

William F. Dwyer
STATE TREASURER



**THE STATE OF NEW HAMPSHIRE
STATE TREASURY**

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March 8, 2017

Mr. Michael W. Kane
Legislative Budget Assistant
Office of Legislative Budget Assistant
State House Room 102
Concord, NH 03301

Dear Mr. Kane:

Please accept this letter as certification of the affordable debt limit as required by RSA 6-C:2. The statute prohibits the legislature from authorizing any additional net tax-supported debt that would result in actual and projected debt service exceeding ten percent of unrestricted general fund revenues for the previous fiscal year. Unrestricted general fund revenues for fiscal year 2016 totaled \$1,528,800,000, therefore actual and projected general fund debt service cannot exceed \$152,880,000.

RSA 6-C:1 defines "net tax-supported debt" as debt:

- Authorized (whether issued or not), the debt service of which is to be paid from general fund unrestricted revenues or
- Guaranteed by the State, unless specific revenues have been segregated to cover the guarantee, or if the guarantee is a general obligation of a municipality where property taxes may be levied.

Attached are worksheets which present total projected debt service through fiscal year 2023 using the parameters defined in RSA 6-C. The projection includes:

- Current annual general fund debt service through fiscal year 2023,
- Amortization of the \$211.7 million in general fund bonds currently authorized but unissued, and
- Amortization of all general obligation guarantees within the statutory definition.

The total projected debt service was then compared to ten percent of fiscal year 2016 general fund unrestricted revenues. The result provides the projected remaining annual debt service capacity within the prescribed limits of RSA 6-C, although for this year's certification we have documented two scenarios in order to introduce sensitivities: one based on a future interest rate environment without bond issue premiums (Attachments 1 and 2), and one based on the continuing interest rate environment in which Treasury is able to issue at a premium (Attachments 3 and 4). We represented these scenarios by using a 5% coupon rate for the former and 3.5% for the latter.

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Solving for the minimum annual debt service allowable during the forecast period, I have calculated that the level of new net tax-supported debt authorized by the legislature, absent a 3/5 override vote, could not exceed a range of \$541 million (rate environment with no premiums) to \$646 million (bond premiums in the prevailing rate environment). In the recently released Debt Affordability Study I recommended that the legislature not exceed \$125 million of new net tax-supported bond authorizations for the 2018-19 biennium and \$120 million for 2020-21 and beyond, each of these considerably less than the RSA 6-C calculated authorization capacity range of \$541-\$646 million.

While the statutory threshold established in RSA 6-C serves its intended purpose of keeping State debt levels manageable, it is important to note that the likelihood of this scenario unfolding as presented here is remote. It is highly unlikely that the State would ever issue all bonds authorized and unissued, as well as any new authorizations, in the same year. That assumption, coupled with the remote likelihood that all outstanding general obligation guarantees would be triggered in the same year, with general fund unrestricted revenues simultaneously remaining flat over the six-year period, provides an extremely conservative set of assumptions.

Respectfully,



William F. Dwyer
State Treasurer

Attachments (4)

State Treasury
Attachment 1 to RSA 6-C Certification
3/8/2017

<u>Fiscal Year</u>	<u>Amortization of \$211M in</u>		<u>\$208M</u>		<u>Total Projected</u>		<u>10% of FY 2016</u>		<u>Less: Total</u>		<u>Remaining Debt</u>
	<u>General Fund</u>	<u>Bonds Authorized & Unissued</u>	<u>General Fund</u>	<u>Debt</u>	<u>General Fund</u>	<u>Debt Service</u>	<u>General Fund</u>	<u>Unrestricted Revenues</u>	<u>Projected General Fund</u>	<u>Debt Service</u>	<u>Service Authorizations Allowable</u>
2017	84,838,829	5,292,500	7,178,124	7,178,124	97,309,453	97,309,453	152,880,000	152,880,000	97,309,453	97,309,453	55,570,547
2018	81,367,282	16,826,950	10,097,391	10,097,391	108,291,623	108,291,623	152,880,000	152,880,000	108,291,623	108,291,623	44,588,377
2019	79,631,742	16,818,850	13,016,658	13,016,658	109,467,250	109,467,250	152,880,000	152,880,000	109,467,250	109,467,250	43,412,750 (a)
2020	73,619,294	16,811,325	15,927,206	15,927,206	106,357,825	106,357,825	152,880,000	152,880,000	106,357,825	106,357,825	46,522,175
2021	63,288,689	16,802,550	16,841,228	16,841,228	96,932,468	96,932,468	152,880,000	152,880,000	96,932,468	96,932,468	55,947,532
2022	56,674,425	16,792,700	17,744,303	17,744,303	91,211,428	91,211,428	152,880,000	152,880,000	91,211,428	91,211,428	61,668,572
2023	46,247,290	16,782,875	17,626,667	17,626,667	80,656,831	80,656,831	152,880,000	152,880,000	80,656,831	80,656,831	72,223,169

(a) Correlates to \$541M in authorizations

State Treasury
Attachment 2 to RSA 6-C Certification
February 24, 2016

State of New Hampshire Treasury
General Obligation Bonds
Debt Service Schedule

	Principal	Coupon	Interest	Debt Service	Fiscal Year Total
3/1/2017			13,525,469.00	13,525,469.00	13,525,469.00
9/1/2017	16,361,810	5.00%	13,525,469.00	29,887,279.00	
3/1/2018			13,116,423.75	13,116,423.75	43,003,702.75
9/1/2018	17,179,900	5.00%	13,116,423.75	30,296,323.75	
3/1/2019			12,686,926.25	12,686,926.25	42,983,250.00
9/1/2019	18,038,890	5.00%	12,686,926.25	30,725,816.25	
3/1/2020			12,235,954.00	12,235,954.00	42,961,770.25
9/1/2020	18,940,840	5.00%	12,235,954.00	31,176,794.00	
3/1/2021			11,762,433.00	11,762,433.00	42,939,227.00
9/1/2021	19,887,880	5.00%	11,762,433.00	31,650,313.00	
3/1/2022			11,265,236.00	11,265,236.00	42,915,549.00
9/1/2022	20,882,270	5.00%	11,265,236.00	32,147,506.00	
3/1/2023			10,743,179.25	10,743,179.25	42,890,685.25
9/1/2023	21,926,390	5.00%	10,743,179.25	32,669,569.25	
3/1/2024			10,195,019.50	10,195,019.50	42,864,588.75
9/1/2024	23,022,710	5.00%	10,195,019.50	33,217,729.50	
3/1/2025			9,619,451.75	9,619,451.75	42,837,181.25
9/1/2025	24,173,840	5.00%	9,619,451.75	33,793,291.75	
3/1/2026			9,015,105.75	9,015,105.75	42,808,397.50
9/1/2026	25,382,530	5.00%	9,015,105.75	34,397,635.75	
3/1/2027			8,380,542.50	8,380,542.50	42,778,178.25
9/1/2027	26,651,660	5.00%	8,380,542.50	35,032,202.50	
3/1/2028			7,714,251.00	7,714,251.00	42,746,453.50
9/1/2028	27,984,240	5.00%	7,714,251.00	35,698,491.00	
3/1/2029			7,014,645.00	7,014,645.00	42,713,136.00
9/1/2029	29,383,450	5.00%	7,014,645.00	36,398,095.00	
3/1/2030			6,280,058.75	6,280,058.75	42,678,153.75
9/1/2030	30,852,630	5.00%	6,280,058.75	37,132,688.75	
3/1/2031			5,508,743.00	5,508,743.00	42,641,431.75
9/1/2031	32,395,260	5.00%	5,508,743.00	37,904,003.00	
3/1/2032			4,698,861.50	4,698,861.50	42,602,864.50
9/1/2032	34,015,020	5.00%	4,698,861.50	38,713,881.50	
3/1/2033			3,848,486.00	3,848,486.00	42,562,367.50
9/1/2033	35,715,770	5.00%	3,848,486.00	39,564,256.00	
3/1/2034			2,955,591.75	2,955,591.75	42,519,847.75
9/1/2034	37,501,560	5.00%	2,955,591.75	40,457,151.75	
3/1/2035			2,018,052.75	2,018,052.75	42,475,204.50
9/1/2035	39,376,640	5.00%	2,018,052.75	41,394,692.75	
3/1/2036			1,033,636.75	1,033,636.75	42,428,329.50
9/1/2036	41,345,470	5.00%	1,033,636.75	42,379,106.75	
	\$ 541,018,760.00		\$ 327,236,134.50	\$ 868,254,894.50	\$ 868,254,894.50

Sources:

Par Amount	541,018,760.00	43,412,749.89	Target DS
Fixed Coupon		5.0%	

State Treasury
Attachment 1 to RSA 6-C Certification
3/8/2017

Fiscal Year	Amortization of \$211M in		\$208M		Total Projected		10% of FY 2016		Less: Total Projected		Remaining Debt Service Authorizations Allowable	
	Current Actual General Fund Debt Service	General Fund Bonds Authorized & Unissued	General Fund Guaranteed	General Fund Debt	General Fund	Debt Service	General Fund Unrestricted Revenues	General Fund Debt Service	General Fund Debt Service	General Fund Debt Service	General Fund Debt Service	General Fund Debt Service
2017	84,838,829	3,704,750	7,178,124	7,178,124	95,721,703	95,721,703	152,880,000	95,721,703	95,721,703	95,721,703	57,158,297	
2018	81,367,282	14,764,495	10,097,391	10,097,391	106,229,168	106,229,168	152,880,000	106,229,168	106,229,168	106,229,168	46,650,832	
2019	79,631,742	14,759,900	13,016,658	13,016,658	107,408,300	107,408,300	152,880,000	107,408,300	107,408,300	107,408,300	45,471,700 (a)	
2020	73,619,294	14,754,978	15,927,206	15,927,206	104,301,478	104,301,478	152,880,000	104,301,478	104,301,478	104,301,478	48,578,522	
2021	63,288,689	14,750,395	16,841,228	16,841,228	94,880,313	94,880,313	152,880,000	94,880,313	94,880,313	94,880,313	57,999,687	
2022	56,674,425	14,744,820	17,744,303	17,744,303	89,163,548	89,163,548	152,880,000	89,163,548	89,163,548	89,163,548	63,716,452	
2023	46,247,290	14,739,903	17,626,667	17,626,667	78,613,859	78,613,859	152,880,000	78,613,859	78,613,859	78,613,859	74,266,141	

(a) Correlates to \$646M in authorizations

State Treasury
Attachment 2 to RSA 6-C Certification
February 24, 2016

State of New Hampshire Treasury
General Obligation Bonds
Debt Service Schedule

	Principal	Coupon	Interest	Debt Service	Fiscal Year Total
3/1/2017			11,309,586.05	11,309,586.05	11,309,586.05
9/1/2017	22,852,520	3.50%	11,309,586.05	34,162,106.05	
3/1/2018			10,909,666.95	10,909,666.95	45,071,773.00
9/1/2018	23,652,360	3.50%	10,909,666.95	34,562,026.95	
3/1/2019			10,495,750.65	10,495,750.65	45,057,777.60
9/1/2019	24,480,190	3.50%	10,495,750.65	34,975,940.65	
3/1/2020			10,067,347.33	10,067,347.33	45,043,287.98
9/1/2020	25,337,000	3.50%	10,067,347.33	35,404,347.33	
3/1/2021			9,623,949.83	9,623,949.83	45,028,297.15
9/1/2021	26,223,800	3.50%	9,623,949.83	35,847,749.83	
3/1/2022			9,165,033.33	9,165,033.33	45,012,783.15
9/1/2022	27,141,630	3.50%	9,165,033.33	36,306,663.33	
3/1/2023			8,690,054.80	8,690,054.80	44,996,718.13
9/1/2023	28,091,590	3.50%	8,690,054.80	36,781,644.80	
3/1/2024			8,198,451.98	8,198,451.98	44,980,096.78
9/1/2024	29,074,790	3.50%	8,198,451.98	37,273,241.98	
3/1/2025			7,689,643.15	7,689,643.15	44,962,885.13
9/1/2025	30,092,410	3.50%	7,689,643.15	37,782,053.15	
3/1/2026			7,163,025.98	7,163,025.98	44,945,079.13
9/1/2026	31,145,640	3.50%	7,163,025.98	38,308,665.98	
3/1/2027			6,617,977.28	6,617,977.28	44,926,643.25
9/1/2027	32,235,740	3.50%	6,617,977.28	38,853,717.28	
3/1/2028			6,053,851.83	6,053,851.83	44,907,569.10
9/1/2028	33,363,990	3.50%	6,053,851.83	39,417,841.83	
3/1/2029			5,469,982.00	5,469,982.00	44,887,823.83
9/1/2029	34,531,730	3.50%	5,469,982.00	40,001,712.00	
3/1/2030			4,865,676.73	4,865,676.73	44,867,388.73
9/1/2030	35,740,340	3.50%	4,865,676.73	40,606,016.73	
3/1/2031			4,240,220.78	4,240,220.78	44,846,237.50
9/1/2031	36,991,250	3.50%	4,240,220.78	41,231,470.78	
3/1/2032			3,592,873.90	3,592,873.90	44,824,344.68
9/1/2032	38,285,950	3.50%	3,592,873.90	41,878,823.90	
3/1/2033			2,922,869.78	2,922,869.78	44,801,693.68
9/1/2033	39,625,960	3.50%	2,922,869.78	42,548,829.78	
3/1/2034			2,229,415.48	2,229,415.48	44,778,245.25
9/1/2034	41,012,860	3.50%	2,229,415.48	43,242,275.48	
3/1/2035			1,511,690.43	1,511,690.43	44,753,965.90
9/1/2035	42,448,310	3.50%	1,511,690.43	43,960,000.43	
3/1/2036			768,845.00	768,845.00	44,728,845.43
9/1/2036	43,934,000	3.50%	768,845.00	44,702,845.00	44,702,845.00
	\$ 646,262,060.00		\$ 263,171,826.40	\$ 909,433,886.40	\$ 909,433,886.40

Sources:

Par Amount	646,262,060.00	45,471,699.89	Target DS
Fixed Coupon		3.5%	