

**Report of the State Board of Education  
Committee on School Finance/Permanent School Fund  
Thursday, February 2, 2023**

The State Board of Education Committee on Committee on School Finance/Permanent School Fund met at 9:25 p.m. on Thursday, February 2, 2023, 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; Marisa B. Perez-Diaz, vice chair; Keven Ellis; Patricia Hardy; Aaron Kinsey

**Public Testimony**

The Committee on School Finance/Permanent School Fund received public testimony on item #6. Information relating to the individual who presented public testimony is included in the discussion of that item.

**1. Election of Chair**

(Board agenda page III-1)

**NOMINATION:** xxx nominated Mr. Maynard for chair of the Committee on School Finance/Permanent School Fund for a two-year term.

Mr. Maynard was elected chair of the Committee on School Finance/Permanent School Fund.

Mr. Maynard appointed Ms. Perez-Diaz to serve as vice-chair.

**ACTION ITEMS**

**2. Proposed Repeal of 19 TAC Chapter 129, Student Attendance, Subchapter A, Student Attendance Allowed, and Subchapter B, Student Attendance Accounting (Second Reading and Final Adoption)**

(Board agenda page III-2)

David Marx, senior director, financial compliance division, explained that the proposed repeal would implement changes required by House Bill 3, 86th Texas Legislature, 2019, which removed the State Board of Education's rulemaking authority related to student attendance. Mr. Marx explained why the repeal of Subchapters A and B is necessary and offered related information.

**MOTION AND VOTE:** *It was moved by Ms. Perez-Diaz, seconded by Ms. Hardy, and carried unanimously to recommend that the State Board of Education approve for second reading and final adoption the proposed repeal of 19 TAC Chapter 129, Student Attendance, Subchapter A, Student Attendance Allowed, and Subchapter B, Student Attendance Accounting; and*

*Make an affirmative finding that immediate adoption of the proposed repeal to 19 TAC Chapter 129, Student Attendance, Subchapter A, Student Attendance Allowed, and Subchapter B, Student Attendance Accounting, is necessary and shall have an effective date of 20 days after filing as adopted with the Texas Register; and that the item be added to the consent agenda.*

**3. Report on Permanent School Fund Securities Transactions and the Investment Portfolio and Ratification of Purchases and Sales for the Months of September and October 2022**

(Board agenda page III-7)

[Consent agenda item #(4)]

David Trice, senior managing director of investment finance and operations, provided a summary on the status of the Permanent School Fund (PSF) portfolio. Reports presented to the committee were for the reporting period September 1, 2022, through October 31, 2022, unless otherwise noted. Mr. Trice's report included reporting on the current fair market value of the Fund, the asset allocation mix as of October 31, 2022; PSF transaction activity occurring in the reporting period; revenues and expenditures for the fiscal period beginning September 1, 2022, through October 31, 2022; the activity in the securities lending program for the fiscal period beginning September 1, 2022, through October 31, 2022; the status of transfers from the General Land Office through October 31, 2022; current status of the Bond Guarantee Program and the available capacity in the program; broker commissions on both the internal and external equity portfolios and the internal commodities portfolio for the calendar year to date period January 1, 2022, through October 31, 2022; fixed income rating changes for the fiscal period September 1, 2022, through October 31, 2022; short-term cash investments; and ratification of purchases and sales from September 1, 2022, through October 31, 2022.

**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 September 2022 and October 2022, in the amount of \$1,649,381,704 and \$1,001,399,698, respectively (Attachment A).*

**4. Report on Permanent School Fund Liquid Account and Ratification of Purchases and Sales for the Months of September and October 2022**

(Board agenda page III-8)

[Official agenda item #(5)]

Mr. Trice provided a summary on the status of the Permanent School Fund Liquid Account. Reports presented to the committee were for the reporting period September 1, 2022, through October 31, 2022. Mr. Trice's report included reporting on the current fair market value of the Liquid Account; the asset allocation mix as of October 31, 2022; transfer activity between the GLO and the Liquid Account; cumulative Income and Realized Gains transferred to the SBOE from the Liquid Account as of October 31, 2022; transactions occurring in the reporting period; broker commissions on equity portfolios for the calendar year to date period January 1, 2022, through October 31, 2022; and ratification of the cumulative Purchases and Sales of the Liquid Account from September 1, 2022, through October 31, 2022.

**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 of the Permanent School Fund Liquid Account for the period September 1, 2022, through October 31, 2022, in the amounts of \$636,697,756 and \$86,107,821, respectively (Attachment B).*

**DISCUSSION ITEM**

**5. Annual Reporting of the Internally Managed Permanent School Fund Investment Portfolio**  
(Board agenda page III-9)

Holland Timmins, executive administrator and chief investment officer, provided the required attestation regarding compliance with 19 TAC Chapter 33 of the internally managed investment portfolios in the matters of permissible and restricted investments, trading and brokerage policy, and proxy voting policy.

**ACTION ITEMS**

**6. Proposed Revisions to 19 TAC Chapter 33, Statement of Investment Objectives, Policies, and Guidelines of the Texas Permanent School Fund**  
**(Second Reading and Final Adoption)**

(Board agenda page III-11)  
[Consent agenda item #(6)]

Public testimony was provided by the following individual:

NAME: Starlee Coleman  
AFFILIATION: Texas Public Charter Schools Association

Mr. Maynard and Mr. Timmins discussed the evolution of the rule language relating to the Bond Guarantee Program (BGP) and provided further historical context for the program.

John Wright, general counsel, Texas Permanent School Fund, explained the proposed amendments, including the proposed restructure of the chapter and the changes made to the rules regarding the BGP. Mr. Wright also discussed the recommended changes made since the rules were approved for first reading and discussed comments received from the public.

**MOTION AND VOTE:** *It was moved that the State Board of Education approve for second reading and final adoption the proposed revisions 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, and Subchapter B, Texas Permanent School Fund Corporation Rules, as amended, to include language in §33.7(d)(1) to ensure that the percentage established under §33.6(e)(2) will be the percentage established for the charter reserve in §33.7(d)(1) as discussed; and*

*Make an affirmative finding that immediate adoption of the proposed revisions 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, and Subchapter B, Texas Permanent School Fund Corporation Rules, is necessary and shall have an effective date of 20 days after filing as adopted with the Texas Register.*

**MOTION AND VOTE:** *It was moved that the State Board of Education adjust the Bond Guarantee Program amount of capacity to be held in reserve in 19 TAC Chapter 33, Statement of Investment Objectives, Policies, and Guidelines of the Texas Permanent School Fund, as amended, to 0.25% of the fund's capacity, contingent upon the adoption and effective date of the revisions 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, and Subchapter B, Texas Permanent School Fund Corporation Rules, as amended, and in accordance with Texas Education Code, §45.0531(c).*

**7. Review of the Bond Guarantee Program Reserve**

(Board agenda page III-43)

[Consent agenda item #(7)]

The committee took no action on this item.

**DISCUSSION ITEM**

**8. Report of the Permanent School Fund Executive Administrator and Chief Investment Officer**

(Board agenda page III-44)

The committee did not discuss this item.

The meeting of the Committee on School Finance/Permanent School Fund at 10:17 p.m.

**TEXAS PERMANENT SCHOOL FUND  
SUMMARY OF TRANSACTIONS FOR APPROVAL  
(Including External Manager's Trades)  
For September 1, 2022 through October 31, 2022**

Purchases/Capital Calls:

|                         |                                    |
|-------------------------|------------------------------------|
| Long Term Fixed Income  | \$ 365,065,727                     |
| Public Market Equities  | 392,012,238                        |
| Alternative Investments | <u>892,303,739</u>                 |
| <br>TOTAL               | <br><u><u>\$ 1,649,381,704</u></u> |

Sales/Distributions:

|                         |                                    |
|-------------------------|------------------------------------|
| Long Term Fixed Income  | \$ 311,385,132                     |
| Public Market Equities  | 391,835,832                        |
| Alternative Investments | <u>298,178,734</u>                 |
| <br>TOTAL               | <br><u><u>\$ 1,001,399,698</u></u> |

General Land Office Contributions:

|                                      |                                  |
|--------------------------------------|----------------------------------|
| FY 2022<br>Cumulative<br>August 2022 | FY 2023<br>Cumulative<br>October |
| \$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 \$0 through August 2022 for fiscal year 2022 versus \$0 through October 2023 for fiscal year 2023, 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 September 2022 through October 2022 Permanent School Fund portfolio purchases of \$1,649,381,704 and sales of \$1,001,399,698.

**TEXAS PERMANENT SCHOOL FUND  
SUMMARY OF TRANSACTIONS FOR APPROVAL  
FOR PSF LIQUID ACCOUNTS  
For September 1, 2022 through October 31, 2022**

|                        |                              |
|------------------------|------------------------------|
| <u>Purchases:</u>      |                              |
| Fixed Income           | \$ 251,967,292               |
| Public Market Equities | <u>384,730,464</u>           |
| <br>                   |                              |
| TOTAL                  | <u><u>\$ 636,697,756</u></u> |
| <br>                   |                              |
| <u>Sales:</u>          |                              |
| Fixed Income           | \$ 49,318,944                |
| Public Market Equities | <u>36,788,877</u>            |
| <br>                   |                              |
| TOTAL                  | <u><u>\$ 86,107,821</u></u>  |

Based on the above information provided by staff 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 period September 1, 2022 through October 31, 2022 Permanent School Fund Liquid Account purchases of \$636,697,756 and sales of \$86,107,821.