



# THE NEW HAMPSHIRE STATE BUDGET AND CURRENT FISCAL CHALLENGES

NAMI NH PUBLIC POLICY COMMITTEE

FEBRUARY 10, 2025

# NEW HAMPSHIRE STATE BUDGET BASICS AND PROCESS

# 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

# 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)

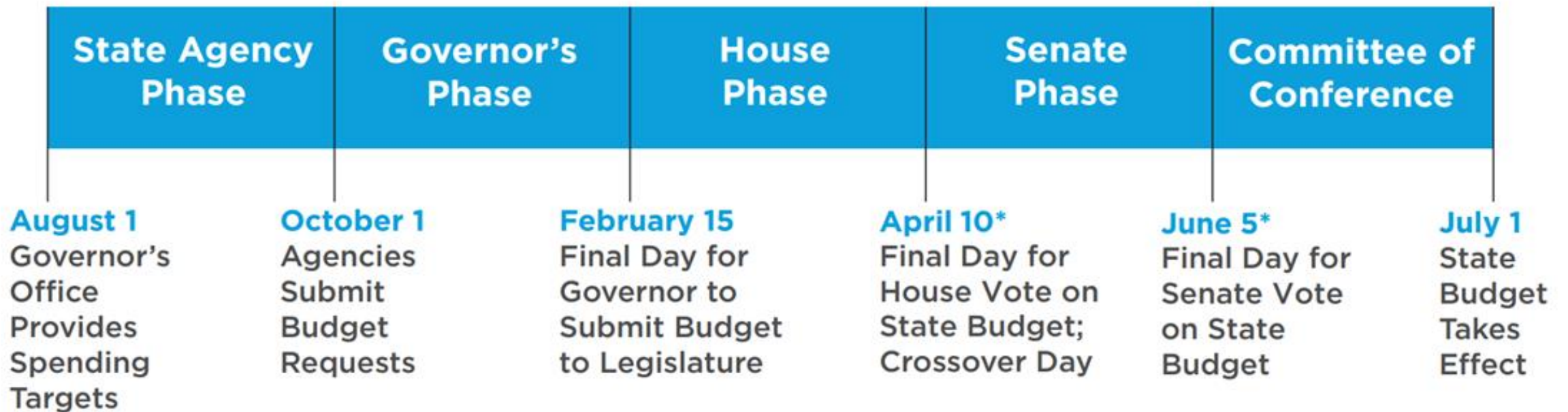
#### Omnibus Bill Text

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

# BUDGET CREATED IN A YEARLONG PROCESS, TYPICALLY WITH FIVE PHASES

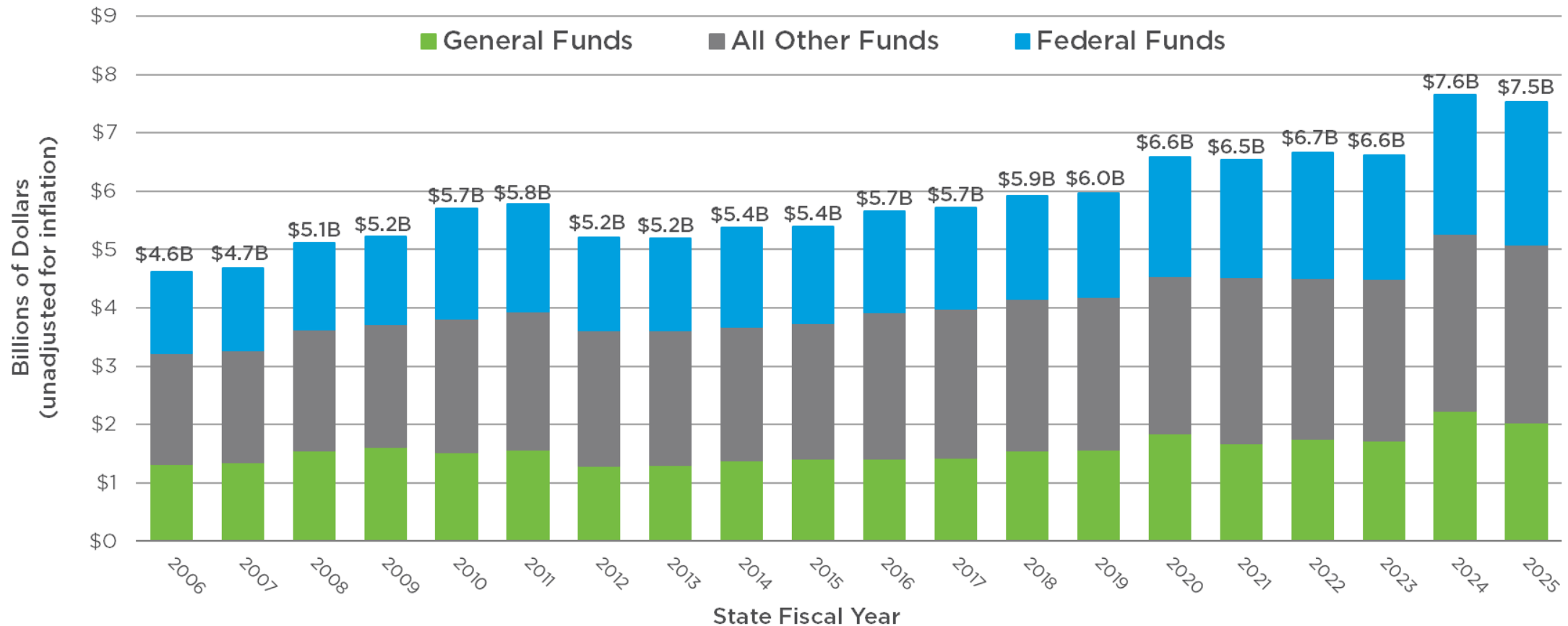
## State Budget Process Timeline



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

# CURRENT STATE BUDGET TOTALED \$15.17 BILLION FOR TWO YEARS AS ENACTED

## HISTORICAL STATE BUDGET APPROPRIATIONS AS ENACTED



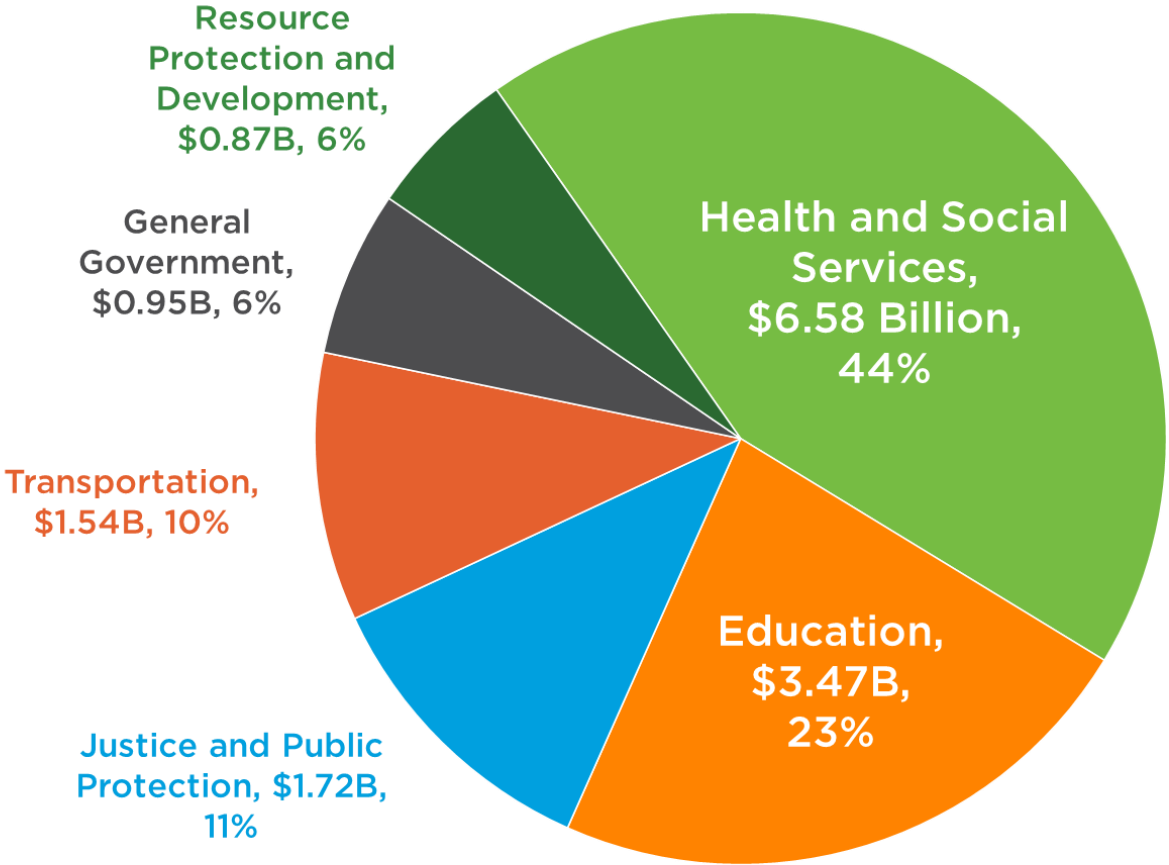
Note: Includes Trailer Bill and Back of Budget adjustments as represented in Surplus Statements, and Back of Budget reductions only for State Fiscal Years 2006 to 2009. Appropriations of surplus from prior budget biennium included in the first year of each new State Budget, not including Rainy Day Fund appropriations.

Sources: New Hampshire Office of Legislative Budget Assistant, Surplus Statements, Compare House Finance to Governor, March 28, 2023 and Briefing on Senate Finance Changes to House Passed Budget, June 6, 2023; HB 1, Section 1.07 as Approved, Sessions 2005 to 2015, 2021; HJR 9, Session 2015; HB 144, Session 2017; HB 3 as Approved, Session 2019; Governor's Budget Bill, 2023 Session; HB 2, 2023 as Introduced; 2023-1244h; 2023-1247h; 2023-1336h; 2023-1299h; 2023-2076s; 2023-2092s; 2023-2171s; 2023-2139s; 2023-2054s

# BUDGET APPROPRIATIONS IN SIX CATEGORIES

## STATE BUDGET APPROPRIATIONS BY CATEGORY

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



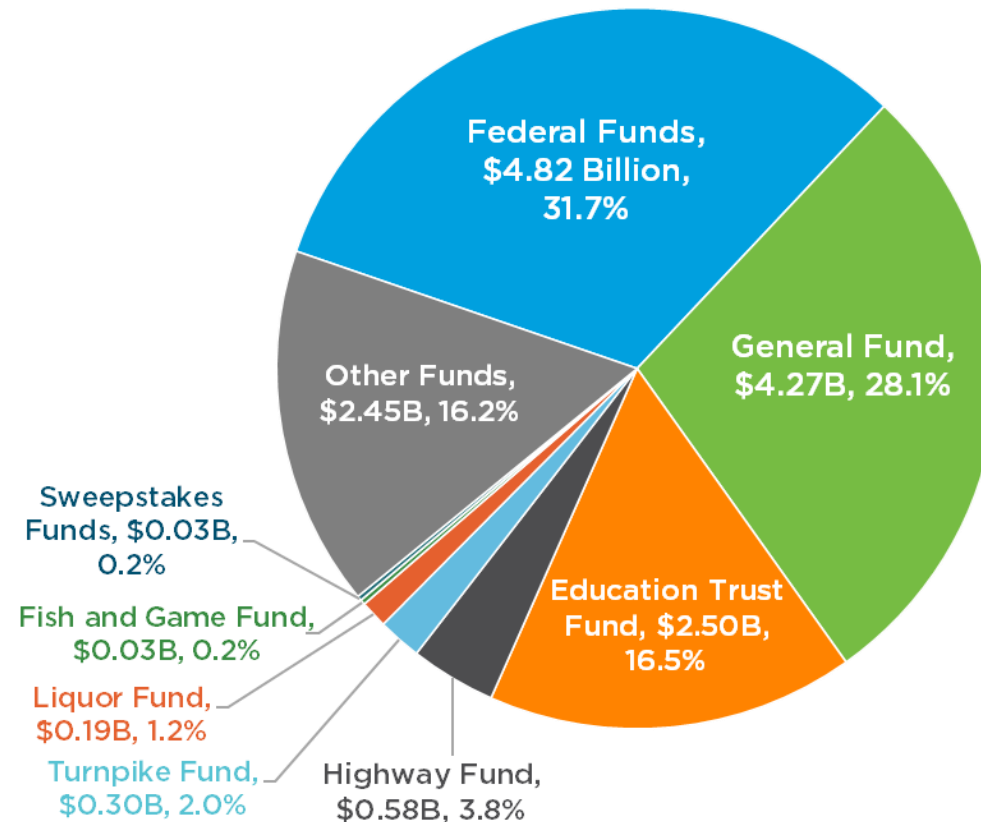
Note: General Government includes HB 2 appropriations for the Affordable Housing Fund, InvestNH, and all State employee pay raises defined by and funded through appropriations made in House Bill 2, as amended by the House.

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

# FEDERAL FUNDS, GENERAL FUND, AND EDUCATION TRUST FUND ARE LARGEST PARTS

## THE 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



# NOT THE ONLY SPENDING AUTHORITY: EXPENDITURES OUTSIDE THE STATE BUDGET

## Capital Budget

- Typically called HB 25, covers six years with opportunity for changes every two years
- Can borrow money to balance and fund expenditures, 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

## Other Expenditures

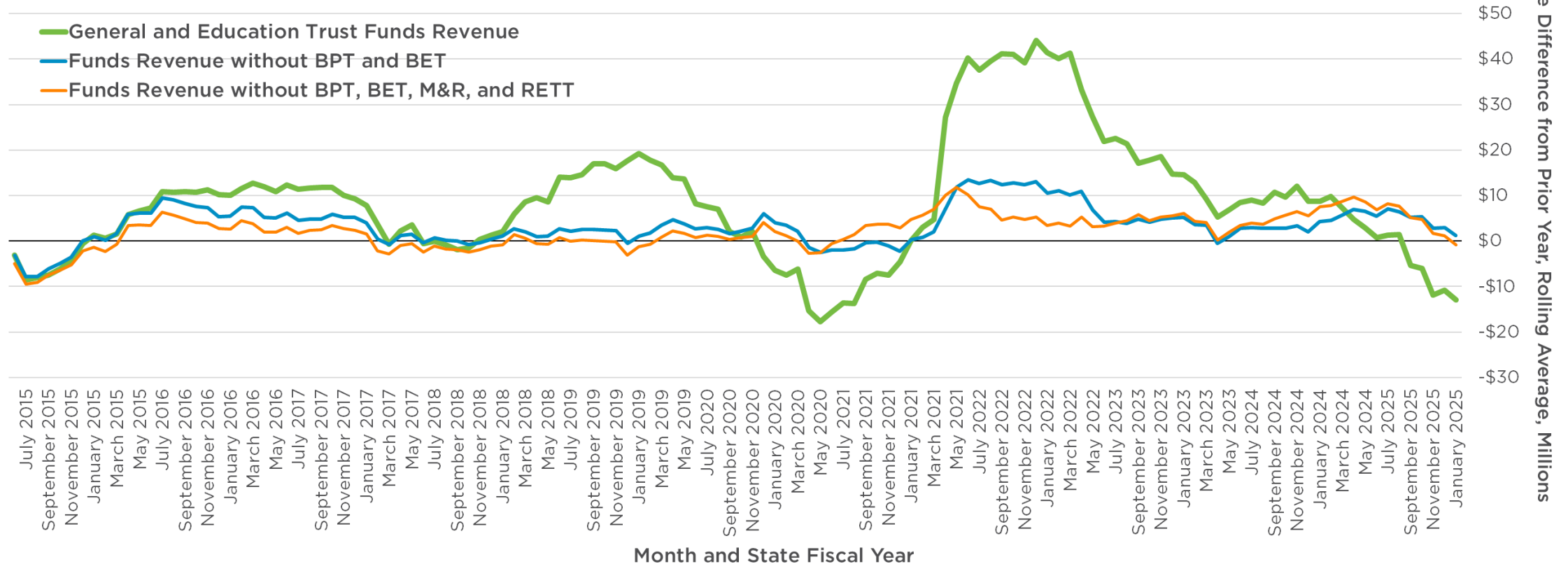
- Bills that are not accounted for the State Budget can also appropriate funds
- State agency spending requests can be granted by the Joint Legislative Fiscal Committee
- Some operations are supported by separate, off-budget funds established by the Legislature
- Example: Funding for Medicaid Expansion/Granite Advantage Program under the Patient Protection and Affordable Care Act is not enumerated in the State Budget, although the current State Budget included language reauthorizing the program

# KEY CHALLENGES FACING THE NEXT STATE BUDGET

# REVENUES, INCLUDE BUSINESS TAX RECEIPTS, DECLINING AFTER POST-PANDEMIC BOOST

## 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 Without Statewide Education Property Tax; Less Business Profits and Business Enterprise Taxes; and Less Business, Meals and Rentals, and Real Estate Transfer Taxes*



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

# FISCAL CONSTRAINTS AND LOOMING QUESTIONS

- Interest and Dividends Tax (\$184 million to General Fund last fiscal year) repealed
- State will earn less interest on cash holdings due to smaller cash reserves
- Youth Development Center settlements: paid \$127 million in 242 settled claims as of December 2024, \$792 million pending in 606 filed claims, claims period open until June 2025; \$160 million to settle claims appropriated previously, outlays capped at \$75 million per year
- Court cases associated with the Youth Development Center and children in the care of the State could generate substantial liabilities
- Decisions related to education funding from the State Supreme Court; second-largest State expenditure, small changes can lead to large funding commitments
- Construction of a new State prison for men, potentially \$500-\$600 million, annual bond payments may be substantial
- Changes to federal funding to the State for operations, with about one in three dollars to fund State services coming from the federal government

# KEY FEDERAL PROGRAMS SUPPORT NEW HAMPSHIRE SERVICES

## Medicaid

- Approximately \$2.464 billion expenditure in SFY 2024 from all sources, with \$1.393 billion (56.5 percent) of that total coming from the federal government, including federal “waiver” programs
- About \$427.45 million (30.7 percent) of those federal funds supported Granite Advantage (“Medicaid expansion”), which has a 90 percent federal match, required by State law for the program to continue
- About 187,000 Granite Staters accessed health care through the program at the end of January 2025

## Other Program Areas (Not a Comprehensive List)

- Federal transportation aid, through a wide variety of programs
- Education aid – portion of special education aid, school meals, professional development
- Water pollution and infrastructure funds, clean and drinking water programs
- Supplemental Nutrition Assistance Program (SNAP)
- Women, Infants, and Children Nutrition Program (WIC)
- Temporary Assistance for Needy Families (TANF)
- Low Income Home Energy Assistance Program (State Fuel Assistance Program)
- Veterans’ care aid

# PROPOSED FEDERAL MEDICAID CHANGES COULD HAVE SIGNIFICANT IMPACTS

- Total if both policies fully phased in relative to this fiscal year’s projected costs: \$493 million
- Other proposed policies (work requirements, per capita cap, block granting components) too vague at present to calculate fiscal impacts on New Hampshire
- Major structural funding changes would have to be approved by Congress
- Medicaid waiver programs under more control of the executive branch

## COST TO STATE OF NEW HAMPSHIRE FROM POTENTIAL MEDICAID FEDERAL FUNDING MATCH REDUCTIONS

### MEDICAID STATE MATCH FLOOR REMOVAL

*Current Federal Law Provides a Minimum 50 Percent Match for State Medicaid Programs, Otherwise Adjusted by Formula Based on State Per Capita Income*

Removal of Minimum Federal Match Floor (Currently 50%)	Estimated Additional State Share Cost of Projected Calendar Year 2025 Costs for Medicaid Program Except for Granite Advantage if Match Had Been Lower
Estimated New Match Rate for New Hampshire (2025): 42%	\$194 Million

### MEDICAID EXPANSION MATCH CHANGES

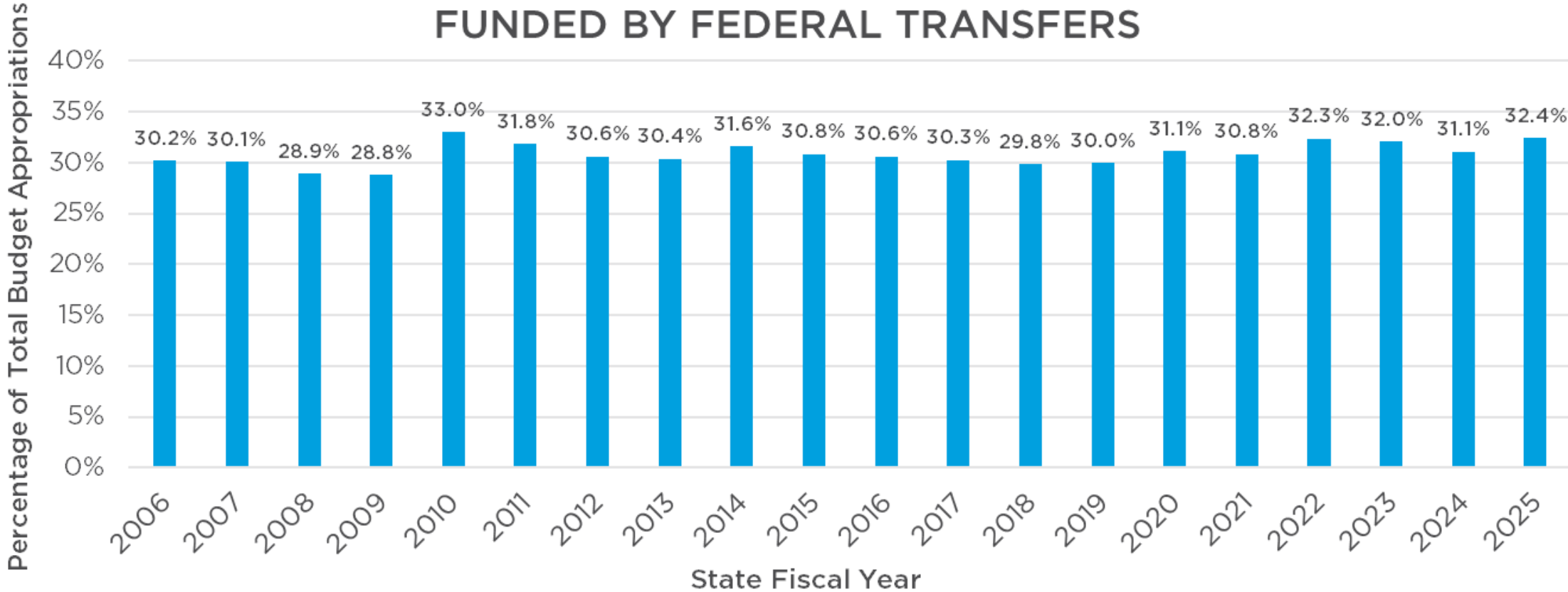
*Current Federal Law Provides a 90 Percent Match for Cost of Providing Granite Advantage Program Health Coverage*

Federal Medical Assistance Percentage (FMAP) – Federal Match Rate Reductions (90% in Current Law)	Estimated Additional State Share of Projected State Fiscal Year 2025 Costs for Granite Advantage Program if Match Had Been Lower
80%	\$63 Million
70%	\$125 Million
60%	\$187 Million
50%	\$249 Million
42%	\$299 Million

Sources: New Hampshire Department of Health and Human Services Point-In-Time Expenditure Estimates; Center on Budget and Policy Priorities, “Medicaid Threats in the Upcoming Congress,” December 13, 2024; NHFPI Calculations

# RELIANCE ON FEDERAL FUNDS IS NOT NEW OR UNIQUE TO NEW HAMPSHIRE'S BUDGET

## PERCENTAGE OF THE NEW HAMPSHIRE STATE BUDGET FUNDED BY FEDERAL TRANSFERS



Note: Includes Trailer Bill and Back of Budget adjustments as represented in Surplus Statements, and Back of Budget reductions only for State Fiscal Years 2006 to 2009. Appropriations of surplus from prior budget biennium included in the first year of each new State Budget, not including Rainy Day Fund appropriations.

Source: New Hampshire Office of Legislative Budget Assistant

# KEY TAKEAWAYS

- State Budget is two pieces of legislation constructed over a nearly year-long process, funding most (but not all) State operations
- State revenues are declining due to both external factors, such as corporate profits and interest rates, and policy choices that have reduced State revenue
- Elimination of Interest and Dividends Tax has not been fully incorporated into current State revenue trends, will have more impact in next two fiscal years, accounted for 8.8 percent of General Fund revenue (\$184 million) in State Fiscal Year 2024 (5.6 percent of combined General and Education Trust Funds revenue)
- Key potential expenses could impact State Budget decision-making and limit resources available for other services, including unknown costs associated with Youth Development Center settlements and court cases, and separate State Supreme Court decisions regarding education funding
- Federal funds key to supporting services within the State Budget with significant federal policy choices likely in 2025



# ADDITIONAL NHFPI RESOURCES

- Blog: January Revenues Reach Target, But Continue to Send Warning Signs – February 6, 2025: <https://nhfpi.org/blog/january-revenues-reach-target-but-continue-to-send-warning-signs/>
- Blog: Sliding Revenues, Spending Needs, and Federal Questions: Seven Facts About the New Hampshire State Budget – February 3, 2025: <https://nhfpi.org/blog/sliding-revenues-spending-needs-and-federal-questions-seven-facts-about-the-new-hampshire-state-budget/>
- State Budget Webinar Series: Register here: <https://nhfpi.org/events/examining-the-state-budget-2025-webinar-series/>
- Publication: New Hampshire Policy Points, Second Edition – December 6, 2024: <https://nhfpi.org/nhpp/>
- Weekly Newsletter: <https://nhfpi.org/subscribe>
- Resource Pages: Budget, Revenue & Tax <https://nhfpi.org/topic/budget/> and <https://nhfpi.org/topic/revenue-tax/>