

TEXAS TRANSPORTATION COMMISSION

ALL Counties

MINUTE ORDER

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ALL Districts

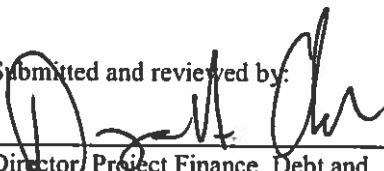
Article III, Section 49-n of the Texas Constitution authorized the Legislature to authorize the Texas Transportation Commission (commission) to issue bonds and other public securities to: (i) finance state highway improvement projects that are eligible for funding with revenues dedicated or appropriated to the state highway fund; and (ii) pay the costs of issuing the bonds. The bonds are payable from and secured by a prior lien on certain revenues deposited to the credit of the State Highway Fund held in the treasury of the State of Texas.

Pursuant to Minute Order 110472, dated March 30, 2006, the commission approved a 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, as amended and restated by the Second Amended and Restated Master Resolution dated April 23, 2010, to establish a revenue financing program, pursuant to which the commission may issue bonds, notes and other public securities and execute credit agreements secured by and payable from a pledge of and lien on revenues deposited to the credit of the State Highway Fund. The commission has approved nine supplemental resolutions for the issuance of bonds under Transportation Code, Section 222.203 and other applicable law.

Under provisions of the resolutions, the commission has covenanted to provide annually, within 180 days after the end of each fiscal year, financial information and operating data with respect to the State Highway Fund of the general type in the attached State Highway Fund Annual Continuing Disclosure Report.

IT IS THEREFORE ORDERED by the commission that the annual report of financial information and operating data for fiscal year ended August 31, 2016, attached as the State Highway Fund Annual Continuing Disclosure Report, is accepted.

Submitted and reviewed by:

  
\_\_\_\_\_  
Director, Project Finance, Debt and Strategic Contracts Division

Recommended by:

  
\_\_\_\_\_  
Executive Director

114867 FEB 23 '17  
Minute Date  
Number Passed



# State Highway Fund Annual Continuing Disclosure Report

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For the Fiscal Year Ended August 31, 2016

Filed by Texas Transportation Commission  
Pursuant to Undertaking Provided to Permit Compliance with  
SEC Rule 15c2-12

Filed on February 23, 2017

**State Highway Fund  
Annual Continuing Disclosure Report  
For the Fiscal Year Ended August 31, 2016**

**Filed by Texas Transportation Commission  
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” or “TxDOT”) and the State Highway Fund (the “State Highway 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 “Bonds” or the “First Tier Senior Obligations”).

Pursuant to the rules of the Municipal Securities Rulemaking Board (the “MSRB”), the participating underwriters for the Bonds, as applicable, were required to file a copy of the Official Statement for each Bond issue with the MSRB, copies of which are available at the MSRB’s Electronic Municipal Market Access (“EMMA”) system website, [www.emma.msrb.org](http://www.emma.msrb.org). The Commission’s EMMA home page for the Bonds can be accessed at <http://emma.msrb.org/IssuerHomePage/Issuer?id=FE6AF031FB2E2FD1E043151ED20ABC22&type=M>. The Official Statements should not be considered to speak as of any date other than the respective date indicated in each such document. 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 below 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. 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.

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 State Highway 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 bonds, notes, or other obligations payable, in whole or in part, from the sources pledged to the First Tier Senior Obligations.

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

**Table 1: Debt Service Requirements and Projected Coverage<sup>(1)</sup>  
For the Fiscal Year Ended August 31, 2016  
(In Thousands)**

<b>Fiscal Year</b>	<b>Outstanding First Tier Senior Obligation Debt Service<sup>(2)</sup></b>	<b>BAB Subsidy Payments<sup>(3)</sup></b>	<b>Net Debt Service</b>	<b>Fiscal Year 2016 Pledged Revenues<sup>(4)</sup></b>	<b>Aggregate Debt Service Coverage (before BAB subsidy)</b>	<b>Aggregate Debt Service Coverage (net of BAB subsidy)</b>
2017	\$ 338,008	\$ (25,196)	\$ 312,813	\$ 8,266,822	24.46x	26.43x
2018	335,250	(25,164)	310,086	8,266,822	24.66x	26.66x
2019	335,247	(25,164)	310,083	8,266,822	24.66x	26.66x
2020	335,255	(25,164)	310,091	8,266,822	24.66x	26.66x
2021	335,240	(25,164)	310,076	8,266,822	24.66x	26.66x
2022	335,245	(25,164)	310,081	8,266,822	24.66x	26.66x
2023	405,746	(25,164)	380,582	8,266,822	20.37x	21.72x
2024	404,563	(24,009)	380,554	8,266,822	20.43x	21.72x
2025	383,580	(23,661)	359,919	8,266,822	21.55x	22.97x
2026	355,915	(23,182)	332,733	8,266,822	23.23x	24.85x
2027	367,643	(21,821)	345,822	8,266,822	22.49x	23.90x
2028	407,163	(18,128)	389,036	8,266,822	20.3x	21.25x
2029	401,652	(12,449)	389,203	8,266,822	20.58x	21.24x
2030	395,744	(6,329)	389,415	8,266,822	20.89x	21.23x
2031	184,290	-	184,290	8,266,822	44.86x	44.86x
2032	182,811	-	182,811	8,266,822	45.22x	45.22x
2033	181,868	-	181,868	8,266,822	45.46x	45.46x
2034	181,865	-	181,865	8,266,822	45.46x	45.46x
Total <sup>(5)</sup>	\$ 5,867,087	\$ (305,759)	\$ 5,561,329			

<sup>(1)</sup> See “II. Supplemental Information – Table 1: Debt Service Requirements and Projected Coverage Updated as of December 31, 2016” for an update to this table to reflect the issuance of the Series 2016 Obligations (as defined herein).

<sup>(2)</sup> For purposes of illustration, interest on the variable rate Series 2006-B Bonds and Series 2014-B Bonds, being a portion of the Outstanding First Tier Senior Obligations, is assumed at a rate of 3.5%, which is inclusive of remarketing and liquidity fees, as applicable.

<sup>(3)</sup> The BAB Subsidy Payments shown above relate to the Series 2010 Bonds and reflect a reduction due to the federal Sequester Cuts. The BAB Subsidy Payment in respect of the October 1, 2016 debt service payment was reduced by approximately \$901,000. A 6.9% reduction in BAB Subsidy Payments has been announced by the federal government for the federal fiscal year ending September 30, 2017 and, in the table above, is assumed to apply to the BAB Subsidy Payments beginning with the April 1, 2017 payment and continuing through the federal fiscal year ending September 30, 2024 (October 1, 2024 payment).

<sup>(4)</sup> Pledged Revenues presented on a modified accrual basis. BAB Subsidy Payments are not included in Pledged Revenues.

<sup>(5)</sup> Totals may include rounding differences.

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

	2012	2013	2014	2015	2016
<b>REVENUES</b>					
Taxes <sup>(2)</sup>	\$ 2,366,486	\$ 2,419,421	\$ 2,488,136	\$ 2,582,837	\$ 3,760,033
Federal Revenues <sup>(3)</sup>	2,525,989	2,653,415	3,329,875	3,145,008	3,934,662
Federal Pass-Through Revenues	5,811	1,412	66	-	404
Licenses, Fees and Permits	120,952	85,417	26,239	25,648	37,670
Interest & Investment Income	21,288	16,275	22,739	19,067	32,799
Land Income	9,650	15,637	13,649	15,590	12,104
Settlement of Claims	22,715	11,616	16,920	21,995	47,519
Sales of Goods and Services	7,871	53,108	34,501	28,548	2,031
Other Revenues	866	713	20,831	8,381	17,191
Total Revenues <sup>(4)</sup>	<u>5,081,628</u>	<u>5,257,014</u>	<u>5,952,956</u>	<u>5,847,074</u>	<u>7,844,413</u>
<b>EXPENDITURES</b>					
Salaries and Wages	579,906	601,523	638,831	637,722	665,900
Payroll Related Costs	221,711	237,336	262,398	277,049	312,209
Professional Fees and Services	294,370	431,175	503,224	692,008	605,127
Federal Pass-Through Expenditures	16,334	24,157	14,407	24,017	10,345
State Grant Pass-Through Expenditures	864	2,508	-	-	-
Travel	4,641	4,923	7,453	7,888	8,756
Materials and Supplies	419,097	392,222	384,419	277,082	387,339
Communications and Utilities	45,984	45,514	45,236	46,031	46,474
Repairs and Maintenance <sup>(5)</sup>	1,493,112	1,888,871	523,523	686,169	816,035
Rentals and Leases	9,040	10,022	26,357	26,508	27,527
Printing and Reproduction	1,973	1,754	3,620	3,643	3,742
Claims and Judgments	5,861	6,155	11,668	4,618	7,667
Intergovernmental Payments	474,900	542,648	389,846	384,868	313,582
Public Assistance Payments	34,938	10,388	21,780	31,994	14,481
Other Expenditures	22,370	250,715	134,095	169,975	190,104
Total Transportation Expenditures	<u>3,625,101</u>	<u>4,449,911</u>	<u>2,966,857</u>	<u>3,269,571</u>	<u>3,409,288</u>
Capital Outlay <sup>(6)</sup>	2,385,290	1,972,758	4,243,349	4,496,619	5,141,724
Principal on Pass-Through Tolls	57,846	105,113	104,889	111,696	120,651
Other Financing Fees	5,132	1,977	7,156	3,205	1,388
Total Expenditures	<u>6,073,369</u>	<u>6,529,759</u>	<u>7,322,401</u>	<u>7,881,092</u>	<u>8,673,051</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(991,741)</u>	<u>(1,272,745)</u>	<u>(1,369,445)</u>	<u>(2,034,018)</u>	<u>(828,638)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In <sup>(6)</sup>	1,721,623	1,565,247	1,814,231	3,355,983	1,657,739
Transfers Out <sup>(6)</sup>	(1,063,308)	(1,082,000)	(838,441)	(944,641)	(450,544)
Bond & Note Issued	-	-	644,533	-	-
Bonds Issued for Refunding	-	-	813,262	781,080	-
Premiums on Bonds Issued	-	-	193,586	133,433	-
Payments to Escrow for Refunding	-	-	(945,414)	(910,971)	-
Sale of Capital Assets	-	-	-	70,255	66,334
Upfront Payment - Service Concession Arrangement	-	-	-	-	25,479
TOTAL OTHER FINANCING SOURCES (USES)	<u>669,379</u>	<u>487,565</u>	<u>1,689,489</u>	<u>2,485,138</u>	<u>1,299,008</u>
NET CHANGE IN FUND BALANCES	<u>(322,362)</u>	<u>(785,180)</u>	<u>320,044</u>	<u>451,120</u>	<u>470,370</u>
<b>FINANCIAL STATEMENT-FUND BALANCES</b>					
BEGINNING FUND BALANCES <sup>(7)</sup>	216,080	277,340	(471,546)	3,093,910	3,545,030
Restatements <sup>(7)</sup>	383,622	36,303	3,245,412	-	-
BEGINNING FUND BALANCES, Restated <sup>(7)</sup>	<u>599,702</u>	<u>313,643</u>	<u>2,773,866</u>	<u>3,093,910</u>	<u>3,545,030</u>
ENDING FUND BALANCES <sup>(8)</sup>	\$ <u>277,340</u>	\$ <u>(471,537)</u>	\$ <u>3,093,910</u>	\$ <u>3,545,030</u>	\$ <u>4,015,400</u>

See footnotes to Table 2 on the following page.

Footnotes to Table 2:

- (1) Department audited financial statements were prepared for fiscal years 2012, 2014, 2015 and 2016 due to legislative requirements; the financial statements for fiscal year 2013 were unaudited. All Department financial statements are presented on a modified accrual basis of accounting. The table reflects State Highway Fund Accounts as reported in the “Combining Statement of Revenues, Expenditures and Changes in Fund Balances –State Highway Fund” in the Department’s financial statements for each such year.
- (2) The increase in Tax Revenues in 2016 is mainly due to accounting recognition of \$1.1 billion of Proposition 1 funds as tax revenues; the Proposition 1 funding was first received in 2015 and was classified for accounting purposes in such year as part of Transfers In. Receipts from Proposition 1 are not pledged to secure or are available to pay debt service on First Tier Senior Obligations. For a description of Proposition 1 receipts, see the sub-caption “THE STATE HIGHWAY FUND - General” in the Series 2016 Official Statement (as defined herein).
- (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.
- (4) Total Revenues, as reported in this Table 2, is different from Pledged Revenues as defined by the Master Resolution.
- (5) In 2014, TxDOT adopted the depreciation approach for highways, for which the modified approach was previously used. Certain highway expenditures that were reported as Repairs and Maintenance expense in prior years are treated as capital outlays beginning in 2014, which is the primary reason for the 2014 decrease to Repairs and Maintenance expense and increase to Capital Outlay.
- (6) The State Highway Fund is considered a shared fund and is appropriated for use by multiple state agencies. TxDOT is considered the controlling agency for the State Highway Fund and reports the total cash balance in the State Highway Fund at fiscal year-end. TxDOT reports interagency transfers with other agencies that collect and deposit to or expend out of the State Highway Fund. Transfers In primarily reflects vehicle registration 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 Tax Revenues beginning in 2016. See footnote 2 above. Transfers Out mainly reflects transfers to Department of Public Safety (“DPS”) for its cash expenditures out of the State Highway Fund, which diversion was ended during 2015. Transfers Out for 2016 mainly reflects transfers to the State Highway Debt Service Fund to pay debt service on First Tier Senior Obligations.
- (7) Due to the implementation of Government Accounting Standards Board statement 65 (“GASB 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.
- (8) The lower ending fund balances of the State Highway Fund from 2012 to 2013 were largely due to the issuance in 2010 of State Highway Fund bonds and gradual expenditure of those bond proceeds subsequent to the bond issuance. The substantial increase in 2014 mainly reflects the impact of restatements (see footnote 7 above) and the issuance in 2014 of State Highway Fund bonds. The net increase in 2015 is mainly the result of an increase in Transfers In for \$1.7 billion in Proposition 1 funds offset by a \$702 million decrease in bond proceeds and a \$559 million increase in expenditures, including significant increases in professional fees and repairs and maintenance. The net increase in 2016 is largely due to an increase in Federal Revenues and additional Proposition 1 funds, offset by an increase in Capital Outlays. See footnotes 2 and 3 above.

**Table 3: State Highway Fund Revenues by Source  
(In Millions)**

The following table sets out 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 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 SHF revenues have increased approximately 6.1% over the last five fiscal years.

<b>Fiscal Year</b>	<b>State Motor Fuels Tax</b> <i>(Table 4)</i>	<b>State Motor Vehicle Registration Fees</b> <i>(Table 6)</i>	<b>Other State Revenue Sources<sup>(1)</sup></b> <i>(Table 8)</i>	<b>Reimbursements From Federal Funds</b> <i>(Table 9)</i>	<b>Total Fund Revenues</b>
2012	\$ 2,318.2	\$ 1,316.5	\$ 357.0	\$ 2,560.6	\$ 6,552.3
2013	2,376.9	1,355.0	326.9	2,702.9	6,761.7
2014	2,444.9	1,359.1	271.7	3,365.4	7,441.1
2015	2,538.3	1,386.2	340.9	3,161.5	7,426.9
2016	2,580.9	1,426.5	323.5	3,935.9	8,266.8

<sup>(1)</sup> Excludes loan repayments received by the State Infrastructure Bank and amounts credited to the State Highway Fund from the Texas Mobility Fund for payment to contractors. For administrative purposes, expenses of the Texas Mobility Fund are paid through the State Highway Fund and reimbursed from the Texas Mobility Fund.

**Table 4: State Motor Fuels Tax Revenues Credited to the State Highway Fund  
(In Millions)**

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

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The following table sets out the amount of the State motor fuels tax credited to the SHF for the last five fiscal years, which has increased at an average annual rate of approximately 2.7% over the last five fiscal years, and the approximate percentage of total SHF revenues for such years that constituted State motor fuels taxes. Not shown in the table below, is the average percentage of total SHF revenues from the state motor fuels tax over the last five fiscal years, excluding reimbursements from federal funds, which is approximately 59.4%.

<b>Fiscal Year</b>	<b>State Motor Fuels Tax Revenues</b>	<b>Percentage of Total Fund Revenues</b>
2012	\$ 2,318.2	35%
2013	2,376.9	35%
2014	2,444.9	33%
2015	2,538.3	34%
2016	2,580.9	31%

**Table 5: Taxable Gasoline and Diesel Fuel Consumption in Texas  
(In Millions of Gallons)**

Total motor fuel consumption has increased at an average annual rate of approximately 4.4% over the past five fiscal years, with gasoline consumption increasing at an average annual rate of approximately 4.3% and diesel consumption increasing at an average annual rate of approximately 4.8% during such period. The following table sets out the amount of the taxable gasoline and diesel fuel consumption in the State for the last five fiscal years.

<b>Fiscal Year</b>	<b>Gasoline</b>	<b>Diesel</b>
2012	11,994.7	4,270.9
2013	12,506.7	4,558.4
2014	13,075.5	4,946.9
2015	13,720.6	5,209.9
2016	14,190.2	5,132.5

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**Table 6: State Motor Vehicle Registration Fees Credited to the State Highway Fund  
(In Millions)**

The State currently charges motor vehicle registration fees under a number of statutory provisions. The Texas Department of Motor Vehicles shares motor vehicle registration responsibilities with county governments that assist with this function. Revenues from vehicle registrations are shared between the SHF and the counties and have increased at an average annual rate of approximately 2.0% during the last five fiscal years. The table below sets out the amount of such revenues credited to the SHF for the last five fiscal years, the approximate percentage of total motor vehicle registration fee revenues represented by such amount, and the approximate percentage of total SHF revenues for such years that constituted motor vehicle registration fees. Not shown in the table below, is the average annual percentage of total SHF revenues from motor vehicle registration fees over the last five fiscal years, excluding reimbursements from federal funds, which is approximately 32.4%.

<b>Fiscal Year</b>	<b>State Motor Vehicle Registration Fees</b>	<b>Percentage of Total State Motor Vehicle Registration Fees to Total Collections, Net<sup>(2)</sup></b>	<b>Percentage of Total Fund Revenues</b>
2012	\$1,316.5	75%	20%
2013	1,355.0	76%	20%
2014	1,359.1	76%	18%
2015	1,386.2 <sup>(1)</sup>	77%	19%
2016	1,426.5	77%	17%

<sup>(1)</sup> State motor vehicle registration fees increased from Fiscal Year 2014 to Fiscal Year 2015 despite a decrease in reported number of registered vehicles in Texas for such period as reported in Table 7 below. The decrease shown on Table 7 below is the result of a change in software system by the Department of Motor Vehicles and the manner in which registered vehicles were counted.

<sup>(2)</sup> Represents estimated percentage of total State motor vehicle registration and license fees to total collections, net of refunds, for the State, counties, and for specialty license plates.

**Table 7: Vehicles Registered in Texas  
(In Millions)**

The following table sets out the number of vehicles registered in the State for the last five fiscal years, which has increased at an average annual rate of 1.6% over the last five fiscal years:

<b>Fiscal Year</b>	<b>Number of Vehicles</b>
2012	22.6
2013	23.2
2014	23.9
2015	23.8
2016	24.1

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**Table 8: Other State Revenue Sources Credited to the State Highway Fund  
(In Millions)**

The State generates or receives funds from a variety of sources that are credited to the SHF. 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 SHF, 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 SHF. Other State revenues credited to the SHF have decreased at an average annual rate of approximately 1.2% during the last five fiscal years. The following table sets out the aggregate amount of funds generated from these sources and credited to the SHF for the last five fiscal years and the approximate percentage of the total SHF revenues for such years generated from such sources. Not shown in the table below, is the average annual percentage of total SHF revenues from other State revenue sources over the last five fiscal years, excluding reimbursements from federal funds, which is approximately 7.8%.

<u>Fiscal Year</u>	<u>Other State Revenues<sup>(1)</sup></u>	<u>Percentage of Total Fund Revenues</u>
2012	\$ 357.0	6%
2013	326.9	5%
2014 <sup>(2)</sup>	271.7	4%
2015 <sup>(2)</sup>	340.9	4%
2016	323.5	4%

<sup>(1)</sup> Excludes Proposition 1 funding, loan repayments received by the State Infrastructure Bank, and amounts credited to the SHF from the Texas Mobility Fund for payment to contractors. For administrative purposes, expenses of the Texas Mobility Fund are processed through the SHF and reimbursed from the Texas Mobility Fund.

<sup>(2)</sup> HB 2202 provided for the diversion of certain fees which historically had been deposited into the SHF. In concert with House Bill 6, also approved by the 83rd State Legislature, HB 2202 required such fees to be deposited into the General Revenue Fund or in some cases caused the collecting entity to retain certain fee revenues. The estimated aggregate amount of such fees was an average of \$104 million annually from Fiscal Year 2014 through 2018. To partially offset the diversion of revenues from the SHF to the General Revenue Fund, appropriations made to the Department of Motor Vehicles out of the SHF were reduced by approximately \$95,385,000 in Fiscal Year 2014 and by approximately \$96,330,000 in Fiscal Year 2015 and such amounts were appropriated to the Department of Motor Vehicles instead from the General Revenue Fund.

**Table 9: Reimbursements from Federal Funds  
(In Millions)**

Federal transportation program funds credited to the SHF for the last five fiscal years, and the percentage of the total SHF revenues represented by federal reimbursements, are shown in the following table. Such funds have increased at an average annual rate of approximately 12.1% over the last five fiscal years.

<u>Fiscal Year</u>	<u>Reimbursements from Federal Funds<sup>(1)</sup></u>	<u>Percentage of Total Fund Revenues</u>
2012	\$ 2,560.6	39%
2013	2,702.9	40%
2014	3,365.4	45%
2015	3,161.5	43%
2016	3,935.9	48%

<sup>(1)</sup> 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.

**Table 10: 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. 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 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.

<b>Federal Fiscal Year</b>	<b>Guaranteed Highway Programs</b>	<b>Discretionary/Allocated Highway Programs</b>	<b>Transit Programs</b>	<b>Total</b>
2012	\$ 3,065.7	\$ 2.8	\$ 75.4	\$ 3,143.9
2013	3,049.7	10.2	62.8	3,122.7
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

**Table 11: Federal Transportation Obligation Authority for Department Guaranteed Highway Programs  
(In Millions)**

The following table provides a history of the obligation authority limit to the Department for federal Guaranteed Highway Programs in the State for the last five federal fiscal years (“FFY”). Data is obtained from the United States Department of Transportation. Excludes obligation authority limitation for the State’s Aviation and Ferry Boat Programs.

<b>Federal Fiscal Year</b>	<b>Obligation Authority Limitation - Guaranteed Highway Programs <sup>(1)</sup></b>
2012	\$ 2,914.1
2013	2,947.2
2014	3,359.7
2015	3,333.8
2016	3,408.4

<sup>(1)</sup>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 TxDOT 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 TxDOT to spend more on projects in fiscal year 2014 than had been anticipated.

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**Table 12: 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 SHF represented by such appropriations.

<u>State Biennium</u>	<u>Amount Appropriated<sup>(1)</sup></u>	<u>Percentage of Total State Highway Fund Appropriations</u>
2008-09	\$ 12,598.5	89.5%
2010-11	11,728.8	90.1%
2012-13	12,060.3	88.0%
2014-15 <sup>(2)</sup>	16,491.4	92.9%
2016-17 <sup>(3)</sup>	17,208.3	100.0%

<sup>(1)</sup> 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.

<sup>(2)</sup> The Department received an increase in SHF appropriations in State Biennium 2014-2015 mainly due to a large beginning balance in the SHF, increased federal funds, and higher than anticipated registration fee revenue.

<sup>(3)</sup> 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 audited financial statements for the fiscal year ended August 31, 2016 entitled “Texas Department of Transportation Annual Financial Report (With Independent Auditor’s Report) For the Fiscal Year Ended August 31, 2016” (the “TxDOT 2016 AFR”) were previously filed with the MSRB with respect to the outstanding First Tier Senior Obligations pursuant to the MSRB’s EMMA system on December 30, 2016. The TxDOT 2016 AFR may be accessed using the MSRB’s EMMA system at [www.emma.msrb.org](http://www.emma.msrb.org).

**II. Supplemental Information**

**(1) Issuance of Series 2016 Obligations**

On October 26, 2016, the Commission issued its State Highway Fund First Tier Revenue Bonds, Series 2016-A in the aggregate principal amount of \$601,210,000 (the “Series 2016-A Bonds”) and its State Highway Fund First Tier Revenue Refunding Put Bonds, Series 2016-B in the aggregate principal amount of \$89,370,000 (the “Series 2016-B Bonds” and, together with the Series 2016-A Bonds, the “Series 2016 Obligations”). A portion of the proceeds of the Series 2016-B Bonds were used to refund the Series 2006-B Bonds in whole. For additional information regarding the Series 2016 Obligations, see the final Official Statement dated as of October 6, 2016 relating to the Series 2016 Obligations (the “Series 2016 Official Statement”). The Series 2016 Official Statement is currently on file with the MSRB and may be accessed using the MSRB’s EMMA system at [www.emma.msrb.org](http://www.emma.msrb.org). The Series 2016 Official Statement speaks only as of its date.

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## (2) Summary of State Highway Fund First Tier Revenue Bonds as of December 31, 2016

Set forth in the table below is a listing of the State Highway Fund First Tier Revenue Bonds that have been issued to date and the outstanding principal amount thereof as of December 31, 2016:

**(In Thousands)**

<b>Description</b>	<b>Bonds Issued to Date Original Principal Amount</b>	<b>Principal Amount Outstanding as of 12/31/16</b>
Series 2006	\$ 600,000	\$ -
Series 2006-A	852,550	-
Series 2006-B Variable Rate Bonds <sup>(1)</sup>	100,000	-
Series 2007	1,241,845	60,035
Series 2008	162,995	73,685
Series 2010 Taxable Build America Bonds – Direct Payment	1,500,000	1,500,000
Series 2014-A	1,157,795	1,157,795
Series 2014-B SIFMA Index Floating Rate Bonds	300,000	300,000
Series 2015	781,080	781,080
Series 2016-A <sup>(2)</sup>	601,210	601,210
Series 2016-B <sup>(2)</sup>	89,370	89,370
Total	<u>\$ 7,386,845</u>	<u>\$ 4,563,175</u>

<sup>(1)</sup> As described in “II. Supplemental Information – Issuance of Series 2016 Obligations” in this Report, a portion of the proceeds of the Series 2016-B Bonds were used to refund the Series 2006-B Bonds in whole.

<sup>(2)</sup> See “II. Supplemental Information – Issuance of Series 2016 Obligations” in this Report.

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### Debt Service Requirements and Projected Coverage

The following table has been updated to reflect the issuance of the Series 2016 Obligations as described in “II. Supplemental Information – Issuance of Series 2016 Obligations” in this Report.

**(3) Table 1: Debt Service Requirements and Projected Coverage Updated as of December 31, 2016**  
(In Thousands)

Fiscal Year	Outstanding First Tier Senior Obligation Debt Service <sup>(1)</sup>	BAB Subsidy Payments <sup>(2)</sup>	Net Debt Service	Fiscal Year 2016 Pledged Revenues <sup>(3)</sup>	Aggregate Debt Service Coverage (before BAB subsidy)	Aggregate Debt Service Coverage (net of BAB subsidy)
2017	\$ 348,621	\$ (25,196)	\$ 323,425	\$ 8,266,822	23.71	25.56
2018	428,164	(25,164)	403,000	8,266,822	19.31	20.51
2019	428,161	(25,164)	402,997	8,266,822	19.31	20.51
2020	428,167	(25,164)	403,002	8,266,822	19.31	20.51
2021	428,160	(25,164)	402,996	8,266,822	19.31	20.51
2022	427,490	(25,164)	402,326	8,266,822	19.34	20.55
2023	426,824	(25,164)	401,659	8,266,822	19.37	20.58
2024	425,668	(24,009)	401,659	8,266,822	19.42	20.58
2025	425,312	(23,661)	401,651	8,266,822	19.44	20.58
2026	425,145	(23,182)	401,963	8,266,822	19.44	20.57
2027	424,817	(21,821)	402,996	8,266,822	19.46	20.51
2028	421,130	(18,128)	403,003	8,266,822	19.63	20.51
2029	415,443	(12,449)	402,995	8,266,822	19.90	20.51
2030	409,327	(6,329)	402,998	8,266,822	20.20	20.51
2031	217,618	-	217,618	8,266,822	37.99	37.99
2032	182,811	-	182,811	8,266,822	45.22	45.22
2033	181,868	-	181,868	8,266,822	45.46	45.46
2034	181,865	-	181,865	8,266,822	45.46	45.46
Total <sup>(4)</sup>	\$ 6,626,592	\$ (305,759)	\$ 6,320,833			

<sup>(1)</sup> For purposes of illustration, interest on the variable rate Series 2014-B Bonds, being a portion of the Outstanding First Tier Senior Obligations, is assumed at a rate of 3.5%, which is inclusive of remarketing fees. Interest on the variable rate Series 2016-B Bonds is assumed at a rate of 3.5% following the initial Multiannual Rate Period therefor.

<sup>(2)</sup> The BAB Subsidy Payments shown above relate to the Series 2010 Bonds and reflect a reduction due to the federal Sequester Cuts. The BAB Subsidy Payment in respect of the October 1, 2016 debt service payment was reduced by approximately \$901,000. A 6.9% reduction in BAB Subsidy Payments has been announced by the federal government for the federal fiscal year ending September 30, 2017 and, in the table above, is assumed to apply to the BAB Subsidy Payments beginning with the April 1, 2017 payment and continuing through the federal fiscal year ending September 30, 2024 (October 1, 2024 payment).

<sup>(3)</sup> Pledged Revenues presented on a modified accrual basis. BAB Subsidy Payments are not included in Pledged Revenues.

<sup>(4)</sup> Totals may include rounding differences.

#### **(4) Supplemental Resolution**

On January 26, 2017, the Commission approved a ninth supplemental resolution authorizing the issuance of State Highway Fund obligations in one or more series for refunding purposes through January 31, 2018. No assurances are given regarding whether such State Highway Fund obligations will be issued.

### **III. 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](mailto:projectfinance@txdot.gov)

Investor Relations website: <http://www.txdot.gov/inside-txdot/division/debt/investors.html>

SHF EMMA home page:

<http://emma.msrb.org/IssuerHomePage/Issuer?id=FE6AF031FB2E2FD1E043151ED20ABC22&type=M>

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