



## **Tobacco Settlement Permanent Trust Account Administration Advisory Committee Meeting**

### **Minutes**

**Thursday, October 29, 2020**

The Tobacco Settlement Permanent Trust Account Administration Advisory Committee (Committee) met on Thursday, October 29, 2020, at 3:00 p.m. via Microsoft Teams Live Event Virtual meeting.

**Committee Members Present** – via Microsoft Teams Live Event and conference call (cc).  
Commissioner Darryl Primo; Commissioner Mark Beauchamp; Judge Jerry Bearden; Dr. Jonny F. Hipp; Michael Nuñez; Stephanie McDonald; Keri Disney-Story; Sharon R. Clark and Chair Robert King Hillier.

**Committee Members Absent**  
Judge David Bird and Larry Gray.

**Texas Department of State Health Services (DSHS) Staff Members Present**  
Elaine McHard, Manager, Funds Coordination and Management Branch (FCMB) and Amira Sutton, Tobacco Settlement Program Coordinator, FCMB.

**Additional Attendees**  
Anthony Patterson, Coordinator of the Process Improvement Program, and Carolyn Bivens, Director of the DSHS System Coordination Center for External Relations.

**Call to Order**  
Chair Robert King Hillier called the meeting to order at 3:13 p.m.

**Welcoming Remarks**  
Ms. McHard introduced herself and Ms. Sutton while thanking the Committee members for joining the virtual meeting.

Ms. McHard also stated the meeting was being held in accordance with the Open Meetings Act.

**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, eight of the above referenced Committee members were present.

**Introduction of New Committee Members**  
Mr. Hillier indicated there was one new member on the Committee, Larry Gray, who represented the Seminole Hospital District - Seminole, Texas.

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**Approval of Meeting Minutes**

Mr. Hillier advised the committee to review the meeting minutes, located on page 4 through page 6 of the meeting packet. Mr. Hillier asked if there was a motion to approve the October 31, 2019 minutes as circulated. Commissioner Primo proposed a motion to approve the minutes and Ms. Clark second the motion. Ms. Disney-Story suggested an amendment. She indicated that the last page of the minutes, third paragraph under the general items, states the calendar year incorrectly; it should be 2020. Ms. McHard confirmed the calendar year should be 2020 and stated the minutes will be corrected to reflect 2020. Mr. Hillier conducted a roll call vote of the amended minutes. Commissioner Primo, Dr. Hipp, and Ms. Disney- Story provided a motion to approve as amended, with Mr. Hillier, Mr. Nuñez, Ms. Clarke, and Ms. McDonald voting “Yes”. Commissioner Beauchamp abstained his vote due to not receiving the minutes. No votes were cast in opposition to the motion to approve.

**2020 Distribution**

Ms. McHard outlined the timeline for the 2020 distribution of tobacco settlement proceeds as follows: On December 31, 2019, FCMB mailed expenditure statements to all eligible political subdivisions along with information regarding the March 31, 2020 deadline to submit. On April 13, 2020, 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 Accounts (Comptroller’s office). On April 22, 2020, the Comptroller’s office issued payment of the pro rata shares to participating political subdivisions.

Ms. McHard referred Committee members to the 2020 distribution overview on page 7 of the meeting packet. She noted that a total of 301 political subdivisions were eligible for a pro rata share of tobacco settlement proceeds, however, only 294 received a pro rata share. These entities were comprised of 1 city, 153 counties, and 140 hospital districts which received distributions of 0.028%,9.803%, and 90.169% respectively.

Ms. McHard further remarked the political subdivisions that did not receive a pro rata share included six political subdivisions (i.e., Armstrong County, Brooks County, Grapeland Hospital District, Loving County, Nacogdoches County Hospital District and Texoma Hospital District) that chose not to participate in the distribution. One political subdivision that reported zero expenditures was King County.

Ms. McHard stated that the annual distribution amount for 2020 was \$73,831,824.00, with the largest distribution of \$15,043,216.89 paid to Harris County Hospital District. Ms. McHard indicated that the meeting packet included an itemized list of each political subdivision’s expenditures reported and pro rata share received as well as an analysis reflecting the total distribution and expenditures reported over the life of the Tobacco Settlement Distribution Program.

Ms. McHard directed Committee members to page 14 of the meeting packet to view the 2020 history of contributions, distributions and expenditure’s reported since the inception of the program. Ms. McHard noted that expenditures reported over the years totaled to \$50,269,503,405.95, the total distributions of the Tobacco trust is \$1,553,779,968.82. Commissioner Primo stated, the Tobacco settlement distribution program is running exactly how it was set up to run and the committee can be proud of that. Ms. McHard stated, the Department of State Health Services was glad to support the committee and the pro-rata share distribution of the Tobacco Settlement Permanent Trust Account.

**Audit Analysis**

Ms. McHard directed the Committee members to page 15 of the meeting packet for information pertaining to the 2020 Audits. Ms. McHard revisited the new audit selection process. 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 used the computer to randomly select one political subdivision to audit from each of the ten groups.

Referring to the table entitled 2020 Audits, Ms. McHard stated that no political subdivisions was found to have overclaimed expenditures, therefore, no recoupment will be made during the 2021 pro rata share distribution.

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Ms. Disney-Story asked how the new Audit process method is working in which Ms. McHard responded from the staff support perspective the new audit method works well. This method is consistent with program rule and the staff are able to perform the audits to meet the threshold. Ms. McHard explained that from the time perspective the audit process takes from a month to two months for a review of 10 political subdivisions. However, it is up to the Committee members to make changes, if they desire to do so. Ms. Disney-Story noted also that it seems like the staff is auditing the same ratio of audit samples (25%) like before, but it seems like with this method a thorough, deeper audit can be completed. Ms. McHard further described the feedback and technical assistance the FCMB staff provides to the audited political subdivisions along with the Audit process. She is hoping that FCMB is building capacity going forward for vendors also. Ms. Disney-Story stated she has no further questions. Ms. McHard asked if the committee members had additional questions or comments. There were no additional comments.

**General Items**

Ms. McHard mentioned that the Investment Advisory Committee (IAC) was meeting the following day, October 30, 2020, using the virtual WebEx meeting platform. Ms. McHard referred Committee members to the email previously distributed by Ms. Sutton that included the meeting agenda and the IAC virtual WebEx meeting link.

Ms. McHard directed the Committee members to the 2021 Planning calendar on page 17 of the meeting packet. She respectfully proposed a tentative date of Thursday, October 28, 2021, for the next annual Committee meeting and indicated that FCMB staff was available to work with the Committee members' schedules. Ms. McHard stated FCMB staff would email a voting poll to determine the time for the next year's meeting. No motion to oppose the proposed next meeting date was noted.

Ms. McHard gently reminded the Committee members that page 18 of the meeting packet included a screenshot of the Tobacco Settlement Distribution Program's website. From this site, information can be accessed for a history of tobacco settlement distributions, Committee membership information, frequently asked questions, and program rules.

There were no comments or questions from the public as there were no public attendees.

**Adjourn**

Mr. Hillier adjourned the meeting at 3:55 p.m.