

Minutes

State Board of Education Committees

July 2, 2020

STATE BOARD OF EDUCATION
(State Board for Career and Technology Education)

KEVEN ELLIS, Lufkin
Chair of the State Board of Education
District 9

MARTY ROWLEY, Amarillo
Vice Chair of the State Board of
Education
District 15

GEORGINA PÉREZ, El Paso
Secretary of the State Board of
Education
District 1

Board Members

LAWRENCE ALLEN, JR., Houston
District 4

PAM LITTLE, Fairview
District 12

DONNA BAHORICH, Houston
District 6

TOM MAYNARD, Florence
District 10

BARBARA CARGILL, Conroe
District 8

SUE MELTON-MALONE, Robinson
District 14

RUBEN CORTEZ, JR., Brownsville
District 2

KEN MERCER, San Antonio
District 5

AICHA DAVIS, Dallas
District 13

MARISA PEREZ-DIAZ, Converse
District 3

PATRICIA HARDY, Fort Worth
District 11

MATT ROBINSON, Friendswood
District 7

Committees of the State Board of Education

INSTRUCTION

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

SCHOOL FINANCE/PERMANENT SCHOOL FUND

Tom Maynard, chair
Lawrence Allen, Jr., vice chair
Donna Bahorich
Patricia Hardy
Ken Mercer

SCHOOL INITIATIVES

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

Minutes
State Board of Education
July 2, 2020

The State Board of Education conducted a virtual meeting at 9:40 a.m. on Thursday, July 2, 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, secretary; Marisa B. Perez-Diaz; Matt Robinson; Marty Rowley, vice chair

Invocation

Pledge of Allegiance

Roll Call

Approval of Minutes

State Board of Education, April 17, 2020

MOTION AND VOTE: *The State Board of Education unanimously approved the Minutes of the April 17, 2020, meeting of the State Board of Education, as printed.*

Public Testimony

Public Testimony was provided by the following individuals:

NAME: Nitant Patel
AFFILIATION: Self

NAME: Claudia Di Bonaventura
AFFILIATION: Self

NAME: Ankita Ajith
AFFILIATION: Self

NAME: Michael Shepard
AFFILIATION: Self

1. Approval of Consent Agenda

Any agenda item may be placed on the consent agenda by any State Board of Education committee. The State Board of Education may elect to take separate action on any item on the consent agenda.

By unanimous consent, the State Board of Education approved the following items on the consent agenda.

(1) Ratification of Proclamation 2021 Deadline Extension for Publishers Affected by COVID-19

(Board agenda I-10)

The State Board of Education approved the ratification of the *Proclamation 2021* deadline extensions for publishers to provide pre-adoption samples, final correlations to the Texas Prekindergarten Guidelines, *Certification of Editorial Review*, *Affidavit of Authorship or Contribution*, and *Report on Interoperability and Ease of Use*.

(2) Review and Adoption of the Long-Term Strategic Asset Allocation Plan of the Permanent School Fund of the State Board of Education and the Permanent School Fund Liquid Account

(Board agenda page I-11)

The State Board of Education adopted the recommendation of NEPC and PSF staff to approve the long-term strategic asset allocation of the Permanent School Fund, shown as Mix B on page 14 of the NEPC presentation titled “2020 Asset Allocation Update, Texas Permanent School Fund;” adopted the recommendation of NEPC and PSF staff to approve the long-term strategic asset allocation of the Permanent School Fund Liquid Account, shown as the Moderate Risk option on page 17 of the same NEPC presentation; authorized PSF staff to begin implementation of the liquid asset classes in the Fund and the Liquid Account as adopted in this motion; and authorized PSF staff and BNY during the implementation of the asset allocation for the Fund and Liquid Account adopted July 2020 to compare Fund and asset class performance to the appropriate benchmarks based on actual allocations as the assets are invested until the implementation is complete, at which time the appropriate new benchmark will become static at the strategic target.

(3) Review of the Report on Permanent School Fund Percentage Distribution Rates Under Consideration for Fiscal Years 2022 and 2023

(Board agenda page I-12)

The State Board of Education approved a range for the distribution rate of between 3.76% and 4.68% for fiscal years 2022 and 2023.

(4) Ratification of the Purchases and Sales of the investment Portfolio of the Permanent School Fund for the Months of March and April 2020.

(Board agenda page III-10)

The State Board of Education ratified the purchases and sales for the months of March and April 2020 in the amounts of \$1,639,971,304 and \$1,435,989,619 respectively (ATTACHMENT 1, page 7).

- (5) **Adoption of an Annual Report on the Status of the Bond Guarantee Program**
(Board agenda page III-12)

The State Board of Education adopted the annual report on the status of the Bond Guarantee Program as of August 31, 2019.

- (6) **Recommendation for Appointment to the Lackland Independent School District Board of Trustees**
(Board agenda page IV-27)
(Committee on School Initiatives)

The State Board of Education approved the appointment of Mr. Brian Miller to serve a two-year term of office, from July 2, 2020 to July 2, 2022, on the Lackland Independent School District Board of Trustees.

COMMITTEE OF THE FULL BOARD

2. **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 (First Reading and Filing Authorization)**
(Board agenda page I-13)

MOTION AND VOTE: *It was moved by Mr. Rowley and carried that the State Board of Education approve for first reading and filing authorization 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, as amended and recommended by the Committee of the Full Board.*

(Mrs. Bahorich and Dr. Robinson were absent for the vote.)

COMMITTEE ON INSTRUCTION

3. **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 (First Reading and Filing Authorization)**
(Board agenda page II-1)

MOTION AND VOTE: *It was moved by Mrs. Melton-Malone and carried unanimously that the State Board of Education approve for first reading and filing authorization 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, as amended and recommended by the Committee on Instruction.*

4. **Proposed New 19 TAC Chapter 120, Other Essential Knowledge and Skills, Subchapter A, Character Traits (First Reading and Filing Authorization)**
(Board agenda page II-8)

MOTION AND VOTE: *It was moved by Mrs. Melton-Malone and carried unanimously that the State Board of Education approve for first reading and filing authorization proposed new 19 TAC Chapter 120, Other Essential Knowledge and Skills, Subchapter A, Character Traits, as recommended by the Committee on Instruction.*

5. **Proposed Approval of Innovative Courses**
(Board agenda page II-16)

MOTION AND VOTE: *It was moved by Mrs. Melton-Malone and carried unanimously that the State Board of Education approve for a period of five years the following innovative courses that do not fall within any of the subject areas of the foundation or enrichment curriculum: Advancement Via Individual Determination (AVID), Level I; Advancement Via Individual Determination (AVID), Level II; Advancement Via Individual Determination (AVID), Level III; Advancement Via Individual Determination (AVID), Level IV; Path-College/Career I; Path-College/Career II; Path-College/Career III; Path-College/Career IV; Peer Assistance and Leadership® (PAL) I; and Peer Assistance and Leadership® (PAL) II; and approve for a period of two years a new course titled Civic Discourse, as recommended by the Committee on Instruction.*

6. **Update Regarding Origo Education**
(Board agenda page II-20)

The committee took no action; therefore, this item was not considered by the State Board of Education.

COMMITTEE ON SCHOOL FINANCE/PERMANENT SCHOOL FUND

7. **Proposed Amendment to 19 TAC Chapter 109, Budgeting, Accounting, and Auditing, Subchapter B, Texas Education Agency Audit Functions, §109.23, School District Independent Audits and Agreed-Upon Procedures (Second Reading and Final Adoption)**
(Board agenda page III-3)

MOTION AND VOTE: *It was moved by Mr. Maynard and carried unanimously that the State Board of Education approve for second reading and final adoption the proposed amendment to 19 TAC Chapter 109, Budgeting, Accounting, and Auditing, Subchapter B, Texas Education Agency Audit Functions, §109.23, School District Independent Audits and Agreed-Upon Procedures; and*

Make an affirmative finding that immediate adoption of 19 TAC Chapter 109, Budgeting, Accounting, and Auditing, Subchapter B, Texas Education Agency Audit Functions, §109.23, School District Independent Audits and Agreed-Upon Procedures, is necessary and shall have an effective date of August 31, 2020, as recommended by the Committee on School Finance/Permanent School Fund.
(ATTACHMENT 2, page 9)

8. Review of the Bond Guarantee Program Charter Capacity
(Board agenda page III-13)

MOTION AND VOTE: *It was moved by Mr. Cortez and seconded by Ms. Pérez that the State Board of Education take action to say no to the 20% increase because of the COVID-19 pandemic. The motion failed.*

9. Approval of the Selection of a Legal Counsel for the Bond Guarantee Program as outlined in RFQ 701-20-006 for the Texas Permanent School Fund and Authorization for Contract Executive by the Commissioner of Education
(Board agenda III-14)

MOTION: *It was moved by Mr. Maynard and seconded by Ms. Hardy that the State Board of Education approve DLA Piper LLP for the Bond Guarantee Program Capacity and Tax Counsel scope of legal services and authorization for contract execution by the Commissioner of Education, as recommended by the Committee on School Finance/Permanent School Fund.*

MOTION AND VOTE: *It was moved by Ms. Pérez, seconded by Ms. Perez-Diaz, and carried to amend the motion to add “with the request that they perform good-faith efforts to build capacity with HUB-certified firms.”*

VOTE: *A vote was taken on the motion that the State Board of Education approve DLA Piper LLP for the Bond Guarantee Program Capacity and Tax Counsel scope of legal services and authorization for contract execution by the Commissioner of Education with the request that they perform good-faith efforts to build capacity with HUB-certified firms, as amended. The motion carried.*

COMMITTEE ON SCHOOL INITIATIVES

10. Review of Proposed Revisions to 19 TAC Chapter 232, General Certification Provisions
(Board agenda page IV-1)

MOTION AND VOTE: *It was moved by Mrs. Cargill and carried unanimously that the State Board of Education take no action on the proposed revisions to 19 TAC Chapter 232, General Certification Provisions, as recommended by the Committee on School Initiatives.*

REGARDING AGENDA ITEMS POSTED FOR DISCUSSION ON COMMITTEE AGENDAS

Committee on Instruction

Mrs. Melton-Malone did not report on the Committee on Instruction.

Committee on School Finance/Permanent School Fund

Mr. Maynard did not report on the Committee on Finance/Permanent School Fund.

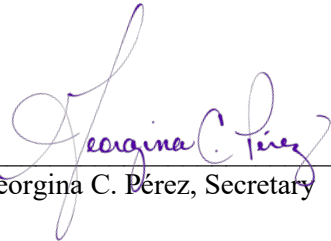
Committee on School Initiatives

Mrs. Cargill announced interviews for charter school applications were scheduled to occur July 27 through July 29, 2020.

REPORTS OF OTHER STATE BOARD OF EDUCATION MEMBERS REGARDING AGENDA ITEMS AND EDUCATIONAL ACTIVITIES AND CONCERNS IN INDIVIDUAL DISTRICTS

Dr. Ellis gave board members an opportunity to provide information regarding agenda items or other relevant information about public education. Brief reports were made.

The meeting adjourned at 1:08 p.m.



Georgina C. Pérez, Secretary

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

Purchases/Capital Calls:

Long Term Fixed Income	\$	393,144,435
Public Market Equities		758,876,409
Alternative Investments		487,950,460
TOTAL		\$ 1,639,971,304

Sales/Distributions:

Long Term Fixed Income	\$	863,358,760
Public Market Equities		174,033,717
Alternative Investments		398,597,142
TOTAL		\$ 1,435,989,619

General Land Office Contributions:

FY 2019 Cumulative April 2019	FY 2020 Cumulative April 2020
\$127,500,000	\$5,000,000

Based on the above information provided by staff including a report that deposits to the Permanent School Fund from the General Land Office were \$127,500,000 through April 2019 for fiscal year 2019 versus \$5,000,000 through April 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 March 2020 and April 2020 Permanent School Fund portfolio purchases of \$1,639,971,304 and sales of \$1,435,989,619.

ATTACHMENT II
Text of Proposed Amendment to 19 TAC

Chapter 109. Budgeting, Accounting, and Auditing

Subchapter B. Texas Education Agency Audit Functions

§109.23. School District Independent Audits and Agreed-Upon Procedures.

- (a) A school district, governmental charter school, open-enrollment charter school, nonprofit service provider, county education district, or regional education service center must file with the Texas Education Agency (TEA) an annual financial and compliance report and, if applicable, a state compensatory agreed-upon procedures report. These reports must be audited by an independent auditor, and the audit must be reviewed by the TEA, including review of auditors' working papers, in accordance with the Financial Accountability System Resource Guide, as adopted by reference in §109.41 of this title (relating to Financial Accountability System Resource Guide).
- (b) The annual financial audit report and state compensatory agreed-upon procedures report are due 150 days after the end of the fiscal year.
- (c) Auditors from the TEA must review independent audit reports. The commissioner's designee must resolve audit findings.
- (d) The district or other educational entity must hire at its own expense an independent auditor to conduct an independent audit of its financial statements and provide an opinion on its annual financial and compliance report.
 - (1) The independent auditor must:
 - (A) be associated with a certified public accountancy (CPA) firm that has a current valid license issued by the Texas State Board of Public Accountancy or a state licensing agency from another state ;
 - (B) be a certified public accountant with a current valid license issued by the Texas State Board of Public Accountancy, as required under the Texas Education Code, §44.008; and
 - (C) adhere to the generally accepted auditing standards (GAAS), adopted by the American Institute of CPAs (AICPA), as amended, and the generally accepted government auditing standards (GAGAS), adopted by the US Government Accountability Office, as amended.
 - (2) The CPA firm must:
 - (A) be a member of the AICPA Governmental Audit Quality Center (GAQC);
 - (B) adhere to GAQC's membership requirements; and
 - (C) collectively have the knowledge, skills, and experience to be competent for the audit being conducted, including thorough knowledge of the government auditing requirements and:
 - (i) Texas public school district environment; ~~or~~
 - (ii) public sector; or
 - (iii) nonprofit sector.
- (e) If at any time the TEA division responsible for financial compliance reviews an audit firm's working papers and finds that the firm or the quality of the work does not meet the standards required as stated in subsection (d) of this section, the division may require the district or other educational entity to change its audit firm.
- (f) To the extent that this section conflicts with any other rule regarding audits of school districts and other educational entities by independent auditors and the TEA, this section controls.