

BUILDING THE BUDGET

Analysis of the Senate Budget Proposal
and Committee of Conference Changes

Webinar
June 16, 2017

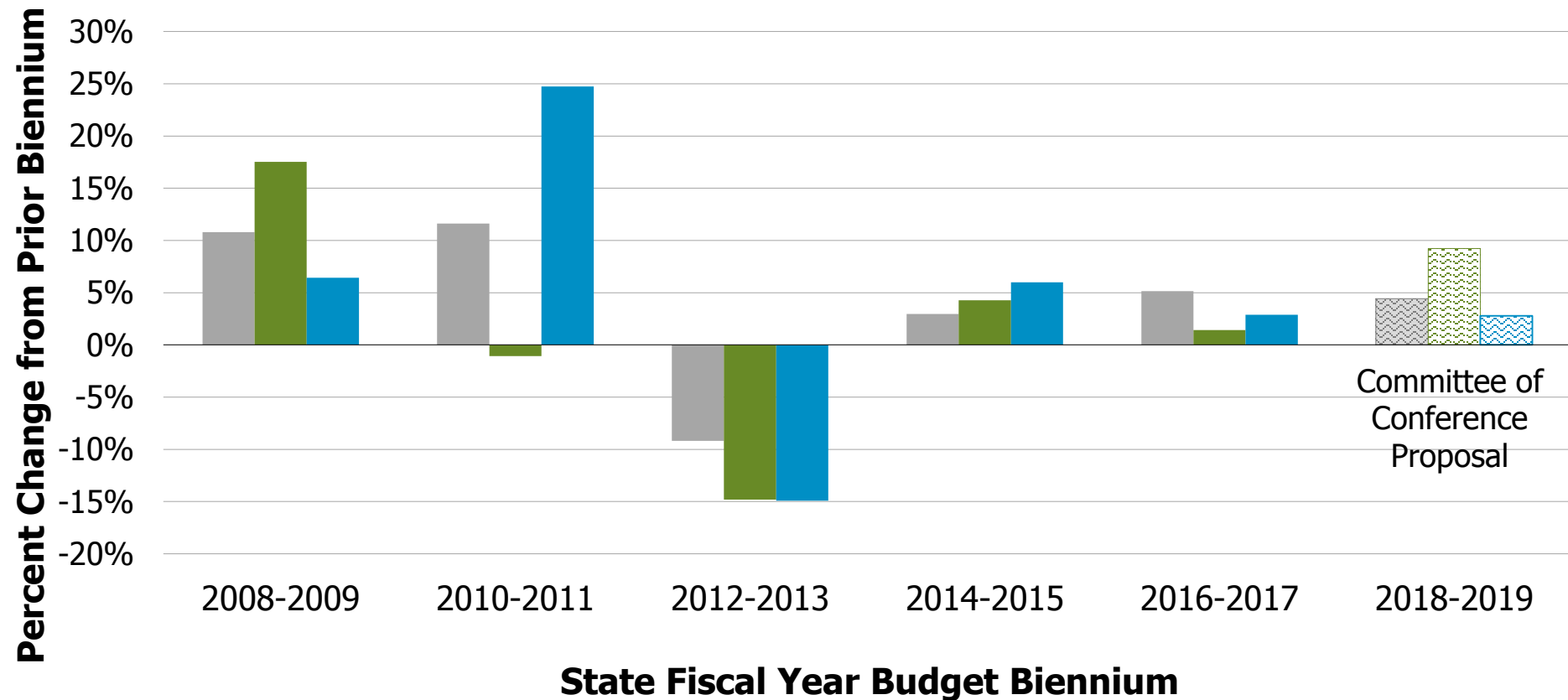
NHFPI Resource Publications

- Issue Brief: The State Senate's Proposed Budget (June 2017)
- Issue Brief: Governor Sununu's Proposed Budget (February 2017)
- Building the Budget: New Hampshire's State Budget Process and Recent Funding Trends (February 2017)
- Revenue in Review: An Overview of New Hampshire's Tax System and Major Revenue Sources (May 2017)
- All available at nhfpi.org
- Specific weblinks provided, alongside other resources, at presentation's end

Note: Many changes discussed in this webinar, as in the State Senate's Proposed Budget Issue Brief, are relative to Governor Sununu's proposed budget.

Overall Budget Changes Across Biennia

Percent Changes Across State Budgets



Sources: HB 1, Section 1 as Approved, Sessions 2005 to 2015; HB 144, as Amended by the Committee of Conference, Session 2017

■ Total Biennial Change ■ General Fund Change ■ Federal Funds Change

Overall Budget Expenditures

Comparing Appropriations

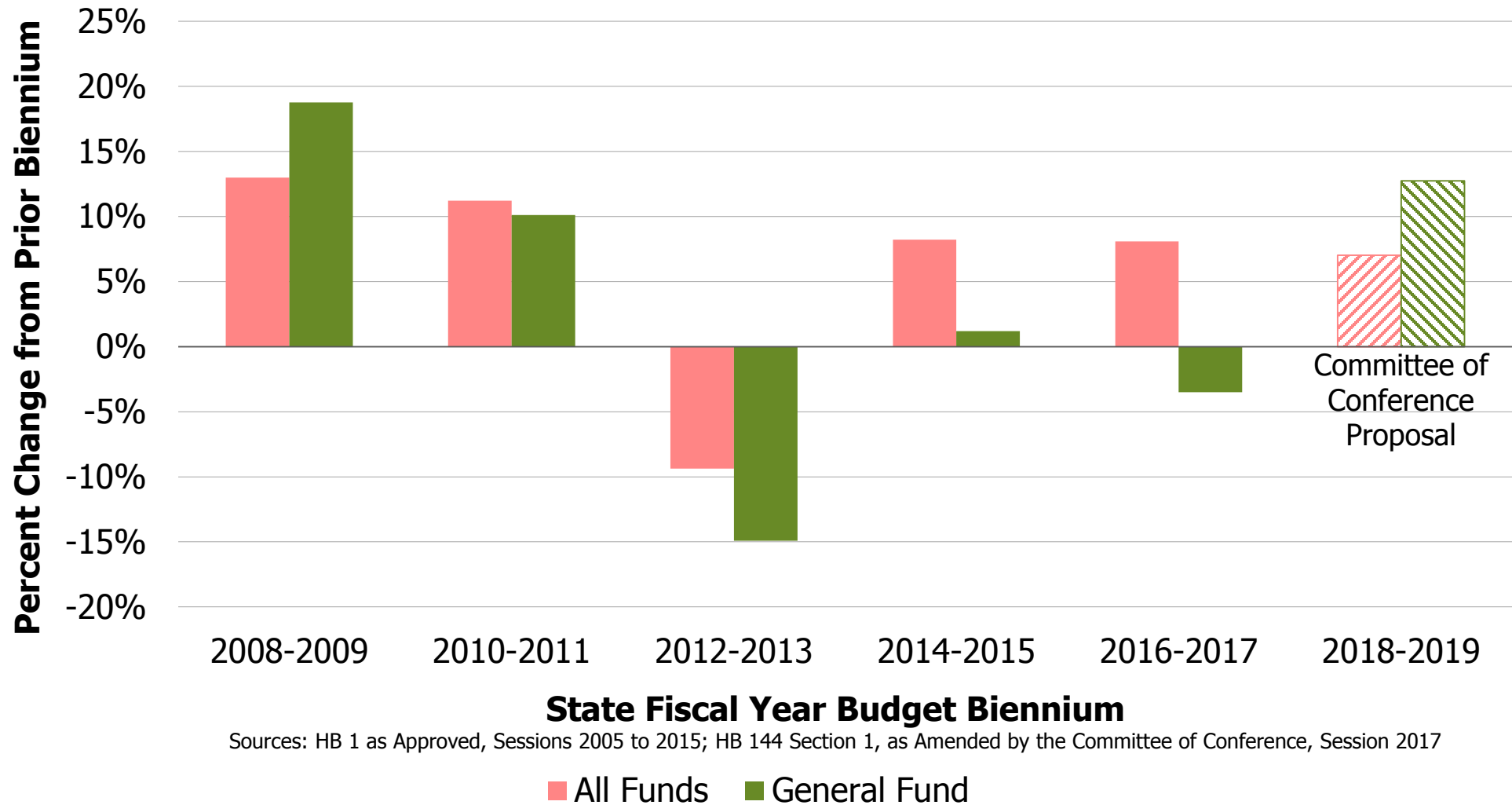
House Bill 1 and House Bill 144, Section 1 Appropriations

Budget Appropriations (billions)	Current Operating Budget	Governor's Proposal, SFYs 2018-2019	House Finance Committee Proposal, SFYs 2018-2019	Senate Proposal, SFYs 2018-2019	Committee of Conference Proposal, SFYs 2018-2019
Total	\$11.35	\$12.18	\$11.85	\$11.86	\$11.85
General Fund	\$2.84	\$3.12	\$3.09	\$3.13	\$3.11
General Fund and Education Trust Fund	\$4.77	\$5.06	\$5.00	\$5.04	\$5.02
Federal Funds	\$3.46	\$3.72	\$3.58	\$3.55	\$3.55

Sources: Chapter 275, Laws of 2015 (HB 1, Section 1); Office of Legislative Budget Assistant Comparative Statement of Undesignated Surplus – Combined General and Education Trust Funds, June 1, 2017; Amendment 2017-2124s; Amendment 2017-2024s; Governor’s Operating Budget for Fiscal Years ending June 30, 2018-2019; Amendment 2017-1179h; 2017-2345-CofC.

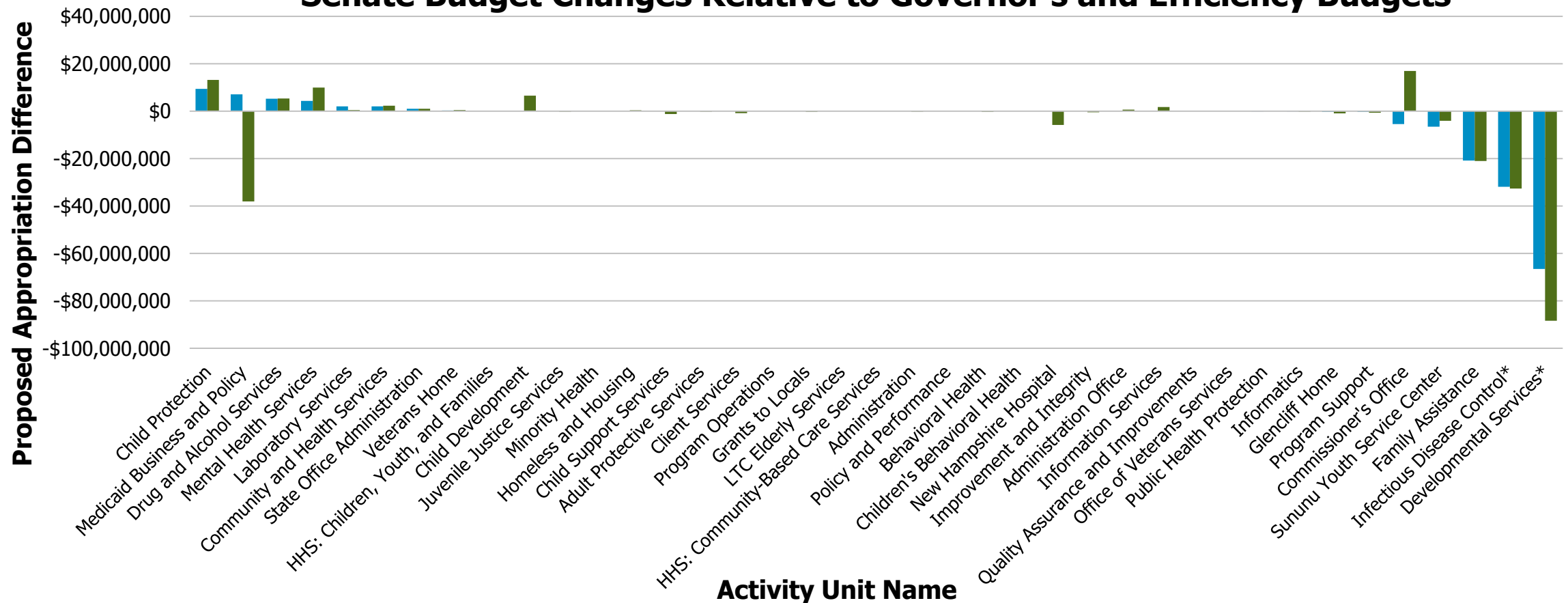
Notes: House Bill 1, Section 1 does not include lapse estimates or other appropriations bills, such as Senate Bill 9 from the 2015 Session for the “Current Operating Budget” column or separate appropriations bills passed in the 2016 and 2017 Sessions. For the Senate Proposal, Section 1 of House Bill 144 is used, as the Senate did not receive House Bill 1 from the House. The appropriations listed in the Committee of Conference proposal do not adjust for the expected reduction due to the elimination of double-counting in the budget from the Department of Information Technology’s operations.

Health and Social Services



Health and Social Services

Department of Health and Human Services and Veterans' Agencies: Senate Budget Changes Relative to Governor's and Efficiency Budgets



Sources: State Agency Budget Requests, Governor's Executive Budget Summary,
HB 144 as Amended by the Senate (all for SFYs 2018-2019)

*Includes significant funding removed from the State Budget, but expected to be authorized elsewhere

■ Biennium Difference, Senate v. Governor

■ Biennium Difference, Senate v. Efficiency Budget

Health and Social Services

Medicaid

- Reduces (\$11.1 million) in Medicaid funding by assuming a 2 percent managed care caseload decrease in SFY 2018, rather than the Governor's assumed 1 percent
- Funds (about \$8 million) and moves start date for new Medicaid services for children with severe emotional disturbances (wraparound services) to January 1, 2018, sooner than the Senate proposal's July 1, 2018 (added about \$2.7 million in Committee of Conference)
- Adds work requirements for certain New Hampshire Health Protection Program participants, contingent on federal approval
- **Mental Health** initiatives draw on Medicaid funding in key areas
 - Up to 40 transitional and community residential beds and services, ramping up through the biennium
 - Up to 20 designated receiving facility beds added
 - Mobile crisis team and apartments added

Health and Social Services

Other Mental Health

- Requires the DHHS develop a plan to safely move remaining 24 youths in New Hampshire Hospital
- Assertive Community Action Team funding lower (\$3 million) than in the Governor's proposal
- Senate budget added eight peer crisis respite beds, Committee of Conference removed them (not in current version)

Developmental Disability and Medicaid Funding

- Increase same as Governor's proposal (\$53.9 million) over last biennium
- Removes federal transfer funding (\$70.1 million) for Medicaid-to-Schools to likely be accepted later through the Fiscal Committee (similar situation as Infectious Disease Control, off-budget authorization for \$32.0 million)
- Senate added provision permitting \$4.0 million more in General Funds each year if expenditures were greater than appropriations; Committee of Conference removed that provision (not in the current version)

Health and Social Services

Provider Rate Increases

- Boost for up to 5 percent rate increases in Child Protection for certain DCYF residential providers and foster care services (increased in Committee of Conference) for compensation for individuals providing the services directly
- Boosts also for elderly and adult non-Medicaid services, nursing home Medicaid case management services, public guardianship services, and early intervention services up to 5 percent for compensation for individuals providing services

Child Protection

- Increases domestic violence centers funding (\$1 million)
- Moves DCYF oversight to a DHHS Associate Commissioner position
- Clarifies the definition of “unfounded report” in the Child Protection Act

Temporary Assistance for Needy Families

- Does not include Gateway to Work/Granite Workforce program
- Shifts TANF funding to the Child Development Program and Child Protection
- Sets TANF benefit at 60 percent of federal poverty guidelines, adjusted annually

Health and Social Services

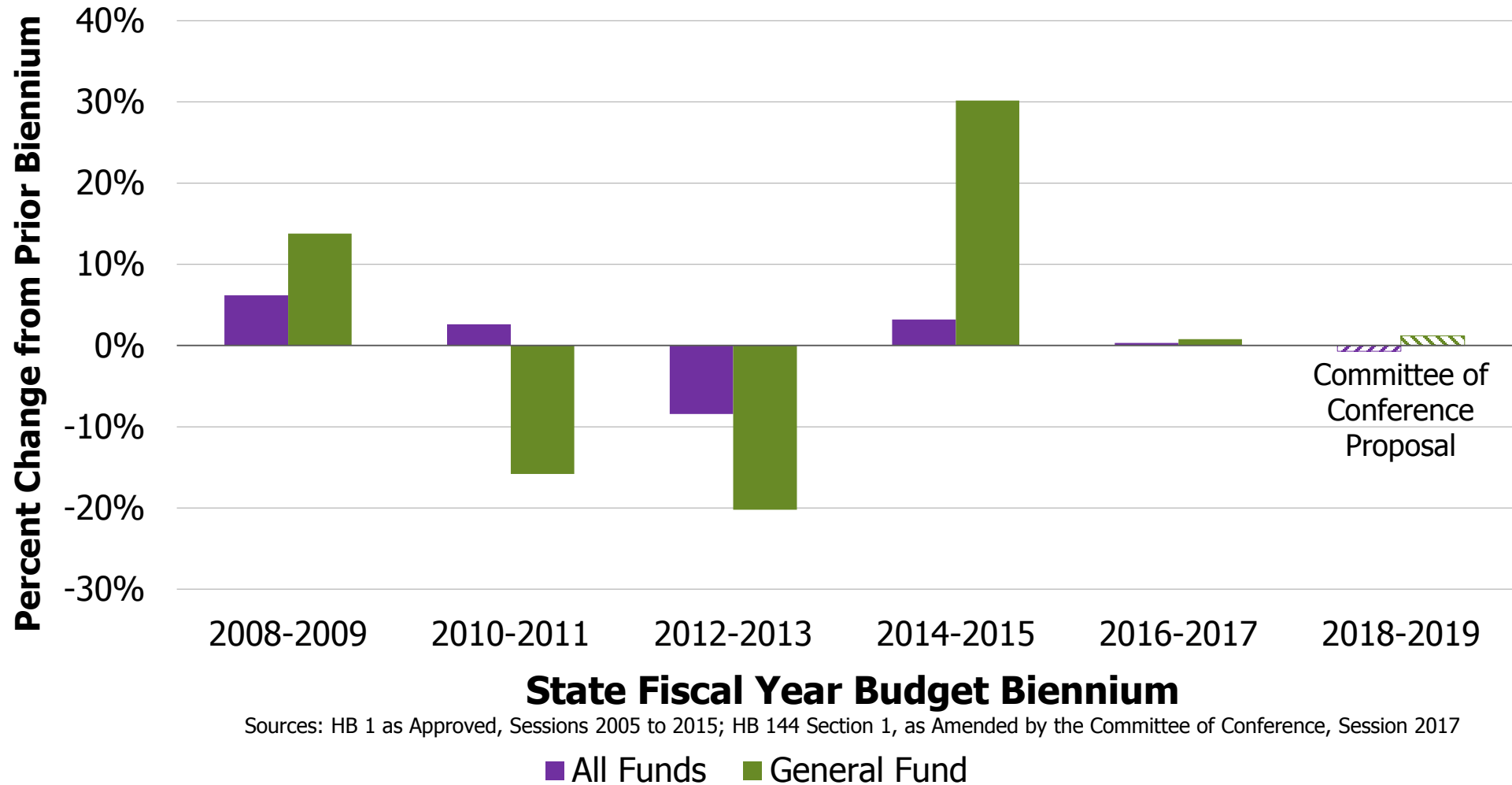
Juvenile Justice and the Sununu Youth Services Center

- Requires minors be retained less than 21 days while awaiting placement or hearings, except when court-approved, and establishes a juvenile justice advisory group
- Requires a plan be created to increase State's community-based, Medicaid-eligible settings for 35 minors
- Reduces Sununu Center funding relative to the Governor's budget (\$6.6 million)
- Excess capacity to be redeveloped for youth under 18 drug treatment services, using \$2 million from the Alcohol Abuse Prevention and Treatment Fund

Alcohol Abuse Prevention and Treatment Fund

- Increase from 1.7 to 3.4 percent of Liquor Commission profits, no encumbered provision as the Governor included
- Permits funds to be used for Sununu Youth Services Center drug treatment operations contracted services, also other operations when emergency funds are necessary and with Fiscal Committee approval
- Specific amounts used to fund related Governor's office positions and subsidize a certain youth program

Education

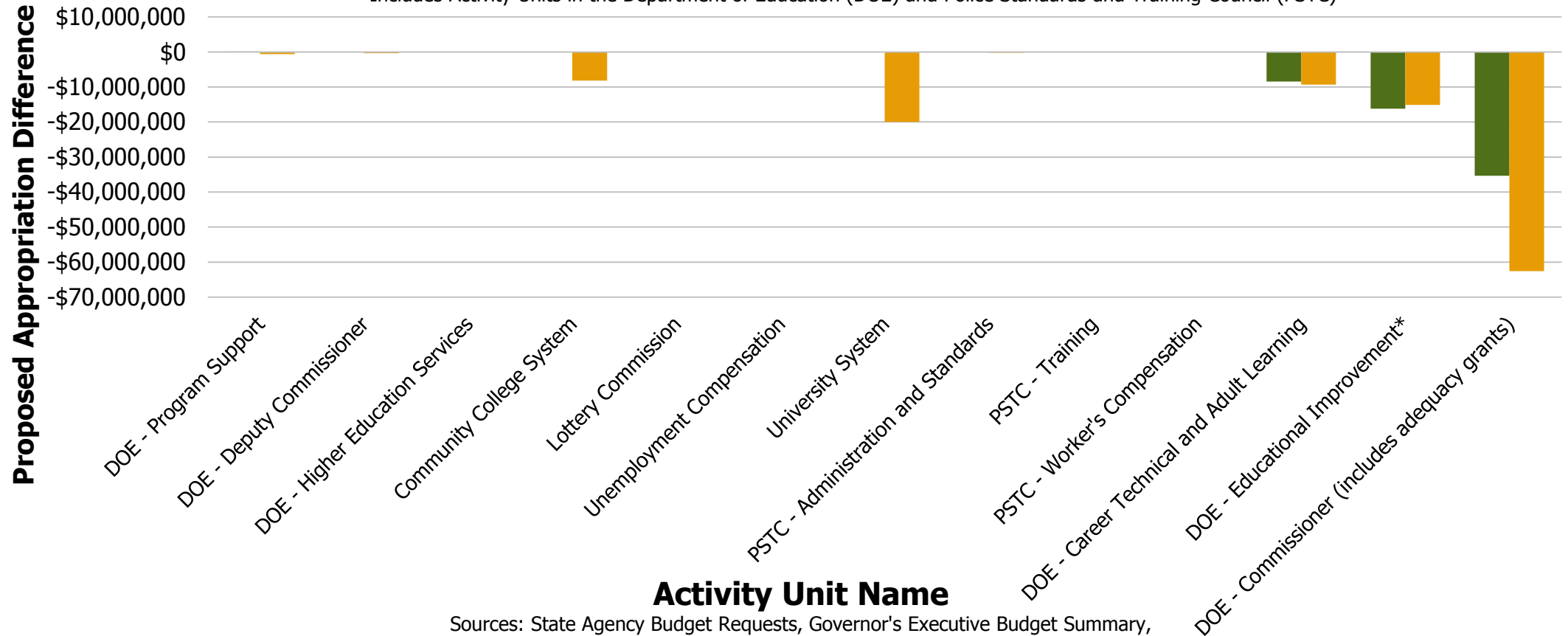


Sources: HB 1 as Approved, Sessions 2005 to 2015; HB 144 Section 1, as Amended by the Committee of Conference, Session 2017

Education

Education Agencies: Senate Budget Changes Relative to Governor's and Efficiency Budgets

Includes Activity Units in the Department of Education (DOE) and Police Standards and Training Council (PSTC)



Sources: State Agency Budget Requests, Governor's Executive Budget Summary,
HB 144 as Amended by the Senate (all for SFYs 2018-2019)

*Includes funding removed from the State Budget, but expected to be authorized through Fiscal Committee

■ Biennium Difference, Senate v. Governor

■ Biennium Difference, Senate v. Efficiency Budget

Education

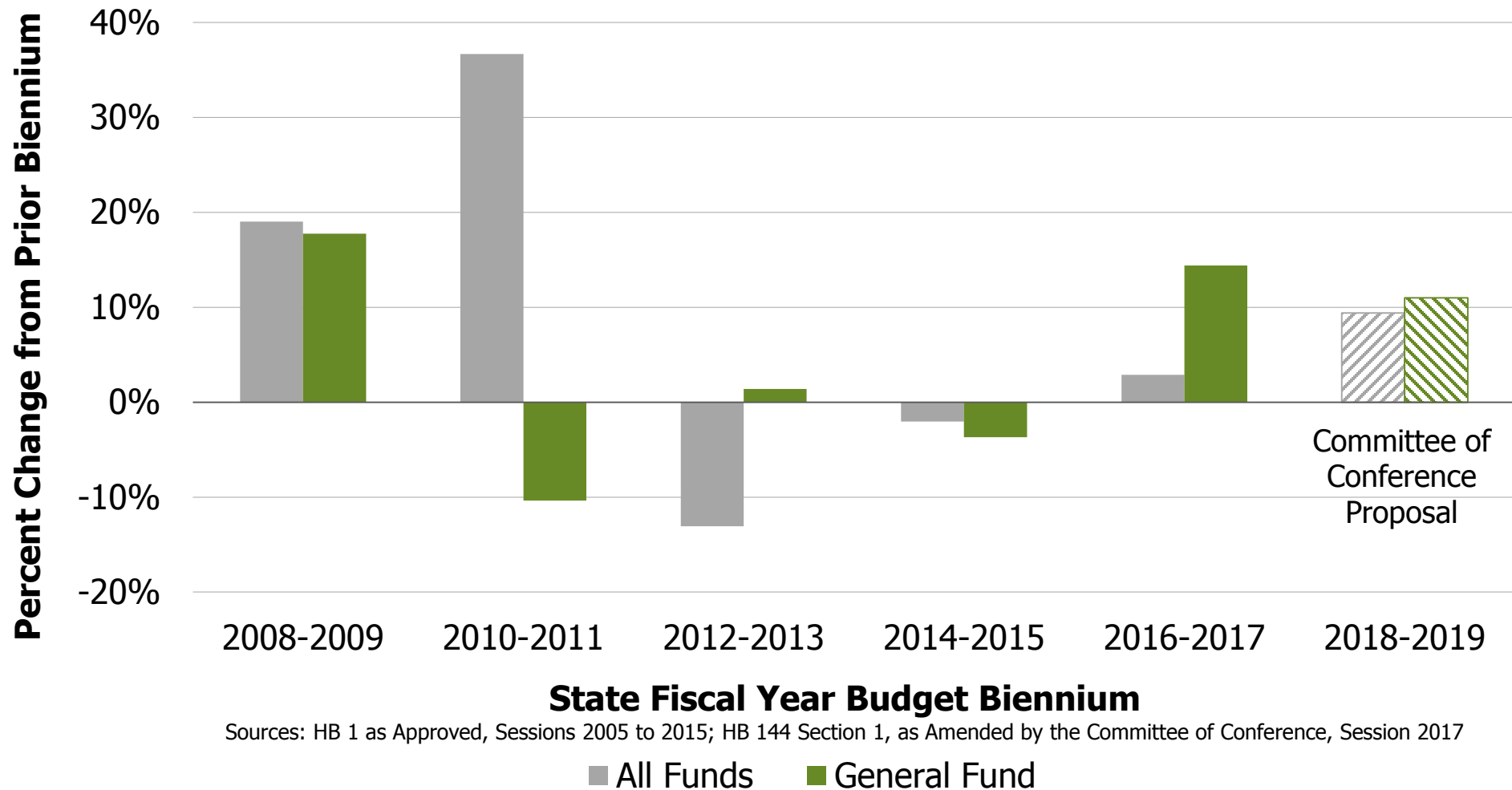
Adequacy Grants

- Governor's full-day kindergarten subsidy (\$18.0 million) not included in the Committee of Conference budget; see Senate Bill 191
- Decreases projections for student enrollment statewide, removing \$7.3 million in adequacy grant payments from Governor's budget proposal and \$8.0 million from charter school adequacy tuition payments
- Increases per-student charter school tuition payments relative to current policy, total lower than Governor's proposal by a projected \$2.5 million

Other Education Changes

- Increases Community College System operations funding about \$7.3 million over last biennium; University System funding unchanged
- Establishes Robotics Education Fund
- Federal funding expectation changes and proposed Gateway to Work program removal reduce budget totals relative to Governor's proposal

Justice and Public Protection



Justice and Public Protection

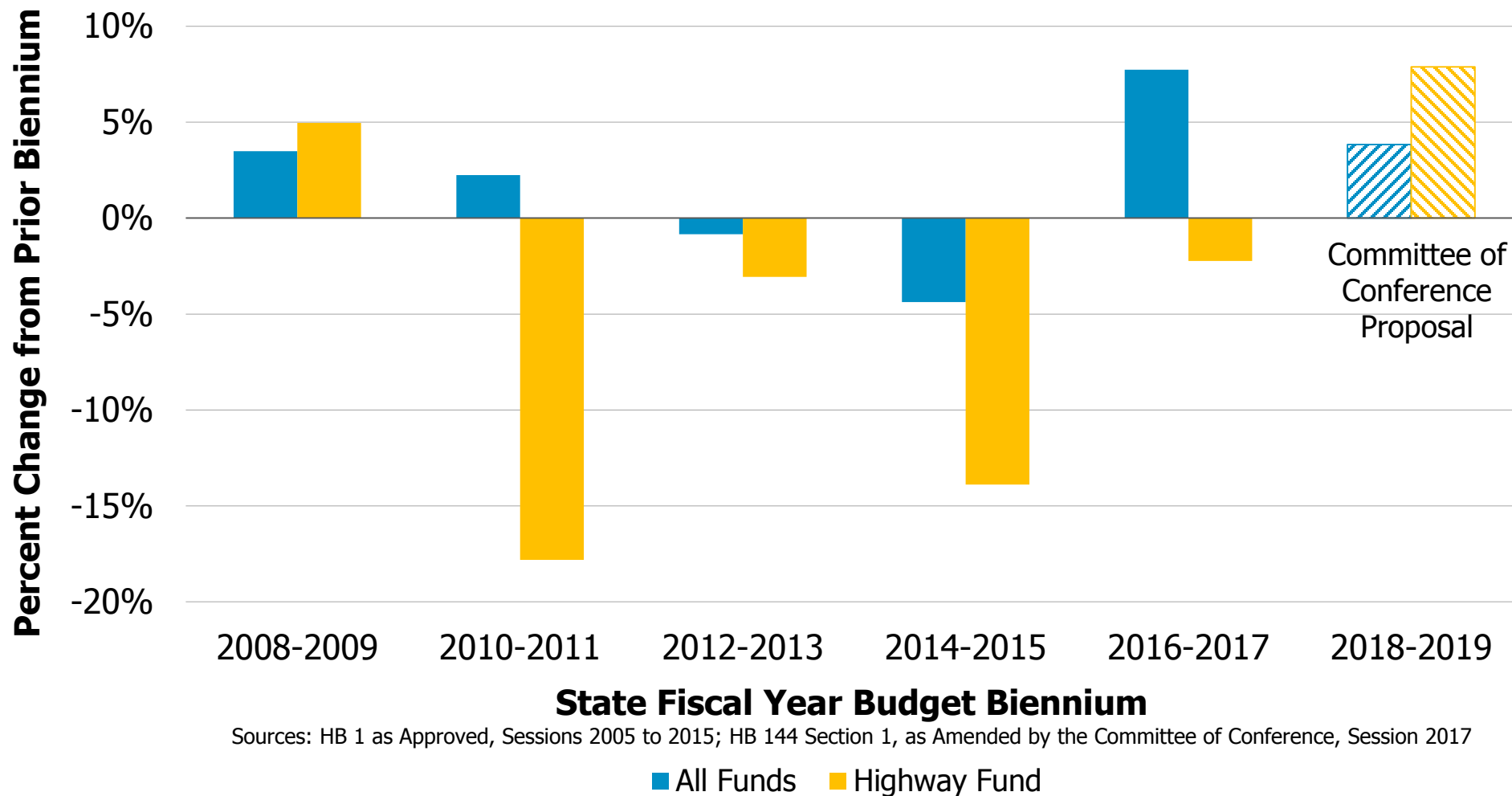
Department of Corrections

- Delays or defunds the hiring of new corrections officers at the new women's prison, including defunding nine positions in SFY 2018 and seven in SFY 2019; also defunds three nurse positions for the prison
- Delays hiring of three additional nurses at women's prison; delays four other new staff positions; eliminates a new chaplain position
- Abolishes three proposed probation officer positions, delays three more

Other Changes

- Funds increase of five new State Troopers in SFY 2019, with option of hiring five more, rather than funding ten that year as the Senate proposed
- Reduces Governor's proposed appropriations to the Judicial Branch, eliminating a new superior court judge and two circuit court positions
- Shifts some Department of Safety funding from the General Fund back to the Highway Fund, a partial reversal from the Senate's position
- Adds a new full-time Department of Justice investigator for election, voting, and lobbying laws

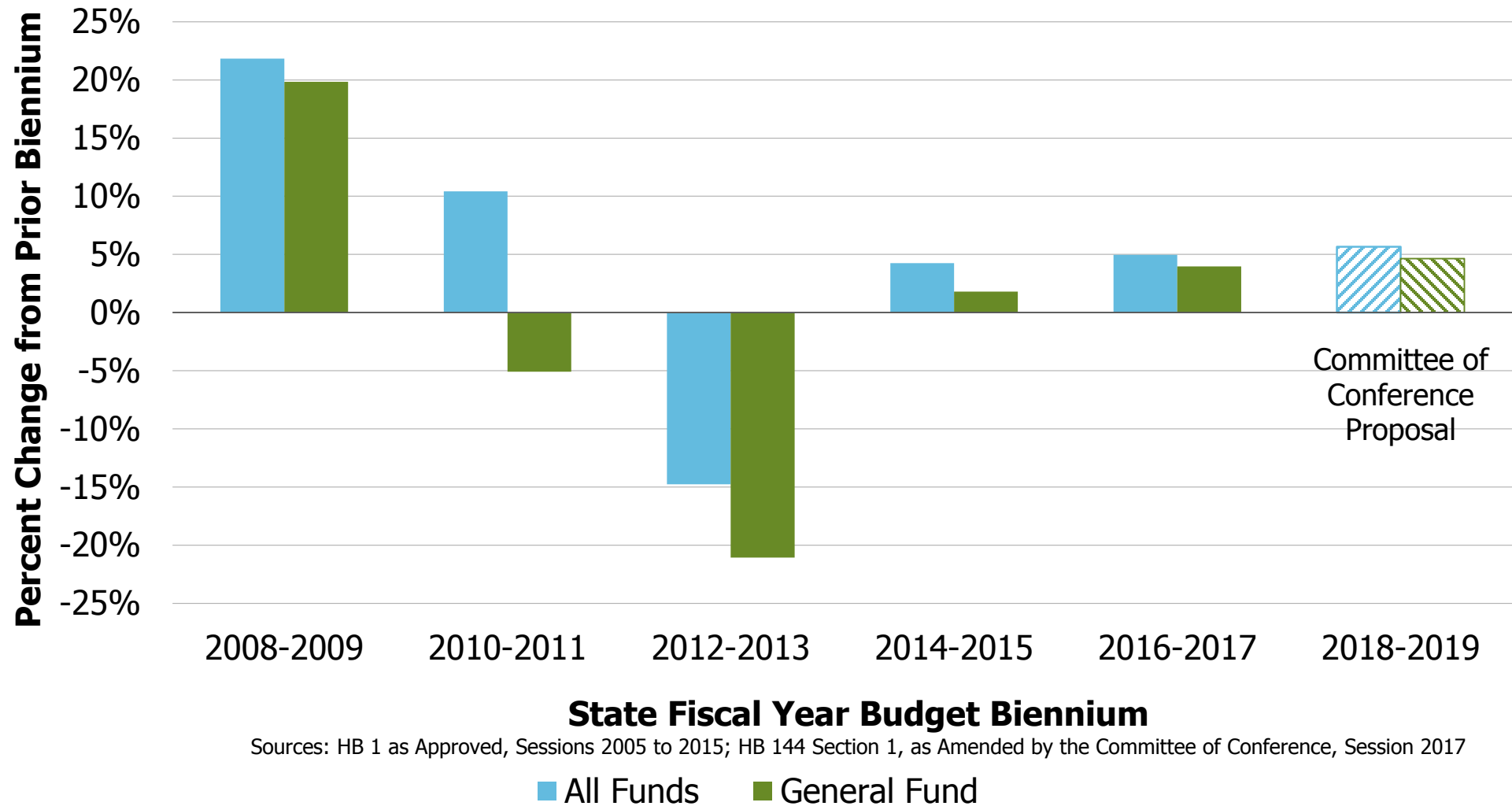
Transportation



Transportation

- Authorizes a study, and the acquisition of land, to place a service plaza at the location of the existing northbound and southbound Interstate 95 liquor stores in Hampton, potentially modeled after the Hooksett plazas
- Modifies the airways toll tax on aircraft fuel to fund certain expenditures and be credited as unrestricted, non-lapsing revenue
- Reduced federal aid in budget by \$20.8 million, with the expectation that the money will be authorized through the Fiscal Committee, Governor, and Executive Council as necessary
- Clarifies the definition of highways and projects
- Added General Fund appropriations for aeronautics
- The main infrastructure initiative proposed by the Governor used surplus dollars from SFY 2017; Senate Bill 38, considered separately, provides transportation project funding using surplus dollars

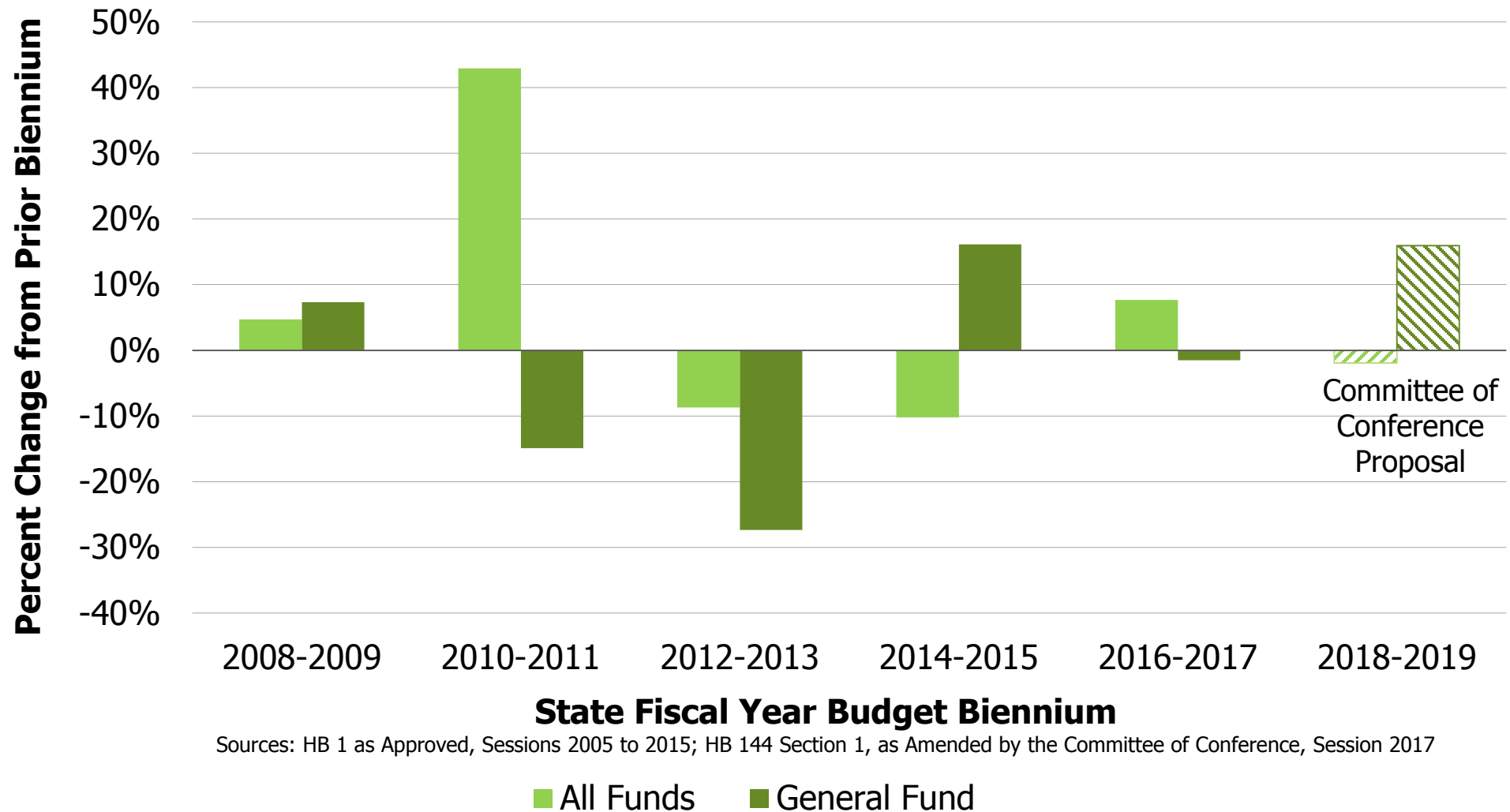
General Government



General Government

- Modifies State retiree health insurance premium contributions from Governor's proposal, but 10 percent still expected for certain retirees born in 1949 or later, non-Medicare increased from 12.5 to 20 percent
- Allocates \$10.0 million to modified Governor's Scholarship Program, but funding for the first year shifted to use SFY 2017 surplus
- Authorizes consolidation of Department of Information Technology and DHHS information technology functions, but no funds provided, shifts about \$40.1 million in appropriations
- Funds electronic health records at the Department of Corrections
- Requires the double-counting in the budget due to Department of Information Technology transfers be removed in SFY 2019 (potentially \$89 million, not yet included in budget top line)
- Establishes Office of the Child Advocate, independent oversight of DCYF
- Adds two new auditors and one new compliance officer at the Department of Revenue Administration

Resource Protection and Development



Resource Protection and Development

- The Senate and Committee of Conference included the departmental reorganization, with certain modifications, in the final budget
 - Current organization: Department of Cultural Resources and the Department of Resources and Economic Development
 - Budget proposal organization: Department of Business and Economic Affairs and the Department of Natural and Cultural Resources
- Committee of Conference added \$1.0 million to rest area operations, removed Senate-added \$1.5 million to the Tourism Development Fund
- Establishes New Hampshire Drinking Water and Groundwater Advisory Commission to guide use of Drinking Water and Groundwater Trust Fund
- Removes \$80.0 million from the Clean Water and Drinking Water State Revolving Funds, expected to be authorized in the future through the Fiscal Committee as necessary
- Shifts \$1.5 million in General Funds for the Fish and Game Department to be sourced from the Fish and Game Fund

Use of SFY 2017 Surplus

Public School Infrastructure Revitalization Trust Fund

- Allocates surplus dollars, likely about \$8.6 million, to pay for certain types school building or infrastructure projects or other needs, guided by a commission established in the proposal
- Additionally, provides \$2.25 million for school building aid
- *Note:* House proposed \$50 million over biennium for local property tax relief; not included by Senate or Committee of Conference

Funding Source Shifts

- Surplus subsidizes Highway Fund (\$13.9 million), Governor's Scholarship Program (\$5.0 million)

Rainy Day Fund

- Increased to \$100.0 million with a \$7.0 million transfer

Other Legislation (Road/bridge infrastructure, Concord Steam)

Revenue Changes

Projections

- Between the House and the Senate, \$23.8 million below Senate's May 22 General and Education Trust Fund projections before changes

Additions

- Mobile lottery games (\$13 million in biennium)
- Revenue from additional auditors at the Department of Revenue Administration (\$3.5 million in biennium)
- Keno proposal not included in State budget bills; see Senate Bill 191

Reductions

- Business Profits Tax and Business Enterprise Tax rate reductions
- Electricity Consumption Tax repeal in 2019 (\$3 million in the SFYs 2018-2019 biennium, about \$6 million per year afterward)

Business Tax Changes

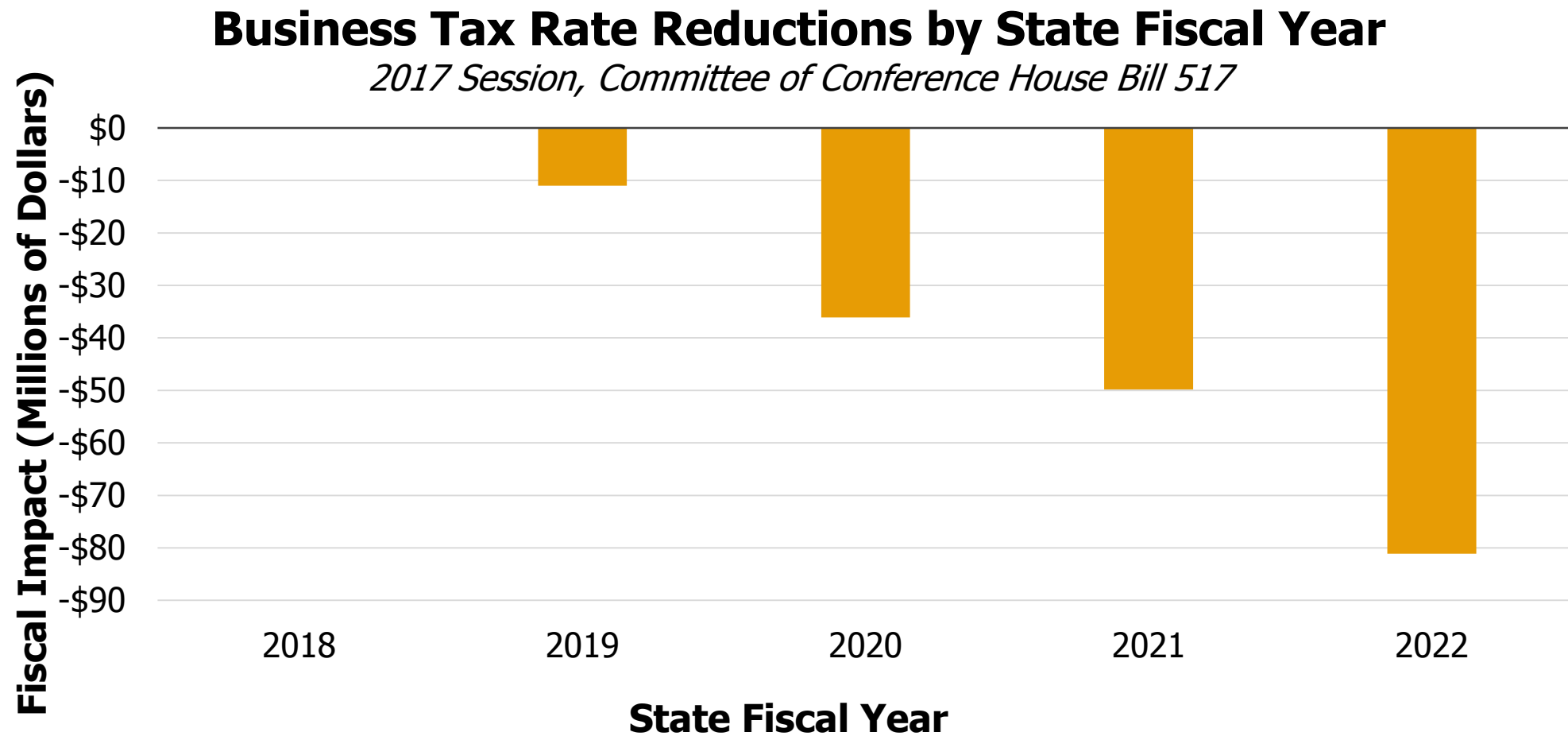
Rates

- Business Profits Tax: currently 8.2 percent, was 8.5 percent in 2015, likely to drop to 7.9 percent in 2018; proposed budget shifts rate to 7.7 percent in 2019, 7.5 percent in 2021 (no trigger)
- Business Enterprise Tax: currently 0.72 percent, was 0.75 percent in 2015, likely to drop to 0.675 percent in 2018; proposed budget shifts rate to 0.60 percent in 2019, 0.50 percent in 2021 (no trigger)
- Projected to decrease revenue by \$11.0 million in SFY 2019

Deduction

- Internal Revenue Code 179 deduction for certain business property purchases up to \$500,000 from \$100,000, up from \$25,000 for 2017
- Revenue impact budgeted at an estimated \$9.7 million in SFY 2019

Business Tax Changes

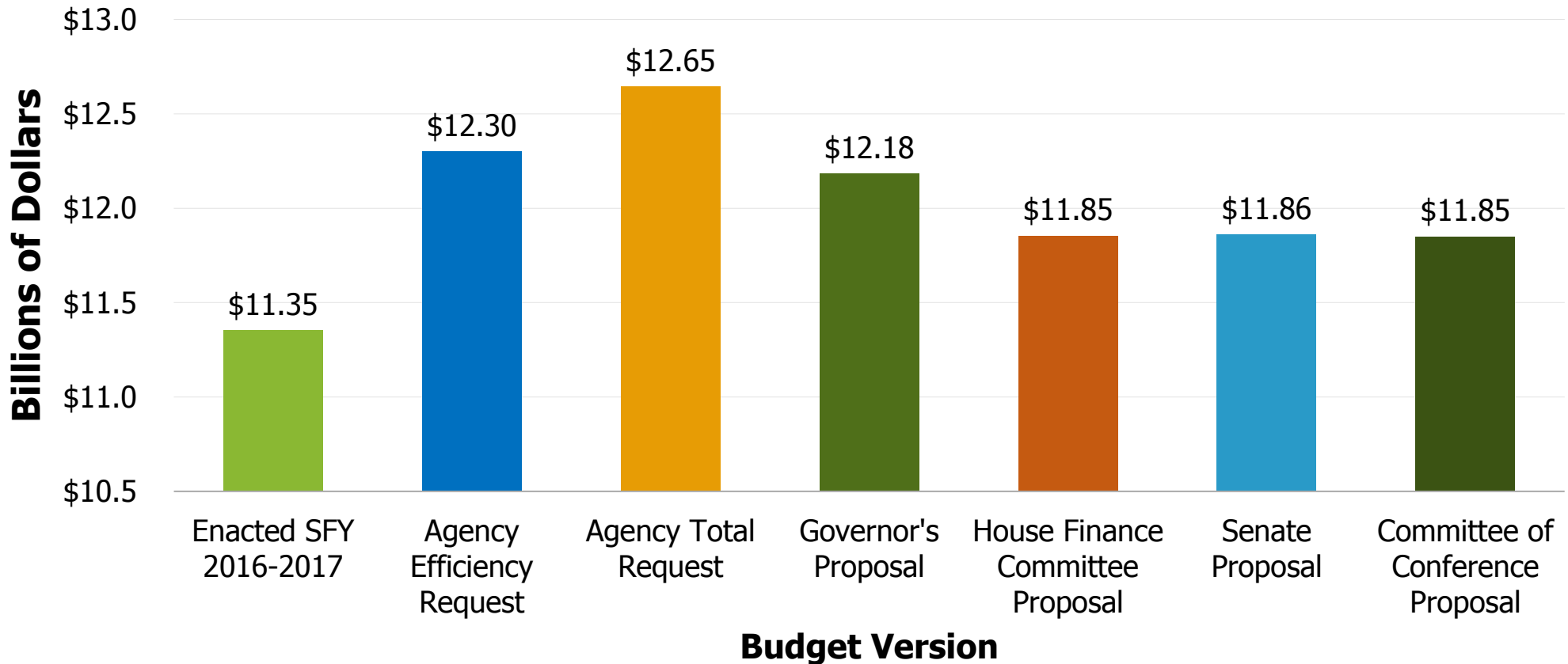


Source: Amendment 2017-1778s Fiscal Note

Note: Projections do not adjust for inflation or changes in the economy

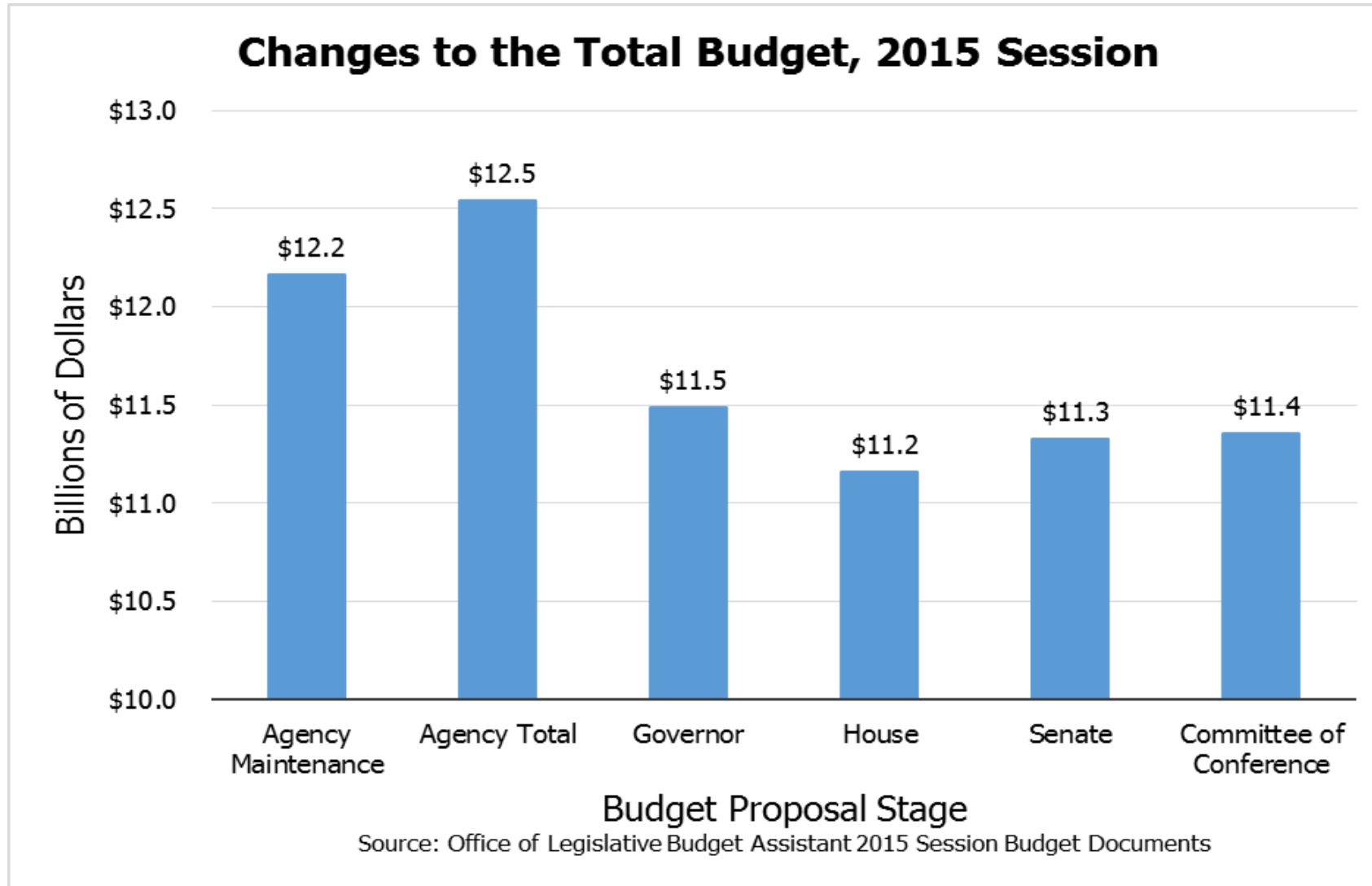
Budgeting Patterns

Budget Biennium Totals

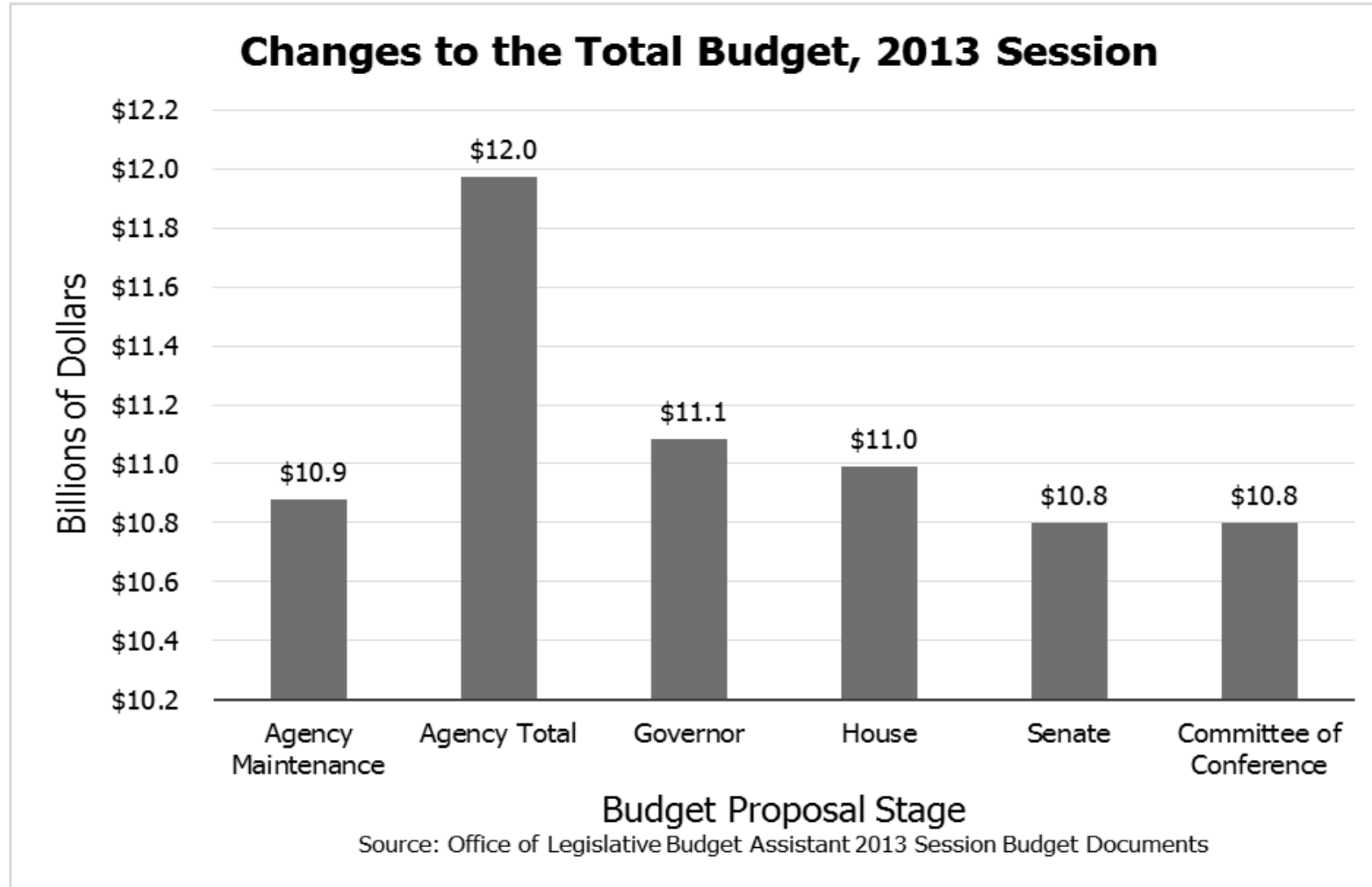


Sources: Chapter 275, Laws of 2015; SFYs 2018-2019 Agency Budget Requests, Governor's Executive Budget Proposal, House Finance to Governor LBA Compare, LBA Senate Finance vs Governor Recommended, Senate HB 144, Amendment 2017-2345-CofC

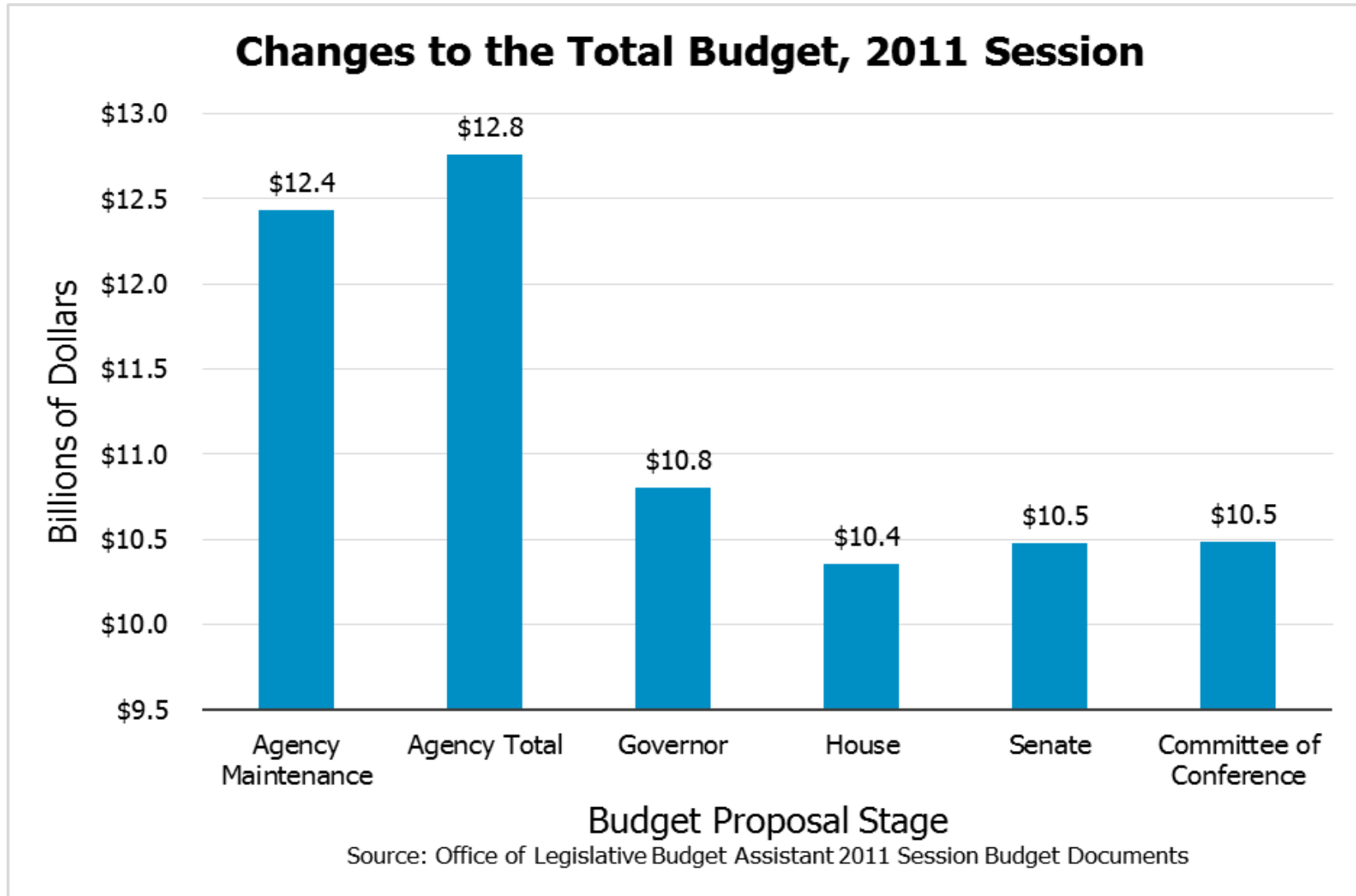
Budgeting Patterns



Budgeting Patterns



Budgeting Patterns



Next Steps

- Full Senate and House chambers will vote on the Committee of Conference budget
- No amendments may be offered at this stage, only an up-or-down vote
- House and Senate scheduled to meet June 22, the last day on the Legislature's calendar to act on Committee of Conference reports
- After that, the budget bills go to the Governor
- Budget bills this year include contingency provisions so that one cannot become law if the other is rejected by the Governor

Additional Resources

- The State Senate's Proposed Budget: <http://nhfpi.org/research/state-budget/the-state-senates-proposed-budget.html>
- Governor Sununu's Proposed Budget: <http://nhfpi.org/research/state-budget/governor-sununu-proposed-budget.html>
- Building the Budget: <http://nhfpi.org/research/state-budget/building-budget-new-hampshires-state-budget-process-recent-funding-trends.html>
- Revenue in Review: <http://nhfpi.org/research/state-tax/revenue-review-overview-new-hampshire-tax-system-major-revenue-sources.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 Health and Human Services Budget Materials: <http://www.dhhs.nh.gov/ocom/budget.htm>

QUESTIONS?

Please submit questions through the Q&A feature

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