



# **BUILDING THE BUDGET**

## **New Hampshire's State Budget Process and Recent Funding Trends**

February 2017



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Founded in 2009, the New Hampshire Fiscal Policy Institute (NHFPI) is an independent, non-profit, non-partisan 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. Based in Concord, NHFPI produces regular reports on the fiscal and economic challenges facing New Hampshire and strives to serve as a resource to anyone interested in meeting those challenges.

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## EXECUTIVE SUMMARY

Building the New Hampshire State Budget is a long process, beginning when the State government is not even halfway through the duration of the previous State Budget and usually ending in that previous budget's final days, approximately a year later. The process includes five major phases, challenging jargon, unwritten norms, multiple revenue estimates, and several different versions of expenditure plans and revenue expectations. But understanding the State Budget is more than just learning the process; it is key to understanding our priorities and values as a State. The State Budget reflects the discussions and debates in our communities and provides the most comprehensive set of public investment choices New Hampshire makes.

This document provides a guide to the process of building the State Budget, its organizational structure, and the terminology used. It also summarizes the aggregate results of the State Budget process by examining recent trends in funding allocated to broad policy areas, certain large agencies, and local governments. These trends have certain consistent patterns. Spending rose overall during the immediate aftermath of the Great Recession, in large part due to increased federal transfers, but generally declined in the years following the first post-Recession State Budget. Adjusting for inflation reveals some agencies and policy areas funded at lower than their pre-Recession levels, while others, including transportation and education, have experienced a relatively steady erosion due to both external factors and policy choices. Other agencies have had relatively stable appropriations. However, inflation adjustments based on the broader economy may not reflect changes in agency commitments or magnified cost changes in sectors important to a specific agency's operations. Non-education aid to local governments has declined substantially.

### Process Summary

Ahead of and during the 2017 legislative session, the process of building the State Budget requires the following steps, in some cases by statutory deadlines or target dates set by the Legislature's leadership:

- **August 1:** The Governor's office must provide spending targets to State agencies based on forecasted revenue.
- **October 1:** State agencies must submit their proposed efficiency budgets and additional prioritized needs to the Department of Administrative Services.
- **November 1:** The Department of Administrative Services must combine the proposed efficiency and additional prioritized needs budgets from the individual State agencies into the full Tentative Budget.
- **No later than December:** The Governor holds agency budget hearings and must invite the Governor-elect. In 2016, these were held on November 18, 21, and 22, ahead of the legally-required date.
- **February 15:** The Governor must propose a draft State Budget to the Legislature. In 2017, the Governor presented the proposed State Budget on February 9.

- The House Finance Committee receives the Governor’s proposed budget as House Bill 1 (which lays out the dollars per each line item) and House Bill 2 (which includes law changes paired with the budget).
- The House Finance Committee splits into three Divisions to tackle different sections of the State Budget proposal:
  - Division I: General Government, Justice and Public Protection, and Resource Protection and Development, without the Departments of Safety and Fish and Game
  - Division II: Transportation, Education, and the Departments of Safety and Fish and Game
  - Division III: Health and Social Services
- The three Divisions work separately on their sections of the State Budget, and combine them for consideration by the full House Finance Committee.
- The House Ways and Means Committee estimates revenue for the next two years.
- **March 30:** The House Finance Committee makes a recommendation to the full House of Representatives after working on the combined three sections of the State Budget. This deadline is set by legislative leadership.
- The full House of Representatives considers and may amend the House Finance Committee’s recommendations.
- **April 6:** The House of Representatives must act on the State Budget by this “budget crossover” day. The State Budget then goes to the Senate Finance Committee. This date is set by legislative leadership.
- The Senate Ways and Means Committee generates its revenue estimates.
- The Senate Finance Committee amends the State Budget and reports to the full Senate.
- **June 1:** The Senate must vote on all House Bills, including the State Budget. If the State Budget is not the same as the version passed by the House, the two chambers form a Committee of Conference at the request of the House.
- **June 8:** The Committee of Conference must be formed. This Committee agrees on the revenue estimates and spending decisions of a final, single, proposed State Budget.
- **June 22:** Both the House and Senate must act on the Committee of Conference proposed State Budget. The State Budget goes to the Governor for signature or veto; the Governor may also let the budget become law without a signature in certain circumstances.
- **July 1:** The new State Budget goes into effect.

## **BUILDING THE BUDGET: INTRODUCTION**

Building the State Budget is a long process, beginning when the State government is not even halfway through the duration of the previous State Budget and usually ending in that previous budget's final days. The process involves State agencies, the Governor, the State Legislature, and various stakeholders as the hefty documents that comprise the State Budget are constructed and considered by policymakers. The process includes arcane and unclear phrases, unwritten norms, multiple revenue estimates, several different versions of expenditure plans and revenue expectations, and the opportunity for policy changes that have no connection to State spending. The recent history of the State Budget provides examples of both incremental and dramatic changes, with different policymakers reacting in divergent ways to economic challenges, public health concerns, legal requirements, provision of educational aid, and infrastructure needs. Learning the State Budget process and recent trends is critical for understanding the origins of New Hampshire's governing structure and provides key insights into the decisions of policymakers today; this document seeks to explain that process and some of those recent trends.

But understanding the State Budget is not only important for the sake of following the mechanics during the legislative session. The State Budget is a statement of our priorities, both in the short- and long-term. When we decide, through our elected representatives in the State Legislature, to fund certain programs or activities over others with public dollars, we are directly expressing our values. These decisions are not only between various programs and competing interests, but also between budget cycles and generations. Using one-time funds to balance an operating budget, or deciding to not pay down State debts and other obligations, can shift costs to next legislative session or future generations. Details matter in public policy because they are not mere details for the many people whose lives are directly affected by the choices of our public officials. Directly or indirectly, public policy choices affect everyone in the State. The State Budget provides the most comprehensive set of investment choices, from enforcing State laws to aiding those with developmental disabilities, that we, collectively, make as a State through our elected representatives. It provides direct support to our local schools, the roads we drive daily, our law enforcement, keeping prisons operating, public health efforts and infectious disease responses, the conservation of our natural resources, and much more. Understanding the State Budget is key to understanding how we believe our government should interact with the rest of our society, and understanding the process and past decisions provides insight into how the State Budget has contributed, and can contribute in the future, to the security and prosperity of all New Hampshire residents.

## **BUILDING THE BUDGET: THE PROCESS**

The process of building the State Budget begins in approximately June of every even-numbered year, when the existing budget is not yet halfway through its duration. The year-long process involves every branch of government and straddles an election that can have profound impacts on the size, scope, and direction of the State Budget.<sup>1</sup>

## **An Operating Budget in Two Parts**

When discussing the State Budget, policymakers, analysts, and the news media are usually referring to two separate bills, or changes to law formally proposed by legislators, funding ongoing State operations. In this document, "State Budget" refers to both of these bills together as well.

The first bill, typically introduced into the New Hampshire House of Representatives with the identifier House Bill 1 (also referred to as HB 1), actually sets forth where the money goes. It includes the specific dollar appropriations for each budget line item, grouped by agency.<sup>2</sup> Modifications to items related to government finances, often through budget footnotes, may be included in HB 1,<sup>3</sup> but the State Constitution requires that budget bills only include provisions that establish, amend, or repeal statutory law related to government operating or capital expenses.<sup>4</sup>

House Bill 2 (HB 2) is a second, separate bill, sometimes referred to as the "Trailer Bill." It usually makes changes supporting HB 1 and may include non-financial changes to State law as well.<sup>5</sup> For example, HB 2 for the current operating budget (ending June 30, 2017) included provisions to change the membership of the University System of New Hampshire's Board of Trustees, to temporarily alter the authority of the Liquor Commission, and to consolidate payroll, human resources, and business processing functions into one State agency, among 127 other financial and non-financial items listed.<sup>6</sup>

## **A Plan for Two Fiscal Years**

The State Budget codifies the State's spending plan for operations over a two-year period, also called a biennium.<sup>7</sup> The State Budget is divided into two State Fiscal Years (SFY), defined as July 1 to June 30 and named based on the calendar year in which they end.<sup>8</sup> For example, the SFY beginning July 1, 2017 will be named SFY 2018. In each SFY, agencies have an identified amount of money that they are authorized to spend for specific purposes.<sup>9</sup> For example, listing these specific classes of spending and associated agency totals required 838 pages in the SFYs 2016-2017 State Budget.<sup>10</sup> At the end of the biennium, government agencies must either be authorized to spend money through a new biennial budget or through a temporary budget, such as an extension of the existing operating budget.<sup>11</sup>

Statute requires the State Budget only plan to appropriate as much as estimated revenues; in other words, planned spending must be balanced based upon existing or new expected income. It also may not use borrowed money to fund operating expenses.<sup>12</sup> Revenues come from State taxes, federal grants and transfers, fees and fines, lottery ticket and liquor sales, and a variety of other sources.

## **Expenditures Outside of the State Budget**

Not all expenditures are included in HB 1 and HB 2, which are the pieces of legislation generally referred to as the State Budget. The State has a separate Capital Budget, a six-year budget that is reviewed and updated by the Legislature every two years.<sup>13</sup> The Capital Budget is overseen by different legislative committees than the biennial operating State Budget.<sup>14</sup> The Capital Budget last updated in the 2015 session included, among many other items, construction on the women's prison and the new Merrimack County Superior Courthouse, refurbishing the State House Dome, several roof replacements, repairs to elevators, selected information technology projects, and

dam repairs and reconstruction.<sup>15</sup> Highway and other transportation infrastructure projects are budgeted in the Ten Year Transportation Improvement Plan, a separate law also reviewed by the Legislature and Governor every two years.<sup>16</sup>

State legislators may also, within the revenue estimates projected for the biennium, allocate additional appropriations through individual pieces of legislation. These spending bills, usually targeted at a particular or urgent need, are sometimes called “legislative specials.” They exist outside of the State Budget but still must be constrained by estimated revenues, although the Legislature may alter official estimates in law.<sup>17</sup> For example, in the 2017 session, the Legislature is considering a bill to aid dairy farmers negatively affected by the 2016 drought, tentatively projected to cost \$3.6 million. The appropriations for this bill are not in the State Budget, so this bill, should it be passed, would be an additional appropriation.<sup>18</sup>

Additionally, other transfers across revenue appropriations may be made while the State Budget is in effect by State agencies if the transfer is less than \$75,000, or, if the change is greater than that amount, with approval by the Joint Legislative Fiscal Committee, the Governor, and the Executive Council.<sup>19</sup> The Fiscal Committee, in conjunction with the Governor and Executive Council, may also make certain additional appropriations and accept federal funds without altering the State Budget.<sup>20</sup> The Fiscal Committee has approved more than \$500 million in additional spending during the SFYs 2016-2017 State Budget’s duration through November 2016, but most of those additions involve accepting federal transfers or money from other sources. Usually, this figure is closer to \$200 million, but several large grants and settlements boosted this biennium’s total. Only about \$5.6 million approved by the Fiscal Committee has been new spending sourced from the State’s General Fund in the SFYs 2016-2017 biennium through January 2017.<sup>21</sup> The New Hampshire Health Protection Program, which totaled nearly \$406 million in expenditures from all sources in SFY 2016, is also not included in the SFYs 2016-2017 State Budget or in the Fiscal Committee total, as it was passed through separate legislation, uses voluntary contributions to meet a federal matching requirement, and deposits federal dollars directly into a separate fund outside of the State Budget.<sup>22</sup>

## **The Five Phases**

Over the course of the year leading up to the scheduled enactment, the State Budget goes through five primary phases of development, and in each phase requires the input of different decision-makers, with several iterative checks and feedback mechanisms. While elected legislators and the Governor’s decision to approve or veto a budget have the final authority, State agencies and the Governor’s staff have significant influence over the end product in most budgets.

### *1. The State Agency Phase*

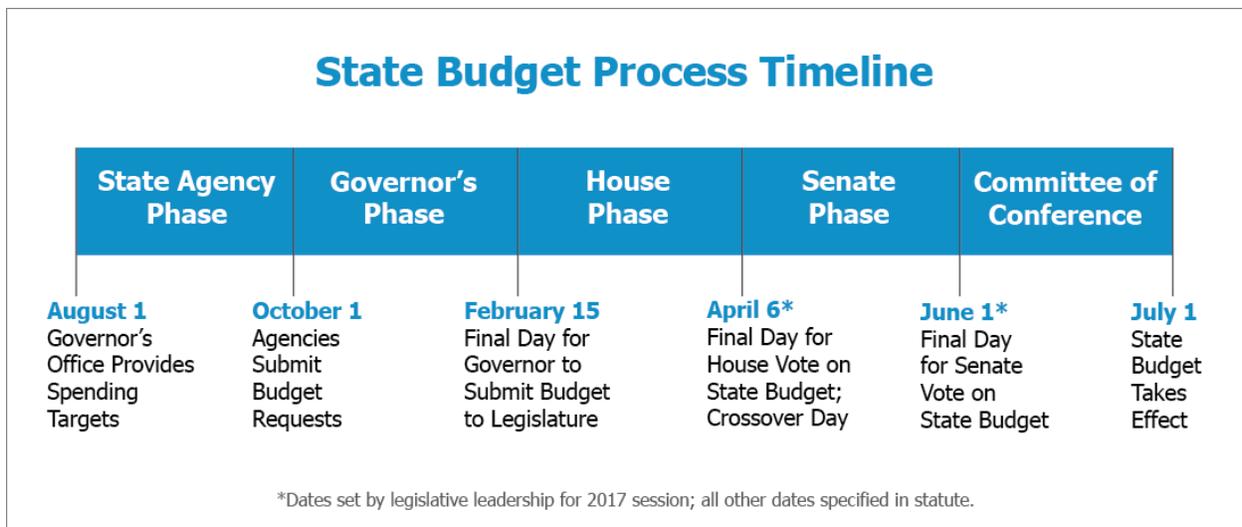
In the summer of an even-numbered year, beginning as early as June, State agencies begin to craft their agency budget requests.<sup>23</sup> The agencies will estimate the funding levels needed to continue operating at existing capacity, and they identify any changes they may want to make to either enhance their services or better fulfill their legal requirements or objectives.

Agencies used to produce “maintenance” and “change” requests to identify these different levels of funding.<sup>24</sup> Maintenance requests were to account for population and economic changes as well as other criteria set forward by the Governor. Maintenance and change requests, however, could

grow well beyond the scope of the prior budget, especially if agency obligations were underfunded in the prior biennium and fully funded in the maintenance budget.<sup>25</sup> The case-by-case definition of a “maintenance” request was also not consistent across administrations, and Governors would often request agencies provide additional draft budgets assuming specific funding levels to encourage additional prioritization of programs.

In 2014, the Legislature voted to change the agency phase to rely on projected revenue estimates.<sup>26</sup> The new process, first implemented for the current budget cycle (determining the State Budget for SFYs 2018-2019), called for an “efficiency budget” and “additional prioritized needs” instead of the previous “maintenance” and “change” categorizations.<sup>27</sup> The primary difference was the efficiency budgets were to be constrained by revenue estimates produced by the Governor’s office. The Governor would then set a target for each agency, functioning as a cap on planned agency efficiency budget expenditures. The Governor is required to provide these projected revenue estimates to the agencies by August 1 of even-numbered years.<sup>28</sup> This new process stipulates the Governor’s office must not only produce revenue estimates, but also allocate expected revenue among the agencies. This mandate involves the Governor’s office in crafting the State Budget earlier than the prior process, and potentially imprints the priorities of an outgoing Governor, depending on the November election result, on the budget draft provided to a new incoming Governor.

Agencies must, after working internally, submit their efficiency request and additional prioritized need budgets to the Department of Administrative Services by October 1. The requests are then made public, and the Department of Administrative Services combines the requests into a single document by November 1, called the Tentative Budget.<sup>29</sup>



## 2. The Governor’s Phase

After the agency budget requests are submitted on October 1, the Governor’s phase of the budget process begins. Governors often are occupied with election-related activities in October, but the Governor is required to have hearings on the Tentative Budget by December. Invitations to these hearings must be sent to the Governor-elect, if applicable, as well as key legislators and the Commissioner of Administrative Services.<sup>30</sup> In these hearings, State agencies explain their

operations and budget requests, seeking to justify both continuing and proposed changes to appropriations. The Governor, the Governor-elect, and the outgoing and incoming Governors' budget directors may question these agencies, and also interact additionally outside of the multi-day hearings.<sup>31</sup> The key legislators present and the Department of Administrative Services also have the opportunity to question these agencies, but the Governor whose term begins in the following January is the primary audience.

That incoming or continuing Governor is required to submit a draft budget, using the Tentative Budget as a template, to the Legislature by February 15.<sup>32</sup> The Governor's budget must include information about the financial status of the government at the time as well as estimates of future revenue by source.<sup>33</sup> The proposal is typically introduced into the Legislature as the first draft of HB 1.<sup>34</sup> Although the deadline does not apply to the Governor's version of HB 2, that draft bill is usually introduced relatively soon afterward, if not at the same time. For a new Governor, especially one who has substantially different priorities from a previous Governor, crafting a new budget from the Tentative Budget by February 15 could be a very substantial task.

The Governor typically presents the proposed budget to the Legislature and the public paired with a budget address to the Legislature. That marks the end of the Governor's phase, and the Governor's proposed budget goes to the Legislature. This proposal then moves forward as the two bills, HB 1 and HB 2, that comprise the State Budget and move together throughout the rest of the process.

### *3. The House Phase*

The 400-member New Hampshire House of Representatives tackles the Governor's proposed budget first. Both HB 1 and HB 2 are referred to the House Finance Committee, which includes 26 members for the 2017 session and splits into three Divisions to revise and vote separately on different portions of the budget.<sup>35</sup> These three Divisions are organized by Category. Categories are reviewed later in this document.

<b>House Finance Divisions <sup>36</sup></b>	
Division I	<ul style="list-style-type: none"> <li>• General Government</li> <li>• Justice and Public Protection</li> <li>• Resource Protection and Development</li> <li>• Does not include the Departments of Safety or Fish and Game</li> </ul>
Division II	<ul style="list-style-type: none"> <li>• Transportation</li> <li>• Education</li> <li>• Includes the Departments of Safety and Fish and Game</li> </ul>
Division III	<ul style="list-style-type: none"> <li>• Health and Social Services</li> </ul>

The House Finance Committee Divisions meet separately and have separate work sessions to focus on their components of the State Budget.<sup>37</sup> Most of the changes made by the House to the State Budget usually come out of these Finance Committee Division decisions. The three Divisions vote independently on their portions of the budget. However, members of the full Finance Committee have the opportunity to propose changes when the products of the three Divisions are combined. Substantial changes at this stage are not as common as in the Division, but have become more frequent in recent years. The Finance Committee in full makes a recommendation, also called a report, through a vote on the State Budget, which is due by March 30 in the 2017

session per a calendar determined by the leadership in the Legislature; if needed, these deadlines can be changed by leadership, as they are not in law and vary from year to year. The State Budget then goes to the full House of Representatives for a vote. Any House member may propose an amendment at this critical but usually short stage, and sometimes key changes are made to ease passage through the 400-member House.<sup>38</sup>

While the Finance Committee Divisions are working on the State Budget expenditure decisions, the House Ways and Means Committee creates point revenue estimates for the upcoming biennium. The Ways and Means Committee determines the amount of money State taxes are likely to bring in and provides those estimates to the Finance Committee, which incorporates them into HB 1.<sup>39</sup> The House Finance Committee Divisions do not wait for House Ways and Means to produce these estimates before beginning their work, but this information is necessary to balance the House version of the State Budget.

The House must act on the State Budget before “crossover day,” which is when the bills passed by the House move to the Senate, and vice versa. In the 2017 session, the budget crossover is scheduled for April 6.<sup>40</sup>

#### *4. The Senate Phase*

Unlike the House, the 24-member State Senate does not split up its Finance Committee, which is comprised of six members for the 2017 session; as with the House Finance Committee, the total membership can vary based on the preferences of the legislative chamber’s leadership.<sup>41</sup> The Senate Finance Committee makes its changes to the State Budget before approving a recommendation to the entire Senate, and then the Senate as a whole amends and votes on what becomes the Senate version of the State Budget.<sup>42</sup> For the 2017 session, the last day for the Senate to act on House bills is June 1.<sup>43</sup>

The Senate Ways and Means Committee also estimates revenues. The Senate has historically benefitted from more optimistic revenue projections later in the session, as March and April are typically strong months for State revenue collections. The later, and often higher, revenue estimates produced by the Senate Ways and Means Committee may enable the Senate Finance Committee to restore programs trimmed or forgone in the House version of the State Budget.<sup>44</sup>

Changes made to the State Budget by the Senate must be approved by the House before becoming law.<sup>45</sup> To smooth the process of reaching agreement, the House and Senate typically form a Committee of Conference.<sup>46</sup>

#### *5. Committee of Conference*

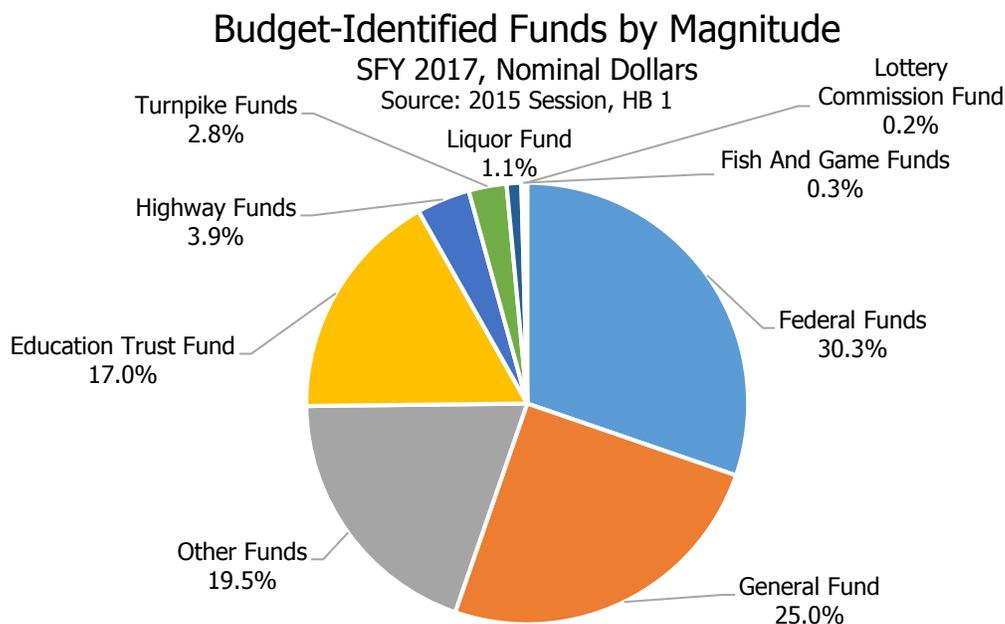
After the Senate makes changes to the House’s version of the State Budget, the House may ask for a Committee of Conference. The President of the Senate and the Speaker of the House appoint members of their respective bodies, usually members of each body’s Finance and Ways and Means committees, to the Committee of Conference.<sup>47</sup> The Committee of Conference considers and may create new versions of HB 1 and HB 2, including updated revenue estimates.<sup>48</sup> When a formal compromise agreement is reached, amended versions of HB 1 and HB 2 go back to both the full House and the full Senate for approval by both bodies.<sup>49</sup>

In the 2017 session, a Committee of Conference must be formed by June 8, and must be finished with its work by June 15, a week later.<sup>50</sup> The Committee of Conference version of the State Budget must pass through the House and Senate, and receive the signature, or lack of a veto prior to the Legislature’s adjournment, from the Governor before it may go into effect as the operating State Budget on July 1. If the Governor vetoes the budget, the Legislature may override the Governor’s veto with a two-thirds majority vote in both chambers.<sup>51</sup>

## BUILDING THE BUDGET: THE ORGANIZATION

The nearly year-long process of building the State Budget appropriates money to the State government for two years, but the actual allocations are referred to and measured in different manners. Additionally, the Legislature typically plans for some money to be unspent. Some terms related to the State Budget’s organization are key for understanding policymakers’ conversations.

### The Funds



The State Budget draws from different Funds, which are essentially groupings of money that may either be named for the source or the destination of these dollars and have separate purposes, requirements, and limitations.<sup>52</sup> Formally, the Legislature draws from these Funds by name in HB 1, but some Funds also interact with and affect one another.<sup>53</sup> There are eight Funds identified specifically in HB 1; ten are listed here, as two commonly-identified funds are not specifically included in HB 1.<sup>54</sup>

<b>State Budget Funds</b>	
<i>General Fund</i>	Financed through State taxes and certain other unrestricted revenues, this is the State’s primary operating Fund; most debates surrounding funding priorities for the State Budget focus on General Fund money, as legislators have the fewest barriers to allocating these dollars to fund their priorities.
<i>Education Trust Fund</i>	Established to distribute Adequate Education Grants to schools and financed through statewide property and utility taxes and portions of other taxes, this Fund is technically categorized as “Other Funds” in HB 1 and is not stand-alone; in most years, this Fund’s revenue streams are inadequate to support mandated Adequate Education Grants, and thus a transfer is made from the General Fund each year.
<i>Highway Fund</i>	Funded primarily by the gasoline tax (or Road Toll, as it is formally titled) and motor vehicle registration fees not including the cost of collection and administration, this Fund holds money mandated for the construction, reconstruction, and maintenance of public highways, including supervision of traffic and payment of bonds issued for highway purposes; federal funds for highways may also be deposited into this Fund.
<i>Turnpike System Fund</i>	Financed through toll and related payments on certain limited access Turnpike system highways, certain federal revenue, and other sources, this enterprise Fund is designed to collect revenues for the purpose of constructing, reconstructing, and maintaining the 89-mile Turnpike system. <sup>55</sup>
<i>Liquor Commission Fund</i>	A pass-through account funded by sales from State liquor stores, a tax on alcoholic beverages, and licenses and fees from private alcohol sellers, money in this Fund is to be used to pay the costs of Liquor Commission administration; any excess funds are required to be transferred to the General Fund on a daily basis. <sup>56</sup>
<i>Lottery Commission (or Sweepstakes) Fund</i>	Funded through the sale of lottery tickets, wagering on simulcast races, and charitable gaming, this Fund provides net revenues, after administrative costs and winnings, to the Education Trust Fund; funds for administrative costs appear in the State Budget under the Lottery Commission, and transfers from the Lottery Commission to the Education Trust Fund appear in the latter Fund’s revenue estimates while winnings remain off-budget. <sup>57</sup>
<i>Fish and Game Fund</i>	Collecting revenues from fish and game licenses, the marine gas tax, penalties, and federal grants, all appropriated by the Legislature, this Fund finances the operations of the Fish and Game Department.
<i>Federal Funds</i>	Budgeted transfers from the federal government to finance programs, often matching committed State appropriations, are wrapped into this HB 1 source line; key programs financed in part through these federal funds include Medicaid, transportation and education aid, low-income aid programs, environmental programs, and veterans care aid. <sup>58</sup>
<i>Other Funds</i>	A catch-all source in HB 1, this line includes agency income from fees and numerous smaller enterprise, agency, trust, and revolving funds and accounts, often with restrictions and dedicated purposes; the HB 1 line includes the Education Trust Fund as well.

<i>Revenue Stabilization Reserve Account ("Rainy Day Fund")</i>	Technically an account within the General Fund and not separated from the General Fund in the Funds pie chart presented above, the "Rainy Day Fund" receives money through any surplus at the end of a biennium under certain conditions and unless otherwise directed by State law; money cannot be taken out of the Account without a two-thirds majority vote of the Legislature unless the General Fund experienced an operating deficit and revenues below projections. <sup>59</sup>
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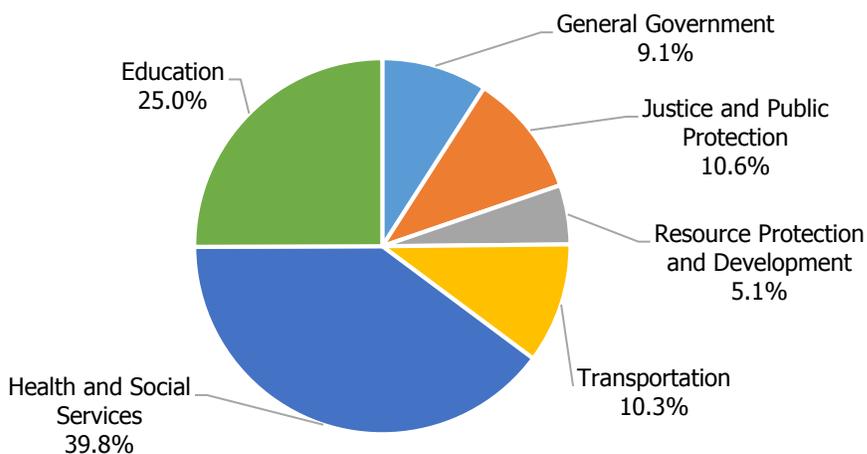
## The Categories

Although HB 1 is organized by Funds, analyses of the State Budget are also often conducted using Categories.<sup>60</sup> Categories are mutually-exclusive groupings of State agencies that have operations in similar purposes or program areas. The House Finance Committee uses these Categories, as referenced above, to break into separate Divisions and amend the State Budget piecemeal.<sup>61</sup> Note the agencies included in these Categories have changed over time, but changes during the last ten years have been relatively minor. Categories as presented in these tables are from the SFYs 2016-2017 State Budget.

### Appropriations by Category

SFY 2017, Nominal Dollars

Source: 2015 Session, HB 1



#### Category 1 – "General Government"

- Governor's Office and the Executive Council
- State Legislature
- Department of Information Technology
- Department of Administrative Services
- Office of Professional Licensure and Certification
- Department of State
- Department of Cultural Resources
- Department of Treasury
- New Hampshire Retirement System
- Department of Revenue Administration

- Board of Tax and Land Appeals
- Developmental Disabilities Council
- Boxing and Wrestling Commission

Category 2 – "Administration of Justice and Public Protection"

- Judicial Branch of State Government
- Judicial Council
- Adjutant General
- Department of Agriculture, Markets, and Food
- Department of Justice
- Department of Safety
- Insurance Department
- Department of Labor
- Department of Employment Security
- Department of Corrections
- Banking Department
- Liquor Commission
- Public Utilities Commission
- Human Rights Commission
- Public Employees Labor Relations Board

Category 3 – "Resource Protection and Development"

- Pease Development Authority
- Department of Resources and Economic Development
- Community Development Finance Authority
- Department of Environmental Services
- Fish and Game Department

Category 4 – "Transportation"

- Department of Transportation

Category 5 – "Health and Social Services"

- Department of Health and Human Services
- New Hampshire Veterans' Home
- New Hampshire Office of Veterans' Services

Category 6 – "Education"

- University System of New Hampshire
- Department of Education (including education adequacy grants)
- Community College System of New Hampshire
- New Hampshire Lottery Commission
- Police Standards and Training Council

## The Lapse

Lapse has multiple meanings related to the State Budget, and the lack of clarity stems from certain less formal aspects of the budget process. The technical meaning is funds remaining in an appropriation line that are unexpended or unencumbered at the end of the appropriation period; essentially, money left over lapses and reverts to available dollars for the next budget period for some use outside of the initial appropriation. While most appropriations with remaining dollars lapse annually, the State Budget does designate certain funds as non-lapsing between years in a biennium.<sup>62</sup> Not all unspent appropriations are strictly lapses, as some funds are designated for other purposes, are dependent upon matching fund expenditures, or are included in other types of continuing finance mechanisms.<sup>63</sup>

The State Legislature also sets lapse targets for the State government.<sup>64</sup> These lapse targets are to encourage State agencies to find efficiencies within every appropriation by requiring a certain percentage reduction in spending to balance the State Budget, but not specifying where those savings need to be made. Essentially, the Legislature requires that the Governor manage the Executive Branch to find savings on a statewide basis, but does not specify from where these savings must come. This planned lapse is sometimes called a “back-of-the-budget” cut and often seeks to capture salary and benefits savings from delays in hiring employees for positions. However, lapse requirements can incentivize agencies to deliberately not spend appropriations on vacant positions or other program operations if they are not able to realize other efficiencies.<sup>65</sup> Also, this planned lapse is an assumption and is not explicitly stated in the State Budget or included in its formal balance calculations.

## BUILDING THE BUDGET: THE RECENT TRENDS

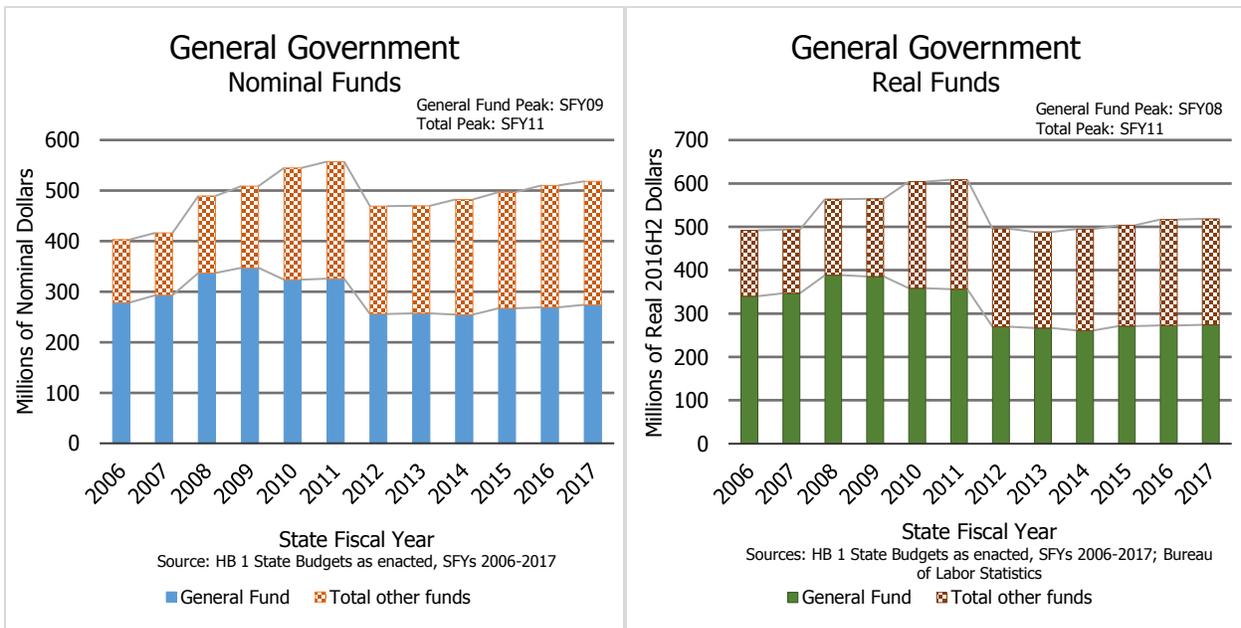
Tracing appropriated funding levels by Category, departments, and for key services over the last dozen years provides high-level insight into the amount of value the State Legislature and the Governor, acting to represent the people of New Hampshire, have placed on various government activities in recent history. These funding levels may also identify areas of increasing or declining investment, changes in effectiveness, and trends for the future. The charts in the following pages show both the dollars unadjusted from the years in which they were appropriated (nominal dollars) and adjusted for inflation over time (real dollars). They reveal both the funding priorities relative to prior years and changes in the ability of the State government to fund goods and services. The real dollars are expressed in inflation-adjusted dollars based on consumer prices from the second half of calendar year 2016 (noted in the charts as 2016H2).<sup>66</sup> Showing both the General Fund and overall funding throughout the State Budget provides an indication of both priorities shifting with previously unassigned funds and total funding made available for departments and policy areas.

## The Categories

Changes in appropriated funding for Categories over time provides a general indication as to resources committed to policy areas. Note that all figures, unless otherwise noted, are appropriations and not actual spending; these bar graphs represent the amount of money the Legislature, in the State Budget, legally authorized the agencies in each Category to spend.

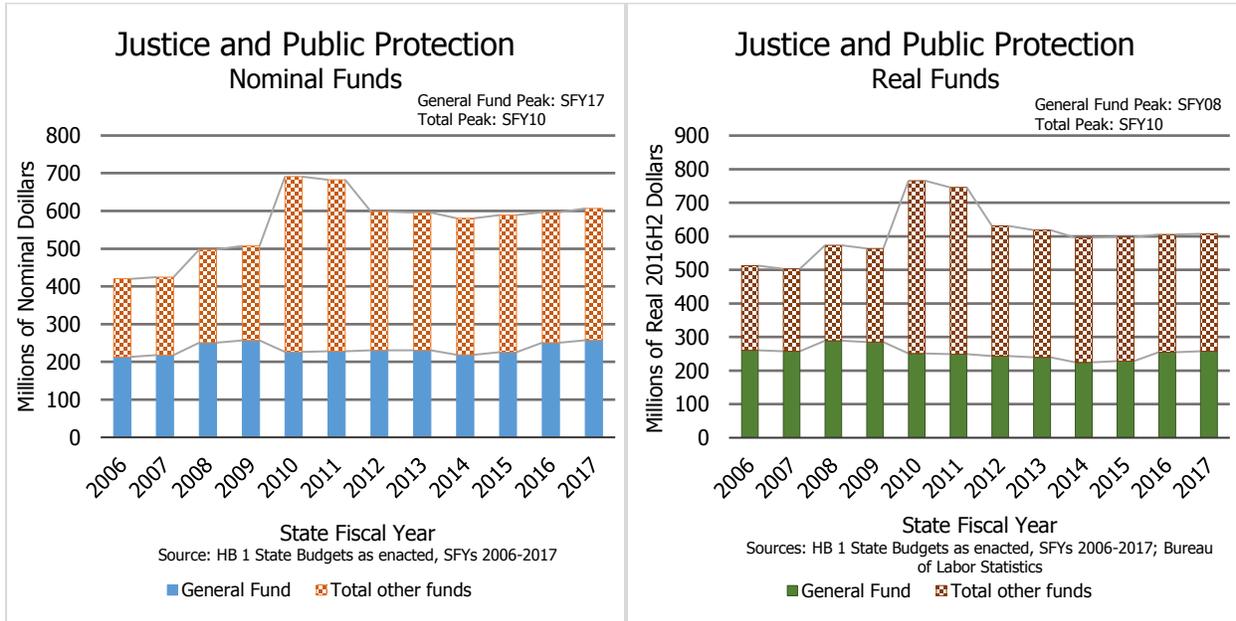
## 1. General Government

General Government’s nominal (unadjusted for inflation) dollar allocations reveal a common trend: General Fund spending went down in the wake of the December 2007 to June 2009 Great Recession<sup>67</sup> (SFY 2010 marks the beginning of the acute impacts in the State Budget, as the SFYs 2008-2009 budget was planned in early calendar year 2007), but spending from all other funding sources was buoyed, in part, by federal dollars from the American Recovery and Reinvestment Act (also known as the stimulus bill, passed in early 2009 to help lift the economy out of the Recession). After those federal dollars subsided, spending on General Government (as well as State government spending overall) contracted during the SFYs 2012-2013 State Budget. General Government spending has not returned to its nominal highs for General Fund or all fund spending. Adjusting for inflation, General Government spending remains below its high points from just before and during the Great Recession.



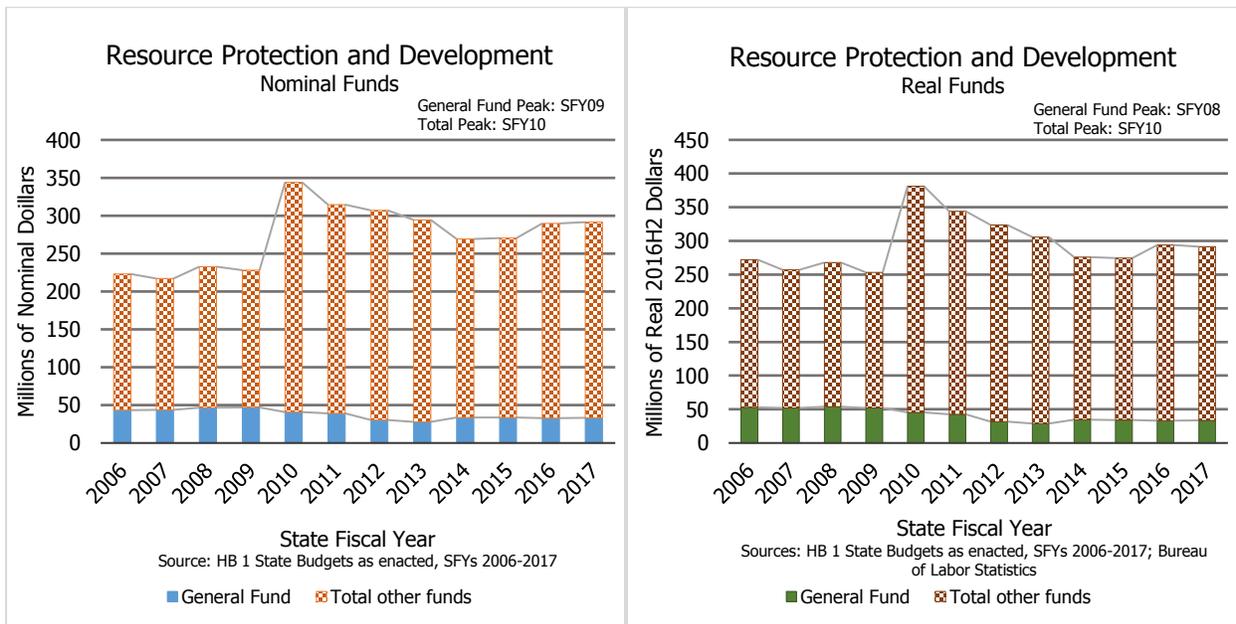
## 2. Administration of Justice and Public Protection

Administration of Justice and Public Protection shows a similar pattern, although funding remains higher than pre-Recession levels. Adjusting for inflation reveals a decline in General Fund spending relative to the pre-Recession peak, but the same overall pattern.



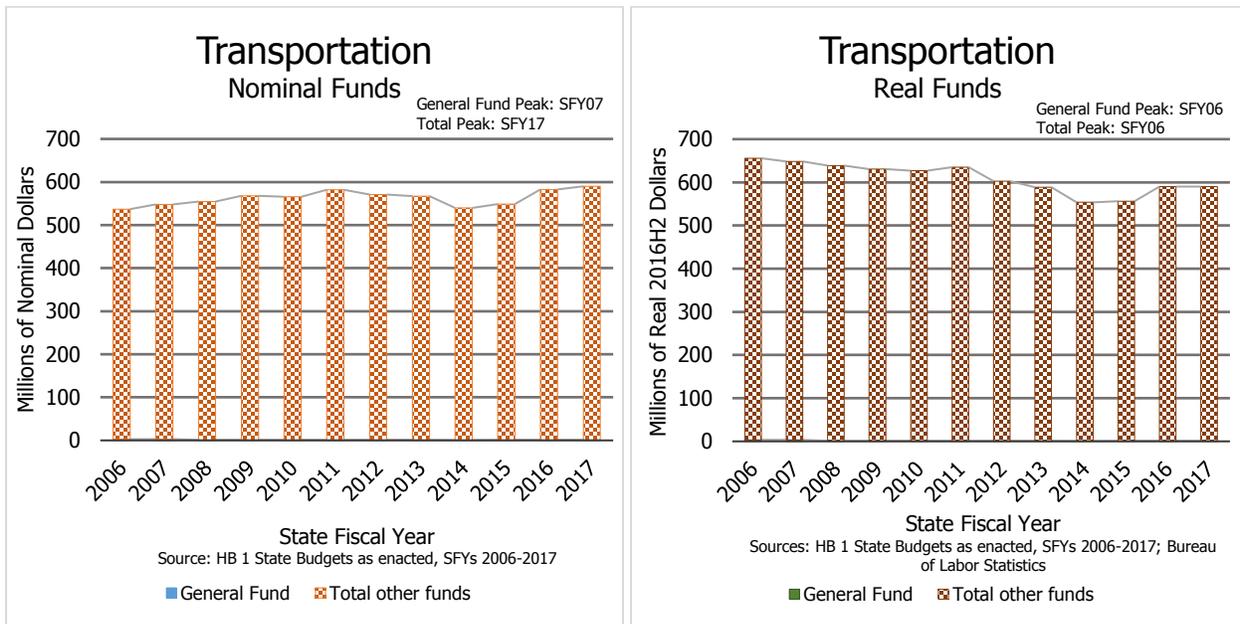
## 3. Resource Protection and Development

Resource Protection and Development shows a similar pattern. General Fund spending has trended downward since before the Recession, while all funding spiked during the Recession and dropped back to higher but similar levels, adjusted for inflation, after the Recession ended.



#### 4. Transportation

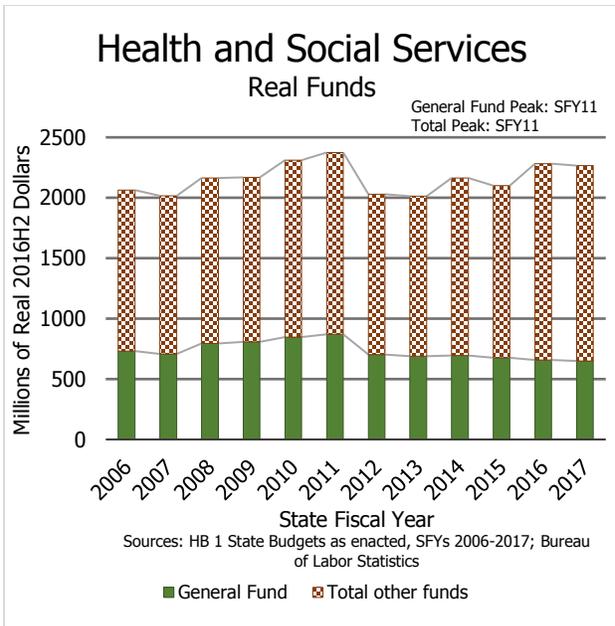
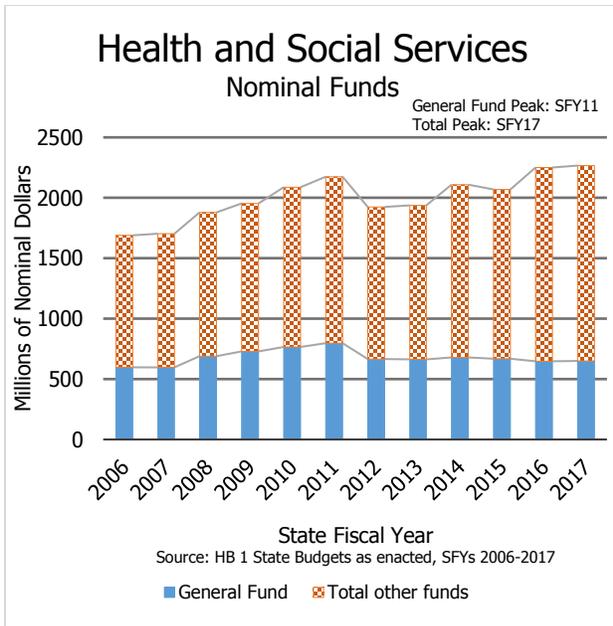
Due to federal aid, the Highway Fund, and the Turnpike System Fund sourced-funds, a small portion of Transportation funding comes from the General Fund. While that portion has dropped from \$2.96 million in SFY 2007 to \$1.00 million in SFY 2017, the overall trend in nominal Transportation funding has been a gradual increase, with a drop between SFYs 2012 and 2015. However, adjusting for inflation, Transportation funding has had a sliding real value over time, with only a recent, relatively modest rebound in funding.<sup>68</sup>



#### 5. Health and Social Services

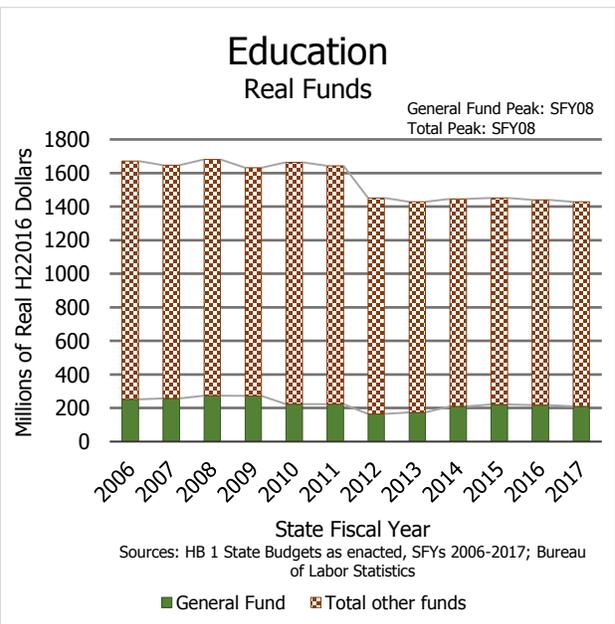
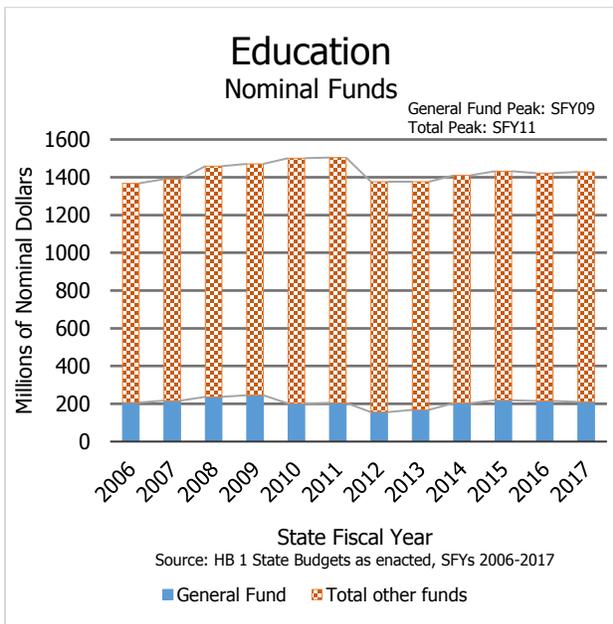
Health and Social Services funding overall has grown since SFY 2006 in nominal terms, but also experienced a dip following the Great Recession in SFYs 2012 and 2013. Some of these budget allocation increases are likely in response to ongoing and expected mandatory spending, such as higher Medicaid caseloads.<sup>69</sup> These figures do not include the New Hampshire Health Protection Program, which uses dollars from the expanded Medicaid program under the Patient Protection and Affordable Care Act, as it is not included in the State Budget. Increasing health care costs overall also likely contributed to increased costs, relative to inflation in the broader economy, over the long-term.<sup>70</sup> General Fund appropriations to this Category peaked during the Recession, but remain below both the Recession and pre-Recession nominal dollar highs.

Adjusting for inflation reveals that real Health and Social Services funding from all sources dropped below SFY 2006 levels in SFYs 2012 and 2013, and remains below levels during the Recession, when key caseloads linked to economic hardships likely increased simultaneously. Real General Fund appropriations have slid substantially from their peak and are well below pre-Recession real levels.



## 6. Education

Education funding, which includes aid to both primary and secondary public schools and public post-secondary institutions, remained roughly flat in nominal dollars between SFY 2006 and SFY 2017. After climbing appropriations for the first six SFYs of the examined period, a drop in SFYs 2012 and 2013, in both the General Fund and overall funding, represents a low point. Nominal funding returned to between SFY 2007 and SFY 2008 levels by SFY 2015 for all funds and to SFY 2007 levels by SFY 2015 for General Funds, with minor reductions since that time. Adjusting for inflation shows a significant drop in real Education appropriations from all sources, particularly between SFYs 2011 and 2012, and an uneven pattern from the General Fund reflecting components of the overall pattern.

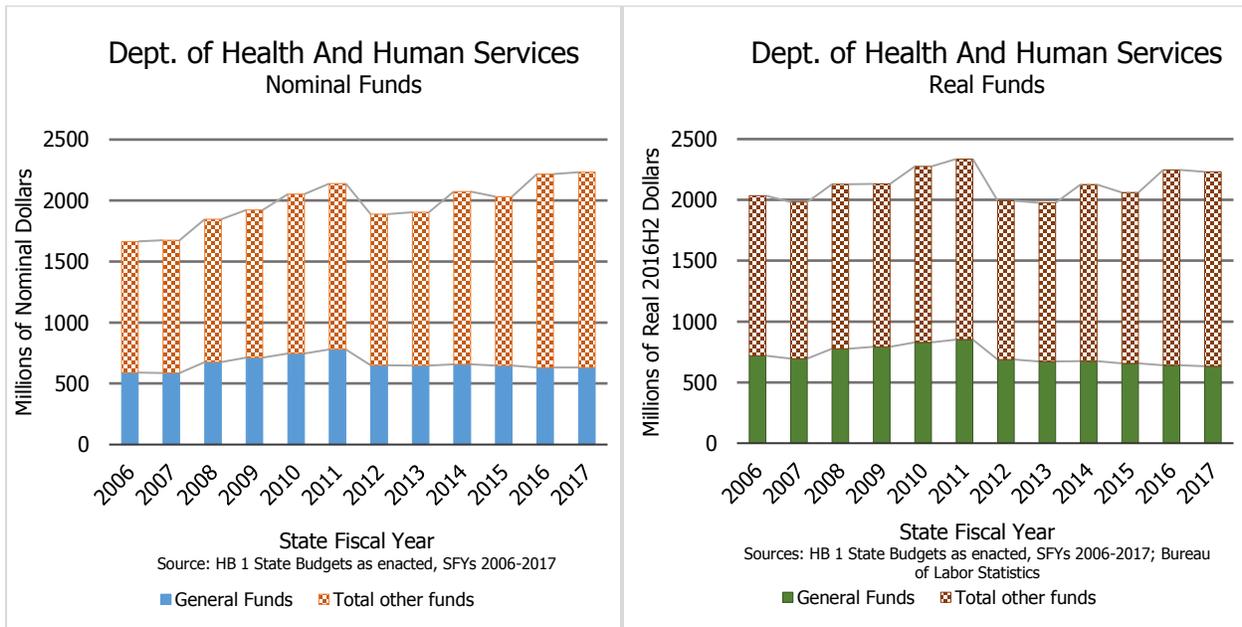


## The Largest Agencies

Examining these same recent trends in individual departments and other agencies shows a more granular picture of spending priorities over time. The graphics below show spending for the seven largest State departments, two independent post-secondary education institutions that receive state funding, and the entire Judicial Branch, which were the ten agencies with the largest General Fund appropriations in the SFY 2016-2017 State Budget.<sup>71</sup> As with the charts shown representing spending in the Categories, small changes in the height of a bar can indicate tens or even hundreds of millions of dollars in funding changes.

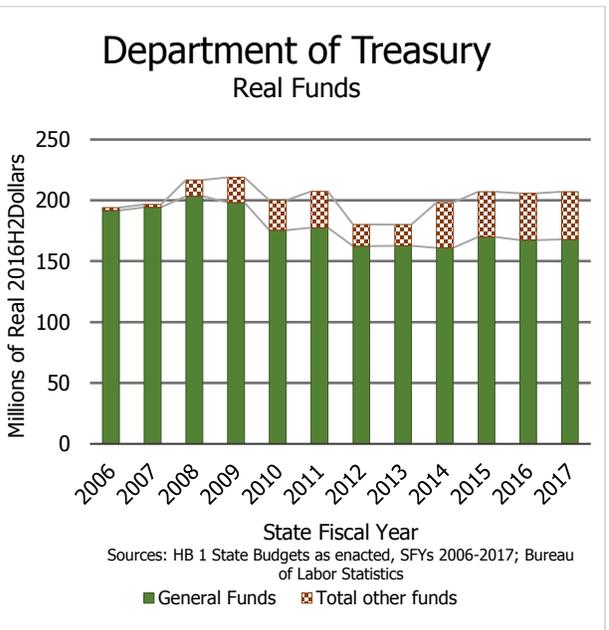
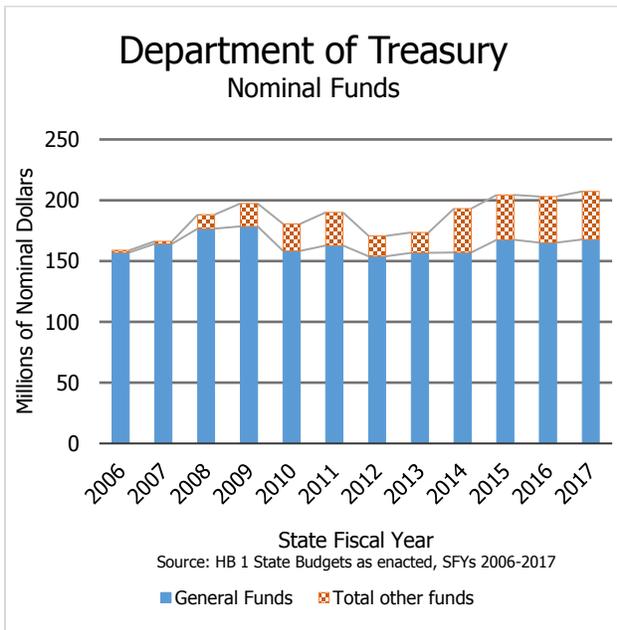
### *Department of Health and Human Services*

The Department of Health and Human Services, which was allocated 39.2 percent of all SFY 2017 appropriations in the State Budget, performs a wide variety of functions.<sup>72</sup> It operates 11 field offices and three institutions for specific populations; programs targeted at preventing abuse and neglect of both children and older adults; management of public health disease prevention and response; regulation of health, assisted living, child care, and food service establishments; assistance to homeless individuals and those with substance use disorders; provision of mental health services and services to those with developmental disabilities; and, key to many of these programs and accounting for the majority of the Department's spending, the administration of Medicaid in New Hampshire.<sup>73</sup>



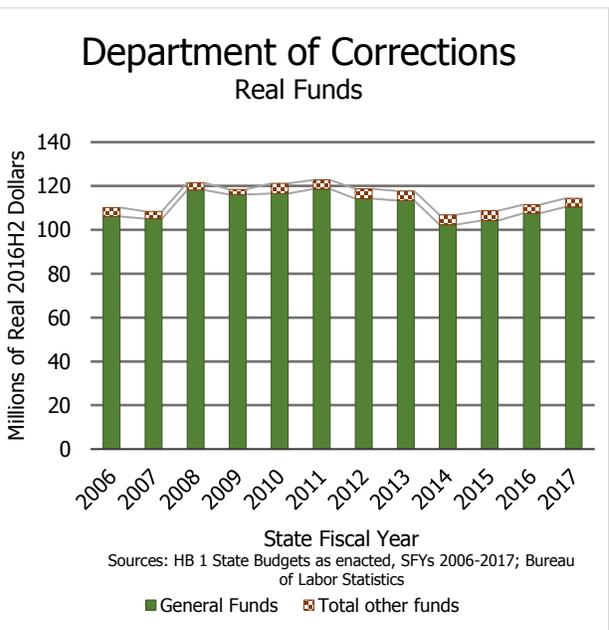
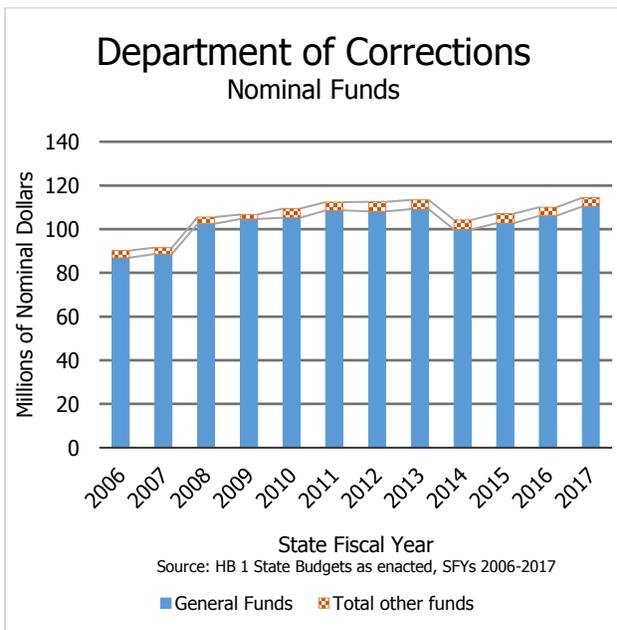
### *Department of Treasury*

The Department of Treasury is responsible for certain financial management activities for the State, including cash, debt, investment, and unclaimed property management. The Treasury's budget includes payment of debt service and distribution of the meals and rentals revenue portion dedicated to municipalities.<sup>74</sup>



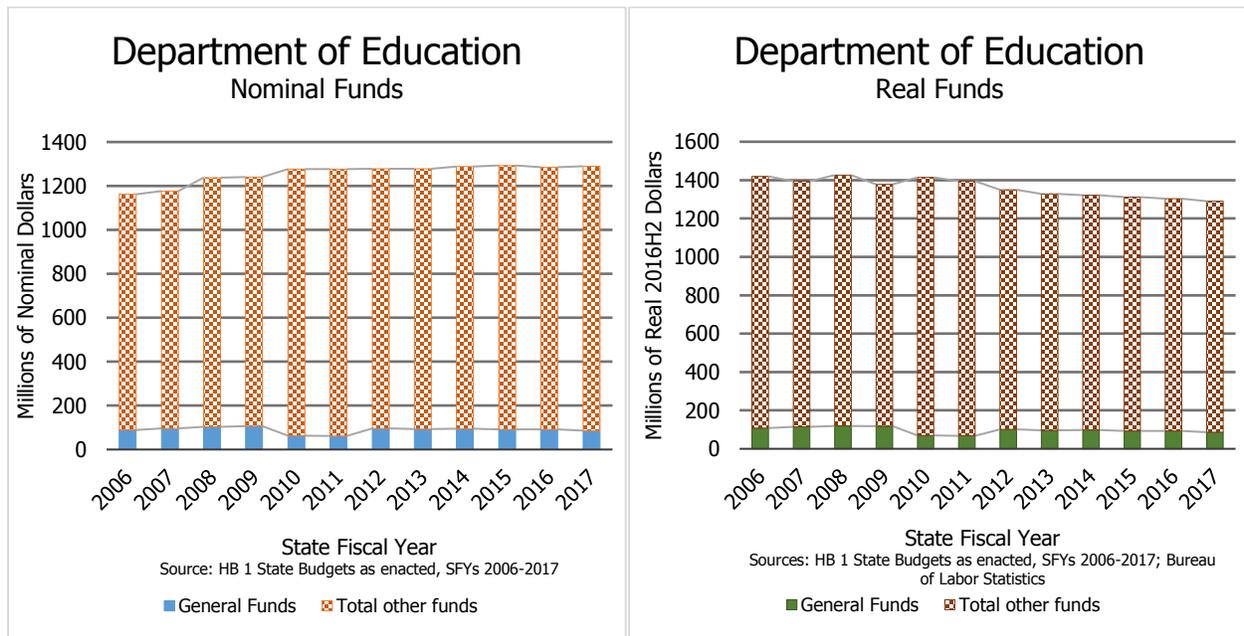
### Department of Corrections

The Department of Corrections is responsible for administering three State prisons, several transitional housing units, and programs to oversee probationers and parolees through 16 offices and sub-offices throughout the State. The Department provides medical services, including psychiatric and behavioral health services, to inmates and also partners with other organizations to provide education and training.<sup>75</sup>



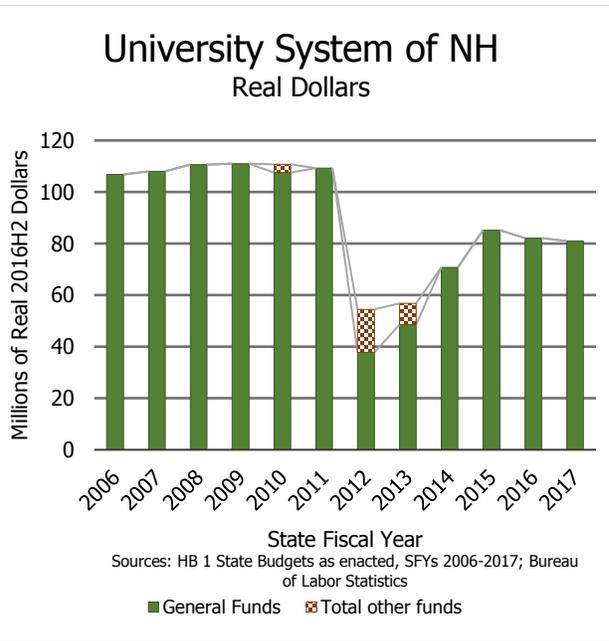
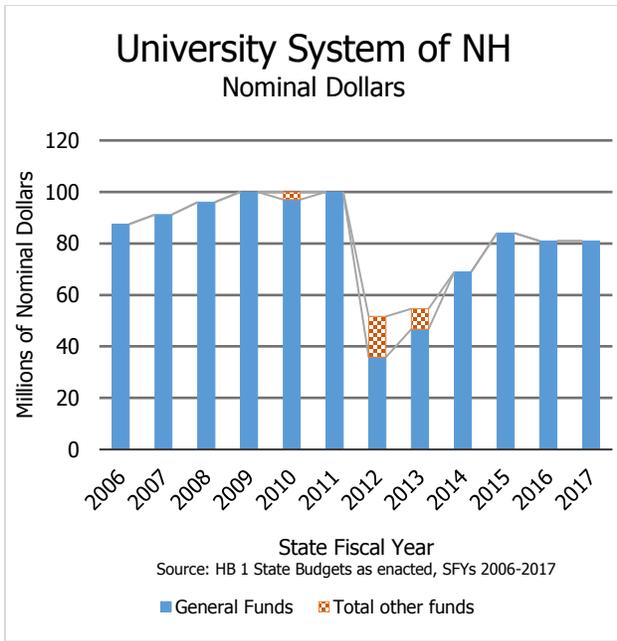
## Department of Education

The largest budgetary duties of the Department of Education are to provide Adequate Education Grants to school districts followed by building, special education, and other aid to local schools. Adequate Education Grants funded through the Education Trust Fund were appropriated approximately \$969 million in SFY 2017, while certain other aid programs, such as school building aid, were funded through the General Fund. Certain federal grants for special education, vocational programs, and other aid are delivered through the Department of Education as well.<sup>76</sup> Declining real expenditures for the Department of Education reflects both policy choices and declining school enrollment overall.<sup>77</sup>



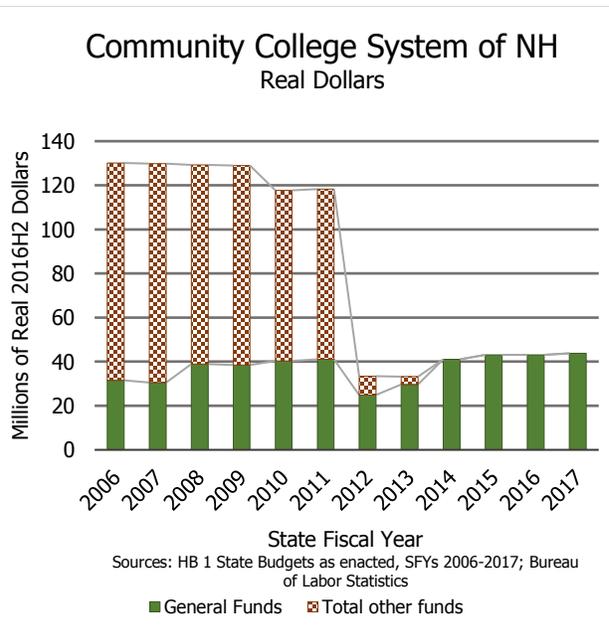
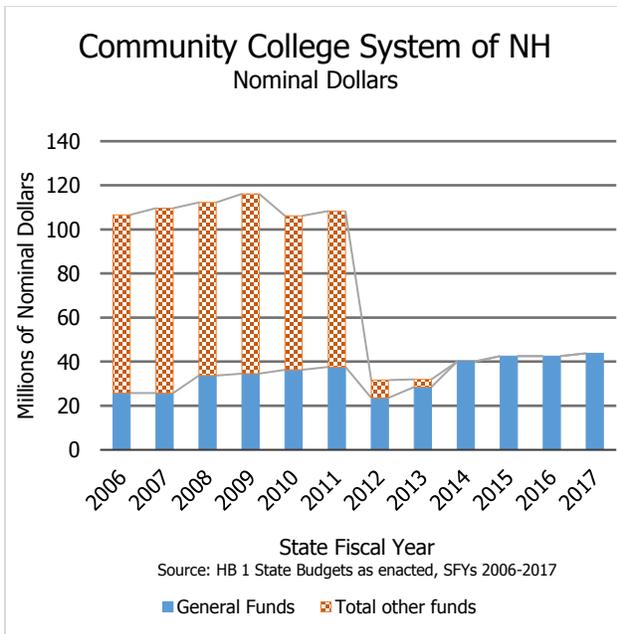
## University System of New Hampshire

The University System of New Hampshire includes the University of New Hampshire's campuses in Durham, Manchester, and Concord; Plymouth State University; Keene State College; and the eight Granite State College campuses.<sup>78</sup> The State provides funding to the independent System through blocks of primarily General Fund revenue. Between SFYs 2011 and 2012, funding in nominal dollars dropped from \$100.00 million to \$51.65 million. Because the System is independent, only State aid to the System is included in the State Budget; tuition income and line-item expenses are not included.



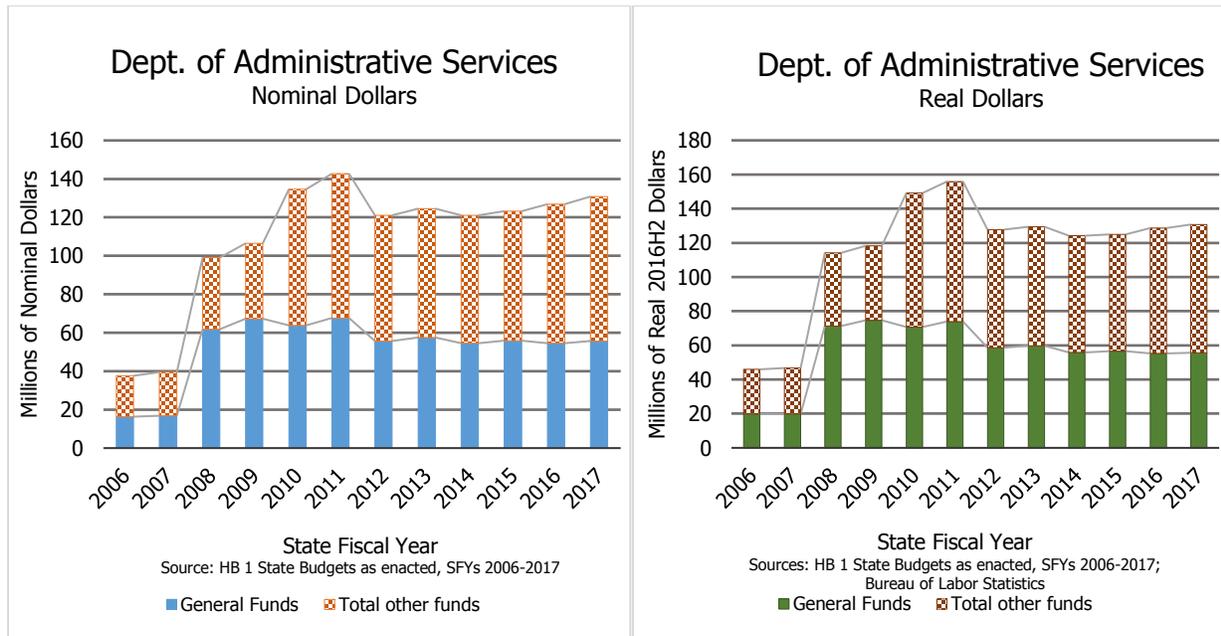
### *Community College System of New Hampshire*

The Community College System of New Hampshire (CCSNH) is comprised of seven colleges and four satellite academic centers providing certifications and associate’s degrees in many fields. During the time period reviewed, CCSNH replaced the Regional Community Technical College System, which had been a more traditional State agency. CCSNH receives funding in the same manner as the University System: block allocations of General Funds appear in the State Budget, but details of other revenues and expenditures are left to the institutions. The SFYs 2011 to 2012 decline in non-General Funds going to the CCSNH was in large part caused by the then-new independent entity no longer documenting all income, including tuition, in the State Budget.<sup>79</sup>



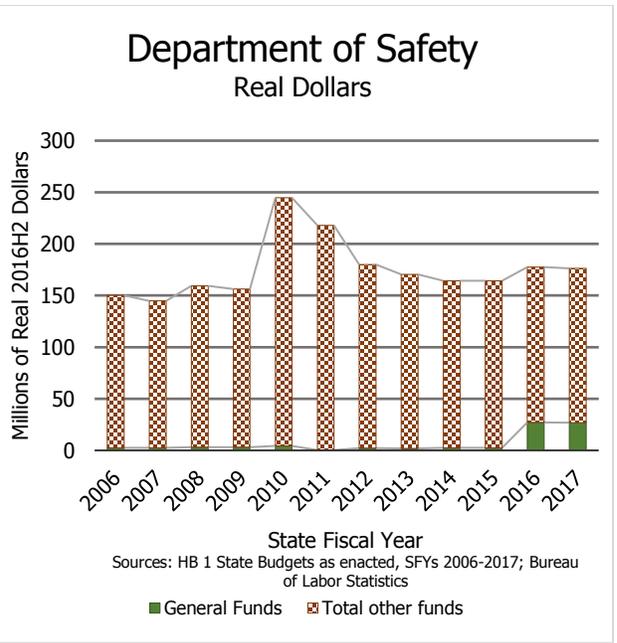
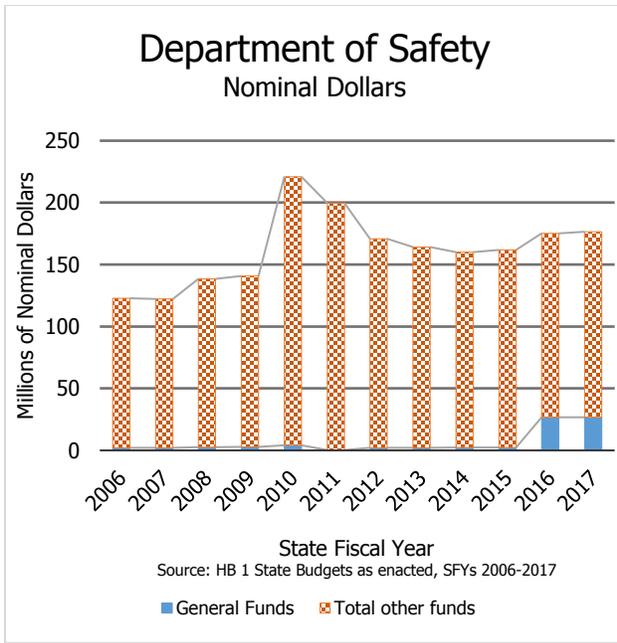
### Department of Administrative Services

The Department of Administrative Services administers non-transportation public works such as buildings, provides accounting and financial reporting services, provides human resources and workplace development support, tracks the execution of the State Budget, and prepares the Tentative Budget. Among other changes causing the increase in appropriations during this period, authority over retirees' health insurance was transferred to the Department of Administrative Services in two phases, and the Legislature transferred authority for building maintenance and construction from the Department of Transportation to the Department of Administrative Services.<sup>80</sup>



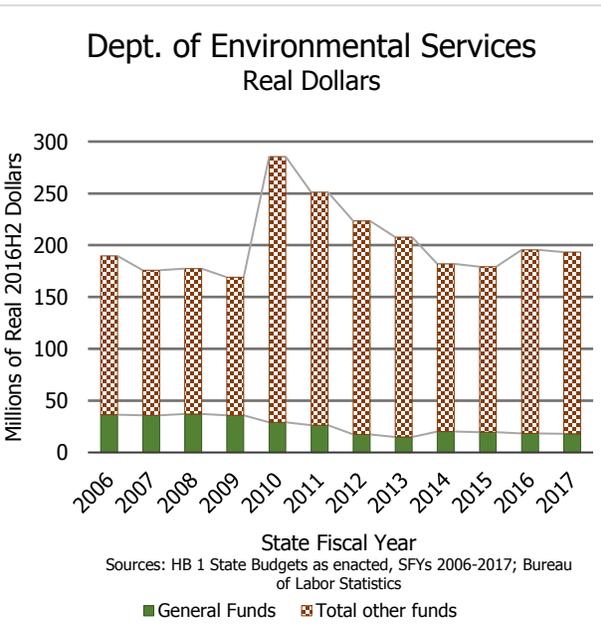
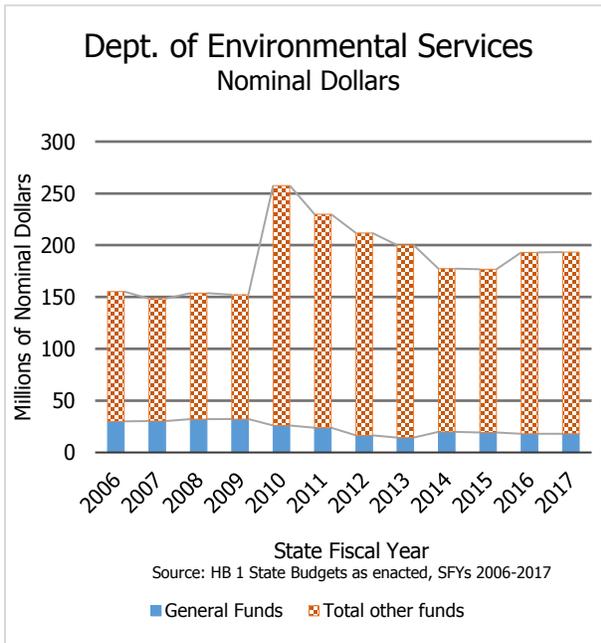
### Department of Safety

The Department of Safety includes the State Police, fire safety training and the State Fire Marshal, the 911 telephone system, motor vehicle enforcement and registration, boating law enforcement, and the State's Division of Homeland Security and Emergency Management.<sup>81</sup> Recent increases in appropriations from the General Fund were designed to reserve more Highway Fund revenue, some of which goes to the Department of Safety for enforcement, for Department of Transportation projects.



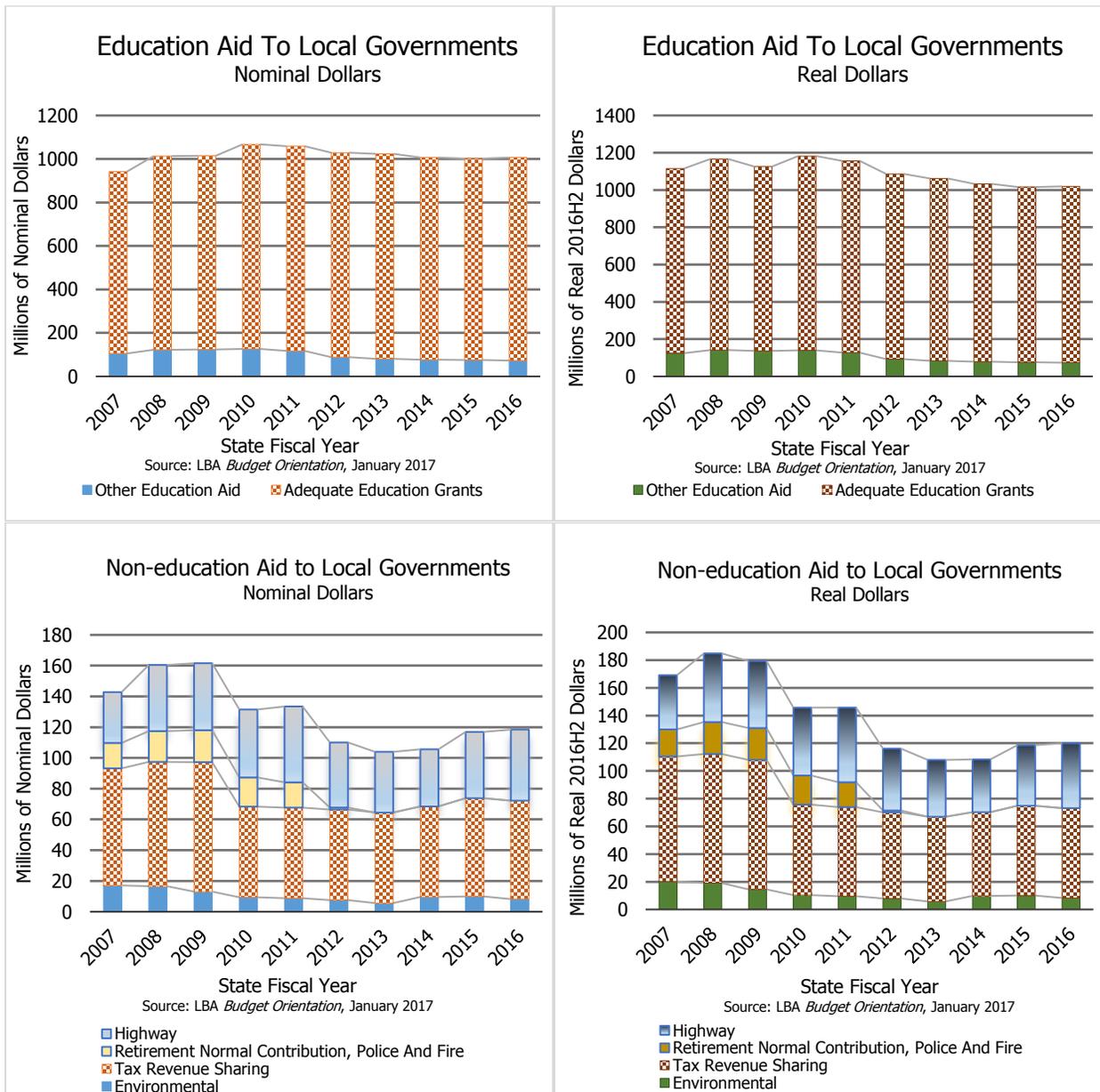
### *Department of Environmental Services*

Among other duties, the Department of Environmental Services administers State and federal programs designed to protect water quality and drinking water, manage rivers and other bodies of water, oversee dam operations, mitigate air pollution, alleviate issues related to ground-level and underground pollution such as brownfields and hazardous waste, and conduct geologic and mapping research.<sup>82</sup>



## Aid to Local Governments

The State government has historically provided aid to local governments, including both school districts and municipal governments. Much of this aid is focused specifically on education, particularly the Adequate Education Grants and the school building aid program, but the State provides additional assistance to cities and towns independent of the local school systems. These revenue streams include general revenue sharing, a portion of the State's meals and rentals revenue, highway and bridge aid, environmental grants related to drinking and waste water facilities and landfills, and State contributions to the retirement system for local police and fire personnel. Among other changes, the school building aid program has not accepted new projects since the end of SFY 2010. The State stopped contributing to the retirement system for teachers, police officers, and firefighters after SFY 2012, and revenue sharing was halted after SFY 2009.<sup>83</sup>



## **BUILDING THE BUDGET: CONCLUSION**

The development of the biennial State Budget in New Hampshire is a long and complicated process involving the Governor, Legislature, and a host of stakeholders. Building consensus from a multitude of perspectives, competing priorities, and societal needs is often more art than science, fraught with uncertainties such as multiple revenue forecasts, unforeseen occurrences, intervening elections or other changes of leadership, and changes in federal programs and policies. But a basic understanding of the State Budget process is important for every citizen, because the decisions made regarding how to utilize State resources, what programs and services to fund, and the best way to invest in the future of New Hampshire impact every resident of the State.

Some parts of the process are undocumented and governed by unwritten norms. While this document seeks to explain some of those norms and practices, key components of the State Budget process, such as lapse requirements and decisions to keep expenditures outside of the State Budget, could be made more transparent in official documents. Additionally, the revenue estimation process could be simplified; the process now involves five different sets of revenue estimates from at least four different groups, adding a fifth if the Governor does not return for another term after the election.

This document seeks to serve as a resource for legislators, policymakers, and every citizen interested in understanding how the State Budget is developed and how it affects them. While some details of the State Budget process are not addressed or are only touched upon briefly in this document, it aims to shine some additional light on a long and complicated process that demands transparency.

## **ACKNOWLEDGEMENTS**

A special thank you to all of the New Hampshire budget and policy topic experts who contributed their knowledge and insight for this report. These individuals filled in the gaps in official documentation and provided critical information to piece together this explanation of the State Budget process and the policy history.

Thank you, also, for reading. Please feel free to contact the New Hampshire Fiscal Policy Institute for any questions or for more information.

## ENDNOTES

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- <sup>1</sup> [Transparent NH, \*How Government Finances Work\*, accessed January 30, 2017](#); [New Hampshire State Constitution, Part Second, Articles 12, 27, and 42](#).
- <sup>2</sup> [Office of Legislative Budget Assistant \(LBA\) \*Budget Orientation\*, January 2017, pg. 25](#).
- <sup>3</sup> Example: [HB 1 for SFYs 2016-2017](#) includes a "Class Note" that permits the "Waitlist" line, 558, to not lapse between SFYs and only lapse at the end of the biennium.
- <sup>4</sup> [New Hampshire State Constitution, Part Second, Article 18-a](#).
- <sup>5</sup> [LBA \*Budget Orientation\*, January 2017, pg. 25](#).
- <sup>6</sup> [Chapter 276, Laws of 2015, "HB 2"](#).
- <sup>7</sup> [Revised Statutes Annotated \(RSA\) 9:8-b; RSA 9:13-e](#).
- <sup>8</sup> [LBA \*Budget Orientation\*, January 2017, pg. 5](#); [RSA 9:13](#).
- <sup>9</sup> [RSA 9:8-a](#); Department of Administrative Services, *2018-2019 Biennium Budget Development Guide*, pgs. 150-174; example: [HB 1 for SFYs 2016-2017](#) Office of Energy and Planning – Administration class lines.
- <sup>10</sup> [Chapter 275, Laws of 2015, "HB 1"](#).
- <sup>11</sup> [RSA 9:19](#); [LBA \*Budget Orientation\*, January 2017, pg. 26](#).
- <sup>12</sup> [RSA 9:8-b](#); example: [HB 1 for SFYs 2016-2017](#) listed the anticipated revenues in the State Budget.
- <sup>13</sup> [RSA 9:3-b](#).
- <sup>14</sup> [RSA 9:3-a, IV](#).
- <sup>15</sup> [2015 Session, HB 25-FN-A](#).
- <sup>16</sup> [Chapter 324, Laws of 2016, \*Ten Year Transportation Improvement Plan, 2017-2026, Projects Only\*, June 24, 2016](#).
- <sup>17</sup> [LBA, \*LBA Snapshot\*, SFY 2017, January 9, 2017](#); [RSA 9:8-b](#).
- <sup>18</sup> [2017 Session, SB 10-FN](#).
- <sup>19</sup> [RSA 9:16-a](#).
- <sup>20</sup> [LBA, \*LBA Snapshot\*, SFY 2017, January 9, 2017](#); [RSAs 9:16-b, 9:16-c, and 9:17](#); [RSA 14:30-a](#).
- <sup>21</sup> [LBA \*Budget Orientation\*, January 2017, pgs. 67-72](#).
- <sup>22</sup> [New Hampshire State Treasury General Obligation Refunding Bonds 2016 Series A And Capital Improvement Bonds 2016 Series B, pgs. 46, 50-51](#); [Chapter 13, Laws of 2016](#).
- <sup>23</sup> [Transparent NH, \*How Government Finances Work\*, accessed January 30, 2017](#).
- <sup>24</sup> [Department of Administrative Services, SFYs 2016-2017 Agency Budget Requests, accessed January 30, 2017](#).
- <sup>25</sup> [McLynch, Jeff, \*An Overview of New Hampshire's Tax System: Presentation to the House Ways & Means Committee\*, January 9, 2013, pg. 13](#).
- <sup>26</sup> [Chapter 168, Laws of 2014](#).
- <sup>27</sup> [Department of Administrative Services, \*Analysis of Agency Requests for Budget Fiscal Years 2018 and 2019\*, accessed via LBA website on January 30, 2017](#).
- <sup>28</sup> [RSA 9:4, II, IV\(a\), and IV\(b\)](#). Governor Maggie Hassan created the [Governor's Consensus Revenue Estimating Panel \(archived website\)](#) through [Executive Order 2013-1 \(archived website\)](#) with the goal of systematically producing more accurate revenue estimates. Subsequent Governors may choose to convene this Panel or not, or they may repeal or revise the Executive Order.
- <sup>29</sup> [RSA 9:4](#); [RSA 9:6](#); [Department of Administrative Services Budget Office, accessed January 30, 2017](#).
- <sup>30</sup> [RSA 9:7](#).
- <sup>31</sup> [House Record, 10 November 2016, pgs. 12-13](#).
- <sup>32</sup> [RSA 9:2](#).
- <sup>33</sup> [RSA 9:3](#).
- <sup>34</sup> [LBA \*Budget Orientation\*, January 2017, pg. 25](#).
- <sup>35</sup> [State of New Hampshire House of Representatives, \*House Finance\*, accessed January 31, 2017](#); [LBA \*Budget Orientation\*, January 2017, pg. 25](#).
- <sup>36</sup> [LBA, \*House Finance Committee Division Briefing New Hampshire State Operating Budget\*, January 2017, pgs. 4, 7](#).
- <sup>37</sup> Example: [House Record, 13 March 2015, pgs. 547-548](#).

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<sup>38</sup> See examples from 2015 Session under the [LBA SFY 2016-2017 budget documents](#), Detail Change Reports.

<sup>39</sup> Example: [Chapter 275, Laws of 2015](#), pgs. 847-848.

<sup>40</sup> [House Record, 27 January 2017](#); [LBA Budget Orientation, January 2017](#), pg. 23.

<sup>41</sup> [New Hampshire State Senate, Finance](#), accessed January 31, 2017.

<sup>42</sup> [2015 Session Senate Finance Amendment to HB-2-FN-A-LOCAL](#); [2015 Senate Amendment to HB-2-FN-A-LOCAL](#); [LBA, 2015 Committee of Conference Detail Change, Senate Passed Vs House Passed, All Categories](#), June 12, 2015; [LBA, 2015 Committee of Conference HB 2 Index, House Passed Vs Senate Passed](#), June 8, 2015.

<sup>43</sup> [Senate Calendar, January 26, 2017](#), pg. 10; [LBA Budget Orientation, January 2017](#), pg. 24.

<sup>44</sup> [LBA Budget Orientation, January 2017](#), pg. 53.

<sup>45</sup> [New Hampshire State Constitution, Part Second, Article 2](#).

<sup>46</sup> [LBA Budget Orientation, January 2017](#), pg. 25.

<sup>47</sup> [LBA, Committee of Conference, Comparison of HB 1 Sections, House Passed Vs Senate Passed, June 12, 2015](#); [LBA State of New Hampshire Budget Orientation, January 2015](#), pg. 7; [LBA Budget Orientation, January 2017](#), pg. 25.

<sup>48</sup> [LBA, Committee of Conference, Comparison of HB 1 Sections, House Passed Vs Senate Passed, June 12, 2015](#); [LBA, 2015 Committee of Conference HB 2 Index, House Passed Vs Senate Passed, June 8, 2015](#); [LBA HB 1 And HB 2 Committee of Conference Base Revenue Estimates, June 12, 2015](#); [LBA Budget Orientation, January 2017](#), pg. 25.

<sup>49</sup> [Committee of Conference Report on HB 2-FN-A-LOCAL, June 18, 2015](#); [Committee of Conference Report on HB 1-A, June 18, 2015](#); [LBA State of New Hampshire Budget Orientation, January 2015](#), pg. 8; [LBA Compare C of C to House, June 23, 2015](#), pg. 179; [LBA Compare C of C to House, June 23, 2015](#), pg. 48; [LBA Budget Orientation, January 2017](#), pg. 25.

<sup>50</sup> [Senate Calendar, January 26, 2017](#), pg. 10; [House Record, 27 January 2017](#), pg. 2; [LBA Budget Orientation, January 2017](#), pgs. 23-24.

<sup>51</sup> [New Hampshire State Constitution, Part Second, Article 2](#); [LBA State of New Hampshire Budget Orientation, January 2015](#), pg. 8; [New Hampshire State Constitution, Part Second, Article 44](#); [New Hampshire Almanac, How A Bill Becomes Law](#), accessed January 31, 2017. A Governor's signature always results in a bill becoming law, while a veto only results in a bill becoming law if the Legislature overrides the Governor's veto with a two-thirds majority in both chambers of the Legislature. When a Governor does not sign a bill within five days prior to the adjournment of the Legislature, the bill becomes law as if the Governor had signed it. However, if the Governor does not sign a bill within five days (excluding Sundays) and the Legislature has adjourned, the bill does not become law and the Governor has made a "pocket veto" of the bill.

<sup>52</sup> [LBA Budget Orientation, January 2017](#), pg. 5.

<sup>53</sup> [Chapter 275, Laws of 2015, "HB 1-A – Final Version,"](#) pg. 838.

<sup>54</sup> [LBA Budget Orientation, January 2017](#), pg. 5; [Comprehensive Annual Financial Report \(CAFR\) SFY 2015](#), pgs. 32, 37, 42, 96, 99, 112, 115, 118.

<sup>55</sup> [LBA, Department of Transportation, Fleet Management Performance Audit, November 2014](#), pg. 6; [CAFR SFY 2016](#), pg. 22.

<sup>56</sup> [RSA 176:16, III](#); [New Hampshire State Liquor Commission, 2015 Comprehensive Annual Financial Report](#), pg. 9.

<sup>57</sup> [New Hampshire Lottery Commission, Comprehensive Annual Financial Report, SFY 2016](#), pgs. 2-3, 8.

<sup>58</sup> [Department of Administrative Services, SFY 2018-2019 Agency Budget Submission](#), accessed November 1, 2016; [Shea, John, Economic And Fiscal Orientation, January 9, 2017](#), pg. 17.

<sup>59</sup> [RSA 9:13-e](#).

<sup>60</sup> [Transparent NH, Where The Money Goes](#), accessed February 2, 2017; [LBA, House Finance Committee: Division Briefing, New Hampshire State Operating Budget, January 2017](#), pgs. 5-6; [New Hampshire Fiscal Policy Institute, The House Finance Committee's Proposed FY 2016-2017 Budget](#), March 30, 2015; [The New Hampshire Center for Public Policy Studies, Policy Notes: Understanding Changes in the FY16/17 House Budget](#), April 2015.

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- <sup>61</sup> [LBA Budget Orientation, January 2017, pg. 5](#); [LBA, House Finance Committee: Division Briefing, New Hampshire State Operating Budget, January 2017, pg. 7](#). For the agency contents of each Category as listed, see [LBA, House Finance Committee: Division Briefing, New Hampshire State Operating Budget, January 2017](#) generally and [LBA Budget Orientation, January 2017, pgs. 85-86](#).
- <sup>62</sup> [LBA Budget Orientation, January 2017, pg. 5](#). Example of non-lapsing appropriations: [Chapter 275, Laws of 2015, pg. 89](#).
- <sup>63</sup> [LBA, Health and Human Services Bureau of Developmental Services, Unspent Appropriations Performance Audit, February 2016, pg. 10](#).
- <sup>64</sup> [Commissioner Jeffrey A. Meyers, Health And Human Services Dashboard, January 11, 2017, pgs. 2-3](#); [Governor Margaret Wood Hassan, Governor Directs State Agencies to Submit Plans to Reduce Their Budgets, October 2, 2014](#); [New Hampshire Center for Public Policy Studies, New Hampshire's Next Budget Conversation: Spending and Revenues in 2010-2011, pg. 7](#).
- <sup>65</sup> [New Hampshire Fiscal Policy Institute, The House Finance Committee's Proposed FY 2016-2017 Budget, March 30, 2015](#).
- <sup>66</sup> Inflation adjustments were computed using the Consumer Price Index – Urban, Northeast Region, which is a regional variant on a common measure designed to reflect changes in the nominal costs of a collection of consumer goods, but not necessarily changes in costs to the government, in a [region which includes](#) the six New England states, New Jersey, New York, and Pennsylvania. To align with the SFY and to provide data for SFY 2017, the second half of each calendar year preceding the SFY was used to calculate inflation; for example, to estimate real dollar value for SFY 2014, the inflation calculated for July-December 2013 was used. Various indices for inflation adjustments, including indices aiming to represent state and local government and specific industry cost changes, also [exist](#) but are not as commonly used and do not seek to represent changes in an individual's cost of living. All real dollars are expressed in CPI-U, Northeast-adjusted dollars for the second half of calendar year 2016, or the first half of SFY 2017. Retrieve more information and CPI-U, Northeast data from [United States Department of Labor Bureau of Labor Statistics, Consumer Price Index, Northeast Region – December 2016, January 18, 2017](#).
- <sup>67</sup> [National Bureau of Economic Research, Business Cycle Dating Committee, September 20, 2010](#).
- <sup>68</sup> As indicated in endnote 61, the inflation index used is the Consumer Price Index-Urban, Northeast Region. This reflects increases in prices in the general economy as encountered by consumers and is used consistently throughout this document. However, construction, reconstruction, and maintenance of transportation systems generally rely heavily on a much narrower basket of goods. As such, adjusting for inflation based on a different index may better reflect the real cost of Transportation-related activities over time. Similarly, the costs of health care may drive cost increases in the Health and Social Services category to a greater degree than health care costs affect the overall Consumer Price Index.
- <sup>69</sup> [Department of Health and Human Services, Caseload Report, December 2016](#); [Commissioner Jeffrey A. Meyers, Health And Human Services Dashboard, January 11, 2017, pg. 4](#).
- <sup>70</sup> [Commissioner Jeffrey A. Meyers, Health And Human Services Dashboard, January 11, 2017, pg. 4](#). Also note that health care and health insurance costs historically have inflated faster than consumer prices in the broader economy, see [Catlin, Aaron C. and Cowan, Cathy A., History of Health Spending in the United States, 1960-2013, November 19, 2015, pg. 3 and generally](#).
- <sup>71</sup> [LBA Budget Orientation, January 2017, pg. 63](#).
- <sup>72</sup> [Chapter 275, Laws of 2015, "HB 1-A – Final Version," pgs. 756, 838](#).
- <sup>73</sup> [Commissioner Jeffrey A. Meyers and Deputy Commissioner Lori Shibinette, Overview of the Department of Health and Human Services, Presented to House Finance, February 1, 2017](#).
- <sup>74</sup> [State Treasurer William F. Dwyer, Annual Report of the State Treasury, SFY 2016, September 28, 2016, pgs. 1-3](#); [Chapter 275, Laws of 2015, pgs. 117-118](#).
- <sup>75</sup> [New Hampshire Department of Corrections, 2015 Annual Report](#).
- <sup>76</sup> [Chapter 275, Laws of 2015, pgs. 764-826](#).
- <sup>77</sup> [New Hampshire Department of Education, State Totals – Ten Years Public and Private Fall Enrollments 2006-2007 Through 2015-2016, January 29, 2016](#).
- <sup>78</sup> [University System of New Hampshire, Annual Report 2016, pgs. 3, 5](#).

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<sup>79</sup> [Gittell, Ross and Reid, Shannon, \*The Community College System of New Hampshire: Evolution, Challenges, and Opportunities\*, August 2013.](#)

<sup>80</sup> [LBA, \*Department of Transportation, Bridge Maintenance Performance Audit\*, September 2016, pg. 70.](#)

<sup>81</sup> [New Hampshire Department of Safety, \*Annual Report 2016\*, pg. 5.](#)

<sup>82</sup> [Chapter 275, Laws of 2015, pgs. 436-533; New Hampshire Department of Environmental Services, \*2015 Annual Report\*, January 4, 2016.](#)

<sup>83</sup> [LBA, \*Budget Orientation\*, January 2017, pg. 65; New Hampshire Municipal Association, \*State Aid to Municipalities: History & Trends\*, August 2016; Chapter 246, Laws of 2010.](#)