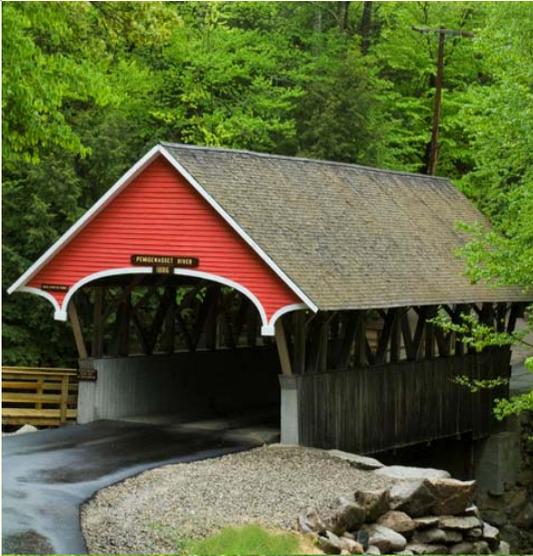


# State of New Hampshire's Annual Citizens Report

For The Fiscal Year Ended  
June 30, 2011



Prepared by the  
Department of Administrative Services

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# State of New Hampshire's *Annual Citizens Report* For Fiscal Year Ended June 30, 2011



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**Prepared by the Department of  
Administrative Services**

Linda M. Hodgdon, Commissioner

**Division of Accounting Services**

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## *State Officials*



Photo(L-R) Back: Councilor Sununu, Councilor St. Hilaire, Commissioner Hodgdon, Governor Lynch, Councilor Wheeler, Councilor Wieczorek, Councilor Burton

### **Selected State Officials as of June 30, 2011:**

#### **Governor**

John H. Lynch

#### **Executive Council**

Raymond S. Burton, District 1  
 Daniel St. Hilaire, District 2  
 Christopher T. Sununu, District 3  
 Raymond J. Wieczorek, District 4  
 David K. Wheeler, District 5

#### **President of the Senate**

Peter Bragdon  
 24 Senators

#### **Speaker of the House of Representatives**

William O'Brien  
 400 Representatives

## *Message From the Governor*

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To: The Citizens of the State of New Hampshire  
and the Honorable Members of the Legislature

I am pleased to provide this Fiscal Year 2011 State of New Hampshire Annual Report to the Citizens.

In fiscal year 2011, New Hampshire continued to emerge from the national recession as a national leader in economic recovery. However, despite the ongoing recovery and signs of an improving economy, New Hampshire faced a number of challenges.

To address these challenges, we took quick action to reduce spending and make adjustments in the budget. Through our aggressive management of spending, we were able to produce a surplus of \$17.7 million for the fiscal year ending June 30, 2011. This was a tremendous accomplishment that could only have been achieved through the cooperation and hard work of all of our state agency leaders and state employees.

New Hampshire is a leader in economic recovery because we have a strategy in place that is working. Over the years, we have made wise investments in our economy through increased job training and education. This has allowed us to develop and maintain an educated and skilled workforce, which businesses need to grow and thrive. We have worked to keep government spending and taxes low, and worked to make New Hampshire state government operations more efficient.

As a result, we have the fourth lowest unemployment rate in the country – a rate that is more than 40 percent below the national average – and an economy that is leading the region in recovery.

We must continue to work together to improve efficiency, accountability and accessibility in state government. By doing so, we will keep New Hampshire a national leader.

Sincerely,



John H. Lynch  
Governor

## *Message From the Commissioner*

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Attached, we present to you our fiscal year 2011 (FY11) Annual Report to the Citizens, as prepared by the Department of Administrative Services. It is our hope that this report provides an overview of the state's core finances in a format that is useful and informative to the citizens of New Hampshire.

This report presents selected financial information for the state's general fund and education trust fund, including unrestricted revenue performance, a surplus statement, and financial information on a government-wide basis, in accordance with generally accepted accounting principles (GAAP). Readers that have a need for more information regarding the accounting policies, the various required accounting disclosures, and the financial status of individual state funds and component units, should obtain a copy of the state's Comprehensive Annual Financial Report (CAFR). The CAFR, which includes a report from independent auditors, can be accessed by viewing our website or by contacting the Department.

During fiscal years 2010 and 2011, the state was required to take action to mitigate the FY11 financial implications of the slower than expected economic recovery. As a result of strong fiscal management, the dedication of agency leaders and staff, and the legislative initiatives implemented, the State ended FY11 with a combined General & Education Trust Fund surplus of \$17.7 million. Additionally, the state was able to maintain the Rainy Day Fund balance at \$9.3 million which had not been anticipated in June 2011 when the FY12/13 Budget was passed. Under current law, the surplus balance has not been deposited into the Rainy Day Fund and accordingly remains available to address FY12 challenges faced by the State. The June 30, 2011 Rainy Day Fund balance of \$9.3 million has come forward into FY12 and remains within the Rainy Day Fund.

In FY12, the State has continued to actively monitor revenue collections closely, manage spending carefully and instituted program savings/efficiency initiatives as available and required. Some examples of efficiency initiatives currently underway include the consolidation of back office functions (payroll, Accounts Payable, Accounts Receivable), the reduction and reassignment of the state's vehicle fleet, and technology improvements which include the conversion of the Human Resources & Payroll system to a new system which is expected to go live January 2013.

During the remainder of FY12 and into the future, the state will continue to seek opportunities to reduce costs, to increase operational efficiency, and to increase the value of the services provided. Additionally, the state will continue to seek opportunities to increase the transparency of the state's financial activities for the citizens of New Hampshire.



Linda M. Hodgdon, Commissioner

## ***Economic Highlights of the Granite State***

The following discussion reflects statements and information from the New Hampshire Economic Outlook issued by the New England Economic Partnership (NEEP), November 18, 2011.

For the fifth year in a row New Hampshire was named the nation's "Most Livable State" by the editors of the publishing and research company CQ Press. The ranking was based on a number of important quality of life measures, including median household income, crime rate, state business tax climate, employment and several educational indicators.

New Hampshire again registered the lowest poverty rate in the country, according to poverty estimates using income and household relationship data from the 1-year 2009 and 2010 American Community Surveys (ACS). Only New Hampshire had an estimated poverty rate significantly lower than 10 percent in 2010, while five states had single digit poverty rates in 2009 – Alaska, Connecticut, Maryland, New Hampshire, and New Jersey.

The National Bureau of Economic Research stated that the recession began in December 2007 and ended in June 2009. Estimates from the 2009 and 2010 ACS show the continuing effects of the recession, as no state showed an increase in household income while many showed declines. That report showed that New Hampshire not only had median household income above the national average but also that New Hampshire is one of the states with the least amount of income inequality, as measured by the Gini index. (The Gini index is a summary measure of income inequality.) This low level of wage and income inequality,

coupled with New Hampshire lowest in the nation poverty rate, demonstrates that wealth is more evenly distributed across New Hampshire than it is in most states in the country. Not only does New Hampshire have higher than average household income, but that prosperity is more evenly distributed across income groups in the Granite State.

New Hampshire's Economic Scoreboard for 2011 looks at cost and quality of life factors, comparing New Hampshire to the other 50 states. New Hampshire has the lowest tax burden in the country, a high standard of living, a well-educated labor force, and a high quality of life. New Hampshire is also one of the safest states in the country, according to the most recent FBI statistics on state crime per capita. These New Hampshire advantages will benefit the state as it exits the recessionary period.

<i><b>New Hampshire's Economic Scoreboard for 2011</b></i>		
<i><b>Categories</b></i>	<i><b>NH's National Rank</b></i>	<i><b>NH's Rank in New England</b></i>
Favorable Tax Climate (state and local burden on income, 2009)	1st	1st
Standard of Living (by inverse of poverty rate 2010)	1st	1st
Child and Family Well-Being (Annie E. Casey Foundation, 2011)	1st	1st
Most Livable State (CQ Press, 2011)	1st	1st
Safest State (Lowest crime rank, 2010)	5th	1st
Healthiest State (America's Health Rankings, 2010)	3rd	3rd
Education - Adults with High School Degree or Better (2009)	4th	1st
Education - Adults with College Degree or better (2009)	9th	4th
Per Capita Income (2010)	9th	3rd

Source: Dennis Delay, *Economist for New Hampshire Center for Public Policy Studies, and N.H. Forecast Manager for NEEP.*

## *Major Initiative*

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### *NH First - The State's new Enterprise Resource Planning (ERP) System*

The State of New Hampshire has conducted a project since 2005 to replace antiquated budgeting and financial systems that were not meeting our business needs. The first phase of this project was completed in July of 2008, replacing the budgeting system and implementing a new chart of accounts to improve clarity of expenditures. In July of 2009, an enterprise-wide financial system (ERP) was implemented to replace the twenty-five year old mainframe general ledger system. The second phase was a major undertaking to improve the sustainability, accountability, and efficiency of financial administration, processing controls, and management information. The final phase, undertaken in FY12, addresses human resources, asset management and strategic sourcing solutions.

This phase of ERP implementation is now underway and includes the adoption of the Human Resources/Payroll segments of the system. The plan is to begin implementation of certain modules in 2012 with full HR and payroll conversion scheduled for January 2013. The current HR/payroll system has been in service for over twenty years and will reach its end of serviceability in 2014. This aspect of the ERP development will add automated processes to the State's human resource management functions, such as on-line time reporting, eliminating out-dated paper processes, and introducing the opportunity for automated project labor cost allocations. The State has appropriated \$3.6 million for this phase during the current biennium.

The decision to invest in this ERP project was based on several criteria not the least of which were: (1) our need to take advantage of modern processing technology to reduce costs and delays in associated paperwork, cycle-time for state procurement, payment and revenue collection. (2) The State had for many years relied on a system that had been customized to the point it could no longer be serviced or maintained by the original vendor. The technology was limited, archaic, and presented sustainability risks we needed to eliminate.

The Department of Administrative Services is extremely grateful to all the employees state-wide who have embraced the significant technology improvement. We know that this hard work will reap substantial ongoing benefits to the operation of the State and to its citizens.

### *American Recovery and Reinvestment Act of 2009*

On January 27, 2009, the Governor issued Executive Order 2009-1 creating the Office of Economic Stimulus ("OES"). The OES was responsible for coordinating with State agencies to ensure all terms and conditions of the American Recovery and Reinvestment Act of 2009 ("ARRA") were met, and for providing state wide aggregation of benefits realized. While some programs continue into the period to 2014, new awards cease for the majority of our programs by September 30, 2012.

The State has benefited considerably from programs under ARRA. Regular reports of funding and activities have been published quarterly and are available on OES and individual agency sites. From data reported in the most recent statewide report by OES prior to the office's closing on June 30, 2011, the following is a brief summary of some of the more significant Stimulus programs:

## *Major Initiative - Continued*

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- Since inception of ARRA, the State received \$297 million in ARRA funding in FMAP-Medicaid claims paid (Enhanced Medicaid Program). The average Medicaid reimbursement rate through June 30, of federal FY11 was 59.08% and since inception had reached an annual average high of 61.59% in federal FY10.
- ARRA has provided significant State funding through a provision known as the State Fiscal Stabilization Fund. The State's allocation totaled \$200.8 million. As required by federal law, the State budgeted 81.8 percent (\$164 million) of its allocation for education. With approval from the US Department of Education, the State of New Hampshire utilized \$160 million for primary and secondary education funding under this program.
- ARRA provides that a portion of the State Fiscal Stabilization Fund can be used by states for public safety and other government services. The State allocated this flexible portion of \$36.5 million to fund other State government services in fiscal years 2009 through 2011.
- Under the federal Education Jobs Fund Public Law 111-226, New Hampshire was awarded \$41 million, and distributed these funds to Local Education Agencies (LEA's) through the state's primary elementary and secondary education funding formula. To provide additional support for communities, fifty percent of these funds have or will be distributed to LEAs proportionally through the state's primary elementary and secondary education funding formula as additional aid above the FY 11 education funding distribution under state law. This additional federal aid will be available to LEAs during the current fiscal year. An LEA that has funds remaining after the 2010-2011 school year may obligate those remaining funds through September 30, 2012.
- In July 2010, Network New Hampshire Now (NNHN), a collaboration of public and private partners from across the State led by the University of New Hampshire, received \$44.5 million in economic stimulus funds, matched with \$22 million in private cash and in-kind funding, for critically needed broadband expansion across the state. NNHN expands broadband in all 10 counties in New Hampshire and also includes a wireless public safety network, connectivity for an intelligent transportation system, and last mile "fiber to the home" in two communities. The largest component is a middle mile fiber network that connects and supports the entire program, including connecting dozens of community anchor institutions, such as healthcare providers, community colleges, schools and libraries.

## *Major Initiative - Continued*

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- The State has received additional direct program allocations through ARRA for specific program purposes that are being administered through various State agencies. These amounts include:

Office of Economic Stimulus	\$200.8	million
Department of Transportation	\$139.6	million
Department of Education	\$135.5	million
Department of Environmental Services	\$64.5	million
Office of Energy and Planning	\$70.2	million
Department of Health and Human Services	\$25.9	million
Department of Justice	\$8.0	million
Department of Labor	\$8.0	million
Department of the Adjutant General	\$5.0	million
Community Development Finance Authority	\$2.4	million
Department of Employment Security	\$1.6	million
Public Utilities Commission	\$784	thousand
Department of Cultural Resources	\$293	thousand
Department of Administrative Services	\$218	thousand

From its inception, and as of the closing of the OES, approximately \$503 million has been expended by the State on non-FMAP programs, with 76% of the funds awarded for those programs.

### *Efficiency Initiatives*

The State has taken on a number of initiatives in the area of efficiency. After having completed the financial phase of ERP implementation in 2009, the state began the next phase to address human resources. The majority of the work will be done in FY12 and FY13, with a go live date of January 2013. Another initiative was to move agencies to electronic processing of accounts payable transactions thereby eliminating hundreds of thousands of dollars in paper costs, saving staff time and fuel costs while improving throughput. By June of 2011, approximately 70% of the transactions were electronic. Today that number exceeds 90%. Also yielding efficiencies is the implementation of a redesigned process for disbursement transaction auditing, improving throughput and productivity by establishing threshold limits and incorporating random sampling.

Efforts to improve efficiency have included diligent study and proactive restructuring plans for many administrative processes of the State, some required under provisions enacted in the budget, with others were under the direction of the Governor. Some of these are more immediate and others require a great deal of planning. The identification of surplus state assets for sale such as the Lakes Region Property, reassignment of the State's fleet to optimally assign vehicles thereby reducing personal car mileage, and consolidation of various boards and commissions are just some examples.

## *Self - Insurance Initiative*

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### *Employee Benefit Risk Management Fund*

Chapter 251, Laws of 2001, authorized the Commissioner of Administrative Services to provide a self-funded alternative to traditional insurance programs for employee benefits to aid in controlling the rise in health benefit costs. As a result, a new fund, titled the Employee Benefit Risk Management Fund (EBRMF), was established in October 2003. The fund was created to manage the State's self-insurance program and to pool all resources to pay for the costs associated with providing employee benefits for state employees and retirees.

Agencies are charged an actuarially determined "benefit rate" for participating employees, which is paid into this fund under the control of the state's payroll system. This rate is intended to cover the costs of anticipated claims, administrative fees and reserve requirements. The benefit rate does not include either "insurance floats" or profit margins typically charged by commercial health insurance companies. Claims payments by the third party administrator to the healthcare providers are reimbursed by the state out of this fund as incurred.

Now in its seventh full year of self-funding, the state has consistently achieved considerable cost savings. The average annual percent change in health costs for FY04-10 was 8%. The aggregate cost in FY11 increased 5% from prior fiscal year. The continued success of reducing cost trends has been achieved by reducing excessive utilization and managing service costs through:

- The aggressive procurement, contracting and management of benefit vendors.
- Plan design changes and premium contribution increases negotiated with labor unions with similar changes to the retiree plans, approved by the legislature.
- The promotion of employee wellness through vendor health promotion tools and on-site programs.
- Incentive programs that steer employees to cost effective facilities for medical tests and procedures.

For more information on the State's risk management program, readers are referred to the annual report located on its website at:

<http://admin.state.nh.us/riskmanagement/Newsletters.asp>

## *Education*

### *Department of Education*

#### *Graduation and Post-Secondary Enrollment Trends*

**L**owering the dropout rate continues to be a high priority for the State and school districts. Initiatives now in place are: the minimum dropout age increased from 16 to 18; extended (off-campus) learning opportunities; earning course credits by demonstrating competency; alternative class schedules that accommodate employment; adult high school and GED programs; and State funding for dropout prevention programs. For the 2000-2001 school year the rate of non-graduates was 20%. For 2009-2010 non-graduates were estimated as 4.4% dropouts and 2.4% GED.

The first part of the decade also saw moderate increases in the percentage of high school graduates going on to 2 and 4-year colleges. The rate climbed from 68% for the high school graduating class of 2001, to 72% for the class of 2007. Since the economic downturn, the rate has remained at 71% for three years. For 2010 graduates, the rate was 65% for males and 77% for females.

Looking at the 2-year and 4-year programs separately reveals some interesting trends. Over the last 10 years, 4-year program enrollment has declined from 54% to 48% of the graduates, but this may not translate into fewer bachelor degrees earned. The percentage of students enrolling in New Hampshire Community Colleges has increased 36% in just the last two years (from 11.2% for 2008 to 15.2% for 2010). Students interested in a 4-year degree from one of the University System schools, can now earn a year or more of credits at one of the seven Community Colleges.

The 4-year college enrollment decline is primarily due to a drop in the number of students going out-of-state, although the majority of 4-year students still attend out-of-state colleges. The number of high school graduates enrolling in career schools has remained in the 2% to 3% range.

#### *Task Force on Effective Teaching*

Remember that great teacher who enthralled, challenged and inspired you? All teachers should be great teachers. With that goal in mind, the NH Task Force on Effective Teaching began its work. For nearly a year, a group of 60 talented and dedicated teachers, professors, school leaders, parents, and elected officials meet with the Commissioner and Department staff, sharing ideas and shaping a common vision. Their task was to (1) define “teacher effectiveness” and (2) recommend a comprehensive framework for educator preparation, teacher induction and mentoring, embedded professional development and the evaluation of teachers. Technical support from REL (Regional Education Lab) and the New England Comprehensive Center provided access to the latest research and nationally recognized experts in the field. The Task Force completed its work in May and published their recommendations in October 2011. This first report establishes the groundwork for Phase II, an examination of key decisions for creating a teacher evaluation system that is fair and equitable. The ultimate goal is for all New Hampshire students to be career and college ready.

*During the 2011 school year, state aid for local schools districts (excluding federal funds) was allocated in the following ways: (1) Adequate Education Grants \$921.6 million; (2) Building Aid \$46.3 million; (3) Catastrophic Aid \$23.5 million; (4) Tuition and Transportation for Career and Technical Programs \$6.9 million; (5) Charter School Tuition \$7.5 million; and (6) Kindergarten Aid \$2.8 million.*

## *Education - Continued*

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### *Adequate Education Accountability System*

In 2009, RSA 193-E:3-b was amended to create an accountability system. The purpose is to ensure all public school students have an “opportunity for an adequate education.” The system gives schools the option to document compliance based on either “input” or “output” criteria. The input system was put in place beginning with the 2009-10 school year. It is based on 10 curriculum requirements, minimum course and credit requirements for a high school diploma, and length of school year.

During 2010-11 the Commissioner’s Performance Based Accountability Task Force, which included educators and elected officials, continued work on the output system. They developed a an approach for using only data the State already collects – State test (NECAP) results, attendance, dropout and graduation data. During 2011-12 the Task Force will address the final output option – allowing the school to select the data it will use to demonstrate accountability.

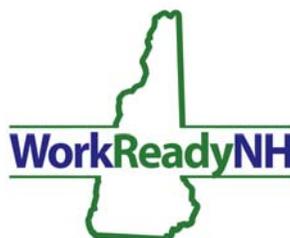
### *Protecting Our Students from Bullying and Cyberbullying*

Bullying is an undeniable element of youth culture. It inflicts emotional suffering sometimes so severe victims attempt suicide. Public schools should be safe, secure learning environments, and to this end HB1523 was enacted in 2010. The bill updated existing school safety statutes by adding (1) a detailed definition of bullying that now covers cyberbullying, (2) elements to be included in district safety and violence protection policies, and (3) civil suit immunity for anyone reporting bullying. It also requires the Department to collect and report bullying data, and provide training and support to school districts.

This year the Department provided resources and training sessions on such topics as prevention/intervention strategies, victim support, perpetrator rehabilitation, and incident investigation techniques. It also provided situation specific technical assistance to districts, and a report on bullying data to the Legislature.

### *Community College System of New Hampshire*

In 2011, the community colleges launched the **WorkReady NH** program, helping job seekers by providing assessment, skill-building and national certification in key job skill areas. An initiative supported by the Governor and other state economic development leaders, WorkReady NH participants earn a National Career Readiness Certificate, showing mastery of key work-related competencies, and complete a classroom-based soft skills training course that enables them to meet the expectations of today’s workplace. WorkReady NH helps job-seekers secure employment, and helps New Hampshire businesses by strengthening the skill levels of the local workforce.



## *Transportation*

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During FY11, the New Hampshire Department of Transportation (DOT) continued to maintain and improve the state's transportation system, making travel safe and accessible for NH tourists and its residents. Below are some of the 2011 DOT initiatives:

### *Increase Customer Satisfaction which included:*

- Establishing a baseline for measuring up – the performance measure goals are determined by national standards and a realistic allocation of resources.
- The implementation of new computer software to track NHDOT responses to citizen inquiries.
- The implementation of computer-based programs for bridge overweight permit reviews.

### *Performance - Improve Asset Conditions:*

- Continuing programs to measure and assess the quality of New Hampshire's roads.
- Maintain a focus on safe bridges.
- Major highway and bridge improvement work performed during FY 11 - Significant investment and construction work aimed at rebuilding and widening key corridors on Interstate 93 and the Spaulding Turnpike continued in FY11. On the \$800 million I-93 rebuilding and widening project between Salem and Manchester, construction was focused to address Red List bridges, and the safety and capacity of the highway. Major emphasis was on the reconstruction of the interchanges at Exit 1 in Salem, Exit 3 in Windham, and Exit 5 in Londonderry. Advancements were also made on the reconstruction and widening of the Spaulding Turnpike in Rochester from Exit 12 to 16.
- **Interstate work completed included:**
  - I-95 Completion of the Hampton Mainline Toll Plaza modifications.
  - I-95 Pavement Rehabilitation from the Portsmouth Circle to the Piscataqua Bridge.
  - I-93, Exit 3 Completion of the new SB off-ramp in Windham.
  - I-93, Exit 14 Rapid bridge deck replacement (with precast deck panels) of the overpass bridges in Concord.
  - I-93 Pavement and Bridge Rehabilitation:
    - Concord Exit 14 to Exit 17.
    - Sanbornton-New Hampton Exit 22 to Exit 23.
    - Woodstock-Lincoln Exit 30 to Exit 32.
  - Completed the construction of 2 miles of median concrete safety barrier along I-293 from Manchester to Hooksett.
- **Roadway work completed included:**
  - Reconstruction of Main Street in downtown Littleton.
  - Signalization and widening of the NH 28/Leavitt Road intersection in Pittsfield.
  - The Manchester-Boston Regional Airport Access Road was completed two years ahead of schedule.
  - Completion of Exit 12 on the Spaulding Turnpike in Rochester.
  - Signalization and widening of the NH 33/Winnicut Road intersection in Greenland.

## *Transportation - Continued*

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- Signalization and widening of the NH 125/NH 111A and the NH 125/North Road intersections in Brentwood.
  - Emergency road repairs to NH 135 in Littleton and Dalton.
  - Emergency slope stabilization on NH 16 in Conway.
  - Emergency slope stabilization on US 302 along the Saco River in Harts Location.
  - Resurfacing on NH 101 and minor bridge deck rehab of the NH 13 overpass in Milford.
  - Numerous Federal, District, and Turnpike pavement resurfacing contracts.
- **Bridge construction work completed included:**
    - Widening and rehabilitation of the Everett Turnpike bridge over the Souhegan River in Merrimack.
    - Replacement of the NH 9 bridge over B & M Railroad in Dover.
    - Rehabilitation of the D.W. Highway bridge over the Everett Turnpike Exit 3 northbound on-ramp in Nashua.
    - Rehabilitation of the NH 175 bridge over the Pemigewasset River in Woodstock.
    - Rehabilitation of the Shurburn Road bridge over I-95 in Portsmouth.
    - Rehabilitation of the NH 1B bridges in New Castle and Portsmouth.
    - Repainting of the I-95 Piscataqua River Bridge approach in Portsmouth.
- **Bridge Maintenance Crews Keep Watch Over 2,129 State-Owned Bridges:**

Bridge Maintenance crews completed approximately 90 major bridge preservation or rehabilitation projects in FY11. Several Red Listed bridges were replaced with new pre-cast concrete structures in a cost effective way, including: Derry (Island Pond Rd over the Taylor River), Stoddard (NH 123 over the Dead River) and New Ipswich (Smithville Rd. over the Souhegan River). Statewide preventative maintenance included the washing of 1,115 bridges, and sealed concrete on 637 bridges.
- **Memorial Bridge Replacement Project**

Efforts accelerated for the replacement Memorial Bridge carrying US Route 1 over the Piscataqua River between Portsmouth, New Hampshire and Kittery, Maine. A Connection Study confirmed that the three structures that currently connect these communities (Memorial, Sarah Long, and I-95 High Level Bridges) each serve a specific transportation need, such as pedestrians, bicycles, regular vehicular traffic, trucks/motor transport, and rail. A Commission was established by the Maine and New Hampshire Governors to develop short and long-term needs and to identify possible solutions to provide funds for rehabilitation and preservation of all three river crossings.

The first priority was to identify and allocate funds for replacement of the Memorial Bridge. The NHDOT and Maine DOT jointly applied for \$20 million from the federal Transportation Investment Generating Economic Recovery II (TIGER II) Discretionary Grants program.

## *Transportation - Continued*

In October 2010 the Department received notification the grant had been approved. These TIGER II funds will supplement other state and federal funds from ME and NH for complete replacement of the NHDOT’s number one priority Red List bridge. Efforts began immediately to complete the environmental approval process and to develop contract documents for the Memorial Bridge replacement to be performed through a design-build “best value” selection process. By the end of FY11, “statements of qualification” had been requested from interested design-build teams.

- Upgrading NH Rail Lines for Both Freight and Passenger Traffic.
- An Initiative to extend the lives of bridge decks is currently being tested.

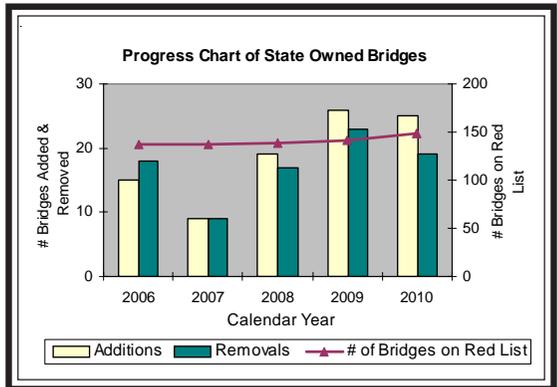
### *Improve System Safety and Security:*

- Initiatives Aimed at Reducing Highway Injuries and Fatalities:
  - Shoulder rumble strips – 1,260 miles of shoulder rumble strips have been installed since 2000.
  - Installation of centerline rumble strips.
  - Installation of median barriers – The NHDOT has installed approximately 20 miles (105,600 linear feet) of median barrier since 2009. These barriers were placed in locations with median widths of 50 feet or less in an effort to reduce the potential for head-on collisions along divided highways.
  - Providing warning signs that address run-off-the-road crashes.
  - Installing pavement safety edge on a trial basis.
  - Installation of cameras and related information systems on specific bridges that serve as critical links in New Hampshire’s transportation infrastructure.

### *Other Department Initiatives Include:*

- **Improve Department Efficiency**
- **Identify, Collaborate and Communicate with Partners**
- **Effectively Manage Financial Resources**
- **Implement Strategic Workforce Planning**
- **Protect and Enhance the Environment**
- **Employee Development including Increasing Bench Strength, Optimizing Employee Health and Safety, and Aligning Employees with the Department’s Mission**

*The Department’s Red List reports bridges with known deficiencies. The calendar year Red List reported 148 state-owned bridges on the list, with 25 added while 19 were removed during the year.*



## *Health & Human Services*

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### *Program Summary*

In 1995, the NH Legislature and the Governor created a central umbrella agency, the Department of Health and Human Services, to make it easier for citizens to access programs and services and to reduce administration costs. DHHS' mission is *to join communities and families in providing opportunities for citizens to achieve health and independence*. DHHS is responsible for many of the regulatory and operations functions of New Hampshire's medical and health care, long term care, and social service systems including planning, delivery and financing of these three types of service. DHHS programs today serve over 154,000 individuals.

The Medicaid program with a total annual cost of nearly \$1.6 billion is DHHS' largest program, consuming approximately 80.7% of the DHHS budget and is funded by State, County and Federal funds. The Medicaid program functions as a health and medical safety net for clients who meet income and medical eligibility criteria. This includes lower income elders, children, adults with children, low-income pregnant women, and disabled children and adults. Medicaid also finances long term nursing care for eligible seniors. In June 2011, the Medicaid program served 120,867 individuals, through a network of over 4,000 community providers. The Federal Medical Assistance Percentage (FMAP) for New Hampshire is normally 50% for most Medicaid services, but the American Recovery and Reinvestment Act (ARRA) increased FMAP during the period October 1, 2008, through June 30, 2011 by 6.2 percentage points plus additional increases based on the State's unemployment rate. Medicaid costs are driven by three factors: numbers of recipients, frequency of service (utilization) and the rates paid to service providers. Options for controlling Medicaid spending are limited. Rates have been reduced or frozen in past budget reduction programs, controlling utilization is restricted by State and federal regulation, and reducing enrollment through changes in eligibility criteria is prevented by ARRA and the Patient Protection and Affordable Care Act (PPACA) known as health care reform.

The State Legislature passed SB 147 (Chapter 125, Laws of New Hampshire 2011), that directed the Department to develop a comprehensive statewide care management program for all Medicaid enrollees which would focus on improving the value, quality, and efficiency of services provided in the Medicaid Program, stimulate innovation, and generate savings for the Medicaid Program. SB 147 called for DHHS to select fully at risk bidders to provide managed care services and set the target date of July 1, 2012 for the launch of the new Care Management Program. On May 9, 2012, the Governor and Council approved agreements with 3 Managed Care Organizations for the period of 7/1/12 through 6/30/15.

*C*lose to 40% of total state spending is for Health & Human Service Programs. Expenditures for Health & Human Services totaled \$2.2 billion in FY11, an increase of \$15.2 million (0.7%) from last year.

## *Health & Human Services - Continued*

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Other broad-based services managed by DHHS are protective services for children and seniors, Temporary Assistance to Needy Families, child care for eligible families, public health programs, federal Supplemental Nutrition Assistance Program (formerly food stamps), child support enforcement, licensing of regulated delivery systems, and programs for homeless and substance abusers. DHHS also operates a number of institutions including an acute care psychiatric hospital, transitional housing program for mental health clients, secure juvenile detention facility, one nursing home, and substance abuse programs.

Although eligibility criteria have remained consistent and must remain so, for most programs, as required by federal regulation, the numbers of individuals qualifying for services has been increasing. When the recent recession began in December 2007, DHHS served 117,464 individuals. That figure has grown to 154,572 in June 2011 representing an increase of 31.6% (37,108 individuals).

The Department continues to review, restructure and downsize the organization. In June 2009, when the FY10-FY11 biennium began, 272 positions were vacant for a vacancy rate of 8.1%. At June 30, 2011, two years later, there were 581 vacancies for a vacancy rate of 17.4%. Most of these vacant positions were abolished in the budget for the FY12-FY13 biennium, thus permanently reducing the size of the organization. In FY00, the Department had a budget of \$1.2 billion and approx. 2,811 filled positions, which equates to a staffing ratio of 2.4 employees per million dollars of budget. The FY12 budget is \$1.9 billion and filled positions are 2,767 for a staffing ratio of 1.46. Filled positions have remained essentially flat over the ten years while programs administered by the Department have grown in number, size, and complexity.

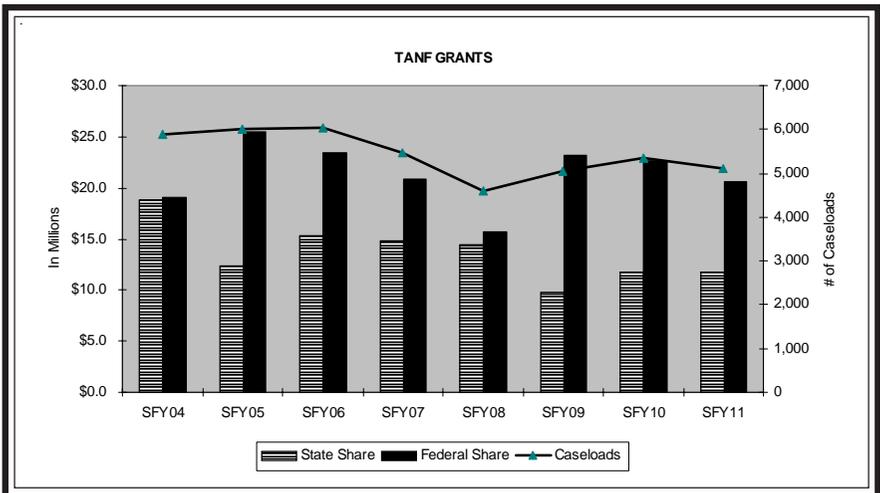
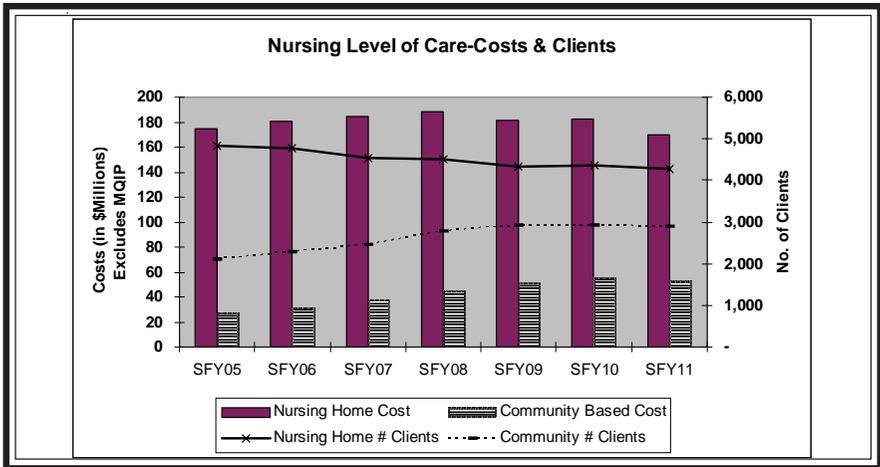
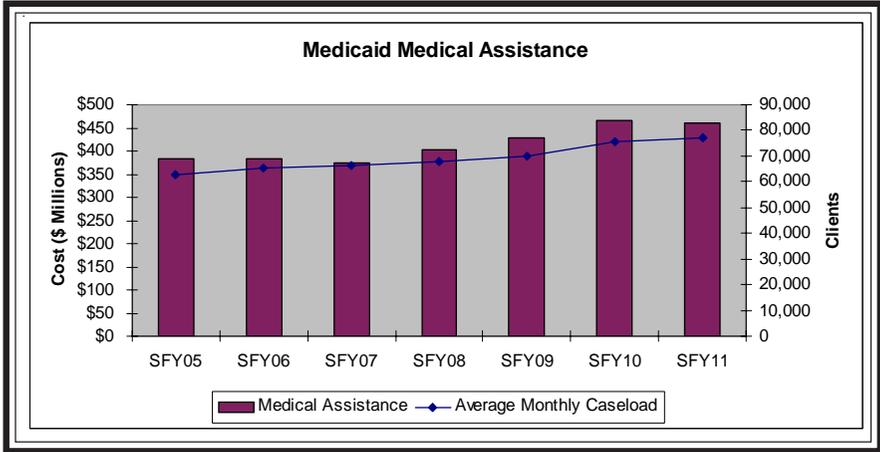
DHHS continually seeks cost containment efforts to improve administrative and program efficiencies in order to fund the increasing demand for services. Efforts have and continue to include:

- Consolidation of non-integrated service delivery systems,
- Internal reorganization of administrative functions internal and across service contracts,
- Disease management and unified case management for dual diagnoses clients,
- Providing care in the community rather than high cost institutional placements.

Changes in service delivery for low-income elderly has reduced the number of Medicaid supported nursing home beds from 5,114 in 2000 to 4,404 in June, 2011, while the number of elderly supported in the community has increased from 1,318 to 2,829 during the same period. The new Work Participation Plan implemented in 2007 to help parents of the Temporary Assistance to Needy Families (TANF) program move to financial independence through work has resulted in work participation rates increasing from 27% to nearly 50%.

The significant challenge for the Department in months to come is to implement these transitions along with elements of the Patient Protection and Affordable Care Act (PPACA), including Medicaid expansion, transitioning to a new income eligibility methodology, setting up Health Insurance Exchanges, re-designing eligibility systems to coordinate with the Exchanges, and implementing new program integrity functions with an organization that has been downsized and experienced retirements of a number of experienced staff.

# Health & Human Services - Continued



## ***Other State Departments***

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### ***Department of Revenue Administration***

Throughout FY11 the New Hampshire Department of Revenue Administration (DRA) diligently moved forward on implementing its business plan for modernizing operations. This included review and updating of: tax forms, tax systems, and associated technology, employee assignments and training, policy and procedures. A tremendous amount of detailed tedious work had to be accomplished this year in order to build the foundation necessary to meet the goal of introducing electronic filing for Tax Year 2012.

In addition, the Department was actively engaged in the legislative session that resulted in a number of enactments that provide long term clarity to several taxes. For example, the definition of “capital gains” was clarified for the Interest and Dividend Tax. Business taxes were clarified by requiring taxpayers to keep records in accordance with federal IRS Section 162 standards to support claims or deductions relating to compensation. This clarification should go a long way to addressing the “reasonable compensation” disputes between the Department and taxpayers that have been a longstanding source of disagreement for both parties. The Gambling Tax was repealed. Although not directly related to a specific tax, the role of the Legislative Budget Assistants Office in conducting performance audits of the DRA was clarified allowing this important function to proceed after many years when no such audits or reviews have ever been undertaken.

### ***Department of Environmental Services***

While the budget challenged us throughout the year, the Department of Environmental Services (DES) had significant accomplishments in FY11, not the least of which were the completion of significant improvements to the Franklin Wastewater Treatment Facility operated by the DES Winnepesaukee River Basin Program through the auspices of the American Recovery and Reinvestment Act funding, and an unprecedented nine rivers sought and received protection designation under the state’s Rivers Management and Protection Program.

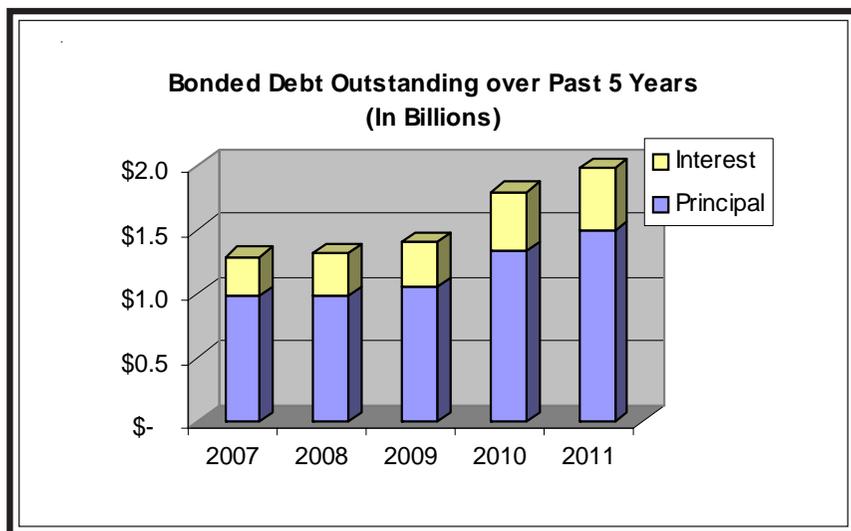
Several significant events were sponsored by DES during the year that provided in-depth information on innovative technologies, new Administrative Rules, and best management practices to achieve a healthier environment. A few of these events included the three day erosion control and stormwater conference co-hosted by DES; the “Healthy Waterfront Property Workshop” for real estate agents held in April and co-sponsored by DES, the Lakes Region Board of Realtors and the UNH Cooperative Extension, to promote the benefits of healthy waterfront property to prospective buyers and sellers; and the largest drinking water protection workshop in New England, which was held in May. In addition, DES provided many free workshops to the public across the state to explain: new stream crossing rules; hazardous waste and air rules for auto body shops; and the new rules for rock crushing plants.

## *Debt Administration*

On July 27, 2010 the State issued \$45.0 million of general obligation refunding bonds. The maturity dates on these serial bonds range from 2013 through 2020. These bonds were used to current and advance refund \$48.4 million of general obligation debt maturing in FY11. Debt service on the refunded bonds totaled \$50.0 million; new debt service on the refunding bonds total \$56.7 million over ten years resulting in an economic loss of \$0.8 million. The refunding bonds were issued in order to provide budgetary savings in FY11 as part of the State's overall plan to balance the FY11 budget.

On September 2, 2010, the State issued \$90.0 million in tax exempt general obligation bonds with maturity dates ranging from 2012 to 2020 with 5% coupon rates. The sale resulted in a \$17.0 million premium that will be used for authorized capital purposes. Of the \$107.0 million in proceeds, \$91.2 million was used to fund school building aid payments, which had partially been funded with \$50 million in bond anticipation notes. Accordingly, the \$50.0 million in bond anticipation notes outstanding was paid from the \$107.0 million in tax exempt proceeds. Also on September 2, 2010, the State issued \$60.0 million in taxable Build America Bonds with maturity dates ranging from 2021 to 2030 and coupon rates from 3.5% to 4.5%. The proceeds were used to fund a number of capital projects. The federal government will provide subsidy payments of 35% of the interest on these bonds.

On November 18, 2010, the State issued \$80.0 million in taxable Federal Highway Grant Anticipation Bonds. The State will use the 2010 Bond proceeds to fund segments of the I-93 Project. Of the amount, \$20.0 million was issued as Build America Bonds with maturity dates ranging from 2020 to 2022 and coupon rates from 3.9% to 4.3%. The federal government will provide subsidy payments of 35% of the interest on these bonds. In addition, \$60.0 million was issued as Recovery Zone Economic Development Bonds with maturity dates ranging from 2022 to 2025 and coupon rates from 4.3% to 4.9%. The federal government will provide subsidy payments of 45% of the interest on these bonds.



## *Fund Level Financial Highlights*

Information in the state government financial statements is presented in two forms. Fund level data is accounted for on modified accrual, or essentially budgetary basis with limited classes of assets and liabilities. Governmental net assets and activities are measured in conformity with full accrual basis principles, fully classified for elements of assets and liabilities. These “government-wide financial statements” are comprised of governmental activities and business-type activities. First, a discussion of fund level highlights follows.

### *Unrestricted Revenue Three Year Summary*

(In Millions of dollars)

Revenue Category	FY 2009	FY 2010			FY 2011			FY 2011 Combined Plan
		General	Education	Total	General	Education	Total	
Business Profits Tax.....	\$ 305.8	\$ 258.6	\$ 57.6	\$ 316.2	\$ 248.5	\$ 49.3	\$ 297.8	\$ 313.3
Business Enterprise Tax.....	185.3	71.7	122.2	193.9	63.0	129.4	192.4	189.7
<b>Subtotal.....</b>	<b>491.1</b>	<b>330.3</b>	<b>179.8</b>	<b>510.1</b>	<b>311.5</b>	<b>178.7</b>	<b>490.2</b>	<b>503.0</b>
Meals & Rentals Tax.....	209.7	228.3	4.2	232.5	228.9	6.6	235.5	245.0
Tobacco Tax.....	188.1	130.5	113.0	243.5	129.8	96.8	226.6	220.6
Liquor Sales and Distribution.....	146.0	120.7		120.7	125.7		125.7	127.9
Interest & Dividends Tax.....	97.1	84.9		84.9	76.6		76.6	90.1
Insurance Tax.....	94.2	86.8		86.8	84.9		84.9	80.5
Communications Tax.....	80.3	81.0		81.0	76.5		76.5	75.0
Real Estate Transfer Tax.....	81.2	56.0	28.8	84.8	54.0	28.0	82.0	89.2
Transfers from Lottery Commission.....	68.1	-	66.2	66.2		62.2	62.2	77.7
Transfers from Racing & Charitable Gaming Commission.....	1.5		1.4	1.4		1.3	1.3	1.3
Tobacco Settlement.....	52.8	4.2	40.0	44.2	1.7	40.0	41.7	44.2
Utility Property Tax.....	29.0		29.9	29.9		32.3	32.3	28.0
Property Tax Retained Locally.....	363.7		363.2	363.2		363.6	363.6	363.6
Other.....	178.2	157.5		157.5	174.4		174.4	160.3
<b>Subtotal.....</b>	<b>2,081.0</b>	<b>1,280.2</b>	<b>826.5</b>	<b>2,106.7</b>	<b>1,264.0</b>	<b>809.5</b>	<b>2,073.5</b>	<b>2,106.4</b>
Net Medicaid Enhancement	-							
Revenues.....	99.6	98.1		98.1	93.4		93.4	108.5
Recoveries.....	21.8	19.9		19.9	27.8		27.8	19.2
<b>Subtotal.....</b>	<b>2,202.4</b>	<b>1,398.2</b>	<b>826.5</b>	<b>2,224.7</b>	<b>1,385.2</b>	<b>809.5</b>	<b>2,194.7</b>	<b>2,234.1</b>
Executive Orders and Special Session Revenues	15.1	28.1		28.1				
<b>Total.....</b>	<b>\$ 2,217.5</b>	<b>\$ 1,426.3</b>	<b>\$ 826.5</b>	<b>\$ 2,252.8</b>	<b>\$ 1,385.2</b>	<b>\$ 809.5</b>	<b>\$ 2,194.7</b>	<b>\$ 2,234.1</b>

The General and Education Trust Funds revenues for FY11 were \$2,194.7 million, which were \$39.4 million (1.8%) below plan (SSHB1 2010 Special Session) and \$30.0 million (1.4%) below prior year revenue before Executive Order and Special Session Revenues. Several individual categories also performed below SSHB1 estimates and below prior year results, respectively, including: Business taxes, \$12.8 million (2.5%) and \$19.9 million (3.9%); Interest and Dividends, \$13.5 million (15.0%) and \$8.3 million (9.8%); Real Estate Transfer tax, \$7.2 million (8.1%) and \$2.8 million (3.3%); and Lottery collections, \$15.5 million (19.9%) and \$4.0 million (6.0%). Other results include Meals and Rentals taxes which were \$9.5 million (3.9%) below plan but \$3.0 million (1.3%) above prior year, Tobacco taxes which were \$6.0 million (2.7%) above plan but \$16.9 million (6.9%) below prior year, and the shortfall of Medicaid Enhancement Tax which was below plan and prior year by \$15.1 million (13.9%) and \$4.7 million (4.8%), respectively.

# *Fund Level Financial Highlights*

## *Surplus Three Year Summary*

(In Millions of dollars)

	FY 2009	FY 2010			FY 2011		
	Total	General	Education	Total	General	Education	Total
<b>Undesignated Fund Balance, July 1</b>	\$ 17.2	\$ -	\$ -	\$ -	\$ 65.7	\$ -	\$ 65.7
<b>Additions:</b>							
Unrestricted Revenue	2,202.4	1,398.2	826.5	2,224.7	1,383.7	809.5	2,193.2
Executive Order & Special Session Revenue	15.1	28.1		28.1	1.5		1.5
Total Additions	2,217.5	1,426.3	826.5	2,252.8	1,385.2	809.5	2,194.7
<b>Deductions:</b>							
Appropriations Net of Estimated Revenues	(2,406.9)	(1,440.4)	(796.8)	(2,237.2)	(1,423.0)	(938.3)	(2,361.3)
Less Lapses	74.2	42.3	2.1	44.4	97.1	4.8	101.9
Total Net Appropriations	(2,332.7)	(1,398.1)	(794.7)	(2,192.8)	(1,325.9)	(933.5)	(2,259.4)
<b>GAAP and Other Adjustments</b>	1.7	(7.0)	(0.3)	(7.3)	14.6		14.6
ARRA Stabilization	18.4			-			-
<b>Current Year Balance</b>	(95.1)	21.2	31.5	52.7	73.9	(124.0)	(50.1)
<b>Fund Balance Transfers (To)/From:</b>							
Rainy Day Fund	79.7						
Liquor Commission		6.5		6.5	2.1		2.1
Highway Fund	(1.8)	6.5		6.5			
Education Trust Fund		31.5	(31.5)		(124.0)	124.0	
<b>Undesignated Fund Balance, June 30,</b>	\$ (0.0)	\$ 65.7	\$ -	\$ 65.7	\$ 17.7	\$ -	\$ 17.7
<b>Reserved for Rainy Day Account</b>	9.3	9.3		9.3	9.3		9.3
<b>Total Equity</b>	\$ 9.3	\$ 75.0	\$ -	\$ 75.0	\$ 27.0	\$ -	\$ 27.0

FY11 began with an undesignated surplus of \$65.7 million and a Rainy Day Account balance of \$9.3 million versus the original FY11 budget estimate which was a combined total of \$21.6 million. This was an increase of approximately \$53.4 million with a significant portion of this increase being utilized during FY11.

In FY10 as the State's revenue receipts remained less than the original budget had projected, the State implemented cost reduction plans to align with the revised revenue projections for both FY10 and FY11. The revised revenue estimate for FY11 became \$2,234.1 million (2010 Special Session) which represented a reduction of approximately \$58 million for the general revenue decline and another \$17 million in reductions for certain tax laws that were repealed in 2010. During FY11, the actual revenues realized were an additional \$40.9 million below the revised estimates developed in 2010.

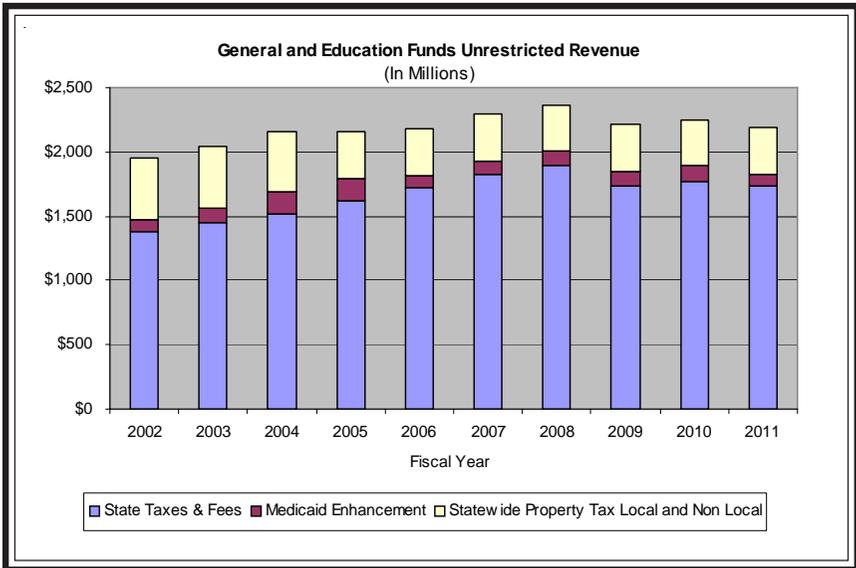
As a result of 1) the lower unrestricted revenues anticipated during FY11, 2) the absence of other funding sources originally budgeted (JUA funding, Sale/Lease of certain Liquor Assets), and 3) the FY10 utilization of FY11 budgeted ARRA State Fiscal Stabilization Funds (Education & Government Services), the State implemented various cost savings and cost reduction measures. Some of the significant cost savings measures implemented included the restructuring of debt which generated savings of approximately \$40 million, direct budget cuts, and a continued freeze on hiring, equipment and travel. In addition, the State received more ARRA FMAP funding (approximately \$32 million from a Federal extension of this program) as well as increased federal Education Jobs funding. Of the \$41 million of Education Jobs funding received, approximately 50% was used to fund the budgeted State education requirements and the remaining 50% was provided to Local Education Agencies.

## ***Fund Level Financial Highlights - Continued***

In addition to direct budget reductions implemented during the year, various lapses were required of State agencies as of June 30, 2011. The initial budgeted lapse requirement for FY11 of \$23.5 million had been increased during the 2010 Special Session and additional increases were part of Chapters 223 and 244 Laws of 2011. Ultimately, the State’s actual lapse realized for FY11 was \$101.9 million which was approximately \$78.4 million above the original budget estimate. Through enabling legislation and strict financial management during the year, the State was able to return a significant amount of additional funding back to the General Fund.

The final undesignated fund balance as of June 30, 2011 was \$17.7 million plus the Rainy Day fund balance of \$9.3 million for a total of \$27.0 million. The combined balances are approximately \$3 million less than the original budget had projected back in 2009 (\$30.4 million). This is a significant accomplishment for the State in this challenging economic environment.

### ***Unrestricted Revenue Ten Year Trend***



## Government-Wide Net Assets & Activities

New Hampshire's government-wide financial statements include a Statement of Net Assets and a Statement of Activities. On both statements, governmental and business-type activities are segregated. Governmental Activities represent most of the state's basic services and are generally supported by taxes, grants, and intergovernmental revenues. Business-Type Activities are normally intended to recover all or a significant portion of their costs through user fees and charges to external users of goods and services.

The full accrual method of accounting is used, like many businesses, and recognizes revenue and expenses when the earning process is complete regardless of when cash is received or disbursed. This results in the broadest perspective on finances.

The Statement of Net Assets reports the state's total assets and liabilities. The difference between assets and liabilities represents net assets.

State of New Hampshire Condensed Statement of Net Assets				
Primary Government as of June 30, 2011				
(In Millions)				
	Governmental		Business-Type	
	Activities	Activities	Total	
Current assets	\$ 1,046.3	\$ 306.6	\$ 1,352.9	
Capital assets	2,517.4	711.1	3,228.5	
Other assets	526.6	(45.4)	481.2	
<b>Total assets</b>	<b>4,090.3</b>	<b>972.3</b>	<b>5,062.6</b>	
Long-term liabilities	1,667.7	353.0	2,020.7	
Other liabilities	623.4	112.1	735.5	
<b>Total liabilities</b>	<b>2,291.1</b>	<b>465.1</b>	<b>2,756.2</b>	
Net assets:				
Invested in capital assets,				
net of related debt	1,674.8	273.3	1,948.1	
Restricted	545.0	169.3	714.3	
Unrestricted	(420.6)	64.6	(356.0)	
<b>Total net assets</b>	<b>\$ 1,799.2</b>	<b>\$ 507.2</b>	<b>\$ 2,306.4</b>	

*The state's combined net assets (government and business-type activities) totaled \$2.3 billion at the end of FY11, compared to \$2.5 billion at the end of the previous year.*

**Investment in Capital Assets:** The largest portion of the state's net assets (84.5%) reflects its investment in capital assets such as land, buildings, equipment, and infrastructure (roads and bridges), less any related outstanding debt used to acquire those assets. The state's investment in capital assets increased \$34.8 million from prior year. This increase was the result of

a net increase in capital assets of \$101.2 million during the year combined with an increase in capital related debt of \$66.4 million. Although the state's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves generally cannot be used to liquidate these liabilities.

**Restricted Net Assets:** Another portion of the State's net assets (31.0%) represents resources that are subject to external restrictions on how they may be used. State-imposed designations of resources, unless resulting from enabling legislation, are not presented as restricted net assets. Restricted net assets increased \$147.8 million from prior year due largely to increases in environmental loans and assets restricted for unemployment benefits. The Revenue Stabilization account previously classified as restricted, has been reclassified as unrestricted to conform with the definition of restrictions as applied to newly adopted GASB 54.

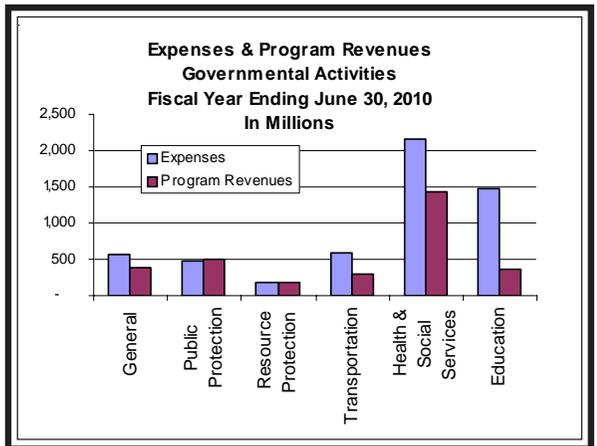
# Government-Wide Activities

## Governmental Activities

Governmental activities decreased the State’s net assets by \$516.3 million, before transfers and other items. Revenues decreased by \$460.3 million or 8.7% from prior year to total \$4.8 billion. Operating grants and contributions, which include federal programs, decreased \$120.2 million or 6.2% and business taxes declined \$163.8 million or 29.0%. Expenses also declined, by \$136.0 million or 2.5%, while not sufficient to offset revenue declines.

<b>Condensed Schedule of Expenses &amp; Program Revenues</b>			
<b>Primary Government-Governmental Activities</b>			
<b>For Fiscal Years Ending June 30, 2011</b>			
(In Millions)			
Functions/Programs	Expense	Program Revenues	Net Revenue/(Expense)
<b>Governmental Activities:</b>			
General government	\$ 525.2	\$ 375.1	\$ (150.1)
Administration of justice and public protection	423.4	433.5	10.1
Resource protection and development	138.1	183.0	44.9
Transportation	540.1	278.8	(261.3)
Health and social services	2,177.8	1,410.7	(767.1)
Education	1,484.9	250.7	(1,234.2)
Interest Expense	47.3		(47.3)
Total Governmental Activities	\$ 5,336.8	\$ 2,931.8	\$ (2,405.0)

A comparison of the cost of services by function for the State’s governmental activities with the related program revenues is shown in the chart below. The largest expenses for the state, Health and Social Services and Education, also represent those activities that have the largest gap between expense and program revenues. Since these significant program costs are not fully recovered from program revenues, these programs are supplemented from general revenues, which primarily consist of taxes, such as the statewide property taxes, business profits tax, business enterprise tax, real estate transfer, tobacco, meals and rentals, and interest and dividends tax. The amount of general revenue supplement to these activities in FY11 increased by \$137.5 million for Education largely due to the decline in ARRA funding, contributing to an overall increase of the supplement of approximately \$100 million.



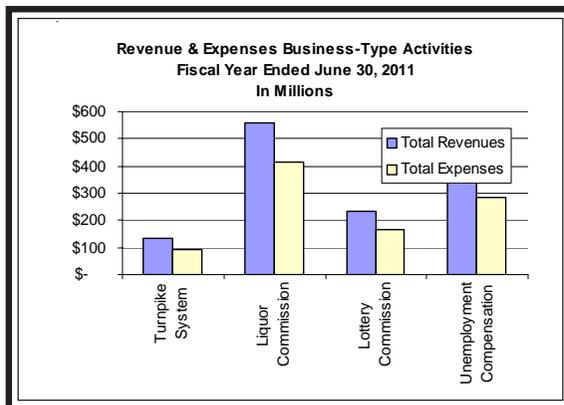
# *Business-Type Activities*

## *Business-Type Activities*

Business-Type activities include the operations from the Liquor Commission, Lottery Commission, Unemployment Compensation Fund, and Turnpike Fund. A comparison of revenue and expenses for business-type activities is shown below. Charges for goods and services for the state’s combined business type activities were more than adequate to cover the operating expenses and resulted in net assets increasing by \$309.0 million prior to transfers, \$127 million more than the prior year.

<b>Condensed Schedule of Expenses &amp; Program Revenues</b>			
<b>Primary Government-Business-Type Activities</b>			
<b>For Fiscal Year Ending June 30, 2011</b>			
<b>(In Millions)</b>			
<b>Functions/Programs</b>	<b>Expense</b>	<b>Program Revenues</b>	<b>Net Revenue/(Expense)</b>
<b>Business-type Activities:</b>			
Turnpike System	\$ 913	\$ 136.5	\$ 45.2
Liquor Commission	415.8	558.6	142.8
Lottery Commission	168.0	232.6	64.6
Unemployment Compensation	284.8	341.2	56.4
<b>Total Business-type Activities</b>	<b>\$ 959.9</b>	<b>\$ 1,268.8</b>	<b>\$ 309.0</b>

- Operations of the Liquor Commission generated net income before transfers of \$142.8 million, approximately equal to prior year, all of which was transferred to the General Fund to fund the general operations of the state.
- The Lottery Commission had a relatively stable increase in net revenues compared to last year at \$64.6 million.
- Turnpike System net assets increased by \$45.2 million prior to transfer of capital assets.
- The operations of Unemployment Compensation fund yielded an increase in net assets of \$56.4 million, an improvement to prior year of \$114.8 million, due to a reduction in benefits.





**State of New Hampshire  
Department of Administrative Services  
Division of Accounting Services**