



THE GOVERNOR'S AND HOUSE'S VERSIONS OF THE NEXT STATE BUDGET

VOICES OF FAITH

PRESENTED BY PHIL SLETTEN, NHFPI RESEARCH DIRECTOR

APRIL 11, 2025

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

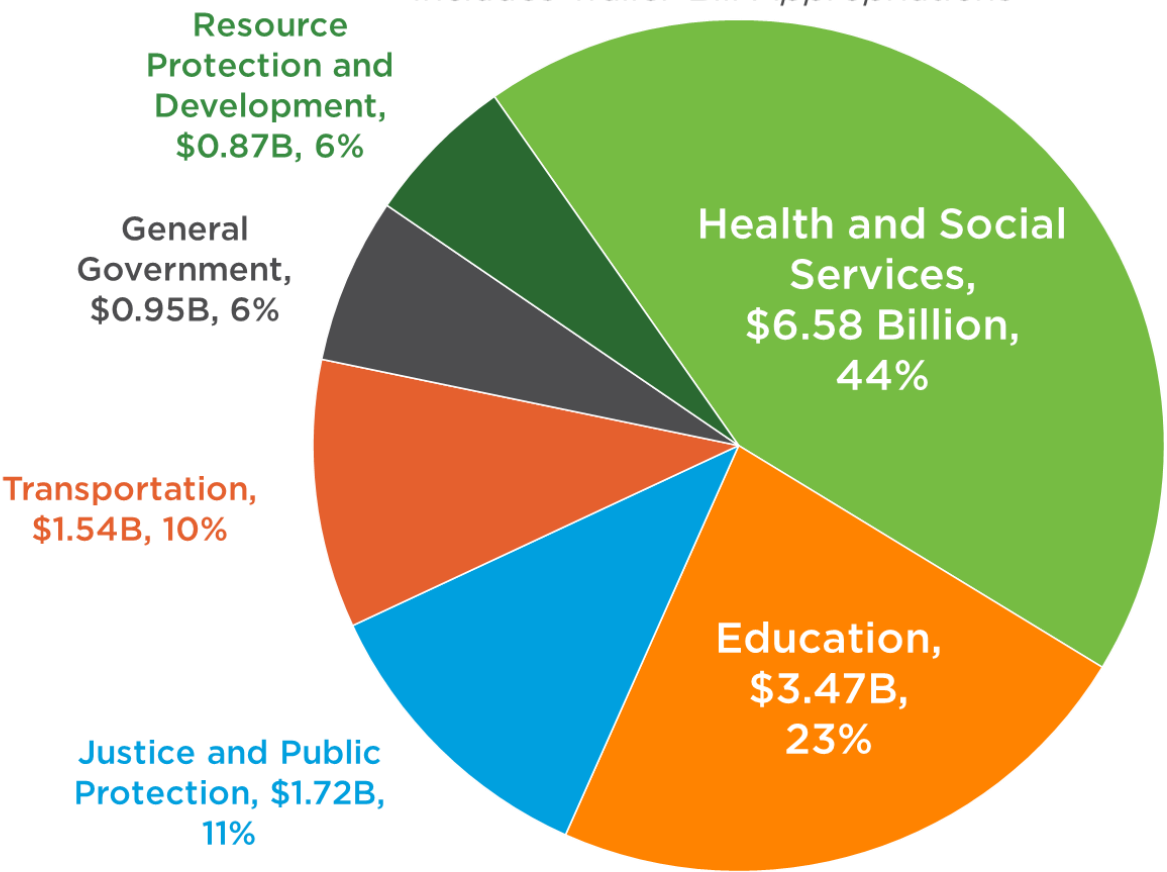
Comprised of Two Separate Pieces of Legislation

- 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

BUDGET APPROPRIATIONS IN SIX CATEGORIES

STATE BUDGET APPROPRIATIONS BY CATEGORY

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

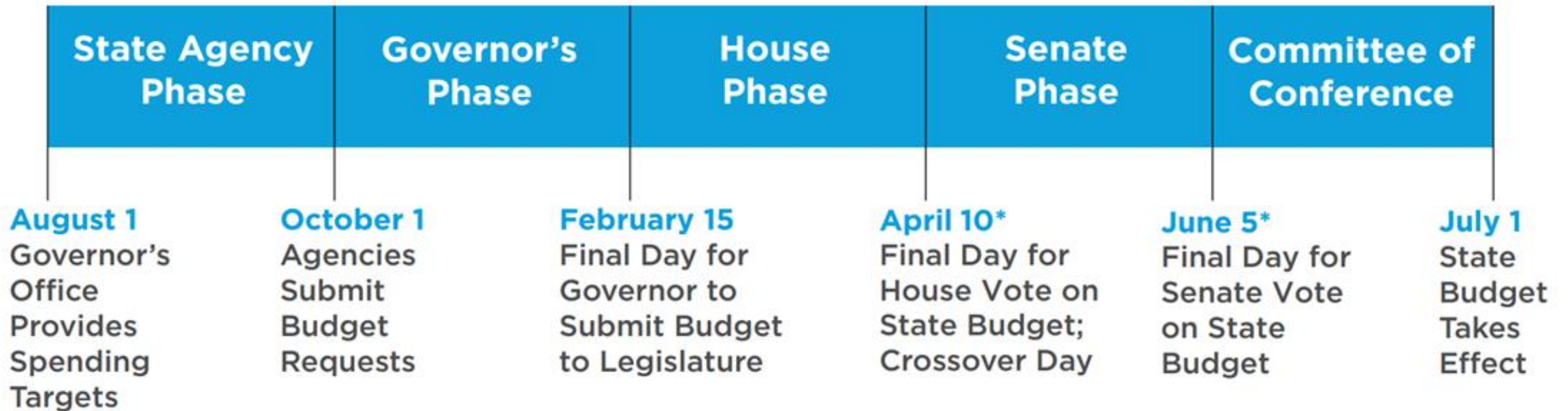


Note: General Government includes HB 2 appropriations for the Affordable Housing Fund, InvestNH, and all State employee pay raises defined by and funded through appropriations made in House Bill 2, as amended by the House.

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

THREE PHASES OF THE STATE BUDGET PROCESS COMPLETED, SENATE PHASE BEGINNING

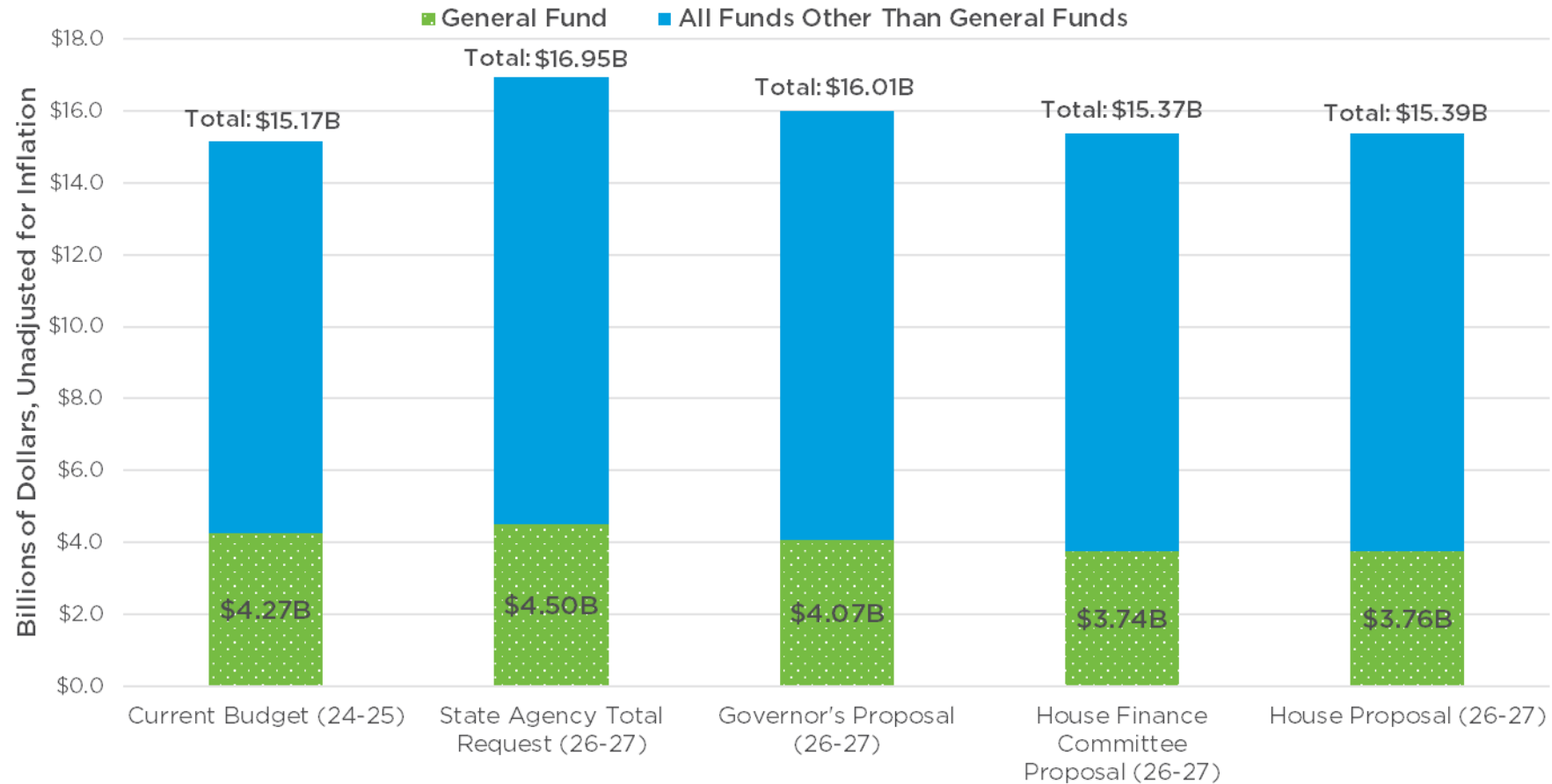
State Budget Process Timeline



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

BUDGET GROWS FROM CURRENT, UNADJUSTED FOR INFLATION, DROPPED FROM GOVERNOR

NEW HAMPSHIRE STATE BUDGET APPROPRIATIONS BY ITERATION



Budget Iteration and State Fiscal Years

Note: House Finance Committee and House proposal total figures assume a loss of federal Medicaid matching funds during the biennium due to lower reimbursement rates and shifted managed care organization payment timing.

Sources: Chapters 79 and 106, Laws of 2023; New Hampshire Department of Administrative Services; Governor's Operating Budget Proposal and HB 2 as Introduced, 2025 Session; 2025-1474h, 2025-1488h; 2025-1523h

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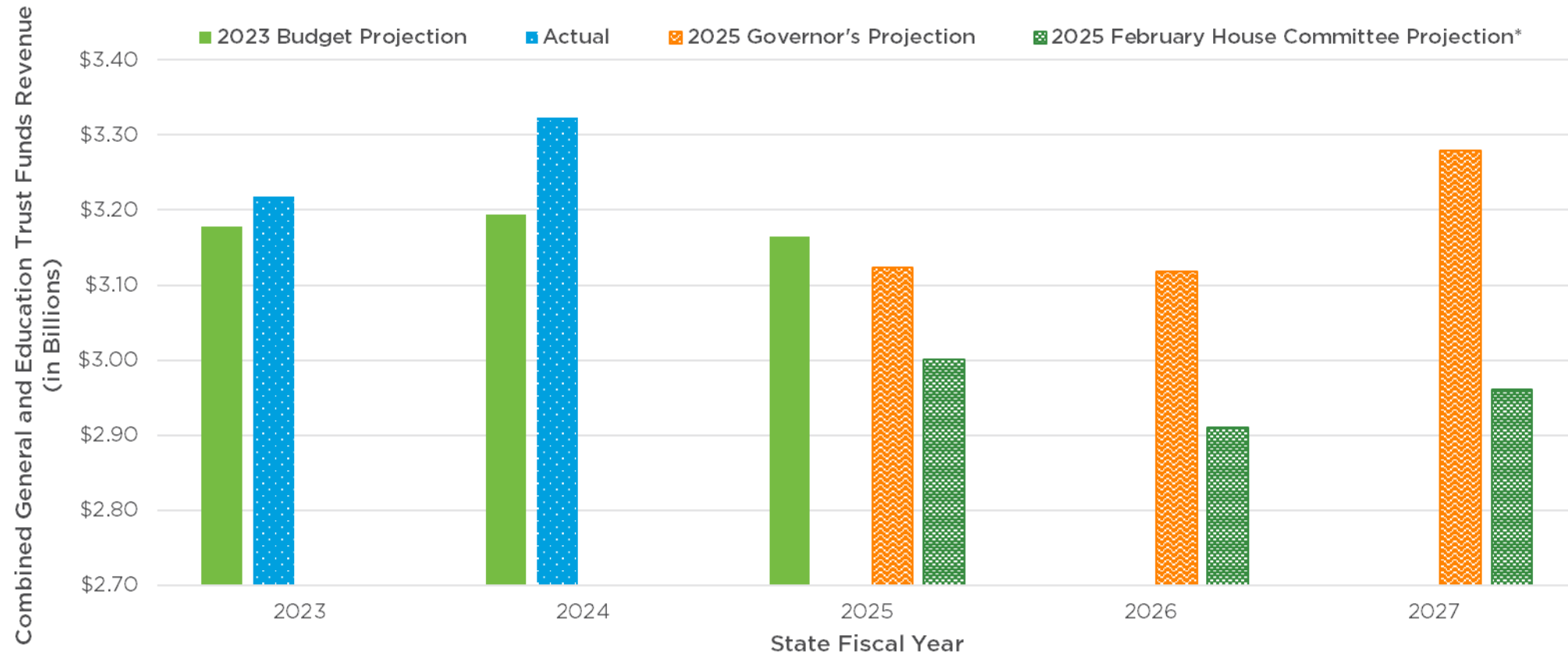
LARGEST CHANGES GOVERNOR PROPOSED

- NH Retirement System: increase benefits for certain police and firefighting employees with benefits altered after modifications to in 2011, \$32.9 million added
- Increasing access to Education Freedom Accounts by eliminating the income eligibility cap for students transferring from public schools, \$73.5 million total appropriation for biennium, 47.6 percent more than amount spent this biennium
- Expanding available Special Education Aid for school districts, allocating an additional \$32.0 million (47.2 percent) toward Special Education Aid relative to the current State Budget's appropriations for a total of \$99.8 million over the biennium
- Increasing funding for nursing facilities and drawing on dedicated funding for developmental services carried forward from unspent funds in prior years
- Requiring Medicaid premiums for Granite Advantage enrollees (100-138% federal poverty guidelines) and Children's Health Insurance Program (255-323%) of 5% of income, and increased copayments for prescription drugs to \$4
- Increasing funding for housing shelter services, targeting substance use disorders
- Decreasing budgeted funding for the University System of New Hampshire, the Choices for Independence Medicaid waiver program for older adults and adults with physical disabilities, and payments to hospitals for uncompensated care

HOUSE REVENUE FORECASTS WERE LESS OPTIMISTIC THAN GOVERNOR'S PROJECTIONS

STATE REVENUE PROJECTIONS AND ACTUAL REVENUES

New Hampshire Combined General and Education Trust Funds



*Projection from the New Hampshire House Ways and Means Committee on February 12, 2025.

Sources: New Hampshire Department of Administrative Services, Annual Comprehensive Financial Report, SFY 2023 and June SFY 2024 Preliminary Accrual; Governor's Budget Executive Summary, February 2025; New Hampshire Office of Legislative Budget Assistant, House Ways & Means Revenue Estimate Worksheets, February 12, 2025

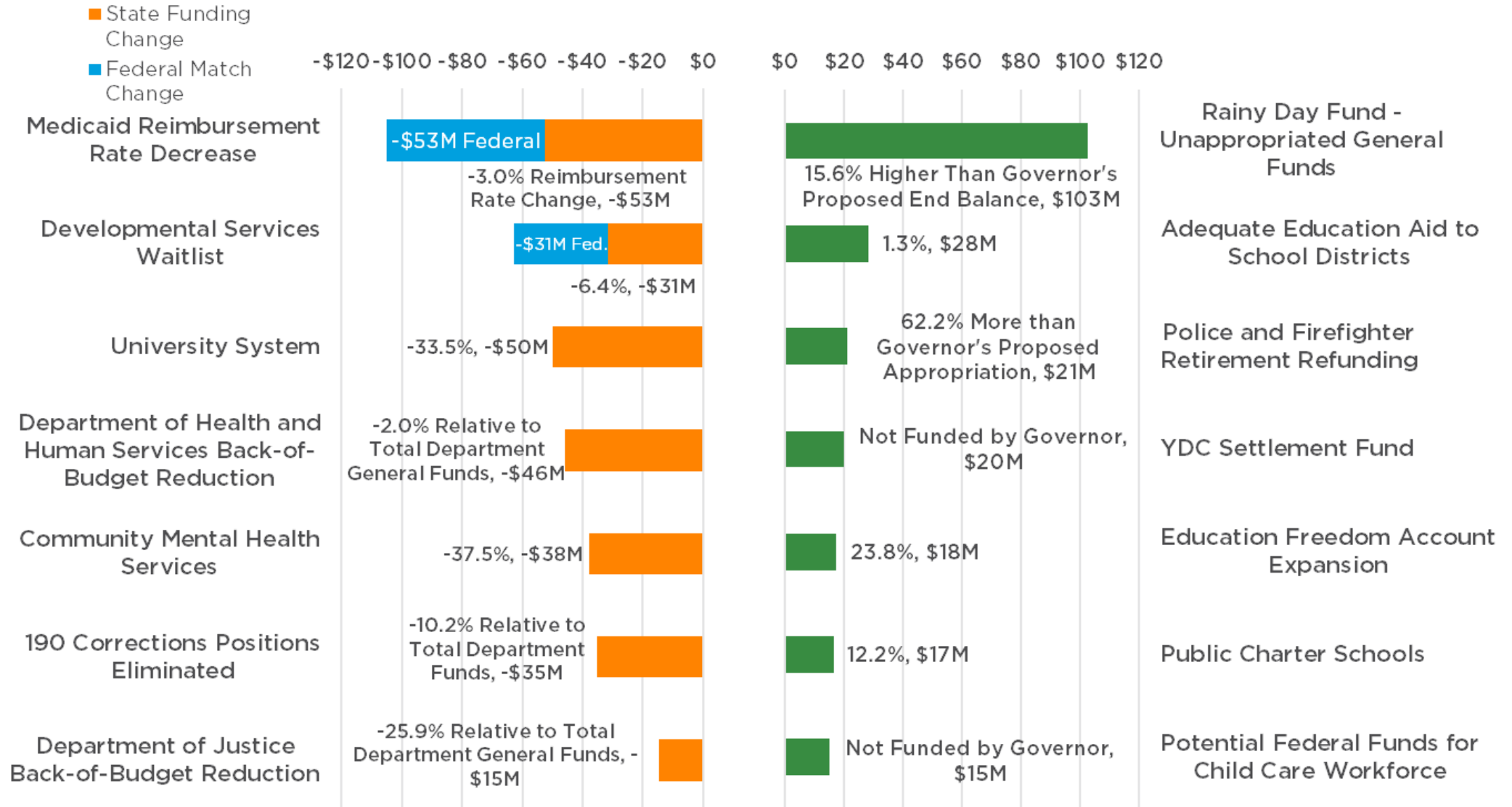
HOUSE ADDED REVENUE SOURCES, ADJUSTED LOTTERY PROJECTIONS UPWARD

- Finance Committee lottery changes (\$199.1M revenue increase above House forecast):
 - Adopted revenue projections from Lottery Commission, higher than House Ways and Means Committee
 - Increased maximum ticket prices, allowed certain no-maximum wagers, established legal framework high-stakes tournaments with minimum \$2,500 entry
 - Changed the division of Video Lottery Terminals revenue relative to the Governor's proposal
 - House Finance Committee sought to legalize Keno everywhere, changed on the House floor
- Increased motor vehicle registration and other fees (\$45M for Highway Fund)
- Recognized revenue from separate House bill that would collect “excess” Statewide Education Property Tax revenues (\$27M for Education Trust Fund)
- Adjusted Medicaid Enhancement Tax revenue projections upward from Governor's estimates (added \$22.6M to offset General Fund needs)
- Increased transfer from Renewable Energy Fund to General Fund (\$10M)
- At least 90 other fees increased or established, including at the Departments of Environmental Services, Fish and Game, and Agriculture, Markets, and Food

TOPLINE FUNDING CHANGES IN HOUSE BUDGET

- \$627 million (3.9%) less appropriated during biennium across all funds, including federal Medicaid matching funds for key reductions, than the Governor's proposal
- \$309 million (7.6%) less in General Funds than the Governor's proposal
- Relative to current State Budget (SFYs 2024-2025), total funds increased by \$215 million (1.4%), while General Fund appropriations are \$526 million (12%) lower
 - Due in part to recognizing more non-General Funds in the accounting of the proposed State Budget relative to the current one; one accounting change can erase increase without adjusting for inflation
- \$95.5 million in back-of-the-budget reductions (including all funds, \$76.8 million in General Funds, with federal match impacts unknown)
- 326 positions eliminated in Finance Committee version, including vacant and currently filled, welcome center change on floor may have altered that total

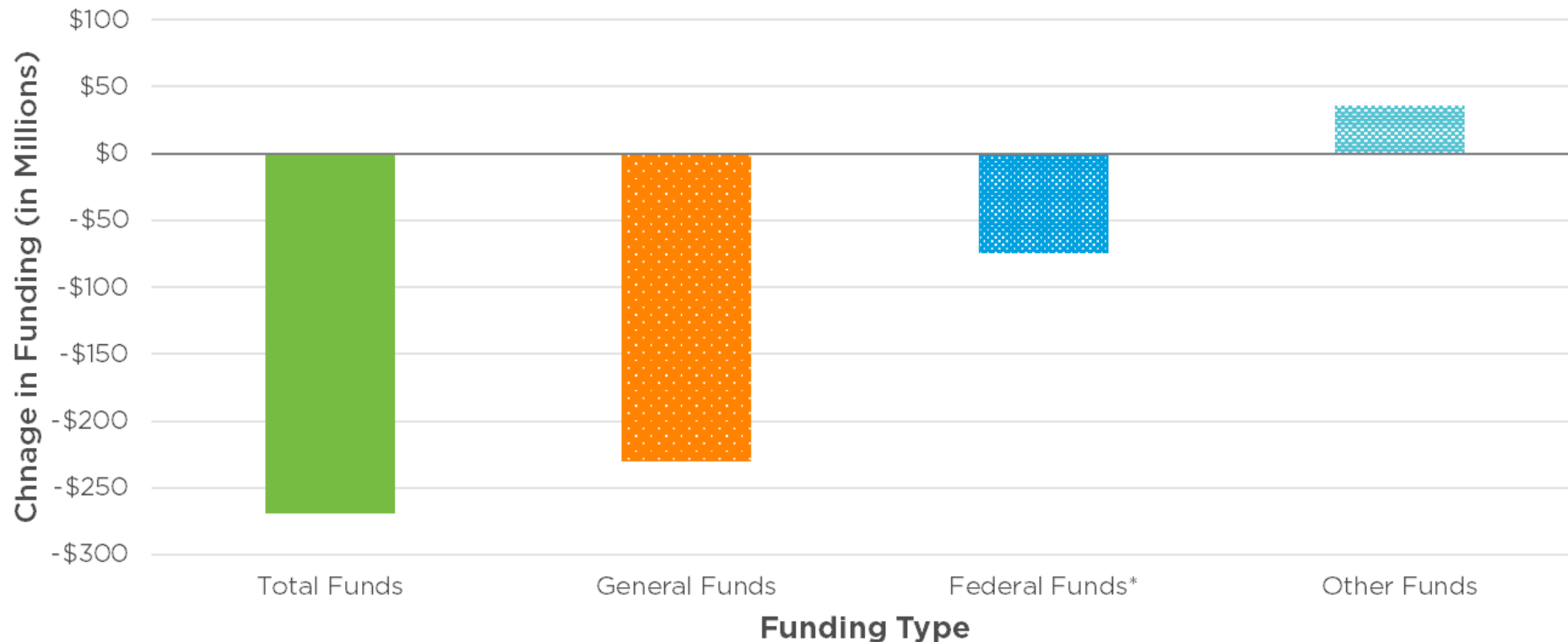
LAGREST DOLLAR CHANGES IN HOUSE BUDGET



3.8 PERCENT DECLINE FOR DHHS, INCLUDING \$46 MILLION BACK OF BUDGET REDUCTION

STATE BUDGETED FUNDING FOR THE DEPARTMENT OF HEALTH AND HUMAN SERVICES

*Change by Funding Type Between Governor's Proposal and House Finance
Committee's Proposal, NH State Fiscal Years 2026 and 2027*



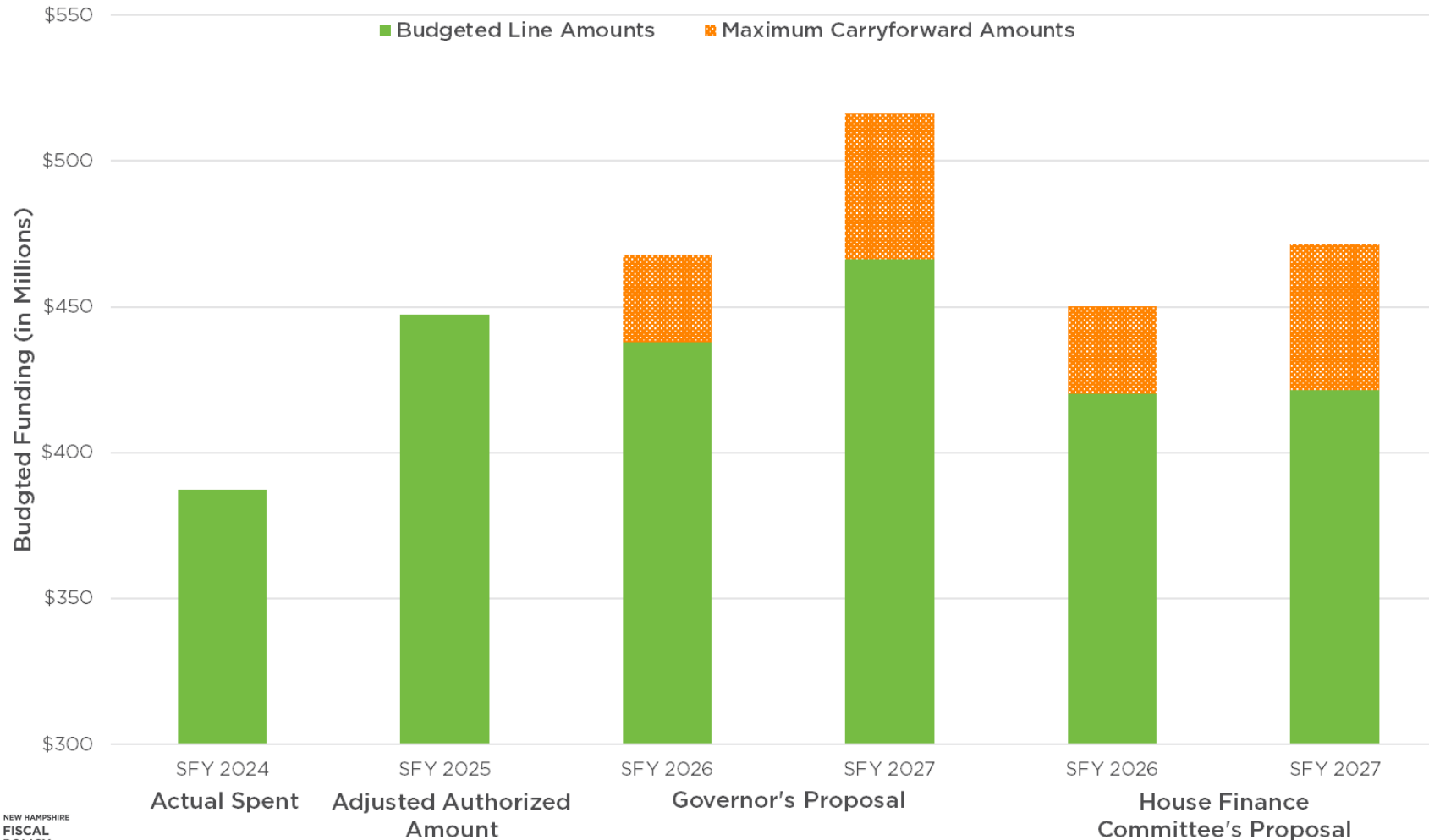
*Note: Amounts include the minimum reduction for Medicaid rate decreases and delayed managed care organization payments. These calculations assume the 50-50 federal Medicaid match.
Sources: Governor's Operating Budget for SFYs 2026-2027; 2025-1474h; 2025-1488h

3 PERCENT MEDICAID RATE REDUCTION, DELAYED PAYMENTS FOR PROVIDERS

- 3 percent rate decrease for all Medicaid service providers
 - Required General Fund reductions of \$17.5M in SFY 2026 and \$35M in SFY 2027; likely at least equal amounts in federal dollars
 - Follows 3 percent rate increase in current SFYs 2024-2025 biennium for all providers except hospitals, with targeted higher rates by service area
- Delayed MCO payments for June 2027 until the start of SFY 2028
 - General Fund savings of \$25M in SFY 2027; delayed federal fund allocations as needed
- Funding changes for the Granite Advantage Health Care Program
 - Repeal of automatic transfer from Liquor Fund to Granite Advantage Healthcare Trust Fund; allows for the use of General Funds for the program
 - Allocations of \$12.6M in SFY 2026 and \$1M in SFY 2027; assumption of \$12M in Granite Advantage premium revenue in SFY 2027

FUNDING REDUCED FOR DEVELOPMENTAL SERVICES, COUNTY FUNDING CHANGES

STATE BUDGETED FUNDING FOR DEVELOPMENTAL SERVICES



- Year-over-year growth in County contribution increased from 2 percent to 3 percent for biennium only
- Contribution increase offset by reimbursement payments to Counties for overpayments towards their share of the cost of Medicaid during the pandemic

37.5 PERCENT DECLINE FOR MENTAL HEALTH, SALE OF STATE-OWNED PROPERTY

- Community mental health funded at \$31.0M each fiscal year; total reduction of \$37.8M (37.5 percent) from Governor across biennium
- Repeal of automatic five percent transfer from Liquor Fund to Alcohol Abuse Prevention and Treatment Fund; supplied with transfer from Opioid Abatement Trust Fund for biennium only
- Elimination of funding for Friends of Aine and Choose Love; General Fund savings of about \$700K across biennium
- Funded positions at Glencliff not allocated for in Governor's proposal
- Required sale of Philbrook Center currently used as transitional housing; to be sold at estimated \$5M in SFY 2027
- Required sale of Tirrell House currently used as shelter; to be sold at estimated \$300K in SFY 2026

ELIMINATIONS AND REDUCTIONS ACROSS SEVERAL OTHER SERVICE AREAS

- **Eliminations**

- Family Planning Program; total reduction of \$3.6M for biennium
- All General Funds for Tobacco Prevention and Cessation Program; \$1.2M in savings across biennium
- Master Licensed Alcohol and Drug Counselor contract; \$3.8M General Fund savings across biennium
- Suspension of WIC Farmers' Market Program for biennium
- Removal of all funds for Prescription Drug Affordability Board

- **Reductions**

- State Loan Repayment Program (SLRP) to not accept new applicants; continued funding for current recipients
- 10 percent reduction for residential placements; \$10.8M General Fund savings across biennium
- Parental education programs within Department of Corrections; General Fund reduction of \$200K across biennium

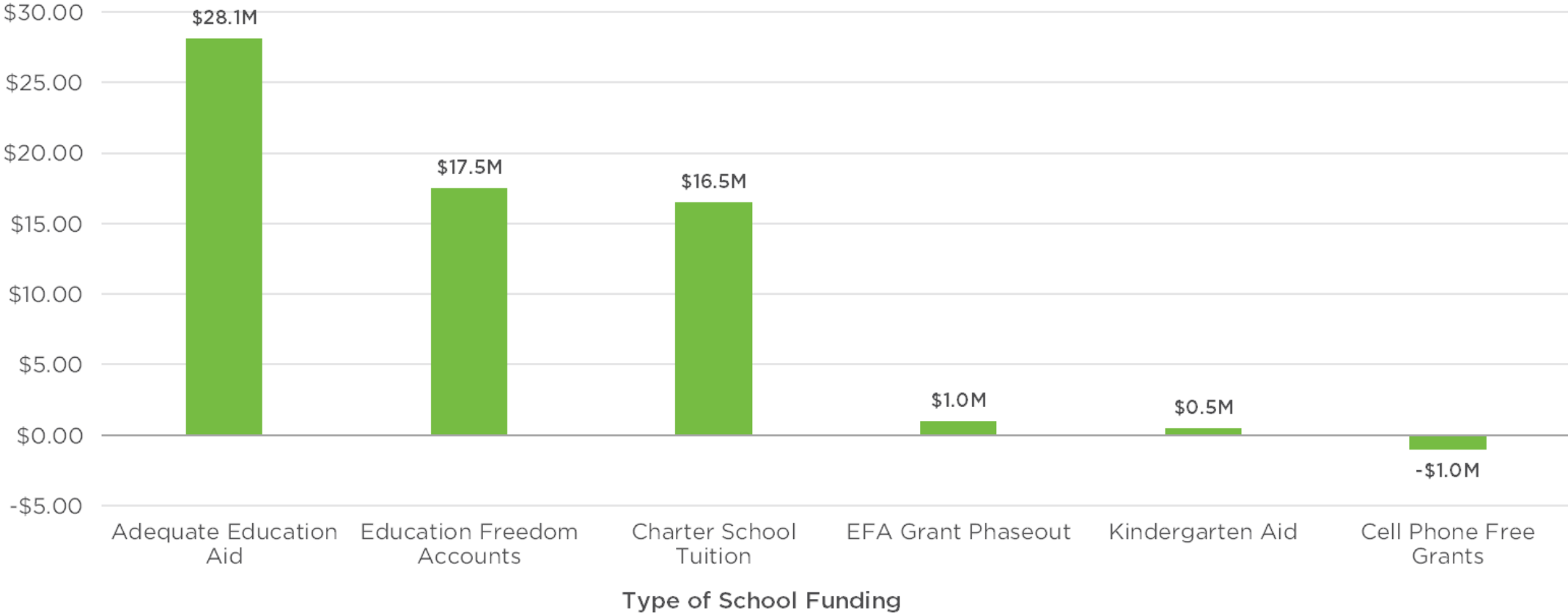
CHANGES TO HOUSING-RELATED PROGRAMS

- Funding for homelessness and housing shelter support remained the same as in the Governor's proposal
- Removed the proposed extension of funding for the Housing Champion Designation and Grant Program
 - Created the Partners in Housing Program to work with municipalities to promote construction of affordable and workforce housing; no funds allocated
- Incorporation of House Bill 60 which allows for “no cause” eviction; end of lease period is sufficient grounds for eviction
- Elimination of Housing Appeals Board, which provides alternative to Superior Court for cases related to zoning, planning, and housing-related matters; \$1.1M in savings across the biennium

CHANGES IN K-12 EDUCATION FUNDING

CHANGES IN BUDGETED EDUCATION FUNDING FROM GOVERNOR'S PROPOSAL AND THE HOUSE FINANCE COMMITTEE PROPOSAL

Includes Proposed Trailer Bill Appropriations



Sources: Governor's Operating Budget for SFYs 2026-2027; 2025-1474h; 2025-1488h

CHANGES TO ADEQUATE EDUCATION GRANTS

The based per student grant would be \$4,351 with the following increases for each qualifying for differential aid:

- \$2,441 for students eligible for free and reduced-price meals
- \$849 for students who are English language learners
- \$3,140 for students receiving special education services, a boost of about \$911 per student relative to current policy

Fiscal Capacity Disparity Aid

- Aid for municipalities with relatively low taxable property values/student
- Up to \$1,250/student with a sliding scale reduction that disappears for municipalities with more than \$1.6 million in taxable property value/student
- Added to existing Extraordinary Needs Grants that are based on both relative property values and the number of students receiving free or reduced-price meals
- Aid capped at \$3,750/student for combined Fiscal Capacity Disparity Aid and Extraordinary Needs Grants for municipalities with more than 5,000 resident students (only Nashua and Manchester currently)

EDUCATION FREEDOM ACCOUNT CHANGES IN THE HOUSE BUDGET PROPOSAL

SFY 2026 (Academic Year 2025-2026):

- 400 percent of federal poverty guideline (2025)
 - \$106,600 for a family of three
 - \$128,600 for a family of four

SFY 2027 (Academic Year 2026-2027):

- Universal Eligibility
 - Does not include Governor's proposed limitation to only include students switching from public schools

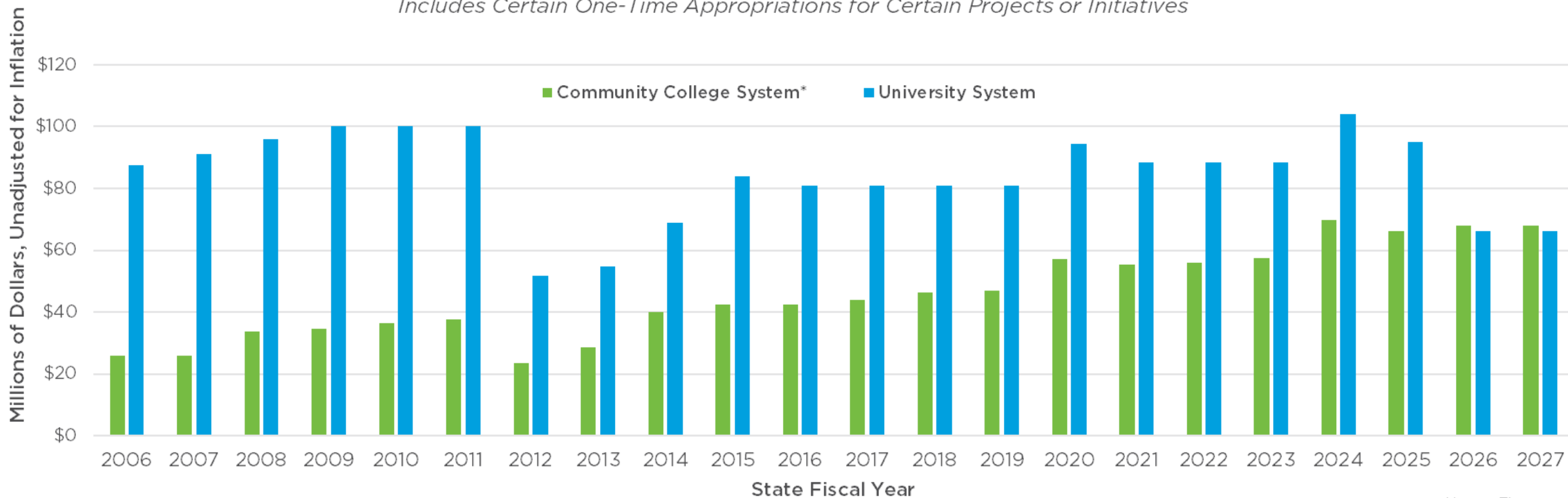
OTHER PROPOSED EDUCATION FUNDING CHANGES

- Open public school enrollment – removing geographic limits
- Proposed school budget cap removed on House floor
- Recognition of revenue from House-passed elimination of local retention of Statewide Education Property Tax funds
 - Communities raising more than they need to fund the State Adequate Education Aid through this tax will need to provide payment of the “excess” funds to the State
 - Estimated increase of \$27 million in increased revenue for SFY 2027
- Removal of 37 unneeded, vacant, or temporary positions in the Department of Education
 - Included early childhood coordinator, early childhood content expert, school nurse coordinator, and computer science administrator
 - Savings of \$7.3 million over biennium

DECREASED FUNDING FOR PUBLIC HIGHER EDUCATION

NEW HAMPSHIRE PUBLIC HIGHER EDUCATION FUNDING IN THE STATE BUDGET

Includes Certain One-Time Appropriations for Certain Projects or Initiatives



*Note: Prior to SFY 2012, the Community College System was organized differently, and its entire structure was included in the State Budget. In this graph, only General Fund line item and one-time Trailer Bill appropriations are included in the historical data.

House Finance
Committee's
Proposal

Sources: New Hampshire State Operating Budgets and Trailer Bills as Enacted; 2025-1474h; 2025-1488h

ELIMINATION OF AGENCIES AND ACTIVITIES

- Human Rights Commission (\$3.2M in General Funds, \$366,554 in federal)
- Board of Tax and Land Appeals (\$2.1M General Funds, \$237,982 other funds)
Reversed by a floor amendment in the full House
- Office of the Child Advocate (\$2.2M in General Funds)
- Housing Appeals Board (\$580,595 in General Funds)
- State Commission on Aging (\$560,864 in General Funds)
- Division of the Arts within the Department of Natural and Cultural Resources (\$1.7M in General Funds, \$2.0M in federal funds)
- State welcome centers, which would be defunded in SFY 2027 (\$2.3 million in General Funds): *Reversed by a floor amendment in the full House*
- Granite State Paid Family Leave Plan marketing requirements (\$1.4M in General Funds), with costs for advertising and administration of the program shifted to the private contractor

CORRECTIONS POSITIONS ELIMINATED, JUSTICE BACK-OF-BUDGET AND YDC FUNDS

- Eliminates 190 positions at the Department of Corrections, including 149 positions that were not identified as vacant
 - 36 at State Prison for Men, 14 more at the Northern New Hampshire Correctional Facility in Berlin
 - 7 at New Hampshire Correctional Facility for Women, 5 at Secure Psychiatric Unit
 - 12 for medical and dental services, 10 for human resources, 9 for mental health services
- Funding set aside for a settlement agreement in a single court case related to past abuse at the Youth Development Center (\$10.0M)
- Contribution to the Youth Development Center Claims Administration and Settlement Fund (\$20.0M), requirement for victim and attorney payments on same schedules
- Back-of-budget reduction for Department of Justice of \$14.7M, equivalent of 25.9% of Governor's proposed General Fund appropriation for Department next biennium

BACK-OF-BUDGET REDUCTIONS: \$95.5M IN TOTAL, \$76.8M IN GENERAL FUNDS

- Department of Health and Human Services (\$46.0M, 2.0% of General Funds budgeted by the Governor for the next biennium)
- Department of Justice (\$14.7M, 25.9% of General Funds)
- Department of Information Technology (\$10.0M, 3.6% of Other Funds)
- New Hampshire Retirement System (\$8.7M, 22.5% of Other Funds)
- Judicial Branch (\$7.9M, 3.3% of General Funds)
- Department of Environmental Services (\$6.0M, 10.9% of General Funds)
- Legislative Branch (\$1.0M, 2.3% of General Funds)
- Department of Natural and Cultural Resources (\$0.6M, 3.0% of General Funds)
- Secretary of State (\$0.5M, 6.6% of General Funds)
- Governor's Office (\$0.1M, 1.7% of General Funds)

DEI PROHIBITION, THERAPEUTIC CANNABIS, VEHICLE INSPECTIONS, MUNICIPAL AID

- DEI defined as “any program, policy, training, or initiative that classifies individuals based on race, sex, ethnicity, or other group characteristics for the purpose of achieving demographic outcomes, rather than treating individuals equally under the law,” forbids State agencies, cities, towns, schools, and counties from implementing DEI-related initiatives or activities, including trainings, policies, hiring or contracting preferences
- Therapeutic cannabis “alternative treatment centers” could be operated as for-profit entities, currently limited to non-profit organizations
- Removes annual motor vehicle safety and emissions inspection requirements, reduces State Highway Fund revenue by nearly \$5M
- Freezes municipal aid through Meals and Rentals Tax distribution at \$137M per year, rather than percent of revenue, \$11.2M less than Governor planned during biennium

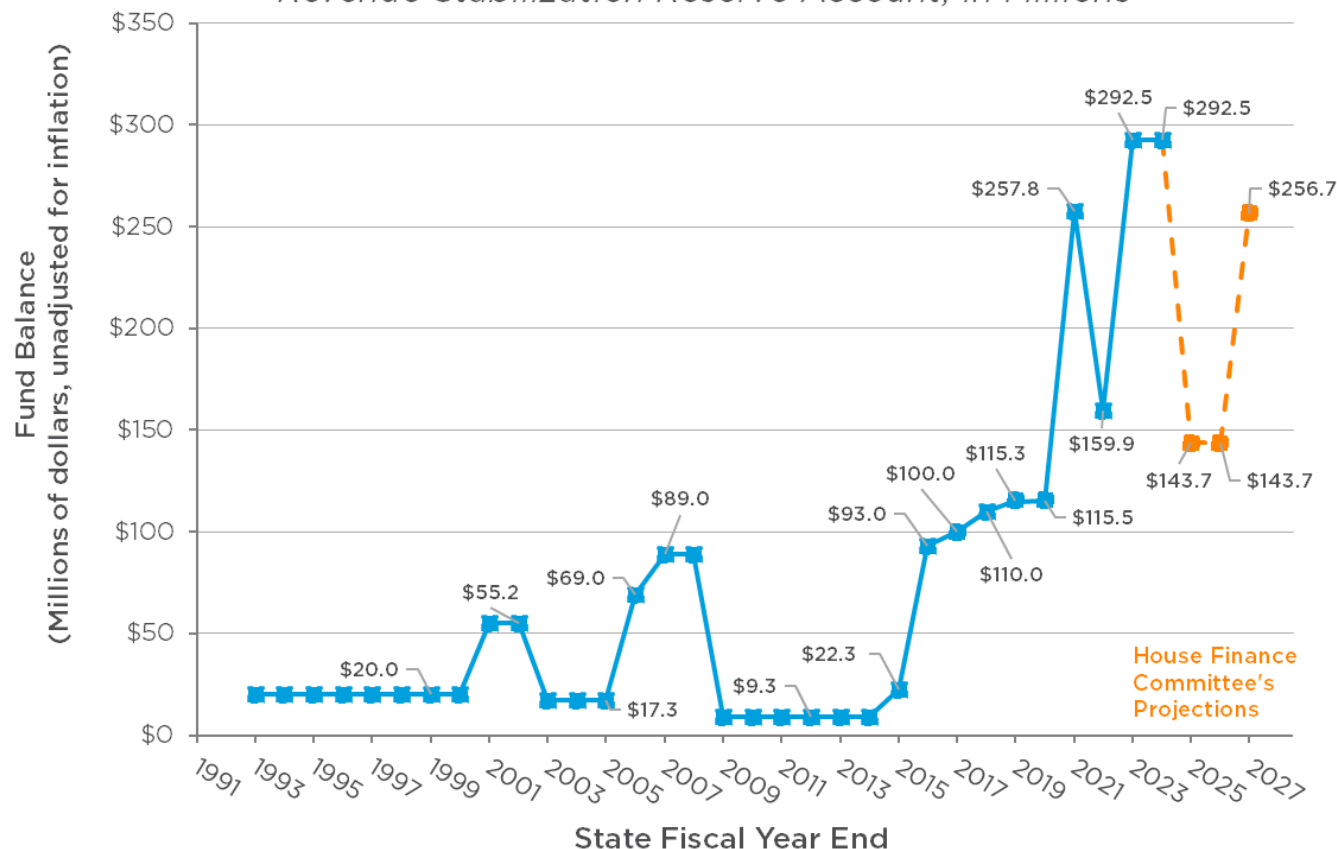
PASSED AMENDMENTS TO THE HOUSE FINANCE COMMITTEE'S PROPOSAL FROM HOUSE FLOOR

- Membership-based or private pay health facilities, allowed to not provide care for all who require services regardless of payment source, and patients bill of rights for these facilities
- Multi-occupant bathroom facilities, sporting events, corrections facilities can direct use based on biological sex
- Specifically labels firearms made in NH and restricts sale outside state to avoid regulation by the federal government due to the interstate commerce clause
- Removes immunity, adds liability to reporters of child neglect or abuse if knowingly false
- Annual verification of voter checklists required (current law 10 years)
- Removal of State immunization requirements for Hepatitis B, Haemophilus influenzae type B (Hib) vaccinations after June 2026 and repeals certain rulemaking authority related to communicable diseases
- Removes proposed repeal of the Board of Tax and Land Appeals, proposed Group III retirement, school budget cap, and statewide Keno legalization
- Restores funding for advertising to potential tourists and welcome centers

DRAWING FROM, AND THEN CONTRIBUTING BACK TO, RAINY DAY FUND

RAINY DAY FUND BALANCE

Revenue Stabilization Reserve Account, In Millions



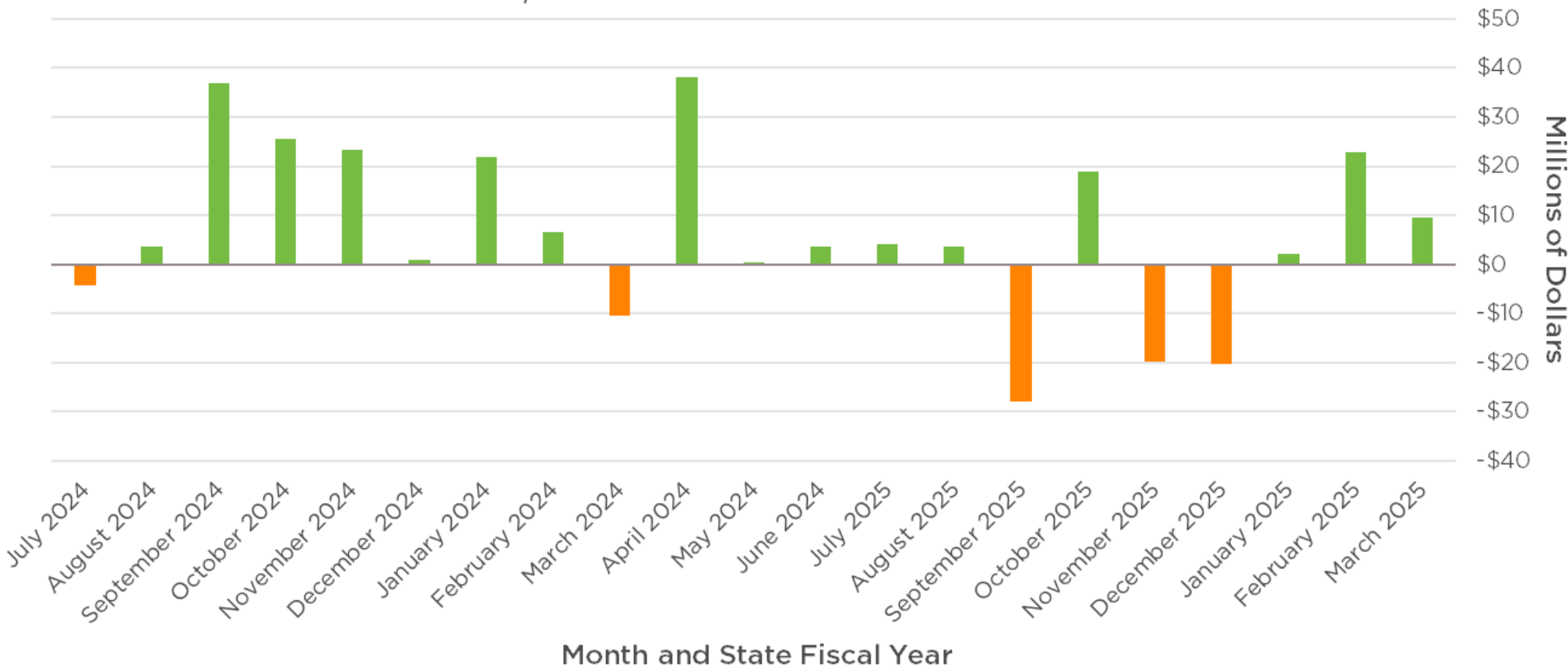
Sources: New Hampshire Annual Comprehensive Financial Reports, SFYs 2023-1997; Governor's Executive Budget Summary, February 2025; Office of Legislative Budget Assistant, Comparative Statement of Undesignated Surplus, 4.3.2025

- Governor projected drawing \$81M from “Rainy Day Fund” (RDF) to balance budget on June 30, 2025
- House Finance Committee’s lower revenue projections boost that expected drawdown to \$148.8M, bringing RDF from \$292.5M to \$143.7M
- Governor projected to put \$10.5M back into RDF at the end of the biennium in June 2027, total would be \$222.0M
- Committee would leave \$113M in General Funds unappropriated, transfer it to RDF, bring total balance to projected \$256.7M
- House floor appropriations leave \$96.8M for RDF, lower than Committee’s \$113M

FEBRUARY, MARCH REVENUES ABOVE TARGET, PRIMARILY DUE TO INSURANCE PREMIUM TAX

GENERAL AND EDUCATION TRUST FUND CASH REVENUES RELATIVE TO PLANNED AMOUNTS BY MONTH

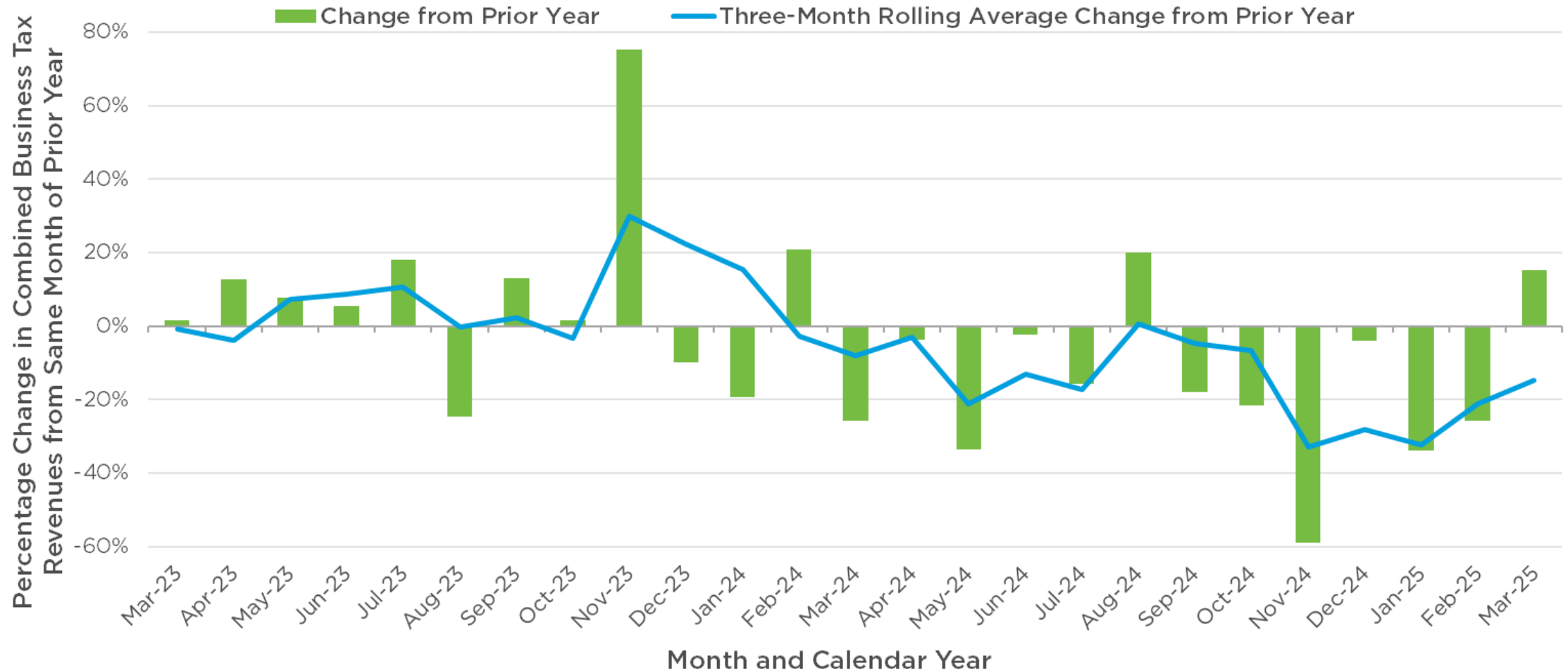
New Hampshire General and Education Trust Funds



APRIL BUSINESS TAX REVENUES KEY

CHANGES IN COMBINED BUSINESS TAX REVENUES FROM PRIOR YEAR

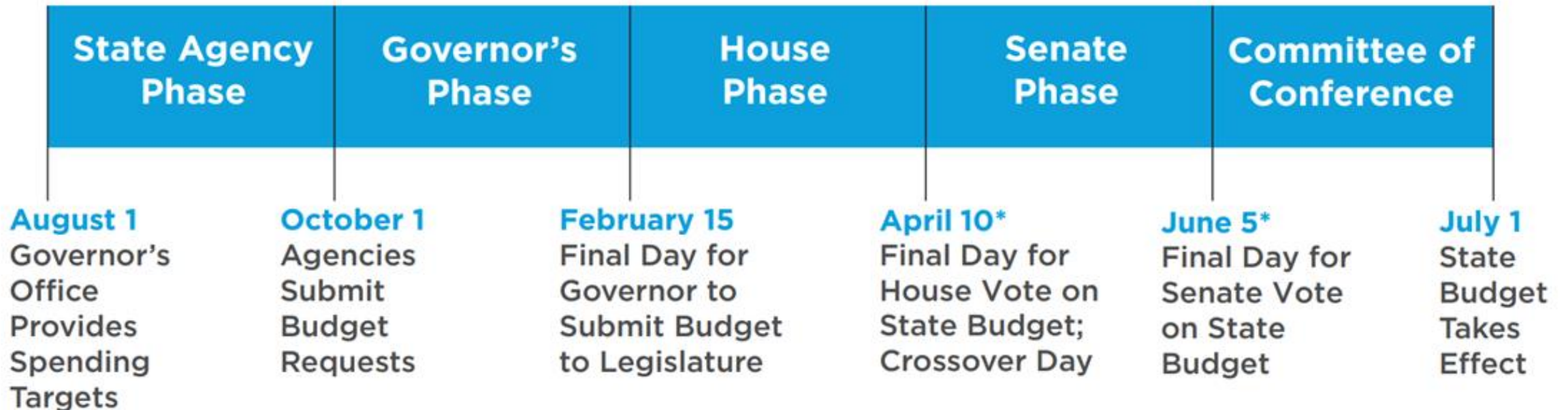
Cash Basis, Combined New Hampshire Business Profits and Business Enterprise Taxes



Sources: New Hampshire Department of Administrative Services Monthly Revenue Focus Reports

SENATE: WAYS AND MEANS WILL FORECAST REVENUE, FINANCE WILL CRAFT BUDGET

State Budget Process Timeline



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

ADDITIONAL RESOURCES

- Newsletter: The latest New Hampshire economic research and fiscal analysis – delivered straight to your inbox each week: <http://nhfpi.org/subscribe/>
- Report: The Governor’s State Budget Proposal for Fiscal Years 2026 and 2027 – March 12, 2025: <https://nhfpi.org/resource/the-governors-state-budget-proposal-for-fiscal-years-2026-and-2027/>
- Webinar: Examining the State Budget 2025 Webinar Series – February 21, 2025: <https://nhfpi.org/events/examining-the-state-budget-2025-webinar-series/>
- Blog: House Finance Committee State Budget Reduces Funding by About \$643 Million from Governor’s Proposal, Leaves \$113 Million for Rainy Day Fund – April 5, 2025: <https://nhfpi.org/blog/house-finance-committee-state-budget-reduces-funding-by-about-643-million-from-governors-proposal-leaves-113-million-for-rainy-day-fund/>
- Publication: New Hampshire Policy Points, Second Edition – December 6, 2024: <https://nhfpi.org/nhpp/>
- Resource Pages: Budget <https://nhfpi.org/topic/budget/>



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

PHONE: 603.856.8337

WEBSITE: www.nhfpi.org

EMAIL: info@nhfpi.org

TWITTER: @NHFPI

FACEBOOK: NewHampshireFiscalPolicyInstitute

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QUESTIONS AND ANSWERS

VOICES OF FAITH

PRESENTED BY PHIL SLETTEN, NHFPI RESEARCH DIRECTOR

APRIL 11, 2025