

JOINT FISCAL COMMITTEE

Legislative Office Building, Rooms 210 – 211
Concord, New Hampshire
Friday, September 26, 2014

Members Present:

Rep. Mary Jane Wallner (Chair)
Rep. Kenneth Weyler
Rep. Bernard Benn
Rep. Cindy Rosenwald
Rep. Daniel Eaton
Sen. Jeanie Forrester
Sen. Chuck Morse
Sen. Bob Odell
Sen. Lou D'Allesandro
Sen. Andy Sanborn

(The meeting is called to order at 10:08 a.m.)

1. Acceptance of Minutes of the July 25, 2014 meeting

CHAIRWOMAN WALLNER: Okay. We're on. I bring the Fiscal Committee to order. This is the September Fiscal Committee meeting, and we will start with the acceptance of the July 25th meeting.

****** REP. EATON: So moved.

CHAIRWOMAN WALLNER: Representative Eaton moves. Do I have a second? Senator Forrester seconds – – um – – the minutes of the meeting. Is there any discussion? Any corrections? All in

favor? Any opposed?

REP. WEYLER: I abstain.

REP. BENN: I'll abstain.

CHAIRWOMAN WALLNER: We have two abstentions.

REP. ROSENWALD: I wasn't here.

CHAIRWOMAN WALLNER: We have three abstentions.

SEN. D'ALLESANDRO: I wasn't here.

CHAIRWOMAN WALLNER: Four. Five. Wait a minute.

REP. EATON: We're happy with the minutes.

CHAIRWOMAN WALLNER: Okay. Okay. The minutes pass.

***** {MOTION ADOPTED}**

2. Old Business:

FIS 13-081

FIS 14-120

FIS 14-130

CHAIRWOMAN WALLNER: We have old business. We have a number of items that are -- we have two items on the table, and we have one item which is a holdover.

Um -- any motions for removing anything from

the table? Seeing none, we'll leave the items on the table. We do have a holdover item which we actually need to act on. Representative Rosenwald.

** REP. ROSENWALD: Thank you, Madam Chair. I move that fiscal item 14-120 be placed on the table.

SEN. MORSE: Second.

CHAIRWOMAN WALLNER: Representative Rosenwald moves that the item be laid on the table, and Senator Morse seconds. All in favor? Any opposed? The item stays on the table.

REP. EATON: Goes on the table.

CHAIRWOMAN WALLNER: Goes on the table. I'm sorry. Goes on the table.

*** {MOTION ADOPTED}

CONSENT CALENDAR

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

FIS 14-142
 FIS 14-143
 FIS 14-144
 FIS 14-148
 FIS 14-149
 FIS 14-156
 FIS 14-157

CHAIRWOMAN WALLNER: Um -- consent calendar. We have a number of items on the consent calendar.

Are there any that people would like to have removed? Yes, Representative Rosenwald.

REP. ROSENWALD: Thank you, Madam Chair. Item number 144.

CHAIRWOMAN WALLNER: Okay. Item 144, which is the Department of Resources and Economic Development. Any other items that people would like to --

SEN. SANBORN: Under item three, item 149, please.

CHAIRWOMAN WALLNER: 149. Okay. This is the Department of Transportation. Any other items?

** REP. EATON: Move approval of the consent calendar with the two items removed.

CHAIRWOMAN WALLNER: Representative Eaton moves approval of the consent calendar, except for the two items that were removed. Is there a second?

REP. BENN: Second.

CHAIRWOMAN WALLNER: Representative Burns -- Benn seconds. All in favor? Any opposed? Item -- um -- the consent passes.

*** {MOTION ADOPTED}

FIS 14-144 Department of Resources and Economic Development -- accept and expend \$159,725

CHAIRWOMAN WALLNER: Now, let's move to the

Department of Resources and Economic Development for item 14-144. Is there someone here? Great. Thank you.

CHRISTOPHER WAY, Deputy Director, Division of Economic Development: Good morning.

CHAIRWOMAN WALLNER: Thank you.

MR. WAY: For the record, my name is Christopher Way. I'm the Deputy Director for the Division of Economic Development. With me is Tina Kasim. She's the program manager for the Office of International Commerce.

CHAIRWOMAN WALLNER: Great. Representative Rosenwald, I think, has some questions.

REP. ROSENWALD: Thank you so much for --

MR. WAY: Good morning.

REP. ROSENWALD: -- being here. My question has to do with the Arab Health Care, which starts on page 10. And I read through it, and there's a lot of mention of New England states, but I was just looking for information on which New Hampshire companies would benefit from this opportunity to market their products.

My understanding is it's New Hampshire products to be brought to market, not the other way around.

MR. WAY: That's correct. Uh -- this is -- the Arab Health Summit is one of the largest trade shows for -- uh -- medical health in the region.

Previously we've done some work with MEDICA in Germany, but that was a very large trade show, and I think there was an interest in exploring the Arab market.

Um -- so we've had interest from a lot of New Hampshire companies that have wanted to -- uh -- participate in that trade show. And I think, also, Tina, did you want to weigh in?

TINA KASIM, Program Manager, Office of International Commerce: Sure. Good morning. Also, when you think about the -- um -- Arab Health trade show, it goes beyond -- its reach is beyond just the Middle East and the Arab Gulf region. It goes into other parts of Asia and into Australia, so it's really turned into a prime trade show for that part of the world for investors -- um -- and companies to come in and -- um -- look for new products for the healthcare field.

REP. ROSENWALD: So -- so what --

MS. KASIM: What kinds --

REP. ROSENWALD: -- what kinds of companies --

MS. KASIM: Sure.

REP. ROSENWALD: -- and products --

MS. KASIM: Sure. It can be anything from --

REP. ROSENWALD: -- is New Hampshire able to export?

MS. KASIM: -- um -- I'm trying to think of some -- um -- life sciences products. Um -- for example, one of the companies that we're approaching -- we'd like to approach for this trade show produces -- um -- cannisters or -- or bottles basically is what they are that you can transport certain liquids and materials in, and they're safe, they're durable, they're lightweight -- um -- and they're designed just a little bit differently than what's on the market already, so it's easier for -- um -- hospitals, clinics, any medical -- um -- personnel to be able to use those.

So -- and -- and then it goes from -- from something as simple as that to more technical -- um -- RFID trackers that are used in hospitals and maternity wards. So you've got the full spectrum in New Hampshire from low-tech -- um -- products that are very practical to the more high-tech tracking, innovative -- um -- systems that -- uh -- many -- uh -- many hospitals and clinics would need.

REP. ROSENWALD: And just -- I mean can you give us an idea of how many New Hampshire companies will be able to --

MS. KASIM: Since this is a joint booth with other New England states -- it's the State of New Hampshire, State of Maine, and State of Vermont, and each state will have the opportunity to recruit three companies to attend. But with the State representatives that are also going from the State offices, we also have the ability to sell not only the three companies that are there but the other

companies that are within our -- our states that weren't able to attend, whether -- you know, resources or staffing issues or just other trade shows that are happening during this time of year.

MR. WAY: I think one thing that also happens at these trade shows is that you'll see a lot of companies that will go that may not go through the OIC, but yet there's still a partnership when we're there. So it's not just the companies that attend with us, as Tina mentioned, but there's other companies -- there are other companies that will be there that will also be promoting as well.

It's a very -- it's a good opportunity to make a strong showing for New Hampshire. And, as we mentioned, it's the Best of New England booth with three states. And this was something that was attractive to SBA for the STEP grants.

REP. ROSENWALD: Okay.

CHAIRWOMAN WALLNER: Representative Benn.

REP. BENN: Thank you. Give me this a little bit more. So basically any company can apply, and you pick three out of the numbers that have applied from New Hampshire to be in this booth. Do you have any idea how many companies actually applied for these slots?

MR. WAY: Actually on -- on these types of activities, there will be a lot of recruiting that will be done, and so we'll -- we'll certainly be reaching out to the companies to get their -- the required number.

The other thing to keep in mind is that if other states can't get their -- their three to five companies to go to this, well, those are slots that open up for us as well. And, frankly, we've been pretty good in previous trade shows that if they can't make their quotas, that we actually can fill those spots.

CHAIRWOMAN WALLNER: Yes, Senator Forrester.

SEN. FORRESTER: Thank you.

MR. WAY: Good morning.

SEN. FORRESTER: Good morning. Um -- you said -- I thought I heard earlier that a lot -- a lot of companies in New Hampshire have expressed an interest in the Arab Health event. You know, but then I heard you say you were going to have to go out and recruit those.

I'm curious. How many -- how many businesses do you have in New Hampshire that expressed an interest in this? And it goes to a broader question of really process. How did you -- how did -- how did you come up with this particular trade show and China? I mean how does that process work? So two questions. How does -- how does the process work? And how many companies have actually indicated -- when you said there were a lot, you said they wanted to go to this.

MR. WAY: Sure.

MS. KASIM: I think I can answer that for you.

When we developed the STEP grant or when we look to develop the plans on how to use the STEP grant, we took a very holistic approach. We didn't create this in a bubble and decide yeah, you know, that sounds good, so we'll put that down.

Um -- we worked very closely with our -- primarily the Department of Commerce, the -- um -- Small Business Administration, SBDC, SCORE, and the Granite State District Export Council. Um -- we also listened very carefully to what our businesses are saying what their needs are.

Um -- I guess for us a lot means, you know, 10 to 12 companies that expressed an interest. Now, whether that interest lines up with their ability to have the time to participate in the show, that's a different story, but we know that there's growing interest in the Middle East, there is growing interest in Arab Health shows and to be able to reach other markets.

So that's usually how we go about creating all of our programming from training and workshops to choosing trade shows and then choosing destinations for trade missions. It's very holistic. It's -- um -- feedback from our partners, feedback from the businesses most importantly, and then what trends we can see that are developing.

CHAIRWOMAN WALLNER: Further question?

SEN. FORRESTER: Yes. Recently there was a trade mission to Turkey, and I'm curious. Um -- I would -- that there -- is that done now? I mean there's no more focus on Turkey? Now it's China and

Arab Health? And what is the -- what is the process of kind of what we got -- you know, what are you measuring success with? I mean when will you hear back about that particular trade mission, what the successes were, what it meant for the State of New Hampshire, and then the same for these other two?

MS. KASIM: That's a really good question. Um -- in terms of measuring the returns on a trade show or a trade mission, depending on the sectors, the business cycle usually takes anywhere from 12 to 18 months, sometimes longer, also depending on the market that you're entering.

When we do trade missions or trade shows it's a process. It's the beginning of a relationship. It's the beginning of a communication. It's a beginning of building those partnerships. It's not something that, you know, we spend a week in Turkey and then come back and say yeah, I've got 10 sales, 10 orders, and I'm putting them through. It's a process. So it does take a little time.

And what we're looking to measure is whether or not the companies that participated were able to achieve their goals. Were they there to find a distributor? Were they there to find an in-country partner or a reseller of their products? Um -- were they looking directly to work with end users and bring investment to their states?

In terms of whether or not things are done -- just because we completed the travel portion of the trade mission, there's still work that's ongoing. For example, we've had interest from the people

that -- the various sectors and business leaders that we've met with, we have leads of companies that are looking at New Hampshire as a -- um -- point of distribution for their products in the U.S. They're looking at New Hampshire to be that foothold for them. They're also looking at -- um -- seeing where there could be possible opportunities for investment in New Hampshire.

Um -- and then in terms of how our companies are doing, we are following up with them at the three-month mark, which we actually just hit, and we're waiting for that feedback from the companies. We will also follow up with them at the six or nine-month mark, and then a year from the travel date to see where they are.

And as they progress, depending on where they are in the process and what their needs are, we pull in different partners, whether it's to -- to help -- you know, through the U.S. Embassy or the Consulate in Turkey or -- um -- working with our -- um -- partners here in New Hampshire at the Turkish Cultural Center. So it's something that we've maintained, we check up on regularly. It's an ongoing process for us.

CHAIRWOMAN WALLNER: Further questions? Thank you very much for being here.

MS. KASIM: Thank you.

MR. WAY: Thank you.

CHAIRWOMAN WALLNER: I'm looking for a motion on this item.

** REP. EATON: Move to approve.

CHAIRWOMAN WALLNER: Representative Eaton moves to approve. Do I have a second?

REP. BENN: Second.

CHAIRWOMAN WALLNER: Representative Benn seconds. Any discussion of the item? Seeing none, all in favor. Any opposed? The item passes. Thank you. Thank you for helping us.

*** {MOTION ADOPTED}

**FIS 14-149 Department of Transportation – accept
and expend \$675,000**

CHAIRWOMAN WALLNER: And now we'll move to item 14-149, and this is the Department of Transportation.

SEN. FORRESTER: 148.

CHAIRWOMAN WALLNER: Oh. Is it 148? I'm sorry.

REP. WEYLER: No, it's 149.

REP. EATON: 149.

CHAIRWOMAN WALLNER: Okay. Good morning.

MARIE MULLEN, Director of Finance, Department of Transportation: Good morning.

PATRICK MCKENNA, Deputy Commissioner,
Department of Transportation: Good morning. Madam
Chair, Members of the Committee, Patrick McKenna,
Deputy Commissioner of the Department of
Transportation, here with Marie Mullen, who's our
finance director.

CHAIRWOMAN WALLNER: Thank you. Thank you for
coming. And I believe Senator Sanborn took this --
wanted to hold this one out. Do you have some
questions?

SEN. SANBORN: Thank you, Madam Chair. Pat,
thanks so much for coming in today. I appreciate
it. I had some general questions on just -- I may
have been confused on rail and kind of see where
you're going, so can you give us a little bit of
information on specifically what rail line this is,
what you're looking to do.

I'd also raise the question that I thought that
we couldn't mix passenger rail and wholesale
transportation rail, and it looks like it's
indicated in here that there's some mixed use, so I
was -- I was curious to see what you're doing,
where you're doing it and whatnot, and if my
understanding of rail is correct or not.

MR. MCKENNA: Thank you, Senator Sanborn. This
-- um -- this specific request is -- uh --
essentially to accept and expend additional funds
related to the receipt of a TIGER grant. Um --
uh -- they work through the Department and the
Northcoast Rail Line, and it's kind of a joint
public/private partnership effort.

We've made several attempts at this particular TIGER request, and we were successful this past year. This request itself enabled the Department to recognize the full amount of the -- the Federal grant -- uh -- we had estimated -- we've estimated and hoped for this grant we've actually received at this time.

So specifically what this does is it upgrades about 42 miles of -- of track between -- um -- between Ossipee and -- um -- Rollinsford, and -- um -- this is something that the company has sought for some period of time for an upgrade. It's a combination of -- uh -- there have been washouts in the past, particularly close to Ossipee from storm-related events, and one of those dates back to 1993 where that segment of track has actually been inactive.

It -- it runs -- um -- along an inactive State-owned track that moves north from there, so this is an active track that's used primarily for freight by the Northcoast -- um -- Northcoast Railroad. And in the -- in the grant application -- um -- I think probably referring to -- um -- we -- we have a statement of work -- um -- that's built in as attachment two, and essentially the primary feature of this is an upgrade of existing track that's used primarily for freight.

Um -- it -- uh -- it uses -- uh -- the New Hampshire Northcoast -- um -- Corporation operates this 42-mile segment of -- uh -- it's a short line railroad that runs between Ossipee and -- and Rollinsford. It primarily carries sand, gravel, and granite from Ossipee to a concrete plant in Boston.

It also carries other mixed freight as well.

The upgrade of the track itself and as part of the application process -- um -- we do have a statement in there that the track does -- it doesn't include any proposed passenger rail service in this application, but just by virtue of the fact of the track being upgraded -- um -- it -- it makes that future viability more of a -- it makes it more viable in the future. It's not specifically requesting anything for passenger rail, but by virtue of the upgrade itself it makes it potentially viable. And this -- the area that we're talking about runs parallel to Route 16.

SEN. SANBORN: Thank you, Patrick. I really appreciate it. Now, you say this is a joint venture with New Hampshire Northcoast and the TIGER grant. Are they putting money into it as well or is this a 100 percent grant from the Feds?

MR. MCKENNA: No, it's -- it's actually -- one of the reasons New Hampshire was successful here with this -- um -- with this application is because we have a very significant contribution coming from the corporation. So we have approximately \$465,000. The total -- the total project is two million-fifteen thousand. The TIGER grant is a million-four.

New Hampshire Northcoast is actually putting in private capital of \$465,000, and New Hampshire as a state is putting in \$150,000, which was part of the 2014 and '15 capital budget request that was authorized by the Legislature.

So we put a placeholder in for a match component, and having those three sources of funds it's really, you know, both the State bringing capital to bear -- um -- which is really only a third of what the private corporation is bringing forward. So that was one of the reasons that really the 30 percent project match approximately was -- uh -- we scored very highly in the application process here because of that private investment capital.

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

CHAIRWOMAN WALLNER: Thank you. Yes, Senator Forrester.

SEN. FORRESTER: Thank you, Patrick. Um -- so, if I understand, there are -- there are State funds being expended, correct?

MR. MCKENNA: That's correct.

SEN. FORRESTER: But they were budgeted for.

MR. MCKENNA: That's correct.

SEN. FORRESTER: Okay.

CHAIRWOMAN WALLNER: Thank you. Further questions? Thank you. Do we have a motion on the item?

** SEN. D'ALLESANDRO: Over here.

SEN. SANBORN: Second.

CHAIRWOMAN WALLNER: Senator D'Allesandro moved approval of the item, and Senator Sanborn seconded. Any discussion of the item? All in favor? Any opposed? The item passes. Thank you very much for coming up.

*** {MOTION ADOPTED}

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

FIS 14-151

FIS 14-152

CHAIRWOMAN WALLNER: And now we move to tab four, which is -- um -- the acceptance and expenditure of funds over \$100,000. This is also -- um -- consent. Any -- either of those items off?

SEN. SANBORN: Madam Chair, number 151, please.

CHAIRWOMAN WALLNER: Okay. Would you like to take 151 off?

SEN. SANBORN: Yes.

CHAIRWOMAN WALLNER: And -- um --

** REP. EATON: Move approval on 152.

CHAIRWOMAN WALLNER: Okay. Representative Eaton moves approval of 152, item 152.

SEN. D'ALLESANDRO: Second.

CHAIRWOMAN WALLNER: And Senator D'Allesandro seconds. Any discussion of 152? Seeing none, all in favor? Any opposed? The item passes.

*** {MOTION ADOPTED}

**FIS 14-151 Department of Corrections -
authorization to 1) budget and expend
\$308,923 in prior year balance forward
federal funds through June 30, 2015, and
2) authorization to establish one (1)
part-time temporary Administrator IV
positions through June 30, 2015**

CHAIRWOMAN WALLNER: Now let's go to 151, and that's Department of Corrections. And do we have someone here? Thank you.

GARY ARCECI, Deputy Director, Department of Corrections: Good morning. For the record, I'm Gary Arceci. I'm the Deputy Director of Administration. With me I have Jennifer Lind, our project administrator.

CHAIRWOMAN WALLNER: Thank you. Thank you for coming in. Senator Sanborn, do you have questions on this one?

SEN. SANBORN: Yes, Madam Chair. Briefly. Gary, thank you so much for coming in today. I appreciate it. I continue to have concerns, as we know, that there's been expressed some concerns about the condition of the budget we spent last

year. The Governor, as you know, came forth with a position to start halting new employees' travel equipment purchases.

So in Fiscal, unfortunately, you guys are the first ones up today. I'm seeing more active staff at a time that we still don't know where the State is financially, and we still don't know what our spending is, and it's making me very concerned that I hear all these comments running around about how much money we are spending and whether or not we're operating within budget.

Talk a little bit about how this process is working, and do we really need any more active staff at this point, acknowledging we don't really know where we are financially.

MR. ARCECI: Okay. This position is a temporary position. It's strictly for -- um -- supervising and overseeing the construction of the women's prison. The Commissioner felt that there was nobody that's a subject matter expert within department that's seen the process from start -- from this point forward, and so, therefore, the former Assistant Commissioner McGonagle offered to continue on as the overseer of this project, and it's going to be finite in his term or his work for the Department will end once the prison is completed.

CHAIRWOMAN WALLNER: Any questions? Senator Morse.

SEN. MORSE: Have we filled the former assistant's position?

MR. ARCECI: Yes, it's -- um -- it's -- um -- nominated and confirmed -- it was confirmed at the last meeting. It's Helen Hanks, the Director of Medical and Forensic Services.

CHAIRWOMAN WALLNER: Senator Morse.

SEN. MORSE: So we filled a position. We need somebody to watch over the project. Item seven on your explanation says that this is a part-time position. Potentially this part-time position may be needed for the entire duration of the project, which goes through October of 2016. What's the new assistant do?

MR. ARCECI: Well, I think the -- the -- um -- the thought is that the Assistant Commissioner has been the subject matter expert since the design -- since the very beginning of the process, so -- um -- it would be best to continue with that person in that role rather than have -- um -- Assistant Commissioner Hanks -- um -- start, you know -- um -- from behind.

CHAIRWOMAN WALLNER: Any other questions? Yes, Representative Benn.

REP. BENN: Thank you, Madam Chair. Is it true that this is a 100 percent federally funded --

MR. ARCECI: Yes, sir.

REP. BENN: -- position? Thank you.

** REP. EATON: Move to approve.

REP. ROSENWALD: Second.

CHAIRWOMAN WALLNER: Okay. Thank you for the -- Representative Eaton moves approval, and Representative Rosenwald seconds. Any discussion of this item? All in favor? Any opposed? I think we need to take a -- is a show of hands okay? Okay. All in favor? Any opposed? All opposed? Okay. Four, five.

** SEN. FORRESTER: I move to table.

SEN. SANBORN: Second.

CHAIRWOMAN WALLNER: The item fails, and Senator Forrester moves to table. Senator Sanborn seconds. All in favor of tabling? Any opposed?

REP. EATON: Opposed.

REP. ROSENWALD: Opposed.

CHAIRWOMAN WALLNER: So let's take a -- let's take a show of hands. I just want to be sure. All in favor of tabling? Five to table. And five opposed to tabling.

** SEN. SANBORN: Move to special order.

CHAIRWOMAN WALLNER: Thank you. We've now found our -- our -- we found our newest motion. Okay. So we are going to special item -- special order that item to the next Fiscal Committee. All in favor?

REP. BENN: Do you need a second on that?

SEN. FORRESTER: I second.

CHAIRWOMAN WALLNER: And Senator Forrester seconds. All in favor of special order? Any opposed? Okay. So I think we'll see that one again. Okay. Thank you. Okay. Special order.

*** {MOTION ADOPTED}

5. RSA 14:30-a, VI, Fiscal Committee Approval Required for Acceptance and Expenditure of Funds Over \$100,000 from any Non-State Source, and RSA 228:69, I. (b), Appropriation and Use of Special Railroad Fund:

FIS 14-150

CHAIRWOMAN WALLNER: And let's move to tab five. And this one is approval, again, of expenditures over 100,000.

** REP. EATON: Move approval.

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

SEN. D'ALLESANDRO: Second.

CHAIRWOMAN WALLNER: Senator D'Allesandro seconds. Any discussion of this item? All in favor? Any opposed? The item passes.

** {MOTION ADOPTED}

6. RSA 21-I:56, II, Reclassification of Postions or Increases:

FIS 14-153 Department of Education – authorization to reclassify vacant Position #13164 from Administrator III, labor grade 31, to Executive Project Manager, labor grade 35

CHAIRWOMAN WALLNER: On to tab six, which is the Department of Education item. Do I have a motion?

** REP. ROSENWALD: So moved.

CHAIRWOMAN WALLNER: Representative Rosenwald moves.

REP. EATON: Second.

CHAIRWOMAN WALLNER: And Representative Eaton seconds. Do we – – um – – have – – um – –

SEN. FORRESTER: Madam Chairman, I'm going to vote no on this for the same reason that Senator Sanborn voted earlier. We don't know where we're at in the budget, and I'm uncomfortable voting on anything until we've got that information.

CHAIRWOMAN WALLNER: Okay.

SEN. SANBORN: Second Senator Forrester's position.

CHAIRWOMAN WALLNER: Thank you. Should we have – – do we need any explanation from the

Department about this item before we do take the vote?

REP. EATON: Yes.

CHAIRWOMAN WALLNER: Okay. Yes. Let's ask the Department to come up and -- um -- just give us a short rundown --

MS. BARRY: Sure.

CHAIRWOMAN WALLNER: -- of this item, okay.

VIRGINIA BARRY, Commissioner, Department of Education: For the record, Virginia Barry, Commissioner of Education, and this is Caitlin Davis, our internal auditor.

This position -- um -- has been vacant. As you know, in the documents you have, we oversee 1.3 billion dollars in funds. Our request is based on our inability to hire a person with the knowledge and skills necessary -- uh -- for the oversight of these funds. So essentially it is a vacant position we have the funds for, and we're just looking to reclassify to get the person that would have the skills necessary. Much of -- well, that's -- that's pretty much what I can say about it.

CHAIRWOMAN WALLNER: Thank you very much. And questions of Commissioner Barry?

REP. EATON: Source of funds.

CHAIRWOMAN WALLNER: Representative Eaton.

REP. WEYLER: General funds.

MS. BARRY: It would be general -- they are general funds.

CHAIRWOMAN WALLNER: Any other questions?

SEN. FORRESTER: I have one.

CHAIRWOMAN WALLNER: Yes.

SEN. FORRESTER: Thank you, Commissioner Barry. I -- I -- I think that is probably needed, but, as I said earlier, I think we'll probably end up having to special order this because I suspect it will go the same way. Until we know where we are in the budget, I can't support it.

SEN. SANBORN: Sorry.

CHAIRWOMAN WALLNER: Okay. Thank you. Do I have a motion?

REP. EATON: We do have a motion.

CHAIRWOMAN WALLNER: Oh, I'm sorry. I'm sorry. The motion is to approve the item. Any further discussion? All in favor? Any opposed?

SEN. SANBORN: Opposed.

SEN. FORRESTER: Opposed.

CHAIRWOMAN WALLNER: Okay. Let's do our -- is it five to five again? Okay. Do I have another motion?

** SEN. FORRESTER: Special order.

CHAIRWOMAN WALLNER: Senator Rose -- Senator Forrester moves to special order the item to the next Fiscal Committee meeting. All in favor?

SEN. SANBORN: Second.

CHAIRWOMAN WALLNER: And Senator Sanborn seconds. All in favor? Any opposed? None opposed. Thank you very much. We will see you -- we will see you next time.

*** {MOTION ADOPTED}

7. RSA 215-A:23, IX, and RSA 215-C:39, X, Registration Fees:

FIS 14-146 New Hampshire Fish and Game Department -- authorization to transfer \$250,000 of unexpended funds from Excess Registration Fees to the Fish and Game OHRV Fiscal Year 2015 Operating Budget

CHAIRWOMAN WALLNER: Tab seven. And I know that Representative Weyler has some questions about this one. So do we have someone from Fish and Game who can come up? Thank you.

GLENN NORMANDEAU, Director, Fish and Game Commission: Good morning. Glenn Normandeau, Director of New Hampshire Fish and Game.

CHAIRWOMAN WALLNER: Norman, thank you for

coming. Representative Weyler.

REP. WEYLER: Thank you, Madam Chair. Thank you, Director. As I read the item, it says that we programmed or we budgeted for 85,000 OHRV registrations, but we got 71,000. So there seems to be a contradiction within the item that there would be any surplus.

MR. NORMANDEAU: I read that myself this morning, and I haven't exactly got that squared away in my head yet, so I'm not sure if there was a wrong number there or not. We actually had pretty good registrations, as I recall, this year, and so what we do is we try to budget conservatively on registrations because weather plays such a big role, especially related to snowmobiling in the winter.

We had good snowmobile registrations last winter, as you can imagine. And -- and then we have historically come back almost every year following to spend some -- if in fact we -- we had excess revenues, to spend some of it usually on equipment for the conservation officers or for the programming.

Also, in here there's part-time money to be spent relative to -- uh -- part-time individuals that we're trying to hire as part-time COs for dedicated OHRV use because the expansion of the -- um -- of the OHRV side on the roads up north and whatnot is causing severe strain in the system for enforcement.

And I believe on the back page of that there was a -- uh -- an account for that dedicated

fund -- um -- with a -- um -- a June 30 balance of -- going forward, if this was approved, of 70 -- I'll put my glasses on -- 78,000.

So, again, I'd have to confirm what -- if something got screwed up in that explanation, but you can see the balance in the account -- um -- and what we would have in it following -- um -- this 250, if we were allowed to expend it.

REP. WEYLER: I would hope you would be able to -- follow-up?

CHAIRWOMAN WALLNER: Yes.

REP. WEYLER: I would hope you would be able to follow up with it if that was an incorrect number.

MR. NORMANDEAU: Yeah, I would -- I can.

CHAIRWOMAN WALLNER: Representative Eaton.

REP. EATON: I just want to be sure. If the Department needs a vehicle, but it's not cost-effective to keep the older vehicles we have, it's costing more to do that --

MR. NORMANDEAU: Yeah, it is. Correct.

REP. EATON: -- I just wanted to be sure that we are not going to go back where we were a few years ago that part-time officers are receiving vehicles.

MR. NORMANDEAU: Part-time officers have -- I believe have vehicles to use when they're on duty.

They don't have vehicles to drive around in.

REP. EATON: Or to keep in their -- their parking lot at home or --

MR. NORMANDEAU: Yeah, yeah, yeah. They just have them on when they're on, and up at Region 1 I'm not sure if they stay at the office when they're not in use or where they are stored particularly, but the -- um -- we certainly are cognizant of that, and we're talking a few part-time officers, not a -- not a huge influx, but we'd like to have two or three people we can have pointed at this problem because it's -- it's taking away in a dramatic way from our COs' regular duties.

REP. EATON: One more follow-up.

CHAIRWOMAN WALLNER: Yes.

REP. EATON: I would presume that if you're getting -- I would hope that you would use the ingenuity that you've done before, that if you get new vehicles, those would go onto front line, and older vehicles would be transferred back to do the part-time OHRV parts.

MR. NORMANDEAU: Right. Well, we instituted -- um -- oh, it's got to be four years ago or more now is that we have -- we have our garage, if you will, sort of reenergized with a really good mechanic there, and we've saved money by -- um -- having much better maintenance.

And he's -- uh -- fairly adept at -- uh -- mixing and matching vehicles as they come in.

Frankly, I'm not sure I'd be the first one in line to buy a Fish and Game vehicle at the White Farm these days because Bruce makes sure that the parts that end up over there are really worn their use out for the Department, shall we say.

So yeah, we spent -- we're careful about -- about how that goes. So we sort of -- every time something leaves the line, if you will, with a new vehicle coming on, it's assessed by him to see is this better than something else or -- you know, every -- everything that -- every vehicle that gets bought, something ends up going back over to the White Farm in replacement for it. So we're not adding to the fleet in any respect on -- on, you know, trucks and vehicles. Some of this money may get used for -- and the same would be true but for snow machines or other types of vehicles.

CHAIRWOMAN WALLNER: Senator Sanborn has a question.

SEN. SANBORN: Thank you, Madam Chair. Director, thank you very much. And you know how proud I am to support everything that you guys are doing, snowmobiling and ATVs. You know what a fan I am about that, and I continue to congratulate all the work you guys have done for this.

My question, however, help me understand that when I read the request, it essentially suggests to me that you're looking to spend money that you're anticipating to get into the next year. And how confident are you that you're going to be receiving that and reaching the higher level of registration? So I guess at some level I'm just a little

concerned. What if -- what if it doesn't snow this winter, and your registrations fall --

MR. NORMANDEAU: If you -- if you look at that sheet that shows the balance --

SEN. SANBORN: Right, the 300 to 78.

MR. NORMANDEAU: Okay. So the balance is 328,000 in that account as of July 1st. So this 250 is coming out of money that's in the account currently. It's not something we're anticipating in the future.

SEN. SANBORN: Okay.

SEN. MORSE: But what happens if we don't -- excuse me.

CHAIRWOMAN WALLNER: Yes.

SEN. MORSE: What happens if we don't get 85,000 registrations? It was a good winter last year.

MR. NORMANDEAU: It was. We would still have a balance -- um -- of 78,000. We would -- um -- going forward, and, you know, we -- we have a fairly good idea generally of the track record going on.

Obviously if we don't -- um -- the thing is that our payment to officers and whatnot to do this work goes down significantly if we don't have a good winter. So in a way it helps self-correct a little bit, maybe not so much on the OHRV side, but that's

a much smaller piece than the snowmobile side.

So if we don't have 60,000, 50,000, whatever snowmobiles running around up there because there's no snow, we also don't have officers on overtime doing snowmobile enforcement and -- uh -- and all of those other things. And so there's a -- there's a bit of a balance that takes effect naturally, if you will, on that.

CHAIRWOMAN WALLNER: Senator Forrester.

SEN. FORRESTER: Thank you. Thanks for coming in. Why now? Why come to Fiscal now for this 250?

MR. NORMANDEAU: Because this is when we usually do do it. After the -- after the fiscal year has ended, we have -- um -- settled our own books, if you will, and know what our unobligated balances are and all our dedicated accounts as well as the final numbers in the Fish and Game fund and all of that, so it usually happens at this time of the year after we've completed our own -- um -- accounting for the previous fiscal year.

CHAIRWOMAN WALLNER: Representative Benn.

REP. BENN: Thank you, Madam Chair. Did you say 60,000 snowmobiles? Is that what we have running around the state?

MR. NORMANDEAU: Yeah. I mean, again, obviously it can vary. Um -- the -- uh -- it can be, you know, 80,000 snowmobiles. Um -- we -- I think we had 21,000 or 22,000 OHRV registrations this year. Um -- you know, it goes up and down.

We're actually on -- we're on the increase in the -- in the snowmobile -- I mean the OHRV registration side with all this -- these opportunities sort of opening up up north, although we're not back to where we were in 2006, which I think was the peak, so.

REP. BENN: Wow. I didn't realize it was that many.

MR. NORMANDEAU: Yeah. It's like the ski season. It really just depends on what -- a lot of times what happens in December makes a big difference.

REP. BENN: Thank you.

CHAIRWOMAN WALLNER: Representative Weyler.

** REP. WEYLER: I move to approve.

REP. EATON: Second.

CHAIRWOMAN WALLNER: Representative Weyler moves to approve. Representative Eaton seconds. Any further discussion of this item?

SEN. SANBORN: I do have concerns, with all respect to the Director, of we don't know where our budget is still today, and spending money in any account is making a lot of us very, very nervous until we get some information from the Governor's Office. So, with that, as much as I'd love to support him, and I hope I will in the future, I can't at this time.

CHAIRWOMAN WALLNER: Thank you. Any further discussion? All in favor? Seven in favor. Opposed? Three opposed. Thank you.

*** {MOTION ADOPTED}

MR. NORMANDEAU: I will -- uh -- should I send that through you, Madam Chair, to everybody?

CHAIRWOMAN WALLNER: Yes, and everyone will just get --

MR. NORMANDEAU: I'll kind of give you something --

CHAIRWOMAN WALLNER: Direct it right to the LBA Office, and then they'll get it to us.

MR. NORMANDEAU: Okay.

CHAIRWOMAN WALLNER: Okay?

MR. NORMANDEAU: Thank you.

CHAIRWOMAN WALLNER: Thank you very much. We appreciate it.

8. Chapter 143:4, Laws of 2013, Lottery Commission Authority Granted:

FIS 14-145 New Hampshire Lottery Commission -- authorization to offer, in conjunction with the Multi-State Lottery Association (MUSL), and approximately twenty-three other United States based lotteries, a

**new lottery game to be known as
Monopoly Millionaire's Club
beginning October 19, 2014**

CHAIRWOMAN WALLNER: And we move to tab eight, which is the Lottery Commission. And this is item 145, and I know that Representative Rosenwald has some questions, so let's invite the Commission to come up and talk to us. Thank you.

(Senator Morse leaves the room.)

REP. ROSENWALD: Thank you, Madam Chair.

CHAIRWOMAN WALLNER: Um-hum.

REP. ROSENWALD: I had -- um -- asked that -- um -- we hear what the net revenue expected increase is and what games' revenue might be expected to decrease proportionately.

CHARLES MCINTYRE, Director, Lottery Commission: Certainly. Madam Chair, good morning. Charlie McIntyre. With me is our communications director, Maura McCann. She's also a co-project lead on this with our on-line games manager, who is actually knee-deep in software testing, so she couldn't be here.

So certainly to answer your question, Representative, we looked at this four different ways fundamentally in terms of forecasting it. One is sort of the draw-based analysis in terms of what draw-based game sells currently and a number -- a per capita number based off of that, other experience in other states, and a net benefit to the

State.

Second was essentially how well do the tickets do. It will actually carry the Monopoly brand. In jurisdictions, particularly New Hampshire where we have done indeed Monopoly testing, the Monopoly branding with tickets, notably scratch tickets but the same idea.

And, third, is this game is called Lotto Max. We forecast based off of what the Canadian experience was, which was the game Lotto Max in Canada. And then I averaged those three and reduced accordingly. And then I did my own essentially, and I -- I know you're waiting for an answer.

I guess fundamentally I don't -- we don't view the world in terms of games specifically, like Powerball and Mega Millions. What we -- we'll be reduced. For us, the player appears as -- for us a segment. One of four segments. And how those segments behave and appear in the marketplace is how we address and market to them directly.

So our segment -- there are four different segments essentially. One are folks who are lottery evangelists with about 20 percent of the population that play lottery. They're responsible for a significant portion -- the majority of our revenue. And then there are folks who play Powerball first and other draw games if they see fit. I would anticipate those two segments to be the majority, if not the vast majority, of our revenues for this game.

The other two segments that we sell tickets to

are what we call occasional impulse, which are folks who happen to be in a store, see a ticket, like it, and buy it or jackpot chasers, which is what I was before I was a lottery executive. And if the jackpot got high, me and my pals would put in a buck each, and we would buy a ticket. If it wasn't, we didn't.

Um -- because of the way this game plays, certainly it plays more towards individuals who are already prone to playing. And we did an analysis in terms of the cannibalization, which is what -- really the question you're asking with the hard lines. I would anticipate 19 cents per capita, which ends up being about 12 million -- a little more than 12 million dollars -- I'm sorry. Strike that. Nineteen million dollars a year. I'm sorry. Sorry. My math -- my math. I did it again this morning to reconfirm, and 19 is wrong. Um -- 19 cents is 12.8 million dollars a year.

That is the low side in terms of gross revenues. It's all our forecasts. I reduced accordingly, 25 percent, and I arrived at eight million dollars of new gross revenues, which ends up being on the profit margin of this game approximately 2.93 million dollars new net revenue over and above what we had last year. And really the reason we want to do this game now is we didn't make our number last year.

Sadly, Powerball, we sold 11 million dollars less in Powerball tickets last year than we did the prior year. Powerball for us is a 40.5 percent margin game. That's the loss of about five million net. It was made up in some respects by other

products but not enough.

So, for us, we want to do this game because it does fill a specific niche. It makes lots of folks millionaires versus one mega, mega, mega -- you know, half a billionaire winner. So in the math, I would expect -- in a good Powerball year, when we do lots of Powerball sales, I would anticipate 60 to 65 percent of the six million cannibalization to come from the on-line tickets, which are Powerball, Mega Millions, Hot Lotto; 35 to 40 percent to come from instant tickets. In a bad Powerball year, I anticipate 65 to 70 percent of the cannibalization to come from the on-line side and 35 percent from the instant.

And the good news is is that because these tickets -- actually the margin is 36 percent, give or take. An instant ticket is about 22 percent. If indeed there is cannibalization with the tickets, it is a net gain for the State. So the balance should be a wash. And, like I said, I did these revenue numbers myself. They are conservative.

CHAIRWOMAN WALLNER: Senator Sanborn.

SEN. SANBORN: Thank you, Madam Chair. Charlie, thanks for coming in. I probably should defer these questions to our game experts to my right, but it's -- I seem to have the impression from my gut, so I'm asking for your input, that when the big draw games went up in price and went up in numbers to make it harder to win, obviously the jackpots are much higher, seems to have coincided with the reduction of the State seeing revenue from it.

So is it as much a function of the economy or as much of a function that now it seems like the chance of winning is much lower, so people are playing less? And, if so, what's going to change their mind?

MR. MCINTYRE: Thank you for the question, Senator. Certainly, to answer your question globally, we're at an inflection point in our business. Very important. We were one drawing away five times in the last two years from a billion dollars jackpot, which would break our signs because we only have three numbers, but certainly it invokes and really invites what's known as jackpot fever in our business, which is 100 million dollars used to mean something in terms of players. Now it's 200 million. Now it's 300 million. Now it's 400 million.

We keep making these changes, and revenues go up accordingly. The last two years of revenues were well in excess of the prior two years of revenues of those games. But this year we're going to have to do something else on those games, and we're looking at it. It's 44 states that share Powerball sales, 34 that actually govern its existence.

It is not dissimilar from getting a bill passed in terms of how it gets changed. It really is very similar to 34 states and 34 Legislatures, 34 governors, and it's very complicated how the changes happen. They happen slowly, but we're certainly concerned about it because last year, like I said, 11 million dollars less in Powerball sales. And this year it's running behind as well. It's being

made up for in other ways, but we continue to look at it.

And it's -- you know, in that respect, particularly in those games, we're a voice in the chorus. It's governed by -- you know, Powerball gets sold in Massachusetts over New Hampshire's objection because enough folks in the rest of the state said we want to sell Mega Millions tickets, and so if you guys want to sell Mega Millions tickets, Mega Millions states can sell Powerball tickets. So, you know, in many respects we're not a master of our destiny.

SEN. SANBORN: Thank you, sir.

CHAIRWOMAN WALLNER: Representative Rosenwald.

REP. ROSENWALD: Thank you. So I think I hear -- heard you say that you expect three million dollars net incremental revenue from this new game but bigger losses continuing on Powerball, so overall you think there will be no net gain?

MR. MCINTYRE: No, ma'am. Um -- what I did is Powerball, and I can show you. If I could? This is a -- I don't know if I can pass this around, Madam Chair, or if you can see it. I don't -- it's just I didn't want to hand out --

CHAIRWOMAN WALLNER: Yes.

MAURA MCCANN, Communications Director, Lottery Commission: I can do that for you. You would like one.

MR. MCINTYRE: Thank you.

CHAIRWOMAN WALLNER: Okay.

MR. MCINTYRE: If I could, if you're looking at a page, the Powerball jackpot's at the top grid, and the Powerball handle's at the bottom grid. And the red line is fiscal year '13, and the black line is fiscal year '14.

And one of the reasons Powerball didn't have a good year last year is -- um -- if you see those -- what looks like Everest or Mt. Washington, more to the point -- um -- in November and May, we had two jackpots which rose to nearly 600 million dollars or slightly above. Those were responsible for a little over 10 million dollars of our net revenues out of 45 million. Those four drawings. The other 100 were responsible for less than 35 million. So they were responsible for over 20 percent of our revenues in four drawings.

Fast forward to last year. You had none of those. So what you more see is the sand dunes of Hampton Beach in terms of slight bumps and slight bumps, but you don't see any of those -- like, for example, on November 23rd, 2013, we sold four million dollars in tickets in three days. Nearly 10 percent of the revenues in three days. So it's difficult to model a game which we modeled in terms of math over thousands and thousands of events.

You know, like Commissioner Normandeau -- or Director Normandeau would suggest about snow, it shows up when it shows up. The Ping-Pong balls don't have memory. So I don't anticipate that

happening again, but certainly we try and prepare for it.

One of the things -- the reason we like Monopoly is because of the proposition of the player base it's far more stable revenues. We don't anticipate the massive swings. If I get three of those November drawings, we look like a hero. We look great. And if we get none of them, we look like we're incompetent. And it's just the Ping-Pong balls don't have a memory, so we're working on the game itself, but certainly we're at a point where in our business we're concerned with a cap ceiling of a billion dollars because what's next? Two billion? Five billion? You know, a country? I mean really at some point it becomes just big numbers.

REP. WEYLER: And new signs.

MR. MCINTYRE: New signs. I mean obviously -- we actually -- we have new signs going into the field now which actually allow for a billion-dollar jackpot. It changes one of the numbers to a B because we have to. We were nearly there. It was an issue for us. It really was, and it happened so quickly.

CHAIRWOMAN WALLNER: Representative Eaton.

REP. ROSENWALD: One more question, Madam Chair. Then is the answer to my question that you expect that this game will have a net additional three million dollars in revenue?

MR. MCINTYRE: Yes, ma'am. That is my question. We wouldn't be suggesting it if we

weren't thinking it would bring in money.

REP. ROSENWALD: Thank you.

MR. MCINTYRE: Yes.

CHAIRWOMAN WALLNER: Before you make the motion, I do have a question about it.

MR. MCINTYRE: Yes, ma'am.

CHAIRWOMAN WALLNER: The television game part of it --

MR. MCINTYRE: Yes.

CHAIRWOMAN WALLNER: -- in your materials, you say there will be no wagering through the phone or the computer, but people do have to go onto a computer or a phone to register for this game. Is --

MR. MCINTYRE: No, ma'am. What it is is you use a computer, phone, tablet, electronic device, and you register that you exist, that we can recognize you now as Charlie McIntyre and that you have the B & O Railroad. And once you have an entire monopoly, that's worth a number of entries that goes into a central system, which then draws the numbers, and then we notify you if you've been chosen. So that's how it works.

CHAIRWOMAN WALLNER: All right. Thank you. Representative Eaton.

** REP. EATON: Madam Chair, knowing that no

matter what kind of convoluted explanation you may get, Charlie McIntyre makes us money. I would move approval.

SEN. D'ALLESANDRO: I would second.

CHAIRWOMAN WALLNER: And Representative Eaton moved approval, and Senator D'Allesandro seconds. Discussion of this item? All in favor? Any opposed? The item passes.

*** {MOTION ADOPTED}

MR. MCINTYRE: Thank you much. Thank you.

9. Chapter 144:31, Laws of 2013, Department of Administrative Services; Transfer Among Accounts and Classes:

**FIS 14-159 Department of Administrative Services
- authorization to transfer \$226,769
within and among accounting units and
create three (3) new expenditure
classes through June 30, 2015**

CHAIRWOMAN WALLNER: Let's move now to tab nine. And do I -- any -- any discussion of this item?

** REP. EATON: Move to approve.

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

SEN. D'ALLESANDRO: Second.

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

*** {MOTION ADOPTED}

10. Chapter 144:95, Laws of 2013, Department of Transportation; Transfer of Funds:

FIS 14-132 Department of Transportation – authorization to establish various non-budgeted classes in various accounting units and transfer \$177,500 within Turnpike Fund accounting units and classes through June 30, 2015

FIS 14-136 Department of Transportation – authorization to establish a non-budgeted class and transfer \$172,980 between accounts through June 30, 2015

FIS 14-154 Department of Transportation – authorization to establish various non-budgeted classes in various accounting units and to transfer \$349,466 between various accounts and classes through June 30, 2015

CHAIRWOMAN WALLNER: Moving now to tab 10. This is the Department of Transportation. Transfers. And the first item is 14-132.

** REP. EATON: Move approval.

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

SEN. D'ALLESANDRO: Second.

CHAIRWOMAN WALLNER: Senator D'Allesandro seconds. Discussion? Seeing none, all in favor? Any opposed? The item passes.

***** {MOTION ADOPTED}**

CHAIRWOMAN WALLNER: Moving to 14 -- um -- 136, Department of Transportation.

****** REP. EATON: Move approval.

CHAIRWOMAN WALLNER: Yes. Senator Forrester has a question. Okay. Is there someone from the Department of Transportation here? Thank you.

MARIE MULLEN, Director of Finance, Department of Transportation: Good morning.

CHAIRWOMAN WALLNER: Good morning.

SEN. FORRESTER: My question has to do with the 30,000 in dues. Are the dues at the AASHTO, are those dues being paid or are -- or was that money transferred to something else? I was trying to understand that.

PATRICK MCKENNA, Deputy Commissioner, Department of Transportation: Yes. Thank you for the question. Some of the payment that we make to AASHTO as a -- as a membership -- um -- has been in the past probably misclassified as membership

dues when in fact it's software licensing, and that \$30,000 is software licensing of the Bridge Maintenance Division for our Pontis software.

So we actually had an elevated membership dues amount that was coming through in the budget, and we did this in fiscal '14 as well. This is a realignment to recognize specifically within a broader bill that part of that is for software licensing.

SEN. FORRESTER: So you are members now? Because what we heard during the budget process is you hadn't been paying dues for years, and --

MR. MCKENNA: We've -- we've skinned down. There are several different levels of membership and several different committee structures that you can be members of, and we've really looked at that to make sure that we're getting value for each of those areas that we're members of. But yes, we've -- we've retained our membership. We've just reduced, if you will, what we're members of within the -- within the group.

SEN. FORRESTER: Thank you.

MR. MCKENNA: You're welcome.

** REP. EATON: Move approval.

SEN. D'ALLESANDRO: Second.

CHAIRWOMAN WALLNER: Any further questions? Seeing none, thank you very much. Representative Eaton moves approval, and Senator D'Allesandro

seconds. Any discussion on this item? Seeing none, all in favor? Any opposed? The item passes.

*** {MOTION ADOPTED}

CHAIRWOMAN WALLNER: And we're moving now to item 154, which also is Department of Transportation.

** REP. EATON: Move approval.

CHAIRWOMAN WALLNER: Questions of the Department around this item? Representative Eaton moves approval.

SEN. D'ALLESANDRO: Second.

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

*** {MOTION ADOPTED}

(Representative Eaton leaves the room.)

12. Informational Materials:

CHAIRWOMAN WALLNER: Now you have a number of pieces that are available to you for information. Yes, Representative Benn.

REP. BENN: I'd like to make a request that -- uh -- is it possible for us to reopen our discussion on the item for Corrections, item 14-151?

REP. WEYLER: What tab?

REP. BENN: That's tab four.

SEN. SANBORN: Senator Morse has had to step out, but it looks like Senator Morse is almost coming back.

(Senator Morse returns to the room.)

CHAIRWOMAN WALLNER: I would leave that up to -- were you -- are you making a motion that we --

REP. BENN: I would like to discuss that a little bit further, and there's something I forgot to say.

SEN. SANBORN: Madam Chair, it would require a vote of reconsideration first.

CHAIRWOMAN WALLNER: Okay. So does the Committee want to reconsider -- now we're missing -- now we're missing someone. Let's go -- good idea. Let's go on to the informational items, and then when Senator -- when Representative Eaton comes back, we'll go -- we'll take a reconsideration vote.

We have a lot of informational items today, and they are there for you to -- to read at your pleasure unless there's something --

(Senator Forrester speaks with Chairwoman Wallner off the record.)

(Representative Eaton returns to the room.)

CHAIRWOMAN WALLNER: Okay. Senator Forrester has a question about the item about the -- is it this one, 131, the Energy Efficiency Act?

SEN. FORRESTER: Mike, which is the item that was withdrawn from the PUC for the request of --

SEN. SANBORN: 131.

MR. KANE: Yes. Just to -- I'll come up to the table.

CHAIRWOMAN WALLNER: Yes. Thank you, Mike.

FIS 14-131 Energy Efficiency and Sustainable Energy Board – letter from Acting Chair of the New Hampshire Energy Efficiency and Sustainable Energy Board, dated July 25, 2014, regarding recent Alternative Compliance Payment revenue received by the Public Utilities Commission that exceeds the current legislative appropriation for the PUC's Renewable Energy Fund for SFY 2015

CHAIRWOMAN WALLNER: Item 131, I think that we're -- the Energy Efficiency and Sustainable Energy Board's letter.

MICHAEL KANE, Deputy Legislative Budget Assistant: Good morning, Members of the Committee. My name is Michael Kane, Deputy Legislative Budget Assistant. Yes, there is an informational item, FIS 14-131, and it's from the Energy Efficiency and

Sustainable Energy Board.

What -- the Acting Chair of the Board, Katherine Peters, has wrote a letter to the Fiscal Committee stating that the funds from -- into the Renewable Energy Fund were approximately 17.5 million dollars, which was over the budgeted amount by approximately seven million.

We did receive an item -- in between the last Fiscal Committee, we did receive an item from the PUC Committee that sought Fiscal Committee approval of that -- those additional funds. However, working with the Department of Administrative Services, we sent that item back because it does not need Fiscal Committee approval.

The Renewable Energy Fund under RSA 362-F is continually appropriated and are lasting. So currently the authority for the Public Utilities Commission to expend these funds are outlined in statute, and they already have the authority to expend these monies. So we sent that back. It doesn't need Fiscal Committee approval.

CHAIRWOMAN WALLNER: Okay. Thank you for the explanation. Any questions of Mr. Kane? Seeing none, thank you very much. Now that Representative Eaton is back, can -- would we like to go back to Representative Benn's motion to reconsider item 151 through the Department of Corrections item?

SEN. SANBORN: What tab was that under?

CHAIRWOMAN WALLNER: It was under tab four.

REP. WEYLER: Four. Page five.

CHAIRWOMAN WALLNER: Tab four. And I believe it was item 151. Is that correct, Representative Benn?

REP. BENN: Yes.

REP. ROSENWALD: I would second that for the purpose of discussion.

CHAIRWOMAN WALLNER: And Representative Rosenwald seconds for discussion. And discussion on the reconsideration?

SEN. D'ALLESANDRO: Thank you, Madam Chair. Is someone going to bring new information forward? Is there going to be further input?

REP. BENN: I don't think it was brought up.

CHAIRWOMAN WALLNER: Representative Benn has new information.

SEN. D'ALLESANDRO: Okay. Great. Thank you.

CHAIRWOMAN WALLNER: Yes, why don't you talk about your new information.

REP. BENN: Well, I just wanted to --

SEN. SANBORN: Madam Chair, I apologize. We need to vote on the reconsideration before --

REP. EATON: Yeah, before.

CHAIRWOMAN WALLNER: Okay. All in favor of reconsideration? Opposed? So it's five to five. The motion fails. Thank you.

REP. BENN: Senator D'Allesandro, you voted against it?

SEN. D'ALLESANDRO: No. No.

CHAIRWOMAN WALLNER: I believe it was five to five.

SEN. D'ALLESANDRO: It was five to five.

CHAIRWOMAN WALLNER: So any other items to look at on the informational items? Okay. Hearing none, I think we should move on to the audit. Okay.

(Senator D'Allesandro leaves the room.)

**FIS 14-163 Department of Health and Human Services
- June 2014 Operating Statistics
Dashboard report for the fiscal year
ending June 30, 2014**

**FIS 14-164 Department of Health and Human Services
- July 2014 Operating Statistics
Dashboard report for the fiscal year
ending June 30, 2015**

CHAIRWOMAN WALLNER: We have had a request to take a look at the dashboard. I'm sorry. Commissioner, can you -- you almost got away, didn't you? You weren't quick enough.

NICHOLAS TOUMPAS, Commissioner, Department of Health and Human Services: I was going to be on a bike ride. Good morning. For the record, Nick Toumpas, Commissioner of Health and Human Services.

CHAIRWOMAN WALLNER: Thank you. Do we have questions of the Commissioner concerning the dashboard? The dashboard is --

MR. TOUMPAS: We have -- we have two dashboards, the one ending June 30th, and one ending July 31st.

CHAIRWOMAN WALLNER: Do you want to talk just a little bit about why we have two at this point?

MR. TOUMPAS: Well, generally it's when we submit them, so we do one for the end of each month. It's just the timing of it. So I would -- if you want to look at one, I would suggest that we look at the most current one.

CHAIRWOMAN WALLNER: At the July one.

MR. TOUMPAS: That would be at the end of July.

CHAIRWOMAN WALLNER: Okay. Great. Do we have any questions of the Commissioner concerning this July dashboard? Yes.

SEN. SANBORN: I'll defer to Senator Morse.

CHAIRWOMAN WALLNER: Im sorry. Representative -- Senator Sanborn -- Senator Morse. Thank you.

SEN. MORSE: They're very similar. I mean the

bottom line is we're about 47 million dollars short currently.

MR. TOUMPAS: For the July dashboard, Senator, we're showing roughly a 42 -- roughly a 42-million-dollar General Fund shortfall. That's what we're projecting.

SEN. MORSE: And what are you projecting for next -- for the end of June of this coming year?

MR. TOUMPAS: That -- that is what the -- the 42 million dollars is what we're projecting where we will be at the end of State Fiscal Year '15.

SEN. MORSE: Okay. I'm looking at a different document. It says 46.7.

MR. TOUMPAS: Yeah, there -- there -- there were two. One was June 30th. The one I'm looking at is fiscal item 14-164.

REP. WEYLER: Table A.

SEN. MORSE: My question is the -- when we left there during the budget phase, the -- the MAGI became an issue, and I want to know how -- are we accounting for that already?

MR. TOUMPAS: Yes, that -- that in --

SEN. MORSE: How big a number is that?

MR. TOUMPAS: Right now for -- for the period -- for the -- again, fiscal item 14-164, which is the dashboard for the end of July, if you look on

the budget summary page, Table A, line 31 will show it's a 19-million-dollar General Fund short -- obligation for that -- for the match.

SEN. MORSE: A little over a million and a half dollars a month.

MR. TOUMPAS: Yes.

SEN. MORSE: In the '16/'17 budget you're anticipating carrying that forward?

MR. TOUMPAS: We would be required to carry -- to bring that forward and -- and request that in our budget. Again, it would be roughly 38 million dollars in General Funds over the course of the biennium.

SEN. MORSE: Thank you.

CHAIRWOMAN WALLNER: Further questions?
Senator Sanborn.

SEN. SANBORN: Madam Chair, thank you. Commissioner, thanks for coming in. Also, Medicaid -- um -- I'm at page two. I'm looking at the Table 2, month to month, from January to July.

MR. TOUMPAS: Which page? Which page, please?

SEN. SANBORN: I'm sorry. I'm on the September -- dated September 4th, so 164.

MR. TOUMPAS: Yes.

SEN. SANBORN: Page two, Table 2, January to

July numbers on Medicaid. Even though it's slowing, which is a great thing, it looks like that net increase in the past six months is up about 13,000. How are you feeling? I mean we were at 12,000 last time you were in. You thought it might be topping out. Do you still have a level of comfort that we've kind of reached our peak or do you think --

MR. TOUMPAS: For -- we look at the enrollment in the Medicaid program, and let me just put it into three -- three buckets right now. For the standard Medicaid as we've had it, some of the numbers in terms of the -- uh -- those populations were trending down slightly. We're pretty much stable in that area.

The second area is what Senator Morse was referring to was the MAGI, which is the change in the calculation. Primarily kids and parent givers -- caregivers. That's the one that was up by roughly 11,000. That has stabilized. So that is not -- that is not going up dramatically at all. In fact, it's really pretty much stable.

And then the third -- the third part that is really not reflected here but will be reflected in subsequent dashboards will be the enrollment into the New Hampshire Health Protection Program. Again, we began the eligibility in July, July 1st, and the services, NHP for service environment, did not begin, so we were not paying any claims on anybody that was eligible until August 15th. And then on September 1st they go into the managed care plans.

As of -- um -- as of two days ago, the 23rd, we had enrolled roughly 18,000 in the New Hampshire

Health Protection Program. Just slightly less than 18,000 in the New Hampshire Health Protection Program. As a reminder, those are the folks that will be eligible at 100 percent of the Federal financial participation for the services that are being incurred there.

SEN. SANBORN: Follow-up?

CHAIRWOMAN WALLNER: Yes.

SEN. SANBORN: I appreciate that. So on the Medicaid expansion population, and, as we know, we're only being reimbursed for the actual cost of care, but the administration of it is something that is being borne by us. We talked about 50,000 originally. Now you're at 18,000. When you start looking toward the end of next year, in the aggregate what kind of money is the administration going to cost to run that program, do you think?

MR. TOUMPAS: Well, the -- on line 27, again, of the dashboard, Table A, shows what our costs were. And these are one-time costs as well as operating costs for the current -- the State Fiscal Year '15, which was roughly 6.5 million dollars. This includes one-time costs, so what I don't have is that breakdown to say what portion of that would need to be carried forward into '16 and '17 for the operational costs.

CHAIRWOMAN WALLNER: Further questions? Thank you, Commissioner. We appreciate your being willing to come, to stay here long enough to be in front of us. Thank you.

Audits:

CHAIRWOMAN WALLNER: Now, are we ready to move to the audit? We have only one audit today. It's of the Judicial Council.

WILLIAM MITCHELL, Financial Audit Supervisor, Office of Legislative Budget Assistant: Good morning, Madam Chair, Members of the Committee. For the record, my name is William Mitchell. I'm the Financial Audit Supervisor for the Office of Legislative Budget Assistant. Sitting with me at the table this morning is Christopher Keating, Executive Director of the Judicial Council.

We're here this morning to present the report on the financial audit of the Judicial Council for the nine months ended March 31st, 2014. Normally, our audit reports are presented by the manager of the audit team. In this instance, Monica Mezzapelle. However, Monica left our office shortly before the completion of the audit and is now a Deputy State Treasurer. While we're very disappointed to lose Monica from our office, the staff believe she'll be a great addition to the Treasury.

I would like to begin the presentation of the report as we always do with the Table of Contents. The Constructive Service Comments Section of the report includes five internal control comments and two compliance comments.

The Judicial Council concurred with each of the report's comments, and as noted by the two asterisks on items number six and number seven, the two

compliance comments may require legislative action.

As noted on page one, the reporting entity of this audit is the administrative office of the Judicial Council. The Council itself is a 24-member board. The administrative office has a three-person staff, including the Executive Director and administrative assistant and accounting technician.

The administrative office processes funding for the Indigent Defense Fund, Contract Attorney Program, New Hampshire Public Defender's Office, Court Appointed Special Advocates of New Hampshire or CASA, Legal Aid for civil matters, and Guardians ad Litem in guardianship, termination of parental rights, and abuse and neglect cases.

As illustrated by the schedule on page three of the report, the Council expended approximately 18.3 million dollars for this activity during the nine months ended March 31st, 2014.

The audit comments begin on page six of the report, and I should note that none of the comments are deemed to be material issues. The three numbered paragraphs in observation number one on page six identified certain weaknesses in the information technology or IT systems used by the Council.

In number one, we identified a payment control weakness in the Indigent Defense or IDF system. In numbers two and three, we identified obsolescence, efficiency, and capacity issues with the contract counsel and Guardian ad Litem system.

We recommend the Council continue automating and consolidating its IT systems and processes, as the Council should consider whether features within the State accounting system, New Hampshire First could be further used to increase efficiency. And as long as the Council maintains and operates multiple IT systems, it will need to have suitable controls in place to ensure the systems can be relied upon to accurately accept, store, and process information in a secure and reliable manner.

Observation number two begins in the middle of page eight. The Judicial Council has two significant contracts, one for approximately 19 million dollars with the New Hampshire Public Defender's Office and another for approximately half a million dollars with CASA.

In the three numbered paragraphs in the comments, we note where the Council can improve monitoring of these contracts. In recommendation paragraph number one, we recommend the Council clarify its contracts with the Public Defender to ensure -- to establish a defined basis for calculating cost of operations and for determining excess funding.

In paragraph number two, we have recommended the Council monitor and enforce all significant contract provisions, including timely submission of financial statements. And in paragraph three, we recommend the Council formalize its review of CASA reporting to ensure that contracts are operating as intended.

Observation number three on page 10 identifies

a segregation of duties weakness in the Council's Indigent Defense payment process that increases the risk that inaccurate payments could be made without detection and correction. Effective segregation of duties is very difficult in a small business office such as the Council.

We recommend the Council redesign its segregation of duties control to improve its -- and improve its reconciliation processes and also work with the Department of Administrative Services to review the IDS payment process to ensure that it incorporates appropriate controls.

Observation number four on the bottom of page 11 recommends the Council develop and implement a comprehensive risk assessment and business continuity and disaster recovery plan. This is a common -- a comment that often appears in our audit reports.

Risk assessment is one of the five recognized components of internal control, and risk assessment and planning are especially important in a small office such as the Council where staffing levels cannot be -- cannot provide a cushion against risks and disruption.

Observation number five on the bottom of page 12 identifies a coding issue in the IDS to New Hampshire First interface that existed during the audit period. In its response to the comments, the Council reports this has since been corrected.

State compliance comments begin on page 14. In observation number six, we noted the responsibility

and process for appointing the Executive Director is not established in statute, and the Executive Director's salary specified in RSA 94:1 is not the salary reflected in the State operating budget and paid to the Executive Director during the audit period. We recommend the Council request legislative clarification of the authority for appointing and compensating the Executive Director.

And in observation number seven, also on page 14, the final comment of the report, we note there is a statute affecting the Council's operations, which is identified in the statute's annotations as having been determined unconstitutional. So we recommend the Council request the statute be repealed or appropriately amended.

Beginning on page 16 of the report is the auditor's opinion on the financial statement followed by the financial statement on page 19 and the notes to the financial statement. Behind the appendix tab, on page 31 is the current status of the comments contained in the prior Fiscal Year 2000 audit report. There were 10 comments in that report. Five have been completely resolved, and five are either partially or substantially resolved.

That concludes my comments on the report. I would like to thank the Council's Executive Director and staff for the assistance they provided to the audit team, and I would like to thank the Committee for its time this morning.

CHAIRWOMAN WALLNER: Thank you. Mr. Keating, would you like to respond to the audit?

CHRISTOPHER KEATING, Executive Director,
Judicial Council: Thank you, Madam Chair. Chris Keating from the Judicial Council. Um -- no, we concurred with every observation that they made, and -- and if I don't get a chance at the end of this because I'm too bloodied to do so, they were great. You know, that -- I mean they were in the office for quite some time. We're a tight space, small office, and they -- I couldn't have been more impressed with their professionalism, their actions.

CHAIRWOMAN WALLNER: Great. Thank you. Questions?

SEN. D'ALLESANDRO: Question.

CHAIRWOMAN WALLNER: Yes.

SEN. D'ALLESANDRO: Thank you, Madam Chair. Chris, thanks for coming in. Will you be talking to the Judicial Committee in both the House and the Senate about the appeal of the adjustment of the statute? Because it's important because there's an unconstitutional aspect now that seems to be hanging out there, and you're going to have 435 constitutional lawyers --

MR. KEATING: Yes, Senator.

REP. WEYLER: 424.

SEN. D'ALLESANDRO: 424.

REP. WEYLER: You're thinking of the U.S. Congress.

SEN. D'ALLESANDRO: I'm thinking of the U.S. Congress.

MR. KEATING: Yes, sir. Senator D'Allesandro, you know, I think that the reluctance to sort of take that on has led to some of the disincentives to proposing legislation that reflects this finding by the New Hampshire Supreme Court that it sets the rates for some of these things, so -- but Senator Carson and Representative Smith are ex-officio members of the Council, and now that this is public we'll certainly be bringing this report to their attention and seeking their cooperation.

CHAIRWOMAN WALLNER: Thank you.

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

CHAIRWOMAN WALLNER: Yes, Representative Weyler.

REP. WEYLER: Thank you, Madam Chair. Mr. Mitchell, when I look at the financial statements, both on page 19 and page 27, I don't see the usual detail of personnel costs, benefits, overtime, equipment costs that you normally see. Is this unique because we call it a fund or --

MR. MITCHELL: No, no. No, Representative, it is not. It's -- um -- the captions in the financial statement, the expenditures are there to show the materiality of the amount. As I mentioned earlier, there are three folks within the office. There is -- the salaries and benefits are not a material aspect really of the expenditures of the

operation, and so they fall down in the administrative costs at the very bottom of 194,000 out of the total of 18 million.

REP. WEYLER: So they're just not considered material, and -- it's unusual.

MR. MITCHELL: It is highly unusual, sir. Most agencies, the salaries and benefits are one of the primary costs of operation, but in this situation it's flipped over.

REP. WEYLER: Follow-up? Within the Treasurer's Office, don't we delineate those things even though it's -- it's -- a similar reason would apply?

MR. MITCHELL: I would have to look at that, sir, to know.

REP. WEYLER: Thank you.

CHAIRWOMAN WALLNER: Thank you. Any further questions? Yes, Representative Weyler.

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

REP. EATON: Second.

CHAIRWOMAN WALLNER: Representative Weyler moves we place the item on file and release to the public, and Representative Eaton seconds. All in favor? Any opposed? The item passes. Thank you.

*** {MOTION ADOPTED}

MR. KEATING: Thank you very much.

13. Date of Next Meeting and Adjournment

CHAIRWOMAN WALLNER: Now we need to move to the next most important thing is the next date of the next meeting. And we have had a request from the Department of Health and Human Services that they need to have a meeting -- a Fiscal Committee meeting in early November because of work they're doing. And they will need some Fiscal Committee actions.

I move that we would have the next meeting -- I suggest that we have the next meeting on November 10th. Does that work? It's a Monday. And does that work for people?

(Simultaneous multiple speakers.)

CHAIRWOMAN WALLNER: Yes, that's exactly what we were thinking. So then let's go for November 10th, and we'll get that out because it will be a little different, and people will need to know that it will be a Monday instead of -- and we'll do the ten o'clock as usual. Does that work? Okay. Great. See you November 10th. Have a --

** REP. WEYLER: Move to adjourn.

CHAIRWOMAN WALLNER: Thank you. Representative Weyler moves to adjourn. The meeting is adjourned.

*** {MOTION ADOPTED}

REP. EATON: All opposed stay seated.

(The meeting adjourns at 11:33 a.m.)

C E R T I F I C A T E

I, Debra L. Mekula, a Licensed Court Reporter and Justice of the Peace of the State of New Hampshire, do hereby certify that the foregoing, to the best of my knowledge, skill and ability, is a true and accurate transcript of my stenographic notes of the Joint Fiscal Committee meeting, taken at the place and under the circumstances present on the date hereinbefore set forth.

Debra L. Mekula, LCR, RMR
Licensed Court Reporter
Registered Merit Reporter
N.H. LCR No. 26 (RSA 310-A)