



AN INTRODUCTION TO THE NEW HAMPSHIRE STATE BUDGET PROCESS AND SOURCES OF FUNDING

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ECONOMICS OF CHILD CARE SERIES

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THE BASICS OF THE STATE BUDGET

Two-year, or Biennial, Operating Budget

- Funds *most*, but not all, State operations for two State Fiscal Years (SFYs), typically beginning shortly after the budget is approved
- Current State Budget provides funding for SFYs 2024-2025, which spans July 1, 2023 to June 30, 2025, from SFY 2023 surplus carried forward and two years of revenue projected when budget passed
- State Budget, currently being implemented, appropriated approximately \$15.17 billion for SFYs 2024-2025 combined

Comprised of Two Separate Pieces of Legislation

- Operating Budget Bill, typically House Bill 1 or “HB 1,” holds the line-item appropriations with the amount of money in each component of State programs, standardized class lines for expenditures
- Trailer Bill, typically House Bill 2 or “HB 2,” is the companion omnibus bill with policy changes and appropriations separate from HB 1

THE NEW HAMPSHIRE STATE BUDGET: WHAT DOES IT LOOK LIKE?

A BUDGET IN TWO BILLS

STATE BUDGET

Operating Budget Bill (Typically House Bill 1)

Operating Budget Line Items

(House Bill 1, Sections 1.00 to 1.07)

Line Item 1	\$X,XXX
Line Item 2	\$XX
Line Item 3	\$XXX
Organization, Class, and Agency Notes	
Line Items Total	\$XX,XXX

Text Following Line Items

- Sections 1.08 Through Final Section
- Back of Budget Funding Adjustments
- Revenue Estimates
- Budget Footnotes



Trailer Bill (Typically House Bill 2)

Omnibus Bill Text

Policy Language in Sentences,
Which Can Include:

- Policy Changes Paired With Line Item Changes
- Additional Appropriations
- Allocations of Surplus Revenue from the Prior Biennium
- Policy on Other Topics

EXAMPLE OF PAGE FROM MOST RECENT OPERATING BUDGET BILL

05 HEALTH AND SOCIAL SERVICES
 95 HEALTH AND HUMAN SVCS DEPT
 42 HHS: HUMAN SERVICES DIV
 421010 CHILD PROTECTION
 2958 CHILD - FAMILY SERVICES

020 Current Expenses	1	1
041 Audit Fund Set Aside	18,265	18,265
049 Transfer to Other State Agenci	215,000	215,000
074 Grants for Pub Asst and Relief	1,749,060	1,749,060
102 Contracts for program services	1,338,174	1,337,104
103 Contracts for Op Services	240,000	240,000
108 Provider Payments-Legal Servic	55,000	55,000
229 Sheriff Reimbursement	75,000	75,000
636 Title IV-E Foster Care Placement	8,000,000	8,000,000
637 Title IV-E Foster Care Service	3,650,000	3,650,000
638 Title IV-E Foster Care Other	5,000	5,000
639 TitleIV-A/TANF Emergency Asst. PI	8,132,663	8,132,663
640 TitleIV-A/TANF Emergency Asst. Sr	663,852	663,852
642 TANF MOE	1,841,044	1,841,044
643 State General Funds for Placement	13,000,043	13,000,043
644 State General Funds for Services	9,574,395	9,631,895
645 State General Funds for Other	473,000	473,000
646 Title IV-E Adoption Placement	6,567,973	6,567,973
647 Title IV-E Adoption Services	40,000	40,000
648 Title IV-E Adoption Admin Only	110,000	110,000
TOTAL	55,748,470	55,804,900

ESTIMATED SOURCE OF FUNDS FOR
 CHILD - FAMILY SERVICES

007 Agency Income	713,000	713,000
FEDERAL FUNDS	18,533,532	18,533,532
GENERAL FUND	36,501,938	36,558,368

OPERATING BUDGET CAN INCLUDE NOTES, TEXT THAT CHANGES SEVERAL LINES

005 Private Local Funds	140,963,968	143,958,748
007 Agency Income	39,602,554	40,156,990
FEDERAL FUNDS	199,184,816	203,355,434
GENERAL FUND	18,278,616	18,898,616
TOTAL SOURCE OF FUNDS	398,029,954	406,369,788

CLASS NOTES

- 504 The appropriation in Class 504 shall not lapse, shall not be used for any other purpose, and shall not be considered for budget reductions required pursuant to any section of this act or any other budget reduction, including executive orders required of the department of health and human services. To the extent that nursing home rates paid to providers in class 504 - Nursing Home Payments are less than the rates established by the department, prior to applying the budget neutrality factor, any balance remaining at the end of each fiscal year shall be paid out to providers as a lump sum payment within 30 days of year end, proportionally based on Medicaid class 504 payments made to such providers during the fiscal year.

The appropriation in class 504 reflects a caseload assumption of 4,100 in each year of the biennium and includes \$3,200,000 in fiscal year 2018 and \$8,920,000 in fiscal year 2019 to provide rate increases for nursing home services.

- 509 The appropriation in class 509 includes \$224,000 in FY 2019 to provide a rate increase for other nursing services.

ORGANIZATION NOTES

- * Appropriations made under the Choices for Independence Waiver program paid from class 505 mid-level care, class 506 home support services, and class 529 home health care services shall only be transferred in and among such classes, which does not prevent transfers in from other accounts within the department. Payments made from class 505, 506 and 529 shall not be used for any other purpose, and shall not be considered for budget reductions required pursuant to any section of this act or any other budget reduction including executive orders required of the department of health and human services. Such accounts shall not lapse until June 30, 2019.

TRAILER BILL STRUCTURED AS ALL TEXT

CHAPTER 79
HB 2-FN-A-LOCAL - FINAL VERSION

23-1064
10/05

STATE OF NEW HAMPSHIRE

In the Year of Our Lord Two Thousand Twenty Three

AN ACT relative to state fees, funds, revenues, and expenditures.

Be it Enacted by the Senate and House of Representatives in General Court convened:

1 79:1 Department of Information Technology; Divisions Established. Amend RSA 21-R:5 to read as
2 follows:

3 21-R:5 Divisions Established. The commissioner shall establish 4 divisions, ***business relationship***
4 ***management, user experience, infrastructure and operations, and user services***, which shall be in
5 alignment with the department's statewide strategic plan. Each division shall be under the supervision of
6 a division director appointed pursuant to RSA 21-R:3.

7 79:2 Department of Information Technology; Unfunded Positions; Authorization. Notwithstanding any
8 other provision of law to the contrary, the department of information technology may fill unfunded
9 positions during the biennium ending June 30, 2025, provided that the total expenditures for such
10 positions shall not exceed the amount appropriated for personnel services.

11 79:3 Career and Technical Education; Dual and Concurrent Enrollment Program. Amend RSA 188-
12 E:26 to read as follows:

13 188-E:26 Program Established. There is established a dual and concurrent enrollment program in
14 CCSNH. Participation in the program shall be offered to high school and career technical education
15 center students in grades 10 through 12. The program shall provide opportunities for qualified New
16 Hampshire high school students to gain access and support for dual and concurrent enrollment in [~~career~~
17 ~~and technical education courses, STEM (science, technology, engineering, and mathematics) and STEM-~~
18 ~~related~~] courses that are fundamental and necessary for success in postsecondary education, career path
19 opportunities, and to meet New Hampshire's emerging workforce needs.

20 79:4 Regional Career and Technical Education; Dual and Concurrent Enrollment Program. Amend
21 RSA 188-E:27, II to read as follows:

22 II. A student in the program shall be provided funding for enrollment in no more than [2] ~~4~~ dual or
23 concurrent enrollment courses taken in grade 10, no more than [2] ~~4~~ dual or concurrent enrollment
24 courses taken in grade 11, and no more than [2] ~~4~~ dual or concurrent enrollment courses taken in grade
25 12. A student may take more than [2] ~~4~~ dual or concurrent enrollment courses per year at his or her own
26 expense.

EXAMPLE OF APPROPRIATIONS TEXT IN THE TRAILER BILL

3 79:239 Appropriation; Department of Health and Human Services; Targeted Medicaid Rate
4 Increases. In addition to any other sums appropriated, there is hereby appropriated to the department of
5 health and human services the following amounts for the purpose of increasing rates paid to service
6 providers. The governor is authorized to draw a warrant for said sums out of any money in the treasury
7 not otherwise appropriated. Said rate increases shall go into effect no later than January 1, 2024. If
8 feasible, the department shall implement any of the rate increases prior to that date, with priority given to
9 those the commissioner has deemed most critical. For all appropriations below, the department may
10 accept and expend matching federal funds without prior approval of the fiscal committee of the general
11 court. For each appropriation, the department shall report to the fiscal committee of the general court, by
12 October 1, 2023, the accounting units in the state operating budget to which funds will be or have been
13 allocated, along with the rate increases that will be provided from the funds appropriated:

14 I. \$4,677,979 in the fiscal year ending June 30, 2024 and \$9,355,958 in the fiscal year ending
15 June 30, 2025 for the purpose of increasing rates paid to nursing homes.

16 II. \$2,154,309 in the fiscal year ending June 30, 2024 and \$4,308,618 in the fiscal year ending
17 June 30, 2025 for the purpose of increasing rates for all Choices for Independence providers not provided
18 rate increases elsewhere in this section.

19 III. \$708,678 in the fiscal year ending June 30, 2024 and \$1,417,355 in the fiscal year ending
20 June 30, 2025 for the purpose of increasing rates paid to assisted living facilities.

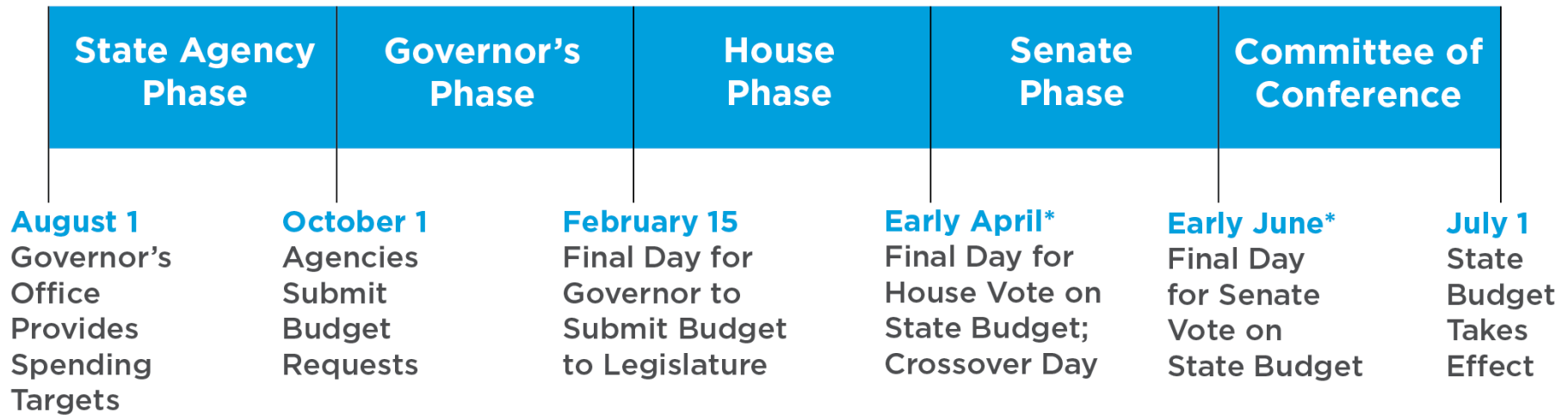
21 IV. \$483,000 in the fiscal year ending June 30, 2024 and \$966,000 in the fiscal year ending June
22 30, 2025 for the purpose of increasing rates paid to home health aides.

QUESTIONS ABOUT FORMATTING OR COMPOSITION OF STATE BUDGET DOCUMENTS?

THE NEW HAMPSHIRE STATE BUDGET: WHAT IS THE PROCESS FOR CREATING THE STATE BUDGET?

BUDGET CREATED IN A YEARLONG PROCESS WITH FIVE PHASES

State Budget Process Timeline



*Dates set by legislative leadership each session; all other dates specified in statute.

AGENCY AND GOVERNOR'S PHASES

- Governor's office provides targeted expenditure amounts to State agencies by **August 1**, per statute, based on revenue projections and divided among State agencies
- Agency budget requests must be submitted by **October 1** of even-numbered years, per statute
- Agency requests include "Efficiency" request based on revenue figures provided by the Governor's office, and "Additional Prioritized Needs" for any level requested beyond those revenue targets
- Agency budget presentations typically in **late November**
- Governor's budget proposal is presented by **February 15**, but not all Trailer Bill documents may be ready by that time
- Governor typically explains budget in an address to the Legislature and a written Executive Summary

Sources and additional information on the State Budget process: NHFPI, Building the Budget, February 2017; House and Senate Calendars

LEGISLATURE'S PROCESS BEGINS IN THE HOUSE OF REPRESENTATIVES

- House Finance Committee hears from the Governor's office, from State agencies, and from the public
- One public hearing each in the House phase and Senate phase, may be additional hearings outside Concord
- House Ways and Means Committee creates revenue estimates
- House Finance Committee (25 members last cycle) separates into three separate committees to consider different portions of the State Budget
 - House Finance Committee Division III crafts the Department of Health and Human Services budget
- Each Division makes their amendments, meets as a full House Finance Committee to make amendments, and then vote
- HB 1 and HB 2 then go to the entire House for a vote
- House deadline to pass a budget, created largely by House Finance Committee, by crossover, typically **early April**

STATE BUDGET HEARINGS USUALLY HELD IN REPRESENTATIVES HALL IN CONCORD



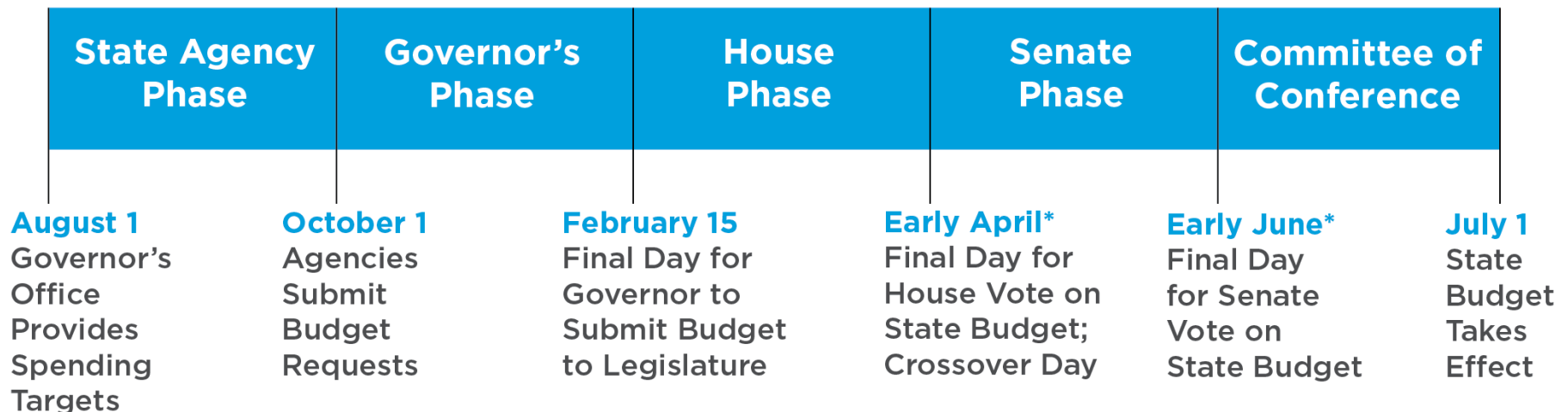
SENATE FOLLOWS HOUSE, BENEFITS FROM MORE INSIGHT INTO REVENUES

- Senate Finance Committee (7 members last cycle) works on budget next, does not split work into Divisions
- Senate Finance Committee also has a different set of hearings from House Finance Committee, hears from State agencies and public as the House Finance Committee did
- Revenues collected in April can provide greater insight into the future of State revenues, and Senate Ways and Means Committee creates a new set of revenue estimates
- Senate Finance Committee amends the budget, often with Senate bills previously passed and tabled
- Full Senate due to pass a budget, as amended by Senate Finance Committee and full chamber, typically by **early June**
- If House disagrees with Senate version, can ask for a Committee of Conference, typically a week in **mid-June**

COMMITTEE OF CONFERENCE OCCURS WHEN HOUSE DISAGREES WITH SENATE

- Conferees from the House and Senate Finance Committees
- Committee of Conference not always needed, skipped in 2023 because the House concurred with the Senate
- No amendments after Committee of Conference

State Budget Process Timeline



*Dates set by legislative leadership each session; all other dates specified in statute.

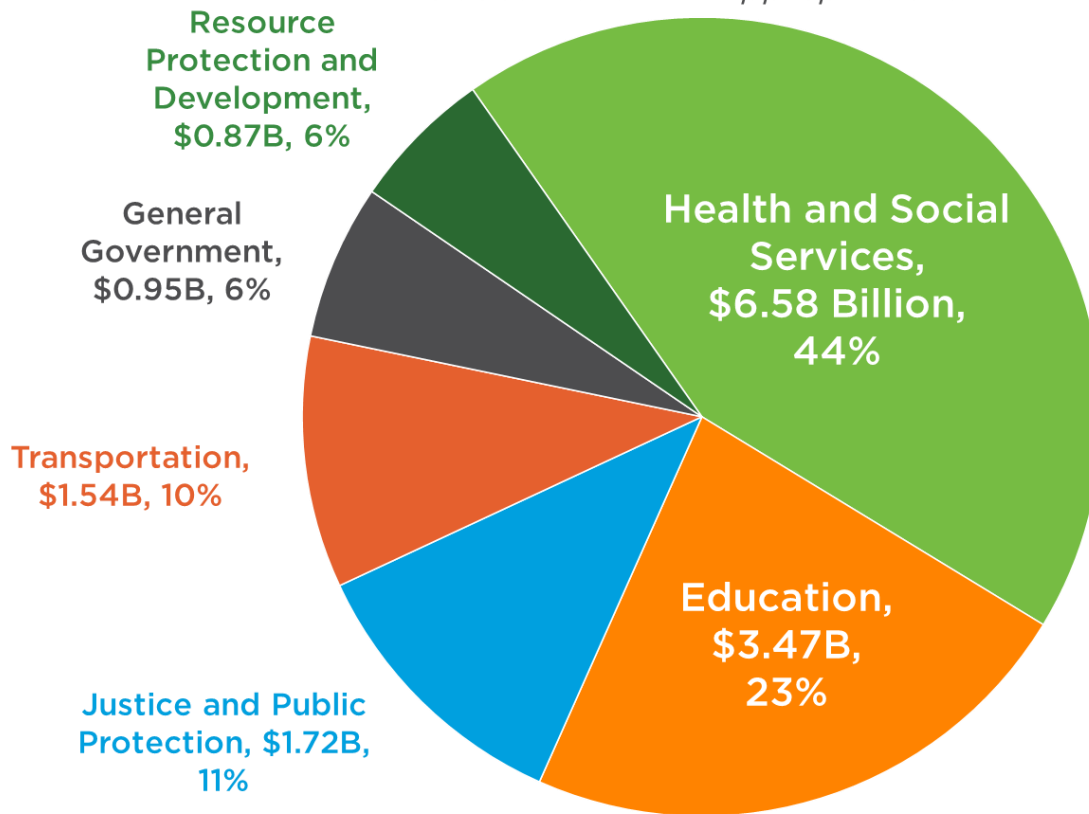
QUESTIONS ABOUT THE STATE BUDGET PROCESS?

THE NEW HAMPSHIRE STATE BUDGET: WHAT DOES IT FUND?

STATE REVENUE SUPPORTS THE STATE'S BUDGET AND OTHER SERVICES

STATE BUDGET APPROPRIATIONS BY CATEGORY

*State Fiscal Years 2024-25 and Surplus Appropriations,
Includes Trailer Bill Appropriations*



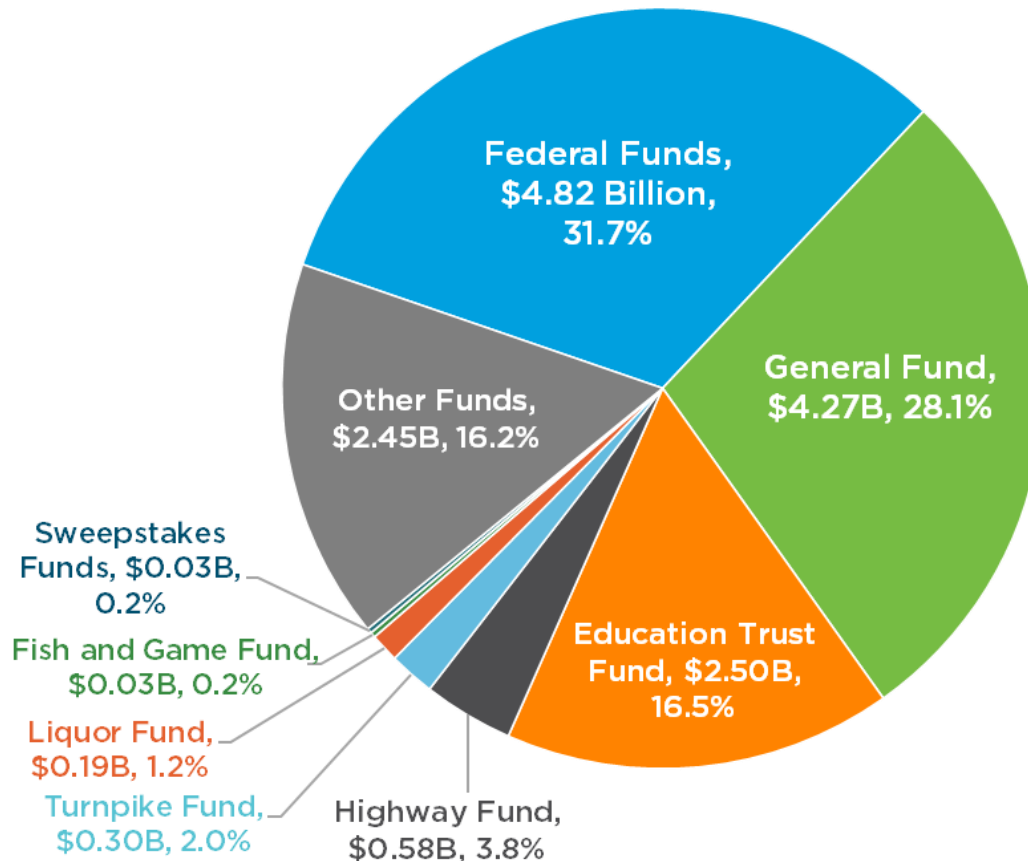
Note: General Government includes HB 2 appropriations for the Affordable Housing Fund, InvestNH, and all State employee pay raises defined by and funded through appropriations made in House Bill 2, as amended by the House.

Sources: New Hampshire Office of Legislative Budget Assistant, Compare House Finance to Governor, March 28, 2023, Surplus Statements, April 6 and 7, 2023, Briefing on Senate Finance Changes to House Passed Budget, June 6, 2023; 2023-2092s; 2023-2171s; 2023-2139s

NEW HAMPSHIRE'S STATE BUDGET FUNDS

THE NEW HAMPSHIRE STATE BUDGET FOR FISCAL YEARS 2024 AND 2025, BY FUND

Includes Operating Budget and Trailer Bill Appropriations



Sources: New Hampshire Office of Legislative Budget Assistant, Senate Finance Committee Surplus Statements, June 2023; 2023-2054s; 2023-2092s; 2023-2171s; 2023-2139s

FEDERAL FUNDING AND STATE SERVICES

Medicaid

- Approximately \$2.5 billion expenditure in SFY 2024 from all sources, with more than half of the total supported by federal funds
- About 184,000 Granite Staters had access to health care through the program at the end of August 2024, decrease from pandemic highs, yet still higher than 2019

Other Program Areas

- Federal transportation aid, through a wide variety of programs
- Education aid – special education, school meals, professional development
- Water pollution and infrastructure funds, clean and drinking water programs
- Supplemental Nutrition Assistance Program (SNAP), also known as the “New Hampshire Food Stamp Program”
- Women, Infants, and Children Nutrition Program (WIC)
- Temporary Assistance for Needy Families (TANF), also known as “FANF”
- State Fuel Assistance Program (Low Income Home Energy Assistance Program)
- Veterans’ care aid
- Many other areas

NOT ALL EXPENDITURES ARE IN THE BUDGET

Capital Budget

- Typically HB 25, covers six years with possible changes every two years
- Can borrow money to balance, unlike operating budget
- Allocates General Funds to support projects and debt service

Ten Year Transportation Improvement Plan

- Identified upcoming planned projects, construction dates, and costs
- Altered every two years by Legislature, typically legislation in even-numbered years, unlike operating and capital budgets

Other Expenditures

- Bills that are not the budget can appropriate funds
- Spending requests from State agencies can be granted by the Joint Legislative Fiscal Committee
- Some spending and operations are supported by separate, off-budget funds established by the Legislature
- For example: Funding for Medicaid Expansion/Granite Advantage Program under the Patient Protection and Affordable Care Act is not enumerated in the State Budget

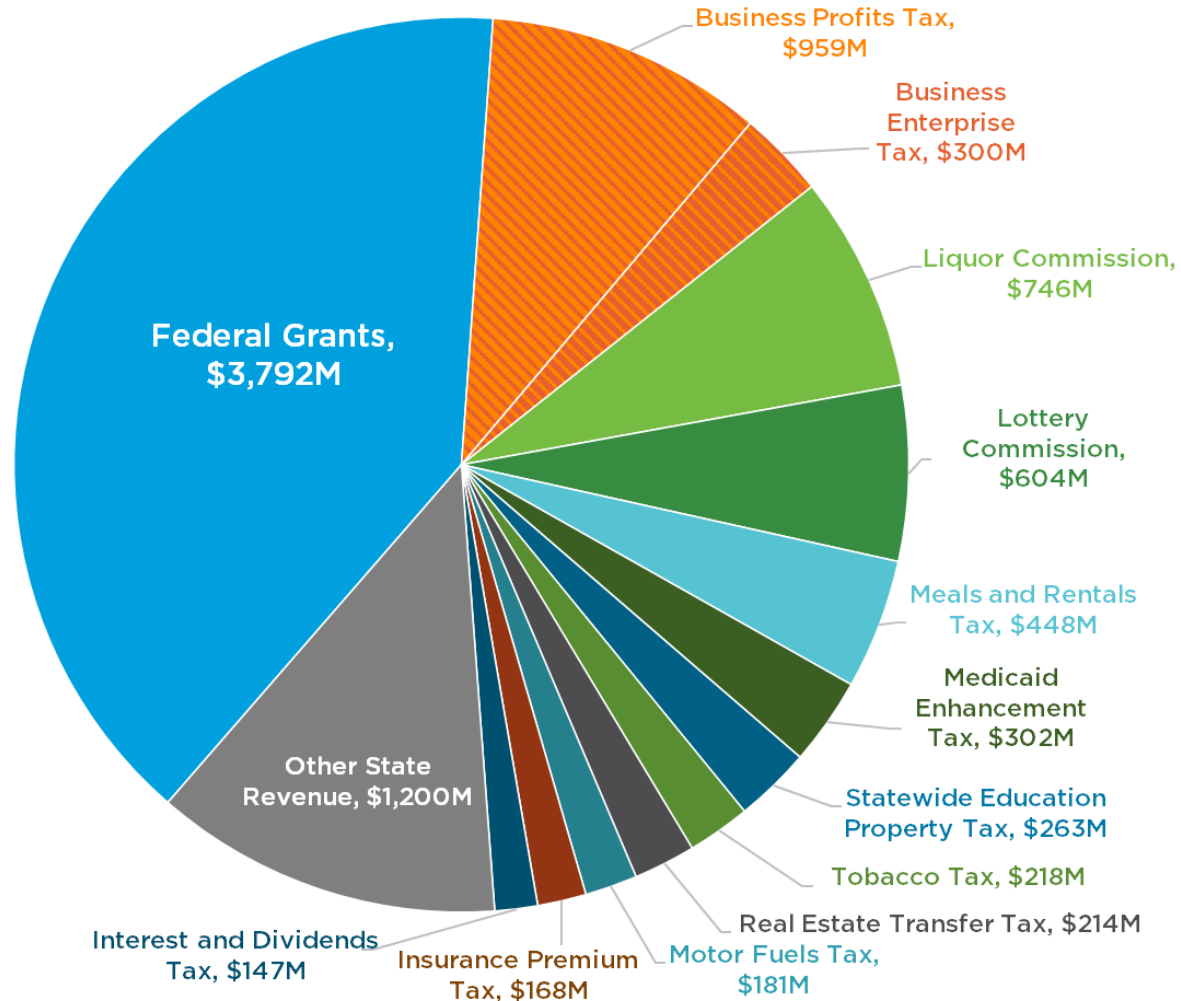
QUESTIONS ABOUT SERVICES FUNDED THROUGH THE STATE BUDGET?

THE NEW HAMPSHIRE STATE BUDGET:

HOW IS IT FUNDED?
HOW IS REVENUE RAISED TO
SUPPORT IT?

NEW HAMPSHIRE STATE REVENUES

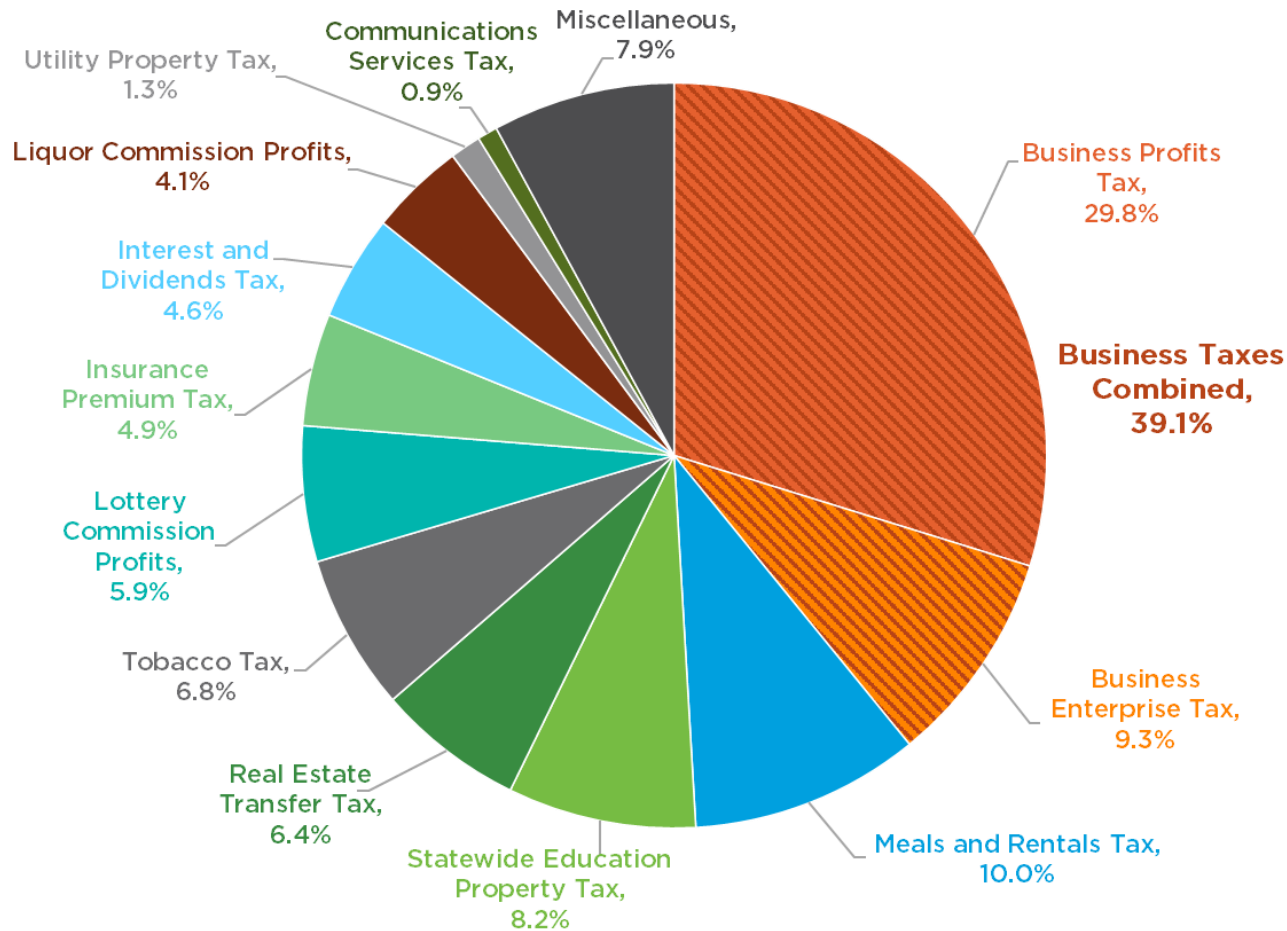
STATE REVENUE SOURCES, GOVERNMENTAL AND ENTERPRISE FUNDS, STATE FISCAL YEAR 2023



Sources: New Hampshire Annual Comprehensive Financial Report, SFY 2023; NH Department of Revenue Administration, 2023 Annual Report; NH Department of Health and Human Services

GENERAL AND EDUCATION TRUST FUNDS SHARE MANY REVENUE SOURCES

GENERAL AND EDUCATION TRUST FUNDS COMBINED REVENUE IN STATE FISCAL YEAR 2023



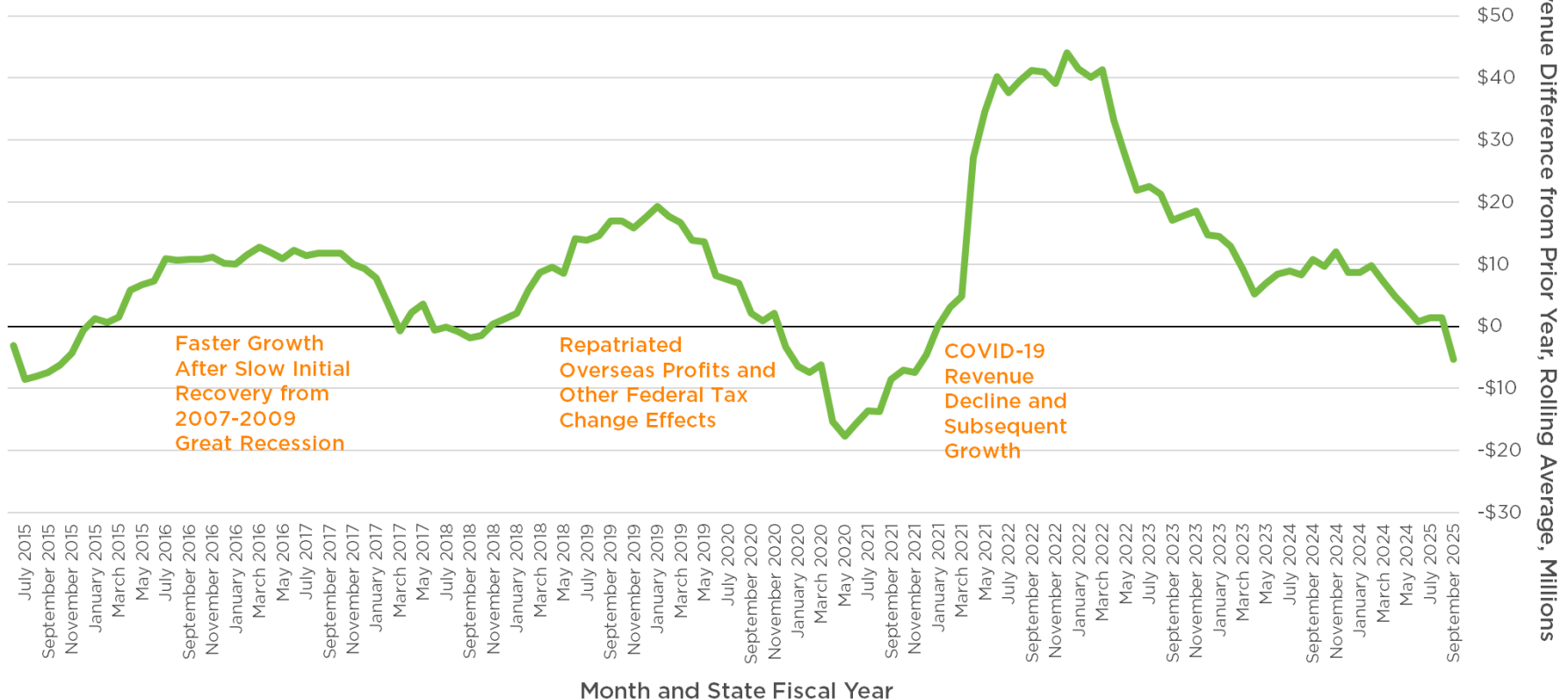
Source: New Hampshire Annual Comprehensive Financial Report, State Fiscal Year 2023

REVENUE GROWTH MUCH LOWER AFTER BURST FOLLOWING PANDEMIC'S START

DIFFERENCES OVER TIME IN NEW HAMPSHIRE GENERAL AND EDUCATION TRUST FUNDS MONTHLY CASH RECEIPTS

Twelve-Month Rolling Averages of Monthly Cash Receipts to the General and Education Trust Funds Relative to Prior Year from All Sources Excluding Statewide Education Property Tax

— General and Education Trust Funds Revenue

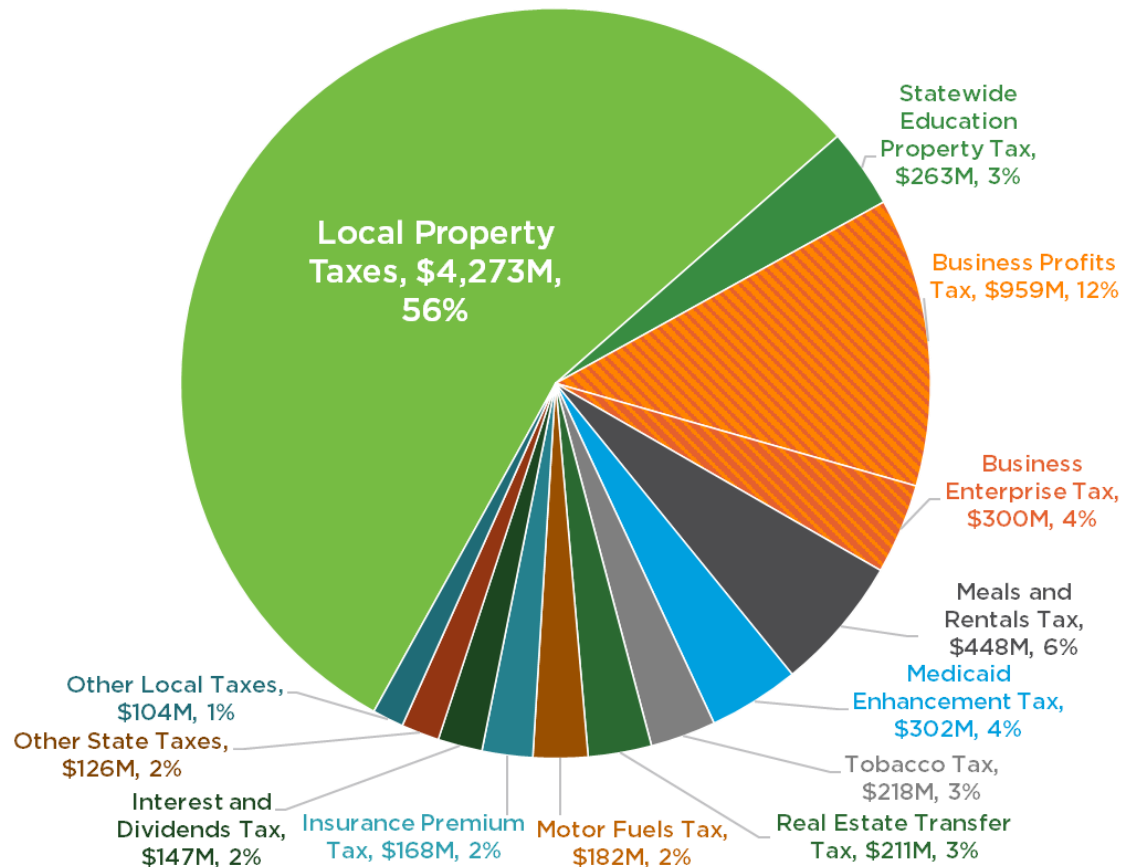


Note: Medicaid Enhancement Tax excluded from historical data. Statewide Education Property Tax excluded due to tax targeting a certain amount collected. Sources: New Hampshire Department of Administrative Services, Monthly Revenue Focus Reports

PROPERTY TAXES MORE THAN HALF OF STATE AND LOCAL TAX REVENUES

STATE AND LOCAL TAXES IN NEW HAMPSHIRE

State Fiscal Year or Tax Year 2023

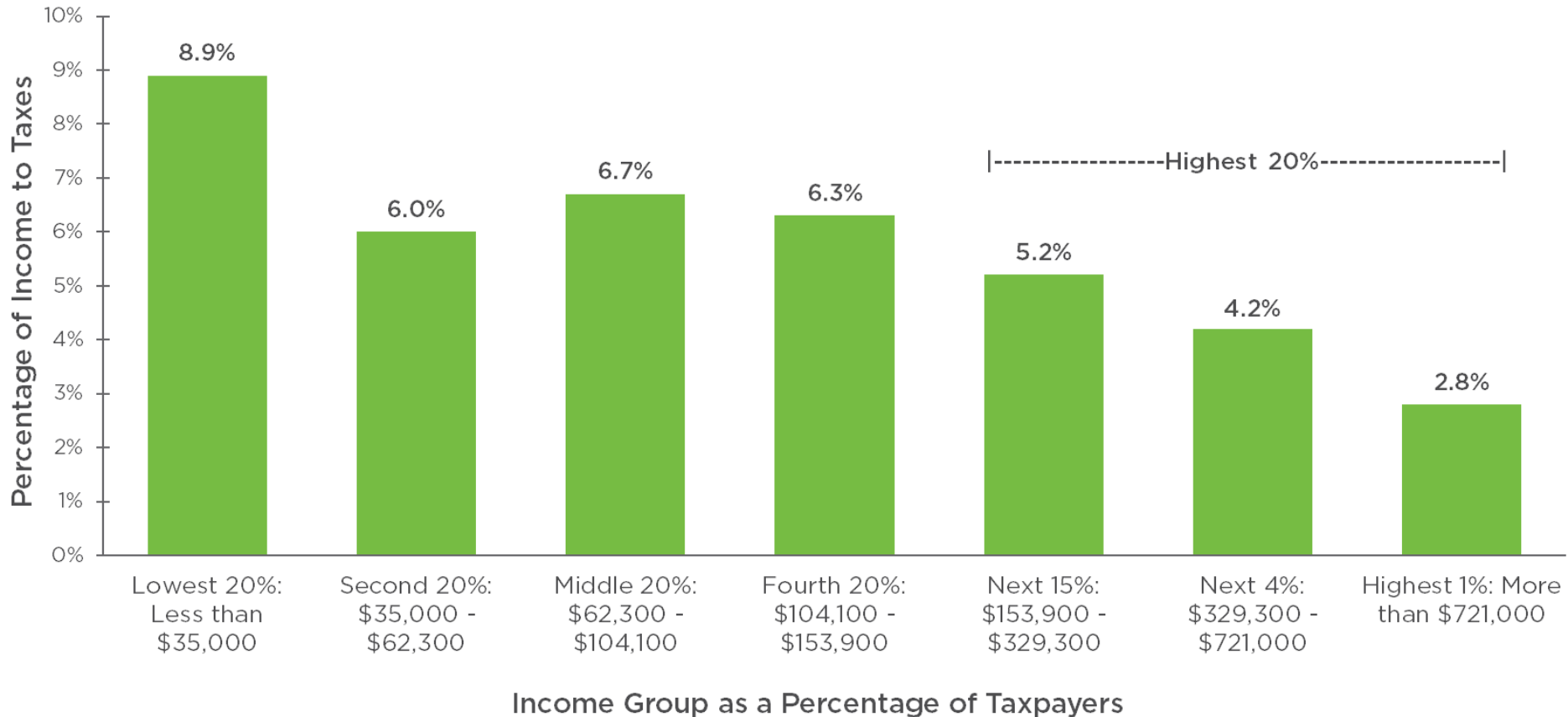


Sources: New Hampshire Annual Comprehensive Financial Report, State Fiscal Year 2023; New Hampshire Department of Revenue Administration, 2023 Annual Report and Completed Public Tax Rates 2023; U.S. Census Bureau, Survey of State and Local Government Finances, 2021; Joint Legislative Fiscal Committee, FIS 23-311

EFFECTIVE STATE AND LOCAL TAX RATE HIGHER FOR LOWER-INCOME HOUSEHOLDS

STATE AND LOCAL TAXES AS A SHARE OF NEW HAMPSHIRE FAMILY INCOME

*Effective Tax Rate as a Share of Income by Income Group, 2024 Tax Laws Based on 2023 Income Levels**



*Note: Does not include taxpayers who are age 65 and older or tax units with negative incomes. Dependent filers are included with claiming filer.
Source: Institute on Taxation and Economic Policy, *Who Pays?* Seventh Edition, January 2024

QUESTIONS ABOUT HOW REVENUE IS RAISED TO SUPPORT PUBLIC SERVICES?

KEY CONSIDERATIONS FOR THE NEXT STATE BUDGET

- Economy over next two years, as well as impacts of corporate profits on State revenue?
- How large are several upcoming State expenses, and how do they impact State finances overall?
 - legal settlements related to historical abuses at the Youth Development Center
 - new State prison
 - any judicial decisions related to education funding
- How does federal funding flowing to states change?
- Ongoing considerations, including key workforce supports:
 - Housing
 - Early care and education
 - Care for older adults and individuals with disabilities
 - Education funding

ADDITIONAL NHFPI RESOURCES

- Presentation: Funding Public Services in New Hampshire at the State and Local Levels – July 17, 2024
<https://nhfpi.org/resource/funding-public-services-in-new-hampshire-at-the-state-and-local-levels/>
- Blog: State Revenues Add to Surplus, But Suggest Potential Trouble Ahead: Seven Takeaways from April Revenue Figures – May 6, 2024
<https://nhfpi.org/blog/state-revenues-add-to-surplus-but-suggest-potential-trouble-ahead-seven-takeaways-from-april-revenue-figures/>
- Publication: Building the Budget: New Hampshire’s State Budget Process and Recent Funding Trends – February 9, 2017
<https://nhfpi.org/resource/building-the-budget-new-hampshires-state-budget-process-and-recent-funding-trends/>
- Resource Pages: Budget, Revenue & Tax
<https://nhfpi.org/topic/budget/> and
<https://nhfpi.org/topic/revenue-tax/>



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