



State of New Hampshire
Annual Citizens Report

2010

Celebrating 75 Years of New Hampshire State Parks

New Hampshire State Parks Today	
	19 Campgrounds
	38 Day Use Parks
	16 Historic Sites
	6 Natural Areas
	7 Waysides
	22 State Beaches
	17 Recreational Trails
	2 Ski Areas
	606 Buildings
	1,500 Metered Parking Spaces
	1,900 Picnic Tables
	1,300 Campsites
	35 Staffed Toll Booths
	20 Retail Operations
	7,000 Miles Snowmobile Trails
	1,000 Miles ATV Trails

2010 celebrates the 75th Anniversary of the Division of Parks and Recreation and the state's dedication to the preservation of state lands.

In 1935, with 18 parks acquired, the state created the Forestry and Recreation Commission, which replaced the Forestry Commission. This marked the beginning of the Parks and Recreation division. Early on the Commission recognized and promoted the importance of forests as multiple-use areas valued for their saw logs but also for their recreational uses.

The state quickly acquired properties as state parks. In 1961 and 1985, the legislature clearly and appropriately defined the purposes of the State Park System codified as RSA 216-A:1. They are, in order of priority:

- To protect and preserve unusual scenic, scientific, historical, recreational, and natural areas within the state.
- To continually provide such additional park areas and facilities as may be necessary to meet the recreational needs of the citizens of all regions of the state.
- To make these areas accessible to the public for recreational, education, scientific, and other uses consistent with their protection and preservation.
- To encourage and support tourism and related economic activity within the state.

Today, the Division of Parks and Recreation manages 92 properties including campgrounds, beaches, natural areas, waysides, historic sites and recreational trails. The Division is comprised of the following four bureaus: Bureau of Park Operations, Bureau of Trails, Bureau of Historic Sites, and Cannon Mountain.



Odiorne Point State Park

Table of Contents

State Officials	2
Governor's Message	3
Commissioner's Message	4
Economic/Scoreboard .	5
Major Initiatives	6-7
Education	8-10
Self-Insurance	11
Public Works	12-13
Health & Human Services	14-16
Debt	17
Financials	18-23

State of New Hampshire's *Annual Citizens Report* For Fiscal Year Ended June 30, 2010



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State Officials



Photo(L-R) Back: Commissioner Hodgdon, Councilor Burton,
Councilor Wieczorek, Councilor Shea
Front: Councilor Hollingworth, Governor Lynch, Councilor Pignatelli.

Selected State Officials as of June 30, 2010:

Governor

John H. Lynch

Executive Council

Raymond S. Burton, District 1

John D. Shea, District 2

Beverly A. Hollingworth, District 3

Raymond J. Wieczorek, District 4

Debora B. Pignatelli, District 5

President of the Senate

Sylvia B. Larsen

24 Senators

Speaker of the House of Representatives

Terie Norelli

400 Representatives

Message From the Governor

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

I am pleased to accept the *Fiscal Year 2010 State of New Hampshire Annual Report to the Citizen's*.

In fiscal year 2010, the lingering effects of the national recession continued to cause significant challenges for New Hampshire families, businesses and state government. But New Hampshire also began to see signs of economic recovery in 2010: we had the second-fastest job growth in the country and our unemployment rate, the fourth lowest in the nation, steadily decreased.

For state government, the lasting impact of the recession was a significant decline in expected revenues. A mid year re-estimate predicted a revenue shortfall that would result in a \$173 million gap between anticipated revenues and budgeted appropriations for fiscal year 2010.

The State of New Hampshire acted quickly and responsibly to address the sharp decline in state revenues, making difficult choices to cut spending across state government to ensure we could meet our core responsibilities, including ensuring public safety, funding education, and protecting the health and well-being of our most vulnerable citizens. Unlike many other states, New Hampshire was able to address its challenges before the end of the fiscal year. We reduced planned general spending by \$52 million, and made other adjustments that would lead us to \$65 million of undesignated surplus at the end of fiscal year 2010.

We continued improving government efficiency, accountability and accessibility – efforts that will provide long-term savings to taxpayers. We eliminated programs, boards, and commissions that were no longer central to our mission, we closed buildings and we increased the use of technology, such as putting drivers' license renewals online, to reduce cost and improve services to citizens.

We worked with law enforcement and a bipartisan group of legislators to reform our corrections system with the goal of improving public safety by cutting down on the number of offenders who return to prison. By cutting the recidivism rate, New Hampshire will also realize a cost savings, allowing for reinvestment of those savings in corrections. We have also created greater transparency in budgeting, putting monthly spending reports online for the first time in New Hampshire. This will allow the public to more easily track how state government is spending tax dollars. We continue working to move more state services online, to streamline permitting processes and bring improved technology to state government.

Fiscal year 2010 posed significant challenges for the State of New Hampshire and for families and businesses across the state. In the face of these challenges, New Hampshire remains better positioned than most states. We have the lowest state taxes, fourth-lowest spending per capita, and we were recently recognized as one of the best-managed states. And although more challenges lay ahead, I remain optimistic that New Hampshire will continue to lead the nation in recovery from the national recession.

To the people of our great state, legislators and state employees, I very much appreciate the collective effort and hard work that went into meeting the challenges of 2010 and achieving the results documented in this report.

Sincerely,



John H. Lynch

Governor

Message From the Commissioner

We would like to present our fiscal year 2010 Annual Report to the Citizens, prepared by the Department of Administrative Services. It is our hope that this report provides an overview of the state's core finances and major activities 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 and a surplus statement, as well as 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 the independent auditors' report, can be accessed by viewing our website or by contacting the Department.

Since the enactment of the fiscal year 2010-2011 biennial budget, state revenue collection performed significantly below estimates. To address these revenue shortfalls, on April 12, 2010, the Joint Legislative Fiscal Committee approved the Governor's executive order 2010-2, which reduced appropriations by \$25.2 million from the 2010 general fund budget. On June 10, 2010, the Governor signed into law the House and Senate approved Special Session House Bill 1 (SSHB1) which combined with Executive Order 2010-2 would address the projected \$295 million general fund shortfall over the biennium, of which \$173 million was projected for fiscal 2010. A few of the significant SSHB1 items during fiscal 2010 were \$80 million of fiscal year 2011 State Fiscal Stabilization transferred to fiscal 2010, \$25 million payment from University System of New Hampshire, \$8 million of dedicated funds were transferred to the general fund and \$17 million of additional targeted lapses.

As a result of higher than anticipated year end revenue collections and accruals, primarily business tax receipts, final fiscal 2010 revenues ended the year \$87 million higher than the SSHB1 estimates, and \$6.3 million below plan. This combined with executive order and special session initiatives resulted in a combined General and Education Trust Fund surplus of \$65.7 million at June 30, 2010. The balance in the Rainy Day account remained unchanged for fiscal 2010 with a balance of \$9.3 million.

As we move forward into fiscal 2011, the state will be monitoring revenue collections closely. The state will continue to manage spending and institute budget reductions and program savings initiatives where needed.



Linda M. Hodgdon, Commissioner

Economic Highlights of the Granite State

The following discussion incorporates comments from the New Hampshire Economic Outlook of New England Economic Partnership, November 17, 2010.

In the Fall of 2010, economists began reporting that the worst of the economic downturn was behind us. The economy is in recovery, although the recovery's strength and sustainability remain in question. After the recessionary period of December 2007 to June 2009, New Hampshire finds itself well positioned in having recovered half of the jobs lost in the downturn. The Granite State lost 4.5% of its jobs at the lowest point of the recession, and as of September 2010, the New Hampshire jobs base was 2% below the previous peak of December 2007.

The New Hampshire job recovery is surprisingly broad based. Private employment increased by 15,400 jobs between September 2009 and September 2010. Manufacturing, construction, trade, business services, education, health and leisure all showed gains. The financial activities sector was the only weak sector, losing 700 jobs in the time period.

If the current rate of growth is sustained, New Hampshire will have regained all of the jobs lost by the first quarter of 2012, and be back on the long term growth trend line by the first quarter of 2013.

There are many reasons for the resilience of the New Hampshire economy, some are found in the table on the left. New Hampshire is a moderate cost state in a high cost region, with a low tax burden, high standard of living, healthy population, is considered a very safe state, and presents a high level of educational attainment.

These New Hampshire advantages will benefit the state as it exits the recessionary period. The state remains in a stronger position than the rest of the region.

<i>New Hampshire's Economic Scoreboard for 2010</i>		
<i>Categories</i>	<i>NH's National Rank</i>	<i>NH's Rank in New England</i>
Favorable Tax Climate	1st	1st
Standard of Living (by inverse of poverty rate 2009)	1st	1st
Child and Family Well-Being (Annie E. Casey Foundation, 2010)	1st	1st
Safest State (Lowest crime rank, 2009)	1st	1st
Most Livable State (CQ Press, 2010)	1st	1st
Healthiest State (CQ Press, 2010)	5th	2nd
College Educated Population	9th	4th

Source: Dennis Delay at NH Center for Public Policy Studies, New England Economic Partnership.

Major Initiatives

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

The State of New Hampshire has been working for many years to replace our antiquated budgeting, financial and human resource systems that did not meet 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. This second phase was a major undertaking to improve the sustainability, accountability, and efficiency of financial administration, processing controls, and management information.

The ERP project is very complex and has a wide-ranging effect on how state agencies operate, manage their finances, and interact with vendors and citizens of New Hampshire. The system is used to manage and process procurement, payments and revenue collection and is designed to improve efficiency, speed of processing and the state's cash-flow.

The scale and scope of this project has been a significant undertaking given that each agency has a distinct mission/purpose and over the course of 25 years internal processes evolved to help them meet their individual business needs because the former mainframe system did not. In addition, those internal processes were not uniform. A singular migration is more complicated than otherwise would be the case. Despite these challenges, after more than three years of dedicated effort, state staff was trained and the system was made operational at the outset of fiscal year 2010.

The State's books were closed for Fiscal Year 2010 using the ERP's new general ledger and integrated suite of business process applications for the first full fiscal year. As with any complex technical project, there have been unexpected issues, requiring analysis, diagnosis, and correction. The experience of personnel in the state has included these challenges on a very substantial level. It is through the hard work of the implementation team and project participants from dozens of agencies, and the perseverance and cooperation of all system users throughout state government that the State has successfully implemented an effective and enhanced system for accounting for the state's activities. As the processes and procedures continue to be refined, the state will continue to realize additional benefits of this investment.

Managers of the ERP implementation process are now finalizing plans for the third phase, adoption of the Human Resources/Payroll and Asset Management segments of the system. It is planned that these will be implemented January 2013, provided capital funding for this Phase is approved as part of the budget for the next biennium. 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 decision to invest in this ERP project was based on several criteria not the least of which are: (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. For decades, we have relied on experienced staff to manage the platform. As people transitioned to other jobs or retired, it became increasingly difficult to recruit new talent interested in supporting this old system. The technology itself 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 participated in this difficult process. We know that this hard work will reap substantial ongoing benefits to operation of the state and to its citizens.

Economic Stimulus Initiative

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 is responsible for coordinating with State agencies to ensure all conditions of the American Recovery and Reinvestment Act of 2009 (“ARRA”) are met.

In state fiscal year 2010, the State received \$105.6 million in ARRA funding on Medicaid claims paid from July 1, 2009 through June 30, 2010. It is estimated that the State will receive \$ 84.2 million from this ARRA funding in state fiscal year 2011. Average Medicaid reimbursement rates for state fiscal year 2010 are 61.24% and are forecasted to be 59.59% in 2011.

The ARRA provides significant State funding through a provision known as the State Fiscal Stabilization Fund. The State’s allocation totals \$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 Federal Department of Education, the State of New Hampshire utilized \$160,156,434 for primary and secondary education funding in the state fiscal year 2010. The 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 has allocated this flexible portion to fund other State government services of \$34 million in fiscal year 2009 and \$2.5 million over fiscal years 2010 and 2011. The State receives reimbursement from the federal government as expenditures are incurred.

Under the federal Education Jobs Fund Public Law 111-226, New Hampshire has received \$40,988,015, which will be distributed 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, \$20,494,008, will be distributed to LEAs proportionally through the state’s primary elementary and secondary education funding formula as additional aid above the FY 2011 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 a \$44.5 million in economic stimulus funds for critically needed broadband expansion across the state. The \$44.5 million grant will be matched with \$22 million in private cash and in-kind funding. NNHN will expand 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. The State has received additional direct program allocations through ARRA for specific program purposes that are being administered through various State agencies. These amounts cannot be used to offset amounts previously funded with State dollars. 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

Education

Education and ARRA

The American Recovery and Reinvestment Act (ARRA) presented opportunities, benefits and challenges. The Department of Education (Department) distributed more than \$250,000,000 in ARRA funding to school districts. Preparing ARRA grant proposals fostered strong partnerships between the Department, teachers, school administrators, and college professors allowing Virginia Barry, Ph.D., to complete her first year as Commissioner with a list of collaborative strategies for improving education in New Hampshire. The short timeline for grant proposals and new ARRA accountability requirements also taxed our administrative capacity.

To meet one ARRA requirement, the Department collected data about teacher evaluation practices, and found considerable variation in both procedures and the evaluation form. Moving forward, a committee that includes school and teacher union representatives will develop a model teacher evaluation system, based on defined professional standards. Administrators and teachers will be able to use the model to refine local evaluation procedures and strive for excellence in teaching.

To meet another ARRA requirement, lower-performing schools were identified using federal criteria. New Hampshire will receive \$8.6 million in federal funding to “turnaround” seven of these schools based on a comprehensive plan developed by the Department.

Education Strategies

Through legislation, the prohibition on sharing student IDs with USNH and the Community Colleges has been lifted. The Department will be able share data and work collaboratively with higher education to identify factors that contribute to student success in college as well as high school.

At the beginning of the 2009-10 school year, the required age of school attendance was extended from 16 to 18, adding one more strategy to keep students in school until high school graduation. Additional strategies developed over the past four years include: State funding of alternative programs to help students most at risk of dropping out; documentation of the competency requirements for every high school course, easing the way for students to earn credits through testing or extended (off-campus) learning; and individualized high school completion plans for students not succeeding in the traditional setting. In 08-09, 1.7% of students dropped out of high school, down from the annual rate of 4.0% in 2001-02. The Governor has set a goal of 0% dropouts by 2012.

Standards and Accountability

The New Hampshire State Board of Education adopted the Common Core State Standards and has directed the Department to assist local districts in a thoughtful deliberate transition process over the next five years. The Common Core Standards identify the content knowledge, critical thinking ability and skills needed to have success in college and the workplace. In June 2010, as applications were submitted, NH was a member of all three of the national assessment consortia that are finalists in the US Department of Education’s Race to the Top Comprehensive Assessment System competition.

During the 2010 school year, state aid for local schools districts was allocated in the following ways: (1) Adequate Education Grants \$886.4 million; (2) Building Aid \$44.9 million; (3) Catastrophic Aid \$29.9 million; (4) Tuition and Transportation for Career and Technical Programs \$7.4 million; (5) Charter School Tuition \$4.2 million; and (6) Kindergarten Aid \$2.7 million.

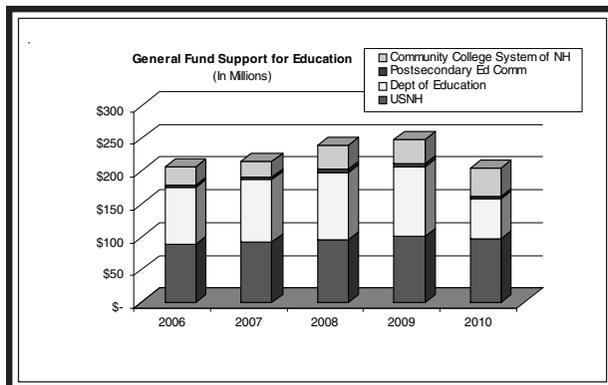
Education - Continued

There are currently 10 charter schools. This year, legislation lifted the State moratorium on approval of new schools by the State Board of Education under the 10-year pilot program. (This pilot ends in 2013.) Beginning next year (FY11), a new 5-year federal grant of \$11,000,000 for start-up costs is expected to expand the number of district-operated charters and independent charters.

With the passage of SB180 in June 2009, the Commissioner was charged with developing an accountability system that ensures that all schools are providing the opportunity for an adequate education. Two task forces, representing a broad range of stakeholder groups, have been working to define and implement the two components defined in the law: an input-based system and a performance-based system. The fully implemented system needs to be in place during the 2011-2012 school year, with the first NH Accountability Report published in October 2012.

Since 2008, the goal of the NH Response to Intervention (RTI) Task Force has been to lead the transformation of instruction in New Hampshire school districts in accordance with the principles and practices of RTI. Response to Intervention is the practice of providing high-quality instruction matched to student need, using learning rate over time and level of performance to make important educational decisions. The Task Force continues to provide professional development to school and district teams in order to share effective instructional practices and help them to ensure that all students' academic and behavioral needs are addressed in a timely manner through effective and targeted supports that enhance students' outcomes. More information can be found at <http://www.education.nh.gov/innovations/rti/index.htm>.

For six years, the Department has participated in the New England Common Assessment Program (NECAP), testing reading and mathematics in grades 3-8 and 11, and writing in grades 5, 8 and 11. The last three years have included science in grades 4, 8 and 11. These assessments are developed and administered jointly with Maine, Rhode Island, and Vermont and are based on common assessment standards. NH student results continue to improve each year. To add depth to our understanding of the validity and rigor of the grade 11 NECAP, NH joined 10 other states in a pilot National Assessment of Educational Progress (NAEP) for grade 12 reading and mathematics. A randomly selected 30% of the students from 60 of the 80 NH high schools participated. In reading, NH results were statistically comparable to six other states and better than the four. In mathematics, NH was comparable to two and outperformed the other six.



Education - Continued

Community College System of New Hampshire (CCSNH)

2010 marked the 12th consecutive year of enrollment growth at New Hampshire's Community Colleges. CCSNH now serves over 27,000 learners every year, in degree and certificate programs, professional training, and through its innovative Running Start and eStart programs. More than 95 percent of CCSNH students are New Hampshire residents, making CCSNH a truly essential element in NH's educational and workforce training landscape.

In 2010, CCSNH made significant strides in its transition to an autonomous and self-governing system of comprehensive community colleges under the oversight of its Board of Trustees. Voting members of the Board of Trustees are appointed by the Governor and Executive Council and represent the following constituencies: business and industry; high school career and technical directors; labor; education; health care; community service; law enforcement; technology; the public; and CCSNH alumni and students. Non-voting members include the NH Governor, the CCSNH Chancellor and Vice Chancellor, the Presidents of the community colleges, and the Commissioners of the NH Department of Resources and Economic Development, the Department of Education, and the Department of Employment Security.



The Board has adopted the following strategic goals to guide its stewardship of the Community College System:



GOAL I: Provide affordable and accessible learning opportunities to New Hampshire residents in all regions of the State.

GOAL II: Offer rigorous accredited programs of career and technical education that prepare New Hampshire residents with skills to thrive in the 21st century.

GOAL III: Prepare students for successful transfer opportunities to four-year colleges and universities.

GOAL IV: Develop mutually supportive partnerships with communities, businesses, the State's public secondary school system, colleges and universities, and professional associations.

GOAL V: Develop in students a sense of service, ethical behavior, and the capacity for responsible citizenship.

GOAL VI: Implement a statewide, collaborative workforce development system to serve workers in the New Hampshire workforce.



CCSNH looks forward to continuing to provide opportunities to NH residents and to support a healthy and vibrant economy.

State Self - Insurance Program

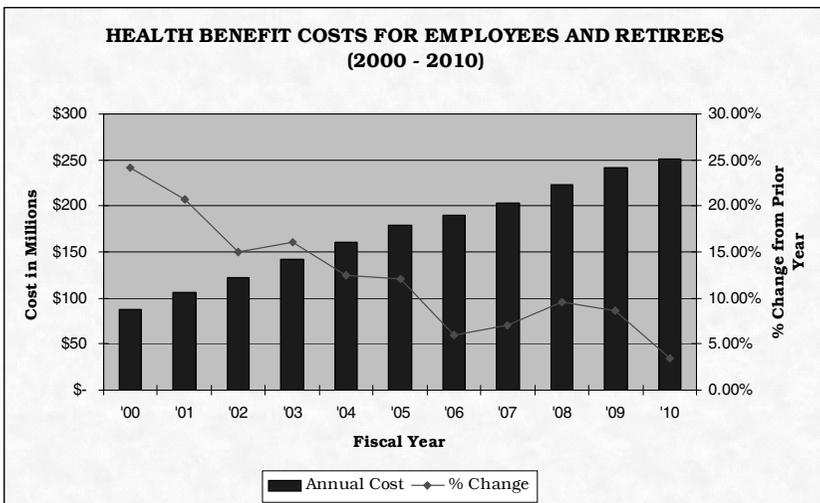
Employee Benefit Risk Management Fund

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 “working rate”, which is paid into this fund on a bi-weekly basis and efficiently controlled through the state’s payroll system. The working rate is intended to cover the costs of anticipated claims, administrative fees and reserve requirements. Claims payments by the third party administrator to the healthcare providers are reimbursed by the state out of this fund weekly.

Now in its sixth full year of self-funding, the state has achieved considerable cost savings. The average annual percent change in health costs has decreased from 17% for fiscal 2000-2003 to 8.5% for fiscal 2004-2010. The decrease in annual percent change during fiscal 2010 was due to more favorable claims experience along with savings from prescription benefit changes which were implemented during the year. During fiscal 2010, \$9.0 million of accumulated fund surplus was credited to the agencies as a rate holiday, resulting in \$3.7 million being returned to the General Fund.

The state continues to analyze the activity in this fund, and contracts with a consulting firm to assist and provide actuarial, claims audit and general consulting services in order to evaluate the ongoing performance of this fund and to determine the best way to control health benefit costs through this arrangement.



Public Works

During fiscal year 2010, the New Hampshire Department of Transportation (DOT) continued to improve and upgrade the state's transportation system, making travel safer and more accessible for NH tourists and its residents.

FY 2010 Initiatives

Increase customer satisfaction which included:

- Rapid Bridge Construction Reduces Inconveniences to Motorists and Businesses.
- Quick Responses to Weather and Natural Emergencies.
- The Growth of Electronic Tolling - The Appeal of E-Z Pass.

Increase Mobility which included:

- The First "Open Road Tolling" Facility in New England Opens in I-95 in Hampton.
- Retiming Traffic Signals to Improve Traffic Flow and Save Energy.
- Bus Ridership Grows Along Major Highway Corridors.
- Transportation Management Center Providing Timely Traveler Advisories.

Improve System Safety and Security such as:

- Addressing the Safety Threat of Bridge Scour.
- Rumble Strips and Improved Intersection Safety.
- Cost-Effectively Managing Road Sign Retro-reflectively.
- Reducing Bird Strike Risk at Portsmouth International Airport at Pease.

Protect and Enhance the Environment such as:

- Environmental Audits Set New Standards and Raise Awareness.
- The Green Benefits of Warm Mix Asphalt.
- From Roofs to Roads - Using recycled Asphalt Shingles (RAS) in Hot Mix Asphalt.
- Increasing the Use of Recycled Pavement.
- New Database to Track Hazardous Waste.
- Addressing the Threat of Invasive Plants.
- Stormwater Outreach Team Takes Educational Message to Communities.
- Improving the Fuel Management System.

Interstate work completed includes:

- I-95 Construction of NH's first Open Road Tolling project at the Hampton Mainline Toll Plaza,
- I-93 Interstate reconstruction:
 - Partial completion of Exit 1 in Salem,
 - Partial completion of Exit 5 in Londonderry,
- I-93 pavement and bridge rehabilitation:
 - Tilton-Sanbornton Exit 20 to Exit 22,
 - New Hampton-Ashland Exit 23 to Exit 24,
- I-89 pavement and bridge rehabilitation:
 - From Exit 5 in Hopkinton to Exit 15 in Grantham,
 - Approximately 40 miles of pavement work on both barrels, and
- Completed a multi-year resurfacing effort along 16 miles of NH Route 101 from Epping to Hampton.

Roadway work completed includes:

- Completed the construction of 6 miles of I-93 median concrete safety barrier from Hooksett to Bow,
- Reconstruction and minor widening of the NH 28/102 intersection in Derry,
- Reconstruction, widening and signalization of NH Route 128 intersection with Stonehenge Road in Londonderry,
- Emergency road repairs to NH Route 16 in Dummer,
- Resurfacing on NH Route 11 and reconstruction of the NH Route 11/114 intersection in New London,
- Reconstruction and widening of the NH Route 11 and US Route 4 intersection in Andover,

Public Works - Continued

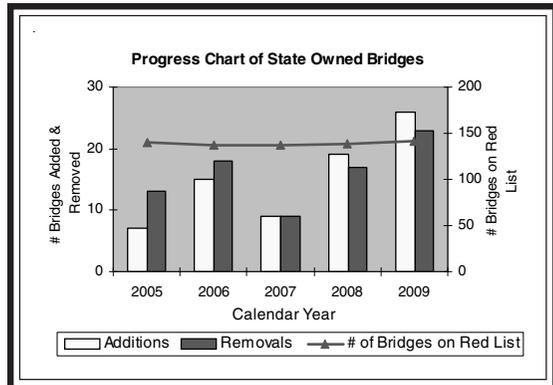
Roadway work completed continued:

- Reconstruction of US Route 2 in Randolph,
- Reconstruction of US Route 3 in Whitefield, and
- Statewide Turnpike and Districts pavement resurfacing:
 - Approximately \$30 M on State system, and
 - Approximately \$10 M on the Turnpike system.

Bridge construction work completed includes:

- Completion of three major bridges as part of the MAAR project:
 - 400' long bridge over Little Cohas Brook,
 - New FEET bridge south of the Bedford Toll Plaza,
 - 1200' long bridge over the Merrimack River,
- Replacement of the Island Pond Road bridge(s) over I-93 NB and SB in Manchester,
- Replacement of the NH Route 28 bridge over Merrymeeting River in Alton,
- Replacement of the NH Route 107 bridge over Griffin Brook in Epsom,
- Deck replacement of the NH Route 1A bridge over Hampton River in Hampton,
- Rehabilitation of the US Route 302 bridge over the Ammonoosuk River in Lisbon, and
- The Construction of a new temporary bridge on US Route 4 over the Connecticut River in Lebanon.

The Department's Red List reports bridges with known deficiencies. The calendar year Red List reported 142 state-owned bridges on the list, with 26 added while 23 were removed during the year.



Highway Maintenance

Our Highway Maintenance Patrol crews, amid the normal winter snow and ice removal on over 8,700 lane miles of State roadways, also performed spring cleanup, assisted in statewide resurfacing projects, and resumed mowing of our roadsides during the summer of 2010. While winter maintenance typically accounts for approximately one third of the bureau's yearly expenditure, the less severe 2009-2010 winter allowed Highway Maintenance to focus on outfitting Highway Maintenance plows with the JOMA 6000 flexible plow blades. This two-year transition was initiated with a pilot program in District 6 where flexible plow blades were used alongside the normal rigid carbides for comparison. The JOMA 6000 blades clearly outperformed the rigid carbide blades in scraping ability and longevity. This transition will allow the State of New Hampshire to reap the financial benefits of reduced salt and sand consumption, longer wearing blades, improved highway safety due to cleaner roads, decreased damage to roads and road markings, increased worker safety due to lightweight, easy installation at a less frequent rate, and reduced operator and vehicle fatigue from less vibration.

Highway Maintenance Patrol Crews again responded to Emergency Operations throughout the state that included stabilizing a March 25, 2010 rockslide on NH 10 in Orford with the blasting and removal of nearly 4000 cubic yards of ledge along a 400 foot long ledge face re-opening the road within two days and completing the project in two weeks. After severe thunderstorms in Harrisville, hundreds of toppled trees closed down Nelson and Breed Roads, District 4 Patrol Crews reopened the State roads within two days. In Districts 5 & 6, Patrol Crews responded to the wind storm and floods of February and March 2010 that resulted in multiple sections of state roadways being closed due to washouts, downed power lines and fallen trees.

Health & Human Services

Program Summary

In 1995, the NH Legislature and the Governor created a central umbrella agency, the Department of Health and Human Services (DHHS), 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 150,000 individuals.

The Medicaid program with a total annual cost of \$1.5 billion is DHHS' largest program, consuming approximately 77% of the DHHS budget and is funded by both State 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 2010, the Medicaid program served 119,121 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, 2010 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.

*C*lose to 35% of total state spending is for Health & Human Service Programs. Expenditures for Health & Human Services totaled \$2.2 billion in FY10, an increase of \$182.4 million (9.2%) from last year.

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 ARRA, 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 150,331 in June 2010 representing an increase of 28% (32,867 individuals).

Health & Human Services

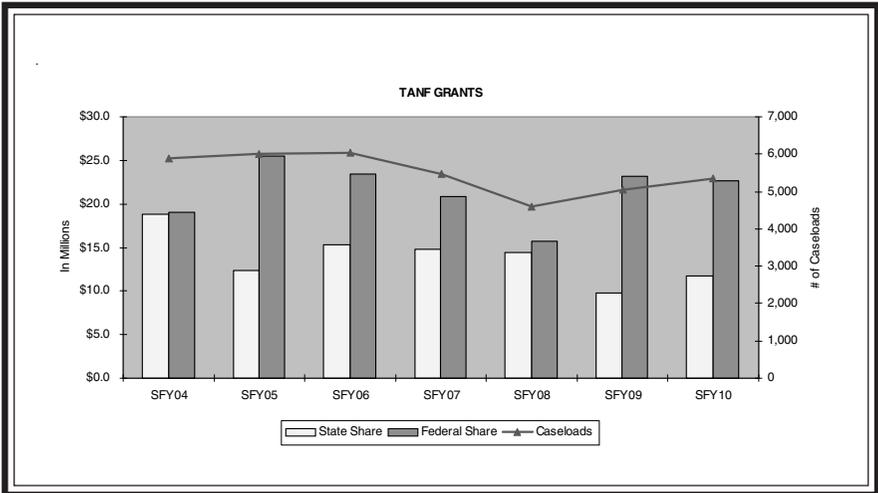
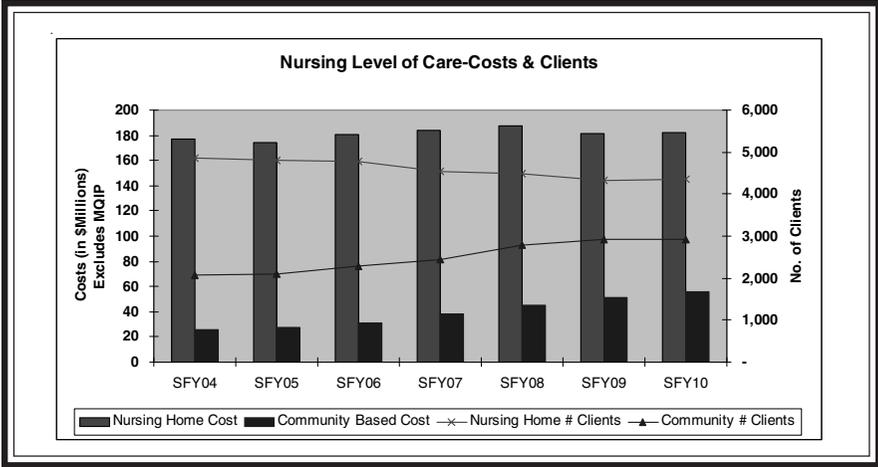
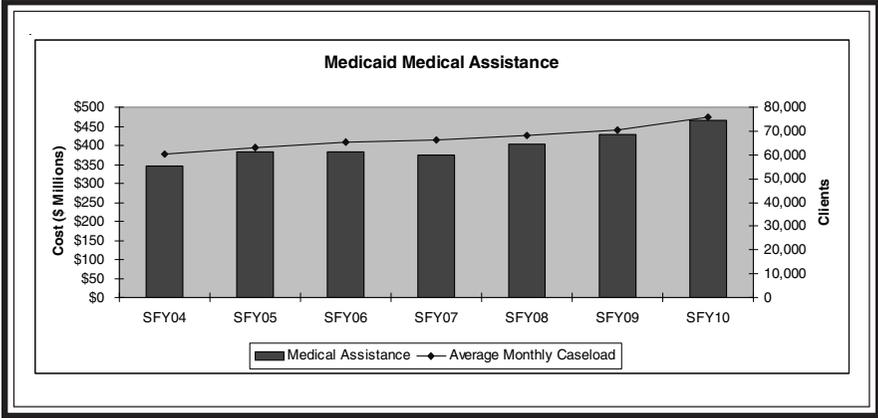
When the current biennium began on July 1, 2009, the Department faced significant challenges in funding needs with available appropriations and initiated cost reduction initiatives to address funding challenges in federal entitlement programs. Total general funds needed to deliver the required budget reductions and fund the estimated shortfalls in entitlement programs was consistently projected at +/- \$40 million per year for SFY10 and SFY11. These financial issues were resolved in three cost reduction initiatives implemented by the Department. In addition to funding the shortfalls noted above, the Department identified cost reductions to address a portion of the statewide budget issues.

Appropriations for SFY10 anticipated reorganization and downsizing of the Department's organization by 10% to 12%. In January 2008, 196 positions were vacant for a vacancy rate of 5.9%. At June 30, 2010, there were 482 for a vacancy rate of 14.4%. This is a result of a Vacancy Management Plan implemented by the Department and the statewide layoff of October 2009. In SFY00, 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 SFY11 budget is \$2.1 billion and filled positions are 2,862 for a staffing ratio of 1.3. The total budget has increased at a rate of 5.3% per year; Medicaid caseloads, which are an indicator of total demand for services has grown by nearly 11% over the same period. Number of filled positions over the same period has grown at less than one-half of one percent.

DHHS continually seeks cost containment efforts to improve administrative and program efficiencies in order to fund the increasing demand for services. Past efforts have included: consolidation of non-integrated service delivery systems, consolidation of developmental services area agencies, reductions in administrative costs across all service contracts, disease management, unified case management for dual diagnoses clients, and internal reorganization to streamline processes and maximize resources. Looking for ways to provide care in the community rather than high cost institutional placements continues to be a priority. Changes in service delivery for low-income elderly has reduced the number of Medicaid supported nursing home beds from 5,114 in 2000 to 4,287 in June, 2010, while the number of elderly supported in the community has increased from 1,318 to 2,898 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%. These efforts took on increased importance in SFY10 as the Department reduced staffing levels and continues to seek savings through transformation of the way it contracts for services and manages the eligibility process. The significant focus for SFY11 and beyond will be to work with community stakeholders to identify strengths, weaknesses, opportunities, and threats to safety net and client improvement programs in the various regions of the State for the three broad service categories: health and medical services, long term care services, and social services, keeping in mind the DHHS mission to join communities and families in providing opportunities for citizens to achieve health and independence.

In the long term, implementation of new technologies and changes in delivery systems must provide improvements in efficiency and effectiveness and a clear definition of what constitutes a New Hampshire health and human service safety net.

Health & Human Services - Continued



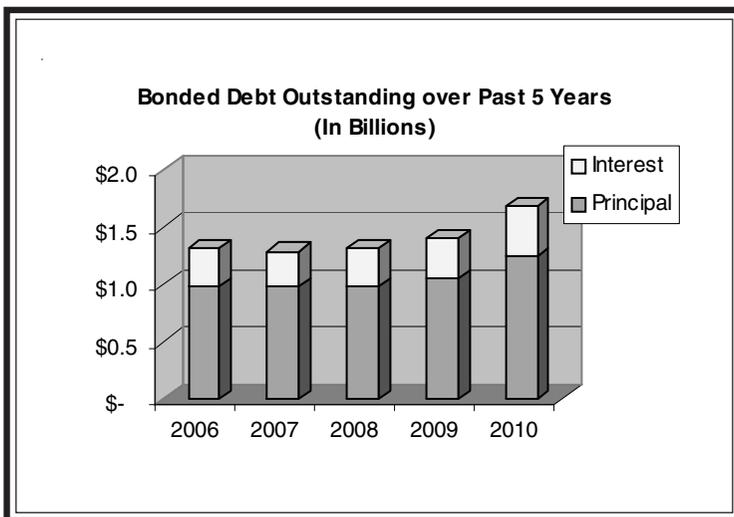
Debt Administration

The state may issue general obligation bonds, revenue bonds, and notes in anticipation of such bonds authorized by the Legislature and Governor and Council. The state may also directly guarantee certain authority or political subdivision obligations. At the end of the current fiscal year, the state had total bonded debt outstanding of \$1,238.2 million. Of this amount, \$860.0 million are general obligation bonds, which are backed by the full faith and credit of the state. The remainder of the state's bonded debt is Turnpike revenue bonds, which are secured by the specified revenue sources within the Turnpike System.

On August 17, 2009 the State issued a \$1.9 million general obligation capital improvement bond. The bond was sold through a private placement with the New Hampshire Municipal Bond Bank (NHMBB) to be used as an investment in its debt service reserve fund. The bond pays a 5% coupon and matures on August 15, 2029.

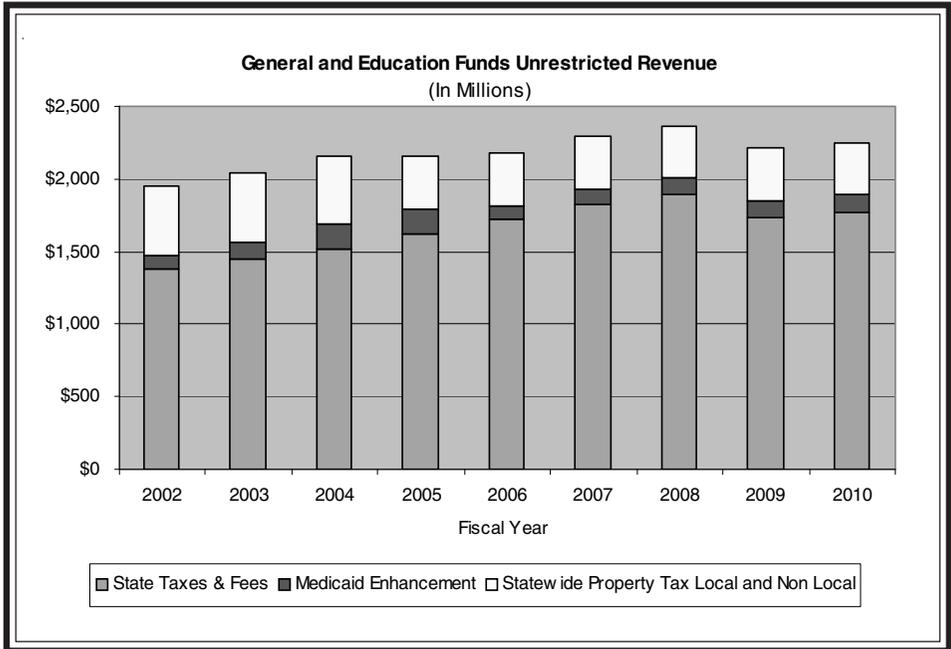
On August 24, 2009 the State issued \$50.0 million in bond anticipation notes through its Commercial Paper Program. These short term notes sold with interest rates from .30% to .40% were used to fund ongoing capital improvement projects in advance of the December 15, 2009 long-term bond issue. These notes matured and were paid off on January 20, 2010.

On November 18, 2009, the Turnpike System issued \$67.2 million in tax-exempt refunding bonds that refunded bonds issued in 1999. This refunding resulted in net present value savings of \$8.2 million or 11.74%. Debt service on the prior refunded bonds totaled \$111.1 million and debt service on the new refunding bonds totals \$87.5 million. In addition, on November 18, 2009, the Turnpike System issued \$150 million in federally taxable Build America Bonds ("BABS") which provide federal subsidy payments of 35% of the interest due, paid to the Turnpike System through the State in the form of a direct payment to be received as interest payments are made by the State.



Unrestricted Revenue

Revenue Category	FY 2008	FY 2009			FY 2010			FY 2010
		General	Education	Total	General	Education	Total	Combined Plan
Business Profits Tax.....	\$ 385.4	\$ 251.9	\$ 53.9	\$ 305.8	\$ 258.6	\$ 57.6	\$ 316.2	\$ 313.1
Business Enterprise Tax.....	232.7	61.9	123.4	185.3	71.7	122.2	193.9	189.7
Subtotal.....	618.1	313.8	177.3	491.1	330.3	179.8	510.1	502.8
Meals & Rentals Tax.....	214.3	203.6	6.1	209.7	228.3	4.2	232.5	251.1
Tobacco Tax.....	166.4	59.3	128.8	188.1	130.5	113.0	243.5	217.2
Liquor Sales and Distribution.....	133.1	146.0		146.0	120.7		120.7	117.3
Interest & Dividends Tax.....	118.7	97.1		97.1	84.9		84.9	117.0
Insurance Tax.....	95.9	94.2		94.2	86.8		86.8	85.8
Communications Tax.....	80.9	80.3		80.3	81.0		81.0	82.0
Real Estate Transfer Tax.....	116.3	53.5	27.7	81.2	56.0	28.8	84.8	84.7
Transfers from Lottery Commission.....	75.5	-	68.1	68.1		66.2	66.2	74.7
Transfers from Pari-Mutuel Commission.....	1.5		1.5	1.5		1.4	1.4	1.3
Tobacco Settlement.....	48.4	12.8	40.0	52.8	4.2	40.0	44.2	49.4
Utility Property Tax.....	24.2		29.0	29.0		29.9	29.9	28.0
Property Tax Retained Locally.....	363.1		363.7	363.7		363.2	363.2	363.0
Other.....	197.1	178.2		178.2	157.5		157.5	163.2
Subtotal.....	2,253.5	1,238.8	842.2	2,081.0	1,280.2	826.5	2,106.7	2,137.5
Net Medicaid Enhancement	-							
Revenues.....	93.1	99.6		99.6	98.1		98.1	99.3
Recoveries.....	20.1	21.8		21.8	19.9		19.9	22.3
Subtotal.....	2,366.7	1,360.2	842.2	2,202.4	1,398.2	826.5	2,224.7	2,259.1
Executive Orders and Special Session Revenues		15.1	0	15.1	28.1		28.1	
Total.....	\$ 2,366.7	\$ 1,375.3	\$ 842.2	\$ 2,217.5	\$ 1,426.3	\$ 826.5	\$ 2,252.8	\$ 2,259.1



Financial Highlights

Unrestricted Revenue

Fiscal 2010 unrestricted revenue for the General and Education Funds totaled \$2,252.8 million which included \$28.1 million of revenue related to legislative actions discussed previously. Excluding the Special Session revenue, fiscal 2010 was short of plan by \$34.4 million. After excluding \$15.1 million of Executive Order revenues from the prior year, non Special Session and Executive Order revenues exceeded prior year by \$22.3 million. Ongoing economic weakness and the resulting impact on the investment environment and discretionary spending is believed to have contributed to the following effects on revenues:

- Interest & Dividends were below the plan by 27% and below prior year by 13%.
- Meals and Rentals Tax was below the plan by 7%, although above prior year by 11% due to a rate increase of 12.5% effective for all of FY 2010.
- Lottery Commission contributed 11% less than plan for the year and 3% under prior year, also due to increased regional competition, low Powerball jackpots and a fall off in sales of other products.
- Other taxes and revenues, comprising of numerous categories, were \$5.7 million less than plan and \$20.7 million less than prior year, primarily in miscellaneous taxes and fees.

These impacts of the economic environment were mitigated in part by the strong performance from the Tobacco Tax which was 12% above plan and 30% above prior year due to the tax rate increase of 34%, which was effective for all of FY 2010. Also, the Real Estate Transfer Tax showed signs of stabilization, ending the year slightly above plan and \$3.6 million above prior year.

Financial Highlights - Continued

Surplus

(In Millions of dollars)	FY 2008		FY 2009		FY 2010		
	Total	General	Education	Total	General	Education	Total
Undesignated Fund Balance, July 1	\$ 61.7	\$ 17.2	\$ -	\$ 17.2	\$ -	\$ -	\$ -
Additions:							
Unrestricted Revenue	2,366.7	1,360.2	842.2	2,202.4	1,398.2	826.5	2,224.7
Executive Order & Special Session Revenue		15.1		15.1	28.1		28.1
Total Additions	2,366.7	1,375.3	842.2	2,217.5	1,426.3	826.5	2,252.8
Deductions:							
Appropriations Net of Estimated Revenues	(2,472.9)	(1,509.2)	(897.7)	(2,406.9)	(1,440.4)	(796.8)	(2,237.2)
Less Lapses	61.3	71.2	3.0	74.2	42.3	2.1	44.4
Total Net Appropriations	(2,411.6)	(1,438.0)	(894.7)	(2,332.7)	(1,398.1)	(794.7)	(2,192.8)
GAAP and Other Adjustments	7.2	2.1	(0.4)	1.7	(7.0)	(0.3)	(7.3)
ARRA Stabilization		18.4		18.4			-
Current Year Balance	(37.7)	(42.2)	(52.9)	(95.1)	21.2	31.5	52.7
Fund Balance Transfers (To)/From:							
Rainy Day Fund		79.7		79.7			
Liquor Commission					6.5		6.5
Highway Fund	(6.8)	(1.8)		(1.8)	6.5		6.5
Education Trust Fund		(52.9)	52.9		31.5	(31.5)	
Undesignated Fund Balance, June 30,	\$ 17.2	\$ -	\$ -	\$ (0.0)	\$ 65.7	\$ -	\$ 65.7
Reserved for Rainy Day Account	89.0	9.3		9.3	9.3		9.3
Total Equity	\$ 106.2	\$ 9.3	\$ -	\$ 9.3	\$ 75.0	\$ -	\$ 75.0

Fund Level

Effective with the close of FY 2009, a total of \$79.7 million was drawn from the Rainy Day Account, to eliminate the deficit in undesignated surplus at that time. Accordingly, FY 2010 began with no undesignated surplus. The state's revenues continued to decline from plan throughout the early part of FY 2010, and mid-year revenue estimates from the Ways and Means Committee predicted a \$295 million shortfall over the biennium, of which \$173.4 million was expected for FY 2010. On April 12, 2010, the Joint Legislative Fiscal Committee approved the Governor's Executive Order 2010-2, addressing this shortfall and effecting the Departments of Health and Human Services, Administrative Services, Corrections and Education. On June 9, 2010, the House and Senate approved Special Session House Bill 1 (SSHB1), which combined with Executive Order 2010-2, intended to address the projected shortfall. On June 10, 2010 the bill was signed into law thereby enacting revenue enhancement and spending reductions spanning the remainder of the biennium. The actions expected to affect FY 2010 included General Fund spending reductions, transfers from dedicated fund balances, increases in expected lapses, restructuring of the state debt, a transfer from the University System, transfers of State Fiscal Stabilization Funds (ARRA) from FY 2011 and the sale of assets to the Turnpike System, among others.

The General and Education Trust Funds revenues for fiscal year 2010 before legislative action and executive orders were \$2,224.7 million, which were \$34.4 million below the original enacted budget. After the effect of executive orders and SSHB1 actions, resulting in \$28.1 million of additional revenues, total revenues ended \$6.3 million under plan.

Appropriations under the original enacted budget totaled \$2,485.7. The actions of the executive order and SSHB1 served to reduce appropriations to \$2,237.2. before year end lapses. The amount of lapses anticipated in the original budget were \$23.1 million and effects of legislative actions added another \$18.4 million. Final lapses were \$44.4 million, \$2.9 greater than expectation, thereby resulting in total net appropriations of \$2,192.8 million. Transfers from other funds and the effects of adjustments to conform reporting to Generally Accepted Accounting Principles resulted in General Fund and Education Trust Fund undesignated fund balance of \$65.7 million at the end of FY 2010. A balance also remains in the Rainy Day Account of \$9.3 million. As provided by law, no further change to the Rainy Day account will be made until the end of the current biennium.

Financial Highlights - Continued

Government-Wide Statements

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. Unlike fund reports, the full accrual method of accounting is used for government-wide statements, much like commercial reports. This 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.

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.

Net Assets

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

	Governmental		Business-Type	Total
	Activities	Activities		
Current assets	\$ 1,209.7	\$ 222.3	\$ 1,432.0	
Capital assets	2,487.3	640.0	3,127.3	
Other assets	344.3	7.2	351.5	
Total assets	4,041.3	869.5	4,910.8	
Long-term liabilities	1,382.8	369.7	1,752.5	
Other liabilities	534.6	110.1	644.7	
Total liabilities	1,917.4	479.8	2,397.2	
Net assets:				
Invested in capital assets,				
net of related debt	1,669.2	227.4	1,896.6	
Restricted	348.7	102.9	451.6	
Unrestricted	106.0	59.4	165.4	
Total net assets	\$ 2,123.9	\$ 389.7	\$ 2,513.6	

The state's combined net assets (government and business-type activities) totaled \$2.5 billion at the end of 2010, 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 (75%) 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 decreased \$140.5 million from prior year. This increase was the result of a net increase in capital assets of \$74.7 million during the year combined with an increase in capital related debt of \$215.2 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: An additional portion of the state's net assets (18%) represents resources that are subject to external restrictions on how they may be used. Restricted net assets increased \$9.7 million from prior year due largely to increases in debt payment and environmental loan reserves offset by a reduction in unemployment benefit reserves.

Unrestricted Net Assets: The state's unrestricted net assets, totaling \$165.4 million, increased \$120.9 million from the previous year, due largely to weak performance from business taxes and real estate transfer taxes and the recognition of other postemployment benefit liabilities in accordance with governmental accounting standards. These assets may be used to meet the state's ongoing obligations to citizens and creditors. Internally imposed designations of resources are not presented as restricted net assets. At the end of both the current and prior fiscal years, the state was able to report positive balances in all three categories of net assets, both for the primary government as a whole, as well as for its separate governmental and business-type activities.

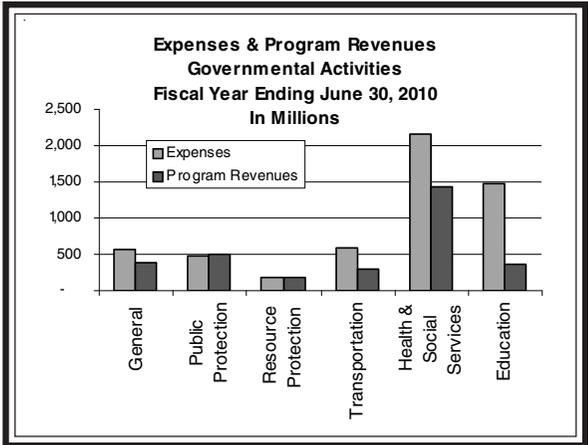
Financial Highlights - Continued

Governmental Activities

Direct expenses from Governmental activities of \$5.5 billion exceeded program revenues of \$3.2 billion, resulting in a shortfall of \$2.3 billion. Program revenues include charges for goods or services and Federal and Local Grants, which directly support program expenses. The shortfall of \$2.3 billion was funded through General Revenues primarily taxes.

Condensed Schedule of Expenses & Program Revenues			
Primary Government-Governmental Activities			
For Fiscal Years Ending June 30, 2010			
(In Millions)			
Functions/Programs	Expense	Program Revenues	Net Revenue/(Expense)
Governmental Activities:			
General government	\$ 568.1	\$ 389.0	\$ (179.1)
Administration of justice and public protection	474.1	509.7	35.6
Resource protection and development	178.4	172.3	(6.1)
Transportation	587.6	295.4	(292.2)
Health and social services	2,162.6	1,439.1	(723.5)
Education	1,469.9	373.2	(1,096.7)
Interest Expense	32.1		(32.1)
Total Governmental Activities	<u>\$ 5,472.8</u>	<u>\$ 3,178.7</u>	<u>\$ (2,294.1)</u>

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 FY 2010 increased compared to FY 2009, by \$26.0 million for DHHS and decreased by \$79.0 million for Education.



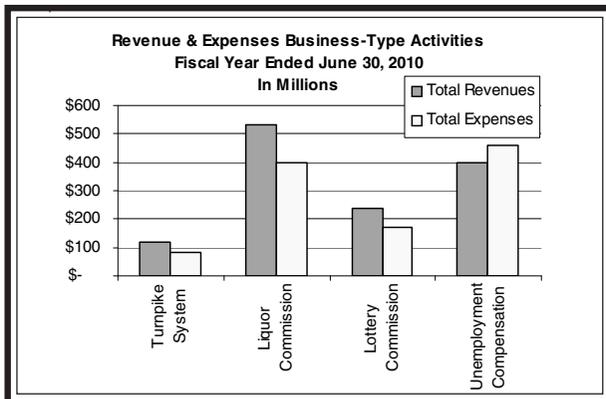
Financial Highlights-Continued

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 program revenue greater than expenses by \$182.1 million.

Condensed Schedule of Expenses & Program Revenues				
Primary Government-Business-Type Activities				
For Fiscal Year Ending June 30, 2010				
(In Millions)				
Functions/Programs	Program		Net	
	Expense	Revenues	Revenue/(Expense)	
Business-type Activities:				
Turnpike System	\$ 82.2	\$ 120.5	\$ 38.3	
Liquor Commission	397.5	530.9	133.4	
Lottery Commission	168.9	237.6	68.7	
Unemployment Compensation	458.1	399.8	(58.3)	
Total Business-type Activities	\$ 1,106.7	\$ 1,288.8	\$ 182.1	

- Operations of the Liquor Commission generated net income before capital asset transfers of \$133.4 million, a 9.7% increase from prior year, all of which was transferred to the General Fund to help fund the general operations of the state.
- A decline in lottery ticket sales during the year contributed to a \$68.7 million net income (a decrease from prior year of 3.5%) from the Lottery Commission which was transferred to the Education Fund.
- Turnpike System’s net income, before capital asset transfers, of \$38.3 million represents an increase of 23.2% over prior year as a result of growth in toll revenues. This net income is retained for maintenance, development, and debt service.
- The operations of Unemployment Compensation, resulted in a decrease in net assets of \$58.3 million as a result of the weakening economy leading to higher unemployment benefit payments this fiscal year. This fund must increase revenues in future periods to recover this deficit.



State Officials



Photo(L-R) Back: Commissioner Hodgdon, Councilor Burton,
Councilor Wieczorek, Councilor Shea
Front: Councilor Hollingworth, Governor Lynch, Councilor Pignatelli.

Selected State Officials as of June 30, 2010:

Governor

John H. Lynch

Executive Council

Raymond S. Burton, District 1
John D. Shea, District 2
Beverly A. Hollingworth, District 3
Raymond J. Wieczorek, District 4
Debora B. Pignatelli, District 5

President of the Senate

Sylvia B. Larsen
24 Senators

Speaker of the House of Representatives

Terie Norelli
400 Representatives

Message From the Governor

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

I am pleased to accept the *Fiscal Year 2010 State of New Hampshire Annual Report to the Citizen's*.

In fiscal year 2010, the lingering effects of the national recession continued to cause significant challenges for New Hampshire families, businesses and state government. But New Hampshire also began to see signs of economic recovery in 2010: we had the second-fastest job growth in the country and our unemployment rate, the fourth lowest in the nation, steadily decreased.

For state government, the lasting impact of the recession was a significant decline in expected revenues. A mid year re-estimate predicted a revenue shortfall that would result in a \$173 million gap between anticipated revenues and budgeted appropriations for fiscal year 2010.

The State of New Hampshire acted quickly and responsibly to address the sharp decline in state revenues, making difficult choices to cut spending across state government to ensure we could meet our core responsibilities, including ensuring public safety, funding education, and protecting the health and well-being of our most vulnerable citizens. Unlike many other states, New Hampshire was able to address its challenges before the end of the fiscal year. We reduced planned general spending by \$52 million, and made other adjustments that would lead us to \$65 million of undesignated surplus at the end of fiscal year 2010.

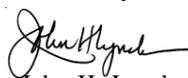
We continued improving government efficiency, accountability and accessibility – efforts that will provide long-term savings to taxpayers. We eliminated programs, boards, and commissions that were no longer central to our mission, we closed buildings and we increased the use of technology, such as putting drivers' license renewals online, to reduce cost and improve services to citizens.

We worked with law enforcement and a bipartisan group of legislators to reform our corrections system with the goal of improving public safety by cutting down on the number of offenders who return to prison. By cutting the recidivism rate, New Hampshire will also realize a cost savings, allowing for reinvestment of those savings in corrections. We have also created greater transparency in budgeting, putting monthly spending reports online for the first time in New Hampshire. This will allow the public to more easily track how state government is spending tax dollars. We continue working to move more state services online, to streamline permitting processes and bring improved technology to state government.

Fiscal year 2010 posed significant challenges for the State of New Hampshire and for families and businesses across the state. In the face of these challenges, New Hampshire remains better positioned than most states. We have the lowest state taxes, fourth-lowest spending per capita, and we were recently recognized as one of the best-managed states. And although more challenges lay ahead, I remain optimistic that New Hampshire will continue to lead the nation in recovery from the national recession.

To the people of our great state, legislators and state employees, I very much appreciate the collective effort and hard work that went into meeting the challenges of 2010 and achieving the results documented in this report.

Sincerely,



John H. Lynch
Governor

Message From the Commissioner

We would like to present our fiscal year 2010 Annual Report to the Citizens, prepared by the Department of Administrative Services. It is our hope that this report provides an overview of the state's core finances and major activities 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 and a surplus statement, as well as 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 the independent auditors' report, can be accessed by viewing our website or by contacting the Department.

Since the enactment of the fiscal year 2010-2011 biennial budget, state revenue collection performed significantly below estimates. To address these revenue shortfalls, on April 12, 2010, the Joint Legislative Fiscal Committee approved the Governor's executive order 2010-2, which reduced appropriations by \$25.2 million from the 2010 general fund budget. On June 10, 2010, the Governor signed into law the House and Senate approved Special Session House Bill 1 (SSHB1) which combined with Executive Order 2010-2 would address the projected \$295 million general fund shortfall over the biennium, of which \$173 million was projected for fiscal 2010. A few of the significant SSHB1 items during fiscal 2010 were \$80 million of fiscal year 2011 State Fiscal Stabilization transferred to fiscal 2010, \$25 million payment from University System of New Hampshire, \$8 million of dedicated funds were transferred to the general fund and \$17 million of additional targeted lapses.

As a result of higher than anticipated year end revenue collections and accruals, primarily business tax receipts, final fiscal 2010 revenues ended the year \$87 million higher than the SSHB1 estimates, and \$6.3 million below plan. This combined with executive order and special session initiatives resulted in a combined General and Education Trust Fund surplus of \$65.7 million at June 30, 2010. The balance in the Rainy Day account remained unchanged for fiscal 2010 with a balance of \$9.3 million.

As we move forward into fiscal 2011, the state will be monitoring revenue collections closely. The state will continue to manage spending and institute budget reductions and program savings initiatives where needed.



Linda M. Hodgdon, Commissioner

Economic Highlights of the Granite State

The following discussion incorporates comments from the New Hampshire Economic Outlook of New England Economic Partnership, November 17, 2010.

In the Fall of 2010, economists began reporting that the worst of the economic downturn was behind us. The economy is in recovery, although the recovery's strength and sustainability remain in question. After the recessionary period of December 2007 to June 2009, New Hampshire finds itself well positioned in having recovered half of the jobs lost in the downturn. The Granite State lost 4.5% of its jobs at the lowest point of the recession, and as of September 2010, the New Hampshire jobs base was 2% below the previous peak of December 2007.

The New Hampshire job recovery is surprisingly broad based. Private employment increased by 15,400 jobs between September 2009 and September 2010. Manufacturing, construction, trade, business services, education, health and leisure all showed gains. The financial activities sector was the only weak sector, losing 700 jobs in the time period.

If the current rate of growth is sustained, New Hampshire will have regained all of the jobs lost by the first quarter of 2012, and be back on the long term growth trend line by the first quarter of 2013.

There are many reasons for the resilience of the New Hampshire economy, some are found in the table on the left. New Hampshire is a moderate cost state in a high cost region, with a low tax burden, high standard of living, healthy population, is considered a very safe state, and presents a high level of educational attainment.

These New Hampshire advantages will benefit the state as it exits the recessionary period. The state remains in a stronger position than the rest of the region.

<i>New Hampshire's Economic Scoreboard for 2010</i>		
<i>Categories</i>	<i>NH's National Rank</i>	<i>NH's Rank in New England</i>
Favorable Tax Climate	1st	1st
Standard of Living (by inverse of poverty rate 2009)	1st	1st
Child and Family Well-Being (Annie E. Casey Foundation, 2010)	1st	1st
Safest State (Lowest crime rank, 2009)	1st	1st
Most Livable State (CQ Press, 2010)	1st	1st
Healthiest State (CQ Press, 2010)	5th	2nd
College Educated Population	9th	4th

Source: Dennis Delay at NH Center for Public Policy Studies, New England Economic Partnership.

Major Initiatives

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

The State of New Hampshire has been working for many years to replace our antiquated budgeting, financial and human resource systems that did not meet 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. This second phase was a major undertaking to improve the sustainability, accountability, and efficiency of financial administration, processing controls, and management information.

The ERP project is very complex and has a wide-ranging effect on how state agencies operate, manage their finances, and interact with vendors and citizens of New Hampshire. The system is used to manage and process procurement, payments and revenue collection and is designed to improve efficiency, speed of processing and the state's cash-flow.

The scale and scope of this project has been a significant undertaking given that each agency has a distinct mission/purpose and over the course of 25 years internal processes evolved to help them meet their individual business needs because the former mainframe system did not. In addition, those internal processes were not uniform. A singular migration is more complicated than otherwise would be the case. Despite these challenges, after more than three years of dedicated effort, state staff was trained and the system was made operational at the outset of fiscal year 2010.

The State's books were closed for Fiscal Year 2010 using the ERP's new general ledger and integrated suite of business process applications for the first full fiscal year. As with any complex technical project, there have been unexpected issues, requiring analysis, diagnosis, and correction. The experience of personnel in the state has included these challenges on a very substantial level. It is through the hard work of the implementation team and project participants from dozens of agencies, and the perseverance and cooperation of all system users throughout state government that the State has successfully implemented an effective and enhanced system for accounting for the state's activities. As the processes and procedures continue to be refined, the state will continue to realize additional benefits of this investment.

Managers of the ERP implementation process are now finalizing plans for the third phase, adoption of the Human Resources/Payroll and Asset Management segments of the system. It is planned that these will be implemented January 2013, provided capital funding for this Phase is approved as part of the budget for the next biennium. 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 decision to invest in this ERP project was based on several criteria not the least of which are: (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. For decades, we have relied on experienced staff to manage the platform. As people transitioned to other jobs or retired, it became increasingly difficult to recruit new talent interested in supporting this old system. The technology itself 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 participated in this difficult process. We know that this hard work will reap substantial ongoing benefits to operation of the state and to its citizens.

Economic Stimulus Initiative

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 is responsible for coordinating with State agencies to ensure all conditions of the American Recovery and Reinvestment Act of 2009 ("ARRA") are met.

In state fiscal year 2010, the State received \$105.6 million in ARRA funding on Medicaid claims paid from July 1, 2009 through June 30, 2010. It is estimated that the State will receive \$ 84.2 million from this ARRA funding in state fiscal year 2011. Average Medicaid reimbursement rates for state fiscal year 2010 are 61.24% and are forecasted to be 59.59% in 2011.

The ARRA provides significant State funding through a provision known as the State Fiscal Stabilization Fund. The State's allocation totals \$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 Federal Department of Education, the State of New Hampshire utilized \$160,156,434 for primary and secondary education funding in the state fiscal year 2010. The 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 has allocated this flexible portion to fund other State government services of \$34 million in fiscal year 2009 and \$2.5 million over fiscal years 2010 and 2011. The State receives reimbursement from the federal government as expenditures are incurred.

Under the federal Education Jobs Fund Public Law 111-226, New Hampshire has received \$40,988,015, which will be distributed 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, \$20,494,008, will be distributed to LEAs proportionally through the state's primary elementary and secondary education funding formula as additional aid above the FY 2011 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 a \$44.5 million in economic stimulus funds for critically needed broadband expansion across the state. The \$44.5 million grant will be matched with \$22 million in private cash and in-kind funding. NNHN will expand 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. The State has received additional direct program allocations through ARRA for specific program purposes that are being administered through various State agencies. These amounts cannot be used to offset amounts previously funded with State dollars. 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

Education

Education and ARRA

The American Recovery and Reinvestment Act (ARRA) presented opportunities, benefits and challenges. The Department of Education (Department) distributed more than \$250,000,000 in ARRA funding to school districts. Preparing ARRA grant proposals fostered strong partnerships between the Department, teachers, school administrators, and college professors allowing Virginia Barry, Ph.D., to complete her first year as Commissioner with a list of collaborative strategies for improving education in New Hampshire. The short timeline for grant proposals and new ARRA accountability requirements also taxed our administrative capacity.

To meet one ARRA requirement, the Department collected data about teacher evaluation practices, and found considerable variation in both procedures and the evaluation form. Moving forward, a committee that includes school and teacher union representatives will develop a model teacher evaluation system, based on defined professional standards. Administrators and teachers will be able to use the model to refine local evaluation procedures and strive for excellence in teaching.

To meet another ARRA requirement, lower-performing schools were identified using federal criteria. New Hampshire will receive \$8.6 million in federal funding to “turnaround” seven of these schools based on a comprehensive plan developed by the Department.

Education Strategies

Through legislation, the prohibition on sharing student IDs with USNH and the Community Colleges has been lifted. The Department will be able share data and work collaboratively with higher education to identify factors that contribute to student success in college as well as high school.

At the beginning of the 2009-10 school year, the required age of school attendance was extended from 16 to 18, adding one more strategy to keep students in school until high school graduation. Additional strategies developed over the past four years include: State funding of alternative programs to help students most at risk of dropping out; documentation of the competency requirements for every high school course, easing the way for students to earn credits through testing or extended (off-campus) learning; and individualized high school completion plans for students not succeeding in the traditional setting. In 08-09, 1.7% of students dropped out of high school, down from the annual rate of 4.0% in 2001-02. The Governor has set a goal of 0% dropouts by 2012.

Standards and Accountability

The New Hampshire State Board of Education adopted the Common Core State Standards and has directed the Department to assist local districts in a thoughtful deliberate transition process over the next five years. The Common Core Standards identify the content knowledge, critical thinking ability and skills needed to have success in college and the workplace. In June 2010, as applications were submitted, NH was a member of all three of the national assessment consortia that are finalists in the US Department of Education’s Race to the Top Comprehensive Assessment System competition.

During the 2010 school year, state aid for local schools districts was allocated in the following ways: (1) Adequate Education Grants \$886.4 million; (2) Building Aid \$44.9 million; (3) Catastrophic Aid \$29.9 million; (4) Tuition and Transportation for Career and Technical Programs \$7.4 million; (5) Charter School Tuition \$4.2 million; and (6) Kindergarten Aid \$2.7 million.

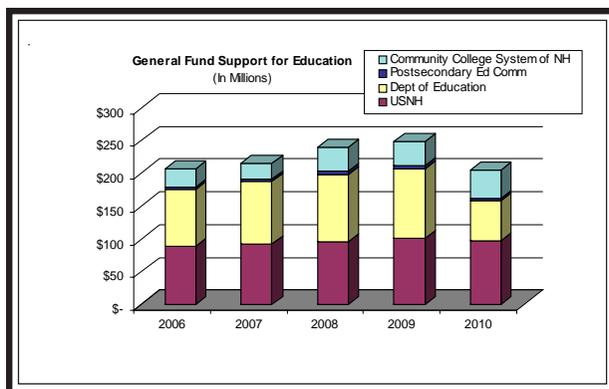
Education - Continued

There are currently 10 charter schools. This year, legislation lifted the State moratorium on approval of new schools by the State Board of Education under the 10-year pilot program. (This pilot ends in 2013.) Beginning next year (FY11), a new 5-year federal grant of \$11,000,000 for start-up costs is expected to expand the number of district-operated charters and independent charters.

With the passage of SB180 in June 2009, the Commissioner was charged with developing an accountability system that ensures that all schools are providing the opportunity for an adequate education. Two task forces, representing a broad range of stakeholder groups, have been working to define and implement the two components defined in the law: an input-based system and a performance-based system. The fully implemented system needs to be in place during the 2011-2012 school year, with the first NH Accountability Report published in October 2012.

Since 2008, the goal of the NH Response to Intervention (RTI) Task Force has been to lead the transformation of instruction in New Hampshire school districts in accordance with the principles and practices of RTI. Response to Intervention is the practice of providing high-quality instruction matched to student need, using learning rate over time and level of performance to make important educational decisions. The Task Force continues to provide professional development to school and district teams in order to share effective instructional practices and help them to ensure that all students' academic and behavioral needs are addressed in a timely manner through effective and targeted supports that enhance students' outcomes. More information can be found at <http://www.education.nh.gov/innovations/rti/index.htm>.

For six years, the Department has participated in the New England Common Assessment Program (NECAP), testing reading and mathematics in grades 3-8 and 11, and writing in grades 5, 8 and 11. The last three years have included science in grades 4, 8 and 11. These assessments are developed and administered jointly with Maine, Rhode Island, and Vermont and are based on common assessment standards. NH student results continue to improve each year. To add depth to our understanding of the validity and rigor of the grade 11 NECAP, NH joined 10 other states in a pilot National Assessment of Educational Progress (NAEP) for grade 12 reading and mathematics. A randomly selected 30% of the students from 60 of the 80 NH high schools participated. In reading, NH results were statistically comparable to six other states and better than the four. In mathematics, NH was comparable to two and outperformed the other six.



Education - Continued

Community College System of New Hampshire (CCSNH)

2010 marked the 12th consecutive year of enrollment growth at New Hampshire's Community Colleges. CCSNH now serves over 27,000 learners every year, in degree and certificate programs, professional training, and through its innovative Running Start and eStart programs. More than 95 percent of CCSNH students are New Hampshire residents, making CCSNH a truly essential element in NH's educational and workforce training landscape.

In 2010, CCSNH made significant strides in its transition to an autonomous and self-governing system of comprehensive community colleges under the oversight of its Board of Trustees. Voting members of the Board of Trustees are appointed by the Governor and Executive Council and represent the following constituencies: business and industry; high school career and technical directors; labor; education; health care; community service; law enforcement; technology; the public; and CCSNH alumni and students. Non-voting members include the NH Governor, the CCSNH Chancellor and Vice Chancellor, the Presidents of the community colleges, and the Commissioners of the NH Department of Resources and Economic Development, the Department of Education, and the Department of Employment Security.



The Board has adopted the following strategic goals to guide its stewardship of the Community College System:



GOAL I: Provide affordable and accessible learning opportunities to New Hampshire residents in all regions of the State.

GOAL II: Offer rigorous accredited programs of career and technical education that prepare New Hampshire residents with skills to thrive in the 21st century.

GOAL III: Prepare students for successful transfer opportunities to four-year colleges and universities.

GOAL IV: Develop mutually supportive partnerships with communities, businesses, the State's public secondary school system, colleges and universities, and professional associations.

GOAL V: Develop in students a sense of service, ethical behavior, and the capacity for responsible citizenship.

GOAL VI: Implement a statewide, collaborative workforce development system to serve workers in the New Hampshire workforce.



CCSNH looks forward to continuing to provide opportunities to NH residents and to support a healthy and vibrant economy.

State Self - Insurance Program

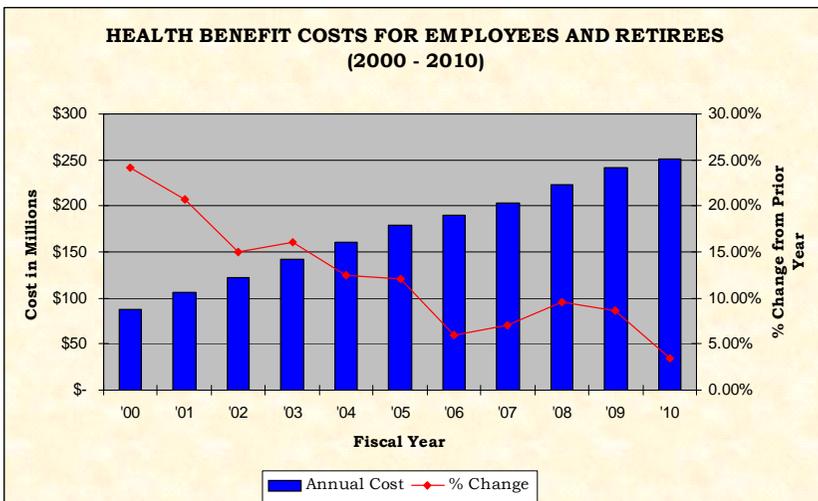
Employee Benefit Risk Management Fund

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 “working rate”, which is paid into this fund on a bi-weekly basis and efficiently controlled through the state’s payroll system. The working rate is intended to cover the costs of anticipated claims, administrative fees and reserve requirements. Claims payments by the third party administrator to the healthcare providers are reimbursed by the state out of this fund weekly.

Now in its sixth full year of self-funding, the state has achieved considerable cost savings. The average annual percent change in health costs has decreased from 17% for fiscal 2000-2003 to 8.5% for fiscal 2004-2010. The decrease in annual percent change during fiscal 2010 was due to more favorable claims experience along with savings from prescription benefit changes which were implemented during the year. During fiscal 2010, \$9.0 million of accumulated fund surplus was credited to the agencies as a rate holiday, resulting in \$3.7 million being returned to the General Fund.

The state continues to analyze the activity in this fund, and contracts with a consulting firm to assist and provide actuarial, claims audit and general consulting services in order to evaluate the ongoing performance of this fund and to determine the best way to control health benefit costs through this arrangement.



Public Works

During fiscal year 2010, the New Hampshire Department of Transportation (DOT) continued to improve and upgrade the state's transportation system, making travel safer and more accessible for NH tourists and its residents.

FY 2010 Initiatives

Increase customer satisfaction which included:

- Rapid Bridge Construction Reduces Inconveniences to Motorists and Businesses.
- Quick Responses to Weather and Natural Emergencies.
- The Growth of Electronic Tolling - The Appeal of E-Z Pass.

Increase Mobility which included:

- The First "Open Road Tolling" Facility in New England Opens in I-95 in Hampton.
- Retiming Traffic Signals to Improve Traffic Flow and Save Energy.
- Bus Ridership Grows Along Major Highway Corridors.
- Transportation Management Center Providing Timely Traveler Advisories.

Improve System Safety and Security such as:

- Addressing the Safety Threat of Bridge Scour.
- Rumble Strips and Improved Intersection Safety.
- Cost-Effectively Managing Road Sign Retro-reflectively.
- Reducing Bird Strike Risk at Portsmouth International Airport at Pease.

Protect and Enhance the Environment such as:

- Environmental Audits Set New Standards and Raise Awareness.
- The Green Benefits of Warm Mix Asphalt.
- From Roofs to Roads - Using recycled Asphalt Shingles (RAS) in Hot Mix Asphalt.
- Increasing the Use of Recycled Pavement.
- New Database to Track Hazardous Waste.
- Addressing the Threat of Invasive Plants.
- Stormwater Outreach Team Takes Educational Message to Communities.
- Improving the Fuel Management System.

Interstate work completed includes:

- I-95 Construction of NH's first Open Road Tolling project at the Hampton Mainline Toll Plaza,
- I-93 Interstate reconstruction:
 - Partial completion of Exit 1 in Salem,
 - Partial completion of Exit 5 in Londonderry,
- I-93 pavement and bridge rehabilitation:
 - Tilton-Sanbornton Exit 20 to Exit 22,
 - New Hampton-Ashland Exit 23 to Exit 24,
- I-89 pavement and bridge rehabilitation:
 - From Exit 5 in Hopkinton to Exit 15 in Grantham,
 - Approximately 40 miles of pavement work on both barrels, and
- Completed a multi-year resurfacing effort along 16 miles of NH Route 101 from Epping to Hampton.

Roadway work completed includes:

- Completed the construction of 6 miles of I-93 median concrete safety barrier from Hooksett to Bow,
- Reconstruction and minor widening of the NH 28/102 intersection in Derry,
- Reconstruction, widening and signalization of NH Route 128 intersection with Stonehenge Road in Londonderry,
- Emergency road repairs to NH Route 16 in Dummer,
- Resurfacing on NH Route 11 and reconstruction of the NH Route 11/114 intersection in New London,
- Reconstruction and widening of the NH Route 11 and US Route 4 intersection in Andover,

Public Works - Continued

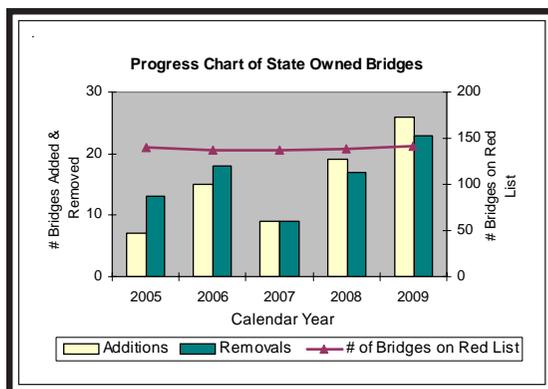
Roadway work completed continued:

- Reconstruction of US Route 2 in Randolph,
- Reconstruction of US Route 3 in Whitefield, and
- Statewide Turnpike and Districts pavement resurfacing:
 - Approximately \$30 M on State system, and
 - Approximately \$10 M on the Turnpike system.

Bridge construction work completed includes:

- Completion of three major bridges as part of the MAAR project:
 - 400' long bridge over Little Cohas Brook,
 - New FEET bridge south of the Bedford Toll Plaza,
 - 1200' long bridge over the Merrimack River,
- Replacement of the Island Pond Road bridge(s) over I-93 NB and SB in Manchester,
- Replacement of the NH Route 28 bridge over Merrymeeting River in Alton,
- Replacement of the NH Route 107 bridge over Griffin Brook in Epsom,
- Deck replacement of the NH Route 1A bridge over Hampton River in Hampton,
- Rehabilitation of the US Route 302 bridge over the Ammonoosuk River in Lisbon, and
- The Construction of a new temporary bridge on US Route 4 over the Connecticut River in Lebanon.

The Department's Red List reports bridges with known deficiencies. The calendar year Red List reported 142 state-owned bridges on the list, with 26 added while 23 were removed during the year.



Highway Maintenance

Our Highway Maintenance Patrol crews, amid the normal winter snow and ice removal on over 8,700 lane miles of State roadways, also performed spring cleanup, assisted in statewide resurfacing projects, and resumed mowing of our roadsides during the summer of 2010. While winter maintenance typically accounts for approximately one third of the bureau's yearly expenditure, the less severe 2009-2010 winter allowed Highway Maintenance to focus on outfitting Highway Maintenance plows with the JOMA 6000 flexible plow blades. This two-year transition was initiated with a pilot program in District 6 where flexible plow blades were used alongside the normal rigid carbides for comparison. The JOMA 6000 blades clearly outperformed the rigid carbide blades in scraping ability and longevity. This transition will allow the State of New Hampshire to reap the financial benefits of reduced salt and sand consumption, longer wearing blades, improved highway safety due to cleaner roads, decreased damage to roads and road markings, increased worker safety due to lightweight, easy installation at a less frequent rate, and reduced operator and vehicle fatigue from less vibration.

Highway Maintenance Patrol Crews again responded to Emergency Operations throughout the state that included stabilizing a March 25, 2010 rockslide on NH 10 in Orford with the blasting and removal of nearly 4000 cubic yards of ledge along a 400 foot long ledge face re-opening the road within two days and completing the project in two weeks. After severe thunderstorms in Harrisville, hundreds of toppled trees closed down Nelson and Breed Roads, District 4 Patrol Crews reopened the State roads within two days. In Districts 5 & 6, Patrol Crews responded to the wind storm and floods of February and March 2010 that resulted in multiple sections of state roadways being closed due to washouts, downed power lines and fallen trees.

Health & Human Services

Program Summary

In 1995, the NH Legislature and the Governor created a central umbrella agency, the Department of Health and Human Services (DHHS), 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 150,000 individuals.

The Medicaid program with a total annual cost of \$1.5 billion is DHHS' largest program, consuming approximately 77% of the DHHS budget and is funded by both State 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 2010, the Medicaid program served 119,121 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, 2010 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.

Close to 35% of total state spending is for Health & Human Service Programs. Expenditures for Health & Human Services totaled \$2.2 billion in FY10, an increase of \$182.4 million (9.2%) from last year.

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 ARRA, 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 150,331 in June 2010 representing an increase of 28% (32,867 individuals).

Health & Human Services

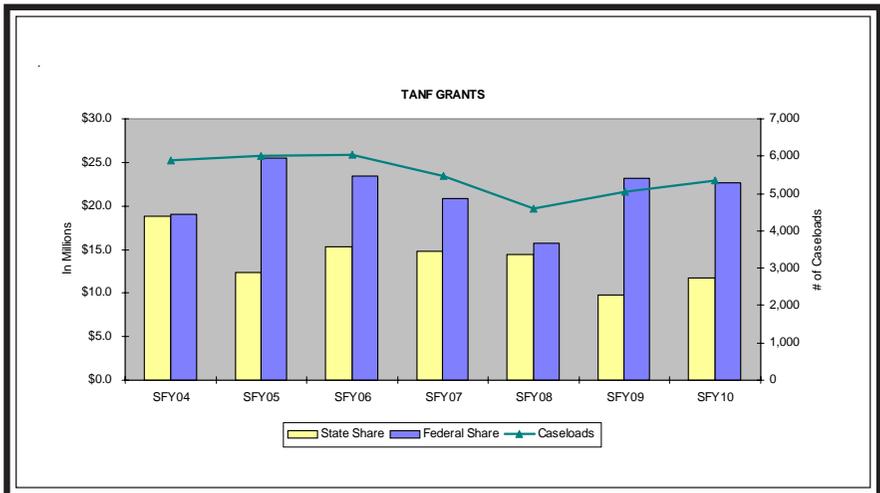
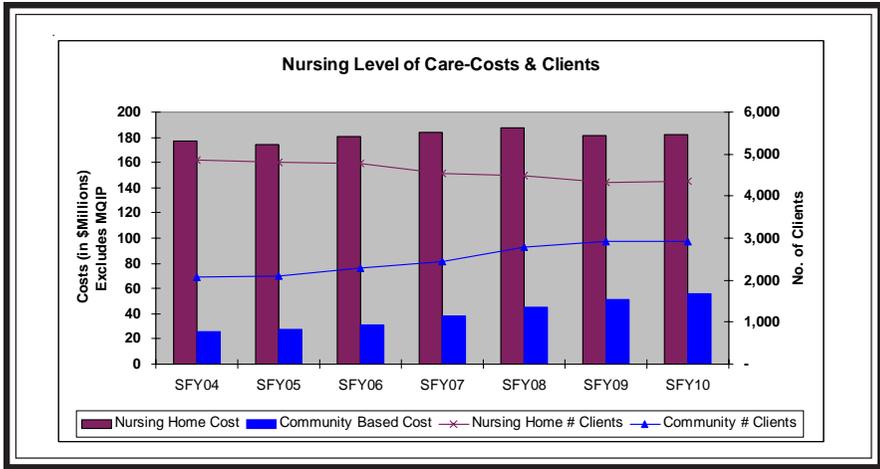
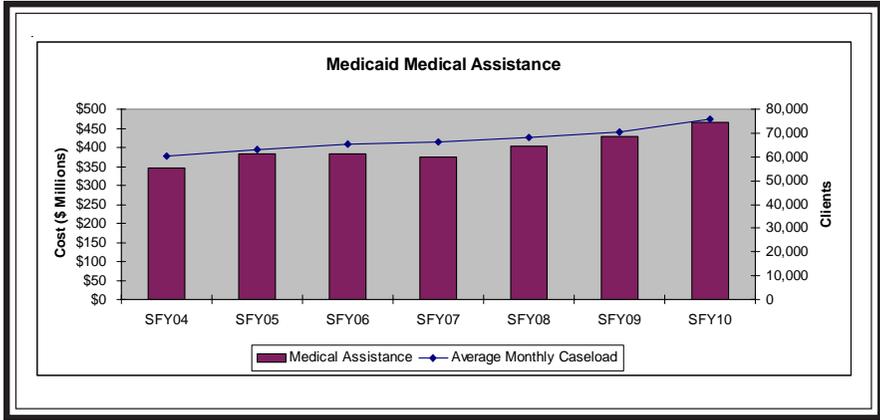
When the current biennium began on July 1, 2009, the Department faced significant challenges in funding needs with available appropriations and initiated cost reduction initiatives to address funding challenges in federal entitlement programs. Total general funds needed to deliver the required budget reductions and fund the estimated shortfalls in entitlement programs was consistently projected at +/- \$40 million per year for SFY10 and SFY11. These financial issues were resolved in three cost reduction initiatives implemented by the Department. In addition to funding the shortfalls noted above, the Department identified cost reductions to address a portion of the statewide budget issues.

Appropriations for SFY10 anticipated reorganization and downsizing of the Department's organization by 10% to 12%. In January 2008, 196 positions were vacant for a vacancy rate of 5.9%. At June 30, 2010, there were 482 for a vacancy rate of 14.4%. This is a result of a Vacancy Management Plan implemented by the Department and the statewide layoff of October 2009. In SFY00, 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 SFY11 budget is \$2.1 billion and filled positions are 2,862 for a staffing ratio of 1.3. The total budget has increased at a rate of 5.3% per year; Medicaid caseloads, which are an indicator of total demand for services has grown by nearly 11% over the same period. Number of filled positions over the same period has grown at less than one-half of one percent.

DHHS continually seeks cost containment efforts to improve administrative and program efficiencies in order to fund the increasing demand for services. Past efforts have included: consolidation of non-integrated service delivery systems, consolidation of developmental services area agencies, reductions in administrative costs across all service contracts, disease management, unified case management for dual diagnoses clients, and internal reorganization to streamline processes and maximize resources. Looking for ways to provide care in the community rather than high cost institutional placements continues to be a priority. Changes in service delivery for low-income elderly has reduced the number of Medicaid supported nursing home beds from 5,114 in 2000 to 4,287 in June, 2010, while the number of elderly supported in the community has increased from 1,318 to 2,898 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%. These efforts took on increased importance in SFY10 as the Department reduced staffing levels and continues to seek savings through transformation of the way it contracts for services and manages the eligibility process. The significant focus for SFY11 and beyond will be to work with community stakeholders to identify strengths, weaknesses, opportunities, and threats to safety net and client improvement programs in the various regions of the State for the three broad service categories: health and medical services, long term care services, and social services, keeping in mind the DHHS mission to join communities and families in providing opportunities for citizens to achieve health and independence.

In the long term, implementation of new technologies and changes in delivery systems must provide improvements in efficiency and effectiveness and a clear definition of what constitutes a New Hampshire health and human service safety net.

Health & Human Services - Continued



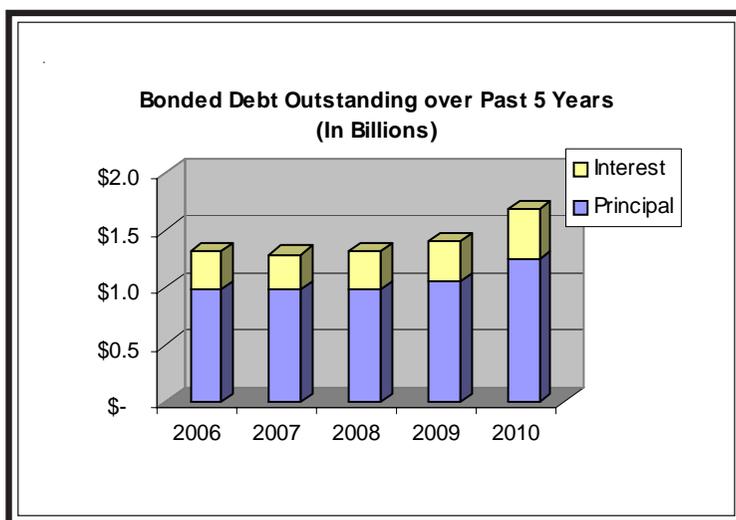
Debt Administration

The state may issue general obligation bonds, revenue bonds, and notes in anticipation of such bonds authorized by the Legislature and Governor and Council. The state may also directly guarantee certain authority or political subdivision obligations. At the end of the current fiscal year, the state had total bonded debt outstanding of \$1,238.2 million. Of this amount, \$860.0 million are general obligation bonds, which are backed by the full faith and credit of the state. The remainder of the state's bonded debt is Turnpike revenue bonds, which are secured by the specified revenue sources within the Turnpike System.

On August 17, 2009 the State issued a \$1.9 million general obligation capital improvement bond. The bond was sold through a private placement with the New Hampshire Municipal Bond Bank (NHMBB) to be used as an investment in its debt service reserve fund. The bond pays a 5% coupon and matures on August 15, 2029.

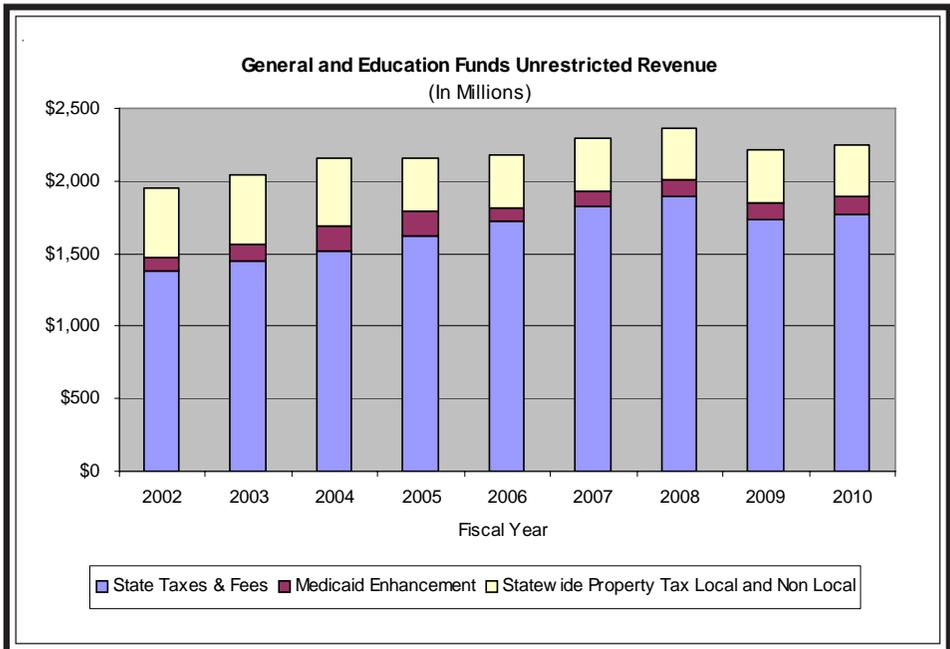
On August 24, 2009 the State issued \$50.0 million in bond anticipation notes through its Commercial Paper Program. These short term notes sold with interest rates from .30% to .40% were used to fund ongoing capital improvement projects in advance of the December 15, 2009 long-term bond issue. These notes matured and were paid off on January 20, 2010.

On November 18, 2009, the Turnpike System issued \$67.2 million in tax-exempt refunding bonds that refunded bonds issued in 1999. This refunding resulted in net present value savings of \$8.2 million or 11.74%. Debt service on the prior refunded bonds totaled \$111.1 million and debt service on the new refunding bonds totals \$87.5 million. In addition, on November 18, 2009, the Turnpike System issued \$150 million in federally taxable Build America Bonds ("BABS") which provide federal subsidy payments of 35% of the interest due, paid to the Turnpike System through the State in the form of a direct payment to be received as interest payments are made by the State.



Unrestricted Revenue

Revenue Category	FY 2008	FY 2009			FY 2010			FY 2010 Combined
		General	Education	Total	General	Education	Total	Plan
Business Profits Tax.....	\$ 385.4	\$ 251.9	\$ 53.9	\$ 305.8	\$ 258.6	\$ 57.6	\$ 316.2	\$ 313.1
Business Enterprise Tax.....	232.7	61.9	123.4	185.3	71.7	122.2	193.9	189.7
Subtotal.....	618.1	313.8	177.3	491.1	330.3	179.8	510.1	502.8
Meals & Rentals Tax.....	214.3	203.6	6.1	209.7	228.3	4.2	232.5	251.1
Tobacco Tax.....	166.4	59.3	128.8	188.1	130.5	113.0	243.5	217.2
Liquor Sales and Distribution.....	133.1	146.0	146.0	146.0	120.7	120.7	120.7	117.3
Interest & Dividends Tax.....	118.7	97.1	97.1	97.1	84.9	84.9	84.9	117.0
Insurance Tax.....	95.9	94.2	94.2	94.2	86.8	86.8	86.8	85.8
Communications Tax.....	80.9	80.3	80.3	80.3	81.0	81.0	81.0	82.0
Real Estate Transfer Tax.....	116.3	53.5	27.7	81.2	56.0	28.8	84.8	84.7
Transfers from Lottery Commission.....	75.5	-	68.1	68.1	-	66.2	66.2	74.7
Transfers from Pari-Mutuel Commission.....	1.5	-	1.5	1.5	-	1.4	1.4	1.3
Tobacco Settlement.....	48.4	12.8	40.0	52.8	4.2	40.0	44.2	49.4
Utility Property Tax.....	24.2	29.0	29.0	29.0	-	29.9	29.9	28.0
Property Tax Retained Locally.....	363.1	-	363.7	363.7	-	363.2	363.2	363.0
Other.....	197.1	178.2	-	178.2	157.5	-	157.5	163.2
Subtotal.....	2,253.5	1,238.8	842.2	2,081.0	1,280.2	826.5	2,106.7	2,137.5
Net Medicaid Enhancement	-	-	-	-	-	-	-	-
Revenues.....	93.1	99.6	99.6	99.6	98.1	98.1	98.1	99.3
Recoveries.....	20.1	21.8	21.8	21.8	19.9	19.9	19.9	22.3
Subtotal.....	2,366.7	1,360.2	842.2	2,202.4	1,398.2	826.5	2,224.7	2,259.1
Executive Orders and Special Session Revenues	-	15.1	0	15.1	28.1	28.1	28.1	-
Total.....	\$ 2,366.7	\$ 1,375.3	\$ 842.2	\$ 2,217.5	\$ 1,426.3	\$ 826.5	\$ 2,252.8	\$ 2,259.1



Financial Highlights

Unrestricted Revenue

Fiscal 2010 unrestricted revenue for the General and Education Funds totaled \$2,252.8 million which included \$28.1 million of revenue related to legislative actions discussed previously. Excluding the Special Session revenue, fiscal 2010 was short of plan by \$34.4 million. After excluding \$15.1 million of Executive Order revenues from the prior year, non Special Session and Executive Order revenues exceeded prior year by \$22.3 million. Ongoing economic weakness and the resulting impact on the investment environment and discretionary spending is believed to have contributed to the following effects on revenues:

- Interest & Dividends were below the plan by 27% and below prior year by 13%.
- Meals and Rentals Tax was below the plan by 7%, although above prior year by 11% due to a rate increase of 12.5% effective for all of FY 2010.
- Lottery Commission contributed 11% less than plan for the year and 3% under prior year, also due to increased regional competition, low Powerball jackpots and a fall off in sales of other products.
- Other taxes and revenues, comprising of numerous categories, were \$5.7 million less than plan and \$20.7 million less than prior year, primarily in miscellaneous taxes and fees.

These impacts of the economic environment were mitigated in part by the strong performance from the Tobacco Tax which was 12% above plan and 30% above prior year due to the tax rate increase of 34%, which was effective for all of FY 2010. Also, the Real Estate Transfer Tax showed signs of stabilization, ending the year slightly above plan and \$3.6 million above prior year.

Financial Highlights - Continued

Surplus

(In Millions of dollars)	FY 2008		FY 2009		FY 2010		
	Total	General	Education	Total	General	Education	Total
Undesignated Fund Balance, July 1	\$ 61.7	\$ 17.2	\$ -	\$ 17.2	\$ -	\$ -	\$ -
Additions:							
Unrestricted Revenue	2,366.7	1,360.2	842.2	2,202.4	1,398.2	826.5	2,224.7
Executive Order & Special Session Revenue		15.1		15.1	28.1		28.1
Total Additions	2,366.7	1,375.3	842.2	2,217.5	1,426.3	826.5	2,252.8
Deductions:							
Appropriations Net of Estimated Revenues	(2,472.9)	(1,509.2)	(897.7)	(2,406.9)	(1,440.4)	(796.8)	(2,237.2)
Less Lapses	61.3	71.2	3.0	74.2	42.3	2.1	44.4
Total Net Appropriations	(2,411.6)	(1,438.0)	(894.7)	(2,332.7)	(1,398.1)	(794.7)	(2,192.8)
GAAP and Other Adjustments	7.2	2.1	(0.4)	1.7	(7.0)	(0.3)	(7.3)
ARRA Stabilization		18.4		18.4			-
Current Year Balance	(37.7)	(42.2)	(52.9)	(95.1)	21.2	31.5	52.7
Fund Balance Transfers (To)/From:							
Rainy Day Fund		79.7		79.7			
Liquor Commission					6.5		6.5
Highway Fund	(6.8)	(1.8)		(1.8)	6.5		6.5
Education Trust Fund		(52.9)	52.9		31.5	(31.5)	
Undesignated Fund Balance, June 30,	\$ 17.2	\$ -	\$ -	\$ (0.0)	\$ 65.7	\$ -	\$ 65.7
Reserved for Rainy Day Account	89.0	9.3		9.3	9.3		9.3
Total Equity	\$ 106.2	\$ 9.3	\$ -	\$ 9.3	\$ 75.0	\$ -	\$ 75.0

Fund Level

Effective with the close of FY 2009, a total of \$79.7 million was drawn from the Rainy Day Account, to eliminate the deficit in undesignated surplus at that time. Accordingly, FY 2010 began with no undesignated surplus. The state's revenues continued to decline from plan throughout the early part of FY 2010, and mid-year revenue estimates from the Ways and Means Committee predicted a \$295 million shortfall over the biennium, of which \$173.4 million was expected for FY 2010. On April 12, 2010, the Joint Legislative Fiscal Committee approved the Governor's Executive Order 2010-2, addressing this shortfall and effecting the Departments of Health and Human Services, Administrative Services, Corrections and Education. On June 9, 2010, the House and Senate approved Special Session House Bill 1 (SSHB1), which combined with Executive Order 2010-2, intended to address the projected shortfall. On June 10, 2010 the bill was signed into law thereby enacting revenue enhancement and spending reductions spanning the remainder of the biennium. The actions expected to affect FY 2010 included General Fund spending reductions, transfers from dedicated fund balances, increases in expected lapses, restructuring of the state debt, a transfer from the University System, transfers of State Fiscal Stabilization Funds (ARRA) from FY 2011 and the sale of assets to the Turnpike System, among others.

The General and Education Trust Funds revenues for fiscal year 2010 before legislative action and executive orders were \$2,224.7 million, which were \$34.4 million below the original enacted budget. After the effect of executive orders and SSHB1 actions, resulting in \$28.1 million of additional revenues, total revenues ended \$6.3 million under plan.

Appropriations under the original enacted budget totaled \$2,485.7. The actions of the executive order and SSHB1 served to reduce appropriations to \$2,237.2. before year end lapses. The amount of lapses anticipated in the original budget were \$23.1 million and effects of legislative actions added another \$18.4 million. Final lapses were \$44.4 million, \$2.9 greater than expectation, thereby resulting in total net appropriations of \$2,192.8 million. Transfers from other funds and the effects of adjustments to conform reporting to Generally Accepted Accounting Principles resulted in General Fund and Education Trust Fund undesignated fund balance of \$65.7 million at the end of FY 2010. A balance also remains in the Rainy Day Account of \$9.3 million. As provided by law, no further change to the Rainy Day account will be made until the end of the current biennium.

Financial Highlights - Continued

Government-Wide Statements

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. Unlike fund reports, the full accrual method of accounting is used for government-wide statements, much like commercial reports. This 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.

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.

Net Assets

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

	Governmental		Business-Type	Total
	Activities	Activities		
Current assets	\$ 1,209.7	\$ 222.3		\$ 1,432.0
Capital assets	2,487.3	640.0		3,127.3
Other assets	344.3	7.2		351.5
Total assets	4,041.3	869.5		4,910.8
Long-term liabilities	1,382.8	369.7		1,752.5
Other liabilities	534.6	110.1		644.7
Total liabilities	1,917.4	479.8		2,397.2
Net assets:				
Invested in capital assets,				
net of related debt	1,669.2	227.4		1,896.6
Restricted	348.7	102.9		451.6
Unrestricted	106.0	59.4		165.4
Total net assets	\$ 2,123.9	\$ 389.7		\$ 2,513.6

The state's combined net assets (government and business-type activities) totaled \$2.5 billion at the end of 2010, 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 (75%) 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 decreased \$140.5 million from prior year. This increase was the result of a net increase in capital assets of \$74.7 million during the year combined with an increase in capital related debt of \$215.2 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: An additional portion of the state's net assets (18%) represents resources that are subject to external restrictions on how they may be used. Restricted net assets increased \$9.7 million from prior year due largely to increases in debt payment and environmental loan reserves offset by a reduction in unemployment benefit reserves.

Unrestricted Net Assets: The state's unrestricted net assets, totaling \$165.4 million, increased \$120.9 million from the previous year, due largely to weak performance from business taxes and real estate transfer taxes and the recognition of other postemployment benefit liabilities in accordance with governmental accounting standards. These assets may be used to meet the state's ongoing obligations to citizens and creditors. Internally imposed designations of resources are not presented as restricted net assets. At the end of both the current and prior fiscal years, the state was able to report positive balances in all three categories of net assets, both for the primary government as a whole, as well as for its separate governmental and business-type activities.

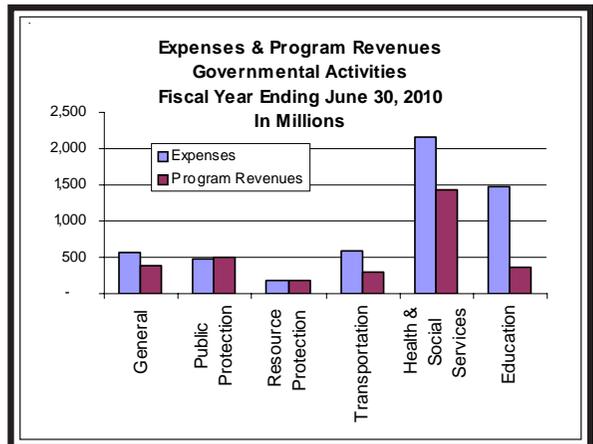
Financial Highlights - Continued

Governmental Activities

Direct expenses from Governmental activities of \$5.5 billion exceeded program revenues of \$3.2 billion, resulting in a shortfall of \$2.3 billion. Program revenues include charges for goods or services and Federal and Local Grants, which directly support program expenses. The shortfall of \$2.3 billion was funded through General Revenues primarily taxes.

Condensed Schedule of Expenses & Program Revenues			
Primary Government-Governmental Activities			
For Fiscal Years Ending June 30, 2010			
(In Millions)			
Functions/Programs	Expense	Program Revenues	Net Revenue/(Expense)
Governmental Activities:			
General government	\$ 568.1	\$ 389.0	\$ (179.1)
Administration of justice and public protection	474.1	509.7	35.6
Resource protection and development	178.4	172.3	(6.1)
Transportation	587.6	295.4	(292.2)
Health and social services	2,162.6	1,439.1	(723.5)
Education	1,469.9	373.2	(1,096.7)
Interest Expense	32.1		(32.1)
Total Governmental Activities	<u>\$ 5,472.8</u>	<u>\$ 3,178.7</u>	<u>\$ (2,294.1)</u>

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 FY 2010 increased compared to FY 2009, by \$26.0 million for DHHS and decreased by \$79.0 million for Education.



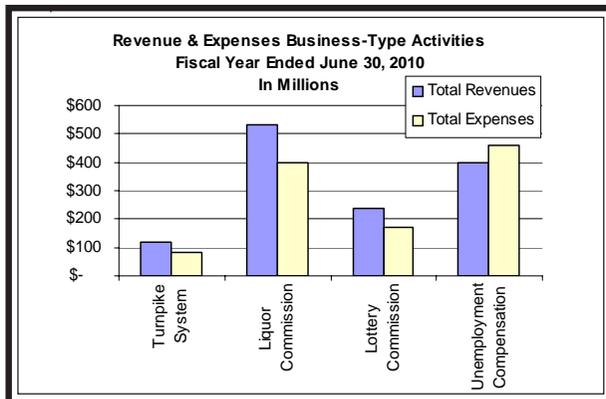
Financial Highlights-Continued

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 program revenue greater than expenses by \$182.1 million.

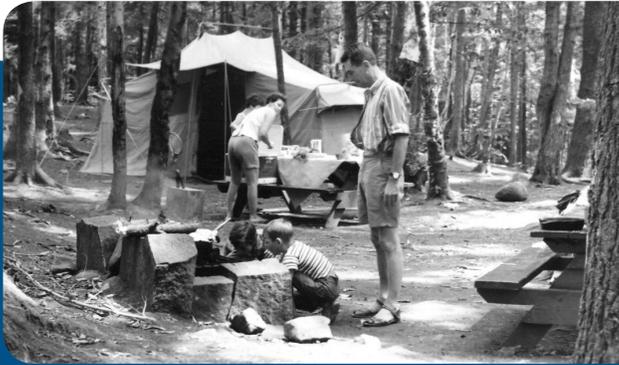
Condensed Schedule of Expenses & Program Revenues				
Primary Government-Business-Type Activities				
For Fiscal Year Ending June 30, 2010				
(In Millions)				
Functions/Programs	Program		Net	
	Expense	Revenues	Revenue/(Expense)	
Business-type Activities:				
Turnpike System	\$ 82.2	\$ 120.5	\$ 38.3	
Liquor Commission	397.5	530.9	133.4	
Lottery Commission	168.9	237.6	68.7	
Unemployment Compensation	458.1	399.8	(58.3)	
Total Business-type Activities	\$ 1,106.7	\$ 1,288.8	\$ 182.1	

- Operations of the Liquor Commission generated net income before capital asset transfers of \$133.4 million, a 9.7% increase from prior year, all of which was transferred to the General Fund to help fund the general operations of the state.
- A decline in lottery ticket sales during the year contributed to a \$68.7 million net income (a decrease from prior year of 3.5%) from the Lottery Commission which was transferred to the Education Fund.
- Turnpike System's net income, before capital asset transfers, of \$38.3 million represents an increase of 23.2% over prior year as a result of growth in toll revenues. This net income is retained for maintenance, development, and debt service.
- The operations of Unemployment Compensation, resulted in a decrease in net assets of \$58.3 million as a result of the weakening economy leading to higher unemployment benefit payments this fiscal year. This fund must increase revenues in future periods to recover this deficit.



Parks Progress

Monadnock State Park



Gilson Pond Campground

On July 9, 2010, the first new campground in the NH State Park System in over 40 years opened at Monadnock State Park. The Gilson Pond Campground has 35 campsites and 5 remote hike-to sites. A new bathhouse with showers and playground complete this facility.

Hampton Beach State Park



Hampton Beach Redevelopment Project

On May 5, 2010, an historic redevelopment project began at Hampton Beach State Park. New amenities include two new bathhouses and a new Seashell Complex with a new performance space. Construction is scheduled to be complete for the 2012 season.

Franconia Notch State Park



Cannon Mountain Ski Area

On March 25, 2009, 100 acres of the dormant Mittersill Ski Area joined the system of State Lands as part of Cannon Mountain Ski Area. Installation of a new Mittersill double chair began during the summer of 2010 and is expected to open in early 2011.



Celebrating 75 Years of New Hampshire State Parks

Cover: Pawtuckaway State Park

Back: Bear Brook State Park

