**JOINT FISCAL COMMITTEE**
Legislative Office Building, Rooms 210-211
Concord, NH
Friday, January 22, 2016

**MEMBERS PRESENT**:

Rep. Neal Kurk, Chair
Rep. Ken Weyler
Rep. Lynne Ober
Rep. Mary Jane Wallner
Rep. Dan Eaton
Rep. Richard Barry (Alt.)
Sen. John Reagan
Sen. Jerry Little
Sen. President Chuck Morse
Sen. Andy Sanborn
Sen. Lou D'Allesandro

(Convened at 10:03 a.m.)

**(1) Acceptance of Minutes of the December 18, 2015 meeting.**

CHAIRMAN KURK: Good morning, everyone. Welcome to the Fiscal Committee meeting of February -- sorry -- January 22, 2016. The meeting will now come to order.

First item of business is the acceptance of minutes of December 18, 2015, meeting. Is there a motion?

** REP. WEYLER: Move approval.

REP. OBER: Second.

CHAIRMAN KURK: Representative Weyler moves, seconded by Representative Ober that the minutes be approved. 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 motion is adopted.

*** **{MOTION ADOPTED}**

**(2) Old Business**:

CHAIRMAN KURK: Under Old Business, are there any items that anyone wishes to remove from the table? There being none, we'll move on to item number -- excuse me -- agenda item number (3), the Consent Calendar.

**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**:

CHAIRMAN KURK: This is under RSA 14:30-a, VI. Is there anyone who wishes to remove anything from this Consent Calendar? Senator Sanborn.

SEN. SANBORN: Thank you, Chair. I'd like to remove 002, if I could?

CHAIRMAN KURK: 002. Any other items? I understand there was an interest in removing 004 and 012.

SEN. SANBORN: And 012, Mr. Chair.

CHAIRMAN KURK: But not 004?

SEN. SANBORN: 004 as well, please. Thank you, sir.

CHAIRMAN KURK: Apparently, I was better informed than you were.

SEN. SANBORN: I don't have my notes from yesterday, Mr. Chair. I apologize.

CHAIRMAN KURK: So three items removed from the Consent Calendar under Item (3): Fiscal 16-002, Energy and Planning; Fiscal 16-004, Health and Human Services; and Fiscal 16-012, Health and Human Services. Are there any other items that anyone wants to remove from the Consent Calendar under agenda item number (3)? There being none, is there a motion to approve the Consent Calendar minus those items that have been removed?

** REP. OBER: Moved.

SEN. LITTLE: So moved.

CHAIRMAN KURK: Moved by Representative Ober, seconded by Senator Little. 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 Consent Calendar, except for Items 002, 004 and 012, are approved.

***** {MOTION ADOPTED}**

CHAIRMAN KURK: We now turn to Fiscal 16-002, request from the Office of Energy and Planning for authorization to retroactively accept and expend $300,000 in Federal funds for the time period indicated. Is there a motion?

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

CHAIRMAN KURK: Senator D'Allesandro moves the item.

REP. OBER: Second.

CHAIRMAN KURK: Is there a second? Seconded by Representative Ober. Discussion?

SEN. SANBORN: Yes, please.

CHAIRMAN KURK: Representative Sanborn.

SEN. SANBORN: Bring someone up to answer some questions.

CHAIRMAN KURK: Good morning, folks. Good to see you.

RICHARD A. MINARD, Jr., Deputy Director, Office of Energy and Planning: Good morning.

MS. HATFIELD: Good morning. I'm Meredith Hatfield, the Director of the Office of Energy and Planning and with me is Rick Minard, the Deputy Director of OEP.

CHAIRMAN KURK: Senator Sanborn.

SEN. SANBORN: Thank you, Mr. Chair. Meredith, sir, thank you so much for coming up today. I truly appreciate it.

I'm beginning to find some struggles on the whole energy efficiency programs of all of our governments that every time I see yet another grant to do energy efficiency, where we are now spending millions of dollars just in this state for energy efficiency programs, I never see if our money was well spent. You know, for me, quite frankly, in trying to be energy efficient, I'm going out and buying these new fancy light bulbs for 8, 10, 12, 15 dollars a piece that are supposed to save me tons of money. They last about six months and blow up, and I'm buying yet another one. On an incandescent bulb that doesn't really cost anything.

So what is the State of New Hampshire doing and what type of report do we have that shows our total energy cost before we do all these programs and what we're paying today? 'Cause I think at some level people deserve to know are we just trying to make ourselves feel good on Friday or are we actually saving the people money by spending a pile of money?

MS. HATFIELD: Hm-hum. Thank you for the question. The Public Utilities Commission oversees the ratepayer funded efficiency programs that the utilities run, and they do an Annual Report. I'd be happy to get that to you and discuss it with you at any time. Those programs are subjected to a very strict cost-effectiveness test so that all of the ratepayer funds that go into the programs only pay for measures that are very cost-effective and have a very short payback. And there is always a customer co-pay that is required, except for the low-income programs.

So I feel very comfortable we are spending ratepayer money very efficiently. We are getting big bang for the buck, and we are helping people overcome barriers to reducing their energy bills. So I would be happy to talk with you about those programs at any time.

This grant is -- um -- OEP was successful due to Rick's work with other partners in going after a competitive Federal grant. That's why we're here before you. This wasn't in our budget because it was a competitive grant. And the purpose of this grant is to work with municipal wastewater treatment facilities, of which there are 74 in New Hampshire, to help them reduce their energy bills. You may know that in many cities and towns the municipal wastewater treatment plant is often the largest user of energy and has the highest energy bill for the municipality.

Like I said, there are 74 across the state, including cities such as Berlin, Claremont, Franklin, Concord, Portsmouth, as well as many small towns that people don't think about having their own treatment plants, including Lancaster, Henniker, Epping, Allenstown, Jaffrey, and Weare.

So we are going to work with all 74 of those systems to do what people refer to as investment grade audits. Those audits will identify specific cost-effective measures that those municipalities could invest in, partnering with the utilities to tap into those efficiency programs to reduce their energy bills. And just one example.

Recently, the Town of Merrimack did a comprehensive energy audit and as a result of the audit they identified specific projects. They are currently projected to save over $100,000 a year through the measures that they have done so far. And they actually save $15,000 in the first six months just by hitting kind of the first layer of the efficiency measure that they could invest in. So we think this is an area that can really help municipalities reduce their energy costs and that it's a worthwhile program.

OEP is asking to accept the $300,000. We are passing almost all of it through to DES who's our partner. DES works very closely with all of the wastewater treatment facilities around the state and so they will be working closely with them to get them the audits and to help them actually implement some of the efficiency measures. So the two agencies are retaining very little of the money just for some administrative costs and most of it is going out to the treatment plants.

SEN. SANBORN: Follow-up.

CHAIRMAN KURK: Follow-up.

SEN. SANBORN: Thank you, Mr. Chair. So, Meredith, so I guess my first question this is where my struggle is. It's great to hear Merrimack saving $100,000, but what do we spend for them to save the $100,000? So that payback, that's the part of the argument for discussion that I rarely hear happening.

MS. HATFIELD: Hm-hum.

SEN. SANBORN: If we give you $300,000 to go to all the wastewater facilities, several are in the district I represent, should we have some sort of an obligation that requires your Department to come back and say, we spent $300,000, went to these agencies, gave them these measures. They, in turn, spent X amount of money and here was their utility bill before, and here is their utility bill after, and they have already saved X amount of money and the payback is going to be two years or year three or something. Shouldn't we be requiring that as a legislature when we are doing this type of stuff or does it already happen?

MR. MINARD: Well, let me add that, of course, these are municipal decisions about whether they would make these investments or not. A big part of this process will be helping to connect municipal wastewater treatment operators across the state so they will be learning from each other. So that a city with a plant comparable to Merrimack will learn from Merrimack's experience and only make smarter investments. We hope that that will -- will give them the information they need to make only wise investments. 'Cause you're right, it's not necessarily assured that an auditor's opinion will pan out economically. But -- but these are well-understood facilities. The Department of Energy made this grant possible and for others across the country because they know that great savings can be had at wastewater treatment facilities.

MS. HATFIELD: And one estimate that DES has prepared would suggest that with the $300,000 investment we can achieve over a million dollars annual savings across these plants. But we would be happy to follow-up with you as the project proceeds and at the end we will be preparing a full report for the Department of Energy, and we'd be happy to share it with you and present it.

SEN. SANBORN: Thank you very much. I'd love to see that type of success so we can, if nothing else, promote it's actually working.

MR. MINARD: Thank you.

SEN. SANBORN: Thank you, Mr. Chair.

CHAIRMAN KURK: Question. Did Merrimack get a grant or did they spend their own money for their energy audit?

MS. HATFIELD: I believe they participated in a Federal -- another federally funded program back in 2009 that helped provide investment grade audits to municipalities.

CHAIRMAN KURK: What would it have cost Merrimack or any community to have one of these audits, forgetting about whether they get assistance in paying for it? What is the cost of an audit?

MR. MINARD: We are estimating they'll be about $20,000 apiece.

CHAIRMAN KURK: So any rational plant operator would spend $20,000 to save $100,000 in a year. Payback is immediate. Pay for it out of your own budget savings.

MS. HATFIELD: Hm-hum.

CHAIRMAN KURK: So if this weren't Federal money, wouldn't the State of New Hampshire be silly to enter into this program? Federal money means that Merrimack doesn't have to spend the $20,000 because I and other Federal taxpayers will contribute to it.

MS. HATFIELD: Because of the magnitude of the savings that are available that $20,000 investment actually is worthwhile. And that is why municipalities, some municipalities have done it on their own, especially for wastewater treatment plants that has so much equipment, passes so much water, uses so much electricity. Believe it or not, even when you wrap in the cost of the audit to the project it can still be cost-effective. The challenge for municipal wastewater treatment plant operator is they're competing for dollars in their municipalities so a lot of times the audit doesn't get done because, you know, they have competing --

CHAIRMAN KURK: You just told us the payback was 4 to 1 in the first year. So I can save $80,000 in my budget by spending $20,000. That's a freebie.

MR. MINARD: Of course, the audit cost isn't the only cost. You probably also need a capital cost as well to make that -- to make that.

MS. HATFIELD: The same is true in all of our homes. Most of our homes in this room could be made 50% more efficient, but why aren't we doing it even though the payback can be extremely short? It's that upfront investment and it's also education, access to the right people to do the work. So in some ways this grant is to be the matchmaker to -- so that instead of having the municipalities having to go out and do the work, we are actually going to go to them, say let us help you save energy and save money.

CHAIRMAN KURK: But they still then have to come up with the capital cost or whatever the costs are?

MS. HATFIELD: And they would use the efficiency programs through the utilities to get a rebate to buy down the cost.

CHAIRMAN KURK: I, and I expect some others, are always bothered by our Federal dollars being used to pay for programs which if they're -- if they make sense on their own would be done on their own and have problems with Federal subsidies that we pay for or the Chinese pay for, depends on how you figure the Federal budget. Further discussion?

REP. OBER: Mr. Chairman.

CHAIRMAN KURK: Yes.

REP. OBER: Ms. Hatfield offered to get a report for the Senator. Could we have her get that report to LBA and each of us get a copy 'cause I think we each have interest in the same questions that the Senator asked.

MS. HATFIELD: I would be happy to do that.

CHAIRMAN KURK: Thank you.

REP. OBER: Thank you.

CHAIRMAN KURK: Further discussion on the motion? The motion is to approve Item 002. There being no further discussion, are you ready for the question? All those in favor, please indicate by saying aye? Opposed? The ayes have it and the item is approved.

***** {MOTION ADOPTED}**

CHAIRMAN KURK: We turn now to Fiscal 16-00 – thank you folks – 004, request from the Department of Health and Human Services for authorization to accept and expend $4,083,670 in Federal funds from June 30th, 2016. We welcome Acting Commissioner -- uh -- Meyers.

JEFFREY MEYERS, Acting Commissioner, Department of Health and Human Services: You forget so fast, Mr. Chairman.

CHAIRMAN KURK: Welcome both of you.

MR. MEYERS: For the record, Jeff Meyers, Acting Commissioner for the Department of Health and Human Services. With me this morning is Sheri Rockburn who is the Chief Financial Officer for the Department.

CHAIRMAN KURK: Thank you for being here. I believe Representative Sanborn has a question.

SEN. SANBORN: As does Senator Sanborn.

CHAIRMAN KURK: Sorry. Senator Sanborn, too.

SEN. SANBORN: Although it's a compliment to call me Representative Sanborn, Mr. Chair. Meredith, thanks so much for coming in today.

SEN. D'ALLESANDRO: It's Sheri.

SEN. SANBORN: Sheri.

SEN. D'ALLESANDRO: Just a slip.

SEN. SANBORN: Just a slip. Representative, thank you so much for coming in today.

I, like many people who have watched the whole implementation of the ACA and Medicaid Expansion, specifically around the 1115 Waiver as it was originally introduced to provide doctors with the higher repayment capacity based upon the services they were already doing, and knowing that in the Executive Branch that waiver was changed to provide other sorts of services, and many of us are very concerned about doctors being reimbursed at a level that's unprofitable to them. So when I see that we're -- if I read this correctly -- that we are spending $4 million to provide reimbursement rates that are higher than Medicaid to try and find some way to better incentivize our hospitals, a whole ’nother discussion, first I've seen it. So I guess I'm trying to understand how big is this picture and how many other programs exist to further compensate the medical community for work they're already doing at a specific rate? Where's the water finding its own level? What's our expectation of the funds?

MR. MEYERS: So the item before you is a very specific item that was mandated by Federal Law as part of the Affordable Care Act. There were increased rates for primary care physician services for two Calendar Years, '13 and '14. It was required by the Congress, and the requirement was to pay primary care physicians at Medicare level rates, if you will.

The Act also allowed doctors to take up to a year after the service to bill for the service. That's something that the Federal Law provided. That's not anything to do with the Department's policies or State Law. And so this item is merely to facilitate the pass-through of the Federal funds, 100% Federal funds that are paying for primary care services that were required to be paid at Medicare level rates by the Congress for Calendar Years '13 and '14. And this is -- this is, in essence, the last true-up for that particular discrete program.

Congress did not re-authorize the program this past year. It was debated in the Congress, but they chose not to re-authorize it. So this, I believe, and Sheri can confirm, this will be the last time you'll see this item before you.

SEN. SANBORN: Follow-up.

CHAIRMAN KURK: Follow-up.

SEN. SANBORN: What was the total amount for all of the services provided for '13 and '14?

MR. MEYERS: Do you --

SHERI ROCKBURN, Chief Financial Officer, Department of Health and Human Services: I do not know that, but we can get that for you.

SEN. SANBORN: Thank you. Thank you, Mr. Chair.

CHAIRMAN KURK: What percentage of this formula didn't change is actually going to physicians and what percentage is being siphoned off for other purposes?

MS. ROCKBURN: Yeah, 100% of this is directly to the physicians.

MR. MEYERS: Yeah.

MS. ROCKBURN: So it goes directly to the primary care physician.

CHAIRMAN KURK: But there's things for current expenses and out-of-state travel?

MS. ROCKBURN: Not -- this item is Item 16-004. This one just has --

CHAIRMAN KURK: I apologize.

MS. ROCKBURN: I think you're looking at the next one.

CHAIRMAN KURK: Thank you.

MS. ROCKBURN: You're welcome.

CHAIRMAN KURK: Is there a motion?

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

CHAIRMAN KURK: Senator D'Allesandro moves the item --

SEN. REAGAN: Second.

CHAIRMAN KURK: -- 004, seconded by Senator Reagan. Is there a 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: We now turn to Fiscal 16-00 -- sorry -- 16-012, a request from the Department of Health and Human Services for authorization to accept and expend $1,727,822 in Federal funds through June 30th, 2017. Senator Sanborn.

MR. MEYERS: Before the question, forgive me for interrupting. For the record, I've asked to join me at the table Marcella Bobinsky who's the Interim Director of the Public Health Division in the Department.

CHAIRMAN KURK: Who I know, by the way, has had a very healthy breakfast this morning.

MARCELLA BOBINSKY, MPH, Acting Director, Division of Public Health, Department of Health and Human Services: Actually, today I did, yes.

SEN. SANBORN: Hope you bought it for her, Mr. Chair.

CHAIRMAN KURK: In the past I've done that. I didn't buy it today.

REP. OBER: Could that be chocolate cake?

SEN. SANBORN: Thank you very much for coming in. So we're going to spend – again, I'm trying to understand the program – we are going to spend $1.7 million to provide home visiting services for maternal and child and family health. But I see in the narrative that it has a part of the funding will be used for workforce development. I started pumping gas at 10, very proud that I did, but we giving two-year olds shovels?  I'm not sure how we do workforce development for infants, and what we are doing.

DR. BOBINSKY: Thank you very much. We're meeting these mothers and babies early so eventually they will be able to go into workforce development programs, actually. But the workforce development is around the staffing that needs to gear up. This is a relatively new program. The whole concept of making -- it's a very old program, but it's come back as a new program to make sure that pregnant women and mothers of very tiny babies are actually informed as to how to raise a child. And the workforce -- the development of these programs goes to programs such as certification -- let's see.  I'm sorry. I had to take notes because I'm relatively new at this as well.

Our programs are certified under a Healthy Family America Program, for example, which is very direct in instructing mothers as to how to raise a child. And, you know, back in the day, it was mothers who taught their daughters how to raise children. In this day and age, we send out professionals to help mothers raise babies because they do not necessarily have the support system.  And I might remind you that in our health care system, we no longer stay in a hospital for five days to learn how to change a diaper, to learn what to do when a baby cries. That's not the purpose of hospitalization anymore around birthing babies, and so this day and age you go out the next day.

If you have a young mother who really knows nothing about the care of a child, this program of home visitation, a woman actually signs up and is visited by a professional for up to three years to talk about the development of that child. So what happens when the baby cries?  You talk to the baby. When do you feed the baby, how do you change the baby, et cetera, et cetera; and, also, those very important three years of early development of a child.

So in terms of workforce development, we train our staff and they do go out and I -- there is some travel. We do send them to a conference, to a workshop to learn how to do these particular things.

SEN. SANBORN: Follow-up.

CHAIRMAN KURK: Follow-up.

SEN. SANBORN: Thank you, Mr. Chair. Are there any other programs in Health and Human Services that provide the same type of service of young mother development?

DR. BOBINSKY: Yes, there are some at DCYF and they're shorter term. They are a more identified service to women who -- or children, actually, who may be at a higher risk for abuse and neglect. This is available to any woman throughout the state. The programs that we support then you'll notice in the 2017 Fiscal Year where we are pushing much more money out to the seven agencies that have 11 sites that cover every county in the state. That is where we will be pushing that money eventually. But, again, it's a longer term commitment and it's to a broader group of women other than those who have been identified at maybe putting their child at risk.

SEN. SANBORN: Follow-up. Thank you, Mr. Chair. Thank you very much. I appreciate that. In the aggregate, what are we spending on this type of a program for how many mothers and daughters?

DR. BOBINSKY: We have 400 women enrolled and that means they have committed to that three-year process being visited at least once a month by a professional to work through the development of their child. And we have touched -- I have touched which means may be enrolled but also may be referred to other types of programs for 800 to a thousand additional women. So we touch, go out and check on, and maybe refer to a different program, but we actually have enrolled 400.

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

CHAIRMAN KURK: Thank you. And that costs us 1.7 million?

DR. BOBINSKY: Yes, it does.

CHAIRMAN KURK: How much is that per year? Is it 600,000 and a million? That was the split roughly?

DR. BOBINSKY: Oh, gosh, where's my fiscal agent when I need her.

MR. MEYERS: It looks -- it looks to me that way, but we can confirm that.

CHAIRMAN KURK: So it's fully developed in the second year in '17, we are spending about a million dollars. So it's about $2,500.

REP. WEYLER: Per mom?

CHAIRMAN KURK: Yeah, per mother.

DR. BOBINSKY: And I wish I could tell you we have so much data in our system that I could then tell you and forward 10 years, 20 years to find out what our savings would actually be if we nurture that child for the first three years, as opposed to imprisoning that child for substance abuse for that child. That is the concept. I'm sorry that Public Health does not give us that quick look that we often wish we had in terms of our investments, but that is the evidence base behind this particular type of program. Invest in that child for the first three years, five years, and our savings in the long run will be tremendous.

CHAIRMAN KURK: May we have a copy of that study?

DR. BOBINSKY: Okay. I'm saying I'm not sure that we have that, but I will look and see if we have some of that evidence-based work.

CHAIRMAN KURK: Thank you.

MR. MEYERS: We'll provide it to LBA and circulate it.

CHAIRMAN KURK: Right. Representative Weyler.

REP. WEYLER: So it's 400 for this year, another 400 next year, another 400 and so be 1200 in the program all the time.

DR. BOBINSKY: It's constantly developing, because we get reports. We can get referrals from many places. Actually, we don't get the referrals, Representative Kurk. The hospital sends a referral to the organization that is actually contracted to do this. And then they can begin to follow-up with those mothers as children are birthed. We have about 12,000 births per year. So we have constant influx into this program.

REP. WEYLER: Thank you.

SEN. D'ALLESANDRO: Comment, Mr. Chair.

CHAIRMAN KURK: Senator D'Allesandro.

SEN. D'ALLESANDRO: Thank you, Mr. Chair. I've seen the number -- number of studies that indicate how important those first three years are in terms of the maturation of the child. And study, after study, after study indicates the importance of the situation. And I think it's -- it's wonderful that we are able to provide this service here in New Hampshire. I think it's a very worthwhile use of the funds. I mean, maturity of that child is extremely important and it plays a role in all of our lives as we move -- as we move forward. And I think it's money -- it's money well spent.

DR. BOBINSKY: Thank you.

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

CHAIRMAN KURK: Further question. The folks who are doing this, the contracted services, will they be hiring additional people to do this or do they have on staff sufficient people to do it?

DR. BOBINSKY: I understand, and this is — I would have to go back and absolutely confirm this — I understand that a couple of our programs are already at capacity, and they may actually have to expand their staffing to do this. But, again, if you like I can get that back information to you.

CHAIRMAN KURK: That's not --

DR. BOBINSKY: I understand there are a couple that are at maximum capacity.

CHAIRMAN KURK: Thank you. Further questions or discussion?

REP. OBER: Yes.

CHAIRMAN KURK: Representative Ober.

REP. OBER: Thank you, Mr. Chairman. I actually thought I was all set until Senator Sanborn asked his question and you responded, and then you further responded to Representative Kurk, and I wonder if this item at this point should be tabled and here's why.

In the documentation you provided to us, there is no increase in Class Line 10 or Class Line 50; and yet, those are your two staffing lines, your full-time and your part-time. You just testified that you might have to add new staff. You testified earlier about workforce, that you had to do workforce training. So I take it you have untrained staff on your staff now and I'm wondering about an ongoing project that's been running without untrained staff. So your answers have left more confusion than I thought I had before Representative -- Senator Sanborn removed this. Can you address that?

DR. BOBINSKY: Yes, I'm sorry for the confusion. We have staff on board. Actually, I think it's a staff of maybe three at the Division to run this program. And in terms of education to our staff that then contracts with seven agencies throughout the state. So our staff is always looking for additional information so that they can educate so they can bring new evidence-based programs on board. So yes, we need to continue to educate our own program staff about the concept of home care.

Where I'm saying that they're at capacity that would be funded under the contracts for program services, which right now has a million dollars attached to it. Because the people who actually go out and provide the service are in contracted agencies. So we have to fund those programs so they can expand or continue their work. But that -- when I say a program, an agency is at capacity, that's how we would fund it. We would fund it under the contract line.

REP. OBER: Follow-up, Mr. Chairman.

CHAIRMAN KURK: Follow-up.

REP. OBER: You also said that there are 400 women in the program. They sign up for a three-year stint. As somebody's three-year ends, somebody else may sign on. Representative Weyler said 400, 400, 400, 1200, but I don't think that's your testimony.

DR. BOBINSKY: We continue to try to expand this program. And, again, at this point it is relatively new. It's only been, I think, with us for about three years. I think it's 2013 when we received our first funding. So yes, we expect that this will grow and begin to grow exponentially.

REP. OBER: So we currently have 400 women at 2.4 million. How much is that per registration right now?

DR. BOBINSKY: Oh, gosh.

REP. BARRY: Five million.

REP. OBER: If we accept this it's at 2.4, Mr. Chairman, according to their paperwork, and they still are going to have 400 women.

CHAIRMAN KURK: Am I correct the purpose of this program -- the purpose of this request is to expand the program?

DR. BOBINSKY: Yes.

CHAIRMAN KURK: We now have 400 women. If we are doubling -- roughly, doubling the size of the program, we would expect in due course that there are going to be 800 or more women. Is that the plan?

DR. BOBINSKY: I would hope we would continue to that extent, yes.

CHAIRMAN KURK: So you're not paying these folks for contracted services unless there are more women who they are providing services to.

DR. BOBINSKY: I do not know exactly what our contract says. I would have to go back and look at that. But the intent always is to increase, find all of the women who need this service and bring them into that program.

REP. OBER: Mr. Chairman.

CHAIRMAN KURK: Representative Ober.

REP. OBER: I was incorrect, and Representative Barry pointed out to me we actually have to add. We have two total expenses lines. Probably one should have been a subtotal and another subtotal added together. We actually have 2.6 million plus 2.4 million for $5 million expenditure to help 400 women.

DR. BOBINSKY: That's two years.

CHAIRMAN KURK: It seems on a yearly basis, not the total for the two years, but on a yearly basis, and I'm looking at 2017, we are currently spending or have budgeted $1.347 million.

MR. MEYERS: That's correct.

CHAIRMAN KURK: That will cover, according to your testimony, 400 women, some of whom may be in their first year, some of whom in their second year, some of whom in their third year receiving services.

REP. OBER: Mr. Chairman, if you look above, there's also total expenses that's currently budgeted of 1.9 million. So you actually have to add budgeted expenses, 1.9 plus 1.3 to get the total budget. That's what Representative Barry pointed out.

CHAIRMAN KURK: That's the total budget for the biennium.

REP. OBER: We have 18 months left in the biennium.

CHAIRMAN KURK: I understand that. I'm trying to figure out the long-term cost of this on a yearly basis, assuming '17 is indicative and not '16. '16 that's start-up costs with something else. It's a million three --

MR. MEYERS: Right.

CHAIRMAN KURK: -- for 400 people --

MR. MEYERS: Right.

CHAIRMAN KURK: -- in three stages. By going to 2.4 in '17, adding another million --

MR. MEYERS: Right.

CHAIRMAN KURK: -- the expectation, the hope, the intention is to double that number at least and bring it up to 800 women.

DR. BOBINSKY: Yes, we continue --

CHAIRMAN KURK: Right now we are at roughly three -- well, no. And what you do not know is whether, in fact, the program pays per person or whether you give them a grant and have an expectation that they will go out and --

DR. BOBINSKY: And seek.

CHAIRMAN KURK: -- and persuade another 400 women to participate.

DR. BOBINSKY: Correct.  I do not know the depth of that contract.

CHAIRMAN KURK: It's conceivable at this point, because you don't know, that they would still get the extra money even if there are no additional women participating in the program.

DR. BOBINSKY: Again, I do not know the answer to that but conceivable.

REP. OBER: Should we not be prudent and table this until we get the answers?

SEN. SANBORN: Before I address --

REP. OBER: I'm not moving. I'm asking the Chairman a question.

CHAIRMAN KURK: Senator Sanborn.

SEN. SANBORN: You indicate your desire to see how far we can expand this program. You hope it continues to grow exponentially. If we are birthing 12,000 kids a year, do you have a kind of a top vision?  I mean, is the goal to have every kid in New Hampshire for this service?

DR. BOBINSKY:  No.

SEN. SANBORN: Where do we reach that level where we are spending money wisely, we are doing the right thing, but we are not going to spend $35 million a year on the program.

DR. BOBINSKY: Senator, I cannot give you the answer to that question. Again, my knowledge is not that deep. But, again, I am happy to send that information forward. But no, again, these are women who appear to be by judged by professionals at the hospital upon release that they would be referred to this type of program.

MR. MEYERS: Right, right. There's a population that would benefit from these services. And so this is a targeted program that's supported with Federal funds for that purpose.

CHAIRMAN KURK: Representative Wallner.

REP. WALLNER: Yes, thank you. I thought I heard in your testimony that some of these people -- some of these groups that you contract with may -- are already at maximum capacity.

DR. BOBINSKY: Yes, I believe there are two or three.

REP. WALLNER: So, presumably, they would -- they're already turning people away possibly because they are at their maximum capacity. So there are people out there possibly waiting for this service.

DR. BOBINSKY: And, again, I cannot attest to the fact that we are turning people away, nor that we have a waiting list, if you will. But yes, they are very busy and, again, I do not know if it's a contract per child -- per mother served or if it's you will serve, and I can let you know that immediately.

CHAIRMAN KURK: Since we have the Commissioner here, I hope he will take note of the tenor of some of these questions --

MR. MEYERS: Yes.

CHAIRMAN KURK: -- that are looking to cost effectiveness --

MR. MEYERS: Yes.

CHAIRMAN KURK: -- programs over the long-term.

MR. MEYERS: Yes.

CHAIRMAN KURK: Not just doing good, not just feeling good, but accomplishing specific results for specific dollars spent so we can compare. I know with grant programs it's not always easy; but, certainly, for budget purposes, whether a million dollars spent here gives us a better result than a million dollars spent there if we have to choose between the two, which we often do.

MR. MEYERS: Right. Correct.

CHAIRMAN KURK: Senator Little.

SEN. LITTLE: Thank you very much. The last -- and I see this on a lot of submissions, not just from HHS --

MR. MEYERS: Hm-hum.

SEN. LITTLE: -- but from many agencies. The last paragraph is in response to a question that you're asked --

MR. MEYERS: Right.

SEN. LITTLE: -- as a fill in. And it says that if the Federal funds ever go away, you will not expect the State General Funds to step in behind.

MR. MEYERS: Right.

SEN. LITTLE: Is that a statement that you truly believe given the important nature of this program?

MR. MEYERS: Yes. I mean, we're representing that we would not seek General Funds to do it. I mean, again, this is -- we would, obviously look at our priorities in our budget and maybe there's alternative ways to fund a program like this. But we're representing that should, in this case, the Congress terminate these funds, we obviously have to reassess whether we can deliver the program.

SEN. LITTLE: Well --

CHAIRMAN KURK: Senator.

SEN. LITTLE: Further question. When you say reassess whether we continue, doesn't that sort of imply that you might maybe come back and seek some --

MR. MEYERS: There may be other Federal funds available. There could be other funds that are non-Federal that are available. But we'd always have to assess whether or not the services could be continued if the specific source as identified here were no longer available.

SEN. LITTLE: Thank you.

CHAIRMAN KURK: I'm inclined to go ahead with this now rather than table it because the information, I think, regardless of what your answer was, we would still continue with the program. But the questions that Representative Ober raised are important, and I think we do need the answers to those.

MR. MEYERS: Yes.

CHAIRMAN KURK: We really need to know how much it costs us for each one of the individuals who is getting these services.

MR. MEYERS: Yep.

CHAIRMAN KURK: And if Dr. Bobinsky was suggesting that there was some evidence that over the long run these programs are economically worthwhile, whether -- it's not clear from her answer, she may not know -- whether it's to the State Budget, the State economy or the National economy; but to someone apparently the benefits outweigh the cost. And if we can get that, again, that would be helpful.

DR. BOBINSKY: Yes, sir.

MR. MEYERS: Yes, we will.

REP. OBER: Mr. Chairman.

CHAIRMAN KURK: Representative Ober.

REP. OBER: This is an agency that testifies before us and says they will get answers to us and has a strong track record of never providing those answers. Not necessarily this group, but we don't get the answers back. I would like you to ask them when we would have the answers. Could we have the document by the next meeting so that we would have the answers?

CHAIRMAN KURK: Three weeks.

REP. OBER: If we leave it just open, we never know if they get to it and in fairness to them they never know when it's expected. So maybe it's our fault that we don't get the answers back because we don't set a time limit, but I do think we need those answers.

MR. MEYERS: For the record, I take exception with the premise of the question; but putting that point aside, we are happy to provide the answer prior to the next meeting so that it can be distributed to the Members of the Committee.

CHAIRMAN KURK: Much appreciated. Thank you. Senator Sanborn.

SEN. SANBORN: Actually, Senator D'Allesandro first.

SEN. D'ALLESANDRO: I want the record to clearly indicate that when I ask a question of the Department, I get an answer. I follow-up and they follow-up. I think to present a view that the agency is non-responsive is not -- that's -- that's not consistent what I've seen and I have been around here awhile.

CHAIRMAN KURK: We understand that.

SEN. D'ALLESANDRO: I'm glad.

REP. OBER: I'll refer my questions to you, Senator, and get my answers. I know how to do it now. Thank you.

CHAIRMAN KURK: Some of us may have had different experiences, but I agree with you. My questions have been answered in a timely manner. Further discussion on this issue? Is there a motion?

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

SEN. SANBORN: Mr. Chair, I have one more question.

CHAIRMAN KURK: Sure.

SEN. SANBORN: I beg your indulgence. Might not be entirely relevant, but I'm not sure if Mr. Meyers will be up here again today and, clearly, do not want to throw gas on any fire about receiving information. But I ask your indulgence to say I don't see a Dash Board in this report.

MR. MEYERS: Right.

SEN. SANBORN: I ask for them every single month. It was from May to December. Can we -- can I get your commitment that this Committee will have a Dash Board every single month?

MR. MEYERS: I have -- yes, and I have made that commitment publicly, including in my testimony at the confirmation hearing the other day. It's my intention if confirmed as Commissioner to ensure that there is a public Dash Board that is released and posted by the Department that's available to this Committee and available to the general public on a monthly basis.

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

CHAIRMAN KURK: Senator D'Allesandro moves that we accept this article.

REP. WALLNER: Second.

SEN. REAGAN: Second.

CHAIRMAN KURK: Seconded by Senator -- by Representative Ober. Further discussion.

REP. WEYLER: Representative Wallner.

CHAIRMAN KURK: Was it Wallner?

REP. OBER: Wallner said second.

CHAIRMAN KURK: Sorry. Seconded by Representative Wallner. 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 adopted.

***** {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 Authorized:**

CHAIRMAN KURK: And we move on to the fourth item or the fourth tab on the agenda, RSA 14:30-a, Fiscal Committee Approval Required For Acceptance and Expenditure of Funds Over $100,000 From Any Non-State Sources. This is a Consent Calendar item. Is there any request that an item be removed? There being none, is there a motion to accept the --

** SEN. REAGAN: Move to accept.

CHAIRMAN KURK: -- the Consent Calendar under Tab (4). Moved by Senator Reagan. Seconded by --

SEN. D'ALLESANDRO: Second.

REP. OBER: Ober.

CHAIRMAN KURK: 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 Items 005 and 016 are approved.

***** {MOTION ADOPTED}**

**(5) RSA 7:12, I, Assistants**:

CHAIRMAN KURK: We turn now to Tab (5) under the agenda, Fiscal 16-001, a request from the Department of Justice for authorization to accept and expend the sum not to exceed $1 million for funds not otherwise appropriated for the purpose of covering projected shortfalls in the general litigation expenses incurred in the defense of the State and the prosecution of criminal law through June 30, 2016. Is there a motion?

** REP. OBER: Move to accept.

CHAIRMAN KURK: Representative Ober moves that we accept. Seconded by?

REP. EATON: Second.

REP. WEYLER: Eaton.

CHAIRMAN KURK: Representative Eaton. 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}**

**(6) RSA 622:28-a, V, Industries Inventory Account**:

CHAIRMAN KURK: Turn now to Tab (6), RSA 622:28-a, V, Industries Inventory Account, Fiscal 16-009, request from the Department of Corrections for authorization to purchase a 20-foot refrigerated box truck in an amount not to exceed $20,000 in other funds from the Correctional Industries Revolving Account through June 30, 2016. Is there a motion?

** SEN. REAGAN: I move acceptance.

CHAIRMAN KURK: Senator Reagan moves.

REP. OBER: Second.

CHAIRMAN KURK: Seconded by Representative Ober. Discussion? There being none, are you ready for the question? All those in favor, please indicate by saying aye? The ayes have it -- excuse me. Nay? The ayes have it and the motion is approved.

***** {MOTION ADOPTED}**

CHAIRMAN KURK: And the item is accepted. This was Fiscal 2016-009.

REP. WEYLER: Did you vote nay, Mr. Chair?

CHAIRMAN KURK: No.

REP. WEYLER: Oh, I'm sorry.

**(7) Chapter 206, Laws of 2015, Medicaid Coverage of Telehealth Services:**

CHAIRMAN KURK: We now turn to Tab (7) and Fiscal 16-006, a request from the Department of Health and Human Services for authorization to implement a Medicaid Telehealth Program that complies with the provisions of Chapter 206, Laws of 2015. Senator Sanborn has a question. Thank you, Commissioner.

MR. MEYERS: Of course.

CHAIRMAN KURK: Senator Sanborn.

SEN. SANBORN: Thank you, Mr. Chair. Thank you, Mr. Commissioner.

MR. MEYERS: Of course.

SEN. SANBORN: Commissioner, as you know, I was prime sponsor on one-half of the Telehealth, and Senator Pierce, if I remember correctly, sponsored the Medicaid one, and so much of the testimony was surrounded around supporting Telehealth. And I was prime so I clearly supported it. But how is it the State lets money to deliver health care around New Hampshire? I see in your narrative that reimbursement is going to be at retail rate. So I had some conversations with another couple Senators here about how we save money and reimburse everything at the same rate as if it was a face-to-face program. So it's, you know, and I fully understand that we might not have a specialist up in Berlin or one in Nashua if there was a car accident. So I fully appreciate our need to implement Telehealth. But the narrative seems to imply there won't be a savings if we are paying face-to-face visit for a non-face-to-face experience.

MR. MEYERS: Yes. I think our Medicaid Director, who is very involved in the development of this program in response to the requirements of Senate Bill 112 which created the requirement for the Department to come forward with this proposal, wasn't available today. And she could probably speak to it in greater detail than I can today. But the -- but my understanding is we are paying the same rate initially in order to really stand up the program and see how it will work. Because if we pay a different rate, it may not encourage enough participation. And what I understand is that Telehealth programs around the country are generally stood up paying at the same face-to-face rate initially in order to get the program going. But that, obviously, has to be reassessed after a period of time to see how, you know, economies can be achieved through the use of this technology as opposed to a face-to-face visit.

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

CHAIRMAN KURK: Just a comment, I guess. When computers first came out and printers first came out I, and I think most other people said, great. We are going to save huge reams of paper. We won't need file cabinets, et cetera, and we all know what happened. When you make something readily available for whatever reason we seem to use it more. Instead, if you're doing a thesis or something, instead of having it retyped 16 times which is very expensive --

MR. MEYERS: Right.

CHAIRMAN KURK: -- you only did it once or twice at the most. Now you can have a reprint at the press of a button. So my concern here is that this program will be extremely popular and will have an increased use of health services. I'm very pleased to say that while you will start off reimbursement rates at a standard rate for face-to-face visit, you will also look very carefully at the program to decrease, I assume, not increase that rate should the program prove popular.

MR. MEYERS: Right. I mean, we need to assess this as it goes forward because the objective is, obviously, to -- to achieve savings and not to increase the cost of the services. There's reporting requirements in the statute. The Department will be before the Legislature in the future reporting on how this program is working or not working, and it will, obviously, have to be assessed as it goes forward.

CHAIRMAN KURK: Will that be part of the Dash Board?

MR. MEYERS: Happy to make it part of the Dash Board, sure. I want to take a look at how lineup -- align the reporting requirements, but I don't see any reason why we can't make it part of the Dash Board.

CHAIRMAN KURK: It may be too insignificant part of the total package to include in the Dash Board.

MR. MEYERS: Yeah.

CHAIRMAN KURK: Is there a motion?

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

CHAIRMAN KURK: Senator D'Allesandro moves the item.

REP. OBER: Second.

CHAIRMAN KURK: Seconded by Representative Ober.

REP. OBER: Hm-hum.

CHAIRMAN KURK: Further discussion? There being none, are you ready for the question? All those in favor approving Item 16-006, please now indicate by saying aye? Opposed? The ayes have it and the item is approved.

*** **{MOTION ADOPTED}**

**(8) Chapter 275:1, Laws of 2015, Department of Corrections; Budget Footnote on Accounting Unit 8234:**

CHAIRMAN KURK: Turn now to Tab (8), Fiscal 16-013, a request from the Department of Corrections for authorization of a 100% General Fund appropriation for an additional 1,045,837 for medical and dental expenses to cover projected shortfalls for the remainder of State Fiscal Year 2016. Is there someone from the Department available? Good morning.

HELEN HANKS, Assistant Commissioner, Department of Corrections: Good morning. Thank you, Members of the Committee. My name is Helen Hanks. I'm the Assistant Commissioner for the Department of Corrections. And prior to that I was in the position of the Director of Medical and Forensic Services.

To my right is Paula Mattis who took on that role for the Department and she's new. So I'm going to take the lead and have her fill in where I might not be fully aware.

CHAIRMAN KURK: Thank you.

MS. HANKS: Happy to take questions.

CHAIRMAN KURK: Senator Morse.

SEN. PRESIDENT MORSE: I don't know if this makes sense, but you're predicting a shortfall for the next six months and you've got an exact number of 1,045,837. If you're that good, that's great.

MS. HANKS: I'm pretty good, but I believe that my accounting folks got a little too specific and it's an approximate, sir. I think the question is very relevant.

We have done a lot of forecasting over the years. I think we're very close. We may be off a couple of dollars here or there, obviously. We've had some unanticipated events due to substance use injuries within the Department, due to a nursing vacancy rate. We have not used dialysis services last year. We have a patient coming back on Friday who will need dialysis. We hadn't forecasted for that. And I think our budget when we presented it, we were concerned with the number because it didn't take into account the normal medical Consumer Price Index that happens in the community. These are community-based costs that we are talking about here. It's important to know they're not costs that are incurring behind the walls with our existing staff.

SEN. PRESIDENT MORSE: Further question.

CHAIRMAN KURK: Further.

SEN. PRESIDENT MORSE: The community -- so are they under our care at that point or have they been released?

MS. HANKS: They're under our care, but they're receiving the care, they have to go to a hospital. They have to go out for cancer treatment. They have to go out for intravenous.

SEN. PRESIDENT MORSE: So we couldn't sign them up for an insurance policy.  They're not out long enough.

MS. HANKS: Correct.  We are tapping into the Medicaid Expansion.  I think it's also important, which is part of that Fiscal letter, we have deferred last year $1.8 million of inpatient stays that were eligible for our offenders who have the qualified stay at a hospital to be deferred to be paid by Medicaid rather than our General Fund dollars.  And when we submitted this letter we had deferred 667 approximate thousand dollars again to Medicaid. We're up now.  We've deferred around $876,000 to Medicaid that didn't come out of General Fund.

SEN. PRESIDENT MORSE: Further question.

CHAIRMAN KURK: Further question.

SEN. PRESIDENT MORSE: I spoke with Speaker Sytek when we authorized the health care plan, And we were going to work to make sure that everyone that was released signed up for health care.

MS. HANKS: Hm-hum.

SEN. PRESIDENT MORSE: Is that happening?

MS. HANKS: Yes, sir. So when people are released on parole, those costs are incurred through their own means. But we are signing people up for Medicaid prior -- approximately 30 days prior to their release through NH EASY.  We work with Health and Human Services.  They look at our population very closely for us and approve and deny those before their discharge date.  The last number I had had enrolled 564 individuals. I am sure that number has gone up since I last looked at it.

SEN. PRESIDENT MORSE: Is that a requirement that they have to do it?

MS. HANKS: They -- we can't force the men and women to sign up for it, but it is part of our case management plan. Our case managers are sitting with our clients and they're enrolling them. They can choose or refuse to enroll. Most are not once we explain the process to them.

SEN. PRESIDENT MORSE: Further question.

CHAIRMAN KURK: Further question.

SEN. PRESIDENT MORSE: Can't we require drug and alcohol treatment of those people that we're putting out on probation?

MS. HANKS: We can make it part of their probation and parole plan, yes.

SEN. PRESIDENT MORSE: So wouldn't that on the other end of it require them to get insurance to be able to participate in that? Because that was our discussion in authorizing health care that we saw a huge benefit here.

MS. HANKS: I will look into that on the legal side with the Attorney General's Office. I'm not sure if we can force them to enroll in health insurance. I think it's a great question and I'll get clarification on that.

SEN. PRESIDENT MORSE: Thank you.

CHAIRMAN KURK: Senator Sanborn.

SEN. SANBORN: Thank you, Mr. Chair. Two questions. Thank you, ladies, for coming in. Welcome aboard.

PAULA MATTIS, Department of Corrections: Thank you.

SEN. SANBORN: Hope you have a great time. If you need help, let us know.

MS. MATTIS: Thank you.

SEN. SANBORN: Number one, you reference that you blame your mathematical calculation based upon an increase in health care costs. Just interested to know what that rate is. And, number two, when we talk about providing services, if I'm understanding you correctly, because I think there's a lot of discussion about Medicaid Expansion and our ability to use the Correction universe to help offset those costs, and my understanding was while they're incarcerated we actually couldn't which was kind of a misapplication of the discussion at that time. So is what you're saying that every time you transfer someone who is incarcerated to a hospital for service, you sign them up for that service. And then when they come back you de-enroll them? How mechanically does it happen?

MS. HANKS: Let me clarify. It has always been available to the Medicaid population that when an offender is out at a hospital and has literally an inpatient stay, if they met the eligibility requirements we could seek reimbursement for that service and Medicaid would pay the hospital directly.

SEN. SANBORN: We have always done that?

MS. HANKS: Always -- well, we did that in 2008 when I came on board.

SEN. SANBORN: Okay.

MS. HANKS: What happened with the expanded definition is the number of people who now are eligible has increased to almost 90% of those inpatient stays are now deferred for Medicaid and they do enroll them, and they basically suspend the benefit and we are able to re-engage it if they go back multiple episodes.

SEN. SANBORN: Mr. Chair.

CHAIRMAN KURK: Follow-up.

SEN. SANBORN: So having visited our facilities, we have health facilities basically in our facilities so when they are getting care within the facilities they stay within the wall non-covered benefit. Only if the injury or illness is significant enough that we actually have to transfer them out of the facility into a hospital, only that portion will be covered under Medicaid.

MS. HANKS: Correct, as long as it's an inpatient stay.

SEN. SANBORN: Has to be overnight?

MS. HANKS: Has to be overnight and meet the definitions of 24 hours plus one minute.

SEN. SANBORN: Thank you.

MS. HANKS: My pleasure.

CHAIRMAN KURK: The $1.8 million and the $600,000.

MS. HANKS: Hm-hum.

CHAIRMAN KURK: Is that the total amount that we saved or only 50% of that that we saved?

MS. HANKS: The total amount that we saved.

CHAIRMAN KURK: When an inmate is out, is in a hospital and qualifies for Medicaid, does Medicaid pay 100% of his costs or does the State have to pay 50% of the Medicaid costs?

MS. HANKS: It's currently at 100%.

CHAIRMAN KURK: We pay nothing?

MS. HANKS: We pay nothing for the inpatient stay.

CHAIRMAN KURK: Is it possible to save more money by shifting more of our patients out of our facilities for treatment?

MS. HANKS: We shift anyone who is appropriate for inpatient stay at a hospital to an inpatient stay at a hospital. We don't retain people in the facilities if they require inpatient stay.

CHAIRMAN KURK: Senator Morse.

SEN. PRESIDENT MORSE: Chairman, are you suggesting that we use Federal money?

CHAIRMAN KURK: Thank you for that question, Senator.

MS. HANKS: Glad I don't have to answer that, sir.

CHAIRMAN KURK: And I chose not to. It does sting on occasion.

REP. WEYLER: We have no motion.

CHAIRMAN KURK: No. Could you give us a quick review of what you requested in the budget and what the ultimate numbers were? This is a very significant -- this request for six months is a very significant increase in '16, and it suggests an even larger increase for '17.

MS. HANKS: Well, I would like to start with last Fiscal Year we ended at expending -- I'm going to round-up 'cause it was $3.994 million in health care services. Again, that exceeded our internal capacity. When we projected our budget to be presented many years ago at this point, had anticipated a cost of a little over 5 million. We left the Governor's phase agreeing to around 3.3, and through the legislative process we attained the $3.6 million budget that we are operating under now.

So we had anticipated an increase in cost and what we have to do with medical expenditures and it varies every year based on our patient mix is really track it and see where we are trending. So this is above and beyond that. But we had anticipated the medical Consumer Price Index affecting those community external costs, and I think they are part of that driver.

When we looked at the medical CPI, and I have a copy, but I'll e-mail it out so you'll all have that through the LBA, it was 6.6. That medical CPI through Boston-Brockton, which is the industry standard, is now around 4.9. I think that's the primary driver when you multiply that with what we expended around 3.99 last year. That's your delta, and then some of those unanticipated medical expenses based on our patient mix.

CHAIRMAN KURK: So your request was five point --

MS. HANKS: It was 5.6 initially.

REP. OBER: To the Governor.

MS. HANKS: To the Governor. Then we evaluate some more.

CHAIRMAN KURK: I understand. What will be your total if this request is granted?

MS. HANKS: 4.6 I would round-up to 4.7.

CHAIRMAN KURK: What do you think you'll be requesting next year above and beyond the amount in the budget?

MS. HANKS: Next year we actually have a higher medical line, and it is 4.8. I think we can attempt to operate within that number, again, depending on what that medical CPI is and what our patient mix, but I think it's a better budget for next year with this population.

CHAIRMAN KURK: Two other questions, and please don't be too offended by this one.

MS. HANKS: Tough skin.

CHAIRMAN KURK: Are we providing the Constitutional minimum medical care required or are we providing a higher level of care than the Constitutional requirement?

MS. HANKS: It's a very appropriate question, and we are providing the Constitutional appropriate requirement. No one's getting false teeth. We are not doing hip replacements. But it's a very fair question, and we are providing the 8th Amendment Constitutional requirement.

CHAIRMAN KURK: And not more?

MS. HANKS: Not more.

CHAIRMAN KURK: Thank you. Senator Sanborn.

SEN. SANBORN: Thank you, sir. For inmates that are not at a facility for 24 hours and one minute, how are we being billed by the hospitals; at the Medicaid rate, the Medicare rate or the retail rate?

MS. HANKS: Well, fortunately, this Legislature through the years have helped us support and change legislation around what we will pay to the hospitals. So there's actually a statute, I'll send that to you, that's specific. We pay 25% above the Medicare rate for different types of service and 10% for hospital-based services. And what we do is at the Department above and beyond that is we do put out Requests For Proposals to engage in contracts to try to get even a reduced rate for our populations. We're a guaranteed payer. We pay on time. And sometimes we've attained contracts with hospitals at an even lower rate than the Medicare rate.

SEN. SANBORN: Thank you.

CHAIRMAN KURK: I thought these folks who were going into hospitals were receiving Medicaid services?

MS. HANKS: For inpatient stays.

CHAIRMAN KURK: And that's being paid -- right. But those people are being paid at the Medicaid rate.

MS. HANKS: Correct.

CHAIRMAN KURK: And we are paying none of that.

MS. HANKS: Correct.

CHAIRMAN KURK: But it's the Medicaid rate.

MS. HANKS: It's those outpatient one-time encounter services that we have different established rates for.

CHAIRMAN KURK: And what would you think of the idea of changing that language from Medicare to Medicaid?

MS. HANKS: That was the language I went in initially with at the beginning of the cycle, and the different hospital groups lobbied that that rate was not favorable. We negotiated to the Medicare rate. I'm certainly in favor of looking at the Medicaid rate.

SEN. SANBORN: I'm sorry, Medicare plus 25?

MS. HANKS: Well, it could be the Medicaid rate.

CHAIRMAN KURK: Are you operating under statute or --

MS. HANKS: Yes.

CHAIRMAN KURK: -- are you negotiating independently of statute?

MS. HANKS: I'm doing both. I'm operating under statute and contracting for payments lower than statute when I can. And if there's a specialty service that they won't accept our patient because of the patient mix, I might have to negotiate even a different rate. That's what's within statute as well.

CHAIRMAN KURK: Thank you. Representative Ober and then Representative Weyler.

REP. OBER: Thank you, Mr. Chairman. Just a little history. Assistant Commissioner Hanks gave you a little bit of it but not all of it, and I think she probably can't go through all of this. But when they came to Division I, there was discussion that this amount was low, and they were hopeful. But on the other hand, this is one of the line items where they can come to Fiscal and ask for more money.

And at the time, as we all know, you can only spend a dollar in one place. Once you spend it, it's gone. And the Corrections budget that came to the House had all of the new opening costs and staffing for the Women's Prison. So they were trying to juggle the huge increase in the budget because of the new prison. And I'm sure that was part of the discussion with the Governor, although she didn't come and testify specifically. But there was -- we knew there was a risk with this line when they came, and they were very open, and they were very calm about discussing what they were going to try to do.

MS. HANKS: Thank you, ma'am. That's correct.

CHAIRMAN KURK: Representative Weyler.

REP. WEYLER: Thank you, Mr. Chairman. I'm looking at Page 2, one of the last paragraphs. We continue to work to obtain reimbursement from other states for inmates that have been transferred to us by interstate compact and incur medical costs, and I'm curious as to what -- how significant this population is, how expensive they are. And, obviously, do we look at the -- at the physical health of the request to see if they're passing on some very expensive things, like, dialysis when they ask us to transfer a patient?

MS. HANKS: That's an excellent question. Yes. Any other state that asks us to receive one of their offenders, and we also for numerous reasons might want to exchange one of ours, we actually go through a process where it goes through medical, mental health, security, offender records, many places, and then finally actually to my desk. And then I audit all of the individual recommendations to ascertain whether I think this person is an appropriate person to be placed in New Hampshire. We certainly do not take people whose medical costs, such as dialysis or even, quite frankly, Hepatitis C treatment with the new pharmaceuticals we say no.

REP. WEYLER: Good.

MS. HANKS: In fact, I'm proud to say that in 2008 we became very active in making sure that the costs incurred by out-of-state offenders in our custody are reimbursed by the sending state and we are basically budget neutral. After one particular state who's promised to send us a check this week, but we are budget neutral on that.

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

MS. HANKS: Thank you for the question.

CHAIRMAN KURK: Are we taking full advantage of the statute that allows you to release early those people with extraordinary medical expenses?

MS. HANKS: Yes, we are, the medical parole statute. Last year we recommended ten individuals. We medically paroled five. Just because they meet the level of that statute with regard to their medical condition doesn't mean their safety has changed. And this year we've medically paroled three. We are only in January. I'm not sure what the rest of the year will do; but we actually have an employee who is that's one of their fundamental functions.

CHAIRMAN KURK: Thank you.

MS. HANKS: Thank you.

CHAIRMAN KURK: Is there a motion?

** REP. OBER: Move to accept.

CHAIRMAN KURK: Representative Ober moves, seconded by Senator Sanborn that the item be accepted. 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 accepted.

***** {MOTION ADOPTED}**

MS. HANKS: Thank you.

CHAIRMAN KURK: Thank you. Senator Morse.

SEN. PRESIDENT MORSE: There was something you said, and I think it's worth noting as we get into the CAFR later, Line 5 that we approved was a million dollars to the Department of Justice, which they can come in at any time and ask for. And then we just approved another million dollars. That goes beyond where the budget was that we approved and sent out of here. I just want to point it out because every one is coming with money bills. And I think you'll see in the CAFR we did go over where we were and what we approved.

CHAIRMAN KURK: Thank you for that observation. I agree.

**(9) Chapter 276:23, Laws of 2015, Judicial Branch; Transfers:**

CHAIRMAN KURK: We now turn to Fiscal -- to Tab (9), Fiscal 16-018, a request from the Administrative Office of the Courts for authorization to transfer $299,800 in General Funds between expenditure classes through June 30th, 2016. Is there a motion?

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

CHAIRMAN KURK: Senator D'Allesandro moves, seconded by?

REP. WEYLER: Wallner.

CHAIRMAN KURK: Representative Wallner. 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}**

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

CHAIRMAN KURK: We now turn to Tab (10), Fiscal 16-007, request from the Department of Transportation to authorize -- for authorization to establish various non-budgeted classes in various accounting units and to transfer $3,500,400 between various accounts and classes through June 30th, 2016. Is there someone from the Department who could answer questions? Good morning, folks.

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

CHRISTOPHER WASZCZUK, Director of Project Development, Department of Transportation: Good morning.

MS. MULLEN: Marie Mullen, Director of Finance from DOT and with me is Director of Project Development, Chris Waszczuk.

CHAIRMAN KURK: I see you've moved up in the world.

MR. WASZCZUK: Thank you.

CHAIRMAN KURK: I have one very basic question on this. It appears that you're removing $3.5 million from construction to spend elsewhere. We struggled mightily in the House, and I'm sure in the Senate, to fund the Department's construction budget at a reasonable level. Were we overly generous by three and a half million dollars?

MS. MULLEN: Thank you for the question. This is actually an account that we've come to Fiscal before to accept and expend funds. It wasn't through the budget process per se. Hum -- we had exceeded our revenue from Federal Highways. So we had accepted funds here to establish this to pay for non-participating Federal Highway projects. So at the time it was established we didn't have specific projects identified that it would be used for. So we had made an assumption that, you know, construct -- we kind of parsed it out of where we estimated it would be. And now that we've come to the point where we need to pay back Federal Highway and pay some expenditures, we need to put the appropriations in the proper class line. So we are requesting to move the funds to the appropriate class line so that we can pay it out.

CHAIRMAN KURK: Is the effect of this that certain potholes will not be filled and certain roads will not be paved?

MS. MULLEN: No.

CHAIRMAN KURK: If this is not approved will potholes -- more potholes be filled and more roads paved?

MS. MULLEN: No. If this is not approved, Federal Highway will still withhold the funds from our reimbursements. They've specified to us they would withhold funds regardless from our regular reimbursements, from our weekly reimbursements.

MR. WASZCZUK: Representative, if I may add? This money goes back to those non-participating expenses back into the Federal program, back into Federal accounting codes that become available for the State to use on other projects. So, in essence, it's more of we are not paying for non-participating items. And then, ultimately, they become participating on other projects. So we are able to do paving and bridge work on other projects that are participating under the Federal program. So this money is coming right back and will be used under the Federal program.

CHAIRMAN KURK: And where is it? Could you show me where it's coming back?

MR. WASZCZUK: It is coming back --

CHAIRMAN KURK: It's not in here?

MR. WASZCZUK: It's not in here. Into the Federal program, into those Federal accounting units that it came out of originally.

CHAIRMAN KURK: And so there will be potholes filled and roads paved --

MR. WASZCZUK: Yes.

CHAIRMAN KURK: -- with this money at some other time in some other portion of the budget?

MR. WASZCZUK: Correct.

CHAIRMAN KURK: Thank you. Senator Sanborn.

SEN. SANBORN: Thank you, Mr. Chair. Am I correct then to assume it might be more appropriate to receive or recognize this money in a different class line if this is an ongoing situation where we're not really using the money as we would all imply or it's being withdrawn from an account that we would imply the use would be otherwise?

MS. MULLEN: Yes. At the time we didn't have specific projects or we hadn't identified what specifically it would be used on. So we anticipated construction type items. Since then, we have identified what these need to be used for. So we need to re-class the items. So, yes, in the future if we are able to identify that ahead of time, we would request it in the proper class line upfront.

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

CHAIRMAN KURK: Follow-up.

SEN. SANBORN: I guess maybe I'm thinking from the reciprocal. Do you always anticipate this money from the Feds or is this at some level found money that you didn't anticipate it so you didn't have a project associated with it.

MS. MULLEN: Right. This was found money. We hadn't anticipated it in the budget. Because our projects are cyclical, they can go over two and three-year periods. Our reimbursements from the Federal year each year can go up and down depending on the activity in our projects. So when we -- so when we budgeted it was found money at that time.

SEN. SANBORN: So, therefore, Mr. Chair, if you allow? Therefore, my question on the accounting basis would it be more illustrative to the Finance Committee to have a different general ledger account of unanticipated Federal funds so if there's not the thought from some of us that we are taking money away from repairs when in a sense we are finding new money to help with repairs? So, Mr. Chair, I leave that up to you and the Finance Committee, if you understand my question.

CHAIRMAN KURK: It's a request when you submit these in the future, if you could put in language that reflected your testimony here today rather than the, from my point of view, incomprehensible explanation that we received, I think it would be much appreciated.

MS. MULLEN: Absolutely.

** REP. EATON: Move the item.

CHAIRMAN KURK: Representative Eaton moves the item, seconded by Senator Sanborn. Discussion? Questions? There being none, are you ready for the question? All those in favor, please indicate by saying aye? All those opposed? The ayes have it and the item is approved.

*** **{MOTION ADOPTED}**

CHAIRMAN KURK: We turn now to Fiscal 16-008, another request from the Department of Transportation for authorization to establish various non-budget classes and various accounting units and to transfer $136,000 – that's a record low – between various accounts and classes through June 30th, 2016.

** REP. EATON: Move the item.

REP. OBER: I have a question.

CHAIRMAN KURK: Representative Eaton moves the item. Is there a second?

SEN. D'ALLESANDRO: Second.

CHAIRMAN KURK: Seconded by Senator D'Allesandro.

SEN. LITTLE: I think it's $136, not 136,000.

CHAIRMAN KURK: I apologize. I couldn't even read such a small number. Representative, we have a motion and a second. Representative Ober is recognized to ask a question or to speak to the motion.

REP. OBER: Thank you, Mr. Chairman. Last month, I specifically requested of DOT that they take a little more care with the presentation of the materials that come to us. We're dealing with $136. No zeros at the end of that. Your explanation, written by you, says various non-budgeted classes in the plural, and yet your document shows that you are going to put $136 into one class, Class 19, holiday pay. Why doesn't your document match your spreadsheet? That should be singular and, again, it's just a matter Representative Kurk just spoke about the discussion. Believe it or not, we read these. We look at these. We get our books a week ahead of time. We study them. We ask questions. It's so helpful, can you please work to make the paperwork just a little bit better so it's -- we are not trying to figure out, well, why does it say classes plural, but I only see one transfer, for example.

MS. MULLEN: Absolutely. We'll take more care to review that.

CHAIRMAN KURK: This is a well-educated state. All of us have been taught by our first, second, third and high school English teachers about punctuation and grammar and sentence structure and so forth, and I guess those lessons have remained with us.

MR. WASZCZUK: Duly noted.

SEN. SANBORN: Although, Mr. Chair, I might suggest that when it comes out of one class into another class, Class 19 into 20, some would suggest should be "ES" for classes.

REP. OBER: Representative Sanborn it says establish non-budget classes.

REP. WEYLER: There's only one non-budget class.

CHAIRMAN KURK: Folks, it is now 11:15. We have three audits. We can discuss English, if you wish, but I prefer to go on.

REP. WEYLER: We have a motion.

CHAIRMAN KURK: We have a motion. Is there further discussion of this $136 item? 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 motion carries.

***** {MOTION ADOPTED}**

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

CHAIRMAN KURK: And thank you very much. We now turn to Tab (11), Fiscal 16-014, request from the Department of Health and Human Services for authorization to transfer $2,859,238 in General Funds, and increase Federal funds in the amount of $40,141 with no net impact on other revenues through June 30th, 2016. Is there someone from the Department who might answer some questions? Good morning, again.

MR. MEYERS: Good morning. For the record, Jeff Meyers and Sheri Rockburn.

CHAIRMAN KURK: I understand this really represents the monetary transfers that need to follow the Department's reorganization. My question is how many positions were eliminated or, excuse me, rendered unnecessary as a result of the switch to Managed Care? And were any of those eliminated or did we simply transfer those to other areas?

MR. MEYERS: My understanding is that we did not eliminate positions as a result of Managed Care. Keep in mind the vacancy rate at the agency now is 14%. We have got 409 vacancies of which 160 are unfunded. Managed Care stood up a new program that required oversight and evaluation and other functions that were not there before the Managed Care Program. So those positions were not eliminated. Positions were repurposed so that we could ensure the integrity of the Managed Care Program. It's, obviously, something that I am very interested in and should I be confirmed next week, it's an area that I'm going to take a very close look at in terms of all of our positions with all of our programs. We are going to need to do that with respect to the work that we'll have to do for the next budget. And we are going to have to do that, frankly, to ensure that we are able to meet the limitations imposed in the current budget. And as you know, my predecessor presented some information at the last Fiscal meeting with respect to shortfalls in certain lines of the Department that, obviously, have to be tracked very carefully between now and the end of the Fiscal Year and the end of the biennium.

So it's how we are allocating positions within the Department, how we are staffing programs is something that, again, if confirmed I'm going to be taking a very close look at. But I can't tell you today that there was or any positions that were eliminated because of Managed Care.

CHAIRMAN KURK: Perhaps I'll rephrase the question. Were any positions which previously were necessary to administer the Medicaid Program made unnecessary as a result of the switch to Managed Care which for a per member/per month charge --

MR. MEYERS: Right.

CHAIRMAN KURK: -- allowed a private insurance company to perform significant bookkeeping, payment and other functions that previously had been done by Department personnel? One of the things that we were told when we passed Senate Bill 413 --

MR. MEYERS: Yes.

CHAIRMAN KURK: -- was that there would be a significant State reduction in personnel necessary to administer the program since we, in effect, were outsourcing significant funds that previously had been done in-house. And even if you kept these positions and transferred them elsewhere, I would appreciate some indication of the number of positions that are no longer necessary to administer the Managed Care Program that were necessary to administer the in-house Medicaid Program. I understand you may have transferred them elsewhere, but there should have been a significant number of positions that were unnecessary as a result of the change to Managed Care.

MR. MEYERS: I'm happy to look into it, obviously, in-depth; but my understanding is that we were unable to because of the different functions and the new requirements on the Department to ensure the integrity of the program and the monitoring and the oversight of the program, that that did not allow for the elimination of positions. Obviously, I wasn't involved in making the representations back in 2013 with respect to what positions may or may not be eliminated as a result of the program; but we are happy to take a further look at it.

CHAIRMAN KURK: Thank you. Senator Morse.

SEN. PRESIDENT MORSE: Well, just to follow-up on that. 'Cause I -- Jeff, I do think it's important and I thought it was important for a different reason. I thought we needed more technical people in the Department and I certainly worked with the past Commissioner --

MR. MEYERS: Yes.

SEN. PRESIDENT MORSE: -- to try and figure out how to get there. But I think the Committee needs to understand. I just checked this. 2013, July, 2600 employees, give or take 10 or 20. 2014, July, 2600 employees, and 2015, July, 2600 employees, all give or take by 20. So I keep hearing how we need more employees because we cut them for three years, there's proven that we have the same amount of employees all over there.

I did ask if we should move some people in, like, shrink down to 2500 and put in 33 specified accounting type employees 'cause I'm sure we get done asking questions about the CAFR, which I hope you stay for, we're going to hear things that things were mismanaged and money was left somewhere. I don't find that an acceptable answer because I was trying to solve it. But I think Neal is getting to a point that I met with one of the MCOs. A hundred thirty something employees. That's one MCO, and I don't believe they have the biggest chunk. So then if the other one has 130 employees that's 260 employees. A logical person would assume that there's got to be savings somewhere else. I mean, it's just -- I don't care if anybody cited it or not cited it. There's all these people working for insurance companies doing a job of sending people what we want to do, go to my primary care first and not go to a hospital.

MR. MEYERS: Right.

SEN. PRESIDENT MORSE: And the Department isn't showing us any effect of that. And I think it's a logical question to ask and as we re-debate 413 now, I think people are going to want answers.

MR. MEYERS: It is a logical question. And I am committed to looking at it, obviously, and working with the Legislature to explain how this program is working, and what the impact it's having within the Department on staff. But, again, I don't know if we stepped out of the room and I don't dispute the number of employees you just cited; but, you know, we have a 14% vacancy rate and --

SEN. PRESIDENT MORSE: On a fictitious number. It's always been around 3,000 and it's all -- I'm proving to you right now it's always filled to 2600.

MR. MEYERS: Okay.

SEN. PRESIDENT MORSE: This state is going to have 10 or 11% turnover all the time and never have these positions filled. The Commissioners can go meet all the time and complain, but they're all at about the same. So I don't think it's any different. You're a training camp. Ask LBA. I mean, they lose an employee a week to the other departments. I mean, so that's always going to happen in government.

MR. MEYERS: Yeah.

CHAIRMAN KURK: Senator Sanborn.

SEN. SANBORN: Not that employees are ever unhappy at LBA because it's a great place to work under the current steward and last steward. If my memory serves, could be wrong, but I think I'm right, I thought a couple years ago when we were having the conversation about bringing in an MCO for an even higher Medicaid population versus the Expansion population, I'll have to go back and check my numbers, Jeff, but I thought the number was 574 FTE's worked in fee-for-service traditional Medicaid.

And by moving to MCO – this is a contention I've always had with your predecessor.

MR. MEYERS: Yes.

SEN. SANBORN: My point has always been if I privatize an entity and shift the whole thing offshore, I now have about 574 FTEs that were doing a job, and the number could be wrong but that's the number that's sticking in my head right this second, that we would have 574 FTEs that had the previous task for fee-for-service now don't.

Now, I had the same conversation with the Commissioner about three months ago where he said what you're saying today. We won't let anyone go because we're going from fee-for-service or operational type of jobs on to an oversight job to the MCOs. And like we hear from Senator Morse and the Chair, I struggle mightily with that concept. Because if we are paying $6,000 a belly button for MCOs and saving a little bit of money but now we still have to retain hundreds of employees in an oversight provision, that would indicate to me that we made a mistake somewhere, because the cost will be dramatic.

MR. MEYERS: I should have also added, excuse me, earlier that we haven't eliminated our fee-for-service program. That program has not gone away. We didn't turn on Managed Care for all populations or all services at once.

Now, there is a legislative mandate to put all populations and all services in Managed Care. We have been implementing that now since 2013. We have taken care before we have moved from one phase of the program to the next phase with this -- the latest development in terms of putting those that were able to opt-out of their medical services for Managed Care, most of whom are dual eligible, so there are some other folks in that group as well, about 10,000 people will now become under Managed Care starting on February 1st. So we have phased in the program for quality reasons and oversight reasons to ensure that before we expanded the program, particularly the more vulnerable populations, that there was a well-understood plan and there was readiness on behalf of the State and the MCOs to do so.

So my point being that we didn't go -- we didn't flip a switch when 413 passed and all populations and all services were going into Managed Care. So we haven't eliminated the fee-for-service program.

Now, as the program continues to be implemented, it's obviously an imperative for the Department to look at what the staffing levels are and what's needed for oversight and what's not needed for oversight. So it's going to be a constant process.

CHAIRMAN KURK: When do you expect all fee-for-service programs to be completed and everyone transitioned to Managed Care or you don't think that's ever going to happen?

MR. MEYERS: Well, there's bills in the Legislature that are pending now that would delay the implementation of Managed Care for the waiver population. The Department presented and the Governor and Council approved contracts in December that have targeted September 1st of this coming year of 2016 to move forward with the next phase which would be the CFI, Choices For Independence Waivered services and nursing services. But as I testified publicly on Wednesday, in order to be able to proceed, we have -- it's always been the Department's position that the plan for how those services are going to be provided has to be very clear and communicated to people and understood by people, and both the MCOs and the Department have to be ready.

And with respect to the CFI services, there's a Federal waiver amendment that's required before we can do that. The Department is still working on that waiver. There's a public process that has to be accomplished around that waiver and even if that waiver were submitted tomorrow, which it won't be, or Monday, which it won't be, CMS is scrutinizing these waivers very, very closely because they are placing vulnerable populations within Managed Care. And so, you know, if you look around the country, when other states have filed these similar type of waiver amendments, CMS has opened up a request for information that has lasted months in other states.

So sitting here today, I mean, we – obviously, we're committed to the program. We are committed to moving forward. We have to do some in compliance with the law and we have to do so when there is a plan that is fully developed and understood and that we determine that the MCOs and both the State are ready for that.

So the answer to your question is not never. The answer to your question is we're continuing to implement it, but we have to do so in accordance with those principles that I just articulated.

CHAIRMAN KURK: Thank you. Further questions or discussion? Is there a motion?

SEN. SANBORN: Mr. Chair, I also remind you that the tail will be significant. It will be months, if not years.

CHAIRMAN KURK: Senator D'Allesandro moves to –- to --

SEN. REAGAN: Second.

CHAIRMAN KURK: -- approve the amendment -- excuse me -- the request, seconded by Senator Reagan. Further discussion or questions? This is a motion on 014, $2,859,238. If you're in favor of approving this item, please indicate by saying aye? Opposed? The ayes have it and the item is approved.

***** {MOTION ADOPTED}**

CHAIRMAN KURK: Thank you.

MR. MEYERS: Thank you.

**(12) Miscellaneous:**

**(13) Informational Materials:**

CHAIRMAN KURK: Any questions on the Informational Materials that we have? There being none, then we'll proceed to the three audits. The first is the Comprehensive Annual Report for the Fiscal Year ended June 30th, 2015, lovingly referred to as the CAFR.

**AUDITS**:

STEPHEN SMITH, Director, Audit Division, Office of Legislative Budget Assistant: Good morning, Mr. Chairman.

CHAIRMAN KURK: Good morning to you. Welcome to Finance. We very much look forward to your presentation.

MR. SMITH: For the record, my name is Stephen Smith, the Director of Audits for the Office of Legislative Budget Assistant. The first two audits that will be presented to you were conducted by KPMG who is under contract with our office. And starting with the State CAFR, Marie Zimmerman is the Partner on the engagement this year and Steve Wallach, the Manager. And also joining us at the table would be Gerard Murphy, the State Comptroller. So with that I'll turn it over to Marie.

MARIE ZIMMERMAN, Partner, KPMG, LLC: Good morning.

CHAIRMAN KURK: Good morning.

MS. ZIMMERMAN: My name is Marie Zimmerman for the record. I am the lead Engagement Partner on the CAFR for the Fiscal Year end audit which is the year ended June 30th, 2015.

I believe in your books you have a copy of the required communications that I'm going to go through this morning.

We have audited the basic financial statements or lovingly known as the CAFR for the year ended June 30th, 2015, and issued an unmodified opinion as of January 15th, 2016. Some of the required communications that we are going to go through is our responsibility under the professional standards. We are responsible for performing and expressing opinions about whether the basic financial statements which are prepared by Management are presented fairly in all material respects in accordance with U.S. GAAP and Governmental Auditing Standards.

These standards ensure that we provide reasonable but not absolute assurance about whether the basic financial statements are free of material misstatement. However, our audit does not relieve Management or the Fiscal Committee of their responsibilities.

In addition, in planning and performing our audit of the basic financial statements, we consider internal controls as we plan and design our audit procedures in certain circumstances and for the sole purpose of expressing our opinion.

In performing those controls, we do not express an opinion over internal controls. However, if items were identified during the course of our audit, we will communicate those to you and Management in our required communications under our Governmental Auditing Standards or formerly known has the "Yellow Book" and as well as the Management Letter. That communication will be forthcoming, will not be at today's presentation.

Moving to two of our required letter. The other information included in the document or the CAFR, including the RSI, the introductory transmittal letter, statistical information, we do not have an obligation to perform an opinion on those. However, we do review those and if items came to our attention or were materially inconsistent with the basic financial statements we would raise those. So it's included in our opinion. We have noted there were no material inconsistencies; however, we do not solely express an opinion over those.

During this year, there were some significant accounting policies that we looked at as they're described in Note 1 to the basic financial statements. There was no significant changes by Management of those significant policies except for the implementation of GASB 68 and the accounting reporting for pensions. I know that you've heard about these a little bit throughout the year, and I know Gerard will explain them as needed. But GASB 68 Pension Standard does modify financial reporting requirements by State and Local governments related to the pension plans and here at the State you have the two pension plans; the Retirement System or the multi-employer system, as well as the JRP which is the single-employer system.

With the implementation of that, there was an adjustment of approximately 830 million to opening that position at the government-wide level. And as well as you had at the end of the Fiscal Year as of June 30th, 2015, you had approximately $772 million increase to your liability as related to the net -- net pension liability. In addition, there was also brought onto the books a deferred inflow and outflow of resources as related to this liability.

Throughout our audit, we did not identify any unusual transitions -- transactions. Excuse me. We did perform our audit and looked at significant estimates or key estimates within the CAFR. Some of those key estimates included but are not limited to tax receivables, OPEB or other pension benefit liabilities, your Medicaid liability, your workers' compensation insurance, litigation, and other contingencies, and then your new estimate this year was the new net pension liability.

We did perform procedures around the underlying assumptions that developed -- that Management utilized to develop those estimates and in some cases we had our independent actuaries review the State Actuaries' key performance indicators or assumptions that they utilized in that.

Moving to the next required communication is the corrected or uncorrected misstatements. Within this CAFR, we had no uncorrected audit misstatements. We did have three corrected misstatements that we worked with Management and they are reported. Those corrected misstatements go from debt to debt service expenses, two related to the Medicaid liability related receivables as relates to that liability, as well as the drug rebate receivables. And then our third corrected misstatement that was identified was a reclassification within that position at the government-wide level from unrestricted to restricted to being consistent with the governmental funds restricted classification.

As a part of our -- the last page of our required communication is there was no disagreements with Management on financial reporting. To the best of our knowledge, Management has not consulted or obtained opinions from other independent auditors as it relates to areas that we audited. And there was -- as a part of our normal course of our audit over the past few years, we -- there was -- we continually work with LBA Management throughout the year and there was no conditions or items that we discussed prior to our retention of this audit.

Material written communications will include this letter as well as our engagement letter, representation letter that LBA has and can provide as needed.

There were no significant difficulties encountered dealing with Management or LBA throughout our audit, and we greatly appreciate the support that everyone had in Management throughout our audit process.

And, lastly, in accordance with independent and professional regulations, we do deem ourselves independent from the CAFR of Management and LBA at the State as well. That is our required communications and does anyone have any questions before Gerard goes through his section?

CHAIRMAN KURK: Apparently not. Thank you.

MS. ZIMMERMAN: Thank you. Gerard.

GERARD MURPHY, State Comptroller, Department of Administrative Services: Okay. Good morning, Chairman Kurk, Members of the Committee. My name is Gerard Murphy. I am the Comptroller for the State with the Department of Administrative Services.

Before I start with documents, I would like to get thank-yous out of the way.

First, thank you to the Committee for granting us the extension. It was a difficult year and we certainly appreciated the little bit of extra time. Next is a thank you to KPMG and LBA. They were very -- we enjoyed their cooperation. They were very hard-working and really, obviously, we couldn't have gotten through this difficult time without them. So we appreciate their assistance.

And then, lastly, I'd like to thank my staff within the Division of Accounting Services, the entirety of DAS and really all the financial staff and management for State Agencies throughout the state. It's truly a group effort and a lot of people did work very hard on this document, and I am grateful that I had such a large amount of assistance.

With the thank-yous out of the way, I'll move on to the documents. I'd like to start on Page 10, please. Page 10, you'll notice there's a table that details three years of actual revenue collections within the General and Education Trust Fund. You'll also notice the last column is the plan amount for Fiscal 15 and a couple of -- the calculation variance over plan for Fiscal 15 was a revenue surplus of $46.9 million. And this -- this surplus was driven largely in areas that perform well when economic conditions are good. We're talking Meals and Rooms, Real Estate Transfer Tax, and Tobacco Tax, good indicator of the overall economic conditions within the state.

One other revenue nuance I wanted to point out was the Business Taxes. They did come in below plan. The final audited numbers did come in below plan. But that -- that final actual number includes an adjustment that has never been made before. As part of our year end closing process, the Department works with DRA to do a comparison between the liability the State has on its books as of 6/30 for credit carryovers where businesses can claim a credit against future taxes due. So we compare this liability balance as of 6/30 with an estimate of future audit revenue that we anticipate collecting to go against that liability in the future. That analysis, this comparative analysis has been done, I think, for the past four or five years now. And for the first time this year the liability balance was greater than the estimate of future audit revenues to the tune of $5.5 million. So the Business Taxes number is -- was adjusted downwards by $5½ million as a result of this analysis.

Now, saying that, I wanted to bring to the Committee's attention that this is a -- this is an evolving process. While the balance of credit carryovers is a fairly static known number, DRA can look at its records and pull that liability out. The estimate of future audit revenue is a little bit more subjective, and we anticipate during this year working with DRA to ensure that our methodology is the most sound methodology for protecting our future audit revenue. So just to give the Committee an update that that -- this issue is in play for us for this year and more to come. We'll keep you posted as to what our progress on the issue is.

CHAIRMAN KURK: If I may?  Will -- will anything that you do to change what happens in the future be retroactive and result in a required restatement of this CAFR?

MR. MURPHY: No, no. I don't anticipate that. I think the estimate is what it is at this point. We may try to improve the estimate on going forward, but I don't anticipate any such look backwards.

CHAIRMAN KURK: Thank you.

MR. MURPHY: So that takes us through revenue. Before I move on, are there any other revenue questions that Members of the Committee have? No. Okay. If we could take a couple of steps backwards to Page 8, please. Okay. So familiar site to many.

We have surplus statements for the General and Education Trust Funds going back from 2013 through this most recent one, 2015. I will, obviously, focus on '15. If you could look down at closer to the bottom of the table. There are two numbers I wanted to point out first, the first being the undesignated fund balance June 30 of $49 million. This represents the amount of surplus that will be carried forward in the General Fund into Fiscal Year 16 to be used as funding for Fiscal Year 2016. This was, as you will recall, set forth in House Bill 2 from the 2015 budget session.

The other number I wanted to point out was a couple lines above that. There's a transfer to the Rainy Day Fund of $13 million, and this represents the remaining surplus above that 49 million. So this was transferred as dictated by law into the Rainy Day Fund at the close of the biennium. So that 13 and 49 represent a Fiscal Year 15 surplus of $62 million which when combined with the 9.3 that was existing in the Rainy Day Fund at the beginning of the year, we have a total unassigned fund balance of $71.3 million. So that's the end result.

How did we get there? First off, we know from our previous discussion that revenue came in 46.9 above plan as compared to the adopted budget. We also know that the -- the net appropriations which are 2,205,200,000, this number as compared to the adopted budget has a favorable variance of $40.5 million. And this favorable variance comes about for two reasons. The biggest is we had a lapse, $30 million, $29.5 million higher than we anticipated during the budget. There was the -- the significant lapse in the Education Trust Fund for Adequacy, and there were also agency lapses that came in higher than the 50 -- $52 million assumed during the budget process. So that's the biggest reason why net appropriations came in better is because of that lapse. And then the other side, the other ten, approximately 10 million was due to a number of factors.

You'll recall we had an $18 million Executive Order reduction. This -- so that reduced appropriations by 18 million. That was slightly offset or mostly offset by additional appropriations of about 16.6 million. However, there were a number of other adjustments made during the year to account for -- really for timing differences between how things actually played out and what was assumed during the adopted budget.

For instance, during the adopted budget, there was -- there was a back-of-the-budget reduction with -- for DHHS of $7 million. The budget assumed 3.5 per year of reduction would be taken. However, it didn't work out that way. None of that reduction was recognized in '14.  So the additional 3.5 million was recognized in '15. So similar to that the pay raise. We assumed 13 million was needed for the pay raise. However, only 11 was ended up being required at the end of the day once the actual transactions were processed. So that -- those are largely the kinds of things that went into this positive $40.5 million variance on the net appropriations side. And then we get to the GAAP adjustments.

During the adopted budget there were no assumed GAAP adjustments so the entirety of that amount, the entirety of that 20.5 million was a negative variance reducing surplus. And that's essentially how we get to our final position of 62 million. Any questions on this surplus?

CHAIRMAN KURK: Senator Morse.

SEN. PRESIDENT MORSE: I have a few questions, and I know you're trying to control the debate from Page 10 to Page 8 but they kind of overlap.  I mean, based on this Surplus Statement and what we did for a budget for '16 and '17, there's about a million four shortfall and that shows up in the Rainy Day Fund.

MR. MURPHY: Correct.

SEN. PRESIDENT MORSE: That's where we landed, no matter what you shuffled in-between there. The lapse, can we get a detail of what's in it? The 67 million or 68 million that's in this, can we get a detail of that, a breakdown?

MR. MURPHY:  Of course.  What level of detail, Senator Morse?

SEN. PRESIDENT MORSE: I want them by Department.

MR. MURPHY: Yeah, you betcha. I can have that to you today.

SEN. PRESIDENT MORSE: That's great. I will be leaving at one.

CHAIRMAN KURK: You'll send that to all Committee Members?

MR. MURPHY: Sure. Maybe I'll send it to Mr. Kane and he can share it with the Committee Members.

CHAIRMAN KURK: Thank you.

SEN. PRESIDENT MORSE: And while you're doing that, on Page 2, it's actually on Page 8 in this document, but you gave another document yesterday, I had highlighted it on that. There's the $20 million in GAAP adjustments, 20.5.

MR. MURPHY: Yeah.

SEN. PRESIDENT MORSE: Can we get what's specifically in those GAAP adjustments?

MR. MURPHY: Sure, sure. I can talk a little bit about the biggest ones if you like, Senator Morse.

SEN. PRESIDENT MORSE: You can talk now or give us a copy of it?

MR. MURPHY: Whatever you prefer.

SEN. PRESIDENT MORSE: Up to the Chair.

CHAIRMAN KURK: Why don't you -- yeah, just talk about the big one.

MR. MURPHY: Okay. Well, the biggest -- the biggest GAAP adjustment was the Medicaid liability adjustment. That number was actually greater than this. It was $26.9 million of a GAAP hit for the Medicaid Program.

Little background on that adjustment. The overall -- so, when we book the Medicaid liability, we bring on the overall liability, the total of all funds, what is owed through the Medicaid Program at year end. And once we have that number, then we parse out each funding source as to who's on the hook for their portion of the total liability. '14 compared to '15 the total Medicaid liability only increased by, I want to say, $5 million tops. I think it was the total liability last year was about 199 million, where this year that number was I think approaching 204 million. So that side of the liability didn't increase drastically, obviously.

Then we parse out our County share and our Federal share, and then what's left is the State share. And, again, comparatively with Fiscal 14 the State share of that liability was not substantially greater this year over last year. This year I think it was about $80 million in total versus last year I think it was 77. So there's a bit of an increase, but it's not -- it's not huge. Where the GAAP hit comes in is that once we know that State share, we then adjust the hit to the General Fund surplus by factoring in any balance forwards that can be used to offset the hit to the surplus. So while the State share number is what it is, if there is funding still available to cover Medicaid charges, then that's used. It's not a hit to surplus. We have the money already. So the real -- the driver of this $26.9 million increase is the fact that in the prior year we had $34 million of balance forward to offset the State share. This year that number was down to 11. So I think it's really the whole story almost of talking about what's the -- what's the -- what's the driver behind the GAAP adjustments.

CHAIRMAN KURK: Further questions.

SEN. PRESIDENT MORSE: We can debate all that another day. I mean, that's how the Executive Branch chose to end the year before, quite honestly. We took a three-month holiday or two-month holiday on making those payments. So we didn't have any expenses that year, did we?

MR. MURPHY: I think there were some expenses that year. I think are you referring to the lag?

SEN. PRESIDENT MORSE: The lag in the end of that year -- of the year before was two or three months.

MR. MURPHY: Which is still in place for this year as well.

SEN. PRESIDENT MORSE: So, here's my -- this will help. Because if I could get some leeway to just explain to this Committee where I think because it's going to affect everything else that comes before Finance.

CHAIRMAN KURK: Sure.

SEN. PRESIDENT MORSE: The -- is there anything that's being carried over from '15 into '16 that will affect the financials?

MR. MURPHY: For '16?

SEN. PRESIDENT MORSE: I mean, legally, can you carry over any more of this Medicaid expense from '15 into '16? Is there anything outstanding that will show up on a Dash Board a month from now?

MR. MURPHY: Hum -- I don't believe so. I'm not certain what would show up on the Dash Board to be honest with you, but I think this is it for '15. We -- this is the end of the road for '15. We know where it is now. We know where this is. So I don't believe there will be anything residual coming over to '16. HHS would probably be more informed about that matter, but in my mind it's Fiscal 15 is done.

SEN. PRESIDENT MORSE: Okay. And what we know from Fiscal 15 now is we are short a million four in the Rainy Day Fund. Going forward, which I continue to ask for and I'll ask you for right now, because you can deliver the message, we went through the first six months of this year, 2016. We are going on the eighth month shortly. Okay. I know you understand this and I know you've been busy, but we have not received from the Governor's

Office what the lapses are estimated in '16 because of the C.R. and we want that to include the pay raises we put in, because we don't know if we have any extra money. And we certainly, now that we finally have the CAFR, we know we are short a million something, and we want to know where we are in this year. So if we could get those lapses delivered to us. I know it's not your job, but you can take the message back. So we want the lapse estimate for '16.

And let me point out to the Committee why I keep asking for these things. Because I remember developing a budget and if you go to pages – Senator D'Allesandro loves these pages in this CAFR with the lawsuits – we developed a budget where we knew there were lapses in Education, and Senator Stiles brought them and the Executive Branch didn't acknowledge them. And we couldn't build the budget properly so we end up with these big lapses, which I'm sure you're going to point out because you're giving us those documents. We wouldn't have the *Dover* lawsuit today if we didn't -- if we had put the money in the right bucket which was basically eliminating the cap in the budget.

The other one is in the disabled community. You're going to deliver me lapses and you're going to show big numbers there. The community certainly is putting out their information as to why there's lapses there. We, in Finance, looked at a number of 13 million because the Commissioner brought it to me. And we looked -- we developed -- going above the House's position. We were told we had to go 26 million and you're going to come to me with a big lapse. I don't know what it is anymore. I don't know if it's 20 million in the line for the disabled community. We could have certainly taken the budget and reduced it to 13 million and solved the heroin crisis because we got all these bills that want money right now.

So I need to know by looking at your lapses if these are truly, if it was done right in the budget, we are going to need your help here, Gerard. Actually, we are going to need the Commissioner's help in order to get there to figure out if the disabled community lines are right, because we certainly know we have requests. And then we need to know where the C.R. is going with lapses after we paid for the pay increase that we all agreed to. We can't do anything with any of the bills we have right now until we understand that. Because when you go to the flip side and you look to the 37 million that everybody's talking about in revenue, I mean, let's be honest. We don't even know if that revenue is because we gave people a break on putting in their tax bills and there's $5 million in that 37 million that I believe is because people got tax breaks, and we haven't subtracted it out yet.

On top of that, we got all these lawsuits we still have to deal with. I'm concerned. I'm very concerned that we don't know the true picture where we stand right now and we need these numbers as soon as possible. We are going on the eighth month right now, and we still haven't got the results of the C.R. And I continue to ask and I asked the Governor's Office directly the other day. So it's not like they don't know we want them.

CHAIRMAN KURK: Thank you, Senator. I think the message is clear. Moving on with the CAFR.

MR. MURPHY: There was one other situation that I wanted to make the Committee aware of. If you will please turn to -- let's see -- Page 29. As Marie mentioned, this year was the first year that the State implemented GASB 68, which is a new way of accounting for the State's pension liabilities. And in my mind, Page 29 is the best indicator of the impact that that implementation has had on the State's financial statements.

If you'll notice the line -- the second to last line, the unrestricted net position deficit. You'll notice that that is a substantial negative number. And this -- this unrestricted net position, the deficit in the unrestricted net position is due to the fact that the State has liabilities for which there are not sufficient unrestricted net assets to cover. And so it's, you know, it's a big number, and I certainly wanted to make the Committee aware of the impact of GASB 68.

We have had a deficit in net position since 2009. That's when the State's OPEB liability created a negative net position.

And now this pension liability has served to put us further -- further down the road of the deficit position. Before -- just to give you a little background -- before the implementation of GASB 68 this year, the State did not have anything recorded. There were no liabilities recorded on the face of the financial statements for its pension liability. It was always disclosed in the notes; but because the State had a plan, even though we weren't fully funded, we had a plan to fully fund the Retirement System and this unfunded portion was built into the rates. So we were making our actuarially required contributions and so there was no requirement for a liability.

Under GASB 68, we moved away from that funded status. We're now -- we're now basically recording the whole liability or at least our portion of the retirement system’s liability and the entirety of the Judicial Retirement Plan’s liability. So a little different, wanted to point it out. There's a lot more information on GASB 68 and OPEB for that matter in Note 11, which is on Page 68 of the document. Feel free to take a read of that. And if you have questions, let me know, but --

SEN. SANBORN: Mr. Chair.

CHAIRMAN KURK: There are many questions at the moment. Senator Sanborn and Representative Ober.

SEN. SANBORN: Thank you, Mr. Chair. Gerard, thank you. At this point have all states in America embraced and are recognizing GASB 68 consistently across the lines or were we the last one in or where are we and how we recognized compared to other states are recognizing this point?

MR. MURPHY: It's really it's consistent. The implementation has to occur for all Fiscal Years beginning after --

MS. ZIMMERMAN: The June 30th year end for the first one. Now the rest of the states are all implementing depending on where they were.

MR. MURPHY: If there are other states that have June 30th Fiscal Year end as we do they have implemented. For the states that have a 3/31 Fiscal Year end or some other date after that, then they're in the process of implementing. But we are all sort of doing it at the same time.

SEN. SANBORN: Thank you.

CHAIRMAN KURK: Representative Ober.

REP. OBER: Thank you, Mr. Chairman. Gerard, when I look at Page 29 and the net pension liability, is that number a sum of the Judicial as well as the other plan in New Hampshire?

MR. MURPHY: It is.

REP. OBER: Thank you.

CHAIRMAN KURK: Question. Sorry, Senator Little.

SEN. LITTLE: Thank you very much. I assume the biggest impact of this GASB 68 change is how the bond market would look at various entities. And since everybody is doing it, does this have any impact other than to make us go, hm, when we look at the CAFR?

MR. MURPHY: I mean, I won't -- I certainly won't speak for the bond market; but I think because we are sort of all in the same boat, there's a bit of that. I know that, you know, some states are worse off than others. But, you know, just having it on the face of the statements I don't think will adversely affect us. The fact that we comply with the standard that's in our favor. But I think we are all in the same boat to a large extent. And I also think that the deficit net position as a result of OPEB and net pension liability, I don't think that's exceedingly rare either. I think it exists in other states as well.

CHAIRMAN KURK: Senator D'Allesandro.

SEN. D'ALLESANDRO: Thank you, Mr. Chair. Gerard, in terms of the legal questions, how do we cover -- how do we cover those? Are they covered, you know, the fact we may have a liability, are they covered in the total liabilities number? Have you taken those into consideration?

MR. MURPHY: They are recorded in the total liabilities number, that’s correct.

CHAIRMAN KURK: Question on the OPEB, the post-employment -- other post-employment retirement benefits. That's primarily health care, retiree health care. If you take a look at what this Legislature has done over the past five, six, seven, maybe even eight years, we have engaged in a process of shifting those costs to employees. Is that taken into consideration in this number of 700 -- no, sorry -- $961 million? And should in the future, and we have done it in our current budget those -- the shift continues, will that result in a decrease in this number offset, obviously, by the number of retirees and so forth?

MR. MURPHY: I know it's certainly factored into what the actuaries have to work with. On its own, I'm not certain if it would necessarily decrease what the -- what the state is -- what the liability is at the end of the day. But you know what, to be sure, let me do a little research and get you an answer on that.

CHAIRMAN KURK: So this number doesn't come from KPMG?

MR. MURPHY: This number comes from the State's actuaries.

CHAIRMAN KURK: Okay.

MR. MURPHY: And this number represents -- the current way that OPEB is recorded on the financial statements is this number represents the difference between what we are actuarially required to fully fund the OPEB plan and what we actually fund which is just pay as you go. So the total liability is actually greater than this, but this represents just the difference between what we’re supposed to be setting aside to fully fund the program and what we actually do spend.

CHAIRMAN KURK: The second question deals with the net pension liability of 772 million. When Pew did their work on this, they used a very low discount rate to determine present value of future liabilities. They used, I think, 3% because that was the Treasury bond rate or something like that. Do we know if this reflects the assumed rate of return at seven and three-quarters percent or some other market rate?

MR. MURPHY: It's the assumed rate of return, because this is handled by the actuaries. But I do know that there are those dual rates where if the plan reaches a certain threshold where it's not anticipated to set aside enough funding to fund it, to fund the total liability, then the lower -- the discount rate is used. However, in their actuarial analysis, an insurance actuary did not reach that point. So the assumed rate of return is the discount rate used for this number.

CHAIRMAN KURK: So on the basis of that, should in the future the Board of Trustees or the Legislature lower the assumed rate of return from seven and three-quarters to 7%, for example, this number would go up significantly?

MR. MURPHY: I believe so.

CHAIRMAN KURK: In addition to the fact it would also cause all employers, state, county, et cetera, to pay more money because the rate of return is lower. This number would go up, too; and, conversely, should we be more optimistic than we have been about the rate of return and put it up to the 8½% historical average over 50 years, we might very well see this number go down significantly and local payments decrease. Do I understand this correctly, Gerard?

MR. MURPHY: I believe that sounds like a reasonable assumption.

CHAIRMAN KURK: Thank you. Further questions on this? Please continue.

MR. MURPHY: Well, I think that's really -- those are the highlights that I wanted to hit.

CHAIRMAN KURK: Three pages out of 145?

MR. MURPHY: I had a hunch as to what you might be interested in. Please ask any questions if you have any others on any other pages.

CHAIRMAN KURK: For those of us who have only received this electronically and are challenged to read electronic documents on a small screen, this is the first time we have seen the document.

MR. MURPHY: Okay. Fair enough. Well, you know where to find me.

CHAIRMAN KURK: Yes, we do.

REP. OBER: We do indeed.

MR. MURPHY: Actually, what I would mention though, just for some of the higher-level discussion, there is a transmittal letter that Department of Administrative Services submitted with this document. It's on Pages 4 through 13 and it's sort of the, you know, it's a good summary of some of the pressing issues financially facing the State at this time.

CHAIRMAN KURK: Who wrote that?

MR. MURPHY: I had a hand in that. The Commissioner -- the Commissioner did the bulk of that.

CHAIRMAN KURK: Thank you.

MR. MURPHY: I also wanted to mention the Management discussion and analysis, Pages 19 to 26. It's more financial numbers focused; but, again, it's a good high-level snapshot of the documents.

CHAIRMAN KURK: Thank you. Just a comment for anyone who might be listening and for Members. The information in here is exceptionally complete, thorough, and relevant. It's very dense and you have to be very patient to use it. But if you know what you're looking for, if you know what you want to learn, it's in here. And it's a very -– this and the statements that are issued when we have bond issues are a very complete descriptions of the finances and activities of that nature of the State. So I think that's why this is such a valuable document for all of us. Further questions? Thank you for your presentation.

MS. ZIMMERMAN: Thank you.

CHAIRMAN KURK: Mr. Kane, we've already approved this and accepted and released publication so we need take no further action; is that correct?

MICHAEL KANE, Legislative Budget Assistant, Office of Legislative Budget Assistant: That's correct.

CHAIRMAN KURK: Thank you again.

MS. ZIMMERMAN: Thank you.

MR. MURPHY: Thank you.

CHAIRMAN KURK: We now turn to our next audit, the Turnpike System. Good afternoon, Mr. Smith.

MR. SMITH: Yes, it is afternoon now, isn't it? The next audit is the annual financial report for the Turnpike System for Fiscal Year 2015. And, again, just to repeat that this was performed by KPMG. The Partner representing the firm is Jayme Silva, the Partner on the engagement, and the Manager, Karen Farrell, and I believe representing Turnpike System will be Marie Mullen and Len Russell. So with that, I'll turn it over to Jayme.

JAYME SILVA, Partner, KPMG, LLC: Thank you. I was going to say good morning but actually good afternoon to the Members. So I am Jayme Silva for the record. I'm the Engagement Partner on the New Hampshire Turnpike System. To my right is Karen Farrell. She's a Senior Manager also on the Turnpike System. You know Marie Mullen and Len Russell, too, are with us representing the Turnpike.

So we -- ultimately, we completed the audit of the financial statements for the Turnpike System for the year ended June 30th, 2015. That report was dated January 13th, 2016. There was a slight delay because of the GASB 68 and we were close to the CAFR. We issued before the CAFR. But the same thing, the CAFR was delayed as we were delayed due to the implementation of the pension standard. The pension standard has, and I'm going to steal Karen's thunder a little bit here, but the pension standard also has a downstream impact also on the Turnpike. So what Gerard said and Marie Zimmerman said, it also applies to the Turnpike System statements. They have their own obligation that's part of the CAFR that gets booked into the Turnpike System. So our audit, and I'm going to hit just the Executive Summary. There's a few letters I'm going to hit, but I'm not going to hit in detail for the highlights.

Our audit was performed in accordance with the applicable professional standards and there's two really sets of standards that govern the audit. One is Generally Accepted Accounting Standards and Government Auditing Standards. Those standards apply also to the CAFR, also applies to the Turnpike. So the Turnpike's financial statements which is less, I think, voluminous than the CAFR per se, we actually issued an unmodified opinion, used to be an unqualified, but like to call it a clean opinion. But much more straightforward if we just called it a clean opinion instead of an unmodified. So that's the gold standard opinion that you can get from a standpoint from an audit opinion. Clean.

You know, from the standpoint that there's the statements, but there's also three other letters that we also issue in accordance with the Turnpike. One is the Internal Control of Financial Reporting -- I'm sorry -- Internal Control of Financial Reporting report that we issue that Karen will go through in a few moments. We also issue a Debt Compliance Letter. That also, hopefully, is included in the package. That's Debt Compliance for the Turnpike itself. We also issue the required communication. That's just a letter in accordance with SAS 114 that's also included in the packet. So there's four reports or letters that are included in today's presentation.

From the standpoint of Management cooperation, we received full cooperation from the Management of the Turnpike. We had no disagreements related to accounting, reporting, and disclosure matters related to the Turnpike itself. You know, from that standpoint.

Also, the other highlight for required communications is we did not have any uncorrected or corrected misstatements. A corrected misstatement would be is we found something and Turnpike, you know, determined that based on an error or misstatement they booked. We didn't have any of those or uncorrected. Also, if we found something that Management did not want to book that would be considered uncorrected. So we have none for both, you know, for '15.

You know, from the standpoint -- I'm going to hand it over to Karen just in one second -- is we thought it would be more pointable in front of this Committee is to go over the significant highlights related to the Turnpike that impacts them in 2015 for the year ended, and there's really three items that Karen is going to talk about.

One, there's an internal control deficiency related to system access that we determined to be a significant deficiency. That will be one item that she covers. And then the two other items that she'll cover briefly that are inside the Turnpike System statements is one is the adoption – we'll be brief on this – of GASB 68 for the Turnpike, but also there was an impairment of assets that were also booked, about 27.7 million. That's also reflected in Turnpike statements that we thought were significant enough to tell you about today. Just my brief comments. So Karen.

KAREN FARRELL, Manager, KPMG, LLC: Okay. Thank you. Actually, it's documented in our required communication letter on the second page. But there was -- Jayme said there was two items we'd just like to point out a little bit further, and one being the implementation of GASB 68 and the effect on the Turnpike.

So as the Turnpike is part of the New Hampshire Retirement System, it actually received their allocation of the liability based on the contribution percentage that the Turnpike made compared to the State as a whole. And the adjustment that resulted from that was approximately $10 million to their opening net position. And in the current year they recorded approximately $600,000 of pension expense. And so we performed our audit procedures over those amounts and the contribution percentages and had the KPMG actuaries look at the actuarial assumptions that were used to determine what the liability was. And, also, just to mention, too, as Gerard had that in the prior year this pension activity was all disclosure and so this is the first year now that you see the liability on the financial statements.

CHAIRMAN KURK: But the fact that it's disclosed imposes no obligation to the State on the -- excuse me -- on the Department to do anything; that is, they don't have to spend more money.

MS. FARRELL: I mean, now the -- I guess the liability was always there but not recorded in the financial statements.

CHAIRMAN KURK: But the fact it's recorded in the financial statements does not impose an obligation on the State or the Department to do anything. It's simply a disclosure requirement under 68; is that correct?

MR. SILVA: Well, no. At some point -- at some point there's payments that will benefit a payment stream, and it's not all today. But over the life of the plan there will be payments being made. Whether it's appropriate or not is not, you know, from the standpoint from the accounting literature says it gets reported in the statements so it's a liability, the liability position that, you know, that would be a suspected or there's a liability due to an individual or a retiree in some future year, whether it's this year or 20 years down the road.

CHAIRMAN KURK: Understood. But my point is the fact that we are taking the obligation from a note and putting it on the statement, does not impose any additional payment or other obligation on the Department?

MR. SILVA: Correct.

CHAIRMAN KURK: This is informational.

MR. SILVA: That's correct.

CHAIRMAN KURK: We don't have to adjust our budget, in other words, to account for another large expenditure.

MS. FARRELL: That's right. Okay. The other item which was a significant transaction that occurred in the Turnpike System is that the Turnpike Management through their review of impaired assets has determined that two projects, the northern and southern sections of the Nashua-Hudson Circumferential Project was permanently impaired. As Jayme mentioned, the cumulative effect of this was approximately 27.7 million, which was a one-time charge to operating expenses and a reduction in the non-current assets. And those dollars really represent the land and infrastructure breakdowns and the capitalized interest write-off.

You know, we audited those amounts, among others, looking at the fair values that they use to determine land because the standards require that the land be recorded fair market value. And then, also, Management assumptions and we determined that the impairment was appropriate.

SEN. SANBORN: Mr. Chairman.

MS. FARRELL: If there are some questions on that.

CHAIRMAN KURK: Senator Sanborn has a question.

SEN. SANBORN: If I'm understanding you correctly, I guess I don't know when we put it on the books and how much we put it on the books for at fair market value. So I guess I'd like some sort of understanding because I don't think many of us in this room are seeing the value of land fall dramatically in the State of New Hampshire. So what would precipitate a significant breakdown?

MR. SILVA: So out of the 27.7 million, a portion of that is the infrastructure, preliminary engineering, so correct, Senator, it's not the land. But the standards require and Management did take a look at this, is you have to report it for GAAP purposes. It's at the lower of cost or fair market value.

SEN. SANBORN: Correct.

MR. SILVA: A lot of the land was actually, I believe, was probably 20 plus years ago. Some of it is even more than that. So the land, you know, all the land wasn't impaired. If you think of the north and the south, right, the Circumferential, most of the north had some impairments, and you have to do a plot by plot. So pretty detailed. So you just don't take the full land value.  You take it as the Turnpike acquired each piece of property which would add land or a building purpose. I don't know how many there were. There were probably more than 30 to 40 that each had to go in and take a look at. Some of those didn't get -- like a lot of mostly in the south they did not get written down.  Because the fair value was a lot -- is a lot more than what the cost is. But on the north side of the Circumferential, there were some projects that were written down, but I don't have the numbers in front of me. But out of the 27.7 was it maybe 8 million or so? I don't know the numbers off the top of my head for land and buildings written down. But, primarily, it was mostly the preliminary engineering had been recorded a long time ago.

SEN. SANBORN: So they overwrote or over recognized 20 some odd million dollars in engineering which your value of today doesn’t exist?

LEN RUSSELL, Division of Finance, Department of Transportation: It was moved from the capital side, which would have been a balance sheet item, over to the expense side so the net effect was a reduction. It's recognizing all of that over accumulation of years, 20 plus years in this one year and saying that this is a project that's not going anywhere and recognizing that fact and basically taking it off the books. This isn't a finding of the auditors. This is conclusion of an issue that's gone on for a number of years, and it's been finally determined for FY 15 that this was, again, a project that's been on the books, presumed to be finished and completed at some point in 2015. It was concluded that within the Management that these costs would be recognized or written off the books.

SEN. SANBORN: Mr. Chairman.

CHAIRMAN KURK: Follow-up.

SEN. SANBORN: So in my layman view point, just a very simple man, we dropped $28 million that we capitalized in a potential project that we are never going to do so today we decided to write it off.

MARIE MULLEN, Director, Division of Finance, Department of Transportation: That's correct.

MR. SILVA: Correct.

CHAIRMAN KURK: Thank you. That was helpful.

MR. RUSSELL: Hopefully, I assisted.

CHAIRMAN KURK: Please continue.

MS. FARRELL: If there aren't any more questions on those two issues, then I'm going to move to another report. Is that okay?

CHAIRMAN KURK: Sure.

MS. FARRELL: Okay. So the other thing I'd like to mention is called the Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance. And we have one item that we noted in this letter where we don't give our opinion on the internal controls of the Turnpike, but we do report any deficiencies that we identified, whether they are material weaknesses or significant deficiencies in internal controls, and the material weakness being the more severe.

So on Page 2 we documented the finding that we identified. Really, what it relates to is the Turnpike System didn't have effective controls or procedures in place to ensure that terminated employees' access to the system, such as the EZ-Pass or the Vector system, which actually reports EZ-Pass and customer information was removed timely. Through our audit for two terminated employees we noted that their access wasn't terminated for one employee two months after and the other eight months after they were terminated. We did note that they --

CHAIRMAN KURK: Excuse me. When you say access, do you mean from their home computers they would have access to the system?

MS. FARRELL: No, I wouldn't say that, but -- well, I guess there's potential. I don't really know that. But I would say more internally. Maybe Marie can talk about that more.

MS. MULLEN: Yeah, more internally. And to note both of those employees had "Read Only" access. So they had no ability to change anything in the system. It was merely "Read Only" access. We since in our response we have, you know, we are implementing a process so that when employees are terminated, it will be noted and they can be removed from the system immediately.

CHAIRMAN KURK: These employees' access could have been from home, "Read Only" but could have been from home?

MS. MULLEN: I'd have to check into that. I'm not sure what their access was, if they had access from home.

CHAIRMAN KURK: Clearly, they would have no access from their former desks as it were, because they had been terminated.

MR. SANBORN: Unless they showed up.

CHAIRMAN KURK: Or is that the question?

MS. FARRELL: Yeah, I think that's the issue. Other than until the time that they were terminated, you know, two months later in one instance and eight months later in another, I guess there's potential if they can get to their desk.

CHAIRMAN KURK: I always thought once a person was terminated he could no longer obtain access to his former desk and, therefore, could not use his access from his desk to the system. Hence, the question, could he do it at home. But, in any event, this problem is solved for the future.

MS. MULLEN: That is correct.

CHAIRMAN KURK: And for these employees, also, so they no longer have access.

MS. FARRELL: Correct.

MR. SILVA: Correct.

MS. MULLEN: Correct.

CHAIRMAN KURK: From anywhere.

MS. MULLEN: Correct.

CHAIRMAN KURK: Thank you.

MS. FARRELL: So that was the internal control significant deficiency that we identified. And if there aren't any other comments, I'll turn it over to Marie Mullen and Len Russell to go through their Annual Report in detail.

CHAIRMAN KURK: Will you folks be talking at some point about the surplus, how much there is, how it compares with past years, et cetera, the Highway Fund Surplus or not at all?  This is Transportation.

MS. MULLEN: This is Turnpike System. This is Turnpike System. If you have questions on Highway Fund, we can answer that information.

CHAIRMAN KURK: I was -- some of us look at them as closely related.

MS. MULLEN: Yes.

REP. EATON: They are.

CHAIRMAN KURK: Okay. Never mind.

MS. FARRELL: Sorry.

MS. MULLEN: Thank you. Thank you, Mr. Chairman, and Members of the Committee. First, I will also give my thank-yous. We'd like to thank Jayme and Karen and the KPMG audit team for their professional and well-run audit. I would also like to thank the DOT staff, Len Russell, Danielle Chandonnet, Lauren Stromer, the Turnpike's Business Office, and also the Comptroller's Office and Treasury for their assistance during this audit and all their support during this process.

Just a few highlights of the Turnpike System. The Turnpike System made its final payment to the Highway Fund in July of this past year, of 2015, of $418,000 for the purchase of the I-95 Bridge and road segment.

CHAIRMAN KURK: Are you interested in buying any others?

MS. MULLEN: No.

MR. RUSSELL: That was just for one lane.

REP. EATON: You weren't interested in buying that one, to be honest.

MS. MULLEN: And payments were completed over a six-year time period for that. The redevelopment of the north and southbound Welcome Centers were completed during '15 and they were opened in March and April of 2015. Sales and fuel concessions have been strong in the first half of Fiscal Year 2016 and that endeavor continues to go well for the State. The Turnpike also issued bonds at the end of Fiscal Year 2015 in June with cash proceeds of about $50 million. Those proceeds were to continue progression of the Rochester-Dover improvements and completion of the Little Bay Bridge, among other various projects in the Turnpike Capital Program.

If you have any questions, we'd be happy to answer them on the Turnpike audit or any questions.

CHAIRMAN KURK: Questions from Members? There being none, thank you.

MS. MULLEN: Okay.

CHAIRMAN KURK: Does that complete your presentation?

MS. FARRELL: It does.

MR. SILVA: Yes.

CHAIRMAN KURK: Representative Weyler is recognized for a motion.

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

REP. OBER: Second.

CHAIRMAN KURK: 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 report is so approved. Thank you.

*****  {MOTION ADOPTED}**

CHAIRMAN KURK: Appreciate it. Our last audit is the Lottery Commission's Comprehensive Annual -- CAFR -- Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 2015.

SEN. SANBORN: Apologize. This is all informational.

CHAIRMAN KURK: Before you begin, a question of Mr. Kane. Do we need to act today on this?  We can hear this and act next time?

MR. KANE: I believe you already voted to release this.

CHAIRMAN KURK: On?

MR. KANE: On the Lottery audit.

CHAIRMAN KURK: We did. Okay.

REP. OBER: So you hear next time.

CHAIRMAN KURK: I think we need to hear it today. We may lose a quorum and we don't have to act, it won't be a problem.

SEN. SANBORN:  My apologies.

CHAIRMAN KURK: I understand that. Would you like us to postpone hearing this till next time or would you like --

SEN. SANBORN: Would love to hear it, Mr. Chair, but at your discretion.

CHAIRMAN KURK: Is there any thoughts on this? It's scheduled today. These folks are here.

REP. WEYLER: Let's hear it.

SEN. SANBORN: Okay.

CHAIRMAN KURK: Thank you. If you have to leave, that's fine.

SEN. LITTLE: Fourteen minutes.

CHAIRMAN KURK: Please continue. Or, again, Mr. Smith, good to see you again.

MR. SMITH: And, again, the audit of the Lottery Commission, their Comprehensive Annual Financial Report was conducted by our office this year. And the Manager from our office on the job is Jim Lariviere. And I believe Charlie McIntyre and Cynthia Barrett, the CFO, from the Commission, will be joining us as well. So I'll turn it over to Jim to present the audit.

JAME LARIVIERE, Senior Audit Manager, Audit Division, Office of Legislative Budget Assistant: Thank you very much. Good afternoon, Mr. Chairman, and Members of the Committee. Again, for the record, my name is Jim Lariviere. We are here today to present the results of our audit of the financial statements contained in the Lottery Commission's Comprehensive Annual Financial Report or CAFR for the Fiscal Year ended June 30th, 2015.

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

Our Auditor's Report and Opinion can be found on Pages 15 through 17 of the report, and it's described in the Opinion paragraph on Page 16.

We issued an unmodified opinion on the Lottery Commission's basic financial statements, which also includes the notes to the financial statements. An unmodified opinion, as mentioned earlier, is a clean opinion and basically reports that in the Auditor's opinion the financial statements are fairly stated in all material respects in accordance with Generally Accepted Accounting Principles.

The information in the introductory and statistical sections of the CAFR was not audited, and the required supplementary information in the financial section of the report consisting of the Management discussion and analysis and the schedules on Page 48 was subject to limited auditing procedures.

As a result, we express no opinion on any information other than the basic financial statements. However, there were no matters that came to our attention in our reading and consideration of that other information that caused us to believe that that information was inconsistent with the basic financial statements.

Regarding accounting practices, the Lottery's significant accounting policies are described in Note 1 of the financial statements and are generally consistent with the prior year. The Lottery did implement accounting standards -- Governmental Accounting Standards Board Statement No. 68 and amended by statement No. 71, relative to accounting for and reporting pensions, as which was described in the presentation earlier. Also, auditing standards required we make the following additional disclosures to you similar to what we heard earlier in KPMG' presentation.

We were satisfied with the qualitative aspect of Lottery's accounting practices, including its accounting policies summarized in Note 1 of the report. We had no disagreements with Management on financial reporting and accounting matters that would have caused modification to our Auditor's Report and Opinion if they had not been satisfactorily resolved. We received the full cooperation of Lottery's Management and staff throughout the audit. And to our -- to our knowledge, Lottery Management did not consult with other independent auditors or accountants on issues related to the audit. And as a final important item, no material adjustments to the accounting records were proposed.

Inserted in the back cover of the report were two separate letters. The single-page letter addressed to this Committee contains a summary of a significant but an immaterial unadjusted misstatement in the Lottery's Fiscal Year 2015 Financial Statements. The adjustment related to a prior year's proposed and unmade adjustments.

The second multi-page letter presents the results of certain agreed upon procedures we performed on the Lottery's operation of the Lucky For Life Game. All states offering the Lucky For Life Game are required as a condition of participation in the game to have similar agreed upon procedures performed with the results reported to the other participating state lotteries.

Finally, in accordance with Government Auditing Standards, we were also issued a report on the Lottery's Internal Control Over Financial Reporting and Compliance in Other Matters, a byproduct of our audit of the Lottery's Commission Financial Statements. That report will be included in a Management Letter which will be presented to this Committee at a future meeting.

That concludes my presentation. I'd like to thank Executive Director Charlie McIntyre and the Lottery staff for their assistance during the audit. And with your permission, Mr. Chairman, I'd like to turn the presentation over to Director McIntyre who can provide Management's perspective on the report.

CHAIRMAN KURK: Thank you. Good afternoon, Mr. McIntyre. Good to see you again.

CHARLES MCINTYRE, Executive Director, Lottery Commission: Good afternoon, Mr. Chairman. Good to see you as well, Members of the Fiscal Committee.

First, I'd like to offer the thanks to the Legislative Budget Assistant Audit Team. We spend a significant amount of time with them and we never have major disagreements. We, obviously, go back and forth on matters, but they are professional and you should recognize that.

Second, I want to thank both Jay Pedone and Kassie Strong. Jay Pedone was the senior accountant in our office who was responsible for the production of this document and Kassie Strong was our predecessor Chief Financial Officer, both of whom now are in private sector having left State service. And I want to introduce to the Members of the Committee our new Chief Financial Officer who's our third one in three years, Cynthia Baron, who's been on the job now for four months.

CHAIRMAN KURK: Welcome.

CYNTHIA BARON, Chief Financial Officer, Lottery Commission: Thanks.

MR. MCINTYRE: Finally, I want to thank the Fiscal Committee for early adoption of this Comprehensive Annual Financial Report so that we were able to submit this for Government Financial Officers Accounting approval by the deadline, which was December 31st. So we were able to do that and we seek GFOA certification in this CAFR, and we expect to receive it. It's now our 15th year in a row for that certification. So that being said, I wish to thank the LBA again and offer any questions if you have any. We had a good year last year and certainly look forward to a better one this year.

CHAIRMAN KURK: Just one question and I've just looked through this the first time, really. On Page 67, why is it that Massachusetts is paying out 72% and we are paying out 62%? Did we lose business? Does this relationship maximize revenue to the New Hampshire Lottery?

MR. MCINTYRE: You've asked that 2-minute, 2-day, or 2-week question.

CHAIRMAN KURK: Two-minute.

MR. MCINTYRE: Two-minute. Of course, sir. I can tell you that over the last five years that number for New Hampshire has migrated north to maximize revenues to the State; and it is looked at more than daily by me, as well as those responsible for that number, to maximize revenues for the State. I believe Mass. is at the omega of the number, and they got there slowly over time as will we. Some states rush to that number, maximize payout for quick gain while missing profit along the way.

CHAIRMAN KURK: So --

MR. MCINTYRE: If that answers the question.

CHAIRMAN KURK: You think that this relationship maximizes our profits?

MR. MCINTYRE: Yes, sir.

CHAIRMAN KURK: That is to say, if you were to go from 62 to 72%, while you would increase sales, the revenues would decline.

MR. MCINTYRE: I think we spend a lot of time at the top of the ledger just for a little bit of growth at the bottom of the ledger quickly with a hangover thereafter.

CHAIRMAN KURK: This is the Lottery, not the Liquor Commission.

MR. MCINTYRE: Yes, sir. We spend a lot of time together so I pick up their language.

CHAIRMAN KURK: Thank you. Questions from Members. There being none, thank you very much.

MR. MCINTYRE: Thank you, Mr. Chairman.

CHAIRMAN KURK: Is there anything else, Mr. Smith?

MR. SMITH: No, that's it.

CHAIRMAN KURK: Thank you all. Since this Committee has already approved this, no further action is necessary.

Our next meeting will be on Friday, February 12th. And the reason for that is that a number of us will be elsewhere on February 19th which is the day before the legislative break. And so to ensure a reasonable quorum, we will be meeting on February 12th. Is there any other business to come before us, Mr. Kane?

MR. KANE: No more business.

CHAIRMAN KURK: In that case, we stand adjourned. Thank you all.

(The meeting adjourned at 12:41 p.m.)

# CERTIFICATION

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

Cecelia A. Trask

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