

**JOINT FISCAL COMMITTEE**

Legislative Office Building, Rooms 210-211

Concord, NH

Friday, April 15, 2016

**MEMBERS PRESENT:**

Rep. Neal Kurk, Chairman

Rep. Ken Weyler

Rep. Lynne Ober

Rep. Mary Jane Wallner

Rep. Dan Eaton

Rep. Richard Barry (Alternate)

Sen. Jeanie Forrester

Sen. President Chuck Morse

Sen. Jerry Little

Sen. Andy Sanborn

Sen. Lou D'Allesandro

(The meeting convened at 10:08 a.m.)

**(1) Acceptance of Minutes of the March 18, 2016 meeting.**

CHAIRMAN KURK: Good morning, everyone. And good morning to Miss Gardner. It's been a long time.

NINA GARDNER, New Hampshire Judicial Council: It has.

REP. OBER: And she wishes it were longer. Did you see that eye roll?

CHAIRMAN KURK: Welcome to the April 15<sup>th</sup>, 2016, Joint Fiscal Committee meeting. Our first item is the acceptance of the minutes of March 18<sup>th</sup>. Is there a motion?

**\*\*** SEN. D'ALLESANDRO: Move the minutes.

CHAIRMAN KURK: Moved by Senator D'Allesandro, seconded by Representative Weyler. Discussion? Amendments? 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 minutes are adopted.

\*\*\* {MOTION ADOPTED}

REP. OBER: Mr. Chairman, I abstain because I wasn't here.

CHAIRMAN KURK: Let the record reflect that Representative Ober did not vote because she was not here for that particular meeting.

(2) Old Business:

CHAIRMAN KURK: Under Old Business, we have two items. The first one is Fiscal 15-229, with respect to the Sununu Center. Is there any indication or interest in removing that from the table? There being none, we'll proceed to the next item.

Fiscal 16-053, Fish and Game Department, authorization to accept and expend \$170,170 in Federal funds through June 30<sup>th</sup>, 2017, and establish another position. That was tabled with request for information. Is there anyone who's interested in removing that from the table? Moved by Representative Ober.

SEN. D'ALLESANDRO: Second.

CHAIRMAN KURK: Seconded by Senator D'Allesandro. If you're in favor of removing this from the table, please now indicate by saying aye? Opposed? The ayes have it and the item is before us.

\*\*\* {MOTION ADOPTED}

CHAIRMAN KURK: Is there someone from Fish and Game who can answer some questions? Good morning.

GLENN NORMANDEAU, Executive Director, Fish and Game Department: Good morning. For the record, Glenn Normandeau, Director of the Fish and Game Department.

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

REP. OBER: May I?

CHAIRMAN KURK: Representative Ober.

REP. OBER: Thank you, Mr. Chair. Good morning, Director Normandeau.

MR. NORMANDEAU: Good morning.

REP. OBER: I have your memo and I'm looking at item five which is why wasn't this requested in the budget? And you said there had been some database needs and industry developments that have come up. Can you kind of tell us what it is? Whoa. It's electric this morning.

MR. NORMANDEAU: So yes. Since I started eight years ago as Director, we've been trying to come into the modern times with our entire system, and this is the last piece of it. We started with changing vendors for our on-line system a few years ago. Then we went electronic with our -- with our brick and mortar agents. Last year we went electronic on our OHRV and snowmobile registrations. And this piece is -- what this does is it's a event manager. And what I mean by that is when you go on-line to sign up for a hunter-ed. course, this system will have you sign up electronically. And, more importantly, it is -- it meshes with our current database of licensed hunters. So that when you get your hunter-ed. certificate, you are immediately -- you are immediately in our license system, which allows you to go buy an initial hunting license.

We had an electronic or we have an electronic management system from another vendor that did not sync with our licensed database system. So it was taking up to a couple of months following getting a hunter-ed. certificate to have it end up in our license database so that you could, for example, just go on-line, the system would see that you'd had a hunter-ed. course, and that you could get your license. So what -- what -- what this does is it -- it is the creation of a different event manager by the company that is running our -- our electronic licensing system now.

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

It -- it -- that company will be developing the system for us and plugging it in. And we are trying to get it done prior to the contract expiring with our old event manager, which I believe happens very soon. I forget the exact date. But that's the -- that's the program. And -- and a year ago when we were in the budget process we didn't, you know, we weren't at a point at that time where we really were thinking about this then and having it and getting it funded. We had just -- we're just getting our OHRV stuff under control. And, you know, we have done all this sort of a step at a time and made sure that what we've added has worked before we plunge into the next proceeding.

This money is -- it's Federal Wildlife Restoration Funds that are set aside for hunter education. And this particular source is -- is allowed to use soft match. So it's a 75/25, but the 25% comes from volunteer hours from our hunter-ed. instructors.

REP. OBER: Thank you.

CHAIRMAN KURK: So this will not impact the Fish and Game Fund balance?

MR. NORMANDEAU: No, it will not touch it at all. It's a hundred percent.

CHAIRMAN KURK: Is there a motion?

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

REP. OBER: Second.

CHAIRMAN KURK: Question first from Senator Little.

SEN. LITTLE: Yes, good morning, Glenn. It implies that this -- there's -- there will be ongoing maintenance. Is this an expense that will be in your budget for the next time around? Is this a reoccurring thing that's going to be with us forever?

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

MR. NORMANDEAU: Well, it is like any electronic system in the current vendor that we have, it's -- there's some yearly expenses associated with upkeep and update and whatever. So it probably will be. I think this vendor has, again, this is the same one who has our license databases going now. I forget, I think the overall contract has got another couple of years to go before the whole RFP might go out again as a package. But I think it's safe to assume that there will be yearly costs associated with it, as the contract was with our current one.

SEN. LITTLE: Thank you. And do you anticipate the grant funding will be available?

MR. NORMANDEAU: Yes.

SEN. LITTLE: Thank you.

MR. NORMANDEAU: These funds come from the Wildlife Restoration Account, which is a dedicated trust fund from -- is held by the Fish and Wildlife Service. It is not an annual appropriation of Congress. The State has been getting these monies since 1937.

SEN. LITTLE: Thank you.

CHAIRMAN KURK: Thank you. Representative Ober.

REP. OBER: But, Director, your current event system has some sort of maintenance, which will drop when it drops.

MR. NORMANDEAU: That will disappear.

REP. OBER: So, basically, it's kind of a wash because one transitions to another.

MR. NORMANDEAU: We think it will be.

REP. OBER: That's what I thought.

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

CHAIRMAN KURK: Senator D'Allesandro moves to approve the item.

REP. OBER: Second.

CHAIRMAN KURK: Seconded by Representative Ober. Further 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 the item is approved.

\*\*\* {MOTION ADOPTED}

CHAIRMAN KURK: Thank you, Mr. Normandeau.

MR. NORMANDEAU: Thank you, sir.

CHAIRMAN KURK: We now turn to the next item of Old Business Fiscal 16-057, a request from the Department of Health and Human Services for authorization to accept and expend Federal funds in the amount of \$7.4 million for State Fiscal Year 2016 and \$14.9 million for Fiscal Year 17, and to transfer a variety of funds. This was tabled at our March meeting. Is there a motion to remove this from the table?

\*\* REP. EATON: Move.

CHAIRMAN KURK: Moved by Representative Eaton.

SEN. D'ALLESANDRO: Second.

CHAIRMAN KURK: Seconded by Senator D'Allesandro. If you're in favor of removing this from the table, please now indicate by saying aye? Opposed? The ayes have it and the item is removed.

\*\*\* {MOTION ADOPTED}

CHAIRMAN KURK: Thank you, Commissioner. Good morning to you.

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

JEFFREY MEYERS, Commissioner, Department of Health and Human Services: Good morning.

CHAIRMAN KURK: Miss Rockburn.

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

MR. MEYERS: For the record, Jeff Meyers, Commissioner of Health and Human Services, and with me is Sheri Rockburn who's the Chief Financial Officer for the Department.

CHAIRMAN KURK: Thank you for being here and thank you for submitting the additional material --

MR. MEYERS: Sure.

CHAIRMAN KURK: -- in response to questions that were raised both by Committee Members at the last meeting and by myself in a written communication.

MR. MEYERS: Yes.

CHAIRMAN KURK: Let me start off some of the questions, if I may, by trying to understand some of the long-term financial implications.

MR. MEYERS: Sure.

CHAIRMAN KURK: As I understand this waiver, one of the purposes is to reduce the cost of health care in New Hampshire.

MR. MEYERS: To bend the cost curve for the cost of health care over time, yes. Yes.

CHAIRMAN KURK: Can you give us any specifics as to how much and when?

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

MR. MEYERS: And I want to be clear. Your question is the cost of health care in the state for these behavioral health services?

CHAIRMAN KURK: Yes, because as I understand the waiver, it's directed at this particular -- this particular aspect of our Medicaid Program.

MR. MEYERS: Yeah. I don't have specific numbers to offer the Committee. The -- the -- what had to be demonstrated in order to obtain the waiver is that the cost to the Federal Government with the waiver could be no more than without the waiver in terms of the expenditures of the Federal Government in New Hampshire under the Medicaid Program. Keep in mind that the waiver is limited to those who are eligible for Medicaid. So it's not looking at health costs in the non-Medicaid population, if you will.

CHAIRMAN KURK: Understood. But what you're saying is you can't give us an estimate for what the -- how much the curve will be bent for this particular subset, either during the term of the waiver or post-waiver?

MR. MEYERS: No. Sitting here today, I can't. I mean, I think part of what we're looking at, obviously, and part of what we are required to do under the approval is to evaluate what the impact of the waiver is. So we are going to be evaluating that in the course of the five-year waiver. It will be a competitive -- an RFP process to select a vendor to look at some of those questions.

CHAIRMAN KURK: And the next question has to do with after the waiver is over.

MR. MEYERS: Yes.

CHAIRMAN KURK: Assume the waiver, it's now 2020 or '21. The waiver is completed, it's been very successful, and we have a variety of participants who are in non-Medicaid -- in programs that are not funded by Medicaid.

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

MR. MEYERS: Traditionally funded by Medicaid.

CHAIRMAN KURK: But were under for the purposes of the grant program funded by the \$150 million.

MR. MEYERS: Right.

CHAIRMAN KURK: Some of these people, for example, are going to be in community housing, which is paid for under the grant program but won't be paid for under traditional Medicaid which five years from today we're back on.

My concern is the effect on the State Budget if we have a whole series, a whole group of people who have been receiving non-Medicaid services that have been paid for, which now represents a cost that's going to have to be picked up presumably by the General Fund. Could you help us understand what problem will face the Legislature and what additional money will it cost us beyond the normal amount that we would otherwise spend for Medicaid for this population?

MR. MEYERS: Thank you for the question. I'm happy to address it. The whole point of the waiver, and as I should start off saying at the outset, I said publicly before and want to reaffirm today, as long as I'm Commissioner I will not appear before the Legislature and seek State General Funds to continue this waiver program at the end of the five-year term, at the end of December of 2020, because that's not the -

CHAIRMAN KURK: Excuse me. Let me interrupt you by saying I understand that you won't, but I'm asking for -- the question is not Commissioner Meyers.

MR. MEYERS: No, I understand; but I wanted to make two points, if I might? One, I have a personal commitment not to seek General Funds as long as I'm Commissioner. And, number two, and more importantly, to answer your question, is that the Governor's intention in this waiver and, in fact, it's addressed in the terms and conditions, is to create these regional

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

networks and to create value in those networks so that by the end of the five-year term to the extent that those programs are continued, they're not paid for by the State or by the Federal Government, but paid for by our health care delivery system in New Hampshire, both public and private. And by that I mean that to the extent that these programs are successful, and they provide value to the health care system, that public payers, like, Medicare or Medicaid through our MCOs or the private market, commercial payers, such as Anthem or Harvard Pilgrim or other insurance carriers in New Hampshire, would see the value in these programs and would be willing to pay the IDNs for the continuation of the services. That is the intent of how this program is structured. There's no requirement that that happen, and there's no requirement at all on the State to continue funding the programs at the end of the waiver term.

CHAIRMAN KURK: That sounds like a miraculous situation, but I hear what you're saying. Other questions?

REP. OBER: Mr. Chairman.

CHAIRMAN KURK: Senator Sanborn.

SEN. SANBORN: Defer to Representative Ober.

CHAIRMAN KURK: Representative Ober.

REP. OBER: Mr. Chairman, I just want to thank you for sending those written questions because this was a complicated issue. And I also appreciate not only the written answers, but the Commissioner coming and talking to us because we had to really dig into this, and I didn't understand it and that was very helpful.

MR. MEYERS: Thank you.

REP. OBER: I just wanted to thank you as well, Mr. Chairman, for taking the time to do that.

CHAIRMAN KURK: You're welcome. Senator Sanborn.

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

SEN. SANBORN: Thank you, Mr. Chair. I have a few questions if you allow me the discretion. Both of you, thank you so much for coming up.

MR. MEYERS: Yes, good morning.

SEN. SANBORN: Appreciate your time. I guess first, Commissioner, I'd like to kind of piggy-back back onto the answer you just provided the Chairman in suggesting that after five years your hope is that many of these services will show just cause that you can either convince -- not convince the Legislature to include them in Medicaid services but look to the private insurance industry to fund these programs. But aren't these programs Medicaid programs? So how do you make the leap for to tell private insurance companies, like, Anthem Blue Cross and CIGNA that they have to take commercial insurance to pay for a Medicaid product?

Now, I understand we just kind of done that with Medicaid Expansion.

MR. MEYERS: That's my answer. There's 49,000 people that are in commercial plans that could benefit from the programs by commercial payers at the end of the five-year waiver period.

SEN. SANBORN: Follow-up.

CHAIRMAN KURK: Follow-up.

SEN. SANBORN: We specifically heard testimony in the committee that I chair that there is an expectation from these insurance carriers about passing those costs along to their customers. If we're looking at an additional \$150 million on today's dollar, how do we continue to enforce that type of a position when people are trying to barely afford their own insurance, and then we are kind of looking to maybe set up more programs for Medicaid through, again, public or private insurance carriers?

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

MR. MEYERS: We're not. The Department is not trying to force any program. My answer was, and maybe I wasn't as clear as I need to be, but to the extent that these waiver programs that are delivered by the various members in the delivery networks are successful and provide value that is recognized by both our Medicaid delivery system partners, the MCOs, and payers like insurance carriers, particularly for the health -- assuming that the Health Protection population, the program is continued, and it is in effect in 2021, and that's a premise of the answer, obviously, that that's roughly 50,000 people that might benefit from these programs as well, if the private carriers wish to continue to purchase some of those services.

SEN. SANBORN: Further question, if I may?

CHAIRMAN KURK: Follow-up.

SEN. SANBORN: Thank you. Thank you for the answer, Commissioner. I appreciate it. And as you mentioned the MCOs, I guess I need to back this up to like this hundred thousand foot level. I'd like to express some concerns that I have just holistically and get your thoughts on them.

MR. MEYERS: Hm-hum.

SEN. SANBORN: One of the things I'm struggling with with this program, on and above the original intent that the Senate Finance Committee when Senator Morse -- when President Morse was Chair and how it's kind of morphed. My concern with the presentations that I've had on the 1115 Waiver, I guess my best analogy to associate with is as a business owner, if you have jobs left undone, or if there's a struggle going on, it's hard to go out and buy another piece of equipment and expand what you're doing. And my reference to that is this. Here's some things I'm concerned about.

MR. MEYERS: Okay.

SEN. SANBORN: I'm concerned that in the Dash Board you provided us today you're looking at in excess of a \$30 million

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

shortfall in the agency to do what you're doing today. I'm concerned that we've been trying to stand up peer-to-peer recovery systems, which I do not believe for the record we need an 1115 Waiver to do because it started before this process, and it will continue after this process. I'm concerned I've got 127 people still on a DD Wait List when we were very clear not to, you know, not blaming any of this on you.

MR. MEYERS: Yeah, yeah.

SEN. SANBORN: We have a DD Wait List which has not been solved. We have empty beds at New Hampshire Hospital we have not solved. We have got the MCOs that we don't have or we are negotiating a new contract with. We have a mental health issue that the mental health contract has not been solved by the MCOs.

We have got Sununu Youth Center that we are still struggling with. We have medical marijuana that we are still struggling with. We have, you know, the SUD treatment in traditional Medicaid that we are struggling with. It seems like your plate is so incredibly full today, I'm struggling how you start a brand new program that no other state in America has done to put a new agency above an MCO and make a transitional waiver where you're going to give money to, example, agencies that we have had to continue to stand up financially just to keep them operating for some time. I mean, just seems like it's -- is this the right time for HHS to go to such a broad policy decision --

MR. MEYERS: Hm-hum.

SEN. SANBORN: -- when from my viewpoint, I'm concerned we're dropping the ball on so many other things right now. Again, let me be very specific. I'm not blaming you or the agency.

MR. MEYERS: I don't take it that way.

SEN. SANBORN: There are so many things today that are just so struggled.

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

MR. MEYERS: Yeah.

SEN. SANBORN: How do you justify this?

MR. MEYERS: Thank you, Senator, for your question. Let me make a couple points. One is that the Department was directed to apply for and obtain an 1115 Waiver by the Legislature. In Senate Bill 413 there is a provision which directed the Department to come up with an application, to file that application, was brought to the Fiscal Committee back in May of 2014 initially. We submitted the first round of the waiver application to the Federal Government a few days after that, after its approval by Fiscal.

CMS came back later that summer in the summer of 2014 in September, early September is my recollection, and said that they didn't feel the waiver application was approvable in its current form because it wasn't focused enough. And there ensued a period of discussions with the Federal Government about how we might refocus the waiver to comply with the legislative directive to obtain a Medicare waiver. And so we focused on behavioral health. And I think looking back now, I think that this is exactly the right time to go forward with this type of waiver because of all of the many challenges that the State is experiencing now in its behavioral health services in terms of this waiver is complimentary to what we are doing with the compliance with mental health -- Community Mental Health Agreement and, you know, expanding community mental health services across New Hampshire rather than adding on indefinitely to New Hampshire Hospital which is not the direction the Federal Government felt we should be going in and sued over that, in fact.

Given the opioid crisis and the need for additional resources to integrate behavioral health care and increase capacity, given the fact that the Legislature and the Governor did extend SUD services to the standard Medicaid population, about 140,000 individuals starting in July of this year, we need to make sure that there's capacity to provide those services and

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

the waiver is really intended as a one-time program to build capacity, to build integration, and to strengthen behavioral health system in the state so that it can be more successful in the future.

So I believe that this is imperative for the Department. Obviously, as Commissioner, we always have to look at priorities. You detail a list of issues that I know are challenges and we -- I believe we are rising to the challenges and we are addressing those challenges. They're not all going to be solved overnight, but I'm certainly committed to addressing each and every one of the issues that you mentioned, and I think we are starting to address those issues. So I see this waiver as timely and important for the State.

SEN. SANBORN: Follow-up.

CHAIRMAN KURK: Follow-up.

SEN. SANBORN: Thank you. Thank you, Commissioner. I appreciate that. Although so --

MR. MEYERS: Yeah.

SEN. SANBORN: -- two questions but one kind of folds into the other one. First, if I remember right, back in 2014 when the Legislature directed an 1115 waiver, at that point the policy consideration was advancement of Medicaid reimbursement to physicians' Medicare rates to try and help with the underpayment we are getting. The fact that what the Legislature decided to what the program is today, I would argue with you that is a fundamentally different product, and I'm not sure the Legislature's ever weighed into what you're doing today until where we are today with the waiver system.

MR. MEYERS: I'll let you finish your question. I'm sorry.

SEN. SANBORN: I appreciate that. You know, a part of this building capacity thing is also where I'm kind of struggling that with the lowest unemployment rate in America, with the

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

healthiest population in America, with economy supposed to be rebounding, with everything that we hear that's so positive that is happening, every trend I see on the Dash Board at HHS, every single trend you're showing a more and more and higher need of government services for people who are struggling and, in fact, I think your unduplicated number at this point of 203,000 puts us at 17% of our total population. And to say we need to build more capacity, I'm afraid is -- I mean, I'm not sure, are we changing criteria for some programs?

MR. MEYERS: No, no. No, there's no -- this waiver doesn't change any eligibility criteria for the Medicaid Program in New Hampshire. There's not a single benefit that's changing. There's not a single eligibility criteria that's changing. This program, as I said, sits on top of Medicaid for a limited time to provide certain services focused on behavioral health.

I do want to go back and address one point that you made in your beginning of your question. The Department, myself included, brought this amended application to the Fiscal Committee before it was submitted on February 27<sup>th</sup> of '15 by the Governor under a letter that the Governor signed. And I believe the record will reflect, I can't remember whether there was a vote or not, but I do recall sitting at this desk presenting the waiver to the full Fiscal Committee before it was submitted.

So at least on one occasion, I think possibly on two, but at least on one occasion I know that this amended application and the entire concept of what we were doing focusing on behavioral health was presented to this Committee.

SEN. SANBORN: And I would agree with that, Commissioner, and I voiced the same type of concerns I am today. But I do admit that you have briefed this Committee. Thank you, Mr. Chair.

CHAIRMAN KURK: Further questions? Senator Morse.

SEN. PRESIDENT MORSE: I have more of a procedural question, maybe for Fiscal. The fact is from what I've heard from LBA

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

yesterday and this morning is there's concern on the House side about this issue, and I certainly know I have a couple of Senators' concerned. How do we get to a point where people -- is this basically people that are going to vote no for it or is there questions that aren't being answered that need to be answered? That's my -- I mean, I've been so involved with it because of having written it in the first place, and it certainly went in a totally different direction than we wrote it in. But the -- I'm not comfortable that everybody is saying they're not ready for this yet, and I'm wondering what we have to do to get to that point?

CHAIRMAN KURK: I think you're going to have to answer the question yourself. This is not something that I think is a procedural issue for the Chair to discuss or rule on. We have three options open to us. We can approve, we can disapprove, or we can table. If there's something else, Mr. Kane will remind me.

\*\* REP. EATON: Move approval.

CHAIRMAN KURK: I'm not going to accept that motion, but thank you for offering at this time.

SEN. FORRESTER: Senator Morse.

CHAIRMAN KURK: Senator Morse.

SEN. PRESIDENT MORSE: I'd like to speak. What I don't see here is a, you know, the Representative can move approval, and I have a feeling that vote's going to be split right now. This is a major project that we're accepting. I want to know what it is that we can do to make people comfortable with it. I mean, the questions that I've been hearing aren't going to get answered today. I can tell you that. I -- and that's not what has been asked so far in this meeting. But I'm not comfortable throwing the baby out with the bath water either. So, I mean, obviously that leads to tabling. But I guess what I'm concerned about is we have done this for a couple weeks now. We haven't, you know, we have had a major presentation over in the Senate. I'm

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

assuming the House had the same thing. You wrote a list of questions. How do we get this to a point that people can decide firmly that it's good or bad for the State of New Hampshire?

CHAIRMAN KURK: Senator D'Allesandro.

SEN. D'ALLESANDRO: Thank you, Mr. Chairman. It seems to me a couple of things have happened and we ought to get this clear. We, as a Legislature, induce and asked this waiver be sought. All right. So we got the waiver. We have had a series of explanations vis-a-vis what the waiver does, what is intended for the waiver.

MR. MEYERS: Hm-hum.

SEN. D'ALLESANDRO: We have a volume of questions that were answered. I think we have got 42 pages of response to questions at the last meeting. Forty-two pages of answers to the questions. So it seems to me, A, we requested the waiver -- that this be done. B, we have had numerous sessions where the waiver has been explained to us. I think that the Commissioner came before the Senate and did a thorough explanation of the waiver, went through it, went through that process. I'm sure you did the same thing with the House. I don't know that, but I'm sure you did. And it seems to me at this point in time with 42 pages of answers to the questions that were posed, if those answers are not satisfactory, then get another series of questions.

But, indeed, this is something that we believed in. We thought it was a good thing. We asked the Commissioner -- we asked the Department to do it. And we have had ample answers to queries that we have presented. If there are more queries, get them on the table. But it seems to me we ought to go forward and move this item and get it going. I think that the -- there's a statement in the original request that says through these regional networks, New Hampshire will be -- will be transforming its behavioral health delivery system by expanding provider capacity to address behavioral health needs, integrating physical and behavioral health and reducing gaps in care transitions. I mean, that's a pretty clear statement. Again,

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

42 pages of answers to questions. Forty-two pages. That didn't take five minutes to address. If you're not satisfied, Mr. Chairman, these are your questions. If you're not satisfied with this, tell me that, and let's go forward. But at this point in time, it seems to me we have had ample answers to the questions, and we should be moving forward with this item. Thank you, sir.

CHAIRMAN KURK: I'd like to respond to that. It's true that -- that this item has been before us for a while and has been explained, but I believe that it's not just the waiver. This waiver has transformed itself over time. And what we originally thought was going to happen is not what is being proposed.

With respect to the information, yes, it's true we got a great deal of information, but not all of it was responsive. That is to say, there are some questions that could not be answered. They were not answered. They asked for specific kinds of financial information as the Commissioner just told us. He can't produce this. He doesn't know.

Now some people are more than content to go ahead in the absence of certain information and proceed, and others are more cautious and don't want to do that. And that has nothing to do with the Commissioner. It has to do with each of our individual levels of certainty that we find acceptable to us. So I don't think simply because the questions were answered and there are 42 pages of information that automatically means that we should be voting for or against it.

SEN. D'ALLESANDRO: I appreciate those comments. Mr. Chairman, what you're saying, indeed, is the fact. If you are satisfied and willing to vote for this, you will vote yes. If you are not satisfied, you will vote no. The question is, why are we not taking the vote and that's my premise? I don't think in the history of the world any question has been ever answered perfectly. There's always a bit of gray. Always. Because we are not perfectionists. We haven't arrived at that level yet. I haven't arrived at that level. I'll speak for myself. I have not

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

arrived at that point in my life where everything I say is perfect. But, indeed, I exercise judgment.

My judgment is this is a good plan for the people of the State of New Hampshire. As a result of that, I will vote in favor of this. The proof will be in the -- how it's implemented and what happens as a result of it, which is the case on everything we vote on in this Legislature. Every budget we have created, every bill we vote on, every time we query somebody about what they're doing as a function of State Government, and I'm willing to take that -- that chance because I think we ought to be moving forward.

CHAIRMAN KURK: Is there further discussion or questions? Senator Sanborn.

SEN. SANBORN: Thank you, Mr. Chair. And I appreciate the comments from my Senators on the left.

CHAIRMAN KURK: Before you do this, we are having kind of discussion that relates to a motion. Are there any further questions of the Commissioner?

SEN. LITTLE: Yes.

CHAIRMAN KURK: Senator Little.

SEN. LITTLE: Thank you very much. My recollection, and I was trying to get organized here when you were answering the Chairman's first question, which was how much money will we save --

MR. MEYERS: Right.

SEN. LITTLE: -- if we implement this waiver, is that you cannot predict what the savings will be. But what I thought I heard you say was that what you can tell us is that the programs will cost us no more with the waiver than they will cost us without the waiver; is that correct?

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

MR. MEYERS: That's correct.

SEN. LITTLE: Is that, in fact, correct?

MR. MEYERS: Yes.

SEN. LITTLE: That there is a ceiling of what we are planning to spend in the current system.

MR. MEYERS: Right.

SEN. LITTLE: Implementing the waiver will not result in any expenses whatsoever at all over the next five years above that level.

MR. MEYERS: That's correct. There's a budget and, in essence, there's a budget for this waiver that we are going to keep to.

SEN. LITTLE: As I recall, I guess I'm not able to recall entirely everything in the presentation that you gave us last week.

MR. MEYERS: Yeah.

SEN. LITTLE: Is the intent that when this -- when the five years is over and the funding schedule has been run out --

MR. MEYERS: December of 2020; correct.

SEN. LITTLE: -- that this transfer -- this transformation has happened and there's no more need for this type of discussion? We just run it forward from 2020 on under the new scheme.

MR. MEYERS: There's nothing that requires us to continue or to do a follow-up waiver. Sitting here today, there could be interest by whoever is leading the Department or is leading the State of New Hampshire at that point and other Medicaid waivers. And so I don't know what interest that might be. But there's no

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

requirement that this waiver be continued at the end of the five-year period. There's no obligation of the State to continue it.

SEN. LITTLE: Follow-up.

CHAIRMAN KURK: Follow-up.

SEN. LITTLE: Thank you, Mr. Chairman. So there's risk in everything we do.

MR. MEYERS: (Nods head.)

SEN. LITTLE: Are we transferring the risk for the changes that we're making in the event that some of these programs don't work, we are transferring the risk from the State to the agencies that we are going to be working with?

MR. MEYERS: To the extent that they don't work? You talking about financial risk or -- I want to make sure I'm understanding your question.

SEN. LITTLE: If a piece of the transformation fails --

MR. MEYERS: Yes, yes. If we stand something up and it doesn't work at all.

SEN. LITTLE: And it doesn't work.

MR. MEYER: Then it doesn't get funded. Don't forget, there's funding decisions being made year to year under the waiver. So let's say hypothetically to take your question that we fund Project A in 2017, but by September or October or whenever in 2017 it's clear that it's not working. There's two things we can do. We can try to provide, depending on why it's not working, is it not working because it's just not being coordinated properly or planned properly and is there technical assistance that can solve that problem? It could be addressed that way. But maybe if the program just doesn't working organically in some way, it doesn't have to get funded in 2018.

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

So we can go back and reorder and re-allocate the money to other programs that are working if there's a program that's not working. Is that responsive to your question?

SEN. LITTLE: If I might do one more follow-up, Mr. Chairman?

CHAIRMAN KURK: You may.

SEN. LITTLE: What I'm trying to do is to probe the veracity of the promise that there will be no funding greater than what we are currently exposed to. So that if we transform to a new program and something doesn't work --

MR. MEYERS: Yes.

SEN. LITTLE: -- services that we are currently providing are not getting provided, how are we assured that we will be able to meet the statutory demands of providing service without greater expense than what we have right now? So that gets to the question are we transferring the risk somewhere else? You know, if -- if in the process of the transformation we're doing something differently, but it's not working --

MR. MEYERS: Right.

SEN. LITTLE: -- we have got to go back and we have to create a new model, a new mechanism somehow to deliver that statutorily required service, are we really able to say that it won't cost the State of New Hampshire any more? Are we transferring that risk to the creation of a new program to come in and fix, and, again, I apologize because I'm presuming that there will be a failure and that's probably -- but I think --

MR. MEYERS: No, it's a valid question to ask.

SEN. LITTLE: I think about what happens if it doesn't work. I think you know where I'm --

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

MR. MEYERS: The only part of the question that I'm not tracking on there's no statutorily required service that we have to provide. This waiver -- unless I'm misunderstanding your question.

SEN. LITTLE: I think there are a number of programs that were required and there are programs certainly within the context of the lawsuit, mental health lawsuit and things like that that are affected by this that we do need to deliver on.

MR. MEYERS: Right. Yes. And I agree with you there. So if you're talking about required Medicaid Programs, or programs that are required, for example, on the Community Mental Health Agreement which is a legal settlement, which the State entered into, obviously, those programs continue. We're not transferring any risk under this waiver to those programs because what we are offering under this waiver are other services, additional services, and kind of integrating services that is really intended to be separate from the standard Medicaid Program or, for example, the services that are being funded through the Community Mental Health Agreement. And I'm really trying to understand what you're getting at because I don't think we are transferring any risk here at all. There are two separate things going on. There's our Medicaid Program over here, but then there's a waiver program that is really separate.

SEN. SANBORN: So I'll put a finer point on the question.

CHAIRMAN KURK: Senator Sanborn, then we'll come back to Senator Little.

SEN. SANBORN: Thank you, Chairman. So if I can try and put a finer point on Senator Little's question.

MR. MEYERS: Okay.

SEN. SANBORN: One of the leading proponents, I continue to hear in the presentations you continue to make is one of the services will be transitional housing for those in need.

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

MR. MEYERS: Yes.

SEN. SANBORN: Which might very well be a very admirable thing to do.

MR. MEYERS: Yes.

SEN. SANBORN: When I look at that, and this is where I'm still struggling, I'm not saying this program is not good, but I just -- I don't feel I've had -- I have answers that are satisfactory to my mathematical mind. So with 200,000 people who are unduplicated people that we are providing services for, let's say that one-quarter of 1% of those people, we decide we're to give transitional housing to at a thousand dollars a month, that's a \$72 million a year spend, which is double what you're projecting to spend in the entire program. I'm not saying do it or not do it. But as Senator Little says, we make a decision that transitional housing is important and we want to do that. I don't know where the cap is. Is one-quarter of 1% of the population a reasonable expectation or not? If we make the decision, we are going to provide that as a service, quite frankly, the average rental property today is \$1,300. So we are talking almost a hundred million dollars a year in a benefit on something that spends at 30. So does that mean we're giving up all the other services and how do we prioritize?

So I'm concerned that we make a commitment and the need based upon the definition of what we want to offer is going to outstrip the plan spend, and I'm not sure how we are managing all this.

MR. MEYERS: So let's take your example of transitional housing services for people who have overdosed. There's not a recovery bed or, excuse me, a treatment bed that may be available at that moment. So they need and they're couch surfing, they're homeless. The whole idea is to put them in some sort of transitional housing to improve their ability not to go back and start using on the street hours after they've gotten Narcan administered to them and come out of the E.D. because it's no longer a medical emergency. First of all, the State

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

isn't dictating the services. It's the local communities that have to provide the input to each regional IDN in choosing the services that are going to be established for this program. There needs to be local feedback before the projects are actually implemented at the local level.

So let's take your example. Suppose a local community says we want to offer transitional housing. That is just going to be, you know, that's not for everybody in the state or for the whole Medicaid population. It's for that number of folks that the local IDN feels it can support within the broader plan that it's trying to stand up. In other words, each regional network is going to have some project as you've heard; some are mandatory and some are optional. And so transitional housing would be an optional program under the waiver. So that may or may not get implemented, number one, depending on what the local need is; and it will be implemented along with other projects as well.

So -- so the State isn't establishing now a new transitional housing benefit for the entire Medicaid population. It's a supplementary program that may or may not be offered in a particular region, depending on the local need and the decision of the local network because there's -- because the providers in these networks are going to have their own governing structure within them. And so they will decide kind of what services and what years and to which segments of the population are going to benefit from those.

SEN. SANBORN: Follow-up.

CHAIRMAN KURK: Follow-up.

SEN. SANBORN: So, for the record, I'm sure Senator D'Allesandro and I stand shoulder to shoulder on the issue that I believe we need transitional housing.

MR. MEYER: Yeah.

SEN. SANBORN: I believe there's a place, especially in Manchester, which is just being ravaged by this. But, again, I

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

come back to that concern, you know, ten health systems around the state, and I think your IDNs are only seven but my math is running on ten today.

MR. MEYERS: Seven, yeah.

SEN. SANBORN: That's 500 people that we have to put into transitional housing in each sector. When we consider the number of people overdosing, that's a pretty realistic number for those communities to decide to do that. But, again, even at 500 people in each health system --

MR. MEYERS: Yeah.

SEN. SANBORN: -- it's a 70 to hundred million dollar hit on a program we decide to do. And this is just one piece of everything you'd like to do. So, you know, I get back to that question that I think there are -- I think there are many things in here that really have merit for us to discuss and understand, but I'm not comfortable today that I been provided the answers that are going to protect us financially and on a policy basis.

MR. MEYERS: Yeah.

SEN. SANBORN: 'Cause, you know, every day if you decide transitional housing is more important than Narcan training or more important than some mental health service, we have to prioritize. I still don't understand how I get the MCOs to IDN management contract and how -- so I'm not saying -- I'm not saying I'll never vote for this.

MR. MEYERS: Hm-hum.

SEN. SANBORN: I'm saying today for me there are so many questions that I can't get there yet today.

CHAIRMAN KURK: Senator Forrester.

SEN. FORRESTER: Thank you, Mr. Chairman. I have several questions. Thank you, Commissioner.

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

MR. MEYER: Yes.

SEN. FORRESTER: I did attend one of the presentations you went around the state.

MR. MEYERS: Yes, you did. Yes.

SEN. FORRESTER: Have you gotten feedback from those organizations that attended those meetings to hear from them what their comfort level is, if there's support for how you're moving forward with this 1115 Waiver?

MR. MEYERS: As a general matter, absolutely, yes. We believe it was April -- we extended the date by several days so I forget. I think not only was April 1<sup>st</sup>, but we extended it by several days. The deadline for organizations to submit a letter of intent to those who wish to serve as leads, and I think we received about 20 letters; roughly 20 letters. So multiple and various of the IDNs. And so there's a tremendous amount of interest in this. There's a tremendous -- I believe there's a lot of support for this program.

There's certainly questions that are still being asked about how some aspects of it are going to work and we're, you know, we're addressing those questions. But the answer to your question is yes. I feel there's very broad support across the state. I have talked to a number of people. I met yesterday or the day before, excuse me, with seven out of the ten counties that are very enthusiastic about going forward. I met County Commissioners and County Nursing Home Administrators who are very invested in this project and wanted it to proceed.

SEN. FORRESTER: Follow-up.

CHAIRMAN KURK: Further question.

SEN. FORRESTER: I heard you say that you received about 20 applications.

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

MR. MEYERS: Approximately, yes.

SEN. FORRESTER: You know there are seven networks.

MR. MEYERS: Right.

SEN. FORRESTER: Of those 20 applications, are they evenly disbursed among the seven networks here?

MR. MEYERS: No, the highest number of letters of intent was received in kind of the Seacoast -- the Rockingham-Seacoast region. I believe there were five that came in from that region. And then I think in the others a couple had two. I know one might -- a couple had one. One, I think, had three. So I'd have to go back and check exactly. But there was a different distribution. There were some regions where there was only one or two.

SEN. FORRESTER: Right. I guess that's a concern I have when you say a couple regions there's only one or two.

MR. MEYERS: Right.

SEN. FORRESTER: What are the quality? Have you analyzed the quality of these applications, their capacity to do this?

MR. MEYERS: So we are not doing that.

SEN. FORRESTER: What's that?

MR. MEYERS: The Department's not going to be doing that function. After Federal approval we are required by our Federal approval now to hire an independent third party to review and assess the applications. And so there's an RFP that's been drafted. It's about to be issued any day now. And so there will be a competitive process that will go to G&C approval to hire an independent third party who will review and make recommendations on the awards. What we have done thus far as part of the public presentation is we have established as a matter of policy that every delivery network had to have certain mandatory

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

participants. As you know, including hospitals and the mental health centers and the counties and so forth.

SEN. FORRESTER: So what happens if you have a region that has no application then? It's a quality application. What are your plans?

MR. MEYER: Yeah, that's a great question. So as I've said many times publicly, it's real the intent of this program to have statewide impact so it will be established in every part of the state. So there's going to be kind of a completeness, initial evaluation screening of the applications when they come in. And so if there's an application that is deficient in some way, there's going to be a real effort by the independent assessor to work with that region to say you're missing these things or, you know, in order to be considered you need to improve X, Y, Z so that -- and we'll do that with any -- any application that may be deficient and give the IDNs an opportunity to address any deficiencies.

Ultimately, if for some reason, and I don't think this is going to be the case because the response that we are getting are from well-established providers across the state that have the capacity to, you know, to do that. Would we ever be in a position that we couldn't establish an IDN in a region? I certainly hope that's not the case and we are certainly going to try to work so that's not the case.

SEN. FORRESTER: But what happens if that is the case? I guess, you know, I -- at least I know that there's some organizations out there that don't have really great relationships with each other and you're asking these folks to come together --

MR. MEYERS: Right.

SEN. FORRESTER: -- and develop this IDN, which I think is a great idea.

MR. MEYERS: Yeah.

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

SEN. FORRESTER: At the end of the day if you don't have -- if you can't get a good application for one of those regions, what happens? What happens?

MR. MEYERS: Well, theoretically, we could go back and reassess the program if we felt we had a structural problem with the program. Because we do, you know, the intent is obviously to make this program statewide. So I -- the direct answer to your question is if after trying any number of ways there is no way that a region could put together a program, then there might not be a program in that region. But that's -- but that's --

SEN. FORRESTER: So -- so --

MR. MEYERS: I really believe that that's very unlikely.

SEN. FORRESTER: Specifically, I'm concerned about the northern part of the state.

MR. MEYERS: Yep.

SEN. FORRESTER: Right.

MR. MEYERS: Yes.

SEN. FORRESTER: As a furtherance to that question does that -- it's the requirement is to have seven networks and you only have five or six, does the funding end from the Federal Government?

MR. MEYERS: No, it does not.

SEN. FORRESTER: It moves forward with only five or six networks and the North Country --

MR. MEYERS: We could rescope the networks if we had to make it work. I will tell you, though, the level of expression of interest we are having from the North Country is very strong,

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

and there are very many quality providers that are expressing interest in this program.

SEN. FORRESTER: Can you tell us where the weaker ones are?

MR. MEYERS: I'm not aware of any weak network at all. I mean, the networks haven't fully formed yet. I mean, that's the application process hasn't been done.

SEN. FORRESTER: Maybe the question then is where are the least amount of applications? What region?

MR. MEYERS: Uh -- well, the only thing we received are letters of intent to be the administrative lead. The application, there's a posted application that we are getting public comment on now that will be made final and will go out in several weeks. But I think that the -- there's only going to be -- there's really only one letter. I specifically recall there's only one letter in the region that is in the Upper Valley because there's a couple of different health providers decided to organize under one. I think in the Lakes Region there's already an LLC that's developed, so there's a single applicant there. And I know in the Manchester area there's two. I have to go back and look at all the letters. I'm happy to supply that information if you wish me to.

SEN. FORRESTER: Okay.

MR. MEYERS: It's all posted -- all the letters are posted on our website, by the way.

SEN. FORRESTER: I'm almost done.

CHAIRMAN KURK: Senator Forrester.

SEN. FORRESTER: I'm almost done. And I think I heard you say there's going to be a third party that's going to manage this. So DHHS won't be --

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

MR. MEYERS: Not to manage, just to select, select the IDN's and make recommendations on initial awards.

SEN. FORRESTER: I think we heard it earlier, maybe from Senator Sanborn, about our capacity when we look at some of the programs that we failed to stand up, whether it's mental health or not getting the funding to DD, how confident are you that you're going to be able to stand this up within the time frame that you laid out here for planning purposes that you're going to be able to get this all done within the time frame that you've outlined here?

MR. MEYERS: Well, the time frame is targeted. Obviously, may be some minor adjustments as we go through the process. But I am confident. We have a team of people that we pulled together in the Department and we are working very hard. We have an outside consultant that's been helping us for a limited time on standing up the program. And there will be -- the program will run principally by the staff that at the IDNs. The Department -- there will be staff members of the Department who will help oversee the program when it's up and running to answer your question directly. But that's not a huge number of people. It's actually relatively small number of people.

SEN. FORRESTER: Thank you.

CHAIRMAN KURK: Senator Little, did you wish to return to the fray?

SEN. LITTLE: No, I think it's fairly flushed out. Thank you.

CHAIRMAN KURK: Representative Eaton.

REP. EATON: Commissioner, one thing I don't think has been brought up clearly here today, but we got into a little bit yesterday and I'd like to have it on the record if you can help me --

MR. MEYERS: Sure.

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

REP. EATON: -- recollect what potential benefits there are to the Counties?

MR. MEYERS: Sure. So the Counties, I think, can benefit in several ways. First of all, the counties are mandatory participants in the IDNs. So money that is funding an IDN will, to the extent that the Counties participate in the programs, whether it's transition from a county jail or transition out of a county nursing home, as just examples, then, you know, an amount of money will pay for those services the County, you know, might otherwise incur.

Secondly, as I -- as I described to the House Members yesterday at the pre-Fiscal meeting, the Department, the State, is accessing County spending in their county nursing homes that is Medicaid eligible but is not now reimbursed. And so that money will initially be drawn down by the State, because it's the State that has the State Plan contract, if you will, with the Federal Government, the Medicaid Program, as a match as a designated State health care program. But starting by July of 2018, the Federal Government is requiring the State to access that money in a different manner which is as a certified public expenditure. And so the Department, and I've already had discussions, extensive discussions with the Counties about this issue, we will negotiate agreements with the Counties that will allow us to continue to access those funds on behalf of the Counties. A portion of those funds will be used to fund the waiver. Those portions of those funds that aren't necessary to fund the waiver will be returned to the Counties.

REP. EATON: So follow-up.

CHAIRMAN KURK: Follow-up.

REP. EATON: Is there a ballpark what financial benefit would go to the Counties?

MR. MEYERS: The honest answer is no, not yet. That really has to be negotiated.

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

REP. EATON: Thank you.

MR. MEYERS: Yeah.

CHAIRMAN KURK: At this point, we will stand in recess until 11:10.

MR. MEYERS: Mr. Chairman, may I speak before you recess?

CHAIRMAN KURK: Please.

MR. MEYERS: I notified you and the Vice-Chair last night that I have an obligation in Manchester. Is it your desire that I -- I would need to notify my boss if I'm not going to be able to be there, 'cause I don't want to just not show up.

CHAIRMAN KURK: We have some -- we have many questions about the next item which is the Department's Dash Board. But if you can't be here for that, we'll ask the questions of Miss Rockburn. I think we've completed our questions of you, Commissioner.

MR. MEYERS: Okay.

CHAIRMAN KURK: Now it's a question of us making a decision.

MR. MEYERS: Okay. Thank you.

CHAIRMAN KURK: We stand in recess until 11:10.

(Recess at 11:06 a.m.)

(Reconvened at 11:22 a.m.)

CHAIRMAN KURK: The Committee will come out of recess. The issue before us is the 1115 Waiver. Chair recognizes Senator Morse for a motion.

\*\* SEN. PRESIDENT MORSE: Move ought to pass.

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

REP. EATON: Second.

CHAIRMAN KURK: Moved by Senator Morse ought to pass, to approve, and seconded by Representative Eaton. This will be a roll call vote. The clerk will -- excuse me. Is there further discussion? There being none. You ready for the question? If you're in favor of approving this item you'll answer yes when the clerk calls your name. If you're opposed, you'll answer no. The clerk will now call the roll.

REP. WEYLER: Representative Kurk.

CHAIRMAN KURK: No.

REP. WEYLER: Representative Eaton.

REP. EATON: Yes.

REP. WEYLER: Representative Ober.

REP. OBER: No.

REP. WEYLER: Representative Wallner.

CHAIRWOMAN WALLNER: Yes.

REP. WEYLER: Representative Weyler votes no. Senator Forrester.

SEN. FORRESTER: Yes.

REP. WEYLER: Senator Little.

SEN. LITTLE: Yes.

REP. WEYLER: President Morse.

SEN. PRESIDENT MORSE: Yes.

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

REP. WEYLER: Senator Sanborn.

SEN. SANBORN: No.

REP. WEYLER: Senator D'Allesandro.

SEN. D'ALLESANDRO: Yes.

REP. WEYLER: Mr. Chairman, the vote is six yes, four no.

CHAIRMAN KURK: Six having voted in the affirmative, four having voted in the negative, the motion carries and the item is approved. Thank you, Commissioner.

**\*\*\* {MOTION ADOPTED}**

CHAIRMAN KURK: At this point, without objection, we will turn to the information item 16-073, the Dash Board from Health and Human Services dated April 11, 2016. There are some questions.

MR. MEYERS: You want to do that now?

CHAIRMAN KURK: Please. This is the late item. Commissioner, could you explain to us the Department's position on meeting its lapse requirement?

MR. MEYERS: I'd be happy to, Mr. Chairman. Thank you very much for the question. You will see that I presented this Dash Board differently than I did last month. In that I made clear or rather I did not indicate on the bottom of the first page that we were covering our potential deficit automatically with lapse. And what I want to say about the Department's meeting its lapse obligation is this.

That, firstly, the Department takes its obligation seriously. And as you have seen, I included a sentence that made clear that in the last five years, with one exception, we have met our lapse. We, obviously, have to continue to watch the

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

deficit and Medicaid Program which is the principal driver of our overall deficit at the moment.

At some point, obviously, if it's -- if it does not look as if it's going to reverse in way that will allow us to meet our lapse and to cover the deficit, then the Department will have to come forward with a reduction plan in order to ensure that we cover the deficit and work as hard as we can to meet our lapse obligation. But for the Medicaid deficit, I think, and the CFO can add to what I'm saying that I think we could be able to manage both.

CHAIRMAN KURK: Are you in a position to tell us that you will, in fact, meet your lapses, your lapse requirement by the end of the biennium?

MR. MEYERS: We have every intention of doing so, yes.

CHAIRMAN KURK: Thank you. There was another issue that concerned me and that was the contract rate and payments for MCOs.

MR. MEYERS: Yes.

CHAIRMAN KURK: Could you give us a little bit of history there? There seems to be some question as to whether it's -- whether the -- whether the increased payment is retroactive. It's not clear to me from this information. I wonder if you could help us out.

MR. MEYERS: I'm going to let Sheri start and then I'll supplement.

SHERI ROCKBURN, Chief Financial Officer, Department of Health and Human Services. So we don't have any retro- active payments to our MCOs at this time. We negotiate with our MCOs. We try to negotiate rate changes on an annual basis. There have been times in the last few years where we have done a change mid-year; but the current contract rate its \$345. This is the aggregate PM/PM. So each of our different categories actually

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

have a different Per Member/ Per Month; but in the aggregate we're at about \$345 Per Member/Per Month with our current contract. That is higher than when we were working through our budget assumptions last year. And so -- but that number is actuarial based. So when we were doing our budget assumptions last year, we were hoping that that rate would trend downward, not upward. So that does contribute to our shortfall that we are experiencing this year. I don't know if you want a larger span from the beginning of the program to now or just in this current Fiscal Year.

CHAIRMAN KURK: I'm sure there will be other questions; but could you give us of the 29 -- roughly \$29 million of shortfall, how much is due to the contract increase for MCOs and how much is due to the Medicaid population not declining as assumed in the budget?

MS. ROCKBURN: Of that shortfall, most of it or the majority of it is related to the rate increase. I would say about 15 million of our shortfall is from the rate change. We were paying \$331 at the end of June last year and, like I said, our current rate right now is 345. So a lot of our -- 15 of our deficit is related to the rate change.

Our caseloads not being met, we assumed a -- the budget assumed a 2% drop in Medicaid caseloads that would be effective July 1 of 2015. And to date we are tracking just barely over last year, but pretty flat till last year, and that's probably close to a four to \$5 million of our shortfall related to the 2% not being met. Those are the two biggest pieces.

CHAIRMAN KURK: And the rest are small pieces that total another \$10 million?

MS. ROCKBURN: No, the Medicaid shortfall per the Dash per -- Dash Board, sorry, is -- yeah, it's 26 million. Twenty million that I'm discussing is Line 14 on Table A; 19.1 million is our Medicaid service area. That's our shortfall. So of the 19.1, just under 15 million is the rate and four to 5 million is the 2%. So that accounts for almost the entire 19. Those other

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

three items in the Medicaid area are outside of, I would say, rate or Medicaid caseloads. That's a reimbursement fee to our MCOs. Part A and B and Part D are changes with the Federal Government in terms of rates that we pay them.

CHAIRMAN KURK: Thank you. Senator Sanborn.

SEN. SANBORN: Thank you, Mr. Chair. So, Sheri, what you're talking about isn't a contractual difference. It's the mix of reimbursement, the extra \$15 a month. So you mention we're paying 331. Today we are paying 345.

MS. ROCKBURN: Correct.

SEN. SANBORN: So I looked at it as a contractual difference that just the reimbursement rate was going up \$15 per belly button per month to get to that on an annualized basis the hundred million. But you're saying it's more just a mix of services driving it up or is it contractual driving it up?

MS. ROCKBURN: I think it's a combination, I would say. But when I think about it contractually, I would step back and say that our rates have to be approved by CMS and they have to be actuarial sound. So it's not just a department and an MCO negotiation in terms of a rate.

MR. MEYERS: Right.

SEN. SANBORN: I think we are under a contract for the MCOs for a per member/per month.

MS. ROCKBURN: Correct.

MR. MEYERS: But only for a period in which the -- I apologize for the feedback -- only for the period the actuary determines is sound. And so the rates get reviewed on a periodic basis. And so the increase that took place from 331, average 331 per member/per month to 345 per member/per month at the end of the year was because -- again, I apologize for the feedback, I don't know why it's occurring -- was because our actuary Milliman

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

determined that that was the rate necessary to sustain the program for that period of time going forward, for the six months going forward.

SEN. SANBORN: Follow-up, Mr. Chair.

CHAIRMAN KURK: Follow-up.

SEN. SANBORN: So is Milliman thinking that utilization of services is going up or the mix of who is being provided services is changing? And how does that look for us going forward?

MS. ROCKBURN: So, Senator Sanborn, I think that that -- I think your analysis there is correct. I think it's a combination of increased utilization in different mixes or different categories. So our categories, for example, we have, you know, infants. We have gender categories. We have disability, elderly categories, and so some of the mix is different than we expected. And that cost in those different categories the utilization is also changing. So I think you have a combination of that that is occurring.

In terms of where we see it going forward, it's been relatively flat in terms of changes in terms of our total caseloads. So, you know, I think that we are working on looking -- having Milliman actually look at our projected cost for July 1, because we have a rate increase or a change or decrease that could occur.

MR. MEYERS: It's not necessarily an increase. Rates have been determined to be sound through June 30 of this year. So we will be -- Milliman will be reviewing the rates for a possible contract amendment that would go to G & C in June for the last year of the contract. That is July 1 of '16 through June 30<sup>th</sup> of '17.

CHAIRMAN KURK: Senator Morse.

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

SEN. PRESIDENT MORSE: Sure. What was the rate that was put in the budget?

MR. MEYERS: It was close to the 330, right?

MS. ROCKBURN: Yeah, it was closer to the 330.

SEN. PRESIDENT MORSE: And you wouldn't have tested that before we put it in the budget?

MS. ROCKBURN: The timing of that -- so Milliman sets their rates for that July 1 period. So we did not know what the final actuary rate was going to be on July 1 as we were going through our budget which started really the fall of the previous year, and then through the House-Senate Committee of Conference, we did not have final numbers from our actuary at that time.

MR. MEYERS: It's a timing issue we need to solve.

SEN. PRESIDENT MORSE: But if it's a timing issue, Commissioner, we passed the budget in September actually. So this is a retroactive raise as far as the Senate and the House are concerned, because we passed the budget at 330. And you're now telling us that you've agreed to 345 after the horse got out of the barn. And what I don't understand is how we didn't know this information between July and now.

MR. MEYERS: Well, first of all, I would say it's not as if the Department negotiated it and we agreed to it. It was what the actuary determined was sufficient to run the program. That was brought forward to Governor and Council. I -- I don't disagree with you that, perhaps, there needs to be different communication in the future about when rates are developed and how rates are developed and how that's transmitted to the Legislature. I -- in fact, I completely agree with what you're saying; but that's how it happened to answer your question.

SEN. PRESIDENT MORSE: Do these rate increases have anything to do with the shortfalls the MCOs are claiming that they're experiencing already?

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

MR. MEYERS: No, no. To the extent there have been recent discussions about potential shortfalls, no. The rate increase from approximately 330 average to 345 average was just done strictly on financial data by Milliman in the regular course of setting the rate for the period starting July 1 of '15.

SEN. PRESIDENT MORSE: And was anything asked of whoever set these rates actuarially about the administration -- administrative fees that the State of New Hampshire is paying to the MCOs?

MR. MEYERS: The answer to your question is yes. So Milliman also looks at what the administrative load should be for a program of this size with the services that are in it and so forth. And so the appropriate level of administrative cost is also targeted by the actuary, if you will.

SEN. PRESIDENT MORSE: What was the percentage that we're being charged and what are they suggesting?

MR. MEYERS: Excuse me. Nine percent is what the actuary suggested was the appropriate administrative load for these contracts at this time. One of the MCOs was right on target, off by a tiny, tiny bit. In fact, I think a little bit lower by a tiny bit, not higher. The other MCO we have gotten some mixed information. It appeared initially that it was about double that. I think since then there's been additional information we received that it is a little bit less than that doubling, but it's higher than -- to answer your question it was higher than the 9%.

SEN. PRESIDENT MORSE: So what do we do about that?

MR. MEYERS: That's something that we have to address in the next amendment going forward. And, in fact, as you know, we've been asked by one MCO to do a rate increase, you know, kind of now. And I've indicated to them and I've indicated to others that I'm not supportive of doing any further rate increases until the rates are set based on a counter date in July, and at

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

that time we have to review not just what we need to pay for medical services but to review the administrative load as well.

CHAIRMAN KURK: Senator Little.

SEN. LITTLE: So is there discussion about what can be done during the budgeting process to change the timing or get advanced information so that the figures approved is closer to what the ultimate contract will look like?

MR. MEYERS: Yes, I think there's a number. I'm going to let Sheri jump in in just a moment. But before she does, I'd like to just say that, first of all, as I think everybody understands, that the current contracts ends on June 30<sup>th</sup> of 2017. And so the State needs to make a decision at some point as to what the next step in the process is in terms of re-bidding for delivering Medicaid services in New Hampshire. And I think that's -- we have learned a lot in the three and a half years or so that we have had the program now, three years or so we have had the program. And I think that we are going to approach this next RFP process in the next negotiation very differently than we did the first time.

So the direct answer to your question is absolutely. We have got to look at this and, in fact, as I've said I know to some Members of this Committee offline, you know, I'm looking at how other states are doing this. And I know for a fact that other states only allow for increases once a year and that there's some states that have peg increases to percentage of General Fund budget or percentage of inflation in the state and so forth. I think there's ways we need to look at these contracts going forward that we have not looked at initially.

CHAIRMAN KURK: Senator Morse.

MS. ROCKBURN: The only other thing I would add during the budget process, and I could resurrect this handout, during Senate Finance back in April, around April 20<sup>th</sup> of last year, I had done a presentation coming out of the House to the Senate of where our range of PM/PM could be from where we had started our

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

budget process during the agency phase. And on that handout had a range saying, 'cause the rates weren't finalized, but it had a range saying if some of the draft rates we are seeing come to be, we would be looking at, at most, say, a range of a 5 to 20 -- like \$26 million shortfall with the rates and that was presented at a hearing with Senate Finance during the budget process.

Unfortunately, I think during that time the Department had it brought forward other reductions to the Department that would help offset that, and so that was not something that ever ended up being changed in our budget. But in terms of some notification, we did have some draft rates from Milliman during that April time period that was available. Like I said, I could resurrect that if we wanted to look to see how that was handled, but we can definitely look forward to finding a better process in the next budget cycle.

CHAIRMAN KURK: Senator Morse.

SEN. PRESIDENT MORSE: Well, I just would like to point out we spent almost 30 million in the Committee of Conference that we probably wouldn't have. But I do have a question while Sheri is here.

Last year in February before the budget was presented we had a lapse of -- well, not a lapse -- we had a Dash Board presented to us with about a \$50 million shortfall.

MR. MEYERS: Hm-hum, that's correct.

SEN. PRESIDENT MORSE: You predicted during those same Senate Finance meetings that we had about a \$40 million lapse. You were almost right on. So now we're predicting that we have a shortfall, and we're not sure if we are going to have a lapse. I got to believe you know the numbers right to the penny. And I would like to understand where that lapse is going because we are certainly hearing from people that don't seem to be getting the money. And we're concerned that there's going to be lapses again, and DD is one of them. I mean, you're showing us a

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

shortfall -- a waiting list and that's the last thing we want to see.

MR. MEYERS: Go ahead. And I'll add to it.

MS. ROCKBURN: All right. Then I'll let Commissioner Meyers add to it. Last year, just as a quick summary, we had lapse in three major areas. One was salary and benefit vacancies, and we had a lapse for some additional drug rebate revenue, and then the third being in our DD category. If you look at where we're trending this year in those three, one of the other items on the Fiscal agenda this morning is a transfer document, to transfer excess funding in salary and benefits and some other accounts to help fund the Medicaid. So that document is about a \$13 million transfer just into the Medicaid account. So when I look at major lapses that happened last year, we are already accounting for using some excess salary and benefits to fund our shortfall today.

Last year we did the same but we -- the difference being is that this year we have 129 positions that became unfunded. So last year those positions were funded. We were able to use vacancy savings to cover our shortfall and still lapse vacancy savings. This year we're going to really have to monitor if there will be additional vacancy saving lapses as a result of 129 positions being unfunded. I look at that as a way to say that lapse opportunity was taken away during the budget process because that accounted for about 5 to \$6 million General Funds for those 129 positions that were unfunded. So, you know, we have to really monitor where that stands as we go forward.

The drug rebate revenue is tracking a little bit ahead of plan. Our plan for that use would be to do an accept and expend in May to use that drug revenue to offset some of our Medicaid shortfall. You know, that's where the second area.

The third area for DD lapse, one of the big differences between this year and next year or, sorry, this year and last year is where we stand in the biennium. So the first year of a biennium, the Disability Wait List accounts are non-lapsing. So

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

even though there's a Wait List that we are trying to work with our Area Agencies to get spending out to our clients, those funds are not subject to lapse in the first year of the biennium. So our hope is to work with them on a plan that continues getting that money out the door, not just this year, but make sure it's completely spent in the next year as well.

MR. MEYERS: It's not just our hope. Sheri and I and others are meeting with the Area Agencies on a regular basis every other Monday for almost a couple of hours and drilling down into every single issue that exists, including issues that were identified in the audit report by the LBA to ensure that by the end -- the end of the biennium serve everybody on the Wait List. And we are putting into place guidance and practices that will ensure that this money is going to get spent as intended and appropriated by the Legislature.

There are different issues at different Area Agencies, but we are working with everybody to make sure that we don't have a repeat of what happened last year. We are absolutely committed to that. I will note just parenthetically that in accordance with the Executive Order that Governor Hassan issued when she first became Governor that we have now posted our first status report with respect to the DD Audit on the Transparent New Hampshire website, and I had copies sent to leadership and that's available as well for people to look at, which includes not -- what it does it includes all the audit findings, what our response to the audit findings were, and our follow-up plan to date in terms of what steps we are taking to ensure that we address each and every issue in that audit. It's something we take very, very seriously.

CHAIRMAN KURK: Senator Sanborn.

SEN. SANBORN: Thank you, Mr. Chair. Sheri, while I'm concerned about past performance, I'm equally concerned right this second kind of about future performance if we're spending 1.2 billion in the Medicaid GEL Ledger. We can't be off by a lot before this thing gets out of control at some level. So I understand you're working with Milliman. But can you by next

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

Committee or offline give the Members here some sort of a view where is Medicaid spending going nationally, not just CPI though. The economy is getting better, but our spend is getting higher. I guess I'm a little concerned that you all coming back in June or August meeting looking for another 25 or \$30 million is our numbers haven't gone down and spend does continue to go up. So we are kind of being doubly concerned about that.

MR. MEYERS: Senator, thank you. I'm just going to try to understand what information you're looking for. When you say what's happened with Medicaid nationally, what is it that you're --

SEN. SANBORN: If we know that our spend in New Hampshire that we estimated a 2% decline and when you did the budget with these fine folks up on the straight part of the table that spend is 330, now our spend at 340 per belly button and the 2% disappears. I add on to that the cost of fee-for-service that we will get obviously from CMS. I am concerned the numbers are going in the wrong direction, right? So I guess I'm looking for kind of a holistic where are the numbers going or should we be prepping ourselves for some other spend June 30<sup>th</sup> or September that costs are increasing, not decreasing, or holding where we budgeted they would be. We don't have a lot of control on.

MR. MEYERS: We have to set the rates for the last year of the MCO contract starting July 1 of 2016. There's a process that's ongoing now working with our actuary and the MCOs to have the data to be able to do that. I'm happy to keep the Committee informed on a monthly basis, if you wish me to, in terms of what that process is. But there's an anticipation that there will be a contract amendment brought to the Governor and Council at one of the June meetings that will set the rates for the last year of the contract. And I don't know today whether that's going to be less than the 345 average or potentially more than the 345 average. There's a lot of work that has to be done still before that's ready to go; but, obviously, it's very much in process.

SEN. SANBORN: I agree with you. If I may? Just a surprise I'm trying to prohibit.

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

CHAIRMAN KURK: Senator Forrester.

SEN. FORRESTER: Thank you, Mr. Chairman. Commissioner, you said a little while ago you're going to be renegotiating the contract with the MCOs. Has there been an analysis done or are you doing -- will you be doing one to see if actually the program is working? Are you saving money? Because isn't that what the MCO contracts were all about?

MR. MEYERS: Well, I don't know the answer. I'm sorry.

SEN. FORRESTER: I was going to say when we keep seeing the rise and the increase in the money we're paying the MCOs makes me wonder if it's working.

MR. MEYERS: So I think the Legislature adopted essentially lack of a better term a purpose statement which has now been codified into RSA 126:A-5 into one of the paragraphs that introduces the Managed Care language that talked about not just cost savings but also increase in quality and efficiency of services and so forth. So there's a range of goals that the Legislature set for the program. Cost was one of those goals, admittedly. So the answer to your question is yes. And we must be doing an analysis of how this program has worked.

Now, we have started that analysis with respect to certain quality measures that the Medicaid Program requires us to measure. And so there has already been information presented publicly. I'm happy to bring it to the next Fiscal Committee if you wish me to talk about the type of health outcomes that the program is achieving, in terms of the cost of the program and so forth. What we need in order to do that analysis is our ability to be able to evaluate and extract all the counter data from our MMIS system and that is something that is going to be available very shortly to us. So the answer to your question is we absolutely have to do an analysis before we go forward.

CHAIRMAN KURK: Further question?

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

SEN. FORRESTER: Yes. Last evening I was at an Area Agency annual meeting that I think you were at. I think we might have missed each other.

MR. MEYERS: Yes, we missed.

SEN. FORRESTER: And I heard from one of the folks there that with the MCO contracts they are now getting audited four times, four times. They're spending more time with audits than they are serving the people who need their help. Whereas before the MCO contracts came into place one audit. Can you --

MR. MEYERS: I'm --

SEN. FORRESTER: -- address that?

MR. MEYERS: I'm not familiar with that requirement off the top of my head. I'm happy to look into that and report back to you, and I've made a note to do so.

CHAIRMAN KURK: I would remind Members that we have just barely started our agenda.

REP. OBER: No kidding. This is like watching paint dry.

CHAIRMAN KURK: Commissioner, under the Sununu Youth Center Services item I would request that when you seek legislative action it not just be for '16 but '16 and '17. It's a package. And, secondly, I'd like to thank you for the additions. You call them transformation initiatives.

MR. MEYERS: Yes.

CHAIRMAN KURK: That way of presenting information is very helpful.

MR. MEYERS: Thank you very much. Happy to continue that.

CHAIRMAN KURK: There being no further questions, we thank you very much.

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

MR. MEYERS: Okay. Thank you.

(3) RSA 14:30-a, III Audit Topic Recommendation by  
Legislative Performance Audit and Oversight Committee:

CHAIRMAN KURK: We now turn to item number three.

REP. WEYLER: Do we accept this?

CHAIRMAN KURK: No action necessary on that. We turn to item number three, Audit Topic Recommendations by Legislative Performance Audit and Oversight Committee. There are three requests under the statute. They are approved unless they are unanimously disapproved.

\*\* REP. EATON: Mr. Chairman, I would move to table all but the Department of Correction Sex Offender Treatment Program.

REP. OBER: Second.

CHAIRMAN KURK: Representative Eaton moves to table the first two items, Office of Professional Licensure and Certification For Naturopaths and Real Estate Brokers. That has been seconded by Representative Ober. The motion is to table those two items. Are you ready for the question? If you're in favor, please indicate by saying aye? Opposed?

SEN. SANBORN: Opposed.

SEN. LITTLE: No.

SEN. FORRESTER: No.

CHAIRMAN KURK: It passes 5-3. Those two items are tabled.

\*\*\* {MOTION ADOPTED}

CHAIRMAN KURK: We now turn to this third item under Fiscal  
16.

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

REP. WEYLER: Does that mean the other one is approved?

CHAIRMAN KURK: No, we now have to act on that other one.

\*\* REP. EATON: Move approval.

REP. OBER: Second.

CHAIRMAN KURK: The Department of Corrections item, the Sex Offender Program, the approval has been moved by Representative Eaton, seconded by Representative Ober. 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 that third item is approved.

\*\*\* {MOTION ADOPTED}

**(4) RSA 9:16-a Transfers Authorized:**

CHAIRMAN KURK: Turning to agenda item number four, Transfers Authorized under RSA 9:16-a. Fiscal 16-061, a request from the Department of Resources and Economic Development for authorization to transfer \$150,000 in General Funds through June 30<sup>th</sup>, 2016. I have a question if there's somebody from the Department here. Good morning, folks. Thank you for being here.

CHRISTOPHER MARINO, Department of Resources and Economic Development: Good morning.

VICTORIA CIMINO, Director, Travel and Tourism, Department of Resources and Economic Development: Good morning. Vickie Cimino, Director of Travel and Tourism. I'm joined by Chris Marino.

CHAIRMAN KURK: This requires a transfer out of a Grant Subsidies and Relief lines so the question is who loses as a result of this? Who will not be getting money who would otherwise be getting?

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

MS. CIMINO: Nobody. We actually completed our fourth and final round of JPP grants for the Fiscal Year.

CHAIRMAN KURK: Why didn't you spend the 150,000?

MS. CIMINO: Well, Class 75 funds are Joint Promotional Grants Program and so we had received only \$783,000 in grant requests.

CHAIRMAN KURK: Thank you. Further questions?

REP. OBER: Mr. Chairman.

CHAIRMAN KURK: Representative Ober.

REP. OBER: This particular line item is a line item that you will recall when we were doing budget hearings --

MS. CIMINO: Hm-hum.

REP. OBER: -- and we were needing to cut some money that Division I thought about cutting the money and the agency testified you couldn't possibly do that. So I'm a little confused now to find we have had \$150,000 that we could have cut rather than something else that we needed.

MS. CIMINO: Well, the initial allocation in the Class 75 was based on a \$8.1 million budget. And, you know, what we do when we get to the second year of the biennium is we will hold more than the four required meetings for Joint Promotional Grants. And so, you know, had the initial allocation been kind of closer in line with what our final budget ended up being, we wouldn't have necessarily requested that transfer. But what we'd like to do is take this \$150,000 from Class 75 and put it into Class 069 so that we can adjust our Canadian Program.

REP. OBER: Follow-up.

CHAIRMAN KURK: Follow-up.

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

REP. OBER: So your testimony is we should actually wait until the second year of the biennium and we should table this until then, because we are still in the first year of the biennium, you know. We're only three-eighths of the way through the biennium. So we've got a quarter to go this year.

MS. CIMINO: Understood. But I think that given that there has only been \$783,000 in grant requests for this first Fiscal Year within the biennium that money is better utilized extending our Canadian Marketing Program.

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

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

CHAIRMAN KURK: Senator D'Allesandro moves, Representative Eaton seconds the approval of 16-061. Further discussion or questions?

SEN. SANBORN: Quick question, if I might?

CHAIRMAN KURK: Senator Sanborn.

SEN. SANBORN: Thank you, Mr. Chair. Thank you both for coming in. Knowing it's been a relatively tough winter --

MS. CIMINO: Yes.

SEN. SANBORN: -- in the North Country, ski tickets are down, snowmobile registrations are down. Have you done any forecasting on what the rest of the year looks like and should we be prepared for other transfers or spends that might be coming our way?

MS. CIMINO: Not at this time. The March update just came out. It did actually show that February numbers were about \$2.2 million above plan which is, you know, kind of -- it was surprising to me, but I think that a lot of that can be attributed to the New Hampshire Primary.

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

SEN. SANBORN: Thank you very much.

CHAIRMAN KURK: There being no further questions, the motion before us is to approve 16-061. Are you ready for the question? All those in favor, please indicate by saying aye? No? 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:

CHAIRMAN KURK: We turn now to item -- thank you, folks -- we turn now to item number five on our agenda, Fiscal 16-062, a request from the Department of Transportation for authorization to accept and expend \$200 million in Federal funds through June 30<sup>th</sup>, 2017.

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

REP. OBER: Second.

CHAIRMAN KURK: Senator D'Allesandro moves the item, seconded by Representative Wallner.

REP. OBER: Ober.

CHAIRMAN KURK: Ober. Discussion? Questions? There being none, are you ready for the question? All those in favor --

SEN. SANBORN: Discussion.

CHAIRMAN KURK: Discussion. Yes, sir.

SEN. SANBORN: We are about to drop \$200 million. Do we have a date of completion?

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

SEN. D'ALLESANDRO: This is the TIFIA Program. It's a new program.

CHAIRMAN KURK: If Senator Morse were here, he would be voting yes.

SEN. SANBORN: I'm not voting no. I'm just asking the question.

SEN. D'ALLESANDRO: It's the grant program that the DOT applied for. It's a real plus for us in terms of the -- of getting --

SEN. SANBORN: Again, I'm fully in support.

SEN. LITTLE: Mr. Chairman.

CHAIRMAN KURK: Senator Little.

SEN. LITTLE: My recollection is this doesn't change the investment plan for the program. It changes the source of funding and the cost of funds.

SEN. SANBORN: Okay. Thank you.

CHAIRMAN KURK: There being no further questions, 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}

(6) RSA 124:15 Positions Authorized:

CHAIRMAN KURK: We turn now to item number six on the agenda, Fiscal 16-063, request from the Department of Safety for authorization to establish one temporary part-time program assistant position through September 30, 2016. Is there a motion? Moved by Representative Eaton, seconded by Senator Little. Discussion? Questions? There being none, are you ready

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

for the question? All those in favor, please indicate by saying aye? Opposed? The ayes have it and the item is approved.

\*\*\* {MOTION ADOPTED}

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

CHAIRMAN KURK: Turning now to item number seven on the agenda, Fiscal 16-064, request from the Department of Fish and Game for authorization to transfer \$78,000 from the reserve to the Fish and Game Operating Budget through June 30<sup>th</sup>, 2016. Is there someone from Fish and Game to answer questions? Good morning, Mr. Normandeau. Good to see you again.

MR. NORMANDEAU: Back again.

CHAIRMAN KURK: You state in your explanation that there's money in utilities and yet you're taking this money from the reserve. Can you explain why?

MR. NORMANDEAU: Yeah, because there's a footnote in the budget that prevents us from transferring between out of the 23 Class line. So we had to come here instead.

CHAIRMAN KURK: Thank you.

MR. NORMANDEAU: We don't really know why that appeared in this particular budget.

CHAIRMAN KURK: Is there a motion?

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

SEN. SANBORN: Second.

CHAIRMAN KURK: Moved by Senator D'Allesandro, second by Senator Sanborn that the item be approved. Is there a discussion? Senator Little.

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

SEN. LITTLE: Discussion. Not a question for the Director but a discussion. Mr. Chair -- excuse me -- I noted in here it does mention or appears to be repurposing of fuel oil savings. And in that we've had unrelated but sort of kind of related conversations about the energy savings that the State will realize because we've had such a mild winter, and for all intents and purposes for those savings but those savings won't be here if all of the monies are transferred out of those energy lines for us to use for something else, like maybe retiree health care issues.

SEN. FORRESTER: Right. I can answer that.

CHAIRMAN KURK: Senator Forrester.

SEN. FORRESTER: So I did -- I did speak -- having the same concern because they're going to see it somewhere else in the Fiscal book, did speak with the Commissioner. And she assured me that the money taking from Fish and Game is not going to impact the money that we are looking to take, the \$700,000, to address the retiree health care shortfall.

SEN. LITTLE: Follow-up.

CHAIRMAN KURK: Follow-up.

SEN. LITTLE: So will we review these on a case-by-case basis when they come forward from Agencies to repurpose those fuel oil savings?

CHAIRMAN KURK: Mr. Kane, is the footnote to which Director Normandeau referred one that applies to this line throughout the budget?

MICHAEL KANE, Legislative Budget Assistant, Office of Legislative Budget Assistant: It's throughout the budget, but there's also House Bill 2 sections that some Agencies are exempt from that footnote. Admin Services, Safety, HHS. Some are exempt from any restrictions on those transfers.

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

CHAIRMAN KURK: Does that help?

SEN. LITTLE: Yes. Again, it's unrelated to this issue. So if you'd like me to take it offline, I'd be glad to do that. But --

CHAIRMAN KURK: This is the Fish and Game Fund so this money, if I understand you correctly, the money that you take out of the reserve but not out of the utility line will, in fact, go back to the reserve from the utility line at the end of the year.

MR. NORMANDEAU: That's correct.

CHAIRMAN KURK: Thank you. We have a motion, moved by Senator D'Allesandro, seconded by Senator Sanborn. 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: Thank you.

MR. NORMANDEAU: Thank you. For all of those of you who might be around, tomorrow is Wild New Hampshire Day, and we'll have around 7,000 people over at the office tomorrow. So if you get a chance to stop by, I'm sure you'll be entertained.

CHAIRMAN KURK: Will there be any bob cats on display?

MR. NORMANDEAU: Oh, my God.

**(8) RSA 604-A:1-b Additional Funding:**

CHAIRMAN KURK: We turn now to item number eight on the agenda, Fiscal 16-065, a request from the Judicial Council for authorization to receive an additional appropriation from funds not otherwise appropriated in the amount of \$40,000 in General Funds through June 30, 2016.

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

\*\* REP. EATON: Move approval.

CHAIRMAN KURK: Moved by Representative Eaton, seconded by Senator Sanborn that the item be approved. Discussion? Questions? There being none, are you ready for 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 now to 16-066, another request from the Judicial Council for an additional \$70,000 for similar purposes. Is there a motion? Moved by Senator Sanborn, seconded by Representative Eaton.

REP. OBER: I have a question.

REP. EATON: Don't you want Nina to come up for old times' sake?

CHAIRMAN KURK: There are some questions. Representative Ober is recognized for a question. Ms. Gardner, we're delighted to see you.

NINA GARDNER, Chairman, New Hampshire Judicial Council: Thank you.

SEN. D'ALLESANDRO: Welcome back.

MS. GARDNER: Thank you. For the record, my name is Nina Gardner, and I am the Chairman of the Judicial Council at this point.

CHAIRMAN KURK: Representative Ober.

MS. GARDNER: Did you see that one coming?

REP. OBER: Nina.

MS. GARDNER: Yes, Representative Ober.

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

REP. OBER: Is this going to be enough or how many more kinds of things are on the back burner that we don't know about yet that you know about?

MS. GARDNER: I think based upon what I know, and I want to assure you that since at least January I've had kind of a rather direct hand on what's going on, since Chris decided to make the change to go up to the courts. A poor decision on his part, I'm sure. But he's -- he and I have been working together. I've been looking at these numbers. I think what we have asked you for right now should get us through June 30<sup>th</sup>.

I do want you to be aware, and that's probably why they wanted me to come, I think there are signs on the horizon that things are going to be challenging as we continue to wage the war on drugs. There are kind of pieces that follow this way. That is part of what the abuse and neglect money is about. The guardians ad litem that are being appointed are increased in number. We are now taking children out of homes earlier, as I think we should be, but that is part of the collateral cost. Maybe it's not collateral cost.

The same is sort of true with arresting people for drug offenses and the raids that go through communities for opioid possession. The other day in the Lakes Region we arrested 17 people in one day. All those people needed lawyers. And so that is a little bit like I want to remind you all, and many of you were here when we were talking about this in 1996, that as we put lots of police on the streets as part of the crime bill, the Federal crime bill, indigent expenditures spiked. I think part -- that is going to have kind of the same impact here. The caseloads don't show huge spikes yet but there are signs. And I have been looking at the data going back three years just so I'll have a handle with the new person that's being hired to build the budget and to keep you informed as to the kinds of things we're seeing.

REP. OBER: Follow-up.

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

CHAIRMAN KURK: Follow-up.

REP. OBER: Nina, you had it on exactly what I was thinking. The reason I ask it, and I know you don't have a crystal ball, is that we have in front of us in Finance millions of dollars in bills related to the drugs and opiates, et cetera. So I kind of like if you could give us a ballpark, have you got any idea how much money you might need in '17 because I would -- I think we need to factor in all of the things that you exactly explained why we need to think about this if we move forward with all our bills. I mean, we have one bill for grants for local, county, and State Troopers to do more in this area, and you already said that leads to more prosecutions.

MS. GARDNER: Right.

REP. OBER: Can you give us a ballpark what you might think of that?

MS. GARDNER: What I can tell you for sure is that the contract attorney line is probably light, we'll probably need some more money there. I can't tell you exactly how much. The line I am most concerned about is the assigned counsel line, the money you transferred last time. The representation for parents in abuse and neglect is an increasing expenditure. The number of cases moving through the system are increasing and that's the kind of cost that they sort of ramp up. I mean, I warned Chris, and I can say it candidly, I warned Chris what he was requesting was a little bit short on that line. He says, Nina, I can only see five or \$600,000. How come you're telling me I need more? Because it takes time for that stuff to get into the system.

REP. OBER: Yeah.

MS. GARDNER: That's what 23 years tells you.

REP. OBER: Exactly.

MS. GARDNER: It takes time to walk that stuff through the system. I suspect that that line is going to be at least a

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

million dollars in expenditure next year, which probably portends four or \$500,000 of shortfall.

REP. OBER: All right. Thank you. That's good.

MS. GARDNER: I also think the guardian ad litem line for representation of the children in abuse and neglect is probably light simply because CASA is having a really tough time of recruiting. They doubled their recruitment efforts. They doubled the number of new trained CASAs that are coming along, but so are the caseloads. The caseloads are growing and they're very difficult cases. Those children that they're seeing, are being asked to protect, are terribly challenging cases, many of them coming out of drug impacted families.

REP. OBER: That's helpful. Thank you.

MS. GARDNER: So I will tell you there's at least more than half a million dollars that I would suspect on a blush. I would be glad to come back as we go along next year in the fall with a new executive director to sort of help give you the picture as we see it then.

REP. OBER: Thank you.

CHAIRMAN KURK: Thank you. Further discussion?  
Representative Little -- sorry, Senator Little.

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

MS. GARDNER: Good afternoon.

SEN. LITTLE: So you answered the first question which was, if I recall, the program telling us you didn't need as much money in the budget but you answered that. Thank you.

MS. GARDNER: Okay.

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

SEN. LITTLE: My question now is about the difference between the two programs that are referenced on the back here. It says if additional funds are not added to this account then the court-ordered appointments of counsel would go to more expensive assigned system. What's the difference between those and why would --

MS. GARDNER: Let me explain. The system which we deliver criminal defense services in New Hampshire has three component parts. The biggest part is the Public Defender Program. They take probably 85% of the caseloads. Contract attorneys are the fall back line when the Public Defenders have a conflict out of a case. Let me just say the day they arrested 17 people, the Public Defender's got one and so the contract attorneys system picks up the rest where they're available to be assigned. The contract attorneys are paid on a flat rate for case type. A misdemeanor is \$275. A felony is 675.35, I think. So that's what we pay the contract attorneys in those cases.

When the cases are not handled by the contract attorneys, the courts appoint any qualified attorney that is willing to take the cases and we are paying them \$60 an hour for their representation time. So it is a much more expensive system. And, plus, the courts have to find these people who are willing to take the cases at those rates.

So the State built this system in the eighties with these three component parts. And you fund the most cost effective, which is the Public Defender first, the contract attorneys take the overflow, and you fund that piece with sort of a predictable amount which we tried to tell you what it should be. And then the last line is assigned counsel and that assigned counsel line consists of two pieces; the criminal side which is not running extraordinarily high, but it also includes the attorneys that are representing the parents in abuse and neglect cases and that is the part of the line that is growing, quite frankly, astronomically. I am hoping I've answered your question.

SEN. LITTLE: You did. Thank you very much. Thank you.

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

CHAIRMAN KURK: Would it be possible for the abuse and neglect cases to be handled by either assigned counsel, contract counsel or, more importantly, Legal Assistance?

MS. GARDNER: No. I don't think -- the contract attorneys handle the criminal side and representation of parents is not considered criminal. It's considered civil. And so it's sort of a different set of skills. We might potentially look in the future at a contract program, but that would take some development.

With regard to the second part of your question, I didn't think Legal Assistance can do it. I certainly can inquire if they might be interested in doing it. It is not the kind of work they have done in 30 or 40 years representing the parents of these cases.

CHAIRMAN KURK: If it's less expensive for the State to have them do this representation, I hope they would consider putting on a civil branch.

MS. GARDNER: Well, I certainly will talk to them and raise that issue. I think it has been raised at various times.

CHAIRMAN KURK: There being no further questions, thank you very much.

MS. GARDNER: Thank you.

CHAIRMAN KURK: Motion before us -- do you have it, right? Is to approve this. Is there further 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}

(9) Chapter 276:4, Laws of 2015, Department of Administrative Services; Transfer Among Accounts and Classes:

JOINT FISCAL COMMITTEE

April 15, 2016

CHAIRMAN KURK: We turn now to agenda item number nine, Fiscal 16-070, request from the Department of Administrative Services for authorization to transfer \$140,000 in General Funds in and among accounting units through June 30<sup>th</sup>, 2016. Is -- well, I have a question on this. So is there somebody from the Department who can answer it?

VICKI QUIRAM, Commissioner, Department of Administrative Services: Good afternoon, Chairman, Members of the Committee. Vicki Quiram, Department of Administrative Services and Joe Bouchard is with me today.

CHAIRMAN KURK: Good afternoon, folks. Why are Sheriff reimbursements up?

MS. QUIRAM: The Sheriff -- the Sheriffs do arraignments and they actually transport people to and from the jail to the courthouse for arraignments. And this particular when we were budgeting for this biennium, the court system had planned on doing these new video arraignments. And where there are video -- there's video equipment in the Hillsborough County Courthouse -- I mean, jail, and so the people can literally talk to the judges right over the video cameras. And what has actually happened is we expected we cut the budget by about \$150,000, what has actually happened is the Sheriff is still needed. They are transporting people from the jail cells to the video equipment and having to wait in the holding when they're waiting for the judges, and the savings of \$150,000 is not being experienced.

I do have to say that it's not all of the \$150,000. There was more than that in savings. I'm not sure exactly how much it is. But what I've heard, too, is that the crime rate in Hillsborough County is increasing, also, and it's just the number of people that are having to be transported by the Sheriffs is also increasing. So it's a combination of the increasing crime and the video arraignments are still taking time from the Sheriffs.

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

CHAIRMAN KURK: I thought that in Hillsborough County Jail there was no Sheriff transportation because the equipment was literally in the jail.

MS. QUIRAM: It is in the jail.

CHAIRMAN KURK: Why is there a cost?

MS. QUIRAM: The cost is evidently for the Sheriff taking the people from the jail cells and moving them, in fact, over to the holding cell to they're waiting and they have to actually monitor them the entire time.

CHAIRMAN KURK: That can't be done by a corrections officer?

MS. QUIRAM: That's probably something we would have to ask somebody who's an expert in this subject matter.

CHAIRMAN KURK: So I want to understand this. We have a full complement of corrections officers in the jail. And we have to call in the Sheriff to take an individual from his cell in the jail to another place in the jail, same building in the jail for the video conferencing. Is that what you're saying?

MS. QUIRAM: That is our understanding of where this request is coming from.

CHAIRMAN KURK: Representative Ober.

REP. OBER: Why is this in your budget and not Judicial Branch? You're not responsible for Corrections arraignment.

MS. QUIRAM: Right, and it's not -- it's not that this dollar amount is in our budget, but the energy savings for the courts is in our budget, because we cover the court system buildings. We take care of the court system buildings.

REP. OBER: Mr. Chairman.

CHAIRMAN KURK: Representative Ober.

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

MS. QUIRAM: The Sheriff is in our budget, yes.

REP. OBER: Okay. Why is the Sheriff in your budget then?

JOSEPH BOUCHARD, Assistant Commissioner, Department of Administrative Services: I don't know the historical rationale how that component was placed in our budget, Representative. I could get some history back for you. But all court facilities' costs associated with everything from heat, electricity, to janitorial staff is in our Court Facilities Budget and we do the work only after the Courts and at some point in years past that included managing the Sheriffs' reimbursements.

CHAIRMAN KURK: Follow-up.

REP. OBER: What happens if we table this so we can get the Judicial Branch in to ask why they have to have a Sheriff to do this?

MS. QUIRAM: I don't think that's a problem. I don't think timing wise --

REP. OBER: Okay.

MS. QUIRAM: -- it would be a problem.

REP. OBER: Thank you, Mr. Chairman.

CHAIRMAN KURK: Representative Eaton.

**\*\*** REP. EATON: I have the exact same question. I'm not sure if it's the Judicial Branch that comes in or the Sheriff. I smell a rat and I don't think it's right. I move to table.

REP. OBER: Second.

CHAIRMAN KURK: Excuse me. We'll probably table this. Would you make sure that you inquire as to why a Sheriff's Deputy has to do this job?

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

MS. QUIRAM: Absolutely, we will.

CHAIRMAN KURK: Thank you.

REP. OBER: Mr. Chairman, let's also get somebody from the Sheriff's Department to discuss that or from --

CHAIRMAN KURK: Mr. Kane, will you make sure that at our next meeting when we take this off the table that somebody from the Judicial Branch and from the Sheriff's organization, I guess, is here. Probably Sheriff Harding.

MR. KANE: Yes.

CHAIRMAN KURK: And, perhaps, somebody from Corrections, local Corrections as well.

MR. KANE: Okay.

CHAIRMAN KURK: Thank you.

REP. EATON: Superintendent.

CHAIRMAN KURK: The motion by Representative Eaton is to table. It was seconded by Representative Ober. If you're in favor of that motion, please now indicate by saying aye? Opposed? The ayes have it and the item is tabled. Thank you both.

\*\*\* {MOTION ADOPTED}

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

CHAIRMAN KURK: We turn now to item 10 on the agenda, Fiscal 16-067, request from the Department of Transportation for authorization to transfer \$265,000 between Highway Fund accounts and classes through June 30, 2016. Is there a motion?

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

\*\* SEN. D'ALLESANDRO: Move.

REP. OBER: Second.

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

\*\*\* {MOTION ADOPTED}

(11) Chapter 276:143, Laws of 2015, Department of Health  
And Human Services; Transfer Among Accounts:

CHAIRMAN KURK: Turn now to item number 11 on the agenda. There is no Fiscal item on this?

MR. KANE: Yes, under Tab 11.

CHAIRMAN KURK: Yeah, there's no -- I'm looking for Fiscal 16 dash something and I don't see it.

MR. KANE: 072.

CHAIRMAN KURK: Sorry, looking in the wrong place. Thank you. Fiscal 16-072, a request from the Department of Health and Human Services for authorization to transfer \$18.9 million in General Funds, decrease Federal revenues in the amount of \$1.393 million, and decrease related other revenues in the amount of \$26,941 through June 30, 2016. Is there someone here from the Department who can speak to this?

MR. MEYERS: Again, for the record, Jeff Meyers, Commissioner, and Sheri Rockburn, Chief Financial Officer of the Department. Good afternoon.

CHAIRMAN KURK: Good afternoon. I found this format somewhat confusing. That being said, could you please explain to me how this affects the Sununu Center?

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

MS. ROCKBURN: The first part I'll talk about is on the Sununu, and then I can just give you a general flavor for how to kind of read through it, if that would be okay. The short answer there's no transfers within here that are related to moving any savings from Sununu to anywhere else in the Department. There is a very limited number of transactions in the document that are moving a little bit of Sununu money between their own accounts. So if there's a savings in a vacancy, then moving it to maybe salary from a full-time to maybe an overtime, there's very limited activity there. There's nothing in this transfer that is addressing the 1.7 million footnote at this time.

CHAIRMAN KURK: Thank you. And the format?

MS. ROCKBURN: So if you look at just the requested action, and then I'll have you also look at Appendix A, because I think those are going to be the most helpful ones to look at. Appendix A is the first one right after the Commissioner's signature on the letter. So it's the bottom of Page 5 or so into the document.

So the way you would read Appendix A is that the first grouping are salary accounts. So the way this would be read is that there were 5.4 million of excess salary funds primarily from vacancies that were excess above our appropriated salary budgets. Of that 5.4, 1.5 was needed to cover other salary accounts. So if you look at the second -- second line down, Division of Child Support, they had 160,000 of savings. They had a 3,700 need within their own Department and then they had an excess of 140 that was still able to be available for the Department.

In total of the 5.4 vacancy savings, 1.5 went to cover salary shortfalls. The remainder, 3.8 went to transfer to our Medicaid accounts to cover partial amount of our Medicaid shortfall that we talked about on the Dash Board.

Following that same format, the benefit category, 1.4 million, almost 1.5 million of benefit savings. 200,000

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

available to cover other benefit areas within the Department. The rest of the benefits savings were transferred to Medicaid to help fund our Medicaid shortfall.

The last grouping I labeled as non-salary and benefit accounts. Think of that as your equipment, out-of-state travel, in-state travel, current expenses, all of our other accounts. There was a 12 million of excess funds. 3.9 was transferred within those accounts and 8 million was transferred to the Medicaid. The sum of the three Medicaid numbers, the 3.8 million, 1.2, 8.1, totals about 13.2 million. And these are just the General Funds. So 13.2 million of General Funds transferred from other accounts within the Department into our Medicaid provider payment account to cover the partial amount of the shortfall that we just talked about on the Dash Board.

CHAIRMAN KURK: Thank you. That was just the right 30,000 level explanation. Is there a motion on this item?

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

SEN. LITTLE: Second.

CHAIRMAN KURK: Senator Sanborn -- excuse me -- Senator D'Allesandro moves, Senator Little seconds the approval of 16 --

SEN. D'ALLESANDRO: Sanborn is gone.

REP. WEYLER: 072.

CHAIRMAN KURK: I'm sorry, D'Allesandro and Little. Senator D'Allesandro --

SEN. D'ALLESANDRO: It's that privacy situation. You didn't recognize me.

CHAIRMAN KURK: You must be incognito. Senator D'Allesandro moves, Senator Little seconds approval of 16-072. Is there further discussion? There being none, are you ready for the

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

question? All those in favor, please indicate by saying aye? Opposed? The ayes have it and the item is approved.

\*\*\* {MOTION ADOPTED}

CHAIRMAN KURK: Thank you both,

MR. MEYERS: Thank you.

(12) Chapter 276:219, Laws of 2015, Department of Corrections; Transfers:

CHAIRMAN KURK: We turn now to item number 12, Fiscal 16-068, a request from the Department of Corrections for authorization to transfer \$2.1 million in General Funds through June 30<sup>th</sup>, 2016. Is there someone from the Department available to answer questions?

WILLIAM WRENN, Commissioner, Department of Corrections: Good afternoon, Mr. Chairman. Good afternoon, Members of the Committee. For the record, my name is William Wrenn. I'm the Commissioner of the Department of Corrections. With me today is my Director of Administration, Doreen Wittenberg. Mr. Chairman.

CHAIRMAN KURK: Good afternoon, and thank you both for coming before us. Could explain the effect of this proposal on the lapses that the Department of Corrections is expected to make? Will you still make your lapses even after this transfer?

DOREEN WITTENBERG, Director, Division of Administration, Department of Corrections: We anticipate making somewhat of a lapse. I'm not guaranteeing that we're going to make the 3.3% as predicted, but we are hoping to get there. We monitor our budget very closely on every class line to make sure that we're managing within to cover the deficit on our overtime.

CHAIRMAN KURK: I take that as you're going to try, but you're not making any commitment.

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

MS. WITTENBERG: Based on the volatility of how our overtime runs our deficit and payroll, I can't promise. Because every year we try to get as close to what an estimate that we possibly can.

CHAIRMAN KURK: Another question. Do you have legal authority to take this money from the salary lines and transfer to the overtime line?

MS. WITTENBERG: Yes. We have a budget footnote that allows us to transfer within among all our class lines.

CHAIRMAN KURK: So did you do that or did you use just other sources, so many different sources to get the amount that you needed for overtime?

MS. WITTENBERG: We try to manage within the salary and benefit lines, but we do take from other lines, like, equipment. We also have classes that we have a contract out on Strafford County where we have not had as many of our inmates this year. So we were able to cut down on the contract. Also, our utility cost being such a mild winter, we were able to take some funding from that line as well to cover some of the overtime.

CHAIRMAN KURK: And final question that I have. Usually, when people use overtime instead of hiring additional people there's a savings. So why is it that you have to go beyond your salary line to get the money you need to pay for overtime? Why is the overtime so excessive that you can't cover in its entirety by your salary lines?

MR. WRENN: I think, Mr. Chairman, after a period of time, and I think that's about eight months, the benefits that we would see from filling something in overtime as opposed to having an FTE in that position end, and then it starts to cost us more money. The vacancies that we currently have, which are increasing, unfortunately, the vacancies that we currently have been in place for a long period of time right now. All our efforts to fill these positions have not done what we would hope it would do.

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

As soon as we hire folks and as soon as we get them through training, say, for instance, we have 15 in the Academy, as soon as we get them through, it's usually about a year before we get somebody out on their own. In the meantime, we've probably lost 15 or more to retirement, resignation, et cetera. So our net gain into our vacancy rate is usually zero.

CHAIRMAN KURK: I understand that. But the understanding that most of us have is it's less expensive to hire somebody to fill the job with overtime hours than it is to hire a new person, pay that person a salary plus benefits. So if you have a very small staff because they retire and it's difficult to hire new ones, you should have enough money that we've allocated for salaries to pay for the overtime without having to transfer from so many other areas. If you don't have an answer for that, I'll try to talk to you later about it; but there's an economic issue here that I don't understand its application to Corrections. Are there other questions? There being none, thank you very much.

MR. WRENN: Thank you.

CHAIRMAN KURK: Is there a motion?

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

CHAIRMAN KURK: Senator D'Allesandro moves approval, seconded by Senator Sanborn. Questions? 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 the item is approved.

\*\*\* {MOTION ADOPTED}

(13) Chapter 276:233, Laws of 2015, Department of Education; Transfer Among Accounts:

CHAIRMAN KURK: We turn now to our last item on the regular agenda, chapter -- sorry -- Fiscal 16-071, a request from the Department of Education for authorization to transfer \$130,428

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

in Federal funds through the end of this Fiscal Year. Is there a motion?

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

CHAIRMAN KURK: Moved by Senator D'Allesandro, seconded by Senator Sanborn. Discussion? 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}

(14) Miscellaneous:

(15) Informational Materials:

AUDITS:

CHAIRMAN KURK: Before the Senator goes, I would suggest that we take a motion to approve and to approve all of these audits and release them so that we are not limited in our ability to hear them due to a lack of a quorum.

\*\* SEN. D'ALLESANDRO: So move.

CHAIRMAN KURK: So, Mr. Kane, can we have one single motion or do you need a motion for each one?

MR. KANE: One single motion is fine.

CHAIRMAN KURK: Representative Weyler is recognized for a motion.

\*\* REP. WEYLER: Mr. Chairman, I move we accept all these reports, place them on file, and release in the usual manner.

CHAIRMAN KURK: Seconded by Senator Forrester. Discussion? Questions? There being none, are you ready for the question?

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

All those in favor, please indicate by saying aye? Opposed?  
The ayes have it and the items are accepted.

\*\*\* {MOTION ADOPTED}

CHAIRMAN KURK: Before the Senator goes, I would announce our next meeting will be on Friday, May 20<sup>th</sup>. That's roughly one week before Memorial Day. Thank you.

(Senator Forrester leaves the Committee room.)

CHAIRMAN KURK: Are there any questions under Informational Materials? There being none, then we'll proceed to the Audits. First audit is the single audit of Federal Financial Assistance Program. Good afternoon, Mr. Smith.

STEPHEN SMITH, Director, Audit Division, Office of Legislative Budget Assistant: Good afternoon, Mr. Chairman, and Members of the Committee. The first three audits here were conducted by reports -- will be presented by KPMG who was under contract and agreement with our office. Here representing the firm is Marie Zimmerman, a Partner with the firm, and Karen Farrell, a Manager. And for the first audit for the single audit also joining us will be Commissioner Quiram and Comptroller Murphy of Administrative Services.

CHAIRMAN KURK: Welcome and good afternoon. Look forward to your presentation.

MARIE ZIMMERMAN, Audit Partner, KPMG, LLP: Good afternoon, Chairman and Committee. My name is Marie Zimmerman. I'm the Lead Engagement Partner on the Financial Single Audit. Jayme Silva, who usually is the Lead Engagement Partner for the Single Audit couldn't be here today. But Karen Farrell to my right is the Lead Senior Manager on the Single Audit Report and we will go through that report today.

The report is required to be filed with the Federal Clearinghouse approximately nine months after the State's year end. The report includes the Financial Statement Audit, which we

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

had presented the results of back in January. It also includes the Independent Auditor's Report, internal controls over financial reporting, and compliance on other matters based on the financial statements. Now that report is what we commonly call the Yellow Book Report and that is as it relates to the Financial Statement Audit.

The Single Audit Report also includes our opinion over the Single Audit in the programs which Karen will discuss now.

KAREN FARRELL, Senior Manager, KPMG, LLP: Okay. Thanks, Marie. So if I can point your attention to D-3. This is our opinion on the Single Audit of the major programs and it's a summary of what we identify during the audit. Essentially, we -- for this year we audited 27 programs. Last year our audit was over 32 programs. And the reason for the decrease is really because of your increase in the federally funded expenditures. We use that amount to calculate a threshold from which we then assess which program's required to be audited. So they did decrease by five programs during the year. So this opinion is broken down into three parts.

The first is the report on compliance for each major Federal program. The second is the report on internal control over this compliance. And the third is the report on the Schedule of Expenditures of Federal Awards, which is the summary of your federally funded expenditures.

So the first section, the report on compliance for each major Federal program really answers the question: Did the State comply materially with these specific compliance requirements that are stated or put forth by the Office of Management and Budget in what's known as their Compliance Supplement and, also, in their grant awards.

There are twelve compliance requirements that the Feds identified that we then need to go through and figure out if they're directly material to the programs we are auditing.

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

So the results of all of that are actually on Page D-4. And the table here are those programs that were qualified. So, essentially, we are saying they did not materially comply with the Federal requirements that are in the right column here. So there was six findings that were qualified that led to eight qualifications because two of these findings relate to programs for the Clean Water and Drinking Water Programs.

Last year there were actually 14 qualifications. That's a significant increase or a significant improvement, I should say, in the number of qualifications reduced from 14 to 8. And so that generally means that either the finding went away completely or that there was enough progress made that the finding is not considered to be qualified.

Just to kind of summarize what the qualifications were in. There were four that related to sub-recipient monitoring and this is when the agency will pass through Federal funds to a third party who has some programmatic responsibility, and they're charged with performing monitoring functions. And a key requirement of the Feds is to ensure that they obtain the Single Audit Reports of these entities and review them and determine, follow-up whether there are any findings related to this program. And this kind of a comment theme through these four programs that were qualified that they weren't doing that, that task. They didn't have proper controls in place or completing that compliance requirement.

One was related to earmarking which, you know, we believe in a Green Award there was an earmarking requirement for the public health emergency preparedness award that this spending wasn't met. HHS actually does not agree with this, and this is a finding that we identified in the prior audit. The Centers For Disease Control actually sustained the finding. So we felt compelled to include it again this year but HHS is currently appealing this. So, hopefully, there will be a resolution on this finding shortly and won't be included in next year's report.

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

One had to do with allowable costs and this related to payroll where we identified an instance where payroll amount that was approved was different from what was paid. And two were related to reporting. Really simply, the reports that were required, these Federal Financial Reports just weren't filed. Some were reported on time but others just weren't filed at all. And I probably should have pointed out a little bit earlier the narrative of these findings starts on F-11, Section F-11 so you can refer to those.

The paragraph below this table actually just, you know, says it's important to note that, you know, although these programs didn't materially comply with these specific compliance requirements, they did with the others. So it's really just a qualification of specifics to this compliance requirement. And with the six programs that are qualified, there's 21 that were unmodified. Now that doesn't mean there weren't any instances of non-compliance. They just weren't material for us to say that they didn't comply. And those are listed on the next page, D-5, on the top under Other Matters. These findings, again, reference the F section.

There were 32 in the current year and 29 noncompliance in the prior year. So about the same.

The next section of the report is our report on internal control over compliance. And this is where we are required to consider and test the internal controls structure to ensure that this compliance occurs. And so we test to make sure it's in place and then whether or not it's working effective.

Once we find exceptions, we then classify them into three categories, material weakness, significant deficiency and Other which you're probably pretty familiar with those terms.

On the bottom of the page here we've identified what we consider the material weakness. And this is when there's a reasonable possibility that material non-compliance with the type of compliance requirement could exist and not be prevented or detected and corrected on a timely basis. So, of course, any

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

qualified opinions that we had on the compliance would also be a material weakness. And for this year there were 16 material weaknesses compared with 21 in the prior year.

On the top of D-6 are our significant deficiency findings that we identified and this is a less severe finding than a material weakness but still would warrant your attention. There were 28 in the current year and 20 in the prior year.

The other classification of findings is just a deficiency which isn't required to be reported here when we identify these during the audit. We'll discuss them with Management and draft a comment anyway to get their response and follow along with that the next year.

The third part of our report is our report on, you know, what we call the CFDA which is the Schedule of Expenditures which I'll point to you where that is in a moment. And essentially here we provide in relation to opinion when the last sentence of those two paragraphs says we are essentially say the CFDA is fairly stated in all material respects in relation to the basic financial statement, because it really uses the same underlying funds data used to create the financial statements.

So that's kind of the summary with what we identified through our opinion.

If you turn to E-1, that is the beginning of your Summary of Expenditures of Federal Awards, and it's reported by agency. The total was approximately \$2 million. The programs that are bolded are the ones that we audited during the year. And that continues through to -- you can see the total on the last page. Well, in the section -- sorry, my report doesn't have sections. And it does come with footnotes. Talks about the basis of accounting and those kinds of things. So there was a significant increase, 13% increase in your federally funded expenditures from the prior year, mostly due to Medicaid.

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

On F-1 is where the -- there's a table really of the summary of our findings and what types of opinion was issued and that's really just what I talked about.

On F-2 and F-3 is a more succinct summary of the programs that we audited. And F-5 begins the financial statement findings that Marie is going to go over. These are the ones that were identified as being significant deficiencies. So they're also required to be part of this book that gets submitted to the Federal Government.

So on F-11 is the Federal Award findings that we identified. And in total there are 44 that related to the single audit. Each finding is set up similarly with the criteria that we audit against the condition that we found. You know, why it happened, our recommendations, and then the Agency's response, that we don't audit the Agency's response but next year we will when we follow-up on the programs next year and see if they implemented the corrective action as they said that they would.

The last section in this big book is the G Section and that is the Department of Administrative Services' summary of the prior year findings. So they're required to summarize the status of those. So for 2004 all of the findings will be listed in the table and then whether or not they're resolved. They'd be included, the narrative of the finding would be included in the back. Similarly, for 2013 and '12, if they were unresolved the status of them would be included in the table and then the narrative is unresolved, included as well, so you can kind of track the finding and when it was actually resolved. The findings for the current year would state if a similar finding was noted in the prior year as well, so.

CHAIRMAN KURK: Thank you. And could you help us out by telling us by grading the State basically? What would our grade have been last year? And when I say a grade, I mean, in comparison with other states?

MS. FARRELL: Yes.

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

CHAIRMAN KURK: And what is our grade this year?

MS. FARRELL: That's hard to do, but I do really see improvement. You know, definitely in the severity of the findings, the ones that are qualified and the material weaknesses. I don't think that -- you know, the sheer number of findings I think is fairly consistent. So I definitely see improvement in the right direction and I think that, you know -- go ahead, I'm sorry.

CHAIRMAN KURK: No, no, I'm looking for a letter grade. I'm a former instructor and sort of a way of judging things. Were we a C last year and a C+ this year? And that C is comparison with other states that you do or other New England states?

MS. FARRELL: Yes.

CHAIRMAN KURK: I'm just trying to get some sense to put a value on this as opposed to all of the substantive information.

MS. FARRELL: Right, yeah, there is a lot of information. No, I would definitely say probably last year was a C+. I think the year before you were -- had more findings and more severity. I'm seeing that the State is definitely paying more attention to these findings and trying to resolve them overall. So you're moving in a good direction so I'd probably say lower B range maybe for this year. I mean, there's still a lot of work to do.

CHAIRMAN KURK: Thank you. And when you do this next year I will ask you, whoever is here, hopefully, will ask you the same question.

MS. FARRELL: Next year becomes even more important that the more severe findings are cleared because the guidance is actually changing for what has to be audited. Currently, if you just have a significant deficiency the programs require an audit for the next year for the most part. The guidance is changing for '16 that if the program has a significant deficiency, it may not necessarily require an audit. But those programs that have

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

a material weakness or a qualification will absolutely need to be audited so it's important to try to clear those up.

MS. ZIMMERMAN: My experience, because I also am a Lead Engagement Partner in other states within the New England area and just looking at the programs that you had a modified opinion on, the Service Block Grant, the Disaster and the Public Health Emergency Preparedness, that's pretty consistent with others. Those are complicated programs and it is a challenge for states to implement in those compliance areas. The other you also commonly see is Medicaid as having a modified and you can see that is not the case for yours.

CHAIRMAN KURK: Which is a credit to the State.

MS. ZIMMERMAN: It's a credit to New Hampshire.

CHAIRMAN KURK: Thank you.

MS. ZIMMERMAN: Do you want me --

CHAIRMAN KURK: Mr. Murphy, Miss Quiram.

GERARD MURPHY, Comptroller, Department of Administrative Services: I'd like to say a few words, if I could. A little high for me.

SEN. D'ALLESANDRO: That's unusual, being a little high.

MR. MURPHY: Gerard Murphy with the Department of Administrative Services. Just a quick thank you to KPMG, to LBA, to my staff at the DAS, specifically Steve Giovinelli and Melanie Carraher. They worked pretty hard on pulling this together. Also, thank you to all of the State Agency personnel, the program folks who, obviously, we couldn't have done without them. So thank you for them.

Just to continue on some things that Marie and Karen were talking about. I think this position in my office which was created a few years ago to sort of serve as the central point of

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

contact for the Single Audit, I think, you know, it was designed to serve as a resource for agencies as a centralized location to deal with the auditors. And I think it's doing what it was intended to do. We did have -- that position was vacant for six months this past Fiscal Year. So it's been filled. Steve Giovinelli's doing a great job and I anticipate continual improvement in this area.

I think the key is while the total number of findings is roughly where it's been, where it was last year, I think we are down from Fiscal 13. I think this year we had 46 total findings. The worse of it, Fiscal 12 or 13, I think we had 63.

So we are moving downwards. The severity of the findings is decreasing. I think we are certainly committed to improving on the findings you see here and also being a resource for Agencies in complying with the new guidance which will be in effect next year. So we are aware of it. We are preparing information to share with Agencies so that they're not in this alone and that we'll be working with them through the whole process. So thank you.

CHAIRMAN KURK: Thank you. Commissioner, did you wish to add anything?

MS. QUIRAM: I think he said it all. Thank you.

CHAIRMAN KURK: Mr. Smith.

MR. SMITH: Okay. Next will hopefully not be a rotation at the table, but we'll move on to the Management Letter for the State of New Hampshire for Fiscal 15 and this is a by-product of the CAFR audit. So I'll turn it over to Marie.

MS. ZIMMERMAN: Thank you, Steve. Our Management Letter -- we issued two letters, our Yellow Book letter and Management Letter. This year we had identified two deficiencies that we deemed merit the attention of yourselves, those charged with governance.

#### **JOINT FISCAL COMMITTEE**

**April 15, 2016**

The two deficiencies can either be found in the Single Audit Report on Page F-2 and F-8, or in the Management Letter in the first two items in this section, significant deficiencies.

The first item is a finding over management review of the Medicaid liability. The Medicaid liability, as well as the drug rebate liability, is based upon assumptions that Management develops estimates of the expenditures incurred but not yet reported. Those underlying assumptions in Management's development of those estimates generally are consistent from year to year as Management goes through the process of their financial reporting.

What occurred in the 2015 from the period from September through December, those assumptions were changed and re-evaluated to better properly represent the underlying liability of the claims incurred but not yet reported.

As we were going through the audit, throughout those periods we continued to work with Management as they evaluated those assumptions. What we had identified is that there was a lack of internal control over Management review of the development of their estimates and those assumptions. And the reason for that lack of internal control or Management review in a timely manner was a result of the turnover of Management within the Department of Health and Human Services, as well within the Department of Administrative Services.

This lack of timely review on Management over this liability resulted in a corrected audit adjustment. So the balance within the financial statements we, as well as Management, believe is materially correct. However, we did identify the -- the lack of internal control over that -- that development of the estimate. Management does concur with this finding and is working on developing a policy and procedures to put in place to ensure that the development of this estimate and the underlying assumptions are agreed upon during the year-end close process and are followed through. They are also working with Xerox to develop reports to assist them with developing the estimate.

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

A part -- one other thing I just want to note to the Committee is that in addition to the turnover in Management while they were going through developing this estimate, it's also at a time when the Medicaid liability changing for the MCO. So when they took a fresh look at the estimates, they could see that the historical assumptions they believed were not accurate. For example, using a 36 months versus 12 months of historical data. So as they work through that process that's why we believe the year- end liability is accurately stated. Does anyone have any questions over that one control deficiency?

CHAIRMAN KURK: Is this an indication that we really need to deal with succession planning?

MS. ZIMMERMAN: It is and actually succession planning is one of the items I put in our other matters. And the next finding I'm going to speak to also talks about succession planning.

CHAIRMAN KURK: Thank you. Senator Little.

SEN. LITTLE: Thank you very much. So what are the financial ramifications of this particular finding? Is it a situation where we may be making payments to providers for Medicare/Medicaid services provider, and then not properly seeking reimbursements from the Federal Government?

MS. ZIMMERMAN: I don't know that would occur because these are where the payments have not yet occurred. So upon making the payments to the providers, you would then trigger request for reimbursements or the reimbursement the draws are coming down concurrently. These were claims that had been incurred but had not been reported yet to the State to then go through that process to let you know there's delay. Once you get into MCO management that leg shortens. At the time they record the liability, the State also records a receivable from the Federal Government for their shared portion.

SEN. LITTLE: Follow-up.

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

CHAIRMAN KURK: Follow-up.

SEN. LITTLE: Thank you. Understood. What I'm trying to figure out is, is there an exposure to the State? Is there a possibility that we are not -- we are either asking for over reimbursement or under reimbursement for once those costs are actually recognized and it's into the process, what's the exposure created by this problem?

MS. ZIMMERMAN: Right. So once -- once the liability is behind you, we did test the actual expenditures of the Medicaid liability and we had no findings over those. We found the internal controls as related to those transactions were in place.

SEN. LITTLE: So this is a cost tracking problem basically?

MS. ZIMMERMAN: Right. And going from your cost basis that you may be reporting throughout the year to your modified accrual basis that you're reporting at year-end for final reporting process.

MR. MURPHY: Just to add a quick -- we run the risk of having inaccurate financial statements which we certainly don't want that. I think the other issue would be there could be a General Fund surplus impact if the -- if the liability and the General Fund share of that liability is materially wrong, then certainly that would not be an accurate General Fund surplus number.

SEN. LITTLE: So there's a possibility so that when you're doing that after the Fiscal Year conversion from cash to accrual that you lose something in the IBNR area which results in a false statement.

MR. MURPHY: That's correct.

CHAIRMAN KURK: Senator D'Allesandro.

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

SEN. D'ALLESANDRO: Thank you, Mr. Chair. We heard about succession planning over and over again. Do you find that to be consistent through other audits you do?

MS. ZIMMERMAN: Yes, I do, in other states.

SEN. D'ALLESANDRO: It seems like we are seeing enormous transitions taking place in employment.

CHAIRMAN KURK: You said other states?

MS. ZIMMERMAN: Yes, other states and even within the letter we had noted that the GFOA had done a study as well because they are seeing it throughout. And we have noted that study within, I think -- I'm trying to see our page numbers right here as I'm talking flipping through. But it is, as you know, we quote it as the best and brightest and most tenured employees are departing. You know, having that plan in place. And I think Nina spoke to that and how to ensure because so much of this process or the systems is inherent in these 25 plus year individuals and it's not necessarily written in a policy and procedure. And that's what we saw to some extent with the Medicaid liability is that knowing when to run the reports, knowing the timing of developing the estimates. Was it necessarily written down in a policy and procedure or just inherent in the individual that had been performing it in the past.

CHAIRMAN KURK: Could you refer me to the places where succession planning, et cetera, is --

MS. ZIMMERMAN: It's under finding 2015-005 in the other matters of the Management.

CHAIRMAN KURK: So 005. Thank you. Do you have a question, Representative Ober?

REP. OBER: May I ask the Commissioner something?

MS. QUIRAM: Yes.

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

REP. OBER: And I read your response to succession planning that you concur. One of the issues, I believe, has been a lack of staff in your agency. And I see that although this says you're trying to support full-time person, we do have a 25-hour a week part-time workforce coordinator in a bill that's in front of the Senate. I believe Senator D'Allesandro is one of my co-sponsors, Senator Little may be as well, and that would help immediately try to pick up some of these things and make some differences; right?

MS. QUIRAM: Absolutely. And I will mention that we have -- in talking with all the Commissioners, as I've come into this position, we have found that this was -- this is probably the top concern of all Commissioners in the state right now. What we have done is because we did have a position at DAS that worked on this at one time, and it was cut through the budget cuts, along with many other positions at DAS, the effort was kind of stopped. We have reinstituted that effort. We have leverage -- we are trying to leverage all of the people we possibly can from other agencies. We have 18 agencies working on a Workforce Development Team right now. We don't call it Workforce Development any more. We call it the Talent and Acquisition and Management Group. It's the TAM Group. We are moving ahead. We are looking at all kinds of data for the State to really define what are the problems, where are the problems, what can we do about it? What kind of legislation might help us? And we are in desperate need, even though we have 18 agencies all pulling forward, and they're doing an incredible job, we are really in need of a centralized person to help us lead that effort in the state.

REP. OBER: So you really need to follow-up. You really need that person.

MS. QUIRAM: We really need that person.

REP. OBER: So, Senators, let's try to get that bill passed. It came out of the House. It's in your hands.

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

SEN. D'ALLESANDRO: Anything the House passes is perfect.

REP. OBER: Oh, yeah, I don't hear that very often. I'll ask Michael Kane to remind you of that.

CHAIRMAN KURK: One of the reasons we have problems dealing with succession is that we run a reasonably lean budget, and we don't have duplicate positions. So there's no one in training to succeed his or her superior. I assume that's not uncommon in many states. And the question is, is it possible to have succession planning without people in place to succeed others? I mean, it's one thing to try to capture a person's knowledge in the form of a policy and procedures manual so that whoever is stepping into the position at least has some guidance. I don't know if that suffices so do you have some recommendations for us that other than generalities in here that really would work? This is not just something now. This has been going on for at least ten years.

MS. ZIMMERMAN: As a part of internal controls also one of the structures also training across levels as well. So even though you wouldn't have someone necessarily succeeding, you would also be able to cross train those responsibilities so when that person leaves those internal controls are being replaced and filled right in with another employee. That is just one of the other items, I think.

CHAIRMAN KURK: Did you say you're going to cross train so this new person is now going to do two jobs?

MS. ZIMMERMAN: For internal controls as a part of your internal structure you should have a backup to the person that's performing the immediate function. So whether that's a succession planning individual or another individual.

MS. QUIRAM: Our organizations have become very shallow, you're exactly right, and we don't have the depth to do that in many cases. In many cases we don't have ability, we don't have positions to fill while the other person is still there. So you can't cross train and those are exactly the kind of things. The

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

combination of a lot of different things could certainly help us in the state. And, again, as we look at this as a larger group, a statewide group, we are really looking at what are all those things that we can do and do we need some legislation to change some things so that we can move those directions and we can start getting a little bit more depth in our organization even if it is cross waivers.

CHAIRMAN KURK: Representative Weyler.

REP. WEYLER: And as I look at experience with succession planning, you want to bring in somebody to train them to replace you and you might be thinking of a five-year window or something versus going to learn everything in that five years and then after two years they decide they don't need you anymore, and they're trying to get rid of the person and it causes a lot of insecurity in the person that's trying to train the replacement. The replacement may not be as patient about replacing them as the person thinks they should be, and we have seen some of that as well.

MS. QUIRAM: Absolutely. There is a balance. There's definitely a balance.

REP. EATON: Much like elections.

REP. WEYLER: No, because now you have the person right there.

CHAIRMAN KURK: Senator Little.

SEN. LITTLE: Thank you, Mr. Chairman. I don't recall which agency it was, but I do recall that recently we received an agency audit where there was a finding by the LBA, maybe you, Mr. Smith, Mr. Fox, that there needed to be succession planning in place and that the agency responded that State Employee rules don't allow succession planning. Do you -- maybe the Director.

REP. OBER: State Employee rules don't allow it?

#### **JOINT FISCAL COMMITTEE**

**April 15, 2016**

MS. QUIRAM: The bottom line is you can't fill a position -- I mean, you have to -- you have to vacate a position before you can refill that position, and there are not other positions sitting there for you not to be able to fill. So you can't have two people that overlap. It just -- it just can't happen very easily, unless you happen to have another vacant position that you can reclassify for a little while. It's just difficult to do.

You know, there's all kinds of barriers to doing it. There are, you know, union barriers. Sometimes you think, okay, I've got a person in my organization and this is the person I would like to train to really take my position and so you're training one of your under people. You really have to train all of the people that are underneath you because you can't single out a certain person. There's all kinds of little barriers.

I think there are things we could do to help us get through that and that's why I think all the State Agencies are really gathering together to find out are there ways that we could make these things happen that wouldn't cost a lot of money that wouldn't be five years, you know, that possibly could help or combination of a lot of things.

SEN. LITTLE: So, essentially, in private industry somebody would say, okay, I'm looking at that person over there. They'd be great to train for backup to this person.

MS. FARRELL: Hm-hum.

SEN. LITTLE: Personnel rules won't let you do that. You would have to train everybody in the department.

MS. QUIRAM: Exactly, exactly. And, you know, it's the same thing with our recruitment and our attraction of people. We are talking about that. We had an extremely difficult -- you heard about the turnover over and over again. We lost all of our financial people. We have had an extremely difficult time finding qualified and talented financial people that know government accounting to come in and work for us. So what can

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

we do? What kind of things can we do? It's not necessarily all salary. How do we become an employer of choice and offer people things they're looking for today? That's an interesting subject matter for us to start really looking at.

CHAIRMAN KURK: That's retention, that's not succession.

MS. QUIRAM: No, it's actually bringing people in. It's attraction, first of all.

CHAIRMAN KURK: It's a separate issue.

MS. QUIRAM: It's a separate issue. Workforce development is really the whole gamut from the minute that person walks in the door for a position that's empty all the way through when they leave. What's happening? Who are we retaining? Why do we retain the people we retain?

CHAIRMAN KURK: Senator D'Allesandro.

SEN. D'ALLESANDRO: I was just going to say though it's the attraction that begins the process because you're bringing them in with a plan to move them forward.

I've been around here quite a long time, and I think that the succession plan has really become an imperative over the last few years because of the enormous turnover that we're having. I think the turnover has been greater in the last few years than it was when I first came here.

CHAIRMAN KURK: I'm not sure about the turnover. I thought one of our problems was that our workforce was aging. And we had like, I don't know the numbers, 40% of folks were within ten years of retirement, and there seemed to be a gap between that experience group and their successors. And that there would be a period of time when the State would be one hurting puppy because of the loss of that talent pool and the fact that there were no others in the intermediate group to replace them.

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

MS. QUIRAM: I think you're going to be very interested in the data this group is putting together. We are looking at how many people are actually eligible to retire depending on what group they are. How many are likely to retire? What is our real turnover rate? You know, what are the turnover rates in the different agencies? Are they different in some, different in others, to help us focus in on what are the things that we really need to do. And it's really been an interesting beginning to a discussion. Again, we are using little bits of people from agencies that don't have a lot of time themselves, but we have to move ahead. It's too important.

CHAIRMAN KURK: When will we get that report and will it contain legislative recommendations?

MS. QUIRAM: My guess is we would have legislative recommendations. We have just begun looking at the data. We have got the group. I think we have met three times now. Carolyn, who you'll meet, I'm going to have her come up when we talk about the next audit results. She's been helping us with this group, also. And we are putting together work plans. We have three subcommittees that are breaking apart right now. One is the Data Committee and one of the things just to define what kind of data do we need and what kinds of questions do we have. What are we looking at?

So I can't give you an exact time right now. However, as we break into this three work groups and put our work plans together, we are work plan kind of people. We like to have schedules and like to have deadlines. And so as soon as we know something, I'm certainly happy to share it.

CHAIRMAN KURK: We'll have these in time for the next legislative session?

MS. QUIRAM: We would hope so. We would hope so.

REP. OBER: Depends if she gets that position.

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

MS. QUIRAM: Exactly. That would be helpful. That would be very helpful.

CHAIRMAN KURK: Are we finished?

MS. ZIMMERMAN: We had one other finding. It's regarding financial reporting and the succession plan there. So it was, in essence, just what we kind of talked about at the Department of Administrative Services. They had a vacant position during their year-end close from June through September. So when we received the initial draft of the CAFR as of September 30<sup>th</sup>. From there through the financial reporting process of our audit there was numerous revisions. There was corrected audit adjustments. And as a result of that it delayed the process. So it really boiled down to what we have been discussing right now of succession planning, filling the vacancy as it relates to internal controls, the Management review of the CAFR. Those controls were deemed to be deficient and not timely performed, mainly due to the vacant positions that were in place as others around them had to perform the functions on top instead of performing the Management review level.

I can go into it further, but I know we just talked about succession planning, but if you have any questions.

CHAIRMAN KURK: Thank you very much.

REP. WEYLER: One more.

CHAIRMAN KURK: Representative Weyler.

REP. WEYLER: I see GASB 20 -- 72, 75, 77, I never remember seeing this many and every time they come out with something it really stirs the pot and we have a whole lot of more things to comply with. And sometimes it's from the top down we have to go through everything. This is -- can they slow down?

MS. ZIMMERMAN: Well, they were speeding it up for some retirements within the GASB. They were trying to get them through before retirement occurred. So hopefully.

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

CHAIRMAN KURK: That's one case where I hoped they wouldn't have had succession planning. Thank you all very much.

MS. ZIMMERMAN: Thank you.

MS. FARRELL: Just the Turnpike Letter I'll mention quickly.

MR. SMITH: Sure. I think someone from the Turnpike is coming up.

MS. FARRELL: Okay. I'm staying because I'm also the Manager on the Turnpike.

MR. SMITH: The third audit with KPMG is the Turnpike Management Letter. Again, as a result of the Turnpike System's Annual Financial Report. Joining us at the table is Marie Mullen, Director of Finance from DOT.

MS. FARRELL: Yes, I think it's just three pages long, because when we presented the financial statements, we actually presented a significant deficiency in the Yellow Book Report. This letter is just the Other Matters that we identified so they just can consider control deficiencies, not material weaknesses or significant. And the first one really speaks to the fact that the Turnpike does perform audits of their toll systems to ensure that the toll transactions are recorded and reported properly, and they do that quarterly. But the follow-through is just not timely. It's taking a few months to get the results out and then resolution on what was found. So we are recommending here that they do those more timely.

The Department did concur and they put some policies and procedures in place to address the timeliness of those audits.

The second comment that we have is really just an accounting improvement or an accounting -- something to do with going forward for accounting these purchases. Because of the circumferential project that was impaired, the Turnpike purchase

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

land for the purpose of that project. Since the project is not going forward, there are buildings on that land that they are renting out and do own. So they need to go through a process to value them separately and begin depreciating those. So they also agree with that recommendation. A comment for that will be included in the Fiscal 16 Statement.

CHAIRMAN KURK: Did you look at all at the allocation of Turnpike Funds to other Agencies, such as Safety, to determine whether the allocations were reasonable? In other words, Turnpike may be charged for State Police or charged for vehicles or something like that. It's always a question as to what the appropriate proportion of an officer's salary or an officer's vehicle can be legitimately attributed to the Turnpike's versus the General Fund or some other organization. Did you look at that issue?

MS. FARRELL: No, we don't. We just audit the Turnpike on their own and that necessarily wouldn't have been one of our audit procedures.

CHAIRMAN KURK: So if they're paying out money to another agency, that doesn't get any special attention.

MS. FARRELL: Not in the -- not comparison-wise. We would just make sure if that was chosen as one of our samples it was properly paid and approved.

CHAIRMAN KURK: Not whether it was a legitimate expense?

MS. FARRELL: Well, it was legitimate but not possibly, you know, the amount. If there was proper support for it.

REP. EATON: That's a political decision rather than accounting decision.

MS. FARRELL: We wouldn't necessarily pull data and compare whether other agencies are paying that same amount.

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

CHAIRMAN KURK: If we were to charge 100% of an officer's vehicle, State Trooper's vehicle to the Turnpike Fund, and we know for certain that he doesn't spend 100% of his time patrolling the Turnpikes but only 10% of his time patrolling the Turnpike, your audit would not -- that would not raise issues for your audit?

MS. FARRELL: No. Put in that context and if that's one we chose to test, yes, it would. If we understood that, you know, those circumstances, we would flag that as not being appropriate.

CHAIRMAN KURK: And did you do that in this audit?

MS. ZIMMERMAN: We did not do a specific audit around that per se. We audit the expenditures, but we didn't look at the expenditures and perform a sample specifically looking at that type of -- I would call it more of a performance audit.

CHAIRMAN KURK: Will this question raise an issue in your mind in the next audit?

MS. FARRELL: It will be in our minds, yes.

CHAIRMAN KURK: Thank you.

MS. FARRELL: Thank you.

CHAIRMAN KURK: Further questions? Thank you.

MS. FARRELL: Thank you.

CHAIRMAN KURK: Look forward to seeing you again next year.

MS. ZIMMERMAN: Thank you.

CHAIRMAN KURK: Mr. Smith.

MR. SMITH: Mr. Chairman, our next report is the Management Letter for the Liquor Commission for Fiscal Year 15. Joining me

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

to present our piece of this letter is Jean Mitchell who was the In-Charge Manager on this. And joining us at the table from the Commission is the Chairman, Mr. Mollica, and Tina Demers, the CFO.

CHAIRMAN KURK: Good afternoon to all of you.

JEAN MITCHELL, Audit Supervisor, Audit Division, Office of Legislative Budget Assistant: Good afternoon, Chairman. Good afternoon, Chairman, Members of the Committee. My name is Jean Mitchell. I'm here today to present the Fiscal Year 2015 Management Letter of the New Hampshire Liquor Commission. This letter is a by-product of the Fiscal Year 2015 Audit of the Commission's Financial Statement.

The Liquor Commission's 2015 Comprehensive Financial Annual Report, including our opinion on the financial statements, was presented to the Committee at the March meeting. This report contains 17 comments, one of which is a material weakness, 14 are significant deficiencies, and two are State Compliance Comments.

The Commission concurs with 15 of the comments, concurs in part with one comment, and does not concur with one comment. As noted by the asterisk in the Table of Contents, one comment suggests that legislative action may be required.

Observation No. 1 begins on Page 3. This Observation is classified as a material weakness and it was the subject of this comment was also reported as a material weakness in 2013 and 2014 Management Letters. Delays in meeting financial statements' reporting goals, the identification of certain financial reporting errors during the Fiscal Year 2015 Audit of the Liquor Commission Financial Statements, as discussed in more detail in other Observations in this report, indicate a fundamental problem of the Liquor Commission's financial activities and reporting structure.

At its base, financial reporting should be a routine process. That is, the process and experience of one year should

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

be understood and incorporated into the financial reporting of the following year.

Accounting policies and practice, including on how to arrive at ending balances where amounts are found in the accounting record, what amounts are based on estimates, and how those estimates are made, what amounts have a direct effect on the subsequent period, and how those affected accounts are reflected, should all be identified, discussed, and supported in the accounting records. We recommend the Liquor Commission strengthen its core financial accounting and reporting resources as described in two bulleted items on Page 4.

Observation No. 2 starts on Page 5. Numbered paragraphs in the comment identify opportunities for the Commission to move toward a more controlled and consistent operation to an effort to better establishing document standard policies and procedures for the Liquor Commission's financial accounting and reporting processes.

Observation No. 3 further recommends the Commission document the responsibilities of the employees who hold key positions in the Commission's business office, including the accounts receivable supervisor, to ensure clarity and understanding of both their purpose and process and to provide for reasonable continuity of operations in the event of unplanned employee turnover.

Observation No. 4 is found on Page 7 and encourages the Commission to continue in its efforts to establish disaster recovery and continuity of operation plans that address significant identified risks, as well as to establish a formal risk assessment process to identify and appropriately respond to risks facing its operations.

Observation No. 5 notes a limited number of Liquor Commission employees who are reporting to have worked a significant number of hours in excess of their regular work day during Calendar Year 2015. A relatively large number of hours of compensatory overtime earned by a few business office employees

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

is unusual in our experience. It is not clear that allowing employees to regularly work usually large amounts of paid compensatory time and overtime represent prudent management.

Observation No. 6 recommends all Commission expenses, including a Statewide Cost Allocation Plan and legal expenses incident to the administration of the Liquor Commission, be reported in the liquor fund.

Observation Nos. 7 and 8 relate to the recording and reporting of capital assets. Observation No. 7 discusses delays in errors in accounting in preparing the long-term capital asset schedules and disclosures and are described in detail in the bolded items on Pages 13 and 14.

In Observation No. 8, we note a key capital expenditure approval control was not consistently operating as designed.

Observation No. 9 notes in a review of end of the day documentation of 29 stores, 27 stores did not fully comply with the Liquor Commission's policies for handling cash. Noncompliance examples are outlined in items numbers 1 through 4 of the Observation.

As noted in Observation No. 10 on Page 17, we recommend that Commission adhere to statewide policies and procedures for recording and reporting accounts receivable. As previously stated in Observation No. 1, this recurring year-end procedure seems to be a routine and documented process.

Strengthening of controls over certain debit and credit card refunds processed by the business office is described and recommended in Observation No. 11 located on Page 19.

Observation No. 12 describes challenges faced by the Commission with its primary computer information system MAPPER, including inventory issues and the need to perform important reconciliation controls. The Commission relies heavily on one part-time retired employee to provide technical support for the MAPPER System.

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

Observation Nos. 13 and 14 recommend the review of the paper-based beer tax reporting and control procedures, and the enhancement of procedures related to the implementation of the new biometric time clock system that was implemented at some stores during Fiscal Year 2015.

Final internal control Observation No. 15 recommends the Commission expand the contents of its current written store plan to increase its utility and value of the document and to better meet the intent of the statute.

The State Compliance Comments begin on Page 27 with Observation No. 16, which recommends the Commission, with the assistance of the Department of Administrative Services, establish and implement policies and procedures to reasonably ensure a complete set of financial statements are issued no later than 90 days after the close of the Fiscal Year to comply with statute.

Our final Observation No. 17 identifies in the bulleted items on Page 28 certain administrative rules that the Commission had not adopted or readopted as of June 30, 2015.

The Appendix is located on Page 31. This is the June 15, 2016, Status of Comments contained in Fiscal Year 2014 in the Liquor Commission Management Letter. Of the 11 comments, three are fully resolved, two are substantially resolved, five are partially resolved, and one is unresolved.

I'd like to again thank the Liquor Commission Management and staff for their assistance during the audit. This concludes my presentation.

Mr. Chair, with your permission, I'd now like to turn the presentation over to the Commission for their comments.

CHAIRMAN KURK: We look forward to hearing them. Thank you very much.

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

MS. MITCHELL: Thank you.

JOSEPH MOLLICA, Chairman, New Hampshire Liquor Commission: Thank you, Jean. Mr. Chairman, for the record, Joseph Mollica, Chairman of the Liquor Commission. With me is Tina Demers, our CFO.

The Commission would like to thank Jean Mitchell and Bill Mitchell, as well as Steve Smith from the LBA for their assistance and audit expertise. I'd like to thank the Commission team, starting with my CFO, Tina Demers, who has been with the Commission in that position for less than ten months. I want to assure the Committee that we take these Observations seriously. We have already created a draft action plan to address every one of these items.

It's important for this Committee to know that we built a much stronger financial team over the past 12 months since losing several key people in that financial area. And overall, operations are going well and we'd be happy to take any questions that the Committee may have for us.

REP. OBER: Mr. Chairman.

CHAIRMAN KURK: Representative Ober.

REP. OBER: I don't have a question per se, but I have an observation. This financial situation has been going on since Fiscal Year 13. And while they did lose people in '15, we've seen much of this same stuff year after year, even when they haven't lost people. For example, the rules adoption has been going on quite a while which isn't financially related. I don't know how we get them to really put attention on to getting up to speed, especially since if something happens with them, it impacts the CAFR, it impacts all kinds of things that there's just this downward trickle that impacts the whole State. And do you have suggestions for how we get them to start complying, because we are looking at three years of non-compliance here. And, yes, '15 they didn't have financial people. They had

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

turnover, but we still have two more years of -- previous to that of non-compliance when they were fairly stable.

CHAIRMAN KURK: Thank you for the observation. I'd like to turn to number six, Observation No. 6 on Page 11.

The State has to resolve this one way or the other. The Liquor Fund numbers that we are getting are inaccurate because they don't reflect all of the money that is appropriately charged to the Liquor Commission. I'm not sure how we deal with this. But when the Liquor Commission gets a bill, it needs to be paid, even if it is going to affect the amount of profit, quote, unquote, that you return to the General Fund. The two and a half million dollars for the legal settlement, the extra 900,000 or million dollars for indirect costs, and there were a couple of other items. What can we do to make sure that these are reflected in the Liquor Commission's financial so we actually know what this enterprise fund is doing as opposed to having what I think are -- is an inaccurate picture of what the fund is doing financially.

MR. MOLLICA: Well, Mr. Chairman, I would say that the Liquor Commission has no problem paying the bills that it's been asked to pay. I think that in becoming an enterprise fund and in going through what the Liquor Commission has gone through, in turnover in the financial department as well as other areas, and things that have been asked of the Liquor Commission that we're in -- we're in an area that is certain bills are being sent to us, we are questioning those bills, as I think any prudent business would do, and then we would go on to pay those bills. We have no qualms with paying the two and a half million dollars. The two and a half million dollars wasn't a settlement that the Liquor Commission made. It was a settlement that the Department of Justice made. We were told that that money would be paid from another area and, obviously, we relied on that to be done.

If there's -- if there's things that the Liquor Commission needs to pay, we would certainly be willing to pay them. However, I think that it's prudent management for us to question

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

the payments that the Liquor Commission needs to make and how it affects, not only the profit of the Liquor Commission, but that bottom line of the General Fund.

CHAIRMAN KURK: I take your point that you need to question these things; but at the end of the day, they need to be paid and reflected in your financial statements so that over time we have the accurate information we need to make projections about future income and future expenses and to decide, frankly, whether or not the status as an enterprise fund should be continued.

TINA DEMERS, Chief Financial Officer, New Hampshire Liquor Commission: For the record, my name is Tina Demers, the CFO of the Liquor Commission. And I just wanted to let you know that we are working with DAS on the SWCAP for the indirect cost plan and how we're going to allocate that or account for that in the financials for '16.

CHAIRMAN KURK: Thank you. Further questions?  
Representative Eaton.

REP. EATON: Probably a couple 'cause one's not on this. Have you completed the bids in the POS System?

MR. MOLLICA: Yes. Yes, Representative, we have.

REP. EATON: Will that upon completion assist in any of the deficiency measures listed in this report?

MR. MOLLICA: It will assist in several of them,  
Representative.

REP. EATON: That's what I thought. And further? I'm at a loss. You have a problem under Observation 9 with how cash is being handled, which shouldn't be a problem to begin with. But with the number of stores that we have, and the number of managers that we have, I am dumbfounded that it's going to be corrected or training will be completed by November 15, 2016. I want to know why you can't have that completed in a week?

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

MS. DEMERS: We do have a timeline set up to meet with the area managers and supervisors and have our accounts receivable department go over policies and procedures, and we have our internal auditors who are going to be going out and checking on the compliance.

CHAIRMAN KURK: Follow-up.

REP. EATON: I understand there could be a training requirement. I also understand that e-mail can go out to every manager and say, hey, this is what the problem is and this is what the solution is and fix it. I don't understand November 16<sup>th</sup> -- November 15<sup>th</sup> by 2016. Is that a date you're standing by to correct the problem that's basically pretty simple to fix, I think?

MR. MOLLICA: Well, I think it's sounds like an easy fix, but I think what we'd like to do is make sure when the deficiency is fixed, it's fixed in whole and that the managers have the training and the policies in place. The problem and one of the procedures in our stores is because we have so few full-timers to run the stores that a lot of part-time people open and close these stores. So these procedures not only have to be brought forth to the managers of the stores, they have to be brought forth to hundreds of part-timers that open and close these stores. And it's something that we want to make sure that we do thorough, and that it's something that's complete, and when it's done, it's done.

CHAIRMAN KURK: Thank you, sir. Further questions? Thank you very much. Mr. Smith.

MR. SMITH: Yes. Next audit we would like to present is performance audit around the Back Office Consolidation with the Department of Administrative Services. Here from our office to present our piece is the In-Charge Manager, John Clinch, and joining us again is Commissioner Quiram and Comptroller Murphy from the Department of Administrative Services.

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

CHAIRMAN KURK: Good to see all of you.

JOHN CLINCH, Senior Audit Manager, Audit Division, Office of Legislative Budget Assistant: Thank you, Steve.

CHAIRMAN KURK: Please proceed.

MR. CLINCH: Thank you. Good afternoon, Mr. Chairman, Members of the Committee. My name is John Clinch. I'm a Senior Audit Manager with the Office of Legislative Budget Assistant. I'm here this afternoon to present the results of our performance audit on Back Office Consolidation managed by the Department of Administrative Services. Our objective was to determine whether Back Office Consolidation resulted in more efficient, effective and economical services. Our audit period was State Fiscal Years 2012 through 2015, and our Executive Summary is found on Page 1.

We found the Department of Administrative Services did not effectively implement legislative requirements to consolidate back office operations. Chapter 224, Laws of 2011, require the consolidation of certain business processing, human resource, and payroll functions. However, the Department partially consolidated only the accounts payable function. No substantial human resources or payroll consolidation had taken place and required savings has not materialized.

We also found efforts to consolidate the accounts payable function by creating the Shared Services Center, the SSC, did not increase efficiency or economy in the State's accounts payable operations.

Our Recommendation Summary can be found on Page 3. Our report contains 12 Observations with recommendations which I'll discuss in a few moments. The Department concurred with ten Observations and concurred, in part, with the other two. Legislative action is not required to implement the changes we recommended in the Audit Report. Our background section begins on Page 5.

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

The background section discusses the requirements of Chapter 224, Laws of 2011. It also discusses characteristics of the Shared Services Center concept used by the Department.

Turning to Page 6, Table 1 on Page 6 shows the agencies that have not been consolidated into the Shared Services Center as of January 2016. The Department began consolidating the accounts payable function in November 2012. Seventeen authorized positions were ultimately abolished, primarily unfilled vacant positions, and 28 authorized position were transferred into the SSC. Through attrition the SSC was reduced to 18 personnel.

Figure 1 on Page 7 shows the remaining positions as of January 2016.

Turning to Page 8, you'll see the accounts payable process in Figure 2 as it exists today. The body of our report begins on Page 11.

According to law, consolidating business processing functions was required to achieve savings of \$352,000 in total funds for State Fiscal Year 2012, and an additional \$1 million in total funds for 2013. Table 3 shows our analysis of total estimated appropriation savings between State Fiscal Year 2012 and 2015. Although the abolished positions saved approximately \$767,000 in appropriations in State Fiscal Year 2014, these savings were offset by appropriations for building renovations, current expenses, and temporary staffing.

We also took into account staff hired by agencies to replace positions taken and created in the accounts payable SSC. Altogether, we estimated a net savings of approximately \$166,000 in State Fiscal Year 2014 and almost \$100,000 in State Fiscal Year 2015.

REP. OBER: Mr. Chairman? Could I ask a question before he goes on?

CHAIRMAN KURK: Sure.

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

REP. OBER: I'm on Page 1, although at the bottom of the first paragraph it repeats just what he said. I question whether that is accurate or not. And I would like to know when you were calculating those, quote, unquote, savings, did you look at all of the budgets of the agencies who do participate in the Shared Services at how much they have gone up? Because during the budget review, what we heard over and over was that two things had happened. Number one, every invoice now had to be handled three times since it went to Shared Services instead of two so there was extra manpower on the part of the agency.

And, number two, DAS was charging them for every invoice they paid. So their internal costs had gone up. One agency said, I bought something for \$9 from the office supply company, and I was charged an additional five something to process the invoice. So what should have been a \$9 invoice became a \$14 plus invoice. And if you included that and still had the savings, I'll go along with that. But if you didn't go to all those agencies and ask what else it costs, I'm not sure those savings really exists. So I'd like to hear how you got to that?

MR. CLINCH: Thank you for your question. We heard the same comments when we were out doing our work. A lot of the agencies were not happy, basically, to say bluntly, about the accounts payable process. But we believe that the process improvement could be performed to improve the process. I believe that's something the Department is planning on working on. We didn't look specifically at how much was budgeted in the agency budgets for costing purposes.

REP. OBER: So if I can, just I think what I heard was we don't really know if this is net savings because we didn't look at the agencies to see what was budgeted. I just want to be sure I understood that correctly.

MS. QUIRAM: We -- we asked a whole lot of questions. We worked really very closely on this so I think it is. I think one of the things you do see in here though coming from one of the agencies that had to give up positions is that the positions -- we did give up positions but some of those

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

positions were positions that, frankly, we weren't planning on filling. And so you did see a lot of savings from positions. You saw the agency refill positions, because they still had some of the work to do, but you also saw some of the positions disappear. And I think those positions that disappeared may have taken that number so they were budgeted before. They aren't budgeted now. So it's still -- there's still a little bit of that money and a little bit of those positions that weren't replaced. So I think it is net.

MR. CLINCH: We believe it is net.

CHAIRMAN KURK: Representative Ober.

REP. OBER: Commissioner, how much total -- how much total did you charge the agencies last Fiscal Year for processing their invoices?

MS. QUIRAM: I can't give you that number. I would have to go and look.

REP. OBER: You'll get it to us?

MS. QUIRAM: I will certainly get it to you.

REP. OBER: Thank you. Thank you for letting me ask the question before you were done.

CHAIRMAN KURK: Please continue.

MR. CLINCH: I think I was on page -- turning to Page 12.

REP. OBER: Yes, I think you were.

MR. CLINCH: Observation No. 1 we found neither savings nor consolidation goals of Chapter 224, Laws of 2011 were met. Human resources and payroll functions had not been recommended -- have not been consolidated. We recommend the Department continue consolidation efforts required by State law, standardized processes before consolidation attempts and use its full

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

statutory authority under the law to achieve consolidation goals.

Our section on efficiency and economy begins on Page 15. In Observation 2 at the bottom of Page 15, we note Management is responsible for establishing well-defined governance structure with defined responsibility and establishing reporting lines at all levels of the entity to enable the organization to operate efficiently and effectively.

We found efforts to consolidate business processes lacked effective governance to ensure consolidation was fully and effectively implemented.

We recommend the Department establish clear governance structure, assign responsibility, and delegate authority to achieve the entity objectives.

In Observation No. 3 on Page 17, we found the statewide accounts payable processes were not substantially redesigned or efficient prior to consolidation. We recommend the Department work with agencies to re-engineer the accounts payable process, to resolve inefficiencies and also recommend improving business processes before future consolidations are made.

Observation No. 4 at the bottom of Page 18 discusses the lack of internal policies and procedures. We recommend the Department complete a formal policy and procedure Manual for the rest of the operation.

Observation No. 5 on Page 19 discusses the need to revise the State's manual procedures.

In Observation No. 6 on Page 21, we found the State does not take discounts when offered. Of the 280 invoices we reviewed, 12 invoices offered discounts of between 1 and 2% but none were taken. We also found on average invoices spent 21 days at the agency before being sent to the Shared Services Center making it impossible to meet ten-day payment terms to utilize the discount.

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

We recommend the Department follow the manual procedures and also recommend the Department re-engineer the accounts payable process in order to take advantage of offered discounts.

Observation No. 7 on Page 22 discusses the need for formal service level agreements.

In Observation No. 8 on Page 23, we found SSC lacked a formal and comprehensive billing method. We recommend the Department evaluate agency billing methods and formalize the billing system.

On Page 24, Observation No. 9 discusses the need for performance measurement system. The SSC lacked a system to measure accounts payable performance against goals and objectives. The SSC reported a goal of processing invoices within 48 hours of receiving them, but did not have a method of measuring whether that goal was achieved.

Observation No. 10 on Page 26 discusses the need for customer service surveys to collect agency feedback regarding services provided.

In Observation No. 11 on Page 27, we found SSC staff had six different class titles but all performed the same work. Five of the seven supplemental job descriptions did not match the job responsibility of the incumbents and were last updated before the SSC's creation. Three supplemental job descriptions required supervisory responsibility but the position incumbents did not supervise staff during the audit period. We recommend the Department seek to re-classify positions as needed to standardize class titles and properly notify incumbents in positions to be downgraded in accordance with applicable administrative rules.

Our last Observation No. 12 is on Page 28. This Observation concerns Business Administrative IV position within the SSC that was underutilized. We recommend the Department seek to

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

reclassify the Business Administrative IV position to better align with organization objectives.

I'd like to call your attention to the three appendices contained in the back of the report. Tab A contains our Objective, Scope, and Methodology section. Tab B is the Department's response to the audit. And Tab C contains the results of our survey of State Agencies.

I'd like to thank the Department of Administrative Services for their cooperation during our audit. Mr. Chairman, this concludes my prepared remarks. I'd be happy to answer any questions.

CHAIRMAN KURK: Thank you. Before we take additional questions, why don't we hear from the Department.

MS. QUIRAM: Thank you very much. Vicki Quiram, Department of Administrative Services. First of all, I want to thank the LBA as far as working on this audit. I think they were probably surprised when they walked in my office and Steve said here's what we are going to audit next, and I said thank you, thank you, thank you. I said this is one of my first things that I really wanted to accomplish here was to take a look at how our consolidation had gone and then move forward with looking at establishing governance and work plans throughout the State to improve efficiencies in State Government. And that was just -- that was one of my biggest goals.

I was thrilled to have the help in taking a look at this program and analytically being able to quantify kind of what was going on here. So we did work very closely together and I thank them for their recommendations.

I think as -- I feel like I'm sitting here looking at a group of people who have plenty of experience in private business and I'm preaching to the choir. But if you're going to do process improvement, there's a lot of things you have to do.

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

First of all, you have to have buy-in and you have to have a collaborative effort. We need to bring in all the State Agencies. It's got to look at process improvement and standardization of processes. We have to have a governance structure. We have to train people on how to do this. We have to document how to do things. And then it takes a reassessment of that and a continuous improvement effort.

I do have to say, and I wanted to say very quickly, that the men and women that have been involved in actually working at the Shared Services Center have done a good job. They have tried to lean the process as much as possible for their piece of what has happened in AP Shared Services and they have it down to two days. I think you heard that the agencies have the invoices for 21 days. It comes to Shared Services for a couple days where they do their very small part of what happens and then its goes back to the agencies.

One of the issues is is that we really needed to look at the process from the time an invoice comes in to the time the payment is made and it's finished and complete. The process is disjointed. We haven't looked at the entire process like we should have.

I also want to note that when you're working in State Government, it is different than working in a business. The bottom line and what we find in everything that we do is we run 40 plus different businesses here in State Government. They have different missions. They have varying implementation of what they do. The size of the operations is drastically different. Their goals are drastically different, Whereas in a private company certainly you usually do basically one or two things. You may have a lot of widgets that you make, but your goal is really return on investment. Many of our agencies certainly have very different goals on return on investment. It does make it more difficult. So you really have to think about what kinds of things can we consolidate and what kinds of things really have to be unique. We need to really look at the differences between the agencies and schedules and how they're working and what

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

they're doing. And for many years in State Government these agencies have worked with a lot of autonomy.

So the results are that we need to bring people together, and we need to, first of all, look at what processes in all the different processes that are going on in State Government of these agencies and we need to talk about how can we help these agencies. Which ones of these processes can we bring in and, first of all, make them as efficient as possible and standardize them. We certainly don't want to be going in and evaluating -- I mean, writing manuals of procedures for processes that have not been looked at yet. So we certainly need to look at our processes. We need to standardize them. We need to talk about this isn't a one size fits all; but there are things that certainly I believe can be standardized, can be consolidated, there are all kinds of different ways that we can approach this to make State Government much more efficient.

So those are the efforts that we're starting. Those are the efforts that we think that successfully implementing this, while it is a challenge, it certainly can happen, but it's got to happen with very conservative steps, and we need to have people on board to do these kinds of things. So we have started that effort.

To let you know we have the AP Shared Services which is one item and we are -- we would like to go back and look at the AP Shared Services model all the way from the time it starts, the bill comes into the agency or we buy something, from the time we buy something to the very end when we are finished paying for it to see if we can modify the range of the process that Shared Services is involved in and/or if there is a different way of doing Shared Services for AP payments. We need to walk through that process before we decide what to do with that particular item.

I will say as far as HR and payroll consolidation, when I go around and talk to other states, and I've been in other states, some of their best practices for HR and payroll consolidation the State of New Hampshire is already doing. So we

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

need to give ourselves credit for what we are already accomplishing in New Hampshire as far as Shared Services. States that talk about Shared Services don't necessarily have a department of personnel that's doing all the things that we are and our payroll function. However, having said that, we need to very carefully evaluate the processes that we're doing centrally and seeing if we need to be taking on different processes and possibly even giving up a little bit of the control in other processes. And I'll use the hiring example. We have found ourselves in situations where it takes an agency so long to hire somebody. By the time they go through the process in the Department of Personnel, that we have lost that person by the time we hire them. By the time they have gone someplace else, particularly, in an economy like this.

So we have started looking at the processes and the Department of Personnel. We have got some Lean events going on. We have already taken on some of our highest complaint areas. But the main thing is we are really going through, again, a process of determining from the time a position opens till the time a person leaves, what are the steps that we take to go through that. And what are the best steps to consolidate, what are the best steps to standardize within the agency and how do we move these processes forward as systematically and analytically as we possibly can to get things done.

I think that that's, you know, is there anything I can say? We concurred with most of their recommendations. One of the ones that we partly concurred with was their re-classification of a position that we had that was at a higher level. When the Shared Services was initiated, the DAS came to the agencies and said you give us two positions, you give us two positions, you give us five positions, and they didn't say what level they needed to be, what qualifications they needed to have. So it has been a challenging group to put together.

The person that actually put this all together has left the State and we lost the position. So we have -- we have no position -- we had no position to do this. We have got the supervisor who also had left when I got there. So we had no

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

supervisor. So the -- it's something that needs to be brought in. It needs to be looked at.

Again, we concur with the findings. We are ready to move forward. I have a new hire in Administrative Services so all the things I told you about not having the resources to do things, I do have one new person. It was Carolyn Russell who I pointed out before. She's a project manager extraordinaire. She knows how to work through processes. She knows how to bring together other agencies, and I worked with her at DES. She was also a project manager at DHHS and we have a list this big of things for Carol and I to start working on.

Certainly, DOP is involved with us and is working with us as well as all the other agencies. And Carolyn had to leave because she was going to a town acquisition management meeting that we're putting together to put the Commissioners' group together that will actually work on that effort that you were asking about as far as when we will to have an end report.

So, again, we are moving forward and we are doing it as quickly as we possibly can. And we have a new resource to help us, at least one person to help us make this direction.

REP. OBER: Mr. Chair.

CHAIRMAN KURK: I get your enthusiasm, I think, that you have the best of intentions. Give me a date and give me the dollars that you're doing save.

MS. QUIRAM: I do not think that we can do that. I think that -- I think one of the -- one of the reasons that this -- that we have the results that we have in existing audit, and the auditors would probably agree with me, is because it was a legislative change and it happened. It was -- it will happen in one year, and you will do it this way. And they pulled all these people from the agencies and they put them in a room to do it quickly and this, obviously, didn't work. And I don't know where the savings came from. I don't have the institutional knowledge anymore because they're gone. I can't right now tell

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

you I will be able to do it by X time and save this many dollars. And I don't think that that's the way I will be recommending for it to happen.

CHAIRMAN KURK: Then why do it? This is -- this report is not a very attractive report to receive. If we can't do this, or we are not willing to do it, or it's going to take too long or we don't know what we are going to save and whether it's a good idea, why not abandon it and go back to business as usual?

MS. QUIRAM: What are you talking about, AP Shared Services?

CHAIRMAN KURK: Yes.

MS. QUIRAM: I think that's an option. I think it's an option and I think that there will be other work areas where we are able to make it work very well and save money. I think there will be other places where it will not work well.

CHAIRMAN KURK: There's some resources that are going into this. If this isn't going to work or give us an identifiable amount of money as savings within a particular time period, why not take those resources and use them elsewhere, either for the Department or to result in some sort of savings for the State? Sometimes we, despite our best efforts, we fail. Now let's move on and -- Representative Ober.

REP. OBER: Thank you, Mr. Chairman. I actually -- I apologize that you had to come in and take this on, because I was here when this was done in the Legislature. It was not a request of the Legislature. It was a request of the former Commissioner. And they came in budget time and they had this plan and they wanted it implemented, and she moved all the people in her budget from various agencies had taken on the money and there was a lot of complaint at that time. I think payroll and personnel makes a lot of sense. I don't think, Commissioner, through no-fault of your own or your staff that AP makes sense to continue as a shared service. And I would say if anybody were going to go through the process and try to work out

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

the wrinkles, you probably have those skills. But here's the reality. You're down 50 people from what you were less than ten years ago. You are today the smallest agency. Where other agencies have grown, your agency has shrunk.

I personally don't think it makes any sense to share a service where we are going to charge another agency a cost of doing an invoice. Just let them have the staff member and do that invoice. And, again, through no-fault of your own, or your people, people in -- I mean, you look at the responses and it's a duplication of services. It's everything we hear during the budget time. So I think you probably got the skills to look at this and say I inherited this. My staff inherited this. They have done a really good job. We have had a great audit, and maybe this is not the way to go. And we should start now to plan to not have shared AP in the next budget. And based on what I'm reading here, I honestly would recommend that you do that; but I'm not sure you have the staff to do that. And I know you have a new resource. But one resource when you're down 50 people isn't enough to do what you're doing. And so the reality is, what does it take, two people, a consultant, to try to help you to do this? I think we should undo the AP function, quite honestly, based on reading this. And, again, it's no fault to you or your staff. It's we tried it, you're right, went through the Legislature. We tried it for several years. But I don't think it's cost effective, and I don't think anybody's happy. Would you be disappointed to give up the AP portion?

MS. QUIRAM: I think that what you're bringing up is a definite possible alternative and one of the issues is we have 18 people there. And the agencies that gave them to the Shared Services Department have replaced many of those positions.

REP. OBER: Yes.

MS. QUIRAM: So it's something that needs to be managed. We need to --

CHAIRMAN KURK: We have double personnel?

#### JOINT FISCAL COMMITTEE

April 15, 2016

REP. OBER: Yes, we do. Not only that --

CHAIRMAN KURK: And this is a cost-saving program?

REP. OBER: Yeah, I won't name the agencies, but I can tell you and I know agencies said, okay, I'm getting rid of so and so. They cause trouble in my agency, and I'm shifting those over for the Shared AP. I hate to tell you that, Commissioner. You weren't here, but there was some of that shifting around when you weren't here.

MS. QUIRMAN: It again goes back to if we are going to become more efficient, which will save money and will save time, then we have to be -- we have to have support. We have to have support from the other agencies. The other agencies have to be a part of this. The way that this was put together has been a problem.

We have another thing. We have the P-Card. We charge agencies by invoice. I mean, by how many invoices they pay. Now we have got a P-Card that's going to take 250, 300 invoices and they're going to be one invoice now. Does that mean we charge more to pay one invoice? We -- we are really -- even technology is really changing how we are able to do this. With increased technology, it might be that it's more appropriate to do it in one agency.

REP. OBER: I really don't, Mr. Chairman, just personally, I would like to stop this charging an agency to pay an invoice. Either we do it and we staff her appropriately and we give her the money, but we don't ask DAS to charge an agency to try to fund their people. I don't think that's right. I think that puts them in a poor situation and I think it is just a way to have other agencies have conflict with DAS, which isn't fair to anybody, including the Commissioner and her good staff.

CHAIRMAN KURK: Commissioner, I think you are as aware as we are now that we have seen this audit that things need to change. And I'm sure you'll have an appropriate recommendation, however you choose to do it. The idea of having two people to do a job

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

that is not necessary to have so many people at a time when you don't have enough people for succession and other things seems like a misallocation of resources. So I'm not sure of the correct forum, but I think you've heard the message. And thank you --

MS. QUIRAM: Thank you.

CHAIRMAN KURK: -- to the LBA for delivering at least a component of it that we can use. Are there any other questions? Thank you.

REP. OBER: Please understand this is not reflection on your staff.

MS. QUIRAM: Absolutely.

REP. OBER: We are well aware you inherited the situation and done the best you can and have really worked with LBA to make this audit accurate.

CHAIRMAN KURK: Mr. Smith.

MR. SMITH: Yes. Mr. Chairman, the last audit report we'd like to present is the -- within the Office of Workforce Opportunity, the WorkReadyNH Program. And coming to the table representing the Department are three individuals; Charlotte Williams, Jackie Heuser, and Carmen Lorentz. And to present our report is Vilay Sihabout. She was the Audit Manager on this job.

CHAIRMAN KURK: Good afternoon and welcome.

VILAY SIHABOUTH, Senior Audit Manager, Audit Division, Office of Legislative Budget Assistant: Good afternoon, Mr. Chairman, Members of the Committee. My name is Vilay Sihabout and this afternoon I'll be presenting the Office of Workforce Opportunity, WorkReady NH Performance Audit. The purpose of our audit was to determine whether WorkReadyNH efficiently and

#### **JOINT FISCAL COMMITTEE**

**April 15, 2016**

effectively served job seekers and businesses during State Fiscal Years 2012 to 2013.

Our Executive Summary starts on Page 1. Our ability to fully assess the efficiency and effectiveness of WorkReadyNH was hindered by inconsistent data, lack of clear guidance outlining the program's mission, goals, and objectives, and no system to compare actual performance with intended results. Although we found no defining measurement system in place, participants were overwhelmingly satisfied with the program. Participants reported the classroom instruction helped them improve communication, conflict resolution, team building, and problem solving skills, all areas identified by businesses as important for workplace success.

We also found participants showed improvement in their hard skills while participating in the program. While WorkReadyNH appeared to build the confidence and skills of its participants, its effects on businesses were mixed. We found half of human resources professionals responding to our survey were not familiar with WorkReady NH and two-thirds were not familiar with the national work skill credential offered as part of the program. Our Recommendation Summary is on Page 3.

Our report contains nine Observations with recommendations. The Office of Workforce Opportunity or OWO concurred or concurred in part with all Observations and one may require legislative action.

Our background begins on Page 5. In January 2010, the Governor announced a three-part initiative aimed to help New Hampshire workers stay at work, return to work, and get ready to work. Launched in October 2011, WorkReady NH was the last part of the initiative aimed at addressing business leaders' concerns that perspective employees did not possess the basic skills needed to succeed in the workplace. A partnership between the OWO and the Community College System of New Hampshire is a voluntary program was intended to help job seekers improve their technical and soft skills while obtaining two certifications. The program was intended to benefit businesses by helping

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

workers improve the skills businesses deemed important for workplace success.

The program was initially offered through four community colleges; Manchester, White Mountains, River Valley and Great Bay. The program was primarily available to unemployed or underemployed New Hampshire residents 18 years and older. It allowed job seekers to take a free assessment of their hard skills, participate in on-line training to improve these skills, and take a final assessment to obtain a national work skilled credential.

In addition to the hard skills, participants were required to complete 60 hours of classroom instruction where they participated in work-related settings to enhance their soft skills. Upon successful completion of both the hard and soft skills, graduates were issued a community college certificate.

Table 1 on Page 6 shows the number of people who registered for, participated in, and graduated from WorkReady NH, while Table 2 on Page 7 shows the breakdown of registrants by gender and age group. As you can see, just over half of registrants were female and the majority of registrants were between the ages of 51 and 60. Demographic information was only available to us for people who registered for the program, not for those who actually participated in and graduated from the program. So we took a sample and Table 3 shows that over 60% of participants were female and over half of the graduates were female.

Our first section addresses serving target population starts on Page 11. While WorkReady NH appeared to help job seekers improve their skills, program staff did not assess whether it adequately served the needs of the business community. Marketing and outreach focused on recruiting participants to the program. However, efforts towards generating business awareness or contributing to their understanding of the program value were not a priority.

Our first two Observations starting on Page 12 address business needs. There's been no systematic attempt to gauge

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

business needs since prior to the start of the program. Nor was there a statewide marketing or outreach campaign to generate awareness about the program's benefits. We recommend establishing a process to solicit feedback from businesses to ensure the curriculum aligns with their needs, determining whether current marketing responsibilities are properly delegated, and reviewing the benefits of a statewide marketing plan.

In Observation 3 on Page 15, we found there was no system-wide criteria defining successful completion of the soft skills course. Instead, it was dependent on each instructor's assessment for participant's interaction. And there were no requirements that instructors document the basis on which participants were deemed to have successfully completed the program.

We recommend establishing criteria for defining successful completion applying to all sites and documenting participant progress.

Observations 4 and 5 starting on Page 16 discuss the hard skills curriculum. Although data were available on pre-assessment and final exam scores for math, reading, and locating information, program staff did not analyze participants that -- did not analyze whether participants' skills were actually improving as a result of on-line training modules. Additionally, one site required perspective participants obtain a minimum score on the pre- assessment while the other three did not. Policies also did not require participants obtain a minimum score. We recommend developing a system to analyze hard skills data, standardizing data collection, and determining whether a minimum score is necessary for participation.

Observation 6 on Page 18 discusses standardizing program components. We found the curriculum course guidelines and expectations and requirements for practicing hard skills varied among the sites offered on WorkReadyNH and we recommend standardizing them.

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

Our next section addressing program guidance and measurements starts on Page 21. WorkReadyNH did not have formal guiding documents articulating its mission, goals, and objectives, nor did it have a formal mechanism to evaluate progress.

Figure 1 on Page 22 shows an example of measures which could be used to gauge performance. And Appendix F at the back of the report shows examples of performance measurement systems. Also, beginning on Page 22, Observation 7 and 8 discuss the lack of formal program guidance as there were no statutes specifically pertaining to WorkReadyNH. This hinders establishment of formal goals and objectives making it difficult to gauge whether the program is performing as intended.

Program reporting focused primarily on a number of people served and did not keep track whether it helped graduates obtain or retain jobs or whether businesses found more perspective employees possessed the skills needed for workplace success.

We recommend determining whether statute sufficiently cover WorkReady NH and establishing goals and measures to regularly review program performance.

Our last Observation on Page 25 discusses the need to separately track the cost of administering WorkReadyNH versus the cost of administering the job -- the Job Training Grant Program.

The remainder of our report contains our scope objectives and methodology in Appendix A, a letter from the Department in Appendix B, surveys of WorkReadyNH participants, businesses and human resource professionals in C, D and E, and examples of performance measurements systems which could be used to gauge performance in Appendix F.

This concludes my presentation. I'd like to thank WorkReadyNH, Community College, and OWO personnel for their help during the audit. Turn it to Carmen if she has any remarks.

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

CARMEN LORENTZ, Director, Division of Economic Development, Department of Resources and Economic Development: I'll just say thank you to the audit team for coming in and taking a look at this program. We found it very helpful. And as Vilay stated, we really concur with the recommendations and look forward to putting our corrective action plan together and implementing that. It was a helpful effort and we appreciate their time. And if you have any specific questions, we'd be happy to answer those.

CHAIRMAN KURK: Thank you very much. Why are we spending money on this program?

MS. LORENTZ: Well, workforce is one of our biggest issues right now when it comes to economic development. So this program was designed to assist people who needed to improve their skills in order to become more employable to do so. We still get a lot of comments from employers everyday about the readiness of their employees. So we feel that it's a relevant and helpful program.

CHAIRMAN KURK: Then why don't you use the chart on Page F-4 and F-9 which has as its final outcome increase in job seekers finding and maintaining full-time employment as a result of the technical and soft skills learned in WRNH? In other words, if you're spending \$200,000 or \$2 million, how many people are getting and retaining jobs for how long and at what kinds of salaries? That's an outcome. That's worth paying for. But from the Audit Report all we are paying for is feel good satisfaction on the part of the applicants and perhaps a perception on the part of employers that these folks have certain soft skills. But with a 2.6% unemployment rate, McDonald's not advertising burgers but putting up help wanted at \$9 an hour signs, however well intended the program, I don't understand why we should keep doing it, unless we are actually getting employment results from it. And employment results that show that a person going through this particular program is more likely to get and keep a job than a person who doesn't go through this program.

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

MS. LORENTZ: I don't know if Jackie or maybe you would like, Charlotte, address some of the issues with tracking people once they are graduated from a program.

JACKIE HEUSER, Director, Office of Workforce Opportunity, Department of Resources and Economic Development: My name is Jackie Heuser. I'm the Director of Workforce Opportunity. Thank you. That's a very good observation and a valid criticism. It's one that I've heard consistently since the program was implemented.

When it first was proposed through the team that put this program together, there were not sufficient resources to put a tracking mechanism in place. Since that time, we are looking at that, because it has come up consistently, and it is one of the goals that we have for the program moving forward is to putting tracking system in place and to be able to evaluate where people go to work, and if they do retain work, and perhaps even if their wages are affected by this program. That's consistent with what we do in our typical Federal program which is the Workforce Investment Act. So we want to align this program to be able to track the results moving forward.

CHAIRMAN KURK: I appreciate that. I thought it was very easy to track these results. As a condition of entering the program you have to provide your Social Security number and you have to agree that we can track you through Employment Security for X years. You simply take the socials, go to Employment Security --

MS. HEUSER: And I don't know if Charlotte. This particular program is managed by the Community College and the Community College is prohibited by law for asking for Social Security numbers for tracking purposes.

CHARLOTTE WILLIAMS, WorkReadyNH Statewide Liaison, Community College System of New Hampshire: Yeah, we don't take the Socials.

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

MS. HEUSER: That's an ongoing issue, actually, for us across the Board with a number of our programs. But what we might be able to do, because we are looking at that, is we are thinking if we get a release of information from everyone when they come into the program and tell them upfront that we are going to be doing that that we might be able to take that data and roll it into our system and look at it in the aggregate.

CHAIRMAN KURK: Then you have to detach yourself from the Community College System, 'cause I don't think the Legislature would want to allow the Community College System to get that kind of tracking information about their students. This is a very different kind of a program.

MS. HEUSER: That's what I mean. If we have a release of information upfront that says the Office of Workforce Opportunity will be tracking that we may be able to.

CHAIRMAN KURK: Do you have any evidence that you can present to us that this program results in an increase in jobs above what it would have absent the person taking the program?

MS. WILLIAMS: Yes. What -- my name is Charlotte Williams. I'm the Statewide Liaison for the program at the Community College System. What we do with our participants, our graduates, we do a survey with them three months after the program and six months after the program. It is contingent on, obviously, the graduate getting back to us with that data and that is hard to assess and I guess it is anecdotal. What I can speak to, certainly looking at the last Fiscal Year, the number -- the percentage of our participants coming in that were unemployed was 77%. And then with the follow-up surveys, the numbers still looking for employment from the follow-up of 21%. So we found that 44% had gone on to employment, 25% had gone on to additional training or education. But, again, it's contingent on the data that we get back from the graduates if they respond to our surveys.

CHAIRMAN KURK: I'm not sure I understood that, but that's not the issue. It really is important that when we do training

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

we are not doing training for the sake of training to keep these people eligible for some other program. We really want these people to be hired. We want them to be well-trained so employers benefit from that training. And if you can't document it, if you can't say this is what we do, here are the results, as I've just discussed, the program should be folded up. This is really a very directed program. The fact that people are satisfied is not particularly relevant. The question is whether or not they get jobs.

REP. BARRY: Mr. Chair, maybe if you looked at C-6 that would help.

CHAIRMAN KURK: F-6?

REP. BARRY: C. The following page after completing did you find employment. At least there's an indication that there was some WorkReady.

CHAIRMAN KURK: I'm sorry, what does this indicate?

REP. BARRY: Q-13.

CHAIRMAN KURK: Yes, I'm there.

REP. BARRY: How long did you find employment after working -- after completing it? So just some indication.

CHAIRMAN KURK: Well, this is interesting, but how does this compare with other people who don't take the program and who find employment faster or slower or whatever it is? It's --

MS. HEUSER: Well, we wouldn't -- I'm not sure we could ever provide quite that level of information because that would -- well, it would for the other people that don't take the program because it would require a system of electing certain individuals and monitoring groups separately to see who succeeded and who didn't. But, again, I think that through the survey processes that we are proposing to put in place, through the tracking mechanism that we are proposing to align to better

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

get those results, I think we can get a lot closer to what you're looking at. We want to be able to do that. I think the program is really at a point where it's a good time for us to take a look at it. It's been in existence for a while. I think it was a very simple approach that was put in place by the group that initially envisioned it and put it in place. But now with some experience, I think we recognize that there's definitely a value added, but there's also a responsibility now to make sure that we can document that return on investment beyond anecdotal satisfaction.

CHAIRMAN KURK: I agree. Thank you. Further questions?  
Senator Little.

SEN. LITTLE: Well, I want to know who took my friend Representative Kurk and what have they done with him? I think I just heard you say we should take Social Security numbers and track it.

CHAIRMAN KURK: Yes, and I said that with a great deal of forethought. We take Social Security numbers from people if you want to be on Medicaid. We take Social Security numbers from people if you want to be on Medicare. In other words, if you are voluntarily going into a program then you're giving -- a government program, then you're necessarily giving up some of your privacy. I appreciate that. So with all due respect,  
Senator Little --

SEN. LITTLE: Just seemed a little bit out of character for me. I understand that you need that extra detail.

CHAIRMAN KURK: Thank you very much. Is there anything else? Any other questions to be asked? Thank you again. Mr. Kane, are we all set?

MR. KANE: Yes.

\*\* REP. WEYLER: Move to adjourn.

REP. EATON: Second.

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

CHAIRMAN KURK: Unnecessary folks. The Chair declares this meeting adjourned and remember that our next meeting is on the 20<sup>th</sup> of May, 10 o'clock, same place.

(The meeting adjourned at 2:16 p.m.)

**JOINT FISCAL COMMITTEE**

**April 15, 2016**

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  
License No. 47

