

**State of New Hampshire
Information Statement Supplement
Dated October 3, 2002**

The following information is provided by the State to supplement the information contained in the State's most recent Information Statement dated August 14, 2002 (the "Information Statement"). The headings set forth below correspond to the same headings in the Information Statement. This Information Statement Supplement (the "Supplement") only sets forth additional information concerning the matters described below as of the date of this Supplement and is subject to change without notice.

STATE DEMOGRAPHIC AND ECONOMIC DATA

Civilian Labor Force, Employment and Unemployment

The State's civilian labor force for July 2002 was 724,000, of which 695,000 were employed and 29,000 were unemployed. The unemployment rate for July 2002 for the State was 4.0%, as compared to 4.4% for New England and 6.0% for the United States.¹

STATE FINANCES

Fiscal Year 2003 Budget

Revenues. The following table compares on a cash basis, for the three months ended September 30, 2002, General Fund and Education Fund unrestricted revenues for the fiscal years 2002 and 2003 and a comparison to the revenue estimates for fiscal year 2003. The revenue estimates reflected in the plan are based on those revenues defined in Chapter 130, Laws of 2001, the State budget law for Fiscal Year 2003. Due to the combined filing of the business profits tax and business enterprise tax, it is not possible to measure accurately the individual effects of each of these taxes. They should be evaluated in their entirety. All information in this table is preliminary and unaudited.

¹ Source: U.S. Department of Labor, Bureau of Labor Statistics, Local Area Unemployment Statistics Division.

**GENERAL FUND AND EDUCATION FUND UNRESTRICTED REVENUES
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2002
(Cash Basis-In Millions)**

Revenue Category	FY02	FY03	FY03	FY03 vs Plan		FY03 vs FY02	
	Actual	Actual	Plan	Variance	%Change	Variance	%Change
Business Profits Tax	\$31.1	\$33.2	\$55.1	\$(21.9)	-39.7%	\$2.1	6.8%
Business Enterprise Tax	<u>45.8</u>	<u>45.1</u>	<u>35.3</u>	<u>9.8</u>	<u>27.8</u>	<u>(0.7)</u>	<u>-1.5</u>
Subtotal	76.9	78.3	90.4	(12.1)	-13.4	1.4	1.8
Meals & Rooms Tax	53.2	55.7	60.3	(4.6)	-7.6	2.5	4.7
Tobacco Tax	23.4	24.1	23.3	0.8	3.4	0.7	3.0
Liquor Sales and Distribution	24.9	26.7	25.5	1.2	4.7	1.8	7.2
Interest & Dividends Tax	14.1	11.3	14.2	(2.9)	-20.4	(2.8)	-19.9
Insurance Tax	15.7	17.7	14.2	3.5	24.6	2.0	12.7
Communications Tax	13.6	16.9	17.7	(0.8)	-4.5	3.3	24.3
Real Estate Transfer Tax	28.8	34.2	28.6	5.6	19.6	5.4	18.8
Estate and Legacy Tax	15.1	14.7	13.8	0.9	6.5	(0.4)	-2.6
Transfers from Sweepstakes	17.4	9.9	11.0	(1.1)	10.0	(7.5)	-43.1
Tobacco Settlement	-	-	-	-	-	-	-
Utility Property Tax	4.6	4.4	5.1	(0.7)	-13.7	(0.2)	-4.3
Property Tax Not Retained Locally	-	-	-	-	-	-	-
Property Tax Retained Locally	-	-	-	-	-	-	-
Other	<u>26.4</u>	<u>29.1</u>	<u>27.1</u>	<u>2.0</u>	<u>7.4</u>	<u>2.7</u>	<u>10.2</u>
Subtotal	314.1	323.0	331.2	(8.2)	-2.5	8.9	2.8
Net Medicaid Enhancement Revenues	<u>7.4</u>	<u>3.6</u>	<u>4.0</u>	<u>(0.4)</u>	<u>-10.0</u>	<u>(3.8)</u>	<u>-51.4</u>
Subtotal	321.5	326.6	335.2	(8.6)	-2.6	5.1	1.6
Other Medicaid Enhancement Revenues to Fund Net Appropriations	<u>3.4</u>	<u>3.4</u>	<u>3.4</u>	<u>-</u>	<u>0.0</u>	<u>-</u>	<u>0.0</u>
Total	<u>\$324.9</u>	<u>\$330.0</u>	<u>\$338.6</u>	<u>\$(8.6)</u>	<u>-2.5%</u>	<u>\$5.1</u>	<u>1.6%</u>

Revenues for the first three months of Fiscal Year 2003 are \$8.6 million below the plan derived from the current state budget, Chapter 130, Laws of 2001. Shortfalls to date are occurring primarily in Business Taxes at \$12.1 million, Meals and Rooms Tax at \$4.6 million and Interest and Dividends at \$2.9 million. These shortfalls are somewhat offset by increases over plan in the Insurance Tax collections of \$3.5 million and Real Estate Transfer Taxes of \$5.6 million.

On September 30, 2002, the Department of Administrative Services presented Fiscal Year 2002 unaudited financial statements to the Legislative Budget Assistant's Office. These statements will now be audited by the State's outside auditors. Their review is anticipated to be completed by the end of November. The unaudited information indicates an aggregate shortfall of approximately \$23.5 million (as compared to the previous estimate of \$22.2 million) in the General Fund and a shortfall of approximately \$ 17.0 (as compared to the previous estimate of \$17.2 million) in the Education Trust Fund for a combined deficit of approximately \$40.4 million. The earlier estimate for Fiscal Year 2002 was for a combined deficit of \$39.4 million.

As described in more detail in the Information Statement under the heading "STATE FINANCES – Health Care Fund," the State is pursuing an appeal with the federal Center for Medicare and Medicaid Services, which, unless resolved in the State's favor, would result in an additional charge against the Health Care Fund ("HCF") of

up to \$14.8 million. In connection with the preparation of the unaudited financial statements for Fiscal Year 2002, the Department of Administrative Services reduced the balance of the Health Care Fund (“HCF”) by \$11.8 million to an aggregate amount of approximately \$35.9 million. If the appeal is resolved prior to December 1, 2002, the transfer will be reversed and the funds restored to the HCF. The State cannot now predict the outcome of this matter.

The State cannot yet predict what impact, if any, these matters will have on the aggregate deficit forecast for the current biennium. It is possible the aggregate deficit will be higher than the previous forecast of \$70.4 million. The actual deficit will depend upon a number of factors, including revenue performance and expenditures for the remainder of the current fiscal year and actions taken by the State during fiscal year 2003 to address this matter. Based on the current information available, the State continues to believe that the aggregate deficit will be less than the reserves the State currently has in the Revenue Stabilization Account and the HCF, which, taking into account the transfer from the HCF described in the preceding paragraph, currently total approximately \$91 million.

SCHOOL FUNDING

On August 8, 2002, the State filed an objection to the plaintiffs’ Motion for Attorneys’ Fees. On September 17, 2002, the New Hampshire Supreme Court issued an order that the plaintiffs are entitled to an award of attorneys fees, but left it to the parties to negotiate the amount. The order provided that, unless the parties reached an agreement by October 31, 2002, the matter would be referred to a master for further action.

All Fiscal Year 2002 financial information presented in this Supplement is preliminary and unaudited and subject to change.

The State of New Hampshire