

**Report of the State Board of Education
Committee on School Finance/Permanent School Fund
November 14, 2019**

The State Board of Education Committee on School Finance/Permanent School Fund met at 9:15 a.m. on Thursday, November 14, 2019, in Room #1-104 of the William B. Travis Building, 1701 N. Congress Avenue, Austin, Texas. Attendance was noted as follows:

Present: Tom Maynard, chair; Lawrence A. Allen, Jr., vice chair; Donna Bahorich; Patricia Hardy; Ken Mercer

Public Testimony

The Committee on School Finance/Permanent School Fund received no presentations of public testimony

ACTION ITEM

1. **Proposed Amendment to 19 TAC Chapter 129, Student Attendance, Subchapter B, Student Attendance Accounting, §129.21, Requirements for Student Attendance Accounting for State Funding Purposes**
(Second Reading and Final Adoption)
(Board agenda page III-2)
[Official agenda item #12]

David Marx, director of financial compliance, explained that the proposed amendment would update the rule to allow school districts and charter schools flexibility when selecting an official attendance taking time during a campus's instructional day. No changes were recommended since approved for the first reading and no public comments were received.

MOTION AND VOTE: *It was moved by Mr. Allen, seconded by Mrs. Bahorich, and carried unanimously to recommend that the State Board of Education approve for second reading and final adoption the proposed amendment to 19 TAC Chapter 129, Student Attendance, Subchapter B, Student Attendance Accounting, §129.21, Requirements for Student Attendance Accounting for State Funding Purposes; and*

Make an affirmative finding that immediate adoption of the proposed amendment to 19 TAC Chapter 129, Student Attendance, Subchapter B, Student Attendance Accounting, §129.21, Requirements for Student Attendance Accounting for State Funding Purposes, is necessary and shall have an effective date of 20 days after filing as adopted with the Texas Register.

CONSENT ITEM

2. Approval of Costs to Administer the 2019–2020 State-Developed Assessments to Private School Students

(Board agenda page III-7)

[Consent agenda item #(1)]

Julie Guthrie, director of policy and publications, student assessment, explained that this item would allow the committee and board to determine costs for private schools that use state-developed assessments to evaluate their students. She explained that the cost per assessment was determined by dividing the overall cost by the number of students who participated.

MOTION AND VOTE: *It was moved by Mr. Allen, seconded by Mrs. Bahorich, and carried unanimously to recommend that the State Board of Education approve the per-student costs for administering the state assessments to private school students in 2019–2020 as outlined in Attachment A.*

DISCUSSION ITEM

3. Review of Permanent School Fund Securities Transactions and the Investment Portfolio (Board agenda page III-12)

Catherine Civileto, deputy executive administrator, provided a summary on the status of the Permanent School Fund (PSF) portfolio. Reports presented to the committee were for the reporting period August and September 2019 unless otherwise noted. Ms. Civileto's report included the current fair market value of the Fund; the asset allocation mix as of September 30, 2019; PSF transactions occurring in the reporting period; revenues and expenditures for the fiscal period beginning September 1 through August 31, 2019; revenues and expenditures for September 2019, the first month of fiscal year 2020; the activity in the securities lending program for the fiscal period beginning September 1 through August 31, 2019; the activity in the securities lending program for September 2019, the first month of fiscal year 2020; the status of transfers from the General Land Office as of September 30, 2019, as per approved resolutions; current status of the Bond Guarantee Program and the available capacity in the program; broker commissions on both the internal and external equity portfolios for the period beginning January 1, 2019, through September 30, 2019; fixed income rating changes for the fiscal period September 1, 2018, through August 31, 2019; fixed income ratings for September 2019, the first month of fiscal year 2020; and short-term cash investments.

CONSENT ITEMS

4. Ratification of the Purchases and Sales of the Investment Portfolio of the Permanent School Fund for the Months of August and September 2019

(Board agenda page III-13)

[Consent agenda item #(2)]

MOTION AND VOTE: *Based on the information provided by staff and the recommendation of the executive administrator and chief investment officer and the commissioner of education, the committee recommended by unanimous consent that the State Board of Education ratify the purchases and sales*

for the months of August and September 2019 in the amounts of \$1,419,631,578 and \$1,401,730,654, respectively (Attachment B).

5. **Adoption of Review of 19 TAC Chapter 33, Statement of Investment Objectives, Policies, and Guidelines of the Texas Permanent School Fund, Subchapter A, State Board of Education Rules (Adoption of Review)**
(Board agenda page III-14)
[Consent agenda item #(3)]

MOTION AND VOTE: *By unanimous consent, the committee recommended that the State Board of Education adopt the review of 19 TAC Chapter 33, Statement of Investment Objectives, Policies, and Guidelines of the Texas Permanent School Fund, Subchapter A, State Board of Education Rules.*

ACTION ITEM

6. **Proposed Amendments to 19 TAC Chapter 33, Statement of Investment Objectives, Policies, and Guidelines of the Texas Permanent School Fund, Subchapter A, State Board of Education Rules (First Reading and Filing Authorization)**
(Board agenda page III-63)
[Official agenda item #13]

Carlos Veintemillas, deputy chief investment officer, stated the proposed amendments would reorganize references to the Permanent School Fund distribution policy, include references to new authority and duties assigned to the State Board of Education by the 86th Texas Legislature, 2019, and address permissible fixed income investments.

MOTION: *It was moved by Mr. Allen, seconded by Mrs. Bahorich, and carried unanimously to recommend that the State Board of Education suspend the board operating procedures in accordance with §5.2(a) to allow consideration at first reading and filing authorization; and*

Approve for first reading and filing authorization proposed amendments to 19 TAC Chapter 33, Statement of Investment Objectives, Policies, and Guidelines of the Texas Permanent School Fund, Subchapter A, State Board of Education Rules.

MOTION AND VOTE: *It was moved by Mrs. Bahorich, seconded by Ms. Hardy, and carried unanimously to recommend that the State Board of Education add the following sentence at the end of new subsection 33.20(i):*

The chairs of the SBOE and the SBOE Committee on School Finance/Permanent School Fund shall be responsible for coordinating the joint annual meeting between the School Land Board and the SBOE.

MOTION AND VOTE: *It was moved by Mrs. Bahorich, seconded by Ms. Hardy, and carried unanimously to recommend that the State Board of Education remove the amendments to proposed §33.25(b)(12) and delete proposed §33.25(b)(13) related to prohibited transactions in purchasing publicly traded fixed income securities.*

VOTE: *A vote was taken on the original motion to recommend that the State Board of Education suspend the board operating procedures in accordance with §5.2(a) to allow consideration at first reading and filing authorization; and*

Approve for first reading and filing authorization proposed amendments to 19 TAC Chapter 33, Statement of Investment Objectives, Policies, and Guidelines of the Texas Permanent School Fund, Subchapter A, State Board of Education Rules, as amended.

CONSENT ITEMS

7. Authorization to Issue a Request for Qualifications for Bond Guarantee Program Counsel for the Permanent School Fund

(Board agenda page III-80)

[Consent agenda item #(4)]

Ms. Civiletto presented the key points relevant to the issuance of the Request for Qualifications for Outside Tax Counsel for the Bond Guarantee Program of the Permanent School Fund.

MOTION AND VOTE: *By unanimous consent, the committee recommended that the State Board of Education approve the issuance of the Request for Qualifications for the State Board of Education and the Texas Permanent School Fund: Tax Counsel.*

(Mr. Allen was absent for the vote.)

8. Review of the Permanent School Fund Liquid Account

(Board agenda page III-81)

[Consent agenda item #(5)]

Mr. Veintemillas provided an update on the Phase 1 implementation plan and the account characteristics. He stated that on September 3, 2019, \$3.9 billion dollars were transferred into the Permanent School Fund Liquid Account.

No action was taken on this item.

ACTION ITEM

9. Review and Determine the List of Nominees for Appointment to the School Land Board

(Board agenda page III-82)

[Official agenda item #14]

Mark Shewmaker, fixed income portfolio manager, provided information on the applicants and the State Board of Education procedures related to the nomination process.

MOTION AND VOTE: *By unanimous consent, the committee recommended that the State Board of Education submit the following lists of six nominees to the governor's office for two positions for appointment to the School Land Board:*

List 1

Rebecca Berger (Lavaca)

John Caley (Fort Bend)

Doug Launius (Travis)

Michael Neill (Henderson)

Lee Partridge (Harris)

Robert Scott (Aransas)

List 2

Brad Curlee (Williamson)

Manasseh Durkin (Dallas)

Darrick Eugene (Travis)

Juana Teixeira (El Paso)

James Watt (Dallas)

Todd Williams (Dallas)

(Mr. Allen was absent for the vote.)

DISCUSSION ITEMS

10. Discussion of Emerging and Diverse Investment Management in Alternative Asset Classes

(Board agenda page III-83)

Keith Stronkowsky, senior consultant, NEPC, provided the committee with a planning outline in consideration of an allocation to an emerging manager program. The committee directed the Permanent School Fund staff and NEPC to work together to provide the committee with a proposal prior to presentation of the July 2020 asset allocation item.

11. Review of the Absolute Return Asset Class for the Permanent School Fund

(Board agenda page III-84)

Mr. Timmins introduced this item and called on Timothy Bruce, partner and research director, NEPC, to give a presentation on the objectives and performance of the absolute return asset class.

Carlos Castro, director, global risk control strategies, provided additional information on portfolio goals and characteristics of the absolute return asset class.

12. Report of the Permanent School Fund Executive Administrator and Chief Executive Officer

(Board agenda page III-85)

Mr. Timmins provided the committee an update on the Charter District Reserve Fund.

The meeting of the Committee on School Finance/Permanent School Fund adjourned at 12:07 p.m.

EDUCATIONAL TESTING SERVICE

400 W 15th Street, Suite 700
Austin, TX 78701

PEARSON

400 Center Ridge Dr. Ste E.
Austin, TX 78753

Private School Assessment Costs for 2019–2020

September 18, 2019

Student Assessment Division
Texas Education Agency

Dear Student Assessment Division,

In accordance with the Texas Education Code, Educational Testing Service and Pearson certify that the attached prices per private school student do not exceed the prices for administering the same assessment to a student enrolled in a Texas public school district.

In the 2018-2019 school year there were 4,802 students in 26 private schools that took the State of Texas Assessments of Academic Readiness and Texas English Language Proficiency Assessment System assessments.

Sincerely,

Sarah López Rhame
Texas Program Director
Educational Testing Service

Amanda Pepmiller
Texas Program Manager
Pearson

**Participation of Private Schools
2019 Spring Administrations
State of Texas Assessments of Academic Readiness (STAAR®)**

CDC	Campus Name	STAAR End-of-Course	STAAR Grades 3-8	TELPAS	Grand Total
057602000	Brighter Horizons Academy	234	636	0	870
101604000	Darul Arqam North	78	266	0	344
101605000	Darul Arqam Southwest	0	38	0	38
079150000	Everest Academy	2	296	0	298
043602000	Good Tree Academy	45	232	0	277
220603000	Guidance Academy	0	98	0	98
101614000	Houston Quran Academy	48	220	0	268
057607000	IANT Quranic Academy	66	155	0	221
101607000	Iman Academy SE	33	254	0	287
101299000	Iman Academy SW	65	184	0	249
15203000	Islamic Academy of San Antonio	0	19	15	34
212182000	Islamic Faith Academy	0	12	0	12
057606000	Islamic School of Irving	214	569	0	783
000101000	Madrassat Al Nur	0	40	0	40
057199000	Momentous School	0	154	0	154
079602000	New Millennium Montessori School	0	57	0	57
068300000	Odessa Christian School	7	0	0	7
170601000	Odyssey Learning Academy	0	1	0	1
071603000	Palm Tree Academy	0	16	0	16
057613000	Qalam Collegiate Academy	55	37	0	92
057614000	Radiant STEM Academy	52	212	0	264
043603000	Read Institute of Texas	0	15	0	15
001227000	Renaissance Academy	45	169	0	214
003130000	St. Cyprian's Episcopal School	0	116	0	116
091601000	St. Mary's Catholic School Sherman	12	0	0	12
166601000	St. Paul Lutheran, Thorndale	6	29	0	35
Totals		962	3,825	0	4,802

Recommended Private School Costs for the 2019-2020 School Year
STAAR® and TELPAS

	2018-2019		2019-2020
	# of Students Booklet Count	Cost	Recommended Per Student Charge to Private Schools

STAAR End of Course

Mathematics	Algebra I	351,354	\$1,611,886.99	\$4.36
English Language Arts	English I	389,774	\$7,220,207.58	\$17.41
	English II	364,120	\$7,220,207.58	\$18.83
Science	Biology	325,119	\$1,494,081.02	\$4.36
Social Studies	U.S. History	286,936	\$1,325,230.69	\$4.36
STAAR Grades 3-8				
Grade 3	Reading	361,843	\$1,525,033.44	\$3.85
	Mathematics			
Grade 3 (Spanish)	Reading	31,939	\$425,044.45	\$7.71
	Mathematics			
Grade 4	Reading	380,045	\$1,505,317.07	\$3.85
	Mathematics	358,804	\$5,910,350.08	\$15.43
	Writing			
Grade 4 (Spanish)	Reading	24,725	\$172,023.22	\$3.85
	Mathematics	25,643	\$625,861.18	\$15.43
	Writing			
Grade 5	Reading	530,181	\$1,462,386.63	\$2.75
	Mathematics			
	Science	377,467	\$1,442,917.91	\$3.82
Grade 5 (Spanish)	Reading	19,789	\$103,974.57	\$3.85
	Mathematics	7,855	\$98,957.43	\$3.85
	Science			
Grade 6	Reading	379,562	\$1,427,088.99	\$3.75
	Mathematics			
Grade 7	Reading	372,216	\$1,425,035.64	\$3.82
	Mathematics			
	Writing	357,262	\$5,562,047.75	\$15.43
Grade 8	Reading	528,416	\$1,522,375.16	\$2.88
	Mathematics			
	Science	359,923	\$2,800,391.09	\$7.72
	Social Studies			

TELPAS

TELPAS	Grade K/1	201,336	\$1,012,720	\$5.03
	Grade 2	103,092	\$1,034,013	\$10.03
	Grade 3	103,787	\$1,040,984	\$10.03
	Grade 4/5	192,063	\$1,926,392	\$10.03
	Grade 6/7	148,389	\$1,488,342	\$10.03
	Grade 8/9	121,214	\$1,215,776	\$10.03
	Grade 10-12	99,483	\$997,814	\$10.03

**TEXAS PERMANENT SCHOOL FUND
SUMMARY OF TRANSACTIONS FOR APPROVAL
(Including External Manager's Trades)
For August 1, 2019 through September 30, 2019**

Purchases/Capital Calls:

Long Term Fixed Income	\$ 357,567,809
Public Market Equities	689,819,703
Alternative Investments	<u>372,244,066</u>
TOTAL	<u>\$ 1,419,631,578</u>

Sales/Distributions:

Long Term Fixed Income	\$ 447,370,414
Public Market Equities	686,308,253
Alternative Investments	<u>268,051,987</u>
TOTAL	<u>\$ 1,401,730,654</u>

General Land Office Contributions:

FY 2018 Cumulative August 2018	FY 2019 Cumulative August 2019
\$235,000,000	\$255,000,000
FY 2019 Cumulative September 2018	FY 2020 Cumulative September 2019
\$0	\$0

Based on the above information provided by staff including a report that deposits to the Permanent School Fund from the General Land Office were \$255,000,000 through August 2019 for fiscal year 2019 versus \$235,000,000 through August 2018 for fiscal year 2018, and the recommendation of the Executive Administrator and Chief Investment Officer and the Commissioner of Education; it is moved by unanimous consent that the Committee on School Finance/Permanent School Fund ratify for the months of August 2019 and September 2019 Permanent School Fund portfolio purchases of \$1,419,631,578 and sales of \$1,401,730,654.