



# NEW HAMPSHIRE'S STATE BUDGET: WHAT YOU NEED TO KNOW FOR 2021

PRESENTED BY PHIL SLETTEN, SENIOR POLICY ANALYST

NEW HAMPSHIRE CENTER FOR NONPROFITS  
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# BASICS OF THE STATE BUDGET

## **Two-year, or biennial, operating budget**

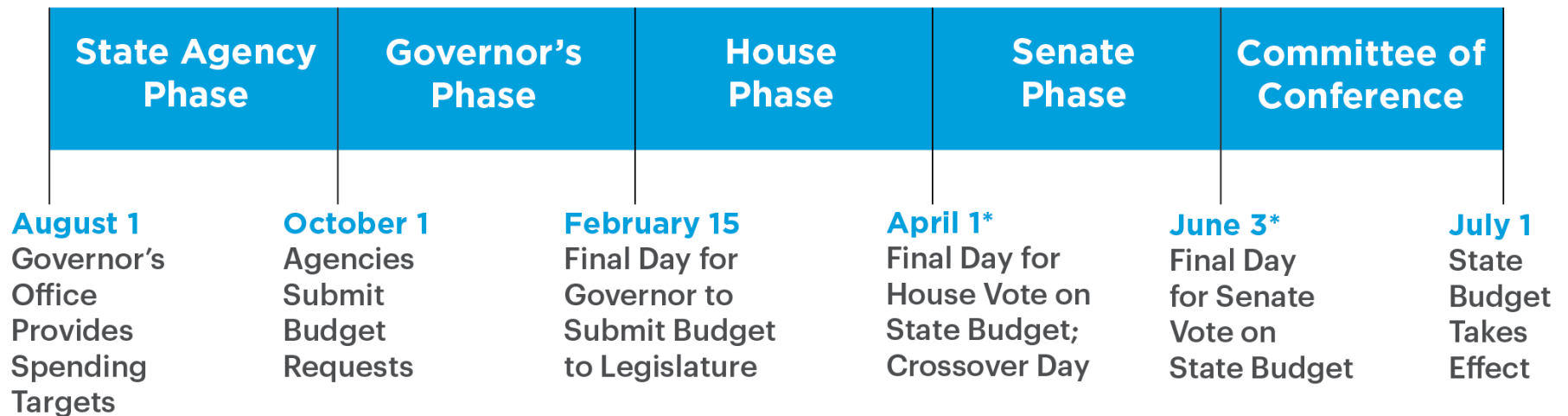
- Funds most State operations for two State fiscal years (SFYs)
- Current State Budget provides funding for SFYs 2020-2021: July 1, 2019 to June 30, 2021
- Approximately \$13 billion in appropriations for SFYs 2020-2021

## **Comprised of two separate pieces of legislation**

- Operating Budget Bill, typically House Bill 1 or “HB1”: the line-item appropriations to specific operations
- Trailer Bill, typically House Bill 2 or “HB2”: the companion omnibus bill with policy changes and separate appropriations
- Introduced as the Governor’s proposal, submitted by February 15

# BUILDING THE STATE BUDGET

## STATE BUDGET PROCESS TIMELINE



\*Dates set by legislative leadership for the 2021 session; all other dates specified in statute.

# KEY BUDGET MECHANICS

## **Most budget amendments happen in Finance Committees**

- House and Senate floor amendments permitted, but less common
- House has larger committee, with three separate divisions
- Senate has smaller committee
- Committee of Conference is usually a combination of House and Senate Finance Committee members, legislative leadership
- No amendments for final floor votes after Committee of Conference

## **Two bills move through process together**

- Hearings generally combined for two bills
- Language in Trailer Bill can interact with Operating Budget Bill, or can include separate topics and appropriations as well

# HOUSE FINANCE COMMITTEE DIVISIONS

<b>For the SFYs 2020-2021 State Budget Process</b>	
<b>Division I</b>	<ul style="list-style-type: none"><li>• <b>General Government</b></li><li>• <b>Justice and Public Protection</b></li><li>• <b>Resource Protection and Development</b></li><li>• <b>Does not include the Departments of Safety or Fish and Game</b></li></ul>
<b>Division II</b>	<ul style="list-style-type: none"><li>• <b>Transportation</b></li><li>• <b>Education</b></li><li>• <b>Includes the Departments of Safety and Fish and Game</b></li></ul>
<b>Division III</b>	<ul style="list-style-type: none"><li>• <b>Health and Social Services</b></li></ul>

Sources: NHFPI, *Building the Budget*, February 2017, for more details, as well as the Office of Legislative Budget Assistant, *House Finance Division Briefing*, January 2019.

# KEY BUDGET MECHANICS, CONTINUED

## **Not all State expenditures are 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 in other bills, including significant ones such as expanded Medicaid
- Federal funds accepted later by the Joint Legislative Fiscal Committee

## **Budget bill numbers can change**

- 2017: House didn't pass HB1 and HB2, Senate amended HB144 and HB517
- 2019: Governor vetoed HB1 and HB2, final agreement was HB3 and HB4

## **State Budget plan must balance over two years**

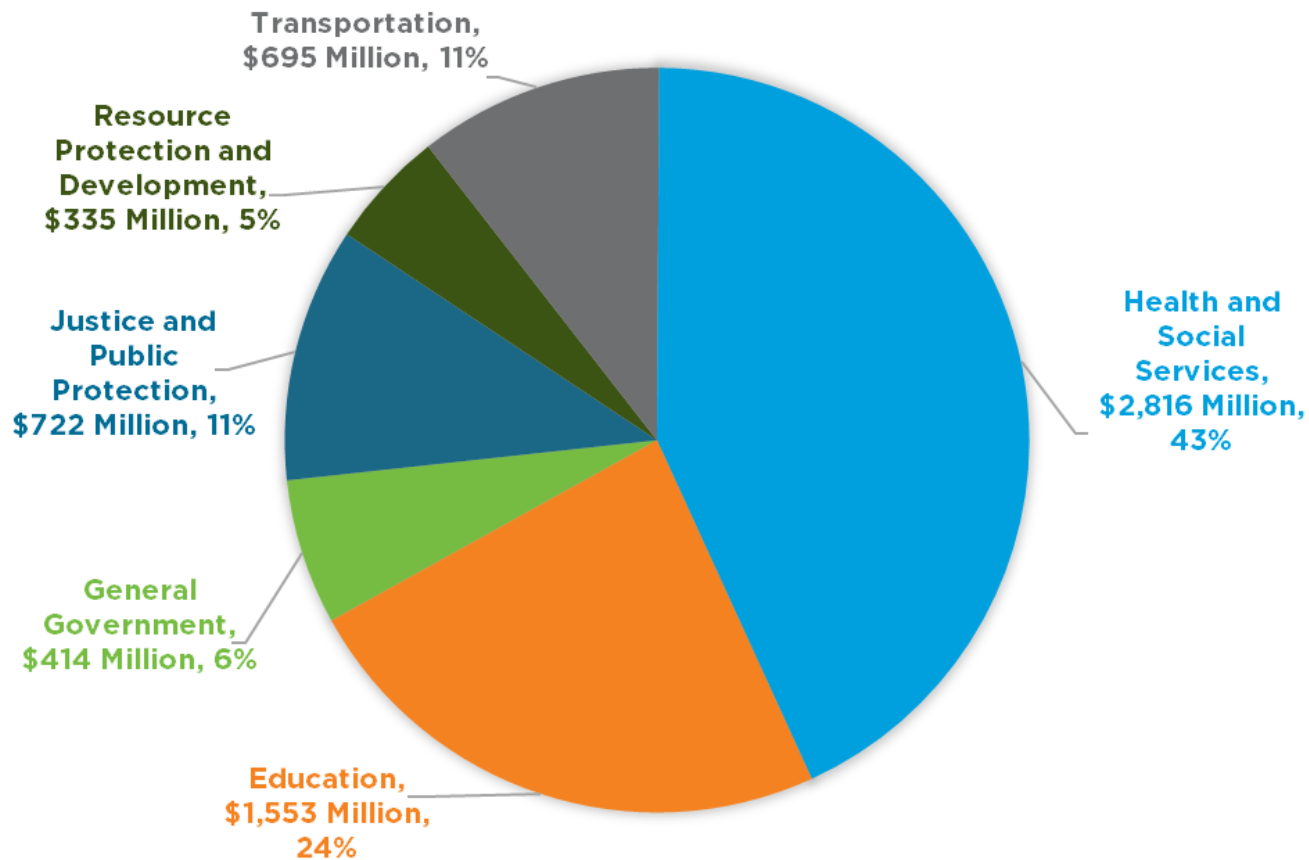
- Per statute, including any surplus/deficit carried from prior budget

Sources: NHFPI, *Building the Budget*, February 2017, for more details, as well as the Office of Legislative Budget Assistant, FY 2020-2021 Operating and Capital Budget.

# STATE BUDGET APPROPRIATIONS BY CATEGORY

## NEW HAMPSHIRE, STATE FISCAL YEAR 2021

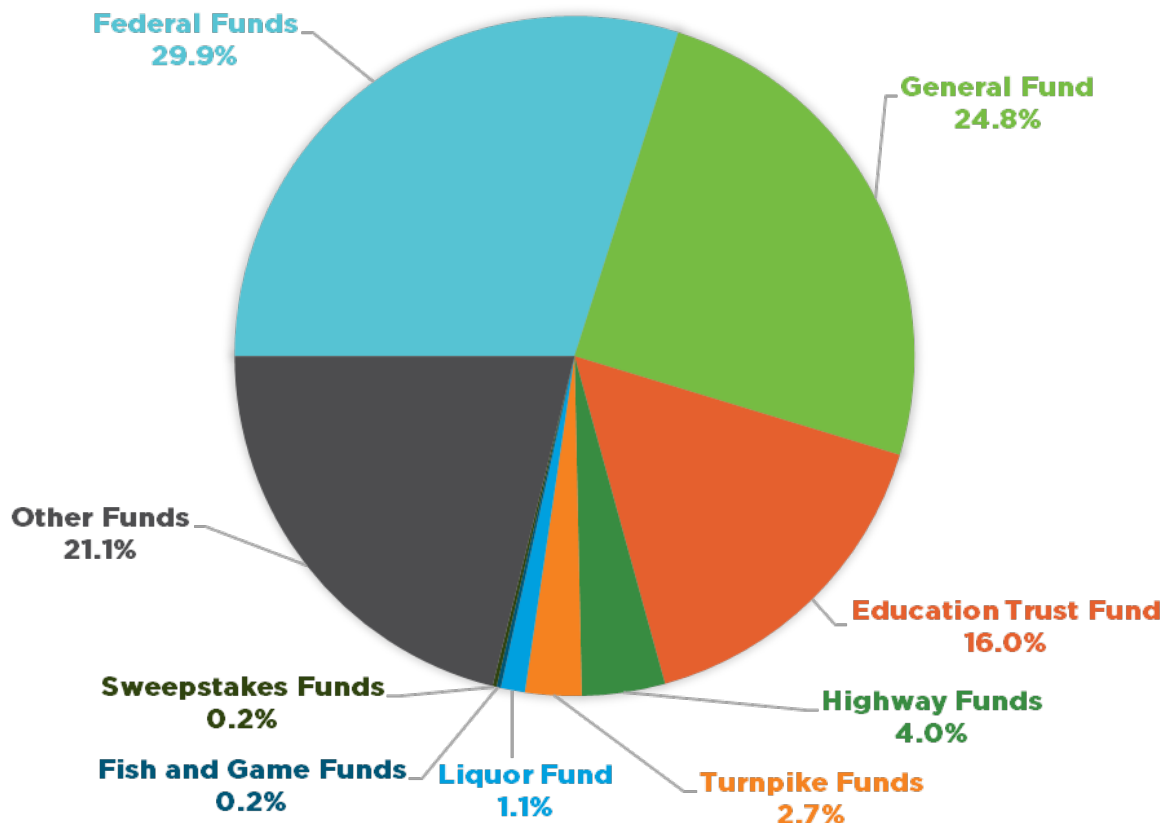
Source: Chapter 345, Laws of 2019



# 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



# FEDERAL FUNDING IN THE BUDGET

## Medicaid

- Approximately \$2.1 billion expenditure in SFY 2020, more than half of that total is federal funds
- About 212,000 Granite Staters have access to health care through the program as of December 2020, significant increase during pandemic

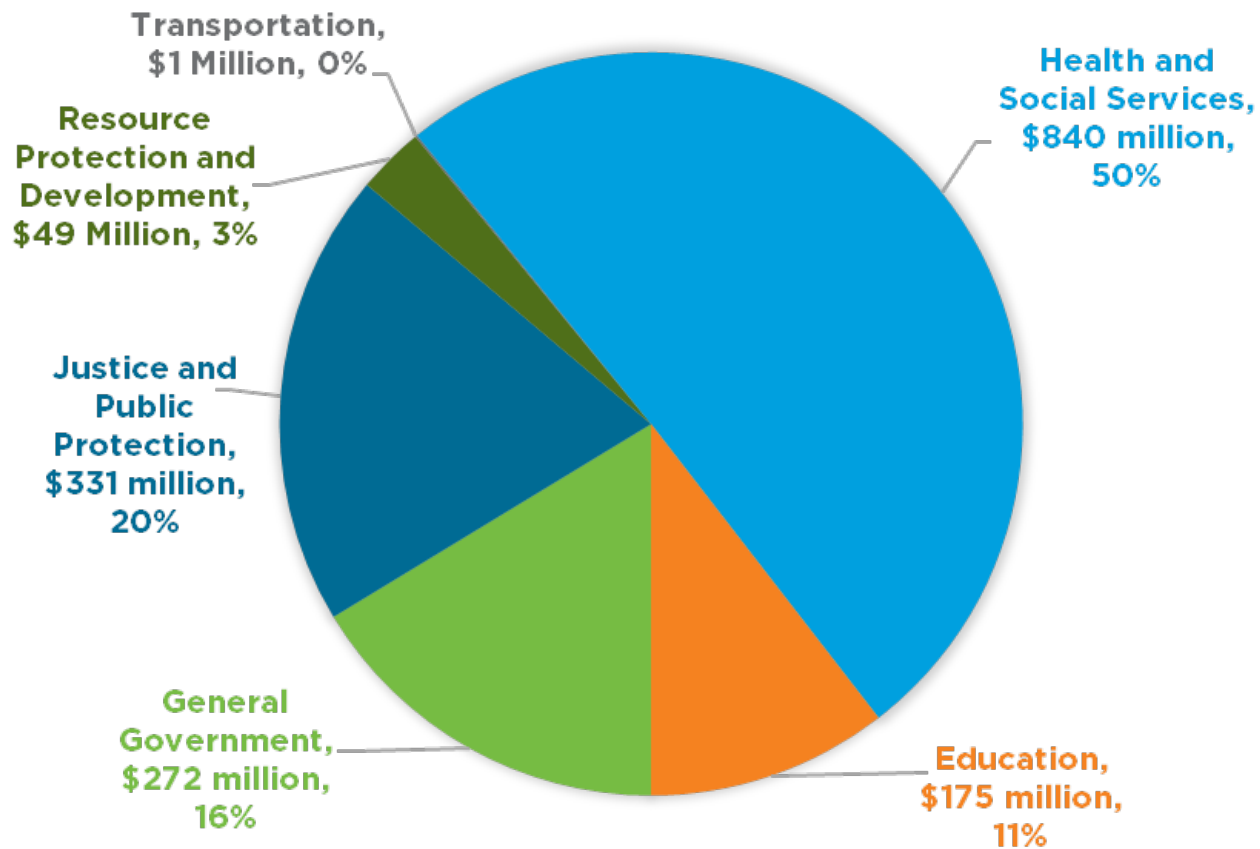
## Other Program Areas

- Federal transportation aid
- Education aid – special education, school meals, professional development
- Water pollution and infrastructure funds, clean and drinking water programs
- Food Stamps/SNAP; Women, Infants, and Children Nutrition Program
- Temporary Assistance for Needy Families
- Veterans' care aid
- Low Income Home Energy Assistance Program (State Fuel Assistance Program)
- Many other areas

# GENERAL FUND APPROPRIATIONS BY CATEGORY

## NEW HAMPSHIRE, STATE FISCAL YEAR 2021

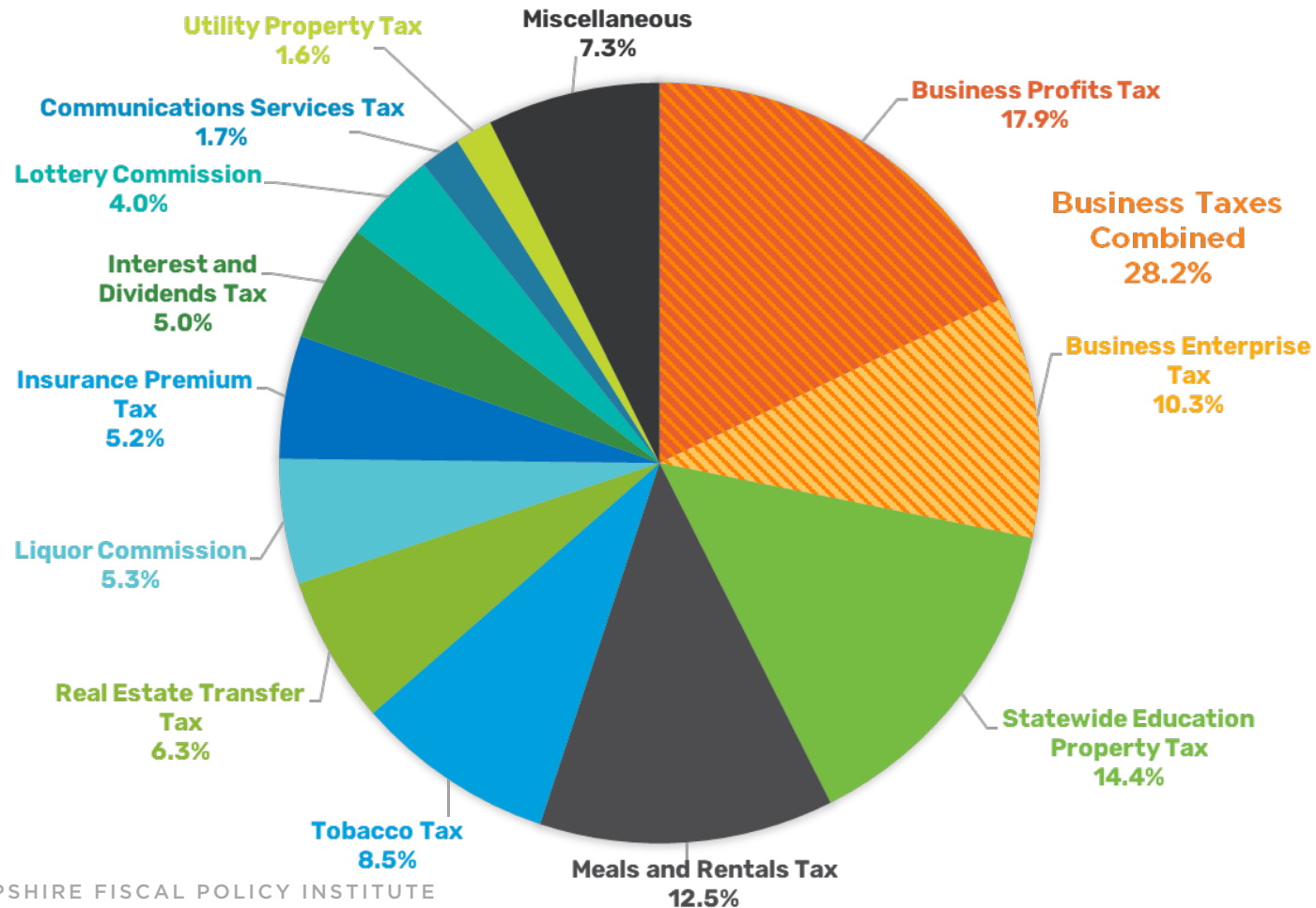
Source: Chapter 345, Laws of 2019



# GENERAL AND EDUCATION TRUST FUNDS REVENUE SOURCES

## STATE FISCAL YEAR 2020

Source: NH Comprehensive Annual Financial Report, SFY 2020



# KEY BUDGET MECHANICS – REVENUE

## **Five sets of revenue estimates throughout process**

- Governor's estimates supplied to agencies (August 1)
- Governor's State 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 projections for Legislature's budget (June)

## **Different groups of estimators**

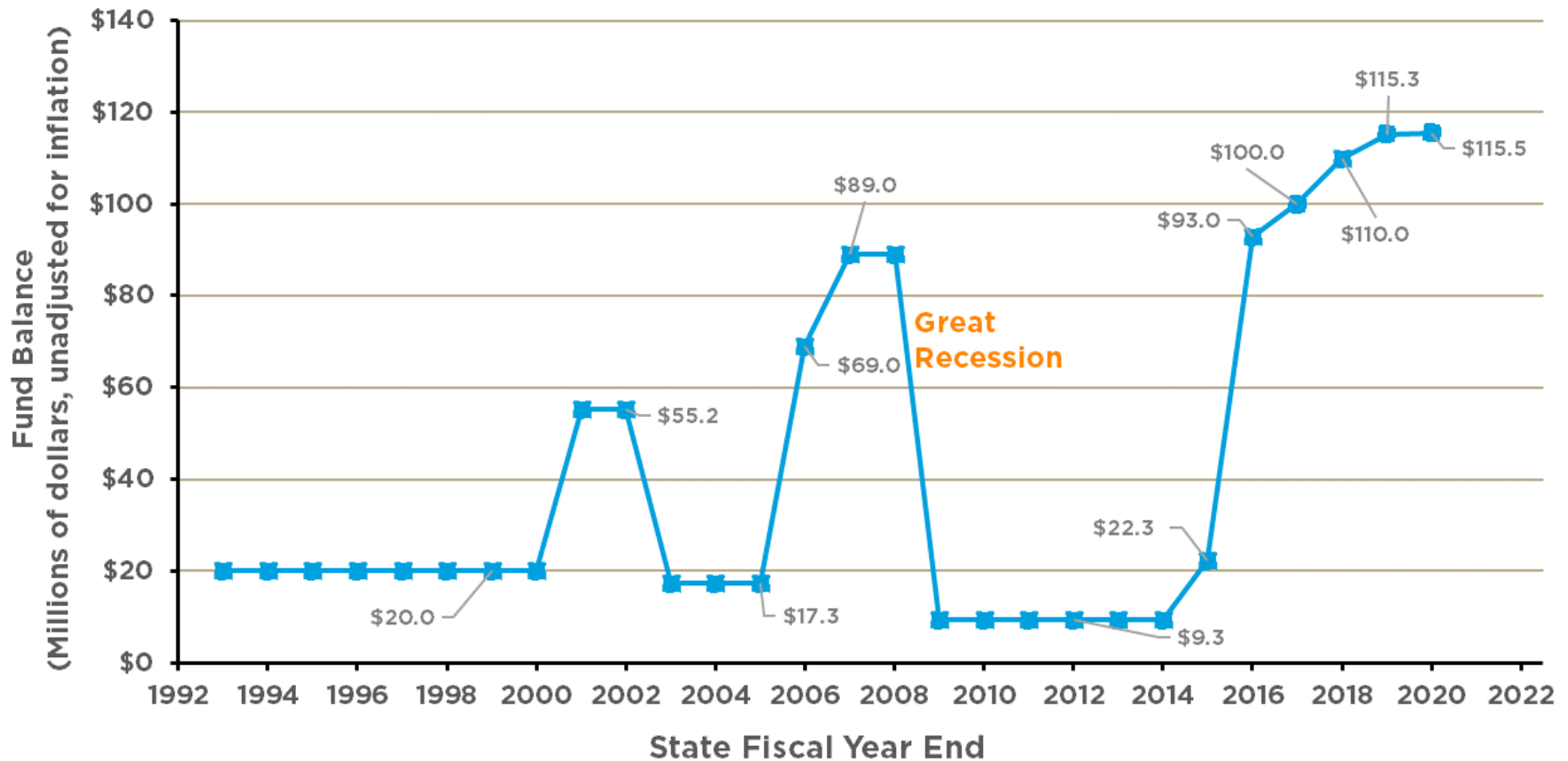
- House typically has entirely separate set of legislators in Finance and Ways and Means Committees
- Senate has significant overlap in membership (five of seven Finance members also sit on Ways and Means in the 2021 session)
- Senate estimates completed later, with more information than House

# THE RAINY DAY FUND

- 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
- Used to fill deficit with certain revenue shortfall circumstances
- Other uses require approval of 2/3 of each chamber and the Governor per statute
- Typically, policymakers decide the amount to appropriate to the Rainy Day Fund at the end of a biennium as part of the State Budget process

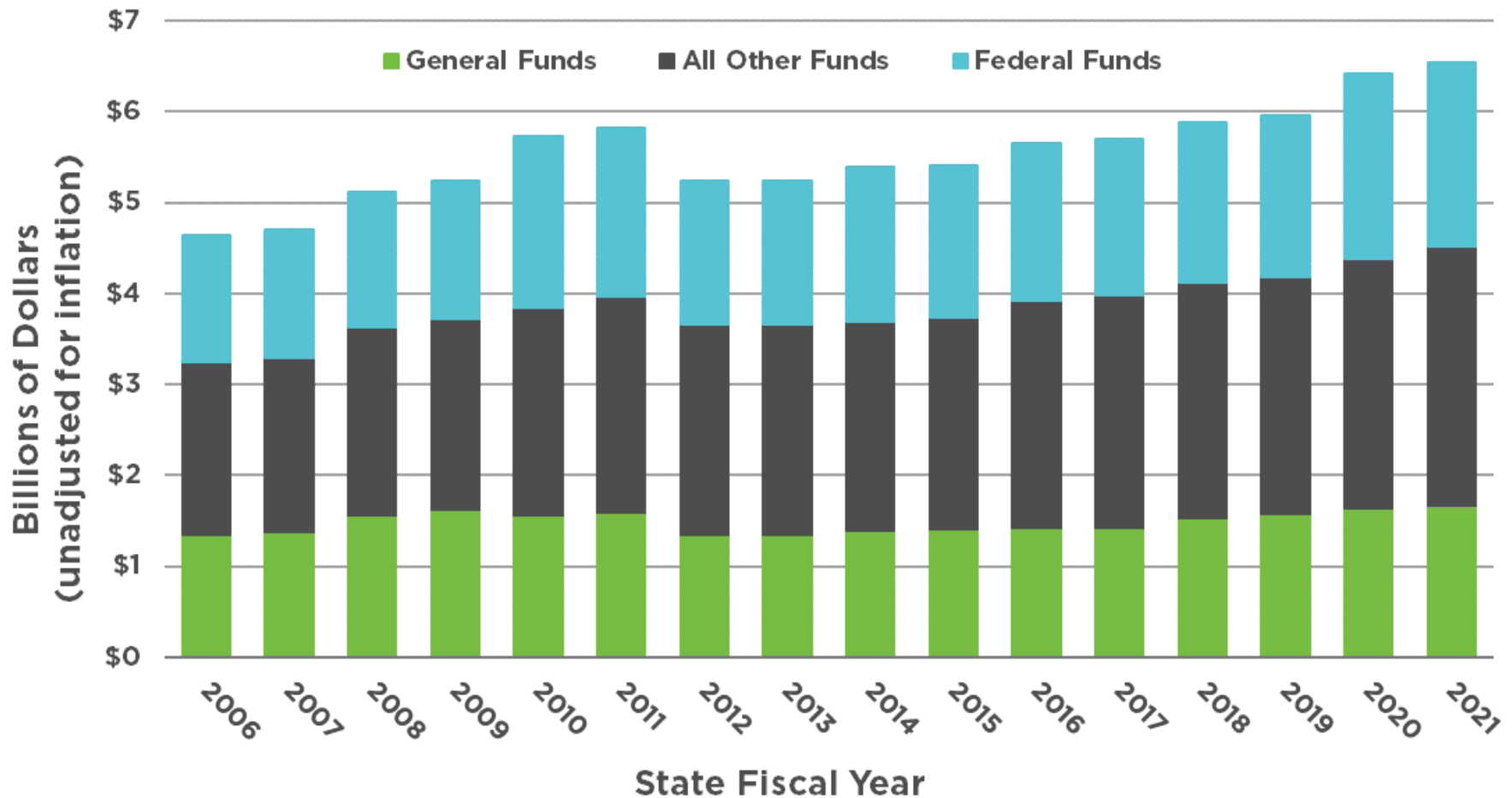
# THE RAINY DAY FUND — HISTORY

## REVENUE STABILIZATION RESERVE ACCOUNT (IN MILLIONS)



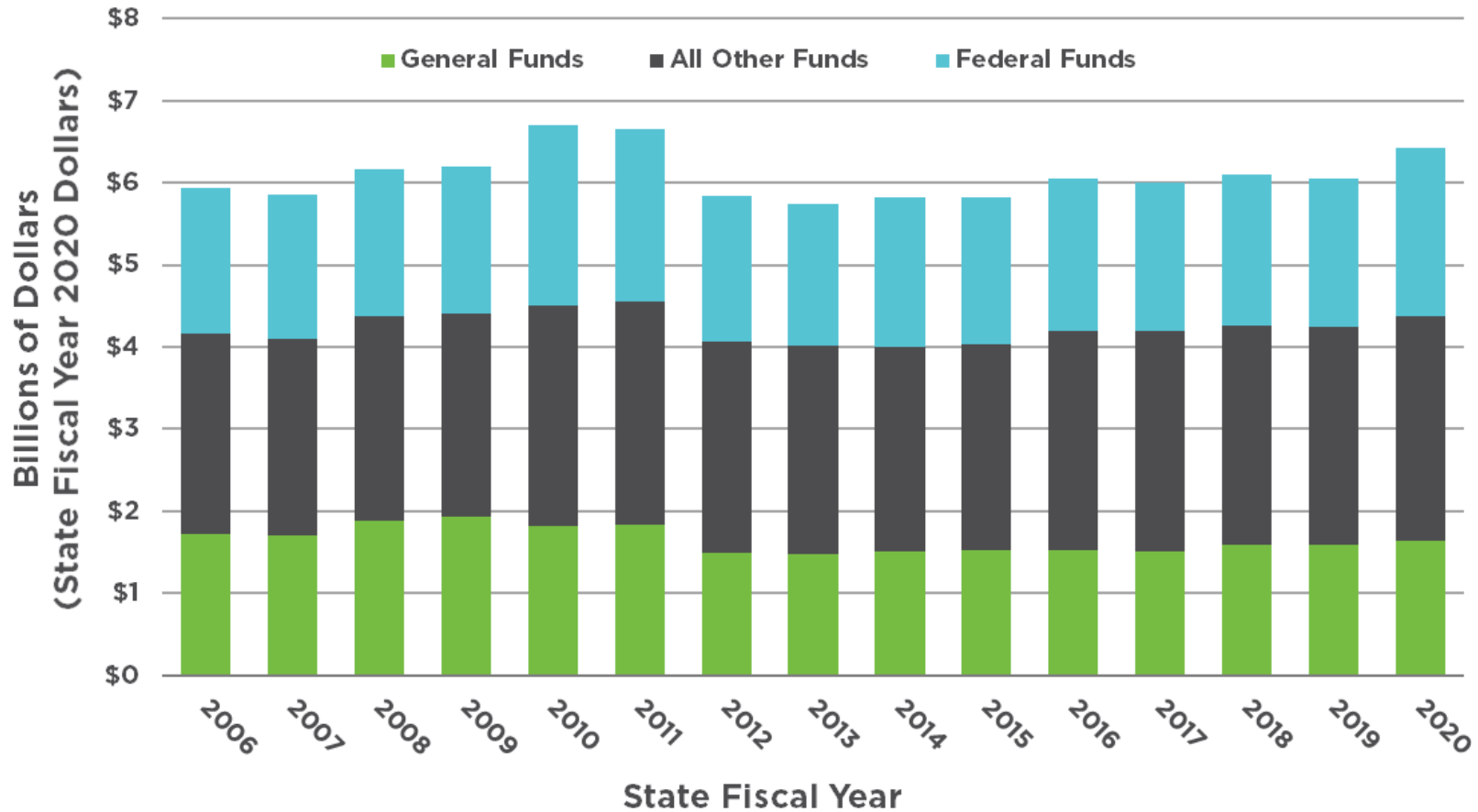
Sources: New Hampshire Comprehensive Annual Financial Reports, SFYs 2019-1997; *LBA Snapshot: Preliminary Analysis of FY 2021 Surplus/(Deficit), General and Education Trust Funds*, 12/15/20

# STATE BUDGET APPROPRIATIONS HISTORY



Sources: HB 1, Section 1.07 as Approved, Sessions 2005 to 2015; HB 144, Session 2017; HB 3 as Approved, Session 2019

# STATE BUDGET APPROPRIATIONS HISTORY, ADJUSTED FOR INFLATION

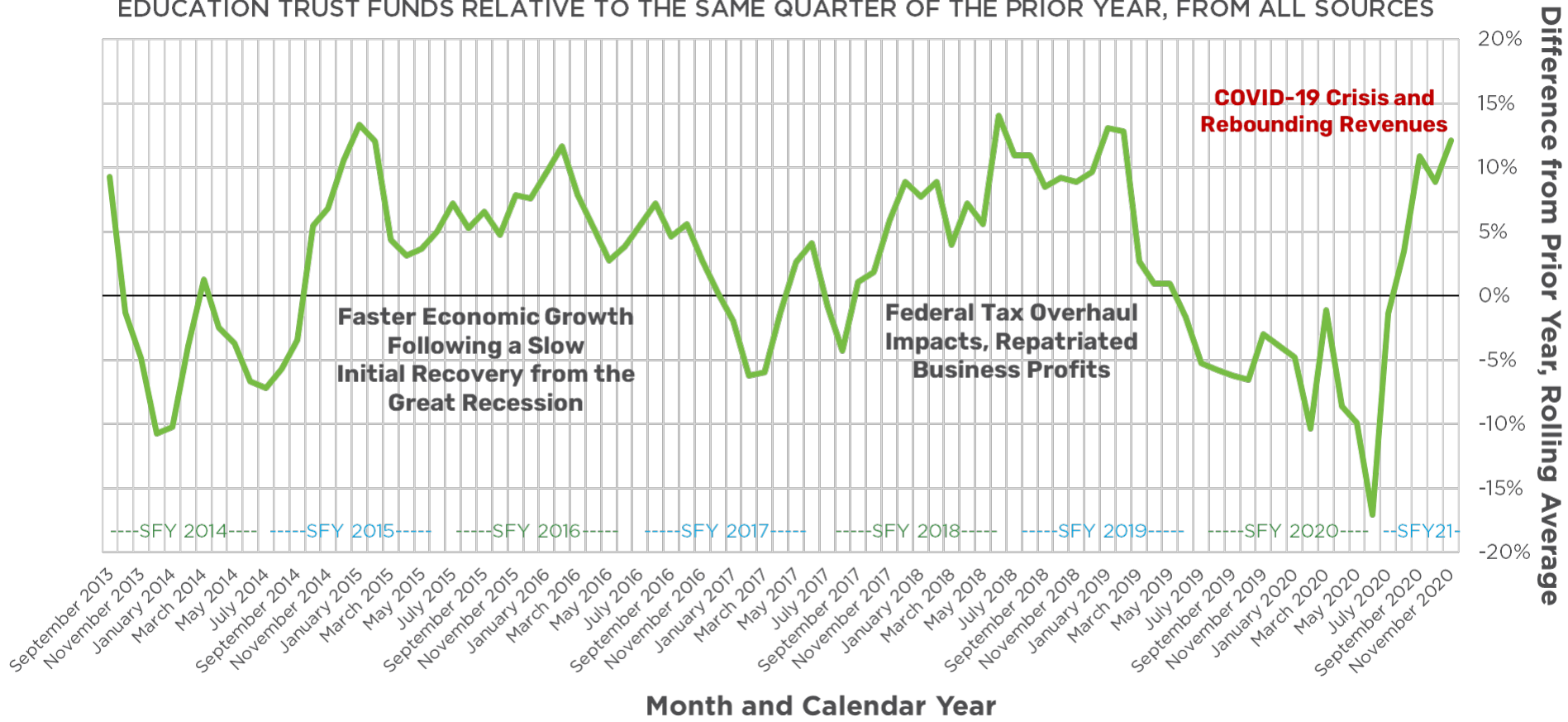


Sources: HB 1, Section 1.07 as Approved, Sessions 2005 to 2015; HB 144, Session 2017; HB 3 as Approved, Session 2019; U.S. Bureau of Labor Statistics, CPI-U Northeast



# REVENUE DECLINE AND REBOUND

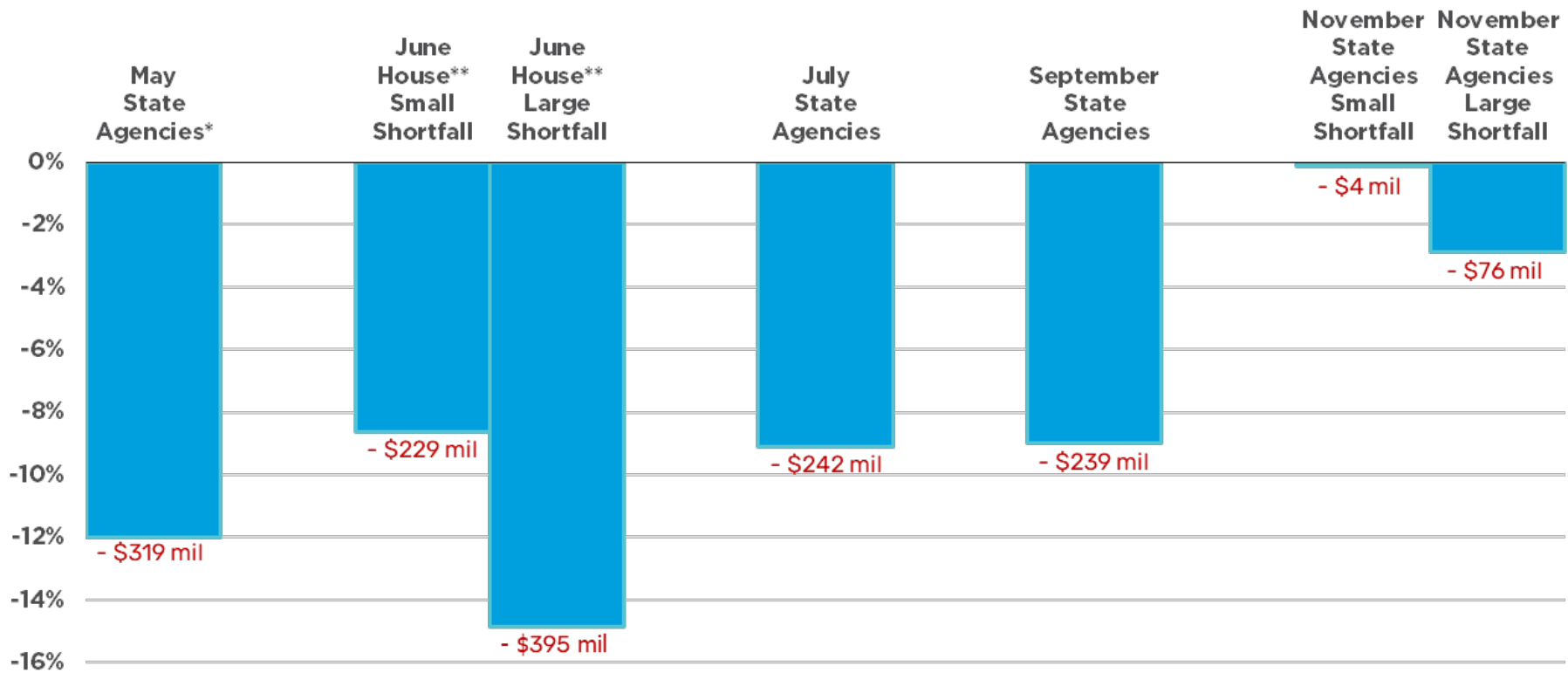
THREE-MONTH ROLLING AVERAGES OF MONTHLY CASH RECEIPTS TO THE NEW HAMPSHIRE GENERAL AND EDUCATION TRUST FUNDS RELATIVE TO THE SAME QUARTER OF THE PRIOR YEAR, FROM ALL SOURCES



Note: Medicaid Enhancement Tax excluded from historical data.  
Sources: NH Department of Administrative Services Monthly Revenue Focus Reports

# SFY 2021 SHORTFALL PROJECTIONS

Shortfall Relative to State Revenue Plan



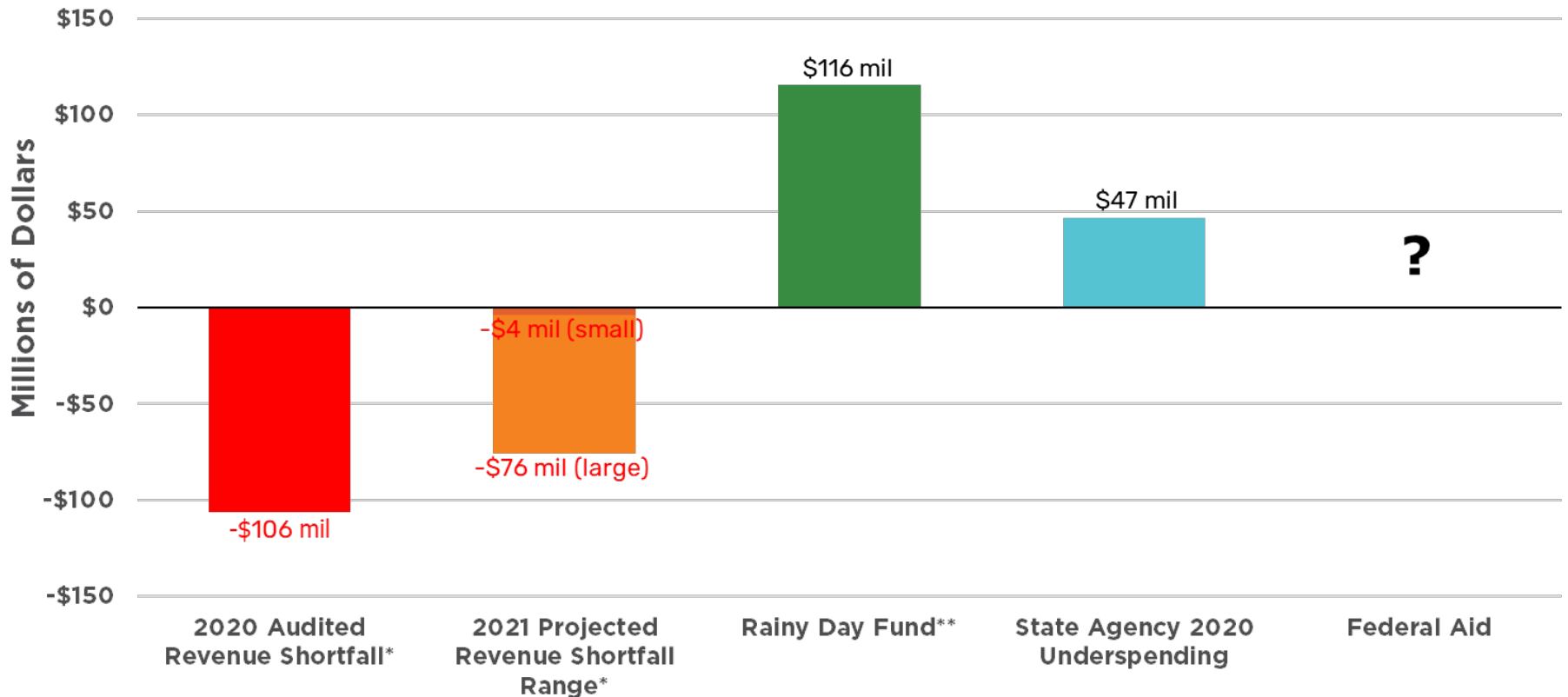
## Iteration of Revenue Projection

### New Hampshire General and Education Trust Funds

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

# NH BUDGET SHORTFALLS AND ASSETS



## Asset or Change from State Budget Plan New Hampshire General and Education Trust Funds, by State Fiscal Year

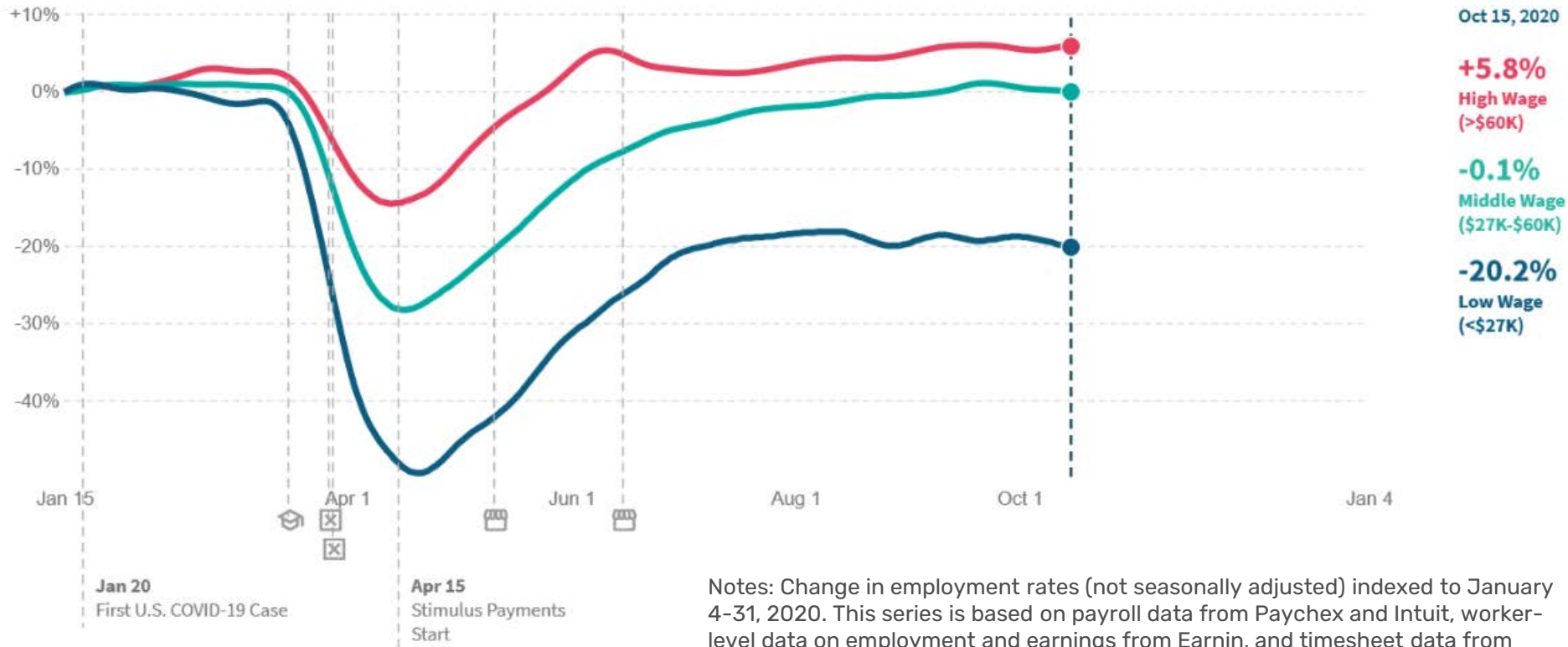
Notes: \*Audited totals from the State Fiscal Year 2020 Comprehensive Annual Financial Report. Key State agencies estimated State Fiscal Year 2021 shortfalls on a cash basis. \*\*Rainy Day Fund refers to the Revenue Stabilization Reserve Account, balance from the draft Comprehensive Annual Financial 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.

# CONSIDERATIONS FOR THE NEXT BUDGET

- Course of the COVID-19 pandemic
- Needs changing among residents, Medicaid caseloads, housing and other assistance, state policy responsiveness
- Federal assistance to states, individuals
- State agency spending relative to the pandemic, federal funds
- Current State Budget relies on surplus funding carried forward from prior budget
- 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 and by end of biennium
- Crisis may be more like a “regular” recession over time

# PERCENT CHANGE IN EMPLOYMENT

In **New Hampshire**, as of **October 15 2020**, employment rates among workers in the bottom wage quartile **decreased** by **20.2%** compared to January 2020 (not seasonally adjusted).

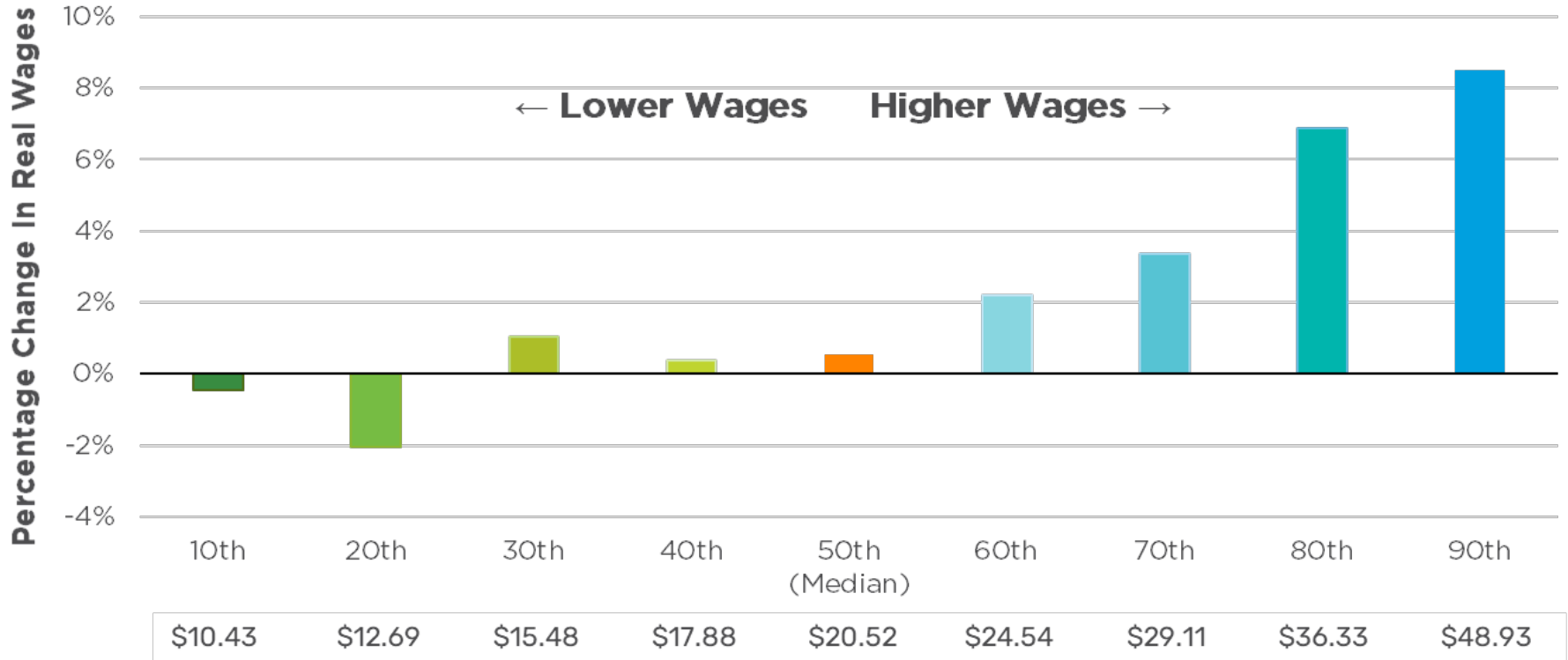


Notes: Change in employment rates (not seasonally adjusted) indexed to January 4-31, 2020. This series is based on payroll data from Paychex and Intuit, worker-level data on employment and earnings from Earnin, and timesheet data from Kronos.

Source: Opportunity Insights Economic Tracker; Chetty, Friedman, Hendren, Stepner, and the Opportunity Insights Team, November 2020, accessed at [tracktherecovery.org](http://tracktherecovery.org), a project of Harvard University, Brown University, and The Bill and Melinda Gates Foundation.

# INFLATION-ADJUSTED NH WAGE CHANGES

CHANGE FROM 2004-2006 TO 2017-2019 AVERAGES BY WAGE DECILE

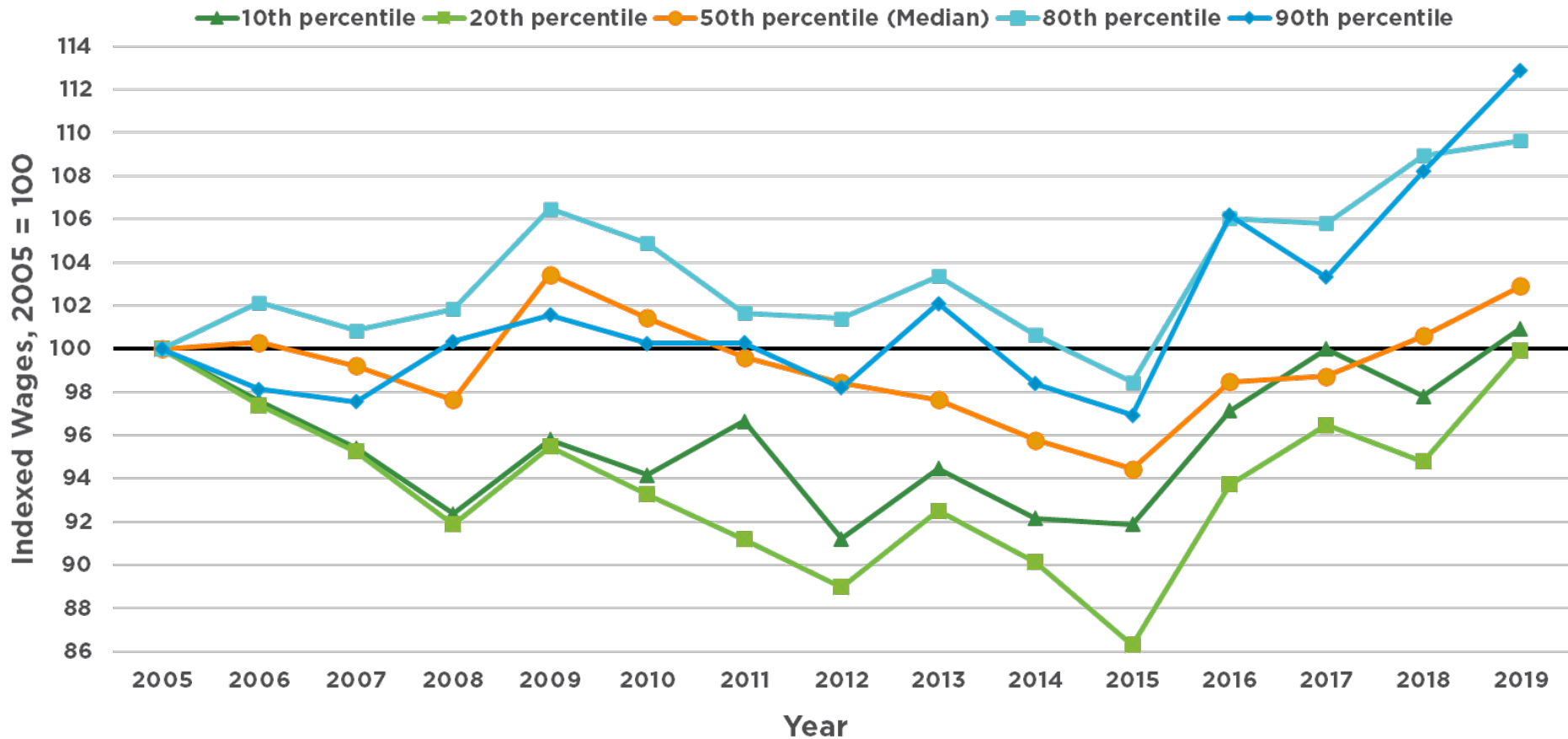


**Relative Wage Percentiles and Corresponding 2017-2019 Hourly Wage Estimates**

Note: Inflation adjustment using Consumer Price Index-Urban-Research Series (current methods).  
Includes workers aged 16 years and older and all income from work.

Source: Economic Policy Institute analysis of Current Population Survey Outgoing Rotation Group data

# INFLATION-ADJUSTED WAGES IN NH



Notes: Inflation adjustment using Consumer Price Index-Urban-Research Series (current methods).  
 Includes workers aged 16 years and older and all income from work.  
 Source: Economic Policy Institute analysis of Current Population Survey Outgoing Rotation

# KEY TAKEAWAYS

- Budget shortfall smaller than anticipated in the early days of the pandemic, but still significant
- Revenues for SFY 2021 doing very well now, but considerable uncertainty, more clarity after April 2021
- State expenditures and federal action key variables
- Needs may be greatest at beginning of State Budget biennium
- Policymakers have timing flexibility, more resource flexibility than anticipated early in the pandemic
- Continued federal action is key to both short-term services and meeting needs, and the long-term recovery
- Recession has impacted those with the fewest resources most severely, and policy can help build equitable, inclusive recovery





ADDRESS: 100 North Main Street, Suite 400, Concord, NH 03301

PHONE: 603.856.8337

WEBSITE: [www.nhfpi.org](http://www.nhfpi.org)

EMAIL: [info@nhfpi.org](mailto:info@nhfpi.org)

TWITTER: @NHFPI

FACEBOOK: NewHampshireFiscalPolicyInstitute