



The State of New Hampshire
Annual Report
of the
State Treasury

As of and for the
FISCAL YEAR ENDED JUNE 30, 2022

Monica I. Mezzapelle
State Treasurer

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Monica I. Mezzapelle
STATE TREASURER



THE STATE OF NEW HAMPSHIRE
STATE TREASURY
25 CAPITOL STREET, ROOM 121
CONCORD, NH 03301

September 15, 2022

Pursuant to RSA 6:17, RSA 6:43, RSA 11:5-b and RSA 20:7, I am pleased to present the Annual Report of the State Treasury, as of and for the fiscal year ended June 30, 2022.

The New Hampshire Treasury is charged with conducting a wide array of financial management activities. Among those responsibilities, the Treasury performs cash and investment management functions, issues the State's general obligation bonds and revenue bonds, and pursuant to RSA 471-C, is responsible for acquiring and returning all financial property that qualifies as abandoned property under the law. The Treasurer is also a member of several boards and commissions and serves as trustee and custodian of various State funds.

Please note that all of the information contained in this report is preliminary, unaudited, and subject to change pending completion of the State's Annual Comprehensive Financial Report.

The staff of the Treasury and I look forward to the opportunities of the next fiscal year as we continually strive to improve and deliver the wide range of financial management services we provide to the residents of New Hampshire and to all branches of State government.

Respectfully submitted,

Monica I. Mezzapelle
State Treasurer



**STATE OF NEW HAMPSHIRE
SELECTED STATE OFFICIALS**

GOVERNOR

Christopher T. Sununu

EXECUTIVE COUNCIL

Joseph D. Kenney, District 1
Cinde Warmington, District 2
Janet Stevens, District 3
Theodore L. Gatsas, District 4
David K. Wheeler, District 5

SECRETARY OF STATE

David M. Scanlan

STATE TREASURER

Monica I. Mezzapelle

ATTORNEY GENERAL

John M. Formella

COMMISSIONER OF ADMINISTRATIVE SERVICES

Charles M. Arlinghaus

OVERVIEW OF THE TREASURY

Part 2, Article 67 of the New Hampshire Constitution establishes the position of the Treasurer of the state of New Hampshire. In accordance with the Constitution, the State Treasurer is elected by a joint session of the Senate and the House of Representatives (the General Court). This election takes place on the first Wednesday of December following the biennial election when the newly elected General Court meets for organizational purposes. In accordance with RSA 6:20, upon the death, resignation, or removal of the Treasurer, the Governor, with the advice of the council, shall appoint some suitable person as commissioner, to take charge of the money, books, electronic records, and papers in the office, and to perform all the duties of the Treasurer until a Treasurer is elected and qualified. In colonial periods, the Treasurer was appointed by the chief executive and frequently the same person was both Secretary of the province and Treasurer.

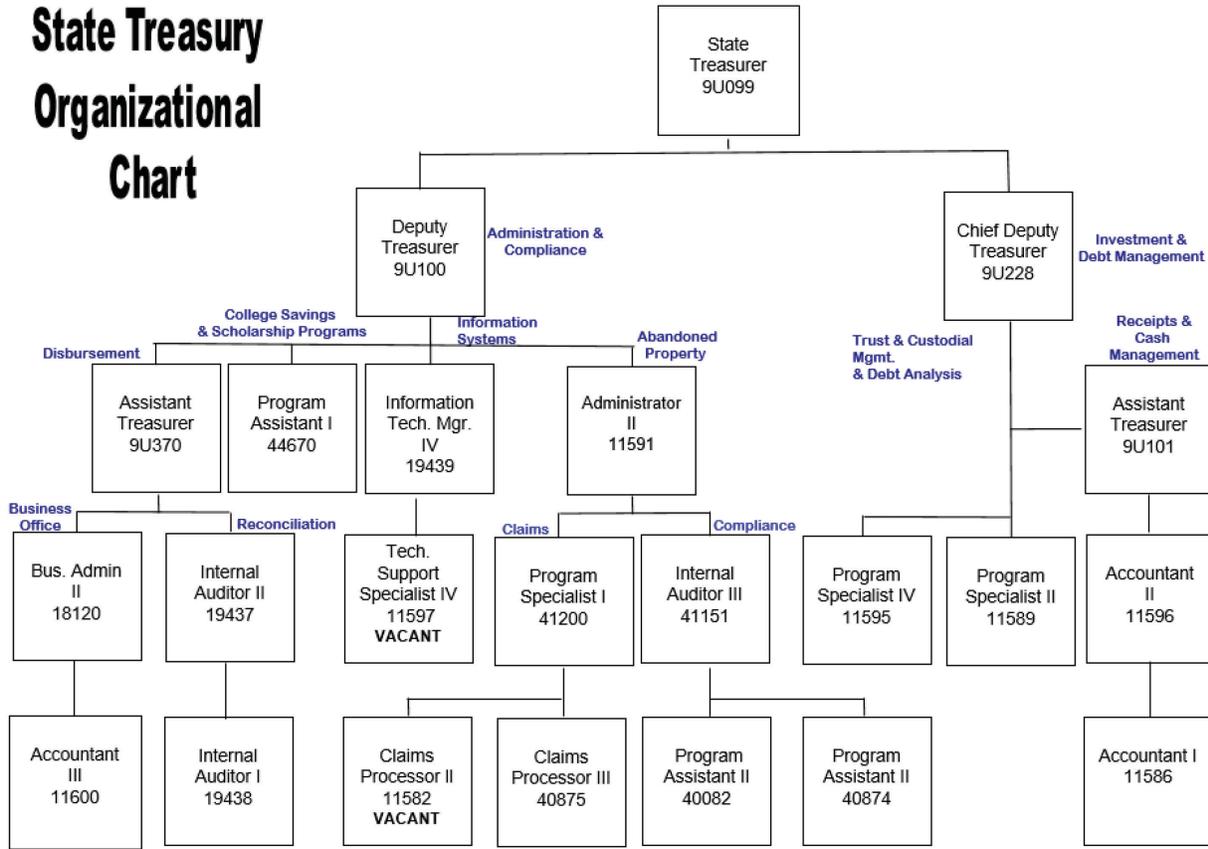
Prompted by the resignation of former State Treasurer William F. Dwyer and pursuant to RSA 6:20, on February 25, 2020, Governor Christopher Sununu nominated Deputy State Treasurer Monica I. Mezzapelle to the position of Commissioner of the Treasury to serve for the remainder of the two-year term. The Executive Council confirmed the nomination on March 25 and Ms. Mezzapelle was sworn in as Commissioner of the Treasury on March 26. In accordance with the New Hampshire Constitution during the joint session of the newly-elected members of the Legislature, on Organization Day, December 2, 2020, Monica I. Mezzapelle was elected New Hampshire State Treasurer effective January 6, 2021 through January 3, 2023.

Today, the State Treasury is responsible for multiple financial management activities which include the management of the State's cash and investments, debt management function, and unclaimed property program. The State Treasurer is an *ex-officio* member of several boards and commissions, including, but not limited to, the New Hampshire Retirement System, New Hampshire Municipal Bond Bank, New Hampshire Business Finance Authority, the Nuclear Decommissioning Financing Committee, New Hampshire Public Deposit Investment Pool, and the New Hampshire College Tuition Savings Plan Advisory Commission. The State Treasurer acts as trustee of many trust, custodial, and escrow funds, which include the New Hampshire Higher Education Savings Plan Trust (UNIQUE College Investing Plan and Fidelity Advisor 529 Plan) and shares the administration of New Hampshire's ABLE program, STABLE NH, with the Governor's Commission on Disability.

The State Treasury will optimize the use of state financial assets and financing options while protecting both through the deployment of secure technology, cost-effective and efficient banking practices, and a dedicated and highly-qualified staff; a commitment to the prudent management of public funds.

The authorized staffing of the State Treasury for fiscal year 2022 was 23 positions, 5 unclassified and 18 classified. As of the close of fiscal year 2022, there were two vacant positions. The organizational chart on the following page delineates the authorized positions for each functional area in effect as of June 30, 2022.

State Treasury Organizational Chart



As of June 30, 2022

CASH MANAGEMENT

The Treasury is responsible for a wide array of cash management activities pursuant to its role as the custodian of public funds. It is the Treasury’s responsibility to maintain the appropriate amount of cash when and where needed in order to finance the State’s operating and capital budgets. This responsibility is met in several ways, including cash flow forecasting, collecting and concentrating funds, administering disbursements, and investing available daily cash balances.

In fiscal year 2022, the Treasury administered over \$9.3 billion in receipts and \$8.4 billion in disbursements. A summary of receipts and disbursements for the previous three fiscal years follows:

COMPARATIVE STATEMENT OF RECEIPTS AND DISBURSEMENTS
(Unaudited)

	As of and for the Year Ended June 30		
	<u>2022</u>	<u>2021</u>	<u>2020</u>
BEGINNING BALANCE	2,567,942,991	2,014,071,365	1,524,834,304
TOTAL RECEIPTS	9,353,229,961	8,774,485,536	8,030,800,066
TOTAL DISBURSEMENTS	(8,454,365,377)	(8,220,613,910)	(7,541,563,005)
ENDING BALANCE	\$3,466,807,575	\$2,567,942,991	\$2,014,071,365

Federal COVID-19 Relief Funds

Cash receipts in fiscal year 2020 included \$1.25 billion in federal Coronavirus Aid, Relief, and Economic Security Act (“CARES”) funds the state of New Hampshire received from the U.S. Treasury to assist in the State’s efforts to combat the COVID-19 pandemic and provide economic relief to small businesses, non-profits, municipalities, and other entities that had emergency expenses or that suffered revenue losses as a result of the pandemic.

Total receipts in fiscal year 2021 included funds authorized under the Coronavirus Response and Relief Supplemental Appropriations Act of 2020 (“CRRSA”) and American Rescue Plan Act of 2021 (“ARP”). As part of ARP funding, the State received \$497 million of State and Local Fiscal Recovery Fund (“SLFR”), which was one-half of the total amount allocated to New Hampshire; \$225 million of Emergency Rental Assistance (\$179 million from the CRRSA (ERA1) and \$46 million authorized through the ARP Act (ERA2)); and other federal aid available through the CARES Act, CRRSA and ARP Act.

In fiscal year 2022, the State received the second tranche of SLFR funds of \$497.2 million, and \$45 million in Homeowner Assistance Fund (“HAF”) money, which was authorized under the ARP Act.

Community Banks Program

The Community Banks Program began in April of 2020 in response to financial and liquidity concerns that developed at the start of the COVID-19 pandemic. The State Treasurer notified all banks chartered in the state of New Hampshire of the State’s interest in depositing public funds in their institutions with the goal of increasing lending capacity and provide additional support to local businesses in the state. The State Treasury initially signed agreements with 12 New

Hampshire banks and deposited \$50 million in collateralized certificates of deposits with rates ranging from 0.10% to 0.75% and an average maturity of 11.5 months.

In fiscal year 2022, the State Treasury reiterated its commitment to support New Hampshire community banks and reinvested over \$50 million in collateralized certificates of deposits offered by participating banks. Current rates range from 0.1% to 0.60% with an average maturity of 11.5 months.

Out-of-State Chartered Banks

In fiscal year 2022, pursuant to Chapter 65, laws of 2021 (RSA 6:8, I-a), the State Treasury began receiving legal opinions from banks chartered under the laws of another state and interested in accepting deposits of public funds from the State Treasurer, municipal and county treasurers, or trustees.

RSA 6:8, I-a, (d) states that before accepting such deposits, the out-of-state bank is to furnish to the State Treasurer an opinion of legal counsel indicating that the state in which the out-of-state bank is chartered must permit a New Hampshire-chartered bank to accept public funds in deposit in that state in substantially the same manner and subject to substantially the same terms and conditions as is permitted for banks chartered in that state. The State Treasurer is required to confirm receipt of the opinion in writing within 60 days and shall make the opinion publicly available on the State Treasury's website: <https://www.nh.gov/treasury/cash-investment-management/index.htm>.

In fiscal year 2022, the State Treasury received legal opinions from six banks chartered under the laws of another state.

Analysis of Banking Balances, Products, and Processes

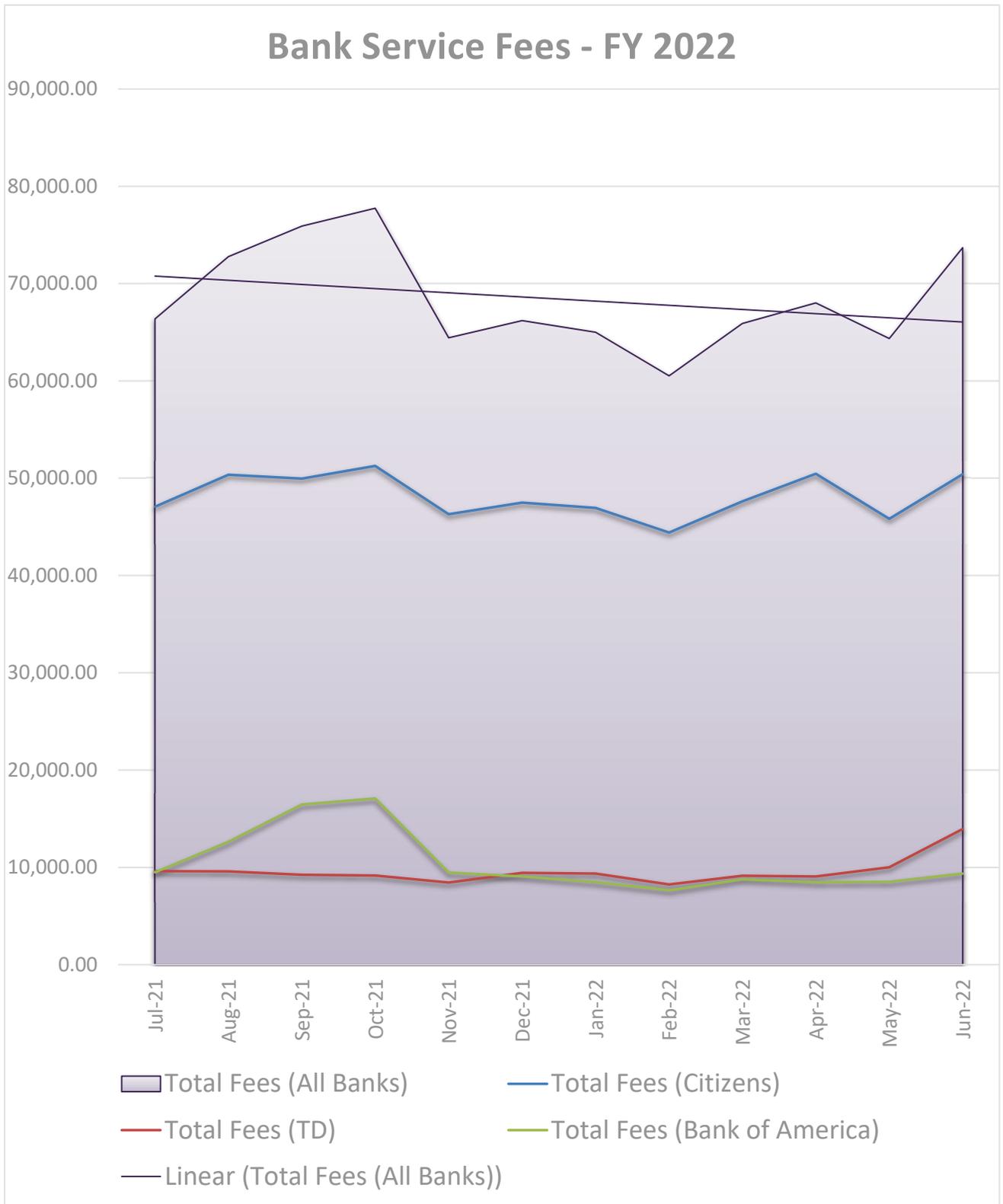
The State Treasury analyzes its relationships with banking vendors and the impact they have on statewide cash operations. This analysis is conducted in several ways and accounts for the deployment of balances held, institutional banking products utilized, and processes followed.

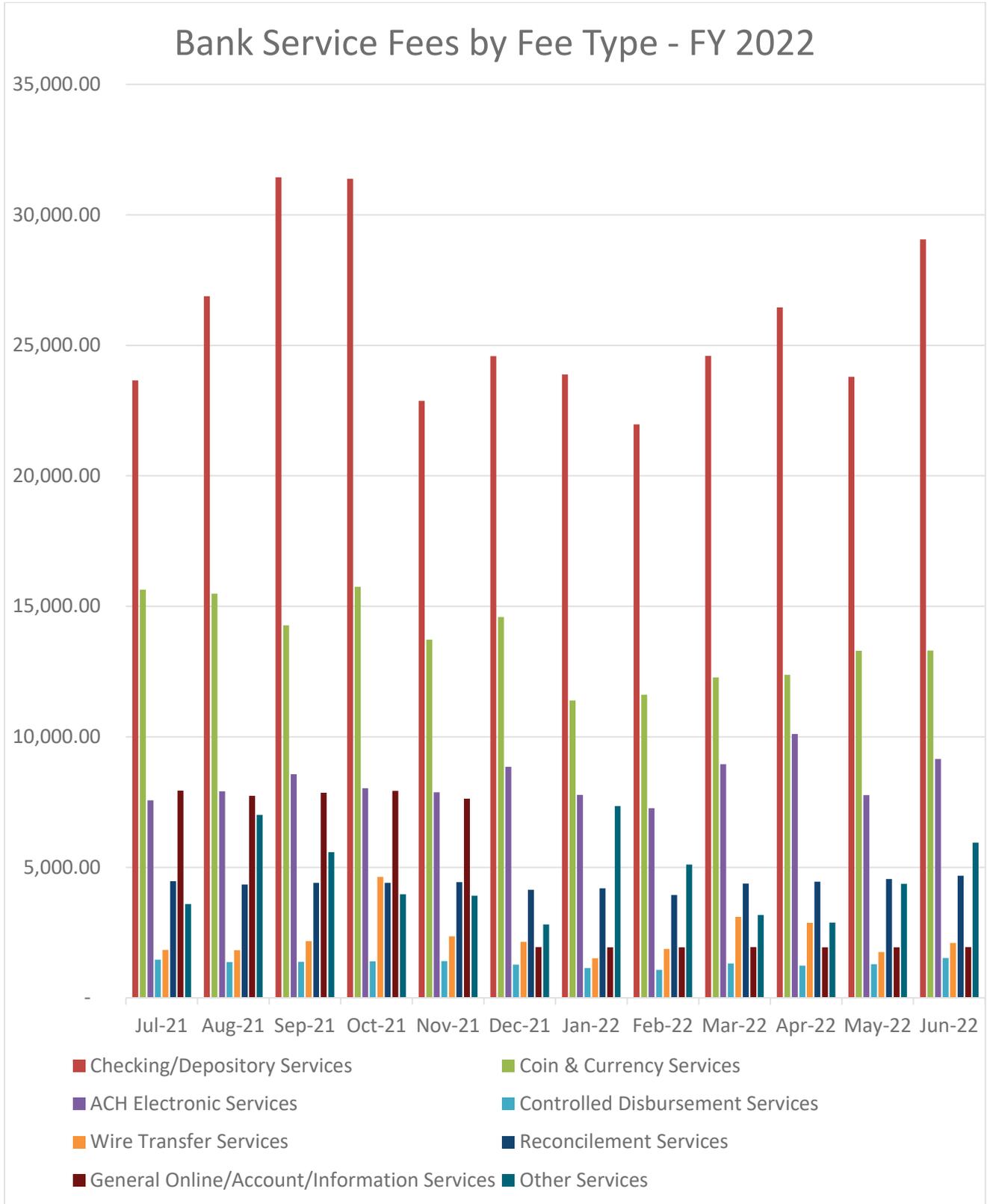
On a daily basis, Treasury performs an analysis of General Fund balances held. The result of this analysis is the administration of balances held in a manner that complies with Treasury's Cash and Investment Guidelines for Operating Funds. While ensuring safety and liquidity, balances are strategically maintained to optimize the rate of return. Notwithstanding the low interest rate environment experienced through the third quarter of the fiscal year 2022, \$2.7 million in net interest income was credited to the General Fund in fiscal year 2022 (cash basis, unaudited, and subject to change). Net interest earned on all funds totaled \$4.8 million. This amount is net of the cost of institutional financial services provided by banking vendors. Achieving this outcome results from not only optimizing returns, but also systematically analyzing services and the associated fees incurred for the banking services utilized by State Treasury.

On a monthly basis, Treasury analyzes bank service statements to identify overall price and volume changes. This effort has identified opportunities to improve efficiency or the presence of any inconsistencies in pricing. Opportunities to improve efficiency are often discussed during regularly scheduled meetings between Treasury and its banking vendors. Inconsistencies in pricing or volume are brought to the attention of each bank's client relationship manager as they are identified.

The analysis of bank products utilized by individual agencies is performed on a rolling basis and results from either Treasury's outreach to agencies or in response to an agency's request. This analysis consistently integrates the specific bank, accounts, products, and processes utilized by the agency or entity in conjunction with the overall banking relationship the Treasury maintains with that financial institution.

Treasury collaborates with its banking vendors to not only enhance operational efficiencies generated by the use of banking products, but also to ensure specific business continuity processes that will enable secure and efficient banking operations in the event of a disruption in normal service delivery.





TRUST AND CUSTODIAL ACCOUNTS

Pursuant to RSA 11:1, the State Treasurer serves as the custodian of “All trust funds left to and accepted by the state...”. As of June 30, 2022, the fair market value of the 39 trust and custodial funds overseen by the State Treasurer was approximately \$58 million, ranging from just under \$5,000 to over \$10.7 million with one escrow account remaining active but with a zero balance. Investment objectives range from short-term liquidity to maximum capital appreciation. During fiscal year 2022, no funds were liquidated and no accounts were added. All accounts originated from a variety of sources and serve a wide range of beneficiaries and purposes. A list of these trust and custodial funds, along with unaudited activity and balances for fiscal year 2022, is included at the end of this report as Exhibit 1. The Drinking Water and Groundwater Trust, previously reported here, is excluded from this section and is reported with General Funds in the State’s Annual Comprehensive Financial Report.

DEBT MANAGEMENT

General Obligation Bonds

General obligation debt is paid from the State's taxes and other revenues. As of June 30, 2022, total outstanding general obligation debt stood at \$678 million (unaudited). Approximately 70% of this debt will be repaid from unrestricted general fund revenue, while the remainder will be paid from a variety of dedicated user assessments, fines, and other revenues. During fiscal year 2022, the Treasury transacted one “new money” General Obligation Capital improvement issue in March 2022.

The State issued \$59,030,000 General Obligation Capital Improvement Bonds, 2022 Series A, through a competitive sale on March 5, 2022. This “new money” sale closed on March 24, 2022 and resulted in an overall true-interest-cost to the State of 2.47% with coupons ranging from 4.00% to 5.00% and with final maturity on 03/01/2042. The proceeds of these bonds will be used to fund all or part of various capital projects of the State.

Turnpike System Revenue and Federal Highway Grant Anticipation Revenue Bonds

In addition to administering the issuance of general obligation debt, Treasury is responsible for issuing capital improvement revenue and refunding bonds for the Turnpike System, as well as bonds backed in large part by Federal Highway funds for the Department of Transportation called Federal Highway Grant Anticipation Revenue Vehicle Bonds (“GARVEE”). Turnpike System Revenue bonds are repaid solely from revenues (tolls) collected throughout the Turnpike System.

The State issued \$90,295,000 Turnpike System Revenue Bonds, 2022 Refunding Series, on April 13, 2022 to refund \$99,270,000 of previously issued Turnpike System debt outstanding at an overall true-interest-cost to the State of 3.285%. This transaction closed on May 4, 2022 and resulted in present value savings of \$6.2 million or 6.2 % of the refunded bonds over ten years

with the majority of savings seen in fiscal years 2023 and 2024. Total outstanding debt of the Turnpike System as of June 30, 2022 stood at \$236.5 million (unaudited).

There were no GARVEE bonds issued in fiscal year 2022. At June 30, 2022, the total amount of GARVEE bonds outstanding stood at \$61.4 million (unaudited).

Transportation Infrastructure Finance and Innovation Act (TIFIA) Financing

In collaboration with the State's Department of Transportation and pursuant to RSA 6:13-d, Treasury entered into a \$200 million Transportation Infrastructure Finance and Innovation Act (TIFIA) loan from the U.S. Department of Transportation in May 2016 to provide additional funding for the widening of Interstate 93 from Salem to Manchester. Borrowing under this federal program enabled the State to secure a significantly more favorable interest rate than conventional financing would have produced. Specifically, the financing agreement carries a rate of 1.09% for the term of the loan, with principal payments deferred until June 1, 2025 and a final maturity of June 1, 2034. Additionally, the loan is structured similar to a line of credit whereby drawdowns will be taken as construction funds are spent, thus minimizing interest expense on the entire \$200 million for the term of the loan. Drawdowns on the loan began in June 2016 and ended with a final draw in fiscal year 2022 of \$7.4 million. As of June 30, 2022, the balance drawn on the loan stood at \$198.5 million (unaudited).

STATE GUARANTEED DEBT

The State is contingently liable for certain municipal government debt issues for water pollution control bonds, school building aid, and landfill bonds up to statutory limits. The State also provides certain guarantees for the debt issued by the Pease Development Authority and the Business Finance Authority. There are statutory limitations on these contingent debt guarantees:

1. The limit may apply to either the total amount of the original guarantee or to the total amount guaranteed that remains outstanding at any time; the latter is a revolving limit, facilitating additional guarantees to be awarded as guaranteed debt is retired.
2. The statutory dollar limit may constitute a guarantee of either the total amount of principal and interest owed, or the total amount of principal only; in the latter case interest on the principal amount outstanding may also be guaranteed notwithstanding the principal guarantee limit.

Issuance of new debt with a State guarantee requires the approval of the Governor and Executive Council.

As of June 30, 2022 the remaining unused guarantee authorizations under the various statutory limitations were:

<u>Purpose</u>	<u>Guarantee Limit</u>	<u>Remaining Capacity</u>
Water Pollution and Waste Control Bonds	\$ 50.0 million ⁽¹⁾⁽²⁾	\$ 50.0 million
School Building Authority Bonds	\$ 95.0 million ⁽¹⁾⁽²⁾	\$ 82.6 million
Superfund Site Bonds	\$ 20.0 million	\$ 20.0 million
Landfill and Waste Site Bonds	\$ 10.0 million ⁽¹⁾⁽²⁾	\$ 10.0 million
Business Finance Authority Bonds	\$145.0 million ⁽¹⁾	\$ 71.1 million
Pease Development Authority Bonds	\$ 70.0 million	\$ 13.9 million
Housing Finance Authority Child Care Loans	\$ 0.3 million ⁽¹⁾	\$ 0.3 million

(1) Revolving limit.

(2) Limit applies to total principal and interest.

Chapter 144, Laws of 2009, increased the State guarantee for School Bonds to \$95 million, effective July 1, 2009. In accordance with RSA 195-C:2, and as recommended by the School Building Authority and approved by the Governor and Executive Council, the State guaranteed \$51.6 million (principal and interest) of General Obligation Qualified School Construction Bonds issued by five school districts as of June 30, 2010. These bonds are federally taxable bonds created through the American Recovery and Reinvestment Act of 2009 and issued by school districts for facility construction and/or renovation or for the purchase of land upon which a facility will be built.

Chapter 47, Laws of 2015, amended the enabling legislation of the Business Finance Authority (“BFA”) (RSA 162) to increase the BFA’s Unified Contingent Credit Limit from \$95 million to \$115 million. The legislation, which became effective May 21, 2015, established redevelopment districts in unincorporated places, provided for the assessment of parcels located within redevelopment districts, and authorized a \$30 million State guarantee for such redevelopment bonds.

Chapter 346, Laws of 2019, granted the BFA the ability to recommend that the Governor and Council award additional State guarantees of certain indebtedness of businesses located in unincorporated areas of the state, limited to the total principal amount under such program not exceeding \$30 million at any time. This is separate and in addition to the previously existing authority to issue up to \$115 million in state guaranteed bonds and/or notes.

Chapter 346, Laws of 2019 additionally amended State guarantee provisions pertaining to indebtedness of the Pease Development Authority. Specifically, the statute repealed the authority to issue \$35 million of State guaranteed development bonds, bonds that had never been issued.

The State also bears a contingent and moral obligation for debt issued by municipalities through the Municipal Bond Bank. If any municipality that has issued through the Bond Bank fails to make scheduled debt payments and escrowed funds are not sufficient to cover missed payments, the Bond Bank may request non-appropriated funds from the legislature in order to cover any shortfall. Although this exposure exists, the level of its risk is not easily quantifiable in considering

the potential impact of such a default on the State's credit rating. Chapter 324, Laws of 2008, amended RSA 35-A:24 to include an intercept, or "offset", program such that in the event of default by a governmental unit, the Treasurer shall pay the Bond Bank the defaulted amount from general or education trust fund appropriations that are due to the governmental unit which defaulted.

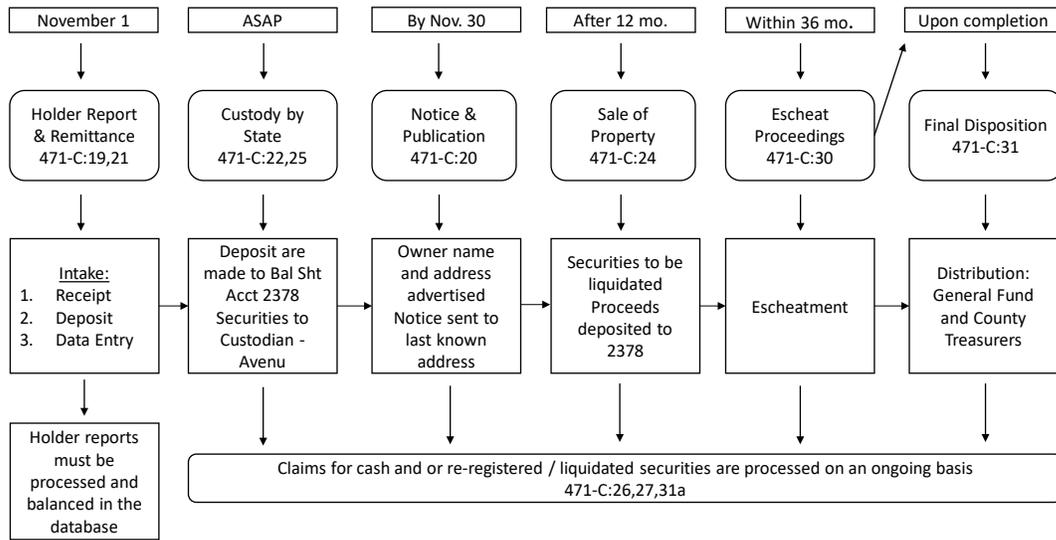
ABANDONED PROPERTY

Overview

Pursuant to the provisions of RSA Chapter 471-C, Treasury's Abandoned Property Division is charged with the task of recovering and returning intangible properties to the rightful owner or heir. Typically, such properties are in the form of cash from dormant accounts but may also include securities such as stock or mutual funds in share form. These properties are reported and remitted by the institutional "holders" of such property. By and large, holders are entities such as banks, credit unions, corporations, utilities, insurance companies, retailers, as well as government agencies and municipalities.

Diligent efforts are made to ensure that the property owners are notified that their property has been reported and remitted to the Division. Each October, an annual advertisement listing all owner names reported to the Division in the past year, and their last known addresses, is published in two consecutive weeks in a newspaper with state-wide circulation, generally the New Hampshire Union Leader. Additionally, a mailing in the form of a postcard notification is sent to the last known address of the reported owner during August and September. On-line searches of all properties the Division is presently holding can be done directly on the claims section of the Division's website: www.NewHampshire.findyourunclaimedproperty.com. The Division also participates in www.MissingMoney.com, a multi-state database of unclaimed property owner information. This multi-faceted owner reunification program affords ready access to any citizen inquiring about a lost or abandoned account.

In summary, the Division's statutory obligation and annual production cycle requires receipt and deposit of unclaimed funds and shares; maintenance of a database of the properties; sending notice to, and advertisement of, the name and last known address of the reported owner; processing claims; and escheating unclaimed funds to county treasurers and the State's general fund. The general timeline that follows provides an overview of the annual workflow.



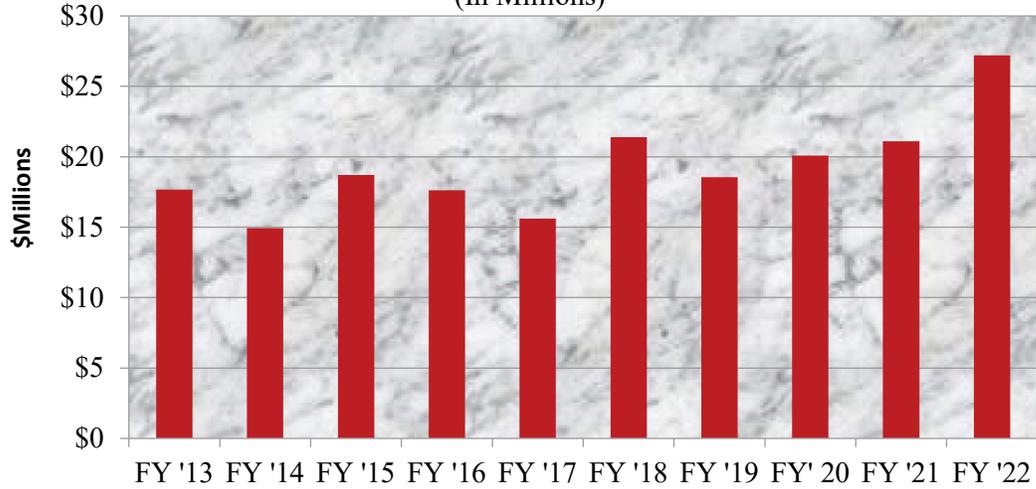
Holder Reporting and Remittances

In fiscal year 2022, approximately 6,500 institutional holders of property reported and remitted cash in excess of \$27 million and delivered over 2.8 million shares of stock and/or mutual funds to the State’s custodial account. Over the past ten (10) fiscal years, the Division has taken in \$192.8 million from holders of abandoned property, averaging approximately \$19.2 million annually.

The tables below depict since fiscal year 2013 the amount of cash reported and remitted by holders as well as the number of holders reporting and remitting unclaimed property to the Division. The relatively higher number of holders reporting in fiscal years 2017 through 2022 is due to a new report import process for property received through the cooperative state reciprocal reporting arrangement. Previously, a reciprocal remit from a participating state would be counted as a single report and holder. The new process enables the identification of the underlying holder as an entity compliant with its obligation to report property to the state of New Hampshire.

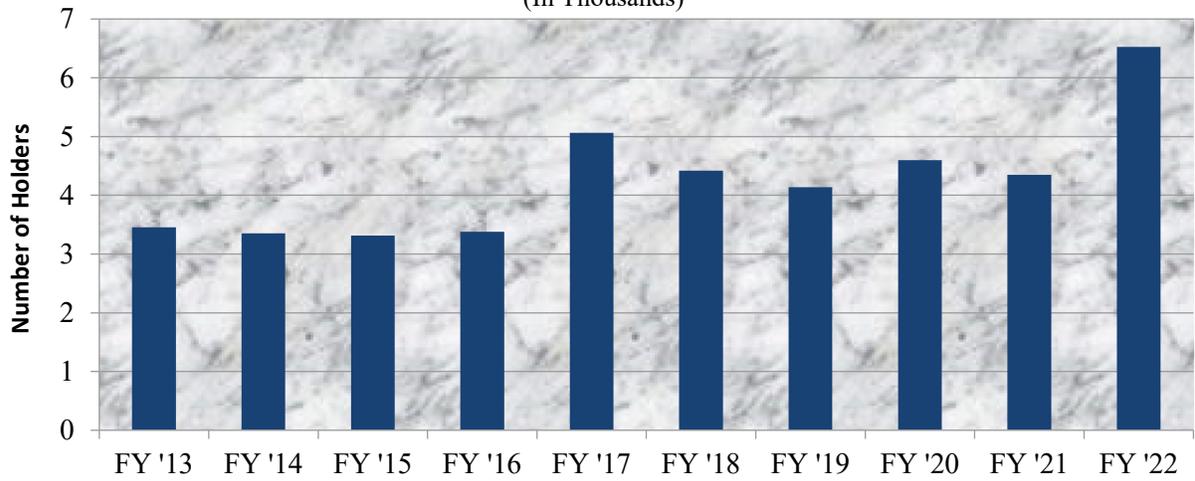
Cash Reported and Remitted

(In Millions)



Holder Reporting

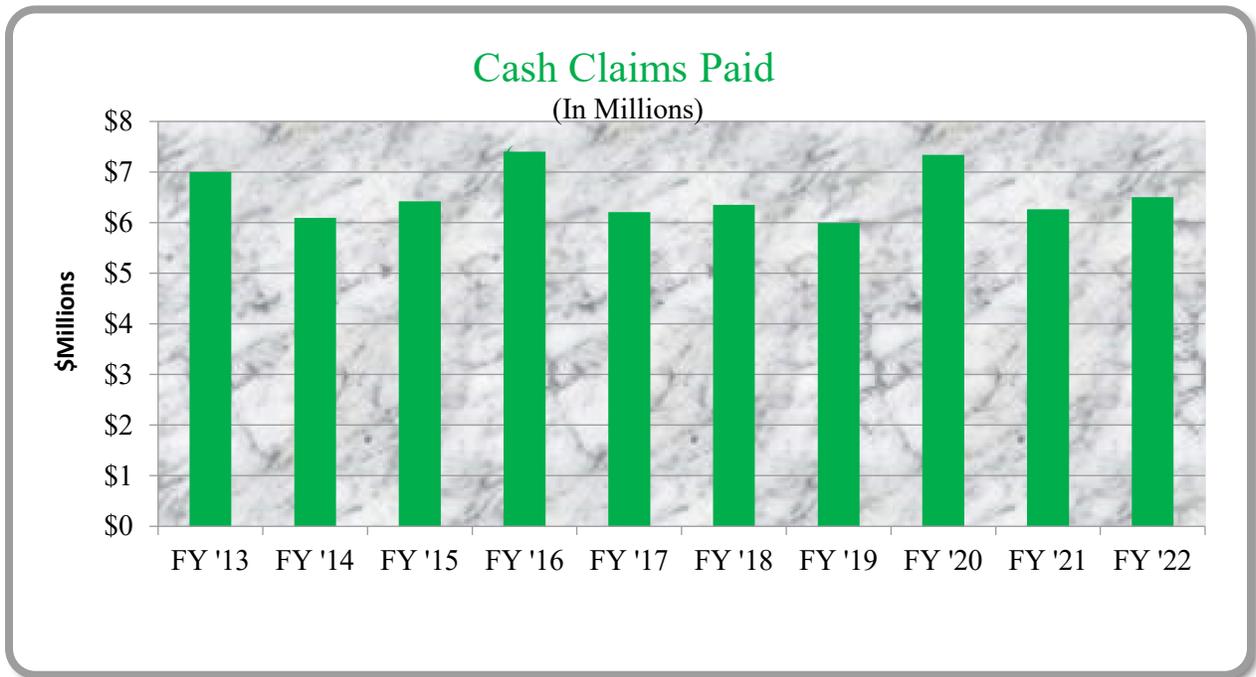
(In Thousands)

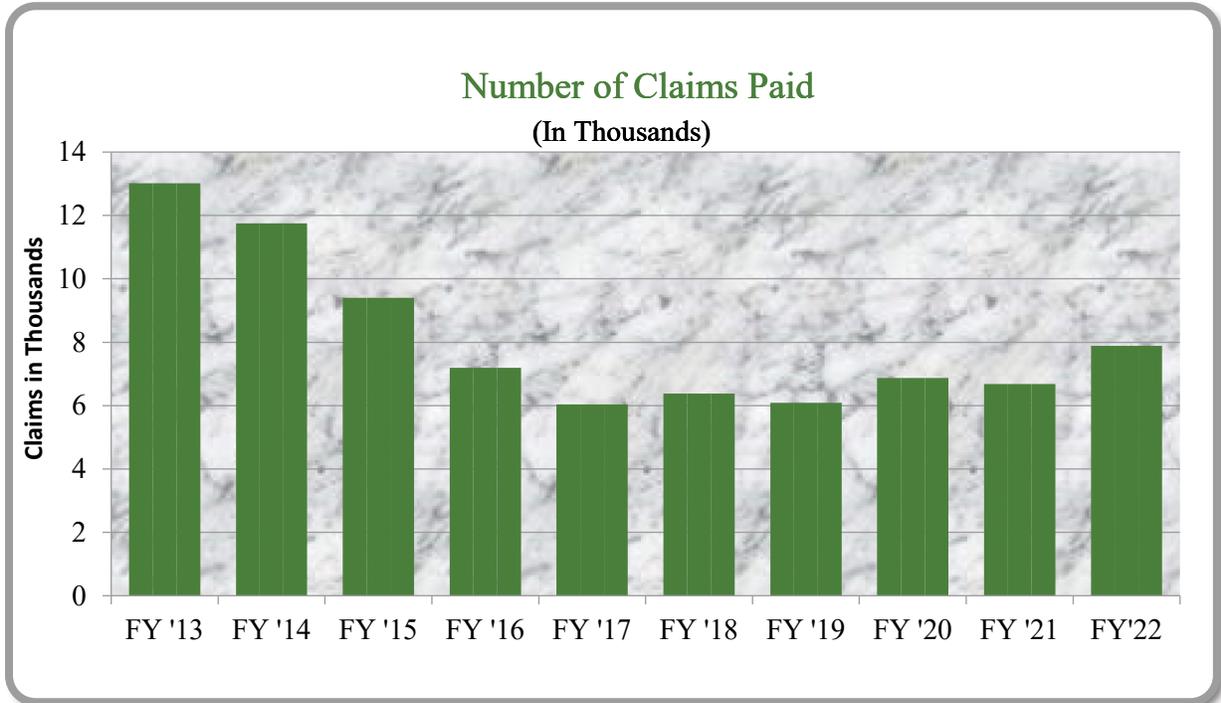


Owner Claims Processed

During fiscal year 2022, the Division returned nearly \$6.6 million to citizens, representing 7,889 claims paid (see graphs on pages 13 and 14). The reduction in the number of total claims paid beginning in fiscal year 2016 is not reflective of diminished returns of unclaimed property; rather this decline is the result of the Division’s January 2015 conversion to a highly efficient unclaimed property system which enables the payment of all properties recovered by one individual via a single claim. Prior to this conversion, a separate claim had to be processed for each asset returned. This enhancement to the claims process is only one example of how this automated system has streamlined business operations and improved the Division’s customer response time.

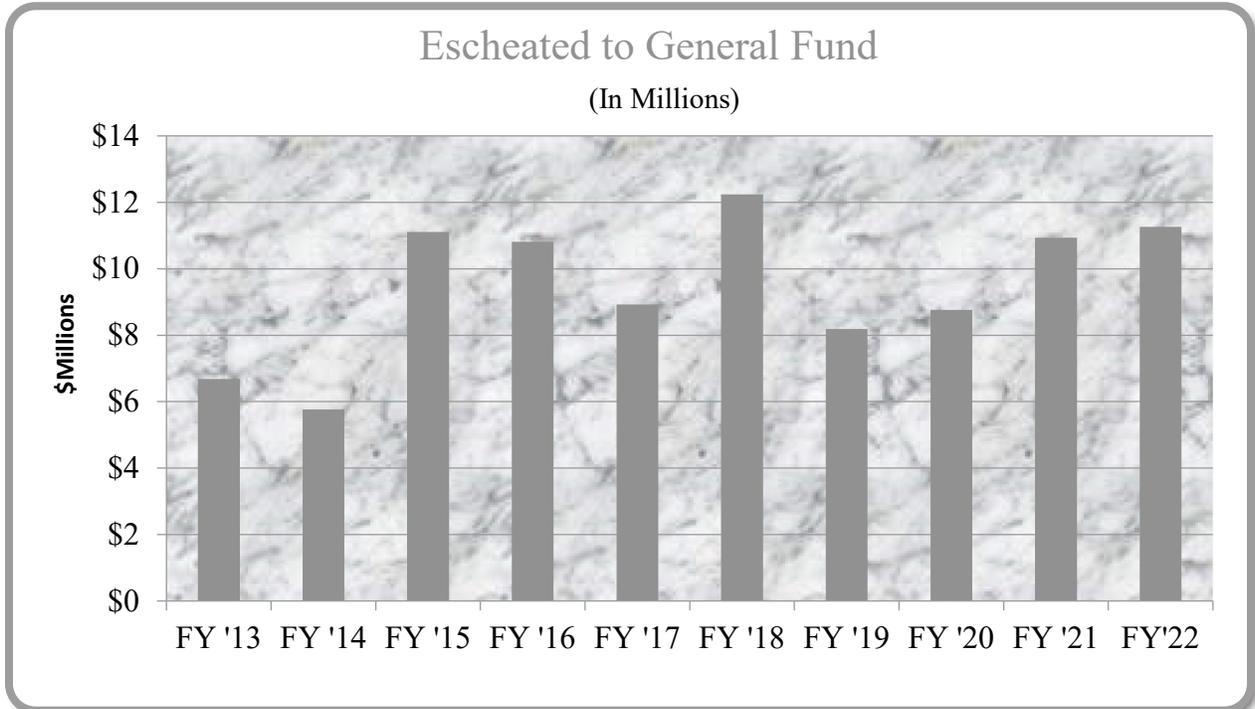
The reduction in the number of claims paid continues to produce an increase in the size of the average claim paid. For comparison, in fiscal year 2015 the average claim size was \$683, while in fiscal year 2022 the average claim size was \$824. The largest individual claim in fiscal year 2022 totaled \$316,138. Over the past ten (10) fiscal years, \$65,585,812 has been returned to owners, an average of over \$6.5 million returned each year.





Non-Securities Escheatment (RSA Chapter 471-C:30-31)

On a net basis, the Division delivered nearly \$11.2 million to the General Fund during fiscal year 2022. RSA 471-C:30-31 provides for certain deductions from the gross amount available for transfer to the General Fund based on further escheatment to New Hampshire counties, as well as the payment of administrative expenses of the Division. Over the past ten (10) fiscal years, the net transfer to the General Fund is approximately \$94.6 million, an average net transfer of funds of \$9.4 million annually. The following graph excludes the impact of the liquidation of securities for fiscal years 2013 through 2022, which is summarized below the graph.



Securities Liquidation (RSA Chapter 471-C:30-31)

The State Treasury practices with respect to the liquidation of unclaimed securities were modified in fiscal year 2007 in an effort to recover and deliver proceeds to owners’ accounts and the General Fund on a timelier basis. Following a three-year hold period, proceeds from liquidated securities are transferred to the General Fund in the same fiscal year they are sold, as opposed to being held for an additional period, as was past practice. The result of this change is an increase in recent year escheatment dollars, with significant proceeds delivered to the General Fund in conjunction with, and in addition to, the annual net escheatment of cash receipts similarly subject to a 3-year hold period. Over the past ten fiscal years, liquidation proceeds were delivered to the General Fund as follows (dollars in millions):

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
\$6.4	\$9.1	\$3.6	\$5.4	\$3.9	\$5.8	\$6.1	\$2.9	\$4.6	\$4.0

COLLEGE SAVINGS PLANS

As the fiscal year closed, the State Treasury and the New Hampshire College Tuition Savings Plan Advisory Commission (“Advisory Commission”) had completed 24 years of administering the UNIQUE College Investing Plan (“UNIQUE Plan”) and 20 years of administering the Fidelity Advisor 529 Plan (“FA 529 Plan”) pursuant to RSA 195-H. Both plans are managed by Fidelity Investments under contract to the State through the end of calendar year 2023. The combined assets under management for the two plans totaled \$21.5 billion at the end of fiscal year 2022. The combined New Hampshire Plans ranked fourth among all state plans in the market value of assets.

Plan assets were held by nearly 877,500 participants throughout the U.S. and its territories. The average participant account balance as of the end of the fiscal year was \$23,543 in the UNIQUE Plan and \$28,753 in the FA 529 Plan, highlighting that this is a college savings vehicle primarily used by middle and lower income families.

Both plans are very flexible and withdrawals can be used for a wide array of qualified higher education expenses such as computers, books, required supplies, equipment, room and board, and tuition at accredited postsecondary schools, anywhere in the United States and at several international institutions. Furthermore, as a result of the Tax Cut and Jobs Act of 2017, 529 plans became more flexible, allowing up to \$10,000 per year in 529 savings plan assets to be used for tuition expenses for grades K-12 in addition to qualified higher education expenses. There are no income limits on participation, both plans are open to anyone regardless of state of residence. The UNIQUE Plan is sold directly to retail investors, while the FA 529 Plan is sold through financial intermediaries, such as financial planners. Participants in these plans have multiple investment portfolio options from which to choose, comprised of age-based target, static allocation investment, and individual fund portfolios representing both actively managed and index funds, as well as a series of blend portfolios which combine both active and passive strategies. The portfolios are largely funds of funds and range from aggressive 100% equity funds to highly conservative money market mutual funds. Changes to investment portfolios are continually reviewed in order to ensure enhanced investment performance for college savers.

UNIQUE Scholarship Programs

The New Hampshire Excellence in Higher Education Endowment Trust Fund (the “Trust Fund”) was established pursuant to RSA 6:38 and is funded through a monthly investment management assessment generated by the two New Hampshire 529 plans. The purpose of the Trust Fund is to provide scholarships to financially disadvantaged New Hampshire students attending New Hampshire postsecondary education institutions, under the governance of the Advisory Commission. The Trust Fund also covers all costs associated with the administration of the Plans, including the financial audits. Two scholarship programs implemented in mid-2006, are:

1. UNIQUE Annual Allocation Program (“Annual Program”), which provides yearly scholarships to New Hampshire-resident students attending the University System of New Hampshire (“USNH”), the Community College System of New Hampshire (“CCSNH”), and nine (9) other eligible and participating New Hampshire postsecondary education institutions pursuant to Administrative Rule Csp 600. In July 2021, an initial allocation of approximately \$1 million was distributed to participating institutions, both public and private. Additional scholarship reimbursements of \$2.0 million were distributed to participating institutions at the end of fiscal 2022, resulting in a total distribution of \$3.0 million in UNIQUE Annual Awards for the year.
2. UNIQUE Endowment Allocation Program (“Endowment Program”) provides monthly distributions to restricted endowment funds maintained and managed by USNH, CCSNH, and eight (8) other eligible, non-profit New Hampshire postsecondary education institutions, pursuant to Administrative Rule Csp 700. With these institutions providing scholarships from

the earnings of the growing endowment funds, it is intended that future UNIQUE scholarships will be available to New Hampshire students in perpetuity. Under the Endowment Program, 80% of the monthly revenue (investment management assessment) received from Fidelity is allocated to participating institutions. As a result, \$15.5 million in monthly allocations were distributed to participating institutions throughout fiscal year 2022.

Eligibility criteria for both scholarship programs were developed by the Advisory Commission and are established in administrative rules for the Endowment Program, while the eligibility criteria for Annual Program scholarships are revised and approved at least annually.

On March 27, 2020, the Advisory Commission held a special meeting to discuss possible ways to provide additional assistance to New Hampshire students impacted by the COVID-19 pandemic. During the special meeting, the Advisory Commission revised the eligibility criteria for the UNIQUE Annual Award Program for the 2020-2021 academic year by increasing the Expected Family Contribution cap from \$0 to \$1,000 and the individual award amount from \$800 to \$1,000 each (full time-students, prorated for part-time). The Advisory Commission also decided to pursue a temporary change to the administrative rules governing the funding of the UNIQUE Endowment Allocation Program in order to provide more direct scholarships to New Hampshire students. Governor Christopher Sununu supported this initiative and on July 28, 2020, the Governor issued Exhibit M to Emergency Order No. 29, which authorized a temporary modification to administrative rule Csp 702.01(b), which establishes the percentage of revenue that needs to be allocated to restricted endowments. Pursuant to the Emergency Order, the percentage changed to 30% from 80%. Due to the expiration of the state of emergency on June 11, 2021, Exhibit M to Emergency Order No. 29 also expired and the funding for the UNIQUE Endowment Program returned to 80% of gross proceeds from assessments collected as prescribed in Csp 702.01(b). In fiscal year 2022, postsecondary education institution endowments received \$15.5 million.

Since their inception, the UNIQUE scholarship programs have distributed nearly \$183 million of scholarship funding through the end of fiscal year 2022 (in thousands of dollars):

	<u>FY 2022</u>	<u>From Inception</u>
Annual Program	\$ 3,047	\$ 38,329
Endowment Program	<u>\$15,514</u>	<u>\$144,183</u>
TOTAL	\$18,561	\$182,512

As of the end of fiscal year 2022, the Trust Fund had a market value of \$10.6 million.

GOVERNOR’S SCHOLARSHIP PROGRAM

Chapter 346, Laws of 2019, repealed and reenacted RSA 4-C:31-34, transferring the administration and oversight of the Governor's Scholarship Program from the New Hampshire Office of Strategic Initiatives to the New Hampshire College Tuition Savings Plan Advisory Commission effective July 1, 2019.

The Governor's Scholarship Program provides financial assistance to eligible New Hampshire high school graduates or recent high school graduates who enroll full-time and continuously attend a participating postsecondary education institution of their choice within the state of New Hampshire. Any first year, full-time, Pell Grant-eligible student who earns the New Hampshire Scholar designation and meets the residency and academic requirements may be eligible for a scholarship award of \$2,000 per year for up to four years. All other eligible students will qualify for a scholarship award of \$1,000 per year for up to four years. The scholarships are to be applied to tuition, fees, and direct costs of an education at a participating institution.

Chapter 156, Laws of 2017 established the Governor's Scholarship Program and non-lapsing Fund funded with an initial appropriation of \$5 million. The same chapter also appropriated \$850,000 and \$950,000 for fiscal year 2018 and fiscal year 2019, respectively, to the department of education from the Governor's Scholarship Fund to fund student participation in the dual and concurrent enrollment program overseen by the Community College System of New Hampshire. Furthermore, Chapter 155, Laws of 2017 (2018-19 operating budget) appropriated \$5 million to the Governor's Scholarship Fund for fiscal year 2019. Chapter 345, Laws of 2019 (2020-21 operating budget), appropriated \$3 million for fiscal year 2020 and \$3 million for fiscal year 2021. Chapter 91, Laws of 2021, appropriated \$6 million for fiscal year 2021 and no additional funding for fiscal years 2022 and 2023.

In fiscal year 2022, New Hampshire postsecondary education institutions awarded approximately 834 4-, 2-, and 1-year awards to New Hampshire students participating in the Governor's Scholarship Program compared to 804 scholarships awarded in fiscal year 2021. Of the 834 scholarships, 220 went to students who obtained the New Hampshire Scholar designation while attending high school. In fiscal year 2022, participating institutions received approximately \$2.0 million in reimbursements for eligible students enrolled and who were already receiving a scholarship from the Governor's Scholarship Program.

STABLE NH SAVINGS PROGRAM

Pursuant to RSA 195-K, and following the approval of the Executive Council on October 25, 2017 (item #23), the Governor's Commission on Disability and the State Treasury jointly entered into a 5-year, no-cost, partner agreement with the State of Ohio Treasury for the administration of New Hampshire's STABLE NH savings program. In December 2014, federal passage of ABLÉ (Achieving a Better Life Experience) legislation paved the way for each state to sponsor its own tax-advantaged savings program for the benefit of those with qualifying disabilities, with many features similar to those of a college tuition savings (529) account. Accordingly, section 529(a) of the Internal Revenue Code governs the tax treatment of ABLÉ accounts.

The STABLE NH savings program was operationally launched on December 15, 2017, with a formal ceremony on December 18 that featured remarks from Governor Christopher T. Sununu, Representative Lynne Ober, and former NH Health & Human Services Commissioner Jeffrey A. Meyers, as well as representatives from several area disability advocacy agencies. Following the program launch, the Governor's Commission on Disability and the Treasury began a series of

presentations promoting STABLE NH throughout New Hampshire. Those presentations continued through fiscal year 2022.

Under the federal guidelines, there are specific criteria for determining the eligibility of an individual to qualify for ownership of an ABLE account. A maximum of \$16,000 annually in after-tax funds can be deposited into an ABLE account, however, if the individual who owns the account is employed, they can deposit an additional \$12,880 of wages. Funds held in a STABLE NH account are allocated across five portfolio options: an FDIC-insured bank deposit portfolio and four Vanguard portfolios that combine equity and fixed income funds based on splits of 80/20, 60/40, 40/60, and 20/80. Distributions from a STABLE NH account are not taxed as long as the distributions are used to pay for qualified disability expenses. As of June 30, 2022, Granite Staters had opened 712 accounts in the program with a total of \$5.6 million in assets held. The average balance of a STABLE NH account as of June 30, 2022 was \$7,860.

SEABROOK NUCLEAR DECOMMISSIONING TRUST

As of June 30, 2022, the Seabrook Decommissioning Trust Fund had assets with a market-value of \$931.5 million. During fiscal year 2022, the Trust experienced an after-tax loss of 12.5% primarily driven by declining market conditions during the second half of the fiscal year. The decommissioning trust represents the cumulative contributions made by the owners of the Seabrook Nuclear Power Station for the cost of future decommissioning, combined with the investment earnings on the trust balance, net of applicable taxes and qualified administrative expenses. The trust is invested on the basis of elections made by each individual owner, subject to an investment policy approved by the State Treasurer, and influenced by the tax status of each individual owner. Trust fund proceeds may be invested in a mix of equities (stocks), fixed income securities (bonds), opportunistic (direct lending and private equity) portfolios, and cash equivalents. The allocation of fund holdings at the end of fiscal year 2022 was 65.0% equities, 28.3% fixed income, and 6.7% opportunistic investments. In addition, \$4,066 was held as a decommissioning funding assurance in separate escrow accounts on behalf of the owners at June 30, 2022. Escrow holdings primarily consist of cash and cash equivalents, with the State Treasurer and Deputy State Treasurer having signatory authority, but not custody of the funds.

The Seabrook Decommissioning Trust is not in the custody of the State Treasurer, nor does the Treasurer serve as the trustee. It is held in trust by Bank of New York Mellon on behalf of the owners of the Seabrook Nuclear Power Plant for the sole purpose of funding decommissioning costs when the plant ceases operations. Although the Treasurer presently serves on the Nuclear Decommissioning Financing Committee (pursuant to RSA 162-F), approves the Trust's Investment Guidelines (pursuant to the Master Trust Agreement), and fulfills certain other administrative roles, the State Treasury provides no direct financial management or custodial services to the Trust.

COMPONENT UNIT REPORTS

Pursuant to RSA 6:44, all component units of New Hampshire state government are required to report to the State Treasurer on a quarterly basis. These quarterly reports include interim financial information, performance metrics, and all relevant information on the component units' activities. In accordance with the statute, the State Treasury serves as a clearinghouse of information by collecting and making these reports readily available to New Hampshire citizens and State officials on its website at <https://www.nh.gov/treasury/component-unit-dashboards>.

The New Hampshire Component Units regularly reporting to the State Treasury are listed below:

- Community college system of New Hampshire
- Community development finance authority
- Judicial retirement plan
- Land and community heritage authority
- Business finance authority
- Health and educational facilities authority
- Housing finance authority
- Municipal bond bank
- Pease development authority
- Retirement system of New Hampshire
- University system of New Hampshire

TREASURY ACCOMPLISHMENTS AND INITIATIVES

The State Treasury achieved several milestones over the past year and continues to work on a number of initiatives that support not only the Treasury, but also the entire state government. As a service provider to other State agencies, these important achievements could not have taken place without the full and dedicated collaboration of Treasury staff, multiple State agencies, the Legislature, and private sector entities.

In fiscal year 2022, the State Treasury developed a Three-Year Strategic Plan containing goals that focused on Treasury's objectives and overall mission. The Treasury staff will methodically and diligently work toward achieving those goals and will evaluate each goal to measure progress at the end of every fiscal year. Additionally, a process that identifies and evaluates Key Performance Indicators was established which supports the day-to-day operations. These management tools will continue to assist the Treasury in meeting its constitutional responsibilities and better serve the citizens of New Hampshire.

Abandoned Property Current and Future Initiatives

In fiscal year 2022, the Abandoned Property Division continued implementing a series of enhancements that began in fiscal year 2020 with the implementation of a hosted website

facilitated by its unclaimed property system provider. The provider has implemented standardized unclaimed property websites for more than thirty states' unclaimed property programs. The standardized structure of the websites has enhanced holder reporting, as holders become increasingly proficient with the uniform interactive efficiencies offered by the states. The standardized nature of the websites also benefits claimants who see the consistency of the individual states' websites as a reinforcement of the legitimacy of the states unclaimed property programs, and also, as consumer protection-based programs focused on returning unclaimed funds to the rightful owners in an expedient and recognizable manner.

In the summer of 2020, this hosted website began allowing claimants to complete the entire claims process on-line. The enhanced unclaimed property system solution ("KAPS") allows property owners to search unclaimed property directly into the KAPS database, file claims electronically, and securely upload documents to the website. The introduction of this solution continues to be well received. During the past fiscal year, approximately 75% of claimants filed their claim on-line while the other 25% continued with the traditional method of submitting inquiries directly at the Division's claims services lines, or making an inquiry through the National Association of Unclaimed Property Administrators national on-line claims clearinghouse database via www.missingmoney.com.

Beginning in fiscal year 2022, certain small claims (\$100.00) were paid via an automated process utilizing a data match analysis process to verify the individual's ownership of the funds. Claims approved through this process are paid within two weeks of initiation. In fiscal 2022, 2,457 claims totaling approximately \$80,450. were paid through this streamlined, fast track process.

In conjunction with this implementation in fiscal year 2023, the Division will be incorporating an advanced data fraud index to flag potentially fraudulent claims upon origination.

Additionally, State Treasury has worked closely with its compliance review vendors to review the reporting history of many of the leading national securities transfer agents and broker-dealers. This effort is focused on determining whether the transfer agents and broker-dealers are in full compliance with abandoned property reporting requirements as they pertain to the reporting of unclaimed shares and associated dividend and liquidation payments. These compliance reviews resulted in the reporting of \$1.6 million dollars in cash and securities owed to the citizens of New Hampshire in fiscal year 2022.

Legislation and Compliance

During the 2022 legislative session, Treasury worked with several legislative committees providing information and testimony with regard to several legislative initiatives. Treasury also submitted fiscal notes in response to numerous legislative service requests introduced by New Hampshire legislators.

Furthermore, in fiscal year 2022, the Treasury assisted the College Tuition Savings Plan Advisory Commission in its efforts to amend the administrative rules governing the UNIQUE and

Governor’s Scholarship programs. The rulemaking process concluded with the final adoption of administrative rules Csp 300, Csp 400, and Csp 700 on December 6, 2021.

Remediation of Observations from 2014 LBA Financial Audit

On June 16, 2014 Governor Maggie Hassan issued Executive Order 2014-03, which requires State agencies to report on their progress in responding to audits of the Legislative Budget Assistant on a semi-annual basis. In an LBA financial audit dated March 11, 2014, thirteen observations were identified and reported to the Legislative Fiscal Committee.

On August 12, 2014 (within 60 days of the Executive Order, as required) Treasury filed its initial remediation plan and has since filed updated status reports regarding its remediation efforts semiannually, as summarized in the table below. These reports, including the original LBA audit report, can be accessed on the Transparent NH website at <https://www.nh.gov/transparentnh/audit/treasury/index.htm>, or on the Treasury website at <http://www.nh.gov/treasury/forms-publications/index.htm#audit>. A summary of Treasury’s progress in resolving audit observations follows:

Observations	1	2	3	4	5	6	7	8	9	10	11	12	13
03-21-15	P	P	R	R	P	R	U	U	R	U	R	R	U
09-21-15	P	P	R	R	S	R	P	U	R	P	R	R	P
03-21-16	S	S	R	R	S	R	P	U	R	S	R	R	S
09-21-16	R	R	R	R	S	R	P	U	R	S	R	R	R
03-21-17	R	R	R	R	S	R	P	U	R	S	R	R	R
09-21-17	R	R	R	R	S	R	P	U	R	S	R	R	R
03-21-18	R	R	R	R	R	R	P	U	R	S	R	R	R
09-21-18	R	R	R	R	R	R	P	U	R	R	R	R	R
03-21-19	R	R	R	R	R	R	P	U	R	R	R	R	R
09-21-19	R	R	R	R	R	R	P	U	R	R	R	R	R
03-21-20	R	R	R	R	R	R	P	U	R	R	R	R	R
09-21-20	R	R	R	R	R	R	P	U	R	R	R	R	R
03-21-21	R	R	R	R	R	R	P	U	R	R	R	R	R
09-21-21	R	R	R	R	R	R	P	U	R	R	R	R	R
03-21-22	R	R	R	R	R	R	R	U	R	R	R	R	R

R – Resolved S – Substantially Resolved P – Partially Resolved U – Unresolved

Treasury remains committed to fully resolving all audit findings and includes in its updated status reports an estimated target date for the final remediation of all findings not yet fully resolved.

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TRUST AND CUSTODIAL ACCOUNTS HELD BY THE STATE TREASURER (EXHIBIT 1)					
FISCAL YEAR 2022 (unaudited)					
	July 1, 2021	Dividends	Net	Net	June 30, 2022
	Beginning	&	Transactions	Change	Ending
Fund Name	Market	Interest	During	in Market	Market
	Value	Earned	Year	Value	Value
<u>Department of Education</u>					
- Harriet Huntress	93,121	1,755	4,772	(17,114)	82,533
- Hattie Livesey	48,601	907	0	(6,552)	42,956
- John Nesmith	742,313	14,055	6,291	(137,744)	624,915
- Special Teachers Competence	316,641	6,172	10,457	(55,940)	277,330
<u>Department of Environmental Services</u>					
- Connecticut-Coos	3,092,482	60,709	145,790	(388,491)	2,910,490
- Mascoma	45,274	71	0	0	45,345
- Newfound	85,134	133	0	(0)	85,266
- Piscataquog	13,203	11	(6,500)	0	6,713
- Squam Lake	94,393	147	0	0	94,540
- Sugar River	13,331	21	0	0	13,352
- Winnepesaukee	13,797	22	0	(0)	13,819
<u>Department of Fish & Game</u>					
- Lifetime License Fund	2,878,117	51,329	(289,885)	82,709	2,722,270
<u>Health & Human Services</u>					
- Laconia State School	119,152	183	(1,742)	0	117,593
- Matthew Elliott Memorial Trust Fund	4,949	8	0	0	4,957
- New Hampshire Hospital	8,676,219	142,358	525,164	(1,934,665)	7,409,076
- NHSLRP/JUA Escrow Account	3,513,348	5,191	(183,911)	(0)	3,334,628
- Youth Development Center	35,587	55	0	0	35,643
<u>Department of Labor</u>					
- Crown Paper Workers Compensation	15,275	2	0	(0)	15,277
- Special Fund for Active Cases	11,005	18	97	(0)	11,120
- Special Fund For Second Injuries	3,608,331	6,216	(351,817)	0	3,262,730
<u>Dept of Natural and Cultural Resources</u>					
- Tip-Top House Fund	21,531	33	0	0	21,565
<u>Department of Safety</u>					
- Financial Responsibility	144,286	174	(42,519)	0	101,941
- Road Toll Bonds	36,920	58	0	0	36,977
<u>New Hampshire Veterans' Home</u>					
- Benefit Fund	1,848,568	36,041	92,047	(333,676)	1,642,981
- Guy Thompson Account	15,036	0	0	72	15,108
- Members' Administrative Account	406,111	343	0	942	407,396

TRUST AND CUSTODIAL ACCOUNTS HELD BY THE STATE TREASURER (EXHIBIT 1 CONT.)					
FISCAL YEAR 2022 (unaudited)					
Fund Name	July 1, 2021 Beginning Market Value	Dividends & Interest Earned	Net Transactions During Year	Net Change in Market Value	June 30, 2022 Ending Market Value
<u>NH Higher Education</u>					
-NH Higher Ed- Concord Hospital Surgical Technology Program	81,272	126	0	1	81,399
-NH Higher Ed- The Prelude Institute	10,002	15	0	(0)	10,017
-NH Higher Ed- The Trivium Institute	10,001	16	0	(0)	10,016
<u>Office of Energy and Planning</u>					
- Land Conservation Monitoring Endowment	5,126,104	4,045	(14,028)	(708,646)	4,407,476
<u>Public Utilities Commission</u>					
-Electric Assistance Program	3,219,923	1,918	517,109	0	3,738,949
<u>Racing & Gaming</u>					
-NH Lottery Commission Licensee Escrow	0	0	0	0	0
<u>Treasury Department</u>					
- Japanese Charitable Fund	210,083	3,940	7,745	(35,534)	186,234
- College Savings Plan Trust	11,713,572	243,587	96,905	(1,403,186)	10,650,879
<u>University of New Hampshire</u>					
- Benjamin Thompson Trust	2,805,659	56,650	(70,102)	(376,172)	2,416,035
<u>Other</u>					
- Community Conservation Endowment	7,254,740	132,641	501,537	(1,582,183)	6,306,735
- Conn Lakes Headwaters Natural Areas Stewardship	2,703,579	47,247	48,361	(570,739)	2,228,447
- Conn Lakes Headwaters Tract Monitoring Endowment	2,850,119	51,087	107,799	(603,408)	2,405,597
- Conn Lakes Headwaters Tract Road Maintenance	2,728,459	47,824	44,479	(576,187)	2,244,575
Total Trust & Escrow Accounts	64,606,239	915,105	1,148,047	(8,646,512)	58,022,879
- Unclaimed and Abandoned Property ⁽¹⁾	25,195,779	1,041,233	(4,739,672)	1,470,045	22,967,386
Columns may not add due to rounding.					
(1) This includes only the securities held by Avenu Insights and Analytics					