



THE GOVERNOR'S BUDGET: A FIRST LOOK

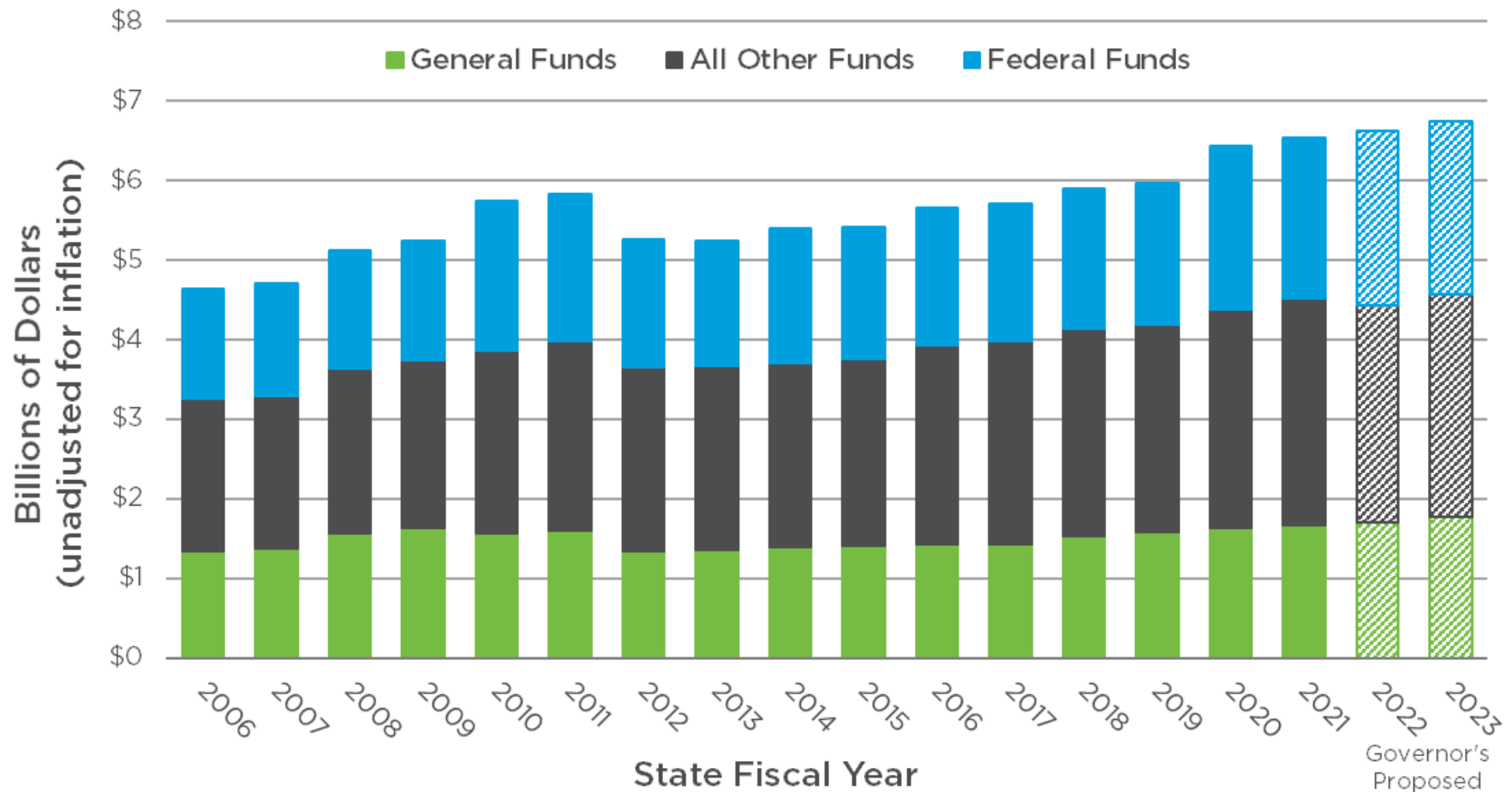
PRESENTED BY PHIL SLETTEN, SENIOR POLICY ANALYST

BREAKFAST BUDGET BRIEFING
FEBRUARY 15, 2021

WHAT WE KNOW, WHAT WE DON'T

- Governor released proposed operating budget bill, companion materials and Executive Summary on Thursday
- Budget lines, approximately \$13.36 billion in appropriations (net information technology transfers), are known
- Executive Summary provides some policy details, but most will be in Trailer Bill, which is not yet published and must be released by February 15, per a new statute passed in 2019
- Agency reorganizations, changes to structures of funds not yet detailed in key instances
- Some appropriations in Trailer Bill: \$17.8 million in State Fiscal Year (SFY) 2022
- Policy structures, such as Paid Family Medical Leave, precise tax changes, new mental health programs, not yet detailed

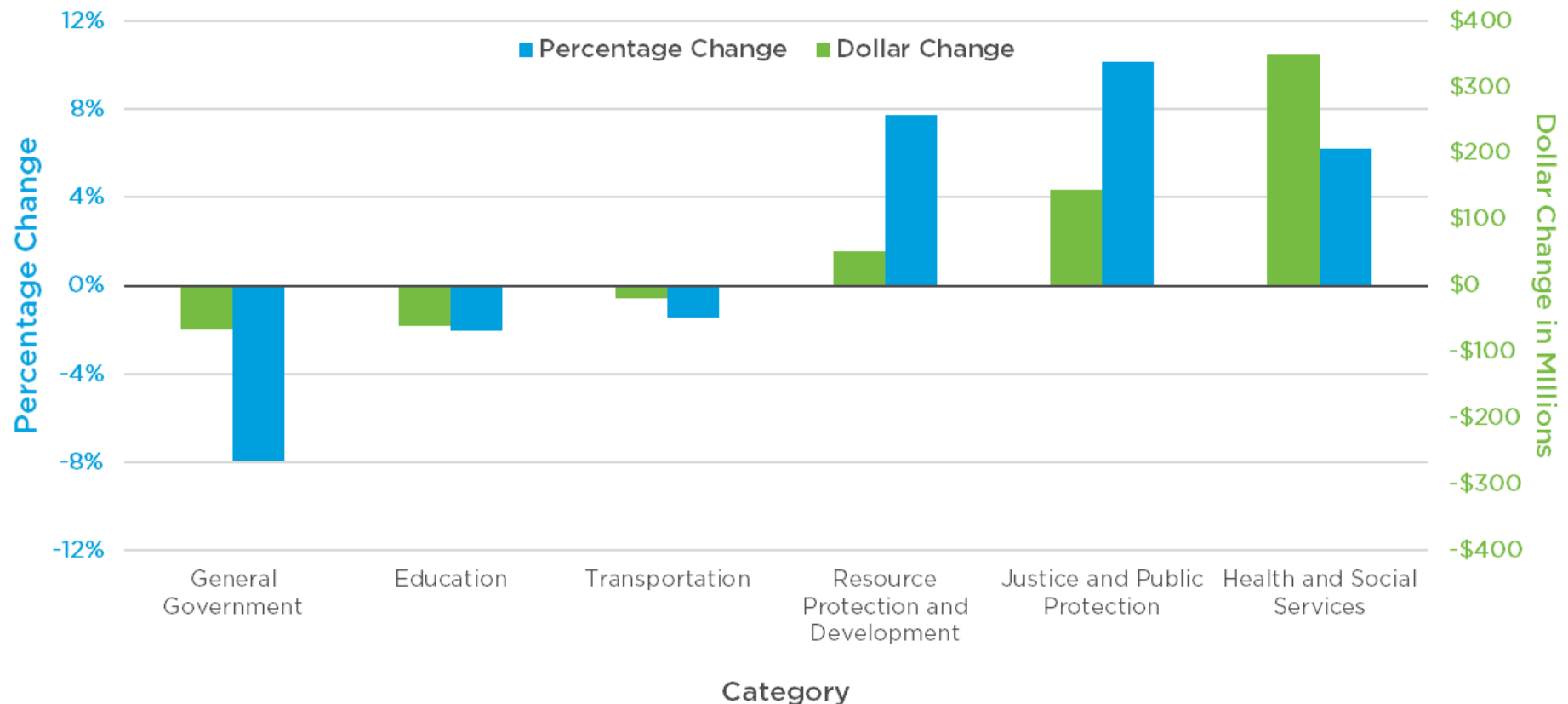
GOVERNOR WOULD INCREASE APPROPRIATIONS OVERALL



Sources: HB 1, Section 1.07 as Approved, Sessions 2005 to 2015; HB 144, Session 2017; HB 3 as Approved, Session 2019; New Hampshire Department of Administrative Services

NOT A UNIFORM INCREASE ACROSS EXPENDITURE CATEGORIES

DIFFERENCE BETWEEN SFY 2020-2021 STATE BUDGET AS ENACTED AND GOVERNOR'S SFY 2022-2023 BUDGET PROPOSAL BY CATEGORY

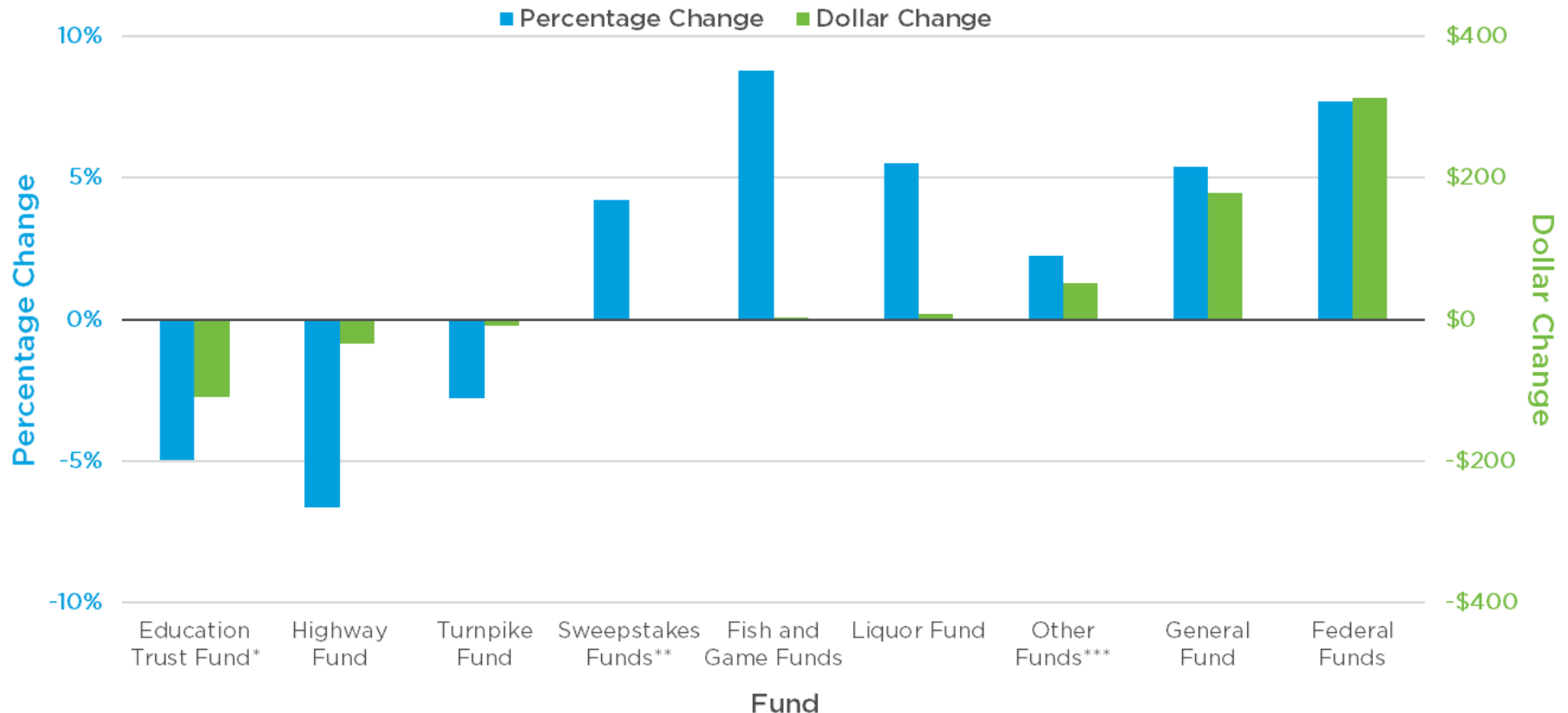


Note: Shifts in General Government and Justice and Public Protection impacted by proposed creation of a Department of Energy.

Sources: New Hampshire Department of Administrative Services; Chapter 345, Laws of 2019

FEDERAL AND GENERAL FUNDS INCREASES, EDUCATION AND TRANSPORTATION DECLINES

DIFFERENCE BETWEEN SFY 2020-2021 STATE BUDGET AS ENACTED
AND GOVERNOR'S SFY 2022-2023 BUDGET PROPOSAL BY FUND



Notes: *Includes \$62.5 million special account funds for SFY 2021. **Includes Sweeps, Racing, and Charitable Gaming.
***Includes reductions for interagency transfers.

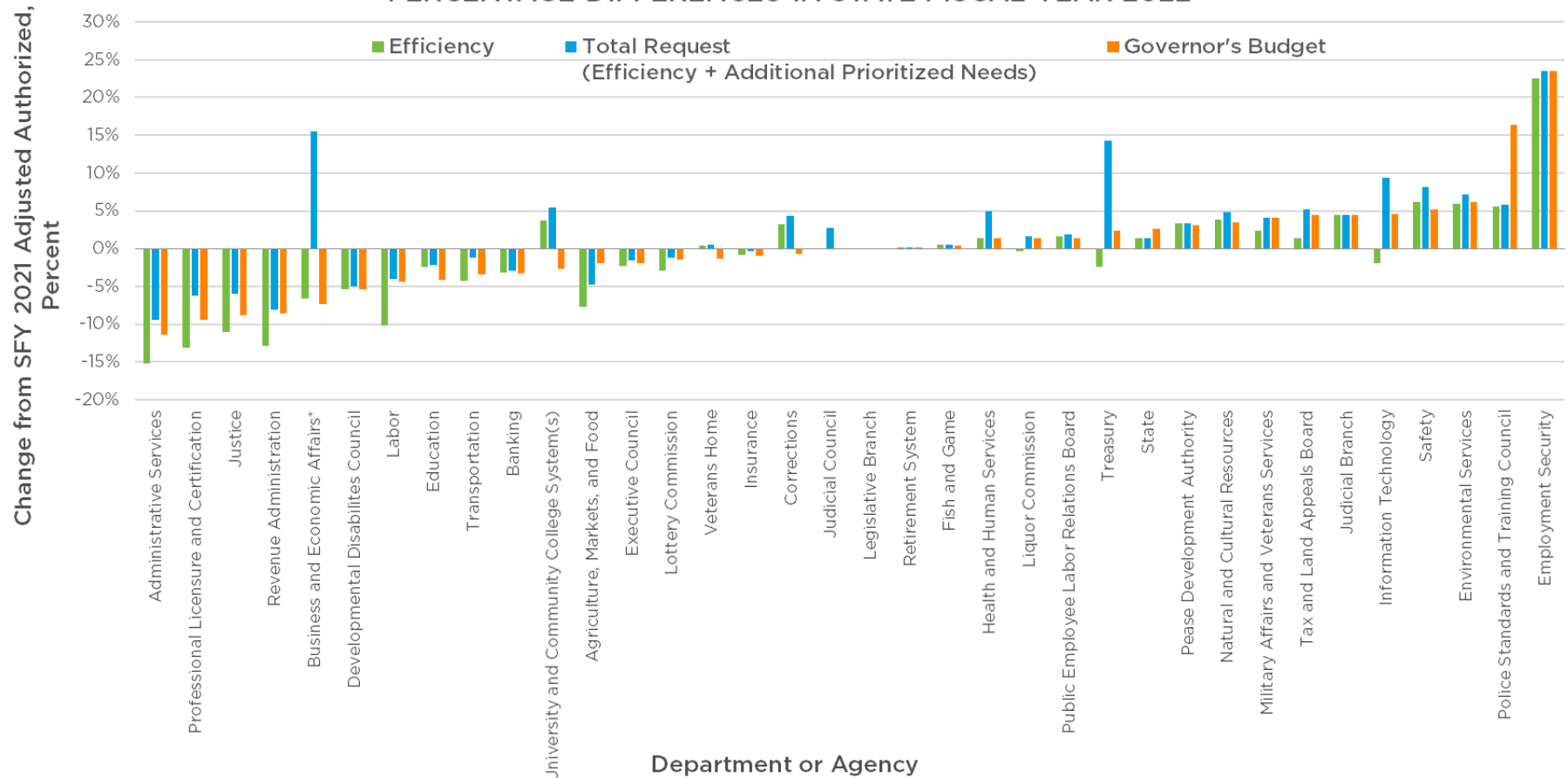
Sources: New Hampshire Department of Administrative Services; Chapter 345. Laws of 2019

AGENCY-LEVEL COMPARISONS

- Year-over-year changes provide some insight into continuity or changes in services under Governor's budget proposal
- Comparisons between State agency budget requests, both the Efficiency Budget and the Total Request, reflect some organizational shifts planned before Governor's budget
- Needs also changing quickly, and agency requests are from October 1
- Not a comparison to the prior State Budget as passed in 2019, but a comparison to the most recent amounts authorized, which can change during State Budget biennium

AGENCY EFFICIENCY AND TOTAL REQUESTS INFORM COMPARISONS

STATE AGENCY BUDGET REQUESTS AND THE GOVERNOR'S BUDGET,
PERCENTAGE DIFFERENCES IN STATE FISCAL YEAR 2022

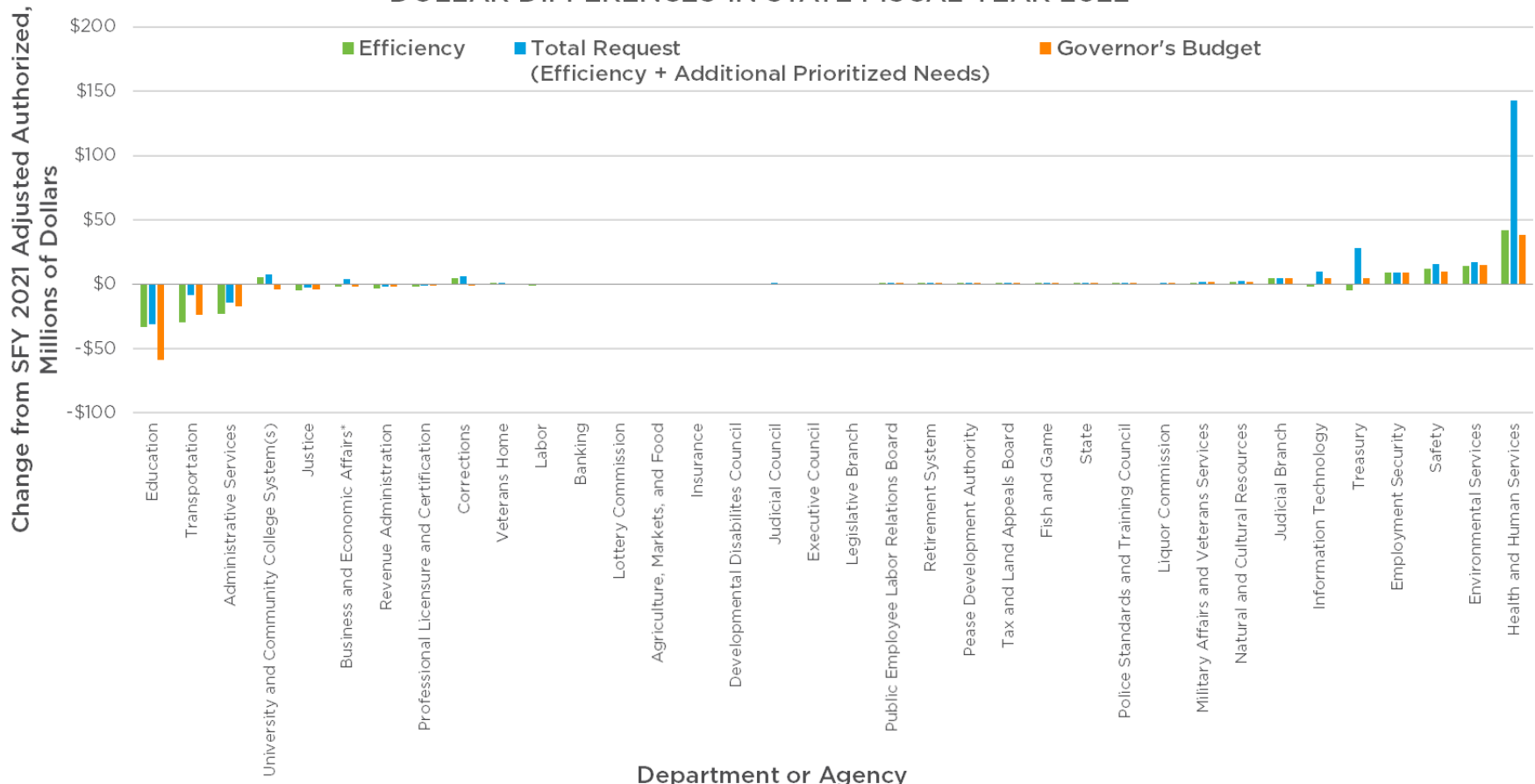


*Note: The Department of Business and Economic Affairs is losing an office to the proposed Department of Energy in the Governor's Budget. That Department would also be allocated the Office of Strategic Initiatives from the Executive Department and the Public Utilities Commission. Both the Executive Department and the Public Utilities Commission are excluded from this graphic.

Source: New Hampshire Department of Administrative Services

LARGEST DOLLAR INCREASES AT HEALTH AND HUMAN SERVICES, DECREASES IN EDUCATION

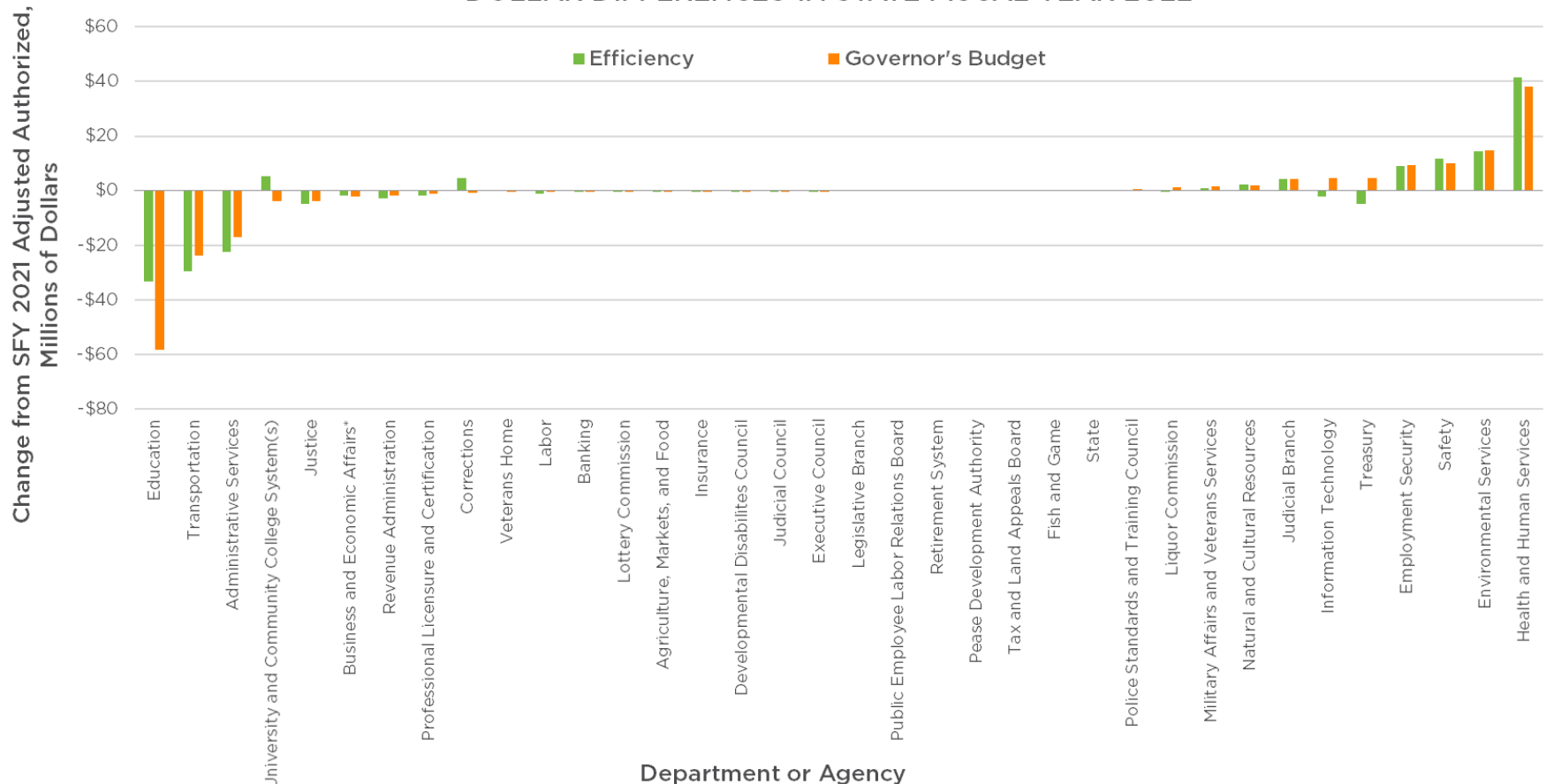
STATE AGENCY BUDGET REQUESTS AND THE GOVERNOR'S BUDGET,
DOLLAR DIFFERENCES IN STATE FISCAL YEAR 2022



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Source: New Hampshire Department of Administrative Services

MOST AGENCIES FUNDED IN SAME DIRECTION AS EFFICIENCY REQUEST

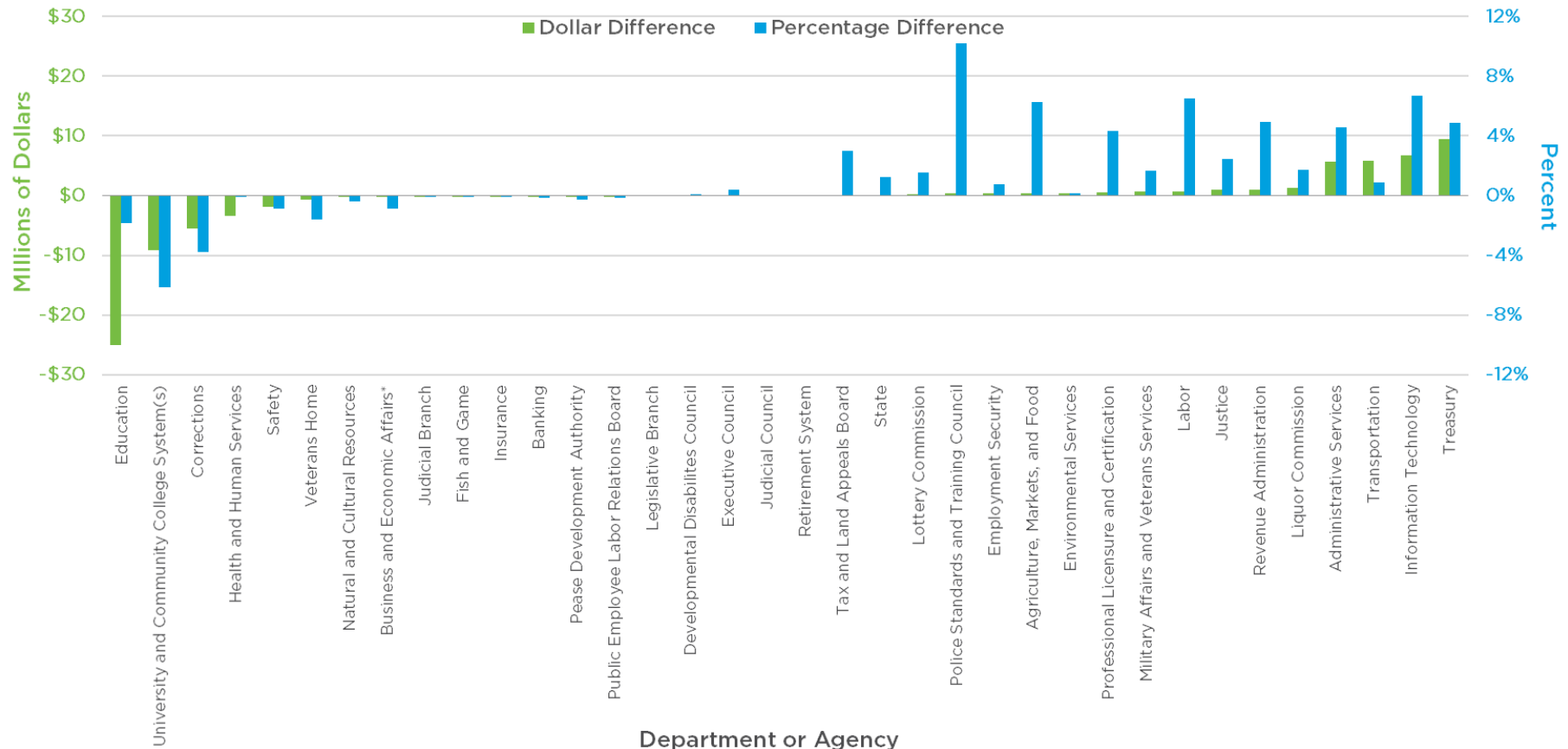
STATE AGENCY EFFICIENCY BUDGET REQUESTS AND THE GOVERNOR'S BUDGET, DOLLAR DIFFERENCES IN STATE FISCAL YEAR 2022



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Source: New Hampshire Department of Administrative Services

GOVERNOR DEVIATED FROM EFFICIENCY BUDGET REQUESTS IN KEY AREAS

DIFFERENCE BETWEEN STATE AGENCY EFFICIENCY BUDGET REQUESTS
AND THE GOVERNOR'S BUDGET, STATE FISCAL YEAR 2022



*Note: The Department of Business and Economic Affairs is losing an office to the proposed Department of Energy in the Governor's Budget. That Department would also be allocated the Office of Strategic Initiatives from the Executive Department and the Public Utilities Commission. Both the Executive Department and the Public Utilities Commission are excluded from this graphic.

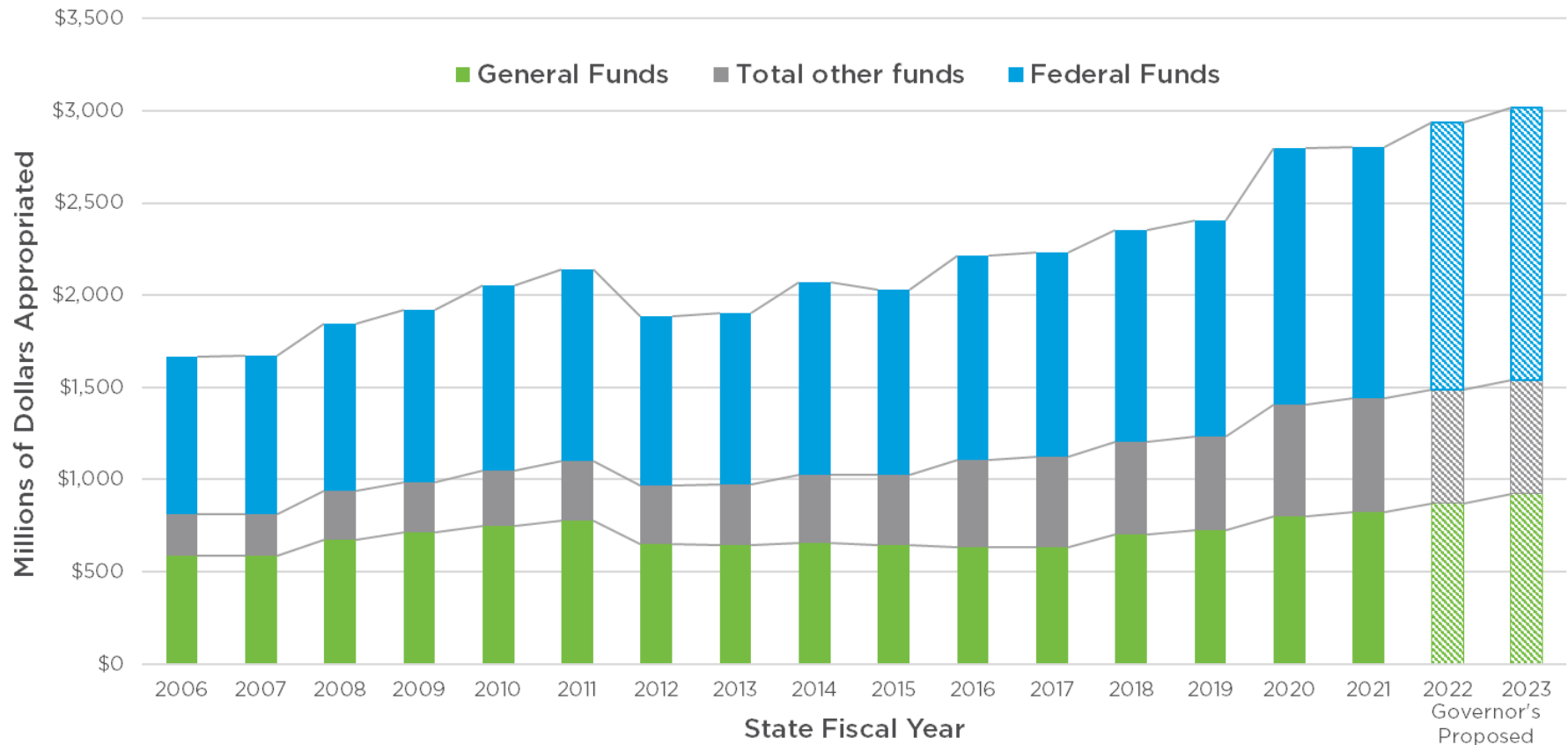
Source: New Hampshire Department of Administrative Services

NEW HAMPSHIRE DEPARTMENT OF HEALTH AND HUMAN SERVICES

- Largest dollar increase, short of Efficiency Budget request
- Not all areas of the NH DHHS budget saw increases
- Office of Medicaid Services appears to have a continuing increase, perhaps anticipating continued high enrollment, keeping 3.1 percent rate increase from January
- Behavioral Health Division increase significant, federal grant for opioid response to Bureau of Drug and Alcohol Services
- Significant increases in funding at New Hampshire Hospital, slight increase at Bureau of Mental Health Services, Governor noted funding for State's ten-year mental health plan
- Developmental services substantially below State Budget request in first year, Elderly and Adults Services above requests

OVERALL NH DHHS BUDGET WOULD RISE

NH DEPARTMENT OF HEALTH AND HUMAN SERVICES OPERATING BUDGET UNADJUSTED FOR INFLATION, PRIMARY BUDGET, NOT INCLUDING OFF-BUDGET CHANGES

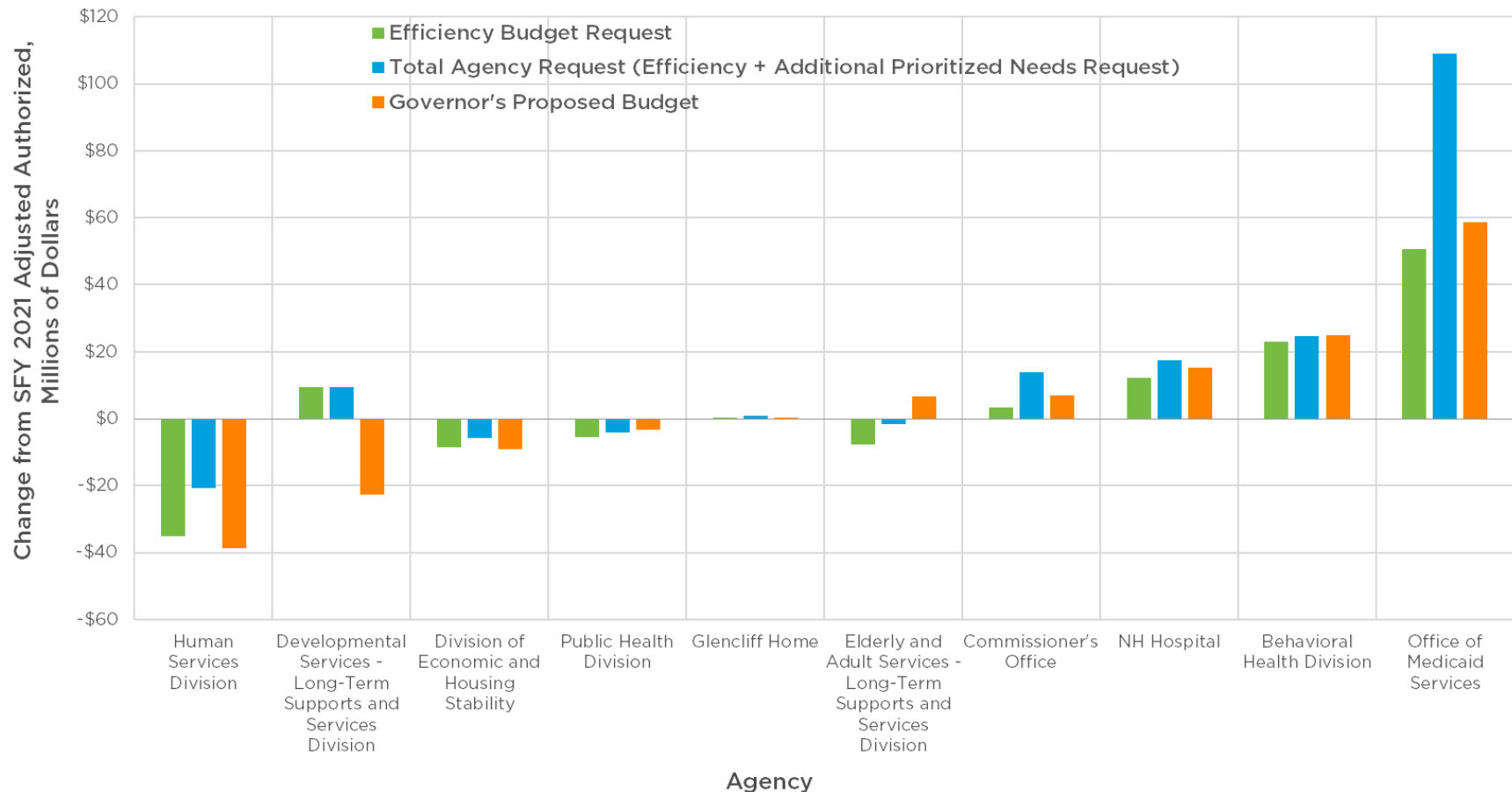


Note: Appropriations do not include trailer bill appropriations, back of the budget changes, information technology-related transfers, or other changes to appropriations outside of the Primary Budget (Section 1 of the State Budget).

Source: New Hampshire State Budgets, as Passed; New Hampshire Department of Administrative Services

MORE DOLLARS FOR MOST MEDICAID SERVICES, SOME SPLITS FROM REQUESTS

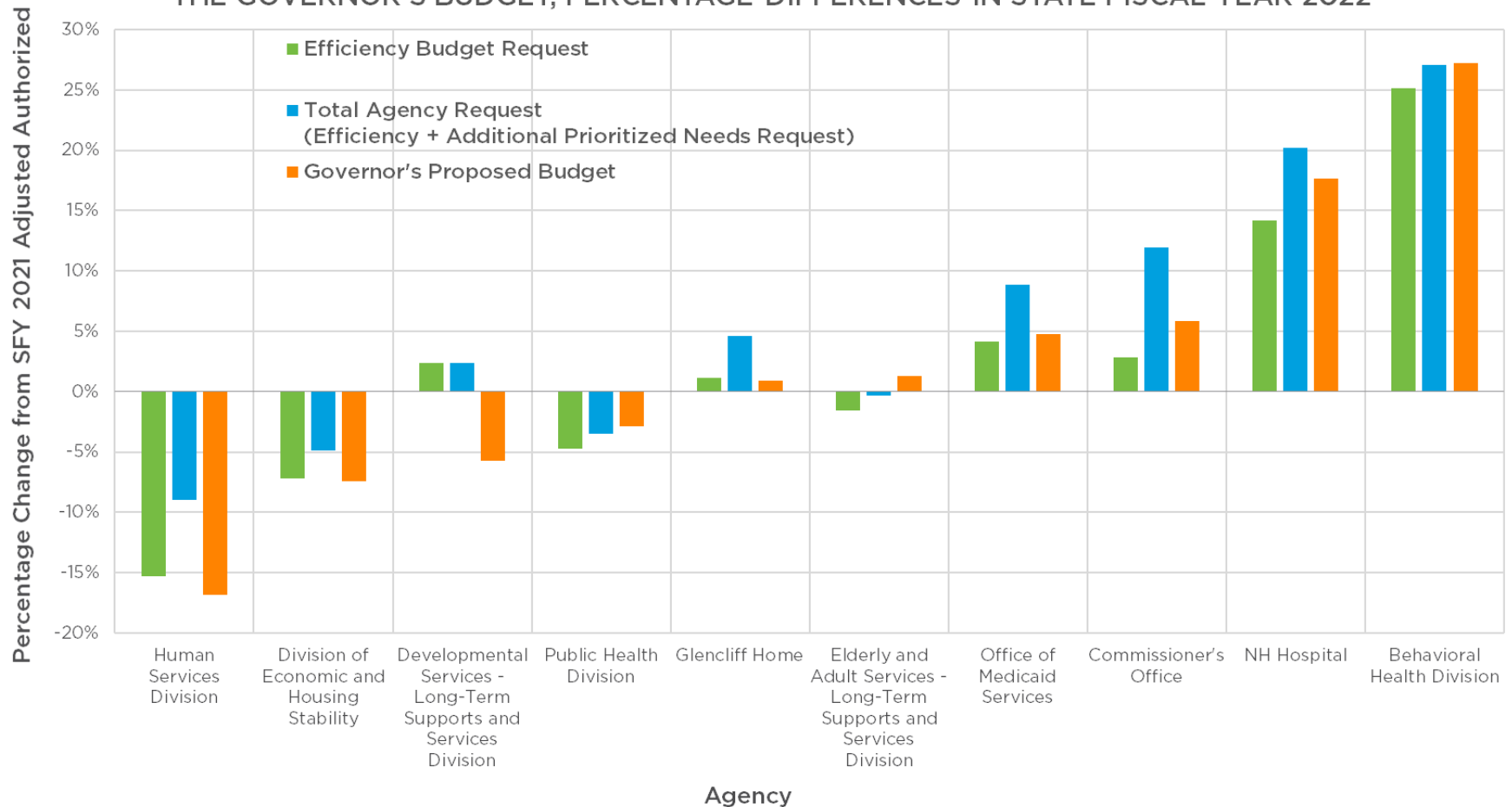
NH DEPARTMENT OF HEALTH AND HUMAN SERVICES BUDGET REQUESTS AND THE GOVERNOR'S BUDGET, DOLLAR DIFFERENCES IN STATE FISCAL YEAR 2022



Source: New Hampshire Department of Administrative Services

LARGEST RELATIVE CHANGES IN BEHAVIORAL HEALTH

NH DEPARTMENT OF HEALTH AND HUMAN SERVICES BUDGET REQUESTS AND THE GOVERNOR'S BUDGET, PERCENTAGE DIFFERENCES IN STATE FISCAL YEAR 2022



Source: New Hampshire Department of Administrative Services

EDUCATION FUNDING DECLINES, MANY MOVING PARTS

- Enrollment projections key for per pupil funding
- Boost to education funding in per pupil grants, targeted at districts with more low-income students and less property value, totaled \$62.5 million in SFY 2021 the Governor identified as one-time funding, does not appear to continue
- Adequate Education Aid total about \$100 million less, SFYs 2020-2021 versus SFYs 2022-2023 as proposed by Governor
- More school building aid through Public School Infrastructure Fund, smaller decline through traditional formula
- Flexibility for school districts to use pre-pandemic counts for free and reduced-price school meal students to support State funding
- Slightly reduced funding for higher ed., no one-time grants

LOCAL GOVERNMENT ASSISTANCE ALSO INCLUDES MANY MOVING PARTS

- Meals and Rentals Tax revenue sharing, Governor proposes to permit the existing catch-up formula to operate, up to \$15 million more in tax revenue sharing with cities and towns
- One-time grants of \$20 million per year to cities and towns in current budget do not appear to be continuing
- Upward pressure on county-level property taxes, as amount expected from county share of Medicaid nursing home and certain waiver services would increase \$47.5 million from SFYs 2020-2021 State Budget, a 19.8 percent increase
- Education aid changes would impact local property taxes

REVENUE PROJECTIONS AND TAX CHANGES

- Revenue projections within the range projected by State agencies in late January
- Appears to assume a clear economic recovery
- May be optimistic given proposed rate reductions, available housing supply for Real Estate Transfer Tax
- Not certain until details of tax reductions are made available
- Proposed tax changes:
 - Reducing the Meals and Rentals Tax from 9.0% to 8.5%
 - Eliminating the Interest and Dividends Tax over five years (\$125.7 million in revenue is SFY 2020)
 - Reducing the Business Enterprise Tax from 0.60% to 0.55%
 - Raising the Business Enterprise Tax filing threshold
- Timing and type of tax changes will matter in budget funding

HIGH-INCOME INDIVIDUALS KEY PART OF INTEREST AND DIVIDEND TAX BASE

NEW HAMPSHIRE INTEREST AND DIVIDENDS TAX FILERS BY INCOME AND TAX PAID, TAX YEAR 2018

Taxable Interest and Dividend Income of At Least:	Percentage of Filers	Percentage of Total Tax Revenue Paid
\$5,000,000	0.02%	6.69%
\$2,000,000	0.12%	15.93%
\$1,000,000	0.32%	24.10%
\$200,000	2.40%	48.99%
\$20,000	25.07%	89.04%
\$10,000	38.54%	95.09%
\$20	79.69%	100.00%
\$0	100.00%	100.00%
Total Filers/Revenue	66,284	\$105,888,793

Source: New Hampshire Department of Revenue Administration, 2020 Annual Report

NOTEWORTHY UPCOMING DATES

- Governor's Budget Trailer Bill Statutory Deadline: Monday, February 15, 2021
- Governor's Budget Presentation to House Finance: Wednesday, February 17, 2:30 p.m.
- Budget Crossover: April 8, 2021, House Budget deadline
- March and April Cash Revenues Known: Early May 2021
- Senate Acts on House Bills: June 3, 2021, Senate Budget deadline
- Committee of Conference report deadline: June 17, 2021
- Last day for House and Senate to pass Committee of Conference reports: June 24, 2021
- State Fiscal Year 2022 Begins: July 1, 2021

TAKEAWAYS

- Overall increase in funding for health and social services, less funding for education, relative to prior budget
- Largest investments in health and social services appear to be in behavioral health, supported by federal grants for opioid crisis, and certain mental health services, but not all
- Medicaid reimbursement rate increase retained, appears to expect higher enrollment levels to continue
- Several moving parts for education, local property tax relief
- Revenue reductions proposed, with largest impacts beyond horizon of the next State Budget as proposed
- More to learn with the release of the Trailer Bill, due on February 15 according to statute



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