

Joint Legislative Economic Briefing

State Treasury

January 14, 2015

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I. Role of the State Treasurer (RSA 6)

Role of the State Treasurer

- ❖ Non-partisan constitutional officer
- ❖ Responsible for managing the State's financial assets and liabilities
- ❖ Oversight of State's unclaimed/abandoned property program
- ❖ *Ex-officio* member of several statutory boards and commissions
- ❖ Not a policy-maker
- ❖ Does not advocate for or against legislation
- ❖ Informs policy-makers regarding the financial impact of certain policy considerations
- ❖ Provides alternatives for evaluating/implementing policies as needed

II. Unclaimed Property Operations (RSA 471-C)

Unclaimed Property Operations

- ❖ Return unclaimed or “abandoned” property (financial assets) to NH citizens
 - Bank accounts
 - Insurance proceeds
 - Securities
- ❖ NH recovery rate is 43% vs. national average of 37%
 - Over \$6 million returned in FY2014, \$57 million over last 10 years
 - In FY2014, average claim was \$520, largest nearly \$165,000
 - Alphabetical list of new owners published in NH UL twice annually
 - Nationwide database of owners at “missingmoney.com”
- ❖ Property not claimed by owner after 3 years is credited to General Fund
 - Net \$10 million “escheated” to GF in FY2014
 - Claimants can come forward and recover property in perpetuity (G&C approval)
- ❖ Holders of unclaimed property must report/remit depending on asset type
 - Nearly \$15 million remitted by 3,400 holders in FY2014
 - Division has received \$138 million over last 10 years

III. Commission and Board Work

Commission and Board Work

- ❖ Nuclear Decommissioning Financing Committee (RSA 162-F, [recently elected Chair])
 - Ensures that Seabrook owners accumulate funding for future decommissioning
 - State Treasurer approves decommissioning trust investment guidelines
 - Plant operating license expires 2030, owners have applied for 20-year extension
- ❖ College Tuition Savings Plan Advisory Commission (RSA 195-H)
 - State Treasurer is Trustee of \$14 billion Plan, 4th largest in U.S.
 - Plan is administered by Fidelity, with oversight from Advisory Commission
 - Revenue-sharing agreement with Fidelity funds scholarships to NH students
- ❖ Other committees/boards
 - NH Retirement System Board of Trustees (RSA 100-A:14)
 - Municipal Bond Bank (RSA 35-A)
 - Business Finance Authority (RSA 162-A)
 - Public Deposit Investment Pool (RSA 383:24)
 - Deferred Compensation Commission (RSA 101-B)
 - Cannon Mountain Advisory Commission (RSA 12-A:29-b)

IV. Cash & Investment Management (RSA 6, 6-B)

Cash & Investment Management

- ❖ Daily administration of \$200-\$500+ million in cash
 - Treasury Investment Policy priorities for cash balances
 - Preserve value and safety of principal
 - Provide sufficient financial liquidity for State operations
 - Optimize rate of return
 - Liquidity uses
 - Administer payments (vendors, payroll, State programs, aid to cities/towns, etc.)
 - Pay for banking services via compensating balances (low int. rate env.)
 - Excess liquidity invested in short-term money market and bank yield accts.

- ❖ Commingled cash versus “funds held separately” (RSA 6:12)
 - Nearly all cash received by Treasury is pooled to fund cash operations
 - Taxes, fees, and assessments
 - Payments from federal government
 - Many dedicated funds and trusts
 - Revenue Stabilization Reserve (Rainy Day Fund)
 - *Funds are segregated in State’s accounting system for proper financial reporting*

V. Revenue Stabilization Reserve Account (RSA 9:13-e)

Revenue Stabilization Reserve Account

- ❖ Commonly referred to as “Rainy Day Fund”
 - RSA 9:13-e provides statutory framework for transfers to/from the reserve
 - Subject to limitations, any surplus at end of fiscal biennium is transferred in
 - Transfer cannot exceed $\frac{1}{2}$ of total maximum allowable balance
 - Max. allowable balance is 10% of unrestricted GF revenues for prior year
 - \$1,322 million for FY14, therefore \$132.2 million maximum balance
 - Current maximum transfer allowable into reserve is \$66.1 million
 - Current reserve balance is \$9.3 million (<1% of GF revenue)
 - Transfer out of fund is permitted if two conditions are met
 - A budget deficit occurred for most recently-completed biennium
 - Unrestricted GF operating revenues fall short of budgeted amount
 - Amount transferred is lesser of budget deficit or revenue shortfall
 - Comptroller must request approval of Fiscal Committee and Governor
 - Accounting transfer is made to GF surplus account
- ❖ Transfers from fund for other purposes require approval of Governor & 2/3 of each chamber
- ❖ Rating agencies do not have specific targets for Reserve, simply look to statutory framework

VI. Debt Management (RSA 6-A,B,C)

Debt Management

- ❖ State Treasury administers nearly \$1.6 billion in bonds issued as of 6-30-14
 - \$987 million in General Obligation (“GO”) bonds
 - Borrowing backed by the “full faith and credit” of the State
 - 72% of debt service payments made from unrestricted GF revenues
 - Used to fund State’s capital improvement/infrastructure projects
 - Typically paid off in 20 years – 60% in first 10 years, 40% in final 10 years
 - \$427 million of Turnpike bonds
 - Debt service payments made from Turnpike toll revenues
 - \$180 million of Grant Anticipation Revenue Vehicle (“GARVEE”) bonds
 - Also supported by Turnpike toll revenues
 - Bonds authorized/unissued total \$622 million (\$225 million for capital projects)
- ❖ GO borrowing costs largely influenced by State’s credit rating
 - Rating agencies evaluate State’s financial condition/operating results, focusing on
 - Rainy Day Fund balance
 - Status of pension and post-employment benefit funding levels
 - Structural budget balance or imbalance
 - Stability and diversity of revenue sources
 - Legislative flexibility to manage revenues and expenditures

Debt Management (cont.)

- Stronger credit rating results in lower risk premiums required by investors
 - AA, stable outlook from S&P
 - Aa1, stable outlook from Moody's
 - AA+, stable outlook from Fitch
- State Treasury ensures proactive communication with rating agencies to prevent them from learning of financial “events” through media (i.e., MET ruling)
- ❖ Historically low rate environment has created refunding opportunities for debt service savings
 - Treasury issued nearly \$90 million in refunding bonds in December
 - This issue refunded \$99 million in GO bonds outstanding
 - Debt service savings totaled \$8.2 million
 - FY2015: \$1.3 million
 - FY2016: \$0.9 million
 - FY2017: \$4.8 million
 - FY2018: \$1.1 million

VII. Treasury Dashboard

Treasury Dashboard

- ❖ State Treasury Dashboard presents high-level summary of
 - Current operating cash balances
 - Current Unclaimed Property claims backlog
 - NH's credit rating from all three rating agencies and comparison to other states
 - Total bonds outstanding as reported in the most recently-published CAFR
 - General Obligation (GO)
 - Turnpike
 - GARVEE
 - Total interest cost (TIC) for the 10 most recent GO bond issues (with graph)
 - Unweighted average TIC of the 10 most recent GO bond issues
- ❖ Distributed via e-mail to all legislators, Chiefs of Staff, LBA, and Governor's office
 - Every other week during legislative sessions
 - Once a month during non-legislative sessions
- ❖ Posted and archived on State Treasury website
(www.nh.gov/treasury/Divisions/DocsForms/Dashboard.htm)

State Treasury Dashboard

January 9, 2015

Liquidity Update

Operating cash balances as of 01/08/15 \$161.7 million

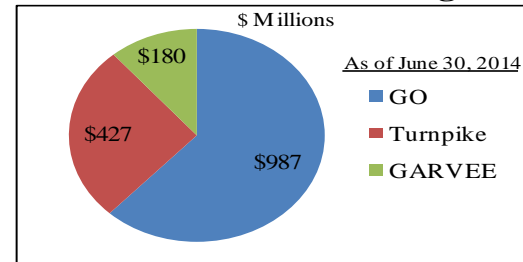
Abandoned Property Claims Update

Claims being processed were received as recently as 11/21/14

State GO Credit Rating (*changes in bold italics*)

Rating Agency	NH GO Bond Credit Rating	Outlook	Number of States Rated by Agency	Number of States with Higher Rating	Number of States with Same Rating	Number of States with Lower Rating
Fitch	AA+	Stable	37	13	13	11
Moody's	Aa1	Stable	39	13	12	14
Standard & Poor'	AA	Stable	39	21	13	5

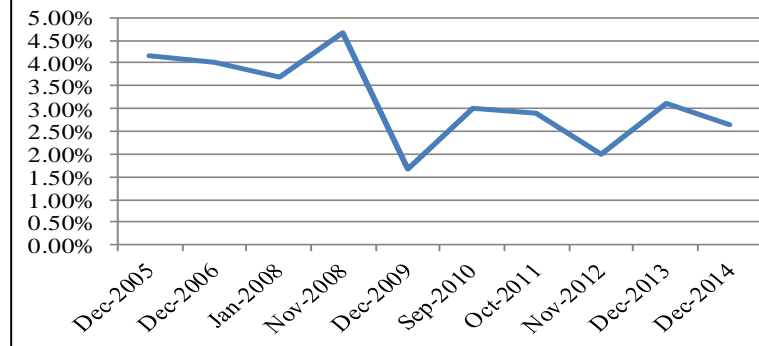
Bonds Outstanding



New Money GO Bond Issue Results (fixed rate only)

New Money GO Bond Issue	All-In Total Interest Cost (TIC)
Dec-2005	4.160%
Dec-2006	4.000%
Jan-2008	3.680%
Nov-2008	4.670%
Dec-2009	1.670%
Sep-2010	2.997%
Oct-2011	2.880%
Nov-2012	1.990%
Dec-2013	3.099%
Dec-2014	2.642%

All-In Total Interest Cost



Unweighted
Average TIC of last
10 issues
3.179%

VIII.Q&A

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