

Joint Legislative Economic Briefing

STATE OF NEW HAMPSHIRE TREASURY

JANUARY 19, 2021

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Role of the State Treasurer

- ❖ Non-partisan constitutional officer
- ❖ Responsible for managing the State's public funds and debt program
- ❖ Oversight of the State's unclaimed property program
- ❖ Trustee of the 529 College Savings Plan
- ❖ Co-Administrator of the STABLE NH Plan (savings program for individuals with disabilities)
- ❖ Objectively informs policy-makers regarding the financial impact of various policy considerations (ex. debt affordability study for prudent bonding authorizations) – does not advocate for or against legislation
- ❖ Ex-officio member of several statutory boards and commissions

Cash & Investment Management

- ❖ Daily administration of \$200-\$700+ million in cash
 - Cash flow forecasting and liquidity reviews
 - Performing a variety of cash management activities
 - Collecting and concentrating agency bank deposits (\$8 billion in FY20)
 - Monitoring disbursements – electronic and paper check (\$7.5 billion in FY20)
 - Processing voided and stale-dated checks, numerous agency payment inquiries
 - Reconciling approximately 80 bank and investment accounts
 - Liquidity uses
 - Administer payments (vendors, payroll, State programs, aid to cities and towns, etc.)
 - Pay for banking services (direct charges or via compensating balances)
 - Excess liquidity invested in short-term money market and interest-bearing accts.
 - Treasury Investment Policy priorities for cash balances
 - Preserve value and safety of principal
 - Provide sufficient liquidity for State financial operations
 - Optimize rate of return

Cash & Investment Management (cont.)

- ❖ 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
 - Funds are segregated in State’s accounting system for proper financial reporting
- ❖ Trustee and fiduciary for approximately 50 trusts, custodial, and escrow accounts
- ❖ Sufficient liquidity, but cash balances are not as robust they were prior to the COVID-19 pandemic
- ❖ Interest earnings are not anticipated over the next few years due to the low interest rate environment

Cash & Investment Management (cont.)

- ❖ \$115.5M Revenue Stabilization Reserve (Rainy Day Fund) held in separate custody
- ❖ RSA 9:13-e provides statutory framework for transfers to/from the reserve account
 - Subject to limitations, any surplus at end of fiscal biennium is transferred in
 - Maximum allowable balance is 10% of unrestricted GF revenues for fiscal year marking end of prior biennium
 - \$1.622 billion in FY19, therefore \$162.2 million maximum permitted balance
 - Cap on maximum transfer limit removed by Laws of 2016, Ch. 237:2
 - FY20 reserve balance is \$115.5 million (7% of FY19 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 fell 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 support holding maximum allowable balance in the reserve

FY2020 Undesignated Fund Balance

**Department of Administrative Services
General Fund & Education Trust Fund FY 2018, 2019 & 2020
(\$ in millions)**

	FY 2018	FY 2019			FY 2020		
	Total	General	Education	Total	General	Education	Total
Undesignated Fund Balance, July 1		\$ 74.4	\$ 21.4	\$ 95.8	\$ 192.5	\$ 16.4	\$ 208.9
Unrestricted Revenue	2,577.2	1,622.0	1,022.6	2,644.6	1,525.4	994.8	2,520.2
Total Additions	2,577.2	1,622.0	1,022.6	2,644.6	1,525.4	994.8	2,520.2
Deductions:							
Appropriations Net of Estimated Revenues	(2,494.7)	(1,573.2)	(950.4)	(2,523.6)	(1,777.0)	(1,084.7)	(2,861.7)
Additional Appropriations	(65.9)	(76.5)	(14.6)	(91.1)	(13.8)	(0.4)	(14.2)
Less Lapses	94.8	144.9	2.4	147.3	102.7		102.7
Total Net Appropriations	(2,465.8)	(1,504.8)	(962.6)	(2,467.4)	(1,688.1)	(1,085.1)	(2,773.2)
GAAP and Other Adjustments	1.0	9.7	(2.5)	7.2	(8.7)	2.6	(6.1)
Current Year Balance	112.4	126.9	57.5	184.4	(171.4)	(87.7)	(259.1)
Fund Balance Transfers (To)/From							
Rainy Day	(10.0)	(5.3)		(5.3)	(0.2)		(0.2)
Highway Fund					(4.0)		(4.0)
Fish and Game Fund							
Public School Infrastructure Fund	(6.6)	(3.5)		(3.5)			
Education Trust Fund					(68.1)	68.1	
Designated for Education Aid, June 30			62.5			62.5	62.5
Undesignated Fund Balance, June 30	95.8	192.5	16.4	271.4	(51.2)	(3.2)	(54.4)
Reserved for Rainy Day Account	110.0	115.3		115.3	115.5		115.5
Total Fund Balance	\$ 205.8	\$ 307.8	\$ 78.9	\$ 386.7	\$ 64.3	\$ 59.3	\$ 123.6



Source: FY2020 Comprehensive Annual Financial Report (CAFR)

Debt Management

- ❖ State Treasury administers \$1.1 billion in bonds outstanding as of June 30, 2020
 - \$741 million in General Obligation (“GO”) bonds
 - Borrowing backed by the “full faith and credit” of the State
 - 70% 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
 - \$296 million of Turnpike revenue bonds
 - Debt service payments made from Turnpike toll revenues
 - \$91 million of Grant Anticipation Revenue Vehicle (“GARVEE”) bonds
 - Supported by revenues received from Federal Highway Administration
 - Bonds authorized/unissued total \$660 million (\$234 million of GO bonds)

- ❖ Debt management activities
 - Monitor compliance with the Internal Revenue Services and Municipal Securities Rulemaking Board Regulations
 - Track capital spending
 - Pay debt service

Debt Management (cont.)

- ❖ GO borrowing costs largely influenced by State's credit rating
 - Rating agencies evaluate State's financial condition and operating results focusing on
 - Rainy Day Fund balance
 - Structural budget balance or imbalance
 - Medicaid, pension, and post-employment benefit obligations and funding levels
 - Stability and diversity of revenue sources
 - Legislative flexibility to manage revenues, expenditures, and reserves

 - Aa1, stable outlook from Moody's
 - “sound economy, strong governance, and low debt and pension burden”
 - “before the coronavirus-induced recession rapid economic growth yielded strong revenue performance which in turn bolstered the state's available reserves and rainy day fund following years of narrow balances”
 - “relatively high wealth levels and a broad and stable tax base which has helped maintain low debt burden”
 - “population dynamics...could yield economic pressure over the medium-term”
 - “high post-employment benefits and rising Medicaid costs may yield budgetary pressure”
 - “the state's robust governance and fiscal management are likely to provide sufficient responses to these challenges”

Debt Management (cont.)

- AA+, stable outlook from Fitch
 - “low liabilities & strong ability to control its budget both in terms of revenues & expenditures”
 - “relatively slow growing revenue system that does not fully capture economic growth”
 - “recent rebuilding of Rainy Day Fund provides additional financial flexibility to address any revenue weakness related to the coronavirus-related downturn and future downturn”
 - “a prosperous state that has shifted rapidly from manufacturing to services”
 - “high wealth levels, low poverty rate, high educational attainment”
 - “small government and low spending are characteristic of the state”

- AA, stable outlook from S&P
 - “established record of proactive financial and budget management, including ... timely budget adjustments”
 - “low and manageable overall debt burden relative to peer states, coupled with rapid amortization”
 - Rainy day fund reserve levels... while improved over the past two biennia, but remain well below the state’s 10% maximum funding policy”
 - “we believe the state’s funding discipline ... could improve its pension-funding trajectory over time”

State Treasury Publications



State Treasury Dashboard

December 31, 2020

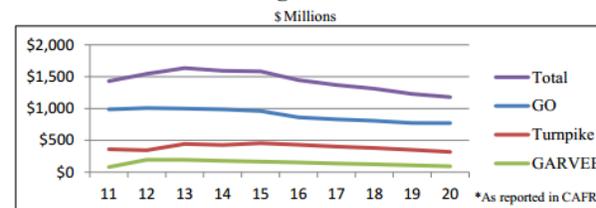
Liquidity Update

Operating cash balances	\$243	million
Coronavirus Relief Account	\$165	million

Abandoned Property Claims Update

Oldest claims being processed were received 11/10/20

Bonds Outstanding - Fiscal Years 2011-2020*



Changes to Tables Below Presented in ***Bold Italics***

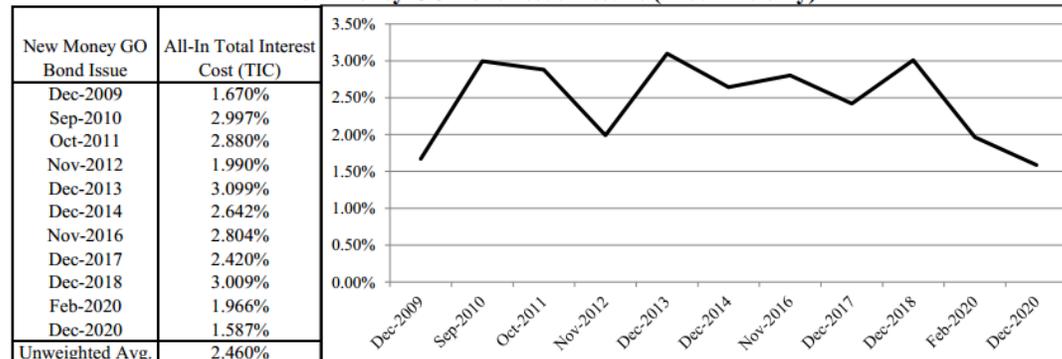
State GO Credit Rating

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	12	12	13
Moody's	Aa1	Stable	39	12	12	15
Standard & Poor's	AA	Stable	39	19	12	8

Key Debt Metrics

Fiscal Year	Debt Service to Revenue	Debt Per Capita
2015	8.2%	\$578
2016	7.3%	\$520
2017	6.8%	\$424
2018	6.4%	\$460
2019	6.4%	\$430
Moody's median	3.8%	\$1,071

New Money GO Bond Issue Results (fixed rate only)



Monica I. Mezzapelle
State Treasurer

monica.mezzapelle@treasury.nh.gov

603-271-2624

www.nh.gov/treasury/
