

Senate Finance Committee Budget Proposal Increases Local Aid, Long-Term Supports, and Housing Investments

The Senate Finance Committee finalized its proposal for New Hampshire's next two-year State Budget on May 28, deploying significant new resources with the benefit of substantially higher revenue estimates. The Senate Finance Committee made key changes from the [State Budget proposal passed](#) by the House of Representatives, including providing additional targeted aid to public schools, funding for local governments and the Highway Fund, and removing the larger of the two back-of-the-budget funding reductions at the Department of Health and Human Services. The Senate Finance Committee also modified several key policy provisions originally attached to the State Budget by the House and added both a family medical leave plan and a proposal to deploy public funding for education to private school tuition and other private education expenses. The Senate Finance Committee also maintained the revenue-reducing tax changes for businesses and higher-wealth individuals included in the House's budget.

REVENUE PROJECTIONS AND CHANGES

The Senate Ways and Means Committee projected much higher revenues to the [General and Education Trust Funds](#) than the House Ways and Means Committee projections from two months before. The Senate Ways and Means Committee finalized their projections based on current law on May 24, and estimated that revenues across State Fiscal Year (SFY) 2021, SFY 2022, and SFY 2023 would be [\\$501.4 million \(6.0 percent\) higher](#) in the combined General and Education Trust Funds than the House Ways and Means Committee projected on March 18. This enabled the Senate Finance Committee to deploy substantially more SFY 2021 surplus revenue as well as more resources during the budget biennium.

The Senate Finance Committee retained the revenue reductions proposed by the House, including permanent rate reductions in the [Meals and Rentals Tax](#), the [Business Profits Tax](#), and the [Business Enterprise Tax](#), as well as a one-year reduction in the [Statewide Education Property Tax](#) and the phased elimination of the [Interest and Dividends Tax](#). Analysis [suggests](#) almost half the benefits of the Interest and Dividends Tax elimination would flow to the top one percent of income earners in New Hampshire.

The Senate Finance Committee voted to not delay a shift in the calculation method for taxes on multistate businesses, which reduced revenues by an estimated \$20.0 million relative to the House's policy changes. The Committee also voted to exempt the taxability of federal Paycheck Protection Program aid under the Business Profits Tax, meaning businesses that received this aid from the federal government during the pandemic and subsequently made a profit would not have those profits, bolstered by this aid, taxed under the Business Profits Tax; this provision would cost the State an estimated \$69.4 million in public revenue during the budget biennium.

EDUCATION

The Senate Finance Committee voted to limit the financial impact of the drop in enrollment in public schools on State-provided aid. The total number of pupils in New Hampshire public schools declined [about 4.2 percent](#) between the 2019-2020 school year and the 2020-2021 school year. As State aid to local public schools in New Hampshire is [largely based on enrollment](#) through the [Adequate Education Aid](#) formula, this drop in enrollment, likely exacerbated by the pandemic, had the potential to reduce funding to school districts significantly if the formula was unaltered. The Senate Finance Committee voted to permit schools to use enrollment figures from before or during the pandemic, whichever was higher, for determining State aid in the 2021-2022 school year, with provisions for using a modified baseline for measuring third-grade reading scores for the purposes of education aid and for extending the hold-harmless policy for funding specific to free and reduced-price school meal enrollment, depending on federal actions that may alter enrollment figures. These provisions would add [approximately \\$29.0 million](#) in appropriations for local public schools in SFY 2022.

The Senate Finance Committee also voted to establish “Relief Funding” for school districts in addition to the Adequate Education Aid funding formula. A similar method to a component of the one-time aid that supplied [approximately \\$59.2 million](#) to school districts for SFY 2021 from the [current State Budget](#), the Senate Finance Committee’s budget would target more aid to school districts with higher concentrations of free and reduced-price school meal-eligible students. The additional amount of per student aid could be as high as \$600 per eligible pupil for districts with more than 48 percent of students eligible for free and reduced-price meals, with a sliding scale reducing that amount for lower concentrations. The total appropriations are capped at \$17.5 million per year in aggregate, with amounts to each individual district pro-rated to match that total. The \$35.0 million appropriation to support this Relief Funding would be shifted out of the Education Trust Fund’s SFY 2021 surplus and moved to a special account; as a result, it does not appear in the bottom-line figures for the SFY 2022-2023 budget proposal from the Senate Finance Committee.

The State would also be required to comply with federal maintenance of effort and equity requirements associated with school funding and required by the [American Rescue Plan Act](#). While no additional funding was budgeted to maintain this compliance, which is based on funding levels from prior years and is a contingency of receiving certain federal assistance, the State Budget proposal would establish a mechanism through which the Joint Legislative Fiscal Committee and the New Hampshire Department of Education could make adjustments during the biennium to maintain compliance.

The Senate Finance Committee also appended a major shift in education funding policy to the State Budget. This policy would permit parents to disenroll their children from school districts and receive the Adequate Education Aid funding the school district would have received to support that student in an “Education Freedom Account.” Money in this account could be used by parents for a list of prescribed or approved education expenses, including tuition and fees at a private school, Internet services and computer hardware primarily used for education, non-public online learning programs, tutoring, textbooks, school uniforms, certain therapies, and other expenses approved by a scholarship organization. School districts would no longer receive this Adequate Education Aid, but would receive 50 percent of the amount for the newly disenrolled student in the first following school year and 25 percent in the second year, but would not receive those phaseout grants after 2026. To be eligible, a student must be a state resident eligible for public school from a household with an annual household income at 300 percent of the federal poverty guidelines or below at the time of application. However, that student’s household does not need to maintain incomes below that level to continue to be enrolled

and receive funding through the Education Freedom Account, resources that would have gone to the local public school district if the student had been enrolled there.

The Senate Finance Committee also removed the proposed merger of the University and Community College Systems of New Hampshire. The Governor had [proposed the merger](#), and the House proposed a study commission that would have examined the best way to do the merger and kept the appropriations to the two entities during the biennium. The Senate Finance Committee removed both the merger deadline and the study commission, leaving no direction or requirement to create a unified system in the State Budget.

The Senate Finance Committee voted to provide an additional \$30.0 million for the school building aid program. The House had appropriated a similar amount in its budget proposal, but divided the total between new projects and paying off debt from previous projects more quickly. The Senate Finance Committee changed the appropriation to only funding new projects, and draws these funds from the SFY 2021 surplus, resulting in this appropriation not appearing in the SFYs 2022-2023 State Budget's totals.

HOUSING

The Senate Finance Committee voted to appropriate an additional \$25.0 million to Affordable Housing Fund. The Fund will receive an additional \$10.0 million in the two years of the State Budget from a dedicated \$5.0 million per year appropriation from the [Real Estate Transfer Tax](#). The Fund, which is administered by the [New Hampshire Housing Finance Authority](#), provides grants and low-interest loans for building or acquiring housing affordable to people with low-to-moderate incomes. This \$25.0 million appropriation would be made out of the SFY 2021 General Fund surplus, and would not appear in the SFYs 2022-2023 State Budget totals as an expenditure.

The Committee also voted to boost funding for the [Shelter Program](#) at the New Hampshire Department of Health and Human Services' Bureau of Homeless and Housing Services by \$3.0 million in General Funds during the biennium.

The Housing Appeals Board also would receive a boost in funding relative to the House's version of the State Budget.

MENTAL HEALTH

The Senate Finance Committee proposed devoting substantial resources to increasing the amount of space available for people needing mental health services. The Committee voted to use \$30.0 million in surplus General Funds from SFY 2021 to build a 24-bed forensic psychiatric hospital, first authorized and funded with an \$8.75 million appropriation in the currently-enacted State Budget, but not yet completed and with a higher cost estimate. Drawing these funds from the SFY 2021 surplus results in this appropriation not appearing in the final State Budget totals for SFYs 2022-2023.

The Senate Finance Committee's budget would allocate \$6.0 million during the biennium, also drawing from SFY 2021 surplus funds, to support enhanced reimbursement rates for transitional housing beds and to support new transitional housing beds for forensic patients and those with complex behavioral health conditions.

LONG-TERM CARE SUPPORT

The Senate Finance Committee included several key boosts to funding for long-term care, including both nursing home and community-based Medicaid-funded care for which [counties are typically responsible](#) for a share of the costs. The budget boosts Medicaid reimbursement rates for the [Choices for Independence Medicaid Waiver](#) program, which provides care to individuals in their homes or communities and is designed to be an alternative to nursing home care, by five percent. There is also a proposed funding increase for nursing homes of about five percent, totaling approximately \$21.4 million in both General Fund contributions and matching federal dollars, and not requiring counties to provide additional dollars through property taxes. The Senate Finance Committee also voted to make Choices for Independence and nursing facility funds nonlapsing, so any funds available from SFY 2021 could be used to help fund services in the SFYs 2022-2023 biennium.

The Senate Finance Committee also proposed establishing a committee to study reimbursement rate parity in several Medicaid waiver programs.

AID TO MUNICIPAL GOVERNMENTS

The Senate voted to distribute more aid to municipal governments through [Meals and Rentals Tax](#) revenue sharing. Statute requires that a catch-up formula be used to eventually share 40 percent of Meals and Rentals Tax revenue with municipal governments on a per capita basis, as the State has shared much less than that 40 percent amount during the last decade. The Senate Finance Committee voted to eliminate that catch-up formula and the 40 percent pledge, instead setting the shared amount of 30 percent and fully funding that share. This change would result in approximately \$35.6 million more in Meals and Rentals Tax revenue distributed to cities and towns during the biennium than the amounts budgeted by the Governor and the House, and would be approximately \$50.6 million more than was distributed through this mechanism in the current State Budget. The current State Budget included targeted one-time grants totaling \$40 million in municipal aid that this State Budget would not repeat. In the Senate Finance Committee's State Budget proposal, all Meals and Rentals Tax revenue shared with cities and towns would be deposited into a separate fund, which would move a total of approximately \$188.2 million in expenditures that would otherwise appear in the SFYs 2022-2023 State Budget out of the budget totals and into a separate fund.

The Senate Finance Committee voted to use \$15.6 million from SFY 2021 General Fund surplus dollars to support State aid grants for payments on existing grants for municipal water and pollution control infrastructure projects. The Committee also voted to alter statute to permit municipalities to accept [funds from the federal government](#) provided by the American Rescue Plan Act.

NON-FINANCIAL POLICIES

Several significant policies that do not directly relate to appropriations and expenditures were also attached to the State Budget. The Senate Finance Committee modified two of these provisions and removed one entirely.

The Senate Finance Committee retained language that would limit the ability of school districts and public employers to engage in certain types of teachings or trainings regarding the presence of racism, sexism, or oppression in existing systems and cultures. The language also forbids the teaching of the inherent superiority or inferiority of one age, sex, gender identify, sexual orientation, race, creed, color,

marital status, familial status, mental or physical disability, religion, or national origin relative to another. The Senate Finance Committee narrowed the scope of applicability of these restrictions to not include employers contracting with the State and refined the list of outlawed material, but would continue to apply restrictions to public employers and schools.

The Senate Finance Committee modified provisions related to family planning in the House's version of the State Budget as well. The House proposal included language that would have required family planning operations that receive State funds to be separate, both physically and financially, from certain reproductive health facilities. The Senate Finance Committee voted to remove this language. The Committee voted to add to the State Budget a ban on all abortions after 23 weeks of pregnancy, except in cases of a medical emergency. Knowingly performing an abortion 24 weeks or longer into a pregnancy would be a felony for the health care provider.

The Senate Finance Committee removed language added by the House that would have limited the Governor's ability to renew and extend emergency powers without active approval from the Legislature in most instances. The Committee identified that this topic would be addressed in a separate piece of legislation.

OTHER KEY PROVISIONS DIFFERING FROM HOUSE BUDGET

In its State Budget proposal, the Senate Finance Committee took other actions to modify the version provided by the House. The Committee:

- Removed the \$50.0 million reduction in General Fund appropriations at the New Hampshire Department of Health and Human Services, although the \$22.6 million General Fund reduction focused on eliminating 226 positions was retained
- Appropriated \$50.0 million in General Fund dollars to the Highway Fund
- Added a slightly modified version of the Governor's proposed Granite State Family Leave plan into the State Budget, after the original version have been removed by the House
- Mandated the Sununu Youth Services Center close by March 1, 2023, with the opening of a replacement facility required by that date and the establishment of a committee to plan for the closure of the facility
- Required that additional funding requested for employment-related child care through a mechanism proposed by the House's budget could not result in the use of additional General Fund dollars to support child care
- Added an adult dental benefit to Medicaid during the second year of the State Budget biennium with a nearly \$1.5 million appropriation and a requirement that the Department of Health and Human Services submit a request for information by November 1, 2021
- Required that all classified full-time positions that were vacant on July 1, 2018 and are still vacant on July 1, 2021 be abolished
- Boosted State employee pay by 1.16 percent each year, reflecting a new collective bargaining agreement
- Increased funding for both the Tourism Development Fund and the Department of Safety
- Allocated \$10.0 million to support those who [suffered financial losses](#) due to Financial Resources Mortgage

- Limited closed loop referral system use by the Department of Health and Human Services until additional review has been undertaken by a legislative committee
- Removed toll booths at Exit 10 on the Everett Turnpike in Merrimack

NEXT STEPS

The Senate Finance Committee's budget proposal will move to the full Senate for consideration, which is likely to occur on June 3, and any additional amendments. If the State Budget passes the Senate, it will return to the House. The House may then vote to agree, or concur, with the Senate's changes and pass the Senate's version of the State Budget on to the Governor's desk. If the House does not vote to concur, then the House and Senate will form a Committee of Conference, which must reach an agreement by June 17 to provide to both chambers for a vote by June 24. The two chambers must pass, and the Governor must sign into law or otherwise let become law, the next State Budget or some other form of expenditure authority by the beginning of the new fiscal year on first day of July.

- *Phil Sletten, Senior Policy Analyst*