

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 2020 Series C Bonds and the 2020 Series D Bonds is excluded from gross income for federal income tax purposes under the Internal Revenue Code of 1986, as amended (the "Code"). Interest on the 2020 Series C Bonds and the 2020 Series D Bonds will not be included in computing the alternative minimum taxable income of individuals. Under existing law, interest on the Bonds is exempt from the New Hampshire personal income tax on interest and dividends. Interest on the 2020 Series E Bonds is included in the income of the owners thereof for federal income tax purposes. 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 OF THE SERIES C AND SERIES D BONDS", "TAX MATTERS WITH RESPECT TO THE SERIES E BONDS" and Appendix A herein.

STATE OF NEW HAMPSHIRE



\$47,220,000
General Obligation
Capital Improvement
Bonds
2020 Series C

\$49,530,000
General Obligation
Refunding
Bonds
2020 Series D

\$37,550,000
General Obligation
Refunding
Bonds
2020 Series E
(Federally Taxable)

Dated: Date of Delivery

Due: as shown on the inside cover hereof

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 C Bonds will be payable semiannually on June 1 and December 1 of each year, commencing June 1, 2021, until maturity. Interest on the Series D Bonds and the Series E Bonds will be payable semiannually on June 1 and December 1 of each year, commencing December 1, 2021, until maturity. The 2020 Series C Bonds and the 2020 Series E Bonds are subject to redemption prior to maturity as provided herein. The 2020 Series D Bonds are not subject to redemption prior to maturity.

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 December 22, 2020.

December 15, 2020

**STATE OF NEW HAMPSHIRE
General Obligation Bonds**

\$47,220,000 Capital Improvement Bonds, 2020 Series C

<u>Due December 1</u>	<u>Principal Amount*</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP* 644682</u>	<u>Due December 1</u>	<u>Principal Amount*</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP* 644682</u>
2021	\$2,835,000	5.000%	0.130%	5Y8	2031	\$1,890,000	5.000%	0.800% [†]	6J0
2022	2,835,000	5.000	0.150	5Z5	2032	1,890,000	5.000	0.880 [†]	6K7
2023	2,835,000	5.000	0.160	6A9	2033	1,890,000	5.000	0.930 [†]	6L5
2024	2,835,000	5.000	0.170	6B7	2034	1,890,000	5.000	0.970 [†]	6M3
2025	2,835,000	5.000	0.220	6C5	2035	1,885,000	5.000	1.010 [†]	6N1
2026	2,835,000	5.000	0.300	6D3	2036	1,885,000	5.000	1.050 [†]	6P6
2027	2,835,000	5.000	0.420	6E1	2037	1,885,000	5.000	1.090 [†]	6Q4
2028	2,835,000	5.000	0.540	6F8	2038	1,885,000	5.000	1.130 [†]	6R2
2029	2,835,000	1.000	0.670	6G6	2039	1,885,000	5.000	1.170 [†]	6S0
2030	2,835,000	5.000	0.730	6H4	2040	1,885,000	5.000	1.210 [†]	6T8

\$49,530,000 Refunding Bonds, 2020 Series D

<u>Due December 1</u>	<u>Principal Amount*</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP* 644682</u>	<u>Due December 1</u>	<u>Principal Amount*</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP* 644682</u>
2023	\$ 7,225,000	5.000%	0.170%	6U5	2027	\$4,355,000	5.000%	0.420%	6Y7
2024	16,055,000	5.000	0.180	6V3	2028	4,415,000	5.000	0.550	6Z4
2025	4,225,000	5.000	0.230	6W1	2029	4,460,000	5.000	0.670	7A8
2026	4,295,000	5.000	0.320	6X9	2030	4,500,000	5.000	0.750	7B6

\$37,550,000 Refunding Bonds, 2020 Series E (Federally Taxable)

<u>Due December 1</u>	<u>Principal Amount*</u>	<u>Interest Rate</u>	<u>Price</u>	<u>CUSIP* 644682</u>	<u>Due December 1</u>	<u>Principal Amount*</u>	<u>Interest Rate</u>	<u>Price</u>	<u>CUSIP* 644682</u>
2021	\$ 9,660,000	0.140%	100.0%	7C4	2023	\$12,295,000	0.200%	100.0%	7E0
2022	15,595,000	0.160	100.0	7D2					

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[†] Priced at the stated yield to the December 1, 2030 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 does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make an offer, solicitation or sale. This Official Statement is not to be construed as a contract or agreement between the State of New Hampshire and the purchasers or owners of any of the Bonds. The information and expressions of opinion in this Official Statement are subject to change without notice, and neither the delivery of this Official Statement or any sale made under it will, under any circumstances, create any implication that there has been no change in the affairs of the State of New Hampshire since the date of this Official Statement.

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.

This Official Statement also 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 of New Hampshire 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. Because of the inability to predict all factors that may affect future decisions, actions, events or financial circumstances, what actually happens may be different 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 quotations from and summaries and explanations of provisions of law and documents herein do not purport to be complete, and reference is made to such laws and documents for full and complete statements of their provisions. Any statements made in this Official Statement involving estimates or matters of opinion, whether or not expressly so stated, are intended merely as estimates or opinion and not as representations of fact. This Official Statement speaks as of its date except where specifically noted otherwise and is subject to change without notice. Neither the delivery of this Official Statement, any sale made hereunder, nor any filing of this Official Statement shall under any circumstances create an implication that there has been no change in the affairs of the State of New Hampshire since the date of this Official Statement or imply that any information herein is accurate or complete as of any later date.

Third parties may engage in transactions that stabilize, maintain or otherwise affect the price of the Bonds, including transactions to (i) overallot in arranging the sales of the Bonds and (ii) makes purchases in sales of the Bonds for long or short accounts on a when-issued basis or otherwise, at such prices, in such amounts and in a manner beyond the State’s control. Such stabilization, if commenced, may be discontinued at any time.

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader’s convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement.

TABLE OF CONTENTS

<p>PART I: INFORMATION CONCERNING THE BONDS 1 THE BONDS 1 Description of the Bonds 1 Redemption Provisions 1 Security for the Bonds 2 Authorization and Purpose 3 Plan of Refunding 3 Sources and Uses of Funds 4 Book-Entry Only System 4 TAX EXEMPTION OF THE SERIES C AND SERIES D BONDS 6 Risk of Future Legislative Changes and/or Court Decisions 7 TAX MATTERS WITH RESPECT TO THE SERIES E BONDS 7 VERIFICATION OF MATHEMATICAL COMPUTATIONS 12</p>	<p>COMPETITIVE SALE OF THE BONDS 13 LEGAL MATTERS 13 FINANCIAL ADVISOR 13 RATINGS 13 CONTINUING DISCLOSURE 14 MISCELLANEOUS 14 Appendix A – Proposed Form of Opinion of Bond Counsel A-1 Appendix B – Proposed Form of Continuing Disclosure Certificate B-1 Appendix C – Official Notice of Sale – Series C Bonds C-1 Appendix D – Official Notice of Sale – Series D Bonds D-1 Appendix E – Official Notice of Sale – Series E Bonds E-1 Appendix F - Table of Bonds to be Refunded F-1</p>
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PART II. STATE OF NEW HAMPSHIRE INFORMATION STATEMENT DATED DECEMBER 15, 2020

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

Christopher T. Sununu

Executive Council

Michael J. Cryans

Andru Volinsky

Russell E. Prescott

Theodore L. Gatsas

Debora B. Pignatelli

Commissioner of the Treasury

Monica I. Mezzapelle*

Secretary Of State

William M. Gardner

Attorney General

Gordon J. MacDonald

Commissioner of Administrative Services

Charles M. Arlinghaus

Comptroller

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* Monica I. Mezzapelle has served as Commissioner of the Treasury since March 27, 2020. She was elected State Treasurer by the Legislature in accordance with the State Constitution on December 2, 2020 and will take office on January 6, 2021.

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OFFICIAL STATEMENT
OF
THE STATE OF NEW HAMPSHIRE

\$47,220,000
General Obligation
Capital Improvement Bonds
2020 Series C

\$49,530,000
General Obligation
Refunding Bonds
2020 Series D

\$37,550,000
General Obligation
Refunding Bonds
2020 Series E
(Federally Taxable)

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 \$47,220,000 aggregate principal amount of its General Obligation Capital Improvement Bonds, 2020 Series C (the “Series C Bonds”), \$49,530,000 aggregate principal amount of its General Obligation Refunding Bonds, 2020 Series D (Federally Taxable) (the “Series D Bonds”), and \$37,550,000 aggregate principal amount of its General Obligation Refunding Bonds, 2020 Series E (Federally Taxable) (the “Series E Bonds”, and together with the Series C Bonds and the Series D Bonds, the “Bonds”).

This Official Statement consists of two parts: Part I (including the cover and Appendices A through F) and Part II, the State’s Information Statement dated December 15, 2020 (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 2019, which have been provided to the MSRB. All information contained in this Official Statement and the Information Statement pertaining to fiscal year 2020 or later is preliminary, unaudited and subject to change.

THE BONDS

Description of the Bonds

The Bonds will be dated their date of delivery and will bear interest, calculated on a 30/360 day basis. The Series C Bonds will be payable semiannually on June 1 and December 1 of each year, commencing June 1, 2021, until maturity. The Series D Bonds and the Series E Bonds will be payable semiannually on June 1 and December 1 of each year, commencing December 1, 2021, until maturity. The record date with respect to each payment of interest shall be 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 D Bonds are not subject to redemption prior to maturity. The Series C Bonds and the Series E Bonds are subject to optional redemption prior to maturity as set forth below.

Optional Redemption of the Series C Bonds.

The Series C Bonds maturing on and before December 1, 2030 are not subject to redemption prior to maturity. The Series C Bonds maturing after December 1, 2030 are subject to redemption at the option of the State on and after December 1, 2030, 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.

Optional Redemption of the Series E Bonds.

The Series E Bonds are subject to redemption prior to their respective maturities, in whole or in part, on any business day at the Make-Whole Redemption Price described below.

The “Make-Whole Redemption Price” is the greater of (i) 100% of the principal amount of the Series E Bonds to be redeemed and (ii) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of the Series E Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the Series E Bonds are to be redeemed, discounted to the date on which the Series E Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the adjusted Treasury Rate (as defined below) plus 0 basis points, plus accrued and unpaid interest on the Series E Bonds to be redeemed on the redemption date.

The “Treasury Rate” is, as of any redemption date, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two business days, but no more than 60 calendar days, prior to the redemption date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to the maturity date of the Series E Bonds to be redeemed (taking into account any sinking fund installments for such bonds); provided, however, that if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually-traded U.S. Treasury securities adjusted to a constant maturity of one year will be used.

Selection of Bonds to be Redeemed in a Partial Redemption.

If less than all of the Bonds of a particular maturity and bearing interest at a particular interest rate are called for redemption, the applicable 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 Bonds, notice of any redemption of 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. The redemption notice may state that it is conditioned upon the deposit of moneys in an amount equal to the amount necessary to effect the redemption, in a separate account established by the State for such purpose no later than the redemption date, or that the State may rescind such notice at any time prior to the scheduled redemption date if the State Treasurer delivers a notice thereof to the registered owner of the Bonds. The redemption notice and optional redemption shall be of no effect if such moneys are not so deposited or if the notice is rescinded, and the failure of the State to make funds available in whole or in part on or before the redemption date shall not constitute a default. Notice of redemption having been given as aforesaid, and sufficient moneys deposited with The Bank of New York Mellon Trust Company, N.A., or its successor, as Paying Agent (the “Paying Agent”) for redemption, the Bonds called for redemption shall become due and payable on the redemption date, and from and after such date, such shall cease to bear interest.

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 C 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 C Bonds. Proceeds from the sale of the Series D Bonds are expected to be used to provide for the current refunding of the general obligation bonds described in Appendix F (the "Series D Refunded Bonds") and to pay issuance costs of the Series D Bonds. Proceeds from the sale of the Series E Bonds are expected to be used to provide for the advance refunding of the general obligation bonds described in Appendix F (the "Series E Refunded Bonds", and together with the Series D Refunded Bonds, the "Refunded Bonds") and to pay issuance costs of the Series E Bonds.

Plan of Refunding

Upon delivery of the Series D Bonds and the Series E Bonds (collectively, the "Refunding 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 Refunding 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. 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 F is a listing of the obligations to be refunded with the proceeds of the Refunding Bonds.

Sources and Uses of Funds

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

Sources	
Par Amount of the Series C Bonds	\$ 47,220,000.00
Plus Original Issue Premium.....	<u>12,971,453.65</u>
Total Sources of Series C Bond Funds	\$ 60,191,453.65
Uses	
Deposit to Capital Projects Fund	\$ 60,000,000.00
Series C Underwriter's Discount	69,874.27
Costs of Issuance of the Series C Bonds.....	<u>121,579.38</u>
Total Uses of Series C Bond Funds	\$ 60,191,453.65

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

Sources	
Par Amount of the Series D Bonds	\$ 49,530,000.00
Plus Original Issue Premium.....	<u>12,623,093.25</u>
Total Sources of Series D Bond Funds.....	\$ 62,153,093.25
Uses	
Deposit to Refunding Trust Fund	\$ 61,982,300.47
Series D Underwriter's Discount	40,764.23
Costs of Issuance of the Series D Bonds	<u>130,028.55</u>
Total Uses of Series D Bond Funds.....	\$ 62,153,093.25

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

Sources	
Par Amount of the Series E Bonds	\$ 37,550,000.00
Total Sources of Series E Bond Funds	\$ 37,550,000.00
Uses	
Deposit to Refunding Trust Fund	\$ 37,422,473.41
Series E Underwriter's Discount.....	43,182.50
Costs of Issuance of the Series E Bonds.....	<u>84,344.09</u>
Total Uses of Series E Bond Funds	\$ 37,550,000.00

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 OF THE SERIES C AND SERIES D BONDS

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 Series C Bonds and the Series D Bonds (collectively, the "Tax Exempt Bonds") will not be included in computing the alternative minimum taxable income of Tax Exempt Bondholders who are individuals. 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 Tax Exempt 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 Tax Exempt Bonds. Failure to comply with these requirements may result in interest on the Tax Exempt Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Tax Exempt Bonds. The State has covenanted to comply with such requirements to ensure that interest on the Tax Exempt 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 Tax Exempt 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 Tax Exempt Bonds. Bond Counsel also has not opined as to the taxability of the Tax Exempt Bonds or the income therefrom under the laws of any state other than New Hampshire. A complete copy of the proposed forms of opinions of Bond Counsel are set forth in Appendix A hereto.

To the extent the issue price of any maturity of the Tax Exempt Bonds is less than the amount to be paid at maturity of such Tax Exempt Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Tax Exempt 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 Tax Exempt 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 maturity of the Tax Exempt Bonds is the reasonably expected initial offering price or the first price at which a substantial amount of such maturity of the Tax Exempt Bonds is sold to the public, as applicable. The original issue discount with respect to any maturity of the Tax Exempt Bonds accrues daily over the term to maturity of such Tax Exempt 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 Tax Exempt Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Tax Exempt Bonds. Beneficial Owners of the Tax Exempt Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Tax Exempt Bonds with original issue discount, including the treatment of purchasers who do not purchase such Tax Exempt Bonds in the original offering to the public at the reasonably expected initial offering price to the public, the first price at which a substantial amount of such Tax Exempt Bonds is sold to the public or, if applicable, a combination thereof.

Tax Exempt Bonds purchased, whether at original issuance or otherwise, for an amount greater than the stated principal amount to be paid at maturity of such Tax Exempt Bonds, or, in some cases, at the earlier redemption date of such Tax Exempt Bonds (“Premium Tax Exempt 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 Tax Exempt 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 Tax Exempt 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 Tax Exempt Bonds may adversely affect the value of, or the tax status of interest on, the Tax Exempt Bonds.

Although Bond Counsel is of the opinion that interest on the Tax Exempt 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 Tax Exempt 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.

Risk of Future Legislative Changes and/or Court Decisions

Legislation affecting tax-exempt obligations is regularly considered by the United States Congress and may also be considered by the New Hampshire legislature. Court proceedings may also be filed, the outcome of which could modify the tax treatment of obligations such as the Tax Exempt Bonds. There can be no assurance that legislation enacted or proposed, or actions by a court, after the date of issuance of the Tax Exempt Bonds will not have an adverse effect on the tax status of interest on the Tax Exempt Bonds or the market value or marketability of the Tax Exempt Bonds. These adverse effects could result, for example, from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), or repeal (or reduction in the benefit) of the exclusion of interest on the Tax Exempt Bonds from gross income for federal or state income tax purposes for all or certain taxpayers. Additionally, Bondholders should be aware that future legislative actions (including federal income tax reform) may retroactively change the treatment of all or a portion of the interest on the Tax Exempt Bonds for federal income tax purposes for all or certain taxpayers. In all such events, the market value of the Tax Exempt Bonds may be affected and the ability of Bondholders to sell their Tax Exempt Bonds in the secondary market may be reduced. The Tax Exempt Bonds are not subject to special mandatory redemption, and the interest rates on the Tax Exempt Bonds are not subject to adjustment, in the event of any such change in the tax treatment of interest on the Tax Exempt Bonds.

Investors should consult their own financial and tax advisors to analyze the importance of these risks.

TAX MATTERS WITH RESPECT TO THE SERIES E BONDS

Series E Bonds Federal Tax Matters

In the opinion of Locke Lord LLP, Bond Counsel (“Bond Counsel”), based upon an analysis of existing laws, regulations, rulings, and court decisions, interest on the Series E Bonds is included in gross income for federal income tax purposes under the Internal Revenue Code of 1986, as amended (the “Code”). 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 Series E Bonds.

The following discussion summarizes certain U.S. federal income tax considerations relating to the acquisition, ownership, and disposition of the Series E Bonds and it may not contain all of information that may be important to a particular investor. It is based on provisions of the Code, Treasury Regulations promulgated thereunder, and administrative and judicial interpretations thereof, all in effect or proposed on the date hereof and all of which are subject to change, possibly with retroactive effect. Prospective investors should note that no rulings

have been or are expected to be sought from the Internal Revenue Service (“IRS”) with respect to any of the U.S. federal income tax consequences discussed below. Accordingly, no assurance can be given that the IRS will agree with the views expressed in this summary, or that a court will not sustain any challenge by the IRS in the event of litigation.

The following relates only to Series E Bonds that are acquired in the initial offering for an amount of cash equal to the initial offering price (*i.e.*, the price at which a substantial amount of such Series E Bonds is first sold to the public) and that are held as “capital assets” within the meaning of Section 1221 of the Code (*i.e.*, generally, property held for investment).

This discussion does not address all U.S. federal income tax consequences applicable to any given investor, nor does it address the U.S. federal income tax considerations applicable to investors who may be subject to special tax treatment (regardless of whether or not such persons constitute U.S. Holders (defined below)), such as banks and other financial institutions, retirement plans, employee stock ownership plans, certain U.S. expatriates, banks, real estate investment trusts, regulated investment companies, insurance companies, tax-exempt organizations, dealers or traders in securities or currencies, partnerships or other pass-through entities for U.S. federal income tax purposes (or investors in such entities), S corporations, estates and trusts, investors who hold their Series E Bonds as part of a hedge, straddle, or an integrated or conversion transaction, investors whose “functional currency” is not the U.S. dollar, or persons subject to the alternative minimum tax. In addition, this discussion does not include any description of the tax laws of any state, local, or non-U.S. jurisdiction that may be applicable to a particular investor and does not consider any aspects of U.S. federal tax law other than income taxation.

As used herein, “U.S. Holder” means a beneficial owner of a Series E Bond that is, for U.S. federal income tax purposes: (i) an individual citizen or resident, as defined in Section 7701(b) of the Code, of the United States, (ii) a corporation (or other entity taxable as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States or any State thereof (including the District of Columbia), (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source, or (iv) a trust if (A) a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons (as defined in the Code) have the authority to control all substantial decisions of the trust or (B) the trust validly elected to be treated as a domestic trust). As used herein, “Non-U.S. Holder” generally means a beneficial owner of a Series E Bond (other than a partnership) who is not a U.S. Holder.

The U.S. federal income tax treatment of an entity classified as a partnership for U.S. federal income tax purposes that holds the Series E Bonds generally will depend on such partner’s particular circumstances and on the activities of the partnership. Partners in such partnerships should consult their own tax advisors regarding the consequences of acquiring, owning and disposing of the Series E Bonds (including their status as U.S. Holders or Non-U.S. Holders).

U.S. Holders

Interest. Stated interest on the Series E Bonds generally will be taxable to a U.S. Holder as ordinary interest income at the time such amounts are accrued or received, in accordance with the U.S. Holder’s method of accounting for U.S. federal income tax purposes.

“Original issue discount” will arise for U.S. federal income tax purposes in respect of any Series E Bonds if its stated redemption price at maturity exceeds its issue price by more than a de minimis amount (as determined for U.S. federal income tax purposes). For any Series E Bonds issued with original issue discount, the amount of original issue discount is equal to the excess of the stated redemption price at maturity of that Series E Bond over its issue price. The stated redemption price at maturity of a Series E Bond is the sum of all scheduled amounts payable on such Series E Bond other than qualified stated interest. U.S. Holders generally will be required to include any original issue discount in income for U.S. federal income tax purposes as it accrues, in accordance with a constant yield method based on a compounding of interest (which may be before the receipt of cash payments attributable to such income).

“Premium” generally will arise for U.S. federal income tax purposes in respect of any Series E Bond to the extent its issue price exceeds its stated principal amount. A U.S. Holder of a Series E Bond issued at a premium may make an election, applicable to all debt securities purchased at a premium by such U.S. Holder, to amortize such premium, using a constant yield method over the term of such Series E Bond.

Market Discount. A holder who acquires a Series E Bond in a secondary market transaction may be subject to U.S. federal income tax rules providing that accrued market discount will be subject to taxation as ordinary income on the sale or other disposition of a “market discount bond.” Dispositions subject to this rule include a redemption or retirement of a Series E Bond. The market discount rules may also limit a holder’s deduction for interest expense for debt that is incurred or continued to purchase or carry a Series E Bond. A market discount bond is defined generally as a debt obligation purchased subsequent to issuance, at a price that is less than the principal amount of the obligation, subject to a de minimis rule. The Code allows a taxpayer to compute the accrual of market discount by using a ratable accrual method or a constant interest rate method. Also, a taxpayer may elect to include the accrued discount in gross income each year while holding the bond, as an alternative to including the total accrued discount in gross income at the time of a disposition, in which case the tax basis of the bond will be increased by the amount of discount included in gross income and the interest expense deduction limitation described above will not apply.

Disposition of the Series E Bonds. Unless a nonrecognition provision of the Code applies, the sale, exchange, redemption, retirement (including pursuant to an offer by the State), reissuance or other disposition of a Bond will be a taxable event for U.S. federal income tax purposes. In such event, a U.S. Holder generally will recognize gain or loss equal to the difference between (i) the amount of cash plus the fair market value of property received (except to the extent attributable to accrued but unpaid interest on the Series E Bond which will be taxed in the manner described above under “Interest”) and (ii) the U.S. Holder’s adjusted tax basis in the at the time of disposition. A U.S. Holder’s adjusted basis in a Series E Bond will generally equal the purchase price paid by the U.S. Holder for the Bond, increased by the amount of any original issue discount previously included in income by such U.S. Holder with respect to such Series E Bond and decreased by any payments previously made on such Bond, other than payments of qualified stated interest, or decreased by any amortized premium. Any such gain or loss generally will be capital gain or loss and will be long term capital gain or loss if such Series E Bond is held by the U.S. Holder for more than one year. Long-term capital gain of non-corporate U.S. Holders is generally subject to tax at preferential rates. The deductibility of capital losses is subject to limitations.

A material modification of the terms of any Series E Bond may result in a deemed reissuance thereof, in which event a beneficial owner of the modified Series E Bonds generally will recognize taxable gain or loss equal to the difference between the amount realized from the sale, exchange or retirement (less any accrued qualified stated interest which will be taxable as such) and the beneficial owner’s adjusted tax basis in the Bond.

Net Investment Income Tax. Section 1411 of the Code generally imposes a 3.8% Medicare contribution tax on the net investment income of certain individuals, trusts, and estates to the extent their income exceeds certain threshold amounts. For these purposes, “net investment income” may include, among other things, interest and gains from the sale or other disposition of the Series E Bonds. Prospective investors are advised to consult their tax advisors regarding the possible implications of this additional tax on their investment in the Series E Bonds.

Information Reporting and Backup Withholding. In general, a U.S. Holder will be subject to backup withholding with respect to interest on the Series E Bonds, and the proceeds of a sale or other disposition of the Series E Bonds (including a redemption or retirement), at the applicable tax rate of 28%, unless such holder (a) is an entity that is exempt from backup withholding (including corporations) and, when required, demonstrates this fact, or (b) provides the payor with its taxpayer identification number (“TIN”), certifies that the TIN provided to the payor is correct and that the holder has not been notified by the IRS that such holder is subject to backup withholding due to underreporting of interest or dividends, and otherwise complies with applicable requirements of the backup withholding rules. In addition, such payments to U.S. Holders that are not exempt entities will generally be subject to information reporting requirements. A U.S. Holder who does not provide the payor with its correct TIN may be subject to penalties imposed by the IRS. Backup withholding is not an additional tax. The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a credit against such holder’s U.S. federal income tax liability and may entitle such holder to a refund, provided that certain required information is timely furnished to the IRS.

Non-U.S. Holders

The following discussion applies only to Non-U.S. Holders. This discussion does not address all aspects of U.S. federal income taxation that may be relevant to Non-U.S. Holders in light of their particular circumstances. For example, special rules may apply to a Non-U.S. Holder that is a “controlled foreign corporation” or a “passive foreign investment company,” and, accordingly, Non-U.S. Holders should consult their own tax advisors to

determine the effect of U.S. federal, state, local and non U.S. tax laws, as well as tax treaties, with regard to an investment in the Series E Bonds.

Interest. Subject to the discussions below under the headings “FATCA Withholding” and “Information Reporting and Backup Withholding,” a Non-U.S. Holder will not be subject to U.S. federal income or withholding taxes in respect of interest paid or accrued on a Series E Bond (including original interest discount income) if the interest qualifies for the “portfolio interest exemption.” This generally will be the case if each of the following applicable requirements are satisfied:

- the interest is not effectively connected with a U.S. trade or business;
- the Non-U.S. Holder is not, and is not treated as, a bank receiving interest on an extension of credit pursuant to a loan agreement entered into in the ordinary course of its trade or business, as described in Section 881(c)(3)(A) of the Code;
- certain certification requirements are met. Under current law, the certification requirement will be satisfied in any of the following circumstances:
- If a Non-U.S. Holder provides to the payor a statement on an applicable IRS Form W-8 (or suitable successor form), together with all appropriate attachments, signed under penalties of perjury, identifying the Non-U.S. Holder by name and address and stating, among other things, that the Non-U.S. Holder is not a United States person.
- If a Series E Bond is held through a securities clearing organization, bank, or another financial institution that holds customers’ securities in the ordinary course of its trade or business, (i) the Non-U.S. Holder provides such a form to such organization or institution, and (ii) such organization or institution, under penalty of perjury, certifies to the payor that it has received such statement from the beneficial owner or another intermediary and furnishes the payor with a copy thereof.
- If a financial institution or other intermediary that holds the Series E Bond on behalf of the Non-U.S. Holder has entered into a withholding agreement with the IRS and submits an IRS Form W-8IMY (or suitable successor form) and certain other required documentation to the payor.

If the requirements of the portfolio interest exemption described above are not satisfied, a 30% withholding tax will apply to the gross amount of interest on the Series E Bonds that is paid to a Non-U.S. Holder, unless either: (a) an applicable income tax treaty reduces or eliminates such tax, and the Non-U.S. Holder claims the benefit of that treaty by providing a properly completed and duly executed IRS Form W-8BEN or Form W-8BEN-E, as applicable (or suitable successor or substitute form) establishing qualification for benefits under the treaty, or (b) the interest is effectively connected with the Non-U.S. Holder’s conduct of a trade or business in the United States and the Non-U.S. Holder provides an appropriate statement to that effect on a properly completed and duly executed IRS Form W-8ECI (or suitable successor form).

If a Non-U.S. Holder is engaged in a trade or business in the United States and its investment in a Series E Bond is effectively connected with the conduct of that trade or business, the Non-U.S. Holder generally will be required to pay U.S. federal income tax on that interest on a net income basis in the same manner as a U.S. Holder and the 30% withholding tax described above will not apply provided the duly executed IRS Form W-8ECI is provided to the Paying Agent. If a Non-U.S. Holder is eligible for the benefits of an income tax treaty between the U.S. and its country of residence, and the Non-U.S. Holder claims the benefit of the treaty by properly submitting an IRS Form W-8BEN or Form W-8BEN-E, as applicable, any interest income that is effectively connected with a U.S. trade or business will be subject to U.S. federal income tax in the manner specified by the treaty and generally will only be subject to such tax if such income is attributable to a permanent establishment (or a fixed base in the case of an individual) maintained by the Non-U.S. Holder in the United States. In addition, a Non-U.S. Holder that is treated as a foreign corporation for U.S. federal income tax purposes may be subject to a branch profits tax equal to 30% (or such lower rate provided by an applicable income tax treaty) of its earnings and profits for the taxable year, subject to adjustments, that are effectively connected with its conduct of a trade or business in the United States.

Disposition of the Series E Bonds. Subject to the discussions below under the headings “FATCA Withholding” and “Information Reporting and Backup Withholding,” any gain realized by a Non-U.S. Holder upon the sale, exchange, redemption, retirement, reissuance or other disposition of a Series E Bond generally will not be subject to U.S. federal income tax, unless (i) such gain is effectively connected with the conduct by such Non-U.S.

Holder of a trade or business within the United States (and, in the case of certain income tax treaties, is attributable to a permanent establishment or “fixed base” within the United States); or (ii) in the case of any gain realized by an individual Non-U.S. Holder, such holder is present in the United States for 183 days or more in the taxable year of such sale, exchange, redemption, retirement, reissuance or other disposition and certain other conditions are met. If the first exception applies, the Non-U.S. Holder will generally be subject to U.S. federal income tax on the net gain derived from the sale, exchange, redemption, retirement at maturity, or other taxable disposition of the Series E Bonds in the same manner as a U.S. Holder unless an applicable income tax treaty provides otherwise. If the second exception applies, the Non-U.S. Holder generally will be subject to U.S. federal income tax at a rate of 30% (except as otherwise provided by an applicable income tax treaty) on the amount by which its U.S.-source capital gains exceed its U.S.-source capital losses. In addition, corporate Non-U.S. Holders may be subject to a 30% (or lower applicable treaty rate) branch profits tax on any such effectively connected earnings and profits attributable to such gain.

U.S. Federal Estate Tax. A Series E Bond that is held by an individual who at the time of death is not a citizen or resident of the United States will not be subject to U.S. federal estate tax as a result of such individual’s death, provided that at the time of such individual’s death, payments of interest with respect to such Series E Bond would not have been effectively connected with the conduct by such individual of a trade or business within the United States.

FATCA Withholding. The Foreign Account Tax Compliance Act (“FATCA”) together with administrative guidance and certain intergovernmental agreements entered into thereunder generally imposes a 30% U.S. withholding tax on certain U.S. source payments, including interest, and, after December 31, 2018, on gross proceeds from a disposition of property of a type which can produce U.S. source interest (“withholdable payments”), paid to (i) a “foreign financial institution” (as specifically defined in the Code) which does not provide sufficient documentation, typically on IRS Form W-8BEN-E, evidencing either (x) an exemption from FATCA, or (y) its compliance (or deemed compliance) with FATCA (which may alternatively be in the form of compliance with an intergovernmental agreement with the United States) in a manner which avoids withholding, or (ii) or to a “non-financial foreign entity” (as specifically defined in the Code)” which does not provide sufficient documentation, typically on IRS Form W-8BEN-E, evidencing either (x) an exemption from FATCA, or (y) adequate information regarding certain substantial United States beneficial owners of such entity (if any). The 30% withholding tax under FATCA applies regardless of whether the foreign financial institution or non-financial foreign entity receives payments as a beneficial owner or intermediary and whether the applicable payment otherwise is exempt from U.S. withholding (e.g., as “portfolio interest” or as capital gain upon the sale, exchange, redemption or other disposition of a Bond). Interest paid with respect to the Series E Bonds and, after December 31, 2018, gross proceeds from the sale or disposition of the Series E Bonds, may be subject to the 30% withholding tax if the holder fails to comply with FATCA. Non-U.S. holders are urged to consult their own tax advisors with respect to these information reporting rules and due diligence requirements and the potential application of FATCA to them.

Information Reporting and Backup Withholding. In general, the amount of any interest paid on the Series E Bonds in each calendar year, and the amount of U.S. federal income tax withheld, if any, with respect to these payments will be reported to the IRS and each Non-U.S. Holder. Copies of the information returns reporting such interest payments and any withholding may also be made available to the tax authorities in the country in which the Non-U.S. Holder resides under an applicable income tax treaty or other information exchange agreement.

Non-U.S. Holder who have provided certification as to their non-U.S. status or who have otherwise established an exemption will generally not be subject to backup withholding tax on payments of interest if the payor does not have actual knowledge or reason to know that such certification is unreliable or that the conditions of the exemption are in fact not satisfied.

Payments of the proceeds from the disposition of a Series E Bond (including a redemption or retirement) to or through a foreign office of a broker generally will not be subject to information reporting or backup withholding. However, information reporting, but generally not backup withholding, may apply to those payments if the broker is one of the following: (a) a United States person, (b) a “controlled foreign corporation” for U.S. federal income tax purposes, (c) a foreign person, 50% or more of whose gross income from all sources for the three-year period ending with the close of its taxable year preceding the payment was effectively connected with a U.S. trade or business, or (d) a foreign partnership with specified connections to the United States, unless the Non-U.S. Holder certifies as to its non-U.S. status or otherwise establishes an exemption.

Payment of the proceeds from a disposition of a Series E Bond (including a redemption or retirement) to or through the United States office of a broker will be subject to information reporting and backup withholding unless the Non-U.S. Holder certifies as to its non-U.S. status or otherwise establishes an exemption from information reporting and backup withholding.

Backup withholding is not an additional tax, and amounts withheld as backup withholding are allowed as a refund or credit against a holder's federal income tax liability, provided that the required information as to withholding is furnished to the IRS.

THE FOREGOING SUMMARY IS INCLUDED HEREIN FOR GENERAL INFORMATION ONLY AND DOES NOT DISCUSS ALL ASPECTS OF U.S. FEDERAL INCOME TAXATION THAT MAY BE RELEVANT TO A PARTICULAR BENEFICIAL OWNER OF Series E Bonds IN LIGHT OF THE BENEFICIAL OWNER'S PARTICULAR CIRCUMSTANCES AND INCOME TAX SITUATION. PROSPECTIVE INVESTORS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS AS TO ANY TAX CONSEQUENCES TO THEM FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF SERIES E BONDS, INCLUDING THE APPLICATION AND EFFECT OF STATE, LOCAL, FOREIGN TAX LAWS AS WELL AS OTHER FEDERAL TAX LAWS AND THE POSSIBLE EFFECTS OF CHANGES IN THESE TAX LAWS.

Series E Bonds New Hampshire Tax Matters

Bond Counsel is also of the opinion that, under existing law, interest on the Series E 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 Series E Bonds. Bond Counsel also has not opined as to the taxability of the Series E 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 Series E Bonds is set forth in Appendix A hereto.

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. 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 December 15, 2020, the Series C Bonds were awarded to Hilltop Securities, Inc. (the "Series C Underwriter"). The Series C Underwriter has supplied the information as to the public offering yields of the Series C Bonds set forth on the inside cover hereof. The Series C Underwriter has informed the State that if all of the Series C Bonds are resold to the public at those yields or prices, they anticipate the total Series C Underwriter's compensation to be \$69,874.27. The Series C Underwriter may change the public offering yields or prices of the Series C Bonds from time to time.

After competitive bidding on December 15, 2020, the Series D Bonds were awarded to Morgan Stanley & Co. LLC (the "Series D Underwriter"). The Series D Underwriter has supplied the information as to the public offering yields of the Series D Bonds set forth on the inside cover hereof. The Series D Underwriter has informed the State that if all of the Series D Bonds are resold to the public at those yields, they anticipate the total Series D Underwriter's compensation to be \$40,764.23. The Series D Underwriter may change the public offering yields or prices of the Series D Bonds from time to time. The Series D Underwriter has entered into a distribution agreement with its affiliate, Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, the Series D Underwriter may distribute municipal securities to retail investors through the financial advisor network of Morgan

Stanley Smith Barney LLC. As part of this arrangement, the Series D Underwriter may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Series D Bonds.

After competitive bidding on December 15, 2020, the Series E Bonds were awarded to Wells Fargo Bank, National Association (the “Series E Underwriter”, and together with the Series C Underwriter and the Series D Underwriters, the “Underwriters”). The Series E Underwriter has supplied the information as to the public offering prices of the Series E Bonds set forth on the inside cover hereof. The Series E Underwriter has informed the State that if all of the Series E Bonds are resold to the public at those prices, they anticipate the total Series E Underwriter’s compensation to be \$43,182.50. The Series E Underwriter may change the public offering yields or prices of the Series E Bonds 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. Proposed forms of the approving opinions of Locke Lord LLP are set forth in Appendix A. The opinions 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 State is not aware of any failure to comply in any material respect with any of its previous undertakings with respect to the Rule in the previous five years.

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

MISCELLANEOUS

Any provisions of the constitution or laws of the State and of other documents set forth or referred to in this Official 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.

This Official 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. Because of the inability to predict all factors that may affect future decisions, actions, events or financial circumstances, what actually happens may be different 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.

All estimates and assumptions in this Official 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 this Official 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.

The State has prepared the prospective financial information set forth in this Official Statement in connection with its budgeting and appropriations processes. This prospective financial information was not prepared with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to prospective financial information, but, in the view of the State, was prepared on a reasonable basis, reflects the best currently available estimates and judgments, and presents, to the best knowledge and belief of the offices of the State identified in this Official Statement as the sources of such information, the currently expected course of action and the currently expected future budgeted revenues and expenditures of the State. However, this information is not fact and should not be relied upon as being necessarily indicative of future results, and readers of this Official Statement are cautioned not to place undue reliance on the prospective financial information.

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 this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale made pursuant to this Official Statement 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 Official Statement, except as expressly stated.

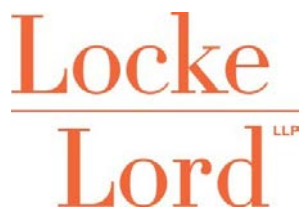
STATE OF NEW HAMPSHIRE

By: /s/ *Monica I. Mezzapelle*
Commissioner of the Treasury

December 15, 2020

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PROPOSED FORMS OF OPINION OF BOND COUNSEL



111 Huntington Avenue
9th Floor
Boston, MA 02199-7613
Telephone: 617-239-0100
Fax: 617-227-4420
www.lockelord.com

(Date of Delivery)

The Honorable Monica I. Mezzapelle
Commissioner of the Treasury
State House Annex
Concord, New Hampshire 03301

State of New Hampshire
\$47,220,000 General Obligation Capital Improvement Bonds, 2020 Series C
\$49,530,000 General Obligation Refunding Bonds, 2020 Series D
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 alternative minimum tax. 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



111 Huntington Avenue
9th Floor
Boston, MA 02199-7613
Telephone: 617-239-0100
Fax: 617-227-4420
www.lockelord.com

(Date of Delivery)

The Honorable Monica I. Mezzapelle
Commissioner of the Treasury
State House Annex
Concord, New Hampshire 03301

\$37,550,000
State of New Hampshire
General Obligation Refunding Bonds, 2020 Series E
(Federally Taxable)
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 included in the gross income of the owners of the Bonds for federal income tax purposes. 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 \$47,220,000 General Obligation Capital Improvement Bonds, 2020 Series C, \$49,530,000 General Obligation Refunding Bonds, 2020 Series D, and \$37,550,000 General Obligation Refunding Bonds, 2020 Series E (Federally Taxable) (collectively, the “Bonds”), 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 a timely 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 December 15, 2020 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) bond 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.

15. incurrence of a financial obligation of the State, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the State, any of which affect Bondholders, if material;[†] and

16. default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the State, any of which reflect financial difficulties.[†]

(b) Upon the occurrence of a Listed Event described in subsections (a)(2), (7), (8)(i), (10), (13), (14) or (15), 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), (14) or (15) 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.

[†] For purposes of event numbers (15) and (16) in Section 5(a) of the Disclosure Certificate, the term "financial obligation" means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term "financial obligation" excludes municipal securities for which a final official statement has been provided to the MSRB consistent with the Rule.

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: December __, 2020

STATE OF NEW HAMPSHIRE

By: _____
Commissioner of the Treasury

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]

OFFICIAL NOTICE OF SALE – SERIES C BONDS

\$47,090,000*
STATE OF NEW HAMPSHIRE
GENERAL OBLIGATION CAPITAL IMPROVEMENT BONDS
2020 SERIES C

Notice is hereby given that electronic bids will be received until 10:15 A.M. (local Concord, New Hampshire time) on December 15, 2020 by Monica I. Mezzapelle, Commissioner of the Treasury of the State of New Hampshire, for the purchase of \$47,090,000* State of New Hampshire General Obligation Capital Improvement Bonds, 2020 Series C (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, 2021.

Principal on the Bonds will be paid on December 1 in the following years and amounts:

<u>Year</u>	<u>Principal Amount⁽¹⁾⁽²⁾</u>	<u>Year</u>	<u>Principal Amount⁽¹⁾⁽²⁾</u>
2021	\$2,830,000	2031	\$1,880,000
2022	2,830,000	2032	1,880,000
2023	2,830,000	2033	1,880,000
2024	2,830,000	2034	1,880,000
2025	2,830,000	2035	1,880,000
2026	2,830,000	2036	1,880,000
2027	2,830,000	2037	1,880,000
2028	2,830,000	2038	1,880,000
2029	2,825,000	2039	1,880,000
2030	2,825,000	2040	1,880,000

(1) Preliminary; subject to change.

(2) May represent mandatory sinking fund redemption amount or stated maturity if Term Bonds (as defined herein) are specified.

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 December 1, 2030 are not subject to redemption prior to maturity. The Bonds maturing after December 1, 2030 are subject to redemption at the option of the State on and after December 1, 2030, 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.

Mandatory Redemption

*Preliminary, subject to change.

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 December 1 of the first year which has been combined to form such Term Bond and continuing on December 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. The redemption notice may state that it is conditioned upon the deposit of moneys in an amount equal to the amount necessary to effect the redemption, in a separate account established by the State for such purpose no later than the redemption date, or that the State may rescind such notice at any time prior to the scheduled redemption date if the State Treasurer delivers a notice thereof to the registered owner of the Bonds. The redemption notice and optional redemption shall be of no effect if such moneys are not so deposited or if the notice is rescinded, and the failure of the State to make funds available in whole or in part on or before the redemption date shall not constitute a default. Notice of redemption having been given as aforesaid, and sufficient moneys deposited with The Bank of New York Mellon Trust Company, N.A., or its successor, as Paying Agent (the "Paying Agent") for redemption, the Bonds called for redemption shall become due and payable on the redemption date, and from and after such date, such Bonds shall cease to bear interest.

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 Tuesday, December 15, 2020. 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; provided, however, that the rate of interest on each maturity of the Bonds maturing in the years 2031 to 2040 shall be 5% per annum. 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 9:00 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 (December 22, 2020) and to the price bid. 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 was submitted first among all such proposals. 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 9:00 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. The Financial Advisor will timely apply for CUSIP numbers with respect to the Bonds as required by MSRB Rule G-34. 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 Commissioner of the Treasury 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 Commissioner of the Treasury determines is necessary to complete the Official Statement in final form.

Establishment of Issue Price

The successful bidder shall assist the State in establishing the issue price of the Bonds and shall execute and deliver to the State on the Closing Date an “issue price” or similar certificate, in the applicable form set forth in Exhibit 1 to this Notice of Sale, setting forth the reasonably expected initial offering prices to the public or the sale prices of the Bonds together with the supporting pricing wires or equivalent communications, with such modifications as may be appropriate or necessary in the reasonable judgment of the successful bidder, the State and Bond Counsel. All actions to be taken by the State under this Notice of Sale to establish the issue price of the Bonds may be taken on behalf of the State by Public Resources Advisory Group (“Financial Advisor”) and any notice or report to be provided to the State may be provided to the Financial Advisor.

Competitive Sale Requirements. The State expects that the competitive sale requirements (“competitive sale requirements”) set forth in Treasury Regulation § 1.148-1(f)(3)(i) (defining “competitive sale” for purposes of establishing the issue price of the Bonds) will apply to the sale of the Bonds because:

- (1) the State has disseminated this Notice of Sale to potential underwriters in a manner that is reasonably designed to reach potential underwriters;
- (2) all bidders will have an equal opportunity to bid;
- (3) the State may receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- (4) the State anticipates awarding the sale of the Bonds to the bidder who submitted a firm offer to purchase the Bonds at the highest price (or lowest interest cost), as set forth in this Notice of Sale.

Any bid submitted pursuant to this Notice of Sale shall be considered a firm offer for the purchase of the Bonds, as specified in the bid. By submitting a bid, each bidder shall be deemed to confirm that it has an established industry reputation for underwriting new issuances of municipal bonds and that it will be an “underwriter” (as defined below) that intends to reoffer the Bonds to the public.

In the event that the competitive sale requirements are not satisfied, the State shall so advise the successful bidder. In this event, the successful bidder may use either Option A or Option B, set forth below.

Failure to Meet the Competitive Sale Requirements – Option A – The 10% Test to Apply. If the competitive sale requirements are not satisfied, the successful bidder may, at its option, use the first price at which 10% of a maturity of the Bonds (the “10% test”) is sold to the public as the issue price of that maturity, applied on a maturity-by-maturity basis, of the Bonds. The successful bidder shall advise the Financial Advisor if any maturity of the Bonds satisfies the 10% test as of the date and time of the award of the Bonds.

If the competitive sale requirements are not satisfied, then until the 10% test has been satisfied as to each maturity of the Bonds or all of the Bonds are sold to the public, the successful bidder agrees to promptly report to the Financial Advisor the prices at which the unsold Bonds of each maturity have been sold to the public, which reporting obligation shall continue, whether or not the Closing Date has occurred, until the 10% test has been satisfied for each maturity of the Bonds or until all the Bonds of a maturity have been sold. The successful bidder shall be obligated to report each sale of Bonds to the Financial Advisor until notified in writing by the State or the Financial Advisor that it no longer needs to do so. If the successful bidder uses Option A, the successful bidder shall provide to the State on or before the Closing Date the certificate attached to this Notice of Sale as Exhibit 1 – Option A.

By submitting a bid and if the competitive sale requirements are not met, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such third-party distribution agreement, as applicable, to report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the successful bidder that either the 10% test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the public, if and for so long as directed by the successful bidder and as set forth in the related pricing wires and (ii) any agreement among underwriters relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such third-party distribution agreement to report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the successful bidder or such underwriter that either the 10% test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the public if and for so long as directed by the successful bidder or such underwriter and as set forth in the related pricing wires.

Sales of any Bonds to any person that is a related party to an underwriter shall not constitute sales to the public for purposes of this Notice of Sale. Further, for purposes of this Notice of Sale:

- (1) “public” means any person other than an underwriter or a related party,
- (2) “underwriter” means (A) any person that agrees pursuant to a written contract with the State (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the public), and
- (3) a purchaser of any of the Bonds is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other).

Failure to Meet the Competitive Sale Requirements – Option B – The Successful Bidder Agrees to Hold the Price of Maturities of Bonds for Which the 10% Test in Option A Is Not Met as of the Sale Date. The successful bidder may, at its option, notify the Financial Advisor in writing, which may be by email (the “Hold the Price

Notice”), not later than 4:00 p.m. on the Sale Date, that it has not sold 10% of the maturities of the Bonds listed in the Hold the Price Notice (the “Hold-the-Offering-Price Maturities”) and that the successful bidder will not offer the Hold-the-Offering-Price Maturities to any person at a price that is higher than the initial offering price to the public during the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date or (ii) the date on which the successful bidder has sold at least 10% of the applicable Hold-the-Offering-Price Maturity to the public at a price that is no higher than the initial offering price to the public. If the successful bidder uses Option B and delivers a Hold the Price Notice to the Financial Advisor, the successful bidder shall provide to the State on or before the Closing Date the certificate attached to this Notice of Sale as Exhibit 1 – Option B.

Delivery of the Bonds

The Bonds will be delivered on or about December 22, 2020 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 therefor, 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 Commissioner of the Treasury 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 December 7, 2020 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 December 7, 2020 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 Commissioner of the Treasury, 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 /s/ *Monica I. Mezzapelle*
Commissioner of the Treasury

Date: December 7, 2020

EXHIBIT 1

Issue Price Certificate for Use if the Competitive Sale Requirements are Met

§ _____
**STATE OF NEW HAMPSHIRE
GENERAL OBLIGATION CAPITAL IMPROVEMENT BONDS
2020 SERIES C**

ISSUE PRICE CERTIFICATE

The undersigned, on behalf of [NAME OF UNDERWRITER] (the “Successful Bidder”), hereby certifies as set forth below with respect to the sale of the above-captioned obligations (the “Bonds”) of the State of New Hampshire (the “Issuer”).

1. Reasonably Expected Initial Offering Prices.

(a) As of the Sale Date, the reasonably expected initial offering prices of the Bonds to the Public by the Successful Bidder are the prices listed in Schedule A (the “Expected Offering Prices”). The Expected Offering Prices are the prices for the Maturities of the Bonds used by the Successful Bidder in formulating its bid to purchase the Bonds. Attached as Schedule B is a true and correct copy of the bid provided by the Underwriter to purchase the Bonds.

(b) The Successful Bidder was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by the Successful Bidder constituted a firm offer to purchase the Bonds.

2. Defined Terms.

(a) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

(b) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(c) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is December 15, 2020.

(d) *Underwriter* means (i) any person, including the Successful Bidder, that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Successful Bidder’s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The

undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Locke Lord LLP in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

Dated: December 22, 2020

[SUCCESSFUL BIDDER]

By:
Name:
Title:

SCHEDULE A
REASONABLY EXPECTED INITIAL OFFERING PRICES
(Attached)

SCHEDULE B
COPY OF UNDERWRITER'S BID
(Attached)

EXHIBIT 1 – OPTION A

**Issue Price Certificate for Use if the Competitive Sale Requirements are Not Met
and the 10% Test to Apply**

\$ _____
**STATE OF NEW HAMPSHIRE
GENERAL OBLIGATION CAPITAL IMPROVEMENT BONDS
2020 SERIES C**

ISSUE PRICE CERTIFICATE

The undersigned, on behalf of _____ (the (“Successful Bidder”)
[, on behalf of itself and [NAMES OF OTHER UNDERWRITERS,]] hereby certifies as set forth below
with respect to the sale and issuance of the above-captioned obligations (the “Bonds”).

1. **Sale of the Bonds.** As of the Sale Date, [except as set forth in paragraph 2 below,] for each Maturity of the Bonds, the first price at which at least 10% of such Maturity of the Bonds was sold to the Public on the Sale Date is the respective price listed in Schedule A.

[Only use the next paragraph if the 10% test has not been met or all of the Bonds have not been sold for one or more Maturities as of the Closing Date.]

2. For each Maturity of the Bonds as to which no price is listed in Schedule A, as set forth in the Notice of Sale for the Bonds, until the 10% test has been satisfied as to each Maturity of the Bonds or all of the Bonds are sold to the Public, the Successful Bidder agrees to promptly report to the Issuer’s financial advisor, Public Resources Advisory Group (the “Financial Advisor”), the prices at which the unsold Bonds of each Maturity have been sold to the Public, which reporting obligation shall continue after the date hereof until the 10% test has been satisfied for each Maturity of the Bonds or until all the Bonds of a Maturity have been sold. The Successful Bidder shall continue to report each sale of Bonds to the Financial Advisor until notified by email or in writing by the Issuer or the Financial Advisor that it no longer needs to do so.

3. **Defined Terms.**

(a) *Issuer* means the State of New Hampshire.

(b) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

(c) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(d) *Underwriter* means (i) any person, including the Successful Bidder, that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a

selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Successful Bidder's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Locke Lord LLP in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

Dated: December 22, 2020

[SUCCESSFUL BIDDER]

By: _____
Name:
Title:

SCHEDULE A

SALE PRICES

[(Attached)]

or

[Complete Schedule Below]

Maturity

Price

EXHIBIT 1 – OPTION B

Issue Price Certificate for Use if the Competitive Sale Requirements are Not Met and the Hold the Price Rule Is Used

§ _____
**STATE OF NEW HAMPSHIRE
GENERAL OBLIGATION CAPITAL IMPROVEMENT BONDS
2020 SERIES C**

ISSUE PRICE CERTIFICATE

The undersigned, on behalf of [NAME OF SUCCESSFUL BIDDER] (the “Successful Bidder”) [, on behalf of itself and [NAMES OF OTHER UNDERWRITERS,]] hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the “Bonds”).

A. Issue Price.

1. ***Sale of the General Rule Maturities.*** As of the date of this certificate, for each Maturity of the General Rule Maturities, the first price at which at least 10% of such Maturity of the Bonds was sold to the Public is the respective price listed in Schedule A.

[2. ***Initial Offering Price of the Hold-the Offering-Price Maturities.***

(a) The Successful Bidder offered the Hold-the-Offering-Price Maturities to the Public for purchase at the respective initial offering prices listed in Schedule A (the “Initial Offering Prices”) on or before the Sale Date, which correspond to the yields shown on Schedule A and on the inside cover of the Official Statement relating to the Bonds dated the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached to this certificate as Schedule B.

(b) The Successful Bidder agrees that (i) for each Maturity of the Hold-the-Offering-Price Maturities it will neither offer nor sell any of the unsold Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the “hold-the-offering-price rule”), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any third-party distribution agreement shall contain the agreement of each broker-dealer who is a party to the third-party distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, no Underwriter (as defined below) has offered or sold any unsold Bonds of a Maturity of the Hold-the-Offering-Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Holding Period.]

[2.][3.] ***Defined Terms.*** [keep applicable definitions, depending on sale outcome]

(a) ***General Rule Maturities*** means those Maturities of the Bonds listed in Schedule A hereto as the “General Rule Maturities.”

(b) ***Hold-the-Offering-Price Maturities*** means those Maturities of the Bonds listed in Schedule A hereto as the “Hold-the-Offering-Price Maturities.”

(c) ***Holding Period*** means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (a) the close of the fifth business day after the Sale Date, or (ii) the date on which the Underwriters have sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-the-Offering-Price Maturity.

(d) ***Issuer*** means the State of New Hampshire.

(e) *Maturity* means Bonds with the same credit and prepayment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

(f) *Public* means any person (including an individual, trust, estate, partnership, association, company or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(g) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is December 15, 2020.

(h) *Underwriter* means (i) any person, including the Successful Bidder, that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the Public).

B. Reliance.

The representations set forth in this certificate are limited to factual matters only. The certifications contained herein are not necessarily based on personal knowledge, but may instead be based on either inquiry deemed adequate by the undersigned or institutional knowledge (or both) regarding the matters set forth herein. Nothing in this certificate represents the Successful Bidders’s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate dated December 22, 2020 relating to the Issue, to which this certificate is attached as an exhibit, and with respect to compliance with the federal income tax rules affecting the Issue, and by Locke Lord LLP in connection with rendering its opinion that the interest on the Issue is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038 and other federal income tax advice that it may give to the Issuer from time to time relating to the Issue.

Dated: December 22, 2020

[SUCCESSFUL BIDDER]

By: _____
Name:
Title:

SCHEDULE A
SALE PRICES OF THE GENERAL RULE MATURITIES AND
INITIAL OFFERING PRICES OF THE HOLD-THE-OFFERING-PRICE MATURITIES
(ATTACHED)

SCHEDULE B
PRICING WIRE OR EQUIVALENT COMMUNICATION

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OFFICIAL NOTICE OF SALE – SERIES D BONDS

\$49,990,000*
STATE OF NEW HAMPSHIRE
GENERAL OBLIGATION REFUNDING BONDS
2020 SERIES D

Notice is hereby given that electronic bids will be received until 10:45 A.M. (local Concord, New Hampshire time) on December 15, 2020 by Monica I. Mezzapelle, Commissioner of the Treasury of the State of New Hampshire, for the purchase of \$49,990,000* State of New Hampshire General Obligation Refunding Bonds, 2020 Series D (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 December 1, 2021.

Principal on the Bonds will be paid on December 1 in the following years and amounts:

<u>Year</u>	<u>Principal Amount⁽¹⁾</u>	<u>Year</u>	<u>Principal Amount⁽¹⁾</u>
2023	\$ 7,685,000	2027	\$4,355,000
2024	16,055,000	2028	4,415,000
2025	4,225,000	2029	4,460,000
2026	4,295,000	2030	4,500,000

(1) Preliminary; subject to change.

THE SALE AND DELIVERY OF THE SERIES D BONDS IS CONTINGENT UPON THE SALE AND DELIVERY OF THE SERIES E BONDS.

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 Provisions

The Series D Bonds are not subject to redemption prior to 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.

*Preliminary, subject to change.

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 10:45 A.M., local Concord, New Hampshire time, on Tuesday, December 15, 2020. 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 9:00 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 savings 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 (December 22, 2020) and to the price bid. 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 was the first submitted 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 9:00 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. The Financial Advisor will timely apply for CUSIP numbers with respect to the Bonds as required by MSRB Rule G-34. 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 Commissioner of the Treasury 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 Commissioner of the Treasury determines is necessary to complete the Official Statement in final form.

Establishment of Issue Price

The successful bidder shall assist the State in establishing the issue price of the Bonds and shall execute and deliver to the State on the Closing Date an "issue price" or similar certificate, in the applicable form set forth in Exhibit 1 to this Notice of Sale, setting forth the reasonably expected initial offering prices to the public or the sale prices of the Bonds together with the supporting pricing wires or equivalent communications, with such modifications as may be appropriate or necessary in the reasonable judgment of the successful bidder, the State and Bond Counsel. All actions to be taken by the State under this Notice of Sale to establish the issue price of the Bonds may be taken on behalf of the State by Public Resources Advisory Group ("Financial Advisor") and any notice or report to be provided to the State may be provided to the Financial Advisor.

Competitive Sale Requirements. The State expects that the competitive sale requirements ("competitive sale requirements") set forth in Treasury Regulation § 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of the Bonds) will apply to the sale of the Bonds because:

- (5) the State has disseminated this Notice of Sale to potential underwriters in a manner that is reasonably designed to reach potential underwriters;
- (6) all bidders will have an equal opportunity to bid;
- (7) the State may receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- (8) the State anticipates awarding the sale of the Bonds to the bidder who submitted a firm offer to purchase the Bonds at the highest price (or lowest interest cost), as set forth in this Notice of Sale.

Any bid submitted pursuant to this Notice of Sale shall be considered a firm offer for the purchase of the Bonds, as specified in the bid. By submitting a bid, each bidder shall be deemed to confirm that it has an established industry reputation for underwriting new issuances of municipal bonds and that it will be an “underwriter” (as defined below) that intends to reoffer the Bonds to the public.

In the event that the competitive sale requirements are not satisfied, the State shall so advise the successful bidder. In this event, the successful bidder may use either Option A or Option B, set forth below.

Failure to Meet the Competitive Sale Requirements – Option A – The 10% Test to Apply. If the competitive sale requirements are not satisfied, the successful bidder may, at its option, use the first price at which 10% of a maturity of the Bonds (the “10% test”) is sold to the public as the issue price of that maturity, applied on a maturity-by-maturity basis, of the Bonds. The successful bidder shall advise the Financial Advisor if any maturity of the Bonds satisfies the 10% test as of the date and time of the award of the Bonds.

If the competitive sale requirements are not satisfied, then until the 10% test has been satisfied as to each maturity of the Bonds or all of the Bonds are sold to the public, the successful bidder agrees to promptly report to the Financial Advisor the prices at which the unsold Bonds of each maturity have been sold to the public, which reporting obligation shall continue, whether or not the Closing Date has occurred, until the 10% test has been satisfied for each maturity of the Bonds or until all the Bonds of a maturity have been sold. The successful bidder shall be obligated to report each sale of Bonds to the Financial Advisor until notified in writing by the State or the Financial Advisor that it no longer needs to do so. If the successful bidder uses Option A, the successful bidder shall provide to the State on or before the Closing Date the certificate attached to this Notice of Sale as Exhibit 1 – Option A.

By submitting a bid and if the competitive sale requirements are not met, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such third-party distribution agreement, as applicable, to report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the successful bidder that either the 10% test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the public, if and for so long as directed by the successful bidder and as set forth in the related pricing wires and (ii) any agreement among underwriters relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such third-party distribution agreement to report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the successful bidder or such underwriter that either the 10% test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the public if and for so long as directed by the successful bidder or such underwriter and as set forth in the related pricing wires.

Sales of any Bonds to any person that is a related party to an underwriter shall not constitute sales to the public for purposes of this Notice of Sale. Further, for purposes of this Notice of Sale:

- (1) “public” means any person other than an underwriter or a related party,

(2) “underwriter” means (A) any person that agrees pursuant to a written contract with the State (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the public), and

(3) a purchaser of any of the Bonds is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other).

Failure to Meet the Competitive Sale Requirements – Option B – The Successful Bidder Agrees to Hold the Price of Maturities of Bonds for Which the 10% Test in Option A Is Not Met as of the Sale Date. The successful bidder may, at its option, notify the Financial Advisor in writing, which may be by email (the “Hold the Price Notice”), not later than 4:00 p.m. on the Sale Date, that it has not sold 10% of the maturities of the Bonds listed in the Hold the Price Notice (the “Hold-the-Offering-Price Maturities”) and that the successful bidder will not offer the Hold-the-Offering-Price Maturities to any person at a price that is higher than the initial offering price to the public during the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date or (ii) the date on which the successful bidder has sold at least 10% of the applicable Hold-the-Offering-Price Maturity to the public at a price that is no higher than the initial offering price to the public. If the successful bidder uses Option B and delivers a Hold the Price Notice to the Financial Advisor, the successful bidder shall provide to the State on or before the Closing Date the certificate attached to this Notice of Sale as Exhibit 1 – Option B.

Delivery of the Bonds

The Bonds will be delivered on or about December 22, 2020 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 Commissioner of the Treasury 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 December 7, 2020 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 December 7, 2020 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 Commissioner of the Treasury, 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 /s/ Monica I. Mezzapelle
Commissioner of the Treasury

Date: December 7, 2020

EXHIBIT 1

Issue Price Certificate for Use if the Competitive Sale Requirements are Met

§ _____
**STATE OF NEW HAMPSHIRE
GENERAL OBLIGATION REFUNDING BONDS
2020 SERIES D**

ISSUE PRICE CERTIFICATE

The undersigned, on behalf of [NAME OF UNDERWRITER] (the “Successful Bidder”), hereby certifies as set forth below with respect to the sale of the above-captioned obligations (the “Bonds”) of the State of New Hampshire (the “Issuer”).

1. Reasonably Expected Initial Offering Prices.

(d) As of the Sale Date, the reasonably expected initial offering prices of the Bonds to the Public by the Successful Bidder are the prices listed in Schedule A (the “Expected Offering Prices”). The Expected Offering Prices are the prices for the Maturities of the Bonds used by the Successful Bidder in formulating its bid to purchase the Bonds. Attached as Schedule B is a true and correct copy of the bid provided by the Underwriter to purchase the Bonds.

(e) The Successful Bidder was not given the opportunity to review other bids prior to submitting its bid.

(f) The bid submitted by the Successful Bidder constituted a firm offer to purchase the Bonds.

2. Defined Terms.

(e) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

(f) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(g) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is December 22, 2020.

(h) *Underwriter* means (i) any person, including the Successful Bidder, that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Successful Bidder’s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to

certain of the representations set forth in the Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Locke Lord LLP in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

Dated: December 22, 2020

[SUCCESSFUL BIDDER]

By: _____
Name:
Title:

SCHEDULE A

REASONABLY EXPECTED INITIAL OFFERING PRICES

(Attached)

SCHEDULE B

COPY OF UNDERWRITER'S BID

(Attached)

EXHIBIT 1 – OPTION A

**Issue Price Certificate for Use if the Competitive Sale Requirements are Not Met
and the 10% Test to Apply**

\$ _____
**STATE OF NEW HAMPSHIRE
GENERAL OBLIGATION BONDS
2020 SERIES D**

ISSUE PRICE CERTIFICATE

The undersigned, on behalf of _____ (the (“Successful Bidder”)
[, on behalf of itself and [NAMES OF OTHER UNDERWRITERS,]] hereby certifies as set forth below
with respect to the sale and issuance of the above-captioned obligations (the “Bonds”).

1. **Sale of the Bonds.** As of the Sale Date, [except as set forth in paragraph 2 below,] for each Maturity of the Bonds, the first price at which at least 10% of such Maturity of the Bonds was sold to the Public on the Sale Date is the respective price listed in Schedule A.

[Only use the next paragraph if the 10% test has not been met or all of the Bonds have not been sold for one or more Maturities as of the Closing Date.]

2. For each Maturity of the Bonds as to which no price is listed in Schedule A, as set forth in the Notice of Sale for the Bonds, until the 10% test has been satisfied as to each Maturity of the Bonds or all of the Bonds are sold to the Public, the Successful Bidder agrees to promptly report to the Issuer’s financial advisor, Public Resources Advisory Group (the “Financial Advisor”), the prices at which the unsold Bonds of each Maturity have been sold to the Public, which reporting obligation shall continue after the date hereof until the 10% test has been satisfied for each Maturity of the Bonds or until all the Bonds of a Maturity have been sold. The Successful Bidder shall continue to report each sale of Bonds to the Financial Advisor until notified by email or in writing by the Issuer or the Financial Advisor that it no longer needs to do so.

3. **Defined Terms.**

(e) *Issuer* means the State of New Hampshire.

(f) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

(g) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(h) *Underwriter* means (i) any person, including the Successful Bidder, that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Successful Bidder's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Locke Lord LLP in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

Dated: December 22, 2020

[SUCCESSFUL BIDDER]

By: _____
Name:
Title:

SCHEDULE A

SALE PRICES

[(Attached)]

or

[Complete Schedule Below]

Maturity

Price

EXHIBIT 1 – OPTION B

Issue Price Certificate for Use if the Competitive Sale Requirements are Not Met and the Hold the Price Rule Is Used

§ _____
**STATE OF NEW HAMPSHIRE
GENERAL OBLIGATION REFUNDING BONDS
2020 SERIES D**

ISSUE PRICE CERTIFICATE

The undersigned, on behalf of [NAME OF SUCCESSFUL BIDDER] (the (“Successful Bidder”)) [, on behalf of itself and [NAMES OF OTHER UNDERWRITERS,]] hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the “Bonds”).

C. Issue Price.

1. ***Sale of the General Rule Maturities.*** As of the date of this certificate, for each Maturity of the General Rule Maturities, the first price at which at least 10% of such Maturity of the Bonds was sold to the Public is the respective price listed in Schedule A.

[2. ***Initial Offering Price of the Hold-the Offering-Price Maturities.***

(a) The Successful Bidder offered the Hold-the-Offering-Price Maturities to the Public for purchase at the respective initial offering prices listed in Schedule A (the “Initial Offering Prices”) on or before the Sale Date, which correspond to the yields shown on Schedule A and on the inside cover of the Official Statement relating to the Bonds dated the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached to this certificate as Schedule B.

(b) The Successful Bidder agrees that (i) for each Maturity of the Hold-the-Offering-Price Maturities it will neither offer nor sell any of the unsold Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the “hold-the-offering-price rule”), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any third-party distribution agreement shall contain the agreement of each broker-dealer who is a party to the third-party distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, no Underwriter (as defined below) has offered or sold any unsold Bonds of a Maturity of the Hold-the-Offering-Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Holding Period.]

[2.][3.] ***Defined Terms.*** [keep applicable definitions, depending on sale outcome]

(a) ***General Rule Maturities*** means those Maturities of the Bonds listed in Schedule A hereto as the “General Rule Maturities.”

(b) ***Hold-the-Offering-Price Maturities*** means those Maturities of the Bonds listed in Schedule A hereto as the “Hold-the-Offering-Price Maturities.”

(c) ***Holding Period*** means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (a) the close of the fifth business day after the Sale Date, or (ii) the date on which the Underwriters have sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-the-Offering-Price Maturity.

(d) ***Issuer*** means the State of New Hampshire.

(e) *Maturity* means Bonds with the same credit and prepayment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

(f) *Public* means any person (including an individual, trust, estate, partnership, association, company or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(g) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is December 15, 2020.

(h) *Underwriter* means (i) any person, including the Successful Bidder, that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the Public).

D. Reliance.

The representations set forth in this certificate are limited to factual matters only. The certifications contained herein are not necessarily based on personal knowledge, but may instead be based on either inquiry deemed adequate by the undersigned or institutional knowledge (or both) regarding the matters set forth herein. Nothing in this certificate represents the Successful Bidders’s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate dated December 22, 2020 relating to the Issue, to which this certificate is attached as an exhibit, and with respect to compliance with the federal income tax rules affecting the Issue, and by Locke Lord LLP in connection with rendering its opinion that the interest on the Issue is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038 and other federal income tax advice that it may give to the Issuer from time to time relating to the Issue.

Dated: December 22, 2020

[SUCCESSFUL BIDDER]

By: _____

Name:

Title:

SCHEDULE A
SALE PRICES OF THE GENERAL RULE MATURITIES AND
INITIAL OFFERING PRICES OF THE HOLD-THE-OFFERING-PRICE MATURITIES
(ATTACHED)

SCHEDULE B
PRICING WIRE OR EQUIVALENT COMMUNICATION

NOTICE OF SALE – SERIES E BONDS

\$37,690,000*
STATE OF NEW HAMPSHIRE
GENERAL OBLIGATION REFUNDING BONDS,
2020 SERIES E (FEDERALLY TAXABLE)

Notice is hereby given that electronic bids will be received until 11:15 A.M. (local Concord, New Hampshire time) on December 15, 2020 by Monica I. Mezzapelle, Commissioner of the Treasury of the State of New Hampshire, for the purchase of \$37,690,000* State of New Hampshire General Obligation Refunding Bonds, 2020 Series E (Federally Taxable) (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 December 1, 2021.

Principal on the Bonds will be paid on December 1 in the following years and amounts:

<u>Year</u>	<u>Principal Amount</u> ⁽¹⁾⁽²⁾	<u>Year</u>	<u>Principal Amount</u> ⁽¹⁾⁽²⁾
2021	\$10,360,000	2023	\$11,805,000
2022	15,525,000		

(1) Preliminary; subject to change.

(2) May represent mandatory sinking fund redemption amount or stated maturity if Term Bonds (as defined herein) are specified.

THE SALE AND DELIVERY OF THE SERIES E BONDS IS CONTINGENT UPON THE SALE AND DELIVERY OF THE SERIES D BONDS.

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 are subject to optional redemption prior to their respective maturities, in whole or in part, on any Business Day at the Make-Whole Redemption Price described below.

The “Make-Whole Redemption Price” is the greater of (i) 100% of the principal amount of the Bonds to be redeemed and (ii) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of the Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the Bonds are to be redeemed, discounted to the date on which the Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year

*Preliminary, subject to change.

consisting of twelve 30-day months, at the adjusted Treasury Rate (as defined below) plus 0 basis points, plus accrued and unpaid interest on the Bonds to be redeemed on the redemption date.

The “Treasury Rate” is, as of any redemption date, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two Business Days, but no more than 60 calendar days, prior to the redemption date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to the maturity date of the Bonds to be redeemed (taking into account any sinking fund installments for such bonds); provided, however, that if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually-traded U.S. Treasury securities adjusted to a constant maturity of one year will be used.

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 December 1 of the first year which has been combined to form such Term Bond and continuing on December 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. The redemption notice may state that it is conditioned upon the deposit of moneys in an amount equal to the amount necessary to effect the redemption, in a separate account established by the State for such purpose no later than the redemption date, or that the State may rescind such notice at any time prior to the scheduled redemption date if the State Treasurer delivers a notice thereof to the registered owner of the Bonds. The redemption notice and optional redemption shall be of no effect if such moneys are not so deposited or if the notice is rescinded, and the failure of the State to make funds available in whole or in part on or before the redemption date shall not constitute a default. Notice of redemption having been given as aforesaid, and sufficient moneys deposited with The Bank of New York Mellon Trust Company, N.A., or its successor, as Paying Agent (the “Paying Agent”) for redemption, the Bonds called for redemption shall become due and payable on the redemption date, and from and after such date, such Bonds shall cease to bear interest.

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 11:15 A.M., local Concord, New Hampshire time, on Tuesday, December 15, 2020. 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 1/100 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 99.5% of the par value of the aggregate principal amount of the Bonds. 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 9:00 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 savings 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 (December 22, 2020)

and to the price bid. 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 was submitted first 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 9:00 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. The Financial Advisor will timely apply for CUSIP numbers with respect to the Bonds as required by MSRB Rule G-34. 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 Commissioner of the Treasury 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.

Delivery of the Bonds

The Bonds will be delivered on or about December 22, 2020 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 Commissioner of the Treasury 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 December 7, 2020 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 December 7, 2020 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 Commissioner of the Treasury, 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 /s/ *Monica I. Mezzapelle*
Commissioner of the Treasury

Date: December 7, 2020

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TABLE OF BONDS TO BE REFUNDED**Bonds to be Refunded by the Series D Bonds**

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

<u>Issue</u>	<u>CUSIP</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Call Date</u>	<u>Redemption Price</u>
General Obligation Refunding Bonds, 2010 Series A, Dated April 14, 2010:	644682F50	\$18,155,000	5.000%	07/01/2021	01/21/2021	100%
	644682F68	15,115,000	5.000	07/01/2022	01/21/2021	100
	644682F76	15,145,000	5.000	07/01/2023	01/21/2021	100
	644682F84	11,895,000	5.000	07/01/2024	01/21/2021	100

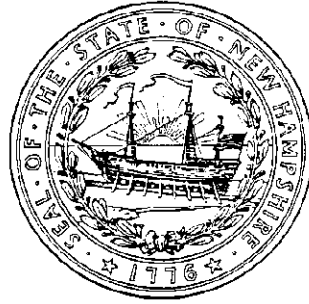
Bonds to be Refunded by the Series E Bonds

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

<u>Issue</u>	<u>CUSIP</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Call Date</u>	<u>Redemption Price</u>
General Obligation Capital Improvement Bonds, 2011 Series B Dated October 27, 2011	644682P83	\$4,445,000	3.00%	02/01/2024	02/01/2022	100%
	644682P91	4,445,000	3.25	02/01/2025	02/01/2022	100
	644682Q25	4,445,000	3.25	02/01/2026	02/01/2022	100
	644682Q33	4,445,000	3.50	02/01/2027	02/01/2022	100
	644682Q41	4,445,000	3.50	02/01/2028	02/01/2022	100
	644682Q58	4,445,000	4.00	02/01/2029	02/01/2022	100
	644682Q66	4,445,000	4.00	02/01/2030	02/01/2022	100
	644682Q74	4,440,000	4.00	02/01/2031	02/01/2022	100

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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 the Office of the State Treasury, 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 2020 or later financial information is preliminary, unaudited and subject to change.

This Information Statement contains certain "forward-looking statements." Forward-looking statements are indicated by such words as "may," "will," "should," "intends," "expects," "believes," "anticipates," "estimates" and other similar words. The achievement of certain results or other expectations contained in such forward-looking statements are subject to a variety of known and unknown risks and uncertainties that could cause actual results, performance or achievements attained to differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements, including, without limitation, general economic and business conditions, financial market conditions, the financial condition of the State of New Hampshire and various state agencies and authorities, receipt of federal grants, litigation, arbitration, force majeure events and other factors that are beyond the control of the State and its various agencies and authorities.

A wide variety of other information concerning the State, including financial information, is available from State agencies, State agency publications and State agency websites. Such information includes websites operated by the State Department of Administrative Services, the New Hampshire Retirement System and the State Treasury. Any such information that is inconsistent with the information set forth in this Information Statement should be disregarded. No such information is a part of or incorporated into this Information State, except as otherwise expressly noted herein.

STATE OF NEW HAMPSHIRE

Monica I. Mezzapelle
Commissioner of the Treasury

December 15, 2020

TABLE OF CONTENTS

	<u>Page</u>		<u>Page</u>
STATE GOVERNMENT	1	Fiscal Year 2018	31
Executive Branch	1	Fiscal Year 2019	32
Legislative Branch	1	Fiscal Year 2020 (Unaudited)	32
Judicial Branch	1	Operating Budget Fiscal Years 2020 and 2021	37
COVID-19 GLOBAL PANDEMIC	1	Fiscal Year 2021 Revenue Performance for the Four Months Ended October 31, 2020 (Unaudited)	43
Background	1	MEDICAID PROGRAM	46
Economic Effects of the COVID-19 Pandemic on State Finances	2	STATE INDEBTEDNESS	59
Income Taxation of New Hampshire Residents Working Remotely by The Commonwealth of Massachusetts	4	Debt Management Program	59
STATE DEMOGRAPHIC AND ECONOMIC DATA	4	Authorization and Classification of State Debt	59
General	4	Debt Statement	60
Population	4	Recent Debt Issuances	62
Personal Income	5	Schedule of Debt Service Payments	62
Civilian Labor Force, Employment and Unemployment	5	Temporary Loans	63
Composition of Employment	6	Authorized But Unissued Debt	63
Largest Employers	7	Capital Budget and Bonds Authorized	64
State and Local Taxation	8	Agencies, Authorities and Bonded or Guaranteed Indebtedness	65
Housing	9	STATE RETIREMENT SYSTEM	69
Building Activity	10	HEALTH CARE COVERAGE FOR RETIRED EMPLOYEES	81
Transportation	10	STATE RETIREE HEALTH PLAN COMMISSION	83
Education	11	STATE RETIREE HEALTH BENEFITS PLAN CHANGES	83
STATE FINANCES	12	JUDICIAL RETIREMENT PLAN	86
General	12	EMPLOYEE RELATIONS	87
Fund Types	13	CYBERSECURITY RISKS	88
Governmental Funds	13	LITIGATION	89
Proprietary (Enterprise) Funds	14	FINANCIAL STATEMENTS	97
Fiduciary Funds	15	MISCELLANEOUS	99
Investment Policy	15	ADDITIONAL INFORMATION	100
Budget and Appropriation Process	15	EXHIBIT A – AUDITED FINANCIAL STATEMENTS	A-1
Financial Controls	16		
Revenue Stabilization Reserve Account	16		
State Revenues	18		
Expenditures	29		
Results of Operations	29		
Fiscal Year 2016	29		
Fiscal Year 2017	30		

STATE OF NEW HAMPSHIRE

Governor

Christopher T. Sununu

Executive Council

Michael J. Cryans
Theodore L. Gatsas
Debora B. Pignatelli
Russell E. Prescott
Andru Volinsky

Commissioner of the Treasury

Monica I. Mezzapelle*

Secretary of State

William M. Gardner

Attorney General

Gordon J. MacDonald

Commissioner of Administrative Services

Charles M. Arlinghaus

Comptroller

Dana M. Call

Budget Director

Matthew H. Mailloux

* Monica I. Mezzapelle has served as Commissioner of the Treasury since March 27, 2020. She was elected State Treasurer by the Legislature in accordance with the State Constitution on December 2, 2020 and will take office on January 6, 2021.

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 branch departments and agencies 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 21 departments, each headed by a Commissioner, and 11 agencies and commissions, each with a unique management structure. Major departments of the executive branch include: Health and Human Services, Transportation, Education, Justice, Natural and Cultural Resources, Business and Economic Affairs, 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, the 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.

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 34 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.

COVID-19 GLOBAL PANDEMIC

Background

On March 13, 2020 Governor Sununu declared a State of Emergency in New Hampshire due to the COVID-19 Global Pandemic (the “COVID-19 Pandemic” or ‘pandemic”). The Governor issued Executive Order 2020-04 activating New Hampshire’s Emergency Powers statutes RSA 21-P:43, RSA 4:45, and RSA 4:47. The Governor has continually extended the State of Emergency in 21 day intervals and it is currently still in effect.

As of November 1, 2020 the Governor has issued 71 emergency orders concerning the State’s response to the COVID-19 pandemic. From March 15, 2020 through May 29, 2020 the Governor issued Emergency Orders

that, among other things, (i) required public school districts to move to remote education, (ii) prohibited scheduled gatherings of 10 or more and required restaurants to transition to take out and delivery only, (iii) temporarily prohibited disconnection or discontinuance of certain services, including public utilities in the event of non-payment, (iv) temporarily prohibited evictions and foreclosures, (v) expanded eligibility to qualify for State unemployment benefits (v) closed non-essential businesses and mandated residents to stay at home with limited exceptions, (vii) expanded telehealth services, (viii) restricted hotels and providers of lodging to provision of lodging for vulnerable populations and essential workers, and (ix) created the COVID-19 Long Term Care Stabilization Program, to address workforce shortages at the State's Medicaid provider long term care facilities.

On May 1, 2020 the Governor issued an emergency order which provided for an expansion of the permissible exceptions to the instruction to stay at home and laid out the process under which the State would "flex open" the economy, further expanding the exceptions under which residents can leave their homes. Industry sectors submitted proposed re-opening plans to the Governor's Economic Re-Opening Task Force, which reviewed the plans before their finalization and approval by the State Epidemiologist Dr. Benjamin Chan. On June 15, 2020, the Governor issued an emergency order which contained universal business guidelines and additional industry specific guidelines for the safe and gradual reopening of the State's economy. By an emergency order dated August 13, 2020, New Hampshire public schools retained the flexibility to provide in-person, remote and hybrid instruction depending on individual circumstances, provided the schools adhered to all state and federal special education laws. Schools are expected to operate using in-person instruction to the extent possible as set forth in the applicable guidance. On September 9, 2020 the Governor issued an emergency order broadening eligibility for unemployment benefits in order to ensure New Hampshire citizens were able to fully participate in the Federal Lost Wages Assistance program created pursuant to the Presidential Memorandum dated August 8, 2020. A complete list of the emergency orders issued by the Governor to date with respect to the COVID-19 Pandemic can be found on the Governor's website at <https://governor.nh.gov/news-and-media/emergency-orders-2020>.

As of December 1, 2020, there have been 21,766 cases of COVID-19 in the State of New Hampshire, with 528 deaths. Of the total number of cases 3.9%, or 841, have been hospitalized. The current number and trends in New Hampshire COVID-19 cases can be found at <https://nh.gov/covid19/news/updates.htm>.

Effects of the COVID-19 Pandemic on State Finances

The economic disruption of the COVID-19 Pandemic has resulted in decreased State revenues as compared to budget expectations that were enacted prior to the onset of the pandemic. For the fiscal year ended June 30, 2020, the combined General Fund, Education Trust Fund, Highway Fund, and Fish and Game Fund (the "Major Funds") were under the budget plan by approximately \$115.6 million (unaudited), or approximately 4%. See "STATE FINANCES – Results of Operations – Fiscal Year 2020 (Unaudited)" herein. While much uncertainty remains regarding the global, national, and State economy, Combined General and Education Trust Fund revenues are currently estimated to be under the fiscal year 2021 budget assumed plan by \$52.5 million or 2%. On April 28, 2020, the Governor issued an emergency order which formalized a prior gubernatorial directive, to freeze State hiring and out-of-state travel. General and Education Trust Fund lapses were \$103.3 million in fiscal year 2020, 82% higher than the budget assumed. The Governor directed State agencies to begin the process of planning for budget reductions and implemented a survey of State programs to identify areas for programmatic combinations and administrative saving. General and Education Trust Fund lapses are estimated to be \$140.2 million in fiscal year 2021, which is \$64.8 million or 86% higher than the budget originally assumed. A revenue backstop for state and local governments is under discussion by the U.S. Congress; in the event that such support is enacted, the State will focus on ensuring the funds are used for a smooth transition to its new revenue base and mitigate future budgetary holes. Absent federal assistance, the Governor will submit a budget reduction plan, as part of the fiscal years 2022–2023 biennial budget process, to the New Hampshire General Court for their consideration and action.

The State currently maintains sufficient cash reserves to continue operations and does not anticipate the need for any short-term borrowing in fiscal year 2021. The State will continue to monitor its cash position as well as the effects from revenue performance and budget adjustments to determine whether there will be a need for any short-term borrowing. However, in the event more liquidity is needed, up to \$200 million has been authorized for a variety of borrowing mechanisms that would provide flexibility in order to obtain favorable borrowing terms. The State will likely consider internal resources before borrowing from external sources. No deferral of payments or obligations are being considered as of the date hereof.

On April 14, 2020, the Governor issued Executive Order 2020-06 establishing the Governor's Office for Emergency Relief and Recovery ("GOFERR") to make recommendations on, and oversee the disbursement of, the \$1.25 billion in federal Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") funds granted to New Hampshire from the federal Coronavirus Relief Fund. GOFERR is currently overseen by the Business and Economic Affairs Commissioner Taylor Caswell and is staffed by State employees detailed from various agencies. A legislative advisory board and a stakeholder advisory board have both been established under the order to make recommendations to GOFERR. The CARES Act funds are being utilized to cover emergency expenses of the State incurred due to the response to the COVID-19 Pandemic, as well as to provide economic relief to New Hampshire small businesses and non-profits that have had COVID-19 related expenses or have lost revenue as a result of the pandemic. Relief programs that have been announced include the following:

- a \$400 million Main Street Relief Fund and Self Employed Livelihood Fund to provide grants to small business based on revenue loss due to the COVID-19 Pandemic,
- a \$100 million Healthcare Relief Fund to ensure no front-line healthcare provider closes, \$60 million in grants to non-healthcare non-profits;
- \$24 million in cost reimbursements for counties and municipalities to cover unbudgeted expenses incurred due to the pandemic that are not covered by grants from the Federal Emergency Management Agency (FEMA),
- \$75 million for the COVID-19 Long Term Care Stabilization Program to help stabilize front line workforce for Medicaid providers that support aging seniors, people with developmental disabilities, as well as other providers of residential or community/home based care, and
- \$29 million for institutions of public higher education; and various smaller programs.

The GOFERR office is tasked with submitting required periodic reporting of Coronavirus Relief Fund expenditures to the United States Department of the Treasury. As of June 30, 2020 approximately \$425 million was reported as costs incurred through Coronavirus Relief Fund proceeds. Additional information on the State of New Hampshire GOFERR and the awards made to date can be found on the State's website at <https://goferr.nh.gov>.

Except as otherwise noted, financial and operating data contained in this Information Statement are generally as of dates and for periods prior to the economic impact of the COVID-19 Pandemic. Accordingly, they are not necessarily indicative of the current financial condition or future prospects of the State as a result of the pandemic. It should also be noted that any discussion or information pertaining to fiscal year 2021 revenues or the fiscal year 2021 "plan" is referring to budgeted revenues for fiscal year 2021 as enacted in 2019 prior to the onset of the pandemic. No revised revenue estimates are yet available for fiscal year 2021. See "STATE FINANCES – State Revenues, - Fiscal Year 2020 (Unaudited), - Operating Budget Fiscal Years 2020 and 2021, and – Fiscal Year 2021 Revenue Performance for the Four Months Ended October 31, 2020 (Unaudited)."

The full financial impact of COVID-19 on the State, its economy, and its financial position will likely change significantly as circumstances and events evolve. The State cannot at present project with any reasonable degree of certainty the impact on State revenues, expenditures, reserves, budget, or financial position nor is it possible to predict the short-term and long-term impacts of COVID-19 on the New Hampshire economy and all levels of government. No assurance can be given regarding future events or impacts because many actions and events are unpredictable, unknowable at this time, and outside the control of the State.

Income Taxation of New Hampshire Residents Working Remotely by Massachusetts

To mitigate revenue losses due to the COVID-19 pandemic and the resulting increase in remote working, on April 21, 2020, the Commonwealth of Massachusetts adopted a temporary emergency regulation declaring, for the first time that nonresident income received for services performed outside Massachusetts would be subject to the Massachusetts personal income tax. Massachusetts adopted a final rule effective October 16, 2020. This action has resulted in New Hampshire residents working remotely in New Hampshire for Massachusetts-based firms being subject to Massachusetts' income tax. Prior to adoption of the rule, New Hampshire residents working for Massachusetts-based firms were subject to Massachusetts' income tax based on the number of days they were physically present in Massachusetts for work. On October 19, 2020, the State filed suit in the Supreme Court of the United States against the Commonwealth of Massachusetts for what New Hampshire alleges to be an unconstitutional extraterritorial assertion of Massachusetts taxing power.

STATE DEMOGRAPHIC AND ECONOMIC DATA

Unless otherwise specifically noted below, the information set forth in this section does not reflect the impact of the COVID-19 pandemic on the State's economy. Most of the data presented below is historical and generally is for periods prior to the onset of the pandemic. Detailed statistical information on the COVID-19 economic impact will generally not be available until 2021.

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 inland tidal shoreline.

Population

New Hampshire experienced an increase in population between 2009 and 2019, with more rapid growth between 2016 and 2019. The State's population was 1,359,711 in 2019 according to the U.S. Census Bureau. Population has increased by 3.3% since 2009 and 2.0% since 2014. 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)

<u>Year</u>	<u>New Hampshire</u>	<u>Change During Period</u>	<u>New England</u>	<u>Change During Period</u>	<u>United States</u>	<u>Change During Period</u>
2009	1,316	0.0%	14,404	0.4%	306,772	0.9%
2010	1,317	0.1	14,470	0.5	309,322	0.8
2011	1,320	0.3	14,531	0.4	311,557	0.7
2012	1,324	0.3	14,590	0.4	313,831	0.7
2013	1,327	0.2	14,644	0.4	315,994	0.7
2014	1,333	0.5	14,702	0.4	318,301	0.7
2015	1,336	0.2	14,727	0.2	320,635	0.7
2016	1,342	0.4	14,756	0.2	322,941	0.7
2017	1,349	0.5	14,797	0.3	324,986	0.6
2018	1,353	0.3	14,829	0.2	326,688	0.5
2019	1,360	0.5	14,845	0.1	328,240	0.5
Percent Change:						
2009-2019		3.3%		3.1%		7.0%
2014-2019		2.0		1.0		3.1

Source: U.S. Census Bureau.

In 2019, populations of New Hampshire, New England, and the United States were distributed by age as follows:

<u>Age</u>	<u>New Hampshire</u>	<u>New England</u>	<u>United States</u>
Under 5 years	4.7%	5.2%	6.0%
5 through 17 years	14.1	14.9	16.3
18 to 44 years	33.3	36.1	35.9
45 to 64 years	29.2	28.1	25.4
65 years and over	<u>18.7</u>	<u>15.7</u>	<u>16.5</u>
	100.0%*	100.0%*	100.0%*

Source: U.S. Census Bureau.

* Totals may not add due to rounding.

Personal Income

The State's per capita personal income increased 41.5% between 2009 and 2019 (as contrasted with an increase of 43.8% in the per capita personal income for the United States and a 39.1% increase for the New England region). The State's per capita personal income ranked 8th in 2019 with \$63,502 or 112.4% of the national average. The State's total personal income for 2019 was \$86.3 billion. The following table sets forth information on personal income for New Hampshire, New England and the United States since 2009.

Comparisons of New Hampshire Personal Income to New England and United States, 2009-2019

<u>Year</u>	<u>New Hampshire Total Personal Income (In Millions)</u>	<u>Per Capita Personal Income</u>			<u>Percent Change</u>			<u>New Hampshire Per Capita Personal Income Ranking⁽¹⁾</u>
		<u>New Hampshire</u>	<u>New England</u>	<u>United States</u>	<u>New Hampshire</u>	<u>New England</u>	<u>United States</u>	
2009	59,083	44,892	50,133	39,284	(1.8)	(1.8)	(4.0)	7
2010	61,605	46,785	52,094	40,547	4.2	3.9	3.2	7
2011	64,590	48,924	54,105	42,739	4.6	3.9	5.4	8
2012	67,529	50,995	55,761	44,605	4.2	3.1	4.4	9
2013	67,320	50,746	55,440	44,860	(0.5)	(0.6)	0.6	9
2014	70,225	52,669	57,892	47,071	3.8	4.4	4.9	9
2015	72,875	54,533	60,563	49,019	3.5	4.6	4.1	9
2016	75,858	56,513	62,293	50,015	3.6	2.9	2.0	7
2017	79,253	58,759	64,549	52,118	4.0	3.6	4.2	7
2018	83,199	61,471	67,507	54,606	4.6	4.6	4.8	8
2019	86,345	63,502	69,754	56,490	3.3	3.3	3.5	8

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 2009 to 2019. 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)		Average Annual Growth
	<u>2009</u>	<u>2019</u>	<u>2009-2019</u>
	New Hampshire.....	695	756
Connecticut	1,737	1,841	0.60
Maine	638	669	0.49
Massachusetts.....	3,193	3,704	1.60
Rhode Island.....	501	535	0.68
Vermont.....	336	335	(0.03)
New England	7,100	7,840	1.04
United States	139,877	157,538	1.26

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

In the last ten full calendar years, New Hampshire’s annual unemployment rate was lower than the rates for New England and the United States. State, regional and national unemployment rates have been significantly affected by the COVID-19 Pandemic. See “COVID-19 Global Pandemic” herein. As of October 2020, the non-seasonally adjusted unemployment rate in the State was 3.8%, a large increase from 2.2% in October 2019 but significantly lower than 6.0% in the New England region and 6.6% nationally. The table below sets forth information on the civilian labor force, employment and unemployment annual statistics since 2009 and monthly data for calendar year 2020.

<u>Year</u>	<u>Labor Force Trends (Not Seasonally Adjusted)</u> <u>New Hampshire Labor Force</u> <u>(In Thousands)</u>			<u>Unemployment Rate</u>		
	<u>Civilian</u>	<u>Employed</u>	<u>Unemployed</u>	<u>New</u>	<u>New</u>	<u>United</u>
	<u>Labor Force</u>					
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	741	704	38	5.1	6.9	7.4
2014	743	712	32	4.3	5.9	6.2
2015	746	721	25	3.4	4.9	5.3
2016	752	730	21	2.9	4.1	4.9
2017	755	734	20	2.7	3.9	4.4
2018	763	743	20	2.6	3.5	3.9
2019 ⁽¹⁾	774	754	20	2.5	3.1	3.7
<u>Month</u>						
January 2020	781	757	24	3.1	3.7	4.0
February 2020	780	756	24	3.1	3.6	3.8
March 2020	764	743	21	2.8	3.3	4.5
April 2020	714	591	123	17.2	13.9	14.4
May 2020	731	619	112	15.3	13.9	13.0
June 2020	732	665	67	9.1	13.5	11.2
July 2020	747	688	59	7.9	12.8	10.5
August 2020	745	697	48	6.4	9.4	8.5
September 2020	736	696	40	5.5	8.2	7.7
October 2020	724	697	27	3.8	6.0	6.6

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

Composition of Employment

The service sector was the largest employment sector in New Hampshire in 2019, accounting for 46.7% of nonagricultural employment, as compared to 42.7% in 2009. 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 46.9% of employment in 2019, up from 43.8% in 2009.

The second largest employment sector in New Hampshire during 2019 was wholesale and retail trade, accounting for 17.8% of total employment as compared to 14.3% nationally. In 2009, wholesale and retail trade accounted for 19.1% 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 10.5% of nonagricultural employment in 2019, down from 10.9% in 2009. For the United States as a whole, manufacturing accounted for 8.5% of nonagricultural employment in 2019, versus 9.0% in 2009. 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**

	<u>New Hampshire</u>		<u>United States</u>	
	<u>2009</u>	<u>2019</u>	<u>2009</u>	<u>2019</u>
Manufacturing	10.9%	10.5%	9.0%	8.5%
Durable Goods	8.3	7.8	5.5	5.3
Nondurable Goods	2.6	2.6	3.5	3.2
Nonmanufacturing	89.1	89.5	91.0	91.5
Construction & Mining	3.8	4.2	5.1	5.5
Wholesale and Retail Trade	19.1	17.8	15.3	14.3
Service Industries	42.7	46.7	43.8	46.9
Government	15.4	13.2	17.2	15.0
Finance, Insurance & Real Estate	5.8	5.1	6.0	5.8
Transportation & Public Utilities	2.3	2.5	3.6	4.1

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

Largest Employers

The following table lists the twenty largest employers in the State (based on number of employees) and their approximate number of employees presented in the New Hampshire Business Review Book of Lists 2020. This list does not reflect any impact of the COVID-19 pandemic.

**Largest Employers
(Excluding Federal, State and Local Governments)**

	<u>Company</u>	<u>Employees</u>	<u>Primary New Hampshire Site</u>	<u>Principal Product</u>
1.	Dartmouth Hitchcock	10,000	Lebanon	Acute Care Hospital
2.	DeMoulas & Market Basket	9,000	Nashua	Supermarket
3.	Wal-Mart Stores Inc.	7,305	Bedford	Retail Department Store
4.	BAE Systems Electronic Systems	6,619	Nashua	Aerospace, Defense & Information Security
5.	Hannaford (Delhaize Group)	5,300	Manchester	Supermarket
6.	Fidelity Investments	5,200	Merrimack	Financial Services
7.	Liberty Mutual - Northern N.E. Division	5,058	Bedford	Insurance
8.	Elliot Hospital	4,000	Manchester	Acute Care Hospital
9.	Dartmouth College	3,741	Hanover	Private College
10.	Concord Hospital	3,617	Concord	Acute Care Hospital
11.	Catholic Medical Center	3,050	Manchester	Acute Care Hospital
12.	Genesis HealthCare	3,000	Concord	Long-Term Health Care
13.	Southern New Hampshire Medical Center	2,674	Nashua	Acute Care Hospital
14.	Shaws Supermarkets Inc.	2,619	Stratham	Supermarket
15.	Home Depot	2,571	Manchester	Hardware Store
16.	Connection	2,513	Merrimack	Technology
17.	Wentworth-Douglass Hospital	2,500	Dover	Acute Care Hospital
18.	Southern New Hampshire University	2,093	Manchester	Private College
19.	SIG Sauer Inc.	1,800	Portsmouth	Firearms Manufacturer
20.	Cheshire Medical	1,660	Keene	Acute Care Hospital

Source: *New Hampshire Business Review, Book of Lists 2020.*

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, as local property taxes remain the single largest principal source of funding for primary and secondary education.

In general, sales and personal income taxes have been hardest hit by the COVID-19 pandemic as a result of historic job losses and steep declines in consumer spending. Given that the State does not have broad based sales and personal income taxes, the State believes that its revenues as a whole may more stable than other states’. In addition, the majority of the New Hampshire Business Profits Tax, which accounts for approximately 70% of total business taxes, is paid by relatively few taxpayers. In State tax year 2018, 613, or 0.8%, of business tax filers paid 78.3% of the total Business Profits Tax. This, coupled with the unequal impact of the COVID-19 pandemic (some industries are struggling, while others are thriving), has helped to sustain revenues for the State during the pandemic as not all businesses are being impacted in the same way. See “STATE FINANCES – State Revenues, - Fiscal Year 2020 (Unaudited), - Operating Budget Fiscal Years 2020 and 2021, and – Fiscal Year 2021 Revenue Performance for the Five Months Ended November 30, 2020 (Unaudited).”

Housing

According to the 2019 American Community Survey 1-year estimates, housing units in the State numbered 642,298. The composition of occupied housing units in the State was 75.6%% owner occupied, and 24.4% renter occupied.

According to the New Hampshire Housing Finance Authority's latest housing data release, the median purchase price of all homes sold in 2019 was \$270,000, an increase of 6.3% from 2018. The median price for non-condominium homes sold in 2019 was \$288,000 an increase of 5.9% from 2018.

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

	Owner-Occupied Non- Condominium Housing Unit Median Purchase Price	Percent Change	Renter- Occupied Housing Unit Median Gross Rent ⁽¹⁾	Percent Change	Foreclosure Deeds
2006	\$265,000	(1.9)%	\$928	3.0%	1,057
2007	269,900	1.8	946	1.9	2,071
2008	250,000	(7.4)	969	2.4	3,563
2009	217,000	(13.2)	969	-	3,467
2010	223,500	3.0	980	1.1	3,953
2011	214,400	(4.1)	983	0.3	3,863
2012	212,500	(0.9)	1,005	2.2	3,659
2013	227,500	7.1	1,018	1.3	2,702
2014	229,933	1.1	1,037	1.9	2,074
2015	233,500	1.6	1,069	3.1	1,724
2016	242,000	3.6	1,113	4.1	1,555
2017	255,000	5.4	1,143	2.7	1,305
2018	268,933	5.5	1,177	3.0	844
2019	288,000	7.1	1,251	6.3	731
2020	305,000 ⁽²⁾	5.9	1,283	2.6	N/A ⁽³⁾

Source: New Hampshire Housing Finance Authority.

⁽¹⁾ Includes utilities.

⁽²⁾ Purchase Price data January-July 2020.

⁽³⁾ Foreclosure Deeds were suspended from March 15, 2020 through June 30, 2020 due to COVID-19.

According to data from the Warren Group that is compiled by the New Hampshire Housing Finance Authority, the cumulative total of foreclosure deeds for 2019 was 13.4% below the total for 2018, and the lowest annual total since 2006.

Despite the current pandemic, housing prices have continued to rise and housing demand in the State remains strong. According to data from NH Realtors, Inc., third quarter calendar year 2020 median sales prices for single family residences and condominiums increased 15.2% and 16.3%, respectively, over the same period in 2019. Third quarter calendar year 2020 sales volume for single family residences and condominiums was up 26% and 35%, respectively, over third quarter sales volume for 2019. While it is possible that some of the increased demand may be due to people from more densely populated regions seeking more open space and less density, it is too early to quantify what portion, if any, of the increases are due to the effects of the COVID-19 pandemic.

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. The number of permits and dollar value in New Hampshire increased significantly from 2013 to 2016, and again in 2018 to 2019, corresponding with national figures. The New England region experienced a drop in dollar value from 2013 to 2014, yet rebounded significantly in 2015 and continued to increase slightly through 2019. In 2019, the State's building permits and value totaled \$4,743 million and \$1,059 million, respectively. 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)

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
New Hampshire							
Single Family	2,136	2,190	2,424	2,680	2,711	2,710	2,746
Multi-Family	652	1,215	1,339	1,116	914	1,735	1,997
Total.....	2,788	3,405	3,763	3,796	3,625	4,445	4,743
Value.....	\$566	\$654	\$737	\$760	\$758	\$875	\$1,059
New England							
Single Family	16,670	16,754	16,412	17,935	18,106	18,159	16,883
Multi-Family	11,965	12,195	17,547	14,660	15,144	16,216	19,040
Total.....	28,635	28,949	33,959	32,595	33,160	34,375	35,923
Value.....	\$6,567	\$6,191	\$7,228	\$7,232	\$7,437	\$7,730	\$7,730
United States							
Single Family	620,802	640,318	695,998	750,796	819,976	855,332	862,084
Multi-Family	370,020	411,806	486,584	455,846	462,001	473,495	523,964
Total.....	990,822	1,052,124	1,182,582	1,206,642	1,281,977	1,328,827	1,386,048
Value.....	\$177,656	\$194,349	\$223,611	\$237,102	\$258,505	\$271,120	\$280,534

Source: U.S. Census Bureau.

Transportation

New Hampshire has more than 4,600 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. As of June 30, 2020, the State had issued \$716 million of its Turnpike System revenue bonds to finance capital improvements to the Turnpike System, of which \$295.9 million was outstanding as of such date. 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. \$90.8 million remains outstanding as of June 30, 2020. Effective July 1, 2014, State law 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 entered into a \$200 million Federal Transportation Infrastructure Finance and Innovation Act (TIFIA) loan in May, 2016. The TIFIA loan will allow the Department of Transportation 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 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." The Turnpike System has seen major operational impacts due to COVID-19. Turnpike traffic for March 2020, the first month to be affected by the pandemic, was down 25.9% over prior year.

Turnpike traffic continued to be significantly down over prior year in April and in May, by 55.2% and 42.2%, respectively. The traffic in the summer months of June, July and August was down 26.4%, 19.7% and 18.9%, respectively, from the prior year. In September and October 2020 turnpike traffic was down approximately 14.4% and 17.0%, respectively, from the prior year.

There are twenty-four airports open to the public in the State, of which three have scheduled air service (Manchester, Portsmouth, and Lebanon), and twenty-one serve general aviation. Manchester-Boston Regional Airport, the State's largest commercial passenger and air cargo airport, had grown from 427,657 enplanements in fiscal year 1994 to 884,875 enplanements in fiscal year 2019. Fiscal year 2020 enplanements decreased 29% to 631,106 due to the COVID-19 pandemic. The repercussions of dealing with the pandemic created a significant negative impact on air travel and the regional, national and global economy. Manchester-Boston Regional Airport is the third largest cargo airport in New England. Air cargo activity remained strong in fiscal year 2020, with the airport processing approximately 199.3 million pounds of air cargo, as compared to 190 million pounds in 2019. Due to the pandemic, the movement of cargo became more important as people stayed home. In addition, critical cargo including the movement of medical equipment, cleaning supplies, and personal protection equipment became a priority for the nation during the pandemic.

In June 2018, Chapter 287, Laws of 2018, changed aircraft registration fees effective January 1, 2019. The aircraft registration program operates on a calendar year basis. Fiscal year 2020 was the first full year that aircraft registration fees were collected under the revised fee structure. The change in the registration fee structure has reduced General Fund revenue. For fiscal year 2020, total revenue collected was approximately \$576,000, a reduction of just over \$375,000 versus fiscal year 2019.

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.

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, the University System of New Hampshire, and the Community College System of New Hampshire. The State Board and the Department of Education provide curriculum guidance and administrative support to 165 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, 20 non-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.

For an overview of educational initiatives being undertaken during the 2020-2021 biennium, see "Operating Budget Fiscal Years 2020 and 2021".

As the following table indicates, as of 2019, the educational level of New Hampshire residents over the age of 25 was higher than that of the nation as a whole.

<u>Level of Education</u>	<u>2010</u> ⁽¹⁾		<u>2019</u> ⁽²⁾	
	<u>New Hampshire</u>	<u>United States</u>	<u>New Hampshire</u>	<u>United States</u>
9-11 years	97.3%	93.8%	98.0%	95.2%
12 years	91.5	85.5	93.3	88.6
1-3 years post-secondary	61.7	57.0	65.2	61.7
4 or more years post-secondary	32.8	28.1	37.6	33.1

⁽¹⁾ Source: U.S. Census Bureau, 2010 American Community Survey 1-Year Estimates

⁽²⁾ Source: U.S. Census Bureau, 2019 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 an audit contract that extends through completion of the fiscal year 2022 audit with two additional option years. The audited financial statements for fiscal year 2019, 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, through its Electronic Municipal Market Access (“EMMA”) system, as directed by SEC Rule 15c2-12, and which are available at <https://emma.msrb.org/ER1290992-ER1006643-ER1410979.pdf>. See “FINANCIAL STATEMENTS.” The audited financial statements for fiscal year 2019 are also available as part of the State’s fiscal year 2019 CAFR (pages 16 through 96 of the CAFR) at the website of the State’s Department of Administrative Services, Bureau of Financial Reporting at <https://das.nh.gov/accounting/reports.asp>. Any information pertaining to fiscal year 2020 and later years, if any, is preliminary, unaudited and subject to change. The audit of the financial statements for fiscal year ended June 30, 2020 is expected to be completed by December 31, 2020.

For information relating to management letters and federal single audit results delivered to the State for fiscal years 2014 through 2019, see “FINANCIAL STATEMENTS.” The management letters and federal single audit report results for June 30, 2020 are currently expected to be completed by March 31, 2021.

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 the unassigned 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 unassigned 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 unassigned 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. For the biennium ending June 30, 2021, Chapter 346, Laws of 2019, appropriates payments to school districts for building aid and tuition and transportation aid from the Education Trust Fund. 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. All alcohol sold in New Hampshire must be through a sales and distribution system operated or regulated by the State Liquor Commission. Gross revenue derived by the Liquor Commission liquor sales and license fees, is credited to a special fund, known as the Liquor Commission Fund. The balance remaining in the Liquor Commission Fund after paying expenses is deposited into the General Fund.

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, 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. When necessary, in accordance with the provisions of Section 1201 of the Social Security Act, the State has applied for, received and repaid advances from the Federal Unemployment Account to the State's Unemployment Trust Fund. For example, these advances were required on an intermittent basis in both calendar years 2010 and 2011. The interest-free advances were necessary in order to continue the payment of unemployment compensation to eligible individuals. No advances are currently outstanding.

Prior to the COVID-19 pandemic (see "COVID-19 Global Pandemic" herein), the State had been experiencing a lengthy period of economic growth with record low unemployment levels. The growing balance in the trust fund was sufficient to trigger statutory solvency reductions to employer tax rates. New Hampshire employers were experiencing the full fund balance reduction rate of 1.5% with wages paid in the quarter starting October 1, 2018 through January 1, 2020. The trust fund balance as of January 1, 2020 was \$307.3 million. However, the trust fund balance fell below \$250 million during the second calendar quarter of 2020 as a result of the COVID-19 global pandemic and the need to temporarily shut down certain sectors of the State's economy. Therefore, pursuant to RSA 282-A:82, the fund balance reductions were not available for the third calendar quarter of 2020. Rather, due to the declining balance in the trust fund and the forecasted balance, the solvency of the fund was determined to be in jeopardy and pursuant to RSA 282-A:84, a 0.5% surcharge was added to every employer's rate starting with the third calendar quarter of 2020. In order to stabilize the trust fund going forward through calendar year 2021 and avoid further tax rate increases on employers while also removing recent tax increases, the Governor authorized \$50 million of CARES Act funds to be deposited into the trust fund.

Despite the unprecedented levels of unemployment claims resulting from the COVID-19 global pandemic, as a result of the \$50 million of CARES Act funds deposited into the trust fund by the Governor, the State does not currently anticipate the need to engage in borrowing from the Federal Unemployment Account through calendar year 2021. The State remains eligible for interest-free borrowing. As of October 31, 2020, the trust fund balance was approximately \$81.9 million.

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 including medical, pharmacy, and dental (active employees) and medical and pharmacy (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 ensure the efficient financial 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 (RSA 6:10).

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.

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 was approximately \$307.2 million, including interest. As required by RSA 7:6-e,I, 10% of the award, or \$30.7 million, was credited to the State's Rainy Day Fund.

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 exceeded the official estimates, an amount not to exceed \$40 million of said excess would be transferred to the Revenue Stabilization Reserve Account. The State's audited financial statements for fiscal year 2016 issued on January 31, 2017 reported revenues approximately \$151 million in excess of plan; therefore the full \$40 million authorized by law was transferred at the conclusion of the audit, bringing the total Rainy Day Fund balance to \$93 million at June 30, 2016.

As noted above, the statutory capacity of the Rainy Day Fund is set at 10% of General Fund unrestricted revenue for the June 30, 2016 audited fiscal year, which was \$153 million. However, this statutory limit was revised by Chapter 156, Laws of 2017. To the extent the audited, combined unrestricted general and education trust fund revenues for the fiscal year ending June 30, 2017 exceeded the official estimates, less any amounts deposited pursuant to RSA 7:6-e,I, the excess was to be transferred to the Revenue Stabilization Reserve Account, up to \$100 million. Any excess, after the transfer of sufficient funds to bring the Revenue Stabilization Reserve Account to \$100 million, was to be transferred to the Public School Infrastructure Fund established pursuant to RSA 198:15-y.

The General Fund unassigned fund balance at the close of fiscal year 2017 was \$118.7 million, consisting of \$24.7 million of unassigned fund balance and \$94.0 million in the Rainy Day Fund, which includes a \$1.0 million transfer from the consumer protection escrow account that is designated for the Rainy Day Fund. As a result of legislative designations, the remaining operating surplus was transferred as follows: \$6.0 million to the Revenue Stabilization Reserve Account balance and the remainder of \$18.7 million to the public school infrastructure fund. This brought the Revenue Stabilization Reserve Account balance to \$100.0 million for fiscal year 2017, as compared to \$93.0 million in the prior fiscal year.

The General Fund audited unassigned fund balance at the close of fiscal year 2018 was \$184.4 million, consisting of \$74.4 million of unassigned fund balance and \$110.0 million in the Rainy Day Fund which includes \$10.0 million transferred from unrestricted General Fund excess revenues over plan as required by Chapter 162, Laws of 2018. This brought the Revenue Stabilization Reserve Account balance to \$110.0 million for fiscal year 2018, as compared to \$100.0 million in the prior fiscal year. In addition, the \$18.7 million transferred to the public school infrastructure fund in the prior fiscal year was completely committed to various State public schools during fiscal year 2018.

The General Fund audited unassigned fund balance at the close of fiscal year 2019 was \$307.8 million, consisting of \$192.5 million of unassigned fund balance and \$115.3 million in the Revenue Stabilization Reserve Account, which includes \$5.0 million transferred from unrestricted General Fund surplus as required by Chapter 346, Laws of 2019, and a transfer of \$0.3 million from the consumer protection escrow account that is designated

for the Revenue Stabilization Reserve Account. This brought the Revenue Stabilization Reserve Account balance to \$115.3 million for fiscal year 2019, as compared to \$110 million in the prior fiscal year.

The General Fund preliminary unaudited assigned fund balance at the close of fiscal year 2020 was \$79.2 million, consisting of \$(36.3) million of unassigned fund balance and \$115.5 million in the Revenue Stabilization Reserve Account which includes a transfer of \$0.2 million from the consumer protection escrow account that is designated for the Revenue Stabilization Reserve Account. This brought the Revenue Stabilization Reserve Account balance to \$115.5 million for fiscal year 2020, as compared to \$115.3 million in the prior fiscal year. See “Results of Operations – Fiscal Year 2020 and COVID-19 Global Pandemic” below.

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.

Prior to July 1, 2019, 3.15% of net meals and rooms tax collections was designated for travel and tourism development. The distribution of meals and rooms taxes to the Division of Resources and Economic Development for travel and tourism development was suspended for the biennium ending June 30, 2013 and again for the biennium ending June 30, 2017. Chapter 156, Laws of 2017 transferred the functions of the Division of Travel and Tourism from the former Department of Resources and Economic Development to the Department of Business and Economic Affairs. Chapter 156, Laws of 2017 also suspended the distribution of meals and rooms taxes to the Department of Business and Economic Affairs for the biennium ending June 30, 2019. The reorganization is intended to refocus the divisions of Economic Development and Travel and Tourism Development into the Department of Business and Economic Affairs to better coordinate the State’s economic development efforts. For the biennium beginning July 1, 2019, the provision designating 3.15% of net meals and rooms tax collections for travel and tourism development has been repealed, and instead the budget for travel and tourism shall be funded from the General Fund in an amount no less than 3.15% of net meals and rooms tax revenue. However, this new provision is again suspended for the biennium ending June 30, 2021.

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 as shown in the table below, presenting the percentage of the previous year’s tax collections for fiscal years 2009 through 2019. Most recently, Chapter 346, Laws of 2019, capped the fiscal years 2020 and 2021 distribution at the 2019 level.

Based on unaudited cash basis figures, Meals and Rooms Tax revenue ended fiscal year 2020 at \$325.6 million which was \$22.7 million or 6.5% below prior year and \$42.9 million or 11.6% below plan.

<u>Fiscal Year</u>	<u>Amount Distributed</u>	<u>% of Previous Year's Total Meals and Rooms Tax Collection</u>
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
2017	68,805,057	22.0
2018	68,805,057	21.0
2019	68,805,057	20.0
2020	68,805,057	21.0

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 was 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. Chapter 346, Laws of 2019, modifies the State's apportionment formula in two ways. First, for taxable periods ending on or after December 31, 2021, the State will apportion sales of intangibles and services utilizing a method commonly referred to as "market-based sourcing." The State currently utilizes the income-producing activity/cost of performance method of apportioning sales and services. Second, for taxable periods ending on or after December 31, 2022, the State will apportion gross business profits utilizing only the sales factor. Currently, the State apportions gross business profits utilizing three factors: property, payroll, and sales (with sales being double-weighted). The transition to a system of market-based sourcing and the use of a single sales factor for apportionment in New Hampshire mirrors the national trend among states. The revenue impact of both changes is uncertain because determining how sales would be sourced under this new method requires a comprehensive review by each taxpayer of its books and records. Additionally, as a result of this new apportionment method there would likely be new filers for which the State has no data, as well as the loss of some current filers.

For taxable periods ending on or after December 31, 2018, the business profits tax rate was reduced to 7.9%. Chapter 156, Laws of 2017, further reduced the rate of the business profits tax to 7.7% for taxable periods ending on or after December 31, 2019. Chapter 346, Laws of 2019 provided that the rate would be further reduced to 7.5% for taxable periods ending on or after December 31, 2021 if the combined amount of General and Education Trust Fund revenue collected for the fiscal year ending June 30, 2020 was 6% or \$157 million, or more above the official revenue estimates for said fiscal year. If the combined amount of General and Education Trust Fund revenue collected for the fiscal year ending June 30, 2020 was 6% or \$157 million, or more below the official revenue estimates for said fiscal year, the rate would rise to 7.9% for taxable periods ending on or after December 31, 2021. Unaudited fiscal year 2020 revenues were \$106 million below plan, and therefore no change in the Business Profits Tax rate was triggered, and it rate will remain at 7.7%.

Chapter 300, Laws of 2016, repealed and reenacted 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 previous 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. Chapter 300 eliminated the requirement to make an addition to gross business profits, but also established 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 0.72% for taxable periods ending on or after December 31, 2016. For taxable periods ending before

December 31, 2016, the business enterprise tax rate was 0.75%. The tax is assessed on wages paid to employees, interest paid on debt and dividends paid to shareholders. For taxable periods beginning on or after January 1, 2019, businesses with less than \$217,000 in gross receipts and an enterprise value base of less than \$108,000 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 ten (10) taxable periods from the taxable period in which the business enterprise tax was paid.

For taxable periods ending on or after December 31, 2018, the business enterprise tax rate was reduced to 0.675%. Chapter 156, Laws of 2017, further reduced the business enterprise tax rate to 0.6% for taxable periods ending on or after December 31, 2019. Chapter 346, Laws of 2019, provides that the rate will be further reduced to 0.5% for taxable periods ending on or after December 31, 2021 if the combined amount of General and Education Trust Fund revenue collected for the fiscal year ending June 30, 2020 is 6%, or \$157 million, or more above the official revenue estimates for said fiscal year. If the combined amount of General and Education Trust Fund revenue collected for the fiscal year ending June 30, 2020 is 6%, or \$157 million, or more below the official revenue estimates for said fiscal year, the rate will rise to 0.675% for taxable periods ending on or after December 31, 2021. Unaudited fiscal year 2020 revenues were \$106 million below plan, and therefore no change in the Business Enterprise Tax rate was triggered, and it will remain at 0.6%.

Several pieces of legislation adopted since 2011 were projected to significantly reduce business tax revenue beginning in fiscal year 2014. 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, to assist with revenue estimating for the 2018-2019 biennium, the DRA analyzed 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. Through fiscal year 2019, the predicted revenue declines due to recent legislative changes have been more than offset by overall growth in Business Tax revenues.

- Chapter 287, Laws of 2012 established the Education Tax Credit (ETC), effective June 27, 2012 with the first program year beginning January 1, 2013. The ETC allows a business organization or enterprise to make a donation of up to \$600,000 to an approved scholarship organization for which the business will receive a credit against the BPT and/or BET or Interest and Dividends Tax of up to 85% of the donation. The total amount of ETCs available in 2013 was \$3.4 million and the total amount of ETCs available each program year in 2014 and after was \$5.1 million. However, the total amount of ETCs awarded by the scholarship organization was significantly less than the available amounts for tax years 2013 through 2017, and the amount used in each such tax year was \$203,153, \$49,449, \$156,842, \$327,060 and \$688,467, respectively. Chapter 357, Laws of 2018, made various changes to the administration of the ETC program, including the definition of “program year” from a calendar year to a fiscal year beginning July 1 and ending June 30, and its application procedures. The 2018 program year was extended through June 30, 2019 as part of this change. The total amount of ETCs awarded over the 18-month transition period from a calendar year to a fiscal year was \$2,287,282. The 2019 program year ran from July 1, 2019 through June 30, 2020 and awarded \$1,272,810 in ETCs. As of October 20, 2020, \$1,311,675 had been used in tax year 2018 and \$1,328,451 had been used in tax year 2019. Additional changes include allowing a business organization or business enterprise to carry forward any unused portion of the ETC amount granted by the DRA for five succeeding years, but not more than \$1.0 million in any given tax year.
- 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 increased 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, which would occur starting in fiscal year 2017, with the bulk of the impact occurring in fiscal year 2018. Chapter 156, Laws of 2017, increased the Internal Revenue Code §179 expense deduction from \$100,000 to \$500,000 for property placed in service on or after January 1, 2018. In analyzing tax year 2014 data, the DRA estimated a reduction of BPT revenue beginning in fiscal year 2018 of \$9.7 million per year.

The federal Tax Cuts and Jobs Act (“TCJA”) signed on December 22, 2017, represents the most expansive package of federal tax law changes enacted since the 1986 overhaul of the Internal Revenue Code (“IRC”). Most states, including New Hampshire, use federally reported income as a starting point for the calculation of taxable income at the State level. As a result, federal tax law changes may materially impact State revenues depending on the version of the IRC to which the State conforms. New Hampshire BPT is tied to the IRC as of December 31, 2016 for tax periods beginning on or after January 1, 2018, and thus for those tax periods, State law does not conform to the current IRC. For practical purposes, this means that NH BPT returns starting with Line 28 from the federal return, will calculate Line 28 using the IRC that was in effect on December 31, 2016, thus the TCJA will not apply and will therefore not impact State BPT revenues directly. However, the TCJA has and will continue to alter the various costs and incentives impacting business decisions in a way that will impact that State tax landscape regardless of whether or not New Hampshire is tied to the IRC as amended by the TCJA. This is evidenced by a significant increase in revenue in fiscal year 2018 as compared to fiscal year 2017. Business Tax revenues (BPT and BET combined) for fiscal year 2018 were \$776.6 million as compared to \$634.3 million in fiscal year 2017. The additional revenue in fiscal year 2018 is likely attributable to a combination of strong underlying economic growth as well as an increase in taxable transactions for New Hampshire purposes resulting from the TCJA. The DRA believes that a portion of the additional revenue in fiscal year 2018 was due to one-time or temporary impacts from the TCJA, and therefore, similar increases are not expected in subsequent fiscal years. The DRA has not definitively determined how much of the 2018 increase is attributable to the TCJA. Chapter 346, Laws of 2019 provides that for taxable periods beginning on or after January 1, 2020 the New Hampshire BPT will tie to the IRC (subject to decoupling as detailed in RSA 77-A:3-b) as of December 31, 2018, thereby adopting numerous provisions of the TCJA for NH BPT purposes, including the taxation of Global Intangible Low-Taxed Income (GILTI). GILTI is a new category of foreign earnings included in federal taxable income but subject to a special deduction under the IRC. New Hampshire will similarly include GILTI in the taxpayer’s BPT tax base. Conformity to the IRC as of December 31, 2018 was expected to increase revenue in fiscal year 2020. The State anticipated that IRC conformity would result in \$17.2 million in additional revenue in fiscal year 2020 and fiscal year 2021, and that GILTI will result in \$4.0 million in additional revenue in fiscal year 2020 and \$8.1 million in fiscal year 2021.

Business Tax revenues ended fiscal year 2019 at \$805.6 million, which exceeded fiscal year 2018 by \$24.5 million or 3.1%, and which was in excess of fiscal year 2019 plan by \$151.6 million or 23.2% based on the CAFR. Much of the additional revenue received in fiscal year 2019 is likely attributable to a combination of strong underlying economic growth as well as one-time revenue from the TCJA for transactions occurring during the 2018 tax year. The DRA has estimated that approximately \$100 million or more of the additional revenue is attributable to one-time or anomalous payments based upon returns received thus far for the 2018 tax year. Based on unaudited cash basis figures, Business Tax revenues ended fiscal year 2020 at \$679.2 million, which was \$162.1 million or 19.3% below prior year and which was \$115.9 million or 14.6% below the fiscal year 2020 plan. As adopted in the fiscal years 2020-21 budget (which occurred prior to the onset of the COVID-19 pandemic), the Business Tax revenue plan for fiscal year 2021 is \$786 million.

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. The Liquor Commission is overseen by the Chairman of the Liquor Commission as well as a Deputy Commissioner, both appointed by the Governor with the consent of the Executive Council. Pursuant to RSA 176:3, the Commission is required to optimize profitability, maintain proper controls, and provide an efficient operation for the service of its customers. 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.

RSA 176:16, III requires that 5% 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 RSA 176-A:1 to benefit the New Hampshire Granite Advantage Health Care Trust Fund. RSA 126-AA:3, VI allows for an additional transfer from the Liquor Fund in the event of a shortfall in the Granite Advantage Health Care Trust Fund.

Holders of off-premises retail licenses with annual wine 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 wine purchases exceeding \$350,000 receive a discount of 15% less than the regular F.O.B. price at the warehouse.

Tobacco Tax. Effective August 1, 2013, the tax rate for each pack containing 20 cigarettes is \$1.78 per pack, the tax rate for each pack containing 25 cigarettes is \$2.23 per pack, and the tax rate for all other tobacco products, excluding premium cigars, is 65.03% of the wholesale sales price. Tobacco tax revenues were \$221.3 million in fiscal year 2015 and \$227.1 million in fiscal year 2016. Tobacco tax revenues fell in fiscal year 2017 to \$218.7 million and decreased again in fiscal year 2018 to \$211.6 million. In fiscal year 2019 tobacco tax revenues fell further to \$202.4 million. Chapter 346, Laws of 2019, contained two provisions impacting the Tobacco Tax that became effective January 1, 2020. The first applies the Tobacco Tax to "electronic cigarettes." So called closed cartridge systems will be taxed at a rate of \$0.30 per milliliter and open systems, generally containers of liquid containing nicotine, will be taxed at a rate of 8% of the wholesale sales price. The second raises the legal smoking age in New Hampshire from 18 to 19 years of age. The change in New Hampshire's smoking age was superseded by the change to the federal legal smoking age to 21 years of age. Based on unaudited cash basis figures, Tobacco Tax revenues ended fiscal year 2020 at \$212.5 million, which is \$13.7 million or 6.9% above prior year and \$14.5 million or 7.3% above plan.

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 “MEDICAID PROGRAM.”

In fiscal year 2014, the State reached an agreement with 26 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). 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. 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 hospitals are guaranteed at least \$175 million a year in DSH payments, subject to additional reductions based on MET revenue shortfalls and tax rate reductions.

Senate Bill 369 (Chapter 158, Laws of 2014) lowered the tax rate from 5.5 percent to 5.45 percent for taxable periods beginning after July 1, 2015, then down to 5.4 percent for taxable periods beginning after July 1, 2016. Senate Bill 369 also provided that beginning on or after July 1, 2017 and for every year thereafter, the rate would remain 5.4 percent, unless total uncompensated care for all hospitals fell below \$375 million, in which case the rate will be reduced to 5.25 percent. However, House Bill 1817 (Chapter 162, Section 34, Laws of 2018) amended the MET statute to eliminate the possibility of a future rate reduction based upon total aggregate uncompensated care, thereby making the rate of 5.4 percent permanent.

The State agreed to credit all money raised from the MET as restricted revenue 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.

**Medicaid Enhancement Tax Estimates and Uses For Fiscal Years 2016-2020
(millions)**

	FY 2016 (Actual)	FY 2016 (Budget)	FY 2017 (Actual)	FY 2017 (Budget)	FY 2018 (Actual)	FY 2018 (Budget)	FY 2019 (Actual)	FY 2019 (Budget)	FY 2020 (Actual)	FY 2020 (Budget)
Medicaid Enhancement Tax Revenues	\$212.5	\$220.5	\$226.6	\$228.1	\$242.9	\$235.9	\$250.2	\$242.9	\$265.5	\$261.2
To hospitals for uncompensated care	103.6	95.9	107.8	95.1	112.4	83.1	112.95	82.4	114.1	118.8
To General Fund	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
To medical providers	108.5	124.7	118.7	133.0	130.5	152.8	136.7	160.5	151.4	142.4

For taxable periods ending June 30, 2015 and prior, the MET was assessed at a rate of 5.5%. For the taxable period ending June 30, 2016, the MET was assessed at a rate of 5.45%. For the taxable period ending June 30, 2017, the MET was assessed at a rate of 5.4%. For the taxable period ending June 30, 2018, and going forward, the MET will be assessed at a rate of 5.4%.

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, 2019, companies of 41 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 an amount equal to any cash distributions made to a qualified investment capital corporation. Chapter 341, Laws of 2018 expands the use of the education tax credit (“ETC”) program to allow individuals to apply for, and if granted by the DRA, use an ETC against the Interest and Dividends Tax. The ability to use ETC against the Interest and Dividends Tax is expected to increase utilization of the ETC program (which has seen low utilization in previous years). However, the ETC program is capped at \$5.1 million in tax credits per year, thereby limiting the potential increase in tax credit usage.

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 \$89.3 million and then increased in fiscal year 2017 to \$94.3 million and increased again in fiscal year 2018 to \$105.8 million. In fiscal year 2019, revenue increased again to \$114.7 million, \$8.9 million or 8.4% above prior year. Based on unaudited cash basis figures, Interest & Dividends Tax revenue ended fiscal year 2020 at \$108.9 million, which is \$5.2 million or 4.6% below prior year and \$8.0 million or 6.8% below plan.

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, declined again in fiscal year 2017 to \$47.1 million and declined again in fiscal year 2018 to \$43.4 million. In fiscal year 2019, revenue declined again, but by a smaller amount, to \$41.2 million. Based on unaudited cash basis figures, Communications Tax revenues ended fiscal year 2020 at \$39.8 million, which is \$1.6 million or 3.9% below prior year and \$0.9 million or 2.2% below plan. Chapter 346, Laws of 2019 clarified the applicability of the Communications Tax to voice over internet protocol (VoIP) and prepaid wireless telecommunications, and the State currently anticipates that this clarification will result in \$1.5 million and \$2.5 million of Communications Tax revenue in fiscal year 2020 and fiscal year 2021, respectively.

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 \$134.5 million, an increase of \$16.9 million from \$117.6 million in fiscal year 2015. In fiscal year 2017, real estate transfer tax revenue increased to \$141.7 million. Real estate transfer tax revenue increased again in fiscal year 2018 to \$149.2 million and again in fiscal year 2019 to \$152.8 million. Based on unaudited cash basis figures, Real Estate Transfer Tax revenues ended fiscal year 2020 at \$158.5 million, which was \$4.8 million or 3.1% above prior year and \$0.9 million or 0.6% below plan. Chapter 346, Laws of 2019 requires that the State Treasurer annually transfer \$5 million of real estate transfer tax revenue to the New Hampshire Housing Authority's Affordable Housing Fund, beginning in fiscal year 2021.

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 62% of revenues collected are credited to the General Fund, 22% 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. For the tax year beginning April 1, 2020, the tax is \$1.925 per \$1,000 of valuation. 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 in revenue.

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. Based on unaudited cash basis figures, Utility Property Tax revenue ended fiscal year 2020 at \$43.3 million, which was \$3.8 million or 9.6% above prior year and \$0.1 million or 0.2 % below plan.

Electric Consumption Tax. The franchise tax on electric utilities was replaced in fiscal year 2001 with a tax on electricity consumption. A tax was imposed on the consumption of electricity at the rate of \$.00055 per kilowatt hour. Consumers who are customers of municipal providers were exempt from the tax. Chapter 156 of the Laws of 2017 repealed the electricity consumption tax effective January 1, 2019. This tax historically generated approximately \$6 million in annual revenue.

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 Bingo, Lucky 7 and games of chance in the State are licensed and regulated by the Lottery Commission. On games of chance, the State receives a blended rate between 3% and 10% of revenues depending on the type of game being conducted. The State receives a fixed fee of 7% of Bingo revenues and a \$15 flat fee for each Lucky 7 "deal" purchased by a charitable organization. Live dog racing is now prohibited in the State. Any harness racing or thoroughbred racing would also be supervised by the Lottery Commission; however, no such racing is currently conducted in the State. The State 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.

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 at authorized retail locations. In addition, the State together with the states of Maine and Vermont offer instant and draw based games under the Tri-State Lotto Compact. The State is also a participant in the Multi State Lottery Association and offers national draw based games Powerball and Mega Millions through that association. In December of 2017, the Lottery Commission began operation of KENO, an online game that has continuous drawings from 11:00 a.m. through 1:00 a.m. and is offered in “pouring establishments” in towns which have authorized the game. In September 2018, the Lottery Commission began offering instant games and limited draw based games through an online platform. Revenues from all of these games are initially recorded in the Lottery Enterprise Fund and are netted with expenses and transferred monthly to the Education Trust Fund.

Sports Betting Revenue. The Lottery Commission is responsible for the operation and oversight of sports betting in the State. The State has entered into a contract with DraftKings to operate online and retail sports betting locations. DraftKings launched the online betting platform on December 30, 2019. As part of a revenue sharing agreement set forth in the contract, the State receives 51% of gross gaming revenue (“GGR”) relating to online wagering after reduction of permitted promotional costs which may not exceed 15% of GGR. Additionally, DraftKings is permitted to operate up to 10 retail sports betting locations within the state. Currently, two locations are operational with the first location launched in August of 2020 and a second added in September of 2020. The State receives 50% of GGR from retail sports wagering after reduction of permitted promotional costs which may not exceed 10% of GGR.

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. Due to the significant reduction in travel, turnpike toll revenue has been negatively affected by the COVID-19 pandemic. Turnpike monthly revenue (unaudited) in calendar year 2020 was down from prior year by 21.3% in March, 50.8% in April, 39.2% in May, 21.5% in June, 18.6% in July, 16.6% in August, 10.7% in September and 13.0% in October. Monthly turnpike revenue projections for the remainder of the year are forecasted to decrease from budget estimates slowly from 13% to 5% through June 2021. The State does not expect to require any General Fund transfers or CARES Act funds be credited to the Turnpike System Revenue Fund. It is assumed that the Turnpike System will continue to see a decline in commuters due to an expected longer term shift to telecommuting. The Department of Transportation is not yet able to quantify any such long-term decline but has engaged a consultant to provide a range of revenue projections into the future.

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 per gallon for all aircraft certified to operate under part 121 of the Federal Aviation Administration regulations, which generally applies to scheduled airlines. 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 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, which has a 1.09% rural TIFIA 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, research, technology and statistics programs. The federal fiscal year 2019 distribution of obligation limitation for the period beginning on October 1, 2018, and ending September 30, 2019 pursuant to the Department of Transportation Appropriations Act, 2019, title I of division G, Public Law (Pub. L.) 116-6 is \$158.4 million. 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”). 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 and began on March 1, 2013. 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 and federal aid to highways, are generally exempt from sequestration. To date the State has not experienced any serious impact on its programs or financial condition resulting from sequestration. State agencies have managed to address reduced federal funding in a variety of ways - through delays in hiring for open positions, identification of alternative funding sources, reductions in program operating expenditures, and reductions in program grants and benefits awarded.

The State has five outstanding bond issues that are impacted by reduced interest subsidies received due to sequestration. The shortfall in annual interest subsidies has ranged from a high of \$511,112 in fiscal year 2014 to \$371,335 in fiscal year 2019. On March 13, 2020 the request for the interest subsidy related to the Turnpike System 2009 Series A Bonds May 1, 2020 interest payment was filed with the Internal Revenue Service (“IRS”). Due to the partial refunding of the State’s Turnpike Revenue Bonds, 2009 Series A Bonds with the State’s Turnpike Revenue Bonds, 2019 Refunding Series issued November 14, 2019, a calculation was made to adjust the requested subsidy amount to account for the impact and timing of the refunding transaction on the six month interest period the subsidy amount covered. In a letter dated August, 26, 2020, the IRS requested additional information. The

State responded to the IRS request on September 23, 2020, and is currently waiting for a reply, or the remittance of the subsidy, from the IRS.

The State cannot predict at this time what total impact sequestration will have on the State. The State may 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, but these effects, if realized, cannot be determined at this time.

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 administrative agencies.

Administration of Justice and Public Protection includes the judicial branch, the departments of justice, safety, corrections and various agencies whose activities relate to the protection of 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 2016

HB 1 and 2, the operating budget for fiscal years 2016-2017, were vetoed by the Governor on June 25, 2015. As a result, the State entered a six-month continuing resolution budget based on appropriations from fiscal year 2015. On September 16, 2015, HB 1 and 2, along with a companion bill, SB 9, were signed into law as Chapters 274, 275, and 276 of the Laws of 2015. 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, the fiscal year ended with an undesignated General Fund surplus of \$88.5 million and a Rainy Day Fund balance of \$93.0 million, for a total unassigned balance of \$181.5 million.

These positive variances were caused by a number of factors, foremost of which was that actual combined General Fund and Education Trust Fund unrestricted revenues for fiscal year 2016 exceeded plan amounts by \$166.5 million. Traditional unrestricted revenue for the General and Education Trust Funds received during fiscal year 2016 totaled \$2,457.6 million which was above the fiscal year 2016 Plan of \$2,291.1 million by 7.3%. 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 \$132.8 million (23.4%); Meals and Rooms Taxes by \$9.8 million (3.4%); Insurance Taxes by \$5.1 million (4.3%); Tobacco Taxes by \$4.3 million (1.9%); and Real Estate Transfer Taxes by \$16.2 million (13.7%). Interest and Dividends Taxes were below the fiscal year 2016 budget by approximately \$3.8 million (4.1%) 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 \$7.8 million above the fiscal year 2016 budget.

Included in the strong 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. 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).

Audited net General Fund and Education Fund appropriations exceeded the fiscal year 2016 budget estimates by \$12.8 million (0.5%). 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.

Audited net unfavorable closing adjustments made in accordance with GAAP to bring the budgetary accounting basis to the modified accrual accounting basis totaled \$36.7 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 audited results show that the total unassigned General Fund balance at the close of fiscal year 2016 is \$181.5 million, consisting of \$88.5 million of undesignated fund balance and \$93.0 million in the Rainy Day Fund. Per Ch. 264:5, Laws of 2016, as fiscal year 2016 audited financial results confirmed that unrestricted General Fund and Education Trust Fund revenues exceeded plan, an amount not to exceed \$40 million was transferred to the Revenue Stabilization Reserve Account, bringing that balance to \$93 million, and the \$88.5 million undesignated balance exceeded the anticipated budget balance of \$32.9 million by \$55.6 million.

For information regarding the audit for fiscal year 2016, see "FINANCIAL STATEMENTS."

Fiscal Year 2017

The fiscal year 2017 budget as adopted in 2015 assumed the State would start the year with an unassigned General Fund surplus of \$32.9 million and a Rainy Day Fund balance of \$23.8 million; however, based on positive variances in fiscal year 2016 as noted above, fiscal year 2017 began with an undesignated General Fund surplus of \$88.5 million and a Rainy Day Fund balance of \$93.0 million, for a total unassigned balance of \$181.5 million.

Positive variances continued in fiscal year 2017 as combined General Fund and Education Trust Fund unrestricted revenues exceeded plan amounts by \$96.1 million. Traditional unrestricted revenue for the General and Education Trust Funds received during fiscal year 2017 totaled \$2,407.5 million which was above the fiscal year

2017 plan of \$2,311.4 million by 4.2%. The favorable results as compared to the fiscal year 2017 budget resulted, in part, from the following taxes that performed better than expected: Business Taxes by \$72.7 million (12.9%); Real Estate Transfer Taxes by \$15.3 million (12.1%); Meals and Rooms Taxes by \$7.3 million (2.4%); and Insurance Taxes by \$7.5 million (6.6%). Interest and Dividends Taxes were below the fiscal year 2017 budget by approximately \$1.7 million (1.8%), as well as Tobacco Taxes below budget by \$3.1 million (1.4%) and Communications Taxes below budget by \$11.3 million (19.3%). The State's other remaining revenue sources combined were approximately \$9.4 million above the fiscal year 2017 budget.

Net General Fund and Education Fund appropriations exceeded the fiscal year 2017 budget estimates by \$124.1 million (5.3%). Appropriations authorized after the passage of the fiscal year 2017 budget via new legislation or existing laws increased net appropriations by approximately \$142 million. The additional appropriations utilized the majority of the beginning undesignated General Fund surplus carried forward from fiscal year 2016. In addition, the Legislature authorized a transfer of \$13.9 million of General Fund surplus to the Highway Fund for fiscal year 2017. Offsetting the impact of additional appropriations and transfers to other funds were favorable lapses of combined General Fund and Education Fund appropriations. The fiscal year 2017 original budget of \$2,353.6 million included \$47 million in anticipated lapses, while actual lapses according to the audited results came in at \$63.3 million for a difference of \$16.3 million.

Audited net favorable closing adjustments made in accordance with GAAP to bring the budgetary accounting basis to the modified accrual accounting basis totaled \$22 million for fiscal year 2017. GAAP and other adjustments were not budgeted in fiscal year 2017. The most significant of the GAAP and other adjustments affecting fiscal year 2017 was the reversal of the \$10.4 million liability and expense recorded in fiscal year 2016 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. While this was recorded as a liability reducing 2016 General Fund surplus, a portion of this amount (\$9.1 million) was also appropriated to the Education Fund in fiscal year 2017; thus the combined impact resulted in a positive \$9.1 million GAAP adjustment in fiscal year 2017. Also contributing to the positive adjustment was a decrease in the annual escheat liability (\$3.7 million) and a decrease in the State's share of Medicaid liability (\$2.3 million), both measured as of June 30, 2017. The remainder of the variance was due to smaller scale increases or decreases in several other areas.

The audited results show that the total unassigned General Fund balance at the close of fiscal year 2017 was \$100.0 million, consisting of \$100.0 million in the Rainy Day Fund. Per Chapter 156, Laws of 2017, \$7.0 million of fiscal year 2017 audited undesignated fund balance was transferred to the Revenue Stabilization Reserve Account to bring the balance in that account to \$100 million and the remaining surplus of \$18.7 million was transferred to the Public School Infrastructure Fund established pursuant to RSA 198:15-y.

Fiscal Year 2018

As assumed in the fiscal year 2018 budget as adopted in 2017, fiscal year 2018 began with no undesignated General Fund surplus and a Rainy Day Fund balance of \$100.0 million, for a total unassigned General Fund balance of \$100.0 million.

Positive variances continued in fiscal year 2018 as combined General Fund and Education Trust Fund unrestricted revenues exceeded plan amounts by \$133.3 million. Traditional unrestricted revenue for the General and Education Trust Funds received during fiscal year 2018 totaled \$2,577.2 million which was above the fiscal year 2018 plan of \$2,443.9 million by 5.5%. The favorable results as compared to the fiscal year 2018 budget resulted, in part, from the following taxes that performed better than expected: Business Taxes by \$118.8 million (17.9 %); Meals and Rooms Taxes by \$1.9 million (0.6 %); Interest and Dividends Taxes by \$9.8 million (10.2%), and Insurance Taxes by \$1.4 million (1.2%). Real Estate Transfer Taxes were below the fiscal year 2018 budget by approximately \$5.8 million (3.7%), Tobacco Taxes below budget by \$3.4 million (1.6%) and Communications Taxes below budget by \$0.6 million (1.4%). The State's other remaining revenue sources combined were approximately \$11.2 million above fiscal year 2018 budgeted amounts. The DRA believes that a portion of the additional revenue in fiscal year 2018 was due to one-time or temporary impacts from the TCJA. See "*Revenues - Business Enterprise Tax ("BET")*" herein.

Net General Fund and Education Fund appropriations exceeded the fiscal year 2018 budget estimates by \$22.4 million (0.92%). Appropriations authorized after the passage of the fiscal year 2018 budget via new legislation or existing laws increased net appropriations by approximately \$65.9 million. The additional appropriations utilized a portion of undesignated General Fund surplus revenues from fiscal year 2018. Offsetting the impact of additional appropriations and transfers to other funds were favorable lapses of combined General Fund and Education Fund appropriations. The fiscal year 2018 original budget of \$2,443.4 million included \$51.0 million in anticipated lapses, while actual lapses according to the audited results came in at \$94.8 million for a difference of \$43.8 million.

The total unassigned General Fund balance at the close of fiscal year 2018 was \$184.4 million, consisting of \$110.0 million in the Rainy Day Fund. Per Chapter 162, Laws of 2018, \$10.0 million of fiscal year 2018 audited undesignated fund balance was transferred to the Revenue Stabilization Reserve Account to bring the balance in that account to \$110 million. In addition, \$10 million of fiscal year 2018 surplus revenue was designated for the Public School Infrastructure Fund pursuant to Chapter 349, Laws of 2018.

Fiscal Year 2019

The fiscal year 2019 budget as adopted in 2017 assumed that fiscal year 2019 would begin with no undesignated General Fund surplus; however, fiscal year 2019 actually began with a surplus of \$74.4 million and a Rainy Day Fund balance of \$110.0 million, for a total unassigned General Fund balance of \$184.4 million.

Positive variances continued in fiscal year 2019 as combined General Fund and Education Trust Fund unrestricted revenues exceeded plan amounts by \$172.9 million. Traditional unrestricted revenue for the General and Education Trust Funds received during fiscal year 2019 totaled \$2,644.6 million which was above the fiscal year 2019 plan of \$2,471.7 million by approximately 172.0 million, or 7.0%. The favorable results as compared to the fiscal year 2019 budget resulted, in part, from the following taxes that performed better than expected: Business Taxes by \$151.6 million (23.2 %); Meals and Rooms Taxes by \$3.6 million (1.0 %); Interest and Dividends Taxes by \$16.7 million (17.0%), Insurance Taxes by \$17.6 million (15.0%) and Communications Taxes by \$0.5 million (1.2%). Real Estate Transfer Taxes were below the fiscal year 2019 budget by approximately \$11.5 million (7.0%), and Tobacco Taxes below budget by \$12.0 million (5.6%). The State's other remaining revenue sources combined were approximately \$5.5 million above fiscal year 2019 budgeted amounts. The DRA believes that a portion of the additional revenue in fiscal year 2019 was due to one-time or temporary impacts from the TCJA. See "*Revenues - Business Enterprise Tax ("BET")*" herein.

The Net General Fund and Education Fund appropriations were less than the fiscal year 2019 budget estimates by \$8.3 million (0.3%). Appropriations authorized after the passage of the fiscal year 2019 budget via new legislation or existing laws increased net appropriations by approximately \$91.1 million. The additional appropriations utilized a portion of undesignated General Fund surplus revenues from fiscal year 2019. Offsetting the impact of additional appropriations and transfers to other funds were favorable lapses of combined General Fund and Education Fund appropriations. The fiscal year 2019 original budget of \$2,471.6 million included \$52.0 million in anticipated lapses, while actual lapses were \$147.3 million for a difference of \$95.3 million.

The total unassigned General Fund balance at the close of fiscal year 2019 was \$307.8 million, including \$115.3 million in the Rainy Day Fund. During the 2019 legislative session, Chapter 346:240, Laws of 2019, required that \$5 million of unrestricted General Fund excess revenue over plan be transferred into the Rainy Day Fund, bringing the balance as of June 30, 2019 to \$115.3 million. See also "FINANCIAL STATEMENTS – Fiscal Year 2019."

Fiscal Year 2020 (Unaudited)

Unaudited fiscal year 2020 combined General Fund and Education Trust Fund unrestricted revenues were less than plan amounts by \$106.0 million. Unrestricted revenue for the General and Education Trust Funds received during fiscal year 2020 totaled \$2,520.2 million which was less than the fiscal year 2020 plan of \$2,626.2 million by 4.3%. The unfavorable results as compared to the fiscal year 2020 budget resulted, in part, from the following taxes that performed less than expected due to the COVID-19 pandemic and both state and federal tax deadlines being extended: Business Taxes by \$85.3 million (13.0 %), Meals and Rooms Taxes by \$53.1 million (15.3 %), Real

Estate Transfer Tax by \$1.0 million (0.6%), and Communications Taxes by \$0.9 million (2.2%). Interest and Dividends Taxes exceeded the fiscal year 2020 budget by \$8.8 million (9.0%), Insurance Taxes exceeded budget by \$8.9 million (7.6%), and Tobacco Taxes exceeded budget by \$16.0 million (7.5%). The State's other remaining revenue sources combined were approximately \$0.6 million above fiscal year 2020 budgeted amounts.

The unaudited preliminary General Fund and Education Fund appropriations plus transfers out to other funds totaled \$2,879.9 million, which were higher than the fiscal year 2020 budgeted appropriations of \$2,867.3 million (excludes \$68.1 million recorded as a surplus transfer, not an appropriation). The net increase of \$12.6 million was due to \$14.2 million in additional appropriations authorized after the passage of the fiscal year 2020 budget via new or existing legislation, offset by a reduction for certain appropriations designated for fiscal year 2020, which were delayed to fiscal 2021 and one-time expenditures that did not occur due to spending freezes. The fiscal year 2020 additional appropriations utilized a portion of undesignated General Fund surplus revenues from the previous biennium. Offsetting the impact of additional appropriations and transfers to other funds were favorable lapses of combined General Fund and Education Fund appropriations. The fiscal year 2020 original budget included \$56.7 million in anticipated lapses, while actual lapses according to the preliminary unaudited results came in at \$103.3 million for a difference of \$46.6 million, mainly due to the Governor's cost-containment measures and unanticipated federal revenues.

The total unaudited unassigned General Fund balance at the close of fiscal year 2020 as set forth in the draft audited financial statements was \$79.2 million, including an undesignated surplus/(deficit) of (\$36.3) million net with \$115.5 million in the Revenue Stabilization Account. During fiscal year 2020, net General Fund appropriations of \$1,687.5 million exceeded General Fund unrestricted revenue of \$1,525.4 million by \$162.1 million. In addition, legislative actions required transfers out of General Fund surplus to other funds totaling \$72.3 million. The combination of net appropriations and transfer out, in excess of unrestricted revenues, as well as minor GAAP and other adjustments, resulted in the \$228.8 million decrease in the undesignated fund balance from a positive beginning balance of \$192.5 million to a negative ending balance of \$36.3 million.

The total unaudited unassigned Education Trust Fund balance at the close of fiscal year 2020 was \$59.3 million, as compared to beginning of year unassigned fund balance of \$78.9 million, a decrease of \$19.6 million. This was also due to net Education Trust Fund appropriations in excess of unrestricted Education Trust Fund revenue and transfers in during fiscal year 2020.

Updated Unaudited Unassigned General Fund Balance. As noted above, in its preliminary draft audited financial statements, the State had reported a total unaudited unassigned General Fund balance at the close of fiscal year 2020 of \$79.2 million, including an undesignated surplus/(deficit) of (\$36.3) million. This reflected certain accounts receivable related to federal revenue anticipated from the Federal Emergency Management Agency. Upon audit, these receivables were deemed to be attributable to fiscal year 2021, due to the timing of the reimbursement request by the State. As such, certain expenditures in the Health and Human Services area, which normally would be offset by federal funds, were reclassified as General Fund expenditures for fiscal year 2020, with subsequent reimbursement anticipated in fiscal year 2021 to refund the General Fund for these purchases made as part of the State's response to the COVID-19 pandemic. The net impact of these adjustments is expected to result in a total unassigned General Fund balance at the close of fiscal year 2020 of \$64.3 million, including an undesignated surplus/(deficit) of (\$51.2) million. To date, there have been no material changes to the Education Trust Fund balance throughout the course of the audit. As the fiscal year 2020 audited financial statements are not yet final, these amounts are subject to further change.

The following tables present a comparison of General Fund and Education Trust Fund unrestricted revenues for fiscal years 2016 through 2020, General Fund and Education Trust Fund net appropriations for fiscal years 2016 through 2020, and 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 2016 through 2020. The information is derived from the State's audited financial statements for fiscal years 2016 through 2019. The information for fiscal year 2020 is preliminary and unaudited.

**GENERAL AND EDUCATION TRUST FUND UNRESTRICTED REVENUES
FISCAL YEARS 2016-2020
(GAAP Basis - In Millions)**

Revenue Category	FY 2016*			FY 2017			FY 2018			FY 2019			Preliminary Unaudited FY 2020		
	General	Education	Total	General	Education	Total	General	Education	Total	General	Education	Total	General	Education	Total
Business Profits Tax	\$352.8	\$74.2	\$427.0	\$317.4	\$68.4	\$385.8	\$393.4	\$88.9	\$482.3	\$378.0	\$95.5	\$473.5	\$364.2	\$86.6	\$450.8
Business Enterprise Tax	91.3	181.0	272.3	83.6	168.4	252.0	87.8	211.0	298.8	96.8	235.3	332.1	45.8	213.2	259.0
Subtotal	444.1	255.2	699.3	401.0	236.8	637.8	481.2	299.9	781.1	474.8	330.8	805.6	410.0	299.8	709.8
Meals & Rooms Tax	292.8	8.5	301.3	306.2	8.6	314.8	322.5	9.2	331.7	340.1	10.0	350.1	306.8	8.6	315.4
Tobacco Tax	132.4	94.7	227.1	128.2	90.4	218.6	124.5	87.1	211.6	119.7	82.7	202.4	127.8	86.2	214.0
Liquor Sales and Distribution	139.8	-	139.8	141.1	-	141.1	136.4	-	136.4	133.5	-	133.5	131.8	-	131.8
Interest & Dividends Tax	89.3	-	89.3	94.3	-	94.3	105.8	-	105.8	114.7	-	114.7	125.7	-	125.7
Insurance Tax	123.4	-	123.4	121.9	-	121.9	115.0	-	115.0	135.1	-	135.1	134.0	-	134.0
Communications Tax	52.4	-	52.4	47.1	-	47.1	43.4	-	43.4	41.2	-	41.2	39.8	-	39.8
Real Estate Transfer Tax	89.7	44.8	134.5	94.5	47.2	141.7	99.4	49.7	149.1	102.0	50.9	152.9	105.6	52.8	158.4
Securities Revenue	43.7	-	43.7	44.6	-	44.6	43.4	-	43.4	42.6	-	42.6	41.6	-	41.6
Lottery Transfers Racing & Charitable Gaming Commission Transfers	-	75.9	75.9	-	72.6	72.6	-	86.1	86.1	-	105.6	105.6	-	99.8	99.8
Tobacco Settlement	1.5	40.0	41.5	2.6	40.0	42.6	5.9	40.0	45.9	4.6	40.0	44.6	2.6	40.0	42.6
Utility Property Tax	-	43.3	43.3	-	41.8	41.8	-	45.2	45.2	-	39.5	39.5	-	43.3	43.3
State Property Tax	-	363.1	363.1	-	363.4	363.4	-	363.1	363.1	-	363.1	363.1	-	363.2	363.2
Other	110.6	-	110.6	112.8	-	112.8	114.1	-	114.1	109.3	-	109.3	96.6	1.1	97.7
Subtotal	1,519.7	928.8	2,448.5	1,494.3	904.3	2,398.6	1,591.6	981.5	2,573.1	1,617.6	1,022.6	2,640.2	1,522.3	994.8	2,517.1
Net Medicaid Enhancement Revenues	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Recoveries	9.1	-	9.1	8.9	-	8.9	4.1	-	4.1	4.4	-	4.4	3.1	-	3.1
Subtotal	1,528.8	928.8	2,457.6	1,503.2	904.3	2,407.5	1,595.7	981.5	2,577.2	1,622.0	1,022.6	2,644.6	1,525.4	994.8	2,520.2
Executive Orders and Special Session Revenues	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	\$1,528.8	\$928.8	\$2,457.6	\$1,503.2	\$904.3	\$2,407.5	\$1,595.7	\$981.5	\$2,577.2	\$1,622.0	\$1,022.6	\$2,644.6	\$1,525.4	\$994.8	\$2,520.2

* Includes Tax Amnesty Receipts (fiscal year 2016).

**GENERAL FUND AND EDUCATION TRUST FUND NET APPROPRIATIONS
FISCAL YEARS 2016-2020
(GAAP Basis – In Millions)**

Category of Government	<u>FY 2016</u>			<u>FY 2017</u>			<u>FY 2018</u>			<u>FY 2019</u>			Preliminary Unaudited <u>FY 2020</u>		
	<u>General</u>	<u>Education</u>	<u>Total</u>	<u>General</u>	<u>Education</u>	<u>Total</u>	<u>General</u>	<u>Education</u>	<u>Total</u>	<u>General</u>	<u>Education</u>	<u>Total</u>	<u>General</u>	<u>Education</u>	<u>Total</u>
General Government	\$263.3	\$-	\$263.3	\$276.8	\$-	\$276.8	\$274.7	\$-	\$274.7	\$256.2	\$-	\$256.2	\$304.9	\$-	\$304.9
Justice and Public Protection	247.8	-	247.8	266.1	-	266.1	273.0	-	273.0	288.0	-	288.0	323.4	-	323.4
Resource Protection and Development	31.5	-	31.5	36.5	-	36.5	37.2	-	37.2	38.4	-	38.4	52.8	-	52.8
Transportation	1.0	-	1.0	37.8	-	37.8	20.9	-	20.9	11.3	-	11.3	3.2	-	3.2
Health and Social Services	623.3	-	623.3	679.1	-	679.1	681.3	-	681.3	693.1	-	693.1	824.6	-	824.6
Education	216.9	956.9	1,173.8	214.9	966.5	1,181.4	217.0	961.7	1,178.7	217.8	962.6	1,180.4	178.6	1,085.1	1,263.7
Net Appropriations	<u>\$1,383.8</u>	<u>\$956.9</u>	<u>\$2,340.7</u>	<u>\$1,511.2</u>	<u>\$966.5</u>	<u>\$2,477.7</u>	<u>\$1,504.1</u>	<u>\$961.7</u>	<u>2,465.8</u>	<u>\$1,504.8</u>	<u>\$962.6</u>	<u>\$2,467.4</u>	<u>\$1,687.5</u>	<u>\$1,085.1</u>	<u>\$2,772.6</u>

GENERAL FUND AND EDUCATION TRUST FUND BALANCES
FISCAL YEARS 2016–2020
(GAAP Basis - In Millions)

	<u>FY 2016</u>			<u>FY 2017</u>			<u>FY 2018</u>			<u>FY 2019</u>			<u>Preliminary Unaudited FY 2020</u>		
	<u>General</u>	<u>Education</u>	<u>Total</u>	<u>General</u>	<u>Education</u>	<u>Total</u>	<u>General</u>	<u>Education</u>	<u>Total</u>	<u>General</u>	<u>Education</u>	<u>Total</u>	<u>General</u>	<u>Education</u>	<u>Total</u>
Undesignated Fund Balance, July 1	\$49.0	\$0.0	\$49.0	\$88.5	\$0.0	\$88.5	\$0.0	\$0.0	\$0.0	\$74.4	\$21.4	\$95.8	\$192.5	\$16.4	\$208.9
Additions:															
Unrestricted Revenue	1,528.8	928.8	2,457.6	1,503.2	904.3	2,407.5	1,595.7	981.5	2,577.2	1,622.0	1,022.6	2,644.6	1,525.4	994.8	2,520.2
Executive Orders and Special Session Revenues	30.7	-	30.7	-	-	-	-	-	-	-	-	-	-	-	-
Total Additions	\$1,559.5	\$928.8	\$2,488.3	\$1,503.2	\$904.3	\$2,407.5	\$1,595.7	\$981.5	\$2,577.2	\$1,622.0	\$1,022.6	\$2,644.6	1,525.4	994.8	2,520.2
Deductions:															
Appropriations Net of Estimated Revenues	(1,423.7)	(957.3)	(2,381.0)	(1,425.7)	(973.1)	(2,398.8)	(1,533.1)	(961.6)	(2,494.7)	(1,573.2)	(950.4)	(2,523.6)	(1,632.2)	(1,084.7)	(2,716.9)
COC Appropriation Adjustments	-	-	-	(133.1)	(9.1)	(142.2)	(64.4)	(1.5)	(65.9)	(76.5)	(14.6)	(91.1)	(158.6)	(0.4)	(159.0)
Special Session Reductions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Less: Lapses	39.9	0.4	40.3	47.6	15.7	63.3	93.4	1.4	94.8	144.9	2.4	147.3	103.3	-	103.3
Total Net Appropriations	(1,383.8)	(956.9)	(2,340.7)	(1,511.2)	(966.5)	(2,477.7)	(1,504.1)	(961.7)	(2,465.8)	(1,504.8)	(962.6)	(2,467.4)	(1,687.5)	(1,085.1)	(2,772.6)
GAAP and Other Adjustments	(36.7)	-	(36.7)	22.0	-	-	(0.6)	1.6	1.0	9.7	(2.5)	7.2	5.6	2.6	8.2
Other One time Revenue Adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Current Year Balance	139.0	(28.1)	110.9	14.0	(62.2)	(48.2)	91.0	21.4	112.4	126.9	57.5	184.4	(156.5)	(87.7)	(244.2)
Transfers (to)/from:															
Rainy Day Fund	(70.7)	-	(70.7)	(7.0)	-	(7.0)	(10.0)	-	(10.0)	(5.3)	-	(5.3)	(0.2)	-	(0.2)
Public School Infrastructure Fund	-	-	-	(18.7)	-	(18.7)	(6.6)	-	(6.6)	(3.5)	-	(3.5)	-	-	-
Highway Fund	-	-	-	(13.9)	-	(13.9)	-	-	-	-	-	-	(4.0)	-	(4.0)
Fish & Game Fund	(0.7)	-	(0.7)	(0.7)	-	(0.7)	-	-	-	-	-	-	-	-	-
Education Trust Fund	(28.1)	28.1	-	(62.2)	62.2	-	-	-	-	-	-	-	(68.1)	68.1	-
Designated for Education Aid, June 30	-	-	-	-	-	-	-	-	-	-	62.5	62.5	-	62.5	62.5
Undesignated Fund Balance, June 30	88.5	(0.0)	88.5 ⁽¹⁾	-	-	-	74.4	21.4	95.8	192.5	16.4	208.9	(36.3) ⁽²⁾	(3.2)	(39.5)
Reserved for Revenue Stabilization Account	93.0	-	93.0	100.0	-	100.0	110.0	-	110.0	115.3	-	115.3	115.5	-	115.5
Total Equity	\$181.5	\$0.0	\$181.5	\$100.0	-	\$100.0	\$184.4	\$21.4	\$205.8	\$307.8	\$78.9	\$386.7	\$79.2 ⁽²⁾	\$59.3	\$138.5

⁽¹⁾ Per Ch. 264:5, Laws of 2016, to the extent the audited financial statements for fiscal year 2016 showed that GF/ETF Revenues exceeded the plan, an amount not to exceed \$40 million would be transferred to the Revenue Stabilization Reserve Account. The State's audited financial statements reported revenues approximately \$151 million in excess of plan for fiscal year 2016; therefore the full \$40 million authorized by law was transferred at the conclusion of the audit, bringing the current balance in the Revenue Stabilization Reserve Account, in addition to \$30.7 million representing 10% of the MtBE settlement, to \$93 million, and \$88.5 million remained in the General Fund.

⁽²⁾ The preliminary unaudited total unassigned General Fund balance at the close of fiscal year 2020 is currently expected to be \$64.3 million, including an undesignated fund balance of (\$51.2) million. See "Fiscal Year 2020 (Unaudited) - Updated Unaudited Unassigned General Fund Balance."

Operating Budget Fiscal Years 2020 and 2021

General and Education Trust Funds. On June 28, 2019, the Governor vetoed the operating budget for fiscal years 2020 and 2021 citing concerns regarding the fiscal sustainability of the budget passed by the Legislature, which included increases in business taxes. Chapter 145, Laws of 2019 was concurrently signed by the Governor and became law, and provided State agencies with funding constant with fiscal year 2019 levels through September 30, 2019. Chapters 345 and 346 of the Laws of 2019, the operating budget for fiscal years 2020 and 2021, were signed by the Governor and became law on September 26, 2019. The following discussion describes the original biennial budget as enacted into law prior to the onset of the COVID-19 global pandemic and the resulting impact on the State's people, businesses, economy and budget.

To address the Governor's concerns regarding the use of one-time revenues for ongoing expenses, the enacted operating budget used the State's budget surpluses to provide \$40 million in one-time capital grants to municipalities over the biennium and \$62.5 million in one-time capital grants to school districts in fiscal year 2021.

The enacted budget instituted hold harmless grants to school districts to offset reductions in enrollment, resulting in an increase in educational grants of \$35.2 million in fiscal year 2020 and \$41.6 million in fiscal year 2021. The budget also provided for 3.1% annual rate increases for Medicaid service providers, fully funded the waitlist of developmental disability services, and provided a \$20.1 million increase for mental health services.

General and Education Trust Fund revenue estimates for fiscal years 2020 and 2021 were originally \$2,626 million and \$2,656 million, respectively. The budget provided for conformity with the federal Internal Revenue Code (IRC) for State business tax purposes. The budget also legalized sports betting and provided for the taxation of non-tobacco cessation electronic cigarettes.

The fiscal years 2020 and 2021 budget repealed the statutory 2021 business tax rate reductions and instituted triggered business tax rate adjustments based on State revenues. If revenues came in 6% (\$157.6 million) below the fiscal year 2020 estimate, effective January 1, 2021, the Business Profits Tax rate would increase from 7.7% to 7.9% and the Business Enterprise Tax would increase from 0.6% to 0.675%.

If revenues came in 6% (\$157.6 million) above fiscal year 2021 estimate, effective January 1, 2021, the Business Profits Tax rate would decrease from 7.7% to 7.5% and the Business Enterprise Tax would decrease from 0.6% to 0.5%.

Unaudited fiscal year 2020 revenues were \$106 million below plan, which did not trigger any changes in Business Profits Tax and Business Enterprise Tax rates.

Total net operating appropriations (including estimated lapse) for the General and Education Trust Funds for fiscal years 2020 and 2021 are \$2,879 million and \$2,682 million, respectively. General Fund lapse estimates are \$56.7 million and \$75.4 million for fiscal years 2020 and 2021, respectively. Noteworthy budget initiatives include:

- Establishment of the Department of Military Affairs and Veterans Services, combining the Adjutant General's Department, the Office of Veteran Services, and the Bureau of Community-Based Military Programs into a new one-stop-shop for veterans. This will streamline services, reduce redundancies and provide efficiencies.
- Administratively attaches various small agencies to larger departments in order to leverage the economies of scale of existing State human resource and financial staff.
- Provides funding to the Community College System of New Hampshire and the University System of New Hampshire to freeze resident in-state tuition for academic years 2020 and 2021.
- Provides funding to the University of New Hampshire to expand the nursing program to double the number of nursing graduates.

- Funds important capital projects with surplus funds including \$3.25 million to rebuild the State Fish Pier in Portsmouth, \$1.5 million to repair the Ossipee Lake Dam, and \$8.75 million to begin the design and construction of a new State Psychiatric Hospital.

Chapter 346, Laws of 2019 also provided \$500,000 to fund an independent sixteen member “Commission to Study School Funding.” The commission submitted its report to the State legislature on December 1, 2020. Among other findings, the commission found that the current system of school funding “fails to direct aid to more needy communities in a meaningful manner” resulting in lower student outcomes in those communities. The commission found that “[a] weighted funding formula that allocates funding to districts according to the costs facing each district is the most effective way to address disparities in student outcomes.” It also recommends that to the extent a statewide education property tax is used in any reformed funding formula, the State discontinue the current system whereby municipalities retain any excess statewide property tax collected in such municipality and not needed to fund the adequate education grant from the State. As any reforms to the State school funding mechanism would need to be enacted by the Legislature, it is unknown at this time, if any of the recommendations or proposals in the Commission’s report will result in changes to the current system of State public school funding.

Highway Funds. Total net operating appropriations (including estimated lapses) for the Highway Fund for fiscal years 2020 and 2021 are \$242.8 million and \$251.6 million, respectively. Spending is not directly comparable to years prior to fiscal years 2016-2017 because of changes made to the way the Highway Fund is budgeted. In the fiscal years 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. In addition, on May 20, 2014, Chapter 17 of the Laws of 2014 (“Chapter 17”) 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. 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 roadways, 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. Further, the State pledged 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.

The budget for fiscal years 2020 and 2021 transferred \$4.5 million of surplus general funds from the prior biennium to the Highway Fund as unrestricted revenue. The amount transferred in fiscal year 2020 was \$3.9 million.

Highway Fund revenues are collected from the Road Toll (fuel tax) and motor vehicle related fees including licenses, registrations, and violations. Fiscal year 2020 gross unrestricted Highway Fund collections totaled \$248.1 million, which was \$10.8 million (4.2%) less than plan (\$258.9 million). Road Toll (fuel tax) collections were significantly impacted by COVID-19 due to declines in gasoline consumption and ended the year \$10.4 million (8.7%) lower than plan. Motor vehicle related collections were also slightly impacted by COVID-19 and ended the year \$404,000 (0.5%) lower than plan. Similar trends are expected to continue into fiscal year 2021 due to decreased mobility associated with public health guidelines. Fiscal year 2021 gross unrestricted Highway Fund collections are currently projected to reach \$239.3 million, which is \$16.4 million (6.4%) less than plan (\$255.7 million). Road Toll collections are currently projected to be down \$15.2 million (8.6%) from plan and motor vehicle related collections are projected to be down \$1.2 million (1%) from plan.

Fish and Game Funds. Total net operating appropriations (including estimated lapses) for the Fish and Game Fund for fiscal years 2020 and 2021 are \$12.7 million and \$12.9 million, respectively. The Fish and Game Fund is a major State fund that has historically been kept separate from the General Fund. It accounts for the operation of fish hatcheries, inland and marine fisheries and wildlife areas and functions related to law enforcement, land acquisition and wildlife management and research. Principal revenues include fees from fish and game licenses, the marine gas tax, penalties, recoveries, federal grants-in-aid related to fish and game management and other funding as approved by the Legislature.

Fish and Game Fund revenue of \$15.9 million for fiscal year 2020 was \$3 million (24%) above plan. Appropriations were \$14 million and lapses were \$1.3 million, \$0.1 million more than was assumed in the budget due to the Governor's cost-containment measures. The Fish and Game Fund ended fiscal year 2020 with a cash surplus of \$6 million, which was \$2.5 million higher than budget.

Current Estimates for Fiscal Year 2021

The adopted budget for fiscal year 2020 contemplated the use of both current year revenues and fund balance carried forward from the prior biennium, to support current year spending. Due to the unusually high level of unrestricted revenues collected in fiscal year 2019 as a result of the impact of federal tax law changes, fiscal year 2019 closed with a large undesignated fund balance of \$208.9 million. The Legislature had enacted Chapter 345, Laws of 2019, which resulted in a cap on the amount of unrestricted General fund excess revenues over plan to be transferred into the Rainy Day fund, thereby leaving a large undesignated balance to be carried over to the next biennium. The Legislature approved additional spending for fiscal year 2020 against a portion of the undesignated balance as of the beginning of fiscal year 2020, largely representing one-time initiatives. The adopted budget for the fiscal years 2020 and 2021 assumed an ending undesignated fund balance of \$27.1 million.

The actual unaudited General and Education Trust Fund undesignated balance at the end of fiscal year 2020 was (\$39.5) million, which, when compared to the ending fund balance projected in the adopted budget for fiscal year 2020 of \$27.1 million, represents a deficit of \$66.6 million, leading in to fiscal year 2021, beyond what had been anticipated. While great uncertainty remains due to the COVID-19 pandemic, the State currently estimates that fiscal year 2021 General and Education Trust Fund revenues are estimated to be \$2,603.2 million, which is below plan by \$52.5 million (2%). Lapses are estimated to be \$140.2 million, which is above plan by \$64.8 million (86%). Given these estimates, the State currently expects the fiscal year 2021 General and Education Trust Fund undesignated balance to range from (\$100.0) million to (\$115.0) million. The State continues to monitor revenues and constrain non-essential expenses and believes that any biennial deficit can be covered by the State's existing Rainy Day Fund balance of \$116.2 million.

The budgeted amounts for fiscal year 2021 are based on information from Chapter 345, Laws of 2019 (referred to as the fiscal years 2020-2021 operating budget), which was signed into law on September 26, 2019, along with adjustments from the Comparative Statement of Undesignated Surplus, prepared by the State's Legislative Budget Assistant, which represent agreed upon budget adjustments both for revenues and appropriations that resulted from legislation passed outside of the fiscal years 2020-2021 operating budget, primarily in Chapter 346, Laws of 2019. The following tables present a comparison of General Fund and Education Trust Fund unrestricted revenues (page 40), net appropriations (page 41), and surplus balances (page 42) for fiscal year 2019, preliminary unaudited amounts for fiscal year 2020, and budgeted amounts for fiscal year 2021. Since the budget adjustments are summarized at levels different than those contained in the following tables, allocations and estimates were used to provide a presentation most comparable to prior years; the actual results for fiscal year 2021 may vary from those presented in the tables.

It should be noted that the budgeted amounts shown below for fiscal year 2021 are the amounts originally contained in the adopted budget, which was based on information and estimates prior to the COVID-19 pandemic. To date no further legislative action has been taken with respect to the fiscal year 2021 budget. Due to the effects of COVID-19, the actual results for fiscal year 2021 will vary from those presented in the tables.

**GENERAL FUND AND EDUCATION TRUST FUND UNRESTRICTED REVENUES
ACTUAL AND BUDGET
FISCAL YEARS 2019-2021
(GAAP Basis - In Millions)**

Revenue Category	FY 2019			Preliminary Unaudited 2020			Operating Budget 2021⁽¹⁾		
	General	Education	Total	General	Education	Total	General	Education	Total
Business Profits Tax	\$ 378.0	\$ 95.5	\$473.5	\$364.2	\$86.6	\$450.8	\$ 402.3	\$ 94.0	\$ 496.3
Business Enterprise Tax	96.8	235.3	332.1	45.8	213.2	259.0	49.8	239.9	289.7
Subtotal	474.8	330.8	805.6	410.0	299.8	709.8	452.1	333.9	786.0
Meals and Rooms Tax	340.1	10.0	350.1	306.8	8.6	315.4	375.3	11.6	386.9
Tobacco Tax	119.7	82.7	202.4	127.8	86.2	214.0	112.7	88.5	201.2
Liquor Sales and Distribution	133.5	-	133.5	131.8	-	131.8	133.8	-	133.8
Interest & Dividends Tax	114.7	-	114.7	125.7	-	125.7	116.9	-	116.9
Insurance Tax	135.1	-	135.1	134.0	-	134.0	130.9	-	130.9
Communications Tax	41.2	-	41.2	39.8	-	39.8	39.8	-	39.8
Real Estate Transfer Tax	102.0	50.9	152.9	105.6	52.8	158.4	104.5	53.9	158.4
Securities Revenue	42.6	-	42.6	41.6	-	41.6	44.3	-	44.3
Transfers from Lottery Commission	-	105.6	105.6	-	99.8	99.8	-	110.4	110.4
Transfers from Racing & Charitable Gaming Commission	-	-	-	-	-	-	-	-	-
Tobacco Settlement	4.6	40.0	44.6	2.6	40.0-	42.6	-	39.2	39.2
Utility Property Tax	-	39.5	39.5	-	43.3	43.3	-	44.2	44.2
State Property Tax	-	363.1	363.1	-	363.2	363.2	-	363.1	363.1
Other	109.3	-	109.3	96.6	1.1	97.7	97.6	-	97.6
Subtotal	1,617.6	1,022.6	2,640.2	1,522.3	994.8	2,517.1	1,607.9	1,044.8	2,652.7
Recoveries	4.4	-	4.4	3.1	-	3.1	3.3	-	3.3
Total	\$1,622.0	\$1,022.6	\$2,644.6	\$1,525.4	\$994.8	\$2,520.2	\$1,611.2	\$1,044.8	\$2,656.0

⁽¹⁾ As stated above, the operating budget for fiscal year 2021 represents revenues included in Chapter 345, Laws of 2019, plus certain adjustments from the Legislative Budget Assistant Surplus Statement. The operating budget for fiscal year 2021 was adopted prior to the onset of the COVID-19 pandemic and accordingly the fiscal year 2021 information shown above does not reflect its potential impact. See "Current Estimates for Fiscal Year 2021" above.

**GENERAL FUND AND EDUCATION TRUST FUND APPROPRIATIONS NET OF ESTIMATED REVENUES
ACTUAL AND BUDGET
FISCAL YEARS 2019-2021
(In Millions)**

Category	Actual Fiscal Year 2019*			Preliminary Unaudited Fiscal Year 2020			Operating Budget Fiscal Year 2021*		
	General	Education	Total	General	Education	Total	General	Education	Total
General Government	\$256.2	\$-	\$256.2	\$304.9	\$-	\$304.9	\$272.0	\$-	\$272.0
Justice and Public Protection	288.0	-	288.0	323.4	-	323.4	330.6	-	330.6
Resource Protection and Development	38.4	-	38.4	52.8	-	52.8	48.8	-	48.8
Transportation	11.3	-	11.3	3.2	-	3.2	1.4	-	1.4
Health and Social Services	693.1	-	693.1	824.6	-	824.6	839.9	-	839.9
Education	217.8	962.6	1,180.4	178.6	1,085.1	1,263.7	174.9	1,078.6	1,253.5
Total	\$1,504.8	\$962.6	\$2,467.4	\$1,687.5	\$1,085.1	\$2,772.6	\$1,667.6	\$1,078.6	2,746.2
Appropriation Adjustments	-	-	-	-	-	-	11.1	62.5	73.6
Lapses	-	-	-	-	-	-	(75.4)	-	(75.4)
Total Net Appropriations	\$1,504.8	\$962.6	\$2,467.4	\$1,687.5	\$1,085.1	\$2,772.6	\$1,603.3	\$1,141.1	\$2,744.4

* Appropriation adjustments and lapses are not known by category of government until fiscal year end. Accordingly, the actual fiscal year 2019 and preliminary unaudited 2020 appropriations by category are net of adjustments and lapses, while the budgeted appropriations by category for fiscal year 2021 are not. Total net appropriations budgeted for fiscal year 2021 are shown below the budgeted appropriations by category. As stated above, the operating budget for fiscal year 2021 represents appropriations included in Chapter 345, Laws of 2019, plus certain adjustments from the Legislative Budget Assistant Surplus Statement. The operating budget for fiscal year 2021 was adopted prior to the onset of the COVID-19 pandemic and accordingly the fiscal year 2021 information shown above does not reflect its potential impact. See "Current Estimates for Fiscal Year 2021" above.

GENERAL FUND AND EDUCATION TRUST FUND BALANCES
FISCAL YEARS 2019 – 2021
(GAAP Basis - In Millions)

	Actual			Preliminary Unaudited			Operating Budget		
	General	Education	Total	General	Education	Total	General	Education	Total
Undesignated Fund Balance, July 1	\$74.4	\$21.4	\$95.8	\$192.5	\$16.4	\$208.9	\$ (6.7)	\$33.8	\$27.1
Designated for Education Aid, July 1								62.5	62.5
Additions:									
Unrestricted Revenue	1,622.0	1,022.6	2,644.6	1,525.4	994.8	2,520.2	1,611.2	1,044.8	2,656.0
Other Additions	-	-	-	-	-	-	-	-	-
Total Additions	\$1,622.0	\$1,022.6	\$2,644.6	\$1,525.4	\$994.8	\$2,520.2	1,611.2	1,044.8	2,656.0
Deductions:									
Appropriations Net of Estimated Revenues	(1,573.2)	(950.4)	(2,523.6)	(1,632.2)	(1,084.7)	(2,716.9)	(1,667.6)	(1,078.6)	(2,746.2)
Appropriation Adjustments	(76.5)	(14.6)	(91.1)	(158.6)	(0.4)	(159.0)	(11.1)	(62.5)	(73.6)
Special Session Reductions	-	-	-	-	-	-	-	-	-
Less: Lapses	144.9	2.4	147.3	103.3	-	103.3	75.4	-	75.4
Total Net Appropriations	(1,504.8)	(962.6)	(2,467.4)	(1,687.5)	(1,085.1)	(2,772.6)	(1,603.3)	(1,141.1)	(2,744.4)
GAAP and Other Adjustments	9.7	(2.5)	7.2	5.6	2.6	8.2	-	-	-
Other One time Revenue Adjustments	-	-	-	-	-	-	-	-	-
Current Year Balance	126.9	57.5	184.4	(156.5)	(87.7)	(244.2)	7.9	(96.3)	(88.4)
Transfers (to)/from:									
Rainy Day Fund	(5.3)	-	(5.3)	(0.2)	-	(0.2)	(1.2)	-	(1.2)
Public School Infrastructure Fund	(3.5)	-	(3.5)	-	-	-	-	-	-
Highway Fund	-	-	-	(4.0)	-	(4.0)	-	-	-
Fish & Game Fund	-	-	-	-	-	-	-	-	-
Education Trust Fund	-	-	-	(68.1)	68.1	-	-	-	-
Designated for Education Aid, June 30	-	62.5	62.5	-	62.5	62.5	-	-	-
Undesignated Fund Balance, June 30	192.5	16.4	208.9	(36.3) ⁽¹⁾	(3.2)	(39.5)	0.0	-	0.0
Reserved for Revenue Stabilization									
Account	115.3	-	115.3	115.5	-	115.5	116.2	-	116.2
Total Equity	\$307.8	\$78.9	\$386.7	\$79.2 ⁽¹⁾	\$59.3	\$138.5	\$116.2	-	\$116.2

⁽¹⁾ The preliminary unaudited total unassigned General Fund balance at the close of fiscal year 2020 is currently expected to be \$64.3 million, including an undesignated fund balance of (\$51.2) million. See “Fiscal Year 2020 (Unaudited) - Updated Unaudited Unassigned General Fund Balance” above.

⁽²⁾ As noted above on page 39, the budgeted amounts for fiscal year 2021 are based on information from the fiscal years 2020-2021 operating budget, along with certain adjustments prepared by the State’s Legislative Budget Assistant. As such, the amounts stated in the table above for the Undesignated Fund Balance at July 1, 2020, the amounts reserved for the Revenue Stabilization Account at June 30, 2021 and resulting Total Equity, do not reflect the actual Undesignated Fund Balance and the actual amount reserved for the Revenue Stabilization Account and resulting Total Equity at June 30, 2020. In addition, the operating budget for fiscal year 2021 was adopted prior to the onset of the COVID-19 pandemic and accordingly the fiscal year 2021 information shown above does not reflect its potential impact. See “Current Estimates for Fiscal Year 2021” above.

Fiscal Year 2021 Revenue Performance for the Five Months Ended November 30, 2020 (Unaudited)

The interim revenue reporting is prepared on a cash basis of accounting, in order to give readers a general sense as to how cash deposits of unrestricted revenues are tracking throughout the fiscal year. However, in accordance with generally accepted accounting standards, each year the State makes adjustments to its cash basis fiscal year totals, in order to present unrestricted revenue results, on a modified accrual basis of accounting. Modified accrual accounting requires the State to recognize collections within sixty days after the close of fiscal year-end in the fiscal period to which they are attributed. This annual adjustment is reflected in the State’s annual comprehensive financial report (CAFR). However, due to the COVID-19 pandemic and the impact of the extended federal tax filing deadline on the timing of the collection of State tax revenues, there was a significant increase in the amount of the standard accrual adjustment resulting in anomalous excess accrued revenue of \$30.8 million which will be reclassified from fiscal year 2021 cash basis revenue to fiscal year 2020 modified accrual revenue in the CAFR to be released in December 2020. **The analysis below does not reflect this \$30.8 million adjustment.** The adjustment is allocated as follows:

Revenue Category	Amounts Attributed to and Reported in FY 20
Business Tax	\$18.3
Tobacco Tax	1.3
Real Estate Transfer.....	0.2
Meals & Rooms Tax	1.6
Communications Tax	0.2
Interest & Dividends Tax.....	9.2
Total Adjustment	\$30.8

The analysis below does not reflect this \$30.8 million adjustment.

Unrestricted revenue for the General and Education Funds received for the five months ending November 30, 2020 on a cash basis totaled \$815.7 million, which was above plan by \$75.1 million (10.1%) and above prior year by \$76.4 million (10.3%). When comparing fiscal year 2021 actual results to the same period in fiscal year 2020 and the fiscal year 2021 revenue plan amounts on a cash basis, the results were as follows:

- Business Tax revenues through November 30, 2020 totaled \$258.7 million, which were \$60.5 million (30.5%) above plan and \$55.8 million (27.5%) above prior year. According to DRA, the monthly increase in revenue was primarily due to a few large corporate payments in addition to an increase in estimates, extension, and tax notice payments along with a decrease in refunds due to the continued implementation of the new revenue management information system. Refunds are expected to be caught up by December 2020. Year-to-date collections are high primarily due to the extended federal filing date of July 15, 2020.
- Meals and Rooms Tax collections through November 30, 2020 totaled \$146.2 million, or \$40.6 million (21.7%) below plan and \$29.3 million (16.7%) below prior year. According to DRA, November collections (October activity) from taxable meals were down 6.4% while hotels were down 26.7% from the same month last year.
- Tobacco Tax receipts through November 30, 2020 of \$108.0 million were \$18.1 million (20.1%) above plan and \$19.7 million (22.3%) above prior year. According to DRA, YTD stamp sales were greater than the prior year by 19.0%. In addition, the bond receivable balance is higher than the prior year by 34.0%.
- Interest and Dividend Tax receipts through November 30, 2020 of \$45.5 million were \$20.9 million (85.0%) above plan and \$19.8 million (77.0%) above prior year. According to DRA the monthly revenue increase in revenue is mainly due to a decrease in refund payments due to the continued implementation of the new revenue management information system. Refunds are expected to be caught up by December 2020. Year-to-date collections are high primarily due to the extended federal filing date of July 15, 2020.

- Real Estate Transfer Taxes collections through November 30, 2020 of \$86.9 million were \$7.2 million (9.0%) above plan and \$3.7 million (4.4%) above prior year.

When reviewing unrestricted revenue results on an interim basis, it is important to note that the revenue plan adopted in the state budget is an annual plan. Monthly allocations are estimated based on past experience and are not necessarily indicative of where the state will end the fiscal year, as many of the larger collection periods occur in the second half of the fiscal year for significant unrestricted revenue sources.

STATE OF NEW HAMPSHIRE
GENERAL AND EDUCATION FUNDS UNRESTRICTED REVENUES
FOR THE FIVE MONTHS ENDED NOVEMBER 30, 2020 (UNAUDITED)
(In Millions)

Revenue Category	FY 21	FY 20	FY 21	FY 2021 vs Plan		FY 2021 vs FY 2020	
	Actual	Actual	Plan	Variance	% Change	Variance	% Change
Business Profits Tax.....	\$179.8	\$125.7	\$125.5	\$54.3	43.3%	\$54.1	43.0%
Business Enterprise Tax.....	78.9	77.2	72.7	6.2	8.5%	1.7	2.2%
Subtotal.....	258.7	202.9	198.2	60.5	30.5%	55.8	27.5%
Meals & Rooms Tax.....	146.2	175.5	186.8	(40.6)	-21.7%	(29.3)	-16.7%
Tobacco Tax.....	108.0	88.3	89.9	18.1	20.1%	19.7	22.3%
Transfer from Liquor Commission.....	59.8	60.7	56.0	3.8	6.8%	(0.9)	-1.5%
Interest & Dividends Tax.....	45.5	25.7	24.6	20.9	85.0%	19.8	77.0%
Insurance Tax.....	12.1	9.9	9.9	2.2	22.2%	2.2	22.2%
Communications Tax.....	16.5	16.3	17.1	(0.6)	-3.5%	0.2	1.2%
Real Estate Transfer Tax.....	86.9	83.2	79.7	7.2	9.0%	3.7	4.4%
Court Fines and Fees	4.9	5.8	5.1	(0.2)	-3.9%	(0.9)	-15.5%
Securities Revenue.....	2.0	1.8	1.9	0.1	5.3%	0.2	11.1%
Beer Tax	6.5	5.9	6.0	0.5	8.3%	0.6	10.2%
Transfers from Lottery Commission*.....	38.3	29.2	34.0	4.3	12.6%	9.1	31.2%
Tobacco Settlement.....	-	-	-	-	0.0%	-	0.0%
Utility Property Tax.....	13.1	10.8	11.3	1.8	15.9%	2.3	21.3%
State Property Tax.....	-	-	-	-	0.0%	-	0.0%
Other.....	15.7	21.9	18.7	(3.0)	-16.1%	(6.2)	-28.3%
Subtotal.....	814.2	737.9	739.2	75.0	10.1%	76.3	10.3%
Recoveries.....	1.5	1.4	1.4	0.1	7.1%	0.1	8.8%
Total.....	\$815.7	\$739.3	\$740.6	\$75.1	10.1%	\$76.4	10.3%
Reduction for Anomalous Accruals Attributed to FY 20	(30.8)	-	-	(30.8)	100.0%	(30.8)	100.0%
Cash Receipts Attributable to FY 21	\$784.9	\$739.3	\$740.6	\$44.3	6.6%	\$45.6	6.2%

* Includes Racing & Charitable Gaming Commission.

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 were effective until the state exchanges were operational (2014), but the MOE for children was 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 depending on state per capita income.

As of September 30, 2020, 201,785 adults and children were enrolled in the New Hampshire Medicaid program as compared to 175,653 on September 30, 2019. This includes 63,105 (compared to 48,688 last year) within the Medicaid expansion “New Adult Group”, which principally insures childless adults up to 138% of the federal poverty level. The State expanded its Medicaid program as provided for under the PPACA in July 2014. See “Figure 1 – Enrollment by Delivery Method” below for enrollment trends since 2014. The COVID-19 pandemic is the cause for the increase in Medicaid enrollment. The standard Medicaid population, including CHIP is 139,051 as of October 19, 2020. For the period March 16, 2020 through October 19, 2020, this population increased by 12,996 members or 10.3%. Current enrollment for the Granite Advantage population is 64,072 as of October 19, 2020. For the period March 16, 2020 through October 19, 2020, this population increased by 12,707 members or 24.7%. The combined population as of October 19, 2020 is 203,123, an increase of 25,703 or 14.5% since March 16, 2020.

Overview of New Hampshire Medicaid. The New Hampshire Medicaid program (“New Hampshire Medicaid”) administered through the Department of Health and Human Services (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 \$2.1 billion in fiscal year 2017; \$2.13 billion in fiscal year 2018; \$2.14 billion in fiscal year 2019; \$2.07 billion in fiscal year 2020 and expects to expend \$2.4 billion in fiscal year 2021. The State’s base federal matching rate is 50%. There are exceptions, which afford higher federal medical assistance percentages (FMAP) rates, such as the Breast and Cervical Cancer Program (base match of 65%; enhanced match of 69.34% during the COVID-19 Public Health Emergency period) and the NH Granite Advantage Health Care Program at 93% match through calendar year 2019; and then 90% beginning in calendar year 2020.

The public health emergency for COVID-19 was declared by the Secretary of Health and Human Services on January 31, 2020. Section 6008(a) of the Families First Coronavirus Response Act (FFCRA) provides a temporary 6.2 percentage point base increase to the Federal Medical Assistance Percentage (FMAP) under section 1905(b) of the Social Security Act effective beginning January 1, 2020 and is available for each calendar quarter during the public health emergency, through the end of the quarter in which the public health emergency including any extensions, ends. This enhanced federal funding is being used to support the increased Medicaid caseload costs resulting from the COVID-19 pandemic. For the 6 month period of January 2020 through June 2020, the Department received enhanced federal match of \$62.7 million and projected to receive \$22.1 million in each quarter for fiscal year 2021.

Children’s Health Insurance Program (CHIP). On January 22, 2018, Congress passed a six-year extension of CHIP funding as part of a broader continuing resolution to fund the federal government. The act provides enhanced federal funding for CHIP for six years starting at the enhanced rate of 88% for federal fiscal years (FFY) 2018 and 2019, 76.5% for FFY 2020, and 65% in FFY 2021 and beyond. The reauthorization of CHIP offset State General Fund requirements by \$20.1 million in State fiscal year 2018 and \$29.3 million in State fiscal year 2019. This includes enhanced match for qualifying CHIP State costs for related expenses for standard Medicaid children up to age 18 that fall within two groups. The match was known for state fiscal years 2020 and 2021 and was

included in the biennial budget. The CHIP expenses continue to receive an additional 4.34 percentage point increase provided by the FFCRA during the public health emergency period.

New Hampshire Medicaid Financial Summary. DHHS Budget. As part of the final fiscal years 2020-2021 budget that was signed, DHHS was required to reduce General Fund expenditures by \$25 million over the biennium. DHHS met this requirement during fiscal year 2020 with a higher than estimated lapse of expenditures. This higher lapse did not reduce services. Included in the budget and other bills signed into law during the fiscal year 2019 legislative session were several additions to the Medicaid program. The largest impact is a 3.1% rate increase to be effective January 1, 2020, which has been implemented, and an additional 3.1% rate increase to be effective January 1, 2021. The rate increases are fully funded. DHHS also directly received over \$100 million in CARES Act relief funds for various programs including programs addressing homelessness, testing, and nutrition. This amount does not include the Medicaid enhanced FMAP.

Though New Hampshire Medicaid deploys a robust array of management strategies to contain Medicaid costs (see Cost Containment, below), 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 and Enrollment Trends. Historical 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 2019 was 175,653, representing an increase of 25.4%. However, between fiscal years 2018 and 2019 the enrollment decreased by 3.8%. The 2014 to 2019 increase can be primarily attributed to two elements of the PPACA. Historically, 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. More recent declines in enrollment appear to be related largely to a reduction in federal outreach efforts and a shorter open enrollment period for the annual open ACA enrollment where those applications for ineligibility due to income would cascade to Medicaid eligibility. Economic conditions are another factor as demonstrated with the COVID-19 pandemic. Current enrollment for the standard Medicaid population, including CHIP is 139,051 as of October 19, 2020. For the period March 16, 2020 through October 19, 2020, this population increased by 12,996 members or 10.3%. Current enrollment for the Granite Advantage population is 64,072 as of October 19, 2020. For the period March 16, 2020 through October 19, 2020, this population increased by 12,707 members or 24.7%. The combined population as of October 19, 2020 is 203,123, and increase of 25,703 or 14.5% since March 16, 2020. The increased enrollment trend is expected to continue during the economic downturn throughout the duration of the COVID-19 pandemic. The Families First Coronavirus Response Act (FFCRA) generally prohibits states from disenrolling Medicaid beneficiaries during the Public Health Emergency (PHE). Once the PHE period has ended, the Department will be work through required re-determinations for Medicaid beneficiaries in accordance with CMS guidance yet to be issued.

In August 2014, the State expanded Medicaid eligibility by implementing the New Hampshire Health Protection Program (“NHHPP”), which expanded coverage to an additional 52,507 individuals by the end of fiscal year 2018 and 49,155 at 2019 state fiscal year end. Medical costs for this expanded population were initially funded from July 2014 through December 2015 with 100% federal financial participation (“FFP”), as provided for under PPACA.

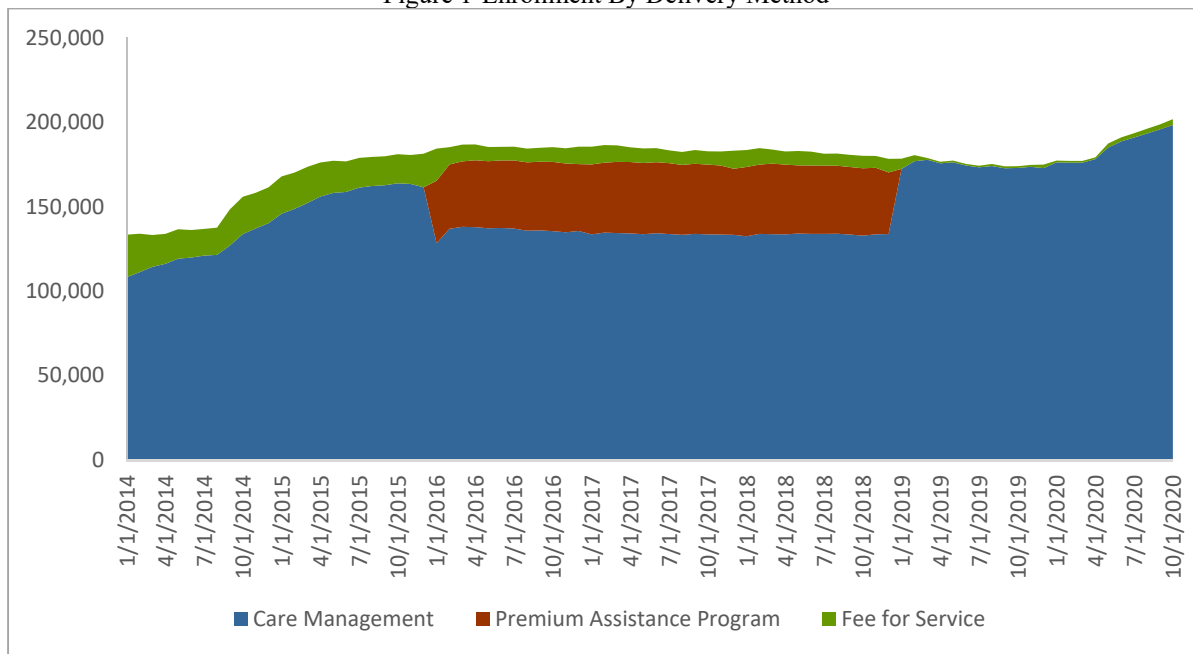
During the 2016 legislative session, the program was reauthorized to operate through December 31, 2018 and funded the non-federal share of the program with a combination of revenue sources, namely, revenue from the State’s insurance premium tax, contributions from the State’s high risk insurance pool and voluntary donations from hospitals. On July 25, 2017, CMS informed the State that its use of voluntary provider donations did not meet all of the federal criteria for a bona fide provider donation but allowed the State additional time through the following legislative session to amend its funding for the non-federal share of the program.

Senate Bill 313 was enacted on June 28, 2018. This legislation repealed the NHHPP and established the NH Granite Advantage Health Care Program (“Granite Advantage Program”), a five-year demonstration program beginning January 1, 2019, which will serve the entire expansion population in the State’s managed care program. The State received notice on November 30, 2018 that CMS had issued all necessary approvals for the program.

The Granite Advantage Program provides the same services as the NHHPP, but instead of utilizing qualified health plans on the Federal Marketplace for coverage for the New Adult Expansion Group, the Granite Advantage Program transitioned this population into the State’s existing managed care program, which was expected to reduce costs by an estimated \$200 million total funds in the first full calendar year of operation. New Hampshire Granite Advantage Health Care Trust Fund provides coverage for the newly eligible Medicaid population as provided for under RSA 126-AA:2.

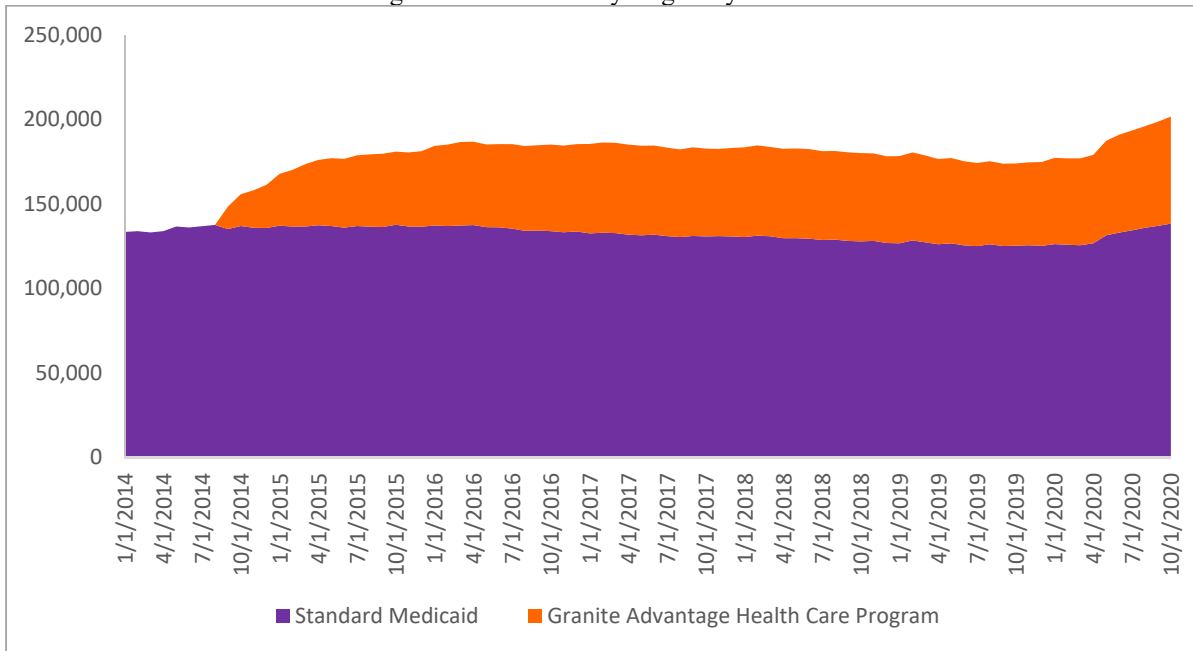
All moneys in the fund are nonlapsing and are continually appropriated to the Commissioner for the purposes of the fund. The fund is authorized to pay and/or reimburse the cost of medical services and cost-effective related services, including without limitation, capitation payments to MCOs. No State general funds shall be used to fund the program. The non-federal share of the costs of the program, including administrative expenses, are funded from a combination of revenues: liquor revenues; the insurance premium tax; contributions from the State’s insurance high risk pool assessment and other funds as allowed by RSA 126-AA:3.

Figure 1-Enrollment By Delivery Method



Note: data is for full benefit Medicaid members for a point in time as of the first of each month

Figure 2-Enrollment By Eligibility Standard



Note: data is for full benefit Medicaid members for a point in time as of the first of each month.

Cost Containment. New Hampshire Medicaid competitively reprocured its Medicaid Care Management Program in fiscal year 2019 and initiated a new contract with three MCOs, two incumbents and a third new plan to the State. The reprocured program provides additional beneficiary choice through an added MCO in the program and includes care coordination enhancements and stronger contract provisions to strengthen the oversight of MCO performance, including establishing withhold and liquidated damage provisions for the MCOs. Overall, New Hampshire Medicaid continues to deploy a robust array of financial and utilization management and quality improvement strategies to contain costs and improve member health. Further, New Hampshire Medicaid implemented in January, 2019 a next day enrollment feature into managed care to reduce fee for service financial exposure. 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’ Medicaid and commercial insurance rates. Specifically, New Hampshire’s Medicaid rates also tend to be lower, with a couple of exceptions, than the rates of the other Medicaid programs in New England. The fiscal year 2020-2021 operating budget includes a number of provider rate enhancements including two 3.1% increases in all provider rates as of January 1, 2020 and 2021. The capitation rates paid to the MCOs have been adjusted to reflect the provider rate increases. The increase in capitation rates is funded from the \$31 million General Fund appropriation related to the 3.1% increase and is subject to federal match.

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. At the time, 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.

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 allowed 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.

The statute also codified the State's settlement with hospitals over the use of MET revenue, revising services taxable under the MET and clarifying that the MET is a health care-related tax. The statute removes the application of the MET to special hospitals for rehabilitation, changes the payment schedule for the tax and the method for collecting overdue tax payments, provided for a phased in reduction in the rate of the tax and clarified the priority in which MET can be applied to DSH payments to hospitals and for Medicaid provider payments.

MET and DSH Impact in fiscal years 2016 and 2017. As a result of a shortfall in MET received in fiscal year 2016 and a preliminary injunction from a federal court, the liability to the State's hospitals under the DSH program for their uncompensated care (UCC) exceeded the amount of DSH payments budgeted for fiscal years 2016 and 2017. DHHS satisfied the shortfalls by utilizing excess revenue received from the drug rebate program.

New Hampshire's Critical and Non Critical Access Hospitals file their MET in April and self-report UCC in February. 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 5.4% of net patient service revenue, collected by the DRA, and subsequently transferred to DHHS.

In fiscal years 2016 and 2017, DSH payments were paid annually by May 31st and 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 2017 DSH obligation was higher than anticipated at the time the 2016-2017 biennial budget was enacted because of a dispute over the clarification to the definition of uncompensated care by the federal government that resulted in the issuance of a permanent order by the Federal District Court in New Hampshire in *NHHA v. Sylvia Matthews Burwell*. The effect of the order was to prevent the inclusion of any third party payments against hospital costs to arrive at a net UCC until such time as CMS issued the clarification of the definition by rule-making. Without the rule, third-party revenue for Medicaid patients was excluded thereby resulting in higher calculations of uncompensated care which are subject to a DSH payment in State fiscal year 2017. CMS issued a final rule effective June 2, 2017; however, since issuance of the final order, the NHHA et al. and other entities in other courts brought suit against USDHHS questioning the authority of the Secretary to issue this interpretation in rule (*NHHA v. Azar*). The rule was vacated in an order issued March 2, 2018 and the State's DSH payments for fiscal years 2018 and 2019 therefore did not consider private insurer or Medicare revenue for the purposes of calculating uncompensated care.

MET and DSH Impact in Fiscal Years 2018 and 2019. During the 2018 legislative session, the NHHA and the State revised their 2014 settlement to agree that for fiscal year 2018, DSH payments would be made in an amount equal to 92.2% of the MET collected, and for fiscal year 2019, in an amount equal to 90.2% of amount of MET collected. The new agreement was codified in Chapter 162:31, Laws of 2018, which also appropriated the additional DSH payments for the biennium ended June 30, 2019.

In fiscal years 2018 and 2019, DSH payments were paid annually by May 31st and were processed in the following priority order:

- (1) Critical Access Hospital (CAH) will be reimbursed at an amount equal to 75% of UCC
- (2) Non-Critical Access Hospital will be reimbursed at an amount up to 92.2% (fiscal year 2018) or 90.2% (fiscal year 2019) of MET revenues
- (3) Remaining funds shall support Medicaid Provider payments

In fiscal year 2018, this resulted in an increased DSH payment of \$57.9 million above the fiscal year 2018 budget and decreased the available MET for other Medicaid Provider payments by \$22.2 million. For fiscal year 2019, DSH payments totaled \$225.9 million, or \$60.4 million above the budgeted DSH payments. MET revenue totaled \$250.2 million, which is \$3.2 million higher than originally budgeted, so the reduction to MET available for Medicaid Provider payments was \$23.6 million.

The legislation also included the following two provisions:

- Provision 1) Given any future change to the federal definition of uncompensated care resulting in a decrease in the UCC calculation, then the percentage of allowable UCC for CAH hospitals will be adjusted to 75% of UCC calculated without regard to payments from Medicare or third party payers. If increasing the percentage of allowable DSH causes any hospital to exceed the hospital-specific DSH limit, the difference will be paid to the critical access hospitals in Medicaid supplemental payments, MCO directed payments, increased rates, or any other allowable Medicaid payment.
- Provision 2) Any future reduction in the federal DSH allotment to the State resulting in a DSH payment below the percentage of MET established for the year in question will be paid to hospitals in Medicaid supplemental payments, MCO directed payments, increased rates, or any other allowable Medicaid payment.

MET and DSH Impact in Fiscal Years 2020 and 2021. Per the revised settlement agreement, for fiscal years 2020 to 2024, hospitals will be paid for uncompensated care costs in an amount up to 86% of the MET revenue, with an additional 5% of MET revenue directed to an increase in hospital service provider rates, or another allowable form of Medicaid payment. The budget for fiscal year 2020 assumed \$112.18 million of MET revenue for uncompensated care payments (\$224.4 million total funds) and \$6.52 million for hospital service rate increases (\$13.04 million total funds) included in the amounts listed below for fiscal years 2020 and 2021. The budget also assumed \$142.4 million of MET for Medicaid Provider payments.

An appeals court decision issued on August 13, 2019 reinstated the previously vacated rule, thereby requiring the calculation of uncompensated care cost to include the impact of payments from private insurers and Medicare for dually-eligible individuals. Therefore, under provision 1 above, the State may be required to increase payments to critical access hospitals to an amount higher than the hospital-specific DSH limit established in the reinstated rule. In fiscal year 2020, the State satisfied provision 1 through a combination of DSH payments with supplemental payments under the upper payment limit. For fiscal year 2021, the State expects to meet provision 1 through a combination of MCO directed payments and supplemental payments under the upper payment limit. The 2021 MCO directed payments were included in rate filings submitted to CMS. For State fiscal year 2021 critical access hospitals will not receive a DSH payment; instead they will receive a MCO directed payment and a supplemental payment under the upper payment limit. For non-CH hospitals, the State and hospitals have verbally agreed to make all payments in the form of DSH (i.e., the DSH payments will reach 91% of MET, without additional increases to provider rates).

Based on current feedback and conversations with CMS, the State understands that no COVID-related provider relief funds will be contemplated as Medicaid compensation or compensation for the uninsured. As Medicaid and uninsured populations have increased due to COVID, the State anticipates that each hospital's UCC calculation will also increase.

In October, 2020, Lakes Region General HealthCare, the parent company of Lakes Region General Hospital and Franklin Regional Hospital, filed for Chapter 11 bankruptcy protection. The bankruptcy proceeding is in its early stages and the State cannot now predict what impact, if any, the bankruptcy may have on the Medicaid Enhancement Taxes owed to the State or DSH payments due to the bankrupt hospitals.

MET and DSH Impact in Fiscal Years 2022 and 2023. The revised settlement agreement is controlling through fiscal year 2024. The budget for fiscal year 2022 assumes \$112.2 million of MET revenue for uncompensated care payments (\$224.5 million total funds) and \$6.54 million for hospital service rate increases (\$13.08 million total funds) included in the amounts listed below for fiscal years 2022 and 2023. The budget also assumes \$142.52 million of MET for Medicaid Provider payments. Starting in State fiscal year 2022, critical access hospitals will receive payments through three (3) separate payment streams; an MCO directed payment of enhanced base rates, an MCO directed payment based on utilization, and an upper payment limit supplemental payment. Non-critical access hospitals will continue to receive DSH payments in an amount equal to the full value of their payments up to 91% of MET. They will not receive directed payments in 2021 or 2022.

Additionally, the DSH allotment reductions, which had been scheduled to begin on October 1, 2019 (FFY 2020), were postponed to December 1, 2020. Under current law, the aggregate reductions to the Medicaid DSH allotments equal \$4.0 billion for the period beginning December 1, 2020, and ending September 30, 2021, and \$8 billion for each year from federal fiscal year 2022 through federal fiscal year 2025. Under provision 2, above, if DSH is unavailable, the State will still be obligated to make payments to the hospitals in an amount equal to 86% of the MET, via another Medicaid payment methodology. For both provision 1 and provision 2, the State is working cooperatively with the hospitals to identify an appropriate payment methodology, which may be directed payment, supplemental payments, value-based payments or any other payment allowable by law.

Any change in payment methodology resulting from provision 1 or provision 2 is expected to be revenue-neutral to the State, as the settlement provides that the State will expend 86% plus 5% of the MET regardless of the form of Medicaid payment to the hospitals and the remainder will be available to the State for all other forms of Medicaid provider payments.. If hospitals have a lower net patient service revenue, for example, due to the COVID-19 pandemic, there will be less MET collected. This will not impact the State’s ability to make DSH payments, it will however mean that the remainder of funds available after the State makes its DSH related obligations will be smaller and therefore there will less MET revenue going into the General Fund in support of provider payments. The hospitals are required to submit a non-binding estimate in January. Based on recent projections, New Hampshire hospitals are estimating 10% - 15% reduction in net patient service revenues.

The table below sets forth aggregate DSH Payments, including both federal and State funding sources since 2009.

<u>State Fiscal Year</u>	<u>DSH Payments</u>
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
2017 paid	215,614,596
2018 paid	223,668,312
2019 paid	225,946,954
2020 paid	228,149,996
2021 budget	246,034,816

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, federal funding for many PPACA reforms began at 100% and reduces to 90% over time.

The U.S. Department of Health and Human Services Office of the Inspector General (OIG) has withdrawn a proposed rule amendment, effective January 1, 2020, which may have had an impact on the collection of drug rebates under Medicare Part D, Medicaid care management organizations.

Granite Advantage Health Care Program (“Granite Advantage”). New Hampshire Granite Advantage Health Care Trust Fund provides coverage for the newly eligible Medicaid population as provided for under RSA 126-AA:2 covering adults from age 19 up to and including age 64 and who are not enrolled in or eligible for another eligibility group of Medicaid or have Medicare. Senate Bill 313 repealed the NHHPP effective December 31, 2018 and establishes the NH Granite Advantage Health Care Program, a five-year demonstration program beginning on January 1, 2019. The State’s application to extend and revise the State's Section 1115 demonstration, titled "New Hampshire Health Protection Program (NHHPP) Premium Assistance Demonstration", was approved by CMS, effective on November 30, 2018. In addition to transitioning the New Adult Group from the Federal Marketplace to the State’s managed care program, the waiver allows the State to offer new incentives for beneficiaries to utilize

lower cost providers; implement reference based pricing; and adopt new measures to address the State's Opioid Crisis. Included in the waiver was an extension of the community engagement and work requirement issued May 7, 2018 with the goal of improving health and economic mobility and sustaining insurance coverage and employment for this population. This requirement conditions continued eligibility for benefits on satisfying work and community engagement requirements of 100 hours per month of qualifying activities for individuals who are not otherwise exempted. (See "*Litigation*" below for a discussion of potential litigation related to the community engagement and work requirement.) As previously noted, Senate Bill 313 also addresses changes to the non-federal share of the program cost.

Granite Advantage members were then under the State's 1915 (b) waiver enrolled in one of New Hampshire's Medicaid Care Management plans; previously NHHPP coverage was largely through qualified health plans on the Federal Exchange. Subsequently, on November 30, 2018 New Hampshire received approval from CMS to amend and extend its 1115 waiver to incorporate the Granite Advantage Health Care Program, including provisions to allow for the Granite Advantage Health Care Program to (1) eliminate 90-day retroactive coverage, and (2) implement a Community Engagement and Work Requirement for this eligibility group. The elimination of the 90-day retroactive coverage began January 1, 2019; the on-ramp of the Community Engagement and Work Requirement began March 1, 2019. The work and community engagement requirement was initially suspended under authority provided under SB 290, and was later terminated as a result of a decision by the U.S. District Court of the District of Columbia on July 29, 2019, as was the elimination of retroactive coverage. With respect to the future of the ACA, the U.S. Supreme Court will decide *California v. Texas*, a case that could determine whether the entire Affordable Care Act can continue. Oral argument is scheduled for November 10, 2020. Chapter 342:12, Laws of 2018 provides at any time the federal match rate applied to medical assistance for newly eligible adults in Granite Advantage is less than 90 percent in 2020 or beyond, the Program with notice is to be repealed and coverage terminated.

Enrollment in Granite Advantage has roughly been about 50,000 over the past few years, with some variation throughout the year (when looked at on a point-in-time basis). However, as shown in the chart below, due to the COVID pandemic, enrollment has been steadily increasing since March 16, 2020 through October 19, 2020 to nearly 64,072 members, an increase of an additional 12,707 or 24.7%. Most of the net growth has been due to the Federal Families First Coronavirus Response Act which requires states, as a condition of receiving an enhanced federal match for Medicaid (except for adult expansion) to suspend termination of eligibility for Medicaid except for members who die, move out of state, or request ending Medicaid coverage.

Because the Granite Advantage program typically sees many members leaving the program each month (who are replaced by new members) a requirement to retain members who would otherwise have left the program leads to steady growth (see chart below).

GAHCP Member Eligibility Trend for SFY2020



Note: Includes all available retroactive eligibility; Point in time data for the end of each month. Source: EBI as of 9/3/2020 update.

The following table sets forth State fiscal year expenditures for the NHHPP and Granite Advantage.

<u>State Fiscal Year</u>	<u>NH Health Protection Program</u>	<u>Granite Advantage Health Care Program</u>
2015	\$202,475,294	
2016	\$405,982,081	
2017	\$452,883,648	
2018	\$492,239,603	
2019	\$238,210,616 ⁽¹⁾	\$167,784,917 ⁽²⁾
2020		\$382,383,945
2021 Proj.		\$544,575,788

⁽¹⁾ July 1, 2018 through December 31, 2018.

⁽²⁾ January 1, 2019 through June 30, 2019.

The actual expenses for fiscal year 2020 shown above are approximately \$24 million higher than projected. The increase in projected costs is due to the increase in Medicaid caseload resulting from the COVID-19 pandemic and the related unprecedented economic downturn. Cost projections assumes caseload trend increases by 2% monthly through December 2020, flat caseload through the March 2021 and gradual monthly decreases of 2% beginning in April 2021 until pre-COVID monthly membership is reached as of date of service March 2022. Added to the cost includes the legislative provider rate increases approved in HB 4, Section 348 to increase all Medicaid provider rates, including all state plan services and waiver programs by 3.1 percent effective January 1, 2020 and an additional 3.1 percent effective January 1, 2021. The rate increases are applied to the Medicaid fee-for-service fee schedule for the purpose of determining payments for all services not delivered through managed care, and requires the department's actuary to incorporate the rate increases into the capitation payment for all services provided in the care management program.

As provided in statute, no State general funds are used to fund the non-federal share of the program. RSA 126:AA changed the funding of the non-federal share to include profits from the Liquor Commission through the Alcohol, Prevention & Treatment Fund and limited the N.H. Health Plan Assessment to no more than the funding needed to cover the Remainder Amount not to exceed the monies from Insurance Premium Tax Revenue and Alcohol, Prevention & Treatment Fund as well as Other Funds Returnable. No additional funding was needed in State fiscal year 2020, however, due to the impact of the COVID-19 pandemic on caseload and the provider rate increase noted above, current projections indicate the need of approximately \$7.9 million of additional Liquor Commission Funds.

Operational Cost of Granite Advantage Coverage State fiscal year 2019 projected through State fiscal year 2022

	SFY 2019	SFY 2020	SFY 2021	SFY 2022
Cost of Coverage for the Program	\$166,861,382	\$380,112,773	\$542,896,016	\$499,389,569
Administrative Costs	\$923,535	\$2,271,172	\$1,679,772	\$1,713,525
Total Costs	\$167,784,917	\$382,383,945	\$544,575,788	\$501,103,094
Less:				
Federal Reimbursement: Program & Admin	\$155,259,100	\$348,686,800	\$489,757,564	\$450,538,137
Actual/Est. Insurance Premium Tax Revenue	\$8,132,273	\$5,883,982	\$9,141,860	\$10,416,922
Alcohol Abuse, Prevention & Treatment Fund	\$5,000,000	\$10,037,800	\$10,000,000	\$10,000,000
Additional Liquor Commission Funds			\$7,993,964	\$6,403,483
Funds Returnable: RSA 126-AA:3(f)	\$781,600	\$4,870,826	\$5,296,927	\$5,301,627
Total Reimbursement & Tax Contributions	\$169,172,973	\$369,479,408	\$522,190,315	\$482,660,168
Remainder Amount	(\$1,388,057)	\$12,904,537	\$22,385,473	\$18,442,925
Assessment fee from NH Health Plan	\$0	\$17,291,000	\$16,610,953	\$18,442,925
non-federal funds brought forward from prior SFY	\$0	\$1,388,057	\$5,774,520	\$0
Balance of non-federal funds	\$1,388,057	\$5,774,520	\$0	\$0

NHHPP Risk Mitigation. As of January 1, 2016, the Bridge Period ended and the NHHPP members began coverage in the QHPs, except for medically frail members that remained in an MCO. This risk settlement period covers only those medically frail members, which is a minimal proportion compared to the approximately 50,000 members. The MCO contracts included a risk mitigation provision to minimize the financial risk for the MCOs, the state and the federal government from the potential under or over estimation of the capitation rates given the estimating healthcare costs for this population that was not previously covered by health insurance. The NHHPP population was healthier than assumed for the period of September 2014 through December 2015 (the “Bridge Period”) resulting in \$61.5 million net recovery of 100% federal funds. The funds were received by the MCOs and returned to CMS in January 2018. The Risk Settlement reconciliation for January 2016 through June 2016 resulted in \$5.7 million net recovery, which was also 100% federal funds. The Risk Settlement reconciliation for the period July 2016 through June 2017 resulted in \$16.6 million recovery, 100% federal funds for the period July 2016 through December 2016; 95% federal funds and 5% non-federal for the period January 2017 through June 2017. The Risk Settlement reconciliation for July 2017 through June 2018 resulted in \$10.3 million net recovery, 95% federal funds and 5% non-federal funds for the period July 2017 through December 2017 and 94% federal funds and 6% non-federal funds for the period January 2018 through June 2018. The Risk Settlement reconciliation for the final six months of the program, July 2018 through December 2018, resulted in \$1.8 million net recovery, 94% federal funds and 6% non-federal funds.

Final Close-out of the NH Health Protection Program Fund. The balance of \$5.8 million has been refunded, split equally between the NHHP and the Foundation as instructed in the final court approval which applied the doctrine of cy pres. In July 2017, CMS informed DHHS that it could no longer accept donations from the Foundation to fund the Healthcare Protection Program, effective with fiscal year 2019. In response to CMS’s directive, the Legislature enacted SB 313 repealing the Health Protection Plan and creating the New Hampshire Granite Advantage Health Care Program and Trust Fund. Money from the Fund was authorized to be transferred to the Granite Advantage Health Care Fund, except funds derived from other sources than the Liquor

Commission. This directive prevented the transfer of the Foundation’s remaining charitable donation in the Fund. The remaining charitable donation funds has been directed to the Foundation with the requirement that “the funds be expended to improve health and health care delivery in New Hampshire, with an emphasis on health care access and delivery issues that have a disproportionate impact on low income individual, such as ensuring access to treatment for substance use disorder.”

Medicaid to Schools. New Hampshire Medicaid through its State Plan draws an in-kind federal match at a 50% rate to pay local education agencies (LEAs) and school administrative units (SAUs) for Medicaid to Schools State Plan benefits. During the COVID-19 public health emergency, the in-kind federal match is increased to 56.2%. Under current law, the increased match will extend through the last day of the calendar quarter in which the public health emergency is declared. The Medicaid to Schools benefit drawn from federal funds in recent fiscal years has been approximately \$27.0 million annually. As a result of changes in rule, in law and the impact of COVID-19, claims submitted in 2020 are approximately \$8 million to date. However, schools have not exhausted their time for submission of claims. Oversight transitioned from the Bureau of Developmental Services to the Division of Medicaid Services effective July 1, 2019, LEAs and SAUs bill health and behavioral related services provided in the school setting when covered services are provided to Medicaid enrolled children and adolescents, or when services are provided to a child through his or her individualized education plan (IEP) under the federal Individuals with Disabilities Education Act, a Section 504 plan, or other written health related plans.

On July 1, 2019, the Substance Abuse and Mental Health Services Administration and CMS issued guidance on how and under what conditions a state can expand access to services in the school setting. The guidance among other aspects points to the condition that the school setting participation must be comparably operated and administered as other Medicaid settings. In state program integrity activities, prior to and subsequent to the guidance, DHHS self-identified aspects of administration of the benefit where comparability was not sufficiently attained. DHHS is currently working with schools to strengthen compliance, revising rules, and is engaging CMS relative to a corrective action plan.

On February 21, 2020, He-W 589, a new Medicaid to Schools Administrative rule, was approved. This rule describes the services reimbursable under Medicaid. Additionally, on March 9, 2020, the Legislature passed SB 684, which accomplished three (3) important goals for Medicaid to Schools. First, it added public schools to the list of settings where a licensed nurse may delegate the task of administering medication. Second, it provided a means to license qualified professionals that are certified by the Department of Education which are providing health related services to New Hampshire students. Once licensed, schools may be able to seek federal funding for services provided by these licensed professionals. Finally, the legislation provided clarity and aligned language between the Medicaid to Schools statutes.

As part of the activities necessary to administer the Medicaid state plan, states may also provide Medicaid payments to schools for Medicaid outreach and enrollment activities, as well as other eligible, school-based administrative activities; New Hampshire schools have not yet availed themselves to that opportunity in any material way. DHHS will be working with the Department of Education and LEAs/SAUs to implement an administrative claiming program in the State.

Waivers.

IMD / Substance Use Disorder 1115 Waiver. In 2016, the Legislature passed HB517, which required the State to redevelop excess capacity at the existing Sununu Youth Services Center (SYSC) to allow for expansion to a 36-bed residential Substance Use Disorder (SUD) treatment facility available for adolescents. The program at SYSC was intentionally designed as a Comprehensive SUD Program, to be in alignment with the existing SUD service delivery system. The State submitted an application for the Substance Use Disorder Treatment and Recovery Access 1115 Demonstration Waiver. CMS approved the waiver on July 10, 2018. The SYSC officially opened November 1, 2018. However, the program was suspended in December 2019. The Department is reexamining its adolescent treatment system in light of federal and state requirements and its experience with this particular program.

This waiver has budget neutrality provisions (a requirement to show expenditures for this project do not exceed the federal expenditures that would otherwise have been made). The budget neutrality is monitored with the

support of the Department's actuary. The Department submitted an amendment to the waiver on August 21, 2020 to prospectively adjust the budget neutrality targets, and negotiations with CMS have been ongoing to address corrective action to our budget neutrality limit calculations.

Section 1115 Transformation Waiver. On January 5, 2016, CMS approved the State's Section 1115 Research and Demonstration Transformation to access new federal funding to help transform its behavioral health delivery system. On January 5, 2016, CMS approved the State's application to participate in this Demonstration Waiver that will allow the State to access up to a total of \$150 million over the next five years (approximately \$30 million per year) over a five year period for the purpose of strengthening and expanding capacity for the State's behavioral health 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

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. DSRIP performance based payments made to the regionally based networks of medical and community social service providers called Integrated Delivery Networks (IDN's) processed in fiscal year 2017 were \$24.9 million; in fiscal year 2018 were \$20.4 million; in fiscal year 2019 were \$18.7 million and in fiscal year 2020 were \$10 million. 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 is expected to continue.

A change in federal policy has introduced potential implications to the current five-year waiver for future DSHP financing under the DSRIP waiver. CMS has issued national guidance regarding the discontinuation of certain DSHP financing subsequent to the original five year duration. A portion of the State's DSRIP waiver required conversion of certain DSHP financing to a CPE (certified public expenditures) method for this waiver specifically. Under the CPE rules, CMS guidance potentially disallows a portion of the monies anticipated by the State. While CMS has subsequently approved DHHS' alternative methodology, it is contingently effective in that it depends on counties voluntarily appropriating monies not previously federally matched to be contributed to DHHS so they can be matched in support of the DSRIP waiver. In State fiscal year 2019, the counties provided \$6.3 million and in state fiscal year 2020 provided \$4.99 million in funding. The capability of the counties to contribute is indirectly the result of enhanced Proshare payments due to the alternative methodology. The impact going forward in 2020, the remainder of the waiver period, should the counties elect not to provide financial support, would be a curtailment of what can be accomplished through the waiver. Therefore, any county shortfall is not expected to impact the General Fund. This waiver has budget neutrality provisions (a requirement to show expenditures for this project do not exceed the federal expenditures that would otherwise have been made). Budget neutrality is monitored with the support of the Department's actuary. CMS, the Department, and its actuary have held substantive discussions and have provided data to support the need for technical adjustments to the original budget neutrality aspects of this waiver. In particular, adjustments are needed to reflect (i) correction of inconsistencies between the original budget neutrality targets and the CMS-64 reporting of actual expenditures, (ii) acuity changes due to an increase in the population receiving behavioral health services consistent with the Medicaid Eligibility Group (MEG) structure, (iii) New Hampshire's response to the opioid crisis, including the expansion of community mental health services and (iv) other unpredictable expenditures not known at the time of the original budget neutrality calculation. The Department and its actuary, under its own assumptions, have calculated the waiver over its term to be budget neutral. CMS has subsequently informally indicated that they have not accepted the State's proposal, however CMS indicated the State is not prohibited to continue the waiver or continue to draw federal match. If CMS does advise, the State formally, the State has the opportunity to potentially further negotiate and/or appeal. The Standard Terms and Conditions (STCs) have a maximum exposure of the actual federal draw.

Fast Forward Waiver State Plan Amendment 1915(i). In 2016, the Legislature passed HB517 requiring DHHS to establish a Medicaid home and community-based behavioral health services program for children with severe emotional disturbances whose service needs cannot be met through traditional behavioral health services. DHHS may establish such services through a State plan amendment or a waiver under provisions of the SSA. If DHHS proceeds with the waiver, it may limit geographic availability of services. The services shall include the following or their functional equivalent: wrap around care coordination, wrap around participation, in home respite care, out of home respite care, customizable goods and services, family peer support, and youth peer support. On July 12, 2018, CMS approved the State's Plan Amendment, which amended the NH Title XIX State Plan to include a section to provide home and community-based services to children with serious behavioral health issues through a coordinated model. The services were effective July 2018.

Additional 1915 waivers. Each of the below waivers are federally required to be cost effective and are fully appropriated in the State fiscal years 2020-2021 budget.

Choices For Independence 1915(c) Waiver. This waiver provides adult medical day services, home health aide, homemaker, personal care, respite, supported employment, financial management services, adult family care, adult in-home services, community transition services, environmental accessibility services, home-delivered meals, non-medical transportation, participant directed and managed services, personal emergency response system, residential care facility services, skilled nursing, specialized medical equipment services, supportive housing services for aged individuals ages 65 years and older .

Acquired Brain Disorder 1915(c) Waiver. This waiver provides community participation services, respite, service coordination, supported employment services, assistive technology support services, community support services (CSS), crisis response services, environmental and vehicle modification services, participant directed and managed services - PDMS (formerly consolidated acquired brain disorder services), residential habilitation/personal care services, specialty services, wellness coaching for individuals with brain injuries aged 22 years and above.

Development Disabilities 1915(c) Waiver. This waiver provides community participation services, residential habilitation/personal care services, respite, service coordination, supported employment, assistive technology support services, community support services (CSS), crisis response services, environmental and vehicle modification services, participant directed and managed services (PDMS) formerly consolidated developmental services, specialty services, and wellness coaching for individuals with developmental disabilities . There is no upper or lower age limit for this waiver. However, funding pursuant to RSA 171-A is provided 90 days prior to an individual graduating or leaving the school system.

In Home Supports 1915 (c) Waiver. This waiver provides enhanced personal care, consultations, environmental and vehicle modifications, family support/service coordination, and respite care services for individuals under age 21 with developmental disabilities who live at home with their families.

Freedom of Choice Managed Care, 1915 (b). This waiver provides for enrollment in Mandatory Managed Care for State Plan Services for Currently Voluntary Populations.

Litigation. Various aspects of New Hampshire Medicaid are the subject of litigation and potential 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.

As mentioned above, DHHS has received approval from the Centers for Medicare and Medicaid Services (CMS) of a waiver under Section 1115 of the Social Security Act of 1933, as amended, for the implementation of its Granite Advantage Health Care Program for coverage of the New Adult Group under the Patient Protection and Affordable Care Act. That waiver approval includes a waiver of Section 1902a(10) thus permitting eligibility for benefits to be conditioned on satisfying work and community engagement requirements. To date, litigation challenging the Secretary's determination under Section 1115 that work and community engagement requirements promote the objectives of the Medicaid program has been filed in every state in which the Medicaid agency has implemented such a work and community engagement requirement pursuant to a CMS issued waiver. See *Stewart v. Azar, et al., Civ. Action No. 18-152 (USDCDC)(Kentucky Waiver)*, and *Gresham, et al. v. Azar, Civ. Action No.*

1:18-cv-01900 USDCCD (Arkansas). On February 14, 2020, a 3-judge panel of the D.C. Circuit Court of Appeals ruled unanimously that the Secretary's approval of the Arkansas work requirement waiver was "arbitrary and capricious" under the APA and affirmed Judge Boasberg's decision to vacate the Secretary's approval.

On July 29, 2019, the US District Court for the District of Columbia vacated New Hampshire's section 1115 waiver requirement. The court decision both prohibited the implementation of the work and community engagement requirement and also invalidated the waiver of 90-day retroactive coverage. As of the decision date, Granite Advantage members at this time no longer needed to meet the 100-hour monthly participation requirement or request any type of exemption as a condition of continued eligibility to keep their Medicaid coverage. Additionally, the 90-day retroactive coverage has been reinstated for the Granite Advantage population. The cost of reinstating the 90-day coverage is accounted for in the current fiscal year 2020-2021 budget.

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, 2020.

Debt Statement as of June 30, 2020 (In Thousands)

<u>General Obligation Bonds:</u>		
General Improvement	\$557,611	
Highway	91,813	
University System of New Hampshire	91,745	
Total Direct General Obligation Debt		\$741,169
<u>Revenue Bonds:</u>		
Turnpike System ⁽¹⁾	295,930	
GARVEE ⁽²⁾	90,800	
Total Revenue Bond Debt		\$386,730
<u>Contingent (Guaranteed) Debt:</u>		
Water Pollution and Waste Disposal Bonds issued by Political Subdivisions	0	
Business Finance Authority	52,300	
Local School District School Bonds	15,289	
Total Contingent Debt		\$67,589
Total Debt		\$1,195,488
<u>Less: Self-Supporting and Contingent Debt:</u>		
General Fund Self-Supporting Debt ⁽³⁾	29,783	
Turnpike System Revenue Bonds	295,930	
Highway Fund	91,813	
GARVEE	90,800	
Water Pollution and Waste Disposal Bonds issued by Political Subdivisions	0	
Business Finance Authority	52,300	
Local School District School Bonds	15,289	
Liquor Commission	38,590	
State Revolving Fund	11,227	
School Building Aid	52,480	
Fish & Game	1,322	
Total Self-Supporting and Contingent Debt		\$679,534
Total Net General Fund Debt ⁽⁴⁾		\$515,954

(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.

In addition to the debt included in the table above, Chapter 17 of the Laws of 2014 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 was projected to generate approximately \$34 million annually and generated \$32.9 million for fiscal year 2020. The increase 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, 2020 the amount drawn on the TIFIA loan was \$174.9 million on a GAAP accrual basis, which amount was \$15.7 million less than originally expected.

The table above does not include the outstanding TIFIA loan balance as of June 30, 2020 in order to reconcile Total Direct General Obligation Debt outstanding of \$741 million with scheduled Direct General Obligation Debt Service principal payments of \$741 million.

In addition to the debt presented above, at June 30, 2020, the State had short and long-term capital leases outstanding of \$3.6 million and \$13.4 million, respectively, 77% 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,				
	2016	2017	2018	2019	2020
Direct General Obligation Debt	\$ 827,558	\$ 806,138	\$ 785,384	\$ 754,424	\$ 741,169
Contingent (Guaranteed) Debt	80,366	73,495	69,766	73,736	67,589
Less: Self-Supporting Debt	(301,796)	(312,448)	(306,219)	(305,311)	(292,804)
Total Net General Fund Debt	606,128	567,185	548,931	522,849	515,954
Per Capita Debt ⁽¹⁾ :					
Direct General Obligation Bonds	\$620	\$604	\$585	\$558	\$545
Net General Fund Debt	\$454	\$425	\$409	\$386	\$379
Ratio of Debt to Personal Income ⁽¹⁾					
Direct General Obligation Bonds	1.11%	1.08%	0.98%	0.91%	0.86%
Net General Fund Debt	0.81%	0.76%	0.69%	0.63%	0.60%
Ratio of Debt to Estimated Full Value:					
Direct General Obligation Bonds	0.50%	0.46%	0.43%	0.39%	0.36%
Net General Fund Debt	0.37%	0.33%	0.30%	0.27%	0.25%
General Fund Unrestricted Revenues	1,528,800	1,503,190	1,595,673	1,622,002	1,525,395
Debt Service Expenditures ⁽²⁾	90,280	90,710	90,674	93,668	91,730
Debt Service as a Percent of General Fund Unrestricted Revenues	5.91%	6.03%	5.68%	5.77%	6.01%
Population (in thousands)	1,334	1,335	1,343	1,353	1,360
Total Personal Income (in millions)	74,388	74,687	80,122	8,143	86,345
Estimated Full Value (in thousands)	\$165,140,011	\$173,365,434	\$182,759,870	\$194,656,334	\$207,887,399

⁽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.

**Rate of Debt Retirement
as of June 30, 2020**

	<u>General Obligation Debt</u>	<u>Net General Fund Debt</u>
5 years.....	50%	51%
10 years.....	81	80
15 years.....	95	95
20 years.....	100	100

Recent Debt Issuances

In recent years, the State has issued bonds 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,				
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Beginning Debt	\$ 918,168	\$ 827,558	\$ 806,139	\$ 785,384	\$ 754,424
Bonds Issued	0	118,260	70,855	63,410	80,865
Total Net Debt	918,168	945,818	877,024	848,794	835,289
Less: Bonds Paid	90,610	85,904	91,640	94,370	94,120
Defeasance	0	53,775	0	0	0
Ending Debt	<u>\$827,558</u>	<u>\$806,139</u>	<u>\$ 785,384</u>	<u>\$ 754,424</u>	<u>\$ 741,169</u>

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, 2020. 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 \$110.0 million with expected subsidy payments of \$9 million over the remaining life of the bonds as of June 30, 2020. 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 2020 and is expected to cause further reductions in fiscal year 2021 and beyond. The result in State fiscal year 2020 was a reduction of \$107,657 in subsidy interest payments on general obligation bonds. See “STATE FINANCES – State Revenues – Federal Sequestration.”

**Direct General Obligation Debt
as of June 30, 2020⁽¹⁾
(In Thousands)**

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021.....	\$ 86,840	\$ 32,012	\$118,852
2022.....	81,620	28,343	109,963
2023.....	72,175	24,475	96,650
2024.....	66,930	21,084	88,014
2025.....	63,740	18,037	81,777
2026.....	55,840	15,396	71,236
2027.....	51,720	12,855	64,575
2028.....	45,925	10,598	56,523
2029.....	38,790	8,506	47,296
2030.....	35,625	6,755	42,380
2031.....	25,760	5,337	31,097
2032.....	19,095	4,289	23,384
2033.....	20,535	3,510	24,045
2034.....	18,300	2,678	20,978
2035.....	18,129	1,952	20,081
2036.....	10,935	1,420	12,355
2037.....	11,400	969	12,369
2038.....	8,865	591	9,456
2039.....	5,740	291	6,031
2040.....	3,205	80	3,285
Total	\$741,169	\$199,179	\$940,347

⁽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.

The State Treasury does not currently anticipate any temporary borrowings in fiscal years 2021 or 2022.

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, 2020, the State had statutorily authorized but unissued direct general obligation debt in the total principal amount of \$234 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 bonds issued in May 2012 were fully paid in September 2020. 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 and Sarah Mildred Long Bridge have been replaced and are in operation, with the cost split between New Hampshire and Maine. New Hampshire did not use GARVEE bonds as a means of financing the construction cost of either bridge. The New Hampshire Ten Year Transportation Improvement Plan 2021-2030, Chapter 33 of the Laws of 2020, modified RSA 228-A:2 to remove bonding for 2 Connecticut River bridges located in Lebanon, New Hampshire and Hinsdale, New Hampshire, as well as the Memorial Bridge and Sarah Mildred Long Bridge. The State did not use GARVEE bonds as a means of financing these bridges.

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.

<u>Purpose</u>	<u>Guarantee Limit as of June 30, 2020</u>	<u>Remaining Guarantee Capacity as of June 30, 2020</u>
Local Water Pollution Control Bonds	\$50.0 million ⁽¹⁾⁽²⁾	\$50.0 million
Local School Bonds	95.0 million ⁽¹⁾⁽²⁾	76.8 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	145.0 million ⁽¹⁾⁽⁴⁾	92.7 million ⁽³⁾
Pease Development Authority	70.0 million ⁽⁴⁾	13.9 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.

Since June 30, 2020, the Business Finance Authority has issued \$6 million of State guaranteed bonds pursuant to its programs.

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. For example, Chapter 30:7, Laws of 2020 amended RSA 6 by adding section 6:13-e which authorizes \$50 million in general obligation bonds for the purpose of funding certain environmental projects for PFAS remediation. Unlike the borrowing authority for most capital budget projects, this authorization allows for maturities of up to 30 years from the date of issue and is non-lapsing. It also provides, pursuant to RSA 485-H:6, I, that any borrowing shall be paid with general fund unrestricted revenues; however, reimbursement shall be made from

settlement funds received via lawsuits against PFAS manufacturers. See “LITIGATION – Other Matters - *Potential Claims Relating to PFAS Environmental Issues.*”

The following table sets out the State’s capital budget appropriations and bonds authorized for the 2020-21 biennium as authorized by Chapter 146, Laws of 2019.

Capital Appropriations and Bonds Authorized

	Biennium Ending June 30, 2021
Adjutant General	\$ 28,625,000
Administrative Services	23,345,000
Community-Technical College System	7,465,500
Corrections	7,404,000
Education	18,550,000
Environmental Services	23,861,670
Fish & Game	400,000
Health & Human Services	10,369,352
Information Technology	4,292,500
Judicial Branch	1,710,000
Liquor Commission	2,000,000
Pease Development Authority/Ports	756,250
Police Standards and Training	1,185,000
Natural and Cultural Resources	6,685,000
Safety	6,711,000
Transportation	106,373,987
University System of New Hampshire	10,000,000
Veteran’s Home	1,170,000
Gross Appropriations	260,903,759
Less-Federal, Local & Other Funds	103,914,648
Net Bonds Authorized	\$156,989,111
 <u>Funding of Bonds</u>	
Highway Funded	\$ 24,245,150
Other Funded	7,762,000
General Funded	124,981,961
Net Bonds Authorized	\$156,989,111

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, 2020.

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 \$296 million of such bonds were outstanding as of June 30, 2020.

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 \$98 million of such bonds were outstanding as of June 30, 2020. 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, 2019, no bonds remain outstanding 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, 2020, no bonds remain 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, 2020, \$18.2 million of principal and interest was guaranteed under this program. This amount includes approximately \$15.2 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, 2020, all previously outstanding bonds guaranteed under this program have 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, 2019, \$20 million of such guaranteed bonds were outstanding, all of which were scheduled to mature on November 1, 2020. In March 2020, the Authority refinanced these bonds with \$20 million State guaranteed fixed rate refunding bonds that mature February 1, 2030.

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; \$11.6 million of such guaranteed revenue bonds were currently outstanding as of June 30, 2020.

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, 2020, \$20.7 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.

Pursuant to legislation enacted with the state budget in September 2019, the Authority may recommend that the Governor and Council award State guarantees of certain indebtedness of businesses located in unincorporated areas of the state, but the total principal amount of indebtedness guaranteed for such purposes may not exceed \$30 million at any time. This \$30 million is calculated separately from and unrelated to the aforementioned \$115 million.

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, 2020, the Pease International Tradeport had 4.86 million square feet of new

or renovated office/R&D/manufacturing space with over 250 companies employing more than 10,500 direct hires with another 5,125 indirect hires resulting from companies not located at Pease but doing business with companies at Pease.

As of June 30, 2020, PDA was 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, 2020 was \$48.9 million. The \$105.0 million unconditional State guarantee was 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 PDA comprehensive development plan for a research district at the PDA. Bonds have never been issued under these statutory provisions, and the authority to issue the \$35.0 million of State-guaranteed development bonds was repealed by Chapter 346, Laws of 2019.

The remaining 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. 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.

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, 2020, 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, 2020, the amount of bonds issued and outstanding pursuant to the NHMBB reserve fund requirement totaled \$769.8 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. The State created the New Hampshire Higher Educational and Health Facilities Authority (formerly the New Hampshire Higher Education and Health Facilities Authority) as a public body corporate and agency of the State to provide financing for the State's nonprofit health and educational facilities and the University System. The bonds and notes issued by the Authority are not a debt or obligation of the State and no State funds may be used for their repayment. Moreover, bonds issued for the University System by the Authority constitute limited obligations of the University System payable solely from designated enterprise revenues.

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, 2019, there were approximately 48,288 active, 2,552 inactive vested, 12,530 inactive non-vested, and 38,352 retired members of the System. The System provides service, disability, death and vested deferred pension retirement benefits to its members and their beneficiaries. 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 some part of 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 System flows back to the State. See "HEALTH CARE COVERAGE FOR RETIRED EMPLOYEES."

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 plan 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. Under current law, the cash outflow necessary to make benefit payments will continue until all benefits are paid. By law effective July 1, 2011, the maximum benefit payable is capped and the subsidy amount is not to be increased, provided, however, that all legislative provisions are subject to amendment or modification, within constitutional limits. Medical subsidy payments are made directly to former employers (State and local governments) 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. For information regarding additional health care benefits provided directly by the State for retired employees, see "HEALTH CARE COVERAGE FOR RETIRED EMPLOYEES" below.

Additional information pertaining to the Pension Plan is contained in the State's audited financial statements for the year ended June 30, 2019 at note 11 and in the Required Supplementary Information about the System (page 106), which financial statements are included as Exhibit A to this Information Statement. The System's audited financial statements for the year ended June 30, 2019 are also included in the State's Comprehensive Annual Financial Report for the year ended June 30, 2019 (the "2019 State CAFR"), which report is

also incorporated herein by reference and may be accessed at <https://das.nh.gov/accounting/reports.asp>. The 2019 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 its web site at www.nhrs.org. The System's Comprehensive Annual Financial Report for the year ended June 30, 2020 (the "2020 System CAFR") and the CAFR Schedules, GASB Statement Nos. 67 and 74 Plan Reporting and Accounting Schedules June 30, 2020 are expected to be accepted by the NHRS Board of Trustees (the "Board") at their meeting on December 8, 2020 and then made available on the NHRS website later that day. Currently available reports include the System's Comprehensive Annual Financial Report for the year ended June 30, 2019 (the "2019 System CAFR") and CAFR Schedules, GASB Statement Nos. 67 and 74 Plan Reporting and Accounting Schedules June 30, 2019, both available at <https://www.nhrs.org/funding-and-investments/reports-valuations/annual-report-archive>, along with the most recent full actuarial valuation, the Actuarial Valuation Report as of June 30, 2019 (the "2019 Actuarial Valuation"). The Fiscal Year 2016-2019 Experience Study, which is the most recent available actuarial experience study, is also available at that website location. 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. The Board accepted the 2017 Actuarial Valuation on September 11, 2018, and used that valuation to certify the employer contribution rates for the 2020-2021 biennium at that same meeting. The Board accepted the 2019 Actuarial Valuation on August 11, 2020, and used that valuation to certify the employer contribution rates for the 2022-2023 biennium at their meeting on September 8, 2020.

At its December 10, 2019 meeting, the Board accepted the 2019 System CAFR, and is expected to accept the audited fiscal year 2020 CAFR at its December 8, 2020 meeting. See also *Results of Actuarial Valuations* and *GASB Statements No. 67 and 68* below.

See also *Results of Actuarial Valuations* and *GASB Statements No. 67 and 68* 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 to the same extent as is 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 a one-time payment 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. As a result of significant legislative changes made in 2011 to pension eligibility, benefits and other provisions, 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 budgets 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 included many changes to eligibility and pension benefits, primarily for new members and members that were not vested as of January 1, 2012. These changes were 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 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.

The Actuarially Determined Contribution (“ADC”) (formerly referenced as the Annual Required Contribution or 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)
State Share

Fiscal Year	Total Employer	% of ADC	State Share			State Share % of Total	Local Share	% of Total
			For State Employees	On Behalf of Local	Total			
2021*	\$503.7	100%	\$98.7	\$0.0	\$98.7	20%	\$405.0	80%
2020	491.5	100%	98.2	0.0	98.2	20%	393.3	80%
2019	479.9	100%	97.4	0.0	97.4	20%	382.5	80%
2018	466.9	100%	92.8	0.0	92.8	20%	374.1	80%
2017	425.8	100%	90.2	0.0	90.2	21%	335.6	79%
2016	415.7	100%	87.1	0.0	87.1	21%	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%

*Amounts for 2021 are projected.

Note: State contributions are projected to continue to represent 20% of employer contributions in both fiscal years 2022 and 2023.

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 Subtrust 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 7.75% investment rate of return to within a range of 7.0% to 7.5% and reducing the 3.75% assumed payroll 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 a 3.25% payroll growth rate for all member groups except teachers, which was reduced to 2.75%, for developing the 2017 Actuarial Valuation.

2016-2019 Experience Study

On December 10, 2019, the Board of Trustees, in response to a recommendation from the System’s actuarial consultant, voted to initiate the next actuarial experience study earlier than statutorily required to cover the four year period July 1, 2015 through June 30, 2019 (the “2016-2019 Experience Study”). This action was taken to allow the changes in actuarial assumptions resulting from the experience study to be factored into the 2019 Actuarial Valuation, which was used to set the required contribution rates for fiscal years 2022 and 2023.

The draft 2016 -2019 Experience Study was presented by the actuarial consultant to the Board at its May 12, 2020 meeting, and the Board voted at its June 9, 2020 meeting to adopt revised actuarial assumptions as recommended by its actuaries. The revised assumptions included:

- Reduced the assumed rate of investment return from 7.25% to 6.75%
- Updated demographic assumptions, including merit and longevity salary increases, disability rates, retirement rates, and mortality tables (specifically the new public pension plan mortality tables).
- Reduced wage inflation from 3.25% to 2.75% (2.25% for teachers)
- Reduced price inflation from 2.5% to 2.0%
- Increased the medical subsidy margin for teachers from 0.20% to 0.50%

These new assumptions, which better reflect the retirement system’s actual and anticipated experience, were used in the 2019 Actuarial Valuation. By statute, this valuation was used by the Board in September to certify employer contribution rates for fiscal years 2022 and 2023. The new demographic assumptions added \$258.5 million to the UAAL, while the new economic assumptions added \$680.4 million to the UAAL, for a total increase to the UAAL of \$938.8 million.

Results of Actuarial Valuations

In each year, the actuarial consultant for NHRS conducts valuations that provide the actuarial information necessary for inclusion in the CAFR schedules and located at <https://www.nhrs.org/funding-and-investments/reports-valuations/annual-report-archive>. Biennially in each odd-numbered year, the NHRS also has actuarial valuations for contribution rate setting purposes performed by the actuarial consultant, the results of which are used to determine the employer contribution rate for the next succeeding biennium. For example, the 2017 Actuarial Valuation was used to set required contributions for fiscal years 2020 and 2021, and the 2019 Actuarial Valuation was used to certify required contributions for fiscal years 2022 and 2023. The 2019 Actuarial Valuation was accepted by the Board at its August 11, 2020 meeting and the valuation was used to certify employer contribution rates for the fiscal year 2022-2023 biennium at the September 8, 2020 meeting pursuant to RSA 100-A:16, III. Overall, rates increased approximately 20 percent as compared to the most recent biennium, primarily due to adjustments to the actuarial assumptions adopted by the Board in June as a result of the 2016 -2019 Experience Study. See “2016-2019 Experience Study” above.

According to the unaudited fiscal year 2020 results, the net assets at actuarial value available to pay pension benefits as of June 30, 2020 were reported to be \$9,447.8 million. The market value of pension net assets as of June 30, 2020 was approximately \$351.9 million less than the actuarial value. The total pension accrued liability at June 30, 2020 was \$15,488.1 million, resulting in an unfunded accrued actuarial liability (“UAAL”) at June 30, 2020 of \$6,040.2 million and a funded ratio of 61.0%. The Actuarial Valuation Report as of June 30, 2019 was accepted by the Board at its August 11, 2020 meeting. The net assets at actuarial value available to pay pension benefits as of June 30, 2019 were reported to be \$9,121.9 million. The market value of pension net assets was approximately \$49.0 million more than the actuarial value. The total pension accrued liability at June 30, 2019 was \$15,014.2 million, resulting in an unfunded accrued actuarial liability (“UAAL”) at June 30, 2018 of \$5,892.2 million and a funded ratio of 60.8%.

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, up until 2018, 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 original 30-year UAAL amortization began with fiscal year 2010. In 2018, legislation was enacted to recognize actuarial gains and losses incurred after July 1, 2017, over closed periods of no more than 20 years. This is referred to as “layered amortization” of the UAAL. The outstanding UAAL balance as of June 30, 2017, referred to as the “Initial UAAL,” remains scheduled to be paid by 2039. New two-year layers will be established as they occur in future biennial valuations and will be amortized over separate periods of no more than 20 years. This approach will spread future actuarial gains and losses more evenly over time, avoid some of the potential employer contribution rate volatility as 2039 approaches, and provide a basis to deal with gains and losses incurred beyond 2039.

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 current investment return rate at 6.75% (and 2.75% for Medical Subsidy Plan for funding purposes) and the payroll growth rate at 2.75% (2.25% for teachers). 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 investment returns on 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. For example, the use of the corridor in the 2009 actuarial valuations for the Plans lowered the actuarial value of assets that would have otherwise been established in its absence and thus raised the required employer contribution rates in fiscal years 2012 and 2013.

The NHRS medical subsidy UAAL with the actuarial assumptions accepted by the Board as part of the 2016 - 2019 Experience Study was \$658.8 million as of June 30, 2019, which represented an increase of approximately \$6.0 million as compared to the UAAL as of June 30, 2018 of \$652.8 million. This liability is separate and in addition to the State’s other postemployment benefits (“OPEB”) liability discussed under “HEALTH CARE COVERAGE FOR RETIRED EMPLOYEES.”

Employer contribution rates depend on actuarial assumptions and plan experience. As described above, the assumptions for the investment rate of return, rate of inflation, and rate of payroll growth were changed following the acceptance of the 2016-2019 experience study to 6.75%, 2.0%, and 2.75% (2.25% for teachers), respectively. These assumptions are being used beginning with the 2019 Actuarial Valuation. All actuarial assumptions will be re-examined as part of the next Experience Study, which is scheduled to cover the period 2020-2023.

**New Hampshire Retirement System
Pension and Medical Subsidy Plan Assumptions**

	<u>Pension Plan</u>	<u>Medical Subsidy Plan</u>
Actuarial Cost Method	Entry age normal	Entry age normal
Amortization Method	Level percentage of payroll, closed	Level percentage of payroll, closed
Amortization Period	Original UAAL 30 years from 7/1/2009; each biennial layer after 6/30/17 no more than 20 years	*
Asset valuation method	5-year smoothed market	5-year smoothed market
Actuarial Assumptions:		
Investment rate of return*	6.75%	2.75%
*Price Inflation	2.0%	2.0%
Rate of Payroll Growth	2.75% (2.25% for teachers)	2.75% (2.25% for teachers)
Valuation Health Care Trend Rate	N/A	N/A-The Medical Subsidy Plans provide a specific dollar subsidy to be used for health care. 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.

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. The rates for 2020 and 2021 were certified by the Board on September 11, 2018, and the rates for 2022 and 2023 were certified by the Board on September 8, 2020.

**Combined Employer Contribution Rates for Pension Plan and Medical Subsidy Plan For
Fiscal Years 2014-2023 Certified by the NHRS Board**

	<u>Certified</u>				
	<u>2014 and 2015</u>	<u>2016 and 2017</u>	<u>2018 and 2019</u>	<u>2020 and 2021</u>	<u>2022 and 2023</u>
Employees					
State	12.13%	12.50%	12.15%	11.93%	14.53%
Political Subdivisions	10.77	11.17	11.38	11.17%	14.06%
Teachers	14.16	15.67	17.36	17.80%	21.02%
Police					
State	25.40	26.38	29.43	28.43%	33.88%
Political Subdivisions	25.40	26.38	29.43	28.43%	33.88%
Fire					
State	27.85	29.16	31.89	30.09%	32.99%
Political Subdivisions	27.74	29.16	31.89	30.09%	32.99%

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 2022 and 2023, the UAAL portion of the employer contribution rate, as a % of covered payroll, for State Employees is 11.17%, for State police is 23.95% and State fire is 22.71%.

The remaining amortization of the initial 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 2019 Actuarial Valuation projected that the UAAL payment for the pension plan would increase from approximately \$352 million in fiscal year 2021 to approximately \$715 million in fiscal year 2039, the last year of the closed initial UAAL amortization period. This projection assumes a 6.75% actuarial rate of return. In addition,

actual experience will likely differ from the assumptions used in each actuarial valuation and the actual amounts to be contributed with respect to “normal costs” and the UAAL amortization may be higher or lower than currently projected and, depending upon actual future circumstances, such variances could be material. The State’s share of total employer contributions to the System for the years ended June 30, 2019 and 2020 was approximately 20% and is expected to remain at 20% for fiscal years 2021, 2022, and 2023. The State’s share in future years may vary. See “GASB Statements No. 67 and 68” 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 (TSA) 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. Fiscal year 2018 legislation authorized a TSA payment to retirees that met certain criteria. This TSA was generally funded by the State at a cost of \$3.9 million and was paid to approximately 7,795 eligible retirees. Legislation enacted in 2019 (House Bill 616) granted a one-time, 1.5% COLA on the first \$50,000 of an annual pension benefit to members who retired on or before July 1, 2014, or any beneficiary of such member who is receiving a survivorship pension benefit. The COLA will take effect on the retired member’s first anniversary date of retirement occurring after July 1, 2020. COLAs and other supplemental allowances are not automatic every year. The Legislature must vote on what, if any, COLAs or other allowances will be granted. This is the first COLA since 2010. The COLA will be funded over 20 years through an increase in employer contribution rates that will begin in fiscal year 2022.

**NEW HAMPSHIRE RETIREMENT SYSTEM
TEN YEAR HISTORY OF PENSION PLAN ACTUARIAL FUNDING STATUS
FISCAL YEARS 2011-2020
(All Dollar Amounts in Thousands)**

Actuarial Valuation Date (June 30)	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio
2020*	\$9,447,838	\$15,488,015	\$6,040,177	61.0%
2019	9,121,933	15,014,165	5,892,232	60.8
2018	8,710,939	13,703,148	4,992,209	63.6
2017	8,165,684	13,208,449	5,042,765	61.8
2016	7,636,066	12,732,866	5,096,800	60.0
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

*June 30, 2020 amounts are unaudited. Audited results will be released after the NHRS Board of Trustees meeting on December 8, 2020

Note: Liabilities were determined under the entry age normal actuarial cost method.

Source: Information for fiscal years 2016 and 2018 is shown in the CAFR Schedules and GASB 67 Plan Reporting and Accounting Schedules prepared by the NHRS actuarial consultant for each respective year. Information for fiscal year 2010 – 2015, 2017, and 2019 are shown in the respective Actuarial Valuation reports prepared by the NHRS actuarial consultant for those respective years.

**NEW HAMPSHIRE RETIREMENT SYSTEM
TEN YEAR HISTORY OF MEDICAL SUBSIDY PLAN FUNDING STATUS
FISCAL YEARS 2011-2020
(All Dollar Amounts in Thousands)**

Actuarial Valuation Date (June 30)	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio
2020*	\$38,125	\$656,648	\$618,522	5.8%
2019	36,646	706,339	695,424	5.3
2018	36,777	689,577	652,800	5.3
2017	38,853	696,548	657,695	5.6
2016	27,350	730,132	702,782	3.7
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

*June 30, 2020 amounts are unaudited. Audited results will be released after the NHRS Board of Trustees meeting on December 8, 2020

Note: Liabilities were determined under the entry age normal actuarial cost method.

Source: Information for fiscal years 2016 and 2018 is shown in the CAFR Schedules and GASB 67 Plan Reporting and Accounting Schedules prepared by the NHRS actuarial consultant for those respective years. Information for fiscal years 2010 – 2015, 2017, and 2019 is from the Actuarial Valuation Report prepared by the NHRS actuarial consultant for those respective years.

GASB Statements No. 67 and 68

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 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 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% in place at that time as established by the Board was initially used as the discount rate. The discount rate in effect at the time the fiscal year calculations were made was 7.25%. 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 U 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. GASB 68 reports are available on the NHRS website at: <https://www.nhrs.org/employers/employer-resources/gasb/gasb-reports>.

The Pension Plan is a cost-sharing, multiple-employer plan. Accordingly, the State’s obligation with respect to the Pension Plan is a proportionate share, as determined in accordance with GASB 67 and GASB 68. According to the unaudited fiscal year 2020 results, for the Pension Plan as a whole, the Total Pension Liability (“TPL”) and Pension Plan’s fiduciary net position reported as of June 30, 2020 were approximately \$15.494 billion and \$9.097 billion, respectively, resulting in a Net Pension Liability (“NPL”) of approximately \$6.396 billion reported as of June 30, 2020. As of June 30, 2019 the TPL and fiduciary net position reported by the System were approximately \$13.982 billion and \$9.170 billion, respectively, resulting in an NPL of approximately \$4.812 billion reported as of June 30, 2019.

GASB 67 requires that a Pension Plan's reporting date must be identical to its measurement date; however GASB 68 allows employers to have a measurement date up to one year before their reporting date, so there is a one year lag between the Plan's reporting date and the State's reporting date. For the System's NPL to be reported as of June 30, 2020, the portion allocable to the State has not yet been calculated, but is projected to be approximately 20% of the total. This calculation is expected to be available in February of 2021. For the System's NPL reported as of June 30, 2019, the portion allocable to the State was approximately \$0.904 billion and will be reported in the 2020 State CAFR. For the System's NPL reported as of June 30, 2018 the portion allocable to the State was approximately \$0.887 billion and was reported in the 2019 State CAFR.

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 both fiscal years 2018 and 2019 assumes a 7.25% discount rate which was the same as the expected rate of return of Plan investments for the System at that time. The fiscal year 2019 CAFR was issued before the completion of the 2016-2019 Experience Study and the 2019 Actuarial Valuation, so the expected rate of return was still at 7.25%. According to the unaudited fiscal year 2020 results, the System also did not experience a "crossover date" in connection with determination of the NPL and accordingly, the measurement of the State's NPL for fiscal years 2020 assumes a 6.75% discount rate which is the same as the current expected rate of return of Plan investments for the System. The rate of return on the market value of assets for the fiscal year ended June 30, 2018 was 8.9%, for the fiscal year ended June 30, 2019 was 5.7%, and for fiscal year ended June 30, 2020 was 1.1%.

The NPL can fluctuate up and down from year to year. The major contributors for fluctuations in the NPL are the difference between the projected and actual earnings on investments, the difference between expected and actual experience, changes in benefits and changes in assumptions.

Implementation of GASB 68 also requires setting forth the sensitivity of the NPL using an assumed discount rate that is one percentage point lower and one percentage point higher than the current rate. The State's portion of the Plan's NPL as of June 30, 2020 has not yet been calculated and is expected to be available in February of 2021. For the State's portion of the Plan's NPL reported as of June 30, 2019, a 1% decrease in the discount rate would increase the State's NPL from \$0.904 billion to approximately \$1.211 billion while a 1% increase in the discount rate would decrease the State's NPL to approximately \$0.651 billion. For the Plan's reported NPL as of June 30, 2018, a 1% decrease in the discount rate would increase the State's NPL from \$0.887 billion to approximately \$1.180 billion and a 1% increase would lower it to approximately \$0.641 billion.

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.

GASB Statements No. 74 and 75

GASB Statements No. 74 and 75, issued on June 30, 2015, set forth new standards that modified the accounting and financial reporting of the State's Postemployment Benefit Plans Other Than Pension Plans (OPEB), including the System's Medical Subsidy Plan. See "HEALTH CARE COVERAGE FOR RETIRED EMPLOYEES" for information regarding the State's OPEB liability. The following discussion in this section pertains to the System's Medical Subsidy Plan.

The new standards for governments that provide postemployment benefits other than pensions require the State to report in its statement of fiduciary net position a net OPEB liability, defined as the difference between the total OPEB 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 OPEB to current employees, retirees and their beneficiaries. The new standards require immediate recognition of more OPEB 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 OPEB of current employees, retirees and beneficiaries and the OPEB 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 Medical Subsidy Plan meets the criteria in (a) and the assumed rate of return of 7.25% as established by the Board was used as the discount rate. The new standards were effective for the System in fiscal year 2017 and for the State in fiscal year 2018. NHRS has reflected the new GASB 74 requirements beginning in the System's fiscal year 2017 CAFR that was issued in December of 2017 and continued into the 2018 System CAFR issued in December of 2018. In June of 2018, the initial GASB 75 report was issued with a reporting date of June 30, 2017 using June 30, 2016 data, and in January of 2019 the GASB 75 report with a reporting date of June 30, 2018 was issued. GASB 74 and 75 reports are available on the NHRS website at: <http://www.nhrs.org/employers/employer-resources/gasb/gasb-reports>.

The Medical Subsidy Plan is a cost-sharing, multiple-employer plan. Accordingly, the State's obligation with respect to the Medical Subsidy Plan is a proportionate share, as determined in accordance with GASB 74 and GASB 75. According to the unaudited fiscal year 2020 results, for the Medical Subsidy Plan as a whole, the Total OPEB Liability ("TOL") and Medical Subsidy Plan's fiduciary net position reported as of June 30, 2020 were approximately \$474.4 million and \$36.7 million, respectively, which results in a Net OPEB Liability ("NOL") of approximately \$437.7 million as of June 30, 2020. As of June 30, 2019, the TOL and Medical Subsidy Plan's fiduciary net position reported were approximately \$475.3 million and \$36.8 million, respectively, which results in a Net OPEB Liability ("NOL") of approximately \$438.4 million as of June 30, 2019. GASB 74 requires that System's Medical Subsidy Plan reporting date must be identical to its measurement date; however GASB 75 allows employers to have a measurement date up to one year before their reporting date, there is a one year lag between the System's Medical Subsidy Plan reporting date and the State's reporting date. The State's portion of the plans NOL as of June 30, 2020 has not yet been calculated and is expected to be available in February of 2021. For the System's TOL reported as of June 30, 2019, the portion allocable to the State was approximately \$90.4 million and will be reported in the 2020 State CAFR. For the System's TOL reported as of June 30, 2018, the portion allocable to the State was approximately \$92.4 million and was reported in the 2019 State CAFR.

The System did not experience a "crossover date" in connection with determination of the NOL and accordingly, the measurement of the State's NOL for fiscal year 2018 and 2019 assumed a 7.25% discount rate, which was the same as the expected rate of return of Pension Plan investments for the System at that time. According to the unaudited fiscal year 2020 results, the System also did not experience a "crossover date" in connection with determination of the NOL and accordingly, the measurement of the State's NOL for fiscal years 2020 assumes a 6.75% discount rate which is the same as the current expected rate of return of Plan investments for the System. The rate of return on the market value of assets for the fiscal year ended June 30, 2018 was 8.9%, for the fiscal year ended June 30, 2019 was 5.7%, and for fiscal year ended June 30, 2020 was 1.1%.

The NOL can fluctuate up and down from year to year. The major contributors for fluctuations in the NOL are the difference between the projected and actual earnings on investments, the difference between expected and actual experience, changes in benefits and changes in assumptions.

Implementation of GASB 75 also requires setting forth the sensitivity of the State's NOL using an assumed discount rate that is one percentage point lower and one percentage point higher than the current rate. The State's portion of the plans NOL as of June 30, 2020 has not yet been calculated and is expected to be available in February of 2021. For the State's portion of the Medical Subsidy Plan's NOL reported as of June 30, 2019, a 1% decrease in the discount rate would increase the State's portion of the NOL from approximately \$90.4 million to approximately \$98.1 million while a 1% increase in the discount rate would decrease the State's NOL to approximately \$83.8 million. For the NOL reported as of June 30, 2018, a 1% decrease would increase the State's portion of the NOL with respect to the Medical Subsidy Plan from approximately \$92.4 million to approximately \$96.1 million and a 1% increase would lower it to approximately \$81.8 million. GASB 74 also requires setting forth the sensitivity of the NOL to the healthcare cost trend assumption. However, since the Medical Subsidy benefits are a fixed stipend, there is no sensitivity to change in the healthcare cost trend assumption and no such analysis is required.

While GASB 75 changes the way state and local governments report postemployment benefits other than pensions in their financial statements, it does not impact OPEB 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. The GASB 75 report issued by the System is solely limited to liabilities attributable to the Medical Subsidy Plan and does not include other medical benefit liabilities for insurance provided to State employees or retirees. See "HEALTH CARE COVERAGE FOR RETIRED EMPLOYEES."

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 six members: three independent members and an active (non-voting) member of the retirement system appointed by the Governor and Executive Council, and two members of the Board appointed by the Chair of the Board. All are statutorily required 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, 2020 is expected to be approved and accepted by the NHRS Board of Trustees at its December 8, 2020 meeting.

The target allocation and range for each asset class, as most recently adopted by the Board on May 14, 2019 are as follows:

<u>Asset-Class</u>	<u>Target Allocation</u>	<u>Allocation Range</u>
Domestic Equity	30%	20 – 40%
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

<u>Asset Class</u>	<u>Percent of Assets</u>	<u>Periods Ending June 30, 2020</u>			
		<u>1-Year</u>	<u>3-Years</u>	<u>5-Years</u>	<u>10-Years</u>
Total Fund	100.0%	1.1%	5.2%	5.9%	8.7%
<i>Total Fund Custom Index</i>		4.8%	6.7%	6.9%	9.3%
Domestic Equity	27.8%	0.4%	6.8%	7.8%	12.3%
<i>Domestic Equity Blended Benchmark*</i>		7.5%	10.7%	10.7%	14.1%
Non-US Equity	17.9%	-4.9%	1.6%	3.0%	5.7%
<i>Non-US Equity Blended Benchmark*</i>		-4.8%	1.1%	2.3%	5.0%
Fixed Income	23.2%	6.5%	4.3%	4.2%	4.5%
<i>Fixed Income Blended Benchmark*</i>		7.9%	5.2%	4.4%	4.1%
Real Estate	10.7%	3.5%	7.0%	8.7%	11.1%
<i>Real Estate Blended Benchmark*</i>		1.3%	4.7%	6.3%	9.8%
Alternative Investments	19.0%	0.5%	6.0%	6.5%	6.9%
<i>Alternative Investments Blended Benchmark*</i>		7.1%	8.4%	8.2%	12.1%
Cash	1.4%	1.8%	1.9%	1.3%	0.7%
<i>91 Day Treasury Bills</i>		1.3%	1.7%	1.1%	0.6%

* 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. Assets are 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 2009 to 2019**

<u>Fiscal Year</u>	<u>Actuarial Rate of Return</u>	<u>Actuarial Value of Assets</u>	<u>Market Value Rate of Return</u>	<u>Market Value of Assets</u>
	(Per Actuarial Valuation Reports) ⁽¹⁾	(in thousands)	(NHRS CAFRs)	(in thousands)
2019	6.55%	\$9,158,579	5.7%	\$9,207,615
2018	8.40	8,747,715	8.9	8,874,175
2017	9.11	8,204,537	13.5	8,293,261
2016	6.83	7,663,416	1.0	7,460,945
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

⁽¹⁾ Fiscal years 2016 and later actuarial information in the table above is from the respective CAFR & GASB 67 Plan Reporting & Accounting Schedules. The fiscal year 2015 actuarial information 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. Investment results since June 30, 2009 have improved, and despite market selloff in 2020 in response to the COVID-19 pandemic, the market value of net assets available for benefits has recovered to \$9.1 billion as of June 30, 2020. (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.) For the twelve months ending June 30, 2020, the System's total fund net-of-fees investment return (at market) was 1.1%. 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.

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.

During the 2020 legislative session, no legislation modifying NHRS statutes was enacted.

The 2019 legislative session included, but was not limited to, legislation that:

- Granted a 1.5% cost-of-living adjustment (COLA) on the first \$50,000 of the pension benefit to retirees who retired on or before July 1, 2014, or any beneficiary of such member who is receiving a pension benefit. The COLA will take effect on the retired member's first anniversary date occurring after July 1, 2020.
- Required that the annual costs to the retirement system of preparing statutorily required fiscal analysis of proposed legislation be reimbursed to NHRS by the state. These costs relate mainly to actuarial fees.

- Classified annual attendance stipends or bonuses as earnable compensation for NHRS provided that they are paid pursuant to a collective bargaining agreement, personnel policy, or other agreement applicable to substantially all employees and the amount of which is determined by reference to the amount of sick days an employee used in the calendar or fiscal year. The legislation also enabled summer adjunct wages earned by full-time community college faculty to be included as earnable compensation.

NHRS cannot predict what additional changes, if any, may be proposed or enacted into law in the current or future legislative sessions.

HEALTH CARE COVERAGE FOR RETIRED EMPLOYEES

In addition to pensions, many state and local governmental employers provide Other Post-Employment Benefits (OPEB) as part of the total benefit component of compensation offered to attract and retain the services of qualified employees. OPEB includes post-employment healthcare, as well as other forms of post-employment 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 No. 74 and 75 were promulgated to address the reporting and disclosure requirements for OPEB. GASB Statement No. 74, Financial Reporting for Post-Employment Benefit Plans Other Than Pension Plans, requires the NHRS to disclose its post-employment health benefit medical subsidy program (“Medical Subsidy Plan”) on its financial statements. GASB Statement No. 75, Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions, paragraph 4, requires the State to disclose its actuarial determined, long-term, self-insured cost of retirement health care obligations (Total OPEB Liability) for the employee and retiree health benefit program (“State OPEB Plan”) on its balance sheet if assets are not accumulated in a trust.

In calculating the Total OPEB Liability recorded as of June 30, 2020, the State used a measurement date of June 30, 2019, which was determined based upon the results of the actuarial valuation as of December 31, 2018 with updated assumptions required under GASB Statement No. 75, including the use of the Municipal Bond Index rate as the discount rate of 3.50% as of June 30, 2019, resulting in a Total OPEB Liability of just under \$1.8 billion. The State OPEB Plan is a single employer, primary government with component units plan, therefore, the State, as the primary government, has recorded a Total OPEB Liability on its balance sheet of \$1.7 billion as of June 30, 2019. The remaining amount of \$93 million is allocable to component units of the State.

GASB Statement No. 75 also requires the State to record its proportionate share of the Net OPEB Liability (NOL) of the NHRS Medical Subsidy Plan discussed earlier. NHRS administers a cost-sharing multiple employer defined benefit post-employment healthcare plan for qualified retired members. This plan has assets accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement No. 75. Therefore, the State has recorded a NOL of \$90.4 million as of June 30, 2020 for its share. The State’s proportionate share of 20.6% represents the projected long-term share of contributions to the Medical Subsidy Plan relative to the projected contributions of all participating entities, as determined by NHRS actuaries.

The State OPEB Plan is administered under State law which provides health care benefits for certain retired State employees. 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.

By law, the Plan is required to be administered 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 OPEB Plan on a pay-as-you-go basis. As required by RSA 21-I:30-b, (I)a, the Fund includes a reserve equal to at least 3% of the estimated annual self-insured claims and administrative expenses. However, to account for claims volatility, the State currently maintains a statutory reserve of approximately 5% of estimated annual self-insured claims and administrative expenses for the Retiree Health account. In addition, as required by law, the State maintains an incurred but not reported (IBNR) amount that is calculated by the State's actuary. The State maintains amounts that exceed the statutorily required reserve and IBNR as a cash flow reserve. The State monitors total reserve balances and, if appropriate, implements a working rate holiday or adjusts the working rate in order to spend-down the cash flow reserve.

To comply with GASB Statement No. 75, Segal, the State's current health benefit consultant and actuary, provided the State with a GASB Statement No. 75 Accounting Valuation Report for Reporting Date June 30, 2020. GASB Statement No. 75 does not mandate the prefunding of post-employment benefit liabilities. The State currently plans to only partially fund Retiree Health Benefits on a pay-as-you-go basis, at an actuarially determined rate. The pay-as-you-go contributions made in fiscal year 2020 were \$44.6 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 of the Net OPEB Liability for the Retiree Health Benefit Plan. In addition, Employer Group Waiver Plan Subsidies (EGWP), the federal subsidies received for sponsoring a Medicare Prescription Drug Plan (Part D), are excluded pursuant to guidance promulgated by GASB Statement No. 75. Other small differences will exist because of timing between cash and accrual basis of accounting.

In accordance with GASB 75, the Total OPEB Liability for the State's primary government and component units, which was measured as of June 30, 2019 was \$1.8 billion. With no actuarial value of assets, this results in a Net OPEB Liability of \$1.8 billion, as compared to a Net OPEB Liability as of June 30, 2018, updated under GASB 75, of \$1.9 billion. The decrease in the Net OPEB Liability is attributed to changes in assumptions as well as projected changes in demographics and plan payments primarily due to the implementation of a fully insured Medicare Advantage Plan effective January 1, 2019. The GASB 75 updated report assumes a salary scale, mortality, disability, turnover and retirement rates consistent with NHRS based on its 5-Year Experience Study of July 1, 2010 through June 30, 2015. This amount does not include the State's share of the UAAL from the NHRS Medical Subsidy plans discussed below. NHRS completed its most recent Experience Study a year earlier than expected resulting in a decrease in Total OPEB liability as of June 30, 2019 by approximately \$558,000 or 0.03%.

During December 2019, the State issued its biennial OPEB valuation report for the State Retiree Health Plan as of December 31, 2018. The actuarial valuation reflects a Net OPEB Liability for the State and component units of \$1.8 billion, which was reported in the State's annual financial statements for the fiscal year ending June 30, 2020. This is a \$0.1 billion decrease from the Net OPEB Liability reported in the State's annual financial statements for the fiscal year ended June 30, 2019. The most recent complete State OPEB Plan liability actuarial valuation as of December 31, 2018, dated December 20, 2019, is posted to the State's website at <https://das.nh.gov/documents/rmu/reports/GASB-75/GASB-75-Accounting-Valuation-Report-for-Reporting-Date-June-30-2020.pdf>.

As described above under "STATE RETIREMENT SYSTEM," the NHRS currently provides medical subsidy payments to the State Retiree Health Benefit Plan 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. As of June 30, 2019 the NHRS Medical Subsidy Plan was 5.6% funded; 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 to the Retiree Health Benefit Plan. In the June 30, 2020 CAFR, the State reported a net OPEB liability of \$90.4 million for its proportionate share of the NHRS Medical Subsidy Net OPEB liability, which was reported by NHRS as of June 30, 2019.

State Retiree Health Funding Sources
(\$ in millions)

<u>Fiscal Year</u>	<u>General Fund</u>	<u>Self-Supporting Agencies</u>	<u>NHRS Medical Subsidy</u>	<u>Other Sources (i.e. Rebates, Rx Subsidies, Retiree Contrib.)</u>	<u>Total Revenue</u>	<u>Total Costs</u>
2020	\$30.7	\$16.2	\$11.0	\$35.4	\$93.3	\$88.6
2019	31.1	17.5	11.4	27.8	87.8	90.6
2018	35.6	20.7	12.0	24.9	93.2	88.4
2017	33.3	19.9	12.3	23.4	88.9	84.8
2016	32.5	19.3	12.8	19.4	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

The State Retiree Health Plan Commission was established pursuant to RSA 100 A:56 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 in accordance with the law.

In preparation for the fiscal year 2018 CAFR OPEB reporting under GASB 75, the Retiree Health Commission reconvened on July 25, 2018, to review the updated assumptions that the State's actuaries used to update the State's OPEB valuation as of December 31, 2016 for the fiscal year 2018 CAFR. GASB 75 requires changes to the discount rate assumption (from the long-term expected yield on the State's assets to the yield for a 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher) and the actuarial calculation method assumption that were approved at the prior Retiree Health Commission meeting on June 28, 2017. Additionally, the State's actuaries suggested a lower prescription drug trend (11% to 9%) assumption due to lower prescription drug trends industry wide. The lower prescription drug trend is consistent with the State's recent prescription drug experience and the Retiree Health Benefit fiscal years 2020-2021 Budget Rates. The Retiree Health Commission members voted unanimously to accept the updated OPEB assumptions for the fiscal year 2018 CAFR. The Commission reconvened on October 15, 2019 to review and approve the updated assumptions and methodology that the State's actuaries used to prepare the GASB 75 Accounting Valuation Report for the fiscal year 2019 CAFR, as well as to approve the assumptions and methodology to be used in calculating the State's OPEB valuation as of December 31, 2018.

STATE RETIREE HEALTH BENEFITS PLAN CHANGES

Over the last few years, the State has successfully managed and addressed funding challenges for Retiree Health Benefits. In June 2015, DAS projected a \$10.6 million deficit in the Retiree Health Benefits budget based off of a \$5.6 million budget shortfall, an unanticipated \$4 million projected increase in pharmacy costs following an industry-wide increase in pharmacy cost trends from 8% to 13%, and an unanticipated decrease of approximately \$1 million in Employer Group Waiver Program (EGWP) revenues, in this case federal Medicare prescription drug subsidies. Between July and October 2015, DAS worked with the Joint Legislative Fiscal Committee over the course of five Fiscal Committee meetings to manage this projected deficit. Only the legislature and the Joint Legislative Fiscal Committee have the authority to make changes to the premium contribution amount which is the portion or percentage of the health benefit working rate or premium that retirees are required to pay. In October 2015, the Fiscal Committee approved: (1) prescription drug plan copay and maximum out-of-pocket increases projected to save a total of \$2 million, and (2) an increase in the Non-Medicare eligible retiree premium contribution from 12.5% of premium to 17.5 % of premium projected to save \$2.8 million.

The remaining budget shortfall of \$5.8 million plus the cost to conduct a Retiree Health Long Term Study (\$0.3 million) resulted in an estimated \$6.1 million budget shortfall for fiscal years 2016-2017. To address this

shortfall, the Fiscal Committee approved transfers in fiscal years 2016 and 2017 totaling \$150,000 in General Funds from the DAS budget to the Retiree Health Benefit Plan and the release of \$800,000 from the Retiree Health Benefit Reserve account into the cash flow reserve. This was possible because the Retiree Health Benefit Plan held a \$5.4 million dollar cash flow reserve that had slowly accrued since calendar year 2012 due to better than projected claims experience that was available to close the gap.

As contemplated, DAS did use cash flow reserve funds during fiscal years 2016-2017 to meet retiree health expenses. In fiscal year 2016, DAS used \$574,000 in cash flow reserve to account for a deficit of General Funds in the Retiree Health account. Similarly, in fiscal year 2017, DAS used \$1.772 million in cash flow reserve to cover a deficit in General Funds.

On February 8, 2017, New Hampshire Department of Administrative Services submitted a draft Long Term Study of Retiree Health Benefits prepared by Segal to the members of the Joint Legislative Fiscal Committee. This study identified the following strategies for managing the state's short-term and long-term Retiree Health Benefits costs: (1) implementing a private Medicare exchange with a defined contribution to a Health Reimbursement Account, (2) implementing a Medicare retiree premium cost share, (3) eliminating the Medicare retiree prescription drug plan, (4) eliminating Retiree Health Benefits for new hires or for spouses of future hires, (5) implementing a Medicare Advantage Plan, and (6) implementing a defined dollar amount for non-Medicare retirees. The Long Term Study of Retiree Health Benefits is available at <https://das.nh.gov/riskmanagement/rmu-reports.aspx>.

After review of the proposed strategies in the Long-Term Study, the Legislature made further Retiree Health Benefit Plan changes in the fiscal year 2018 – 2019 budget and accompanying trailer bills to help manage the growing cost of the Retiree Health Benefit Plan. HB 517 amended RSA 21-I: 30 (Laws 2017 Chapter 156:6-10) effective January 1, 2018 to include a first-time ever 10% monthly premium contribution for Medicare retirees born on or after January 1, 1949. HB 517 also increased the monthly premium contribution percentage paid by Non-Medicare retirees from 17.5% to 20% effective October 1, 2017.

The fiscal years 2018-2019 Retiree Health Benefits budget totaled \$171.4 million, an increase of \$25.4 million over fiscal year 2017. The fiscal years 2018-2019 budget estimates were based on medical and pharmacy trends for the Medicare eligible and non-Medicare eligible Retiree Health Benefit Plans and a projected annual increase in plan enrollment. The \$25.4 million increase included a \$14 million increase in General Funds, \$8 million increase in retiree premium contributions, and \$3.4 million increase in other funds.

Fiscal years 2018 and 2019 claims experience were lower than projected and the Retiree Health Budget lapsed approximately \$14.8 million to the General Fund at the end of the biennium. Additionally, the favorable claims experience resulted in cash flow reserves of approximately two months of projected annual self-insured expenses. Considering the historical increase in the Retiree Health Benefit cash flow reserve and projected claims through the end of calendar year 2018, the State implemented a one time, one month, working rate (premium) holiday for the Retiree Health Benefit Plan in October 2018. The Retiree Health Benefit Plan holiday spent down a total of \$5.4 million in retiree cash flow reserves which equaled approximately \$1.7 million General Fund savings, \$2.95 million Other State agency savings, \$700,000 retiree premium contribution savings, and \$77,000 savings to Legislators, retired Judges, and other self-payers enrolled in the Retiree Health Benefit Plan. In addition to the premium holiday, the calendar year 2019 non-Medicare working rates included an adjustment of \$3 million to decrease the calendar year 2019 working rate in an effort to reduce the retiree health cash flow reserve.

DAS continuously explores cost containment strategies for the Retiree Health Benefit Plan. As such, in early 2018, Anthem, the State's medical third party administrator (TPA), informed the State that their Medicare Advantage network expanded to an open-network enabling all providers who accept Medicare to provide care for State of New Hampshire retirees living nationwide. The State worked with Anthem and Segal to assess the feasibility of a Group Medicare Advantage plan. On June 20, 2018, Governor and Executive Council approved an amendment to the State's existing contract with Anthem authorizing the State to replace the self-funded Medicare supplemental coverage with a fully-insured Medicare Advantage Plan (Medicare Part C plan) effective January 1, 2019. The retiree Medicare Part D (EGWP) prescription drug plan, currently through Express Scripts, is excluded from the Medicare Advantage Plan and remains self-funded.

The transition to fully insured Group Medicare Advantage plan enabled the State to maximize federal funding while maintaining the same level of coverage for the retirees resulting in an estimated \$11.8 million in savings over calendar years 2019 and 2020. This federal funding will help mitigate future increases in the Retiree Health Benefits budget that are driven by increasing numbers of retirees and increases in medical costs. The longer term impact from the change in funding mechanism decreased the Total OPEB liability by approximately \$183 million dollars as of June 30, 2019.

The fiscal years 2020-2021 Retiree Health Benefits budget totaled \$154.4 million, a decrease of \$26.4 million over fiscal year 2019. The fiscal years 2020-2021 budget estimates were based on medical and pharmacy trends for the Medicare and non-Medicare eligible Retiree Health Benefit Plans and projected increase in plan enrollment. The \$26.4 million decrease included a \$15.5 million decrease in General Funds, \$9.4 million decrease in retiree premium contributions, and \$1.5 million decrease in other funds. Fiscal year 2020 claims experience came in lower than projected due to the hold put on elective procedures as well as the overall decrease in utilization due patients not seeking care as a result of the COVID-19 pandemic, which decrease was compounded by a low COVID-19 case rate. The lower claims experience resulted in a cash flow reserve of approximately two and one-half months of projected annual self-insured expenses at the close of fiscal year 2020. As of the first quarter in fiscal year 2021, COVID-19 is still impacting claims experience; however, in August 2020, claims began to increase as elective procedures were booked and patients began seeking services again. Through November 2020, claims continued to return to pre-COVID-19 levels; however, as the number of cases of COVID-19 increases, the number of claims may be impacted.

The State’s current medical TPA contract with Anthem expires on December 31, 2020. Through a successful procurement process and Governor and Council approval, effective January 1, 2021, the State is transitioning all Medicare retirees to a new Aetna Group Medicare Advantage plan. The three year contract provides the same level of benefits at a \$0 premium to the State. The contract is projected to save the State a total of \$45.2 million, or \$20.8 million General Funds.

STATE RETIREE HEALTH BENEFIT BUDGET FOR FISCAL YEAR 2020 AND 2021 AND TREND ASSUMPTIONS

The Retiree Health Plan in the approved operating budget for fiscal years 2020-2021 totals \$154.4 million, a decrease of \$26.4 million from fiscal year 2019. The updated projection and budget need as compared to fiscal year 2019 is presented in the chart below:

	FY19 Authorized Budget	FY20 Budget	\$ Decrease FY19 to FY20	FY21 Budget	\$ Decrease FY19 to FY21	\$ Decrease Total Biennium
GF	\$42,778,200	\$33,746,000	(\$9,032,200)	\$36,320,800	(\$6,457,400)	(\$15,489,600)
Other Funds	\$47,629,000	\$40,980,900	(\$6,648,100)	\$43,360,600	(\$4,268,400)	(\$10,916,500)
Total	\$90,407,200	\$74,726,900	(\$15,680,300)	\$79,681,400	(\$10,725,800)	(\$26,406,100)

The fiscal year 2022-2023 proposed Retiree Health Benefit Plan Budget is based on budget rates using enrollment as of January 2020 and assumes 4% increase in total enrollment for the Medicare Eligible Retiree Plan and the Non-Medicare Eligible Retiree Plan is assumed to remain flat. The budget rates assume a prescription drug trend decrease of 15.4% for the Non-Medicare Retiree Plan and a decrease of 1.3% for the Medicare Retiree Plan and a medical trend increase of 6.3% for the Non-Medicare Retiree Plan. The budget rates assume the contracted fully insured Medicare Advantage rates for calendar year 2021 through calendar year 2023

The proposed fiscal year 2022-2023 Retiree Health Benefit Plan Budget is \$132.4 million which is a \$27.0 million decrease compared to fiscal year 2021. The savings is primarily due to Medicare Advantage Plan contract with Aetna. In addition, a lower projected prescription drug trend for Medicare Eligible Retirees and Non-Medicare Eligible Retirees contributed additional savings.

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, 2020, the date of the most recent actuarial valuation, there were 57 active participants and 73 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 almost 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 2019 State CAFR at note 11 and on page 80. The Judicial Plan’s audited financial statements for the period ended December 31, 2018 are included in the 2019 State CAFR in the portions pertaining to the State’s Fiduciary Funds on pages 45 and 46, although the information regarding the Judicial Plan is combined with information pertaining to the Pension Plan. There are combining schedules for these statements on page 134 and the Judicial Plan is separately presented on pages 126 and 127.

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, 2018 and the most recent Actuarial Valuation Report dated as of January 1, 2020 (the “2020 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, 2019. The report shows a total pension liability as of December 31, 2019 of \$102,253,235, a fiduciary net position (market value of assets) of \$65,186,041, and a resulting net pension liability (analogous to the unfunded accrued liability) of \$37,067,194. The report further notes that the Judicial Plan decreased the discount rate to calculate its liabilities from 7.00% to 6.675%. A 1% decrease or 1% increase in the 6.675% discount rate would increase or decrease the net pension liability to \$46,407,717 or \$28,982,206, 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
2018	56,819,438	38,592,810	60	69.40	FY 19-20
2020	63,478,476	44,172,320	59	77.6	FY 21-22

The State contributions expected to be paid in the 2021-2022 biennium to the Judicial Plan total \$7,521,152 annually. 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, 2019 data was issued in October 2020.

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
January 1, 2018	\$57,931,041
January 1, 2020	\$65,186,041

The actuary for the Judicial Plan uses several actuarial assumptions in the 2020 Judicial Actuarial Valuation including the investment return rate at 6.675% and an annual wage inflation rate and cost of living increase of 2.75%. 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, 2020 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 2018 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	6.675%
Wage and Cost of Living Inflation	2.750%

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 created the NHTA – Command Staff bargaining unit.

The State began negotiations with the SEA, NHTA, NEPBA and the Teamsters in October, 2018. The Collective Bargaining Agreements expired on June 30, 2019 and remain in effect until new agreements are reached. The parties reached impasse during negotiations and went to fact finding, as provided for under State law. The fact finder released her report on November 12, 2019, and a 10-day confidential period where the parties discuss the report and try to reach an agreement expired on November 22, 2019. The parties met on November 21, 2019 to discuss the fact finder’s reports and to try to reach an agreement. The State has reached an executed agreement with the Teamsters and the NEPBA Local 260 Liquor Investigators. With respect to the remaining unions, the parties did not reach an agreement and the 2019-2021 contract remained in evergreen. The State and the remaining unions commenced negotiations for a new contract for 2021-2023 in November 2020. To date, no agreements have been reached with the remaining unions.

CYBERSECURITY RISKS

The State relies on the use of information technology as a critical enabling factor to support citizens, businesses, and all aspects of State government. The State also relies on its access to the Internet to conduct essential operations.

The State faces the same external cyber threats as any other entity connected to the Internet, including phishing attacks, ransomware, malware-embedded emails, denial of service and network based attacks. Internal cyber threats (commonly referred to as “Insider Threat”) also exist, and the most common result is a breach of confidential or sensitive information.

In order to counter known and unknown cyber threats, the State employs a wide variety of defensive strategies. These include products deployed at every level of the enterprise architecture, from network perimeter devices to the user desktop, as well as hardware and software protections focused on the most prevalent cyber-attacks against the email system, web and application servers, databases, and user endpoint devices.

The State administers a comprehensive cybersecurity training and awareness program, which all employees are required to complete annually. The State coordinates and shares cyber event information with state and federal entities, such as the Department of Homeland Security and also with cyber-focused public organizations such as the Multi State Information Sharing and Analysis Center (MS-ISAC) and the National Association of State Chief Information Officers (NASCIO). In 2018, the State conducted a series of cyber incident response exercises that involved multiple State agencies, the New Hampshire National Guard, and local critical infrastructure organizations. As a result of this exercise program, the State completely revised its Cyber Disruption Plan, which outlines incident escalation and de-escalation points, procedures, roles and responsibilities, and operational resources in the event of a cyber-incident. In late 2019, the Department of Information Technology (“DoIT”), in conjunction with the Division of Homeland Security and Emergency Management, has completed a document that outlines Emergency Support Function 17 (Cybersecurity) (“ESF-17”), which describes the concept of operations, response actions and responsibilities for major cyber events in a manner similar to other state emergency support functions. The functions of ESF-17 have already been incorporated into the state Cyber Disruption Plan. In 2020, DoIT took major strides to strengthen and expand its cybersecurity defense posture, despite the disruptive effects of the COVID-19 pandemic. So far in 2020, DoIT upgraded and implemented a new network firewall, intrusion defense/prevention system, and security information and event management (SIEM) capability. Although a large percentage of the State workforce began and continues to work remotely from home due to the pandemic, these major equipment upgrades collectively provide a significant increase in the cybersecurity posture of State networks, systems and information.

The most notable cyber breach in recent years occurred in 2015, when the State experienced one significant internal data breach that involved the unauthorized access and public posting of certain personal information for as many as 15,000 clients of one state agency. The breach was contained and mitigation measures put in place to address the conditions that allowed the breach to occur. In the follow-up to the breach, the State found no evidence that the information had been misused or further distributed before it was contained and removed from public access.

The DoIT recently concluded a contract for an independent, Comprehensive Cybersecurity Risk Assessment, which was approved by the Governor and Executive Council in October 2019. The DoIT Cybersecurity Risk Assessment took place from November 2019 through June 2020, and was primarily a technical security assessment, focused on a survey of all IT assets, followed by security assessments of the state’s network architecture, servers and endpoints, applications and data, and it concluded with an assessment of the State’s cybersecurity program. The information gathered from the cybersecurity assessment contains detailed and highly sensitive network or vulnerability information. As a result, the DoIT reserves the right to invoke an exemption to RSA 91-A:5 (XI), in order to shield and protect information from public disclosure which could otherwise aid an adversary in an attempted security breach of the State’s IT infrastructure.

While there can be no guarantees against a future cyber-attack resulting in some impact, the State has taken an expansive, multi-pronged approach to protect against, detect, respond to, and recover from a potential cyber event. The State has also obtained an insurance policy for “Data Security and Privacy Cyber Liability” (the current policy extends coverage through August 23, 2021). This policy includes coverage for privacy/media liability, incident (breach) response, network extortion, digital data recovery, business interruption costs, terrorism, and prior acts. The “prior acts” coverage extends coverage to claims for unknown data breaches that occurred prior to the inception of the policy. Notwithstanding the planning and actions taken to date, the State cannot assure that future incidents or possible unknown prior events will not have a potential material impact on the State’s operations or financial condition.

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:

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. The case has been stayed given the construction of a new women's prison on the grounds adjacent to the Men's Prison –Concord. The groundbreaking ceremony occurred on August 18, 2014. The new women's prison is now complete and housing the women inmates, but the parties continue to discuss how the implementation of programs will be monitored going forward. The parties have reached a settlement arrangement under which the case is stayed for a period of years subject to the Department of Corrections meeting certain benchmarks with respect to the new women's prison. If those benchmarks are met, the case will be dismissed with prejudice. If those benchmarks are not met, the plaintiffs have the ability to re-open the matter. In the event the matter is re-opened, it will be amended and restructured.

Contoocook Valley School District v. State et al. On March 13, 2019, several plaintiffs, including a school district and three individuals, sued the State claiming that it has failed to meet its obligations to fund an adequate education. The plaintiffs asserted that certain costs like transportation costs, school nurse costs, food services costs, facilities costs, teacher benefits, and superintendent costs, must, as a matter of constitutional law, be funded by the State and were not being funded by the State. The plaintiff requested that \$16,961,843.75 be provided to the school district by April 1, 2019.

On June 5, 2019, the trial court issued an order finding that RSA 198:40-a, II, the statutory mechanism the State uses to make adequate education payments to school districts is unconstitutional. The court did not, however, require the State to pay the plaintiffs any amount of money, and denied the plaintiffs' claims to that effect. Instead, the trial court required the legislature to fix the statute on a prospective basis. The State timely appealed the trial court's order. The case remains pending on appeal. Oral argument occurred in the case on September 24, 2020. The case is now before the New Hampshire Supreme Court for a decision.

New Hampshire Lottery Commission v. William Barr, Attorney General. In January 2019, the United States Department of Justice ("USDOJ") issued a memorandum adopting as an official position of the agency a very broad interpretation of the federal Wire Act, 18 U.S.C. § 1084. This interpretation reverses a prior interpretation of the USDOJ from 2011 finding that the Wire Act applies only to sports betting and therefore does not prohibit States from selling lottery tickets over the Internet. The USDOJ's recent reversal of the 2011 interpretation appears to prohibit the use of wire transmissions to engage in state conducted lottery activity. The New Hampshire Lottery Commission has sued the Attorney General and the USDOJ in the United States District Court for the District of New Hampshire to declare this new interpretation of law erroneous and for a declaration that the Wire Act does not extend to state-conducted lottery activity. If the USDOJ's new interpretation is correct, and the Wire Act does extend to state-conducted lottery activity, New Hampshire may lose substantial revenues. Under the narrowest interpretation of the USDOJ's opinion, the State would face a loss of approximately \$6-8 million. Under the broadest interpretation of the USDOJ's opinion, the State could face a loss of approximately \$90 million. The case was briefed by April 8, 2019 and oral argument subsequently occurred

On June 3, 2019, the federal district court issued an order setting aside the USDOJ's new interpretation of the Wire Act under the federal Administrative Procedure Act. The USDOJ appealed to the First Circuit Court of Appeals, which appeal has been briefed and argued. The matter is pending a decision from the court.

State v. Purdue Pharma; State v. Janssen/Johnson & Johnson; State v. McKesson Corp and Cardinal Health; State v. Mallinckrodt; State v. Richard S. Sackler, et al. The State has filed suit against three opioid manufacturers (Purdue Pharma, Janssen, and Mallinckrodt), as well as against two opioid distributors (McKesson

and Cardinal Health) and on September 16, 2019 the State filed against four members of the Sackler family, owners of Purdue Pharma, alleging unfair or deceptive business practices, nuisance and other common law counts. The Sackler complaint includes a fraudulent conveyance count. All cases are in Merrimack County Superior Court. The Purdue, Janssen and Distributors' cases have survived motions to dismiss by the defendants and discovery is ongoing. The Mallinckrodt defendants filed for bankruptcy protection on October 11, 2020. Trial in the Purdue Pharma case was scheduled for June 2020, however, on September 14, 2019, Purdue filed bankruptcy in the southern district of New York. Both the Purdue litigation and the litigation against the Sacklers has been stayed by the bankruptcy court. A trial was scheduled in the Janssen/Johnson & Johnson case for January, 2021 but will be continued due to the disruptions caused by the COVID-19 pandemic. The trial in the Distributors' case is not yet scheduled because of COVID delays in the court system. The State continues to participate in multistate settlement discussions, along with other attorneys general, aimed at a global resolution with all opioid related defendants (manufacturers, distributors and major pharmacy chains). It is not possible at this stage to predict any recovery amounts that would come to the State.

NHHA v. Centers for Medicare and Medicaid Services (Azar). On August 10, 2017 the New Hampshire Hospital Association (NHHA) filed a new lawsuit against Centers for Medicare & Medicaid Services (CMS) seeking to challenge the validity of the recent adoption by rule on June 2, 2017 of the policies in FAQ's 33 and 34, which had been previously challenged and enjoined in *N.H. Hosp. Ass'n v. Burwell*. The rule requires hospitals to exclude any payment related to Medicaid recipients from third parties (TPL), including Medicare or private insurance, from claimed uncompensated care. The Hospitals argue that CMS failed to comply with the Regulatory Flexibility Act and other statutes that require financial impact analysis during rulemaking and that the substance of the rule is not authorized by the CMS statute. CMS answered and a briefing schedule was set, however oral argument set for April 17, 2018, but was canceled by the court given decisions in other courts.

Similar litigation was brought against CMS in several other jurisdictions, on February 9, 2018, the court for the Western District of Missouri issued a decision ruling against CMS on this issue and enjoining CMS from enforcing the Final Rule. On March 6, 2018, the D.C. District Court issued a decision which also found the rule exceeds the statutory authority and is invalid. In addition, the D.C. Court considered nationwide impact and vacated the rule. CMS appealed the Missouri and D.C. court decisions. CMS acknowledged that, while the D.C. decision stood, it could not impose the rule anywhere. CMS requested that oral argument and decision in the New Hampshire federal litigation go forward. However, on September 25, 2018, the New Hampshire District Court issued an order denying the cross motions for summary judgment, finding the case moot in light of the decisions from other districts, and dismissing the case. Judgment has been entered against CMS. However, on August 13, 2019 the U.S. Court of Appeals for the District of Columbia issued a decision upholding the CMS rule and reversed the order invalidating the rule. A motion for rehearing was denied on November 8, 2019 and the mandate issued on November 19, 2019. It is unclear what impact this will have on the New Hampshire litigation or whether there will be a further appeal.

No stay was obtained by CMS of the D.C. District Court order. Therefore, the CMS rule did not apply at the time the MET and DSH payments were made in April and May 2018 or 2019. The possible impact to the State budget going forward of the CMS rule being invalidated could have been similar to the impact of the preliminary and permanent injunction of up to approximately \$30 million. However, in May 2018, the Hospitals and the State entered a new seven year agreement regarding payment of MET and DSH, which included resolution of MET and DSH payments for 2018 and replaced the June 2014 Agreement. Because the May 2018 settlement results in the total level of DSH or other payments generated from the MET tax no longer being dependent on the federal definition of uncompensated care, the outcome of this case should not impact the state obligation to pay DSH or state budget. Therefore, while it is not possible to predict the outcome of this case at this time, it is unlikely that it could have a significant effect on State's obligations under the May 2018 settlement which will be in place until 2024.

Christopher Willott, Individually and as Administrator of the Estate of Sadence Willott v. DCYF. In August 2018, the plaintiff filed a lawsuit for the wrongful death of Sadence Willott, as well as loss of consortium. The plaintiff also alleges negligence stemming from incidents of assault prior to her death. Sadie was murdered by her mother in September 2015. The plaintiff (Sadie's biological father), claims that DCYF was negligent in handling her case, which caused her death in September 2015, as well as various injuries that predate her death. While this case would typically be subject to the statutory cap on damages—and the \$50,000 statutory cap for loss of

consortium—the plaintiff alleges the estate is entitled to damages for multiple incidents of harm. DCYF has filed motions to dismiss based on statute of limitations and sovereign immunity defenses. Those motions were initially denied. DCYF moved for reconsideration on one of them, which was granted, and further briefing on that motion to dismiss has been submitted to the court. DCYF subsequently won the motion to dismiss, leaving only the wrongful death claim in the case, which is capped at \$475,000. Interlocutory appeal of the dismissal was sought and granted by the New Hampshire Supreme Court. The case has been briefed to the New Hampshire Supreme Court. Oral argument has not yet been scheduled. . At present, it is not possible to predict an outcome of this case

Additional litigation and threatened litigation relating to the Department of Health and Human Services, Division of Children, Youth, and Families (“DCYF”). DCYF is currently defending or has been advised of several claims relating to physical and sexual abuse of children either directly or indirectly under the supervision of DCYF. None of these claims appear to individually exceed \$2 million; however, the aggregate of the claims may be more than \$2 million cumulatively. Four of these lawsuits have recently been filed in Merrimack County Superior Court: *A.A., et al. v. DCYF, et al.*, 217-2019-CV-676, *C.M. p/n/f of M.M. & J.M. v. DCYF, et al.*, 217-2019-CV-677, *C.W. v. DCYF*, 217-2019-CV-680, and *Willmorton v. DCYF*, 217-2019-CV-678. These lawsuits have all been stayed pending the outcome of several cases pending with the New Hampshire Supreme Court. If legal issues presented in those cases are resolved in the state’s favor, the result may be dismissal of one or more of the actions.

Charles F. v. N.H. Youth Development Center. On August 2, 2019, the New Hampshire Attorney General’s Office received notice that an individual known as Charles F. was seeking to recover damages against the N.H. Youth Development Center for personal injuries sustain from 1994-1995. Though unknown at this time, the allegations could include numerous sexual assault injuries. Depending on the number of incidents involved that the plaintiff might choose to seek recovery no, potential liability in the case could exceed \$2 million. The state agency would have numerous defenses to such a lawsuit, including timeliness defenses.

David Meehan v. NH Dept. of Health and Human Services, et al. On January 11, 2020, the plaintiff filed a class action lawsuit against DHHS and others alleging physical, sexual and mental/emotional abuse, solitary confinement, and deprivation of education while he resided at the Youth Development Center from December 1, 1995 to 1999. The putative class is alleged to consist of men and women who, while minors in the care custody and control of the defendants were victims of the same stated acts and treatment at the hands of defendants, their agents, employees, and/or contractors. The State has not yet responded and the matter has been stayed by agreement due to a pending investigation by the Attorney General and the desire to engage in informal discussions between the parties.

Isaacs v. Dartmouth Hitchcock Medical Center and Isaacs v. USC Keck School of Medicine. In these cases, filed in the United States District Court for the District of California, Mr. Isaacs seeks \$18.5 million in damages under the Racketeer Influenced and Corrupt Organizations Act (“RICO”) against multiple different defendants, including the New Hampshire Board of Medicine. The plaintiff also asserts a 42 U.S.C. § 1983 claim and two state law tort claims against the New Hampshire Board of Medicine. In the first case, a default entered against the New Hampshire Board of Medicine. The New Hampshire Board of Medicine, however, has moved timely to lift the default and press its defenses, including many jurisdictional defenses such as improper service of process, lack of personal jurisdiction, Eleventh Amendment sovereign immunity, failure to state a claim, and other defenses. The plaintiff voluntarily dismissed the first action, but is attempting to keep the New Hampshire Board of Medicine in that action. That attempted has failed and the action, including the default, have been dismissed. The plaintiff may be attempting to appeal this issue. The plaintiff refiled what appears to be the identical same action in the same court. Service of process has been accepted and the action is being defended. The action was dismissed. The plaintiff has appealed to the Ninth Circuit Court of Appeals.

Town of Hampton, New Hampshire v. State of New Hampshire. On February 14 2018, the Town of Hampton filed this lawsuit against the State, seeking various forms of declaratory, injunctive, and monetary relief. According to the complaint, the lawsuit arises out of a 1933 deed in which a portion of Ocean Boulevard in Hampton was transferred from the Town to the State, as well as a series of “long standing issues affecting the Town from the presence of the [State’s] property and operations occurring in Hampton.” The Town seeks “a determination of the respective rights and obligations of the Town and the State with respect to a number of aspects of the State’s activities.”

The Town's complaint contains five separate counts. Through those counts, the Town seeks declarations and related injunctive relief that the State is liable for all maintenance of Ocean Boulevard, including maintenance for the sidewalks, crosswalks, and the "proper drainage of water that runs off of Ocean Boulevard and its sidewalks," the recovery of monetary damages from the State based on the State's collection of revenues from certain paid parking spaces in the Town, monetary damages representing the fair value of various municipal services (including fire, police, and public works) provided by the Town, and monetary damages based on a "fair share of the revenues received over the last three years" from the State's operation of business activities on the subject property. The Town also claims, on equal protection grounds, that the State's distribution to municipalities of Meals and Rooms Tax revenues pursuant to RSA chapter 78-A is unconstitutional as applied to the Town. The Town seeks a declaration that it is entitled to a greater distribution based on the Town's "large seasonal visitor population" as opposed to the Town's smaller "year-round population."

On May 1, 2018, the State filed a motion to dismiss the Town's lawsuit in its entirety. The Town subsequently filed a motion to compel responses to certain discovery requests, which the Town contended were needed in order to adequately respond to the State's motion to dismiss. In July 2018, the court denied the Town's motion to compel. The Town thereafter filed a voluntary nonsuit without prejudice, and indicated that it intends re-file the lawsuit at a later date. It is not possible to predict the outcome of the threatened litigation at this time.

Richard Simone, Jr. v. Andrew Monaco, et al On May 11, 2016, Mr. Simone led police on a multi-state vehicle chase, ending in Nashua, NH. After Mr. Simone stopped and exited his vehicle, a NH State Trooper, Andrew Monaco, and a Massachusetts State Trooper, Joseph Flynn, used excessive force in arresting Mr. Simone. Those two troopers have been convicted of crimes associated with their use of force. Mr. Monaco is no longer a NHSP Trooper. Mr. Simone brought a civil lawsuit relating to the incident, naming the NHSP Colonel and two NHSP Troopers as defendants. While Mr. Monaco is also named as a defendant, the State is not providing defense or indemnification for him. The State is defending the New Hampshire State Police Colonel, and two Troopers that did not participate in the use of force, but were alleged to be present at the scene of the arrest. Mr. Simone alleges that the State Police Defendants failed to intervene to stop the use of force, and therefore are liable under 42 U.S.C. § 1983. Similarly, Mr. Simone alleges that the State Police Colonel is liable under 42 U.S.C. § 1983 for a failure to properly train NHSP Troopers. The U.S. District Court dismissed the Colonel from the case and dismissed all claims that are brought against the State Defendants that are alleged in their official capacity. The Court denied the State's Motion to Dismiss for failure to timely effect service on and failure to state a claim with respect to the two State Troopers. No discovery plan has been filed yet. If Mr. Simone is successful in his claims against the Troopers in their individual capacities, he is seeking damages, punitive damages, and attorneys' fees. It is not possible to predict an amount of liability at this time.

Estate of Champney v. Department of Safety. There is the potential for litigation, brought on behalf of the estate of Jesse Champney, arising from an officer-involved fatal shooting. On December 24, 2017, Mr. Champney fled from State Police during a pursuit related to an alleged stolen vehicle. After Mr. Champney's vehicle came to a stop off the road, a State Police officer attempted to take him into custody, and Mr. Champney fled on foot. Mr. Champney refused to surrender and threatened to shoot the Trooper. The officer shot him, and he died at the scene. It is not possible to predict the outcome of the case at this time.

Threatened litigation from the ACLU against State Police – The N.H. ACLU and the Seacoast Online Newspaper have made a Right to Know Request of NHSP, pursuant to RSA 91-A. They are seeking records related to the NHSP's Mobile Enforcement Team ("MET"), which has been tasked with detecting serious crimes on the highways, such as drug trafficking and human trafficking. The ACLU's requests include a request for policies and procedures on pre-textual motor vehicle stops, and for records of stops that did not result in criminal charges. The ACLU has indicated that the purpose of their request is to secure records which support the position that the NHSP MET disproportionately stops people of color. NHSP is cooperating with the ACLU to identify and provide the records they are seeking and to engage with them constructively with hopes of reviewing existing practices and procedures in order to avoid litigation. Although no lawsuit has been filed, the ACLU has threatened litigation. It is not possible to predict the amount of potential liability at this time.

John Doe, on behalf of himself and all others similarly situated v. Commissioner Jeffrey Myers, Southern New Hampshire Medical Center, and the New Hampshire Circuit Court District Division. An individual, who was admitted to Southern New Hampshire Medical Center's Emergency Department after a suicide attempt, sued in the

Federal District Court for the State of New Hampshire alleging habeas corpus relief, declaratory judgment, and appointment of a class for unconstitutional deprivation of liberty interests and lack of procedural due process based on an alleged systemic practice where individuals who may be experiencing mental health crises are involuntarily detained in hospital emergency rooms without the State providing them with due process, appointed counsel, or an opportunity to contest their “detention.” This practice is sometimes referred to as “psychiatric boarding.” Plaintiff is represented by the New Hampshire American Civil Liberties Union (“ACLU”) who is also asking for class certification for similarly situated individuals in New Hampshire. The ACLU alleges that, as of October 31, 2018, approximately 46 adults and 4 minors were “boarded” in emergency rooms. The State will be defending both the Commissioner and the Circuit Court system.

The complaint includes 4 counts requesting relief: Count I, a class action claim alleging violations of the Fourteenth Amendment to the United States Constitution for deprivation of liberty; Count II, a class action procedural due process claim under the New Hampshire Constitution Part I, Article 15; Count III, a class action claim alleging violations of RSA 135-C:31, I; and Count IV, an individual claim on behalf of John Doe for habeas corpus relief. On November 13, 2018, Count IV was voluntarily dismissed by Plaintiff as he moved to a voluntary stay status at the hospital. The overall relief requested is declaratory judgments regarding the various counts and injunctions to discontinue the alleged violations. There is also an accompanying motion for class certification.

The New Hampshire Hospital Association and numerous other hospitals intervened in the matter. They filed a complaint-in-intervenor asserting a Fifth Amendment takings claim against the State, a Fourteenth Amendment due process claim, and other state-law based claims.

The State moved to dismiss the original complaint and the complaint-in-intervenor for lack of State action and for failure to state a claim. The State also objected to the motion for class certification. In response, the plaintiff and the intervenors amended their complaints. More plaintiffs entered the case through the amended complaint and asserted claims against certain of the intervenor hospitals for false imprisonment. The intervenor hospitals added a Fourth Amendment unreasonable seizure claim into their complaint against the State.

The State subsequently moved to dismiss the amended complaint and amended complaint-in-intervenor on substantially the same grounds on September 16, 2019. Thereafter, three of the four hospitals that had been sued for false imprisonment answered the plaintiffs’ amended complaint. Two of those hospitals included cross-claims for indemnification, contribution, and a violation of certain provisions of NH RSA 135-C. The cross-claims have been dismissed on Eleventh Amendment immunity grounds. The motions to dismiss were finally briefed on January 17, 2020. On April 30, 2020 and May 1, 2020, the district court denied the Commissioner’s motions to dismiss and subsequently granted the plaintiffs’ class certification. In doing so, the district court interpreted RSA 135-C in a manner contrary to how it has been implemented by the State. As a result, different State courts have begun reading the statute differently and reaching different outcomes as to whether a person has timely received a probable cause hearing under the involuntary emergency commitment statutes.

In order to try to fix this system issue, the State and the Hospital intervenors have been attempting to negotiate a resolution for the past several months. The arrangement as presently conceived, but not yet finalized, would have the Commissioner enter into temporary contractual arrangements with the hospitals pursuant to RSA 135-C:3. These temporary agreements would permit the State to facilitate telephonic involuntary emergency admission probable cause hearings in hospital facilities for a temporary period of time (until December 31, 2020). The State would agree to pay the hospitals a reasonable fee for the use of the facility for that purpose, would agree to indemnify the hospitals pursuant to RSA 99-D:8, I, and would ensure the presence of law enforcement personnel at probable cause hearings occurring from hospital facilities or reimburse hospitals for employing their own security for those hearings. During the duration of these temporary agreements, the Commissioner will work to add additional capacity into the state mental health system. The goal of this increased capacity is to decrease the involuntary emergency admission waitlist and, hopefully, eliminate it. Probable cause hearings will then be able to be held from New Hampshire Hospital or a DRF facility and the issues raised in the plaintiffs’ lawsuit, if not rendered moot, will become largely academic.

The plaintiff class has not agreed to this settlement approach. They would prefer persons subject to involuntary emergency admission certificates to receive video conference probable cause hearings, as opposed to telephonic hearings.

While this case presents issues of declaratory and injunctive relief only, in order to fix the involuntary emergency admission process, the State will likely incur over \$1.0 million in costs. The settlement being negotiated will most likely cost the State over \$1.0 million, through fee payments, building of new capacity into the mental system, and staffing, though much, if not all, of this funding will likely come from present appropriations. Additionally, the plaintiffs and hospital-interveners in this case will be able to shift their attorneys' fees in this action if they are ultimately successful. The potential for the shifting of attorney's fees and costs could add to that figure. Thus, the full amount of any potential liability cannot be accurately predicted at this time.

Conservation Law Foundation, Inc. v. New Hampshire Fish and Game Department, et al. On October 31, 2018, the Conservation Law Foundation ("CLF") filed its Complaint pursuant to Section 505 of the Federal Water Pollution Control Act ("Clean Water Act") alleging violations by the Powder Mill State Fish Hatchery of the hatchery's federal National Pollutant Discharge Elimination System ("NPDES") Permit. Specifically, the suit alleges the following violations: (1) discharging effluent that has resulted in state water quality standards violations in the receiving waters; (2) discharging effluent that has impaired the use of receiving waters; (3) discharging formaldehyde in concentrations exceeding the limits stated in the facility's NPDES permit; (4) discharging effluent causing violation of the pH limits stated in the facility's NPDES permit; (5) discharging cleaning water in violation of the NPDES permit; and (6) failing to implement and maintain a best management practices plan as required by the NPDES permit. The suit names the Department, the Executive Director, the Fish and Game Commission, and each of the Fish and Game Commissioners. CLF alleged that each separate violation of the Clean Water Act subjects NHFG to a penalty of up to \$51,570. In addition to civil penalties, CLF sought declaratory relief and injunctive relief to prevent further violations of the Clean Water Act. CLF also seeks injunctive relief to remediate past effluent and seeks recovery of costs and fees associated with this matter. Following briefing on NHFG's partial motion to dismiss, CLF voluntarily dropped the Department and the Commission from the suit. After a hearing, the Court determined that civil penalties were barred on Eleventh Amendment grounds, but denied the State's motion to dismiss without prejudice to raising the remaining issues at summary judgment.

The Parties filed cross-motions for summary judgment on November 27, 2019. CLF sought summary judgment on all counts, while the State sought summary judgment on Counts II, III, VI, and VII, as well as on CLF's request for injunctive relief to remediate past effluent on 11th amendment grounds. The judge dismissed counts related to contamination already in sediment, issued preliminary orders to NHFG to limit pH issues which essentially, NHFG has already done and scheduled other issues for trial in October. Issuance of a final NPDES permit has been issued and will largely moot the remaining issues. The court has continued trial previously scheduled in November 2020 in order to analyze the impact of this permit on the case.

State v. National Foam Inc., et al. (AFFF PFAS) – On May 30, 2019, the State filed suit against National Foam and several other manufacturers of Aqueous Film Forming Foam ("AFFF") which contains one or more fluorinated substances that have caused contamination of the State's groundwater and surface water. The case was removed to federal court and is now in the MDL court in South Carolina. The defendants have been given extensions of time with respect to filing an answer. The MDL parties are engaged in discovery, which is anticipated to continue for several months. The State's experts have not yet been able to quantify damages.

State v. 3M, et al. (PFAS) – On May 30, 2019, the State filed suit against manufacturers of various fluorinated chemicals for statewide contamination of the State's groundwater and surface water. The case is in Hillsborough Superior Court (North). The defendants filed partial motions to dismiss on the State's trespass and enhanced compensatory damages claims, and challenged venue. The case was transferred to Merrimack County, the trespass claim was dismissed, and the compensatory damages request will be allowed to remain part of the case.

Conservation Law Foundation, Inc. v. Pease Development Authority, et al and Notice of Intent to File Suits Against PDA. On November 10, 2016, CLF filed its Complaint pursuant to Section 505 of the Federal Water Pollution Control Act ("Clean Water Act") alleging 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 alleged 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 sought the full penalties allowed by law. In addition to civil

penalties, CLF sought declaratory relief and injunctive relief to prevent further violations of the Clean Water Act. CLF seeks an order from the court requiring PDA to correct all identified violations by implementing permitting requirements; and seeks recovery of costs and fees associated with this matter. On February 8, 2017, PDA filed a motion to dismiss the Complaint on 11th amendment grounds. The Court granted PDA's motion to dismiss as to all retrospective relief. The claim for prospective injunctive relief remains. The parties reached a settlement agreement in January, 2019, and this case was administratively closed as of March 22, 2019. This matter is now closed.

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 (TPL), 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 was 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.

In August 2016, CMS filed a notice of rulemaking to adopt a rule that would memorialize its position. On April 3, 2017 CMS published notice adopting the final rule, which became effective on June 2, 2017.

As a result of the Court's order, not only is recoupment of the 2011 overpayments based on TPL 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. The State has filed a motion for permissive intervention indicating that it supports CMS statutory authority to adopt the substance of FAQ 33 and 34. That motion was denied.

On March 3, 2017, the federal court granted the hospitals' summary judgment motion in part, finding that CMS did not have authority to adopt these substantive interpretations by FAQ. This final order assumed that CMS could adopt its interpretation through rulemaking. A permanent injunction has been entered. The court rejected a request by the Hospitals to challenge the validity of the newly enacted rule in this action. CMS appealed to the First Circuit Court of Appeals the portion of the decision rejecting their authority to enforce the FAQ's. Briefs were filed, and oral argument was held on January 9, 2018. Although CMS has indicated it does not seek to enforce the FAQ's retroactively against the New Hampshire Hospitals, if CMS were to prevail on its appeal, it is unclear whether they would have the legal option to do so. The State filed an amicus brief in partial support of CMS's authority for the policies. On April 4, 2018 the First Circuit issued the decision upholding the trial court decision. CMS's has not filed an appeal to the United States Supreme Court, so this case is closed.

Michael Gill v. New Hampshire Department of Revenue Administration; The Mortgage Specialists, Inc. v. New Hampshire Department of Revenue Administration. The New Hampshire Supreme Court affirmed a consolidated lower court decision granting summary judgment in favor of the State in this appeal of administrative decisions that Mr. Gill and The Mortgage Specialists owe taxes. The total amount owed, with penalties and interest, is approximately \$3.9 million. At this time, the State does not believe there is any likelihood it will recover that amount. In 2017, the State collected about \$306,000 and believes an additional recovery in the range of \$750,000 is possible in late 2018 or in 2019 with no further collections thereafter. Other creditors are also seeking the assets of Mr. Gill and Mortgage Specialists, Inc. The State has now sold the attached Gill properties at auction and has received \$750,000. This case is now closed.

Cianbro Corporation v. NHDOT and MDOT. This matter was a contract dispute concerning the Sarah Mildred Long Bridge which connects Maine and New Hampshire over the Piscataqua River. Cianbro is the prime contractor on the bridge replacement project, and filed a Request for Equitable Adjustment through the MDOT internal adjudication process. Cianbro sought an additional \$16.9 million and 164 additional days to complete the work. Cianbro alleged that the construction delays and cost overruns all stem from faulty design plans. Although MDOT has administered the project, both MDOT and NHDOT have traditionally each contributed 50% of all construction costs. However, pursuant to the interstate agreement, MDOT is responsible for costs that are primarily related to design issues. After a mediation, MDOT, NHDOT and Cianbro settled this claim for a total of \$5.0 million. The NHDOT share of this settlement was \$1,817,500 (36% of the total) which was believed to be the cost to litigate the claim. The funding source for the settlement was Consolidated Federal Aid, Highway Contract Payments.

FINANCIAL STATEMENTS

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, the State received a management letter identifying a material weakness and several significant deficiencies regarding financial management and certain internal controls. The State had received a similar letter for fiscal year 2014. 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>.

Fiscal Year 2016. The State issued the financial statements for the fiscal year ended June 30, 2016 on January 31, 2017 with an unqualified auditor's opinion from KPMG. In May 2017, the State received a statewide management letter from KPMG detailing concerns identified during the fiscal year 2016 audit. The management letter identified certain control deficiencies and other observations (not material weaknesses). Subsequent to the audit, the State experienced turnover in some key financial management positions, but has implemented additional internal controls to remedy some of these issues 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 years 2014 and 2015, the State received a management letter identifying a material weakness and several significant deficiencies regarding financial management and certain internal controls. The Liquor Commission has taken steps to strengthen its financial reporting controls, including engaging financial consultants to assist in the preparation of the fiscal year 2017 financial statements, as well as assist in other internal control improvement efforts.

Also, as a result of the fiscal year 2016 audit conducted over the State Highway Fund 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 reporting 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 2016 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 2017. The State issued the financial statements for the fiscal year ended June 30, 2017 on December 22, 2017 with an unqualified auditor's opinion from KPMG. The 2017 audited financial statements were filed with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access System on December 27, 2017.

The State received a statewide management letter from KPMG in March 2018 detailing concerns identified during the fiscal year 2017 audit. The management letter identified certain control deficiencies and other observations (not material weaknesses). The State has implemented additional internal controls to remedy 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 years 2014 through 2016, the State received a management letter identifying a material weakness and significant deficiencies regarding financial management and certain internal controls. The Liquor Commission has continued to take steps to strengthen its financial reporting controls, including engaging financial consultants to assist in the preparation of the fiscal year 2017 financial statements, as well as assist in other internal control improvement efforts. Additional internal controls have been implemented to remedy several prior year issues and the Commission continues to pursue internal control improvement efforts in order to address the remaining issues identified. The management letter is available at <http://www.gencourt.state.nh.us/LBA/AuditReports/financialreports.aspx>

Single Audit. The fiscal year 2017 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>.

In addition to the Single Audit of Federal Financial Assistance Programs, KPMG was engaged to examine the State's assertions regarding the amounts of payroll costs charged to various federal programs administered by the United States Department of Education (US DOE). The examination was required by the US DOE based on a review of state compliance performed by the US DOE Office of State Support. The subsequent report issued on September 6, 2018 is available on the State's website at <http://www.gencourt.state.nh.us/LBA/AuditReports/ContractedAudits/DOE%20Payroll%20Cost%20Audit.pdf>.

The report identifies \$3.38 million of unsupported payroll costs spanning State fiscal years 2014 through 2016. The final determination regarding the ultimate liability to the State for the unsupported costs are dependent on language in the US DOE's rules.

Fiscal Year 2018. The State has issued financial statements for the fiscal year ended June 30, 2018 on December 27, 2018 with an unqualified auditor's opinion from KPMG. The 2018 audited financial statements were filed with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access System on December 28, 2018.

The State received a statewide management letter from KPMG in March 2019 detailing concerns identified during the fiscal year 2018 audit. The management letter identified certain control deficiencies and other observations (not material weaknesses). The State has implemented additional internal controls to remedy these issues and will continue to work diligently on the 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 years 2014 through 2017, the State received a management letter identifying a material weakness and significant deficiencies regarding financial management and certain internal controls. The Liquor Commission has continued to take steps to strengthen its financial reporting controls, including engaging financial consultants to assist in the preparation of the fiscal year 2018 financial

statements, as well as assist in other internal control improvement efforts. Additional internal controls have been implemented to remedy several prior year issues and the Commission continues to pursue internal control improvement efforts in order to address the remaining issues identified. The management letter is available at <http://www.gencourt.state.nh.us/LBA/AuditReports/financialreports.aspx>.

Single Audit. The fiscal year 2018 Single Audit of Federal Financial Assistance Programs was conducted by KPMG and 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 2019. The State issued financial statements for the fiscal year ended June 30, 2019 on December 20, 2019 with an unqualified auditor's opinion from KPMG. The 2019 audited financial statements were filed with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system on December 23, 2019.

In connection with its audit of the State's financial statements for the fiscal year ended June 30, 2019, KPMG also issued a separate report on internal control over financial reporting and on compliance and other matters. The report may be accessed at http://www.gencourt.state.nh.us/LBA/AuditReports/ContractedAudits/State_ML_2019.pdf. The report cited two significant deficiencies in internal control, the more notable of which pertains to a longstanding policy of the State regarding how it accounts for excess business taxes paid, as reported annually by the Department of Revenue Administration at <https://www.revenue.nh.gov/publications/reports/index.htm>. These amounts or "credit carryovers" represent the amount of overpaid BPT and BET amounts that taxpayers elect to apply to future taxes owed rather than requesting a refund. The State's policy to date has been to record a tax refund payable for accumulated credit carryovers only to the extent the aggregate credit carryovers in a particular fiscal year exceed estimated additional tax revenues attributable to that fiscal year but arising from future audits of taxpayers.

The State initially estimated the gross amount of credit carryovers as of June 30, 2019 to be approximately \$224 million and the incremental fiscal 2019 tax revenues to be generated by audits to be approximately \$214 million, resulting in a net tax refund payable (liability) of \$10 million. Further review resulted in an adjusted credit carryover estimate of \$85 million. KPMG recommended in its report that the State discontinue its practice of offsetting credit carryovers with future tax audit revenues and analyze the impact on the General Fund and Education Fund of recognizing related refunds of BPT and BET revenues in those funds.

The State's response to this issue is included in the KPMG report. The State notes that it has reviewed this issue each year since fiscal 2011 but to date has not generally adjusted its cash basis tax revenues to account for the full credit carryover amounts. In any year where the calculated credit carryover liability exceeds the calculated future audit revenues, the State has recorded a net liability at the General Fund level, which impacts the budgetary surplus. In response to the KPMG report, the State intends to further refine its analysis of the credit carryover balances as of the end of each fiscal year and evaluate whether other changes should be made to its accounting policies, consistent with current budget practices. Any changes in the State's accounting policies related to this issue, if determined to be desirable, are currently expected to be implemented for the fiscal 2020 financial statements. However, the State has made no decisions yet on any such changes nor can it predict how KPMG may view any changes.

Fiscal Year 2020. The State has issued a draft of the financial statements for the fiscal year ended June 30, 2020 to the Office of the Legislative Budget Assistant (LBA), which, by law, is responsible for the completion of the audit of the financial statements. The LBA has engaged KPMG to audit those financial statements and issue its report thereon. The State expects to distribute and publish a completed CAFR, incorporating those audited financial statements, by the legislatively required date of December 31, 2020.

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.

This Information 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 Information 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.

This 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 of New Hampshire 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. Because of the inability to predict all factors that may affect future decisions, actions, events or financial circumstances, what actually happens may be different 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.

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.

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader’s convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Information Statement.

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, Monica I. Mezzapelle, Commissioner of the Treasury, State House Annex, Concord, New Hampshire.

EXHIBIT A

STATE OF NEW HAMPSHIRE
AUDITED FINANCIAL STATEMENTS
FOR FISCAL YEAR 2019
(Included by Reference and Filed with the
Municipal Securities Rulemaking Board)

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