

STATE OF NEW HAMPSHIRE
INFORMATION STATEMENT SUPPLEMENT
AND ANNUAL REPORT
DATED FEBRUARY 24, 2010

***Information Statement Supplement.** The following information is provided by the State to supplement the information contained in the State's most recent Information Statement dated December 15, 2009 (the "Information Statement"). The Information Statement is available on the New Hampshire Treasury Department website as Part II of the document entitled "Official Statement for General Obligation Capital Improvement Bonds 2009 Series B & C" at <http://www.nh.gov/treasury/Divisions/DM/goOSDocs.htm>. This 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.*

***Annual Report.** The Information Statement and the State's Comprehensive Annual Financial Report for Fiscal Year 2009 are incorporated herein by reference, and along with this Supplement, are being filed on the date hereof with the Municipal Securities Rulemaking Board under Securities and Exchange Commission Rule 15c2-12 (the "Rule"). These documents constitute the State's Annual Report for Fiscal Year 2009 pursuant to the Rule*

RECENT DEVELOPMENTS

Fiscal Year 2009

Throughout fiscal year 2009, the State's revenue outlook for the year deteriorated. To close the then projected fiscal year 2009 shortfall, certain actions were taken, including a direction included in Chapter 144 of the Laws of 2009 ("HB 2") that \$65 million be liquidated from the \$110 million surplus in the medical malpractice insurance fund. This fund was originally established in the 1970s to provide coverage as the insurer of last resort. The fund is administered by the Joint Underwriters Association ("JUA") and has accumulated a surplus in excess of required reserves. However, a group of medical providers ("Providers") in the State challenged the State's right to use this surplus and on January 28, 2010, the State Supreme Court decided in the favor of the Providers' position, rendering this revenue action ineffective. In order to address this shortfall, an additional \$65 million was transferred from the State's Rainy Day Fund in lieu of the amount from the medical malpractice insurance fund. See "Litigation."

Various other actions taken by the State to close the gap, along with ongoing efforts by agencies and departments statewide to manage expenses, contributed to fiscal year 2009 lapses coming in approximately \$20 million above estimates. After these measures, a total of \$79.7 million (including the \$65 million transfer referenced above) of the State's Rainy Day Fund was needed to cover the remaining undesignated, unreserved deficit in the State's General and Education Trust Funds, leaving the Rainy Day Fund with a balance of \$9.3 million at June 30, 2009.

Fiscal Years 2010-2011

General and Education Fund revenues for the first seven months of fiscal year 2010 were \$962.4 million, which were \$40.6 million (4.0%) below plan and \$11.6 million (1.2%) above the prior year. Consistent with the ongoing economic downturn, revenue sources from investment and consumer sectors are driving the underperformance in revenue from plan. The Interest and Dividends Tax was \$9.7 million (20%) below plan. The Meals and Rooms Tax was \$14.7 million (9.2%) below plan. On January 15, 2010, the Commissioner of Administrative Services issued a statement that revenues for fiscal year 2010 are expected to be \$33.3 million below plan and \$31.7 million below plan for fiscal year 2011 for a \$65 million biennial revenue shortfall. The revenue results and estimates are preliminary and subject to change.

The following table compares on a cash basis, for the seven months ended January 31, 2010, General Fund and Education Fund unrestricted revenues for the fiscal years 2009 and 2010 and a comparison to the original revenue estimates for fiscal year 2010. The revenue estimates reflected in the table are based on those revenues defined in Chapters 143 and 144 of the Laws of 2009, the State budget law for fiscal year 2010. 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. The fiscal year 2009 information is derived from the State's audited financial statements. All information in this table for fiscal year 2010 is preliminary and unaudited.

GENERAL FUND AND EDUCATION FUND UNRESTRICTED REVENUES FOR THE SEVEN MONTHS ENDED JANUARY 31, 2010 (Cash Basis-In Millions)

Revenue Category	FY09 Actual	FY10 Actual	FY10 Plan	FY10 vs Plan		FY10 vs FY09	
				Variance	%Change	Variance	%Change
Business Profits Tax	\$ 143.9	\$ 140.5	\$ 141.7	\$ (1.2)	-0.8%	\$ (3.4)	-2.4%
Business Enterprise Tax	<u>91.5</u>	<u>85.6</u>	<u>91.0</u>	<u>(5.4)</u>	<u>-5.9</u>	<u>(5.9)</u>	<u>-6.4</u>
Subtotal	235.4	226.1	232.7	(6.6)	-2.8	(9.3)	-4.0
Meals & Rooms Tax	135.2	144.3	159.0	(14.7)	-9.2	9.1	6.7
Tobacco Tax	113.8	145.7	138.6	7.1	5.1	31.9	28.0
Transfers from Liquor Sales and Distribution	67.8	73.6	73.5	0.1	0.1	5.8	8.6
Interest & Dividends Tax	47.4	38.8	48.5	(9.7)	-20.0	(8.6)	-18.1
Insurance Tax	7.9	7.4	7.6	(0.2)	-2.6	(0.5)	-6.3
Communications Tax	48.8	44.0	49.4	(5.4)	-10.9	(4.8)	-9.8
Real Estate Transfer Tax	60.8	54.8	57.4	(2.6)	-4.5	(6.0)	-9.9
Transfers from Lottery	34.2	33.6	37.2	(3.6)	-9.7	(0.6)	-1.8
Transfers from Pari-Mutuel	0.7	0.7	0.6	0.1	16.7	-	-
Tobacco Settlement	-	-	-	-	-	-	-
Utility Property Tax	15.4	15.8	13.4	2.4	17.9	0.4	2.6
State Property Tax	-	-	-	-	-	-	-
Other	<u>81.6</u>	<u>70.7</u>	<u>74.4</u>	<u>(3.7)</u>	<u>-5.0</u>	<u>(10.9)</u>	<u>-13.4</u>
Subtotal	<u>849.0</u>	<u>855.5</u>	<u>892.3</u>	<u>(36.8)</u>	<u>-4.1</u>	<u>6.5</u>	<u>0.8</u>
Net Medicaid Enhancement Revenues	90.1	98.0	98.8	(0.8)	-0.8	7.9	8.8
Recoveries	<u>11.7</u>	<u>8.9</u>	<u>11.9</u>	<u>(3.0)</u>	<u>-25.2</u>	<u>(2.8)</u>	<u>-23.9</u>
Total	<u>\$950.8</u>	<u>\$962.4</u>	<u>\$1,003.0</u>	<u>\$(40.6)</u>	<u>-4.0%</u>	<u>\$11.6</u>	<u>1.2%</u>

The following table presents a comparison of General Fund and Education Fund unrestricted revenues for fiscal years 2009 through 2011. The fiscal year 2009 information is audited. The fiscal years 2010 and 2011 information is based on updated revenue estimates made by the Commissioner of Administrative Services on January 15, 2010. The changes made in this table since the December 15, 2009 Information Statement appear in boldface type.

**GENERAL FUND AND EDUCATION FUND UNRESTRICTED REVENUES
ACTUAL AND BUDGET
FISCAL YEARS 2009-2011
(GAAP Basis-In Millions)**

Revenue Category	Actual Fiscal Year 2009			Current Estimate Fiscal Year 2010			Current Estimate Fiscal Year 2011		
	General	Education	Total	General	Education	Total	General	Education	Total
Business Profits Tax	\$251.9	\$ 53.9	\$305.8	\$257.8	\$55.3	\$313.1	\$261.0	\$ 56.0	\$317.0
Business Enterprise Tax	<u>61.9</u>	<u>123.4</u>	<u>185.3</u>	<u>63.2</u>	<u>126.5</u>	<u>189.7</u>	<u>64.0</u>	<u>128.0</u>	<u>192.0</u>
Subtotal	313.8	177.3	491.1	321.0	181.8	502.8	325.0	184.0	509.0
Meals & Rooms Tax	203.6	6.1	209.7	232.7	7.7	240.4	242.0	8.0	250.0
Tobacco Tax	59.3	128.8	188.1	124.9	102.4	227.3	118.7	92.5	211.2
Liquor Sales and Distribution ¹	146.0	-	146.0	-	-	-	-	-	-
Interest & Dividends Tax	97.1	-	97.1	99.0	-	99.0	110.8	-	110.8
Insurance Tax	94.2	-	94.2	85.8	-	85.8	86.0	-	86.0
Communications Tax	80.3	-	80.3	75.0	-	75.0	78.0	-	78.0
Real Estate Transfer Tax	53.5	27.7	81.2	56.5	28.2	84.7	60.5	30.2	90.7
Transfers from Liquor	-	-	-	117.3	-	117.3	127.9	-	127.9
Transfers from Lottery	-	68.1	68.1	-	74.7	74.7	-	77.7	77.7
Tobacco Settlement	12.8	40.0	52.8	9.4	40.0	49.4	10.0	40.0	50.0
Utility Property Tax	-	29.0	29.0	-	28.0	28.0	-	28.0	28.0
Securities Revenue	-	-	-	34.0	-	34.0	34.0	-	34.0
State Property Tax	-	363.7	363.7	-	363.0	363.0	-	363.0	363.0
Other	<u>193.3</u>	<u>1.5</u>	<u>194.8</u>	<u>125.8</u>	<u>1.3</u>	<u>127.1</u>	<u>131.8</u>	<u>1.3</u>	<u>133.1</u>
Subtotal	1,253.9	842.2	2,096.1	1,281.4	827.1	2,108.5	1,324.7	824.7	2,149.4
Net Medicaid Enhancement Revenues	99.6	-	99.6	98.8	-	98.8	108.5	-	108.5
Recoveries	<u>21.8</u>	<u>-</u>	<u>21.8</u>	<u>18.5</u>	<u>-</u>	<u>18.5</u>	<u>19.2</u>	<u>-</u>	<u>19.2</u>
Total	<u>\$1,375.3</u>	<u>\$842.2</u>	<u>\$2,217.5</u>	<u>\$1,398.7</u>	<u>\$827.1</u>	<u>\$2,225.8</u>	<u>\$1,452.4</u>	<u>\$824.7</u>	<u>\$2,277.1</u>

¹ Effective as of the beginning of fiscal year 2010, Liquor Sales and Distribution revenue is no longer budgeted and accounted for in the General Fund. Liquor Sales and Distribution revenues are now accounted for in a separate enterprise fund.

Fiscal Years 2010 and 2011 Budget to Actual Update (unaudited)

On January 28, 2010, the New Hampshire Supreme Court upheld the decision by the Merrimack County Superior Court that found the transfer of \$110 million from the Joint Underwriters Association (“JUA”) medical malpractice insurance fund to the General Fund pursuant to Chapter 144, Laws of 2009 was unconstitutional. The budgetary impact of this decision was \$22.5 million per year for fiscal years 2010 and 2011. As discussed above, \$65 million was transferred from the State’s Rainy Day Fund at June 30, 2009 to offset the effect of this decision related to fiscal year 2009.

In addition to the \$65 million projected biennial revenue shortfall discussed above and the loss of anticipated revenue from JUA, \$30 million in appropriation adjustments are expected primarily from increased Health and Human Services caseloads, and appropriations not budgeted for such as indigent defense, abandoned property claims, workers compensation and unemployment compensation. These developments since the Information Statement was issued in December 2009 produce a projected shortfall of approximately \$140 million for the current biennium as detailed by fiscal year in the table below.

(In millions)	Fiscal Year <u>2010</u>	Fiscal Year <u>2011</u>	<u>Total</u>
Revenue Shortfall	(\$33.3)	(\$31.7)	(\$65.0)
JUA decision	(22.5)	(22.5)	(45.0)
Appropriations not budgeted	(6.0)	(6.0)	(12.0)
Health and Human Services deficit	(13.5)	(1.5)	(15.0)
Other	(7.0)	4.7	(2.3)
Total	(\$82.3)	(\$57.0)	(\$139.3)

On February 11, 2010, Governor Lynch directed State agencies to develop plans to reduce general fund spending by 2% (or \$28 million) for the remainder of fiscal year 2010 and 8% (or \$112 million) percent for fiscal year 2011, totaling approximately \$140 million for the biennium. State agencies are to submit plans to the Governor by March 4, after which time the Governor will begin to meet with agencies and develop overall reduction plans. It is anticipated that the Governor will present his reduction plan to the legislature by the end of March. It is possible that the overall reduction plan will include seeking federal approval to move ARRA stabilization dollars budgeted for fiscal year 2011 forward into fiscal year 2010 to allow the State additional months to make up the biennial shortfall.

The State was notified by the U. S. Department of Health and Human Services on February 18, 2010 that it may receive an additional \$14.2 million in Medicaid related reimbursements. The State has not yet received guidance from the federal government and is therefore uncertain as to the General Fund impact of these additional monies. Accordingly, no part of the additional \$14.2 million has been included in the table of General Fund and Education Trust Fund Balances below.

The following table sets out the General Fund and Education Fund undesignated fund balances and the amounts designated for the Revenue Stabilization Account for fiscal years 2009, 2010 and 2011. The fiscal year 2009 information is derived from the State's audited financial statements. The fiscal years 2010 and 2011 numbers are adjusted from those in Chapters 143 and 144 of the Laws of 2009, the operating budget for fiscal years 2010 and 2011. Adjustments have been made for \$18 million of ARRA State Fiscal Stabilization Funds recognized in fiscal year 2009, although originally budgeted as revenue in fiscal years 2010 and 2011. Adjustments have also made over the biennium for \$65 million in downward revenue estimates, \$45 million removal of transfer from JUA account and \$30 million in net appropriation increases. The changes made in this table since the December 15, 2009 Information Statement appear in boldface type.

GENERAL FUND AND EDUCATION FUND BALANCES
FISCAL YEARS 2009 – 2011
(GAAP Basis - In Millions)

	FY 2009			FY 2010			FY 2011		
	Audited			Current Estimate			Current Estimate		
	<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	\$17.2	\$0.0	\$17.2	\$0.0	\$0.0	\$0.0	\$(90.0)	\$0.0	\$(90.0)
Additions:									
Unrestricted Revenue	1,375.3	842.2	2,217.5	1,398.7	827.1	2,225.8	1,452.4	824.7	2,277.1
Other Revenue Initiatives	-	-	-	92.2	80.1	172.3	85.0	80.0	165.0
Total Additions	<u>1,375.3</u>	<u>842.2</u>	<u>2,217.5</u>	<u>1,490.9</u>	<u>907.2</u>	<u>2,398.1</u>	<u>1,537.4</u>	<u>904.7</u>	<u>2,442.1</u>
Deductions:									
Appropriations Net of Estimated Revenues	(1,509.2)	(897.7)	(2,406.9)	(1,559.6)	(957.0)	(2,516.6)	(1,595.5)	(957.3)	(2,552.8)
Other Appropriation Adjustments	-	-	-	5.4	-	5.4	28.6	-	28.6
Less: Lapses	<u>71.2</u>	<u>3.0</u>	<u>74.2</u>	<u>23.1</u>	-	<u>23.1</u>	<u>23.5</u>	-	<u>23.5</u>
Total Net Appropriations	<u>(1,438.0)</u>	<u>(894.7)</u>	<u>(2,332.7)</u>	<u>(1,531.1)</u>	<u>(957.0)</u>	<u>(2,488.1)</u>	<u>(1,543.4)</u>	<u>(957.3)</u>	<u>(2,500.7)</u>
GAAP and Other Adjustments	<u>20.5</u>	<u>(0.4)</u>	<u>20.1</u>	-	-	-	-	-	-
Current Year Balance	<u>(42.2)</u>	<u>(52.9)</u>	<u>(95.1)</u>	<u>\$40.2</u>	<u>\$(49.8)</u>	<u>\$(90.0)</u>	<u>\$(6.0)</u>	<u>\$(52.6)</u>	<u>\$(58.6)</u>
Transfers (to)/from:									
Rainy Day Fund	79.7	-	79.7	-	-	-	9.3	-	9.3
Joint Underwriting Association ¹	0.0	-	0.0	-	-	-	-	-	-
Highway Fund	(1.8)	-	(1.8)	-	-	-	-	-	-
Education Fund	<u>(52.9)</u>	<u>52.9</u>	-	<u>(49.8)</u>	<u>49.8</u>	-	<u>(52.6)</u>	<u>52.6</u>	-
Undesignated Fund Balance, June 30	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$(90.0)</u>	<u>\$0.0</u>	<u>\$(90.0)</u>	<u>\$(139.3)</u>	<u>\$0.0</u>	<u>\$(139.3)</u>
Reserved for Revenue Stabilization Account	<u>\$9.3</u>	-	<u>\$9.3</u>	<u>\$9.3</u>	-	<u>\$9.3</u>	-	-	-
Total Equity	<u>\$9.3</u>	<u>\$0.0</u>	<u>\$9.3</u>	<u>\$(80.7)</u>	<u>\$0.0</u>	<u>\$(80.7)</u>	<u>\$(139.3)</u>	<u>\$0.0</u>	<u>\$(139.3)</u>

¹ See "Litigation."

The information under the following headings supplements the information in the corresponding headings set forth in the Information Statement.

STATE INDEBTEDNESS

Recent Debt Issuances

The State issued its \$50,000,000 General Obligation Capital Improvement Bonds, 2009 Series B and its \$75,000,000 General Obligation Capital Improvement Bonds, 2009 Series C (Federally Taxable – Build America Bonds – Direct Payment) on December 22, 2009 for the purpose of financing various capital projects. In addition, the State issued a \$2,405,000 General Obligation Capital Improvement Bond, 2010 Series A to the New Hampshire Municipal Bond Bank on January 19, 2010 for the purpose of financing various capital projects.

Temporary Loans

The State issued a \$50 million general obligation interfund note to its Clean and Drinking Water State Revolving Fund (the “Fund”) on January 19, 2010 and a \$25 million general obligation interfund note to the Fund on February 10, 2010. The agreement between the State Treasurer and the Fund allows for up to \$75 million in interfund notes to be issued. In addition, in order to maintain sufficient funds to meet the State’s obligations, the Treasurer intends to request authorization from the Governor and Executive Council to issue up to \$200 million of revenue anticipation notes (which amount includes the \$75 million notes currently issued to the Fund) as permitted by R.S.A. 6:13, and up to \$15 million of short term loans to be repaid from highway income or federal reimbursement for highway purposes as permitted by R.S.A. 6:13-b. There are currently no specific plans for issuing any of these obligations.

The State will issue \$50 million of commercial paper bond anticipation notes on or about February 24, 2010 to fund fiscal year 2010 school building aid payments and various other capital projects. Such amount is expected to be paid with proceeds of general obligation bonds of the State to be issued later in calendar year 2010.

LITIGATION

The following information supplements the matters indicated below since the date of the Information Statement:

Cassandra Hawkins v. Commissioner of The New Hampshire Department of Health and Human Services: The Department was unable to reach any further agreement with the Plaintiffs, and on January 21, 2010, they filed a renewed motion for show cause. It is not possible to predict the outcome of the motion or to estimate the potential fiscal impact of further litigation on this matter.

Timothy Hallam and Joseph Laramie v. Shawn Stone and Todd Connor: Oral argument in this case was held on January 13, 2010.

Georgia Tuttle, M.D., et al v. NH Medical Malpractice Joint Underwriting Association, et al, and Georgia Tuttle, M.D., et al v. State (consolidated cases): The Supreme Court issued a decision on January 28, 2010 in favor of the petitioners. The Court, by a 3-2 margin, concluded that Chapter 144:1 constitutes a retrospective law that results in impairment of contract rights in violation of the New Hampshire Constitution, and affirmed the trial court’s decision. The State has filed a motion to reconsider.

SEA v. State and Judicial Retirement System: A hearing was held on February 18, 2010 on the pending motions.

Fidele Tremblay, Inc. and Francis Hammond v. NH Dept. of Transportation: Trial is currently scheduled for May 2010.

FINANCIAL STATEMENTS

Fiscal Year 2009. The State received an unqualified auditor's opinion on its financial statements for the fiscal year ended June 30, 2009. These statements were distributed on January 29, 2010 in compliance with an extension from legally mandated filing requirements, granted by the State's Legislative Fiscal Committee. The State's financial statements for the fiscal year ended June 30, 2009 and the report of the State's independent auditors with respect thereto are being filed on the date hereof with the Municipal Securities Rulemaking Board under Securities and Exchange Commission Rule 15c2-12. The audited financial statements are incorporated herein by reference and can be viewed in their entirety at <http://admin.state.nh.us/accounting/reports.asp#PAFR>.

THE STATE OF NEW HAMPSHIRE

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