BUDGET PROCESS OVERVIEW

Common Themes and Today’s Debates

Phil Sletten, Policy Analyst
New Hampshire Fiscal Policy Institute

Presentation to
Antioch University of New England’s
Environmental Advocacy: Methods
April 5, 2017
New Hampshire Fiscal Policy Institute: Mission

Founded in 2009, the New Hampshire Fiscal Policy Institute (NHFPI) is an independent nonprofit organization dedicated to exploring, developing, and promoting public policies that foster economic opportunity and prosperity for all New Hampshire residents, with an emphasis on low- and moderate-income families and individuals.
The Basics of the Budget

- **Biennial operating budget**
  - Pays for two State fiscal years of State operating expenses
  - State fiscal year 2017: July 1, 2016 to June 30, 2017
  - Includes most State spending

- **Comprised of two separate pieces of legislation**
  - House Bill 1 or “HB 1”: the line-item appropriations, amount of money in each component of state programs
  - House Bill 2 or “HB 2”: the companion or “trailer” bill with policy changes

- **Constructed in five phases**

- **Current operating budget**: $11.4 billion for two years
Looking Inside the Budget: The Funds

Budget-Identified Funds by Magnitude
State Fiscal Year (SFY) 2017

- General Fund 25.0%
- Education Trust Fund 17.0%
- Other Funds 19.5%
- Federal Funds 30.3%
- Lottery Commission Fund 0.2%
- Fish and Game Funds 0.3%
- Turnpike Funds 2.8%
- Liquor Fund 1.1%
- Highway Funds 3.9%

Source: 2015 Session, HB 1
Looking Inside the Budget: Federal Funds Examples

- Medicaid ($2 billion in SFY 2016, 29 percent of all State expenditures)
- Federal transportation aid
- Education aid
  - Special education
  - School lunch program
  - Professional development
- Water pollution and infrastructure funds
- Temporary Assistance for Needy Families (TANF)
- Women, Infants, and Children Nutrition Program (WIC)
- Food Stamps/Supplemental Nutrition Assistance Program (SNAP)
- New Hampshire Hospital psychiatric services
- The Fuel Assistance Program
- Infectious disease control emergency preparedness
- Many other programs and grants
Overall Budget: Annual Changes Over Time

State Budget Appropriations

Sources: HB 1 as approved, Sessions 2005 to 2015; Governor's Proposed Budget for Session 2017

State Fiscal Year

Governor's Proposal

Billions of Nominal Dollars

General Funds  Total other Funds  Federal Funds

New Hampshire Fiscal Policy Institute
# Overall Budget: Changes Across Biennia

## Percent Changes Across State Budgets

<table>
<thead>
<tr>
<th>Biennium</th>
<th>General Fund Change</th>
<th>Federal Funds Change</th>
<th>Total Biennial Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008-2009</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2010-2011</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2012-2013</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2014-2015</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2016-2017</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2018-2019</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Sources: HB 1 as approved, Sessions 2005 to 2015; Governor’s Proposed Budget for Session 2017

- Bars represent the percent change from prior biennium.
- Green bars indicate General Fund changes.
- Blue bars indicate Federal Funds changes.
- Grey bars indicate Total Biennial changes.

### Governor’s Proposal

- Percent Change from Prior Biennium:
  - 2008-2009: 15%
  - 2010-2011: 25%
  - 2012-2013: -10%
  - 2014-2015: 5%
  - 2016-2017: 0%
  - 2018-2019: 10%
Looking Inside the Budget: General and Education Trust Funds

General and Education Trust Fund Revenue
Inflation-adjusted dollars

State Fiscal Year
Looking Inside the Budget: Agency Funding Streams Examples

Funding Streams for Selected Departments
SFY 2017

Department
Health and Human Services  Environmental Services  Transportation  Education  Safety  Resources and Economic Development

Source: Chapter 275 (HB1), Laws of 2015

- General
- Federal
- Highway
- Turnpike
- Other
Looking Inside the Budget: The Categories

**Appropriations by Category**

SFY 2017
Source: 2015 Session, HB 1

- General Government: 9.1%
- Justice and Public Protection: 10.6%
- Resource Protection and Development: 5.1%
- Transportation: 10.3%
- Health and Social Services: 39.8%
- Education: 25.0%
Looking Inside the Budget: The Categories Over Time

Resource Protection and Development
Nominal Funds
General Fund Peak: SFY09
Total Peak: SFY10

State Fiscal Year
Source: HB 1 State Budgets as enacted, SFYs 2006-2017

- General Fund
- Total other funds

Resource Protection and Development
Real Funds
General Fund Peak: SFY08
Total Peak: SFY10

State Fiscal Year
Sources: HB 1 State Budgets as enacted, SFYs 2006-2017; Bureau of Labor Statistics

- General Fund
- Total other funds
Aid to Local Governments: Education

**Education Aid to Local Governments**
Nominal Dollars

State Fiscal Year
Source: LBA Budget Orientation, January 2017

- Other Education Aid
- Adequate Education Grants

**Education Aid to Local Governments**
Real Dollars

State Fiscal Year
Source: LBA Budget Orientation, January 2017

- Other Education Aid
- Adequate Education Grants
Aid to Local Governments: Non-Education

Non-Education Aid to Local Governments
Nominal Dollars

Non-Education Aid to Local Governments
Real Dollars

Source: LBA Budget Orientation, January 2017

- Highway
- Retirement Normal Contribution, Police And Fire
- Tax Revenue Sharing
- Environmental

New Hampshire Fiscal Policy Institute
The Budget’s Companion: House Bill 2

- Simply another bill, usually an omnibus bill
- Exists due to the New Hampshire Constitution, Part Second, Article 18-a:
  - “All sections of all budget bills before the general court shall contain only the operating and capital expenses for the executive, legislative and judicial branches of government…”
- Typically includes changes needed to execute new budget lines
- May include:
  - Changes to statute, such as new or altered programs
  - Extensions of program suspensions
  - Provisions temporary by design
  - Additional appropriations or reductions
- Not to be confused with the “back” of House Bill 1, which may include changes to agency funding levels not reflected in line items
- “Back of the budget” changes in appropriations may happen in the back of House Bill 1, House Bill 2, or be assumed lapses in the surplus statement
Looking Outside the Budget

- The Capital Budget
- The Ten Year Transportation Improvement Plan
- New Hampshire Health Protection Program
  - Nearly $406 million in federal dollars for SFY 2016
  - Funded by federal transfers (95 percent in calendar year 2017, reducing over time) and contributions from hospitals
- Joint Legislative Fiscal Committee
  - Approves revenues from outside transfers, such as payment from lawsuits
  - Considers spending decisions during budget duration, such as new federal programs
  - Approves additional revenue, usually about $200 million per biennium
  - This biennium through November 2016, more than $500 million approved
  - About $5.6 million through January 2017 was new General Fund spending
The Process: Mechanics of Building the Budget

State Budget Process Timeline

<table>
<thead>
<tr>
<th>State Agency Phase</th>
<th>Governor's Phase</th>
<th>House Phase</th>
<th>Senate Phase</th>
<th>Committee of Conference</th>
</tr>
</thead>
<tbody>
<tr>
<td>August 1</td>
<td>October 1</td>
<td>February 15</td>
<td>April 6*</td>
<td>June 1*</td>
</tr>
<tr>
<td>Governor's Office Provides Spending Targets</td>
<td>Agencies Submit Budget Requests</td>
<td>Final Day for Governor to Submit Budget to Legislature</td>
<td>Final Day for House Vote on State Budget; Crossover Day</td>
<td>Final Day for Senate Vote on State Budget</td>
</tr>
</tbody>
</table>

*Dates set by legislative leadership for 2017 session; all other dates specified in statute.
The Process: Agency Budget Process Changes

- First budget cycle with new “Efficiency budget” process
- Prior budget requests were “Maintenance” and “Change”
- Governor would often ask for an additional version of the budget with reductions or level changes
- Efficiency budget designed to have agency requests match expected revenue
- Agency receives targets, efficiency budget matches target, anything else “Additional Prioritized Needs”
The Process: Health and Human Services Agency Budget

Comparing Budgets: Department of Health and Human Services

Sources: Chapter 275 (HB 1), Laws of 2015; Agency Budget Requests and Governor’s Executive Budget Proposal (SFYs 2018-2019)
The Process: The House and Senate

- House Finance Committee breaks into three Divisions, each handling a large, dedicated section of the budget.
- Divisions vote on sections, bring budget together for full Finance vote (March 30).
- Goes to full House, can be amended there (April 6).
- Senate Finance then crafts its version, goes on to full Senate (June 1).
- Committee of Conference used to iron out disagreements (June 22).

<table>
<thead>
<tr>
<th>House Finance Divisions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Division I</strong></td>
</tr>
<tr>
<td>• General Government</td>
</tr>
<tr>
<td>• Justice and Public Protection</td>
</tr>
<tr>
<td>• Resource Protection and Development</td>
</tr>
<tr>
<td>• Does not include the Departments of Safety or Fish and Game</td>
</tr>
<tr>
<td><strong>Division II</strong></td>
</tr>
<tr>
<td>• Transportation</td>
</tr>
<tr>
<td>• Education</td>
</tr>
<tr>
<td>• Includes the Departments of Safety and Fish and Game</td>
</tr>
<tr>
<td><strong>Division III</strong></td>
</tr>
<tr>
<td>• Health and Social Services</td>
</tr>
</tbody>
</table>
Projecting Revenue:
Five Different Sets of Projections

- Governor’s Supplied Estimates to Agencies (August 1)
- Governor’s Budget Proposal (February 15)
- House Ways and Means Projections for House Budget (March)
- Senate Ways and Means Projections for Senate Budget (May)
- Committee of Conference for Final Legislative Budget (June)
Projecting Revenue and Budgeting Patterns

Changes to the Total Budget, 2015 Session

<table>
<thead>
<tr>
<th>Budget Proposal Stage</th>
<th>Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agency Maintenance</td>
<td>$12.2</td>
</tr>
<tr>
<td>Agency Total</td>
<td>$12.5</td>
</tr>
<tr>
<td>Governor</td>
<td>$11.5</td>
</tr>
<tr>
<td>House</td>
<td>$11.2</td>
</tr>
<tr>
<td>Senate</td>
<td>$11.3</td>
</tr>
<tr>
<td>Committee of Conference</td>
<td>$11.4</td>
</tr>
</tbody>
</table>

Source: Office of Legislative Budget Assistant 2015 Session Budget Documents
Projecting Revenue and Budgeting Patterns

Changes to the Total Budget, 2013 Session

Budget Proposal Stage
Source: Office of Legislative Budget Assistant 2013 Session Budget Documents
Projecting Revenue and Budgeting Patterns

Changes to the Total Budget, 2011 Session

<table>
<thead>
<tr>
<th>Budget Proposal Stage</th>
<th>Billions of Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agency Maintenance</td>
<td>$12.4</td>
</tr>
<tr>
<td>Agency Total</td>
<td>$12.8</td>
</tr>
<tr>
<td>Governor</td>
<td>$10.8</td>
</tr>
<tr>
<td>House</td>
<td>$10.4</td>
</tr>
<tr>
<td>Senate</td>
<td>$10.5</td>
</tr>
<tr>
<td>Committee of Conference</td>
<td>$10.5</td>
</tr>
</tbody>
</table>

Source: Office of Legislative Budget Assistant 2011 Session Budget Documents
Projecting Revenue and Budgeting Patterns

Budget Biennium Totals

Billions of Dollars

<table>
<thead>
<tr>
<th>Budget Version</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enacted SFY 2016-2017</td>
<td>$11.4</td>
</tr>
<tr>
<td>Agency Efficiency Request</td>
<td>$12.3</td>
</tr>
<tr>
<td>Agency Total Request</td>
<td>$12.6</td>
</tr>
<tr>
<td>Governor's Proposal</td>
<td>$12.2</td>
</tr>
<tr>
<td>House Finance Committee Proposal</td>
<td>$11.9</td>
</tr>
</tbody>
</table>

Sources: Chapter 275 (HB 1), Laws of 2015; Agency Budget Requests, Governor’s Executive Budget Proposal, and House Finance to Governor LBA Compare (SFYs 2018-2019)
Key Issues Surrounding the State Budget: The 2017 Legislative Session

- Full-day kindergarten
- Aid to municipalities (infrastructure, property tax relief, etc.)
- Funding for clinical, nursing, and aid worker compensation
- Alcohol Abuse Prevention and Treatment Fund
- State retiree health insurance cost sharing
- Higher education funding and scholarship initiatives
- Tax law changes
- Local school district education funding
- Federal transfers through the Joint Legislative Fiscal Committee
- Surplus?
Additional Resources

- The Governor’s Proposed Budget: http://nhfpi.org/research/state-budget/governor-sununus-proposed-budget.html
- NHFPI NH State Budget page: http://nhfpi.org/resources/nh-state-budget
- Office of Legislative Budget Assistant: http://www.gencourt.state.nh.us/LBA/
- Department of Administrative Services Budget Office: https://das.nh.gov/budget/index.asp
- Department of Administrative Services Revenue Reports: https://das.nh.gov/accounting/revenue_reports.asp
- Department of Health and Human Services Budget Materials: http://www.dhhs.nh.gov/ocom/budget.htm
- New Hampshire General Court (State Legislature): http://www.gencourt.state.nh.us/
QUESTIONS?

THANK YOU FOR YOUR TIME

New Hampshire Fiscal Policy Institute
64 North Main Street, 3rd Floor
Concord, NH 03301
603-856-8337
www.nhfpi.org
info@nhfpi.org