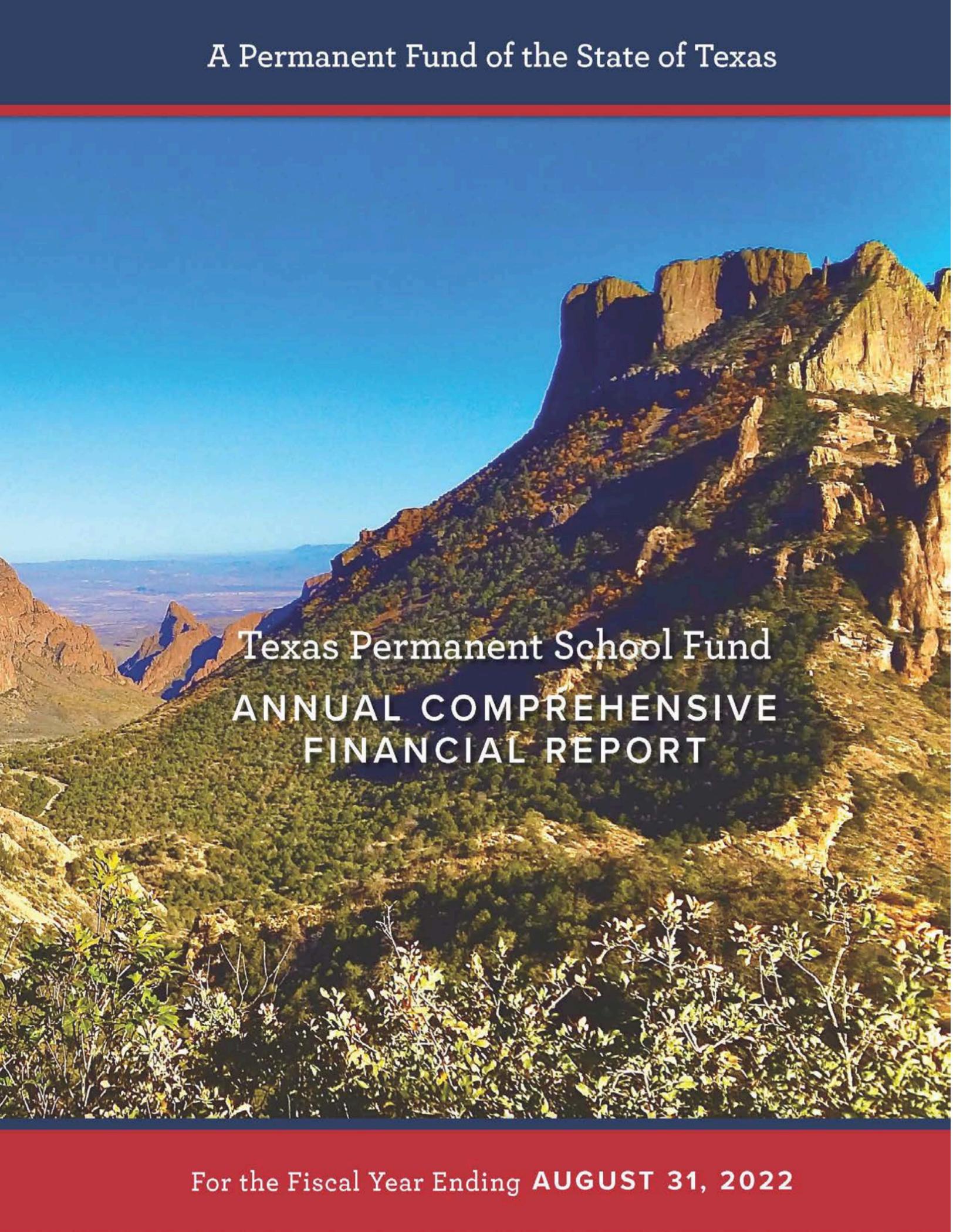


A Permanent Fund of the State of Texas



Texas Permanent School Fund
ANNUAL COMPREHENSIVE
FINANCIAL REPORT

For the Fiscal Year Ending **AUGUST 31, 2022**

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TEXAS PERMANENT SCHOOL FUND

A Permanent Fund of the State of Texas

**FISCAL YEAR ENDING
AUGUST 31, 2022**

Physical Address:
The Texas Permanent School Fund
400 West 15th Street 11th Floor
Austin, Texas 78701-1600

Mailing Address:
Texas Education Agency
1701 North Congress Avenue
Austin, Texas 78701-1494

<https://tea.texas.gov/finance-and-grants/texas-permanent-school-fund/texas-permanent-school-fund-annual-report>

Prepared by:
Finance Department
Texas Permanent School Fund

Financial Reporting & Accounting Department
General Land Office

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Holdings – may be found at

<https://tea.texas.gov/finance-and-grants/texas-permanent-school-fund/texas-permanent-school-fund-holdings>

SECTION ONE

INTRODUCTION

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MESSAGE FROM THE COMMISSIONER OF EDUCATION

December 20, 2022

Dear Governor Abbott, Lieutenant Governor Patrick, Speaker Phelan, Members of the Texas Legislature, and Citizens of Texas,

It is a privilege to present the Annual Comprehensive Financial Report of the Texas Permanent School Fund (PSF or the Fund) for the fiscal year ending August 31, 2022. Since its inception in 1845, the PSF has evolved to support public education in two very important ways: by providing direct funding to help pay for the cost of public education, and by serving as a financial anchor for bond issues underwritten by individual school and charter districts, thereby reducing their borrowing costs. During the 2022 fiscal year, the Fund continued the tradition of maintaining and improving its financial strength while providing valuable financial resources to support public education. Despite financial turbulence during the year, the PSF continues to hold its ranking as the largest educational endowment in the country.

This report is designed to provide an overview of the Fund's financial statements, independently audited by the State Auditor's Office, to the Fund owners, the citizens of Texas, and other interested parties. The PSF's financial statements are audited as a best practice. As required for compliance with the U.S. Securities and Exchange Commission Rule 15c2-12, in the Fund's administration of the Bond Guarantee Program, the Fund discloses these audited financial statements through the Municipal Securities Rulemaking Board as well as on the Texas Education Agency (TEA) website.

MANAGEMENT RESPONSIBILITY

This report consists of PSF management's representations regarding the PSF's financial position, results of operations, and program administration. The responsibility for the accuracy, completeness, and fair presentation of this information, including all disclosures, rests with the management of the Fund. To provide reasonable assurance in making these representations, management maintains a comprehensive internal control framework designed to protect PSF assets from loss, theft, or misuse, and to compile sufficient, reliable, and accurate information for the preparation of PSF financial statements in conformity with Generally Accepted Accounting Principles (GAAP). Because the costs of internal controls should not outweigh related benefits, the PSF's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

FINANCIAL INFORMATION

The basic financial statements have been prepared in accordance with GAAP applied on a consistent basis as stipulated by the Governmental Accounting Standards Board (GASB). The Management's Discussion and Analysis (MD&A) includes a narrative introduction, overview, and analysis to accompany the basic financial statements. This letter, as well as the following transmittal letter, is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the independent auditor's report.

LOOKING FORWARD

The PSF will separate from TEA during calendar year 2023 to become the Texas Permanent School Fund Corporation, as contemplated by SB 1232, 87th Leg., Regular Session. I wish the new, stand-alone entity the best of luck as it begins its next chapter.

(continued)

MESSAGE FROM THE COMMISSIONER OF EDUCATION

I also wish to thank the State Board of Education (SBOE) members for their efforts and diligence in fulfilling their fiduciary duty to protect the PSF for future generations of Texas students. The TEA has been honored and pleased to work with the SBOE on administration of the Fund. We look forward to working with the Corporate Board and staff in the future to further our shared mission of financing Texas education.

Mike Morath
Commissioner of Education

MESSAGE FROM THE EXECUTIVE ADMINISTRATOR

December 20, 2022

I am pleased to present the Annual Comprehensive Financial Report (ACFR) of the Texas Permanent School Fund (PSF) for the year ended August 31, 2022.

The 177-year-old Texas Permanent School Fund (PSF or the Fund) continued on its path of growth and financial strength in domestic and global markets in a turbulent and challenging environment, and upheld the tradition and obligation of strong support for public education in Texas during fiscal year 2022.

INVESTMENTS

At the end of fiscal 2022, the Fund balance was \$56.8 billion, an increase of \$1.2 billion from the prior year despite market headwinds. This increase is primarily due to the overall net increase in value of the various asset classes in which the Fund is invested. During the year, the SBOE continued implementing the long-term strategic asset allocation, diversifying the PSF(SBOE) to strengthen the Fund. The asset allocation is projected to increase returns over the long run while reducing risk and portfolio return volatility. The Fund is invested in global markets and experiences volatility commensurate with the underlying indices. The Fund is broadly diversified and benefits from the cost structure of its investment program. Changes continue to be researched, crafted, and implemented to make the cost structure more effective and efficient.

PROGRAMS

The Fund serves Texans in two ways. First, a distribution is made every year from the Fund to pay a portion of educational costs in each school district within the state. During the current fiscal year, the Fund distributed approximately \$2.1 billion for education. Since 1960, the Fund has distributed about \$35.0 billion to help fund the education of Texas students.

Second, the Fund provides a guarantee for bonds issued by participating local school districts. The PSF also guarantees bonds of qualified participating charter districts. Because of the protection provided by the PSF guarantee, qualified school and charter districts are able to pay lower interest rates when they issue debt since the debt carries an overlay of the PSF's AAA rating provided by the three major rating agencies. At the end of the fiscal year, PSF assets guaranteed \$99.5 billion in school district bonds providing cost savings to 867 public school districts in the State, and \$3.7 billion in charter district bonds providing cost savings to 31 Texas charter districts.

During the 87th Session of the Texas Legislature, legislation was passed and signed by the Governor (SB 1232) that allows the Fund's investment function to transition from divisions of the Texas Education Agency and the General Land Office to a single, independent governmental corporate structure under which all PSF investments would be governed by an independent Board of Directors. The Fund has been working diligently throughout the year in preparing for this change, which has been approved by the SBOE to occur on January 1, 2023. We look forward to working with current administrative and managing organizations as the Fund moves forward into this independent structure.

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Texas Permanent School Fund for its ACFR for the fiscal year ended August 31, 2021. This was the eighth consecutive year that the Fund has achieved this prestigious award. To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized ACFR which meets or exceeds program standards and must satisfy both GAAP 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 the GFOA to determine its eligibility for another certificate.

(continued)

MESSAGE FROM THE EXECUTIVE ADMINISTRATOR

DEPARTURES

After over 27 years with the PSF, Carlos Veintemillas, Deputy Chief Investment Officer and Head of Fixed Income, has decided it is time to retire and move on to the next phase of his life. He has proven to be an outstanding investor, fantastic partner, and valuable mentor to the Fund and his fellow team members over the years and will be deeply missed by the PSF staff and board. His dedication to service has been of great benefit to all the beneficiaries of the PSF. Upon retirement, his first trip will be to Big Bend National Park in West Texas, one of his favorite locations, where he took the photo featured on the cover of this report. We wish him all the best with heavy but warm hearts.

ACKNOWLEDGMENTS

My thanks and gratitude go to the members of the State Board of Education for its continued wise counsel and efforts to strengthen the Permanent School Fund. I also thank Commissioner of Education Mike Morath and Deputy Commissioner of Finance Mike Meyer for their ongoing support and encouragement, and the extra effort necessary this year to make the separation of the PSF from TEA successful. Finally, I want to thank the hard working and dedicated team of professionals within the PSF and other divisions at the Texas Education Agency. I am extremely proud that our organization has adapted to meet the needs of our stakeholders as we have planned and executed significant changes to the Fund's operational structure, governance, staffing, and skill set requirements in preparation for the new organization, during which Fund staff members have met the challenge to exhibit a highly remarkable level of dedication and resilience in trouble shooting and plan implementation while continuing to keep the "trains on schedule."

The Board and Agency staff have been deeply committed to provide prudent PSF portfolio management and ethical, transparent delivery of increased Fund value to the school children and citizens of Texas. It has been a privilege to work with professionals of this caliber who embody such a high level of integrity and devotion to service of the Fund's mission to improve the outlook for all Texans through education of its children, and we look forward to working closely with them in the future pursuit of goals common to the SBOE, TEA, and Texas Permanent School Fund Corporation.

B. Holland Timmins, CFA
Executive Administrator and Chief Investment Officer
Texas Permanent School Fund



Government Finance Officers Association

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Texas Permanent School Fund

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

August 31, 2021

Christopher P. Morrell

Executive Director/CEO

u

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TEXAS EDUCATION AGENCY

COMMISSIONER OF EDUCATION

MIKE MORATH

(Executive Officer of the
State Board of Education)

EXECUTIVE ADMINISTRATOR AND CHIEF INVESTMENT OFFICER

HOLLAND TIMMINS, CFA

DEPUTY CHIEF INVESTMENT OFFICER, DIRECTOR OF FIXED INCOME

CARLOS VEINTEMILLAS

CHIEF OF STAFF, DIRECTOR OF PRIVATE MARKETS

JOHN GRUBENMAN, CFA

SENIOR MANAGING DIRECTOR OF INVESTMENT FINANCE AND OPERATIONS

DAVID TRICE, CPA

SENIOR MANAGING DIRECTOR OF GLOBAL PUBLIC EQUITIES

ANDREW BUNKER

DIRECTOR OF GLOBAL RISK CONTROL STRATEGIES

CARLOS CASTRO

INVESTMENT COUNSEL

NEPC, LLC

CUSTODIAN AND SECURITIES LENDING AGENT

THE BANK OF NEW YORK
MELLON

ORGANIZATIONAL STRUCTURE

Texas Permanent School Fund Financial Assets (including Liquid Account Financial Assets)

- Managed by the elected State Board of Education
- Administered by the Texas Education Agency, which is under the guidance of the Commissioner of Education, an appointee of the Governor

Texas Permanent School Fund Land, Mineral Rights, and Certain Real Assets Investments

- Managed by the School Land Board, which includes the elected Commissioner of the General Land Office
- Administered by the General Land Office, under the guidance of the Commissioner of the General Land Office

SECTION Two

FINANCIAL STATEMENTS

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Lisa R. Collier,
CPA, CFE, CIDA,
State Auditor

Independent Auditor's Report

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Report on the Audit of the Financial Statements

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Fund's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Fund, as of August 31, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

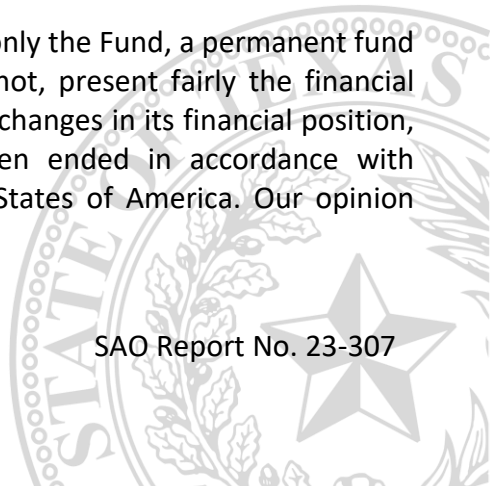
Basis for Opinions

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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Fund, 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 Matters


Fund Financial Statements

As discussed in Note 1, the financial statements present only the Fund, a permanent fund of the State of Texas, and do not purport to, and do not, present fairly the financial position of the State of Texas as of August 31, 2022, 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 opinion is not modified with respect to this matter.



SAO Report No. 23-307

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Investments with Values That Are Not Readily Determined

The financial statements include investments valued at approximately \$29.3 billion as of August 31, 2022, whose fair values have been estimated by management in the absence of readily determinable fair values. That total includes \$17.4 billion as discussed in Note 2 and \$11.9 billion as discussed in Note 3 (including investments measured at net asset value and estimated mineral values). Our opinion is 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

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

- 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 the Fund'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.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern for a reasonable period of time.

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 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 auditing standards generally accepted in the United States of America, 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.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Introduction, Statistical Summary, Bond Guarantee Program, and Supplemental Schedules but does not include the basic financial statements and our auditor's 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.

Other Reporting Required by *Government Auditing Standards*

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

A handwritten signature in black ink that reads "Lisa R. Collier". The signature is written in a cursive, flowing style.

Lisa R. Collier, CPA, CFE, CIDA
State Auditor

December 20, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

This Management's Discussion and Analysis (MD&A) is required by the Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB 34). The purpose of the MD&A is to provide an objective and easy to read analysis of the Texas Permanent School Fund (Fund) financial activities based on currently known facts, decisions, and conditions. Please read the MD&A in conjunction with the transmittal letters from the Commissioner of Education and the Executive Administrator, and the Fund's financial statements.

On September 1, 2019, the Permanent School Fund established the Liquid Account as authorized by the Natural Resources Code, Chapter 51, section 51.414 as amended by the 86th Legislature. This statute directs the School Land Board to deposit cash not required for its immediate needs (or next 90 days) into the Liquid Account, which is managed by the State Board of Education (SBOE). The SBOE is required to invest these funds in liquid assets only and must send cash back to the School Land Board (SLB) within five business days of a request.

The activity of the Fund directed by the SBOE shall be referred to throughout as the PSF(SBOE) and the Liquid(SBOE). The activity of the Fund managed by the SLB shall be referred to throughout as the PSF(SLB). The SLB manages designated land, mineral interests, and real assets investments of the Fund as detailed in the notes to the financial statements. All other Fund assets are the management responsibility of the SBOE.

The annual report of the Fund is divided into five sections: the introduction, the financial statements with accompanying notes preceded by this MD&A, statistical summaries and analyses, a summary of the Bond Guarantee Program, and supplemental schedules.

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FINANCIAL HIGHLIGHTS

- The total fund balance of the Fund increased \$1.2 billion or 2.1% during fiscal year 2022.
- The Fund, through the PSF(SBOE), provided \$1.7 billion to the Available School Fund, derived by using the total return based distribution method of the Texas Constitution, Article 7, Section 5(a).
- The Fund, through the PSF(SLB), provided \$415 million to the Available School Fund, per the Texas Constitution, Article 7, Section 5(g).
- As of August 31, 2022, \$103.2 billion in school and charter district bond issues were guaranteed by the Fund in support of public education in Texas. The amount outstanding increased 8.4% from the prior fiscal year-end.

Required Financial Statements

GASB 34 requires two financial statements for governmental funds: the balance sheet and the statement of revenues, expenditures, and changes in fund balance. These statements report financial information regarding the Fund's activities under U.S. Generally Accepted Accounting Principles (GAAP).

The notes to the financial statements contain supplemental information that is essential for the fair presentation of the financial statements.

Balance Sheet

The balance sheet reports the assets, liabilities, deferred inflows, and fund balance of the Fund.

Assets

The assets of the Fund are categorized as cash, securities lending cash collateral, receivables, investments, and related assets. Cash and cash equivalents include investments that can be converted into cash within one year and are used primarily to settle the day-to-day security clearing activities/capital calls of the PSF(SBOE) and the Liquid(SBOE) assets and the funding of real assets investments by the PSF(SLB). The PSF(SBOE) and Liquid(SBOE) engage in securities lending activity in order to earn incremental income. See notes 2.D., 2.F., 2.H., and 7. for details on securities lending.

PSF(SBOE) and Liquid(SBOE) Investments

PSF(SBOE) investments consist primarily of managed holdings, including public market equity, fixed income securities and alternative investments, such as absolute return, real estate, private equity, real return, and emerging market equity and debt investments. Liquid(SBOE) investments consist primarily of fixed income securities, and public market equity.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Following are the methodologies used by the PSF(SBOE) and the Liquid(SBOE) to determine the fair value of investments.

Assets	Valuation
Equity and fixed income securities	Quoted market prices
Short-term securities (maturities less than 1 year)	Amortized cost (approximates fair value)
Absolute return investments	Net asset value (NAV) of fund-of-funds provided by the investment advisor
Real estate	Latest capital account balance or valuation data*
Private equity	Latest capital account balance or valuation data*
Emerging market debt	NAV provided by the fund's investment advisor
Emerging market equity	NAV provided by the fund's investment advisor
* Adjusted for contributions and withdrawals subsequent to latest valuation or reporting date	

PSF(SLB) Investments

PSF(SLB) investments in real assets represent real property and ownership interests in externally managed real assets investment funds, separate accounts, and co-investment vehicles held for the benefit of the Fund, and are carried at fair value. Sovereign lands and mineral interests are also reported at fair value.

Unless determined otherwise, the PSF(SLB) deposits all proceeds of mineral leases and royalties generated from existing and future leases of the Fund's mineral interests into a special fund (Real Estate Special Fund Account, or RESFA) at the State Treasury. These proceeds can be used by the SLB to acquire additional tracts of land; to acquire interests in real property for biological, commercial, geological, cultural, or recreational purposes; to acquire mineral and royalty interests; to acquire interests in real estate; to pay for reasonable fees for professional services related to these investments; or to acquire, sell, lease, trade, improve, maintain, protect, or use land, mineral royalty interests, or real assets investments, an investment or interest in public infrastructure, or other interests, all for the use and benefit of the Fund. Note 3 of the notes to the financial statements contains a summary of the historical cost of the land owned by the Fund. As of August 31, 2022, the estimated fair value of the land, real assets investments and mineral rights (excluding cash) was approximately \$12.6 billion and the historical cost was approximately \$5.6 billion. PSF(SLB) real assets investments include commingled closed-end funds, commingled open-end funds, separate accounts, and

co-investment vehicles that invest in private-market real assets transactions across the energy, infrastructure, and real estate sectors of the real assets investment universe.

Liabilities

Liabilities represent claims against the Fund as of August 31, 2022. The payable for PSF(SBOE) securities lending cash collateral invested is the largest category of liabilities and represents the value of the cash collateral provided by the borrowers in accordance with the securities lending agreement. This collateral is returned to the borrowers when the securities are returned from loan.

Deferred Inflows of Resources

Deferred inflows of resources consist primarily of dividend and interest receivable amounts for which receipt is due more than 60 days subsequent to year-end.

Fund Balance

The fund balance of the Fund has been classified in accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). As described more fully in notes 1.D. and 9. of the financial statements, the entire fund balance is classified as nonspendable except for that portion explicitly allowed to be expended by the Texas Constitution; that portion is classified as restricted. The Texas Constitution allows the Fund to expend funds appropriated by the legislature for operating costs, for transfers to the Available School Fund in support of public education, and for payment of guaranteed debt in the event of default.

TABLE 1
Summarized Balance Sheet Accounts
(in Millions)

	As of August 31, 2022	As of August 31, 2021	Amount of Increase (Decrease)	Percent Change
ASSETS				
Investments	\$ 54,206.3	\$ 52,591.1	\$ 1,615.2	3.1%
Securities Lending Cash Collateral Invested	3,730.4	2,622.7	1,107.7	42.2%
Cash, Receivables, and Other Assets	3,019.9	3,283.8	(263.9)	-8.0%
TOTAL ASSETS	\$ 60,956.6	\$ 58,497.6	\$ 2,459.0	4.2%
LIABILITIES				
Payables for Investments Purchased	\$ 149.6	\$ 66.8	\$ 82.8	124.0%
Payables for Security Lending				
Cash Collateral Invested	3,734.9	2,632.4	1,102.5	41.9%
Other Liabilities	234.4	156.5	77.9	49.8%
TOTAL LIABILITIES	\$ 4,118.9	\$ 2,855.7	\$ 1,263.2	44.2%
DEFERRED INFLOWS OF RESOURCES	\$ 27.0	\$ 17.8	\$ 9.2	51.7%
TOTAL FUND BALANCE	\$ 56,810.7	\$ 55,624.1	\$ 1,186.6	2.1%

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Comparative Balance Sheet Highlights

- Total fund balance increased by 2.1% during the fiscal year, after transfers out to the Available School Fund (\$1.7 billion from the PSF(SBOE) and \$0.4 billion from the PSF(SLB)).
- The change in the fair value of the PSF(SBOE), Liquid(SBOE), and PSF(SLB) investments is consistent with the change in value of the markets in which those investments were made.
- Securities Lending Cash Collateral Invested Assets and Liabilities increased by 42.2% and 41.9%, respectively due to increased securities lending borrowing with increasing interest rates in fiscal year 2022. The participation of the liquid account into the security lending program, with a larger investment base available for potential loan activity in fiscal year 2022 than prior year also increased the securities lending collateral.

Statement of Revenues, Expenditures, and Changes in Fund Balance

The statement of revenues, expenditures, and changes in fund balance represents the activity from the PSF(SBOE) and Liquid(SBOE) investment portfolio, and the PSF(SLB) real assets investment portfolio that occurred during the fiscal year.

TABLE 2
Summarized Revenue and Expenditure Accounts
(in Millions)

	Fiscal Year Ended August 31, 2022	Fiscal year Ended August 31, 2021	Amount of Increase (Decrease)	Percent Change
REVENUES				
Land Endowment Income	\$ 2,073.1	\$ 1,166.9	\$ 906.2	77.7%
Dividends and Interest Income	2,208.5	1,417.0	791.5	55.9%
Securities Lending (net of rebates/fees)	7.8	4.6	3.2	69.6%
Gain on Sale of Sovereign Land	0.3	6.4	(6.1)	-95.3%
Net Increase/(decrease) in Fair Value of Investment	(922.5)	8,125.2	(9,047.7)	-111.4%
Revenue from Sales of Purchased Gas	103.4	73.9	29.5	39.9%
Settlement of Claims	0.7	0.3	0.4	133.3%
Other Income	10.6	5.1	5.5	107.8%
TOTAL REVENUES	\$ 3,481.9	\$ 10,799.4	\$ (7,317.5)	-67.8%
EXPENDITURES				
PSF(SBOE) Operational Costs	33.4	31.4	2.0	6.4%
PSF(SLB) Operational Costs	30.6	30.3	0.3	1.0%
SEMP Gas Supplies Purchased for Resale	88.9	86.8	2.1	2.4%
TOTAL EXPENDITURES	\$ 152.9	\$ 148.5	\$ 4.4	3.0%
OTHER FINANCING SOURCES/(USES)	\$ (2,142.3)	\$ (1,701.7)	\$ (440.6)	25.9%
NET CHANGE IN FUND BALANCE	\$ 1,186.7	\$ 8,949.2	\$ (7,762.5)	-86.7%
BEGINNING FUND BALANCE	55,624.0	46,675.6	\$ 8,948.4	19.2%
Restatements	-	(0.7)	0.7	-100.0%
BEGINNING FUND BALANCE, AS RESTATED	55,624.0	46,674.9	\$ 8,949.1	19.2%
ENDING FUND BALANCE	\$ 56,810.7	\$ 55,624.1	\$ 1,186.6	2.1%

Comparative Revenue and Expenditure Highlights

- For fiscal year 2022, total revenues were \$3.5 billion, a decrease of \$7.3 billion from fiscal year 2021. The decrease is due to the overall decline in asset class fair values during the fiscal year.

- Total operating expenditures, net of security lending rebates and fees, increased 3.0% from \$148.5 million for the fiscal year ending August 31, 2021, to \$152.9 million for the fiscal year ending August 31, 2022, due to an increase in PSF(SLB) SEMP purchased gas for resale expenditure as well as increases in operational costs.
- Overall, the fund balance increased by \$1.2 billion for the fiscal year ending August 31, 2022.

Expenditures are paid from the Fund before distributions are made under the total return formula. Such expenditures include the costs incurred by the PSF(SLB) to manage the land endowment and operational costs of the PSF(SBOE). Total return takes into account the change in the fair value of the Fund during the year as well as all net income generated by PSF(SBOE) investments. Management fees for alternative investments are paid from the investment assets themselves.

INVESTMENT MANAGEMENT

PSF(SBOE) and Liquid(SBOE) Asset Allocation and Portfolio

In June 2022, the SBOE updated the long term asset allocation policy, which diversifies the PSF(SBOE) assets into alternative asset classes whose returns are not highly correlated to traditional asset classes. Management expects this allocation plan to provide incremental total return at reduced risk. Management anticipates that asset classes will be strategically added commensurate with the economic environment and the goals and objectives of the SBOE. Investments in absolute return were launched during fiscal year 2008 and real estate and private equity launched during the latter part of fiscal year 2010. Real return investments in Treasury Inflation Protected Securities (TIPS) were implemented in the later months of fiscal year 2011. Increased allocations were made to both real estate and private equity in fiscal year 2013. The emerging market debt in local currency asset class was added in 2014. The emerging international equity asset class funding was initiated in the later months of fiscal year 2015. In 2018, an internally managed commodities portfolio was initiated. The U.S. Treasuries portfolio was added in 2020. The High Yield Bonds portfolio and Emerging Manager Program for Private Equity and Real Estate were implemented in fiscal year 2022.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

The table below provides an overview of the management of each asset class.

Asset Class	Asset Management
Equity	
Domestic equity	Passive management by internal staff
International equity	External manager
Emerging market equity	External manager
Fixed income	
Core fixed income	Active management by internal staff
U.S. Treasuries	Active management by internal staff
Short Term Fixed Income	Active management by internal staff
Emerging market debt	External manager
High yield bonds	External manager
Real Return TIPS	Active management by internal staff
Absolute return	Held within single member limited liability companies, each with an external investment manager
Real estate	Direct with general partners utilizing limited partnership agreements
Private equity	Limited partnerships externally managed, internally managed, or jointly managed
Commodities	Active management by internal staff

TABLE 3
Asset Allocation – PSF(SBOE)
Fiscal Years Ending August 31, 2022 and 2021

ASSET CLASS	2022	2021	Increase (Decrease)
EQUITY			
Domestic Small/Mid Cap	6.0%	6.0%	0.0%
Domestic Large Cap	14.0%	14.0%	0.0%
Total Domestic Equity	20.0%	20.0%	0.0%
International Developed and Emerging Large Cap	14.0%	14.0%	0.0%
Emerging International Equities	3.0%	3.0%	0.0%
Total International Equity	17.0%	17.0%	0.0%
TOTAL PUBLIC MARKET EQUITY	37.0%	37.0%	0.0%
FIXED INCOME			
Core Fixed Income	12.0%	12.0%	0.0%
U.S. Treasuries	3.0%	3.0%	0.0%
High Yield Bonds	4.0%	3.0%	1.0%
Emerging Market Debt	3.0%	7.0%	-4.0%
TOTAL FIXED INCOME	22.0%	25.0%	-3.0%
ALTERNATIVE INVESTMENTS			
Absolute Return	7.0%	7.0%	0.0%
Real Estate	11.0%	11.0%	0.0%
Private Equity	18.0%	15.0%	3.0%
Emerging Manager Program	1.0%	1.0%	0.0%
Real Return - Commodities	2.0%	1.0%	1.0%
Real Return - TIPS	2.0%	3.0%	-1.0%
TOTAL ALTERNATIVE INVESTMENTS	41.0%	38.0%	3.0%
TOTAL	100.0%	100.0%	0.0%

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TABLE 4
Asset Allocation – Liquid(SBOE)
Fiscal Years Ending August 31, 2022 and 2021

ASSET CLASS	2022	2021	Increase (Decrease)
EQUITY			
Domestic Small/Mid Cap	10.0%	5.0%	5.0%
Domestic Large Cap	38.0%	20.0%	18.0%
Total Domestic Equity	48.0%	25.0%	23.0%
International Large Cap	29.0%	15.0%	14.0%
TOTAL PUBLIC MARKET EQUITY	77.0%	40.0%	37.0%
FIXED INCOME			
Core Fixed Income	16.0%	10.0%	6.0%
Treasury Inflation Protected Securities	5.0%	5.0%	0.0%
Short Duration Fixed Income	0.0%	25.0%	-25.0%
TOTAL FIXED INCOME	21.0%	40.0%	-19.0%
CASH			
TOTAL CASH	2.0%	20.0%	-18.0%
TOTAL	100.0%	100.0%	0.0%

Actual allocations within the portfolios fluctuate as the markets shift and portfolio rebalancing takes place as needed to adhere to the strategic allocation guidelines. Table 3 and Table 4 above indicate the strategic allocations of PSF(SBOE) and Liquid(SBOE), respectively, reflected here at full implementation, approved by the SBOE in June 2022 and in effect as of August 31, 2022.

The fair value of the PSF(SBOE) and Liquid(SBOE) is directly impacted by the performance of the various financial markets in which the assets are invested. In addition, the PSF(SBOE) and Liquid(SBOE) investments are exposed to various risks, such as interest rate, market, and credit risks. The most important factor affecting investment performance is the asset allocation decision made by the SBOE. Investment return is presented net of fees (NOF).

The PSF(SBOE) investment in domestic small/mid cap equity and domestic large cap equity securities experienced returns of -10.96% and -11.08%, respectively, during the fiscal year. The absolute return investments yielded a return of -0.55% and real estate and private equity investments returned 23.31% and 3.17%, respectively. The return on investment in fixed income return was -12.16% for the fiscal year. The real return portfolio returned 2.98%. The emerging market debt investment returned -17.95% while the emerging market and international equities portfolios returned -22.85% and -19.72%, respectively. U.S. Treasuries returned -22.82%. Combined, all asset classes produced an investment return of -6.80% for the fiscal year ended

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

August 31, 2022, which is reflective of the market conditions in which the various asset classes operate. Actual performance fell short of the target policy NOF benchmark of -6.37% by approximately 43 basis points.

The Liquid(SBOE) investment in domestic small/mid cap equity and domestic large cap equity securities experienced returns of -10.63% and -10.39%, respectively, during the fiscal year. The international equity portfolio returned -19.34%. Short term fixed income realized a return of -4.27%, while core bonds and TIPs returned -11.30% and -5.78%, respectively. The return on cash reserves was 1.65%. Combined, these asset classes produced an investment return of -10.24%, which is reflective of the market conditions in which these asset classes operate. Actual performance exceeded the target policy NOF benchmark of -10.88% by approximately 64 basis points.

Table 5 summarizes the changes in the composition of the PSF(SBOE) investment portfolio, including cash, receivables and payables during the fiscal year, but does not include real assets or cash under the management of the PSF(SLB). The total fair value of the PSF(SBOE) investments decreased by \$4.6 billion (-10.8%) from the previous fiscal year. Unallocated Cash is on hand at fiscal year-end to cover both ASF payments and capital calls. At August 31, 2022, PSF(SBOE) unfunded commitments to real estate investments totaled \$2.4 billion and unfunded commitments to private equity limited partnerships and direct investments in limited partnerships totaled \$2.9 billion.

TABLE 5
Comparative Investment Schedule –
PSF(SBOE) (in Millions)
August 31, 2022 and 2021

ASSET CLASS	August 31, 2022	August 31, 2021	Amount of Increase (Decrease)	Percent Change
EQUITY				
Domestic Small Cap	\$ 2,358.4	\$ 2,597.3	\$ (238.9)	-9.2%
Domestic Large Cap	4,730.4	6,218.7	(1,488.3)	-23.9%
Total Domestic Equity	7,088.8	8,816.0	(1,727.2)	-19.6%
International Equity	5,972.5	8,062.1	(2,089.6)	-25.9%
TOTAL EQUITY	13,061.3	16,878.1	(3,816.8)	-22.6%
FIXED INCOME				
Domestic Fixed Income	4,563.3	4,853.1	(289.8)	-6.0%
U.S. Treasuries	1,140.2	1,243.3	(103.1)	-8.3%
High Yield Bonds	1,142.5	-	1,142.5	N/A
Emerging Market Debt	1,190.9	2,683.7	(1,492.8)	-55.6%
TOTAL FIXED INCOME	8,036.9	8,780.1	(743.2)	-8.5%
ALTERNATIVE INVESTMENTS				
Absolute Return	2,932.3	3,546.0	(613.7)	-17.3%
Real Estate	4,365.7	3,706.0	659.7	17.8%
Private Equity	7,933.1	7,724.6	208.5	2.7%
Emerging Manager Program	29.9	-	29.9	N/A
Real Return	1,412.0	1,675.5	(263.5)	-15.7%
TOTAL ALTERNATIVE INVESTMENTS	16,673.0	16,652.1	20.9	0.1%
UNALLOCATED CASH	196.5	262.9	(66.4)	-25.3%
TOTAL PSF(SBOE) INVESTMENTS	\$ 37,967.7	\$ 42,573.2	\$ (4,605.5)	-10.8%

Table 6 summarizes the changes in the composition of the Liquid(SBOE) investment portfolio, including cash, receivables and payables during the fiscal year, but does not include real assets or cash under the management of the PSF(SLB).

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

TABLE 6
Comparative Investment Schedule –
Liquid(SBOE) (in Millions)
August 31, 2022 and 2021

ASSET CLASS	August 31, 2022	August 31, 2021	Amount of Increase (Decrease)	Percent Change
EQUITY				
Domestic Small/Mid Cap	\$ 500.0	\$ 228.3	\$ 271.7	119.0%
Domestic Large Cap	1,671.7	578.6	1,093.1	188.9%
Total Domestic Equity	2,171.7	806.9	1,364.8	169.1%
International Equity	1,225.5	392.6	832.9	212.1%
TOTAL EQUITY	3,397.2	1,199.5	2,197.7	183.2%
FIXED INCOME				
Short-Term Fixed Income	797.4	1,074.8	(277.4)	-25.8%
Core Bonds	506.8	413.1	93.70	22.7%
TIPS	208.2	213.9	(5.70)	-2.7%
TOTAL FIXED INCOME	1,512.4	1,701.8	(189.4)	-11.1%
UNALLOCATED CASH	35.2	1,420.5	(1,385.3)	-97.5%
TOTAL Liquid(SBOE) INVESTMENTS	\$ 4,944.8	\$ 4,321.8	\$ 623.0	14.4%

PSF(SLB) Portfolio

The table below provides an overview of the real assets investment portfolio managed by the PSF(SLB).

Category	Description
Discretionary real asset investments	Externally managed real estate, infrastructure, and energy/minerals investment funds, separate accounts, and co-investment vehicles; internally managed direct real estate investments, and cash
Sovereign and other lands	Lands set aside for the Fund when it was created, and other various lands not considered discretionary real asset
Mineral interests	Minerals associated with Fund lands.

PSF(SLB) Discretionary Real Estate Investments – External

Approximately \$1.5 billion of capital commitments to externally managed real assets investment funds, separate accounts, and co-investment vehicles were funded during fiscal year 2022. At August 31, 2022, the fair value of the externally managed investments was approximately \$6.3 billion, and PSF(SLB) unfunded commitments to real asset investments totaled approximately \$1.9 billion.

PSF(SLB) Discretionary Real Estate Investments – Internal

At August 31, 2022, there were 14 internally managed discretionary real estate investments with a fair value of approximately \$271.5 million.

PSF(SLB) Sovereign and Other Lands

At August 31, 2022, the sovereign lands portfolio, approximately 407,383 acres of primarily land-locked tracts in West Texas, had a fair value of approximately

\$275.1 million. In addition to the sovereign lands portfolio, the PSF(SLB) also manages approximately 250,633 acres of other lands with a fair value of approximately \$424.7 million.

PSF(SLB) Mineral Interests

The PSF(SLB) also manages approximately 13.0 million acres of various submerged, free royalty, mineral-reserved lands, and mineral interest with a risk-adjusted fair value of approximately \$5.6 billion.

TABLE 7
Comparative Investment Schedule – PSF(SLB)
August 31, 2022 and 2021
(in Millions)

Asset Class	As of August 31, 2022	As of August 31, 2021	Amount of Increase (Decrease)	Percent Change
Discretionary Real Assets Investments				
Externally Managed				
Real Assets Investment Funds*				
Energy/Minerals	\$ 2,718.6	\$ 1,707.5	\$ 1,011.1	59.2%
Infrastructure	1,622.7	1,652.3	(29.6)	-1.8%
Real Estate	1,921.2	1,276.8	644.4	50.5%
Internally Managed Direct				
Real Estate Investments	271.5	223.9	47.6	21.3%
Total Discretionary				
Real Assets Investments	6,534.0	4,860.5	1,673.5	34.4%
Domestic Equity Received as				
In-Kind Distribution	-	1.7	(1.7)	-100.0%
Sovereign and Other Lands	428.3	405.4	22.9	5.6%
Mineral Interests	5,622.2	2,720.4	2,901.8	106.7%
Cash at State Treasury**	1,257.5	699.2	558.3	79.8%
Total PSF(SLB)				
Investments	\$13,842.0	\$ 8,687.2	\$ 5,154.8	59.3%

*The fair values of externally managed real assets investment funds, separate accounts, and co-investment vehicles are estimated by management using the most recent valuations available, adjusted for subsequent contributions and withdrawals.

**Cash at State Treasury represents amounts that have been deposited in the State Treasury and temporarily invested in short-term investments until called for investment by the external real assets investment funds, separate accounts, and co-investment vehicles to which PSF(SLB) has made capital commitments. Prior to September 1, 2019, PSF(SLB) was required by statute to deposit cash designated by the SLB for investment in real assets in the State Treasury until it was drawn for investment.

OTHER PROGRAMS

Support Provided to the Public School System

The Fund supports the State's public school system in two major ways: Distributions to the Available School Fund (ASF) and the guarantee of school district and charter district issued bonds through the Fund's Bond Guarantee Program.

ASF Distribution

The Fund annually distributes a predetermined percentage of its asset value to the ASF. For fiscal year 2022, the PSF(SBOE) distribution to the ASF

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

totaled \$1.7 billion. The SBOE adopted administrative rules in September 2009 based on Attorney General Opinion GA-0707 issued on April 13, 2009. These rules state the SBOE will determine each year whether a distribution to the ASF is permitted under the Texas Constitution, Article VII, §5(a)(2), and shall be made for the current fiscal year.

During fiscal year 2022, the PSF(SLB) also distributed \$415 million directly to the ASF.

Bond Guarantee Program

Through the Bond Guarantee Program (BGP), the Fund is pledged to guarantee bonds issued by Texas school districts thus enhancing their credit rating. During fiscal year 2014, the SBOE authorized the BGP to guarantee qualified charter district bonds. Since the Program's inception in 1983, the Fund has guaranteed 8,385 school district and 106 charter district bond issues for a total of \$232.2 billion and \$4.0 billion, respectively. During the past fiscal year, the number of all outstanding issues increased by 13. The dollar amount of all issues outstanding increased by approximately \$8.0 billion (8.4%). This program is designed for school districts and charter districts with credit ratings lower than AAA. Bonds issued by participants and guaranteed under the BGP are rated AAA, thus allowing participants to borrow at a lower cost.

TABLE 8
Comparative Summary of the Bond Guarantee Program
(in Millions except for Number of Issues)

		Fiscal Year Ending August 31, 2022	Fiscal Year Ending August 31, 2021	Amount of Increase (Decrease)	Percent Change
Number of Issues		3,442	3,429	13	0.4%
Issues Guaranteed					
During the Fiscal Year	\$	15,940.3	\$ 18,228.2	\$(2,287.9)	-12.6%
Issues Refunded or Matured					
During the Fiscal Year	\$	7,960.0	\$ 13,305.7	\$(5,345.7)	-40.2%
Year End Balance	\$	103,239.5	\$ 95,259.2	\$ 7,980.3	8.4%
Total Guarantee Capacity	\$	111,063.8	\$ 111,137.3	\$ (73.5)	-0.1%

The capacity of the overall Fund to guarantee bonds under the BGP is limited in two ways: by State law (the "State Capacity Limit") and by the Internal Revenue Service (IRS) Notice 2010-5 (Notice) received by the Texas Education Agency (TEA) on December 16, 2009, codified by Internal Revenue Code 1.148-11(d)(1)(F) on July 18, 2016. The State Capacity Limit is currently 3.50 times the latest cost value of the Fund. Texas Education Code Section 45.053(d) provides that the SBOE may, by rule, increase the capacity of the Guarantee Program to an amount not to exceed five times the cost value of the Fund, provided that the increased limit does not violate federal laws or regulations and does not prevent bonds guaranteed by the BGP from receiving the highest available credit rating, subject to other constraints. Internal Revenue Code 1.148-11(d)(1)(F) changed the Internal Revenue Service Limit to a sum certain amount calculated on the date of the Notice, which totals \$117,318,653,038. Additionally, state law allows for and the SBOE has elected to reserve 5% of capacity as determined above from use in guaranteeing bonds. This reserve is held for purposes detailed in the Texas Administrative Code Title 19 Part 2 Chapter 33 Subchapter A Rule 33.65.

Charter district capacity is further defined as the lower of the State Capacity Limit or the Internal Revenue Service Limit, less the 5% reserve, as described above, multiplied by the ratio of students enrolled in charter schools to total students enrolled in all Texas public schools, as authorized by a five year statutory phase-in. This student ratio is to be determined annually by the Commissioner.

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TEXAS PERMANENT SCHOOL FUND
BALANCE SHEET
AUGUST 31, 2022

Assets

Cash and Cash Equivalents	
Cash in Bank	\$ 4,126,123
Cash in State Treasury	1,871,239,754
Cash Equivalents	641,665,815
Securities Lending Cash Collateral Invested	3,730,432,088
Receivables	
Interest and Dividends Receivable	106,351,488
Investments Sold	73,652,305
Land Endowment Revenue	321,241,973
Land Sale Notes	43,656
Due from Broker for Margin Collateral	1,373,058
Due From Other Funds	203,348
Other	544
Prepaid Items	394
Investments and Related Assets	
Investments in Equity, Debt, and Alternative Securities	37,240,164,419
Investments in Real Assets, at fair value	16,966,126,659
Total Assets	\$ 60,956,621,624

Liabilities, Deferred Inflows of Resources, and Fund Balances

Liabilities

Accounts Payable	\$ 13,531,459
Payroll Payable	2,934,734
Payable for Investments Purchased	149,640,960
Unearned Revenue	217,702,868
Due To Other Funds	262,862
Payable for Securities Lending Cash Collateral Invested	3,734,874,826
Total Liabilities	4,118,947,709

Deferred Inflows of Resources

Interest and Dividends	27,010,870
Total Deferred Inflows of Resources	27,010,870

Fund Financial Statement-Fund Balances

Nonspendable	55,025,238,942
Restricted for Public School Support	1,785,424,103
Total Fund Balance	56,810,663,045

Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 60,956,621,624
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The accompanying notes are an integral part of these financial statements.

TEXAS PERMANENT SCHOOL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEAR ENDED AUGUST 31, 2022

Revenues	
Interest, Dividends and Other Investment Income	\$ 2,208,647,247
Settlement of Claims	685,591
Securites Lending	17,814,787
Gain on Sale of Sovereign Land	285,152
Net Increase/(Decrease) in Fair Value of Investments	(922,536,380)
Land Endowment Income	2,073,076,180
Revenue from Sales of Purchased Gas	103,363,954
Other	10,566,604
Total Revenues	3,491,903,135
Expenditures	
Salaries and Wages	29,266,867
Payroll Related Costs	7,978,348
Professional Fees and Services	11,928,401
Travel	182,270
Materials and Supplies	1,187,328
Communication and Utilities	5,705,996
Gas Supplies Purchased for Resale	88,865,603
Repairs and Maintenance	385,524
Rentals and Leases	364,635
Printing and Reproduction	33,044
Securities Lending Rebates and Fees	10,042,379
Debt Service-Principal-Leases	1,037,536
Capital Outlay	3,539,297
Other Expenditures	2,381,605
Total Expenditures	162,898,833
Excess of Revenues Over Expenditures	3,329,004,302
Other Financing Sources/(Uses)	
Transfers Out to Other Funds	(2,145,707,798)
Increase in Obligations - Leases	3,363,406
Sale of Capital Assets	102
Total Other Financing Sources/(Uses)	(2,142,344,290)
Net Change in Fund Balance/Net Assets	1,186,660,012
Fund Financial Statement-Fund Balance	
Fund Balance - September 1, 2021	55,624,006,043
Restatements	(3,010)
Fund Balance-September 1, 2021, as restated	55,624,003,033
Fund Balance - August 31, 2022	\$ 56,810,663,045

The accompanying notes are an integral part of these financial statements.

TEXAS PERMANENT SCHOOL FUND

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Reporting Entity

The Texas Permanent School Fund (the Fund) was first conceived and implemented in 1845 when Texas joined the United States. Its first significant funding came from a \$2,000,000 appropriation by the Legislature of 1854 expressly for the benefit of funding public education for present and future generations. The Constitution of 1876 stipulated that certain lands and all proceeds from the sale of these lands should also constitute the Fund. Additional Acts later gave more public domain land and rights to the Fund. In 1953, the U.S. Congress passed the Submerged Lands Acts that relinquished to coastal States all rights of the U.S. navigable waters within State boundaries. If the State, by law, had set a boundary larger than three miles prior to or at the time of admission to the U.S., or if the boundary had been approved by Congress, then the larger boundary applied. Concluding three years of litigation, the U. S. Supreme Court on May 31, 1960, affirmed Texas' historic three league (10.35 miles) seaward boundary. Texas proved its submerged lands property rights to three leagues into the Gulf of Mexico by citing historic laws and treaties dating back to 1836. All lands lying within that limit belong to the Fund. The Fund currently owns approximately 13 million total acres.

The State of Texas (State) Constitution describes the Fund as "permanent" with proceeds produced by the Fund to be used to complement taxes in financing public education. Under an obligation to maintain trust principal, the Fund's assets are held in a trustee capacity for the benefit of public free schools. The annual distribution provided by the Fund is calculated using a total return methodology as well as other provisions in accordance with the Texas Constitution.

The Fund's financial assets are managed by the State Board of Education (SBOE). The SBOE is comprised of fifteen elected members. Administrative duties related to these assets reside with the Fund's Investment Office, a division of the Texas Education Agency (TEA), which is under the guidance of the Commissioner of Education, an appointee of the Governor. Investment Office operations are included in the TEA's financial report for inclusion in the State's Annual Comprehensive Financial Report. The Fund's financial statements are reported as a governmental permanent fund in the State's Annual Comprehensive Financial Report (ACFR). The portion of the Fund

directed by the SBOE shall be referred within these notes as the PSF(SBOE) and the Liquid(SBOE) assets.

Texas law assigns control of the Fund's land, mineral rights, and certain real assets investments to the five-member School Land Board (SLB), which includes the elected Commissioner of the General Land Office (GLO), and four appointees of the Governor. Administrative duties related to the land and mineral rights reside with the GLO, which is under the guidance of the Commissioner of the GLO. SLB land and real assets investment operations are included in the GLO's annual financial report for inclusion in the State's ACFR. The portion of the Fund managed by the SLB shall be referred to within these notes as the PSF(SLB) assets.

The 79th Legislature authorized the SLB to manage and operate the SEMP Power Program to provide a low-cost solution for government entities to soften the shock of deregulation. Since the original legislation was passed in the 79th legislature, the electric marketplace in Texas has stabilized. During the 86th Legislature, HB2263 was passed and signed into law on May 17, 2019, to gradually phase out the State Power Program over a five-year period and removes PSF(SLB)'s authorization to sell electric power directly to a public retail customer.

The State Gas Program is not affected by HB2263 and continues to provide low-cost natural gas to public retail customers. These customers include public school districts, institutions of higher education, state agencies, military bases, and political subdivisions.

The Natural Resources Code, Chapter 51, section 51.414 was amended by the 86th Legislature to authorize establishment of the Permanent School Fund Liquid Account (the Liquid(SBOE)) on September 1, 2019. This statute directs the School Land Board to deposit cash not required for its immediate needs (or next 90 days) into the Liquid(SBOE) which is managed by the SBOE. The SBOE is required to invest these funds in liquid assets only and must send cash back to the School Land Board within five business days of a request.

B. Basis of Presentation and Basis of Accounting

The accompanying financial statements of the Fund were prepared to conform to U.S. Generally Accepted Accounting Principles (GAAP) as established by the Governmental Accounting Standards Board (GASB).

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NOTES TO THE FINANCIAL STATEMENTS

The Fund is classified as a governmental permanent fund. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. The Management's Discussion and Analysis is required as supplementary information preceding the financial statements.

Measurement focus refers to the definition of the resource flows measured and has to do with the types of transactions or events reported in the statement of revenues, expenditures, and changes in fund balance. Basis of accounting refers to the timing of the recognition of transactions or events. Under the modified accrual basis of accounting, amounts are recognized as revenues in the period in which they are available to finance expenditures of the current period and are measurable. The Fund considers revenues available if they are collected within 60 days of the end of the current period. Accruals whose receipt is due after the 60 day period are classified as deferred inflows of resources. Amounts are considered measurable if they can be estimated or otherwise determined. Expenditures are recognized in the period in which the related fund liability is incurred, if measurable.

Preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of income and expenditures during the reporting period. Externally managed emerging market debt and emerging market equity, as well as alternative investments, including absolute return fund of funds, commodities (real return investments), private equity and real estate, are valued by the PSF(SBOE) at fair values as determined by management. The real assets investments are valued by the PSF(SLB) at net asset value (NAV) per share.

The GLO and TEA organizations each adopt an agency-wide budget for legislative approval. Each of these agencies' budgets encompasses operations of the Fund overseen by their respective Boards. However, there is no legally adopted budget specifically for the Fund as a whole. These agency budgets are prepared biennially and represent appropriations authorized by the Legislature and approved by the Governor of Texas (the General Appropriations Act).

C. Assets, Income, Expenditures, and Transfers

Cash and cash equivalents consist of money market instruments, cash held at the State Treasury, cash held in a FDIC insured bank account, foreign currencies and other overnight funds. The PSF(SBOE) and the Liquid(SBOE) cash in bank balance represents the U.S. dollar equivalent of amounts held in foreign currencies for which trade settlement is pending and dividend payment is awaiting repatriation. The Fund's deposits with the State Treasury are available upon demand and are therefore presented as cash. Cash equivalents on the balance sheet represent cash balances that are invested in the money market fund managed by the PSF(SBOE) custodian, the Bank of New York Mellon Corporation (Custodian). Cash held in the money market fund is primarily utilized to settle investment obligations. Cash and cash equivalents are an integral part of investment management of the Fund. PSF(SLB) cash and cash equivalents include cash on hand, cash in local banks, and cash and cash equivalents in the State Treasury.

Receivables

The PSF(SBOE) and the Liquid(SBOE) report receivables based on revenues earned but not collected during the fiscal year.

The PSF(SLB) reports receivables based on revenues earned but not collected during the fiscal year. The voluntary oil and gas royalty receivables are calculated from production reports or remittance advices; the payments and reporting of these royalties are not legally due until the second month after production occurs. The receivables for voluntary oil and gas royalties are established based on the information received in the remittance advices from fiscal year-end through October 2022 for the production months August 2022 and earlier.

PSF(SBOE) and the Liquid(SBOE) Investments

Investment transactions are recorded on a trade date basis. Investments are reported at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and GASB Statement No. 72, *Fair Value Measurement and Application* (GASB 72), as applicable. Investments, such as equities and fixed income securities with readily determinable fair values, are valued on the basis of market valuations provided by the Custodian. Short-term securities, which have maturities less than one year at the time of purchase,

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are valued at amortized cost, which approximates fair value.

Fair values of absolute return fund of funds are based on the net asset value (NAV) provided to management by the investment advisors of the funds.

Fair values of real estate investments are estimated by management using the latest valuation provided by the general partners, adjusted for contributions and withdrawals subsequent to the latest available valuation reporting date.

Fair values of private equity investment funds are estimated by management using the investment's capital account balance at the latest available reporting date, as communicated by the investment manager or general partner, adjusted for contributions and withdrawals subsequent to the latest available reporting date.

Fair values of emerging market debt investments are based on the NAV provided to management by the investment advisor for each investment structure.

Fair values of emerging market equity investments are based on the NAV provided to management by the investment advisor for the investment structure.

PSF(SBOE) investments are registered in the name of the Fund or are registered in the nominee name of the Custodian of the Fund, and are held in the name of the Fund by the Custodian. Certain physical securities are held in the name of the Fund. The absolute return investments are held within single member limited liability companies, each with an external manager. Private equity investments are managed in limited partnerships, each with an external investment manager. Real estate investments are executed directly with general partners utilizing limited partnership agreements. Emerging market debt investments are executed by investment advisors under investment management agreements. Emerging market equity investments are held in fund-of-one structures with executed investment management agreements with managers.

PSF(SLB) Land Endowment and Other Real Property Investments

The land endowment is maintained on the Fund's behalf by the SLB, administered by the GLO and is held to produce income. Public domain appropriated to the Fund, including surface acres, submerged and offshore lands, and mineral rights, is reported at fair

value. In accordance with GASB 72, real estate and minerals held as investments are reported at fair value.

Fair values of the externally managed PSF(SLB) real assets investments portfolio are estimated by management using the latest valuations provided by the investment managers, adjusted for contributions and withdrawals subsequent to the latest available valuation reporting date.

The fair valuation process of PSF(SLB)'s land surface value is based on using a combination of level 2 and level 3 inputs. These inputs consist of market data from a variety of sources and surveys tempered with known transactions in the subject's competing marketplace. Values are based on estimated appraised values or are independently determined by the staff in Appraisal Services using a combination of actual sales and data from studies conducted by the Texas Chapter of the American Society of Farm Managers and Rural Appraisers, Multiple Listing Services throughout the state and CoStar commercial sales data in certain metropolitan areas. Since the majority of PSF(SLB) lands are vacant, the market approach to value is utilized and applied to the aggregate of properties located in a specific land class and region throughout the state. Except for cases where the asset has income production over and above the amount to offset holding costs, both the market and income approaches to value are utilized.

Because of the inherent uncertainty of valuations, the value of alternative investments estimated by management may differ significantly from the value that would have been used had a liquid market for these investments existed and such differences can be material to the financial statements. Actual results can differ from the estimates.

The 77th Legislature amended the Natural Resources Code (NRC) effective September 1, 2001, to allow the GLO to deposit some or all the proceeds of future mineral leases and royalties generated from existing and future active leases of the Fund's mineral interest into a special account, now called the Real Estate Special Fund Account (RESFA), to be used to acquire additional real assets investments. The 79th Legislature further amended the NRC in 2005 to clarify the purposes on which the funds can be used, including adding three additional purposes. For the use and benefit of the Fund, the proceeds in the RESFA are to be used by the SLB to add to a tract of public school land, add contiguous land to public

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school land, acquire, as public school land, interests in real property for biological, commercial, geological, cultural, or recreational purposes; to acquire mineral and royalty interests; to protect, maintain, or enhance the value of public school lands; to acquire interests in real estate; and to pay reasonable fees for professional services related to Fund investments.

The 80th Legislature passed HB 3699 which further expanded the SLB's authority to use revenues generated by lands dedicated to the Fund for deposit into the RESFA to acquire, sell, lease, trade, improve, maintain, protect, or use land, mineral and royalty interests or interest in public infrastructure, or other interests. The RESFA is to be used to make prudent investments in real assets on behalf of the Fund.

Income, Expenditures, and Transfers

Investment income/loss derived from the PSF(SBOE) and the Liquid(SBOE) investment assets consists of the net increase/(decrease) in the fair value of the investments and securities lending cash collateral, securities lending revenue, and interest and dividends. All major revenue sources mentioned in the paragraphs below are susceptible to accrual.

Land endowment income, derived from the real assets administered by the GLO, consists principally of mineral royalties, bonus and delay rental payments, commercial lease payments, operating lease payments, and investment gain/loss. Investment income/loss derived from the PSF(SLB) investment assets consists of the net increase/(decrease) in the fair value of real assets investments, income, and dividends.

Royalty income is recognized upon oil and gas production and the various types of lease income are recognized during the applicable lease period. SEMP revenues are generated from the sale of natural gas supplies and enhancements from the sale of generated electricity to school districts and other governmental entities.

Operating and investment management expenditures, less securities lending rebates and fees incurred by PSF(SBOE) and PSF(SLB) are as follows:

PSF(SBOE) appropriated expenditures to administer fund assets totaled \$33,406,292. PSF(SBOE) appropriated expenditures do not include investment fees incurred and charged by general partners or investment managers in externally managed investment portfolios. Fees for these portfolios are netted against returns for the investments and are

reported as part of the net asset value on the balance sheet.

Under the direction of the GLO, \$30,584,559 was spent to manage the PSF(SLB) assets. Additionally, SEMP expenditures of \$88,865,603, also under the direction of the GLO, include the purchase of gas supplies in the open market and are reflected in the total expenditures for 2022. See Note 5. for details on SEMP.

A referendum was held in the State on November 8, 2011 and voters of the State approved non-substantive changes to the Texas Constitution to clarify references to the Fund, and approved an amendment which included an increase to the base used to calculate the Fund's distribution rate by adding to the calculation base certain discretionary real assets and cash in the Fund that is managed by entities other than the SBOE (i.e., the SLB).

Article VII, Section 5 of the Texas Constitution stipulates two constraints that affect the amount to be distributed to the Available School Fund (ASF). First, the SBOE is prevented from approving a distribution rate or making transfers to the ASF that exceed 6% of the average of the fair value of the Fund, excluding real property, on the last day of each of the sixteen State fiscal quarters preceding the Regular Session of the Legislature that begins before that State fiscal biennium. Second, the total distributions to the ASF over the 10-year period as defined in subsection 5(a)(2) may not exceed the total return on all investment assets of the PSF(SBOE) over the same 10-year period.

On November 5, 2019, the voters of the State of Texas approved a constitutional amendment allowing increased distributions to the ASF. Section 5(g), Article VII, Texas Constitution was amended to allow the SLB to distribute to the ASF an amount not to exceed \$600 million per year from PSF(SLB) assets resulting from current year revenue, representing an increase from the prior limit of \$300 million.

The SBOE set the rate for the 2022-2023 biennium at 4.18%. Transfers from the PSF(SBOE) to the ASF totaled \$1.7 billion during the fiscal year and transfers from the PSF(SLB) to the ASF totaled \$415 million.

D. Fund Balance Classification

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54) requires that governmental fund balances be classified in the financial statements as

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nonspendable, restricted, committed, assigned and unassigned. In accordance with GASB 54, fund balance is classified as nonspendable and restricted based on provisions in the Texas Constitution which limit the use of the Fund to the support of public free schools.

The Texas Constitution, Article 7 describes the fund as “permanent,” specifically describes how the Fund may be spent, and also explicitly restricts the legislature from appropriating any part of the Fund to any other purpose. The Texas Constitution allows the Fund to be spent on 1) transfers to the Available School Fund in accordance with Constitutional requirements, 2) expenses of managing the PSF land and investments as appropriated by the Legislature, and 3) guaranteed bond payments in the event of default. Accordingly, that portion of the fund balance is classified as restricted based on Constitutional provisions that limit the use of the Fund to these purposes. The remainder of the fund balance is classified as nonspendable, in alignment with the Fund’s permanent nature as described in the Constitution.

E. New Accounting Pronouncements

The GASB issued Statement No. 87, Leases, which establishes standards of accounting and financial reporting for leases by lessees and lessors. The requirements of this standard are effective for periods beginning after June 15, 2021. The Fund has adopted and applied the requirements of this Statement to the financial statements, beginning with the fiscal year ended August 31, 2022.

2. DEPOSITS AND INVESTMENTS

Deposits and investments of the Fund are exposed to risks that have the potential to result in losses. GASB Statement No. 40, *Deposit and Investment Risk Disclosures-An Amendment to GASB Statement No. 3* establishes and modifies disclosure requirements related to deposit and investment risks. Deposit risks include custodial credit and foreign currency risk. Investment risks include credit risk (custodial credit risk and concentrations of credit risk), interest rate risk, and foreign currency risk. This statement applies to all state and local governments.

A. Investment Policies

The Texas Constitution and applicable statutes delegate to the SBOE the authority and responsibility for investment of the Fund’s assets excluding investment of the land endowment, which is the

responsibility of the SLB. In making these investments, the SBOE is charged with exercising the judgment and care under the circumstances then prevailing which persons of ordinary prudence, discretion, and intelligence exercise 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 there from as well as the probable safety of their capital. The Fund is authorized to purchase, sell, and invest its funds and funds under its control in accordance with the Texas Administrative Code. The deposit policy of the Fund states that all residual cash must be invested on a daily basis. Permissible investments subject to Constitutional and SBOE imposed restrictions include the following:

- Equities listed on well recognized principal U.S. or foreign exchanges, including common or preferred stocks; equity futures; corporate bonds, debentures, and convertible preferred corporate stocks that may be converted into equities; and investment trusts.
- Fixed income securities, including U.S. or foreign treasury or government agency obligations, U.S. or foreign corporate bonds, asset or mortgage backed securities, taxable municipal bonds, Canadian bonds, Yankee bonds, supranational bonds denominated in U.S. dollars, 144A securities, and interest rate futures. Fixed income securities, upon purchase, must be rated at least BBB by Standard and Poor’s (S&P), Baa3 by Moody’s Investors Service (Moody’s) and BBB by Fitch, unless otherwise approved by the SBOE. Fixed income securities may not be purchased unless there is a stated par value amount due at maturity.
- Real estate, including investments in real properties, such as apartments, office buildings, retail centers, infrastructure, timberlands and industrial parks. It also includes investments in real estate related securities and real estate related debt.
- Private equity, including venture capital, buy-out investing, mezzanine financing, distressed debt and special situation strategies.
- Absolute return investments which are a diversified bundle of primarily marketable investment strategies that seek positive returns, regardless of market direction.
- Real return investments which target a return that exceeds the rate of inflation, measured by the Consumer Price Index (CPI).

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- Commodities, including investments in exchange traded futures, and U.S. Government and U.S. Government agency securities as collateral. Short-term securities held as collateral must be rated at least A-1 by S&P or P-1 by Moody's. Long-term securities held as collateral must be rated at least A- by S&P or A3 by Moody's.
- Short-term U.S. Government or U.S. Government agency securities, money market funds, corporate discounted instruments, corporate-issued commercial paper, U.S. or foreign bank time deposits, bankers acceptances, and fully collateralized repurchase agreements. Short term money market instruments must be rated at least A-1 by S&P or P-1 by Moody's.
- Any new form of investment or non-publicly traded investment approved by the SBOE based on risk and return characteristics consistent with Fund's goals and objectives.
- Currency hedging strategies, as approved by the SBOE, for the international portfolio.

B. Investment Value Measurement (PSF(SBOE) and Liquid(SBOE))

Security transactions are recorded on a trade date basis. Public market investments, except those held within the alternative investments, are registered in the nominee name of the Bank of New York Mellon, the Custodian of the Permanent School Fund, at the Depository Trust Company. At the Custodian, the securities are held in the name of the Permanent School Fund. Certain physical securities are held in the name of the Fund. Alternative investments are held within LLCs (limited liability companies) or LPs (limited partnerships) in the name of the Texas Education Agency.

The Fund's PSF(SBOE) and Liquid(SBOE) managed assets recorded at fair value have been categorized based upon a fair value hierarchy in accordance with GASB 72.

GASB 72 defines "fair value" as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. Where available, fair value is based on observable market prices or parameters or derived from such prices or parameters. The availability of valuation techniques and observable inputs can vary from security to security and is affected by a wide variety of factors including the type of security, whether the security is

new and not yet established in the marketplace, and other characteristics particular to the transaction.

GASB 72 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs). The three levels of the fair value hierarchy under GASB 72 are described below:

- Level 1 inputs – Unadjusted, quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities. An active market is defined as a market where transactions for the financial instrument occur with sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2 inputs – Inputs, other than quoted prices in active markets that are either directly or indirectly observable for the asset or liability through correlation with market data at the measurement date and for the duration of the instrument's anticipated life.
- Level 3 inputs – Prices or valuations that require inputs that are both significant to the fair measurement and unobservable. Valuation under Level 3 generally involves a significant degree of judgment from management. Due to the inherent uncertainty of these estimates, these values may differ materially from the values that would have been used had a ready market for the investments existed.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. Management's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and consideration of factors specific to the investment.

In accordance with GASB 72, valuation techniques used for assets and liabilities accounted for at fair value are generally categorized into three types:

- Market approach valuation techniques use prices and other relevant information from market transactions involving identical or comparable

TEXAS PERMANENT SCHOOL FUND NOTES TO THE FINANCIAL STATEMENTS

assets or liabilities. Valuation techniques consistent with the market approach include comparables and matrix pricing. Comparables use market multiples, which might lie in ranges with a different multiple for each comparable. The selection of where within the range the appropriate multiple falls requires judgment, considering both quantitative and qualitative factors specific to the measurement. Matrix pricing is a mathematical technique used principally to value certain securities without relying exclusively on quoted prices for the specific securities, but comparing the securities to benchmark or comparable securities.

- Income approach valuation techniques convert future amounts, such as cash flows or earnings, to a single present amount, or a discounted amount. These techniques rely on current market expectations of future amounts. Examples of income approach valuation techniques include present value techniques; option-pricing models, binomial or lattice models that incorporate present value techniques; and the multi-period excess earnings method.
- Cost approach valuation techniques are based upon the amount that, at present, would be required to replace the service capacity of an asset, or the current replacement cost. That is,

from the perspective of a market participant (seller), the price that would be received for the asset is determined based on the cost to market participant (buyer) to acquire or construct a substitute asset of comparable utility.

The three approaches described above are consistent with generally accepted valuation methodologies. While all three approaches are not applicable to all assets or liabilities accounted for at fair value, where appropriate and possible, one or more valuation techniques may be used. The selection of the valuation method to apply considers the definition of an exit price and the nature of the asset being valued, and significant expertise and judgment is required. For assets accounted for at fair value, the valuation selected is generally the market or income approach.

For the year ended August 31, 2022, the application of valuation techniques applied to similar assets and liabilities has been consistent.

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The following table presents information about the PSF(SBOE) and Liquid(SBOE) assets measured at fair value as of August 31, 2022.

PSF(SBOE)	Level 1	Level 2	Level 3	Total
Domestic Equity Portfolios	\$ 6,945,292,672	\$ -	\$ -	\$ 6,945,292,672
International Equity Portfolio	4,922,668,347	-	-	4,922,668,347
Fixed Income Portfolio				
Asset Backed Securities	-	20,084,149	-	20,084,149
Collateralized Loan Obligations	-	112,601,631	-	112,601,631
Commercial Mortgage Backed Securities	-	54,574,473	-	54,574,473
U.S. Government Agency Commercial Mortgage Backed Securities	-	35,419,341	-	35,419,341
Corporate Obligations	-	1,208,609,386	-	1,208,609,386
Non-Agency Mortgage Backed Securities	-	250,384,686	-	250,384,686
Non-U.S. Government Agency Obligations	-	30,115,203	-	30,115,203
Non-U.S. Government Sovereign Debt	-	63,966,706	-	63,966,706
U.S. Government Agency Obligations	-	97,793,794	-	97,793,794
U.S. Government Agency Mortgage Backed Securities	-	691,467,056	-	691,467,056
U.S. Taxable Municipal Bonds	-	69,682,861	-	69,682,861
U.S. Treasury Securities	1,883,880,394	-	-	1,883,880,394
Subtotal - Fixed Income	1,883,880,394	2,634,699,286	-	4,518,579,680
Real Return - U.S. Treasury TIPS Portfolio				
U.S. Treasury Securities	53,921,875	-	-	53,921,875
U.S. Treasury TIPS	700,574,185	-	-	700,574,185
	754,496,060	-	-	754,496,060
Real Return - Commodities Collateral Portfolio				
U.S. Treasury Securities	73,685,000	-	-	73,685,000
U.S. Treasuries				
U.S. Treasury Securities	1,132,474,531	-	-	1,132,474,531
High Yield Bonds Portfolio				
Corporate Obligations	-	1,037,738,084	-	1,037,738,084
Cash Equivalents				
Short-term Investment Facility	488,105,768	-	-	488,105,768
Total PSF(SBOE) investments by fair value level	\$ 16,200,602,772	\$ 3,672,437,370	\$ -	\$ 19,873,040,142

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TEXAS PERMANENT SCHOOL FUND

NOTES TO THE FINANCIAL STATEMENTS

Liquid(SBOE)	Level 1	Level 2	Level 3	Total
Domestic Equity Portfolios	\$ 2,157,798,809	\$ -	\$ -	\$ 2,157,798,809
International Equity Portfolio	1,216,781,697	-	-	1,216,781,697
Fixed Income Portfolio				
Asset Backed Securities	-	22,633,804	-	22,633,804
Collateralized Loan Obligations	-	15,390,908	-	15,390,908
Commercial Mortgage Backed Securities	-	7,945,890	-	7,945,890
Corporate Obligations	-	222,395,851	-	222,395,851
Non-Agency Mortgage Backed Securities	-	29,099,028	-	29,099,028
Non-U.S. Government Agency Obligations	-	8,798,612	-	8,798,612
U.S. Government Agency Commercial Mortgage Backed Securities	-	4,898,695	-	4,898,695
U.S. Government Agency Mortgage Backed Securities	-	36,592,327	-	36,592,327
U.S. Taxable Municipal Bonds	-	3,760,862	-	3,760,862
U.S. Treasury Securities	364,160,352	-	-	364,160,352
Subtotal - Fixed Income	364,160,352	351,515,977	-	715,676,329
Core Bond Portfolio				
Commercial Mortgage Backed Securities	7,568,417	-	-	7,568,417
Corporate Obligations	120,222,954	-	-	120,222,954
U.S. Government Agency Obligations	20,513,351	-	-	20,513,351
U.S. Government Agency Mortgage Backed Securities	114,913,455	-	-	114,913,455
U.S. Taxable Municipal Bonds	13,800,819	-	-	13,800,819
U.S. Treasury Securities	226,796,954	-	-	226,796,954
Subtotal - Core Bond	503,815,950	-	-	503,815,950
U.S. Treasury TIPS Portfolio				
U.S. Treasury Securities	11,049,022	-	-	11,049,022
U.S. Treasury TIPS	179,794,023	-	-	179,794,023
Subtotal - U.S. Treasury TIPS	190,843,045	-	-	190,843,045
Cash Equivalents				
Short-term Investment Facility	153,560,047	-	-	153,560,047
Total Liquid(SBOE) investments by fair value level	\$ 4,586,959,900	\$ 351,515,977	\$ -	\$ 4,938,475,877
Total Investments Measured by Fair Value Level				
Other Than PSF(SLB) Managed Land				
Endowment and Real Property	\$ 20,787,562,672	\$ 4,023,953,347	\$ -	\$ 24,811,516,019

The Fund utilizes the net asset value (NAV) per share as a method for determining fair value for its investments in absolute return, real estate, private equity, emerging market debt, and emerging market equity. These investments calculate the NAV in accordance with the Financial Accounting Standards Board's measurement principles for investment companies and the Fund does not intend to sell all or a portion of the investments for an amount that is different from the NAV. These investments are exempt from classification within the fair value hierarchy.

The following table presents information about the Fund's PSF(SBOE) managed assets measured at NAV at August 31, 2022.

PSF(SBOE) investments measured at NAV	
Absolute Return Investments	\$ 2,932,294,552
Real Estate Investments	4,365,650,994
Private Equity Investments	7,930,553,075
Private Equity Emerging Manager Investments	13,927,406
Real Estate Emerging Manager Investments	15,950,966
Emerging Market Debt	1,192,325,895
Emerging Market Equity	1,001,213,287
Total PSF(SBOE) investments measured at NAV	\$ 17,451,916,175

TEXAS PERMANENT SCHOOL FUND

NOTES TO THE FINANCIAL STATEMENTS

The following table presents the investments measured at NAV, related unfunded commitments, redemption frequency, redemption notice period, and liquidity expectation.

PSF(SBOE) investments measured at NAV	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice	Liquidity Expectation
Absolute Return Investments					
Credit	\$ 732,833,958	\$ -	Monthly, Quarterly, Semi-Annual, Annual, 2-year, Distribution Provision	48-180 days	(1)
Relative Value	90,619,820	-	Monthly, Quarterly	63-93 days	(2)
Multi-Strategy	888,352,152	-	Quarterly, Semi-Annual, Distribution Provision	60-75 days	(3)
Equity	801,547,820	-	Monthly, Quarterly, Annual, Other, Distribution Provision	34-120 days	(4)
Macro	292,472,550	-	Monthly, Quarterly	60-98 days	(5)
Other	126,468,252	-	None	None	(6)
Real Estate Investments	4,365,650,994	2,311,272,635	None	None	0-15 years (7)
Private Equity Investments					
Large Capital Buy-out	2,068,506,592	445,002,129	None	None	0-15 years (8)
Mid Capital Buy-out	3,275,235,848	1,014,534,913	None	None	0-15 years (8)
Special Situation	884,735,526	577,804,153	None	None	0-15 years (8)
Venture/Growth Capital	1,899,555,553	599,401,979	None	None	0-15 years (8)
Accumulated Incentive Allocation	(197,480,444)	-	None	None	(8)
Emerging Manager Real Estate	15,950,966	133,363,038	None	None	
Emerging Manager Private Equity	13,927,406	285,150,000	None	None	
Emerging Market Debt	1,192,325,895	-	Daily	5 days	
Emerging Market Equity	1,001,213,287	-	Daily	1-3 days	
Total PSF(SBOE) investments measured at NAV	\$17,451,916,175	\$ 5,366,528,847			

- (1) Investment includes fund of funds which have been valued using the NAV per share for the fund. Investments representing 30.8% of the fair value have redemption restrictions that do not allow for redemption during a restricted time period. Investments representing 24.3% of the fair value have certain gate restrictions ranging from 3.8% to 25.0%. The restriction period at August 31, 2022 ranges from September 29, 2022 to May 1, 2024 for these investments. At August 31, 2022, 9.65% of the fair value for absolute return credit was illiquid.
- (2) Investment includes fund of funds which have been valued using the NAV per share for the fund. Investments representing 72.9% of the fair value have redemption restrictions that do not allow for redemption during a restricted time period. Investments representing 72.9% of the fair value have certain gate restrictions ranging from 25.0% to 50.0%. The restriction period at August 31, 2022 ranges from September 29, 2022 to October 28, 2022 for these investments.
- (3) Investment includes fund of funds which have been valued using the NAV per share for the fund. Investments representing 67.8% of the fair value have redemption restrictions that do not allow for redemption during a restricted time period. Investments representing 66.0% of the fair value have certain gate restrictions ranging from 3.0% to 25.0%. The restriction period at August 31, 2022 ranges from October 17, 2022 to January 31, 2024 for these investments. At August 31, 2022, 0.18% of the fair value for absolute return multi-strategy was illiquid.
- (4) Investment includes fund of funds which have been valued using the NAV per share for the fund. Investments representing 43.4% of the fair value have redemption restrictions that do not allow for redemption during a restricted time period. Investments representing 80.0% of the fair value have certain gate restrictions ranging from 10.0% to 33.3%. The restriction period at August 31, 2022 ranges from September 1, 2022 to February 14, 2023 for these investments. At August 31, 2022, 9.0% of the fair value for absolute return equity was illiquid.
- (5) Investment includes fund of funds which have been valued using the NAV per share for the fund. Investments representing 63.6% of the fair value have redemption restrictions that do not allow for redemption during a restricted time period. Investments representing 87.5% of the fair value have certain gate restrictions of 25.0%. The restriction period at August 31, 2022 ranges from September 23, 2022 to November 9, 2022 for these investments. At August 31, 2022, 0.69% of the fair value for absolute return macro was illiquid.
- (6) Investment includes fund of funds which have been valued using the NAV per share for the fund. Investments representing 0.5% of the fair value have redemption restrictions that do not allow for redemption during a restricted time period. At August 31, 2022, 13.36% of the fair value for absolute return other was illiquid.
- (7) Investment includes real estate funds that primarily invest in real estate, including commercial, residential and industrial, and real estate financing. Investments are located in the Americas, Asia, Australia, New Zealand, and Europe. The investments have been valued using the NAV per share for the fund. The majority of these investments are in close end funds and cannot be redeemed. Investments representing 40.18% of the fair value are open ended, and require redemption notice ranging from 0 to 90 days. Investments representing 3.7% of the fair value have lock periods of 24 months. Distributions from each fund will be received as the underlying investments are liquidated. It is expected that the funds will be liquidated over the next 0-15 years.
- (8) Investment includes 4 separate private equity fund-of-funds and direct investments in limited partnerships, each utilizing various strategies as listed. There are no redemption provisions with the investment funds, distributions will be made as the underlying investments are liquidated. The underlying assets are expected to be liquidated over the next 0 -15 years. The underlying investments are within various industries including communications, consumer services, distressed debt, diversified, energy, financial services, government services, healthcare, industrial, manufacturing, software and technology. Also included is the cumulative incentive allocation due to the fund-of-funds managers. This allocation is not allocable to the various investment strategies.

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TEXAS PERMANENT SCHOOL FUND

NOTES TO THE FINANCIAL STATEMENTS

C. Custodial Credit Risk for Deposits

The custodial credit risk for deposits is the risk that in the event of bank failure, the Fund's deposits may not be recovered. Except for the requirement to invest cash daily, the State Constitution, applicable statutes, and the Fund's investment policies do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits. As of August 31, 2022, there was \$3,408,972 of PSF(SBOE) and Liquid(SBOE) uninsured and uncollateralized cash in bank subject to custodial credit risk. This cash in bank balance represents the U.S. dollar equivalent of amounts held in foreign currencies and cash received but not yet invested. It is for trades for which settlement is pending, dividend payments that are awaiting repatriation, and cash invested overnight at the Fund's custodial bank. The remaining PSF(SLB) balance of \$717,151 is uninsured and uncollateralized cash in bank subject to custodial credit risk. This represents the PSF(SLB) cash portion of a tenancy in common development project and other limited partnership development projects.

Most of the cash managed by the PSF(SBOE) and the Liquid(SBOE) is deposited in the State Treasury in an external investment pool managed by the Texas Comptroller of Public Accounts (CPA). The CPA invests in authorized investments consistent with applicable law and the CPA investment policy. The CPA pools funds for investment purposes and allocates investment earnings on pooled funds proportionately among the various state agencies whose funds are so pooled. Currently, most pooled funds are invested in repurchase agreements, reverse repurchase agreements, obligations of the United States and its agencies and instrumentalities, and fully collateralized deposits in authorized state depositories. All investments are marked to market daily, using an external pricing service. The State Treasury deposits are not subject to custodial risk because the State Treasury has an arrangement with financial institutions to collateralize state deposits in excess of depository insurance.

The cash attributable to the PSF(SLB) real assets investment portfolio is deposited in the State Treasury and invested as described in the preceding paragraph; therefore, those deposits are not exposed to custodial credit risk.

D. Custodial Credit Risk for Investments (PSF(SBOE) and Liquid(SBOE))

The custodial credit risk for investments is the risk that in the event of a failure of the counterparty, the Fund will not be able to recover the value of the investment or securities held as collateral that are in the possession of an outside party. PSF(SBOE) and Liquid(SBOE) investments are registered in the name of the Fund or are registered in the nominee name of the Bank of New York Mellon Corporation and held in the name of the Fund at the Bank of New York Mellon Corporation. PSF(SBOE) and Liquid(SBOE) investments are not subject to custodial credit risk. However, the invested securities lending collateral detailed below as of August 31, 2022, is subject to custodial credit risk because the collateral is purchased and held by the counterparty. The Bank of New York Mellon Corporation is contracted to serve as both the custodian and the securities lending agent.

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TEXAS PERMANENT SCHOOL FUND NOTES TO THE FINANCIAL STATEMENTS

The Fund measures the fair value of its securities lending program cash collateral by the same methodology described above, as follows:

PSF(SBOE) Invested Securities

Lending Collateral	Cost Basis	Fair Value	Level 1	Level 2	Level 3
Asset Backed Floating Rate Notes	\$ 31,317,512	\$ 31,136,057	\$ -	\$ 31,136,057	\$ -
Corporate Floating Rate Notes	2,012,099,059	2,007,688,454	-	2,007,688,454	-
Repurchase Agreements	289,794,160	289,794,160	-	289,794,160	-
Time Deposits	389,670,000	389,670,000	-	389,670,000	-
Total PSF(SBOE) Securities					
Lending Collateral	<u>\$ 2,722,880,731</u>	<u>\$ 2,718,288,671</u>	<u>\$ -</u>	<u>\$ 2,718,288,671</u>	<u>\$ -</u>

Liquid(SBOE) Invested

Securities Lending Collateral	Cost Basis	Fair Value	Level 1	Level 2	Level 3
Asset Backed Floating Rate Notes	\$ 10,217,002	\$ 10,165,130	\$ -	\$ 10,165,130	\$ -
Certificate of Deposit	8,650,000	8,650,069	-	8,650,069	-
Corporate Floating Rate Notes	725,499,525	725,700,650	-	725,700,650	-
Repurchase Agreements	111,467,568	111,467,568	-	111,467,568	-
Time Deposits	156,160,000	156,160,000	-	156,160,000	-
Total Liquid(SBOE) Securities					
Lending Collateral	<u>\$ 1,011,994,095</u>	<u>\$ 1,012,143,417</u>	<u>\$ -</u>	<u>\$ 1,012,143,417</u>	<u>\$ -</u>

The State Constitution, applicable statutes, and the PSF(SBOE) investment policies do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments, including securities lending collateral investments.

E. Credit Risk for Debt Investments (PSF(SBOE) and Liquid(SBOE))

Credit risk is the risk that an issuer or other counterparty of an investment will not fulfill its obligation to pay interest and repay principal. This is measured by the assignment of a rating by a nationally recognized statistical rating organization (NRSRO).

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The rated debt investments of the PSF(SBOE) and Liquid(SBOE) as of August 31, 2022, are as follows:

- If ratings are comparable between all NRSROs, the S&P rating scale is used to rate the securities.
- On securities with split or different ratings between the NRSROs, the rating indicative of the greatest level of risk is disclosed.
- For purposes of this disclosure, ratings have been aggregated to the base alpha rating.

TEXAS PERMANENT SCHOOL FUND

NOTES TO THE FINANCIAL STATEMENTS

PSF(SBOE) Investment Type	Rating	Rating Service	Fair Value
Asset Backed Securities	AA	Moody's	\$ 4,388,497
Asset Backed Securities	A	S&P	2,150,960
Asset Backed Securities	BBB	S&P	9,293,054
Asset Backed Securities	BBB	Fitch	4,251,638
Total Asset Backed Securities			20,084,149
Collateralized Loan Obligations	AAA	Moody's	4,916,360
Collateralized Loan Obligations	AA	S&P	8,774,474
Collateralized Loan Obligations	AA	Moody's	14,248,912
Collateralized Loan Obligations	A	S&P	19,885,520
Collateralized Loan Obligations	A	Moody's	11,627,818
Collateralized Loan Obligations	BBB	S&P	8,942,237
Collateralized Loan Obligations	BBB	Fitch	4,685,206
Collateralized Loan Obligations	Baa	Moody's	39,521,104
Total Collateralized Loan Obligations			112,601,631
Commercial Mortgage Backed Obligations	AAA	S&P	6,813,333
Commercial Mortgage Backed Obligations	A	S&P	12,644,515
Commercial Mortgage Backed Obligations	A	Moody's	7,444,798
Commercial Mortgage Backed Obligations	BBB	S&P	4,750,315
Commercial Mortgage Backed Obligations	BBB	Fitch	22,921,512
Total Commercial Mortgage Backed Obligations			54,574,473
Corporate Obligations	AA	S&P	59,234,483
Corporate Obligations	AA	Fitch	8,005,648
Corporate Obligations	AA	Moody's	5,719,540
Corporate Obligations	A	S&P	233,662,827
Corporate Obligations	A	Fitch	3,841,523
Corporate Obligations	A	Moody's	47,283,946
Corporate Obligations	BBB	S&P	628,046,278
Corporate Obligations	BBB	Fitch	104,003,709
Corporate Obligations	BB	S&P	219,369,059
Corporate Obligations	BB	Fitch	35,813,649
Corporate Obligations	C	S&P	245,660
Corporate Obligations	C	Fitch	2,993,834
Corporate Obligations	B	S&P	270,088,396
Corporate Obligations	B	Fitch	1,848,091
Corporate Obligations	B	Moody's	241,242,921
Corporate Obligations	Ba	Moody's	160,524,197
Corporate Obligations	Caa	Moody's	48,071,885
Corporate Obligations	CCC	S&P	39,056,393
Corporate Obligations	CCC	Fitch	1,152,288
Corporate Obligations	Ca	Moody's	744,247
Corporate Obligations	Baa	Moody's	132,811,522
Total Corporate Obligations			2,243,760,096
Non Agency Mortgage Backed Securities	AAA	S&P	12,351,065
Non Agency Mortgage Backed Securities	AAA	Fitch	17,534,265
Non Agency Mortgage Backed Securities	AAA	Moody's	78,908,104
Non Agency Mortgage Backed Securities	AA	S&P	13,793,487
Non Agency Mortgage Backed Securities	AA	Fitch	6,581,629
Non Agency Mortgage Backed Securities	AA	Moody's	47,131,771
Non Agency Mortgage Backed Securities	A	Fitch	29,417,301
Non Agency Mortgage Backed Securities	A	Moody's	10,840,646
Non Agency Mortgage Backed Securities	BBB	Fitch	27,387,443
Non Agency Mortgage Backed Securities	Baa	Moody's	6,438,975
Total Non Agency Mortgage Backed Securities			250,384,686
Non U.S. Government Agency Obligations	AAA	S&P	9,716,275
Non U.S. Government Agency Obligations	AA	S&P	5,029,242
Non U.S. Government Agency Obligations	AA	Fitch	1,908,323
Non U.S. Government Agency Obligations	A	Fitch	7,380,990
Non U.S. Government Agency Obligations	BBB	S&P	3,681,738
Non U.S. Government Agency Obligations	B	Moody's	2,398,635
Total Non U.S. Government Agency Obligations			30,115,203
Non-U.S. Government Sovereign Debt	AA	S&P	5,095,050
Non-U.S. Government Sovereign Debt	AA	Fitch	5,738,908
Non-U.S. Government Sovereign Debt	A	Fitch	4,887,500
Non-U.S. Government Sovereign Debt	BBB	S&P	4,502,500
Non-U.S. Government Sovereign Debt	BBB	Fitch	27,006,545
Non-U.S. Government Sovereign Debt	BB	S&P	16,736,203
Total Non-U.S. Government Sovereign Debt			63,966,706
U.S. Government Agency Commercial Mortgage Backed Securities	AAA	Fitch	8,914,333
U.S. Government Agency Commercial Mortgage Backed Securities	AA	S&P	23,187,058
U.S. Government Agency Commercial Mortgage Backed Securities	BBB	Fitch	3,317,950
Total U.S. Government Agency Commercial Mortgage Backed Securities			35,419,341
U.S. Government Agency Obligations	AA	S&P	97,793,794
Total U.S. Government Agency Obligations			97,793,794
U.S. Government Agency Mortgage Backed Securities	AA	S&P	691,467,056
Total U.S. Government Agency Mortgage Backed Securities			691,467,056

PSF(SBOE) Investment Type	Rating	Rating Service	Fair Value
U.S. Taxable Municipal Bonds	AAA	S&P	12,671,501
U.S. Taxable Municipal Bonds	AA	S&P	16,034,883
U.S. Taxable Municipal Bonds	AA	Fitch	12,728,048
U.S. Taxable Municipal Bonds	AA	Moody's	19,502,465
U.S. Taxable Municipal Bonds	A	Fitch	3,730,811
U.S. Taxable Municipal Bonds	A	Moody's	5,015,153
Total U.S. Taxable Municipal Bonds			69,682,861
U.S. Treasury Inflation Protected Securities	AA	S&P	700,574,185
Total U.S. Treasury Inflation Protected Securities			700,574,185
U.S. Treasury Securities	AA	S&P	3,143,961,800
Total U.S. Treasury Securities			3,143,961,800
Total Credit Risk Rated Debt Securities			\$ 7,514,385,981
Corporate Obligations	Withdrawn Rating		2,587,374
Total PSF(SBOE) Fixed Income			\$ 7,516,973,355

Liquid(SBOE) Investment Type	Rating	Rating Service	Fair Value
Asset Backed Securities	AAA	Fitch	\$ 2,972,031
Asset Backed Securities	AA	S&P	1,847,629
Asset Backed Securities	AA	Moody's	6,652,865
Asset Backed Securities	A	S&P	7,683,217
Asset Backed Securities	BBB	S&P	1,414,233
Asset Backed Securities	BBB	Fitch	2,063,829
Total Asset Backed Securities			22,633,804
Collateralized Loan Obligations	AAA	Moody's	7,600,650
Collateralized Loan Obligations	AA	S&P	7,790,258
Total Collateralized Loan Obligations			15,390,908
Commercial Mortgage Backed Obligations	AAA	S&P	5,343,937
Commercial Mortgage Backed Obligations	AAA	Fitch	614,116
Commercial Mortgage Backed Obligations	AA	S&P	7,568,417
Commercial Mortgage Backed Obligations	AA	Moody's	1,987,837
Total Commercial Mortgage Backed Obligations			15,514,307
Corporate Obligations	AA	S&P	9,435,945
Corporate Obligations	A	S&P	49,422,976
Corporate Obligations	A	Moody's	2,759,384
Corporate Obligations	BBB	S&P	227,787,098
Corporate Obligations	BBB	Fitch	10,035,251
Corporate Obligations	Baa	Moody's	38,388,701
Corporate Obligations	Ba	Moody's	4,789,450
Total Corporate Obligations			342,618,805
Non Agency Mortgage Backed Securities	AAA	Fitch	10,726,714
Non Agency Mortgage Backed Securities	AAA	Moody's	9,364,330
Non Agency Mortgage Backed Securities	AAA	Moody's	9,007,984
Total Non Agency Mortgage Backed Securities			29,099,028
Non U.S. Government Agency Obligations	AA	Fitch	4,999,292
Non U.S. Government Agency Obligations	BBB	S&P	3,799,320
Total Non U.S. Government Agency Obligations			8,798,612
U.S. Government Agency Commercial Mortgage Backed Securities	AA	S&P	4,898,695
Total U.S. Government Agency Commercial Mortgage Backed Securities			4,898,695
U.S. Government Agency Obligations	AA	S&P	20,513,351
Total U.S. Government Agency Obligations			20,513,351
U.S. Government Agency Mortgage Securities	AA	S&P	151,505,782
Total U.S. Government Agency Mortgage Backed Securities			151,505,782
U.S. Taxable Municipal Bonds	AA	S&P	13,800,819
U.S. Taxable Municipal Bonds	A	Fitch	3,760,862
Total U.S. Taxable Municipal Bonds			17,561,681
U.S. Treasury Inflation Protected Securities	AA	S&P	179,794,023
Total U.S. Treasury Inflation Protected Securities			179,794,023
U.S. Treasury Securities	AAA	S&P	226,796,954
U.S. Treasury Securities	AA	S&P	375,209,374
Total U.S. Treasury Securities			602,006,328
Total Liquid(SBOE) Credit Risk Rated Debt Securities			\$ 1,410,335,324

TEXAS PERMANENT SCHOOL FUND

NOTES TO THE FINANCIAL STATEMENTS

F. Credit Risk for Invested Securities Lending Collateral (PSF(SBOE) and Liquid(SBOE))

The following presents the rated investments of the cash collateral as of August 31, 2022. The investment policy of the PSF(SBOE) defines the various permissible collateral investments including required ratings, at the time of purchase. Negotiable certificates of deposit drawn on certain prescribed banks, commercial paper, asset backed commercial paper, and short term corporate debt other than commercial paper must carry a "Tier 1" rating, defined as the highest short-term rating category by S&P, Moody's or Fitch. Asset backed securities shall be rated Aaa or AAA by Moody's and S&P, respectively. Reverse repurchase agreements must have a counterparty rated Tier 1 and the underlying collateral shall be Tier 1 if the security is a short term security and at least Aa2 Moody's/AA S&P or better if the collateral is corporate debt (other than commercial paper). Foreign sovereign debt issued by a foreign government rated Aa2 Moody's/AA S&P or better is permissible collateral. For purposes of this disclosure, ratings have been aggregated to the base alpha rating.

PSF(SBOE) Investment Type	Rating	Rating Service	Fair Value
Asset Backed Floating Rate Notes	AAA	S&P	\$ 317,302
Asset Backed Floating Rate Notes	AAA	Fitch	30,818,755
Total Asset Backed Floating Rate Notes			31,136,057
Floating Rate Notes	AA	S&P	374,999,255
Floating Rate Notes	A	S&P	1,017,368,480
Floating Rate Notes	A	Fitch	446,261,177
Floating Rate Notes	A-1	S&P	145,671,613
Floating Rate Notes	BBB	Fitch	23,387,929
Total Floating Rate Notes			2,007,688,454
Repurchase Agreements	Not Rated		289,794,160
Total Repurchase Agreements			289,794,160
Time Deposits	A-1	S&P	197,580,000
Time Deposits	F1	Fitch	130,750,000
Time Deposits	P-1	Moody's	61,340,000
Total Time Deposits			389,670,000
Total PSF(SBOE) Investments			\$ 2,718,288,671

Liquid(SBOE) Investment Type	Rating	Rating Service	Fair Value
Asset Backed Floating Rate Notes	AAA	S&P	\$ 1,515,995
Asset Backed Floating Rate Notes	AAA	Fitch	8,649,135
Total Asset Backed Floating Rate Notes			10,165,130
Certificate of Deposit	A-1	S&P	8,650,069
Total Certificate of Deposit			8,650,069
Floating Rate Notes	AA	S&P	135,184,118
Floating Rate Notes	A	S&P	371,856,189
Floating Rate Notes	A	Fitch	156,797,778
Floating Rate Notes	A-1	S&P	55,462,897
Floating Rate Notes	BBB	Fitch	6,399,668
Total Floating Rate Notes			725,700,650
Repurchase Agreements	Not Rated		111,467,568
Total Repurchase Agreements			111,467,568
Time Deposit	A-1	S&P	77,890,000
Time Deposit	F1	Fitch	53,500,000
Time Deposit	P-1	Moody's	24,770,000
Total Time Deposit			156,160,000
Total Liquid(SBOE) Investments			\$ 1,012,143,417

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TEXAS PERMANENT SCHOOL FUND NOTES TO THE FINANCIAL STATEMENTS

G. Interest Rate Risk for Debt Investments (PSF(SBOE) and Liquid(SBOE))

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of the investment. Duration is a measure of the price sensitivity of a debt investment to changes arising from movements in interest rates.

Duration is the weighted average maturity of an instrument's cash flows, where the present value of the cash flows serves as the weights. The duration of an instrument can be calculated by first multiplying the time until receipt of cash flow by the ratio of the present value of that cash flow to the instrument's total present value. The sum of these weighted time periods is the duration of the instrument. Effective duration extends this analysis to incorporate an option adjusted measure of an instrument's sensitivity to changes in interest rates. The SBOE approved Investment Procedures Manual mandates the average duration of the following portfolios be consistent with the following indices:

- Core Fixed Income – Bloomberg U.S. Aggregate Bond Index
- High Yield Bonds – Bloomberg U.S. Corporate High Yield 2% Issuer Capped Index
- U.S. Treasuries – Bloomberg U.S. Long Treasury Total Return
- Real Return (TIPS) – Bloomberg U.S. Treasury: U.S. TIPS Index
- Emerging Market Debt – JPM GBI-EM Global Diversified Index
- Liquid Core Fixed Income – Bloomberg U.S. Aggregate Bond Index
- Liquid TIPS – Bloomberg U.S. Treasury: U.S. TIPS Index
- Liquid Short Duration Fixed Income – Bloomberg U.S. 1-3 Year Aggregate Total Return

As of August 31, 2022, the Bloomberg U.S. Aggregate Bond index duration is 6.36 years, the Bloomberg U.S. Corporate High Yield 2% Issuer Capped Index is 4.06, the Bloomberg U.S. Long Treasury Total Return index duration is 16.97, the Bloomberg U.S. TIPS Index duration is 5.54 years, the JPM GBI-EM Global Diversified Index duration is 4.96 years, and the Bloomberg U.S. 1-3 Year Aggregate Total Return index duration is 1.91 years.

Investments by investment type, fair value, and the effective weighted duration rate as of August 31,

2022, are as follows for the Core Fixed Income, High Yield Bonds, U.S. Treasuries, Real Return, Emerging Market Debt, Liquid Core Fixed Income, Liquid TIPS, and Liquid Short Duration Fixed Income portfolios:

		Effective Weighted Duration Years
PSF(SBOE) Investment Type		
	Fair Value	
Asset Backed Securities	\$ 20,084,149	3.025
Collateralized Loan Obligations	112,601,631	0.058
Commercial Mortgage Backed Securities	54,574,473	4.355
U.S. Government Agency Commercial		
Mortgage Backed Securities	35,419,341	2.807
Corporate Obligations	1,208,609,386	7.655
Non-Agency Mortgage Backed Securities	250,384,686	8.733
Non-U.S. Government Agency Obligations	30,115,203	3.030
Non-U.S. Government Sovereign Debt	63,966,706	7.127
U.S. Government Agency Obligations	97,793,794	5.808
U.S. Government Agency Mortgage		
Backed Securities	691,467,056	6.839
U.S. Taxable Municipal Bonds	69,682,861	7.333
U.S. Treasury Securities	1,883,880,394	6.595
Total PSF(SBOE) Fixed Income Portfolio	\$ 4,518,579,680	6.777
Real Return - U.S. Treasury TIPS Portfolio		
U.S. Treasury Securities	\$ 53,921,875	11.110
U.S. Treasury TIPS	700,574,185	5.804
Total Real Return - U.S. Treasury TIPS Portfolio	\$ 754,496,060	6.183
Real Return Commodities		
U.S. Treasury Securities	\$ 73,685,000	0.600
U.S. Treasuries Portfolio		
U.S. Treasury Securities	\$ 1,132,474,531	16.829
High Yield Bonds Portfolio		
Chisos 1	\$ 521,900,388	4.427
Chisos 2	515,837,696	4.494
Total High Yield Bonds Portfolio	\$ 1,037,738,084	4.460
Emerging Market Debt Portfolio	\$ 1,192,325,895	5.060
Liquid(SBOE) Investment Type		
	Fair Value	Effective Weighted Duration Years
Asset Backed Securities	\$ 22,633,804	2.536
Collateralized Loan Obligations	15,390,908	0.094
Commercial Mortgage Backed Securities	7,945,890	2.088
Corporate Obligations	222,395,851	2.331
Non-Agency Mortgage Backed Securities	29,099,028	7.960
Non-U.S. Government Agency Obligations	8,798,612	1.027
U.S. Government Agency Commercial		
Mortgage Backed Securities	4,898,695	11.046
U.S. Government Agency Mortgage Backed		
Securities	36,592,327	7.374
U.S. Taxable Municipal Bonds	3,760,862	0.823
U.S. Treasury Securities	364,160,352	0.906
Total Liquid(SBOE) Fixed Income Portfolio	\$ 715,676,329	2.084
Core Bond Portfolio		
Commercial Mortgage Backed Securities	\$ 7,568,417	4.567
Corporate Obligations	120,222,954	7.457
U.S. Government Agency Obligations	20,513,351	3.528
U.S. Government Agency Mortgage Backed		
Securities	114,913,455	6.193
U.S. Taxable Municipal Bonds	13,800,819	8.398
U.S. Treasury Securities	226,796,954	5.870
Total Core Bond Portfolio	\$ 503,815,950	6.277
U.S. Treasury TIPS Portfolio		
U.S. Treasury Securities	11,049,022	6.847
U.S. Treasury TIPS	179,794,023	6.205
Total U.S. Treasury TIPS	\$ 190,843,045	6.242

TEXAS PERMANENT SCHOOL FUND

NOTES TO THE FINANCIAL STATEMENTS

H. Interest Rate Risk for Invested Securities Lending Collateral (PSF(SBOE) and Liquid(SBOE))

The following provides information about the interest rate risks and maturities associated with invested securities lending collateral by investment type. The PSF(SBOE) investment policy defines the maturities of all permissible securities lending collateral investments. The maximum maturity of invested securities lending collateral is 397 days on fixed rate and 3 years on floating rate securities, except for bank time deposits which is 60 days, bankers acceptances which is 45 days, and reverse repurchase agreements which is 180 days. The maximum weighted average maturity of the entire collateral portfolio must be 180 days or less. The maximum weighted average interest rate exposure of the entire collateral portfolio must be 60 days or less.

PSF(SBOE) Investment Type	Fair Value	Investment Maturities Less Than One Year	Investment Maturities Greater Than One Year
Asset Backed Floating			
Rate Notes	\$ 31,136,057	\$ 317,301	\$ 30,818,756
Corporate Floating Rate Notes	2,007,688,454	2,002,033,522	5,654,932
Repurchase Agreements	289,794,160	289,794,160	-
Time Deposits	389,670,000	389,670,000	-
Total PSF(SBOE)	\$ 2,718,288,671	\$ 2,681,814,983	\$ 36,473,688

Liquid(SBOE) Investment Type	Fair Value	Investment Maturities Less Than One Year	Investment Maturities Greater Than One Year
Asset Backed Floating			
Rate Notes	\$ 10,165,130	\$ 1,515,995	\$ 8,649,135
Certificates of Deposit	8,650,069	8,650,069	-
Corporate Floating Rate Notes	725,700,650	723,773,970	1,926,680
Repurchase Agreements	111,467,568	111,467,568	-
Time Deposits	156,160,000	156,160,000	-
Total Liquid(SBOE)	\$ 1,012,143,417	\$ 1,001,567,602	\$ 10,575,815

I. Concentration of Credit Risk

Concentration of credit risk is the risk of loss due to the magnitude of the Fund's investment in a single issuer. The investment policies of the PSF(SBOE) and the Liquid(SBOE) preclude engaging in any purchase transaction after which the cumulative fair value of equity securities, fixed income securities, or cash equivalent securities of a single corporation (excluding the U. S. government or its agencies) exceeds 2.5% of the PSF(SBOE) and the Liquid(SBOE) total fair value or 5.0% of the manager's total portfolio fair value.

As of August 31, 2022, the PSF(SBOE) and Liquid(SBOE) were not exposed to any credit risk exceeding parameters described in the preceding paragraph.

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J. Investments with Fair Values That Are Highly Sensitive to Interest Rate Changes (PSF(SBOE) and Liquid(SBOE))

In accordance with PSF(SBOE) and Liquid(SBOE) investment policies, the PSF(SBOE) and Liquid(SBOE) may invest in asset-backed and mortgage-backed obligations. The PSF(SBOE) and Liquid(SBOE) may also invest in investments that have floating rates with periodic changes in market rates, zero coupon bonds, and stripped U.S. Treasury and Agency securities created from coupon securities. As of August 31, 2022, the PSF(SBOE) and Liquid(SBOE) held investments that are highly sensitive to interest rate changes.

Mortgage-backed obligations are subject to early principal payment in a period of declining interest rates. These securities also tend to increase in duration as interest rates rise. The resultant reduction or extension in expected cash flows will affect the fair value of these securities. As of August 31, 2022, these securities in PSF(SBOE) and Liquid(SBOE) totaled \$1,232,863,368.

Collateralized loan obligations are asset-backed securities backed by the receivables on leveraged business loans and are similar to collateralized mortgage obligations. The investor receives scheduled debt payments from the underlying loans but assumes most of the risk in the event that borrowers default. The securities held are in low duration tranches to mitigate default risk but are still subject to this risk. As of August 31, 2022, these securities in PSF(SBOE) totaled \$127,992,539.

Asset-backed obligations are backed by home equity loans, auto loans, equipment loans, and credit card receivables. Pre-payments by the obligees of the underlying assets in periods of declining interest rates could reduce or eliminate the stream of income that would have been received. Conversely, rising interest rates could extend the stream of income that would have been received. As of August 31, 2022, these securities in PSF(SBOE) and Liquid(SBOE) totaled \$42,717,953.

K. Foreign Currency Risk for Deposits and Investments (PSF(SBOE) and Liquid(SBOE))

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of a deposit or an investment. Exposure to foreign currency risk as of August 31, 2022, is as follows:

TEXAS PERMANENT SCHOOL FUND

NOTES TO THE FINANCIAL STATEMENTS

PSF(SBOE) Deposits		Amount	Liquid(SBOE) Deposits		Amount
Currency			Currency		
Australian Dollar	\$	190,428	Australian Dollar	\$	177,796
Brazil Real		1,983,768	Brazil Real		521,725
Canadian Dollar		396,806	Canadian Dollar		75,593
Chilean Peso		8,103	Chilean Peso		320
Chinese Yuan Renminbi		1,068,649	Chinese Yuan Renminbi		186,688
Danish Krone		(12)	Colombian Peso		281
Euro Currency Unit		505,479	Danish Krone		15,025
Hong Kong Dollar		903,134	Euro Currency Unit		260,672
Hungarian Forint		69,400	Hong Kong Dollar		36,494
Indonesian Rupiah		143,501	Hungarian Forint		14
Israeli Shekel		445,650	Indonesian Rupiah		36,802
Japanese Yen		1,328,121	Israeli Shekel		4,552
Malaysian Ringgit		66,791	Japanese Yen		22,491
Mexican Peso		365,943	Malaysian Ringgit		38,109
Moroccan Dirham		1	Mexican Peso		7,062
New Taiwan Dollar		2,145,200	New Taiwan Dollar		709,445
New Zealand Dollar		18,711	New Zealand Dollar		1,049
Philippines Peso		93,737	Norwegian Krone		130,157
Polish Zloty		38,779	Philippines Peso		430
Pound Sterling		1,092,682	Polish Zloty		1
Qatari Riyal		179,810	Pound Sterling		294,764
Russian Ruble (New)		2	Qatari Riyal		2
Singapore Dollar		44,671	Russian Ruble (New)		4,398
South African Rand		150,067	Saudi Arabia Riyal		36
South Korean Won		91,906	Singapore Dollar		25,717
Swedish Krona		331,011	South African Rand		7
Swiss Franc		1,085,998	South Korean Won		46,826
Thailand Baht		8,236	Swedish Krona		283,378
Turkish Lira		559,280	Swiss Franc		124,467
UAE Dirham		146,750	Thailand Baht		35,670
Total PSF(SBOE) Deposits			Turkish Lira		67,413
Subject to Foreign Currency Risk	\$	<u>13,462,602</u>	UAE Dirham		<u>11,867</u>
			Total Liquid(SBOE) Deposits		
			Subject to Foreign Currency Risk	\$	<u>3,119,251</u>

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TEXAS PERMANENT SCHOOL FUND

NOTES TO THE FINANCIAL STATEMENTS

PSF(SBOE)		Alternative	
Investments in Equity Securities	International Equity	Investments	Fair Value
Currency			
Australian Dollar	\$ 237,415,330	\$ 56,855,986	\$ 294,271,316
Brazil Real	77,790,749	-	77,790,749
Canadian Dollar	402,783,844	-	402,783,844
Chilean Peso	7,333,932	-	7,333,932
Chinese Yuan Renminbi	77,388,173	-	77,388,173
Colombian Peso	2,908,884	-	2,908,884
Czech Koruna	2,064,827	-	2,064,827
Danish Krone	82,446,186	-	82,446,186
Egyptian Pound	976,708	-	976,708
Euro Currency Unit	930,410,486	507,631,636	1,438,042,122
Hong Kong Dollar	426,606,218	-	426,606,218
Hungarian Forint	2,364,870	-	2,364,870
Indonesian Rupiah	27,133,538	-	27,133,538
Israeli Shekel	16,085,603	-	16,085,603
Japanese Yen	702,587,669	-	702,587,669
Malaysian Ringgit	22,135,309	-	22,135,309
Mexican Peso	30,967,857	-	30,967,857
New Taiwan Dollar	214,209,793	-	214,209,793
New Zealand Dollar	7,305,706	-	7,305,706
Norwegian Krone	26,015,307	-	26,015,307
Philippines Peso	12,239,997	-	12,239,997
Polish Zloty	7,729,215	-	7,729,215
Pound Sterling	489,733,834	230,749,819	720,483,653
Qatari Riyal	18,214,509	-	18,214,509
Russian Ruble (New)	3,587	-	3,587
Saudi Arabia Riyal	63,184,117	-	63,184,117
Singapore Dollar	40,848,117	-	40,848,117
South African Rand	49,614,648	-	49,614,648
South Korean Won	169,215,160	-	169,215,160
Swedish Krona	102,088,677	-	102,088,677
Swiss Franc	318,911,741	-	318,911,741
Thailand Baht	30,671,613	-	30,671,613
Turkish Lira	4,745,193	-	4,745,193
UAE Dirham	20,482,233	-	20,482,233
Total PSF(SBOE) Securities			
Subject to Foreign Currency Risk			
	<u>\$ 4,624,613,630</u>	<u>\$ 795,237,441</u>	<u>\$ 5,419,851,071</u>

Liquid (SBOE)	
Investments in Equity Securities	Fair Value
Currency	
Australian Dollar	\$ 59,675,122
Brazil Real	19,387,330
Canadian Dollar	99,361,776
Chilean Peso	1,752,997
Chinese Yuan Renminbi	19,087,931
Colombian Peso	307,187
Czech Koruna	496,291
Danish Krone	20,933,838
Egyptian Pound	78,435
Euro Currency Unit	229,830,831
Hong Kong Dollar	109,675,324
Hungarian Forint	747,812
Indonesian Rupiah	7,533,833
Israeli Shekel	4,551,864
Japanese Yen	173,582,764
Malaysian Ringgit	5,598,800
Mexican Peso	7,755,785
New Taiwan Dollar	52,739,819
New Zealand Dollar	1,933,351
Norwegian Krone	5,961,254
Philippines Peso	2,853,474
Polish Zloty	1,834,596
Pound Sterling	119,764,466
Qatari Riyal	4,845,491
Saudi Arabia Riyal	17,138,071
Singapore Dollar	10,447,206
South African Rand	12,410,627
South Korean Won	41,627,165
Swedish Krona	25,662,631
Swiss Franc	78,570,500
Thailand Baht	7,041,364
Turkish Lira	249,919
UAE Dirham	5,325,772
Total Liquid(SBOE) Securities	
Subject to Foreign Currency Risk	
	<u>\$ 1,148,763,626</u>

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The investment policy of the PSF(SBOE) and Liquid(SBOE) allow for international diversification to improve the risk and return characteristics of the PSF(SBOE) and Liquid(SBOE). As such, the PSF(SBOE) and Liquid(SBOE) investments are exposed to foreign currency risk. The investment policy of the PSF(SBOE) and Liquid(SBOE) does not contain legal or policy requirements that limit the exposure to foreign currency risk. With SBOE approval, the Fund is permitted to hedge currency. Hedging currency is a way to limit exposure to foreign currency risk. Currently, foreign currency exchange forward contracts are only executed as part of normal trading of foreign denominated equity securities and real estate and private equity investments; therefore, no hedging occurred.

TEXAS PERMANENT SCHOOL FUND NOTES TO THE FINANCIAL STATEMENTS

3. PSF(SLB) INVESTMENT IN LAND, MINERAL INTERESTS AND REAL ASSETS INVESTMENTS

The Texas Constitution also establishes the authority of the GLO, which is responsible for managing most state-owned lands and minerals and is responsible for protecting the economic future of the Texas Gulf Coast by preserving all vital assets and natural resources from erosion. The GLO administers the land endowment and real assets investments under the direction of the SLB. Before using funds for prescribed purposes, the SLB must determine, using the prudent investor standard, which is the best use of the funds for the intended purpose of the Fund. The PSF(SLB) real assets investments are diversified across the real estate, infrastructure, and energy/minerals sectors.

The historical cost and fair value of PSF(SLB) land, mineral interests, and real assets investments for the year ending August 31, 2022, are included in the following table. Permanent improvements may be included in the costs or fair values of the surface acres, although such improvements are not specifically identified. All acreage totals provided are approximations.

Investment Type	Historical Cost	Fair Value
Investments in Real Assets		
Sovereign Lands ⁽¹⁾	\$ 839,102	\$ 275,115,249
Discretionary Internal Investments ⁽³⁾	141,832,045	271,530,248
Other Lands	37,936,564	153,187,113
Minerals ⁽²⁾	13,436,835	5,622,196,737
Investments with External Managers ⁽⁴⁾	5,432,955,971	6,262,495,352
Total Investments ⁽⁵⁾	\$ 5,627,000,517	\$ 12,584,524,699
Cash in State Treasury ⁽⁶⁾	1,257,476,811	1,257,476,811
Total Investments and Cash in State Treasury	\$ 6,884,477,328	\$ 13,842,001,510
Consisting of the following:		
Noncurrent Investments	5,627,000,517	12,584,524,699
Total Investments, as above	\$ 5,627,000,517	\$ 12,584,524,699

(1) Historical cost of investments at August 31, 2022

(2) Includes an estimated 1,000,000 acres in freshwater rivers.

(3) Includes commercial real estate investments only.

(4) Includes investments in commercial real estate, infrastructure, and energy/minerals.

(5) Includes an estimated 1,747,600 in excess acreage.

(6) Cash in State Treasury is managed by the Treasury Operations Division of the Comptroller of Public Accounts of the state of Texas.

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TEXAS PERMANENT SCHOOL FUND NOTES TO THE FINANCIAL STATEMENTS

The Fund's PSF(SLB) managed assets recorded at fair value have been characterized based upon the fair value hierarchy in accordance with GASB 72 as described in Note 2. The following table presents information about the PSF(SLB) managed assets at fair value as of August 31, 2022.

Investment in Real Assets	Level 1	Level 2	Level 3	Total
Sovereign Lands	\$ -	\$ -	\$ 275,115,249	\$ 275,115,249
Discretionary Internal				
Investments	-	-	271,530,248	271,530,248
Other Lands	-	-	153,187,113	153,187,113
Minerals	-	-	5,622,196,737	5,622,196,737
Total Investments by				
Fair Value Level	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,322,029,347</u>	<u>\$ 6,322,029,347</u>

The Fund utilizes the NAV per share as a method for determining the fair value of its PSF(SLB) managed investments with external investment managers. The following table presents information about the PSF(SLB) managed assets at fair value as of August 31, 2022.

Investments with external investment managers		
Energy		\$ 2,718,559,789
Real Estate		1,921,214,814
Infrastructure		<u>1,622,720,749</u>
Total PSF (SLB) investments		<u><u>\$ 6,262,495,352</u></u>

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice	Liquidity Expectation
Investments with external investment managers					
Energy	\$ 2,718,559,789	\$ 726,931,075	None	None	2-12 years
Real Estate					
Closed-Ended	975,343,867	436,821,631	None	None	2-12 years
Open-Ended	945,870,947	-	Quarterly	45-90 days	2-12 years
Infrastructure	<u>1,622,720,749</u>	<u>778,030,263</u>	None	None	2-12 years
Total Investments measured at NAV	<u><u>\$ 6,262,495,352</u></u>	<u><u>\$ 1,941,782,969</u></u>			

The current surface real property portfolio of the Fund is managed by the PSF(SLB) and consists of 658,016 surface acres valued at \$699,832,609. Of this, 407,382 acres are sovereign lands located primarily in West Texas with a fair value of \$275,115,249 and representing 61.9 percent of the total acreage, but only 39.3 percent of the total value. Some of this property, though marginally suitable, has been leased for grazing and hunting purposes. The remainder, most of which is landlocked, has little value other than for adjacent landowners who wish to increase their holdings. Over time, these properties will likely be sold.

The September 1, 2021, beginning basis for the Fund's consolidated (including joint ventures) land surface portfolio value was \$183,683,486. Contributions of approximately \$526 thousand were

made to ongoing development projects. The basis of the Fund's land surface portfolio at August 31, 2022, was \$180,607,711. In addition to the land surface portfolio, the Fund also owns approximately 12.5 million acres of Relinquishment Act, submerged, free royalty, mineral reserved lands and mineral estates on surface lands representing a basis of \$13,436,835.

Dispositions for the fiscal year ended August 31, 2022, equaled 100.5 acres, resulting in a loss of approximately \$533.6 thousand (based on historical cost).

The fair value of the Fund's interests in oil and gas is determined by using the present value technique of the income approach and is based upon an industry-standard 3P reserve report (i.e. proved, possible, and probable reserves) prepared by a

TEXAS PERMANENT SCHOOL FUND

NOTES TO THE FINANCIAL STATEMENTS

third-party expert, W.D. Von Gonten & Co., a Houston-based petroleum engineering firm. Employing a methodology for estimating reserves that conforms to all standards established by the Society of Petroleum Engineers, the World Petroleum Council, the American Association of Petroleum Geologists, and the Society of Petroleum Evaluation Engineers, Von Gonten estimated future revenues from those estimated reserves and then discounted those estimated future revenues at 10 percent to arrive at a non-risk-adjusted total reserve valuation of \$6,724,956,245.

The properties evaluated for the purposes of this reserve estimate are located throughout Texas and produce from various conventional and unconventional reservoirs. The property set includes approximately 25,815 active Proved Developed Producing (PDP) wells with an estimated discounted future net revenue value of \$4,693,023,580; 266 Proved Undeveloped locations with an estimated discounted future net revenue value of \$595,394,782; 1,275 Probable Undeveloped locations with an estimated discounted future net revenue value of \$956,470,729; 299 gross Possible Undeveloped locations with an estimated discounted future net revenue value of \$286,711,151; and 165 Contingent Resources locations with an estimated discounted future net revenue value of \$193,356,004. With regard to Proved Reserves, there should be at least a 90 percent probability that the quantities actually recovered will equal or exceed the estimate; for Probable Reserves, there should be at least a 50 percent probability that the quantities actually recovered will equal or exceed the estimate; for Possible Reserves, there should be at least a 10 percent probability that the quantities actually recovered will equal or exceed the estimate. Contingent Resources are potentially recoverable but are not currently considered to be commercially recoverable due to one or more contingencies. Hard minerals are not included in the estimate and are not included in the fair value due to their immateriality.

In accordance with CPA Reporting Requirements, the non-risk-adjusted reserve valuation for each component of the total non-risk-adjusted future net revenue value provided by W.D. Von Gonten & Co. is further adjusted by certain mean factors from the 2021 *Annual Survey of Parameters Used in Property Evaluation* report prepared by the Society of Petroleum Evaluation Engineers. Proved Developed and Proved Undeveloped reserves are adjusted using a factor of 1.00; Probable reserves are adjusted using

a factor of 0.31; and Possible reserves are adjusted using a factor of 0.13. Contingent resources are excluded. The risk-adjusted mineral valuation is \$5,622,196,737.

PSF(SLB) is a party to multiple direct single-asset real estate transactions held in its discretionary internally-managed real estate portfolio. A discussion of these transactions can be found in Note 13. The method for determining the fair value of each uses either the income or market approach and Level 3 inputs as described in the previous tables. The fair values are included in Discretionary Internal Investments.

The PSF(SLB) real assets investments include 74 commingled closed-end funds, commingled open-end funds, separate accounts, and co-investment vehicles that invest in private-market real assets transactions across the energy, infrastructure and real assets investment universe. The fair values of these investments have been determined using the NAV per share (or its equivalent) of the Fund's ownership interest in partners' capital. These types of investments generate some income over the lives of the associated partnerships, but are generally illiquid until the underlying assets are liquidated. Except for open-ended funds, most of the partnerships have specific termination dates, and it is expected that a majority of the underlying assets of these partnerships will be liquidated over the next 12 years.

4. LEASES

Texas General Land Office is not party to any long-term lease agreements for financing the purchase of capital assets as of August 31, 2022. Operating leases contain various renewal options, as well as some purchase options, escalation clauses, sublease rentals, and contingent rentals. Leases included as expenditures, expenses, and revenues reported in the financial statements follow the requirements as set forth in GASB Statement No. 87, Leases.

Included in the expenditures or expenses reported in the financial statements are the amounts of rental and interest expenses for leases of buildings used for office and warehouse space. The total amount of outflows of resources recognized from leases for the fiscal year 2022 was \$151,354. Of that amount, \$143,979 was for principal and \$7,375 for interest, respectively. Lease rate factors on all leases range from 0.17% to 3.23%. Future minimum rental and interest expenses having an initial term in excess of one year are presented in the table below.

TEXAS PERMANENT SCHOOL FUND

NOTES TO THE FINANCIAL STATEMENTS

A schedule of estimated future lease payments is presented below in the aggregate and for each of the five succeeding years. The amounts include known lease escalation provisions.

Year Ended August 31	Principal	Interest	Total Future Min Lease Amount
2023	\$ 219,882	\$ 43,590	\$ 263,472
2024	229,966	39,667	269,633
2025	223,888	35,239	259,127
2026	138,541	31,145	169,686
2027 - 2031	791,412	90,223	881,635
2032 - 2036	164,350	2,307	166,657
Totals	<u>\$ 1,768,039</u>	<u>\$ 242,171</u>	<u>\$ 2,010,210</u>

5. STATE ENERGY MARKETING PROGRAM

The State Energy Marketing Program (SEMP) of the SLB is designed to provide additional revenues, or enhancements, to the PSF(SLB) and to provide savings to public customers by offering utility services at a below-market rate. SEMP includes the State Power Program and the State Gas Program. The 79th Legislature authorized the SLB to manage and operate the SEMP Power Program to provide a low-cost solution for government entities to soften the shock of deregulation. Since the original legislation was passed in the 79th legislature, the electric marketplace in Texas has stabilized. During the 86th Legislature, HB2263 was passed and signed into law on May 17, 2019, to gradually phase out the State Power Program over a five-year period and removes PSF(SLB)'s authorization to sell electric power directly to a public retail customer.

The State Gas Program is not affected by HB2263 and continues to provide low-cost natural gas to public retail customers. These customers include public school districts, institutions of higher education, state agencies, military bases, and political subdivisions.

6. DERIVATIVE INSTRUMENTS

The PSF(SBOE) and Liquid(SBOE) enter into futures contracts in their internally managed portfolios to facilitate various trading strategies, primarily as a tool to increase or decrease market exposure to various asset classes, and therefore classifies their futures contracts as investments. The SBOE approved Investment Procedure Manual defines the parameters for investing in futures contracts. The total amount of

a portfolio's financial futures contract obligation should not exceed ten percent (10.0%) of the fair value of the portfolio's total assets. The PSF(SBOE) and Liquid(SBOE) may exceed the ten percent (10.0%) rule during a transition approved by the SBOE. In no instance will the total amount of the contracts be an amount greater than the fair value of a portfolio's cash, receivables and short-term securities.

Upon entering into a futures contract, initial margin deposit requirements are satisfied by segregating specific securities or cash as collateral for the account of the Futures Commission Merchant (FCM) broker. During the period the futures positions are open, the contracts are marked to market daily; that is, they are valued at the close of business each day, and a gain or loss is recorded between the value of the contracts that day and on the previous day. The daily gain or loss is referred to as the daily variation margin which is settled in cash with the broker each morning for the amount of the previous day's mark to market. The PSF(SBOE) and Liquid(SBOE) execute such contracts on major exchanges through major financial institutions and minimize market and credit risk associated with these contracts through the managers' various trading and credit monitoring techniques.

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TEXAS PERMANENT SCHOOL FUND NOTES TO THE FINANCIAL STATEMENTS

As of August 31, 2022, the PSF(SBOE) invested in S&P 500 Index Futures contracts, S&P 400 Index Futures contracts, Interest Rate Futures contracts and various Commodity Futures contracts as detailed below with the FCM:

PSF(SBOE) Portfolio	Futures Contracts	Change in Fair Value	Notional Value
Equity	Domestic stock index futures	\$ (13,492,332)	\$ 143,295,730
Commodity	Commodity futures	130,740,836	647,303,071
International equity	Foreign stock index futures	(7,032,309)	27,093,331
Fixed Income	Interest Rate Futures	10,399	-
Total PSF(SBOE) Futures		\$ 110,226,594	\$ 817,692,132

As of August 31, 2022, the Liquid(SBOE) invested in S&P 500 Index Futures contracts, and S&P 400 Index Futures contracts as detailed below with the FCM:

Liquid(SBOE) Portfolio	Futures Contracts	Change in Fair Value	Notional Value
Equity	Domestic stock index futures	\$ (938,335)	\$ 13,909,535
International equity	Foreign stock index futures	(1,223,845)	6,874,609
Total Liquid(SBOE) Futures		\$ (2,162,180)	\$ 20,784,144

The change in fair value is included in the net increase/(decrease) in fair value of investments on the statement of revenues, expenditures, and changes in fund balance. The futures contracts themselves had no fair value at August 31, 2022. If the FCM failed, the loss that would be recognized at August 31, 2022 in PSF(SBOE) and Liquid(SBOE), would be \$73,695,070 and \$1,373,058, respectively.

Foreign currency balances are not maintained by the Fund except for transactions that occur as part of normal security transactions (i.e., buys, sales and income payment). Foreign currency exchange (FX) contracts are executed by the external investment manager on the same day as security transactions. The investment manager buys or sells the FX contract in the currency native to the security transaction. These foreign exchange contracts hedge against the risk of currency changes between trade and settlement dates. Risks associated with such contracts include movement in the value of the foreign currency related to the U.S. dollar and the ability of the counterparty to perform. For income payments received in other currencies, the custodian bank executes foreign exchange spot contracts to repatriate payments to U.S. dollars on actual income payment date.

As a function of its normal business operations, the GLO, State Energy Marketing Program (SEMP) enters into commodity transactions for the delivery of natural

gas (Gas) and electric power (Power) to Public Retail Customers (PRCs). In addition, SEMP takes a portion of oil royalty entitlements as "Take-in-Kind" (TIK) royalty instead of cash. These transactions meet the definition of derivative instruments per GASB Statement No. 53 (GASB 53), *Accounting and Reporting for Derivative Instruments*. However, GASB 53, Paragraph 14, excludes these transactions from its scope since all such contracts result in physical delivery of the derivative's underlying commodity via normal purchase and sales contracts.

As of August 31, 2022, GLO had outstanding natural gas commitments/open positions with third parties for 9,252,000 million British Thermal Units (MMBtus) valued at \$(28,207,736). Power contracts are priced off the Electricity Reliability Council of Texas (ERCOT) grid. The fair value of future cash flows from electric contracts is not reported because the electric service provider (ESP) is responsible for hedging these transactions and GLO simply has a credit risk related to these future cash flows.

The risks associated with these derivative instrument transactions include the following: the SEMP program is exposed to credit risk in the event a gas supplier fails to honor its obligation or if the ESP fails to deliver electricity per the terms of the contract. The ESP provides collateral in form of an irrevocable letter of credit to protect for Power sales.

SEMP has minimal exposure to risk related to sales because GLO deals exclusively with PRCs and can place a warrant hold on appropriation distributions from the State Comptroller to the PRC to satisfy delinquent obligations. Exposure to termination risk is also minimal, but nonetheless possible because all contracts with PRCs are Interagency or Interlocal Agreements subject to funding by Legislature that can be terminated with 30 days' notice subject to termination provisions. Lastly, market access risk is not prevalent as GLO is backed by the State of Texas' credit rating (thus eliminating potential risk of financial loss due to a deteriorating credit rating).

7. SECURITIES LENDING

The PSF(SBOE) and Liquid(SBOE) are each authorized to conduct separate securities lending programs in accordance with Article 7, Section 5 of the Texas Constitution. The implementation policy for the program is further defined in Texas Administrative Code Title 19, Part 2, Chapter 33. The PSF(SBOE) and Liquid(SBOE), through their securities lending

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agent the Bank of New York Mellon Corporation (Agent), lend securities to certain brokers in exchange for authorized collateral.

Authorized collateral includes cash, government securities, irrevocable letters of credit, and other assets specifically agreed to by the Agent and the SBOE. The PSF(SBOE) and Liquid(SBOE) receive collateral against the loaned securities in an amount of 102.0% of the fair value plus accrued income for domestic corporate securities and 105.0% of the fair value plus accrued income for foreign securities; except in the case of foreign securities denominated and payable in U.S. Dollars, the required percentage is 102.0%. Collateral provided for Reverse Repurchase Agreements is maintained at various percentages depending on the type of security provided as collateral.

The Agent indemnifies the SBOE against losses as a result of the broker's failure to return loaned securities. Securities collateral cannot be pledged or sold unless the borrower defaults. All securities within the PSF(SBOE) and Liquid(SBOE) portfolios are available to be loaned to brokers based on market demand. The contract does not restrict the total aggregate value of loaned securities outstanding at any one time and loans are made to a specific list of brokers. The PSF(SBOE) and Liquid(SBOE) have the option to set a maximum aggregate loan limit for each broker.

As defined by the lending agreement, the length of maturities permitted for loans are clearly selected, defined, and approved by the lender. Loans made in this program can be terminated on demand by either party and are considered to have a one-day maturity, although cash collateral is invested in securities having longer maturities. As of August 31, 2022, the PSF(SBOE) and Liquid(SBOE) invested cash collateral have a weighted average maturity of 2 days and 1 day, respectively, to reset date.

During the fiscal year ending August 31, 2022, the Agent did not experience any losses on securities lending activity as a result of borrower defaults. Additionally, since there were no losses related to borrower defaults in the fiscal year ending August 31, 2021, no losses were recovered in the fiscal year ending August 31, 2022.

Certain assets held in the invested cash collateral pool of the PSF(SBOE) securities lending program experienced a permanent impairment as of

September 30, 2008. The original cost basis of these permanently impaired assets totaled \$104,953,800. Partial cash recoveries since impairment have reduced the amortized cost to \$71,717,706. Beginning in April 2013, all Fund earnings from the securities lending program have been directed to further reduce the amortized cost. At fiscal year-end, these assets remain in the cash collateral pool at an amortized cost of \$4,755,174; however, the estimated fair value is \$0 as of August 31, 2022.

As of August 31, 2022, the fair value of securities on loan to brokers equaled \$2,634,057,977 for the PSF(SBOE) and \$999,504,427 for the Liquid(SBOE) against non-cash collateral with a fair value of \$66,782,798 for the PSF(SBOE) and \$41,071,189 for the Liquid(SBOE). Invested cash collateral with a cost basis of \$2,722,880,731 for the PSF(SBOE) and \$1,011,994,095 for the Liquid(SBOE) and a fair value of \$2,718,288,671 for the PSF(SBOE) and \$1,012,143,417 for the Liquid(SBOE). Non-cash collateral received for securities lending activities is not recorded as an asset because the underlying investments remain under the control of the borrower, except in the event of default.

At fiscal year-end, the Fund does not have a credit risk associated with the securities lending program, because the Fund owes the borrowers a total of \$2,710,003,119 for the PSF(SBOE) and \$1,031,244,935 for the Liquid(SBOE) in non-cash and cash collateral while the borrowers owe securities back to the Fund with a fair value of \$2,634,057,977 and \$999,504,427, respectively.

Income is earned in two ways from loaning securities. If the broker provides cash collateral, income is earned by investing the cash collateral, and the broker is compensated with a "rebate," an interest rate paid on the cash collateral given. If the investment of cash collateral fails to provide enough income to pay the rebate, the program and its Agent share the difference based on the agreed upon earnings split. During the year ended August 31, 2022, income generated from the investment of cash collateral was sufficient to compensate the lender. If the broker provides securities or letters of credit as collateral for the securities lent, it pays a negotiated lender fee. Additionally, in certain market conditions, the broker may actually pay a fee or receive a negative rebate on cash collateral. Net income generated from securities lending transactions is then split between the program and the securities lending agent.

TEXAS PERMANENT SCHOOL FUND NOTES TO THE FINANCIAL STATEMENTS

For fiscal year ended August 31, 2022, securities lending revenue totaled \$6,875,141 for PSF(SBOE) and \$2,268,380 for Liquid(SBOE), expenditures for bank fees and other adjustments totaled \$1,031,020 for PSF(SBOE) and \$340,093 for Liquid(SBOE), while net securities lending income totaled \$5,844,121 for PSF(SBOE) and \$1,928,287 for Liquid(SBOE).

8. DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources relate primarily to interest and dividends measurable at year-end and due to the PSF(SBOE) and Liquid(SBOE), but which are not available within sixty days subsequent of year-end for satisfaction of current liabilities.

9. FUND BALANCE

The PSF fund balance has been classified on the face of the balance sheet in accordance with GASB 54, which establishes criteria for classifying fund balances into specifically defined classifications detailed above in Note 1.D., and clarifies definitions for governmental fund types.

Article VII of the Texas Constitution describes the Fund as a permanent school fund set apart for the support of public schools, and specifically describes how the Fund may be spent. In accordance with the permanent nature of the Fund, the entirety of the fund balance is classified as nonspendable, except for those items the Texas Constitution explicitly allows to be spent from the Fund, which are classified as restricted since all Fund spending must be in support of public free schools. The items for which the Fund may be spent are transfers to the Available School Fund, expenses of managing the Fundland and investments, and guaranteed bond payments in the event of default. Since the legislature makes appropriations on a biennial basis, the unexpended appropriation for the biennial period is reflected as restricted. Transfers to the Available School Fund are approved annually by the State Board of Education, so the annual transfer amount for the next period is reflected as restricted.

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Based on these Constitutional provisions, fund balance as of August 31, 2022 is classified as follows:

	PSF(SBOE)	Liquid(SBOE)	PSF(SLB)	Total
Nonspendable				
Fund Balance	\$ 36,161,877,421	\$ 4,944,539,067	\$ 13,918,822,454	\$ 55,025,238,942 (1)
Restricted Fund Balance				
Appropriated Expenditures	35,435,370	-	19,280,935	54,716,305 (2)
Transfer to the ASF	1,730,707,798	-	-	1,730,707,798 (3)
Bond Defaults	-	-	-	- (4)
Total Restricted				
Fund Balance	1,766,143,168	-	19,280,935	1,785,424,103
Total Fund Balance at August 31, 2022	\$ 37,928,020,589	\$ 4,944,539,067	\$ 13,938,103,389	\$ 56,810,663,045

The Constitutional authority citation is:

- (1) Texas Constitution, Article 7, Sec. 2
- (2) Texas Constitution, Article 7, Sec. 5.(a)
- (3) Texas Constitution, Article 7, Sec. 5.(b)
- (4) Texas Constitution, Article 7, Sec. 5.(d)

The Texas Constitution, Article 7, Sec. 5.(g), allows the General Land Office to transfer at its sole discretion up to \$600 million each year from revenue derived during that year from the land or properties to the Available School Fund. Accordingly, since any such transfers must be made by the measurement date, they are not included as a component of the restricted fund balance classification detailed above.

10. NON-EXCHANGE FINANCIAL GUARANTEES

Bond Guarantee Program

In 1983, the voters of the State approved a constitutional amendment which provides for the guarantee of school district bonds by the Permanent School Fund. This amendment was statutorily codified in the Texas Education Code Title 2, Subtitle I, Chapter 45, Subchapter C. The Guarantee Program is administered by the Commissioner. For eligible bonds, including refunding bonds, school districts apply for guarantee and pay a processing fee of \$1,500. The Commissioner may endorse bonds for guarantee only after investigating the accreditation and financial viability of the applying school district. If the school district is considered viable and the bonds are approved by the State of Texas Attorney General, then the guarantee is endorsed at a zero premium charge to the district. In the event of a default by a school district, and upon proper notice to the Commissioner, the PSF will transfer to the Paying Agent/Registrar an amount necessary to pay the maturing or matured principal and/or interest. Upon receipt of funds for payment of such principal or interest, the Paying Agent/Registrar must pay the amount due and forward the canceled Bond or evidence of payment of the interest to the CPA. The

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Commissioner will instruct the CPA to withhold the amount paid, plus interest, from the first State money payable to the school district. The amount withheld will be deposited to the credit of the PSF. To date, no school districts have ever defaulted on their guaranteed bonded indebtedness.

In 2011, the 82nd Texas Legislature enacted Senate Bill 1, Chapter 4, section 59.01 which established the Charter District Bond Guarantee Program as a new component of the Bond Guarantee Program, and authorized the use of the PSF to guarantee revenue bonds issued by or for the benefit of certain open-enrollment charter schools that are designated as "charter districts" by the Commissioner. Charter district applicants are subject to the same application fee structure as described above for school districts. Upon meeting certain statutory eligibility requirements and approval by the Commissioner, bonds properly issued by a charter district participating in the Program are fully guaranteed by the corpus of the PSF. Implementation of the Charter District Bond Guarantee Program was deferred pending receipt of guidance from the Internal Revenue Service, which was received in September 2013, and the establishment of regulations to govern the program, which were published for public comment in December 2013, approved in January 2014, and became effective in March 2014.

Statute requires charter district participants in the Program to contribute a portion of their savings that result from their participation in the Program to a Charter District Bond Guarantee Reserve Fund. This fund is separately managed by TEA. In the event of a default by a charter district, the Commissioner shall instruct the CPA to transfer from the Charter District Bond Guarantee Reserve Fund to the district's paying agent the amount necessary to pay the maturing or matured principal and/or interest. If funds in the Charter District Bond Guarantee Reserve Fund are insufficient to pay the amount due on a bond in default, the payment process followed is the same as for school districts. As with school districts, no charter districts have defaulted on their guaranteed bonded indebtedness.

The Internal Revenue Service issued Notice 2010-5 on December 16, 2009 stating that it intended to propose regulations to replace the previous federal law limit on the Guarantee program capacity to be no more than five times the cost value of the PSF on that date. Section 4 of the Notice states that it may be relied on for bonds issued after December 16, 2009.

The Notice was codified by Internal Revenue Code 1.148-11(d)(1)(F) on July 18, 2016.

The 80th Texas Legislature adopted a change in the state law limit, amending Section 45.053 of the Texas Education Code to allow the SBOE to increase the guarantee capacity up to five times the cost value of the PSF, provided that the Board determines that any increase will still allow school district bonds to receive the highest rating. Effective March 29, 2018, the SBOE authorized capacity multiplier for the State Capacity Limit was adjusted to 3.50 times the cost value of the Fund, including the portion managed by the SLB.

As of August 31, 2022, the capacity of the Guarantee Program was \$117,318,653,038 under Federal law and \$148,789,725,175 under State law. Total outstanding bonds guaranteed by the PSF under this program totaled \$103,239,495,929 at August 31, 2022; of that, \$99,528,099,929 was for school district guarantees (867 school districts) and \$3,711,396,000 was for charter district guarantees (31 charter districts). These dollar amounts represent the outstanding principal amount of the bonds issued. They do not reflect any subsequent accretions in value for the compound interest bonds (zero coupon bonds), nor do they include interest on current interest bonds or variable rate notes. The balances also exclude bonds that have been refunded and released from the Bond Guarantee Program. The balance of bonds guaranteed under the program does not exceed the calculated capacity of the program as of August 31, 2022.

Guarantees extend through the maturity dates of the bonds. As of August 31, 2022, the total principal debt guaranteed on bond issues was \$103,239,495,929, the expected interest to be paid out over the remaining life of those bond issues was \$53,585,731,406, and the final maturity is scheduled to occur in the year 2062.

As of August 31, 2022, no financial liability to the PSF has been recorded in relation to the Fund's obligation to stand ready to perform over the term of the guarantee. The guarantee functions as a liquidity facility and an intercept program that carries very little risk to the PSF. The guarantee is offered at a nominal cost to a school district or charter district that properly applies, receives endorsement by the Commissioner, and has its bonds approved by the State of Texas Attorney General.

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11. CONTINGENCIES

A. Bond Guarantee Program

As described by Note 10. in greater detail, the TEA administers a Bond Guarantee Program for qualified school districts and charter districts who choose to participate. The purpose of the Program is to ultimately reduce borrowing costs for participating districts by increasing their credit rating through association with the Program. The TEA, through the PSF, commits to payment of the next scheduled principal or interest payment on behalf of a participating district in the event of that district's default.

B. Pending Litigation

As of August 31, 2022, certain lawsuits were pending against the state and/or the Commissioner of the GLO, which challenge the Fund's title to certain real property or past mineral income from that property. The following lawsuits are pending and may represent contingent liabilities:

Ballard Exploration Co. Inc., v. George P. Bush, et al.

Protest suit appealing a Final Audit Billing Notice involving five State Leases. Petition filed May 13, 2021; answered June 14, 2021. Discovery is in progress; trial reset for December 5, 2022. The probability of liability is reasonably possible. The possible final amount of loss is indeterminable at this time.

Edwin Arnaud, Inc. v. Bush, as GLO Land Commissioner

Trespass to try title lawsuit filed against Commissioner Bush seeking judgment for title to and possession of Orange County property Plaintiff claims became submerged as a result of subsidence caused by oil and gas production. Petition filed July 7, 2022; answered August 8, 2022. The probability of liability is possible. The possible final amount of loss is indeterminable at this time.

Fleming v. Bush, in his Capacity as Texas Land Commissioner

Plaintiff seeks judgment for title to and possession of identified real property in Nueces County, as well as declarations 1) that the title claimed by Land Commissioner Bush, if any, is invalid and 2) establishing property boundaries. Petition filed July 18, 2018; Answer and jurisdictional plea filed August 17, 2018. Jurisdictional plea/summary judgment motion filed January 15, 2019. On February 4, 2019,

Fleming filed an amended petition and a jurisdictional plea/summary judgment response; Commissioner's reply filed February 8, 2019; hearing held February 11, 2019 and motion taken under advisement. The probability of liability is remote. The possible final amount of loss is indeterminable at this time.

GLO v. Pearl Resources LLC

The GLO filed an adversary proceeding seeking a declaratory judgment that subject matter Scheduled Leases terminated by operation of law (lack of drilling operations) prior to the bankruptcy petition date and therefore do not constitute estate property. Petition filed May 28, 2020; Pearl answered/ counterclaimed on June 29, 2020 and amended same on September 29, 2020. Status conference held and scheduling order signed on June 10, 2021; amended Motion to Amend briefed in full, heard and granted on October 22, 2021. Amended answer briefed in full as of January 7, 2022; status conference hearing held February 7, 2022. Following a failed mediation, Pearl filed a motion to dismiss/withdraw document, a motion to strike and an objection to the GLO's motion to dismiss on April 25, 2022, to which the GLO filed a response on May 2, 2022 and objections on May 16, 2022. Hearing held June 28, 2022; pending motions to dismiss/strike taken under advisement. The probability of liability is possible. The possible final amount of loss is indeterminable at this time.

Lone Oak Club, LLC v. Jerry Patterson, et al.

Plaintiff filed a trespass to try title suit, asserting ownership to certain property involving the tidally influenced boundary in Chambers County, and alleging that the Commissioner, through ultra vires acts, has wrongfully asserted jurisdiction, title and right to possession and control over watercourses or navigable streams on said properties; has been encouraging the general public to commit trespass and hunt without consent on the properties and streambeds and has unreasonably interfered with Plaintiff's rights to possession, use, control and quiet enjoyment. Plaintiff seeks title and possession of the disputed property, pre-and post-judgment interest and reasonable attorney's fees. Lone Oak's Motion to Retain was granted November 19, 2015. On April 14, 2016, Plaintiff filed a motion to substitute counsel and subsequently substituted Commissioner Bush for Patterson and non-suited all other remaining Defendants. Rule 166 Conference held June 30, 2016: claims related to all, but one tract severed and abated. On October 26, 2016, the court granted Lone Oak's summary judgment motion, denying the Commissioner's motion. Judgment entered January 26, 2017, following hearing on same.

TEXAS PERMANENT SCHOOL FUND NOTES TO THE FINANCIAL STATEMENTS

GLO noticed appeal on February 24, 2017; assigned to 1st Court of Appeals. Briefed in full as of November 22, 2017; submitted on briefs January 30, 2018; affirmed via Opinion issued February 22, 2018. Supreme Court petition filed June 8, 2018; court-requested response filed August 20, 2018; Reply filed November 5, 2018. Merits briefing requested: fully briefed on merits as of May 20, 2019; submitted September 17, 2019 post-oral argument. Opinion issued April 24, 2020 reversing summary judgment in favor of Lone Oak and remanding for further district court proceedings; mandate issued July 8, 2020; trial to be set for February 2023. The probability of liability is reasonably possible. The possible final amount of loss is indeterminable at this time.

Porretto v. Galveston Park Board of Trustees, et al. (In re: Sonya Porretto)

The agency and Commissioner Bush have been named in an adversary proceeding in the longstanding Porretto bankruptcy; however, the Original Complaint and Application for Writ of Mandamus pertains to property long-since abandoned by the Chapter 7 Trustee. Original Complaint filed June 25, 2021; GLO Motion to Dismiss filed August 13, 2021; Debtor/Plaintiff Objection filed September 3, 2021; hearing held December 7, 2021; transferred to federal district court; TRO denied via telephonic hearing on March 2, 2022. Order staying discovery signed and entered March 31, 2022; by extension, renewed motions to dismiss briefed in full as of June 14, 2022. The probability of liability is remote. The possible final amount of loss is indeterminable at this time.

Signal Drilling, LLC, et al. v. New-Tex Operating, LLC, et al.

Plaintiff sued for injunctive relief and compensation for alleged interest in oil, gas, and mineral leases. Answer filed October 26, 2015. On December 4, 2015, New-Tex Defendants filed a First Amended Answer and a Second Amended Counterclaim. On December 24, 2015, Signal propounded discovery on the agency and filed a Second Amended Petition and Applications for Receivership and Injunctive Relief, in which Jaten Oil Company is also named as a Plaintiff and multiple causes of action are alleged as against the GLO and Commissioner Bush. On January 15, 2016, the GLO filed its First Amended Answer/Jurisdictional Plea. On March 21, 2016, the court granted without hearing an opposed motion for continuance on the GLO's plea hearing, previously reset for March 23, 2016. On April 19, 2016, the agency filed a First Amended Motion for Protective Order in response to Signal's attempt to serve a second set of discovery requests; GLO's plea

hearing reset for June 8, 2016. On June 7, 2016, the court signed an order as to Signal's nonsuit without prejudice of all claims against the GLO and Commissioner Bush. On September 8, 2016, the GLO filed its jurisdictional plea as to Jaten/Riparia claims, noticing a hearing for October 19, 2016. On September 29, 2016, Signal filed a motion for partial summary judgment as against the New-Tex Defendants, also to be heard October 19, 2016. On October 13, 2016, the court signed an order on Jaten/Riparia's nonsuit without prejudice of all claims against the State, the GLO and Commissioner Bush, removing all State Defendants from the litigation and mooted the need for the October 19th jurisdictional plea hearing. On November 22, 2016, the New-Tex Defendants filed a motion to dismiss (absence of the State as an indispensable party) and a partial summary judgment motion for a declaration that the subject Jaten Top Lease is void as violative of the rule against perpetuities. On December 8, 2016, Signal filed a Third Amended Petition, naming Ponderosa Operating, LLC and Ponderosa Energy, LLC as defendants, to which New-Tex allegedly assigned its (subject) leasehold interest effective as of May 1, 2016. Ponderosa Energy filed its answer on December 26, 2016, denying property ownership and arguing indispensability of the State as necessary party. On January 26, 2017, Ponderosa Operating, LLC filed a plea in abatement. On February 21, 2017, Signal filed its First Supplemental Petition and Application for Declaratory Relief, seeking in part to bring the State and Commissioner Bush back into the litigation (not seeking "to (re)assert affirmative claims for relief against the [GLO], but rather merely add them ... as a necessary and indispensable party"); and Ponderosa Operating, LLC filed an amended plea in abatement. Signal served its supplemental petition on the Commissioner and the agency on March 16, 2017; answer due April 10, 2017. On March 30, 2017, Signal filed a Motion for Modification of Temporary Injunction Order, noticing a hearing for April 5, 2017. The GLO filed its answer early, including a jurisdictional plea for which a motion to shorten time was also filed to have it heard contemporaneously; however, the court continued the plea, allowing for limited jurisdictional discovery in the interim and dissolved the prior injunction between Signal and New-Tex, the former of which entered into a new agreement as to timelines by when assignee Ponderosa is to timely deposit royalties into the court registry. GLO plea heard September 12, 2017; continuance granted as to Plaintiffs' partial summary judgment motions previously set for late September. GLO plea denied October 12, 2017; interlocutory appeal briefed in full as of March 26, 2018; argued

TEXAS PERMANENT SCHOOL FUND NOTES TO THE FINANCIAL STATEMENTS

September 12, 2018. On March 27, 2019, Riemer plaintiff Hap Johnson Royalty Co., LLC filed a plea in intervention, notwithstanding that the Signal Drilling lawsuit is currently stayed given the pending interlocutory appeal. By opinion issued October 30, 2019, the 7th Court of Appeals affirmed the denial of the GLO's jurisdictional plea. By extensions, briefed in full at the Supreme Court as of November 13, 2020; petition denied December 11, 2020; mandate issued January 26, 2021. Status conference held July 21, 2021: advisories and objections to HAP Johnson's plea in intervention filed August 20, 2021. Status conference held April 20, 2022: motions to strike the intervention heard and taken under advisement; intervention struck by letter opinion dated June 1, 2022. The probability of liability is reasonably possible. The possible final amount of loss is indeterminable at this time.

State v. Riemer

State alleged unlawful fencing of the Canadian Riverbed below Sanford Dam; Riemer filed multiple counterclaims. Trial court denied the State's plea to the jurisdiction. Appellate court reversed, ordering the trial court to dismiss all claims against the State except Riemer's claim to the surface of the two tracts as well as select takings claims of other parties who sought class certification. On December 30, 2009, the trial court denied class certification, a decision affirmed on appeal in May 2011. Counter-Plaintiffs filed a petition for review with the Texas Supreme Court, which held that the trial court abused its discretion and reversed and remanded the matter to the Seventh Court of Appeals to address the remaining contested class certification requirements. Appellate oral arguments were held on November 4, 2013. In an opinion issued November 26, 2014, the 7th Court affirmed the denial of class certification. On January 9, 2015, Riemer filed a petition for review with the Texas Supreme Court; the State filed its response on February 9, 2015; and Riemer filed a reply on February 24, 2015. In response to the Court's request for merits briefing (and via extensions granted), Riemer filed on July 1, 2015; the State filed its Response on August 20, 2015 and Riemer filed a Reply on September 25, 2015. On October 23, 2015, the Court denied Riemer's petition. Riemer's motion for rehearing was filed December 7, 2015 and denied January 8, 2016. On February 27, 2017, Riemer filed in district court its 14th Amended Counterclaim and 12th Amended Third Party Petition, as well as motions for partial summary judgment on limitations and navigability. Hearing held May 22, 2017, wherein both Riemer partial summary judgments were granted. On September 20, 2017, Plaintiffs filed a motion to sever (properties – albeit not specifically

identified – west of the Borger-Stinnett Highway from those east); case reassigned to Judge Brancheau, who requested case status briefs. State's plea and Riemer's motion to sever heard November 1, 2017; by letter ruling dated December 2, 2017, the court granted the motion to sever, denied the State's plea outright as to the severed cause (Plaintiffs west of the highway) and granted the plea as to each Defendant of non-constitutional takings claims in the original cause (Plaintiffs east of the highway). Interlocutory appeal briefed in full as of March 27, 2018; argued December 5, 2018. Upon receipt of Railroad Commission letters communicating a contract award to commence plugging operations on Riemer tracts, Riemer filed in the appellate court an emergency motion to lift the automatic stay; briefed in full as of February 12, 2019; denied by order issued February 15, 2019. On March 7, 2019, the 7th Court of Appeals affirmed the trial court's denial of the GLO's jurisdictional plea; mandate issued May 24, 2019. Motion to disqualify Kelly Hart heard September 28, 2021 and denied by order dated October 27, 2021; case stayed pending final disqualification resolution. Mandamus petition briefed in full as of February 17, 2022; argued April 6, 2022; denied May 9, 2022. Via July 14, 2022 supplement to Riemer's 14th Amended Counterclaim/12th Amended 3rd party petition, Plaintiff Hap Johnson Royalty Co. LLC has named and asserted causes of action against Ponderosa entities that are named defendants in the Signal Drilling litigation. Discovery is in progress; trial to be reset to 2023. The probability of liability is reasonably possible. The possible final amount of loss is indeterminable at this time.

West Gulf Marine, Ltd. v. Texas General Land Office & Bush

Plaintiff seeks title determination as to certain submerged properties under Galveston Bay, or alternatively to recover compensation for properties allegedly taken. Petition filed December 7, 2018; answered January 11, 2019; jurisdictional plea filed June 19, 2019; argued August 8, 2019; granted August 14, 2019. West Gulf filed its Notice of Appeal on September 13, 2019; by extensions, briefed in full as of March 4, 2020. Argued and submitted October 22, 2020; affirmed by opinion issued September 30, 2021; Supreme Court Petition filed November 15, 2021; by extension, court-requested response filed March 9, 2022; merits brief filed June 27, 2022; GLO brief filed July 18, 2022. The probability of liability is reasonably possible. The possible final amount of loss is indeterminable at this time.

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12. SIGNIFICANT COMMITMENTS

In November 2020, the SBOE set the distribution rate to the ASF for the 2022-2023 biennium at 4.18%. The PSF(SBOE) will distribute approximately \$1.7 billion annually for each year of the 2022-2023 biennium.

As of August 31, 2022 the SBOE has approved and the Fund made cumulative capital commitments to externally managed real estate investment funds in a total amount of \$7.3 billion and capital commitments to private equity limited partnerships for a total of \$10.1 billion, to be implemented over the next several years. Unfunded commitments at August 31, 2022 totaled \$2.4 billion in real estate investments and \$2.9 billion in private equity investments.

During the fiscal year, new commitments were approved for real estate investment funds in the amount of \$837.3 million, and for private equity limited partnerships in the amount of \$854.8 million. All such commitments are subject to successful negotiation of contracts. Also, new commitments were approved for an Emerging Manager program with investment management services for Real Estate and Private Equity in the amounts of \$150 million and \$300 million, respectively.

The PSF(SLB) makes investments in certain limited partnerships that legally commit it to future capital contributions of which approximately \$1.94 billion remains unfunded as of August 31, 2022.

On August 18, 2020, the SLB adopted a resolution that releases \$875 million from the RESFA during fiscal year 2022 and fiscal year 2023 to the Available School Fund. The funds are released in four quarterly installments of \$103.75 million each on the 25th day (or next succeeding business day if the 25th is not a business day) of November 2021, February 2022, May 2022, August 2022, and four quarterly installments of \$115 million each on the 25th day (or next succeeding business day if the 25th is not a business day) of November 2022, February 2023, May 2023, and August 2023, respectively.

13. RELATED PARTIES

The PSF(SBOE) is the sole member for certain limited liability companies it has elected to establish as vehicles for investments in the absolute return and emerging market equity asset classes. The fair value of the investments held by these vehicles is carried in the balance sheet and more fully discussed in Note 2.

above. During the fiscal year, the PSF(SBOE) transferred \$735.5 million between these investment vehicles and invested \$139.5 million in three of the vehicles. At fiscal year-end, there were no outstanding receivables or payables between the PSF(SBOE) and these investment vehicles, nor were there any outstanding commitments to or from the vehicles.

In accordance with the *Investment Vehicle Guidelines* adopted by the School Land Board in July 2018, the GLO can form and utilize special purpose vehicles (SPVs), such as limited liability companies (LLCs), special purpose corporations (SPCs), and limited partnerships (LPs), to isolate liabilities, limit future funding obligations, avoid submitting to foreign jurisdictions, and to enhance the transferability of an investment. Since the GLO owns 100% of the SPVs, the GLO and the SPVs are related parties; however, there are no transactions between the GLO and the SPVs.

Following is a brief description of each of the currently active SPVs formed by the GLO:

Capitol Co-Investments 6, LLC

On behalf of the State of Texas for the use and benefit of the Permanent School Fund (PSF), the General Land Office has formed a Special Purpose Vehicle (SPV), Capitol Co-Investments 6, LLC (the Company). The Company's purpose is to make, hold and dispose of one or more investments and serve any other lawful purpose for which a limited liability company may be organized under Texas Business Organizations Code. The PSF is the sole member of the Company; hence the GLO, acting on behalf of the PSF, has full authority over the Company's operations. The PSF is entitled to all distributions and GLO, acting on behalf of the PSF, elects when the Company may be dissolved. Upon dissolution, title to all property held by the Company will be transferred to the PSF. As of August 31, 2022, Capitol Co-Investments 6, LLC has a net asset value of \$22,633,394.

Capitol Co-Investments 7, LLC

On behalf of the State of Texas for the use and benefit of the Permanent School Fund, the General Land Office has formed a Special Purpose Vehicle, Capitol Co-Investments 7, LLC (the Company). The Company's purpose is to make, hold and dispose of one or more investments and serve any other lawful purpose for which a limited liability company may be organized under Texas Business Organizations Code. The PSF is the sole member of the Company; hence the GLO, acting on behalf of the PSF, has full authority

TEXAS PERMANENT SCHOOL FUND NOTES TO THE FINANCIAL STATEMENTS

over the Company's operations. The PSF is entitled to all distributions and GLO, acting on behalf of the PSF, elects when the Company may be dissolved. Upon dissolution, title to all property held by the Company will be transferred to the PSF. As of August 31, 2022, Capitol Co-Investments 7, LLC has a net asset value of \$29,358,979.

Capitol Co-Investments 8, LLC

On behalf of the State of Texas for the use and benefit of the Permanent School Fund, the General Land Office has formed a Special Purpose Vehicle, Capitol Co-Investments 8, LLC (the Company). The Company's purpose is to make, hold and dispose of one or more investments and serve any other lawful purpose for which a limited liability company may be organized under Texas Business Organizations Code. The PSF is the sole member of the Company; hence the GLO, acting on behalf of the PSF, has full authority over the Company's operations. The PSF is entitled to all distributions and GLO, acting on behalf of the PSF, elects when the Company may be dissolved. Upon dissolution, title to all property held by the Company will be transferred to the PSF. As of August 31, 2022, Capitol Co-Investments 8, LLC has a net asset value of \$24,943,588.

Capitol Co-Investments 9, LLC

On behalf of the State of Texas for the use and benefit of the Permanent School Fund, the General Land Office has formed a Special Purpose Vehicle, Capitol Co-Investments 9, LLC (the Company). The Company's purpose is to make, hold and dispose of one or more investments and serve any other lawful purpose for which a limited liability company may be organized under Texas Business Organizations Code. The PSF is the sole member of the Company; hence the GLO, acting on behalf of the PSF, has full authority over the Company's operations. The PSF is entitled to all distributions and GLO, acting on behalf of the PSF, elects when the Company may be dissolved. Upon dissolution, title to all property held by the Company will be transferred to the PSF. As of August 31, 2022, Capitol Co-Investments 9, LLC has a net asset value of \$145,000,000.

Capitol Co-Investments 11, LLC

On behalf of the State of Texas for the use and benefit of the Permanent School Fund, the General Land Office has formed a Special Purpose Vehicle, Capitol Co-Investments 11, LLC (the Company). The Company's purpose is to make, hold and dispose of one or more investments and serve any other lawful purpose for which a limited liability company may be

organized under Texas Business Organizations Code. The PSF is the sole member of the Company; hence the GLO, acting on behalf of the PSF, has full authority over the Company's operations. The PSF is entitled to all distributions and GLO, acting on behalf of the PSF, elects when the Company may be dissolved. Upon dissolution, title to all property held by the Company will be transferred to the PSF. As of August 31, 2022, Capitol Co-Investments 11, LLC has a net asset value of \$42,570,041.

Capitol Co-Investments 12, LLC

On behalf of the State of Texas for the use and benefit of the Permanent School Fund, the General Land Office has formed a Special Purpose Vehicle, Capitol Co-Investments 12, LLC (the Company). The Company's purpose is to make, hold and dispose of one or more investments and serve any other lawful purpose for which a limited liability company may be organized under Texas Business Organizations Code. The PSF is the sole member of the Company; hence the GLO, acting on behalf of the PSF, has full authority over the Company's operations. The PSF is entitled to all distributions and GLO, acting on behalf of the PSF, elects when the Company may be dissolved. Upon dissolution, title to all property held by the Company will be transferred to the PSF. As of August 31, 2022, Capitol Co-Investments 12, LLC has a net asset value of \$58,170,717.

Capitol Co-Investments 13, LLC

On behalf of the State of Texas for the use and benefit of the Permanent School Fund, the General Land Office has formed a Special Purpose Vehicle, Capitol Co-Investments 13, LLC (the Company). The Company's purpose is to make, hold and dispose of one or more investments and serve any other lawful purpose for which a limited liability company may be organized under Texas Business Organizations Code. The PSF is the sole member of the Company; hence the GLO, acting on behalf of the PSF, has full authority over the Company's operations. The PSF is entitled to all distributions and GLO, acting on behalf of the PSF, elects when the Company may be dissolved. Upon dissolution, title to all property held by the Company will be transferred to the PSF. As of August 31, 2022, Capitol Co-Investments 13, LLC has a net asset value of \$68,649,135.

Capitol Co-Investments 14, LLC

On behalf of the State of Texas for the use and benefit of the Permanent School Fund, the General Land Office has formed a Special Purpose Vehicle, Capitol Co-Investments 14, LLC (the Company). The

TEXAS PERMANENT SCHOOL FUND

NOTES TO THE FINANCIAL STATEMENTS

Company's purpose is to make, hold and dispose of one or more investments and serve any other lawful purpose for which a limited liability company may be organized under Texas Business Organizations Code. The PSF is the sole member of the Company; hence the GLO, acting on behalf of the PSF, has full authority over the Company's operations. The PSF is entitled to all distributions and GLO, acting on behalf of the PSF, elects when the Company may be dissolved. Upon dissolution, title to all property held by the Company will be transferred to the PSF. As of August 31, 2022, Capitol Co-Investments 14, LLC has a net asset value of \$169,533,661.

Capitol Co-Investments 15, LLC

On behalf of the State of Texas for the use and benefit of the Permanent School Fund, the General Land Office has formed a Special Purpose Vehicle, Capitol Co-Investments 15, LLC (the Company). The Company's purpose is to make, hold and dispose of one or more investments and serve any other lawful purpose for which a limited liability company may be organized under Texas Business Organizations Code. The PSF is the sole member of the Company; hence the GLO, acting on behalf of the PSF, has full authority over the Company's operations. The PSF is entitled to all distributions and GLO, acting on behalf of the PSF, elects when the Company may be dissolved. Upon dissolution, title to all property held by the Company will be transferred to the PSF. As of August 31, 2022, Capitol Co-Investments 15, LLC has a net asset value of \$164,979,000.

Capitol Co-Investments 16, LLC

On behalf of the State of Texas for the use and benefit of the Permanent School Fund, the General Land Office has formed a Special Purpose Vehicle, Capitol Co-Investments 16, LLC (the Company). The Company's purpose is to make, hold and dispose of one or more investments and serve any other lawful purpose for which a limited liability company may be organized under Texas Business Organizations Code. The PSF is the sole member of the Company; hence the GLO, acting on behalf of the PSF, has full authority over the Company's operations. The PSF is entitled to all distributions and GLO, acting on behalf of the PSF, elects when the Company may be dissolved. Upon dissolution, title to all property held by the Company will be transferred to the PSF. The SLB approved a \$75 million increase to its original \$125 million capital commitment to Capitol Co-Investments 16, LLC on July 23, 2019. As of August 31, 2022, Capitol Co-Investments 16, LLC has a net asset value of \$179,900,811.

Capitol Co-Investments 17, LLC

On behalf of the State of Texas for the use and benefit of the Permanent School Fund, the General Land Office has formed a Special Purpose Vehicle, Capitol Co-Investments 17, LLC (the Company). The Company's purpose is to make, hold and dispose of one or more investments and serve any other lawful purpose for which a limited liability company may be organized under Texas Business Organizations Code. The PSF is the sole member of the Company; hence the GLO, acting on behalf of the PSF, has full authority over the Company's operations. The PSF is entitled to all distributions and GLO, acting on behalf of the PSF, elects when the Company may be dissolved. Upon dissolution, title to all property held by the Company will be transferred to the PSF. As of August 31, 2022, Capitol Co-Investments 17, LLC has a net asset value of \$213,357,502.

Capitol Co-Investments 18, LLC

On behalf of the State of Texas for the use and benefit of the Permanent School Fund, the General Land Office has formed a Special Purpose Vehicle, Capitol Co-Investments 18, LLC (the Company). The Company's purpose is to make, hold and dispose of one or more investments and serve any other lawful purpose for which a limited liability company may be organized under Texas Business Organizations Code. The PSF is the sole member of the Company; hence the GLO, acting on behalf of the PSF, has full authority over the Company's operations. The PSF is entitled to all distributions and GLO, acting on behalf of the PSF, elects when the Company may be dissolved. Upon dissolution, title to all property held by the Company will be transferred to the PSF. As of August 31, 2022, Capitol Co-Investments 18, LLC has a net asset value of \$1,766,725.

Tenancy In Common and Joint Ventures

In July 2007, a one-half tenancy in common interest was formed between the School Land Board and Cherokee Sugar Land, LP, for the use and benefit of the Permanent School Fund (PSF). This joint tenancy in common was formed to develop the combined tracts of land over several years. The PSF will pay one-half of the development cost and will participate in one-half of all income. Imperial Johnson, LLC, the development manager, submits an annual budget to the PSF for approval. The majority of the developable land has been sold, developed, or conveyed to the Municipal Utility District for bond revenue.

TEXAS PERMANENT SCHOOL FUND NOTES TO THE FINANCIAL STATEMENTS

In August 2012, Galveston Preserve at West Beach, Ltd., a Texas limited partnership, was formed between MP Marquette Galveston LLC and Marquette Preserve, LP, LLC – both Texas limited liability companies – and the School Land Board for the use and benefit of the Permanent School Fund. The Permanent School Fund contributed 1,031.52 acres to the partnership. The acreage will be used for a mixed use residential/commercial development.

In April 2014, Grand Parkway 1358, LP, a Texas limited partnership, was formed between Johnson GP 1358, LLC and Johnson 1258 Investors LLC – both Texas limited liability companies – and the School Land Board for the use and benefit of the Permanent School Fund (PSF). The development, known as Harvest Green, is a mixed use residential/commercial development located near Sugarland, Texas. The PSF contributed 1,343.679 acres of land to the partnership. The infrastructure for the master planned development began in late 2014, with completion expected by 2022. In fiscal year 2021, a phase II development was created with the acquisition of 620 acres to expand the original master plan.

In May 2017, 290 WR Holdings LP, a Texas limited partnership was formed between Johnson WR Investors LLC, Johnson WR GP LLC, and the School Land Board for the use and benefit of the Permanent School Fund (PSF). The partnership acquired 1,617 acres located in northwest Houston. The property is

planned for a future master-planned community. The general partner obtained a long-term development loan to begin construction in 2022.

14. SUBSEQUENT EVENTS

On June 16, 2021, the Governor signed Senate Bill 1232 (87th Legislature, Regular Session), effective September 1, 2021, allowing management of the Fund's financial investments function to transition from divisions of the TEA and the GLO to the Texas Permanent School Fund Corporation (Corporation), a special-purpose governmental corporation governed by a nine-member Board of Directors, and changes the authority of the SLB after December 31, 2022.

On September 1, 2022, financial support and operations went into production for the Corporation as a stand-alone entity separate from TEA. In November 2022, the SBOE approved transfer of Fund management from the PSF(SBOE) to the Corporation on January 1, 2023, as contemplated by Senate Bill 1232.

15. RESTATEMENTS

For PSF(SLB), a restatement of \$(3,010) was made for the correction of benefit amounts paid by Employee Retirement System (ERS) on PSF(SLB) behalf.

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SECTION THREE

STATISTICAL SUMMARY (UNAUDITED)

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This part of the Fund's Annual Comprehensive Financial Report presents detailed information as a context for understanding what the information in the financial statements and note disclosures says about the Fund's overall financial position.

Contents

A History and Description of the Texas Permanent School Fund

An Overview of the Strength of the Texas Permanent School Fund Assets Managed By the State Board of Education (SBOE), Fiscal Years Ended August 31, 2022 and 2021 (Figure 1)

This figure and schedule present information regarding the diversification of the portfolio of assets in the Texas Permanent School Fund managed by the SBOE.

Asset Allocation Mix-PSF(SBOE), Fiscal Year Ended August 31, 2022 (Figure 2)

This schedule and figure present information regarding the portfolio mix by asset class as a percentage of total assets.

Asset Allocation Mix-Liquid(SBOE), Fiscal Year Ended August 31, 2022 (Figure 3)

This schedule and figure present information regarding the portfolio mix by asset class as a percentage of total assets.

Asset Allocation Mix Including Assets Managed by the School Land Board (SLB), Fiscal Year Ended August 31, 2022 (Figure 4)

This schedule and figure present information regarding the portfolio mix by asset class as a percentage of total assets, including assets managed by the SLB.

PSF(SBOE) and Liquid(SBOE) Rate of Return for Fiscal Year Ended August 31, 2022

Summarizes return highlights for the PSF(SBOE) and Liquid(SBOE)

PSF(SBOE) Rate of Return, Fiscal Year Ended August 31, 2022 (Net of Fees) (Figure 5)

These figures contain information comparing the actual performance of assets of the Fund to benchmarks, using a time weighted rate of return.

PSF(SBOE) Rate of Return, Last Five Fiscal Years (Net of Fees) (Figure 6)

This schedule presents annual composite performance and benchmark data for assets managed over the last five years by the SBOE, net of fees.

PSF(SBOE) Total Time Weighted Returns, Last Five Fiscal Years (Net of Fees) and Selected Cumulative Periods

This schedule presents information containing the time weighted rate of returns, net of fees, for assets managed by the SBOE for the last five fiscal years by asset class and also cumulative for three, five and ten years.

Liquid(SBOE) Rate of Return, Fiscal Year Ended August 31, 2022 (Net of Fees) (Figure 7)

These figures contain information comparing the actual performance of assets of the Fund to benchmarks, using a time weighted rate of return.

Liquid(SBOE) Rate of Return, Last Three Fiscal Years (Net of Fees) (Figure 8)

This schedule presents annual composite performance and benchmark data for assets managed over the current fiscal year by the SBOE, net of fees.

Liquid(SBOE) Total Time Weighted Returns, Last Three Fiscal Years (Net of Fees)

This schedule presents information containing the time weighted rate of returns, net of fees, for assets managed by the SBOE for the current fiscal year by asset class.

Total PSF(SLB) Time Weighted Returns, Selected Cumulative Periods

These schedules present information containing the time weighted rate of returns for assets managed by the SLB for selected cumulative periods.

PSF(SBOE) Investment Management Fees for the 12 Months Ended June 30, 2022

This schedule presents information containing PSF(SBOE) investment management fees and profit sharing paid for the twelve months ended June 30, 2022.

PSF(SLB) Investment Management Fees for the 12 Months Ended August 31, 2022

This schedule presents information containing PSF(SLB) investment management fees for the twelve months ended August 31, 2022.

Contributions to the Texas Permanent School Fund Assets Managed by the SBOE, Last Ten Fiscal Years (Figure 9)

This figure presents information regarding the contributions made by the SLB to PSF(SBOE) for the past ten fiscal years.

Distributions to the Available School Fund (ASF), Last Ten Fiscal Years (Figure 10)

This figure contains information regarding the distributions to the ASF by the SBOE and the SLB for the last ten fiscal years.

Fund Balances, Last Ten Fiscal Years (Figure 11)

This figure provides information regarding the breakdown of fund balances for the last ten fiscal years for comparison.

Changes in Fund Balances, Last Ten Fiscal Years (Figure 12)

This figure provides trend information including a summarized comparison of the net change in fund balances for the last ten fiscal years.

Average Daily Attendance and Contributions to ASF, Last Ten Fiscal Years (Figure 13)

This schedule provides trend information regarding the average daily attendance and distributions to the ASF for the last ten fiscal years in total and per student.

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A HISTORY AND DESCRIPTION OF THE TEXAS PERMANENT SCHOOL FUND

The Texas Permanent School Fund (Fund) was conceived in 1845 when Texas became the 28th state as a perpetual fund to which ten percent of all tax revenue would be devoted. However, the new state had virtually no tax base, so the Fund failed to accumulate any significant deposits. The Fund's initial significant funding was the result of a \$2,000,000 appropriation by the Legislature of 1854 expressly for the benefit of the public schools of Texas. These funds were available as a result of a \$10 million payment from the United States government in exchange for giving up claims to western lands claimed by the former Republic of Texas. In 1854–55, the Fund's first annual per student distribution for public education was 62 cents. By 1861, the Fund was depleted by railroad loan defaults, collapse of the Confederate monetary system, and eventual loan of the Fund to the Civil War effort. The Constitution of 1876 stipulated that certain lands and all proceeds from the sale of these lands should also constitute the Texas Permanent School Fund. Additional Acts later gave more public domain land and rights to the Fund.

In 1953, the U.S. Congress passed the Submerged Lands Acts that relinquished to coastal States all rights of the U.S. navigable waters within State boundaries. Submerged lands were defined to be those lands beneath and beyond three miles of the shoreline. If the State, by law, had set a larger boundary prior to or at the time of admission to the Union, or it had been approved by Congress, then the larger boundary applied. After three years of litigation (1957–1960), the U.S. Supreme Court on May 31, 1960, affirmed Texas' historic three marine leagues (10.35 miles) seaward boundary. Texas proved its submerged lands property rights to three leagues into the Gulf of Mexico by citing historic laws and treaties dating back to 1836. All lands lying within that limit belong to the Fund. The proceeds from the sale and the mineral related rental of these lands, including bonuses, delay rentals, and royalty payments, become the corpus of the Fund.

On November 8, 1983, the voters of the State approved a Constitutional Amendment, which provides for the guarantee of school district bonds by the Fund. On approval by the Commissioner of Education, bonds properly issued by a school district are fully guaranteed by the corpus of the Fund. During 2014, charter district bonds were also included in the Fund's bond guarantee program. The Texas Permanent School Fund has guaranteed over \$236 billion in school bonds since the inception of the

program, resulting in substantial savings to the taxpayers of the State through reduced issuance costs and lower borrowing costs.

Over a large portion of the Fund's history, only the income produced by the Fund was used to complement taxes in financing public education. From 1854 through the 2003 fiscal year, all interest and dividends produced by Fund investments and certain land related income flowed into the Available School Fund (ASF). From the ASF, monies are distributed to the public schools based on average daily student attendance.

On September 13, 2003, the voters of the State of Texas (State) approved a Constitutional Amendment that changed the Fund distribution methodology from an income-based formula to a total return-based formula (2003 Constitutional Amendment). With the approval of the 2003 Constitutional Amendment, interest and dividends produced by fund investments and certain land related revenues are additional revenue to the Fund. Beginning in September 2003 to present, the Fund transfers on a monthly basis a total return amount to the ASF. Revenues earned by the Fund include gains realized on the sale of land and real estate owned by the Fund; lease payments, bonuses and royalty income received from oil, gas and mineral leases; commercial real estate lease revenues; surface lease and easement revenues; revenues from the resale of natural and liquid gas supplies; dividends, interest, and securities lending revenues; the net increase or decrease in the fair value of the investment portfolio and externally managed real assets investment funds; and other miscellaneous fees and income.

The 86th Legislature amended Chapter 51 of the Natural Resources Code (NRC) through the addition of Section 51.414 authorizing establishment of the Permanent Fund Liquid Account (Liquid(SBOE)), into which the PSF(SLB) deposits quarterly from the real estate special fund account (RESFA) funds not required for its anticipated needs for the upcoming 90 days. The Liquid(SBOE) became operational on September 1, 2019. The General Land Office (GLO) made an initial transfer of \$3.9 billion from the RESFA to the Liquid(SBOE) on September 3, 2019. The cumulative transfer from the RESFA to the Liquid(SBOE) was \$5.3 billion as of August 31, 2022. The SBOE invests these funds in liquid assets in the same manner as the investments in the PSF(SBOE).

A HISTORY AND DESCRIPTION OF THE TEXAS PERMANENT SCHOOL FUND

Expenditures are appropriated by the Legislature and are paid from the Fund. They include operational costs, investment management fees, and costs incurred to manage the land endowment and real assets investments.

In making investments, the SBOE is charged with exercising the judgment and care under the circumstances then prevailing which men of ordinary prudence, discretion, and intelligence exercise in the management of their own affairs, not in regard to speculation, but in regard to the permanent disposition of their funds, considering the expected income as well as the probable safety of their capital. The SBOE employs independent firms for advice on investment programs, asset allocation, and performance measurement to assist in the management of the PSF(SBOE) assets. The SBOE may appoint a Committee of Investment Advisors (CIA) to provide independent review of the Fund's investment policies, procedures, and nature of investments.

The CIA advises the SBOE members on investment plans, strategies, and programs. Each member of the SBOE may appoint a single member to the CIA. The CIA members serve at the pleasure of the SBOE member that appointed them.

While many factors impact the decision-making process, the most important factor is the asset allocation strategy. In order to protect the purchasing power of the PSF(SBOE) and the Liquid(SBOE) assets from inflation while maintaining sufficient distribution to support the funding of education in Texas, the SBOE must determine the appropriate balance between expected risk and return as the portfolio is diversified.

The financial marketplace is very dynamic and continuously provides new potential investment opportunities. Working closely with investment staff and investment advisors, the SBOE approved a revised target asset allocation strategy at the June 2022 Board Meeting, which is expected to provide an increased total return at reduced risk. This asset allocation strategy affords the SBOE the opportunity to select from a broad range of investment opportunities, thus creating a more diversified portfolio while continuing to meet the Fund's financial objectives for risk, return, and income. The PSF(SBOE) target asset allocation includes Real Estate investments which are funded and managed separately from the PSF(SLB) Real Assets investments.

Texas law assigns control of the Fund's land, mineral rights, and certain real assets investments to the five-member SLB, which includes the elected Commissioner of the GLO, and four appointees of the Governor. The assets managed by GLO on behalf of the SLB generally fall into three broad categories: (1) discretionary real assets investments, (2) sovereign and other lands, and (3) mineral interests.

In 1985, the SLB, through the GLO, was authorized to use the proceeds of land sales to acquire other interests in real property. In the ensuing years, the SLB's investment authority has been modified and expanded several times. The current investment authority of the SLB is detailed in Section 51 of the NRC. Additionally, Section 51.402 states that the fair value of the investments in real estate on January 1 of each even-numbered year may not exceed an amount that is equal to 15 percent of the fair value of the assets held by the SLB and the State Board of Education.

The 77th Legislature amended the NRC effective September 2001 to allow the SLB to deposit some or all of the proceeds of future mineral leases and royalties generated from existing and future active leases of the Fund's mineral interest into a real estate special fund account (RESFA) at the State Treasury. The 79th Legislature further amended the NRC in 2005 to clarify the purposes for which the RESFA can be used, including adding three additional purposes. For the use and benefit of the Fund, proceeds in the RESFA are to be used by the SLB to acquire, as public school land:

- Land
- Interests in real property for biological, commercial, geological, cultural or recreational purposes
- To acquire mineral and royalty interests
- To protect, maintain, or enhance the value of public school lands
- To acquire interests in real estate
- To pay reasonable fees for professional services related to Fund investments

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A HISTORY AND DESCRIPTION OF THE TEXAS PERMANENT SCHOOL FUND

In 2007, the 80th Legislature again amended Chapter 51 of the NRC with HB 3699, authorizing the SLB and the Land Commissioner to designate funds previously transferred to PSF(SBOE) for deposit into RESFA and to determine whether to release any funds from the RESFA to the PSF(SBOE) or to directly transfer funds to the ASF. HB 3699 also expanded the investment authority of PSF(SLB) to include the following:

- Land
- Interests in real property for biological, commercial, geological, cultural or recreational purposes
- To acquire mineral and royalty interests
- To protect, maintain, or enhance the value of public school lands
- To acquire interests in real estate
- To pay reasonable fees for professional services related to Fund investments
- To acquire, sell, lease, trade, improve, maintain, protect, or use land, mineral royalty interests, or real estate investments, an investment or interest in public infrastructure, or other interests

The legislation became effective June 15, 2007, and was duly implemented by SLB resolution on September 1, 2007. On November 8, 2011, voters approved amendments to the State Constitution that included a change that increases the base amount used in calculating the distribution rate from the PSF(SBOE) to the Available School Fund (ASF), as more fully described in Note 1 to the financial statements.

In 2019, the 86th Legislature amended Section 51.402(c), NRC through HB 4388 and SB 608, clarifying the calculation of the maximum amount of the investments authorized under Section 51.402 (a)(6) and (8). The fair value of the investments in real assets on January 1 of each even numbered year may not exceed an amount that is equal to 15 percent of the fair value of the assets held by the SLB and the State Board of Education.

The SLB's written investment policy statement (Investment Policy) authorizes the investment of money in the RESFA, in externally managed commingled funds and separate accounts, as well as in direct investments that are sourced, executed, and managed internally by the GLO.

The Investment Policy also authorizes an investment advisory committee (IAC) to review potential externally-managed investments and make recommendations to the SLB for the investment of money in the RESFA.

The current IAC is comprised of five members, chaired by the Chief Investment Officer of the GLO. The IAC meets periodically to review potential investments and works in conjunction with the SLB's real assets investment advisor, currently The Townsend Group, to evaluate potential investments and make recommendations to the SLB for the investment of money in the RESFA. Following the formulation of recommendations by the IAC, the chairman of the IAC makes formal presentations and recommendations to the SLB for its consideration and approval.

The SLB's general investment objective is to invest money in the RESFA in land, interests in real estate, mineral or royalty interests, real assets investments, investments or interest in public infrastructure, or other interests, in a manner that seeks to maximize returns within the framework of the prudent investor standard. Given the typical nature of private-markets real assets investments, it is expected that the investment portfolio managed by the SLB will be characterized by a long term investment horizon and will be relatively illiquid.

Money in the RESFA that is awaiting investment by the SLB is currently held in an external investment pool managed by the Texas Comptroller of Public Accounts consistent with applicable law and the CPA investment policy. The CPA pools funds for investment purposes and allocates investment earnings on pooled funds. The CPA invests in authorized investments proportionately among the various state agencies whose funds are so pooled. The approximate size of the pool ranges from \$17 to \$35 billion depending upon seasonal variations in revenues and expenditures. Currently, most pooled funds are invested in the following instruments: repurchase agreements, obligations of the United States and its agencies and instrumentalities, corporate debt, and fully collateralized deposits in authorized state depositories. All investments are marked to market daily using an external financial service.

A HISTORY AND DESCRIPTION OF THE TEXAS PERMANENT SCHOOL FUND

State Street Bank and Trust Company (State Street) provides accounting, performance measurement, and reporting services for the SLB related to its real assets investment portfolio. The cash flow data and net asset values used by State Street to provide its accounting and performance measurement and reporting services, are provided to State Street directly by the SLB's external fund managers with regard to the SLB's externally managed real assets investments.

On June 16, 2021, the 87th Legislature passed and the Governor subsequently signed Senate Bill 1232. The bill allows the Fund's investment function to transition from divisions of the TEA and the GLO to a single, independent governmental corporate structure under

which all Fund investments would be governed by an independent Board of Directors. It also limits the authority of the SLB to manage any financial investments.

In November 2021, the SBOE approved the Permanent School Fund Corporation's certificate of formation. The Corporation was legally formed on December 1, 2021. On September 1, 2022, financial support and operations went into production for the Corporation as a stand-alone entity separate from TEA. In November 2022, the SBOE approved transfer of Fund management from the PSF(SBOE) to the Corporation on January 1, 2023, as contemplated by Senate Bill 1232.

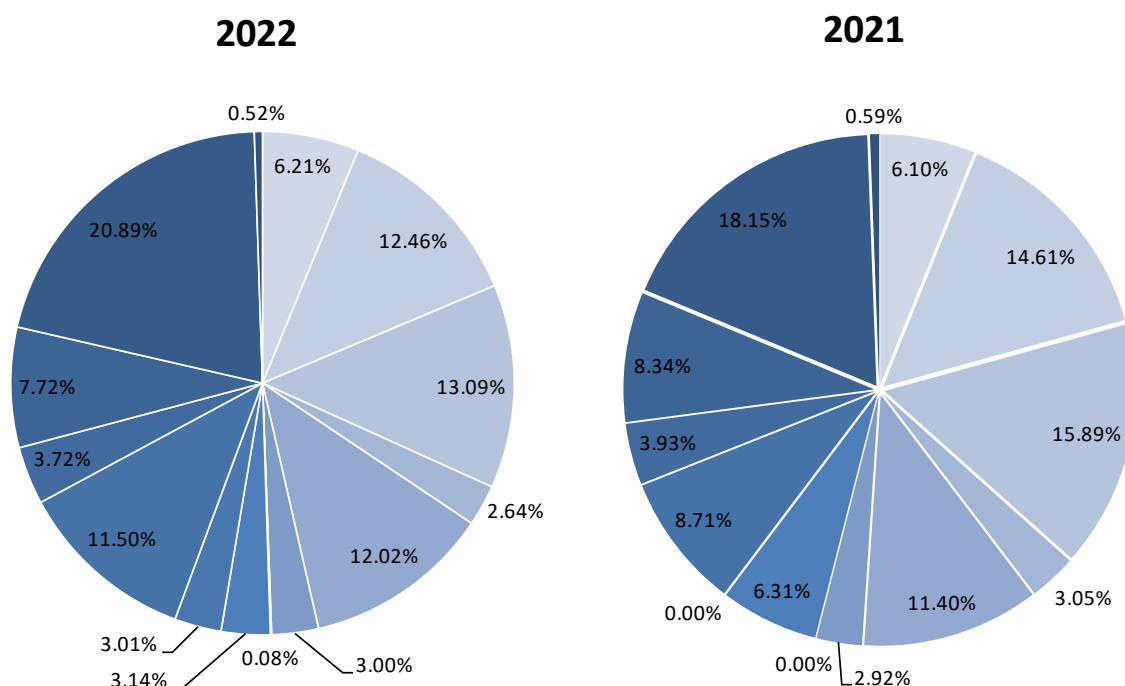
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AN OVERVIEW OF THE STRENGTH OF THE TEXAS PERMANENT SCHOOL FUND ASSETS MANAGED BY THE STATE BOARD OF EDUCATION (SBOE)

Founded in 1845, the SBOE Texas Permanent School Fund (PSF(SBOE)) has grown from its initial significant capitalization of \$2,000,000 to approximately \$38.0 billion as of August 31, 2022. See Figure 1 graph and table below for the portfolio diversification at fair value at August 31, 2022 and 2021.

For comparative purposes the Liquid(SBOE) is excluded from this exhibit.

**FIGURE 1
TEXAS PERMANENT SCHOOL
FUND**



Asset Class	August 31, 2022	Percent	August 31, 2021	Percent
Domestic Small-Mid Cap	\$ 2,358,358,355	6.21%	\$ 2,597,324,274	6.10%
Domestic Large Cap	4,730,448,986	12.46%	6,218,652,601	14.61%
International Equity	4,971,250,897	13.09%	6,764,294,589	15.89%
International Equity - Emerging Markets	1,001,213,287	2.64%	1,297,819,955	3.05%
Domestic Fixed Income	4,563,333,853	12.02%	4,853,093,079	11.40%
U.S. Treasuries	1,140,154,581	3.00%	1,243,316,073	2.92%
Emerging Managers	29,878,397	0.08%	-	-
Emerging Market Debt	1,190,922,058	3.14%	2,683,646,980	6.31%
High Yield	1,142,510,813	3.01%	-	-
Real Estate	4,365,650,953	11.50%	3,706,056,721	8.71%
Real Return	1,412,047,195	3.72%	1,675,447,128	3.93%
Absolute Return	2,932,294,553	7.72%	3,546,052,340	8.34%
Private Equity	7,933,147,257	20.89%	7,724,558,888	18.15%
Unallocated Cash	196,537,246	0.52%	262,939,912	0.59%
Net Investment Balance	<u>\$ 37,967,748,431</u>	<u>100.00%</u>	<u>\$ 42,573,202,540</u>	<u>100.00%</u>

The asset classes include cash that has been allocated to the investment portfolios.

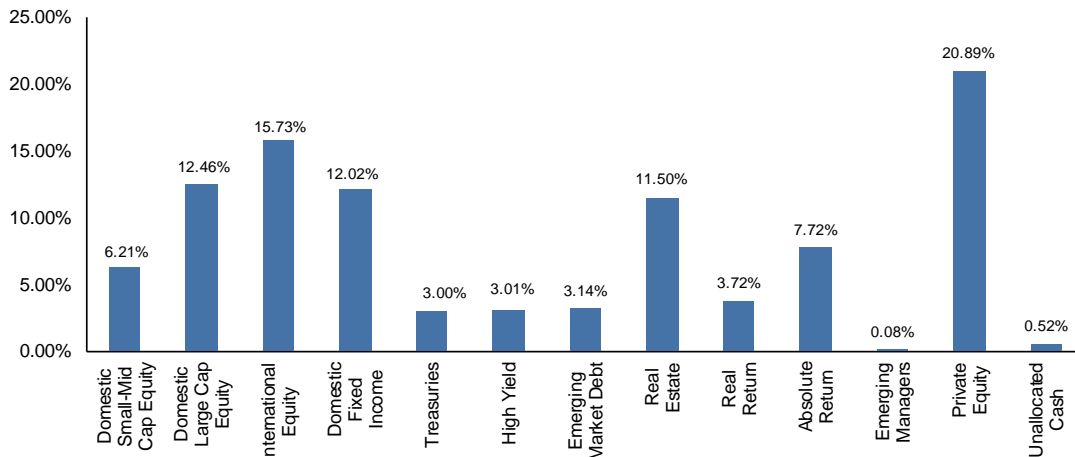
TEXAS PERMANENT SCHOOL FUND
ASSET ALLOCATION Mix-PSF(SBOE)
FISCAL YEAR ENDED AUGUST 31, 2022

ASSET CLASS	Book Value	Mix	Fair Value	Mix
Equity				
Public Market Equity				
Domestic Small-Mid Cap	\$ 1,768,981,277	5.85%	\$ 2,358,358,355	6.21%
Domestic Large Cap	2,126,422,534	7.03%	4,730,448,986	12.46%
Total Domestic Equity	3,895,403,811	12.88%	7,088,807,341	18.67%
Developed and Emerging Market				
International Equity	4,920,027,185	16.26%	5,972,464,184	15.73%
Total Public Market Equity	8,815,430,996	29.14%	13,061,271,525	34.40%
Fixed Income				
Domestic Fixed Income	5,133,820,258	16.97%	4,563,333,853	12.02%
U.S. Treasuries	1,579,083,563	5.22%	1,140,154,581	3.00%
High Yield	1,224,581,798	4.05%	1,142,510,813	3.01%
Emerging Market Debt	1,331,293,219	4.40%	1,190,922,058	3.14%
Total Fixed Income	9,268,778,838	30.64%	8,036,921,305	21.17%
Alternative Investments				
Real Estate	3,267,201,222	10.80%	4,365,650,953	11.50%
Real Return	1,445,057,924	4.78%	1,412,047,195	3.72%
Absolute Return	2,017,350,261	6.67%	2,932,294,553	7.72%
Emerging Managers	29,525,304	0.10%	29,878,397	0.08%
Private Equity	5,218,845,791	17.25%	7,933,147,257	20.89%
Total Alternative Investments	11,977,980,502	39.60%	16,673,018,355	43.91%
Unallocated Cash	196,537,246	0.62%	196,537,246	0.52%
Fund Total	\$ 30,258,727,582	100.00%	\$ 37,967,748,431	100.00%

Notes:

The PSF(SBOE) asset classes include cash that has been allocated to the investment portfolios, as well as receivables and payables related to the particular portfolios. Average current and prior fiscal year-end equity holdings as a percentage of average current and prior fiscal year-end Fund total fair value was 37.17%, and the percentage of the Fund's current fiscal year-end portfolio managed by external managers was 40.37%.

Figure 2:
TEXAS PERMANENT SCHOOL FUND
Asset Allocation Mix
As of August 31, 2022



**TEXAS PERMANENT SCHOOL FUND
ASSET ALLOCATION MIX-LIQUID(SBOE)
FISCAL YEAR ENDED AUGUST 31, 2022**

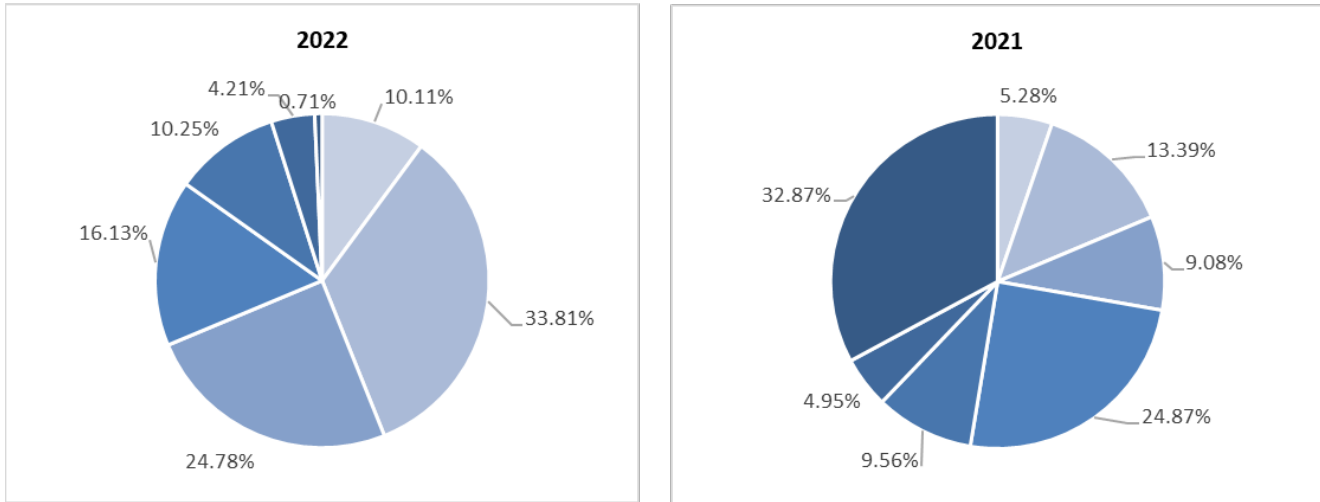
On September 1, 2019, the Permanent School Fund established the Liquid Account (Liquid(SBOE)) as authorized by the Natural Resources Code, Chapter 51, section 51.414 as amended by the 86th Legislature. This statute directs the SLB to deposit cash not required for its immediate needs (or next 90 days) into the Liquid(SBOE). The SBOE is required to invest these funds in liquid assets only and must send cash back to the School Land Board within five business days of a request. Additionally, investment income and realized capital gains from the Liquid(SBOE) may be deposited for investment in the PSF(SBOE) when fair value exceeds net SLB contributions.

Investment Type	Book Value	Fair Value	Income (incl. accruals) Year Ended August 31, 2022	Realized Gains Year Ended August 31, 2022
Equity				
Domestic Small-Mid Cap	\$ 506,345,758	\$ 500,047,943	\$ 5,041,170	\$ 4,224,715
Domestic Large Cap	1,747,327,192	1,671,682,854	18,597,096	2,254
Total Domestic Equity	2,253,672,950	2,171,730,797	23,638,266	4,226,969
International Equity	1,429,393,825	1,225,425,080	28,779,646	(6,102,960)
Total Equity	3,683,066,775	3,397,155,877	52,417,912	(1,875,991)
Fixed Income				
Short Term Fixed Income	837,584,359	797,420,954	10,197,134	(11,066,259)
Core Bonds	580,175,989	506,784,652	7,429,853	(9,287,486)
TIPS	232,128,354	208,214,671	15,297,665	130,213
Total Fixed Income	1,649,888,702	1,512,420,277	32,924,652	(20,223,532)
Cash on Deposit	35,189,663	35,189,663	3,579,811	87
Total	<u>\$ 5,368,145,140</u>	<u>\$ 4,944,765,817</u>	<u>\$ 88,922,375</u>	<u>\$ (22,099,436)</u>

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**TEXAS PERMANENT SCHOOL FUND
ASSET ALLOCATION MIX-LIQUID(SBOE)
FISCAL YEAR ENDED AUGUST 31, 2022**

FIGURE 3:
TEXAS PERMANENT SCHOOL FUND
Portfolio Diversification
Fair Value



Asset Class	August 31, 2022	Percent	August 31, 2021	Percent
Domestic Small-Mid Cap	\$ 500,047,943	10.11%	\$ 228,308,484	5.28%
Domestic Large Cap	1,671,682,854	33.81%	578,628,093	13.39%
International Equity	1,225,425,080	24.78%	392,584,155	9.08%
Short-Term Fixed Income	797,420,954	16.13%	1,074,821,162	24.87%
Core Bonds	506,784,652	10.25%	413,092,826	9.56%
TIPS	208,214,671	4.21%	213,888,991	4.95%
Cash on Deposit	35,189,663	0.71%	1,420,496,052	32.87%
Net Investment Balance	<u>\$ 4,944,765,817</u>	<u>100.00%</u>	<u>\$ 4,321,819,763</u>	<u>100.00%</u>

Note: The Liquid(SBOE) asset classes include cash that has been allocated to the investment portfolios, as well as receivables and payables related to particular portfolios. In accordance with governing statute and administrative rules, \$33,886,287 in income and realized gains was transferred to the PSF(SBOE) during the fiscal year.

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TEXAS PERMANENT SCHOOL FUND
ASSET ALLOCATION MIX INCLUDING ASSETS MANAGED BY THE SLB
AS OF AUGUST 31, 2022

ASSET CLASS	Book Value	Fair Value	Mix
PSF(SBOE)			
Equity			
Public Market Equity			
Domestic Small-Mid Cap Equity	\$ 1,768,981,277	\$ 2,358,358,355	4.15%
Domestic Large Cap Equity	2,126,422,534	4,730,448,986	8.33%
Total Domestic Equity	3,895,403,811	7,088,807,341	12.48%
International Equity	4,920,027,185	5,972,464,184	10.52%
Total Public Market Equity	8,815,430,996	13,061,271,525	23.00%
Fixed Income			
Domestic Fixed Income	5,133,820,258	4,563,333,853	8.04%
U.S. Treasuries	1,579,083,563	1,140,154,581	2.01%
High Yield	1,224,581,798	1,142,510,813	2.01%
Emerging Market Debt	1,331,293,219	1,190,922,058	2.10%
Total Fixed Income	9,268,778,838	8,036,921,305	14.16%
Alternative Investments			
Real Estate	3,267,201,222	4,365,650,953	7.69%
Real Return	1,445,057,924	1,412,047,195	2.49%
Absolute Return	2,017,350,261	2,932,294,553	5.17%
Emerging Managers	29,525,304	29,878,397	0.05%
Private Equity	5,218,845,791	7,933,147,257	13.98%
Total Alternative Investments	11,977,980,502	16,673,018,355	29.38%
Unallocated Cash	196,537,246	196,537,246	0.35%
Liquid(SBOE)			
Equity			
Domestic Small-Mid Cap	506,345,758	500,047,943	0.88%
Domestic Large Cap	1,747,327,192	1,671,682,854	2.95%
Total Domestic Equity	2,253,672,950	2,171,730,797	3.83%
International Equity	1,429,393,825	1,225,425,080	2.16%
Total Equity	3,683,066,775	3,397,155,877	5.99%
Fixed Income			
Short Term Fixed Income	837,584,359	797,420,954	1.41%
Core Bonds	580,175,989	506,784,652	0.89%
TIPS	232,128,354	208,214,671	0.37%
Total Fixed Income	1,649,888,702	1,512,420,277	2.67%
Cash on Deposit	35,189,663	35,189,663	0.06%
PSF(SLB)			
Cash	1,257,476,811	1,257,476,811	2.22%
Land, Real Asset Investments and Minerals			
Sovereign/Other Lands and Discretionary			
Internal Investments	180,607,711	699,832,609	1.23%
Investments with External Managers	5,432,955,971	6,262,495,352	11.03%
Mineral Investments	13,436,835	5,622,196,737	9.91%
Total Land, Real Assets, Minerals, and Equities	5,627,000,517	12,584,524,698	22.17%
FUND TOTAL	\$ 42,511,350,050	\$ 56,754,515,757	100.00%

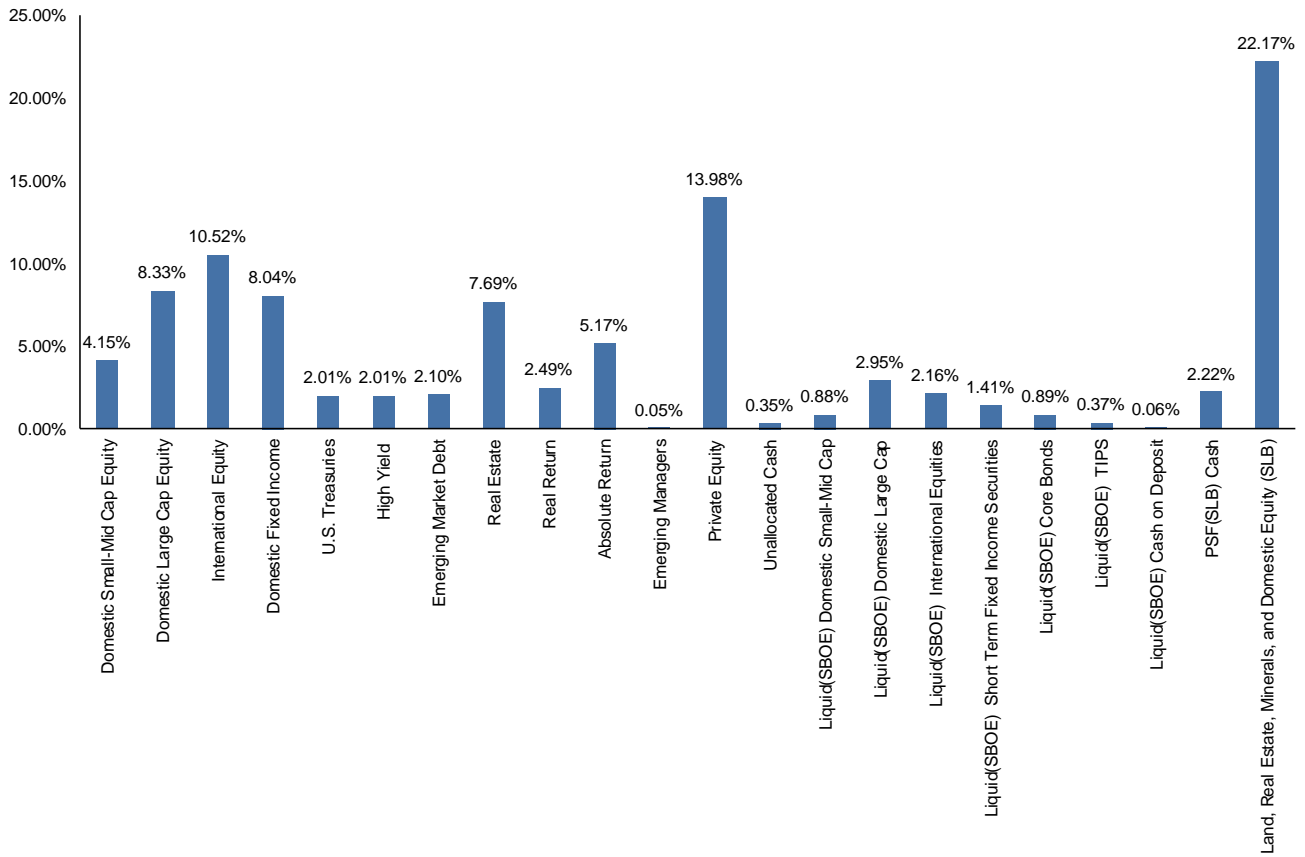
Note: The PSF(SBOE) and Liquid(SBOE) asset classes include cash that has been allocated to the investment portfolios as well as receivables and payables related to the particular portfolios.

TEXAS PERMANENT SCHOOL FUND

ASSET ALLOCATION MIX INCLUDING ASSETS MANAGED BY THE SLB

AS OF AUGUST 31, 2022

FIGURE 4:
TEXAS PERMANENT SCHOOL FUND
 ASSET ALLOCATION MIX
 As of August 31, 2022



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PSF(SBOE) AND LIQUID(SBOE) RATE OF RETURN FOR FISCAL YEAR ENDED AUGUST 31, 2022

The total fair value of the PSF(SBOE) on August 31, 2022, was \$38.0 billion. The PSF(SBOE) annual rates of return for the one-year, five-year and ten-year periods ending August 31, 2022, were -6.80%, 6.54%, and 7.33%, respectively. The Fund's -6.80% net of fees return for the fiscal year underperformed its benchmark return of -6.37% by approximately 0.43%.

The capital markets have experienced an especially volatile period of returns due to inflation worries, increases in interest rates, and overall global market volatility linked to Russia's invasion of Ukraine. While the majority of PSF asset classes experienced negative returns over the fiscal year, Total Real Return, Total Real Estate and Total Private Equity experienced positive returns. Despite the unpredictable environment, PSF Staff has worked diligently to produce positive excess returns in Large Cap Equity, Absolute Return, Total Real Estate, and Emerging Market Debt.

The strategic asset allocation of the PSF(SBOE) was updated by the SBOE in June 2022 to include a 37% allocation to public equities, 22% allocation to fixed income and a 41% allocation to alternative assets. Alternative assets include absolute return, private equity, real estate, emerging manager program, and real return strategies (TIPS and commodities).

The total fair value of the Liquid(SBOE) on August 31, 2022, was \$4.9 billion. The Liquid(SBOE) annual rate of return for one-year and three-year periods ending August 31, 2022, was -10.24% and -1.23% respectively. The Liquid(SBOE) -10.24% net of fees return for the fiscal year outperformed its benchmark return of -10.88% by approximately 0.64%.

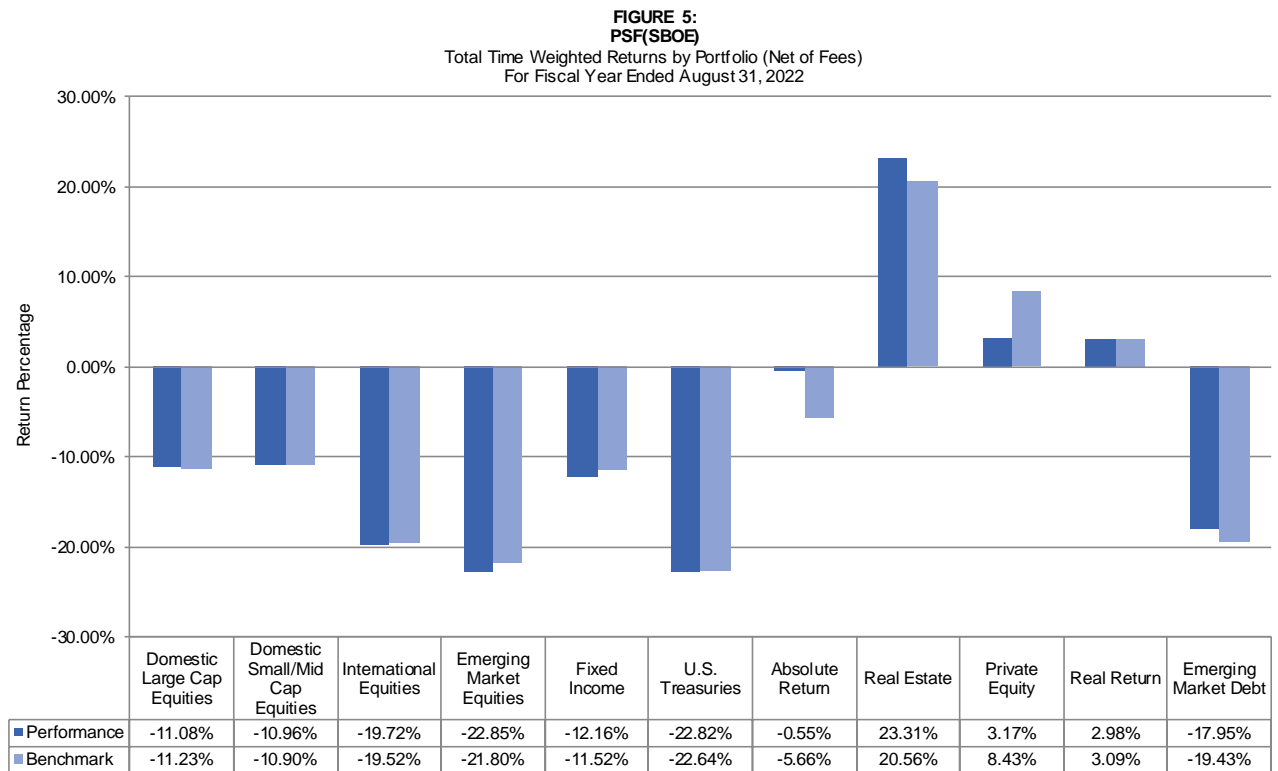
All Liquid(SBOE) asset classes experienced negative returns over the past fiscal year, except Liquid Transition Cash. Despite the tough return environment, Liquid Large Cap Equity, Liquid Small/Mid Cap Equity, Liquid International Equity, Liquid Core Bonds, Liquid TIPS, and Liquid Transition Cash all outperformed their respective benchmarks.

During the June 2022 SBOE meeting, the SBOE voted to combine all PSF assets (PSF Mandate, PSF Liquid Mandate, and the PSF GLO School Land Board) under the singular management of the Texas Permanent School Fund Corporation. Following the approval from the SBOE, the PSF(SBOE) began liquidating the PSF(Liquid) allocation in order to move towards the unification of all PSF funds. The implementation of this directive will be organized and completed by January 1, 2023, or as soon thereafter as is prudent.

Additional information about performance is included in the charts on the following pages. The information shown is for fiscal year periods ending August 31 and includes comparisons to established benchmarks for the same time periods, where applicable. Benchmark compositions are defined in the footnotes. Investment performance is calculated using a time weighted rate of return. Returns are calculated using standard industry practices. Total return includes the change in the fair value of the Fund during the year as well as all net income generated by investments. The returns were updated for the time periods presented with the information that was available as of the publication of this report.

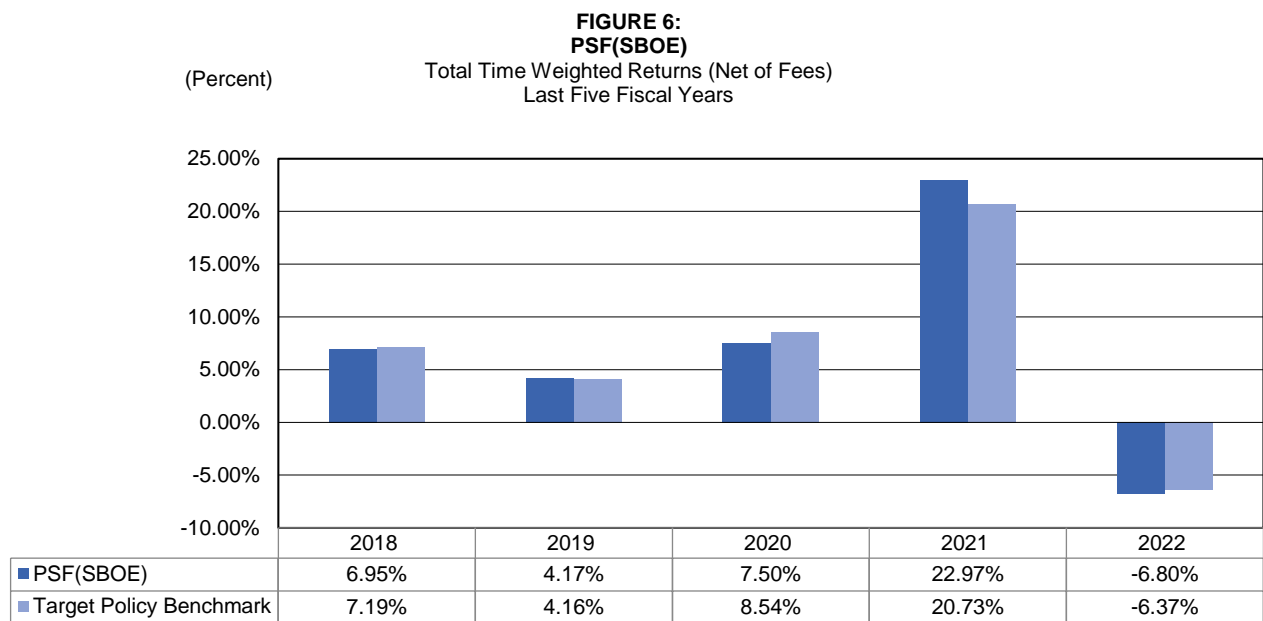
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PSF(SBOE) RATE OF RETURN (NET OF FEES) FISCAL YEAR ENDED AUGUST 31, 2022



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PSF(SBOE) TOTAL TIME WEIGHTED RETURNS (NET OF FEES) LAST FIVE FISCAL YEARS AND SELECTED CUMULATIVE PERIODS



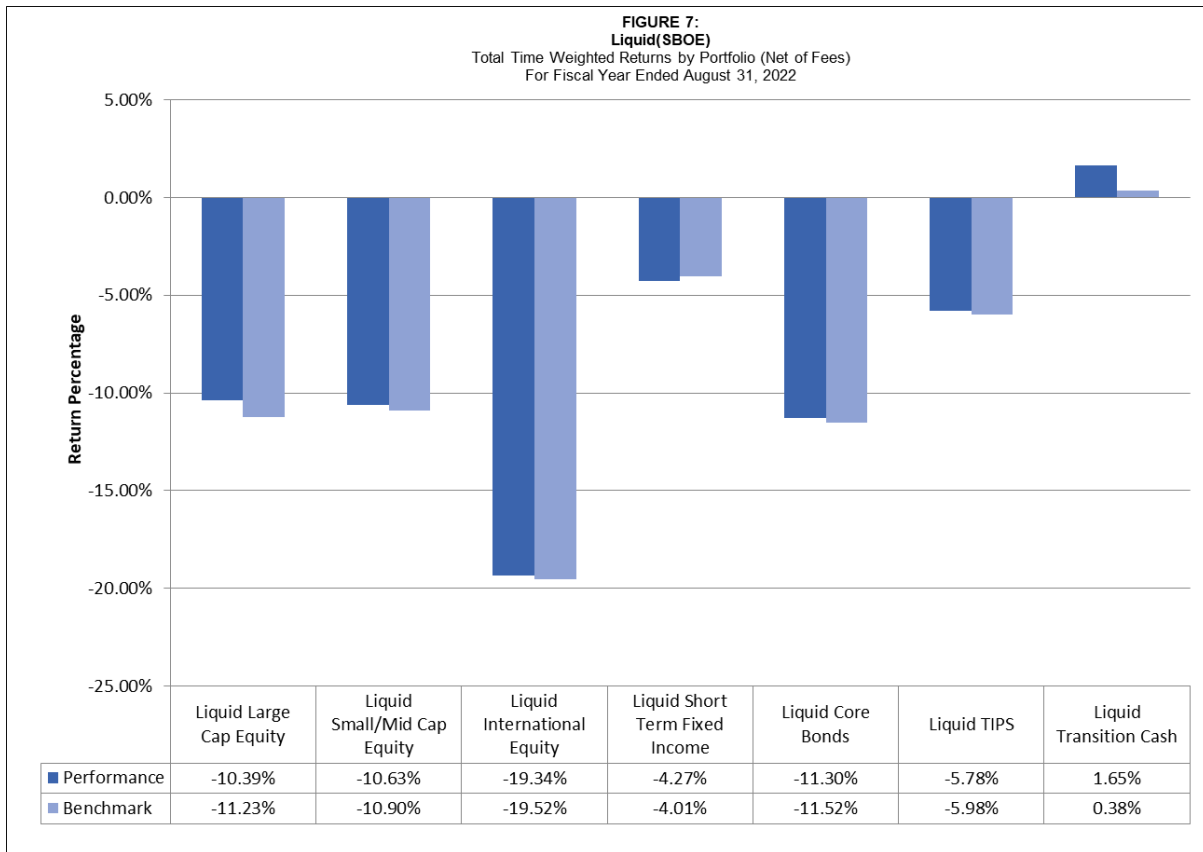
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PSF(SBOE) TOTAL TIME WEIGHTED RETURNS (NET OF FEES) LAST FIVE FISCAL YEARS AND SELECTED CUMULATIVE PERIODS

Total PSF(SBOE) Portfolio ¹	2018	2019	2020	2021	2022	3 Years	5 Years	10 Years
PSF(SBOE)	6.95	4.17	7.50	22.97	(6.80)	7.20	6.54	7.33
Policy Benchmark ²	7.19	4.16	8.54	20.73	(6.37)	7.05	6.49	7.14
Domestic Large Cap Equities								
PSF(SBOE)	19.83	3.14	22.37	31.26	(11.08)	12.62	12.04	13.25
Domestic Large Cap Equity Benchmark ³	19.66	2.92	21.94	31.17	(11.23)	12.39	11.83	13.08
Domestic Small/Mid Cap Equities								
PSF(SBOE)	23.95	(8.99)	3.44	47.88	(10.96)	10.85	8.97	11.62
Domestic Small/Mid Cap Equity Benchmark ⁴	23.74	(9.20)	2.83	47.40	(10.90)	10.53	8.70	11.38
International Equities								
PSF(SBOE)	3.50	(2.93)	8.80	25.27	(19.72)	3.05	1.91	4.73
International Equity Benchmark ⁵	3.18	(3.27)	8.31	24.87	(19.52)	2.87	1.67	4.48
Emerging Market Equities								
PSF(SBOE)	(1.38)	(4.15)	15.84	19.33	(22.85)	2.17	0.16	-
Emerging Market Equity Benchmark ⁶	(0.68)	(4.36)	14.49	21.12	(21.80)	2.74	0.59	-
Fixed Income								
PSF(SBOE)	(0.78)	10.54	5.50	1.64	(12.16)	(1.97)	0.65	1.60
Fixed Income Benchmark ⁷	(1.05)	10.17	6.47	(0.08)	(11.52)	(2.00)	0.52	1.35
U.S. Treasuries								
PSF(SBOE)	-	-	-	(7.02)	(22.82)	-	-	-
Treasury Benchmark ⁸	-	-	-	(7.27)	(22.64)	-	-	-
Absolute Return								
PSF(SBOE)	6.17	2.28	4.43	13.84	(0.55)	5.74	5.12	5.14
Absolute Return Benchmark ⁹	4.34	0.54	7.19	13.05	(5.66)	4.56	3.70	3.78
Real Estate								
PSF(SBOE)	10.41	7.22	2.93	12.06	23.31	12.46	10.98	11.46
Real Estate Benchmark ¹⁰	9.02	5.88	1.26	9.34	20.56	10.11	9.03	9.49
Private Equity								
PSF(SBOE)	15.18	11.93	4.63	53.88	3.17	18.43	16.45	17.04
Private Equity Benchmark ¹¹	15.64	11.16	4.85	43.38	8.43	17.69	15.94	13.62
Real Return								
PSF(SBOE)	0.53	0.71	3.33	16.06	2.98	7.29	4.57	0.17
Real Return Benchmark ¹²	0.73	0.74	2.85	18.08	3.09	7.78	4.91	0.16
Emerging Market Debt								
PSF(SBOE)	(11.71)	10.40	1.67	5.92	(17.95)	(4.04)	(2.95)	-
Emerging Market Debt Benchmark ¹³	(10.05)	11.91	1.55	4.14	(19.43)	(5.20)	(3.02)	-

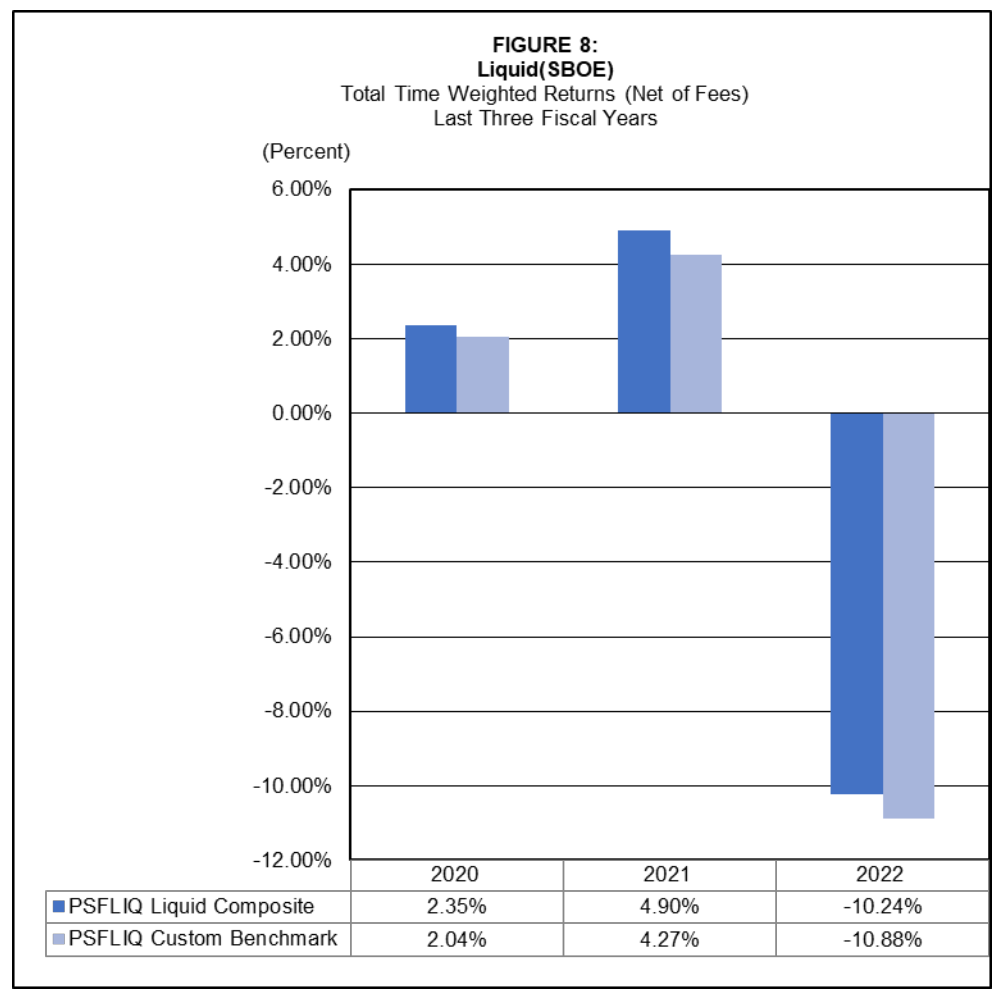
- (1) Time weighted rates of return adjusted for cash flows for the PSF(SBOE) investment assets. Does not include GLO managed real estate or real assets. Returns are net of fees.
- (2) As of 8/31/2022, Benchmark consisted of fair value weighted benchmark using Large Cap Equities, Small/Mid Cap Equities, International Equities, Emerging Market Equities, Fixed Income, U.S. Treasuries, TIPS, Commodities, Emerging Market Debt, Absolute Return, Real Estate, and Private Equity, composite time weighted returns, benchmark components: S&P 500 Index, S&P 1000 Index, MSCI All Country World Ex-U.S. Net Index, MSCI Emerging Market Net Index, Bloomberg U.S. Aggregate Bond Index, Bloomberg US Treasury Long Term Index, Bloomberg U.S. TIPS Index, Bloomberg Commodity Index, JPM GBI-EM Global Diversified Index, HFRI Fund of Funds Composite Index, Total Real Estate Benchmark, and Total Private Equity Benchmark.
- (3) As of 8/31/2022, Benchmark consisted of 100% S&P 500 Index.
- (4) As of 8/31/2022, Benchmark consisted of 100% S&P 1000 Index.
- (5) As of 8/31/2022, Benchmark consisted of 100% MSCI All Country World Ex-U.S. Net Index.
- (6) As of 8/31/2022, Benchmark consisted of 100% MSCI Emerging Market Net Index.
- (7) As of 8/31/2022, Benchmark consisted of 100% Bloomberg U.S. Treasury Long Term Index.
- (8) As of 8/31/2022, Benchmark consisted of 100% Bloomberg U.S. Aggregate Bond Index.
- (9) As of 8/31/2022, Benchmark consisted of 100% HFRI Fund of Funds Composite Index. As of 8/31/2021, Benchmark represents the Burgiss custom Private iQ® benchmark time weighted return, one quarter lagged.
- (10) As of 8/31/2022, Benchmark was calculated by using fair value weighting of the Core and Non-Core time weighted return benchmark components. Core Real Estate Benchmark is NCREIF Fund Index Open End Diversified Core Equity, Equally Weighted, Net of Fee time weighted return lagged one quarter. Non-Core Real Estate Benchmark is the custom Private iQ® time weighted return benchmark, lagged one quarter.
- (11) As of 8/31/2022, Benchmark represents the Burgiss custom Private iQ® benchmark time weighted return, one quarter lagged.
- (12) As of 8/31/2022, Benchmark consisted of fair value weighted benchmark using TIPS and Commodities composite time weighted returns, benchmark components: Bloomberg U.S. TIPS and the Bloomberg Commodity Index.
- (13) As of 8/31/2022, Benchmark consisted of 100% JPM GBI-EM Global Diversified Index.
*High Yield and Emerging Manager portfolios were both inception in the middle of the fiscal year and therefore do not have the same fiscal year timeline of performance as the portfolios that include that data.

LIQUID (SBOE) TOTAL TIME WEIGHTED RETURNS (NET OF FEES) FISCAL YEAR ENDED AUGUST 31, 2022



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LIQUID (SBOE) TOTAL TIME WEIGHTED RETURNS (NET OF FEES) LAST THREE FISCAL YEARS



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LIQUID(SBOE) TIME WEIGHTED RETURNS (NET OF FEES) LAST THREE FISCAL YEARS

	2020	2021	2022	3 Years
Total PSF Liquid Account Composite				
PSFLIQ Liquid Composite ¹	2.35	4.90	(10.24)	(1.23)
PSFLIQ Custom Benchmark ²	2.04	4.27	(10.88)	(1.76)
PSF Liquid Large Cap Equity				
Liquid Large Cap Equity	-	43.24	(10.39)	-
S&P 500 Index ³	-	38.19	(11.23)	-
PSF Liquid Small/Mid Cap Equity				
Liquid Small/Mid Cap Equity	-	61.97	(10.63)	-
S&P 1000 Index ⁴	-	52.07	(10.90)	-
PSF Liquid International Equity				
Liquid International Equity	-	-	(19.34)	-
MSCI All Country World Ex-U.S. Net Index ⁵	-	-	(19.52)	-
PSF Liquid Short Term Fixed Income				
Liquid Short Term Fixed Income	2.78	0.91	(4.27)	(0.24)
Bloomberg US Aggregate 1-3 Year Index ⁶	3.40	0.37	(4.01)	(0.13)
PSF Liquid Core Bonds				
Liquid Core Bonds	-	(0.07)	(11.30)	-
Bloomberg US Aggregate Bond Index ⁷	-	(0.18)	(11.52)	-
PSF Liquid TIPS				
Liquid TIPS	-	6.09	(5.78)	-
Bloomberg US Treasury Inflation-Linked Bond Index ⁸	-	6.20	(5.98)	-
PSF Liquid Transition Cash				
Liquid Transition Cash	1.62	0.40	1.65	1.23
ICE BofAML US 3 Month Treasury Bill ⁹	1.26	0.08	0.38	0.57

- (1) Time weighted rates of return adjusted for cash flows for the Liquid (SBOE) investment assets. Does not include GLO managed real estate or real assets. Returns are net of fees.
- (2) As of 8/31/2022, beginning fair value weighted benchmark components: S&P 500 Index, S&P 1000 Index, MSCI All Country World Ex-U.S. Net Index, Bloomberg U.S. Aggregate 1-3 Year Index, Bloomberg U.S. Aggregate Bond Index, Bloomberg U.S. TIPS Index, and ICE BofAML U.S. 3 Month Treasury Bill Index.
- (3) As of 8/31/2022, Benchmark consisted of 100% S&P 500 Index.
- (4) As of 8/31/2022, Benchmark consisted of 100% S&P 1000 Index.
- (5) As of 8/31/2022, Benchmark consisted of 100% MSCI All Country World Ex-U.S. Net Index. PSF Liquid International Equity portfolio was inceptioned in the middle of fiscal year 2021 and therefore do not have the same fiscal year timeline of performance as the portfolios that include that data.
- (6) As of 8/31/2022, Benchmark consisted of 100% Bloomberg U.S. Aggregate 1-3 Year Index.
- (7) As of 8/31/2022, Benchmark consisted of 100% Bloomberg U.S. Aggregate Bond Index.
- (8) As of 8/31/2022, Benchmark consisted of 100% Bloomberg U.S. TIPS Bond Index.
- (9) As of 8/31/2022, Benchmark consisted of 100% ICE BofAML U.S. 3 Month Treasury Bill Index.

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TOTAL PSF (SLB) TIME WEIGHTED RETURNS SELECTED CUMULATIVE PERIODS

At August 31, 2022, PSF(SLB) discretionary real assets investments, including invested Cash at the State Treasury were approximately \$7.8 billion, which was approximately 12.8% of the total Fund assets of approximately \$61 billion. PSF(SLB) discretionary real assets investments, excluding Cash at the State Treasury, were approximately \$6.5 billion, which was approximately 10.7% of the total fund assets. Discretionary real assets investments within the

RESFA managed by PSF(SLB) are currently limited by the Natural Resources Code (NRC) to no more than 15 percent of the fair value of the assets held by the PSF(SLB) and the PSF(SBOE).

At June 30, 2022, the time-weighted returns on the PSF(SLB) discretionary real assets investment portfolio were as follows:

NET OF FEES

Time-Weighted Returns on the PSF(SLB) Investment Portfolio (Excluding Cash)

	1-Year	3-Year	5-Year	10-Year
Total PSF(SLB) Portfolio **	36.47%	10.43%	11.35%	11.56%
Returns on Individual Portfolio Sectors	1-Year	3-Year	5-Year	10-Year
Energy	57.30%	8.74%	10.89%	7.51%
Infrastructure	17.15%	8.27%	10.28%	13.53%
Real Estate	29.17%	13.31%	11.66%	11.59%
Benchmark* Returns	1-Year	3-Year	5-Year	10-Year
	15.78%	7.67%	6.15%	6.65%

Time-Weighted Returns on the PSF(SLB) Investment Portfolio (including Cash)

	1-Year	3-Year	5-Year	10-Year
Total PSF(SLB) Portfolio**	32.29%	9.40%	8.42%	7.40%

*Benchmark is composite of 67% CPI Index, All Urban Consumers plus 74.10707 basis points quarterly and 33% NFI-All Open End Funds Index.

**Total PSF(SLB) portfolio performance is reflective of externally managed investments only.

Note: Until September 1, 2019, PSF(SLB) was legally required to deposit cash designated by the SLB for investment in real assets into the State Treasury for investment in short-term investments until it was ultimately drawn for investment in real assets. It is typical for capital commitments to externally-managed real assets investment funds to be drawn down over a two to five year investment period. This structural delay between commitment and funding can create a negative effect on returns (typically referred to as a "cash drag") until the committed cash is finally drawn. In an effort to ameliorate this cash drag effect, on September 3, 2019, the SLB released \$3.90 billion from the Real Estate Special Fund Account (RESFA) to the Liquid(SBOE) in accordance with Texas Natural Resources Code, Chapter 51, section 51.414 and the terms of a resolution adopted by the SLB on August 29, 2019.

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PSF(SBOE) INVESTMENT MANAGEMENT FEES FOR THE TWELVE MONTHS ENDED JUNE 30, 2022

Asset Class	Fair Value of Assets Under Management at June 30, 2022	Investment Management Fees Paid	Profit Sharing Paid
Emerging Market Equity	\$ 1,008,515,489	\$ 1,987,609	\$ -
International Equity	4,974,542,934	540,000	-
Emerging Market Debt	2,374,796,089	7,767,656	-
High Yield Debt	738,499,988	703,777	-
Real Estate	4,228,202,571	51,742,179	11,595,142
Absolute Return	2,902,505,148	23,452,822	-
Private Equity	8,297,754,458	56,351,403	38,966,408
Emerging Managers	23,230,759	227,242	-
Totals		\$ 142,772,688	\$ 50,561,550

Notes:

- (A) Due to the timing of information received from investment managers/general partners, fees and profit sharing paid in conjunction with investment activities, along with the related fair value of assets under management, are presented for the calendar year ended June 30, 2022.
- (B) Management fees disclosed here reflect fees paid to investment managers for their services. Other ancillary fees incurred by the asset manager, such as accounting and legal, which may be incurred by the investment manager and billed back to the Fund, are not included in this schedule. Profit sharing disclosed here reflects additional compensation paid to investment managers based on achievement of particular profit and performance benchmarks attained as defined by the agreement between the investment manager and the Fund.
- (C) Management fees and profit sharing paid as reflected in this schedule are only for direct, contractual relationships between the external manager/general partner and the PSF(SBOE). Some investment structures carry investments in underlying funds that also incur management fee and profit sharing costs; these are not reflected here due to the lack of a direct legal relationship between the PSF(SBOE) and the underlying fund manager.
- (D) Profit sharing paid represents profit that the PSF(SBOE) shared with and paid to investment managers/general partners during the period covered by this schedule when the target investment returns of the underlying investments were surpassed.

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PSF(SLB) INVESTMENT MANAGEMENT FEES FOR THE TWELVE MONTHS ENDED AUGUST 31, 2022

PSF(SLB) Investments with External Investment Managers by Sector	Management Fees (Note A)	Investment Expenses (Note B)
Energy	\$ 22,687,666	\$ 3,188,040
Real Estate	12,910,248	9,194,585
Infrastructure	15,720,371	4,910,547
Totals	<u>\$ 51,318,285</u>	<u>\$ 17,293,172</u>

^(A) These amounts represent management fees paid to external investment managers in the current fiscal year. Any unpaid accruals of management fees at the end of the fiscal year were reported as part of the fair value of investments.

^(B) These amounts include partnership expenses, organizational expenses, and other investment-related expenses.

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CONTRIBUTIONS TO THE TEXAS PERMANENT SCHOOL FUND ASSETS MANAGED BY THE SBOE, LAST TEN FISCAL YEARS

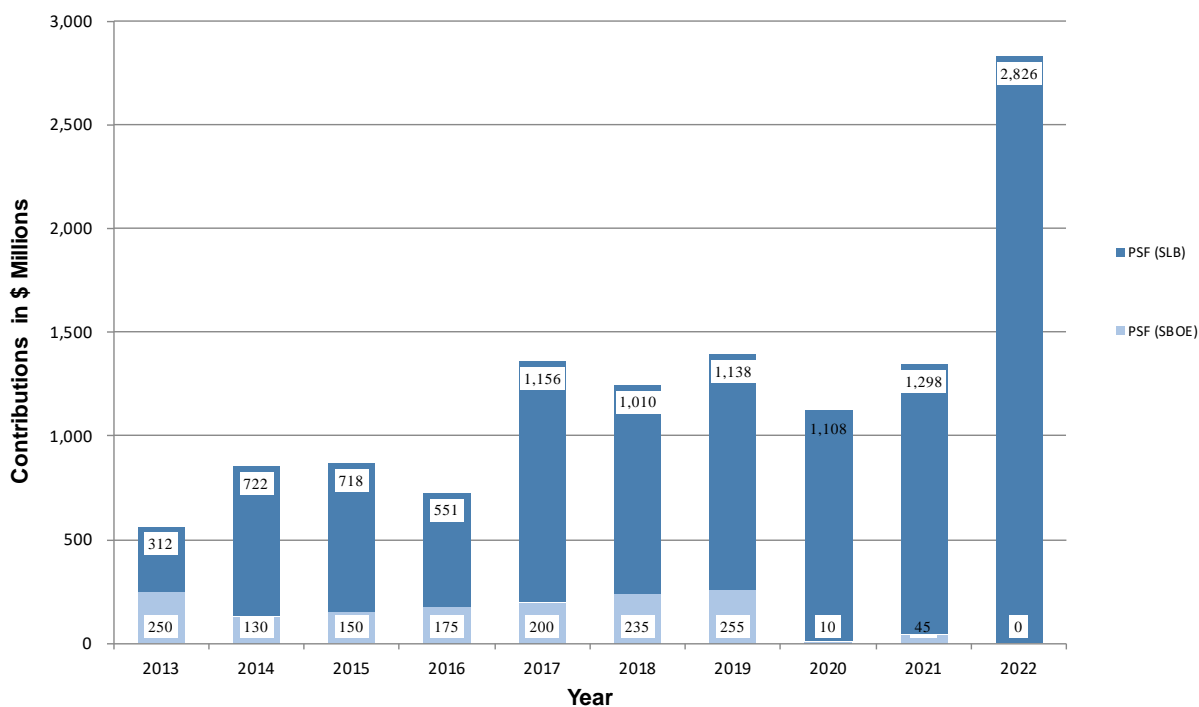
The School Land Board (SLB) makes contributions to the PSF(SBOE) from the revenue generated by royalties, lease payments, and other income derived from lands dedicated to the Fund. Legislative actions in the past several years have amended the Natural Resources Code (NRC) several times and have impacted the flow of contributions from the PSF(SLB) to the PSF(SBOE).

H.B. 3558 passed by the 77th Legislature and subsequent actions by the 79th and 80th Legislatures amended the NRC to grant the SLB authority to deposit some or all of the Fund's land and mineral interest proceeds previously transferred to the

PSF(SBOE) into a special fund account at the State Treasury and to grant investment authority to the SLB for this Real Estate Special Fund Account (RESFA).

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FIGURE 9:
Texas Permanent School Fund
Contributions to
PSF(SBOE) and PSF(SLB)



DISTRIBUTIONS TO THE AVAILABLE SCHOOL FUND (ASF), LAST TEN FISCAL YEARS

Since September 2003, the Fund has calculated its annual distribution to the Available School Fund using a total return methodology. Prior to that year, all interest and dividends earned from investments were paid immediately to the ASF. In fiscal year 2022, \$1.7 billion was distributed to the ASF by the PSF(SBOE). The amount transferred was determined by the SBOE under administrative rules adopted in September 2009.

These rules state the SBOE will determine each year whether a distribution to the ASF is permitted under the Texas Constitution Article VII, §5(a)(2), and if a transfer shall be made for the current state fiscal year. The rule adoption was the result of Attorney General Opinion No. GA-0707, dated April 13, 2009, which clarified the proper application by the SBOE of Article VII, §5(a)(1) and §5(a)(2).

The ASF is distributed during the year to the school districts throughout the state based on their average daily attendance (ADA). For fiscal year 2022, the per student income earned by the Fund and distributed to school districts was \$432, the eleventh year in which

charter schools were included in the ADA. In fiscal years 2020 and 2021, this amount was \$347 and \$341, respectively (Figure 13).

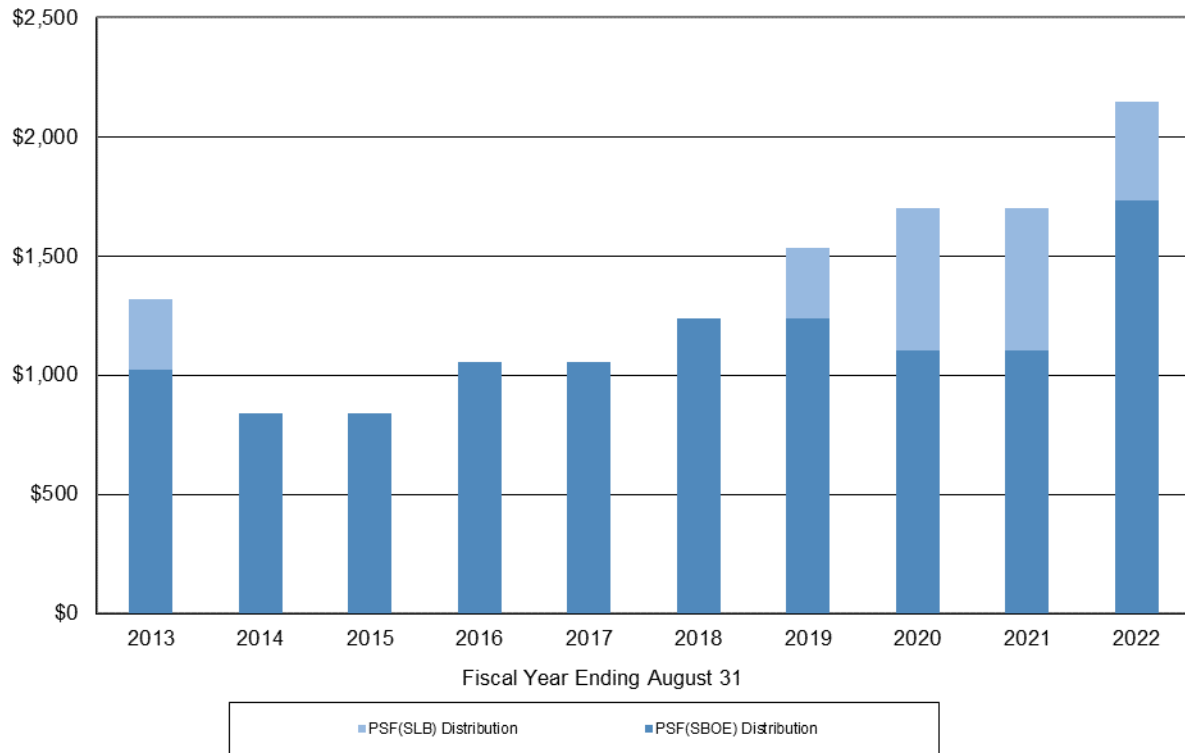
On November 8, 2011, Texas voters approved Proposition 6, a constitutional amendment which increases the base amount used in calculating the distribution rate from the PSF(SBOE) to the ASF by adding certain discretionary real assets and cash in the Fund that is managed by entities other than the SBOE (at present, by the SLB). While the amendment provided for an increase in the base for the calculation, no new resources were provided for deposit to the PSF(SBOE). The new calculation base is required to be used to determine all payments to the ASF from the PSF(SBOE) beginning with the 2012-13 biennium. The SBOE approved a distribution rate of 4.18% for the 2022-2023 biennium.

On August 18, 2020, the PSF(SLB) adopted a resolution, approving the release of \$415 million and \$460 million to the ASF in fiscal years 2022 and 2023, respectively.

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DISTRIBUTIONS TO THE AVAILABLE SCHOOL FUND (ASF), LAST TEN FISCAL YEARS

FIGURE 10:
Distributions to Available School Fund
(in Millions)



Fiscal Year Ending	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
PSF(SBOE) Distribution	\$ 1,021	\$ 839	\$ 839	\$ 1,056	\$ 1,056	\$ 1,236	\$ 1,236	\$ 1,102	\$ 1,102	\$ 1,731
PSF(SLB) Distribution	\$ 300	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 300	\$ 600	\$ 600	\$ 415
Per Student Distribution (dollars)	\$ 281	\$ 175	\$ 173	\$ 215	\$ 212	\$ 247	\$ 306	\$ 347	\$ 341	\$ 432

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FUND BALANCES, LAST TEN FISCAL YEARS

This schedule provides information on the modified accrual basis of accounting for the last ten fiscal years for the Fund. The information source of this schedule is the Balance Sheet for each respective fiscal year's audited financial statements. Please see Note 1.B. for the Fund's description of the modified accrual basis of accounting.

FIGURE 11:
Comparative Fund Balances
(in thousands)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Nonspendable	\$ 29,676,949	\$ 34,069,613	\$ 32,682,611	\$ 36,155,567	\$ 40,083,721	\$ 42,783,122	\$ 45,295,579	\$ 45,524,347	\$ 53,783,847	\$ 55,025,239
Restricted	924,543	881,607	1,150,932	1,108,362	1,334,246	1,284,357	1,204,805	1,151,234	1,840,159	1,785,424
Total Fund Balance	\$ 30,601,492	\$ 34,951,220	\$ 33,833,543	\$ 37,263,929	\$ 41,417,967	\$ 44,067,479	\$ 46,500,384	\$ 46,675,581	\$ 55,624,006	\$ 56,810,663

Note: During fiscal year 2011 the Fund implemented Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions (GASB 54), which required several prescribed classifications of fund balance. For the years 2011 through 2016, the Fund's corpus was originally the basis used to determine nonspendable fund balance classification. Beginning in 2017, this basis was modified to reflect nonspendable fund balance as that portion that was constitutionally not spendable. Generally, the portion classified as nonspendable represents the Fund's constitutionally permanent nature, and the remainder is classified as restricted since it may only be disposed in accordance with the scope of constitutional and statutory requirements. To aid in comparability between years, for purposes of this schedule fund balance classifications have been restated to reflect this modified approach for years 2013 to 2016.

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CHANGES IN FUND BALANCES, LAST TEN FISCAL YEARS

This schedule provides trend information on the modified accrual basis of accounting for Revenues, Expenditures, and net change in Fund Balances. This information included in this schedule is obtained from the Statement of Revenues, Expenditures, and Changes in Fund Balance from each respective fiscal year's audited financial statements. Please see Note 1.B. for the Fund's description of the modified accrual basis of accounting.

FIGURE 12:
Comparative Changes in Fund Balance
(in thousands)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenues:										
Gain on Sale of Land	\$ 2,687	\$ 6,949	\$ 2,720	\$ 2,267	\$ 1,466	\$ 2,423	\$ 1,386	\$ 2,766	\$ 6,382	\$ 285
Dividends and Interest	635,529	661,752	560,683	567,493	610,035	1,064,715	1,057,218	1,015,763	1,416,952	2,208,647
Securities Lending	10,330	9,408	7,725	8,419	25,238	49,416	49,220	26,346	5,313	17,815
Land Endowment Income	410,447	675,799	580,299	522,433	939,053	994,513	1,068,633	794,534	1,166,922	2,073,076
Sales of Purchased Gas	51,121	67,248	83,890	76,978	103,883	67,197	57,253	54,347	73,924	103,364
Net Increase/(Decrease) in Fair Value of Investments	2,064,158	3,858,498	(1,387,556)	1,507,682	3,691,679	1,868,259	1,525,823	104,286	8,125,201	(922,536)
Other	30,491	4,056	9,261	6,039	4,059	2,072	2,152	2,445	5,350	11,252
Total Revenues	\$ 3,204,763	\$ 5,283,710	\$ (142,978)	\$ 2,691,311	\$ 5,375,413	\$ 4,048,595	\$ 3,761,685	\$ 2,000,487	\$ 10,800,044	\$ 3,491,903
Expenditures:										
Administrative	\$ 39,573	\$ 38,902	\$ 53,202	\$ 38,339	\$ 48,815	\$ 56,509	\$ 53,290	\$ 54,215	\$ 61,573	\$ 60,452
Gas Supplies Purchased for Resale	44,137	54,819	78,157	74,450	98,792	66,008	56,484	49,862	86,783	88,866
Securities Lending Rebates/Fees	1,549	1,411	1,159	1,684	16,366	40,511	43,972	19,469	728	10,042
Capital Outlay	50	177	155	610	374	220	608	54	213	3,539
Total Expenditures	\$ 85,309	\$ 95,309	\$ 132,673	\$ 115,083	\$ 164,347	\$ 163,248	\$ 154,354	\$ 123,600	\$ 149,297	\$ 162,899
Other Sources/(Uses)										
Transfers In	\$ -	\$ -	\$ -	\$ 9	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers Out	(1,320,887)	(838,672)	(838,672)	(1,056,422)	(1,056,412)	(1,235,835)	(1,535,835)	(1,701,690)	(1,701,670)	(2,145,708)
Sale of Capital Assets	-	-	-	4	3	-	-	-	-	-
Insurance Recoveries	-	-	-	-	-	-	6	-	-	-
Increase in Obligations - Leases	-	-	-	-	-	-	-	-	-	3,364
Other Financing Sources/(Uses)	\$ (1,320,887)	\$ (838,672)	\$ (838,672)	\$ (1,056,409)	\$ (1,056,409)	\$ (1,235,835)	\$ (1,535,829)	\$ (1,701,690)	\$ (1,701,670)	\$ (2,142,344)
Net Change in Fund Balance	\$ 1,798,567	\$ 4,349,729	\$ (1,114,323)	\$ 1,519,819	\$ 4,154,657	\$ 2,649,512	\$ 2,071,502	\$ 175,197	\$ 8,949,077	\$ 1,186,660

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AVERAGE DAILY ATTENDANCE AND CONTRIBUTIONS TO THE AVAILABLE SCHOOL FUND, LAST TEN FISCAL YEARS

This schedule provides trend information on the average daily attendance of students attending Texas public schools and contributions made by the PSF to the Available School Fund to support the cost of educating those students. This information included in this schedule is obtained from final Statewide Summary of Finances for each respective school year, and the Statement of Revenues, Expenditures, and Changes in Fund Balance from each respective fiscal year's audited financial statements. Please see Note 1.B. for the Fund's description of the modified accrual basis of accounting.

FIGURE 13:
Average Daily Attendance and
Distribution to the Available School Fund
(Dollars in thousands, except for per student amounts)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Average Daily Attendance	4,699,372	4,780,830	4,854,882	4,924,589	4,971,656	5,004,998	5,019,837	4,905,360	4,991,071	4,969,073
Distribution to the Available School Fund	\$ 1,320,887	\$ 838,672	\$ 838,672	\$ 1,056,412	\$ 1,056,412	\$ 1,235,835	\$ 1,535,835	\$ 1,701,670	\$ 1,701,670	\$ 2,145,708
Per Student Distribution	\$ 281	\$ 175	\$ 173	\$ 215	\$ 212	\$ 247	\$ 306	\$ 347	\$ 341	\$ 432

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SECTION FOUR

BOND GUARANTEE PROGRAM (UNAUDITED)

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AN OVERVIEW OF THE BOND GUARANTEE PROGRAM

Since its inception in 1983, the Bond Guarantee Program (BGP) has guaranteed 8,385 school district bond issues for a total of \$232.2 billion. At the end of fiscal year 2022, there were 3,348 issues of guaranteed school district bonds outstanding with a balance of just over \$99.5 billion. This balance represents the principal amount of the bonds issued and does not reflect any subsequent accretions in value for compound interest bonds (zero coupon securities). The balance also excludes bonds that have been refunded and released from the Bond Guarantee Program. During this fiscal year the total amount of school district bonds outstanding increased by \$7.6 billion while the number of outstanding issues guaranteed by the Fund increased by 2.

The BGP has also guaranteed 106 charter district bond issues for a total of \$4.0 billion, since 2014 when charter districts were added to the program. During fiscal year 2022, the amount of charter district bonds outstanding increased by \$403.4 million while the number of outstanding issues guaranteed by the Fund increased by 11. At the end of the fiscal year 2022, there were 94 issues of guaranteed charter district bonds outstanding with a balance of \$3.7 billion. As with school district debt, this amount represents the principal amount of the bonds issued and does not reflect any subsequent accretions in value for compound interest bonds (zero coupon securities).

The Commissioner of Education is charged with administering the Program. For eligible bonds, including refunding bonds, school districts and charter districts submit an application for guarantee and a processing fee of \$1,500. The Commissioner may endorse bonds for guarantee only after investigating the accreditation and financial viability of the applying school or charter district. If the district is considered viable and the bonds are approved by the State of Texas Attorney General, then the guarantee is endorsed at a zero premium charge to the district.

In the event of a default by a school district, and upon proper notice to the Commissioner, the Fund will transfer to the Paying Agent/Registrar an amount necessary to pay the maturing or matured principal and/or interest. Upon receipt of funds for payment of such principal or interest, the Paying Agent/Registrar must pay the amount due and forward the canceled Bond or evidence of payment

of the interest to the State Comptroller of Public Accounts (Comptroller). The Commissioner will instruct the Comptroller to withhold the amount paid, plus interest, from the first State money payable to the school district. The amount withheld will be deposited to the credit of the Fund. To date, no school district has ever defaulted on their guaranteed bonded indebtedness.

Statute requires charter district participants in the Program to contribute a portion of their savings that result from participation in the Program to a Charter District Bond Guarantee Reserve Fund. This Fund is separately managed by TEA. In the event of a default by a charter district, the Commissioner shall instruct the Comptroller to transfer from the Charter District Bond Guarantee Reserve Fund to the district's paying agent the amount necessary to pay the maturing or matured principal and/or interest. If funds in the Reserve Fund are insufficient to pay the amount due on a bond in default, the payment process described above for school districts would apply.

The guarantee maximum capacity of the overall Program is limited in two ways. The first limit is the lower of that imposed by the "State Capacity Limit" limiting the amount guaranteed to 350% of the current historical cost of the assets in the Fund, or the limit imposed by the Internal Revenue Service, Internal Revenue Code Section 1.148-11(d)(1)(F) or the "IRS Limit" (calculated to be \$117,318,653,038). The second limit is a 5% reserve of the maximum capacity set aside by the SBOE for specific purposes as described by Texas Administrative Code Title 19 Part 2 Chapter 33 Subchapter A Rule 33.65.

Charter district capacity is further defined as the remaining capacity as described above (the lower of 3.50 times asset cost or the IRS limit, less the 5% reserve), the difference of which is applied against the ratio of charter district students compared to all public school students.

As of August 31, 2022, the ratio of guaranteed debt outstanding to the book value of the Fund was 2.43:1 and the ratio of guaranteed debt to the fair value of the Fund was 1.82:1.

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AN OVERVIEW OF THE BOND GUARANTEE PROGRAM

To be eligible for the bond guarantee program, school districts and charter districts must be accredited by the State, have bond ratings below AAA, and have their applications approved by the Commissioner of Education. If a school district or charter district fails to make scheduled payments for any bond issues guaranteed by the Fund, the Fund will make the scheduled debt service payment for the defaulting school district as described above. The Fund will not accelerate total bond issue payments. Any State funds subsequently due to the district will instead be paid to the Fund until all monies due the Fund are repaid.

Figure 14 lists the districts with the ten largest aggregate amounts of bonds outstanding, which are guaranteed under the program as of August 31, 2022.

FIGURE 14:
Bond Guarantee Program
Ten Largest Total Debt Outstanding
Guaranteed Under the Program
At August 31, 2022

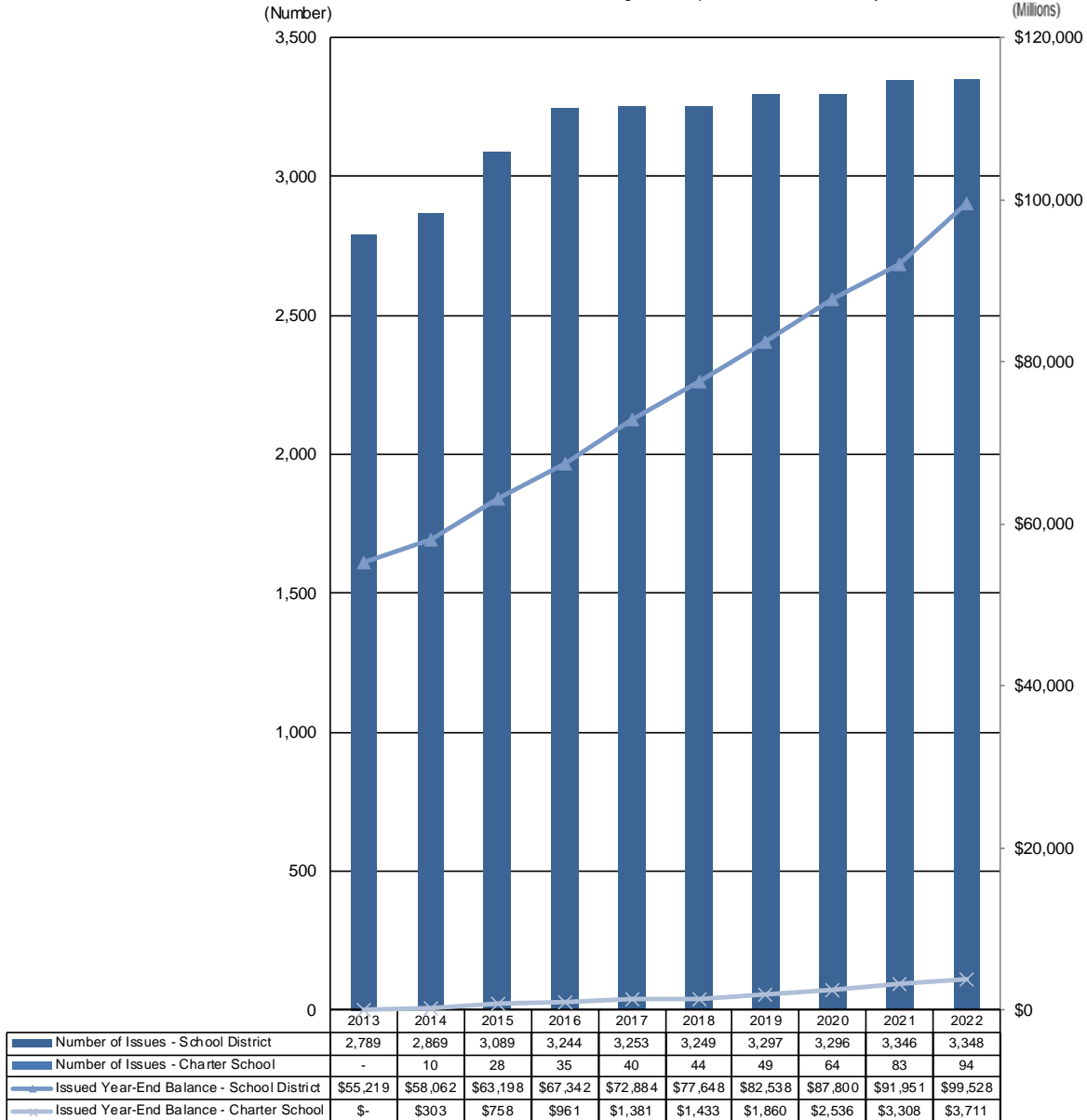
District Name	Balance
Dallas ISD	\$ 3,264,160,000
Cypress-Fairbanks ISD	3,081,345,000
Northside ISD [Bexar]	2,299,690,000
Frisco ISD	2,247,740,227
Katy ISD	2,114,761,367
Houston ISD	1,847,190,000
Lamar CISD	1,705,940,000
Conroe ISD	1,600,365,000
Fort Bend ISD	1,536,300,000
San Antonio ISD	1,488,519,988

NUMBER OF ISSUES	Total	School Districts	Charter Districts
Number of Issues as of September 1, 2021	3,429	3,346	83
Fiscal Year Activity:			
District Issues Guaranteed During Fiscal Year	288	274	14
District Issues Matured	(206)	(203)	(3)
District Issues Refunded	(69)	(69)	-
Number of Issues as of August 31, 2022	3,442	3,348	94
BALANCE			
Balance as of September 1, 2021	\$ 95,259,161,922	\$ 91,951,175,922	\$ 3,307,986,000
Fiscal Year Activity:			
District Issues Guaranteed During Fiscal Year	15,940,305,592	15,449,655,592	490,650,000
District Issues Matured	(4,085,084,169)	(4,029,524,169)	(55,560,000)
District Issues Refunded	(3,874,887,416)	(3,843,207,416)	(31,680,000)
Balance as of August 31, 2022	<u>\$ 103,239,495,929</u>	<u>\$ 99,528,099,929</u>	<u>\$ 3,711,396,000</u>

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BOND GUARANTEE PROGRAM COMPARATIVE STATUS SUMMARY LAST TEN FISCAL YEARS

FIGURE 15:
Bond Guarantee Program Comparative Status Summary



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**BOND GUARANTEE PROGRAM --- ISSUED AND GUARANTEED
FOR THE FISCAL YEAR ENDED AUGUST 31, 2022**

SCHOOL DISTRICT NAME	BALANCE	SCHOOL DISTRICT NAME	BALANCE
Abbott ISD	\$ 3,205,000	Bartlett ISD	\$ 20,658,000
Abernathy ISD	15,495,000	Bastrop ISD	294,474,203
Abilene ISD	204,260,246	Bay City ISD	123,475,000
Academy ISD	58,454,994	Beaumont ISD	249,945,000
Adrian ISD	3,375,000	Beckville ISD	15,215,000
Agua Dulce ISD	4,135,000	Beeville ISD	10,480,000
Alamo Heights ISD	170,115,000	Bellevue ISD	3,990,000
Alba-Golden ISD	1,355,000	Bells ISD	14,655,000
Aldine ISD	970,855,000	Bellville ISD	13,085,000
Aledo ISD	270,192,278	Belton ISD	385,040,000
Alice ISD	33,555,000	Ben Bolt-Palito Blanco ISD	2,505,000
Alief ISD	340,175,000	Benavides ISD	4,310,000
Allen ISD	673,021,320	Benjamin ISD	8,295,000
Alpine ISD	18,605,000	Big Sandy ISD [Polk]	845,000
Alto ISD	10,545,000	Big Sandy ISD [Upshur]	6,755,000
Alvarado ISD	152,516,000	Big Spring ISD	39,245,000
Alvin ISD	968,580,000	Birdville ISD	408,955,000
Alvord ISD	4,470,000	Bishop CISD	26,150,000
Amarillo ISD	221,075,000	Blanco ISD	43,605,000
Anahuac ISD	57,025,000	Bland ISD	12,606,866
Anderson-Shiro CISD	23,380,000	Blanket ISD	635,000
Andrews ISD	26,190,000	Bloomburg ISD	261,000
Angleton ISD	157,590,000	Blooming Grove ISD	640,000
Anna ISD	222,027,991	Bloomington ISD	8,290,000
Anson ISD	4,005,000	Blue Ridge ISD	33,925,000
Anthony ISD	3,350,000	Bluff Dale ISD	4,730,000
Aquilla ISD	545,000	Blum ISD	5,835,000
Aransas Co ISD	21,595,000	Boerne ISD	331,976,461
Aransas Pass ISD	13,815,000	Boles ISD	2,820,000
Archer City ISD	14,180,000	Bonham ISD	27,970,000
Argyle ISD	321,552,774	Borden Co ISD	8,355,000
Arlington ISD	1,169,804,956	Borger ISD	62,241,811
Arp ISD	16,270,000	Bosqueville ISD	6,340,000
Aspermont ISD	5,815,000	Bowie ISD	18,440,000
Athens ISD	60,535,000	Boyd ISD	17,325,000
Atlanta ISD	10,300,500	Brady ISD	13,870,000
Aubrey ISD	285,059,457	Brazos ISD	10,939,986
Austin ISD	1,277,458,266	Brazosport ISD	369,005,000
Austwell-Tivoli ISD	12,820,000	Breckenridge ISD	2,250,000
Avalon ISD	630,000	Bremond ISD	6,900,000
Azle ISD	135,695,000	Brenham ISD	25,916,161
Baird ISD	3,790,000	Bridge City ISD	11,760,000
Balmorhea ISD	42,575,000	Bridgeport ISD	9,360,000
Bandera ISD	12,630,000	Broadbudd ISD	8,230,000
Bangs ISD	5,645,000	Brock ISD	59,772,639
Banquete ISD	5,130,000	Brookesmith ISD	265,000
Barbers Hill ISD	424,320,000	Brooks Co ISD	24,995,000

**BOND GUARANTEE PROGRAM --- ISSUED AND GUARANTEED
FOR THE FISCAL YEAR ENDED AUGUST 31, 2022**

SCHOOL DISTRICT NAME	BALANCE	SCHOOL DISTRICT NAME	BALANCE
Brownfield ISD	\$ 38,900,000	Chico ISD	\$ 14,510,000
Brownsboro ISD	17,345,000	Chillicothe ISD	8,565,000
Brownsville ISD	64,010,000	China Spring ISD	78,224,986
Bruceville-Eddy ISD	4,670,000	Chireno ISD	626,000
Bryan ISD	267,705,000	Chisum ISD	25,270,000
Bryson ISD	11,076,691	City View ISD	10,630,696
Buckholts ISD	250,000	Clarksville ISD	15,990,000
Buena Vista ISD	58,135,000	Claude ISD	975,000
Buffalo ISD	9,141,981	Clear Creek ISD	908,530,000
Bullard ISD	138,245,000	Cleburne ISD	174,612,083
Buna ISD	17,885,000	Cleveland ISD	305,904,989
Burkburnett ISD	32,355,000	Clifton ISD	21,225,000
Burkeville ISD	430,000	Clint ISD	145,838,448
Burleson ISD	295,783,949	Clyde CISD	17,765,000
Burnet CISD	63,985,000	Coahoma ISD	11,595,000
Burton ISD	44,605,000	Coldspring-Oakhurst CISD	16,660,000
Bushland ISD	93,630,000	College Station ISD	343,110,000
Bynum ISD	485,000	Collinsville ISD	7,505,000
Caddo Mills ISD	111,218,463	Colorado ISD	26,011,288
Calallen ISD	61,065,000	Columbia-Brazoria ISD	33,315,000
Caldwell ISD	36,706,400	Columbus ISD	7,480,000
Calhoun Co ISD	15,210,000	Comal ISD	1,049,362,848
Callisburg ISD	14,810,000	Comanche ISD	6,635,000
Calvert ISD	9,135,000	Comfort ISD	44,198,857
Cameron ISD	12,730,000	Commerce ISD	59,375,000
Canadian ISD	155,000	Community ISD	191,395,000
Canton ISD	18,663,000	Connally ISD	8,820,000
Canutillo ISD	72,904,627	Conroe ISD	1,600,365,000
Canyon ISD	233,685,000	Coolidge ISD	1,730,000
Carlisle ISD	8,800,000	Cooper ISD	8,040,000
Carrizo Springs CISD	35,400,000	Coppell ISD	308,064,846
Carroll ISD	245,290,000	Copperas Cove ISD	5,245,000
Carrollton-Farmers Branch ISD	326,315,000	Corpus Christi ISD	685,040,929
Carthage ISD	11,693,000	Corrigan-Camden ISD	1,115,000
Castleberry ISD	31,785,000	Corsicana ISD	77,960,304
Cedar Hill ISD	84,576,687	Cotulla ISD	78,890,000
Celeste ISD	5,620,000	Coupland ISD	4,495,000
Celina ISD	298,245,000	Covington ISD	111,000
Center ISD	37,015,000	Crandall ISD	198,304,840
Centerville ISD [Leon]	12,928,217	Crane ISD	1,190,000
Central Heights ISD	11,055,000	Crawford ISD	5,170,000
Central ISD	9,110,000	Crockett Co Cons CSD	25,040,000
Channelview ISD	285,920,000	Crockett ISD	9,025,000
Channing ISD	280,000	Crosby ISD	113,570,000
Chapel Hill ISD [Smith]	11,245,000	Crosbyton CISD	6,285,000
Chapel Hill ISD [Titus]	1,840,000	Cross Roads ISD	3,620,000
Charlotte ISD	7,160,000	Crowell ISD	3,135,000

**BOND GUARANTEE PROGRAM --- ISSUED AND GUARANTEED
FOR THE FISCAL YEAR ENDED AUGUST 31, 2022**

SCHOOL DISTRICT NAME	BALANCE	SCHOOL DISTRICT NAME	BALANCE
Crowley ISD	\$ 514,074,868	Ector ISD	\$ 1,120,000
Crystal City ISD	39,305,000	Edcouch-Elsa ISD	23,445,000
Cuero ISD	50,520,000	Eden CISD	20,040,000
Culberson Co-Allamore ISD	9,555,000	Edgewood ISD [Bexar]	38,450,000
Cumby ISD	8,135,000	Edgewood ISD [Van Zandt]	1,860,000
Cushing ISD	8,825,000	Edinburg CISD	92,455,000
Cypress-Fairbanks ISD	3,081,345,000	Edna ISD	16,505,000
D'Hanis ISD	3,620,000	El Campo ISD	21,860,000
Daingerfield-Lone Star ISD	5,469,000	El Paso ISD	852,660,228
Dalhart ISD	10,605,000	Electra ISD	9,945,000
Dallas ISD	3,264,160,000	Elgin ISD	194,360,000
Danbury ISD	17,705,000	Elkhart ISD	11,825,000
Darrouzett ISD	1,460,000	Elysian Fields ISD	4,245,000
Dawson ISD [Navarro]	7,576,913	Ennis ISD	88,704,620
Dayton ISD	73,835,000	Era ISD	3,590,000
De Leon ISD	885,000	Eula ISD	3,062,000
Decatur ISD	23,051,423	Eustace ISD	36,315,000
Deer Park ISD	316,365,000	Evadale ISD	774,102
Del Valle ISD	405,680,000	Everman ISD	110,355,000
Denison ISD	84,660,000	Ezzell ISD	3,260,000
Denton ISD	1,228,315,283	Fabens ISD	22,248,000
Denver City ISD	58,845,000	Fairfield ISD	1,525,000
DeSoto ISD	74,124,429	Falls City ISD	20,865,000
Detroit ISD	4,330,000	Fannindel ISD	760,000
Devine ISD	8,730,000	Farmersville ISD	61,265,000
Deweyville ISD	3,415,000	Farwell ISD	7,800,000
Diboll ISD	13,869,924	Fayetteville ISD	6,575,000
Dickinson ISD	362,190,000	Ferris ISD	27,103,059
Dilley ISD	26,840,000	Flatonia ISD	15,930,000
Dime Box ISD	2,800,000	Florence ISD	54,295,000
Dimmitt ISD	29,309,998	Floresville ISD	49,732,222
Dodd City ISD	3,655,000	Flour Bluff ISD	42,289,986
Donna ISD	52,580,000	Floydada ISD	30,935,000
Douglass ISD	9,800,000	Follett ISD	995,000
Dripping Springs ISD	263,414,935	Forney ISD	926,525,144
Driscoll ISD	6,168,298	Forsan ISD	13,735,000
Dublin ISD	2,850,000	Fort Bend ISD	1,536,300,000
Dumas ISD	100,120,000	Fort Elliott CISD	2,575,000
Duncanville ISD	188,775,000	Fort Hancock ISD	750,000
Eagle Mountain-Saginaw ISD	1,075,177,504	Fort Stockton ISD	20,505,000
Eagle Pass ISD	34,265,000	Fort Worth ISD	1,126,355,000
Eanes ISD	105,650,000	Franklin ISD	5,580,000
Early ISD	15,503,586	Frankston ISD	12,350,000
East Bernard ISD	18,750,000	Fredericksburg ISD	89,890,000
East Central ISD	104,403,479	Freer ISD	20,639,908
East Chambers ISD	11,735,000	Frenship ISD	442,956,298
Eastland ISD	7,560,000	Friendswood ISD	196,190,000
Ector Co ISD	128,360,000	Friona ISD	16,365,000

**BOND GUARANTEE PROGRAM --- ISSUED AND GUARANTEED
FOR THE FISCAL YEAR ENDED AUGUST 31, 2022**

SCHOOL DISTRICT NAME	BALANCE	SCHOOL DISTRICT NAME	BALANCE
Frisco ISD	\$ 2,247,740,226	Hale Center ISD	\$ 4,096,406
Frost ISD	5,384,000	Hallettsville ISD	18,283,000
Fruitvale ISD	1,700,000	Hallsburg ISD	1,890,531
Gainesville ISD	21,835,000	Hallsville ISD	82,880,000
Galena Park ISD	331,405,674	Hamlin ISD	2,700,000
Galveston ISD	285,500,000	Hamshire-Fannett ISD	51,265,000
Ganado ISD	21,755,000	Hardin ISD	16,065,000
Garland ISD	412,340,000	Hardin-Jefferson ISD	52,610,000
Garner ISD	750,000	Harlandale ISD	176,368,920
Garrison ISD	13,970,000	Harleton ISD	579,000
Gary ISD	5,945,000	Harlingen CISD	85,330,000
Gatesville ISD	20,305,000	Hart ISD	1,640,000
George West ISD	25,530,000	Hartley ISD	4,140,000
Georgetown ISD	537,610,000	Haskell CISD	17,065,000
Giddings ISD	25,865,000	Hawkins ISD	25,325,000
Gilmer ISD	39,330,000	Hawley ISD	4,535,000
Gladewater ISD	27,554,525	Hays CISD	497,320,000
Glasscock Co ISD	9,825,000	Hearne ISD	6,020,000
Glen Rose ISD	7,385,000	Hempstead ISD	8,540,000
Godley ISD	210,310,000	Henderson ISD	33,535,295
Goldthwaite CISD	19,775,000	Henrietta ISD	6,395,000
Goliad ISD	4,315,000	Hereford ISD	17,765,000
Gonzales ISD	18,770,000	Hermleigh ISD	3,690,000
Goodrich ISD	2,400,000	Hico ISD	2,050,000
Goose Creek CISD	635,872,572	Hidalgo ISD	22,605,000
Gordon ISD	9,255,000	High Island ISD	7,675,000
Gorman ISD	3,405,000	Highland ISD	6,370,000
Grady ISD	13,730,000	Highland Park ISD [Dallas]	299,075,000
Graford ISD	6,815,000	Highland Park ISD [Potter]	16,270,000
Graham ISD	16,745,000	Hillsboro ISD	28,409,164
Granbury ISD	85,775,000	Hitchcock ISD	64,995,000
Grand Prairie ISD	358,005,000	Holland ISD	7,425,000
Grand Saline ISD	3,263,000	Holliday ISD	14,760,000
Grandfalls-Royalty ISD	9,305,000	Hondo ISD	32,450,000
Grandview ISD	15,660,000	Honey Grove ISD	7,185,000
Granger ISD	28,635,000	Hooks ISD	16,945,000
Grape Creek ISD	9,725,000	Houston ISD	1,847,190,000
Grapeland ISD	9,410,000	Howe ISD	20,190,236
Grapevine-Colleyville ISD	265,081,018	Hubbard ISD [Hill]	7,336,000
Greenville ISD	68,255,000	Huckabay ISD	6,990,000
Greenwood ISD	50,054,840	Hudson ISD	9,685,000
Gregory-Portland ISD	185,195,000	Huffman ISD	67,920,000
Groesbeck ISD	7,660,000	Hull-Daisetta ISD	569,000
Groom ISD	11,010,000	Humble ISD	1,054,995,000
Gruver ISD	6,325,000	Hunt ISD	2,955,000
Gunter ISD	50,425,000	Huntington ISD	11,565,000
Gustine ISD	650,000	Huntsville ISD	94,500,000
Guthrie CSD	785,000	Hurst-Euless-Bedford ISD	242,840,000

**BOND GUARANTEE PROGRAM --- ISSUED AND GUARANTEED
FOR THE FISCAL YEAR ENDED AUGUST 31, 2022**

SCHOOL DISTRICT NAME	BALANCE	SCHOOL DISTRICT NAME	BALANCE
Hutto ISD	\$ 433,700,452	Kress ISD	\$ 2,065,000
Idalou ISD	10,250,000	Krum ISD	24,097,189
Industrial ISD	17,060,000	La Feria ISD	17,805,000
Ingleside ISD	60,075,000	La Grange ISD	29,110,000
Ingram ISD	10,890,000	La Joya ISD	167,472,680
Iola ISD	8,240,000	La Porte ISD	216,635,000
Iowa Park CISD	29,870,000	La Poynor ISD	5,725,000
Ira ISD	9,245,000	La Pryor ISD	1,470,000
Iraan-Sheffield ISD	10,165,000	La Vega ISD	32,317,381
Iredell ISD	4,255,000	La Vernia ISD	22,505,000
Irion Co ISD	12,820,000	La Villa ISD	7,305,000
Irving ISD	314,700,000	Lago Vista ISD	66,418,456
Italy ISD	11,615,000	Lake Dallas ISD	141,513,624
Itasca ISD	9,005,000	Lake Travis ISD	316,805,000
Jacksboro ISD	10,965,000	Lake Worth ISD	78,063,283
Jacksonville ISD	70,605,000	Lamar CISD	1,705,940,000
Jarrell ISD	189,854,988	Lamesa ISD	22,435,000
Jasper ISD	24,095,000	Lampasas ISD	25,464,977
Jayton-Girard ISD	440,000	Lancaster ISD	130,995,000
Jefferson ISD	4,510,000	Laredo ISD	237,350,000
Jim Hogg Co ISD	13,320,000	Lasara ISD	4,540,000
Jim Ned CISD	34,100,000	Latexo ISD	4,840,000
Joaquin ISD	10,015,000	Lazbuddie ISD	4,385,000
Johnson City ISD	9,610,000	Leander ISD	974,183,275
Joshua ISD	89,745,000	Lefors ISD	1,810,000
Jourdanton ISD	36,354,694	Leggett ISD	1,820,000
Judson ISD	492,364,085	Leon ISD	1,010,000
Karnes City ISD	26,426,000	Levelland ISD	41,489,972
Katy ISD	2,114,761,367	Lewisville ISD	955,600,000
Kaufman ISD	64,200,000	Lexington ISD	6,470,000
Keene ISD	9,900,000	Liberty Hill ISD	482,122,702
Keller ISD	836,595,184	Liberty ISD	30,410,000
Kelton ISD	6,366,000	Liberty-Eylau ISD	21,295,000
Kemp ISD	15,944,990	Lindale ISD	63,744,093
Kenedy ISD	22,904,985	Lingleville ISD	6,856,000
Kennedale ISD	19,240,025	Lipan ISD	15,600,219
Kerens ISD	15,485,000	Little Cypress-Mauriceville CISD	51,365,000
Kermitt ISD	19,834,989	Little Elm ISD	323,090,141
Kerrville ISD	86,660,000	Livingston ISD	51,385,000
Kilgore ISD	138,945,000	Llano ISD	31,580,000
Killeen ISD	393,750,000	Lockhart ISD	56,859,961
Kingsville ISD	54,735,000	Lockney ISD	4,040,000
Kirbyville CISD	19,104,766	Lohn ISD	730,000
Klein ISD	1,113,060,000	Lometa ISD	2,805,000
Klondike ISD	7,810,000	London ISD	28,804,102
Knippa ISD	2,605,000	Lone Oak ISD	39,655,000
Kountze ISD	7,795,000	Longview ISD	151,645,000

**BOND GUARANTEE PROGRAM --- ISSUED AND GUARANTEED
FOR THE FISCAL YEAR ENDED AUGUST 31, 2022**

SCHOOL DISTRICT NAME	BALANCE	SCHOOL DISTRICT NAME	BALANCE
Loraine ISD	\$ 6,230,000	Mesquite ISD	\$ 704,827,801
Lorena ISD	24,064,350	Mexia ISD	10,800,000
Los Fresnos CISD	72,915,000	Miami ISD	12,280,000
Lovejoy ISD	146,105,000	Midland ISD	154,225,982
Lovelady ISD	6,520,000	Midlothian ISD	412,745,000
Lubbock ISD	296,715,943	Midway ISD [Clay]	3,320,000
Lubbock-Cooper ISD	369,834,876	Midway ISD [McLennan]	185,010,000
Lueders-Avoca ISD	766,000	Milano ISD	3,430,000
Lufkin ISD	97,685,000	Mildred ISD	17,360,000
Luling ISD	29,435,000	Miles ISD	6,615,000
Lumberton ISD	73,305,000	Miller Grove ISD	2,790,000
Lyford CISD	2,100,000	Millsap ISD	13,740,000
Lytle ISD	22,220,000	Mineola ISD	28,405,000
Mabank ISD	34,185,992	Mineral Wells ISD	43,399,062
Madisonville CISD	18,525,000	Mission CISD	91,124,960
Magnolia ISD	84,560,000	Monahans-Wickett-Pyote ISD	127,690,000
Malakoff ISD	69,325,000	Monte Alto ISD	10,010,000
Malone ISD	692,000	Montgomery ISD	409,105,000
Malta ISD	575,000	Moody ISD	8,770,000
Manor ISD	490,474,999	Moulton ISD	11,640,000
Mansfield ISD	824,064,839	Mount Calm ISD	1,500,000
Marble Falls ISD	84,880,000	Mount Enterprise ISD	11,710,000
Marfa ISD	4,405,000	Mount Pleasant ISD	66,980,000
Marion ISD	33,800,000	Mount Vernon ISD	17,920,000
Marshall ISD	77,670,000	Muenster ISD	13,120,000
Mart ISD	16,630,000	Muleshoe ISD	12,490,000
Martins Mill ISD	2,000,000	Munday CISD	6,150,000
Martinsville ISD	3,365,000	Nacogdoches ISD	91,105,000
Mason ISD	2,550,000	Natalia ISD	9,360,000
Matagorda ISD	3,680,000	Navarro ISD	118,115,494
Mathis ISD	20,085,000	Navasota ISD	46,987,897
Maud ISD	467,000	Nazareth ISD	220,000
May ISD	969,000	Neches ISD	2,925,000
Maypearl ISD	8,702,159	Nederland ISD	146,920,000
McAllen ISD	45,220,000	Needville ISD	41,635,000
McCamey ISD	8,305,000	New Boston ISD	11,880,000
McDade ISD	500,000	New Braunfels ISD	335,918,233
McGregor ISD	21,189,627	New Caney ISD	551,505,000
McKinney ISD	532,385,000	New Deal ISD	33,920,000
McLean ISD	825,000	New Diana ISD	7,110,000
McMullen Co ISD	9,517,000	New Home ISD	21,325,000
Meadow ISD	670,000	New Summerfield ISD	6,704,403
Medina ISD	4,885,000	New Waverly ISD	26,730,000
Medina Valley ISD	198,907,932	Newcastle ISD	4,500,000
Melissa ISD	318,855,000	Newton ISD	1,055,000
Mercedes ISD	36,250,000	Nixon-Smiley CISD	10,092,000
Meridian ISD	5,100,000	Nordheim ISD	7,510,000
Merkel ISD	9,335,000	Normangee ISD	15,171,984

**BOND GUARANTEE PROGRAM --- ISSUED AND GUARANTEED
FOR THE FISCAL YEAR ENDED AUGUST 31, 2022**

SCHOOL DISTRICT NAME	BALANCE	SCHOOL DISTRICT NAME	BALANCE
North East ISD	\$ 1,320,800,000	Plano ISD	\$ 410,755,000
North Hopkins ISD	3,760,000	Pleasant Grove ISD	78,905,000
North Lamar ISD	44,005,000	Pleasanton ISD	46,935,000
North Zulch ISD	6,885,000	Plemons-Stinnett-Phillips CISD	3,335,000
Northside ISD [Bexar]	2,299,690,000	Point Isabel ISD	31,935,000
Northside ISD [Wilbarger]	990,000	Ponder ISD	71,970,000
Northwest ISD	1,353,929,040	Poolville ISD	1,735,000
Nursery ISD	1,840,000	Port Aransas ISD	5,349,000
O'Donnell ISD	10,425,000	Port Arthur ISD	218,965,000
Oakwood ISD	4,507,019	Port Neches-Groves ISD	195,280,000
Odem-Edroy ISD	24,075,000	Post ISD	30,695,000
Olfen ISD	585,000	Poteet ISD	20,825,000
Olney ISD	3,700,000	Poth ISD	11,800,000
Onalaska ISD	9,737,589	Pottsboro ISD	62,050,000
Orange Grove ISD	6,765,000	Prairie Lea ISD	7,115,000
Orangefield ISD	5,850,000	Prairiland ISD	12,960,000
Ore City ISD	7,205,000	Premont ISD	14,390,000
Overton ISD	6,655,000	Presidio ISD	1,959,996
Paint Creek ISD	5,325,000	Priddy ISD	805,000
Paint Rock ISD	1,705,000	Princeton ISD	348,369,235
Palacios ISD	109,395,000	Pringle-Morse CISD	197,000
Palestine ISD	46,700,000	Progreso ISD	26,550,000
Palmer ISD	14,520,000	Prosper ISD	1,365,089,138
Palo Pinto ISD	2,120,000	Queen City ISD	1,340,000
Pampa ISD	31,439,959	Quinlan ISD	9,225,000
Panther Creek CISD	540,000	Quitman ISD	10,750,000
Paradise ISD	7,185,000	Rains ISD	9,605,000
Paris ISD	40,760,000	Rankin ISD	30,485,000
Pasadena ISD	598,975,000	Raymondville ISD	10,665,000
Pawnee ISD	1,295,000	Reagan Co ISD	19,600,000
Pearland ISD	379,670,000	Red Lick ISD	3,760,000
Pearsall ISD	16,220,000	Red Oak ISD	80,280,000
Peaster ISD	41,627,306	Redwater ISD	5,500,000
Pecos-Barstow-Toyah ISD	90,935,000	Refugio ISD	18,530,000
Perrin-Whitt CISD	2,925,000	Rice CISD	24,954,989
Perryton ISD	15,913,712	Rice ISD	21,654,592
Petersburg ISD	21,155,000	Richards ISD	6,280,000
Petrolia CISD	2,090,000	Richardson ISD	774,830,000
Pettus ISD	25,935,000	Richland Springs ISD	2,305,000
Pewitt CISD	510,000	Riesel ISD	22,900,000
Pflugerville ISD	508,435,000	Rio Grande City Grulla ISD	122,110,000
Pharr-San Juan-Alamo ISD	232,275,000	Rio Hondo ISD	27,705,000
Pilot Point ISD	46,020,000	Rio Vista ISD	1,015,000
Pine Tree ISD	40,380,000	River Road ISD	7,820,097
Pittsburg ISD	15,330,000	Rivercrest ISD	3,480,000
Plains ISD	18,015,000	Robert Lee ISD	9,235,000
Plainview ISD	64,765,000	Robinson ISD	16,264,992

**BOND GUARANTEE PROGRAM --- ISSUED AND GUARANTEED
FOR THE FISCAL YEAR ENDED AUGUST 31, 2022**

SCHOOL DISTRICT NAME	BALANCE	SCHOOL DISTRICT NAME	BALANCE
Robstown ISD	\$ 43,984,935	Sealy ISD	\$ 46,715,000
Roby CISD	9,340,000	Seguin ISD	157,974,809
Rockdale ISD	18,945,000	Seminole ISD	7,690,000
Rocksprings ISD	285,000	Seymour ISD	1,570,000
Rockwall ISD	692,843,438	Shallowater ISD	48,438,627
Rogers ISD	12,428,346	Sharyland ISD	81,355,000
Roma ISD	58,405,000	Shelbyville ISD	440,000
Roosevelt ISD	6,905,000	Sheldon ISD	366,639,996
Ropes ISD	8,500,000	Shepherd ISD	17,190,000
Roscoe Collegiate ISD	1,815,000	Sherman ISD	189,140,000
Rosebud-Lott ISD	11,469,464	Shiner ISD	1,780,000
Rotan ISD	12,720,000	Sidney ISD	975,000
Round Rock ISD	627,125,000	Sierra Blanca ISD	8,205,000
Round Top-Carmine ISD	1,035,000	Silsbee ISD	24,089,997
Royal ISD	50,734,994	Silverton ISD	5,780,000
Royse City ISD	332,870,316	Simms ISD	925,000
Runge ISD	1,535,000	Sinton ISD	124,385,000
Rusk ISD	5,805,000	Skidmore-Tynan ISD	21,279,000
S & S CISD	25,060,000	Slaton ISD	13,170,000
Sabinal ISD	7,095,000	Slidell ISD	529,000
Sabine ISD	16,694,994	Slocum ISD	2,535,000
Sabine Pass ISD	39,369,485	Smithville ISD	35,760,000
Saint Jo ISD	6,110,000	Snook ISD	13,385,000
Salado ISD	56,940,000	Snyder ISD	6,545,000
Sam Rayburn ISD	3,223,059	Socorro ISD	777,574,552
San Angelo ISD	81,294,994	Somerset ISD	46,190,000
San Antonio ISD	1,488,519,987	Somerville ISD	10,880,000
San Augustine ISD	8,180,000	Sonora ISD	655,628
San Benito CISD	86,290,000	South San Antonio ISD	126,454,854
San Diego ISD	22,730,000	Southside ISD	80,325,000
San Elizario ISD	25,065,000	Southwest ISD	258,568,089
San Felipe Del Rio CISD	36,834,993	Spearmen ISD	4,190,000
San Marcos CISD	190,685,000	Splendora ISD	47,845,000
San Perlita ISD	5,060,000	Spring Branch ISD	733,730,000
San Saba ISD	2,751,000	Spring Hill ISD	34,608,000
Sanford-Fritch ISD	6,728,546	Spring ISD	483,725,000
Sanger ISD	142,825,322	Springtown ISD	45,770,000
Santa Anna ISD	750,000	Spur ISD	2,110,000
Santa Fe ISD	74,190,000	Spurger ISD	1,475,000
Santa Gertrudis ISD	710,000	Stafford MSD	98,070,000
Santa Maria ISD	13,095,000	Stamford ISD	6,940,000
Santa Rosa ISD	6,370,000	Stanton ISD	1,260,000
Savoy ISD	470,000	Stephenville ISD	72,000,000
Schertz-Cibolo-Universal City ISD	378,843,715	Sterling City ISD	7,510,000
Schulenburg ISD	5,825,000	Stockdale ISD	11,135,000
Scurry-Rosser ISD	5,115,000	Stratford ISD	5,515,000
Seagraves ISD	6,320,000	Sudan ISD	7,970,000

**BOND GUARANTEE PROGRAM --- ISSUED AND GUARANTEED
FOR THE FISCAL YEAR ENDED AUGUST 31, 2022**

SCHOOL DISTRICT NAME	BALANCE	SCHOOL DISTRICT NAME	BALANCE
Sulphur Bluff ISD	\$ 312,000	Van Alstyne ISD	\$ 143,435,000
Sulphur Springs ISD	39,115,000	Van ISD	35,354,447
Sundown ISD	3,710,000	Van Vleck ISD	73,665,000
Sunnyvale ISD	85,797,574	Vega ISD	14,315,000
Sunray ISD	13,747,000	Venus ISD	30,007,314
Sweeny ISD	43,975,000	Veribest ISD	673,000
Sweetwater ISD	4,345,000	Vernon ISD	37,530,000
Taft ISD	23,390,000	Victoria ISD	109,805,000
Tahoka ISD	12,265,000	Vidor ISD	10,037,827
Tarkington ISD	7,185,000	Waco ISD	310,660,000
Tatum ISD	12,335,000	Waelder ISD	2,575,000
Taylor ISD	53,849,973	Walcott ISD	815,000
Teague ISD	2,265,000	Wall ISD	15,535,000
Temple ISD	255,130,000	Waller ISD	366,040,000
Tenaha ISD	2,595,000	Warren ISD	17,379,881
Terrell Co ISD	1,995,000	Waskom ISD	10,950,000
Terrell ISD	41,009,910	Water Valley ISD	16,865,000
Texarkana ISD	31,990,000	Waxahachie ISD	223,277,001
Texas City ISD	175,370,000	Weatherford ISD	95,434,623
Texline ISD	1,610,000	Webb CISD	7,310,000
Thrall ISD	43,220,000	Weimar ISD	13,620,000
Three Rivers ISD	16,475,000	Wellman-Union CISD	17,055,748
Throckmorton Collegiate ISD	7,490,000	Wells ISD	2,465,000
Tidehaven ISD	38,255,000	Weslaco ISD	36,339,977
Timpson ISD	7,735,000	West Hardin Co CISD	1,350,000
Tioga ISD	5,130,780	West ISD	18,616,997
Tolar ISD	8,121,708	West Orange-Cove CISD	61,890,000
Tom Bean ISD	7,814,684	West Oso ISD	28,835,000
Tomball ISD	685,985,000	West Rusk Co CISD	11,575,000
Tornillo ISD	15,145,000	West Sabine ISD	6,710,000
Trent ISD	1,905,000	Westwood ISD	35,570,000
Trenton ISD	5,535,000	Wharton ISD	70,340,000
Trinidad ISD	545,000	Wheeler ISD	4,050,000
Trinity ISD	12,860,000	White Deer ISD	9,635,000
Troup ISD	5,110,000	White Oak ISD	17,017,000
Troy ISD	27,829,997	White Settlement ISD	250,905,769
Tulia ISD	11,615,000	Whiteface CISD	6,150,000
Tuloso-Midway ISD	43,499,996	Whitehouse ISD	101,740,000
Turkey-Quitaque ISD	2,080,000	Whitesboro ISD	3,800,000
Tyler ISD	440,695,000	Whitewright ISD	18,905,000
Union Grove ISD	11,000,000	Whitharral ISD	1,375,000
United ISD	416,680,590	Whitney ISD	29,970,000
Uvalde CISD	2,995,000	Wichita Falls ISD	324,670,000
Valley Mills ISD	12,915,000	Wildorado ISD	10,000,000
Valley View ISD [Cooke]	9,472,461	Willis ISD	372,460,000
Valley View ISD [Hidalgo]	33,560,000	Wilson ISD	6,050,000

**BOND GUARANTEE PROGRAM --- ISSUED AND GUARANTEED
FOR THE FISCAL YEAR ENDED AUGUST 31, 2022**

SCHOOL DISTRICT NAME	BALANCE	CHARTER DISTRICT NAME	BALANCE
Wimberley ISD	\$ 97,593,645	A+ Charter Schools, Inc.	\$ 12,450,000
Windthorst ISD	1,310,000	A.W. Brown Leadership Academy	22,580,000
Wink-Loving ISD	37,745,000	Austin Achieve Public Schools Inc	56,590,000
Winnsboro ISD	29,310,000	Ben Yehuda Academy	11,105,000
Winona ISD	24,420,000	BRAINATION, INC (dba Inspire Academies)	10,145,000
Woden ISD	10,245,000	Cityscape Schools Inc.	20,820,000
Wolfe City ISD	2,650,000	Compass Academy Charter School, Inc.	29,440,000
Woodsboro ISD	7,635,000	Eagle Advantage Schools, Inc.	17,655,000
Wortham ISD	5,645,000	El Paso Education Initiative, Inc.	19,425,000
Wylie ISD [Collin]	419,993,687	Faith Family Kids, Inc.	18,910,000
Wylie ISD [Taylor]	41,260,000	Golden Rule Schools Inc.	25,205,000
Yoakum ISD	30,715,000	Great Hearts America Texas	205,805,000
Yorktown ISD	3,490,000	Harmony Public Schools	452,595,000
Ysleta ISD	859,677,771	IDEA Academy, Inc.	928,605,000
Zapata Co ISD	13,600,000	International Leadership of Texas	49,630,000
Zavalla ISD	5,030,000	KIPP Texas, Inc.	574,788,000
Zephyr ISD	3,380,000	Leadership Prep School, Inc.	16,295,000
		Lifeschool Of Dallas	98,365,000
		Nova Academy	4,340,000
		Odyssey 2020 Academy, Inc.	11,425,000
		Orenda Education	35,895,000
		Pineywoods Community Academy	15,800,000
		Responsive Education Solutions	259,915,000
		Riverwalk Education Foundation, Inc.	318,898,000
		SER-Ninos, Inc.	36,555,000
		South Texas Educational Technologies, Inc.	15,615,000
		The Huguen Center, Inc.	16,310,000
		Trinity Basin Preparatory Inc.	60,295,000
		Uplift Education	250,325,000
		Vanguard Academy, Inc.	44,030,000
		Yes Prep Public Schools Inc.	71,585,000
Total School District Amount Outstanding	\$ 99,528,099,929	Total Charter District Amount Outstanding	\$ 3,711,396,000
		Grand Total Amount Outstanding	\$ 103,239,495,929

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SECTION FIVE

SUPPLEMENTAL SCHEDULES (UNAUDITED)

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TEXAS PERMANENT SCHOOL FUND
SCHEDULE OF HISTORICAL EARNED INCOME – PSF(SBOE)
ASSIGNED TO THE AVAILABLE SCHOOL FUND

Year	Total Investment Fund ¹	Increase (Decrease) Over Previous Year ²	Net Income From Investments ³	Other Income ⁴	Total Income From Operations	Distributions ⁵
1854	\$ 2,000,000	\$ -	\$ -	\$ -	\$ -	\$ -
1900	9,102,873	682,284	337,437	445,705	783,142	-
1910	16,752,407	712,842	628,669	1,341,858	1,970,527	-
1920	25,698,282	2,832,785	899,946	1,988,609	2,888,555	-
1930	38,718,106	2,349,227	1,668,949	1,100,598	2,769,547	-
1940	68,299,082	5,119,511	2,353,046	978,828	3,331,874	-
1950	161,179,979	10,891,509	3,586,117	399,857	3,985,974	-
1961	454,391,643	28,570,043	13,474,481	291,955	13,766,436	4,593,565
1970	842,217,721	43,557,978	34,114,113	648,842	34,762,955	-
1980	2,464,579,397	401,868,617	158,079,171	8,396,255	166,475,426	-
1990	8,930,703,666	(160,746,667)	671,049,192	3,585,802	674,634,994	-
2000	22,275,586,452	2,659,856,111	694,916,560	3,570,745	698,487,305	-
2008	23,142,393,002	(2,169,442,344)	-	-	-	716,534,543
2009	20,545,271,679	(2,597,121,323)	-	-	-	716,533,764
2010	22,107,795,468	1,562,523,789	-	-	-	60,700,000
2011	24,091,592,601	1,983,797,133	-	-	-	1,092,809,024
2012	25,502,953,268	1,411,360,667	-	-	-	1,020,886,917
2013	27,165,474,239	1,662,520,971	-	-	-	1,020,886,919
2014	30,709,230,670	3,543,756,431	-	-	-	838,672,346
2015	28,949,453,126	(1,759,777,544)	-	-	-	838,672,334
2016	30,155,990,622	1,206,537,496	-	-	-	1,056,412,420
2017	32,727,880,581	2,571,889,959	-	-	-	1,056,412,420
2018	34,012,158,724	1,284,278,143	-	-	-	1,235,835,058
2019	34,260,473,139	248,314,415	-	-	-	1,235,835,058
2020	35,810,965,992	1,550,492,853	-	-	-	1,101,669,657
2021	42,573,202,540	6,762,236,548	-	-	-	1,101,669,657
2022	37,967,748,431	(4,605,454,109)	-	-	-	1,730,707,798

¹ Includes cash, stocks at cost, and bonds at par (1854-1986). Beginning in 1987 and thereafter, the total investment fund is reported using fair values.

² Includes revenue from GLO, gains and losses on security transactions, and increases/decreases in the fair value of the portfolios.

³ For 2004, income from investments includes interest and dividends on debt and equity securities respectively, interest on funds in the State Treasury, and securities lending proceeds. Due to the change to the total return methodology, the net income from investments is through September 29, 2003 only.

For 2003, income from investments includes interest and dividends on debt and equity securities respectively, interest on funds in accrual basis of accounting.

For the years 1994-2002, income from investments includes interest and dividends on debt and equity securities respectively, interest on funds in the State Treasury, and securities lending proceeds.

For the years 1987-1993, income from investments includes interest and dividends on debt and equity securities, respectively and interest on funds in the State Treasury.

For the years 1854-1986, income from investments includes interest and dividends on debt and equity securities, respectively.

⁴ For the years 1987-2004, other income includes interest on land notes and interest payments and surface rental income from land owned by the Fund. (Surface rental income included beginning with fiscal year 1979).

For the years 1854-1986, other income includes interest on funds in the State Treasury, interest on land notes, and interest payments and surface rental income from land owned by the Fund. (Surface rental income included beginning with fiscal year 1979).

⁵ One percent, or \$4,593,565 and \$4,625,982 was transferred to the ASF in 1961 and 1962 respectively (Sec. 5, S.B. 1, 57th Legislature, 2nd Called Session). Beginning in fiscal year 2004, the ASF received a total return transfer amount in lieu of actual revenue.

TEXAS PERMANENT SCHOOL FUND

SCHEDULE OF TEXAS PERMANENT SCHOOL FUND ELEMENTS

	PSF(SBOE)	Liquid(SBOE)	PSF(SLB)	Total
Assets				
Cash and Cash Equivalents				
Cash in Bank	\$ -	\$ 3,408,972	\$ 717,151	\$ 4,126,123
Cash in State Treasury	611,897,160	1,865,783	1,257,476,811	1,871,239,754
Cash Equivalents	488,105,768	153,560,047	-	641,665,815
Securities Lending Cash Collateral Invested	2,718,288,671	1,012,143,417	-	3,730,432,088
Receivables				
Interest and Dividends Receivable	94,387,348	9,926,757	2,037,383	106,351,488
Investments Sold	72,824,614	827,691	-	73,652,305
Land Endowment Revenue	-	-	321,241,973	321,241,973
Land Sale Notes	-	-	43,656	43,656
Due from Broker for Margin Collateral	-	1,373,058	-	1,373,058
Due From Other Funds	-	-	203,348	203,348
Other	544	-	-	544
Prepaid Items	-	-	394	394
Investments in Equity, Debt, and Alternative Securities	32,455,248,589	4,784,915,830	-	37,240,164,419
Investments in Real Assets, at fair value	4,381,601,960	-	12,584,524,699	16,966,126,659
Total Assets	\$ 40,822,354,654	\$ 5,968,021,555	\$ 14,166,245,415	\$ 60,956,621,624
Liabilities, Deferred Inflows of Resources And Fund Balances				
Liabilities				
Accounts Payable	\$ 4,985,087	\$ -	\$ 8,546,372	\$ 13,531,459
Payroll Payable	1,304,810	-	1,629,924	2,934,734
Payable for Investments Purchased	139,115,453	10,525,507	-	149,640,960
Unearned Revenue	-	-	217,702,868	217,702,868
Due To Other Funds	-	-	262,862	262,862
Payable for Securities Lending Cash Collateral Invested	2,722,880,731	1,011,994,095	-	3,734,874,826
Total Liabilities	2,868,286,081	1,022,519,602	228,142,026	4,118,947,709
Deferred Inflows of Resources:				
Interest and Dividends	26,047,984	962,886	-	27,010,870
Total Deferred Inflows of Resources	26,047,984	962,886	-	27,010,870
Fund Financial Statement-Fund Balances				
Nonspendable	36,161,877,421	4,944,539,067	13,918,822,454	55,025,238,942
Restricted for Public School Support	1,766,143,168	-	19,280,935	1,785,424,103
Total Fund Balance	37,928,020,589	4,944,539,067	13,938,103,389	56,810,663,045
Total Liabilities, Deferred Inflows of Resources And Fund Balance	\$ 40,822,354,654	\$ 5,968,021,555	\$ 14,166,245,415	\$ 60,956,621,624

TEXAS PERMANENT SCHOOL FUND

SCHEDULE OF TEXAS PERMANENT SCHOOL FUND ELEMENTS

	PSF(SBOE)	Liquid(SBOE)	PSF(SLB)	Total
Revenues				
Interest, Dividends and Other Investment Income	\$ 1,848,025,270	\$ 75,065,423	\$ 285,556,554	\$ 2,208,647,247
Settlement of Claims	685,586	5	-	685,591
Securities Lending	15,886,500	1,928,287	-	17,814,787
Gain on Sale of Sovereign Land	-	-	285,152	285,152
Net Increase/(Decrease) in Fair Value of Investments	(4,736,894,498)	(568,927,091)	4,383,285,209	(922,536,380)
Land Endowment Income	-	-	2,073,076,180	2,073,076,180
Revenue from Sales of Purchased Gas	-	-	103,363,954	103,363,954
Other	9,474	-	10,557,130	10,566,604
Total Revenues	(2,872,287,668)	(491,933,376)	6,856,124,179	3,491,903,135
Expenditures				
Salaries and Wages	13,739,206	-	15,527,661	29,266,867
Payroll Related Costs	2,961,170	-	5,017,178	7,978,348
Professional Fees and Services	7,404,138	-	4,524,263	11,928,401
Travel	69,763	-	112,507	182,270
Materials and Supplies	105,455	-	1,081,873	1,187,328
Communication and Utilities	4,674,587	-	1,031,409	5,705,996
Gas Supplies Purchased for Resale	-	-	88,865,603	88,865,603
Repairs and Maintenance	54,912	-	330,612	385,524
Rentals and Leases	331,017	-	33,618	364,635
Printing and Reproduction	5,979	-	27,065	33,044
Securities Lending Rebates and Fees	10,042,379	-	-	10,042,379
Debt Service-Principal-Leases	893,557	-	143,979	1,037,536
Capital Outlay	1,971,350	-	1,567,947	3,539,297
Other Expenditures	1,195,158	-	1,186,447	2,381,605
Total Expenditures	43,448,671	-	119,450,162	162,898,833
Excess of Revenues Over Expenditures	(2,915,736,339)	(491,933,376)	6,736,674,017	3,329,004,302
Other Financing Sources/(Uses)				
Transfers Out to Other Funds	(1,730,707,798)	-	(415,000,000)	(2,145,707,798)
Transfers In from Other PSF Elements	33,886,287	1,150,000,000	194,733	1,184,081,020
Transfers Out to Other PSF Elements	-	(33,886,287)	(1,150,194,733)	(1,184,081,020)
Increase in Obligations - Leases	1,958,169	-	1,405,237	3,363,406
Sale of Capital Assets	-	-	102	102
Total Other Financing Sources/(Uses)	(1,694,863,342)	1,116,113,713	(1,563,594,661)	(2,142,344,290)
Net Change in Fund Balance/Net Assets	(4,610,599,681)	624,180,337	5,173,079,356	1,186,660,012
Fund Financial Statement-Fund Balance				
Fund Balance - September 1, 2021	42,538,620,270	4,320,358,730	8,765,027,043	55,624,006,043
Restatements	-	-	(3,010)	(3,010)
Fund Balance-September 1, 2021, as restated	42,538,620,270	4,320,358,730	8,765,024,033	55,624,003,033
Fund Balance - August 31, 2022	\$ 37,928,020,589	\$ 4,944,539,067	\$ 13,938,103,389	\$ 56,810,663,045

TEXAS PERMANENT SCHOOL FUND
SCHEDULE OF ADMINISTRATIVE EXPENSES – PSF(SBOE) (IN MILLIONS)

The Texas Permanent School Fund is required by the General Appropriations Act to publish the costs of administering the Fund for the current year and projections for the following three years. The schedule below reflects the current year's appropriated costs. Projected amounts are based on the current operating structure and full implementation of the long-term allocation plan adopted by the State Board of Education.

The total appropriated PSF(SBOE) administrative expenses include salaries, wages and related

costs, professional fees and services, communication and utilities, rentals and leases, investment management fees paid directly to external portfolio managers, and other expenses for operation of the Fund.

Actual-Fiscal Year 2022	\$33.4
Projected-Fiscal Year 2023	\$45.5
Projected-Fiscal Year 2024	\$49.8
Projected-Fiscal Year 2025	\$52.8

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COMPLIANCE STATEMENT

TITLE VI, CIVIL RIGHTS ACT OF 1964; THE MODIFIED COURT ORDER, CIVIL ACTION 5281, FEDERAL DISTRICT COURT, EASTERN DISTRICT OF TEXAS, TYLER DIVISION

Reviews of local education agencies pertaining to compliance with Title VI Civil Rights Act of 1964 and with specific requirements of the Modified Court Order, Civil Action No. 5281, Federal District Court, Eastern District of Texas, Tyler Division are conducted periodically by staff representatives of the Texas Education Agency. These reviews cover at least the following policies and practices:

- (1) Acceptance policies on student transfers from other school districts;
- (2) Operation of school bus routes or runs on a non-segregated basis;
- (3) Nondiscrimination in extracurricular activities and the use of school facilities;
- (4) Nondiscriminatory practices in the hiring, assigning, promoting, paying, demoting, reassigning, or dismissing of faculty and staff members who work with children;
- (5) Enrollment and assignment of students without discrimination on the basis of race, color, or national origin;
- (6) Nondiscriminatory practices relating to the use of a student's first language; and
- (7) Evidence of published procedures for hearing complaints and grievances.

In addition to conducting reviews, the Texas Education Agency staff representatives check complaints of discrimination made by a citizen or citizens residing in a school district where it is alleged discriminatory practices have occurred or are occurring.

Where a violation of Title VI of the Civil Rights Act is found, the findings are reported to the Office for Civil Rights, U.S. Department of Education.

If there is a direct violation of the Court Order in Civil Action No. 5281 that cannot be cleared through negotiation, the sanctions required by the Court Order are applied.

TITLE VII, CIVIL RIGHTS ACT OF 1964 AS AMENDED BY THE EQUAL EMPLOYMENT OPPORTUNITY ACT OF 1972; EXECUTIVE ORDERS 11246 AND 11375; EQUAL PAY ACT OF 1964; TITLE IX, EDUCATION AMENDMENTS; REHABILITATION ACT OF 1973 AS AMENDED; 1974 AMENDMENTS TO THE WAGE-HOUR LAW EXPANDING THE AGE DISCRIMINATION IN EMPLOYMENT ACT OF 1967; VIETNAM ERA VETERANS READJUSTMENT ASSISTANCE ACT OF 1972 AS AMENDED; IMMIGRATION REFORM AND CONTROL ACT OF 1986; AMERICANS WITH DISABILITIES ACT OF 1990; AND THE CIVIL RIGHTS ACT OF 1991.

The Texas Education Agency shall comply fully with the nondiscrimination provisions of all federal and state laws, rules, and regulations by assuring that no person shall be excluded from consideration for recruitment, selection, appointment, training, promotion, retention, or any other personnel action, or be denied any benefits or participation in any educational programs or activities which it operates on the grounds of race, religion, color, national origin, sex, disability, age, or veteran status (except where age, sex, or disability constitutes a bona fide occupational qualification necessary to proper and efficient administration). The Texas Education Agency is an Equal Employment Opportunity/Affirmative Action employer.

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