

JOINT FISCAL COMMITTEE

Legislative Office Building, Rooms 210-211

Concord, NH

Friday, April 3, 2015

MEMBERS PRESENT:

Rep. Neal Kurk, Chair

Rep. Lynne Ober

Rep. Kenneth Weyler

Rep. Mary Jane Wallner

Rep. Daniel Eaton

Sen. Jeanie Forrester, Vice-Chair

Sen. President Chuck Morse

Sen. Jerry Little

Sen. Andy Sanborn

Sen. Lou D'Allesandro

(Meeting convened at 9:06 a.m.)

(1) Acceptance of Minutes of the February 19, 2015 meeting.

CHAIRMAN KURK: Good morning, everyone. The April 3rd, 2015, meeting of the Fiscal Committee will come to order. The first item of business on our agenda is the acceptance of the minutes of the February 19th, 2015, meeting.

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

REP. OBER: Second.

CHAIRMAN KURK: Representative Eaton moves, seconded by Representative Ober that the minutes be approved. Discussion? There being none, are you ready for the question? All those in favor, please indicate by saying aye? Opposed? The ayes have it and the minutes are approved.

******* {MOTION ADOPTED}

(2) Old Business:

CHAIRMAN KURK: We now turn to Old Business and the items that have been tabled from the last meeting. The Chair recognizes Representative Ober.

** REP. OBER: Thank you, Mr. Chairman. I move to remove all of the tabled items from the table.

SEN. D'ALLESANDRO: Second.

CHAIRMAN KURK: Seconded by Representative -- excuse me -- by Senator D'Allesandro. Discussion? There being none, are you ready for the question? All those in favor of removing all those items from the table, please indicate by saying aye? Opposed? The ayes have it and those items are removed from the table.

*** {MOTION ADOPTED}

CHAIRMAN KURK: The Chair recognizes Representative Ober for a motion.

** REP. OBER: Thank you, Mr. Chairman. I move to accept all of the items except 15-018.

REP. EATON: Second.

CHAIRMAN KURK: Representative Ober moves to accept Items 15-017, 15-012, 15-019, 15-020, 15-038, 15-021, 15-032, 15-033, 15-022, 15-034. Mr. Pattison, are those all of the items except for 15-018?

JEFFRY PATTISON, Legislative Budget Assistant,
Office of Legislative Budget Assistant: That is correct.

CHAIRMAN KURK: Thank you. Is there a second to that motion?

SEN. D'ALLESANDRO: Second.

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CHAIRMAN KURK: Seconded by Senator D'Allesandro. Motion before us is to approve all of the listed items. Is there discussion? There being none, are you ready for the question? All those in favor, please indicate by saying aye? Opposed? The ayes have it and the motion is adopted.

*** {MOTION ADOPTED}

CHAIRMAN KURK: I would ask that agency heads who have -- will be preparing budgets or dealing with the Senate on budgets, if any of those items contain monies that were not in the House Budget, please present them to the Senate for inclusion in the Senate's version of the budget.

With respect to Item 15-018 from the Department of Education, I have a letter dated March 31st, 2015, from the Department requesting that the item be withdrawn; and, therefore, that item is no longer before us.

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

CHAIRMAN KURK: We now turn to the item number (3) on the agenda, Audit Topic Recommendations from the Legislative Performance Audit and Oversight Committee.

REP. OBER: Mr. Chairman.

CHAIRMAN KURK: Representative Ober.

** REP. OBER: I would move approval.

CHAIRMAN KURK: Representative Ober moves approval of Item 15-065.

SEN. D'ALLESANDRO: Second.

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CHAIRMAN KURK: The three items are -- the three performance audit topics deal with HHS Bureau of Developmental Services, the efficiency and effective service delivery; from the Department of Environmental Services, Water Division, Dam Bureau, efficient and effective operations; and from the Department of Resources and Economic Development, New Hampshire Job Training Fund, Work Ready New Hampshire Program, are program objectives being met.

The motion is to approve those from Representative Ober, seconded by Senator D'Allesandro. Discussion? There being none, are you ready for question? All those in favor, please indicate by saying aye? Opposed? The ayes have it and the motion is adopted.

*** {MOTION ADOPTED}

CONSENT CALENDAR

(4) RSA 9:16-c, I, Transfer of Federal Grant Funds:

CHAIRMAN KURK: We now turn to the Consent Calendar, number (4), regarding the transfer of Federal grant funds, items 15-015 and 15-068.

** REP. EATON: Move approval.

CHAIRWOMAN FORRESTER: Second.

CHAIRMAN KURK: Representative Eaton moves approval of the Consent Calendar, item number (4), those two just mentioned, seconded by Senator Forrester. Discussion? 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}

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

CHAIRMAN KURK: We turn now to number (5) on our agenda also on the Consent Calendar, Approval of Acceptance and Expenditure of Funds over \$60,000 From Non-State Sources, including Fiscal 15-044 from the Department of Environmental Services, 15-052 from the Department of Information Technology, and 15-053 from the Department of Resources and Economic Development.

** REP. EATON: Move approval.

CHAIRMAN KURK: 15-054 from the Department of Safety, 15-055 from the Department of Safety, and 15-056 from the Department of Transportation.

** REP. EATON: Move approval.

CHAIRMAN KURK: Representative Eaton moves approval, seconded by?

SEN. FORRESTER: Senator D'Allesandro.

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

REP. OBER: No.

CHAIRMAN KURK: The ayes have it and the motion is adopted and those items are approved.

*** {MOTION ADOPTED}

(6) **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:**

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CHAIRMAN KURK: Turning now to item number (6) on the agenda, also on the Consent Calendar, there's just one item here. These are Fiscal -- these are items for acceptance and expenditure of funds over \$100,000 from any non-state sources and positions restricted. The motion involves Fiscal 15-045 from the Board of Pharmacy.

** REP. EATON: Move approval.

REP. OBER: Second.

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

*** {MOTION ADOPTED}

(7) RSA 124:15 Positions Restricted:

CHAIRMAN KURK: Moving now to item number (7) on the agenda, positions restricted. This is request Fiscal 15-060 from the Department of Education, authorization to establish certain consultant positions through June 30th, 2015.

** REP. EATON: Move approval.

CHAIRMAN KURK: Representative Eaton moves approval.

SEN. D'ALLESANDRO: Second.

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

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*** {MOTION ADOPTED}

(8) RSA 7:6-e Disposition of Funds Obtained by the Attorney General:

CHAIRMAN KURK: Turn to Item (8) on the agenda, Disposition of Funds Obtained by the Attorney General, Fiscal 15-050, request from Department of Justice to budget and expend \$1,096,330.34 in settlement funds for multi-state agreements, and request to retain said funds for the support of the Department's Consumer Antitrust Bureau. Moved by Representative Eaton, seconded by Senator D'Allesandro. There are questions. Representative Morse. We have been going through a lengthy budget process and it's been Representatives all along. I apologize, Senator. Senator Morse.

SEN. PRESIDENT MORSE: I have a question of the Department. Under the current law any item over a million dollars 10% of it would have to go into the Rainy Day Fund. Is that the intention with this or is it being treated as four different items?

CHAIRMAN KURK: Welcome the Members from the Department of Justice.

ANN RICE, Deputy Attorney, General Department of Justice: Thank you. For the record, I'm Ann Rice. I'm the Deputy Attorney General and with me Kathy Carr, the Director of Administration. And our intention -- no, we read the law currently as stating that any individual settlement over a million dollars. So this is actually four different settlements, and we do not see the law as requiring that 10% of that be put in the Rainy Day Fund.

CHAIRMAN KURK: Further questions, Senator?

SEN. PRESIDENT MORSE: Well, just a statement. The Senate is going to intend to take care of that in the budget, because there's about \$10 million in lawsuits

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every year that we looked at. That's why we wrote the law, and this would be a million of that ten. It was the intention to build the Rainy Day Fund a million dollars a year. So we'll deal with it in the budget.

CHAIRMAN KURK: Further questions or comments?
Thank you very much.

MS. RICE: Thank you.

CHAIRMAN KURK: Further discussion? If not, are you ready for the question? The motion is to approve Fiscal 15-050. If you're in favor of that, please indicate now by saying aye? Opposed? The ayes have it and the motion is adopted.

*** {MOTION ADOPTED}

(9) RSA 7:12, I, Assistants

CHAIRMAN KURK: We turn now to number (9) on the agenda dealing with Assistants. This is request Fiscal 15-043 from the Department of Justice to accept and expend \$450,000 for the purpose of covering projected shortfalls in the general litigation expenses through June 30th, 2015.

** REP. EATON: Move.

CHAIRMAN KURK: Representative Eaton moves --

SEN. D'ALLESANDRO: Second.

CHAIRMAN KURK: -- to approve, seconded by Senator D'Allesandro. Discussion?

REP. OBER: I have a question.

CHAIRMAN KURK: Representative Ober.

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REP. OBER: I have a question of the agency. Good morning. Thank you for coming.

MS. RICE: Sure.

REP. OBER: The cases that you mentioned in your letter or the AG mentions, are ongoing cases. Your burn rate for this has been about 240,000 a quarter, and you have requested 450,000 for the last quarter of the Fiscal Year. And I wondered what has caused you to put that up above what you had been spending?

MS. CARRS: Actually --

REP. OBER: Although we saw cases we, obviously, don't know the details behind them.

MS. RICE: Oh, sure. We have one very substantial case, the Nathaniel Kibby case, which the cost of that is quite extraordinary actually. So that's probably where the largest piece of that -- those expenses are coming. We anticipate that there's a large number of things that we are going to have to be paying out to prepare for that trial.

REP. OBER: Follow-up.

CHAIRMAN KURK: Follow-up.

REP. OBER: You said probably where expenses would be coming from. I was wondering how exactly you arrived at this? Did you just say, oh, maybe it's getting -- it's getting heavier, we better ask for more money or somebody ran through and did some detailed analysis?

MS. RICE: No. We ask each attorney what they anticipate coming up with for costs for expert consultants, and preparation of exhibits and those sorts of things. So they will look at each of their cases and

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estimate based on, you know, what we have done in the past. So we don't have actual bills, but we certainly do estimate that way.

REP. OBER: You do have experience, Deputy AG. Thank you. I appreciate that.

MS. RICE: Okay.

CHAIRMAN KURK: Thank you very much.

MS. RICE: Thank you.

CHAIRMAN KURK: Further discussion? There being none, you ready for the question? If you're in favor of approving Item Fiscal 043 -- 15-043, the Department of Justice -- sorry -- yes, from the Department of Justice, please so indicate now by saying aye? Opposed? The ayes have it and the motion is adopted.

***** {MOTION ADOPTED}**

SEN. D'ALLESANDRO: Excuse me. Just a question of the Chair. Do we ever get a list of the expenses involved in a trial for monies expended by the State? Do we get that on an annual basis or when the court case is completed?

CHAIRMAN KURK: I don't know the answer to that.

REP. EATON: No.

CHAIRMAN KURK: You could ask the Deputy Attorney General.

SEN. D'ALLESANDRO: I'd like to see that.

REP. OBER: She thought she was done.

MS. RICE: I'm sorry, I didn't hear the question.

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CHAIRMAN KURK: Senator.

SEN. D'ALLESANDRO: The question is does this Committee or does the Legislature ever get an accounting of the cost incurred in a case once the case has been finished?

MS. RICE: You mean a report when they're done?

SEN. D'ALLESANDRO: Yes.

MS. RICE: We don't do that on a regular course.

SEN. D'ALLESANDRO: Thank you.

MS. RICE: Okay.

CHAIRMAN KURK: But that information is available if someone were to ask for it.

MS. RICE: Oh, absolutely. We get Right-to-Know requests on that sort of thing all the time. Yes, we can put that information together.

CHAIRMAN KURK: Thank you.

SEN. D'ALLESANDRO: Appreciate that.

(10) RSA 162-H:21, III, Fund Established; Funding Plan:

CHAIRMAN KURK: Moving on to item number (10) on the agenda, Fiscal 15-057 from the Site Evaluation Committee for authorization to amend its budget by transferring \$39,480 in other funds and creating a new expenditure class through June 30th --

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

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CHAIRMAN KURK: -- 2015. Representative Eaton moves we approve the item.

SEN. D'ALLESANDRO: Second.

CHAIRMAN KURK: Seconded 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 the motion passes and the item is approved.

*** {MOTION ADOPTED}

(11) RSA 227-G:5, I(b), Forest Funds:

CHAIRMAN KURK: Moving to item number (11) on the agenda dealing with Forest Funds, a request 15-023 from the Department of Resources and Economic Development for authorization to budget and expend \$23,000 in excess agency funds through June 30th, 2015.

** REP. EATON: Move approval.

SEN. D'ALLESANDRO: Move --

CHAIRMAN KURK: Approval is moved by Representative Eaton, seconded 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 the motion is adopted. The item is approved.

*** {MOTION ADOPTED}

(12) Chapter 3:7, II, Laws of 2014, Department of Health and Human Services; Contracting; Transfer Among Accounts and RSA 14:30-a, VI Fiscal Committee Approval Required for Acceptance and Expenditure of Funds Over \$100,000 from Any Non-State Source:

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CHAIRMAN KURK: Moving to Item 12 in the agenda, requests from the Department of Health and Human Services for transferring and accepting and approval -- the approval of expenditure of funds over \$100,000 from any non-state source. Is there a motion to approve these in a block?

** REP. EATON: Move to approve 061, 062, 063 as a block.

SEN. FORRESTER: Second.

CHAIRMAN KURK: Moved by Representative Eaton to approve those three items, seconded by Senator Forrester. Discussion on any one or all of the items? There being none, you ready for the question? All those in favor, please indicate by saying aye? Opposed? The ayes have it and those three items are approved.

*** {MOTION ADOPTED}

(13) Chapter 144:31, Laws of 2013, Department of Administrative Services; Transfer Among Accounts And Classes:

CHAIRMAN KURK: Moving to Item (13) in the agenda, request from Department of Administrative Services to transfer \$326,730 in and among accounting units and to create one new expenditure class through June 30th, 2015.

** REP. EATON: Move approval.

CHAIRMAN KURK: Representative -- Representative Eaton moves that we approve the item.

SEN. D'ALLESANDRO: Second.

CHAIRMAN KURK: Seconded by Senator D'Allesandro. Discussion or questions? There being none, you ready for the question? All those in favor, please indicate

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by saying aye? Opposed? The ayes have it and the item is approved.

*** {MOTION ADOPTED}

(14) Chapter 144:95, Laws of 2013, Department of Transportation; Transfer of Funds:

CHAIRMAN KURK: Moving to Item (14) on the agenda, requests from the Department of Transportation to transfer funds. Before us first is Item 15-058, a request to authorize the transfer of \$127,000 within Turnpike Fund accounting units and classes through June 30th, 2015.

** REP. EATON: Move approval.

CHAIRMAN KURK: Approval is moved by Representative Eaton.

SEN. D'ALLESANDRO: Second.

CHAIRMAN KURK: Seconded by Senator D'Allesandro. Discussion? If not, are you ready for the question? All those in favor, indicate by saying aye? Opposed? The ayes have it and that item is approved.

*** {MOTION ADOPTED}

CHAIRMAN KURK: Fiscal 15-066, another request from the Department of Transportation for authorization to transfer \$968,444 between various accounts and classes through June 30th, 2015.

** REP. EATON: Move approval.

CHAIRMAN KURK: Approval is moved by Representative Eaton.

SEN. D'ALLESANDRO: Second.

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CHAIRMAN KURK: Seconded 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 approval is granted.

*** {MOTION ADOPTED}

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

CHAIRMAN KURK: We turn now to Item (15), Fiscal 15-059, a request from the Department of Information Technology for authorization to transfer \$568,152 in other funds through June 30th, 2015.

** REP. EATON: Move approval.

CHAIRMAN KURK: Representative Eaton moves we approve the item, seconded by Senator D'Allesandro. Discussion?

REP. OBER: Yes.

CHAIRMAN KURK: Representative Ober.

REP. OBER: I would like the agency to explain this. They wrote to us in their letter that they did not have resources to support the expedited needs of the project. So what was budgeted, the details of the expedited need, and why we have an expedited need that can't wait and go into the budget cycle?

DENIS GOULET, Commissioner, Department of Information Technology: Good morning. I'm Denis Goulet, new Commissioner, Department of Information Technology. I brought Steve Kelliher along with me today to help out with those details.

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CHAIRMAN KURK: Welcome, gentlemen, and congratulations.

MR. GOULET: Thank you.

REP. EATON: Sort of.

CHAIRMAN KURK: This is your first opportunity to prove your worth as a Commissioner, I think. Representative Ober has some questions.

REP. OBER: You heard my question, Steve; right?

STEPHEN KELLIHER, Information Technology Manager, Department of Information Technology: Yes. So the first question was what was originally budgeted?

REP. OBER: Yes.

MR. KELLIHER: I don't have the detail as far as the specifics as to what was originally budgeted, because right now there were multiple projects, for example, that were outlined. So there was a Justice system. There was also a State Trooper system. The Division -- the DMV system. So there were multiple systems, and part of what was budgeted goes across multiple different line items. We do have the Department of Safety here as well that we can draw on to see if we have additional detail that we could have.

REP. OBER: New Commissioner, this is what drives us crazy. We ask a question, and the answer from your agency is always I don't have the details with me. That drives us crazy. So you can note that as your first thing here.

MR. GOULET: Noted.

REP. OBER: So we don't know what was budgeted.

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MR. KELLIHER: Well, in the original budget only because it goes across multiple line items.

REP. OBER: If it's a system budgeted, there must be something. I don't mean to hound you but, you know, to get down to what was in the budget? Why did we need it? What is the need to be expedited? There had to be some reason to write that. And I would assume if you wrote a letter that this has to be due to an expedited schedule, you would have looked at the original schedule in the original budget. I don't think that's an unreasonable question, but clearly there aren't going to be any answers.

MR. KELLIHER: It is not an unreasonable question. What I would like to do is just ask and see if Department of Safety would like to provide some additional detail for that. We do have someone here from Safety that may be able to assist.

ELIZABETH BIELECKI, Director, Division of Administration, Department of Safety: Good morning. Thank you for the question. For the record, I'm Elizabeth Bielecki from Department of Safety and I have with me Bill Joseph from the DMV and I'll let Bill give you more of the specifics.

WILLIAM JOSEPH, Deputy Director, Division of Motor Vehicles, Department of Safety: So we are in the process of modernization and it's \$9 million capital project. And what had occurred is that what our needs for the new environment would have caused smaller agencies not to have the flexibility to get into their virtual environment within DoIT. So when we spoke with -- spoke with DoIT, what was decided to do was to create a new virtual environment, separate from the current environment so that other agencies would not be blocked out to have the ability if they wanted to virtualize to have the space in that system.

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REP. OBER: Excuse me. Your testimony is there was no budget for this because it was a capital project; correct?

MS. BIELECKI: Well, actually, and I'm paraphrasing, but please correct me if I'm wrong, I believe the intent originally as the project was planned a couple years ago was to utilize the existing resources in the existing plan for virtualization statewide. As the project started, working with the Department of Information Technology, we realized that the scope of that would far exceed that. If you could speak to that.

MR. KELLIHER: If I could.

REP. OBER: It exceeded and wasn't budgeted, that's what we are getting to. Yes?

MR. KELLIHER: Yes.

REP. OBER: That's correct?

MR. KELLIHER: Yes.

REP. OBER: So this didn't get budgeted. All right. So we know that there was no existing budget. What is now the expedited need?

MR. JOSEPH: Well, we are in the midst of the project and so we have to create the environment in order to -- yes, we have to create a test environment. You have to create that environment as the project goes along in order to get it to production. So we are creating two environments with 32 virtual servers. And so you have to have a test environment and a production environment. We need that equipment up as quickly as possible so that we can get it tested and move it to production as soon as possible.

REP. OBER: Okay.

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MR. JOSEPH: Which our projected time for going live is fourth quarter of 2015.

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

CHAIRMAN KURK: Follow-up.

REP. OBER: You have a projected "go live" in 2015 for a project that didn't have budgeting. So it's not so much expedited as an unplanned project here to go into the virtual world.

MR. JOSEPH: Well, this part --

REP. OBER: Expedited is wrong. You've always expected to "go live" in 2015; correct?

MR. JOSEPH: That is correct. The plan --

REP. OBER: Thank you.

MR. JOSEPH: Okay.

CHAIRMAN KURK: Further questions.

REP. OBER: No.

CHAIRMAN KURK: Thank you, folks.

MR. KELLIHER: Thank you.

CHAIRMAN KURK: Further discussion? Are you ready for the question? The motion is to approve Fiscal 15-059. If you're in favor of that motion, please now indicate by saying aye? Opposed?

REP. OBER: Aye. I'm opposed. I just --

CHAIRMAN KURK: That's fine.

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REP. OBER: Given our fiscal thing, to do an unbudgeted unplanned project when we're in the hole.

CHAIRMAN KURK: The ayes have it and the item is approved.

*** {MOTION ADOPTED}

(16) **Chapter 327:74, Laws of 2014, Adjutant General's Department; Transfers Authorized:**

CHAIRMAN KURK: We now turn to item number (16), Fiscal 15-040 from the Adjutant General's Department for authorization to transfer \$220,000 within Air Guard Maintenance through June 30th, 2015.

** REP. EATON: So moved.

CHAIRMAN KURK: Representative Eaton moves the item be approved, seconded by Senator D'Allesandro. 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 item is approved.

*** {MOTION ADOPTED}

(17) **Miscellaneous:**

(18) **Informational Materials:**

CHAIRMAN KURK: We have before us a variety of informational items, and I understand there are some questions about one of them, Fiscal 15-041 from the Department of Health and Human Services, their December -- sorry -- their Dashboard report for the Fiscal Year ending June 30th, 2015. Commissioner, good morning and welcome, sir.

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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: Senator Sanborn.

SEN. SANBORN: I was going to ask discretion of the Chair we going to talk about the December Dashboard or January Dashboard or both?

CHAIRMAN KURK: Anyone you wish. The one I believe there were questions on is the one that we're going to hear, but you may talk about both of them.

SEN. SANBORN: Thank you, sir. Commissioner, thanks so much for showing up today.

MR. TOUMPAS: Sure.

SEN. SANBORN: Do appreciate it. It looks like we have got two different Dashboards that I see. Obviously, 041 and then 064.

MR. TOUMPAS: Yes.

SEN. SANBORN: Can you help me understand that there seems to be some changes in the Medicaid Expansion population going down and traditional Medicaid going up significantly or I guess notably.

MR. TOUMPAS: It's exactly the opposite.

SEN. SANBORN: Whoops! Going from 21,000 --

MR. TOUMPAS: On which Dashboard and which page are you looking at, Senator?

SEN. SANBORN: On Page 2 of 041 which shows Medicaid Persons New Hampshire Health Protection Program through

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Medicaid Expansion had 21,970 on it. And in 064 on Medicaid, New Hampshire Health Protection, went down to 18,547. And then, again, back in 041, traditional Medicaid non-expansion population of 134,711 and it jumped to 140,285.

MR. TOUMPAS: So you are on Page 2 of the narrative on 064, Item 064?

SEN. SANBORN: Yes. I'm comparing 061, which is December, to 064 which is -- well, the Dashboard dated March but it's January's Dashboard.

MR. TOUMPAS: I'm looking at the line that says Medicaid -- Medicaid persons, non-expansion.

SEN. SANBORN: Which on Page 2 of your letter dated March 12, 2015, shows the number of a hundred forty thousand --

MR. TOUMPAS: Correct.

SEN. SANBORN: -- two eighty-five. If I go back to the December Dashboard --

MR. TOUMPAS: Shows 134,711.

SEN. SANBORN: Right.

MR. TOUMPAS: Which means that that is going up.

SEN. SANBORN: That's what I said, going up about 6,000.

MR. TOUMPAS: Okay.

SEN. SANBORN: And then on Medicaid Expansion, the New Hampshire Health Protection Program, is going from 22,000 down to eighteen five.

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MR. TOUMPAS: I think what that -- that is showing is the -- I believe that is showing increase, but --

SEN. SANBORN: So, Commissioner, as you're looking at that I'm not trying to imply that people are moving from the Medicaid Expansion population to traditional Medicaid. Obviously, I'm always concerned about that differential cost to the State; but it's a pretty big movement.

MR. TOUMPAS: In fact, I will -- I will prepare -- I will prepare another -- there's another document that we have that that's just the narrative. And that is not, to me, that's not clear in terms of what that -- what that is saying. I'll take a look at that. But the numbers in terms of the detailed report that we receive from our system is showing that the Medicaid Expansion numbers continue to grow. Right now they're bordering on 38,000, just below 38,000. That continues to grow, albeit a little bit slower than it was before; but, nevertheless, it continues to grow.

Meanwhile, in our traditional Medicaid population those numbers have moderated and, indeed, have gone down slightly, depends on the category. But those numbers have -- have gone down slightly, which is consistent with what we had projected in the House phase of the budget where the Ross Gittell report was going to indicate that the caseloads will decline over the next two -- over the next two years and, indeed, the number that was projected where we would be in '15 is actually -- we are actually below that right now. So we lowered the base. So we are seeing that our traditional Medicaid population numbers have moderated and are slightly decreasing. It's the Expansion that is the one that is going to drive -- to drive the increases.

SEN. SANBORN: Commissioner, I appreciate that, but this table doesn't show that. So when you have the opportunity, if you could provide it.

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MR. TOUMPAS: Yeah. I will -- I will look at that and -- that's the narrative that you're looking at. And I've looked at the other parts of the table that are within the Dashboard.

SEN. SANBORN: Follow-up.

CHAIRMAN KURK: Follow-up.

SEN. SANBORN: Thank you, sir. And so I guess my other question, Commissioner, I think you're going from eighteen thousand five on the Medicaid Expansion population in January up to 38,000. In the past two months we have gained 20,000 people.

MR. TOUMPAS: No, no.

SEN. SANBORN: A little behind on your reporting.

MR. TOUMPAS: No, no. The numbers -- we did see a -- a jump in the December-January because, if you recall, those folks that were -- that were within the target population that we were looking at for the Medicaid Expansion, in other words, the people under 138% of the Federal Poverty Level, because we did not have a Medicaid -- we did not have the Health Protection Program. A number of people who fit that particular category from 100 to 138 went into one of the Qualified Health Plans. The only one that was there was Anthem.

SEN. SANBORN: Hm-hum.

MR. TOUMPAS: And they were able to get subsidies, but they were only able to get subsidies until the end of Calendar Year 14, at which point they needed to make a choice saying I'll continue to stay in Anthem's plan, but I will need to pay the premium or the subsidy on my own. I'm not going to get any help from -- from the Federal Government on that still going to the Medicaid

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Expansion. So we did see a fairly significant jump. I don't have the numbers right in front of me. We did see a jump in the December-January time frame because that's when people had to declare. I think it went up by several thousand people.

SEN. SANBORN: Thank you, sir.

CHAIRMAN KURK: Do you have a question?

SEN. FORRESTER: I do.

CHAIRMAN KURK: Senator Forrester.

SEN. FORRESTER: Thank you. I just want for clarification, we are talking about two different populations.

MR. TOUMPAS: Yes, we are.

SEN. FORRESTER: The New Hampshire Health Protection Plan and then the growth of Medicaid Expansion because of MAGI.

MR. TOUMPAS: When I refer to -- I use New Hampshire Health Protection Program or the Bridge Program is Medicaid Expansion. So that's one piece. That's the piece that is funded 100% by the Federal Government through the end of '16, Calendar Year 16. The -- the MAGI -- excuse me.

CHAIRWOMAN FORRESTER: And what is that growth? What is that number? Is that increasing or decreasing?

MR. TOUMPAS: That number on the Health Protection Program or the Medicaid Expansion, that number right now is pushing 38,000. And, again, that's from the 19 to 64-year old individuals. And, again, we -- we expect that to continue to grow; but, again, at a slower pace than what it -- what we have seen over the past number

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of months. We do still believe that the number that we had projected, the 50,000 number, is -- is very much real in terms of what -- what we're seeing.

The -- then you have the MAGI, the door, and that was -- that was the change, whether or not the MAGI was going to happen whether the State did Medicaid Expansion or not. And that was the change in the eligibility calculation for some portions of the Medicaid population. It was really low-income women and children, parent caregivers of children and pregnant women. Those are the only three categories that the MAGI applied to. Does not apply to the -- to those with intellectual developmental disability, the mentally ill, the elderly, and the complex populations. MAGI does not apply to that.

So on the MAGI we saw from when that took effect in January of 2014 until July of 2015, we saw a fairly significant jump. It was roughly 12,000 people that we saw come on board through that door. We are continuing to monitor that and some of the data that is not reflected in this Dashboard here but that's been happening and it will be reflected in the February and March Dashboards that we will present to the Committee in the next couple of months. We are seeing a moderation in terms of that. And, in fact, a decline in terms of the number of people in the -- in the MAGI populations, specifically, it's in the area of the mix. And we are seeing fewer pregnant women who are of the higher cost of that. And I suspect that when I recalculate the Dashboard for the February, and more likely for the March time frame, that we are going to see a slightly lower number in terms of the MAGI number of people in that category. And we are also going to see a recalibration of the -- of the financial liability that we have both in State Fiscal Year '15 and then what the projections would be that would go into '16 and '17 budget. So I'll have more of that. Clearly, we'll be prepared to talk about that in the Senate -- Senate

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Finance, but the Dashboard will give -- will provide some information on that in advance of those meetings.

CHAIRMAN KURK: Follow-up.

SEN. FORRESTER: And of the 12,000, the expense associated with that is?

MR. TOUMPAS: That's -- what we had -- the Dashboard had been projecting somewhere around a \$21 million General Fund obligation. What I'm seeing right now is the --

SEN. SANBORN: Per year?

MR. TOUMPAS: Pardon me?

SEN. SANBORN: Per year?

MR. TOUMPAS: That's -- yes, for F15. And that's where we are looking at that on two levels. One -- because that was based on the fact that we believe that 70% of those individuals were children and another 20% or so were the parent caregiver of the children, and the 10% was going to be the pregnant women. What we are seeing is the number of kids staying roughly the same, the number of parent caregivers dropping off slightly, and I suspect that may be because those individuals have, if they go over income, now they can go on the federally -- Federal Marketplace and get coverage there. And then on the pregnant women that number has dropped, and it's dropped pretty significantly. And they're the highest costs of those -- of those individuals. So that's why we are recalibrating what that's going to mean for F15 for the \$21 million reflected on the Dashboard. And then we will also use that as a baseline to project '16 and '17 which will be a refinement of that which we had presented to the House Finance Committee.

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CHAIRMAN KURK: Representative San -- Representative Morse. Excuse me, Senator Morse.

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

SEN. PRESIDENT MORSE: Commissioner, talking about MAGI, that's one of your two problems that you specifically say in the Dashboard. We have never debated this, and I don't remember talking about it in the last budget.

MR. TOUMPAS: On the MAGI?

SEN. PRESIDENT MORSE: On the MAGI that it was going to end up in the budget as a problem. Can you provide -- I'm trying to preempt, you know, the six weeks that we have in the Senate to look at the budget, can you provide documentation from the Federal Government that started this program, and why the State of New Hampshire didn't know about it when they were going through their last budget phase? Obviously, it affected '15 greatly. And you're telling us, again, in '16 and '17 we are going to be carrying some number.

MR. TOUMPAS: Yeah. The MAGI -- the MAGI impact, Senator, was something that was going to impact the State whether or not we did Medicaid Expansion or not. However, our discussions with the Federal Government had indicated that they had said that the MAGI would not increase the caseloads and would not increase the liability or the cost to the state. Clearly, they're off by orders of magnitude on that. So we have -- we have been doing some research to find out, you know, the basis upon which we made our decision in order to -- in order to do -- because we had to do it. It wasn't an option for us in order to do the MAGI. But we also needed to take a look at the methodology that we were going to use in order to do that. We have gone -- we have researched that. I have a document that I'm going to be -- I've prepared to provide to the Senate and to

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the House to basically show that, A, we followed the -- we followed the process and we did it appropriately. And the Federal Government, we had the documentation from the Federal Government that basically indicated that there would not be a financial liability to the State. I mean, clearly, that is wrong.

SEN. PRESIDENT MORSE: If you could provide that document.

MR. TOUMPAS: I will do that.

SEN. PRESIDENT MORSE: Appreciate it.

CHAIRMAN KURK: Senator Sanborn.

SEN. SANBORN: Thank you, Mr. Chair. Nick, I remember a conversation a month or so ago that said you didn't have documents showing that the Feds provided some level of assurance that that be revenue neutral. And along that line when you provide that document to Senate Finance, could you give us a little bit of a comparison. I had the opportunity to visit our friends to the east, so I was at the Maine State Senate for the day yesterday. And we had some discussions relative to MAGI and all things Medicaid, and they haven't seen an increase as a result of MAGI, which caused both of us to kind of shake our heads a little bit trying to understand why is New Hampshire being influenced by so much and some other states might not be. So if you could help us wrap our arms around that, if you will.

MR. TOUMPAS: I will do that. Again, we -- I have -- I had a brief conversation with Senator Morse back a couple weeks ago and we talked a little bit about the MAGI. And so I had some people doing some research going back and taking a look looking at this. We have also reached out to other states, specifically to some of the other -- some of the other New England states, including Maine, to find out what their experience has

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been and it's a mix bag in terms of what we're hearing. Clearly, we got -- even our Lewin Report that we had -- we had done, Lewin Report indicated that there would be an impact. You know, the percentage impact they indicated that we would see was fairly nominal and the dollars were going to be nominal. But when we looked at it from the numbers standpoint, the numbers, when you apply that percentage, they were pretty much spot on. Where we were way off was on what the projected cost of that was going to be.

CHAIRMAN KURK: Question for you, Commissioner. Are you suggesting in some way that the Federal Government is going to be financially responsible for the consequences of their error?

MR. TOUMPAS: I wish I could say that. But we have -- we have -- we have -- we have had conversations with the Federal Government, with CMS on that. Frankly, I'm not optimistic that they're going to change that. There are a number of other states that are in the same -- same position that we're in at this point. But, again, right now I want to get -- provide, you know, the Senate and the House the facts in terms of some of the research that we have been doing on this and then continue to monitor -- monitor this. Because, again, as the economy improves, some of those people that are in the target range, the 19 to 64-year old individuals, if they're under 138% of the Federal Poverty Level and they get a better job and so forth, they move out of -- out of the Medicaid Expansion and move -- move upwards. The kids are a different -- a different matter. And those are the ones that -- that's what we're really trying to monitor that. But we have had conversations with the Federal Government. We will continue to have conversations with the Federal Government, but I don't know if they're going to change their minds.

CHAIRMAN KURK: Thank you. Representative Ober.

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REP. OBER: Commissioner, did I understand correctly, you just said that with or without Expanded Medicaid we would have had a financial impact from MAGI?

MR. TOUMPAS: Yes. Yes, you heard that correctly. The MAGI -- the MAGI -- to some of the -- let me just -- a brief context to this. MAGI was -- was put into place for the purpose when Medicaid Expansion was mandatory under the Affordable Care Act when it was first passed. Supreme Court changed that, made it optional. And the reason why they made it -- why they put MAGI in there was because every state has a number of different eligibility rules and so forth for the Medicaid population, especially for the target population that would be within -- within the -- within the expansion and so forth and it would have put a huge burden on the system side of all the states because everybody's eligibility would be different. The rules would be different.

So what they wanted to do was simplify, standardize the way in which the calculation was going to be done. When Medicaid Expansion became an optional piece for the states, the Federal Government did not change the timing and the applicability of the MAGI. So whether or not we were going to do Medicaid Expansion or not, we were going to get hit with the -- we were going to be subject to the MAGI calculations. We clearly miss -- we misestimated what the impact of that was going to be.

REP. OBER: Thank you, Commissioner.

CHAIRMAN KURK: Representative Weyler and then Senator Morse.

REP. WEYLER: Thank you, Mr. Chairman. What's coming next that we don't know about it till it hits us?

REP. OBER: Raise your hand if you're not here.

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REP. WEYLER: Can we predict anything from a reading? Has anybody given us advice of what the next shoe will drop?

MR. TOUMPAS: Well, I think part of what we have before us right now, especially with -- let me put my optimistic hat on for a moment. And the optimist in me says we now have 38,000 people under the Health Protection Program, and another roughly 12,000 people, children and their parents, now having access to health insurance. And the ability to basically, you know, provide -- provide a different level of care in order to make them a healthier population.

Along with some of the other things, especially on the Health Protection Program, the impact that that has in the area of substance abuse, the impact that that has in the area of Uncompensated Care, the impact that that has on the Corrections population. Clearly, there's a cost to doing this, but I also think that there is a corresponding set of offsets in terms of how it changes the system going forward.

So I don't know what other type of things that the Federal Government has in mind. I know some of the things that we have in mind. The action that the Committee took earlier regarding that State Innovation Model is very exciting for us in terms of looking at some transformations and some things that we can do going forward in order to bend the cost trend. But what other type of things that they have in mind there, I don't have the ability. What I do know is that we've been dealt this set of cards. Now how do we try to make this work to our advantage? Yes, there's a cost, and in some cases substantial and unexpected, but now we have to look in terms of saying how can we make that pay for us, help us moving forward.

REP. WEYLER: Thank you.

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CHAIRMAN KURK: Senator Morse.

SEN. PRESIDENT MORSE: Thank you. I want to clarify Senator Ober's question. Anticipating the MAGI was coming --

REP. OBER: You just demoted me.

SEN. PRESIDENT MORSE: We can use your help. She asked to clarify the -- you said the program is coming anyways.

MR. TOUMPAS: On MAGI?

SEN. PRESIDENT MORSE: Yes.

MR. TOUMPAS: Yes.

SEN. PRESIDENT MORSE: Then the other half of that question was did we anticipate an expense coming with the program? You clearly stated that Washington made it clear to New Hampshire there wasn't going to be an expense coming with the program; is that not true?

MR. TOUMPAS: That's correct.

SEN. PRESIDENT MORSE: Okay.

MR. TOUMPAS: That's what we heard. We did some analysis. The analysis basically said it would not be a huge -- it would not be a huge cost and, obviously, that's been anything but that.

SEN. PRESIDENT MORSE: Is that in writing anywhere? Is the document that you're going to provide the Senate anything that answers that question in writing?

MR. TOUMPAS: I am searching for that, Senator.

SEN. PRESIDENT MORSE: Thank you.

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CHAIRMAN KURK: Follow-up.

SEN. PRESIDENT MORSE: I'd just like to clarify one thing because it really does drive me crazy. The Federal Government does this to New Hampshire and nobody's speaking up. When we put the Health Protection Plan in place, we basically built a box outside of government, and I explained this to the Chair yesterday, that that \$300 million is going into the box and paying private health insurance companies. If the Federal Government decides to do what they just did with MAGI, the money won't be in the box, and I doubt the private health insurance company's going to provide the service. That's the way that program was set up and that's why the debate should be next year on that program because the Federal Government is backing off already.

On this MAGI thing, to answer the Chair's question, I don't believe we should be supporting the Federal Government's downshift on New Hampshire. I think it's wrong, and I want to get to the bottom of it because right now it's \$20 million a year. What's it going to be in the future?

CHAIRMAN KURK: Unfortunately, Senator, we live in a society in which or, excuse me, in a governmental system in which we participate voluntarily in the Medicaid Program. And as the government changes the provisions of that Medicaid Program, the Federal Government, we either continue in the program and accept those changes or opt-out of the program. At the moment, we are still in the program. As I understand it, if they change the rules, we have to abide by them or dropout.

SEN. PRESIDENT MORSE: I don't believe anyone's debated those rule changes, and that's what I think the Senate should do in the budget phase.

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CHAIRMAN KURK: I'm sure you will and we look forward to the results of that debate and the conclusions you draw. Senator Sanborn.

SEN. SANBORN: Thank you, Mr. Chair. I will show up for that debate. Commissioner, along the same line.

MR. TOUMPAS: I'll be there as well.

SEN. SANBORN: I'm thinking, as well as this concern that, obviously, Senator Morse and I have relative to the MAGI commitment and cost, a month or so -- and I guess to the point of the Representative from Plaistow, a month or so ago when you talk about surprises, Kingston --

REP. WEYLER: Hudson.

SEN. SANBORN: Hudson.

REP. WEYLER: Kingston. She's Hudson.

SEN. SANBORN: There was a position that the Feds would require the State to pay 2% of the Medicaid Expansion, not when that comes forward. But then you said now it's at 5%. Came to a surprise to many of us who have been intimately involved in it. So I guess is that in writing and has five jump to another number?

MR. TOUMPAS: Five percent is the number that the -- the number that the 2% number that you're referring to was on the -- in the Lewin spreadsheet where we -- where we did a blending because of the -- because of the looking at it from a Calendar Year versus a Fiscal Year.

SEN. SANBORN: Follow-up on that.

CHAIRMAN KURK: Follow-up.

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MR. TOUMPAS: But it's in writing. It's in writing, Senator, that it was 5%.

SEN. SANBORN: So if I remember right, and my memory could be wrong, implementation was about taking the dog for a walk at 2% a year until we got to 10%. But now it's at 5%, do we need to readjust it so it's not going to be 10%?

MR. TOUMPAS: No.

SEN. SANBORN: That it's going to be 22%?

MR. TOUMPAS: No. The 10% is the max that the State would -- that that would do. I will provide as part of the -- part of the follow-up on this just a citation and the actual component of the Federal law that basically said it was 5% and then up to 10% in 2020, I believe it is.

SEN. SANBORN: My final follow-up, sir. My final follow-up. Senator Morse had mentioned \$300 million kicked that program off, but I could have sworn the House had \$460 million. So I'm trying to figure out where that number really is.

CHAIRMAN KURK: Commissioner.

MR. TOUMPAS: I would have to look at my -- again, some of those -- some of those numbers really are -- I would have -- rather than just kind of speculate on it, I will go off and look at it. I don't have my budget documents in front of me to look at that.

SEN. SANBORN: Thank you, sir.

CHAIRMAN KURK: Further discussion? Further questions? Thank you very much, Commissioner. Are there any questions on any of the other information items?

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MR. PATTISON: Late item. Late item.

REP. EATON: 469? 069?

CHAIRMAN KURK: 069 is an information item. Is there any discussion about that item?

** REP. EATON: Move approval.

CHAIRMAN KURK: We don't have to approve.

SEN. FORRESTER: I think -- yes. Actually --

REP. WEYLER: There was also the withdrawal of the 218.

CHAIRMAN KURK: There is a question on Fiscal 15-069 which is an informational item from the Assistant Commissioner of the Department of Administrative Services with respect to the hiring freeze.

JOSEPH BOUCHARD, Assistant Commissioner, Department of Administrative Services: Good morning.

CHAIRMAN KURK: You're not from the IRS, are you, sir?

MR. BOUCHARD: No, I'm not. For the record, I'm Joe Bouchard, Assistant Commissioner of Administrative Services. With me today is Terry Blouin. Terry is one of the appointed Members of the Committee that the Governor set up to review the Executive Order Waiver Exceptions over the past some number of months since the Executive Order was put in place.

CHAIRMAN KURK: Thank you for coming forward and to answer some questions. Senator Morse.

SEN. PRESIDENT MORSE: I just received the document this morning. I thought maybe somebody could run through

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the document and tell us what we are looking at. That would be helpful.

MR. BOUCHARD: I certainly can do that. Thank you. First, I'd like to apologize for not pulling this item together earlier to present to the Committee. Our Department has in one way or another dealt with Executive Orders from numerous Governors over the last 17 years. I would probably say for 13 or 14 years. It's a very laborious and manual process. What we try to do is streamline it to get better information, and I think this is a better document we pulled together to represent going forward any Executive Orders and how they're managed.

So with that said, what you have in front of you is a summary of -- I think I can speak best to Page 2, Representative Kurk, which is a summary of the waivers the Committee granted and how the dollars are calculated. What we did is take -- what you have in front of you is -- Page 2 is a summary page and then there are beginning with another Page 1 through 18, this is all the detail of the individual positions that were granted for waivers, equipment that was authorized for purchase, came under the waivers of out-of-state travel that was General Fund related as well that the Committee basically received. I think, to date, we are in the neighborhood of four -- let's see -- 405 waiver requests in these three categories for travel, positions, or equipment that has some component of General Funds. The biggest part of this is General Fund -- General Funds positions.

What you have in the first line when we deal with statewide positions was basically we took -- we took a run of the number of positions that were vacant with some General Fund aspect as of the beginning of these Executive Orders by position and there were about 262 of those. The 262 positions had they been held vacant for

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the whole year, Fiscal Year 15, represents that \$11.3 million total that we started with.

Subsequently, the waivers that were approved represents \$4.1 million of actual projected expenses. We have approved 235 position waivers, including the unclassifieds, which are in the lower areas here. Two hundred thirty-five have been approved. What this represents, the numbers you see here, are the actual hiring dates of the individuals that moved into those positions, with their salary and benefits projected for the balance of the year to get you as close to what the impact would be for the waivers granted.

In many years past what had been presented to you folks would be an estimate of an anticipated hiring date and it was never revisited when the hiring actually took place. What I found by doing this that of the 235 waivers that we've been granted, or I'm sorry -- yes, 235, there's still 52 positions that haven't been filled. So you'll see in the detail that there are 52 impacts that have no numbers tied to them. For whatever reason, the Agencies may have decided or the Executive Orders that we have for hiring -- for General Fund reductions, managing towards the lapse they decided to keep the position vacant or in some cases, I know with DoIT, difficulty in finding people to take the positions. So even though waiver has been granted, there's been no impact for Fiscal Year 15 as of yet.

The unclassified positions that were not related to the Governor's Office, Governor and Council process are also in. We've broken those out separately. That's on Page 9 of the document.

Page 10 are the -- are the General Fund impact of the positions that the Governor and Executive Council chose to present for hiring purposes, came through Governor and Council process. They do not go through the Labor Committee that Terry in our office is involved in.

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The DoIT aspect, if you move down the page, DoIT we did the same thing with the Department of Information Technology. If you look at their budget they have perhaps only \$200,000 of General Funds in them. But we work with DoIT for their waivers to look at the source, the Class 27 that is the source of the individuals that was approved. If a waiver was granted for Administrative Service supported position, for example, in our building, they -- they work with us to get the percentages from the Class 27s of what that impact would be. Most -- about all the positions that -- that reside in DoIT have about a 32% General Fund impact if you spread them all independently, not the 1% that's in their budget. We decided to split that out. So the positions -- of the positions that were from the onset of the Executive Order for them, I figured it was about \$829,000 of General Funds. Their impact is accordingly represented here by the waivers that were granted so far.

I think the statewide equipment pretty much speaks for itself. Those are the General Fund dollars that we pulled from the budget system after the enacted budget that were available. The waiver's granted. That detail is on Page 13.

Fourteen and 15 are -- is the expansion of the Governor's over -- wanting to look beyond equipment, just in the equipment line. There's tremendous amount of equipment money in the DoIT budget for hardware. So we expanded to look -- ask for waivers in terms of the Committee on that Class 37, which is the hardware to DoIT and that's their associated General Funds are in those lines. Again, that's from the 27 source of the actual purchase would come from the 27 line. And then out-of-state travel is 149,424. That was in the budget. That gets us through the process to date.

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CHAIRMAN KURK: Thank you. Just a very basic question. Are you saying there were 262 possible positions and you granted waivers to fill 235 of them leaving roughly 27 that were not granted?

MR. BOUCHARD: No. What I said is there were 262 at the beginning of the process. There were waivers over the course up through March 6th that we received totaling 290 requests. Two hundred thirty-four -- 235 -- I'm sorry, 235 total had been granted. Now, subsequent positions have come from -- into play, obviously, since then. Currently, we have 338 positions that are vacant in this group that we're talking about here.

Now I would like to share the population with the group. It's only about 3200 positions that we're talking about in this Executive Order. There are 10,533 positions authorized in the '15 base budget which Governor obviously handed over to the Legislature. Roughly 5200 of them have some General Fund component. When you take out the direct care, the law enforcement, custodial care positions, it drops it from 5200 down to about 3200. So this is a small -- a much smaller population that we have control over through this waiver process than one might think. So I thought it was important to share that with you folks.

CHAIRMAN KURK: So there's a potential 3200, but that number changes all the time depending on what vacancies arise.

MR. BOUCHARD: All the time. It does.

CHAIRMAN KURK: Could you share with us the proportion of requests that are granted.

MR. BOUCHARD: Eighty percent.

CHAIRMAN KURK: Are granted, 20% denied.

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MR. BOUCHARD: That's very typical for the Executive Orders we have seen in the past. Seventy-five to 80% are granted. Obviously, I looked back to the last full year of Governor Lynch's waiver process. We approved 405 positions. I say we. The Committee at that time did. We're now at 200 something positions.

CHAIRMAN KURK: Thank you. Senator Little.

SEN. LITTLE: Thank you. Just a clarification. You just replied 20% was denied. I thought when we looked at the details you thought the positions that had dashes beside them said they weren't funded and you implied they were due to departments trying to meet their lapses.

MR. BOUCHARD: No. I'm speculating because I think that's what our Department has thought to do. We -- denied meaning they haven't been approved yet. They're still on hold or they're pending or they may have been withdrawn. We have had that many requests come into us. So 81% that we have received so far have been approved. Doesn't -- but of the -- of that amount, 52 have not had any hiring take place yet. That's and that's kind of what we are trying to get with the reporting. Reporting is really predicated on the higher that impacts the \$15. So that's a change in methodology that I think is more accurate.

SEN. LITTLE: Thank you.

CHAIRMAN KURK: Further questions.

REP. OBER: All set.

CHAIRMAN KURK: Thank you very much. At this time before we proceed to audits, I would like to recognize a couple of people who have served the state for years and who will be leaving. First one is Jeff Brillhart, the Assistant Commissioner of the Department of

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Transportation and Acting Commissioner. Excuse me. He's been with us for 37 years. Mr. Brillhart, thank you sincerely for that service.

(Applause.)

CHAIRMAN KURK: I'm glad the House was able to fund the budget so that you're leaving on a high note.

The second person who's leaving us is Linda Hodgdon, the Commissioner of the Department of Administrative Services. She has served the State for 30 years. That's as long as I've been a Representative. Thank you very much.

(Applause.)

CHAIRMAN KURK: I read you were going fishing or taking time off to read.

REP. OBER: Take a nap. She's going to take a nap.

CHAIRMAN KURK: Naps, too.

REP. OBER: Yes.

CHAIRMAN KURK: You certainly deserve it. And, finally, our Comptroller, Karen Benincasa, who served the State for eight years. We thank you for that service.

(Applause.)

CHAIRMAN KURK: It's folks like these who have not only served, at least two of the three cases, for very long periods of time, but have contributed actually through institutional memory and providing all sorts of information to legislators, and I'm only speaking from that perspective that has made the results of our job much better than they would have been without that

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institutional memory and that sharing. And I truly appreciate that. It's -- it's difficult to work through some of the budget and other crises. But when you have very good folks like this participating in the process, the result is much better and their loss is going to be significant. So thank you again.

AUDITS:

CHAIRMAN KURK: At this point return -- we turn to our audits. First one is the Management Letter from the State of New Hampshire

STEPHEN SMITH, Director, Audit Division, Office of Legislative Budget Assistant: Good morning, Mr. Chairman, Members of the Committee. For the record, my name is Steve Smith. I'm the Director of Audits for the Office of Legislative Budget Assistant. The first two management letters that will be presented were under contract with our office with the KPMG. And representing KPMG is Greg Driscoll. He is a partner with the firm. On the first one, the State of New Hampshire Management Letter, also with me this morning is Gerard Murphy, our new State Comptroller as of last week.

CHAIRMAN KURK: Congratulations, Mr. Murphy.

GERARD MURPHY, State Comptroller, Department of Administrative Services: Thank you.

MR. SMITH: So turn it over to Greg.

GREG DRISCOLL, Partner, KPMG: Thank you. And good morning.

CHAIRMAN KURK: Good morning.

MR. DRISCOLL: We are going to present the State's -- the Management Letter that was issued as a byproduct of our audit of the State's financial

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statements. You've been provided the letter in advance so I'll keep my comments fairly high level and then take questions from the Committee.

I think where I'd like to start, if you have it in front of you, is on the actual letter and just review our responsibilities for testing internal control and level set expectations about the different types of deficiencies and internal control that we may identify.

So on the first page of the letter as we talked about it at our presentation of the financial statement audit, when we perform an audit in accordance with Government Auditing Standards and auditing standards generally accepted in the United States of America, we consider the entity or, in this case, the State's internal controller financial reporting as a basis for designing our audit procedures to express an opinion on those financial statements, but we do not provide an opinion on the effectiveness of the internal control.

So, again, different than a public company setting where they do get an opinion on the effectiveness of those controls. We perform tests of the controls. We acknowledge some observations. And then to the extent certain rise to -- certain of those observations rise to a level of severity, we have a responsibility to bring those observations to those in charge of government, which in this case is the Fiscal Committee.

So working down towards the fourth paragraph of the letter that you have in front of you, just to set some definitional items to give you a sense of the different levels of severity, when we identify a deficiency in internal control that exists when the design or operation of the control does not allow management or employees in their normal course of performing their assigned functions to prevent, detect and correct misstatements on a timely basis. Now, once we identify a control deficiency, we put that through a screen using

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our professional judgment, a screen of severity, if you will. A couple different layers of severity.

The first is a material weakness and this would be the most severe. And as you see in the letter there, a material weakness is a deficiency or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We noted no material weaknesses in the State's internal control over financial reporting.

The next level of severity down is what we refer to as a significant deficiency. This is a deficiency or a combination of deficiencies in internal control that's less severe than a material weakness, but in our judgment we determined it was important enough to merit attention to those in charge with governance. In two of the items in the letter we presented we determined to be significant deficiencies and we'll talk about those in a moment.

And then the last, if it doesn't rise to either of those levels of severity, it is a routine control deficiency which we have a responsibility to provide to Management. But in the protocols we've established with the State, we present the full Management Letter to the Committee so that letter would include any of those control deficiencies that do not rise to the level of material weakness or significant deficiency.

So in the letter that you have, we had five Observations, two of which did rise to the level of significant deficiency. The first significant deficiency we identified was in the area of payroll, and it was comprising three different elements. The first, certain control weaknesses in what we call information technology general controls over the financial system that the State uses to process payroll. These are what

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I'll call blocking and tackling controls over certain aspects of user access, password parameters, documentation of change in management and backup procedures. Not completely unusual for a system of this type to have these sorts of Observations, and consistent with some Observations that we had over this system as well last year.

Also, some Observations regarding control weaknesses in the determination of compensated absent balances, as well as monitoring of compliance with wage an hour regulations. Again, the three of those in combination we felt rose to the level of significant deficiency and merited your attention.

The second significant deficiency related to the audit difference that we talked about when we presented the financial statements over the misstatement of capitalization of cost associated with the Memorial Bridge. You might remember this is a situation where it's a bridge that's jointly owned between the States of Maine and New Hampshire, and New Hampshire was responsible for the construction and recorded all of the costs on its books as expenditures and the reimbursement from Maine as revenues, and then went ahead and capitalized the entire cost of the bridge as a capital asset. The State identified that error this year as part of the statements and corrected it. But given the nature of the error, we felt that there was some degree of control weakness or failure that resulted in the misstatement and we brought that to your attention as well.

The last three items in the Management Letter, one is a control item that did not rise to the level of significant deficiency related to documentation over the execution of user controls related to the State's third- party service provider for MMIS services and user controls are controls in place at the state to monitor the activities of the service provider. So one was in

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the area of documentation of modification of access that State Employees had to that MMIS system. And the second was documentation of review of error reports provided by the third-party service providers. It's believed this is just more in the documentation, that these changes in access were properly authorized, and that the reviews of these error reports are being done. It's just a matter of putting the documentation in the file so that there is an audit trail.

The last two items in the Management Letter more relate to industry observations as opposed to control deficiencies. The first is bringing to the attention of the Committee the new GASB Pension Standards that the State will be implementing next year or as part of its June 30th, 2015, financial statements. We talked about this for the last couple of years. If any accounting standard receives some sort of publicity, this is one of those standards given the nature of the change in reporting pension liabilities. So we bring that to your attention one more time and we continue to work with Management in preparation for its implementation in the June 30, '15, financial statements.

We also have a little bit of a new wrinkle to this comment this year in that GASB has now issued an exposure draft on a new standard for recognition of other post-employment benefits; essentially, retiree health care. And if that exposure draft moves to a final standard as proposed that will set up an accounting structure, an accounting protocol, if you will, for those benefits that will mirror the new pension standards which would essentially bring the unfunded amount or the unfunded actuarial amount liability or obligation of those benefits on to governmental financial statements for the first time. Right now they're disclosure only. And to the extent that they have not been funded to the required contribution, there's a liability. But now if, again, if it moves as

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proposed, that unfunded obligation would be reported on the government-wide financial statements.

The last industry observation that we had in conjunction with DOT are some Federal regulations related to the possibility of recoupment of right-of-way and preliminary engineer costs that were funded with Federal funds if construction projects do not progress or commence within a certain time period. This is a set of regulations that has been in Federal statute for several years but is now, from what we understand from DOT and what we see in the industry, it is now getting enhanced or renewed scrutiny, where now the Federal Government is -- is auditing or looking at these projects and trying to recoup these funds for projects that have not commenced in a timely manner where there has been reimbursement for right-of-way and preliminary engineers cost. So we just include that in the Management Letter to bring that item to your attention.

So, with that, that closes my prepared remarks, and I'll take whatever questions the Committee may have on the letter.

CHAIRMAN KURK: Thank you. Representative Weyler has a question.

MR. DRISCOLL: Sure.

REP. WEYLER: Thank you, Mr. Chairman. On Page 12 where we're talking about the expected long-term rate of return on pension plan investments down in the last indented bullet, talks about interest, using the interest rate on tax exempt 20-year double A or higher rated municipal bond index for going forward, rather than the assumed one that they're working with now. What is that rate of interest?

MR. DRISCOLL: Well, maybe just to back up for just a moment. What the -- the standard requires is an

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analysis of the net assets that would be available to pay for the benefit. And in any one year -- and you basically, you know, create a chart year by year out to the last benefit paid. And if there are plan net assets available to pay the benefits in that particular year, then the benefits in that year will be discounted at the expected investment rate of return. So it becomes a blended rate.

If you have -- if you reach what is referred to somewhat colloquially as the crossover point, where you reach a point in time where there isn't sufficient beginning plan assets to pay for the benefits of that year, the benefits in that year get discounted by a double A municipal rate which I think at this point is probably in the neighborhood of 3.5%. But I believe -- and Gerard, or anybody in the gallery, I believe the Retirement System in its financial statement would have done that analysis on the discount rate, and I don't believe there was much change as a result of this new standard to what they typically been using.

CHAIRMAN KURK: Could you explain that? I would think if you reduced the rate of return, the discount rate from 7.75% to 3.5%, there would be a huge increase.

MR. DRISCOLL: Correct; but I don't believe they ever reached that crossover point where there wouldn't be a period where net assets in a particular year were not available for the benefit. So you could continue to use the investment rate of return for the years where assets are available to pay the benefits. So it's not -- you don't necessarily reach a point where you would apply the double annuity rate. It becomes a blended rate given the availability of plan assets in a particular year to pay benefits.

CHAIRMAN KURK: I have a question about the other post-employment benefits.

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MR. DRISCOLL: Sure.

CHAIRMAN KURK: Our statute makes it very clear that these benefits are subject to appropriations. And in any year, including '16 and '17, could be reduced to zero.

MR. DRISCOLL: Correct.

CHAIRMAN KURK:: We have not done that. We have changed them and the House budget this year do change them. So my question is, in the case of New Hampshire, because of that statutory remark, wouldn't the unfunded liability be zero?

MR. DRISCOLL: No. The position of the Governmental Accounting Standards Board, and this was brought into question by other jurisdictions where the benefits are not constitutionally guaranteed nor -- and, again, as you suggest, that those benefits could be reduced to zero at any point, GASB's position on that is that if an understanding that the benefits would be provided through history, and there was a substantive plan in place, solely the fact that an entity has the ability to terminate the benefits at will does not result in -- in no plan or no obligation. Action would have to be taken towards that -- that measure in that case so there are a number of governments that would be in the same position. Unlike a pension plan, where there is a plan document and in some cases some constitutional guarantee of the pension benefit, OPEB is a little bit trickier in that case. But if there's a substantive plan, a practice of providing the benefits is GASB's position that essentially until those benefits are stopped, there would be an obligation based on the plan as it's understood by the employees.

CHAIRMAN KURK: And will that determination take into consideration the tapering down of that benefit?

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MR. DRISCOLL: Yes. If the benefits are reduced, that becomes the understanding going forward and impacts of those reductions would be reflected going forward.

CHAIRMAN KURK: I don't mean just the current level. I mean, the trend level into the future.

MR. DRISCOLL: No, it would be what the substantive plan is at the date. So what the understanding of the benefit is at the point in time the obligation is being measured.

CHAIRMAN KURK: So if in -- if next year we zeroed out this benefit completely that would reduce the obligation under GASB to zero.

MR. DRISCOLL: There would --

CHAIRMAN KURK: If the following year we returned it to 50%, then they would assume that the unfunded liability has gone up.

MR. DRISCOLL: I would suspect that if it was trended for one year to zero, I would suspect that it would be in the State's interest to evaluate whether that was expected to continue going forward. Could it be an anomalous year? It would all have to be taken into effect what the ultimate position of the State would be and the understanding with the employees for that benefit going forward. So yes, it is a little bit more judgmental than the pension benefits. But as a general rule, it is the understanding of the plan in place at the time.

CHAIRMAN KURK: Thank you. Further questions? Please continue, Mr. Smith.

GERARD MURPHY, Comptroller, Department of Administrative Services: Just a quick -- Gerard Murphy, Department of Administrative Services. Just wanted to

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thank Greg and the staff from KPMG for their professionalism and courtesy, and also extend that thank you to Mr. Smith and the folks at the LBA. And to also say I look forward to continuing to work with you folks.

CHAIRMAN KURK: Mr. Murphy, a question. If -- is it your understanding that if all of the proposed responses that you've indicated here under your management response section are implemented that that will resolve these deficiencies?

MR. MURPHY: That's correct.

CHAIRMAN KURK: Thank you. Please continue, sir.

MR. SMITH: Okay. The next audit is for the Turnpike System. It's Internal Control letter that you should have.

CHAIRMAN KURK: Excuse me. We have a motion to make on that Management Letter. Mr. Pattison, do we need to make the motion for acceptance of each of these?

MR. PATTISON: I believe so, yes.

** REP. OBER: I move to accept.

CHAIRMAN KURK: Representative Weyler has the -- will make the motion.

REP. OBER: Then I'll second.

** REP. WEYLER: Move to accept the report, place it on file, and release in the usual manner.

CHAIRMAN KURK: Representative Weyler so moves, seconded by Representative Ober. 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.

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*** {MOTION ADOPTED}

CHAIRMAN KURK: Thank you, Mr. Smith.

MR. SMITH: Thank you, Mr. Chairman. So the next letter is for the Turnpike System audit. And, again, Greg Driscoll will present that as well.

MR. DRISCOLL: Thank you. You may recall from when the financial statement audit system was prepared, we did bring to your attention a significant deficiency in the area of the approval of journal entries. We discussed that deficiency at the time. This letter essentially provides two additional Observations that don't rise to the level of significant deficiency or material weakness, and we incorporate as part of the Management Letter to the Turnpike System. And, again, they're both in the area of performance improvement observations. The first in the timeliness of the conduct or performance of toll audit procedures. There's a quarterly toll audit the Turnpike System undertakes as we observed during the year. Those toll audits were not performed as timely as they could be. So we've discussed that with Management and you can see their response in Page 2 of the letter.

The second is in the area of conducting an Asset Impairment Analysis. There are accounting standards around the recognition of an impairment in the cost of an asset that's recognized in the financial statements. If there's been a significant decline in what they refer to as the service utility of that asset, and at this point the Turnpike System does not have a formalized process of evaluating its most significant assets to determine if there was a decline or a significant and unexpected decline in the service utility. And this comment here just provides the -- excuse me -- observation -- recommendation -- recommending that they pursue a formal policy to perform that sort of

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impairment analysis, at least for its most significant assets.

CHAIRMAN KURK: Thank you. Representative Weyler.

REP. WEYLER: I'm curious as to how you would value a work stoppage as far as impairment of capital assets.

MR. DRISCOLL: From a construction work stoppage standpoint?

REP. WEYLER: Yes.

MR. DRISCOLL: What the standards would have you do is to determine whether that work stoppage was considered to be a permanent stoppage and we've had that discussion with the Turnpike before where there's what they refer to as a temporary impairment, where for whatever reason, either a funding matter, a re-analysis of the project, construction stops. If the impairment is determined to be temporary, then no impairment is recorded. If the -- if the stoppage is determined to be a permanent impairment, the project has been abandon, the circumstances may render that it is unlikely that it will continue. Then at that point an impairment analysis or a determination of impairment would be -- would be performed.

REP. WEYLER: Follow-up.

CHAIRMAN KURK: Follow-up.

REP. WEYLER: So the temporary stoppage, even if it was for a year, would not really affect the capital asset.

MR. DRISCOLL: That's correct.

REP. WEYLER: Thank you.

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MR. DRISCOLL: If the circumstances are in place, yes. The timing of it does not necessarily predetermine.

REP. WEYLER: Thank you very much.

CHAIRMAN KURK: Further discussion? Chair recognizes Representative Weyler for a motion.

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

CHAIRMAN KURK: Seconded by Representative Ober. 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**}

MR. DRISCOLL: Thank you.

CHAIRMAN KURK: Mr. Smith again.

MR. SMITH: Thank you, Mr. Chairman. The next audit was performed by -- the next three were performed by our office. First one would be the Lottery Commission. And joining me at the table to present the audit from our office is Jim LaRiviere. He's the Senior Audit Manager. And I believe Director McIntyre will be joining us as well.

SEN. FORRESTER: Go ahead. You can start.

JIM LARIVIERE, Senior Audit Manager, Audit Division, Office of Legislative Budget Assistant: Good morning, Members of the Committee. Again, for the record, my name is Jim LaRiviere, and we are here today to present the 2014 Lottery Management Letter. The Management Letter is a by-product of our financial audit, the results of which were presented to the Committee at the January 23rd meeting.

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As noted in the Table of Contents, this Management Letter contains three audit findings, none of which are categorized as material weaknesses, and the Lottery concurred with each of the findings.

The relatively low number of comments in this letter is reflective of the Lottery's annual audit and the Lottery's continuing good efforts to maintain strong internal controls. The Observations begin on Page 3.

Observation No. 1 notes that the Lottery has been fortunate to date with relatively stability -- with relative stability in its financial accounting and reporting staff, including its long-serving Chief Financial Officer. The Lottery should review its documented policies and procedures and controls and supplement them where appropriate to both support the Lottery's current experienced financial and accounting reporting team and to provide guidance and direction to employees who take over those functions in the future.

Observation No. 2 on Page 4 identifies an instance where an error was made in a sales incentive calculation resulting in an overpayment of \$10,000 to a ticket retailer. Upon notice of the error, the Lottery recovered the payment.

We recommend that the Lottery review its circumstances that allowed the erroneous payment to occur without timely detection and correction, and whether additional controls are necessary.

In our final comment, Observation No. 3 on Page 5, we recommend the Lottery better monitor its controls intended to ensure that Lottery and multi-state -- multi-state lottery employee and their family members who are ineligible to play multi-state lottery games do not receive multi-state lottery game prize payments. We do not note any improper payments,

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and we also recommended that the Lottery review its policies and procedures for prize claim payments, and ensure they are complete and sufficiently detailed and that relevant staff are aware of and trained in their operation.

The Appendix on Page 7 reports the current status of Observations contained in the Fiscal Year 2013 Management Letter. As noted in the table at the bottom of the page, three of the comments are fully resolved, two are partially resolved, and one comment remained unresolved.

This concludes my remarks. I'd like to thank the Lottery's Executive Director, Charlie McIntyre, and Chief Financial Officer, Cassie Strong, and the Lottery staff for their assistance they provided during the audit. Thank you, Mr. Chairman, and members of the Committee. And I'd like to provide the opportunity for the Lottery's Executive Director, Charlie McIntyre, to provide any comments that he may have.

CHAIRMAN KURK: Welcome, Mr. McIntyre. Good to see you.

CHARLES MCINTYRE, Executive Director, New Hampshire Lottery Commission: Thank you, Mr. Chairman. Good morning. And I usually take this day off. I like to make Good Friday Great Friday so I usually take a vacation day but happy to be here this morning with you.

I'm Charlie McIntyre, Executive Director. With me is our Chief Financial Officer Cassie Strong.

Certainly, the findings that the auditors identified we concur with and certainly appreciate their efforts. And we will resolve, I believe, all of them already. And we'll endeavor to do better going forward. We appreciate their efforts and look forward to any questions you have.

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CHAIRMAN KURK: First question. Number six. Why was that not resolved?

MR. MCINTYRE: Number six, we actually did inquire of the Attorney General's Office if we were, indeed, required to pay for the funds that the Legislature required us to pay, and we did. The difficulty in that context is requesting a legal opinion on behalf of somebody else to see if somebody else, indeed, had the authority to do something, which is really the -- what the request involved. It was not a question as I suggested. We were ordered to pay it and, certainly, we did pay the funds required of the gaming authority. The difficulty isn't suggesting that, indeed, the Legislature didn't have the authority to do it, which the question which was asked. So that's why it remains unresolved. It's asking the Lottery to seek their attorney to practice law on behalf of the Legislature.

CHAIRMAN KURK: Any comment on that? Mr. Smith.

MR. SMITH: Well, I believe the -- in the current audit year, the circumstances regarding the payment I don't believe was a comparable payment made this year.

MR. LARIVIERE: That's correct.

MR. SMITH: It's really just a carryover from the last time.

CHAIRMAN KURK: I guess the issue is will this continue to appear as an unresolved audit finding in future audits?

MR. SMITH: No.

CHAIRMAN KURK: Thank you. Other questions? Senator D'Allesandro.

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SEN. D'ALLESANDRO: No.

CHAIRMAN KURK: There being none, the 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: Moved and seconded. Discussion? There being none, 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. Thank you.

MR. SMITH: Mr. Chairman, our next Management Letter is for the Internal Service Fund within the Department of Administrative Services. To present our audit is Pam Veeder. She's the Senior Auditor Manager on this particular job. Also joining us will be Cassie Keane, the Director of Risk and Benefits, and Sarah Trask, the Senior Financial Analyst.

CHAIRMAN KURK: Welcome to all of you.

CASSIE KEANE, Director, Division of Risk and Benefits, Department of Administrative Services: Good morning.

PAM VEEDER, Senior Audit Manager, Audit Division, Office of Legislative Budget Assistant: Good morning, Mr. Chairman, Members of the Committee. For the record, my name is Pam Veeder, and we are here to present the Management Letter for the Internal Service Fund for the Fiscal Year ended June 30, 2014.

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The Internal Service Fund is administered by the Department of Administrative Services and is the fund that account for employee and retiree health benefits, workers' compensation, and unemployment compensation. The Fiscal Year 2014 Annual Financial Report was presented previously at your January meeting.

Like to start this presentation at the Table of Content. In the middle of the page the audit comments are listed, and there are 12 Internal Control Comments, including two material weaknesses, followed by three compliance comments. As noted in the Department's response that follow each comment in the body of the report, the Department concurred in full with 11 of the 15 comments and concurred, in part, with four. As noted at the bottom of the page, one comment, number 11, suggests legislative action may be needed.

On Page 3 is the start of the audit comments and I plan to touch briefly on each.

The first comment, Observation No. 1, speaks to the need for the Department's Risk Management Unit to establish a formal risk assessment process supported by policies and procedures. Risk assessment is the identification and analysis of risks linked to business objectives, and the determination of how the risks should be managed.

The Risk Management Unit employs risk assessment practices as described in its response here. However, we recommend formalizing the process due to the critical nature risk assessment plays in managing operations.

On Page 4 is Observation No. 2. That describes weaknesses and controls over enrollment data in the State's health benefit plan. We make the following three recommendations.

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Enrollment data should be periodically reconciled to enrollment data held by the third-party administrators to ensure claims paid and administrative fees charged are for appropriate enrollees.

A documented review and approval control should be implemented to ensure the accuracy of enrollment data input to the State Accounting System. And, lastly, a periodic review should be performed on the access authority for making changes to enrollment data to ensure only intended personnel have the authority to change those benefit enrollments.

On Page 7 is Observation No. 3. That calls for the Risk Management Unit to expand its risk assessment practices relative to its outsource operations. That is the third-party administrator's use for processing health benefit claims and workers' compensation claims. The Risk Management Unit relies on the third-party administrators to ensure the accuracy and validity of claims payments.

We recommend a documented review of each third-party administrator's audited internal control report and that review is to understand the effectiveness of controls over the third-party administrator's operations, and also to understand what complementary controls are needed at the Risk Management Unit in order to get to an evaluation and response to risks related to those outsourced operations.

On Page 8 is Observation No. 4 that describes some weaknesses in the revenue process. The details are described on Pages 8 and 9 and cover inconsistent performance of reconciliation and inconsistent application of review and approval controls. To support the complete and accurate collection, recording, and reporting of revenues, we recommend establishing policies and procedures and including related controls and control monitoring activities.

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On Page 11 is Observation No. 5. That addresses the need for timely follow-up, significant differences identified during the monthly comparison between estimated and actual working rate revenues. Working rates are the rates determined by the actuary that are needed to cover the claims and administrative fees of the self-insured health benefit plans. Reportedly, there was an error in the automated process that charges the working rates for the State Agencies, and reports the revenue to the Internal Service Fund. The error caused an incomplete revenue collection and incomplete benefit charge for one pay period during Fiscal Year 14.

We recommend policies and procedures be established to cover a requirement for timely follow-up and resolution of significant differences detected by control activities, such as this revenue comparison.

On Page 12 is Observation No. 6; again, recommending the establishment of policies and procedures. Here we recommend developing them for all significant aspects of the health benefit plans with the example here regarding benefit terminations.

Page 14 is Observation No. 7 that recommends the health plan benefit booklets be published timely. Untimely publications increase the risk that plan members and providers' decision could be affected negatively due to an inaccurate understanding of the plan.

Moving on to Page 16 is Observation No. 8 on the review of the working rates determined by the actuary. As mentioned previously, the collection of these rates is intended to cover the cost of claims and administrative fees for the self-insured health benefit plans so the working rates are a key factor in the administration of the plans.

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The working rates are set on a Calendar Year basis at the beginning of the year so by their nature the rates are estimates or projections. The actuary makes a presentation of the working rates to the Risk Management Unit and Commissioner of the Department of Administrative Services, and an informal review and approval of the working rates and how those rates were derived was in place. And based on that, we recommend a more evidence review and approval control over the rates and a documented understanding of how actual experience compares to the actuary's projections.

On Page 19 is Observation No. 9, and we noted that certain accounts receivable amounts were not recorded at Fiscal Year-end and recommend, again, policies and procedures be developed, and in this case to support the complete reporting of the accounts receivable.

On Page 20 is Observation No. 10 on certain financial activity and which funds gets reported in. The first section of the Observation notes the Federal contributions toward future retiree health benefit costs are recorded as unrestricted General Fund revenue, rather than recorded in the Employee and Retiree Benefit Risk Management Fund, which is a component of the Internal Service Fund.

The second section of the Observation notes inconsistent treatment for charging self-funded agencies for retiree health benefits. And we recommend the Risk Management Unit work with its Department, other State Agencies, and the Legislature to develop budget controls in financial reporting that will result in a better understanding of program costs accounted for in each fund, and a better understanding of what the General Funds recovery of retiree health benefit costs could be based on a State Agency's full or partial self-funding status.

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Observation No. 11 is on Page 22 and recommends policies and procedures to support the timely transfer of payroll costs from the General Fund to the Internal Service Fund, and further recommends that payroll costs be charged in accordance with Chapter Law or that the law be amended accordingly.

On Page 24, Observation No. 12, it describes delayed postings for workers' compensation activity for the first two quarters of Fiscal Year 14. And we recommend that the related policies and procedures be reviewed for adequacy and training be provided to avoid untimely postings should there be extended employee absences or key employee departures.

Moving to Page 26 is Observation No. 13, the first of three Compliance Comments. This Observation is about the funding of the State Employee pay raises during the 2014- 2015 biennium. And as we note in the first paragraph, it's not clear whether funding those raises through working rate reductions was in compliance with the collective bargaining agreements. The excerpt from the SEA's agreement is in the middle of Page 26 and that notes working rates suspensions are to be used only for the health benefit savings incentive payments. This seems to run counter to the use of working rate reductions for the funding of pay raises.

As noted in the Observation, while it was reported that the funding method for the employee raises was well-known and accepted, we recommend that changes to any collective bargaining agreement should be in writing to ensure all interested parties understand and agree to the changes.

On Page 24 is Observation No. 14 about the self-insurance report that is required to be submitted to you every 60 days. As noted in the first paragraph, two of the six reports required to be submitted during Fiscal Year 14 were submitted during that Fiscal Year,

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and we recommend the reports be submitted timely or if it's determined that the reporting frequency is no longer necessary an amendment should be considered.

And as to the final Observation, number 15 on Page 29, this Observation recommends the establishment of administrative rules required by statute for the management of the State Employees Group Insurance Program which covers life insurance benefits and the health plan benefits.

At the end of the report, we have three appendices. The first two are the current status of prior audit findings from our 2004 financial audit and 2011 performance audit, and the last is a communication from the Department of Administrative Services.

This completes our portion of the presentation. I would like to thank the Department of Administrative Services, with special thanks to Catherine Keane and Sarah Trask here at the table and to Commissioner Hodgdon for their help and cooperation during the course of this audit. And with your permission, Mr. Chairman, I would like to turn the presentation over to the Department for their comments.

MS. KEANE: Good morning.

CHAIRMAN KURK: Good morning.

MS. KEANE: I'm Catherine Keane. I serve as the Director of Risk and Benefits, and with me is Sarah Trask. Sarah is the Senior Financial Analyst for the Health Benefit Program. We would like to thank Mr. Smith and Miss Veeder for her work and as well for the work of her team. I do want to state that we take the audit process and the findings very seriously, and we will work very hard to make changes within our practices within the resources that we have.

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There is a letter from Commissioner Hodgdon in Tab C of the booklet that you have that helps to place these audit findings within context. It speaks to the resources in our office. We run a health benefit plan for 40,000 employees and retirees and their families. And in Fiscal 14 we had seven and a half full-time equivalent employees. So I've worked in State Government a long time. I work with an extremely dedicated and committed group of professionals. And we work very hard to constantly prioritize the work that is on our plate so that we are doing the very best we can to serve the people who are members of our Health Benefit Plan, and so that we're accountable to the public. I'm happy to answer any questions you might have.

CHAIRMAN KURK: Thank you. Representative Ober.

REP. OBER: Thank you, Mr. Chairman. I do not have an actual question. I would like to state and for the Chairman of the Senate Finance Committee, Observation No. 10 with the help of Commissioner Hodgdon and Commissioner Mollica, has been included in the House Budget and will be passed over to you and so it's well on its way to being resolved.

SEN. FORRESTER: Thank you.

CHAIRMAN KURK: Representative Weyler.

REP. WEYLER: No, my question was along the same line. Thank you.

CHAIRMAN KURK: Appendix A. Oh, Senator Little.

SEN. LITTLE: I had a question. If you could please try to help me understand Observation 5, Variances Noted As A Result of Revenue Reconciliations Should Be Investigated Timely. Seems to indicate there was a six months' lag between a variance in its identification and that the figures could potentially have an impact, I

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would guess, on State Employees. And it says that the fund balance be redistributed uniformly to all active employee subscribers to the health plan in the form of a Health Benefit Savings Incentive Payment, and that that might have been understated. So my question to you is were State Employees in some way impacted by our inability to identify that statement?

MS. KEANE: No, sir, they weren't. If you look on Page 12 under Auditee Response, it's the third paragraph down that begins the error was corrected in February. The second sentence. The determination of the December 31st, '14 surplus dollars included a receivable for the correction of the error and, therefore, the surplus to be distributed to subscribers in March 2015 accounted for the correction.

SEN. LITTLE: Okay. Thank you.

MS. KEANE: Thank you.

CHAIRMAN KURK: Representative Weyler.

REP. WEYLER: Thank you. I thought the question had been answered. But, Ms. Keane, I see on the top of Page 22, under Observation 10 you made several attempts through the legislative process to restrict the revenue of the OPEB Trust but have failed to be successful. If you would like to try again, I'll sponsor the legislation. Send me the details. We'll work on trying to get more obvious to the Committee that we explain it to.

MS. KEANE: Thank you very much. Thank you.

CHAIRMAN KURK: I have a question on Page 31. This is a summary of compliance with an audit report from 2004?

MS. VEEDER: Yes, it is.

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CHAIRMAN KURK: Is that correct? That's not a typographical error.

MS. VEEDER: That is correct, 2004.

CHAIRMAN KURK: Does the Commissioner's letter with respect to resources address this or explain why these items have not been addressed in the past decade?

MS. KEANE: The letter does not specifically speak to prior audit findings. What it does speak to is how we've had to triage our limited resources, particularly within Fiscal Year 14, which is the period of the audit, to address the many activities that were going on during the time. So, for example, Fiscal 14 was a year when collective bargaining was particularly demanding on our office. We worked with the State's collective bargaining team to model requests for changes in the collective bargaining proposals that were shared with the unions. So this was one example of very demanding work. That work and the outcome of that work was a change in the Health Benefit Plan design for active employees. And we had to then, when that was agreed upon between the unions and the State, we worked with our vendors to amend contracts, we worked with our vendors to implement the changes to the Health Benefit Plan, and we worked within the Department of Administrative Services with the Division of Personnel, and also with Agencies to help educate employees about the changes in the plan.

The fundamental change in the Health Benefit Plan that was implemented in January of 2014 was that we had our first ever deductible, which was groundbreaking for State Employees and their families. And so we had to spend a considerable amount of time helping people understand what a deductible is, how it operated within the context of our plan design. It applies to inpatient hospital, certain outpatient services, high-cost imaging, and these were very, very fundamental changes

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for employees. We were also working at the same time to help educate those employees and their family members about aspects of the plan design that were designed to help drive our employees and their family members to make cost-effective decisions. So you may have heard us talk about site of service. This is a method where I, as a consumer and a member of the plan, if I need certain kinds of services, I can access them at a site of service location, and I can avoid the deductible expense. And the way we are able to do that is that we have selected low-cost providers who are cost-effective providers, and the plan saves so much money by me selecting that cost effective provider that -- that it's a win/win for the employee and the plan. So these are aspects of education that we had to implement.

In addition, you've heard us talk about before that with the advent of this new Health Benefit Plan design, we were promoting as we had in the past the Compass Program, and this was another way for employees to avoid their out-of-pocket expenses and to drive them again to low-cost providers. So we have a list of procedures that are Compass procedures. A person calls up, find out the location of low-cost provider, this is going somewhere. We save \$4 million.

CHAIRMAN KURK: But in response to the question that was asked, you had many other things to do and therefore --

MS. KEANE: Yes.

CHAIRMAN KURK: -- lacked the resources. Will you when you make your budget presentation to the Senate, make it clear that if the jobs that you've been tasked to do are not adequately staffed and funded, then the reduction in those assignments by legislative changes should be the alternative.

MS. KEANE: I will be happy to raise the subject.

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SEN. FORRESTER: Thank you.

CHAIRMAN KURK: You're very welcome. Thank you.
Senator D'Allesandro.

SEN. D'ALLESANDRO: If I might? Thank you. Thank you very much, Mr. Chairman.

First of all, you do a remarkable job. I think it's clear to me. I was around when we made the transition to our own self-funded. So remarkable. Two things though I'm concerned about, Cassie.

MS. KEANE: Sure.

SEN. D'ALLESANDRO: That's the timeliness of getting the information out to the recipients as to what changes have been made. We have a lot of older people who are very concerned about this, particularly with co-pay came into play. I think there was great consternation among those at the lower end and getting that info out in a timely fashion, I think, is an imperative.

MS. KEANE: Okay.

SEN. D'ALLESANDRO: And the other thing that I question is those who are delinquent in their payments, how long do they stay on the plan before you have to terminate them?

MS. KEANE: We send them a 30-day notice. And then at the end of 60 days we send them a termination notice. So you're talking about the retiree plan?

SEN. D'ALLESANDRO: Yes.

MS. KEANE: So everyone understands the context of your question.

SEN. D'ALLESANDRO: Right.

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MS. KEANE: So under the law if an individual is participating in the plan and is untimely, then we send them a notice of delinquency and that's after 30 days and then after 60 days we send them notice of termination.

SARAH TRASK, Department of Administrative Services: Ten days.

MS. KEANE: After ten days. I'm sorry.

MS. TRASK: That's okay. So they get a 30-day notice. If they don't pay within ten days of that notice, then they're terminated. And then they have six months to come current with the plan.

SEN. D'ALLESANDRO: They get back on.

MS. TRASK: To get back on, correct.

REP. OBER: Mr. Chairman.

CHAIRMAN KURK: Representative Ober.

REP. OBER:: That is for retirees who are under the age of 65; correct? Because the retiree 65 and older do not --

MS. TRASK: Correct.

REP. OBER: Thank you.

CHAIRMAN KURK: I wonder if we could go to Observation No. 7 on Page 14. When you provide the Health Care Benefit Booklets, do you in fact inform retirees in there that a contribution that the State makes is subject to appropriations so that they are aware of the fact that this is a benefit that may be changed?

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MS. KEANE: If I may, just make a clarification, Representative Kurk. Observation No. 7 relates to the benefit books for the active employee plan, and it speaks to the timeliness of the benefit booklets that were published related to the changes in the January 14th Health Benefit Plan. What I do want to say is we were untimely with our benefit booklets, but we have summary plan descriptions and they're like a two-page document that our employees are very, very used to working with that educate them about what the plan is. So while we were untimely with our benefit booklets, there was other information that is very useful to employees about the plan design change. Your question was about where in a legislative discussion about the retiree health budget and we anticipate changes to be made to our plan design for retirees. And we will have to, first of all, see the outcome of that legislative process and engage in a major education campaign around those changes.

CHAIRMAN KURK: My question was different and I apologize that it was not related to No.7.

MS. KEANE: Okay.

CHAIRMAN KURK: The language that in the statute that refers to post-employment health benefits is subject to appropriation. I've heard from a number of people, State Employees, that they are not notified of that fact. It's in the statute; but in brochures they get, they claim they're not notified of this. And I'm wondering, this brought it up, but I'm wondering if, in fact, you in some of the literature that you submit, or send out, indicate the fact that all of the benefits in this booklet are subject to legislative appropriations, with respect to retirees?

MS. KEANE: We don't currently do that. I can foresee making that clear when we make changes at the end of this budget process.

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CHAIRMAN KURK: Thank you. Further questions? Chair recognizes Representative Weyler for a motion.

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

REP. OBER: Second.

CHAIRMAN KURK: Seconded by Representative Ober. Any discussion? If you're in favor of the motion, please indicate by saying aye? Opposed? The ayes have it and the motion is adopted.

*** {MOTION ADOPTED}

CHAIRMAN KURK: And now, Mr. Smith, I believe our final -- thank you, folks.

MS. KEANE: Thank you.

CHAIRMAN KURK: Final audit.

MR. SMITH: Yes, Mr. Chairman. Thank you. The final one letter to present to you is on the Liquor Commission Audit, Fiscal 14. And joining me this morning is Jean Mitchell, the Senior Audit Manager on this audit, and also Steve Kiander, the CFO for the Liquor Commission. And I believe Chairman Mollica. And --

SEN. D'ALLESANDRO: Mollica.

JOSEPH MOLLICA, Chairman, New Hampshire Liquor Commission: Thank you.

JEAN MITCHELL, Senior Audit Manager, Audit Division, Office of Legislative Budget Assistant: Good morning, Mr. Chairman, and Members of the Committee. For the record, my name is Jean Mitchell. We are here today to present to the Committee the Fiscal Year 2014

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Management Letter of the New Hampshire Liquor Commission, a byproduct of our 2014 audit of the financial statements of the Commission.

New Hampshire's -- the New Hampshire Liquor Commission's 2014 financial report was presented to the Commission at the January meeting. This report contains 11 comments. One is a material weakness, six are significant deficiencies, and four are State Compliance Comments. The Commission concurs with ten of the comments and does not concur with one of the comments.

As noted by the asterisks in the Table of the Contents, two comments suggest legislative action may be required. Observation No. 1 begins on Page 3.

This Observation is classified as a material weakness. Weaknesses in the Commission's control environment initially identified during the 2013 Audit continued in Fiscal Year 2014. During Fiscal Year 2014, the Commission's financial accounting and reporting expertise was centered in two key employee positions. A new employee filled the senior position in October of 2013, and the other position was vacant between February and October of 2014.

The lack of continuity in these positions resulted in instances where the Commission found it difficult to follow prior year accounting practices and to support certain prior year accounting transactions and balances.

We recommend the Commission strengthen its core financial accounting and reporting resources and establish comprehensive and documented policies and procedures for all critical financial accounting and reporting activities to provide for a better continuity of operation upon employee turnover.

Observation No. 2 starts on Page 5. This Observation highlights the need for the Commission to

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further develop its risk assessment process and to develop a business continuity and disaster recovery plan to protect financial operations from foreseeable disruption. This was also noted during the Fiscal Year 2013 Management Letter. It's further addressed in Observation Nos. 3 and 4.

Observation No. 3 note weaknesses in the Commission's processing of certain sales and refund transactions, combined with the lack of effective litigating controls, increase the risk of errors or fraud occurring in those transactions. The comment recommends the Commission perform a thorough review of its financial accounting processes to ensure it has a complete understanding of its risk exposure.

Observation No. 4 is found on Page 7. Item numbers 1 through 3 describe how certain Liquor Commission key purchasing and inventory controls were not operating during significant portions of Fiscal Year 2014. The Commission reports the controls were not in place in part due to system and process changes necessitated by the Commission's change in their warehouse vendor.

Observation No. 5 and 6 relate to documenting and improving controls. Observation No. 5 on Page 8 notes the audit identified lapses in the Commission's data backup processes, and we recommend the Commission work with the Department of Information Technology to establish documented policies for its information backup and recovery processes.

Observation No. 6 on Page 9 recommends the Commission improve controls over its payroll process for part-time store employees. This was also originally identified in the Fiscal Year 2013 Audit.

The final Internal Control Comment is Observation No. 7, and it notes that the State's Fiscal Year 2015 self-identified change in classification as an employer

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raises questions as to whether the State and Commission were in compliance with Federal wage and hour regulations during Fiscal Year 14.

The State Compliance Comments begin on Page 13 with Observation No. 8, which recommends all expenses incident to the administration of the Commission -- of the administration of the Commission be paid from and recorded in the Liquor Commission fund. This will allow for a complete and accurate accounting of the Commission's net position and results of operations.

Observation No. 9 on Page 14 recommends the Commission comply with RSA 21-I:8, paragraph (2) (b) and prepare timely stand-alone GAAP financial statements. The Commission did not have the statements available within the 90 days after the close of Fiscal Year 2014 as required by statute.

On the next page is Observation No. 10. As also cited in several prior audits, as of June 30, 2014, the Commission had not established a store plan as required by RSA 177:3.

Our final Observation No. 11 identifies in bulleted items on Pages 16 and 17 certain required administrative rules that the Commission had not adopted or readopted as of June 30th, 2014.

The Appendix is located on Page 19. And this is the December 30th, 2014 status of Observations contained in the Fiscal Year 2013 Management Letter of the Liquor Commission. Of the 12 Observations, six are fully resolved, one is substantially resolved, and five are partially resolved.

I'd like to, again, thank the Liquor Commission management and staff for their assistance in the audit and this concludes my presentation. And I'd like to now

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turn the presentation over to the Commission for any comments they may have.

MR. MOLLICA: Mr. Chairman, Members of the Committee, the Liquor Commission would just like to thank Jean Mitchell and the members of the LBA audit team for their professionalism and courtesy while performing this audit for the Liquor Commission. Thank you. I'd be happy to answer any questions that you might have.

CHAIRMAN KURK: Thank you, sir. Representative Weyler has a question.

REP. WEYLER: Thank you. Just an offer, Commissioner Mollica, if you want to do the legislation that is requested in here, contact me and I will sponsor it.

MR. MOLLICA: Thank you very much, Representative.

CHAIRMAN KURK: Further questions or observations from the Committee?

REP. OBER: Mr. Chairman.

CHAIRMAN KURK: Representative Ober.

REP. OBER: Again, for the Chair of Senate Finance, Observation No. 8, which is all Liquor Commission expenses from the Liquor Commission Fund, one of the things we did when we met with them at their request was to exempt them from House Bill 2, Sections 1 and 2, which would have had their accounting and human resources and payroll expenses done in the DAS budget. And they requested an exemption in order to keep doing it, pay that out of the Liquor Fund and we made that happen for them.

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CHAIRMAN KURK: Questions or comments? Could you explain the one area where you did not concur with the audit recommendation?

REP. OBER: Eight and 11.

CRAIG BUCKLEY, Director of Administration, New Hampshire Liquor Commission: Thank you, Chairman, for the question. Members of the Committee. Craig Bulkley, Director of the Division of Administration. This is a case where the Lawson System was implemented, and I don't think enough thought was given as to how it would impact our operation given that we are very decentralized with about 80 different locations. What this did to us was it literally required our store managers to spend in excess of ten hours a week trying to maintain payroll records. When they only work 40, that's -- that's a large chunk of their time that's taken away from managing their stores. So we've struggled with this since the implementation of that module and realized after a short time that it just was not going to work for us. So we basically non-concurred because we felt strongly that -- that in this particular case, this was something that we should not have participated in.

We now have identified a company that is providing biometric time clocks. We have those in three of our stores right now, one of which is the pilot right here in Concord. Everything is working well. We're working together with the Department of Administrative Services to make sure that the time clock process works. And once we've concluded that pilot, we will be implementing this in all of our stores. We expect them -- all the clocks to be installed by the end of June. What this will do is really help us to manage part-timers a lot more closely and making sure that we are paying them for hours worked. So we're expecting that this will provide a much more efficient process for managing payroll throughout our system.

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CHAIRMAN KURK: Thank you. One other question. Has the Commission done anything to avoid a target type hacking situation with all of your credit card sales?

MR. BUCKLEY: Yes, sir. We are moving ahead with all due speed to implement all the PCI compliance requirements that we have working very closely with DoIT. In fact, we spent three hours with their team yesterday talking about all of these projects that are related to PCI compliance. We expect to install new routers and switches in our stores in the next couple of months, because the current ones are not PCI compliant. We will install new pin pads prior to October 1st when the new chip cards are implemented. And there are a number of other projects associated with PCI compliance. So we're working diligently to get that done.

In addition to that, we currently carry cyber risk insurance that will help us in the event that there is a breach. The way people look at it these days it's not if there's going to be a breach but when, because we have so many people who spend 24/7 just trying to breach these various systems. But our expectation is that we are moving in a direction where we are going to minimize our risk.

In addition, the final part of that is a process called tokenization that we will be implementing in the next probably three months, and that effectively eliminates all credit card numbers from the system and creates a token number that cannot be connected to the credit card. So we're taking all the actions that we can to minimize our risk.

CHAIRMAN KURK: Thank you. Chair recognizes Representative Weyler for a motion.

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

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REP. OBER: Second.

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

*** {MOTION ADOPTED}

CHAIRMAN KURK: I believe that completes our work for today, Mr. Pattison. I would like to announce that our next meeting will be on May 15th at 10:00 a.m., not 9:00 a.m. but 10:00 a.m.

There being no further business to come before us we stand adjourned.

(The meeting adjourned at 11:18 a.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
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