



TEXAS DEPARTMENT OF STATE HEALTH SERVICES

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COMMISSIONER

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April 15, 2016

The Honorable Kenneth Liggett
Clay County Judge
214 N Main St
Henrietta, TX 76365

Dear Judge Liggett:

This is to notify you that the Texas Department of State Health Services certified to the State Comptroller of Public Accounts the pro rata share to be distributed to political subdivisions in 2016. Your 2016 payment from tobacco settlement proceeds is calculated to be \$3,566.05. The Comptroller intends to transmit the payment this month.

Thank you for the timely submission of your expenditure statement, and please feel free to contact Jodi Garza at 512.776.2591 or DSHSTobacco@dshs.state.tx.us, with any questions concerning this distribution.

Best Regards,

A handwritten signature in black ink, appearing to read "Elaine McHard", enclosed within a large, hand-drawn oval.

Elaine McHard
Manager, Funds Coordination and Management Branch
Chief Financial Office

cc: Clay County Auditor

Memorandum

To: Political subdivisions eligible to receive annual distributions from the Tobacco Settlement Permanent Trust Account

From: Stuart Ford, Chairman
On behalf of the Tobacco Settlement Permanent Trust Account Investment Advisory Committee ("Committee")

Date: April 7, 2016

Subject: Distribution guidance for 2017

As a result of particularly poor market conditions in 2015, the return on the Tobacco Trust did not allow us to match last year's distribution. The rules governing distributions from the Tobacco Trust limit this year's distribution to \$46.8 million, which is roughly in line with guidance we provided in last year's memorandum. The Trust is a permanent endowment. The distribution rules are designed with an eye toward maintaining the intergenerational equity of the Trust. In other words, future generations of Texans should benefit from the Trust in terms of real purchasing power to the same extent as the current generation.

In the interest of conservative planning, we would suggest that you plan that the Tobacco Trust's distribution in 2017 will be no greater than what is being made this year.

Last year we were able to add to the Trust's "rainy day fund." That fund served its purpose by providing approximately 70% of the funds for this year's distribution, which was the maximum allowed by rule. We remain committed to keeping the balance of the Trust's "rainy day fund" sufficient to be able to supplement distributions in years like we witnessed in 2015.

The Trust remains on good footing. I am pleased to report that since its inception, investment returns on the Trust have produced a total of \$774 million in distributions (exclusive of this year) and the initial \$1.7 billion contributed to the Trust has grown to \$2.3 billion as of December 31, 2015. The Trust investment portfolio continues to be positioned conservatively, with a focus on downside protection and preservation of capital.

The Committee remains dedicated to its objective of maintaining stable, predictable annual distributions from the Trust. That is the reason for the "rainy day fund," technically known as the Distribution Stabilization Account (DSA). As is possible, we intend to build and maintain the DSA at a level appropriate to fulfill that objective.

We hope this guidance is helpful to your planning process. If you have questions about the Trust, please contact Paul Ballard, CEO and Chief Investment Officer of the Texas Treasury Safekeeping Trust Company. He may be reached at (512) 463-4300. Thank you.