

BUDGET PROCESS OVERVIEW

Common Themes and Today's Debates

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New Hampshire Fiscal Policy Institute*

Presentation to
Antioch University of New England's
Environmental Advocacy: Methods
April 5, 2017

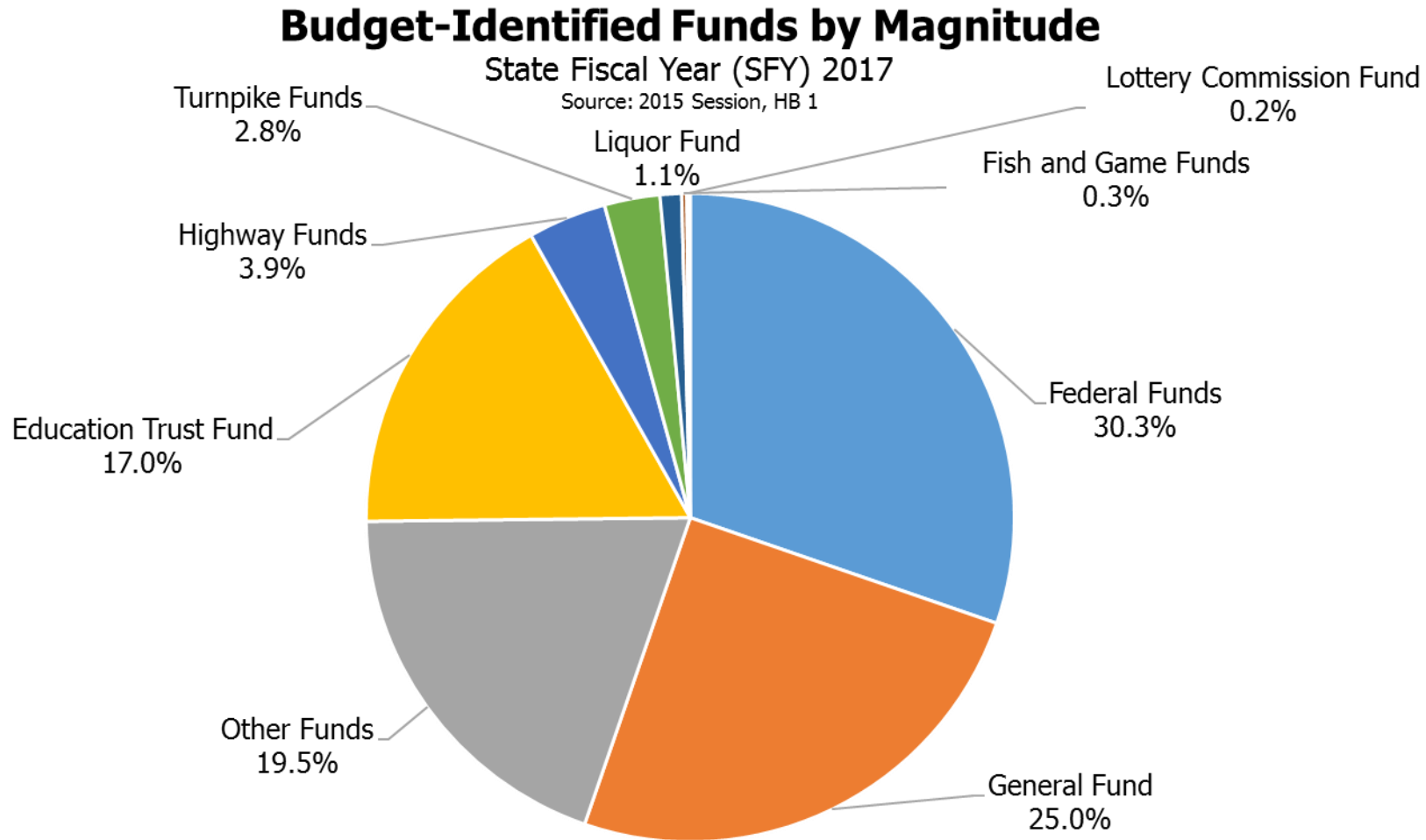
New Hampshire Fiscal Policy Institute: Mission

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

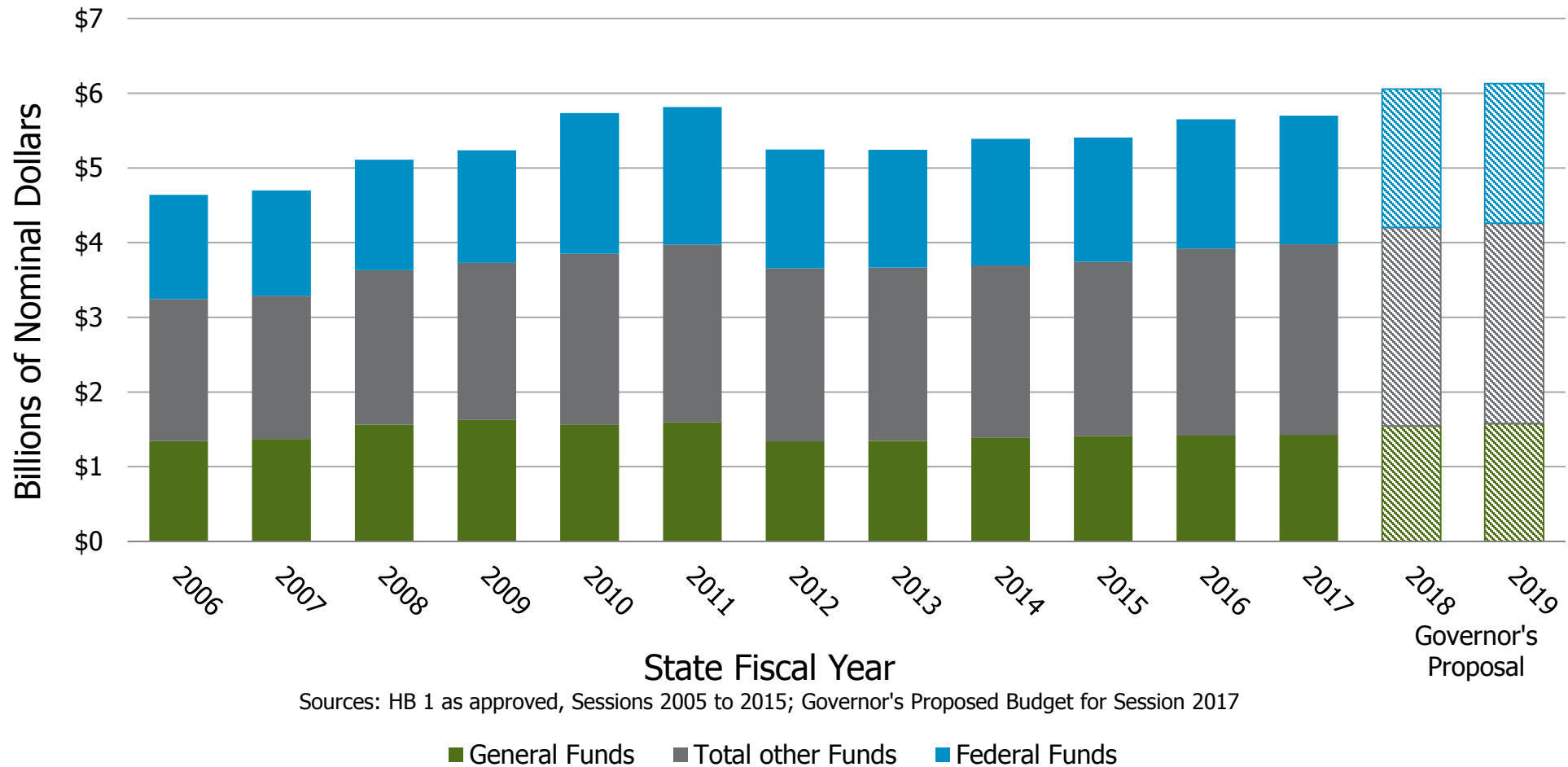


Looking Inside the Budget: Federal Funds Examples

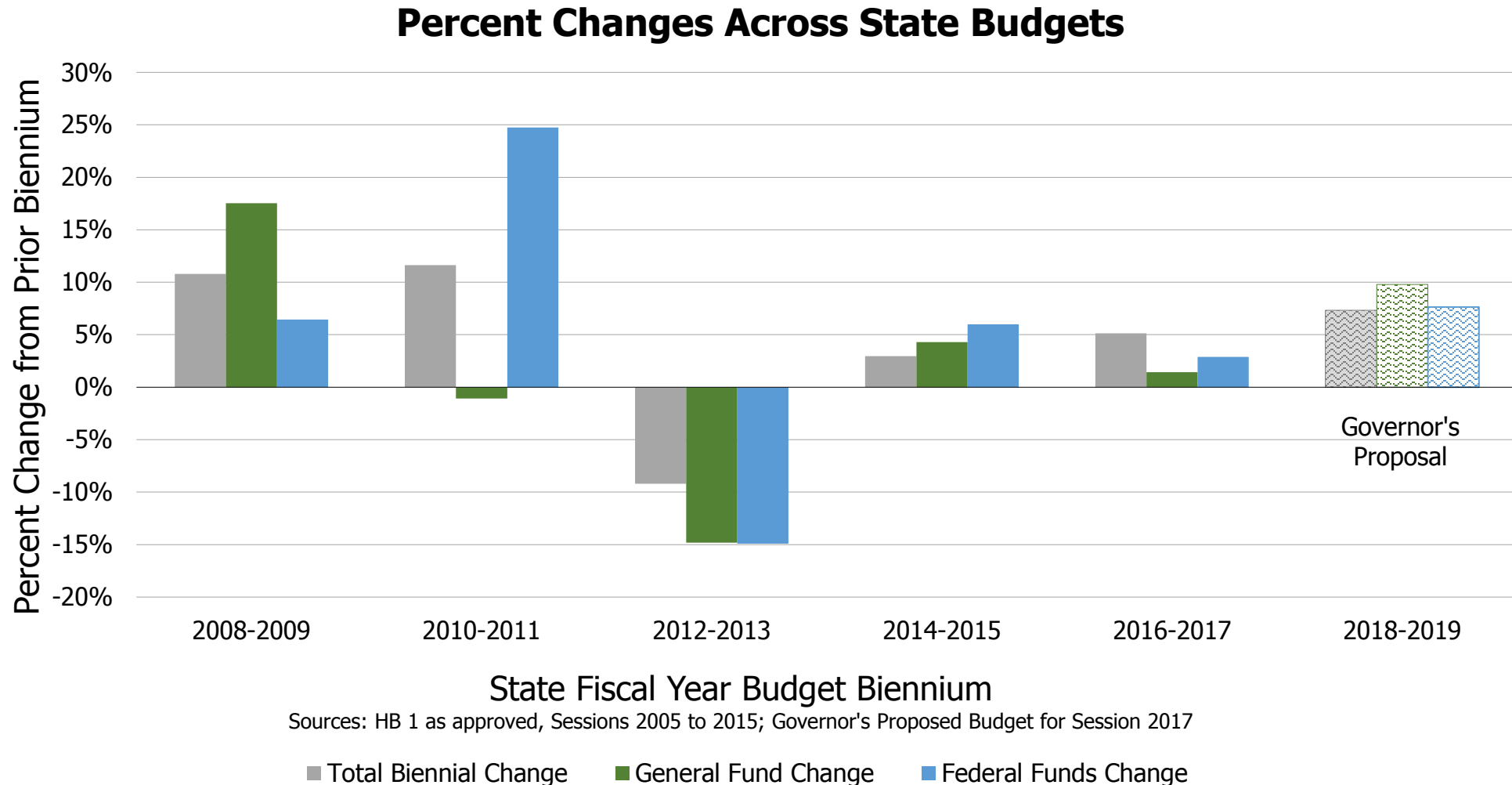
- Medicaid (\$2 billion in SFY 2016, 29 percent of all State expenditures)
- Federal transportation aid
- Education aid
 - Special education
 - School lunch program
 - Professional development
- Water pollution and infrastructure funds
- Temporary Assistance for Needy Families (TANF)
- Women, Infants, 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



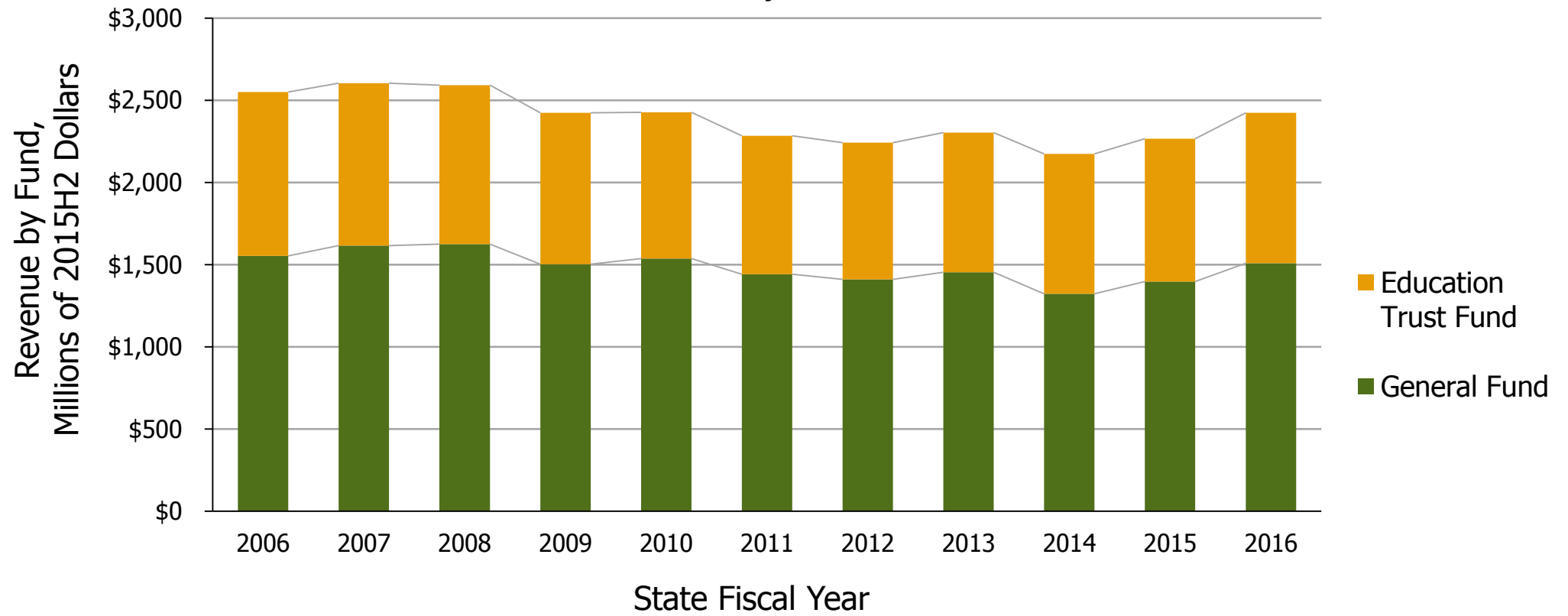
Overall Budget: Changes Across Biennia



Looking Inside the Budget: General and Education Trust Funds

General and Education Trust Fund Revenue

Inflation-adjusted dollars

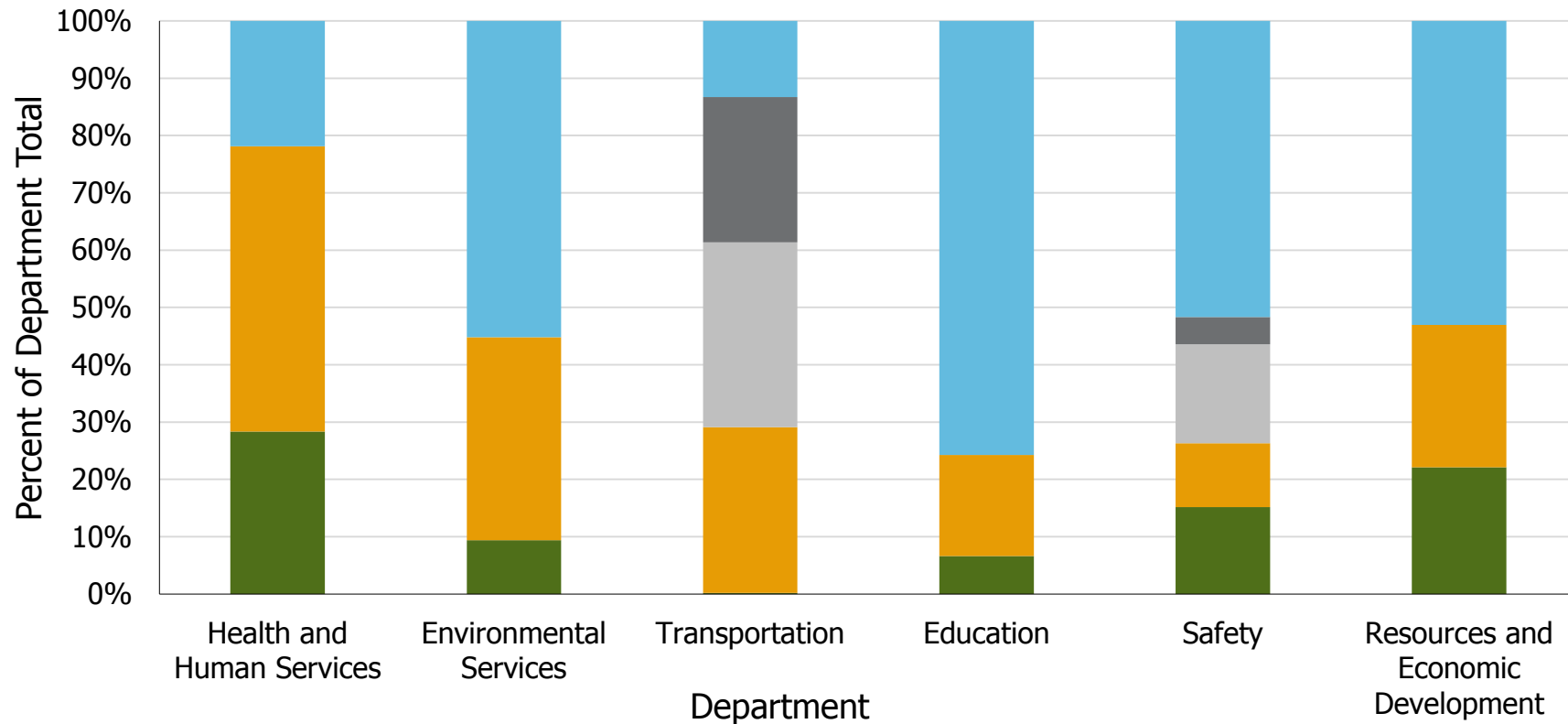


Sources: New Hampshire Comprehensive Annual Financial Reports, SFYs 2016, 2015, 2014;
U.S. Bureau of Labor Statistics Consumer Price Index

Looking Inside the Budget: Agency Funding Streams Examples

Funding Streams for Selected Departments

SFY 2017



Source: Chapter 275 (HB1), Laws of 2015

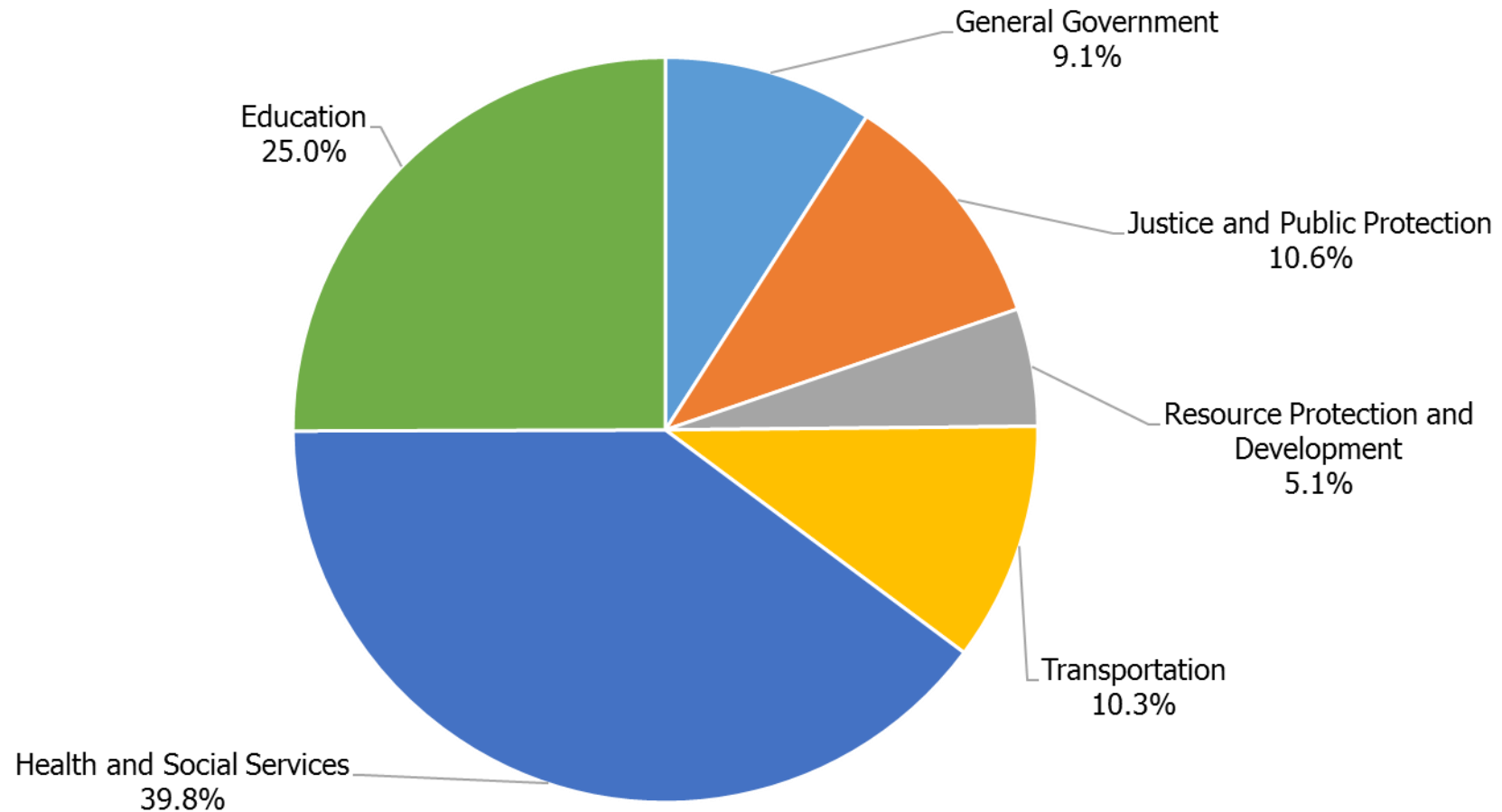
General Federal Highway Turnpike Other

Looking Inside the Budget: The Categories

Appropriations by Category

SFY 2017

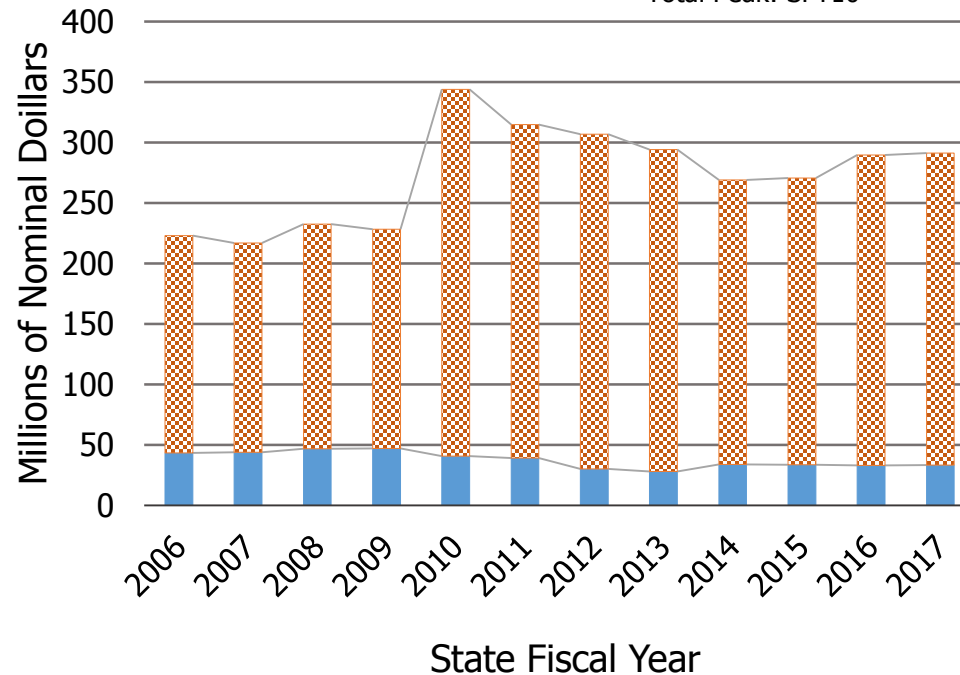
Source: 2015 Session, HB 1



Looking Inside the Budget: The Categories Over Time

Resource Protection and Development

Nominal Funds General Fund Peak: SFY09
Total Peak: SFY10

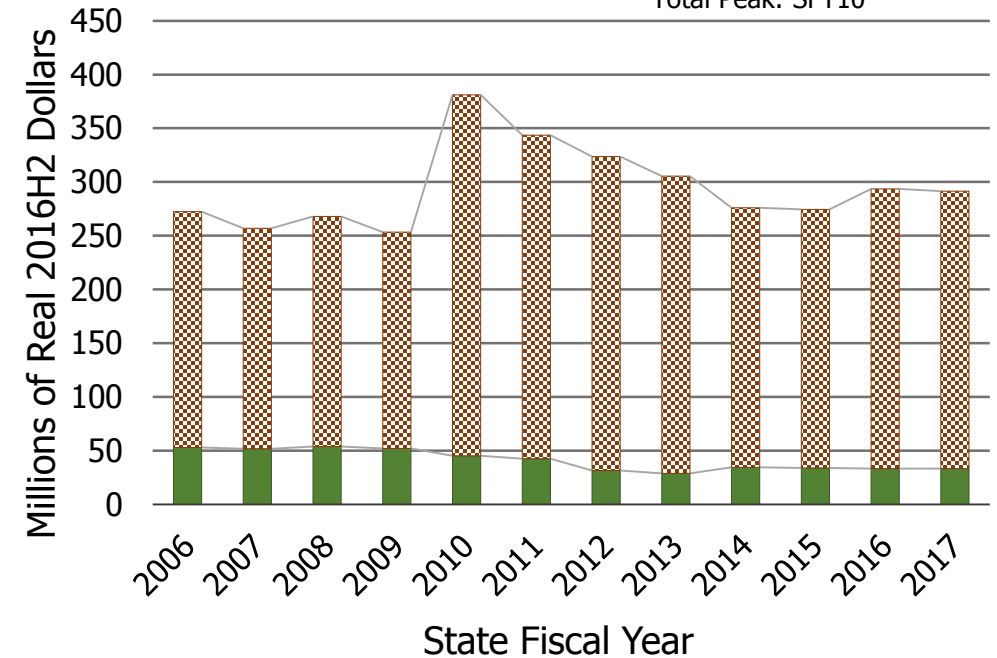


Source: HB 1 State Budgets as enacted, SFYs 2006-2017

■ General Fund ■ Total other funds

Resource Protection and Development

Real Funds General Fund Peak: SFY08
Total Peak: SFY10

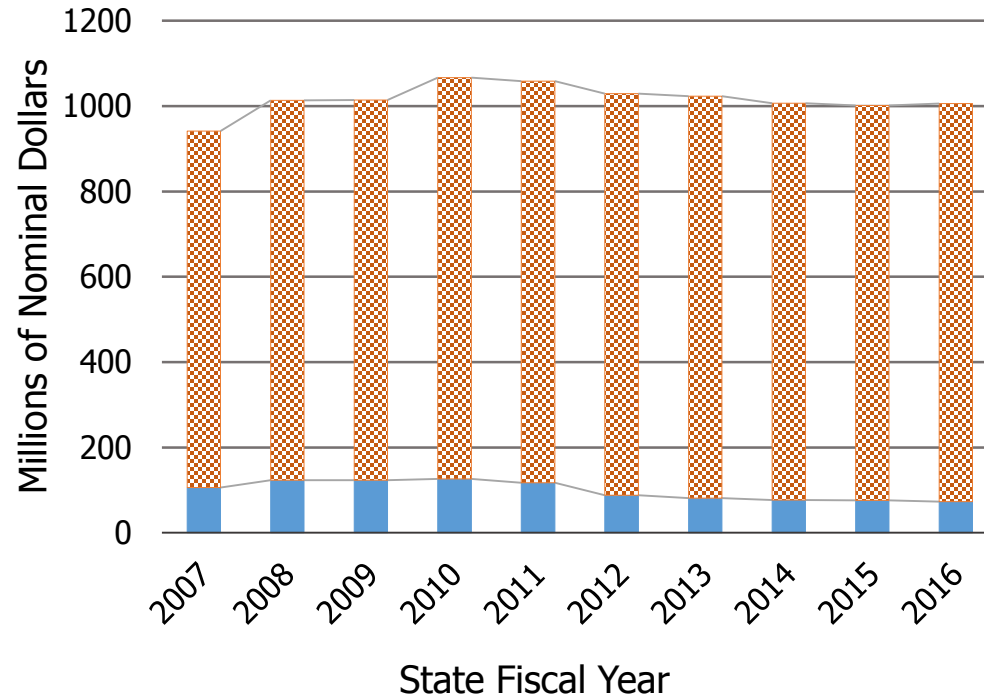


Sources: HB 1 State Budgets as enacted, SFYs 2006-2017; Bureau of Labor Statistics

■ General Fund ■ Total other funds

Aid to Local Governments: Education

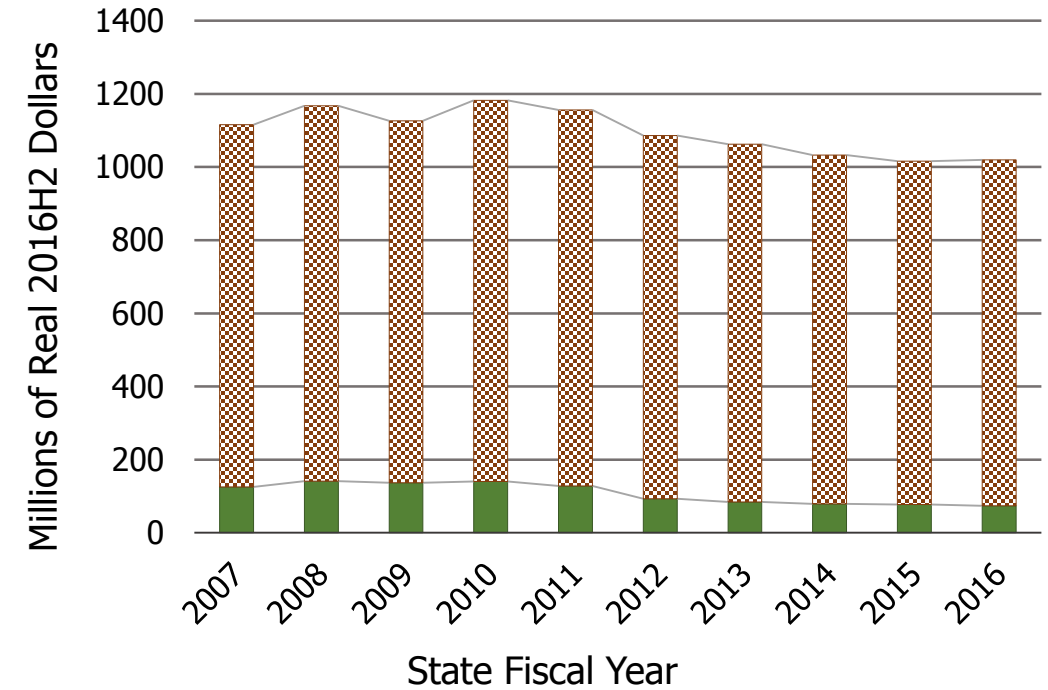
Education Aid to Local Governments
Nominal Dollars



Source: LBA Budget Orientation, January 2017

■ Other Education Aid ■ Adequate Education Grants

Education Aid to Local Governments
Real Dollars



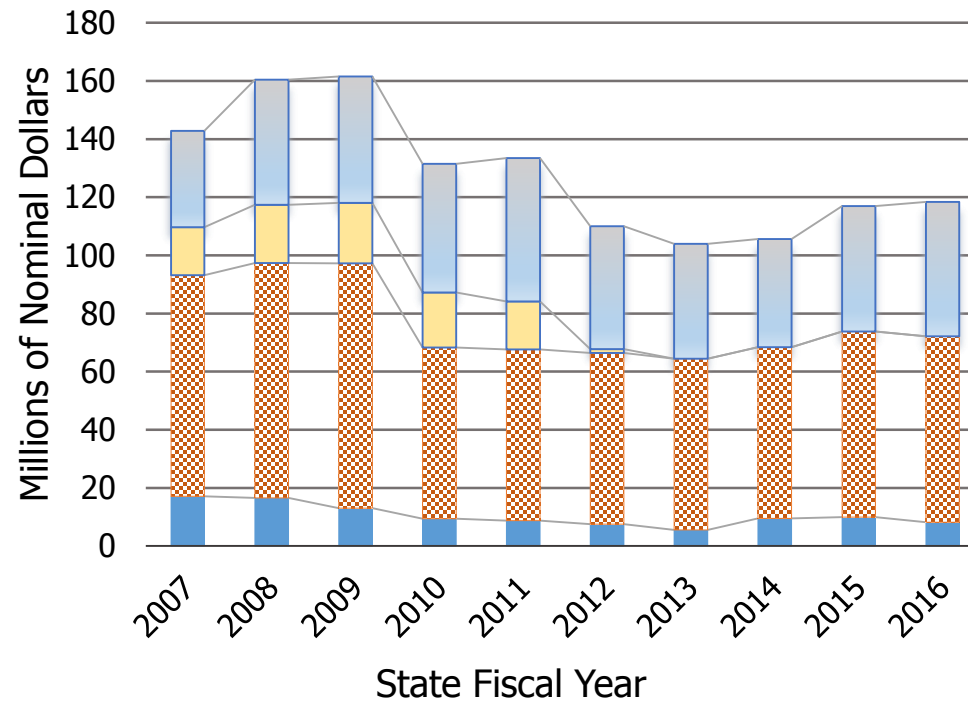
Source: LBA Budget Orientation, January 2017

■ Other Education Aid ■ Adequate Education Grants

Aid to Local Governments: Non-Education

**Non-Education Aid
to Local Governments**

Nominal Dollars

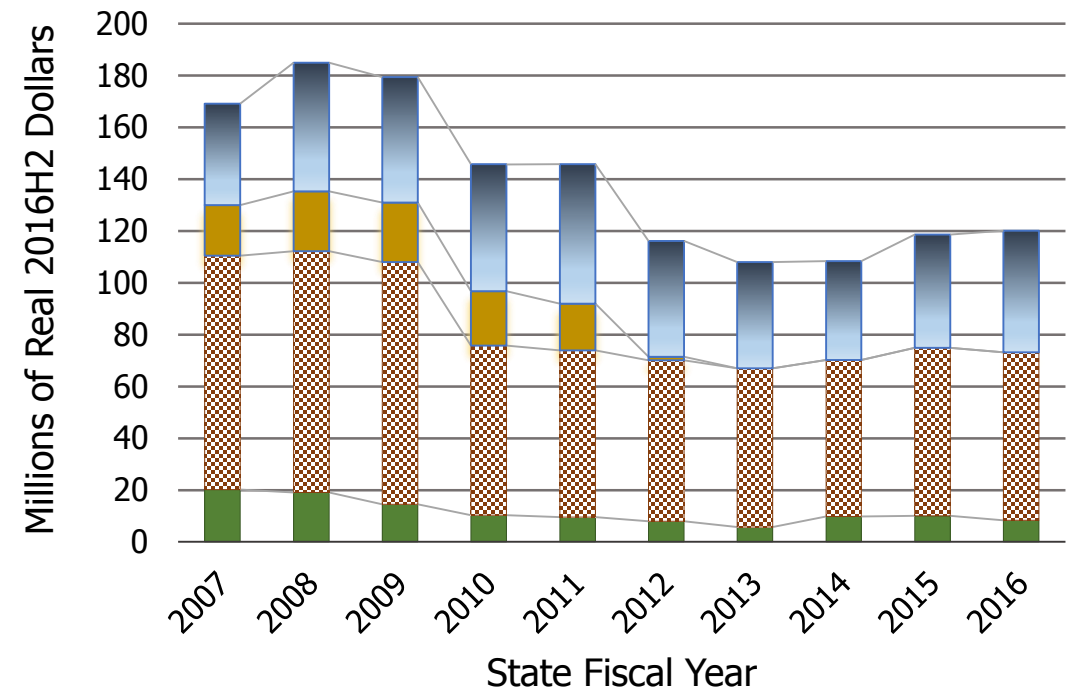


Source: LBA Budget Orientation, January 2017

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

**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

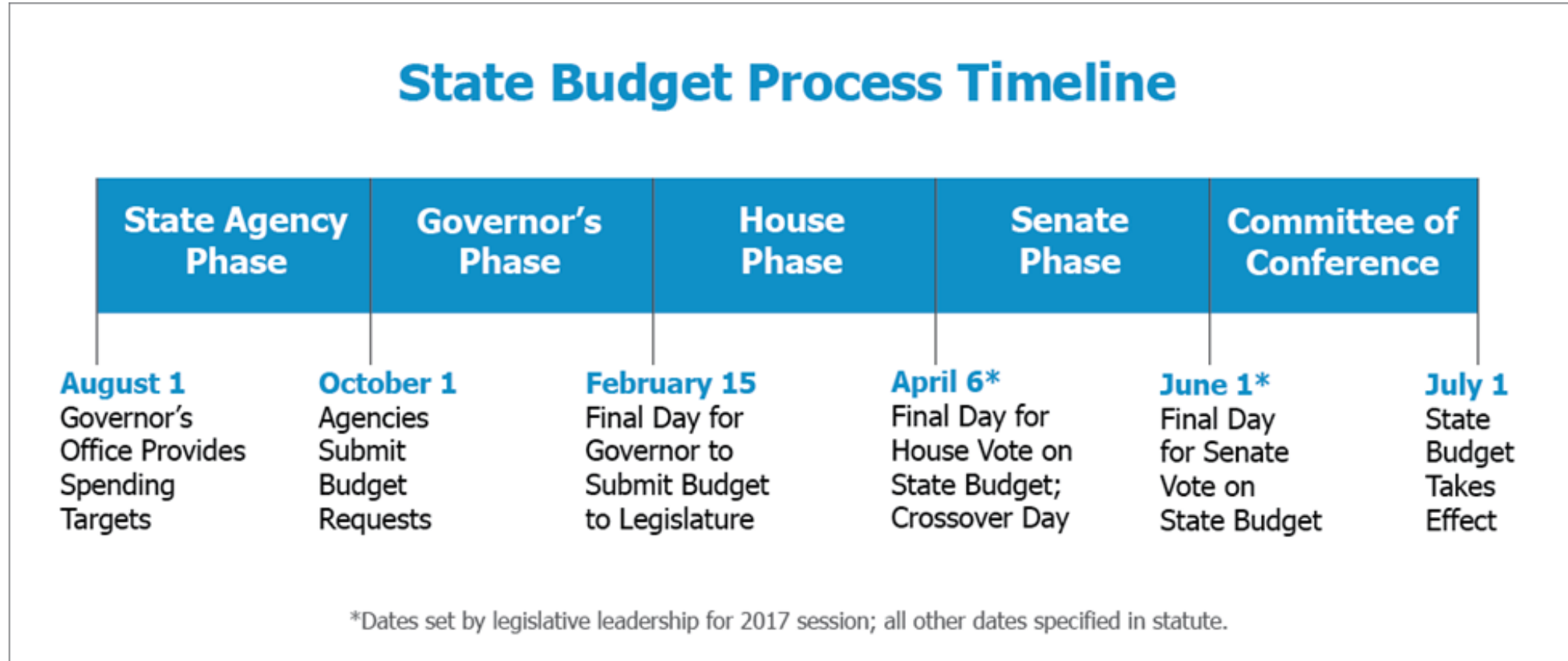
The Budget's Companion: House Bill 2

- 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

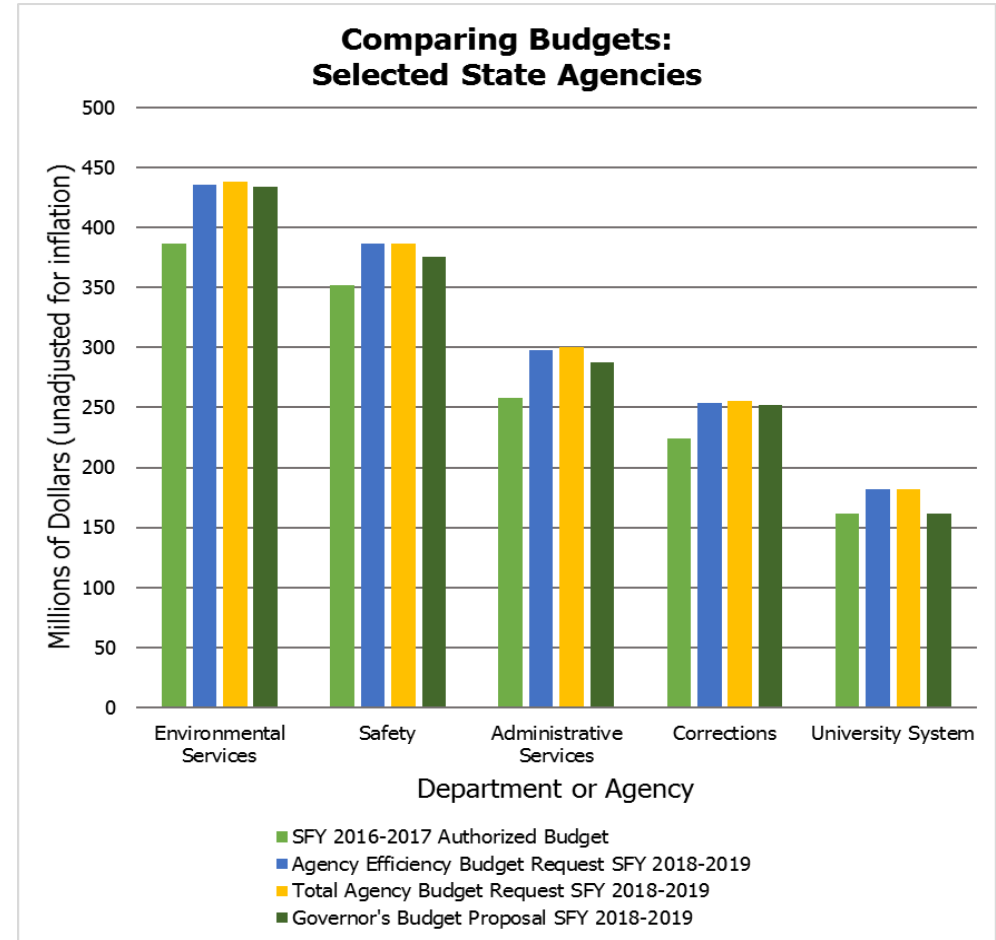
The Process: Mechanics of Building the Budget



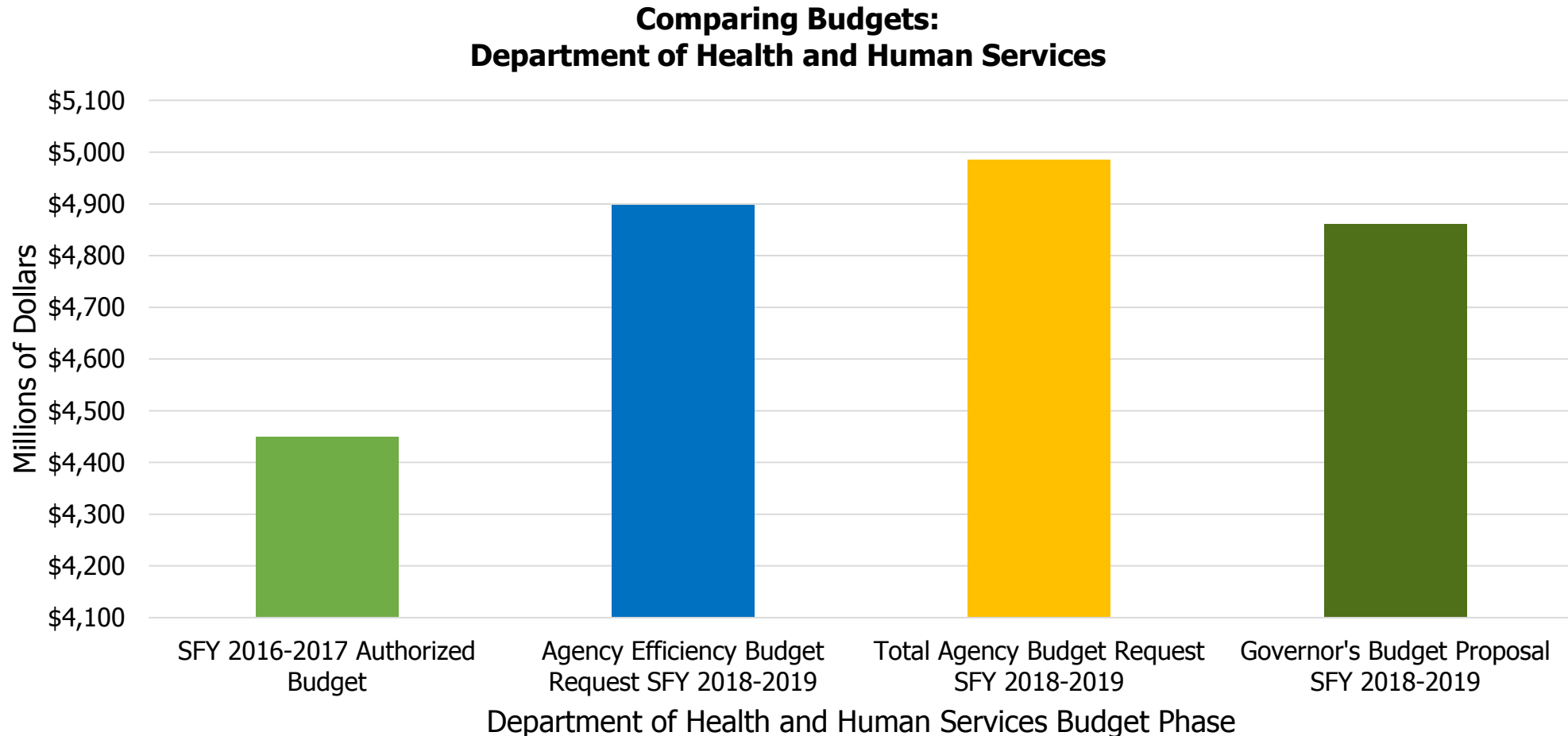
The Process:

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



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

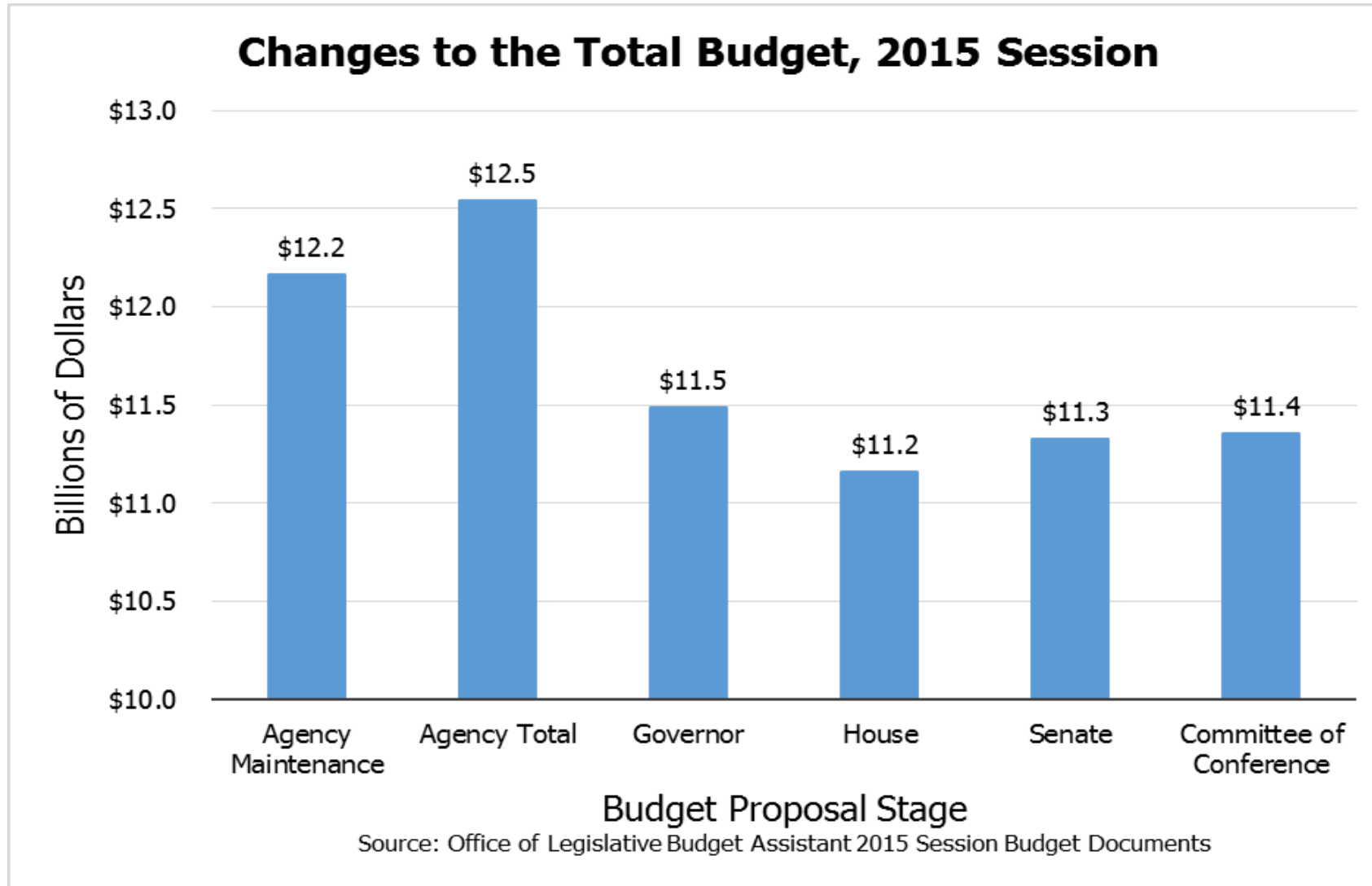
- House Finance Committee breaks into three Divisions, each handling a large, dedicated section of the budget
- Divisions vote on sections, bring budget together for full Finance vote (March 30)
- Goes to full House, can be amended there (April 6)
- Senate Finance then crafts its version, goes on to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

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

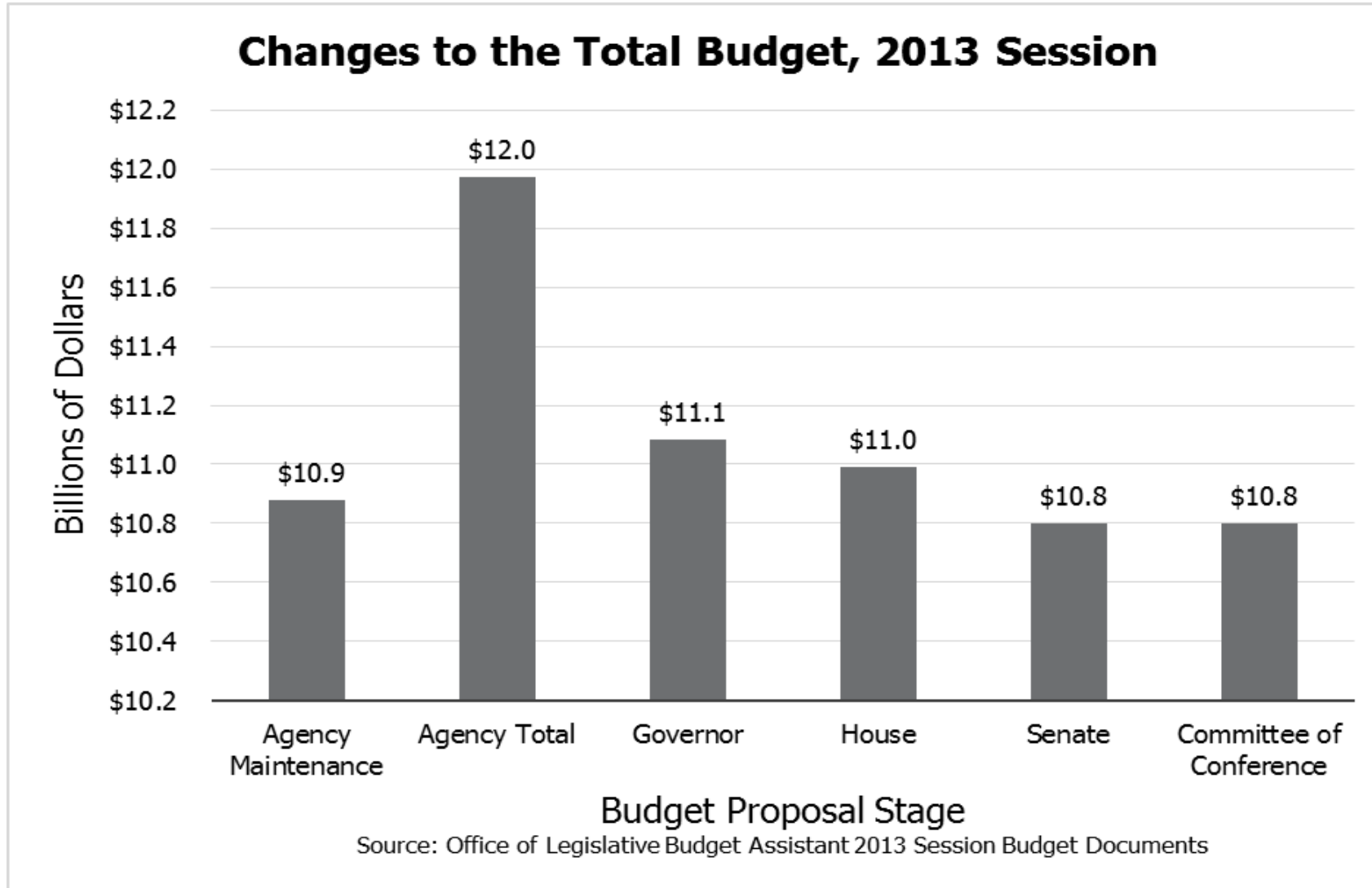
Projecting Revenue: Five Different Sets of Projections

- 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)

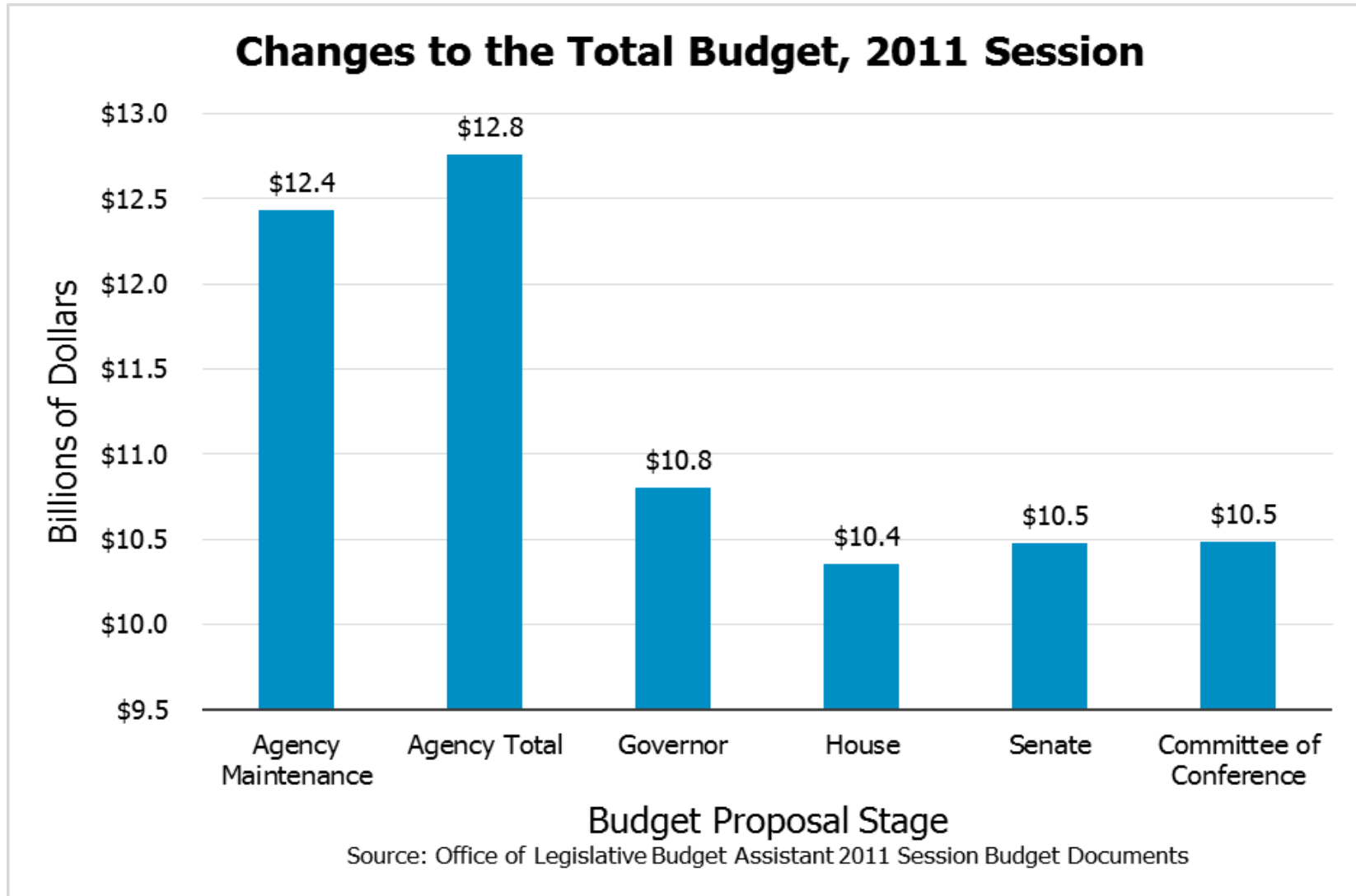
Projecting Revenue and Budgeting Patterns



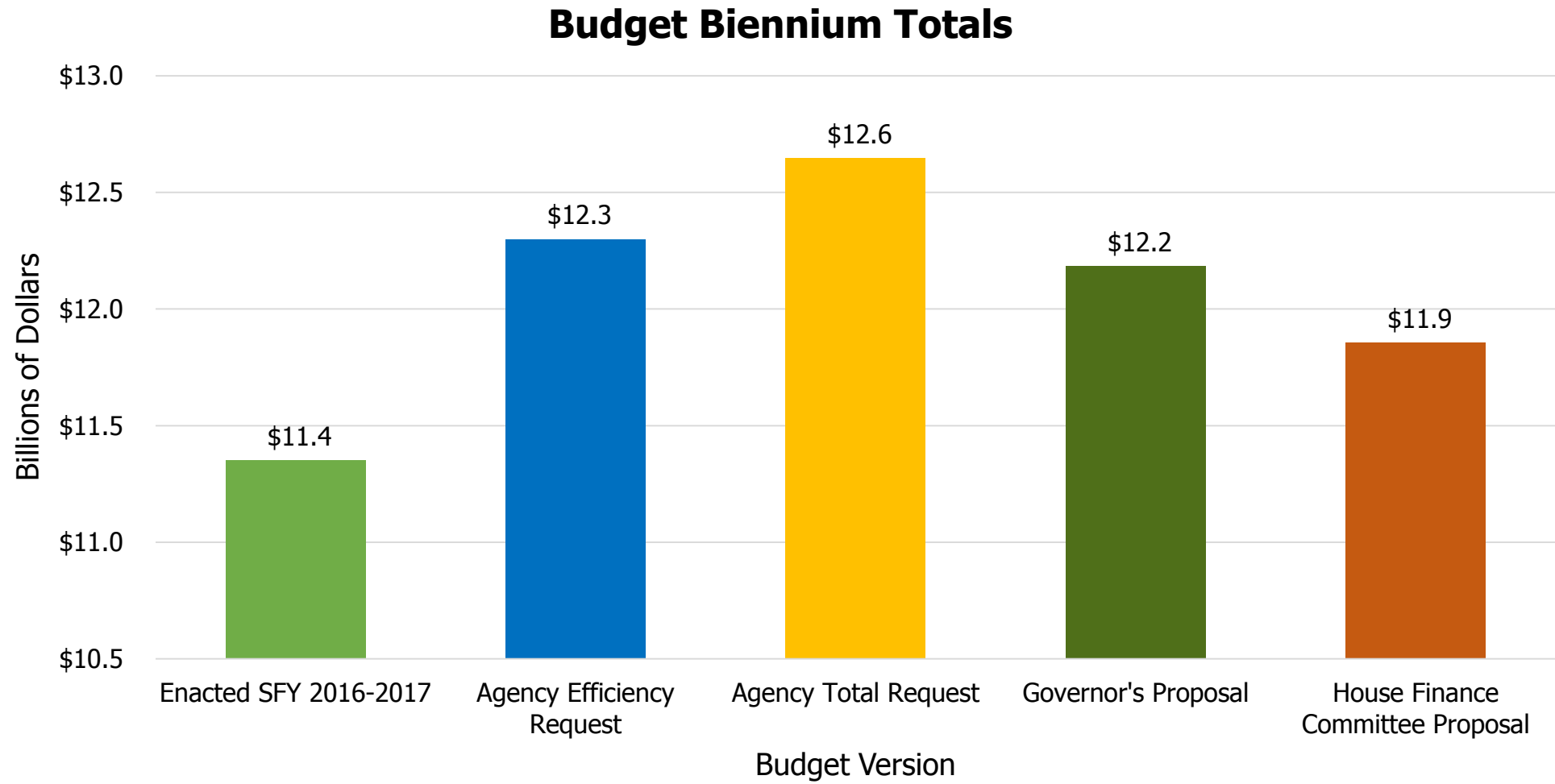
Projecting Revenue and Budgeting Patterns



Projecting Revenue and Budgeting Patterns



Projecting Revenue and Budgeting Patterns



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

- Building the Budget: <http://nhfpi.org/research/state-budget/building-budget-new-hampshires-state-budget-process-recent-funding-trends.html>
- The Governor's Proposed Budget: <http://nhfpi.org/research/state-budget/governor-sununu-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

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