



Tobacco Settlement Permanent Trust Account Administration Advisory Committee Meeting

Minutes

Thursday, November 1, 2018

The Tobacco Settlement Permanent Trust Account Administration Advisory Committee (Committee) met on Thursday, November 1, 2018, at 10:30 a.m. in the public hearing room of the Brown-Heatly Building located at the headquarters of the Texas Health and Human Services Commission at 4900 N. Lamar Blvd., Austin, Texas.

The passcode for the conference call had to be changed at the last minute. Four Committee members (Commissioner Darryl Primo, James G. Parrish, Dr. Jonny F. Hipp, and Keri Disney-Story) and one Tobacco Settlement Permanent Trust Account Investment Advisory Committee member (Stephen Bowerman) were notified in advance of the meeting.

Committee Members Present – in person or via conference call (cc)

R. King Hillier, Chair; Carolyn Konecny; Commissioner Darryl Primo (cc); Judge David Bird; James G. Parrish (cc); Dr. Jonny F. Hipp (cc); Keri Disney-Story (cc); Commissioner Mark Beauchamp; Michael Nuñez; and Sharon R. Clark.

Committee Members Absent

Judge Jerry Bearden.

Texas Department of State Health Services (DSHS) Staff Members Present

Elaine McHard, Manager, Funds Coordination and Management Branch (FCMB) and Suzanne Lucignani, Grant Coordinator, FCMB.

Additional Attendees

Gabriela Villareal, Program Manager, Texas Conference of Urban Counties.

Call to Order

Mr. Hillier called the meeting to order at 10:32 a.m.

Welcoming Remarks

Ms. McHard introduced herself and Ms. Lucignani and thanked the Committee members for joining the meeting. Ms. McHard also stated the meeting was being held in accordance with the Open Meetings Act and was being webcasted, with a copy of the webcast to remain available online for two years.

Roll Call

Roll call was taken by Ms. McHard who noted that a quorum of eight members was needed for voting purposes. At the time of roll call, nine of the above referenced Committee members were present. Commissioner Mark Beauchamp arrived at 10:40 a.m., after the Committee voted on the meeting minutes.

Introduction of New Committee Members

Mr. Hillier indicated there was one new member on the Committee, Commissioner Mark Beauchamp from Wichita County, who represented the West Texas County Judges and Commissioners Association.

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Approval of Meeting Minutes

Mr. Hillier indicated that the meeting minutes were located in section 3 of the meeting packet. Mr. Hillier asked the Committee members if they preferred to take action together or separately on the minutes for the three previous meetings. Mr. Nuñez recommended taking action separately as he could not vote on the 2017 minutes. The minutes for the November 5, 2015; October 13, 2016; and November 2, 2017 meetings were voted on separately and no votes were cast in opposition to approval.

2018 Distribution

Ms. McHard outlined the timeline for the 2018 distribution of tobacco settlement proceeds as follows: On December 29, 2017, the FCMB mailed expenditure statements to all eligible subdivisions along with information regarding the March 31, 2018 deadline to submit. On April 10, 2018, certification of the percentage of the annual distribution used to determine the pro rata share for each political subdivision was provided by the FCMB to the Texas Comptroller of Public Affairs (Comptroller's office). On April 19, 2018, the Comptroller's office issued payment of the pro rata shares to political subdivisions.

Ms. McHard referred Committee members to the 2018 distribution overview in section 4 of the meeting packet. She noted that a total of 304 political subdivisions were eligible for a pro rata share of tobacco settlement proceeds. Of those, 296 received a pro rata share, including 1 city, 155 counties, and 140 hospital districts. The city received 0.04% of the distribution, counties received 10.33% of the distribution, and hospital districts received 89.63% of the distribution.

Ms. McHard further noted the political subdivisions that did not receive a pro rata share included 5 political subdivisions that chose not to submit (Duval County, Grapeland Hospital District, Loving County, Texhoma Hospital District, and Winkler County Hospital District); 2 political subdivisions that reported zero expenditures (Armstrong County and Roberts County), and 1 political subdivision that submitted after the March 31 deadline (Madison County).

Ms. McHard stated that the annual distribution amount for 2018 was \$69,689,880, with the largest distribution (\$17,319,543.33) paid to Harris County Hospital District and the smallest distribution (\$41.11) paid to Briscoe County. Ms. McHard indicated that the meeting packet also included an itemized list of each political subdivision's expenditures reported and pro rata share received and an analysis reflecting the total distribution and expenditures reported over the life of the Tobacco Settlement Distribution Program.

Audit Analysis

Ms. McHard referred the Committee members to section 5 of the meeting packet for information pertaining to the 2018 audits. Ms. McHard explained that, in the past, political subdivisions were selected for audit if their reported expenditures increased by \$500,000 or more from the previous year. For the 2018 distribution cycle, that criterion yielded a pool of 49 political subdivisions that would have been eligible for audit. Unfortunately, the FCMB was not able to provide enough resources to handle 49 audits. After consulting with the Chief Financial Officer and the Chief General Counsel of the DSHS, FCMB staff changed its methodology. The new method involved sorting the list of participating political subdivisions by expenditures reported and then dividing the list into 10 groups approximately equal in size. Ms. McHard explained that FCMB staff then randomly selected one political subdivision to audit from each of those ten groups.

Referring to the table entitled 2018 Audit Findings, Ms. McHard noted that four political subdivisions were found to have overclaimed expenditures, including Denton, Hardin, Hudspeth, and Wise counties, and the audit for Washington County was still underway. She stated that the corresponding overpayment amounts would be recouped from their next pro rata distribution. Ms. McHard also noted that the table showed two political subdivisions, Briscoe County and Titus County Memorial Hospital District, were found to have overclaimed their expenditures by less than \$1,000 and, due to the small overpayment amounts, staff did not intend to recoup those funds.

General Items

Ms. McHard requested the Committee members review their contact information in section 2 of the meeting packet and let FCMB staff know if there were any edits so the information could be updated and redistributed to Committee members.

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Ms. McHard mentioned that the Investment Advisory Committee was meeting the following day, November 2, 2018, at the Thomas Jefferson Rusk Building in Austin, Texas. She referred them to the email previously distributed by Ms. Lucignani that included a meeting agenda and a map.

Ms. McHard referred the Committee members to a 2019 planning calendar in section 6 of the meeting packet. She proposed a tentative date of Thursday, October 31, 2019, for the next annual Committee meeting and indicated that FCMB staff was open to working with the Committee members' schedules. Mr. Nuñez indicated that he and Ms. Clark were on the Hospital Payment Advisory Committee, which had a subcommittee meeting scheduled in the afternoon of that same date. Mr. Nuñez said it would be ideal if the Committee could meet that morning. Ms. McHard said FCMB staff would do everything they could to make next year's meeting as convenient as possible.

Ms. McHard reminded the Committee members that the Tobacco Settlement Distribution Program has a web site that can be accessed for a history of tobacco settlement distributions, Committee membership information, frequently asked questions, and program rules. Ms. McHard indicated a possible revision to the tobacco web site to make it more uniform with the rest of the DSHS web site.

Ms. McHard opened the meeting to any comments or questions from the public. None were voiced.

Adjourn

Mr. Hillier adjourned the meeting at 10:54 a.m.