State of New Hampshire

For Fiscal Year

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Annual Report to the Citizens

For two weeks in the summer of 1999, New Hampshire's traditional culture was showcased at the annual Smithsonian Folklife Festival in Washington D.C.

The festival is a research-based temporary museum exhibit, presented outdoors under tents, that focuses on living traditional culture. The New Hampshire Program, entitled *Celebrating New Hampshire Stories*, was organized to reflect the state's rich culture, geography, and history.

Over the course of the Festival others joined the state's "core" delegation for special events. Guests and family from New Hampshire swelled the hotel and Festival site bringing our presence in DC to over 400!

New Hampshire mounted the largest presentation any state program has ever presented at the Smithsonian Folklife Festival. Over 140 core participants represented traditional music, dance, crafts, food, agriculture, forestry, wood-related skills and a myriad of occupations.

On the cover - (left to right): Festival banners announce New Hampshire's presence in Washington DC; the Temple Band marches on Old Home Day; a Graton covered bridge lays at the feet of the Washington monument.
Inside cover - (top): A 36-foot long covered bridge was built especially for the Festival by the Graton family of Ashland, NH and was underwritten by Heritage New Hampshire.
(bottom): Attitash Bear-Peak loaned a snow cat and Loon Mountain loaned a gondola car and chair lift to enliven the presentation on the work culture of the ski industry.
Photos by Gary Samson, University of New Hampshire Media Services

Letter from the Governor

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

It is my pleasure to accept the *Fiscal Year 1999 Financial Report to the Citizens of New Hampshire*, prepared by the *Department of Administrative Services*.

This report goes beyond explaining the accounting policies and detailed financial position of the state. It focuses on explaining how state government is serving the citizens of New Hampshire. While the education-funding debate has dominated the news during the past two years, we in state government are proud of the wide variety of services we provide to citizens in every corner of New Hampshire. The goal of this report is to describe to taxpayers, in plain English, what services they are receiving for their tax dollars.

This report updates residents on some of the key issues in New Hampshire. We have made substantial progress on improving our State's roads. During the past year we have been successful in upgrading or replacing a number of bridges, removing them from the red list of critically deficient bridges. As more people move from welfare to work, the number of citizens receiving cash assistance from the state has decreased. We have responded to our growing inmate population by building a new prison in the North Country, which will open this spring. Through the kindergarten incentive program we launched in 1997, nearly 1,500 students in 22 communities are attending public kindergarten this year. Since January of this year more than 6,000 children have been enrolled in the Children's Health Insurance Program as part of our efforts to make health insurance affordable to the parents of uninsured children.

This year, New Hampshire caught the attention of the world when it was showcased at the *Smithsonian Folklife Festival* on the Mall in Washington D.C. More than 1.5 million people sampled New Hampshire history and culture during the festival. The 1999 Financial Report features this celebration of our history and culture. Relocating New Hampshire to the Mall was a monumental effort, only possible because hundreds of our residents rallied together. This spirit of hard work, cooperation and hospitality is the foundation of New Hampshire's successful economic growth and image.

I commend the Department of Administrative Services for their work on this new report. My hope is that citizens of our state will find it informative and useful in understanding many of the success stories State government has to tell about the positive impact of the services it provides.

Very Truly Yours

Jeanne Shaheen

Jeanne Shaheen

Governor Jeanne Shaheen toured the New Hampshire Festival site with curators Betty Belanus and Lynn Martin (foreground), stopping on the covered bridge to meet builders Arnold Graton, Sr. (right) and Arnold Graton, Jr. (left). Photo by Gary Samson.

Selected State Officials

For the Fiscal Year Ended June 30, 1999

Executive Branch

Governor Jeanne Shaheen

Executive Council

Raymond S. Burton, District 1
Peter J. Spaulding, District 2
Ruth L. Griffin, District 3
Thomas P. Colantuono, District 4
Bernard A. Streeter, District 5

Attorney General

Philip T. McLaughlin

Commissioner of Administrative Services

Donald S. Hill

Treasurer Georgie A. Thomas

Secretary of State

William M. Gardner

Legislative Branch

President of the Senate

Clesson J. Blaisdell
24 Senators

Speaker of the House of Representatives

Donna Sytek
400 Representatives

Judicial Branch

Chief Justice of the Supreme Court

David A. Brock

Letter from the Commissioner

To: The Citizens of New Hampshire,
Her Excellency the Governor and
the Honorable Council

December 1, 1999

Fiscal Year 1999 marks the first year the *Department of Administrative Services* has produced this *Annual Report to the Citizens*. The purpose of this report is to communicate relevant financial, economic, and demographic information in an easy-to-understand format. The overview of state operations presented here has been simplified from the traditional format found in our *Comprehensive Annual Financial Report* (CAFR). We view this document as an initial effort to communicate the performance of the State's major programs and we welcome any comments or suggestions that you might have.

The selected financial information presented is in accordance with generally accepted accounting principles, but does not include all of the disclosures required by the Governmental Accounting Standards Board (GASB). This citizens' report highlights the core finances of the State and contains only selected funds. 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 should obtain a copy of the CAFR. The CAFR, which includes the independent auditor's report, can be accessed by viewing our web site at www.state.nh.us/das/accounting/reports.htm or by contacting the Department of Administrative Services, Bureau of Financial Reporting, State House Annex Room 413, Concord, NH 03301.

We are proud to team up with the *Department of Cultural Resources* to feature New Hampshire's participation in the *Smithsonian Folklife Festival*. The success of the festival could not have been accomplished without the enormous cooperation of so many citizens and organizations. Showcasing the State's traditions and lifestyles at the festival provided an excellent opportunity to communicate New Hampshire's quality of life, which is key to attracting business and people for future economic growth.

Fiscal Year 1999 was another strong financial year, as the healthy economy continued to boost State revenues. The cumulative general fund surplus at June 30, 1999, prior to the transfer to the reserved funds, was $130.1 million. The entire surplus was transferred to the Health Care Fund ($5.3 mil) and the Education Betterment Fund ($124.8 mil). Fiscal years 2000 and 2001 will be challenging years as the State continues to search for solutions in response to the *Claremont Education Lawsuit* that successfully challenged the State's method of paying for schools with local property taxes. The changes to the revenue structure associated with school funding and some uncertainty over the timing of the collections of the business taxes will put additional pressure on cash flow and general fund surplus. Revenue performance will need to be closely monitored and appropriate actions taken to close any shortfalls that may occur.

Donald S. Hill, Commissioner

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Department of Administrative Services

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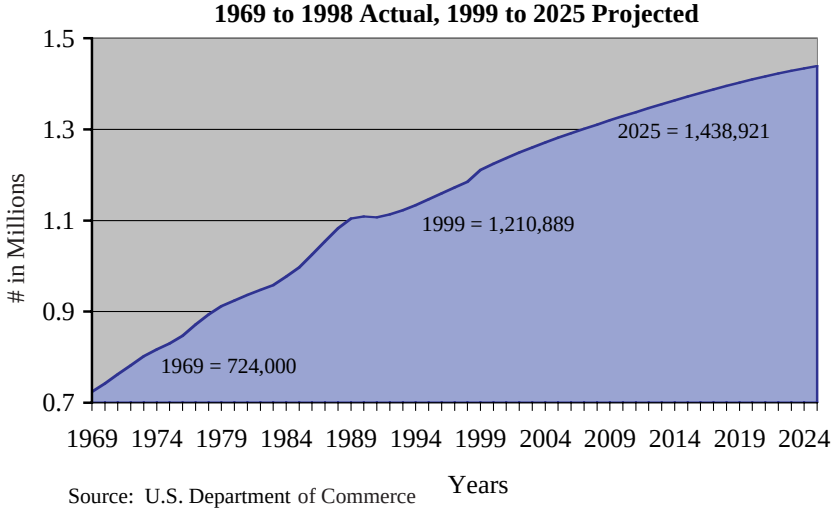
Population

New Hampshire's population has increased 60% since 1970, nearly double the growth rate of the United States population as a whole during the same period. The State's population is projected to increase another 21% by 2025, when it will reach nearly 1.5 million.

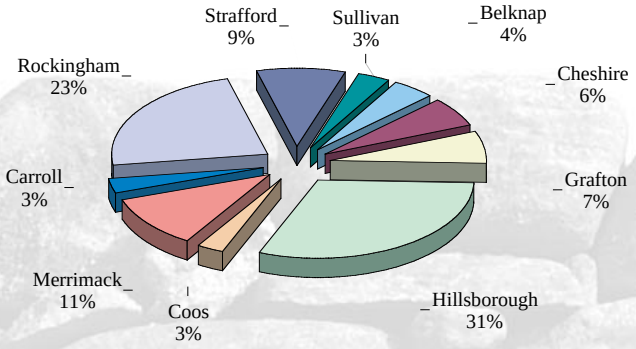
A study by the NH Department of Employment Security, covering 1990 to 1998, showed that natural increase (births minus deaths) accounted for 68% of our population growth, followed by net domestic migration at 24% and international migration at 8%.

New Hampshire Population
1969 to 1998 Actual, 1999 to 2025 Projected



Source: U.S. Department of Commerce

New Hampshire Population
By County



Most of our citizens live south and east of Concord, as Hillsborough and Rockingham counties account for 54% of our population. Include Merrimack and Strafford counties and 73% of NH's population is accounted for in just four out of ten counties.

NH citizens are preparing themselves for the knowledge economy by increasing their level of formal education. Over the past 20 years the percentage of the population holding high-school diplomas and college degrees increased significantly. Based on the most recent data available, the percentages of NH's adult population with high school diplomas and college degrees were 82% and 24%, respectively.

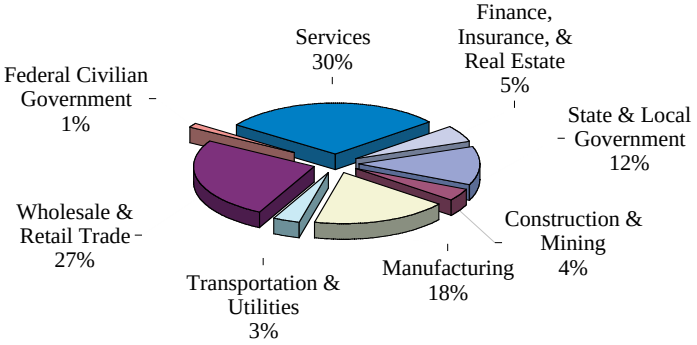
Employment

New Hampshire continues to move away from its agricultural and industrial history to a more diversified economy. The largest employment increases from 1993 to 1998 were in services (26.5%) and wholesale & retail trade (18.1%). Manufacturing still continues as a key sector of the State's economy, employing over 105,000 workers.

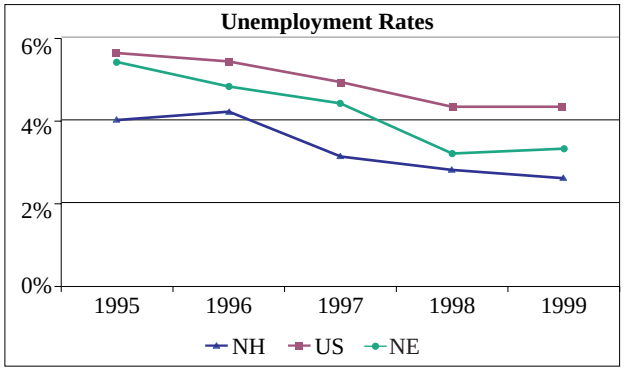
New Hampshire's non-agricultural employment in 1999 was just under 600,000. Since 1975 employment has grown at an average rate of 4.5%, almost double that of the regional and national averages. Recent data indicates a slow-down in job growth at 1.7% (August 98 - 99), compared to the national average of 2.2%.

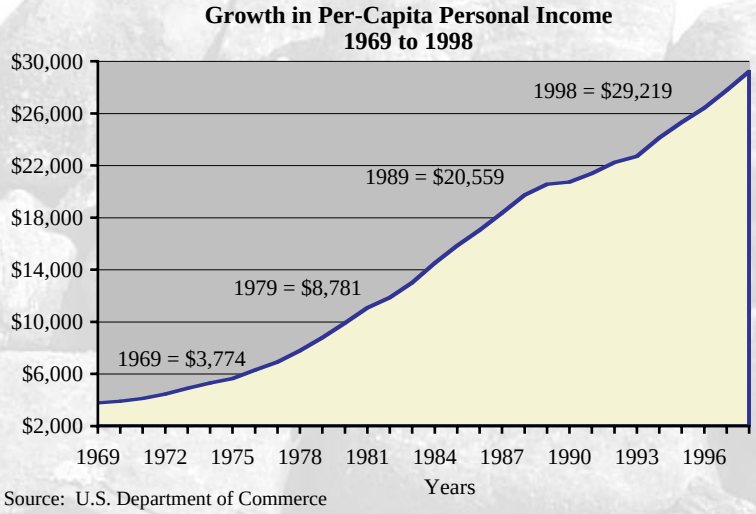
The relatively modest employment growth is mainly the result of shortages in labor supply. This is reflected in our low unemployment rate, which has remained below the national and regional averages over the past several years.

NH Non-Agricultural Employment 1998



Source: Dennis Delay, Senior Economist, Public Service of New Hampshire





Source: U.S. Department of Commerce

New Hampshire's per-capita personal income is 10% above the national average, and ranks third in New England. These high per-capita income levels contribute to New Hampshire having the second lowest rate of children living below the poverty level of all of the fifty states.

Economic Rankings

New Hampshire's ranking among the 50 states and New England indicates that New Hampshire continues to be a very attractive place to live.

In a study by the Progressive Policy Institute, New Hampshire ranked 7th in the nation in the study's "New Economy Index". This knowledge-based economy is characterized by globalization and entrepreneurial spirit. NH ranked #1 in the number of high-tech jobs as a share of total employment and showed high ranks in several other categories. A selected few are noted here.

New Hampshire's Economic Scoreboard for 1999

Categories	*NH's National Rank*	*NH's Rank in New England*
Child and Family Well-Being (Annie E. Casey, 1999)	1st	1st
Standard of Living (by Poverty Rate)	1st	1st
Safest State (Morgan Quitno, 1999)	2nd	1st
Healthiest State (Morgan Quitno, 1999)	4th	2nd
Most Livable State (Morgan Quitno, 1999)	8th	1st
College Graduation Rate	16th	4th

Source: New Hampshire Economic Review, Public Service of New Hampshire

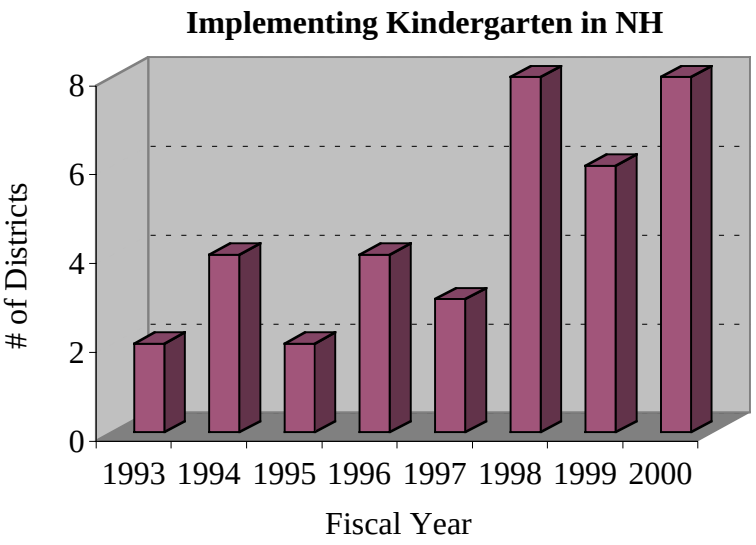
The State New Economy Index

How Does New Hampshire Compare?

Indicator	*National Rank*
New Hampshire Score Overall	7th
High – Tech Jobs *Jobs in High – Tech electronics manufacturing, software and computer – related services, and telecommunications as a share of total employment.*	1st
Gazelle Jobs *Jobs in companies with annual sales revenue that has grown 20% or more for four straight years as a share of total employment.*	5th
Workforce Education *A weighted measure of the educational attainment of the workforce.*	9th
Online Population *The percentage of adults with internet access.*	5th

Source: The State New Economy Index, The Progressive Policy Institute (PPI) Technology Project

Education



In order to make the benefits of **public kindergarten** available to all children in New Hampshire, significant legislation was enacted in the 1997 session.

This legislation provided funds for both current operating expenses and construction. In the three years since its adoption, 22 school districts have implemented kindergarten reducing the number of districts without kindergarten from 51 to 29.

The availability of 75% up-front state aid for the construction of kindergarten facilities has proved to be a powerful incentive for the establishment of new kindergarten programs.

During school year 1999-2000, nearly 1,500 additional children are attending public kindergarten in New Hampshire.

The New Hampshire Educational Improvement and Assessment Program was established by the legislature in 1993. To accomplish program goals, committees of educators, administrators, parents, policy makers, and business people from across the state developed curriculum frameworks. The state assessment tests are linked to the challenging proficiency standards established in these frameworks.

Since 1994, all third grade students have been tested each year in English language arts and mathematics. In 1996, the program was expanded to include all sixth and tenth grade students, who are tested annually in English language arts, mathematics, science, and social studies. Results are used at the local level to identify trends, strengths, and weaknesses in curriculum and instruction and to develop local educational improvement plans.

Grade 3 NHEIAP Results
(Mean Scaled Score)

	1994	1995	1996	1997	1998	1999
Mathematics	245	253	254	257	256	257
English	244	250	251	250	248	251

Novice (200-239), Basic (240-259), Proficient (260-279), Advanced (280-300)

The Best Schools Initiative

The Initiative is built on recommendations developed at Governor Shaheen's October 1997 Education Summit. Assistance is provided to participating schools and districts in the following areas:

- Excellence in Teaching
- Strong Educational Programs
- Quality Learning Environments
- Strong Business, Parent, Community and School Connections
- Integrated Educational Technology
- Students Ready to Learn

The goal of the Initiative is improvement in student success - at school, in the work place and in the community. Twenty schools have enrolled in the program with another sixty to be added in the next year.

Discovering New Hampshire in Washington, DC

New Hampshire is a state of great natural diversity. Stretching from a narrow seacoast, across a wide plain laced with rivers, streams, and clear lakes, rising to an impressive mountain chain, and ending in a vast woodland—the state's culture has been shaped by its abundance of natural resources. After extensive meetings and months of fieldwork, the curatorial team from the New Hampshire Council on the Arts and the Smithsonian Institution identified five themes for New Hampshire's presentation. Seen as chapters in a book, the themes for Celebrating New Hampshire Stories were: Diversity in Music; Home, Town, and Community; Ingenuity and Enterprise; Seasonal Work and Recreation; and Farm, Forest, Mountain, and Sea.

Diversity in Music embraced New Hampshire's traditional music as reflected in the state's varied population, with the strongest representation being from New England social music and dance and Franco-American fiddling and singing traditions. Scottish, Irish, Polish, Jewish, African-American gospel, and Latin-American family music gave voice to the state's growing diversity.

Home, Town, and Community focused on the cultural and artistic traditions that help to define a sense of place in people's homes and in their communities. Domestic crafts such as rugmaking, quilting, weaving, and dried wreath-making were featured along with crafts that help cultures express their spiritual beliefs and support celebrations. Family genealogy, images of community such as sign making, and the political heritage of New Hampshire were clustered around traditional New England structures—a gazebo and a front porch.

Ingenuity and Enterprise examined the heritage of invention and innovation seen in individuals, businesses, and industry in New Hampshire. Traditional crafts people presented the heritage of crafts guilds. Family-owned and community-based businesses celebrated the state's entrepreneurial spirit. New Hampshire's industrial heritage was explored through the precision machine tool heritage of Newport and ship building presentations.

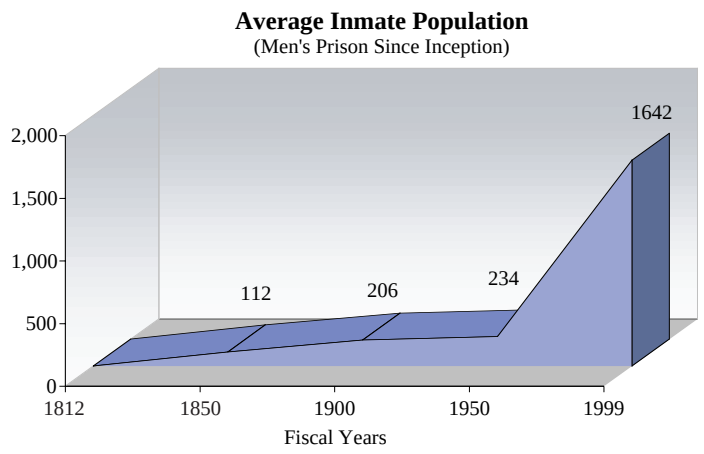
Seasonal Work and Recreation explored how the cycle of seasons has given rise to traditional crafts and work culture to support recreation in New Hampshire. This view was presented through ways of understanding and predicting the weather, hiking, the crafts of hunting, winter sports such as snow shoeing, dogsleds, snow-mobiling and skiing. An area focusing on summer camps provided a venue for children's activities.

Farm, Forest, Mountain, and Sea looked at the occupations stemming from the abundance of natural resources in New Hampshire. The diversity of family run farms, from dairy to maple sugaring to fruit orchards, and the work and social aspects of draft animals were presented here. The dynamics of forestry management, sawmilling, timber framing, and historic conservation of New Hampshire's treasured covered bridges was featured along with granite quarrying, monument carving, and stone wall building. The maritime heritage of our coastline was explored through lobstering and gill net-making traditions.

A collection of New Hampshire superlatives, entitled NH Firsts and Bests, was posted around the site, attesting to the state's competitive spirit. Two special events, Old Home Day, which included a fireman's muster, and Franco-American Day reflected the ways that New Hampshire's traditional communities celebrate themselves.

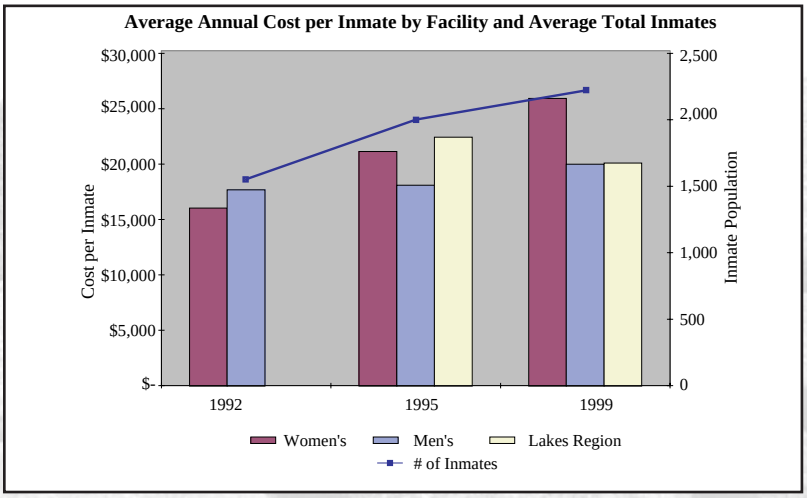
Clockwise from top left:
Franco-American soiree music by the Cote Family, Deanna Stiles playing New England contra dance music, the Raymond Street Jewish Klezmer Band, the Front Porch stage with an African-American gospel performance, Kung Tai Tsay demonstrating cooking, a gazebo loaned by Millbrook Farm Woodworks, Kevin Fife demonstrating granite splitting, Bob Moulton demonstrating maple sugaring with the Hutchinsons, Hugh Fifield and his horses Pride and Babe, Arthur Splaine and assistant presenting lobstering, Jay Traynor demonstrating canoe building, Joel Nordholm demonstrating dog sled making, Russell Pope demonstrating blacksmithing, Polly Pinkham of Globe Firefighting Suits, and Rob Roy Robb weaving. Photos by Gary Samson.

Corrections



Why did the inmate population skyrocket?

- Prior to 1983, inmates were rewarded for earned good behavior by a reduction of their minimum sentence. For instance, inmates serving a 5-15 year term, who earned 1 year good behavior, could have their minimum sentence reduced to 4 years.
- In 1983 the NH Legislature passed "Truth in Sentencing". After truth in sentencing, inmates' earned good behavior was deducted from their maximum term instead of their minimum.
- Additional legislation was passed in 1988. This legislation required inmates sentences to stand with earned good behavior. Therefore, sentences were extended for inmates who do not earn good behavior.



1999 Average inmate cost:
$19,388 per year or $53.12 per day.
Average population: 2,205.
The Lakes Region Facility opened in May, 1992

Steps to control the inmate population

- *Berlin Prison*
  The Department of Corrections was appropriated $33 million to construct the Berlin Prison. The State now operates 3 prisons, the Men's State Prison in Concord, the Women's State Prison in Goffstown, and the Lakes Region Facility (LRF).
  The construction of the new medium security facility located in the city of Berlin began in the summer of 1998 and is expected to be ready for initial occupancy in February 2000. It is scheduled to house up to 500 inmates, with expansion capabilities for up to 1,000. The facility is expected to employ 218 people.
- *Lakes Region Facility*
  The State also expanded its LRF. The population cap went from 300 to 600 with new legislation. The LRF is an American Correctional Association accredited adult correctional institution. The facility's inmates are non-violent offenders who volunteer to participate in one or more of three programs offered: the First Step (character development), the Summit House (drug and alcohol abuse treatment), and Transformations (post secondary educational program).
- *Transformations*
  Programs were initiated as a way to try to reduce recidivism and promote further choices for education and employment. Transformations a 16 week training program, is a cooperative effort of the Department of Corrections and the Regional Community Technical Colleges. The program began in March 1993 and by December 1998, graduates numbered more than 300. Graduates earn 30 college credits and a Transformations Certificate in Information Technology, General Technology, or Industrial Technology. Employment, living skills, counseling and career planning are integral parts of the program. The graduates' rate of return to prison is below the general prison population and is less than 12%.

Health and Human Services

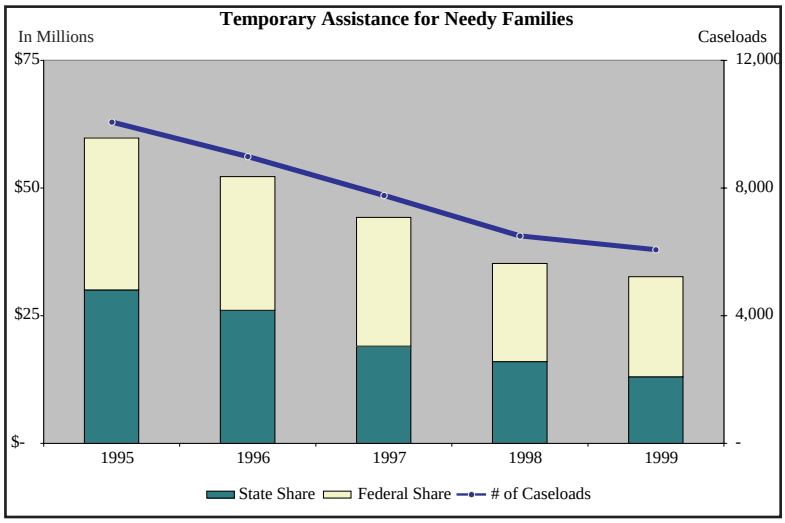
Moving From Welfare to Work

The New Hampshire Employment Program (NHEP), a new welfare reform program, was implemented in 1997. NHEP changed welfare from an entitlement program to a transitional employment program.

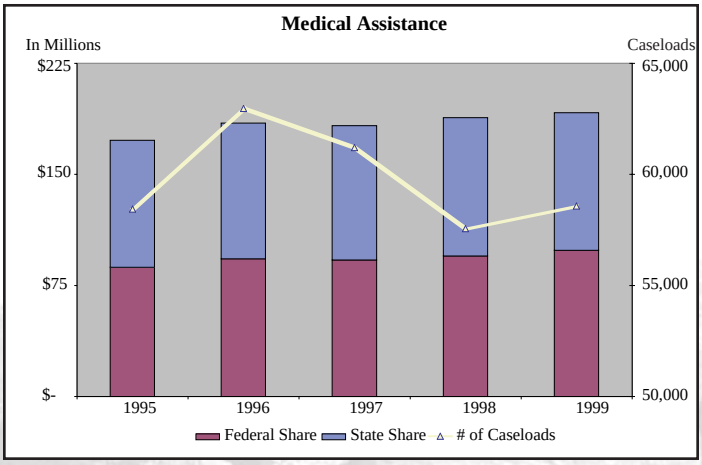
To underscore the importance of employment, NHEP services are provided through a collaboration of the Department of Health and Human Services, the Department of Employment Security, and NH Job Training Council.

In the first 18 months of the NHEP, over 7,200 individuals were referred for employment and training services and 4,403 participants obtained employment.

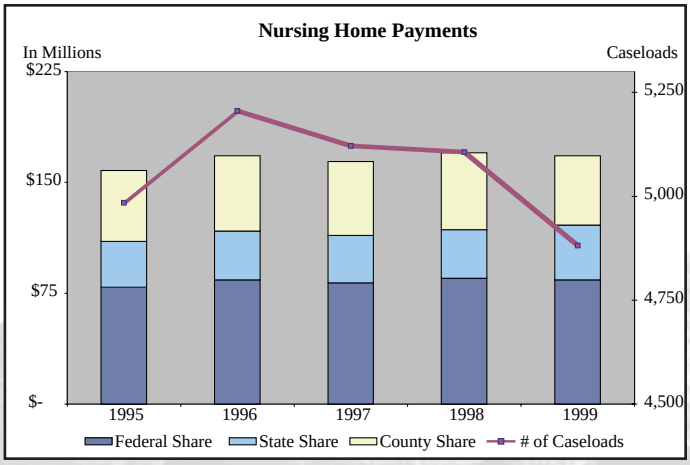
Efforts are continuing to address the needs of the newly employed and the needs of the hard-to-support participants, who have not made the transition to the workforce. NHEP provides services to resolve employment barriers and to support job retention and advancement.



The number of families with dependent children receiving financial assistance has consistently declined in recent years. The decline is the result of welfare reform and a low NH unemployment rate.



While the number of families and dollars expended on cash assistance has decreased dramatically, medical assistance expenditures have not experienced a corresponding drop. Caseloads have remained somewhat flat due to outreach efforts to identify poverty level children who are Medicaid eligible. The number of elderly individuals and people with disabilities that receive Medicaid assistance has not declined and these individuals have greater health care needs. Increased utilization and inflation pressures, especially in pharmaceuticals, have resulted in increased expenditures. Finally physician, health maintenance organizations, and related costs are increasing in price as well.



The number of Medicaid eligible individuals staying in nursing homes has decreased to 4,881.The State is instituting major changes in the care for the elderly to encourage individuals to seek out less expensive alternatives to nursing home. These changes include the development of assisted living facilities and the development of a comprehensive home-based care system of supports. Major legislation has changed the State and County funding relationships and the State has also changed the nursing home reimbursement methodology to a system based on the health needs of residents.

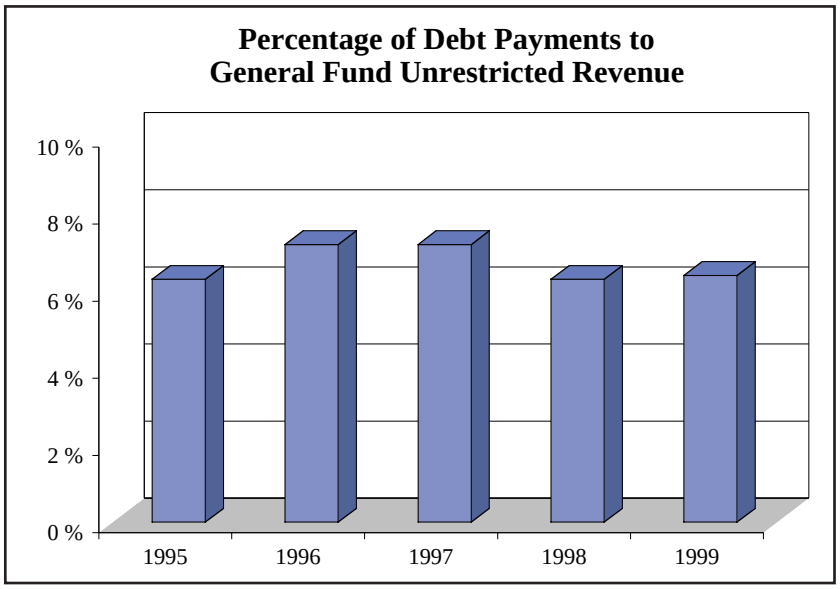
Debt

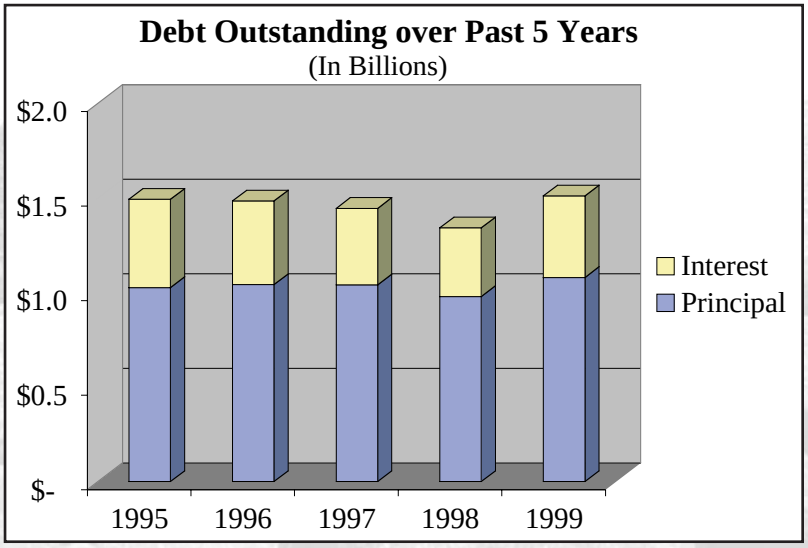
The State's bonds are primarily used for capital projects, not to fund general government operations.

Capital projects provide for improvements or additions to the State's buildings, equipment and infrastructure.

The State issued 3 bonds this fiscal year:

- $75 million in Capital Improvement Bonds, with due dates ranging from Oct. 1,1999 - 2018 and interest rates from 4 to 5.125%.
- $105.25 million in Refunding Bonds with due dates ranging from April 1, 1999 - Oct. 1, 2012 and interest rates from 4 to 5.25%. (Bonds are refunded to take advantage of lower interest rates, thereby reducing the amount of interest the State must pay.)
- $96.77 million in Turnpike Revenue Bonds, with due dates ranging from April 1, 2000 - 2029 and interest rates from 4 to 5.125%





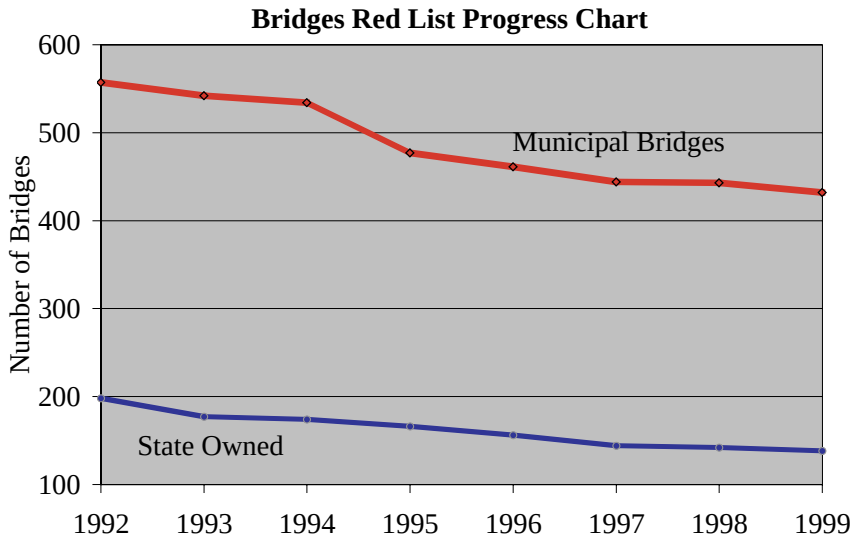
The State's outstanding debt has remained relatively constant over the past 5 years.

Recent capital projects include:

- Construction of the Berlin Prison
- Construction and renovations to various libraries and buildings at the University of New Hampshire, and Plymouth State and Keene State Colleges
- Construction of various courthouses throughout the state
- Construction of the Veterans' Cemetery
- Expansion of Cannon Mountain.

Roads and Bridges

Progress continues to be made on reducing the number of "Red List" bridges in NH, as 5 bridges were removed from the list this year. During FY 99, the Department of Transportation's Bureau of Bridge Maintenance completed 123 bridge repairs.



Current and Future Major Projects

- Newly completed Scammell Bridge on US Route 4 over the Bellamy River in Dover. This $6.7 million bridge is longer than 3 football fields.
- F.E. Everett Turnpike expansion project in Nashua is scheduled to be completed this fall. This $200 million project from Exit 36 in Mass. to Exit 7 in Nashua will greatly increase traffic capacity and help reduce congestion.
- The $49 million Concord Project included 3 phases - Manchester St., Water St. and the Exit 13 I93 Overpass. The I93 overpass is the only phase still under construction and has a completion date of Fall 2000.
- The $200 million major widening of NH Route 101 has a Fall 2000 completion date. This project will allow motorists to travel from I93 to I95 on 4 lanes of divided highway for the first time.

Facts and Figures

- The Municipal Highways Bureau coordinated the Block Grant Aid Program, which distributed $22.6 million to municipalities for the construction, reconstruction and maintenance of Class IV and V highways.
- 300 miles of NH roads were newly paved and 42.5 miles of non-interstate highways were rehabilitated.
- Bureau of Turnpikes logged another record year of traffic with more than 94 million vehicles passing through the tolls.
- The acquisition of railroad properties continued. Notably 36 miles of railroad corridor between Groveton and Littleton were acquired to preserve the rail service in the North Country.
- The Adopt-A-Highway Program continues to attract new partners in picking up litter along NH highways. Approximately 1,407 miles are being cleaned by 554 groups.

Financial Highlights

Balance Sheet
Primary Government (Excluding Trust & Agency Accounts)
As of June 30, 1999 and 1998
(In Millions)

	FY 99	FY 98
ASSETS:		
Cash & Cash Equivalents	$ 359	$ 320
Investments	155	83
Receivables	392	295
Fixed Assets	1,111	1,049
Other	838	789
Total Assets	$ 2,855	$ 2,536
LIABILITIES:		
Payables & Accrued Payroll	$ 255	$ 220
Bonds Outstanding	984	873
Other	357	346
Total Liabilities	1,596	1,439
FUND EQUITY:		
Investments in Fixed Assets	604	569
Enterprise Fund Equity	236	221
Special Revenue, Capital & Other Fund Equities	231	208
Health Care Fund	43	38
Education Fund	125	-
Rainy Day Fund	20	20
General Fund Surplus	-	41
Total Fund Equity	1,259	1,097
Total Liabilities and Fund Equity	$ 2,855	$ 2,536

State Education Funding Plan

- $6.60 per $1,000 statewide property tax with hardship grants
- 1% increase in the business profits tax
- .25% increase in the business enterprise tax
- 8% tax on rental cars
- $2.50 per $1,000 increase in the real estate transfer tax
- 15 cents per pack increase in the tobacco tax

Also included are various transfers from other funds, including the Sweepstakes Commission, General Fund surplus, and the tobacco settlement.

Education Time Line

June 1991	Five school districts, taxpayers and students commenced an action (Claremont School District v. Governor) challenging the constitutionality of the State's financing of elementary and secondary public education.
December 1993	The New Hampshire Supreme Court issued its **Claremont I** decision that the State has a constitutional duty to provide an adequate public education and to guarantee adequate funding.
December 1997	The New Hampshire Supreme Court issued its **Claremont II** decision and ruled that the State's system of financing through local property taxes was unconstitutional and that the existing funding mechanism would remain in effect only through March 31, 1999.
April 1999	Legislation (Chapter 17) defined the per pupil adequate education cost and determined a funding plan, which included a statewide property tax at $6.60 per $1,000 assessed property value, with a phase-in for certain communities, and other tax increases.
October 1999	The State Supreme Court held that the phase-in of the property tax was unconstitutional.
November 1999	New legislation (Chapter 338) reenacted the state-wide property tax at $6.60 per $1,000 without the phase-in. A hardship provision was added to provide financial assistance to qualifying low and moderate income taxpayers who experienced increases in school property taxes. The current funding is highlighted above.

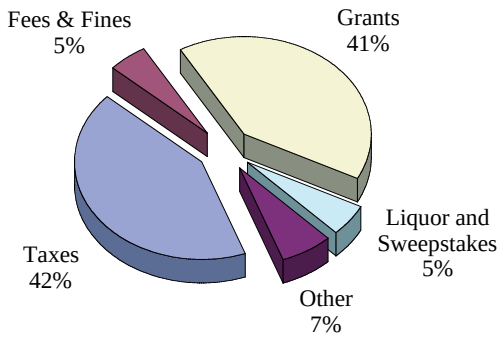
Impact of future litigation is uncertain at this time.

Financial Highlights

Operating Statement
General and Special Revenue Funds
For The Years Ended June 30, 1999 and 1998
(In Millions)

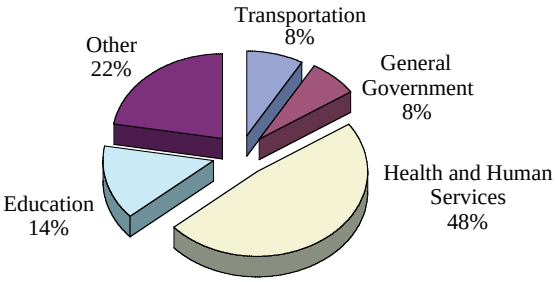
Revenues by Source	FY 99	FY 98
Taxes	$ 1,073	$ 1,003
Fees & Fines	126	114
Grants from Federal Government	914	822
Grants from Private and Local Sources	116	118
Sale of Service and Commodities	90	87
Assessments	17	16
Grants from Other Agencies	5	29
Liquor and Sweepstakes Net Income	133	124
Other	61	63
Total Revenues	$ 2,535	$ 2,376

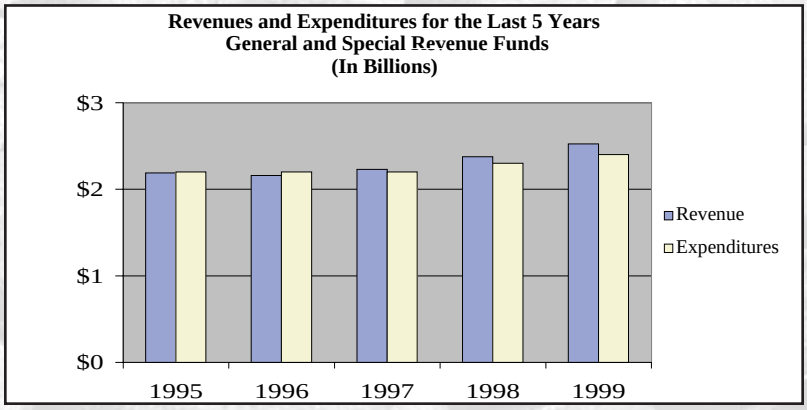
FY 99 Revenues



Expenditures by Function		
General Government	$ 179	$ 173
Justice and Public Protection	193	196
Resource Protection and Development	114	107
Transportation	201	190
Health and Human Services	1,178	1,116
Education	342	326
Debt Payments	79	74
Capital Outlay	156	133
Total Expenditures	$ 2,442	$ 2,315

FY 99 Expenditures





General Fund Performance

General Fund unrestricted revenues for fiscal year 1999 increased 6.8% over fiscal year 1998. The strong growth in Business Taxes can be primarily attributed to significant merger and acquisition activity that led to increased business gains and higher taxable profits under the State's business profits tax.

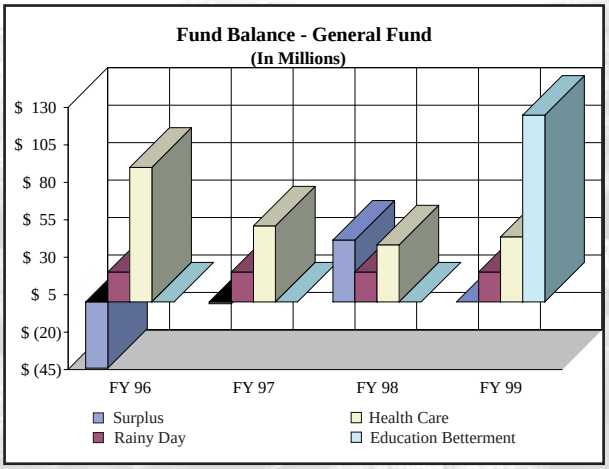
The insurance, communications, real estate transfer, and estate and legacy taxes all grew significantly over the prior year, reflecting increased business activity in the state and the increased value of financial assets nationwide.

Five Year Summary of General Fund Unrestricted Revenue (In Millions)

	FY 95	FY 96	FY 97	FY 98	FY 99
Business Taxes	$ 168	$ 178	$ 210	$ 239	$ 258
Meals and Rooms	108	113	119	129	137
Tobacco	44	45	50	76	74
Liquor	64	66	72	75	77
Interest and Dividends	38	52	53	62	63
Insurance	43	50	57	55	63
Real Estate Transfer	29	30	33	44	53
Estate and Legacy	38	33	41	43	55
Communications	33	36	39	40	46
Other	128	124	126	133	127
Subtotal	693	727	800	896	953
Net Medicaid Enhancement Revenues (MER)	117	102	54	68	70
Subtotal	810	829	854	964	1,023
Other MER Transferred to (from) Uncompensated Care Pool	153	(10)	43	9	16
Total Unrestricted Revenue	$ 963	$ 819	$ 897	$ 973	$ 1,039

Net General Fund appropriations increased modestly over fiscal year 1998. The greatest increases in appropriations requiring a supplemental budget were in the Medicaid program and in health insurance costs for retired state employees. The fiscal 1999 budget also included a 5% salary scale increase for state employees, which accounted for $4.2 million in salary appropriations over fiscal year 1998. Net General Fund appropriations for fiscal year 1999 for local school districts remained essentially unchanged over the prior year. Distributions to cities and towns generated from increases in the meals and rooms tax totaled $17.4 million, a $5.2 million increase over 1998.

The combination of strong revenue performance, spending controls and the healthy economy led to a current year surplus balance of $88.7 million and a cumulative surplus balance of $130.1 million at June 30, 1999. The surplus balance has been transferred out to the Health Care Fund and the Education Betterment Fund. The surplus transfer, coupled with transfers from excess Medicaid monies, have brought the Health Care Fund balance to $43.5 million. The balance in the Education Betterment Fund at June 30 was $124.8 million.



The Smithsonian Folklife Festival was put together by a team of skilled and committed individuals and organizations. The research, fundraising, and logistics are all part of a complex web that makes ideas turn into reality.

A partnership, which included the *New Hampshire State Council on the Arts*, the *Department of Cultural Resources*, the *New Hampshire Commission on the Smithsonian Folklife Festival* with its non-profit affiliate *Celebrate New Hampshire Culture*, and the *Smithsonian Institution* made the event possible.

Working as the NH-based curator, the Traditional Arts Coordinator of the *New Hampshire State Council on the Arts* worked with a curator from the *Smithsonian Institution* to oversee more than 28 folklorists and community scholars whose mission included a survey of the Granite State's traditions and folklife. In the process, more than 450 individuals were interviewed, expanding upon research begun more than 18 years ago when the first folklorist was on the Arts Council's staff.

Celebrating New Hampshire Stories is only the beginning of an on-going initiative.

Celebrate New Hampshire Culture and the Arts Council are again partnering up to present *Festival New Hampshire*, a five-day celebration that will take place at the Hopkinton State Fairgrounds in Contoocook June 7 - 11, 2000.

The event will feature a recreation of the DC presentation with added elements representing other aspects of New Hampshire's culture. An educational component will create a lasting legacy of the Festival for New Hampshire schools and communities.

For more information on *Festival New Hampshire*, call:
Celebrate New Hampshire Culture at 603•224•1777 or 800•215•5181.
Visit the web site online at: www.festivalnh.org24

Inside back cover - (top - right to left): Rebecca Lawrence, Executive Director of the New Hampshire State Council on the Arts looks on while Lynn Martin Graton, Traditional Arts Coordinator and NH co-curator discuss granite splitting with stone wall mason Kevin Fife of Canterbury.
(bottom): Tedd Benson of Benson Woodworking and his crew celebrate the completion of the timber-framed barn with a traditional ceremony. A sprig of NH pine and a sprig of Virgina pine were nailed to the top rafters to thank the forest for the wood and bring life into the building.
Back cover : During the first week of the Festival a timber framed barn was built by Benson Woodworking of Alstead with the assistance of the Timber Framers Guild of North America. It was used to house 4 Percheron draft horses during the second week of the Festival. Photo by Gary Samson.

Layout design by: Seth Bond Perry • New Hampshire Community Technical College