



STATE HIGHWAY FUND

Annual Continuing Disclosure Report

For the Fiscal Year Ended August 31, 2018

Filed by February 28, 2019

Filed by the Texas Transportation Commission
Pursuant to Continuing Disclosure Undertakings
For Compliance with SEC Rule 15c2-12

**State Highway Fund
Annual Continuing Disclosure Report
For the Fiscal Year Ended August 31, 2018**

**Filed by Texas Transportation Commission
Relating to Each Outstanding Issue of the Commission's State Highway Fund
First Tier Revenue Bonds with CUSIP Prefix 88283L**

The financial information and operating data contained in this report (this "Report") with respect to the Texas Transportation Commission (the "Commission"), the Texas Department of Transportation (the "Department") and the State Highway Fund (the "Fund" or "SHF") is being provided in accordance with the contractual continuing disclosure undertakings (collectively, the "Undertaking") of the Commission described in the various official statements or other offering documents (collectively, the "Official Statements") for the Commission's outstanding State Highway Fund First Tier Revenue Bonds (the "First Tier Senior Obligations") and other outstanding obligations for which the Commission or the Department has made such undertakings, including as an obligated person.

Pursuant to the rules of the Municipal Securities Rulemaking Board (the "MSRB"), the participating underwriters for the First Tier Senior Obligations and certain other bonds, notes, or other obligations payable or secured, in whole or in part, from certain revenues deposited to the credit of the SHF (collectively the "SHF Obligations"), as applicable, were required to file a copy of the Official Statement for each such bond issue with the MSRB, copies of which are available on the MSRB's Electronic Municipal Market Access ("EMMA") system website. Unless specified otherwise, references in this Report to a particular series of bonds (e.g., the "Series 2010 Bonds") shall refer to the respective series of First Tier Senior Obligations.

The Official Statements should not be considered to speak as of any date other than the respective date indicated in each such document. Unless specified otherwise, capitalized terms used in this Report and not otherwise defined shall have the meanings given in the Official Statements.

The titles and numbering of the tables set forth in this report may deviate from the titles and numbering used for comparable tables contained in the Official Statements. In addition, certain financial information and operating data presented in this Report may be in addition to the information required to be provided by any particular Undertaking and should not be construed as obligating the Commission to provide such additional information in its future continuing disclosure filings.

Information the Commission has agreed to provide pursuant to the Undertaking may be reported in full text herein or may be incorporated by reference to certain other publicly available documents. Information in this Report regarding the Commission, the Department and the Fund has been compiled and provided by the Department from the Department's records and other sources which are believed by the Department to be reliable and is provided in satisfaction of the Undertaking. This Report contains information prescribed by the Undertaking, and neither the Commission nor the Department makes any representation or warranty concerning the usefulness of such information to a decision to invest in, hold, or sell SHF Obligations.

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 Report.

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I. Annual Financial Information and Operating Data Update Required by Undertaking

Table 1: Debt Service Requirements and Projected Coverage

(In Thousands)

Fiscal Year	Debt Service on Outstanding First Tier Senior Obligations ⁽¹⁾	BAB Subsidy Payments ⁽²⁾	Total Debt Service (net of BAB Subsidy)	Fiscal Year 2018 Pledged Revenues ⁽³⁾	Aggregate Debt Service Coverage (before BAB subsidy)	Aggregate Debt Service Coverage (net of BAB subsidy)
2019	\$ 428,234	\$ (25,299)	\$ 402,935	\$ 8,406,613	19.63x	20.86x
2020	428,247	(25,353)	402,894	8,406,613	19.63x	20.87x
2021	428,240	(25,353)	402,887	8,406,613	19.63x	20.87x
2022	427,563	(25,353)	402,210	8,406,613	19.66x	20.90x
2023	426,896	(25,353)	401,543	8,406,613	19.69x	20.94x
2024	425,748	(24,190)	401,558	8,406,613	19.75x	20.93x
2025	425,392	(22,987)	402,405	8,406,613	19.76x	20.89x
2026	425,218	(21,745)	403,474	8,406,613	19.77x	20.84x
2027	424,889	(20,468)	404,421	8,406,613	19.79x	20.79x
2028	421,210	(17,566)	403,645	8,406,613	19.96x	20.83x
2029	415,523	(12,449)	403,075	8,406,613	20.23x	20.86x
2030	409,400	(6,329)	403,071	8,406,613	20.53x	20.86x
2031	218,699	-	218,699	8,406,613	38.44x	38.44x
2032	184,044	-	184,044	8,406,613	45.68x	45.68x
2033	181,868	-	181,868	8,406,613	46.22x	46.22x
2034	181,865	-	181,865	8,406,613	46.22x	46.22x
Total	\$ 5,853,040	\$(252,445)	\$ 5,600,594			

Totals may include rounding differences.

- (1) For purposes of illustration, (i) the variable rate of interest on Series 2014-B1 Bonds, Series 2014-B2 Bonds, and Series 2016-B Bonds (following the initial rate period therefor), being a portion of the outstanding First Tier Senior Obligations, is assumed at 3.5%, which is inclusive of remarketing and liquidity fees, as applicable, and (ii) the principal of all outstanding First Tier Senior Obligations is assumed to be paid on the scheduled dates of mandatory sinking fund redemption, if any, and the stated maturity date thereof. The Series 2014-B1 Bonds, Series 2014-B2 Bonds and Series 2016-B Bonds are subject to mandatory tender for purchase prior to the stated maturity thereof. The Series 2014-B2 Bonds and Series 2016-B Bonds are not benefited by any third-party liquidity support.
- (2) The Build America Bonds (“BAB”) Subsidy Payments shown above relate to the Series 2010 Bonds, being a portion of the outstanding First Tier Senior Obligations, and reflect a reduction due to Sequester Cuts. The BAB Subsidy Payment in respect of the October 1, 2018 debt service payment was reduced by approximately \$892,000. A 6.2% reduction in BAB Subsidy Payments has been announced by the federal government for the federal fiscal year ending September 30, 2019 and, in Table 1 above, is assumed to apply to the BAB Subsidy Payments beginning with the April 1, 2019 payment and continuing through the federal fiscal year ending September 30, 2027 (October 1, 2027 payment).
- (3) Pledged Revenues (as defined in the Official Statements relating to First Tier Senior Obligations) presented using a modified accrual basis. BAB subsidy payments are not included in Pledged Revenues.

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

	2014	2015	2016	2017	2018
REVENUES					
Taxes ⁽²⁾	\$2,488,136	\$2,582,837	\$3,760,033	\$3,115,426	\$5,976,202
Federal Revenues ⁽³⁾	3,329,875	3,145,008	3,934,662	3,781,394	3,844,009
Federal Pass-Through Revenues ⁽⁴⁾	66	-	404	469	13,008
Licenses, Fees and Permits	26,239	25,648	37,670	61,170	68,570
Interest & Investment Income	22,739	19,067	32,799	48,604	63,012
Land Income	13,649	15,590	12,104	13,222	23,128
Settlement of Claims	16,920	21,995	47,519	28,215	21,133
Sales of Goods and Services ⁽⁵⁾	34,501	28,548	2,031	70,136	133,048
Other Revenues	20,831	8,381	17,191	9,830	3,516
Total Revenues ⁽⁶⁾	5,952,956	5,847,074	7,844,413	7,128,466	10,145,626
EXPENDITURES					
Salaries and Wages	638,831	637,722	665,900	653,730	707,459
Payroll Related Costs	262,398	277,049	312,209	323,321	331,723
Professional Fees and Services	503,224	692,008	605,127	914,581	915,999
Federal Pass-Through Expenditures	14,407	24,017	10,345	13,246	10,954
State Grant Pass-Through Expenditures	-	-	-	144	100
Travel	7,453	7,888	8,756	8,911	11,386
Materials and Supplies	384,419	277,082	387,339	381,223	389,874
Communications and Utilities	45,236	46,031	46,474	45,419	46,437
Repairs and Maintenance	523,523	686,169	816,035	673,689	655,599
Rentals and Leases	26,357	26,508	27,527	25,181	32,151
Printing and Reproduction	3,620	3,643	3,742	3,837	3,503
Claims and Judgments	11,668	4,618	7,667	4,187	20,276
Intergovernmental Payments	389,846	384,868	313,582	180,081	249,014
Public Assistance Payments ⁽⁷⁾	21,780	31,994	14,481	34,773	73,319
Other Expenditures ⁽⁸⁾	134,095	169,975	190,104	289,116	225,609
Total Transportation Expenditures	2,966,857	3,269,571	3,409,288	3,551,439	3,673,402
Capital Outlay ⁽⁹⁾	4,243,349	4,496,619	5,141,724	6,010,985	5,660,605
Debt Service:					
Principal on State Bonds ⁽¹⁰⁾	-	-	-	-	127,920
Principal on Pass-Through Tolls	104,889	111,696	120,651	109,081	110,843
Interest on State Bonds ⁽¹⁰⁾	-	-	-	-	192,519
Other Financing Fees	7,156	3,205	1,388	4,267	1,035
Total Expenditures	7,322,401	7,881,092	8,673,051	9,675,772	9,766,324
Excess (Deficit) Revenues Over (Under) Expenditures	(1,369,445)	(2,034,018)	(828,638)	(2,547,306)	379,302
OTHER FINANCING SOURCES (USES)					
Transfers In ⁽¹¹⁾	1,814,231	3,355,983	1,657,739	1,748,978	1,953,358
Transfers Out ⁽¹¹⁾	(838,441)	(944,641)	(450,544)	(519,381)	(571,190)
Long -Term Debt Issued	644,533	-	-	886,210	-
Bonds Issued for Refunding	813,262	781,080	-	89,370	-
Premiums on Bonds Issued	193,586	133,433	-	112,255	-
Payments to Escrow for Refunding	(945,414)	(910,971)	-	(100,000)	-
Sale of Capital Assets	-	70,255	66,334	8,715	5,454
Upfront Payment - Service Concession Arrangement	-	-	25,479	392	-
Total Other Financing Sources (Uses)	1,689,489	2,485,138	1,299,008	2,226,539	1,387,622
Net Change in Fund Balances	320,044	451,120	470,370	(320,767)	1,766,924
Beginning Fund Balances	(471,546)	3,093,910	3,545,030	4,015,400	3,694,633
Restatements ⁽¹²⁾	3,245,412	-	-	-	-
Beginning Fund Balances, Restated	2,773,866	3,093,910	3,545,030	4,015,400	3,694,633
Ending Fund Balances	\$3,093,910	\$3,545,030	\$4,015,400	\$3,694,633	\$5,461,557

See footnotes to Table 2 on the following page.

Footnotes to Table 2:

- (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 of Revenues, Expenditures and Changes in Fund Balances – State Highway Fund” in the Department’s audited financial statements for each such fiscal year.
- (2) In 2016, Taxes increased largely due to the inclusion of Proposition 1 deposits as tax revenue instead of the previous treatment as Transfers In (see also note 11 below). The decrease in Taxes from Fiscal Year 2016 to Fiscal Year 2017 was primarily due to the much lower deposit of \$439.5 million in Proposition 1 funds compared to \$1.1 billion Proposition 1 funds deposited in Fiscal Year 2016. The increase in Taxes from 2017 to 2018 was due to the receipt and accrual of \$2.5 billion in Proposition 7 funds earned during Fiscal Year 2018. Receipts from Proposition 1 and Proposition 7 are not pledged to secure or available to pay debt service on First Tier Senior Obligations. For a description of Proposition 1 and Proposition 7 receipts, see the sub-caption “THE STATE HIGHWAY FUND - General” in the Official Statement for the Series 2016-A and Series 2016-B Bonds.
- (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. For more information, see “Table 9: Federal Transportation Obligation Authority for Department Guaranteed Highway Programs.”
- (4) The Federal Pass-Through Revenues increase in Fiscal Year 2018 was primarily attributable to Hurricane Harvey FEMA revenue.
- (5) The Sale of Goods and Services increases in Fiscal Years 2017 and 2018 were due to increased construction expenditures using contributions received by the Department from local governments.
- (6) Total Revenues, as reported in Table 2, is different from Pledged Revenues as defined by the Master Resolution for First Tier Senior Obligations.
- (7) Public Assistance Payments increased in Fiscal Year 2018 as more grants were paid to community service programs.
- (8) Other contracted services and right of way costs increased in Fiscal Year 2017 due to more construction activities supported by additional funding from First Tier Senior Obligations and Proposition 1 funds.
- (9) The increase in Capital Outlay in Fiscal Year 2017 was primarily due to funds available from Proposition 1 deposits and the Department’s issuance of approximately \$700 million in additional First Tier Senior Obligations.
- (10) In Fiscal Year 2018, Principal on State Bonds and Interest on State Bonds relating to Highway Improvement General Obligation Bonds were paid from new Proposition 7 funding. In previous years, these payments were made from the State’s General Revenue Fund.
- (11) The Fund is considered a shared fund and is appropriated for use by multiple state agencies. The Department is considered the controlling agency for the Fund and reports the total cash balance in the Fund at fiscal year-end. The Department reports interagency transfers with other agencies that collect and deposit to or expend out of the Fund. Transfers In primarily reflects motor vehicle registration and certificate of title fees transferred from the Department of Motor Vehicles. In 2015, Transfers In also included \$1.7 billion of Proposition 1 funding transferred from the Comptroller of Public Accounts. Proposition 1 funding was treated for accounting purposes as Taxes beginning in 2016. See also footnote 2 above. Prior to Fiscal Year 2016, the Transfers Out related to the Department of Public Safety (DPS) for its cash expenditures out of the Fund. Due to a legislative change, the diversion of monies from the Fund to DPS ended in 2015. Transfers Out for Fiscal Year 2016 through Fiscal Year 2018 mainly reflects transfers to the First Tier Senior Obligation Debt Service Fund to pay debt service on First Tier Senior Obligations.
- (12) Due to the implementation of Government Accounting Standards Board Statement 65, the 2014 beginning fund balance was restated by \$3.2 billion to reflect the adjustments of deferred revenue for unamortized balances of upfront service concession arrangement payments received prior to 2014.

**Table 3: State Highway Fund Revenues by Source
For Fiscal Years Ended August 31**

(In Millions)

The following table 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 of Texas ("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. Revenues in the following tables are presented using 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 State Highway Fund revenues have increased at an average annual rate of approximately 4.6% over the last five fiscal years.

	2014	2015	2016	2017	2018
State Motor Fuels Tax	\$ 2,444.9	\$ 2,538.3	\$ 2,580.9	\$ 2,631.0	\$ 2,697.3
State Motor Vehicle Registration Fees	1,359.1	1,386.2 ⁽³⁾	1,426.5	1,442.8	1,501.1
Other State Revenue Sources ⁽¹⁾	271.7	340.9	323.5	594.3	362.9
Subtotal, excluding Federal Reimbursements	4,075.7	4,265.4	4,330.9	4,668.1	4,561.3
Reimbursements from Federal Funds ⁽²⁾	3,365.4	3,161.5	3,935.9	3,781.9	3,845.3
Total State Highway Fund Revenues	\$ 7,441.1	\$ 7,426.9	\$ 8,266.8	\$ 8,450.0	\$ 8,406.6

- (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 includes 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 sub-caption "THE STATE HIGHWAY FUND - General" in the Official Statement for the Series 2016-A and Series 2016-B Bonds.
- (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. Excludes funds received for projects financed through the American Recovery and Reinvestment Act (ARRA) which began in Fiscal Year 2009.
- (3) State Motor Vehicle Registration Fees increased from Fiscal Year 2014 to Fiscal Year 2015 despite a decrease in the number of reported registered vehicles in Texas for the same time period as reported in Table 7 below. The decrease shown in Table 7 below, for the same period, is the result of a change in software system utilized by the Texas Department of Motor Vehicles ("TxDMV") and the manner in which registered vehicles were counted.

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

The following table 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.

	2014	2015	2016	2017	2018
State Motor Fuels Tax	60.0%	59.5%	59.6%	56.4%	59.1%
State Motor Vehicle Registration Fees	33.3%	32.5%	32.9%	30.9%	32.9%
Other State Revenue Sources	6.7%	8.0%	7.5%	12.7%	8.0%

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

The following table 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.

	2014	2015	2016	2017	2018
State Motor Fuels Tax	32.8%	34.2%	31.2%	31.1%	32.1%
State Motor Vehicle Registration Fees	18.3%	18.7%	17.3%	17.1%	17.9%
Other State Revenue Sources	3.7%	4.6%	3.9%	7.0%	4.3%
Reimbursements from Federal Funds	45.2%	42.5%	47.6%	44.8%	45.7%

State Motor Fuels Tax. The State currently levies a motor fuels tax of 20 cents per gallon on gasoline and diesel fuel, and 15 cents 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 of Public Accounts (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 Article VIII, Section 7-a of the Texas Constitution, 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.

**Table 6: Taxable Gasoline and Diesel Fuel Consumption in Texas
(In Millions of Gallons)**

The following table shows the amount of the taxable gasoline and diesel fuel consumption in the State for the last five fiscal years. Total motor fuel consumption has increased at an average annual rate of approximately 3.1% over the past five fiscal years, with gasoline consumption increasing at an average annual rate of approximately 2.8% and diesel consumption increasing at an average annual rate of approximately 4.1% during such period.

Fiscal Year	Gasoline	Diesel
2014	13,075.5	4,946.9
2015	13,720.6	5,209.9
2016	14,190.2	5,132.5
2017	14,337.6	5,539.2
2018	14,588.7	5,797.5

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 (“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. The total amount of State motor vehicle registration and license fees credited to the Fund, as a percentage of the total amount of such fee collections net of refunds, for the State, counties, and for specialty license plates, was approximately 76%, 77%, 77%, 78%, and 78% for Fiscal Years 2014, 2015, 2016, 2017, and 2018 respectively. 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.

Table 7: Vehicles Registered in Texas

(In Millions)

The following table shows the number of vehicles registered in the State for the last five fiscal years, which has increased at an average annual rate of approximately 1.4% over the last five fiscal years.

Fiscal Year	Number of Vehicles
2014	23.9
2015	23.8
2016	24.1
2017	24.6
2018	24.9

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, vehicle title certificate 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 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.

Table 8: Federal Transportation Funds Apportioned and Allocated to the Department

(In Millions)

The following table 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 federal fiscal years (“FFY”). The data for the following table was obtained from the United States Department of Transportation. 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.

FFY	Guaranteed Highway Programs	Discretionary/Allocated Highway Programs	Transit Programs	Total
2014	\$ 3,341.4	\$ 10.6	\$ 64.5	\$ 3,416.5
2015	3,342.5	10.2	64.4	3,417.1
2016	3,511.8	19.5	65.6	3,596.9
2017	3,828.4	9.9	66.9	3,905.2
2018	3,850.9	9.5	71.4	3,931.8

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**Table 9: Federal Transportation Obligation Authority for
Department Guaranteed Highway Programs**

(In Millions)

The following table 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 United States Department of Transportation which excludes obligation authority limitation for the State's Aviation and Ferry Boat Programs.

FFY	Amount
2014 ⁽¹⁾	\$ 3,359.7
2015	3,333.8
2016	3,408.4
2017	3,820.1
2018	3,758.5

⁽¹⁾ The overall obligation authority limitation received for the Guaranteed Highway Program has historically been less than the apportionment for Guaranteed Highway Program. However, in FFY 2014, the obligation authority limitation exceeded the total FFY 2014 apportioned funds since the Department requested and received additional funds from a redistribution of obligation authority that other states were not able to use in FFY 2014. This redistribution allowed the Department to spend more on projects in Fiscal Year 2014 than had been anticipated.

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 Federal Highway Administration 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.

Table 10: Appropriations to the Department from the State Highway Fund

(In Millions)

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

State Biennium	Amount Appropriated ⁽¹⁾	% of Total State Highway Fund Appropriations
2010-11	\$ 11,728.8	90.05%
2012-13	12,060.3	87.97%
2014-15 ⁽²⁾	16,491.4	92.86%
2016-17 ⁽³⁾	17,208.3	100.00%
2018-19 ⁽³⁾	19,933.5	100.00%

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

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

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

Texas Department of Transportation Annual Financial Report (Audited)

The Department's annual financial report for the Fiscal Year ended August 31, 2018 entitled "Texas Department of Transportation Annual Financial Report For the Fiscal Year Ended August 31, 2018 (With Independent Auditor's Report)" (the "Department 2018 AFR") was previously filed with the MSRB pursuant to the MSRB's EMMA system on December 20, 2018 and is hereby incorporated by reference into and made a part of this Report. The Department 2018 AFR may be accessed on the MSRB's EMMA system by clicking [here](#). Also see "III. Relevant Links" below.

II. Supplemental Information

Toll Equity Loan Agreement

As of the date of this Report, the Department has no outstanding toll equity loan commitments other than its Amended and Restated Toll Equity Loan Agreement with the Grand Parkway Transportation Corporation dated as of May 16, 2018 (which agreement is referred to as the "TELA" in the Official Statement dated May 16, 2018 for Grand Parkway System Toll Revenue Bonds issued by the Grand Parkway Transportation Corporation). The Department may enter into additional toll equity loan agreements in the future.

Issuance of Toll Revenue Debt for Midtown Express

On September 27, 2018, the Commission approved a minute order authorizing the creation of a toll revenue financing system to support debt to finance a portion of the costs of certain highway improvements, including tolled managed lanes, along SH 183 from just east of SH 121 to near I-35E/Trinity Parkway (including the proposed Diamond Interchange Phase II, a portion of which is comprised of SH 114 from Loop 12 to SH 183), Loop 12 from SH 183 to I-35E and SH 114 from International Parkway to Loop 12 in Dallas and Tarrant Counties to be known, in part, as the "Midtown Express." It is anticipated that the debt, expected not to exceed \$300 million, to be issued by the Commission for the Midtown Express will be secured, in part, by toll revenues. In addition, the Commission anticipates making certain covenants to undertake certain funding obligations relating to the Midtown Express, which may be funded from the State Highway Fund. No assurances are given as to whether such debt obligations will be issued or as to any future development of the Midtown Express.

Issuance of First Tier Toll Revenue Bonds for SH 249

The Commission issued its State Highway 249 System First Tier Toll Revenue Bonds, Series 2019A and Taxable Series 2019B (together, the "SH 249 Bonds") to finance the design and construction of a northerly extension of State Highway 249. The SH 249 Bonds are secured in part by toll revenues. In addition, the Commission has covenanted to undertake certain funding obligations relating to the State Highway 249 project, which may be funded from the State Highway Fund. Additional information regarding the SH 249 Bonds and the Commission's related funding obligations can be obtained by viewing the Official Statement for the SH 249 Bonds, dated February 14, 2019, which is currently available on the MSRB's EMMA system. See "III. Relevant Links" below.

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III. Relevant Links

Department Website	www.txdot.gov
Department Investor Relations Website	www.txdot.gov/inside-txdot/division/debt/investors.html
EMMA Website	www.emma.msrb.org
State Highway Fund EMMA Issuer Homepage	www.emma.msrb.org/IssuerHomePage/Issuer?id=FE6AF031FB2E2FD1E043151ED20ABC22&type=M
Department 2018 AFR	https://emma.msrb.org/ER1180917-ER922869-ER1323962.pdf
State Highway 249 System 2019 Official Statement	https://emma.msrb.org/ES1373659.pdf

IV. Contact Information

For any questions concerning this Report, please contact:

Mr. Benjamin H. Asher
Director, Project Finance, Debt and Strategic Contracts Division
Texas Department of Transportation
125 East 11th Street
Austin, Texas 78701-2483
512-463-8611
Email: projectfinance@txdot.gov

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