

**JOINT FISCAL COMMITTEE**

Legislative Office Building, Rooms 210-211

Concord, NH

Friday, January 23, 2015

**MEMBERS PRESENT:**

Rep. Neal Kurk, Chair  
Rep. Lynne Ober  
Rep. Kenneth Weyler, Clerk  
Rep. Mary Jane Wallner  
Rep. Daniel Eaton  
Rep. Karen Umberger (Alt.)  
Rep. Richard Barry (Alt.)  
Sen. Jeanie Forrester, Vice-Chair  
Sen. Chuck Morse  
Sen. Gerald Little  
Sen. Andy Sanborn  
Sen. Lou D'Allesandro

(Convened at 9:35 a.m.)

- (1) **Organization of Committee:**
- (2) **Acceptance of Minutes of the November 10, 2014 and November 24, 2014 meetings.**
- (3) **Old Business:**

CHAIRMAN KURK: Good morning, everyone. I'd like to call the meeting of the organizational meeting of the Fiscal Committee to order, and the Chair appoints Representative Weyler to serve as Acting Clerk.

At this time we need to elect our officers and the floor is open for a nomination for Vice-Chair. The Chair recognizes Senator Morse for a nomination.

**\*\*** SEN. PRESIDENT MORSE: I move Senator Forrester.

SEN. SANBORN: I second it.

CHAIRMAN KURK: Senator Morse has nominated Senator Forrester for Vice-Chair. Are there other nominations? There being none.

REP. WEYLER: Is there a second?

CHAIRMAN KURK: There being none, the Chair closes nominations, orders the clerk or instructs the clerk to cast one vote for Senator Forrester and announces that Senator Forrester is the duly elected Vice-Chair. Congratulations.

Nominations are in order now for Committee Clerk. The Chair recognizes Representative Eaton.

\*\* REP. EATON: I move Representative Weyler as clerk.

CHAIRMAN KURK: Thank you, Representative Eaton. Are there other nominations? There being none, nominations are closed. The Chair instructs the Acting Clerk to cast one vote for Representative Weyler and announces Representative Weyler has been duly elected clerk.

At this point we need to appoint a Legislative Budget Assistant pursuant to the provisions of RSA 14:30 for a two-year term. The Chair recognizes Representative Weyler for a motion.

\*\* REP. WEYLER: Mr. Chairman, I nominate Jeff Pattison as the Legislative Budget Assistant.

CHAIRMAN KURK: Representative Weyler moves that we appoint Jeffry Pattison as Legislative Budget Assistant pursuant to the provisions of RSA 14:30 for a two-year term. Is that motion seconded?

SEN. FORRESTER: Second.

CHAIRMAN KURK: Seconded by Senator Forrester. Discussion? Ready for the vote? All those in favor of the motion please indicate by saying aye? Opposed? The ayes have it and the

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motion is adopted. And Mr. Pattison has been appointed as Legislative Budget Assistant. Congratulations, Mr. Pattison.

\*\*\* {MOTION ADOPTED}

SEN. LITTLE: Good luck.

CHAIRMAN KURK: Yes, good luck, and we look forward to working productively with you for the next two years.

JEFFRY PATTISON, Legislative Budget Assistant, Office of Legislative Budget Assistant: Thank you.

CHAIRMAN KURK: At this time, I'd like to discuss the Committee rules and procedures. Each member has received a packet which contains Attachment A, which are the rules and procedures consistent with past practice. Would someone care to make a motion that we adopt these rules and procedures as our practice consistent with past practice?

\*\* REP. EATON: Chairman, I move we adopt Fiscal Committee Rules and Procedures distributed to the members and a copy be attached to the minutes as part of the official record.

CHAIRMAN KURK: Is that motion seconded?

SEN. SANBORN: Second.

CHAIRMAN KURK: Seconded by Senator Sanborn. Discussion? There being none, are you ready for the question? All those in favor of the motion please indicate by saying aye? Opposed? The ayes have it and the motion is adopted, and we have our official rules and they will be appended to the minutes as per the motion.

\*\*\* {MOTION ADOPTED}

CHAIRMAN KURK: I think at this time we are actually ready to go forward with Consent Calendar under item number (4) in our agenda, there being no Old Business to bring up at this point.

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REP. EATON: The minutes -- approval of the minutes.

CHAIRMAN KURK: Okay, yes. The minutes. Is there a motion to accept the minutes --

\*\* REP. EATON: So move.

CHAIRMAN KURK: -- approve and accept the minutes of November 10<sup>th</sup> and November 24<sup>th</sup>? Representative Eaton so moves, second by Senator Little. Discussion? There being none, ready for the question? All those in favor, please indicate by saying aye? Opposed? The ayes have it and the minutes are approved.

\*\*\* {MOTION ADOPTED}

#### CONSENT CALENDAR

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

CHAIRMAN KURK: Now we go to the Consent Calendar, item number (4). Is there anyone who wishes to remove any item from the Consent Calendar? Senator Sanborn.

SEN. SANBORN: Yes, Chair, item 14-202, please, sir.

CHAIRMAN KURK: Senator Sanborn has removed Fiscal 14-202 from the Consent Calendar. That's a request by the Department of Safety to accept and expend \$1,107,723.

\*\* REP. EATON: Move to approve Consent.

CHAIRMAN KURK: Representative Eaton moves approval of the rest of the Consent Calendar under item (4). Is there a second?

SEN. D'ALLESANDRO: Second.

CHAIRMAN KURK: Second by Senator D'Allesandro.

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REP. WEYLER: Let me catchup. Let me catchup.

CHAIRMAN KURK: For the record, these are the items to be approved are Fiscal 14-198, 199, 200, 201, 208, 211, Fiscal 15-004 and Fiscal 15-005. Ready?

REP. WEYLER: Okay. Nine items approved. The motion was by?

REP. OBER: Dan.

CHAIRMAN KURK: Eaton, seconded by D'Allesandro.

REP. WEYLER: All right.

CHAIRMAN KURK: So the motion before us is to approve the Consent Calendar under item number (4), except for Fiscal 14-202. 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}**

CHAIRMAN KURK: We now turn to Fiscal 14-202, a request from the Department of Safety. Are there questions, Senator Sanborn.

SEN. SANBORN: Yes, please, sir.

CHAIRMAN KURK: Is someone here from the Department?

ELIZABETH BIELECKI, Director of Administration, Department of Safety: Good morning, Mr. Chair, Members of the Committee.

CHAIRMAN KURK: Good morning.

MS. BIELECKI: For the record, Elizabeth Bielecki, Director of Administration, and with me is Perry Plummer, Director of Homeland Security and Emergency Management.

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CHAIRMAN KURK: Good to see you both. Senator Sanborn has a question.

SEN. SANBORN: Thank you, Mr. Chair. Ma'am, sir, thanks so much coming before us today and making a presentation. I truly appreciate it.

As you may know, the challenge that I've had as a legislator with our local communities is the State of New Hampshire's seemingly inability to maintain the agreement of its willingness to pay its proportional share every time we ask for FEMA money. As we know, the Feds come in for 75%, the towns have to put up 25% with the promise that the State will reimburse 12% or half of that money for every one of these contracts, and we haven't done it for some time. So for me to see yet another request, what type of assurance can you give this Committee that we are going to be putting in the appropriate warrant or information to the Governor and Executive Council to continue to make sure we are not downshifting onto our local communities in these types of situations?

PERRY PLUMMER, Director of Homeland Security and Emergency Management, Department of Safety: Thank you very much for the question. And I appreciate your explanation, and I am familiar with that twelve and a half percent that the State has given in match of disaster funds up until 2010. And then we've looked at, you know, your leadership have looked at the balance of where we haven't provided that money. In this case, this is a little bit different. The money that we are looking at for the twelve and a half percent the State's always paid was disaster funds as a reimbursement fund during disaster. This is a little bit different because this is a grant program that they apply for and apply for projects. So the State has never given the twelve and a half percent under this program because it's a voluntary program that they're -- for mitigation that they apply for and as a grant program that we can provide them. So it's a little different than the disaster funds that are in that box. Same situation because some communities can't apply for this because they don't have the 25%. There's no question about it.

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In this case, the 25% doesn't have to be a cash match. It can be a soft match which usually that's what they do. In-kind time for their road agent. In-kind time for their administrative costs. The use of their own trucks, things like that. All those costs that are built-in can figure into their match or can be what they call a soft match, doesn't have to be a cash match for these projects. So at this time there is no plan to forward any of this information on to the Governor's Office to say that we should pay the twelve and a half percent or provide the match.

With that being said, it is a challenge for the communities, as you know, to come up with the match. We have lost out in the State on Federal funding by a community not being able to match Federal funds and, therefore, not being able to take advantage of some of the Federal funds. But in this case it's a voluntary program that they apply for and they can use it as a soft match.

CHAIRMAN KURK: Senator Sanborn has a follow-up.

SEN. SANBORN: Thank you, Mr. Chair. I appreciate the explanation and I do understand the constraints of this specific contract. Are you sitting on any FEMA requests or do you have anything over in the Department at this point that is eligible for the twelve and a half percent match and can we get your commitment that you're going to send those documents to the Governor and the Executive Council to make sure the State maintains its obligation to our communities?

MR. PLUMMER: That -- that has been done through last year's legislative action. We haven't had a disaster that would qualify since then. So that is all encompassing that bill that's already in. And it is -- it was in our budget, the Division's budget, 4.9 million and some change, to reimburse all the communities for that twelve and a half percent from 2010 forward to the last disaster and that sits in our budget. Obviously, that will be a budget issue, you know, whether it stays in and the communities get reimbursed or not, but it is currently in our budget. I don't know if you have additional information to that.

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MS. BIELECKI: That's correct. In our presentation to the House Finance Committee, we did include that as well as it does have a significant impact on our budget; but we did include the \$4.9 million of General Funds for just this purpose.

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

CHAIRMAN KURK: Senator Little.

SEN. LITTLE: Thank you, Mr. Chairman. Thank you for being here this morning. I have a question that is probably a rookie question being my first meeting of Fiscal Committee so thank you for indulging me with it.

As I went through the packet and got to this item, I was concerned that there's -- I can't read anything in here that tells me how this money is going to be spent, what the projects are that the money will be spent on. And so I guess I have a general question. Is that a common way for these to come before us? But is it possible for you to tell us what this money is going to be spent on and where it will be spent, where the projects are?

MR. PLUMMER: Partially. So this is an ongoing project. So how this money is determined is after a disaster, this one was the July 13<sup>th</sup> -- July 2013 rain event. After that the -- the President Declaration is determined, and the overall funding for the disaster is determined, then they provide 15% on top of that money to do mitigation projects. So that's separate from -- that's how the money comes in. That's how it's determined how much.

What happens at that point is we send out a notice to all the communities saying this money is available for mitigation projects. And FEMA has a very scripted guidelines of what the money can be spent on. And it has to meet a cost benefit analysis that is a FEMA program that shows the cost benefit analysis. And if it doesn't meet the cost benefit analysis through the FEMA guidelines then it's not eligible. So basically it's -- it goes to the communities. They apply for a project. We

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determine a cost benefit analysis with FEMA. It goes through a review committee at the State level and rank in a multi-discipline committee which encompasses Homeland Security, Emergency Management, DOT, DES, DRED. They rank the projects based on the impact it has in the State and then forward the eligible projects on to FEMA, and then FEMA determines what they fund.

In this case, so it's an ongoing project. So I can't tell you all of the money is going to be spent on because there's still applications coming in and reviewing. I can tell you that there have been three that have been recommended at this point to FEMA and they're the DOT for the White Bridge Brook Arch Culvert Project out in Westmoreland for \$300,000. That Westmoreland hit extremely hard during that event. And it was determined that that bridge arch, the degradation of that bridge arch contributed to some -- could have contributed to some of that flooding so fixing that was a priority. So that's \$300,000.

The Town of Enfield, the Lovejoy Road Culvert is one of the projects for \$300,000. And the Town of Pembroke, update their local hazard mitigation plan for \$10,000. There is a piece of this money, and if you look -- I think you got the background -- it shows 5% projects, 7% projects. The 7% project means 7% of that money goes to planning. So it's separate from the regular project, the culvert projects. So the Town of Pembroke update local hazard mitigation plan for 10,000 come out of that 7% money. The rest of the money sits with FEMA or sits with us to determine what projects that we want to send to FEMA and then we fund the projects and draw down the money. It goes right to the locals. Does that answer your question?

CHAIRMAN KURK: Further question.

SEN. LITTLE: It does. One quick question, if I may, Mr. Chairman? So that percentage of funds that is released by FEMA relative to the rain event that you mentioned --

MR. PLUMMER: Hm-hum.

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SEN. LITTLE: -- do not need to be put toward projects relative to that rain event. There can be other unrelated issues that are then covered by these expenses?

MR. PLUMMER: Correct. In that jurisdiction where the Presidential Declaration was determined. So to get a President Declaration, the State has to meet a certain dollar threshold which is just over \$1.8 million of damage. From there, each county has a threshold to meet based on -- based on per capita that's set by the -- by FEMA. So that's why sometimes you'll hear a statewide Presidential disaster. That means we met the threshold for the State and every county met their threshold. In this case only certain counties, only three counties met the threshold. So it would have to work with -- work would have to be done within those three counties, but they don't have to be related projects. They have to be projects that would reduce the risk in the future.

SEN. LITTLE: Thank you for the education and for the patience of the Committee.

CHAIRMAN KURK: Thank you. Was Hillsborough County, I think, Representative -- Senator Little forgot to ask. Is Hillsborough County one of those?

MR. PLUMMER: It was.

AUDIENCE MEMBER: Grafton, Sullivan and Cheshire.

MR. PLUMMER: Grafton, Sullivan, and Cheshire for that.

CHAIRMAN KURK: Thank you. Is there a motion on Fiscal 14? Representative Eaton.

REP. EATON: Just want to do a clarification. On the 12½% the State pays on the match on the normal FEMA funds, would it be a correct assessment that we've met the enemy and the enemy is us. That the Department has not withheld those funds. It's been the Legislature that has not appropriated them?

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MR. PLUMMER: Yeah. So those funds have been allocated two ways over the years, either through the budget process or through legislative action at the time of the event. And what's determined that is the timing of the storm. So sometimes it meets. So you have a Presidential Declaration, and it was determined that the State wanted to pay the 12½% so it was put in the budget and then disbursed. Other times it was in the middle of a budget cycle so it took legislative action to appropriate those funds. But our Department has definitely not -- not reimbursed it. It's a legislative action. There's nothing in writing we do or we don't reimburse. It's always been a legislative action per storm or through the budget per storm.

REP. EATON: Thank you.

CHAIRMAN KURK: Thank you for that clarification.

\*\* REP. EATON: Move approval.

CHAIRMAN KURK: Representative Eaton moves the adoption of Fiscal 14-202. Is there a second?

SEN. D'ALLESANDRO: Second.

CHAIRMAN KURK: Second by Senator D'Allesandro. Discussion? Being none, you ready for the question? All those in favor please indicate by saying aye? Opposed? The ayes have it and the item is approved.

\*\*\* {MOTION ADOPTED}

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

CHAIRMAN KURK: Number five in the budget and this is Fiscal Approval Requirement for Accepting and Expending Funds Over \$100,000 from Any Non-State Source and including Restricted Positions.

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There are three items in this Consent Calendar item. The Chair wishes to remove 15-001. Are there any other items that folks wish to remove?

\*\* REP. EATON: Move approval of item (5), minus 001.

CHAIRMAN KURK: Representative Eaton has moved approval of the Consent Calendar items under item number (5), the two that remain, Fiscal 14-203 and Fiscal 15-002. Is there a second?

SEN. D'ALLESANDRO: Second.

CHAIRMAN KURK: Second by Senator D'Allesandro. Discussion? There being none, you ready for the question? All those in favor please indicate by saying aye? Opposed? The ayes have it and those two items under item number (5) are approved.

\*\*\* {MOTION ADOPTED}

CHAIRMAN KURK: Is there someone from the Department of Health and Human Services who can respond to questions from -- on Fiscal 001?

NICHOLAS TOUMPAS, Commissioner, Department of Health and Human Services: Good morning Mr. Chair. For the record, Nick Toumpas, Commissioner of Health and Human Services.

CHAIRMAN KURK: Good morning, Commissioner.

MR. TOUMPAS: Good morning.

CHAIRMAN KURK: Pleasure to see you. Is the testing that will occur under the programs established if this item is approved, will the individuals who'll be tested only be those who voluntarily agree to the testing?

MR. TOUMPAS: Mr. Chair, I may not have the answers to this. I will take down the questions to try to address those. And I would offer two possible ways in which to be able to do that. I

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know I have a couple late items coming up a little bit later. I could try to get the responses or you can ask the questions and I'll answer as best as I can, but I don't have that level of detail on this. I would rather reach out to somebody else. So we could table it after I get all the questions or try to come back after when I come to the late items.

CHAIRMAN KURK: I'll give you -- that's a good suggestion. I'll give that to you now. We can table it and then we'll bring it up later in the meeting.

MR. TOUMPAS: If I could understand, however, is that the primary question that the Chair has?

CHAIRMAN KURK: One other question.

MR. TOUMPAS: Pardon me?

CHAIRMAN KURK: One other question.

MR. TOUMPAS: One other question.

CHAIRMAN KURK: And the question is, does this allow access to medical records of people who do not consent to participate in the program?

MR. TOUMPAS: So the two questions. One, is this for the people who will be monitored, basically, is it voluntary for those individuals. That's question one. And the second question is for those people who do volunteer, is there access to additional medical records.

CHAIRMAN KURK: No, for people who don't volunteer.

MR. TOUMPAS: People who don't volunteer.

CHAIRMAN KURK: There are not enough volunteers or for whatever other reasons additional information is needed, does this -- are they going to be accessing medical records without the consent of the individual?

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MR. TOUMPAS: Okay. And so I would ask if the Committee could table that. I will go off and try to get the answers to this. And when I come back a little bit later for the late items, if I have the answers we can try to address them. If not, then we'll do it at the next meeting.

CHAIRMAN KURK: Thank you.

REP. OBER: Mr. Chairman.

CHAIRMAN KURK: Representative Ober.

REP. OBER: Thank you, Mr. Chairman. Representative Weyler -- I'm sorry, I'm sitting between the two W's. Representative Wallner just pointed out to me that at the bottom of Page 2, which perhaps the Commissioner could address when he calls his staff, it says residents of selected high-risk communities as determined by local geology, will be invited to participate in this important health study. So, perhaps, you could look at that when you address the question, Commissioner.

MR. TOUMPAS: Thank you.

CHAIRMAN KURK: I appreciate the comment, but there are different kinds of invitations in this world.

REP. OBER: No, I just asked him to look at it.

CHAIRMAN KURK: Is there a motion to table?

\*\* REP. EATON: Motion to table 001.

CHAIRMAN KURK: So moved by Representative Eaton, seconded by Senator D'Allesandro. All those in favor please indicate by saying aye? Opposed? The ayes have it and the item is tabled.

\*\*\* {MOTION ADOPTED}

(6) RSA 124:15 Positions Restricted:  
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CHAIRMAN KURK: We now move to number six on the agenda, Positions Restricted. Is there a motion?

\*\* REP. EATON: Move approval.

CHAIRMAN KURK: Representative Eaton moves that we approve item 15-006. Is there a second? Senator D'Allesandro seconds. Discussion? There being none, you ready for the question? All those in favor of approving item number 15-006, please indicate by saying aye? Opposed? The ayes have it. The item is approved.

\*\*\* {MOTION ADOPTED}

(7) RSA 604-A:1-b, Additional Funding:

CHAIRMAN KURK: Item number (7), RSA 604-A:1-b, Additional Funding.

\*\* REP. EATON: Move approval.

CHAIRMAN KURK: Representative Eaton moves approval of Fiscal 14-207, a request from the Judicial Council to -- for authorization to receive 270,000 in additional General Funds from funds not otherwise appropriated through the end of this Fiscal Year.

SEN. D'ALLESANDRO: I'll second.

CHAIRMAN KURK: Thank you, Senator. Senator D'Allesandro seconds the motion. Is there discussion? There being none, are you ready for the question? All those in favor please indicate by saying aye? The ayes have it and the -- oh, is there anybody opposed? The ayes have it, and the item is adopted.

\*\*\* {MOTION ADOPTED}

(8) Chapter 144:117, Laws of 2013, Department of Information Technology: Transfers Among Accounts:

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CHAIRMAN KURK: We proceed now to item number (8) on the agenda, request from the Department of Information Technology to -- for authorization to transfer \$312,103 in other funds. Is there a motion?

REP. OBER: I have a question.

CHAIRMAN KURK: Is someone available from DoIT to answer questions? Good morning, sir.

STEVE KELLEHER, Acting Commissioner, Department of Information Technology: Good morning. For the record, I'm Steve Kelleher, the Acting Commissioner for the Department of Information Technology.

CHAIRMAN KURK: Thank you, Commissioner, for appearing before us. There are a couple of questions. Representative Ober.

REP. OBER: Good morning.

MR. KELLEHER: Good morning.

REP. OBER: I wanted to know of these funds, which I understand there are 027 transfers to you, but how many of those dollars actually came directly out of the Highway Fund?

MR. KELLEHER: It's my understanding based on the outline that was provided that that is all from the Highway Fund. However, we do have the Department of Safety here as well, the account, the finance resource for that. So Elizabeth Bielecki, maybe she could confirm.

MS. BIELECKI: Good morning, again.

CHAIRMAN KURK: Good morning.

MS. BIELECKI: For the record, again, Elizabeth Bielecki, Department of Safety. It would be 90% of these funds that would be Highway Funds. The other 10% will be Turnpike Funds.

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REP. OBER: May I ask a follow-up, please?

CHAIRMAN KURK: Further question.

REP. OBER: Thank you. Thank you for coming forward. Could you explain to us the rationale about using the Highway Funds for purchasing consultant use and removing that out of hardware and software lines?

MS. BIELECKI: Absolutely. Both of these projects are really very closely related to State Police projects. The item for 039 is related to the aircards that are used for all of our Troopers, and the second item for consultant dollars is really closely related to J-1 or Jurisdiction-1 Project that is looking to make electronic records available to all of the criminal justice system in the State of New Hampshire between State Departments, as well as local and municipalities and towns and cities.

CHAIRMAN KURK: Further question?

REP. OBER: I have no further questions. I have a comment when we get a motion.

\*\* REP. EATON: Move approval.

CHAIRMAN KURK: Representative Eaton moves approval of -- Senator Morse.

SEN. PRESIDENT MORSE: Does the Commissioner of the Department of Transportation have to authorize this money coming out of the Highway Fund or is it done without him?

MS. BIELECKI: These funds would have been included in our budget in our Class 027 budget.

SEN. PRESIDENT MORSE: So does the Commissioner of Transportation have to authorize or not?

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MS. BIELECKI: No. We just go through the typical process of getting our budget approved through the Legislature.

CHAIRMAN KURK: Further question?

SEN. PRESIDENT MORSE: No.

CHAIRMAN KURK: Representative Eaton moves approval of item 14-209, and Senator D'Allesandro seconds. Further discussion? Representative Ober.

REP. OBER: Thank you, Mr. Chairman. I am not going to vote to support this. There is a Constitutional requirement that we use some Highway Funds to support State Troopers. But there is no Constitutional requirement that we support giving information to another agency out of Highway Funds. Our bridges and our roads need many repairs. We need to start being responsible about where we use those dollars. So I will be voting no on this motion, Mr. Chairman. Thank you for letting me make my comment.

CHAIRMAN KURK: Further discussion? There being none, you ready for the question? All those in favor please indicate by saying aye? Opposed?

REP. OBER: No.

CHAIRMAN KURK: Show of hands. All those in favor, raise your hand? Opposed? The vote is seven in favor, three opposed. The item is adopted.

(Representatives Ober and Weyler and Senator Little were opposed to the motion.)

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

**(9) Miscellaneous:**

CHAIRMAN KURK: We now move to item number (9) on our agenda, Miscellaneous items. We have three late items. We'll first go to 15-009, a request from the Department of Health and

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Human Services to transfer General Funds in the amount of \$44,233,213, and to authorize the Department to accept and expend Federal funds in the amount of \$15,990,040 and other funds in the amount of \$8,169,802. Is there someone from the Department available to respond to questions about this? And while members of the audience are gathering their copies, I'd like to thank them very much for their respect for the Committee by turning off their cell phones. I haven't heard a single beep or other sound during this meeting so far. So thank you very much.

MR. TOUMPAS: That means if I jump you know mine's on vibrate.

CHAIRMAN KURK: Thank you, Commissioner, for responding to questions on this item.

MR. TOUMPAS: We're on --

CHAIRMAN KURK: We are on Fiscal --

MR. TOUMPAS: -- 15-009?

CHAIRMAN KURK: Correct. There is an amount here under Nursing Services, and I can't see a page number on mine but it's the fourth sheet in, top side, under Nursing Services and that's Line 371.

MR. TOUMPAS: Okay.

CHAIRMAN KURK: The amounts there are \$9,522,100. My concern is whether any of this is going to give the Department authority to take money that it has not yet spent from the nursing home line, the \$189 million in 2014, and the \$195 million in 2015, and use any of that money for something other than paying nursing homes their reimbursement rates for Medicaid services.

MR. TOUMPAS: I'm joined this morning by Steve Mosher. You want to --

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STEVE MOSHER, Department of Health and Human Services: The short answer is no. Nursing home payments are not made out of this account. This account is for medical services for the elderly. During the budget process, the appropriations for medical services for the elderly were budgeted in this account have since become part of our Care Management Account. And what the purpose of this item is to transfer the medical services -- appropriation for medical services from here to our Care Management Account.

CHAIRMAN KURK: Understood. So I appreciate your short answer. That's the one I'm relying on. That none of this money is going to be used to, my description, short-change county and private nursing homes of the money that was appropriated to them under the budget.

MR. MOSHER: That's correct.

CHAIRMAN KURK: Thank you. Further questions? Discussion?

\*\* REP. OBER: Move to approve.

CHAIRMAN KURK: Representative Ober moves to approve late item 15-009. Is there a second?

SEN. D'ALLESANDRO: Second.

CHAIRMAN KURK: Second by Senator D'Allesandro. Are you -- any discussion? There being none, you ready for the question? All those in favor please indicate by saying aye? Opposed? The ayes have it and the item is adopted.

\*\*\* {MOTION ADOPTED}

CHAIRMAN KURK: We now turn to the second late item which is Fiscal 15-010, and this is the Department of Health and Human Services' Dash Board for November, 2014. This is not an item that is up for approval. This is an information item, but I understand members have some questions about this.

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SEN. SANBORN: I guess I'll go first.

CHAIRMAN KURK: Senator Sanborn.

SEN. SANBORN: Thank you, Mr. Chair. Commissioner, Mr. Mosher, thank you so much for coming in today. I got to be honest with you, Commissioner, I don't even know where to start. And if I was going to ask you every question in my mind today, we'd be here all day. I'll try to pick a couple and maybe some other Senators will focus on theirs.

MR. TOUMPAS: If you would like, Senator, I could provide you a little bit of context in terms of what -- how we looked at this, what the thought process was that led us -- led us to this action that we are -- we are putting here in this item, and then open it up for further questions afterwards if that makes sense.

SEN. SANBORN: Be happy to. Absolutely, sir.

MR. TOUMPAS: So the item that you have before you, the Dash Board for the month of -- ending the month of November, shows that the Department is tracking at this point a State Fiscal Year 15 shortfall of \$58 million. The reason for that were outlined in the document. Again, in summary, there was \$9.3 million that were mandated back of the budget or statewide back of the budget. A little over nine and a half million dollars related to the delay in the Medicaid Care Management, as well as the suspension of moving forward on Step 2 in the current Fiscal Year. \$5.7 million to stand up the -- for the operation cost, as well as the initial cost to stand up the Health Protection Program through Senate Bill 413. About five and a half million to fund the Community Mental Health agreement. That was - an appropriation was made in House Bill 1635. There was no funding for that. There's \$21 million for an increase in the Medicaid caseload driven by the increases in -- in that caseload from the change in eligibility determination, the MAGI, if you will, the Modified Adjusted Gross Income which I know we've talked about. These factors drive 95% of the shortfall. So we examined all of our options to address the shortfall before the end of the Fiscal Year, and we

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don't have a whole lot of options. And so, for the most part, what we are putting forward here is not a reduction in services. Rather, what we are doing as the Chair implied, we are delaying or we are suspending making payments in order to address the shortfall.

As I stated earlier, part of the shortfall is a mandated back-of-the-budget \$7 million that the House Bill 2 reads that we will reduce our appropriations by \$7 million in order to address that House Bill 1. Our plan to meet that is to reduce the appropriation in those four lines that the Chair was talking about earlier in order to -- in order to fund the back of the budget.

We consulted with the Attorney General's Office and believe that the Department has the authority to make that reduction without additional legislative action. We're not transferring those dollars. We're redirecting those dollars for other purposes. We are reducing -- reducing the appropriation such that we can address this -- the back of the budget.

Again, we've not -- we will submit reports as we -- as we move forward, but we are carefully and continually assessing where we are and in terms of this type of reduction.

Our decision to reduce the nursing home in the Home Care Accounts to meet this appropriation, we are well aware of what the language was in House Bill 1 that the Chair referenced earlier. I have that language before me that any balance in those accounts be paid for as additional rates. And, again, by reducing that appropriation, that's basically there isn't that amount of money to transfer or to use as for rates.

As we have gone through, and I think as you see in the document, we actually have a \$7½ million surplus in those lines. We are proposing to use 7 million of that. Roughly 1 million, both in General Funds and Federal Funds, would be a million dollars that would then be put in as rates. So those monies would be used in order to -- from the surplus, if you will, to carry that forward and do additional rates for the nursing

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homes. It's -- again, we have -- we've had a number of conversations about some of the challenges that we have, and I'm well aware of what this -- what this does to the nursing homes and others. But I will also state that as the -- as you know, we do nursing home rates twice a year, in July and in January, and we have calculated what those rates are going to be. Those rates for the period July -- excuse me -- January 1 through July do reflect a slight decrease that is roughly 2.7% decrease that is driven largely by acuity and the number of bed days that were utilized in the prior period. Has nothing to do with the action that we are talking about. That's just the normal -- normal thing that we do.

I will say that in the five prior rate setting cycles that we have increased rates by almost 9½% for nursing facility services. These rates and what we pay will also be augmented by the MQIP, as well as the proportionate ProShare, and especially for the ProShare that goes only to the counties. They will not be made completely whole, but we will offset a number of the -- the shortfalls that they would experience.

Again, we are not -- this is not an action to decrease the rates; but, again, I just had not a whole lot of options in terms of what we needed to do in order to move the shortfalls that we've experienced this year. So with that, I just want to provide that as a context, Mr. Chair, and Senator Sanborn, and I'll open it up for any questions that you may have.

CHAIRMAN KURK: Senator.

SEN. SANBORN: Thank you, Mr. Chair. Commissioner, my heart bleeds for you. You're in an incredibly difficult spot that you have all these new programs, clearly spending money that wasn't appropriated initially that we don't have. But I'm hearing from the community, I'm hearing from the nursing homes that -- I mean, the message is going to be is, you know, we are making the decision to kick out people's grandparents out on the street in these nursing homes and I'm just not sure that's something I can support, irrespective of the action you've taken. I think the language is incredibly clear, and we have got to find a

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different way to help you satisfy this shortfall you guys are seeing today without taking it out on the old folks. We just can't do it.

MR. TOUMPAS: I know of no situation, Senator -- I appreciate what you're saying in terms of the impact on a set of providers, private and county nursing homes, but I know of no situation where somebody has been, quote, unquote, put out on the street as a result of this.

REP. SANBORN: I appreciate it. You understand my frustration.

MR. TOUMPAS: Yes.

SEN. SANBORN: Frustrating. We have to find a different way to do this.

CHAIRMAN KURK: Senator Morse.

SEN. PRESIDENT MORSE: Yeah. I'm not going to put words in anyone's mouth, but people aren't being put out in the street. But I know they're changing how they work this back home. They're doing rehabs and things like that in order to make money to make up for this. We've all received a letter that are in Rockingham County, 200 something thousand dollars in a year. They're going to lose \$100,000 in the next six months, with no notice to be able to make up for it ahead of time. I have several questions.

One, Senate Bill 413 when we were negotiating that and working with the Governor's Office and working with the House, we were told that the numbers in Senate Bill 413 could be handled within the Department. Never were we told they were going to hit lines like this, Nick.

MR. TOUMPAS: Senate Bill 413, what we had said, we would seek to try to fund that from other areas within the Department. You're correct on that, Senator. That's my recollection as well.

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But if we didn't have those dollars, we would look at funds that would otherwise lapse.

SEN. PRESIDENT MORSE: Let me help you with it though. When we were getting Dash Boards, which we haven't been getting, there was a number being carried of, I believe, 3.5 million to account for the \$7 million back-of-the-budget cut. That 3.5 million was in 2014. How come we didn't take half of that \$7 million number in 2014?

MR. TOUMPAS: We had put that forward. That was part of our plan, but the decision was made not to take that.

SEN. PRESIDENT MORSE: Who makes the decisions in the Department? Looking at this document that you're handing out to us today, which we have two of, by the way, there's a \$23 million lapse in here. I believe if I were to pick up a document from last year, it's very close to 23 million. You ended the year with a \$31 million lapse, an \$8 million difference. You could have handled the whole 7 million in the first year if we were concentrating on the people in the State of New Hampshire. We are upset about the fact that we are hearing from the nursing homes. That line was very specific on non-transfer. I think the next thing is to ask the Attorney General to come in and explain to us how we bypass what the Legislature said it was going to do. It doesn't make sense to me. You had money. You didn't have to take the whole lapse and then give another \$8 million. You could have done what the back-of-the-budget did, Nick.

MR. TOUMPAS: I understand.

CHAIRMAN KURK: Further discussion? Senator Forrester.

SEN. FORRESTER: Thank you, Commissioner. And thank you. As Senator Sanborn said, I know you're in a difficult position and I know you work hard. We appreciate your efforts. I've been hearing from my nursing homes as well, and in particular last night I received a call late last night from one of my private nursing homes who had some concerns about how the rates were

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being set. And that in three -- three different occasions when rates were being set that they had to keep changing the numbers. And so there's a concern out there in the nursing homes that actually maybe the Department or whoever is doing the rate setting really doesn't know how to set the rates. That's one issue.

MR. TOUMPAS: If I may? The formula for setting the rates is something that has not changed. The rates, the reduction in the rates that initially triggered some of the concerns on the part of both the private and the county nursing homes were -- there were five factors that are involved in setting the rates and one of which is the acuity of the individuals that were in the -- in the homes. That's -- that's the one that had the biggest impact on the reduction.

Putting aside the action that the Department is talking about, I'm just talking about the semi-annual rate setting process that we go through. There was a -- one instance where we put out the rates in terms of a draft. We reviewed that. We found that we had a data error in that, and we went back and recalculated that, and that's where, again, the 3.2% decrease became 2.7% decrease.

CHAIRMAN KURK: Follow-up.

SEN. FORRESTER: I guess my point was is there's not a lot of confidence out in the nursing home industry, if you will, about how the rates are being set or what's happening at Health and Human Services. And to Senator Morse's point, he had two documents, two Dash Boards, I actually had four, and we got the final one, I think, from Jeff Pattison just yesterday. You made a comment earlier. You said that you didn't think old people were being kicked out on the street. Not yet. I have a concern going forward. Just in the three counties that I represent and one private nursing home in which I have more private nursing homes, nearly \$700,000 they're going to have cut because of what you're doing. And then I just have one other question and then I'll be done.

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When you came up with your plan for how to meet these cuts, did you review that with the Governor?

MR. TOUMPAS: Yes.

SEN. FORRESTER: So the Governor is aware that you're proposing to cut \$7 million from the nursing homes and she's okay with that?

MR. TOUMPAS: I cannot come forward with a -- with a budget reduction plan without -- without the review and approval of the Governor.

SEN. FORRESTER: Thank you.

CHAIRMAN KURK: I have an observation and question, Commissioner. It's my understanding that the 189 million and the \$195 million in the nursing home line for Fiscal 14 and 15 are not -- is not 100% of the amount that we anticipate ought to be paid based on rates. That, in fact, is an apportionment factor. So nursing homes are not, in fact, even if the line were fully funded and you were not withdrawing the 7 million, the nursing homes would not be getting 100% of their Medicaid rates; is that correct?

MR. MOSHER: The 189 million did not fully fund the nursing home cost. There is a budget neutrality factor. We figure what the cost of the nursing homes is. The Legislature sets the appropriation and the difference between the two is what's called the budget neutrality factor.

CHAIRMAN KURK: That's my understanding, too. And so when the Commissioner talks about a 9.5% increase, we're still not at 100%.

MR. MOSHER: He's talking about an increase from the rates that were being paid at the beginning of the biennium.

CHAIRMAN KURK: I understand. But no matter what the increase is, it's not going to get 100% of the Medicaid rate.

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MR. TOUMPAS: You're correct, Mr. Chair. To be perfectly direct about it, there isn't a provider group that I work with that is getting paid 100% what their costs are. It differs in different areas, whether it's a mental health center, whether it's an area agency for the disabled, whether it's the home and community-based care providers for the elderly, whether it is -- whatever group, and whether it's mental health area, there is not one group that is saying I'm being reimbursed by the Department at the level of what my costs are. This -- this -- this issue here, regarding the budget neutrality factor, given that there is that -- there is that -- I grant you, it is a complex process to develop the rates, but those have not changed. It's a matter of the data that is provided to us by the nursing homes, both in terms of the acuity, their costs, their utilization and so forth. They're all going to factor in the rates.

CHAIRMAN KURK: I appreciate that. What I'm saying is that, and I'm not talking about costs, that's very different. I'm talking about Medicaid rates.

MR. TOUMPAS: Hm-hum.

CHAIRMAN KURK: Which don't necessarily reflect costs.

MR. TOUMPAS: That's correct.

CHAIRMAN KURK: The problem that I'm having with this is that when we put that footnote in the budget, although you may be able to use the legal technicality that the Attorney General suggests supports your action, that certainly was not the legislative intent when we put the budget footnote in there, which is why so many of us are so upset. I'm just wondering if you couldn't think of another way to do this and that is, in effect, to use up more of the lapse that you're proposing to put in. You're suggesting you're not going to meet \$12.8 million of the \$23 million lapse. Why not raise that; and, in effect, shift to some other section of government the obligation to come up with that money?

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MR. TOUMPAS: Uh -- that was an area that we were looking at the lapse as the last resort in terms of where we would go. Again, we will continue to monitor and scrub our accounts. We have a plan in here that -- that illustrates that we are using roughly 200 -- 250 positions that we've held vacant as a way in which to be able to offset this. As of the end of December, I have over 350 vacancies in the Department. There's no way that I'm going to fund -- I'm going to fill 150 vacancies between now and the end of the -- of the Fiscal Year. So there will likely be additional dollars in terms of a lapse.

CHAIRMAN KURK: As a practical matter, when would this decision -- when would you actually lapse this money? On June 30<sup>th</sup>, 2015?

MR. TOUMPAS: You raise an interesting point because at this point this is -- this is what our plan would be. But we -- I believe we need to notify, and Steve can correct me if I'm wrong, but I believe we need to notify the Division -- the Department of Administrative Services sometime in June in terms of -- in terms of meeting our back of the budget from which accounts that would come. So we'll continue to monitor this. And it could well be, as the Senator indicated earlier, there may be other areas that there could be -- there could be lapse other dollars that could be used to offset this. We typically will do the adjustment of the rates, both in terms of the -- we set them two times a year. But the part where we're carrying forward the surplus as it's defined in the -- in the budget, happens right around now, but I don't believe there's any specific language that says it has to happen right in January. So we -- we have some time in order to continue to monitor -- monitor this. But this provides us the plan. I just -- the longer we go, as you know, the longer we go without a firm plan to close that shortfall that we have right now, the more difficult it becomes in order to basically fill that.

CHAIRMAN KURK: So your answer with respect to timing would allow the Legislature, if it wished to do so, the opportunity in the upcoming budget to deal with this issue.

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MR. MOSHER: We would -- the \$7 million is intended to be used to satisfy the back-of-the-budget \$7 million reduction. The process for that is to send a letter to Administrative Services directing them to reduce our appropriation in certain accounts to meet the 7 million. So that would have to be -- you'd have to talk with Administrative Services as to the timing. But it would be sometime before the beginning -- middle of June that we would have to do that and the budget is not passed until after that.

CHAIRMAN KURK: Thank you. Representative Ober.

REP. OBER: Thank you, Mr. Chairman. And, Commissioner, I agree you've had a lot of issues, lawsuits, unexpected workload, et cetera. On Page 3 of your memo, your fifth bullet point talks about the required changes to go from ICD-9 coding to ICD-10 coding. That's been being worked on by every medical billing provider in America for about four years. So I am surprised to see that that now is part of your shortfall because of following developments. Because that's been an ongoing project in America that should have been fully funded. Did we at some point cut money out of your IT budget this time around to fund that conversion to ICD-10?

MR. TOUMPAS: The ICD-10, those dollars were -- we needed to come up with those dollars in order to do that. The Federal Government deferred. They moved it out one year. So it is now due on October 1<sup>st</sup> of 2015. That's when -- that's when it has to be -- has to be done. So there -- we have the dollars -- I believe we have the dollars to -- I'm trying to find -- this is on Page 3?

REP. OBER: Page 3 of your memo, sir. It says required changes to the Department's information systems, including to meet Federal certification. I do understand the deadline, but it also -- your headline for that is Funding Issues. Talks about your shortfall related to following developments. I mean, this is a development that's been four years in the making that everybody is struggling to budget for. I'm just surprised that those dollars would be unbudgeted at this point in time in your budget, unless we, the Legislature, as my colleague to my right

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said, we are the enemy, and he is us, unless we cut that out of your budget.

MR. TOUMPAS: No. The area that what we are referring to there, I believe, is for the MMIS System. When the Federal Government gives us 90% Federal dollars, 10% State dollars for the design, development, and implementation --

REP. OBER: Hm-hum.

MR. TOUMPAS: -- and then for the operation side of it, it is 75% Federal, 25% State. However, until the system is certified by the Federal Government, we are only able to claim 50% of Federal dollars. So that creates a shortfall and that's what we are referring to here. So now what our plan is, and that's part of -- we are showing that as a shortfall, but then we are showing an offset in order to get the certification done by the end of June. So we are working -- we are working on that in order to get that certified. And you can see it goes back to the last biennium when -- when we went live with the system. So there -- since the time that we have been live, we are only able to collect 50/50, if you will, in terms of the operations cost. What this will do will basically provide us with that additional 25% and that's showing as the -- as the offset.

REP. OBER: Follow-up, please.

CHAIRMAN KURK: Follow-up.

REP. OBER: Okay. So I just want to ask about what we've budgeted for that. Did we fail to budget where you were only getting a 50/50 match? Is that what happened that you have other shortfall? Or did we cut the money out of that line knowing this was coming?

MR. TOUMPAS: No, we knew. When we began, we had budgeted --

MR. MOSHER: We budgeted -- we budgeted the funding at 75% Federal.

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REP. OBER: And we only gave 50/50?

MR. MOSHER: And what we are saying on the Dash Board, Line 26, is that if it doesn't get certified, we would have a \$2.5 million shortfall for F15. But then down on Line 58, we're saying we're expecting it to happen. What we try to do on the Dash Board is show things that are on the radar and how we intend to solve those problems. So we believe it will be certified before June 15<sup>th</sup>. And we will get not only the F15 extra 25%, but also the F14. Because we had to cover that shortfall in F14 because we didn't get the certification.

MR. TOUMPAS: But to get -- the other part of your question is did we -- did we -- were we shortchanged in terms of the dollars that we needed in order to do the ICD- 10. I don't know that specifically. But when we -- but we put that forward to say we needed funding in order to do ICD-10, but just saying we needed to do that. But we don't have the firm estimate in terms of what it's going to take in order to make that change, until you go in and do the requirements against the system and see where the gap is in order to do -- go from ICD-9 to ICD-10. Again, there's a -- we could make an estimate, but we may well have been -- we may have been lower on that -- on that estimate than what we had -- what we had projected.

REP. OBER: Thank you, Commissioner.

CHAIRMAN KURK: Representative Weyler.

REP. WEYLER: Thank you, Mr. Chairman. Gentlemen, I appreciate your challenge. Last night I was at a Rockingham County meeting, and there's already fear about the downshifting that's going to occur from the Affordable Care Act that we hadn't anticipated, and it's somewhat unpredictable. But I pledged to them I would not support the downshifting of taking this money that they're expecting and allowing it to be used for this purpose. So I'm not going to support taking this money away from them.

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MR. TOUMPAS: I understand that.

REP. WEYLER: Thank you.

CHAIRMAN KURK: Senator Morse.

SEN. PRESIDENT MORSE: I'm not sure we have a choice, because Nick alluded to the fact that he can meet using adjustments. But, Nick, will there be a Dash Board next month presented to Fiscal?

MR. TOUMPAS: Yes. Senator, we missed one month on the Dash Board. We missed the month of October.

SEN. PRESIDENT MORSE: I'd like to point out the obvious. We've gone from 48 million the last time we recorded something because we had a presentation from LBA last week to a \$58 million problem since the last time we saw something.

MR. TOUMPAS: The last Dash Board that -- we did not submit one for October, but the one we submitted for the end of September had --

SEN. PRESIDENT MORSE: A 66 million.

MR. TOUMPAS: -- a \$66 million and this one is a \$58 million.

SEN. PRESIDENT MORSE: The one we reported on a week ago on Wednesday here in this room had \$48 million. So we've grown since the Legislature recorded it on the Dash Board.

MR. TOUMPAS: Yeah, I think when -- sometimes when I'm reporting on the Dash Board, and talking about it, such as I did with -- either with Senator Sanborn's Committee or more recently with House Finance, is I was talking about the \$48 million was the net number. So we'd already covered -- earlier it was \$66 million. We covered off on \$17 million of that leaving a \$48 million, which is what you can see in Column E at the bottom there. That's what I was referring to. And right now it's

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the -- so the gap here was \$45 million and that's what we needed to cover off on.

SEN. PRESIDENT MORSE: I've got two Dash Boards, and the only distinct difference I can see, and you've said it several times, is the back-of-the-budget cut of \$7 million in the two documents that came to me. I would hope this argument doesn't become the \$7 million. Because, quite obviously, you were planning to cover 3.5 of that in '14. That's changed, which I believe has to be an executive decision somewhere, either in your Department or in the Governor's Office. The \$7 million ought to be in another forum why it's in the budget. But if we are going to print those as excuses, that's not fair. I mean, we built a budget that should have been lived by. I know there's other things, like, MAGI and things that popped up. I don't remember having those discussions on MAGI in Finance when we built the budget. And my question is, why aren't we saying something to Washington about MAGI? It's 18 million bucks. Almost headed towards 20.

MR. TOUMPAS: It's \$21 million.

SEN. PRESIDENT MORSE: Why is it the Legislature that should be responsible?

MR. TOUMPAS: We have reached out to the Federal Government, but we are one of 50 states. They're all impacted by this, but we will continue to do that. But the -- clearly, the MAGI impact when we -- we knew that there was an impact there, Senator. Whether the State was going to go forward with Medicaid Expansion or the Health Protection Program or not, we were going to be -- we knew we were going to end up dealing with that. I believe we just did not -- we did not estimate -- we did not realize the extent of what that was really going to be. We were told by the Federal Government that that would be budget neutral to states.

SEN. PRESIDENT MORSE: We never carried a number, Nick, in the budget phase.

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MR. TOUMPAS: No, no. This --

SEN. PRESIDENT MORSE: For everyone that's telling me they're a genius and it's not just in your Department, but everyone outside of government, that they knew these numbers were coming, I didn't hear them; and I try not to forget a number.

MR. TOUMPAS: Senator, we did not talk about -- we did not -- when we were sitting in Senate Finance, we did not talk about the impact of what the MAGI would be on the budget.

SEN. PRESIDENT MORSE: As you talk about New Hampshire with its way that it proposed health care in the future, obviously, the Senate's concerned about outcomes. We have made that very clear, and we are going to look at that. But I can tell you, if you're carrying a message back to Washington, the Senate is equally concerned about any reduction, because they came up with the plan. They should be funding it 100%, and that would include MAGI. I don't think that's right to put a plan in place and then force the states to take on millions of dollars. It's not headed in the right direction. They're not living up to it, once again. Once again, Washington wants to dump it down on the states. I think that message has to get stronger, Nick.

MR. TOUMPAS: I, frankly, would not disagree with you.

CHAIRMAN KURK: Senator Sanborn.

SEN. SANBORN: Thank you, Mr. Chair. For the record, Nick, I've been talking about MAGI and stuff for two years. You know I have that I thought this thing was going to completely blowup. I mean, I understand you don't have a crystal ball. I completely appreciate it. But every month you have this conversation that we think it's topped out and it continues to not top out. And now it's at \$21 million and you know that's only 50% of the nut. And I just heard you say the Feds had represented to us that it was going to be revenue neutral, which --

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MR. TOUMPAS: That's what they told all states.

SEN. SANBORN: I'll love to go back and have that conversation.

MR. TOUMPAS: Part of the reason -- the numbers, Senator, in terms of the number of people, have topped out in that area. The Health Protection Program we are over 32,000 now as of last night. But the -- but on what we do, because these folks are going into -- into Managed Care of when -- or care management. When they go into that -- into that particular program, those folks now we go in and take a look at what eligibility categories are those individuals in. And based on what that eligibility category, we -- we recalibrate what the amount is going to be. And that -- that -- that accounts for a portion of that jump from where we were at 19 up to 21.

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

CHAIRMAN KURK: You may.

SEN. SANBORN: But -- but bumping them into the Managed Care as we've discussed before, we're only talking about a decrease in the rate of growth that is not saving money. So by taking everyone from MAGI and putting them in and the State's responsibility today of 21 million. And, again, I need to see some sort of better estimation. Have we truly topped out or not? But, nevertheless, even if we see incremental savings, that money is not going away from what Senator Forrester is going to have to try and scrape up next year in what's a difficult financial time. How do we do it?

MR. TOUMPAS: Again, the approach that we're taking with the care management to do that is, A, to bend that, the velocity of the growth that you had talked about. When we get into end of the budget there will be certain assumptions in terms of what level of savings off of what the -- what the projected growth would be in terms of utilization in the caseload and so forth. Those will be the factors we will be discussing in the budget coming forward.

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SEN. SANBORN: I apologize, Mr. Chairman, one follow-up?

CHAIRMAN KURK: Sure.

SEN. SANBORN: Is the \$21 million, Commissioner, are you trying to fully load a year's worth of service or is that just for six months? I mean, give me some sense of timing for money?

MR. TOUMPAS: When we come forward with -- with the budget, this is what we are working right now with the Governor, but my estimate is it's going to add \$40 million into -- over the biennium for the new biennium to deal with those individuals.

SEN. PRESIDENT MORSE: Are you telling me we accept 300 million and it cost us 40 million because of changes made there?

CHAIRMAN KURK: The two are unrelated.

SEN. PRESIDENT MORSE: I know.

MR. TOUMPAS: They are unrelated.

SEN. PRESIDENT MORSE: They're not unrelated in the sense they were all part of the Washington scheme of putting health care down on New Hampshire. I can tell you this. I support looking into the future on health care in New Hampshire, and I made it very clear it's at 100% of Washington paying for it. So how you take that, take it for what it's worth. You just added 40 million to the problem of why I would think that we have problems.

CHAIRMAN KURK: Commissioner, I take it you understand that we, on this Committee, have a very significant issue with the way you're using the \$7 million that you're taking from the nursing home line and using it to deal with the Department's deficit. This group, I believe, feels that that is contrary to the letter but, certainly, to the spirit of the budget footnote. And I would ask that when you look to the future to figuring out how to resolve your pending deficit that you do not include this

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as part of the solution. This is an information item and no vote is necessary on it. Senator Forrester.

SEN. FORRESTER: Question of the Chairman on the nursing homes. I'm curious to hear, Nick alluded to it, that the Attorney General says he has the authority to do this. Can we hear from the Attorney General of how he thinks they have the authority?

CHAIRMAN KURK: We certainly could ask the Attorney General to come before us. Obviously, at this meeting it would be a little awkward. But we certainly can try to do that. Would you like to try to do that at this meeting?

SEN. FORRESTER: I would.

CHAIRMAN KURK: Representative Ober, would you make arrangements with Janet to invite the Attorney General to join us?

REP. OBER: I certainly will, Mr. Chairman.

CHAIRMAN KURK: We will take up any remarks that the Attorney General cares to make should he be available to come before us later today.

At this point, we'll move on to Fiscal 15-011. Commissioner, thank you, and Mr. Mosher very much. I'm sorry it was so frank, but these things happen.

MR. TOUMPAS: I understand the concern. I would ask as -- I clearly understand what the -- what the concerns are and we'll be reviewing them with my folks. I did ask for one of the items to be tabled. So at an appropriate point, I do have somebody here from Public Health that can address the questions that you had.

CHAIRMAN KURK: Why don't we do that right now.

MR. TOUMPAS: All right.

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\*\* REP. EATON: Remove item 15-001 from the table.

SEN. D'ALLESANDRO: Second.

CHAIRMAN KURK: It's been moved and seconded that item 15-001 be removed from the table. All those in favor please indicate by saying aye? Opposed? The ayes have it and the item is now before us.

\*\*\* {MOTION ADOPTED}

CHAIRMAN KURK: Commissioner.

MR. TOUMPAS: Mr. Chair, I am joined by Julianne Nassif from our chemistry program manager at the Division of Public Health Services – I'm meeting her for the first time – and have briefed her on the several questions that the Chair and the Committee had, and I will turn it over to her to try to address it. If you want to repeat the question, she'd be able to address that.

CHAIRMAN KURK: There were two concerns, ma'am.

JULIANNE NASSIF, Toxicologist V, Bureau of Disease Control, Division of Public Health Services, Department of Health and Human Services: Hm-hum.

CHAIRMAN KURK: First, whether this was truly a voluntary program as far as people being asked to participate. And, secondly, for those who didn't participate, would there be some access that the program would have to medical records of people who did not agree to share the medical records?

MS. NASSIF: So the program is entirely voluntary. We would invite people to participate. And it's completely up to them as to whether they would choose to or not. We would have no access to their medical records should they choose to decline. All we would have at that point would be their name and address.

CHAIRMAN KURK: Thank you.

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

REP. EATON: Second.

CHAIRMAN KURK: Senator D'Allesandro moves item 15-001, seconded by Representative Eaton. Discussion? There being none, you ready for the question? All those in favor say aye? Opposed? The ayes have it and the item is adopted. Thank you for coming.

MS. NASIFF: Thank you very much.

\*\*\* {MOTION ADOPTED}

CHAIRMAN KURK: We now turn to item 15-011, a request – this is a late item – a request from the Office of the Consumer Advocate to employ experts. Is there a motion?

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

SEN. SANBORN: Move to table.

SEN. FORRESTER: Second.

CHAIRMAN KURK: It's been moved and seconded that this item be tabled. I'd like to call a recess.

(Recess taken at 10:48 a.m.)

(Reconvened at 10:55 a.m.)

CHAIRMAN KURK: Committee will come out of recess. Senator Sanborn has withdrawn his motion to table and the seconder has concurred. The Chair would ask Ms. Chamberlin to come forward to answer some questions. Good afternoon and welcome to Fiscal Committee.

SUSAN CHAMBERLIN, Consumer Advocate, Office of Consumer Advocate, Public Utilities Commission: Thank you.

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CHAIRMAN KURK: Basic question is this. What was the nature of the emergency that required this to be a late item, which from our point of view a late item is one we don't have adequate time to consider, learn about and make up our minds. So we are concerned about the reason for this.

MS. CHAMBERLIN: Sure. The docket has already been opened and it is continuing to go forward at the Public Utilities Commission. If we were to table this, we would have to seek a delay in the procedure. The reason this is late is that this meeting was not publicly noticed. So we had prepared all our materials -- our materials were prepared in December and we were tracking the public announcements of the Fiscal Committee meetings and there weren't any. We found out later, you know, why that was, and we are requesting that this action be taken today because it will increase efficiency and be less expensive for the consumers in the long run.

CHAIRMAN KURK: Senator Forrester.

SEN. FORRESTER: Jeff, was this publicly noticed?

MR. PATTISON: It was publicly noticed. It was done in a little shorter notice than it is normally done. There's usually at least one month notice. This was, I believe, probably less than two weeks.

CHAIRMAN KURK: Senator Little.

SEN. LITTLE: Is this work already under way? Has this contract been awarded and now we are committed to this payment?

MS. CHAMBERLIN: We are not. I have -- we went through an RFP and I designated the winning bidder; and that person has been chosen, but they cannot fully participate until it's been approved by the Committee.

SEN. LITTLE: All right.

CHAIRMAN KURK: Senator D'Allesandro.

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SEN. D'ALLESANDRO: Thank you. Thank you, Mr. Chairman. But the docket is open. And in order to get the most efficient and effective representation, it's really in good -- it's good practice to vote for this because it's needed.

MS. CHAMBERLIN: This -- this particular docket is groundbreaking; and if it is approved, it could set the pattern for the entire state. And that's why I felt it was necessary to have an expert with national experience on this issue. My experts are experts in New Hampshire. But this is a proposal that I didn't want them to see it for the first time. I needed an expert who has seen this type of proposal many times before and could give us advice on how to best structure it going forward.

CHAIRMAN KURK: Are you suggesting that if this goes forward as it's proposed, that it will increase electric rates for consumers and businesses?

MS. CHAMBERLIN: The proposal or --

CHAIRMAN KURK: The docket.

MS. CHAMBERLIN: Yeah, the docket is a -- it's a rate case for Liberty Gas Company. It includes a decoupling proposal which is -- it's not completely new, but it's new to New Hampshire about how utilities earn their revenues. And the decoupling means that you separate the revenue from the volume of gas that you purchase, and that would be new to New Hampshire. And it needs to be very carefully structured to make sure that costs are not unfairly shifted to individual consumers. Particularly, low income consumers and elderly consumers and fixed rate -- fixed income consumers can have a disproportionate impact under certain circumstances. And so I felt it was necessary to petition for an expert so that we could be sure that those cost allocations did not occur unfairly.

CHAIRMAN KURK: Further questions. Senator Sanborn.

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SEN. SANBORN: Thank you, Mr. Chair. Ma'am, thank you so much for coming in. As you know, being a member of the Energy Committee, there's a piece of legislation specifically discussing decoupling. We also know there's some concern because Liberty Utilities is also in front with this docket for decoupling. We also know there are several states at this point who have tried to up limits, some with some success, some obviously not. I can understand your concern to make sure that if New Hampshire decides it wants to walk down this path, that it be done so correctly. Because there's high risk in decoupling. That being said, I share Senator Forrester's concern that it feels like we're coming in real late at this second with a level of urgency. But this is a docket that I assume is not going to be quickly acted upon, knowing that the PUC has dockets that are seven years old at this point they still haven't acted on. So I guess my question is, when are they going to begin to have hearings? How long do they think docket going to be open for? You know, I guess where's the urgency knowing this is a very, very complicated issue?

MS. CHAMBERLIN: We are in the discovery phase of the docket which means that people are asking questions about the proposal. I can't -- I can ask the Commission to postpone it and say please wait and stop the process so that I can get a, you know, get approval for my expert. I don't know that they will do that. If they don't do it, then I miss my opportunity to ask questions.

The decision is expected in about May. A rate case only lasts, you know, nine months or so. It's not going to go on for five years. I can guarantee that. So my -- my hope is that I can participate fully with the schedule as proposed. I appreciate that this is not -- that this is a late file. It is for \$30,000, which is a modest amount compared to some of the other requests that come before the Committee. It also has to go before the Governor and Council. So I have that delay as well. So that's another concern that if this goes on for another month, then that goes on even further. So those are my concerns.

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CHAIRMAN KURK: Thank you. Further questions? There being none. Senator D'Allesandro, are you ready for a motion?

SEN. D'ALLESANDRO: I'm ready.

CHAIRMAN KURK: Please make your motion.

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

REP. EATON: Second.

CHAIRMAN KURK: Moved by Senator D'Allesandro, second by Representative Eaton. Further discussion? There being none, you ready for the question? All those in favor, please raise your hand. All those opposed?

CHAIRMAN KURK: The vote being 8 to 2, the item carries.

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

MS. CHAMBERLIN: Thank you.

CHAIRMAN KURK: Thank you. Chair recognizes the LBA to request authority to fill two vacant staff auditor positions.

MR. PATTISON: Thank you. Good morning. Based on the Administrative Procedures and Rules of the Committee, I need to come before the Committee to get that approval to fill two vacancies which have occurred in my office over the course of the last two months. Staff auditor positions and I'm seeking the authority to go out and fill those two positions.

CHAIRMAN KURK: Questions? Discussion? Chair recognizes Representative Ober for a motion.

\*\* REP. OBER: I move to approve this request.

SEN. D'ALLESANDRO: Second.

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

\*\*\* {MOTION ADOPTED}

**AUDITS:**

CHAIRMAN KURK: At this time the Chair calls on Steve Smith, the LBA Director of the Audit Division to announce the report and who will be presenting the report. We have five audits today.

STEVE SMITH, Director, Division of Audits, Office of Legislative Budget Assistant: Thank you, Mr. Chairman. For the record, my name is Steve Smith, the Director of Audits for the Office of Legislative Budget Assistant.

CHAIRMAN KURK: Mr. Smith, could you sit down at the table even as you're announcing so that what you say can be heard by folks in the room. Thank you.

MR. SMITH: For the record, my name is Steve Smith. I'm the Director of Audits for the Office of Legislative Budget Assistant. As the Chairman said, we have five audits to present today. The first two will be done by KPMG. KPMG is under contract with our office for the State CAFR, as well as the Turnpike Audit. We'll begin with the New Hampshire CAFR. And coming to the table to present the audit will be Greg Driscoll. He's a partner with KPMG; and Steve Wallack, the manager on the engagement. And joining them representing Department of Administrative Services will be Commissioner Hodgdon and Karen Benincasa, the State Comptroller.

CHAIRMAN KURK: Thank you Mr. Smith.

GREG DRISCOLL, Partner, KPMG: Good morning.

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CHAIRMAN KURK: Good morning and welcome.

MR. DRISCOLL: Thank you. As Steve said, my name is Greg Driscoll. I'm the lead engagement partner on the audit of the State's financial statements. To my right is Steve Wallach, one of my managers on the engagement.

What we're going to do today is walk you through the results of our audit. We provided a letter just to facilitate the discussion that I believe Jeff has passed out. So we'll speak to that. We'll try to hit the highlights and then we can take questions on the audit after that. And I think Karen and Linda will have remarks on the actual financial statements once -- once we conclude on our comments on the results of the audit.

So moving through the letter, we have issued our audit report on the State of New Hampshire's Comprehensive Annual Financial Statement. Our report was dated December 31<sup>st</sup>, 2014. Happy New Year. And we issued unmodified opinions on the financial statements. And opinions is plural because if you're familiar with the CAFR, there are several columns to the financial statements. Unlike what you might be used to seeing in a private sector entity where there's one set of financial statements, the State under Generally Accepted Accounting Principles reports its financial statements in several different statements with several different columns. And we provide opinions on certain of those individual columns or aggregations thereof. So I think on the State's CAFR in our audit report we technically provide 11 opinions. But all of them were unmodified or in the old days unqualified or clean colloquially. So clean opinions on all of the units for which we provide opinions.

Moving to our responsibility under professional standards, we do conduct our audit under two sets of standards. The first are auditing standards generally accepted in the United States of America promulgated by the American Institute of CPAs. And then the second are *Government Auditing Standards* issued by the Comptroller General of the United States. So we execute our audit under those standards issued by each of those bodies.

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We planned and performed our audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error or by fraud. We cannot provide absolute assurance on the absence of material misstatements, because we don't test every transaction that the State enters into in a year, plus there are estimates and assumptions that go into the compilations of the financial statements that, you know, will not come to a known conclusion until after the financial statements are issued. So our level of assurance on those financial statements is a reasonable level of assurance.

And then, lastly, from that first paragraph under the bolded bullet our audit does not relieve Management for their responsibility to prepare the financial statements in accordance with Generally Accepted Accounting Principles under the oversight of the Fiscal Committee.

Moving on in the letter, we do consider the State's internal controls over financial reporting as a basis for designing our audit procedures and for gathering audit evidence to be able to issue our opinions. On the financial statements, however, we do not issue an opinion on the effectiveness of the State's internal control. Some public companies you might be used to, if you're familiar with them, they do get an opinion on effectiveness of internal control; but in the private sector and for governmental entities such an opinion is not issued. However, with that said, under *Government Auditing Standards* we are required to issue a report that would identify any significant deficiencies or material weaknesses in internal control that we identify as part of the audit.

We have identified certain significant deficiencies and material weaknesses as part of our audit and those will be communicated to the Committee under separate cover in a meeting later in the winter.

Moving on to the second page of the letter, other information and documents containing audited financial

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statements. What you have in front of you, I believe, is what's referred to as the State's Comprehensive Annual Financial Report. Our audit is limited to – that is it – our audit is limited to the section of that report labeled the financial section, which are the State's basic financial statements and certain combining supplementary schedules. There are also as part of that document an introductory section and a statistical section. We are not required to audit those sections. They're informational in nature. But we are required to read them and if any material inconsistencies between the information of those sections and the basic financial statements are identified, we are required to report them to Management. And if they are not corrected, we are required to report them to the Committee. We did not identify any such material inconsistencies between those informational sections any information that is included in the basic financial statements.

As far as the accounting practices and alternative treatments for significant accounting policies, the State's significant accounting policies are described in Note 1 to the financial statements. They are generally consistent with the prior year. The State did implement a new accounting standard, Statement No. 65 issued by the Governmental Accounting Standards Board, items previously reported as assets and liabilities. For the most part, the impact on the State's financial statements from the implementation of that standard was a reclassification of certain items on the balance sheet that had previously been classified as assets and liabilities. Now with some other GASB conceptual statements, if you're used to balance sheets, you have assets, liabilities, and equity. Now for governmental financial statements you have assets, deferred outflows of resources, liabilities, deferred inflows of resources, and equity. So with those two new elements of the balance sheet, this statement essentially reclassified items that had previously been assets and liabilities in certain cases into those two new elements of the balance sheet. So, generally, reclassifications.

There was a small adjustment to equity in the Turnpike Fund for certain bond issuance costs that under the standards are no

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longer allowed to be capitalized as assets. That will be expense as occurred. And there was an adjustment of beginning equity to reflect the effect of that implementation. And the folks from the Turnpike team will talk a little bit more about that effect when they present their financial statement.

There were no unusual transactions identified during the period under audit that we need to make you aware of. And we did have discussions with Management about the quality, not just the acceptability of the State's accounting principles. But by and large, we find the State's accounting policies to be appropriate for the circumstances.

Moving on to Page 3, Management, Judgments and Accounting Estimates. As I mentioned, the State makes a number of estimates and assumptions in preparing its financial statement. We've listed the more material estimates here, taxes receivable, the actuarial accrued, other post-retirement benefits -- excuse me -- post-employment benefit liability, the Medicaid claims liability, workers' compensation self-insurance, and then any liabilities or disclosures related to litigation and other contingencies. For those estimates, we reviewed the methodology undertaken by the State to come up with the amounts of those estimates, the underlying assumptions. Considered whether there was Management bias in making those assumptions. And at the end of the day we found them to be reasonably stated in the context of the financial statements.

Moving on to Page 4, Uncorrected and Corrected Misstatements. We did identify three uncorrected misstatements as part of our audit. These are adjustments that we propose be made to the financial statements that Management has determined to be immaterial to the financial statements and did not make them as part of the final completion of the financial statements. We would concur with that assessment based on our unmodified opinion.

The first uncorrected misstatement related actually to a correction of a prior period overstatement of capital assets. There was a double counting of some costs associated with a

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bridge in the amount of \$41.2 million. This is reported as capital assets in the governmental activities of the government-wide financial statement. The adjustment to this period to eliminate that overstatement of the asset resulted in an overstatement of expense. So the asset at the end -- the asset balance at the end of the year would be correct after the correction, but the expenses used to write-off that asset would be overstated; again, in the amount of 41.2 million.

The next two bullets are related. The next two misstatements. The State had identified the omission of a liability of approximately \$6.95 million associated with the probable reimbursement of Federal funds received for preliminary engineering and right-of-way costs for projects that are expected to be dissolved or ceased or abandoned. There are some statutes in the sections of U.S. Code related to DOT funding that require that if on-site construction has not started within a certain period of time after receiving preliminary engineering costs, those costs are to be reimbursed to the Federal Government. So the State identified it, determined the amount to be material, and did not make the correction to include that liability in the financial statements.

Related to that would be the elimination of the costs that had been accumulated to date on those projects that are currently sitting in capital assets. Again, the State determined that to be immaterial and did not make that correction.

So those were the three uncorrected misstatements. We did not identify any misstatements as part of the audit that Management determined to correct.

We had no disagreements with Management as part of our audit. To the best of our acknowledge, Management did not consult with other accounting -- excuse me -- other accountants on any accounting matters related to the period under audit.

While we -- on Page 5, while we have a number of discussions with Management regarding accounting policies and the implementation of standards, none of those discussions were

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a condition of our retention by the LBA as the State Auditor. The material written communications we had with Management constitute the representation letter and the engagement letter. We had no significant difficulties in dealing with Management in performing our audit. And, lastly, we confirm as of January 15<sup>th</sup>, 2015, that we are independent of the State under all our relevant professional standards.

So that concludes our prepared remarks regarding the results of the audit. We'll take any questions before we turn it over to Linda and Karen for their presentation of the CAFR.

CHAIRMAN KURK: Are there questions from the Members of the Committee? There being none, please turn it over to -- excuse me.

SEN. D'ALLESANDRO: We certainly appreciate the presentation.

MR. DRISCOLL: Sure.

SEN. D'ALLESANDRO: I think it was thorough and very informative.

MR. DRISCOLL: Great.

SEN. D'ALLESANDRO: And I think that's a plus from the old guy that used to represent your company. I feel very comfortable with this presentation vis-a-vis the previous presentation. I want that on the permanent record, Mr. Chair.

CHAIRMAN KURK: It will be done, Senator.

MR. DRISCOLL: Thank you.

CHAIRMAN KURK: Miss Hodgdon. Commissioner. And Miss Benincasa. Good morning to both of you and congratulations on a good audit.

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KAREN BENINCASA, State Comptroller, Department of Administrative Services: Thank you.

LINDA HODGDON, Commissioner, Department of Administrative Services: Thank you. I know Karen has some prepared remarks. I just want to take an opportunity to thank her publicly for her incredible dedication and hard work on this CAFR. You'd think she owned this company. She worked so hard. So I know she's going to thank others, but I want to take this opportunity to thank her.

MS. BENINCASA: Thank you. And thank you for an opportunity to speak briefly about the Fiscal 14 financial statements. I would like to thank everyone who has assisted in developing the report that you have in front of you today. This is the result of a tremendous effort by many individuals throughout the state. I would like to also provide a special thank you to Steve Smith who was our Bureau of Financial Reporting Administrator for many years up through September, as well as to Gerard Murphy who couldn't be with us today who now serves as the Administrator of the Bureau of Financial Reporting. Those two individuals led this effort and we greatly appreciate their work.

I also want to thank the LBA and KPMG for all of their assistance, contributions, and support during this process.

We issued the State's Financial Statement with about eight hours to spare on December 31<sup>st</sup>. Each year we're faced with new challenges, some of which are unanticipated. This year we had some additional financial reporting and audit requirements for the Employee Benefits Fund. We had turnover in various key financial positions within certain agencies, as well as within the Bureau of Financial Reporting. And we also encountered various issues, concerns, and accounting challenges that needed to be addressed along the way.

I did want to take a moment to speak a little bit about the adjustments that KPMG just mentioned to you. As mentioned, the first one was about the Memorial Bridge and how that had been accounted for. So as of the statement, as of the under 14 those

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statements have been corrected. So even though they proposed an adjustment, it was to get the statements to where they needed to be at the end of the year.

The other two adjustments I just wanted to mention because that came up late in the process within a couple of days before we issued the financial statement. Typically, we would like to have booked all of the adjustments that we became aware of. But at the end of the audit and at the time we discovered that, it was a little bit of a challenge and late in the process. The exposure related to potential disallowance of federally funded right-of-way costs and preliminary engineering costs that were identified by the Department of Transportation. DOT and DAS worked together to assess the potential exposure, and we developed an estimate of the unreported liability that was just presented to you as a potential amount that might need to be returned to the Federal Government.

Once that assessment was completed, KPMG was then required to audit it. Again, this was very late in the process. So although we preferred to record the adjustments, these were not deemed to be material. We also had conversations with the Department of Transportation that they had some available appropriations that could fund this \$6.9 million. So it would not have been any reduction to the Highway Surplus Fund at the end of the year. And they will be working on this area to assess much earlier in the next year to figure out if we have any additional costs that need to be addressed.

MS. HODGDON: I just want to sneak in here a second and mention that this is a change. So there's been a Federal law on the books that says that if you don't spend construction dollars within a certain period of time after P.E. and right-of-way has been spent, that you may need to repay the Federal Government for dollars that they spent on that P.E. and right-of-way. So, particularly, for example, if you had like a realignment. So that's a law that's been on the books but the Feds have not been enforcing it. They are now enforcing it. So there was an example down in Nashua where Nashua had to repay some money that -- or will have to, I'm not sure if they have yet, for some

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right-of-way. Fortunately, they themselves were putting some money forward with construction so it netted out to zero but we need to pay attention to that so that if we have a project, such as the Conway Bypass, where we have spent money on right-of-way and we don't start construction within a certain period of time, we may, in fact, have to pay the Federal Government back some of those dollars. They come back to the State for future projects, but on that particular project you have to pay them back.

So I think anybody involved with, you know, the ten-year plan project needs to be thinking about, okay, where else have we spent money? Where else are we at-risk? In some cases – and DOT can explain a lot more about this than I can but this is what we were up against kind of at the last minute – where else have we spent money that might end up being a liability for the State? And that should be part of the determining factor when you're thinking about the ten-year plan project. It's something that you wonder that the Federal Government wouldn't have done a long time ago, but they actually in their whole highway plan budget have dollars allocated for recovery in these areas. So they're serious about it.

So for us this year that ended up being a liability of about \$7 million. And they had a non-participating account that we could hit so that's what we did. So we were able to work it out at the last minute. But there were a lot of scary, tense moments there at the end as we realized there was this new thing now that we needed to be paying attention to. So I know all of you will care about that and will be paying attention to that kind of going forward.

CHAIRMAN KURK: Thank you, Commissioner.

MS. BENINCASA: Of the 140 plus pages in this document, we'd like to just draw your attention to the Commissioner's transmittal letter which begins on Page 4 and ends on Page 13. This letter includes sections on the Fiscal 14 operations, as well as a section on major initiatives or areas expected to affect the future financial position of the State. So I'll just briefly cover a couple of the items in there.

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The General -- on Pages 8 and 9 where we talk about the Fiscal 14 operations, the General and Education Fund ended Fiscal Year 14 with a \$21.9 million surplus, along with the 9.3 million Rainy Day Fund for a total of 31.2 million.

As compared to the budget, the surplus of 21.9 million was approximately 4.8 million below the original budgeted surplus projection. The Highway Fund ended with a \$33 million surplus which was approximately \$10 million higher than what was originally budgeted, and the Fish and Game Fund ended with about a million dollars of a surplus. And I believe they were projected to essentially be at zero for the year.

One other item of mention is the unrestricted net position of the State, the State's governmental activities which include your General Fund, Education Fund, Highway Fund. The unrestricted net position ended Fiscal Year 14 with a deficit balance of approximately \$790 million. This deficit grew in Fiscal 14 by approximately \$74 million which was primarily the result of an increase in the unfunded -- the other post-employment benefits. We had an increase in that liability of \$93 million during Fiscal Year 14.

Moving on to the major initiatives or areas expected to --

CHAIRMAN KURK: May I interrupt for a moment?

MS. BENINCASA: Sure.

CHAIRMAN KURK: I take it if we ignored that liability and we don't regard it, many of us don't regard it as a liability because we pay cash for this, and we just don't use the approach the accountants like, what would our unrestricted net position have been?

MS. BENINCASA: The -- the deficit for the -- or the liability for the unfunded post-employment benefit cumulative was \$858 million as of the end of the year so we would have had a positive position.

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CHAIRMAN KURK: Thank you.

MS. BENINCASA: The major initiatives are also they begin on Page 9, and we just briefly covered some areas. That certainly needs to continue to be focused on. The increase of the balance in the Revenue Stabilization Fund to ensure that the State can absorb any unpredicted financial challenges in the future. Certainly, there's been some conversations about the business and interest and dividends tax changes. Just understanding what those impacts are going forward in the future are certainly things that we need to continue to monitor and assess.

Changes in the Medicaid Program. The State experienced a cost increase in Fiscal 14 in the Medicaid Program. So we believe we need to continue to assess the impact of those costs; and not just the costs that are paid, but also the costs that are incurred but unpaid as of the end of the year. So we'll be working to do that as well in Fiscal 15.

Some of the initiatives or items, our aging workforce has been an item that has been discussed in the past about the number of employees eligible to retire currently and within the next five years. So we need to continue to work in that area.

The Highway Fund revenues, the final payment on the I-95 sale is essentially going to be made in Fiscal Year 15. That's about \$14 million of revenue in Fiscal Year 15. So that will be gone by the end of this year.

The retirement funding and the impact of GASB 68 that's being implemented in Fiscal Year 15. As of the end of 2014, the Retirement System's unfunded liability was approximately \$4.6 billion. But we understand that the State's share of that could be somewhere around 25%. So we'll be working over this next year on accounting for that under the new GASB that's being implemented.

And, again, we talked a little bit about OPEB. The most recent actuarial valuation that we had was that the State had a \$1.9 billion liability, unfunded liability for OPEB. And we're

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in the process of receiving an updated valuation as of December 31<sup>st</sup> of 2014. So that's actually in process right now.

We thank you for your time. We'd be happy to answer any additional questions.

CHAIRMAN KURK: Thank you. Questions from Members of the Committee? There being none, we thank you again.

MR. DRISCOLL: Thank you.

CHAIRMAN KURK: This was a very -- your letter, Commissioner, was a very helpful explanation of things that we should be aware of so I appreciate it.

MS. HODGDON: Great, thank you.

CHAIRMAN KURK: Representative Weyler is recognized for a motion.

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

REP. OBER: Second.

CHAIRMAN KURK: Moved by Representative Weyler and seconded by Representative Ober. Discussion? Being none, you ready for the question? All those in favor please indicate by saying aye? Opposed? The ayes have it and the motion is adopted.

\*\*\* {MOTION ADOPTED}

CHAIRMAN KURK: Mr. Smith.

MR. SMITH: Yes, thank you, Mr. Chairman. The next audit will be also presented by KPMG. It's the Department of Transportation Turnpike System, their annual financial report. Presenting it for KPMG will be Jayme Silva. He was the Partner on the engagement, and Karen Farrell, the Manager. And representing the Department of Transportation will be Marie

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Mullen. She's the Director of Finance, and Len Russell, a financial reporting administrator.

KAREN FARRELL, Manager, KPMG: Good morning.

JAYME SILVA, Partner, KPMG: So, for the record, I'm Jayme Silva. I'm the lead audit engagement Partner for the Turnpike System. To my right is Karen Farrell. She's the Senior Manager on the account. So I have a few brief remarks before I'll turn it over to Len and Marie for the financial highlights.

And so Greg Driscoll from the CAFR side has covered some of the same things I'm going to cover, but I'll cover them still because it's for Turnpike System specific. And so from a standpoint there's really four items that are included, I'll call it the package as part of the handout.

One is the financial report which is the financial statements and our audit opinion that's included with that. The next item is the SAS 114 which is auditor required communications. That's the letter, the three or four page letter that I also briefly talk about. The next item which we really won't talk about but I'll mention is the debt compliance letter that we issue as part of the financial statement. That was a -- I'll call it, it was no covenant violations in accordance with accounting matters so that was a clean debt compliance letter which is very important for the Turnpike, obviously, from bond -- from bond, et cetera, and debt. And then, finally, Karen is going to cover at the end we actually have issued our internal control over financial reporting letter which there's one deficiency, a significant deficiency that I'll have her talk about. That's the last letter that is included as part of the handouts today.

So from that standpoint, from an Executive Summary for some highlights, you know, we had completed the audit of the Turnpike System Financial Statements, you know, as of June 30<sup>th</sup>, 2014, and our opinion was dated December 29<sup>th</sup>. So we didn't wait for the 31<sup>st</sup>. We got that one out on the 29<sup>th</sup> of December. And that was a clean or unmodified report. So we used to call them an

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unqualified report three or four years. I didn't make the rules. I think clean says it a lot better than unmodified, certainly; but it was an unmodified report which is a clean report that we issued.

We actually follow the same standards that the CAFR team follows. You would follow the professional standards. One by the AICPA from that standpoint and we also follow *Governmental Auditing Standards*. So we follow those two standards in conducting our audit.

So from the standpoint of Management cooperation, we received full cooperation from Management, which is important, I think, from our standpoint. If we didn't, we'd be having a different conversation today with this Committee. And, also, we had no disagreements with Management. What I mean by that from accounting matters, or policy changes, et cetera, there was none of that for the current year. So full cooperation and no disagreements.

From an internal control standpoint, I'm going to hold the significant deficiency from journal entries; but when we look at the control environment, we actually looked at, you know, high level controls and we looked at reconciliation type controls. I call that sort of the detail controls. You know, we feel from the Turnpike System's standpoint that we are satisfied with the adequacy of the internal controls. Because, again, internal controls are the underpinning, you know, of the organization for the Turnpike. Again, we don't issue or opine on the effectiveness of internal controls. Again, you know, PCAOB, ICC, that would be a different report but a private governmental entity we issue what I call ICFR, but Internal Control Financial Reporting, that actually is issued as part of the government auditing standards and I'll hold that report for a second.

The last thing from Executive Summary, I think this is one of the most important thing other than the unmodified opinion, is that we are fully independent from the Turnpike System. We have a very -- a very detailed and robust system internal controls for the firm for independence. And so I can report to

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the Committee today that we were and still are fully independent as of today, January 23<sup>rd</sup>. So I don't know what happens tomorrow, but as of today we are fully independent. I can report that.

So from a report on the conduct of the audit, from an audit responsibility under the standards, again, I said we follow the standards, the professional standards. We actually conducted our audit. There's reasonable assurance rather than absolute and absolute assurance would cover 100% of the transactions. Again, we test a sampling or smattering of the transactions to get comfortable, you know, with the overall financial statements that they're not materially misstated and, in fact, that they're not so that that's good.

From the other thing from my accounting policies, and significant accounting policies, again, there was no material changes in Footnote 1 of those financial statements. The only item that did change is the Turnpike adopted GASB 65, which is items previously reported as assets and liabilities. My counterpart, Greg Driscoll, covered that a little bit. But what I'll say is here for the Turnpike there was an asset of bond issuance cost that had been previously capitalized for any government entity. The rule came out that said that you cannot capitalize those anymore. So about a \$2 million restatement inside equity that gets restated. So on the P&L itself there's a \$2 million item that gets restated. So bond issuance costs in the future going forward will not be capitalized. They'll just be expense as incurred. So that was the only significant accounting policy change. Again, Footnote 1 is rather lengthy from the standpoint there was no major policy change except that new accounting adoption.

From the standpoint I always like to highlight to the Committee, you know, from accounting policies, alternative treatments, that there was no alternative treatments that the Turnpike took. What I mean by that is, you know, the accounting rules, there's many accounting rules out there as we know, but the accounting policies are adopted by the Turnpike. They didn't adopt and they have not in the past alternative treatments, meaning that the policies that they're following

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there's not alternative guidance to say there's another way to do it, that they're not doing it. So there's no alternative treatments there. And also there was no significant transactions during the year that were controversial or really in emerging areas. There wasn't accounting literature covered. So, therefore, it was a clean audit, you know, from an accounting policy perspective.

So moving just to the last item that I'm going to have Karen cover is we had audit adjustments. So we have uncorrected and corrected adjustments. And what I'll say so we had no uncorrected adjustments. What I mean by that is we didn't come up with an error or a material misstatement that we identified to the Turnpike that they decided not to book. So from an uncorrected standpoint we had no uncorrected differences.

I'm going to have Karen cover a second we had three corrected differences, meaning that we identified something that Management decided to book inside the statements. So, therefore, they're properly reflected in the financial statements for the June 30<sup>th</sup>, 2014, year end. The other thing I'm going to have Karen cover is the internal control of financial reporting, the deficiencies in internal control. We had one significant deficiency we noted for the year which also I'm going to have Karen cover.

So with that, I'll pause just for a minute. Because I didn't cover everything in the letter itself, but I wanted -- I always try to cover the highlights rather than each of the points. But I'll pause for questions just for a moment.

CHAIRMAN KURK: I don't think there are any.

MS. SILVA: Perfect. Karen.

KAREN FARRELL, Senior Manager, KPMG: Okay. Thank you, Jayme.

CHAIRMAN KURK: Excuse me. I was incorrect.

SEN. SANBORN: I apologize.

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CHAIRMAN KURK: Senator Sanborn.

SEN. SANBORN: When you say you no longer capitalize refinancing bond expenses, is that only in the Turnpike System or is that across all --

MR. SILVA: That would be across the system. Sorry. Not just the Turnpike System but across --

SEN. SANBORN: Across the state.

MR. SILVA: -- the entire organization, correct.

CHAIRMAN KURK: Please continue.

MS. FARRELL: Thank you. So I'm going to review with you a report that you have which is called our Independent Auditor's Report on Internal Control Over Financial Reporting and Non-Compliance and Other Matters based on our audit of the financial statement, and in accordance with *Government Auditing Standards*.

So as Jayme mentioned, we identified a significant deficiency. And a deficiency as defined in this report exists when the design or operation of a control does not allow Management or its employees in the normal course of their job functions to prevent, detect, or correct a material or not even a material, but a misstatement on a timely basis.

So as Jayme had mentioned, we identified three journal entries that were incorrect, even though they had been reviewed by Turnpike staff. The magnitude of the entries was a decrease in Turnpike's net position of approximately \$1.6 million. As Jayme mentioned, though, the Turnpike when we brought these to their attention, did record these in their statements. So the effect of the \$1.6 million is in the net position.

Just to give you some sense of what the errors were, there was a miscalculation in interest expense accrual as of year-end.

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There was an error in a classification of an investment as a cash and cash equivalent, and there was an error in a manual accrual to record some construction-in-progress amounts.

So with these three errors in the journal entries, it really led us to determine that a weakness existed over the journal entry control review. The review control wasn't at a precision level that was necessary in order for them to identify that these errors existed. The actual comment that we wrote and Turnpike's response is included in the letter. And as Jayme said, we did not identify any other entries that weren't corrected by the Turnpike System.

MR. SILVA: So the thing I'll add, there's three types of deficiencies. One is material weakness. The other one is significant deficiency and controlled deficiency. So a magnitude of deficiency, as defined by the professional standards, we felt that this did not rise to the level of material weakness. As you can see that's to the left depending on which side you sit on, but to the left-hand side. That's the most significant. Significant is the wrong word to use. Material weakness, sorry. And internal control deficiencies on the right. So we felt that, you know, maybe we had found one entry that, you know, that had an error. We had three so we felt that it did not rise to the level of material weakness, but it rise to the level of significant deficiency. Again, those are defined in the professional standards. Fairly straightforward. So questions on the deficiency on the internal control letter?

CHAIRMAN KURK: Senator Little.

SEN. LITTLE: Thank you, Mr. Chairman. Just I noted in your comments that you said that you were satisfied with internal controls. And now you tell us that you noted -- you identified deficiencies in internal controls and that seems contradictory to me.

MR. SILVA: Well, the -- so that's a good point. So if you look at, again, the entire internal control structure, we believe it's appropriate for the Turnpike System, except for the

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one item on journal entries that we noted that we put in the letter. When I talk about internal controls of the entire system. So we had one identification that should be improved. The process should be enhanced and improved. But the other internal controls that we looked at, financial reporting process, and other types of tone at the top and reconciliation controls, we didn't identify any other control deficiencies.

CHAIRMAN KURK: Follow-up.

SEN. LITTLE: I guess I just see a conflict there in the message. I don't see how the letter of your report can say that those are fine, and then when we get to the details you tell us there are some deficiencies. I think there's a mixed message there.

MR. SILVA: Okay. Let me try to clarify. So we had three errors, right, and the Management corrected them on the journal entry process. But as part of that we look at other controls that we don't talk about to the Committee today that were operating effectively. So it is correct that we had deficiency in control, but there were other controls we deemed to be operating at a precision, et cetera, as part of the organization as a whole. So maybe what I need to say is, although I think it's adequate we did have a deficiency that we believe Management should fix and enhance, but there was other controls that we believe to be okay. I don't know if that answered your question though. But the standpoint, I mean --

SEN. D'ALLESANDRO: It is duplicitous in how you comment on it. If I may elaborate on my colleague's comments. So it ain't okay but it's okay.

MR. SILVA: For the one except for. So, again, this is not going -- so I believe it's adequate because that's what we say in our opinion, except for the one item that we notified which I know that's -- I'm splitting hairs a little bit there.

CHAIRMAN KURK: Representative Eaton.

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REP. EATON: To ease some of the other folks here, would changing the word deficiency to material weakness be an adequate substitution or not?

MR. SILVA: To make it worse or better? That would make it worse.

REP. EATON: Would it really?

MR. SILVA: Yeah. If it's a material weakness that's worse. So that's -- right.

CHAIRMAN KURK: Senator Sanborn.

SEN. SANBORN: Thank you, Mr. Chair. So if I can summarize having gone through a fully unqualified financial statements before as a business owner, as opposed to getting 100% you gave them a 97?

MR. SILVA: Uh -- yes, yes. I wouldn't disagree with that.

SEN. SANBORN: Thank you.

CHAIRMAN KURK: That clears things up.

REP. BARRY: Mr. Chair.

CHAIRMAN KURK: Representative Barry.

REP. BARRY: Thank you. Just a general question. Do you begin your audit with a compare and contrast of the previous audit?

MR. SILVA: Yes, as a basis of our risk assessments. So we look at -- and we were not the auditors last year but we were able to look at the LBA work papers. So we get a foundation of our risk assessment to form what we are going to test, how we are going to test it, et cetera, to get sort of a comfort of what we're going to do in the current year.

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REP. BARRY: Thank you.

CHAIRMAN KURK: Please continue.

MR. SILVA: So that's our prepared remarks. If there's any other questions. We'll turn it over to Marie and Len.

CHAIRMAN KURK: I don't believe so. Did you wish to turn it over to Len and Marie?

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

CHAIRMAN KURK: Good morning.

MS. MULLEN: Good morning. Thank you, Members. Thank you, Chair and Members of the Committee. We'd like -- first, we'd like to thank KPMG and their audit staff for a professional and well-run audit. I'd also like to thank Len, the Turnpike's Business Office, the Comptroller's Office, and Treasury for their assistance during this audit. They were all very helpful in providing feedback on this and to come to the conclusion we are at at this point.

I'd like to offer some highlights from the Turnpike System this past year. The Turnpike System saw modest growth in FY14 with an increase of revenues of 1.3% and an overall increase in traffic transactions of 3% to 111 million in transactions. E-ZPass accounts now for 70.5% of all transactions through the system, with Hampton and Hooksett Open Road Tolling Plazas leading that growth.

Bond ratings continue to be strong for the system. We have A+ A-1 rating with a stable outlook. The ground lease contract entered into to redevelop the northbound and southbound Hooksett Welcome Centers Rest Areas in Hooksett are substantially complete and will be operational either at the end -- by the end of this month or beginning in February in the northbound lanes and for the southbound two to three weeks after that, which are

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both well ahead of schedule. They were scheduled to open in April.

The Turnpike Construction Program as passed in HB 2014 is on schedule with significant work completed and underway in the Bow-Concord area, Manchester, and Newington-Dover. We'd be happy to answer any questions you may have regarding the audit at this time.

CHAIRMAN KURK: There being none, thank you.

MS. MULLEN: Thank you.

CHAIRMAN KURK: Chair recognizes Representative Weyler for the motion.

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

REP. OBER: Second.

CHAIRMAN KURK: Seconded by Representative Ober. Discussion? There being none, ready for the question? All those in favor please say aye? Opposed? Motion is adopted.

\*\*\* {MOTION ADOPTED}

CHAIRMAN KURK: The report will be released in the usual course in accordance with Representative Weyler's motion. We now turn to Mr. Smith.

MR. SMITH: Yes, Mr. Chairman. Our next audit was performed by our office. It's on the New Hampshire Lottery Commission. Joining me at the table is Jim LaRiviere. He's a Senior Audit Manager for the LBA Audit Division. And representing the Commission will be Charles McIntyre, the Executive Director, and Kassie Strong, the CFO. I'll turn it over to Jim.

CHAIRMAN KURK: Good morning and welcome to you. Is this the audit we're looking at?

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JAMES LARIVIERE, Senior Audit Manager, Audit Division,  
Office of Legislative Budget Assistant: Correct.

CHAIRMAN KURK: So colorful, so untraditional of accountants.

MR. LARIVIERE: Good morning, Mr. Chairman, and Members of the Committee. Again, for the record, my name is Jim LaRiviere.

We are here this morning to present the results of our audit of the financial statements contained in the Lottery Commission's Comprehensive Annual Financial Report or CAFR for Fiscal Year 2014. The CAFR, including the financial statements, is a responsibility of the Lottery Commission's Management. Our audit work does not relieve Lottery Management of that responsibility.

As independent auditors, our responsibility is to perform 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 beginning on Page 15. We issued an unmodified opinion on the Lottery Commission's basic financial statements, which includes the notes to the financial statements. An unmodified opinion is the highest level opinion an auditor can provide.

The information in the introductory and statistical -- excuse me -- statistical section of the CAFR was not audited. And the information in the Management discussion and analysis in the financial section of the report was not -- excuse me -- was subject to limited audit procedures. As a result, we express no opinion on any information other than basic financial statements. However, no matters came to our attention in our reading and consideration of the information that caused us to believe that that information was inconsistent with the basic financial statements.

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With regard -- excuse me -- with regards to required disclosure, we were satisfied with the qualitative aspects of Management's accounting practices, including its accounting policies summarized in Note 1 of the report.

Estimates Used in Financial Statement Disclosures. No material uncertainties were noted. We also received full cooperation with the Lottery Commission during the audit. And to our knowledge Management did not consult with other independent accountants during Fiscal Year 2014 on issues related to the audit.

And, lastly, and importantly, we do not propose any material audit adjustments to the Lottery's financial statements as a result of our audit work.

Inside the back cover in the report are two separate letters. The single-page letter contains a summary of a significant yet immaterial audit adjustment we proposed to the Lottery Commission during the course of the audit. Lottery Management chose not to make the adjustment. Had Lottery Management made the adjustment, Lucky for Life Game prizes payable and prize expense would have been decreased by 2.3 million, and an additional 2.3 million would have been available for transfer to the State's Education Trust Fund at June 30<sup>th</sup>, 2014.

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 to have these procedures performed as a condition of game participation.

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

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In closing, I would like to thank Executive Director Charlie McIntyre and Chief Financial Officer Kassie Strong and the staff of the Lottery Commission for their assistance during the audit. And with your permission, Mr. Chairman, I'd like to turn the presentation over to Mr. McIntyre.

CHAIRMAN KURK: That's fine, but I do have one question about the three or four page letter. On Item D, I was very surprised to read that you were haphazardly doing something. Did you mean randomly? Accountants are never supposed to haphazardly do anything.

MR. LARIVIERE: Right. Yes, we selected five different dates to perform that specific procedure. We did not use a random number generator system. We, as the procedures called for, as listed specifically in the procedures, it made reference to using the haphazard approach.

REP. WEYLER: That's an official term?

KASSIE STRONG, Chief Financial Officer, New Hampshire Lottery Commission: Yes.

CHARLES MCINTYRE Executive Director New Hampshire Lottery Commission: Yes.

CHAIRMAN KURK: Okay. Thank you for clarifying that. Mr. McIntyre, welcome.

MR. MCINTYRE: Good morning, Mr. Chair, Members of the Committee. The microphone moved so we won't move.

We want to initially thank the folks at LBA for their audit. Certainly, we welcome them yearly and they perform their task annually. And, certainly, the document speaks for itself both in its complexity and its accuracy of the numbers, as well as its design and prettiness. So I welcome any questions from the Chair, as well as Members of the Committee. Thank you, sir.

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CHAIRMAN KURK: Thank you. The obvious question is what's the story with the 2.3 million?

MR. MCINTYRE: Certainly, sir. Hum -- based off of general accounting principles that we believe to be true, the game is designed to payout 60%. Of that 60%, approximately 38% is to go to the top two prizes, one of which is a thousand dollars a day for life, one of which is \$25,000 a year for life. It is shared by six states of which our percentage of that share is about 7%, give or take. We believed, as did one other state, that we would have to accrue for that prize because it would ultimately yield a winner or winners over time.

We conferred with both the Government Financial Office Association, as well as the Government Accounting Standards Board, and both concurred with that finding, both pre and post the finding. The transfer is going to occur. This \$2.4 million will, indeed, be transferred to the State on January 26<sup>th</sup> when we reconfigure the Lucky for Life Game itself, as well as reconfigure the math. We are going from six states to 15 states. We are growing the game, growing liquidity. So there will be 15 states now and a much, much larger population base. So our requirement in terms of the amount retained as reserve will transfer on January 26<sup>th</sup> as part of our normal monthly transfer.

CHAIRMAN KURK: The full 2.4 million or some portion?

MR. MCINTYRE: The \$2.4 million because, essentially, the game math reconfigures. The odds of winning change for us, as well as -- we go from 7% to, I believe, 1% in terms of the game liability. So it's either a question whether it's material at that point because if it gets hit and we have a reserve. On some months that's a six or seven hundred thousand dollar liability on a month-to-month basis.

CHAIRMAN KURK: So the Education Trust Fund will see this money during Fiscal 15?

MR. MCINTYRE: Yes, sir. That's correct.

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CHAIRMAN KURK: Thank you.

MR. MCINTYRE: It will be part of our January transfer which transfers in February, the 20<sup>th</sup> or 21<sup>st</sup>, depending on which day.

CHAIRMAN KURK: How is this going -- how did this affect your '14 numbers for transfers versus budget and your '15 numbers versus transfers to the budget?

MR. MCINTYRE: It had no impact on our transfers '14 to budget. It will makeup part or at least it will, hopefully, make us to the point where our budget for '15 will be what we anticipated it would be.

CHAIRMAN KURK: And I didn't ask the question clearly. Did you make your projections for '14 using your method for accounting or were you under?

MR. MCINTYRE: We did not. We would not make our number '14. We were under.

CHAIRMAN KURK: So if you had taken -- if you had accepted the Auditor's opinion would you have made your numbers for '14?

MR. MCINTYRE: Yes. We would have made our numbers. It would have been -- we would have exceeded it.

CHAIRMAN KURK: And are you going to exceed your numbers for '15 by 2.4 million?

MR. MCINTYRE: No. And the reason I suggest it is we undergo a number of reserve by reallocations throughout the year and a significant portion of our revenues derive from the essential unclaimed prizes that are won every year. Two percent of our prizes that are part of our prize structure go unclaimed. So 2% of our sales go as part of our profits to year end. So \$290 million, we deal with about 5.8 million of our profit is essentially tickets that folks just don't claim for a myriad of reasons. So that is factored in in terms of part of our profit. So this is not essentially new money, Mr. Chair, this is

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essentially part of the normal course of business. If you look towards the CAFR on Page 46, on the line which under revenues, income other than ticket sales, the vast majority of that would be essentially tickets that don't go claimed which revert back to the State as unclaimed prizes and go to our bottom line as profit. Like, for example, last two years somebody bought a Powerball ticket, didn't claim it. It was a million dollars and it reverted towards the bottom line's profits after 365 days, plus a day of waiting. And for any number of reasons they don't claim. They don't know they won, they threw it out, there was a fire, there was a flood. It happens for any number of reasons.

CHAIRMAN KURK: After one year and a day, they cannot legally come back and claim their prize?

MR. MCINTYRE: Yes, that's by operation of RSA, Mr. Chair.

CHAIRMAN KURK: Thank you. Further questions? Thank you. Appreciate your report.

MR. MCINTYRE: Thank you, Mr. Chairman and Committee.

CHAIRMAN KURK: Chair recognizes Representative Weyler for a motion.

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

REP. OBER: Second.

CHAIRMAN KURK: Seconded by Representative Ober. Discussion? There being none, 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}

CHAIRMAN KURK: Mr. Smith.

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MR. SMITH: Thank you, Mr. Chair. The next audit by our office was the -- within Department of Administrative Services their Annual Report for their Internal Service Fund. Joining me to present the audit from our office is Pam Veeder. She's a Senior Audit Manager. And also joining us will be from the Department of Administrative Services Commissioner Hodgdon, Catherine Keane, the Director of Risk and Benefits, and Sarah Trask, the financial analyst who did a lot of work preparing these financial statements.

PAM VEEDER, Senior Audit Manager, Audit Division, Office of Legislative Budget Assistant: Good morning, Mr. Chairman, Members of the Committee.

CHAIRMAN KURK: Good morning to you and welcome to the Fiscal Committee.

MS. VEEDER: Thank you. For the record, my name is Pamela Veeder, and we are here today to present the results of our audit of the Internal Service Fund Financial Statement contained in the Annual Financial Report as of and for the Fiscal Year ended June 30, 2014.

The Internal Service Fund holds the balances and activities for employee and retiree health benefits, workers' compensation, and unemployment compensation. The annual financial report in front of you, which includes an introductory section, a Management discussion and analysis, and the financial statements and note disclosures is the responsibility of the Department of Administrative Services' Management. Our audit does not relieve Management of its responsibilities. Our responsibility is to express an opinion on the financial statement based on our audit.

Our Auditor's Report and opinion can be found on Pages 4 through 6. And as described in the opinion paragraph on Page 5, we issued an unmodified opinion on these financial statements. And as referred to in prior presentation, the unmodified opinion is commonly referred to as an unqualified or clean opinion. The

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Auditor's opinion covers the financial statements found on Pages 10 through 12 and the note disclosures starting on Page 13.

The sections of the annual financial report, other than the Auditor's Report, again, are the responsibility of Management. And while those sections, other than the financial statements and notes are not audited, they do receive limited review by our office, largely for consistency of information in relation to the statements and notes.

In accordance with *Government Auditing Standards*, we are in the process of issuing a report on our consideration of the Department's internal control over financial reporting, compliance, and other matters as it relates to this Internal Service Fund. That report will be presented to the Committee at a future meeting.

As noted in a prior presentation, or presentation today, auditing standards require we make the following additional disclosures to you.

We are satisfied with the qualitative aspects of Management's accounting practices, estimates, and financial statement disclosures, including those accounting policies as described in Note 1 of the Annual Report.

There were no disagreements with Management on financial reporting and accounting matters that would have caused a modification to our Auditor's Report and opinion if not resolved to satisfaction.

We received the full cooperation of Department Management and its staff during the course of the audit. To our knowledge, Management did not consult with other external accountants on issues related to this audit. And, lastly, no material adjustments to the accounting records were proposed.

I would like to now refer you to the letter inserted in the back of the report, and the letter is two pages and identifies on Page 1 two significant, yet immaterial, unadjusted or

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uncorrected errors in the financial statements, identified by us and discussed with Management. And as noted in the descriptions on Page 1, both of those uncorrected errors were -- affected accounts receivable amounts and revenue amounts. You have the two descriptions there in the bullet. And as noted in the second paragraph of the letter, Management chose not to adjust its financial statement for these immaterial errors.

This completes our portion of the presentation. I would like to thank the Department of Administrative Services management and staff for their help and cooperation during the course of the audit. And with your permission, certainly we'll take any questions, and with your permission, like to turn it over to the Department for their comments.

CHAIRMAN KURK: Questions at this time?

REP. OBER: No.

CHAIRMAN KURK: Please.

MS. HODGDON: I would just like to thank the folks that are with me here. I know Cassie has some remarks. This is a new audit. Senate Bill 222, added this as an additional audit so Liquor, Lottery, and Turnpikes that are done you'll now hear from the Internal Service Fund every year when this work is done. And I just want to repeat that Karen did say we had eight hours left before the end of the December 31<sup>st</sup> date. So this -- happy to present this information to you; but, again, an additional workload.

REP. OBER: That was your promotion for the day.

CATHERINE KEANE, Manager, Bureau of Risk and Benefits, Department of Administrative Services: Good morning. First, I'd like to address the adjustments that we have since made but did not make. And, in part, we didn't make them because it was tied to the CAFR and then comments that the Commissioner just made. But I did want to assure you that we did post the revenue that came from the -- our prescription drug rebates. And they were

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posted in Fiscal 15. Also, there was a reference to an unrecorded receivable of \$594,000, and we are in the process of working on making that adjustment. So I do want to assure you that that is in place.

We also would like to thank the LBA for their work with us. This is the first time that the Employee and Retiree Health Benefit Plan has produced a financial report. So it was a new process for us, and we did work in partnership and it was a positive experience. I do want to just take a moment and say that we are very proud of our achievements in the health benefit plan this year. We began Calendar Year 14 with major changes in the Employee Health Benefit Plan. For the first time we implemented a deductible, and the deductible was \$500 an individual and \$750 for a family. So it was a major change in not just how our benefits were administered but how our employees were utilizing their benefits, and we've had very positive experience.

What we saw was that we implemented a model called Site of Service with our partner Anthem, and it incentivized our employees to utilize specific kinds of providers that are called Site of Service for lab services and for ambulatory surgery services. And the significance of this is these providers are low-cost providers, charging the plan less money. But -- and the incentive for the employees if they used these low-cost providers that they wouldn't have a deductible charged to them. So that's been a win/win for the plan.

Also, we've seen increased utilization of Compass, which is another plan that incentivizes our employees to go to local cost providers. And what they do with certain procedures is call Compass or go on-line and look at Compass and find out where the low-cost providers are. And if they choose to get their procedure performed at that low-cost provider, they get a cash incentive. But it nets out to a savings to the State. And in Calendar Year 14 through November we saved \$3.6 million in medical claims to the plan because of the increased utilization of the Compass Program.

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So we feel very positive about the changes that were made and the management that was done to get the word out and for our employees to participate in these programs.

One question that we've had in the past when we came before Fiscal is how are we doing with the savings that were expected or projected to be produced by the changes in the health benefit plan. And over the course of 18 months, which would have been January '14 through June of '15, there was a total projection of \$10.3 million. We've now completed 12 months of that 18-month period for Calendar Year 14, and we have met the 12-month target projection of \$6.8 million. And, in fact, we are running ahead. And our savings as of now are \$14.8 million, and it's quite significant. You can't attribute it all directly to the fact that we just had a change in health benefit plan with the deductible. For example, Compass is one of the major examples of why we might be running ahead, because people are -- are thinking more about what kind of services they need. Are they eligible to, A, avoid a deductible by going to Site of Service or can I get an incentive check called Compass, go to a lower cost provider, cost the plan less money.

So we feel very positive about the direction we're going in. We work all the time to try and control costs. Recently, we renegotiated our contract with Anthem to build a million dollar savings into this Calendar Year Fiscal 15, and, also, to extend the plan for two -- the contract, pardon me, for two more years and that will incorporate an additional million dollar savings in each of those two years. So that's where we get to a total \$3 million savings for the Anthem contract. So we're working hard for you and welcome any questions.

CHAIRMAN KURK: Thank you very much. Always nice to hear people who have people come before us bringing multi-million dollars gifts.

MS. HODGDON: Just wanted to mention to folks, some of you may remember this, that the \$10.3 million that Cassie refers to that 18-month savings was part of how we funded the raise. So when you look at the worksheet, there was the cost of the raise

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and part of that was from changes to the health plan. So we really need to save the 10.3 because it's part of the overall cost. So the fact that we're more than on track to do that is very good news. But I just want to make sure folks knew some of that's already been spent.

REP. WEYLER: I thought would that be for extra people in your office.

CHAIRMAN KURK: I thought that was going to Commissioner Toumpas so he wouldn't have to take \$7 million. Why a groan, folks? I would have expected a cheer.

REP. WEYLER: Lots of places money can be used.

CHAIRMAN KURK: Senator Forrester.

SEN. FORRESTER: Thank you for the presentation. Commissioner, with these changes has that addressed the value of the plan so we don't have to worry about that Cadillac Tax in the future?

MS. HODGDON: It certainly helped to address it and it has bent the cost curve, but it hasn't eliminated the concern that there will be a Cadillac tax. I wish I could tell you exactly what that number is. But until the Federal Government says what the regulations are on how that's calculated, I don't know exactly what that number is. Certainly, with the Retirees' Health Plan, the proposal that we bring before you won't have a Cadillac Tax. So we understand that that area that it will be eliminated. But with the active employees, until we know the regulations we don't really know how bad it is.

SEN. SANBORN: Mr. Chair.

CHAIRMAN KURK: Senator Sanborn.

SEN. SANBORN: Mr. Chair. Commissioner, thank you. I think I'm a little confused. The City of Manchester has come up with what their tax is. Are they looking at municipalities versus

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state organizations differently? Is there something going on with the interpretation of the tax?

MS. HODGDON: The regulations on exactly how you calculate it are not out there yet. So we've been working with our Congressional delegation with some urgency. So I don't know what the City of Manchester has done, but my guess would be that they did an estimation. So there's a number out there for a single and a number for family. And -- but we have -- we have a third tier so we have an employee plus one plan. We don't know whether we blend that with family. We're not sure how that's going to be calculated. I don't know if the City of Manchester has only two tiers and doesn't have that third tier.

What we're asking the Congressional delegation is to have some consideration for New Hampshire and the northeastern states because our medical costs are higher, and they're known that they're higher. And, for example, in the Medicaid -- in the Medicare world, there's something called a DRG rate. And there's -- it's Nick Toumpas' world. And there is a recognition that the northeast is higher, and so they do an adjustment on the DRG rate. We're hoping for something similar for New Hampshire and the other New England states. So, for us, it's a question of what happens to the employee plus one rate and what, you know, would they consider some kind of an adjustment because of the more expensive northeastern area.

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

CHAIRMAN KURK: I do have a question. On Page 18 under prescription drug third-party administrator, there's a contract for \$174 million. Is that just for administering prescription drugs or does it include the cost of some drugs?

MS. KEANE: It does include the cost of the prescription drug claims. So it does include it.

CHAIRMAN KURK: So we have a self-insured plan and now we've insured one component of it?

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MS. KEANE: No. We self-insure the plan, but our contract with Express Scripts includes the administrative cost but also the cost of the prescriptions that are purchased by members of the plan.

CHAIRMAN KURK: So if some members of the plan go on some very, very, very expensive prescriptions, that's picked up by them and not us?

MS. KEANE: No, it is picked up by us because we are self-insured. That's why we carefully monitor what our expenditures are, what's happening with utilization, and work both internally and through the collective bargaining process to respond to what's happening with utilization and costs.

CHAIRMAN KURK: So is this self-insurance? And, I'm sorry, I just didn't understand how such a large number could only be for administration. And if it includes drugs, then --

MS. KEANE: Okay. I think it's because -- pardon me -- the words omit the fact that it -- the 174 million is for the administration and it should say and the claims cost.

CHAIRMAN KURK: And?

MS. KEANE: And the claims costs.

REP. UMBERGER: And the drugs.

CHAIRMAN KURK: That's what I thought it meant.

MS. KEANE: Yes.

CHAIRMAN KURK: That means that if there are very expensive drugs that are prescribed, the State doesn't pay for that expense. That's billed to and paid for and within the 174 million we are giving to Express Scripts.

MS. KEANE: This refers to our contract with Express Scripts that's approved by Governor and Council. And it refers -- the

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174 million refers to the amount of spending that was authorized by Governor and Council. So if we were to exceed that or to be on track to exceed that, we would have to go back to Governor and Council for an amendment to extend our authority to spend.

CHAIRMAN KURK: I'll speak to you later.

MS. KEANE: Okay, sorry.

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

REP. WEYLER: We've gotten sizeable rebates from some of the pharmaceutical companies in the past. Are we still eligible for those even with this contract?

MS. KEANE: Yes, we are. Yes, we are.

REP. WEYLER: Thank you.

CHAIRMAN KURK: There being no further questions, the Chair recognizes Representative Weyler for a motion.

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

REP. OBER: Second.

CHAIRMAN KURK: The motion having been made and seconded, is there any discussion? There being none, 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}**

CHAIRMAN KURK: Thank you all very much. Congratulations on a first effort.

MS. KEANE: Thank you.

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CHAIRMAN KURK: Mr. Smith.

MR. SMITH: Yes, thank you, Mr. Chairman. Our last audit today will be the State Liquor Commission. And to present the audit from our office is Jean Mitchell. She is the Senior Audit Manager on this job. And joining me from the Commission is Chairman Joseph Mollica, Steve Kiander, Chief Financial Officer.

CHAIRMAN KURK: Welcome to Fiscal Committee.

JEAN MITCHELL, Senior Audit Manager, Audit Division, Office of Legislative Budget Assistant: Good afternoon, Mr. Chairman and Members of the Committee. My name is Jean Mitchell. I'm here to present the 2014 Annual Report of the Liquor Commission.

The report, including the financial statement, is the responsibility of the Liquor Commission's Management. None of our audit work would relieve Management of that responsibility. The Auditor's responsibility is to conduct an audit in accordance with professional standards to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Our Auditor's Report can be found -- our Auditor's opinion can be found on Pages 5 through 7 of the report. As noted on Page 6 is the opinion paragraph. The Liquor Commission received an unmodified or better known as an unqualified or clean opinion. This is the best opinion that they can receive.

The financial statements can be found on Pages 15 through 17 of the report, following the Management discussion and analysis section. The Auditor's opinion covers the financial statements and the related notes. The introductory section of the report was not audited. The Management discussion analysis was subject to limited audit procedures largely for consistency of the information in relation to the financial statements and notes.

We will also be issuing you our consideration of the Liquor Commission's internal control over financial reporting

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compliance and other matters based on our audit of the financial statements performed in accordance with *Government Auditing Standards*. This will be included in the Management Letter that will be presented to the Committee at a later meeting.

All of the general disclosures that many of the previous presenters have already spoken to also apply to the Commission. They include the following:

The significant accounting policies used by the Liquor Commission are as described in Note No. 1. We are satisfied with the qualitative aspects of Management accounting practices, including accounting policies and estimates, as well as financial disclosures. And no material uncertainties were noted. We had no disagreements with Management on financial accounting and reporting matters that would have caused us to change our audit opinion if they had not been satisfactorily resolved.

We had the full cooperation of Management and staff throughout the audit. And to our knowledge, the Commission did not consult with any other independent auditors about financially related matters during the 2014 audit. And as a final and important item, I'd like to note that we do not propose any material audit adjustments to the Liquor Commission's financial statement. As a result of our work, there was no significant uncorrected misstatements that would require a separate letter to communicate with you. That's why you do not have a separate communication for this audit.

That concludes my presentation, and I'd like to thank the Commission, Management and staff, for all their assistance during the audit. And, Mr. Chairman, with your permission, I'll turn the presentation over to Steve Kiander who will provide Management's perspective on the report.

CHAIRMAN KURK: Thank you.

STEVE KIANDER, Chief Financial Officer, New Hampshire Liquor Commission: Thank you, Jean. Members of the Committee,  
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for the record, my name is Steve Kiander, Chief Financial Officer at the Liquor Commission.

We want to thank the LBA once again for the Fiscal Year 2014 audit of our financial statements. The group led by Jean Mitchell was very professional, and we appreciate their patience during a very active time at the Liquor Commission. Would also like to extend a thank you out to my staff and anyone who also contributed to the report.

Fiscal 14 was another banner year for the Liquor Commission. Sales were up \$23 million over the previous year to a record 626 -- 626.9 million. As you know, the Liquor Commission is an enterprise fund, and we receive an annual appropriation from the Legislature to meet our day-to-day operations as provided in RSA 176. Any additional year-end requirements are supported by the excess of cash receipts over transfers to the General Fund. As a result, the net position of the Liquor Commission consists solely of our capital assets net of related debt which was 9,743,000 at Fiscal Year 14.

During the year, the Liquor Commission distributed 148.6 million to the General Fund for Fiscal 14. And during Fiscal Year 14, we transitioned to our new contracted warehouse. The state-of-the-art warehouse houses all our products for immediate distribution to our store and wholesale licensees. Simultaneously, the Liquor Commission ceased the operations of its bailment-owned warehouse in Concord.

At June 30, 2014, as you all are aware, we had two stores on 93, Hooksett North and South, which were under construction and as of now they're operational.

I want to thank you again and if you have any questions, I'd be happy to answer them. Our report will be available on the Liquor Commission's website.

CHAIRMAN KURK: Thank you, sir. Are there questions from members of the Committee.

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REP. OBER: No.

SEN. D'ALLESANDRO: If I might, Mr. Chair.

CHAIRMAN KURK: Senator D'Allesandro.

SEN. D'ALLESANDRO: Just kudos to the Commission for the great work, particularly on the north and southbound lanes of the F.E. Everett Turnpike. Those stores are magnificent in terms of the improvement. I was around when we built the temporary stores in the 1970's. And the facilities are welcoming and the other amenities, the rest rooms are magnificent as compared to what we had in the past. That's a marked improvement. I think the traffic pattern will be very, very positive in terms of the amenity that's now provided for the citizens of New Hampshire, as well as our visitors from out-of-state. So kudos in terms of getting that done and to the Common Man for the kind of work he and his partners have done to put that together.

I might remark I did have him as a ninth grade student in high school; and everything he learned in my business class.

CHAIRMAN KURK: Senator D'Allesandro, everybody in this state seems to have been a student of yours at one time or another.

REP. WEYLER: Or coached by you.

SEN. D'ALLESANDRO: You know, longevity has its value.

CHAIRMAN KURK: Further questions or comments or kudos? There being none, the Chair recognizes Representative Weyler for a motion.

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

REP. OBER: Second.

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CHAIRMAN KURK: The motion having been made and seconded, is there any further discussion? There being none, you ready for the question? All those in favor please indicate by saying aye? Opposed? The ayes have it and the motion is adopted.

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

CHAIRMAN KURK: Thank you all very much.

MR. MOLLICA: Thank you very much.

CHAIRMAN KURK: Mr. Pattison.

REP. OBER: Next meeting.

CHAIRMAN KURK: We should be meeting, what is this, the third? This is the third Friday. What's the tradition?

MR. PATTISON: Usually been running about four, five weeks between meetings.

CHAIRMAN KURK: Is there any way we could skip a month if we did certain things?

MR. PATTISON: Sure.

CHAIRMAN KURK: Unless business requires it.

MR. PATTISON: Four weeks would take to you the 20<sup>th</sup> of February. Five weeks would take you to the vacation week.

REP. OBER: We better make four weeks now.

MR. PATTISON: Six, obviously, would be the end of the first week in March.

REP. OBER: Please, February 20<sup>th</sup>, not March 6<sup>th</sup>.

MR. PATTISON: I believe there's invitations out to several legislators for the 20<sup>th</sup>.

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CHAIRMAN KURK: Yes, why don't we do it six weeks.

REP. OBER: No, not the first week in March.

CHAIRMAN KURK: How about the first week in April?

REP. OBER: That misses two months.

MR. PATTISON: You also don't have to do it on a Friday.

CHAIRMAN KURK: Are all members going on vacation during vacation week?

SEN. LITTLE: I am.

SEN. D'ALLESANDRO: I am.

REP. OBER: Mary Jane is as well.

CHAIRMAN KURK: Okay. What's your preference? The 20<sup>th</sup> doesn't work for at least two of us, three of us, so.

REP. EATON: 16?

MR. PATTISON: If you can't work it out right now, you can work it out and we will, as I said, we'll put it out on the web.

CHAIRMAN KURK: We are all together now.

REP. WEYLER: 16<sup>th</sup> is President's Day. I don't know the place will be closed or not.

REP. UMBERGER: Yes.

CHAIRMAN KURK: How about Thursday, the 19<sup>th</sup>? Does that work? If we did it in the afternoon. February 19<sup>th</sup> is a Thursday.

SEN. LITTLE: Session day.

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REP. UMBERGER: In the afternoon.

SEN. D'ALLESANDRO: In the afternoon, Mr. Chairman. Because probably 10 o'clock session.

SEN. LITTLE: Who knows, could be done by then.

SEN. D'ALLESANDRO: Usually we are. Maybe a 3 o'clock meeting.

REP. EATON: Early enough in session for you guys you'd be done by one or two.

CHAIRMAN KURK: Do you expect any -- we are not going to have audits, right?

REP. OBER: How about Tuesday of that week?

CHAIRMAN KURK: How late, 3 o'clock?

SEN. D'ALLESANDRO: Three o'clock.

MR. PATTISON: We have presentation on the 529 Unique Plans. Those are usually fairly brief.

CHAIRMAN KURK: Okay. You're not expecting a huge number of transfer requests?

MR. PATTISON: I can't -- I can't -- I have no idea.

CHAIRMAN KURK: Let's do it Thursday at three.

REP. OBER: Give us that date again?

CHAIRMAN KURK: Thursday, February 19<sup>th</sup>, 2015, at 3:00 p.m. That will be the next meeting date for the Fiscal Committee. Is there any other business to come before us? There being none we stand adjourned.

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(Adjourned at 12:25 p.m.)

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## CERTIFICATION

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

*Cecelia A. Trask*

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

