

JOINT LEGISLATIVE FISCAL COMMITTEE

Legislative Office Building, Room 210-211

Concord, NH

Monday, June 9, 2014

MEMBERS PRESENT:

Rep. Mary Jane Wallner, Chair

Rep. Ken Weyler

Rep. Peter Leishman

Rep. Cindy Rosenwald

Rep. Daniel Eaton

Sen. Jeanie Forrester

Sen. David Boutin (Alt.)

Sen. Chuck Morse

Sen. Lou D'Allesandro (Alt.)

Sen. Andy Sanborn

(The meeting convened at 10:12 a.m.)

**(1) Acceptance of Minutes of the April 25, 2014,
May 22, 2014 and May 28, 2014 meetings.**

CHAIRWOMAN WALLNER: Call the Fiscal Committee to order. Our discussion is around when we will have the July meeting. So we'll -- we're still trying to decide that and --

REP. EATON: Move approval.

CHAIRWOMAN WALLNER: -- start with the agenda.

REP. EATON: Minutes.

CHAIRWOMAN WALLNER: Start with the minutes of -- we have three sets of minutes. We have the minutes from April 25th, the minutes from May 22nd, and the minutes from May 28th. Do you want to take them up separately or --

**** REP. EATON: Move we approve them as a block.**

CHAIRWOMAN WALLNER: We have a motion to move them, approval of the minutes as a block. We have three sets of minutes.

REP. ROSENWALD: Second.

CHAIRWOMAN WALLNER: And Representative Rosenwald seconds. Representative Eaton made the motion. And discussion on any of the minutes? Any corrections? All in favor? Any opposed?

***** {MOTION ADOPTED}**

SEN. BOUTIN: Madam Chair.

CHAIRWOMAN WALLNER: The motion passes.

SEN. BOUTIN: Madam Chair, the record show that I abstained because I was not here.

CHAIRWOMAN WALLNER: Okay. And Senator Boutin abstains because he was not here at those meetings. Thank you.

(2) Old Business:

CHAIRWOMAN WALLNER: We have a couple of items under Old Business. Anyone want to take those up? Seeing no -- no one wanting to take those up, we'll move on to Tab 3.

CONSENT CALENDAR

(3) RSA 9:16-A, Transfers Authorized:

CHAIRWOMAN WALLNER: And Tab 3 is the Department of Revenue Administration. Have a motion?

****** SEN. D'ALLESANDRO: Move the item.

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REP. EATON: Second.

CHAIRWOMAN WALLNER: Senator D'Allesandro moved and Representative Eaton seconds. Any discussion? All in favor? Any opposed? Tab 3 is approved.

*** {MOTION ADOPTED}

(4) RSA 9:16-c,I, Transfer of Federal Grant Funds:

CHAIRWOMAN WALLNER: Move on to Tab 4 which is a transfer of Federal Grant Funds from the Council of Developmental Disabilities.

** REP. EATON: Move approval.

CHAIRWOMAN WALLNER: Transfer of \$500.
Representative Eaton moves.

SEN. D'ALLESANDRO: Second.

CHAIRWOMAN WALLNER: And Representative D'Allesandro -- and Senator D'Allesandro seconds. All in favor? Any opposed?

*** {MOTION ADOPTED}

(5) RSA 14:30-a, VI Fiscal Committee Approval
Required for Acceptance and Expenditure of
Funds Over \$100,000 from any Non-State Source:

CHAIRWOMAN WALLNER: Tab 5 is Approval of Acceptance and Expenditure of Funds over \$100,000. Are there items that would like to be removed from Consent Calendar?

REP. ROSENWALD: Yes, please.

CHAIRWOMAN WALLNER: Representative Rosenwald.

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REP. ROSENWALD: Thank you. I'd like to remove Item 088 from the Department of Health and Human Services.

CHAIRWOMAN WALLNER: Okay. Representative Rosenwald would like to remove 088.

** REP. ROSENWALD: But I would move that we approve the rest of the items.

CHAIRWOMAN WALLNER: I believe Senator Sanborn, he has an item he'd like to remove.

SEN. SANBORN: Madam Chair, thank you, ma'am. Item 087.

CHAIRWOMAN WALLNER: Okay. Item 087.

SEN. SANBORN: 103.

CHAIRWOMAN WALLNER: 103.

SEN. SANBORN: 104.

CHAIRWOMAN WALLNER: 104.

SEN. SANBORN: 105.

CHAIRWOMAN WALLNER: And 105. So remove from the calendar is 087, 088, 103, 104, and 105.

SEN. SANBORN: Madam Chair.

CHAIRWOMAN WALLNER: Yes.

SEN. SANBORN: Being 081 is separate as a late entrance or an amended item, are you going to vote on the amended item or include the amended item as consent request?

SEN. FORRESTER: That is correct.

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CHAIRWOMAN WALLNER: It's a corrected item, yes. We will vote on the corrected -- there is a replacement item on 081. Thank you for reminding me. There's a replacement of 081, and we'll vote on the replacement item.

SEN. SANBORN: Thank you, ma'am.

CHAIRWOMAN WALLNER: Okay. So do I have a motion to --

** REP. EATON: So move.

SEN. D'ALLESANDRO: Second.

CHAIRWOMAN WALLNER: Representative Eaton moves and Senator Sanborn seconds the Consent Calendar --

REP. EATON: D'Allesandro.

SEN. FORRESTER: That was D'Allesandro.

CHAIRWOMAN WALLNER: D'Allesandro. I'm sorry, Senator D'Allesandro seconds the approval of the Consent Calendar minus the items that have been removed. Any discussion? All in favor? Any opposed? Motion passes.

*** **{MOTION ADOPTED}**

CHAIRWOMAN WALLNER: Now let's move to Item 14-087, and that's Department of Environmental Services. And I believe Senator Sanborn asked for that to be removed. Would you like someone to come up to answer questions?

SEN. SANBORN: Madam Chair, thank you, please.

CHAIRWOMAN WALLNER: Department of Environmental Services. Thank you.

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SUSAN CARLSON, Chief Operations Officer, Department of Environmental Services: Good morning, Madam Chairman, Members of the Committee.

CHAIRWOMAN WALLNER: Good morning.

MS. CARLSON: For the record, my name is Susan Carlson with the Department of Environmental Services.

CHAIRWOMAN WALLNER: Yes, Senator.

SEN. SANBORN: Thank you, Madam Chair. Miss Carlson, thanks so much for coming in today. Really appreciate it. I've got a couple questions about the fund.

If my understanding of it is correct, so I guess I'm looking for affirmation on that and your input a little bit of it. As I read through it, it suggests the fund has about \$170 million in it today. And do we have a ceiling or cap or a reasonable amount of money that we think that fund should have, or is it just going to continue to increase in perpetuity? Help me understand a little bit about where the fund is, the balance, and what would be a reasonable place for that funding to be used?

MS. CARLSON: Thank you for the question. Actually, as of today it has a balance of \$164.5 million.

SEN. SANBORN: Okay.

MS. CARLSON: That balance fluctuates depending on the loans that we're giving out at the time. The Clean Water Revolving Loan Program, this is called the Repayment Fund. Essentially, we get an original grant from EPA. We match it with our State dollars. We loan the money out. The communities repay us the interest and principal repayment go into the Repayment Fund. There is no cap on it. It is designed originally by the

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Feds to act as a revolving fund so that some day they can stop awarding grants to us and that this fund exists in perpetuity to loan out to communities.

Do I think there's a reasonable cap? Right now we're looking at potentially \$2 billion in need for wastewater treatment systems, upgrades, and replacements. So I don't think this fund is ever going to have enough money to meet that kind of need. So I really can't say that I think there's a reasonable cap for this fund.

SEN. SANBORN: Follow-up, if I may?

CHAIRWOMAN WALLNER: Yes.

SEN. SANBORN: Thank you, ma'am. Thank you for your answer. I appreciate that. Is the 164 cap available till then or is the 164 the total amount that's been expended in loans to communities?

MS. CARLSON: No.

SEN. SANBORN: If there's a difference, what is the --

MS. CARLSON: The 164 currently is available to loan.

SEN. SANBORN: Cash available to lend?

MS. CARLSON: Yes.

SEN. SANBORN: How much, in addition to the 164 we have available to lend, how much is actually held in debt obligations?

MS. CARLSON: A little over \$80 million.

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SEN. SANBORN: Thank you, ma'am. Thank you, Madam Chair.

CHAIRWOMAN WALLNER: Thank you. Further questions?

** REP. EATON: Move approval.

SEN. D'ALLESANDRO: Second.

CHAIRWOMAN WALLNER: Thank you. Thank you very much. Representative Eaton moves approval of the item and Senator D'Allesandro seconds. Is there further discussion of the item? All in favor? Any opposed? The item passes.

*** {MOTION ADOPTED}

CHAIRWOMAN WALLNER: Now we have Item 14-088, Department of Health and Human Services. Thank you. Thank you.

NICHOLAS TOUMPAS, Commissioner, Department of Health and Human Services: Good morning, Madam Chair. For the record, Nick Toumpas, Commissioner of Health and Human Services, and I'm joined by Steve Mosher, the Department's Chief Financial Officer.

CHAIRWOMAN WALLNER: Thank you, Commissioner. Representative Rosenwald.

REP. ROSENWALD: Thank you, Madam Chair. On Page 2 of the item in the explanation, in the paragraph about the MQIP, it said that Medicaid payments made to facilities were also larger than expected from increases in utilization. But when I look at the Dash Board and the caseload numbers for nursing facilities for the ten months of the Fiscal Year to date, the actual caseloads are running nearly 60 persons fewer than what was budgeted for. So I'm confused about the

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increased utilization and wondering if you could just explain to us.

STEVE MOSHER, Chief Financial Officer, Department of Health and Human Services: The payments to nursing homes are based on two factors. One is the number of cases and the other one is the acuity.

REP. ROSENWALD: Hm-hum.

MR. MOSHER: You're correct that cases were down but acuity has been up. And we did, effective January 1st, a rate increase to nursing homes because the law states that any surpluses in that line have to be used for supplemental rate increases and that was done in January.

REP. ROSENWALD: Follow-up.

CHAIRWOMAN WALLNER: Further question, yes.

REP. ROSENWALD: So when do we hit the budget neutrality?

MR. MOSHER: What do you mean when do we hit it?

REP. ROSENWALD: Well, if costs go up, then reimbursements go down, right, because of budget neutrality in the nursing homes?

MR. MOSHER: That's correct. To the extent that there isn't any surplus -- to the extent that there isn't any surplus to carry forward, that's correct. The -- the nursing home rates are reduced to live within the budget.

REP. ROSENWALD: Okay.

** REP. EATON: Move approval.

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MR. MOSHER: And some of the rate decreases are offset by the ProShare.

REP. ROSENWALD: Right. Okay.

CHAIRWOMAN WALLNER: Further question? Yes, Senator Sanborn.

SEN. SANBORN: Madam Chair, thank you. Gentlemen, thank you for coming in today. Help me understand on Page 2, second paragraph down, you start talking about there was an anticipation of 100% match but it turned out to be 75% match. There's a reference to some changes that the Senate Finance Committee made. So I became a little confused as to what's really going on. Did we essentially say that we'd be at 100% match but we are only going to be at 75% match which is why we are back here in Fiscal today? In laymen terms, what's really going on?

MR. MOSHER: Two things. One is during budget discussions the -- in the prior biennium, the State kept 25% of the ProShare payments, the Federal ProShare. And then during the current budget discussions, I'm talking about -- excuse me -- '14 and '15, the House included the 75% but then the Senate restored it. And when that was done sometimes it's easy to forget to make the ProShare -- correction to ProShare. So that's one issue. But the other issue is generally every year we come to Fiscal -- well, I won't say every year, but many years come to Fiscal to add money to the ProShare line because we're just estimating on what the gap between Medicare and Medicaid is going to be. There are no General Funds involved, But we can't make payments to nursing homes unless we have the appropriation to do it and that's essentially what we're doing here.

SEN. SANBORN: Thank you, sir. Thank you, Madam Chair.

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CHAIRWOMAN WALLNER: Further questions?

** REP. EATON: Move approval.

CHAIRWOMAN WALLNER: Representative Eaton moves approval.

SEN. D'ALLESANDRO: Second.

CHAIRWOMAN WALLNER: And Senator D'Allesandro seconds. Any further discussion of the item? All in favor? Any opposed? Item 088 passes.

*** {**MOTION ADOPTED**}

MR. TOUMPAS: Madam Chair.

CHAIRWOMAN WALLNER: Yes.

MR. TOUMPAS: If I may, could I just make a quick announcement?

CHAIRWOMAN WALLNER: I'm sorry.

MR. TOUMPAS: Steve Mosher, who has been the Department's Chief Financial Officer for a number of years, has been a trusted and integral part of my management team at the Department, a man of the utmost integrity, work ethic, and so forth, and recently he indicated to me that he was going to retire, and he has -- he has done so. He has agreed to work a couple days a week for the Department, continuing the work that I know he loves, the people that he loves to work with.

He has been an extraordinary force within the Department. I simply, as the Department's Commissioner, could not do that which is expected of me and the Department without having a solid team and this

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gentleman here is -- is the best. And so he has built a remarkable team. He's a great team player. He's a great team builder. And to that end, the individual that will replace Steve comes within the Department, Sheri Rockburn, who has accepted the position of the Department's Chief Financial Officer. She's already in that role. But I asked Steve to come with me today so he didn't know I was going to do this. So -- but he is -- he's a remarkable man, and I want to publicly acknowledge the great work that he has done for the Department and for the State.

CHAIRWOMAN WALLNER: Thank you, Mr. Mosher. I can't tell you how much I know that we are going to miss you here at the Legislature, but I'm hoping that the Commissioner is -- those two days a week that you're working, I hope they're all going to be right here in this room. You've done a great job. I know that Division III of House Finance has always depended on you for a lot of information, and you're always great about getting it to us in a timely manner. And we always could trust the information you gave us. So thank you very much and congratulations on retirement.

MR. MOSHER: Thank you.

SEN. D'ALLESANDRO: Madam Chair.

CHAIRWOMAN WALLNER: Yes, Senator D'Allesandro.

SEN. D'ALLESANDRO: Steve, obviously, we are very sorry to see you leave. You've done an outstanding job in Finance. I might say that Steve "trick or treats" in my neighborhood and I hope I'll see you on Halloween with your grandchildren. Steve's sort of a family member in that his child married my cousin -- my wife's cousin's child. I'll miss you here, Steve, but I'll catch you on Halloween. Thanks for all of your service. You worked hard. You do a great job. Keep the dream alive and well. Thank you.

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MR. MOSHER: Thank you very much.

(Applause.)

CHAIRWOMAN WALLNER: Thank you. And he will be missed.

Now, I'd like to move on to Item 14-103, Department of Transportation.

SEN. SANBORN: Madam Chair, I apologize. I jumped the gun. 103 and 104 I did not mean to take off. You want to vote those two, then we'll take off 105. My apologies.

CHAIRWOMAN WALLNER: 103, I guess.

REP. EATON: We didn't do 102.

CHAIRWOMAN WALLNER: That was on consent. Let's do 103.

** REP. ROSENWALD: Move approval of 103 and 104.

CHAIRWOMAN WALLNER: Representative Rosenwald moves approval 103 and 104.

REP. EATON: Second.

CHAIRWOMAN WALLNER: And Representative Eaton seconds. Any discussion of either of those items? All in favor? Any opposed? Items pass.

*** {MOTION ADOPTED}

CHAIRWOMAN WALLNER: Now let's move to 105. I think Senator Sanborn has a question, and it's Department of Transportation.

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PATRICK MCKENNA, Deputy Commissioner, Department of Transportation: Good morning. For the record, Patrick McKenna, Deputy Commissioner of DOT and with me is our newly confirmed Director of Finance, Maureen Mullen.

CHAIRWOMAN WALLNER: Yes, Senator Sanborn.

SEN. SANBORN: Thanks so much for coming in. I appreciate it. Congratulations on your new job.

MAUREEN MULLEN, Director of Finance, Department of Transportation: Thank you.

SEN. SANBORN: You know, I always thought in budgeting, both in the businesses I run, as well as even harkening back to days with John Sununu when he was Governor that we should always be very cautious about selling capital items, getting one-time money, and spend it on ongoing operational concerns. And it would appear to me that this item does specifically that. That we are selling assets to pay operational expenses. That concerns me. So I guess part of my question would be is how often are we doing this? How much more land do we have for sale? Is this an ordinary operating action of DOT?

MR. MCKENNA: Thank you for the question, Senator Sanborn. To address the first item in terms of using what had been previously budgeted as capital, namely within the Consolidated Federal Account and using for operating expenses, in fact, this account actually funds our primary capital program for the State. So, primarily, construction activities and our project work, such as work on I-93 and other of the Federal projects. So this is where we budget for our Federal Capital Program, and where we spend money for the Federal Capital Program.

Specifically, with these land sales, we worked a couple years ago with Federal Highway. When we do go

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through and have land sales on surplus lands, we went through a review with Federal Highway in 2012 and had determined that there's a Title 23 legacy to any land sales that were purchased with Federal funds in the past. So working with them, any further -- when we do have a land sale and we do have to go before Long Range Capital Committee to have those approved, so there is a legislative approval for any -- for any land sale, that money is to be used on federally-eligible project work. So we're using the source of funds was Federal for capital and the use of those funds, and this actually recognizes revenue from Fiscal Year 2012.

We set up -- at that time, we set up a revenue account to separately account for all of these sales. And once we came to a point where we felt that there was significant money in there, we came -- we are coming before you for approval to accept and expend. These monies will be used on federally- eligible construction projects.

SEN. SANBORN: Okay. Thank you, sir. Appreciate it. Thank you, ma'am.

CHAIRWOMAN WALLNER: Thank you. Any further questions? Seeing none.

** REP. EATON: Move approval.

CHAIRWOMAN WALLNER: Representative Eaton moves approval.

SEN. D'ALLESANDRO: Second.

CHAIRWOMAN WALLNER: Senator D'Allesandro seconds. Any discussion? All in favor? Any opposed? Motion passes.

*** {MOTION ADOPTED}

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(6) RSA 14:30-a, VI Fiscal Committee Approval
Required for Acceptance and Expenditure of
Funds Over \$100,000 from any Non-State Source
And RSA 124:15 Positions Restricted

CHAIRWOMAN WALLNER: Thank you. Moving on to Tab 6. This is a Department of Safety item. Do I have a motion?

** REP. EATON: Move approval.

CHAIRWOMAN WALLNER: Representative Eaton moves approval. I need a second.

SEN. FORRESTER: Second.

REP. ROSENWALD: Second.

CHAIRWOMAN WALLNER: Senator Forrester seconds. Any discussion of this item? Seeing none. All in favor? Any opposed? Item passes.

*** {MOTION ADOPTED}

(7) RSA 124:15 Positions Restricted

CHAIRWOMAN WALLNER: Tab 7 which is Department of Administrative Services. This is Item 097.

** REP. LEISHMAN: Move approval.

REP. EATON: Second.

CHAIRWOMAN WALLNER: I believe Senator Sanborn does have a question on this one. Could we have someone from Administrative Services join us? Thank you.

LINDA HODGDON, Commissioner, Department of Administrative Services: Good morning. For the record, my name is Linda Hodgdon, Commissioner of

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Administrative Services; and joining me is Kim France, who is our Deputy Director of Personnel.

CHAIRWOMAN WALLNER: Thank you. Senator Sanborn.

SEN. SANBORN: Thank you, Madam Chair. Ladies, thank you for coming in. I appreciate it. I'm looking for some clarification because I thought we had an Executive Order that talked about no travel and no hiring of new employees. But two weeks later we're sitting here looking to hire some employees. I'm just trying to understand what might be happening.

MS. HODGDON: Good morning. Thank you for the question. And yes, there is a freeze in place on generally funded positions. Liquor is not generally funded, and this process has been in place for a couple of months. So we've been having an ongoing dialogue with Liquor based on the need that they have to fill positions in their stores.

There will be a blanket waiver for Liquor for those positions that they need to run their stores, because we don't want to interrupt that revenue flow. So the higher level positions will certainly still be going through the freeze. But those that are required for store operations we don't want to slow down.

There is a unique level of effort for the Liquor positions in the Division of Personnel, and I'm going to let Kim talk about that because they have a lot of part-time positions. I do want to mention we have a new HR payroll system. It is electronic so that means everything needs to be put in the system electronically. So we had a paper-based system before. So there's a great deal of work as we go to move every position has to be touched at least once to get it into system. So with that, I'll turn it over to Kim.

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KIMBERLY FRANCE, Deputy Director of Personnel, Department of Administrative Services: Thank you, Commissioner. As the Commissioner indicated, Liquor represents revenue for the State of New Hampshire so it's a retail industry. One sees a number of positions, particularly during seasons, seasonal employment. That represents many part-time temporary positions. And as part of our human resource and payroll system, as we go from paper to electronic, that requires significant manual entry. So by way of statistics, in the past year, actually less than a year, since February of 2013, the Division of Personnel has established just under 300 new positions for the Liquor Commission, part-time temporary, given the nature of its business, retail. That represents 43% of those positions that the Division of Personnel had to create in its system. And it requires at least one manual entry per position. I will tell you it's actually more than that because the system is set up in such a way that we have what's called the position side, and then there's what we call the employee side. So we have to establish an actual position in which a human being, an employee, goes. And then once that employee is hired, we then have the employee aspect of it, in which we then establish that individual as being an employee of the State of New Hampshire. In this case it would be for the Liquor Commission.

We under the employee side processed just shy of 1300 employee transactions in the past year for the Liquor Commission alone. Again, that represents a minimum of one touch, if you will, per transaction. I will tell you it's actually more than that. It's things such as, oh, was the I-9 attached to that? Did we have all the information we needed by way of laws and regulations? So it's significant effort to ensure that we are on-boarding, if you will, the employee, and well within the laws, the rules, and certainly well within the guidelines set forth by the Federal Fair Labor Standards Act.

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CHAIRWOMAN WALLNER: Thank you. Further question?

SEN. SANBORN: Thank you, ladies.

MS. HODGDON: Just -- if I could just follow up. I didn't want to mislead you. The Liquor Commission will be part of the Executive tree even though they're not general funded; but we are going to blanket waiver on the store operations piece just so we are not slowing that down.

SEN. SANBORN: Thank you, ma'am. Thank you, Madam Chair.

CHAIRWOMAN WALLNER: Thank you. Further question?

** REP. EATON: Move approval.

CHAIRWOMAN WALLNER: I do have a motion from Representative Leishman, seconded by Representative Eaton. Any discussion? All in favor? Any opposed? Item passes.

*** {MOTION ADOPTED}

CHAIRWOMAN WALLNER: Thank you. Thank you for coming.

MS. HODGDON: Thank you.

(8) RSA 206:33-b, Transfers from Fish and Game Fund:

CHAIRWOMAN WALLNER: And next we have an item from Fish and Game. I think you'll find in your packet that there's also a late item. What I'd like to do is take them both up at this time. So there's a late item from Fish and Game. That's an additional adjustment of \$20,000.

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****** REP. EATON: Move approval on number 8.

CHAIRWOMAN WALLNER: Representative Eaton moves approval on Tab 8. Are you including the late item? Are you doing both at the same time?

REP. EATON: Yes.

CHAIRWOMAN WALLNER: Okay. Does that -- is that okay? We'll do them both at the same time. So this is Item 083 and Item 114, which is the late item. Representative Eaton moves. Do I have a second?

REP. ROSENWALD: Second.

CHAIRWOMAN WALLNER: Representative Rosenwald seconds. Any discussion? All in favor? Any opposed? Item passes.

******* {MOTION ADOPTED}

(9) RSA 216-A:3-g, Fees for Park System

CHAIRWOMAN WALLNER: Let's go now to Tab 9, which is fees for the park system. And do I have a motion?

****** SEN. D'ALLESANDRO: Move the item.

SEN. SANBORN: I have a question.

CHAIRWOMAN WALLNER: Senator Sanborn has a question. Sorry, Senator. Could we have someone from Department of Resources and Economic Development come up? Thank you.

JEFFREY ROSE, Commissioner, Department of Resources and Economic Development: Good morning, Madam Chair, and Members of the Committee. My name is Jeff Rose, and I serve as the Commissioner of the Department of

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Resources and Economic Development. And with me today I have John DeVivo who is the General Manager of Franconia Notch State Park and Cannon Mountain.

CHAIRWOMAN WALLNER: Great. Thank you. Senator Sanborn.

SEN. SANBORN: Thank you, Madam Chair. Gentlemen. Mr. Rose, congratulations having a great year up there. The skiing was awesome as always.

My question on your packet and it is very well done and I appreciate it. As a business owner, we all, obviously, talk about discounts and that marketing side we use to get more business and, obviously, you guys are doing it. Being in the business for 25 years I appreciate it when I was able to and I understand it. But my concern is, is there a way that you could send to -- I'm not asking to table or anything -- way to send some sort of an analysis of 24, 25 different levels of discount that you provide top to bottom; ski tickets, food, rentals? What kind of money did it really add up to, I guess, is my first question? How much are we giving off on the top line of the revenue side? I don't know if you have it or not. If you don't, happy to get it off line. Just so I understand, how much discounting are we really doing and what's the aggregate amount? Do you think that the juice is worth the squeeze, I guess, is where I come from?

JOHN DEVIVO, General Manger, Franconia Notch State Park and Cannon Mountain, Department of Resources and Economic Development: I did -- Jeff Pattison had mentioned that. And in doing some quick math, the primary stuff on here came out to about 400,000, but I can do top to bottom.

SEN. SANBORN: Our total revenue at Cannon was what last year?

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MR. DEVIVO: About seven and a half.

SEN. SANBORN: 7.5. I apologize, Madam Chair. So our gross revenue 7.5 and we had discounts of about 400,000 through all of these various programs.

MR. DEVIVO: That's the stuff just on this package.

SEN. SANBORN: Okay.

CHAIRWOMAN WALLNER: Thank you.

SEN. SANBORN: Thank you, sir. Thank you, Madam Chair.

** REP. EATON: Move approval.

CHAIRWOMAN WALLNER: Representative Eaton moves approval.

SEN. D'ALLESANDRO: Second.

CHAIRWOMAN WALLNER: And Senator D'Allesandro seconds. Any further discussion of the item? All in favor? Any opposed? Item passes.

*** {MOTION ADOPTED}

CHAIRWOMAN WALLNER: Thank you very much.

MR. ROSE: Thank you.

(10) **Senate Bill 222, Section 74, Adjutant General's Department; Transfers Authorized:**

CHAIRWOMAN WALLNER: Now moving to Tab 10, and this is Item 085, the Adjutant General Department.

** REP. LEISHMAN: Move approval subject to the Governor's signature of 222, Senate Bill 222.

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REP. EATON: Second.

CHAIRWOMAN WALLNER: Representative Leishman moves approval, Representative Eaton seconds. Any discussion? All in favor? Any opposed? The item passes.

*** {**MOTION ADOPTED**}

(11) Chapter 3:7, II, Laws of 2014, Department of Health and Human Services; Contracting; Transfer Among Accounts:

CHAIRWOMAN WALLNER: Moving on to Tab 11. Anyone have any questions about Tab 11?

SEN. SANBORN: Yes, ma'am. Senator Morse.

CHAIRWOMAN WALLNER: Could we have someone from the Department come up and join us? Thank you.

MR. TOUMPAS: Good morning again.

CHAIRWOMAN WALLNER: Senator Morse.

SEN. MORSE: Commissioner, can you just explain how these MCO payments, is there going to be another truing up of these MCO payments at the end of the year? Your documents are showing, I think, at the end of April we had 9,000 in clients. I think we are up to 11,000. Is this truing everything up right now or --

MR. MOSHER: This is truing -- the payments up as best we know them. Our last payment of this Fiscal Year to the Managed Care Organizations is the end of June for services rendered the month of March. So this will give us the appropriation we need to make those payments. Actually, what you're referring to is truing up is really done during the year-end audit process. Because the amount of appropriation is one-half of the

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equation. The other half of the equation is what our accounts payable look like. Some -- the payments in June are only for March. So we'll also have to make estimates for April, May and June, which is the three more quarters' worth of payments.

SEN. MORSE: Further.

CHAIRWOMAN WALLNER: Yes.

SEN. MORSE: And I guess that's what I'm trying to understand. This said it went, if you read the document, the way it speaks, it says it does it through the end of June for the year. That's really not what's happening. We still have to account for all these new clients that have come in with the MCOs in April, May, and June.

MR. MOSHER: Right. That reference is only to the cash flow. It's not referencing the accrual expenditures.

SEN. MORSE: Expenses.

MR. MOSHER: We still have to true up the last three months of accrued expenditures.

CHAIRWOMAN WALLNER: Yes, Senator Morse.

SEN. MORSE: And --

MR. MOSHER: 'Cause there is a three-month payment lag.

SEN. MORSE: Okay. I understand all that. And you've been very forthcoming with all the numbers on that. Has anything changed where it's gone over a million dollars extra a month?

MR. TOUMPAS: For?

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SEN. MORSE: For April, May, and June.

MR. TOUMPAS: The State Fiscal Year 15 right now is showing roughly a million dollars a month in General Funds for these additional roughly 11,000 that have come in. The -- it's not reported on here but the -- the data that I got for the end of May is that that number is -- the number's leveled off, which is what we expected it to do. So it's leveled off. I don't expect it is going to go up above that. But that's the figure that I believe you and I had spoken about that it was going to be roughly between 900 to a million dollars based on -- based on the number of people and the eligibility categories that -- that -- these are not the newly eligible. These are the ones that as a result of the change in eligibility determination method, the MAGI, that's where the additional numbers came from.

SEN. MORSE: Okay. Further?

CHAIRWOMAN WALLNER: Yes, Senator.

SEN. MORSE: Steve, thanks for everything. You've been great. You know, you filled big shoes with Fredyma leaving and their filling your shoes is going to be a challenge.

MR. MOSHER: We have very good people in the Department.

SEN. MORSE: I appreciate everything you've done.

MR. MOSHER: Thank you.

CHAIRWOMAN WALLNER: Thank you. Yes, Senator D'Allesandro.

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SEN. D'ALLESANDRO: Thank you, Madam Chair. Again, Steve, thank you for all of your work. Commissioner, thank you. But what about the third player that's leaving the game? How we going to account for that at this point? And when do they separate? And who takes -- who takes the bulk of their business and where does their business go?

MR. TOUMPAS: I was prepared to discuss that in a little bit more detail when we get to the Dash Board. So if you'd like me -- I can answer it right now quickly or when we get to the Dash Board because there's a number of other things I wanted to go through in that update.

CHAIRWOMAN WALLNER: Okay. Let's hold it for the Dash Board.

SEN. D'ALLESANDRO: Okay. Thank you.

CHAIRWOMAN WALLNER: Okay. Thank you. So I need a motion on this item.

** SEN. D'ALLESANDRO: So move.

CHAIRWOMAN WALLNER: Senator D'Allesandro moves and Representative Eaton seconds. Oh, Morse seconds. Any discussion? All in favor? Any opposed? Item passes.

*** {MOTION ADOPTED}

(12) Chapter 3:7, II, Laws of 2014, Department of Health and Human Services; Contracting; Transfer Among Accounts, and RSA 14:30-a, VI Fiscal Committee Approval Required for Acceptance and Expenditure of Funds Over \$100,000 from any Non-State Source:

CHAIRWOMAN WALLNER: Okay. Tab 12. These are all Health and Human Service items. Do we have questions of

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the Department on these items, Item 110, 111, and 112? Okay. Seeing no questions.

** REP. EATON: Move approval on all.

CHAIRWOMAN WALLNER: Seeing no questions, I will take Item 110. Representative Eaton moves approval, Senator D'Allesandro seconds. Any discussion? All in favor? Thank you.

*** {MOTION ADOPTED}

** REP. EATON: Move approval of 111.

CHAIRWOMAN WALLNER: Representative Eaton moves approval of 111.

SEN. FORRESTER: Second.

CHAIRWOMAN WALLNER: Representative Forrester -- Senator Forrester seconds. Any discussion of this item? All in favor? Any opposed?

*** {MOTION ADOPTED}

** REP. EATON: Move approval 112.

CHAIRWOMAN WALLNER: Representative Eaton moves approval of 112.

SEN. FORRESTER: Second.

CHAIRWOMAN WALLNER: And Senator Forrester seconds. Any discussion of this item? Seeing no discussion. All in favor? Any opposed? Item passes.

*** {MOTION ADOPTED}

(13) Chapter 143:4, Laws of 2013, Lottery Commission, Authority Granted:

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** REP. EATON: Move approval of 082.

CHAIRWOMAN WALLNER: Moving now to Tab 13, Item 082. This is the Lottery Commission. Representative Eaton moves approval.

REP. ROSENWALD: Second.

CHAIRWOMAN WALLNER: And Representative Rosenwald seconds. Any discussion of this item? Seeing no discussion. All in favor? Any opposed? Item passes.

*** {MOTION ADOPTED}

(14) Chapter 144:31, Laws of 2013, Department of Administrative Services; Transfer Among Accounts and Classes:

CHAIRWOMAN WALLNER: Next is four -- Item -- Tab 14. This is Item 090, Department of Administrative Services.

** REP. LEISHMAN: Move approval.

CHAIRWOMAN WALLNER: Representative Leishman moves approval.

REP. EATON: Second.

CHAIRWOMAN WALLNER: And Representative Eaton seconds. Any discussion? All in favor? Any opposed? Item passes.

*** {MOTION ADOPTED}

(15) Chapter 144:56, Laws of 2013, Department of Corrections; Transfers:

CHAIRWOMAN WALLNER: Moving on to Tab 15.

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** REP. LEISHMAN: Move approval.

CHAIRWOMAN WALLNER: Item 091. Representative Leishman moves approval.

REP. EATON: Second.

CHAIRWOMAN WALLNER: Representative Eaton seconds. Any discussion of this item? Seeing no discussion. All in favor? Any opposed? Item passes.

*** {MOTION ADOPTED}

CHAIRWOMAN WALLNER: Item 092. Also Department of Corrections item.

** REP. LEISHMAN: Move approval, Madam Chair.

REP. EATON: Second.

CHAIRWOMAN WALLNER: Representative Leishman moves approval. Representative Eaton seconds. Any discussion of this item? All in favor? Any opposed? Item passes.

*** {MOTION ADOPTED}

(16) Chapter 144:95, Laws of 2013, Department of Transportation; Transfer of Funds:

CHAIRWOMAN WALLNER: Tab 16. These are all Department of Transportation items.

** REP. EATON: Move approval of 093.

CHAIRWOMAN WALLNER: Representative Eaton moves approval of 093. Do I have a second?

SEN. D'ALLESANDRO: Second.

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REP. WEYLER: I have a question.

CHAIRWOMAN WALLNER: Oh, Representative -- Senator D'Allesandro seconds and Representative Weyler has a question. If someone from the Department could join us. Thank you.

MAUREEN MULLEN, Director of Finance, Department of Transportation: Good morning. Maureen Mullen from the Department of Transportation.

REP. WEYLER: Thank you, Mr. McKenna. I see on these items you have created non-budgeted lines. But as I look through the items, I'm not aware of and there's no way to indicate which are the newly-created lines. Can you in the future put an asterisk or something so that we are more aware of the newly created. It's either this item or the next. I had it on several of them here. I guess it's more appropriate to 098. But I think I have it on both 093 and 098. So just a request that you indicate. I don't believe you have in the spreadsheets indicated where the newly-created lines are.

MS. MULLEN: Yeah, we can address that going forward. Generally, it's in the grids that are in there. The budgeted column has a zero if there wasn't a budget in there.

REP. WEYLER: Okay.

MS. MULLEN: Then we in the requested appropriation is where we've indicated the new appropriation that we are transferring to.

REP. WEYLER: Thank you.

MS. MULLEN: We can put asterisks.

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REP. WEYLER: Thank you. That's all I had for that item. Thank you very much.

CHAIRWOMAN WALLNER: Thank you. Any further questions? Item 093, do I have a motion?

REP. WEYLER: You do.

CHAIRWOMAN WALLNER: Yes, Representative Eaton moved and Representative Leishman -- Senator D'Allesandro second. All in favor? Any opposed? Item passes.

***** {MOTION ADOPTED}**

****** REP. EATON: Move approval of 098.

REP. LEISHMAN: I do have a question.

CHAIRWOMAN WALLNER: Representative Leishman has a question on 098, also Department of Transportation. Thank you for staying.

REP. LEISHMAN: Deputy Commissioner, on Page 3 there's a line item called Land Interest. So I turned over, I was kind of curious what the land interest was. On Page 10 it's Class 401. I wasn't quite sure if the description answered my question. Could you tell us what this land interest is and how you can take \$50,000 of that and make it zero?

MR. MCKENNA: Yes. In the budget that's within our Environmental Bureau, we several times have different items that might come up throughout the year when we are looking at different projects for their operating costs. So the Environmental Bureau may have to actually do things to make ready for sale a piece of land, if we have got some type of mitigation or otherwise that needs to be done or if there needs to be a title cleared. Those are the types of expenses. So as we get close to the end of the Fiscal Year, we look at

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what has occurred in that line item. We determined that through the end of this Fiscal Year, actually, much of what we thought would come to fruition in that line item did not. So we actually transferred it out. Rather than -- rather than letting that particular item lapse and requesting needed funds from the Highway Fund Surplus, we tried to pull any available resources out and this is one of those line items.

REP. LEISHMAN: So if I could follow-up, Madam Chair?

CHAIRWOMAN WALLNER: Yes.

REP. LEISHMAN: So it's not this Department has looked at purchasing land and has set money aside for interest payments and some deal. It's totally non-descriptive of, say, land interest; is that correct?

MR. MCKENNA: Kind of a traditional title for the class line. But we use -- we use that for the types of activities, such as filing deeds or that type of activity that has to go on. We do that both in the Environmental Bureau and the Right-of-Way Bureau as well.

REP. LEISHMAN: All right. Thanks, Madam Chair. Thank you.

CHAIRWOMAN WALLNER: Any further questions of the Department?

SEN. SANBORN: Still 098, correct?

CHAIRWOMAN WALLNER: Yes, on 098.

REP. WEYLER: Need a motion.

CHAIRWOMAN WALLNER: I need a motion on 098.

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** REP. EATON: You have it.

CHAIRWOMAN WALLNER: Representative Eaton moves. Is there a second?

SEN. D'ALLESANDRO: Second.

CHAIRWOMAN WALLNER: Senator D'Allesandro seconds. Any further discussion? Seeing none. All in favor? Any opposed? Motion passes.

*** {MOTION ADOPTED}

** REP. EATON: Move approval on 106.

CHAIRWOMAN WALLNER: Now 106. Did you have a question on 106?

SEN. SANBORN: I do.

CHAIRWOMAN WALLNER: You do. Thank you. Senator Sanborn.

SEN. SANBORN: Thank you, Madam Chair. Ladies and Gentlemen, thanks so much for coming back up again. On Page 3 we talk about the fact you're about to spend \$100,000 to buy a private entity more buses and moving \$300,000 around to help with their operating expenses. You would expect someone like me to always be cautious when the State of New Hampshire is funding private organizations to operate. Why are we buying someone else buses to use in private business?

MR. MCKENNA: Thank you for the question, Senator Sanborn. These are actually State of New Hampshire-owned assets. So we own these buses. And we have an operating agreement with a private contractor to actually run the service for the State. So the private contractor responded to a bid that the State

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put out to run this service. So there are -- there are operating arrangements and there is a degree of operating support that comes in from the State's budget in order to -- in order to run this service. But that's essentially the way it's contracted. The State does own the capital equipment for this and then the operator has responded to a request to run the service. They gave us a better price because they don't have the capital costs associated with owning the buses themselves. So the State does retain title to the buses.

SEN. SANBORN: Follow-up, if I may?

CHAIRWOMAN WALLNER: Yes.

SEN. SANBORN: Thank you, ma'am. So how many buses -- either how many buses do we own or how much money do we have tied up in capital purchases for buses, and what's the size of the contract? How does it work?

MR. MCKENNA: I'll have to -- I'll have to get you the information specifically on the total number. I believe we are in the -- it's just over 30, I believe, so in terms of the buses. So we could get that for you. I don't have that off the top of my head today. But the -- we've entered into several arrangements on a multi-year basis with this contractor. And much of the -- much of the work that we do here we have access to Federal funds through CMAQ. There was -- as we've expanded this service and created this service, it was one of the requirements for environmental permit for I-93 to take -- to reduce congestion. That was one of the primary elements here in the corridor itself. So this was a need for the State in order to widen 93, was to bring -- to bring essentially congestion down on the corridor at the same time that we were expanding. So we've got -- it's a mitigation requirement and that's one of the primary reasons the service was established.

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SEN. SANBORN: Final follow-up.

CHAIRWOMAN WALLNER: Yes.

SEN. SANBORN: So after 93 widening will we separate and no longer have to run with the bus service?

MR. MCKENNA: That remains to be seen. We've had, I think, a fairly successful run with this service. One of the more successful new start-ups in the country and has pretty significant ridership. And that's considered really a service for the folks that do -- that do ride on that. So I think -- I think there will be discussions about bringing that forward as we go into a new contract period. So that one we'll be looking forward to those discussions.

SEN. SANBORN: Thank you, sir. Thank you, Madam Chair.

CHAIRWOMAN WALLNER: Thank you. Representative Eaton moved. I did not have a second of this item.

REP. ROSENWALD: Second.

SEN. D'ALLESANDRO: Second.

CHAIRWOMAN WALLNER: Representative Rosenwald seconds. Any discussion -- further discussion of Item 106? Seeing none. All in favor? Any opposed? The item passes.

*** {MOTION ADOPTED}

(17) Chapter 144:97, Laws of 2013, Judicial Branch; Transfers:

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CHAIRWOMAN WALLNER: Thank you. Tab 17 is the Judicial Branch.

** REP. LEISHMAN: Move approval, Madam Chair.

REP. EATON: Second.

CHAIRWOMAN WALLNER: Representative Leishman moves approval. Representative Eaton seconds. Discussion of this item? Seeing no discussion. All in favor? Any opposed? Item passes.

*** {MOTION ADOPTED}

(18) Miscellaneous:

CHAIRWOMAN WALLNER: Now we go into Miscellaneous. I'm going to ask Mr. Pattison to come up and join us.

JEFFRY PATTISON, Legislative Budget Assistant, Office of Legislative Budget Assistant: Good morning, Madam Chairman, and Members of the Committee. The way our administrative procedures are set up, I am coming to you this morning to request the authority to fill two vacancies in my office. I have one audit manager position that is vacant. Monica Mezzapelle left and went on to join the Treasury as the Deputy Treasurer and her last day was on the 29th. And I have received a letter from Dick Mahoney. And for all of you who know Dick from his work here in LPAOC, Dick has decided that he is going to retire and will retire in the middle of July. I'm coming to you today to have the authority to move forward in finding a replacement for Dick.

CHAIRWOMAN WALLNER: Thank you.

** REP. EATON: So move.

CHAIRWOMAN WALLNER: Representative Eaton moves approval.

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SEN. D'ALLESANDRO: Second.

CHAIRWOMAN WALLNER: Senator D'Allesandro seconds. Yes, Senator Morse.

SEN. PRESIDENT MORSE: Well, I know you're not going to bring Dick up here; but, I mean, it's half the audience is retiring. I would hope he's coming back to help.

MR. MEYERS: Dick will be up here soon enough. He has three audits to present to you today. So you can have him at that time.

CHAIRWOMAN WALLNER: Thank you. Any discussion of this item? All in favor? Any opposed? Thank you. Thank you, Mr. Pattison.

*** {MOTION ADOPTED}

(19) Informational Materials:

CHAIRWOMAN WALLNER: Now we have many items on Informational Materials and we know that the Department of Health and Human Services is here to speak to us about the Dashboard, which is Item 14-107. Are there other items that anyone needs further information about?

REP. LEISHMAN: Yes, 072, the Lottery Commission.

CHAIRWOMAN WALLNER: Okay. 072, Item 072, the Lottery Commission. Any other? So we don't need to approve of these. We just -- but if we want more information we need to invite someone to come up. So the Lottery Commission, is there someone here? Great. And Representative Leishman has some questions about this particular piece of information.

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CHARLES MCINTYRE, Executive Director, New Hampshire Lottery Commission: Yes. Good morning, Madam Chair, and Members of the Committee. Thank you.

REP. LEISHMAN: Thank you, Madam Chair. And, Charlie, I guess I was a little concerned when I saw your letter in that there's been a decrease of 1.1 million over the last -- comparing the quarter of -- the third quarter of '14 with '13. So I just wondered why, if you had any explanation? What kind of trends are going on out there, why we are seeing a decrease?

MR. MCINTYRE: Yes, Representative Leishman, thank you for the question. This is a sort of aberration quarter. Instant ticket sales for the year are actually up over last year. This previous quarter, the quarter in question, was bad weather. Now, Commissioner Rose might disagree but certainly every time it snows we lose sales. So significant weather, harsh weather, causes us to lose revenues. So -- and that was the same for most of my counterparts around New England. So, like I said, instant ticket sales are actually up. I expect nearly all of the reps this quarter to actually make bonus so we're doing well.

REP. LEISHMAN: Okay. Just one follow-up.

CHAIRWOMAN WALLNER: Yes, Representative Leishman.

REP. LEISHMAN: We heard testimony from you earlier this year, I think, in Finance about the impact of the casino over in Maine on the border towns of Conway, North Conway.

MR. MCINTYRE: Yes.

REP. LEISHMAN: Does that continue the decline in ticket sales along the border with Maine?

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MR. MCINTYRE: Certainly, it just reset that region to a lower level. So, for example, the rep in question, if you have the item in front of you, it be Rep 208, Diane Floyd. While her sales are down 3.5%, it's significant -- it's a little bit more than the rest of the region -- rest of the state. But the casino opened last year, up running full speed. I do know that the casino itself has increased its marketing efforts consistent with its new ownership, and they have done so into a larger region than just the Conway region.

REP. LEISHMAN: Thank you, Charlie. Thanks, Madam Chair.

MR. MCINTYRE: Thank you.

CHAIRWOMAN WALLNER: Thank you. Any further questions about the Lottery? Seeing none. Thank you very much. I appreciate you coming up.

MR. MCINTYRE: Thank you very much.

CHAIRWOMAN WALLNER: And we know that the Commissioner of Health and Human Services would like to come up and talk to us about the Dash Board. Thank you, Commissioner.

MR. TOUMPAS: Good morning again, Madam Chair. The -- there are a couple things that I'd like to point out on the Dashboard.

Number one is Senator Morse said a reference earlier that the caseloads for the Department through the end of April were up from the end of December until the end of April were up by 11,000, over 11,200; 11,252 to be specific. That is due almost entirely to the impact of the Modified Adjusted Gross Income or MAGI, way in which to be able to compute the eligibility. And, indeed, in our core traditional Medicaid Program, the caseloads have leveled off or even declined in

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certain of the -- of the area. So the increase is due almost entirely to the MAGI.

We -- because of the nature of the people who are impacted by the MAGI, which are basically children, parent caregivers, and pregnant women, all of those would be mandated to go into the Managed Care Program. So would then 60 days of their eligibility or sooner they would be into one of the Managed Care Programs.

Now, Senator D'Allesandro asked a little bit earlier about Meridian. We are in -- I'll get to that in a moment. But on the -- but right now we have almost 88% of our entire Medicaid population that is in the Managed Care Program. Many of those folks are mandated into the program, but we have a number of people who are optional and voluntary, and they are in the program right now. And, indeed, the number of people who are in the fee-for-service continues to decline as a percentage of the overall -- overall population which is, in my mind, a good thing because that makes the numbers that much more predictable for us.

The net effect of where we stand from a budget standpoint is, as you can see on the Dashboard, that we are still looking at roughly a \$13 million General Fund shortfall for State Fiscal Year 14. We will cover that, but it will have an impact on the lapse. I cannot tell you specifically how much of an impact it will have on the lapse, but clearly it will have that type of an impact.

We continue to scrub all parts of the Department looking for any areas that we can conserve spending as a way in which to basically minimize what the impact is going to be on the lapse. But, again, that's a pretty sizeable number in terms of the 13 million.

The real concern that I have is next year, State Fiscal Year 15, where we are looking at right now

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roughly a \$44 million General Fund projected shortfall. There's a number of things that could be done that we will look to offset that. Clearly, one of the things with the submittal of the 1115 Demonstration Waiver that we did on June 1st, where we submitted it to the Federal Government, that could have an impact.

Step 2 on the Managed Care Program, the Dashboard reflects the fact that we would not go at all with anything related to Step 2 in State Fiscal Year 15. We are working, however, on a phased implementation of Step 2. I cannot give you the details on that at this point, but that could serve as an offset to some of the -- some of the challenges that we see there. So the -- and then the other part that I do want to touch base on is on the Meridian Health Plan.

As you know, we have had three health plans in our Care Management Program. We had selected three because for a Medicaid Program having in a managed care environment you must provide clients with a choice. So we needed to have at least two plans. We deliberately went with three plans when we contemplated the program for just such an eventuality. Number one was part of it was competitive to create a more competitive environment for clients and give people more choice. But the other was as a way in which to basically deal with if one of them for whatever reason chose to exit the state.

On May 28th, I had conversation with the CEO of Meridian Health Plan and he verbally informed me that they wanted to exit the state. On the 30th of May, we sent a Notice of Termination letter, a 30-day Notice of Termination letter and then a press release was given out on June 3rd. We are -- we have a team in place at the Department. We have leads from each one of the Managed Care Organizations to try to effect an orderly transition for the roughly 30,000. So of the roughly 120,000 people that we have in the Care Management

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Program right now, 30,000 of those are with the Meridian Health Plan.

So we have client notifications going out that began on Friday and are going out today as well. So these are individual client notices that are going to each one of the members under Care Management Program but are within the Meridian Health Plan telling them what it is that they need to do in the short-term. They can continue to go to their provider. The provider will continue to be paid. We are also sending communication to each one of the providers so that they know that they can continue to provide services for the clients that are within their particular panels.

The notice that we'll be sending to the clients will indicate that they have until July 15th in order to self-select one of the other two plans, and then after that we will auto assign the others so that everything becomes effective on July 31st. That they will have moved to one of the other two plans. For any of the clients that do, whether they self-select or whether they get auto assigned into one of the other two plans, they always have 90 days after that in order to basically change their minds and move to one of the other -- one of the other plans. We are trying to make this as orderly and as seamless as we can. We believe that we're able to do that because we encourage all three plans to have a very broad network. So we don't believe that there are going to be a large number of circumstances where somebody is receiving services through a provider or series of providers in Meridian that are not in even New Hampshire Healthy Families or Well Sense. So we are working very closely with the plans. We have daily calls with each one of the plans in order to basically go through all the transition activities that we are involved with at this point.

So, with that, let me just stop there. Given you an awful lot of information in a quick period of time and

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see if there are any questions that the Committee does have.

CHAIRWOMAN WALLNER: Yes, Representative Rosenwald.

REP. ROSENWALD: Thank you, Madam Chair. The increase in the caseload that's due to the MAGI formula, is the Department looking to see if any of those clients and their families are eligible for the employer-sponsored insurance program?

MR. TOUMPAS: Once -- when people then come around to get re-authorized, we are going through that level of detail right now to see. It's quite possible that a number of those people do. That they would be working and so we would be working through whatever the methodology that we would go through in order to when they come in for a redetermination or if there's any change that we will run them through the HIPP algorithm and see if they pass that cost-effectiveness test.

REP. ROSENWALD: Follow-up.

CHAIRWOMAN WALLNER: Yes.

REP. ROSENWALD: Does that mean that you wouldn't relook at them for six months?

MR. TOUMPAS: Well, right now many of these folks came on in January, January, February, March, so we are looking at a short period of time. We also need to go in for a number of these people because they self-attest to a -- to what their income and so forth is going to be and then we need to come back around to do the final eligibility determination where they have to provide the information to us.

REP. ROSENWALD: Thank you.

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CHAIRWOMAN WALLNER: Further questions for the Commissioner? Yes, Senator Sanborn.

SEN. SANBORN: Thank you, Madam Chair. Commissioner, thanks. Appreciate it, as always. You're so well-versed. I'm trying to find it here. I think on Page 3 of your Dashboard in this first paragraph.

MR. TOUMPAS: Page 3?

SEN. SANBORN: Actually, the report you forwarded us to -- doesn't say what it is. FIS number 107. The additional cost of the increased Medicaid caseloads for SFY 14 could be lower than projected if clients are in fee-for-service. We always talk about the fact that we think Managed Care is more cost effective than fee-for-service. But I just happened to see in here that other statement suggesting fee-for-service is more cost effective than putting people onto the Medicaid caseload system. If you don't have a ready answer for that, I'll be happy to talk to you about it off line, but it's on Page 3 of number 107 of the top paragraph. And it just struck me as contrary to what we typically talk about here.

MR. TOUMPAS: What that is referring to, Senator, is if somebody -- somebody is determined eligible under the MAGI calculation, and they have 60 days in which to enroll into one of the plans. So now they're in fee-for-service, but if they are not receiving any type of services, there's zero cost to the State.

SEN. SANBORN: Right.

MR. TOUMPAS: And many of these are, again, almost 70% of the new -- of this group are children or parent caregivers, and then a small number, less than 10%, are pregnant women. So for the most of them before they -- before they actually enroll into one of the plans, even though their entry for service and they're

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on the rolls, if they are not receiving any type of services that they're not going to any doctor and so forth, then there is no cost to the State. And so quite -- in that case the fee-for-service number will be lower than when they go into the -- into one of the Managed Care Plans, 'cause at that point we're paying a per member/per month whether they're utilizing the services or not.

SEN. SANBORN: Right. Follow-up, if I may, ma'am.

CHAIRWOMAN WALLNER: Yes.

SEN. SANBORN: Thank you. Commissioner, overall we are six months into the Managed Care Program. Meeting your expectations? Not? Meeting budget? Not? What do you see good, bad, as you look towards the future? Obviously, we are looking at '15 might be a difficult year for us, but can you give us a couple minutes of thoughts?

MR. TOUMPAS: A couple thoughts. One of the primary drivers for us to move into the Care Management Program was in the area of quality, quality in services and so forth. So we are collecting that data. And we have an external quality review organization. We'll probably get the first view of that data, probably in the July/August time frame. So we'll be able to see what it is that we have actually achieved. From the standpoint of getting more -- more people into the care management program, especially with this newer group of 11,000, I think that will have a very positive impact on the uncompensated care because now these people will be -- they will have primary care physicians. They will be in a -- our hope is to get them into a medical home so they will not be going into the E.R.

I know we have talked about that extensively here, but all the variables right now seem to suggest that it's -- again, are there operational issues? Yes. We

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know what those operational issues may largely revolve around the process for prior authorizations for services and for prescription drugs. We are working with the MCOs in order to try to streamline that and make that as uniform a process as we -- as we possibly can. We still have to -- as Steve had talked a little about earlier, we'll be getting some data and taking a look at, again, what we've paid for under the Care Management Program, and then what we would have spent under the fee-for-service to see if we are achieving the type of savings that we had projected that we would achieve largely, again, through better management and better coordination of care.

So overall, operational issues, again, it's a six -- we are six months into probably one of the most significant public policy changes that the State has done. I'm really quite proud of the Department's staff, the work that they have done working with the providers, working with the MCOs. But, again, this is -- we did this saying we wanted to do this over a five-year period and so far six months into it. I do believe we are headed in the right direction on it.

SEN. SANBORN: Congratulations. Thank you, sir.

MR. TOUMPAS: Congratulations go to the people sitting back in the Department and the providers and just a whole number of other people who have made this thing work.

CHAIRWOMAN WALLNER: Senator Forrester.

SEN. FORRESTER: Thank you for coming in, Commissioner. I'm curious as to what we have seen. Have we been on target relative to -- I've heard a couple different terms, welcome mat or woodwork, that population?

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MR. TOUMPAS: The woodwork, as we had called it, when we had contemplated it, I believe those numbers are right about where we thought, if not even lower. The MAGI calculation has the same effect as what woodwork would have meant. I acknowledge that. Again, that was whether we were going to go in to do an expanding the eligibility and doing the Medicaid expansion or not, we were going to see that impact. But the traditional -- those folks who, again, the way woodwork was defined prior to January of 2013, if they came in afterwards -- excuse me -- December of 2013. If they had come in prior we would have -- they would have been deemed eligible under the -- under the current program. We just don't see a whole lot of that. In fact, as I indicated earlier, the numbers of people in the traditional program have continued to go down slightly. They're not -- it's not a dramatic decrease, but it is also not a significant increase. The increase is entirely due to the MAGI, which suggests that the woodwork numbers are right in line with what we had projected them to be, if not even lower.

SEN. FORRESTER: So that, the MAGI, was the surprise we didn't anticipate.

MR. TOUMPAS: Well, the -- we knew -- we knew of the MAGI. Sounds like we are at Christmas here. But we knew that that was there. We had -- we had done the analysis. I think all states when they take a look at it, 'cause this is an issue that has been raised across -- across all states, that I think what we did was underestimated what the impact of it was really going to be. It was there. We knew it was going to be coming. Our Lewin Report had a percentage number, and we're within the percentage number that the Lewin Report. They said 6 to 10% of the population. So we are well within that number. But the number that they had used in terms of the number of people that we would see we're off quite a bit on that. But it was something that we expected. But the impact of it was something

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that I don't believe that we fully appreciated what the impact was going to be.

That being said, again, this is a population, again, they're kids and parent caregivers. They are the lowest cost of the populations that we serve. They're among the healthiest population. And if we do deal with them properly, again, we can have a much more positive impact in the overall program in the out years. But in the short term, it -- it does create a liability that we hadn't anticipated.

SEN. FORRESTER: Thank you.

CHAIRWOMAN WALLNER: Yes, Senator D'Allesandro.

SEN. D'ALLESANDRO: Thank you, Madam Chair. Nick, I appreciate all the good work done by the Department and I know the strength. I think all of us should be very, very observant of the last paragraph on Page 3. Again, I think the last sentence is very -- very important, and we all ought to absorb that as we move forward. It says this potential drain of experienced staff, combined with the organizational downsizing and transformation challenges, create risks to the Department's core competencies. That's pretty emphatic statement. I think we all ought to appreciate that in terms of we are asking a lot to be done. We are asking it to be done in a specific time frame. And if I look at these numbers, we are asking you to do more with less. And I think we all just ought to be fully cognizant of that fact as we move through this process so that no one is surprised. You've given us a statement. We have to digest that, and it's going to play a role as we move forward.

So I appreciate your candor. I think it's very, very important that everybody realizes what we are asking to be done, how we are asking it to be done, and

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the potential consequences of not having enough to do it. Thank you very much.

MR. TOUMPAS: I don't believe the Department of Health and Human Services is the only one dealing with that. I think every one of my counterparts in the back here are dealing with the same thing. It's just -- it is what the reality is and it's something that we have been working on. It doesn't -- again, we have to -- we have to put it down in front of us so that we know this is -- this is where we are in terms of the fewer positions, the vacant positions, and so forth. At the same time, we're looking at this as a way in which to rethink. 'Cause, again, there are limits in terms of doing more with less. But what we have to do is think how can we do things differently moving forward and that's as we look at the care management program as well as some things that, again, that will be done by others, that doesn't mean I got a whole number of people that I don't need. It just means I can redeploy some of those folks into some higher-value added type of activities within the Department.

SEN. D'ALLESANDRO: If I could just say, I think efficiency and effectiveness are a vital concern of all of us. That's what we want State Government to be. We want it to be efficient, and we want it to be effective. We also should be cognizant of the fact that there are certain things that we have asked you to do and you're doing it with less. And that's across State Government. So you're right in saying it's others. But, indeed, we should be aware of what we are asking. We all ought to be fully cognizant of this as we move forward. Government's always transitioning. We want it to be more efficient. We want it to be more effective. But there are certain perils that are associated with that.

MR. TOUMPAS: Again, one of the things that I know that you've heard from others in the past is that in

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addition to the populations that we are serving, we also have an older workforce. And as you can see, again, Senator Morse mentioned it earlier, but we have a number of people who are retiring and so forth. And there are others that doing more with less over a sustained period of time does create some stress and challenges that we're needing to deal with. And, again, that's where we need to rethink how we are going about doing some things, how we are structured in terms of doing the work. It's, again, it is a challenge, but it is something that we need to try to address because of the -- at least from the Department of Health and Human Services what our mission is and we need to stay focused on that.

SEN. D'ALLESANDRO: Thank you. Thank you, Madam Chair.

CHAIRWOMAN WALLNER: Thank you. I have a question about if you can go back to Meridian for just a minute.

MR. TOUMPAS: Sure.

CHAIRWOMAN WALLNER: When we have clients who chose Meridian because of a certain provider or a certain treatment they were getting that was only covered by Meridian, are we going to have clients that are now going to lose Meridian and not be able to obtain those same services?

MR. TOUMPAS: Well, the services that are being provided have to be provided under the plan. If there are -- there are services that are in the contract that the Managed Care Organizations and the providers they cannot say -- simply say, well, we are not going to provide that particular service to you. What we are -- two areas.

Number one, and I referenced it briefly earlier, is that we are looking at the clients that are in the

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Meridian plan and then what providers that they -- that family or that individual is using. And then doing a checkpoint and seeing if those providers, how they map up against the two other plans. My sense is that there are some differences but not an extensive difference because, again, we asked them to both -- all three of them to go with as broad a network as we possibly could.

The other area which I really didn't touch on all that much was in the area of a prior authorization. So if you are a client that is receiving services through one of the providers, and Meridian, and it required a prior authorization for that particular service, what we are doing is working with the other two MCOs to as much as possible for them to honor that prior authorization through this type of a transition period so that we minimize any type of disruption. This is already going to be challenging enough for the client as opposed to having -- now having to have them worry about do I need another prior authorization for this.

So those are some of the detailed type of things that we're working on right now in order to make the transition in a difficult environment as seamless as we possibly can. I'm very pleased that the cooperation/collaboration we are getting from Meridian, and I had the assurances of the CEO of the organization to say he wanted to make sure that this process be done with the highest degree of integrity and transparency as we possibly can. It's a difficult circumstance. There's no question. But so far, again, we are a week into it, and the -- all three MCOs have really stepped up and working very closely so that the Meridian people working very closely with our people providing the information, providing the data that they need to. We're in touch with, again, I talked about the providers. The providers will be paid for the services that are rendered through -- the period through the end of July. They have a year from the provision of the

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service to bill Meridian for those particular services, and Meridian is responsible for those payments.

CHAIRWOMAN WALLNER: Thank you very much. Appreciate that. Senator Sanborn.

SEN. SANBORN: Thank you, Madam Chair. Nick, when you talked about the MAGI, there's 11,000 people that are kind of unexpected to us, is that solely predicated on the change of qualification that there's no longer an asset test or is there something else in there? Find it kind of hard to believe 11,000 people would be --

MR. TOUMPAS: There are several factors. One was an asset test in terms of that. Number two, there was elimination of an income disregard. Number three, there was a change in the household composition. So under the old rules that the number of people living in the household were the number of people living in the household. This is the number of people that are being claimed on the tax form so there could be a difference. So the whole -- the whole thrust of the change to MAGI was, A, standardize it across the country. Because, again, it really was something that was an integral part of the Medicaid Expansion which, again, as we know that was mandatory prior to Supreme Court ruling. And with the millions of people that would be coming in on this, if each state needed to go through and make all sorts of changes to their system to deal with it, it would have been very, very challenging for people. But by streamlining it and so forth, they went from a culture -- we went from a culture essentially of having to say no, you're not eligible, to say now you are eligible. So it certainly did open up the doors and made it much easier, but it's a combination of variables. Not just the asset test, but also the income disregard, as well as the household size that really makes a difference.

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SEN. SANBORN: Thank you.

SEN. FORRESTER: Any other questions? Thank you, Commissioner.

Are there any other informational items that you have questions on? Hearing none, I'm going to move to the audits and ask Mr. Mahoney to come up to the table.

AUDITS:

RICHARD MAHONEY, Director, Audit Division, Office of Legislative Budget Assistant: Thank you, Madam Chair. Good morning to you and Members of the Committee. For the record, I'm Richard Mahoney, Director of Audits, for the Office of Legislative Budget Assistant. This morning I'll be joined by Vilay Sihabouth, who is the Senior Audit Manager responsible to conduct the audit at the Department of Resources and Economic Development. I believe we'll also be joined by Commissioner Jeffrey Rose from the Department, as well as Carmen Lorentz who is the Director of the Division of Economic Development.

VILAY SIHABOUTH, Senior Audit Manager, Audit Division, Office of Legislative Budget Assistant: Good morning, Madam Chair, Members of the Committee. My name is Vilay Sihabouth and this morning I'll be presenting the Division of Economic Development Performance Audit.

The purpose of our audit was to determine whether economic development programs were effective in promoting business growth and expansion, and attracting businesses to the state during Calendar Years 2013 and -- 2012 and 2013. Excuse me.

Our Executive Summary starts on Page 1. We found the Division of Economic Development did not have a system to evaluate the overall impact of its activities

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on job creation and the economy. The Division lacked a cohesive plan to ensure its -- the activities of its various programs supported its core mission resulting in programs that functioned independent of each other with limited coordination.

The lack of an overarching plan inhibited the Division from being able to establish performance measures -- a performance measurement system with goals, objectives, and measures. As a result, the Division could not measure its progress towards specific goals. Therefore, we were not able to determine whether its programs were effective in promoting business growth, supporting expansion, and attracting new businesses.

To further exacerbate the issue, we found data necessary for effective management were not readily available, were incomplete, inaccurate, or inconsistent, and did not allow management to track whether referrals between programs ended in successful results for the business.

Our Recommendation Summary starts on Page 3. Our report contains seven Observations with Recommendations, all of which the Division concurred or concurred in part. Our last three Observations may require legislative action.

Our background begins on Page 5.

The Division of Economic Development is responsible for planning, developing, and maintaining programs to assist in maintaining, expanding, and attracting business. The Division had 28 positions; but during the audit period some key positions, including the Director, were vacant. A new Director was appointed in January 2014. However, the position had been vacant since December 2008.

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The Division staff are primarily organized into six core functions with each providing assistance to businesses. Recruiting, retention and support, procurement and technical assistance, international trade, workforce opportunity, and Broadband. The Division also has a media director who helps promote the Division's activities.

The Division staff provide a number of valuable resources, including technical assistance, referrals, training and education, networking opportunities, and other services. The Division also administers the State's financial incentives and job training grant.

Table 2 on Page 8 summarizes the financial incentive programs available to New Hampshire businesses.

Our first section addressing economic development programming and program outcomes starts on Page 9. Statutes require the Director of Economic Development to integrate the Division's programs with written economic development program plan and evaluate their effectiveness. We found the Division did not have an overarching plan to guide its activities towards the mission of maintaining and expanding industry and business in the state.

The lack of a cohesive plan hindered Division programs from functioning with a clear vision of how their activities link to the overall mission and goals. While staff in each program document interactions with businesses, the information is not able to be shared electronically inhibiting effective coordination. For example, all Division programs may be working with a particular company with limited coordination and awareness.

Our first Observation starting on Page 11 discusses the need to develop a comprehensive economic

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development program plan to guide the Division's programs and ensure activities are coordinated to support their overall mission.

Our next Observation on Page 15 discusses the need to implement a system to evaluate Division activities. While we found some Division programs report on their successful activities, five of six programs areas did not have goals or corresponding benchmarks to measure progress over time.

Observation 3 on Page 18 addresses the need to improve data collection, facilitate communication, and support a measurement system. We found the Division used three unconnected data systems to track its activities. This inhibited management from fully tracking a business's interaction with different programs. For instance, the system prevented analysis of how many businesses referred from one program within the Division actually received the referred services. Additionally, we found data necessary for management to track the effectiveness of the Division's activities were sometimes incomplete and inaccurate.

Observation 4 on Page 20 discusses the need to strengthen information technology controls and develop an IT plan. We found the Division's multiple systems to track activities created silos and limited data sharing between some programs. Controls, including policies and procedures regarding system modification and adding and deleting users also did not exist.

Our next section on the effectiveness of economic development programs starts on Page 23.

The State offers tax credits, three tax credits and one grant program to businesses totaling approximately \$4 million annually. New Hampshire's financial incentive programs are small compared to

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surrounding states, which can offer hundreds of millions of dollars.

Observation 5 on Page 25 discusses the need to improve management of tax credit programs. We found deficiencies in the administration of tax credits, including lack of supporting -- lack of supervisory review and lack of policies, procedures, and administrative rules governing the awards process. These deficiencies resulted in tax credits being awarded without adequate supporting documentation, credits awarded for ineligible positions, and basic calculation errors. Table 3 on Page 25 summarizes the values of these errors.

Observation 20 -- Observation 6, excuse me, on Page 29 addresses the need to evaluate the effectiveness of tax credit programs on job creation and the economy. Statutes require the division director evaluate the effectiveness of promotional and assistance programs. The Division has not evaluated whether the tax credits encouraged businesses to locate in a particular area, encouraged businesses to create jobs they otherwise would not have, or simply defrayed the cost of doing business.

Our last Observation on Page 31 addresses the need to improve administration over the job training grant. Statutes require the Department evaluate the performance of each training grant it provides to businesses. We found the Office of Workforce Opportunity did not evaluate data to ensure funds were serving the intent of the program, and information needed to conduct an evaluation were inconsistent, incomplete, or not provided by the grantees at all.

We also found issues with some processes used by the Committee established to award these grants, including recommending grants without a quorum present, and not recommending applicants who met the criteria

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for receiving a grant without apparent authority. We also found the grant could be better targeted to attract new applicants and target small businesses.

On Page 35 we address other issues and concerns, including evaluating whether unspent funding available for economic development projects can be used to benefit the State -- the State's economy, working with the Broadband mapping and planning project to ensure consistent recording, and reviewing the informal policy to allow private businesses to be featured on the Division's website.

The remainder of this report contains our appendices, including our objectives, scope and methodology, the results of our surveys, including the New Hampshire Business Survey, chambers of commerce, economic development professionals, the economic revitalization and tax credit recipients, Coos County Job Creation tax credit recipients, and the Job Training Grant to applicants. Also included is our status of prior audit findings.

That concludes my presentation. I would like to thank the Department and its staff for all the cooperation we received during the audit. We'd be happy to answer any questions you have.

SENATOR FORRESTER: Questions. Representative Leishman.

REP. LEISHMAN: Thanks, Madam Chair. Thanks for your presentation. I guess a question for the Commissioner, if I could? On Page 32, when you touched on it, the issue of a quorum not being present and then members of the Selection Committee that were, in fact, present weren't scoring the people to the minimum required by Administrative rules, I just -- I'm a little concerned that that has gone on. I know you're a

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new Commissioner. Is this something that you were aware of?

MR. ROSE: Thank you, Representative. For the record, my name is Jeff Rose, have the pleasure of serving the State as the Commissioner of Department of Resources and Economic Development. And I'd just like to make one brief comment before answering your question, Representative, and that's to thank the LBA staff for their time and their constructive analysis and providing some backdrop in this helpful document which will be very helpful to me as a relatively new Commissioner and certainly with a new economic development director. I think there's some information in here that we'll be able to take and bring back to our agency, our division, while we work to continue to try to do the best we can and find ways to make improvements. So I'd like to thank Dick publicly for his work and the work of his staff, and thank Vilay for her efforts in providing this helpful information.

With regard to your specific, yes, I am. We have had some conversations. We are in the process of actually trying to revamp and restructure that and reconsider how we have that Committee in place. They do make recommendations to me then as the Commissioner that I have to sign off on a monthly basis. I do sit down with the staff and look through all of those applications and evaluate and look at their scores, which are recommendations to me that I have to act upon. I, again, I think there's ways we can do things better and I look forward to doing so.

REP. LEISHMAN: Follow-up.

SEN. FORRESTER: Yes.

REP. LEISHMAN: Thanks. So when a quorum has not been present and recommendations made, have you acted favorably on that recommendation knowing a quorum

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wasn't? And maybe they're having quorums when you've been acting as Commissioner.

MR. ROSE: If you don't mind, I have to look to ensure. I can't think of an example, at least during my tenure, where there hasn't been a quorum present. That doesn't mean that hasn't happened; but it's not something that I distinctively remember at this moment in time. But I'd be happy to go and look at that. But I know they are trying to make -- we are making adjustments to how we move forward with that process.

REP. LEISHMAN: Just one further follow-up.

SEN. FORRESTER: Yes.

REP. LEISHMAN: Who sits on this review committee? There are, I guess, ten members and who are those individuals?

REP. ROSENWALD: Sure, I'd be happy to provide that to you. We try to have various sectors and representatives on that review committee. And I know there's some recommendations in this audit that we look forward to taking back as we have that consideration. But I'd be happy to provide that as a follow-up to you, Representative Leishman, and the full committee, if they're interested.

REP. LEISHMAN: I'd appreciate if you could give to full Committee. Thanks, Madam Chair. Thank you for your response.

SEN. FORRESTER: Representative Weyler.

REP. WEYLER: Thank you, Madam Chair. I noted in there that there was confusion between the CROP and the ERZ. Now, the ERZ that the municipality has to nominate it, I believe. I don't think that's the case with the

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CROP. I don't know if all the municipalities are aware of that. How many do you have that have asked for ERZ?

MR. ROSE: I think it actually has that in the audit itself. And I can say I'm pleased that it's a much higher number that was under the CROP zone legislation which was its predecessor. I think there was some confusion with when you see the word CROP zone, I think people immediately thought it was an agriculture program and not an economic development one. So we have seen a significant increase in the number of applications within that program. And, in fact, I think it's on Page 8 on Table 2 there gives a number of applicants that we received in 2012 being 14. That seems to have been about where we have been over the last couple of years with municipalities submitting application requests to the Division to the Commissioner for approval of the ERZ zone. So it seems to be growing in its momentum, and so we have to -- so I think -- and we have made a concerted effort to try to re-market it and re-brand it so that people recognized that it was an economic opportunity zone and not an agriculture product.

REP. WEYLER: One more question.

SEN. FORRESTER: Yes.

REP. WEYLER: There are recommendations that legislation be changed. You have a sponsor in mind?

MR. ROSE: We do not as of yet, but we'll be happy to work with --

REP. WEYLER: I'm volunteering and I'm hoping that the other members will decide to be co-sponsors.

MR. ROSE: I appreciate your generous offer and look forward to continuing the conversation with you, Representative.

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** REP. WEYLER: Thank you. Madam Chair, I move we accept the report, place it on file, and release in the usual manner.

SEN. FORRESTER: Do we have any other questions?

SEN. D'ALLESANDRO: Second.

SEN. FORRESTER: Okay. Motion and a second. All in favor? Opposed? Item passes.

*** {MOTION ADOPTED}

SEN. FORRESTER: I'd just want to thank the Commissioner again and the new Director of Economic Development. I have high hopes you're going to make improvement and having personally worked with Carmen at Belknap County Economic Council I know she's going to do a wonderful job. So thank you both.

MR. ROSE: Thank you, Senator.

SEN. FORRESTER: Ready for the next audit?

MR. MAHONEY: Yes, Madam Chairman. Our next audit is for the Department of Health and Human Services, Health Facilities Licensing Unit. Here to join me this morning to present the report is Jay Henry. Jay is a Senior Audit Manager with our office. We are also joined by John Martin from the Department who's the manager of the Bureau of Licensing and Certification.

JAY HENRY, Senior Audit Manager, Audit Division, Office of Legislative Budget Assistant: Good morning.

SEN. FORRESTER: Good morning.

MR. HENRY: For the record, my name is Jay Henry, and I'm a Senior Audit Manager with the LBA Audit

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Division. Today I'm presenting our performance audit of the Department of Health and Human Services, Health Facilities Licensing Unit for State Fiscal Years 2012 and '13.

We reviewed if the Licensing Unit efficiently and effectively conducted inspections and investigations of assisted-living facilities and non-certified nursing homes. Page 1 contains our Executive Summary.

We found the Health Facilities Licensing Unit was generally efficient and effective when performing its primary functions. In fact, assisted-living and nursing facility administrators had a positive impression of the Unit, its ability to issue licenses, inspect facilities, and investigate complaints as identified in our survey which is in Appendix B. However, we found the Licensing Unit did not consistently conduct annual life safety inspections, thereby reducing its effectiveness of its oversight.

The Unit also needs to strengthen its management controls over its program by revising rules and forms, establishing written policies and procedures, improving its handling of applications and complaints, retaining consistent inspection information, and collecting the data necessary to measure its performance.

Page 3 contains our Recommendation Summary, which shows the Department concurs with all six of our recommendations, none of which require legislative actions.

On Page 7 of our background section, Figure 1 and Table 1 provides an overview of the types of facilities overseen by the Licensing Unit. There are two types of assisted-living facilities for a total of 151 facilities and six non-certified nursing homes.

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Figure 2 on Page 8 shows all the positions within the Unit. According to Department officials, the Unit has experienced difficulty filling vacancies, despite a 30% temporary pay increase for the licensing coordinators and their supervisor who are mostly registered nurses.

Starting on Page 11 in Observation No. 1, we found some cases when the Unit was renewing licenses without conducting one of the two types of required inspections. Five of the 25 facilities whose files were reviewed and were due for life safety inspections during both State Fiscal Year 2012 and '13, did not receive a life safety inspection during either year. In one instance, the last reported inspection in a facilities file was for July 2009. Life safety inspections include the physical inspection of the facility for compliance of the State Fire Code and the State Building Code. The Unit is concerned with whether the facility is properly designed to actively protect residents and if all residents can be evacuated in a timely manner. Life safety inspectors consider if residents are able to self-evacuate and if the facility is sufficiently staffed to assist those residents with limited mobility.

In Observation No. 2 starting on Page 13, we found the Unit needs to update and formalize a Memorandum of Understanding with the State Fire Marshal which will authorize the Unit to conduct life safety inspections as required by 2012 State Law.

In Observation No. 3, we found inspections are not always completed timely, the timing inspections may be predictable, and the Unit should adhere to statutory deadlines and collect performance data.

In Observation No. 4, starting on Page 15, we found examples of where the Unit needs to improve and expand its administrative rules for its residential assessment

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tool, licensing and change of ownership forms, fire drills, inspections, and clearly defining its clinical rules.

In Observation No. 5 starting on Page 17, we found the Unit needs to strengthen its management of its investigation documentation and ensure facilities are properly notified of investigation results.

On Page 19 in Observation No. 6, we found the Unit needs to formalize its policies and procedures for several key functions, in addition to improving its management of its records.

On Pages 21 and 22, we present three issues for further consideration. The first has the potential for being the most critical. Reportedly, the acuity level of residents at assisted-living facilities are getting worse which may present additional risks to residents' safety. The less mobile and aware the residents are in general, the more safety features or staffing a facility may need for emergency situations.

The two other issues deal with handling plan corrections which are partially acceptable and the need to clarify the Department's organizational structure for the public.

Lastly, we'd like to acknowledge the cooperation we received from the Department and especially from Unit staff. And we'd be happy to answer any questions the Committee has at this time.

SEN. FORRESTER: Thank you. Questions?
Representative Leishman.

REP. LEISHMAN: Thanks, Madam Chair. I just have one quick question. I noticed in one of the charts there were six non-certified nursing homes. I kind of thought everything was certified if you were a nursing home.

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Could someone explain why we have six non-certified and 151 that were certified?

JOHN MARTIN, Manager, Bureau of Licensing and Certification, Department of Health and Human Services:
I can do that. For the record, my name is John Martin. I'm the Manager of the Bureau of Licensing and Certification. I oversee a number of different licensing and certification units. For the purposes of this audit, two of the units I oversee are the Health Facility Licensing Unit and the Health Facility Certification Unit.

The Health Facility Licensing Unit licenses about 23 different types of facilities and providers and, specifically, they license all of the facilities and providers that are required to be licensed under RSA 151. So every single facility and provider that falls within those two units is licensed.

So the first process, whenever we get a new provider coming on-line say, for example, a new residential care facility, they would first become licensed. So they would submit an application to the Health Facility Licensing Unit. And before we could issue the license, my clinical and life safety personnel would do inspections of that program. Then they would become licensed.

Once they are licensed, if they choose to participate in the Medicare/Medicaid Systems and they would need to become certified with the Centers for Medicare and Medicaid Services. Once they become certified, then jurisdiction shifts from the Health Facility Licensing Unit to the Health Facility Certification Unit. That means from that point on all inspections would be conducted by the Certification Unit, all investigations be conducted by Certification Unit. So almost all of our nursing homes are certified

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because of the fact that they care for people whose payment source is Medicare or Medicaid.

We do have the six facilities that choose not to. They're strictly private pay. So because of the fact that they don't participate in Medicare/Medicaid, they don't need to be certified.

REP. LEISHMAN: Thank you. Thank you, Madam Chair.

SEN. FORRESTER: Cindy.

REP. ROSENWALD: Thank you. John, who inspects the Veterans Home then? Which of your Units?

MR. MARTIN: Neither one of my Units do. And the reason for that is the Veterans Home doesn't fall under RSA 151. It has its own separate statute. And so they have a governing body pursuant to their statute that oversees the day-to-day operations, and their inspections are conducted by the Veterans Administration.

REP. ROSENWALD: Follow-up? And do you receive a copy of those inspections or do you know if they're --

MR. MARTIN: No.

REP. ROSENWALD: -- accessible to the public, put on the website of the Veterans Home, for example?

MR. MARTIN: I don't know that for a fact. My Department does have some limited jurisdiction through the Office of Long-Term Care Ombudsman. Because the Veterans Home is a long-term care facility, they have the authority to investigate concerns expressed to them by staff or by residents; but they don't undergo a formal inspection by my Department. We don't investigate complaints relative to that facility.

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REP. ROSENWALD: One final.

SEN. FORRESTER: Follow-up.

REP. ROSENWALD: And are you also in charge of the non-residential facilities so the hospitals? Do you do inspections of hospitals or walk-in clinics?

MR. MARTIN: Yes, yes. So all of the hospitals in New Hampshire are certified. So they would fall under the jurisdiction of the Health Facilities Certification Unit. The walk-in care clinics, they fall under the jurisdiction of the Health Facility Licensing Unit. So any provider that allows people to come in for treatment without an appointment and without having an established relationship with a provider would need to be licensed as a walk-in care clinic.

Now just to complicate things a little bit with respect to the hospitals, all the hospitals are certified but a number of them are also accredited. And what that means is that they are inspected by a third-party accreditation organization, which limits our jurisdiction over those hospitals. And what I mean by that is typically we wouldn't do their inspections. What CMS does is every year they choose one accredited hospital that they have my Certification Unit inspect. So we do a full validation survey of that facility.

Also, if we get a complaint regarding an accredited hospital, what we would do is we would refer that complaint to CMS and then if they give us permission to go in and do an investigation, then we can go in and do an investigation, which could result in the issuance of a finding. And then based upon those findings, CMS can then ask us to do a full validation survey. And, in fact, that's what happened with Exeter Hospital a couple of years ago. They're an accredited hospital. So when we learned of the Hep C outbreak, we referred that down to CMS. They then allowed us to do a limited

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investigation into the allegations. And then based upon those findings, they then asked us to do a full validation survey, which we did, and we made findings. We found certain areas of non-compliance. And then based upon that, we did a joint follow-up survey with CMS to make sure that the facility had actually implemented the corrective action that they had set forth in their plan of correction.

REP. ROSENWALD: Thank you.

SEN. FORRESTER: Further questions? Thank you.

** REP. WEYLER: Move we accept the report, place it on file, and release in the usual manner.

SEN. D'ALLESANDRO: Second.

SEN. FORRESTER: All in favor? Opposed?

** {MOTION ADOPTED}

MR. MARTIN: Thank you very much.

SEN. FORRESTER: Thank you. One more audit.

MR. MAHONEY: Madam Chair, our final audit is over certain -- Compliance With Certain Sections of RSA 9 Related to the Use of Highway Funds. Joining me at the table to present the report to the Committee is Jean Mitchell. Jean is a Senior Audit Manager with our office who was responsible to conduct this work on a daily basis.

JEAN MITCHELL, Senior Audit Manager, Audit Division, Office of Legislative Budget Assistant: Good afternoon, Madam Chair, Members of the Committee. For the record, my name is Jean Mitchell. We're here this afternoon to present the report of our audit of State Agency Compliance With Certain Sections of RSA 9

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Related to Use of Highway Funds. The period of the audit was the nine months ended March 31st, 2014.

Before I begin my presentation, I'd like to point out that this is the first audit of its type that we have presented to the Committee. We regularly present reports of audits of financial statements, as well as reports of review of internal control. This audit report addresses compliance with certain aspects of statutes, in this case RSA 9 related to the use of Highway Funds.

I'd like to begin with the Table of Contents. I'll briefly touch on each section listed here during the course of my presentation. I would like to bring your attention now to the Findings and Recommendations section.

This audit report contains four Observations. The applicable State Departments concur with all four of the Observations. And as denoted by the asterisks, two of the Observations suggest legislative action may be required.

The Executive Summary begins on Page 1.

As noted in the first paragraph, the object of this audit was to review the State's Departments Compliance with RSA 9, Section 4-d, request of -- request of appropriations from the Highway Fund; Section 9-a, collection of Highway Fund revenue reporting requirements; Section 9-b, allocation of gross appropriations from the Highway Fund, and Section 9-c, reporting requirements for Departments that receive Highway Funds. A complete text of these RSAs is located in the Appendix of the report.

As described in the Summary of Results, in general, we found compliance with Section 4-d was not consistent among State Departments that requested appropriations

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from the Highway Fund, and found the Department of Safety's processing of Highway Funds to be non-compliant with Section 9-a or compliant with the State Operating Budget. No compliance was performed on Section 9-b which addresses the allocation of gross appropriations from the Highway Fund as this statute was suspended for the biennium ending June 30, 2015.

Finally, we found non-compliance with Section 9-c regarding reporting requirements for Departments of Executive and Judicial Branch Agencies that receive Highway Funds. Areas where we recommend implementing procedures to come into compliance and to seek legislative clarification are reported in the findings I will speak to in a moment.

On Page 2 is some background information. This is related to the use of certain revenues restricted to highways as outlined in Part II, Article 6-a, of the New Hampshire State Constitution. These revenues shall be appropriated and used exclusively for the construction, reconstruction, and maintenance of public highways within the state, including the supervision of traffic thereon, and the payment of interest and principal of obligations incurred for this purpose.

Further down on the page are the detailed audit objectives that I have previously explained.

On Page 3 is the Audit Scope. And, again, as noted, the scope of our audit included the determination of State compliance with certain sections of RSA 9. The audit period was July 1st, 2013, through March 31st, 2014. The audit methodology is noted on Page 4, which included the review of State statutes, State and Agency policies and procedures, interviews and review of relevant Agency documentation, including State Accounting System reports, and State Operating Budgets, and other relevant documentation supporting compliance.

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Compliance was tested -- was assessed with the testing of documentation.

Now moving on to Page 5 is the first finding. This finding notes that the Department of Administrative Services did comply with Section 4-d, paragraph one, by furnishing the cost allocation worksheet form for Departments reporting the use of Highway Funds. However, we found DAS's cost allocation form could be better designed to promote Department reporting of Section 4-d, I, compliant data.

We reviewed all 46 cost allocation worksheets submitted by six departments that requested Highway Funds during the 2014-2015 biennium and noted concerns related to the worksheets as outlined in detail in the bulleted items in the middle of the page.

On Page 6 is finding number two, which identifies certain weaknesses in the cost allocation reported on the cost allocation worksheets submitted by the Department of Safety and the Department of Environmental Services, and it's detailed in item numbers one and two of the Observation. We recommend the Department of Safety review and further define its allocation methodology to ensure all aspects of the calculation are appropriately documented and supported, as well as the Department of Environmental Services update its agreement with the Department of Transportation.

On the top of Page 8 is Observation No. 3. We note that the Department of Safety was not in compliance with Section 9-a requiring the cost associated with the collection and administration of Highway Funds by DOS to be deducted before receipts are recorded in the Highway Fund. Currently, DOS processes and records Highway Fund receipts in accordance with the State Operating Budget without the cost being deducted. It

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should be noted that this non-compliance has no effect on the amount of revenue available in the Highway Fund.

Also, the Department of Safety was out of compliance with Section 9-a requirement that it provide an annual accounting and reporting of the cost of collection and administration of the Highway Fund.

Also, contrary to statute, the Department of Safety's use of Highway Funds for collection and administration costs has never been affected by its failure to account for and report the cost of collection and administration of Highway Funds contrary to statute.

Our final Observation is located on Page 9. This Observation notes that the Department of Administrative Services is not in compliance with reporting requirements of Section 9-c. DAS has not established -- had not established a form or process for Departments to report information required by the statute prior to March of 2014. The statute requires Departments to report by January 1st a description of each program supported by the Highway Fund and a comparison of actual and budgeted expenditures incurred by program. It further directs no Highway Fund transfers be disbursed to an entity that does not submit the report as required.

During early March of 2014, DAS did create a form for Section 9-c reporting and applicable Departments submitted their completed forms by March 31st. We recommend the Department of Administrative Services to request legislative clarification of its responsibilities under RSA 9, Section 9-c, and pending this resolution encourage Departments to comply with the reporting requirements.

I'd like to thank the Department of Administrative Services' management and staff for their assistance

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during the audit, and the Departments of Safety and Environmental Services for their participation as well. This concludes my presentation, Madam Chair.

SEN. FORRESTER: Thank you.

MS. MITCHELL: I can answer any questions you may have.

SEN. FORRESTER: Questions? Looks like we are all set.

** REP. WEYLER: I move we accept the report, place it on file, and release in the usual manner.

SEN. FORRESTER: Do I have a second?

SEN. D'ALLESANDRO: Second.

SEN. FORRESTER: All in favor? Opposed? The ayes have it.

*** {MOTION ADOPTED}

SEN. FORRESTER: Representative Eaton.

REP. EATON: Just like to take a moment on behalf of the entire Committee to thank Mr. Mahoney for his years of professionalism and great data, great work, and great management of the Audit Division. And you will be sorely missed for the superb work you've done over the years.

MR. MAHONEY: Thank you, Representative Eaton. If I may take a minute, Madam Chair. I'd just like to publicly thank Jeff Pattison for his strong support over the past several years and to Jeff's predecessor, Michael Buckley, who personally appointed me to this position. So Jeff, thank you very much.

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I'd also like to thank the staff of the Audit Division. I hope all of you know the Division has an incredibly talented group of individuals there who do their work with integrity and objectivity and independence on a daily basis, and foremost in all of their minds is the public interest whenever we do our audit work. So I would encourage you that if you ever hear something to the contrary that you ask a few more questions, because they do outstanding work and are very dedicated employees.

And, lastly, I'd like to thank the Fiscal Committee for your continued support and all legislators who have continued the long tradition in New Hampshire of allowing us to do our work without interference. So thank you very much, and I wish you all the best. Thank you.

SEN. FORRESTER: Thank you.

(Applause.)

SEN. FORRESTER: All right.

** REP. EATON: Move to adjourn. Oh, go ahead.

(20) Date of Next Meeting and Adjournment

REP. WEYLER: Next meeting.

REP. EATON: Next meeting, yeah. Sorry.

SEN. FORRESTER: How does July 25th at 10 o'clock?

REP. WEYLER: Probably I won't be around.

REP. EATON: We'll miss you.

REP. WEYLER: Okay. I'll have a replacement.

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SEN. FORRESTER: That work for everyone else?

SEN. SANBORN: July 25th, 10 o'clock.

REP. LEISHMAN: Does not work for Representative Rosenwald.

REP. EATON: We'll miss her.

SEN. FORRESTER: So July 25th, 10 o'clock, is the date of the next Fiscal Committee meeting. I'll take a motion to adjourn.

** REP. EATON: So move.

SEN. D'ALLESANDRO: So move.

SEN. FORRESTER: All in favor? Opposed? Ayes have it. We are adjourned.

*** {MOTION ADOPTED}

(Meeting concluded at 12:13 p.m.)

CERTIFICATION

I, Cecelia A. Trask, a Licensed Court Reporter-Shorthand, do hereby certify that the foregoing transcript is a true and accurate transcript from my shorthand notes taken on said date to the best of my ability, skill, knowledge and judgment.

Cecelia A. Trask

Cecelia A. Trask, LSR, RMR, CRP
State of New Hampshire
License No. 47

