

**Report of the State Board of Education
Committee on School Finance/Permanent School Fund
November 15, 2018**

The State Board of Education Committee on School Finance/Permanent School Fund met at 9:08 a.m. on Thursday, November 15, 2018, in Room #1-104 of the William B. Travis Building, 1701 N. Congress Avenue, Austin, Texas. Attendance was noted as follows:

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

Public Testimony

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

DISCUSSION ITEM

1. Discussion of Proposed Amendment to 19 TAC Chapter 109, Budgeting, Accounting, and Auditing, Subchapter C, Adoption by Reference, §109.41, Financial Accountability System Resource Guide

(Board agenda page III-15)

David Marx, director of financial compliance, presented the proposed amendment that would reference the updated *Financial Accountability System Resource Guide* (FASRG) and remove language relating to the commissioner's role in amending the FASRG.

CONSENT ITEM

2. Approval of Costs to Administer the 2018–2019 State-Developed Assessments to Private School Students

(Board agenda page III-1)

[Consent agenda item #(2)]

Julie Guthrie, director of policy and publications, student assessment, explained that this item would allow the board to approve the per-student cost to private schools using 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 that participated.

MOTION AND VOTE: *It was moved by Mr. Maynard, seconded by Mr. Bradley, and carried unanimously to recommend that the State Board of Education approve the recommended per-student costs for administering the state assessments to private school students in 2018–2019.*

DISCUSSION ITEM

3. Review of Permanent School Fund Securities Transactions and the Investment Portfolio (Board agenda page III-23)

Catherine Civiletto, deputy executive administrator, provided a summary of the status of the Permanent School Fund (PSF) portfolio. Reports presented to the committee were for the reporting period August and September 2018 unless otherwise noted. Ms. Civiletto's report included the current fair market value of the Fund; the asset allocation mix as of September 30, 2018; PSF transactions occurring in the reporting period; revenues and expenditures for the fiscal period beginning September 1 through August 31, 2018; revenues and expenditures for September 2018, the first month of fiscal year 2019; the activity in the securities lending program for the fiscal period beginning September 1 through August 31, 2018; the activity in the securities lending program for September 2018, the first month of fiscal year 2019; the status of transfers from the General Land Office as of September 30, 2018, 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, 2018, through September 30, 2018; fixed income rating changes for the fiscal period September 1, 2017 through August 31, 2018; fixed income ratings for September 2018, the first month of fiscal year 2019; 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 2018

(Board agenda page III-7)
[Consent agenda item #(3)]

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, by unanimous consent, recommended that the State Board of Education ratify the purchases and sales for the months of August and September 2018 in the amount of \$849,365,770 and \$932,377,747 respectively (Attachment A).*

5. Proposed Amendments to the Investment Procedures Manual (Board agenda page III-9)

[Consent agenda item #(4)]

Holland Timmins, executive administrator and chief investment office, provided an overview of the amendments made to the investment procedures manual related to Securities and Exchange Commission (SEC) amended rule changes for the Bond Guarantee Program disclosure (SEC Rule 15c2-12).

MOTION AND VOTE: *By unanimous consent, the committee recommended that the State Board of Education approve the amendments to the Investment Procedures Manual as presented by staff.*

DISCUSSION ITEM

6. Update on HB 89

(Board agenda page III-25)

Mr. Timmins called on Chuck Campbell, partner, Jackson Walker LLP and fiduciary counsel, to provide an update regarding House Bill (HB) 89 of the 85th Texas Legislature, 2017, Regular Session, as it relates to state contracts with and investments in companies that boycott Israel.

CONSENT ITEM

7. An Overview of the Permanent School Fund

(Board agenda page III-11)

[Consent agenda item #(5)]

No action or discussion took place.

ACTION ITEM

8. Activities Related to a Student Art Competition to Develop a Permanent School Fund Logo

(Board agenda page III-13)

[Official agenda item #14]

Mr. Maynard introduced the topic and gave an update on the progress of the contest. Five hundred and twenty-one individual art submissions were received by the deadline of November 1, 2018. A committee of five judges consisting of Mr. Maynard, TEA's graphic artist, Catherine Civileto, and two professional graphic designers reviewed all submissions and voted to recommend ten finalists to the State Board of Education for selection of the winner and runner-up on November 16, 2018. TEA legal staff reviewed all ten entries and indicated that one entry is very similar to an image that exists in the public domain. This entry may be eliminated before the final vote. With input from Chris Maska, TEA attorney, and Chuck Campbell the committee developed a plan of action to guide the voting by the State Board of Education on Friday, November 16, 2018. The committee agreed that each of the 15 members will vote using their district numbers by placing notes on their top choices. Each member may vote for two logo submissions in the first round. A logo submission must receive two votes to move forward to the next round. The process will repeat in the next round for all logos not eliminated in the previous round. The two logos receiving the highest number of votes will be designated the winner and runner-up. If a run-off is required, all submissions receiving the most votes will be included therein, and the voting will commence again until two submissions rise to the top.

Upon designating the winner, the runner-up, and an alternate runner up, TEA legal counsel will review the submissions again to ensure that there are no infringement concerns with anything else in the public domain. The winner and runner up will be publicly announced at the February 2019 State Board of Education meeting. The board and TEA staff will work with graphic designers to clean up and adjust the final selections to make them print ready.

DISCUSSION ITEM

9. Report of the Permanent School Fund Executive Administrator and Chief Investment Officer
(Board agenda page III-27)

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 10:34 a.m.