



Tobacco Settlement Permanent Trust Account Administration Advisory Committee Meeting

Minutes

Thursday, November 2, 2017

The Tobacco Settlement Permanent Trust Account Administration Advisory Committee (Committee) met on Thursday, November 2, 2017, at 2:30 p.m. in Room 618 of the Moreton Building located on the central campus 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)

R. King Hillier, Chair; Carolyn Konecny; Commissioner Darryl Primo; James G. Parrish; Jonny F. Hipp ScD (cc); Keri Disney-Story (cc); and Sharon R. Clark (cc).

Committee Members Absent

Judge David Bird, Judge Jerry Bearden, Michael Nuñez, and Judge Woodrow W. Gossom Jr.

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

Elaine McHard, Manager, Funds Coordination and Management Branch (FCMB); Suzanne Lucignani, Grant Coordinator, FCMB; and Yahitza Nuñez, Assistant General Counsel, Office of General Counsel.

Additional Participants Present

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

Welcoming Remarks

Ms. McHard introduced herself and Ms. Lucignani and stated they coordinate the Tobacco Settlement Distribution Program on behalf of the Committee and the DSHS. Ms. McHard also stated the meeting was being held and recorded in accordance with the Open Meetings Act.

Call to Order

Mr. Hillier called the meeting to order at 2:35 p.m. Roll call was taken by Ms. McHard. With seven members present and four members absent, it was noted that a quorum of eight Committee members was not present for voting purposes.

Introduction of New Committee Members

Mr. Hillier indicated there was a list of Committee membership behind tab 2 of the meeting packet. He noted that, since the last meeting, the following three members were reappointed by the Texas Conference of Urban Counties with a term ending on August 31, 2023 – Carolyn Konecny representing the Travis County Healthcare District, Dr. Jonny Hipp representing the Nueces County Hospital District, and Michael Nuñez representing the El Paso County Hospital District.

Also, Mr. Hillier welcomed and introduced two new members. Sharon Clark, representing the Tarrant County Hospital District, was appointed by the Texas Conference of Urban Counties with a term ending on August 31, 2023. Jim Parrish, representing the Seminole Hospital District, is filling the seat appointed by the Executive Commissioner of the Texas Health and Human Services Commission, which was vacated by Betsy Briscoe. Jim's term ends on August 31, 2021.

Approval of November 5, 2015 and October 13, 2016 Meeting Minutes

A quorum of eight Committee members was not present for voting purposes; therefore, the minutes were not voted on.

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2017 Distribution

Ms. McHard outlined the timeline for the 2017 distribution of tobacco settlement proceeds as follows: On December 31, 2016, the FCMB mailed expenditure statements to all eligible subdivisions along with information regarding the March 31, 2017 deadline to submit. On April 13, 2017, 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, 2017, the Comptroller's office issued payment of the pro rata shares to political subdivisions.

Ms. McHard referred Committee members to the 2017 distribution overview behind tab 5 of the meeting packet. She noted that a total of 303 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 less than 1% of the distribution, counties received nearly 10% of the distribution, and hospital districts received 90% 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 (Armstrong County, Grapeland Hospital District, Loving County, Roberts County, and Texhoma Hospital District); 1 political subdivision that reported zero expenditures (King County), and 1 political subdivision that submitted after the March 31st deadline (La Salle County).

Ms. McHard stated that the annual distribution amount for 2017 was \$67,155,876, with the largest distribution (\$15,559,797.30) paid to Harris Health System and the smallest distribution (\$40.43) paid to Briscoe County. Ms. McHard indicated that the meeting packet also included an itemized list of each political subdivision's pro rata share and an analysis reflecting the total distribution and expenditures reported over the life of the Tobacco Settlement Distribution Program.

Dr. Hipp asked if there was any more information about the political subdivisions that chose not to submit. Ms. Lucignani indicated that Grapeland Hospital District and Texhoma Hospital District did not historically submit expenditure statements. She also recalled an interaction with another political subdivision that stated it would not have sufficient expenditures to warrant the effort to submit. Ms. McHard added that FCMB staff do not ask political subdivisions why they choose not to submit.

Audit Analysis

Ms. McHard informed the Committee that an analysis included behind tab 6 of the meeting packet identified 31 political subdivisions that met the criteria for an audit of the information they reported for the 2017 distribution cycle. After consulting with Chief Financial Officer staff and legal staff, FCMB staff decided not to conduct audits due to having exercised an intense level of scrutiny during the expenditure statement review process and a limitation on staff resources for conducting an audit. Ms. McHard stated that Ms. Lucignani was selected for the position in December 2016. Being her first pro rata distribution, an extensive amount of scrutiny was done on the front end so that Ms. Lucignani would understand and we would know going forward how much information was needed. Ms. McHard said FCMB staff felt more confident that they had tried to do good screening up front after seeing 31 political subdivisions fall out of the audit analysis process.

Revised Expenditure Statements

Ms. McHard reminded the Committee that she previously reported that political subdivisions had a number of ways they could submit expenditure statements but none that did math calculations for them. This resulted in expenditure statements completed in various ways with math that did not always tally correctly and, therefore, some things were discussed that FCMB staff hoped to put in place. Ms. McHard directed the Committee to the County and Hospital District expenditure statements, also behind tab 6, that were redesigned for the 2018 distribution cycle to make filling out and processing the expenditure statements as clear and efficient as possible.

Although no new reporting requirements were added to the revised expenditure statements, Ms. McHard explained that the previous requirement to submit documentation of expenditures with the expenditure statement was eliminated. As an example, political subdivisions were previously required to submit the base numbers used to calculate their jail health care expenditures. Reviewing that documentation tended to generate a lot of back and forth communication with the political subdivisions that resulted in lengthy

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data files that seemed to be time-consuming for the political subdivisions and was slow to process. Although Ms. Lucignani would continue to request documentation if she felt it was needed to complete processing, FCMB staff would no longer require it up front. If a political subdivision was selected for audit, documentation of expenditures reported would be requested as part of the audit process. This change will, hopefully, ease the reporting burden on political subdivisions and reduce the amount of time required to process expenditure statements.

Ms. McHard identified another revision to the expenditure statements that pertained to the two reporting elements historically included on the Non-Hospital District Public Hospital expenditure statement. She explained that this third expenditure statement tended to be confusing to political subdivisions. Consequently, FCMB staff clarified the language, transferred the reporting elements to both the County expenditure statement and Hospital District expenditure statement, and eliminated the Non-Hospital District Public Hospital expenditure statement. FCMB staff hopes this revision will make more sense to program participants and make it easier for them to complete their task.

Ms. McHard also stated that the previous Word, Excel, and PDF formats of the expenditure statements were being reduced to only PDF with fillable form fields that auto-calculate. Again, FCMB staff hopes this will make it easier for anyone that uses or processes the expenditure statements. The reduction in formats was also implemented in response to the DSHS policy requiring that all online forms be accessible, with the PDF format seeming to be the simplest way to meet this objective. A link to a free PDF viewer is available on the DSHS web site.

Mr. Hillier opened the discussion to questions and, hearing none, discussion was moved to the next item.

Administrative Updates

Ms. McHard requested the Committee members review their contact information behind tab 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 requested that any new members submit documentation of Open Records and Open Meetings training if they had not already done so. She indicated that more information about required training was included in the orientation packet that was provided to them.

Ms. McHard referred the Committee members to a 2018 planning calendar behind tab 7 of the meeting packet. She proposed a tentative date of Thursday, November 1, 2018, for the next annual Committee meeting, pending confirmation of the Investment Advisory Committee meeting date. Ms. McHard indicated that FCMB staff try to accommodate the members of both committees who want to attend both meetings by scheduling the meetings back to back, with the Administration Advisory Committee meeting on a Thursday afternoon and the Investment Advisory Committee meeting on the following Friday morning.

Ms. McHard mentioned that the Investment Advisory Committee was meeting the following day, November 3, 2017, at the Thomas Jefferson Rusk Building in Austin, Texas. She referred them to the meeting agenda and a map showing the location of the Rusk Building and the Capitol Visitors Parking Garage, also behind tab 7. Ms. McHard explained to those who may not know that the Investment Advisory Committee is the sister committee to the Administration Advisory Committee. It oversees management of the Tobacco Settlement Permanent Trust Fund and one of the Administration Advisory Committee members, Judge Gossom, also sits on that committee.

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. She said that FCMB staff is always happy to answer questions personally and indicated that Ms. Lucignani provided business cards with her contact information.

Ms. McHard opened the meeting to any comments or questions. Commissioner Primo said that FCMB staff had done an outstanding job and Ms. McHard thanked Ms. Lucignani for her contributions.

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To again confirm whether a quorum was present for voting purposes, Mr. Hillier asked if Judge Bird or Judge Gossom had joined the meeting belatedly by conference call. No indication was given that either member was present.

Adjourn

Mr. Hillier adjourned the meeting at 3:04 p.m.