

The Impact of Keeping New Hampshire's State and Local Government Public Funds in Banks in New Hampshire

(Updated April 2024)



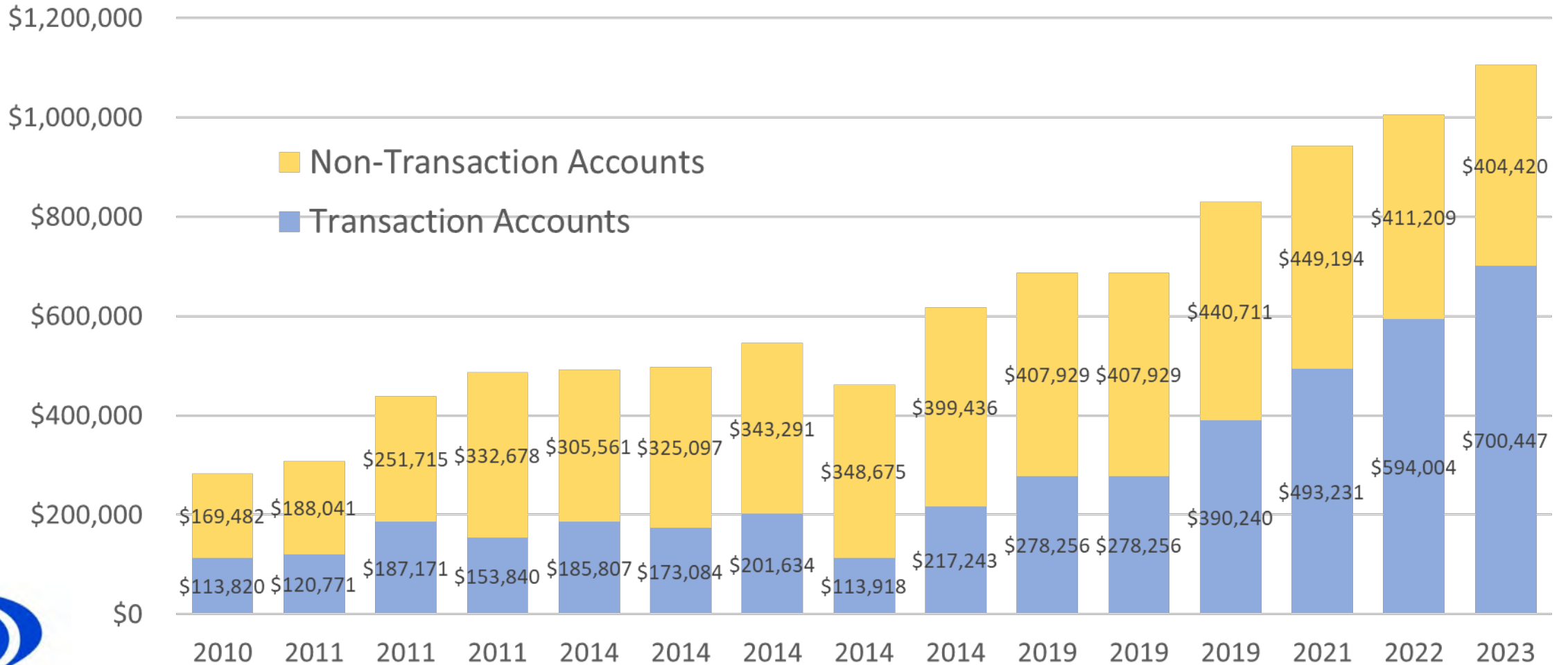
Where New Hampshire's State and Local Governments and Agencies Deposit Public Funds is an Important Economic Issue for Communities and the State

- There are no claimed or actual benefits for local businesses or local and the state's economy from \$600 Million of NH PDIP investments Outside of New Hampshire
- Purported benefit of PDIP investments is higher yields – but it is unclear if, or by how much, yields are actually higher
- In contrast, keeping deposits in banks in New Hampshire:
 - Strengthens local banks and uses funds generated from businesses and households in the state to stimulate local and the state's economy
 - Increases availability of credit to local businesses and households
 - Supports increased investment by local businesses
 - Increases local economic activity and state and local tax and fee revenue, helping to replace revenues from recent tax repeals and rate cuts
 - All while providing yields on public deposits at or near PDIP Yields
 - Combined, interest income, and economic and revenue impacts, are the true "yield" on public funds deposited in banks in New Hampshire



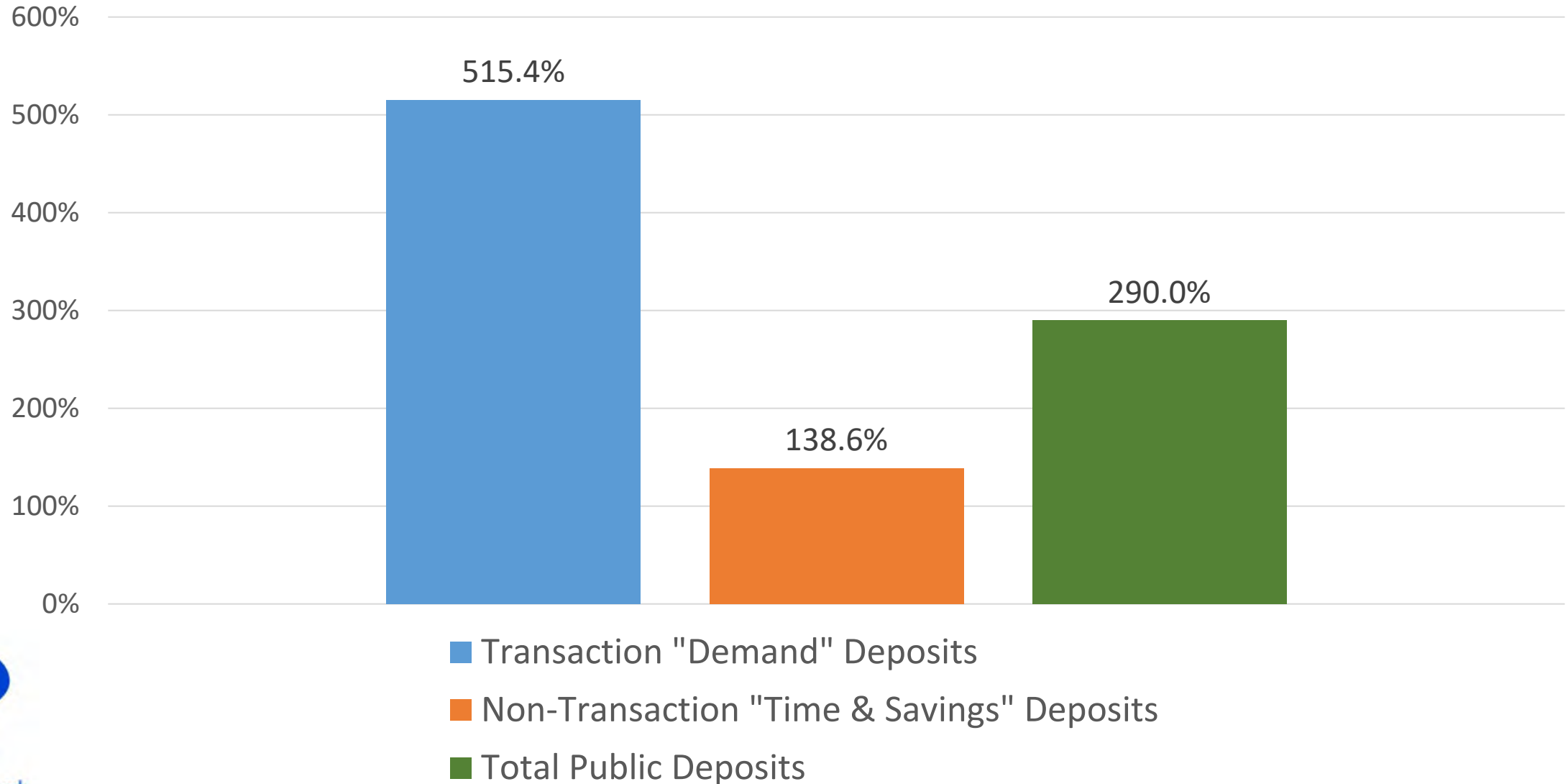
“Excess Public Funds” in New Hampshire Banks Have Grown More Slowly as More are Invested With the NH Public Deposit Investment Pool

Growth in Public Funds Deposited in NH Headquartered Banks



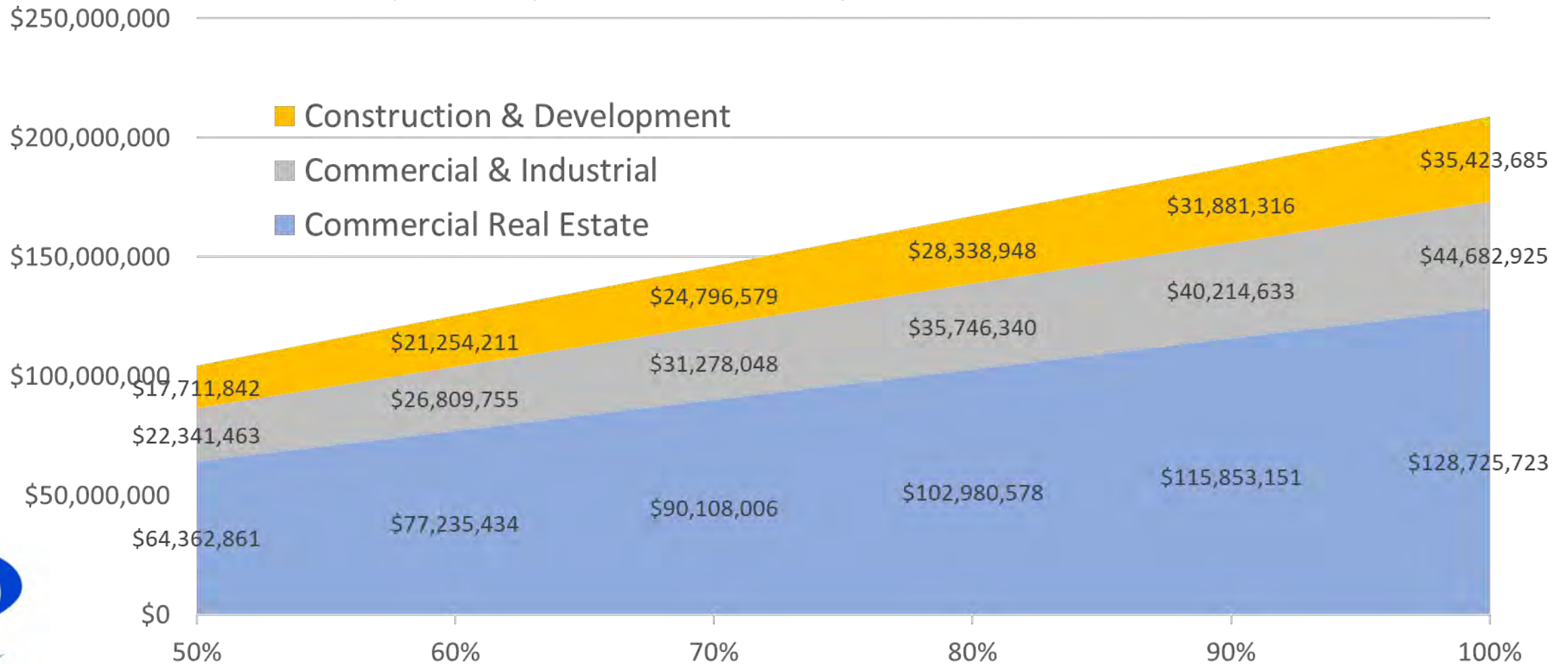
“Excess” Public Funds Deposited in New Hampshire Banks Have Grown Much More Slowly and Increasingly Have been “Invested” Outside of the State

Growth in Public Funds Deposited in NH Banks by Type of Deposit (2010 to 2023)



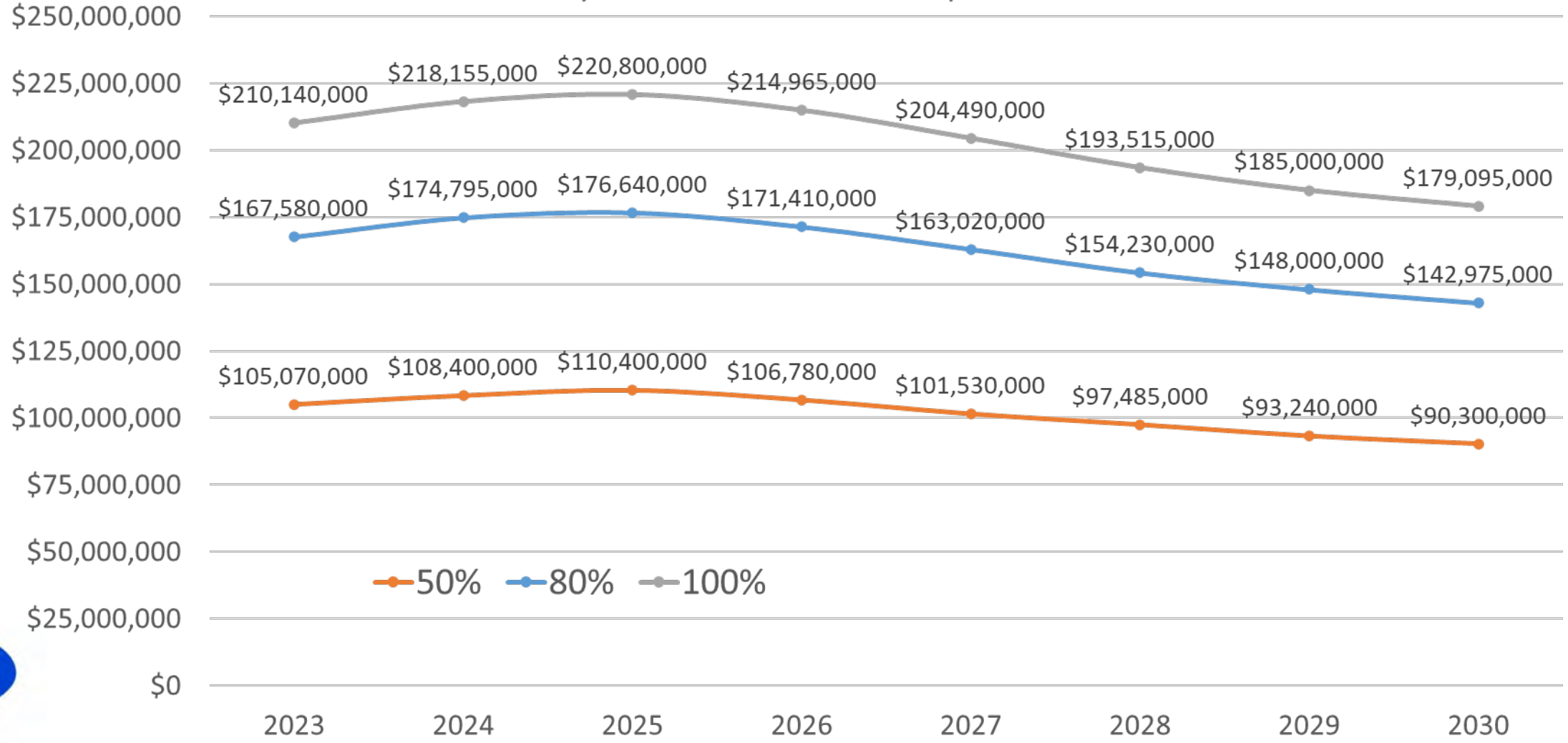
90% of Deposits in NH Banks are Used to Make Loans. Based on Historical Data, 34% are Loans to Businesses. If all Funds in the NHPDIP Were Deposited in NH Banks, an Additional \$209 Million in Business Credit Would be Made Available

Additional Lending Supported by Retaining Public Deposits in New Hampshire
(by Percentage of NH PDIP Funds Deposited in NH Banks)

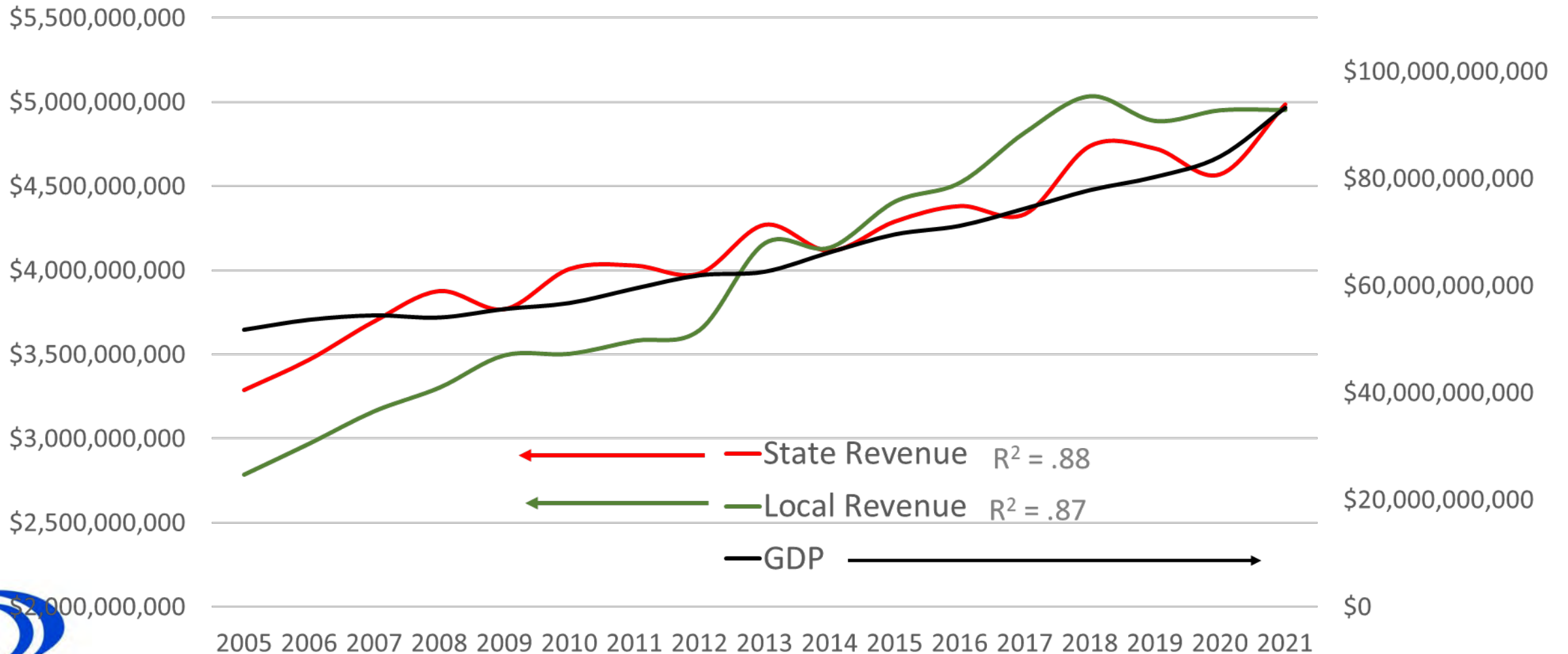


If all Public Funds in the NHPDIP Moved to Banks Located in New Hampshire, Greater Business Lending and Investment Would Increase State GDP by as Much as \$221 Million

Increase in GDP by % of NH PDIP Funds Deposited in Banks in NH

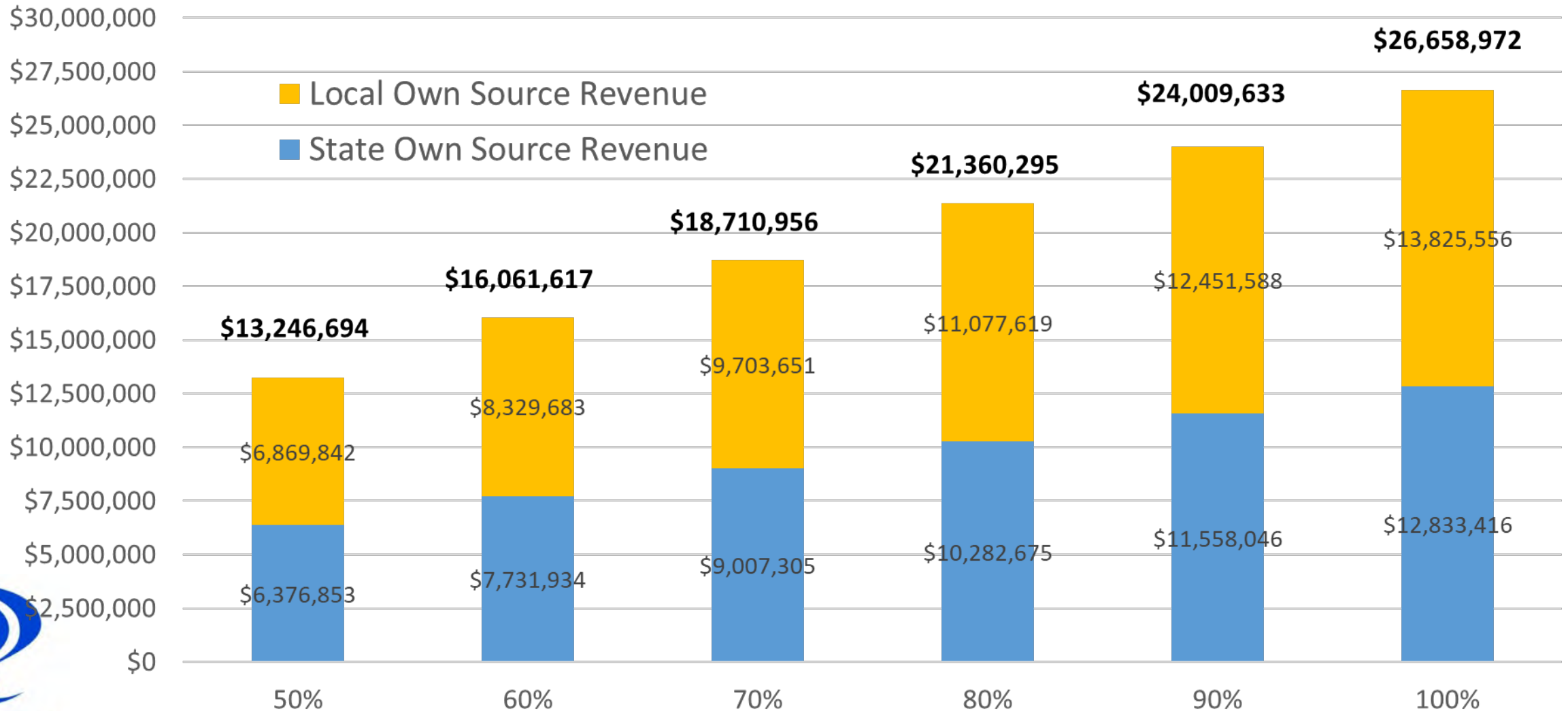


There is a Strong Relationship Between Changes in New Hampshire Gross Domestic Product and State and Local “Own Source” Revenue (2005 to 2021)



Change in State and Local Government Revenue in 2024 Resulting From Increased Public Funds Deposited in New Hampshire Banks and Depending on the Percentage of NH PDIP Investments Moved to Banks in New Hampshire

Increase in State & Local Revenue by % of NH PDIP Funds Deposited in NH Banks



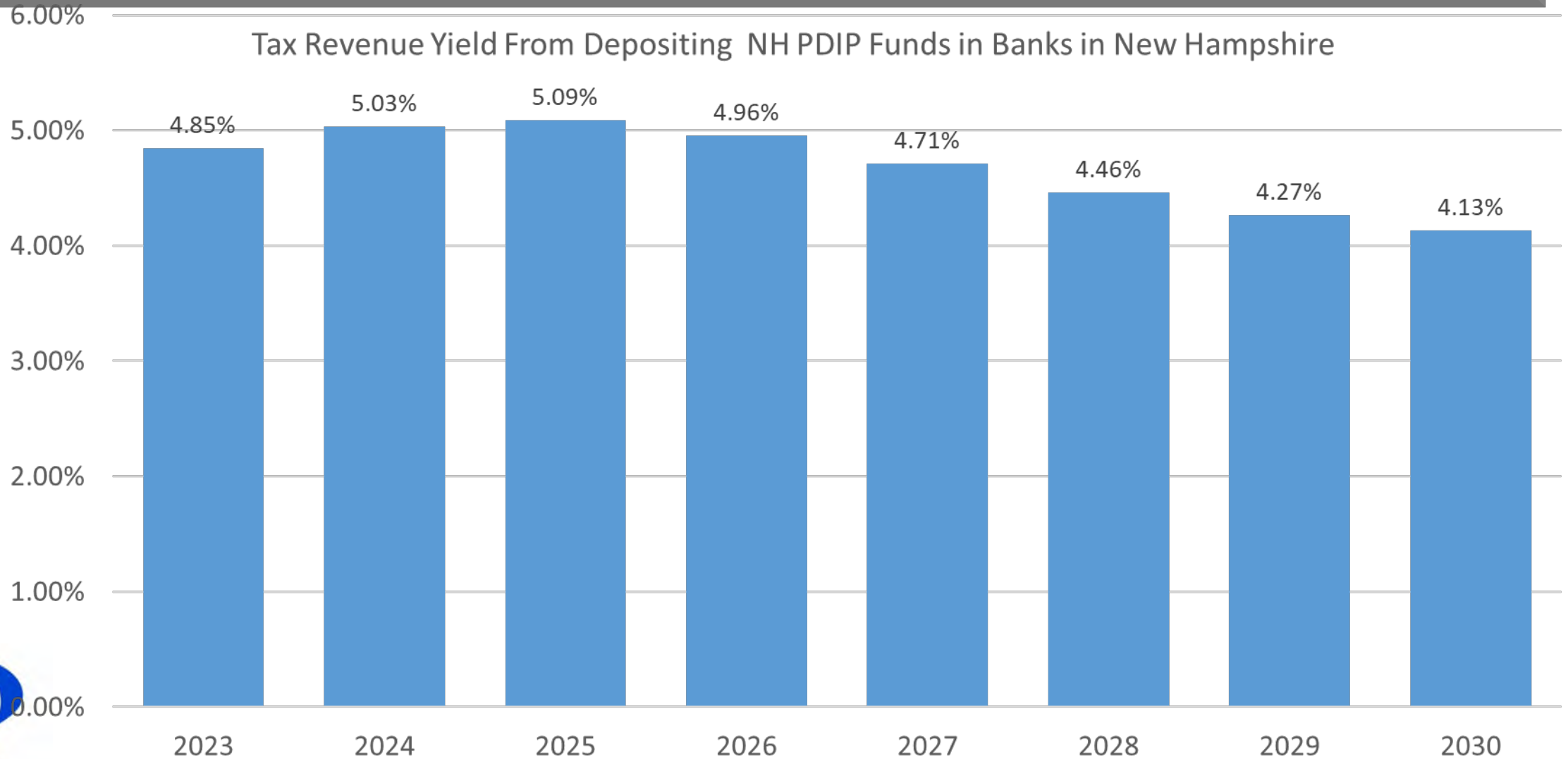
Over the Next Five Years, State Government Would Gain an Additional \$62 Million in Revenue, Local Government \$67 Million, if all Public Funds Invested With the NH PDIP Were Instead Deposited in New Hampshire Banks

Distribution of Estimated Revenue Resulting From Moving all Public Deposits in NHPDIP to Banks in New Hampshire

| State Revenue | 2024 | 2025 | 2026 | 2027 | 2028 | Totals |
|--------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------|
| Business Taxes | \$5,119,297 | \$5,181,366 | \$5,044,439 | \$4,798,629 | \$4,541,087 | \$24,684,817 |
| Meals and Rentals Tax | \$1,295,582 | \$1,311,290 | \$1,276,637 | \$1,214,427 | \$1,149,250 | \$6,247,186 |
| Tobacco Tax | \$885,273 | \$896,007 | \$872,328 | \$829,821 | \$785,284 | \$4,268,713 |
| Liquor Commission | \$517,257 | \$523,528 | \$509,694 | \$484,856 | \$458,834 | \$2,494,169 |
| Insurance Tax | \$637,625 | \$645,355 | \$628,301 | \$597,684 | \$565,607 | \$3,074,572 |
| Communications Tax | \$113,861 | \$115,242 | \$112,197 | \$106,730 | \$101,001 | \$549,032 |
| Real Estate Transfer Tax | \$835,663 | \$845,794 | \$823,442 | \$783,317 | \$741,276 | \$4,029,494 |
| State Property Tax | \$1,069,891 | \$1,082,864 | \$1,054,247 | \$1,002,875 | \$949,051 | \$5,158,928 |
| All Other Revenue Sources | \$2,358,967 | \$2,387,568 | \$2,324,473 | \$2,211,204 | \$2,092,529 | \$11,374,741 |
| State Government Totals | \$12,833,416 | \$12,989,015 | \$12,645,758 | \$12,029,543 | \$11,383,919 | \$61,881,651 |
| Local Revenue | 2024 | 2025 | 2026 | 2027 | 2028 | Totals |
| Property Tax | \$11,686,723 | \$11,828,418 | \$11,515,833 | \$10,954,680 | \$10,366,740 | \$56,352,393 |
| Other Taxes | \$289,924 | \$293,439 | \$285,684 | \$271,763 | \$257,177 | \$1,397,988 |
| Charges and Fees | \$1,848,909 | \$1,871,326 | \$1,821,873 | \$1,733,096 | \$1,640,080 | \$8,915,284 |
| Local Government Totals | \$13,825,556 | \$13,993,183 | \$13,623,390 | \$12,959,539 | \$12,263,997 | \$66,665,665 |
| Grand Total | \$26,658,972 | \$26,982,198 | \$26,269,148 | \$24,989,082 | \$23,647,916 | \$128,547,316 |

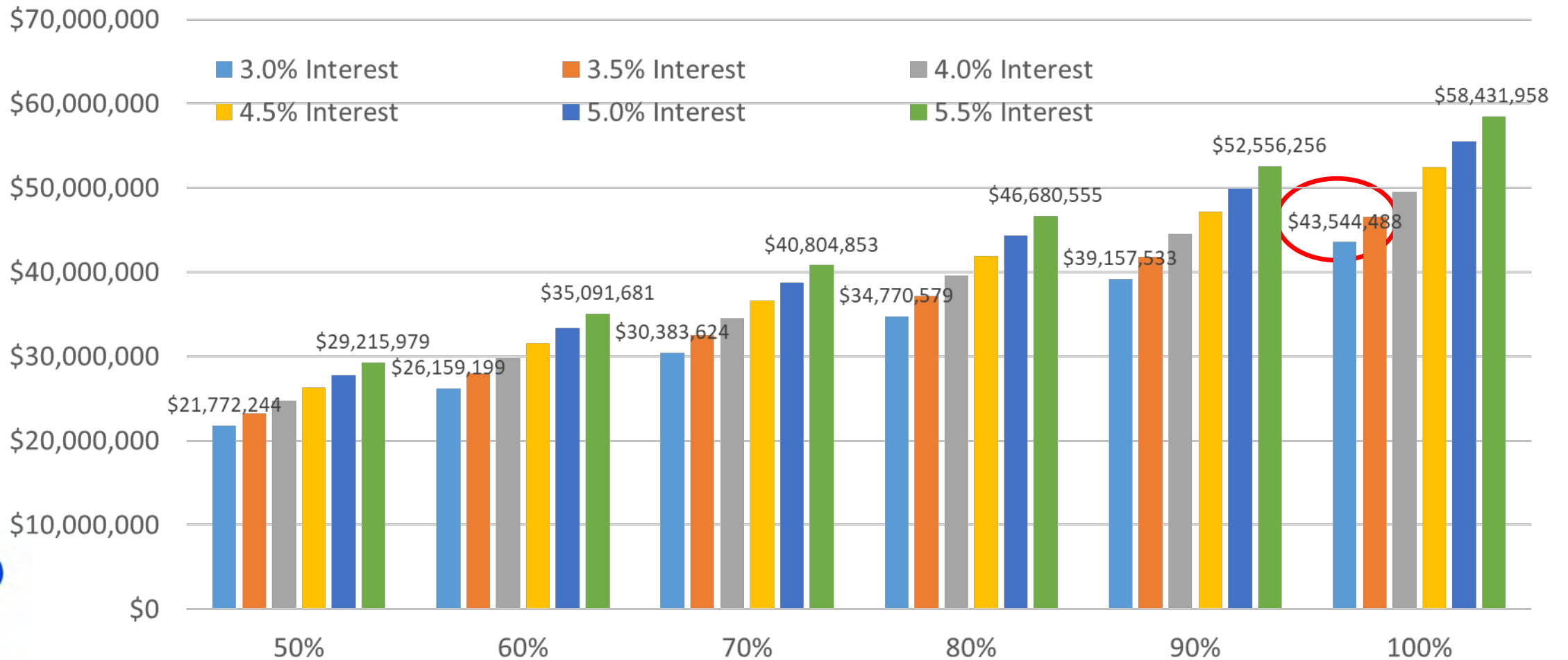


The Implied Return on Investment (Yield), in the Form of Increased Government Revenue, is Nearly Equal to the Yield on PDIP Investments – Even Without Interest Earned on the Deposits in NH Banks



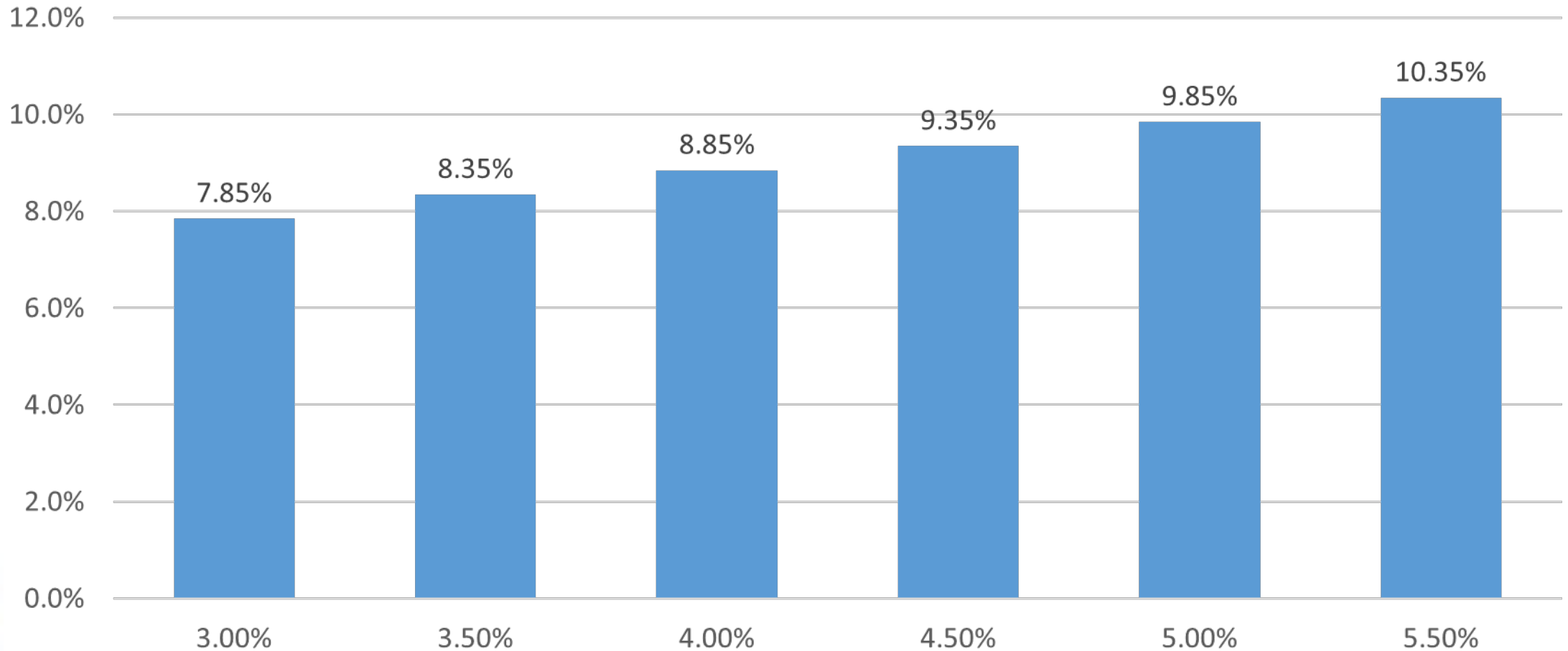
The Combined Return (Interest on Deposits and State and Local Tax Revenue) on Public Funds Deposited in NH Exceeds the Yield on PDIP Deposits, Even if Interest Rates are Low

Combined Yield on Public Funds in NH Banks at Different Interest Rates and % of PDIP Investments Moved to NH Banks



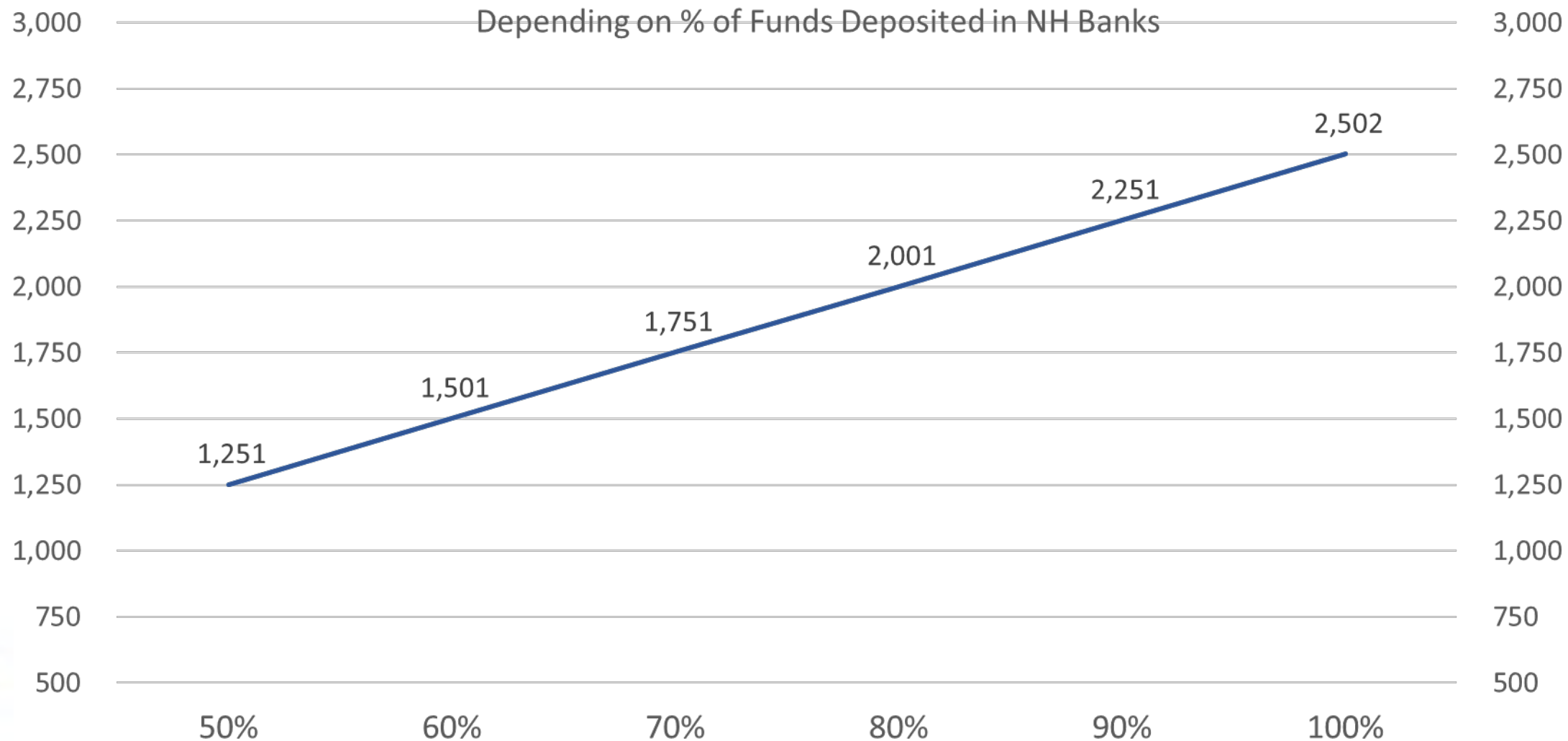
At Almost Any Bank Interest Rate, the Combined Yield (Interest and Tax Revenue) Exceeds the Yield on PDIP Investments

Combined Yield on Public Funds Deposited in New Hampshire Banks at Different Bank Interest Rates

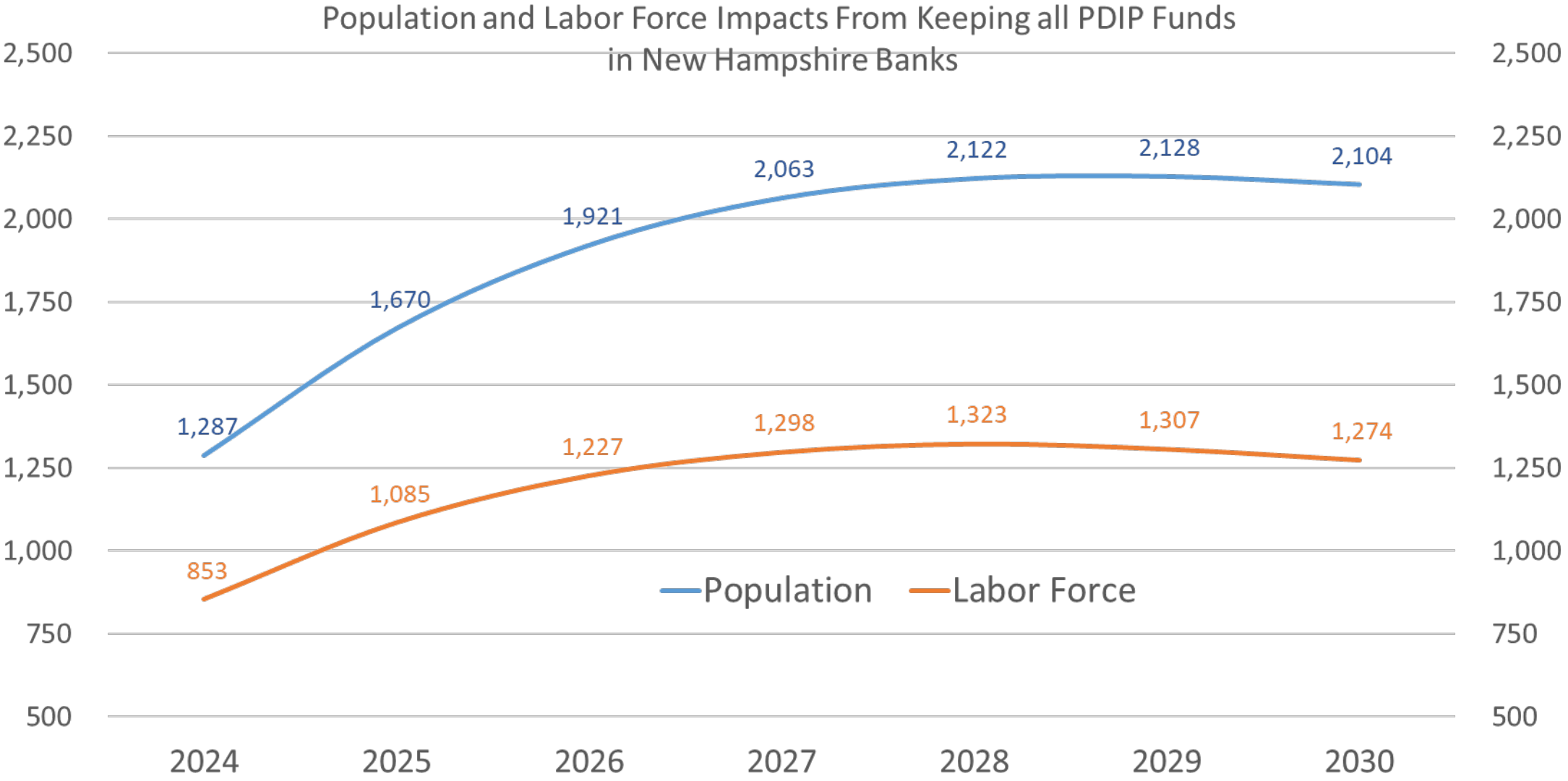


New Hampshire Would Have Over 2,500 More Jobs in 2024 if all PDIP Funds Were Deposited in New Hampshire Banks

2024 Job Impacts From Keeping PDIP Funds in New Hampshire Banks
Depending on % of Funds Deposited in NH Banks



Keeping Public Funds in New Hampshire Will Increase the State's Population and Labor Force as Employment Opportunities Increase



Along With More Jobs in the State, Personal Income Will Increase as Much as \$1.7 Billion by 2030 if all NH PDIP Public Funds are Deposited in Banks in New Hampshire

**Personal Income Impacts From Increased Public Deposits in NH Banks
(Depending on % of NH PDIP Funds Deposited in NH Banks)**

| Year | 50% | 60% | 70% | 80% | 90% | 100% |
|---------------|----------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| 2023 | \$94,818,359 | \$113,846,327 | \$132,965,547 | \$152,085,533 | \$171,206,285 | \$190,327,803 |
| 2024 | \$105,740,438 | \$126,902,325 | \$148,080,111 | \$169,259,019 | \$190,439,047 | \$211,620,196 |
| 2025 | \$112,204,022 | \$134,656,095 | \$157,118,607 | \$179,582,592 | \$202,048,192 | \$224,515,281 |
| 2026 | \$113,191,264 | \$135,837,518 | \$158,488,748 | \$181,141,563 | \$203,796,059 | \$226,452,147 |
| 2027 | \$111,021,902 | \$133,231,625 | \$155,442,395 | \$177,654,683 | \$199,868,569 | \$222,083,977 |
| 2028 | \$107,622,309 | \$129,150,050 | \$150,676,225 | \$172,203,745 | \$193,732,675 | \$215,262,950 |
| 2029 | \$104,471,266 | \$125,367,355 | \$146,260,370 | \$167,154,522 | \$188,049,867 | \$208,946,348 |
| 2030 | \$102,064,580 | \$122,478,402 | \$142,888,493 | \$163,299,500 | \$183,711,472 | \$204,124,359 |
| Totals | \$851,134,140 | \$1,021,469,697 | \$1,191,920,496 | \$1,362,381,157 | \$1,532,852,166 | \$1,703,333,061 |



Conclusions

- The fiscal and economic impacts of depositing public funds in banks in New Hampshire make a compelling case for funds to be deposited in banks rather than invested nationally and internationally through the NHPDIP
- The combined “yield” (interest income and tax revenue) on public funds deposited in banks in New Hampshire is significantly higher than the yield on public funds invested in the NHPDIP
- Unlike funds in NHPDIP, deposits in banks in New Hampshire:
 - Increase credit availability – especially to small business in the state
 - Increase business investment in the state
 - Increase the state’s gross domestic product
 - Increase state and local tax and fee revenue
 - Increase jobs, population, labor force, and personal income in New Hampshire

