



The COVID-19 Crisis and New Hampshire's State Budget

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Basics of the State Budget

Two-year or biennial operating budget

- Funds most State operations for two State fiscal years (SFY)
- Current State Budget provides funding for SFYs 2020-2021 (July 1, 2019 to June 30, 2021), approximately \$13 billion in appropriations

Comprised of two separate pieces of legislation

- Operating Budget Bill, typically House Bill 1 or “HB 1”: the line-item appropriations, amount of money in each component of State programs
- Trailer Bill, typically House Bill 2 or “HB 2”: the companion omnibus bill with policy changes and separate appropriations
- Introduced as the Governor’s proposal, submitted by February 15

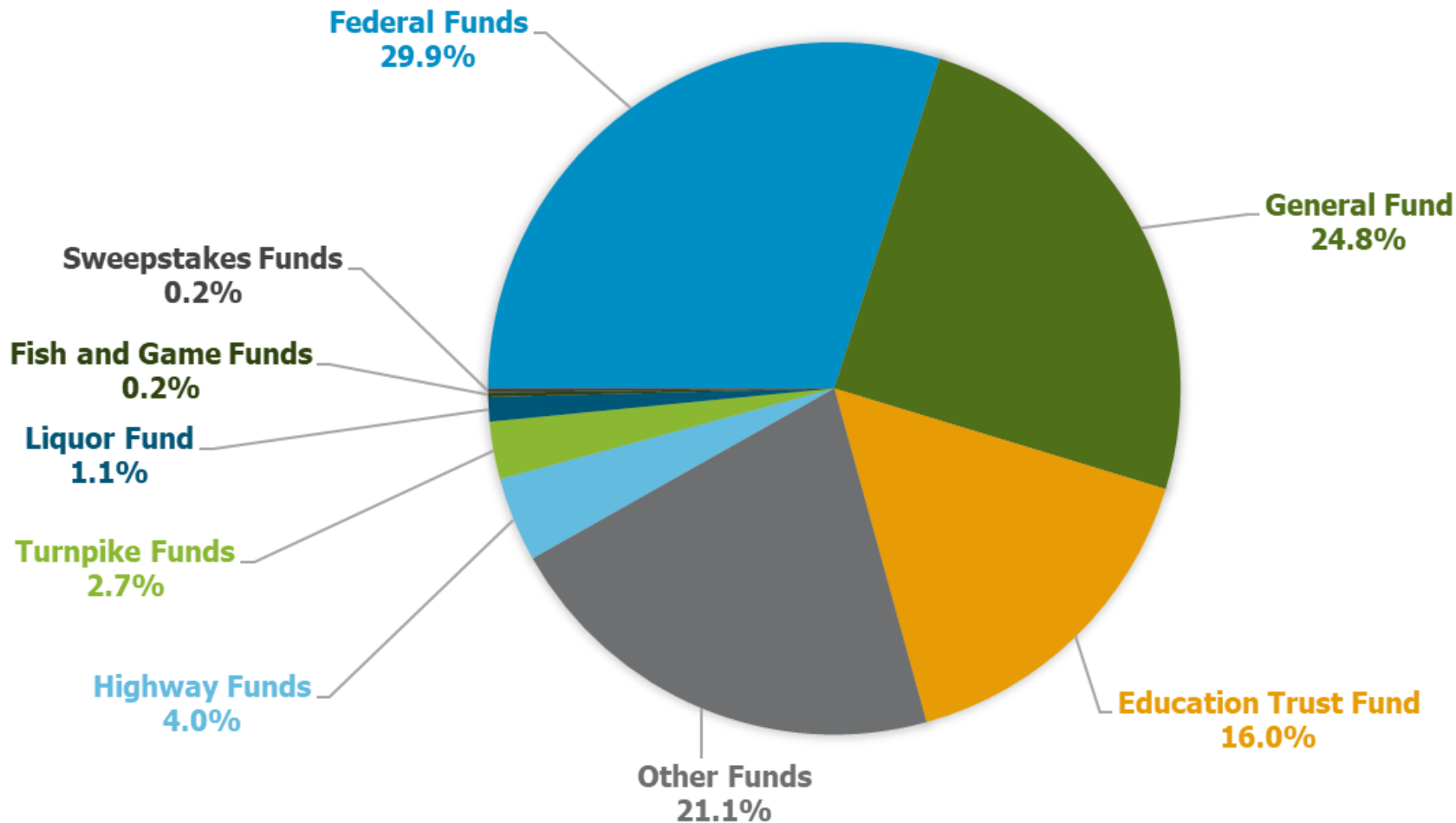
Not all State expenditures in the State Budget

- Capital Budget, covers six years with changes every two years
- Ten Year Transportation Improvement Plan, altered every two years
- Separately authorized expenditures, such as expanded Medicaid

The State Budget Funds

New Hampshire, State Fiscal Year 2021

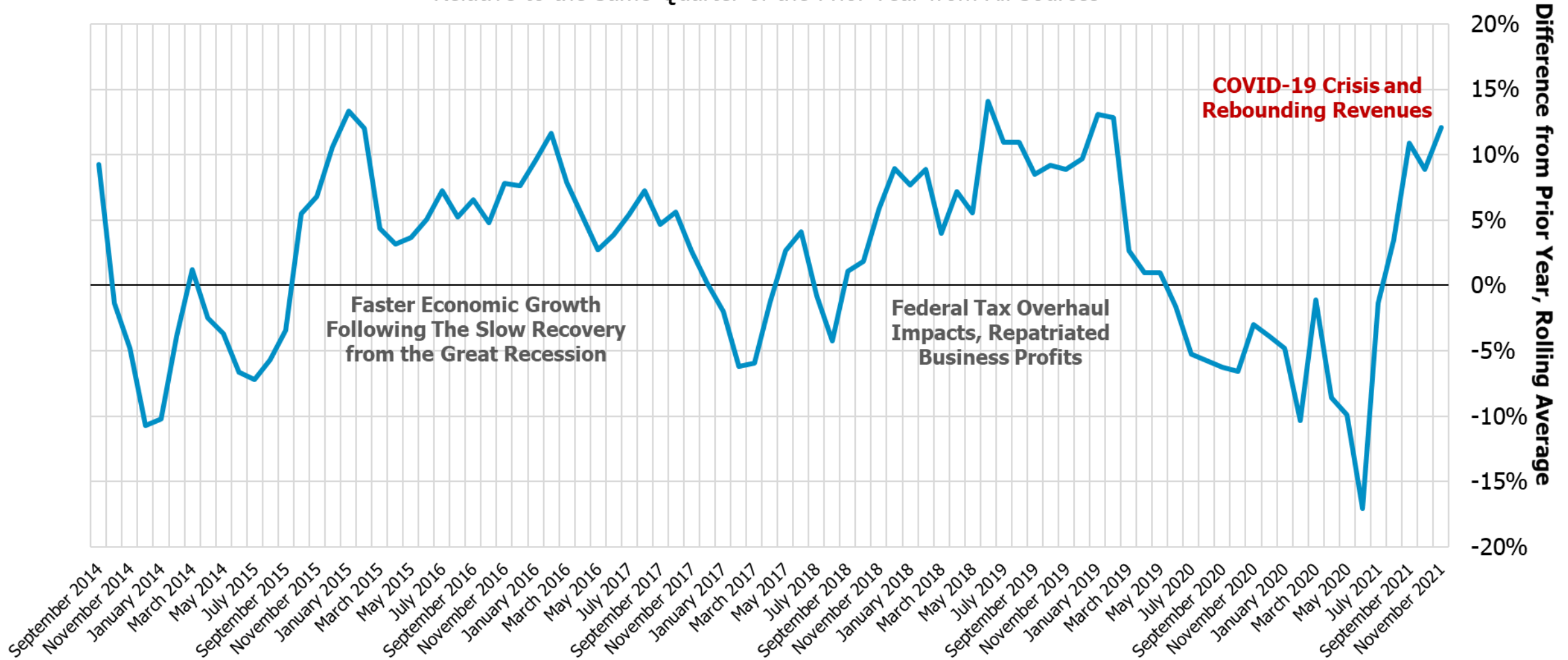
Source: Chapter 345, Laws of 2019



- State policymakers have most flexibility over General Fund dollars, primarily generated from State tax, fee, and Liquor Commission revenues
- General Fund used to ensure positive balance in Education Trust Fund, shares key revenue sources

Differences in General and Education Trust Funds Monthly Cash Receipts

*Three-Month Rolling Averages of Monthly Cash Receipts to the New Hampshire General and Education Trust Funds
Relative to the Same Quarter of the Prior Year from All Sources*



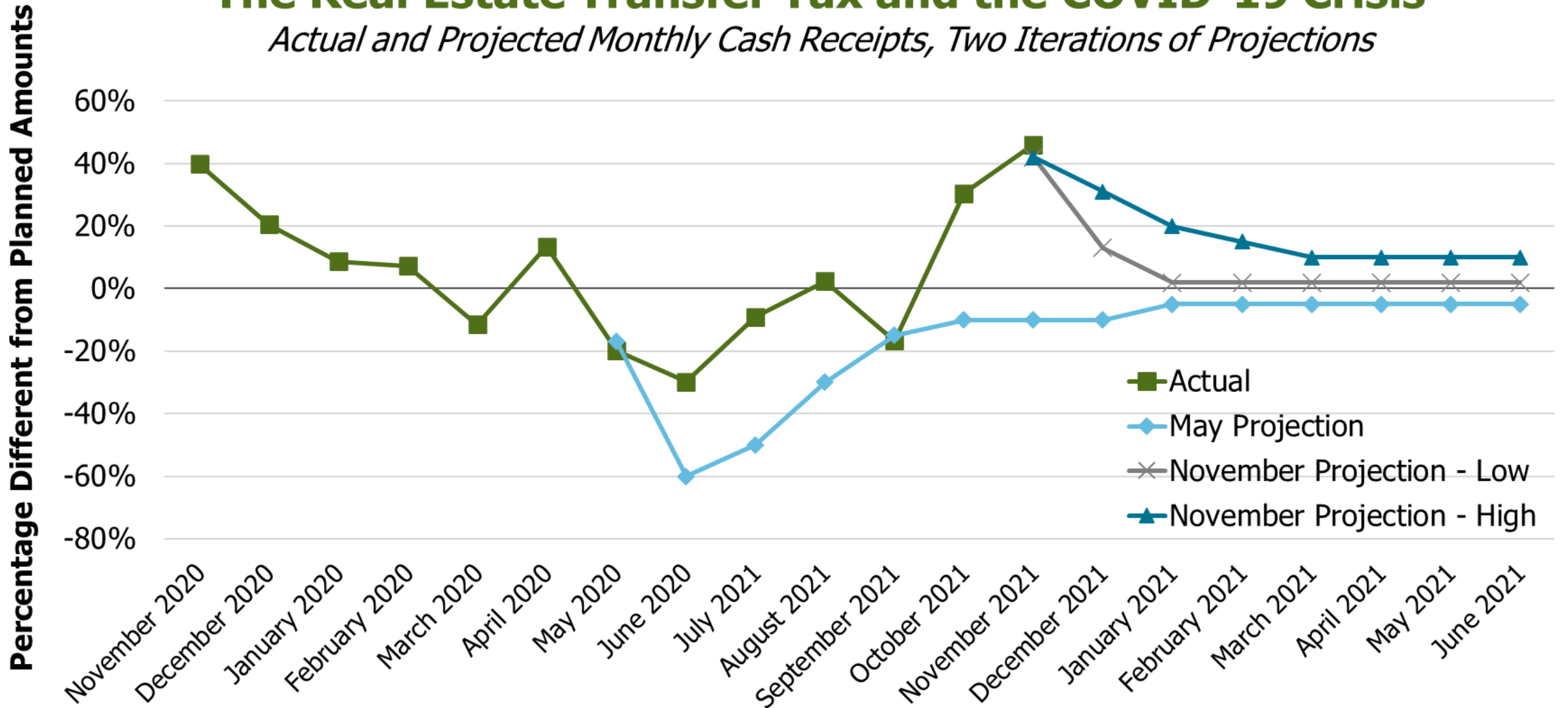
Month and State Fiscal Year

Note: Medicaid Enhancement Tax excluded from historical data.

Sources: NH Department of Administrative Services Monthly Revenue Focus Reports

The Real Estate Transfer Tax and the COVID-19 Crisis

Actual and Projected Monthly Cash Receipts, Two Iterations of Projections

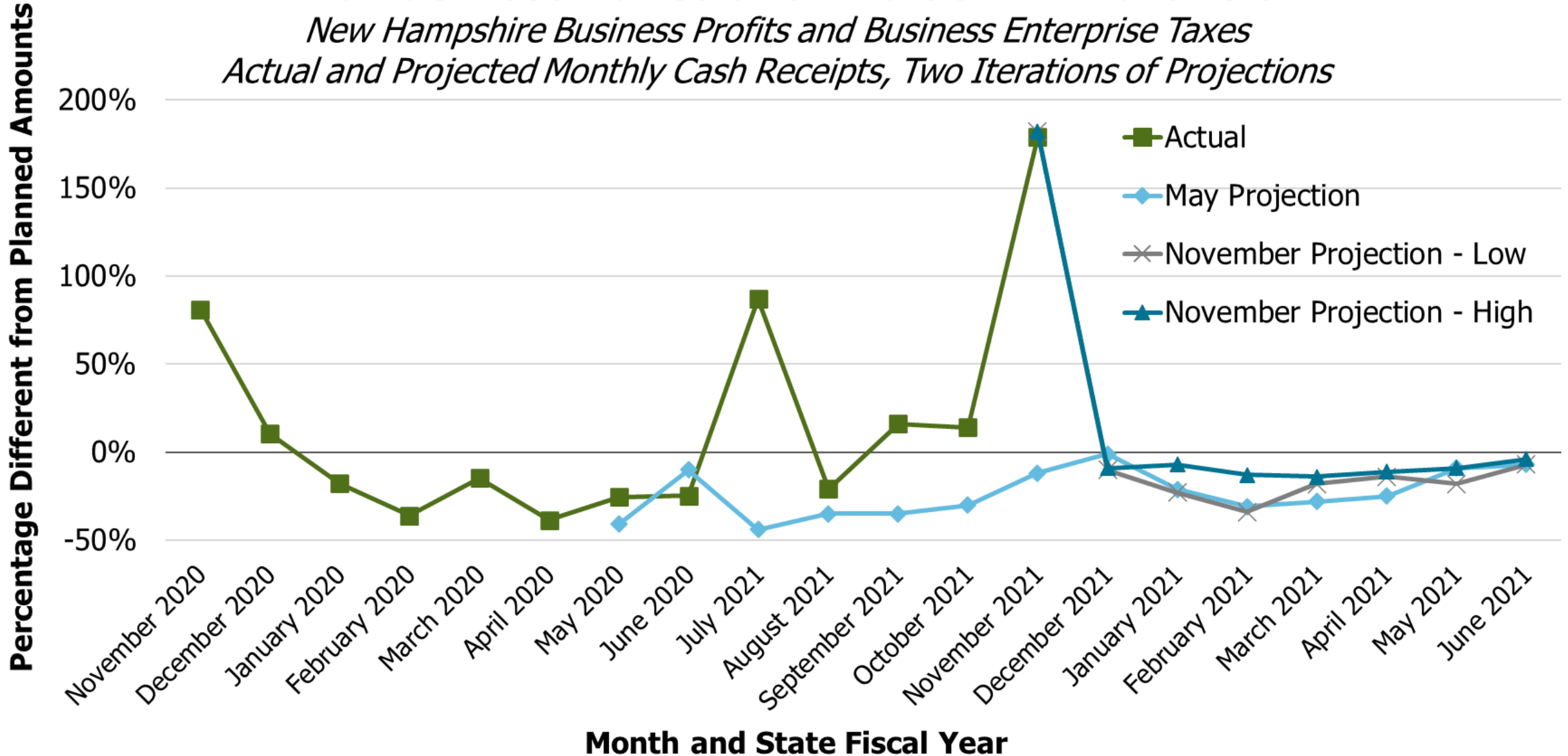


Month and State Fiscal Year

Note: Revenues are net of the LCHIP contribution.
Source: New Hampshire Department of Revenue Administration

The Business Taxes and the COVID-19 Crisis

*New Hampshire Business Profits and Business Enterprise Taxes
Actual and Projected Monthly Cash Receipts, Two Iterations of Projections*

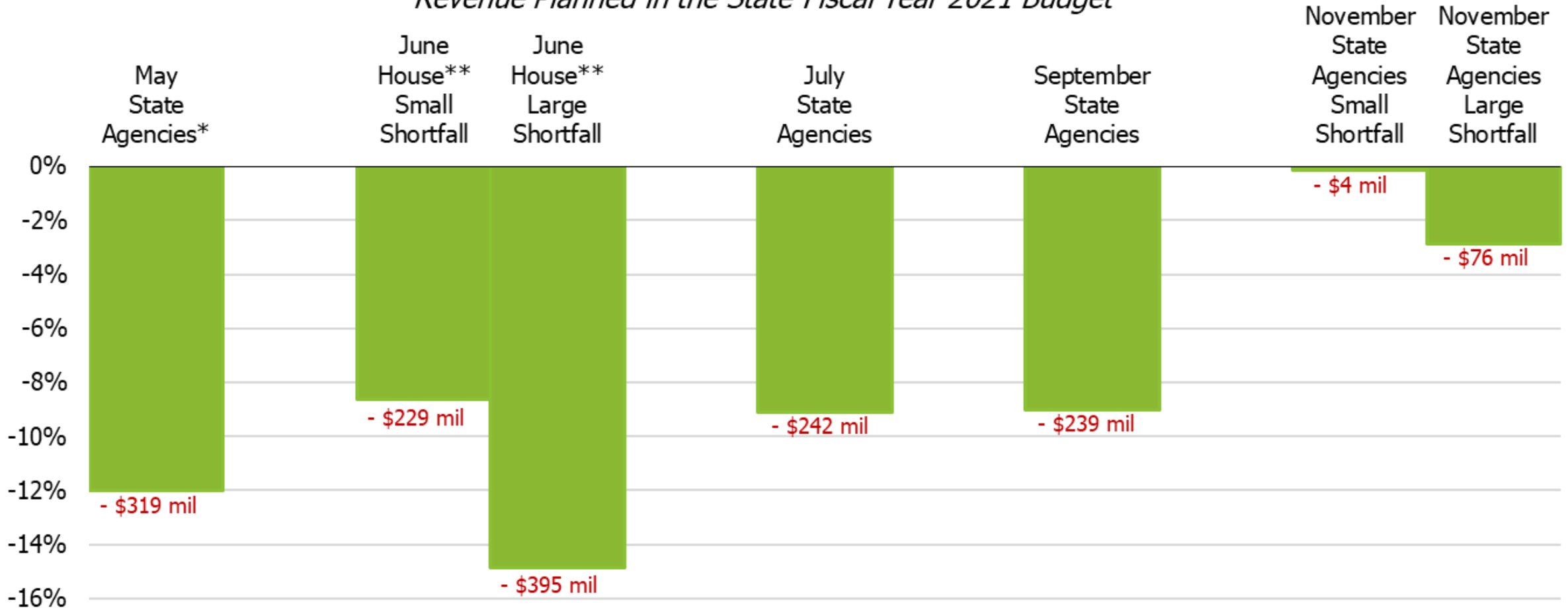


Source: New Hampshire Department of Revenue Administration

Official Revenue Estimates for State Fiscal Year 2021

Projected Revenue Shortfalls in the New Hampshire General and Education Trust Funds Relative to Revenue Planned in the State Fiscal Year 2021 Budget

Shortfall Relative to State Revenue Plan



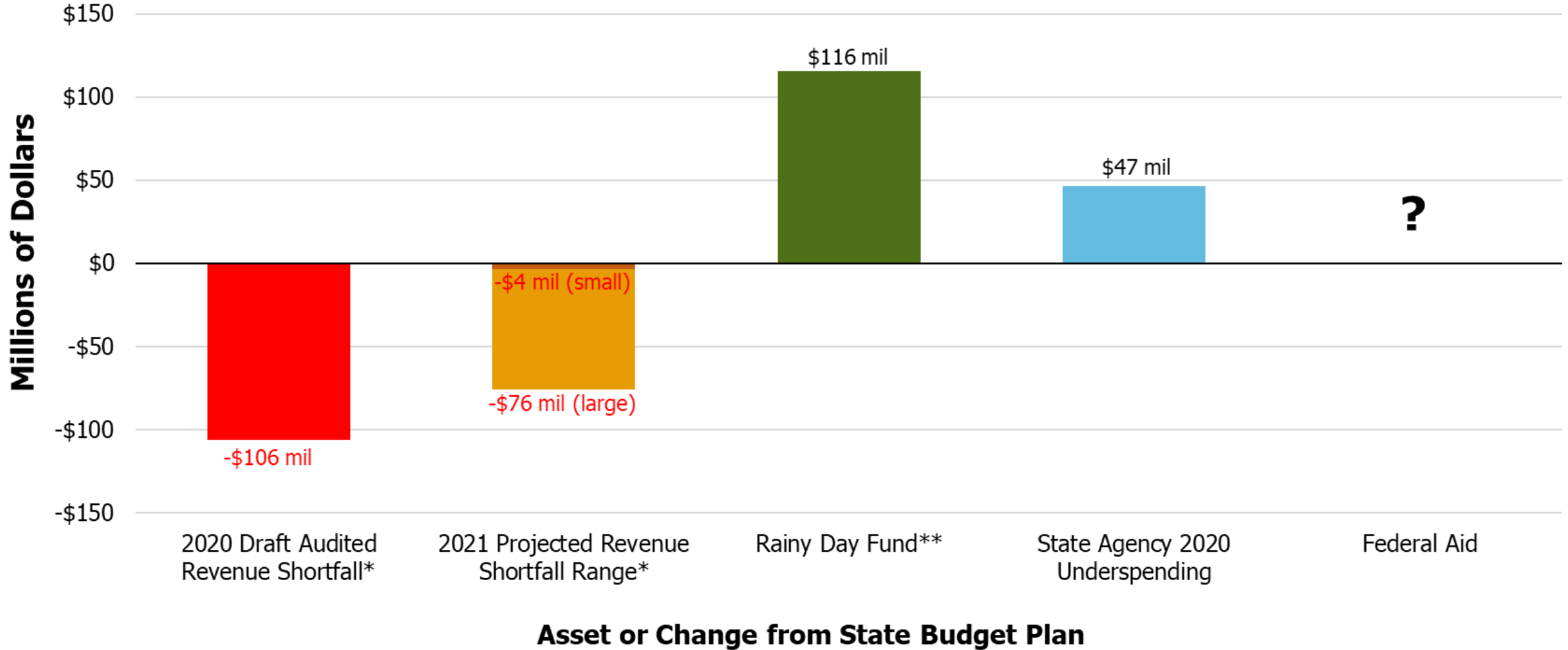
Iteration of Revenue Projection

Notes: *Of the agencies providing estimates, only one agency provided a range, while all others provided point estimates; the average of the estimate totals is provided here. **Estimates from the House Ways and Means Committee.

Source: New Hampshire Office of Legislative Budget Assistant, Revenue Estimate Worksheet, November 18, 2020

New Hampshire State Budget Shortfalls and Assets

*Selected Deficits, Most Recent Projection, and Rainy Day Fund Balance
for the General and Education Trust Funds, by State Fiscal Year*



Notes: *Preliminary shortfall from the draft Comprehensive Annual Financial Report, with key State agencies estimating State Fiscal Year 2021 shortfalls on a cash basis. **Rainy Day Fund refers to the Revenue Stabilization Reserve Account, balance from the draft Comprehensive Annual Financial Report.

Sources: New Hampshire Office of Legislative Budget Assistant, November 18, 2020 Revenue Estimate Worksheet; New Hampshire Department of Administrative Services; Draft New Hampshire Comprehensive Annual Financial Report, September 30, 2020.

The Next Budget: Considerations and Complications

- The course of the COVID-19 pandemic
- Federal assistance: More fiscal aid for states? Economic aid to individuals?
- How businesses adapt and respond, important for employment and State revenue
- Does State agency spending relative to the State Budget change when federal aid no longer available after December 30, under current policy?
- As crisis continues, will it be more like a “regular” recession over time?
- Current State Budget relies on surplus funding carried forward from prior budget to fund key components, increases risk to programs even if revenue recovers
- Timing flexibility: Current State Budget can end in deficit, policymakers have two years to address needs when most acute, resolve deficits when needs are lower



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