NEW ISSUE – Book Entry Only

Ratings: Fitch Ratings: AA+
Moody's: Aa1
S&P: AA
(See "RATINGS")

In the opinion of Locke Lord LLP, Bond Counsel, based upon an analysis of existing law and assuming, among other matters, compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under the Internal Revenue Code of 1986. Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes; however such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Under existing law, interest on the Bonds is exempt from the New Hampshire personal income tax on interest and dividends. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See "TAX EXEMPTION" and Appendix A herein.

STATE OF NEW HAMPSHIRE

$50,930,000 General Obligation Refunding Bonds 2016 Series A	$63,430,000 General Obligation Capital Improvement Bonds 2016 Series B

Dated: Date of Delivery **Due**: as shown on the inside cover hereof

The 2016 Series A Bonds (the "Series A Bonds") and the 2016 Series B Bonds (the "Series B Bonds" and, together with the Series A Bonds, the "Bonds") will be issued as fully registered bonds, registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"). Purchases of beneficial interests in the Bonds will be made in book-entry form (without certificates) in the denomination of $5,000 or any integral multiple thereof. (See "THE BONDS--Book-Entry Only System" herein.)

Interest on the Series A Bonds will be payable semiannually on April 15 and October 15 of each year, commencing April 15, 2017, until maturity. Interest on the Series B Bonds will be payable semiannually on June 1 and December 1 of each year, commencing June 1, 2017, until maturity. The Series A Bonds are not subject to redemption prior to maturity. The Series B Bonds are subject to redemption prior to maturity as provided herein.

The Bonds are offered when, as and if issued by the State, subject to receipt of the final approving opinion of Locke Lord LLP, Boston, Massachusetts, Bond Counsel, and to certain other conditions referred to in the Official Notices of Sale. Public Resources Advisory Group has acted as Financial Advisor to the State with respect to the Bonds. Delivery of the Bonds to DTC or its custodial agent is expected on or about November 30, 2016.

November 17, 2016

$50,930,000
STATE OF NEW HAMPSHIRE
General Obligation
Refunding Bonds
2016 Series A

Due October 15	Principal Amount	Interest Rate	Price or Yield	CUSIP* 644682	Due October 15	Principal Amount	Interest Rate	Price or Yield	CUSIP* 644682
2017	$ 8,840,000	5.00%	0.89%	3D6	2022	$4,195,000	5.00%	1.69%	3H7
2018	8,940,000	5.00	1.07	3E4	2023	5,645,000	5.00	1.90	3J3
2019	10,635,000	5.00	1.23	3F1	2024	2,030,000	5.00	2.07	3K0
2020	10,645,000	5.00	1.40	3G9					

$63,430,000
STATE OF NEW HAMPSHIRE
General Obligation
Capital Improvement Bonds
2016 Series B

Due June 1	Principal Amount	Interest Rate	Price or Yield	CUSIP* 644682	Due June 1	Principal Amount	Interest Rate	Price or Yield	CUSIP* 644682
2018	$4,230,000	5.00%	1.08%	2J4	2028	$2,540,000	5.00%	2.54%†	2U9
2019	4,230,000	5.00	1.26	2K1	2029	2,535,000	5.00	2.64†	2V7
2020	4,230,000	5.00	1.44	2L9	2030	2,535,000	3.00	100	2W5
2021	4,230,000	5.00	1.60	2M7	2031	2,535,000	3.00	98.50	2X3
2022	4,230,000	5.00	1.72	2N5	2032	2,535,000	3.00	97.00	2Y1
2023	4,230,000	5.00	1.89	2P0	2033	2,535,000	3.125	97.50	2Z8
2024	4,230,000	5.00	2.06	2Q8	2034	2,535,000	3.25	98.00	3A2
2025	4,230,000	5.00	2.22	2R6	2035	2,535,000	3.25	97.00	3B0
2026	4,230,000	5.00	2.34	2S4	2036	2,535,000	3.25	96.25	3C8
2027	2,540,000	5.00	2.46†	2T2					

* CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services ("CGS") is managed on behalf of the American Bankers Association by S&P Capital IQ. CUSIP® numbers herein are provided by CGS. CUSIP® numbers are provided for convenience of reference only. They are not intended to create a database and do not serve in any way as a substitute for the CGS database. The State is not responsible for the selection or the correctness of the CUSIP® numbers printed herein. CUSIP® numbers assigned to securities may be changed during the term of such securities based on a number of factors, including, but not limited to, the refunding or defeasance of such securities or the use of secondary market financial products.

† Priced at the stated yield to the June 1, 2026 optional redemption date at a redemption price of 100%. See "THE BONDS – Redemption Provisions" herein.

No dealer, broker, salesperson or other person has been authorized by the State of New Hampshire to give any information or to make any representations with respect to the State or the Bonds, other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the State of New Hampshire.

This Official Statement contains forecasts, projections and estimates that are based on current expectations. In light of the important factors that may materially affect the financial condition of the State of New Hampshire generally and other economic and financial matters, the inclusion in this Official Statement of such forecasts, projections and estimates should not be regarded as a representation by the State that such forecasts, projections and estimates will occur. Such forecasts, projections and estimates are not intended as representations of fact or guarantees of results.

If and when included in this Official Statement, the words "expects," "forecasts," "projects," "intends," "anticipates," "estimates" and analogous expressions are intended to identify forward-looking statements as defined in the Securities Act of 1933, as amended, and any such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those projected. Such risks and uncertainties include, among others, general economic and business conditions, changes in political and social and economic conditions, regulatory initiatives and compliance with governmental regulations, litigation and various other events, conditions and circumstances affecting the State of New Hampshire, many of which are beyond the control of the State. These forward-looking statements speak only as of the date of this Official Statement. The State disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the State's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

Neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in any of the information set forth herein since the date hereof. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinion and not as representations of fact.

TABLE OF CONTENTS

Part I: Information Concerning the Bonds

Statement pursuant to New Hampshire Revised Statutes Annotated 421-B:20:

In making an investment decision investors must rely on their own examination of the issuer and the terms of the offering, including the merits and risks involved. These securities have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this document. Any representation to the contrary is a criminal offense.

STATE OF NEW HAMPSHIRE

Governor
Margaret Wood Hassan

Executive Council
Joseph D. Kenney
Christopher C. Pappas
Christopher T. Sununu
Colin Van Ostern
David K. Wheeler

State Treasurer
William F. Dwyer

Secretary Of State
William M. Gardner

Attorney General
Joseph A. Foster

Commissioner of Administrative Services
Vicki V. Quiram

Comptroller
Gerard J. Murphy

Budget Director
Meredith J. Telus

BOND COUNSEL
Locke Lord LLP
111 Huntington Avenue at Prudential Center
Boston, Massachusetts 02199-7613

FINANCIAL ADVISOR
Public Resources Advisory Group
39 Broadway, Suite 1210
New York, New York 10006

[THIS PAGE INTENTIONALLY LEFT BLANK]

OFFICIAL STATEMENT

OF

THE STATE OF NEW HAMPSHIRE

\$50,930,000 General Obligation Refunding Bonds 2016 Series A	**\$63,430,000 General Obligation Capital Improvement Bonds 2016 Series B**

PART I: INFORMATION CONCERNING THE BONDS

This Official Statement, including the cover page, is provided for the purpose of presenting certain information relating to the State of New Hampshire (the "State") in connection with the sale of \$50,930,000 aggregate principal amount of its General Obligation Refunding Bonds, 2016 Series A (the "Series A Bonds"), and \$63,430,000 aggregate principal amount of its General Obligation Capital Improvement Bonds, 2016 Series B (the "Series B Bonds" and, together with the Series A Bonds, the "Bonds").

This Official Statement consists of two parts: Part I (including the cover and Appendices A, B, C and D) and Part II, the State's Information Statement dated November 17, 2016 (the "Information Statement"). The Information Statement will be provided to the Municipal Securities Rulemaking Board ("MSRB") for purposes of SEC Rule 15c2-12. The Information Statement incorporates by reference as Exhibit A the State's audited financial statements for fiscal year 2015. KPMG LLP, the State's independent auditor, has not been engaged to perform and has not performed, since the date of its report referenced in the Information Statement, any procedures on the financial statements addressed in that report. KPMG LLP has also not performed any procedures relating to this Official Statement, including the Information Statement. The State's audited financial statements for fiscal year 2015 have been provided to the MSRB. All information contained in this Official Statement and the Information Statement pertaining to fiscal year 2016 or later is preliminary, unaudited and subject to change.

THE BONDS

Description of the Bonds

The Series A Bonds will be dated their date of delivery and will bear interest (calculated on a 30/360 day basis) and will be payable semiannually on April 15 and October 15 of each year, commencing April 15, 2017, until maturity. The Series B Bonds will be dated their date of delivery and will bear interest (calculated on a 30/360 day basis) and will be payable semiannually on June 1 and December 1 of each year, commencing June 1, 2017, until maturity. The record date with respect to each payment of interest shall be: (i) with respect to the Series A Bonds, the last day of the month preceding such interest payment date; and (ii) with respect to the Series B Bonds, the fifteenth day of the month preceding such interest payment date; provided that if such date is not a business day, the record date shall be the next succeeding business day. The Bonds will mature on the dates and in the principal amounts and bear interest at the rates shown on the inside cover page of this Official Statement.

The Bonds are being issued only as fully registered Bonds and, when issued, will be registered in the name of Cede & Co., as Bondowner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Purchases of beneficial interests in the Bonds will be made in book-entry form, in the denomination of \$5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their interest in Bonds purchased. So long as DTC or its nominee, Cede & Co., is the Bondowner, payments of principal and interest will be made directly to such Bondowner. Disbursement of such payments to the DTC Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of the DTC Participants and the Indirect Participants, as more fully described herein. (See "Book-Entry Only System" herein.)

Redemption Provisions

The Series A Bonds are not subject to redemption prior to their maturity. The Series B Bonds are subject to optional and mandatory redemption prior to maturity as described below.

Optional Redemption of the Series B Bonds.

The Series B Bonds maturing on and before June 1, 2026 are not subject to redemption prior to maturity. The Series B Bonds maturing after June 1, 2026 are subject to redemption at the option of the State on and after June 1, 2026, in whole or in part at any time, with maturities to be designated by the State (and by lot within a maturity as described below), at the price of the par amount of bonds to be redeemed, plus accrued interest to the redemption date.

Selection of Series B Bonds to be Redeemed in a Partial Redemption.

If less than all of the Series B Bonds of a particular maturity and bearing interest at a particular interest rate are called for redemption, the applicable Series B Bonds within such maturity to be redeemed will be selected by DTC or any successor securities depository pursuant to its rules and procedures or, if the book-entry system is discontinued, will be selected by the State by lot or in any customary manner as the State in its discretion may determine.

Notice of Redemption.

So long as DTC is the registered owner of the Series B Bonds, notice of any redemption of Series B Bonds prior to their maturities, specifying the Series B Bonds (or the portions thereof) to be redeemed shall be mailed to DTC not more than 60 days nor less than 30 days prior to the redemption date. Any failure on the part of DTC to notify the DTC Participants of the redemption or failure on the part of the DTC Participants or of a nominee of a Beneficial Owner (having received notice from a DTC Participant or otherwise) to notify the Beneficial Owner shall not affect the validity of the redemption. Following proper notice of the redemption of any Series B Bonds, if sufficient moneys are deposited with The Bank of New York Mellon Trust Company, N.A., or its successor, as Paying Agent (the "Paying Agent") for redemption, interest thereon ceases to accrue as of the redemption date.

Security for the Bonds

In the opinion of Bond Counsel, the Bonds when duly issued will constitute valid general obligations of the State and the full faith and credit of the State will be pledged for the punctual payment of the principal of and interest on the Bonds.

Each Bond when duly issued and paid for will constitute a contract between the State and the owner of the Bond. While the doctrine of sovereign immunity (the sovereign right of a state not to be sued without its consent) applies to the State, the Legislature has conferred jurisdiction on the Superior Court to enter judgment against the State founded upon any express or implied contract. The Supreme Court of New Hampshire has stated that that statutory provision constitutes a waiver of the State's right of sovereign immunity in such a case. Although a bond of the State constitutes a contract with the owner of the bond, the State Supreme Court has not considered the issue of sovereign immunity in a case expressly involving the enforceability of a bond. Under State law, the Attorney General of the State is directed to present any claim founded upon a judgment against the State to the department or agency which entered into the contract for payment from available appropriations or, if such appropriations are insufficient, to present the claim to the Legislature. Payment of a claim against the State for which available appropriated funds are insufficient would require appropriation by the Legislature. Enforcement of a claim for payment of principal of or interest on the Bonds may also be subject to the provisions of federal or State statutes, if any, hereafter enacted extending the time for payment or imposing other constraints upon enforcement, insofar as those provisions may be constitutionally applied.

The State Constitution provides that the public charges of government may be raised by taxation upon polls, estates and other classes of property including franchises and property when passing by will or inheritance, and authorizes the Legislature to impose and levy proportional and reasonable assessments, rates and taxes upon all the inhabitants of, and residents within, the State and upon all property within the State.

Authorization and Purpose

The Bonds are being issued pursuant to a vote of the Governor and Council under Chapter 6-A of the New Hampshire Revised Statutes Annotated ("RSA") and certain other laws of the State. Proceeds from the sale of the Series A Bonds are expected to be used to provide for the current and advance refunding of the general obligation bonds described in Appendix C (the "Refunded Bonds") and to pay issuance costs of the Series A Bonds. Proceeds from the sale of the Series B Bonds are expected to be used to finance all or a portion of the costs of various capital projects of the State, and to pay issuance costs of the Series B Bonds.

Plan of Refunding

Upon delivery of the Series A Bonds, the State will enter into a Refunding Trust Agreement with The Bank of New York Mellon, as Trustee (the "Refunding Trustee"), to provide for the refunding of the Refunded Bonds. Upon receipt of the proceeds of the Series A Bonds, the Refunding Trustee will deposit in the Refunding Trust Fund established under the Refunding Trust Agreement the amount which (except for any outstanding cash balances) will be invested in direct obligations of the United States of America (State and Local Government Securities) or in noncallable obligations directly and unconditionally guaranteed by the United States of America (collectively, "Government Obligations") maturing in amounts and bearing interest at rates sufficient without reinvestment to pay when due, interest on, and at maturity, the outstanding principal of the Refunded Bonds (as defined below). The Refunding Trust Fund, including the interest earnings on the Government Obligations, is pledged solely for the benefit of the owners of the Refunded Bonds and is not available to pay the Bonds offered hereby.

Attached hereto as Appendix C is a listing of the obligations to be refunded with the proceeds of the Series A Bonds (the "Refunded Bonds"). The list of obligations set forth in Appendix C to be refunded from the proceeds of the Series A Bonds is not final and is subject to change prior to the sale of the Series A Bonds. The State reserves the right not to refund any or all of the obligations listed in Appendix C and to refund any or all of its obligations not listed in Appendix C.

Sources and Uses of Funds

The proceeds from the sale of the Series A Bonds are expected to be applied as follows:

Sources	
Par Amount of the Series A Bonds	$ 50,930,000.00
Plus Original Issue Premium	5,861,506.75
Total Sources of Series A Bond Funds	$ 56,791,506.75
Uses	
Deposit to Refunding Trust Fund	$ 56,497,598.64
Series A Underwriters' Discount	152,790.00
Costs of Issuance of the Series A Bonds	141,118.11
Total Uses of Series A Bond Funds	$ 56,791,506.75

The proceeds from the sale of the Series B Bonds are expected to be applied as follows:

Sources	
Par Amount of the Series B Bonds	$ 63,430,000.00
Plus Net Original Issue Premium	7,186,536.10
Total Sources of Series B Bond Funds	$ 70,616,536.10
Uses	
Deposit to Capital Projects Fund	$ 70,000,000.00
Series B Underwriter's Discount	441,989.75
Costs of Issuance of the Series B Bonds	174,546.35
Total Uses of Series B Bond Funds	$ 70,616,536.10

Book-Entry Only System

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued in fully-registered form registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One-fully registered certificate will be issued for each maturity of each series of the Bonds, each in the aggregate principal amount of such maturity and series, and each such certificate will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a S&P Global Ratings rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at **www.dtcc.com** and **www.dtc.org**.

Purchases of securities deposited with DTC must be made by or through Direct Participants, which will receive a credit for such securities on DTC's records. The ownership interest of each actual purchaser of each security deposited with DTC ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in securities deposited with DTC are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in securities deposited with DTC, except in the event that use of the book-entry system for such securities is discontinued.

To facilitate subsequent transfers, all securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual

Beneficial Owners of the securities deposited with it; DTC's records reflect only the identity of the Direct Participants to whose accounts such securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds of a particular series and maturity and bearing interest at a particular rate are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such series and maturity and interest rate to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to securities deposited with it unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer of such securities or its paying agent as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on securities deposited with DTC will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the issuer of such securities or its paying agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the issuer of such securities or its paying agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the issuer of such securities or its paying agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to securities held by it at any time by giving reasonable notice to the issuer of such securities or its paying agent. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered to Beneficial Owners.

The State may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, physical certificates will be printed and delivered to Beneficial Owners.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the State believes to be reliable, but the State takes no responsibility for the accuracy thereof.

TAX EXEMPTION

In the opinion of Locke Lord LLP, Bond Counsel to the State ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes. However, Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other federal tax consequences arising with respect to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

The Code imposes various requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. Failure to comply with these requirements may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The State has covenanted to comply with such requirements to ensure that interest on the Bonds will not be included in federal gross income. The opinion of Bond Counsel assumes compliance with these requirements.

Bond Counsel is also of the opinion that, under existing law, interest on the Bonds is exempt from the New Hampshire personal income tax on interest and dividends. Bond Counsel expresses no opinion regarding any other New Hampshire tax consequences arising with respect to the Bonds. Bond Counsel also has not opined as to the taxability of the Bonds or the income therefrom under the laws of any state other than New Hampshire. A complete copy of the proposed form of opinion of Bond Counsel with respect to the Bonds is set forth in Appendix A hereto.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes and is exempt from the New Hampshire personal income tax on interest and dividends. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Beneficial Owners of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of purchasers who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased, whether at original issuance or otherwise, for an amount greater than the stated principal amount to be paid at maturity of such Bonds, or, in some cases, at the earlier redemption date of such Bonds ("Premium Bonds"), will be treated as having amortizable bond premium for federal income tax purposes and for purposes of the New Hampshire personal income tax on interest and dividends. No deduction is allowable for the amortizable bond premium in the case of obligations, such as the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, a Beneficial Owner's basis in a Premium Bond will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds.

Prospective Beneficial Owners should be aware that from time to time legislation is or may be proposed which, if enacted into law, could result in interest on the Bonds being subject directly or indirectly to federal income taxation, or otherwise prevent Beneficial Owners from realizing the full benefit provided under current federal tax law of the exclusion of interest on the Bonds from gross income. To date, no such legislation has been enacted into law. However, it is not possible to predict whether any such legislation will be enacted into law. Further, no assurance can be given that any pending or future legislation, including amendments to the Code, if enacted into law, or any proposed legislation, including amendments to the Code, or any future judicial, regulatory or administrative interpretation or development with respect to existing law, will not adversely affect the market value and marketability of, or the tax status of interest on, the Bonds. Prospective Beneficial Owners are urged to consult their own tax advisors with respect to any such legislation, interpretation or development.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes and is exempt from the New Hampshire personal income tax on interest and dividends, the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may otherwise affect a Beneficial Owner's federal or state tax liability. The nature and extent of all such other tax consequences will depend upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income, deduction or exclusion. Bond Counsel expresses no opinion regarding any such other tax consequences, and Beneficial Owners should consult with their own tax advisors with respect to such consequences.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

The arithmetical accuracy of certain computations included in the schedules provided by Public Resources Advisory Group on behalf of the State relating to computation of anticipated receipts of principal and interest on the Government Obligations and the anticipated payments of principal and interest to repay the Refunded Bonds, was examined by Samuel Klein and Company, Certified Public Accountants, a firm of independent public accountants. Such computations were based solely upon assumptions and information supplied by Public Resources Advisory Group on behalf of the State. Samuel Klein and Company, Certified Public Accountants, has restricted its procedures to examining the arithmetical accuracy of certain computations and has not made any study or evaluation of the assumptions and information upon which the computations are based and, accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions, or the achievability of future events.

COMPETITIVE SALE OF THE BONDS

After competitive bidding on November 17, 2016, the Series A Bonds were awarded to a group of underwriters managed by Citigroup Global Markets Inc. (the "Series A Underwriters"). The Series A Underwriters have supplied the information as to the public offering yields or prices of the Series A Bonds set forth on the inside cover hereof. The Series A Underwriters have informed the State that if all of the Series A Bonds are resold to the public at those yields or prices, they anticipate the total Series A Underwriters' compensation to be $152,790.00. The Series A Underwriters may change the public offering yields or prices from time to time.

After competitive bidding on November 17, 2016, the Series B Bonds were awarded to Wells Fargo Bank, National Association, Municipal Products Group (the "Series B Underwriter" and, collectively with the Series A Underwriters, the "Underwriters"). The Series B Underwriter has supplied the information as to the public offering yields or prices of the Series B Bonds set forth on the inside cover hereof. The Series B Underwriter has informed the State that if all of the Series B Bonds are resold to the public at those yields or prices, they anticipate the total Series B Underwriter's compensation to be $441,989.75. The Series B Underwriter may change the public offering yields or prices from time to time.

LEGAL MATTERS

Legal matters incident to the authorization and sale of the Bonds are subject to the approval of Locke Lord LLP, Boston, Massachusetts, Bond Counsel. A proposed form of the approving opinion of Locke Lord LLP is set forth in Appendix A. The opinion will be dated the date of the issuance of the Bonds and will speak only as of that date.

FINANCIAL ADVISOR

Public Resources Advisory Group has acted as financial advisor to the State with respect to the issuance of the Bonds.

RATINGS

Fitch Ratings, Moody's Investors Service, Inc. and S&P Global Ratings, a division of S&P Global, Inc. ("S&P") have assigned the Bonds the ratings of AA+, Aa1, and AA, respectively. An explanation of the significance of each such rating may be obtained from the rating agency furnishing the same. There is no assurance that those ratings will be maintained for any given period of time or that they may not be lowered or withdrawn entirely by the rating agencies, or any of them, if in their or its judgment circumstances so warrant. Any such downward change in or withdrawal of any of the ratings may have an adverse effect on the market price of the Bonds.

CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission (the "Rule"), the State will covenant for the benefit of owners of the Bonds to provide certain financial information and operating data relating to the State (the "Annual Report"), by not later than 270 days after the end of each fiscal year and to provide notices of the occurrence of certain enumerated events. The covenants will be contained in a Continuing Disclosure Certificate, the proposed form of which is provided in Appendix B. The Certificate will be executed by the signers of the Bonds, and incorporated by reference in the Bonds.

The following information describes the instances in the previous five years known to the State of non-compliance with the terms of its previous undertakings entered into pursuant to the Rule.

The State has determined that it did not timely file with the MSRB, through its Electronic Municipal Market Access System ("EMMA"), notices of defeasance for bonds refunded by its Turnpike System Revenue Bonds, 2012 Refunding Series (Delayed Delivery), dated January 5, 2012, and Turnpike System Revenue Bonds, 2012 Refunding Series B (Delayed Delivery), dated November 5, 2012. The State filed the defeasance notices with EMMA on November 25, 2013. S&P upgraded its rating on the State's Turnpike System Revenue Bonds to 'A+' from 'A' on April 29, 2011. The new rating was disclosed in the State's official statement dated July 27, 2011 related to its Turnpike System Revenue Bonds, 2012 Refunding Series (Delayed Delivery) and was also disclosed in the Turnpike System CAFR for the fiscal year ended June 30, 2011 that was filed with EMMA on January 2, 2012. However, the State has further determined that it did not timely file a notice of the occurrence of the rating change. The State filed the rating notice on December 2, 2014.

The State has adopted written policies to ensure that future continuing disclosure filings will be made with EMMA in a timely fashion.

STATE OF NEW HAMPSHIRE

By: /s/ *William F. Dwyer*
State Treasurer

PROPOSED FORM OF OPINION OF BOND COUNSEL

Locke Lord LLP

111 Huntington Avenue
Boston, MA 02199
Telephone: 617-239-0100
Fax: 617-227-4420
www.lockelord.com

The Honorable William F. Dwyer
State Treasurer
State House Annex
Concord, New Hampshire 03301

$50,930,000 State of New Hampshire General Obligation Refunding Bonds, 2016 Series A Dated Date of Delivery	$63,430,000 State of New Hampshire General Obligation Capital Improvement Bonds, 2016 Series B Dated Date of Delivery

We have acted as Bond Counsel to the State of New Hampshire (the "State") in connection with the issuance by the State of the above-referenced bonds (the "Bonds"). In such capacity, we have examined the law and such certified proceedings and other papers as we have deemed necessary to render this opinion.

As to questions of fact material to our opinion we have relied upon representations and covenants of the State contained in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

Based on this examination, we are of the opinion, under existing law, as follows:

1. The Bonds are valid and binding general obligations of the State, and the full faith and credit of the State are pledged for the punctual payment of the principal of and interest on the Bonds.

2. The interest on the Bonds is exempt from the New Hampshire personal income tax on interest and dividends. We express no opinion regarding any other New Hampshire tax consequences arising with respect to the Bonds or any tax consequences arising with respect to the Bonds under the laws of any state other than New Hampshire.

3. Interest on the Bonds is excluded from the gross income of the owners of the Bonds for federal income tax purposes. In addition, interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, however such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. In rendering the opinions set forth in this paragraph, we have assumed compliance by the State with all requirements of the Internal Revenue Code of 1986 that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, and continue to be, excluded from gross income for federal income tax purposes. The State has covenanted to comply with all such requirements. Failure by the State to comply with certain of such requirements may cause interest on the Bonds to become included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. We express no opinion regarding any other federal tax consequences arising with respect to the Bonds.

This opinion is expressed as of the date hereof, and we neither assume nor undertake any obligation to update, revise, supplement or restate this opinion to reflect any action taken or omitted, or any facts or circumstances or changes in law or in the interpretation thereof, that may hereafter arise or occur, or for any other reason.

The rights of the holders of the Bonds and the enforceability of the Bonds may be subject to insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

LOCKE LORD LLP

PROPOSED FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the State of New Hampshire (the "State") in connection with the issuance of its $50,930,000 General Obligation Refunding Bonds, 2016 Series A (the "Series A Bonds"), and $63,430,000 General Obligation Capital Improvement Bonds, 2016 Series B (the "Series B Bonds" and, collectively with the Series A Bonds, the "Bonds"), each dated their date of delivery. The State covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the State for the benefit of the Owners of the Bonds and in order to assist the Participating Underwriters in complying with the Rule.

SECTION 2. Definitions. For purposes of this Disclosure Certificate the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the State pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board as established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB contemplated by this Disclosure Certificate. Filing information relating to the MSRB is set forth in Exhibit A attached hereto.

"Owners of the Bonds" shall mean the registered owners, including beneficial owners, of the Bonds.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Rule" shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SECTION 3. Provision of Annual Reports.

(a) The State shall, not later than 270 days after the end of each fiscal year, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the State may be submitted when available separately from the balance of the Annual Report.

(b) If the State is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the State shall send, in a timely manner, a notice to the MSRB in substantially the form attached as Exhibit B.

SECTION 4. Content of Annual Reports. The State's Annual Report shall contain or incorporate by reference the following:

(a) quantitative information for the preceding fiscal year of the type presented in the State's Information Statement dated November 17, 2016 with respect to the Bonds regarding (i) the revenues and expenditures of the State relating to its General Fund and Education Fund, (ii) capital expenditures, (iii) fund balances, (iv) revenue information, (v) indebtedness of the State, and (vi) pension and OPEB obligations of the State, and

(b) the most recently available audited financial statements of the State, prepared in accordance with generally accepted accounting principles.

If audited financial statements for the preceding fiscal year are not available when the Annual Report is submitted, the Annual Report will include unaudited financial statements for the preceding fiscal year and audited financial statements for such fiscal year shall be submitted when available.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements for debt issues of the State or related public entities, which (i) are available to the public on the MSRB internet website or (ii) have been filed with the Securities and Exchange Commission. The State shall clearly identify each such other document so incorporated by reference.

SECTION 5. Reporting of Significant Events.

(a) The State shall give notice, in accordance with subsection 5(b) below, of the occurrence of any of the following events with respect to the Bonds:

1. principal and interest payment delinquencies;

2. non-payment related defaults, if material;

3. unscheduled draws on the debt service reserves reflecting financial difficulties;

4. unscheduled draws on the credit enhancements reflecting financial difficulties;

5. substitution of the credit or liquidity providers or their failure to perform;

6. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determination of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

7. modifications to rights of Bondholders, if material;

8. (i) bonds calls, if material, and (ii) tender offers;

9. defeasances;

10. release, substitution or sale of property securing repayment of the Bonds, if material;

11. rating changes;

12. bankruptcy, insolvency, receivership or similar event of the State;*

13. the consummation of a merger, consolidation, or acquisition involving the State or the sale of all or substantially all of the assets of the State, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

14. appointment of a successor or additional trustee or the change of name of a trustee, if material.

---

* As noted in the Rule, this event is considered to occur when any of the following occur: (i) the appointment of a receiver, fiscal agent or similar officer for the State in a proceeding under the U.S. Bankruptcy Code or in any proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the State, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or (ii) the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the State.

(b) Upon the occurrence of a Listed Event described in subsections (a)(2), (7), (8)(i), (10), (13) or (14), the State shall as soon as possible determine if such event is material under applicable federal securities laws.

(c) Upon the occurrence of a Listed Event described in subsections (a)(1), (3), (4), (5), (6), (8)(ii), (9), (11) or (12), and in the event the State determines that the occurrence of a Listed Event described in subsections (a)(2), (7), (8)(i), (10), (13) or (14) is material under applicable federal securities laws, the State shall, in a timely manner not in excess of ten (10) business days after the occurrence of the event, file a notice of such occurrence with the MSRB.

SECTION 6. Transmission of Information and Notices. Unless otherwise required by law, all notices, documents and information provided to the MSRB shall be provided in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

SECTION 7. Termination of Reporting Obligation. The State's obligations under this Disclosure Certificate shall terminate upon the legal defeasance in accordance with the terms of the Bonds, prior redemption or payment in full of all of the Bonds.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the State may amend this Disclosure Certificate and any provision of this Disclosure Certificate may be waived if such amendment or waiver is permitted by the Rule, as evidenced by an opinion of counsel expert in federal securities law (which may also include bond counsel to the State), to the effect that such amendment or waiver would not cause the Disclosure Certificate to violate the Rule. The first Annual Report filed after enactment of any amendment to or waiver of this Disclosure Certificate shall explain, in narrative form, the reasons for the amendment or waiver and the impact of the change in the type of information being provided in the Annual Report.

If the amendment provides for a change in the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information in order to provide information to investors to enable them to evaluate the ability of the State to meet its obligations. To the extent reasonably feasible, the comparison shall also be quantitative. A notice of the change in the accounting principles shall be sent to the MSRB.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the State from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the State chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the State shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the State to comply with any provision of this Disclosure Certificate any Owner of the Bonds may seek a court order for specific performance by the State of its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not constitute a default with respect to the Bonds, and the sole remedy under this Disclosure Certificate in the event of any failure of the State to comply with this Disclosure Certificate shall be an action for specific performance of the State's obligations hereunder and not for money damages in any amount.

SECTION 11. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Owners of the Bonds from time to time, and shall create no rights in any other person or entity.

Date: November __, 2016

STATE OF NEW HAMPSHIRE

By:____
State Treasurer

____
Governor

[EXHIBIT A: Filing Information for the MSRB – to be attached**]**

[EXHIBIT B: Form of Notice of Failure to File Annual Report – to be attached**]**

TABLE OF BONDS TO BE REFUNDED

The following is a list of obligations to be refunded from the proceeds of the Series A Bonds.

Issue	CUSIP	Principal Amount	Interest Rate	Maturity Date	Call Date	Redemption Price
General Obligation Refunding Bonds, 2006 Series A, Dated December 21, 2006:	644682VN3	$1,040,000	4.000%	10/15/2017	12/30/2016	100%
	644682VP8	8,360,000	5.000	10/15/2017	12/30/2016	100
	644682VQ6	9,470,000	4.000	10/15/2018	12/30/2016	100
	644682VR4	11,095,000	4.125	10/15/2019	12/30/2016	100
	644682VS2	11,035,000	4.250	10/15/2020	12/30/2016	100
General Obligation Capital Improvement Bonds, 2011 Series B, Dated October 27, 2011:	644682P75	4,445,000	5.000	2/1/2023	2/1/2022	100
General Obligation Capital Improvement Bonds, 2012 Series B, Dated November 28, 2012:	644682S23	3,600,000	5.000	11/1/2023	11/1/2022	100
General Obligation Capital Improvement Bonds, 2013 Series B, Dated December 17, 2013:	644682V78	2,365,000	5.000	4/1/2024	4/1/2023	100
	644682V86	2,365,000	5.000	4/1/2025	4/1/2023	100

[THIS PAGE INTENTIONALLY LEFT BLANK]

OFFICIAL NOTICE OF SALE – SERIES A BONDS

$51,415,000*
STATE OF NEW HAMPSHIRE
GENERAL OBLIGATION REFUNDING BONDS
2016 SERIES A

Notice is hereby given that electronic bids will be received until 10:45 A.M. (local Concord, New Hampshire time) on Thursday, November 17, 2016 by William F. Dwyer, State Treasurer of the State of New Hampshire, for the purchase of $51,415,000* State of New Hampshire General Obligation Refunding Bonds, 2016 Series A (the "Bonds").

Description of the Bonds

The Bonds will be issued only as fully registered bonds in book-entry form. The Bonds will be dated their date of delivery and will be issued in denominations of $5,000 or any integral multiple thereof. Interest on the Bonds will be calculated on a 30/360 day basis and will be payable semi-annually on April 15 and October 15, commencing April 15, 2017.

Principal on the Bonds will be paid on October 15 in the following years and amounts:

Year	Principal Amount(1)	Year	Principal Amount(1)
2017	$8,955,000	2022	$4,215,000
2018	9,055,000	2023	5,665,000
2019	10,760,000	2024	2,050,000
2020	10,715,000		

(1) Preliminary; subject to change.

Authorization and Security

The Bonds will be general obligations of the State of New Hampshire and the full faith and credit of the State will be pledged for the punctual payment of the principal and interest on the Bonds. The Bonds are being issued pursuant to a vote of the Governor and Council under Chapter 6-A of the New Hampshire Revised Statutes Annotated and various other laws.

Redemption

The Bonds are not subject to redemption prior to their maturity.

Book-Entry Only

Initially, one bond certificate for each maturity will be issued to The Depository Trust Company, New York, New York ("DTC") or its nominee, which will be designated as the securities depository for the Bonds. So long as DTC is acting as securities depository for the Bonds, a book-entry system will be employed, evidencing ownership of the Bonds in principal amounts of $5,000 and multiples thereof, with transfers of ownership effected on the records of DTC and its participants pursuant to rules and procedures established by DTC and its participants. Principal of and interest on the Bonds will be payable to DTC or its nominee as registered owner of the Bonds. Principal of and interest on the Bonds will be payable in lawful money of the United States of America by The Bank of New York Mellon Trust Company, N.A., as Paying Agent. Transfers of principal and interest payments to beneficial owners (the "Beneficial Owners") will be the responsibility of such participants and other nominees of the

* Preliminary, subject to change.

Beneficial Owners. The State will not be responsible or liable for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants.

In the event that (a) DTC determines not to continue to act as securities depository for the Bonds, (b) the State determines that DTC is incapable of discharging its duties or that continuation with DTC as securities depository is not in the best interests of the State or (c) the State determines that continuation of the book-entry system of evidence and transfer of ownership of the Bonds is not in the best interests of the State or the Beneficial Owners, the State will discontinue the book-entry system with DTC. If the State fails to identify another qualified securities depository to replace DTC, the State will cause the execution and delivery of replacement bonds in the form of fully registered certificates.

Electronic Bidding Procedures

Proposals to purchase Bonds (all or none) must be submitted electronically via *PARITY*. Bids will be communicated electronically to the State at 10:45 a.m., local Concord, New Hampshire time, on Thursday, November 17, 2016. Prior to that time, a prospective bidder may (1) submit the proposed terms of its bid via *PARITY*, (2) modify the proposed terms of its bid, in which event the proposed terms as last modified will (unless the bid is withdrawn as described herein) constitute its bid for the Bonds or (3) withdraw its proposed bid. Once the bids are communicated electronically via *PARITY* to the State, each bid will constitute an irrevocable offer to purchase the Bonds on the terms therein provided. For purposes of the electronic bidding process, the time as maintained on *PARITY* shall constitute the official time. The State will not accept bids by any means other than electronically via *PARITY*.

Disclaimer

Each prospective bidder shall be solely responsible to submit its bid via *PARITY* as described above. Each prospective bidder shall be solely responsible to make necessary arrangements to access *PARITY* for the purpose of submitting its bid in a timely manner and in compliance with the requirements of the Notice of Sale. Neither the State nor *PARITY* shall have any duty or obligation to provide or assure access to *PARITY* to any prospective bidder, and neither the State nor *PARITY* shall be responsible for proper operation of, or have any liability for any delays or interruptions of, or any damages caused by, *PARITY*. The State is using *PARITY* as a communication mechanism, and not as the State's agent, to conduct the electronic bidding for the Bonds. The State is not bound by any advice and determination of *PARITY* to the effect that any particular bid complies with the terms of this Notice of Sale and in particular the "Bid Specifications" hereinafter set forth. All costs and expenses incurred by prospective bidders in connection with their submission of bids via *PARITY* are the sole responsibility of the bidders; and the State is not responsible, directly or indirectly, for any of such costs or expenses. If a prospective bidder encounters any difficulty in submitting, modifying, or withdrawing a bid for the Bonds, the bidder should telephone *PARITY* at i-Deal (212) 404-8102 and notify the State's Financial Advisor, Public Resources Advisory Group, Inc., by telephone at (212) 566-7800. To the extent any instructions or directions set forth in *PARITY* conflict with this Notice of Sale, the terms of this Notice of Sale shall control. For further information about *PARITY*, potential bidders may contact *PARITY* at i-Deal (212) 404-8102.

Bid Specifications

Bidders should state the rate or rates of interest that the Bonds are to bear, in multiples of 1/8 or 1/20 of one percent. Any number of rates may be named, except that Bonds maturing on the same date must bear interest at the same rate. Each bidder must specify in its bid the amount and maturities of bonds of each rate. Bids must be for not less than 100% of the par value of the aggregate principal amount of the Bonds. No interest rate may exceed 5.00%. No bid for other than all of the Bonds will be accepted.

Bond Insurance

The State has not contracted for the issuance of any policy of municipal bond insurance for the Bonds. If the Bonds qualify for any such policy or commitment therefor, any purchase of such insurance or commitment shall be at the sole option and expense of the successful bidder, and any increased costs of issuance or delivery of the Bonds resulting by reason of such insurance or commitment shall be assumed by such bidder. Bids shall not be conditioned upon the issuance of any such policy or commitment. Any failure of the Bonds to be so insured or of any such policy or commitment to be issued, or any rating downgrade or other material event occurring relating to the issuer of any such policy or commitment, shall not in any way relieve the successful bidder of its contractual obligations arising from the acceptance of its bid for the purchase of the Bonds.

Adjustments to Principal Amounts of the Bonds

The State reserves the right to revise the maturity schedule and the aggregate principal amount of the Bonds as set forth in this Official Notice of Sale (the "Preliminary Amounts") before the receipt of electronic bids for the purchase of the Bonds. ANY SUCH REVISIONS made prior to the receipt of electronic bids (the "Revised Amounts") WILL BE PUBLISHED ON THOMSON MUNICIPAL MARKET MONITOR ("TM3") (www.TM3.com) NOT LATER THAN 9:45 A.M. (local Concord, New Hampshire time) ON THE ANNOUNCED DATE FOR RECEIPT OF BIDS. In the event that no such revisions are made, the Preliminary Amounts will constitute the Revised Amounts. Bidders shall submit bids based on the Revised Amounts and the Revised Amounts will be used to compare bids and select a winning bidder.

As promptly as reasonably possible after the bids are received, the State will notify the bidder to whom the Bonds will be awarded, if and when such award is made, and such bidder, upon such notice, shall advise the State of the initial public offering prices of each maturity of the Bonds (the "Initial Reoffering Prices") as described below under Undertakings of the Successful Bidder. The Initial Reoffering Prices of the Bonds will be used to calculate the final maturity schedule and the final aggregate principal amount of the Bonds (the "Final Amounts"). The determination will be based upon refunding goals of the State. In determining the Final Amounts, the State will not reduce or increase the revised aggregate principal amount by more than 15% from the amount bid upon. THE SUCCESSFUL BIDDER MAY NOT WITHDRAW ITS BID OR CHANGE THE INTEREST RATES BID OR THE INITIAL REOFFERING PRICES AS A RESULT OF ANY CHANGES MADE TO THE REVISED AMOUNTS WITHIN THIS LIMIT. The dollar amount bid by the successful bidder will be adjusted to reflect any adjustment in the aggregate principal amount of the Bonds. Such adjusted bid price will reflect changes in the dollar amount of the underwriters' discount and original issue discount/premium, if any, but will not change the selling compensation per $1,000 of par amount of bonds from the selling compensation that would have been received based on the purchase price in the winning bid and the Initial Reoffering Prices. The Final Amounts will be communicated to the successful bidder as soon as possible, but not later than 5:00 P.M. (local Concord, New Hampshire time) on the date of the sale.

Basis of Award

The Bonds will be awarded to the bidder offering to purchase all of the Bonds at the lowest interest cost to the State. The lowest interest cost shall be determined in accordance with the true interest cost (TIC) method by doubling the semi-annual interest rate (compounded semi-annually) necessary to discount the debt service payments from the payment dates to the date of the Bonds (November 30, 2016) and to the price bid, excluding interest accrued to the date of delivery. If there is more than one such proposal making said offer at the same lowest true interest cost, the Bonds will be sold to the bidder whose proposal is selected by the Treasurer by lot from among all such proposals at the same lowest true interest cost. It is requested that each bid be accompanied by a statement of the true interest cost computed at the interest rate or rates stated in such bid in accordance with the above method of calculation (computed to six decimal places) but such statement will not be considered as a part of the bid.

Bids will be accepted or rejected promptly after receipt and not later than 3:00 p.m. (local Concord, New Hampshire time) on the date of the sale.

The State reserves the right to reject any or all proposals and to reject any proposals not complying with the Notice of Sale. The State also reserves the right, so far as permitted by law, to waive any irregularity or informality with respect to any proposal.

Right to Change the Notice of Sale and to Postpone Offering

The State reserves the right to make changes to the Notice of Sale and also reserves the right to postpone, from time to time, the date and time established for the receipt of bids. ANY SUCH POSTPONEMENT WILL BE ANNOUNCED VIA TM3 NOT LATER THAN 9:45 A.M. (local Concord, New Hampshire time) ON THE ANNOUNCED DATE FOR RECEIPT OF BIDS. If any date and time fixed for the receipt of bids and the sale of the Bonds is postponed, an alternative sale date and time will be announced via TM3 at least 48 hours prior to such alternative sale date. On any such alternative sale date and time, any bidder may submit an electronic bid for the purchase of the Bonds in conformity in all respects with the provisions of this Notice of Sale, except for the date and time of sale and except for any changes announced over TM3 at the time the sale date and time are announced.

CUSIP Numbers

It is anticipated that CUSIP identification numbers will be printed on the Bonds. All expenses in relation to the printing of CUSIP numbers on the Bonds shall be paid for by the State; provided, however, that the CUSIP Service Bureau charge for the assignment of the numbers shall be the responsibility of and shall be paid for by the successful bidder.

Expenses

The State will pay: (i) the cost of the preparation of the Bonds; (ii) the fees and expenses of Bond Counsel, and the Financial Advisor; (iii) the fees of the rating agencies relating to the Bonds, and (iv) the cost of preparation and printing of the Official Statement.

Undertakings of the Successful Bidder

The successful bidder shall make a bona fide public offering of the Bonds and shall, within 30 minutes of being notified of the award of the Bonds, advise the State in writing (via facsimile transmission) of the initial public offering prices of the Bonds (the "Initial Reoffering Prices"). The successful bidder must, by facsimile transmission or delivery received by the office of the State Treasurer within 24 hours after notification of the award, furnish the following information to Bond Counsel to complete the Official Statement in final form, as described below:

A. Selling compensation (aggregate total anticipated compensation to the underwriters expressed in dollars, based on the expectation that all Bonds are sold at the prices or yields at which the successful bidder advised the State that the Bonds were initially offered to the public).

B. The identity of the underwriters if the successful bidder is part of a group or syndicate.

C. Any other material information the office of the State Treasurer determines is necessary to complete the Official Statement in final form.

On or prior to the date of delivery of the Bonds, the successful bidder shall furnish to the State a certificate acceptable to Bond Counsel to the State generally to the effect that (i) as of November 17, 2016 (the "Sale Date"), the successful bidder had offered or reasonably expected to offer all of the Bonds to the general public (excluding bond houses, brokers, or similar persons acting in the capacity of underwriters or wholesalers) in a bona fide public offering at the prices set forth in such certificate, plus accrued interest, if any, (ii) such prices represent fair market prices of the Bonds as of the Sale Date, and (iii) as of the date of such certificate, all of the Bonds have been offered to the general public in a bona fide offering at the prices set forth in such certificate, and at least 10% of each maturity of the Bonds actually has been sold to the general public at such prices. To the extent the certifications described in the preceding sentence are not factually accurate with respect to the reoffering of the Bonds, Bond Counsel should be consulted by the bidder as to alternative certifications that will be suitable to establish the "issue price" of the Bonds for federal tax law purposes. If a municipal bond insurance policy or similar credit enhancement is obtained with respect to the Bonds by the successful bidder, such bidder will also be required to certify as to the net present value savings on the Bonds resulting from payment of insurance premiums or other credit enhancement fees.

Delivery of the Bonds

The Bonds will be delivered on or about November 30, 2016 in Boston on behalf of DTC against payment of the purchase price therefor in Federal Funds.

Documents to be Delivered at Closing

It shall be a condition to the obligation of the successful bidder to accept delivery of and pay for the Bonds that contemporaneously with or before accepting the Bonds and paying therefore, the successful bidder shall be furnished, without cost, with (a) the approving opinion of the firm of Locke Lord LLP, Boston, Massachusetts, Bond Counsel to the State, as to the validity and tax status of the Bonds, substantially in the form as provided in Appendix A to the Official Statement, referred to below; (b) a certificate of the State Treasurer and the Commissioner of the Department of Administrative Services to the effect that, to the best of their respective knowledge and belief, the Official Statement referred to below, both as of its date and as of the date of delivery of the Bonds, does not contain any untrue statement of a material fact and does not omit to state a material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading; (c) a certificate of the Attorney General of the State in form satisfactory to Bond Counsel, dated as of the date of delivery of the Bonds and receipt of payment therefor, to the effect that there is no litigation pending or, to his or her knowledge, threatened seeking to restrain or enjoin the issuance or delivery of the Bonds, in any way affecting the validity of the Bonds or in any way contesting the power of the State to sell the Bonds as contemplated in this Notice of Sale; and (d) a Continuing Disclosure Certificate substantially in the form described in the Preliminary Official Statement.

Official Statement

The Preliminary Official Statement dated November 9, 2016 and the information contained therein have been deemed final by the State as of its date within the meaning of Rule 15c2-12 of the Securities and Exchange Commission ("Rule 15c2-12") with permitted omissions, but is subject to change without notice and to completion or amendment in the Official Statement in final form (the "Final Official Statement").

The State, at its expense, will make available to the successful bidder a reasonable number of copies of the Final Official Statement, for delivery to each potential investor requesting a copy of the Final Official Statement and to each person to whom the bidder and members of its bidding group initially sell the Bonds, within seven business days of the award of the Bonds, provided that the successful bidder cooperate in providing the information required to complete the Final Official Statement.

The successful bidder shall comply with the requirements of Rule 15c2-12 and the rules of the Municipal Securities Rulemaking Board, including an obligation, if any, to update the Final Official Statement.

Continuing Disclosure

In order to assist bidders in complying with Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission, the State will undertake to provide annual reports and notices of certain enumerated events. A description of this undertaking is set forth in the Preliminary Official Statement.

Additional Information

For further information relating to the Bonds, reference is made to the Preliminary Official Statement dated November 9, 2016 prepared for and authorized by the State. The Preliminary Official Statement may be obtained by accessing the following website: www.MuniOS.com. For further information, please contact the undersigned at the Office of the State Treasurer, State House Annex, Concord, New Hampshire 03301 (telephone 603-271-2621; telecopy 603-271-3922) or from Public Resources Advisory Group, Inc., 39 Broadway, Suite 1210, New York, New York 10006, Attention: Monika Conley (telephone 212-566-7800; telecopy 212-566-7816).

THE STATE OF NEW HAMPSHIRE

By *William F. Dwyer*
State Treasurer

Date: November 9, 2016

OFFICIAL NOTICE OF SALE – SERIES B BONDS

$62,105,000*
STATE OF NEW HAMPSHIRE
GENERAL OBLIGATION CAPITAL IMPROVEMENT BONDS
2016 SERIES B

Notice is hereby given that electronic bids will be received until 10:15 A.M. (local Concord, New Hampshire time) on Thursday, November 17, 2016 by William F. Dwyer, State Treasurer of the State of New Hampshire, for the purchase of $62,105,000* State of New Hampshire General Obligation Capital Improvement Bonds, 2016 Series B (the "Bonds").

Description of the Bonds

The Bonds will be issued only as fully registered bonds in book-entry form. The Bonds will be dated their date of delivery and will be issued in denominations of $5,000 or any integral multiple thereof. Interest on the Bonds will be calculated on a 30/360 day basis and will be payable semi-annually on June 1 and December 1, commencing June 1, 2017.

Principal on the Bonds will be paid (subject to prior redemption) on June 1 in the following years and amounts:

Year	Principal Amount(1) (2)	Year	Principal Amount(1) (2)
2018	$4,145,000	2028	$2,480,000
2019	4,145,000	2029	2,480,000
2020	4,145,000	2030	2,480,000
2021	4,145,000	2031	2,480,000
2022	4,145,000	2032	2,480,000
2023	4,145,000	2033	2,480,000
2024	4,145,000	2034	2,480,000
2025	4,145,000	2035	2,480,000
2026	4,145,000	2036	2,480,000
2027	2,480,000		

(1) May represent mandatory sinking fund redemption amount or portion of stated maturity if Term Bonds (as defined herein) are specified.
(2) Preliminary; subject to change.

Authorization and Security

The Bonds will be general obligations of the State of New Hampshire and the full faith and credit of the State will be pledged for the punctual payment of the principal and interest on the Bonds. The Bonds are being issued pursuant to a vote of the Governor and Council under Chapter 6-A of the New Hampshire Revised Statutes Annotated and various other laws.

Optional Redemption

The Bonds maturing on or before June 1, 2026 are not subject to redemption prior to maturity. The Bonds maturing after June 1, 2026 are subject to redemption at the option of the State on and after June 1, 2026, in whole or in part at any time, with maturities to be designated by the State (and by lot within a maturity as described below), at the price of the par amount of bonds to be redeemed, plus accrued interest to the redemption date.

* Preliminary, subject to change.

Mandatory Redemption

The prospective bidder may designate two or more consecutive serial maturities of Bonds as one or more term bonds (each, a "Term Bond"). Any such Term Bond shall be subject to mandatory redemption commencing on June 1 of the first year which has been combined to form such Term Bond and continuing on June 1 in each year thereafter until the stated maturity date of that Term Bond. The amount of Bonds to be redeemed in any year by mandatory sinking fund redemption shall be redeemed at par and selected as provided below from among the Bonds of the same maturity. The State may credit against any mandatory redemption requirement Term Bonds of the maturity then subject to redemption which have been purchased and canceled by the State or have been redeemed and not theretofore applied as a credit against any mandatory redemption requirement.

Selection of Bonds To Be Redeemed in Partial Redemption

In the event of a partial redemption of any maturity of the Bonds, the identity of the beneficial owners whose beneficial interests in the Bonds will be redeemed and the amount of any such redemption will be determined by DTC and its participants by lot in such manner as DTC and its participants deem appropriate.

Notice of Redemption

So long as DTC is the registered owner of the Bonds, notice of any redemption of the Bonds prior to their maturities, specifying the Bonds (or the portions thereof) to be redeemed shall be mailed to DTC not more than 60 days nor less than 30 days prior to the redemption date. Any failure on the part of DTC to notify the DTC Participants of the redemption or failure on the part of the DTC Participants or of a nominee of a Beneficial Owner (having received notice from a DTC Participant or otherwise) to notify the Beneficial Owner shall not affect the validity of the redemption. Following proper notice of the redemption of any the Bonds, if sufficient moneys are deposited with The Bank of New York Mellon Trust Company, N.A., or its successor, as Paying Agent (the "Paying Agent") for redemption, interest thereon ceases to accrue as of the redemption date.

Book-Entry Only

Initially, one bond certificate for each maturity will be issued to The Depository Trust Company, New York, New York ("DTC") or its nominee, which will be designated as the securities depository for the Bonds. So long as DTC is acting as securities depository for the Bonds, a book-entry system will be employed, evidencing ownership of the Bonds in principal amounts of $5,000 and multiples thereof, with transfers of ownership effected on the records of DTC and its participants pursuant to rules and procedures established by DTC and its participants. Principal of and interest on the Bonds will be payable to DTC or its nominee as registered owner of the Bonds. Principal of and interest on the Bonds will be payable in lawful money of the United States of America by The Bank of New York Mellon Trust Company, N.A., as Paying Agent. Transfers of principal and interest payments to beneficial owners (the "Beneficial Owners") will be the responsibility of such participants and other nominees of the Beneficial Owners. The State will not be responsible or liable for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants.

In the event that (a) DTC determines not to continue to act as securities depository for the Bonds, (b) the State determines that DTC is incapable of discharging its duties or that continuation with DTC as securities depository is not in the best interests of the State or (c) the State determines that continuation of the book-entry system of evidence and transfer of ownership of the Bonds is not in the best interests of the State or the Beneficial Owners, the State will discontinue the book-entry system with DTC. If the State fails to identify another qualified securities depository to replace DTC, the State will cause the execution and delivery of replacement bonds in the form of fully registered certificates.

Electronic Bidding Procedures

Proposals to purchase Bonds (all or none) must be submitted electronically via *PARITY*. Bids will be communicated electronically to the State at 10:15 a.m., local Concord, New Hampshire time, on Thursday, November 17, 2016. Prior to that time, a prospective bidder may (1) submit the proposed terms of its bid via *PARITY*, (2) modify the proposed terms of its bid, in which event the proposed terms as last modified will (unless the bid is withdrawn as described herein) constitute its bid for the Bonds or (3) withdraw its proposed bid. Once the bids are communicated electronically via *PARITY* to the State, each bid will constitute an irrevocable offer to purchase the Bonds on the terms therein provided. For purposes of the electronic bidding process, the time as maintained on *PARITY* shall constitute the official time. The State will not accept bids by any means other than electronically via *PARITY*.

Disclaimer

Each prospective bidder shall be solely responsible to submit its bid via *PARITY* as described above. Each prospective bidder shall be solely responsible to make necessary arrangements to access *PARITY* for the purpose of submitting its bid in a timely manner and in compliance with the requirements of the Notice of Sale. Neither the State nor *PARITY* shall have any duty or obligation to provide or assure access to *PARITY* to any prospective bidder, and neither the State nor *PARITY* shall be responsible for proper operation of, or have any liability for any delays or interruptions of, or any damages caused by, *PARITY*. The State is using *PARITY* as a communication mechanism, and not as the State's agent, to conduct the electronic bidding for the Bonds. The State is not bound by any advice and determination of *PARITY* to the effect that any particular bid complies with the terms of this Notice of Sale and in particular the "Bid Specifications" hereinafter set forth. All costs and expenses incurred by prospective bidders in connection with their submission of bids via *PARITY* are the sole responsibility of the bidders; and the State is not responsible, directly or indirectly, for any of such costs or expenses. If a prospective bidder encounters any difficulty in submitting, modifying, or withdrawing a bid for the Bonds, the bidder should telephone *PARITY* at i-Deal (212) 404-8102 and notify the State's Financial Advisor, Public Resources Advisory Group, Inc., by telephone at (212) 566-7800. To the extent any instructions or directions set forth in *PARITY* conflict with this Notice of Sale, the terms of this Notice of Sale shall control. For further information about *PARITY*, potential bidders may contact *PARITY* at i-Deal (212) 404-8102.

Bid Specifications

Bidders should state the rate or rates of interest that the Bonds are to bear, in multiples of 1/8 or 1/20 of one percent. Any number of rates may be named, except that Bonds maturing on the same date must bear interest at the same rate. Each bidder must specify in its bid the amount and maturities of bonds of each rate. Bids must be for not less than 100% of the par value of the aggregate principal amount of the Bonds. No interest rate may exceed 5.00%. The price at which each maturity of the Bonds is initially reoffered must be at least 96%. No bid for other than all of the Bonds will be accepted.

Serial Bonds and Term Bonds

The successful bidder may provide in its bid for all of the Bonds to be issued as serial bonds or may designate consecutive annual principal amounts of the Bonds to be combined into Term Bonds. Each such Term Bond shall be subject to mandatory redemption as described above under *Mandatory Redemption*.

Bond Insurance

The State has not contracted for the issuance of any policy of municipal bond insurance for the Bonds. If the Bonds qualify for any such policy or commitment therefor, any purchase of such insurance or commitment shall be at the sole option and expense of the successful bidder, and any increased costs of issuance or delivery of the Bonds resulting by reason of such insurance or commitment shall be assumed by such bidder. Bids shall not be conditioned upon the issuance of any such policy or commitment. Any failure of the Bonds to be so insured or of any such policy or commitment to be issued, or any rating downgrade or other material event occurring relating to the issuer of any such policy or commitment, shall not in any way relieve the successful bidder of its contractual obligations arising from the acceptance of its bid for the purchase of the Bonds.

Adjustments to Principal Amounts of the Bonds

The State reserves the right to revise the maturity schedule and the aggregate principal amount of the Bonds as set forth in this Official Notice of Sale (the "Preliminary Amounts") before the receipt of electronic bids for the purchase of the Bonds. ANY SUCH REVISIONS made prior to the receipt of electronic bids (the "Revised Amounts") WILL BE PUBLISHED ON THOMSON MUNICIPAL MARKET MONITOR ("TM3") (www.TM3.com) NOT LATER THAN 9:15 A.M. (local Concord, New Hampshire time) ON THE ANNOUNCED DATE FOR RECEIPT OF BIDS. In the event that no such revisions are made, the Preliminary Amounts will constitute the Revised Amounts. Bidders shall submit bids based on the Revised Amounts and the Revised Amounts will be used to compare bids and select a winning bidder.

As promptly as reasonably possible after the bids are received, the State will notify the bidder to whom the Bonds will be awarded, if and when such award is made, and such bidder, upon such notice, shall advise the State of the initial public offering prices of each maturity of the Bonds (the "Initial Reoffering Prices") as described below under *Undertakings of the Successful Bidder*. The Initial Reoffering Prices of the Bonds will be used to calculate the final maturity schedule and the final aggregate principal amount of the Bonds (the "Final Amounts") to achieve the State's debt service and project funding objectives. In determining the Final Amounts, the State will not reduce or increase the revised aggregate principal amount by more than 15% from the amount bid upon. THE SUCCESSFUL BIDDER MAY NOT WITHDRAW ITS BID OR CHANGE THE INTEREST RATES BID OR THE INITIAL REOFFERING PRICES AS A RESULT OF ANY CHANGES MADE TO THE REVISED AMOUNTS WITHIN THIS LIMIT. The dollar amount bid by the successful bidder will be adjusted to reflect any adjustment in the aggregate principal amount of the Bonds. Such adjusted bid price will reflect changes in the dollar amount of the underwriters' discount and original issue discount/premium, if any, but will not change the selling compensation per $1,000 of par amount of bonds from the selling compensation that would have been received based on the purchase price in the winning bid and the Initial Reoffering Prices. The Final Amounts will be communicated to the successful bidder as soon as possible, but not later than 5:00 P.M. (local Concord, New Hampshire time) on the date of the sale.

Basis of Award

The Bonds will be awarded to the bidder offering to purchase all of the Bonds at the lowest interest cost to the State. The lowest interest cost shall be determined in accordance with the true interest cost (TIC) method by doubling the semi-annual interest rate (compounded semi-annually) necessary to discount the debt service payments from the payment dates to the date of the Bonds (November 30, 2016) and to the price bid, excluding interest accrued to the date of delivery. If there is more than one such proposal making said offer at the same lowest true interest cost, the Bonds will be sold to the bidder whose proposal is selected by the Treasurer by lot from among all such proposals at the same lowest true interest cost. It is requested that each bid be accompanied by a statement of the true interest cost computed at the interest rate or rates stated in such bid in accordance with the above method of calculation (computed to six decimal places) but such statement will not be considered as a part of the bid.

Bids will be accepted or rejected promptly after receipt and not later than 3:00 p.m. (local Concord, New Hampshire time) on the date of the sale.

The State reserves the right to reject any or all proposals and to reject any proposals not complying with the Notice of Sale. The State also reserves the right, so far as permitted by law, to waive any irregularity or informality with respect to any proposal.

Right to Change the Notice of Sale and to Postpone Offering

The State reserves the right to make changes to the Notice of Sale and also reserves the right to postpone, from time to time, the date and time established for the receipt of bids. ANY SUCH POSTPONEMENT WILL BE ANNOUNCED VIA TM3 NOT LATER THAN 9:15 A.M. (local Concord, New Hampshire time) ON THE ANNOUNCED DATE FOR RECEIPT OF BIDS. If any date and time fixed for the receipt of bids and the sale of the Bonds is postponed, an alternative sale date and time will be announced via TM3 at least 48 hours prior to such alternative sale date. On any such alternative sale date and time, any bidder may submit an electronic bid for the purchase of the Bonds in conformity in all respects with the provisions of this Notice of Sale, except for the date and time of sale and except for any changes announced over TM3 at the time the sale date and time are announced.

CUSIP Numbers

It is anticipated that CUSIP identification numbers will be printed on the Bonds. All expenses in relation to the printing of CUSIP numbers on the Bonds shall be paid for by the State; provided, however, that the CUSIP Service Bureau charge for the assignment of the numbers shall be the responsibility of and shall be paid for by the successful bidder.

Expenses

The State will pay: (i) the cost of the preparation of the Bonds; (ii) the fees and expenses of Bond Counsel, and the Financial Advisor; (iii) the fees of the rating agencies relating to the Bonds, and (iv) the cost of preparation and printing of the Official Statement.

Undertakings of the Successful Bidder

The successful bidder shall make a bona fide public offering of the Bonds and shall, within 30 minutes of being notified of the award of the Bonds, advise the State in writing (via facsimile transmission) of the initial public offering prices of the Bonds (the "Initial Reoffering Prices"). The successful bidder must, by facsimile transmission or delivery received by the office of the State Treasurer within 24 hours after notification of the award, furnish the following information to Bond Counsel to complete the Official Statement in final form, as described below:

A. Selling compensation (aggregate total anticipated compensation to the underwriters expressed in dollars, based on the expectation that all Bonds are sold at the prices or yields at which the successful bidder advised the State that the Bonds were initially offered to the public).

B. The identity of the underwriters if the successful bidder is part of a group or syndicate.

C. Any other material information the office of the State Treasurer determines is necessary to complete the Official Statement in final form.

On or prior to the date of delivery of the Bonds, the successful bidder shall furnish to the State a certificate acceptable to Bond Counsel to the State generally to the effect that (i) as of November 17, 2016 (the "Sale Date"), the successful bidder had offered or reasonably expected to offer all of the Bonds to the general public (excluding bond houses, brokers, or similar persons acting in the capacity of underwriters or wholesalers) in a bona fide public offering at the prices set forth in such certificate, plus accrued interest, if any, (ii) such prices represent fair market prices of the Bonds as of the Sale Date, and (iii) as of the date of such certificate, all of the Bonds have been offered to the general public in a bona fide offering at the prices set forth in such certificate, and at least 10% of each maturity of the Bonds actually has been sold to the general public at such prices. To the extent the certifications described in the preceding sentence are not factually accurate with respect to the reoffering of the Bonds, Bond Counsel should be consulted by the bidder as to alternative certifications that will be suitable to establish the "issue price" of the Bonds for federal tax law purposes. If a municipal bond insurance policy or similar credit enhancement is obtained with respect to the Bonds by the successful bidder, such bidder will also be required to certify as to the net present value savings on the Bonds resulting from payment of insurance premiums or other credit enhancement fees.

Delivery of the Bonds

The Bonds will be delivered on or about November 30, 2016 in Boston on behalf of DTC against payment of the purchase price therefor in Federal Funds.

Documents to be Delivered at Closing

It shall be a condition to the obligation of the successful bidder to accept delivery of and pay for the Bonds that contemporaneously with or before accepting the Bonds and paying therefore, the successful bidder shall be furnished, without cost, with (a) the approving opinion of the firm of Locke Lord LLP, Boston, Massachusetts, Bond Counsel to the State, as to the validity and tax status of the Bonds, substantially in the form as provided in Appendix A to the Official Statement, referred to below; (b) a certificate of the State Treasurer and the Commissioner of the Department of Administrative Services to the effect that, to the best of their respective knowledge and belief, the Official Statement referred to below, both as of its date and as of the date of delivery of the Bonds, does not contain any untrue statement of a material fact and does not omit to state a material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading; (c) a certificate of the Attorney General of the State in form satisfactory to Bond Counsel, dated as of the date of delivery of the Bonds and receipt of payment therefor, to the effect that there is no litigation pending or, to his or her knowledge, threatened seeking to restrain or enjoin the issuance or delivery of the Bonds, in any way affecting the validity of the Bonds or in any way contesting the power of the State to sell the Bonds as contemplated in this Notice of Sale; and (d) a Continuing Disclosure Certificate substantially in the form described in the Preliminary Official Statement.

Official Statement

The Preliminary Official Statement dated November 9, 2016 and the information contained therein have been deemed final by the State as of its date within the meaning of Rule 15c2-12 of the Securities and Exchange Commission ("Rule 15c2-12") with permitted omissions, but is subject to change without notice and to completion or amendment in the Official Statement in final form (the "Final Official Statement").

The State, at its expense, will make available to the successful bidder a reasonable number of copies of the Final Official Statement, for delivery to each potential investor requesting a copy of the Final Official Statement and to each person to whom the bidder and members of its bidding group initially sell the Bonds, within seven business days of the award of the Bonds, provided that the successful bidder cooperate in providing the information required to complete the Final Official Statement.

The successful bidder shall comply with the requirements of Rule 15c2-12 and the rules of the Municipal Securities Rulemaking Board, including an obligation, if any, to update the Final Official Statement.

Continuing Disclosure

In order to assist bidders in complying with Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission, the State will undertake to provide annual reports and notices of certain enumerated events. A description of this undertaking is set forth in the Preliminary Official Statement.

Additional Information

For further information relating to the Bonds, reference is made to the Preliminary Official Statement dated November 9, 2016 prepared for and authorized by the State. The Preliminary Official Statement may be obtained by accessing the following website: www.MuniOS.com. For further information, please contact the undersigned at the Office of the State Treasurer, State House Annex, Concord, New Hampshire 03301 (telephone 603-271-2621; telecopy 603-271-3922) or from Public Resources Advisory Group, Inc., 39 Broadway, Suite 1210, New York, New York 10006, Attention: Monika Conley (telephone 212-566-7800; telecopy 212-566-7816).

THE STATE OF NEW HAMPSHIRE

By *William F. Dwyer*
State Treasurer

Date: November 9, 2016

[THIS PAGE INTENTIONALLY LEFT BLANK]

The State of New Hampshire

INFORMATION STATEMENT

This Information Statement, including Exhibit A, which is included herein by reference, contains certain financial and economic information concerning the State of New Hampshire (the "State") that has been furnished by the State and the other sources indicated herein. The information is authorized by the State to be distributed to prospective purchasers in connection with bonds or notes offered for sale by the State or debt securities offered by its authorities, agencies or political subdivisions guaranteed by the State, or for the payment of which the State may otherwise be directly or contingently liable, and to the Municipal Securities Rulemaking Board for purposes of Rule 15c2-12 of the Securities and Exchange Commission. The Information Statement may not be reproduced or used in whole or in part for any other purpose without the express written consent of William F. Dwyer, State Treasurer, State House Annex, Concord, New Hampshire.

Any statements in this Information Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinion and not as representations of fact. The information and expressions of opinions herein are subject to change without notice and neither the delivery of this Information Statement nor any sale made pursuant to any official statement or offering memorandum to which it is appended, in which it is included by reference or with which it is distributed shall, under any circumstances, create any implication that there has been no change in the affairs of the State, or its agencies, authorities and political subdivisions, since the date hereof. All fiscal year 2016 or later financial information is preliminary, unaudited and subject to change.

STATE OF NEW HAMPSHIRE

William F. Dwyer
State Treasurer

November 17, 2016

TABLE OF CONTENTS

STATE OF NEW HAMPSHIRE

Governor
Margaret Wood Hassan

Executive Council
Joseph D. Kenney
Christopher C. Pappas
Christopher T. Sununu
Colin Van Ostern
David K. Wheeler

State Treasurer
William F. Dwyer

Secretary of State
William M. Gardner

Attorney General
Joseph A. Foster

Commissioner of Administrative Services
Vicki V. Quiram

Comptroller
Gerard J. Murphy

Budget Director
Meredith J. Telus

[THIS PAGE INTENTIONALLY LEFT BLANK]

STATE GOVERNMENT

Executive Branch

The executive officers of the State consist of the Governor, the State Treasurer, the Secretary of State and the five-member Executive Council (the "Council"). The Governor, who holds office for a two-year term, is responsible for the faithful execution of all laws enacted by the Legislature and the management of the executive departments of the State. The State Treasurer and the Secretary of State are elected by joint ballot of the House and Senate for two-year terms. The Council is elected by the people biennially, one Councilor for each of the five Councilor districts in the State. The Council's chief function is to provide advice and consent to the Governor in the executive function of government. The Governor and Council can negate each other in nominations of and appointments to executive positions in the judicial and executive branches.

The executive branch is organized into a number of departments, each headed by a Commissioner. Major departments of the executive branch include: Health and Human Services, Transportation, Education (including departments for primary and secondary education, higher education and the university system), Resources and Economic Development, Corrections, Environmental Services, Revenue Administration, Safety and Administrative Services. The agencies and authorities which have borrowing authority are discussed in more detail in the section entitled "STATE INDEBTEDNESS-Agencies, Authorities and Bonded or Guaranteed Indebtedness." In addition, a State liquor commission manages the sale and distribution of beer and alcohol statewide. A lottery commission operates various games, the net proceeds of which are restricted for appropriation to primary and secondary education. A number of other boards and commissions regulate licensing and standards in areas such as public accounting, real estate, sports and medicine.

On November 8, 2016, the voters of the State elected a new Governor, Christopher T. Sununu, a current member of the Council, who will take office on January 4, 2017.

Legislative Branch

The legislative power of the State is vested in the General Court (the "Legislature") consisting of the 400-member House of Representatives and the 24-member Senate, both meeting annually. Members of the House are elected biennially from districts apportioned among cities and towns of the State on the basis of population. Senate members are elected biennially from single-member Senate districts.

Money bills originate in the House, but the Senate may propose or concur in amendments. Every bill which passes both houses of the Legislature is presented to the Governor for approval or veto. If a bill is vetoed by the Governor, that veto may be overridden by a vote of two-thirds of the members of each chamber of the Legislature. If the Governor fails to act within five days (except Sundays) on a bill presented for approval, the bill automatically becomes law unless the Legislature is not then in session.

Judicial Branch

The judicial branch of the government consists of a Supreme Court, Superior Court with 11 sites, and a Circuit Court with three divisions (probate, district, and family) with 32 sites. Administrative support is provided by staff at the Administrative Office of the Courts and at the Trial Court Center. All justices and judges are appointed by the Governor and Council and may serve until seventy years of age.

STATE DEMOGRAPHIC AND ECONOMIC DATA

General

New Hampshire is located in the New England census region and is bordered by the states of Maine, Massachusetts and Vermont and the Province of Quebec, Canada. The State is 9,304 square miles in area and has 18 miles of general coastline on the Atlantic Ocean and 131 miles of tidal shoreline.

Population

New Hampshire experienced an increase in population between 2005 and 2015, with more rapid growth between 2005 and 2007. The State's population was 1,330,608 in 2015 according to the U.S. Census Bureau. Population has increased by 2.5% since 2005 and 1.1% since 2010. The table below shows New Hampshire's resident population and the change in its population relative to New England and the nation.

Population Trends
(In Thousands)

Year	New Hampshire	Change During Period	New England	Change During Period	United States	Change During Period
2005	1,298	0.6%	14,217	0.1%	295,517	0.9%
2006	1,308	0.8%	14,246	0.2%	298,380	1.0%
2007	1,313	0.3%	14,279	0.2%	301,231	1.0%
2008	1,316	0.3%	14,340	0.4%	304,094	1.0%
2009	1,316	0.0%	14,404	0.4%	306,772	0.9%
2010	1,317	0.0%	14,468	0.4%	309,347	0.8%
2011	1,318	0.1%	14,527	0.4%	311,719	0.8%
2012	1,321	0.2%	14,580	0.4%	314,103	0.8%
2013	1,323	0.1%	14,637	0.4%	316,427	0.7%
2014	1,328	0.4%	14,690	0.4%	318,907	0.8%
2015	1,331	0.2%	14,728	0.3%	321,419	0.8%
Percent Change:						
2005-2015		2.5%		3.6%		8.8%
2010-2015		1.1%		1.8%		3.9%

Source: U.S. Census Bureau.

Personal Income

The State's per capita personal income increased 36.6% between 2005 and 2015 (as contrasted with an increase of 34.0% in the per capita personal income for the United States and a 37.9% increase for the New England region). The State's per capita personal income ranked 9th in 2015 with $55,905 or 116.2% of the national average. The State's total personal income for 2015 was $74.39 billion. The following table sets forth information on personal income for New Hampshire, New England and the United States since 2005.

Comparisons of New Hampshire Personal Income to New England and United States, 2005-2015

Year	New Hampshire Total Personal Income (In Millions)	Per Capita Personal Income: New Hampshire	Per Capita Personal Income: New England	Per Capita Personal Income: United States	Percent Change: New Hampshire	Percent Change: New England	Percent Change: United States	New Hampshire Per Capita Personal Income Ranking[1]
2005	$ 53,137	$ 40,922	$ 43,644	$ 35,904	3.3%	4.3%	4.6%	6
2006	57,259	43,763	46,858	38,144	6.9%	7.4%	6.2%	6
2007	59,326	45,199	49,201	39,821	3.3%	5.0%	4.4%	6
2008	61,011	46,365	51,278	41,082	2.6%	4.2%	3.2%	8
2009	60,201	45,742	50,537	39,376	(1.3%)	(1.4%)	(4.2%)	7
2010	62,088	47,154	52,064	40,277	3.1%	3.0%	2.3%	7
2011	65,340	49,562	54,060	42,453	5.1%	3.8%	5.4%	7
2012	68,482	51,826	55,731	44,267	4.6%	3.1%	4.3%	9
2013	68,262	51,609	55,507	44,462	(0.4%)	(0.4%)	0.4%	8
2014	71,219	53,629	57,778	46,414	3.9%	4.1%	4.4%	9
2015	74,388	55,905	60,200	48,112	4.2%	4.2%	3.7%	9

Source: U.S. Department of Commerce, Bureau of Economic Analysis.
[1] Does not include the District of Columbia.

Civilian Labor Force, Employment and Unemployment

Average annual employment growth rate in New Hampshire was lower than the national and regional growth rates from 2005 to 2015. The following table sets forth the level of employment in New Hampshire, the other New England states and the United States.

Employment in New Hampshire, New England States and the United States

	Employment (In Thousands) 2005	Employment (In Thousands) 2015	Average Annual Growth 2005-2015
New Hampshire………….	700	716	0.22%
Connecticut………………	1,709	1,782	0.42%
Maine…………………….	663	650	(0.20%)
Massachusetts……………	3,220	3,392	0.53%
Rhode Island……………..	537	521	(0.29%)
Vermont………………….	339	332	(0.20%)
New England……………..	7,168	7,392	0.31%
United States…………….	141,730	148,834	0.50%

Source: U.S. Department of Labor, Bureau of Labor Statistics, Local Area Unemployment Statistics Division.

In the last ten years, New Hampshire's annual unemployment rate was lower than the rates for New England and the United States. As of September 2016, the non-seasonally adjusted unemployment rate in the State was 2.6%, a decline from 3.0% in September 2015 and significantly lower than 3.8% in the New England region and 4.8% nationally. The table below sets forth information on the civilian labor force, employment and unemployment statistics since 2005.

	Labor Force Trends (Not Seasonally Adjusted) New Hampshire Labor Force (In Thousands)			Unemployment Rate		
Year	Civilian Labor Force	Employed	Unemployed	New Hampshire	New England	United States
2005	726	700	26	3.6%	4.7%	5.1%
2006	732	707	25	3.4	4.5	4.6
2007	738	712	26	3.5	4.5	4.6
2008	743	714	29	3.9	5.5	5.8
2009	744	698	46	6.2	8.0	9.3
2010	738	695	43	5.8	8.4	9.6
2011	736	697	40	5.4	7.7	8.9
2012	741	700	41	5.5	7.2	8.1
2013	742	704	38	5.1	6.9	7.4
2014	741	709	32	4.3	5.9	6.2
2015	741	716	25	3.4	5.0	5.3
Month						
Sep 2015	737	715	22	3.0	4.6	4.9
Sep 2016[1]	750	730	20	2.6	3.8	4.8

Source: U.S. Department of Labor, Bureau of Labor Statistics, Local Area Unemployment Statistics Division.

[1] Preliminary

Composition of Employment

The service sector was the largest employment sector in New Hampshire in 2015, accounting for 45.8% of nonagricultural employment, as compared to 40.0% in 2005. This sector surpassed retail and wholesale trade as the primary economic activity of New Hampshire in 1991. This upward trend in service sector employment parallels the shift in the national economy, where services was the largest employment sector, accounting for 46.0% of employment in 2015, up from 41.7% in 2005.

The second largest employment sector in New Hampshire during 2015 was wholesale and retail trade, accounting for 18.7% of total employment as compared to 15.2% nationally. In 2005, wholesale and retail trade accounted for 19.6% of total employment in New Hampshire.

Manufacturing remains an important economic activity in New Hampshire although the percentage has dropped in recent years. Manufacturing accounted for 10.2% of nonagricultural employment in 2015, down from 12.6% in 2005. For the United States as a whole, manufacturing accounted for 8.7% of nonagricultural employment in 2015, versus 10.6% in 2005. The following table sets out the composition of nonagricultural employment in the State and the United States.

Composition of Nonagricultural Employment in New Hampshire and the United States

	New Hampshire		United States	
	2005	2015	2005	2015
Manufacturing	12.6%	10.2%	10.6%	8.7%
Durable Goods	9.6	7.6	6.7	5.5
Nondurable Goods	3.0	2.6	3.9	3.2
Nonmanufacturing	87.4	89.8	89.4	91.3
Construction & Mining	4.8	3.9	5.9	5.1
Wholesale and Retail Trade	19.6	18.7	15.7	15.2
Service Industries	40.0	45.8	41.7	46.0
Government	14.4	13.7	16.3	15.5
Finance, Insurance & Real Estate	6.2	5.4	6.1	5.7
Transportation & Public Utilities	2.5	2.3	3.7	3.8

Source: U.S. Department of Labor, Bureau of Labor Statistics.

Largest Employers

The following table lists the twenty largest private employers in the State and their approximate number of employees presented in the New Hampshire Business Review Book of Lists 2016.

Largest Employers (Excluding Federal, State and Local Governments)

	Company	Employees	Primary New Hampshire Site	Principal Product
1.	Dartmouth Hitchcock	9,100	Lebanon	Acute Care Hospital
2.	DeMoulas & Market Basket	9,000	Nashua	Supermarket
3.	Wal-Mart Stores Inc.	7,889	Bedford	Retail Department Store
4.	Fidelity Investments	5,400	Merrimack	Financial Services
5.	Liberty Mutual - Northern N.E. Division	4,924	Bedford	Insurance
6.	Hannaford	4,900	Manchester	Supermarket
7.	BAE Systems Electronic Systems	4,500	Nashua	Aerospace, Defense & Information Security
8.	Elliot Hospital	3,724	Manchester	Acute Care Hospital
9.	Concord Hospital	3,412	Concord	Acute Care Hospital
10.	Dartmouth College	3,328	Hanover	Private College
11.	Genesis HealthCare	3,000	Concord	Long-Term Health Care
12.	Shaws Supermarkets Inc.	2,900	Stratham	Supermarket
13.	Home Depot	2,571	Manchester	Hardware Store
14.	Southern New Hampshire Medical Center	2,401	Nashua	Acute Care Hospital
15.	Wentworth Douglass Hospital	2,350	Dover	Acute Care Hospital
16.	Catholic Medical Center	2,300	Manchester	Acute Care Hospital
17.	Southern New Hampshire University	2,093	Manchester	Private College
18.	Lowe's	1,751	Bedford	Hardware Store
19.	New Hampshire Motor Speedway	1,500	Loudon	Sports & Entertainment
20.	St. Joseph Hospital	1,500	Nashua	Acute Care Hospital

Source: *New Hampshire Business Review,* Book of Lists 2016.

State and Local Taxation

The State finances its operations through a combination of specialized taxes, user charges and revenues received from the State liquor sales and distribution system. The most important taxes are the business profits and business enterprise taxes and a meals and rooms tax. The State does not levy any personal earned income tax or general sales tax but does impose a tax on interest and dividends. The State believes its tax structure has played an important role in the State's economic growth.

New Hampshire has generally been the highest among all states in local property tax collections per $1,000 of personal income, because local property taxes continue to be the single largest principal source of funding for primary and secondary education.

Housing

According to the 2015 American Community Survey 1-Year estimates, housing units in the State numbered 622,604, of which 83.1% were occupied. The composition of occupied housing units in the State was 70.9% owner occupied and 29.1% renter occupied.

According to the New Hampshire Housing Finance Authority's latest housing data release, the median purchase price of all homes sold in 2015 was $221,000, an increase of 0.9% from 2014. The median price for non-condominium homes sold in 2015 was $ 233,500, an increase of 1.6% from 2014.

The table below sets forth housing prices and rents in recent years.

Housing Statistics
Median Purchase Price and Median Gross Rent

	Owner-Occupied Non-Condominium Housing Unit Median Purchase Price	Percent Change	Renter-Occupied Housing Unit Median Gross Rent[(1)]	Percent Change
2004	$252,660	10.1%	$896	4.9%
2005	270,000	6.9	901	0.6
2006	265,000	(1.9)	928	3.0
2007	269,900	1.8	946	1.9
2008	250,000	(7.4)	969	2.4
2009	217,000	(13.2)	969	-
2010	223,500	3.0	980	1.1
2011	214,400	(4.1)	983	0.3
2012	212,500	(0.9)	1005	2.2
2013	227,500	7.1	1018	1.3
2014	229,933	1.1	1037	1.9
2015	233,500	1.6	1069	3.1
2016	228,000[(2)]	N/A	1,113	4.1

Source: New Hampshire Housing Finance Authority.
(1) Includes utilities.
(2) 2016 Purchase Price Data includes sales from January –August 2016.

The New Hampshire Housing Finance Authority issued an updated report in July 2016 with respect to foreclosure activity in the State that included the following:

"The cumulative total of foreclosure deeds for 2015 is 17 percent below the total for 2014, and the lowest annual total since 2006. As of the First Quarter 2016, there were 390 foreclosures in New Hampshire. This is a 27 percent decline when compared to the same time last year and 65 percent below First Quarter 2010, the peak of the foreclosure crisis. Foreclosures are anticipated to decline in 2016."

Building Activity

The pattern of building activity in New Hampshire in recent years, as evidenced by the issuance of residential building permits, has generally paralleled that of the New England region, with some exceptions. There was growth in the 1992 to 2002 period in New Hampshire, New England, and the nation. The number of permits and dollar value peaked in 2004 and declined in each subsequent year through 2009, increased in 2010 and declined again in 2011 in the State and the region but continued to grow for the nation as a whole. In 2012, while the number of permits and dollar value had increased significantly throughout the New England region and the nation, the State saw slight declines in both measures, with building permits declining to 2,296 and housing value totaling $426 million. This represents a decrease of 2.1% in the number of permits, and a decrease of 1.5% in dollar value, from 2011. Nonetheless the number of permits and dollar value in 2013 improved significantly, along with the rest of New England region and the nation. Total permits increased to 2,788 and housing value totaled $566 million in the State during 2013. Building permits and value continued to increase to 3,763 and $737 million respectively in 2015. Set out in the following table are the number and value of building permits issued for housing units in New Hampshire, New England and the United States.

Building Permits Issued
By Number of Units and Value
(Value in millions)

	2011	2012	2013	2014	2015	2016 (Sept. YTD)
New Hampshire						
Single Family	1,606	1,682	2,136	2,188	2,424	1,960
Multi-Family	740	614	652	1,215	1,339	496
Total	2,346	2,296	2,788	3,403	3,763	2,456
Value	$432	$426	$566	$654	$737	$545
New England						
Single Family	12,322	14,186	16,670	16,765	16,412	13,851
Multi-Family	5,665	8,923	11,965	12,193	17,547	9,999
Total	17,987	23,109	28,635	28,958	33,959	23,850
Value	$3,659	$4,675	$6,567	$6,191	$7,228	$5,458
United States						
Single Family	418,498	518,695	620,802	634,597	695,998	573,831
Multi-Family	205,563	310,963	370,020	411,766	486,584	326,936
Total	624,061	829,658	990,822	1,046,363	1,182,582	900,767
Value	$105,269	$140,425	$177,656	$194,349	$223,611	$176,915

Source: U.S. Census Bureau.

Transportation

New Hampshire has more than 4,500 miles of State and federal highways. In 1986, the State Legislature enacted a highway plan to serve as a guideline for highway development in the State. A major component of the 1986 highway plan legislation as amended to date provides for continued development of the State's Turnpike System. The State issued in December, 2009, August, 2012 and June, 2015, $150 million, $110 million and $46 million, respectively, of its Turnpike System revenue bonds to finance additional capital improvements to the Turnpike System. The State has also issued $178.25 million of Federal Highway Grant Anticipation ("GARVEE") Bonds since November 2010 to finance a portion of the costs of improvements to Interstate 93 from the Massachusetts border to Manchester. Effective July 1, 2014, Chapter 17 of the Laws of 2014 authorized the use of a 4.2 cent increase in motor vehicle fuel fees (referred to as a "road toll" in New Hampshire law) to fund $200 million in general obligation bonds or revenue bonds or both to complete the I-93 Salem to Manchester widening project. The State through the State Treasurer and the NH Department of Transportation entered into a Federal Transportation Infrastructure Finance and Innovation Act (TIFIA) loan in May, 2016. The TIFIA loan will result in $200 million of funding at a favorable 1.09% interest rate that will allow the Department to perform additional bridge repair and pavement maintenance and completion of the I-93 project within the time frame of the law. The road toll increase under Chapter 17 of the Laws of 2014 will expire once all debt service payments for the I-93 project have been made or 20 years after the initial issuance of such bonds, whichever is earlier. The TIFIA financing is scheduled to fully amortize by June 2034. See "STATE INDEBTEDNESS – Debt Statement."

There are twenty-five airports open to the public in the State, of which three have scheduled air service (Manchester, Portsmouth, and Lebanon), and twenty-two serve general aviation. Manchester-Boston Regional Airport, the State's largest commercial passenger and air cargo airport, has grown from 427,657 enplanements in fiscal year 1994 to 1,041,346 enplanements in fiscal year 2016 As the economy continued to improve, the airport experienced a 1% increase in enplanements in fiscal year 2016 as compared with fiscal year 2015. Manchester-Boston Regional Airport is the third largest cargo airport in New England. Air cargo activity remained strong in fiscal year 2016, with the airport processing approximately 164.3 million pounds of air cargo.

During the past two decades, Manchester-Boston Regional Airport has undertaken a number of expansion, improvement and renovation projects. The new terminal project in 1992 was financed with bonds guaranteed by the State (and subsequently refunded and paid in 2002), while other projects have been financed by the City of Manchester through the issuance of airport revenue bonds (October 1998, April 2000, June 2002, and July 2005; and a refunding of bonds in July 2008, December 2009 and June 2012). These projects were designed to keep airport facilities and infrastructure updated and are expected to enhance the airport's capacity for increased passenger and freight traffic in the future.

Rail freight service is provided by eight railroads. The Portsmouth Harbor is an important commercial shipping center that can accommodate deep-draft vessels. The State Port Authority Marine Terminal is located on Noble's Island in Portsmouth Harbor.

The New Hampshire Rail Transit Authority ("NHRTA") was created pursuant to Chapter 360, Laws of 2007, for the purpose of establishing regular commuter rail or other passenger rail service between points within and adjacent to the State. Early in 2013, the New Hampshire Department of Transportation, working in concert with its counterparts in Massachusetts, started the New Hampshire Capitol Corridor Rail and Transit Study, a 21-month project supported by both the Federal Railroad Administration and Federal Transit Administration. In an effort to make the NH Rail Transit Authority more efficient and streamlined, Chapter 178, Laws of 2015, ("SB 63") was signed into law by the Governor in 2015. The law reduced the number of members of the Board of Directors from 28 to 9 and established an Advisory Board of 28 members to provide a statewide perspective of passenger rail needs to the Authority. The streamlining of the Board will allow the Authority to better conduct its business and put it in a better position to accept federal grants and to help oversee the NH Capitol Corridor project if realized.

Education

New Hampshire provides a mix of public and private educational opportunities. The education function of the State is carried out through the State Board of Education, the Department of Education and the University System of New Hampshire. The State Board and the Department of Education provide curriculum guidance and administrative support to 176 public school districts ranging in grades from kindergarten through grade twelve. In addition to public education, there are numerous private preparatory schools in the State, including Phillips Exeter Academy in Exeter and St. Paul's School in Concord.

At the university level, the State offers undergraduate and graduate programs in liberal arts and various sciences through the University System of New Hampshire, which includes the University of New Hampshire, Keene State College, Plymouth State University and Granite State College. Through the Community College System of New Hampshire, the State also supports a network of seven community colleges located throughout the State. The Community Colleges offer a two-year associates degree and a variety of certificates in approximately 100 different industrial, business and health programs. In addition to the state-supported University System of New Hampshire and Community College System of New Hampshire, twenty (17 non-profit and 3 private for-profit) higher educational institutions are also located in New Hampshire, including Dartmouth College in Hanover. Since 1983, over 50% of New Hampshire high school graduates have continued their education beyond the high school level.

As the following table indicates, as of 2015, the educational level of New Hampshire residents over the age of 25 was higher than that of the nation as a whole.

	2005 [(1)]		2015 [(2)]	
Level of Education	**New Hampshire**	**United States**	**New Hampshire**	**United States**
9-11 years	97.1%	93.6%	97.9%	94.4%
12 years	90.0	84.1	93.0	87.1
1-3 years post-secondary	59.2	54.7	64.5	59.5
4 or more years post-secondary	31.8	27.2	35.6	30.6

(1) Source: U.S. Census Bureau, 2005 American Community Survey Estimates
(2) Source: U.S. Census Bureau, 2015 American Community Survey 1-Year Estimates

STATE FINANCES

General

Responsibility for financial management of the State is vested in several State officials. The State Treasurer is responsible for investment, debt, and cash management. The Commissioner of the Department of Administrative Services ("DAS") is responsible for managing statewide administrative and financial reporting functions including general budget oversight, maintaining the State's accounting system, and issuing the State's Comprehensive Annual Financial Report ("CAFR").

The Department of Administrative Services prepares the State's CAFR in accordance with U.S. generally accepted accounting principles ("GAAP"). The State has contracted with KPMG LLP to provide audit services since fiscal year 1997 and has a current audit contract through completion of the fiscal year 2016 audit. The audited financial statements for fiscal year 2015, together with the unqualified report thereon of KPMG LLP, are incorporated herein by reference, copies of which have been provided to the Municipal Securities Rulemaking Board, though its Electronic Municipal Market Access ("EMMA") system, as directed by SEC Rule 15c2-12. See "FINANCIAL STATEMENTS." The audited financial statements for fiscal year 2015 are also available as part of the State's fiscal year 2015 CAFR (pages 16 through 85 of the CAFR) at the website of the State's Department of Administrative Services, Bureau of Financial Reporting at *http://admin.state.nh.us/accounting/reports.asp*.

The audit of the State's fiscal year 2016 financial statements is currently underway and the State's fiscal year 2016 CAFR is expected to be issued in December 2016. All dollar amounts referred to in this Information Statement for any period subsequent to June 30, 2015 are preliminary, unaudited and subject to change, whether or not expressly labeled as such.

For information relating to management letters and federal single audit results delivered to the State for fiscal years 2010 through 2015, see "FINANCIAL STATEMENTS."

The CAFR includes comparisons to budgetary basis accounting and is presented as Required Supplementary Information (RSI). Accounting on a GAAP basis differs from accounting on a budgetary basis by recognizing revenues and related assets when earned rather than when cash is received and by recording expenditures and related liabilities when incurred rather than when cash is paid. For example, GAAP accounting calls for full recognition of accounts payable, accrued payroll and pension costs incurred at the close of a fiscal year even though those items are appropriated and paid in the following fiscal year under budgetary accounting. Reconciliation of the budgetary basis with GAAP appears in a Note to the RSI in the CAFR.

The State budget (the overall financial plan for the two years of the biennium) is enacted through a series of bills that establish appropriations and estimated revenues for each subunit (department, division, bureau, section and commission) within State Government. Appropriations are also established by supplemental and special legislation during annual legislative sessions.

The State controls expenditures against appropriations through an enterprise resource planning system. Under this system, accumulated total expenditures and encumbrances are compared with the amount of remaining available appropriations, prior to creating an expenditure (a charge against an appropriation which generates a payment) or an encumbrance (a charge against an appropriation pending payment). In general, when the appropriated amount is fully expended or encumbered, no further obligations are incurred or paid until additional appropriations are made available.

By State law, unexpended and unencumbered balances of appropriations lapse to undesignated fund balance in the applicable fund at fiscal year-end, with certain exceptions. Generally, revenues in excess of official estimates, unless appropriated by supplemental appropriation legislation, also lapse to undesignated fund balance in the applicable fund. Such amounts, whether unexpended or unencumbered appropriations or unappropriated revenue, are known as lapses. Lapses constitute a credit to undesignated fund balance at the end of each fiscal period and may become available for subsequent appropriation by the Legislature.

Fund Types

The budgets and operations of State departments and their subunits are accounted for in a number of funds fitting into three types: Governmental, Proprietary and Fiduciary.

Governmental Funds

General Fund. The General Fund is the principal fund and includes all State activities and functions not allocated by law to other funds. By law, all revenues received by any department or agency of the State (other than revenues allocated by statute directly to specific agencies or other funds) are paid at least weekly into the State Treasury. All such revenues are credited to the General Fund, and expenditures for all State activities and functions not allocated by law to other funds are charged to the General Fund. Revenues that are dedicated to fund specific activities including federal grants are recorded as restricted revenue and are subtracted from total appropriations to arrive at appropriations net of estimated revenues as shown on the fund balance schedules.

Highway Fund. Under the State Constitution, all revenues in excess of the necessary cost of collection and administration accruing to the State from motor vehicle registration fees, operator's licenses, motor vehicle fuel fees or any other special charges or taxes with respect to the operation of motor vehicles or the sale or consumption of motor vehicle fuels are appropriated and used exclusively for the construction, reconstruction, and maintenance of public highways within the State, including the supervision of traffic thereon, and for the payment of principal and interest on bonds issued for highway purposes. All such revenues, together with federal grants-in-aid received by the State for highway purposes, are credited to the Highway Fund. Although the principal of and interest on State highway bonds are paid from the Highway Fund, the assets of the Fund are not pledged to such bonds.

Fish and Game Fund. The operations of the State Fish and Game Department, including the operation of fish hatcheries, inland and marine fisheries and wildlife areas and related law enforcement functions, land acquisition, and wildlife management and research, and the payment of principal and interest on bonds issued for fish and game purposes, are financed through the Fish and Game Fund. Principal revenues to this Fund include fees from fish and game licenses, the marine gas tax, a portion of off-highway vehicle registration fees, penalties and recoveries and federal grants-in-aid related to fish and game management, all of which are appropriated annually by the Legislature for the use of the Fish and Game Department.

Capital Projects Fund. The State credits to the Capital Projects Fund appropriations for certain capital improvements, primarily those that are funded by the issuance of State debt (other than debt for turnpike purposes), or by the application of certain federal matching grants.

Education Trust Fund. The Education Trust Fund is established in RSA 198:39. Adequate education grants to school districts are appropriated from this fund, as is kindergarten and charter school aid and low and moderate income homeowner property tax relief. Pursuant to RSA 198:39, certain revenues are dedicated to this fund including portions of the State's business, cigarette, real estate transfer, and rental car taxes. In addition, lottery revenues and up to $40 million in tobacco settlement revenues are dedicated to the Education Trust Fund as are utility property tax and excess statewide education tax revenues.

Proprietary (Enterprise) Funds

Liquor Commission. By statute, all liquor sold in New Hampshire must be sold through a sales and distribution system operated by the State Liquor Commission. By statute, effective September 22, 2013, the Commission is under the direction of a liquor commissioner, known as the chairman of the liquor commission, appointed by the Governor with the consent of the Council. The liquor commissioner nominates a deputy commissioner for appointment by the Governor with the consent of the Council. The Commission is directed by statute to set liquor prices at levels sufficient to pay all costs of liquor purchased and operating expenses of the Commission and the State stores and to impose additional charges for overhead and a profit for the State.

Lottery Commission. The State conducts daily and weekly lotteries and instant games through tickets sold by or on behalf of the State Lottery Commission in State liquor stores, at horse and dog race tracks and at authorized retail outlets in the State. Monthly net profit from lotteries is transferred to the Education Trust Fund for distribution to school districts in the form of adequate education grants.

Turnpike System. The State constructs, maintains and operates transportation toll roads and bridges. The State has covenanted in the General Bond Resolution authorizing the issuance of Turnpike System revenue bonds that it will establish and collect tolls and charges for the use of the Turnpike System adequate at all times, with other available funds, to provide for the proper operation and maintenance of the System and for the timely payment of principal of and interest on Turnpike System revenue bonds and all other required payments in connection with the System. Under RSA 237-A any funds established in connection with the issuance of Turnpike System revenue bonds thereunder are kept separate from other funds of the State.

State Revolving Fund. Under a program with the U.S. Environmental Protection Agency to improve cleanliness and potability of the State's water supplies, the State Revolving Loan Fund lends funds to municipalities and qualified private water organizations for the purpose of constructing and upgrading wastewater and drinking water treatment facilities. The loans are repaid by the debtors on fixed terms, and, based on specific federal criteria, may allow for forgiveness of portions of the loans. Loans are repaid with fixed rates of interest that include an administrative fee paid to the State. Repayments are credited to special accounts and then used to lend additional funds to communities and qualified private water organizations.

Unemployment Trust Fund. This fund is used to account for contributions from employers and to pay benefits to eligible claimants.

In accordance with the provisions of Section 1201 of the Social Security Act, the State applied for, received and repaid advances from the Federal Unemployment Account to the State's Unemployment Trust Fund. These repayable advances were required on an intermittent basis in both calendar years 2010 and 2011. The advances were necessary in order to continue the payment of unemployment compensation to eligible individuals.

The State's unemployment compensation law changed during the 2009 legislative session. All employers experienced a 1% emergency surcharge rate increase, all negatively rated employers whose benefit charge exceeded taxes paid experienced a 1.5% rate increase and those negatively rated employers identified as "chronic" experienced an additional 0.5% rate increase. Of the emergency surcharge, 0.5% was the result of the 2009 law.

As expected, the additional surcharges enabled the State's Unemployment Compensation Trust Fund to strengthen. Therefore, effective with wages paid October 1, 2012 for which taxes were due the following quarter, one of the two 0.5% surcharges was removed. The second 0.5% surcharge was removed with wages paid October 1, 2013 for which taxes were due the following quarter.

As a further and continuing sign of a strengthening Unemployment Compensation Trust Fund, the Trust Fund has consistently grown and maintained balances sufficient to trigger statutory solvency reductions to employer tax rates. Effective with wages paid October 1, 2014 for which taxes were due the following quarter, all employers received a 0.5% reduction in their unemployment compensation tax rate pursuant to RSA 282-A:82 and 82-a. Employers then received a 1.0% reduction in their unemployment tax rate with wages paid January 1, 2015; a 0.5% reduction with wages paid April 1, 2015 as well as with wages paid July 1, 2015; a 1.0% reduction with wages paid October 1, 2015; and a 1.0% reduction with wages paid January 1, 2016 through October 1, 2016.

The New Hampshire Department of Employment Security expects the Unemployment Compensation Trust Fund to have adequate reserves for the short term. However, if unemployment levels rise to those experienced during the Great Recession then NHES anticipates the possible need to borrow from the Federal government as was done in 2010 and 2011.

Internal Service Fund. The Employee Benefit Risk Management Fund was created to account for the State's self-insurance program and to pool all resources to pay for the cost associated with providing employee benefits for active state employees and retirees. See also "HEALTH CARE COVERAGE FOR RETIRED EMPLOYEES."

Fiduciary Funds

Transactions related to assets held by the State in a trustee or agency capacity are accounted for in Fiduciary Funds. The State's Pension Funds are also included in this category.

Investment Policy

The State Treasury is entrusted with the fiduciary responsibility of managing State funds to ensure cash is available when required to maintain the efficient operation of the State while employing prudent and statutorily-compliant investment policies and procedures. The State Treasury has in place investment policies and procedures for the safekeeping and prudent management of various State assets. Certain trust and custodial funds are subject to very specific investment guidelines in order to meet objectives or income targets consistent with stated donor requests as well as state and federal law. General operating funds of the State are invested primarily to preserve the value and safety of the principal, maintain liquidity appropriate for short-term cash needs, and optimize the return on these investments consistent with the goals of safety and liquidity and in accordance with state and federal law. Investment decisions are made within the context of several risk categories, including custodial risk, concentration risk, and interest rate risk. Investment policies are developed, implemented, and reviewed at least annually to ensure best practices are followed and to incorporate strategies to reduce risk that may arise or become magnified due to current events. Additional information is available at *http://www.nh.gov/treasury/cash-investment-management/operating-funds.htm*.

Budget and Appropriation Process

The Legislature meets annually but adopts a State budget on a biennial basis. Prior to the beginning of each biennium, all departments of the State are required by law to transmit to the Commissioner of the Department of Administrative Services (the "Commissioner") requests for capital expenditures and estimates of operating expenditures, including personnel, equipment and program expenditures, for each fiscal year of the ensuing biennium.

Capital budget requests are summarized by the Commissioner and submitted to the Governor. After holding public hearings and evaluating additional information, the Governor prepares a capital budget for submission to the Legislature.

Operating budget requests and revenue estimates for each fiscal year of the ensuing biennium submitted by State agencies are also summarized and submitted to the Governor. Following public hearings, analysis of the requested operating budget and consultation with the various department heads, the Governor prepares the final operating budget proposal, setting forth the financial program for the following two fiscal years.

By February 15th of each odd numbered year, the Governor must submit both a capital budget and an operating budget to the Legislature for its consideration. The Governor's budget message sets forth, among other things, a program for meeting the expenditure needs of the State for the next biennium. Using the Governor's budgets as a starting point, the House prepares and approves its own budgets, which are then submitted to the Senate. The Senate prepares and approves its budgets based on the House proposals. A legislative Conference Committee comprised of members from both chambers forges the final budget drafts to be approved by both chambers. After final budget bills are approved by the Legislature, they are presented to the Governor to be signed into law, allowed to pass into law after 5 days without signature, or vetoed. The State Constitution does not provide for a line item veto of appropriation bills by the Governor. If the Governor vetoes a budget bill, it is returned to the Legislature for an override vote or further legislative action. Once the budget bills become law, they represent the authorized operating and capital appropriation spending for each State department during each of the next two fiscal years.

Although there is no constitutional requirement that the Governor propose or the Legislature adopt a balanced budget, there is a statutory requirement that the Governor propose and the Legislature adopt a balanced budget. In addition, if there is a budget deficit from a prior biennial budget, the Governor's budget proposal must address how this deficit will be eliminated in the current budget proposal. The Legislature has a similar statutory responsibility to approve a plan for addressing any past year's budget deficit in the budget it adopts for the ensuing biennium. If there is a budget deficit, the Governor is required by statute to make recommendations to the Legislature as to the manner in which the deficit shall be eliminated.

Financial Controls

All bills and obligations of the State are paid from the State Treasury. Under the State Constitution all payments except debt obligations made from the State Treasury must be authorized by a warrant signed by the Governor with advice and consent of the Council. Debt obligations of the State are exempt from the warrant requirement and are paid by the State Treasurer under statutory authority to pay principal and interest on all loans which may at any time come due.

Financial control procedures in the State are maintained by both the executive and legislative branches. In the executive branch, the Commissioner of the Department of Administrative Services is directed by statute to conduct a continuous study of the State's financial operations, needs and resources and to install and operate a system of governmental accounting.

The Comptroller, within the Department of Administrative Services, is directed by statute to maintain the State's accounting system in accordance with generally accepted accounting principles and report monthly to each State agency its total dollars expended, total encumbrances outstanding and appropriation balances then available for each agency through the previous month of the fiscal year. When it appears that a State department or agency is incurring operating expenditures at levels that will deplete its available appropriation prior to the close of the fiscal year, the Comptroller is required to report this fact to the Governor who shall investigate and may, if necessary, order the department head to reduce expenditures in proportion to the balance available and time remaining in the fiscal year. The Comptroller issues statement of appropriation reports daily that comply with the monthly reporting requirements; instances of spending that may deplete appropriations are rare.

Legislative financial controls involve the Office of Legislative Budget Assistant (the "Office"), acting under the supervision of the Fiscal Committee, and the Joint Legislative Capital Budget Overview Committee. The Office has post-audit responsibility for all entities that expend state funds as well as review of the budgetary process on behalf of the Legislature. This responsibility involves conducting selected departmental audits and program result audits including, but not limited to, examinations as to whether the results contemplated by the authorizing body are being achieved by the department and whether such results could be obtained more effectively through other means. The Joint Legislative Capital Budget Overview Committee reviews the status of capital budget projects, and each State agency with capital budget projects is required to submit to the committee a status report on projects every sixty days.

ERP System. The Legislature appropriated nearly $22 million dollars in the 2002-2003 capital budget and passed subsequent laws to enable the acquisition and implementation of an enterprise resource planning ("ERP") system. The ERP is designed to serve as a single system of fully integrated modules that facilitate the financial and human resource business functions of all State agencies including accounts payable, accounts receivable, assets and inventory, budgeting, financial accounting, grants and projects, human resources, payroll, benefits administration, purchasing, revenues and receipts, and treasury functions.

The first phase of this project was completed in July, 2008 with the implementation of a new accounting structure that improved clarity of expenditures. In August, 2008, the budgeting component of the ERP was implemented and used for fiscal years 2010-2011 budget planning.

In July, 2009, the remaining financial, grants, procurement, revenue and receipts and treasury functions were implemented. This phase was a major undertaking to improve the sustainability, accountability, and efficiency of financial administration, processing controls, and management information.

The Legislature appropriated $1.4 million in the 2010-2011 capital budget for planning of Phase II of the project which includes human resources and payroll, and a capital appropriation of $4.0 million was approved in the 2012-2013 capital budget for the implementation of human resources, payroll, fixed assets, and strategic sourcing. Human resources and payroll functions were implemented in February, 2013. Fixed assets and strategic sourcing have been configured and will be implemented pending resource availability. The State expects to realize increased efficiencies by the implementation of full ERP functionality.

Limitations built into the legacy human resources and payroll system required labor intensive manual steps to account for and process employee leave plans, payroll calculations, and payroll cost accounting and to maintain compliance with appropriations. Phase II streamlined these paper-bound processes by moving employee, manager and back office processing to digital forms, and extensively automated policies and business rules to reduce manual calculation, collation, and records coordination.

The ERP implementation enabled the retirement of the legacy human resources and payroll system which was unsupported by the software publisher and which the State was only licensed to use through May of 2014. The implementation was significant and challenging because it impacted over 15,000 State employees. The realization of the full benefits associated with the additional functionality provided in Phase II was limited by the aging desktop computer technology for approximately 3,000 employees throughout State government, which prevented those employees from accessing all functions of the ERP from their local computer. The 2014-2015 capital budget included an appropriation to modernize desktop computers to address this issue and, as of June 30, 2015, 100% of the 3,000 desktops were upgraded. In the interim, computer kiosks have been made available in locations where employees do not have ready access to computers.

The human resources and payroll implementation was the first step in a State-wide effort to centralize a highly decentralized system. The State experienced significant post-implementation challenges, and the initial steps taken to centralize the human resources and payroll processes on a State-wide basis have identified weaknesses in the State's internal control and compliance structure. The State continues to address the weaknesses in the internal control structure as well as resolve the identified areas of non-compliance.

The State plans to use the functionality enabled during Phase II to achieve similar efficiencies in asset management accounting and control and to increase the State's purchasing power by implementing web-based strategic sourcing for suppliers and vendors and thereby increase competitive bidding for State businesses. At this time it is not possible to predict when all ERP modules will be fully implemented, as the State does not possess the staffing resources required to administer all of them. However the State does not anticipate any incremental costs associated with the future implementation of such modules, which have already been licensed by the State.

Revenue Stabilization Reserve Account

Legislation was enacted in 1986 to establish a Revenue Stabilization Reserve Account (the "Revenue Stabilization Reserve Account" or "Rainy Day Fund") within the General Fund as of July 1, 1987. Pursuant to RSA 9:13-e, in the event of a General Fund operating budget deficit at the close of a fiscal biennium resulting from a shortfall in revenue (as compared with the official budget), the Comptroller shall notify the Fiscal Committee and the Governor of such deficit and request to transfer from the Revenue Stabilization Reserve Account, to the extent available, an amount equal to the lesser of the deficit or the revenue shortfall. No monies in the Revenue

Stabilization Reserve Account (except for interest earnings, which are deposited as unrestricted General Fund revenue) can be used for any purpose other than deficit reduction or elimination except by specific appropriation approved by two-thirds of each house of the Legislature and by the Governor.

Chapter 158:41 of the Laws of 2001 amended RSA 9:13-e regarding funding the Revenue Stabilization Reserve Account. At the close of each fiscal biennium, any surplus, as determined by the official audit, shall be transferred by the Comptroller to the Revenue Stabilization Reserve Account. The maximum amount permitted in the account is equal to 10% of General Fund unrestricted revenue for the most recently completed fiscal year. Chapter 237 of the 2016 legislative session repealed a law which had capped the transfer in a single year to one half of the total potential maximum balance allowable for the Revenue Stabilization Reserve Account.

Chapter 143 of the Laws of 2009, the operating budget for fiscal years 2010-2011, assumed $69 million would be drawn from the Revenue Stabilization Reserve Account at June 30, 2009 leaving a balance of $20 million at June 30, 2009. The actual draw on the Revenue Stabilization Reserve Account at June 30, 2009 was $79.7 million leaving a balance of $9.3 million. The balance remained at $9.3 million until the budget for fiscal years 2016-2017, which projected an unassigned fund balance of $72.8 million as of June 30, 2015. The Legislature set forth in Chapter 276:43, Laws of 2015 that the then-projected unassigned general fund equity balance of approximately $49 million was to be carried forward in the General Fund to be used in fiscal year 2016. In addition, the Revenue Stabilization Reserve Account balance was projected to be increased to $23.8 million by a $14.5 million transfer into the fund. The actual total General Fund unassigned fund balance at June 30, 2015 was $71.3 million, comprised of a Revenue Stabilization Reserve Account balance of $22.3 million and an unassigned fund balance of $49 million.

In May 2016 the United State Supreme Court issued a final decision upholding a $236 million verdict in favor of the State related to the *State v. Exxon* for MtBE water contamination. The total award is approximately $307.2 million, which amount includes interest. As required by RSA 7:6-e,I, 10 percent of the award was credited to the State's Rainy Day Fund, increasing the balance of the fund to $53 million.

Additionally, Chapter 264, Laws of 2016 established that to the extent the audited, combined unrestricted general and education trust fund revenues for the fiscal year ending June 30, 2016 exceed the official estimates, an amount not to exceed $40 million of said excess will be transferred to the Revenue Stabilization Reserve Account. The State's unaudited financial statements issued on September 30, 2016 reported revenues approximately $149 million in excess of plan; therefore it is anticipated that the full $40 million authorized by law will be transferred at the conclusion of the audit, bringing the total Rainy Day Fund balance to $93 million by the end of calendar 2016.

Revenues for the first quarter of fiscal year 2017 (through September 2016) were $28.2 million above plan and at the July 2016 meeting of the Governor's Consensus Revenue Estimating Panel, the Panel projected revenues for fiscal year 2017 would be approximately $126.2 million above plan for the year. If these revenue projections hold, it is likely the Rainy Day Fund would reach its maximum statutory capacity at the completion of the fiscal year 2017 audit. As noted above, the statutory capacity is set at 10% of General Fund unrestricted revenue for the most recently completed fiscal year, which is likely to be between $150 and $160 million.

State Revenues

The State derives most of its revenues from a combination of specialized taxes, user charges and the operation of a statewide liquor sales and distribution system. The State of New Hampshire is the only state that imposes neither a personal income tax on earned income nor a statewide general sales or use tax.

Unrestricted revenues may be appropriated by the Legislature for any State purpose, including the payment of debt service on outstanding bonds of the State, without constitutional limitations (or program limitations, as in the case of federal grants).

The following are the principal sources of unrestricted revenues of the State. Except as otherwise noted below, such revenues are credited to the General Fund:

Meals and Rooms Tax. Effective July 1, 2009, a tax is imposed equal to 9% of the charges for (i) hotel, motel and other public accommodations, (ii) meals served in restaurants, cafes and other eating establishments, and (iii) rental cars. Prior to July 1, 2009, the meals and rooms tax rate was 8%. The portion taxed on rental cars is designated as revenue to the Education Trust Fund. Effective July 1, 2009, this tax was extended to cover campsites, however, Chapter 6 of the Laws of 2010 repealed the extension of the meals and rooms tax to campsites effective May 3, 2010. Chapter 144 of the Laws of 2009 prescribed that the funding necessary to pay debt service on general obligation bonds issued to fund school building aid grants shall come from the meals and rooms tax. The amount of the annual debt service on bonds issued for this purpose for fiscal years 2010 through 2016 are shown below:

Fiscal Year	Amount (in thousands)
2010	$ 366
2011	5,030
2012	14,580
2013	14,424
2014	14,001
2015	13,576
2016	13,152

In addition, 3.15% of net meals and rooms tax collections is designated for travel and tourism development. Chapter 224 of the Laws of 2011 suspended the distribution of meals and rooms taxes to the Division of Resources and Economic Development for travel and tourism development only for the biennium ending June 30, 2013.

Beginning with fiscal year 1995 a portion of the revenue derived from the meals and rooms tax was distributed to the cities, towns and certain unincorporated subdivisions of the State, eventually increasing to 40% of such revenue annually. For fiscal years 1997 and thereafter, the amount to be distributed must be the sum of the prior year's distribution plus an amount equal to 75% of any increase in the income received from the tax for the preceding fiscal year, not to exceed $5 million. However, since 2009 various chapter laws have capped the distribution to cities and towns at no more than the 2009 level as shown in the table below, presenting the percentage of the previous year's tax collections for fiscal years 2009 through 2016. Chapter 144, Laws of 2013, capped the fiscal year 2014 distribution at the 2009 level; however, in the absence of any subsequent legislative action, the distribution reverted to the original statutory calculation methodology in fiscal year 2015.

Fiscal Year	Amount Distributed	% of Previous Year's Total Meals and Rooms Tax Collection
2009	$58,805,057	28.5%
2010	58,805,057	28.9
2011	58,805,057	25.8
2012	58,805,057	25.7
2013	58,805,057	23.2
2014	58,805,057	22.4
2015	63,805,057	23.2
2016	63,805,057	21.8

Business Profits Tax ("BPT"). Chapter 274, Laws of 2015 reduced the rate of the business profits tax to 8.2% for taxable periods ending on or after December 31, 2016. For taxable periods ending before December 31, 2016, the business profits tax rate is 8.5%. The tax is imposed on the taxable business profits of business organizations deriving gross business profits from activities in the State, or both in and outside of the State. Business profits subject to the tax but derived from activities conducted outside the State are adjusted by the State's apportionment formula to allocate to the State a fair and equitable proportion of such business profits.

For taxable periods ending on or after December 31, 2018, the business profits tax rate will be reduced to 7.9%, contingent upon combined unrestricted General and Education Trust Fund revenue of $4.64 billion being collected for the biennium ending June 30, 2017. On or about December 31, 2017, the Legislative Budget Assistant will report on whether revenue collections have met that threshold.

Ch. 300, Laws of 2016 repeals and reenacts RSA 77-A:4, XIV relative to how a business organization treats the sale or exchange of an ownership interest which results in an increase in basis of assets under Federal law. Under current law, when an interest in a business organization is sold or exchanged, the business must make an addition to gross business profits of an amount equal to the net increase in the basis of all underlying assets transferred or sold. Ch. 300 eliminates the requirement to make an addition to gross business profits, but also establishes an election whereby a business organization may choose to recognize the increase in basis and make an addition to gross business profits. If an election is made, the business organization may then deduct against gross business profits any annual depreciation or amortization attributable to the increased basis. If an election is not made, the business organization must add back to gross business profits any depreciation or amortization attributable to the increase in basis that is recognized federally. The fiscal impact of this change is indeterminable.

Business Enterprise Tax ("BET"). Chapter 274, Laws of 2015 also reduced the rate of the business enterprise tax to .72% for taxable periods ending on or after December 31, 2016. For taxable periods ending before December 31, 2016, the business enterprise tax rate is .75%. The tax is assessed on wages paid to employees, interest paid on debt and dividends paid to shareholders. Businesses with less than $207,000 in gross receipts and an enterprise value base of less than $103,000 are exempt from the business enterprise tax. Every business enterprise is required to make estimated tax payments due on the fifteenth day of the fourth, sixth, ninth and twelfth months of its taxable year. The business enterprise tax may be used as a credit against the business profits tax under RSA 77-A:5. Any unused portion of the credit may be carried forward and allowed against the business profits tax for five (5) taxable periods from the taxable period in which the business profits tax was paid.

For taxable periods ending on or after December 31, 2018, the business enterprise tax rate will be reduced to .675%, contingent upon combined unrestricted General and Education Trust Fund revenue of $4.64 billion being collected for the biennium ending June 30, 2017. On or about December 31, 2017, the Legislative Budget Assistant will report on whether revenue collections have met that threshold.

Several pieces of legislation adopted between 2011 and 2014 were projected to significantly reduce business tax revenue beginning in fiscal year 2014. When the legislation was adopted, the Department of Revenue Administration ("DRA") provided estimated "worst case" impacts for each change. In performing its work for the 2014-2015 operating budget, the Consensus Revenue Estimating Panel ("CREP"), created by Executive Order, reconsidered each of the legislative changes. The DRA worked with the CREP to refine the estimated impacts from worst case to what were believed to be more realistic impacts in developing budgeted revenue for the 2014-2015 biennium. More recently, in anticipation of revenue estimating for the 2016-2017 operating budget, the DRA began analyzing the actual impact of the tax law changes on fiscal year 2015 revenues in order to attribute what changes may be driving trends in revenues.

- Chapter 224:363 Laws of 2011 and Chapter 71, Laws of 2012 increased the amount of Net Operating Loss (NOL) that can be generated in a tax year from $1 million to $10 million, effective January 1, 2013. The initial 2011 DRA estimates were based on data from tax year 2009. The DRA has analyzed tax year 2013 data and estimated a potential maximum reduction in BPT revenue for fiscal year 2015 to be $36 million based on an unlikely worst case scenario because it is largely affected by a business' future profits, a business' decision to use an NOL deduction and by a business' future apportionment factor.

- Chapter 225, Laws of 2011 and Chapter 192, Laws of 2014 increased the BET credit against BPT carry forward period from 5 to 10 taxable periods, effective July 1, 2014 and applicable for taxable periods ending on or after December 31, 2014. Chapter 192, Laws of 2014 clarified the applicability of the increased carry forward and ensured there would be no fiscal impact until tax year 2020.

- Chapter 287, Laws of 2012 established the Education Tax Credit (ETC) against BPT and BET, effective June 27, 2012 with the first program year beginning January 1, 2013. The total amount of ETCs available in 2013 was $3.4 million. However, the total amount of ETCs awarded by the scholarship organization in 2013 was $117,590, all of which was used in tax year 2013. The total amount of ETCs available in 2014 was $5.1 million. However, the total amount of ETCs awarded by the scholarship organization in 2014 was $49,725, of which $43,140 was used in tax year 2014. The total amount of ETCs available for tax year 2015 was $5.1 million. However, the total amount of ETCs awarded in 2015 was $184,619 of which $145,025 was used in tax year 2015. The DRA does not yet have data as to the amount of ETC used in 2016, as tax year filings are not due until 2017, but the maximum possible revenue reduction is $328,153.

- Chapter 279, Laws of 2012 increased the BET filing thresholds effective for taxable periods ending on or after December 31, 2013 and was originally estimated to result in $3 million annual revenue reduction in fiscal years 2014 and 2015. In analyzing more recent data, the DRA estimates a reduction in BET revenue for fiscal year 2015 in the range of $1.7 million to $3.2 million. The BET filing threshold tax law change has not been further analyzed, as once a taxpayer no longer meets the threshold they no longer have a filing requirement.

- Chapter 116, Laws of 2012 changed the prospective repeal date for the Research and Development Tax Credit from July 1, 2013 to July 1, 2015 and was estimated to result in $1 million annual revenue reduction in fiscal years 2014 and 2015. Chapter 5, Laws of 2013 increased the Research and Development Tax Credit from $1 million per year to $2 million per year, and made the credit permanent. Chapter 276, Laws of 2015 increased the Research and Development Tax Credit to $7 million effective July 1, 2017. This change is expected to reduce revenue by $5 million per year beginning in fiscal year 2018.

- Chapter 279:1, Laws of 2012 increased the Internal Revenue Code §179 expense deduction from $20,000 to $25,000, effective June 21, 2012 and applicable for equipment placed in service on or after January 1, 2012. Chapter 295:4, Laws of 2016 increases the Internal Revenue Code §179 expense deduction from $25,000 to $100,000, effective January 1, 2017 and applicable for property placed in service on or after January 1, 2017. In analyzing tax year 2013 data, the DRA estimated a minimum reduction of BPT revenue for fiscal year 2015 of $7.6 million. DRA has not yet determined the impact for fiscal year 2016

- Chapter 144:124, Laws of 2013 excluded gratuitous tips from the definition of compensation under BET, effective May 20, 2013 and applicable to taxable periods beginning on or after January 1, 2013. The DRA, however, has no data or information specific to tip reporting and, therefore, was unable to determine the associated reduction in revenue.

- Chapter 207, Laws of 2011 and Chapter 71, Laws of 2013 shifted the burden of proof with respect to the BPT compensation deduction, effective June 25, 2011 and applicable to taxable periods beginning on or after January 1, 2011, and increased the recordkeeping safe harbor from $50,000 to $75,000, effective July 1, 2013. The DRA is unable to determine the reduction in revenue with respect to the burden of proof shift. The fiscal impact of the increased recordkeeping safe harbor is nominal.

Board and Care Revenue. These revenues are payments primarily from health insurers and the federal government to reimburse the State for costs of health and mental care services and board provided at State institutions, including the New Hampshire Hospital. Beginning with the budget for the 2014-2015 biennium, this revenue has been re-characterized from unrestricted to restricted within the Department of Health and Human Services ("DHHS").

Liquor Sales and Distribution. By statute, effective September 22, 2013, the Commission is under the direction of a liquor commissioner, known as the chairman of the liquor commission, appointed by the Governor with the consent of the Council. The liquor commissioner nominates a deputy commissioner for appointment by the Governor with the consent of the Council. The Commission makes all liquor purchases directly from the manufacturers and importers and operates State liquor stores in cities and towns that accept the provisions of the local option law. The Commission is authorized to lease and equip stores, warehouses and other merchandising facilities for liquor sales, to supervise the construction of State-owned liquor stores at various locations in the State, and to sell liquor at retail and to licensed restaurants, hotels and other organizations. Revenues from the State Liquor Commission are credited to the Enterprise Fund for accounting purposes and the cash flow from operations is unrestricted and deposited into the State's pooled bank accounts.

Chapter 275 of the Laws of 2015 provides that 1.7% of the previous fiscal year gross profits derived by the commission from the sale of liquor shall be deposited into the alcohol abuse prevention and treatment fund established by RSA176-A:1.

Holders of off-premises retail licenses with annual purchases of less than $350,000 continue to receive the discount of 15% less than the regular retail price at New Hampshire Liquor and Wine Outlets and 20% less than the regular F.O.B. price at the warehouse. Holders of off-premises retail licenses with annual purchases exceeding $350,000 receive a discount of 15% less than the regular F.O.B. price at the warehouse.

Tobacco Tax. Effective July 6, 1999, the cigarette tax rate increased by 15 cents to a rate of 52 cents per package of 20 cigarettes. The increase was dedicated to the Education Trust Fund. Effective July 1, 2005, the tax was increased to 80 cents per pack, and effective July 1, 2007 the tax was increased to $1.08 per pack. Smokeless and loose tobacco is generally taxed at a rate proportionate to the cigarette tax, but was not subject to the tax increase effective July 1, 2007. Effective July 1, 2008, the definition of a cigarette was changed to include any roll of tobacco wrapped in any substance containing tobacco, weighing not more than 3 lbs. per thousand, which would include the taxation of some little cigars. Effective October 15, 2008, the rate increased to $1.33 per package of 20 cigarettes. Effective July 1, 2009, the tax rate increased by 45 cents to $1.78 per package of 20 cigarettes. Chapter 144:257 of the Laws of 2009 provides that the revenue produced in excess of $1.00 per pack shall be deposited in the Education Trust Fund. Pursuant to Chapter 224:377-381 of the Laws of 2011, effective July 1, 2011, the tobacco tax rate for each pack containing 20 cigarettes was decreased from $1.78 to $1.68 per pack, the rate for each pack containing 25 cigarettes was decreased from $2.23 to $2.10 per pack, and the rate for all other tobacco products, except premium cigars, was decreased from 65.03% to 48.0% of the wholesale price.

The 2011 law decreasing the tax had a contingency provision requiring the DRA to report, on or before July 15, 2013, the amount of tobacco tax revenue received for the period of July 1, 2011 through June 30, 2013. If the DRA reported that the amount of tobacco tax revenue received for the period was below the amounts received for the period of July 1, 2009 through June 30, 2011, then, effective August 1, 2013, the tax rate for each pack containing 20 cigarettes would revert to $1.78 per pack, the tax rate for each pack containing 25 cigarettes would revert to $2.23 per pack, and the tax rate for all other tobacco products, excluding premium cigars, would revert to 65.03% of the wholesale sales price. The DRA did report that tobacco tax revenues for the period July 1, 2011 through June 30, 2013 were below revenues for the period July 1, 2009 through June 30, 2011. Accordingly, as of August 1, 2013 tobacco tax rates reverted to rates in effect on June 30, 2011; the rate remains at $1.78 per pack. An estimated increase of $10 million in tobacco tax revenue in fiscal year 2014 was expected to result from the reversion to $1.78 per package of 20 cigarettes. In fact, tobacco tax revenues increased $14.1 million from fiscal year 2013 to fiscal year 2014, from $205.9 million to $220.0 million. Tobacco tax revenues remained steady at $221.3 million in fiscal year 2015 and $226.7 million in fiscal year 2016 (unaudited).

Medicaid Enhancement Tax ("MET") Revenues. Effective July 1, 1993, the State lowered the MET rate from 8% to 6%, and effective July 1, 2007, the State lowered such tax to 5.5%. Previously, the tax was assessed against the gross patient services revenue of hospitals operating in the State. "Gross patient services revenue" was defined as the amount that a hospital records at the hospital's established rates for patient services, regardless of whether full payment of such amounts is expected or paid. As of July 1, 2005, the tax was assessed against net patient services revenue, which means the "gross charges of the hospital, less any deducted amount for bad debts, charity care and payor discounts." As of July 1, 2011, Chapter 224 of the Laws of 2011 amended the definition of "hospital" under RSA 84-A:1, III to mean general hospitals and special hospitals for rehabilitation required to be licensed under RSA 151 that provide inpatient and outpatient hospital services, but not including government facilities. The definition of "net patient services revenue" under RSA 84-A:1, IV-a was amended to include revenues received from the State's uncompensated care account and revenues received from all payers of inpatient and outpatient patient care. Effective July 1, 2014, Chapter 158 of the Laws of 2014 clarified the taxable services under the MET, declared the intent of the MET, removed the application of the MET to special hospitals for rehabilitation, provided for a tax rate reduction beginning for the taxable period ending June 30, 2016 and changed the payment and return date. Further, all revenue collected pursuant to the tax is now credited to the Uncompensated Care Fund and restricted to fund medical care for the Medicaid population. The tax payment and tax return are now due on April 15 within the taxable period.

From inception of the tax until June 30, 2010, hospitals often received payment from the State to reimburse for the provision of uncompensated care in the amount that they paid to the State in MET. The source of uncompensated care reimbursements to hospitals was approximately one-half of the MET receipts and the balance was federal disproportionate share hospital ("DSH") Medicaid funds. The other half of the tax paid by the hospitals was credited as General Fund unrestricted revenue. In fiscal year 2011, the uncompensated care payments were made under a redesigned calculation formula. However, one-half of the total tax paid by hospitals continued to be used to match federal dollars and, in the aggregate, hospitals received uncompensated care payments equal to the total tax received by the State. The operating budget for fiscal years 2012 and 2013, Chapters 223 and 224 of the Laws of 2011, kept the tax rate at 5.5% of net patient services revenue but significantly decreased the State's commitment to reimburse hospitals for uncompensated care. Certain hospitals challenged a number of legislative and agency actions since 2005 that reduced the reimbursement rates for certain Medicaid services and related payments.

Beginning in June of 2011, DRA received requests for refund or credit of the MET from 20 of the 28 hospital taxpayers for prior fiscal periods ending June 30, 2008 through June 30, 2013, totaling $109 million, and received additional refund requests from all hospitals for the fiscal year 2014 receipts of approximately $165.6 million. DRA denied $20 million of those requests related to fiscal year 2008 as being outside the statute of limitations and additionally denied $7 million in requests related to fiscal year 2012. The DRA also issued tax notices for fiscal year 2012 for $13 million.

During fiscal year 2013, the DRA reached agreements with over half of the hospitals to resolve all outstanding issues between them relating to approximately $67.6 million of the $89 million in MET refund and credit requests and $11 million of the $13 million in tax notices for fiscal years 2009 through 2013, leaving $14.4 million in refund requests and $2 million in tax notices outstanding as of June 30, 2013. As a result of the settlement agreements reached in fiscal year 2013 for fiscal years 2009 through 2013, the State received approximately $5.4 million of MET revenue and granted $3.6 million in credits to be applied in fiscal year 2014 and $3.6 million in credits to be applied in fiscal year 2015. See "RESULTS OF OPERATIONS – Fiscal Year 2013 and MEDICAID PROGRAM."

In fiscal year 2014, the State reached an agreement with 25 New Hampshire hospitals' outstanding challenges to: the constitutionality of the MET, to the majority of the claims that the hospitals had filed for refunds on their fiscal year 2014 tax payments and what remained outstanding related to fiscal years 2013 and prior years, and to Medicaid rate reductions made in previous years. The legislature approved this agreement and Senate Bill 369 was signed into law on June 30, 2014 (Chapter 158, Laws 2014). Only one hospital did not participate in the agreement. See "LITIGATION – *Catholic Medical Center et al v. DRA*." Under the agreement, the State will provide DSH payments to critical and noncritical access hospitals. Critical access hospitals will be reimbursed 75 percent of their uncompensated care costs, and noncritical care access hospitals will receive no more than 50 percent of their individual uncompensated care costs in fiscal years 2016 and 2017. The State's liability will be capped at $224 million in total payments that are shared with the federal government. Based on aggregate uncompensated care estimates, the State's liability is expected to range between approximately $45 and $95 million for the 2016-17 biennium, depending on actual levels of uncompensated care. In fiscal years 2018 and 2019, critical access hospitals would continue to be reimbursed 75 percent of their uncompensated care costs. Other acute care hospitals would receive no more than 55 percent of their uncompensated care costs, up to a cap of $241 million. The State's liability for fiscal year 2018 and 2019 is expected to range between approximately $35 million and $80 million, as compared to fiscal year 2015. The hospitals are guaranteed at least $175 million a year in DSH payments. Payments to hospitals would be contingent on MET revenues reaching agreed upon estimates. If revenues fall short of the estimates, State payments to the disproportionate share pool for noncritical access hospitals will be reduced. The State agreed to credit all money raised from the MET into a trust fund and use those funds exclusively to support Medicaid services, including funding DSH payments, hospital provider payments, and other Medicaid costs. The agreement eliminates certain freestanding rehabilitation hospitals from the MET base, and also precludes them from receiving uncompensated care payments. Through the agreement, the participating hospitals agreed they will not challenge the MET on constitutional grounds as long as the terms of the agreement are met. Additionally, the participating hospitals agreed to drop their claims for tax refunds in fiscal years 2014 and 2015 and drop their participation – and claims – in lawsuits challenging the constitutionality and application of the MET. They also agreed to drop claims in state and federal court cases challenging rate reductions made beginning in fiscal year 2008.

If future legislatures choose to cut funding, the hospitals retain the right to re-launch their litigation and the State retains all of its defenses.

As a result of the settlement reached in fiscal year 2014, the remaining refund requests outstanding as of June 30, 2014 from fiscal years 2014 and prior years are not considered material. St. Joseph's Hospital did not agree to the settlement, and on October 15, 2014, St. Joseph Hospital filed a new lawsuit challenging the constitutionality of both the 2014 changes to the MET and the previous law. The plaintiff also claimed that the revisions to the law do not apply because it paid the tax before the changes went into effect, and seeks a full tax refund for its fiscal year 2014 MET of $9,379,356. The parties entered into a settlement agreement in October 2015 under essentially the same terms as the global settlement agreement the State entered into with the other hospitals. As a result, St. Joseph has dismissed this case with prejudice. In addition, under the settlement agreement St. Joseph is barred from bringing any new claim in state or federal court or at the DRA related to the constitutionality of the MET unless the legislature fails to appropriate the requested funds agreed to in the global agreement. See also " – *Operating Budget Fiscal Years 2014 and 2015 – MET Settlement*," "MEDICAID PROGRAM" and "LITIGATION – *Frisbie Memorial Hospital et al v. Toumpas*," " – *Frisbie Memorial Hospital et al v. Sebelius*," and "– *Catholic Medical Center et al v. DRA.*"

Medicaid Enhancement Tax Estimates and Uses For Fiscal Years 2013-2016
(millions)

	FY 2013 (Actual)	FY 2013 (Budget)	FY 2014 (Actual)	FY 2014 (Budget)	FY 2015 (Actual)	FY 2015 (Budget)	FY 2016 (Budget)
Medicaid Enhancement Tax Revenues	$177.7	$213.4	$180.5	$184.8	$198.5	$190.3	$220.5
To hospitals for uncompensated care	26.7	26.7	26.6	30.9	34.5	26.3	95.9
To General Fund	69.1	104.8	0.0	0.0	0.0	0.0	0.0
To medical providers	81.9	81.9	$153.9	153.9	164.0	164.0	124.6

Fiscal year 2013 MET payments from hospitals were due in October 2012. The DHHS estimated receipt of $213.8 million in MET payments for fiscal year 2013. The State received $177.7 million in fiscal year 2013 MET payments. The fiscal year 2013 MET collections resulted in a shortfall of $35.7 million from the $213.4 million estimated when the budget was adopted. When making the October 2012 MET payments, some hospitals used a definition of net patient services revenue that varied from the definition used in previous years and excluded certain hospital services. In addition, as previously stated, the DRA received refund and credit requests for fiscal period 2013, which were immaterial.

Fiscal year 2014 MET payments from hospitals were due on October 15, 2013, but no interest or penalties were assessed if the tax were received by the State on or before October 31, 2013. The Commissioner of the DRA granted an extension to seven hospitals to make payments by December 2013. For fiscal year 2014, the State received $180.5 million in MET. The fiscal year 2014 MET collections resulted in a shortfall of $4.3 million from the $184.8 million estimated when the budget was adopted. As with fiscal year 2013, some hospitals used a definition of net patient services revenue that varied from the definition used in previous years and excluded certain hospital services. For the current status of litigation concerning MET, see "LITIGATION – *Frisbie Memorial Hospital et al v. Toumpas*," "*– Frisbie Memorial Hospital et al v. Sebelius" and " – Catholic Medical Center et al v. DRA*."

Insurance Tax. Prior to fiscal year 2008, the State imposed a tax on licensed insurance companies equal to 2% of net premiums written in the State (5% of taxable underwriting profit in the case of ocean marine insurance companies). Chapter 277 of the Laws of 2006, reduced such tax to 1.75% effective July 1, 2007, 1.5% effective January 1, 2009, and 1.25% effective January 1, 2010, and would have reduced it to 1% effective January 1, 2011 but for Chapter 1 of the Laws of 2010 Special Session which repealed the provision bringing the tax to 1%. The tax rate remains at 1.25%. This applies to all lines of insurance except accident and health insurance (RSA 401:1, IV), and insurers licensed as Health Service Corporations (RSA 420-A), Health Maintenance Organizations (RSA 420-B), and Delta Dental Plan Of NH, Inc. (RSA 420-F) which remains at 2%. Prior to 2011, ocean marine insurance was taxed on an underwriting profit basis. The purpose of the legislation was to stimulate economic growth by retaining current domestic insurers and recruiting other insurance companies to incorporate in the State. Effective for calendar year 2007, the new legislation also changed the collection of the tax from quarterly to annually on or before March 15 of each year. Under an insurance retaliatory statute, the State collects the greater of premium tax calculated by the effective New Hampshire premium tax rate or premium tax calculated by the effective tax rate of the state of which each insurer is domiciled. As of December 31, 2015, companies of 35 states having a higher premium tax rate in their domiciliary states were licensed in the State. Premium tax on unlicensed companies ranges from 2% to 4% of premiums written.

Interest & Dividends Tax. A tax of 5% is imposed on income in excess of $2,400 received from interest and dividends on stocks, bonds and other types of investments. Chapter 163 of the Laws of 1998 allows for a deduction from taxable interest and dividend income any amount equal to any cash distributions made to a qualified investment capital corporation.

Chapter 144 of the Laws of 2009 amended the Interest & Dividends Tax to treat distributions from limited liability companies, partnerships and associations as dividends subject to the tax to the same extent that distributions to corporate shareholders are taxable as dividends. This change was effective for calendar tax years beginning on or after January 1, 2009. A distribution that is a return of capital is not subject to taxation. This change in the tax was estimated to generate an additional $15 million in each of fiscal years 2010 and 2011. However, Chapter 1, Laws of the 2010 Special Session, repealed the inclusion of distributions from limited liability companies, partnerships and association as dividends subject to the Interest & Dividends Tax effective January 1, 2010, leaving such distributions received during the 2009 tax year subject to the tax.

Chapter 286 of the Laws of 2012 amended the Interest & Dividends Tax to eliminate the taxation of trusts. Under the new law, interest and dividend income received by estates held by trustees treated as grantor trustees under Section 671 of the United States Internal Revenue Code shall be included in the return of their grantor, to the extent that the grantor is an inhabitant or resident of New Hampshire. Income reported by, and taxed federally as interest or dividends to, a trust beneficiary who is an individual inhabitant or resident of New Hampshire with respect to distributions from a trust that is not treated as a grantor trust under Section 671 of the United States Internal Revenue Code shall be included as interest or dividends in the return of such beneficiary and subject to taxation in accordance with the provisions of RSA Chapter 77. This change in the tax was originally estimated to result in a reduction in revenue of $4 million to $5 million. Fiscal year 2014 Interest & Dividends Tax revenues were below those for fiscal year 2013 by approximately $13 million. In addition to the difference between the amount of tax paid by trusts ($5.1 million in tax year 2012) and the amount of tax currently paid by beneficiaries of those trusts (which is affected by a possible reduction in distributions to beneficiaries), additional exemptions and exceptions available to beneficiaries, and the exclusion of previously taxable income, other possible factors impacting the reduction of revenue include: lower interest rates; the acceleration of 2013 dividends into 2012; and non-taxable distributions resulting from conversions of S-corporations to limited liability companies. As a result, the actual impact of the 2012 Interest & Dividends Tax law change on the fiscal year 2014 and fiscal year 2015 revenues remains unknown at this time. Interest and Dividends Tax revenue increased $17.1 million from fiscal year 2014 to fiscal year 2015, from $79.8 million to $96.9 million. In fiscal year 2016, revenue declined to $87.9 million (unaudited).

Communications Tax. For the 2002-03 biennium, the communications tax was increased to a 7% aggregate tax applicable to the gross charges collected for most retail communication services. The 7% tax rate was made permanent pursuant to Chapter 319 of the Laws of 2003. Chapter 279 Laws of 2012 amended RSA 82-A to exclude internet access from the definition of communication services effective June 21, 2012. This resulted in a shortfall of $28.5 million in communication services tax revenue for fiscal year 2013. The revenue decrease caused by the elimination of internet access from the definition of communication services was factored into the determination of the revenue plan for the 2014-2015 biennium. Communications Tax revenue stabilized at $57.3 million in fiscal year 2015, the same annual total as fiscal year 2013, but substantially less than $79.3 million in fiscal year 2012, prior to the law change. In 2016, revenue continued its recent slide to $52.4 million (unaudited).

Real Estate Transfer Tax. The real estate transfer tax was first enacted in 1967. Chapter 17 of the Laws of 1999 increased the permanent tax rate assessed on the sale, granting, and transfer of real estate and any interest in real estate from $.50 per $100 to $.75 per $100, or fractional part thereof, of the price or consideration effective

July 1, 1999. The increase has been dedicated to the Education Trust Fund. This rate is assessed on both the buyer and the seller for the combined tax rate of $1.50 per $100. Where the price or consideration is $4,000 or less, there is a minimum tax of $20 assessed on both the buyer and seller. Pursuant to Chapter 179 of the Laws of 2011, the buyer and seller must each file a separate Declaration of Consideration (Form CD-57) with the DRA. Effective July 1, 2008, an additional $25 fee was legislated to be assessed for the recording of each deed, mortgage, mortgage discharge, or plan. This assessment is recorded with the Land and Community Heritage Investment Program ("LCHIP") stamp. Chapter 144 of the Laws of 2009 requires that 50% of the revenue received from the $25 LCHIP stamp in fiscal year 2011 be credited to the General Fund. Chapter 224:3, Laws of 2011, provides that $120,000 in each of fiscal years 2012 and 2013 are credited to the LCHIP administrative fund. The balance of all recording surcharge fees collected shall be credited to the General Fund. For the 2014-2015 biennium, all revenues from the $25 fee were again dedicated to the LCHIP program. In fiscal year 2016, real estate transfer tax revenue was $134.3 million (unaudited), an increase of $16.7 million from $117.6 million in fiscal year 2015.

Court Fines and Fees. The Unified Court System was established during the 1984-1985 biennium. Prior to July 1, 2009 fines and fees collected by the various components of the court system were credited to the General Fund. Effective July 1, 2009, pursuant to Chapter 144 of the Laws of 2009, motor vehicle fines collected at the court are credited as unrestricted revenue to the Highway Fund, while fines collected through the plea by mail program are credited as restricted Highway Fund revenue. Effective July 1, 2013, pursuant to RSA 262:44-I, fines collected through the plea by mail program are credited as restricted agency income to the Department of Safety. All fines, fees and surcharges imposed and collected by the various components of the court system are credited to various funds depending upon the law involved. Approximately 54% of revenues collected are credited to the General Fund, 30% to the Highway Fund and 16% to restricted funds.

Statewide Education Property Tax. The State imposes an education property tax at the rate on each $1,000 of the equalized value of real estate in order to raise $363.0 million. The statewide education property tax was established in 1999 in response to litigation challenging the State's method of financing public schools. Since 1999, when the tax rate was established at $6.60 per $1,000, the State has periodically reduced the tax rate as real property valuations have risen. In addition, for fiscal years after June 30, 2004, the law requires the Commissioner of the DRA to set the education property tax rate at a level sufficient to generate $363.0 million.

Utility Property Tax. Chapter 17 of the Laws of 1999 also established a statewide tax on utility property. A tax is imposed upon the value of utility property at the rate of $6.60 on each $1,000 of such value. The proceeds from this tax have been dedicated to the Education Trust Fund.

Electric Consumption Tax. The franchise tax on electric utilities was replaced in fiscal year 2001 with a tax on electricity consumption. A tax is imposed on the consumption of electricity at the rate of $.00055 per kilowatt hour. Consumers who are customers of municipal providers are exempt from the tax.

Beer Tax. The State Liquor Commission charges permit and license fees for the sale of beer through manufacturers, wholesalers and retailers plus a tax on beer sold by such manufacturers and wholesalers for resale and by manufacturers at retail at the rate of 30 cents per gallon. If a mandatory beverage container deposit requirement is enacted, the current statute requires the beer tax to be reduced to 18 cents per gallon.

Securities Revenue. Broker dealers and investment advisors are required to pay various registration, license or annual fees to conduct business in the State. Additionally, fees are charged for registrations of securities and mutual funds to be offered in the State.

Racing and Charitable Gaming Revenue. The operation of greyhound, harness and thoroughbred racing in the State is conducted under the supervision of the New Hampshire Racing and Charitable Gaming Commission as are Bingo and Lucky 7, games of chance. On games of chance, the State receives a blended rate between 3% and 10% of revenues in addition to fixed fees on Bingo and Lucky 7. The State now imposes a tax ranging from 1% to 1.25% of the contributions plus one-quarter of the breakage of all simulcast harness and thoroughbred racing pari-mutuel pools. For simulcast greyhound racing pari-mutuel pools, the tax is 1.5% of contributions plus one-quarter of the breakage. Live racing is no longer conducted in the State.

Other. This revenue category includes over 200 individual types of fees, fines, assessments, taxes and income. These revenues are reported in the following seven broad subcategories: reimbursement of indirect costs; interest on surplus funds; corporate filing fees; escheatment of abandoned property; corporate record fees; agricultural fees; and miscellaneous.

The State also derives substantial revenues from federal grant programs and certain independent divisions or activities of State government which operate in whole or in part from revenues collected from users. In some cases these revenues are restricted by statute for use by specific agencies. The following are the principal sources of restricted revenues derived by the State:

Lottery Receipts. The State conducts daily and weekly lotteries and instant games throughout the State through tickets sold by or on behalf of the Lottery Commission in State liquor stores, at horse and dog tracks (where only simulcast racing occurs currently) and at authorized retail outlets in the State. In addition, the State together with the states of Maine and Vermont operates a tri-state lotto. Beginning November 1995, the State became a participant in the multistate Powerball lottery. Revenues are initially recorded in the Lottery Enterprise Fund and are netted with expenses and transferred monthly to the Education Trust Fund.

Turnpike System Tolls. The State collects tolls and charges for the use of the Turnpike System. Toll revenues are credited to the Turnpike System Enterprise Fund with the restriction that these revenues be used to pay expenses of operation and maintenance of the Turnpike System and debt service on bonds or notes issued for Turnpike System purposes.

Fuel Tax. The State imposes a user fee upon the sale of each gallon of motor fuel sold in the State at the rate of $0.222 per gallon (the "road toll"), 4 cents per gallon for aviation fuel, 2 cents per gallon for private jet fuel, and 0.5 cents for jet fuel Part 121. The proceeds of the road toll are credited to the Highway Fund for highway purposes and uses. Of this amount, $0.0264 of the road toll is allocated to a separate account in the Highway Fund, the Highway and Bridge Betterment Account. Effective July 1, 2014, Chapter 17 of the Laws of 2014 increased the road toll by $0.042 from $0.18 to $0.222 per gallon. All revenue associated with the increase in rate, projected to generate approximately $34 million annually, is restricted for paving and bridge work, municipal block grant aid, municipal bridge aid, and funding to pay debt service on bonds to be issued to complete the I-93 Salem to Manchester widening project. Chapter 17 of the Laws of 2014 and as amended by Chapter 276:210 and 276:211, Laws of 2015 (SB367) authorized $200 million in general obligation bonds for this purpose. Subsequent legislation specifically authorized a federal Transportation Infrastructure Finance and Innovation Act ("TIFIA") loan as an alternative to a traditional general obligation bond issue including, without limitation, a pledge of the revenue collected from adjustments under RSA 260:32-a for rates that exceed $0.18 per gallon less required distributions under RSA 235:23, I, on said revenues. On May 24, 2016, the State entered into the TIFIA financing agreement to fund the construction of the remaining portions of the I-93 project. The loan, established with a very favorable 1.09% rural interest rate, will fund $200 million in projects on the I-93 corridor from Salem to Manchester, New Hampshire. The debt service payments are funded by a portion of the revenue collected from the increase in the road toll that was effective July 1, 2014. The road toll increase pursuant to Chapter 17 of the Laws of 2014 will expire once all debt service payments for the I-93 project have been made and the financing is fully amortized (June 2034). See "STATE INDEBTEDNESS – Debt Statement."

Federal Receipts. The State receives funds from the federal government which represent reimbursement to the State for expenditures for various health, welfare, transportation and educational programs and distribution of various restricted or categorical grants-in-aid. Federal grants-in-aid and reimbursements are normally conditioned to some degree on matching resources by the State. The largest categories of federal grants and reimbursements are made for the purposes of providing medical assistance payments for the indigent and medically needy, temporary assistance for needy families, and transportation and highway construction programs. Transportation related match resources by the State are primarily non-cash Turnpike toll credits. On December 4, 2015, President Obama signed into law the Fixing America's Surface Transportation Act, or "FAST Act" - the first Federal law in over ten years to provide long-term funding certainty for surface transportation. The FAST Act authorizes $305 billion over federal fiscal years 2016 through 2020 for the US Department of Transportation's highway, highway and motor vehicle safety, public transportation, motor carrier safety, hazardous materials safety, rail, and research, technology and statistics programs. The federal fiscal year 2017 distribution of obligation limitation for the period beginning on October 1, 2016, and ending on December 9, 2016, has been made pursuant to the Continuing Appropriations

Resolution, 2017 P.L. 114-223. This equates to approximately 19.18% or $28.9 million for the State pending further continuing appropriations resolution or enactment of a full-year appropriations act. The State has sought to mitigate the risks associated with the uncertainty of the continued funding of the HTF by monitoring and potentially deferring federally funded infrastructure projects.

In addition to the taxes and activities described above, there are various taxes the revenues from which are available only to political subdivisions of the State. Such taxes are either collected by the political subdivisions directly or are collected by the State and distributed to the political subdivisions. Such taxes include a real and personal property tax, a resident tax, and a forest conservation tax based on the stumpage value of timber lands.

Federal Sequestration. Certain federal funding received by the State has been adversely impacted by implementation of certain provisions of the federal Budget Control Act of 2011 (the "Budget Control Act"), that was signed into law by the President on August 2, 2011. The Joint Select Committee on Deficit Reduction failed to reach an agreement on the deficit reduction actions as required by the Budget Control Act and, as a result, sequestration—a unique budgetary feature of the Budget Control Act—was triggered. No legislative action was taken by Congress prior to March 1, 2013 and, accordingly, implementation of sequestration began on March 1, 2013 resulting in cancellation of $85 billion in federal appropriations through the end of federal fiscal year 2013 (September 30, 2013). When federal fiscal year 2014 began on October 1, 2013, no federal appropriations bills had been enacted for the fiscal year, so the federal government experienced a partial shutdown. Due to remaining balances from prior years' federal grant awards and usage of State funds where allowed, the partial shutdown did not have a material effect on federally-funded programs and employees in the State's budget. The federal shutdown did not have any significant impact on other State revenues. The federal shutdown ended on October 16, 2013 with the passage of H.R. 2775 which provided appropriations retroactively back to October 1, 2013 through January 15, 2014. For the most part, this agreement provided appropriations for the first 3.5 months of federal fiscal year 2014 based on prorated federal fiscal year 2013 post-sequestration appropriations with a few exceptions; however the spending caps of sequestration are still in place.

Sequestration has and will adversely affect the availability of certain federal funds received annually by the State. Some of the largest sources of federal revenues for the State, however, such as Medicaid reimbursements, which were budgeted at approximately $1.45 billion dollars over the 2014-2015 biennium, and federal aid to highways, which was budgeted at approximately $380 million dollars over the 2014-2015 biennium, are generally exempt from sequestration. Exclusive of Medicaid and federal transportation dollars, the State has budgeted approximately $1.7 billion in total in federal funds over the 2016-2017 biennium.

Due to continued uncertainty at the federal level, the complete effects of sequestration on the State are still uncertain. Based on guidance relative to sequestration that State agencies have received from their federal counterparts, these agencies have identified specific reductions to certain federally funded programs. These reductions are distributed throughout approximately 50 individual programs identified, with the impact to each individual program being reductions ranging from 1% to 15%. These reductions will be managed by State agencies in a variety of ways - through delays in the hiring open positions, location of alternative funding sources, reductions in program operating expenditures, and reductions in program grants and benefits awarded. While no State positions appear to be in jeopardy, there may be sub-grantee positions lost as a result of these reductions.

The State has a total of five outstanding bond issues which are impacted by a reduction in interest payment subsidies received due to the effects of sequestration. Beginning in state fiscal year 2014 and through state fiscal year 2016, the State experienced a shortfall in annual interest payment subsidies in aggregate as shown in the following table.

State Fiscal Year	Amount Requested	Amount Received	Difference
2014	$6,802,716	$6,291,604	$(511,112)
2015	6,802,716	6,306,118	(496,598)
2016	6,802,716	6,333,026	(469,690)

As it has done in prior years, the State applied other moneys in the General Fund, Turnpike System and Federal Highway Trust Fund to make up for the reduced federal subsidy payments in fiscal year 2016, and expects to do the same for the reduced subsidies in future fiscal years.

The State cannot predict at this time what total impacts sequestration will have on the State as a whole. The State will likely face reduced federal grant awards in future years as a result of overall efforts to control federal spending. Longer term, adverse effects may also arise due to the economic impacts of reduced federal spending in New Hampshire and New England, including reduced federal funds for research and defense related work and other activities that now receive federal funds.

Expenditures

Expenditures are charges against appropriations for the expenses related to specific programs of individual departments and related subunits of the State government. Expenditures are accounted for by specific classes of expenses, such as personnel, supplies and equipment, within those programs. Statewide expenditures are grouped into the six categories described below.

General Government includes the legislative branch, office of the Governor and executive staff departments.

Administration of Justice and Public Protection includes the judicial branch, correctional and state police activities and those expenses relating to regulatory boards established to protect persons and property.

Resource Protection and Development includes the operation of State parks, the promotion of economic development, environmental protection and the management of wildlife resources.

Transportation includes design, construction and maintenance of highways and bridges, the operation of the Turnpike System and the Public Works Department and management of other transportation activities.

Health & Social Services includes programs for individuals who are physically, mentally and/or economically unable to provide essential needs for themselves. Programs include those for institutional and community-based care and mental health, programs for troubled youth, programs for the elderly and programs to support economically disadvantaged and chemically dependent individuals.

Education includes management and administration of statewide primary and secondary education and support of public post-secondary educational institutions, both academic and technical.

Results of Operations

Fiscal Year 2012

The General and Education Trust Fund revenues for fiscal year 2012 met budgeted estimates of $2.2 billion. While total revenues were substantially the same as the estimates, several revenue sources varied from their individual plans. The largest underperformer was the total category of MET and Medicaid Recoveries which was $22.2 million, or 23% lower than plan. This was offset by the net increase of all other unrestricted revenue categories which over performed, the primary contributors were business taxes ($13.1 million or 2.6% above plan), meals and rooms tax ($10.2 million or 4.5% above plan) and the utility property tax ($4.9 million or 17.4% above plan). Offsetting these favorable performers, tobacco tax ($8.6 million or 3.8%), transfers from the Liquor Commission ($3.8 million or 2.9%) and the Lottery ($3.2 million or 4.6%), underachieved estimates.

Net appropriations exceeded budget estimates by $21.8 million, or less than one percent. The plan, $2,254.5 million, including $7.3 million in net reductions under House Bills 1 and 2, was not achieved. In addition, final lapses of $40.2 million were $3.0 million lower than the plan of $43.2 million, resulting in total net appropriations $25.0 million higher than estimated. Closing adjustments, made in accordance with GAAP to bring budgetary accounting basis to the modified accrual reporting basis, totaled $40.2 million and were $34.6 million more favorable than plan. These are reflective of lower adjustments for year-end liabilities in fiscal year 2012, primarily related to the reversal of a higher than normal payroll accrual in fiscal year 2011 that reduced payroll accruals at June 30, 2012 by $12 million. The fluctuation between years results from 27 pay periods occurring in fiscal year 2012.

Non-recurring year end accruals totaling $14 million related to payables for a Medicaid plan amendment and State retirement contributions were made on a GAAP basis in fiscal year 2011 but paid and reversed in fiscal year 2012. The General Fund portion of year-end Medicaid liabilities was approximately $10 million lower than in fiscal year 2011. June 30, 2012 unassigned fund equity (surplus), exclusive of the $9.3 million Revenue Stabilization Reserve Account, totaled $13.8 million, for total Unassigned General Fund equity of $23.1 million compared to an estimated $13.6 million deficit. This represents a net favorable variance at June 30, 2012 of $36.7 million when compared to the budget as adopted.

Fiscal Year 2013

The fiscal year 2013 budget as adopted in 2011 assumed the State would start the year with an unassigned general fund deficit of $14.1 million. The fiscal year 2013 budget also assumed that the State would make up the deficit during the year and would end fiscal year 2013 with approximately $0.6 million available to be transferred to the Rainy Day Fund as of June 30, 2013. Additionally, the fiscal year 2013 budget assumed that $10 million, to be generated by the sale of the State's Lakes Region Facility by the end of the fiscal year, would be deposited directly to the Rainy Day Fund.

In June 2013, the Legislature updated certain projections for fiscal year 2013. The unassigned general fund balance at the start of fiscal year 2013 was updated to the actual fiscal year 2012 surplus of $13.8 million. Revenue, expenditures and other adjustments estimates were also updated and the State was then-projected to end fiscal year 2013 with an unassigned general fund equity balance of approximately $56.9 million. In addition, the projected Rainy Day Fund balance was updated to remain at $9.3 million – the level at which it has remained since the end of fiscal year 2009 – because the net proceeds from the sale of the Lakes Region Facility were removed from the projection and, pursuant to Chapter 144:135, Laws 2013, any remaining surplus as of June 30, 2013 would not be deposited to the Rainy Day Fund.

The unassigned general fund balance, comprising the Rainy Day Fund balance of $9.3 million and other undesignated fund balance of $72.2 million, ended the year at $81.5 million. The undesignated fund balance was $15.3 million higher than the amount projected in the fiscal years 2014-2015 budget adopted in June 2013.

Unrestricted revenue for the General and Education Trust Funds received during fiscal year 2013 totaled $2,275.6 million which was above the fiscal year 2013 budget by $45.7 million and $4.2 million lower than the revised estimate made in June 2013.

- The favorable results as compared to the fiscal year 2013 budget resulted, in part, from one-time settlements received during the year. An additional $20.8 million of Tobacco Settlement revenue was received during fiscal year 2013 (see "LITIGATION – *State of New Hampshire v. Philip Morris USA, RJ Reynolds, Inc. and Lorillard Tobacco Company"*), as well as approximately $9 million from the Methyl tertiary-butyl ether ("MtBE") settlement. Additionally, the following taxes performed better than expected: Business Taxes by $33.7 million; Meal and Rooms Taxes by $14.1 million; and Real Estate Transfer Taxes by $12.2 million. The MET was below the fiscal year 2013 budget by approximately $35.7 million primarily as a result of hospitals reporting less than projected net patient services revenues, Tobacco Tax was below the fiscal year 2013 budget by approximately $13.1 million which was primarily the result of the decreased tax rate effective during fiscal year 2013 (the rate reduced on July 1, 2011 from $1.78/pack of cigarettes to $1.68/pack) and Communications Taxes were significantly below the fiscal year 2013 budget by $25.0 million primarily as a result of the change in the law which excluded certain internet services from the taxable base. The State's other remaining revenue sources combined were approximately $29.7 million above the fiscal year 2013 budget.

Net General Fund and Education Fund appropriations exceeded the fiscal year 2013 budget estimates by $10.1 million, or approximately 0.5%. The fiscal year 2013 budget of $2,215.2 million included approximately $7.8 million in net reductions under House Bills 1 and 2 that were not achieved during the fiscal year. Appropriations authorized after the passage of the fiscal year 2013 budget via new legislation or existing laws were approximately $19.3 million; however, lapses were approximately $17.0 million higher than expected.

Total closing adjustments made in accordance with GAAP to bring the budgetary accounting basis to the modified accrual accounting basis totaled $8.1 million for fiscal year 2013. Significant adjustments included a benefit of approximately $11.1 million related the Abandoned Property Escheat Revenue which was partially related to the refinement of the revenue calculation ($6 million) and the remaining increase ($5 million) was related to the increased value of the abandoned property assets. Additional GAAP adjustments were recorded to recognize a deficit in the Capital Fund related to the sale of the Community College System Stratham Property ($2.8 million) and other GAAP adjustments totaled a net decrease of $.2 million.

Fiscal Year 2014

The fiscal year 2014 budget as adopted in 2013 (the "Fiscal Year 2014 Budget") assumed the State would start the year with an unassigned general fund surplus of $56.9 million and a Rainy Day Fund balance of $9.3 million. However, the State began fiscal year 2014 with an unassigned surplus of $72.2 million, an increase of $15.3 million, and a Rainy Day Fund balance of $9.3 million. Accordingly, the unassigned general fund balance, comprising the Rainy Day Fund balance of $9.3 million and other undesignated fund balance of $72.2 million, ended fiscal year 2013 at $81.5 million.

Unrestricted revenue for the General and Education Trust Funds received during fiscal year 2014 totaled $2,173.2 million which was above the revised fiscal year 2014 budget by $3.8 million and $102.4 million lower than fiscal year 2013. Note: The original fiscal year 2014 unrestricted revenue budget as passed in 2013 ($2,241.6 million) included $72.2 million of MET revenue which was redirected to the DHHS as a restricted revenue pursuant to Chapter 158, Laws of 2014, which passed in June 2014. The revised fiscal year 2014 Revenue budget was $2,169.4 million.

- The net favorable results as compared to the revised fiscal year 2014 budget resulted from favorable and unfavorable changes within many of the revenue categories. Revenues that performed better than the revised budget included: Meals and Rooms Taxes by $10.5 million (4%), Insurance Taxes $8.1 million (9%), Tobacco Taxes $5.4 million (3%) (Note: the tobacco tax rate increased on August 1, 2013 from $1.68/pack of cigarettes to $1.78/pack), and Real Estate Transfer Taxes $3.9 million (4%). Revenues that performed below the revised budget included: Business Taxes by $11.5 million (2%) and Interest and Dividends Taxes $16.3 million (17%). The State's other remaining revenue sources combined were approximately $3.7 million above the revised fiscal year 2014 budget.

- The reported $102.4 million (4.5%) revenue reduction as compared to fiscal year 2013 resulted primarily from one-time settlements received during fiscal year 2013 and changes made to the Fiscal Year 2014 Budget.

    - One-time revenues received in fiscal year 2013 included an additional $20.8 million of Tobacco Settlement revenue was received during fiscal year 2013 (see "LITIGATION – *State of New Hampshire v. Philip Morris USA, RJ Reynolds, Inc. and Lorillard Tobacco Company"*), as well as approximately $9 million from the MtBE settlement.

    - The Fiscal Year 2014 Budget changed how the board and care revenue and certain drug rebate revenue was recognized by the DHHS from an unrestricted revenue to a restricted revenue (reduction of $26.4 million for Board & Care and approximately $6.2 million for drug rebates). Additionally, Chapter 158 Laws 2014, directed 100% of the fiscal year 2014 MET revenue to the DHHS whereas $69.1 million had been recognized as unrestricted revenue in fiscal year 2013.

- Accordingly, excluding the significant one-time revenues received in fiscal year 2013 which were not received in fiscal year 2014 and excluding the Fiscal Year 2014 Budget changes to Board & Care, Drug Rebates and MET revenues, the remaining unrestricted revenues increased approximately $29 million or 1.3%. Meals and Rooms Taxes increased $13.3 million (5%), Tobacco Taxes increased $14.2 million (7%), Real Estate Transfer Taxes increased $7.4 million (8%), Interest & Dividends Taxes decreased $13.2 million (14%), and all other variances were approximately $7.3 million favorable (net).

Net General Fund and Education Fund appropriations included in the original fiscal year 2014 budget, $2,271.1 million, were revised in June 2014 to $2,198.9 million as a result of Chapter 158, Laws of 2014, which directed 100% of the MET to the DHHS as a restricted revenue ($72.2 million of MET revenue was changed from unrestricted to restricted). As compared to the revised fiscal year 2014 budget, net appropriations in fiscal year 2014 of $2,205.3 million were approximately $6.4 million unfavorable. Approximately $4.3 million in net reductions under House Bills 1 and 2 were not achieved during the fiscal year and appropriations authorized after the passage of the Fiscal Year 2014 Budget via new legislation or existing laws were approximately $11.6 million. However, lapses were approximately $9.4 million higher than expected. Net appropriations are reported as approximately $20 million lower than the fiscal year 2013 net appropriations of $2,225.3 million; however, if fiscal year 2013 is reduced ('normalized') for the fiscal year 2013 board and care, drug rebates and MET revenues which were changed from unrestricted to restricted revenues in fiscal year 2014, net appropriations in fiscal year 2014 increased approximately $81.7 million (3.8%) from approximately $2,123.6 million in fiscal year 2013.

Total closing adjustments made in accordance with GAAP to bring the budgetary accounting basis to the modified accrual accounting basis totaled $17.4 million for fiscal year 2014. GAAP and other adjustments were not budgeted in fiscal year 2014. The most significant GAAP and other adjustments affecting fiscal year 2014 were the result of an increase in the Medicaid liability required as of June 30, 2014. A General Fund GAAP adjustment of approximately $17.5 million was required for unpaid liabilities to providers and managed care organizations as well as the incurred but not reported liabilities. The remaining GAAP and other adjustments totaled a net decrease (favorable) of $0.1 million. The fiscal year 2014 GAAP and other adjustments were approximately $25.5 million higher than fiscal year 2013 ($8.1 million).

For information regarding the audit for fiscal year 2014, see "FINANCIAL STATEMENTS."

Fiscal Year 2015

The fiscal year 2015 budget as adopted in 2013 assumed the State would start the year with an unassigned general fund surplus of $26.8 million and a Rainy Day Fund balance of $9.3 million. The fiscal year 2015 budget also assumed the State would spend down that surplus during the year and end fiscal year 2015 with only the Rainy Day Fund balance of $9.3 million.

In June 2015, the Legislature updated certain projections for fiscal year 2015. The unassigned General Fund balance at the start of fiscal year 2015 was updated to the actual fiscal year 2014 ending surplus of $21.9 million. Revenue, expenditures and other estimates were also updated and the State was then projected to end fiscal year 2015 with an unassigned General Fund equity balance of approximately $49 million which was to be carried forward in the General Fund to be used in fiscal year 2016, as set forth in Chapter 276:43, Laws of 2015. In addition, the Rainy Day Fund balance was projected to be increased to $23.8 million by a $14.5 million transfer into the fund. The State ended fiscal year 2015 transferring $13 million into the Rainy Day Fund. Thus the actual total General Fund unassigned fund balance, comprised of a Rainy Day Fund balance of $22.3 million and another unassigned fund balance of $49 million, at June 30, 2015 was $71.3 million, which was $62 million above the fiscal year 2015 budget and $1.5 million below the June 2015 estimate.

Unrestricted revenue for the General and Education Trust Funds received during fiscal year 2015 totaled $2,266.7 million which was above the fiscal year 2015 budget by $46.9 million and $93.5 million higher than fiscal year 2014. Note: The original fiscal year 2015 unrestricted revenue budget as passed in 2013 ($2,241.6 million) included $73.7 million of MET revenue which was redirected to the DHHS as restricted revenue pursuant to Chapter 158, Laws of 2014, which passed in June 2014. The revised fiscal year 2015 Revenue budget was $2,219.8 million.

- The net favorable ($46.9 million) total revenue results as compared to the revised fiscal year 2015 budget resulted from favorable and unfavorable changes within many of the revenue categories. Revenues that performed better than the revised budget included: Meals and Rooms Taxes by $16 million (6%), Insurance Taxes $5.1 million (6%), Tobacco Taxes $12.7 million (6%), Real Estate Transfer Taxes $15.4 million (16%), and Utility Property Tax by $5.6 million (16%). Revenues that performed below the revised budget included: Business Taxes by $6.5 million (1%), Interest and Dividends Taxes $1.1 million (1%) and Communications Tax by $5.2 million (8%). The State's other remaining revenue sources combined were approximately $4.9 million above the revised fiscal year 2015 budget.

- The reported $93.5 million increase in revenue as compared to fiscal year 2014 resulted primarily from strong performances in taxes typically correlated with overall economic conditions in the state: Over the prior year, Business Taxes increased $12.1 million (2%), Meals and Rooms Taxes increased $19.5 million (8%), Real Estate Transfer Taxes increased $16.8 million (17%), Interest & Dividends Taxes increased $17.1 million (21%), Insurance Premium Taxes increased $19.6 million (21%), and all other variances were approximately $8.4 million favorable (net).

Net General Fund and Education Fund appropriations included in the original fiscal year 2015 budget, $2,319.4 million, were revised in June 2014 to $2,245.7 million as a result of Chapter 158, Laws of 2014, which directed 100% of the MET to the DHHS as restricted revenue ($73.7 million of MET revenue was changed from unrestricted to restricted). As compared to the revised fiscal year 2015 budget, total net appropriations in fiscal year 2015 of $2,205.2 million were approximately $40.5 million favorable. This favorable variance was due to lapses that were approximately $29.5 million higher than expected and final appropriations net of estimated revenues that were $11 million lower than the revised budget. The lower appropriations net of estimated revenues were caused by executive order appropriation reductions of $18.3 million and timing variances on recognition of budgeted reductions of $9.3 million, which were partially offset by $16.6 million of appropriations authorized after the passage of the fiscal year 2015 budget. Total net appropriations are reported as approximately $0.1 million lower than the fiscal year 2014 net appropriations of $2,205.2 million; however, lapses in fiscal year 2015 were $22 million higher than in fiscal year 2014. Appropriations net of estimated revenues were $21.9 million (1%) higher in fiscal year 2015 than those in fiscal year 2014.

Net unfavorable closing adjustments made in accordance with GAAP to bring the budgetary accounting basis to the modified accrual accounting basis totaled $20.5 million for fiscal year 2015. GAAP and other adjustments were not budgeted in fiscal year 2015. The most significant of the GAAP and other adjustments affecting fiscal year 2015 were the result of an increase in the State's share of Medicaid liability required as of June 30, 2015. A General Fund GAAP adjustment of approximately $26.9 million was required for unpaid liabilities to providers and managed care organizations as well as the incurred but not reported liabilities. Partially offsetting this unfavorable variance was the remaining GAAP and other adjustments which were net favorable by approximately $6.4 million, including $3.4 million of additional escheatment revenue. The fiscal year 2015 GAAP and other adjustments were approximately $3 million higher than fiscal year 2014 ($17.5 million). Additionally, $0.9 million was transferred as budgeted to the Fish & Game fund during fiscal year 2015.

For information regarding the audit for fiscal year 2015, see "FINANCIAL STATEMENTS."

Fiscal Year 2016

The fiscal year 2016 budget as adopted in 2015 assumed the State would start the year with an unassigned general fund surplus of $49.0 million and a Rainy Day Fund balance of $23.8 million. Fiscal year 2016 did begin with the projected balance of $49.0 million, but the Rainy Day Fund balance was short of the estimate by $1.5 million, at $22.3 million. The results of revenue, expenditures and other estimates for fiscal year 2016 were expected to bring the unassigned General Fund surplus down by $15.5 million, to $32.9 million, with the Rainy Day Fund balance expected to remain unchanged during fiscal year 2016. However, according to the preliminary draft unaudited results, the fiscal year ended with an undesignated General Fund surplus of $130.2 million and a Rainy Day Fund balance of $53.0 million, for a total unassigned balance of $183.2 million.

These positive variances were caused by a number of factors, foremost being that actual combined General Fund and Education Trust Fund unrestricted revenues for fiscal year 2016 exceeded plan amounts by $149.3 million. Traditional unrestricted revenue (unaudited) for the General and Education Trust Funds received during fiscal year 2016 totaled $2,440.4 million which was above the fiscal year 2016 Plan of $2,291.1 million by 6.5%. The favorable results as compared to the fiscal year 2016 budget resulted, in part, from the following taxes which performed better than expected: Business Taxes by $117.4 million (20.7%); Meal and Rooms Taxes by $8.3 million (2.8%); Insurance Taxes by $5.1 million (4.3%); Tobacco Taxes by $3.9 million (1.8%); and Real Estate Transfer Taxes by $16.0 million (13.5%). Interest and Dividends Taxes were below the fiscal year 2016 budget by approximately $5.2 million (5.6%) and Communications Taxes were below the fiscal year 2016 budget by $5.7 million (9.8%). The State's other remaining revenue sources combined were approximately $10.2 million above the fiscal year 2016 budget.

In addition to the strong performance of traditional revenue collections, the State also experienced a positive variance in the results of the tax amnesty program conducted during a portion of fiscal year 2016 for all taxes collected by the Department of Revenue Administration. The program was expected to generate $16 million above traditional revenue collections, however actual receipts were approximately $19 million or $3 million more than originally estimated. Also, not reflected in the traditional unrestricted revenue total above is a one-time settlement received during the year of $307.2 million from the MtBE settlement (see LITIGATION – *State of New Hampshire v. Amerada Hess, et al*). Of this, $30.7 million was transferred to the Rainy Day Fund in accordance with RSA 7:6-e, and the remaining $276.5 million will be held as a component of restricted fund balance, to be administered as the newly established NH Drinking Water and Groundwater Trust fund in accordance with Senate Bill 380 (Chapter 11, 2016 session).

Unaudited net General Fund and Education Fund appropriations exceeded the fiscal year 2016 budget estimates by $16.2 million (0.7%). The fiscal year 2016 budget of $2,327.9 million included approximately $46.7 million in anticipated lapses that were not achieved during the fiscal year, with actual lapses according to the unaudited results coming in at $40.3 million for a difference of $6.4 million. Appropriations authorized after the passage of the fiscal year 2016 budget via new legislation or existing laws made up the remainder of the increase in net appropriations.

Unaudited net unfavorable closing adjustments made in accordance with GAAP to bring the budgetary accounting basis to the modified accrual accounting basis totaled $33.4 million for fiscal year 2016. GAAP and other adjustments were not budgeted in fiscal year 2016. The most significant of the GAAP and other adjustments affecting fiscal year 2016 was the recording of the $10.4 million liability and expense as a result of the expected resolution of the City of Dover v. State of New Hampshire litigation, representing payment of the entire amount of education adequacy aid withheld due to the cap. Also significant was the increase in the State's share of Medicaid liability required as of June 30, 2016. A General Fund GAAP adjustment of approximately $9.6 million was required to recognize liabilities that have been reported or billed and not yet paid to providers and managed care organizations, as well as liabilities incurred by the same providers and organizations during the same period but not yet reported. The remainder of this unfavorable variance was due to smaller scale increases in other areas, including accounts payable and accrued payroll, due largely to the timing of payments.

The preliminary unaudited results show that the total unassigned General Fund balance at the close of fiscal year 2016 is $183.2 million, consisting of $130.2 million of undesignated fund balance and $53.0 million in the Rainy Day Fund. Per Ch. 264:5, Laws of 2016, to the extent that fiscal year 2016 audited financial results confirm that unrestricted General Fund and Education Trust Fund revenues exceeded plan, an amount not to exceed $40 million will be transferred to the Revenue Stabilization Reserve Account. If fiscal year 2016 preliminary unaudited results stand, these revenues will have exceeded plan by $149.3 million, therefore $40 million would be transferred into the Rainy Day Fund, bringing that balance to $93 million, and the $130.2 million undesignated balance would drop to $90.2 million that would remain in the General fund, exceeding the anticipated budget balance of $32.9 million by $57.3 million.

The following tables present a comparison of General Fund and Education Trust Fund unrestricted revenues for fiscal years 2012 through 2016 and General Fund and Education Trust Fund net appropriations for fiscal years 2012 through 2016. The information for fiscal years 2012 through 2015 is derived from the State's audited financial statements. The fiscal year 2016 information is unaudited and subject to change.

GENERAL AND EDUCATION TRUST FUND UNRESTRICTED REVENUES
FISCAL YEARS 2012-2016
(GAAP Basis - In Millions)

	FY 2012			FY 2013			FY 2014			FY 2015			Unaudited FY 2016		
Revenue Category	General	Education	Total	General	Education	Total	General	Education	Total	General	Education	Total	General	Education	Total
Business Profits Tax	$256.5	$55.3	$311.8	$267.1	$56.7	$323.8	$271.7	$58.4	$330.1	$282.4	$61.1	$343.5	$343.4	$74.2	$417.6
Business Enterprise Tax	68.5	135.8	204.3	78.3	149.7	228.0	73.0	146.5	219.5	71.9	146.3	218.2	85.3	181.0	266.3
Subtotal	325.0	191.1	516.1	345.4	206.4	551.8	344.7	204.9	549.6	354.3	207.4	561.7	428.7	255.2	683.9
Meals & Rooms Tax	231.8	7.6	239.4	241.2	7.2	248.4	254.0	7.7	261.7	272.7	8.5	281.2	291.3	8.5	299.8
Tobacco Tax	136.1	78.8	214.9	126.2	79.7	205.9	130.3	89.8	220.1	128.7	92.6	221.3	132.0	94.7	226.7
Liquor Sales and Distribution	127.6	-	127.6	132.3	-	132.3	135.9	-	135.9	138.5	-	138.5	142.4	-	142.4
Interest & Dividends Tax	83.5	-	83.5	93.0	-	93.0	79.8	-	79.8	96.9	-	96.9	87.9	-	87.9
Insurance Tax	85.0	-	85.0	95.4	-	95.4	95.0	-	95.0	114.6	-	114.6	123.4	-	123.4
Communications Tax	79.3	-	79.3	57.4	-	57.4	59.3	-	59.3	57.3	-	57.3	52.4	-	52.4
Real Estate Transfer Tax	52.8	29.2	82.0	62.3	31.1	93.4	67.1	33.7	100.8	78.8	38.8	117.6	89.5	44.8	134.3
Securities Revenue	37.6	-	37.6	38.1	-	38.1	40.6	-	40.6	42.5	-	42.5	43.7	-	43.7
Lottery Transfers	-	66.8	66.8	-	74.3	74.3	-	72.4	72.4	-	74.3	74.3	-	75.9	75.9
Racing & Charitable Gaming Commission Transfers	-	3.5	3.5	-	3.4	3.4	-	3.0	3.0	-	3.0	3.0	-	3.3	3.3
Tobacco Settlement	2.5	40.0	42.5	23.2	40.0	63.2	2.3	40.0	42.3	1.9	40.0	41.9	1.5	40.0	41.5
Utility Property Tax	-	33.1	33.1	-	33.2	33.2	-	35.8	35.8	-	41.0	41.0	-	43.3	43.3
State Property Tax	-	363.1	363.1	-	363.7	363.7	-	363.6	363.6	-	363.4	363.4	-	363.1	363.1
Other	134.3	-	134.3	141.7*	-	141.7*	108.6	-	108.6	104.8	-	104.8	109.7	-	109.7
Subtotal	1,295.5	813.2	2,108.7	1,356.2	839.0	2,195.2	1,317.6	850.9	2,168.5	1,391.0	869.0	2,260.0	1,502.5	928.8	2,431.3
Net Medicaid Enhancement Revenues	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Revenues	74.8	-	74.8	69.1	-	69.1	-	-	-	-	-	-	-	-	-
Recoveries	6.3	-	6.3	11.3	-	11.3	4.7	-	4.7	6.7	-	6.7	9.1	-	9.1
Subtotal	1,376.6	813.2	2,189.8	1,436.6	839.0	2,275.6	1,322.3	850.9	2,173.2	1,397.7	869.0	2,266.7	1,511.6	928.8	2,440.4
Executive Orders & Special Session Revenues	-	-	-		-	-	-		-	-	-	-	-	-	-
Total	$1,376.6	$813.2	$2,189.8	$1,436.6	$839.0	$2,275.6	$1,322.3	$850.9	$2,173.2	$1,397.7	$869.0	$2,266.7	$1,511.6	$928.8	$2,440.4
Tax Amnesty Program.	-	-	-	-	-	-	-	-	-	-	-	-	19.0	-	19.0
Total including Tax Amnesty	-	-	-	-	-	-	-	-	-	-	-	-	$1,530.6	$928.8	$2,459.4

* Includes $9.0 million of MtBE Settlements (FY13).

GENERAL FUND AND EDUCATION TRUST FUND NET APPROPRIATIONS
FISCAL YEARS 2012-2016
(GAAP Basis – In Millions)

Category of Government	FY 2012			FY 2013			FY 2014			FY 2015			Unaudited FY 2016		
	General	Education	Total	General	Education	Total	General	Education	Total	General	Education	Total	General	Education	Total
General Government	$248.1	-	$248.1	$240.1	-	$240.1	$247.8	-	$247.8	$257.4	-	$257.4	$263.3	-	$263.3
Justice and Public Protection	200.7	-	200.7	197.8	-	197.8	210.5	-	210.5	213.9	-	213.9	247.8	-	247.8
Resource Protection and Development	28.6	-	28.6	26.5	-	26.5	17.0	-	17.0	30.2	-	30.2	31.5	-	31.5
Transportation	0.9	-	0.9	0.7	-	0.7	1.0	-	1.0	1.0	-	1.0	1.0	-	1.0
Health and Social Services	643.5	-	643.5	632.4	-	632.4	571.6	-	571.6	544.1	-	544.1	623.3	-	623.3
Education	158.8	955.7	1,114.5	168.7	959.1	1,127.8	203.1	954.3	1,157.4	211.0	947.6	1,158.6	216.5	960.7	1,177.2
Net Appropriations	$1,280.6	$955.7	$2,236.3	$1,266.2	$959.1	$2,225.3	$1,251.0	$954.3	$2,205.3	$1,257.6	$947.6	$2,205.2	$1,383.4	$960.7	$2,344.1

The following table sets out the General Fund and Education Trust Fund undesignated fund balances and the amounts reserved for the Revenue Stabilization Reserve Account for each of the fiscal years 2012 through 2016. The information for fiscal years 2012 through 2015 is derived from the State's audited financial statements. The information for fiscal year 2016 is unaudited and subject to change.

GENERAL FUND AND EDUCATION TRUST FUND BALANCES
FISCAL YEARS 2012–2016
(GAAP Basis - In Millions)

	FY 2012			FY 2013			FY 2014			FY 2015			Unaudited FY 2016		
	General	Education	Total	General	Education	Total	General	Education	Total	General	Education	Total	General	Education	Total
Undesignated Fund Balance, July 1	$17.7	$0.0	$17.7	$13.8	$0.0	$13.8	$72.2	$0.0	$72.2	$21.9	$0.0	$21.9	$49.0	$0.0	$49.0
Additions:															
Unrestricted Revenue	1,376.6	813.2	2,189.8	1,436.6	839.0	2,275.6	1,322.3	850.9	2,173.2	1,397.7	869.0	2,266.7	1,530.6	928.8	2,459.4
Executive Orders and Special Session Revenues	-	-	-	-	-	-	-	-	-	-	-	-	30.7	-	30.7
Total Additions	$1,376.6	$813.2	$2,189.8	$1,436.6	$839.0	$2,275.6	$1,322.3	$850.9	$2,173.2	$1,397.7	$869.0	$2,266.7	1,561.3	928.8	2,490.1
Deductions:															
Appropriations Net of Estimated Revenues	(1,320.1)	(956.4)	(2,276.5)	(1,325.5)	(961.4)	(2,286.9)	(1,305.4)	(959.3)	(2,264.7)	(1,325.3)	(961.3)	(2,286.6)	(1,423.7)	(960.7)	(2,384.4)
COC Appropriation Adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Special Session Reductions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Less: Lapses	39.5	0.7	40.2	59.3	2.3	61.6	54.4	5.0	59.4	67.7	13.7	81.4	40.3	-	40.3
Total Net Appropriations	(1,280.6)	(955.7)	(2,236.3)	(1,266.2)	(959.1)	(2,225.3)	(1,251.0)	(954.3)	(2,205.3)	(1,257.6)	(947.6)	(2,205.2)	(1,383.4)	(960.7)	(2,344.1)
GAAP and Other Adjustments	40.1	2.5	42.6	9.3	(1.2)	8.1	(18.9)	1.4	(17.5)	(20.5)		(20.5)	(37.2)	3.8	(33.4)
Other One time Revenue Adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Current Year Balance	136.1	(140.0)	(3.9)	179.7	(121.3)	58.4	52.4	(102.0)	(49.6)	119.6	(78.6)	41.0	140.7	(28.1)	112.6
Transfers (to)/from:															
Rainy Day Fund	-	-	-	-	-	-	-	-	-	(13.0)	-	(13.0)	(70.7)	-	(70.7)
Liquor Commission	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Highway Fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fish & Game Fund	-	-	-	-	-	-	(0.7)		(0.7)	(0.9)	-	(0.9)	(0.7)	-	(0.7)
Education Trust Fund	(140.0)	140.0		(121.3)	121.3		(102.0)	102.0		(78.6)	78.6		(28.1)	28.1	-
Undesignated Fund Balance, June 30	13.8	-	13.8	72.2	-	72.2	21.9	0.0	21.9	49.0	-	49.0	90.2	(0.0)	90.2[1]
Reserved for Revenue Stabilization Account	9.3	-	9.3	9.3	-	9.3	9.3	-	9.3	22.3	-	22.3	93.0	-	93.0
Total Equity	$23.1	-	$23.1	$81.5	-	$81.5	$31.2	$0.0	$31.2	$71.3	-	$71.3	$183.2	$0.0	$183.2

[1] Per Ch. 264:5, Laws of 2016, to the extent the results of the FY 2016 audited financial statements show that FY 2016 GF/ETF Revenues exceed the plan, an amount not to exceed $40 million will be transferred to the Revenue Stabilization Reserve Account. Per the FY 2016 unaudited results, GF/ETF revenues exceeded plan by $149.3 million, so if those results hold $40 million would be transferred into the Revenue Stabilization Reserve Account bringing that balance to $93 million, and $90.2 million would remain in the GF.

Operating Budget Fiscal Years 2016 and 2017

General and Education Trust Funds. HB 1 and 2, the operating budget for fiscal years 2016-2017 were vetoed by the Governor on June 25, 2015 and the State entered a six-month continuing resolution budget based on appropriations from the prior fiscal year (fiscal year 2015). On September 16, 2015, HB 1 and 2, along with a companion bill, Senate Bill 9, were signed into law as chapters 274, 275, and 276 of the Laws of 2015. The adopted budget assumed a $63.5 million surplus at June 30, 2015, $49 million of which was authorized to be carried forward as General Fund revenue into fiscal year 2016 and $14.5 million would go to the Rainy Day Fund. Audited results for the year ended June 30, 2015, reflect that fiscal year 2015 closed with a $62 million surplus; therefore $49 million was carried forward into fiscal year 2016 in the General Fund and $13 million was deposited into the Rainy Day Fund, raising the fund balance to $22.3 million, an increase of 140% and the first such transfer in six years. In May 2016, the United States Supreme Court issued a final decision to uphold a $236 million award in favor of the State related to the State v. Exxon for MtBE water contamination. As required by RSA 7:6-e, I, and stipulated in Chapter 11, Laws of 2016, 10 percent of the $300 million award plus interest was credited to the State's Rainy Day Fund, increasing the balance of the fund to $53 million. Chapter 11 further directed the remainder of the proceeds to be placed in a trust fund for MtBE remediation. Total net appropriations (including estimated lapses) for the General and Education Trust Funds for fiscal years 2016 and 2017 as set forth in Chapter 275 and 276 of the Laws of 2015 were $2,327.8 million and $2,347.1 million, respectively. Total net General and Education Trust Fund appropriations were budgeted at 2.7% greater than expenditures in the 2014-2015 biennium, amounting to an increase of $123.6 million over the biennium. Noteworthy funding and program changes in the 2016-2017 budgeted appropriations include:

- Increasing State support for public higher education by $12.7 million of general funds over the biennium. State funding for the Community College System was increased by $3.7 million to $86.3 million in fiscal years 2016 and 2017 combined, and State support for the University System was increased by $9 million to $162.0 million in fiscal years 2016 and 2017 combined.

- In May 2013, Governor Hassan issued Executive Order 2013-07 which is an order establishing the Governor's Commission on State Government Innovation, Efficiency and Transparency. The Commission brought together public and private sector stakeholders to identify areas to save taxpayer dollars and improve state services. The Commission produced a report of final recommendations in January 2015. Multiple areas of recommendations of the Commission are already underway including: consolidation of back-office agency business processing functions such as accounts payable, human resources, and payroll; optimization of check-run and digital payment; and development of balanced scorecards. The Commission also recommended consolidation of State agencies with like functions. To create efficiencies and maximize funding, the 2016-2017 budget consolidated numerous boards and commissions into one Office of Professional Licensure and Certification. Additionally, the Racing and Charitable Gaming Commission was brought under the Lottery Commission, and the Highway Safety Agency moved into the Department of Safety.

- Increased funding to address substance abuse, including $6.6 million for the Governor's Commission on Alcohol and Drug Abuse, Prevention, Treatment, and Recovery, an 86% increase over the prior biennium ($3.6), as well as two additional detectives and one criminologist in the forensic lab at the Department of Safety.

- In February of 2014, a judge approved a settlement agreement concerning *Dube, et al. v. Governor Margaret Wood Hassan* between the State and the United States Department of Justice which further enhances and expands mental health service capacity. The 2016-2017 budget increases support for the State's mental health system with the addition of $23.7 million in total funds over the biennium to add or expand existing program capabilities for community-based services. See "LITIGATION – *Dube, et al v. Governor Margaret Wood Hassan*."

- The budget did not reauthorize the Medicaid Expansion program in New Hampshire, however Chapter 13, Laws of 2016 reauthorized the program through December 31, 2018 and replaces an estimated $11.3 million of matching fund requirement with revenue from premium tax, hospitals, and insurance carriers.

- The companion bill to the State's budget for fiscal years 2016-2017, SB 9, reduced Business Profits Tax and Business Enterprise Tax rates from 8.5% to 8.2% and from 0.75% to 0.72%, respectively, for tax years ending on or after December 31, 2016. The bill stipulated that if State revenues reach a prescribed threshold, these rates would see further reductions for tax years ending on or after December 31, 2018. Given revenue in fiscal year 2016 and revenue projections for fiscal year 2017, it is very likely the revenue will reach this threshold, triggering additional tax rate reductions to 7.9% for Business Profits Tax and 0.675% in the Business Enterprise Tax. Additionally, the State expanded the available research and development tax credit from $2 million to $7 million per year to benefit growing businesses, effective in fiscal year 2018.

Capital Budget

In fiscal year 2015, the State of New Hampshire completed construction to redevelop the Hooksett Welcome Centers on Interstate 93. This public-private project partnership has provided New Hampshire residents and visitors a wide range of new and improved services, including multiple dining options, an interactive visitors center, a NH Liquor and Wine Outlet store, a country store, a bank and fueling stations. With construction completed, year-to-date net sales for fiscal year 2017 are up 5 percent (Southbound) and 6.3 percent (Northbound) over the same period in fiscal year 2013. Additionally, in August the largest New Hampshire state liquor store opened in Nashua, a city on the NH-Massachusetts border. The 33,000-square-foot store offers over 7,000 varieties of wine and hard liquor, and is currently the largest liquor store in northern New England. The store is expected to generate $21.5 million in annual sales, and has already seen a 23 percent increase in sales in fiscal year 2017 year-to-date.

The 2016-2017 capital budget authorizes nearly $271 million in capital appropriations, leveraging approximately $126 million in general fund bonding authority, with the balance from other sources. Approved projects include:

- Continued construction of a new, 224-bed women's prison ($38 million authorized in the fiscal year 2014-2015 capital budget, with another $14 million authorized in the fiscal year 2016-2017 budget).

- Over $14 million at the Community College System for IT infrastructure and critical maintenance, and building and development of HVAC Electrical Technology, Auto Technology, and STEM facilities.

- Nearly $7 million at the Department of Education for renovation of two Career and Technical Education centers.

- Over $5 million at the Department of Resources and Economic Development for repairs and improvements at various state parks.

- $1 million at the Department of Environmental Services for IT related to permitting, environmental monitoring, and flood forecasting.

- $19 million for the Pease Development Authority to undertake an expansion of the Piscataqua River turning basin to allow larger vessels to navigate through Portsmouth Harbor.

Budget Adjustments. The 2016-2017 operating budget increased funding for uncompensated care payments to the State's hospitals from the fiscal year 2015 expenditure of $68.5 million to a budget of $191.4 million in fiscal year 2016 and $189.7 million in fiscal year 2017, in accordance with the settlement codified in SB 369 of 2014. The budgeted amount represents a midpoint estimate of uncompensated care in each year. The settlement includes a "floor" and a "ceiling" of Disproportionate Share Hospital ("DSH") payments to limit the variation of actual payments from the budgeted amount. The actual uncompensated care reported by hospitals was much higher than anticipated due to a preliminary injunction which allowed hospitals to discount certain revenue from third-party insurers. This resulted in the Uncompensated Care Costs ("UCC") calculation reaching the established maximum ($224 million), however the payment was reduced by the shortfall in MET revenue. Final DSH payments were $207.2 million, or $15.9 million above budget. The Department of Health and Human Services ("DHHS") was able to cover much of the increased expenses with higher-than-anticipated drug rebate revenue in fiscal year 2016. At this time, it is unclear whether the UCC payment will be significantly lower for fiscal year 2017 due to the implementation of expanded Medicaid. Although the State does not anticipate the same amount of drug rebate revenue in fiscal year 2017 due to pharmacy benefits being processed through the State's Managed Care Organization's Preferred Drug List, the amount and trend will not be known until after the manufacturer invoicing is completed for the quarter ended September 30, 2016. Once that data is available, the State will be in a better position to estimate the expected drug rebates for fiscal year 2017.

Legislation in the 2016 session included Chapter 319, moving the operating budget for the Police Standards and Training Council from restricted revenue to the General Fund in fiscal year 2017. With this change, the General Fund will see additional revenues of approximately $3 million, but will also see increased expenditures of approximately $3.5 million in operating funds and an additional $400,000 to replace the tactical center roof. Chapter 319 also replaced restricted revenue budgeted in the Department of Safety, Division of Homeland Security and Emergency Management with General Fund in the amounts of $200,000 in fiscal year 2016 and $1.5 million in fiscal year 2017.

Additional legislation was enacted to combat the State's opioid epidemic:

- Chapter 264 appropriated $2.2 million in fiscal year 2017 for matching grants to counties for drug courts.

- Chapter 263 appropriated $1.9 million in fiscal year 2017 for body scanners at State and county correctional facilities.

- Chapters 277 and 330 transferred $6.5 million of funds that would otherwise lapse from the State Treasury debt service budget in fiscal year 2017 for the purposes of contracts for program services at the Governor's Commission on Alcohol and Drug Abuse Prevention, Treatment and Recovery in the amount of $2,500,000; $500,000 for peer-supported recovery services at the Bureau of Drug and Alcohol Services at DHHS; $2,000,000 for housing projects at the New Hampshire Housing Finance Authority for persons with substance abuse disorders; and funding the substance abuse enforcement program and the forensic science laboratory at the Department of Safety in the amount of $1,500,000.

Finally, Chapter 303 revised the budgeted reduction in appropriations required for the DHHS, Sununu Youth Services Center from $1.7 million in fiscal year 2016 to $0.8 million in fiscal year 2016 and from $3.5 million to $1.7 million in fiscal year 2017.

DHHS is tracking Medicaid caseloads closely. The budget contemplated a caseload reduction of 2 percent in fiscal year 2016 and another 2 percent in fiscal year 2017. Although caseloads have decreased somewhat, it does not appear that caseloads will decrease enough to cover the cumulative impact of the reduction anticipated in the budget. Additionally, the rates for the managed care program as determined by the actuary have increased slightly again for fiscal year 2017. The composite average per member per month rate has increased since 2015 from $331.00 to $349.00. While rate increases have been modest and consistent with other managed care programs nationally, averaging no more than 3.8% per year after adjustment for program changes (i.e. New Hampshire Health Protection Program coverage in 2015 which required payment of Medicare level rates), the Department currently estimates this could result in a shortfall in the Medicaid budget of approximately $30 to $40 million.

In September 2016, the Superior Court found in favor of the City of Dover that the State "cap" in the growth of state payments of Adequate Education Aid is unconstitutional. As a result, it is likely that the fiscal year 2017 legislative session will include an appropriation of $10.4 million, representing payment of the entire amount of education adequacy aid withheld due to the cap for fiscal year 2016. The State's unaudited financial statements issued September 30, 2016 included this amount as an outstanding liability for fiscal year 2016. The Department of Education believes the budgeted appropriation for Adequate Education Aid payments will fully cover fiscal year 2017 expenditures, including an additional amount of approximately $4 million required as a result of removing the cap.

Unaudited net General Fund and Education Fund appropriations exceeded the fiscal year 2016 budget estimates by $16.2 million (0.7%). These were amounts expended for workers' compensation, termination pay, attorneys' fees, and other specific areas of expenditure allowable by law or with prior approval of the Fiscal Committee and Governor and Executive Council. Of this amount, approximately $2.2 million funded the pay raise established for State employees in fiscal year 2016 and another $2.2 was a draw on the Education Trust Fund for additional Adequate Aid payments to schools. The fiscal year 2016 budget of $2,327.9 million included approximately $46.7 million in anticipated lapses that were not achieved during the fiscal year, with actual lapses according to the unaudited results coming in at $40.3 million, for a difference of $6.4 million. Appropriations authorized after the passage of the fiscal year 2016 budget via new legislation or existing laws made up the remainder of the increase in net appropriations. In fiscal year 2017, the additional General Fund appropriation for the pay raise to State employees increased to approximately $7.5 million.

Highway Funds. As set forth in Chapters 275 and 276 of the Laws of 2015, total net operating appropriations (including estimated lapses) for the Highway Fund for fiscal years 2016 and 2017 are $209.1 million and $212.8 million, respectively (not including capital appropriations). These total net operating Highway Fund appropriations are 21% less than estimated expenditures in fiscal years 2014 and 2015, amounting to a reduction of $113.6 million over the biennium. This reduction, however, is attributable primarily to three major changes in budgeting. First, traditionally the cost to collect highway fund revenue at the Department of Safety was recognized as a highway fund expenditure. In the fiscal year 2016-2017 budget, in accordance with the New Hampshire Constitution, Article 6-a Use of Certain Revenues Restricted to Highways, the cost of collections is recorded as restricted revenue, and the remainder of the revenue, after providing for the cost of collection, is deposited into the Highway Fund. This change reduced unrestricted Highway Fund revenue and appropriations by approximately $28.9 million in fiscal year 2016 and $29.7 million in fiscal year 2017. Additionally, approximately $23 million of Highway Fund expenditures at the Department of Safety were replaced with General Fund appropriations in the fiscal year 2016-2017 budget. And finally, approximately $8.3 million per year of highway fund expenditures at the Department of Transportation was replaced with restricted revenue from an additional $0.042 motor vehicle fuel fee (referenced in statutes as a "road toll") enacted under Chapter 17, Laws of 2014.

On May 20, 2014, Chapter 17 of the Laws of 2014 ("Chapter 17") became law and increased the State's motor vehicle fuel fee by 4.2 cents per gallon beginning on July 1, 2014. This was the first increase in the State's motor vehicle fuel fee since 1991 and is expected to generate an additional $32-33 million of revenue annually. The proceeds of this increase are dedicated to certain infrastructure projects throughout the State, such as the continuation of the widening of Interstate 93, resurfacing and rehabilitation of secondary road-ways, and rehabilitation and reconstruction of municipal bridges. The increase provided under Chapter 17 will expire once all debt service payments on bonds to be issued to finance the I-93 widening project have been made. Chapter 276:211 authorized the State (through the Departments of Treasury and Transportation) to pledge the incremental revenue from Chapter 17 for the purpose of entering into the $200 million federal Transportation Infrastructure Finance and Innovation Act credit program which reduces anticipated expenditures for repayment of the I-93 debt service by offering a lower interest rate and deferred principal payments for nine years. In anticipation of the low interest rate, Chapter 276 also enabled the State to use $8.3 million of anticipated incremental Chapter 17 motor vehicle fuel fee revenue for other operating expenditures in each year of the 2016-2017 biennium.

The Highway Fund ended fiscal year 2015 with an operating surplus of approximately $16.2 million as compared to the fiscal year 2015 budget of $0.3 million and the June 2015 estimate of $11.6 million. Actual fiscal year 2016 highway fund revenues were higher than budgeted by $11.1 million (5.4 percent). Due to the exclusion of the cost of collections, total revenue of $216.1 million was 16 percent lower than the prior fiscal year. Fiscal year-to-date 2017 highway fund revenue is $2.5 million above plan. Actual fuel consumption is up approximately 1.45% over the same period last year.

Fiscal Year 2016 Revenue Performance for fiscal year ended June 30, 2016 (unaudited)

All information relating to fiscal year 2016 is unaudited, preliminary, and subject to change.

Unrestricted revenue for the General and Education Trust Funds received for fiscal 2016 (unaudited) totaled $2,440.4 million, not including tax amnesty program receipts, which was above plan by $149.3 million, or 6.5%, and above the prior year by $173.7 million, or 7.7%.

As set forth in Chapter 276:242, Laws of 2015, from December 1, 2015 through February 15, 2016, New Hampshire taxpayers had a one-time opportunity to receive amnesty from all penalties and one-half interest on taxes outstanding as of February 15, 2016 by paying the tax due and one-half of the applicable per annum interest that has accrued since the tax was due. This tax amnesty program applied to all taxes collected by the DRA. The revenue collected under the program has not been included in the annual revenue plan amounts.

Business Taxes, Meals and Rentals Tax, Tobacco Tax, Interest and Dividends Tax, and Real Estate Transfer Tax collections all included revenue related to the tax amnesty program. Estimated tax payments are not part of the tax amnesty program. According to the Department of Revenue, the Tax Amnesty revenue collected totaled $19 million compared to a budget estimate of $16 million. The breakdown by tax type of the amnesty program receipts is as follows:

- Business Taxes - $15.4 million
- Interest and Dividends Tax - $1.4 million
- Meals and Rentals Tax - $1.5 million
- Tobacco Tax $0.4 million
- Miscellaneous $0.3 million

Some of the stronger revenue categories contributing to these favorable variances include the following:

- Business Taxes - $117.4 million (20.7%) above plan and $122.2 million (21.8%) above prior year.
- Meals and Rooms Tax - $8.3 million (2.8%) above plan and $18.6 million (6.6%) above prior year.
- Real Estate Transfer Tax - $16.0 million (13.5%) above plan and $16.7 million (14.2%) above prior year.

Some of the unfavorable revenue categories offsetting the above favorable results include the following:

- Interest & Dividends Tax - $5.2 million (5.6%) below plan and $9.0 million (9.3%) below prior year.
- The Communications Tax was $5.7 million (9.8%) below plan and $4.9 million (8.6%) below prior year.

The following table presents a comparison of General Fund and Education Trust Fund unrestricted revenues for fiscal years 2014 through 2017. The information for fiscal year 2015 is derived from the State's audited financial statements. The information for fiscal year 2016 is unaudited and subject to change. The plan information for fiscal year 2017 is based on the current operating budget for the 2016-2017 biennium in effect as of the date of this Information Statement.

GENERAL FUND AND EDUCATION TRUST FUND UNRESTRICTED REVENUES
ACTUAL AND BUDGET
FISCAL YEARS 2014-2017
(GAAP Basis - In Millions)

		FY 2014			FY 2015			UNAUDITED FY 2016			PLAN FY 2017	
Revenue Category	**General**	**Education**	**Total**	**General**	**Education**	**Total**	**General**	**Education**	**Total**	**General**	**Education**	**Total**
Business Profits Tax	$271.7	$58.4	$330.1	$282.4	$61.1	$343.5	$343.4	$74.2	$417.6	$277.4	$62.4	$339.8
Business Enterprise Tax	73.0	146.5	219.5	71.9	146.3	218.2	85.3	181.0	266.3	70.5	154.8	225.3
Subtotal	344.7	204.9	549.6	354.3	207.4	561.7	428.7	255.2	683.9	347.9	217.2	565.1
Meals and Rooms Tax	254.0	7.7	261.7	272.7	8.5	281.2	291.3	8.5	299.8	298.4	9.1	307.5
Tobacco Tax	130.3	89.8	220.1	128.7	92.6	221.3	132.0	94.7	226.7	124.1	97.6	221.7
Liquor Sales and Distribution	135.9	-	135.9	138.5	-	138.5	142.4	-	142.4	144.2	-	144.2
Interest & Dividends Tax	79.8	-	79.8	96.9	-	96.9	87.9	-	87.9	96.0	-	96.0
Insurance Tax	95.0	-	95.0	114.6	-	114.6	123.4	-	123.4	114.4	-	114.4
Communications Tax	59.3	-	59.3	57.3	-	57.3	52.4	-	52.4	58.4	-	58.4
Real Estate Transfer Tax	67.1	33.7	100.8	78.8	38.8	117.6	89.5	44.8	134.3	85.8	40.6	126.4
Securities Revenue	40.6	-	40.6	42.5	-	42.5	43.7	-	43.7	42.8	-	42.8
Transfers from Lottery Commission	-	72.4	72.4	-	74.3	74.3	-	75.9	75.9	-	75.0	75.0
Transfers from Racing & Charitable Gaming Commission	-	3.0	3.0		3.0	3.0	-	3.3	3.3	-	2.5	2.5
Tobacco Settlement	2.3	40.0	40.0	1.9	40.0	41.9	1.5	40.0	41.5	-	39.0	39.0
Utility Property Tax	-	35.8	35.8	-	41.0	41.0	-	43.3	43.3	-	41.8	41.8
State Property Tax	-	363.6	363.6	-	363.4	363.4	-	363.1	363.1	-	363.1	363.1
Other	108.6	-	108.6	104.8	-	104.8	109.7	-	109.7	103.1	-	103.1
Subtotal	1,317.6	850.9	2,168.5	1,391.0	869.0	2,260.0	1,502.5	928.8	2,431.3	1,415.1	885.9	2,301.0
Net Medicaid Enhancement Revenues	-	-	-	-	-	-	-	-	-	-	-	-
Recoveries	4.7	-	4.7	6.7	-	6.7	9.1	-	9.1	10.4	-	10.4
Subtotal	1,322.3	850.9	2,173.2	1,397.7	869.0	2,266.7	1,511.6	928.8	2,440.4	1,425.5	885.9	2,311.4
Executive Orders & Special Session Revenues	-	-	-	-	-	-	-	-	-	-	-	-
Total	$1,322.3	$850.9	$2,173.2	$1,397.7	$869.0	$2,266.7	$1,511.6	$928.8	$2,440.4	$1,425.5	$885.9	$2,311.4

The following table compares General Fund and Education Trust Fund unrestricted revenues for the fiscal years 2015 and 2016 (unaudited) and a comparison to the revenue estimates from the fiscal year 2016 operating budget. Due to the combined filing of the business profits tax and business enterprise tax, it is not possible to measure accurately the individual effects of each of these taxes. They should be evaluated in their entirety. All of the fiscal year 2016 information in this table is unaudited and subject to change, while fiscal year 2015 information is the final audited information.

GENERAL AND EDUCATION TRUST FUNDS UNRESTRICTED REVENUES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015 AND 2016 (unaudited)
(In Millions)

Revenue Category	Audited FY 2015 Actual	Unaudited FY 2016 Actual	FY 2016 Plan	FY 2016 vs Plan Variance	FY 2016 vs Plan % Change	FY 2016 vs FY 2015 Variance	FY 2016 vs FY 2015 % Change
Business Profits Tax	$343.5	$417.6	$340.1	$77.5	22.8%	$74.1	21.6%
Business Enterprise Tax	218.2	266.3	226.4	39.9	17.6	48.1	22.0
Subtotal	561.7	683.9	566.5	117.4	20.7	122.2	21.8
Meals & Rooms Tax	281.2	299.8	291.5	8.3	2.8	18.6	6.6
Tobacco Tax	221.3	226.7	222.8	3.9	1.8	5.4	2.4
Transfer from Liquor Commission	138.5	142.4	143.6	(1.2)	-0.8	3.9	2.8
Interest & Dividends Tax	96.9	87.9	93.1	(5.2)	-5.6	(9.0)	-9.3
Insurance Tax	114.6	123.4	118.3	5.1	4.3	8.8	7.7
Communications Tax	57.3	52.4	58.1	(5.7)	-9.8	(4.9)	-8.6
Real Estate Transfer Tax	117.6	134.3	118.3	16.0	13.5	16.7	14.2
Securities Revenue	42.5	43.7	42.2	1.5	3.6	1.2	2.8
Transfers from Lottery Commission	74.3	75.9	73.0	2.9	4.0	1.6	2.2
Transfers from Racing & Charitable Gaming Commission	3.0	3.3	2.5	0.8	32.0	0.3	10.0
Tobacco Settlement	41.9	41.5	42.3	(0.8)	0.0	(0.4)	0.0
Utility Property Tax	41.0	43.3	41.3	2.0	4.8	2.3	5.6
State Property Tax	363.4	363.1	363.1	-	0.0	(0.3)	0.0
Other	104.8	109.7	104.7	5.0	4.8	4.9	4.7
Subtotal	2,260.0	2,431.3	2,281.3	150.0	6.6	171.3	7.6
Recoveries	6.7	9.1	9.8	(0.7)	-7.1	2.4	35.8
Subtotal	$2,266.7	$2,440.4	$2,291.1	$149.3	6.5%	$173.7	7.7%
Tax Amnesty Receipts		19.0					
Total		$2,459.4					

Fiscal Year 2017 Revenue Performance through October 31, 2016 (unaudited)

Unrestricted revenue for the General and Education Funds received for the month of October totaled $117.4 million, which was above plan by $3.1 million (2.7%) and above the prior year by $4.3 million (3.8%). Year to date ("YTD") unrestricted revenue totaled $586.7 million, which was above plan by $31.3 million (5.6%) and above prior year by $25.2 million (4.5%).

- Business Taxes for October totaled $17.6 million, which were $4.2 million (19.3%) below plan and $6.8 million (27.9%) below prior year. YTD business taxes totaled $168.9 million, which were $29.4 million (21.1%) above plan and $12.2 million (7.8%) above prior year. According to the DRA, the decrease in October revenue as compared to the prior year was primarily due to a 147% increase in refunds as compared to the same month of the prior year, offset by an 18% increase in tax return revenue and a 35% increase in extension revenue. The increase in refunds was driven by the high volume of tax returns that had been filed on extension, resulting in refunds of overpayments processed this month.
- Meals and Rentals Tax ("M&R") receipts for October totaled $28.1 million, which were above plan by $1.1 million (4.1%) and above prior year by $1.7 million (6.4%), and YTD collections were $3.8 million (3.1%) above plan and $6.0 million (5.0%) above prior year. According to DRA, October collections (September activity) from full service restaurants were up 5.5% and from hotels were up 6%, as compared to the same month last year.
- Tobacco Tax receipts for the month were $21.8 million, or $4.8 million (28.2%) above plan and $4.7 million (27.5%) above prior year. YTD receipts of $77.3 million were $3.0 million (3.7%) below plan and $3.5 million (4.3%) below prior year. According to DRA, the increase for October was a result of collections related to the previous months' high bond receivable balance. This was offset by lower stamp sales for October, which were down 8% from the same month in the prior year.
- Transfer from Liquor Commission in October was equal to the plan of $12.6 million and above prior year by $1.6 million (14.5%).
- Collections for the Interest and Dividends Tax for the month were $2.4 million, or $0.4 million (20.0%) above plan and $0.3 million (14.3%) above prior year. YTD collections of $18.2 million were $2.7 million (12.9%) below plan and $0.9 million (4.7%) below prior year.
- Collections for the Communications Services Tax for the month were $4.2 million, or $0.8 million (16.0%) below plan and $0.3 million (6.7%) below prior year. YTD collections of $16.8 million were $3.5 million (17.2%) below plan and $1.5 million (8.2%) below prior year. According to DRA, this revenue continues to experience a downward trend.
- Real Estate Transfer Taxes for October were $13.9 million, which were above plan by $2.9 million (26.4%) and above the same month last year by $2.5 million (21.9%). YTD collections were $5.4 million (10.3%) above plan and $3.5 million (6.5%) above prior year. According to DRA, both the number of transactions reported by counties for the month of October (September collections), and transaction values, were up over the same period last year (5.3% and 21.7%, respectively.
- Other revenues for October of $5.6 million were $0.3 million (5.7%) above plan and $1.7 million (43.6%) above prior year. YTD collections of $16.0 million were $1.3 million (8.8%) above plan and $3.5 million (28.0%) above prior year. The variances with the monthly plan were largely due to the timing of receipts of various components of Other Revenue.

The following table compares on a cash basis, for the four months ended October 31, 2016, General Fund and Education Trust Fund unrestricted revenues for the fiscal years 2016 and 2017 and a comparison to the revenue estimates from the fiscal year 2017 Operating Budget. Due to the combined filing of the business profits tax and business enterprise tax, it is not possible to measure accurately the individual effects of each of these taxes. They should be evaluated in their entirety. All information in this table is preliminary, unaudited and subject to change. Further, because information in this table reflects cash receipts only, final audited numbers may differ in order to reflect appropriate accruals.

STATE OF NEW HAMPSHIRE
GENERAL AND EDUCATION FUNDS UNRESTRICTED REVENUES
FOR THE FOUR MONTHS ENDED OCTOBER 31, 2016
(In Millions)

	FY 16	FY 17	FY 17	FY 2017 vs Plan		FY 2017 vs FY 2016	
Revenue Category	**Actual**	**Actual**	**Plan**	**Variance**	**% Change**	**Variance**	**% Change**
Business Profits Tax	$95.2	$102.6	$84.6	$18.0	21.3%	$7.4	7.8%
Business Enterprise Tax	61.5	66.3	54.9	11.4	20.8	4.8	7.8
Subtotal	$156.7	$168.9	$139.5	$29.4	21.1	$12.2	7.8
Meals & Rooms Tax	119.5	125.5	121.7	3.8	3.1	6.0	5.0
Tobacco Tax	80.8	77.3	80.3	(3.0)	-3.7	(3.5)	-4.3
Liquor Sales and Distribution	49.5	52.2	52.2	-	0.0	2.7	5.5
Interest & Dividends Tax	19.1	18.2	20.9	(2.7)	-12.9	(0.9)	-4.7
Insurance Tax	6.6	6.8	5.3	1.5	28.3	0.2	3.0
Communications Tax	18.3	16.8	20.3	(3.5)	-17.2	(1.5)	-8.2
Real Estate Transfer Tax	54.2	57.7	52.3	5.4	10.3	3.5	6.5
Securities Revenue	2.0	1.7	2.0	(0.3)	-15.0	(0.3)	-15.0
Transfers from Lottery Commission	18.7	18.6	19.3	(0.7)	-3.6	(0.1)	-0.5
Transfers from Racing & Charitable Gaming Commission	0.8	0.9	0.6	0.3	50.0	0.1	12.5
Tobacco Settlement	-	-	-	-	0.0	-	0.0
Utility Property Tax	9.1	10.2	10.0	0.2	2.0	1.1	12.1
State Property Tax	-	-		-	0.0	-	0.0
Other	24.2	27.8	26.5	1.3	4.9	3.6	14.4
Subtotal	$559.5	$582.6	$550.9	$31.7	5.8	$23.1	4.1
Recoveries	2.0	4.1	4.5	(0.4)	-8.9	2.1	105.0
Subtotal	$561.5	$586.7	$555.4	$31.3	5.6	$25.2	4.5
Total	$561.5	$586.7	$555.4	$31.3	5.6%	$25.2	4.5%

The following table presents a comparison of General Fund and Education Trust Fund appropriations net of estimated revenues for fiscal years 2014 through 2017. The information for fiscal years 2014 and 2015 is derived from the State's audited financial statements. The information for fiscal year 2016 is preliminary, unaudited and subject to change. The information for fiscal year 2017 is based on the current operating budget for the 2016-2017 biennium.

GENERAL FUND AND EDUCATION TRUST FUND APPROPRIATIONS NET OF ESTIMATED REVENUES
ACTUAL AND BUDGET
FISCAL YEARS 2014-2017
(In Millions)

	Actual Audited Fiscal Year 2014*			Actual Audited Fiscal Year 2015*			Unaudited Fiscal Year 2016			Budget Fiscal Year 2017		
	General	Education	Total	General	Education	Total	General	Education	Total	General	Education	Total
Category												
General Government	$247.8	-	$247.8	$257.4	-	$257.4	$263.3	-	$263.3	273.9	-	273.9
Justice and Public Protection	210.5	-	210.5	213.9	-	213.9	247.8	-	247.8	257.2	-	257.2
Resource Protection and Development	17.0	-	17.0	30.2	-	30.2	31.5	-	31.5	33.4	-	33.4
Transportation	1.0	-	1.0	1.0	-	1.0	1.0	-	1.0	1.0	-	1.0
Health and Social Services	572.6	-	572.6	544.1	-	544.1	623.3	-	623.3	649.7	-	649.7
Education	203.1	954.3	1,157.4	211.0	947.6	1,158.6	216.5	960.7	1,177.2	210.5	971.6	1,182.1
Total	$1,251.0	$954.3	$2,205.3	$1,257.6	$947.6	$2,205.2	$1,383.4	$960.7	$2,344.1	$1,425.7	$971.6	$2,397.3
Less:												
Appropriation Adjustments	-	-	-	-	-	-	(3.1)	-	(3.1)	(3.3)	-	(3.3)
Lapses	-	-	-	-	-	-	(46.7)	-	(46.7)	(47.0)	-	(47.0)
Total Net Appropriations	$1,251.0	$954.3	$2,205.3	$1,257.6	$947.6	$2,205.2	$1,367.3	$960.6	$2,327.9	$1,375.4	$971.6	$2,347.0

* Appropriation adjustments and lapses are not known by category of government until fiscal year end. Accordingly, the actual fiscal years 2014 and 2015 appropriations by category are net of adjustments and lapses, while the budgeted appropriations by category for fiscal years 2016 and 2017 are not. Total net appropriations budgeted for fiscal years 2016 and 2017 are shown below the budgeted appropriations by category.

The following table presents the General Fund and Education Trust Fund undesignated fund balances and the amounts designated for the Revenue Stabilization Reserve Account for fiscal years 2014 through 2017. The information for fiscal years 2014 and 2015 is derived from the State's audited financial statements. The information for fiscal year 2016 is based on preliminary, unaudited results and is subject to change and for fiscal year 2017 on the current operating budget for the 2016-2017 biennium.

GENERAL FUND AND EDUCATION TRUST FUND BALANCES
FISCAL YEARS 2014 – 2017
(GAAP Basis - In Millions)

		FY 2014			FY 2015			Unaudited FY 2016			Budget FY 2017	
	General	**Education**	**Total**	**General**	**Education**	**Total**	**General**	**Education**	**Total**	**General**	**Education**	**Total**
Undesignated Fund Balance, July 1	$72.2	$0.0	$72.2	$21.9	$0.0	$21.9	$49.0	$0.0	$49.0	$32.9	$0.0	$32.9*
Additions:	-	-	-	-	-	-	-	-	-	-	-	-
Unrestricted Revenue	1,322.3	850.9	2,173.2	1,397.7	869.0	2,266.7	1,530.6	928.8	2,459.4	1,429.1	885.9	2,315.0
Other Additions	-	-	-	-	-	-	30.7	-	30.7	-	-	-
Total Additions	$1,322.3	$850.9	$2,173.2	$1,397.7	$869.0	$2,266.7	$1,561.3	$928.2	$2,490.1	$1,429.1	$885.9	$2,315.0
Deductions:												
Appropriations Net of Estimated Revenues	(1,305.4)	(959.3)	(2,264.7)	(1,325.3)	(961.3)	(2,286.6)	(1,423.7)	(960.7)	(2,384.4)	(1,422.4)	(971.6)	(2,394.0)
COC Appropriation Adjustments	-	-	-	-	-	-	-	-	-	-	-	-
Special Session Reductions	-	-	-	-	-	-	-	-	-	-	-	-
Less: Lapses	54.4	5.0	59.4	67.7	13.7	81.4	40.3		40.3	47.0		47.0
Total Net Appropriations	(1,251.0)	(954.3)	(2,205.3)	(1,257.6)	(947.6)	(2,205.2)	(1,383.4)	(960.7)	(2,344.1)	(1,375.4)	(971.6)	(2,347.0)
GAAP and Other Adjustments	(18.9)	1.4	(17.5)	(20.5)	-	(20.5)	(37.2)	3.8	(33.4)	-	-	-
Other One time Revenue Adjustments	-	-	-	-	-	-	-	-	-	-	-	-
Current Year Balance	52.4	(102.0)	(49.6)	119.6	(78.6)	41.0	140.7	(28.1)	(112.6)	53.7	(95.7)	(32.0)
Transfers (to)/from:												
Rainy Day Fund	-	-	-	(13.0)	-	(13.0)	(70.7)	-	(70.7)	(0.3)	-	(0.3)
Liquor Commission	-	-	-	-	-	-	-	-	-	-	-	-
Highway Fund		-	-	-	-	-	-	-	-	-	-	-
Fish & Game Fund	(0.7)	-	(0.7)	(0.9)	-	(0.9)	(0.7)	-	(0.7)	(0.6)	-	(0.6)
Education Trust Fund	(102.0)	102.0	-	(78.6)	78.6	-	(28.1)	28.1	-	(85.7)	85.7	-
Undesignated Fund Balance, June 30	21.9	0.0	21.9	49.0	0.0	49.0	90.2	0.0	90.2	0.0	-	0.0
Reserved for Revenue Stabilization Account	9.3	-	9.3	22.3	-	22.3	93.0	-	93.0	22.6	-	22.6
Total Equity	$31.2	$0.0	$31.2	$71.3	$0.0	$71.3	$183.2	$0.0	$183.2	$22.6	-	$22.6

* The adopted fiscal year 2016 and 2017 budget assumed a beginning balance in fiscal year 2017, carried over from fiscal year 2016, of $32.9 million. The actual ending balance of fiscal year 2016 will not be known until the financial statements have been audited. The preliminary draft unaudited results show that $90.2 million (Undesignated Fund Balance June 30, 2016 of $130.2 less $40 million transferred to the Rainy Day Fund) would be carried forward to fiscal year 2017.

MEDICAID PROGRAM

Background. Established in 1965, Medicaid is a joint federal-state program providing health care to eligible needy persons. Each state operates its Medicaid program within broad federal guidelines, in accordance with a customized State Plan approved by the federal Centers for Medicare & Medicaid Services ("CMS") reflecting that state's priorities in designing program eligibility and benefits. The federal government mandates certain benefits and eligibility categories, while states have a choice of which additional optional eligibility categories and benefits to offer, although the Patient Protection and Affordable Care Act ("PPACA") has reduced states' ability to reduce eligibility categories. The maintenance-of-effort ("MOE") requirements in ACA held until the state exchanges were operational (2014), but the MOE for children is through fiscal year 2019. The federal government and the state share responsibility for financing Medicaid. The federal government matches state Medicaid spending at rates that vary by state per capita income.

Overview of New Hampshire Medicaid. The New Hampshire Medicaid program ("New Hampshire Medicaid") administered through the DHHS is a complex network that provides health care and psychosocial support insurance coverage to participants who meet eligibility requirements. New Hampshire Medicaid covers all or part of the health care costs of low-income children, pregnant women, parents with children, senior citizens, and people with disabilities for medical and hospital services, nursing facility care, in-home support services and more. New Hampshire Medicaid expended a total of $2.0 billion in fiscal year 2016, or 29% of all State expenditures (State, federal, and other funds combined). Approximately half (50%) of Medicaid spending during this period was covered by the federal government through matching funds.

New Hampshire Medicaid Financial Summary. Economic forces and state and federal regulations limit options for controlling Medicaid spending. Total expenditures are a function of enrollment of qualified applicants, provider rates, and service utilization on the fee-for service side of the program and are a function of enrollment and per-member per month rates paid to Managed Care Organizations on the managed care side of the program. Enrollment fluctuations result primarily from changes in the State economy, in particular the unemployment rate, and changes in policy at the State or federal level that impact Medicaid eligibility.

Policy Changes. Certain recent policy changes have impacted Medicaid enrollment. The number of individuals enrolled in Medicaid at the beginning of fiscal year 2014 was approximately 140,000. The number of individuals enrolled at the end of fiscal year 2016 was approximately 186,000, representing an increase of 34%. The increase can be primarily attributed to two elements of the PPACA. An increase of approximately 7% in enrollment was attributable to the federal changes in eligibility criteria as part of the Modified Adjusted Gross Income ("MAGI") methodology, which changed the financial eligibility criteria for Medicaid medical services. In August 2014, New Hampshire implemented the New Hampshire Health Protection Program ("NHHPP"), and this has expanded coverage to an additional 49,522 individuals by the end of fiscal year 2016. Medical costs for this expanded population have been funded to date entirely with new federal revenue.

The 2016-17 operating budget did not reauthorize the Medicaid Expansion program in New Hampshire, which was set to expire on December 31, 2016, due to the lack of an estimated $12 million of matching funds when the federal contribution is scheduled for reduction in calendar year 2017. During the 2016 session, HB 1696 reauthorized the program to operate through December 31, 2018 and replaced the matching fund requirement with revenue from a premium tax and voluntary donations from health care stakeholders to provide the remaining non-federal share of the costs of the NH Health Protection program. The State cannot now predict what action, if any, the Governor and Legislature may take with respect to this program upon its scheduled expiration.

Figure 1-Enrollment By Delivery Method

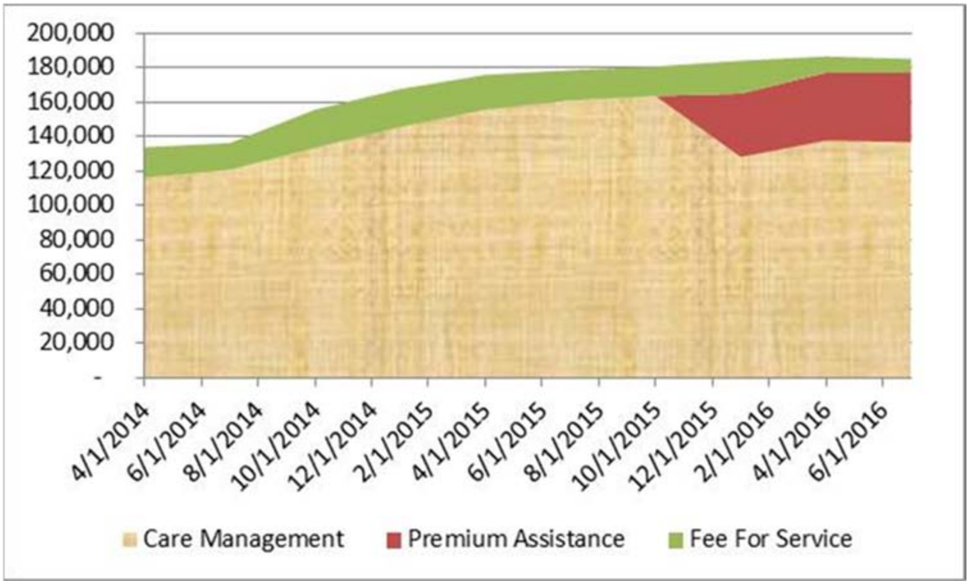
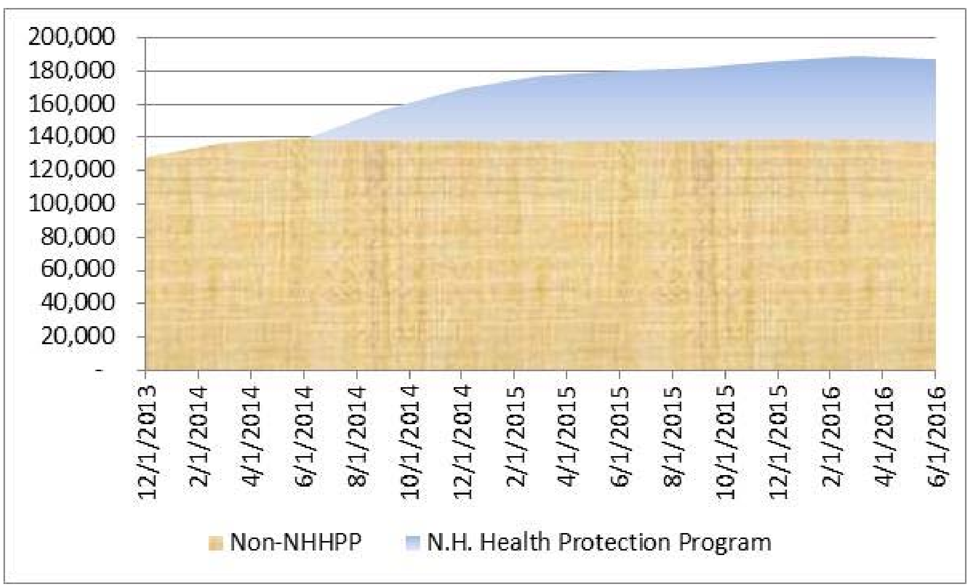


Figure 2-Enrollment By Eligibility Standard



Cost Containment. New Hampshire Medicaid deploys a robust array of financial and utilization management and quality improvement strategies to contain costs and improve member health. Historically, comparison of New Hampshire Medicaid reimbursement rates to providers have found that in almost every case the State's Medicaid provider payment rates to be significantly lower than other states' Medicare and commercial insurance rates. The State's Medicaid provider payment rates also tend to be lower, with a couple of exceptions, than the rates of the other Medicaid programs in New England.

DHHS' Office of Medicaid Services has continuously monitored private sector managed care practices as well as other state Medicaid innovations for local application. To the extent that Medicaid program constraints and internal resources allow, New Hampshire Medicaid has further attempted to maximize cost efficiencies by adapting numerous managed care strategies – a robust Pharmacy Benefit Management Program, utilization management (e.g., prior authorization, service limits, concurrent inpatient review, discharge planning and care management), State-wide distribution of incontinence supplies, and volume-based purchasing for vision care and eyeglass frames/lenses – to the current fee-for-service model.

Medicaid Delivery System. Significant changes were made to New Hampshire Medicaid during the 2011 legislative session. Notably, Chapter 125, Laws of 2011 directed the fee-for-service program be converted to a managed care delivery model ("MCM"). The Medicaid appropriations were reduced in anticipation of this conversion for the 2014-2015 biennium.

The second phase of MCM, including long term care support services was expected to be implemented in January 2016 for the elderly Choices For Independence program and June 2016 for nursing level of care services. These dates have been extended. The implementation date for the disabled population has yet to be determined.

See "LITIGATION – *Wallace et al. v. State of NH DHHS*" for information regarding recently filed litigation challenging the applicability of managed care services for certain developmentally disabled persons.

Contracts with the MCM health plan providers originally expired in June 2015 and were renewed and now terminate on June 30, 2018.

Medicaid Management Information System ("MMIS"). The State has replaced the automated system that processes Medicaid claims. The new MMIS system went live April 1, 2013 with the New Hampshire MMIS Health Enterprise System, administered under contract with the Xerox Corporation as the fiscal agent.

New Hampshire's Disproportionate Share Hospital ("DSH") Program. The DSH Program was significantly redesigned in fiscal year 2011, due to new federal DSH regulations and requirements of Chapter 144:212, Laws of 2009. Hospitals received payments based on the amount of uncompensated care provided to patients with no form of insurance coverage, regardless of the amount of MET the individual hospital paid to the State. Previously, hospital DSH payments equaled the amount paid in MET. No changes were made to the State's definition of net patient services revenue or to the MET rate of 5.5% of that revenue.

Since the 2010 redesign of the DSH program, the Legislature has reduced funding available for the DSH program. Pursuant to RSA 167:64, DSH funds were made available only to critical access hospitals up to 100% of each hospital's uncompensated care in the 2012-2013 biennium. For fiscal year 2014, in recognition of the amount of uncompensated care provided by all hospitals in New Hampshire, the Legislature increased DSH funding by $20 million in state funds, and limited payments made to critical access hospitals to 75% of uncompensated care. This funding level is expected to allow total DSH payments to both critical access and non-critical access hospitals of $92 million in fiscal year 2014, which also includes the matching federal funds.

Chapter 158, Laws of 2014. The statute revises services taxable under the MET and clarifies that the MET is a health care-related tax. The statute removes the application of the MET to special hospitals for rehabilitation. The statute also changes the payment schedule for the tax and the method for collecting overdue tax payments. It also provides for a phased in reduction in the rate of the tax.

MET and DSH Impact in fiscal year 2016 and future outlook. As a result of a shortfall in MET received in fiscal year 2016 and changes to the calculation of UCC by the federal government, the liability to the State's hospitals under the DSH program for their uncompensated care exceeded the amount budgeted for fiscal year 2016 for the DSH payment. The shortfall in MET of $8.0 million and the increased expense for DSH in the amount of $7.9 million (excluding federal match) resulted in an overall State shortfall of $15.9 million. The department satisfied the fiscal year 2016 shortfall by utilizing excess revenue received from the drug rebate program. It is possible that the State will face another shortfall in MET revenues and increased DSH expenses in fiscal year 2017. However, the State is not yet able to quantify any potential aggregate shortfall or possible resources to offset it.

New Hampshire's Critical and Non Critical Access Hospitals file their MET and self-report UCC, in April and May respectively. DSH Payments are required to be paid to New Hampshire hospitals to reimburse for care for which they have not been paid, known as "Uncompensated Care" and are funded by the MET and federal Medicaid matching funds. MET is currently assessed at 5.45% of net patient service revenue, collected by the DRA, and subsequently transferred to DHHS.

DSH payments are paid annually by May 31st and are processed in the following priority order (subject to certain caps at both the ceiling and floor level):

(1) Critical Access Hospital will be reimbursed at an amount equal to 75% of UCC
(2) Non-Critical Access Hospital will be reimbursed at an amount equal to 50% of UCC.
(3) Remaining funds shall support Medicaid Provider payments

The State's fiscal year 2016 DSH obligation was higher than anticipated at the time the current biennial budget was enacted because of a subsequent change in the definition of uncompensated care by the federal government that resulted in the issuance of a preliminary injunction by the Federal District Court in New Hampshire in *NHHA v. Sylvia Matthews Burwell*. The effect of the preliminary injunction prevents the inclusion of any third party payments against hospital costs to arrive at a net UCC. As an example, previous charges reimbursed by Medicare which would have decreased UCC, are now excluded; resulting in those charges being considered unreimbursed and subject to a DSH payment. See "LITIGATION."

An additional significant factor influencing the State's DSH liability For fiscal year 2016 was the fact that the hospitals' uncompensated care costs that are used for the DSH payment calculation are based on uncompensated care data from 2014. Due to the varying fiscal years for NH's hospitals and the fact that the NHHPP did not commence until September 2014, the reduction in hospitals' uncompensated care that has and will continue to be realized is not reflected in the 2014 UCC data. The department and hospitals anticipate that the fiscal year 2015 UCC data will be significantly lower, as that year will reflect more completely the impact of the NHHPP.

Below is a table depicting aggregate DSH Payments, including both federal and State funding sources since 2009.

State Fiscal Year	DSH Payments
2009 paid	$178,040,743
2010 paid	195,457,290
2011 paid	207,698,608
2012 paid	48,735,473
2013 paid	52,889,190
2014 paid	92,020,821
2015 paid	68,328,525
2016 paid	207,184,916

Litigation. Various aspects of New Hampshire Medicaid are the subject of litigation. Such litigation, if decided in a manner unfavorable to the State, could subject the State to substantial financial judgments. See "LITIGATION" with respect to the matters under the captions that reference DHHS or New Hampshire Medicaid.

Future Outlook. Recent federal activity has presented new opportunities and challenges for states. The Medicare Modernization Act of 2003, the Deficit Reduction Act of 2005, and PPACA imposed new requirements for states along with options in the areas of benefits, cost sharing, and long-term care. DHHS had previously estimated the impact of the Medicaid reforms in PPACA, including various costs and savings arising from, among others, adult Medicaid expansion, changes in CHIP federal funding and increases to primary care rates. In these earlier preliminary estimates, DHHS had estimated that in calendar year 2014 PPACA could add almost 30,000 new Medicaid enrollees which could increase to over 62,000 by calendar year 2019. Actual enrollments increased by 59,052 from December 2013 to December 2015. Federal funding for many PPACA reforms begins at 100% and reduces to 90% over time. Additionally, CHIP reauthorization includes an increase from 65% to 88% federal funding until 2017, potentially offsetting state general fund requirements by $10-$15 million each year beginning October 1, 2015 through September 30, 2017.

New Hampshire Health Protection Program ("NHHPP")/ Premium Assistance Program ("PAP"). Senate Bill 413 (codified at 2014 Laws Chapter 3) required the Department to establish the NHHPP, which expanded Medicaid eligibility to newly eligible adults as allowed under the Affordable Care Act (ACA).

Newly eligible adults are those who are aged 19 up to 65 years old with incomes up to 133 percent of the federal poverty level (FPL), who are not pregnant at the time of application, are not eligible for or enrolled in Medicare, and are not eligible for Medicaid through any other existing Medicaid eligibility category. Federal law requires that states who voluntarily expand health coverage to the New Adult Group allow for a 5% increase in income above 133% of the FPL to minimize the number of people who lose eligibility by monthly fluctuations in income. This 5% income disregard effectively expands eligibility to 138% of the FPL.

The NHHPP is currently a wholly federally-funded health care program that expands coverage to the newly eligible adults. NHHPP includes the Voluntary Bridge to Marketplace Program which provided services through Medicaid managed care organizations, Well Sense and New Hampshire Healthy Families, through December 31, 2015.

The NHHPP, as enacted, mandated coverage in private, employer sponsored health plans for those enrollees with access to cost-effective employer sponsored insurance. The legislature repealed this mandatory program effective July 1, 2015 as a result of concerns over the costs of administering this mandatory program. DHHS, however, has for a number of years maintained a voluntary Health Insurance Premium Program ("HIPP") and new adults who are employed and who have private employer coverage that is determined to be cost effective may voluntarily enroll in HIPP. As of February 19, 2016 there were approximately 204 Newly Eligible Adults voluntarily enrolled in HIPP. As of February 19, 2016, there were approximately 48,400 persons enrolled in the NHHPP Program.

Beginning January 1, 2016, NHHPP enrollees who are not medically frail were required to purchase coverage with a qualified health plan doing business in the individual market through the Federally Facilitated Marketplace. Those enrollees who self-attest to being Medically Frail (those having one or more mental, physical or emotional conditions which affect their ability to undertake the daily tasks of living) are excluded from the PAP by the terms of the Premium Assistance Waiver, 11-W-00298/1, issued to New Hampshire by the Centers for Medicare and Medicaid Services.

In fiscal year 2015 and 2016, the State received $202.4 million and $406.3 million, respectively, in federal funds to provide private health insurance coverage to those newly eligible for the benefit. Fiscal year 2015 implementation costs totaled $16 million, of which $10.7 million were funded by the federal government and $5.3 million were funded by the State general fund. While costs for services are 100% federally funded, administration and system development and implementation costs do have a general fund requirement. Administration costs are matched at 50% while system development and implementation costs receive an enhanced match of either 90% or 75%. As of January 1, 2017, the program will only be 95% funded by the federal government. The State currently expects to obtain third party funding to cover the State's 5% share and does not expect to use moneys from the State general fund.

The following table sets forth monthly service expenditures for the NH Health Protection Program for fiscal years 2015 and 2016:

NH Health Protection Program
Fiscal Year 2015

Paid Month	Total Expense
Jul-14	$ 0
Aug-14	192,859
Sep-14	6,596,169
Oct-14	11,739,066
Nov-14	14,396,687
Dec-14	17,409,157
Jan-15	20,204,025
Feb-15	22,468,654
Mar-15	23,881,902
Apr-15	27,967,005
May-15	28,393,165
Jun-15	29,226,605
Total Expense	$202,475,294

NH Health Protection Program
Fiscal Year 2016

Paid Month	Total Expense
Jul-15	$30,260,776
Aug-15	30,545,786
Sep-15	31,219,458
Oct-15	30,946,657
Nov-15	31,168,010
Dec-15	55,823,853
Jan-16	29,889,902
Feb-16	31,282,993
Mar-16	,34,718,769
Apr-16	32,198,240
May-16	33,205,749
Jun-16	34,721,888
Total Expense	$405,982,080

Section 1115 Transformation Waiver. On January 5, 2016 the Centers for Medicare and Medicaid Services (CMS) approved New Hampshire's Section 1115 Research and Demonstration Transformation Waiver, # **11-W-00301/1** to access new federal funding to help transform its behavioral health delivery system. The Transformation Waiver has four main targets:

(1) Deliver integrated physical and behavioral health care that better addresses the full range of individuals' needs
(2) Expand capacity to address emerging and ongoing behavioral health needs in an appropriate setting
(3) Reduce gaps in care during transitions across care settings by improving coordination across providers and linking patients with community supports.
(4) Move fifty percent of Medicaid reimbursement to alternative payment models by the end of the demonstration period

Under the transformation waiver received by New Hampshire, CMS will provide the State with up to $30 million in funding each year for five years. There are two distinct federal funding streams associated with the waiver, a federal reimbursement for Designated State Health Programs ("DSHP") and a federal reimbursement for

Delivery System Reform Incentive Payments ("DSRIP"). The DSHP funds consist of new federal matching funds received on existing state and local health related programs. Under the Waiver approval, DSHP funds will be disbursed to fund new DSRIP reform projects.

Under the waiver the State, including local county governments, are not required to spend any new or additional funds. However in order to continue to receive the additional federal matching funds, spending on the existing health related programs are expected to continue.

STATE INDEBTEDNESS

Debt Management Program

The State has a debt management program, one purpose of which is to avoid the issuance of short-term debt for operating purposes. (See "Temporary Loans" for information on recent short-term debt issuances.) The State's debt management program is designed to hold long-term tax-supported debt to relatively low levels in the future and to coordinate the issuance of debt by the State, its agencies and public authorities.

Authorization and Classification of State Debt

The State has no constitutional limit on its power to issue obligations or incur indebtedness and there is no constitutional requirement that a referendum be held prior to the incurrence of any such debt. The authorization and issuance of State debt, including the purpose, amount and nature thereof, the method and manner of the incurrence of such debt, the maturity and manner of repayment thereof, and security therefor, are wholly statutory.

Pursuant to various general or special appropriation acts, the Legislature has from time to time authorized the State Treasurer, with the approval of the Governor and Council, to issue bonds or notes for a variety of specified projects or purposes. In general, except for the Turnpike System revenue bonds and federal highway grant anticipation ("GARVEE") bonds, such borrowing constitutes general obligation debt of the State for which its full faith and credit are pledged but for the payment of which no specific State revenues are segregated or pledged. There is general legislation, however, under which the Governor and Council may authorize the State Treasurer to issue revenue bonds for revenue-producing facilities and to pledge the revenue from such facilities for the payment of such bonds. The Legislature has also authorized the guarantee of certain obligations issued by political subdivisions of the State and by various State agencies, which guarantee constitutes a pledge of the State's full faith and credit, and has authorized two State-wide agencies to incur debt for the financing of revenue producing projects and programs and authorized such agencies to create certain funds which may be maintained by State appropriation (see "Agencies, Authorities and Bonded or Guaranteed Indebtedness"). However, most of this indebtedness is supported by revenues produced by the project or entity for which the debt was issued. Consequently, such self-supported debt is not considered net General Fund debt of the State.

The Legislature has also authorized certain State agencies to issue revenue bonds for various projects, including industrial, health, educational and utility facilities. Except to the extent that State guarantees may be awarded for certain bonds of the New Hampshire Business Finance Authority and the Pease Development Authority, indebtedness of those agencies does not constitute a debt or liability of the State.

Debt Statement

The table below sets forth the long-term debt of the State outstanding as of June 30, 2016.

Debt Statement as of June 30, 2016
(In Thousands)

General Obligation Bonds:		
General Improvement	$600,382	
Highway	76,817	
University System of New Hampshire	150,359	
Total Direct General Obligation Debt		$827,558
Revenue Bonds:		
Turnpike System[1]	408,710	
GARVEE[2]	144,095	
Total Revenue Bond Debt		$552,805
Contingent (Guaranteed) Debt:		
Water Pollution and Waste Disposal Bonds issued by Political Subdivisions	580	
Business Finance Authority	55,800	
Local School District School Bonds	24,786	
Total Contingent Debt		$81,166
Total Debt		$1,461,529
Less: Self-Supporting and Contingent Debt:		
General Fund Self-Supporting Debt[3]	40,255	
Turnpike System Revenue Bonds	408,710	
Highway Fund	76,817	
GARVEE	144,095	
Water Pollution and Waste Disposal Bonds issued by Political Subdivisions	580	
Business Finance Authority	55,800	
Local School District School Bonds	24,786	
Liquor Commission	14,780	
School Building Aid	87,604	
Fish & Game	1,975	
Total Self-Supporting and Contingent Debt		$855,401
Total Net General Fund Debt[4]		$606,128

(Columns may not add to totals due to rounding.)

---

(1) Turnpike System revenue bonds are limited obligations of the State payable solely out of net revenues of the Turnpike System. Neither the full faith and credit nor the taxing power of the State is pledged for the payment of the Turnpike System revenue bonds.
(2) Federal Highway Grant Anticipation (GARVEE) Bonds. These bonds are special limited obligations of the State payable from federal grant funding.
(3) Includes bonds paid from General Fund restricted revenues (primarily user fees, criminal penalty assessments and lease revenues statutorily earmarked to fund debt service payments on specific projects). School building aid debt service is funded from a portion of the meals and rooms tax revenue.
(4) Net General Fund debt is debt for which debt service payments are made directly by the State from its taxes and other unrestricted General Fund revenue.

Chapter 17 of the Laws of 2014 (SB 367) authorized $200 million in general obligation bonds for the completion of the Interstate 93 widening project. Chapter 276:210-211, Laws of 2015, amended the legislation by specifically authorizing a federal Transportation Infrastructure Finance and Innovation Act ("TIFIA") loan as an alternative to a traditional general obligation bond issue including, without limitation, a pledge of the revenue collected from adjustments under RSA 260:32-a for rates that exceed $0.18 per gallon less required distributions under RSA 235:23, I, on said revenues.

On May 24, 2016, the State entered into the TIFIA financing agreement to fund the construction of the remaining portions of the I-93 project. The loan, established at a 1.09% rural TIFIA interest rate, will fund $200 million in project costs along the I-93 corridor from Salem to Manchester, New Hampshire. The debt service payments are to be funded by a portion of the revenue collected from the increase in the road toll that was effective July 1, 2014. The road toll increase pursuant to Chapter 17 of the Laws of 2014, projected to generate approximately

$34 million annually, will expire once all debt service payments for the I-93 project have been made and the financing is fully amortized (June 2034). The full $200 million loan is expected to be drawn down monthly over the next several years. The State will pay interest only on the outstanding balance until 2025, when principal repayment will begin on a level debt service basis to maturity, June 1, 2034. The TIFIA loan agreement also requires that the State expend certain annual amounts of the increased road toll revenues on non-federally aided highway projects in the State. In the event, the State does not meet these requirements the interest rate on the loan will increase to 2.17% until the spending requirements are met. In addition, the TIFIA loan agreement provides for a default rate of interest equal to 3.09%. As of June 30, 2016 the amount drawn on the TIFIA loan was $6.25 million, however it is anticipated that the 2016 State CAFR will report $9.7 million outstanding in order to account for project expenditures that had occurred but had not yet been funded with a draw on the loan. As a result, a GAAP adjustment will recognize both a receivable and a corresponding increase in the outstanding loan amount.

The table above does not include the outstanding TIFIA loan balance as of June 30, 2016 in order to reconcile Total Direct General Obligation Debt outstanding of $827.558 million with scheduled Direct General Obligation Debt Service principal payments of $827.558 million.

In addition to the debt presented above, at June 30, 2016, the State had short and long-term capital leases outstanding of $623,000 and $1,675,000, respectively, 80% of which relate to building space.

The State's debt management program has resulted in the State maintaining relatively low debt levels in recent years. The table below sets out the State's debt ratios over the past five years.

Certain General Obligation Debt Statistics
(Dollars in Thousands)

	June 30, 2012	2013	2014	2015	2016
Direct General Obligation Debt	$ 960,313	$ 963,224	$ 956,406	$ 918,168	$ 827,558
Contingent (Guaranteed) Debt	100,874	89,719	90,838	85,988	81,166
Less: Self-Supporting Debt	(375,895)	(358,149)	(354,197)	(332,258)	(302,596)
Total Net General Fund Debt	685,292	694,794	693,047	671,898	606,128
Per Capita Debt[1]:					
Direct General Obligation Bonds	$724	$729	$718	$691	$622
Net General Fund Debt	516	526	520	$506	$455
Ratio of Debt to Personal Income[1]					
Direct General Obligation Bonds	1.55%	1.48%	1.36%	1.27%	1.11%
Net General Fund Debt	1.10	1.07	0.99	0.93%	0.81%
Ratio of Debt to Estimated Full Value:					
Direct General Obligation Bonds	0.63%	0.63%	0.63%	0.57%	0.50%
Net General Fund Debt	0.45	0.46	0.46	0.42%	0.36%
General Fund Unrestricted Revenues					
Debt Service Expenditures[2]	1,376,600	1,441,600	1,436,618	1,397,673	1,530,600
Debt Service as a Percent of General	94,361	97,965	98,759	102,190	90,280
Fund Unrestricted Revenues	6.85%	6.80%	6.87%	7.31%	5.90%
Population (in thousands)	1,327	1,321	1,332	1,329	1,331
Total Personal Income (in millions)	62,076	64,885	70,180	72,541	74,388
Estimated Full Value (in thousands)	$151,695,430	$155,235,385	$160,572,109	$166,808,092	$166,808,091[3]

[1] Based on U.S. Department of Commerce and U.S. Bureau of the Census estimates for population and personal income.
[2] Debt service on Net General Fund Debt. Does not include interest paid on revenue or bond anticipation notes.
[3] Amount shown is for fiscal year 2015; the fiscal year 2016 amount will not be available until later in calendar 2017.

Rate of Debt Retirement[1]
as of June 30, 2016

	General Obligation Debt	Net General Fund Debt
5 years	50%	50%
10 years	84	80
15 years	97	96
20 years	100	100

[1] Does not include refunding of bond anticipation notes.

Recent Debt Issuances

In recent years, the State has issued bonds and bond anticipation notes for a variety of authorized purposes. The following table compares the amount of issuances and retirements of long-term direct State general obligation indebtedness for each of the past five fiscal years. See also "Temporary Loans" below.

Issuances and Retirements of Direct General Obligation Debt
(In Thousands)

	Fiscal Year Ended June 30,				
	2012	**2013**	**2014**	**2015**	**2016**
Beginning Debt	$ 938,998	$ 960,313	$ 963,224	$ 956,406	$ 918,168
Bonds Issued	103,520	91,445	83,180	151,144	0.00
Total Net Debt	1,042,518	1,051,758	1,046,404	1,107,550	918,168
Less: Bonds Paid	82,205	88,543	89,998	89,980	90,610
Defeasance	-	-	-	99,400	0
Ending Debt	$ 960,313	$ 963,224	$ 956,406	$ 918,168	$827,558

TIFIA Loan

See the discussion above under the heading "Debt Statement" for information regarding the payment terms of this loan.

Schedule of Debt Service Payments

The following table sets forth the projected principal and interest requirements of all general obligation bonds of the State outstanding at June 30, 2016. The amounts shown for interest include the gross interest payable by the State with respect to its outstanding general obligation "Build America Bonds," which were outstanding in the amount of $135 million with expected subsidy payments of $17.1 million over the remaining life of the bonds as of June 30, 2016. With the exception of one minor withheld amount, which has since been rectified, prior to sequestration, the State had received interest subsidy payments from the federal government equal to 35% of the actual interest payable on such "Build America Bonds." Federal sequestration has cut a percentage of these direct pay subsidies for fiscal years 2013 through 2016 and is expected to cause further reductions in fiscal year 2017 and beyond. See "STATE FINANCES – *State Revenues – Federal Sequestration.*"

Direct General Obligation Debt
as of June 30, 2016[(1)]
(In Thousands)

Fiscal Year Ending June 30,	Principal	Interest	Total
2017	$85,904	$38,714	$124,618
2018	87,970	32,386	120,356
2019	86,675	28,168	114,843
2020	82,545	24,170	106,715
2021	70,385	20,521	90,906
2022	64,780	17,726	82,506
2023	55,585	14,805	70,390
2024	50,410	12,191	62,601
2025	47,235	9,969	57,204
2026	36,705	8,160	44,865
2027	36,575	6,518	43,093
2028	30,780	5,018	35,798
2029	23,605	3,684	27,289
2030	22,860	2,619	25,479
2031	14,825	1,717	16,542
2032	8,160	1,138	9,298
2033	9,600	802	10,402
2034	7,365	391	7,756
2035	5,594	103	5,697
Total	$827,558	$228,780	$1,056,357

(1) Columns may not add to totals due to rounding.

Temporary Loans

To the extent monies in the General Fund, Highway Fund, or Fish and Game Fund are at any time insufficient for the payment of obligations payable from such funds, the State Treasurer, under the direction of the Governor and Council, is authorized to issue notes to provide funds to pay such obligations. Outstanding revenue anticipation notes issued for the General Fund may not exceed $200 million; for the Highway Fund, $15 million; and for the Fish and Game Fund, $0.5 million.

In general, the State Treasurer, with the approval of the Governor and Council, is authorized to issue bond anticipation notes maturing within five years of their dates of issue. Refunding notes must be paid within five years of the dates of issue of the original notes.

In November 2010, the State entered into a line of credit with a bank for the State's commercial paper program. The State did not borrow under this program and terminated the contract in February 2013. On March 28, 2012 the State issued a $50 million interfund note as a cash flow borrowing from its Clean Water State Revolving Fund. This borrowing was paid back with interest from operating cash on June 27, 2012. On March 4, 2015 the State issued a $50 million interfund note as a cash flow borrowing from its Clean Water State Revolving Fund. This borrowing was paid back with interest from operating cash on March 18, 2015. The State Treasury did not borrow in fiscal year 2016 and anticipates no such borrowing in fiscal year 2017.

See "STATE FINANCES – Proprietary (Enterprise) Funds" and "– *Unemployment Trust Fund"* for a discussion of repayable advances that the State has been approved for under Section 1201 of the Social Security Act.

Authorized But Unissued Debt

As of June 30, 2016 the State had statutorily authorized but unissued direct general obligation debt in the total principal amount of $281 million, under various laws. This amount does not include the State's Turnpike System and GARVEE authorizations or statutorily authorized guarantees, nor its authority to issue bonds in lieu of all or a portion of the State's guarantee of bonds of the Pease Development Authority.

Chapter 58 of the Laws of 2005, the "Federal Highway Anticipation Bond Act," authorized the State to issue GARVEE bonds in an amount not to exceed $195 million with the approval of the Governor and Council. Chapter 193 of the Laws of 2012 authorized an additional $250 million of GARVEE bonds, for a total authorized amount of $445 million. GARVEE bonds are special obligations of the State secured by revenues consisting of federal aid for highways and other grants, loans and contributions from any governmental unit relating to projects to be financed under the statute. The statute authorized GARVEE bonds for the purpose of financing project costs related to the widening of Interstate 93 from Manchester to the Massachusetts border and any other federally aided highway project which the legislature may subsequently authorize to be funded under the statute. On November 18, 2010 the State issued GARVEE bonds in the amount of $80 million for financing projects related to such highway widening. Another $115 million of GARVEE bonds were issued on May 30, 2012 for the continued work on widening I-93, specifically, three identified construction projects associated with I-93 exits 2 and 3 in Salem and Windham, respectively, and an additional project subsequently authorized for engineering on I-93 widening from exit 3 north to the I-293 split in Manchester. The additional project was possible due to construction bid prices on the first three construction projects coming in under original estimates by nearly $10 million. Additionally, Chapter 231 of the Laws of 2010 authorized the issuance of an additional $45 million of GARVEE bonds for the purpose of financing a portion of the State's share of the replacement of the Memorial Bridge and Sarah Mildred Long Bridge, both located on the Seacoast between New Hampshire and Maine. The Memorial Bridge has been replaced and is in operation, with the cost split between the New Hampshire and Maine. New Hampshire did not use GARVEE bonds as a means of financing the construction cost of the Memorial Bridge. The New Hampshire Ten Year Transportation Improvement Plan 2015-2024, Chapter 326 of the Laws of 2014, modified RSA 228-A:2 to remove authorization of GARVEE bond authority for the purpose of replacing the Memorial Bridge and retained the authority to bond for the replacement of the Sarah Mildred Long Bridge, the widening of I-93 from Manchester to the Massachusetts border, and any other federally-aided highway project. Chapter 326 of the Laws of 2014 further identified approximately $88.5 million of anticipated GARVEE bonds for the construction of the Sarah Mildred Long Bridge ($77.5 million) and a portion of the I-93 project ($11 million). New Hampshire did not use GARVEE bonds as a means of financing the construction cost of the Sarah Mildred Long Bridge or a portion of the I-93 project. The New Hampshire Ten Year Transportation Improvement Plan 2017-2026, Chapter 324 of the Laws of 2016, modified RSA 228-A:2 to issue GARVEE bonds for 2 Connecticut River bridges located in Lebanon, New Hampshire and Hinsdale, New Hampshire. The bonding for these projects is not anticipated until state fiscal year 2019 or 2020.

The State has various guarantee programs, which are described under the caption "Agencies, Authorities and Bonded or Guaranteed Indebtedness" below. The statutes authorizing the guarantee programs require approval by the Governor and Council of any award of a State guarantee. In addition, statutory limitations apply to all of the guarantee programs, but they vary in two major respects. First, the limit may be either on the total amount guaranteed or on the total amount guaranteed that remains outstanding at any time; the latter is a revolving limit, allowing additional guarantees to be awarded as guaranteed debt is retired. Second, the statutory dollar limit may represent either the total amount of principal and interest or only the total amount of principal that may be guaranteed; in the latter case interest on that principal amount may also be guaranteed but is not otherwise specifically limited. See also material related to the Pease Development Authority under the headings "Capital Budget" and "Agencies, Authorities and Bonded or Guaranteed Indebtedness" below.

Purpose	Guarantee Limit as of June 30, 2016	Remaining Guarantee Capacity as of June 30, 2016
Local Water Pollution Control Bonds	$50.0 million(1)(2)	$49.4 million
Local School Bonds	95.0 million(1)(2)	61.9 million
Local Superfund Site Bonds	20.0 million(4)	20.0 million(3)
Local Landfill and Waste Site Bonds	10.0 million(1)(2)	10.0 million
Business Finance Authority Bonds, Loans	115.0 million(1)(4)	59.2 million(3)
Pease Development Authority	105.0 million(4)	48.9 million(3)
Housing Finance Authority Child Care Loans	0.3 million(1)(2)	0.3 million

(1) Revolving limit.
(2) Limit applies to total principal and interest.
(3) Plus interest.
(4) Limit applies to principal only.

Capital Budget and Bonds Authorized

Capital budgets are adopted biennially during the odd-numbered legislative sessions in conjunction with the biennial operating budget schedule. Additionally, bond authorizations are periodically legislated outside the capital budget process. The following table sets out the State's capital budget appropriations and bonds authorized for the 2016-17 biennium.

Capital Appropriations and Bonds Authorized

	Biennium Ending June 30, 2017
Adjutant General	$ 26,395,000
Administrative Services	25,673,058
Community-Technical College System	14,633,952
Corrections	14,455,000
Education	7,900,000
Environmental Services	19,759,112
Health & Human Services	25,259,400
Housing Finance Authority	200,000
Information Technology	3,684,320
Judicial Branch	1,261,628
Liquor Commission	4,640,000
Pease Development Authority	19,254,700
Resources & Economic Development	5,145,000
Safety	6,974,475
Secretary of State	250,000
Transportation	76,681,023
Veteran's Home	13,550,000
University System of New Hampshire	5,000,000
Gross Appropriations	270,716,668
Less-Federal, Local & Other Funds	117,554,100
Net Bonds Authorized	$153,162,568
Funding of Bonds	
Highway Funded	$ 18,576,904
Other Funded	8,727,250
General Funded	125,858,414
Net Bonds Authorized	$153,162,568

Agencies, Authorities and Bonded or Guaranteed Indebtedness

Described below are the principal State agencies or programs for which the State (a) issues revenue bonds, (b) provides State guarantees of payments of indebtedness, or (c) issues general obligation bonds supported in whole or in part by restricted revenues, rather than taxes or unrestricted General Fund revenues. (A summary of the State guarantee programs is also provided under the caption "Authorized But Unissued Debt" above.) Also described briefly below are the other independent State authorities that issue revenue bonds and notes that do not constitute a debt or obligation of the State. Except as noted below, guarantee limits and remaining guarantee capacity provided in the narrative to follow are as of June 30, 2016.

New Hampshire Turnpike System. Effective July 1, 1971, the New Hampshire Turnpike System was established to administer certain toll highways in the State. State statutes establishing the Turnpike System require the collection of tolls on such turnpikes and improvements or extensions thereof at levels sufficient to pay expenses of operations and maintenance and to pay debt service on general obligation bonds issued for Turnpike System purposes. Payment of debt service on such general obligation bonds from Turnpike System revenues is subordinate, however, to payments required with respect to Turnpike System revenue bonds.

Chapter 237-A of the New Hampshire Revised Statutes Annotated, as amended, provides for the issuance by the State Treasurer of revenue bonds of the State for the Turnpike System in such amounts as the Governor and the Council shall determine, from time to time, subject to the current statutory limit of $766.05 million (excluding bonds issued for refunding purposes). RSA 237-A expressly provides that the bond resolution authorizing Turnpike System revenue bonds may include provisions setting forth the duties of the State in relation to the fixing, revision and collection of tolls and further provides that the State has pledged to perform all such duties as set forth in such bond resolution. Turnpike System revenue bonds constitute limited obligations of the State, and the State has not pledged its full faith and credit for the payment of such bonds. Approximately $409 million of such bonds were outstanding as of June 30, 2016.

The University System of New Hampshire. The University System is a body politic and corporate created by State law under the control and supervision of a 27 member board of trustees. The board of trustees is entrusted with the management and control of all property comprising the University System and maintains the financial affairs of the University System separate and apart from the accounts of the State. Income received by the University System, except where specifically segregated, is retained by the University System for its general purposes. State statutes additionally provide for annual appropriations by the Legislature to be used for the general purposes of the University System. General obligation bonds issued by the State for the construction of capital improvements at the University System are supported by General Fund revenues. Approximately $150 million of such bonds were outstanding June 30, 2016. The University System has the power to borrow through the issuance of revenue bonds for dormitory or other housing facility purposes by the New Hampshire Health and Education Facilities Authority, without pledging the full faith and credit of the State or the University System for payment.

State Guaranteed Local Water Pollution Control Bonds. The State's programs for the protection of adequate water supplies and the control and elimination of water pollution are under the supervision of the Department of Environmental Services' Water Division. In order to assist municipalities in the financing of sewerage systems and sewage treatment and disposal plants for the control of water pollution, the Governor and Council are authorized to guarantee unconditionally as a general obligation of the State the payment of all or some portion of the principal of and interest on bonds or notes issued by any town, city, county or district for construction of such facilities. The outstanding State guaranteed amount of principal and interest of such bonds and notes may not exceed $50 million. As of June 30, 2016, $0.6 million of principal and interest is currently guaranteed under this program.

In addition, the Legislature has provided in RSA 486 that the State shall pay annually an amount equal to 20% of the yearly principal and interest expense on the original costs resulting from the acquisition and construction of sewage disposal facilities by counties, cities, towns or village districts in the State and, with respect to certain specified facilities, the State shall pay annually an amount, after completion thereof, equal to the yearly principal and interest expense on the remaining portion of the eligible costs (after application of available federal funds and the 5% local share). Such assistance payments are made to the municipalities, are not binding obligations of the State and require appropriation by the Legislature.

New Hampshire Department of Environmental Services-Water Division. The Department of Environmental Services' Division of Water Resources (formerly the New Hampshire Water Resources Board) is charged with authority to construct, maintain and operate reservoirs, dams and other waterworks systems (including hydro-energy production facilities) and to charge and collect fees and tolls for the use of water and other services supplied by the division. Projects constructed by the division are intended to be self-liquidating and self-supporting through user fees. The division is authorized to issue self-supporting revenue bonds from time to time for the acquisition and construction of projects and such bonds shall not constitute a debt of the State but are payable solely from the revenues of the projects and are guaranteed by the State. As of June 30, 2016 there was $580,000 of debt outstanding under this program.

State Guaranteed Local School Bonds. The Governor with the advice and consent of the Council may agree to award an unconditional State guarantee for the payment of not more than $95 million of the principal and interest on bonds or notes issued by school districts for school projects of not less than $100,000 involving construction, enlargement or alteration of school buildings. The supervision of the guarantee program is the responsibility of the New Hampshire School Building Authority, consisting of the State Treasurer, the State Commissioner of Education and three members appointed by the Governor and Council. Guarantees may be awarded on either a split issue basis, where the payment of not in excess of 75% of the aggregate principal amount of bonds issued for a project and interest thereon may be guaranteed, or on a declining balance basis, where a specified percentage of the principal of and interest on each bond or note issued is guaranteed. The full faith and credit of the State are pledged to such guarantees. As of June 30, 2016, $33.1 million of principal and interest was guaranteed under this program. This amount includes approximately $24.8 million of principal due on such bonds.

State Guaranteed Local Superfund Site Bonds and Landfill and Waste Site Bonds. The Governor with the advice and consent of the Council may award an unconditional State guarantee for the payment of not more than $20 million in aggregate principal amount (plus the interest thereon) of bonds issued by municipalities in the State for costs of cleanup of "superfund" hazardous waste sites for which the municipalities are named potentially responsible parties (including bonds issued by a municipality on behalf of other potentially responsible parties at the same site). No bonds have been guaranteed under this program.

In addition, the Governor and Council may award an unconditional State guarantee for the payment of principal and interest on bonds issued by municipalities in the State for closing or cleanup of landfills, other solid waste facilities or hazardous waste sites. The outstanding State guaranteed amount of principal and interest on such bonds may not exceed $10 million at any one time. As of June 30, 2016, all previously outstanding bonds guaranteed under this program had been paid.

New Hampshire Business Finance Authority. The Legislature created the Business Finance Authority of the State of New Hampshire (formerly the Industrial Development Authority) as a body politic and corporate as an agency of the State to provide financial assistance to businesses and local development organizations in the State. Legislation enacted in 1992, 1993, and 2015 significantly expanded the power of the Authority, with the concurrence of the Governor and Council, to issue State guaranteed bonds and to award State guarantees of other indebtedness for the purpose of promoting business development in the State.

In order to carry out its programs, the Authority was authorized to issue up to $25 million in principal amount of bonds as general obligations of the Authority, the principal of and interest on which is guaranteed by the State. As of June 30, 2016, $20 million of such guaranteed bonds were outstanding.

The Authority is authorized to issue revenue bonds that are limited obligations of the Authority secured solely by specified revenues and assets. The principal of and interest on up to $15 million in principal amount of the Authority's revenue bonds could be guaranteed by the State with the approval of the Governor and Council; $2.3 million of such guaranteed revenue bonds were currently outstanding as of June 30, 2016.

The Authority may also recommend that the Governor and Council award state guarantees of certain indebtedness of businesses, but the total principal amount of indebtedness guaranteed, when combined with the outstanding principal amount of State guaranteed bonds of the Authority, may not exceed $115 million at any time. As of June 30, 2016, $33.5 million of State guaranteed loans were outstanding under those Authority programs. The Authority expects that over the next five years it will seek Governor and Council approval of State bond and loan guarantees at or near the current outstanding amount.

In addition to its loan and guarantee programs, the Authority is also authorized to issue notes or bonds for the construction of industrial facilities, and certain commercial, recreational, railroad, small scale power and other facilities, for lease or sale to specific private entities. Except for the guaranteed bonds described above, such bonds or notes are not a debt or obligation of the State and no State funds may be used for their payments.

Pease Development Authority. Pease Air Force Base in the Portsmouth area closed in October 1991. Under State legislation, the Pease Development Authority ("PDA") was established in 1990 to prepare a comprehensive plan and to implement all aspects of the plan including taking title to the property, marketing, and developing the property. As of June 30, 2016, the Pease International Tradeport had 4.4 million square feet of new or renovated office/R&D/manufacturing space with over 250 companies employing more than 10,000 people.

As of June 30, 2016, PDA is authorized to issue bonds, not exceeding in the aggregate $250.0 million, and the Governor and Council may award an unconditional State guarantee to secure up to $105.0 million in principal amount plus interest on those bonds. The remaining guarantee capacity at June 30, 2016 was $48.9 million. The $105.0 million unconditional State guarantee is made up of two separate statutory provisions, one of which is $35.0 million that may be awarded by the Governor and Council after the approval of a comprehensive development plan submitted by PDA. Bonds have never been issued under these statutory provisions.

The second guarantee provision authorizes the State to issue up to $70.0 million general obligation bonds in lieu of a portion of the guarantee, with the maximum amount to be guaranteed then reduced by the amount of such bonds issued by the State. In April 1993 the State issued $30.0 million of general obligation bonds for a project at the Tradeport consisting of construction and acquisition of certain manufacturing facilities to be leased to Celltech Biologics, Inc. (Celltech was acquired in June, 1996 by a British subsidiary of Alusuisse-Lonza of Switzerland, and is now called Lonza Biologics, Inc.) The State has also issued $7.6 million of general obligation bonds in lieu of state guarantees to make loans to PDA with respect to its operations. Pursuant to Chapter 1 of the Special Session Laws of 2008, PDA was required to repay $10.0 million to the State by December 1, 2008. On November 25, 2008 PDA issued $5.0 million State guaranteed bond anticipation notes and established a $2.5 million State guaranteed line of credit. PDA made the required $10.0 million payment to the State on November 26, 2008. PDA has subsequently repaid in full the $5.0 million State-guaranteed bond anticipation notes. Under this program, there is currently no debt outstanding, however, there remains capacity to borrow up to $48.9 million on a one-time basis pursuant to this guarantee.

In addition to the $105.0 million State guarantee discussed above, the State is authorized to issue up to $10.0 million general obligation bonds, the proceeds of which may be loaned to provide matching funds to private grants for development of a research district at PDA. No debt has ever been issued under this provision.

New Hampshire Housing Finance Authority. The New Hampshire Housing Finance Authority is a body politic and corporate having a distinct existence separate from the State and not constituting a department of State government. The Authority is generally authorized to provide direct construction and mortgage loans for residential housing and to make loans to and to purchase loans from lending institutions in order to expand available mortgage funds in the State. In order to carry out its corporate purposes, the Authority is authorized to issue its bonds or notes in an amount outstanding at any one time not to exceed $2 billion. Such bonds or notes are special obligations of the Authority, and do not constitute a debt or obligation of the State. By law, the Authority is authorized to issue up to $600 million in bonds supported by one or more reserve funds and to maintain in each fund for a particular series of bonds a bond reserve fund requirement established by resolution of the Authority in an amount not to exceed one year's debt service on the bonds secured by such fund. For bonds issued under this provision, the chairman of the Authority is directed to request an appropriation of the sum, if any, needed to maintain the bond reserve funds at their required levels. Amounts so requested are subject to appropriation by the Legislature and do not constitute a debt of the State. The Authority has not issued bonds under this provision since 1982 and there are currently no bonds outstanding subject to such a reserve fund.

Legislation enacted in 1989 authorizes the Authority to issue certificates of guarantee equal to 50% of the principal of loans made to eligible child care agencies or organizations, such principal guarantee not to exceed $10,000 per recipient. The full faith and credit of the State are pledged for such guarantees, provided that the total obligation of the State shall at no time exceed $300,000. As of June 30, 2016, no outstanding debt was guaranteed under this program.

New Hampshire Municipal Bond Bank. The New Hampshire Municipal Bond Bank ("NHMBB") was established by the State in 1977 for the purpose of aiding local governmental units in the financing of public improvements. The powers of the Bank are vested in a board of five directors, including the State Treasurer and four members appointed by the Governor and Council. The Bank is authorized to issue revenue bonds in unlimited principal amount and to make loans to political subdivisions of the State through the purchase by the Bank of general obligation bonds and notes of the political subdivisions. The obligations of the political subdivisions bear interest at a rate equal to the rate on the Bank's bonds plus administrative costs. Bonds of the Bank do not constitute a debt or obligation of the State. The Bank is authorized to establish one or more reserve funds to additionally secure its bonds and is directed to request such appropriations from the Legislature as are necessary to (1) maintain such reserve funds at required cash levels or (2) reimburse the payor of any sums paid by such payor under any insurance policy, letter or line of credit or other credit facility maintained by the Bank for the purpose of meeting the reserve fund requirements in lieu of the deposit of cash. Amounts so requested are subject to appropriation by the Legislature and do not constitute a debt of the State. As of June 30, 2016, the amount of bonds issued and outstanding pursuant to the NHMBB reserve fund requirement totaled $778.6 million.

The Bank is also authorized to issue revenue bonds in unlimited principal amount for small scale power facilities and to make loans to public utilities and to certain elementary and secondary educational institutions through the purchase by the Bank of bonds of such public utilities and educational institutions. Such bonds are issued through separate divisions of the Bank and are not a debt or obligation of the State and no State funds may be used for their payment.

New Hampshire Health and Education Facilities Authority. This authority, formerly known as the New Hampshire Higher Educational and Health Facilities Authority, was established to provide financing for the State's private colleges and hospitals; the Authority can now also provide financing for the University System. The State is not directly or indirectly responsible for any obligations of this Authority issued for private entities. Moreover, bonds issued for the University System by the Authority constitute limited obligations of the University System payable solely from designated revenues.

New Hampshire Rail Transit Authority. The New Hampshire Rail Transit Authority ("NHRTA") was established under RSA 238-A effective July 1, 2007 as a body politic and corporate in the State for the general purpose of developing and providing intercity rail or other similar forms of passenger rail service. The NHRTA is authorized to issue bonds to carry out its purposes. RSA 238-A provides that all obligations of the NHRTA shall be paid solely from funds provided to or obtained by it and will not be deemed an obligation of the State nor a pledge of the full faith and credit of the State. The NHRTA held its organizational meeting on September 30, 2007 and continues to meet on a monthly basis. There are no specific plans for debt issuance at this time.

New Hampshire Rail Transit Authority. The New Hampshire Rail Transit Authority (NHRTA) was created pursuant to Chapter 360, Laws of 2007, for the purpose of establishing regular commuter rail or other passenger rail service between points within and adjacent to the State. Early in 2013, the New Hampshire Department of Transportation, working in concert with its counterparts in Massachusetts, started the New Hampshire Capitol Corridor Rail and Transit Study, a 21-month project supported by both the Federal Railroad Administration and Federal Transit Administration. In an effort to make the NH Rail Transit Authority more efficient and streamlined, Chapter 178, Laws of 2015, (SB 63) was signed into law by the Governor in 2015. The law decreases the number of members of the Board of Directors from 28 members to nine members and established an Advisory Board of 28 members to provide a statewide perspective of passenger rail needs to the Authority. The streamlining of the Board will allow the Authority to better conduct its business and put it in a better position to accept federal grants and to help oversee the NH Capitol Corridor project if realized.

The NHRTA is authorized to issue bonds to carry out its purposes. RSA 238-A provides that all obligations of the NHRTA shall be paid solely from funds provided to or obtained by it and will not be deemed an obligation of the State nor a pledge of the full faith and credit of the State. The NHRTA held its organizational meeting on September 30, 2007 and continues to meet on a monthly basis or as needed. There are no specific plans for debt issuance at this time.

STATE RETIREMENT SYSTEM

Overview

The State maintains a defined benefit pension plan, which is administered by the New Hampshire Retirement System ("NHRS" or "System"). The System administers both a cost-sharing multiple-employer pension plan (the "Pension Plan") and a medical subsidy plan (the "Medical Subsidy Plan" and collectively, with the Pension Plan, the "Plans"). The Pension Plan covers effectively all State employees and all public primary and secondary teachers, law enforcement and fire service employees. Full-time employment is required to join the Plan. In addition, New Hampshire political subdivisions may elect to join the NHRS to cover their other employees. At June 30, 2015, there were approximately 47,812 active, 1,999 inactive vested, 8,690 inactive non-vested, and 31,350 retired members of the System. The System provides service, disability, death and vested deferred pension retirement benefits to its members and their beneficiaries.

The State and participating political subdivisions appropriate funding for the Plans based on percentage rates for each member's annual earnable compensation. These rates include a "normal contribution" rate and an "accrued liability contribution" rate and are based on biennial actuarial valuations. The Plan's unfunded liabilities are currently being amortized over a 30-year period beginning July 1, 2009. The thirty year amortization period began with the actuarial valuation performed as of June 30, 2007 as required by law, however because of the lag between valuation results and effective date of corresponding employer rates, the actual amortization of the liability began on July 1, 2009. The System also provides postemployment health benefit plans through the Medical Subsidy Plan. The Medical Subsidy Plan is effectively functioning on a pay-as-you-go basis. Medical subsidy payments are made by the System from a 401(h) subtrust on behalf of a closed group of eligible participants. Medical subsidy payments are made directly to former employers (State and local governments), insurance companies, and third party health insurance administrators to offset the cost of health insurance for the eligible retirees. The balance of the insurance premium is paid by either the retiree or the former employer, depending on the employer's policy.

Additional information pertaining to the Pension Plan is contained in the State's audited financial statements for the year ended June 30, 2015 at note 11 and in the Required Supplementary Information about the System (pages 93 and 94), which financial statements are included as Exhibit A to this Information Statement. The System's audited financial statements for the year ended June 30, 2015 are also included in the State's Comprehensive Annual Financial Report for the year ended June 30, 2015 (the "2015 State CAFR"), which report is also incorporated herein by reference and may be accessed at *http://admin.state.nh.us/accounting/*. The 2015 State CAFR has also been filed with the EMMA and may be accessed at *http://emma.msrb.org*.

The System issues publicly available financial reports that may be obtained by requesting them in writing at 54 Regional Drive, Concord, NH 03301-8507 or from their web site at *www.nhrs.org*. Currently available reports include the System's Comprehensive Annual Financial Report for the year ended June 30, 2015 (the "2015 System CAFR"), available at *https://www.nhrs.org/docs/default-source/cafr/2015-cafr.pdf?sfvrsn=6,* the Actuarial Valuation Report as of June 30, 2015 (the "2015 Actuarial Valuation"), available at *https://www.nhrs.org/docs/default-source/actuarial/nhrs-june-30-2015-valuation_final.pdf?sfvrsn=6, and the 2011-2015 Experience Study available at https://www.nhrs.org/docs/default-source/actuarial/july-1-2010---june-30-2015-experience-study.pdf?sfvrsn=4* . The 2015 System CAFR and the 2015 Interim Actuarial Valuation are incorporated herein by reference. Similar reports for prior years are also available from the System at the addresses set forth above or at *www.nhrs.org*.

The Board of Trustees (the "Board") accepted the 2015 Actuarial Valuation on September 13, 2016, and used that valuation to certify the employer contribution rates for the 2018-2019 biennium at that same meeting. By law, the Board was required to certify those rates no later than October 1, 2016.

See *Results of Actuarial Valuations* and *Changes to Pension Obligation Financial Reporting* below.

Financing

The financing of the System is provided through both member and employer contributions from the State and political subdivisions. Effective July 1, 2011, the statutory member contributions equal 7% for all State and political subdivision employees and teachers, 11.55% for police members and 11.80% for fire service members. The employer contribution rate is based on a biennial actuarial valuation performed by an independent actuary and then certified by the NHRS Board of Trustees. The State Constitution provides that the employer contributions certified as payable to the System to fund the System's liabilities, as determined by "sound actuarial valuation and practice," shall be appropriated each fiscal year in the amount so certified.

The Pension Plan is divided into two membership groups. Group I consists of State and local employees and teachers. Group II consists of firefighters and police officers. The Medical Subsidy Plan is divided into four membership groups: 1) State employees, 2) political subdivision employees, 3) teachers, and 4) police officers and firefighters. The State funds 100% of the employer cost for the Plans for all State employees and, prior to fiscal year 2010, the State funded 35% of the employer cost for teachers, firefighters and police officers employed by political subdivisions. Due to changes made in the 2009 legislative session, the State funded 30% of the employer cost for these three employee classes in fiscal year 2010 and 25% of the employer cost for such employees in fiscal year 2011. Pursuant to Chapter 224, Laws of 2011, effective July 1, 2011, the State no longer shares in the funding of local employer contributions, with the exception of $3.5 million that was paid in fiscal year 2012.

The reduced percentage contribution for the State's share of local employers in fiscal years 2010 and 2011 reduced the State's aggregate contributions to the Plans in those years by $8.59 million and $18.73 million, respectively. The budget adopted for fiscal years 2012 and 2013 removed State funding for local employer contributions with the exception of $3.5 million in fiscal year 2012 noted above. With the significant legislative changes made to pension eligibility coupled with increased member contributions, the State paid approximately $63.2 million less in fiscal year 2012 and $65.6 million less in fiscal year 2013 than would have been the case with no change in law and resumption of 35% State sharing of local employer contributions. The budget adopted for fiscal years after 2013 did not include any State funding for local employer contributions. See "*Total Employer Contributions to NHRS"* tables below.

Chapter 224, Laws of 2011 includes many changes to eligibility and pension benefits, primarily for new members and members that are not vested as of January 1, 2012. These changes are intended to reduce the future pension liability and include, but are not limited to:

- Increasing the retirement age for employees and teachers from 60 to 65.

- Increasing the minimum retirement age for police and fire from 45 with 20 years of service to 50 with 25 years of service.

- Average final compensation used to calculate pension benefits will be calculated using the highest five years' salary rather than the current highest three years' salary. In addition, compensation in excess of base pay in the final years of service will not be included. Caps have been defined for maximum retirement benefits.

Chapter 224:188, Laws of 2011 also required the Board of Trustees to recertify the employer rates for fiscal years 2012 and 2013 taking into consideration all the recent legislative changes and using the actuarial assumptions used by the Board when originally setting the fiscal year 2012 and 2013 rates (8.5% assumed rate of return and 4.5% assumed wage growth). The Board voted on June 14, 2011 that if rates for fiscal years 2012 and 2013 were to be recertified, it would use the new actuarial assumptions that it recently adopted to set the rates for fiscal years 2014 and 2015 (7.75% asumed rate of return and 3.75% assumed wage growth). The Board voted in a Special Meeting on June 28, 2011 to seek an injunction to bar this section of law from taking effect, believing it unconstitutional for the legislature to require the Board to use certain actuarial assumptions. A Petition for Injunctive Relief was filed with the Merrimack County Superior Court on July 12, 2011. The Court denied the request and effective August 1, 2011, the Board recertified employer rates for fiscal years 2012 and 2013 as mandated by Chapter 244:188, Laws of 2011. In late September 2011, the Board decided not to pursue the recertification lawsuit following the assent of the New Hampshire Attorney General's office to file a particular type of withdrawal – referred to as neither party docket markings.

The Annual Required Contribution ("ARC") from the State to the NHRS shown below represents both Pension Plan and Medical Subsidy Plan contributions currently required by statute for both State employees and the State's share of employer contributions for local government employees. The contribution amounts are determined as a percentage of the payroll for eligible employees. Accordingly, the actual dollar amount of contributions in any year will vary from estimates to the extent the actual payroll varies.

Total Employer Contributions to NHRS (Pension and Medical Subsidy)
(in millions)

Fiscal Year	Total Employer	% of ARC	State Share: For State Employees	State Share: On Behalf of Local	State Share: Total	State Share % of Total	Local Share	Local Share % of Total
2016	$415.7	100%	$87.1	$0.0	$87.1	27%	$328.6	79%
2015	381.2	100%	85.0	0.0	85.0	22%	296.2	78%
2014	377.3	100%	80.8	0.0	80.8	21%	296.5	79%
2013	299.5	100%	66.0	0.0	66.0	22%	233.5	78%
2012	303.5	100%	70.2	3.5	73.7	24%	229.8	76%
2011	307.5	100%	73.6	44.3	117.9	38%	189.6	62%
2010	302.2	100%	74.5	51.5	126.0	42%	176.2	58%
2009	261.5	75%	60.5	51.0	111.5	43%	150.0	57%
2008	249.9	75%	56.6	50.2	106.8	43%	143.1	57%
2007	178.6	100%	42.0	36.1	78.1	44%	100.5	56%

The budgeted State share of total employer contributions for fiscal year 2017 is approximately $89.5 million.

Starting in fiscal year 2007, changes were made to the way the Medical Subsidy Plan was accounted for and funded. For years prior to fiscal year 2008, and in accordance with State statute, 25% of employer contributions were credited to the 401(h) Medical Subsidy Subtrusts when received; the Pension Plan was then made whole by transferring assets from a Medical Special Account to the Pension Plan. On the advice of NHRS counsel, the NHRS stopped this practice effective for fiscal year 2008.

As a result of this changed practice and as reported in the June 30, 2008 interim actuarial valuation, only 75% of the ARC was contributed in fiscal years 2008 and 2009. While the State and all other employers had consistently paid 100% of the rates certified by the NHRS Board of Trustees, the rates certified by the NHRS Board of Trustees in 2005 with respect to fiscal years 2008 and 2009 did not include a separate component for the funding of the Medical Subsidy Plan. At the time such rates were certified in 2005, the NHRS Board of Trustees was not aware that the Pension Plan would only be credited with 75% of the ARC for fiscal years 2008 and 2009.

2011-2015 Experience Study

On May 10, 2016 the Board of Trustees accepted an actuarial experience study (the "2011-2015 Experience Study") for the period July 1, 2010 through June 30, 2015. The 2011-2015 Experience Study contains related information regarding the System and can be accessed in its entirety at *https://www.nhrs.org/docs/default-source/actuarial/july-1-2010---june-30-2015-experience-study.pdf?sfvrsn=4*. In addition to demographic and economic assumptions recommended by the System's actuary, significant recommendations included reducing the current 7.75% investment rate of return to within a range of 7.0% to 7.5% and reducing the current 3.75% assumed wage growth to within a range of 3.0% to 3.50%. The Board of Trustees voted on May 10, 2016 to adopt 7.25% as the assumed rate of return and 3.25% as the assumed wage growth for use in the 2015 Actuarial Valuation.

Results of Actuarial Valuations

The NHRS has actuarial valuations performed biennially in each odd-numbered year, the results of which are used to determine the employer contribution rate for the next succeeding biennium. The actuarial valuation dated as of June 30, 2009 was used to determine the required contributions for fiscal years 2012 and 2013; the June 30, 2011 actuarial valuation was used to determine the required contributions for fiscal years 2014 and 2015; the 2013 Actuarial Valuation was used to set required contributions for fiscal years 2016 and 2017 and the 2015 Actuarial Valuation was used to set required contributions for fiscal years 2018 and 2019.

The 2015 Actuarial Valuation was accepted by the Board at its September 13, 2016 meeting and the valuation used to certify employer contribution rates for the fiscal year 2018-2019 biennium. The net assets available to pay benefits at actuarial value was reported to be $ 7,280.8 million. The market value of assets as of June 30, 2015 was approximately $229.1 million more than the actuarial value. The total pension accrued liability at June 30, 2015 was $12,303.6 million, resulting in an unfunded accrued actuarial liability ("UAAL") at June 30, 2015 of $5,022.8 million and a funded ratio of 59.2%. Because the UAAL is being funded at a level percent of payroll over a closed period (24 years remaining at June 30, 2015), it is expected that the UAAL will continue to increase until 2020 even if all assumptions are met. Effective July 1, 2007 the System's actuarial cost method changed from the open group aggregate cost method to the more widely used entry age normal cost method. The total liabilities since that date have been determined using the entry age normal actuarial cost method and a 30-year closed amortization of the unfunded accrued actuarial liability. Due to the fact that contributions for any particular fiscal year are determined by actuarial valuation performed up to four years prior to a particular year, the contributions that reflect the 30-year amortization began with fiscal year 2010. Actuarial Valuations can be viewed in their entirety at *http://www.nhrs.org/funding-and-investments/reports-valuations/annual-report-archive*.

The actuary for the Plans uses several actuarial assumptions including the investment return rate at 7.25% (and 3.25% for Medical Subsidy Plan for Governmental Accounting Standards Board ("GASB") reporting purposes) and the wage inflation rate at 3.25%. The actuary also uses so-called "smoothing," whereby the difference between the market value of assets and the actuarial value of assets is smoothed over the previous five years to offset the effects of volatility of market values in any single year. In addition, the NHRS uses a 20% "corridor" in order to prevent the smoothed value from varying too far from market. The use of the 20% corridor means that very large gains and losses (i.e., ones that would produce a smoothed value that is more than 20% higher or lower than the actual market value) will not be presumed to be completely transitory and will be reflected immediately in funding. The use of the corridor in the 2009 actuarial valuations for the Plans lowered the actuarial value of assets that would have been established in its absence and thus raised the ARC in fiscal years 2012 and 2013.

The NHRS medical subsidy UAAL with new actuarial assumptions accepted by the Board as part of the 2015 Experience Study increased by approximately $49.0 million as of June 30, 2015 as compared to the UAAL as of June 30, 2014. This liability is separate and in addition to the State other postemployment benefits ("OPEB") liability discussed under "HEALTH CARE COVERAGE FOR RETIRED EMPLOYEES."

Employer contribution rates depend on all of the actuarial assumptions used in determining the contribution rates. The following table sets forth a summary of certain assumptions used in the 2015 Actuarial Valuation, which contains detailed information regarding the System's funding progress, employer contribution rates and actuarial information to be used for certain accounting reporting purposes. The assumptions for the investment rate of return and rate of payroll growth were changed following the acceptance of the five-year experience study to 7.25% and 3.25%, respectively. These assumptions were used for the 2015 valuation and for all subsequent valuations until the next five-year experience study, for the period from 2015 through 2020, is conducted. The assumptions for the investment rate of return and payroll growth used in the prior valuation was 7.75% and 3.75%, respectively and were the assumptions used to determine the contributions required for fiscal years 2016 and 2017.

New Hampshire Retirement System
Pension and Medical Subsidy Plans Assumptions

	Pension Plan	Medical Subsidy Plans
Actuarial Cost Method	Entry age normal	Entry age normal
Amortization Method	Level percentage of payroll, closed	Level percentage of payroll, closed
Equivalent single amortization period	30 years From 7/1/2009	*
Asset valuation method	5-year smoothed market	5-year smoothed market
Actuarial Assumptions:		
Investment rate of return*	7.25%	3.25%
Projected salary increases*	3.75% to 25.25%	3.75% to 25.25%
**Includes Price Inflation at*	2.5%	2.5%
Rate of Payroll Growth	3.25%	3.25%
Valuation Health Care Trend Rate	N/A	N/A-The Medical Subsidy Plans provide a specific dollar subsidy to be used for health care. The subsidy increased 8.0% for fiscal year 2007 by statute. Effective July 1, 2008, the annual increase will be 0.0%.

* Because the Medical Subsidy Plan is effectively a pay-as-you-go benefit provided to a closed group of eligible participants, the contribution needed to fund the benefits on a pay-as-you-go basis is intended to meet or exceed the contribution that would be otherwise necessary to amortize the liability under a 30-year amortization period.

Chapter 224, Laws of 2011, required the Board of Trustees to recertify the employer rates for fiscal years 2012 and 2013 applying changes adopted during the 2011 legislative session and using actuarial assumptions used by the Board when originally setting the rates in September 2010 for fiscal years 2012 and 2013. The Board recertified the employer rates effective August 1, 2011, and those recertified rates are shown below. The rates for fiscal years 2014 and 2015 were certified by the Board on September 11, 2012 following acceptance of the 2011 Actuarial Valuation on July 10, 2012, ahead of the October 1, 2012 statutory requirement. The rates for 2016 and 2017 were certified by the Board of Trustees on September 9, 2014. The rates for 2018 and 2019 were certified by the Board of Trustees on September 13, 2016.

Combined Employer Contribution Rates for Pension Plan and Medical Subsidy Plan For Fiscal Years 2012-2019 Certified by Board

	Certified			
	2012 and 2013	**2014 and 2015**	**2016 and 2017**	**2018 and 2019**
Employees				
State	10.08%	12.13%	12.50%	12.15%
Political Subdivisions	8.80	10.77	11.17	11.38
Teachers	11.30	14.16	15.67	17.36
Police				
State	19.95	25.40	26.38	29.43
Political Subdivisions	19.95	25.40	26.38	29.43
Fire				
State	24.89	27.85	29.16	31.89
Political Subdivisions	24.899	27.74	29.16	31.89

The employer contribution rates are established at levels necessary to fund both the “normal” cost and the amortization of the UAAL. Most of the contribution rates relate to the UAAL amortization. For example, for fiscal years 2018 and 2019, the UAAL employer contribution rate for State Employees is 8.92%, for State police is 19.66% and State fire is 20.74%.

The remaining amortization of the UAAL, as a level percentage of payroll, over the current amortization period that ends in fiscal year 2039 will require increasing amounts of annual employer contributions. The 2015 Actuarial Valuation projects that the UAAL payment for the pension plan will increase from $287 million in fiscal year 2016 to $679 million in fiscal year 2039, the last year of the amortization period. This projection assumes a blended employer UAAL contribution rate of 12.54%. This projection assumes that all actuarial assumptions are exactly met. Actual experience will differ and the actual amounts to be contributed with respect to the UAAL amortization may be higher or lower than currently projected. The State's share of total employer contributions to the System for the year ended June 30, 2015 was approximately 20%. The State's share in future years may vary. See "C*hanges to Pension Obligation Financial Reporting"* below.

The following tables provide a ten-year history of funded ratios based on actuarial value of assets separated for the Pension Plan and the Medical Subsidy Plan. Fiscal year 2011 legislation authorized the transfer of all but funds needed to pay the temporary supplemental annuity payment due July 1, 2012 from the Special Account to the Pension Plan. Fiscal year 2012 legislation repealed the Special Account as of July 1, 2012. The purpose of the Special Account was to fund additional benefits, such as cost of living adjustments (COLAs). Special Account assets are not included in the Ten Year History of Pension Plan Funding Status table below for years prior to 2012.

NEW HAMPSHIRE RETIREMENT SYSTEM
TEN YEAR HISTORY OF PENSION PLAN ACTUARIAL FUNDING STATUS
FISCAL YEARS 2006-2015
(All Dollar Amounts in Thousands)

Actuarial Valuation Date (June 30)	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio
2015	$7,280,761	$12,303,636	$5,022,875	59.2%
2014	6,700,554	11,045,174	4,344,620	60.7
2013	6,070,681	10,708,768	4,638,087	56.7
2012	5,817,882	10,361,600	4,543,718	56.1
2011	5,740,516	9,998,251	4,257,735	57.4
2010	5,233,838	8,953,932	3,720,094	58.5
2009	4,937,320	8,475,052	3,537,732	58.3
2008	5,302,034	7,821,316	2,519,282	67.8
2007	4,862,256	7,259,715	2,397,459	67.0
2006	3,928,270	6,402,875	2,474,605	61.4

Note: Liabilities for fiscal years 2007-2015 were determined under the entry age normal actuarial cost method. Liabilities for fiscal year 2006 were determined under the open group aggregate actuarial cost method. Comparisons between fiscal years 2007-2015 and fiscal year 2006 are not informative.

Source: Information for fiscal year 2014 and 2015 are shown in the respective Actuarial Valuation reports. Information for fiscal years 2007 through 2013 is derived from the System's CAFR for the applicable years; information for fiscal year 2006 is derived from the System's actuarial valuation report. The fiscal years 2013 through 2015 schedule of net pension liability using the new GASB 67 and 68 is shown in footnote 5, page 44 of the 2015 System CAFR and is not presented in this table. As a result, the information presented in this table will differ from that shown in the 2015 System CAFR.

NEW HAMPSHIRE RETIREMENT SYSTEM
TEN YEAR HISTORY OF MEDICAL SUBSIDY PLAN FUNDING STATUS
FISCAL YEARS 2006-2015
(All Dollar Amounts in Thousands)

Actuarial Valuation Date (June 30)	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio
2015	$19,515	$761,342	$741,827	2.6%
2014	21,246	714,104	692,858	3.0
2013	21,823	731,872	710,049	3.0
2012	24,317	752,759	728,442	3.2
2011	33,218	777,572	744,354	4.3
2010	57,818	1,033,863	976,045	5.6
2009	176,800	673,390	496,590	26.3
2008	175,187	669,874	494,687	26.2
2007	156,976	638,410	481,434	24.6
2006	445,860	986,502	540,642	45.2

Note: $89.5 million of the asset change from fiscal year 2009 to fiscal year 2010 represents the transfer to the Special Account as part of the Plan's participation in the Voluntary Correction Program with the IRS discussed below.

Note: Liabilities for fiscal year 2007-2015 were determined under the entry age normal actuarial cost method. Liabilities for fiscal year 2006 and prior fiscal years were determined under the open group aggregate actuarial cost method. Comparisons between fiscal years 2007-2015 and fiscal year 2006 are not informative.

Source: Information for FY is derived from the June 30, 2015 Actuarial Valuation Report with assumptions updated from the 2015 Experience Study; information for fiscal years 2007 through 2014 is derived from the System's CAFR for applicable years; information for fiscal year 2006 is derived from the System's actuarial valuation report.

Changes to Pension Obligation Financial Reporting

GASB Statements No. 67 and 68, issued on June 30, 2012, set forth new standards that modified the accounting and financial reporting of the State's pension obligations. The new standards for governments that provide employee pension benefits require the State to report in its statement of fiduciary net position a net pension liability, defined as the difference between the total pension liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside in a trust and restricted for the payment of benefits to current employees, retirees and their beneficiaries. The new standards require immediate recognition of more pension expense than was previously required. The rate used to discount projected benefit payments to their present value is based on a single rate that reflects (a) the long-term expected rate of return on plan investments as long as the plan net position is projected under specified conditions to be sufficient to pay pensions of current employees and retirees and the pension plan assets are expected to be invested using a strategy to achieve that return or (b) a yield or index rate on tax-exempt 20-year AA-or-higher rated municipal bonds to the extent that the conditions for use of the long-term expected rate of return are not met. The Plan meets the criteria in (a) and the assumed rate of return of 7.75% was used as the discount rate. The new standards were effective for the System in fiscal year 2014 and for the State in fiscal year 2015. (See State of New Hampshire CAFR Notes to the Basic Financial Statements: Note 1, Section T and Note 11). NHRS has reflected the new GASB 67 requirements beginning in the fiscal year 2014 CAFR that was issued in December 2014. The initial GASB 68 report was issued using June 30, 2014 data and is available on the NHRS website at: *https://www.nhrs.org/docs/default-source/gasb/nhrs-gasb-68-kpmg_feb-2016.pdf?sfvrsn=2.*

The Pension Plan is a cost-sharing, multiple-employer plan. Accordingly, the State's obligation with respect to the Pension Plan is its proportionate share, as determined in accordance with GASB 67 and GASB 68. The Total Pension Liability ("TPL") and Pension Plan's fiduciary net position as of June 30, 2015 were approximately $11.471 billion and $7.510 billion, respectively, which results in a Net Pension Liability ("NPL") of approximately $3.961 billion as of June 30, 2015. The portion of the System's NPL allocable to the State reported at June 30, 2015 is approximately $794.9 million. The System did not experience a "crossover date" in connection with determination of the NPL and accordingly, the measurement of the State's NPL for fiscal year 2015 assumes a

7.75% discount rate which is the same as the expected rate of return of Plan investments for the System. The annual rate of return, net of investment expense for the System for the year ended June 30, 2015 was 3.5%.

Implementation of GASB 68 also requires setting forth the sensitivity of the State's NPL using an assumed discount rate that in one percentage point lower and one percentage point higher than the current rate. A 1% decrease would increase the State's net pension liability to approximately $1,046.4 million and a 1% increase would lower it to approximately $794.9 million.

While GASB 68 changes the way state and local governments report pension benefits in their financial statements it does not impact pension funding requirements or contribution amounts. To date, the State has generally contributed to the System 100% of the amounts required to be so contributed, as determined in accordance with actuarial valuations and the State.

Additional Pending Changes to Pension Financial Reporting

GASB Statement No. 72, Fair Value Measurement and Application, will be effective for the System June 30, 2016, and provides guidance for defining and determining a fair value measurement and applying fair value to certain System owned investments. GASB Statements No. 74 and 75, are related to accounting and financial reporting for postemployment benefit plans other than pension plans, and will be effective for the System June 30, 2017 and June 30, 2018, respectively.

Investments

RSA 100-A:15, I, provides separate and specific authorities to the Board and the Independent Investment Committee for the management of the funds of the Plans and charges them with exercising the judgment and care under the circumstances then prevailing, which persons of prudence, discretion and intelligence, acting in a like capacity and familiar with such matters, would use in the conduct of a pension plan of like character and with like aims of the Plans.

Fiscal year 2010 marked the first full reporting period for which the Independent Investment Committee (the "Committee") conducted oversight and management of the investment program. Prior to January 1, 2009, the Board served as the NHRS Investment Committee. On that date, the Committee assumed its responsibilities in accordance with the provisions of RSA 100-A:14-b. The Committee is responsible for: investing in accordance with policies established by the Board; making recommendations to the Board regarding investment consultants, asset allocation, and other policy matters; selecting investment managers, agents, and custodial banks; and reviewing performance. The Committee, which meets monthly, is comprised of five members: three independent members appointed by the Governor and Executive Council, and two members of the Board appointed by the Chair of the Board. All are expected to have significant experience in institutional investment or finance.

State law requires that the Committee provide a comprehensive annual investment report. The report for the fiscal year ended June 30, 2015 was unanimously approved and accepted by the NHRS Board of Trustees at its December 8, 2015 regular meeting and may be accessed at *https://www.nhrs.org/docs/default-source/cair/nhrs-fy-2015-cair.pdf?sfvrsn=6* or may be obtained, upon request, from the System at the address set forth above in "Overview".

The target allocation and range for each asset class, as most recently adopted by the Board on September 11, 2012 and June 9, 2015, respectively, are as follows:

Asset-Class	Target Allocation	Allocation Range
Domestic Equity	30%	20 – 50%
Non-U.S. Equity	20	15 – 25
Fixed Income	25	20 – 30
Real Estate	10	5 – 20
Alternative Investments	15	5 – 25

Performance returns shown below are calculated on a net-of-fees time-weighted rate of return basis.

Annualized Investment Returns

Asset Class	Percent of Assets	Periods Ending June 30, 2014 1-Year	3-Years	5-Years	10-Years
Total Fund	100.0%	1.0%	7.1%	7.2%	6.0%
Total Fund Custom Index		*2.4%*	*8.1%*	*7.9%*	*6.3%*
Domestic Equity	32.8%	0.0%	10.0%	10.9%	6.4%
*Domestic Equity Blended Benchmark**		*4.0%*	*11.8%*	*12.0%*	*7.6%*
Non-US Equity	18.0%	-7.9%	1.1%	0.5%	2.5%
*Non-US Equity Blended Benchmark**		*-10.2%*	*1.2%*	*0.1%*	*1.9%*
Fixed Income	24.5%	4.2%	3.5%	4.1%	6.1%
*Fixed Income Blended Benchmark**		*5.8%*	*4.2%*	*4.0%*	*5.3%*
Real Estate	10.7%	13.8%	14.7%	13.4%	6.8%
*Real Estate Blended Benchmark**		*10.8%*	*12.0%*	*12.0%*	*7.8%*
Alternative Investments	13.3%	2.8%	6.7%	6.0%	1.4%
*Alternative Investments Blended Benchmark**		*4.5%*	*15.5%*	*15.4%*	*11.3%*
Cash	0.7%	0.2%	0.1%	0.1%	1.1%
91 Day Treasury Bills		*0.2%*	*0.1%*	*0.1%*	*0.9%*

* In a dynamic market, strategies and objectives evolve over time. Consequently, these benchmarks are blended due to historical investment strategy decisions. Detailed descriptions of the benchmarks above are available by contacting NHRS.

Ten-Year History Actuarial Value vs. Market Value of Assets

The Actuarial (Funding) Value of Assets recognizes assumed investment income fully each year. Differences between actual and assumed investment income are phased in over a closed five-year period. During periods when investment performance exceeds the assumed rate, Funding Value of Assets will tend to be less than market value. During periods when investment performance is less than the assumed rate, Funding Value of Assets will tend to be greater than market value. The Funding Value of Assets is unbiased with respect to Market Value. At any time it may be either greater or less than Market Value. If assumed rates are exactly realized for four consecutive years, it will become equal to Market Value. Based on actuarial principles, Final Funding Value of Assets may not be less than 80% nor more than 120% of Market Value of Assets.

The table below presents a ten year history of actuarial rates of return and asset values and market value rates of return and asset values. The actuarial rate of return for each of the fiscal years prior to 2007 was calculated looking at the initial asset value, which is determined using a five year moving average method. Each year's initial value was then compared to the book value and market value for that year and the middle value was used to compute rates, provided that the middle value was not less than the five year average. For fiscal years after 2006, assets were valued on a market-related basis that recognizes each year's difference between actual and assumed investment return over a closed five year period.

The asset values presented below include all assets in the NHRS Plan Trust. Prior to June 30, 2012, total plan assets included the Special Account assets that were available pursuant to RSA 100-A:16, II(h) to provide additional benefits such as cost-of-living adjustments. The Special Account was repealed in the 2011 legislative session. The Special Account assets were not used in calculating the funded ratios of the Pension and Medical Subsidy Plans prior to June 30, 2012 because those assets were not available to pay the corresponding liabilities. Accordingly, Special Account assets are not included in the Ten Year funding status tables found in the "Results of Actuarial Valuation" section for years prior to 2012.

New Hampshire Retirement System
Pension and Medical Subsidy
Actuarial Value vs. Market Value
Fiscal Years 2006 to 2015

Fiscal Year	**Actuarial Rate of Return**	**Actuarial Value of Assets**	**Market Value Rate of Return**	**Market Value of Assets**
	(Per Actuarial Valuation Reports)[1]	(in thousands)	(NHRS CAFRs)	(in thousands)
2015	10.72%	$7,300,276	3.5%	$7,530,056
2014	12.28	6,721,799	17.6	7,414,062
2013	7.12	6,092,504	14.5	6,428,009
2012	3.22	5,846,570	0.9	5,774,343
2011	6.90	5,798,249	23.0	5,891,179
2010	6.48	5,569,341	12.9	4,898,339
2009	-3.87	5,353,453	-18.1	4,461,211
2008	9.52	5,701,579	-4.6	5,597,047
2007	12.85	5,272,358	16.0	5,967,916
2006	9.27	4,647,973	10.0	5,112,256

(1) The fiscal year 2015 actuarial information in the table above is from the June 30, 2015 Actuarial Valuation Report with assumptions updated from the 2015 Experience Study. Both reports were prepared by the System's actuarial consultant.

Current Market Conditions

Since June 30, 2008, the liquidity crisis in the credit, housing and mortgage markets blossomed into a global economic crisis of significant proportions. Both U.S. and global investment markets experienced significant declines since June 30, 2008. For the fiscal year ended June 30, 2009, the System's total fund investment return declined 18.1% and net assets available for benefits declined $1,135.8 million to $4,461.2 million. Investment results since June 30, 2009 have improved, and as a result of that improvement, the market value of net assets available for benefits has recovered to $7.46 billion as of June 30, 2016. (It should be noted that future contributions to the System will be based upon the actuarial value of the System's assets, not market value, and such actuarial values will differ from market value.) The System's investments returned 12.9% for the year ended June 30, 2010. For the twelve months ending June 30, 2011, the System's total fund investment return (at market) was 23%. The actuarial rate of return for the year ended June 30, 2011 was 6.9%, which resulted in recognition of an actuarial loss. For the twelve months ending June 30, 2012, the System's total fund investment return (at market) was 0.9%. The actuarial rate of return for the year ended June 30, 2012 was 3.22%, which resulted in recognition of an actuarial loss. For the twelve months ending June 30, 2013 and June 30, 2014, the System's total fund investment returns (at market) were 14.5% and 17.6%, respectively. For the twelve months ending June 30, 2015, the System's total fund investment return (at market) was 3.5%. For the twelve months ending June 30, 2016, the System's total fund investment return (at market) was 1.0%. The System is a long-term investor. No prediction can be made of the short-term or long-term investment prospects for the System's investment portfolio.

Medical Subsidy Plans

The Medical Subsidy Plan provides an offset or subsidy for retiree health premiums for a closed group of eligible participants. By law, all retirees must be provided the option to obtain retiree health benefits through their former employer's medical plan. However, the employer is not required to provide any funding for that benefit. For those eligible retirees who elect to receive health benefits through a former employer, the subsidy offsets the cost of the health benefits for the retiree, the employer or both. The State, as an employer, funds the vast majority of costs related to retiree health. Therefore the medical subsidy from the Retirement System flows back to the State. See "HEALTH CARE COVERAGE FOR RETIRED EMPLOYEES." The Medical Subsidy Plan is effectively pay-as-you-go. Under current law, the cash outflow necessary to make benefit payments will continue until all benefits are paid. Effective July 1, 2011, Chapter 224, Laws of 2011 caps the maximum benefit payable and states that the subsidy amount not be increased, provided, however, that all legislative provisions are subject to amendment or modification, within constitutional limits.

On September 1, 2010, the System received a Compliance Statement from the Internal Revenue Service (IRS) in regards to its IRS Voluntary Correction Program filing of April 2, 2008. In that filing, the System identified plan document or operational failures that the System recommended needed to be corrected to ensure compliance with New Hampshire RSA 100-A and IRS regulations. The IRS Compliance Statement agreed with the corrective steps recommended by the System. Those corrective steps have been taken and the System received a favorable tax determination letter from the IRS dated June 18, 2014, regarding both the pension trust and the medical subsidy program as part of the Cycle C filing.

Other Medical Subsidy Issues

GASB Statements No. 74 and 75, are related to accounting and financial reporting for postemployment benefit plans other than pension plans, and will be effective for the System June 30, 2017 and June 30, 2018 respectively.

NHRS Related Litigation

Previously pending litigation related to the NHRS has concluded. See "LITIGATION– *Professional Fire Fighters of New Hampshire, et al v. State of New Hampshire ("Firefighters II")*."

Legislative Activity

The State has enacted various legislative changes in recent years in order to address certain issues pertaining to the System, including, among other matters, the level of benefits to be received by retirees and the contributions required to be made by employers and employees.

The 2015 and 2016 legislative session did not include legislation that changed actuarial assumptions or impacted employers, members or the System.

The 2014 legislative session included, but was not limited to, legislation that:

- Allows the retirement system to make a lump sum payment of $15,000 or less to the next of kin of a deceased member when no probate proceedings are pending.
- Grants NHRS electronic access to a limited data set of death, marriage, and divorce information of members and beneficiaries held by the Division of Vital Records Administration for purposes of administering RSA 100-A.
- Repeals the optional benefit program available to eligible call, substitute, or volunteer firefighters.
- Authorizes the state Department of Administrative Services to determine the feasibility of contracting with a credit card issuer to establish a credit card affinity program in which the fees received by the State are dedicated to reducing the System's unfunded liability.
- Clarifies the definitions of terms used in RSA 100-A; establishes a procedure for assessing the true actuarial cost of service credit purchases; clarifies the ability to earn service credit while on a salary continuance plan; adds a penalty for employers who fail to submit required monthly data in a timely manner; and repeals obsolete provisions.

A detailed discussion of legislative activity for the 2014 and 2015 legislative sessions can be found in Note 6 of the 2015 System CAFR.

The 2017 Legislative session will begin in January and additional legislative changes may be proposed during the session. NHRS cannot now predict what additional changes, if any, may be proposed or enacted into law.

HEALTH CARE COVERAGE FOR RETIRED EMPLOYEES

In addition to pensions, many state and local governmental employers provide OPEB as part of the total benefit component of compensation offered to attract and retain the services of qualified employees. OPEB includes postemployment healthcare, as well as other forms of postemployment benefits (for example, life insurance) when provided separately from a pension plan. From an accrual accounting perspective, the cost of OPEB, like the cost of pension benefits, generally should be associated with the periods in which the exchange occurs (matching principle), rather than with the periods (often many years later) when benefits are paid or provided. However, in current practice, most OPEB plans are financed on a pay-as-you-go basis.

GASB Statement Nos. 43 and 45 were promulgated to address the reporting and disclosure requirements for OPEB. GASB Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, was effective for the System's financial statements for fiscal year 2007. This Statement required the NHRS to change its financial reporting and enhance disclosure of its postemployment health benefit medical subsidy program. GASB Statement No. 43 is being replaced by GASB Statement No. 74 and is effective for NHRS's financial statements for the Fiscal Year 2017. Similar to GASB Statement No. 43, GASB Statement No. 74 is not applicable to the financial reporting of the State. GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, was implemented in the State's CAFR during fiscal year 2008, and requires that the long-term cost of retirement health care and obligations for OPEB be determined on an actuarial basis, and reported similar to pension plans. GASB Statement No. 45 is being replaced by Statement No. 75 and it takes effect for the Fiscal Year 2018 State CAFR. GASB Statement No. 75 requires the net OPEB liability that is currently recognized in the footnotes of the State's financial statements for the Retiree Health Plans to be recognized on the State's balance sheet.

In addition to providing pension benefits, State law provides health care benefits for certain retired State employees within the limits of the funds appropriated. Each year, the State works with its actuary to develop working rates, or premiums, that are projected to cover the cost of retiree health care for the calendar year. The State collects the working rates from the appropriate State agencies and other statutorily authorized groups, as well as from other sources, and deposits all revenues into the Employee and Retiree Benefit Risk Management Fund (the "Fund"), established in October 2003, which finances the State's self-funded employee and retiree health benefit program ("State OPEB Plan"). As required by RSA 21-I:30-b(I), the Fund also includes a reserve equal to at least 3% of the estimated claims and costs, plus an amount set by the State's actuary to cover costs incurred but not reported. The State maintains amounts that exceed the required reserve as surplus and, if appropriate, the State implements a working rate suspension in order to spend-down the surplus.

In the past, eligible retirees did not contribute toward the cost of health care. However, effective July 1, 2009, retirees on the non-Medicare eligible plan (typically under the age of sixty-five) contributed $65 per month and an additional $65 per month for spousal coverage. From July 1, 2011 to December 31, 2015, the premium contribution changed from this flat fee to an amount equal to twelve and half percent (12.5%) of the total monthly premium for each retiree, or twelve and half percent (12.5%) of the total monthly premium for a two-person plan if coverage includes a spouse. Starting January 1, 2016 the premium contribution percent increased to 17.5% of the total monthly premium for each non-Medicare eligible retiree and spouse. The premium contribution through December 31, 2016, is $159.94 per covered retiree per month and $319.89 per retiree and spouse.

Substantially all of the State's Group I employees hired on or before June 30, 2003 may become eligible for these benefits at 60 years of age after attainment of ten years of State creditable service if they elect to receive pension payments on a periodic basis rather than as a lump sum. Group I employees hired on or after July 1, 2003 must attain 20 years of State creditable service and be 60 years of age (65 if hired on or after July 1, 2011) in order to be eligible for retiree health benefits. Group II (Police and Fire) employees are subject to somewhat different age and creditable service requirements, as are certain Group I employees with 30 years of creditable service. Group I and Group II employees, or surviving spouses if applicable, may also qualify for retiree health benefits as the result of job-related accidental disability or death or non-job related disability or death. Similar benefits for active employees are authorized by RSA 21-I:30 and are provided through the Fund.

State retiree health benefits paid from the Fund, including administrative costs, totaled $85.4 million to cover approximately 12,000 retirees and dependents in fiscal year 2016 on a pay-as-you-go (cash) basis. The State does not pre-fund OPEB costs. However, in 2013, the State passed a law authorizing the creation of an OPEB trust account in which resources could accumulate for purposes of funding retiree health benefits. To date no funds have been paid into the trust.

In 2014, following a procurement process, the Department of Administrative Services retained The Segal Company ("Segal") to assist, among other matters, in the determination and valuation of the State OPEB Plan liability under GASB Statement No. 45. Segal provides to the State benefits consulting, claims auditing and actuarial services for the purposes of setting rates for its self-funded health and dental plans. The current complete State OPEB Plan liability actuarial valuation as of December 31, 2014, dated December 3, 2015, is posted to the State's website at *http://admin.state.nh.us*. GASB Statement No. 45 does not mandate the prefunding of postemployment benefit liabilities. The State currently plans to only partially fund (on a pay-as-you-go basis) the ARC for the State OPEB Plan, at an actuarially determined rate in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table presents the State OPEB Plan cost, the estimated amount contributed and the change in the net State OPEB Plan obligation reported in the State's CAFR for fiscal year 2016 (dollar amounts in thousands):

Annual Required Contribution/OPEB Cost	$152,663
Interest on net OPEB obligation	43,282
Adjustment to annual required contribution	(35,521)
Annual OPEB cost	160,424
Contributions made (pay-as-you-go)	53,292
Increase in Net OPEB Obligation	107,132
Net OPEB Obligation - Beginning of Year	$961,817
Net OPEB Obligation - End of Year	$1,068,949

The increase in net State OPEB Plan obligation is $107.1 million for the State's fiscal year 2016.

The ARC for fiscal year 2016 is $152.7 million and the pay-as-you-go contributions made in fiscal year 2016 were $53.3 million on an accrual basis. Those contributions do not include NHRS medical subsidy and other sources as presented in the table entitled "State Retiree Health Funding Sources" on the following page. NHRS medical subsidy payments are not included because the related obligation is excluded from the calculation above. In addition, Retiree Drug Subsidies ("RDS") are excluded pursuant to guidance promulgated by GASB Statement No. 45. Other small differences will exist because of timing between cash and accrual basis of accounting.

Retiree health costs for fiscal years 2016 and 2017 were and are budgeted to total $69.8 million and $72.9 million, respectively. Of such amounts, the General Fund provided and will provide funding for approximately $32.5 million and $33.4 million for fiscal year 2016 and 2017, respectively. The remaining funding will be provided by self-supporting agencies, NHRS medical subsidies, retiree premium contributions and drug rebates and subsidies, and the Fund surplus.

As of December 31, 2014, the most recent actuarial valuation date, the actuarial accrued liability ("AAL") for benefits was $2,138 million, with no actuarial value of assets, resulting in UAAL of $2,138 million, as compared with a UAAL as of December 31, 2012 of $1,857 million. The increase in the AAL and UAAL from the December 31, 2012 valuation is primarily attributable to actuarial experience loss and to valuation assumption changes, specifically an increase due to a rising prescription drug cost trend partially offset by decreases due to lower valuation-year per capita health costs and to a lower medical cost trend. The valuation report was performed using updated data, a payroll growth assumption of 3.75% and mortality, disability, turnover and retirement rates consistent with NHRS based on its June 30, 2010 experience study. This amount does not include the State's share of the UAAL from the NHRS Medical Subsidy plans discussed below.

The next actuarial valuation is expected to be dated as of December 31, 2016 and will be completed in the fall of 2017. The State cannot now predict whether such valuation will result in an increase or decrease in the UAAL as compared to the most recent valuation.

As described above under "STATE RETIREMENT SYSTEM," the NHRS currently provides medical subsidy payments on behalf of a closed group of retirees. Funding for the medical subsidy payments is included as a percentage of the employer contribution rate and is applied to active employee payroll similar to employer pension contributions. The NHRS then makes subsidy payments to the medical subsidy plans on behalf of eligible State retirees to offset the cost of retiree health. The 2015 Actuarial Valuation includes valuation of the NHRS Medical Subsidy Plan as of June 30, 2015. At that date, the NHRS Medical Subsidy Plan was unfunded; amounts paid by the State to the NHRS Medical Subsidy Plan are paid back to the State by the NHRS in the form of subsidy payments. The UAAL of the NHRS Medical Subsidy Plan at June 30, 2015 for the State employee group was $77.8 million. Additionally, based on current payroll data, approximately twenty percent of the Police and Fire Group of the NHRS Medical Subsidy Plan relates to State police and fire members. Accordingly, the State's portion of the UAAL of the Police and Fire Group at June 30, 2015 would approximate $68.5 million. The 2015 Actuarial Valuation can be viewed in its entirety at *www.nhrs.org/ funding-and-investments/reports-valuations/Actuarial Valuation for fiscal year ended June 30, 2015.*

The State's total UAAL for all groups related to retiree health at December 31, 2014 using the most current data available approximated $2,269.6 million from the State OPEB plan and the NHRS Medical Subsidy Plans combined. Past annual payments are shown below.

State Retiree Health Funding Sources – Cash Basis
(in millions)

Fiscal Year	General Fund	Self-Supporting Agencies	NHRS Medical Subsidy	Other Sources (i.e. Rebates, RDS Subsidy, Contrib.)	Total Revenue	Total Costs
2016	$34.5	$18.8	$12.8	$17.9	$84.0	$85.4
2015	33.8	16.3	13.1	16.7	79.8	79.0
2014	33.3	16.3	12.3	10.5	72.4	71.6
2013	34.2	15.2	12.4	10.8	72.6	70.9
2012	33.8	15.7	14.3	12.5	76.3	73.5
2011	30.3	13.7	14.2	12.4	70.6	75.9
2010	34.7	15.2	14.4	10.5	74.8	72.4

STATE RETIREE HEALTH PLAN COMMISSION

Effective July 1, 2007, the State Retiree Health Plan Commission was established pursuant to RSA 100-A:56 to determine the actuarial assumptions to be used in the valuation of liabilities relative to State employee health benefits. The Commission membership includes one representative appointed by the Speaker of the House, one Senator appointed by the Senate President, one member appointed by the Governor, the State Treasurer and the Commissioner of Administrative Services. The Commission's role is to determine the actuarial assumptions to be used in the OPEB valuation of the State's OPEB liability and to ensure the OPEB Valuation Report is submitted to the Speaker of the House, Senate President, and Governor. The Commission is also charged by law to review the premium contributions for retirees as well as eligibility considerations such as length of service, annuity amount, and cost of retiree health benefits. In autumn 2015, the Commission fulfilled its duties relative to the 2014 OPEB Valuation Report and review of the retiree health benefit.

STATE RETIREE HEALTH BENEFITS PLAN CHANGES

In June 2015, the Department of Administrative Services ("DAS") estimated a $10.6 million deficit in its retiree health benefits account for fiscal years 2016 and 2017. The DAS worked with the joint legislative Fiscal Committee to present options for premium contribution and plan design changes to the Retiree Health Benefit Plan in order to operate the plan within the budget appropriated by the legislature as required by RSA 21-I:30,I. On October 20, 2015, the Fiscal Committee approved plan design changes totaling $2 million in savings to the Retiree

Health Benefit Plan that increased copays and maximum out-of-pocket amount, paid by retirees for prescription drugs. On November 3, 2015, the Fiscal Committee approved an increase in the percentage of premium contribution paid by the Under 65, non-Medicare retirees, from 12.5% to 17.5% increasing revenue to the plan by $2.8 million. DAS will also employ retiree health benefits surplus funds, amounts that are above and beyond the statutory health reserve amount of 3% required by RSA 21-I:30-b (1), to pay retiree health expenses in fiscal years 2016 and 2017. In addition, DAS is working with its health care consultant, the Segal Company, to study options for a long-term design for funding retiree health benefits.

In the 2016 legislative session, five bills were introduced to address the rising cost of retiree health benefits. All but one of these bills failed at various stages of the legislative process. SB 388 (Chapter 123, Laws of 2016) was passed and amended RSA 21-I:30, II now provides that "any change in the [Retiree Health Benefits] plan [must be] approved by the fiscal committee of the general court, after a duly noticed public hearing on any proposed changes to the plan is held before the fiscal committee."

DAS recently submitted its fiscal year 2018 and fiscal year 2019 Retiree Health budget estimates. These estimates are based on medical and pharmacy trends for the Medicare Eligible and non-Medicare eligible retiree health benefit plans and a projected annual increase in retiree benefit plan enrollment. For fiscal year 2018 and fiscal year 2019 the non-Medicare eligible retiree plan projected medical trend is 5% and the Medicare eligible retiree plan projected medical trend is 3%. The projected pharmacy trend for all retiree health plans is 13% for fiscal year 2018 and fiscal year 2019. The total budget also includes a 4% annual increase in enrollment in the Medicare eligible retiree plan in fiscal year 2018 and fiscal year 2019. The total retiree health budget estimate for the fiscal year 2018-2019 biennium is $173 million and is approximately $30 million more than the State's fiscal year 2016-2017 budget of $143 million. The current proposed fiscal year 2018-2019 Efficiency Budget includes an additional $18 million in General Fund and $12 million in Other Funds to meet the projected biennium need for Retiree Health Benefits. At this time the DAS fiscal year 2018-2019 retiree health budget request has been fully funded by the current Governor. In 2017 the newly elected Governor will present a proposed budget to the Legislature. Typically the Legislature passes the budget in June whereupon it goes before the Governor for signature or veto.

Given the unpredictability of the fiscal year 2018-2019 retiree health budget and the considerable increase in the total retiree health budget from fiscal year 2016-2017, on August 5, 2016 the Fiscal Committee announced it would hold a Public Hearing to review short term changes to the Retiree Health Benefit plan. The Fiscal Committee held a public hearing on September 23, 2016 to review a DAS presentation containing Short Term Options for the Retiree Health Benefit Plan to mitigate the projected $30 million increase in the fiscal year 2018-2019 Retiree Health Benefits Budget. The public hearing was held in Representatives Hall of the State House and was attended by many retirees and active state employees, some of whom provided public testimony. At this time, early in the fiscal year 2018-2019 budget process, the retiree health budget for fiscal year 2018-2019 is fully funded. On October 14, 2016 the Fiscal Committee declined to make short-term changes to the Retiree Health Benefit plan, pending the outcome of the budget process.

JUDICIAL RETIREMENT PLAN

The New Hampshire Judicial Retirement Plan (the "Judicial Plan") was established on January 1, 2005 pursuant to RSA 100-C:2. The Judicial Plan is a defined benefit plan providing disability, death, and retirement protection for full-time Supreme Court, Superior Court, or Circuit court judges employed within the State. As of January 1, 2016, the date of the most recent actuarial valuation, there were 56 active participants and 63 retirees, beneficiaries and other persons due benefits.

In connection with the establishment of the plan, the State engaged a consultant to prepare an actuarial valuation as of January 1, 2005, based on the final plan provisions and reflecting an initial funding payment of $42.8 million, which amount was provided from the proceeds of general obligation bonds issued by the State. The initial valuation determined the total accrued liability of the plan as of January 1, 2005, to be $43,669,534 and the value of the net assets of the plan to be $42,800,000, which amount was equal to the proceeds of the State's bonds. This valuation resulted in an unfunded actuarial liability as of January 1, 2005, of $869,534. As of June 30, 2015, none of the bonds issued by the State for this purpose remained outstanding.

Additional information regarding the Judicial Plan is contained in the 2015 State CAFR at note 10 and on page 94. The Judicial Plan's audited financial statements for the period ended December 31, 2014 are included in the 2015 State CAFR in the portions pertaining to the State's Fiduciary Funds, although the information regarding the Judicial Plan is combined with information pertaining to the Pension Plan and is not separately presented.

The Judicial Plan issues publicly available financial reports that may be obtained upon written request addressed to Charles G. Douglas, III, Esq.; Executive Director, 14 South Street, Concord, NH 03301. Currently available reports include the Judicial Plan's Financial Statements and Required Supplementary Information as of December 31, 2015, and 2014 (the "2015 Financial Statements"), and the most recent Actuarial Valuation Report dated as of January 1, 2016 (the "2016 Judicial Actuarial Valuation"). Similar reports for prior years are also available from the Judicial Plan at the address set forth above.

The actuary for the Judicial Plan has prepared actuarial computations under GASB 67 and 68 with respect to the Judicial Plan for the year ended December 31, 2015. The report shows a total pension liability as of December 31, 2015 of $86,039,090, a fiduciary net position (market value of assets) of $46,905,875, and a resulting net pension liability (analogous to the unfunded accrued liability) of $39,133,215. The net pension liability as of December 31, 2014 was $36,475,010. The report further notes that the Judicial Plan currently uses a 7.00% discount rate to calculate its liabilities. A 1% decrease or 1% increase in the discount rate would increase or decrease the net pension liability to $44,216,548 or $30,736,501, respectively. The actual net pension liability as of future dates will, of course, vary from these amounts and the variances may be material.

Biennial actuarial valuations performed for the Judicial Plan as of January 1 of the years indicated have reported the following results:

New Hampshire Judicial Retirement Plan
Selected Actuarial Valuation Results

Valuation Date January 1	Actuarial Value of Assets	Unfunded Accrued Liability	Funded Ratio	State Contribution Rates for Fiscal Years	
2006	$44,980,407	$2,173,046	98%	19.68%	FY 08-09
2008	50,600,791	4,330,338	92	27.42	FY 10-11
2010	44,013,949	15,811,816	74	41.00	FY 12-13
2012	41,547,067	29,758,435	58	64.50	FY 14-15
2014	41,136,968	39,575,961	51	70.90	FY 16-17
2016	48,088,712	45,529,454	51	75.40	FY 18-19

The State contributions expected to be paid in the 2016-2017 and 2018-2019 biennium to the Judicial Plan total $12.0 million and $14.6 million, respectively. Chapter 257, Laws of 2011, extended the amortization period for the unfunded accrued liability from 15 to 30 years. An actuarial valuation using January 1, 2016 data was issued in August 2016.

The market value of assets as of the January 1 valuation dates is shown below.

January 1, 2008	$51,857,186
January 1, 2010	$36,678,291
January 1, 2012	$36,303,522
January 1, 2014	$43,938,985
January 1, 2016	$46,905,875

The actuary for the Judicial Plan uses several actuarial assumptions in the 2016 Judicial Actuarial Valuation including the investment return rate at 7.0% and an annual wage inflation rate and cost of living increase of 2.25%. The actuary also uses so-called "smoothing," whereby the difference between the market value of assets and the actuarial value of assets is smoothed over the previous five years to offset the effects of volatility of market values in any single year. In addition, the Judicial Plan uses a 20% "corridor" in order to prevent the smoothed value from varying too far from market, similar to the System's methodology. However, the use of the corridor in the January 1, 2016 actuarial valuation did not affect the actuarial value of assets that would have been established in its absence.

Employer contribution rates depend on all of the actuarial assumptions used in determining the contribution rates. The following table sets forth a summary of certain assumptions used in the 2016 Judicial Actuarial Valuation.

New Hampshire Judicial Retirement System
Actuarial Assumptions

Actuarial Cost Method	Entry age normal
Amortization Method	Level dollar
Amortization Period	Closed 30 years From 01/01/2010
Asset valuation method	5-year smoothed market
Investment rate of return	7.0%
Wage and Cost of Living Inflation	2.25%

EMPLOYEE RELATIONS

The State Employees' Association of New Hampshire Inc.-SEIU Local 1984 (the "SEA") is the exclusive bargaining representative of the majority of classified (merit system) employees in the State, a group of approximately 9,200 employees in some thirty bargaining units. The employees of the University System, the Community College System of New Hampshire and the New Hampshire Retirement System are not classified state employees and are not included in any of these bargaining units. The sworn non-commissioned and commissioned employees of the Division of State Police are represented by the New Hampshire Troopers Association (the "NHTA") and the NHTA – Command Staff. Fish & Game Conservation Officers Fish & Game Conservation Officer Supervisors, Probation Parole Officers, Probation Parole Officer Supervisors and Liquor Enforcement Officers are represented by the New England Police Benevolent Association (the "NEPBA"). The Teamsters are the exclusive representative of the uniformed Corrections Officers and Corrections Corporals of the Department of Corrections.

In July, 2007, approximately 600 employees in the Department of Corrections who were represented by the SEA filed two modification petitions requesting that they be allowed to vote to determine whether they should be represented by a new union, the NEPBA, or whether they would continue to be represented by their current union, the SEA. The Public Employee Labor Relations Board ("PELRB") granted these petitions and the Corrections bargaining unit elections resulted in the decertification of the SEA and the certification of the NEPBA as the exclusive representative of the uniformed Corrections Officers and the uniformed Corrections Supervisors of the Department of Corrections. In January 2009, the New Hampshire Supreme Court overruled the decision of the PELRB to grant the petitions of approximately 600 employees of the Department of Corrections to be allowed to vote to determine whether they should be represented by a new union, the NEPBA or whether they would continue to be represented by their current union, the SEA. The Supreme Court based the decision upon the "contract bar" rule and remanded the case to the PELRB. The PELRB vacated the certifications of the Corrections units and both units were again represented by the SEA. In a subsequent election, the uniformed Corrections Officers again voted to be represented by the NEPBA and the uniformed Corrections Supervisors voted to remain with the SEA. Three other units formerly represented by the SEA voted to decertify the SEA and certify the NEPBA as their exclusive representative. Those units are Probation Parole Officers, Probation Parole Supervisors and Liquor Enforcement Officers. On October 4, 2012, the Teamsters Local 633 were certified by the Public Employee Labor Relations Board (PELRB) and in accordance with RSA 273-A:10 were selected to represent the NH State Corrections Officers and Corrections Officer Corporals. In 2014, the State Police Command Staff decertified from the SEA and joined the NHTA.

The State began negotiations with the SEA, NHTA, NEPBA and the Teamsters in October of 2014 and has reached agreement with all of the bargaining units. The ratified contracts of the four unions are funded by the State legislature, will remain in effect through June 30, 2017.

LITIGATION

The State and certain of its agencies and employees are defendants in numerous lawsuits that assert claims regarding social welfare program funding, breach of contract, negligence, and 42 U.S.C. §1983. Although the Attorney General is unable to predict the ultimate outcome of the majority of these suits, the State believes that the likelihood of such litigation resulting, either individually or in the aggregate, in final judgments against the State which would materially affect its financial position is remote. Accordingly, no provision for the ultimate liability, if any, has been made in the State's financial statements.

Except as otherwise noted below, the following matters are currently pending and at this time it is not possible to predict the outcome of these matters:

State of New Hampshire v. Philip Morris USA, RJ Reynolds, Inc. and Lorillard Tobacco Company. This matter is a petition for a declaratory order. Defendants are signatories to the Tobacco Master Settlement Agreement under which Defendants are required to make annual payments to all of the states, including the State of New Hampshire. The annual payments received since 2006 have been approximately $5 million below the required amount. On June 5, 2006, the Superior Court ordered the case to arbitration under the terms of the Master Settlement Agreement. A notice of appeal was filed to the New Hampshire Supreme Court on August 11, 2006. Briefs were filed and oral argument occurred in March, 2007. The Supreme Court affirmed the ruling of the Superior Court on June 22, 2007. The arbitration process for all states began on July 1, 2010, and is expected to last at least two years. The tobacco companies are seeking recovery of up to the entire annual payment of approximately $50 million made to the State under the MSA. The tobacco companies have identified thirty-five states they claim failed to "diligent enforce" their obligations under the MSA, including New Hampshire. The arbitration will begin April 23, 2012 with a presentation of facts and issues common to all the individual state cases. Individual state hearings are scheduled to begin May 21, 2012 and will continue at least through 2012. New Hampshire's hearing, scheduled for November, 2012, was postponed. Since that time, some states, including New Hampshire, have joined in a settlement agreement which has been submitted to the New Hampshire Legislature and was approved in March 2013. The settlement resolves the diligent enforcement dispute with the settling states through 2015. Under the terms of the settlement, the tobacco companies accepted a reduction in their claim for a non-participating manufacturer (NPM) adjustment against the settling states. The settlement resulted in the release by the tobacco companies of approximately $63.2 million to New Hampshire from the disputed payments account. In exchange, New Hampshire's 2013 annual tobacco payment was reduced by approximately $42.4 million, and its annual payment will be reduced through 2017 by approximately $4 million, as payment for its share of the settlement agreement. This matter is now concluded.

Professional Fire Fighters of New Hampshire, et al v. State of New Hampshire ("Firefighters II"). This suit challenges other portions of HB 2 that affect the State Retirement System. Petitioners challenge Section 161 (definition of Earnable Compensation), Section 163 (definition of Average Final Compensation), Section 164 (Maximum Retirement Benefit), Section 166 (Age Multiplier to calculate benefit), and Section 186 (repeal of disability exception from the gainful occupation reduction provision) of HB 2. Petitioners seek an order finding HB 2 is unconstitutional under the Contracts and Takings Clauses of both the New Hampshire Constitution and the United States Constitution. Petitioners also sought injunctive relief, payment of damages and attorneys' fees. The issues raised in this lawsuit are similar to the issues raised in *Firefighters I (*see *Professional Firefighters, et al v. State of New Hampshire (Firefighters I)* above). The trial court issued a preliminary order in May 2013, which held that employees have a contractual interest in their retirement benefit when they become "permanent employees" (approximately 1 year into employment). The Court found there is a factual question on whether the changes to the law resulted in a "substantial impairment" and did not issue an injunction. In light of the Supreme Court's decisions in Firefighters I and American Federation of Teachers, the trial court vacated this ruling and ordered the state to file a motion seeking judgment in its favor on the grounds that the former pension laws created no protectable contractual rights. In February 2016, the court granted this motion, resulting in dismissal of the case. On appeal, the New Hampshire Supreme Court summarily affirmed the superior court's order dismissing the case. Litigation of this matter is concluded.

City of Dover v. State of New Hampshire. In this case, filed August 20, 2015, the City of Dover challenges the State's distribution of education aid to municipalities as a violation of the state constitutional entitlement to an adequate education, insofar as the statutory distribution scheme imposes a "cap" limiting the aid that a particular municipality can receive in a particular year to 108% of the aid it received in the prior year. The suit seeks both prospective and retrospective relief against the cap, which has been in effect since 2009. If the request for prospective relief is successful, it will require a restructuring of the State's formula for distributing education aid to municipalities. If the request for retrospective relief is successful, it would require paying the City of Dover the difference between the aid they received in each of those years and the aid they would have otherwise gotten, but for the cap. While the aggregate amount of that potential exposure has not yet been calculated for all fiscal years at issue, the total amount of aid to all municipalities withheld on the basis of the cap for fiscal year 2016 will be approximately $10.44 million. Shortly after the suit was filed, the state entered into a stipulation agreeing that any final rulings regarding the constitutionality of the cap would apply not only to Dover, but to all other municipalities affected by the cap.

On September 6, 2016, the superior court issued a final order ruling that the cap is unconstitutional but limiting Dover to prospective relief. In effect, this ruling entitles to Dover to the $1.377 million it would have received but for the cap in fiscal year 2016. It is the state's position that this ruling also entitles the 24 other municipalities to be paid the difference between the amount they would have received in fiscal year 2016 and the amount they actually received due to the cap; in total, that amount for the other municipalities is approximately $9.065 million. On September 26, 2016, the State agreed to settle the lawsuit with Dover by paying the $1.377 million. The approximately $9.065 million for the other municipalities would have to be appropriated by the Legislature in accordance with RSA 14:35-b before the other municipalities could receive their amounts. A bill will be submitted for the 2017 legislative session. The plaintiffs and the State have agreed to a settlement which ends this case.

Bedford School District and William Foote v. State of New Hampshire, et. al. The Bedford School District and Mr. Foote, a taxpayer in Bedford, sued the State arguing that Bedford did not receive all of the education adequacy payments for fiscal year 2016 and would not receive all of the education adequacy payments for fiscal year 2017. A hearing was held on June 29, 2016, where Bedford's request for a preliminary injunction was denied. The State filed an Answer objecting to Bedford's claim for adequacy payments from fiscal year 2016 as being untimely filed thus barring it by sovereign and requesting that the claim for fiscal year 2017's adequacy payments be stayed pending the order in the City of Dover v. Department of Education litigation. The State is currently awaiting the scheduling of a compliance hearing.

Dartmouth Hitchcock, et al v. Toumpas. In August 2011, 10 of New Hampshire's 13 non-critical access hospitals and a "John Doe" individual Medicaid recipient filed a lawsuit in the Federal District Court for the District of New Hampshire against the Commissioner of the DHHS. The lawsuit challenges a number of legislative and agency actions since 2005 that have reduced the reimbursement rates for Medicaid in-patient and out-patient services and eliminated disproportionate share payments to non-critical access hospitals in the State budget for fiscal years 2012-2013. The claims are brought under the supremacy clause of the United States Constitution related to the Medicaid statute, 42 U.S.C. § 1396a(a)(30)(A) and 42 U.S.C. § 1396a(a)(13)(a), alleging that the changes are contrary to the intent of the Medicaid statute as the resulting payments are insufficient to ensure access to services to Medicaid clients, and further alleging that the changes cannot be implemented because the State did not give notice or do a state plan amendment regarding each change. A motion for preliminary injunction requesting that the Court enjoin each of the changes and require the State to revert to prior payments levels was filed at the same time. The response to the complaint and the motion for preliminary injunction were filed on September 23, 2011. The potential impact on the State's General Fund could be in excess of $100 million. It is not possible at this time to provide a more precise estimate of potential exposure for the State. Additional pleadings have been filed answering the complaint, moving to dismiss the 42 U.S.C. § 1396a(a)(30)(A) claims (Counts I-IV) and briefing the legal and evidentiary issues raised in the plaintiffs' motion for preliminary injunction. On December 8, 2011 the court heard oral argument on the legal standing issues raised in the motion to dismiss and the preliminary injunction. There was a further evidentiary hearing on the motion for preliminary injunction held on January 10-12, 2012. On March 2, 2012, the Court issued a preliminary injunction ordering the State to provide notice of the current rates and its intention to continue those rates. The Court's order also requires the State to allow for submission of comments for no less than 30 days. All other issues are still pending with the Court. The notice required by the preliminary injunction order was published, comments were received, and a notice of intent to continue to use the rates at the current level was published. The further briefing ordered by the Court regarding the ability to bring the access claims under the Supremacy clause in light of the 2012 United States Supreme Court decision in *Douglas v. Indep. Living Ctr. of So. Calif.* has been filed and supplements have been submitted regarding access reports and monitoring activity related to access between the State and CMS. On September 27, 2012, the Court issued an order denying, without prejudice, the motion to dismiss. The Court held a hearing on November 1, 2012, and invited the Secretary of the U.S. Department of Health and Human Services to provide information to the Court regarding whether CMS has primary jurisdiction in this matter. This hearing was continued to December 20, 2012. Prior to December 20, 2012 CMS approved several State Plan Amendments (SPAs), including 2010 SPAs that memorialized the 2008 rate reductions and several of the other issues raised by the plaintiffs. Given the SPA approvals, there was a verbal request to renew the motion to dismiss at the December 20, 2012 hearing. The plaintiffs argued that there was still an outstanding issue regarding use of the 2008 rates prior to the effective date of the SPA approvals and the court set a schedule for further briefing on that issue. Rather than submit any further briefing, the plaintiffs filed a motion to stay the action and at the same time filed a request to reconsider the SPA approval to CMS. In the meantime, on March 13, 2013, CMS approved the 2011 SPAs containing the remaining changes that relate to the reductions in DSH for the last biennium. Notice of those approvals has been filed with the court. The court denied the motion to stay and denied the renewed motion to dismiss without prejudice and set a status hearing to determine, what if anything, remained in light of further recent court decisions in other jurisdictions. Following that action, the plaintiffs voluntarily dismissed this lawsuit in November 2013; accordingly, this matter is concluded. However, two other lawsuits were filed by six of the ten plaintiffs, one in state court and one in federal court solely related to the 2008 rates. See "*Frisbie Memorial Hospital et al v. Toumpas"* and "*Frisbie Memorial Hospital et al v. Sebelius*."

Catholic Medical Center, et al. v. DRA. Catholic Medical Center ("CMC"), Exeter Hospital ("Exeter"), Northeast Rehabilitation Hospital ("Northeast Rehab") and St. Joseph's Hospital ("St. Joseph's") filed three separate lawsuits challenging the constitutionality, both facially and as applied, of RSA 84-A, the MET. The hospitals claim the MET tax is unconstitutional under both state and federal law because: (1) it taxes hospitals for net patient services revenue (NPSR) but does not tax other medical entities for the same revenue; and (2) there is an alleged different rate of taxation assessed between the hospitals and rehabilitation hospitals. Each hospital seeks full reimbursement of the tax it paid in fiscal year 2011. These respective amounts are: CMC - $12,521,429; Exeter - $10,269,562; Northeast Rehab - $1,480,632; and St. Joseph's - $8,693,811. The parties to the CMC litigation settled the 2011 claims and agreed that the remainder of the case would be only for fiscal year 2014 and beyond. The amount at issue for fiscal year 2014 is approximately $200 million. The Northeast Rehab case is still separate but the parties in that case have also agreed to an agreed stipulation of facts and will litigate the case through cross-motions for summary judgment. After the parties filed cross motions for summary judgment, on February 7, 2014, the trial court in the Northeast Rehab case found a portion of the tax (revenue from outpatient hospital services) to be unconstitutional. It implicitly found the State's taxation of inpatient treatment to be constitutional. Finally, the trial court held that the MET did not constitute a double tax of for-profit hospitals. Both parties appealed this decision. On April 8, 2014, the trial court in the CMC case found the entire tax (inpatient and outpatient hospital services) unconstitutional.

The State entered into a global settlement with 25 hospitals including CMC, Exeter and Northeast Rehab. Litigation with these three hospitals will be stayed pending federal approval of changes to the State's distribution of DSH payments. Dismissal of the litigation will not occur until after the settlement is implemented, which may take several years. On September 15, 2014, the court issued an order temporarily staying the proceedings for six months pending CMS's review of the amended State plan. CMS has approved the State's plan, and CMC's and Exeter's cases have been administratively closed pursuant to the global settlement. Dismissal of the litigation will not occur until after the settlement is implemented, which may take several years. Northeast Rehab dismissed its litigation.

St. Joseph's did not agree to the settlement. The State filed a motion arguing that the trial court's decision is now moot in light of statutory changes to MET effective June 30, 2014. On September 15, 2014, the court issued an order temporarily staying the proceedings for six months or until CMS issued a determination relating to the settlement agreement. CMS approved the State's plan, and CMC and Exeter's cases were administratively closed. On July 14, 2015, the superior court granted the State's motion to dismiss St. Joseph's claim on grounds of mootness. St. Joseph has not appealed that decision; therefore, St. Joseph's claims relating to the 2011 tax year are concluded. All that remains of this litigation are CMC and Exeter's claims, which are administratively closed pursuant to the global settlement agreement. Pursuant to the Agreement, CMC and Exeter's claims can only be revived if the legislature fails to appropriate the requested funds and precludes the State from complying with the Agreement.

NHHA v. Sylvia Matthews Burwell, USDC 15-cv-460-LM: New Hampshire Hospital Association (NHHA) filed a lawsuit against Centers for Medicare &Medicaid Services (CMS) seeking to prevent the application of CMS answers to FAQ's 33 and 34 concerning audit requirements that require hospitals to exclude any payments related to Medicaid recipients from third parties, including Medicare or private insurance, from claimed uncompensated care, arguing CMS' had engaged in illegal informal rulemaking and that the substance was not authorized by the CMS statute. NHHA requested that the application of the audit requirements related to uncompensated care be enjoined prospectively to future years disproportionate share reporting and calculations and retroactively to the then pending 2011 audit findings that several million dollars would have to be recouped from the critical care hospitals and several of the major hospitals. The State is not a party to this lawsuit, but has acknowledged that it would be bound by any order issued to CMS, as the State has adopted the CMS requirements for calculation of uncompensated care as the basis for how disproportionate share (DSH) payments are made.

Following a Preliminary Injunction hearing in January 2016, on March 11, 2016 the New Hampshire Federal District Court enjoined CMS from enforcing these audit requirements on procedural grounds for failure to use formal rulemaking and also found a likelihood of success on the merits. The parties have since filed cross-motions for summary judgment. Oral argument occurred on those motions on September 13, 2016. No order has issued at this time. In August 2016, CMS filed a notice of rulemaking to adopt a rule that would memorialize its position. Although the comment period has closed, the rule has not been finalized at this time and it is not possible to predict how quickly or slowly CMS will move on adoption or how a rule change will impact the litigation.

As a result of the Court's order, not only is recoupment of the 2011 overpayments enjoined, but the hospitals were allowed in the current year, and will need to be allowed going forward as long as the injunction is in place, to claim uncompensated care without deducting these third party payments. In the last fiscal year this resulted in approximately a $17 million increase in the DSH payments owed to hospitals. It is not possible to predict the outcome of this case at this time.

Gary Dube et al. v. State of New Hampshire et al. Harbor Homes, Inc. ("Harbor Homes"), a provider of Medicaid-funded community mental health services, and four individuals who had been receiving services from Harbor Homes prior to June 30, 2011 sued the State and DHHS, challenging the State's decision to consolidate delivery of community mental health services in the approved community mental health program for Region 6. The core issue is whether the State rules requiring an interagency agreement with a community mental health program is a reasonable qualification in order to qualify as a community mental health provider of Medicaid-funded services. On January 25, 2012, the Court issued an order granting, in part, the State's Motion for Summary Judgment, but left open the plaintiffs' claim whether the State violated Harbor Homes' due process rights with respect to the Greater Nashua Mental Health Center's refusal to enter into a new interagency agreement upon expiration of the prior agreement. On August 2, 2012, the Court issued an order granting the State's motion for summary judgment on Plaintiff's due process claim. On August 31, 2012, the plaintiffs filed a motion for voluntary non-suit without prejudice of the remaining claims. That motion was granted and the plaintiffs filed an appeal of the issues decided in the two motions for summary judgment. Briefs were filed with the Supreme Court. On June 18, 2014, the Supreme Court concluded that the rule requiring an interagency agreement is not a reasonable qualification requirement reversed the trial court's grant of summary judgment and remanded it to the trial court. A status conference is scheduled for September 2, 2014. The plaintiffs have also filed a new lawsuit for declaratory and injunctive relief, which simply reasserts the same claims as are made in the case remanded to the Superior Court. The State has settled with the individual plaintiffs, agreeing to allow them to receive functional support services from Harbor Homes, and payments of $160,000 in attorney's fees and $2,500 in costs. The parties filed cross motions for entry of judgment, and on February 10, 2015, the trial court partially dismissed the lawsuit on the grounds of mootness, but found that because Harbor Homes was not a party to the settlement, its claim under Count II for injunctive relief and attorney's fees was not rendered moot. It further declined to enter judgment for Harbor Homes. The parties filed cross motions for partial summary judgment on Harbor Homes' procedural due process claim, and the court granted Harbor Homes' motion. The court gave Harbor Homes until October 1, 2015 to file a memorandum in support of its request for attorney's fees. That deadline was extended twice. Harbor Homes filed its request for attorneys' fees on December 3, 2015, seeking $210,479.00 in attorneys' fees and $8,955.44 in costs. The State objected to Harbor Homes' request for attorney's fees, but the court granted Harbor Homes the full amount of the fees and costs requested. The parties mediated this matter, along with the *Harbor Homes v. DHHS* matter (below) on February 19, 2016 and reached a settlement which included settling the procedural due process claim for the full amount of attorney's fees and costs awarded by the court. This matter is now closed.

Harbor Homes v. DHHS. Harbor Homes filed a separate breach of contract and procedural due process lawsuit. This complaint is derivative of a lawsuit previously filed in Merrimack Superior Court on June 28, 2011, *Dube et al. v. State of New Hampshire et al*. DHHS filed a motion to dismiss on August 28, 2014, to which Harbor Homes has objected. Harbor Homes also filed an amended complaint, to add claims against Commissioner Toumpas in his individual capacity. A motion to dismiss the amended complaint has also been filed, and the plaintiff has objected. A hearing on the motions to dismiss was held on March 23, 2015. The court granted the motion to dismiss in part and denied it in part. The court dismissed Harbor Homes' duplicative procedural due process claim, and dismissed its claim against the commissioner as an individual defendant, but allowed the breach of contract claim to go forward. Both parties filed cross motions for summary judgment on Harbor Homes' breach of contract claim on December 3, 2015, and on February 16, 2016, the court granted Harbor Homes' motion for summary judgment. Harbor Homes seeks over $3 million in damages. The parties mediated the case on February 19, 2016 and settled the breach of contract claim for $1,350,000. This matter is now closed.

Woods, et al. v. Commissioner of Department of Corrections. Four female New Hampshire inmates filed a class action lawsuit, in state court, seeking declaratory and injunctive relief to remedy claimed violations of their constitutional, statutory and judicially decreed right to facilities, conditions of confinement, programs, and services that are on parity with those that the State of New Hampshire provides to male New Hampshire prison inmates. Plaintiffs claim that female inmates do not have access to vocational training, education, and other programs, services and facilities comparable to what is provided to male inmates, and claim that Defendant has therefore violated: (1) their rights under New Hampshire's Equal Rights Amendment, Part I, Article 2 of the State Constitution; (2) the Equal Protection Clause of the New Hampshire Constitution, Part I, Article 12; and (3) RSA 622:33-a, III; and (4) RSA 21-H:11. The State filed an answer on November 2, 2012. Petitioners filed a motion for class certification in February 2013. The State filed an objection in March 2013. Due to the fact that the Governor's capital budget request for fiscal years 2014-2015 contains a specific line item for funding the construction of a new women's prison, the parties have agreed to stay the case after the filing of the State's objection to the motion for class certification. The budget for fiscal years 2014-2015 includes funds for construction of a new women's prison. The groundbreaking ceremony occurred on August 18, 2014 and the facility is expected to be complete by fall of 2017. The case continues to remain stayed. A status conference is scheduled for January 11, 2017. It is not possible to predict the outcome of this case at this time.

White Mountain Communications Co. v. New Hampshire Department of Administrative Services, et al. This is a civil action initiated by a general contractor against the DAS, Department of Resources and Economic Development ("DRED") and two DAS employees, regarding a contract to construct of four mountaintop communication facilities. The plaintiff is alleging that the State breached its contract with the plaintiff by improperly terminating the construction contract in February of 2012 without just cause. The plaintiff has also made claims for unjust enrichment, fraud and breach of the implied covenant of good faith and recently filed several claims against its surety. The defendants filed cross claims against the plaintiff in this matter. The surety has moved to dismiss the plaintiff's claims and a decision on that motion is pending. The parties and court have agreed not to set a new discovery and trial deadline until the motion to dismiss has been decided. The parties have also discussed renewing settlement discussions. The plaintiff disclosed an expert in the administrative appeal who initially estimated total damages to be approximately $2.5 million. The plaintiff has disclosed updated expert reports supporting a claim for $2.1 million in damages. Additionally, the plaintiff has amended its complaint to add its surety as a party. The parties unsuccessfully attempted to mediate the matter in October 2015. The State filed a motion for partial summary judgment seeking dismissal of all claims except the breach of contract claim. That motion was granted in May of 2016. A trial is scheduled for late November 2016. It is not possible to predict the outcome of this case at this time.

XTL-NH, Inc. v. New Hampshire State Liquor Commission and Exel Inc. In March 2012, the NHSLC issued an RFP requesting bids for a 20-year warehousing services contract. In June 2012, XTL-NH, Inc. ("XTL") and four other vendors submitted bids under the RFP. On November 20, 2012, following a thorough review of each bid, the NHSLC awarded the warehousing contract to Exel, Inc. ("Exel"). XTL finished second under the NHSLC's bid scoring system. XTL challenged the award and participated in the two-level protest process outlined in the RFP. On March 8, 2013, the NHSLC denied XTL's protest. On March 12, 2013, XTL filed a civil action requesting that the Court enjoin performance of the contract between NHSLC and Exel and order the NHSLC to award the contract to XTL. XTL contends that as the lowest responsible bidder, it is entitled to the contract. Further, XTL argues that NHSLC improperly modified the RFP to favor Exel's bid in violation of New Hampshire's competitive bidding laws. The injunction was denied. Trial is scheduled for January 2015. On April 4, 2014, the NHSLC filed a motion for summary judgment contending that: XTL's requests for injunctive relief and monetary damages were barred by sovereign immunity and that XTL was not entitled to lost profits or attorneys' fees. On July 16, 2014, the Court ruled on the NHSLC's motion for summary judgment. The Court found that XTL cannot obtain injunctive relief or attorneys' fees in this matter, but that XTL can seek monetary damages, including lost profits. On November 14, 2014, the plaintiff filed a motion for interlocutory appeal regarding the trial court's July 16, 2014, order. The motion was denied. XTL filed a motion for partial summary judgment six weeks before the trial was set to begin. NHSLC has since filed a cross motion for summary judgment. Following the submission of summary judgment memoranda, the court heard oral argument on the cross-motions on November 10, 2015. On January 4, 2015, the court issued its order on the cross-motions for summary judgment, denying both parties' motions. On May 23, 2016, the Merrimack Superior Court commenced an eight day trial. The parties filed post-trial memoranda on July 22, 2016. On September 8, 2016, the Court issued an order rejecting XTL's claims and finding for NHSLC. In doing so, the Court found that the RFP, evaluation process, and contract award to Exel were lawful and in compliance with New Hampshire competitive bidding law. XTL has indicated it will file a notice of appeal on or before October 11, 2016. It is not possible to predict the outcome of this case at this time.

Frisbie Memorial Hospital et al. v. Toumpas. Six hospitals, Frisbie, Wentworth-Douglas, Exeter, LRGH, Southern NH, and St. Joseph's, filed suit on October 10, 2013 in Strafford Superior Court against DHHS claiming that the 2008 rate reductions to inpatient and outpatient hospital rates are void due to lack of proper notice, for failure to submit a state plan amendment ("SPA"), and for failure to provide opportunity for comments before the changes were made. The plaintiffs claim they are entitled to payment at higher rates under the existing state plan language for the period July 1, 2008 to November 19, 2010 (the effective date of the SPA approved by CMS). The plaintiffs assert damages of approximately twenty million dollars. A motion to dismiss has been filed on behalf of the State. On June 23, 2014, the plaintiffs filed a motion to stay to provide time to implement the MET settlement (see *Catholic Medical Center et al v. DRA*). In addition, because St. Joseph's was not a party to the MET settlement, the stay is designed to provide St. Joseph's time to obtain new legal counsel, and determine if it will continue with the litigation on its own. The matter remains stayed. Pursuant to the settlement agreement with twenty-five hospitals, any judgment against the State from litigation brought by St. Joseph's will be paid by the settling hospitals, up to a cap of $4.5 million. St. Joseph's has since settled with the State (see St. Joseph's Hospital v. Dept. of Revenue Administration), agreeing to the terms of the global settlement. The parties filed a motion for administrative closure. Under both the global agreement and St. Joseph's agreement, this matter is to be administratively closed subject to a right to bring forward the action. The plaintiffs further agreed that if funding for fiscal years 2015, 2016, and 2017 as set out in the global agreement is met, the plaintiffs will move to dismiss this action, with prejudice, by July 1, 2018. Although it is expected that the agreed upon funding will be appropriated, it is not possible to predict the outcome of this case at this time.

Frisbie Memorial Hospital et al v. Sebelius. Six hospitals, Frisbie, Wentworth-Douglas, Exeter, LRGH, Southern NH, and St. Joseph's, filed suit on October 10, 2013 in federal court in an Administrative Procedures Act challenge to CMS's approval of two SPAs submitted in 2010 that authorized the State to add the current 2008 rates for inpatient and outpatient care. The plaintiffs allege that the notice of these proposed SPAs did not state that these rates would be embedded in these SPAs. The State is not a defendant in this lawsuit. These SPAs, however, are important to the State and the State will seek permission to intervene. If the plaintiffs are successful, additional claims would likely be made against the State for the period from November 2010 until March 20, 2012. The court granted the State's motion to intervene as an interested party. On June 23, 2014, the plaintiffs filed a motion to stay to provide time to implement the MET settlement (see *Catholic Medical Center et al v. DRA*). In addition, because St. Joseph's was not a party to the MET settlement, the stay is designed to provide St. Joseph's time to obtain new legal counsel, and determine if it will continue with the litigation on its own. The stay remains in effect. Pursuant to the settlement agreement with twenty-five hospitals, any judgment against the State from litigation brought by St. Joseph's will be paid by the settling hospitals, up to a cap of $4.5 million. St. Joseph's has since settled with the State (see St. Joseph's Hospital v. Dept. of Revenue Administration), agreeing to the terms of the global settlement. The parties then filed a motion for administrative closure. Pursuant to both the global agreement and St. Joseph's agreement, this matter has been administratively closed subject to a right to bring forward the action. If funding for fiscal years 2015, 2016, and 2017 as set out in the global agreement is met, the plaintiffs will move to dismiss this action, with prejudice, by July 1, 2018. Although it is expected that the agreed upon funding will be appropriated, it is not possible to predict the outcome of this case at this time.

Carrie Hendrick v DHHS. The complaint, filed on June 19, 2014, by New Hampshire Legal Assistance ("NHLA") as a class action in Merrimack County Superior Court, is regarding DHHS's treatment of social security income ("SSI") as household countable income for eligibility and calculation of TANF grants. NHLA seeks a declaratory judgment that DHHS not include the named plaintiff's children (SSI recipients) in her household assistance group. The plaintiff also challenges the validity of the applicable administrative rule (He-W 654.04(c)) and seeks a permanent injunction. SB 198, effective January 13, 2012, changed State law to count children receiving SSI in the family assistance group. On June 16, 2015, the Merrimack County Superior Court's (*Smukler*, J.) granted DHHS's Motion for Summary Judgment. The Court held that the inclusion of children's SSI income when calculating FANF eligibility was lawful and that it could not find that administrative rule He-W 654.04(c) interfered with or impaired a family's legal rights as defined under either federal or state law. NHLA appealed to the New Hampshire Supreme Court. Oral argument was held on January 13, 2016. Subsequent to oral argument, the New Hampshire Supreme Court issued an order, inviting the U.S. Solicitor General to file an amicus brief. On August 2, 2016, the N.H. Supreme Court issued its opinion, reversing and remanding the matter to the Superior Court. A status conference was held on September 22, 2016. At that conference, NHLA indicated it would send its request for attorneys' fees to the State. Once the issue of fees has been resolved, the case will be concluded.

Katherine Frederick v. DHHS. The complaint, filed on September 21, 2014, alleges that the plaintiff suffered damages as a result of DHHS's failure to allow the plaintiff to breastfeed her child. She alleges wrongful discharge and violations of 29 U.S.C. §207(r), 29 U.S.C. §215(a)(3), the Family Medical Leave Act, Title VII, and RSA 275-E. The State has filed a motion seeking dismissal of all claims to which the plaintiff has filed an objection. It is not possible to predict the outcome of this case at this time. The court dismissed the plaintiff's original complaint filed holding that the law does not recognize a right to breastfeed (as opposed to expressing milk) in the workplace. The court did, however, provide the plaintiff with leave to file an amended complaint, which she did in November 2015. Plaintiff's new complaint raised claims under the ADA, Title VII, and for wrongful termination. DHHS filed a motion to dismiss these claims on exhaustion and statute of limitations grounds, as well as for the failure to state a claim upon which relief can be granted. On August 16, 2016, the court granted DHHS' motion as to the Title VII claim, but denied it with regard to the ADA and wrongful termination claims. The parties are now engaged in discovery. It is not known at this stage how much the plaintiff is seeking in damages. It is not possible to predict the outcome of this case at this time.

Rand v. Lavoie, et al. The complaint, brought on behalf of the estate of Wendy Lawrence, arises from an officer-involved fatal shooting. *Rand v. Lavoie, et al*. (*Wendy Lawrence v. New Hampshire State Police*). The complaint, brought on behalf of estate of Wendy Lawrence arises from an officer-involved shooting. On September 30, 2013, Ms. Lawrence initially fled from State Police during a traffic stop on Interstate 89. Following a couple of pursuits, eventually, the State Police were able to stop her after she traveled into Manchester. While she was stopped in Manchester, defendant Chad Lavoie attempted to take her into custody. Ms. Lawrence refused to surrender and ultimately began to drive at defendant Lavoie. Defendant Lavoie shot her, and she died later that evening. The original complaint alleged 42 U.S.C. §1983 claims alleging violations of Ms. Lawrence's Fourth, Fifth, and Fourteenth Amendment rights under the U.S. Constitution, as well as a wrongful death claim. The State obtained judgment on the pleadings with regard to the Fifth and Fourteenth Amendment claims.

The plaintiff amended the complaint to add the Department of Safety as a defendant and a claim that essentially alleges that the Department failed to train, supervise, and discipline the troopers to recognize symptoms of a disability under the Americans with Disabilities Act ("ADA"), offer reasonable accommodations to Ms. Lawrence, and discriminated against her. The plaintiff seeks enhanced compensatory and punitive damages. On December 22, 2015, the State filed a Motion for Judgment on the Pleadings with regard to the ADA count. The court denied that motion without prejudice to the State to file a motion for summary judgment after discovery is completed. On September 12, 2016, the State filed a Motion for Summary Judgment on all claims. Trial is scheduled for February 2017. It is not possible to predict the outcome of this case at this time.

Xerox State and Local Solutions, Inc. v. Dept. of Transportation et al. In this case, filed in October 2015, Xerox, is suing the State to challenge the selection of another vendor for the contract award of the operation of the back office systems for the E-Z Pass program in New Hampshire. Xerox is the current vendor and was not the winning bidder for the new contract that was awarded on October 7, 2015. The contract award was for design, testing, installation and maintenance services for the operation of the NH E-Z Pass Back Office for the Turnpike System, in the amount of $51,889,724.83. Xerox alleges the bidding process was flawed and specifically brings claims to invalidate the bidding process and seeking damages. It is not possible to predict the outcome of the case at this time.

Notice of Intent to File Suits Against PDA. On September 8, 2016, The Conservation Law Foundation ("CLF") gave notice to the PDA that it intends to file suit pursuant to Section 7002 of the Resource Conservation and Recovery Act ("RCRA") for violations related to PDA's storage and disposal of perfluorooctanoic acid ("PFOA") and perfluorooctanesulfonic acid ("PFOS"). CLF alleges that PDA is discharging stormwater to the waters of the United States which convey discarded PFOA and PFOS into the waters thereby jeopardizing the health of individuals; wildlife; and the environment in the vicinity of the waters into which PDA discharged the PFOA and PFOS. CLF will seek injunctive relief to remediate the effects of PFOA and PFOS in and around Pease, including removal of PFOA and PFOS from the site; containment of PFOA and PFOS present on-site so that stormwater runoff and groundwater cannot be contaminated; and any and all other legal and equitable relief that may be necessary to terminate the alleged imminent and substantial endangerment to human health or the environment posed by the PFOA and PFOS. CLF will also seek recovery of costs and fees, including reasonable attorney and expert witness fees associated with this matter. CLF is willing to discuss remedies that may avoid the necessity of further litigation within the 90-day notice period.

On the same date, CLF also gave notice to PDA of its intent to file suit pursuant to Section 505 of the Federal Water Pollution Control Act ("Clean Water Act") for the following violations: (1) discharging stormwater from systems of conveyances to the waters of the United States without a permit; (2) failure to obtain coverage under the required Clean Water Act National Pollutant Discharge Elimination System ("NPDES") permit; and (3) failure to comply with the specific requirements of any such permit. CLF alleges that each separate violation of the Clean Water Act subjects PDA to a penalty of up to $37,500 per day per violation for all violations occurring from January 12, 2009 through November 2, 2015 and $51,570 for penalties that are assessed on or after August 1, 2016, for violations that occurred after November 2, 2015. CLF states it will seek the full penalties allowed by law. In addition to civil penalties, CLF will seek declaratory relief and injunctive relief to prevent further violations of the Clean Water Act. CLF states it will seek an order from the court requiring PDA to correct all identified violations by implementing permitting requirements; and will seek recovery of costs and fees associated with this matter. CLF is willing to discuss remedies that may avoid the necessity of further litigation within the 60-day notice period.

It is not possible to predict the outcome of these potential litigation matters at this time.

FINANCIAL STATEMENTS

Fiscal Year 2012. The State received an unqualified auditor's opinion on the financial statements for the fiscal year ended June 30, 2012. These statements were distributed on December 31, 2012 in compliance with legally mandated filing requirements. The State's financial statements for the fiscal year ended June 30, 2012 and the report of the State's independent auditors with respect thereto have been filed with the Municipal Securities Rulemaking Board under Securities and Exchange Commission Rule 15c2-12. The audited financial statements can be viewed in their entirety at *http://admin.state.nh.us/accounting/annual_financial_reports.asp*.

Fiscal Year 2012 Review of Turnpike Capital Assets. For several years, the annual audit of the Turnpike System has reported material weakness associated with challenges in accounting for and reporting capital assets. Management of the Department of Transportation, in an effort to resolve this reporting issue and in advance of a state-wide effort to build an integrated asset management system, purchased and installed a basic fixed asset tracking system and dedicated staff time to an exhaustive review of Turnpike System infrastructure assets. During this review, the Department identified two capital improvement projects for which substantial engineering was completed, but for which construction has yet to be funded. Legislative authority for these projects remains in current law. The result of the fiscal year 2012 audit for these projects was that the assets remain in Infrastructure and continue to be depreciated under the remaining useful life.

In April 2013, the State received a management letter from KPMG detailing concerns identified during the fiscal year 2012 audit. A material weakness related to accounting and reporting of capital assets by the Department of Transportation ("DOT") was identified. DOT, with the concurrence of the State's Comptroller's Office, has implemented new procedures that are intended to address this matter. The management letter is available at *http://www.gencourt.state.nh.us/LBA/AuditReports/contractedaudits.aspx*.

Fiscal Year 2013. The State received an unqualified auditor's opinion on its financial statements for the fiscal year ended June 30, 2013. These statements were distributed on December 31, 2013 in compliance with legally mandated filing requirements. The State's financial statements for the fiscal year ended June 30, 2013 and the report of the State's independent auditors with respect thereto have been filed with the Municipal Securities Rulemaking Board under Securities and Exchange Commission Rule 15c2-12. The audited financial statements can be viewed in their entirety at *http://admin.state.nh.us/accounting/annual_financial_reports.asp*.

The State receives federal grants, which are subject to review and audit by the grantor agencies. Access to these resources is generally conditional upon compliance with terms and conditions of grant agreements and applicable regulations, including expenditure of resources for allowable purposes. Any disallowances resulting from audits may become the liability of the State. Although the amount of expenditures that may be disallowed by the grantor agencies cannot be determined at this time, the State is aware of federal-reimbursed costs as of June 30, 2013 which were questioned by the State's auditors and are still being resolved by the respective State and Federal Agencies. The questioned costs as of June 30, 2013 are outlined in the Single Audit of Federal Financial Assistance Programs Report issued in March 2014.

Although the fiscal year 2013 Single Audit of Federal Financial Assistance Programs identified minimal questioned costs, approximately $8.7 million of questioned costs related to fiscal years 2010-2012 remained unresolved. New Hampshire Hospital ("NHH") had questioned costs of $8.4 million in 2011 related to disproportionate share hospital cost recoupment. The ultimate liability or additional federal revenue is dependent on language in federal Medicaid rules pending final issuance. In the event that an unfavorable determination is made regarding the NHH 2011 questioned costs, additional costs in years subsequent to 2011 may also be questioned. Additional compliance findings (material weaknesses and significant deficiencies) which did not result in questioned costs were also identified during the audit and can be found within the audit report located on the State's website at *http://admin.state.nh.us/accounting/FY%2013/Single%20Audit%20Report.pdf*.

In April 2014, the State received a management letter from KPMG detailing concerns identified during the fiscal year 2013 audit. The letter identified an internal control weakness in that the State did not obtain a Service Organizations Controls Report ("SOC-1") from the two service organizations that processed Medicaid claims during fiscal year 2013, leading to potential exposure in processing Medicaid claims. This weakness did not rise to the level of material weakness. The State has coordinated to have a SOC-1 performed for the organization processing Medicaid claims for fiscal year 2014 and has taken steps to monitor SOC-1 reporting in the future. The management letter is available at *http://www.gencourt.state.nh.us/LBA/AuditReports/contractedaudits.aspx*.

Fiscal Year 2014. The State issued the financial statements for the fiscal year ended June 30, 2014 on December 31, 2014 with an unqualified auditor's opinion from KPMG. In March 2015, the State received a statewide management letter from KPMG detailing concerns identified during the fiscal year 2014 audit. The management letter identified as significant certain Payroll and Human Resources Control deficiencies and a deficiency in the Reporting of Jointly Owned Highway Capital Assets. It also noted other findings (not Material Weaknesses or Significant Deficiencies). In reference to the Payroll and Human Resources Control deficiency, the State continues to experience post-implementation challenges as a result of the new payroll system implemented in February 2013 which have been compounded by the decentralized human resources and payroll practices throughout State government. The State has remedied some of these issues already and continues to work diligently on the remaining issues identified. The State has also taken measures to address the Capital Asset Reporting deficiency. The management letter is available at *http://www.gencourt.state.nh.us/LBA/AuditReports/contractedaudits.aspx*.

In the audit of the Liquor Commission conducted by the Audit Division of the Office of Legislative Budget Assistant, the State received a management letter identifying a material weakness and several significant deficiencies regarding financial management and certain internal controls. The State has experienced significant turnover of Liquor Commission financial personnel but it continues to pursue internal control improvement efforts. The management letter is available at *http://www.gencourt.state.nh.us/LBA/AuditReports/financialreports.aspx*.

Single Audit. The fiscal year 2014 Single Audit of Federal Financial Assistance Programs conducted by KPMG resulted in certain compliance findings (material weaknesses and significant deficiencies) identified during the audit and can be found within the audit report located on the State's website at *http://www.gencourt.state.nh.us/LBA/AuditReports/contractedaudits.aspx*.

Fiscal Year 2015. The State issued the financial statements for the fiscal year ended June 30, 2015 on January 15, 2016 with an unqualified auditor's opinion from KPMG. In March, the State received a statewide management letter from KPMG detailing concerns identified during the fiscal year 2015 audit. The management letter identified certain significant deficiencies and other findings (not material weaknesses). The State has remedied some of these issues already and continues to work diligently on the remaining issues identified. The management letter is available at *http://www.gencourt.state.nh.us/LBA/AuditReports/contractedaudits.aspx*.

In the audit of the Liquor Commission, similar to fiscal year 2014, the State received a management letter identifying a material weakness and several significant deficiencies regarding financial management and certain internal controls. The State has continued to experience turnover of Liquor Commission financial personnel but it continues to pursue internal control improvement efforts.

Also, as a result of the fiscal year 2015 audit conducted over the State Revolving Fund ("SRF") by the Audit Division of the Office of Legislative Budget Assistant, the State received a management letter identifying a material weakness and several significant deficiencies regarding financial management and certain internal controls. The management letter is available at *http://www.gencourt.state.nh.us/LBA/AuditReports/financialreports.aspx*.

Single Audit. The fiscal year 2015 Single Audit of Federal Financial Assistance Programs conducted by KPMG resulted in certain compliance findings (material weaknesses and significant deficiencies) identified during the audit and can be found within the audit report located on the State's website at *http://www.gencourt.state.nh.us/LBA/AuditReports/contractedaudits.aspx*.

KPMG has not been engaged to perform and has not performed, since the date of any report referenced herein, any procedures on the financial statements addressed in such reports. KPMG has also not performed any procedures relating to this Information Statement.

MISCELLANEOUS

Any provisions of the constitution of the State, of laws and of other documents set forth or referred to in the Information Statement are only summarized, and such summaries do not purport to be complete statements of any of such provisions. Only the actual text of such provisions can be relied upon for completeness and accuracy.

The Information Statement contains certain forward-looking statements that are subject to a variety of risks and uncertainties that could cause actual results to differ from the projected results, including, without limitation general economic and business conditions, conditions in the financial markets, the financial condition of the State and various state agencies and authorities, receipt of federal grants, litigation, arbitration, force majeure events and various other factors that are beyond the control of the State and its various agencies and authorities. Due to the inability to predict all factors that may affect future decisions, actions, events or financial circumstances, actual results may differ from what is set forth in such forward-looking statements. Forward-looking statements are indicated by use of such words as "may," "will," "should," "intends," "expects," "believes," "anticipates," "estimates" and other similar words.

All estimates and assumptions in the Information Statement have been made on the best information available and are believed to be reliable, but no representations whatsoever are made that such estimates and assumptions are correct. So far as any statements in the Information Statement involve any matters of opinion, whether or not expressly so stated, they are intended merely as such and not as representations of fact. The various tables may not add due to rounding of figures.

Neither the State's independent auditors, nor any other independent accountants, have compiled, examined, or performed any procedures with respect to the prospective financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the prospective financial information.

The information, estimates and assumptions and expressions of opinion in the Information Statement are subject to change without notice. Neither the delivery of this Information Statement nor any sale made pursuant to any offering document of which the Information Statement is a part shall, under any circumstances, create any implication that there has been no change in the affairs of the State or its agencies, authorities or political subdivisions since the date of this Information Statement, except as expressly stated.

ADDITIONAL INFORMATION

Additional information concerning the State and certain of its departments and agencies, including periodic public reports relating to the financial position of the State and annual or biennial reports of such departments and agencies, may be obtained upon request from the office of the State Treasurer, William F. Dwyer, State Treasurer, State House Annex, Concord, New Hampshire.

EXHIBIT A

STATE OF NEW HAMPSHIRE

AUDITED FINANCIAL STATEMENTS

FOR FISCAL YEAR 2015

(Included by Reference and Filed with the Municipal Securities Rulemaking Board)

[THIS PAGE INTENTIONALLY LEFT BLANK]

STATE OF NEW HAMPSHIRE • General Obligation Refunding Bonds, 2016 Series A and General Obligation Capital Improvement Bonds, 2016 Series B

Mixed Sources
Product group from well managed forests, controlled sources and recycled wood or fiber.

Printed by: ImageMaster, LLC
www.imagemaster.com