



THE NEW HAMPSHIRE STATE BUDGET: AN UPDATE DURING THE SENATE PHASE

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MAY 15, 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, about 32 percent federal funds

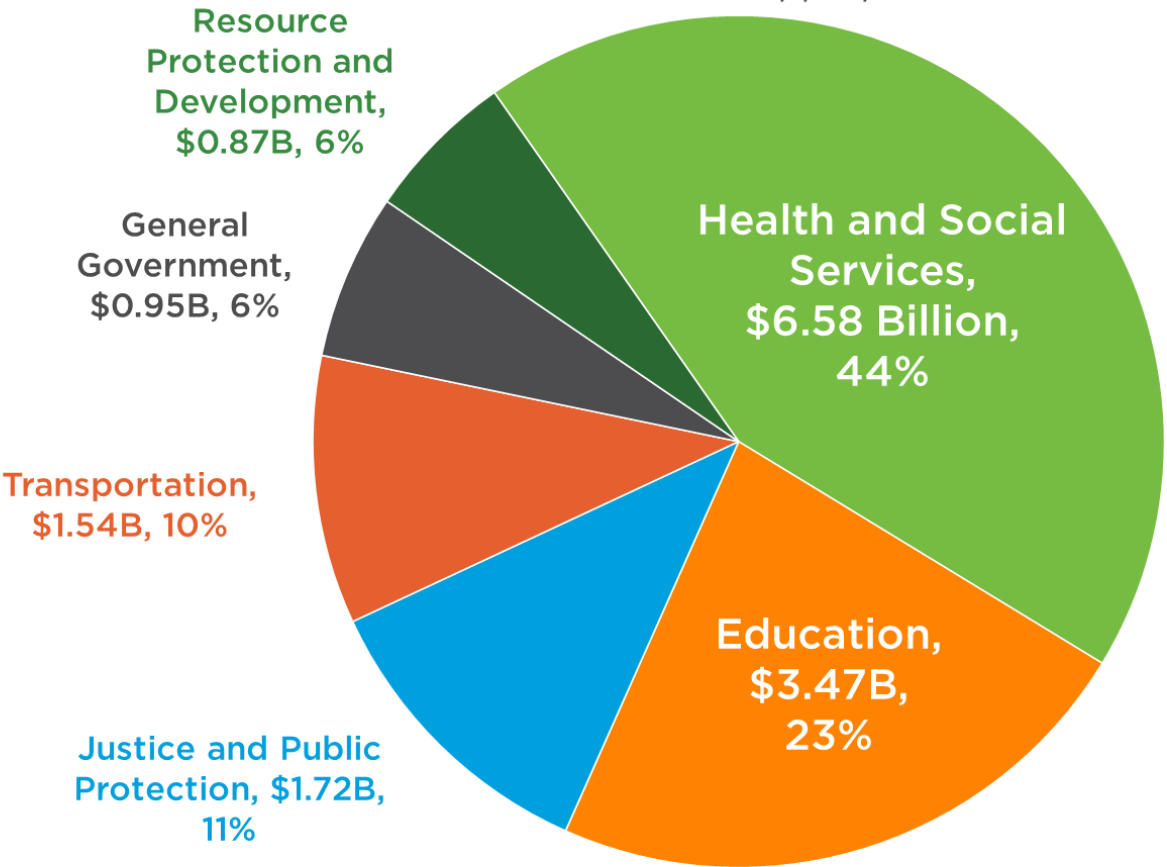
Comprised of Two Separate Pieces of Legislation

- 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*

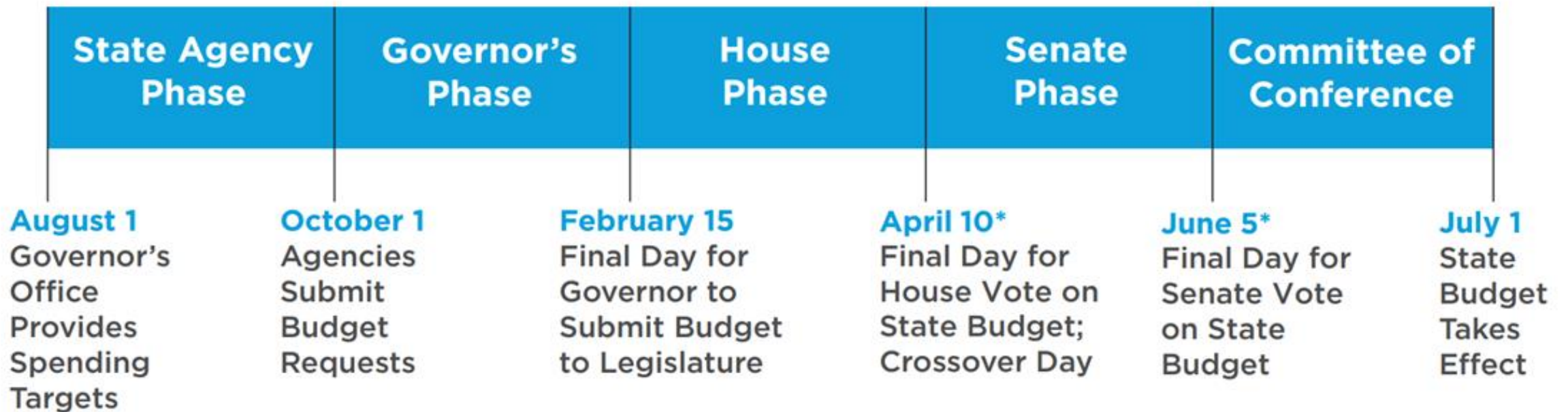


Note: General Government includes HB 2 appropriations for the Affordable Housing Fund, InvestNH, and all State employee pay raises defined by and funded through appropriations made in House Bill 2, as amended by the House.

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

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.

CHALLENGES IN CURRENT BUDGET CYCLE

- Interest and Dividends Tax (\$184.6 million to General Fund, or 8.8 percent of General Fund revenues, last fiscal year) repealed effective January 2025
- 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

THE GOVERNOR'S BUDGET PROPOSAL

- Generally, the Governor's proposal would keep most operations funded near to their current levels, adjusted for cost increases, with some specific shifts
- NH Retirement System: increasing benefits for certain police and firefighting employees with benefits altered after modifications to benefit policies in 2011, \$32.9 million added
- 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 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
- Decreasing budgeted funding for the University System of New Hampshire
- Establishing a Solid Waste Site Evaluation Committee
- Funded budget proposal with new Video Lottery Terminal revenue and relatively favorable revenue projections
- No funding for the Youth Development Center settlements or lawsuits, the new State prison for men, or possible changes to federal funds or education funding

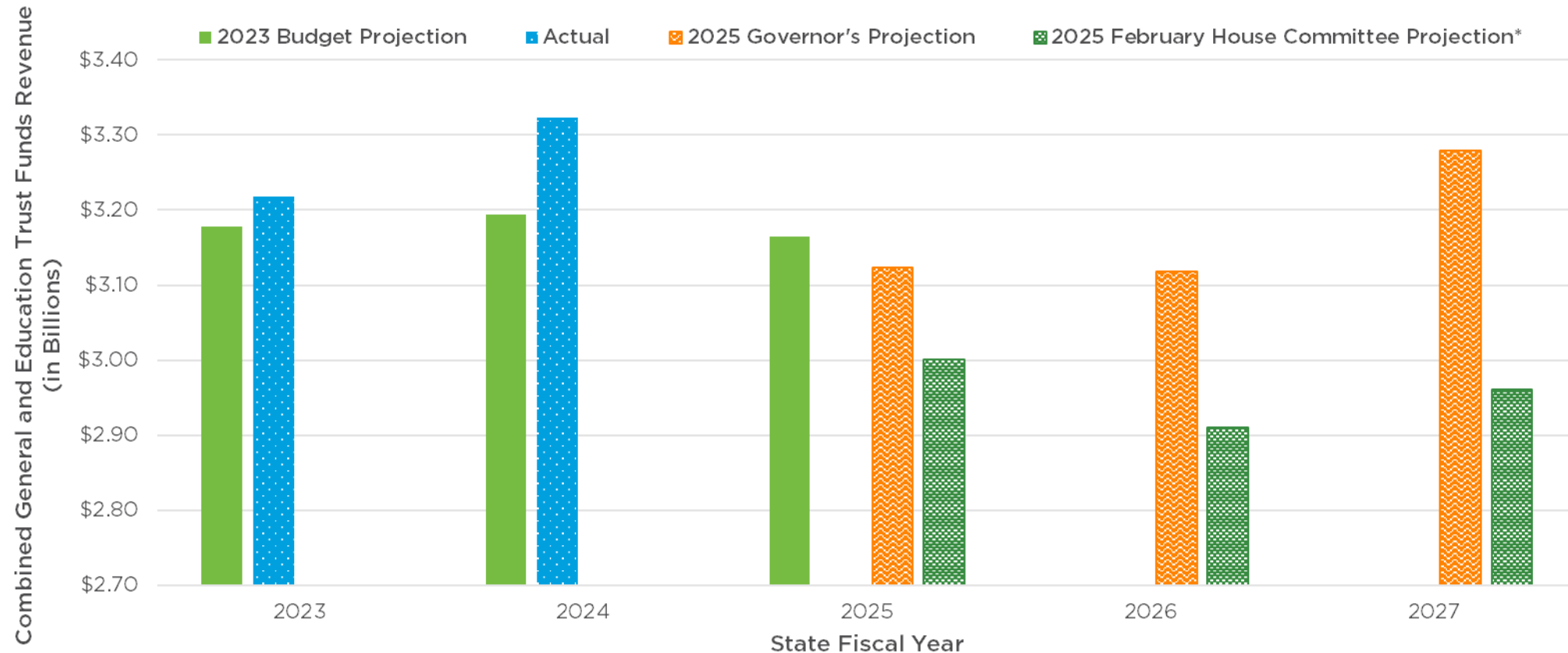
GOVERNOR'S BUDGET HEALTH POLICY CHANGES

- Boosting to uncompensated care funding at community mental health centers
- Requiring Medicaid premiums for Granite Advantage enrollees (100-138% federal poverty guidelines) and Children's Health Insurance Program (255-323%) of up to 5% of income, and increased copayments for prescription drugs to \$4
- Increasing funding for housing shelter services, with new funding targeting substance use disorder needs in housing service provision
- Increasing funding for nursing facilities (23.4% in first year, 7.4% in second year)
- Decreasing budgeted funding for the Choices for Independence Medicaid waiver program for older adults and adults with physical disabilities (11.6% lower in first year, then 7.6% gain in second year)
- Drawing on dedicated funding for developmental services carried forward from unspent funds in prior years
- Lower payments to hospitals for uncompensated care due to an existing lack of agreement about Medicaid Enhancement Tax funding, a drop of \$138.3 million (61.0%) between SFY 2025 and 2026
- Hampstead Hospital removed from the State Budget due to external contract agreement

FROM GOVERNOR'S TO HOUSE'S REVENUE PROJECTIONS: \$513.5 MILLION DECLINE

STATE REVENUE PROJECTIONS AND ACTUAL REVENUES

New Hampshire Combined General and Education Trust Funds



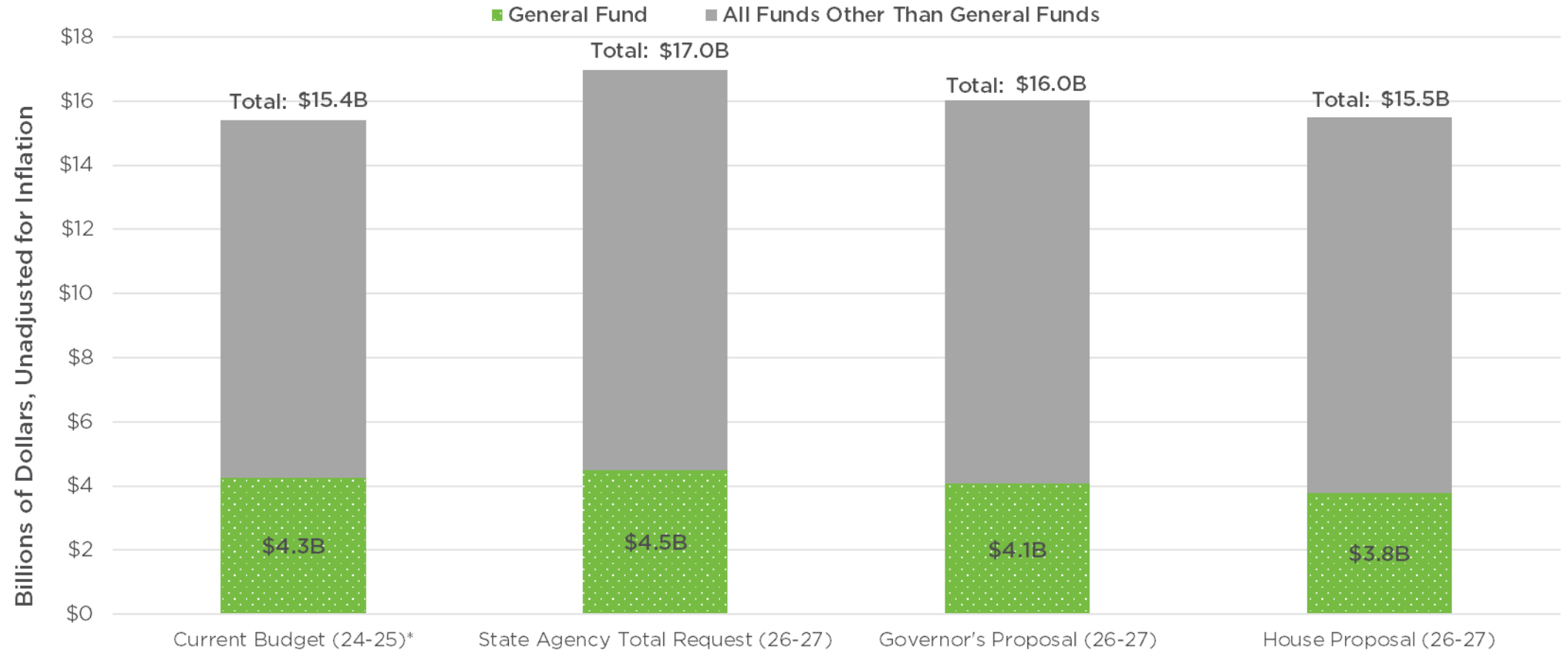
*Projection from the New Hampshire House Ways and Means Committee on February 12, 2025.

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

TOPLINE FUNDING CHANGES BY BUDGET

NEW HAMPSHIRE STATE BUDGET APPROPRIATIONS BY ITERATION

Adjusted for Accounting Differences Relative to Current Budget



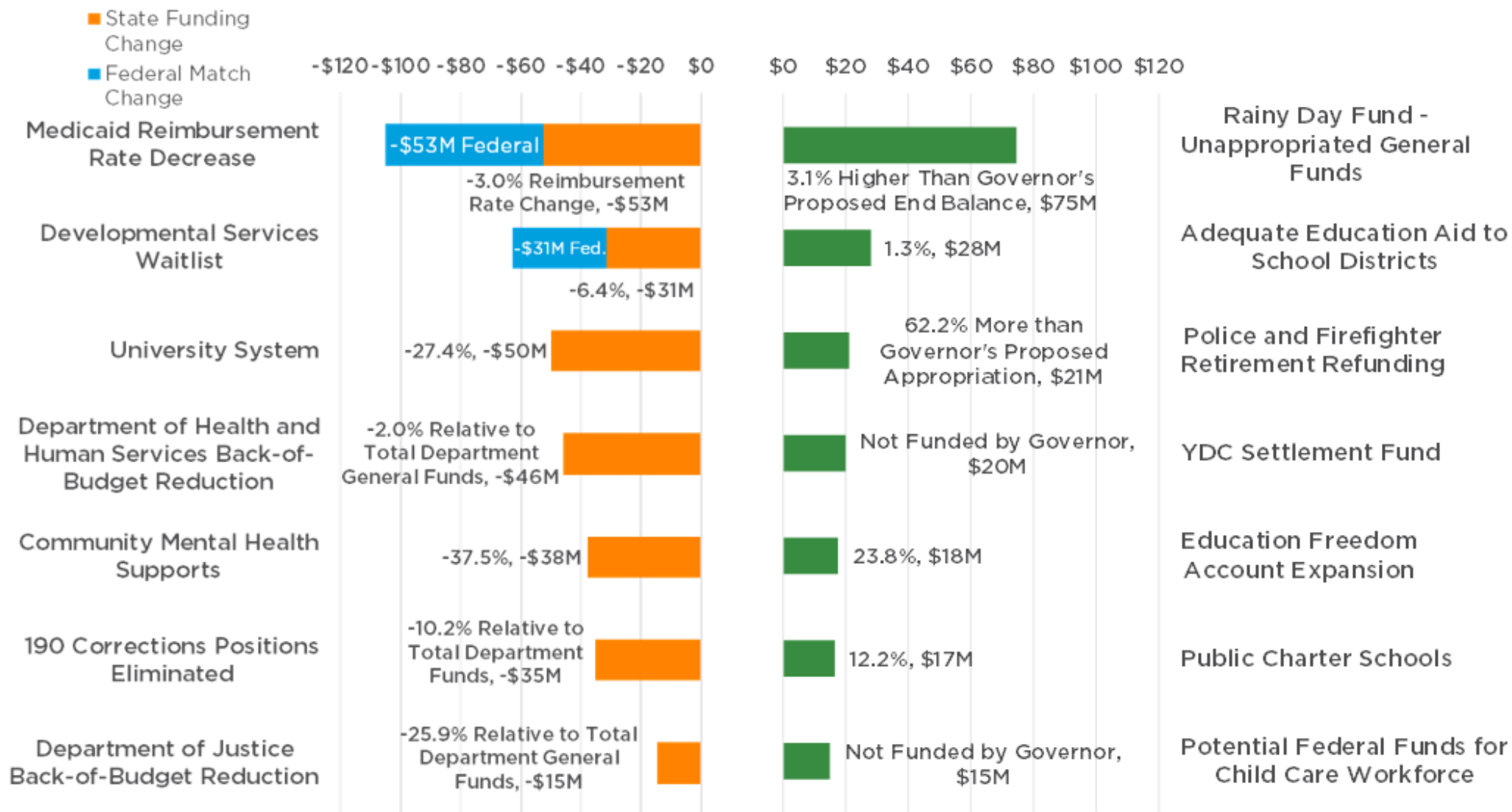
Budget Iteration and State Fiscal Years

Notes: *Adjusted to include Municipal Revenue Sharing through the Meals and Rentals Tax, which is accounted for in other proposals here, for appropriate comparison.
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; Office of Legislative Budget Assistant, Surplus Statements and Compare Reports, April 11, 2025

LARGEST HOUSE FUNDING CHANGES RELATIVE TO GOVERNOR'S BUDGET PROPOSAL

New Hampshire State Budget Proposals, State Fiscal Years 2026-2027



Note: Delayed payments to Managed Care Organizations not included in funding reductions.

Sources: Office of Legislative Budget Assistant, House vs. Governor Compare Report and Surplus Statements, April 11, 2025

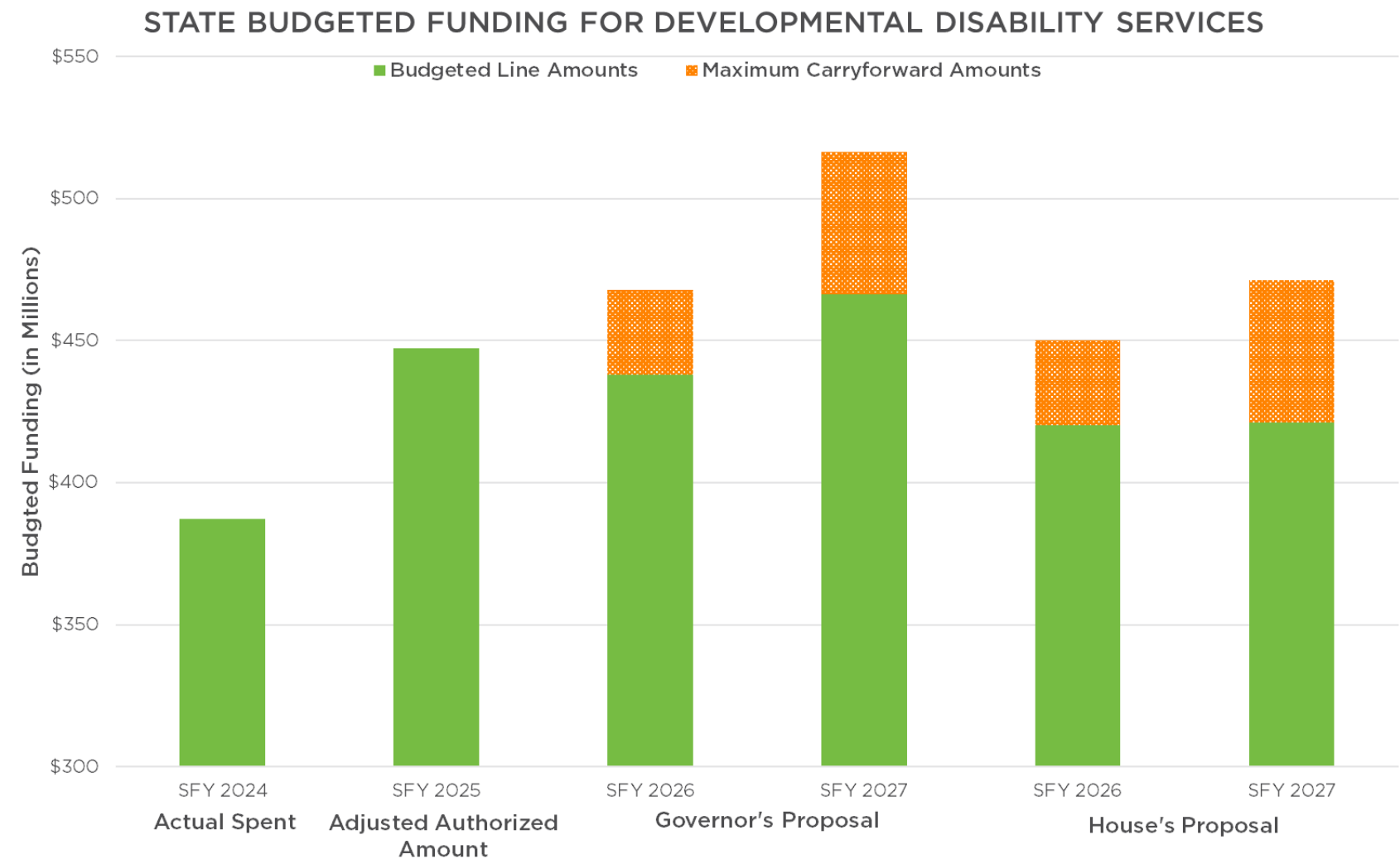
3 PERCENT MEDICAID RATE REDUCTION, DELAYED PAYMENTS FOR PROVIDERS

- 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

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%) from Governor across biennium
- Repeal of automatic five percent transfer from Liquor Fund to Alcohol Abuse Prevention and Treatment Fund; supplanted 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

DEVELOPMENTAL SERVICES FUNDING DECLINE



- State has identified 278 people expected to age out of schools soon who would be in need of services and likely be waitlisted under House-proposed funding levels
- Carryforward amount split across developmental disability, acquired brain disorder, and in-home supports Medicaid waiver services unknown

OTHER HEALTH FUNDING, POLICY CHANGES

- Establishment of incentive program for Medicaid recipients to seek lowest cost outpatient procedure care when appropriate, as well as research study on Adult Dental Program

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 Counselors contract; \$3.8M General Fund savings in biennium
- Suspension of WIC Farmers' Market Program for biennium
- Project Walk contract; \$480K General Fund savings across biennium
- Removal of all funds for Prescription Drug Affordability Board
- Termination of Medicaid to Schools Program if current parental consent policies are changed at the federal or state level

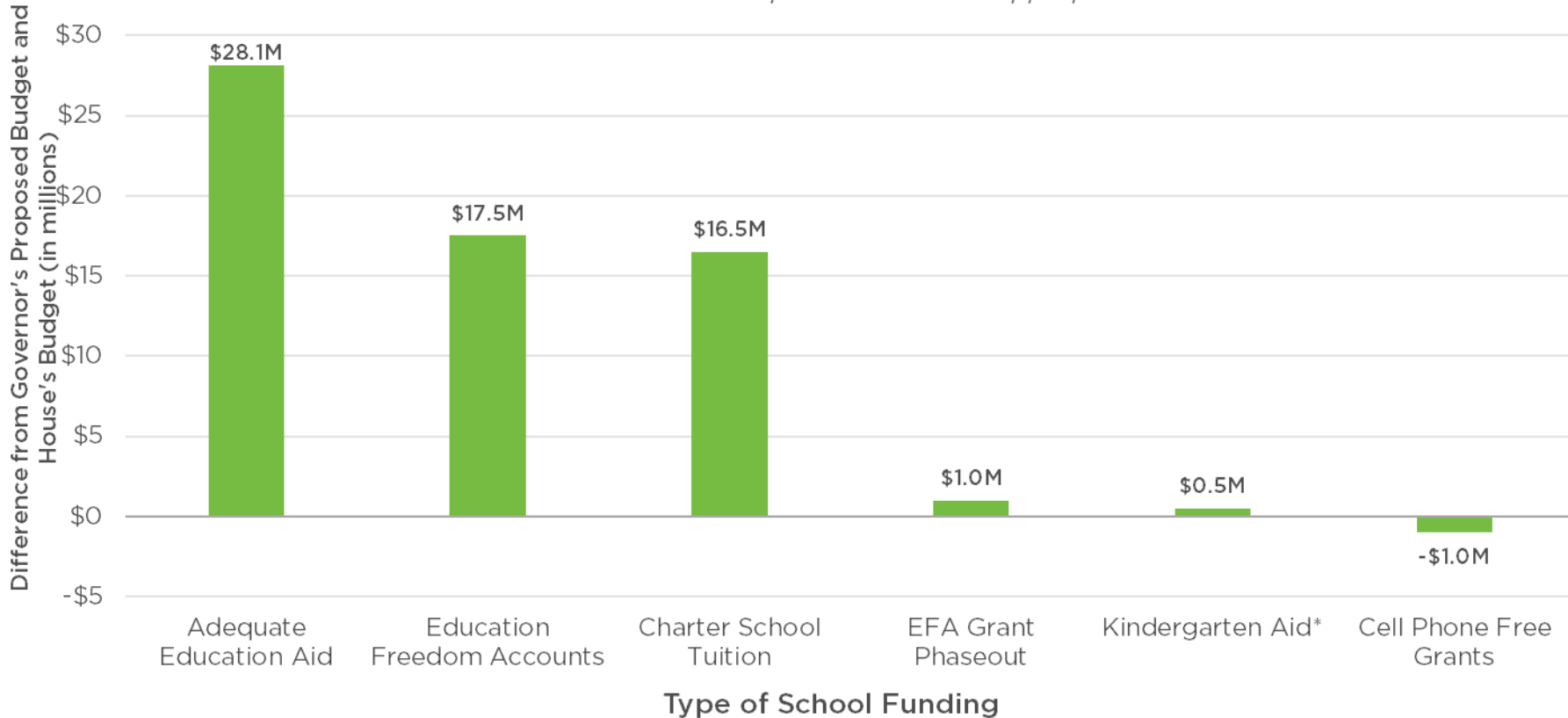
Reductions

- State Loan Repayment Program (SLRP) to not accept new applicants; continued funding for current recipients
- 10% reduction for youth residential placements; \$10.8M General Fund savings in biennium

CHANGES IN K-12 EDUCATION FUNDING

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

Includes Proposed Trailer Bill Appropriations



*Note: Kindergarten aid added for Bedford, which recently adopted full-day kindergarten, and added to the Surplus Statement for SFY 2026. This aid was incorporated into the Adequate Education Aid budget lines for SFY 2027.

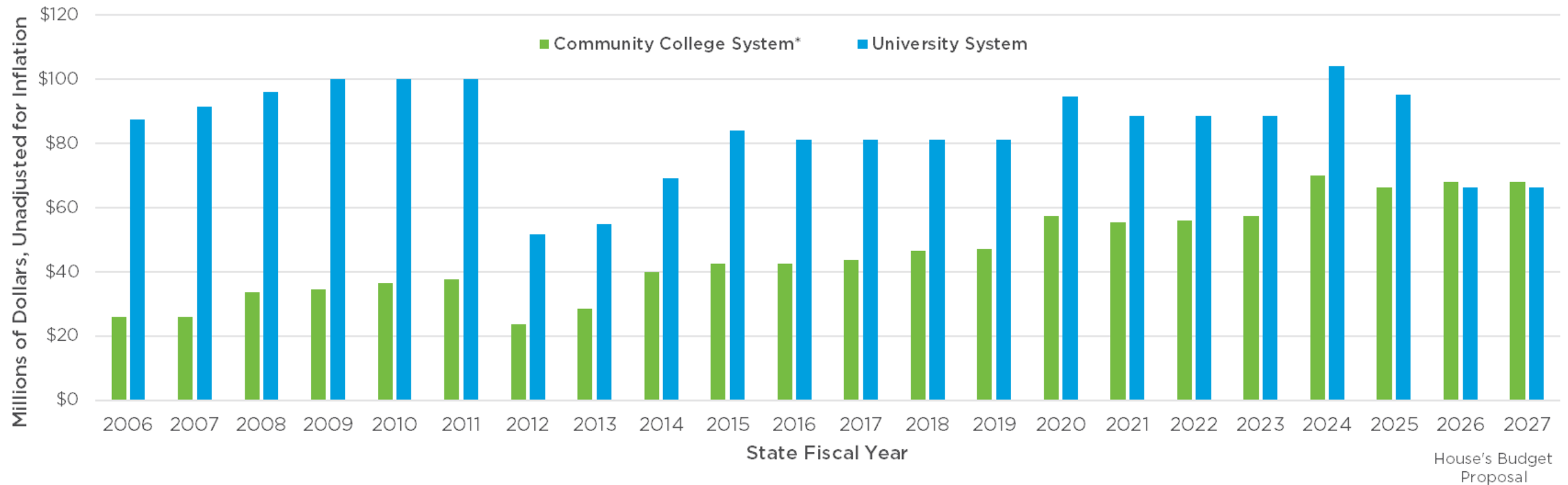
Sources: Governor's Operating Budget for SFYs 2026-2027; HB 1 as Amended by the House and HB 2 as Amended by the House,

- Added funding for public school districts with lower property values per student
- Expanded Education Freedom Account access beyond Governor to include all students of any income in the second year
- Increased funding for charter schools
- Assumes State revenue collection from high property-value communities
- Caps certain funding for large districts

DECREASED FUNDING FOR PUBLIC HIGHER EDUCATION, LARGEST AT UNIVERSITY SYSTEM

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.

Sources: New Hampshire State Operating Budgets and Trailer Bills as Enacted; HB 1 as Amended by the House and HB 2 as Amended by the House, 2025 Session

HOUSE ELIMINATED AGENCIES, ADDED POLICIES

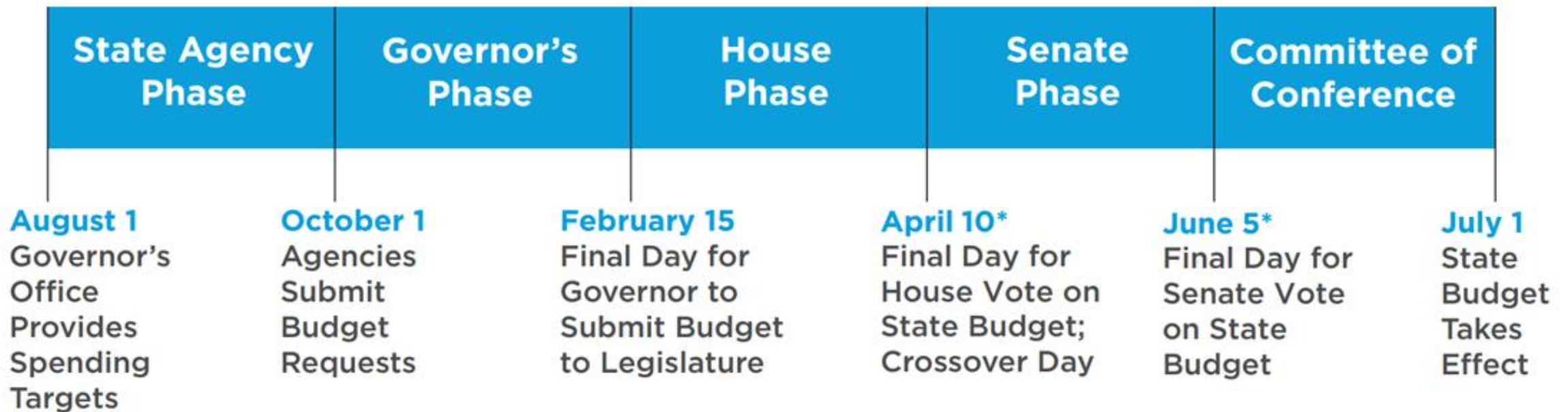
- House Budget would defund and repeal the Office of the Child Advocate, the Human Rights Commission, the Housing Appeals Board, State Commission on Aging, Division of the Arts within the Department of Natural and Cultural Resources, and advertising and certain administrative costs for the Granite State Family Leave Plan
- Expands gaming to generate estimated \$199.1 million for education, increases 90 fees
- Attached 35 policy bills, including:
 - Requiring open enrollment for school districts, and districts to make counts of available spots public
 - Permitting therapeutic cannabis “alternative treatment centers” to be operated as for-profit entities
 - Removal of State immunization requirements for Hepatitis B, Haemophilus influenzae type B (Hib) vaccinations after June 2026, repeals certain vaccination rulemaking authority
 - Altering laws related to firearms sold only within the state
 - Specifies multi-occupant bathroom facilities, sporting events, corrections facilities can direct use based on biological sex without violating State discrimination laws
 - Certain prohibitions on diversity, equity, and inclusion funding for State, local governments, and school districts, with State school district funding potentially stopped
 - Permitting evictions at the end of a rental lease without other cause
 - Removing State motor vehicle inspections
 - 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

BACK-OF-BUDGET REDUCTIONS: \$95.5M IN TOTAL, UNSPECIFIED IMPACTS

- 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)

NOW IN SENATE PHASE, HOUSE PHASE POLICIES MAY RETURN FOR CONFERENCE COMMITTEE

State Budget Process Timeline

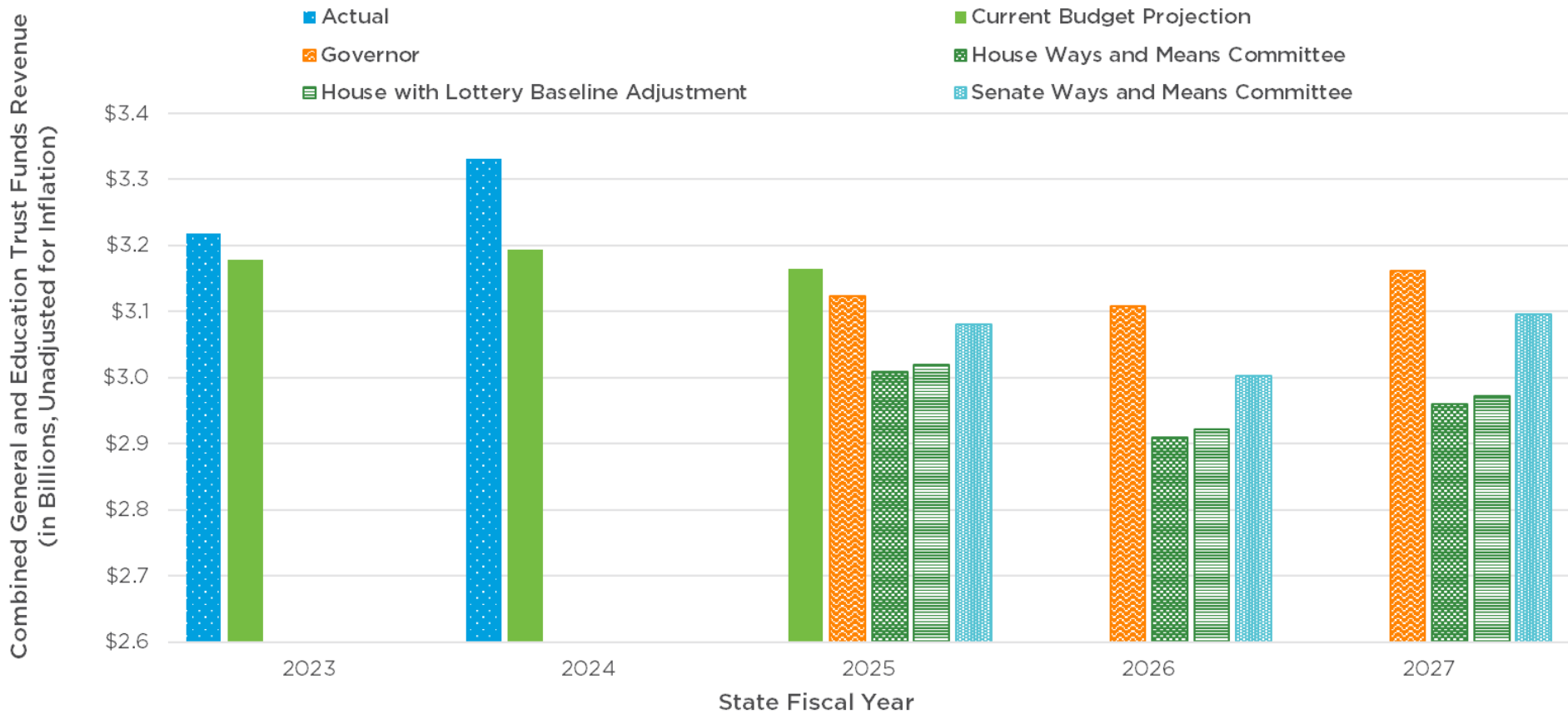


*Dates set by legislative leadership each session; all other dates specified in statute.

SENATE PROJECTED ABOUT \$265M MORE THAN HOUSE IN REVENUES OVER THREE YEARS

STATE REVENUE PROJECTIONS AND ACTUAL REVENUES

New Hampshire Combined General and Education Trust Funds



Note: The House Finance Committee adjusted current policy lottery revenue projections up relative to House Ways and Means Committee projections.
Sources: New Hampshire Department of Administrative Services, Annual Comprehensive Financial Report, SFY 2024; New Hampshire Office of Legislative Budget Assistant, House Finance Division II Estimate of Lottery Revenues (FY 2025-2027), March 31, 2025, and Senate Ways & Means Revenue Estimate Worksheets, May 7, 2025

EARLY IN SENATE FINANCE COMMITTEE PROCESS, SIGNIFICANT CHANGES MADE

- Removed 3 percent Medicaid reimbursement rate reduction
- Restored funding for Developmental Services to Governor's proposed levels
- Returned funding for Community Mental Health Supports to Governor's proposed levels
- Removed several attached policy bills from the State Budget Trailer Bill that exist as separate bills, including:
 - Open enrollment in school districts
 - Permitting restrictions on bathroom use and sports activities based on biological sex
 - Lease termination as sufficient reason for eviction
 - Certain energy policy changes
 - Cell phone use policy in schools
 - Electioneering and voter checklist provisions
 - In-state firearms and legality of carrying weapons

KEY TAKEAWAYS

- The New Hampshire State Budget funds most operations for a two-year period, totaling over \$15 billion in appropriations, organized by categories and funds
- Process for building State Budget typically includes five phases, currently in Senate phase, which is second-to-last in usual process
- Repeal of the Interest and Dividends Tax and key potential expenses, particularly related to YDC, have made this budget cycle more challenging
- Federal funding supports about one-third of the State Budget
- Governor's budget would maintain most agency budgets, with relatively few significant changes in either direction and favorable revenue estimates
- House recommendations would substantially reduce services, particularly Medicaid and mental health budgets, eliminate certain agencies and operations, and enact more attached non-financial policies
- Senate Finance Committee policy decisions just beginning, but key health funding restored early, higher revenue estimates enable more expenditures

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/>
- Report: The House of Representatives State Budget Proposal for Fiscal Years 2026 and 2027 – April 21, 2025: <https://nhfpi.org/resource/the-house-of-representatives-state-budget-proposal-for-fiscal-years-2026-and-2027/>
- Webinar: Examining the State Budget 2025 Webinar Series: <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/>
- Resource Pages: Budget <https://nhfpi.org/topic/budget/>



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