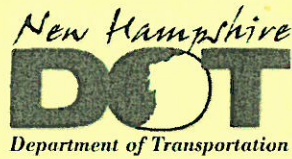
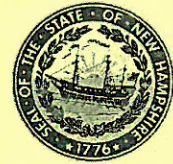


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THE STATE OF NEW HAMPSHIRE DEPARTMENT OF TRANSPORTATION



Victoria F. Sheehan Commissioner

FIS 19-065 Replacement

William Cass, P.E. Assistant Commissioner

The Honorable Mary Jane Wallner, Chairman Fiscal Committee of the General Court State House Concord, New Hampshire 03301

Division of Operations March 5, 2019

FIS 19-065 (Replacement)

His Excellency, Christopher T. Sununu and the Honorable Council State House Concord, New Hampshire 03301

REQUESTED ACTION

Pursuant to RSA 228:12, authorize the Department of Transportation to transfer \$4,646,400 from the Highway Surplus Account to fund winter maintenance activities effective upon Fiscal Committee and Governor and Council approval through June 30, 2019. 100% Highway Funds.

Funds are to be budgeted as follows:

From: 04-096-096-960015-363615-0000 Highway Surplus Account \$4,646,400

Table with 4 columns: Item Description, Current Budget FY2019, Requested Change, Revised Budget FY2019. Rows include Winter Maintenance Expenses (017-070) and Source of Funds (000-000015 Highway Funds).

EXPLANATION

The Department requests authorization to transfer from the Highway Surplus Account, the amount of \$4,646,400 for winter maintenance activities. Specific explanations relating to the Department's spending requests are as follows:

Winter Maintenance (2928) 100% Highway Funds

Class 018	Increase Overtime by \$900,000
Class 020	Increase Current Expenses by \$3,000,000
Class 022	Increase Rents-Leases Other than State by \$500,000
Class 024	Increase Maint Other than Bldg-Grounds by \$30,000
Class 048	Increase Contractual Maint Bldgs-Grnds by \$20,000
Class 050	Increase Personal Service Temp Appoint by \$20,000
Class 060	Increase Benefits by \$136,400
Class 070	Increase In State Travel Reimbursement by \$40,000

Due to projected costs of winter maintenance, the expenditures in the above class lines for snow removal and related activities will exceed the budget. Specifically there are projected increased costs in overtime for Highway Maintainers (Class 18), regular pay for other non-Highway Maintainer employees who plow (Class 50), associated taxes and benefits (Class 60), additional callouts (especially in the North Country - Class 70), the need for additional salt/sand (Class 20), an increase in rented equipment (Class 22), an increase in plow repairs (Class 24), and the repair of furnaces which are under greater demand since wood stoves were banned from use per State Fire Marshall's report (Class 48).

For budgeting purposes, the Department estimates winter maintenance activities over a five-year average. However, for the fiscal year 2019 budget, winter maintenance activities were funded \$6.7M below the five-year average (2019 budget: \$41.1M vs. Five-year average: \$47.8M). In January 2019 (Fiscal Committee-January 4th and Governor & Council- January 9th, Item #12), the Department requested and was approved a transfer from the Highway Surplus Account in the amount of \$6.48M for winter maintenance activities. At this time, the Department is estimating that it will need an additional \$4.65M from the Undesignated Highway Fund balance for winter maintenance. Any funds not expended will be lapsed back into the Highway Fund during fiscal year end close.

Transfer requests and amounts lapsed for winter maintenance activities for the past five years (2014–2018) and FY 2019 needs as follows:

Fiscal Year	2014	2015	2016	2017	2018	2019
Transfer Requested	\$9,018,000	\$8,835,000	\$0	\$9,105,750	\$10,197,000	\$11,126,400
Lapsed Funds related to Winter Maintenance Transfer Request	1,184,756	993,439	0	562,396	1,304,343	0
Transfer Funds Expended For Winter Maintenance Activities	\$7,833,244	\$7,841,561	\$0	\$8,543,354	\$ 8,892,657	\$11,126,400

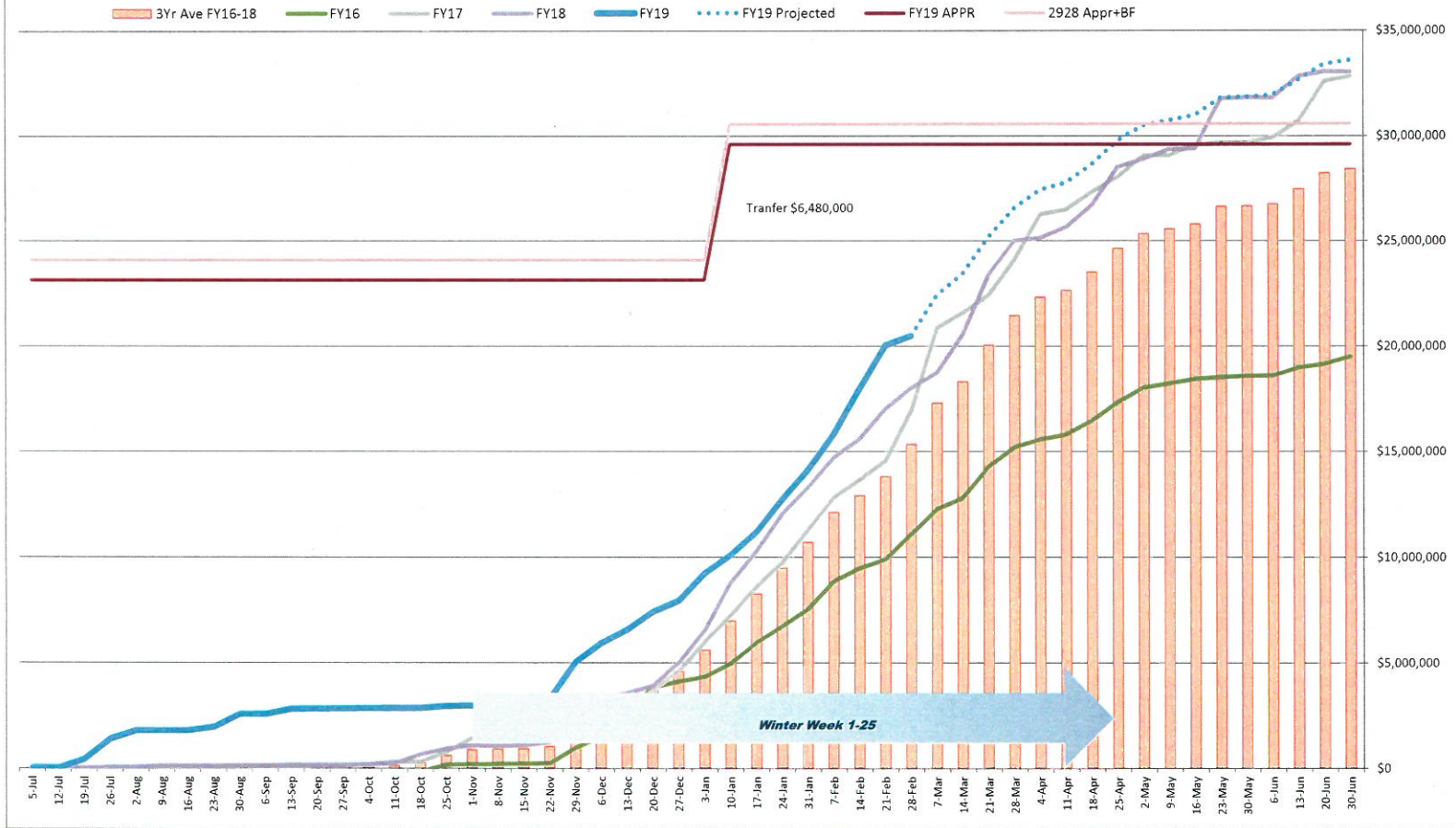
Your approval of this resolution is respectfully requested.

Sincerely,



Victoria F. Sheehan
Commissioner

Winter Org 2928 Expenditures



2928 Graph

**State of New Hampshire - Dept of Administrative Services
Preliminary Unaudited Surplus Statement - Highway Fund
Fiscal Years 2018 Actual with 2019 Revised Budget**

2/12/19

(expressed in millions)

Actual
Per CAFR

Revised
Estimate
**

	Actual	Projected
	FY 2018	FY 2019
Undesignated Fund Balance, July 1 (Budgetary)	\$ 74.1	\$ 72.7
Additions:		
Unrestricted Revenue		
Gasoline Tax	127.9	129.0
Motor Vehicle Fees	121.4	120.0
Other	0.2	0.2
Less: Cost of Collections-Safety	(25.8)	(30.0)
Total Additions	223.7	219.2
Deductions:		
Appropriations Net of Estimated Revenues-DOT	(203.3)	(207.1)
Appropriations Net of Estimated Revenues-Safety	(34.6)	(31.8)
Appropriations Net of Estimated Revenues-Judicial Branch & BEA		(2.4)
Appropriations Net of Estimated Revenue SUBTOTAL	(237.9)	(241.3)
Additional Appropriations:		
Transfer from Highway Surplus - Winter Maintenance	(10.2)	(6.4)
Other Appropriation Adjustments	(1.1)	
Less Lapse:		
Lapse-Transportation	23.3	18.5
Lapse-Safety/Other	2.6	3.0
Subtotal Lapse	25.9	21.5
Other Credits (Debits)	(1.8)	0.6
Total Deductions	(225.1)	(225.6)
Current Year Activity	(1.4)	(6.4)
Total Fund Balance, June 30 (Budgetary)	72.7	66.3
GAAP and Other Adjustments	(28.5)	(24.0)
Undesignated Fund Balance, June 30 (GAAP)	44.2	42.3

** FY19 reflects the Committee of Conference surplus statement, plus any additional appropriations through 2/12/19, with revised revenue and lapse estimates.

Note: Budgetary balances and GAAP adjustments do not include bonds authorized/unissued.

REGENERATIVE WORKFORCE DEVELOPMENT PROGRAM

STATUS REPORT TO FISCAL COMMITTEE (March 8, 2019)

FIS 19-071
Informational
Late Item

Background

Under Ch. 157 of 2018 N.H. Laws (SB 564), effective July 29, 2018, the New Hampshire Business Finance Authority (the “BFA”) is authorized to develop a Regenerative Workforce Development Program (the “RWD Program”). This authority is codified at RSA 162-T, (the “Act,” copy attached as Exhibit A).

Under RSA 162-T:2, the BFA is authorized to develop the RWD Program as a student debt deferment or forgiveness program. The purpose of this authority is “to provide for the development, attraction, and retention of skilled, qualified, and productive workers within the state who will be capable of supporting the preservation, establishment, and redevelopment” of “a regenerative manufacturing workforce.” RSA 162-T:1.

While the Act grants the BFA authority to develop the RWD Program, it does not permit the BFA to immediately commence and implement the RWD Program. Rather, RSA 162-T:5 requires the BFA to deliver reports on its progress with program development to the Fiscal Committee every 6-month period following enactment of the Act.

This document provides the first required Status Report. We look forward to meeting with legislators and other interested persons to hear comments, reactions and further ideas regarding the RWD Program.

Status of the BFA’s RWD Program Development

- 1. Overview.** As of the date of this Report, the BFA has completed significant work for the development of the RWD Program. In general, this work has consisted of: (1) researching student debt requirements and markets and student debt relief programs (nationally, other states and NH); (2) developing a preliminary concept for the RWD Program; (3) drafting preliminary guidelines for the RWD Program; (4) drafting preliminary trust and other legal agreements that would be used to implement the RWD Program concept; (5) reviewing various numerical examples illustrating potential application of the RWD Program concept; (6) exploring potential mechanisms for funding the costs of the RWD Program concept; and (7) meeting with various interested persons and potential partners for the RWD Program.
- 2. Clarification and Qualification.** Since enactment of the Act, discussion of additional student debt relief authority beyond the original RWD Program for the Regenerative Manufacturing initiative has occurred. In his budget address on February 9, 2019, Governor Sununu announced his intent to pursue a new Student Loan Assistance program that will reflect the work done with respect to the RWD Program. This additional and significant expansion would look to the RWD Program development as a type of pilot program. As of the date of this Status Report, this expanded program authority is still in the earliest stages of the 2019 legislative session. Accordingly, this Status Report does not address this new proposal. Rather, it focuses solely on the RWD Program.
- 3. Status Report of Work So Far on the RWD Program.**
 - (a) Researching Student Debt Requirements, Markets and Relief Programs.** BFA, with assistance from BFA legal counsel, has engaged in research concerning: the [current state of student debt statistics](#) (\$1.56 trillion in U.S. student loan debt, 44.7 million Americans with student debt, average debt per borrower of \$35,000, average monthly payment of \$393); [how young workers feel about student debt](#) (very worried); a survey of existing [student debt relief programs](#); student loan regulatory complications; [other New Hampshire student debt relief programs](#) (NH Loan Repayment Program (SLRP) for health care professionals working in medically underserved areas for a minimum of three years (or two if part-time));

REGENERATIVE WORKFORCE DEVELOPMENT PROGRAM

STATUS REPORT TO FISCAL COMMITTEE (March 8, 2019)



the legal structure for other NH individual account type support programs; and the [proposed DRA rules regarding the definition of “Qualified Regenerative Manufacturing Company”](#). This research effort has informed the preliminary concept format for the RWD Program.

(b) Preliminary Concept for RWD Program. BFA is pursuing a format that would establish individualized contract relationships between qualified employers and employees. The attached DRAFT CONCEPT DIAGRAM (Exhibit B) summarizes the current design state for the RWD Program. This concept work is of course subject to material revision as further development work is completed.

(c) Preliminary Guidelines for the RWD Program. BFA, with assistance of its legal counsel, has undertaken a preliminary set of guidelines describing the current design state for the RWD Program. The attached DRAFT CONCEPT PAPER (Exhibit C) reflects the current guidelines.

(d) Drafting Legal Documentation and Agreements. BFA, with assistance of its legal counsel, has commenced drafts of key documents for the RWD Program (these key documents are indicated on the DRAFT CONCEPT DIAGRAM (Exhibit B).

(e) Working with Financial Models and Examples. BFA is working to develop a model that will enable a detailed and careful evaluation of the potential structure of the RWD Program and its impacts for the State, registered employers and employee participants. BFA intends to present a more refined financial model to the Fiscal Committee at a future time.

(f) Exploring Funding Options. The Act did not provide any method for funding the costs of the RWD Program. BFA has engaged in discussions with various interested persons, including Governor Sununu, to explore possible funding options. Potential funding options are discussed in Exhibit C. In addition, as noted above, BFA is aware that the Governor’s budget address has proposed to provide funding for an expanded student debt relief program. BFA is reviewing these proposals and intends to participate in the current legislative process of review of the Governor’s budget proposal, with a focus on these funding proposals. However the attached exhibits and status report speak only to funding mechanisms for the \$5 million RWD program already enacted by the legislature.

(g) Meetings with Stakeholders. BFA has engaged in numerous meetings with persons interested in the development of the RWD Program. BFA intends to expand these “stakeholder” meetings as the RWD Program acquires further definition and form.

- 4. Basic Example of Preliminary RWD Program.** As indicated in the draft CONCEPT DIAGRAM (Exhibit B) and CONCEPT PAPER (Exhibit C), BFA would establish a special purpose RWD Trust to serve as the legal entity for the RWD Program. Qualified employers would become registered by executing a Registration Agreement with the RWD Trust. Eligible employees would become Participants in the RWD Program by applying and then executing a Participation Agreement.

Under this current concept, a Participant would provide documentation of his or her outstanding student loan balance upon signing a Participation Agreement. The RWD Trust would advance a portion of this outstanding balance to the Participant on the first through fifth anniversaries of the Participation Agreement. The Participant must use each advance to pay down principal on the outstanding student debt. While further modeling needs to be done, the goal of these advances would be to pay off the entire amount of the Participant’s student debt no later than the end of the 5-year period, which would substantially reduce the amount of interest required under the standard terms of the student debt.

REGENERATIVE WORKFORCE DEVELOPMENT PROGRAM

STATUS REPORT TO FISCAL COMMITTEE (March 8, 2019)



Under this format, the BFA would not acquire or pay any student debt obligations directly. Rather, the RWD Trust will have its own individual legal relationship with each Participant. This structure allows the BFA to avoid becoming embroiled in the complex web of regulations applicable to student loans.

Each advance would create a temporary debt from the Participant to the RWD Trust. No payments on this temporary debt would be due for as long as the Participant complies with the Participation Agreement. If the Participant satisfies the 5-year vesting requirement, he or she would be eligible for forgiveness of the temporary RWD Trust debt. (RSA 162-T:2, III(c) prohibits forgiveness unless the Participant has been employed at Registered Employer's NH location for at least 5 years.)

If the Participant defaults on the Participation Agreement (e.g., leaves NH employment with a Registered Employer), then the Participant would owe the total advances, plus interest, back to the RWD Trust. The RWD Program will provide the needed legal and practical flexibility a Participant may require to meet the 5-year vesting requirement due to certain categories of breaks in service.

Depending on certain Program development decisions, a Participant's total out-of-pocket payments after forgiveness with respect to outstanding student debt could be reduced by half or even greater. In no event, will the total payments made by a Participant (both direct student debt and to the RWD Trust) exceed payments expected to be made on the original student debt, even if the Participant defaults under the Participation Agreement.

- 5. Projected Timetable for Development of the RWD Program.** As of the date of this Status Report, BFA believes it is reasonable that it will be able to provide an "almost final" version of the RWD Program, rules, guidelines and legal documentation by the time of next status report to the Fiscal Committee approximately 6 months from this Status Report. BFA expects it will receive very material input regarding the form of student debt relief programs during this current legislative session, and anticipates that such input will be incorporated into the next 6-month Status Report.

TITLE XII

PUBLIC SAFETY AND WELFARE

CHAPTER 162-T

REGENERATIVE MANUFACTURING WORKFORCE DEVELOPMENT PROGRAM

Section 162-T:1

162-T:1 Declaration of Need and Purpose. – It is declared that there is a statewide need for the preservation and development of a skilled workforce for the betterment of the economy of the state, its inhabitants, and in particular for the development and preservation of a regenerative manufacturing workforce. It is the purpose of this chapter to provide for the development, attraction, and retention of skilled, qualified, and productive workers within the state who will be capable of supporting the preservation, establishment, and redevelopment of business and industry, preserving or increasing the social welfare or economic prosperity of the state or its political subdivisions, and promoting the general welfare of the state's citizens. It is further declared that the business finance authority (hereinafter the "authority"), acting pursuant to the powers granted in this chapter shall be regarded as performing an essential governmental function in carrying out the provisions of this chapter.

Source. 2018, 157:7, eff. July 29, 2018.

Section 162-T:2

162-T:2 Acquisition of Student Loans of Qualified New Hampshire Employees. –

I. The business finance authority, as established and authorized under RSA 162-A (hereinafter the "authority"), may expend or loan money upon such terms and conditions as prescribed by the authority to acquire loans or other evidences of education indebtedness incurred by persons for the purpose of financing postsecondary education and to provide for deferment or forgiveness of repayment of such education indebtedness pursuant to a program or programs established by the authority and approved by the governor and council pursuant to this chapter.

II. In granting deferment to any loan or other evidence of education indebtedness incurred by persons for the purpose of financing postsecondary education, the authority shall cause no interest to accrue to the principal of the loan during any period of deferment it offers.

III. Any student indebtedness that may be subject to a program or programs established by the authority under this chapter shall meet the following minimum requirements:

(a) The person shall have achieved academic requirements such as graduate degrees or other evidence of academic achievement as has been determined by the authority;

(b) The person shall be employed to perform primarily active regenerative manufacturing business activities as that term is defined in RSA 77-A:1, XXX and the principal office at which such person is employed is located within New Hampshire;

(c) No forgiveness of such student indebtedness shall be effected unless the person shall have been employed to perform primarily active regenerative manufacturing business activities at a location within New Hampshire for a minimum period of 5 years.

IV. Prior to the expenditure or loan of any money under this section, the authority shall enter into one

or more agreements with any person obligated to make payments under education indebtedness to provide for the conditions on which the expenditures, deferments, or forgiveness will be made, the terms of repayment of such expenditure or loan, the time and manner of such repayment, the form and amount of security if any, to be pledged to the authority for such repayment, and such other provisions as the authority may determine are necessary or desirable.

V. The authority, to further its education indebtedness loan programs pursuant to this chapter, shall have the power to:

- (a) Determine the nature of education indebtedness programs for eligible persons, including how such loans may be acquired and the mechanisms for deferral of payment or forgiveness with respect to such education indebtedness;
- (b) Enter into contracts with employers of persons who are subject to the programs established under this chapter to assist in the administration of such programs;
- (c) Enter into contracts for the administration or servicing of education indebtedness acquired pursuant to the programs established under this chapter;
- (d) Receive and accept from any public agency or any other source loans, grants, guarantees, or insurance with respect to education indebtedness and the programs established under this chapter;
- (e) Establish guidelines governing the actions of the authority with respect to the programs established under this chapter; and
- (f) Exercise all powers incidental and necessary for the performance of the powers listed in this paragraph.

Source. 2018, 157:7, eff. July 29, 2018.

Section 162-T:3

162-T:3 State Regenerative Manufacturing Workforce Development Fund Established. –

I. There is established within the authority a state regenerative manufacturing workforce development fund, which shall be held by the authority apart from all of its other funds. Annual state appropriations and other funds from state or federal sources, and any gifts, grants, or donations, shall be credited to the fund. The state regenerative manufacturing workforce development fund shall be administered by the authority and shall be used for the sole purposes of carrying out the purposes of RSA 162-T:2. The authority shall invest the fund in accordance with RSA 6:8. Any earnings on fund moneys shall be added to the fund. All moneys in the fund shall be nonlapsing and shall be continually appropriated to the fund for the purpose of providing regenerative manufacturing worker educational debt relief as provided in this section.

II. The authority may create subfunds or trusts of the state regenerative manufacturing workforce development fund, which shall be held by the authority apart from all of its other funds, which may be deemed irrevocably pledged to secure the repayment of state workforce development bonds issued under RSA 162-T:4. If such a pledged amount or amounts are called upon to be honored, the authority shall draw upon such fund for the purpose of honoring such pledge.

Source. 2018, 157:7, eff. July 29, 2018.

Section 162-T:4

162-T:4 Issuance of Bonds. –

I. The authority may issue bonds pursuant to this section which shall be obligations of the authority and not general obligations of the state, except as provided in RSA 162-A:17. Such bonds may be issued from time to time consistent with the purposes and provisions of this chapter to make

expenditures under RSA 162-T:2, to pay or refund any bonds issued pursuant to this section or interest thereon, or to pay the costs and expenses of the authority. The principal of, and premium, if any, and interest on all bonds shall be payable solely by the authority in accordance with the provisions of this chapter. The bonds shall be issued by the authority in such amounts as the board shall determine, not exceeding in the aggregate at any time \$5,000,000. Bonds of each issue shall be dated, shall bear interest at such rate or rates, including rates variable from time to time as determined by such index, banker's loan rate or other method as may be determined by the authority, and shall mature at such time or times as may be determined by the authority, except that no bonds shall mature more than 30 years from their date of issue. Bonds may be made redeemable before maturity either at the option of the authority or at the option of the holder, or upon the occurrence of specified events, at such price or prices and under such terms and conditions as may be fixed by the authority prior to the issuance of the bonds. The authority shall determine the form and details of the bond. The bonds may be sold in such manner, either at public or private sale, for such price, at such rate or rates of interest, or at such discount in lieu of interest as the authority may determine.

II. Every bond shall be signed on behalf of the authority by 2 persons designated by the authority. One person shall be a member of the board who is also the chairperson of the board, or the vice chairperson of the board, or the treasurer of the authority, or an assistant treasurer of the authority. The other person shall be any member of the board or the executive director of the authority. The signatures may be manual or facsimile but at least one signature on every bond shall be manual, unless the bond bears a manual authentication or certification by a bank, trust company or other financial institution, in which case both signatures on behalf of the authority may be facsimile. Interest coupons, if any, shall bear the facsimile signature of one of the persons signing the bond on behalf of the authority. Bonds shall also bear the seal of the authority or a facsimile of the seal. Bonds executed as provided in this paragraph shall be valid notwithstanding that any or all of the persons whose signatures appear on the bond shall have ceased to hold office before delivery of and payment for the bond.

III. Any bonds issued under this chapter may be issued pursuant to and entitled to the benefits of a security document between the authority and a corporate trustee, which may be any trust company or bank having the powers of a trust company within or without the state, or by a security document directly between the authority and the purchasers of the bonds. Such security document shall be in such form and executed in such manner as may be determined by the board. Such security document may include the mortgage, pledge, or grant of a security interest in any property of the authority and may pledge or assign, in whole or in part, the revenues held or to be received by the authority, any contract or other rights to receive the revenues, whether then existing or thereafter coming into existence and whether then held or thereafter acquired by the authority, and any proceeds thereof. Such security documents may contain provisions for protecting and enforcing the rights, security, and remedies of the bondholders as may, in the discretion of the board, be reasonable and proper and not in violation of law. Such security documents may include provisions defining defaults and providing for remedies in the event of defaults, which may include the acceleration of maturities and the enforcement of any mortgage, pledge or security interest, and covenants setting forth the duties of, and limitations on, the authority in relation to the custody, safeguarding, investment, and application of moneys, the issue of additional or refunding bonds, the fixing, revision and collection of fees and other revenues, the use of bond proceeds, the establishment of reserves, the acquisition of any property or interest therein or undertaking of any project, any contracts relating thereto and subsequent amendments of such provisions and contracts. It shall be lawful for any bank or trust company to act as a depository or trustee of the proceeds of bonds, revenues, or other moneys under a security document and to furnish such indemnification or to pledge such securities and issue such letters or lines of credit or credit facilities as may be required by the authority acting under the paragraph. Any such security document may set forth the rights and remedies of bondholders and of

the trustee and may restrict the individual right of action by bondholders.

IV. Any bonds issued under authority of this chapter may be issued pursuant to lines of credit or other banking arrangements under such terms and conditions not inconsistent with this chapter, and under such agreements with the purchasers or makers thereof, as the board may determine to be in the best interests of the authority. In addition to other security provided herein or otherwise by law, bonds issued by the authority under this section may be secured, in whole or in part, by insurance or by letters or lines of credit or other credit facilities issued to the authority by any bank, trust company or other financial institution, within or without the state, and the authority may make any pledge, mortgage, assignment or security interest in respect of its property and revenues as security for the reimbursement by the authority to the issuers of such letters or lines of credit, insurance or credit facilities, or any payments made thereunder.

V. Any mortgage, pledge or security interest made by the authority under this chapter shall be valid and binding and shall be deemed continuously perfected for the purposes of RSA 382-A and all other laws from the time when the mortgage, pledge, or security interest is made. The property or revenues so mortgaged, pledged, or subjected to a security interest then held or thereafter acquired or received by the authority shall immediately be subject to the lien of such mortgage, pledge, or security interest without any physical delivery or segregation thereof or further act. The lien of such mortgage, pledge, or security interest shall be valid and binding against all parties having claims of any kind in tort, contract, or otherwise against the authority, irrespective of whether such parties have notice thereof. No such property or revenues may be used in a manner inconsistent with the terms governing such mortgage, pledge, or security interest. Any agreement by which a pledge or security interest in personal property is created under this chapter shall be filed or recorded in the records of the secretary of state. Any mortgage or other agreement by which a security interest in real property is created under this chapter shall be filed with the register of deeds for the county in which such property is located.

VI. Any owner of a bond issued under the provisions of this section and any trustee under a security document securing the same, except to the extent the rights given in this paragraph may be restricted by such security document, may bring suit upon the bonds and may, either at law or in equity, by suit, action, mandamus, or other proceeding for legal or equitable relief, protect and enforce any and all rights under the laws of the state granted hereunder or under such security document, and may enforce and compel performance of all duties required by this chapter or by such security document to be performed by the authority or by any director or officer of the authority.

VII. The authority may issue refunding bonds for the purpose of paying any bonds issued under the provisions of this section at or prior to maturity or upon acceleration or redemption. Refunding bonds may be issued at such times prior to the maturity or redemption of the bonds being refunded as the board may determine. The refunding bonds may be issued in sufficient amounts to pay or provide the principal of the bonds being refunded, together with any redemption premium thereon, any interest accrued or to accrue to the date of payment of such bonds, the expenses of issue of the refunding bonds, the expenses of redeeming the bonds being refunded, and such reserves for debt service or other expenses from the proceeds of such refunding bonds as may be required by a security document securing the bonds. The authorization and issue of refunding bonds, the maturities and other details thereof, the security therefor, the rights of the holders thereof, and the rights, duties and, obligations of the authority in respect to the same shall be governed by the provisions of this chapter relating to the issue of bonds other than refunding bonds insofar as the same may be applicable.

VIII. Any debt service fund or debt service reserve fund established in connection with the issuance of bonds under this chapter shall be kept separate from other moneys of the authority. All proceeds of any bonds issued under this chapter, together with the income derived therefrom, shall be expended without further authorization or appropriation as provided for in the security document with respect to such bonds.

IX. Moneys in any fund or account created under the provisions of this chapter, subject to the terms and provisions of any security document applicable thereto, may be invested. Except as otherwise provided by any such security document, obligations so purchased as an investment of money in said fund or account shall be deemed at all times to be part of said fund or account, and the interest thereon and any profit arising from the sale thereof shall be credited to said fund or account, and any loss resulting on their sale shall be charged to said fund or account, respectively.

X. The state does hereby pledge to and agree with the holders of bonds issued under this chapter that the state shall not limit or alter the rights hereby vested in the authority to fulfill the terms of any agreements made with the holders of such bonds or in any way impair the rights and remedies of such holders until such bonds, together with the interest on them, with the interest on any unpaid installments of interest, and all costs and expenses in connection with any action or proceeding by or on behalf of such holders, are fully met and discharged. The authority is authorized to include this pledge and agreement of the state in any agreement with the holders of such bonds.

XI. Bonds issued under this section and their transfer and income, including any profit made on their sale or transfer, shall at all times be exempt from all taxation by or within the state.

XII. Notwithstanding any of the provisions of this chapter or any recitals in any bonds issued under this section, all such bonds shall be deemed to be investment securities under RSA 382-A.

XIII. No bonds or other obligations shall be issued except after the governor and council, or their designee, after hearing, shall have found that:

(a) The proposed issuance will serve a public use and provide a public benefit.

(b) The proposed issuance is within the policy of, and the authority conferred by, this chapter.

(c) The proposed issuance will preserve or increase the social welfare or economic prosperity of the state and one or more of its political subdivisions, and will promote the general welfare of the state's citizens.

(d) The proposed issuance will promote the orderly development of business activities, create or preserve employment opportunities, or protect the physical environment.

(e) Adequate provision has been or will be made for the payment of the principal of, or interest on, any obligations issued by the authority to finance such loan programs.

(f) Adequate provision has been made for the payment of the reasonable expenses of administration of the loan programs as are necessitated by the programs.

Source. 2018, 157:7, eff. July 29, 2018.

Section 162-T:5

162-T:5 Reporting and Approval Regarding Workforce Development Program. – The business finance authority shall undertake to design the terms, conditions, and provisions of the regenerative manufacturing workforce development program authorized by this chapter. The authority shall deliver to the fiscal committee of the general court a report on the progress of its efforts to develop such terms, conditions, and provisions every 6-month period following the effective date of this chapter. Prior to taking any action to implement a final workforce program pursuant to this chapter, the authority shall first present the program to the fiscal committee of the general court and receive the approval of such committee.

Source. 2018, 157:7, eff. July 29, 2018.

NH REGENERATIVE WORKFORCE DEVELOPMENT PROGRAM

DRAFT CONCEPT DIAGRAM as of March 8, 2019*

Declaration of Trust:

- BFA Establishes Trust
- State Instrumentality
 - ✓ Receives Capital Funds
 - ✓ Disburses Interim Loans
 - ✓ Enforces Loans
 - ✓ Reports to Legislature

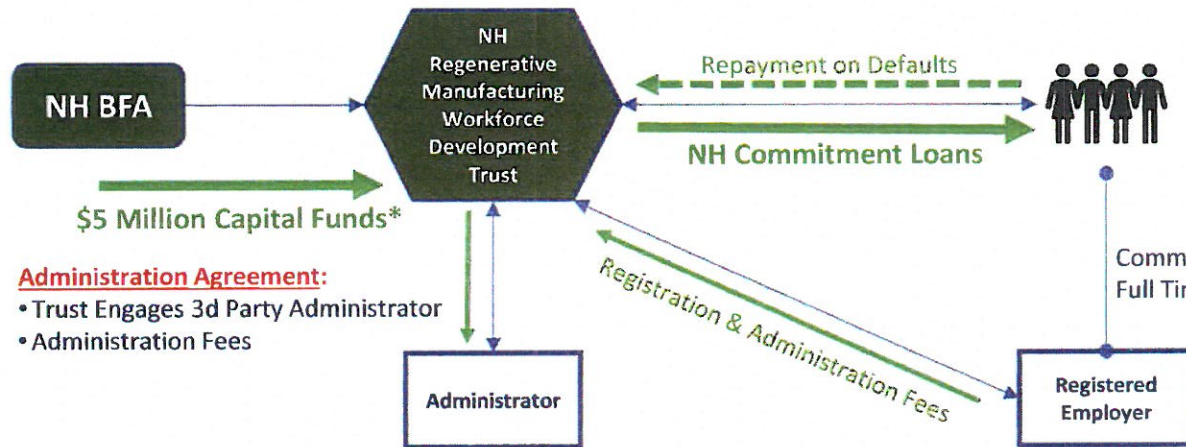
Participation Agreement:

- Commitment to Make Interim Loans
- Must be Applied to Reduce Student Loans
- Participant Makes Representations & Covenants
- Eligible for Forgiveness of Interim Loans
 - ✓ 5 Years of Qualified Service
 - ✓ Transfers between Registered Employees Allowed
 - ✓ No Default under Participation Agreement

Participants

Qualified Employees:

- Must Apply
- US Citizen & NH Resident
- FTE of Registered Employer
- Degree Achievement
- Identified Student Loans
- Signs Participation Agreement



Administration Agreement:

- Trust Engages 3d Party Administrator
- Administration Fees

Registered Employer:

- Qualified ARMI Company
- Signs Registration Agreement

Registration Agreement:

- Allows Employee Participation in Program
- Notice Obligations
- Annual Fees:
 - ✓ Registration Fee (Per Company)
 - ✓ Administration Fee (Per Participant)

* This summary is preliminary and subject to changes. NH BFA is directed to design the Program under SB 564, Ch. 157 of 2018 Laws, effective July 29, 2018. Pursuant to RSA 162-S:5, the BFA is required to deliver reports to the Fiscal Committee and receive approval by the Fiscal Committee prior to implementation of the Program. The Program is subject to, among other things, finalization of funding and legal agreements and engagement of an Administrator.

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1.0 New Hampshire Regenerative Manufacturing Workforce Development Program

- 1.1 **Purpose.** The New Hampshire Regenerative Manufacturing Workforce Development Program (the “**Program**”) is established by the New Hampshire Business Finance Authority (the “**BFA**”) pursuant to the authority granted under N.H. RSA Chapter 162-T. The purpose of the Program is to provide for the development, attraction, and retention of skilled, qualified, and productive workers within the State who will be capable of supporting the preservation, establishment, and redevelopment of businesses and industries engaged in the conduct of active regenerative manufacturing business activities within the State (the “**Qualifying Business Activities**”).
- 1.2 **Trust.** The BFA has established the New Hampshire Regenerative Manufacturing Workforce Development Trust (the “**Trust**”) to carry out, promote and operate the Program. The BFA is the trustee of the Trust (the “**Trustee**”), and the BFA’s actions with respect to the Trust are in its capacity as Trustee, and not in its institutional capacity as the BFA. The Trust is established as an integral part of the State.
- 1.3 **Administration.** The Trustee has engaged [NAME TBD] (the “**Administrator**”) to provide administration and servicing services to the Trust with respect to the Program. The Administrator is authorized to act on behalf of the Trust with respect to all aspects of the Program consistent with N.H. RSA Chapter 162-T.

2.0 Eligibility

- 2.1 **Application.** A Qualified Employee of a Registered Employer (both terms defined below) must apply to participate in the Program. Application shall be made on a form to be promulgated from time to time by the BFA. The application shall be accompanied by a participation agreement between the applicant and the Trust executed by the applicant (a “**Participation Agreement**”). Upon acceptance of the application by the Trust, and execution of the Participation Agreement by the Trust, the applicant shall become a participant in the Program (a “**Participant**”).
- 2.2 **Eligible Applicant.** To be eligible to apply to participate in the Program, a person must satisfy each of the requirements set forth in this section, as of the time the application is submitted and at all times that the person is a participant in the Program. A person who satisfies each of the requirements of this section shall be a “**Qualified Employee**”.
 - (a) The applicant is a U.S. Citizen.
 - (b) The applicant is a resident of the State.
 - (c) The applicant is employed by a Registered Employer (defined below) as a common law employee. A person is not eligible to participate if the person is a signatory to a contract, letter of agreement or other document that acknowledges the person’s status as an independent contractor and the person is not otherwise classified by the Registered Employer as a common law employee or the Registered Employer does not withhold income taxes, file Form W-2 (or any replacement form), or submit Social Security

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payments to the Federal Government for you, even if the person is later adjudicated to be a common law employee.

- (d) The applicant's employment must require the person to be employed on full-time basis [reserved for alteration of this criteria if desired].
- (e) The applicant shall have completed [need to finalize educational degree requirements].
- (f) The applicant shall have outstanding [student loans, type and amount in excess of a fixed minimum and not to exceed a fixed maximum TBD] (the "Student Loans").
- (g) [Reserved for other requirements not yet identified].

2.2 Registered Employer. For a business' employees to become eligible for participation in the Program, the business must become a registered employer with the Program (a "Registered Employer"). A Registered Employer must satisfy each of the following requirements as of the time the application is submitted and at all times that a person is a participant in the Program:

- (a) The employer shall be a "qualified regenerative manufacturing company" ("QRMC") within the meaning of that term in N.H. RSA 77-A:1, XXX(a). A QRMC is a business entity that has at least 75% of its business activities during a year consists of an active regenerative manufacturing business.
- (b) The employer shall be registered with the Program and shall have executed a registration agreement with the Trust (an "Employer Registration Agreement").

3.0 Program

3.1 Summary. The Program enables Qualified Employees of Registered Employers to apply to become a Participant in the Program. Subject to the terms and conditions of the Program and the applicable Participant Agreement, during the period beginning on the effective date of the Participant's participation in the Program (the "Effective Date") through the completion by the Participant of five years of service, the Program provides for annual payments (the "Interim Loans") to the Participant that the Participant must apply to reduce the Participant's outstanding Student Loan balances. Failure to complete five years of service means the Participant shall be obligated to repay the Trust all Interim Loans, plus interest. Subject to the terms and conditions of the Program and the applicable Participant Agreement, upon conclusion of five years of service, the Participant shall be eligible for forgiveness of the balance of Interim Payments in accordance with the forgiveness schedule set forth in the applicable Participation Agreement.

3.2 Participation Agreement. The Participation Agreement creates a legally binding agreement between the Trust and the Participant. The terms of the Participation Agreement include the following provisions:

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- (a) **Eligible Student Loan Balances.** The Participation Agreement will identify each Student Loan that is the subject of the Participation Agreement, and shall indicate the outstanding balance and terms of each Student Loan as of the Effective Date. These identified Student Loans shall be attached to the Participation Agreement in a schedule (the “**Student Loans**”).
- (b) **Commitment to Advance Interim Loans.** Subject to the terms and conditions of the Program and the Participation Agreement, the Trust will agree, during the Interim Period, to extend to the Participant a series of four Interim Loans. The first Interim Loan disbursement will occur on the first month following the Participant’s completion of the first Year of Service. The Trust will extend additional subsequent Interim Loans following the Participant’s completion of each additional Year of Service. The amount of each Interim Loan shall be equal to the Participant’s certified aggregate outstanding balance of the Student Loans as of the immediately prior month, multiplied by a percentage determined by years of service based on the following table [THESE PERCENTAGES ARE SUBJECT TO CHANGE AS PROGRAM DETAILS ARE FINALIZED]:

Year of Service:	Applicable Percentage:
1 Year of Service	[TBD]
2 Year of Service	[TBD]
3 Year of Service	[TBD]
4 Year of Service	[TBD]

- (c) **Payment of Interim Payments.** Subject to the terms and conditions of the Participation Agreement, the Trust shall make the Interim Loans on an annual basis. The Trust shall pay the amount into an account owned by the Participant that is dedicated to track payments under the Program.
- (d) **Loans.** Each payment of Interim Loans shall be a loan from the Trust to the Participant. Each such loan will not accrue interest.
- (e) **Use of Loan Proceeds.** The proceeds of the Interim Loans received into the dedicated account shall be used by the Participant solely to pay outstanding Student Loans. Payments against Student Loan balances shall be made within 15 days of deposit.
- (f) **Maturity Date.** The Interim Loan balance plus going-forward interest shall be payable in monthly payments over a five-year term beginning on the date of any Event of Default. [Reserved space for additional repayment timeframes, e.g. ten-year term]
- (g) **Representations.** The Participant shall make certain representations, including:
 - (i) that all information contained in the Participant’s Application was true and correct;

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- (ii) that the Participant has disclosed all debts, liabilities, litigations, claims, taxes, legal matters, and orders that could have a material adverse effect on the ability of the Participant to perform obligations under the Participation Agreement; and
 - (iii) [reserved for future items TBD].
- (h) **Covenants.** So long as the Participation Agreement is effective, the Participant shall agree that, unless the Administrator shall otherwise consent in writing, the Participant shall perform certain obligations, including:
- (i) maintenance of status as Qualified Employee;
 - (ii) compliance with all laws and agreements;
 - (iii) payment of taxes;
 - (iv) provision of notices of changes and other certificates required under the Participant Agreement, including regular reporting of status of Student Loans;
 - (v) maintenance of employment with the Registered Employer;
 - (vi) no bankruptcy filing; and
 - (vii) [reserved].
- (i) **Transfers of Employment Between Registered Employers.** A Participant will be allowed to transfer employment between Registered Employers with notice and consent of the Administrator.
- (j) **Forgiveness of Repayment of Interim Loans.** Provided that there shall not be any Event of Default, the Participant shall be eligible for forgiveness of the Interim Loan balances upon completion of 5 Years of Service. [Reserved for further details of Years of Service, breaks in Years of Service, and other provisions.]
- (k) **Events of Default.** Any breach of the Participation Agreement shall be an Event of Default and the full amount of the Interim Loan balances shall become [immediately due and payable per the requisite repayment schedule].

3.3 Employer Registration Agreement. The Employer Registration Agreement creates a legally binding agreement between the Trust and each Registered Employer who becomes registered with the Program. The terms of the Employer Registration Agreement include the following provisions:

- (a) **Registration Fee.** The Registered Employer shall pay to the Trust an annual registration fee equal to [amount] (the “Registration Fee”).
- (b) **Administration Fee.** In addition to the Registration Fee, the Registered Employer shall pay to the Trust an annual administration fee equal to the sum of the Initial Student Loan

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Balances of all Participants who are employees of the Registered Employer multiplied by [amount TBD] (the “**Administration Fee**”).

- 3.4 Tax Consequences.** The making of the Interim Loans should not result in any federal or state tax consequences to either the Trust, the Participant or the Registered Employer. Under current federal income tax laws, the forgiveness of Interim Loans would result in taxable income to the Participant. All parties are responsible solely for their own tax concerns.

4.0 Process and Funding

- 4.1 Legislative Requirements.** The Authority’s development of the Program is in the early stages. The governing law (SB 564, Ch. 157 of 2018 Laws, RSA Chapter 162-T) authorizes the Authority to develop the Program, but does not allow the Authority to implement a final program prior to receiving the approval of the Legislative Fiscal Committee. The Authority is required to provide reports on the status of its development efforts and every 6 months thereafter. The governing law does not provide specific details concerning various aspects of the Program, including how the Program may be funded, but provides general constraints regarding how the Program may be structured.
- 4.2 Funding Options.** RSA 162-T:3 authorizes the Authority to establish a state regenerative manufacturing workforce development fund to receive and hold funds and grants provided for the Program and to make disbursements required under the Program. RSA 162-T:4 authorizes the Authority to issue bonds in connection with the Program, provided that the bonds may not exceed at any time an aggregate of \$5 million. The governing law does not mandate any particular method of funding for the Program.
- 4.3 Preliminary Funding Proposal.** While the Authority is still working to develop the Program as of the date of this Concept Paper, and is open to considering any appropriate option, the Authority is considering the following funding plan as a leading possibility. Currently, the Authority has outstanding bonds in the principal amount of \$20 million. These bonds are the current outstanding remainder of the original bonds issued in 1993 to finance the expansion of credit and economic development programs enacted by the Legislature in 1992. The proceeds of these bonds have been deployed over the years to support the Authority’s mission of economic development. The bond is fully guaranteed by the State of New Hampshire and is carried as a contingent obligation of the State (as presented in the State’s CAFR).

The current bonds bear interest at a variable rate and mature in 2020. The Authority anticipates that it would refinance the bonds prior to the final maturity date. Maintenance of this liability, originally incurred upon the reformation of the Authority in 1992, requires the Authority to restrict assets in sufficient amount and form to assure payment of interest and ultimately repayment of the bond.

A leading option for funding the Program would be to have the State refinance the Authority’s bonds as part of the State’s general financing planning, using a pre-existing dedicated revenue

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stream (non-general funds) as a payment source for the new bonds. Using the State's traditional approach to repaying bonds by accelerating principal payments in the early phases of the bond's amortization it would require an estimated \$2.17 million at the highest level of debt service to service the bond, but only \$820,000 at the lowest annual debt service amount towards the tail end of the bond's amortization.

Upon completion of such a financing, the Authority's assets would be freed from the constraints currently imposed by the bond, and the Authority could dedicate \$5 million of its current cash reserves to the Trust in order to provide funding for the Program. This approach creates significant interest rate savings and would allow the BFA to rebuild this \$5 million contribution over a period of approximately 10 years.

Such a financing plan would not adversely impact the State's general credit rating because the current bond is already reported as a contingent liability of the State. Similarly, by using other pre-existing dedicated funds as a payment source for the new bond there would be no adverse impact on the State's general obligation credit limitation.

5.0 Scaled Up Proposal.

The model in this proposal is designed to be fully scalable. If desired, the pilot-level program described herein could be increased into a significantly more substantial program targeting other industries of strategic importance to NH's economy. The primary obstacle to scaling such a model is funding for the loan forgiveness contributions. However after completing the financing proposal described in 4.3, additional funding for a larger program could come from two primary sources:

1. Increasing the amount bonded by the State of NH as described in section 4.3. Other sources of dedicated revenue would need to be identified for this purpose so as to avoid exceeding the State's annual self-imposed limit on new bond issuances from general revenue. By way of example – in the current credit environment an additional \$10 million in annually dedicated revenue could increase the size of the student loan forgiveness program to approximately \$100 million to \$150 million.
2. Capitalize the Trust with an infusion of "one time" funds. After completing the proposal described in 4.3, the Trust could be further supplemented with one-time funds to use as student loan forgiveness payments. Each contribution into the Trust would approximately equal the amount of student loans that would eventually be forgiven, subject to the modest administration expenses expected as part of the program. However when compared to the leverage obtained by converting pre-existing annual revenue dollars into new bond issuances as described above, one-time contributions may have difficulty scaling the proposal to sufficient levels.