

**Report of the State Board of Education  
Committee of the Full Board  
September 1, 2020**

The State Board of Education Committee of the Full Board conducted a virtual meeting at 9:03 a.m. on Tuesday, September 1, 2020. Attendance was noted as follows:

Present: Keven Ellis, chair; Lawrence A. Allen, Jr.; Donna Bahorich; Barbara Cargill; Ruben Cortez, Jr.; Aicha Davis; Pat Hardy; Pam Little; Tom Maynard; Sue Melton-Malone; Ken Mercer; Georgina C. Pérez; Marisa B. Perez-Diaz; Matt Robinson; Marty Rowley

**Public Testimony**

The Committee of the Full Board received no presentations of public testimony.

**ACTION ITEMS**

**1. Proposed New 19 TAC Chapter 61, School Districts, Subchapter B, Special Purpose School Districts, § 61.101, Applicability of State Law for Special Purpose School Districts (Second Reading and Final Adoption)**

(Board agenda page I-1)

[Official agenda item #2]

Monica Martinez, associate commissioner for standards and support services explained that no comments had been received on this item and that no changes are recommended since approved for first reading.

**MOTION AND VOTE:** *It was moved by Mr. Rowley, seconded by Mr. Maynard, and carried unanimously to recommend that the State Board of Education suspend the board operating procedures in accordance with §2.13 to allow consideration for second reading and final adoption;*

*Approve for second reading and final adoption proposed new 19 TAC Chapter 61, School Districts, Subchapter B, Special Purpose School Districts, §61.101, Applicability of State Law for Special Purpose School District; and*

*Make an affirmative finding that immediate adoption of 19 TAC Chapter 61, School Districts, Subchapter B, Special Purpose School Districts, §61.101, Applicability of State Law for Special Purpose School Districts, is necessary and shall have an effective date of 20 days after filing as adopted with the Texas Register.*

*(Ms. Davis was absent for the vote.)*

**2. Approval of *Proclamation 2022 Questions and Answers***

(Board agenda page I-9)

[Official agenda item #3]

Amie Williams, director of review and adoption, provided explanations for new questions and proposed answers related to *Proclamation 2022*.

**MOTION AND VOTE:** *It was moved by Mr. Maynard, seconded by Mrs. Melton-Malone, and carried unanimously to recommend that the State Board of Education approve Proclamation 2022 Questions and Answers.*

**3. Discussion of Transition to Electronic Administration of Assessment Instruments**

(Board agenda page I-10)

Iris Tian, division director, student assessment, explained the legislative requirement that the Texas Education Agency in consultation with the SBOE conduct a feasibility study and submit to the Legislature a transition plan for electronic administration of state assessments beginning in the 2022-2023 school year. Ms. Tian explained that final decisions about transition to electronic assessments will be made by the Legislature during the 2021 session.

**4. Discussion of Pending Litigation**

(Board agenda page I-11)

The committee did not discuss pending litigation; therefore, no executive session was held.

Dr. Ellis adjourned the meeting at 10:06 a.m.

**Report of the State Board of Education  
Committee on Instruction  
September 1, 2020**

The State Board of Education Committee on Instruction conducted a virtual meeting at 11:00 a.m. on Tuesday, September 1, 2020. Attendance was noted as follows:

Present: Sue Melton-Malone, chair; Pam Little, vice chair; Aicha Davis; Georgina C. Pérez; Marty Rowley

**Public Testimony**

The Committee on Instruction received no presentations of public testimony.

The Committee on Instruction considered items in the following order: Item number 5, 1, 2, 3, 4, 6

**ACTION ITEMS**

1. **Proposed Amendments to 19 TAC Chapter 74, Curriculum Requirements, Subchapter A, Required Curriculum, §74.1, Essential Knowledge and Skills, and §74.3, Description of a Required Secondary Curriculum (Second Reading and Final Adoption)**  
(Board agenda page II-I)  
[Official agenda item #4]

Shelly Ramos, senior director, curriculum standards and student support, explained proposed changes to align with statutory changes and to align with the recently adopted Perkins State Plan. Ms. Ramos explained an additional proposed change to clarify the requirements for career and technical education to more completely align with the Perkins State Plan.

**MOTION AND VOTE:** *It was moved by Ms. Pérez, seconded by Mrs. Little, and carried unanimously to recommend that the State Board of Education suspend the board operating procedures in accordance with §2.13 to allow consideration for second reading and final adoption;*

*Approve for second reading and final adoption the proposed amendments to 19 TAC Chapter 74, Curriculum Requirements, Subchapter A, Required Curriculum, §74.1, Essential Knowledge and Skills, and §74.3, Description of a Required Secondary Curriculum; and*

*Make an affirmative finding that immediate adoption of 19 TAC Chapter 74, Curriculum Requirements, Subchapter A, Required Curriculum, §74.1, Essential Knowledge and Skills, and §74.3, Description of a Required Secondary Curriculum, is necessary and shall have an effective date of 20 days after filing as adopted with the Texas Register.*

**2. Proposed New 19 TAC Chapter 120, Other Essential Knowledge and Skills, Subchapter A, Character Traits**

**(Second Reading and Final Adoption)**

(Board agenda page II-9)

[Official agenda item #5]

Ms. Ramos explained that this item would add new essential knowledge and skills for positive character traits to align with the requirements in House Bill 1026. She explained that the proposal includes an implementation date of the 2021-2022 school year to give districts time to plan.

**MOTION AND VOTE:** *It was moved by Mr. Rowley, seconded by Mrs. Little, and carried to recommend that the State Board of Education suspend the board operating procedures in accordance with §2.13 to allow consideration for second reading and final adoption;*

*Approve for second reading and final adoption proposed new 19 TAC Chapter 120, Other Essential Knowledge and Skills, Subchapter A, Character Traits; and*

*Make an affirmative finding that immediate adoption of 19 TAC Chapter 120, Other Essential Knowledge and Skills, Subchapter A, Character Traits, is necessary and shall have an effective date of August 1, 2021.*

**3. Report from the Commissioner of Education Regarding Updated TEKS Alignment for Adopted Instructional Materials**

(Board agenda page II-18)

[Official agenda item #6]

Amie Williams, director of review and adoption, explained that all publishers provide content digitally, so districts would have access to changes immediately.

**MOTION AND VOTE:** *It was moved by Mrs. Little, seconded by Mr. Rowley, and carried unanimously to recommend that the State Board of Education Require that all publishers make corrections listed in the TEKS Update Report of Required Corrections and the Report of Editorial Changes;*

*Approve changes and corrections submitted in response to written comments and public testimony; and*

*Update the official TEKS percentage for instructional materials reviewed for TEKS Updates on the Instructional Materials Current Adoption Bulletin.*

**4. Approval of Update to Instructional Materials for Learning A-Z**

(Board agenda page II-21)

[Official agenda item #7]

Ms. Williams explained that Learning A-Z was requesting approval to update content for three adopted products. She further explained that curriculum staff had reviewed the requested changes.

**MOTION AND VOTE:** *It was moved by Mr. Rowley, seconded by Mrs. Little, and carried unanimously to recommend that the State Board of Education approve the request from Learning A-Z to update content in three of its adopted products Raz Plus ELL Texas Edition, Kindergarten; Raz Plus ELL Texas Edition, grade 1; and Raz Plus ELL Texas Edition, grade 2.*

**5. Proposed Amendment to 19 TAC Chapter 66, State Adoption and Distribution of Instructional Materials, Subchapter A, General Provisions, §66.15, Administrative Penalty (First Reading and Filing Authorization)**

(Board agenda page II-22)

[Official agenda item #8]

Melissa Lautenschlager, director of instructional materials and implementation explained that this item provided a proposed amendment related to administrative penalties as requested by the committee.

**MOTION AND VOTE:** *It was moved by Mr. Rowley, seconded by Mrs. Little, and carried to recommend that the State Board of Education approve for first reading and filing authorization the proposed amendment to 19 TAC Chapter 66, State Adoption and Distribution of Instructional Materials, Subchapter A, General Provisions, §66.15, Administrative Penalty.*

**DISCUSSION ITEM**

**6. Discussion of Annual Audit Reports for Credit by Examination from Texas Tech University and The University of Texas at Austin**

(Board agenda II-28)

Ms. Ramos explained that Texas Tech University audited their examinations for K-12 science and high school social studies. The University of Texas at Austin audited their examinations for K-8 social studies, Japanese, Vietnamese, Korean, and Art I.

The meeting of the Committee on Instruction adjourned at 12:03 p.m.

**Report of the State Board of Education  
Committee on School Initiatives  
September 1, 2020**

The State Board of Education Committee on School Initiatives conducted a virtual meeting at 11:00 a.m. on Tuesday, September 1, 2020. Attendance was noted as follows:

Present: Barbara Cargill, chair; Marisa B. Perez-Diaz, vice chair; Ruben Cortez, Jr.; Keven Ellis; Matt Robinson

**Public Testimony**

The Committee on School Initiatives heard public testimony on agenda items #3 and #4. Information regarding the individuals who presented public testimony is included in the discussion of that item.

**CONSENT ITEMS**

**1. Recommendation for Appointment to the Randolph Field Independent School District Board of Trustees**

(Board agenda page IV-1)

[Consent agenda item #(6)]

Christopher Lucas, director, policy, planning, and operations, explained that there is an existing vacancy on the board of trustees for Randolph Field Independent School District. The commanding officer, Colonel James H. Masoner, has requested that Ms. Glenda M. Solomon be appointed to fill the vacancy.

**MOTION AND VOTE:** *It was moved by Mr. Cortez, seconded by Dr. Ellis, and carried unanimously to recommend that the State Board of Education approve the appointment of Ms. Glenda M. Solomon to serve a two-year term of office, from September 2, 2020, to September 2, 2022, on the Randolph Field Independent School District Board of Trustees.*

**2. Recommendation for Appointment to the Boys Ranch School Independent School District Board of Trustees**

(Board agenda page IV-17)

[Consent agenda item #(7)]

Mr. Lucas explained that there will be a vacancy on the board of trustees for Boys Ranch Independent School District in November 2020. Boys Ranch president and CEO, Mr. Dan Adams, has requested that Mr. Robert Marshall be re-appointed to fill the upcoming vacancy.

**MOTION AND VOTE:** *It was moved by Dr. Ellis, seconded by Ms. Perez-Diaz, and carried unanimously to recommend that the State Board of Education approve the re-appointment of Mr. Robert Marshall to serve a two-year term of office, from November 16, 2020, to November 16, 2022, on the Boys Ranch Independent School District Board of Trustees*

## **DISCUSSION ITEM**

### **3. Open-Enrollment Charter School Generation 26 Application Updates** (Board agenda page IV-24)

Public testimony was provided by the following individuals:

NAME: Patti Quinzi  
AFFILIATION: American Federation of Teachers

NAME: Carrie Griffith  
AFFILIATION: Texas State Teachers Association

NAME: Ellen Williams  
AFFILIATION: Texas Association of School Administrators/Texas Association of School Boards

Heather Mauzé, director, division of charter school administration, discussed updates regarding the Generation Twenty-Six Open-Enrollment Charter Application cycle.

## **ACTION ITEM**

### **4. Ad Hoc Committee Recommendations Related to Trustee Team Building Training** (Board agenda page IV-25) [Official agenda item #(9)]

Public testimony was provided by the following individuals:

NAME: Rolinda Schmidt  
AFFILIATION: Texas Association of School Boards

NAME: Kristi Hassett  
AFFILIATION: Self

NAME: Phil Gore  
AFFILIATION: Texas Association of School Boards

NAME: Trish Bode  
AFFILIATION: Self

NAME: Karen Freeman  
AFFILIATION: Self

NAME: Tracy Fisher  
AFFILIATION: Self

Jeff Cottrill, deputy commissioner, governance and accountability, introduced the item.

The committee approved, without objection, recommended edits from staff to the Recommended Revisions to School Board Member Training – Framework for School Board Development based on feedback provided by the Texas Association of School Boards, as reflected in Attachment A.

**MOTION AND VOTE:** *It was moved by Dr. Ellis and carried unanimously to recommend that the State Board of Education amend the first sentence of the second paragraph of the preamble to read as follows:*

*“The board of trustees ~~of an independent school district~~ is the governing body for Texas public schools ~~school districts~~.”*

**MOTION AND VOTE:** *It was moved by Dr. Ellis and carried unanimously to recommend that the State Board of Education amend the third sentence of the second paragraph of the preamble to read as follows:*

*“Each team will focus on the improvement of locally developed student outcomes through vision and goals, systems and processes, progress and accountability, advocacy and engagement, and team synergy.”*

**MOTION AND VOTE:** *It was moved by Dr. Ellis and carried to recommend that the State Board of Education amend I. Vision and Goals to read as follows:*

*“I. Vision and Goals – The board ensures creation of a shared vision and measurable goals that improve student outcomes, opportunities, and experiences. The board:”*

**MOTION AND VOTE:** *It was moved by Dr. Ellis, seconded by Mr. Cortez, and carried unanimously to recommend that the State Board of Education strike “specific, measurable, attainable, research-based, and time-bound” from I. Vision and Goals, bullet three.*

**MOTION AND VOTE:** *It was moved by Dr. Robinson, seconded by Dr. Ellis, and carried unanimously to recommend that the State Board of Education add a new first bullet under I. Vision and Goals to read as follows:*

*“Keeps the district focus on the well-being of all children.”*

**MOTION AND VOTE:** *It was moved by Ms. Perez-Diaz and carried unanimously to recommend that the State Board of Education strike “implements a system” from II. Systems and Processes, bullet three.*

**MOTION AND VOTE:** *It was moved by Dr. Ellis, seconded by Ms. Perez-Diaz, and carried unanimously to recommend that the State Board of Education strike “lens” from II. Systems and Processes, bullet four.*

**MOTION AND VOTE:** *It was moved by Dr. Robinson and carried unanimously to recommend that the State Board of Education strike II. Systems and Processes, bullets five and six, and add a new bullet five that reads as follows:*

*“Focuses its actions on district-wide policy-making, planning, goal setting, progress monitoring, and evaluation and restricts its involvement in daily operations and management.”*

**MOTION AND VOTE:** *It was moved by Dr. Robinson and seconded by Ms. Perez-Diaz to recommend that the State Board of Education strike the second-to-last bullet from II. Systems and Processes and add a new bullet to read as follows:*

*“Ensures the district has a system that monitors for sound business and fiscal practices, including adopting a tax rate and an end-of-year financial report distribute to the community.”*

*The motion failed.*



**MOTION AND VOTE:** *It was moved by Dr. Ellis and carried unanimously to recommend that the State Board of Education amend III. Progress and Accountability, bullet two, to read as follows:*

*Ensures progress toward achievement of district goals ~~Uses variety of data~~ through a systematic, timely, and comprehensive review of reports and data ~~to identify progress measures~~ that are predictive of locally developed student outcomes.”*

**MOTION AND VOTE:** *It was moved by Ms. Perez-Diaz and carried unanimously to recommend that the State Board of Education strike III. Progress and Accountability, bullet three, “Monitors and evaluates progress toward the adopted measures.”*

**MOTION AND VOTE:** *It was moved by Ms. Perez-Diaz and carried unanimously to recommend that the State Board of Education strike III. Progress and Accountability, bullet five, “Differentiates among inputs, outputs, and outcomes, especially when focusing on student outcomes.”*

**MOTION AND VOTE:** *It was moved by Ms. Perez-Diaz and carried unanimously to recommend that the State Board of Education amend IV. Advocacy and Engagement to read as follows:*

*“IV. Advocacy and Engagement—The board promotes the vision and engages the community in developing and fulfilling the vision. The board advocates on behalf of all Texas public schoolchildren. The board:”*

**MOTION AND VOTE:** *It was moved by Ms. Perez-Diaz and carried unanimously to recommend that the State Board of Education strike bullet six and amend bullet five of V. Team Synergy to read as follows:*

*“Develops teamwork, problem-solving, and decision-making skills as a team with its superintendent.”*

**MOTION AND VOTE:** *It was moved by Ms. Perez-Diaz and carried unanimously to recommend that the State Board of Education strike “and respects” from the last bullet of V. Team Synergy.*

**MOTION AND VOTE:** *It was moved by Ms. Perez-Diaz, seconded by Dr. Ellis, and carried unanimously to recommend that the State Board of Education postpone consideration of the Recommended Revisions to School Board Member Training – Framework for School Board Development until November 2020.*

*(Dr. Robinson was absent for the vote.)*

The meeting of the Committee on School Initiatives adjourned at 2:14 p.m.

**ATTACHMENT A**  
**Recommended Revisions to**  
**School Board Member Training—Framework for School Board Development**

**Preamble**

The mission of the public education system of this state is to ensure that all Texas children have access to a quality education that enables them to achieve their potential and fully participate now and in the future in the social, economic, and educational opportunities of our state and nation (Texas Education Code, §4.001).

The board of trustees of an independent school district ~~or governing board of a charter school~~ is the governing body for Texas public school districts. To effectively meet the challenges of public education, school boards and superintendents must function together as a governance leadership team. Each team will focus on the improvement of student outcomes through vision and goals, systems and processes, progress and accountability, advocacy and engagement, and team synergy. Teams ensure that their districts provide equitable and effective educational programs and services for all students. The Framework for School Board Development has been approved by the State Board of Education to provide the critical areas of development for all public school boards.

**Framework**

- I. Vision and Goals—The board ensures creation of a shared vision and measurable goals that improve student outcomes. The board:
  - Adopts a shared vision that incorporates input from the community to reflect local aspirations and needs for all children.
  - Ensures that the vision aligns with the state's mission, objectives, and goals for education established by law or rule.
  - Adopts a reasonable number of specific, measurable, attainable, research-based, and time-bound goals that align to the vision to improve student outcomes.
  - Embraces, supports, and fulfills the vision that all students receive what they need to learn, thrive, and grow, including resources, opportunities, and experiences.
  - Uses the vision and goals to drive all deliberations, decisions, and actions.
- II. Systems and Processes—The board ensures systems and processes are in place to accomplish the vision and goals. The board:
  - Regularly develops, reviews and adopts board policies for effective support of the district's vision and goals.
  - Approves a budget that aligns with and maximizes resources to fulfill the district's vision and goals.
  - Implements a system to monitor student progress throughout the year.
  - ~~Uses~~ Incorporates an equity lens when making ~~in decisions~~ making and evaluating systems and processes.
  - Provides oversight of management and restricts its actions to district-wide policy-making, planning, goal-setting, progress monitoring, and evaluation.
  - Refrains from involvement in daily operations and management.
  - Approves goals, policies, and programs that ensure a safe and secure learning environment.

- Ensures the equitable distribution of resources, opportunities, and experiences based on the diverse needs of students and schools.
- Ensures that the district's planning and decision-making process enables all segments of the community, families, and staff to meaningfully contribute to achieving the district's vision.
- Welcomes and values all people and cultures as important stakeholders in the process for student success.
- Ensures the district has a system that monitors for sound business and fiscal practices.
- Fulfills the statutory duties of the local board of trustees and upholds all laws, rules, ethical procedures, and court orders pertaining to schools and school employees.

III. Progress and Accountability—The board sets clear goals, provides resources and support, evaluates goal attainment, and engages in ongoing objective feedback on progress and commitments. The board:

- Holds itself accountable to its adopted vision, goals, commitments, and operating procedures.
- Uses a variety of data through a systemic, timely, and comprehensive review of reports to identify progress measures that are predictive of student outcomes.
- Monitors and evaluates progress toward the adopted measures.
- Ensures equity throughout the system by regularly identifying inequities, updating policies, and appropriately distributing resources.
- Differentiates among inputs, outputs, and outcomes, especially when focusing on student outcomes.
- Monitors and evaluates the allocation of resources in support of the district's vision and goals and sustainability.
- Reviews the efficiency and effectiveness of district operations and use of resources in supporting the district's vision and goals.
- Employs and annually evaluates the superintendent on the achievement of district goals, primarily on progress toward or achievement of board-adopted student outcome goals.

IV. Advocacy and Engagement—The board promotes the vision and engages the community in developing and fulfilling the vision. The board advocates on behalf of ~~public~~ all Texas schoolchildren. The board:

- Demonstrates its commitment to, and advocates on behalf of, the shared vision and goals by clearly communicating them to the superintendent, staff, and community.
- Regularly reports district progress to families and the community.
- Ensures multiple forms of two-way communication will be used to engage, empower, and connect students, families, staff, media, and community with the district.
- Builds collaborative relationships and partnerships with families and community, business, non-profit, higher-education, and governmental leaders to influence and expand educational opportunities and experiences to meet the needs of students.
- Recognizes the respective roles of and provides input and feedback to the legislature, State Board of Education, and the Texas Education Agency to ensure maximum effectiveness and benefit to Texas schoolchildren.
- Promotes school board service by educating the community about the role of a school board and building leadership capacity within the community for potential future school board members.

- V. Team Synergy—The board works effectively as a collaborative unit and as a team with the superintendent to lead the district in fulfilling the vision and goals. The board:
- Remains focused on its goals and priorities, as opposed to individual agendas separate and apart from the shared vision.
  - Annually evaluates its performance as a team, with attention given to the district's vision and goals; fulfilling the board's duties, responsibilities, and commitments; and the board's working relationship with the superintendent.
  - Makes decisions as a whole only at properly called meetings and recognizes that individual members have no authority to take individual action in policy or district and campus administrative matters.
  - Respects the right of individual members to express their viewpoints and vote their convictions and honors the decisions of the majority.
  - Develops teamwork, problem-solving, and decision-making skills.
  - Learns together as a team with its superintendent.
  - Understands and adheres to laws and local policies and respects the superintendent's responsibility to manage the school district and to direct employees in district and campus matters.
  - Adopts and adheres to established policies and procedures for welcoming and addressing ideas and concerns from students, families, staff, and the community.
  - Establishes and follows local policies, procedures, and ethical standards governing the conduct and operations of the board.
  - Understands and respects the leadership role of the board president and adheres to local policies and procedures about the duties and responsibilities of the board officers.

**Report of the State Board of Education  
Committee on School Finance/Permanent School Fund  
September 1, 2020**

**(School Finance Items)**

The State Board of Education Committee on School Finance/School Finance Fund conducted a virtual meeting at 11:03 a.m. on Tuesday, September 1, 2020. Attendance was noted as follows:

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

**Public Testimony**

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

**DISCUSSION ITEM**

**1. Per Capita Apportionment Rate for the 2020-2021 School Year**

(Board agenda page III-I)

Amy Copeland, director, state funding, provided an update on the proposed preliminary per capita apportionment rate of \$411.574 for the 2020-2021 school year. She explained what the per capita apportionment rate is, how it is funded, and what it does.

**Report of the State Board of Education  
Committee on School Finance/Permanent School Fund  
September 1, 2020**

**(Permanent School Fund Items)**

The State Board of Education Committee on School Finance/School Finance Fund conducted a virtual meeting at 11:03 a.m. on Tuesday, September 1, 2020. Attendance was noted as follows:

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

**Public Testimony**

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

**DISCUSSION ITEM**

- 2. Review of the Study of the Permanent School Fund Distributions as defined in House Bill 4388, 86<sup>th</sup> Legislature, 2019**  
(Board agenda page III-2)

Jim Voytko, president, senior consultant, director of research, principal and Ryan Sullivan, senior consultant, principal of RVK, Inc., presented an overview on the review of the study of the Permanent School Fund Distributions as required by House Bill 4388, 86<sup>th</sup> Texas Legislature, 2019.

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

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 of May and June 2020 unless otherwise noted. Ms. Civileto's report included the current fair market value of the Fund; the asset allocation mix as of June 30, 2020; PSF transactions occurring in the reporting period; revenues and expenditures for the fiscal year period of September 1, 2019, to June 30, 2020; the activity in the securities lending program for the fiscal period beginning September 1, 2019, through August 31, 2020; the status of transfers from the General Land Office as of June 30, 2020, per approved resolutions; the 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, 2020, through June 30, 2020; fixed income rating changes for the fiscal period September 1, 2019, through June 30, 2020; and short-term cash investment.

## **ACTION ITEM**

### **4. Ratification of the Purchases and Sales of the Investment Portfolio of the Permanent School Fund for the Months of May and June 2020**

(Board agenda page III-4)

[Consent agenda item #(1)]

**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 May and June 2020 in the amounts of \$895,238,762 and \$1,065,447,343 respectively (Attachment A).*

## **DISCUSSION ITEM**

### **5. Second Quarter 2020 Permanent School Fund Performance Report**

(Board agenda Page III-5)

Mr. Mike Maher, vice president of BNY Mellon Global and Risk Solutions, presented the second quarter 2020 Permanent School Fund performance report. Mr. Maher began with an overview of the U.S and foreign capital markets and then reviewed the performance of the Fund for the second quarter of 2020. He stated that the PSF returned 7.89% net of fees for the second quarter underperforming the target benchmark by 53 basis points. Mr. Maher attributed most of the underperformance to Private Equity and Risk Parity.

Mr. Maher reviewed the second quarter 2020 performance of the Permanent School Fund by asset class, stating that the total domestic large cap equity composite returned 20.55%, outperforming its benchmark for the quarter by one basis point. Mr. Maher added that Small/Midcap Equity portfolio returned 23.44% in the quarter, underperforming its benchmark by three basis points. He added that international equities returned 16.60% for the quarter, outperforming its benchmark by 12 basis points for the period.

The fixed income portfolio returned 4.45% for the quarter, outperforming its benchmark by 155 basis points. Mr. Maher stated that the Absolute Return composite returned 6.18% for the quarter, underperforming its benchmark, the HFRI Fund of Funds Composite Index, by 194 basis points. Mr. Maher added that the Real Estate composite returned -0.62% for the quarter, outperforming its benchmark by 151 basis points. Mr. Maher added that Total Risk Parity Strategies returned 6.68% in the second quarter of 2020, underperforming its benchmark by 664 basis points. He further stated that the Real Return Asset class returned 5.39% for the quarter, outperforming its benchmark by 68 basis points. He added that Emerging Market Debt returned 10.74% for the quarter, outperforming its benchmark by 92 basis points. Mr. Maher stated that private equity returned -6.92% for the quarter, underperforming its benchmark by 41 basis points. Finally, he stated that the total emerging market equity composite returned 18.37% for the second quarter 2020, beating its benchmark by 28 basis points.

## **ACTION ITEM**

### **6. Determination as to Whether Transfers May be Made from the Permanent School Fund to the Available School Fund**

(Board agenda page III-6)

[Consent agenda item #(2)]

Carlos Veintemillas, deputy chief investment officer and director of fixed income, gave a presentation describing the two constitutional limits on distributions from the Permanent School Fund. The two limits require that an annual distribution cannot be greater than six percent of the value of the Fund assets and the total amount of distributions from the current and previous nine state fiscal years cannot exceed the total return on the Fund assets over the same time period. Mr. Veintemillas stated that both tests were satisfied, allowing for a distribution from the PSF to the Available School Fund for fiscal year 2021.

Keith Stronkowsky, senior consultant, NEPC, LLC stated that NEPC, LLC agreed with PSF staff recommendations.

**MOTION AND VOTE:** *By unanimous consent, the committee recommended that the State Board of Education approve a distribution to the Available School Fund of approximately \$1.102 billion for fiscal year 2021.*

## **DISCUSSION ITEM**

### **7. Discussion 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**

(Board agenda page III-7)

Mr. Veintemillas stated that the agenda item was for discussion only and provided an opportunity to notify the committee of the amendments to be proposed, which will include adjustments to reflect the changes to the asset allocation adopted in July 2020, items related to the PSF Liquid Account, and the management of internal public market portfolios.

Holland Timmins, executive administrator and chief investment officer, said he anticipated that the item would be brought back at the next meeting for first reading and filing authorization.

## **ACTION ITEMS**

### **8. Proposed Amendments to the Investment Procedures Manual**

(Board agenda page III-54)

[Consent agenda item #(3)]

Mr. Veintemillas provided an overview of the amendments to the Investment Procedures Manual. He noted some of the amendments were made due to the Permanent School Fund Liquid Account as well as changes to the strategic asset allocation plan.

Chuck Campbell, partner, Jackson Walker, LLP, and fiduciary counsel provided a summary of the amendments he provided counsel on and explained why the amendments were appropriate.



**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.*

**9. Review of the Permanent School Fund Real Estate Policy and Tactical Plan**

(Board agenda page III-55)

[Consent agenda item #(4)]

The PSF real estate consultant, StepStone Real Estate Group, was represented by Andrew Mitro, managing director, and Tom Hester, managing director, and, joined by John Grubenman, director of private markets, and Nick Tramontana, managing director, real estate for PSF.

Mr. Grubenman introduced the topic. Mr. Mitro and Mr. Hester provided the annual update on the PSF Real Estate Program. Finally, Mr. Tramontana presented the Real Estate Annual Tactical Plan, Appendix B of the Real Estate Investment Policy Statement.

**MOTION AND VOTE:** *By unanimous consent, the committee recommended that the State Board of Education approve the proposed Real Estate Annual Tactical Plan as presented.*

**10. Authorization to Issue a Request for Proposals for Emerging Manager Investment Management in the Private Equity and Real Estate Asset Classes for the Permanent School Fund**

(Board agenda page III-56)

[Consent agenda item #(5)]

Mr. Timmins presented the key points relevant to the issuance of the Request for Proposals (RFP) for Investment Management Services for a Private Equity Emerging Manager program and a Private Real Estate Emerging Manager program for the Texas Permanent School Fund and the State Board of Education. Ms. Civileto provided an overview of the RFP posting and procurement process. Mr. Stronkowski discussed NEPC's role in the development of the RFP.

**MOTION AND VOTE:** *By unanimous consent, the committee recommended that the State Board of Education approve the issuance of the Request for Proposals for Investment Management Services for a Private Equity Emerging Manager program and a Private Real Estate Emerging Manager program for the Texas Permanent School Fund and the State Board of Education.*

**DISCUSSION ITEM**

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

(Board agenda page III-57)

Mr. Timmins provided the committee an update on the status of the risk parity asset class.

The meeting of the Committee on School Finance/Permanent School Fund adjourned at 2:21 p.m.

**TEXAS PERMANENT SCHOOL FUND  
SUMMARY OF TRANSACTIONS FOR APPROVAL  
(Including External Manager's Trades)  
For May 1, 2020 through June 30, 2020**

Purchases/Capital Calls:

Long Term Fixed Income	\$ 336,201,370
Public Market Equities	319,055,015
Alternative Investments	<u>239,982,377</u>
 TOTAL	 <u><u>\$ 895,238,762</u></u>

Sales/Distributions:

Long Term Fixed Income	\$ 82,953,444
Public Market Equities	476,890,991
Alternative Investments	<u>505,602,908</u>
 TOTAL	 <u><u>\$ 1,065,447,343</u></u>

General Land Office Contributions:

FY 2019 Cumulative June 2019	FY 2020 Cumulative June 2020
\$191,250,000	\$7,500,000

Based on the above information provided by staff including a report that deposits to the Permanent School Fund from the General Land Office were \$191,250,000 through June 2019 for fiscal year 2019 versus \$7,500,000 through June 2020 for fiscal year 2020, 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 May 2020 and June 2020 Permanent School Fund portfolio purchases of \$895,238,762 and sales of \$1,065,447,343.