



BUDGET SHORTFALL UPDATE, THE GENERAL FUND, AND THE RAINY DAY FUND

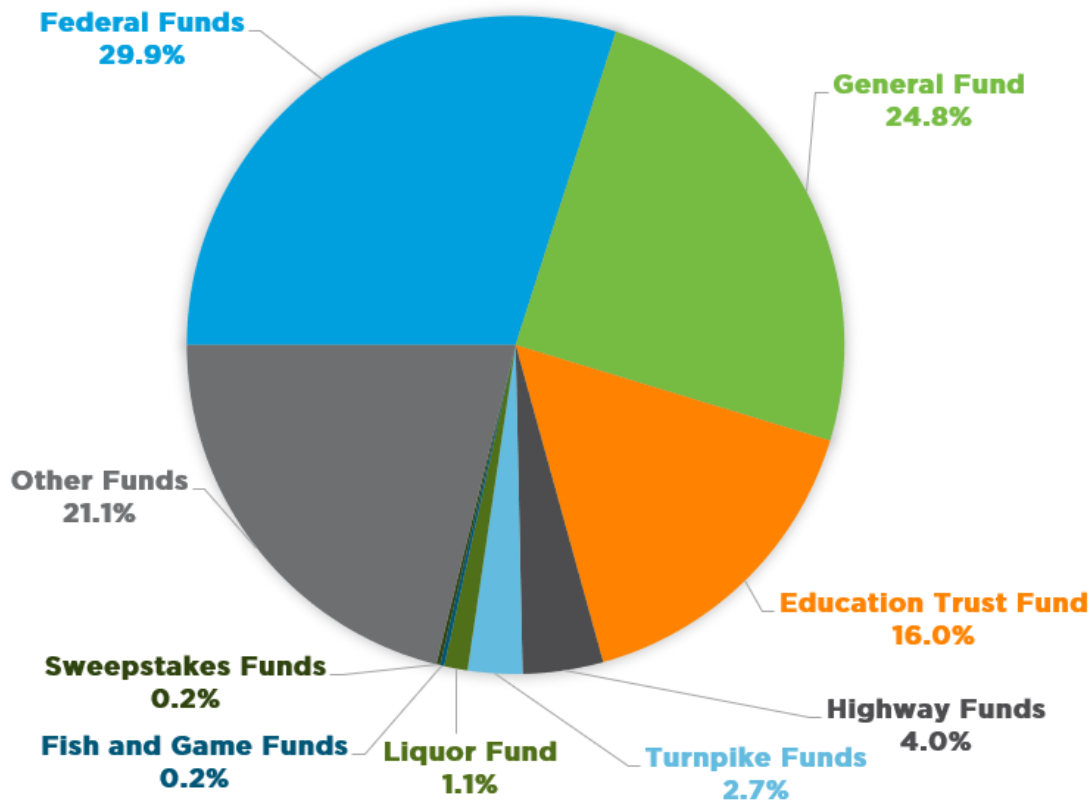
PRESENTED BY PHIL SLETTEN, SENIOR POLICY ANALYST

BREAKFAST BUDGET BRIEFING
DECEMBER 21, 2020

STATE BUDGET FUNDS

NEW HAMPSHIRE, STATE FISCAL YEAR 2021

Source: Chapter 345, Laws of 2019



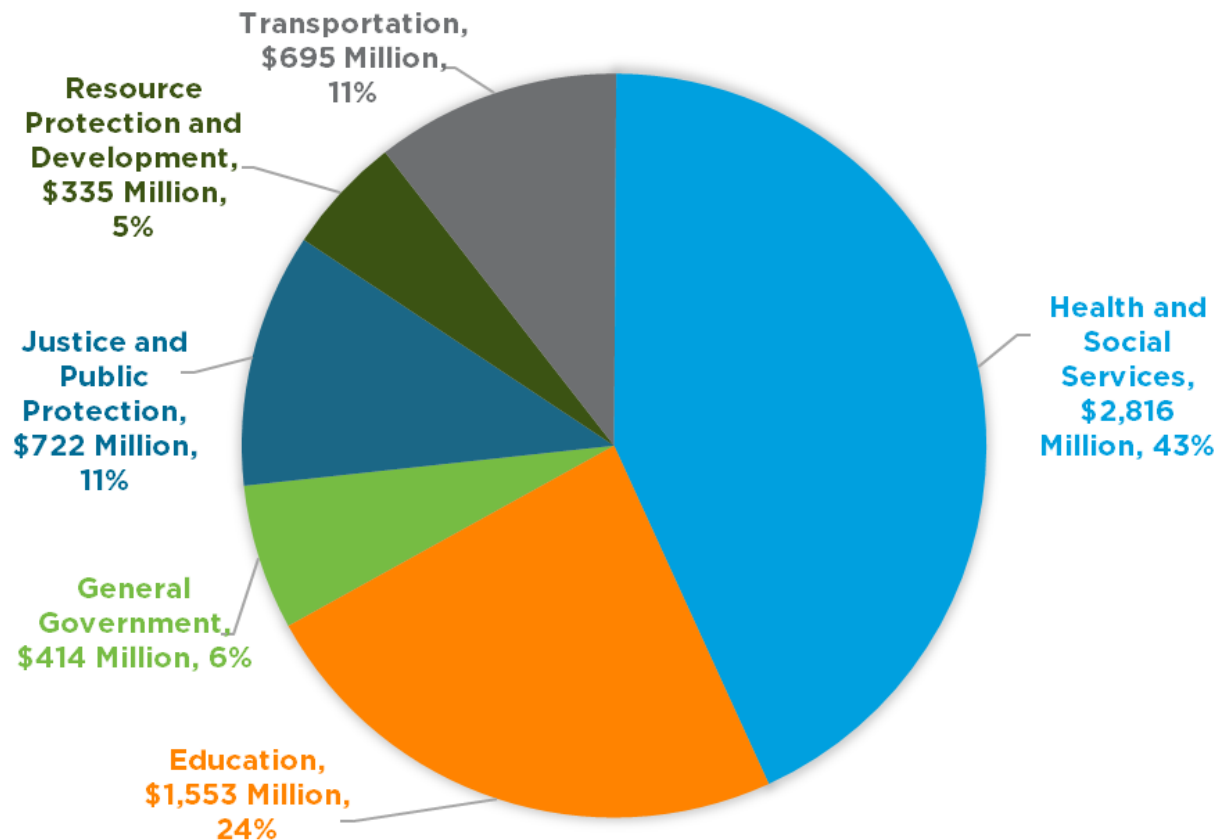
- Funds act like accounts
- Interact with one another
- General Fund most flexible
- General Fund fills any Education Trust Fund shortfall
- Gasoline, motor vehicle tax and fee revenues constitutionally-protected
- Lottery revenues dedicated to state education aid to school districts by constitution
- Others protected by statute

See New Hampshire State Constitution, Part 2, Articles 6-a and 6-b; NHFPI, *Building the Budget*, February 2017.

STATE BUDGET APPROPRIATIONS BY CATEGORY

NEW HAMPSHIRE, STATE FISCAL YEAR 2021

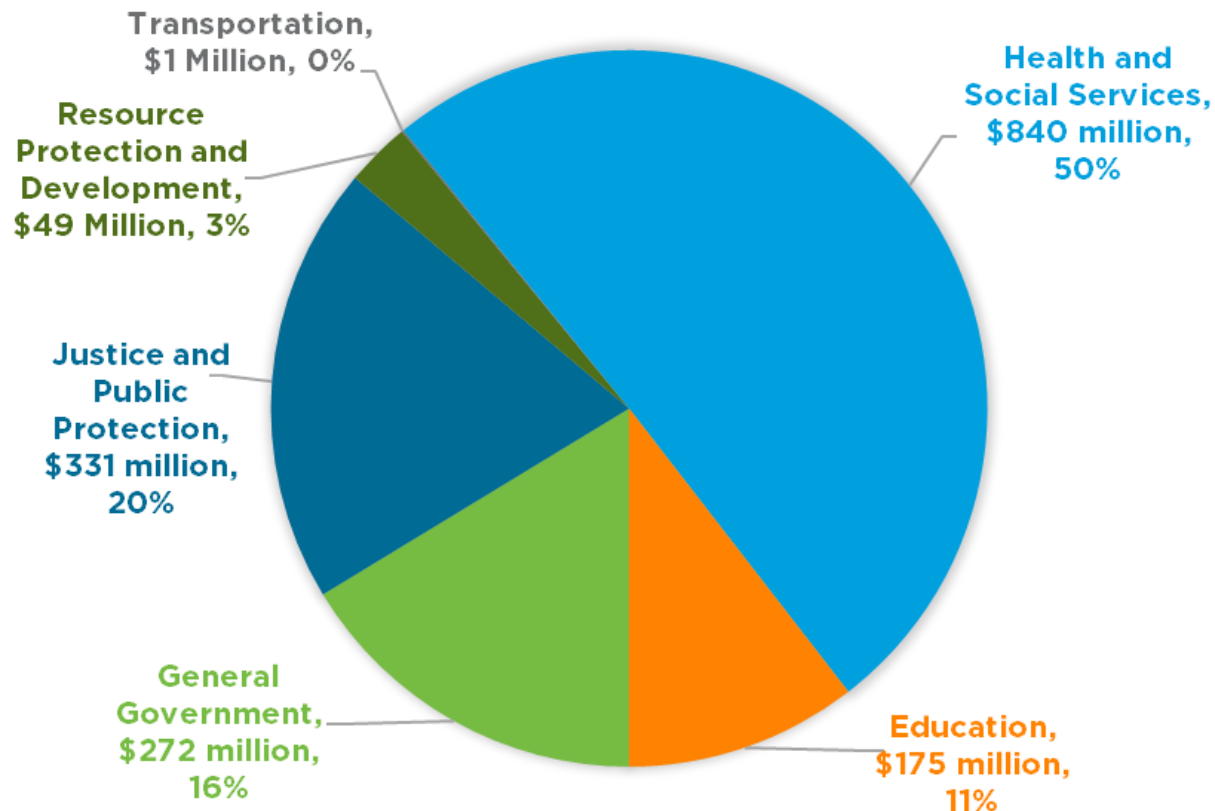
Source: Chapter 345, Laws of 2019



GENERAL FUND APPROPRIATIONS BY CATEGORY

NEW HAMPSHIRE, STATE FISCAL YEAR 2021

Source: Chapter 345, Laws of 2019



UPDATE ON BUDGET SHORTFALL

- Office of Legislative Budget Assistant (LBA) provided State Fiscal Year (SFY) 2020 Budget update to the Senate Finance Committee on 12.17.20
- Budget shortfall in General and Education Trust Funds estimated to be \$78.9 million in SFY20, an increase from earlier estimate of \$66.6 million
- Including drop from SFY19 expected surplus, shortfall is \$81.5 million
- SFY20 GF/ETF revenue shortfall appears to be stable at \$105.9 million
- Part of shortfall due to recording of NH DHHS back-of-budget reduction; NH DHHS indicates lapse covers the \$25 million reduction requirement, but Comptroller has not yet received full accounting paperwork
- Highway Fund revenues down, expenditures lower as well, so balance is more stable than originally feared, and a higher balance than planned
- No Turnpike Fund update at meeting
- For SFY21 thus far, the GF/ETF revenues are in *surplus*: \$44.3 million at end of November, accounting for shifting anomalous revenues from SFY21 to SFY20 (higher without that accounting)

LBA “WATCH LIST” FOR SFY 2021

- Revenues (within and outside of the Department of Revenue Administration)
- Additional Statutory/Fiscal Appropriations
- Federal State/Local COVID-19 Relief Funds
- Medicaid Caseloads
- Statewide Lapse Variance
- Appropriations in Other Bills

Source: New Hampshire Office of Legislative Budget Assistant, *LBA Snapshot: Preliminary Analysis of FY 2021 Surplus/(Deficit), General and Education Trust Funds*, 12/15/20; NHFPI modifications

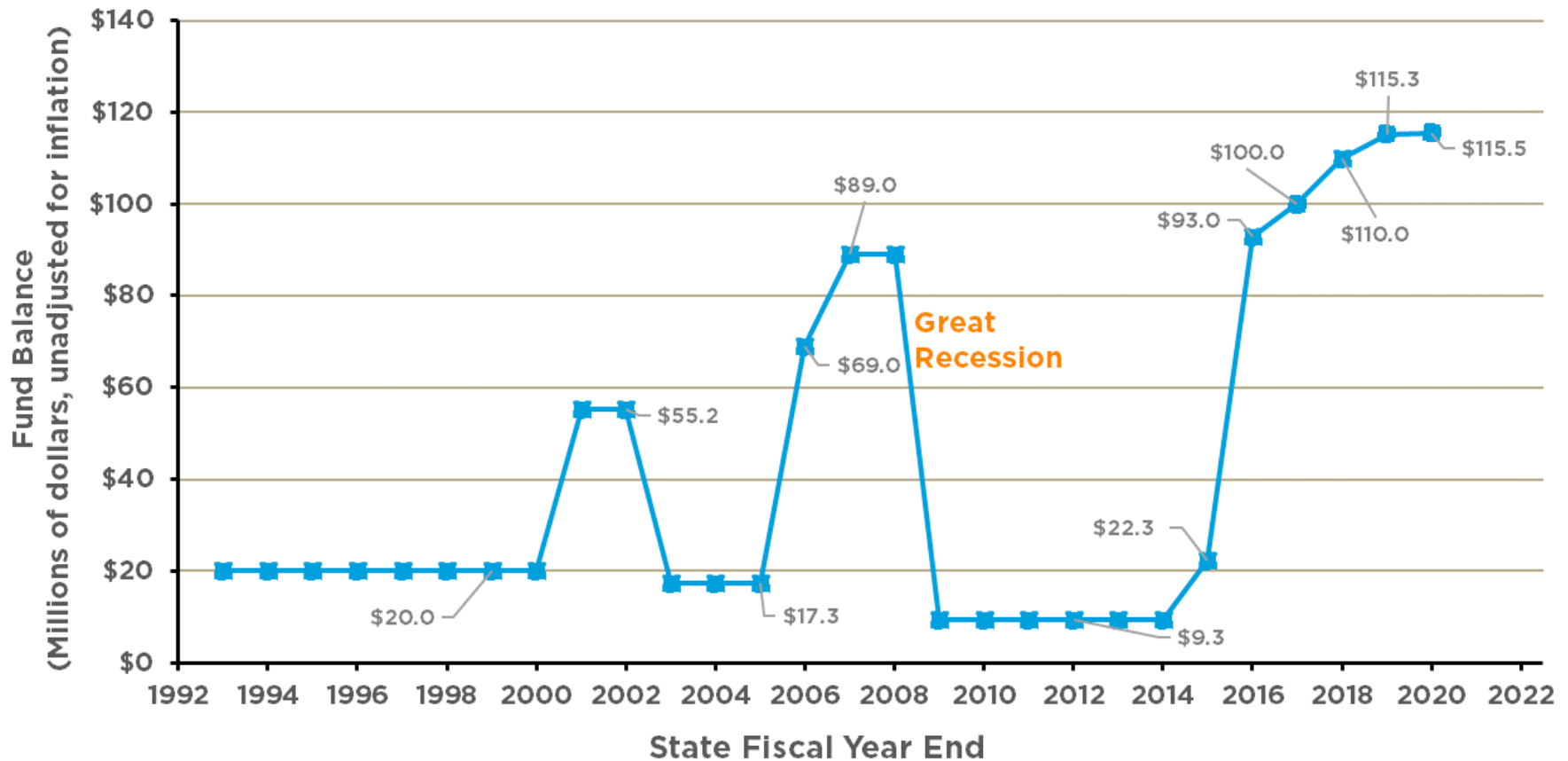
THE RAINY DAY FUND — MECHANICS

- Formally: “Revenue Stabilization Reserve Account”
- Part of General Fund, created in 1986
- Per statute, at close of each biennium, any surplus shall be transferred to nonlapsing account
- Also includes 10 percent of any settlement in which the Department of Justice receives more than \$1 million
- Used to fill budget deficit *if* the General Fund had an operating deficit *and* a revenue shortfall, *with approval from* the Fiscal Committee and the Governor
- Other uses require approval of 2/3 of each chamber and the Governor per statute
- Cap of 10 percent of actual General Fund revenues for most recently completed State fiscal year for surplus dollars

Sources: RSA 9:13-e; RSA 7:6-e; NHFPI, Sun Shining on the Rainy Day Fund, December 28, 2016

THE RAINY DAY FUND — HISTORY

REVENUE STABILIZATION RESERVE ACCOUNT (IN MILLIONS)



Sources: New Hampshire Comprehensive Annual Financial Reports, SFYs 2019-1997; *LBA Snapshot: Preliminary Analysis of FY 2021 Surplus/(Deficit), General and Education Trust Funds*, 12/15/20

KEY UPCOMING DATES

- New Hampshire Comprehensive Annual Financial Report (CAFR) for SFY 2020: December 31, 2020
- December revenue figures: early January 2021
- Governor's Budget Proposal: February 15, 2021 (likely Thursday, February 11, 2021)
- Crossover: April 1, 2021, House Budget deadline
- March and April Cash Revenues Known: early May 2021
- Senate Acts on House Bills: June 3, 2021
- Committee of Conference Action Deadlines: June 24, 2021
- State Fiscal Year 2022 Begins: July 1, 2021

KEY TAKEAWAYS

- Budget shortfall smaller than anticipated this Spring, but still significant
- Revenues for SFY 2021 doing very well now, but considerable uncertainty, more clarity after April
- Expenditures and federal action key variables
- Rainy Day Fund designed to fill budget shortfalls, can do so without action from the full Legislature
- Legislature usually acts to modify/deploy Rainy Day Fund balance in budget process
- Rainy Day Fund balance likely will not be able to offset full shortfall, but may be significant portion



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