



Tobacco Settlement Permanent Trust Account Administration Advisory Committee Meeting

Minutes

Thursday, October 31, 2019

The Tobacco Settlement Permanent Trust Account Administration Advisory Committee (Committee) met on Thursday, October 31, 2019, at 10:30 a.m. in the public hearing room of the Morton Building located at the headquarters of the Texas Department of State Health Services at 1100 W 49th St., Austin, Texas.

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

Commissioner Darryl Primo; Judge David Bird; Dr. Jonny F. Hipp (cc); Keri Disney-Story; Commissioner Mark Beauchamp; Michael Nuñez; Sharon R. Clark (cc) and Stephanie McDonald.

Committee Members Absent

Chair; R. King Hillier and Judge Jerry Bearden.

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

Elaine McHard, Manager, Funds Coordination and Management Branch (FCMB) and Joy Counce, Grant Coordinator, FCMB.

Additional Attendees

None.

Call to Order

Dr. Hipp called the meeting to order at 10:30 a.m.

Welcoming Remarks

Ms. McHard introduced herself and Ms. Counce while thanking 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, eight of the above referenced Committee members were present.

Introduction of New Committee Members

Dr. Hipp indicated there was one new member on the Committee, Stephanie McDonald from Central Health, who represented the Texas Conference of Urban Counties Appointments.

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Approval of Meeting Minutes

Dr. Hipp advised the meeting minutes, located in section 3 of the meeting packet, will be reviewed and approved. Dr. Hipp asked if there was a motion to approve the November 1, 2018, minutes as circulated. Sharon Clark advised on the last page of the minutes in the second paragraph Medical Care Advisory Committee should be corrected to Hospital Payments Advisory Committee. Ms. Clark made the motion to approve the minutes with Commissioner Mark Beauchamp seconding the motion with the edit to the minutes to be completed. No votes were cast in opposition to approval.

2019 Distribution

Ms. McHard outlined the timeline for the 2019 distribution of tobacco settlement proceeds as follows: On December 31, 2018, the FCMB mailed expenditure statements to all eligible subdivisions along with information regarding the March 31, 2019, deadline to submit. On April 5, 2019, 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 9, 2019, the Comptroller's office issued payment of the pro rata shares to political subdivisions.

Ms. McHard referred Committee members to the 2019 distribution overview in section 4 of the meeting packet. She noted that a total of 301 political subdivisions were eligible for a pro rata share of tobacco settlement proceeds. Of those, 295 received a pro rata share, including 1 city, 157 counties, and 143 hospital districts. The city received 0.03% of the distribution, counties received 10.01% of the distribution, and hospital districts received 89.96% of the distribution.

Ms. McHard further noted the political subdivisions that did not receive a pro rata share included four political subdivisions that chose not to submit (Armstrong County, Grapeland Hospital District, Loving County and Texhoma Hospital District); two political subdivisions that reported zero expenditures (King County and Roberts County).

Ms. McHard stated that the annual distribution amount for 2019 was \$71,912,881, with the largest distribution (\$15,911,847.56) paid to Harris County Hospital District and the smallest distribution (\$16.26) paid to Glasscock 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 2019 audits. Ms. McHard revisited the audit selection process 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 2019 Audit Findings, Ms. McHard noted that two political subdivisions were found to have overclaimed expenditures, including Van Zandt and Webb counties. She discussed the corresponding overpayment amounts and what would be recouped from their next pro rata distribution.

Sharon Clark asked if the political subdivision was audited and there was a finding, would there be a subsequent audit the following year. Ms. McHard advised FCMB does not automatically audit the political subdivision the following year. Ms. McHard suggested Mr. Hipp add that to his portion for additional discussions. Ms. McHard also noted that the table showed one political subdivision, Van Zandt county, was found to have overclaimed their expenditures by less than \$1,000 and, due to the small overpayment amount, staff did not intend to recoup these funds. Ms. McHard further discussed the technical assistance her staff provided to political subdivisions along with the audit process. Mr. Hipp asked the

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committee members if additional discussions were needed to further discuss Ms. Clark's recommendation. There were no additional comments.

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.

Ms. McHard mentioned that the Investment Advisory Committee was meeting the following day, November 1, 2019, at the Thomas Jefferson Rusk Building in Austin, Texas. She referred them to the email previously distributed by Ms. Counce that included a meeting agenda and a map.

Ms. McHard referred the Committee members to a 2020 planning calendar in section 6 of the meeting packet. She proposed a tentative date of Thursday, October 29, 2020, for the next annual Committee meeting and indicated that FCMB staff was open to working with the Committee members' schedules.

Ms. McHard said FCMB staff would send out a poll to determine the convenient time to meet for next year's meeting.

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.

There were no comments or questions from the public as no additional attendees were in attendance.

Adjourn

Mr. Hipp adjourned the meeting at 11:02 a.m.