediately due and payable solely to the extent the Legislature has appropriated funds for such payment; or (ii) enter and take possession of all or any portion of the project under this agreement without terminating this agreement, and sublease all or any part of such project for the account of TxDOT; or (iii) terminate this agreement, enter and take possession of all or any portion of the project, and, at TPFA's discretion (to the extent permitted by law) sell equipment acquired as part of a project, or lease all or any portion of a project.

As of Aug. 31, 2025, the note's debt service requirements for governmental activity notes and loans payable are as follows.

Notes and Loans - Direct Borrowing Loans (Amounts in Thousands)

Debt Service Requirements

	Governmental Activities		
Year	**Principal**	**Interest***	**Total**
2026	$ 14,470	$ 14,513	$ 28,983
2027	15,478	14,329	29,807
2028	17,580	14,096	31,676
2029	19,331	13,745	33,076
2030	21,156	13,361	34,517
2031-2035	130,933	58,748	189,681
2036-2040	180,575	39,598	220,173
2041-2045	103,361	17,471	120,832
2046-2050	63,183	8,536	71,719
2051-2052	27,614	1,073	28,687
	593,681	195,470	789,151
Unamortized Premium	183		183
Total Requirements	$ 593,864	$ 195,470	$ 789,334

*Fixed interest rate is 2.58 percent for the TIFIA loan.

The second TIFIA loan payable represents a secured loan made to the Grand Parkway Transportation Corporation by the USDOT under the TIFIA. On November 15, 2022, GPTC requisitioned $605.3 million pursuant to the 2021 TIFIA loan agreement. In accordance with the TIFIA loan agreement, the payments of principal and interest can be postponed under certain circumstances and such postponed payments increase the principal amount of the loan. As of Aug. 31, 2025, the note's debt service requirements are as follows.

TIFIA Loan – Debt Service Requirements

(Amounts in Thousands)

	Business-Type Activities		
Year	**Principal**	**Interest***	**Total**
2026	$	$	$
2027		12,122	12,122
2028		12,139	12,139
2029		12,106	12,106
2030		12,122	12,122
2031-2035	35,431	59,535	94,966
2036-2040	75,175	54,395	129,570
2041-2045	137,175	45,215	182,390
2046-2050	251,461	27,761	279,222
2051-2053	145,559	4,630	150,189
	644,801	240,025	884,826
Unamortized Accretion	(6,982)		(6,982)
Total Requirements	$ 637,819	$ 240,025	$ 877,844

* Fixed interest rate at 1.88 percent.

Pledged Future Revenues

Pledged revenues are those specific revenues that are formally committed to directly secure the payment of debt service. The table that follows provides information on pledged revenue and pledged future revenue of the self-supporting general obligation bonds, revenue bonds, and TIFIA loans.

Pledged Future Revenue

(Amounts in Thousands)

	Governmental Activities		Business-Type Activities		
	Texas Mobility Fund-Debt Service	**State Highway Fund**	**Central Texas Turnpike System**	**Grand Parkway Transportation Corporation**	**SH 249 System**
Pledged Revenue Required for Future Principal and Interest on Existing Debt	$ 7,372,610	$ 2,742,913	$ 3,706,983	$ 8,418,965	$ 699,132
Term of Commitment Ending	10/1/2044	10/1/2033	8/15/2042	10/1/2052	8/1/2057
Percentage of Revenue Pledged	100%	100%	96%	96%	95%
Current Year Pledged Revenue	$ 576,915	$ 10,695,105 *	$ 354,534	$ 428,330	$ 32,048
Current Year Principal and Interest Paid	$ 408,991	$ 416,376	$ 160,344	$ 175,382	$ 7,799

* Includes pledged revenue of other state agencies using the state highway fund.

Pass-Through Tolls Payable

The balance recorded as pass-through tolls payable relates to the Commission's obligations under executed pass-through financing agreements. As of Aug. 31, 2025, there were 20 active pass-through financing agreements finalized and executed by the Commission. Under these agreements, an outside party (usually a local government) pays for all or a portion of a highway project. In return, TxDOT contractually agrees to make reimbursements after the improvement is open for traffic. Reimbursements are subject to minimum and maximum annual thresholds and are variable within those thresholds based on the volume of traffic on the project roadway. The agreements covering multiple projects generally contain a provision allowing for reimbursements to begin as each project is open for traffic.

The obligation to make future reimbursement payments is recognized as pass-through tolls payable as the underlying highway project is constructed. Accruals of payables continue until the liability amount reaches the total TxDOT reimbursement obligation specified in the agreement. If the cost of the completed underlying highway project is less than the total TxDOT reimbursement obligation, TxDOT will accrue the additional obligation amount upon that project's completion and acceptance. The estimated debt service requirements related to pass-through toll contracts executed as of Aug. 31, 2025 are as follows.

Pass-Through Tolls Payable - Debt Service Requirements

(Amounts in Thousands)

	Governmental Activities
Year	**Principal**
2026	$ 57,291
2027	67,969
2028	55,566
2029	43,087
2030	38,229
2031-2033	34,372
Total Requirements*	$ 296,514

* There is no interest component to the pass-through toll reimbursements. This projection assumes the Commission's maximum potential obligation and as a result, final payment dates may occur later than reported in the table above.

Contracts Payable

TxDOT is a party to a financial assistance arrangement with Fort Bend County related to the expansion of Farm to Market Road 1093. The terms of this agreement are such that in return for Fort Bend County funding the costs of the project up-front, TxDOT will reimburse Fort Bend County $4.0 million per year for 10 years following substantial completion of Westpark Tollway Phase I and opening of the roadway to traffic. Construction on Westpark Tollway Phase I was completed in November 2018. The obligation to make future reimbursements is recognized as contracts payable. The estimated debt service requirements related to this arrangement are as follows.

Manual

Contracts Payable – Debt Service Requirements

(Amounts in Thousands)

Year		Governmental Activities Principal
2026	$	4,000
2027		4,000
2028		4,000
Total Requirements*	$	12,000

*There is no interest component to this contract payable.

Pollution Remediation Obligations

TxDOT is responsible for the cleanup and remediation of several polluted sites. Regulatory requirements established by federal and state law obligate TxDOT to perform these pollution remediation activities. Historical cost averages were used to calculate the estimated pollution remediation obligation liabilities. The table below details the various compliance requirements under which TxDOT is incurring pollution remediation costs and is recording a pollution remediation liability.

Pollution Remediation Obligations - Disaggregation of Total Liability (Amounts in Thousands)

As of August 31, 2025

Governmental Activities		Obligation Amount
Comply with Federal and State asbestos regulations	$	20,365
Comply with LPST tank requirements		773
Comply with OSHA HASP		684
Comply with Federal and State OSHA requirements for lead based paint		392
Comply with Federal Safe Drinking Water Act requirements		52
Total	$	22,266

Federal reimbursements are expected to offset a portion of these estimated costs. When realizable, the federal reimbursements are recognized as federal revenue. The potential for changes due to price increases or reductions, technology or applicable laws or regulations was incorporated into these estimates.

Right-to-Use Lease Obligations

TxDOT is reporting a total of 31 active lessee leases as of Aug. 31, 2025. The current and non-current lease obligation portion associated with these leases is $4.1 million and $3.9 million respectively. The estimated debt service requirements related to the leases executed as of Aug. 31, 2025, are as follows.

Lease - Debt Service Requirements

(Amounts in Thousands)

	Governmental Activities		
Year	**Principal**	**Interest**	**Total**
2026	$ 4,091	$ 211	$ 4,302
2027	3,025	96	3,121
2028	433	17	450
2029	218	9	227
2030	38	5	43
2031-2035	125	16	141
2036-2040	60	6	66
2041-2045	24	1	25
Total Requirements	$ 8,014	$ 361	$ 8,375

Right-to-Use Subscriptions Obligations

TxDOT is reporting 34 active subscription based information technology arrangements (SBITAs) in fiscal 2025. The current and non-current portion associated with these subscriptions is $24.6 million and $19.3 million respectively for governmental activities and $6.1 million for business-type activities. The estimated debt service requirements related to the subscriptions executed as of Aug. 31, 2025, are as follows.

Subscriptions - Debt Service Requirements

(Amounts in Thousands)

	Governmental Activities		
Year	**Principal**	**Interest**	**Total**
2026	$ 24,630	$ 1,514	$ 26,144
2027	10,688	783	11,471
2028	7,226	342	7,568
2029	1,349	57	1,406
Total Requirements	$ 43,893	$ 2,696	$ 46,589

Subscriptions - Debt Service Requirements

(Amounts in Thousands)

	Business-Type Activities		
Year	**Principal**	**Interest**	**Total**
2026	$ 6,094	$ 73	$ 6,167
Total Requirements	$ 6,094	$ 73	$ 6,167

NOTE 6 – BONDED INDEBTEDNESS

As discussed more fully in the sections that follow, the Commission and TxDOT's blended component units are authorized through various statutory and constitutional provisions to issue general obligation and revenue bonds as well as private activity bonds.

As of Aug. 31, 2025, the Commission had thirty one bond issues outstanding. The Texas Private Activity Bond Surface Transportation Corporation (TxPABST), a blended component unit of TxDOT, had seven conduit debt bond issues outstanding as of Aug. 31, 2025. The Grand Parkway Transportation Corporation (GPTC), another blended component unit of TxDOT, had seven revenue bond issuances outstanding as of Aug. 31, 2025. The debt service payments associated with debt issued by TxPABST and GPTC are not the responsibility of the state of Texas, however due to the relationship between TxDOT and these entities, their disclosures, and as appropriate, financial balances associated with the outstanding bonds are included in this report.

Miscellaneous Bond Information

(Amounts in Thousands)

Description of Issue	Bonds Issued to Date	Date Issued	Range of Interest Rates		Maturities First Year	Maturities Last Year	First Call Date
GOVERNMENTAL ACTIVITIES							
General Obligation Bonds							
Texas Mobility Fund							
Series 2006-B Variable Rate Bonds	$ 150,000	12/13/2006	VAR	VAR	2036	2036	*
Series 2009-A Taxable Fixed Rate Bonds	1,208,495	08/26/2009	5.37%	5.52%	2029	2039	*
Series 2014 Fixed Rate Refunding Bonds**	973,775	07/02/2014	4.00%	5.00%	2016	2034	04/01/2024
Series 2014-A Fixed Rate Refunding Bonds	1,580,160	12/18/2014	4.00%	5.00%	2017	2044	10/01/2024
Series 2014-B Put Bonds	250,000	12/18/2014	0.65%	0.65%	2040	2041	10/01/2025
Series 2015-A Fixed Rate Refunding Bonds	911,360	09/30/2015	3.20%	5.00%	2018	2036	10/01/2025
Series 2015-B Fixed Rate Refunding Bonds	254,105	10/07/2015	5.00%	5.00%	2031	2036	10/01/2025
Series 2017-A Fixed Rate Refunding Bonds	296,020	02/01/2017	5.00%	5.00%	2030	2034	10/01/2027
Series 2017-B Fixed Rate Refunding Bonds	474,135	02/01/2017	5.00%	5.00%	2029	2036	10/01/2027
Series 2020 Taxable Fixed Rate Refunding Bonds	1,270,690	08/05/2020	0.26%	2.47%	2021	2044	*
Series 2024 Fixed Rate Refunding Bonds	840,260	10/01/2024	5.00%	5.00%	2025	2044	10/1/2034
Texas Highway Improvement							
Series 2010-A Taxable Fixed Rate Bonds	815,420	09/29/2010	3.20%	4.68%	2019	2040	*
Series 2016 Fixed Rate Bonds	615,000	05/04/2016	5.00%	5.00%	2017	2046	04/01/2026
Series 2016-A Fixed Rate Bonds	588,755	11/02/2016	4.00%	5.00%	2018	2046	04/01/2026
Series 2019 Taxable Fixed Rate Refunding Bonds	705,550	12/11/2019	2.60%	4.00%	2021	2044	04/01/2029
Series 2020 Taxable Fixed Rate Refunding Bonds	794,235	07/06/2020	2.56%	5.00%	2022	2042	*
Series 2024 Fixed Rate Refunding Bonds	696,245	03/28/2024	5.00%	5.00%	2025	2044	10/01/2033
Revenue Bonds							
State Highway Fund							
Series 2008 Fixed Rate Bonds	162,995	08/19/2008	3.50%	5.25%	2010	2028	04/01/2018
Series 2010 Taxable Fixed Rate Bonds	1,500,000	08/05/2010	5.03%	5.18%	2026	2030	*
Series 2014-B Variable Rate Bonds	300,000	03/25/2022	VAR	VAR	2032	2032	*
Series 2015 Revenue Refunding Bonds	781,080	07/22/2015	3.00%	5.00%	2017	2026	n/a
Series 2016-A Fixed Rate Bonds	601,210	10/26/2016	3.00%	5.00%	2017	2030	10/01/2026
Series 2016-B Fixed Rate Bonds	89,370	10/26/2016	0.43%	0.56%	2025	2026	n/a
Series 2024 Revenue Refunding Bonds	346,820	03/20/2024	5.00%	5.00%	2025	2033	n/a
Governmental Activities Total	$ 16,205,680						

* Bonds are subject to redemption prior to their respective maturities at the option of the Commission.

** Bonds are not outstanding as of 08/31/2025.

Miscellaneous Bond Information (Concluded)

(Amounts in Thousands)

Description of Issue	Bonds Issued to Date	Date Issued	Range of Interest Rates		Maturities First Year	Maturities Last Year	First Call Date
BUSINESS-TYPE ACTIVITIES							
Revenue Bonds							
Central Texas Turnpike System							
First Tier Revenue Bonds Series 2002-A							
Non-Callable Capital Appreciation Bonds***	$ 842,057	08/29/2002	4.47%	5.75%	2012	2030	n/a
Callable Capital Appreciation Bonds**	325,494	08/29/2002	6.00%	6.10%	2025	2038	08/15/2012
First Tier Revenue Refunding Bonds Series 2020-A	179,475	03/05/2020	3.00%	5.00%	2039	2040	08/15/2030
First Tier Revenue Refunding Bonds Taxable Series 2020-C	279,305	03/05/2020	3.03%	3.03%	2031	2041	08/15/2030
First Tier Revenue Refunding Bonds Series 2024-A	386,210	08/07/2024	5.00%	5.00%	2032	2038	08/15/2034
First Tier Revenue Refunding Put Bonds Series 2024-B	225,000	08/07/2024	5.00%	5.00%	2042	2042	05/15/2030
Second Tier Revenue Refunding Bonds Series 2024-C	1,022,495	08/07/2024	5.00%	5.00%	2031	2042	08/15/2034
Grand Parkway Transportation Corporation******							
Subordinate Tier Toll Revenue Bonds, Series 2013-B							
Convertible Capital Appreciation Bonds***	489,160	08/01/2013	4.95%	5.85%	2029	2048	10/01/2028
Current Interest Bonds**	1,137,935	08/01/2013	5.00%	5.25%	2048	2053	10/01/2023
Subordinate Tier Toll Revenue Bonds, Series 2013-E	361,810	08/01/2013	5.18%	5.18%	2036	2042	*
Subordinate Tier Toll Revenue Bonds, Series 2018-A	712,100	05/30/2018	5.00%	5.00%	2030	2048	04/01/2028
First Tier Toll Revenue Refunding Bonds, Taxable Series 2020-A	220,415	02/27/2020	2.11%	3.36%	2026	2052	04/01/2030
Subordinate Tier Toll Revenue Refunding Bonds, Taxable Series 2020-B	1,293,260	02/27/2020	1.53%	3.24%	2020	2052	04/01/2030
First Tier Toll Revenue Refunding Bonds, Series 2020-C	793,385	02/27/2020	3.00%	5.00%	2033	2050	n/a
Subordinate Tier Toll Revenue Refunding Put Bonds, Series 2023	263,225	08/16/2023	5.00%	5.00%	2034	2052	01/01/2028
SH 249 System							
First Tier Toll Revenue Bonds, Series 2019-A							
Current Interest Bonds	144,085	02/26/2019	5.00%	5.00%	2053	2057	02/01/2029
Capital Appreciation Bonds***	126,009	02/26/2019	3.39%	5.10%	2028	2053	02/01/2029
First Tier Toll Revenue Bonds, Taxable Series 2019-B	12,795	02/26/2019	4.55%	4.70%	2030	2033	02/01/2029
Business-Type Activities Total	8,814,215						
Total	$ 25,019,895						

* Bonds are subject to redemption prior to their respective maturities at the option of the Commission or the Corporation.

** Bonds are not outstanding as of 08/31/2025.

*** Bonds issued to date include interest accreted to principal.

****Grand Parkway Transportation Corporation bonds are not obligations of the State.

Changes in Bonds Payable (Amounts in Thousands)
For the Fiscal Year Ended August 31, 2025

Description	Bonds Outstanding 9/1/2024	Adjustments*	Bonds Issued**	Bonds Matured or Retired	Bonds Outstanding 8/31/2025	Due Within One Year
Governmental Activities:						
General Obligation Bonds	$ 8,611,914	$ (21,658)	$ 840,260	$ (1,301,640)	$ 8,128,876	$ 383,782
General Obligation Bonds - Direct Placements	276,984	(1,986)			274,998	1,986
Revenue Bonds	2,684,555	(17,808)		(297,075)	2,369,672	327,066
Total Governmental Activities	11,573,453	(41,452)	840,260	(1,598,715)	10,773,546	712,834
Business-Type Activities:						
Revenue Bonds	7,243,023	(25,283)	29,980	(63,190)	7,184,530	105,313
Total Business-Type Activities	7,243,023	(25,283)	29,980	(63,190)	7,184,530	105,313
Total	$ 18,816,476	$ (66,735)	$ 870,240	$ (1,661,905)	$ 17,958,076	$ 818,147

*Includes current-year issuance premiums and amortization of premiums and discounts.
**Includes current-year amortization of accretion.

General Obligation Bonds – General Comments

The Texas Constitution authorizes the Commission to issue general obligation bonds backed by the full faith and credit of the state. As of Aug. 31, 2025, two general obligation bond programs were active. All general obligation bond issuances must be approved by the Texas Bond Review Board prior to issuance. The purpose and the sources for the repayment of debt service for each program are summarized as follows:

Texas Mobility Fund General Obligation Bond Program

Texas Constitution, Article III, Section 49-k and Transportation Code, Chapter 201, Subchapter M authorize the Commission to issue general obligation bonds payable from a pledge of and lien on all or part of the money in the Mobility Fund. The Mobility Fund bonds are designed to be self-supporting, but the full faith and credit of the state is pledged in the event the revenue and money dedicated to the Mobility Fund is insufficient to pay debt service on the bonds. As of Aug. 31, 2025, major sources of pledged revenue to the Mobility Fund include driver license fees, motor vehicle inspection fees, certificate of title fees and driver record information fees.

The issuance of Mobility Fund bonds is subject to debt service coverage requirements. Prior to a Mobility Fund debt issuance, the Texas Comptroller of Public Accounts must certify that there will be sufficient future resources on deposit in the Mobility Fund to ensure 110 percent coverage of debt service requirements during the period that the debt will be outstanding. Subject to the debt service coverage requirement, the Mobility Fund constitutional provision does not limit the amount of obligations that may be issued under the program. The Mobility Fund program is currently established in the aggregate principal amount of $7.5 billion outstanding at any one time. House Bill No. 2219 which was enacted during the regular session of the 87th Legislature and became effective on June 18, 2021, amended the authority to (i) eliminate the ability of the Commission to issue Program obligations for the purpose of providing participation by the State in the payment of part of the costs of constructing and providing publicly owned toll roads and (ii) authorize the Commission to issue Program obligations for certain transportation projects, as described herein, after May 1, 2021 and before January 1, 2027 in an aggregate principal amount not to exceed an amount equal to sixty percent (60%) of the outstanding principal amount of Program obligations existing on May 1, 2021. As of May 1, 2021, the outstanding principal amount of Program obligations (i.e., Parity Debt) was $5.9 billion. The Commission may issue, other than refunding obligations described herein, no more than $3.6 billion in aggregate principal amount of Parity Debt prior to January 1, 2027.

Bond proceeds are to be used for refunding existing bonds and related credit agreements, creating reserves for the payment of bonds and related credit agreements, covering bond issuance costs, and paying interest on the bonds and related credit agreements.

In the event of default in connection with any covenant or in any supplement, or default in the payment of annual debt service requirements due in connection with any parity debt, or other costs and expenses related thereto, any owner of parity debt (which includes all Mobility Fund bondholders) may require the Commission, the Department, its officials and employees, and any appropriate official of the State, to carry out, respect, or enforce the covenants and obligations of the Master Resolution or any Supplement, by all legal and equitable means, including specifically the use and filing of mandamus proceedings in any court of competent jurisdiction in Travis County, Texas against the Commission, the Department, its officials and employees, or any appropriate official of the State.

The Series 2015-B outstanding balance of $275.0 million, including the unamortized premium, represents direct placements.

Texas Highway Improvement General Obligation Bond Program (Proposition 12)

Texas Constitution, Article III, Section 49-p and Transportation Code, Section 222.004, authorizes the Commission to issue general obligation bonds of the state of Texas for the costs of highway improvement projects including construction, reconstruction, design, the acquisition of right-of-way, the costs of administering the highway improvement projects and the costs of issuing the bonds. These bonds are not self-supporting and are considered a general obligation of the state of Texas. As of Aug. 31, 2025, the Commission had issued the $5.0 billion authorized under the Texas highway improvement general obligation bond program.

In the event of default in connection with (i) failure to make payment of the principal of or interest on any of the bonds or credit agreements when due and payable or (ii) the performance or observance of any other covenant, agreement or obligation of the Commission or the State, which materially adversely affects the rights of the bond owners, any owner of bonds or credit agreements may require the Commission, the Department, its officials and employees, and any appropriate official of the State, to carry out, respect, or enforce the covenants and obligations of the Master Resolution or any Supplement, by all legal and equitable means, including specifically the use and filing of mandamus proceedings in any court of competent jurisdiction in Travis County, Texas against the Commission, the Department, its officials and employees, or any appropriate official of the State. The State has not waived sovereign immunity with respect to the enforcement of the obligations of the Commission and the State relating to any series of bonds or credit agreements.

Debt Service Requirements – Governmental Activities

(Amounts in Thousands)

General Obligation Bonds

Year	Principal	Interest *	Total
2026	$ 333,645	$ 327,615	$ 661,260
2027	264,550	320,600	585,150
2028	368,515	305,736	674,251
2029	389,420	289,840	679,260
2030	392,915	274,032	666,947
2031-2035	2,215,300	1,087,015	3,302,315
2036-2040	2,526,210	556,627	3,082,837
2041-2045	1,171,590	115,551	1,287,141
2046	40,800	1,837	42,637
	7,702,945	3,278,853	10,981,798
Premium	425,931		425,931
Total	$ 8,128,876	$ 3,278,853	$ 11,407,729

* Series 2006-B debt service requirements are calculated with interest rate of 3.08 percent which is the interest rate reported at Aug.31, 2025.

Debt Service Requirements – Governmental Activities

(Amounts in Thousands)

General Obligation Bonds - Direct Placements

Year	Principal	Interest	Total
2026	$	$ 12,705	$ 12,705
2027		12,705	12,705
2028		12,705	12,705
2029		12,705	12,705
2030		12,705	12,705
2031-2035	89,810	54,195	144,005
2036-2040	164,295	9,607	173,902
	254,105	127,327	381,432
Premium	20,893		20,893
Total	$ 274,998	$ 127,327	$ 402,325

Revenue Bonds – General Comments

The Texas Constitution and Transportation Code authorize the Commission to issue revenue bonds backed by pledged revenue sources and restricted funds. All revenue bond issuances must be approved by the Texas Bond Review Board prior to issuance. The active revenue bond programs of TxDOT and the Grand Parkway Transportation Corporation are summarized as follows:

State Highway Fund Revenue Bond Program (Proposition 14)

Texas Constitution, Article III, Section 49-n and Transportation Code, Section 222.003 authorizes the Commission to issue revenue bonds to finance highway improvement projects. The bonds are payable from pledged revenues deposited to the credit of the state highway fund, including dedicated taxes, dedicated federal revenues and amounts collected or received pursuant to other state highway fund revenue laws and any interest or earnings from the investment of these funds. As of Aug. 31, 2025, the Commission had issued the $6.0 billion authorized under the state highway fund revenue bond program.

In the event of default, the purchaser may take the following actions:

(1) Direct the tender agent and the Commission, as applicable, to cause a mandatory tender of the bonds or take such other remedial action as is provided for in the Resolution;

(2) Exercise any and all remedies as it may have under the related documents and as otherwise available at law and equity;

(3) Take whatever action at law or in equity may appear necessary or desirable to collect the amounts due and payable by the Commission under the Related Documents (including all outstanding debt service on the 2014-B2 bonds) or to enforce performance or observance of any obligation, agreement or covenant of the Commission under the Related Documents.

In general, in the event of a default in the payment of debt service due in connection with any State Highway Fund bonds or any other costs and expenses relating thereto, or a default by the Commission in the performance of any duty or covenant provided in law or in the Resolution, any owner of State Highway Fund bonds may require the Commission or the Department or its officials and employees to carry out, respect, or enforce the Commission's covenants and obligations relating to the State Highway Fund bonds by all legal and equitable means, including specifically the use and filing of mandamus proceedings in State court.

Total debt service requirements for State Highway Fund revenue bonds are presented as follows.

Debt Service Requirements – Governmental Activities

(Amounts in Thousands)

Revenue Bonds

Year	Principal	Interest *	Total
2026	$ 313,400	$ 104,005	$ 417,405
2027	326,635	92,466	419,101
2028	337,170	78,240	415,410
2029	348,965	60,767	409,732
2030	360,895	42,716	403,611
2031-2034	621,825	55,830	677,655
	2,308,890	434,024	2,742,914
Premium	60,782		60,782
Total	$ 2,369,672	$ 434,024	$ 2,803,696

* Series 2014-B debt service requirements are calculated with interest rate of 2.75 percent which is the interest rate reported at Aug. 31, 2025.

Central Texas Turnpike System Revenue Bond Program

Transportation Code, Chapter 228 Subchapter C authorizes the Commission to issue revenue bonds to pay a portion of the costs of planning, designing, engineering, developing and constructing the Central Texas Turnpike System (CTTS) located in the greater Austin metropolitan area in Travis and Williamson counties. The bonds are payable from and secured solely by a first and second lien on, as applicable, and pledge of the trust estate. The trust estate consists of all project revenues and investment earnings. Neither the state, the Commission, TxDOT, nor any other agency or political subdivision of the state, is obligated to pay the debt service on the CTTS revenue bonds.

In event of default under the terms of the Indenture of Trust dated as of July 15, 2002, the Trustee may take the following actions and upon the written request of the owners of not less than 20 percent in principal amount of outstanding obligations shall proceed to:

(1) Protect and enforce its rights and the rights of the owners under the state law and the Indenture by such suits, actions, or special proceedings in equity or at law, or by proceedings in the office of any board or officer having jurisdiction, either for mandamus or the specific performance of any covenant or agreement contained in the Indenture or in aid or execution of any power granted by the Indenture or for the enforcement of any proper legal or equitable remedy, as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such right.

(2) In the enforcement of any remedy under the Indenture the Trustee shall be entitled to sue for, enforce payment of and receive any and all amounts then or during any event of default becoming, and at any time remaining, due from the Commission.

Grand Parkway System Toll Revenue Bond Program

Transportation Code, Chapter 431 authorizes the creation of the Grand Parkway Transportation Corporation, a public, non-profit Texas corporation created by the Commission to act on behalf of the Commission to finance, build and operate certain segments of State Highway 99 (the “Grand Parkway Project”) in the greater Houston area. In March 2012, the Commission adopted a resolution creating the Grand Parkway Transportation Corporation (GPTC). GPTC is authorized to assist and act on behalf of the Commission in the development, financing, design, construction, reconstruction, expansion, operation and/or maintenance of the Grand Parkway toll project. The bond obligations are payable from tolls and other revenues of the GPTC held by the trustee. Neither the state, the Commission, nor any other agency or political subdivision of the state is obligated to pay the debt service on the GPTC bonds.

In an event of default, and upon the written request of the owners of not less than 20 percent in principal amount of outstanding obligations, the Trustee shall proceed to:

(1) Protect its rights and the rights of the owners under Chapter 431, Transportation Code and under the Trust Agreement, the Toll Rate Agreement or certain sections of the Project Agreement by such suits, actions or special proceedings in equity or at law, or by proceedings in the office of any board or officer having jurisdiction, either for mandamus or the specific performance of any covenant or agreement contained in the Trust Agreement or in aid or execution of any power granted in the Trust Agreement for the enforcement of any proper legal or equitable remedy, as the Trustee, being advised by counsel, deems most effectual to protect and enforce such rights. Acceleration of principal of or interest on the obligations upon the occurrence of an event of default is not a remedy available under the Trust Agreement.

(2) In the enforcement of any remedy under the Trust Agreement the Trustee shall be entitled to sue for, enforce payment of and receive any and all amounts then or during any default becoming, and at any time remaining, due from the Corporation and to enforce judgment or decree against the Corporation but solely as provided in the Trust Agreement.

SH 249 System Revenue Bond Program

Transportation Code, Chapter 228 authorizes the Commission to issue toll revenue bonds to finance the cost of construction, improvement, extension, or expansion of a toll project or system in the State. In February 2019, the Commission issued $249.3 million in toll revenue bonds (2019 SH 249 Bonds) to finance the cost of an approximately 15-mile tolled highway (Segment 1) to serve as a northerly extension of the existing State Highway 249 (SH 249) and to be located between FM 1774 in Pinehurst, Texas (Montgomery County) and FM 1774 near Todd Mission, Texas (Grimes County). The 2019 SH 249 Bonds constitute special, limited obligations of the Commission secured by and payable solely from a first lien on, pledge of, and security interest in the trust estate (Trust Estate) for the 2019 SH 249 Bonds and are payable prior to the payment of operating and maintenance expenses on Segment 1. The Trust Estate consists primarily of toll revenues to be generated by the operation of Segment 1. None of the Commission, TxDOT, or any other agency or political subdivision of the State is obligated to pay debt service on the 2019 SH 249 Bonds, except that the Commission is solely responsible for such payments from the Trust Estate and certain funds created under the master trust agreement (Master Trust Agreement) for the 2019 SH 249 Bonds. The Commission has currently designated Segment 1 as comprising the entire “SH 249 System”. Segment 1 is the first and initially the only segment of the SH 249 System. The Commission may choose to expand or enlarge the SH 249 System, but the Commission currently has no plans for such expansion or enlargement. Subject to the terms of the Master Trust Agreement, the Commission may issue additional bonds or other obligations at any time, secured by a lien on the Trust Estate that is on parity with, or subordinate to, the first lien on the Trust Estate securing payment of the 2019 SH 249 Bonds, in order to finance the expansion or enlargement of the SH 249 System.

In an event of default, the Trustee may proceed and upon the written request of the owners of not less than 20 percent in principal amount of outstanding obligations, shall proceed to:

(1) Protect and enforce its rights and the rights of the owners under State law and under the Master Trust Agreement by such suits, actions or special proceedings in equity or at law, or by proceedings in the office of any board or officer having jurisdiction, either for mandamus or the specific performance of any covenant or agreement in the Master Trust Agreement or in aid or execution of any power granted in the Master Trust Agreement or for the enforcement of any proper legal or equitable remedy, as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights. Acceleration of the principal of or interest on the obligations is not a remedy available under the Master Trust Agreement.

(2) In the enforcement of any remedy under the Master Trust Agreement the Trustee shall be entitled to sue for, enforce payment of and receive any and all amounts then or during any default becoming, and at any time remaining, due from the Corporation.

The summarized debt service requirements for the CTTS, GPTC and SH 249 System is as follows.

Debt Service Requirements – Business-Type Activities

(Amounts in Thousands)

Revenue Bonds

Year	Principal	Interest	Total
2026	$ 80,030	$ 278,473	$ 358,503
2027	88,170	278,411	366,581
2028	96,085	278,335	374,420
2029	102,090	278,252	380,342
2030	109,705	278,111	387,816
2031-2035	882,835	1,298,102	2,180,937
2036-2040	1,533,670	1,015,187	2,548,857
2041-2045	1,357,425	659,010	2,016,435
2046-2050	1,359,110	391,744	1,750,854
2051-2055	1,410,275	97,283	1,507,558
2056-2060	63,175	4,777	67,952
	7,082,570	4,857,685	11,940,255
Accretion	(266,437)		(266,437)
Premium	368,397		368,397
Total	$ 7,184,530	$ 4,857,685	$ 12,042,215

Build America Bonds

The American Recovery and Reinvestment Act of 2009 granted municipal debt issuers access to a broader investor base in the taxable market by providing a federal interest rate subsidy payment to offset debt service costs through the Build America Bonds (BABs) program. Direct Payment BABs provide a federal reimbursement to TxDOT equal to 35 percent of the interest paid on the bonds.

As a result of budget sequestration, the federal government reduced subsidy payments for BABs by 5.7 percent effective Oct. 1, 2020 through Sept. 30, 2030 for BAB subsidy payments paid in federal fiscal year 2025. See the table below for details on the Commission's Direct Payment BABs outstanding at Aug. 31, 2025.

Direct Payment Build America Bonds

(Amounts in Thousands)

	Issue Date	Par Amount	Outstanding
Governmental Activities			
General Obligation Bonds			
Texas Mobility Fund Series 2009-A	8/26/2009	$ 1,208,495	$ 1,191,125
Texas Highway Improvement Bonds Series 2010-A	9/29/2010	815,420	607,725
Revenue Bonds			
State Highway Fund Series 2010	8/05/2010	1,500,000	1,281,385
Governmental Activities Total		$ 3,523,915	$ 3,080,235

Variable Rate Bonds

The Commission has two variable rate bond issues outstanding at Aug. 31, 2025. The interest rates in effect as of Aug. 31, 2025 for the Texas Mobility Fund Series 2006-B and State Highway Fund Series 2014-B used to calculate the debt service requirements were 3.08 and 2.75 percent, respectively. For Texas Mobility Fund Series 2006-B bonds and State Highway Fund Series 2014-B bonds, the interest rates reset every seven days.

Fixed Rate Put Bonds

The Commission has two fixed rate put bond issues outstanding, the Texas Mobility Fund Series 2014-B Bonds and Central Texas Turnpike System Series 2024-B Bonds.

The Texas Mobility Fund Series 2014-B Bonds were redesignated and remarketed on Oct. 1, 2021. The interest mode was converted to a Multiannual Mode for the initial multiannual rate period that commences on Oct. 1, 2021 and ends on Mar. 31, 2026. The bonds bear interest rate at .65 percent in the initial multiannual rate period. The bonds are subject to mandatory tender for purchase on the mandatory tender date as specified in the award certificate. The bonds are not subject to optional tender prior to the mandatory tender date. During the initial multiannual rate period, the bonds are not subject to the benefit of a liquidity facility, nor is there any requirement to obtain such a liquidity facility.

The Central Texas Turnpike System First Tier Revenue Refunding Put, Series 2024-B Bonds were issued on Aug. 7, 2024. The interest mode is a multiannual mode. During the initial multiannual rate period from Aug. 7, 2024 through Aug. 14, 2030, bonds bear interest at a 5.00 percent rate. The bonds have the option to be remarketed as early as May 15, 2030 but must be remarketed by the latest mandatory tender date of Aug. 15, 2030.

For both fixed rate put bond issues, the obligation of the Commission to purchase the bonds on the mandatory tender dates is subject to the successful remarketing of such bonds and a failed conversion and remarketing will not constitute an event of default. The Commission has no obligation to purchase the bonds except from the remarketing proceeds. In the event that the bonds are not remarketed to new purchasers on the mandatory tender date, the bonds will bear interest at the stepped rate of 7.00 percent per annum.

Demand Bonds

The Texas Mobility Fund Series 2006-B and the State Highway Fund Series 2014-B bonds are variable rate demand bonds. A bond holder may tender any of these bonds for repurchase prior to maturity at a price equal to principal plus accrued interest. Any bonds so tendered will be purchased either by the proceeds of the remarketing of such bonds or, if not successfully remarketed, from amounts drawn under the standby bond purchase agreements. The following tables provide details for outstanding demand bonds and the related standby bond purchase agreements as of Aug. 31, 2025.

Demand Bonds – Standby Bond Purchase Agreement Provisions (Amounts in Thousands)

Governmental Activities	Principal Balance Outstanding	Counterparties	Annual Liquidity Fee	Agreement Termination Date
General Obligation Bonds				
Texas Mobility Fund				
Series 2006-B	$ 150,000	Texas Comptroller of Public Accounts	0.12%	8/31/2027
Revenue Bonds				
State Highway Fund				
Series 2014-B	300,000	Sumitomo Mitsui Banking Corporation	0.2% - 2.3%*	10/01/2026
Total	$ 450,000			

* Dependent on credit ratings of the bonds.

The Texas Mobility Fund Series 2006-B bonds are subject to a Standby Bond Purchase Liquidity Agreement (agreement) with the Texas Comptroller of Public Accounts (Comptroller). The agreement provides terms to be negotiated and mutually agreed upon by TxDOT and the Comptroller upon need for the Comptroller to purchase bonds put but that the remarketing agent cannot resell timely to new investors. In that case, TxDOT would pay interest to the Comptroller based on the existing debt service schedule for the Series 2006-B bonds.

The agreement was made pursuant to powers granted to Comptroller under Texas Government Code Sec. 404.027. The agreement provides protection to prevent an unplanned draw on current financial resources of the Texas Mobility Fund. The agreement is subject to renewal on a biennial basis. For fiscal 2025, the Trustee did not draw from the Comptroller related to the Series 2006-B demand bonds.

The Standby Bond Purchase Liquidity Agreement for the State Highway Fund Series 2014-B contains takeout provisions, which provide an alternative debt instrument to replace any repurchased bonds that are not remarketed within the prescribed time constraints. Outstanding principal balances on variable rate demand bonds that have take-out provisions in place may be classified as non-current liabilities. The outstanding principal balance for the Series 2014-B is classified as a non-current liability as the agreement in place is set to expire in fiscal year 2027. The table shown below provides the estimated impact of such an event.

Demand Bonds – Takeout Provisions (Amounts in Thousands)

Governmental Activities	Estimated Debt Service	Rate	Basis	Replacement Debt Terms
Revenue Bonds				
State Highway Fund				
Series 2014-B	$ 354,309	9.50%	Base Rate + 2%	Semi-annual payments over three years (or sooner under certain termination events) starting on the first day of the sixth month of that period.
Total	$ 354,309			

Refunding

On May 23, 2024, the Commission approved the Fourteenth Supplemental Resolution related to the Texas Mobility Fund. This resolution authorized the issuance of general obligation refunding bonds to refund certain previously issued bonds, pay the purchase price of certain bonds tendered for purchase by the Commission pursuant to achieve debt service savings, and cover the costs of issuing the bonds.

The General Obligation Mobility Fund Refunding Bonds, Series 2024 were issued to refund certain outstanding Series 2014, Series 2014-A, and Series 2020 bonds. The Series 2020 bonds were validly tendered and accepted for purchase by the Commission to the Commission's Invitation to Tender dated Aug. 23, 2024. The Series 2024 Bonds were issued with a par amount of $840.3 million. The transaction included a premium of $91.5 million and the underwriter's discount of $2.7 million, resulting in net proceeds of $929.1 million. The issuance closed on Oct. 1, 2024.

Refunding Issues (Amounts in Thousands)

For the Fiscal Year Ended August 31, 2025

			For Refunding Only		
Description	Category	Amount Extinguished or Refunded	Refunding Issued Par Value	Cash Flow Increase	Economic Gain
Governmental Activities					
Texas Mobility Fund					
Series 2014 Fixed Rate Refunding Bonds	Current Refunding	$ 234,560	$ 214,130	$ 17,313	$ 15,023
Series 2014-A Fixed Rate Refunding Bonds	Current Refunding	417,820	381,905	30,786	27,623
Series 2020 Taxable Fixed Rate Refunding Bonds	Current Refunding	324,475	244,225	25,878	12,158
Total Texas Mobility Fund		976,855	840,260	73,977	54,804
Governmental Activities Total		$ 976,855	$ 840,260	$ 73,977	$ 54,804

Defeased Bonds

The Commission defeased various bond issues by placing funds and securities in irrevocable trusts with external financial institutions to provide for all future debt service payments on the bonds through the earlier of the maturity date or the first call date. As of Aug. 31, 2025, the amounts of defeased bonds, at par, that remain outstanding are presented in the table below.

Defeased Bonds Outstanding (Amounts in Thousands)

Description of Issue	Year Defeased	Par Value Outstanding
Business-Type Activities		
Central Texas Turnpike System Revenue Bonds		
First Tier Revenue Bonds Series 2002-A Capital Appreciation Bonds*	2015	$ 6,871
Total Business-Type Activities		$ 6,871

* Includes $5,060 of accreted interest.

Conduit Debt Private Activity Bond Program

Transportation Code, Chapter 431 provides the authority for transportation corporations to issue bonds. The Texas Private Activity Bond Surface Transportation Corporation (TxPABST), a Texas public non-profit corporation blended component unit, has issued private activity bonds to finance costs related to the construction of the LBJ Interstate Highway 635 managed lanes, located in Dallas County, certain segments of the North Tarrant Express Facility in Tarrant County and the SH 288 toll lanes project in Harris County.

The proceeds from TxPABST bonds were loaned to LBJ Infrastructure Group LLC, NTE Mobility Partners LLC, NTE Mobility Partners Segments 3 LLC and Blueridge Transportation Group, LLC to finance costs related to the planning, development, design and construction of these transportation projects. These bonds are special limited obligations of TxPABST, payable solely from and secured by loan and interest repayments from the borrowers. The bonds do not constitute a debt or pledge of the faith and credit of TxPABST, TxDOT or the state of Texas.

On Oct. 9, 2024, the SH 288 Toll Lanes Project Series 2016 bonds were called for extraordinary mandatory redemption, following TxDOT's early buyback of the toll road from the private operator, Blueridge Transportation Group. A total of $272.6 million in bonds were redeemed at 100% of the face value, plus accrued interest.

As of Aug. 31, 2025, TxPABST private activity revenue bonds outstanding aggregated $3.3 billion. The debt service schedule for the outstanding TxPABST conduit debt is disclosed below.

Conduit Debt Obligations - Miscellaneous Information (Amounts in Thousands)

				Maturities		
Description of Issue	Bonds Issued to Date	Date Issued	Range of Interest Rates	First Year	Last Year	First Call Date
NTE Managed Lanes Project						
Series 2019-A	331,790	12/17/2019	4.00% - 5.00%	2030	2039	12/31/2029
Series 2019-B	871,085	12/17/2019	3.92%	2049	2049	*
Series 2023	397,315	8/11/2023	5.50%	2052	2058	12/31/2033
LBJ IH-635 Managed Lanes Project						
Series 2020-A	537,510	9/18/2020	4.00%	2030	2040	12/31/2030
Series 2020-B	7,025	9/18/2020	2.75%	2026	2026	*
NTE Mobility Partners Segments 3						
Series 2019	653,865	8/8/2019	5.00%	2047	2058	6/30/2029
Series 2023	265,850	11/20/2023	5.00% - 5.50%	2033	2043	6/30/2028
Total	3,064,440					

* Bonds are subject to redemption prior to their respective maturities at the option of NTE Mobility Partners.

Conduit Debt Obligations – Debt Service (Amounts in Thousands)

TxPABST Bonds – Conduit Debt

Year	Principal	Interest	Total
2026	$ 3,515	$ 140,000	$ 143,515
2027	3,510	139,856	143,366
2028		139,807	139,807
2029		139,807	139,807
2030		139,807	139,807
2031-2035	424,670	659,947	1,084,617
2036-2040	651,425	543,572	1,194,997
2041-2045	490,760	412,263	903,023
2046-2050	600,715	305,365	906,080
2051-2055	464,555	187,513	652,068
2056-2060	425,290	43,129	468,419
	3,064,440	2,851,066	5,915,506
Premium	199,924		199,924
Total	$ 3,264,364	$ 2,851,066	$ 6,115,430

NOTE 7 – LEASES & SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS (SBITAs)

Intangible right-to-use (RTU) assets of $201.0 million and accumulated amortization of $135.0 million were reported for lessee leases and SBITAs as of Aug. 31, 2025. Details of the RTU assets, including the beginning balance, increase and decrease by major classes of underlying assets are disclosed in Note 2. Current and non-current liabilities related to lessee leases and SBITAs are included in Note 5.

Leases - Lessee

TxDOT has thirty-one active lessee leases as of Aug. 31, 2025. In fiscal 2025, three leases ended and one new equipment lease was executed. TxDOT has six land leases, one building and twenty-four equipment leases in total as of Aug. 31, 2025. The total amount of Intangible RTU assets and accumulated amortization for governmental activities are $24.2 million and $15.5 million, respectively. The table below depicts different types of lessee assets including their initial lease terms and renewal terms.

Leased Asset Classification	Current Lease Commencement Date	Current Lease End Date	Lease End Renewal Date
Building	09/01/2021-11/30/2021	11/18/2022-06/30/2025	11/18/2026
Equipment	09/01/2021-03/01/2025	12/14/2021-12/18/2025	12/14/2024-12/18/2028
Equipment	09/01/2021-01/23/2024	04/30/2026-09/14/2029	N/A
Land	09/01/2021-06/20/2023	08/16/2022-12/31/2025	06/19/2026-08/16/2042
Land	09/01/2021-05/01/2022	12/31/2026-06/30/2028	N/A

The majority of the variable payments were related to rental leases of land and buildings, consisting of property taxes and operating expenses. In total, the variable payments associated with lessee leases that are not included in the calculation of lease liability is $1.0 million. Also, prepayments in the amount of $515 thousand were made in fiscal 2025.

The table below summarizes the principal and interest payments made on lessee leases for each of the first five years, payments made in five-year increments thereafter.

Future Lease Payments

For the Fiscal Year Ended August 31,2025 (Amounts in Thousands)

Governmental Activities

Year	Principal	Interest	Total Future Minimum Lease Payments
2026	$ 4,091	$ 211	$ 4,302
2027	3,025	96	3,121
2028	433	17	450
2029	218	9	227
2030	38	5	43
2031-2035	125	16	141
2036-2040	60	6	66
2041-2044	24	1	25
Total	$ 8,014	$ 361	$ 8,375

Leases - Lessor

TxDOT currently holds a total of thirteen lessor leases, with no new leases added during fiscal year 2025. These leases fall into three primary categories: saltwater, fiber, and ground/surface.

- **Saltwater leases** cover facilities located on or along state rights-of-way that transport water used in drilling or operating wells for oil and gas exploration or production.
- **Fiber leases** involve state-owned land leased to private internet providers for installing fiber lines along TxDOT rights-of-way.
- **Ground/surface leases** apply to state-owned land used by lessees for a variety of purposes.

The table below outlines each lease by asset and its respective terms. Six of these leases allow either party to terminate with 24 months' written notice, establishing a non-cancellable term of 24 months. At the close of each fiscal year, TxDOT must evaluate whether these leases should be extended for an additional year.

One fiber lease includes variable payment terms. Under this arrangement, TxDOT receives either a minimum of $800 or 40% of the revenue the lessee collects from its other contractual counterparties, whichever is greater. In fiscal year 2025, TxDOT collected $845 in variable payments under this lease. Because the lessee's agreements with counterparties may be amended, the payment amounts received by TxDOT can fluctuate.

Leased Asset Classification	Current Lease Commencement Date	Current Lease End Date	Lease End Renewal Date
Infrastructure	09/01/2021	02/10/2052	N/A
Land - Ground/Surface Lease	09/01/2021-05/06/2024	05/05/2027 - 01/31/2036	N/A
Land - Land Fiber Lease	09/01/2021	08/31/2025	08/31/2035
Land - Saltwater Lease	09/01/2021	08/31/2027	N/A
Building	01/11/2023-09/01/2023	12/31/2024-05/31/2025	N/A

For the above lessor leases, the total amount of lease revenue and interest revenue for fiscal 2025 are listed below.

Lease Income

For the Fiscal Year Ended August 31, 2025 (Amounts in Thousands)

Governmental Activities

Interest Revenue	Lease Revenue	Prepayments
$ 43	$ 1,021	$ 442

All the lessor leases that have variable payments are clearly stated in the lease agreement. There is one lease that has been described above with variable payments.

***SBITAs (Subscription-Based Information Technology Arrangements*)**

TxDOT currently has thirty-four SBITAs, which fall into four categories: Software as a Service (SaaS), Platform as a Service (PaaS), Infrastructure as a Service (IaaS), and Data Warehouse as a Service (DWaaS). The agreements vary in length, with some extending through fiscal year 2030.

In fiscal year 2025, thirteen new SBITAs were added. For governmental activities, principal payments totaled $28.5 million and interest payments totaled $1.3 million. For business-type activities, principal payments amounted to $23.5 million and interest payments to $1.1 million. Variable payments for fiscal 2025 totaled $192 thousand.

Subscription assets and accumulated amortization for governmental activities were $98.9 million and $41.7 million, respectively. For business-type activities, subscription assets totaled $78.0 million with accumulated amortization of $77.7 million.

As of fiscal year 2025, ending liabilities were $43.9 million for governmental activities and $6.1 million for business-type activities. Total subscription prepayments for FY25 amounted to $2.5 million.

The tables below indicate future subscription payments for governmental and business-type activities.

Future Subscription Payments

For the Fiscal Year Ended August 31, 2025 (Amounts in Thousands)

Governmental Activities

Year	Principal	Interest	Total Future Minimum Subscription Payments
2026	$ 24,630	$ 1,514	$ 26,144
2027	10,688	783	11,471
2028	7,226	342	7,568
2029	1,349	57	1,406
Total	$ 43,893	$ 2,696	$ 46,589

Future Subscription Payments

For the Fiscal Year Ended August 31, 2025(Amounts in Thousands)

Business-Type Activities

Year	Principal	Interest	Total Future Minimum Subscription Payments
2026	$ 6,094	$ 73	$ 6,167
	$ 6,094	$ 73	$ 6,167

NOTE 8 – RETIREMENT PLAN

Employees of TxDOT are under the coverage of the Employees Retirement System of Texas Plan (ERS Plan), which is considered a single employer defined benefit plan under GASB Statement 68.

The defined benefit provisions of the ERS Plan are authorized by state law and may be amended by the Legislature. The monthly benefit may vary by membership class.

The monthly standard annuity of the employee class is determined by a statutory percentage of 2.3 percent of a member's average monthly compensation multiplied by number of years of service credit. The average monthly compensation of the employee class may vary depending on the hire date. For members hired on or before Aug. 31, 2009, the average monthly compensation is the average of the highest 36 months of compensation. For members hired on or after Sept. 1, 2009 and before Sept. 1, 2013, the average monthly compensation is the average of the highest 48 months of compensation. For members hired on or after Sept. 1, 2013, the average monthly compensation is the average of the highest 60 months of compensation. Employees hired on or after Sept. 1, 2022 are enrolled in a defined benefit retirement structure known as a cash balance benefit instead of the ERS Plan.

The monthly standard annuity of the elected class equals the statutory percentage of 2.3 percent of the current state salary of a district judge multiplied by the number of years of service credit. Retirement benefits are automatically adjusted as state judicial salaries change.

The ERS plan's membership as of the measurement date of Aug. 31, 2024 is presented in the table below:

Texas Department of Transportation's Membership	
Retirees and Beneficiaries Currently Receiving Benefits	14,684
Terminated Employees Entitled to Benefits But Not Yet Receiving Them	11,192
Current Employees - Vested and Non-Vested	13,726
Total Members	39,602

The contribution rates for the state and the members for the ERS plan for the measurement period of fiscal 2024 are presented as follows:

Required Contribution Rates

		Employer			Members		
Fiscal Year	Plan	Employee Class	Elected Class – Legislators	Elected Class – Other	Employee Class	Elected Class – Legislators	Elected Class – Other
2016 - 2022	ERS	10.00%	10.00%	10.00%	9.50%	9.50%	9.50%
2023 - 2025							
Hired on or before 8/31/2022	ERS	10.00%	10.00%	10.00%	9.50%	9.50%	9.50%
Hired on or after 9/1/2022	ERS	10.00%	10.00%	10.00%	6.00%	6.00%	6.00%

The amount of TxDOT's contributions recognized by the ERS plan during the fiscal 2024 measurement period was $92.48 million. TxDOT must report its 5.99 percent proportionate share of the State of Texas contributions.

The total pension liability, net pension liability, and certain sensitivity information shown in this report are based on an actuarial valuation performed as of Aug. 31, 2024. The table below presents the actuarial methods and assumptions used to measure the total pension liability as of Aug. 31, 2024 the measurement date:

ERS Plan

Actuarial Valuation Date	August 31, 2024
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Payroll Plus Level Dollar Legacy Payment
Actuarial Assumptions:	
Discount Rate	7.0%
Investment Rate of Return	7.0%
Inflation	2.3%
Salary Increase	0% to 8.8%
Mortality	2020 State Retirees of Texas (SRT) mortality table. Generational mortality improvements in accordance with the ultimate rates from the scales published through 2019 by Retirement Plans Experience Committee of the Society of Actuaries (“Ultimate MP”) and projected from the year 2020. Rates for male Law Enforcement and Custodial Officer (LECO) members are set forward one year.
Cost-of-living Adjustments	None-Employee 2.3%-Elected

A single discount rate of 7.00 percent was applied to measure the total pension liability. The 7.00 percent discount rate incorporated a 7.00 percent long-term expected rate of return on pension plan investments and 3.87 percent 20-year municipal bond rate based on the Bond Buyer Index of general obligation bonds with 20 years to maturity and mixed credit quality.The assumptions and methods as of the measurement date of August 31, 2024, are based on an experience study covering the four-year period ending August 31, 2023.

The projections of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels and remain a level percentage of payroll. Consistent with the provisions of Texas Government Code section 815.407, effective for the measurement period ending Aug. 31, 2022, level dollar contributions called Legacy Payments have been introduced as part of the funding policy. These Legacy Payments are the amounts necessary, in addition to the statutory 10 percent of payroll contributions, to fund the normal cost and fully amortize the Unfunded Actuarial Accrued Liability as required before the end of fiscal year 2054. The legacy payment is an actuarially determined amount each biennium. The actuarially determined amount for fiscal year 2024 and 2025 is $510 million each year. The passage of this bill indicates that the legislature is committed to funding the state pension obligations.

The long-term expected rate of return on plan investments was developed using a building-block method with assumptions including asset class of investment portfolio, target allocation, real rate of return on investments, and inflation factor. Under this method, best estimate ranges of expected future real rates of return (net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class for the plan’s investment portfolio are presented as follows:

Target Allocations As of Measurement Date of August 31, 2024

Asset Class	Target Allocation	Long-term Expected Portfolio Real Rate of Return
Global Equity		
Public Equity	35%	1.54%
Private Equity	16%	1.14%
Global Credit		
Public Equity	9%	0.51%
Private Equity	3%	0.18%
Public Real Estate	3%	0.12%
Private Real Estate	9%	0.33%
Private Infrastructure	5%	0.20%
Rates	12%	0.33%
Cash and Equivalents	2%	0.02%
Hedge Fund	6%	0.20%
Special Situations	0%	0.00%
Total	100%	4.57%
Inflation		2.60%
Expected Nominal Rate of Return		7.17%

Sensitivity analysis was performed on the impact of changes in the discount rate on the proportionate share of TxDOT's net pension liability. The result of the analysis is presented in the table below:

Sensitivity of TxDOT's Proportionate Share of Net Pension Liability to Changes Discount Rate
(Amounts in Thousands)

	1% Decrease	Current Discount Rate	1% Increase
ERS Plan Discount Rate	6.00%	7.00%	8.00%
Net Pension Liability	$1,102,509	$736,045	$431,393

Amounts in this schedule are based on collective amounts for the state of Texas. TxDOT reports its proportionate share of the collective amounts.

The pension plan's fiduciary net position is determined using economic resources measurement focus and the accrual basis of accounting, which is the same basis used by the Employees Retirement System. Benefits and refunds of contributions are recognized when due and payable in accordance with the terms of the plan. Investments of the pension trust fund are reported at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. The fair value of investments is based on published market prices and quotations from major investment brokers at available current exchange rates. However, corporate bonds in general are valued based on currently available yields of comparable securities by issuers with similar credit ratings. The Employees Retirement System issues stand-alone audited Annual Comprehensive Financial Report (ACFR). More detailed information on the plan's investment valuation, investment policy, assets, and fiduciary net position may be obtained from ERS' fiscal 2024 ACFR:

Employees Retirement System of Texas
P. O. Box 13207
Austin, Texas 78711-3207

TxDOT's total pension liability is based on an actuarial valuation performed as of Aug. 31, 2024. For fiscal 2025 reporting, the measurement date of TxDOT's net pension liability is Aug. 31, 2024. The schedule of changes in TxDOT's net pension liability for the fiscal year ending Aug. 31, 2025 is presented below:

Schedule of Changes in Net Pension Liability

(Amounts in Thousands)

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 09/01/24	$ 4,189,280	$ 3,290,463	$ 898,817
Changes for the year:			
Service Cost	67,184		67,184
Interest	196,040		196,040
Differences between Expected and Actual Experience	40,296		40,296
Assumption Changes	(17,894)		(17,894)
Benefit Payments and Refunds	(179,278)	(179,278)	0
Change in Proportional Percentage	(63,721)		(63,721)
Contributions-Employer		85,167	(85,167)
Contributions-Member		48,249	(48,249)
Net Investment Income		253,895	(253,895)
Administrative Expense		(2,634)	2,634
Net Changes	42,627	205,399	(162,772)
Balances at 08/31/25	$ 4,231,907	$ 3,495,862	$ 736,045

The change of discount rate is the assumption change during the current measurement period. There have been no changes to benefit terms of the plan since the prior measurement date. TxDOT's proportion of the entire ERS plan was 5.99 percent in fiscal 2024; as compared to 6.45 percent in the prior measurement period.

For the fiscal year ending Aug. 31, 2025, TxDOT recognized negative pension expense of $386.69 million. At Aug. 31, 2025, TxDOT reported deferred outflows of resources and deferred inflows of resources from the following sources:

Outstanding Deferred Outflows and Deferred Inflows at August 31, 2025

(Amounts in Thousands)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between Expected and Actual Experience	$ 44,746	$
Changes in Assumptions		12,046
Net Difference between Projected and Actual Investment Return		72,185
Net Change in Proportion and Contribution		62,030
Contributions Subsequent to the Measurement Date	101,249	
Total	$ 145,995	$ 146,261

The $101.2 million reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending Aug. 31, 2026.

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense in the following years:

Fiscal Year Ended August 31:		
(Amounts in Thousands)*		
2026	$	(60,560)
2027	$	3,187
2028	$	(21,575)
2029	$	(22,567)
2030	$	0
Thereafter	$	0

*Positive amounts indicate increase in pension expense; negative amounts indicate decrease in pension expense.

NOTE 9 - DEFERRED COMPENSATION

The state of Texas offers two deferred compensation plans to all state employees. One plan was established in accordance with Internal Revenue Code, Section 457. The second was established in accordance with Internal Revenue Code, Section 401(k). All costs of administering and funding these programs are the responsibility of plan participants. The assets of the two plans remain the property of the contributing employees and are not presented in the accompanying financial statements. TxDOT makes no contributions to either plan; the assets do not belong to TxDOT and TxDOT has no liability related to the plans.

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Retirees are provided with postemployment healthcare, life and dental insurance benefits through the State Retiree Health Plan (SRHP). The Employees Retirement System of Texas (ERS) is the administrator of SRHP, which is a cost sharing multiple-employer postemployment healthcare plan with a special funding situation. TxDOT reports its allocated proportional share of the SRHP in the TxDOT annual comprehensive financial report. This plan covers retired employees of the state, and other entities as specified by the State Legislature. The benefit and contribution provisions of the SRHP are authorized by state law and may be amended by the Legislature. Benefits are provided to retirees through the Texas Employees Group Benefits Program as authorized by Texas Insurance Code, Chapter 1551. Retirees must meet certain age and service requirements and have at least 10 years of service at retirement to participate in the plan.

Surviving spouses and dependents of retirees are also covered by SRHP. The plan does not provide automatic cost of living adjustments (COLAs).

TxDOT's ERS membership in SRHP as of the measurement date of Aug. 31, 2024 is presented in the table below:

TxDOT Retiree Health Plan Membership

Active Members*	13,887
Inactive Members Currently Receiving Benefit Payments**	13,103
Inactive Members Entitled to But Not Yet Receiving Benefit Payments	779
Total Members	27,769

* Includes return-to-work retirees and employees who have not yet satisfied the waiting period.
** Includes 445 retirees who are not enrolled in a health plan and 26 retirees who currently receive the Opt-Out Credit in lieu of health benefits.

Contributions

During the 2024 measurement period for fiscal year 2025 reporting, TxDOT's contributions recognized by the OPEB plan totaled $223.4 million, representing a 7.33 percent proportionate share of the state of Texas contributions. This reflects an increase of $2.8 million, or 1.27 percent, from the 2023 measurement period for fiscal year 2024 reporting, when TxDOT's contributions were $220.6 million, or a 7.40 percent proportionate share of the state's total contributions. TxDOT does not contribute toward dental or optional life insurance. Surviving spouses and their dependents do not receive any employer contribution. The contribution requirements for the state and the members in the measurement period are presented in the table below:

Employer Contribution Rates
Retiree Health and Basic Life Premium
For the Fiscal Year Ended August 31, 2024

	ERS SRHP	
	Employer	Plan Member
Retiree Only	$ 624.82	$ 0
Retiree & Spouse	1,340.82	358.00
Retiree & Children	1,104.22	239.70
Retiree & Family	1,820.22	597.70

The total OPEB liability is determined by the contribution rates and an annual actuarial valuation. The table below presents the actuarial methods and assumptions used to measure the total OPEB liability as of the Aug. 31, measurement date.

Actuarial Methods and Assumptions - OPEB - State Retiree Health Plan (SRHP)	
Valuation Date	August 31, 2024
Actuarial Cost Method	Entry Age
Amortization Method	Level Percent of Payroll, Open
Remaining Amortization Period	30 Years
Asset Valuation Method	Not applicable
Actuarial Assumptions:	
Discount Rate	3.87%*
Inflation Rate	2.30%
Projected Annual Salary Increase	2.30% to 8.95%, including inflation
Annual Healthcare Trend Rate	HealthSelect 5.60% for FY26, 5.60% for FY27, 5.25% for FY28, 5.00% for FY29, 4.75% for FY30, 4.50% for FY31, decreasing 10 basis points per year to an ultimate rate of 4.30% for FY33 and later years HealthSelect Medicare Advantage 36.00% for FY26, 8.00% for FY27, 5.25% for FY28, 5.00% for FY29, 4.75% for FY30, 4.50% for FY31, decreasing 10 basis points per year to an ultimate rate of 4.30% for FY33 and later years Pharmacy 11.50% for FY26, 11.00% for FY27, 10.00% for FY28, 8.50% for FY29, 7.00% for FY30 decreasing 100 basis points per year to 5.00% for FY32 and 4.30% for FY33 and later years
Ad hoc Postemployment Benefit Changes	None
Aggregate Payroll Growth	2.70%
Retirement Age	Experience-based tables of rates that are specific to the class of employee
Mortality-State Agency Members	Service Retirees, Survivors and Other Inactive Members (Regular, Elected, CPO/CO Employee Classes): 2020 State Retirees of Texas Mortality table with a 1 year set forward for male CPO/CO members. Generational mortality improvements in accordance with the Ultimate MP-2021 Projection Scale are projected from the year 2020. Disability Retirees: 2020 State Retirees of Texas Mortality table set forward three years for males and females. Generational mortality improvements in accordance with the Ultimate MP-2021 Projection Scale are projected from the year 2020. Minimum rates of 3.0% and 2.5% apply at all ages for males and females, respectively. Active Members: Pub-2010 General Employees Active Member Mortality table for non-CPO/CO members. Pub-2010 Public Safety Active Member Mortality table for CPO/CO members. Generational mortality improvements in accordance with the Ultimate MP-2021 Projection Scale are projected from the year 2010.

*The source of the municipal bond rate is the Bond Buyer Index of general obligations bonds with 20 years to maturity and mixed credit quality. The bonds' average credit quality is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Corp.'s AA.

The many actuarial assumptions used in the valuation were primarily based on the result of actuarial experience studies performed by the ERS retirement plan actuaries for the five year period ending August 31,2023 for state agency members. The mortality rates were based on the table above titled Actuarial Methods and Assumptions.

The following assumptions have been changed since the previous Other Postemployment Benefits (OPEB) valuation:

(a) The percentage of current retirees and their spouses not yet eligible to participate in the HealthSelect Medicare Advantage Plan and future retirees and their spouses who will elect to participate in the plan at the earliest date at which coverage can commence.

(b) Proportion of future retirees assumed to cover dependent children.

(c) The proportion of future retirees assumed to elect health coverage at retirement and the proportion of future retirees expected to receive the Opt-Out Credit at retirement.

(d) Assumed Per Capita Health Benefit Costs and Health Benefit Cost and Retiree Contribution trends have been updated since the previous valuation to reflect recent health plan experience and its effects on our short term expectations.

(e) The Patient-Centered Outcomes Research Institute fee payable under the Affordable Care Act and the rate of future increases in the fee have been updated to reflect recent plan experience and expected trends.

(f) The discount rate was changed from 3.81% as of August 31, 2023 to 3.87% as of August 31, 2024 as a result of requirements by GASB No. 74 to utilize the yield or index rate for 20-year, tax exempt general obligation municipal bonds rated AA/Aa (or equivalent) or higher in effect on the measurement date.

Minor benefit revisions have been adopted since the prior valuation. These changes, which are not expected to have a significant impact on plan costs for FY2025, are provided for in the FY2025 Assumed Per Capita Health Benefit Costs.

The discount rate that was used to measure the total OPEB liability is the municipal bond rate of 3.87% as of the end of the measurement year; as of the beginning of the measurement year, the discount rate was 3.81%. Projected cash flows into the plan are equal to projected benefit payments out of the plan. As the plan operates on a pay-as-you-go basis and is not intended to accumulate funds in advance of retirement, there is no long-term expected rate of return. ERS' board of trustees amended the investment policy statement in August 2022 to require that all funds in this plan be invested in cash and equivalent securities. The investment rate of return used to calculate the projected earnings on OPEB plan investments was 3.81%.

Sensitivity analysis was performed on the impact of changes in the discount rate on the proportionate share of TxDOT's net OPEB liability. The result of the analysis is presented in the table below:

Sensitivity of TxDOT's Proportionate Share of Net OPEB Liability to Changes in Discount Rate
(Amount in Thousands)

	1% Decrease	Current Discount Rate	1% Increase
ERS Plan Discount Rate	2.87%	3.87%	4.87%
Net OPEB Liability	$ 2,498,215	$ 2,147,145	$ 1,865,407

Sensitivity analysis was performed on the impact of changes in the healthcare cost trend rates on the proportionate share of TxDOT's net OPEB liability. The result of the analysis is presented in the table below:

Sensitivity of TxDOT's Proportionate Share of Net OPEB Liability to Changes in Healthcare Cost Trend Rates HealthSelect (HS) or HealthSelect Medicare Advantage (HSMA)
(Amount in Thousands)

	1% Decrease (HS/HSMA/Pharmacy: 4.60%/35.00%/10.50% decreasing to 3.30%)	Current Healthcare Cost Trend Rates (HS/HSMA/Pharmacy: 5.60%/36.00%/11.50% decreasing to 4.30%)	1% Increase (HS/HSMA/Pharmacy: 6.60%/37.00%/12.50% decreasing to 5.30%)
Net OPEB Liability	$ 1,842,358	$ 2,147,145	$ 2,535,666

The OPEB plan's fiduciary net position is determined using the economic resources measurement focus and the accrual basis of accounting, which is the same basis used by ERS. Benefits and refunds of contributions are recognized when due and payable in accordance with the terms of the plan. Investments of the Other Employee Benefit Trust Fund are reported at fair value in accordance with GASB Statement No. 72. The fair value of investments is based on published market prices and quotations from major investment brokers at available current exchange rates. However, corporate bonds in general are valued based on currently available yields of comparable securities by issuers with similar credit ratings. More detailed information of the plan's investment valuation, investment policy, assets, and fiduciary net position may be obtained from ERS's fiscal 2024 ACFR:

Employees Retirement System of Texas
P.O. Box 13207
Austin, Texas 78711-3207

At Aug. 31, 2025, TxDOT reported a liability of $2.1 billion for its proportionate share of the collective net OPEB liability. The collective OPEB liability was measured as of Aug. 31, 2024, and the total OPEB liability used to calculate the net liability was determined by an actuarial valuation as of that date. TxDOT's proportional percentage at Aug. 31, 2024 was 7.33 percent. TxDOT's proportion of the collective net OPEB liability was based on its contributions to the OPEB plan relative to the contributions of all the employers and non-employer contributing entities to the plan for the period Sept. 1, 2023 through Aug. 31, 2024.

The schedule of changes in TxDOT's net OPEB liability for the fiscal year ending Aug. 31, 2025, is presented as follows:

Schedule of Changes in Net OPEB Liability
(Amounts in Thousands)

	Total OPEB Liability (a)	**Plan Fiduciary Net Position (b)**	**Net OPEB Liability (a) - (b)**
Balances at 09/01/24	$ 2,015,745	$ 39,670	$ 1,976,075
Changes for the year:			
Service Cost	71,586		71,586
Interest	76,566		76,566
Differences between Expected and Actual Experience	(5,526)		(5,526)
Contributions-Employer		58,657	(58,657)
Contributions-Non-employer Contributing Entities		3,156	(3,156)
Contributions-Employee		13,722	(13,722)
Contributions-Federal Revenues for Medicare Part D RDS		124	(124)
Other (Federal Revenues and Other Additions)		10,697	(10,697)
Other (Other Additions)		323	(323)
Net Investment Income		623	(623)
Benefit Payments, including Refunds of Employee-Contributions	(64,522)	(64,522)	0
Benefit Payments financed by Employee-Contributions and Federal Revenues		(24,419)	24,419
Administrative Expense		(591)	591
Assumption Changes	109,286		109,286
Net Effect of the Change in TxDOT's Proportional Percentage	(18,550)		(18,550)
Net Changes	168,840	(2,230)	171,070
Balances at 08/31/25	$ 2,184,585	$ 37,440	$ 2,147,145

For the year ended Aug. 31, 2025, TxDOT recognized an OPEB expense of $163.5 million. All contributions by employers and the State of Texas Non Employer Contributing Entity (NECE) to the Group Employees Life, Accident and Health Insurance and Benefits Fund Program (GBP) are available to pay claims of active and retired members. Employer and NECE contributions are based on a blended rate. Allocation of the OPEB liability and related accounts should be based on the total contributions that are available to pay current and future claims of the OPEB plan, as this best reflects the relationship between the contributions and the collective net OPEB liability. The employer's proportional share of OPEB contributions for the measurement year ending Aug. 31, 2024 includes both active and retiree contributions.

As of Aug. 31, 2025, TxDOT reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Outstanding Deferred Outflows and Deferred Inflows Related to OPEB at August 31, 2025

(Amounts in Thousands)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between Expected and Actual Experience	$	$ 35,425
Changes of Assumptions	117,555	427,728
Net Difference between Projected and Actual Investment Return	107	189
Change in Proportion & Contribution Difference	361,409	
Contributions Subsequent to the Measurement Date	224,761	
Total	$ 703,832	$ 463,342

The $224.8 million reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net OPEB liability for the year ending Aug. 31, 2026.

Amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense in the following years:

Fiscal Year Ended August 31:

(Amounts in Thousands)

2026	$	(10,949)
2027	$	(21,739)
2028	$	(13,211)
2029	$	38,133
2030	$	23,495
Thereafter	$	0

NOTE 11 – INTERFUND ACTIVITY AND TRANSACTIONS

Interfund activity refers to financial interactions between funds and/or blended component units and is restricted to internal events. Interfund transactions refer to financial interactions between TxDOT and another agency of the State of Texas.

Interfund services are sales and purchases of goods and services between funds for a price approximating their external exchange value. This activity is reported as revenue in seller funds and expenditures or expenses in purchaser funds. Unpaid amounts are reported as receivables and payables.

Interfund transfers represent the flow of assets (cash or goods) without equivalent flow of assets in return or a requirement for repayment. In governmental funds, transfers are reported as other financing uses or sources. Transfers are reported in proprietary funds after nonoperating revenues and expenses in the Statement of Revenues, Expenses and Changes in Fund Net Position.

As a general rule, the effect of interfund activity within TxDOT funds is eliminated from the entity-wide financial statements, with exception of activities between governmental activities and business-type activities. Interfund activity with fiduciary funds is reclassified and reported as an external activity.

Interfund Activity

TxDOT's operations are primarily managed through the state highway fund. As such, several routine transfers are reported between the state highway fund and TxDOT's other major and nonmajor funds. The following tables detail the principal purposes of TxDOT's significant routine interfund transfers as well as provide a summary of interfund transfers by individual major funds, nonmajor funds in the aggregate and fiduciary funds.

Interfund Transfers In/Out by Purpose
August 31, 2025 (Amounts in Thousands)

Purpose	Interfund Transfer In (Fund)	Interfund Transfer Out (Fund)		Amount
Reimburse the state highway fund for costs incurred on projects funded by local government contributions.	State Highway Fund	County/Political Subdivision/ Local Government Road/Airport Trust Account	$	147,645
Provide funds to pay debt service principal and interest payments on outstanding Proposition 12/ Highway Improvement General Obligation Bonds.	Proposition 12 Debt Service Fund	State Highway Fund	$	247,080
Provide funds to pay debt service principal and interest payments on outstanding Proposition 14/State Highway Fund Revenue Bonds.	Proposition 14 Debt Service Fund	State Highway Fund	$	378,175
Provide funds to buy out the SH288 Comprehensive Development Agreement from Blueridge Transportation Group.	SH 288 System Fund	State Highway Fund	$	1,806,708

Interfund Transfers In/Out August 31, 2025 (Amounts in Thousands)	Transfers In Other Funds	Transfers Out Other Funds
Governmental Funds		
Major Funds:		
State Highway Fund	$ 2,048,250	$ 762,891
Texas Mobility Fund - Debt Service	87,792	
Texas Mobility Fund - Capital Projects	42,428	1,841
Nonmajor Funds	625,255	147,645
	2,803,725	912,377
Proprietary Funds		
Major Funds:		
Central Texas Turnpike System	14,486	
Grand Parkway Transportation Corp.		98,864
SH 249 System		262
SH 288 System		1,806,708
	14,486	1,905,834
Total	$ 2,818,211	$ 2,818,211

Interfund reimbursements are repayments from funds responsible for payment of expenditures or expenses to the funds that initially made the payment on their behalf. Reimbursements are not displayed in the financial statements.

Amounts not transferred at fiscal year-end are accrued as due to/due from other funds. Due to/due from amounts between governmental or business-type activities and fiduciary funds are reported as due to/due from amounts between funds in the fund financial statements and are reclassified to receivables from fiduciary funds/payables to fiduciary funds, as if they were external transactions in the entity-wide financial statements.

Due From/To August 31, 2025 (Amounts in Thousands)	Due From Other Funds	Due To Other Funds
Governmental Funds		
Major Funds:		
State Highway Fund	$ 1,877,596	$ 38,746
Texas Mobility Fund - Capital Projects		3,128
Nonmajor Funds	3,519	16,766
	1,881,115	58,640
Proprietary Funds		
Major Funds:		
Central Texas Turnpike System	14,153	11,680
Grand Parkway Transportation Corp.	6,974	25,299
SH 249 System	504	419
SH 288 System		1,806,708
	21,631	1,844,106
Total	$ 1,902,746	$ 1,902,746

Activity occurring within the same fund is eliminated. Certain reclassifications and eliminations are made between the fund financial statements and the entity-wide financial statements. Transfers between the governmental or business-type activities and the fiduciary funds are reported as transfers on the fund financial statements and are reclassified to revenues and expenses, as if they were external transactions on the entity-wide financial statements. Additional eliminations are made and transfers in and out are netted and presented in the entity-wide statement of activities as “transfers-internal activities”.

Transfers-Internal Activities per the Entity-Wide Financial Statements
August 31, 2025 (Amounts in Thousands)

Fund Category	Other Funds*
Governmental Activities	$ 1,891,020
Business-Type Activities	$ (1,891,020)

*Amounts include capital contributions of $328.0 thousand from Governmental Activities to Business-Type Activities.

Internal Balances per the Entity-Wide Financial Statements
August 31, 2025 (Amounts in Thousands)

	Governmental Activities	Business-Type Activities	Total
Current Liabilities:			
Internal Balances - Payables	$ (1,822,475)	$ 1,822,475	$ 0

Interfund Transactions

The state highway fund is considered a shared fund and is appropriated for use by multiple State of Texas agencies. TxDOT is considered the controlling agency for the State Highway Fund and reports the total cash in state treasury balance for the fund at fiscal year-end. TxDOT reports interagency transfers in and out with the other agencies that collect and deposit to or expend out of the state highway fund.

The following tables detail the balances of transfers to/from and due to/from other state agencies and TxDOT. Approximately $1.9 billion of the interagency transfers-in balance for the State Highway Fund is related to the net amount of cash collected by Texas Department of Motor Vehicles for certificate of title fees and motor vehicle registration fees. The transfer-in, received in fiscal 2025, resulted in an increase to the change to the State Highway Fund cash balance in the State Treasury. Also, the State Highway Fund received monthly deposits from TCEQ-money to be used for congestion mitigation projects. This amount was approximately $106.9 million.

On Nov. 4, 2014, Texas voters approved the ballot measure that authorized a constitutional amendment for transportation funding. Under the amendment, half of the funds that would have previously gone into the Economic Stabilization Fund (ESF), are now deposited to the state highway fund. TxDOT recorded a due from, in the state highway fund related to Proposition 1 ballot measure in the amount of $2.5 billion in fiscal 2025. The Comptroller of Public Accounts transferred this amount to TxDOT in November 2025.

Austin Campus Consolidation Project Fund captures the activity related to the construction of TxDOT headquarters, which reached substantial completion on Apr. 30, 2022. Texas Public Financing Authority (TPFA) is the controlling agency of this fund. TxDOT and TPFA have entered into an agreement whereby TPFA has issued an obligation on behalf of TxDOT to finance the construction of the building. TxDOT considers this obligation as a long-term liability. $1.1 million reported as due from agencies is the remaining amount of money that TPFA will provide TxDOT for the remaining construction of the TxDOT headquarters.

TxDOT also has interagency activity with federal funds. See Schedule 1A of this report for more details.

Transfers In/Out to Other State Agencies

August 31, 2025 (Amounts in Thousands)

	Transfers In Other Agencies	Transfers Out Other Agencies
Governmental Funds		
Major Funds:		
State Highway Fund	$ 2,033,837	$ 81
Nonmajor Funds	767	6
Total	$ 2,034,604	$ 87

Due From/To Other State Agencies

August 31, 2025 (Amounts in Thousands)

	Due From Other Agencies	Due To Other Agencies
Governmental Funds		
Major Funds:		
State Highway Fund	$ 2,800,285	$ 3,608
Nonmajor Funds	1,080	
Total	$ 2,801,365	$ 3,608

Pass-Throughs To/From Other State Agencies

August 31, 2025 (Amounts in Thousands)

	State Highway Fund
Federal Pass-throughs:	
Expenditures	$ (13,795)
Revenue*	9,125
Total	$ (4,670)
State Pass-throughs:	
Expenditures	$ (200)
Total	$ (200)

* This amount represents a refund of revenue to the federal government

NOTE 12 – CONTINUANCE SUBJECT TO REVIEW

Under the Texas Sunset Act, TxDOT will be abolished effective Sept. 1, 2029, unless continued in existence by the 91st Legislature as provided by the Act. If abolished, TxDOT may continue until Sept. 1, 2030 to wind down its operations. In the event that TxDOT is abolished pursuant to the Texas Sunset Act or other law, Texas Government Code, Section 325.017(f), acknowledges that such action will not alter the obligation of the state to pay bonded indebtedness and all other obligations of the abolished agency.

NOTE 13 - CLASSIFICATION OF FUND BALANCE AND NET POSITION

The table below presents a summary of the Aug. 31, 2025 governmental fund balances by major and nonmajor governmental funds. With the exception of non-spendable fund balances, fund balances are presented based on specific purpose for which the funds are restricted, committed, assigned or unassigned.

Governmental Fund Balances –
Disaggregation of Nonspendable, Restricted, Committed, Assigned and Unassigned Fund Balances
August 31, 2025 (Amounts in Thousands)

MAJOR FUNDS	State Highway Fund	Texas Mobility Fund - Debt Service	Texas Mobility Fund - Capital Projects	Total Major Funds
Nonspendable:				
Inventories & Prepaid Items	$ 179,569			$ 179,569
Restricted For:				
Transportation-Construction	2,246,524			2,246,524
Debt Service		283,895		283,895
Committed To:				
Transportation-Construction	986,830		255,377	1,242,207
Assigned To:				
Transportation	317,487			317,487
Unassigned	(807,625)			(807,625)
Total	$ 2,922,785	$ 283,895	$ 255,377	$ 3,462,057

NONMAJOR FUNDS	General Funds	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Funds
Nonspendable:					
Long Term Loans & Receivables	$ 400,000	$	$	$	$ 400,000
Restricted For:					
Capital Projects				1,080	1,080
Debt Service			36,235		36,235
Committed To:					
Transportation-Construction	78,765	6,611			85,376
Assigned To:					
Transportation	2,177				2,177
Unassigned	139,111				139,111
Total	$ 620,053	$ 6,611	$ 36,235	$ 1,080	$ 663,979

Restrictions of net position are listed on the face of the entity-wide and proprietary statements of net position. Balances reported as restricted in the fund financial statements are reported as restricted in the statement of net position. All other fund financial balances are reported as unrestricted in the statement of net position.

NOTE 14 - ADJUSTMENTS TO FUND BALANCES AND NET POSITION

Adjustments to Fund Balances/ Net Position
(Amounts in Thousands)

	September 1, 2024, as Previously Reported	Change in Accounting Principle - GASB 101	Change to or within the Financial Reporting Entity	September 1, 2024 as Restated
ENTITY-WIDE FINANCIAL STATEMENTS				
Governmental Activities	$ 137,675,188	$ 11,405	$	$ 137,686,593
GOVERNMENTAL ACTIVITIES				
Major Funds:				
Texas Mobility Fund	470,401		(470,401)	
Texas Mobility Fund - Debt Service			298,154	298,154
Texas Mobility Fund - Capital Projects			172,247	172,247

During the current fiscal year, TxDOT implemented GASB Statement No. 101, Compensated Absences. In addition to recognizing the value of unused vacation, compensatory leave, and overtime, TxDOT now includes an estimated amount of earned sick leave—anticipated to be used by employees in future years—as part of its liability for compensated absences. The impact of this change in accounting principle is summarized above.

Prior to fiscal 2025 the Texas Mobility Fund was presented as a single major fund. Due to significant increases in the capital projects activity in the fund, TxDOT transitioned to reporting two major funds in fiscal 2025: a debt service fund and a capital projects fund.

NOTE 15 – COMMITMENTS AND CONTINGENCIES

Contingencies

Unpaid Claims and Lawsuits

The type and volume of activity for which TxDOT is responsible exposes it to a large number of claims and lawsuits. TxDOT has vigorously contested lawsuits brought against it and has usually prevailed or made settlements substantially less than the amounts originally sought.

TxDOT is exposed to claims by contractors. TxDOT will most likely settle these claims at substantially less than the amount originally sought. However, if a settlement between TxDOT's claims committee and the contractor cannot be reached, these claims will result in future litigation. As of Aug. 31, 2025, outstanding contractor claims pending at the TxDOT claims committee totaled $241 million.

Settlements are paid by the Texas Comptroller of Public Accounts from the claims and refunds appropriation. The Attorney General's office indicates that the lawsuits listed below were pending as of Aug. 31, 2025. TxDOT management's opinion is that the probable outcome of these cases will not materially affect the financial position of TxDOT.

Type of Suit	Amounts in Controversy
Contract	Amounts claimed range from $2 thousand to $142 thousand. Total claims of amounts indicated is $173 thousand.
Inverse Condemnation	Monetary amounts have not been specified in any of these cases.
Declaratory Judgment	Monetary amounts have not been specified in any of these cases.
Eminent Domain	Total claims with amounts indicated range from $127 to $17.1 million with a total of $392.4 million.
Employment Law and Related Lawsuits	Monetary amounts have not been specified in any of these cases. Liability against TxDOT is limited to $600 thousand; however, there is no limit on attorney fees and front pay.
Tort Claims	Statutory limits of liability on these cases are $250 thousand per person or $500 thousand per accident.
Workers' Compensation	Monetary amounts have not been specified in any of these cases.

Arbitrage

Rebatable arbitrage defined by Internal Revenue Code (IRC), Section 148, is earnings on tax exempt bond proceeds in excess of the yield on the bond. The rebatable arbitrage must be repaid to the federal government. Pursuant to the applicable bond Indenture of Trust, a Rebate Fund will be established under the Indenture to which deposits will be made upon the determination by a verification agent that a rebate payment may be due. The amount of rebate due to the federal government is determined and payable during each five-year period and upon final payment of the tax-exempt bonds. IRC Section 148 also provides for certain rebate exceptions, including an exception if certain spend-out requirements of the bond proceeds are met. TxDOT estimates that rebatable arbitrage liability, if any, will be immaterial to the agency's overall financial condition.

Federal Reimbursements and Grants

TxDOT receives federal financial assistance for specific purposes that are subject to review or audit by the federal grantor agencies. Entitlement to this assistance is generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of assistance for allowable purposes. Such audits could lead to requests for reimbursements to grantor agencies for expenditures disallowed under the terms of the grant. Based on prior experience, management believes such disallowance, if any, will be immaterial.

On Dec. 16, 2011, TxDOT and the Federal Highway Administration (FHWA) approved and executed a Memorandum of Understanding (MOU) for FHWA participation in TxDOT's pass-through funding (PTF) program. This MOU will apply to all pass-through finance (PTF) projects approved by TxDOT after Feb. 26, 2009 with some stipulations as detailed within the agreement. This agreement was done in order to facilitate maximum federal reimbursement on TxDOT PTF projects. The MOU is not applicable to any PTF project agreements executed prior to Feb. 26, 2009. Federal reimbursement for these projects will be set up on an individual basis in separate agreements between TxDOT and FHWA and with compliance reviews being performed on each project.

Significant Commitments

Construction Related Contracts

As of Aug. 31, 2025, TxDOT had outstanding contractual commitments related to the award of construction contracts, terms of outstanding design-build contracts and terms requiring contribution of public funds to provide for a portion of construction costs related to Public-Private/Public Partnerships (PPPs). Of the amounts committed under these contracts, TxDOT expects to receive future reimbursements from the Federal Highway Administration (FHWA). In addition, the Grand Parkway Transportation Corporation (GPTC), our blended component unit, has outstanding construction commitments. Disclosure of these construction related commitments and potential FHWA reimbursement is displayed below.

Construction Related Contract Commitments

August 31, 2025 (Amounts in Thousands)

	Total Remaining Commitment	FHWA Reimbursements
Construction Contracts	$ 24,375,112	$ 9,797,907
Design-Build Projects	2,462,740	701,628
GPTC Project	95,164	
Totals	$ 26,933,016	$ 10,499,535

Pass-Through Toll Agreements

Transportation Code, Section 222.104 authorizes TxDOT to enter into an agreement with a public or private entity that provides for the payment of pass-through tolls to the public or private entity as reimbursement for the design, development, financing, construction, maintenance, or operation of a toll or non-toll facility on the state highway system by the public or private entity. As of Aug. 31, 2025, there were 24 active pass-through financing agreements.

TxDOT recognizes liabilities associated with pass-through toll projects as notes payable as the projects are being constructed. Notes payable amounts are determined by contractually negotiated agreements with pass-through toll partners. See Note 5 for details on the payables recognized related to pass-through toll repayment obligations.

The maximum total remaining repayment commitments for pass-through toll projects executed as of Aug. 31, 2025 was approximately $297 million. Approximately $1.4 billion was repaid as of Aug. 31, 2025 since the inception of the pass-through toll agreements. The actual repayment obligation for each agreement is not determinable until total construction costs are known.

Toll Equity Grants and Loan Agreements

Transportation Code, Section 222.103 authorizes TxDOT to participate, by spending money from any available source, in the cost of acquisition, construction, maintenance or operation of a toll facility of a public or private entity. The Commission adopted administrative rules (toll equity rules) to prescribe conditions for the Commission's financing of such toll facilities. Under these guidelines the Commission has committed funds in the form of toll equity grants and toll equity loans. As of Aug. 31, 2025, the Commission has outstanding toll equity grant commitments and toll equity loan commitments totaling $44.8 million and $8.3 billion, respectively. Payments of these amounts are made subject to executed financial assistance agreements between TxDOT and the applicable public or private entity.

The toll equity loan commitment is related to a toll equity loan agreement (TELA) with the GPTC. This agreement makes a loan available to be drawn on in the event revenues and certain reserves are insufficient to pay certain debt service or operations and maintenance costs of the toll systems of aforementioned entities.

The GPTC funds financed by TELA-supported debt are to be used to pay for certain costs relating to the development, construction, operation, maintenance and financing of Segments D (Harris County), E, F1, F2, G, H, and I and the predevelopment of possible extensions or expansions of the Grand Parkway. The maximum amount of money that can be paid by TxDOT to GPTC under the TELA is equal to the aggregate amount of costs that are authorized under Article 8, Section 7-a of the Texas Constitution and Section 222.103 of the Texas Transportation Code, i.e. the "Eligible Costs".

NOTE 16 – SUBSEQUENT EVENTS

On Oct. 29, 2025, the Texas Transportation Finance Corporation's (TTFC's) SH 288 System Subordinate Tier Toll Revenue and Refunding Bonds, Series 2025A and Taxable Series 2025B (the Bonds) were successfully issued in the par amount of $1.7 billion.

TxDOT and TTFC have entered into a Toll Equity Loan Agreement dated Oct. 7, 2025 (the "TELA"). The TELA sets forth the representations, commitments and obligations of TTFC and TxDOT in connection with TxDOT's agreement to advance funds for Eligible Costs related to the development, construction, operation, maintenance, and financing of the SH 288 System, as paid by TTFC, up to the Maximum Available Aggregate Amount of $4.4 billion, when revenues and certain fund balances under the Trust Agreement between TTFC and U.S. Bank Trust Company are insufficient for such purposes.

Pursuant to a minute order of the Commission adopted on Jul. 30, 2024, and a project agreement dated Oct. 1, 2024, TTFC became entitled to all revenues from, or produced as a consequence of, the operation of the SH 288 System as a toll facility as of Sep. 1, 2025. Subsequently, TxDOT and TTFC replaced that project agreement with a "SH 288 System Project Agreement" dated Oct. 29, 2025, which currently documents TTFC's rights to the revenues.

On Nov. 06, 2025, the State of Texas General Obligation Mobility Fund and Refunding Bonds, Series 2025 were successfully issued in the par amount of $1.7 billion.

Below is information on the bonds refunded subsequent to Aug. 31, 2025.

Description	**Series**	**Actual Par Amount** (Amount in Billions)	**Actual Date of Issuance**	**Purpose**
SH288 System Toll Revenue Subordinate Tier Bonds, Series 2025	2025A; 2025B	$ 1.7	10/29/2025	Refund and prepay in full the oustanding principal and accrued and upaid interest on the TxDOT SHF Note. Pay certain costs relating to the SH288 System. Fund capitalized interest on the Series 2025A Bonds. Make deposits to the Rate Stabilization Fund and Revenue Fund. Pay the costs of issuance of the Bonds.
General Obligation Mobility Fund and Refunding Bonds	2025	$ 1.7	11/6/2025	Pay for or reimburse the State Highway Fund for payment for authorized purposes. Refund certain Outstanding Parity Debt and to achieve debt service savings.

NOTE 17 – RISK MANAGEMENT

TxDOT is exposed to various risks of loss related to property, general and employer liability, net income, and personnel. TxDOT and its employees are covered by various immunities and defenses that limit some of these risks of loss, particularly in liability actions brought against TxDOT or its employees. Remaining exposures are managed by self-insurance arrangements.

The activity related to claims and judgments for the year is recorded in the table below. Further details of these claims and judgments are provided in Note 5.

Claims and Judgments
August 31, 2025 (Amounts in Thousands)

		Beginning Balance	Increases	Decreases		Ending Balance
2025	$	150,000	4,801	(71,801)	$	83,000
2024	$	400,000	6,015	(256,015)	$	150,000

Property and Liability

TxDOT administers a self-insured workers compensation program. Due to the nature of workers' compensation claims, amounts are not reasonably estimable. Claims are paid as they become due.

TxDOT self-insures the Central Texas Turnpike System, the Interstate Highway 35E Managed Lanes, and the SH 249 System. GPTC self-insures the Grand Parkway System. Each system or project is insured through funds on deposit within its Rate Stabilization Fund. Amounts on deposit in the Rate Stabilization Funds for self-insurance have been certified as actuarially sound by AMI Risk Consultants, Inc for CTTS, I-35E, SH 249 system, and GPTC. To date, neither TxDOT nor GPTC have had to draw upon the Rate Stabilization Fund to settle any claims, and therefore settlements have not exceeded self-insurance coverage.

During the fiscal year, the Texas Transportation Commission maintained a Not-for-Profit Entity and Directors, Officers Liability Insurance Policy Including Employment Practices Claims Coverage in connection with the Central Texas Turnpike System and the SH 249 System. Grand Parkway Transportation Corporation also maintained Directors and Officers Liability insurance and certain public official's liability coverage for the Grand Parkway System.

Health, Life and Dental

Insurance coverage is provided to active state employees and their dependents by one of three health plan administrators. All TxDOT employees are included in the Texas Employees Group Benefits Program (GBP) administered by the Employees Retirement System of Texas (ERS).

Claims for health, life, accidental death and dismemberment (AD&D), disability and dental insurance coverages are established under the GBP. These coverages are provided through a combination of insurance contracts, a self-funded health plan, a self-funded dental indemnity plan, HMO contracts and dental health maintenance organizations (DHMO) contracts.

Commitments

TxDOT incurs commitments related to outstanding construction contracts and comprehensive development agreements. Further detail of these commitments is provided in Note 15.

NOTE 18 - FINANCIAL REPORTING ENTITY

As required by Generally Accepted Accounting Principles, the financial statements present TxDOT, a state agency, and its component units. The component units discussed in this note are included in TxDOT's reporting entity because of the significance of their operational and financial relationships with TxDOT.

Blended Component Units

The Commission is authorized to create Transportation Corporations in Transportation Code, Chapter 431. The Commission approves the creation of transportation corporations, approves the articles of incorporation, appoints directors and approves by-laws. At any time, the Commission may terminate and dissolve a transportation corporation. In the event of dissolution or liquidation of a corporation, all assets shall be turned over to TxDOT.

As of Aug. 31, 2025, three transportation corporations are authorized by the Commission. In all three instances TxDOT contains the voting majority, is able to impose its will upon the transportation corporations, and the services of all three transportation corporations' benefit TxDOT. Furthermore, the three transportation corporations are classified as blended component units.

The Texas Private Activity Bond Surface Transportation Corporation (TxPABST) acts on behalf of TxDOT in the promotion and development of transportation facilities, by issuing private activity bonds for projects developed under comprehensive development agreements (CDAs) entered into by TxDOT. Bonds issued by TxPABST are not legal obligations of the state of Texas and are payable solely from payments received or on behalf of a CDA developer. See Note 6 for additional details about the TxPABST private activity bond issuances as of Aug. 31, 2025. TxPABST does not publish financial statements. Further information can be obtained by writing:

Texas Private Activity Bond Surface Transportation Corporation
125 East 11th Street
Austin, Texas 78701

The Grand Parkway Transportation Corporation (GPTC) acts on behalf of TxDOT in the promotion and development of the Grand Parkway Project, by issuing bonds and entering into comprehensive development agreements with developers for the design and construction of several segments of the Grand Parkway project. Bonds issued by GPTC are not legal obligations of the state of Texas and are payable solely from revenues and other funds of the Grand Parkway System, which is comprised of Segments D in Harris County, E, F-1, F-2, G, H, I-1, I-2, and B-1 located in Chambers, Harris, Liberty, Montgomery, Galveston and Brazoria Counties. See Note 6 for additional details about the GPTC bond issuances as of Aug. 31, 2025. GPTC has a fiscal year end of Aug. 31, 2025, consistent with TxDOT. The financial activity of GPTC is reported as a Proprietary fund within the accompanying financial statements of TxDOT. Further information can be obtained by writing:

Grand Parkway Transportation Corporation
Financial Management Division
125 East 11th Street
Austin, Texas 78701

The Texas Transportation Finance Corporation (TTFC) acts on behalf of TxDOT by acquiring, developing, financing, refinancing, designing, constructing, reconstructing, expanding, tolling, operating or maintaining some or all of any toll projects within the State that is to be developed by the Texas Department of Transportation (the Department), as determined by the Commission, including executing contracts with the Department or a development team, borrowing money, assigning rights under contracts and other related matters. Bonds issued by TTFC are not legal obligations of the state of Texas and are payable solely from the tollway's revenues and other dedicated funds. TTFC has a fiscal year-end of Aug. 31, 2025, consistent with TxDOT. The financial activity of the SH288 System, a roadway system financed by TTFC, is reported as a Proprietary fund within the accompanying financial statements of TxDOT. Further information can be obtained by writing:

Texas Transportation Finance Corporation
Financial Management Division
125 East 11th Street
Austin, Texas 78701

NOTE 19 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Changes in Accounting Principles

The implementation of GASB statements is addressed in Note 1.

Deficit Fund Balance and Net Position

Grand Parkway Transportation Corporation (GPTC) had a $3.6 billion deficit net position at the end of fiscal 2025. The majority of the deficit net position was due to the outstanding bond liability balance exceeding the assets owned by the Corporation. GPTC supports TxDOT by issuing bonds to construct portions of the Grand Parkway project, but does not own any capital assets that are constructed. Capital Assets of $3.1 billion funded by GPTC are reported in the Governmental Activities column of the statement of net position.

SH 288 System had a $1.8 billion deficit net position at the end of fiscal 2025. This deficit reflects the combined outstanding principal and accrued, unpaid interest on the TxDOT SHF Note - an interfund loan received from the State Highway Fund to finance the buyout of the SH288 managed lanes. Texas Transportation Finance Corporation (TTFC) repaid this loan using proceeds from refunding bonds issued in October 2025. Although the deficit is presented in the proprietary fund's financial statements, it represents a temporary internal financing arrangement and does not indicate a structural imbalance.

Proposition 1 had a $807.6 million deficit fund balance at the end of fiscal 2025. The deficit was due to the advance funding of expenditures with proposition 1 prior to the receipt of the annual deposit of fiscal 2025 revenue in Nov. 2025. Individual funds within the State Highway Fund can advance fund expenditures as long as appropriation authority is available and the overall cash balance in the appropriated fund is a positive balance.

Coronavirus Relief fund had a $4.6 million deficit fund balance at the end of fiscal 2025. The entire deficit fund balance represents the portion of the federal receivable balance in the fund that was unavailable within 60 days of fiscal year-end.

NOTE 20 – PUBLIC-PRIVATE AND PUBLIC-PUBLIC PARTNERSHIPS (PPPs)

As of Aug. 31, 2025, TxDOT is a party to seven agreements that are classified as PPPs under the definition established by GASB Statement No. 94. A PPP arrangement is an arrangement between the transferor (TxDOT) and an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset, for a period of time in an exchange or exchange-like transaction.

Some PPPs are service concession arrangements (SCAs), for which TxDOT retains the ownership of the underlying assets. An SCA is a PPP arrangement between a transferor and an operator in which all of the following criteria are met:

(a) The transferor conveys to the operator the right and related obligation to provide public services through the use and operation of an infrastructure asset in exchange for significant consideration, such as up-front payments, a new infrastructure asset, or improvements to an existing infrastructure asset.

(b) The operator is compensated through fees collected from third parties. In all active TxDOT PPPs, these fees are in the form of tolls.

(c) The transferor determines, or retains the authority to modify or approve, the services that the operator is required to provide, to whom the operator is required to provide the services and the rates that can be charged for the services.

(d) The transferor is entitled to a significant residual interest in the service utility of the infrastructure asset at the end of the arrangement.

TxDOT enters into PPP projects in order to:

- Improve mobility by expanding existing road capacity and introducing managed toll lanes, traditional toll lanes and other strategies aimed at reducing traffic congestion.
- Enable TxDOT to deliver these projects faster than would be possible using traditional funding sources.
- Shift the majority of the financial risk to the operator.

TxDOT may enter into PPPs with both public and private operators. At the end of these arrangements, operations and maintenance of the projects will transfer to TxDOT.

The structure of each PPP is determined by the unique financial aspects of the respective arrangement. In all cases, TxDOT derives an economic benefit from retaining ownership of the project at the end of the PPP term. The following table summarizes the status, term and duration of each currently active PPP.

Public-Private and Public-Public Partnerships
As of August 31, 2025

Partnerships Name	Construction Status	Term of PPP	FY PPP Begin	FY PPP End
IH 10 “Katy Managed Lanes*	Complete	42 years	2009	2050*
SH 121 “Sam Rayburn Tollway”	Complete	47 years	2012	2058
SH 288 - Brazoria County*	Complete	29 years	2021	2049*
SH 130 Segments 5 and 6	Complete	51 years	2013	2063
North Tarrant Exp Seg 1 and 2-West	Complete	47 years	2015	2061
North Tarrant Exp Seg 3A, 3B and 3C	Complete	44 years	2018	2061
LBJ/IH-635 Managed Lanes	Complete	47 years	2016	2062

* Estimated. PPP period extends until Harris County and Brazoria County fully reimbursed for costs of construction and debt service.

In the year a PPP project opens to traffic, TxDOT records the underlying PPP asset. If TxDOT owns the underlying PPP asset, it records the capital asset at its acquisition value, with a corresponding entry to deferred inflows of resources. If TxDOT does not own the underlying PPP asset, or if the underlying PPP asset is not the underlying asset of an SCA, TxDOT recognizes a receivable based on the operator’s estimated carrying value of the underlying PPP asset as of the expected date of the ownership transfer, with a corresponding entry to deferred inflows of resources. The deferred inflow of resources balance is subsequently reduced, with revenue recognized in a systematic and rational manner over the term of the arrangement, beginning when the infrastructure asset is placed into operation. Up-front payments received are recorded as assets (cash in State Treasury), with a corresponding deferred inflow of resources recognized in the governmental financial statements. Revenue is recognized, and the deferred inflow of resources is reduced in a systematic and rational manner over the term of the arrangement.

The following three projects that TxDOT entered into with governmental operators are PPP arrangements but do not meet the definition of a service concession arrangement (SCA).

1. IH-10 “Katy Managed Lanes”

TxDOT entered into a tri-party agreement with Harris County and the Federal Highway Administration to plan, design, construct, maintain and operate four managed lanes within the limits of Interstate Highway 10. The managed lanes opened to traffic in fiscal 2009. It was determined that TxDOT (the transferor) does not have control over toll rate-setting; therefore, the arrangement does not meet the criteria for classification as a SCA. A $237.5 million payment for the costs of the managed lane project was made up front by Harris County (reported by the Harris County Toll Road Authority, or HCTRA) to TxDOT. The payment was made to reimburse TxDOT for construction costs incurred in connection with the development of the toll road project. The toll road is not owned by TxDOT.

The amount paid up front by Harris County was agreed to be reimbursed with toll revenues from the managed lanes. At the end of the arrangement term, ownership of the road will revert to TxDOT once the County has been fully reimbursed. GASB Statement No. 94 requires the transferor measure and recognize a receivable with an offset to deferred inflow of resources if the transferor does not own the underlying PPP asset. The receivable was measured based on the operator’s $250 million acquisition value of the asset, which includes $237.5 million cash contribution to TxDOT and $12.5 million in-kind contribution by the County.

2. SH 121 ”Sam Rayburn Tollway”

TxDOT and the North Texas Transportation Authority (NTTA) entered into the SH-121 project agreement in Collin, Dallas, and Denton counties. All segments opened to traffic in fiscal 2012. It was determined that TxDOT (the transferor) does not have control over toll rate-setting; therefore, the arrangement does not meet the criteria for classification as a SCA. TxDOT received an up-front payment of $3.2 billion when the project started. The deferred inflow related to the up-front payment was recognized in the State Highway Fund, a governmental fund. A receivable, which was measured based on the acquisition value of the capital asset to be returned to TxDOT at the conclusion of the agreement, was recognized on the entity-wide statement of net position.

3. SH 288 Brazoria County Project

TxDOT, Brazoria County, and Brazoria County Toll Road Authority entered into an agreement for the development design, construction, financing, operation, and maintenance of SH 288, including two northbound and two southbound toll lanes. The operator, Brazoria County and the Brazoria County Toll Road Authority, has the control over the toll rates charged for the service; therefore the project does not meet the criteria of an SCA. With the implementation of GASB No. 94, the project is determined to meet the criteria of a PPP arrangement. Since TxDOT does not own the underlying PPP asset, a receivable of $79.4 million was recognized based on the operator's acquisition value when the asset was placed into service.

The other four PPP arrangements of TxDOT meet the criteria of an SCA and have been reported as an SCA.

1. SH 130 - Segments 5 & 6

TxDOT and the SH 130 Concession Company (the Developer) entered into a facility concession arrangement in fiscal 2007. Under the terms of the facility concession arrangement, the developer made up-front payments, totaling $143.5 million to TxDOT. The toll road opened to traffic in fiscal 2013.

2. North Tarrant Express (NTE) - Segments 1 and 2-West

TxDOT and NTE Mobility Partners, LLC entered into a comprehensive development agreement for a concession for the developments of Segments 1 and 2-West of the NTE facility. The toll road opened to traffic in fiscal 2015.

3. North Tarrant Expansion (NTE) - Segments 3A, 3B, and 3C

TxDOT and NTE Mobility Partners Segments 3, LLC (NTE Mobility) entered into a Facility Agreement related to the financing, design, construction and maintenance of Segments 3A, 3B, and 3C of the NTE project in Fort Worth. Segments 3A and 3B opened to traffic in fiscal 2018. The Segments 3A and 3B project, along with the Segment 3C project, were combined into a single SCA in fiscal year 2023, the year Segment 3C opened to traffic, for presentation in this note. The acquisition value associated with Segment 3C was treated as additional capital improvements to the project.

4. LBJ/IH-635 Managed Lanes

TxDOT entered into a Comprehensive Development Agreement (CDA) with LBJ Development Infrastructure Group, LLC for the IH-635 Managed Lanes Project. The final segment opened to traffic in fiscal 2016.

Grand Parkway Transportation Corporation (GPTC) Initial Project and H & I Project

Grand Parkway Transportation Corporation (GPTC) is a blended component unit (BCU) of TxDOT. TxDOT and GPTC entered into a project agreement for the design, construction, financing, and operation of Segments D through G (the initial project), as well as Segments H & I. This arrangement between TxDOT and GPTC is not reported as a PPP in TxDOT's financial statements under GASB Statement No. 94.

According to GASB Statement No. 94, intangible right-to-use assets are considered capital assets. Reporting the capital asset in governmental activities and the intangible right-to-use asset in business-type activities would result in duplicate reporting. On the entity-wide financial statements, the intangible right-to-use asset reported by GPTC (BCU) and the associated deferred inflow of resources in the governmental activities were eliminated to avoid duplication, while the capital asset remains in the governmental activities of TxDOT (the primary government).

SH 288 Harris County

TxDOT finalized its $1.7 billion buyout of the SH 288 toll lanes in Harris County from the private company Blue Ridge Transportation Group (BTG) on Oct. 8, 2024, ending the public-private partnership. The buyout transferred control of the SH 288 System to TxDOT. As of Aug. 31, 2025, all prior BTG obligations have been redeemed and prepaid, and neither BTG nor the holders of prior BTG obligations retain any rights, interests, or claims in the Project.

TxDOT has recorded the difference between the buyout payment amount and the unamortized deferred inflow of resources associated with upfront payments and capital improvements of the SH 288 System as a special item classified as a PPP loss. There was no change to the capital assets associated with the public-private partnership as a result of this termination. The State Highway Fund has recorded the toll revenue generated from the SH 288 System since the buyout date. On Sep. 1, 2025, all SH 288 System Toll revenue was assigned and transferred to the Texas Transportation Finance Corporation.

Public-Private and Public-Public Partnership Amounts Recognized in Financial Statements – Governmental Activities
August 31, 2025 (Amounts in Thousands)

Arrangement Name	Cash in State Treasury*	Capital Assets	Receivable for PPP Assets	Deferred Inflows of Resources**
IH 10 “Katy Managed Lanes”	$	$	$ 250,000	$ 148,810
SH 121 “Sam Rayburn Tollway”	220,662		1,633,394	3,340,494
SH 288 - Brazoria County			79,427	65,733
SH 130 Segments 5 and 6	10,829	1,628,942		1,322,141
North Tarrant Exp Seg 1 and 2-West		2,453,624		1,345,008
North Tarrant Exp Seg 3A ,3B and 3C		2,739,309		1,773,517
LBJ/IH-635 Managed Lanes		2,712,285		1,649,047
Total	$ 231,491	$ 9,534,160	$ 1,962,821	$ 9,644,750

*The balance of cash in state treasury consists of unspent up-front concession payments, reimbursements for the traffic signal maintenance, and deposits for interoperability fee adjustments and revenue sharing.
** The deferred inflows of resources balance that relates to up-front payments received is recorded in governmental fund financials in the year received.

In some cases, TxDOT is obligated to make contributions of public funds to the PPP project during the construction period for portions of the project’s design, construction, or right-of-way costs. Outlays of TxDOT funds related to PPP projects are recorded as additions to construction in progress as they are incurred.

NOTE 21 – DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

As of Aug. 31, 2025, TxDOT reported deferred outflows of resources and deferred inflows of resources in the Statement of Net Position as presented in the table below.

Deferred Outflows and Deferred Inflows of Resources
Statement of Net Position
As of August 31, 2025 (Amounts in Thousands)

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Governmental Activities		
Loss on Bond Refunding	$ 27,052	$
Gain on Bond Refunding		64,521
Pensions (Note 8)	145,995	146,261
Public-Private or Public-Public Partnerships (PPPs) (Note 20)		9,644,750
Other Postemployment Benefits (Note 10)	703,832	463,342
Leases (Note 7)		2,965
Time Restricted Appropriations		465,800
Total Governmental Activities	876,879	10,787,639
Business-Type Activities		
Loss on Bond Refunding	159,568	
Gain on Bond Refunding		111,544
Total Business-Type Activities	159,568	111,544
Total	$ 1,036,447	$ 10,899,183

Deferred outflows of resources in the amounts of $27.1 million in governmental activities and $159.6 million in business-type activities relate to losses on bond refunding transactions. The deferred inflows of $64.5 million reported in governmental activities and $111.5 million in business-type activities relate to gains on bond refunding transactions. These deferred outflows and inflows are amortized on a straight-line basis over the remaining life of the old debt, or the life of the new debt, whichever is shorter.

Deferred inflows of resources of $9.6 billion reported in governmental activities relate to seven different Public-Private or Public-Public Partnership Arrangements (PPPs), to which TxDOT was a party, as of Aug. 31, 2025. The amount recorded in the financial statements represents the unamortized portion of the deferred inflow associated with capital improvements and upfront payments that TxDOT received under the agreements.

TxDOT reported $146.0 million in deferred outflows of resources and $146.3 million in deferred inflows of resources in governmental activities for pension-related adjustments. The reported deferred outflows of resources include TxDOT's share of pension contributions made subsequent to the measurement date and the unamortized balance of changes in assumptions used to calculate net pension liability. The reported deferred inflows of resources consist of the unamortized balance of other changes in the components of net pension liability.

Deferred outflows of resources of $703.8 million and deferred inflows of resources of $463.3 million reported in governmental activities relate to other postemployment benefits. The reported deferred outflows of resources include TxDOT's share of OPEB contributions made subsequent to the measurement date and the unamortized balance of the net difference between projected and actual return on plan investments used to calculate net OPEB liability. The reported deferred inflows of resources are the unamortized balances of differences between expected and actual experience on earnings on OPEB plan investments and changes in assumptions used to calculate net OPEB liability.

Deferred inflows of resources of $3.0 million reported for leases represent payments received by TxDOT at or before the lease term that relate to future periods and the unamortized balance of the initial deferred inflow recognized at transition.

Deferred inflows of $5.1 billion were reported on the governmental funds balance sheet for State Highway Fund, and $470.4 million for nonmajor funds as presented in the table as follows. The deferred inflows for taxes, local revenues and federal revenues relate to unavailable revenues that were earned as of Aug. 31, 2025, but not available within 60 days of year end. The deferred inflows for leases represent payments received by TxDOT at or before the lease term that related to future periods and the unamortized balance of the initial deferred inflow recognized at transition. The deferred inflows for appropriations represent appropriations received by TxDOT prior to time requirements being met. The deferred inflows for PPPs represent the unamortized upfront payments TxDOT received under the agreements.

Deferred Inflows of Resources
Balance Sheet-Governmental Funds
As of August 31, 2025 (Amounts in Thousands)

Description	Deferred Inflows of Resources
State Highway Fund	
Oil and Natural Gas Production Tax	$ 2,524,239
Local Revenue	239,146
Federal Revenue	3,729
Motor Fuel Tax	934
Public-Public or Public-Private Partnerships (PPPs) (Note 20)	2,317,577
Leases (Note 7)	2,965
Total State Highway Fund	5,088,590
Nonmajor Funds	
Time-Restricted Appropriations	465,800
Federal Revenue	4,554
Total Nonmajor funds	470,354
Total	$ 5,558,944

SECTION TWO (CONTINUED)

REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A (Unaudited)

Texas Department of Transportation

Budgetary Comparison Schedule - State Highway Fund

For the Fiscal Year Ended August 31, 2025 (Amount in Thousands)

	Budgetary Amounts			
	Original	Final	Actual Amounts Budgetary Basis	Final to Actual Variance
REVENUES				
Taxes	$ 9,671,637	$ 8,893,295	$ 8,643,438	$ (249,857)
Federal	5,404,254	5,621,575	5,674,800	53,225
Licenses, Fees and Permits	114,675	114,675	282,169	167,494
Interest and Investment Income	110,933	110,933	291,176	180,243
Land Income			28,019	28,019
Settlement of Claims			58,818	58,818
Sales of Goods and Services	28,690	28,690	(13,411)	(42,101)
Other	165,195	165,134	3,511	(161,623)
Total revenues	15,495,384	14,934,302	14,968,520	34,218
EXPENDITURES				
Transportation	17,235,124	21,823,598	13,519,055	8,304,543
Total Expenditures	17,235,124	21,823,598	13,519,055	8,304,543
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,739,740)	(6,889,296)	1,449,465	8,338,761
OTHER FINANCING SOURCES (USES)				
Transfers In			4,082,087	4,082,087
Transfers Out			(762,972)	(762,972)
Increase in Obligation for Leases/Subscriptions			39,520	39,520
Sale of Capital Assets			56,717	56,717
Available Beginning Balances	8,446,174	8,446,174	8,446,174	0.0
Total Other Financing Sources (Uses)	8,446,174	8,446,174	11,861,526	3,415,352
Excess (Deficiency) of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	$ 6,706,434	$ 1,556,878	$ 13,310,991	$ 11,754,113

NOTES TO THE BUDGETARY COMPARISON SCHEDULE

The budgetary comparison schedule presents comparisons of the legally adopted budget with actual data on a budgetary basis. Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles (GAAP), a reconciliation of these differences is required and is presented below.

The major reconciling items between the budgetary comparison schedule and the GAAP financial statements are due to the following items.

Basis of Accounting Differences

Revenues and expenditures are reported on the cash basis of accounting in the budgetary comparison schedule but are reported on the modified accrual basis of accounting on the GAAP fund financial statements. Therefore, deferred inflows, receivables and payables are included as reconciling items.

Perspective Differences

Certain revenues and expenditures, including debt service are not budgeted by the Legislature. The activity for these programs is excluded from the budgetary comparison schedule. The beginning cash balances are included as other financing sources in the budgetary comparison schedule and are not included as financing sources on the GAAP financial statements.

RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS

August 31, 2025 (Amounts in Thousands)

		State Highway Fund
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses-Actual Budgetary Basis	$	13,310,991
Basis of Accounting Differences:		
Receivables and Deferred Inflows		185,244
Payables		(137,030)
Perspective Differences:		
Beginning Cash Balances Reported as Other Financing Sources		(8,446,174)
Other Expenditures Not Budgeted		(7,557,444)
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses - GAAP Basis	$	(2,644,413)

Basis of Budgeting

The state's budget is prepared on a cash basis. The Texas Constitution limits appropriation bills to two years. The Legislative Budget Board (LBB) is required by statute to adopt an estimated rate of growth for the next biennium and calculate a limit on the amount of state tax revenue, not dedicated by the Texas Constitution, that is available for spending in the next biennium. If the Legislature, by adoption of a resolution approved by a record vote of a majority of the members of each house, finds that an emergency exists and identifies the nature of the emergency, the Legislature may provide appropriations in excess of the adopted limit.

The Governor's Budget Office and the LBB initiate the process of submitting budget requests to the Legislature. At final passage of the General Appropriations Act by the Legislature, it is sent to the Comptroller of Public Accounts for certification. If the Comptroller certifies that appropriated amounts are available in the affected funds, the bill is sent to the Governor. If not certified, the Legislature may pass the bill with a four-fifths majority vote. The Governor has the option of vetoing the total bill or specific line-item appropriations but does not have the authority to reduce a line item of appropriation.

Upon approval by the Governor, the bill becomes law and is the budget authority for state agencies to spend state funds. The Comptroller is responsible for controlling, accounting and reporting expenditures in accordance with expenditure budgets.

Legal Level of Budgetary Control

The Texas Constitution requires the Comptroller to submit a Biennial Revenue Estimate to the Legislature prior to each regular session. This document contains an itemized estimate of beginning cash balances, anticipated revenues based on laws then in effect and estimated expenditures from prior appropriations. The Texas Constitution also requires the Comptroller to submit supplementary revenue estimates at any special session of the Legislature and at other necessary times to show probable changes.

The level of legal control for the budget is established at the strategy (line item) level by agency. For example, "Right-of-Way Acquisition" and "Routine Maintenance" are two of the strategies for TxDOT. The legal level of budgetary control is defined as the level at which the governing body must approve any over expenditure of appropriations or transfers of appropriated amounts. Agencies are authorized limited transfer authority between strategies, not to exceed 20 percent, by the General Appropriations Act. Transfers and expenditures are monitored against the original budget by the Comptroller's office to ensure the agency's authorized budget is not exceeded.

The level of legal control is documented in the budget comparison by strategy schedule in the other supplementary information section, which includes budget and actual expenditure data by strategy line item for TxDOT. State agencies cannot exceed approved appropriations. In certain emergency situations, the Governor may authorize additional appropriations from deficiency and emergency appropriation reserves.

Unexpended appropriations generally lapse 60 days after the fiscal year unless they are encumbered during the 60-day "lapse" period. Other appropriations referred to as "reappropriated unexpended balances" represent a continuation of prior year's balances for completion of a program.

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Schedules of Changes in Net Pension Liability and Related Ratios

For each of the fiscal years presented, the measurement date for the information on the schedules of changes in net pension liability and related ratios was the prior fiscal year-end.

Schedule of Changes in Net Pension Liability

(Amounts in Thousands)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Total Pension Liability										
Service Cost	$ 67,184	$ 66,173	$ 60,040	$ 215,861	$ 183,298	$ 131,802	$ 139,071	$ 132,525	$ 108,528	$ 118,614
Interest	196,040	202,686	184,513	239,037	252,377	263,616	246,260	228,274	238,733	228,696
Benefit Changes										(8,462)
Differences between Expected and Actual Experience	40,296	56,640	31,057	(75,186)	51,209	(56,576)	8,840	10,516	12,639	(27,433)
Assumption Changes	(17,894)			(2,294,877)	638,481	828,735	(190,768)	201,859	501,760	(330,365)
Benefit Payments and Refunds	(179,278)	(188,191)	(173,305)	(272,688)	(262,908)	(248,564)	(231,505)	(208,148)	(203,213)	(197,428)
Change in Proportional Percentage	(63,721)	48,919	(419,173)	11,253	72,864	33,200	115,111	(73,016)	(22,595)	(2,322)
Net Change in Total Pension Liability	42,627	186,227	(316,868)	(2,176,600)	935,321	952,213	87,009	292,010	635,852	(218,700)
Total Pension Liability-Beginning	4,189,280	4,003,053	4,319,921	6,496,521	5,561,200	4,608,987	4,521,978	4,229,968	3,594,116	3,812,816
Total Pension Liability-Ending (a)	$ 4,231,907	$ 4,189,280	$ 4,003,053	$ 4,319,921	$ 6,496,521	$ 5,561,200	$ 4,608,987	$ 4,521,978	$ 4,229,968	$ 3,594,116
Plan Fiduciary Net Position										
Contributions-Employer	$ 85,167	$ 84,133	$ 76,777	$ 74,383	$ 73,792	$ 69,733	$ 67,074	$ 63,666	$ 64,993	$ 48,208
Contributions-Member	48,249	48,868	43,969	72,249	71,598	67,985	65,798	62,336	63,849	44,524
Net Investment Income	253,895	132,932	(44,366)	697,718	179,607	74,216	233,808	257,602	120,512	5,486
Benefit Payments and Refunds	(179,278)	(188,191)	(173,305)	(272,688)	(262,907)	(248,564)	(231,505)	(208,148)	(203,213)	(197,428)
Administrative Expense	(2,634)	(2,728)	(1,928)	(2,198)	(2,425)	(2,716)	(2,265)	(2,100)	(1,935)	(2,104)
Additional One- Time state Funding		58,018								
Net Change in Plan Fiduciary Net Position	205,399	133,032	(98,853)	569,464	59,665	(39,346)	132,910	173,356	44,206	(101,314)
Plan Fiduciary Net Position-Beginning	3,290,463	3,157,431	3,256,284	2,686,820	2,627,156	2,666,502	2,533,592	2,360,236	2,316,030	2,417,344
Plan Fiduciary Net Position-Ending (b)	3,495,862	3,290,463	3,157,431	3,256,284	2,686,820	2,627,156	2,666,502	2,533,592	2,360,236	2,316,030
Net Pension Liability-Ending (a) - (b)	$ 736,045	$ 898,817	$ 845,622	$ 1,063,637	$ 3,809,700	$ 2,934,044	$ 1,942,485	$ 1,988,386	$ 1,869,732	$1,278,086
Plan Fiduciary Net Position as a percentage of Total Pension Liability	82.61%	78.54%	78.88%	75.38%	41.36%	47.24%	57.85%	56.03%	55.80%	64.44%
Covered Payroll	$523,745	$506,463	$439,107	$722,978	$717,847	$679,824	$655,345	$623,828	$638,053	$592,508
Net Pension Liability as a percentage of covered payroll	140.53%	177.47%	192.58%	147.12%	530.71%	431.59%	296.41%	318.74%	293.04%	215.71%

Notes to Schedule:

1. The change in total pension liability is due to the change in the single discount rate included as an assumption change.
2. The covered payroll is the actual annual payroll for the fiscal year as reported by ERS.

Schedules of Employer Contributions - Pension

The information on the schedules of employer contributions was determined as of the end of the fiscal year presented.

Schedule of Employer Contributions
(Amounts in Thousands)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially determined contributions	$ 101,264	$ 85,268	$ 84,132	$ 130,185	$ 115,532	$ 98,776	$ 92,592	$ 89,848	$ 67,526	$ 65,492
Actual Contribution	101,264	85,268	142,151	130,185	74,383	73,792	69,733	67,073	66,253	66,163
Contribution deficiency (excess)	0	0	(58,019)	0	41,149	24,984	22,859	22,775	1,273	(671)
Covered payroll	651,123	523,745	506,463	744,564	722,978	717,847	679,824	655,345	649,179	649,536
Contribution as a percentage of covered payroll	15.55%	16.28%	28.07%	17.48%	10.29%	10.28%	10.26%	10.23%	10.21%	10.19%

Notes to Schedule of Employer Contributions:

Valuation Date:

Actuarially determined contribution rates are calculated as of August 31. Members are employers contribute based on statutorily fixed rates.
Provisions of the Legacy Payment structure adopted during the 2021 legislative session were reflected in disclosures for the 2022 fiscal year and later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Payroll plus Level Dollar Legacy Payment
Remaining Amortization Period	UAAL to be eliminated by 2054
Asset Valuation Method	Marked to market as of August 31, 2017. Future gains and losses each recognized over closed five-year period, with allowance of direct offsetting of deferrals by subsequent gains or losses.
Inflation	2.30%
Salary Increases	0.00% to 8.80%
Investment Rate of Return	7.00%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2024 valuation pursuant to an experience study that covered the period ending August 31, 2023.
Mortality	2020 State Retirees of Texas (SRT) mortality table. Generational mortality improvements in accordance with the ultimate rates from the scales published through 2020 by Retirement Plans Experience Committee of the Society of Actuaries ("Ultimate MP") and projected from the year 2020. Rates for male LECO members are set forward one year.

Other Information:

1. Members and employers contribute based on statutorily fixed rates.
2. The covered employee payroll is the actual annual payroll for the fiscal year as reported by ERS.
3. Actuarially determined contributions for the year ending August 31, 2025 were determined using the actuarial valuation as of August 31, 2024 and the assumptions above. New assumptions were adopted for the actuarial valuation as of August 31, 2025 and are reflected in the Total Pension Liability.

Schedules of Changes in Net OPEB Liability and Related Ratios

For each of the fiscal years presented, the measurement date for the information on the schedules of changes in net pension liability and related ratios was the prior fiscal year-end.

Schedule of Changes in Net OPEB Liability

(Amounts in Thousands)

	2025	2024	2023	2022	2021	2020	2019	2018
Total OPEB Liability								
Service Cost	$ 71,586	$ 76,765	$ 120,116	$ 114,899	$ 112,086	$ 88,258	$ 109,497	$ 256,922
Interest	76,566	77,727	59,256	55,456	77,381	89,418	92,361	136,668
Change in Benefit Terms		(9,908)						
Differences between Expected and Actual Experience	(5,526)	(14,884)	(35,851)	(1,159)	(59,568)	(6,513)	(68,487)	(55,942)
Assumption Changes	109,286	(198,196)	(637,950)	97,327	(183,440)	219,984	(433,607)	(973,369)
Benefit Payments, including Refunds of Employee-Contributions	(64,522)	(61,827)	(52,396)	(56,420)	(53,672)	(54,212)	(48,508)	(81,242)
Change in Proportional Percentage	(18,550)	(9,083)	30,803	21,079	(13,547)	(545)	(1,305,600)	
Net Change in Total OPEB Liability	168,840	(139,406)	(516,022)	231,182	(120,760)	336,390	(1,654,344)	(716,963)
Total OPEB Liability-Beginning	2,015,745	2,155,151	2,671,173	2,439,991	2,560,751	2,224,361	3,878,705	4,595,668
Total OPEB Liability-Ending (a)	$ 2,184,585	$ 2,015,745	$ 2,155,151	$ 2,671,173	$ 2,439,991	$ 2,560,751	$ 2,224,361	$ 3,878,705
Plan Fiduciary Net Position								
Contributions-Employer	$ 58,657	$ 59,245	$ 51,996	$ 56,292	$ 54,469	$ 29,365	$ 22,473	$ 99,328
Contributions-Non-employer Contributing Entities	3,156	3,125	2,730	2,877	2,747	1,477	1,214	5,140
Contributions-Employee	13,722	13,457	14,162	14,128	16,751	15,355	14,868	21,835
Contributions-Federal Revenues for Medicare Part D RDS	124	112	118	116	129	108	104	
Other (Federal Revenues and Other Additions)	10,697	9,024	8,285	7,785	7,958	6,439	5,587	8,009
Other (Other Additions)	323			4	2			
Net Investment Income	623	478	55	17	97	243	798	504
Benefit Payments, including Refunds of Employee- Contributions	(64,522)	(61,827)	(52,396)	(56,420)	(53,672)	(54,212)	(48,508)	(81,242)
Benefit Payments financed by Employee-Contributions and Federal Revenues	(24,419)	(22,482)	(22,447)	(21,913)	(24,709)	(21,788)	(20,216)	(29,803)
Administrative Expense	(591)	(585)	(503)	(632)	(496)	(439)	(426)	(627)
Net Change in Plan Fiduciary Net Position	(2,230)	547	2,000	2,254	3,276	(23,452)	(24,106)	23,144
Plan Fiduciary Net Position-Beginning	39,670	39,123	37,123	34,869	31,593	55,045	79,151	56,007
Plan Fiduciary Net Position-Ending (b)	$ 37,440	$ 39,670	$ 39,123	$ 37,123	$ 34,869	$ 31,593	$ 55,045	$ 79,151
Net OPEB Liability-Ending (a) - (b)	$ 2,147,145	$ 1,976,075	$ 2,116,028	$ 2,634,050	$ 2,405,122	$ 2,529,158	$ 2,169,316	$ 3,799,554
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	1.71%	1.97%	1.82%	1.39%	1.43%	1.23%	2.47%	2.04%
Covered-Employee Payroll	$ 1,125,128	$ 1,018,094	$ 945,898	$ 924,117	$ 921,100	$ 901,530	$ 881,785	$ 1,309,744
Net OPEB Liability as a Percentage of Covered- Employee Payroll	190.84%	194.10%	223.71%	285.03%	261.11%	280.54%	246.01%	290.10%

Notes to Schedule:

1. This schedule is intended to present 10 years of information. Currently, only eight years of information are available. Information for future years will be added when it becomes available.
2. Information is presented using an Aug. 31, 2024 measurement date.
3. Benefit payments are net of member contributions and Federal Revenues.

Schedule of Employer Contributions – OPEB

Schedule of Employer Contributions

(Amounts in Thousands)

	2025	2024	2023	2022	2021	2020	2019	2018
Actuarially determined contribution	$ 141,663	$ 161,937	$ 148,912	$ 156,808	$ 199,751	$ 188,525	$ 196,639	$ 170,736
Actual Contribution	224,761	223,437	220,567	219,022	220,676	218,794	216,838	212,627
Contribution deficiency (excess)	(83,098)	(61,500)	(71,655)	(62,214)	(20,925)	(30,269)	(20,199)	(41,891)
Covered-Employee Payroll	1,190,534	1,125,128	1,018,094	945,898	924,143	921,086	901,530	881,785
Contribution as a percentage of Covered-Employee Payroll	5.70%	5.50%	6.14%	5.80%	6.42%	6.23%	3.43%	2.70%

Notes to Schedule of Employer Contributions:

Methods and assumptions used to determine contribution rates:

Valuation Date	August 31, 2024
Actuarial Cost Method	Entry Age
Amortization Method	Level Percent of Payroll, Open
Remaining Amortization Period	30 Years
Asset Valuation Method	Not applicable
Actuarial Assumptions:	
Discount Rate	3.87%*
Inflation Rate	2.30%
Projected Annual Salary Increase	2.30% to 8.95%, including inflation
Annual Healthcare Trend Rate	HealthSelect 5.60% for FY26, 5.60% for FY27, 5.25% for FY28, 5.00% for FY29, 4.75% for FY30, 4.50% for FY31, decreasing 10 basis points per year to an ultimate rate of 4.30% for FY33 and later years HealthSelect Medicare Advantage 36.00% for FY26, 8.00% for FY27, 5.25% for FY28, 5.00% for FY29, 4.75% for FY30, 4.50% for FY31, decreasing 10 basis points per year to an ultimate rate of 4.30% for FY33 and later years Pharmacy 11.50% for FY26, 11.00% for FY27, 10.00% for FY28, 8.50% for FY29, 7.00% for FY30 decreasing 100 basis points per year to 5.00% for FY32 and 4.30% for FY33 and later years
Ad hoc Postemployment Benefit Changes	None
Aggregate Payroll Growth	2.70%
Retirement Age	Experience-based tables of rates that are specific to the class of employee
Mortality-State Agency Members	Service Retirees, Survivors and Other Inactive Members (Regular, Elected, CPO/CO Employee Classes): 2020 State Retirees of Texas Mortality table with a 1 year set forward for male CPO/CO members. Generational mortality improvements in accordance with the Ultimate MP-2021 Projection Scale are projected from the year 2020. Disability Retirees: 2020 State Retirees of Texas Mortality table set forward three years for males and females. Generational mortality improvements in accordance with the Ultimate MP-2021 Projection Scale are projected from the year 2020. Minimum rates of 3.0% and 2.5% apply at all ages for males and females, respectively. Active Members: Pub-2010 General Employees Active Member Mortality table for non-CPO/CO members. Pub-2010 Public Safety Active Member Mortality table for CPO/CO members. Generational mortality improvements in accordance with the Ultimate MP-2021 Projection Scale are projected from the year 2010.

*The source of the municipal bond rate is the Bond Buyer Index of general obligations bonds with 20 years to maturity and mixed credit quality. The bonds' average credit quality is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Corp.'s AA.

Other Information:
This schedule is intended to present 10 years of information. Currently, only eight years of information is available. Information for future years will be added when it becomes available.

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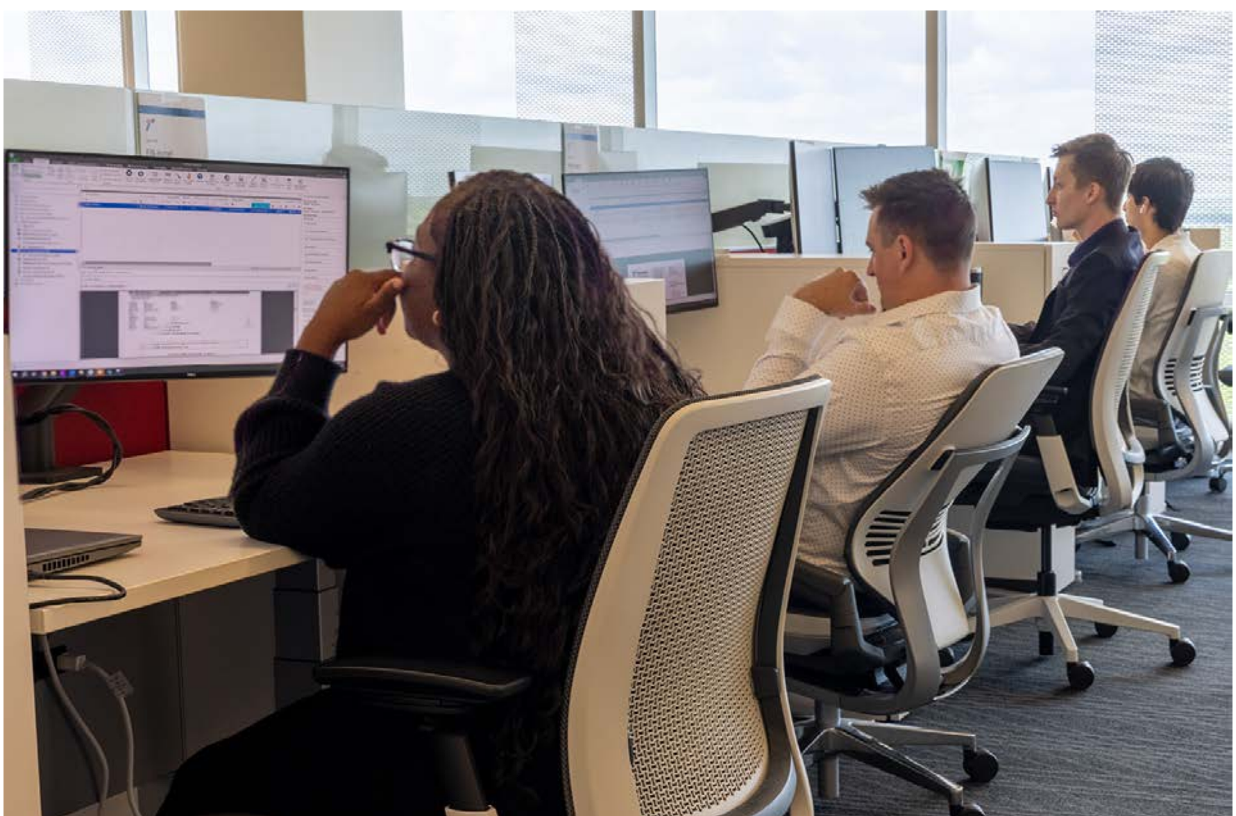
SECTION TWO (CONTINUED)

OTHER SUPPLEMENTARY INFORMATION

COMBINING FINANCIAL STATEMENTS, SCHEDULES, AND BUDGET COMPARISON BY STRATEGY

(Unaudited)



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State Highway Fund Accounts

Combining Financial Statements

TxDOT reports the following accounts/sub-funds, which are consolidated into the state highway fund for the financial statements.

State Highway Fund Accounts - These funds contain the activity related to public road construction, maintenance and monitoring of the state's highway system. The significant ongoing revenue sources are federal revenues and motor fuels taxes, which are constitutionally restricted and dedicated to the highway fund.

Appropriated Fund	GAAP Fund	USAS D23 Funds
0006	0006	0006 - State Highway Fund
0006	0006	0121 - SH121 Concession-Project Fund
0006	0006	0122 - SH121 Concession-Revolving Fund
0006	0006	0130 - SH130 Concession
0006	0006	0161 - SH161 Project Fund
0006	0006	0162 - SH161 Revolving Fund
0006	0006	0288 - SH 288 Concession-Project Fund
0006	0006	0321 - Military Installation Program-Army
0006	0006	0322 - Military Installation Program-Navy
0006	0006	0323 - Military Installation Program-Airforce
0006	0006	0512 - Escrow-Pass-Thru Toll-Montgomery County
0006	0006	0635 - LBJ Project Concession Refund
0006	0006	0807-Collections for Conferences and Seminars
0006	0006	0820 - NTE Mobility Refi Gain
0006	0006	0823 - NTE SEG 3A&3B Concession Fund
0899	0006	0997 - SH288 Project O&M Reimbursement Fund
0006	0006	1016 - Texas State Cemetery Committee
0006	0006	2114 - Surplus Toll Rev-DFW Connector
0006	0006	2183 - Surplus Toll Rev-Midtown Express
0006	0006	2635 - Surplus Toll Revenue-I635-E Project
0006	0006	8006 - Depository Interest Default Fund
0006	0006	9000 - Deposit Default Fund
0006	0006	9001 - Returned Items Default Fund
0369	0006	0369 - Federal American Recovery & Reinvestment Fund
0899	0006	0835 - I-35E Project Disbursing Account
0899	0006	0997-SH288 Project O&M Reimbursement Fund
9999	0006	1835 - I-35E Local Operating Fund
9999	0006	1998 - TxTag Toll Collection Account

Proposition 1 - This fund was created to record, track, and report the receipt and disbursement of the Proposition 1 Fund.

Appropriated Fund	GAAP Fund	USAS D23 Funds
0006	0006	1006 - Proposition 1 Account

Proposition 7 - This fund was created to record, track, and report the receipt and disbursement of the Proposition 7 Fund.

Appropriated Fund	GAAP Fund	USAS D23 Funds
0006	0006	1007 - Proposition 7 Account

State Infrastructure Bank Accounts – This fund operates as a revolving loan program that makes loans to public and private entities to encourage the development of transportation projects and facilities.

Appropriated Fund	GAAP Fund	USAS D23 Funds
0006	0006	0099 - State Infrastructure Bank

Texas Department of Transportation
Combining Balance Sheet - State Highway Fund
August 31, 2025 (Amounts in Thousands)

	State Highway Fund Accounts	Proposition 1	Proposition 7	State Infrastructure Bank	TOTAL
ASSETS					
Cash and Cash Equivalents:					
Cash on Hand	$ 30	$	$	$	$ 30
Cash in Bank	5,870				5,870
Cash in State Treasury	1,487,868	(353,510)	2,481,848	338,458	3,954,664
Cash Equivalents	186,214				186,214
Short Term Investments	9,936				9,936
Receivables:					
Taxes	266,871				266,871
Federal	485,483				485,483
Other Intergovernmental	291,672				291,672
Interest and Dividends	1,193			3,880	5,073
Accounts Receivable	143,258				143,258
Leases	1,440				1,440
Due from Other Funds	1,877,596				1,877,596
Due from Other Agencies	276,046	2,524,239			2,800,285
Consumable Inventories	179,566				179,566
Prepaid Items	3				3
Investments	14,644				14,644
Loans and Contracts	59,442			257,347	316,789
Restricted:					
Cash Equivalents	57,255				57,255
Total Assets	$ 5,344,387	$ 2,170,729	$ 2,481,848	$ 599,685	$ 10,596,649
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Payables:					
Accounts	1,001,611	449,745	885,956		2,337,312
Payroll	115,142				115,142
Contract Retainage	65,484				65,484
Deposits	17,212				17,212
Due to Other Funds	23,121	4,370	11,255		38,746
Due to Other Agencies	3,608				3,608
Unearned Revenues	7,771				7,771
Total Liabilities	1,233,949	454,115	897,211	0	2,585,275
Deferred Inflows of Resources:					
Unavailable Revenue	243,808	2,524,239			2,768,047
Leases	2,965				2,965
Public-Private or Public-Public Partnerships	2,317,577				2,317,577
Total Deferred Inflows of Resources	2,564,350	2,524,239	0	0	5,088,589
Fund Balances:					
Nonspendable:					
Inventory	179,569				179,569
Restricted	62,202		1,584,637	599,685	2,246,524
Committed	986,830				986,830
Assigned	317,487				317,487
Unassigned		(807,625)			(807,625)
Total Fund Balances	1,546,088	(807,625)	1,584,637	599,685	2,922,785
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 5,344,387	$ 2,170,729	$ 2,481,848	$ 599,685	$ 10,596,649

Texas Department of Transportation
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - State Highway Fund

For the Fiscal Year Ended August 31, 2025 (Amounts in Thousands)

	State Highway Fund Accounts	Proposition 1	Proposition 7	State Infrastructure Bank	TOTAL
REVENUES					
Taxes	2,923,240	2,739,805	3,214,067		8,877,112
Federal Revenues	5,495,270				5,495,270
Licenses, Fees and Permits	375,328				375,328
Interest & Investment Income	136,363	58,215	75,567	22,077	292,222
Net Increase Fair Value	784				784
Land Income	28,413				28,413
Settlement of Claims	58,818				58,818
Sales of Goods and Services	22,303				22,303
Other Revenues	3,511				3,511
Total Revenues	9,044,030	2,798,020	3,289,634	22,077	15,153,761
EXPENDITURES					
Current:					
Transportation	5,106,555	820,594	57,149		5,984,298
Capital Outlay	6,163,536	3,598,618	3,650,393		13,412,547
Debt Service:					
Principal	99,498				99,498
Interest	8,159				8,159
Other Financing Fees	596				596
Total Expenditures	11,378,344	4,419,212	3,707,542	0	19,505,098
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,334,314)	(1,621,192)	(417,908)	22,077	(4,351,337)
OTHER FINANCING SOURCES (USES)					
Transfers In	4,082,087				4,082,087
Transfers Out	(515,892)		(247,080)		(762,972)
Increase in Obligations for Leases	39,520				39,520
Sale of Capital Assets	56,717				56,717
Total Other Financing Sources (Uses)	3,662,432	0	(247,080)	0	3,415,352
SPECIAL ITEMS					
Special Item - PPP Buyout	(1,708,429)				(1,708,429)
Net Change in Fund Balances	(380,311)	(1,621,192)	(664,988)	22,077	(2,644,414)
Fund Balances, September 1, 2024	1,926,399	813,567	2,249,625	577,608	5,567,199
Fund Balances, August 31, 2025	$ 1,546,088	$ (807,625)	$ 1,584,637	$ 599,685	$ 2,922,785

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Nonmajor Governmental Funds

Combining Financial Statements

TxDOT reports the following accounts/sub-funds, which are consolidated into the Nonmajor Governmental funds for the financial statements.

General Fund - The general fund accounts for all financial resources except those accounted for in other funds.

Appropriated Fund	GAAP Fund	USAS D23 Funds
0001	0001	0001 - General Revenue Fund
0001	0001	1001 - General Revenue Fund-Agency Funds
0036	0036	0036 - Traffic Safety Crash Records
0325	0325	0325 - Fed COVID - 19 Pandemic Relief Fund
0325	0325	0326 - Fed COVID - 19 Pandemic Relief Fund Presidio
0807	0001	8070 - Child Support Addenda Deductions
0882	0001	0882 - City County MTA & SPD Sales Tax
0900	0900	0090 - Suspense Fund
0900	0001	0900 - Suspense Fund
0900	0001	9015 - USPS-Overpayments To Employees
0900	0001	9016 - Warrant Hold Offset-Gc403.0551
0980	0001	0980 - Direct Deposit Correction Fund
0980	0001	9014 - USPS-Direct Deposit Return
0999	0001	0998 - Miscellaneous-Utility Fund (Non-Cash)
0999	0999	0999 - Mis-Utility Fund (Non-Cash)
5167	5167	5167 - Ship Channel Improvement Revolving
5199	0001	5199 - GR Acct - Port Access
7604	7604	7604 - TPFA G.O. Commercial Paper Series 2002B Colonial Project Fund

Special Revenue Funds - These funds are used to report the proceeds of specific revenue sources that are restricted or committed for specified purposes other than debt service or capital projects.

Appropriated Fund	GAAP Fund	USAS D23 Funds
0184	0184	0184 - Transportation Infrastructure Fund

Debt Service Funds - These funds are used to report financial resources that are restricted, committed or assigned expenditure for principal and interest.

Appropriated Fund	GAAP Fund	USAS D23 Funds
0008	0008	0010 - State Highway Debt Service Fund
0008	0008	0022 - Proposition 12 Debt Service Fund

Capital Projects Fund Accounts – These funds report the activity related to the expenditure of the mobility fund bond proceeds on eligble transportation projects.

Appropriated Fund	GAAP Fund	USAS D23 Funds
0927	0927	0927 - CO/PolSubdv/LocGo RO/Airpt Tr
7517	7517	7517 - TPFA Lease Rev TxDOT Campus Fund

Texas Department of Transportation
Combining Balance Sheet - Nonmajor Governmental Funds
August 31, 2025 (Amounts in Thousands)

	General Fund	Special Revenue Fund*	Debt Service Fund	Capital Projects Fund	Total Nonmajor Funds
ASSETS					
Cash and Cash Equivalents:					
Cash on Hand	1				$ 1
Cash in State Treasury	135,882	6,612	20,654	448,730	$ 611,878
Legislative Appropriations	611,642				611,642
Receivables:					
Federal	14,701		15,581		30,282
Due from Other Funds				3,519	3,519
Due from Other Agencies				1,080	1,080
Loans and Contracts (Note 4)	400,000				400,000
Total Assets	$ 1,162,226	$ 6,612	$ 36,235	$ 453,329	$ 1,658,402
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Payables:					
Accounts	54,735	1		300	55,036
Payroll	318				318
Due to Other Funds	16,766				16,766
Unearned Revenues				451,949	451,949
Total Liabilities	71,819	1	0	452,249	524,069
Deferred Inflows of Resources:					
Unavailable Revenues	4,554				4,554
Time-Restricted Appropriations (Note 21)	465,800				465,800
Total Deferred Inflows of Resources	470,354	0	0	0	470,354
Fund Balances (Deficits):					
Nonspendable	400,000				400,000
Restricted			36,235	1,080	37,315
Committed	78,765	6,611			85,376
Assigned	2,177				2,177
Unassigned	139,111				139,111
Total Fund Balances	620,053	6,611	36,235	1,080	663,979
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 1,162,226	$ 6,612	$ 36,235	$ 453,329	$ 1,658,402

Texas Department of Transportation
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances - Nonmajor Governmental Funds
For the Fiscal Year Ended August 31, 2025 (Amounts in Thousands)

	General Fund	Special Revenue Fund*	Debt Service Fund	Capital Projects Fund	Total Nonmajor Funds
REVENUES					
Legislative Appropriations	323,316				323,316
Federal Revenues	152,821		32,003		184,824
Federal Pass-Through Revenues	9,125				9,125
Licenses, Fees and Permits	269				269
Interest and Investment Income		290	12,247		12,537
Sales of Goods and Services	577			147,645	148,222
Total Revenues	486,108	290	44,250	147,645	678,293
EXPENDITURES					
Transportation	123,874				123,874
Capital Outlay	183,006			605	183,611
Debt Service:					
Principal			435,480		435,480
Interest			249,288		249,288
Total Expenditures	306,880	0	684,768	605	992,253
Excess (Deficiency) of Revenues Over (Under) Expenditures	179,228	290	(640,518)	147,040	(313,960)
OTHER FINANCING SOURCES (USES)					
Transfers In	767		625,255		626,022
Transfers Out	(6)			(147,645)	(147,651)
Sale of Capital Assets	1,583				1,583
Total Other Financing Sources (Uses)	2,344	0	625,255	(147,645)	479,954
Net Change in Fund Balances	181,572	290	(15,263)	(605)	165,994
Fund Balances, September 1, 2024	438,481	6,321	51,498	1,685	497,985
Fund Balances, August 31, 2025	$ 620,053	$ 6,611	$ 36,235	$ 1,080	$ 663,979

*No combining statements presented.

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Nonmajor General Funds

Combining Financial Statements

TxDOT reports the following General Funds, which are consolidated into the Nonmajor Governmental funds for the financial statements. The general fund accounts for all financial resources except those accounted for in other funds.

General Fund

General Fund

Appropriated Fund	GAAP Fund	USAS D23 Funds
0001	0001	0001 - General Revenue Fund
0001	0001	1001 - Unappropriated General Revenue Fund
0882	0001	0882 - City County MTA & SPD Sales Tax
0980	0001	0980 - Direct Deposit Correction Fund
0980	0001	9014 - USPS-Direct Deposit Return
0999	0001	0998 - Mis-Utility Fund (Non-Cash)
0807	0001	8070 - Child Support Addenda Deductions
0900	0001	0900 - Suspense Fund
0900	0001	9015 - USPS-Overpayments To Employees
0900	0001	9016 - Warrant Hold Offset-Govt. Code 403.0551

Miscellaneous - Utility Fund (Non-Cash)

Appropriated Fund	GAAP Fund	USAS D23 Funds
0999	0999	0999 - Mis-Utility Fund (Non-Cash)

Traffic Safety-Crash Records Information Systems

Appropriated Fund	GAAP Fund	USAS D23 Funds
0036	0036	0036 - Traffic Safety Crash Records

Colonias Projects Fund

Appropriated Fund	GAAP Fund	USAS D23 Funds
7604	7604	7604 - TPFA G.O. Commercial Paper Series 2002B Colonias Project Fund

Suspense Fund

Appropriated Fund	GAAP Fund	USAS D23 Funds
0900	0900	0090 - Suspense Fund

Coronavirus Relief Fund

Appropriated Fund	GAAP Fund	USAS D23 Funds
0325	0325	0325 - Fed COVID - 19 Pandemic Relief Fund
0325	0325	0326 - Fed Covid Relief FD Presidio

GR Account - Ship Channel Improvement Revolving

Appropriated Fund	GAAP Fund	USAS D23 Funds
5167	5167	5167-Ship Channel Improvement Revolving Fund

GR Account - Port Access Fund

Appropriated Fund	GAAP Fund	USAS D23 Funds
5199	0001	5199 - Port Access Fund

Texas Department of Transportation

Combining Balance Sheet - Nonmajor General Funds

August 31, 2025 (Amounts in Thousands)

	General Fund	Traffic Safety Crash Records	Colonias Projects Fund	Coronavirus Relief Fund	Ship Channel Improvement Revolving Fund	Port Access Fund	Total
ASSETS							
Cash and Cash Equivalents:							
Cash on Hand	$ 1	$	$	$	$	$	$ 1
Cash in State Treasury	4,941			10,266		120,675	135,882
Legislative Appropriations	611,642						611,642
Receivables:							
Federal				14,701			14,701
Loans and Contracts					400,000		400,000
Total Assets	$ 616,584	$ 0	$ 0	$ 24,967	$ 400,000	$ 120,675	$ 1,162,226
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
Liabilities:							
Payables:							
Accounts	1			12,824		41,910	54,735
Payroll	317						317
Due to Other Funds	4,624			12,143			16,767
Total Liabilities	4,942	0	0	24,967	0	41,910	71,819
Deferred Inflows of Resources:							
Unavailable Revenues				4,554			4,554
Time-Restricted Appropriations (Note 21)	465,800						465,800
Total Deferred Inflows of Resources	465,800	0	0	4,554	0	0	470,354
Fund Balances (Deficits):							
Nonspendable					400,000		400,000
Committed						78,765	78,765
Assigned	2,177						2,177
Unassigned	143,665			(4,554)			139,111
Total Fund Balances	145,842	0	0	(4,554)	400,000	78,765	620,053
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 616,584	$ 0	$ 0	$ 24,967	$ 400,000	$ 120,675	$ 1,162,226

Texas Department of Transportation

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor General Funds

For the Fiscal Year Ended August 31, 2025 (Amounts in Thousands)

	General Fund	Traffic Safety Crash Records	Colonias Projects Fund	Coronavirus Relief Fund	Ship Channel Improvement Revolving Fund	Port Access Fund	Total
REVENUES							
Legislative Appropriations	$ 323,316	$	$	$	$	$	$ 323,316
Federal Revenues				152,821			152,821
Federal Pass-Through Revenues				9,125			9,125
Licenses, Fees and Permits	269						269
Sales of Goods and Services	577						577
Total Revenues	324,162	0	0	161,946	0	0	486,108
EXPENDITURES							
Current:							
Transportation	22,305	563	204	3,502		97,300	123,874
Capital Outlay	20,052			162,954			183,006
Total Expenditures	42,357	563	204	166,456	0	97,300	306,880
Excess (Deficiency) of Revenues Over (Under) Expenditures	281,805	(563)	(204)	(4,510)	0	(97,300)	179,228
OTHER FINANCING SOURCES (USES)							
Transfers In		563	204				767
Transfers Out	(6)						(6)
Sale of Capital Assets	1,583						1,583
Total Other Financing Sources (Uses)	1,577	563	204	0	0	0	2,344
Net Change in Fund Balances	283,382	0	0	(4,510)	0	(97,300)	181,572
Fund Balances, September 1, 2024	(137,540)	0	0	(44)	400,000	176,065	438,481
Fund Balances, August 31, 2025	$ 145,842	$ 0	$ 0	$ (4,554)	$ 400,000	$ 78,765	$ 620,053

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Nonmajor Debt Service Funds

Combining Financial Statements

TxDOT reports the following accounts/sub-funds, which are consolidated into the Nonmajor Debt Service funds for the financial statements.

Proposition 14 Debt Service Fund

Appropriated Fund	GAAP Fund	USAS D23 Funds
0008	0008	0010 - State Highway Debt Service Fund

Proposition 12 Debt Service Fund

Appropriated Fund	GAAP Fund	USAS D23 Funds
0008	0008	0022 - Proposition 12 Debt Service Fund

Texas Department of Transportation

Combining Balance Sheet - Nonmajor Debt Service Funds

August 31, 2025 (Amounts in Thousands)

	Prop 14 Debt Service Fund	Prop 12 Debt Service Fund	Total Nonmajor Debt Service Funds
ASSETS			
Cash and Cash Equivalents:			
Cash in State Treasury	$ 12,962	$ 7,692	$ 20,654
Receivables:			
Federal	10,930	4,651	15,581
Total Assets	$ 23,892	$ 12,343	$ 36,235
LIABILITIES AND FUND BALANCES			
Liabilities:			
Total Liabilities	0	0	0
Fund Balances (Deficits):			
Restricted	23,892	12,343	36,235
Total Fund Balances	23,892	12,343	36,235
Total Liabilities and Fund Balances	$ 23,892	$ 12,343	$ 36,235

Texas Department of Transportation
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Debt Service Funds

For the Fiscal Year Ended August 31, 2025 (Amounts in Thousands)

	Prop 14 Debt Service Fund	Prop 12 Debt Service Fund	Total
REVENUES			
Federal Revenues	$ 22,484	$ 9,519	$ 32,003
Interest and Investment Income	6,555	5,692	12,247
Total Revenues	29,039	15,211	44,250
EXPENDITURES			
Debt Service:			
Principal	297,075	138,405	435,480
Interest	119,301	129,987	249,288
Total Expenditures	416,376	268,392	684,768
Excess (Deficiency) of Revenues Over (Under) Expenditures	(387,337)	(253,181)	(640,518)
OTHER FINANCING SOURCES (USES)			
Transfers In	378,175	247,080	625,255
Total Other Financing Sources (Uses)	378,175	247,080	625,255
Net Change in Fund Balances	(9,162)	(6,101)	(15,263)
Fund Balances, September 1, 2024	33,054	18,444	51,498
Fund Balances, August 31, 2025	$ 23,892	$ 12,343	$ 36,235

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Nonmajor Capital Project Funds

Combining Financial Statements

TxDOT reports the following accounts/sub-funds, which are consolidated into the Nonmajor Debt Service funds for the financial statements.

Local Government Political Subdivision Road/Airport Account

Appropriated Fund	GAAP Fund	USAS D23 Funds
0927	0927	0927 - Local Government Political Subdivision Road/Airport Account

TPFA Lease Revenue

Appropriated Fund	GAAP Fund	USAS D23 Funds
7517	7517	7517 - Austin Campus Consolidation Project Fund

Texas Department of Transportation

Combining Balance Sheet - Nonmajor Capital Projects Funds

August 31, 2025 (Amounts in Thousands)

	Local Government Political Subdivision Road/ Airport Account	Austin Campus Consolidation Project Fund	Total
ASSETS			
Cash and Cash Equivalents:			
Cash in State Treasury	$ 448,730	$	$ 448,730
Due from Other Funds	3,519		3,519
Due from Other Agencies		1,080	1,080
Total Assets	$ 452,249	$ 1,080	$ 453,329
LIABILITIES AND FUND BALANCES			
Liabilities:			
Payables:			
Accounts	300		300
Unearned Revenues	451,949		451,949
Total Liabilities	452,249	0	452,249
Fund Balances:			
Restricted		1,080	1,080
Total Fund Balances	0	1,080	1,080
Total Liabilities and Fund Balances	$ 452,249	$ 1,080	$ 453,329

Texas Department of Transportation
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Capital Projects Funds

For the Fiscal Year Ended August 31, 2025 (Amounts in Thousands)

	Local Government Political Subdivision Road/Airport Account	Austin Campus Consolidation Project Fund	Total
REVENUES			
Sales of Goods and Services	$ 147,645	$	$ 147,645
Total Revenues	147,645	0	147,645
EXPENDITURES			
Current:			
Capital Outlay		605	605
Total Expenditures	0	605	605
Excess (Deficiency) of Revenues Over (Under) Expenditures	147,645	(605)	147,040
OTHER FINANCING SOURCES (USES)			
Transfers Out	(147,645)	0	(147,645)
Total Other Financing Sources (Uses)	(147,645)	0	(147,645)
Net Change in Fund Balances	0	(605)	(605)
Fund Balances, September 1, 2024	0	1,685	1,685
Fund Balances, August 31, 2025	$ 0	$ 1,080	$ 1,080

Texas Department of Transportation
Budget Comparison by Strategy - State Highway Fund
For the Fiscal Year Ended August 31, 2025 (Amount in Thousands)

Strategy	Final Budget	Actual Expenditures, Budgetary Basis	Variance
Aviation Services	$ 98,860.000	$ 79,490	$ 19,370
Central Administration	116,073	87,644	28,429
Construction Contracts	2,502,209	1,269,552	1,232,657
Construction Contracts - Subaccount	211,500	67,669	143,831
Construction Grants & Services	2,017,489	218,645	1,798,844
Contract Rail Plan/Design	3,870	1,674	2,196
Contracted Plan/Design - Subaccount	4,000	25	3,975
Contracted Planning & Design	661,512	167,224	494,288
Contracted Routine Maintenance	1,266,282	1,535,320	(269,038)
Ferry Operations	53,666	61,289	(7,623)
Gulf Waterway	2,335	287	2,048
Information Resources	304,747	254,817	49,930
Maintenance Contracts	3,350,237	580,182	2,770,055
Other Debt Service	1,000	24	976
Other Support Services	48,932	41,755	7,177
Plan/Design/Manage	626,426	446,125	180,301
Plan/Design/Manage - Subaccount	4,500	3	4,497
Proposition 1, 2014	4,208,895	4,530,268	(321,373)
Proposition 7, 2015	3,963,215	3,383,927	579,288
Public Transportation	98,689	91,326	7,363
Rail Construction	20,065	1,710	18,355
Rail Plan/Design/Manage	5,842	2,581	3,261
Rail Safety	1,208	6	1,202
Research	27,164	24,498	2,666
Right-of-Way Acquisition	898,137	(181,598)	1,079,735
Right-of-Way Acquisition - Subaccount	12,500	1,545	10,955
Routine Maintenance	1,135,620	763,856	371,764
Salary Adjustments	92,622	0.0	92,622
Traffic Safety	63,197	69,218	(6,021)
Travel Information	21,659	19,993	1,666
Total	$ 21,822,451	$ 13,519,055	$ 8,303,396

Construction strategies can be charged for up to four additional fiscal years and non-construction strategies can be charged for up to three additional fiscal years after the original appropriation year. The 8.3 million budget variance represents expenditures expected to be paid in future fiscal years.

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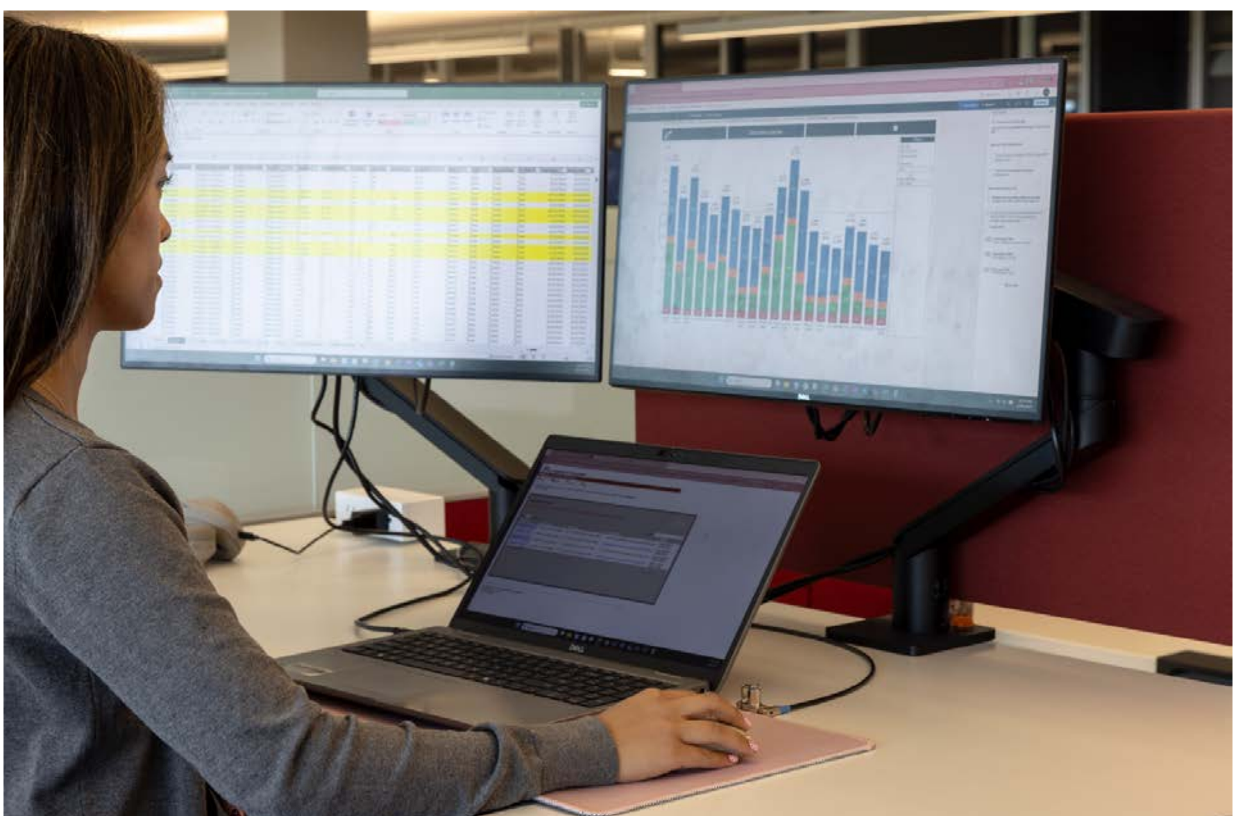
SECTION THREE

STATISTICAL SECTION



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Texas Department of Transportation

Statistical Section

This section presents detailed information as a context for understanding what the information in the financial statements, note disclosures, required supplementary information and other supplementary information says about the department's overall financial health.

Contents **Pages**

Sources: Unless otherwise noted, the information in these schedules is derived from the Texas Department of Transportation for the relevant years.

Texas Department of Transportation
Statistical Section - Financial Trends Information
Net Position - Government-Wide
Last Ten Fiscal Years
(Amounts in Millions)

	2016	2017	2018	2019	2020
GOVERNMENTAL ACTIVITIES					
Net Investment in Capital Assets	$ 71,358	$ 76,120	$ 79,966	$ 85,381	$ 92,952
Restricted	3,438	2,666	5,551	7,964	8,298
Unrestricted	(212)	(114)	(4,261)	(3,855)	(4,032)
Total Governmental Activities Net Position	74,584	78,672	81,256	89,490	97,218
BUSINESS-TYPE ACTIVITIES					
Net Investment in Capital Assets	638	597	558	769	719
Restricted	161	272	344	379	406
Unrestricted	(475)	(619)	(692)	(759)	(849)
Total Business-Type Activities Net Position	324	250	210	389	276
PRIMARY GOVERNMENT					
Net Investment in Capital Assets	71,996	76,717	80,524	86,150	93,671
Restricted	3,599	2,938	5,895	8,343	8,704
Unrestricted	(687)	(733)	(4,953)	(4,614)	(4,881)
Total Primary Government Net Position	$ 74,908	$ 78,922	$ 81,466	$ 89,879	$ 97,494

	2021	2022	2023	2024	2025
GOVERNMENTAL ACTIVITIES					
Net Investment in Capital Assets	$ 102,427	$ 109,237	$ 118,934	$ 129,859	$ 142,095
Restricted	8,642	11,153	11,705	6,907	4,672
Unrestricted	(6,061)	(4,900)	(2,935)	909	1,383
Total Governmental Activities Net Position	105,008	115,490	127,704	137,675	148,150
BUSINESS-TYPE ACTIVITIES					
Net Investment in Capital Assets	752	720	662	644	619
Restricted	431	387	528	511	653
Unrestricted	(1,090)	(1,212)	(4,466)	(4,317)	(6,113)
Total Business-Type Activities Net Position	93	(105)	(3,276)	(3,162)	(4,841)
PRIMARY GOVERNMENT					
Net Investment in Capital Assets	103,179	109,957	119,597	130,503	142,714
Restricted	9,073	11,540	12,233	7,418	5,325
Unrestricted	(7,151)	(6,112)	(7,402)	(3,408)	(4,730)
Total Primary Government Net Position	$ 105,101	$ 115,385	$ 124,428	$ 134,513	$ 143,309

Source: Fiscal 2016 - 2025 TxDOT financial statements

Texas Department of Transportation
Statistical Section - Financial Trends Information
Changes in Net Position - Entity-Wide
Last Ten Fiscal Years

(Amounts in Millions)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
GOVERNMENTAL ACTIVITIES:										
Expenses										
Transportation	$ 5,686	$ 6,135	$ 6,475	$ 6,048	$ 6,981	$ 6,463	$ 6,894	$ 7,646	$ 8,338	$ 8,989
Total Expenses	5,686	6,135	6,475	6,048	6,981	6,463	6,894	7,646	8,338	8,989
Program Revenues:										
Charges for Services	916	1,114	1,277	1,148	1,141	1,126	1,095	1,149	1,169	1,204
Operating Grants and Contributions	3,942	3,835	3,972	4,483	5,901	4,422	4,715	4,443	5,350	5,716
Capital Grants and Contributions	39	50	62	117	37	55	59	114	45	36
Total Program Revenues	4,897	4,999	5,311	5,748	7,079	5,603	5,869	5,706	6,564	6,956
Total Governmental Activities Net Program Expense	(789)	(1,136)	(1,164)	(300)	98	(860)	(1,025)	(1,940)	(1,774)	(2,033)
General Revenues:										
Appropriations	219	269	1		17		1	1	274	323
Taxes	3,035	3,447	6,589	6,970	6,012	7,067	9,453	9,064	8,719	8,663
Unrestricted Investment Earnings	52	77	99	166	141	86	60	424	567	321
Settlement of Claims	48	28	21	42	34	44	37	49	50	59
Other General Revenues	17	9	4	4		2	3	12	2	4
Gain on Sale of Capital Assets	53			2	18				4	40
Gain on Other Financial Activity										1
Special Item -PPP Loss										(843)
Transfers - Internal Activities	(2)	(5)	(26)	(195)	(30)	(39)	(4)	33	31	1,891
Transfers - Other State Agencies	1,379	1,399	1,496	1,544	1,438	1,584	1,960	1,836	2,098	2,037
Total General Revenues, Contributions and Transfers	4,801	5,224	8,184	8,533	7,630	8,744	11,510	11,419	11,745	12,496
Changes in Net Position - Governmental Activities	$ 4,012	$ 4,088	$ 7,020	$ 8,233	$ 7,728	$ 7,884	$ 10,485	$ 9,479	$ 9,971	$ 10,463
BUSINESS-TYPE ACTIVITIES:										
Expenses										
Transportation	353	452	491	559	593	607	710	678	704	641
Total Expenses	353	452	491	559	593	607	710	678	704	641
Program Revenues:										
Charges for Services	256	359	397	455	403	377	519	699	747	761
Operating Grants and Contributions	2	14	23	77	47	9	(11)	66	102	91
Capital Grants and Contributions				12						
Total Program Revenues	258	373	420	544	450	386	508	765	849	852
Total Business-Type Activities Net Program Expense	(95)	(79)	(71)	(15)	(143)	(221)	(202)	87	145	211
General Revenues:										
Unrestricted Investment Earnings	8									
Settlement of Claims			5							
Transfers - Internal Activities	2	5	26	195	29	39	4	(33)	(31)	(1,891)
Total General Revenues and Transfers	10	5	31	195	29	39	4	(33)	(31)	(1,891)
Changes in Net Position - Business-Type Activities	(85)	(74)	(40)	180	(114)	(182)	(198)	54	114	(1,680)
Changes in Net Position - Primary Government	$ 3,927	$ 4,014	$ 6,980	$ 8,413	$ 7,614	$ 7,702	$ 10,287	$ 9,533	$ 10,085	$ 8,783

Source: Fiscal 2016 - 2025 TxDOT financial statements

Texas Department of Transportation
Statistical Section - Financial Trends Information
Fund Balances - Governmental Funds
Last Ten Fiscal Years

(Amounts in Millions)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
STATE HIGHWAY FUND										
Nonspendable	$ 162	$ 154	$ 146	$ 139	$ 144	$ 147	$ 144	$ 151	$ 168	$ 180
Restricted	2,622	2,227	3,710	5,485	6,956	6,915	7,097	8,237	3,678	2,247
Committed	1,140	927	788	720	454	671	632	0.0	908	987
Assigned	573	877	1,320	1,119		301	923	0.0	814	317
Unassigned							0.0	(367)	0.0	(808)
Total State Highway Fund	$ 4,497	$ 4,185	$ 5,964	$ 7,463	$ 7,554	$ 8,034	$ 8,796	$ 8,021	$ 5,567	$ 2,923
TEXAS MOBILITY FUND - DEBT SERVICE*										
Restricted	$	$	$	$	$	$	$	$	$	$ 284
Total Texas Mobility Fund - Debt Service	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 284
TEXAS MOBILITY FUND - CAPITAL PROJECTS*										
Committed				$	$	$	$	$	$	$ 255
Total Texas Mobility Fund - Capital Projects	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 255
TEXAS MOBILITY FUND*										
Restricted	$ 1,081	$ 910	$ 546	$ 219	$ 218	$ 242	$ 262	$ 281	$ 298	$
Committed				192	103	147	200	140	172	
Total Texas Mobility Fund	$ 1,081	$ 910	$ 546	$ 411	$ 321	$ 389	$ 462	$ 421	$ 471	$ 0
ALL OTHER GOVERNMENTAL FUNDS										
Nonspendable										$ 400
Restricted	$ 503	$ 874	$ 605	$ 351	$ 230	$ 334	$ 177	$ 43	$ 53	$ 37
Committed	72	25	10	11	10	6	6	6	582	85
Assigned	6	5					14	7		2
Unassigned		7	5	2	16	7	(14)	(1)	(138)	139
Total All Other Governmental Funds	$ 581	$ 911	$ 620	$ 364	$ 256	$ 347	$ 183	$ 55	$ 497	$ 663

Source: Fiscal 2016 - 2025 TxDOT financial statements

*Texas Mobility Fund was reclassified from a single major fund to two major funds in fiscal 2025.

Texas Department of Transportation
Statistical Section - Financial Trends Information
Changes in Fund Balances - Governmental Funds
Last Ten Fiscal Years*

(Amounts in Millions)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
REVENUES										
Legislative Appropriations****	220	274	2	2	17			1	274	323
Taxes	3,760	3,115	5,976	6,686	6,546	6,744	7,273	9,645	9,035	8,877
Federal Revenues	3,993	3,840	3,891	4,258	5,291	5,279	4,668	4,451	5,365	5,702
Federal Pass-Through Revenues	1	1	13	4	40		26			9
State Grant Pass Through Revenues							25			
Licenses, Fees and Permits	462	504	524	562	560	579	489	597	654	784
Interest & Investment Income	52	78	99	166	141	86	60	424	567	323
Net Increase (Decrease) Fair Value							(3)		2	1
Land Income	12	13	23	30	19	21	30	30	30	28
Settlement of Claims	47	28	21	42	34	44	37	49	50	59
Sales of Goods and Services	135	280	441	315	251	208	181	269	211	171
Other Revenues	17	10	4	5		4	2	11	2	4
Total Revenues	8,699	8,143	10,994	12,070	12,899	12,965	12,788	15,477	16,190	16,281
EXPENDITURES										
Transportation	3,524	3,595	3,696	3,954	4,278	3,643	4,738	5,165	6,225	6,203
Capital Outlay	6,052	6,700	6,444	7,292	8,881	9,356	8,184	9,423	12,869	13,600
Debt Service:										
Principal	393	423	523	595	636	612	627	693	721	721
Interest	613	665	688	671	674	546	546	532	508	480
Other Financing Fees	9	11	1	2	14	1	2	1	6	5
Total Expenditures	10,591	11,394	11,352	12,514	14,483	14,158	14,097	15,814	20,329	21,009
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,892)	(3,251)	(358)	(444)	(1,584)	(1,193)	(1,309)	(337)	(4,138)	(4,728)
OTHER FINANCING SOURCES (USES)										
Transfers In (Note 11)	2,006	2,250	2,509	2,750	2,401	2,538	2,847	2,782	3,519	4,838
Transfers Out (Note 11)	(627)	(851)	(1,035)	(1,209)	(966)	(955)	(887)	(902)	(1,391)	(912)
Long-Term Debt Issued**	615	1,475				326				
Bond Issued for Refunding	1,165	859			3,112				1,043	840
Premium/Discount on Bonds Issued	307	367			213				142	92
Payment to Escrow on Refunding	(1,335)	(1,010)			(3,310)				(1,180)	(928)
Increase in Obligations for Leases							16	49	34	40
Sale of Capital Assets	68	12	9	12	27	18	6	18	10	58
Upfront Payment - Service Concession Arrangement	26			1	1	1	1			
Appropriations Lapsed****		(4)	(1)	(2)	(2)	(2)	(2)			
Total Other Financing Sources (Uses)	2,225	3,098	1,482	1,552	1,477	1,927	1,982	1,947	2,177	4,028
SPECIAL ITEMS										
Special Item - PPP Buyout Expenditure										1,708
Net Change in Fund Balances	333	(153)	1,124	1,108	(107)	734	673	1,610	(1,962)	(2,408)
Fund Balance, Beginning Fiscal Year	5,826	6,159	7,283	8,391	8,284	8,132	8,771	9,441	8,496	6,534
Restatements					(140)	(95)	(3)	(2,555)		
Fund Balance, Ending Fiscal Year	$ 6,159	$ 6,006	$ 8,407	$ 9,499	$ 8,037	$ 8,771	$ 9,441	$ 8,496	$ 6,534	$ 4,126
Debt Service as a Percentage of Noncapital Expenditures***	22.2%	23.2%	24.7%	24.2%	23.4%	24.1%	19.8%	19.2%	16.5%	16.2%

* This table comprises the following funds: general, special revenue, debt service, and capital projects.

** In fiscal 2016, Long-Term Debt Issued was reported under Bond & Note Proceeds line.

*** In fiscal 2016-2022, Debt Service as a Percentage of Noncapital Expenditures was updated with correct formula.

**** Appropriations Lapsed was reported in a separate line under Other Fianancing Sources (Uses) in fiscal 2016-2021. Starting fiscal 2022, it was comibined into Legislative Appropriations line under Revenue.

Texas Department of Transportation
Statistical Section - Revenue Capacity Information
Revenue Collections - Taxes - State and TxDOT
Last Ten Fical Years*

(Amounts in Millions, Except Gallons)

	Motor Fuels Tax**			Crude Oil Production Tax***			Natural Gas Production Tax ***			Sales & Use Tax****		Motor Vehicle Sales and Rental Tax****		
Fiscal Year	Gallons Sold	State Receipts	TxDOT Receipts	Gallons Produced	State Receipts	TxDOT Receipts	Gallons Produced	State Receipts	TxDOT Receipts	State Receipts	TxDOT Receipts	State Receipts	TxDOT Receipts	Total TxDOT Receipts
2016	18,047	$ 3,514	$ 2,581	1,034	$ 1,704	$ 879	8,139	$ 579	$ 255	$ 28,246	$ 45			3,760
2017	18,353	$ 3,584	$ 2,630	1,067	$ 2,107	$ 440	7,435	$ 983		$ 28,900	$ 45			3,115
2018	18,895	$ 3,675	$ 2,694	1,295	$ 3,392	$ 591	7,967	$ 1,431	$ 144	$ 31,937	$ 982			4,411
2019	19,221	$ 3,743	$ 2,735	1,561	$ 3,887	$ 1,072	9,377	$ 1,686	$ 312	$ 34,024	$ 4,104			8,223
2020	18,114	$ 3,525	$ 2,611	1,612	$ 3,229	$ 1,258	9,903	$ 925	$ 407	$ 34,099	$ 2,538			6,814
2021	18,496	$ 3,598	$ 2,584	1,433	$ 3,449	$ 1,012	10,252	$ 1,569	$ 122	$ 36,020	$ 2,537	5,677	237	6,492
2022	19,450	$ 3,784	$ 2,792	1,539	$ 6,362	$ 1,094	11,456	$ 4,470	$ 363	$ 42,972	$ 2,538	$ 6,398	$ 489	7,276
2023	19,563	$ 3,832	$ 2,821	1,658	$ 5,931	$ 2,186	11,841	$ 3,350	$ 1,451	$ 46,581	$ 2,538	$ 6,784	$ 624	9,620
2024	19,636	$ 3,847	$ 2,813	1,731	$ 6,304	$ 2,025	12,342	$ 2,134	$ 1,030	$ 47,160	$ 2,538	$ 6,796	$ 629	9,035
2025	20,001	$ 3,918	$ 2,839	1,731	$ 6,304	$ 2,165	12,342	$ 2,134	$ 575	$ 47,160	$ 2,540	$ 6,796	$ 714	8,833

* Prior years numbers are subject to revisions due to updated information.

** Motor Fuels include the following:

Gasoline

Diesel Fuel

Liquefied Gas (repealed in 84th Legislative Session 2015)

Liquefied and Compressed Natural Gas (previously included in RO-3009)

*** Under Proposition 1 (Prop 1), voters approved a portion of oil and gas production taxes to State Highway Fund (SHF) in fiscal 2014. The SHF started receiving Prop 1 funds in fiscal 2015.

For natural gas production tax fiscal 2017 didn't reach constitutional required level of $599.78 million in the preceeding year.

On Nov.2, 2015 Texas voters approved Proposition 7 ballot measure that dedicates a portion of the revenue from the state sales and use tax and motor vehicle sales and rental tax to the state highway fund.

**** In fiscal 2018, TxDOT started receiving the Prop 7 funds deposit of the state sales and use tax revenue after the law was enacted.

In fiscal 2021, TxDOT started receiving the Prop 7 funds deposit of state motor vehicle sales and rental tax after the law was enacted.

Source: State of Texas Comptroller of Public Accounts

Texas Department of Transportation
Statistical Section - Revenue Capacity Information
Tax Rates
Last Ten Fiscal Years

Fiscal Year	Motor Fuel Tax Rate*	Motor Fuel Tax Rate**	Crude Oil Production Tax Rate***	Natural Gas Production Tax Rate****	Sales and Use Tax Rate
2016	0.20%	0.15%	4.39%	4.22%	6.25%
2017	0.20%	0.15%	4.48%	4.43%	6.25%
2018	0.20%	0.15%	4.51%	4.73%	6.25%
2019	0.20%	0.15%	4.53%	4.56%	6.25%
2020	0.20%	0.15%	4.50%	4.43%	6.25%
2021	0.20%	0.15%	4.51%	4.87%	6.25%
2022	0.20%	0.15%	4.55%	5.33%	6.25%
2023	0.20%	0.15%	4.56%	5.17%	6.25%
2024	0.20%	0.15%	4.56%	5.08%	6.25%
2025	0.20%	0.15%	4.57%	5.39%	6.25%

* Tax rate for Gasoline and Diesel Fuel

** Tax rate for Liquefied Gas and Liquefied and Compressed Natural Gas

*** Prior years are subject to change to to updated information.

**** For Natural Gas Production Tax, the effective tax rates are included for the last ten years. The tax rate of 7.5 percent reported in the prior years was the regular tax rate.

Source: State of Texas Comptroller of Public Accounts

Texas Department of Transportation
Statistical Section - Revenue Capacity Information
Federal Revenue and Percentage
Last Ten Fical Years
(Amounts in Millions)

Fiscal Year	Federal Revenue	Increase /Decrease	Percentage Change
2016	3,994	764	23.7 %
2017	3,840	(154)	(3.9)%
2018	3,891	51	1.3 %
2019	4,258	367	9.4 %
2020	5,286	1,028	24.1 %
2021	5,279	(7)	(0.1)%
2022	4,668	(611)	(11.6)%
2023	4,451	(217)	(4.6)%
2024	5,367	916	20.6 %
2025	5,702	343	6.4 %

Source: Fiscal 2016-2025 TxDOT financial statements

Texas Department of Transportation
Statistical Section - Revenue Capacity Information
Traffic and Toll Revenue - Toll Roads
Last Ten Fiscal Years

Fiscal Year	Annual Vehicle Transactions*	Annual Toll Revenue, Net*	Increase/ Decrease	Toll Revenue Percentage Change	Toll Rate per Transaction
2016	210,526,490	248,219,447	68,741,160	38.3%	1.18
2017	284,881,295	329,920,341	81,700,895	32.9%	1.16
2018	323,480,170	366,457,043	36,536,702	11.1%	1.13
2019	345,998,872	420,219,279	53,762,236	14.7%	1.21
2020	302,596,110	371,837,606	(48,381,673)	(11.5%)	1.23
2021	334,396,423	352,982,166	(18,855,440)	(5.1%)	1.06
2022	404,370,703	464,274,592	111,292,426	31.5%	1.15
2023	470,099,469	606,011,778	141,737,186	30.5%	1.29
2024	503,188,273	672,411,674	66,399,897	11.0%	1.34
2025	533,128,187	743,509,541	71,097,785	10.6%	1.39

Note: The above numbers are for Central Texas Turnpike System for fiscal 2016-2025; Grand Parkway Transportation Corporation for fiscal 2017-2025 and SH249 for fiscal 2024-2025. There are other TxDOT toll roads that are not included here.

* Prior years are subject to change according to updated information.

Source: TxDOT's Project Finance and Toll Operations Division

Texas Department of Transportation
Statistical Section - Debt Capacity Information
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years*

(Amounts in Millions Except Percentage Data and Per Capita)

	Government Activities				Business-Type Activities							
Fiscal Year	General Obligation Bonds	Revenue Bonds	Notes and Loans	Right-to-Use Obligations	Revenue Bonds	Notes and Loans	Right-to-Use Obligations	Total Primary Government	Personal Income	Percentage of Personal Income	Population	Per Capita**
2016	$ 10,795	$ 4,223	$ 1,094		$ 5,166	$ 746		$ 22,024	$ 1,271,058	1.7%	27.8	$ 792
2017	$ 11,247	$ 4,733	$ 1,308		$ 5,089	$ 863		$ 23,240	$ 1,341,039	1.7%	28.1	$ 824
2018	$ 10,971	$ 4,470	$ 1,256		$ 6,107	$ 1,552		$ 24,356	$ 1,440,800	1.7%	28.5	$ 855
2019	$ 10,683	$ 4,202	$ 1,119		$ 6,387	$ 1,575		$ 23,966	$ 1,522,224	1.6%	28.8	$ 832
2020	$ 10,354	$ 3,941	$ 1,035		$ 7,514	$ 637		$ 23,481	$ 1,591,086	1.5%	29.2	$ 804
2021	$ 10,048	$ 3,650	$ 1,260		$ 7,505	$ 626		$ 23,089	$ 1,735,174	1.3%	29.5	$ 783
2022	$ 9,707	$ 3,353	$ 1,189	29	$ 7,484	$ 616		$ 22,378	$ 1,878,030	1.2%	30.0	$ 746
2023	$ 9,354	$ 3,052	$ 1,057	$ 75	$ 7,423	$ 614	109	$ 21,684	$ 2,039,654	1.1%	30.7	$ 711
2024	$ 8,889	$ 2,685	$ 968	$ 69	$ 7,243	$ 626	$ 81	$ 20,561	$ 2,158,675	1.0%	31.2	$ 665
2025	$ 8,404	$ 2,370	$ 902	$ 52	$ 7,185	$ 638	$ 6	$ 19,557	$ 2,267,796	0.9%	31.6	$ 619

* Prior years are subject to revisions.

**Calculation based on resident population figures from U.S. Bureau of the Census and Texas Comptroller of Public Accounts.

Source: Fiscal 2016 - 2025 TxDOT financial statements

Texas Department of Transportation
Statistical Section - Debt Capacity Information
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years*

(Amounts in Millions Except Percentage Data and General Bonded Debt Per Capita)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Bonded Debt (General Obligation Bonds Only)	$ 10,795	$ 11,247	$ 10,971	$ 10,683	$ 10,354	$ 10,048	$ 9,707	$ 9,354	$ 8,889	$ 8,404
Percentage Bonded Debt Change From Prior Year	6.0%	4.2%	(2.5%)	(2.6%)	(3.1%)	(3.0%)	(3.4%)	(3.6%)	(5.0%)	(5.5%)
Tax Collections**	$ 47,971	$ 50,194	$ 55,963	$ 59,785	$ 57,324	$ 61,347	$ 77,211	$ 82,146	$ 81,874	$ 84,198
Percentage Bonded Debt to Tax Collections	22.5%	22.4%	19.6%	17.9%	18.1%	16.4%	12.6%	11.4%	10.9%	10.0%
Resident Population	27.8	28.1	28.5	28.8	29.2	29.5	30.0	30.7	31.2	31.6
General Bonded Debt Per Capita	$ 388.31	$ 398.83	$ 384.95	$ 370.95	$ 354.59	$ 340.61	$ 325.74	$ 306.69	$ 287.67	$ 265.95

* Historical data may reflect a variety of changes in methodology, inflation factors, price indicators and revisions to interim census figures made by the U.S. Bureau of Economic.

** Fiscal 2025 Tax Collections is an estimate.

Source: Bonded debt and tax collection amounts are from the fiscal 2016 - 2025 TxDOT financial statements. Resident population figures are from the U.S. Department of Commerce, Bureau of Census and Bureau of Economic Analysis.

Texas Department of Transportation
Statistical Section - Debt Capacity Information
Pledged Revenue Bond Coverage
Last Ten Fiscal Years
(Amounts in Millions Except Ratio Data)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
GOVERNMENTAL ACTIVITIES										
State Highway Fund Revenue Bonds										
Pledged Revenue Amount	$ 8,267	$ 8,450	$ 8,407	$ 8,973	$ 9,362	$ 9,888	$ 9,126	$ 9,003	$ 9,955	$ 10,695
Operating Expenditures	8,553	9,563	9,334	10,587	12,938	12,533	12,496	14,162	18,689	19,397
Net Available Revenue	$ (286)	$ (1,113)	$ (927)	$ (1,614)	$ (3,576)	$ (2,645)	$ (3,370)	$ (5,159)	$ (8,734)	$ (8,702)
Debt Service - **										
Principal	$ 139	$ 145	$ 216	$ 226	$ 236	$ 248	$ 261	$ 271	$ 283	$ 297
Interest	176	195	206	186	189	163	153	147	135	119
Total Debt Service	$ 315	$ 340	$ 422	$ 412	$ 425	$ 411	$ 414	$ 418	$ 418	$ 416
Coverage Ratio	(0.9)	(3.3)	(2.2)	(3.9)	(8.4)	(6.4)	(8.1)	(12.3)	(20.9)	(20.9)
BUSINESS-TYPE ACTIVITIES										
Central Texas Turnpike System										
Pledged Revenue Amount	$ 179	$ 208	$ 224	$ 266	$ 229	$ 188	$ 264	$ 366	$ 393	$ 355
Operating Expenditures	101	106	111	110	133	176	230	234	285	245
Net Available Revenue	$ 78	$ 102	$ 113	$ 156	$ 96	$ 12	$ 34	$ 132	$ 108	$ 110
Debt Service -										
Principal	$ 2	$ 8	$ 14	$ 20	$ 27	$ 36	$ 45	$ 64	$ 78	$ 60
Interest	107	107	107	107	101	94	94	99	98	100
Total Debt Service	$ 109	$ 115	$ 121	$ 127	$ 128	$ 130	$ 139	$ 163	$ 176	$ 160
Coverage Ratio	0.7	0.9	0.9	1.2	0.8	0.1	0.2	0.8	0.6	0.7
Grand Parkway Transportation Corporation										
Pledged Revenue Amount	86	$ 162	$ 186	$ 229	$ 201	$ 195	$ 253	$ 346	$ 381	$ 428
Operating Expenditures	77	94	101	108	112	116	160	90	99	78
Net Available Revenue	9	$ 68	$ 85	$ 121	$ 89	$ 78	$ 93	$ 256	$ 282	$ 350
Debt Service -										
Principal	$	$	$	$	$	$ 14	$ 18	$ 19	$ 19	$ 3
Interest	111	105	90	152	131	183	175	168	154	173
Total Debt Service	111	$ 105	$ 90	$ 152	$ 131	$ 197	$ 193	$ 187	$ 173	$ 176
Coverage Ratio	0	0.6	0.9	0.8	0.7	0.4	0.5	1.4	1.6	2.0
SH 249 System*										
Pledged Revenue Amount	N/A	N/A	N/A	$ 2	$ 1	$ 6	$ 16	$ 23	$ 28	$ 32
Operating Expenditures	N/A	N/A	N/A						-	0.0
Net Available Revenue	N/A	N/A	N/A	$ 2	$ 1	$ 6	$ 16	$ 23	$ 28	$ 32
Debt Service -										
Principal	N/A	N/A	N/A	$	$	$	$	$	$	$
Interest	N/A	N/A	N/A	3	8	8	8	8	8	8
Total Debt Service	N/A	N/A	N/A	$ 3	$ 8	$ 8	$ 8	$ 8	$ 8	$ 8
Coverage Ratio	N/A	N/A	N/A	N/A	N/A	N/A	2.0	2.9	3.5	4.0

* SH 249 issued bonds in fiscal 2019. Debt service for fiscal years 2019–2021 was paid from bond proceeds; therefore, coverage ratios are not applicable for those years.
** State Highway Fund Revenue Bonds Debt Service amount updated for 2020-2025 to include Prop 14 payments only.
Source: Fiscal 2016 - 2025 TxDOT financial statements

Texas Department of Transportation
Statistical Section - Demographic and Economic Information
Texas and U.S. Population, Total Personal Income and Per Capita Income
Last Ten Calendar Years*

	Population (Thousands)				Total Personal Income (Millions)				Per Capita Income			
Year	Texas	Percent Changes	U.S.	Percent Changes	Texas	Percent Changes	U.S.	Percent Changes	Texas	Percent Changes	U.S.	Percent Changes
2016	$ 27,867	1.5%	$ 324,860	0.8%	$ 1,276,331	0.4%	$ 15,887,650	2.7%	$ 45,801	1.9%	$ 48,906	1.9%
2017	28,226	1.3%	327,076	0.7%	1,367,826	7.2%	16,662,756	4.9%	48,460	5.8%	50,945	4.2%
2018	28,554	1.2%	328,514	0.4%	1,463,790	7.0%	17,528,193	5.2%	51,265	5.8%	53,356	4.7%
2019	28,908	1.2%	329,199	0.2%	1,537,206	5.0%	18,363,160	4.8%	53,177	3.7%	55,781	4.5%
2020	29,274	1.3%	331,855	0.8%	1,602,183	4.2%	19,620,082	6.8%	54,731	2.9%	59,122	6.0%
2021	29,638	1.2%	332,579	0.2%	1,779,913	11.1%	21,419,498	9.2%	60,055	9.7%	64,404	8.9%
2022	30,193	1.9%	334,599	0.6%	1,891,499	6.3%	22,088,919	3.1%	62,646	4.3%	66,016	2.5%
2023	30,799	2.0%	337,492	0.9%	2,020,899	6.8%	23,402,535	5.9%	65,616	4.7%	69,342	5.0%
2024	31,345	1.8%	340,634	0.9%	2,126,504	5.2%	24,669,308	5.4%	67,842	3.4%	72,422	4.4%
2025**	31,721	1.2%	342,496	0.5%	2,238,975	5.3%	25,859,219	4.8%	70,584	4.0%	75,502	4.3%

*The schedule includes the last ten calendar years. Prior years numbers are subject to revisions.

** Numbers for 2025 include some estimates for the latter part of the year.

Source: U.S. Bureau of Economic Analysis, U.S. Bureau of the Census, and Texas Comptroller of Public Accounts

Texas Department of Transportation
Statistical Section - Demographic and Economic Information
Texas and U.S. Employment and Unemployment Rates
Last Ten Calendar Years*

	Nonfarm Employment (Thousands)				Unemployment Percentage Rate	
Year	**Texas**	**Percent Changes**	**U.S.**	**Percent Changes**	**Texas**	**U.S.**
2016	12,017	1.3%	144,332	1.8%	4.7%	4.9%
2017	12,233	1.8%	146,611	1.6%	4.4%	4.4%
2018	12,523	2.4%	148,894	1.6%	3.9%	3.9%
2019	12,815	2.3%	150,906	1.4%	3.5%	3.7%
2020	12,273	(4.2)%	142,161	-(5.8)%	7.7%	8.1%
2021	12,727	3.7%	146,577	3.1%	5.6%	5.4%
2022	13,477	5.9%	152,536	4.1%	3.9%	3.7%
2023	13,922	3.3%	155,879	2.2%	4.0%	3.6%
2024	14,130	1.5%	157,960	1.3%	4.1%	4.0%
2025**	14,342	1.5%	159,621	1.1%	4.2%	4.2%

*The schedule includes the last ten calendar years. Prior years numbers are subject to revisions.
**Numbers for 2025 include some estimates for the latter part of the year.

Source: Texas Workforce Commission, Texas Comptroller of Public Accounts and U.S. Bureau of Labor Statistics.

Texas Department of Transportation
Statistical Section - Demographic and Economic Information
Texas Nonfarm Employment Detail: Number of Jobs
Last Ten Calendar Years*
(Amounts in Thousands)

EMPLOYMENT BY INDUSTRY	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025**
GOODS-PRODUCING										
Natural Resources and Mining	213	222	246	249	191	180	201	215	219	223
Construction	700	712	740	774	737	737	783	823	854	880
Manufacturing										
Durables	543	543	566	584	553	553	588	611	621	620
Nondurables	305	310	317	324	318	324	339	347	352	355
Total, Goods-Producing	1,761	1,787	1,869	1,931	1,799	1,794	1,911	1,996	2,046	2,078
SERVICE-PROVIDING										
Trade, Transportation, and Utilities										
Wholesale Trade	561	570	587	600	580	593	636	655	656	666
Retail Trade	1,318	1,322	1,323	1,315	1,273	1,334	1,378	1,396	1,403	1,422
Transportation and Warehousing	473	493	511	534	553	585	637	643	647	656
Utilities	50	50	51	52	52	53	57	61	65	68
Information	203	204	206	211	200	208	231	233	227	227
Financial Activities										
Finance and Insurance	532	547	557	573	585	614	649	666	669	680
Real Estate and Rental and Leasing	205	214	222	229	219	226	244	253	257	267
Professional and Business Services										
Professional, Scientific and Technical	733	750	784	825	831	896	995	1,035	1,048	1,070
Management, Administrative and Support	917	938	965	981	938	1,009	1,081	1,084	1,073	1,063
Educational and Health Services										
Educational Services, Private	195	202	208	216	209	220	238	247	245	242
Health Care and Social Assistance	1,430	1,464	1,491	1,526	1,491	1,517	1,568	1,646	1,687	1,736
Leisure and Hospitality	1,290	1,320	1,357	1,397	1,179	1,297	1,411	1,486	1,507	1,531
Other Services	424	427	436	446	398	418	450	470	486	490
Government										
Federal Civilian	198	200	201	204	215	212	211	216	225	223
State and Local	1,727	1,745	1,755	1,774	1,751	1,750	1,780	1,835	1,889	1,923
Total, Service-Providing	10,256	10,446	10,654	10,883	10,474	10,932	11,566	11,926	12,084	12,264
Total Nonfarm Employment	12,017	12,233	12,523	12,814	12,273	12,726	13,477	13,922	14,130	14,342

*Data in the table are annual averages. Prior years are subject to annual benchmark revisions.

**Numbers for 2025 include some estimates for the latter part of the year.

Note: Due to confidentiality issues, the names of the ten largest revenue payers are not available. This table provides alternative information regarding the source of the state's major tax revenue.

Source: ISH Markit, Texas Workforce Commission, and Texas Comptroller of Public Accounts

Texas Department of Transportation
Statistical Section - Operating Information
Full-Time Equivalent Employees (FTE)
Last Ten Fiscal Years

	2016	2017	2018	2019	2020
FTE Cap*	11,900	11,900	12,214	12,214	12,527
FTE	11,795	11,369	11,597	11,886	12,097
Contractor	77	36	20	19	17
Total Usage	11,872	11,405	11,617	11,905	12,113
Over/Under	(28)	(495)	(596)	(309)	(414)

	2021	2022	2023	2024	2025
FTE Cap	12,527	12,808	12,808	13,157	13,157
FTE	12,164	12,228	12,580	12,959	13,064
Contractor	20	17	18	18	16
Total Usage	12,184	12,244	12,598	12,977	13,080
Over/Under	(343)	(564)	(210)	(180)	(77)

Notes:
1. Full-Time Equivalents (FTE) Cap was obtained from the General Appropriations Act (GAA) for each biennium.
2. Usage was determined based on Texas State Auditor's Office (SAO) reports.
3. Summer Hire FTEs are not included in usage totals.
4. Over/Under is the difference between total usage and FTE Cap.
5. Rounding issues in FY 2021 publication for years 2017 - 2020 (Over/Under), has been corrected.
6. This report calculates the FTE count by taking the average of all four quarters of the current fiscal year, based on the SAO query using actual hours.

Texas Department of Transportation
Statistical Section - Operating Information
Capital Assets Indicators
Schedule of Assessed Conditions
Last Ten Fiscal Years

	2016	2017	2018	2019	2020*
Interstate Condition	78.6%	80.8%	80.3%	80.9%	80.0%
Non-Interstate Condition	77.5%	77.8%	77.8%	79.6%	78.1%
Central Texas Turnpike System	76.9%	81.9%	79.7%	84.9%	N/A%
Grand Parkway Transportation Corporation	N/A%	0.8988	88.5%	87.7%	89.9%

	2021**	2022***	2023****	2024*****	2025****
Interstate Condition	82.7%	77.8%	79.7%	78.3%	79.5%
Non-Interstate Condition	79.5%	77.8%	79.6%	78.1%	78.7%
Central Texas Turnpike System	N/A%	N/A%	N/A%	N/A%	N/A%
Grand Parkway Transportation Corporation	88.7%	90.0%	90.6%	90.2%	90.2%

Notes:

1. Starting in FY 2020 districts are now inspected every other year. Even-numbered districts are inspected during even-numbered fiscal years and odd-numbered districts are inspected during odd-numbered fiscal years.
2. Toll roads are only inspected by district request. The toll road inspections may or may not be entered into TxMAP.
3. Texas Maintenance Assessment Program (TxMAP) doesn't assess GPTC separately. The information is for inspected on-system roadways.
4. The GPTC system is annually inspected by the HTNB Corporation using the TxMAP methodology to satisfy the Trust Indenture requirements.

*Covid 19 significantly restricted the TxMAP inspections in FY2020. Only 6 districts (ABL, AUS, DAL, FTW, ODA, TYL) were inspected and no toll roads were inspected, including Central Texas Turnpike System (CTTS).

**Five districts were inspected in FY2021 due to Covid-19 restrictions and new TxMAP policies (PAR, SJT, WAC, AUS, BRY).

***Twelve districts were inspected in FY2022 due to current TxMAP policies (ABL,AMA,AUS,BMT,CRP,DAL,ELP,FTW,HOU,LRD,ODA,TYL).

****Thirteen districts were inspected in FY2023 and FY2025 due to current TxMAP policies (ATL,BRY,BWD,CHS,LBB,LFK,PAR,PHR,SAT,SJT,WAC,WFS,YKM).

*****Twelve districts were inspected in FY2024 due to current TxMAP policies (ABL,AMA,AUS,BMT,CRP,DAL,ELP,FTW,HOU,LRD,ODA,TYL).

Source: Assessed conditions provided by TxDOT's Maintenance Division

Texas Department of Transportation
Statistical Section - Operating Information
Capital Assets Indicators
Schedule of State-Owned Centerline Miles
Last Ten Calendar Years*

	2016	2017*	2018	2019	2020
Interstate highways	3,417	3,436	3,459	3,459	3,459
U.S.highways	11,905	11,887	11,851	11,852	11,852
State highways	16,390	16,426	16,390	16,380	16,404
Farm or Ranch to Market roads	40,910	40,910	40,849	40,846	40,854
Frontage roads	7,453	7,476	7,546	7,570	7,685
Park roads	348	348	349	349	352
Total Miles	80,423	80,483	80,444	80,456	80,606

	2021	2022	2023	2024	2025
Interstate highways	3,463	3,466	3,476	3,477	3,482
U.S.highways	11,860	11,852	11,842	11,847	11,846
State highways	16,420	16,443	16,491	16,498	16,522
Farm or Ranch to Market roads	40,857	40,865	40,870	40,851	40,859
Frontage roads	7,769	7,927	7,968	8,014	8,121
Park roads	351	352	350	348	350
Total Miles	80,720	80,905	80,997	81,035	81,180

* In calendar year 2017, the transition from the legacy system to GRID was completed. Mileage and traffic data were reported for the first time using GRID, and the routine work of roadway edits and additions was resumed.

Source: Centerline miles provided by TxDOT's Transportation Planning and Program Division

Texas Department of Transportation
Statistical Section - Operating Information
Capital Assets Indicators
Schedule of Rated Lane Miles Conditions
Last Ten Fiscal Years

	2016	2017	2018	2019	2020
Total Lane Miles	197,549	197,295	197,438	197,558	198,700
Rated Lane Miles	192,990	196,438	196,120	195,287	197,188
Good or Better Lane Miles	168,521	169,522	172,442	171,804	175,094
% Good or Better Lane Miles	87.3%	86.3%	87.9%	88.0%	88.8%
% Change from Prior Year	1.5%	0.6%	1.7%	(0.4%)	1.9%

	2021	2022	2023	2024	2025
Total Lane Miles	201,225	201,928	201,793	201,865	202,516
Rated Lane Miles	200,030	200,763	200,583	200,658	200,794
Good or Better Lane Miles	178,643	179,670	179,903	180,014	181,176
% Good or Better Lane Miles	89.3%	89.5%	89.7%	89.7%	90.2%
% Change from Prior Year	2.0%	0.6%	0.1%	0.1%	0.6%

Source: TxDOT's Maintenance Division

Texas Department of Transportation
Statistical Section - Operating Information
Annual Letting Volumes by District
Last Ten Fiscal Years*

DISTRICT	FISCAL YEAR[1] 2016	FISCAL YEAR 2017	FISCAL YEAR 2018	FISCAL YEAR[2] 2019
ABILENE	$ 63,022,751	$ 160,694,978	$ 121,489,936	$ 138,752,586
AMARILLO	113,077,003	85,504,649	167,998,768	326,856,692
ATLANTA	67,401,036	78,761,239	63,437,280	126,304,008
AUSTIN	1,037,780,333	410,839,685	318,377,463	472,483,840
BEAUMONT	79,188,722	811,913,626	282,016,642	238,375,665
BROWNWOOD	45,518,521	106,263,399	57,576,129	24,213,410
BRYAN	110,318,647	314,391,616	299,014,628	136,485,055
CHILDRESS	44,906,172	25,128,631	47,350,919	67,463,141
CORPUS CHRISTI	923,737,024	177,319,402	339,242,546	218,098,189
DALLAS	869,174,773	563,614,607	1,076,474,888	2,173,382,812
EL PASO	124,610,130	138,623,839	89,370,296	410,371,976
FORT WORTH	459,772,358	219,767,645	511,375,835	217,377,942
HOUSTON	1,544,975,058	1,520,167,642	1,326,292,989	872,594,973
LAREDO	125,151,298	122,323,805	94,340,385	189,067,677
LUBBOCK	130,982,967	83,260,049	148,462,396	217,391,300
LUFKIN	83,056,285	73,646,105	150,835,380	209,465,552
ODESSA	99,214,695	119,019,718	228,458,403	272,348,526
PARIS	183,043,189	58,711,365	168,628,554	135,161,476
PHARR	156,582,481	92,326,698	125,643,088	490,905,702
SAN ANGELO	67,214,150	52,722,927	138,477,148	110,787,903
SAN ANTONIO	432,866,661	546,179,444	737,033,427	756,550,409
TYLER	185,811,919	86,065,596	144,538,938	153,571,745
WACO	175,111,451	132,452,722	135,861,973	623,660,310
WICHITA FALLS	54,509,318	51,117,326	66,452,718	110,712,427
YOAKUM	151,439,693	191,951,570	454,212,902	188,731,734
DESIGN	16,975,000	1,830,200	-	12,586,122
TRAFFIC	1,062,711	1,300,000	18,270,663	2,821,940
PUBLIC TRANSPORTATION	-	-	-	-
RAILROAD	-	-	4,200,000	9,300,000
TTA	-	-	-	-
TPP	-	-	-	-
ITD	-	-	-	-
MARITIME	-	-	-	-
MAINTENANCE LET[3]	477,959,088	481,337,738	425,832,268	573,483,420
DISTRICT AND DIVISION TOTAL	**7,824,463,434**	**6,707,236,221**	**7,741,266,562**	**9,479,306,532**
Number of Construction Projects	785	839	898	929
Number of Maintenance Projects[3]	858	861	734	856
Number of Other Obligations[4]	244	150	206	498
Number of Contracts Total	1,887	1,850	1,838	2,283
Let Type	**2016**	**2017**	**2018**	**2019**
Statewide Let	**$ 4,338,709,485**	**$ 4,774,832,199**	**$ 5,692,985,382**	**$ 6,396,672,170**
Local Let	**517,884,249**	**400,926,247**	**256,884,390**	**170,048,387**
Design Build	**1,436,262,146**	**903,238,376**	**1,126,984,110**	**2,029,495,810**
CDA	**690,741,000**	**-**	**-**	**-**
Design Build-Work Component	**-**	**-**	**-**	**-**
Maintenance Let[3]	**477,959,088**	**481,377,738**	**425,832,268**	**573,483,420**
Let Total	**$ 7,461,555,968**	**$ 6,560,374,560**	**$ 7,502,686,150**	**$ 9,169,699,787**
Other Obligations[4]	**$ 362,907,466**	**$ 146,901,661**	**$ 238,580,412**	**$ 309,606,745**
Project Award Total	**$ 7,824,463,434**	**$ 6,707,276,221**	**$ 7,741,266,562**	**$ 9,479,306,532**

[1] FY 2015 - Rail Safety section was combined with Traffic Division therefore, is reported under TRAFFIC.
[2] FY 2018 - Rail Safety section moved back to Rail Division therefore, is reported under RAILROAD.
[3] Maintenance Let consists of Statewide and Local Let projects for Bridge Preventative Maintenance (BPM), Maintenance Materical Contract (MMC), Traffic Material Contract (TMC), and Routine Maintenance.
[4] Other obligations consist of non-let projects such as deferred work components, studies, travel demand models, ride share services, motor assitance programs, corridor analysis and transfers.

FISCAL YEAR 2020	FISCAL YEAR 2021	FISCAL YEAR 2022	FISCAL YEAR 2023	FISCAL YEAR 2024	FISCAL YEAR 2025
$ 144,074,370	$ 123,643,364	$ 237,726,693	188,901,157	$ 220,673,700	$ 150,443,503
204,371,373	213,919,235	145,226,957	300,734,261	617,169,083	261,963,233
170,155,373	70,643,650	178,168,602	201,650,584	247,466,151	62,332,242
997,397,361	893,300,720	1,440,892,774	429,380,199	290,614,705	2,299,787,368
162,053,159	101,878,898	456,575,618	309,994,744	906,024,691	116,733,001
57,644,093	45,693,617	99,968,843	123,116,728	163,442,947	43,681,603
98,875,493	141,724,000	305,979,923	183,550,939	83,903,238	1,012,576,156
38,760,487	38,360,959	45,505,278	99,306,084	121,403,611	50,037,703
248,856,158	237,992,348	324,119,223	309,481,813	262,504,974	359,105,599
780,538,851	756,477,282	1,376,716,230	1,600,828,525	2,072,065,945	2,211,447,256
194,520,644	204,576,622	367,121,507	178,967,508	721,721,219	307,954,743
457,126,662	277,764,189	1,822,480,655	956,395,101	598,137,196	262,155,853
1,103,389,793	887,352,440	752,666,980	1,431,240,489	1,157,532,054	1,782,438,761
236,885,894	99,242,318	100,281,790	510,179,093	278,068,816	151,896,327
73,951,325	276,251,503	118,936,013	168,693,455	273,273,377	187,701,522
200,686,780	117,990,743	335,102,924	234,621,898	138,608,143	134,292,796
489,711,579	321,312,908	372,409,921	539,630,227	611,159,746	184,747,848
265,251,412	92,298,548	63,280,073	517,399,761	347,020,622	361,918,947
259,422,832	73,197,181	490,426,061	187,526,520	707,689,561	382,546,054
86,134,327	159,854,800	108,383,301	206,203,867	132,988,255	119,447,884
353,450,868	2,274,590,257	852,264,254	1,386,578,964	770,239,338	350,780,292
129,621,594	127,032,521	203,016,978	359,084,846	333,753,917	188,963,041
193,877,919	169,291,080	131,008,776	217,654,932	254,423,887	479,021,988
59,282,205	354,919,346	52,053,150	144,075,737	622,568,680	101,791,967
486,785,296	187,533,919	131,572,785	683,430,282	1,118,267,125	185,361,080
-	-	-	-	-	-
13,700,000	8,195,129	-	7,000,000	-	5,000,000
-	-	13,151,311	-	8,000,000	-
5,143,534	1,125,719	1,100,000	2,221,392	9,334,454	9,652,848
-	-	-	-	-	-
-	-	-	-	20,565,754	12,705,217
-	-	-	-	11,000,000	2,000,000
-	-	-	-	-	43,907,134
698,965,612	589,191,551	836,976,701	909,517,404	995,062,620	902,354,908
8,210,634,994	**8,845,354,849**	**11,363,113,319**	**12,387,366,511**	**14,094,683,809**	**12,724,746,876**
808	832	778	1,028	934	809
1,223	1,306	1,482	1,357	1,267	1,212
188	90	109	113	196	169
2,219	2,228	2,369	2,498	2,397	2,190

2020	**2021**	**2022**	**2023**	**2024**	**2025**
$ 6,028,262,450	**$ 5,858,542,884**	**$ 7,526,422,601**	**$ 9,689,638,812**	**$ 12,224,931,796**	**$ 10,241,160,425**
366,564,034	**208,356,007**	**572,542,419**	**363,723,527**	**454,798,996**	**432,007,051**
677,420,161	**1,513,539,839**	**2,231,022,526**	**699,862,000**	**-**	**426,404,420**
-	**-**	**-**	**-**	**-**	**-**
-	**-**	**-**	**451,409,000**		**-**
698,965,612	**589,191,551**	**836,976,701**	**909,517,404**	**995,062,620**	**902,354,908**
$ 7,771,212,257	**$ 8,169,630,281**	**$ 11,166,964,247**	**$ 12,114,150,743**	**$ 13,674,793,412**	**$ 12,001,926,804**
$ 439,422,737	**$ 675,724,568**	**$ 196,149,071**	**$ 273,215,769**	**$ 415,648,397**	**$ 722,820,071**
$ 8,210,634,994	**$ 8,845,354,849**	**$ 11,363,113,319**	**$ 12,387,366,512**	**$ 14,090,441,809**	**$ 12,724,746,875**

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SECTION FOUR

OTHER INFORMATION

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Section Four

Other Information

Schedule 1A - Schedule of Expenditures of Federal Awards (Unaudited)

Schedule 1B - Schedule of State Grant Pass-Throughs from/ to State Agencies (Unaudited)

Schedule 2 - Bond Schedules

Schedule 2A - Miscellaneous Bond Information

Schedule 2B - Changes in Bonded Indebtedness

Schedule 2C - Debt Service Requirements

Schedule 2D - Analysis of Funds Available for Debt Service

Schedule 2E - Defeased Outstanding Bonds

Schedule 2F - Early Extinguishment and Refunding

Schedule 3 - Matrix of Expenditures Reported by Function- Governmental Funds (Unaudited)

Note: All schedules are presented unrounded (in dollars and cents).

TEXAS DEPARTMENT OF TRANSPORTATION
SCHEDULE 1A-SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended August 31, 2025

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal ALN	Pass-Through From Agency Number	Pass-Through From State Entities	Pass-Through From Other Entities	Direct Program Amount
Department of Defense (DOD):					
Legacy Resource Management Program	12.632				168,152.08
Total DOD:			-	-	168,152.08
Department of the Interior (DOI):					
National Fish Passage	15.685				48,329.81
Total DOD:			-	-	48,329.81
Federal Aviation Administration (FAA):					
Direct Program:					
Airport Improvement Program	20.106				44,335,996.48
COVID-19 - Airport Improvement Program	20.106				149,474.22
Pass-Through Funds to Other Entities:					
Airport Improvement Program	20.106				12,054,461.18
COVID-19 - Airport Improvement Program	20.106				1,109,410.10
COVID-19 - Texas State Technical College System	20.106	719			13,000.00
Total FAA:			-	-	57,662,341.98
Federal Highway Administration (FHWA):					
Direct Program:					
Highway Research and Development Program	20.200				3,536,166.86
Highway Planning and Construction	20.205				5,038,638,214.24
Highway Training and Education	20.215				232,399.67
COVID-19 - Highway Planning and Construction	20.205				151,328,563.13
Pass-Through Funds:					
Highway Planning and Construction					
Texas A&M Engineering Experiment Station	20.200	712			904,969.76
University of Texas at Arlington	20.200	714			29,161.54
Texas Southern University	20.205	717			(74,677.73)
University of Texas at San Antonio	20.205	743			270,377.10
University of Houston	20.205	784			(33,809.87)
Pass-Through to Other Entities:					
Highway Research and Development Program	20.200				2,105,145.59
Highway Planning and Construction	20.205				168,996,197.67
COVID-19 - Highway Planning and Construction	20.205				1,795,439.25
Total FHWA:			-	-	5,367,728,147.21
Federal Railroad Administration (FRA):					
Direct Program:					
Railroad Safety	20.301				25,845.78
Capital Assistance to States - Intercity Passenger Rail Service	20.317				(19,212.86)
Total FRA:			-	-	6,632.92
Federal Transit Administration (FTA):					
Direct Program:					
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505				248,241.51
Formula Grants for Rural Areas and Tribal Transit Program	20.509				977,781.98
Rail Fixed Guideway Public Transportation System State Safety Oversight Formula Grant Program	20.528				2,482,973.91
Pass-Through Funds to Other Entities:					
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505				18,773,606.02
Formula Grants for Rural Areas and Tribal Transit Program	20.509				64,356,377.36
Rail Fixed Guideway Public Transportation System State Safety Oversight Formula Grant Program	20.528				293,628.83
COVID-19 - Formula Grants for Rural Areas and Tribal Transit Program	20.509				10,084.00
Total FTA:			-	-	87,142,693.61
National Highway Traffic Safety Admin. (NHTSA):					
Direct Program:					
Alcohol Impaired Driving Countermeasures Incentive - Grants I	20.601				18,076.59
NHTSA Discretionary Safety Grants	20.614				328,464.71
Total NHTSA:			-	-	346,541.30

Through From and Direct Program	Pass-Through To Agency Number	Pass-Through To State Entities	Pass-Through To Other Entities	Expenditures	Through To and Expenditures Amount
168,152.08				168,152.08	168,152.08
168,152.08		-	-	168,152.08	168,152.08
48,329.81				48,329.81	48,329.81
48,329.81		-	-	48,329.81	48,329.81
44,335,996.48				44,335,996.48	44,335,996.48
149,474.22				149,474.22	149,474.22
12,054,461.18			12,054,461.18		12,054,461.18
1,109,410.10			1,109,410.10		1,109,410.10
13,000.00	719	13,000.00			13,000.00
57,662,341.98		13,000.00	13,163,871.28	44,485,470.70	57,662,341.98
3,536,166.86				3,536,166.86	3,536,166.86
5,038,638,214.24				5,038,638,214.24	5,038,638,214.24
232,399.67				232,399.67	232,399.67
151,328,563.13				151,328,563.13	151,328,563.13
904,969.76	712	904,969.76			904,969.76
29,161.54	714	29,161.54			29,161.54
(74,677.73)	717	(74,677.73)			(74,677.73)
270,377.10	743	270,377.10			270,377.10
(33,809.87)	784	(33,809.87)			(33,809.87)
2,105,145.59			2,105,145.59		2,105,145.59
168,996,197.67			168,996,197.67		168,996,197.67
1,795,439.25			1,795,439.25		1,795,439.25
5,367,728,147.21		1,096,020.80	172,896,782.51	5,193,735,343.90	5,367,728,147.21
25,845.78				25,845.78	25,845.78
(19,212.86)				(19,212.86)	(19,212.86)
6,632.92		-	-	6,632.92	6,632.92
248,241.51				248,241.51	248,241.51
977,781.98				977,781.98	977,781.98
2,482,973.91				2,482,973.91	2,482,973.91
18,773,606.02			18,773,606.02		18,773,606.02
64,356,377.36			64,356,377.36		64,356,377.36
293,628.83			293,628.83		293,628.83
10,084.00			10,084.00		10,084.00
87,142,693.61		-	83,433,696.21	3,708,997.40	87,142,693.61
18,076.59				18,076.59	18,076.59
328,464.71				328,464.71	328,464.71
346,541.30		-	-	346,541.30	346,541.30

TEXAS DEPARTMENT OF TRANSPORTATION
SCHEDULE 1A-SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
Year Ended August 31, 2025

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal ALN Number	Pass-Through From: Agency Number	Pass-Through From: State Entities	Pass-Through From: Other Entities	Direct Program Amount
Office of the Secretary (OST) Administration Secretariat:					
Direct Program:					
National Infrastructure Investments	20.933				11,726,234.02
National Significant Freight and Highway Projects	20.934				39,478,792.65
Strengthening Mobility & Revolutionizing Transportation	20.941				860,830.49
Total OST:			-	-	52,065,857.16
Department of the Treasury (TREAS):					
COVID-19 - Coronavirus State And Local Fiscal Recovery Funds	21.027	300	9,124,600.00		
Total TREAS:			9,124,600.00	-	-
General Services Administration (GSA):					
Pass-Through Funds:					
Donation of Federal Surplus Personal Property-NonMonetary Pass-Through from Texas Facilities Commission	39.003	303	7,468.80		
Total GSA:			7,468.80	-	-
Environmental Protection Agency (EPA):					
Direct Program:					
Strengthening Mobility & Revolutionizing Transportation	66.039				36,812.30
Diesel Emission Reduction Act (DERA) State Grants	66.040				970,733.51
Total EPA:			-	-	1,007,545.81
OTHER CLUSTERS					
Federal Transit Cluster:					
Federal Transit Administration (FTA):					
Direct Program:					
Bus and Bus Facilities Formula Program	20.526				2,969.00
Pass-Through Funds to Other Entities:					
Bus and Bus Facilities Formula Program	20.526				20,479,808.59
Total FTA:			-	-	20,482,777.59

Through From and Direct Program	Agency Number	Pass-Through To State Entities	Other Entities	Expenditures	Through To and Expenditures Amount
11,726,234.02				11,726,234.02	11,726,234.02
39,478,792.65				39,478,792.65	39,478,792.65
860,830.49				860,830.49	860,830.49
52,065,857.16		-	-	52,065,857.16	52,065,857.16
9,124,600.00	300			9,124,600.00	9,124,600.00
9,124,600.00		-	-	9,124,600.00	9,124,600.00
7,468.80	303			7,468.80	7,468.80
7,468.80		-	-	7,468.80	7,468.80
36,812.30				36,812.30	36,812.30
970,733.51				970,733.51	970,733.51
1,007,545.81		-	-	1,007,545.81	1,007,545.81
2,969.00				2,969.00	2,969.00
20,479,808.59			20,479,808.59		20,479,808.59
20,482,777.59		-	20,479,808.59	2,969.00	20,482,777.59

TEXAS DEPARTMENT OF TRANSPORTATION
SCHEDULE 1A-SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Concluded)
Year Ended August 31, 2025

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal ALN Number	Pass-Through From: Agency Number	Pass-Through From: State Entities	Pass-Through From: Other Entities	Direct Program Amount
Federal Transit Administration (FTA):					
Direct Program:					
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513				1,660,413.28
Job Access - Reverse Commute Program	20.516				3.06
New Freedom Program	20.521				29,246.33
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513				10,831,283.14
Total FTA:			-	-	12,520,945.81
Highway Safety Cluster:					
National Highway Traffic Safety Admin. (NHTSA):					
Direct Program:					
State and Community Highway Safety	20.600				6,862,908.43
National Priority Safety Programs	20.616				9,280,001.41
Pass-Through Funds:					
State and Community Highway Safety					
Texas Department of Public Safety	20.600	405			103,833.87
Texas A&M AgriLife Extension Service	20.600	555			2,554,134.31
University of Texas at Arlington	20.600	714			429,105
Texas A&M Engineering Extension Service	20.600	716			207,193.59
University of Texas Medical Branch at Galveston	20.600	723			64,584.95
Texas A&M Transportation Institute	20.600	727			3,339,914.27
Texas State University	20.600	754			31,500.65
National Priority Safety Programs:					
Texas Department of Public Safety	20.616	405			2,259,655.44
Texas Alcoholic Beverage Commission	20.616	458			469,787.58
Texas Department of State Health Services	20.616	537			1,517,122.62
Texas A&M Transportation Institute	20.616	727			1,617,148.86
University of Texas at San Antonio	20.616	743			1,776.09
Texas State University	20.616	754			89,899.94
Pass-Through to Other Entities:					
State and Community Highway Safety	20.600				13,260,086.73
National Priority Safety Programs	20.616				6,822,484.49
Total NHTSA:			-	-	48,911,137.98
Total Other Clusters			-	-	81,914,861.38
TOTAL FEDERAL ASSISTANCE			$ 9,132,068.80	$ -	$ 5,648,091,103.26

Through From and Direct Program	Pass-Through To Agency Number	State Entities	Other Entities	Expenditures	Through To and Expenditures Amount
1,660,413.28				1,660,413.28	1,660,413.28
3.06				3.06	3.06
29,246.33				29,246.33	29,246.33
10,831,283.14			10,831,283.14		10,831,283.14
12,520,945.81		-	10,831,283.14	1,689,662.67	12,520,945.81
6,862,908.43				6,862,908.43	6,862,908.43
9,280,001.41				9,280,001.41	9,280,001.41
103,833.87	405	103,833.87			103,833.87
2,554,134.31	555	2,554,134.31			2,554,134.31
429,104.75	714	429,104.75			429,104.75
207,193.59	716	207,193.59			207,193.59
64,584.95	723	64,584.95			64,584.95
3,339,914.27	727	3,339,914.27			3,339,914.27
31,500.65	754	31,500.65			31,500.65
2,259,655.44	405	2,259,655.44			2,259,655.44
469,787.58	458	469,787.58			469,787.58
1,517,122.62	537	1,517,122.62			1,517,122.62
1,617,148.86	727	1,617,148.86			1,617,148.86
1,776.09	743	1,776.09			1,776.09
89,899.94	754	89,899.94			89,899.94
13,260,086.73			13,260,086.73		13,260,086.73
6,822,484.49			6,822,484.49		6,822,484.49
48,911,137.98		12,685,656.92	20,082,571.22	16,142,909.84	48,911,137.98
81,914,861.38		12,685,656.92	51,393,662.95	17,835,541.51	81,914,861.38
$ 5,657,223,172.06		$ 13,794,677.72	$ 320,888,012.95	$ 5,322,540,481.39	$ 5,657,223,172.06

TEXAS DEPARTMENT OF TRANSPORTATION
SCHEDULE 1A-SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended August 31, 2025

Note 1 - Nonmonetary Assistance

The “Donation of Federal Surplus Personal Property” is presented at 23.34% of the federal acquisition cost of $32,000. The surplus property is passed through from the Texas Facilities Commission. The federal grantor agency is the General Services Administration (GSA) and the federal ALN number is 39.003. The estimated fair market value (FMV) for fiscal year 2025 is $7,469. The difference of the value of the surplus property recorded on the federal schedule and Exhibit II (Federal Revenues and Federal Pass-Through Revenues) is a reconciling item under Note 2.

Note 2 - Reconciliation

Per Combined Statement of Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities - Governmental Funds:

Federal Revenues before Other Adjustments	$	5,701,815,411.29
Federal Pass-Through Revenues		9,124,600.00
Subtotal	$	5,710,940,011.29
Reconciling Items:		
Federal Surplus Personal Property Donation (Non-Monetary)		7,468.80
Build America Bonds Federal Subsidy		(53,724,308.03)
Total Pass-Through and Expenditures per Federal Schedule	$	5,657,223,172.06

Note 7 - Federal Deferred Inflow

ALN	Federal Deferred Revenue September 1, 2024		Increase/(Decrease)		Federal Deferred Revenue August 31, 2025
15.608	18,884.50	$	(18,884.50)	$	-
20.106	134,258.91		3,303.61		137,562.52
20.205	5,012,352.31		2,684,026.43		7,696,378.74
20.301	10,193.35		(10,193.35)		-
20.314	0.01		(0.01)		-
20.317	19,212.86		(19,212.86)		-
20.505	-		118,965.72		118,965.72
20.509	13,621.00		(13,621.00)		-
20.526	0.00		100,321.00		100,321.00
20.600	118,930.27		(15,164.25)		103,766.02
20.616	-		125,784.47		125,784.47
Total Deferred Revenue	$ 5,327,453.21	$	2,955,325.26	$	8,282,778.47

The federal deferred inflow ending balance of $8,282,778.47 pertains to federal expenditures which were incurred and are reimbursable from the Department of the Interior, Federal Aviation Administration, the Federal Highway Administration, the Federal Railroad Administration, the Federal Transit Administration, and the Environmental Protection Agency, but the federal receivable is not collectable within 60 days after the end of the fiscal year.

Note 10 - 15% de Minimis Indirect Cost Rate

The Texas Department of Transportation did not elect to use the 15% de minimis indirect cost rate allowed under the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. The department does not currently bill any federal agency for indirect cost.

TEXAS DEPARTMENT OF TRANSPORTATION
SCHEDULE 1B-SCHEDULE OF STATE GRANT PASS-THROUGHS FROM/TO STATE AGENCIES
Year Ended August 31, 2025

Pass-Through To:			
Airport Routine Maintenance	601.0029		
Texas A&M University System (Agency 710)		$	100,000.00
Airport Routine Maintenance	601.0030		
Texas State Technical College System (Agency 719)		$	100,000.00
Total Pass-Through To Other Agencies		$	200,000.00

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Schedule 2 - Bond Schedules

TEXAS DEPARTMENT OF TRANSPORTATION
SCHEDULE 2A - MISCELLANEOUS BOND INFORMATION
For the Fiscal Year Ended August 31, 2025

Governmental Activities

	Bonds Issued to Date	Range of Interest Rates		Terms of Variable Interest Rates	Scheduled Maturities First Year	Scheduled Maturities Last Year	First Call Date
General Obligation Bonds:							
Texas Mobility Fund (Self-Supporting)							
Series 2006-B Variable Rate Bonds	$ 150,000,000.00	VAR	VAR	Weekly	2036	2036	*
Series 2009-A Taxable Fixed Rate Bonds	1,208,495,000.00	5.3670%	5.5170%		2029	2039	*
Series 2014 Fixed Rate Refunding Bonds**	973,775,000.00	4.0000%	5.0000%		2016	2034	04/01/2024
Series 2014-A Fixed Rate Refunding Bonds	1,580,160,000.00	4.0000%	5.0000%		2017	2044	10/01/2024
Series 2014-B Put Bonds	250,000,000.00	0.6540%	0.6540%		2040	2041	10/01/2025
Series 2015-A Fixed Rate Refunding Bonds	911,360,000.00	3.2000%	5.0000%		2018	2036	10/01/2025
Series 2015-B Fixed Rate Refunding Bonds	254,105,000.00	5.0000%	5.0000%		2031	2036	10/01/2025
Series 2017-A Fixed Rate Refunding Bonds	296,020,000.00	5.0000%	5.0000%		2030	2034	10/01/2027
Series 2017-B Fixed Rate Refunding Bonds	474,135,000.00	5.0000%	5.0000%		2029	2036	10/01/2027
Series 2020 Taxable Fixed Rate Refunding Bonds	1,270,690,000.00	0.2550%	2.4720%		2021	2044	*
Series 2024 Fixed Rate Refunding Bonds	840,260,000.00	5.0000%	5.0000%		2025	2044	10/1/2034
Total General Obligation Bonds (Self-Supporting)	8,209,000,000.00						
Texas Highway Improvement (Non-Self-Supporting)							
Series 2010-A Taxable Fixed Rate Bonds	815,420,000.00	3.2030%	4.6810%		2019	2040	*
Series 2016 Fixed Rate Bonds	615,000,000.00	5.0000%	5.0000%		2017	2046	04/01/2026
Series 2016-A Fixed Rate Bonds	588,755,000.00	4.0000%	5.0000%		2018	2046	04/01/2026
Series 2019 Taxable Fixed Rate Refunding Bonds	705,550,000.00	2.6040%	4.0000%		2021	2044	04/01/2029
Series 2020 Taxable Fixed Rate Refunding Bonds	794,235,000.00	2.5620%	5.0000%		2022	2042	*
Series 2024 Fixed Rate Refunding Bonds	696,245,000.00	5.0000%	5.0000%		2025	2044	10/01/2033
Total General Obligation (Non-Self Supporting)	4,215,205,000.00						
Revenue Bonds:							
State Highway Fund (Self-Supporting)							
Series 2008 Fixed Rate Bonds	162,995,000.00	3.5000%	5.2500%		2010	2028	04/01/2018
Series 2010 Taxable Fixed Rate Bonds	1,500,000,000.00	5.0280%	5.1780%		2026	2030	*
Series 2014-B Variable Rate Bonds	300,000,000.00	VAR	VAR	Weekly	2032	2032	*
Series 2015 Revenue Refunding Bonds	781,080,000.00	3.0000%	5.0000%		2017	2026	n/a
Series 2016-A Fixed Rate Bonds	601,210,000.00	3.0000%	5.0000%		2017	2030	10/01/2026
Series 2016-B Fixed Rate Bonds	89,370,000.00	0.4300%	0.5600%		2025	2026	n/a
Series 2024 Revenue Refunding Bonds	346,820,000.00	5.0000%	5.0000%		2025	2033	n/a
Total Revenue Bonds (Self-Supporting)	3,781,475,000.00						
Total Governmental Activities	$ 16,205,680,000.00						

* Bonds are subject to redemption prior to their respective maturities at the option of the Commission.

** These bonds are not outstanding as of 08/31/2025

TEXAS DEPARTMENT OF TRANSPORTATION
SCHEDULE 2A - MISCELLANEOUS BOND INFORMATION (Concluded)
For the Fiscal Year Ended August 31, 2025

Business-Type Activities

	Bonds Issued to Date	Range of Interest Rates		Terms of Variable Interest Rates	Scheduled Maturities First Year	Scheduled Maturities Last Year	First Call Date
Revenue Bonds:							
Central Texas Turnpike System (Self-Supporting)							
First Tier Revenue Bonds Series 2002-A							
Non-Callable Capital Appreciation Bonds***	$ 842,056,727.51	4.4700%	5.7500%		2012	2030	n/a
Callable Capital Appreciation Bonds**	325,494,476.65	6.0000%	6.1000%		2025	2038	08/15/2012
First Tier Revenue Refunding Bonds Series 2020-A	179,475,000.00	3.0000%	5.0000%		2039	2040	08/15/2030
First Tier Revenue Refunding Bonds Taxable Series 2020-C	279,305,000.00	3.0290%	3.0290%		2031	2041	08/15/2030
First Tier Revenue Refunding Bonds Series 2024-A	386,210,000.00	5.0000%	5.0000%		2032	2038	08/15/2034
First Tier Revenue Refunding Put Bonds Series 2024-B	225,000,000.00	5.0000%	5.0000%		2042	2042	05/15/2030
Second Tier Revenue Refunding Bonds Series 2024-C	1,022,495,000.00	5.0000%	5.0000%		2031	2042	08/15/2034
Total Central Texas Turnpike System (Self-Supporting)	3,260,036,204.16						
Blended Component Unit-Grand Parkway Transportation Corporation******							
Subordinate Tier Toll Revenue Bonds, Series 2013-B							
Convertible Capital Appreciation Bonds***	489,160,000.00	4.9500%	5.8500%		2029	2048	10/01/2028
Current Interest Bonds**	1,137,935,000.00	5.0000%	5.2500%		2048	2053	10/01/2023
Subordinate Tier Toll Revenue Bonds, Series 2013-E	361,810,000.00	5.1840%	5.1840%		2036	2042	*
Subordinate Tier Toll Revenue Bonds, Series 2018-A	712,100,000.00	5.0000%	5.0000%		2030	2048	04/01/2028
First Tier Toll Revenue Refunding Bonds, Taxable Series 2020-A	220,415,000.00	2.1050%	3.3560%		2026	2052	04/01/2030
Subordinate Tier Toll Revenue Refunding Bonds, Taxable Series 2020-B	1,293,260,000.00	1.5310%	3.2360%		2020	2052	04/01/2030
First Tier Toll Revenue Refunding Bonds, Series 2020-C	793,385,000.00	3.0000%	5.0000%		2033	2050	n/a
Subordinate Tier Toll Revenue Refunding Put Bonds, Series 2023	263,225,000.00	5.0000%	5.0000%		2034	2052	01/01/2028
Total Blended Component Unit-Grand Parkway Transportation Corporation	5,271,290,000.00						
State Highway 249 System							
First Tier Toll Revenue Bonds, Series 2019-A							
Current Interest Bonds	144,085,000.00	5.0000%	5.0000%		2053	2057	02/01/2029
Capital Appreciation Bonds***	126,009,452.54	3.3900%	5.1000%		2028	2053	02/01/2029
First Tier Toll Revenue Bonds, Taxable Series 2019-B	12,795,000.00	4.5500%	4.7000%		2030	2033	02/01/2029
Total State Highway 249 System	282,889,452.54						
Total Business-Type Activities	$ 8,814,215,656.70						

* Bonds are subject to redemption prior to their respective maturities at the option of the Corporation or the Commission

** These bonds are not outstanding as of 08/31/2025

*** Bonds issued to date include interest accreted to principal.

****Grand Parkway Transportation Corporation bonds are not obligations of the State.

TEXAS DEPARTMENT OF TRANSPORTATION
SCHEDULE 2B - CHANGES IN BONDED INDEBTEDNESS
For the Fiscal Year Ended August 31, 2025

Governmental Activities

Description of Issue	Bonds Outstanding 09/01/24	Bonds Issued	Bonds Matured or Retired	Bonds Refunded or Extinguished	Bonds Outstanding 08/31/25
General Obligation Bonds:					
Texas Mobility Fund					
Series 2006-B	$ 150,000,000.00	$ -	$ -	$ -	$ 150,000,000.00
Series 2009-A	1,197,225,000.00		6,100,000.00		1,191,125,000.00
Series 2014	289,920,000.00		55,360,000.00	234,560,000.00	
Series 2014-A	588,765,000.00		70,945,000.00	417,820,000.00	100,000,000.00
Series 2014-B	250,000,000.00				250,000,000.00
Series 2015-A	773,035,000.00		30,875,000.00		742,160,000.00
Series 2015-B	254,105,000.00				254,105,000.00
Series 2017-A	296,020,000.00				296,020,000.00
Series 2017-B	474,135,000.00				474,135,000.00
Series 2020	1,201,975,000.00		23,100,000.00	324,475,000.00	854,400,000.00
Series 2024		840,260,000.00			840,260,000.00
Texas Highway Improvement					
Series 2010-A	639,570,000.00		31,845,000.00		607,725,000.00
Series 2016	451,000,000.00		20,500,000.00		430,500,000.00
Series 2016-A	446,620,000.00		20,305,000.00		426,315,000.00
Series 2019	494,910,000.00		3,795,000.00		491,115,000.00
Series 2020	214,905,000.00				214,905,000.00
Series 2024	696,245,000.00		61,960,000.00		634,285,000.00
Total General Obligation Bonds	8,418,430,000.00	840,260,000.00	324,785,000.00	976,855,000.00	7,957,050,000.00
Revenue Bonds:					
State Highway Fund					
Series 2008	47,845,000.00		11,060,000.00		36,785,000.00
Series 2010	1,356,650,000.00		75,265,000.00		1,281,385,000.00
Series 2014-B	300,000,000.00				300,000,000.00
Series 2015	243,430,000.00		95,935,000.00		147,495,000.00
Series 2016-A	221,850,000.00		36,805,000.00		185,045,000.00
Series 2016-B	89,370,000.00		20,500,000.00		68,870,000.00
Series 2024	346,820,000.00		57,510,000.00		289,310,000.00
Total Revenue Bonds	2,605,965,000.00	0.00	297,075,000.00	0.00	2,308,890,000.00
Total Governmental Activities	$ 11,024,395,000.00	$ 840,260,000.00	$ 621,860,000.00	$ 976,855,000.00	$ 10,265,940,000.00

TEXAS DEPARTMENT OF TRANSPORTATION
SCHEDULE 2B - CHANGES IN BONDED INDEBTEDNESS (Continued)
For the Fiscal Year Ended August 31, 2025

Governmental Activities

Description of Issue	Unamortized Premium	Unamortized Discount	Net Bonds Outstanding 08/31/25	Amounts Due Within One Year
General Obligation Bonds:				
Texas Mobility Fund				
Series 2006-B	$ -	$ -	$ 150,000,000.00	$ -
Series 2009-A			1,191,125,000.00	7,865,000.00
Series 2014				
Series 2014-A	15,191,820.19		115,191,820.19	799,148.88
Series 2014-B			250,000,000.00	
Series 2015-A	49,680,518.45		791,840,518.45	40,455,916.12
Series 2015-B	20,893,186.60		274,998,186.60	1,985,728.36
Series 2017-A	27,184,203.38		323,204,203.38	3,153,629.03
Series 2017-B	44,166,513.40		518,301,513.40	4,894,120.60
Series 2020			854,400,000.00	23,260,000.00
Series 2024	79,111,260.38		919,371,260.38	140,943,691.67
Texas Highway Improvement				
Series 2010-A			607,725,000.00	32,695,000.00
Series 2016	61,955,838.00		492,455,838.00	26,132,348.91
Series 2016-A	55,244,815.94		481,559,815.94	25,327,400.58
Series 2019	2,241,550.36		493,356,550.36	4,146,562.54
Series 2020	24,106,505.81		239,011,505.81	1,803,628.99
Series 2024	67,047,887.85		701,332,887.85	72,305,304.85
Total General Obligation Bonds	446,824,100.36	0.00	8,403,874,100.36	385,767,480.53
Revenue Bonds:				
State Highway Fund				
Series 2008	413,094.92		37,198,094.92	11,843,083.16
Series 2010			1,281,385,000.00	77,340,000.00
Series 2014-B			300,000,000.00	
Series 2015	4,066,303.68		151,561,303.68	92,362,898.58
Series 2016-A	12,347,728.80		197,392,728.80	70,651,492.91
Series 2016-B	870,089.67		69,740,089.67	69,740,089.67
Series 2024	43,084,765.29		332,394,765.29	5,128,798.94
Total Revenue Bonds	60,781,982.36	0.00	2,369,671,982.36	327,066,363.26
Total Governmental Activities	$ 507,606,082.72	$ 0.00	$ 10,773,546,082.72	$ 712,833,843.79

TEXAS DEPARTMENT OF TRANSPORTATION
SCHEDULE 2B - CHANGES IN BONDED INDEBTEDNESS (Continued)
For the Fiscal Year Ended August 31, 2025

Business-Type Activities

Description of Issue	Bonds Outstanding 09/01/24	Bonds Issued	Bonds Matured or Retired	Bonds Refunded or Extinguished	Bonds Outstanding 08/31/25
Revenue Bonds:					
Central Texas Turnpike System					
First Tier Bonds Series 2002-A, Non-Callable CAB's	$ 417,265,835.55	$ 24,112,289.41**	$ 60,410,000.00	$ -	$ 380,968,124.96
First Tier Revenue Refunding Bonds Series 2020-A	179,475,000.00				179,475,000.00
First Tier Revenue Refunding Bonds Taxable Series 2020-C	279,305,000.00				279,305,000.00
First Tier Revenue Refunding Bonds series 2024-A	386,210,000.00				386,210,000.00
First Tier Revenue Refunding Put Bonds series 2024-B	225,000,000.00				225,000,000.00
Second Tier Revenue Refunding Bonds series 2024-C	1,022,495,000.00				1,022,495,000.00
Blended Component Unit-Grand Parkway Transportation Corp.*:					
Subordinate Tier Toll Revenue Bonds, Series 2013-B:					
Callable CAB	489,160,000.00				489,160,000.00
Subordinate Tier Toll Revenue Bonds, Series 2013-E	361,810,000.00				361,810,000.00
Subordinate Tier Toll Revenue Bonds, Series 2018-A	712,100,000.00				712,100,000.00
First Tier Refunding Bonds Taxable Series 2020-A	220,415,000.00				220,415,000.00
Subordinate Tier Refunding Bonds Taxable Series 2020-B	1,222,475,000.00		2,780,000.00		1,219,695,000.00
First Tier Refunding Bonds Series 2020-C	793,385,000.00				793,385,000.00
Subordinate Tier Toll Revenue Refunding Put Bonds, Series 2023	263,225,000.00				263,225,000.00
State Highway 249 System					
First Tier Toll Revenue Bonds Series 2019-A:					
Current Interest Bonds	144,085,000.00				144,085,000.00
Capital Appreciation Bonds	120,141,913.17	5,867,539.37**			126,009,452.54
First Tier Toll Revenue Bond Taxable Series 2019-B:	12,795,000.00				12,795,000.00
Total Business-Type Activities	$ 6,849,342,748.72	$ 29,979,828.78	$ 63,190,000.00	$ 0.00	$ 6,816,132,577.50

*Grand Parkway Transportation Corporation debt issuances are not obligations of the State

**Due to annual principal accretion.

TEXAS DEPARTMENT OF TRANSPORTATION
SCHEDULE 2B - CHANGES IN BONDED INDEBTEDNESS (Concluded)
For the Fiscal Year Ended August 31, 2025

Business-Type Activities

Description of Issue	Unamortized Premium	Unamortized Discount	Net Bonds Outstanding 08/31/25	Amounts Due Within One Year
Revenue Bonds:				
Central Texas Turnpike System				
First Tier Bonds Series 2002-A, Non-Callable CAB's	$ -	$ -	$ 380,968,124.96	$ 77,205,000.00
First Tier Revenue Refunding Bonds Series 2020-A	29,166,651.88		208,641,651.88	2,042,684.27
First Tier Revenue Refunding Bonds Taxable Series 2020-C			279,305,000.00	
First Tier Revenue Refunding Bonds series 2024-A	42,781,781.29		428,991,781.29	3,855,802.93
First Tier Revenue Refunding Put Bonds series 2024-B	16,302,552.64		241,302,552.64	958,973.68
Second Tier Revenue Refunding Bonds series 2024-C	101,154,232.06		1,123,649,232.06	9,538,308.42
Blended Component Unit-Grand Parkway Transportation Corp.*:				
Subordinate Tier Toll Revenue Bonds, Series 2013-B:				
Callable CAB			489,160,000.00	
Subordinate Tier Toll Revenue Bonds, Series 2013-E			361,810,000.00	
Subordinate Tier Toll Revenue Bonds, Series 2018-A	66,454,946.94		778,554,946.94	3,956,112.92
First Tier Refunding Bonds Taxable Series 2020-A			220,415,000.00	
Subordinate Tier Refunding Bonds Taxable Series 2020-B			1,219,695,000.00	2,825,000.00
First Tier Refunding Bonds Series 2020-C	86,265,191.63		879,650,191.63	3,883,635.87
Subordinate Tier Toll Revenue Refunding Put Bonds, Series 2023	16,770,270.18		279,995,270.18	732,574.44
State Highway 249 System				
First Tier Toll Revenue Bonds Series 2019-A:				
Current Interest Bonds	9,501,683.90		153,586,683.90	315,237.60
Capital Appreciation Bonds			126,009,452.54	
First Tier Toll Revenue Bond Taxable Series 2019-B:			12,795,000.00	
Total Business-Type Activities	$ 368,397,310.52	$ 0.00	$ 7,184,529,888.02	$ 105,313,330.13

*Grand Parkway Transportation Corporation debt issuances are not obligations of the State.

TEXAS DEPARTMENT OF TRANSPORTATION
SCHEDULE 2C - DEBT SERVICE REQUIREMENTS
For the Fiscal Year Ended August 31, 2025

Governmental Activities

Description of Issue	Year	Principal	Interest
TMF General Obligation Bonds			
Series 2006-B	2026		$ 4,620,000.00
	2027		4,620,000.00
	2028		4,624,219.19
	2029		4,615,780.82
	2030		4,620,000.00
	2031-2035	19,890,000.00	22,843,206.49
	2036-2040	130,110,000.00	2,335,828.14
		150,000,000.00	48,279,034.64
Series 2009-A	2026	7,865,000.00	65,650,421.26
	2027	9,755,000.00	65,228,306.70
	2028	11,780,000.00	64,704,755.86
	2029	13,230,000.00	64,072,523.26
	2030	15,490,000.00	63,362,469.16
	2031-2035	116,035,000.00	301,206,959.58
	2036-2040	1,016,970,000.00	189,654,322.96
		1,191,125,000.00	813,879,758.78
Series 2014-A	2026		4,000,000.00
	2027		4,000,000.00
	2028		4,000,000.00
	2029		4,000,000.00
	2030		4,000,000.00
	2031-2035		20,000,000.00
	2036-2040		20,000,000.00
	2041-2045	100,000,000.00	14,040,000.00
		$ 100,000,000.00	$ 74,040,000.00

TEXAS DEPARTMENT OF TRANSPORTATION
SCHEDULE 2C - DEBT SERVICE REQUIREMENTS (Continued)
For the Fiscal Year Ended August 31, 2025

Description of Issue	Year	Principal	Interest
TMF General Obligation Bonds (continued)			
Series 2014-B	2026		$ 1,625,000.00
	2027		8,750,000.00
	2028		8,750,000.00
	2029		8,750,000.00
	2030		8,750,000.00
	2031-2035		43,750,000.00
	2036-2040		43,750,000.00
	2041-2045	250,000,000.00	8,169,875.00
		250,000,000.00	132,294,875.00
Series 2015-A	2026	33,300,000.00	34,027,600.00
	2027	35,855,000.00	32,298,725.00
	2028	102,225,000.00	29,176,725.00
	2029	76,970,000.00	25,251,850.00
	2030	109,035,000.00	21,039,225.00
	2031-2035	166,810,000.00	72,236,250.00
	2036-2040	217,965,000.00	11,908,675.00
		742,160,000.00	225,939,050.00
Series 2015-B	2026		12,705,250.00
	2027		12,705,250.00
	2028		12,705,250.00
	2029		12,705,250.00
	2030		12,705,250.00
	2031-2035	89,810,000.00	54,195,000.00
	2036-2040	164,295,000.00	9,606,625.00
		$ 254,105,000.00	$ 127,327,875.00

TEXAS DEPARTMENT OF TRANSPORTATION
SCHEDULE 2C - DEBT SERVICE REQUIREMENTS (Continued)
For the Fiscal Year Ended August 31, 2025

Description of Issue	Year	Principal	Interest
TMF General Obligation Bonds (continued)			
Series 2017-A	2026		$ 14,801,000.00
	2027		14,801,000.00
	2028		14,801,000.00
	2029		14,801,000.00
	2030		14,801,000.00
	2031-2035	296,020,000.00	46,178,750.00
		296,020,000.00	120,183,750.00
Series 2017-B	2026		23,706,750.00
	2027		23,706,750.00
	2028		23,706,750.00
	2029		23,706,750.00
	2030	35,505,000.00	22,819,125.00
	2031-2035	285,940,000.00	75,846,250.00
	2036-2040	152,690,000.00	8,593,500.00
		474,135,000.00	202,085,875.00
Series 2020	2026	23,260,000.00	17,290,527.22
	2027		17,204,814.14
	2028	20,270,000.00	17,090,998.09
	2029	69,485,000.00	16,496,693.25
	2030	71,750,000.00	15,466,240.71
	2031-2035	196,580,000.00	66,358,059.10
	2036-2040	146,830,000.00	53,321,525.38
	2041-2045	326,225,000.00	26,514,981.00
		$ 854,400,000.00	$ 229,743,838.89

TEXAS DEPARTMENT OF TRANSPORTATION
SCHEDULE 2C - DEBT SERVICE REQUIREMENTS (Continued)
For the Fiscal Year Ended August 31, 2025

Description of Issue	Year	Principal	Interest
TMF General Obligation Bonds (concluded)			
Series 2024	2026	$ 128,525,000.00	$ 38,799,875.00
	2027	77,310,000.00	33,654,000.00
	2028	90,405,000.00	29,461,125.00
	2029	82,855,000.00	25,129,625.00
	2030	12,385,000.00	22,748,625.00
	2031-2035	354,005,000.00	61,575,875.00
	2036-2040	25,760,000.00	23,049,750.00
	2041-2045	69,015,000.00	12,211,625.00
		840,260,000.00	246,630,500.00
Texas Highway Improvement General Obligation Bonds			
Series 2010-A	2026	32,695,000.00	28,185,411.66
	2027	33,605,000.00	26,788,354.30
	2028	34,615,000.00	25,232,106.76
	2029	35,660,000.00	23,629,086.10
	2030	36,735,000.00	21,977,671.50
	2031-2035	200,985,000.00	83,300,551.72
	2036-2040	233,430,000.00	33,436,383.02
		607,725,000.00	242,549,565.06
Series 2016	2026	20,500,000.00	21,525,000.00
	2027	20,500,000.00	20,500,000.00
	2028	20,500,000.00	19,475,000.00
	2029	20,500,000.00	18,450,000.00
	2030	20,500,000.00	17,425,000.00
	2031-2035	102,500,000.00	71,750,000.00
	2036-2040	102,500,000.00	46,125,000.00
	2041-2045	102,500,000.00	20,500,000.00
	2046	20,500,000.00	1,025,000.00
		$ 430,500,000.00	$ 236,775,000.00

TEXAS DEPARTMENT OF TRANSPORTATION
SCHEDULE 2C - DEBT SERVICE REQUIREMENTS (Continued)
For the Fiscal Year Ended August 31, 2025

Description of Issue	Year	Principal	Interest
Texas Highway Improvement General Obligation Bonds (continued)			
Series 2016-A	2026	$ 20,305,000.00	$ 20,909,750.00
	2027	20,305,000.00	19,894,500.00
	2028	20,305,000.00	18,879,250.00
	2029	20,300,000.00	17,864,000.00
	2030	20,300,000.00	16,849,000.00
	2031-2035	101,500,000.00	69,020,000.00
	2036-2040	101,500,000.00	43,645,000.00
	2041-2045	101,500,000.00	18,270,000.00
	2046	20,300,000.00	812,000.00
		426,315,000.00	226,143,500.00
Series 2019	2026	3,945,000.00	15,253,940.19
	2027	4,100,000.00	15,096,140.19
	2028	32,970,000.00	14,932,140.19
	2029	31,110,000.00	13,943,040.19
	2030	17,410,000.00	13,009,740.19
	2031-2035	128,135,000.00	56,809,363.35
	2036-2040	156,395,000.00	34,175,636.40
	2041-2045	117,050,000.00	8,677,406.44
		491,115,000.00	171,897,407.14
Series 2020	2026		5,505,866.10
	2027		5,505,866.10
	2028		5,505,866.10
	2029		5,505,866.10
	2030		5,505,866.10
	2031-2035	29,210,000.00	27,529,330.50
	2036-2040	136,165,000.00	16,636,347.00
	2041-2045	49,530,000.00	1,893,958.50
		$ 214,905,000.00	$ 73,588,966.50

TEXAS DEPARTMENT OF TRANSPORTATION
SCHEDULE 2C - DEBT SERVICE REQUIREMENTS (Continued)
For the Fiscal Year Ended August 31, 2025

Description of Issue	Year	Principal	Interest
Texas Highway Improvement General Obligation Bonds (concluded)			
Series 2024	2026	$ 63,250,000.00	$ 31,714,250.00
	2027	63,120,000.00	28,551,750.00
	2028	35,445,000.00	25,395,750.00
	2029	39,310,000.00	23,623,500.00
	2030	53,805,000.00	21,658,000.00
	2031-2035	217,690,000.00	68,610,000.00
	2036-2040	105,895,000.00	29,994,750.00
	2041-2045	55,770,000.00	5,272,750.00
		634,285,000.00	234,820,750.00
Total General Obligation Bonds		7,957,050,000.00	3,406,179,746.01
SHF Revenue Bonds			
Series 2008	2026	11,640,000.00	1,931,212.50
	2027	12,250,000.00	1,320,112.50
	2028	12,895,000.00	676,987.50
		36,785,000.00	3,928,312.50
Series 2010	2026	77,340,000.00	66,234,105.30
	2027	203,795,000.00	62,345,450.10
	2028	313,355,000.00	51,792,945.00
	2029	337,665,000.00	35,567,423.10
	2030	349,230,000.00	18,083,129.40
		$ 1,281,385,000.00	$ 234,023,052.90

TEXAS DEPARTMENT OF TRANSPORTATION
SCHEDULE 2C - DEBT SERVICE REQUIREMENTS (Continued)
For the Fiscal Year Ended August 31, 2025

Description of Issue	Year	Principal	Interest
SHF Revenue Bonds (continued)			
Series 2014-B	2026		$ 8,250,000.00
	2027		8,250,000.00
	2028		8,257,534.25
	2029		8,242,465.75
	2030		8,250,000.00
	2031-2034	300,000,000.00	13,058,763.75
		300,000,000.00	54,308,763.75
Series 2015	2026	89,445,000.00	5,138,625.00
	2027	58,050,000.00	1,451,250.00
		147,495,000.00	6,589,875.00
Series 2016-A	2026	66,105,000.00	7,599,625.00
	2027	52,540,000.00	4,633,500.00
	2028	10,920,000.00	3,047,000.00
	2029	11,300,000.00	2,491,500.00
	2030	11,665,000.00	1,917,375.00
	2031-2034	32,515,000.00	812,875.00
		$ 185,045,000.00	$ 20,501,875.00

TEXAS DEPARTMENT OF TRANSPORTATION
SCHEDULE 2C - DEBT SERVICE REQUIREMENTS (Continued)
For the Fiscal Year Ended August 31, 2025

Description of Issue	Year	Principal	Interest
SHF Revenue Bonds (concluded)			
Series 2016-B	2026	$ 68,870,000	$ 385,672.00
		68,870,000.00	385,672.00
Series 2024	2026		14,465,500.00
	2027		14,465,500.00
	2028		14,465,500.00
	2029		14,465,500.00
	2030		14,465,500.00
	2031-2034	289,310,000.00	41,958,000.00
		289,310,000.00	114,285,500.00
Total Revenue Bonds		2,308,890,000.00	434,023,051.15
TOTAL GOVERNMENTAL ACTIVITIES		$ 10,265,940,000.00	$ 3,840,202,797.16

TEXAS DEPARTMENT OF TRANSPORTATION
SCHEDULE 2C - DEBT SERVICE REQUIREMENTS (Continued)
For the Fiscal Year Ended August 31, 2025

BUSINESS-TYPE ACTIVITIES

Description of Issue	Year	Principal	Interest
CTTS Revenue Bonds			
Series 2002-A Non-callable CAB's	2026	$ 77,205,000.00	
	2027	84,355,000.00	
	2028	91,830,000.00	
	2029	97,040,000.00	
	2030	102,025,000.00	
		452,455,000.00	-
Series 2020-A	2026		7,973,750.00
	2027		7,973,750.00
	2028		7,973,750.00
	2029		7,973,750.00
	2030		7,973,750.00
	2031-2035		39,868,750.00
	2036-2040	179,475,000.00	33,395,000.00
		179,475,000.00	113,132,500.00
Series 2020-C	2026		8,460,148.50
	2027		8,460,148.50
	2028		8,460,148.50
	2029		8,460,148.50
	2030		8,460,148.50
	2031-2035	495,000.00	42,271,512.58
	2036-2040	147,310,000.00	41,284,967.18
	2041-2045	131,500,000.00	3,983,135.00
		$ 279,305,000.00	$ 129,840,357.26

TEXAS DEPARTMENT OF TRANSPORTATION
SCHEDULE 2C - DEBT SERVICE REQUIREMENTS (Continued)
For the Fiscal Year Ended August 31, 2025

Description of Issue	Year	Principal	Interest
CTTS Revenue Bonds (continued)			
Series 2024-A	2026		$ 19,310,500.00
	2027		19,310,500.00
	2028		19,310,500.00
	2029		19,310,500.00
	2030		19,310,500.00
	2031-2035	108,375,000.00	90,552,500.00
	2036-2040	277,835,000.00	27,153,250.00
		386,210,000.00	214,258,250.00
Series 2024-B	2026		11,250,000.00
	2027		11,250,000.00
	2028		11,250,000.00
	2029		11,250,000.00
	2030		11,250,000.00
	2031-2035		45,000,000.00
	2036-2040		45,000,000.00
	2041-2045	225,000,000.00	16,381,600.00
		225,000,000.00	162,631,600.00
Series 2024-C	2026		51,124,750.00
	2027		51,124,750.00
	2028		51,124,750.00
	2029		51,124,750.00
	2030		51,124,750.00
	2031-2035	551,000,000.00	201,241,250.00
	2036-2040	367,065,000.00	77,595,250.00
	2041-2045	104,430,000.00	7,720,250.00
		$ 1,022,495,000.00	$ 542,180,500.00

TEXAS DEPARTMENT OF TRANSPORTATION
SCHEDULE 2C - DEBT SERVICE REQUIREMENTS (Continued)
For the Fiscal Year Ended August 31, 2025

Description of Issue	Year	Principal	Interest
Grand Parkway Transportation Corp.*			
Series 2013-B	2026		$ 27,757,552.50
	2027		27,757,552.50
	2028		27,757,552.50
	2029		27,757,552.50
	2030	2,090,000.00	27,705,825.00
	2031-2035	90,080,000.00	129,426,390.00
	2036-2040	65,995,000.00	99,470,200.00
	2041-2045	75,740,000.00	93,880,062.50
	2046-2050	255,255,000.00	25,607,263.75
		489,160,000.00	487,119,951.25
Series 2013-E	2026		18,756,230.40
	2027		18,756,230.40
	2028		18,756,230.40
	2029		18,756,230.40
	2030		18,756,230.40
	2031-2035		93,781,152.00
	2036-2040	184,865,000.00	78,407,870.40
	2041-2045	176,945,000.00	12,406,219.20
		361,810,000.00	278,376,393.60
Series 2018-A	2026		35,605,000.00
	2027		35,605,000.00
	2028		35,605,000.00
	2029		35,605,000.00
	2030		35,605,000.00
	2031-2035	84,695,000.00	169,727,125.00
	2036-2040	194,820,000.00	133,911,750.00
	2041-2045	238,745,000.00	78,944,375.00
	2046-2050	193,840,000.00	19,683,500.00
		$ 712,100,000.00	$ 580,291,750.00

Description of Issue	Year	Principal	Interest
Grand Parkway Transportation Corp.* (continued)			
Series 2020-A	2026		$ 7,223,846.78
	2027	935,000.00	7,214,005.90
	2028	985,000.00	7,193,551.64
	2029	1,025,000.00	7,171,073.88
	2030	1,075,000.00	7,146,228.87
	2031-2035	6,150,000.00	35,283,090.12
	2036-2040	8,430,000.00	34,260,266.60
	2041-2045	25,945,000.00	32,185,437.65
	2046-2050	94,295,000.00	22,125,444.95
	2051-2055	81,575,000.00	4,852,020.90
		220,415,000.00	164,654,967.29
Series 2020-B	2026	2,825,000.00	39,025,403.92
	2027	2,880,000.00	38,973,764.42
	2028	2,935,000.00	38,917,933.54
	2029	2,995,000.00	38,857,568.78
	2030	3,060,000.00	38,792,469.40
	2031-2035	16,390,000.00	192,869,111.91
	2036-2040	18,695,000.00	190,564,650.88
	2041-2045	21,830,000.00	187,424,849.00
	2046-2050	135,460,000.00	180,474,912.20
	2051-2055	1,012,625,000.00	52,687,014.90
		1,219,695,000.00	998,587,678.95
Series 2020-C	2026		31,025,400.00
	2027		31,025,400.00
	2028		31,025,400.00
	2029		31,025,400.00
	2030		31,025,400.00
	2031-2035	970,000.00	155,089,750.00
	2036-2040	25,790,000.00	153,280,425.00
	2041-2045	175,020,000.00	136,001,950.00
	2046-2050	518,420,000.00	70,012,350.00
	2051-2055	73,185,000.00	1,097,775.00
		$ 793,385,000.00	$ 670,609,250.00

TEXAS DEPARTMENT OF TRANSPORTATION
SCHEDULE 2C - DEBT SERVICE REQUIREMENTS (Continued)
For the Fiscal Year Ended August 31, 2025

Description of Issue	Year	Principal	Interest
Grand Parkway Transportation Corp. (concluded) *			
Series 2023	2026		$ 13,161,250.00
	2027		13,161,250.00
	2028		13,161,250.00
	2029		13,161,250.00
	2030		13,161,250.00
	2031-2035	345,000.00	65,797,625.00
	2036-2040	9,205,000.00	64,842,375.00
	2041-2045	97,385,000.00	54,060,875.00
	2046-2050	50,125,000.00	37,819,375.00
	2051-2055	106,165,000.00	6,383,375.00
		$ 263,225,000.00	$ 294,709,875.00

*Grand Parkway Transportation Corp. bonds is a blended component unit of TxDOT, these are not obligations of the state.

TEXAS DEPARTMENT OF TRANSPORTATION
SCHEDULE 2C - DEBT SERVICE REQUIREMENTS (Concluded)
For the Fiscal Year Ended August 31, 2025

Description of Issue	Year	Principal	Interest
State Highway 249 System			
Series 2019-A	2026		$ 7,204,250.00
	2027		7,204,250.00
	2028		7,204,250.00
	2029		7,204,250.00
	2030		7,204,250.00
	2031-2035		36,021,250.00
	2036-2040		36,021,250.00
	2041-2045		36,021,250.00
	2046-2050		36,021,250.00
	2051-2055	80,910,000.00	32,262,750.00
	2056-2060	63,175,000.00	4,776,750.00
		144,085,000.00	217,145,750.00
Series 2019-A CABs	2028	335,000.00	
	2029	1,030,000.00	
	2030		
	2031-2035	12,995,000.00	
	2036-2040	54,185,000.00	
	2041-2045	84,885,000.00	
	2046-2050	111,715,000.00	
	2051-2055	55,815,000.00	
		320,960,000.00	-
Series 2019-B	2026		594,712.50
	2027		594,712.50
	2028		594,712.50
	2029		594,712.50
	2030	1,455,000.00	594,712.50
	2031-2035	11,340,000.00	1,172,470.00
		12,795,000.00	4,146,032.50
TOTAL BUSINESS-TYPE ACTIVITIES		$ 7,082,570,000.00	$ 4,857,684,855.85

TEXAS DEPARTMENT OF TRANSPORTATION
SCHEDULE 2D - ANALYSIS OF FUNDS AVAILABLE FOR DEBT SERVICE

For the Fiscal Year Ended August 31, 2025

Governmental Activities

	Pledged and Other Sources and Related Expenditures for FY 2025			
	Net Available for Debt Service		Debt Service	
Description of Issue	Total Pledged and Other Sources	Operating Expenses/ Expenditures and Capital Outlay	Principal	Interest
Texas Mobility General Obligation Bonds	$ 576,915,303.92	(A)	$ 186,380,000.00	$ 222,610,609.69
State Highway Fund Revenue Bonds	10,695,104,669.14	(B)	297,075,000.00	119,300,718.17
	$ 11,272,019,973.06		$ 483,455,000.00	$ 341,911,327.86

(A) Expenses associated with pledged sources were $512,203,820.84.
(B) Expenses associated with pledged sources were $19,505,099,320.90.

Business-Type and Blended Component Unit Activities

	Pledged and Other Sources and Related Expenditures for FY 2025			
	Net Available for Debt Service		Debt Service	
Description of Issue	Total Pledged and Other Sources	Operating Expenses/ Expenditures and Capital Outlay	Principal	Interest
Central Texas Turnpike System	$ 354,533,631.67	(C)	$ 60,410,000.00	$ 99,934,376.28
Grand Parkway Transportation Corporation	428,329,946.93	(D)	2,780,000.00	172,601,886.70
State Highway 249 System	32,048,094.99	(E)		7,798,962.50
	$ 814,911,673.59		$ 63,190,000.00	$ 280,335,225.48

(C) Expenses associated with pledged sources were $167,004,223.01.
(D) Expenses associated with pledged sources were $78,081,315.46.
(E) Expenses associated with pledged sources were $6,042,807.04.

TEXAS DEPARTMENT OF TRANSPORTATION
SCHEDULE 2E - DEFEASED BONDS OUTSTANDING
For the Fiscal Year Ended August 31, 2025

Description of Issue	Year Defeased	Par Value Outstanding
Business-Type Activities		
Central Texas Turnpike System Revenue Bonds		
First Tier Revenue Bonds Series 2002-A Capital Appreciation Bonds*	2015	6,870,732.03
Total Business-Type Activities		6,870,732.03
Total		$ 6,870,732.03

* Includes $5,059,596.13 of accreted interest.

TEXAS DEPARTMENT OF TRANSPORTATION
SCHEDULE 2F - EARLY EXTINGUISHEMENT AND REFUNDING
For the Fiscal Year Ended August 31, 2025

Description	Category	Amount Extinguished or Refunded	For Refunding Only: Refunding Issued Par Value	Cash Flow Increase	Economic Gain
Governmental Activities					
Texas Mobility Fund General Obligation Bonds					
Series 2014 Fixed Rate Refunding Bonds	Current Refunding	$ 234,560,000.00	$ 214,130,000.00	$ 17,312,550.00	$ 15,023,446.49
Series 2014-A Fixed Rate Refunding Bonds	Current Refunding	417,820,000.00	381,905,000.00	30,786,199.80	27,623,062.11
Series 2020 Taxable Fixed Rate Refunding Bonds	Current Refunding	324,475,000.00	244,225,000.00	25,877,783.06	12,158,094.11
Total Texas Mobility Fund General Obligation Bonds		976,855,000.00	840,260,000.00	73,976,532.86	54,804,602.71
Total Govermental Activities		$ 976,855,000.00	$ 840,260,000.00	$ 73,976,532.86	$ 54,804,602.71

Texas Department of Transportation

Schedule 3 - Matrix of Expenditures Reported by Function - Governmental Funds

For the Fiscal Year Ended August 31, 2025

	State Highway Fund	Texas Mobility Fund - Debt Service	Texas Mobility Fund - Capital Projects	Nonmajor Funds	Transportation Function Total
Salaries and Wages	$ 1,035,944,319.37	$	$	$	$ 1,035,944,319.37
Payroll Related Costs	456,018,617.56				456,018,617.56
Professional Fees and Services	1,897,747,570.78		0	5,435,686.92	1,903,183,257.70
Federal Pass-Through Expenditures	13,794,677.72				13,794,677.72
State Pass-Through Expenditures	200,000.00				200,000.00
Travel	12,564,945.84				12,564,945.84
Materials and Supplies	680,965,868.36			651,672.69	681,617,541.05
Communication and Utilities	76,251,131.95				76,251,131.95
Repairs and Maintenance	893,491,560.19			429,889.24	893,921,449.43
Rentals and Leases	40,769,688.33				40,769,688.33
Printing and Reproduction	3,002,507.42			14,112.89	3,016,620.31
Claims and Judgments	71,801,416.52				71,801,416.52
Intergovernmental Payments	262,873,688.18		75,770,244.56	117,073,409.00	455,717,341.74
Public Assistance Payments	73,762,458.98		18,685,983.76		92,448,442.74
Other Expenditures	465,111,108.80		0	267,990.49	465,379,099.29
Total Expenditures	$ 5,984,299,560.00	$ 0.00	$ 94,456,228.32	$ 123,872,761.23	$ 6,202,628,549.55

The above schedule represents governmental fund expenditures of the transportation function in the object code detail.

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Texas Department of Transportation

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APPENDIX C

INFORMATION CONCERNING THE FUNDING OF FEDERAL-AID HIGHWAYS

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APPENDIX C

INFORMATION CONCERNING THE FUNDING OF FEDERAL-AID HIGHWAYS

The Federal-Aid Highway Program

The Federal-Aid Highway Program ("FAHP") is an "umbrella" term that encompasses most of the federal programs providing highway funds to the states. The FAHP must be periodically reauthorized by Congress. Authorizing legislation for highways began with the Federal-Aid Road Act of 1916 and the Federal Highway Act of 1921. These acts provided the foundation for the FAHP as it exists today. Since that time, the FAHP has been continued or renewed through the passage of multi-year authorization acts and short-term extensions. The current federal highway authorization legislation, the "Infrastructure Investment and Jobs Act" (the "IIJA"), became law on November 15, 2021 (P.L. 117-58), and reauthorized the FAHP through September 30, 2026. An extension of the FAHP beyond September 30, 2026 has not yet been enacted. Prior to the enactment of the IIJA, the last multi-year authorization of the FAHP was the "Fixing America's Surface Transportation Act" (the "FAST Act"), which became law on December 4, 2015 and, after giving effect to a subsequent one-year extension, provided funding through September 30, 2021. Prior to the enactment of the FAST Act, the "Moving Ahead for Progress in the 21st Century Act" ("MAP-21") provided multi-year authorization of the FAHP and provided funding through September 30, 2014, which had subsequent short term extensions until the passage of the FAST Act. MAP-21 replaced the "Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users" ("SAFETEA-LU"), which expired in 2009, but was reauthorized through passage of temporary short-term extensions until June 30, 2012.

The Federal Highway Administration ("FHWA") is the federal agency within the U.S. Department of Transportation responsible for administering the FAHP. Title 23, United States Code, entitled "Highways," includes most of the laws that govern the FAHP arranged systematically or codified. Generally, Title 23 embodies those substantive provisions of highway law that Congress considers to be continuing and which need not be reenacted each time the FAHP is reauthorized. Periodically, sections of Title 23 may be amended or repealed through surface transportation acts.

The funding for the FAHP is currently made available in seven major categories largely consolidated through MAP-21 (and carried forward through the IIJA): the National Highway Performance Program, the Surface Transportation Program, the Highway Safety Improvement Program, the Congestion Mitigation and Air Quality Program ("CMAQ"), Metropolitan Planning ("MPO"), the Railway-Highway Crossings Program and the National Highway Freight Program. The IIJA added two new funding formula categories: Carbon Reduction Program and PROTECT Program (resiliency). The IIJA also included a Bridge Formula Program and Electric Vehicle Charging Infrastructure Formula Program, but are not considered core formula programs as they are funded entirely by the general fund and not the Federal Highway Trust Fund. Although FHWA provides funding for eligible highway projects, federal-aid highways are under the administrative control of the state or local government responsible for their operation and maintenance.

The FAHP is financed from the transportation user-related revenues deposited in the Federal Highway Trust Fund ("HTF"). The primary source of revenues in the HTF is derived from the federal excise taxes on motor fuels, including certain alternative fuels. Other taxes include excise taxes on tires, trucks and trailers, and truck use taxes.

The FAHP is a reimbursement program. Once projects are approved by FHWA and funds are obligated, the federal government makes payments to the states for costs as they are incurred on projects, which may include debt service on obligations issued to finance a project. With few exceptions, the federal government does not pay for the entire cost of a federal-aid project. Federal reimbursements are typically required to be matched with state and/or local funds. The maximum federal share is specified in the federal legislation authorizing the program. Under current law, most projects have an 80 percent federal share, while Highway Safety Improvement Program projects, as well as certain interstate highway construction projects, are funded with a 90 percent federal share. Bridge formula funds under IIJA can be reimbursed at 100 percent if spent on off-system bridges, which are bridges that are not on the Federal-aid highway system. These bridges can include city and county bridges.

Funding under the FAHP is provided to states through a multi-step funding cycle that includes: (i) multi-year or short-term authorization by Congress of funding for various highway programs; (ii) apportionment and allocation of funds to the states each FFY according to statutory formulas or, for some funding categories, through administrative action; (iii) obligation of funds, which is the federal government's legal commitment (or promise) to pay or reimburse states for the federal share of a project's eligible costs; (iv) appropriations by Congress specifying the amount of funds available for the year to liquidate and meet its obligations; (v) program implementation which covers the programming and authorization phases; and (vi) reimbursement by the federal government of the eligible project costs. Each of these steps is described in more detail under "Federal-Aid Funding Procedures" below.

THE TERMS AND CONDITIONS OF PARTICIPATION IN THE FAHP AS DESCRIBED HEREIN ARE THOSE IN THE IIJA AND ARE SUBJECT TO CHANGE AT THE DISCRETION OF CONGRESS. THERE CAN BE NO ASSURANCE THAT THE LAWS AND REGULATIONS NOW GOVERNING THE FAHP WILL NOT BE CHANGED IN THE FUTURE IN A MANNER THAT MAY ADVERSELY AFFECT THE ABILITY OF THE DEPARTMENT TO RECEIVE FEDERAL-AID REVENUES.

The Federal Highway Trust Fund

The HTF provides the primary funding for the FAHP. Funded by a collection of federally-imposed motor vehicle user fees, primarily fuel taxes, the HTF is a fund established by law to hold dedicated highway-user revenues that are used for reimbursement of a state's cost of eligible transportation projects (which may include debt service on obligations issued to finance a federal-aid project), including highway projects. The HTF is composed of two accounts: the Highway Account, which funds highway and intermodal programs, and the Mass Transit Account. The Highway Account receives approximately 84% of gasoline tax revenues and 88% of diesel fuel revenues, with the remaining share of such revenues deposited in the Mass Transit Account. Federal fuel excise taxes are the largest revenue source for the HTF. The majority of these tax revenues, including 15.44 cents per gallon out of the current 18.4 cents per gallon gasoline tax and 21.44 cents per gallon out of the current 24.4 cents per gallon diesel tax, go to the Highway Account.

The imposition of the taxes that are dedicated to the HTF, as well as the authority to place the taxes in the HTF and to expend moneys from the HTF, all have expiration dates which must be extended periodically. The life of the HTF has been extended several times since its inception. The most recent multi-year legislation to extend the imposition of taxes was in 2021 by the IIJA, described below. The HTF is required under current federal law to maintain a positive balance to ensure that prior commitments for distribution of federal revenues can be met.

At least since 2007, the nonpartisan Congressional Budget Office ("CBO") has, from time to time, reported or testified that if Congress adhered to the highway and safety spending levels which it had authorized, absent other measures, the Highway Account of the HTF would go into deficit within a year or two after such report or testimony was presented. The CBO has stated that since 2001, HTF receipts have consistently fallen below expenditures. During the 1980s and the first half of the 1990s, HTF balances held in the vicinity of $10 billion. In 1998 the Transportation Equity Act for the 21st Century ("TEA-21"), described below, authorized spending that was sufficient to gradually draw down those balances. TEA-21 along with the subsequent passage in 2005 of SAFETEA-LU, described below, attributed to expenditures exceeding revenues since 2001. Because of looming shortfalls, Congress has enacted legislation from time to time authorizing transfers into the HTF from the Treasury's general fund, however, there can be no assurance that Congress will continue such practice or take other action that may delay or result in proration of federal reimbursements to the Department or other changes in law, regulation, policy or the availability of revenues at the federal level which may materially adversely affect the future availability of federal transportation program funds.

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The following table shows annual HTF collections in the Highway Account for the FFYs 1999 through 2024 from the most current publication of the FHWA's Highway Statistics Series:

Receipts into the Highway Account of the Federal Highway Trust Fund (In Millions)

Federal Fiscal Year	Receipts(1)	Federal Fiscal Year	Receipts(1)	Federal Fiscal Year	Receipts(1)
1999	$39,301	2008	$36,387	2017	$41,402
2000	34,973	2009	34,971	2018	43,360
2001	31,470	2010	34,997	2019	44,521
2002	32,603	2011	36,926	2020	42,691
2003	33,727	2012	40,247	2021	43,559
2004	34,711	2013	36,466	2022	47,404
2005	37,893	2014	39,139	2023	47,916
2006	38,559	2015	40,815	2024	48,576
2007	39,404	2016	41,467		

(1) Excludes interest earned on balances.

Source: Status of the Federal Highway Trust Fund Fiscal Years 1957-2024, Table FE-210, Highway Statistics 2024, Office of Highway Policy Information (as updated through October 2025).

Reauthorization History

All federal programs must be authorized through enacted legislation that defines the programs and establishes maximum funding levels, and for most programs annual appropriations acts are necessary in order to create budget authority. Indeed, for most federal domestic discretionary programs, a lapsed authorization may have little or no effect on a program, so long as revenues are appropriated. For the FAHP, the consequences of lapsed authorization caused when Congress fails to enact reauthorization legislation are somewhat different. While Congress may pass interim legislation, the existence of contract authority and a dedicated revenue stream means that the FHWA usually can continue to provide obligation authority, as defined below, by administrative action.

Since 1978, Congress has passed highway legislation as part of larger, more comprehensive, multi-year surface transportation acts. There is no guarantee, however, that reauthorization of the FAHP will occur on a multi-year basis. Prior to 1998, Congress reauthorized the FAHP pursuant to a number of multi-year authorizations.

Though recent federal surface transportation legislation has been authorized for four to six years at a time, there occasionally have been periods in which the previous authorizing legislation had expired and the future legislation had yet to be enacted. In such circumstances, Congress and/or the FHWA have found ways to avoid disruptions to state highway programs and, more importantly, have been able to maintain the flow of federal revenues to states in each instance. Four mechanisms in particular have kept revenues flowing:

- Short-Term Authorization: TEA-21 was enacted in 1998 and authorized programs over the six-year period from FFYs 1998 through 2003. TEA-21 expired September 30, 2003, and was the subject of many interim reauthorization extensions until the enactment of SAFETEA-LU in August 2005.

- Access to Unobligated Balances: The 1987 Surface Transportation and Uniform Relocation Assistance Act expired on September 30, 1991 and the Intermodal Surface Transportation Efficiency Act ("ISTEA") was not enacted until December 18, 1991. The FHWA was able to act administratively to keep federal-aid funding flowing because states could use their unobligated balances to provide contract authority to use new obligation authority.

- Extension of SAFETEA-LU: SAFETEA-LU became law on August 10, 2005, and authorized programs over the four-year period from FFY 2006 through 2009. After the expiration of SAFETEA-LU in September 2009, Congress enacted 10 interim authorization measures until the enactment of MAP-21. SAFETEA-LU authorized a total of $286.4 billion for federal surface transportation programs in FFY 2005 through FFY 2009.

- MAP-21: MAP-21 was signed into law by the President on July 6, 2012, and authorized a total of approximately $118 billion for highways, highway safety and public transportation programs through FFY 2014. The federal-aid highway programs obligation limitations were set at the following levels: $39.7 billion in FFY 2013 and $40.3 billion in FFY 2014. After the expiration of MAP-21 but before enactment of the FAST Act, Congress used a series of five short-term authorizations to fund the FAHP from October 1, 2014 through December 4, 2015 which, in the aggregate, set federal-aid highway programs obligation limitations at $40.26 billion for such period.

- FAST-Act: The FAST Act was signed into law by the President on December 4, 2015. The FAST Act authorized $226.3 billion in budget authority for Federal-aid highway programs over five years (FFY 2016 through FFY 2020). This includes $225.2 billion in contract authority, starting at $43.1 billion for FFY 2016 and growing about two percent each year to $47.1 billion in FFY 2020. The FAST Act also authorized another $1.1 billion (over the five years) that was subject to appropriation. After the expiration of the FAST Act but before enactment of IIJA, Congress used two short-term authorizations to fund the FAHP from October 1, 2020 through November 15, 2021 which, in the aggregate, set federal-aid highway programs obligation limitations at $46.4 billion for such period.

- IIJA: The IIJA was signed into law by the President on November 15, 2021. The IIJA authorizes $567.4 billion in budget authority for the Federal-aid highway programs over five years (FFY 2022 through FFY 2026). This includes $293.5 billion in base contract authority, $89.8 billion in additional contract authority, and $184.1 billion in general fund upfront USDOT appropriations. Base contract authority starts at $52.4 billion in FFY 2022 and increases yearly to $56.8 billion in FFY 2026.

None of the IIJA, the FAST Act or MAP-21 extended the practice (established in TEA-21 and continued in SAFETEA-LU) of establishing separate budget categories for highway and transit discretionary spending and establishing budgetary "firewalls" between highway and transit discretionary spending and all other domestic discretionary programs. A limitation on obligations and the process for distribution is included for each of the years in the IIJA. Through the limitation on obligations, Congress controls the program, making it more responsive to prevailing budget and economic policy each year. MAP-21 contained provisions (which were carried forward through the FAST Act and the IIJA) which attempt to maintain funding levels for highway programs by providing a commitment to apportion at least 95% of the estimated tax payments attributable to highway users in a state paid into the HTF.

ALTHOUGH INTERIM AUTHORIZATION MEASURES HAVE BEEN ENACTED BY CONGRESS IN THE PAST, NO ASSURANCE CAN BE GIVEN THAT SUCH MEASURES WOULD OR COULD BE ENACTED IN THE FUTURE TO MAINTAIN THE FLOW OF FEDERAL-AID FUNDING UPON TERMINATION OF EITHER A SHORT-TERM OR MULTI-YEAR AUTHORIZATION PERIOD.

Federal Aid Funding Procedures

The FAHP continues to enable the construction of an extensive national transportation system through reimbursement of a large percentage of state expenditures for approved highway projects. The financial assurance provided by the FAHP is unusual among federal programs in that: (i) the FAHP is funded by dedicated revenues, from a user-tax source, deposited in a special trust fund, i.e., HTF; (ii) the contract authority of the FHWA is established by a multi-year authorization act rather than through annual appropriation acts; and (iii) contract authority is not subject to the annual appropriations process (as budget authority is in most other federal programs), although an appropriations act is required in order to liquidate and meet such obligations.

The following summarizes the major steps in funding the FAHP.

Authorization

The first and most important step in financing the FAHP is the development and enactment of authorizing legislation. The authorization act not only shapes and defines programs, but also sets upper limits (authorizations) on the funding for programs and includes provisions related to the operation of the HTF.

Once Congress has established authorizations, the next step involves how funds are made available to states. Typically, federal programs operate using appropriated budget authority which means that funds, although authorized, are not available until passage of an appropriations act. However, most programs within the FAHP do not require this two-step process. Through what is termed "contract authority" (a special type of budget authority), authorized amounts become available for obligation according to the provisions of the authorization act without further legislative action. For the FAHP, funds authorized for a FFY are available for distribution through apportionments or allocations. The use of contract authority gives the states advance notice of the level of federal funding at the time an authorization act is enacted, eliminating much of the uncertainty associated with the authorization-appropriation sequence.

The existence of dedicated revenues in the HTF and of multi-year contract authorizations are designed to provide a predictable and uninterrupted flow of reimbursements to the states. The risk of contract authority lapsing between authorizing acts is minimal, since sufficient unobligated balances generally exist that can be used by the states, with the approval of Congress, to cover gaps in funding between multi-year reauthorization acts. See "Reauthorization History" above.

Apportionment, Allocations and Rescissions

For most components of the FAHP, the authorization act sets the distribution of contract authority to be apportioned and/or allocated to the states. The authorized amount for a given FFY is distributed to the states through apportionments and allocations.

(a) Apportionments. The distribution of funds using a formula provided in law is called an apportionment. Most federal-aid funds are distributed to states through apportionments. Each FFY, the FHWA has responsibility for apportioning authorized funding for the various highway programs among the states according to formulas established in the authorizing statute. Under the IIJA, in FFY 2026, the totals apportioned to a state for the National Highway Performance Program, Surface Transportation Block Grant Program, Highway Safety Improvement Program, CMAQ, and MPO is derived from the total apportioned to that state for FFY 2012 under SAFETEA-LU based on factors including 2012 values for items such as lane miles, vehicle miles traveled, population, taxes paid into the HTF and diesel fuel usage; these factors themselves have not been updated. The total apportioned to a state for those programs mentioned above is based on the proportion of the total funds a state received in 2012 of the total funds received by all states adjusted so that no state receives less than 95 percent of the estimated tax payments attributable to highway users in the state paid into the HTF (other than the Mass Transit Account) in the most recent FFY for which data is available.

(b) Allocations. Some categories do not have a legislatively mandated distribution formula. When there are no formulas in law, the distributions of funds are termed "allocations" which may be made at any time during the FFY. In most cases, allocated funds are divided among states with qualifying projects applying general administrative criteria provided in the law.

Federal-aid highway apportionments are available to states for use for more than one year. Their availability does not terminate at the end of the FFY, as is the case with most other federal programs. In general, apportionments are available for three years plus the year that they are apportioned. Consequently, when new apportionments or allocations are made, the amounts are added to a state's carryover apportionments from the previous year. Should a state fail to obligate a year's apportionment within the period of availability specified for a given program (usually a total of four years), the authority to obligate any remaining amount lapses.

(c) Rescissions. A federal rescission of funds reduces the amount of federal funds provided by an appropriations or authorization act that has already become law. Similar to an appropriation or authorization act, a rescission must be passed by both chambers of the Congress and signed into law by the President. In most instances, a rescission is used to provide funding for a new or emergency legislative priority without increasing federal spending government-wide or by a particular agency. Another common scenario is to accommodate for budget shortfalls caused by federal revenue predictions that are discovered to be too high after a spending bill is passed into law. Rescissions are generally targeted at unobligated apportionments. In FFY 2006, a rescission totaling $1,999,999,000 nationwide was mandated by the Transportation, Treasury, HUD Appropriations Act of 2006 which was signed into law November 30, 2005. Texas's share of this amount was $158,707,654. The Defense Appropriation Act of 2006, signed into law December 30, 2005, mandated a $1,143,000,000 rescission nationwide. Texas's share was $90,670,526. The third rescission for FFY 2006 was the Emergency Supplemental Appropriations Act of 2006, signed into law June 15, 2006, mandating an additional $702,362,500 rescission nationwide, of which Texas's share was $55,716,165. In FFY 2007, there were two transportation rescissions enacted. The 2007 Continuing Resolution, signed into law February 15, 2007, mandated a $3,471,582,000 rescission nationwide and the US Troop Readiness, Veterans' Care, Katrina Recovery, and Iraq Accountability Appropriations Act, signed into law May 25, 2007, mandated an additional $871,022,000 rescission nationwide. Of these, Texas's share was $288,459,698 and $72,374,710 respectively.

The Energy Independence Security Act of 2007 ("EISA"), signed into law on December 18, 2007, provided instructions as to how rescissions should be implemented in 2008 and 2009 and limited the programs subject to be rescinded to those apportioned under Chapter 1 of Title 23. In FFY 2008, the Consolidated Appropriations Act of 2008, signed into law on December 26, 2008, rescinded approximately $3.15 billion from unobligated apportioned funds of which Texas's share was $257,989,173. There were two rescissions in FFY 2009. The first was the result of a combination of acts including EISA, the Pension Protection Act of 2006, signed into law on August 17, 2006, and the SAFETEA-LU Technical Corrections Act of 2008, signed into law on June 6, 2008, and rescinded $8,705,000,000 of unobligated balances nationwide on September 30, 2009; the impact on Texas was $728,707,560. This rescission was subsequently restored by the Hiring Incentives to Restore Employment Act ("HIRE Act") in 2010. The second FFY 2009 rescission was the result of Division I, Title I of the Omnibus Appropriations Act, 2009, which was signed into law March 11, 2009, and mandated a second rescission of $3.15 billion of unobligated federal-aid highway funds apportioned to states; the impact on Texas was $272,403,085. In FFY 2010, Public Law 111-226, signed into law on August 10, 2010, rescinded $2,200,000,000 from unobligated apportioned funds of which Texas's share was $190,367,982. In FFY 2011, the Full-Year Continuing Appropriations Act, 2011, signed into law on April 15, 2011, rescinded $2,500,000,000 from unobligated apportioned funds of which Texas's share was $200,895,021.

The FAST Act contained a HTF contract authority rescission of $7.5 billion on September 30, 2020; however, in November 2019, Congress repealed the FAST Act rescission as part of the "Further Continuing Appropriations Act, 2020, and Further Health Extenders Act of 2019." Although the IIJA does not contain any rescissions, it is possible for rescissions to be added by Congress in the future.

Obligation

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

Once Congress establishes an overall obligation limitation and after deducting amounts for certain exempt programs and various set-asides[(1)], FHWA distributes obligation authority ("OA") to states proportionately based on each state's share of apportioned and allocated revenues. The actual ratio of OA to apportionment and allocations may vary from state to state, since some federal-aid programs are exempt from the obligation limitation. During the FFY, states submit requests to FHWA to obligate funds, representing the federal share of specific projects. As a state obligates funds, its balance of OA is reduced. A state's OA (unlike its apportionments and allocations of authorized funding) must be used before the end of the FFY for which it is made available; if not, it will be distributed to other states to ensure that the total limitation nationwide will be used. A state may receive additional OA through a redistribution process each year in August which reallocates OA from states or programs unable to fully obligate their share to other states that are able to obligate more than their initial share.

Although a ceiling on obligations restricts how much funding may be used in a FFY, a state has flexibility within the overall limitation to mix and match the type of program funds it obligates, based on its individual needs, as long as it does not exceed the ceiling in total.

Highway Program Implementation

In order to receive federal reimbursements for transportation projects, states are required to develop long-range transportation plans that are based on realistic projections of state and federal funding. Projects are not eligible for federal reimbursements unless they are either directly identified in a long-range plan or consistent with policies and objectives identified in long-range plans and are included in the four-year Statewide Transportation Improvement Program ("STIP") which lists all projects proposed for financing in that four-year period. The STIP requires FHWA approval.

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(1) Like previous authorization bills, the IIJA provides a separate authorization for the administration costs of FAHP, not as a takedown from the various apportionment programs.

States are required to follow federal fiscal management procedures as they implement projects that are included in the STIP. These fiscal management processes ensure that the process is managed efficiently from project authorization to actual payment of FHWA reimbursements to the state. Further, states are required to use a detailed accounting system to track project expenditures and reimbursements. In addition, a federal system tracks payments to states. States may request FHWA approval for eligible projects either through the traditional process or through the advance construction procedure as discussed below:

(a) Traditional Approach. Under the traditional highway funding approach, a state obligates the full federal share of the funding for a project at the beginning of the project, concurrent with project authorization. The first step in the fiscal management process begins when a state requests authorization to use federal funds on a project. The project sponsor submits plans, specifications and estimates ("PS&E's") for a project to the FHWA Division Office, and requests that the FHWA approve the use of federal funding for the appropriate federal share of the project. The project must be in the STIP and PS&Es must identify the category of federal funding that will be used.

FHWA evaluates the PS&Es to ensure that the project is eligible for federal funding and meets a variety of federal requirements. Provided that all requirements are satisfied, FHWA authorizes federal participation on the project, and obligates the federal share of project costs. By obligating the funds, the FHWA makes a commitment to reimburse the state for the federal share of eligible project costs. It sets aside the appropriate amount of the state's OA, and also sets aside an equivalent amount of apportionments by program. Accordingly, the state must have sufficient OA to cover the level of federal participation it is requesting.

Once authorization for a project has been obtained, the state advertises for the construction or acquisition of the project and receives bids. The state awards the contract to the lowest responsive bidder and submits a request to FHWA asking for any necessary adjustments to federal obligations to reflect the actual bid amount. If approved, the amounts agreed to are included in a project agreement which identifies the funds that will be encumbered by the state, and the amount that will be reimbursed by the federal government.

(b) Advance Construction Approach. In recent years, FHWA has implemented several new fiscal management techniques that provide states additional flexibility in managing their OA and cash flow. Advance construction ("AC") and partial conversion of advance construction are two key techniques that facilitate federal-aid project funding.

The AC approach for authorizing projects allows states to finance projects that are eligible for federal aid without obligating the full federal share of costs at the beginning of the project. This allows states to begin a project before accumulating all of the OA needed to cover the federal share of the project. Similar to the traditional approach, the state submits PS&E's to FHWA and requests project authorization. Under AC, however, FHWA is asked to authorize the project without obligating federal funds. The state will provide the up-front financing for the project and then at a later date "convert" the advance construction project to a regular federal-aid project and obligate the full federal share of the project costs, when sufficient OA is available. At the time of conversion, the state can be reimbursed for the federal share of costs incurred up to the point of conversion.

Partial conversion of AC is a form of advance construction in which the state converts, obligates, and receives reimbursement for only a portion of its funding of an AC project in a given year. This removes any requirement to wait until the full amount of OA for the project is available. The state can therefore obligate varying amounts for the project's eligible cost in each year, depending on how much of the state's OA is available. Using the technique to partially convert the federal share makes bond and note financing more viable and federal-aid funds available to support a greater number of projects. The National Highway System Designation Act of 1995 provided additional flexibility in the use of advance construction by allowing partial conversion of advance construction as implemented through a Federal Register Notice dated July 19, 1995.

Sequestration

On January 21, 2020, the Office of Management and Budget ("OMB") issued a report (the "OMB 2020 Report") which was prepared consistent with the requirements of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended. The mandate from the Budget Control Act of 2011 (Pub. L. No. 112-125) requires, among other things, a 9.4 percent reduction for certain non-exempt defense discretionary programs, an 8.2 percent reduction for certain non-exempt nondefense discretionary programs and a 7.6 percent reduction for certain non-exempt nondefense mandatory programs, beginning in January 2013. The Bipartisan Budget Act of 2018 (Pub. L. No. 115-123) reduced some of the spending cuts required by sequestration for FFY 2020, 2021 and 2022. Under Title 23, revenues deposited into the HTF carry "mandatory budget authority" in the form of federal contract authority.

Federal contract authority exempts HTF revenues subject to obligation limitation from reduction. Therefore, the dedicated tax revenues deposited into the HTF are not subject to sequestration. As set forth in the OMB 2020 Report, OMB has calculated that federal contract authority not subject to obligation limitation is, however, subject to reduction at an annual rate of 5.7 percent for FFY 2026.

ALTHOUGH THESE MEASURES HAVE BEEN ENACTED BY CONGRESS AND/OR FHWA IN THE PAST, NO ASSURANCE CAN BE GIVEN THAT SUCH MEASURES WOULD OR COULD BE ENACTED IN THE FUTURE TO MAINTAIN THE FLOW OF FEDERAL-AID FUNDING UPON TERMINATION OF AN AUTHORIZATION PERIOD.

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APPENDIX D

FORM OF OPINION OF BOND COUNSEL

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______, 2026

WE HAVE ACTED AS BOND COUNSEL to the Texas Transportation Commission (the "Commission"), the governing body of the Texas Department of Transportation (the "Department"), in connection with an issue of bonds (the "Bonds") described as follows:

> TEXAS TRANSPORTATION COMMISSION STATE HIGHWAY FUND FIRST TIER REVENUE REFUNDING BONDS, SERIES 2026, dated August 5, 2026, in the aggregate principal amount of $________, maturing on April 1 in each of the years 20__, 20__, 20__, 20__ and 20__. The Bonds are issuable in fully registered form only, in denominations of $5,000 or integral multiples thereof, bearing interest, and subject to transfer and exchange as set forth in the Bonds and in the Second Amended and Restated Master Resolution Establishing a Financing Program for Bonds, Other Public Securities and Credit Agreements Secured by and Payable from Revenue Deposited to the Credit of the State Highway Fund, dated as of April 23, 2010 (the "Master Resolution"), the Eleventh Supplemental Resolution to the Master Resolution, adopted pursuant to Minute Order Number 117197 approved by the Commission on May 21, 2026 (the "Eleventh Supplemental Resolution"), and the Award Certificate of Department Representative dated as of _____, 2026 (the "Award Certificate" and, together with the Master Resolution and the Eleventh Supplemental Resolution, the "Resolution"), authorizing the issuance of the Bonds.

WE HAVE ACTED as Bond Counsel for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas. In such capacity we have examined the Constitution and laws of the State of Texas and a transcript of certain certified proceedings pertaining to the issuance of the Bonds and the obligations that are being refunded (the "Refunded Obligations") with a portion of the proceeds of the Bonds, as described in the Resolution. The transcript contains certified copies of certain proceedings of the Commission and U.S. Bank, National Association, Houston, Texas, (the "Escrow Agent"); the report (the "Report") of Robert Thomas CPA, LLC (the "Verification Agent"), which verifies the sufficiency of the deposits made with the Escrow Agent for the defeasance of a portion of the Refunded Obligations consisting of the Commission's State Highway Fund First Tier Revenue Bonds, Series 2016-A (the "Series 2016-A Refunded Obligations"); the certificate (the "Certificate") of Estrada Hinojosa & Company, Inc., Municipal Advisor to the Commission, which verifies the sufficiency of the deposit made with the paying agent/registrar for a portion of the Refunded Obligations consisting of the Commission's State Highway Fund First Tier Revenue Bonds, Series 2014-B (the "Series 2014-B Refunded Obligations") for the defeasance of the Series 2014-B Refunded Obligations; certain certifications and representations and other material facts within the knowledge and control of the Commission and the Department, upon which we rely; and certain other customary documents and instruments authorizing and relating to the issuance of the Bonds. We have also examined executed Bond No. R-1.

WE HAVE NOT BEEN REQUESTED to examine, and have not investigated or verified, any original proceedings, records, data or other material, but have relied upon the transcript of certified proceedings. We have not assumed any responsibility with respect to the financial condition or capabilities of the Commission or the disclosure thereof in connection with the sale of the Bonds. Our role in connection with the Commission's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein. Capitalized terms used herein and not otherwise defined have the meaning assigned in the Resolution.

BASED ON SUCH EXAMINATION, it is our opinion as follows:

(1) The transcript of certified proceedings evidences complete legal authority for the issuance of the Bonds in full compliance with the Constitution and laws of the State of Texas presently in effect; the issuance, execution and delivery of the Bonds is permitted under the Resolution; and the Bonds and the Resolution have been duly authorized, executed and delivered in accordance with law;

(2) The covenants and agreements in the Resolution constitute valid and legally binding obligations of the Commission, and the Bonds constitute valid, binding and enforceable limited obligations of the Commission, except to the extent that the rights and remedies of the owners of the Bonds may be limited by laws heretofore or hereafter enacted relating to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the rights of creditors of political subdivisions and governmental agencies and the exercise of judicial discretion in appropriate cases;

(3) The Bonds are First Tier Senior Obligations secured by and payable solely from a first lien on the Pledged Revenues described in the Resolution; and

(4) The escrow agreement between the Commission and the Escrow Agent (the "Escrow Agreement") has been duly executed and delivered and constitutes a binding and enforceable agreement in accordance with its terms; the establishment of the Escrow Fund pursuant to the Escrow Agreement and the deposit made therein constitute the making of firm banking and financial arrangements for the discharge and final payment of the Series 2016-A Refunded Obligations; in reliance upon the accuracy of the calculations contained in the Report, the Series 2016-A Refunded Obligations, having been discharged and paid, are no longer outstanding and the lien on and pledge of Pledged Revenues as set forth in the resolution authorizing their issuance will be appropriately and legally defeased; the holders of the Series 2016-A Refunded Obligations may obtain payment of the principal of and interest on the Series 2016-A Refunded Obligations only out of the funds provided therefor now held in escrow for that purpose by the Escrow Agent pursuant to the terms of the Escrow Agreement; and, therefore, the Series 2016-A Refunded Obligations are deemed to be fully paid and no longer outstanding, except for the purpose of being paid from the funds provided therefor in such Escrow Agreement.

(5) The deposit made with the paying agent/registrar for the Series 2014-B Refunded Obligations, pursuant to the supplemental resolution of the Commission authorizing the issuance of the Series 2014-B Refunded Obligations (the "Refunded Obligations Resolution") constitutes the making of firm banking and financial arrangements for the discharge and final payment of the Series 2014-B Refunded Obligations; in reliance upon the accuracy of the calculations contained in the Certificate, the Series 2014-B Refunded Obligations, having been discharged and paid, are no longer outstanding and the lien on and pledge of Pledged Revenues as set forth in the Refunded Obligations Resolution will be appropriately and legally defeased; the holders of the Series 2014-B Refunded Obligations may obtain payment of the principal of and interest on the Series 2014-B Refunded Obligations only out of the funds provided therefor now held for that purpose

by the paying agent/registrar for the Series 2014-B Refunded Obligations pursuant to the Refunded Obligations Resolution; and, therefore, the Series 2014-B Refunded Obligations are deemed to be fully paid and no longer outstanding, except for the purpose of being paid from the funds deposited with the paying agent/registrar for the Series 2014-B Refunded Obligations.

THE COMMISSION HAS RESERVED THE RIGHT in the Master Resolution, and the Master Resolution permits the Commission, to issue or incur from time to time other series and installments of First Tier Senior Obligations which are equally and ratably secured, on parity with the Bonds, by a first lien on and pledge of the Pledged Revenues. The Commission also has reserved the right to issue or incur additional Senior Obligations, and to establish additional Tiers for the payment thereof, which are secured by a pledge of and lien on the Pledged Revenues that is junior and subordinate to the lien of the Master Resolution with respect to First Tier Senior Obligations (including the Bonds). In addition, the Resolution recognizes and reserves to the Commission the right to issue or incur Subordinate Obligations which may be payable from or secured by a lien on State Highway Fund Revenues that is junior and subordinate to the lien of the Master Resolution with respect to First Tier Senior Obligations and Senior Obligations of any additional Tiers established hereafter.

INTEREST ON THE BONDS is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended. Interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. Interest on the Bonds included in financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

WE HAVE ASSUMED compliance with all covenants and agreements contained in the Resolution, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes.

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

ORRICK, HERRINGTON & SUTCLIFFE LLP

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APPENDIX E

DTC BOOK-ENTRY-ONLY SYSTEM

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APPENDIX E

DTC BOOK-ENTRY-ONLY SYSTEM

The information in this Appendix concerning DTC and DTC's book-entry system has been obtained from sources that the Commission and the Underwriters believe to be reliable, but neither the Commission nor the Underwriters take any responsibility for the accuracy or completeness thereof. The Commission and the Underwriters cannot and do not give any assurances that DTC, DTC Direct Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) Bonds representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis or that DTC, DTC Direct Participants or DTC Indirect Participants will act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the United States Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

Book-Entry Only System

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. 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 a Standard & Poor's rating of "AA+". The DTC Rules applicable to its Participants are on file with the United States Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of 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 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 registrar and request that copies of notices be provided directly to them.

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 MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Paying Agent/Registrar as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

All payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Commission or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Bonds held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar, or the Commission, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments of the principal of and interest on the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Commission or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Commission 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 Commission may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

THE INFORMATION IN THIS SECTION CONCERNING DTC AND THE DTC BOOK-ENTRY ONLY SYSTEM HAS BEEN PROVIDED BY DTC. THE COMMISSION AND THE UNDERWRITERS BELIEVE SUCH INFORMATION TO BE RELIABLE, BUT TAKE NO RESPONSIBILITY FOR THE ACCURACY THEREOF. NO REPRESENTATION IS MADE BY ANY SUCH PARTY AS TO THE ACCURACY OR ADEQUACY OF SUCH INFORMATION OR AS TO THE ABSENCE OF MATERIAL ADVERSE CHANGES IN SUCH INFORMATION SUBSEQUENT TO THE DATE HEREOF.

While the Bonds are in the book-entry-only system, reference in other sections of this Official Statement to Owners of such Bonds should be read to include any Beneficial Owner of the Bonds, but (i) all rights of ownership, as described herein, must be exercised through DTC and the book-entry-only system and (ii) notices that are to be given to registered Owners by the Paying Agent/Registrar will be given only to DTC. DTC is required to forward (or cause to be forwarded) the notices to the Participants by its usual procedures so that such Participants may forward (or cause to be forwarded) such notices to the Beneficial Owners.

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APPENDIX F

INVESTMENT AUTHORITY AND INVESTMENT PRACTICES FOR THE FUND

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Investment Authority. The Fund is held within the State treasury and is invested and collateralized by the Comptroller in accordance with State law. Under current law, the Comptroller may commingle money on deposit in the Fund with other money and funds held within the State treasury and invest such money in authorized investments ("Authorized Investments") pursuant to Section 404.024 (et seq.) of the Texas Government Code, as amended. State law, the Comptroller's Investment Policy and Authorized Investments are subject to change. Dedicated Revenues include interest earnings on Dedicated Taxes, Dedicated Federal Revenues and Dedicated Registration Fees, which remain within the Fund. Interest earnings on amounts collected or received pursuant to other State Highway Fund Revenue Laws are transferred to the State's general revenue fund.

Pursuant to Section 404.024(a), money on deposit in the Fund may be placed by the Comptroller in time deposits with State depositories. For funds not deposited pursuant to Section 404.024(a), the Comptroller may make investments in the following obligations pursuant to Section 404.024(b): (i) direct security repurchase agreements; (ii) reverse security repurchase agreements; (iii) direct obligations of or obligations the principal and interest of which are guaranteed by the United States; (iv) direct obligations of or obligations guaranteed by agencies or instrumentalities of the United States government; (v) bankers' acceptances that: (A) are eligible for purchase by the Federal Reserve System; (B) do not exceed 270 days to maturity; and (C) are issued by a bank whose other comparable short-term obligations are rated in the highest short-term rating category by a nationally recognized statistical rating organization; (vi) commercial paper that: (A) does not exceed 365 days to maturity; and (B) except as provided below, is issued by an entity whose other comparable short-term obligations are rated in the highest short-term rating category by a nationally recognized statistical rating organization; (vii) contracts written by the Comptroller in which the Comptroller grants the purchaser the right to purchase securities in the Comptroller's marketable securities portfolio at a specified price over a specified period and for which the Comptroller is paid a fee and specifically prohibits naked-option or uncovered option trading; (viii) direct obligations of or obligations guaranteed by the Inter-American Development Bank, the International Bank for Reconstruction and Development (the World Bank), the African Development Bank, the Asian Development Bank, and the International Finance Corporation that have received the highest long-term rating categories for debt obligations by a nationally recognized statistical rating organization; (ix) bonds issued, assumed, or guaranteed by the State of Israel; (x) obligations of a state or an agency, county, city, or other political subdivision of a state; (xi) mutual funds secured by obligations that are described by subdivisions (i) through (vi) above or by obligations consistent with Rule 2a-7 (17 C.F.R. Section 270.2a-7), promulgated by the Securities and Exchange Commission, including pooled funds: (A) established by the Texas Treasury Safekeeping Trust Company; (B) operated like a mutual fund; and (C) with portfolios consisting only of dollar-denominated securities; (xii) foreign currency for the sole purpose of facilitating investment by state agencies that have the authority to invest in foreign securities; (xiii) asset-backed securities, as defined by the Securities and Exchange Commission in Rule 2a-7 (17 C.F.R. Section 270.2a-7), that are rated at least "A" or its equivalent by a nationally recognized statistical rating organization and that have a weighted-average maturity of five years or less; and (xiv) corporate debt obligations that are rated at least "A" or its equivalent by a nationally recognized statistical rating organization and mature in five years or less from the date on which the obligations were "acquired," as defined by the Securities and Exchange Commission in Rule 2a-7 (17 C.F.R. Section 270.2a-7).

The Comptroller, pursuant to Section 404.024(c), may make investments in direct security repurchase agreements and reverse security repurchase agreements authorized under Section 404.024(b) placed through financial institutions doing business in this State or through primary dealers as approved by the Federal Reserve System, or made directly with a state agency with the authority to invest in repurchase agreements. Notwithstanding any other law, the term of any reverse security repurchase agreement made by the Comptroller may not exceed 90 days after the date the reverse security repurchase agreement is delivered. Money received by the Comptroller under the terms of a reverse security repurchase agreement may be used to acquire additional Authorized Investments, but the term of the Authorized Investments acquired must mature not later than the expiration date stated in the reverse security repurchase agreement. A direct security repurchase agreement or reverse security repurchase agreement made by the Comptroller may be submitted for clearing and settlement to a covered clearing agency, as defined by the SEC in Rule 17Ad-22 (17 C.F.R. Section 240.17Ad-22).

The Comptroller, pursuant to Section 404.024(d), may contract with a depository for the payment of interest on time or demand deposits at a rate not to exceed a rate that is lawful under an act of Congress and rules and regulations of the board of governors of the Federal Reserve System, the board of directors of the Federal Deposit Insurance Corporation, the National Credit Union Administration Board, and the Federal Home Loan Banking Board.

The Comptroller, pursuant to Section 404.024(i) may purchase commercial paper with a rating lower than the highest short-term rating to provide liquidity for commercial paper issued by the Comptroller or a State agency.

Pursuant to Section 404.024(l) the Comptroller may lend securities under procedures established by the Comptroller; the procedures must be consistent with industry practice and must include a requirement to fully secure the loan with cash, obligations, or a combination of cash and obligations. In this paragraph, “obligation” means an item described by clauses (i) through (vi) of the second paragraph of this section. Notwithstanding any law to the contrary, cash may be reinvested in the items described by clauses (i) through (xiv) of the second paragraph of this section or in mutual funds, as defined by the SEC in Rule 2a-7 (17 C.F.R. Section 270.2a-7).

Under Section 404.024(e), State funds under the custody and control of the Comptroller available for appropriation by the Legislature may not be used to purchase any of the following types of investments: (i) obligations the payment of which represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (ii) obligations the payment of which represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest; (iii) collateralized mortgage obligations that have a stated final maturity date of greater than 10 years; and (iv) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index. The Comptroller by rule may also define other derivative investments outside of the investments described in Section 404.024(e).

Pursuant to Section 404.024(f), State funds under the custody and control of the Comptroller available for appropriation by the Legislature may not be used to purchase investments defined by rule adopted under Section 404.024(f) in an amount that at the time of purchase will cause the aggregate value of the investments to exceed five percent of the total investment of State funds subject to the custody and control of the Comptroller that is available for appropriation by the Legislature. Under Section 404.024(h), the Comptroller may not use State funds to invest in or purchase obligations of a private corporation or other private business entity doing business in Northern Ireland unless the corporation or other entity: (i) adheres to fair employment practices; and (ii) does not discriminate on the basis of race, color, religion, sex, national origin, or disability.

Pursuant to Section 404.024(g), to the extent practicable, the Comptroller shall give first consideration to banks that maintain main offices or branch offices in this State when investing in direct security repurchase agreements.

Under Section 404.024(j), if the Comptroller is required to invest funds other than as provided by Section 404.024 (et seq.), and if other law does not establish a conflicting standard governing such investment, the Comptroller shall invest funds under the restrictions and procedures for making the investments that persons of ordinary prudence, discretion, and intelligence, exercising the judgment and care under the prevailing circumstances, would follow in the management of their own affairs, not in regard to speculation but in regard to the permanent disposition of their funds, considering the probable income as well as the probable safety of their capital.

The Comptroller may contract with private professional investment managers to assist the Comptroller in investing funds under the care, custody, and control of the Comptroller pursuant to Section 404.024(k).

Investment Policies and Practices. The Comptroller’s principal investment and management objectives are as follows: (i) preservation of capital and protection of principal first, (ii) maintenance of sufficient liquidity to meet operating needs second, and (iii) maximization of return third. The Comptroller will preserve capital and protect principal by investing in a diversified pool of assets of high credit quality. Interest rate risk will be managed by maintaining a weighted-average maturity of no more than two years.

Whenever practicable, the Comptroller and the Texas Treasury Safekeeping Trust Company will award investment transactions on a competitive basis by soliciting at least two bids and then placing purchase and sale orders with brokers to achieve best execution. All transactions will be fully documented by the individual executing the trade and confirmed by a second investment staff member.

The Comptroller enters into only fully collateralized repurchase agreements. The Comptroller’s Master Repurchase Agreement governs all transactions. Repurchase agreement collateral is limited to those securities authorized for outright purchase by the Comptroller. All such collateral is held for safekeeping at the Federal Reserve Bank of Dallas, San Antonio Branch, in the name of the Comptroller or at an approved third party institution with which the Comptroller has executed a custodial undertaking agreement in connection with a master repurchase agreement. Collateral is monitored daily to ensure that margin requirements are maintained. Margin excesses or deficits will be corrected on a timely basis, generally no later than the next business day. Repurchase agreement transactions must be placed only with primary government securities dealers approved by the Federal Reserve System or state or national banks doing business in the State

TEXAS TRANSPORTATION COMMISSION • STATE HIGHWAY FUND FIRST TIER REVENUE REFUNDING BONDS, SERIES 2026

Texas Department of Transportation

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