

JOINT FISCAL COMMITTEE

Legislative Office Building, Rooms 210-211

Concord, NH

Friday, March 18, 2016

MEMBERS PRESENT:

Rep. Neal Kurk, Chair

Rep. Ken Weyler

Rep. Cindy Rosenwald

Rep. Dan Eaton

Rep. Richard Barry (Alternate)

Sen. Jeanie Forrester, Vice-Chair

Sen. President Chuck Morse

Sen. Jerry Little

Sen. Lou D'Allesandro

(The meeting convened at 10:04 a.m.)

(1) Acceptance of Minutes of the February 12, 2016 Minutes

CHAIRMAN KURK: Good morning, everyone. I'd like to open the Fiscal Committee meeting of Friday, March 18th, 2016. Because we were unable to complete or get to several audits last time, without objection we are going to take those up very near the beginning so that these folks don't have to wait another three hours and then go home without having had a chance to present. And we also will accept and put on record the audits that we're going to hear later today in case it turns out that we lose a quorum so at least we'll have the opportunity to hear those audits.

The other announcement is our next meeting will be April 15th, Friday, April 15th, and this gives me enough time to make sure you get your tax returns in and don't use that as an excuse with respect to attendance.

At this point, we'll turn to item number (1) on the agenda, the acceptance of the minutes of February 12th, 2016. Is there a motion?

** SEN. D'ALLESANDRO: Move.

CHAIRMAN KURK: Moved by Senator D'Allesandro, seconded by Representative Weyler. Discussion? Questions? Changes? There being none, you ready for the motion? All those in favor, please indicate by saying aye? Opposed? The ayes have it.

REP. WEYLER: Need to appoint him to substitute.

CHAIRMAN KURK: Thank you. The ayes have it and the motion carries.

*** {MOTION ADOPTED}

CHAIRMAN KURK: Representative Barry is appointed as a -- as the replacement for Representative Ober who could not be here today. And thank you for --

REP. BARRY: And he abstains from the --

REP. WEYLER: Minutes.

REP. BARRY: I was not here.

CHAIRMAN KURK: That motion, yes.

(2) Old Business:

CHAIRMAN KURK: Moving on to Old Business. We will take up the two audits that were held over from the February 12th meeting, and the first audit is the 2015 Comprehensive Annual Financial Report, State Liquor Commission. Good morning, Mr. Smith.

STEPHEN C. SMITH, MS, CPA, Director, Audit Division, Office of Legislative Budget Assistant: Good morning Mr. Chairman, Members of the Committee. For the record, I'm Stephen Smith, the Director of Audits, for the Office of the Legislative Budget Assistant.

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As the Chairman mentioned, the first audit is the 2015 Comprehensive Annual Financial Report for the Liquor Commission. I will remind the Committee that back at the December meeting you did accept or approve the distribution of this report unavailable.

Joining me at the table is Jean Mitchell, our Audit Manager on this engagement. Also, Chairman Mollica from the Commission and Tina Demers, the CFO. So with that, I will turn it over to Jean to present the audit.

CHAIRMAN KURK: Thank you.

JEAN M. MITCHELL, CPA, Senior Audit Manager, Audit Division, Office of Legislative Budget Assistant: Good morning, Mr. Chairman, Members of the Committee. My name is Jean Mitchell. I'm here today to present the results of our Audit of the financial statements of the Liquor Commission contained in their Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 2015.

The CAFR, including the financial statements, is the responsibility of the Liquor Commission's Management. Our Audit does not relieve Management of that responsibility. Our responsibility is to conduct an Audit in accordance with Generally Accepted Government Auditing Standards to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether caused by error or fraud.

Our Auditor's Report and opinion can be found on Pages 5 through 7 of the report. As noted in the opinion paragraph on Page 6, we have issued an unmodified, also known as a clean or unqualified opinion on the financial statements.

For Fiscal Year 2015, the Liquor Commission produced a full Comprehensive Annual Financial Report. This report contains an introductory section, a financial section including Management's Discussion and Analysis, financial statements, notes, and

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required Supplementary Information. It also contains a statistical section.

The financial statements and notes can be found on Pages 15 through 32 following the Management Discussion and Analysis in the financial section of the report.

The Auditor's opinion covers the financial statements and related notes. The information, the introductory, and statistical sections of the CAFR was not audited. The required Supplementary Information, including the Management Discussion and Analysis that begins on Page 8, as well as the Schedules of the Liquor Commission's Proportionate Share of Net Pension Liability and Liquor Commission Contributions on Page 33, were subject to limited auditing procedures, largely for consistency of the information in relation to the financial statements and notes. As a result, we express no opinion on the required Supplementary Information of the report. However, no matters came to our attention in our reading and consideration of the information that caused us to believe the information was inconsistent with the basic financial statements.

The Liquor Commission's significant accounting policies are as described on Note 1 in the financial statements as generally -- and are generally consistent with the prior year.

The Commission did implement two new GASB Statements No. 68 and 71 relative to the accounting and reporting for pensions. These new standards significantly change how Governments measure and report the long-term obligations and annual costs associated with the pension benefits they provide.

These obligations have always existed. The new standards require that governmental entities to report this information in their financial statements. Implementation of GASB Statement No. 68 caused a restatement of the July 1st, 2014, net position from 9.7 million to a \$10.4 million deficit. We'll also be issuing a report on our consideration of the Liquor Commission's internal control over financial reporting compliance in related matters based on our audit of the financial statements that was

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performed in accordance with Government Auditing Standards. This report will be included in the Management Letter that will be presented to the Committee at a future meeting.

Auditing standards require that we make the following disclosures to you:

The significant accounting policies used by the Liquor Commission are as described in Note 1. We are satisfied with the qualitative aspects of Management's accounting practices, including accounting policies, estimates, and financial disclosures, and no material uncertainties were noted.

We had no disagreements with Management about financial and accounting matters that would have caused us to modify our Auditor's Report if not satisfactorily resolved. We had the full cooperation of the Commission and its staff throughout the Audit, and to our knowledge Management did not consult with other independent accountants during Fiscal Year 2015 on matters related to the Audit.

As a final and important item, I'd like to note that we did not propose any material adjustments to Liquor Commission's financial statements as a result of our Audit.

I'd now like to call your attention to the letter that's found in the back of the report. The letter's two pages and it identifies three significant but immaterial uncorrected misstatements in the financial statements that were identified by the Auditors and discussed with Management.

As reported in item number one, the Commission did not accrue a liability or recognize an expense for an unpaid balance related to a Fiscal Year 2015 invoice related to statewide indirect costs.

The second item relates to the calculation of the net investment in capital assets that resulted in an understatement to this account as reported on the statement of net position, as well as an equal understatement of unrestricted net deficit.

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The third uncorrected misstatement was related to a legal settlement paid on the Liquor Commission's behalf by the State's General Fund. This resulted in understatement of non-operating expense and due to the General Fund.

This concludes my presentation. I'd like to thank the Liquor Commission for their assistance during the audit, as well as the State Comptroller's Office.

Mr. Chairman, with your permission I'd now like to turn the presentation over to the Commission who will provide Management's perspective of the report.

CHAIRMAN KURK: Good idea. Thank you.

MS. MITCHELL: Okay. Thank you.

CHAIRMAN KURK: Good morning.

JOSEPH MOLLICA, Chairman, New Hampshire Liquor Commission: Good morning, Mr. Chairman. Good morning, Members of the Committee. For the record, my name is Joseph Mollica, Chairman of the New Hampshire Liquor Commission. Most importantly, I'd like to thank the LBA for their oversight with the compliance that Jean brought forth. I'd like to thank my staff for their dedication and professionalism to the Liquor Commission. And I'd like to thank DAS for their assistance and commitment.

As with any successful business, it's a team effort. And, most importantly, I'd like to thank all the employees in our 79 Liquor Commission outlets who come to work every day and serve our customers. They're the backbone of the organization. They're the reason that this revenue comes forth to the State every year, and I'd like to thank them. Thank you very much.

CHAIRMAN KURK: That completes your statement?

MR. MOLLICA: It does, sir.

CHAIRMAN KURK: Are there questions? Representative Weyler.

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REP. WEYLER: Thank you, Mr. Chairman. Congratulations, Chairman, on your Audit, and congratulations on finally putting letters up on the liquor stores that can be seen from 800 feet away so that we know where they are; but I do have one question.

MR. MOLLICA: Yes, sir.

REP. WEYLER: Past statements have usually shown a considerable amount of money spent on advertising. I was looking through this to see where the advertising dollars are. Are they somewhere that I didn't find them?

CHRISTINA DEMERS, Chief Financial Officer, New Hampshire Liquor Commission: They're included in our administrative costs. It's -- the budget for advertising is \$2.5 million.

REP. WEYLER: Okay. It used to be separate. So I wondered if -- I know we're not advertising as much as we used to, but I didn't think it went down to zero.

MS. DEMERS: No, the budget hasn't changed. We are spending the same amount we have for the past five years.

REP. WEYLER: Thank you.

CHAIRMAN KURK: I have a couple very basic questions. Could Liquor Commission explain why the \$2.5 million expenditure on its behalf by the General Fund to settle a lawsuit is not included as an expense to the Liquor Commission?

MR. MOLLICA: Certainly, Mr. Chairman. It was -- first and foremost, the Liquor Commission doesn't settle lawsuits. The Liquor Commission was advised by the DOJ as to the settlement of the lawsuit, and we were -- we were given information at that time that those funds would not be taken from our Liquor Commission funds, that they would be taken from another fund as explained to us at the time the lawsuit was being settled.

CHAIRMAN KURK: So it's your -- it's your concept that every time the Liquor Commission gets into trouble, so to speak, and

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is sued and a settlement is reached, that doesn't affect your operating results; is that your position?

MR. MOLLICA: The position is, Mr. Chairman, that I'm explaining to you what I was told at the time.

CHAIRMAN KURK: So if the Legislature thinks that should be an expense, it should be that you will have to pass some sort of a statute?

MR. MOLLICA: I would follow whatever rule the Legislature felt was necessary, Mr. Chairman.

CHAIRMAN KURK: The same -- thank you. The same question applies to the DAS expenditure. Why was that not included as part of a reduction in your income?

MS. DEMERS: We paid what we had budgeted for our indirect costs, and at the end it was determined with consultation with DAS not to book that liability, that it had no effect to the bottom line to the General Fund.

CHAIRMAN KURK: But doesn't it have an effect on the bottom line of the Liquor Commission's operations and don't we want your accounting statements to fairly reflect the results of your operation, including settlements, indirect costs, and all of the other expenses of running an enterprise?

MR. MOLLICA: And I think that we have done that, Mr. Chairman. We were given an amount when the budget was set forth that we put in place, and then that amount was raised and the discrepancy is what is not being booked.

CHAIRMAN KURK: I understand. I'll leave my position as it was.

The next question is to, I guess, the auditors. GASB 68 required roughly an additional million dollars added to the unfunded liability. Just to repeat for my reassurance that has no impact except from an accounting point of view. As a

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statement it has no impact on the operations, it has no impact on the obligation of the Liquor Commission to set aside additional monies, et cetera.

MS. MITCHELL: There was a \$900,000 expense relative to that and that expense will occur every year. So it will have that effect on it. There will be an expense of getting rid of the liability over a period of time and retires over a period of time.

CHAIRMAN KURK: Does this require the Liquor Commission to expend any additional dollars?

MS. MITCHELL: It will hit their net liquor profit every year by being amortized over the -- over a set period of time, yes.

CHAIRMAN KURK: I had thought these newer GASB regulations only established what the liability was but did not require funding it?

MR. SMITH: That's correct. That's correct, Mr. Chairman, on a fund accounting basis or modified accrual basis. Where enterprise funds are on a full accrual GAAP basis, you do have to reflect the change in liability or the expense. From a budget perspective, no, there's no requirement to fund it; but from a reporting standpoint you have to reflect that.

CHAIRMAN KURK: Thank you. Further questions?

SEN. FORRESTER: Senator Morse.

CHAIRMAN KURK: Senator Morse.

SEN. PRESIDENT MORSE: Mr. Chairman, I'd just like to point out that we did go through this with Senate Legal Counsel and what was pointed out to us was, number one, the AG settles lawsuits and there's certainly language that alludes to what authority they have to settle lawsuits. And, two, the Departments probably don't have the same opinion when settling

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lawsuits. That's why the State does it through the AG. This is one particular case where you may argue that it's kind of a State business, you know, on the side and it should be accounted for separately, but I'm sure when we are talking about our own Departments we wouldn't argue that.

So I don't think anything was incorrect about what was done. We certainly checked into it and, you know, I don't think it was something that we put on Liquor as a problem. If we want to change it and in the future we want to account for it that way that's our decision. Certainly, the AG makes the decision on whether they're going to settle it. I'm not saying they do it on their own, but the Department for this particular division they don't have a choice on whether we settle it or not.

CHAIRMAN KURK: Thank you. Further questions?

SEN. LITTLE: Mr. Chair.

CHAIRMAN KURK: Senator Little.

SEN. LITTLE: Thank you very much. Good morning.

MR. MOLLICA: Good morning.

SEN. LITTLE: Regarding this letter that we received relative to three uncorrected misstatements that were disclosed to you. It says in here that they were discussed with you and the Liquor Commission chose not to accept and make these changes. Can you tell us what that internal conversation was like and why you made the decision not to make these changes?

MS. DEMERS: The internal conversation was between the auditors, myself, and DAS, the State Comptroller, Gerard Murphy. And to stay in line with the State CAFR the determination was made not to make the adjustments to Liquor Commission, to stay in line with the State.

SEN. LITTLE: So to avoid making changes to the CAFR we maintained the misstatements identified by the LBA.

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MS. DEMERS: Yes.

MS. MITCHELL: I believe, Senator, that also had to do with timing issues relative to getting the CAFR out and issuing the State CAFR because there was some issues trying to get it out in a timely manner. So since they weren't material and they did not affect the opinion to the financial statements, they have maybe made an executive decision, I'm not sure, to try to get them out timely so the information will be relevant to the people that need it.

CHAIRMAN KURK: The problem I have with this is that we now have a statement for an enterprise fund which is inaccurate. And it may not be material in terms of proportion of their total activities, but it's still an inaccurate statement. And when we're evaluating the Liquor Commission and looking at its results over decades, we're getting a misleading picture of this. So I'm very concerned that the three items that you mentioned were for perhaps legitimate reasons not included in the Liquor Commission's results and presumably, unless other action is taken, will not in future years. There could be another settlement of some outstanding issue that could be much larger than the 2.5 million. And, again, the Liquor Commission would say consistent with past practices, we shouldn't reflect that.

Further discussion? Do we need a motion on this, Mr. Kane?

MICHAEL KANE, Legislative Budget Assistant, Office of Legislative Budget Assistant: This one is all set. It's accepted.

REP. WEYLER: We made it already.

CHAIRMAN KURK: Thank you very much.

MR. MOLLICA: Thank you.

CHAIRMAN KURK: We now turn to the second Audit of the Department of Environmental Services, Water Division, their

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annual financial report with respect to the State Revolving Fund. Again, good morning, Mr. Smith.

MR. SMITH: Thank you, Mr. Chairman; again, for the record, Steve Smith, Director of Audits for the LBA. Joining me at the table is Christine Young, who is the Audit Manager on this Audit. And representing the Department is Commissioner Burack and Sue Carlson, the COO. So now, Mr. Chairman, I'll turn it over to Christine to present our Audit.

CHRISTINE YOUNG, CPA, Senior Audit Manager, Audit Division, Office of Legislative Budget Assistant: Good morning, Mr. Chairman, and Members of the Committee. For the record, my name is Christine Young. We're here to present the results of our Audit of the financial statements contained in the Annual Report of the Department of Environmental Services' State Revolving Fund for the Fiscal Year ended June 30, 2015.

The report, including the financial statements, is the responsibility of the Department's Management. Our Audit does not relieve Management of that responsibility. As the Department's independent auditors, our responsibility is to conduct an Audit in accordance with professional standards to obtain reasonable but not absolute assurance that the financial statements are free of material misstatements, whether caused by error or fraud.

Our Auditor's report and opinion can be found on Pages 4 through 6 of the report. As described in the opinion paragraph on Page 5, we issued an unmodified opinion on the financial statements. An unmodified opinion, commonly referred to as a clean opinion, in essence, reports that the financial statements are fairly stated in all material respects.

The Required Supplementary Information or RSI in the report consisting of Management's Discussion and Analysis starting on Page 7 and the Schedule of the State Revolving Funds Proportionate Share of the Net Pension Liability and Contributions on Page 31 was subjected to limited audit procedures. As a result, we express no opinion on any

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information in the RSI. However, no matters came to our attention in our reading and consideration of the information that caused us to believe that the information was inconsistent with the basic financial statements.

The State Revolving Fund's accounting practices and significant accounting policies are described in Note 1 starting on Page 16.

During the Fiscal Year, the State Revolving Fund implemented new accounting standards, GASB Statements No. 68 and 71, relative to accounting for and reporting of pensions. As mentioned in the prior presentation, these new standards significantly change how Governments measure and report the long-term obligations and annual costs associated with the pension benefits they provide. These obligations have always existed, but the standards now require the governmental entity to report this information in their financial statements. The implementation of GASB Statement No. 68 resulted in a restatement of the July 1st, 2014, net position from 582 million to 577.2 million.

Auditing standards require that we make the following additional disclosures to you. We were satisfied with the qualitative aspects of the State Revolving Fund's accounting practices as summarized in Note 1 of the report. We had no disagreements with Management on financial accounting and reporting matters that would have caused a modification to our Auditor's Report and opinion if they had not been satisfactorily resolved.

We received the cooperation of State Revolving Fund Management and staff throughout the audit. To our knowledge, State Revolving Fund Management did not consult with other independent accountants on issues related to the Audit.

Included with the report is a separate two-page letter. The letter identifies certain misstatements in the financial statements that we identified and discussed with Management. There were four significant but immaterial unadjusted

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misstatements in the State Revolving Fund financial statements, three of which involved prior year errors and would have required adjustments to the Fund's beginning net position at July 1st, 2014. In item number three on the first page of the letter was a misclassification of loans receivable.

On the second page of the letter, we note that Management corrected a material misstatement to their financial statements. This was a \$16.6 million over statement of cash that was adjusted to reflect the fact that the State Match for Federal funds received for Fiscal Year 2014 and 2015 loans was paid from bond proceeds held in the State Revolving Fund's cash account and not from other State contribution revenue as initially reported.

At the top of the second page we also bring to your attention a significant omission in a note disclosure that was identified and discussed with Management. The State Revolving Fund did not include discussion of a \$50 million short-term investment note made with the New Hampshire State Treasury and related party during Fiscal Year 2015.

Finally, in accordance with Government Auditing Standards, we will issue a report on the State Revolving Fund's internal control over financial reporting and on compliance in other matters as a byproduct of our Audit of the financial statements. That report will be included in a Management Letter and it will be presented to this Committee at a future meeting.

That concludes my presentation. I'd like to thank Commissioner Burack and his staff, as well as the State Comptroller's Office, for their assistance during the Audit. And with your permission, Mr. Chairman, I'd like to turn the presentation over to the Commissioner so he could provide Management's perspective on the report.

CHAIRMAN KURK: That will be fine. Commissioner, good morning.

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THOMAS BURACK, Commissioner, Department of Environmental Services: Good morning, Mr. Chairman, Members of the Committee. Thank you very much for this opportunity to discuss the 2015 Annual Financial Report of the State Revolving Fund. We wish to thank the LBA auditors, including Christine Young, Drew Charles, and Kim Bisson for the time and effort they put into their Audit, this report. We also wish to thank Gerard Murphy and Dana Call of the Department of Administrative Services for their invaluable assistance in the preparation of this Annual Report. I think, most importantly, we were pleased the LBA issued a clean opinion in their audit of the State Revolving Fund which we typically refer to as the SRF Fund, which is a combination of clean water and drinking water loan programs. These programs provide low-cost loans to communities for wastewater and drinking water systems.

The report in front of you shows the financial activity, the combined clean water and drinking water SRF Programs for the Fiscal Year ended June 30th of 2015. I think it's important to note that the SRF account became an enterprise fund for the first time in Fiscal Year 2014. So the Fiscal Year 2015 is the second year of this enterprise fund, and we believe this audit demonstrates that we are off to a very good start in managing these funds as an enterprise fund.

As we noted in the Management Discussion and Analysis section of the report that begins on Page 7, the Clean Water SRF Program has been in existence since 1989 and has issued 272 loans totaling \$808 million to communities over the past 26 years.

The Drinking Water SRF was created in 1996 and has issued 232 loans totaling \$259 million over the past 20 years. The combined programs are funded by a combination of Federal grants, State Matching Funds, and Loan Repayment Funds.

If you take a look at the Statement of Net Position on Page 11, the fund has a balance of \$610 million at June 30, 2015. This balance is comprised of \$370 million in loans and

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\$262 million in cash and receivables, offset by \$21 million in liabilities.

As Miss Young indicated, within the liabilities section the State recognized for the first time in 2015 the liability of future pension costs under GASB Statement No. 68 and for the SRF Fund this pension liability recognition totaled \$4.4 million.

The fund also saw an increase in net position of \$33 million as shown in the Statement of Revenues and Expenses on Page 12. The \$33 million increase is primarily from the increase in Federal funds received during the Fiscal Year offset by an operating loss of \$6.6 million and an operating loss is mainly from the recognition of principal forgiveness on loans. Under both of these SRFs we are authorized by Federal Law to give a certain amount of principal to the communities and that helped to bring the overall cost of these projects down for those communities.

The balance of the report consists of the notes to the financial statement. Those are on Pages 14 through 31, with the combined schedule showing the breakdown of the Fund between the Clean Water and Drinking Water Programs on Page 32 through 33. Again, very much appreciate the opportunity to work with the LBA on this Audit of this report. And Susan Carlson and I would be happy to answer any questions you may have.

CHAIRMAN KURK: Thank you, Commissioner. Questions from Committee Members? I do have one. Why were the four uncorrected misstatements not corrected?

MR. BURACK: Well, that's a very appropriate question. Do you wish to speak to these?

SUSAN CARLSON, Chief Operating Officer, Department of Environmental Services: Yes. Actually, the 6.7 million was corrected. If you look on the second page of the letter, you'll see that the 6.7 was a correction. In discussions with the State Comptroller's Office, the Auditors recommend that these corrections be an adjustment to the beginning balance. The

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Comptroller's Office asked us to make them corrections as the current year transaction. So we made the \$6.7 million correction as that.

In terms of the \$3 million that was -- it was a disagreement between us and the LBA as to whether the loan should be classified as current year loan or a long-term loan. We felt under the methodology we were using it should be considered a current year portion of the loan rather than the long-term portion. It does deal with collections. And of that 3 million, we have already collected a significant portion of that 3 million to date.

CHAIRMAN KURK: Thank you. Senator.

SEN. LITTLE: Thank you. So on that point about the \$3 million, you're saying it's the term that you disagreed with with the LBA, and is the -- is the -- is the municipality that borrowed the funds current or not?

MS. CARLSON: No. On this Statement of Net Position on Page 11, loan receivables are broken into a long-term in a current portion. The current portion is the portion of the loan that we expect to receive within the next 12 months.

SEN. LITTLE: Hm-hum.

MS. CARLSON: On 3 million of that, we identified those loans as we expect to receive those -- that money within the next twelve months. The LBA said it was -- thought we were a little optimistic in our -- I say in our collection request on that, and so they felt it should have been left in long-term. So that's what it was.

MR. BURACK: But, in fact -- in fact, to date, of that \$3 million, 1.5 million approximately has, in fact, come in the door in this current Fiscal Year. And our current expectation is that the remainder most likely will come in before the end of the Fiscal Year. So it's really -- it's that kind of a disagreement that we had over this.

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SEN. LITTLE: Thank you. One more.

CHAIRMAN KURK: Sure.

SEN. LITTLE: On the second page there's a reference to a \$50 million short-term investment note with the New Hampshire State Treasury. Doesn't really indicate clearly whether -- did you park revolving fund monies with the Treasury? Is that what happened there?

MS. CARLSON: The Treasurer actually holds all our funds. Annually, the Treasurer looks at the balance that they need for cash for disbursements on a statewide basis. And what they do is forecast -- they forecast their cash, noticing if they feel like they're going to be short on their cash and they will -- they will issue anticipation notes on that. Because we had an excess of cash in the SRF Fund, we chose to invest in the State's -- essentially invest in the State's short-term note for less than 30 days. They paid us interest on our investment and we received our funds back.

SEN. LITTLE: Thank you for your faith in the State of New Hampshire.

CHAIRMAN KURK: Another question. And this, I think, is to Miss Young. There are administrative accounts that go with this fund. They charge, I think, 2% or 1%, I've forgotten the numbers.

MS. YOUNG: Yes.

CHAIRMAN KURK: Did your Audit include those funds?

MS. YOUNG: Yes, it did.

CHAIRMAN KURK: So that we will have information about those from an independent source in the future?

MS. YOUNG: Yes, you will.

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CHAIRMAN KURK: Thank you so much.

MS. YOUNG: You're welcome.

CHAIRMAN KURK: Further discussion? Questions? Thank you. Chair recognizes Representative Weyler for two motions with respect to the Audits that appear later on in our agenda.

** REP. WEYLER: Thank you, Mr. Chairman. For the State of New Hampshire Public Utilities Commission Financial Report for the nine months ended March 31st, 2015, I move that we accept the report, place on file, and release in the usual manner.

CHAIRMAN KURK: Is there a second?

SEN. FORRESTER: Second.

CHAIRMAN KURK: Seconded by Senator Forrester. Discussion? You ready for the question? All those in favor, please indicate by saying aye? Opposed? The ayes have it and the motion is approved.

*** {MOTION ADOPTED}

CHAIRMAN KURK: Representative Weyler is recognized for another motion.

REP. WEYLER: Thank you, Mr. Chairman. For the State of New Hampshire Lottery Commission Management Letter for the Fiscal Year ended June 30, 2015, I move that we accept the report, place on file, and release in the usual manner.

SEN. FORRESTER: Second.

CHAIRMAN KURK: Seconded by Senator Forrester. Discussion or questions? There being none, you ready for the question? All those in favor, please indicate by saying aye? Opposed? The ayes have it and the motion is adopted.

*** {MOTION ADOPTED}

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MR. KANE: Mr. Chairman, the SRF Fund was not accepted either yet. Liquor was accepted and approved, put on file. We need a similar motion for SRF.

CHAIRMAN KURK: Thank you, Mr. Kane. Representative Weyler is recognized for a similar motion with respect to the State Revolving Fund report.

** REP. WEYLER: Thank you, Mr. Chairman. For the State of New Hampshire, Department of Environmental Services, Water Division, Annual Financial Report, State Revolving Fund, for the Fiscal Year ended June 30th, 2015, I move we accept the report, place on file, and release in the usual manner.

CHAIRMAN KURK: Seconded by Senator Forrester. Discussion? There being none, you ready for the question? All those in favor, please indicate by saying aye? Opposed? The ayes have it and the motion is adopted.

*** {MOTION ADOPTED}

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

CHAIRMAN KURK: We turn now to item number (3) on the agenda, the Consent Calendar under RSA 14:30-a. I'm aware of two items that folks would like to have removed, item 044 and item 052. 044 is from the Department of Transportation and 052 is from the Department of Health and Human Services. Are there any other items to be removed from Consent Calendar? There being none, I will accept a motion to approve the items in the Consent Calendar under item -- agenda item number (3) --

** SEN. FORRESTER: So move.

SEN. D'ALLESANDRO: Second.

CHAIRMAN KURK: -- in the absence of those two. Moved by Senator Forrester, seconded by Senator D'Allesandro.

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Discussion? There being none, are you ready for the question? All those in favor, please indicate by saying aye? Opposed? The ayes have it and those items are approved.

***** {MOTION ADOPTED}**

CHAIRMAN KURK: We now turn to item Fiscal 16-044, a request from the Department of Transportation for authorization to accept and expend \$3 million in Federal funds through June 30th, 2016. Is there someone from the Department who might answer questions?

MARIE MULLEN, Director of Finance, Department of Transportation: Good morning. Marie Mullen, Director of Finance at New Hampshire Department of Transportation.

PATRICK HERLIHY, Director, Bureau of Aeronautics, Rail and Transit, Department of Transportation: Good morning, Mr. Chair, Members of the Committee. For the record my name is Patrick Herlihy. I'm the Director of Aeronautics, Rail and Transit at the Department of Transportation.

CHAIRMAN KURK: Thank you. I appreciate you both being here. I believe Representative Rosenwald has a question.

REP. ROSENWALD: Thank you, Mr. Chairman. Good morning.

MR. HERLIHY: Good morning.

MS. MULLEN: Good morning.

REP. ROSENWALD: I understand that the CMAQ funds and the toll credits for purchasing these buses are the same way that proposed rail plan is to be funded; but my question is why is it that there would be a train stop at the Manchester Airport but there can't be bus service from Nashua and Chelmsford up to the Manchester Airport using the same funding source?

MR. HERLIHY: Thank you for the question, Representative Rosenwald. When the service was originally designed and put into

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place, the reasoning behind to not putting a stop at the Airport was that the -- we felt that with a terminal data in North Londonderry already from Exit 5 that that could accommodate some people that were going to the Airport. But we don't have enough funding really in place to expand the service any farther than it is. So that's why there hasn't been service from Nashua up to the Manchester Airport or from Manchester to the Manchester Airport.

Also, the Airport's been reluctant in wanting to have that service done as well because of the parking revenue that they rely on to service the Airport.

REP. ROSENWALD: Follow-up.

CHAIRMAN KURK: Follow-up.

REP. ROSENWALD: Thank you. So wouldn't they have the same reluctance if there were a rail stop? I mean, it seems --

MR. HERLIHY: They do not because --

REP. ROSENWALD: I don't understand it.

MR. HERLIHY: What they told us is they're trying to get international flights into Manchester Airport and the first question that those international airlines ask is do you have rail service, because our customers want to have rail service to be able to get to the air -- from the Airport down to Boston.

REP. ROSENWALD: I'll stop. Thank you.

CHAIRMAN KURK: Further discussion or questions? Let's see if we understand this straight. We want to protect our parking revenue so we don't want any more customers. Is that the idea?

MR. HERLIHY: That's -- that is not the idea. Like I said, this is what the Airport has told us in the past, that they were --

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CHAIRMAN KURK: I appreciate you're not making the argument then.

MR. HERLIHY: Yes.

CHAIRMAN KURK: How much would it cost and what would the sources of funding be if we wanted to have bus service to the Airport?

MR. HERLIHY: It would probably be done better by the local transit agency in the Manchester case anyway. They could pick up, you know, take people from Manchester or people from Exit 5 in North Londonderry and transport them to the Airport. So I'm not exactly sure what the cost of that would be at this time, but it would be something we would have to do -- do some kind of feasibility study.

CHAIRMAN KURK: Would that be -- would Federal funding be available to subsidize that?

MR. HERLIHY: If it's done by Manchester Transit, we have to ask them if they would have sufficient Federal funding to do that with the match requirement that there is. If we did it, we would probably be able to -- again, that would all depend. I would not be able to use some of the money I have available because it's not in the urbanized area that we have, say, the money for the train which is in a different area.

SEN. FORRESTER: Senator Morse.

CHAIRMAN KURK: Thank you. Representative Eaton and then Senator Morse.

REP. EATON: I'm at a loss here. I appreciate Manchester Airport needing the revenue from parking. We have bus service going from Concord to feed Logan when Manchester Airport is supposed to be an economic engine of New Hampshire.

MR. HERLIHY: Hm-hum.

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REP. EATON: What am I missing? Why are we feeding Logan and not feeding Manchester?

MR. HERLIHY: Again, it was pretty much at the request of the Airport.

CHAIRMAN KURK: Further question.

REP. EATON: And the follow-up is if there's need and demand, why are you listening to what the Airport wants for their own personal private purposes versus what benefits the people of the State of New Hampshire and the economic engine of New Hampshire, not just a parking facility?

MR. HERLIHY: Again, I would have to do some kind of analysis and study to see what the ridership figures for that would be. We did implement -- we did help implement a service going from Concord to the Manchester Airport through the Manchester Transit Authority and that was not very successful.

CHAIRMAN KURK: Senator Morse.

SEN. PRESIDENT MORSE: Representative Eaton hit the nail on the head; but to be honest with you, it needs -- the discussion will be outside of here --

REP. EATON: Yep.

SEN. PRESIDENT MORSE: -- on this issue. But we built this system because of I-93 being built. The system should be reversed in the future to benefit us in New Hampshire.

REP. EATON: Exactly.

SEN. PRESIDENT MORSE: If you want to truck the Massachusetts people back here that's where we should be heading. This -- I know we are just answering questions but this is wrong.

REP. EATON: Yeah.

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MR. HERLIHY: I would be happy to explore this further with the Airport and if we have the funding available, look at how we could do this in the future.

CHAIRMAN KURK: Representative Rosenwald.

REP. ROSENWALD: Thank you. Different line of question. So these buses, these new replacement buses cost \$600,000 apiece?

MR. HERLIHY: Yes.

REP. ROSENWALD: What are we doing with the buses that are being taken out of service? Are we selling them and recouping some of our investment?

MR. HERLIHY: Yes. They would be surplus through the White Farm and put up for auction.

REP. ROSENWALD: About how much?

CHAIRMAN KURK: So the \$3 million is the net. A \$750,000 bus minus \$150,000 sale of the new bus nets out at 600,000?

MR. HERLIHY: No, the 600,000 would be the cost of the bus.

CHAIRMAN KURK: So where does the sale -- the proceeds from the sale of the replacement, the older buses go?

MS. MULLEN: I'm not sure of that. I'd have to check where this is.

MR. HERLIHY: It goes through Purchase and Property for disposition.

MS. MULLEN: We have to check whether they were purchased with Federal funds. We have to identify if those funds would need to go back to the Feds or if they would be put into an unrestricted fund or back into the Department.

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CHAIRMAN KURK: Representative Eaton.

REP. EATON: It goes back through Administrative Services from Purchase and Property and there's contingency from what Federal funds were allocated and whether any money goes back to an agency. Most of it goes to the General Fund and Mr. Murphy was in the back. I don't know if he still is.

REP. ROSENWALD: I don't see him.

REP. EATON: He can elaborate on that if you want or he can do it offline.

REP. ROSENWALD: Offline is fine. Thank you.

CHAIRMAN KURK: Thank you very much. Is there a motion on this item?

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

CHAIRMAN KURK: Senator D'Allesandro moves 044.

SEN. FORRESTER: Second.

CHAIRMAN KURK: Seconded by Senator Forrester. Further discussion? There being none, you ready for the question? All those in favor, please indicate by saying aye? Opposed? The item is approved.

*** {MOTION ADOPTED}

CHAIRMAN KURK: We turn now to Fiscal 16-052, request from the Department of Health and Human Services for authorization to amend Fiscal 15-034 approved in 2015 by extending the date and to reallocate \$196,191 in Federal Funds between expenditure classes. Is there someone from the Department? Already appeared. Good morning, Commissioner.

JEFFREY MEYERS, Commissioner, Department of Health and Human Services: Good morning, Mr. Chairman. Thank you.

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CHAIRMAN KURK: Miss Rockburn, good morning.

SHERI ROCKBURN, CPA, Chief Financial Officer, Department of Health and Human Services: Good morning.

CHAIRMAN KURK: Chair recognizes Representative Barry for a question.

REP. BARRY: Yes. Thank you. Thank you, Mr. Chairman. And thank you, Commissioner, for your attention. I notice that you have a reduction in benefits on Page 2 of \$196,000, but no reduction in the personal services class.

MR. MEYERS: Right.

REP. BARRY: I thought benefits would be tied directly to personal services so there should be a direct correlation.

MR. MEYERS: We'll respond to that.

MS. ROCKBURN: Good morning. For the record, Sheri Rockburn, Chief Financial Officer for the Department. This grant was originally awarded to us back in 2012 and there were four positions that were related to this grant. They all had staggered implementation periods. And as a result, there were savings both in salary and benefits. Salary excess was transferred previously back in State Fiscal 15 out of the salary account to fund some changes back then and Fiscal had approved that previously. We did not identify the surplus in the benefits at the same time that the salary money was freed up. So this Fiscal is a true up of the benefit side as well.

CHAIRMAN KURK: Thank you. Further questions? There being none. Is there a motion?

** SEN. D'ALLESANDRO: Move approval.

CHAIRMAN KURK: Senator D'Allesandro moves approved.

REP. BARRY: Second.

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CHAIRMAN KURK: Seconded by Representative Barry. Discussion or questions? There being none, you ready for the question? All those in favor, please indicate by saying aye? Opposed? The ayes have it and the item is approved.

*** {MOTION ADOPTED}

(4) RSA 124:15 Positions Authorized:

CHAIRMAN KURK: We turn now to item number four -- excuse me -- agenda item number four, Positions Restricted. They're authorized under RSA 124:15, Fiscal 16-036, from the Department of Corrections, request for authorization to establish one part-time temporary victim/witness specialist position through June 30th, 2016. Is there a motion?

** SEN. FORRESTER: So move.

CHAIRMAN KURK: Moved by Senator Forrester, seconded by Representative Eaton. Questions or discussion? There being none, you ready for the question? All those in favor, please indicate by saying aye? Opposed? The ayes have it and the item is approved.

*** {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, and RSA 124:15, Positions Authorized:

CHAIRMAN KURK: We turn now to item number 5 on the agenda, which is on the Consent Calendar, and I have requests to remove Fiscal 16-043, Department of Safety, and Fiscal -- sorry -- 16-053, a request from the Department of Fish and Game, and Fiscal 055, a request from the Office of Professional Licensure and Certification. Are there any other items to be removed from the Consent Calendar under item number five? There being none, I would accept a motion to approve.

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** REP. EATON: Move.

CHAIRMAN KURK: All of the items but for those two under item number five.

** REP. EATON: Move.

SEN. D'ALLESANDRO: Move the Calendar.

CHAIRMAN KURK: Moved by Representative Eaton, seconded by Senator D'Allesandro. Discussion, questions? There being none, you ready for the question? All those in favor, please indicate by saying aye? Opposed? The ayes have it and those items are approved.

*** {MOTION ADOPTED}

CHAIRMAN KURK: We turn now to item number 16-053, a request from the New Hampshire Fish and Game Department for authorization to accept and expend \$170,170 in Federal funds through June 30th, 2017, and subject to the approval of that to establish a Class 046 consultant position through June 30th, 2016. Is there someone from the Department of Fish and Game who can respond to questions? Good morning and welcome.

LAURA RYDER, Supervisor VI, Public Information and Conservation Education, Department of Fish and Game: Good morning, Representative Kurk, Members of the Committee. For the record my name is Laura Ryder, and I am a Supervisor in our Public Affairs Division for our education programs.

CHAIRMAN KURK: Thank you. Chair recognizes Representative Rosenwald for a question.

REP. ROSENWALD: Thank you, Mr. Chairman. Good morning.

MS. RYDER: Good morning.

REP. ROSENWALD: It's my understanding that the Department already has web based permitting or licensing and education

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courses. So it's just the amount of money to hire a vendor to expand your current capability seems high, and I just wonder if you could explain why it's so high?

MS. RYDER: Yes, I can understand the question. Basically, the current vendor that we work with, Kalkomey, has a product and a software solution that is very strictly and narrowly based for hunter education programs only. So the only on-line registration we have been able to offer since we began are for the very specific mandated courses for hunter ed. We have a wide variety of other programs that the public can take advantage of and that includes workshops that we do out on Owl Brook Hunter Education Center, all our angling education courses that go on. In addition, we also have registration that we would love to be able to set up for the wide variety of instructor training and volunteer training that we do. We utilize volunteers a great deal at the Department, and their efforts provide in-kind match to bring in dollars for projects such as this one.

Hum -- so we spoke with our current vendor in regards to being able to provide a more complex and robust system, and they said they could not provide that. And there was one small portion of it that they said they could do, and we looked at that and the price for what we were getting would have been what we considered to be exorbitant. So we started to look elsewhere, and we also at this time brought IT in to help us understand what we were asking for and, in fact, did this thing exist out there.

There were some other things that came into play that sort of spoke to the need of having this more expanded system, and if need be I can explain that. But, basically, IT told us that first we should try to do an RFI, which was to look out and see who's out there, which we did and we included our existing vendor in that RFI. What we got back were several different vendors, none of which could really provide what we were looking for. So we continued to look and we decided we were going to try to continue to go back out. But as IT sat with us and spoke in great detail about what we wanted and gave us their expert opinion on this, they felt that given the situation and we were

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asking for full integration with our licensing database, that we should go with our existing vendor, our licensing vendor, which is a different company. And the reason for that had to do with IT issues for privacy, security, et cetera. They felt at the time our existing licensing vendor is by far the best option and the one they would prefer.

REP. ROSENWALD: Just follow-up.

CHAIRMAN KURK: Follow-up.

REP. ROSENWALD: So in addition to the \$171,000 consulting fee, what are going to be the ongoing licensing costs to use whatever they build for you?

MS. RYDER: Well, that \$170,000 fee is through the end of this biennium. So the actual development costs that we would have for this system is \$97,500. The support and maintenance that would occur once you have the development done is the additional -- is the rest of that amount.

So let me just see if I can give you the specifics. Originally, and when these numbers were done we were looking for the \$97,500 in development costs, plus what the company had quoted us was an annual support and maintenance fee of 50,000 or, sorry, \$58,000 a year. Hum -- while we were going through the process of putting together this request, we were negotiating with them strongly in regards to a contract and told them that that was too high, and we were going to walk away because we simply felt that this was not within industry standards. But in the interest of time, we were feeling that that was probably the only thing we could put forward at this time to be able to get the funding with the timing that we're up against to try to get a new system in place. Since then, they have come back to us and the actual fee that they have knocked back to is \$37,200 a year. So it has been reduced as far as the cost for support and maintenance.

REP. ROSENWALD: Thank you.

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CHAIRMAN KURK: Senator D'Allesandro.

SEN. D'ALLESANDRO: Thank you, Mr. Chairman. So they're going to design something for us. They're going to maintain it. Now, is this an application that would be available to others or is this specifically designed for New Hampshire Fish and Game?

MS. RYDER: Well, we're designing it for our needs; but it's my understanding in talking a great deal with this vendor is they have -- they're quite capable, they really do things from scratch. So they're writing code. They didn't buy into an existing platform and then try to modify it. So what they're trying to do is literally look at our needs and say, okay, you know, we can design this for you. We can write the code. And they will sit with you and they will go over exactly what you want and design that. So I would say, yes, and most likely other agencies, et cetera, might be able to take advantage of this company. Having said that, their strongest base at this point is to design licensing databases specifically for fish and wildlife agencies.

SEN. D'ALLESANDRO: Further question.

CHAIRMAN KURK: Further question.

SEN. D'ALLESANDRO: If, indeed, they designed a program that had an application in another venue, we would -- we should be able to receive a benefit from that in the second and third sale, because it was designed for us. Do we -- are we going to own the code?

MS. RYDER: No. We will own the data, but we will not own the code.

CHAIRMAN KURK: You might consider discussing with them Senator D'Allesandro's idea. We get a percentage of all sales you make based on this. Seriously. And it comes in the form of reduction in our annual maintenance.

MS. RYDER: Okay.

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CHAIRMAN KURK: No cash out of their pockets, but a savings to the Fish and Game Department which as I understand it is looking --

MS. RYDER: Is a very big deal.

CHAIRMAN KURK: -- under the cushions for savings.

MS. RYDER: Yes.

REP. BARRY: I have a related question.

CHAIRMAN KURK: Representative Barry.

REP. BARRY: Thank you, Mr. Chair. Thanks for coming. A question on you said you did some serious negotiations with them and reduced the maintenance contract to 37 something. On Page 1 you have a contracted program services at 144. Does that go down to 37?

MS. RYDER: It would go down to 37 and a half, 37,200 times two. Whatever that figure is would be the actual total support and maintenance because it goes through and the next of the biennium, so.

REP. BARRY: So about half of 144?

MS. RYDER: Yes.

REP. BARRY: Thank you.

CHAIRMAN KURK: Is there -- is there a timing problem with this so that if it were to be tabled for approval at the next meeting that would create problems for you or delay things in a way that would be a problem?

MS. RYDER: Yes. And the reason for that is with our hunter education classes which are ongoing year round, we have people currently in the system taking classes. We originally were shooting for December, January for this to end. But with all of

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the different questions and all of the different balls in the air things just take time. So we looked for another window and we could effectively transition out of one vendor and to another without having the potential of losing data with people who are currently taking classes and getting registered. It's very hard thing to track.

So July was the next window for us to actually be able to launch this new vendor. And in our conversations with the existing vendor, they're willing to work with us in order to help this transition to happen. So if we don't do it by next July, then we are delayed -- probably delayed at least till next January. So it isn't an impossible thing to work with but it may be.

CHAIRMAN KURK: One other question. Are you going to cover your costs through fees that students pay or are these free courses?

MS. RYDER: For our mandatory classroom courses, they are free. With the exception of in the IFS there's instructors can charge up to \$5. That does not come to the agency. That's just to cover their costs for facility.

CHAIRMAN KURK: But there's no registration fee that you charge students which would offset the 30,000 -- \$37,000 fee.

MS. RYDER: No.

CHAIRMAN KURK: Representative Eaton. Sorry. Senator Little and then Representative Eaton.

SEN. LITTLE: Chairman Kurk's question might have sort of answered mine which was if the new system will generate cost savings for you or are you responding to a society that expects to be able to do everything from their Smart phones?

MS. RYDER: Could you repeat the question again, please?

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SEN. LITTLE: Will this save you any money having this on-line registration offsetting other expenses or are you simply responding to a society that expects to be able to do everything on-line these days?

MS. RYDER: It's a yes to both. Yes, we are responding. We've done some human dimension research using Plymouth State University and we have had the people that were surveyed asking for and wanting access through their Smart phones.

On the other hand, this particular integrated system isn't simply just to offer programs to the public and make it easy access, although that's a benefit. It's also to implement a new approach for recruitment and retention programs for the agency. There's an entirely new model out there developed by the Wildlife Management Institute that requires our ability to dig into our licensing database and query them very -- in a very complex way so that we can identify target audiences and reach out to them to ask them the specific kinds of training and support they would like from us and then to provide it. That is a more advanced method of recruitment, retention, and ultimately should have a positive impact on our licensing sales, both from the hunting education, as well as aquatic angler education side.

SEN. LITTLE: Thank you.

CHAIRMAN KURK: Representative Eaton.

REP. EATON: If you already answered this, I apologize, but kind of a dual question. You're getting the program, but I believe you stated that the vendor would do the maintenance. What is the annual cost for maintenance and has that been run by Denis at IT and has he put a stamp of approval on it?

MS. RYDER: What I know about IT to answer that question is that it is currently going before the directors as we speak. It was put into the system. If he's one of the directors, he'll be vetting that very soon. As far as the actual support and maintenance fee on an annual basis with no other things involved, the fee would be \$37,200 a year.

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CHAIRMAN KURK: Follow-up.

REP. EATON: Is the system going to be used to kill bobcats.

MS. RYDER: No, sir, it is not.

CHAIRMAN KURK: It's going to be supported financially by all of the revenue they're going to get from bobcats.

One other point. I'm sure you're going to put in the security feature so that the database is not hacked or much more difficult to be hacked and the various individuals who have given licensing information will have their privacy protected. I would also ask that you consider putting in whatever backup measures are required so that Ransomware and ransom demands, which seems to be increasingly popular these days, will not cause you to have to pay exorbitant sums to have access to your system. Representative Eaton.

REP. EATON: Mr. Chairman, since they're looking for July 1 and what's the date of the May meeting -- April meeting rather?

CHAIRMAN KURK: April 15th.

REP. EATON: April 15 would still allow for July since Representative Ober is --

CHAIRMAN KURK: Let's ask. If this were delayed to April 15th, does that eliminate the possibility of your meeting the July deadline?

MS. RYDER: There are two Governor and Council meetings in April; is that correct?

CHAIRMAN KURK: I don't know.

MS. RYDER: And this you're talking about is the first April Governor and Council meeting?

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CHAIRMAN KURK: No, we would act on this on April 15th. There's a member of the Committee who's not here today who is knowledgeable in this area and Representative Eaton wants to make sure that her input is obtained. So the question if this were tabled until our April meeting, would that mean that you cannot meet your July objective or could you still do it?

MS. RYDER: It's difficult for me to answer the question. I'm inclined to say that yes, it would; but I also, you know, know that there's all kinds of things in play and we may not be able to get to it until after that anyway. I mean, so --

REP. EATON: Mr. Chair, that's my other point. She said it's before the IT Council and has not really met their standard, and I really think it should have a seal of approval from the Director of IT before we make an approval. It's sort of putting the cart before the horse. So when it's appropriate and discussion is over, I'd like to move motion to table.

CHAIRMAN KURK: Further discussion? You're recognized for a motion.

** REP. EATON: Move to table.

REP. ROSENWALD: Second.

CHAIRMAN KURK: Seconded by Representative Rosenwald. If you're in favor of the motion to table, we'll indicate now by saying aye. Opposed? The ayes have it and the item is tabled. Thank you.

MS. RYDER: Thank you.

*** {MOTION TO TABLE ADOPTED}

CHAIRMAN KURK: Your comments were very helpful and very direct. I appreciate that.

MS. RYDER: Thank you.

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CHAIRMAN KURK: We turn now to Fiscal 16-055, a request from the Office of Professional Licensure and Certification for a variety of authorizations and for the approval of a full-time temporary Administrator I position and the establishment of a full-time temporary Administrative Assistant I position, both through June 30th, 2017. Is there somebody from that Board who can answer questions? Yes, I see we have folks here.

MICHELLE RICCO JONAS, Program Manager, Office of Professional Licensure and Certification: How are you?

CHAIRMAN KURK: Good morning. Chair recognizes -- excuse me. Could you identify yourselves, please?

KATHY CARR, Director of Administration, Department of Justice: Kathy Carr, Director of Administration for the Department of Justice.

MS. RICCO JONAS: Good morning. Michelle Ricco Jonas, the Program Manager for the Prescription Drug Monitoring Program.

CHAIRMAN KURK: Good to see you.

MS. CARR: Thank you.

CHAIRMAN KURK: Representative Rosenwald has a question.

REP. ROSENWALD: Thank you. So I understand this money is to make this system more robust. And, really, I just want to make sure that since we're going to be requiring pharmacies to upload data daily, instead of weekly, and we are going to require -- start requiring query of the database prior to prescribing schedule opioids by September 1st, I think, I just want to make sure that we are still on track to be ready for those fund finalities.

MS. CARR: Thank you.

MS. RICCO JONAS: Thank you for the question. We are in the process of working with DoIT on the amendment as we speak. It's

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been put forward to Health Information Designs, which is the vendor that we currently contract with. So we are in negotiation with the amendment right now so that those enhancements can go forward in order to meet the legislative requirements that are currently in law, as well as the other enhancements we identified.

The two handouts I provided to you shows the breakdown of funds at the Federal budget that we receive from the Bureau of Justice Administration. And then the second page you've probably seen more than a number of times but wanted to just show you as a reminder the list of the enhancements that we are working with with the vendor to do and which includes the interstate operability which was passed in Senate Bill 31, and then the -- as you just mentioned, Representative Rosenwald, going from weekly reporting to daily reporting. And then the other technical upgrades that actually came from the end users themselves which will help, hopefully, improve their utilization of the system.

CHAIRMAN KURK: Follow-up.

REP. ROSENWALD: So is that yes?

MS. RICCO JONAS: That's a yes.

REP. ROSENWALD: Thank you.

CHAIRMAN KURK: I wonder if you could tell us what data you have about individuals who are in the program? That is to say, the people who have had their prescriptions filled; specifically, name.

MS. RICCO JONAS: As far as? Oh, you mean the data that's being uploaded, the type of data that's being uploaded?

CHAIRMAN KURK: There's a statement in your submission on Page 3 that talks about a sub grant from the Department of Justice to maintain the program with a vendor which will combat prescription drug use and misuse by following -- allowing

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practitioners to review controlled medication data collected by licensed dispensers in a secure web-based program.

MS. RICCO JONAS: Yeah.

CHAIRMAN KURK: As an individual who might get a prescription from a pharmacy in New Hampshire as opposed to avoiding the issue by getting one over the web, what information about me as a purchaser of a prescription --

MS. RICCO JONAS: Hm-hum.

CHAIRMAN KURK: -- will be in the database that you plan to secure?

MS. RICCO JONAS: So your -- your first name, last name, middle initial if there's one provided, your date of birth, your address, your prescriber's name, their location, the prescription, the amount, the dose. I'm going completely off of memory here.

CHAIRMAN KURK: No, I'm only talking about information that identifies the individual.

MS. RICCO JONAS: It's basically your name, your date of birth and your address.

CHAIRMAN KURK: And you do not have Social Security numbers?

MS. RICCO JONAS: No.

CHAIRMAN KURK: Would you make sure that you have backup data or have backup -- that all of the data is backed up in a way that you can't be held for ransom?

MS. RICCO JONAS: I believe -- we work with, obviously, the DoIT and they as part of any of the contracting that we do, we refer to them to ensure that our vendor is following any of the requirements that the State requires.

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CHAIRMAN KURK: Just ask about Ransom.

MS. RICCO JONAS: That was the Ransom?

CHAIRMAN KURK: Ransomware is very popular these days.

MS. RICCO JONAS: We can make sure that we can include that.

CHAIRMAN KURK: Thank you. Yes, it could be very expensive for you to ransom this. Representative Weyler.

REP. WEYLER: Thank you, Mr. Chairman. So if the same person has five different prescriptions filled in five different places, does this point out that that has occurred?

MS. RICCO JONAS: Yes, this is what populates into the database.

REP. WEYLER: Thank you.

CHAIRMAN KURK: But this doesn't include prescriptions which people get over the Internet. It's only prescriptions filled by folks at New Hampshire pharmacies?

MS. RICCO JONAS: If -- any dispenser that is licensed in the State of New Hampshire. So if it's an out-of-state pharmacy that has a New Hampshire license and they are dispensing to people in the State of New Hampshire, they're required to be registered with the State of New Hampshire and report that information into our database.

CHAIRMAN KURK: So if I buy my prescriptions from India or Brazil?

MS. RICCO JONAS: Then no.

CHAIRMAN KURK: Okay.

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MS. RICCO JONAS: If they don't hold a New Hampshire dispensing license in the State of New Hampshire, we do not collect that data.

CHAIRMAN KURK: It's nice to know there's still a way to avoid Big Brother's database.

** REP. ROSENWALD: Shall I move approval?

CHAIRMAN KURK: Yes, you may. Thank you very much. Representative Rosenwald moves approval of this item, seconded by Senator Forrester. Further discussion or questions? Are you are ready for the question? All those in favor, please indicate by saying aye? Opposed? The ayes have it and the item is approved.

MS. RICCO JONAS: Thank you very much.

CHAIRMAN KURK: Thank you.

*** {MOTION ADOPTED}

(6) **RSA 490-F:7, III, Circuit Court Judges; Number:**

CHAIRMAN KURK: We now turn to item (6) on the agenda. This is Fiscal 16-056, a request from the Administrative Office of the Courts for authorization to convert an existing vacant full-time marital master position to a full-time judicial vacancy in the Circuit Court. Are there questions? There are. I have one. If there's someone from the Courts who could join us, I'd appreciate it. Good morning.

DONALD GOODNOW, Director, Administrative Office of the Courts, Judicial Branch: Good morning, Mr. Chairman.

CHAIRMAN KURK: Would you identify yourself, please, for the record?

MR. GOODNOW: My name is Don Goodnow. I'm Director of the Administrative Office of the Courts. Judge Kelly is here and

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Donna Raymond; Judge Kelly being the Administrative Judge of the Circuit Court, Donna Raymond has just distributed a document. She is the Fiscal Manager at the Administrative Office of the Courts.

CHAIRMAN KURK: Thank you. The question I have has to do with the statute which you cite on Page 1 of your submission. The position shall be converted to a full-time judicial position provided (A) that the Fiscal Committee approves, and further provided, (B), that sufficient funds have been appropriated for the salary and benefits of the full-time judicial position.

I thought that meant that you would have to have appropriated in the Judicial salary line a full amount for all of the judges you currently have there, plus the new one, and I wonder if that is the case or if you interpret this somewhat differently?

MR. GOODNOW: It is not the case, Mr. Chairman, and I do read the statute somewhat differently. To have followed that read of the statute, we would have had to go to the Legislature for the current biennial budget with a request to fund existing -- then existing marital master positions, and with a request to fund a full-time judicial position which didn't exist and was something of a phantom position. It didn't exist because the Fiscal Committee had not yet converted a vacant marital master position into a judicial position. We had no way of knowing that we'd be in the circumstance we are in now. So we did not request funding for what I'm referring to as a phantom judicial position. And I -- I would hazard a guess that such a request would not have survived the scrutiny of Division I or of House Finance because it would have been based on multiple contingencies.

CHAIRMAN KURK: So --

MR. GOODNOW: Speculation even. Excuse me.

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CHAIRMAN KURK: So your understanding is that as long as there's enough money in your budget, regardless of the line, that you can use that money for these conversions?

MR. GOODNOW: That's my read. In fact, the funds we would use don't come from just anywhere in the budget. If you look at the legislative intent, I think, of the two statutes referred to, really, we're not talking about judges as a separate group of people and masters as a separate group of people. It seems to me the Legislature intended that we be thinking more in terms of hearing officers. Some are judges and some are masters. So there are funds appropriated for marital masters which are now vacant. We can't fill those positions with marital masters because of the statute. So we turn to you for authority to convert those positions or one of those positions into a judicial vacancy, there being funds available for that. I acknowledge, as you say, those funds were appropriated for marital masters. But as I said earlier, we did not request funds for a phantom judicial vacancy.

CHAIRMAN KURK: So there's a difference in salary and benefits between the two positions?

MR. GOODNOW: Yes, there is.

CHAIRMAN KURK: Approximately how much?

DONNA RAYMOND, Fiscal Manager, Administrative Office of the Courts, Judicial Branch: On an annualized basis it is approximately 121,000, depending upon the benefit package the individual would actually select. That's in the upper left-hand corner of the spreadsheet where you see annual cost.

CHAIRMAN KURK: Got it.

MS. RAYMOND: For this Fiscal Year, because we are near the end of the Fiscal Year, I anticipate estimating around \$28,000 on a pro-rated basis.

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CHAIRMAN KURK: So when we do the next budget we are going to have, in effect, assuming all three marital masters get converted to judges, we are going to have an additional \$363,000 in the judicial salary line item and benefits.

MR. GOODNOW: If we could foresee that all three marital master positions were to be converted to judicial vacancies and then fill -- and then approved by this Committee, and then nominated by the Governor and confirmed by the Executive Council, yes. But the way the budget building process works is in the past, at least, we have not speculated that positions will become vacant. We have tried to deal with positions that we know will become -- will be vacant.

CHAIRMAN KURK: Thank you. Further questions? Thank you again.

MR. GOODNOW: Thank you.

CHAIRMAN KURK: Is there a motion on item number (6)?

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

CHAIRMAN KURK: Senator D'Allesandro moves the item, seconded by Representative Eaton. Questions? There being none, are you ready for the question? If you're in favor, please indicate by saying aye? Opposed? The ayes have it and the item is approved.

*** {MOTION ADOPTED}

HON. EDWIN KELLY, Administrative Judge, Circuit Court, New Hampshire Judicial Branch: Thank you very much.

MR. GOODNOW: Thank you.

(7) Chapter 275:1, Laws of 2015, Department of Corrections; Budget Footnote on Accounting Unit 8236:

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CHAIRMAN KURK: Turn now to item number (7) on the agenda, Fiscal 16-049, request from the Department of Corrections for authorization of a 100% General Fund appropriation for an additional \$509,500 for prescription drug expenses to cover projected shortfalls for the remainder of the State Fiscal Year. Is there someone from the Department who can answer questions?

HELEN HANKS, Assistant Commissioner, Department of Corrections: Yes.

CHAIRMAN KURK: Good morning.

MS. HANKS: Good morning, Mr. Chair, and Honorable Members of the Committee. My name is Helen Hanks. I'm the Assistant Commissioner for the Department. I'm going to try to talk loud. I'm suffering from a cold and I appreciate your patience with me today. With me is Paula Mattis, the Director of Medical and Forensic Services.

CHAIRMAN KURK: If you'll speak closer the microphone, you can speak more softly because your voice will be amplified.

MS. HANKS: Thank you.

CHAIRMAN KURK: There were a number of questions that folks had on this. Who would like to go first? Representative Rosenwald.

REP. ROSENWALD: Thank you, Mr. Chairman. Good morning. Can you just please tell me how often in the past Fiscal, during this Fiscal Year, Naloxone has been administered within a prison facility?

MS. HANKS: Certainly.

PAULA MATTIS, Unit Director, Division of Medical and Forensic Services, Department of Corrections: Thank you. We have this Fiscal Year administered Naloxone once.

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MS. HANKS: And, to clarify, that one time was at one of our transitional housing services which is what we had feared because of their community access.

CHAIRMAN KURK: Follow-up.

REP. ROSENWALD: Follow-up. So I ask that because you said you need to deploy it at the prison facility. And so I'm curious how somebody would get narcotics into the prison and be able to overdose.

MS. HANKS: Happy to -- unfortunately, happy to answer that question. We had a changed policy and practice. As an example recently, simply in our mail procedure, individuals who were introducing the contraband of Suboxone by melting the product down, coloring over the product, and getting it into our facility. We actually had to ban colorings coming into the mail, which is really unfortunate to families whose children are doing it in honest, forthright and sending it in and they would take that product and abuse it behind the walls. That's one example.

Contraband comes into our facilities, prison facilities nationally through visiting rooms. We are certainly surveilling those visits, but they do get creative about how those substances get into our facilities. And, in addition, individuals will carry it internally in their bodies if they know they're going to receive a parole violation. They'll swallow a bag of heroin or Fentanyl and we won't know they ingested it until, unfortunately, they're having -- they're using the product and we have to respond. Those are just some examples of how contraband enters the facility.

CHAIRMAN KURK: I believe you came before this Committee before and asked for, I think, a million and a half dollars for additional medical expenses. And we were told at that time that that was your last request for the year, and now we have another request.

MS. MATTIS: Yes, thank you. That was the last request for that particular class for those medical and dental expenses

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which were primarily provider payments. The request before the Committee today is simply for pharmaceuticals.

CHAIRMAN KURK: And that was not included in your prior request?

MS. MATTIS: That's correct.

CHAIRMAN KURK: Let's talk about funding this rather than an additional appropriation from our State Surplus, if there is any, for finding the money in your budget. You have a huge amount of money which you're spending on overtime. You saved some money because of lower electric rates, lower-priced utilities in terms of fuel and so forth. Why can't you simply ask for a transfer of funds from other items? I can't believe that you're going to wind up the year with a zero lapse.

MS. HANKS: We have looked at other budget lines across the whole of the Department and we have had some very significant unanticipated events that have occurred. Most recently, we had a transformer fail and we had to -- we don't have funds to pay those vendors. We are bringing the invoices and working with Admin Services on the result of that. We are looking at all of the budget lines and having to deal with the overtime issue within the Department. We do fear we may be at a break-even point for the Department at the end of the Fiscal Year. So we're watching every penny we're spending and it's unfortunate we're here today because of that.

CHAIRMAN KURK: My understanding is we have a constitutional obligation to provide a minimal level of medical and pharmaceutical services to inmates. Are you providing that minimum level or are your standards higher than that minimum level, minimal constitutional level?

MS. HANKS: We are providing the minimal constitutional level of care.

CHAIRMAN KURK: Could you get me some evidence that that is the case? That is to say that whoever provides your services,

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you contract out some of the medical and pharmaceutical services, that they are -- they are not following the same standards that one might get in a hospital, in a local hospital, but they're providing constitutional minimal services, medical and dental, excuse me, medical and pharmaceutical services to inmates.

MS. HANKS: Yes, sir. We will provide some examples to the Committee that demonstrate the level of care in a prison facility versus you in the community.

CHAIRMAN KURK: Representative Weyler.

REP. WEYLER: Thank you, Mr. Chairman. How often are people in transitional housing drug tested?

MS. HANKS: They're drug tested on a daily basis, and there's a minimum number of tests that have to occur. A minimum doesn't mean we don't do more than that. There are at least ten testings that occur at each site in a day.

REP. WEYLER: Follow-up.

CHAIRMAN KURK: Follow-up.

REP. WEYLER: Was this person that had to have the Narcan injection immediately sent back to the prison?

MS. HANKS: Yes. That individual actually needed hos -- excuse me, I'm sorry, I think I have a fever -- infirmary level of services and was remanded behind the walls for substance use treatment.

REP. WEYLER: Thank you. Thank you, Mr. Chair.

CHAIRMAN KURK: Mr. Lyons of the Department of Corrections testified in support of a bill that would have banned drone overflights for a variety of reasons. Do you have any reason to think that narcotics or other substances have been droned into the prison?

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MS. HANKS: We do suspect that individuals were attempting to use drones to drop such contraband. We don't have evidence of that. But we have concerns and there is information nationally demonstrating that drones are the new method in which they're dropping contraband into prison facilities.

CHAIRMAN KURK: So have you taken any measures to make sure that these drones are not successful?

MS. HANKS: Yes. Our perimeter and security, if they identify a drone, we lock down the facility immediately, get the clients out of the yard, and then we surveil. We certainly don't shoot the drone down, but we have some staff that are highly motivated to want to do that. But we control and we do not let individuals out until we surveil the property to make sure nothing has been dropped.

CHAIRMAN KURK: Have you thought about consulting the Department of Justice as to whether you have the legal right to destroy the drone?

MS. HANKS: We are in consultation with legal counsel on what we can do, absolutely. Thank you.

CHAIRMAN KURK: Thank you. Further questions? Discussion? I have a problem with this request. It may be that at some later date in the year we -- this has to be approved, but I would like to -- I would like to think that there is enough money that would otherwise lapse in a variety of accounts so that this does not need to be approved at this time. I just offer that as an opinion. I'm not -- I'm not ready to spend \$500,000 additional dollars for pharmaceuticals for the prison at this time but Representative Eaton.

REP. EATON: I guess I have to ask. Are we placing you, thereby placing us, in legal jeopardy or litigation jeopardy if this isn't approved?

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MS. HANKS: If we run out of funds and cannot purchase pharmaceuticals and we do not have the means within the existing departmental budget, yes.

REP. EATON: Follow-up.

CHAIRMAN KURK: Follow-up.

REP. EATON: What's your timeline for being out of funds?

MS. HANKS: If the Committee wants to either table or decline the item today, we have approximately, I believe, and I'll look to Paula to respond, two months' worth of funding to continue to pay for those. And I would add that the Department spent \$2.3 million last year and our funding was not on par with that so we knew we would be at a deficit.

CHAIRMAN KURK: Senator Forrester.

SEN. FORRESTER: Go ahead. Go ahead.

CHAIRMAN KURK: Senator D'Allesandro.

SEN. D'ALLESANDRO: As I understand it, there's a particular individual who's involved and to follow-up on Representative Eaton, does this place that individual's life in jeopardy and does -- does that responsibility fall upon the State, you know, based on the constitutional right of this individual to receive -- to receive care even though that individual is incarcerated?

MS. HANKS: Yes, we have individuals who are meeting the threshold for intervention for Hepatitis C treatment; and if you do not allow us to buy the pharmaceuticals, we will need Black Law statement individual will suffer adverse medical outcomes.

CHAIRMAN KURK: Senator Forrester.

SEN. FORRESTER: Thank you, Commissioner. I seem to recall during the budget process we had a discussion about this -- this

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particular type of medication for the Hep C and that you were directed at that time to come to Fiscal if you needed the funds for this; is that correct? Do I remember that right?

MS. HANKS: That is correct.

CHAIRMAN KURK: Further discussion. Is there a motion?

** SEN. D'ALLESANDRO: I move the item.

SEN. FORRESTER: Second.

CHAIRMAN KURK: Moved by Senator D'Allesandro, seconded by Senator Forrester. Discussion? There being none, you ready for the question? All those in favor please indicate by saying aye? Opposed?

CHAIRMAN KURK: No.

SEN. PRESIDENT MORSE: No.

REP. WEYLER: No.

CHAIRMAN KURK: May I see a show of hands. All those in favor, please raise your hand. Those opposed? The motion carries 5-4.

*** {MOTION ADOPTED}

MS. HANKS: I thank you Members of the Committee and I appreciate your patience and concerns as expressed today, and I'm going to put myself to bed now.

(8) Chapter 276:29, Laws of 2015, Department of Transportation; Transfer of Funds:

CHAIRMAN KURK: We turn now to agenda item (8), Fiscal 16-037, request from the Department of Transportation for authorization to transfer \$35,000 between Turnpike Fund accounts and classes through June 30th, 2016. Is there a motion?

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** SEN. D'ALLESANDRO: Move it.

CHAIRMAN KURK: Senator D'Allesandro moves, seconded by Representative Weyler. Discussion? Senator Little?

SEN. LITTLE: No.

CHAIRMAN KURK: Are you ready for the question? All those in favor, please indicate by saying aye? Opposed? The ayes have it. The item is approved.

*** {MOTION ADOPTED}

CHAIRMAN KURK: We turn now to 16 -- Fiscal 16-050, a request from the Department of Transportation for authorization to establish a non-budgeted class and transfer \$289,000 in Federal funds in and among accounting units through June 30th, 2016. Is there someone from the Department of Transportation who could answer a question? Ha, our favorite duo.

MR. HERLIHY: I will attempt to answer the question. How's that?

CHAIRMAN KURK: Could you identify yourselves for the record.

MR. HERLIHY: I don't know if I want to get too close to this microphone now. Again, my name is Patrick Herlihy, Director of Aeronautics, Rail, and Transit at the Department of Transportation.

MS. MULLEN: And Marie Mullen, Director of Finance.

CHAIRMAN KURK: Thank you. This is -- basically is for cameras and other security devices at State-owned facilities.

MR. HERLIHY: Yes.

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CHAIRMAN KURK: But it's really for the benefit not of the State, but of the one user of those facilities, the bus company. So why is it that it's the State that is buying this equipment when it's the tenant, so to speak, who needs it and wants to use it?

MR. HERLIHY: Thank you for the question, Representative Kurk. I would argue that it's not only for the benefit of the terminal operator, but it's for the benefit of the citizens of the state and the travelling public as well to make sure that their vehicles are safe and secure and they are safe and secure within a Park and Ride facility.

CHAIRMAN KURK: But this only applies to those Park and Ride facilities which have bus terminals.

MR. HERLIHY: That's correct, because the funding we have is from the Federal Transit Administration. It can only be used for facilities that have transit services.

CHAIRMAN KURK: So I understand we are only going to protect those citizens who use buses and not citizens who use non-bus Park and Rides?

MR. HERLIHY: The non-bus Park and Rides are not in my purview, and we'd certainly be glad to put cameras up if you'd like them.

CHAIRMAN KURK: Nice shot.

REP. EATON: Very well done.

CHAIRMAN KURK: Seriously, why can't the bus company pay for this?

MR. HERLIHY: Well, we originally anticipated doing that. Well, the bus company wasn't going to pay for it. They operate the facilities for us. They maintain the facilities, but the facilities are ours. We own them. The equipment in those facilities are ours. We own them. What we originally planned on

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doing was passing the money through our contracts with those terminal operators and have them do all the specs and the bids and all that work.

Subsequent to that, our Transportation System's Management and Operation Bureau that operates our Transportation Management Center where all this -- all the data would be received and fed, is also doing the same exercise converting their cameras along the highways and bridges from analog to digital which is what we are doing here. They asked us for the sake of having a standard way to do this, and all the specifications to be the same that we would just piggy-back onto their project. That's why we wanted to transfer the money. We would still own the cameras, even if we went through the terminal operators. We would just have them do the work, but instead we are going to piggy-back on a contract that TSMO already has to do this on behalf of the State.

CHAIRMAN KURK: Thank you. Further questions? There being none, thank you again.

MR. HERLIHY: Thank you. That was better than the last time.

CHAIRMAN KURK: Is there a motion?

** REP. EATON: Move.

CHAIRMAN KURK: Moved by Representative Eaton, seconded by Representative Weyler that we approve Fiscal 16-050. Further discussion or questions? There being none, are you ready for the question? All those in favor, please indicate by saying aye? Opposed? The ayes have it and the item is approved.

*** {MOTION ADOPTED}

CHAIRMAN KURK: We turn to Fiscal 16-051, another request from the Department of Transportation for authorization to transfer \$255,100 between Highway Fund accounts and classes through the end of this Fiscal Year. Is there a motion?

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** REP. WEYLER: Move to approve.

CHAIRMAN KURK: Representative Weyler moves to approve, seconded by Senator D'Allesandro. Discussion? Questions? There being none, you ready for the question? All those who are in favor, please indicate by saying aye? Opposed? The ayes have it and the item is approved.

*** {MOTION ADOPTED}

MR. HERLIHY: Thank you again.

MS. MULLEN: Thank you.

(9) **Chapter 276:143, Laws of 2015, Department of Health And Human Services; 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:**

CHAIRMAN KURK: We turn now to item -- agenda item (9), Fiscal 16-057, a request from the Department of Health and Human Services for authorization to begin a very significant new program, in rough measure, \$30 million for current biennium. And I'm not going to read all of the parts of this particular request. And I want to thank the Commissioner and Miss Rockburn for being available to answer questions.

MR. MEYERS: Mr. Chairman.

CHAIRMAN KURK: Commissioner.

MR. MEYERS: If it's helpful, I would just ask to take maybe two minutes to just highlight three very important aspects of what this is and what this is not, if that might be a helpful way to begin. Otherwise, I'd be happy to just answer questions that the Committee has.

CHAIRMAN KURK: You're certainly welcome to make that brief presentation.

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MR. MEYERS: Thank you. I want to make three points. This program is a demonstration project that does not replace Medicaid and it does not change our State Plan. We are not establishing new services in the State of New Hampshire under this waiver. This is a demonstration project only for a five-year period. It sits on top of Medicaid, and it delivers services that are not traditionally paid for or supported by Medicaid.

One example is that Medicaid does not pay for supported housing, for example, for recovering drug addict that's coming out of a residential treatment program or New Hampshire Hospital or another inpatient facility and going back into the community. Medicaid doesn't pay for that today. It will pay for it under this waiver.

Secondly, this money is not a grant. It's a performance-based award that has to be earned by the State of New Hampshire, particularly starting in year three. So CMS recognized that in the first two years of the program for Calendar Year 16 and Calendar Year 17 that we first had to establish the delivery networks. These aren't new networks, by the way. These are existing providers in the State of New Hampshire, but providers who are going to work together now in new ways, who didn't work together before. So they can provide services in a different way under a different payment model.

So starting in year three, the money has to be -- there's some money at risk; first 5%, then 10%, and lastly in the last year 15% of the money. And if the State doesn't meet certain outcome measurements, we can talk about those if you have questions, or if the delivery networks don't meet those performance measurements, then we won't earn as much money.

The third point I want to make is about the programs and the outcome measurements. Those were not established upfront. It was vital to the Federal Government, and we agreed that what we established for programs and what we established for outcome measurements receive stakeholder input. And so this was designed

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for the State to come forward as we have and in your packet is a PowerPoint presentation that describes our proposal. I've been going across the State last week and this week, from the North Country where I was last night, to Nashua and to the Seacoast and so forthwith, my colleagues at the Department, you know, basically talking about our proposal. We are receiving public comment now on the programs and on the metrics that have been proposed, but those won't be finalized until we get that public feedback and we review it and then we submit it again to CMS for -- for approval.

I'll make one more point about the project and the metrics. There will be some required projects and then there will be some optional projects. There will be required projects because there are going to be metrics the State has to establish in order to keep earning the money. We want to ensure that these delivery networks are working in the areas that are the focus of the waiver in terms of capacity building for behavioral health, integration of behavioral health with primary care and these care transitions that I referred to a moment ago. And then on the metrics, we've proposed a series of metrics that I can highlight when we get to that point in the conversation and we are getting very good feedback about that now.

Clearly, there are local conditions that will influence some of the optional projects that the delivery networks will be allowed to go forward with, and so we want to make sure there's flexibility there. Not all of this is fully cooked yet, if you will, because we want to ensure that there's local input so that this money addresses local needs, which can vary from the North Country to the Seacoast and to the Monadnock Region and so forth. So that's what I'll say at the beginning, and I'll stop there and I'm happy to answer any questions that you have.

CHAIRMAN KURK: Thank you, Commissioner. Questions from Members? So you want me to start? Okay.

First, will this money be used to acquire any physical assets? And, if so, who owns them.

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MR. MEYERS: No. This money cannot be used for -- well, with one exception. Largely, no, this money can't be used for capital expenditures. We can't buy beds. We can't build buildings. The very limited exception to this rule is IT infrastructure. So we received approval under the terms of our waiver to spend up to 65% of the first year monies, so about \$19½ million to do what we call a capacity building. So that once the delivery networks are identified, which we hope to be by July 1 or thereabouts, that 65% can go out right away so that these networks can start planning for the delivery of the services and they can create the IT connections that may be needed among themselves in order to be able to track the patients and track the outcome measures and so forth. So to train staff, to cross train staff, that is referred to loosely as capacity building funds. There will be some limited permissible purchase of IT equipment in order to do this program.

CHAIRMAN KURK: Not the full 19 million?

MR. MEYERS: No, no, no, no. I don't know what the budget is going to be yet for that. That will be developed.

CHAIRMAN KURK: Second question. This program assumes that certain budget expenses continue. For example, the \$20 million nursing home funding. What would happen if --

MR. MEYERS: You talking about our Medicaid budget for nursing services?

CHAIRMAN KURK: Number 8, Page 3, County Nursing Home Medicaid Services, \$20 million of which you're getting --

MR. MEYERS: Oh.

CHAIRMAN KURK: -- credit for 10 million. Let's assume in the next budget we zero that out. We shift the entire burden to the Counties and the State -- and the Block Grant and so the State is not going to take -- make any of these payments. What happens?

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MR. MEYERS: Yeah. Nothing. It won't affect the waiver because the money that we're matching is not being matched today. There are County expenditures for Medicaid-eligible patients taking place at County-owned and run nursing homes that have never been matched by Medicaid and that's the -- that's the money that we are getting matched now. So the State Budget doesn't impact that.

CHAIRMAN KURK: Okay. Let's assume the Counties decide to get out of the nursing home business because they're not mandated to provide nursing homes.

MR. MEYERS: Yes.

CHAIRMAN KURK: And smarter Counties are recognizing there's a lot of money to be saved by getting out of that business. Let's assume that there's not enough money in that line? What happens?

MR. MEYERS: Well, what we would do is CMS is able to match any health care. They are willing to consider, I should say, matching any State or local health care expenditure. So if for some reason in year two the Counties, as you say, got out of the nursing home business completely and were spending zero dollars so that that -- that pot of money, if you will, was not available anymore for match, we would look at other County expenditures that are health related. We would look at local health expenditures, like city welfare office expenditures and so forth, and other health spending in the State of New Hampshire that would be otherwise considered for match.

CHAIRMAN KURK: So you're saying, in effect, that no matter what happens to the State Budget you will be able to find sufficient expenditures that qualify for the Federal match?

MR. MEYERS: I would phrase it a little bit differently. I would say that, you know, clearly, we would look to identify other sources of funds of health care spending that are now not eligible for match that are being made at the State and local level for match. For example, what if in the next budget General

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Fund spending for the Governor's Commission on drug and alcohol abuse is increased? Let's just say for the sake of discussion it's increased by a million dollars from what it is today. I can then go back to CMS and say we've got some additional General Fund spending that's now not matched. Can we match that now and that would be considered for the match.

CHAIRMAN KURK: So this program could grow or shrink depending upon the --

MR. MEYERS: We are not anticipating it's going to grow. What we are going to do is manage it to maintain the \$30 million level over the five-year period. That's the authorization level the Government has granted.

CHAIRMAN KURK: Let's assume that at some future time the Legislature decides that the outcomes are not worth the investment.

MR. MEYERS: The Legislature or the Government?

CHAIRMAN KURK: The Legislature decides this.

MR. MEYERS: Yes, yes.

CHAIRMAN KURK: Can we get out of the program or if we accept the first year's money are we locked into the five-year program?

MR. MEYERS: No, no, we are not locked into the five-year program. The item before you, as you've mentioned, is only for funds that would otherwise be available under the waiver for this biennium that we are in today. And I recognize the Department will have to come back before the Fiscal Committee in the future for accept and expend with respect to funds in the next biennium. So there's nothing in the approval that locks us in. The program could be -- it's a demonstration project so it could be ended earlier.

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CHAIRMAN KURK: Okay. Your submission says you're going to put this program in the budget for 18-19.

MR. MEYERS: I'll let the CFO address why.

MS. ROCKBURN: Right. To clarify that, Fiscal only has the approval to accept within the current biennium. So our plan would be during our next 18-19 agency phase of the budget, we would have the discussion really with Admin Services and the Governor's Office. But what we've normally done for grants is include them as part of the standard 18-19 request which we've done in prior years with grants.

MR. MEYERS: Right. So these would go, stand corrected if I'm wrong, these would be in a line for the acceptance of Federal funds in the next budget process.

CHAIRMAN KURK: Thank you. I'll relinquish my time for others.

REP. WEYLER: Representative Barry.

CHAIRMAN KURK: Representative Barry.

REP. BARRY: Thank you, Mr. Chair, and thank you for coming.

MR. MEYERS: Good morning, Representative. Thanks.

REP. BARRY: Question about retroactivity. Why we being asked to approve this retroactively?

MR. MEYERS: The Federal approval of that waiver was effective on January 5th and so there's some admin expense that started being incurred at that point. We hired a consultant to help develop the proposal. We want to be able to be able to use waiver funds so we can reimburse General Funds that were used for that expense.

REP. BARRY: Thank you. Second question.

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CHAIRMAN KURK: Follow-up.

REP. BARRY: No, different question.

CHAIRMAN KURK: Sure.

REP. BARRY: Help us with the outcome measurements you said you talked about.

MR. MEYERS: Sure. If you look on Page 24 of the PowerPoint presentation, we can spend a moment on that. The page numbers -- it's black and white. I apologize, but they're on the top right. So, for example, let me just give a few examples and if there's anything that you'd like to question particularly, I'm happy to address those.

We know today that there's a crisis in hospital emergency departments across the state on any given day and I get an e-mail about 8 o'clock every single morning that I look at very carefully that identifies for me the number of individuals, both children and adults, who are waiting for admission to New Hampshire Hospital or another designated receiving facility. So given the fact that we are trying to focus \$30 million a year on increasing capacity, and increasing community supports, and care transitions and so forth for behavioral health, one of the outcome measurements that we want to look at for a statewide metric is a reduction in readmissions of individuals with co-occurring behavioral health conditions and the reduction of individuals who are awaiting for admission for inpatient services at New Hampshire Hospital. That's very important to us. And I can go through all of these if you like me to, but that will give you an idea about what we are focusing now.

CHAIRMAN KURK: Representative Barry, do you have a follow-up?

REP. BARRY: No, I don't.

CHAIRMAN KURK: Representative Weyler.

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REP. WEYLER: Thank you, Mr. Chairman. Is this the first time we're measuring these things, the readmissions and so forth?

MR. MEYERS: No. I mean, we've been tracking this for some time. But we're measuring now in a different and new way because we are trying -- as I said, this is a demonstration project. This is a project that the Secretary of Health and Human Services of the United States has determined is worthwhile, and they're making an investment in New Hampshire to see how we can achieve better outcomes for individuals with behavioral health challenges. And so there are new ways of looking at and tracking and measuring outcomes given the focus that we are trying to apply here. Because what we are doing is -- is standing up new ways of delivering service and some new services that are not now being provided by our Medicaid program.

REP. WEYLER: I bring up that question because I rarely see outcomes from the Department. Thank you.

MR. MEYERS: Okay.

REP. BARRY: I do have --

CHAIRMAN KURK: Representative Barry.

REP. BARRY: Thank you. Just the one. Has the Department's Committee of Health and Human Services seen this presentation, this proposal, and agreed to it?

MR. MEYERS: Have they agreed to it? I presented on it in front of them. It was not submitted for a vote.

** REP. EATON: Move approval.

CHAIRMAN KURK: Not quite.

REP. EATON: It was worth a shot.

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CHAIRMAN KURK: Are you in a position to give us a detailed list of the outcomes, the outcome measures that you're proposing, A, for the State, and that you would anticipate and urge the various IDN's to come up with? And I ask that because you're asking us to make a \$150 -- a \$150 million commitment, admittedly \$30 million in the first phase.

MR. MEYERS: Right.

CHAIRMAN KURK: And it sounds from the reading like it's all process. What are we getting for my \$150 million in taxes? That's what this is. We're taking \$150 million, it happens to be Federal, so it's my left pocket rather than my right pocket, but we're spending 150 million Federal dollars and you haven't told us what we're going to get from this.

MR. MEYERS: Well, I would differ with that characterization. We are telling you in this. We've held ten sessions around the State of New Hampshire explaining to providers and to the public what role this waiver is going to --

CHAIRMAN KURK: Commissioner, I'm not talking about outputs. I'm talking about outcomes.

MR. MEYERS: And I am talking about it, too. So what I said at the outset I want to repeat again, because maybe I wasn't clear. We have not established as of today every single outcome measure that is going to be used for this program, because the Government requires that we get local input into those outcome measures, and that's the process that we're engaged in today. The -- I can distribute to you a more detailed paper that's about this thick that is out there for public comment today as well and that includes a more detailed analysis of some of the proposed outcome measurements. And I think I have that -- I think I have that with me and I can leave it with the LBA.

CHAIRMAN KURK: That would be very helpful, and any other detailed suggestions, for example, that you might have with respect to what some of these IDN's are going to come up with for outcome measures.

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MR. MEYERS: Right.

CHAIRMAN KURK: For \$150 million I thought -- I would hope that we are getting something more than reduced times for services being provided.

MR. MEYERS: Yeah.

CHAIRMAN KURK: So --

MR. MEYERS: I do want to mention, if I may, that we are holding an additional public information session on this program in Concord and it's -- I've got to get back to you on the date. But we're doing it from 2 to 4 in the afternoon on a Monday so that individuals who might not otherwise have been able to attend any of these sessions can attend as well. It's going to be held, I believe, at either our auditorium at Brown or up at the Public Health auditorium on Hazen Drive, and I'll make sure the Committee is notified of that time and date.

CHAIRMAN KURK: Thank you. Representative Barry.

REP. BARRY: Thank you, Mr. Chair. Given the fact that this is retroactive, you're asking for information, and you're asking us for approval and there's considerable information that we haven't had a chance to review, if we table this motion would it slow down your implementation of it?

MR. MEYERS: It would absolutely not only slow it down, it would impair our ability to move forward. There's an opioid crisis in the State of New Hampshire, Representative, and this money is going to be used. We are trying to get this money out as quickly as we can so that these networks are able to start delivering services this year.

One of the statewide projects that we're requiring is an integrated model of health care, including a behavioral health home or opioid health home so that these new networks can start delivering services to people who are impacted by the crisis in

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New Hampshire. And so I would strongly -- I'd be very concerned if this were delayed at all.

CHAIRMAN KURK: Commissioner, I thought you were already in the process of implementing this? You scheduled meetings, not just public information meetings. You're having these IDN groups get together.

MR. MEYERS: Right, right, and that's the required process. We are targeting to get the money out on the streets starting July 1st, but we can't do so if this continues to be delayed. We can't start claiming -- the process of claiming the funds from the Federal side. I've got a whole other process to go through on the Federal side to be able to access funds, and I can't start that process until I get approval to accept and expend on this end.

CHAIRMAN KURK: I appreciate that, but you're asking us to make a commitment. You submitted a document which we, obviously, haven't read, and I certainly am not in a position to vote in favor of this without knowing what I'm buying -- what I'm getting for my \$150 million. And if that delays it for a month, I'm sorry; but I have a responsibility to know before I vote on what the outcomes of this are going to be. That is me personally. Senator Forrester.

SEN. FORRESTER: Thank you, Commissioner. I, as you know, I attended the one presentation you did.

MR. MEYERS: Yes.

SEN. FORRESTER: My understanding --

MR. MEYERS: Yes.

SEN. FORRESTER: -- that this money we are talking about here is solely for planning. It's not standing up any services. I didn't think services, from what I recall the other night, would actually start a year or two from now.

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MR. MEYERS: No, absolutely not. No. The services are starting this Calendar Year and that's the commitment we have made. I think I said at the session that the Federal Government wanted us to take a year to do the planning process, and we pushed back and said no. We have an opioid crisis in New Hampshire. We are trying to implement our Community Mental Health Agreement. We have a number of capacity issues and Substance Use Disorder services in the State of New Hampshire, and the Government is allowing us to go forward. I -- you know, this would have a material impact on our ability to move this program forward if this were delayed a month. And the Committee will take whatever vote it takes, but the Department would certainly not favor any delay in this.

CHAIRMAN KURK: Representative Barry.

** REP. BARRY: I'd make a motion to table.

CHAIRMAN KURK: Is there a second?

REP. WEYLER: Second.

CHAIRMAN KURK: Moved by Representative Barry, seconded by Representative Weyler that we table this. Are you ready for the question?

REP. ROSENWALD: Roll call, please.

CHAIRMAN KURK: Roll call. Clerk will call the roll. The motion is to table.

SEN. FORRESTER: Could we have a second?

CHAIRMAN KURK: We'll stand in recess for three minutes.

(Recess taken at the 12:03 p.m.)

(Reconvened at 12:11 p.m.)

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CHAIRMAN KURK: Committee will come out of recess. The motion before us is to table by Representative Barry. Are you ready for the question?

REP. ROSENWALD: Roll call, please.

CHAIRMAN KURK: Roll call has been requested. Clerk will call the roll on the motion to table it.

REP. WEYLER: Representative Kurk.

CHAIRMAN KURK: Yes.

REP. WEYLER: Representative Eaton.

REP. EATON: No.

REP. WEYLER: Representative Weyler votes yes.
Representative Barry.

REP. BARRY: Yes.

REP. WEYLER: Representative Rosenwald.

REP. ROSENWALD: No.

REP. WEYLER: Senator Forrester.

SEN. FORRESTER: Yes.

REP. WEYLER: Senator Little.

SEN. LITTLE: Yes.

REP. WEYLER: Senator Morse.

SEN. PRESIDENT MORSE: Yes.

REP. WEYLER: Senator D'Allesandro.

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SEN. D'ALLESANDRO: No.

REP. WEYLER: Vote is 6 to 3.

CHAIRMAN KURK: Six having voted in the affirmative, three in opposition, the motion carries. This will be tabled.

*** {MOTION TO TABLE ADOPTED}

CHAIRMAN KURK: We will bring this up at a Special Meeting to be held Friday, April 8th at 10 o'clock and that will be the subject of this. Commissioner, can you make sure that you notify us of that Concord session?

MR. MEYERS: I do. I believe it is Monday the 28th from 2 to 4 in the afternoon, and I just need to confirm the location, and I will do so today. So an e-mail will go out to everybody. We'll post it on our website as well.

CHAIRMAN KURK: Senator Forrester.

SEN. FORRESTER: Thank you, Commissioner. Just so everyone understands, the Commissioner said that this -- we could do this and come back on April 8th and this wouldn't cause any concerns. I think it's important for some of the folks on this Committee who haven't seen the presentation get their questions answered. I think that's legitimate so I appreciate the compromise.

MR. MEYERS: Understood, and thank you for your support.

CHAIRMAN KURK: One other point the Commissioner mentioned was that the approval needs to be retroactive to the original January date.

MR. MEYERS: January 5.

CHAIRMAN KURK: Thank you, Commissioner.

MR. MEYERS: Yep.

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CHAIRMAN KURK: Miss Rockburn.

(10) Chapter 276:198, Laws of 2015, Department of Safety;
Transfer Among Accounts:

CHAIRMAN KURK: We now turn to -- we now turn to item (10) on the agenda, Fiscal 16-054, request from the Department of Safety for authorization to transfer \$124,660 in Federal funds within accounting units through June 30th, 2016. Is there a motion?

** REP. EATON: Move approval.

CHAIRMAN KURK: Representative Eaton moves. Senator Little seconds the approval of 16-054. Are there questions? Discussion? Are you ready for the question? All those in favor, please indicate by saying aye? Opposed? The ayes have it and the item is approved.

*** {MOTION ADOPTED}

CHAIRMAN KURK: There is -- there are informational items before we get to the audits. And I do have a question on the Department of Health and Human Services Dashboard, unless the Commissioner has already left. He has.

SEN. D'ALLESANDRO: I'm not sure he has gone that far. Miss Rockburn is here. Oh, there --

CHAIRMAN KURK: On the Dashboard. Commissioner, could you answer some questions about the Dashboard?

MR. MEYERS: Of course, we could. Sure.

CHAIRMAN KURK: Okay. First, let me thank you for the Dashboard. It is an improved version of what's happened in the past.

MR. MEYERS: Okay, thank you.

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CHAIRMAN KURK: The English language explanation at the beginning was very helpful. However, that has led to some questions now you can understand it.

MR. MEYERS: Sure, sure.

CHAIRMAN KURK: Sununu Youth Services Center. There seems to be an understanding by the Department that's different from at least mine with respect to the Center. My understanding is that the funding for the Center must be reduced by \$1.7 million in this Fiscal Year. It's not a question of saving a million seven hundred thousand somewhere else in the budget. The statute -- the specific section of the statute that dealt with this requires that the funding, the appropriation for this Department be reduced. It's not a question of saving money. It's a reduction of --

MR. MEYERS: Right.

CHAIRMAN KURK: -- 1.7 this year and I believe it's 3.5 next year.

MR. MEYERS: Or 3.4, right.

CHAIRMAN KURK: But that's not what I read your statement to say. And I'm concerned that there's going to be a problem. You seem to say the Department anticipates that the reduction will be from funds that would otherwise lapse, and I don't understand what that means.

MR. MEYERS: Well, and maybe there's a misunderstanding that we need to clarify. If, in fact, the budget, House Bill 2, states that we have to reduce the operating line by that amount of money, then that would pose a significant issue for '16. In that case, if that's in fact what the budget says, and I'm not disputing that, then we would look somehow to be able to restore that. I don't know how we continue to cut on a facility that was budgeted for about 35 or 40 youth to be there. We've got now an average census of 70 youth and with increasing staff requirements in order to sustain coverage appropriately for 70

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youth and so I'm concerned about that. It's been my intention to cover the 1.7 with lapse.

CHAIRMAN KURK: But I think that is not what the statute requires you to do. And if you need to have the statute changed, I'm sure you'll figure out a way to do that. But, in the meantime, I'd like to suggest that you consider what at least was discussed by the folks who in the House who developed that.

MR. MEYERS: Yes.

CHAIRMAN KURK: You consider privatizing. Excuse me, not privatizing but consider outsourcing these individuals to other institutions. I understand that there are a lot more of them than you had anticipated and we're not quite clear why that's happening.

The other thing that you might consider doing is looking very carefully at the education expenses which are astronomical on a per pupil basis, both in terms of the salaries paid to the individuals, the number of pupils that they actually tutor or have in classes.

MR. MEYERS: Correct.

CHAIRMAN KURK: And that there are significant reductions that could be made in that area and still live within the budget. I'm just bringing this up because the Dashboard represents a very different interpretation of what I thought the statute said.

MR. MEYERS: I understand, and I'll go back and we will address that. I will note for the record that I think the reason the census has virtually doubled is due to the fact that we've changed the age of majority and that's the impact that it's having.

CHAIRMAN KURK: That certainly plays a role, but there's also a question of the number of judicial referrals for the under 17 group and how that has changed.

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MR. MEYERS: That may be a factor as well, yes.

CHAIRMAN KURK: Representative Eaton.

REP. EATON: He just answered what I wanted. Thank you.

CHAIRMAN KURK: That was the question that I had on that. Are there other questions on the Dash Board? There being none; thank you, Commissioner.

MR. MEYERS: Thank you.

(11) **Miscellaneous**:

(12) **Information Materials**:

CHAIRMAN KURK: Are there any other questions from Members about any of the other informational materials? Good. We now turn to the audits.

AUDITS:

CHAIRMAN KURK: The first one is from the Public Utilities. It's on the Public Utilities Commission, its Financial Audit for the nine months ended March 31st, 2015. Chair is delighted to see Mr. Smith again.

MR. SMITH: Thank you, Mr. Chairman. Again, for the record, Steve Smith, Director of Audits for the LBA. This is the Public Utilities Commission annual financial -- excuse me -- Financial Audit Report for the nine months ended March 31st. Pam Veeder is joining me at the table. She was the Audit Manager on this job. And also representing the Commission is our Chairman, Martin Honigberg and Executive Director Debra Howland. I'll turn over to Pam to walk you through the audit.

PAM VEEDER, Senior Audit Manager, Audit Division, Office of Legislative Budget Assistant: Good afternoon, Mr. Chairman, Members of the Committee. For the record, my name is Pam Veeder.

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As Steve said, we're here this afternoon to present the results from the financial audit of the Public Utilities Commission for the nine months ended March 31, 2015. My plan is to use the Table of Contents to give you a quick tour of the report, followed by a summary of each of the eight audit comments. The Table of Contents is -- Table of Contents is at Roman I. And as you can see, the report starts with the intro section that provides some background on the Commission and also includes our Audit Objectives and Scope, followed by the Constructive Service Comments section which holds the audit comments.

There were seven Internal Control comments, none of which were considered material weaknesses and one Compliance comment. And as indicated by the star on the Compliance comment, that comment suggests legislative action may be required.

As noted in the response that follows, each audit comment in the body of the report, there was full concurrence with six of the eight comments, and I will circle back to those comments in just a bit.

The next section in the Table of Contents is the financial section that holds the Independent Auditor's Report, also called the Auditor's Opinion. Also includes the financial statements, of course, notes and schedules. The Audit Scope included two opinion units; the Governmental Fund used for those amounts accounted for in the General Fund, and the Fiduciary Fund used for those amounts accounted for in the Electric Assistance Program Utility Fund.

Our opinion on the General Fund financial statement presentation was qualified due to the absence of a balance sheet. And our opinion on the Electric Assistance Program was unqualified, also commonly referred to as a clean opinion.

In the last section on the Table of Contents is the current status of the audit findings from our 2003 financial audit of the Commission and that is located at the Appendix. And if you would turn to the Appendix now, you will see a high degree of resolution of the prior findings with eight fully resolved and

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one substantially resolved. And we do commend the Commission on its attention to a resolution of those prior findings.

Now if you would flip back to Page 6 for the start of the current audit comments. One thing I do want to note before I move into the findings is that overall we found the Commission's financial operations to be organized, controlled, and generally in good shape.

Okay. Now into Observation No. 1. This Observation speaks to the need for the Commission to establish a formal risk assessment process supported by policies and procedures. And while the Commission employs informal risk assessment procedures as described in the Observation, we recommend formalizing the process due to the -- due to the critical nature risk assessment can play in managing operations.

On Page 7 is Observation No. 2 that applies to the Commission's Energy Efficiency Fund, a non-lapsing special fund, a dedicated fund that accounts for the proceeds from the Regional Greenhouse Gas Initiative auction and the distributions of those proceeds to the utilities. We recommend policy and procedure be established to support timely requests for increases to appropriations whenever auction proceeds exceed the budgeted amount.

At the bottom of Page 7 is Observation No. 3 on the review of the annual utility assessment. And while we found no significant issues with the Fiscal Year 15 utility assessment, we do recommend the Commission evidence its review and approval controls over the compilation and publication of that annual assessment.

Observation No. 4 is over on Page 8 and recommends written policies and procedures to enhance and strengthen a reconciliation control activity.

On Page 9 is Observation No. 5 that recommends the Commission consult with the Department of Administrative Services to determine whether certain energy efficiency and bill

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paying assistance program established by or in Commission orders and administered by the utilities should be included in the State's financial reporting. The financial reporting decisions coming from that review should be deliberate, aligned with financial reporting standards and the decision documented.

Over on Page 11 is Observation No. 6 on the Statement of Financial Interests required to be filed under RSA 15-A. And we noted that there were several individuals associated with the Commission's administratively attached organizations that did not file the statements. We recommend the Commission advise and remind those organizations of the filing responsibilities.

Observation No. 7 starts on Page number 12. And as you can see by the title and the response, this Observation is directed toward the Department of Administrative Services.

During the 2014 legislative session RSI -- RSA 21-I was amended effective August 2014 directing the Department to assist agencies with the preparation of financial statements for audit purposes. The Commission audit was the first financial audit initiated after the effective date of the change to the statute. The end result was that the Department was unable to provide the Commission with the assistance necessary to prepare a full financial statement presentation. And to help ensure a better outcome in the future, we recommend the Department of Administrative Services establish a framework to be used to assist those agencies under audit with the preparation of a complete financial statement presentation. The framework should promote the efficient preparation of the statement and related information and should be comprehensive and consistently prepared and presented by the agency under audit.

Last Observation is on Page 15, and it's the single Compliance Observation. Based on our reading of RSA 6:12-b which is included in the paragraph -- second paragraph of the Observation, we believe the exclusion of the Electric Assistance Program from the biennial operating budget runs counter to the statute. We recommend the Commission either include the program

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in the budget or take steps to have the statute amended. And that finishes the Observations and completes our presentation.

I would like to thank the Commission for the help and cooperation received during the course of this audit, with special thanks to Chairman Honigberg, the Executive Director Debra Howland, and the business office of Eunice Landry, Debbie Gilman and Tanya Wayland. Their assistance was very helpful to the process and we certainly appreciate it. Thank you, also, to you, the Committee, for your time and we'd be happy to take any questions.

CHAIRMAN KURK: Thank you. Can we hear now from Commissioner? Good morning or good afternoon, sir.

MARTIN HONIGBERG, Chairman, Public Utilities Commission: Good afternoon, Mr. Chairman, Members of the Committee. Martin Honigberg, the Chairman of the Public Utilities Commission. To my right is Debra Howland, our Executive Director, and behind me a few feet is the head of our business office, Eunice Landry. I want to thank Ms. Veeder, Mr. Smith, and the rest of the people who were on-site during the audit. Everyone was very professional and patient through explanations and the exchange of information. I really want to praise Miss Landry for how well she interacted with her own staff throughout this process and interacted with Miss Veeder and her people during the course of the audit.

One of the other people before you said none of these operations work without quality people running them and helping to run them. Miss Howland, Miss Landry, are really outstanding representatives of that group of employees within our state. So we were pleased with how the Audit proceeded and the results of the Audit showing that actually our processes are in fairly good shape.

There are a couple of documentation issues and we concur. I think the first finding that's referenced there is the risk assessment one and it is a coincidence but not an unexpected coincidence that there were presentations from the LBA to

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Commissioners regarding risk assessment processes, and at roughly the same time we learned we were going to be the subject of an audit, walked into Miss Howland's office and said we need to start this process right now. And so it is we are in the process of documenting places where the money comes in, where it might go out. We don't handle that much money ourselves. I understand exactly what the concerns are and are working on those.

With respect to the other findings, I think the document largely speaks for itself. The two areas in which we disagree, one is a disagreement really about the content of the finding, not so much the recommendation. The recommendation to consult with the Department of Administrative Services we concur with them. We will be consulting with Administrative Services regarding that finding. I think it might be number five.

The last one we disagree on the interpretation of the statute. Our written explanation, I think, explains it fully, but we would refer you to a vetting of the issue before the Fiscal Committee in 2001, Attorney General's letter that we have saying that we are in full compliance with the statute and two Audits subsequent to that taking no issue with our -- with our 6:12-b and how that money has been accounted for. But, again, it was a very respectful disagreement about what's required. To the extent legislation would be appropriate in that, in our view, it would be to repeal that, the relevant provision, because it would no longer have any effect given the way that fund was established and has been administered. And I thank you again for the opportunity to speak and we'd be happy to try to answer any questions.

CHAIRMAN KURK: Thank you. Representative Weyler is recognized for a question.

REP. WEYLER: Thank you, Mr. Chairman. Commissioner, I tend to follow the advice of the Performance Audit and Financial Audit section on recommendations for legislation, and I get questions from my constituents about why they have all these extra charges. And I was involved in the early phases of the

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Electrical Assistance Program, which I believe at the time was all going to low-income people. I was surprised somewhat later how much it was going to these energy saving things which I think happened subsequently. But suppose one of my constituents wants to know, so what are the effects of this Electrical Assistance Program? Where is the money going? How many people? How many in my county and so on are getting helped by this? How many in my town are getting helped by this? Where would they go for that kind of information if it's held by the power company?

MR. HONIGBERG: There's information, a report that's published on our website annually regarding the Energy Assistance Program. I don't know how much granularity there is in the detail report.

MS. HOWLAND: It has all the numbers.

MR. HONIGBERG: County by County?

MS. HOWLAND: Yes, there's an appendix town by town.

REP. WEYLER: There is an appendix town by town. This information is available whether or not I put it in the budget, is that what your point is? Thank you very much.

CHAIRMAN KURK: Representative Barry.

REP. BARRY: Thank you, Mr. Chair. I have a similar question, but it's a little -- I don't know if it's something that could be audited. As you go through and you approve grants and disburse the money, is there an accountability follow-up to make certain that the grants were spent the way you wanted them to and that the results that were proposed have actually happened?

MR. HONIGBERG: There are a number of different grant programs that are run through the Public Utilities Commission. The largest one is done through the renewable -- or not the largest ones -- are done through the Renewable Energy Fund. Most of the work in the past regarding grants with Renewable Energy

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Fund has been upfront documentation of the plans. There's only a limited ability to go out to see how \$2,000 rebate may have been applied to an installation. The larger grants get more review on front and on the back end. We are in the process of reviewing, as we always are, our various grant and rebate programs and are putting in place for one of the larger programs a slightly different process where the goal would be to get approvals quicker. No money goes out until actual work is done, but there will be more follow-up and more oversight of the work as it's being completed.

REP. BARRY: Follow-up.

CHAIRMAN KURK: Follow-up.

REP. BARRY: Is that information available on your website of those programs that you have reviewed and the results from it, the outcomes from the money spent?

MR. HONIGBERG: There's, again, an Annual Report on the performance of the Renewable Energy Fund. There are macro, large, high-level numbers associated with the number of Renewable Energy Certificates that are generated, what happens with those RECs, how those interplay with the State's Renewable Portfolio Standards and the Alternative Compliance Payments that are made. There is some follow-up on individual projects where you can learn about those projects and what became of them. And I'm trying to remember what's in the last report. But larger projects you will find more information about in that report. Smaller rebate programs, the 2,000, \$3,000 rebate programs are not reported in any detail. They're consolidated, in other words.

CHAIRMAN KURK: Follow-up.

REP. BARRY: Let me try the question again. What I'm looking for are data that says we spent a certain amount of money on the Renewable Energy and Energy Efficiency Programs and the outcome is that the energy usage has gone down or the cost of energy has gone down overall.

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MR. HONIGBERG: Yeah, we have actually hired someone from UNH or used some grant money to do that to try and document that. We generate certain levels of data and our Sustainable Energy Division maintains records of each of the projects, the size, how many megawatts are being generated by the Renewable Energy Program, the effect, what percentage of total usage that represents within the state. I don't think we currently are including that in any report, but we use that information regularly before the Science, Technology and Energy Committee in the House and its parallel in the Senate. So we certainly have that data that we can share with you, if you'd like.

REP. BARRY: So that data, that's something that was considered as part of the Audit to see what the performance of the -- of the grant proposals were or grantings were?

MR. HONIGBERG: I believe the answer to that is no, that was not something that was part of the scope of the Audit.

REP. BARRY: Thank you.

CHAIRMAN KURK: Further discussion? There being none. Further questions? Thank you so much.

MR. HONIGBERG: Thank you, Mr. Chairman.

CHAIRMAN KURK: We need not take any action on this because we've already done so.

REP. WEYLER: We already approved it.

CHAIRMAN KURK: We'll now turn to the next Audit. This is the Management Letter for the Lottery Commission for Fiscal Year ended June 30th, 2015. Mr. Smith will stay with us and we welcome members from the Lottery Commission.

MR. SMITH: Thank you, Mr. Chairman. Here to present the Management Letter, which was related to the 2015 Lottery CAFR, is Jim LaRiviere who was the Audit Manager on-the-job and also

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Director McIntyre on behalf of the Commission and Lynda Plante, Administrator.

CHAIRMAN KURK: Thank you. Good afternoon.

JAMES LARIVIERE, CPA, Senior Audit Manager, Audit Division, Office of Legislative Budget Assistant: Good afternoon, Mr. Chairman, and Members of the Committee. Again, for the record, my name is Jim LaRiviere, and we're here to present the 2015 Lottery Management Letter, a by-product report of our Audit of the Lottery's Financial Statements for the Fiscal Year ended June 30th, 2015.

The Lottery's Financial Statements, including our Audit opinion, was presented to the Committee at the January 22nd meeting. The report contains four Audit findings, three Internal Control Comments, none of which are categorized as material weaknesses, and one State Compliance Comment.

As noted in the asterisks on the Table of Contents for the State Compliance Comment suggests legislative action may be required. We also obtained the responses for two of the findings, No. 2 and 3, from State Treasury as a result of their role in those issues. State Treasury concurred with those comments as well.

The relatively low number of findings in this report is reflective of the Lottery's continuing efforts to maintain and develop strong controls. The Observations begin on Page 3.

Observation No. 1 discusses an ongoing problem which the Lottery has had with its internal security system during Fiscal Year 2015. The Lottery reports there have been no security incidents that resulted as a result of the faulty system. We were informed last week that the Lottery had had that system repaired.

Observation No. 2 on Page 4 highlights the need for the Lottery to establish policies and procedures for tracking prize reimbursements. On April 28th, 2015, the Tri-State Lottery Joint

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Venture had wired \$200,000 to a State of New Hampshire State Treasury account, and New Hampshire Lottery did not record the receipt of these funds until September 2015. This apparently resulted from the Lottery not tracking the outstanding reimbursement request and the Tri-State not effectively notifying New Hampshire Lottery that they had wired the funds, and State Treasury not initially recognizing the Lottery was the intended recipient of those funds. We recommended that the Lottery should identify and better track the receipt of prize reimbursements.

Observation No. 3 starts on Page 5 and notes that \$300 of interest credited to the Lottery funds on deposit with the State Treasury during Fiscal Year 2015 did not appear to correlate to the 5.8 million month end average balance on deposit. RSA 284, Section 21-J, directs the interest received on Lottery funds to be credited to the Lottery fund. We recommend the Lottery request State Treasury to credit the Lottery fund with the full amount of interest earned on the Lottery's balance on deposit at State Treasury.

While State Treasury generally pulls the State's cash, that should not prevent interest from being credited to special funds.

Observation No. 4, our final comment, is a State Compliance Comment. It identifies what could be considered conflicting statutes relative to the payment of retailer commissions. We recommended that the Lottery seek to have the statute appropriately amended if it's determined to be in their best interest. And we understand Senate Bill 444 relative to the Lottery retailer incentive awards has been introduced via to this end.

Behind the tab on Page 9 is the Appendix which reports the current status of the Fiscal Year 2014 Management Letter Observations. As noted in the table at the bottom of the page, one of those comments was fully resolved and two of the comments were substantially resolved.

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This concludes my remarks. I'd like to thank the Lottery's Executive Director, Charlie McIntyre, and the Lottery staff for the assistance they provided during the Audit. Mr. Chairman, I'd like to thank you and the Committee as well, and I'd also like to turn the presentation over to the Lottery Executive Director, Charlie McIntyre, for any comments he has with your permission.

CHAIRMAN KURK: Thank you, sir. And, Mr. McIntyre, it's good to see you.

CHARLES MCINTYRE, Executive Director, New Hampshire Lottery Commission: You as well, Mr. Chairman. So I'd like to thank Director of Audits, Steve Smith, Bill Mitchell, the other LBA staff, as well as Jim LaRiviere. This was a collaborative effort. To that end, it is never adversarial with us, and certainly we appreciate their efforts in this regard. I believe the low number of findings, particularly as relates to operational matters that relate to the Lottery, is a suggestion that our collaborative effort actually works.

So with me is our Deputy Director, Lynda Plante, who manages the day-to-day functionality of the Audit and the Audit engagement. So I'd like to thank her as well publicly. And Mr. Chairman and to Members of the Committee thank you and look forward to questions you may have.

CHAIRMAN KURK: Thank you. That was rather brief.

MR. MCINTYRE: Lunch hour.

CHAIRMAN KURK: Are there questions from Members of the Committee? Something must be going well at the Lottery Commission.

MR. MCINTYRE: Thank you, sir.

CHAIRMAN KURK: There being no questions, thank you very much, gentlemen. We appreciate this.

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REP. WEYLER: We have accepted the report and placed it on file.

CHAIRMAN KURK: Right. We do not need to take further action? Mr. Kane, I understand you have an announcement.

MR. KANE: I do. I have a request, please. Good afternoon. I'll be quick.

For the record, my name is Michael Kane, the Legislative Budget Assistant. I'd like to request the Committee's authority to fill the Administrative Assistant position at the Audit Division. Haley, our former Administrative Assistant, recently left and she's actually a big part in putting these reports together and compiling them so I would ask for your approval.

** REP. WEYLER: So move.

CHAIRMAN KURK: If we don't approve, we are not going to get the reports. I got it.

Representative Weyler moves approval, seconded by Representative Eaton. Discussion? There being none, you ready for the question? All those in favor, please indicate by saying aye? Opposed? The ayes have it and the request is approved. Thank you, Mr. Kane.

MR. KANE: Thank you.

*** **{MOTION ADOPTED}**

CHAIRMAN KURK: Our next meeting will be at 10 o'clock on April 8th, followed by -- the meeting on April 8th will deal with the Health and Human Services matter. And then our regular meeting will be on April 15th at 10 o'clock to deal with other business that comes before us. Is there anything else to come before us? Mr. Kane.

REP. EATON: Are they all at 10 a.m.?

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CHAIRMAN KURK: They're both at 10 a.m., yes, not at 9 a.m., Representative. That being said, we stand adjourned. Thank you all very much.

(The meeting adjourned at 12:44 p.m.)

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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, CRR
State of New Hampshire
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